

Structuring Infrastructure Deals

What **Color** is
Your Infrastructure?

Using Green Practices to Improve Water Quality and Save Money



To realise sustainable infrastructure
public entities need to demand it.



Traditional Procurement Vs. Public Private Partnerships



PPP are fast becoming the default method of procurement

- **Management contracts**
- **Leases/Affermage**
- **Concession**
- **Build-Operate-Transfer**
- **Design-Build-Operate-Transfer**
- **Design-Build-Finance-Operate**

A PPP yields value-for-money if it provides a net positive gain greater than that of traditional procurement

Public sector comparators need to assess value-for-money across the asset life cycle.

What do we
need?
What do we
procure?

Project Preparation
Project Development funds

Feasibility Study

- Ascertain future demand
- Sources of future revenues
- Sources of future revenues

Technical
Specifications

Award criteria

Deal Structure
optimise risk sharing

Bankability
project finance

Contract conditions

Risk Allocation in the Deal Structure

- Siting
- Design
- Construction
- Environmental & Social
- Commercial
- Operating
- Performance
- Financing
- Macro economic
- Political
- Force Majeure

Stages in mobilising private finance into infrastructure

**Pre-construction planning: 4% to 6% total project capex.
Public Funds**

**Construction Phase: Debt/Equity
Export Credit Agencies, Banks, Private Equity**

**Post Construction Refinancing:
Institutional Investors, IPO**

Reducing the cost of capital for sustainable infrastructure: **Green Bonds**

October 2014, Ontario.

Eglinton Crosstown LRT. \$500 million

March 2014, TD's 3 year deposit notes.

1.82% interest rate. \$500,million.

Jan 2014, Export Development Canada.

Env. Preservation, climate mitigation. \$300 million

Capitalising Sustainable Infrastructure: Increase appeal to institutional investors

Improve the **credit rating** of the underlying project through **first loss protection instruments** to enhance project bonds and collateralised loan obligations.

- Insurance monolines
- Cash facilities
- Guarantee mechanisms

Thank you

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<http://www.iisd.org/procurement/>