

South Inter-oceanic Road Corridor (Peru – Brazil)

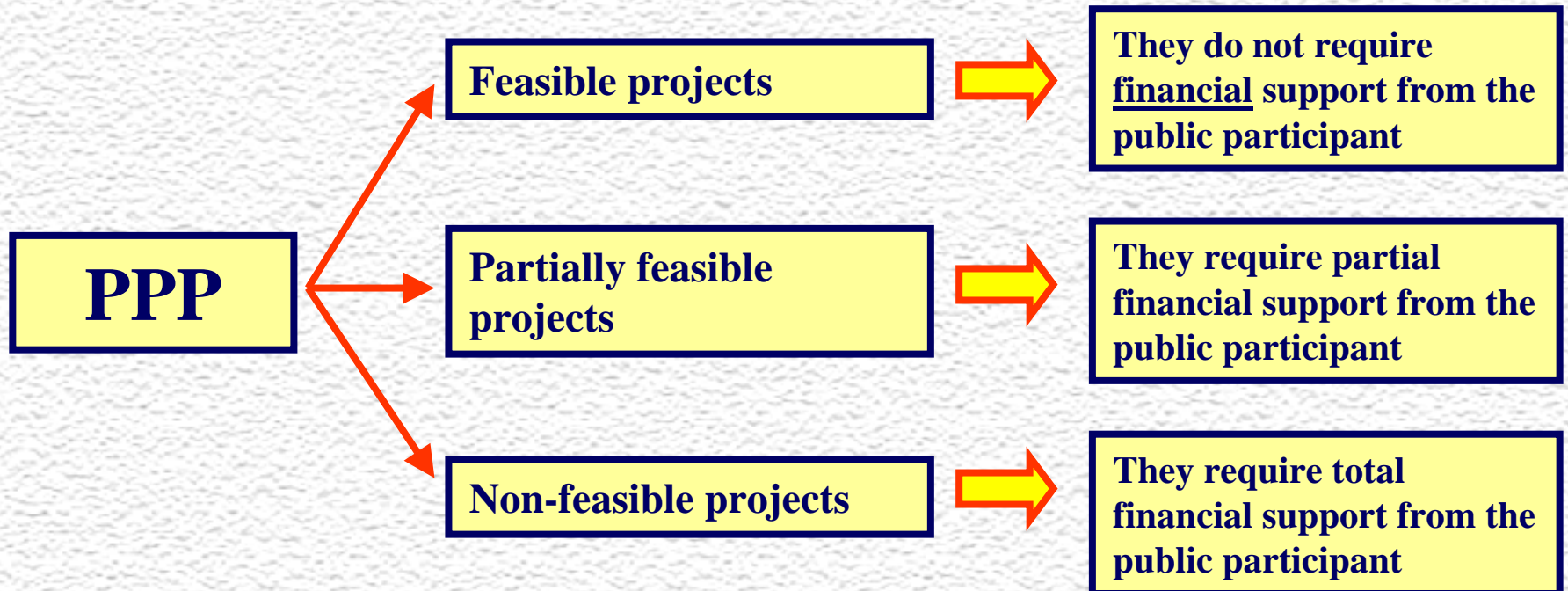
An innovative scheme of PPP

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Types of PPP

Trade Feasibility: capacity to cover investment and operation costs with direct income of the Project (tolls, airport rates, consumption tariffs, etc.)





