



Meeting the Investment Financing Challenges

IMF Conference on Infrastructure Investment and LICs

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Introduction

- In most developing countries in Asia, there are good examples of private-sector funded infrastructure projects
- Valuable legacy from 20 years of build, financing and operation of roads, power plants, ports, water projects
 - Quality construction management
 - Operation and maintenance focus
 - Human resources development
 - Financing know-how
 - Restructuring knowledge
- Need for infrastructure investment in developing countries is beyond doubt
- In Asia, the private sector is straining to invest more in infrastructure but faces a shortage of bankable opportunities

Creating Bankable Infrastructure Opportunities – Memo 1 & 2

- Memo 1: Most infrastructure projects have complex concession and implementation agreements.
 - Replicate successful model contracts (“South-South”)
 - Standardise key contract terms & stick to them (creating a clear ‘benchmark’)
 - Issue all permits / approvals / licences through a well-resourced single window
 - Get started; a good project next year is preferable to a better project in a decade
- Memo 2: Establish a fair risk-reward balance and provide clear Government support.
 - Be generous with support for challenging projects (alternative is “finance it yourself”)
 - Back-stop availability payments or minimum revenue guarantees until demand and patronage is firmly established
 - Private infrastructure begins as an infant industry and needs to achieve economies of scale
 - A large portfolio of performing infrastructure projects is the best way to attract more capital
 - Government support will reduce risk and drive down cost of capital

Creating Bankable Infrastructure Opportunities – Memo 3

- Memo 3: Suggestions on how to mobilise financing
 - Governments should have their own strategy & objectives for private infrastructure financing
 - Ensure local banks have some role, even if its small (financing knowledge-transfer)
 - Reach out to export credit agencies & multilaterals on a programmatic basis (not one-offs projects)
 - Embed incentives for projects to refinance post-completion & keep the benefits:
 - *Local currency refinancing reduces FX indexation*
 - *Bond refinancing develops capital markets*
 - *Successful refinancings strengthen future supply of construction financing*
 - Require successful projects to seek a published credit rating
 - Use tax breaks to encourage domestic IPO of infrastructure assets
 - Create a SWF or publicly-owned infrastructure holdco to buy minority equity stakes

Infrastructure Journey for a Low Income Country

1. QUESTIONS

Is infrastructure really a government priority?

Would a “Ministry of Infrastructure” attract the best public servants?

Do you really want the private sector and foreign capital in infrastructure?

What infrastructure can the private sector best provide?

2. POLICIES

Establish sound legal framework for private infrastructure projects; accept international arbitration.

Embrace fair risk sharing through minimum revenue guarantees, availability payments & FX protection.

Incentivise projects to refinance, IPO and drop revenue-guarantees, as soon as possible

4. TIPS

Insist on local currency financing for 5-10% of all project debt.

Offer expansion or second, third project opportunities to successful project sponsors on a negotiated basis.

Foreign banks should support infrastructure lending.

Faced with FX or macroeconomic difficulties, negotiate and restructure; don't abuse foreign investors.

3. IMPLEMENTATION

Welcome solicited or unsolicited project proposals. *Whether a cat is black or white*

Consider simple concessions first; market competition can be introduced in 10-20 years

Get started. Capacity is built and experience gained through doing.

Successful Private Investment in Infrastructure

Standard Chartered – Here for Good, Here for Infrastructure

<p>Triple A Asset Asian Awards 2009</p>  <p>Best Project Finance House</p> 	<p>Triple A Asset Asian Awards 2009</p>  <p>Best Project Finance Advisory House</p> 	<p>Triple A Asset Asian Awards 2009</p>  <p>Best Islamic Project Finance Deal Saudi Arabi Ma'aden Phosphate</p> 	<p>Project Finance International Awards 2009</p>  <p>Bank of the Year Middle East & Africa</p> 	<p>Project Finance International Awards 2009</p>  <p>Environmental Deal of the Year GAT Waste to Energy</p> 	<p>Project Finance International Awards 2009</p>  <p>African Oil & Gas Deal of the Year Kosmos</p> 	<p>Project Finance International Awards 2009</p>  <p>Gulf Power Deal of the Year Shuweihat 2</p> 
<p>Project Finance International Awards 2009</p>  <p>Asia Pacific Deal of the Year PNG LNG</p> 	<p>Project Finance International Awards 2009</p>  <p>Middle Eastern Oil & Gas Deal of the Year Dolphin</p> 	<p>Euromoney Islamic Finance Awards 2008</p>  <p>Best Islamic Project Finance House</p> 	<p>Euromoney Awards 2008</p>  <p>Best Project Finance House</p> 	<p>EMEA Finance Awards 2009</p>  <p>Best Middle East Power Deal Ras Laffan C</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Asia-Pacific Industrial Deal of the Year Hyundai Steel</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Asia-Pacific Refinancing Deal of the Year Firs Gas</p> 
<p>Euromoney Project Finance Awards 2008</p>  <p>Asia-Pacific Telecoms Deal of the Year PT Protelindo</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Middle East Telecoms Deal of the Year AI Yah Satellite</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Middle East IWP Deal of the Year Ras Abu Fontas</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Middle East Power Deal of the Year Ras Laffan C</p> 	<p>Euromoney Project Finance Awards 2008</p>  <p>Middle East Islamic Finance Deal of the Year Ma'aden Phosphate</p> 	<p>Euromoney Project Finance Awards 2007</p>  <p>Asian Renewable Deal of the Year Sinan Solar</p> 	<p>Euromoney Project Finance Awards 2007</p>  <p>Africa Power Deal of the Year Bujagali Hydro</p> 