

Islamic Development Bank Public - Private Partnership



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‘TOGETHER WE BUILD A BETTER FUTURE’

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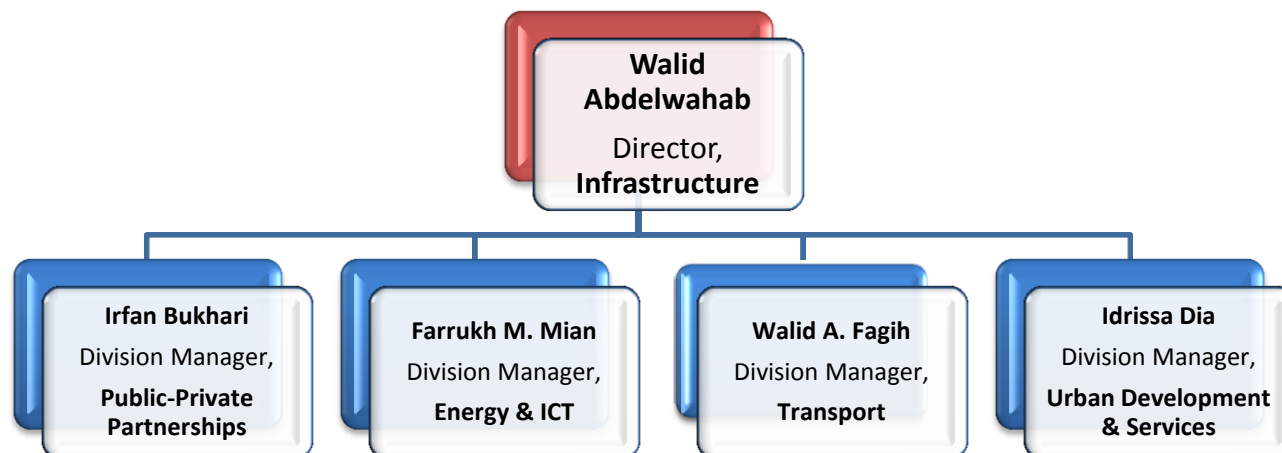
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Infrastructure Department