Regional Context (IIRSA Initiative)



PERU- BRAZIL- BOLIVIA HUB

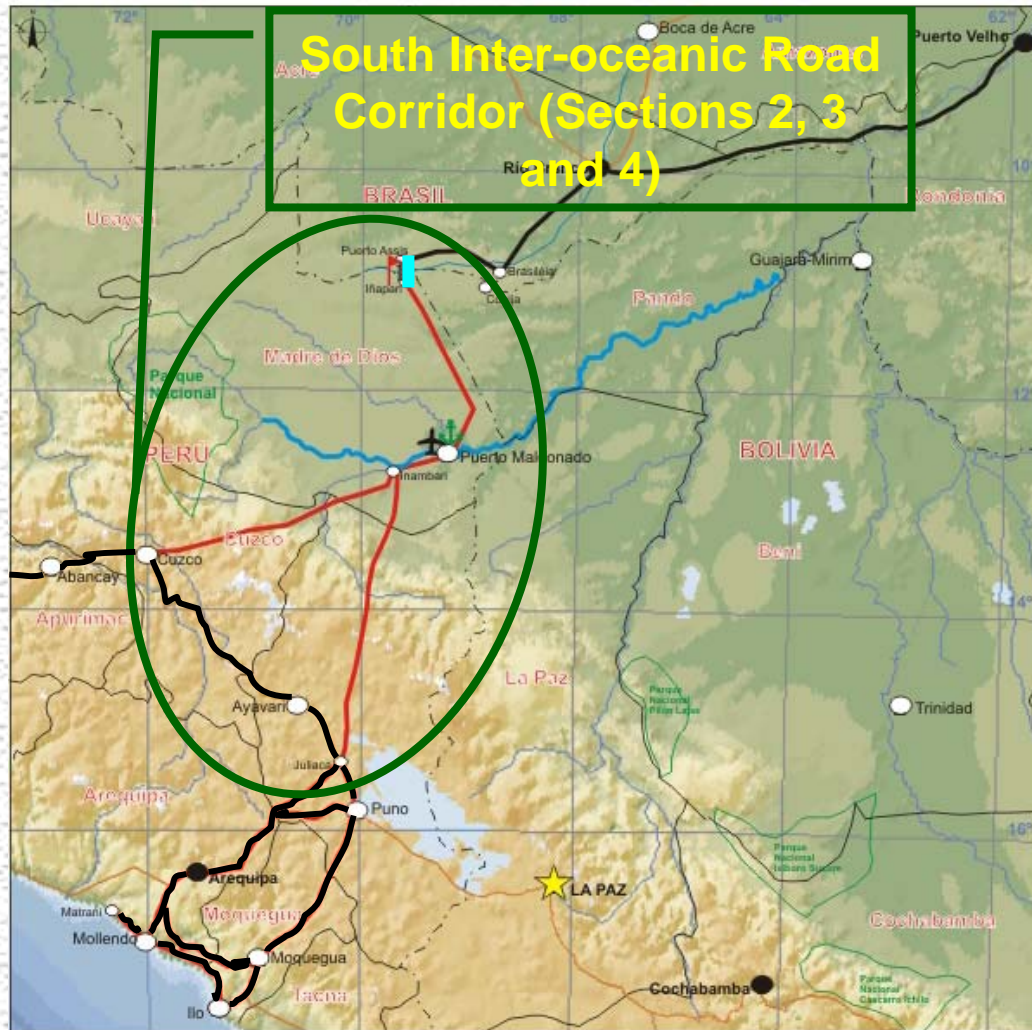


Main messages

- Highly-prioritized project in the IIRSA Initiative, with high social impact, within a national strategy of physical integration, decentralization and promotion of private investment
- Implementation scheme with a wide vision in relation to sustainable growth: infrastructure, production, environment, equality
- Successful international public tenders, promoted by ProInversión => costs related to regional standards
- Innovative financing mechanism for public works: type BOT concession; financing with capital markets, Tie-up Credit Line with sovereign guarantee to start works quickly; annual payments for fifteen-year works



IIRSA: Group 1, Peru-Brazil-Bolivia Hub



South Inter-oceanic Road Corridor (Sections 2, 3 and 4)

