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
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

Upgrading Port Business Units

Value Chain; Vertical Integration

- Storage
- Cargo handling
- Landside superstructure
- Marine infrastructure

New Port Tender
JPMC & APC JV
JPMC BOT
New Port Tender
ADC Builds & Secure Operator
Oil Terminal
Container Terminal
Ferry Services
Marine Services

Source:
Aqaba Development Corporation
Presentation by Omar R. Massarweh

Diversification of Business Unit (Business/Operational Rationale); horizontal integration

Breaking up port into commercial business Units
PUBLIC-PRIVATE SPECTRUM OF PORT PPP’S

- Civil Works
- Service Contracts
- Management Contracts
- Leases
- BOT Concessions
- JVs Partial Divestiture
- Full Divestiture

PUBLIC PORT
TOOL PORT
LANDLORD PORT
PRIVATE PORT

Public Infrastructure
Public Superstructure
Public Operation

Public Infrastructure
Public Superstructure
Private Operation

Public Private Partnership

Private Infrastructure
Private Superstructure
Private Operation

LOW Private Sector Risk Sharing
HIGH
TYPES OF PORT PPP TRANSACTIONS

- Build Operate Transfer: 34%
- Build Own Operate: 26%
- Design Build Finance Maintain Operate (DBFM): 4%
- Design Build Finance: 2%
- Partial Divestiture: 2%
- Full Divestiture: 1%
- Merchant: 1%
- Lease contract: 1%
- Build Lease Transfer: 1%
- Build Own Operate Transfer: 1%
- Concession: 1%
- Design Build Finance Turnkey: 0%
<table>
<thead>
<tr>
<th><strong>PORT GOVERNANCE MODELS</strong></th>
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</table>

### STRENGTHS

<table>
<thead>
<tr>
<th>Service Port</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>- Superstructure development and cargo operations under the responsibility of a unique organization (unity of command).</td>
<td>- Not user / market oriented.</td>
</tr>
<tr>
<td>Tool Port</td>
<td>- Lower cost of funding. - Professional management.</td>
<td>- Conflict between port authority (owns equipment) and private firm (operates equipment) - Limited innovation / efficiency.</td>
</tr>
<tr>
<td>Landlord Port</td>
<td>- Port authority focuses on governing. - Commercial activities by private firms more market oriented and competition driven (favor efficiency &amp; innovation).</td>
<td>- Public spending on infrastructure. - Pressure of private operators on port authority to oversize the infrastructures.</td>
</tr>
<tr>
<td>Private Service Port</td>
<td>- Maximum flexibility. - Market-oriented development strategy.</td>
<td>- Risk of undue advantage from monopoly position - Poor Government control on strategic issues. - If full privatization, risk of speculation on high value real estate.</td>
</tr>
</tbody>
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PORT PPP RISK MATRIX IS DIFFERENT FROM OTHER SECTORS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Public</th>
<th>Private</th>
<th>Shared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental and social risk</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Financing Risk</td>
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<tr>
<td>Approval Risk</td>
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<tr>
<td>Design Risk</td>
<td>✓</td>
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<tr>
<td>Commissioning Risk</td>
<td>✓</td>
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<tr>
<td>Performance / price Risk</td>
<td>✓</td>
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<tr>
<td>Resource or Input Risk</td>
<td>✓</td>
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<td></td>
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<tr>
<td>Demand Risk</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Exchange Rate Risk</td>
<td>✓</td>
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<td></td>
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<tr>
<td>Strategic Risk</td>
<td>✓</td>
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<table>
<thead>
<tr>
<th>Risks</th>
<th>Public</th>
<th>Private</th>
<th>Shared</th>
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</thead>
<tbody>
<tr>
<td>Land Acquisition &amp; Site Risk</td>
<td>✓</td>
<td></td>
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<tr>
<td>External Linkages</td>
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<tr>
<td>Construction Risk</td>
<td>✓</td>
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<tr>
<td>Disruptive Technology Risk</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Handover Risk</td>
<td>✓</td>
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<tr>
<td>Political Risk</td>
<td>✓</td>
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<tr>
<td>Regulatory / Change in Law Risk</td>
<td>✓</td>
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<tr>
<td>Maintenance Risk</td>
<td>✓</td>
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<tr>
<td>Interest Rate Risk</td>
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<td>Insurance Risk</td>
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<td>Early Termination Risk</td>
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<td></td>
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<tr>
<td>Force Majeure</td>
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PPP SUCCESS REQUIRES CONSCIOUS AND INTENSIVE COORDINATION WITH MANY STAKEHOLDERS
PPP SUCCESS REQUIRES CONSCIOUS AND INTENSIVE COORDINATION WITH MANY STAKEHOLDERS
PPP success requires conscious and intensive coordination with many stakeholders.
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

Terminal Operators

- Strengthen the Hinterland Advantage
- Continuous Process Improvement

- More Collaborative Partnership
- JV with Key Shipping Lines

- Relook at Risks, Re-evaluate Prospects
- Higher Level of Transparency

- Dig Deeper to Uncover Niches
- Remain Grounded on Valuations

Ministry of Transport / Port Authorities

Port Investors

Source: Drewry Maritime Advisors
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