INTERNATIONAL CENTER OF EXCELLENCE IN PPP FOR PORTS

UNECE, Geneva
7 May 2018
The establishment of the Center was mutually agreed on by the United Nations Economic Commission for Europe (UNECE) and the Government of Lebanon and became operational in January 2018.

It is hosted by Lebanon’s High Council for Privatization and PPP (HCP) in its existing premises at the Grand Serail in downtown Beirut.

The Center, whose initial term is three years, is partially funded by the HCP. Other funding sources will be tapped along the way in order to ensure its long term sustainability.
ICE4P aims to contribute to UNECE’s efforts to achieve the UN SDGs, especially SDG No. 17, by promoting private sector participation in the ports sector – a main driver of economic growth.

For this, the Center shall identify international best practice models, establish strategic partnerships, communicate with all stakeholders, and develop and sustain global expertise in PPP for Ports.
The Center’s Key Activities

- Conducting research on best practices
- Establishing a dedicated online platform
- Drafting the International Standards for PPPs in the Ports Sector
- Providing assistance to governments and private sector companies
- Organizing and hosting workshops and training programs
- Publishing case studies on PPP for Ports.
ICE4P General Approach

ICE4P Approach

- Capacity Building
- Stakeholder Identification
- Building Port PPP Knowledge
- Engaging strategic partners
- Providing Information on port PPPs
- Continuous feedback from stakeholders & partners
- Creating a stakeholders forum
ICE4P Stakeholders

- Research Centers, Think tanks, Universities, Investors & Financiers
- Advisors (Financial, Strategic, Legal)
- Shipping, Logistics, & Ports Management companies
- Port Authorities, Regulatory Bodies, & Government
- Multilaterals
- ICE4P

5/7/2018 www.ice4p.org
ICE4P Organizational Structure

- Strategic Partners
- UNECE and HCP
- Advisory Board

- Project Director
- 3 Full Time Researchers
  Current Staff Available till 31 Aug 2018
- 2 Deliverable Based Interns
Advisory Board

UNECE
ESCWA
UNITED NATIONS UNCTAD
WORLD BANK
European Bank for Reconstruction and Development
FRILET
SOCIÉTÉ D’AVOCATS
Terminal Investment Limited
PORT OF BEIRUT
ICE4P has become a member of the International Association of Ports and Harbors. It participated in the launch of the World Ports Sustainability Program and will be presenting at the upcoming Baku World Ports Conference.
Meetings & Outreach
Engaging Stakeholders and Partners

- Maintain a Stakeholders Registry containing contact information and interest for each stakeholder.
- Maintain a list of potential additional advisors that could join our advisory team.
- Develop and implement a stakeholder engagement plan.
- Engage with strategic partners.
Online Presence

- Currently, ICE4P is using a dedicated section at the HCP website to ensure online presence.
- We are working with Oracle to implement an optimal architecture for “ICE4P Online”.
- **Additional funding** is required to deliver ICE4P Online:
  - Standalone ICE4P Website
  - Document management system and Storage
  - Database
  - Integration of different platforms and content gathering and creation.
As part of the United Nations’ effort to help member countries implement the internationally agreed Sustainable Development Goals (SDGs) – and in particular SDG No. 17, which deals with Partnerships, the United Nations Economic Commission for Europe (UNECE) and the High Council for Privatization have agreed to establish the International Specialist Centre of Excellence in PPP for Ports (ICE4P) in Beirut, Lebanon.

The High Council for Privatization (HCP) will be hosting ICE4P in its existing premises at the Grand Serail, for an initial term of three years.
Port PPP Database

- Efficient and reliable databases are already found that include deals from various phases.
- But they do not contain an analysis of those deals.
- ICE4P will focus on developing case studies that reflect the lessons learned thus creating a database of analyzed Ports PPPs.
Case Selection

- We selected the cases to study based on the following:
  - Information availability,
  - Lesson drawing potential, and
  - Expert recommendation.