Organizational Structure



Infrastructure Scorecard

Total Financing : US\$ 21 bn

Total Operations : 1009

Active Projects : US\$ 8.5 bn

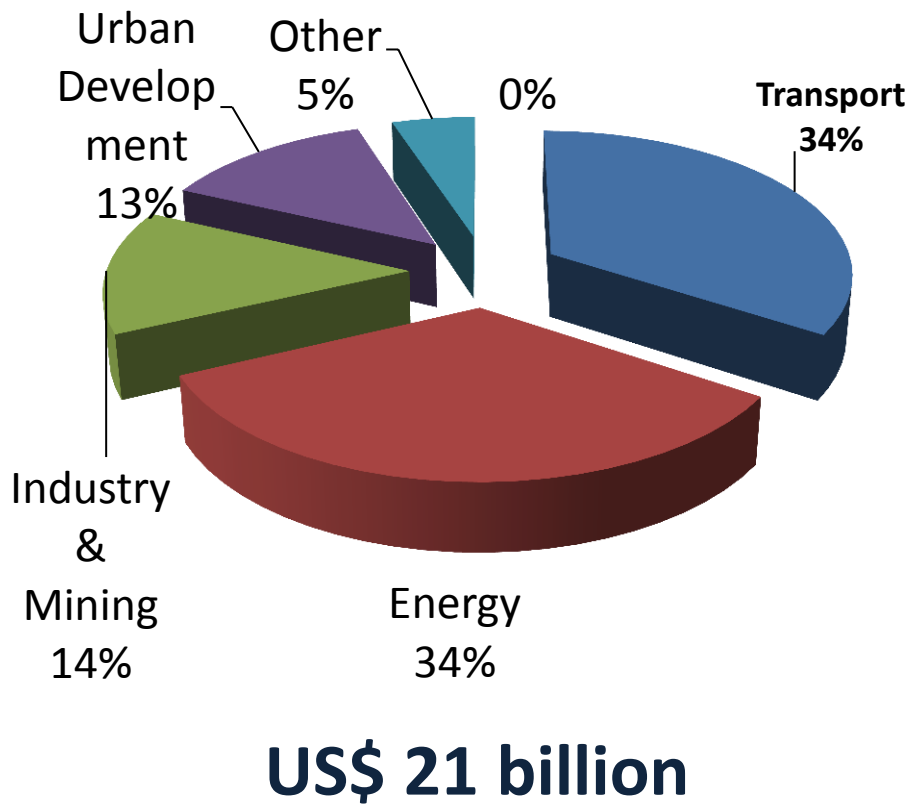
Active Operations : 219

Department Staff : 47

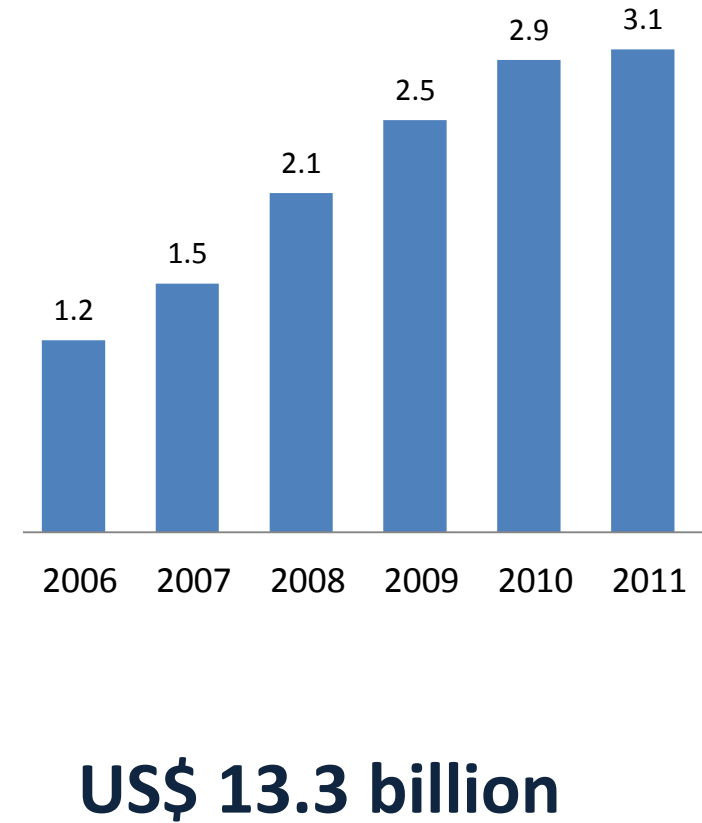
IDB Infrastructure: Sector-wise Portfolio Distribution



Aggregate Infrastructure Financing Since Inception



Significant Scale Up (2006-11)



* Total Approvals less Cancellations

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Public-Private Partnerships (PPP) Division

- Providing Long Term financing to major Infrastructure PPP projects in Member Countries since 2006
- Focus includes Power, Energy, Transport and Telecommunications as well as Social Infrastructure
- Created Infrastructure Equity and Mezzanine Financing Funds
- Cumulative approval till date is close to US\$3.3 billion
 - Annual Average about USD 600 Million



Project Description	IDB Participation (US\$ m)	Country
TIFERT	150	Tunisia
ADB/IDB Infra Fund	150	Regional
SNIM	108	Mauritania
Kuala Selangor Expressway (KLS)	92	Malaysia
Doraleh Container Terminal	65	Djibouti
Qatrana IPP	80	Jordan
ABID, Dakar Airport	100	Senegal

