

PPP FOR PORTS

A PUBLIC SECTOR PERSPECTIVE



INTERNATIONAL CENTER OF EXCELLENCE IN PPP FOR PORTS
AMMAN, 23 NOVEMBER 2019



SECTOR HAS GENERALLY FAVORABLE EXOGENOUS FACTORS



Globalization



Trade Barriers



Intermodal Transport



Technology

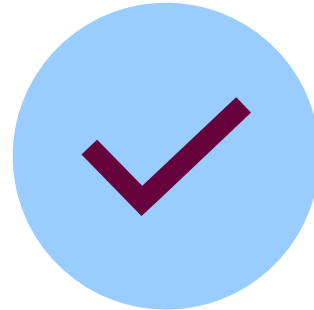
SECTOR TRENDS PORTEND POTENTIAL RISKS AND OPPORTUNITIES



**MEGA VESSELS /
MEGA PORTS**



SMART PORTS



**SUSTAINABLE
PORTS**



**PRIVATE SECTOR
PARTICIPATION**

PPP IS ONE FORM OF PRIVATE SECTOR PARTICIPATION

The World Bank PPP Reference Guide defines PPP as follows:

“A long-term contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance.”

REQUIREMENTS FOR THE SUCCESS OF PPP

Transparency

Expertise

Competition

Investor Confidence

