

Islamic Development Bank Public - Private Partnership



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Providing resources, fighting poverty, restoring dignity

ABOUT IDB



- A multilateral development bank based in Jeddah, Saudi Arabia
- Owned by 56 member countries who are also members of OIC
- End of year 1432H (Nov 2011)
 - Balance sheet size was ID 10.35 billion (approx. USD 16.1 billion)
 - Equity was ID 6.63 billion (approximately USD 10.34 billion)
- Rating of AAA by S&P and Fitch and Aaa by Moody's

INFRASTRUCTURE DEPARTMENT



Organizational Structure



Infrastructure Scorecard
Total Financing : US\$ 20+ bn
Active Projects : US\$ 8.5 bn
Approval 1432H : US\$ 2.6 bn



BENEFITS OF PPP



- Multiplies management & financial resource mobilization;
- Equitable risk sharing between public and private sector;
- Transfer of technology and best practices;
- Expedites development and ensures quality service delivery;
- Enhances predictability of cost.

ENABLING ENVIRONMENT



- **Capacity in the Public Sector:**
 - Clear rules / precedence for PPP concessions;
 - Ability to select bankable projects
 - Well prepared projects with credible & adequate data
 - Transparent and competitive procurement process;
 - Supervision and enforcement of PPP agreements;
- **Legal and Regulatory Framework:**
 - Rights of the investors and lenders;
 - Sector Policies;
 - Taxation/Forex/Ownership etc.
 - Islamic Finance

EQUITABLE RISK ALLOCATION



- **Project Risk**

- Construction
- Operations
- Financial-Market
- Technological
- Force Majeure

- **Country**

- Regulatory, Political
- Macro Economics

A risk should be allocated to the entity which is best positioned and has the most influence in managing it.

RISK ALLOCATION



Private Sector

- Technology, design, engr.
- Financing
- Construction cost
- Availability & performance
- Cost efficiency
- Life of the asset
- Force Majeure
- *Exchange rate*
- *Demand*

Public Sector

- Political & regulatory risks
- Demand
- Land, other infrastructure
- Feedstock supply
- Collection risk
- Exchange rate risks
- Inflation
- Force Majeure
- *Interest Rate*