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Benefits of PPP

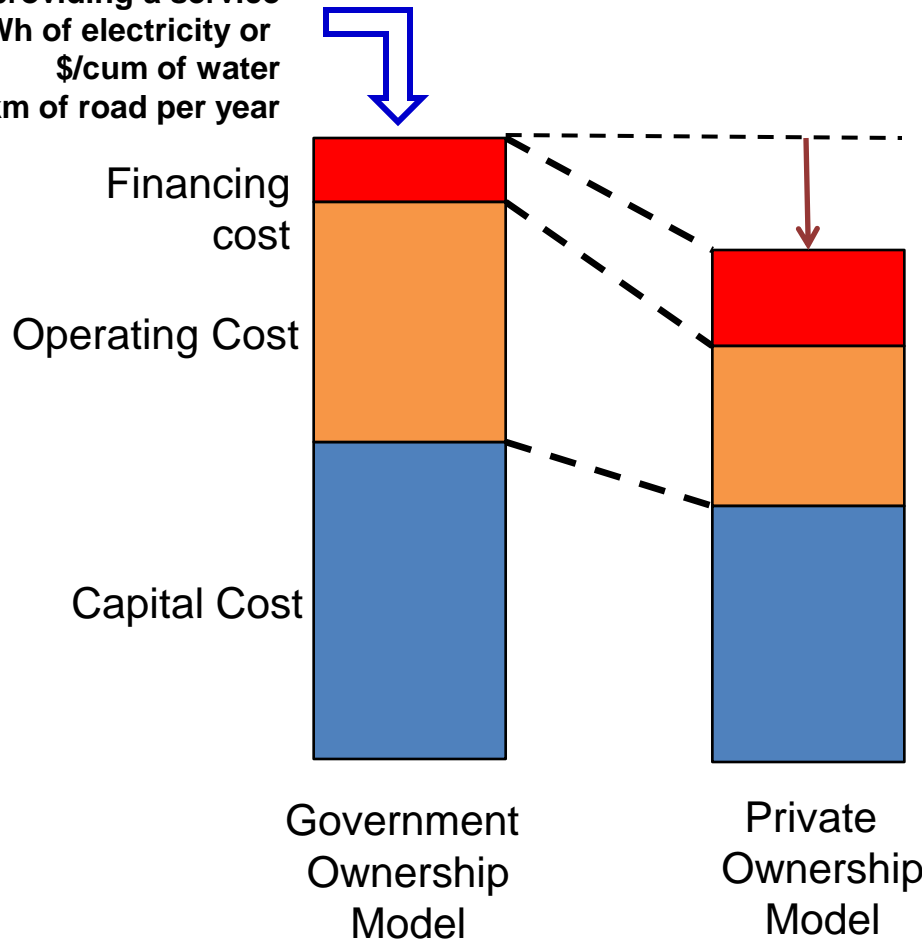


- **Creates Improved Public Sector Capacity**
- **Introduces Creativeness and Innovation to Infrastructure Projects;**
- **Creates equitable risk sharing between the public sector and the private sector;**
- **Bring in large and highly experienced Constructors and Operators to the market;**
- **Ensures cost savings in project implementation.**

Private Public Partnership Model /The Cost Rationale



Total cost of providing a service
\$/kWh of electricity or
\$/cum of water
Or \$/ km of road per year



The difference in the Unit cost of Electricity or Water or what ever other municipal services