Financing

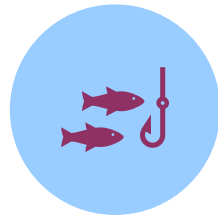
PPP CAN APPLY TO VARIOUS PORT TYPES



SEA PORTS



**PLEASURE
PORTS**



**FISHING
PORTS**



DRY PORTS



**CARGO
PORTS**

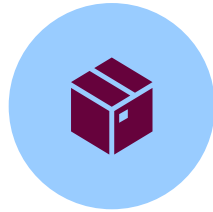


**CRUISE
HOME PORTS**

PPP CAN APPLY TO VARIOUS TERMINAL TYPES



CRUISE



CONTAINER



CARGO



BULK



**ROLL-ON
ROLL-OFF**



OIL & GAS



**HAZARDOUS
MATERIALS**

PPP CAN APPLY TO PORT STRUCTURES



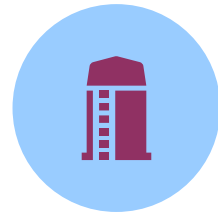
**TERMINAL
LIGHTING**



**PARKING
AREAS**



**SHEDS AND
WAREHOUSES**



**TANK FARMS
AND SILOS**

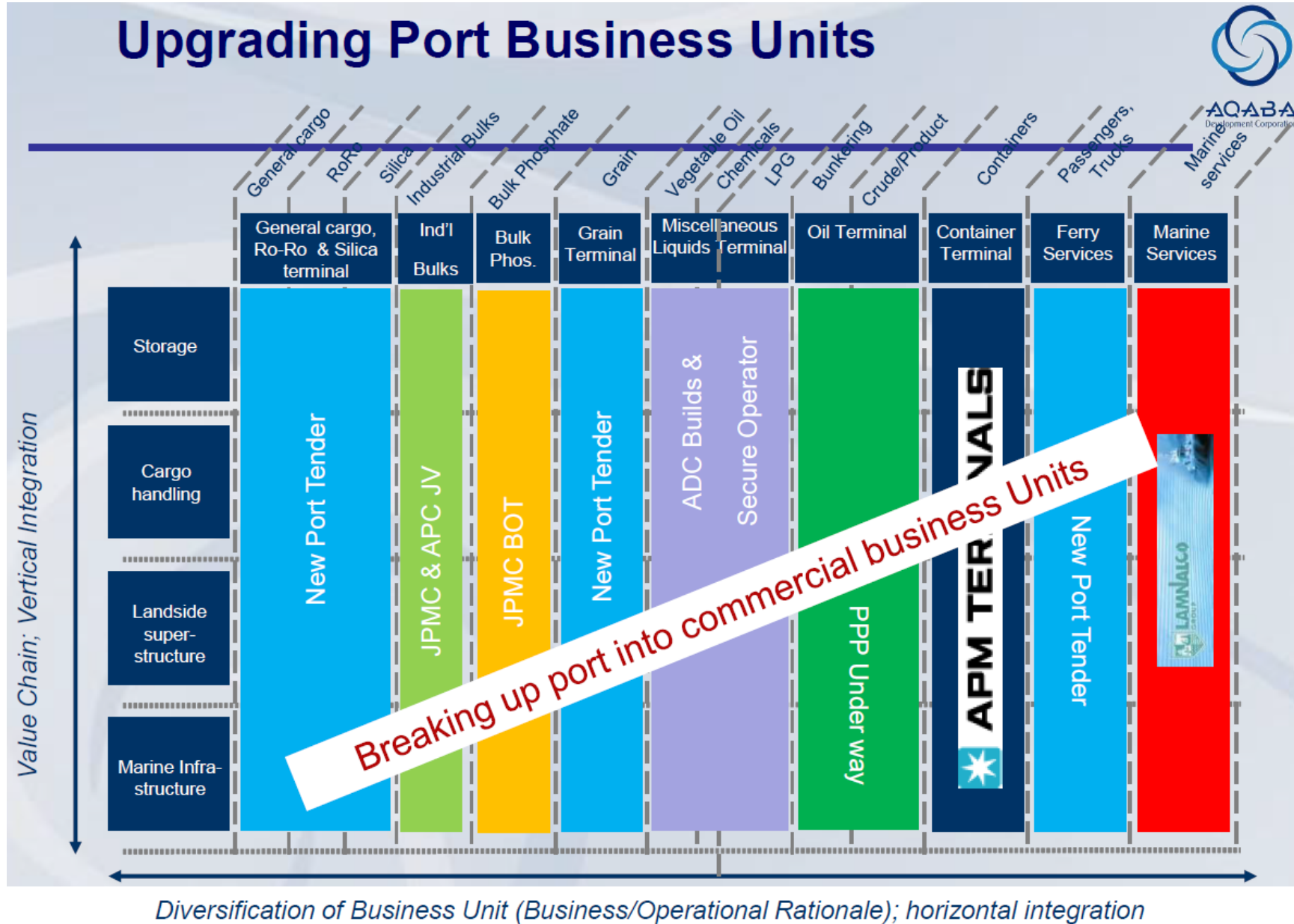


OFFICES



**REPAIR
SHOPS**

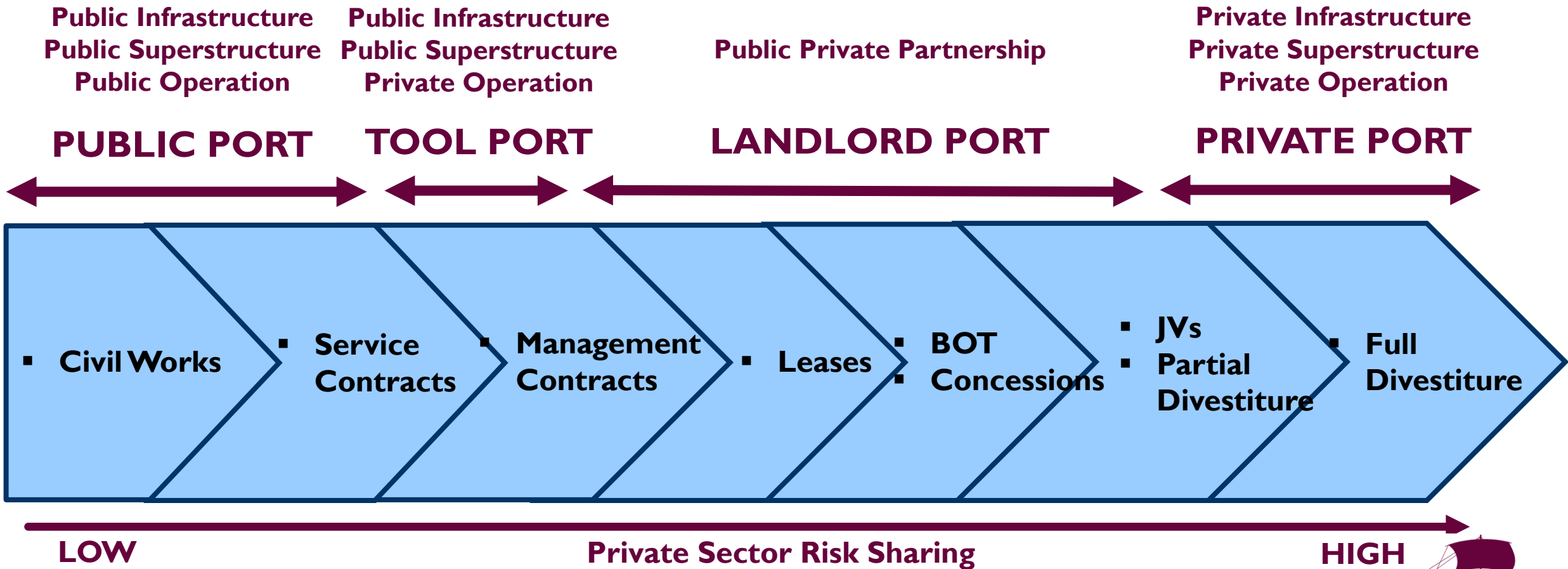
EXAMPLE OF PPP SEGMENTATION: PORT OF AQABA