- We made sure to include the following, in appropriate proportion in each case:
  - All types of PPP structures available
  - All types of ports and terminals
  - All geographic regions
  - Approved projects regardless of the stage reached; i.e. distressed and cancelled projects are also included in order to draw lessons and analyze cause of failures.
# Selected Cases

1. Port d’Ehoala, Madagascar - Ore Export Terminal
2. Port of Beirut, Lebanon - Container Terminal
3. Port Klang, Malaysia - Container Terminal
4. Kaohsiung Port, Taiwan - Container Terminal
5. Nhava Sheva, India - Container Terminal
6. Port of Kakanida, India - Deep Water Port
7. Gangavaram Port, India - Deep Water Port
8. Adriatic Gate, Croatia - Container Terminal
9. Larnaca Port and Marina, Cyprus - Marina
10. Port of Barcelona, Spain - Container Terminal
11. Durrës Port East Terminal, Albania - Bulk Cargo Terminal
12. Lagos CT, Nigeria - Container Terminal
13. Port of Colombo, Sri Lanka - Container Terminal
14. Hambantota Port, Sri Lanka - Multipurpose Terminal
15. Doraleh CT, Djibouti - Container Terminal

![Map of Selected Cases](image-url)
# Case Input and Format

- **Background**
- **PPP Process**
- **Ownership Structure / SPV**
- **People First Factors**
- **Key Success Factors**
- **Lessons Learned**
Case Format

ICE4P Compendium of Case Studies

Case Study 1: Port d’Ehala

Rice Tinto has been active in Benin’s exploration in the Anney region since 1999, after nearly two decades of exploration and development. A Final Investment Decision was made in 2007 to develop a mine in Port D’Ehala. Construction of infrastructure began in 2008 with a total investment of USD 615 million, USD 973 million for mine infrastructure, USD 224 million for rail and port infrastructure, and USD 255 million for construction of Port d’Ehala at which USD 30 million was funded by the government through the World Bank Integrated Growth Policies (IGP) program. Mining operations began early in 2008.

Commissioned and opened for business in 2008, Port d’Ehala is a primarily used (by wet bulks) for bulk cargoes carrying the iron ore more than the nearby mine to Port Togo treatment plant in Cotonou, Benin. Quarries in addition to carrying and exporting iron ore, coal, and gypsum are also considered for the multipurpose Port. Government contributed along with World Bank support expanded the port to accommodate multiple shipping activities that brought economic benefit to the Anney region and ultimately, to the Malagasy economy.

Project Identification and Awarding Process

The potential of Malagasy’s mineralized sand deposits, particularly in the Port D’Ehala (PD) region, has been recognized since 1997. However, it was not until 2008 that the first step was taken towards their development with the signing of a Joint Venture Agreement on 15 March 2007 between Office des Mines Nationales et des Industries Stratigraphiques (OMNIS) and IGF Togo. At the Canadian subsidiary of the Rio Tinto group, one of the largest mining companies, in the world. This agreement provides that after a period of pre-feasibility the parties would engage in the detailed preparation of the project development plan in 2003. The exploratory phase has been completed in 2008. Since then, the project has made significant progress and the start date of production has been postponed several times. A succession of adverse actions can be explained by the size and complexity of the project. Because it will be the largest industrial investment ever made in Malagasy, both in terms of investment costs and the infrastructure required for operations. Since the project was of exceptional importance for the national Malagasy economy (indeed a USD 5.03 billion in 2005) due to the level of investments, the volume of production and exports, and impact on the public finances, in order to facilitate financing and the operations of the project, an SPV was created in parallel with the establishment of a clear and stable fiscal, financial, and legal framework that is as close as possible to international standards.

After several years of public consultation by the OMNI and negotiations between OMNI and GFT, an agreement was reached for the establishment of GTF Mining Malagasy SAR (GTFM) which will act as an operator and who, together, will have an initial capital of USD 120 million and a 0.99% stake in the project. The agreement fixed the duration of the project at a minimum of 45 years and fixed the duration of tax and customs regime at 25 years, thus facilitating operating conditions and supporting private investments.