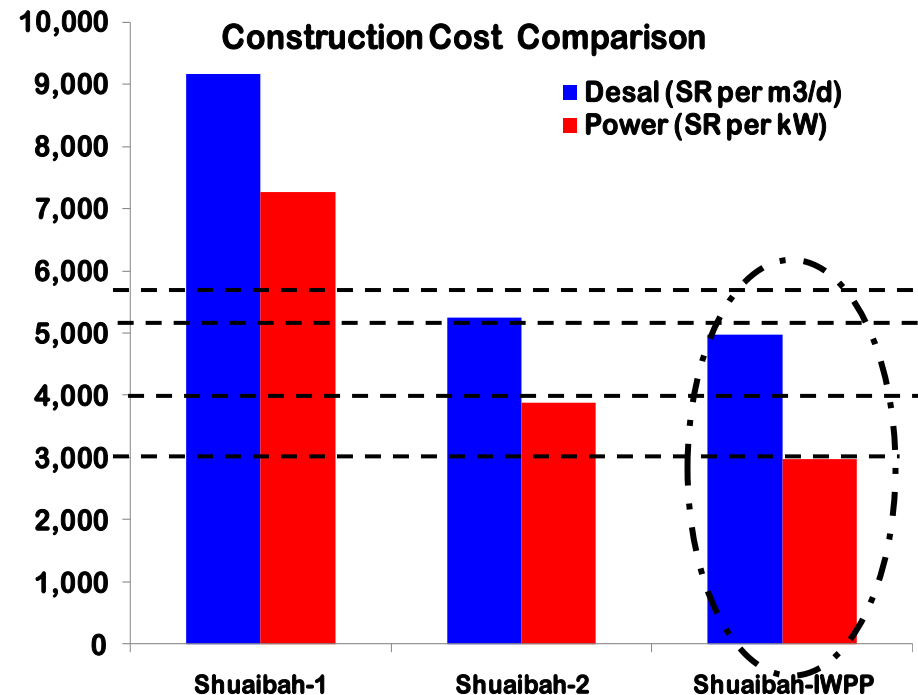
Arguably Governments can borrow money at a lower cost but....



Construction Costs - Shuaibah 1&2 vs. Shuaibah IWPP

	Shuaibah 1	Shuaibah 2	Shuaibah IWPP
Contract Award Year	1983	1993	2005
Power Capacity (MW)	175	375	900
Water Capacity (m3/day)	225,000	450,000	880,000
Total EPC Cost (SR Billion) original prices	3.3	3.8	7.0
Construction Period	5 years	9 years	4 years

- When Adjusted, Shuaibah IWPP construction cost is 84% lower for power and 135% lower for Water when compared to Shuaibah-1 plant
- 6% lower for power and 31% lower for water when compared with Shuaibah-2 plant.
- Also note that the SAR 460 Million (20% of Capex) flue gas emission clean up equipment which is installed in Shuwaibah IWPP while none in the other two plants have not be adjusted above.