Proyectos

- Proyecto Ancla: Pavimentación Iñapari - Puerto Maldonado - Inambari, Inambari - Juliaca/Inambari - Cuzco
- Puente sobre el Río Acre
- ✈ Aeropuerto Puerto Maldonado
- Hidrovia Madre de Dios y puerto fluvial (estudios de navegabilidad, batimetría, identificación de puntos críticos, requerimientos de dragado)
- ▲ Paso de Frontera y construcción de CEBAF



Characteristics of the Project

- Inter-oceanic, Sections 2, 3 and 4 (three separate concessions):

- Term of the concession: 25 years
- Construction stages: 3
- Estimated completion for each stage: months 12, 30 and 48
- Parallel program for the management of indirect impacts

- Estimated Investment

- Section 2: US\$ 328,2 millions
- Section 3: US\$ 428,1 millions
- Section 4: US\$ 299,6 millions
- Environmental Management Program: US\$ 17,1 millions
- **Total Investment for the Projects: US\$ 1,073 millions**



Expected benefits

- Reduction of travel time to 1/3 of the current time (average speed increases from 20 to 60 Km/h)
- Traffic is expected to grow from 50 to 300% in 10 years
- Primary dynamics: Madre de Dios – Acre – Pando (MAP). Improved basic supply, scale increase for the development of sustainable Amazon economy (short term)
- Secondary dynamics: complementarity: coast-mountain range-jungle. Inter-regional trade, complex productive chains, added value, logistics (short-medium term)
- Tertiary dynamics: restructuring of the logistics of the big Brazilian agroindustrial flows to the Pacific basin (long term)