Based on country, sub-sector, market appetite, the risk allocation differs

The risks in italic fonts are often very difficult for private sector to manage

IDB'S PPP OPERATION

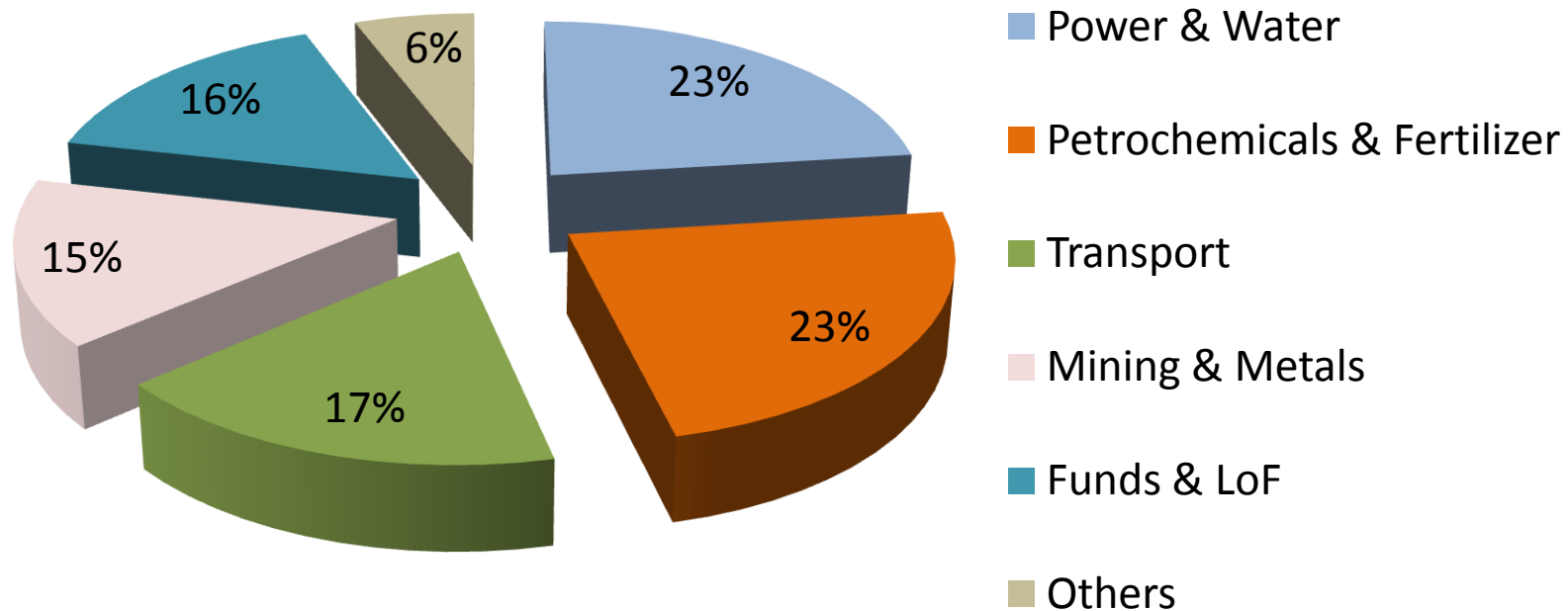


- Limited/non-recourse long term finance in infrastructure projects
- Risk due diligence is in line with the PF industry practices
- Financial instruments are in accordance with Sharia' principles
- Most common products are: Leasing, Istisna and Installment Sale
- Product selection depends on the ownership / assignment ability
- Financing is generally extended in USD or Euro and for long term
- Co-finance with other reputable Islamic and conventional lenders

IDB'S PPP OPERATION



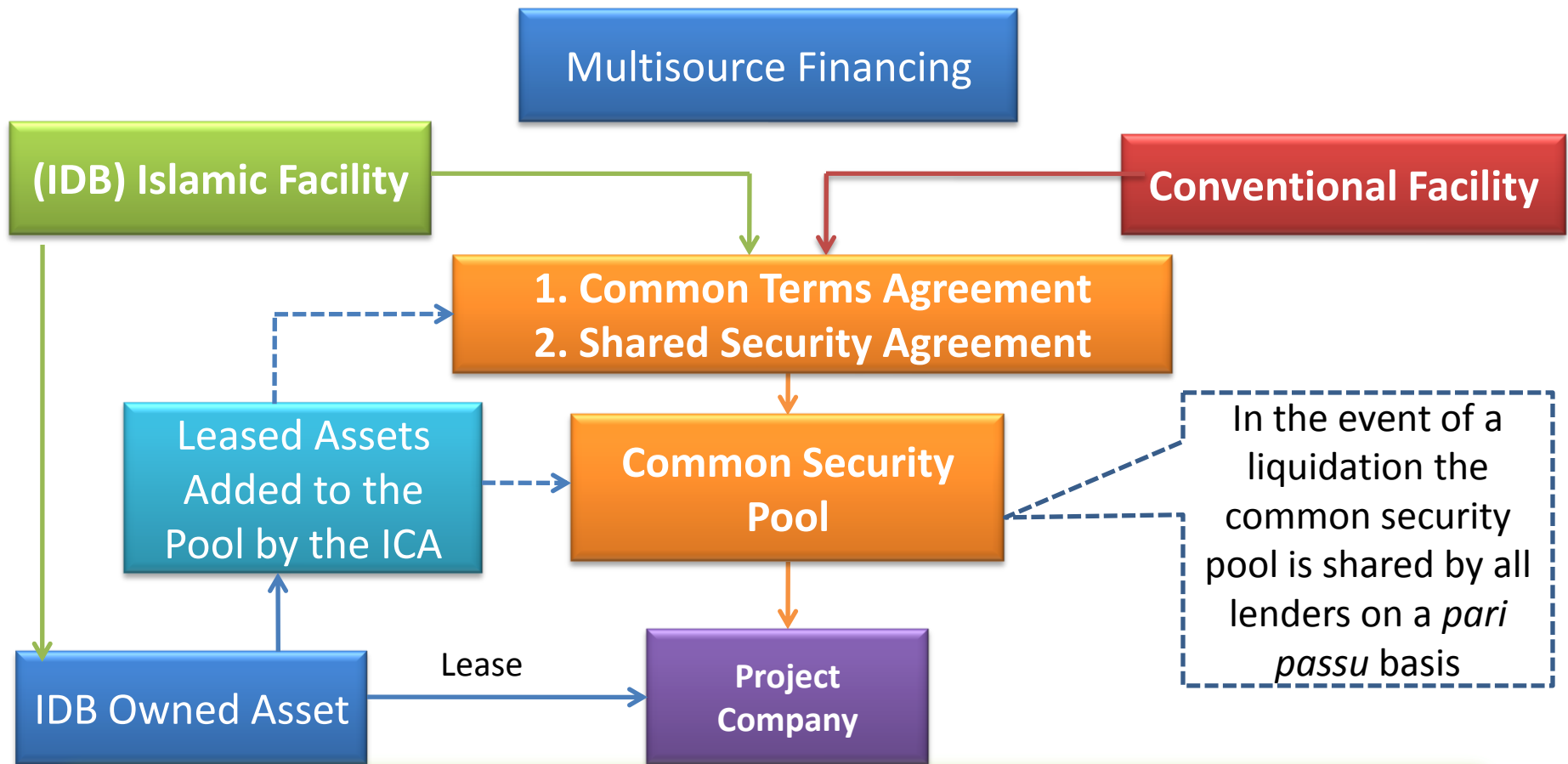
- More than USD 3 Billion approved so far
- A total of 45 projects, including 14 line of finance
- Current commitment is more than USD 2.6 Billion*