Construction Costs - Ras Azzour vs. Marafiq IWPP

Another Regional Example - Construction Costs

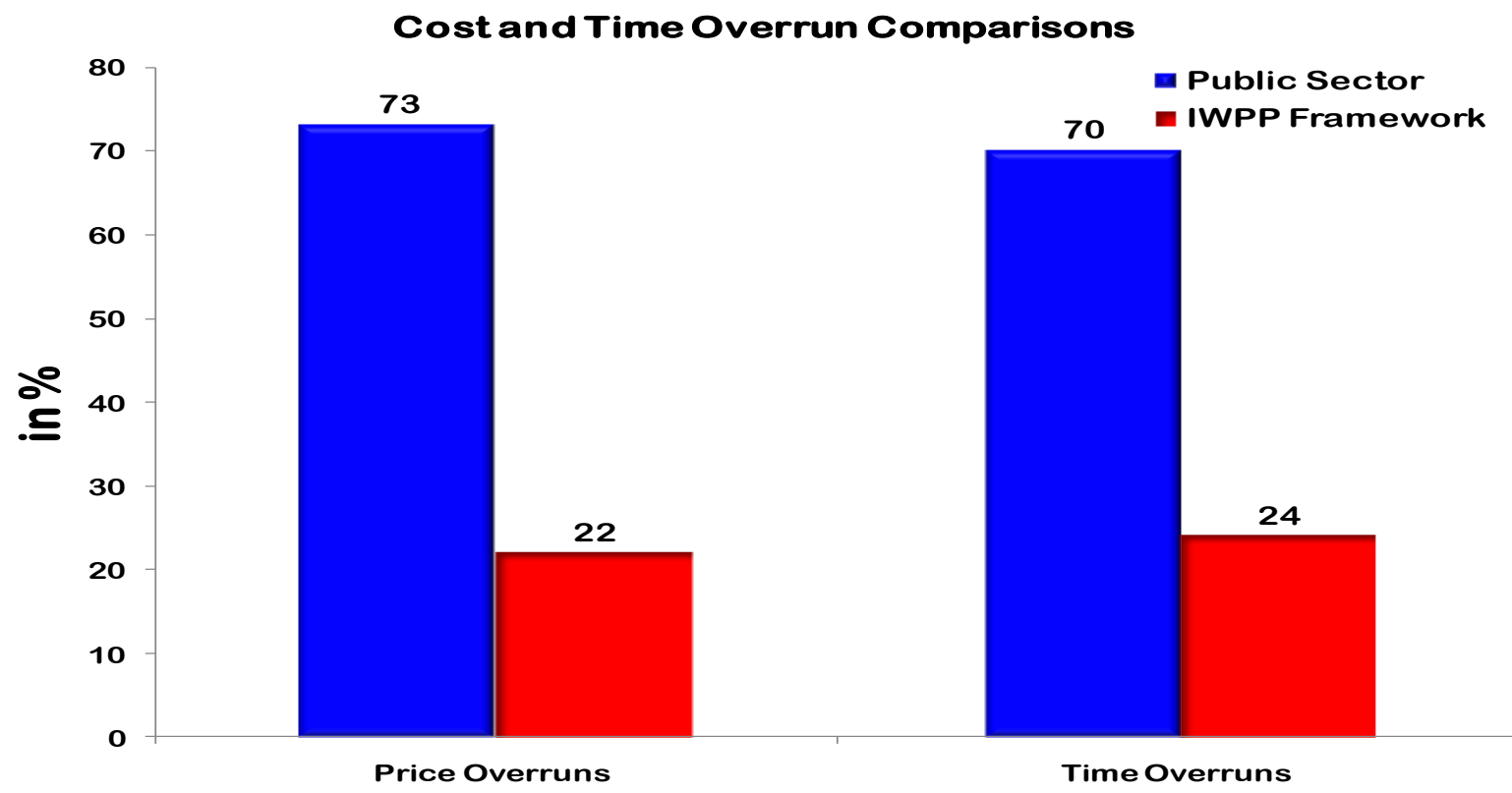
	Ras Azour EPC	Marafiq Jubail IWPP
Contract Award	2010	2007
Power Capacity (MW)	2,800	2,745
Water Capacity (m3/day)	1,000,000	800,000
Fuel	Natural Gas	Natural Gas
Total EPC Cost (US\$ Million)	4,120	2,200
Construction Period	42 months	36 months



- **About the same Capacity**
- **Implemented in a shorter period of time and almost at half the cost**



Public Sector Ownership Vs Private/Public Ownership

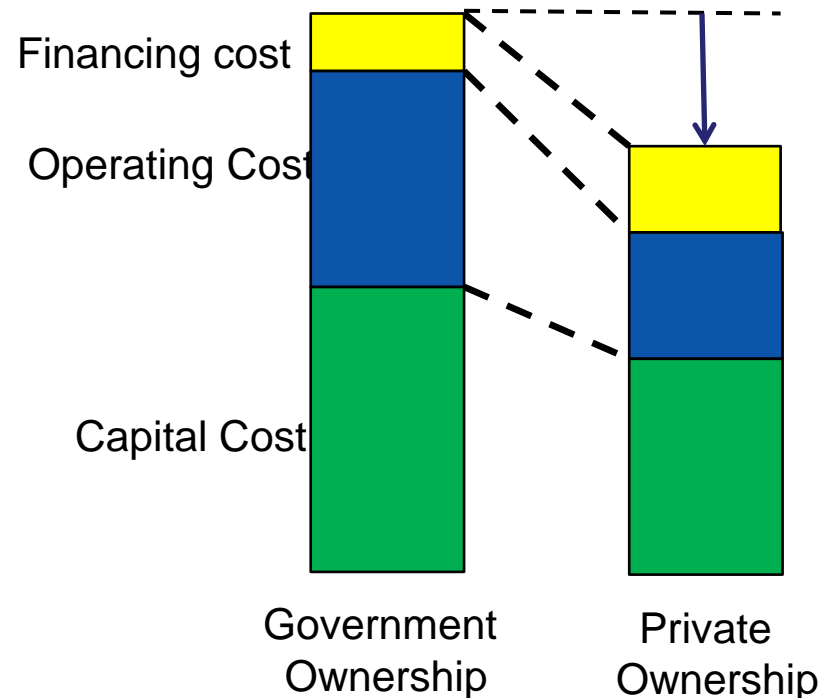


A report of the UK National Audit Office discovered substantial differences in project delivery between public-private partnerships and public sector projects