In addition, this agreement entailed investments in revenue enhancement in the Port D’Ehala region. Shortly, among others, a dry dock, water port, access roads, and a power plant with a capacity of 18.5 to 25 MW. These infrastructure serve multiple mineral exploration, but some may be used for other economic activities in the region to the deep-sea port should it be suitable to the project. Initially envisaged by the concessionaire who would like to haul their passengers to the region of Port D’Ehala. It is intended that at the end of the exploration stage, the port, will be transferred back to the Malagasy state.

As a result, after the initial diversion of various public contracts, OMNI opted for the development of Port d’Ehala, establishing an SPV for the planning and operations of the Port d’Ehala SAR (‘PTE SA’). This concession (GTFSM) was awarded a concession for the development of a Port d’Ehala SAR (PTE SA) through a competitive bidding process in March 2015. This agreement entailed a DFID/GTZ contract for the delivery of the Port and a substantial government contribution in order to ensure public interest and support the project by a multipurpose role. Instead of being a multi-purpose port, it will use the excess capacity of the new terminal to accommodate cruise ships.

Concession Agreement and Management

In parallel with the mining needs, the concessionaire for Port d’Ehala intends to operate a minimum period of 40 years, giving full control to Port SA over the development of the port and its activities. The concessionaire has been required to ensure proper access to the port’s services, as well as to ensure that the port remains operational and safe for shipping activities. The concessionaire has been responsible for the development of the Port d’Ehala (PTE SA) and has been required to ensure that the contract is successful in reaching its objectives.

Government Contribution & Income

Government contribution is limited to an initial amount of USD 10 Million, which was provided by the World Bank through its Integrated Growth Policies program as a committed loan of $19.33 million to USD 10 million. This loan was subsequently allocated to the financing of the first two stages of the Port development (infrastructure component). In addition, MAR provided advisory services for the state through transmission restructuring and development process.

Gold contribution was necessary in order to expand the Port from a mining export port, to a multipurpose one. On a reduct, Gold was seen as 36% of Port SA’s revenue and 30% of OMNI’s revenue of OMNI and GTF. In addition to direct profit share from the SPV, the Malagasy government will receive revenue share.

Timeline of events

PPP Process

Port/d’Ehala

Located on the Anney region, northwest of Madagascar on the
Indian Ocean coast, it is 40 km to the north of Port Louis. The
Port has a depth of 20 m, and has a railway access point to
the capital city.

Malagasy economic impact

- 1,000 employment opportunities (600 direct, 400 indirect)
- 150 ha of land for economic activities
- A 20 ha industrial park for industrial activities

www.ice4p.org

5/7/2018
## Case Format

### Risk Allocation Matrix

<table>
<thead>
<tr>
<th>Risk</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site &amp; Environmental</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Design &amp; Contributions</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Commercial &amp; Tariffs</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Exit</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Political</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Force Majeure</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

### Revenue Streams to the Government

- Public Port Service Operation Fee
  - An annual fee amounting to 10% of gross revenue.
- Ancillary Activities Operation Fee
  - A semi-annual fee amounting to 30% of gross profit.
- Public Domain Occupancy Fee
  - Paid at the beginning of each year.
  - An initial fee of 10% per annum.

### Ownership Structure/SPV

### People First Factors

**Responsibility**
- Ownership: The ownership structure and governance framework are relevant to the stakeholders involved in the project.
- People First: The project should prioritize the well-being and needs of the local community.

**Factors**
- Ownership Structure
  - The structure of ownership and governance is critical for the project's success.
- People First
  - The project should be designed with the community's input and support.

**Impact**
- Ownership: The impact of the ownership structure on the project's financial performance and sustainability.
- People First: The impact on the community's well-being and quality of life.

**Example**
- Ownership: The ownership structure should consider local participation and control.
- People First: Community involvement in decision-making processes.

### Risk Allocation

Even though most of the risks are being borne by the private sector, government contribution to FUG SA allows for a risk-sharing mechanism and an alignment of both parties' interests. However, this contribution is limited to the initial investment in the first phase, whereas the full investment made by Hla Tolo's QuMM extended up to USD 3.1 million (as of the date of this case).

