



FUTURE FINANCE

IDB Private Sector Airport Financing



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Agenda

- Private Sector Operations at the IDB
- IDB Experience in Airport Financing
- Lessons Learned on Airports financed by IDB



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Leading Regional Development Bank

- Largest Source of Multilateral Financing for Latin America and the Caribbean since 1959.
- Deep Knowledge and Excellent Relations with Latin America and the Caribbean
 - Cooperative of 48 regional and non-regional countries, offices in all borrowing member countries.
- Solid Financial Position
 - AAA/Aaa Rating (S&P, Moody's)
 - Ability to extend tenors at market pricing
- IDB Value-Added
 - ***Umbrella effect:*** Unique ability to open channels of communications with governments, communities and other regional entities provides comfort to borrowers and helps to attract other commercial lenders to transactions.
 - **Catalytic role:** IDB partners with other commercial lenders to help mobilize financing.
 - **Honest broker:** Internationally recognized environmental, social, labor and health standards provide comfort to governments, communities, lenders and sponsors.
 - **Products and Services:** Flexible risk sharing arrangements, no country exposure limits and ability to mobilize grant financing to support preparation and execution of strategic transactions.



Our Private Sector Expertise



Infrastructure



Industries and Services



Syndications



Financial Markets



Social Infrastructure



Key Criteria & Terms and Conditions

Clients	Private or state-owned corporate entities and financial institutions*
Products	Commercial loans, credit guarantees and grant financing
Sectors	All economic sectors, with special focus in infrastructure, financial markets and “green” projects*
Currency	Loans in US dollars and guarantees in US dollars and local currencies
Limits	US\$200 million per project** / 50% of project cost. 25-40% if greenfield
Tenors	10-15 years average or longer
Interest Rate	Fixed or floating over Libor + Spread according to Market conditions

* Exceptions: negative exclusion list

** Up to US\$400 Million in Exceptional Cases



Technical and Legal Project Analysis- Airport Projects

Market and Traffic	Sector review, airline and airport's expansion plans, international and local legal framework Historic data & traffic/revenue projections, capacity/peak hour analysis; competitive analysis (tariffs); revenue composition
Technical	Design, Capex and O&M cost, security and safety, airport comparisons
Environmental & Social	Impacts (noise, ground contamination, solid and water waste), land acquisition plans, alternative analysis (greenfield only), etc.
Economic	Cost vs benefit analysis, Economic rate of return
Insurance	Construction and operational (DSU, CAR, 3-party liability)
Legal	Local regulation (concession, tax), Local law contracts, New York documentation.



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Costa Rica: Juan Santamaría Airport (Expansion)

1. The Airport

- a. Located in San Jose, concentrates 90% of all international arrivals to the country and 75% of all tourists.
- b. Second busiest airport in Central America: 1.5 million pax in 2008, 4 million expected by 2026.
- c. Expansion, remodeling, upgrading and operation of the terminal. Immediate capex included:
 - i) queuing space and new pre-board security screening;
 - ii) Government institutions offices;
 - iii) new airside concessions;
 - iv) airline offices;
 - v) commercial areas and other small capex.

2. The IDB Financing

- a. Sources: Cash generation from Operations (MSA), Equity injection and Long-term Financing.
- b. Total financing: US\$100 million (IDB and OPIC).
- c. Provided a long term solution to allow the private operator finish construction of Phases I and II of the expansion plan and eliminate the refinancing risk to continue with future investments under phases III and IV.
- d. Transaction closed in 2011.

Ecuador: Quito Airport (Greenfield)

1. The Airport

- a. Old airport Mariscal Sucre Airport (MSA) located in the central area of the city of Quito, suffered from severe limitations in capacity due to the constrained site and high altitude (2,840 m over sea level).
- b. New airport located 24 km from Quito on a plateau 15 times larger and 500 m below MSA.
- c. 35-year Private Concession contract to build, operate and maintain the new airport.
- d. Awarded to Corporacion Quiport S.A. (Brazil, Canada, US).
- e. Once the new airport was operational, MSA was closed definitively.
- f. After the term of the Concession the new airport will be reverted to the GOE at no cost.