Private Public Partnership Model A Compelling Proposition



- **Delivers services at a lower cost**
- **Removes risks/need for unbudgeted extra expenditure from public finance**
- **Transparent procurement programmes generates competitive tension to deliver more value.**
- **Well structured projects will attract investors/equity capital and debt funding**



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Djibouti: Doraleh Container Terminal

- Project Description:
 - Construction of a new container terminal with a total quay line of 1.05 km long.
 - Project represents the first ever PPP style financing in Djibouti
 - 30 year Concession Agreement
 - Considered to be one of the most technologically advanced port
- Sponsors: Port Autonome International de Djibouti (PAID)
Dubai Ports World (DPW)
- Total Amount: US\$ 397 Million
- IDB Participation: US\$ 67 Million (US\$15M sell down to OFID)
- Tenure: 10 years
- Lenders: DIB, SC, West LB, AfDB, Proparco,





Malaysia: Kuala Selangor Expressway (KLS)

- Project Description:

- 33 km Expressway
 - 4 Interchanges
 - 10 Bridges
 - 3 Toll Booths
- 40 year Concession Agreement



- Sponsor: Bina Puri Holdings Bhd (50%); Arena Bhd (50%)
- Total Amount: US\$ 448 Million
- IDB Participation: US\$ 92 Million
 - First Local Currency Sukuk
- Tenure: 15 years including 4 years gestation
- Lenders: Bank Pembangunan, CIMB, IDB



Jordan: Queen Alia International Airport

- Project Description:
 - 25 year Build Operate Transfer contract to rehabilitate existing airport and expansion through construction of new state of the art terminal
- Sponsor:
 - Airport International Group
- Total Amount: US\$ 681 Million
- IDB Participation: US\$ 100 Million
- Tenure: 18 years including 5 years gestation
- Lenders: IFC, IDB