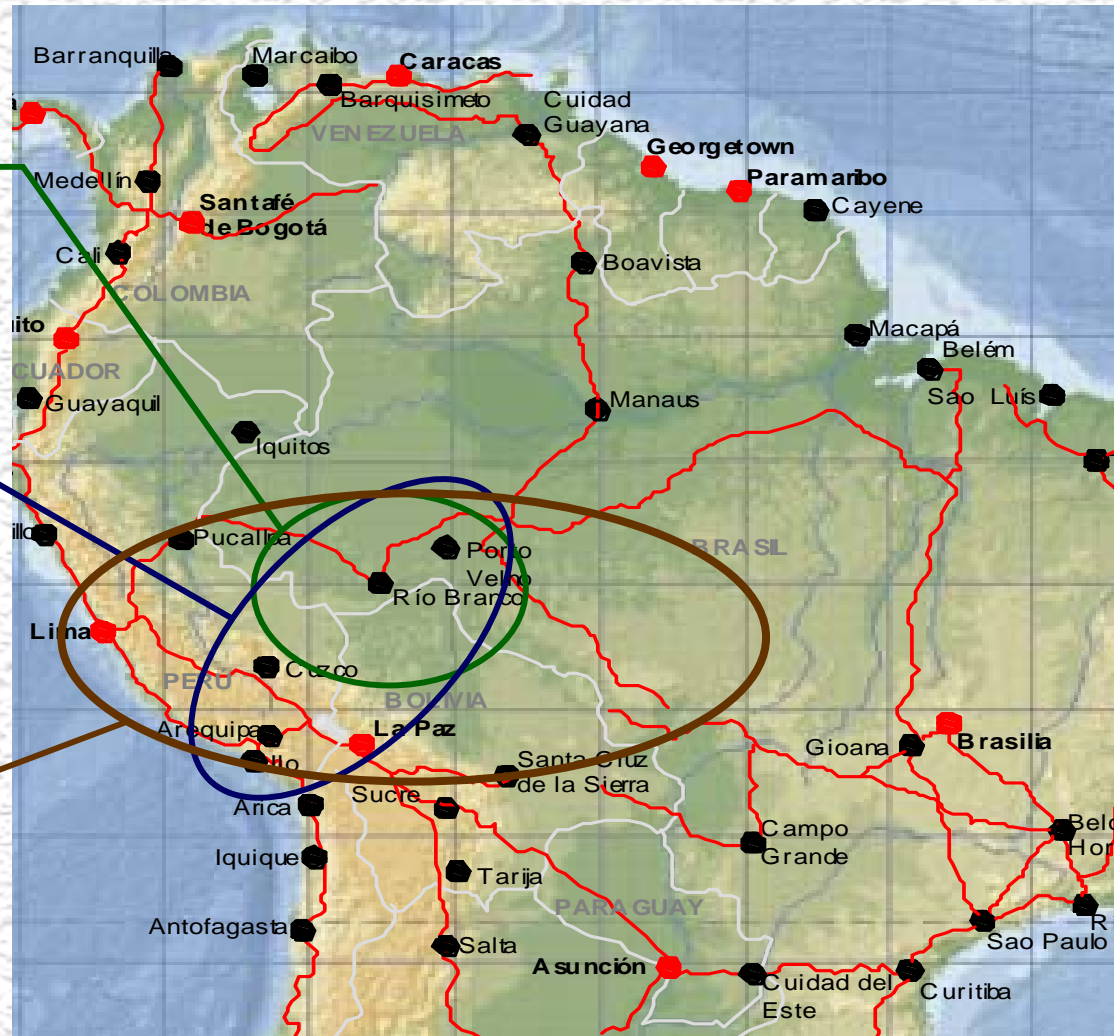


Expected benefits

Primary dynamics

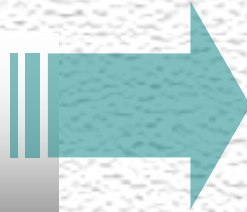
Secondary dynamics

Tertiary dynamics



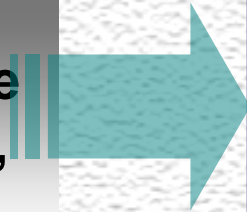
Design of the scheme of PPP

National Objective



- To render an effective Public Service efficiently
- To promote Investment in the necessary Infrastructure
- To minimize Impact on Public Indebtedness and on the spending levels

Public-Private Assoc. (APP, in Spanish)



Concessionaire => Responsible for the Construction, Operation and Gathering of Financing Sources.

Creditor => Private Financing

State => Planning/Promotion/Regulation/
Supervision and Payment Obligation postponed

Private Contribution

Seed Capital = 1st Milestone
Work Guarantee = Deposit in US\$
Agreement Guarantee = Deposit US\$

State Obligation

Per Work: Payment schedule for the term of the concession
Per O&M: Annual Payment + Other Incomes + Tolls



The intrinsic dynamics of Risk distribution in the design of the scheme

Constructor
Concessionaire

Government

CAF

Commercial
Banks
Capital
Markets

Participants





The Role of the CAF

To accompany the process from its beginning to its end:

- Financing of feasibility studies (US\$ 3.5 millions)
- Independent verification of concessionaire technical solutions and impact on costs
- Tie-up Lines of Credit (US\$ 200 millions) to allow rapid beginning of the works
- *Pro bono* consultancy to the Republic of Peru to ensure the “bankability” of the concession contracts, and the intermediary activities related to discussions among Republic, Concessionaire and Financial Experts
- Partial Guarantee of Revolving Credit (GPCR, in Spanish) up to US\$ 280 millions to support the structuring of private financing
- Parallel program for immediate actions related to environmental management topics in the area of influence