2. The Financial Plan

- a. Sources: Cash generation from Operations (MSA), Equity injection and Long-term Financing.
- b. Total financing: US\$359 million (IDB, OPIC, US Ex-Im Bank and EDC).
- c. Transaction closed in 2005.
- d. Construction finalized in 2012.

Colombia: El Dorado Airport (Expansion)

1. The Airport

- a. El Dorado is the major airport in the country accounting for over 70% of total air traffic.
- b. In 2009, serviced almost 13 million pax and approximately 500,000 ton of cargo
- c. 20-year Private Concession contract to expand, modernize, operate and maintain a new terminal and cargo facilities.
- d. Expansion includes:
 - (i) new terminal (domestic and international);
 - (ii) new cargo facilities;
 - (iii) a new office building for Aerocivil;
 - (iv) a new airplane maintenance area;
 - (v) a new fire station, among other airside facilities.
- a. Concession awarded to Concesionaria Operadora Aeropuertaria Internacional S.A. (Colombia, Switzerland).
- b. Projections expected to reach 26 million pax by 2026 and double the cargo capacity.

2. The IDB Financing

- a. Sources: Cash generation from Operations, Equity injection and Long-term Financing.
- b. Total Financing: US\$390 million (IDB, CDB and CAF).
- c. Transaction closed in October 2012. Currently under construction.



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Lessons Learned - Regulator/Regulatory Framework

1. **Large projects require long-term solutions (concession, financing)**
2. **Allow developer/concessionaire sufficient time to obtain financing:** Lenders require detailed analysis and time to process approvals.
3. **Flexible Design and Capital Expenses Program:** Future demand has to be considered. Capital expenditure program should be able to accommodate demand, technology evolution, safety and security changes.
4. **Strong Government Counterpart:** Counterpart with required know-how, properly staffed, funded with enough recourses for an effective supervision and interaction with concessionaire/operator.
5. **Adequate Risk Allocation:** Transfer of risks to the party that has the ability or is better positioned to mitigate/absorb them.

Lessons Learned - Regulator/Regulatory Framework (cont'd)

6. **Simplify Tariffs Adjustment and Approval Process:** Complex tariff adjustment and formulas and a cumbersome approval process usually leads to misinterpretation and delays.
7. **Recognize Lenders' Rights:** authority, concessionaires and lenders are direct parties in a project. All require recognition and all have different rights.
8. **Effective Dispute Resolution System:** clear and effective dispute resolution system. In case of no agreement, International arbitration.
9. **Termination Payment:** clear and simple mechanism to recognize any investment made that has not been compensated/repaid, particularly when concessionaire is not owner of the airport assets.
10. **Involve International Counsel:** Concession documents drafted/reviewed by experienced international counsel help to avoid a lot of headaches.

Lessons Learned

	JUAN SANTAMARIA	QUITO	EL DORADO
	Expansion	Greenfield	Expansion
Type of Contract	Management Contract	Concession	Concession
Contractual Complexity	High	High	High
Regulator Experience in PPP/ Concessions	Limited	Limited	Medium
Reliability of Regulatory Framework	Low	Low	Yes
Airport Design Flexibility	Very Low	NA	Yes
Simple Tariff Schemes and Approval Process	No	Yes	Yes
Lenders' Rights Recognition under Contracts	No	Yes	Yes
Direct Agreements Acceptable	No	Yes	No
Clear Dispute Resolution	Yes	Yes	Yes
Compensation & Termination Mechanisms	Yes, but limited.	Yes	Yes
Arbitration	International	International	Local
Ability to control funds flow (Transparency)	Partial	Full	Partial



FUTURE FINANCE

PRIVATE SECTOR WITH PURPOSE