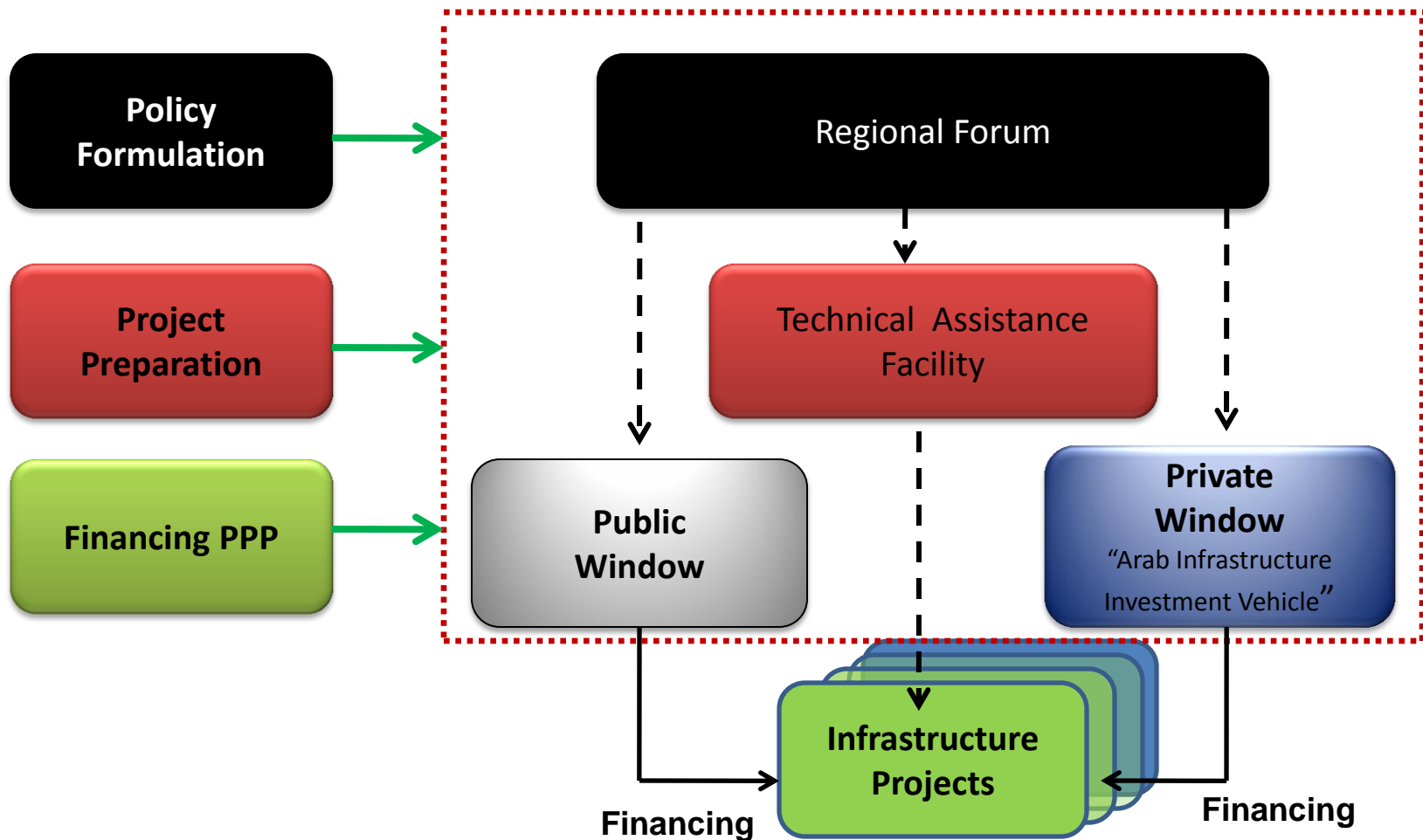




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Arab Financing Facility for Infrastructure (AFFI)





➤ **Launch of AFFI and 1st Policy Forum took place in Amman, Jordan (April 2011)**

➤ **2nd Policy Forum took place in Marrakesh, Morocco (April 2012)**

Regional infrastructure requires policy support for :

- ❑ Identification of national PPP projects and cross-border, regional PPP projects
- ❑ Sharing of best practice experience in PPPs
- ❑ Developing regional capacity in project appraisal and financial structuring
- ❑ Initiating regulatory harmonization where needed.

Arab Infrastructure Investment Vehicle (AIIV)



- The AIIV is a Mezzanine Fund comprising of a Shariah Compliant and Conventional vehicle
- Mezzanine funding is the “missing middle”
- Emerging Market Partnership (EMP) has been selected as the Fund Manager
- Seed contributions from IFC and IDB (USD 50 million each) approved by the respective Boards
- Subscription agreement signed in April 2012
- Target Fund Size of USD 300 million in first closing of the fund.





- ❖ A public sector lending window to support the overall viability of PPP infrastructure projects
- ❖ Projects with AIIV participation will not enjoy exclusive access to this funding but may be eligible to draw on it
- ❖ IBRD will provide ca. US\$ 200 -300 million for the Public Sector Window
- ❖ IDB will also contribute to Public Window from its Annual Work Plan
- ❖ The needs are large - Public Financing Window can benefit from additional funding from other IFIs, sovereign funds and bilateral donors