In parallel, demand risk is being completely borne by the private sector. However, because the primary function of the port will be to export iron ore produced at the FUG mine, demand for port services is coupled with iron ore demand; moreover, there are no significant risks arising from regional competition. In addition, PUB SA has the ability to set the tariffs within a range of maximum and minimum limits for the maximum term for the services provided are set to be compatible with comparable fees in the Southern African and Southwestern region of the Indian Ocean, whereas tariff revision is subject to a formula that factors in imported goods, energy (Petroleum), water, power, and wages.

---

5/7/2018 www.ice4p.org
### Key Success Factors

<table>
<thead>
<tr>
<th>Key Success Factors</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alignment</td>
<td>Alignment of the project with national and regional strategic plans.</td>
</tr>
<tr>
<td>Technical feasibility</td>
<td>Adequate technical design and implementation.</td>
</tr>
<tr>
<td>Financial sustainability</td>
<td>Adequate financial planning and risk management.</td>
</tr>
<tr>
<td>Political commitment</td>
<td>Strong political support and endorsement.</td>
</tr>
<tr>
<td>Public-private partnership</td>
<td>Effective collaboration between government and private sector.</td>
</tr>
</tbody>
</table>

### Lessons Learned

The success of the Public Private Partnership was due to various factors, mainly:

1. **Government Commitment**: Essential for ensuring project viability, supporting the implementation team, and securing the necessary resources and funding.
2. **Public-Private Collaboration**: Critical for the success of the project, involving stakeholders from the government and private sector.
3. **Sustainable Funding**: Ensuring the project is self-sustainable and secure in the long term.
4. **Effective Governance**: Efficient project management and decision-making processes.
5. **Clear Objectives**: Setting clear and achievable goals.

**Key Success Factors**:

- Strategic alignment
- Technical feasibility
- Financial sustainability
- Political commitment
- Public-private partnership

**Lessons Learned**:

- Government Commitment was necessary for ensuring project viability, supporting the implementation team, and securing the necessary resources and funding.
- Public-private collaboration was critical for the success of the project, involving stakeholders from the government and private sector.
- Sustainable funding ensured the project was self-sustainable and secure in the long term.
- Effective governance was essential for efficient project management and decision-making processes.
- Clear objectives were set to ensure the project was achievable and aligned with the strategic goals.
Drafting the International Standards for PPPs in Ports Sector *(not started yet)*

- Drafting the first standards will start once a sufficient number of case studies are completed based on the derived information and lessons.

- As per UNECE’s template, they will include:
  - Advantages and disadvantages of PPP for Ports;
  - Focus on People First Objectives and sustainable development;
  - Legal, Regulatory, and Institutional recommendations; and
  - Risk Allocation.
ICE4P Yearly Budget

- ICE4P’s budget is currently fully supported by the High Council of Privatization and PPP and it covers the following:
  - Staff salaries and Expenses
  - Office premises
  - Consultants and Experts
  - Equipment & IT

- **Additional funding (financial or in kind) is necessary** in order to tap into ICE4P’s full potential, this funding will support:
  - ICE4P’s online presence, including: Development, Maintenance and Subscription & API fees
  - Additional Researchers
  - Workshops and Conferences
  - Trainings
Next Steps

• By the end of August 2018, the previously listed streams will be completed and delivered, new resources will be necessary in order to carry on with ICE4P mission.

• Future Plans include:
  • Raising funds through strategic partnerships with key stakeholders;
  • Organizing international stakeholder conferences that bring together government officials and private executives involved in Port PPP projects;
  • Launching ICE4P Online;
  • Liaising, collaborating and cooperating with international and local research and training centres and think tanks in matters related to PPP for Ports;
  • Publishing educational materials on PPP for Ports; and
  • Holding training seminars for public- and private-sector individuals engaged in Port PPP.
Contact Us

Give us a call or send us an email for more information about Port PPPs

International Center of Excellence in PPP for Ports

c/o High Council for Privatization and PPP
Grand Serail
Beirut

+ 961 1 987 500

info@ice4p.org

Or visit our website at www.ice4p.org