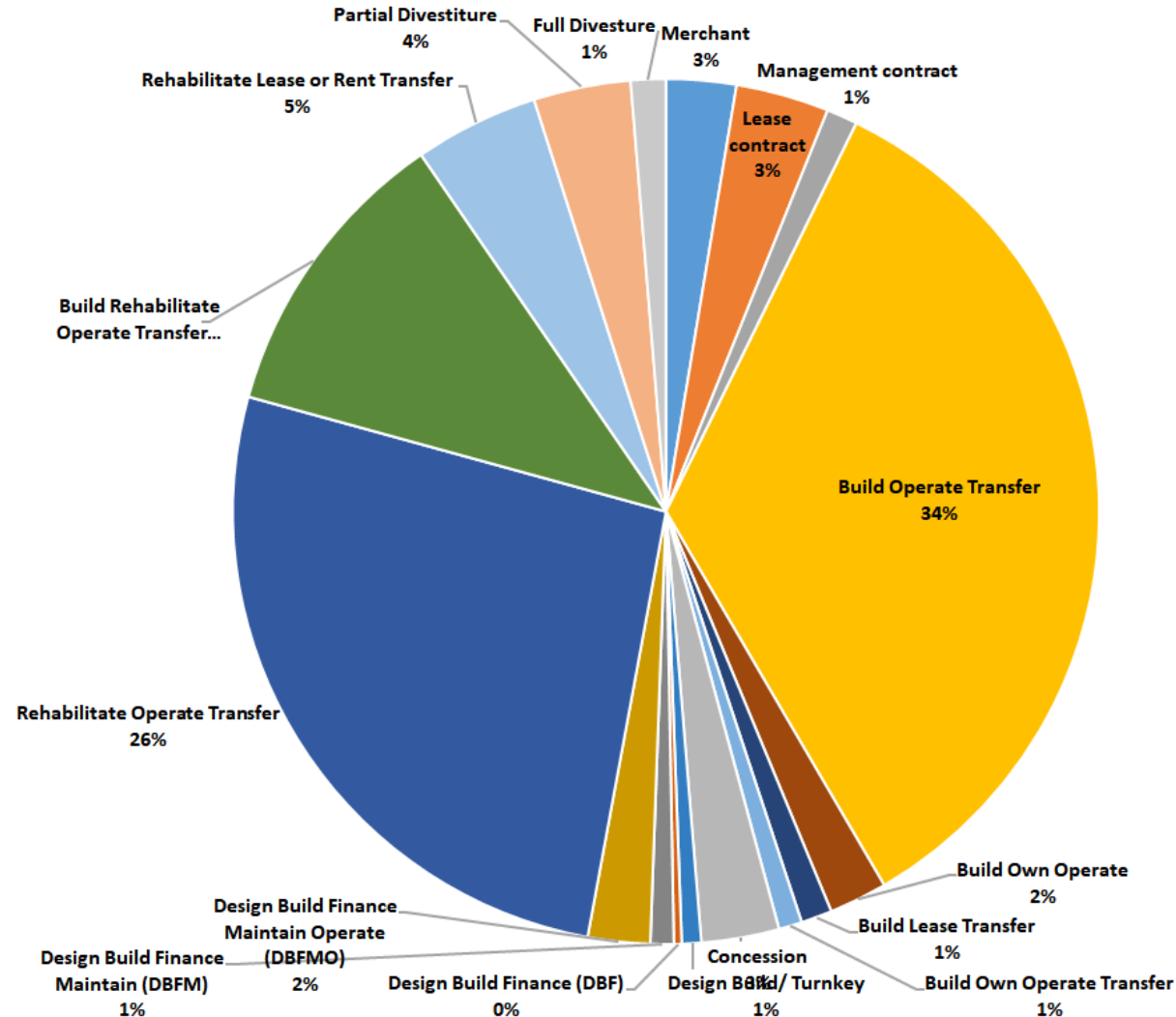
Source:
Aqaba Development Corporation
Presentation by
Omar R. Massarweh