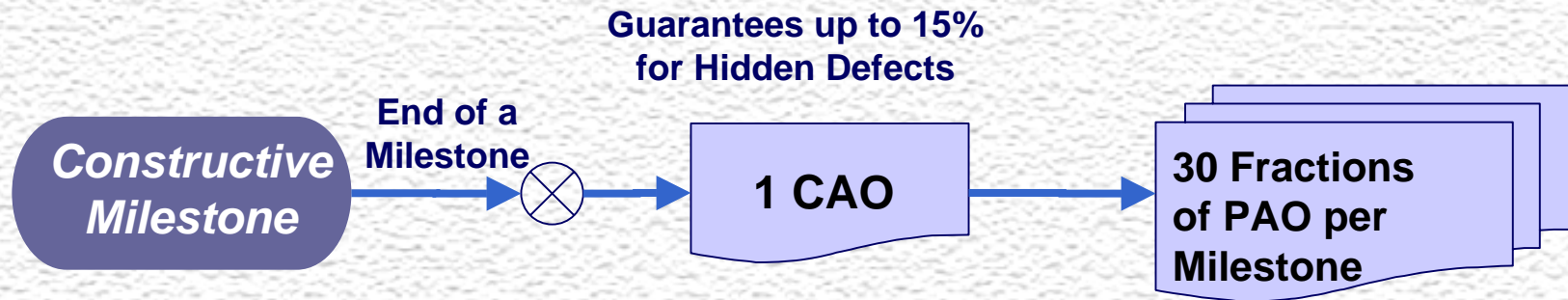
The concession agreement and the Payment mechanisms

CAO

Certificate of Work Progress (Certificado de Avance de Obra, in Spanish), issued by the Prime Contractor for each **Milestone** finished by the Concessionaire, by which the first part accepts and approves the works received and is bound to the corresponding **PAO** portion.

PAO

Direct, general, unconditional and irrevocable obligations of the Prime Contractor, charged against the general budget of the Republic of Peru, corresponding to the remuneration for the works built and delivered by the Concessionaire and accepted by the Prime Contractor.





