



FirstCaribbean
International Bank

Public Private Partnerships – Building on Early Lessons

May 2013

I. Our Infrastructure (& Related PPP) Focus

II. PPP Projects & Credit Considerations

III. PPPs - Building on Early Lessons

- ▲ CIBC FirstCaribbean has been actively involved in infrastructure transactions in the region, some of which were structured as public-private partnerships (PPP)
- ▲ As a result of the Group Strategic Planning process in 2012, expansion of CIBC FirstCaribbean's Infrastructure Lending capability was identified as a core strategy
- ▲ The bank has been involved in financing infrastructure – airports, ports, power (conventional and renewable and utilities – a minority of these transactions are really PPPs
- ▲ Dating back as far as 2006, the Bank became involved in what was perhaps one of the first major PPP transactions financed in Barbados – Barbados Prisons – BOLT structure
- ▲ Recently we have started to see more PPP structured transactions and secured mandates for two cruise ports, and a social housing project structured as a PPP
- ▲ The Bank has also arranged Infrastructure Conferences in the region (Bahamas 2013) and Trinidad (Jun 03rd and 04th 2014) to increase focus on infrastructure pipeline development

▲ Sponsors

- Good track record
- Access to capital
- Demonstrated willingness to stand behind projects

▲ Counterparties

- Strong off-taker (investment grade ideal)
- Experience and reputable contractors/operators

▲ Contractual/Regulatory Structure

- Contracted cash flows
- Clearly defined contractual framework
- Regulated asset

▲ Other Attributes

- Proven technology
- Established operating history
- Monopoly-like characteristics

Definition of Infrastructure

Economic Infrastructure

Transportation

- Roads/Highways, Bridges, Airports
- Parking Authorities
- Ports, Port Terminals

Power and Utilities

- Energy Generators
- Non-Renewables/Renewables
- Distribution/Transmission
- Pipelines
- Water/Wastewater

Other

- Broadcast/cellular towers

Social Infrastructure

Education

- School boards
- Universities/Colleges

Healthcare

- Hospitals
- Long-Term Care Facilities

Other Accommodation Facilities

- Courthouses / Prisons
- Recreation Facilities
- Government Buildings



**Barbados Correction
Corporation**

September 2006
US\$162,000,000
Secured Credit Tenant
Notes

Financial Advisor



Description (Social Infrastructure – Correctional Facility)

Government of Barbados entered an Implementation Agreement for the build, own, lease and transfer (BOLT) of the new correctional facility. The Borrower (SPV) entered into a 25 year facility lease agreement with Government and an EPC Contract with an international infrastructure provider for construction

PPP Consideration

- BOLT transaction

What made this deal bankable

- Then investment grade off-taker
- Established contract (25 year lease mitigating construction risk)
- Experienced contractor with track record
- Well established capital market for 25 year leased backed notes based on credit



TCI Hospitals Project
January 2008
US\$118,610,721
Project Term Loan, MES
Term Loan and Equity
Bridge Loans

Sole Arranger



Description (Social Infrastructure- Health Care)

Borrower is SPV of Interhealth Canada Limited established for the design, financing, construction of two hospitals on Grand Turk and Providenciales, followed by the provision of hard and soft facilities management services and clinical services for a period of 25 years. Financing was approx US\$118 Million, consisting of Senior, Mezzanine, and Subordinated Debt and Equity.

PPP Consideration

- Design Build Finance Operate (DBFO) transaction
- Awarded 2008 Latin American Public Private Partnership Deal of the Year

What made this deal bankable

- Leverage (senior debt around 50% total funding)
- Insulation of infrastructure risk (Bank's) from clinical services risk
- Contract long enough to amortize debt (25 years)
- Sufficient credit strength of sovereign
- Performance bonds/completion guarantees, letter of credit backed sub-debt, parent company guarantee of Borrower
- Reputable Operator with long track record

CONDUIT
CAPITAL PARTNERS, LLC

**West Kingston Power
Partners**

December 2010

US\$95,000,0000

Senior Secured Term
Loan Facility

IFC B Loan Lender &
PPA LC Provider



Description (Independent Power Producer)

- The West Kingston Power Plant (WKPP) is a 65.5 MW power plant which was awarded by the Office of Utilities Regulation, Jamaica to Jamaica Energy Partners, Independent Power Producer to build own and operate a new power plant to meet electricity demand and improved efficiency.

PPP Consideration

- Design, Build Own and Operate
- Transparent RFP bid and award process via the Jamaica regulatory authority (OUR)

What made this deal bankable

- IFC as Lead Arranger and direct lender
- Power Purchase Agreement with the Jamaica Public Service Company
- Experienced management team
- Strong EPC Contractor - Wartsila
- Proven technology
- Ring fenced financing structure



**NuCuraçao
Windparken B.V.**

October 2011

US\$54,000,000

Syndicated Term Loan
Facility

Co-Underwriter/Lender



Description (Renewable Energy Infrastructure)

NuCapital team awarded the RFP bid to build a 30 MW capacity of wind power on the island of Curaçao for a total project cost of US\$74 million

PPP Consideration

- Build own and operate (20 year agreement)
- Independent power producer with power sold to the government owned public utility

What made this deal bankable

- Experienced management team
- Strong EPC and O & M contract
- Proven technology
- Equipment warranties and performance guarantees
- Offtaker Curacao Government owned entity
- Export Credit Agency Funding support – Export Kredit Fonden (EKF, Denmark)

Financing Related Challenges

Area	Issues/Challenges
Funding Model	<ul style="list-style-type: none"> ▲ Robustness of revenues and cash flow generation (some long term revenue contracts (e.g. PPAs) still a concern due to credit worthiness of off-taker)
Financing Mix	<ul style="list-style-type: none"> ▲ Sponsors often not with sufficient financial capacity to deliver equity ▲ Mezzanine or sub debt – few projects can deliver target 15% to 30% returns ▲ Conflicts between senior lender and mezzanine terms and conditions
Tenor/ Term of Financing	<ul style="list-style-type: none"> ▲ Project agreement usually 20 to 30 years but bank financing typically 8 to 10 years (including construction) – potential refinancing risk ▲ Multilaterals able to offer longer tenor but otherwise limited capital market options
Project Performance Guarantees	<ul style="list-style-type: none"> ▲ During build out phase require performance guarantees/project completion bonds – bonding capacity of sponsor and costs are a limiting factor
Market/ Credit Risk	<ul style="list-style-type: none"> ▲ Security often is effectively “collateralized” project cash flows with market risk ▲ Recourse or non Recourse – Sponsor Guarantees?

Some Considerations

- ▲ Enhance technical assistance for the public sector to identify, structure and procure PPPs
 - Generate pipeline of executable / bankable projects

- ▲ Structuring with credit enhancement to support transactions is important
 - Export credit agency participation
 - Multilateral (MIGA, IFC, CDB, EIB etc) participation or guarantee products
 - Agencies such as OPIC participation

- ▲ Need available, patient and reasonably priced sources of sub debt or equity for projects
 - National Infrastructure Funds?

- ▲ Develop alternative funding /capital market options for economic infrastructure projects
 - Pension funds and other funds (e.g. Petrocaribe funds)

- ▲ **Note however that recent infrastructure projects have not all been financed as PPP**