* Including projects that are currently under documentation process



PARI PASSU WITH OTHER LENDERS



- Common Security Pool
- Sharing of Proceeds: Pari Passu

DUE DILIGENCE FOCUS



- Sponsors
- Country & regulatory & legal
- project concessions and project contracts
- Project completion (Sponsor, EPC, E&S, Finance etc.)
- Counterparties, roles, obligations, rights, risks
- Demand & competitiveness
- Governance
- E&S
- Financial mode

TRANSPORT



- USD 560 million in six projects directly
- Another project through PE
- Financed in the toll roads, airports, sea port
- Projects in Asia, Africa and the Middle East
- Both greenfield and brownfield
- traffic risk under appropriate circumstance
- Issues:
 - Regulatory and legal aspects

TRANSPORT



- Concession
- Counterparty dependencies and risks
- conflict of interest: Project company vs. EPCC
- E&S, mitigation, resettlement
- Existing baseline number and cashflow vs. greenfield
- Quality of traffic survey
- Traffic forecast, tariff rate & escalation ability, ramp up
- Substitution risk
- Soil tests and detailed design
- Exchange rate and inflation
- Financial model

IDB PPP TRANSPORT



Country	Project	Main Sponsors	IDB Commitment (equiv USD Mn)
Jordan	Queen Aalia Airport	J&P Avax, Abu Dhabi Investment Co., Noor Financials, others	100
Malaysia	KL-Selangor Expressway	Bina Puri, Areal Irama Bhd	100
Malaysia	SKV Expressway	Dato' Rahmat Abu Bakar	90
Djibouti	Doraleh Container Terminal	Port Autonome, DP World	65
KSA	Hajj Terminal, Jeddah	Saudi Binladin Group	100
Senegal	Aeroport International Blaise Diagne	Senegalese Government	91
Asia	Tintin (code name) (equity in a portfolio of four toll road assets)	n/a	PE Fund: 50 Indir. IDB: 28



THANK YOU

IDB AND TURKEY



- Among the top 10 shareholders of IDB
- Shareholder in other IDB Group concerns
- IDB Group's cumulative approval is USD5.9 billion since inception
- 2010-13 target envelope is USD 2 billion including trade finance
- USD 1.3 billion is for public / private sector project finance
- Energy and transport are among the focus sectors

ANEX: POWER & ENERGY



- ~ USD 760 million in nine power & energy projects
- Key focus has been on IPP / generation projects
- Financed thermal, run-of-river hydro and wind power
- Minimum off-take & back to back feed stock supply
- FX risk mitigation
- Merchant power projects – yet to invest

ANNEX: POWER & ENERGY



- Tariff competitiveness
- feedstock supply, hydro / wind resource risk
- Government support
- Land and resettlement
- Counterparties
- Energy:
 - Production stage financing
 - Validation of reserve estimation
 - Price volatility risk and focus on competitiveness
 - Cash sweep

ANNEX: IDB ENERGY PPP PROJECTS



Country	Project	Main Sponsors	IDB Commitment (equivalent USD Million)
Qatar	Ras Lafan C (IWPP)	Qatar Petroleum, QEWC, Mitsui & Suez Energy	150
Jordan	Qatrana	KEPCO Xenel	80
Pakistan	Patrind Hydro	K-Water Deawoo	60
Pakistan	New Bong Escape Hydro	Hub Power Co.	37
Pakistan	Uch II Power	IP / GDF Suez	90
Pakistan	Foundation Wind	Fauji Foundation	140*
Iran	Fars IPP	MAPNA Group	90
Uzbekistan	Khauzak-Shady Uzbekistan	Luk Oil	95
Senegal	St. Louis Rural Electrification	ONE	8.7

*including 70 million tranche guaranteed by ADB