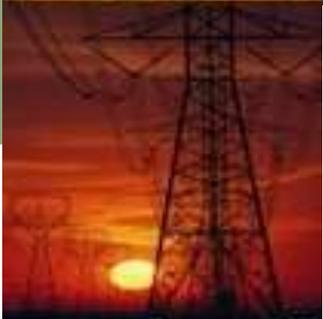




**International
Finance Corporation**
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Investor Perspectives on Port PPPs

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Ports are Different from Most Utilities

- Government & private operator interests are largely aligned
 - Volume growth= Economic development for the country = Higher revenues for operator
 - Increased efficiency = Lower cost of imports/exports = Higher margins for operator
- Market “upside” can help operators achieve ROE with no or low subsidies
 - Despite high equipment costs, there is more income growth potential than many other sectors
 - Trade & GDP growth, new services, transshipment, efficiency improvements can increase revenues without increases in tariffs & often with substantial tariff decreases
- But operators take market risks not faced by utilities
 - Volumes rise when times are good, but also fall in recession
 - Competition from local & foreign ports & other transport means
 - “Build it and they will come” is not always true.

Goal is to reduce those risks that can be controlled & have sufficient clarity to price in the risks that cannot be.

Key Issues Port Investors Face

1. Is concession length sufficient to amortize investments?
2. Clarity on competition from other ports - particularly in development stage?
3. Government ownership in the operating company & involvement in operations: Will it allow operator to develop business plan? Does it really benefit the government?
4. Will operator be able to use port labor efficiently? How will any overstaffing be resolved?
5. Are government obligations as landlord (dredging, landside access, customs, etc.) clear, funded & enforceable?
6. Tariff caps - Are they necessary and, if so, do they adjust for economic events?
7. Are investment requirements consistent with market growth potential?
8. End-of-concession issues: Is there clarity on renewal rights and compensation for equipment/investments?