PUBLIC-PRIVATE SPECTRUM OF PORT PPP'S



TYPES OF PORT PPP TRANSACTIONS



PORT GOVERNANCE MODELS

STRENGTHS

WEAKNESSES

Public Service Port

- Superstructure development and cargo operations under the responsibility of a unique organization (unity of command).

- Not user / market oriented.
- Lack of internal competition leading to inefficiency.
- Strong Government interference.
- Minimal innovation, if any.

Tool Port

- Lower cost of funding.
- Professional management.

- Conflict between port authority (owns equipment) and private firm (operates equipment)
- Limited innovation / efficiency.

Landlord Port

- Port authority focuses on governing.
- Commercial activities by private firms more market oriented and competition driven (favor efficiency & innovation).

- Public spending on infrastructure.
- Pressure of private operators on port authority to oversize the infrastructures.

Private Service Port

- Maximum flexibility.
- Market-oriented development strategy.

- Risk of undue advantage from monopoly position
- Poor Government control on strategic issues.
- If full privatization, risk of speculation on high value real estate.

PORT PPP RISK MATRIX IS DIFFERENT FROM OTHER SECTORS

Risks	Public Private Shared
Environmental and social risk	✓
Financing Risk	✓
Approval Risk	✓
Design Risk	✓
Commissioning Risk	✓
Performance / price Risk	✓
Resource or Input Risk	✓
Demand Risk	✓
Exchange Rate Risk	✓
Strategic Risk	✓

Risks	Public Private Shared
Land Acquisition & Site Risk	✓
External Linkages	✓
Construction Risk	✓
Disruptive Technology Risk	✓
Handover Risk	✓
Political Risk	✓
Regulatory / Change in Law Risk	✓
Maintenance Risk	✓
Interest Rate Risk	✓
Insurance Risk	✓
Early Termination Risk	✓
Force Majeure	✓