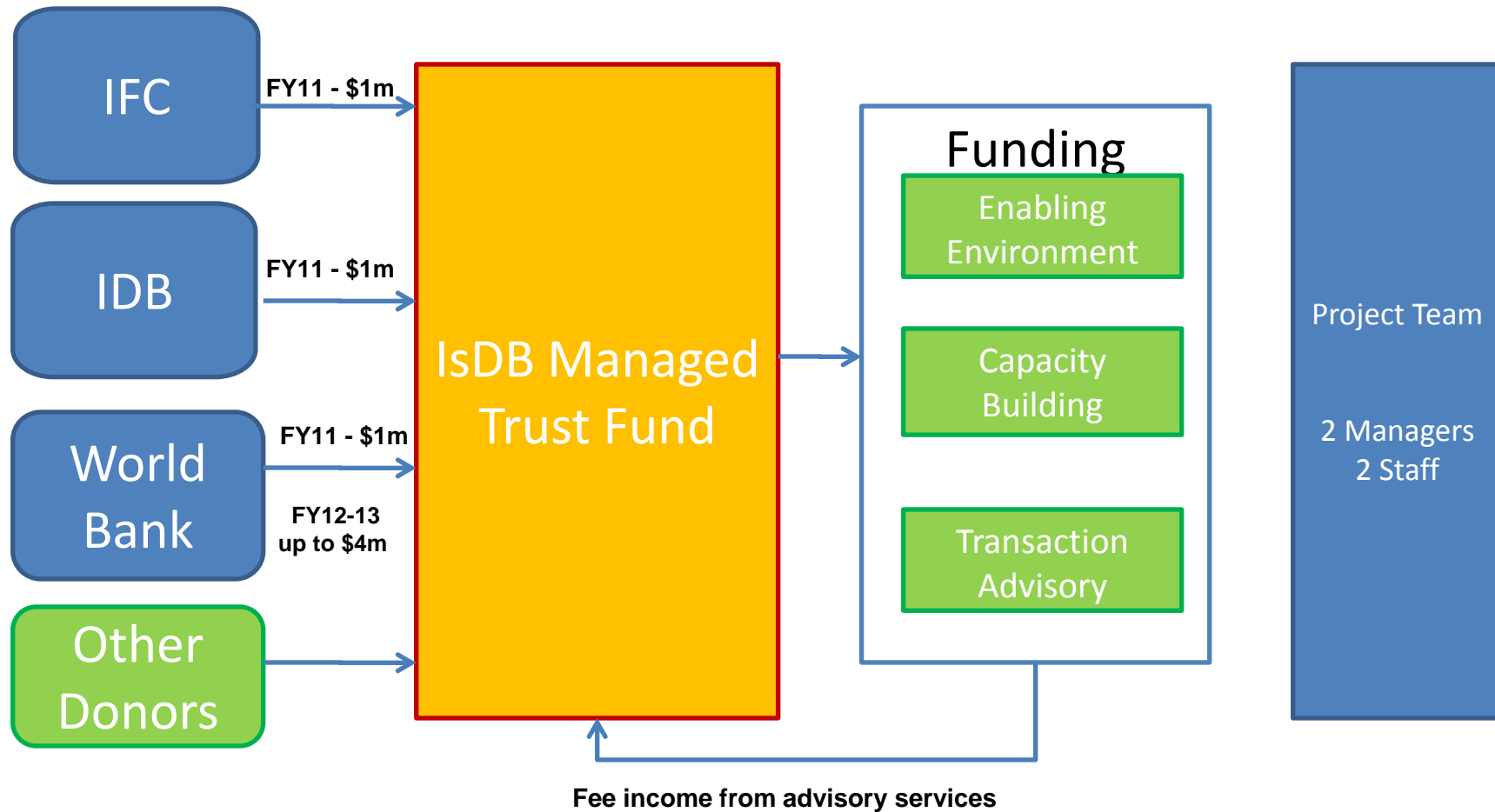


TAF will support the following activities:

- **Enabling Environment:** to support governments in developing overall PPP policy/strategies, legislation/regulation/competition frameworks;
- **Capacity Building:** to improve understanding of PPPs through seminars, workshops, publications, etc; and
- **Transaction Advisory:** to support specific PPP infrastructure transactions through advisory services.

**Will develop into a regional Centre of Expertise
and Excellence for PPPs over time**

Operating Structure of TAF





Thank you

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