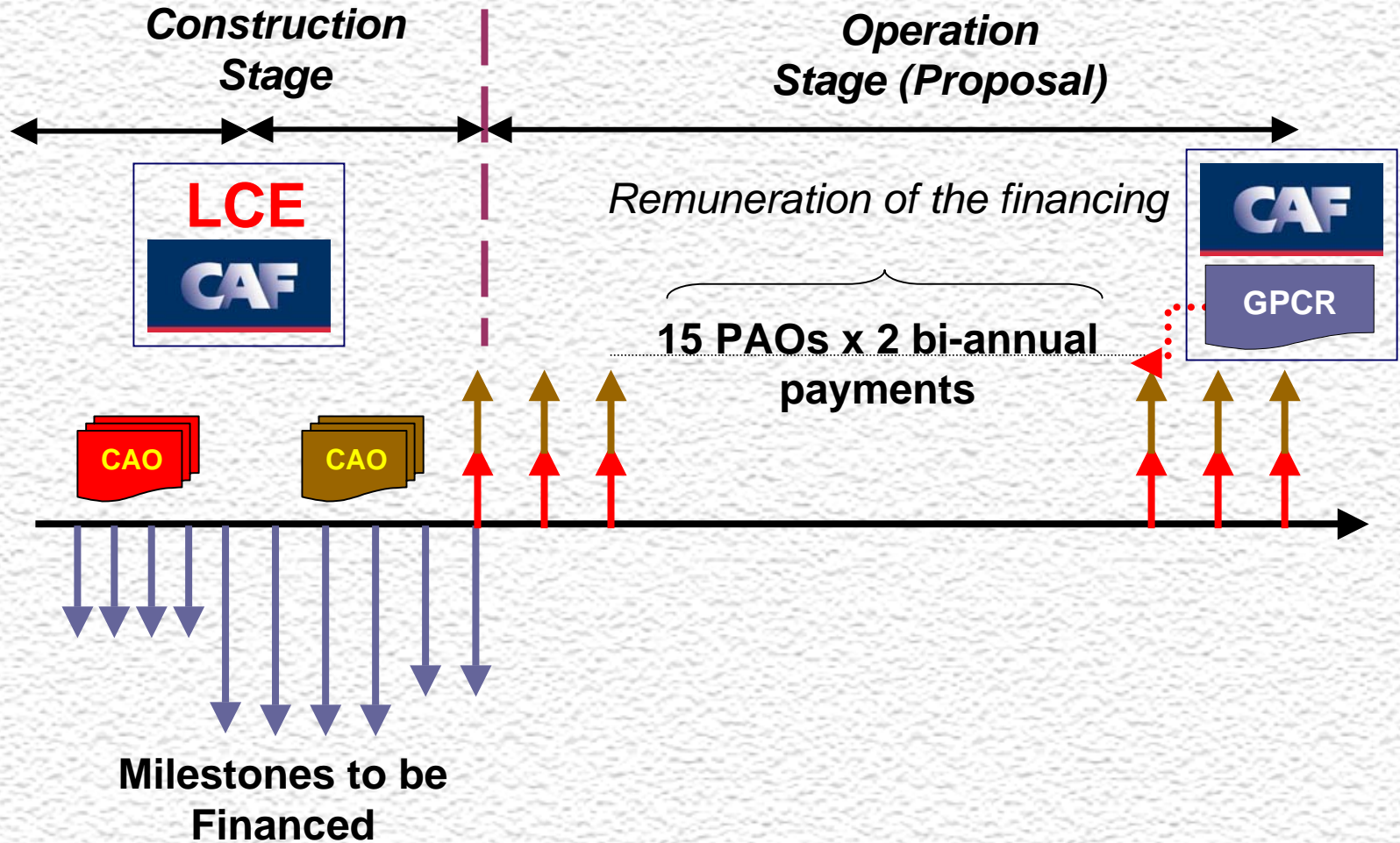
Financial Structuring

“BANKABILITY” OF THE CAO

- ❑ Obligation in American Dollars
- ❑ Expiration (Maturity Date) : April and October of each year, for 15 years
- ❑ Equivalent certificate, from the financial point of view, to a zero-coupon, transferable and *pari-passu* with other PAOs
- ❑ Regulated for international investors under the law and jurisdiction of New York
- ❑ Elimination of the construction risk. The CAO and the corresponding PAOs are issued after the Construction Milestone is finished and accepted



The CAF through the Concession





Tie-up Lines of Credit

- Objective: To facilitate the rapid beginning of the works
- Instrument: revolving line of credit
- Amounts: up to US\$ 200 millions (3 concessions)
- Term: up to 4 years (private financial closure)
- Guarantee: pledge on the PAOs and guarantee granted by the Republic of Peru



Partial Credit Guarantee

- Objectives: To mitigate possible country risk
To extend financing term
- Instrument: Partial Credit Guarantee
- Amounts: up to US\$ 280 millions (3 concessions)
- Term: 19,5 years
- Guarantee: subrogation in CRPAOs rights that have not been paid
- Observation: There is not a counter-guarantee by the RdeP



Parallel Program for Environmental Management

First Peruvian multilateral indebtedness program for the management of environmental topics related to road projects.

General Objective

To promote sustainable socio-economic and environmental development, improving the quality of life of the population and also of the communities made up by farmers and natives within the scope of the Project

Specific Objectives

- ✓ Priority projects and activities that prevent or mitigate indirect impacts on the area of influence of the roads
- ✓ Development and financing of activities for the benefit of the towns located in the area of influence
- ✓ To improve the management of natural protected areas and to formalize the creation of new such areas
- ✓ Financial mechanisms to consolidate forestry concessions and finance productive activities in the area of influence
- ✓ To support participation and monitoring of indirect impacts and financing of projects by the organized civil society

Amount:

US\$ 17.1 millions

Executor: INRENA



Initial Results

- Less than six months from the granting of the concessions up to the beginning of the works
- Less than 18 months for the definitive Financial Closure
- 50% of the LCEs were used, they were paid with incomes from the Financial Closures, the sovereign guarantees related to the Project expired
- Definitive financial closures were carried out without the guarantees offered by the CAF
- Works are progressing in record time and the three stages are expected to be completed one year earlier

THANK YOU VERY MUCH!!!

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