PPP SUCCESS REQUIRES CONSCIOUS AND INTENSIVE COORDINATION WITH MANY STAKEHOLDERS

Port Authorities



Transport Ministries



Export Credit Agencies



Multilateral Development Banks



PPP SUCCESS REQUIRES CONSCIOUS AND INTENSIVE COORDINATION WITH MANY STAKEHOLDERS

Shipping Companies



Shipping Pools



Logistics Companies



Tankers and Commodity Traders



PPP SUCCESS REQUIRES CONSCIOUS AND INTENSIVE COORDINATION WITH MANY STAKEHOLDERS

Port Operators
& Management
Companies



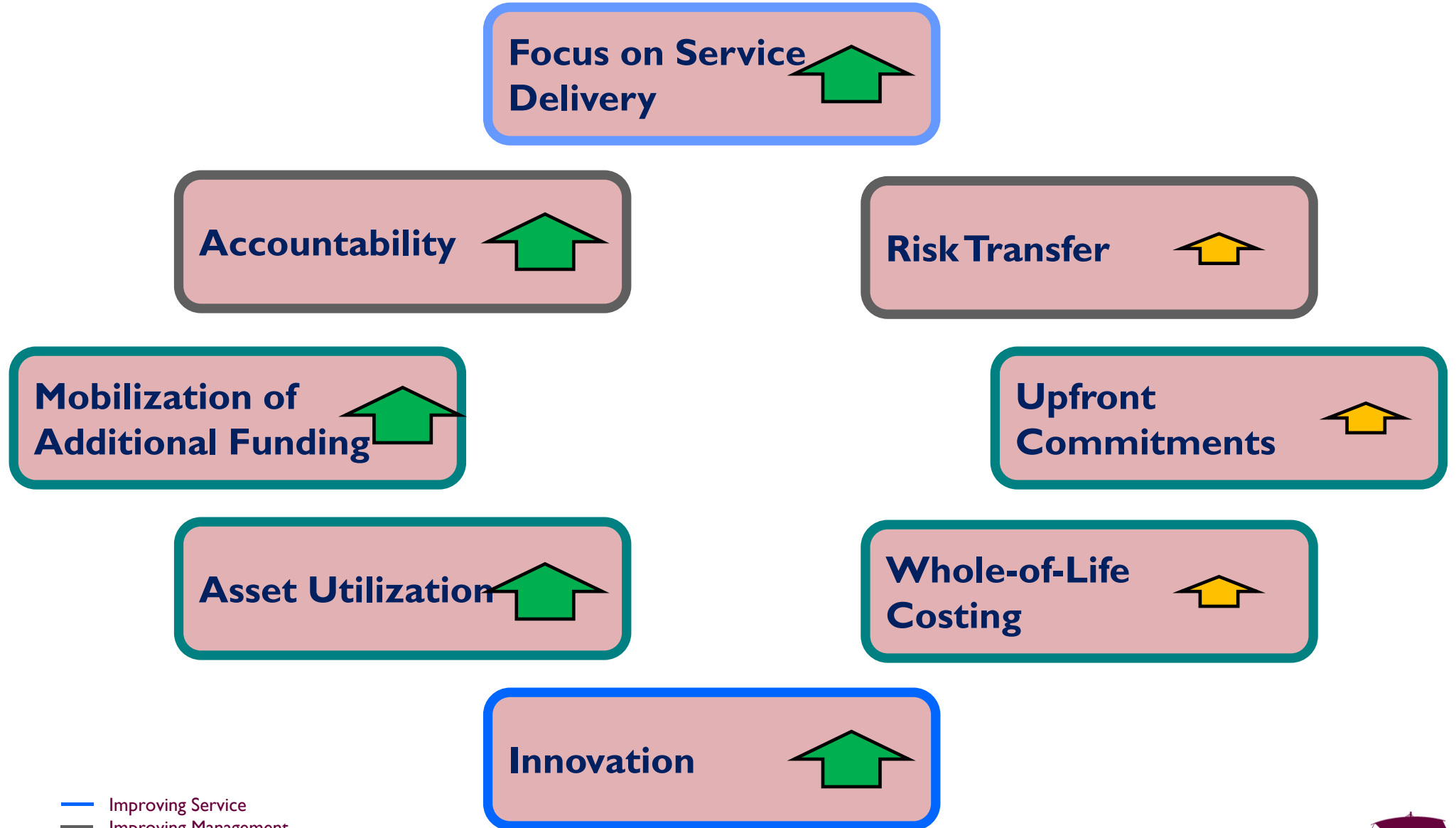
Bunkering and
Port Services
Companies



Transport
Support
Companies



EXTENT OF MEETING VALUE DRIVERS THROUGH PPP



- Improving Service
- Improving Management
- Improving Financials

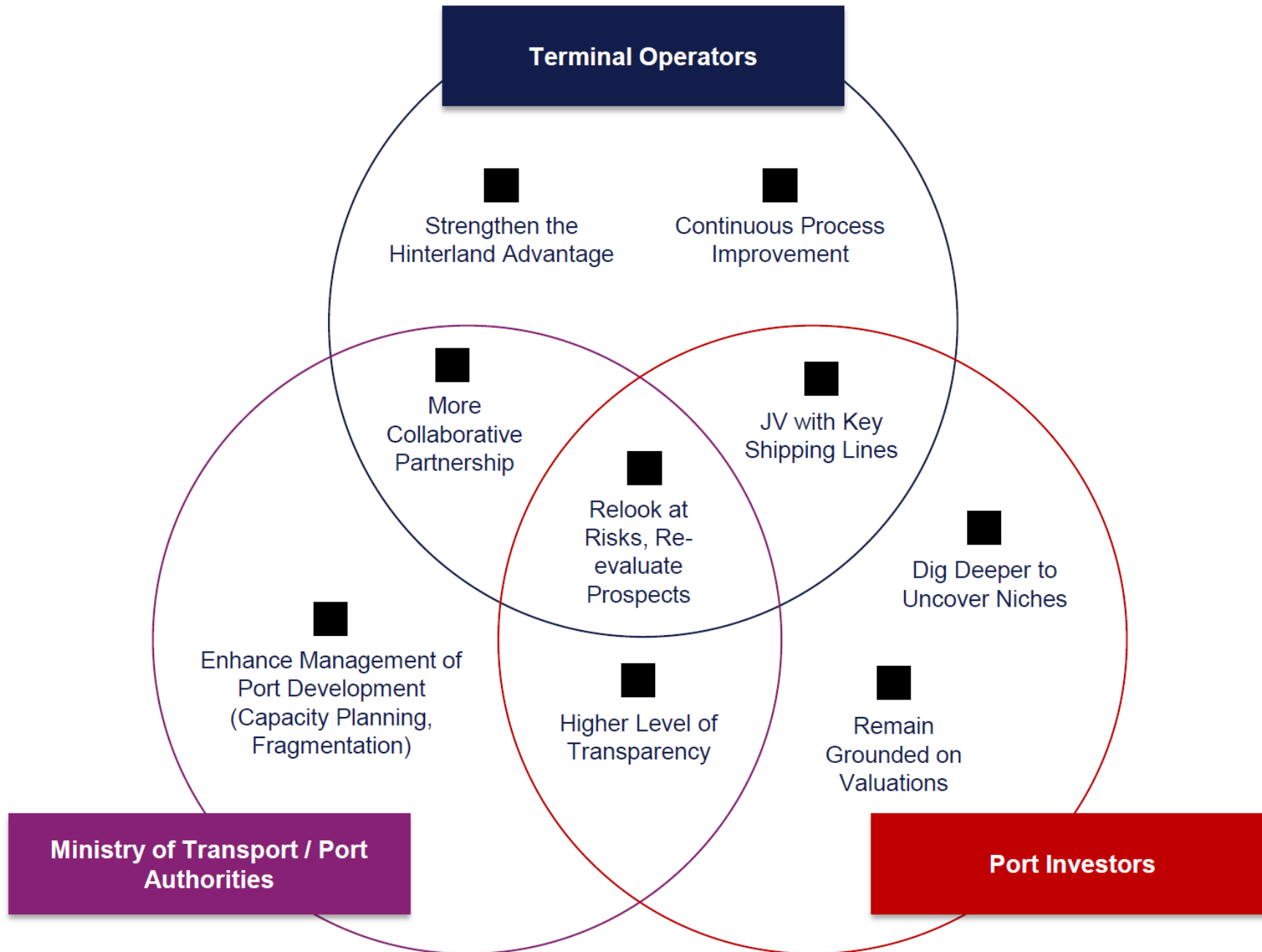
SUSTAINABLE PORTS

- Throughout the world, there is a growing awareness of the importance of sustainability.

On 12 May 2017, the International Association of Ports and Harbors decided to set up the World Ports Sustainability Program, which is guided by the 17 UN SDGs

- Alongside the promotion and adoption of PPP best practices, this topic is a main focus of the UNECE-affiliated International Center of Excellence in PPP for Ports.
- Sustainable ports are highly relevant for two main reasons:
 - They help achieve the UN SDGs; and
 - They have a much greater chance of success in the long run.
- Investors are aware of this, and it is why ESG-qualified investments now exceed US\$30 trillion.
- “ESG” stands for Environmental, Social and Governance criteria.
- Aiming for People-First and ESG-compliant projects is a Government’s responsibility.

MULTIPLE FACTORS MAKING
SUSTAINABILITY IMPORTANT



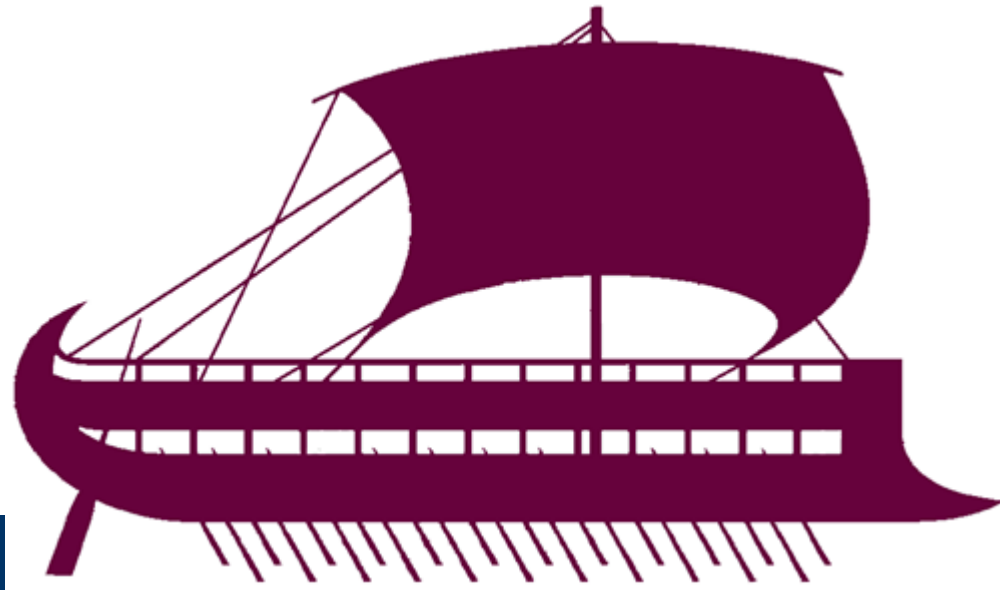
SOME IMPLICATIONS FOR THE LEVANT COUNTRIES

“Almost no port does strategic planning, but every port plans strategically.”

UNCTAD, Strategic Planning for Ports, 1993

- Taking ESG dimensions into consideration implies that ports ought to be viewed by political decision makers as hubs and instruments of regional development. National port policies should be devised accordingly and take into account the development of ancillary infrastructure, the creation of jobs, the enhancement of economic growth and the protection of the environment. Sustainable ports will attract funding.
- To achieve good Governance standards, and plan more strategically, more of our ports should be corporatized. Indeed, given the small size of the countries in our region, it would make sense to create national port corporations. These corporations should be guided by the development policies mentioned above but should be independent of political interference. They would need to decide on port strategies that optimize the overall benefit from the utilization of port assets and regulate and supervise a diversified portfolio of private sector projects.
- Coordination among the national corporations could also help our countries derive maximum value from those assets, operationally, financially, logistically, and trade-wise. Indeed, further integrating the economies of our countries could greatly reduce political tension among them and create shared objectives for the benefit of all citizens.
- It would be wise to open the capital of such corporations to private sector investors in order to enhance their independence and ensure the highest level of expertise and competence.





THANK YOU

