

Economic Zone Financing



IFC Perspective

Overview of Presentation

- Introduction
- IFC Zone Experience
 - IFC Sample Project 1: Caucedo, DR
 - IFC Sample Project 2: Howard AFB, Panama
- IFC Value Added

Introduction

IFC wants to support them with advisory and investment;

- Need to balance project risks with objectives of public and private sector
- Infrastructure development model is key to success.

Evolution of Zone Development Models

- * Public-Sector Developer Model
 - * Traditional model for large zones
 - * Major greenfield regional development
- Private-Public Developer Model
 - * Public sector provides large off-site investments with long-term economic life
- * Soley Private Sector –Smaller sector

Risk Analysis

- Macro-economic and political situation; market access, WTO and ILO
- Market Comparative Advantage/Labor
- Legal and Regulatory Environment
- Quality of Infrastructure and Level of Investment * Private/Public Mix
- Strength of Master Developer
- * Clear and fair concession agreement

Lender's Security

- Concessions: Termination for Cause by Gov/Step-in-rights; Termination w/o Cause by Gov/Back-up Guarantees.
- * Land Sales: Mortgages on Land, Buildings & Infrastructure.
- * Other: Assignment of leases/services agreements ; escrow of cash revenues; FX availability and repatriation; share pledges.

IFC Zone Experience

- About 20 recent project related to economic zones:

	Mixed Use	Industrial Park	Other
Direct Investment in Zone Infrastructure	Caucedo (Dom. Rep.) Eastwood (Philippines)	Jordan Gateway (Jordan) PIEDCO (West Bank)*	-
Indirect Investment in Zone Infrastructure	-	Mahinfra (India) Bancomer Onlend (Mexico)	-
Investments in Projects Located Within Zones	-	About 10 Projects (Incl. Active or Paid & Closed)	-
Investments/ Advisory in Projects Related to Zone Activity	Howard AFB (Panama)		Coastal Rd. (Philippines)

* Project recently cancelled

Example IFC Project 1:

Caucedo Multimodal Port & Free Zone

Dominican Republic

- \$US 230 million greenfield infrastructure project
- New Free Zone Industrial Park
- Nearby Airport & Urban Center
- 70/30 Debt/Equity Ratio
- **100% Privately Funded w/ IFC and Scotiabank debt support**
- PRI and COFACE insu.
- Local and International Equity Sponsorship



Example IFC Project 1:
Caucedo Multimodal Port & Free Zone
Dominican Republic

**First Ship Offloaded
(February 2004)**

- IFC A Loan:
 - \$US 30 million, LIBOR + 4% interest rate, 2-year grace period, 20 semi-annual principal payments (ramped up in years 1-6)
- IFC B Loan:
 - \$US 60 million, with Political Risk Insurance
 - \$US 70 million, with COFACE Insurance



Risk Assessment

- Established free trade zone program with growing economy. Port Concession clean.
- Strong sponsors. World-class operator. Experienced locals.
- Solid construction company.
- * Good comparative advantage. Quality of port, service, cost. Growing transshipment.

Security

- Pledge on revenues
- Pledge on debt services reserve and other accounts
- Sponsors completion guarantee
- Mortgages over land and equipment
- Assignment of concession agreement
- * Pledge of Sponsor's share

Example IFC Project 2:

Howard Air Force Base (ARI)

Panama

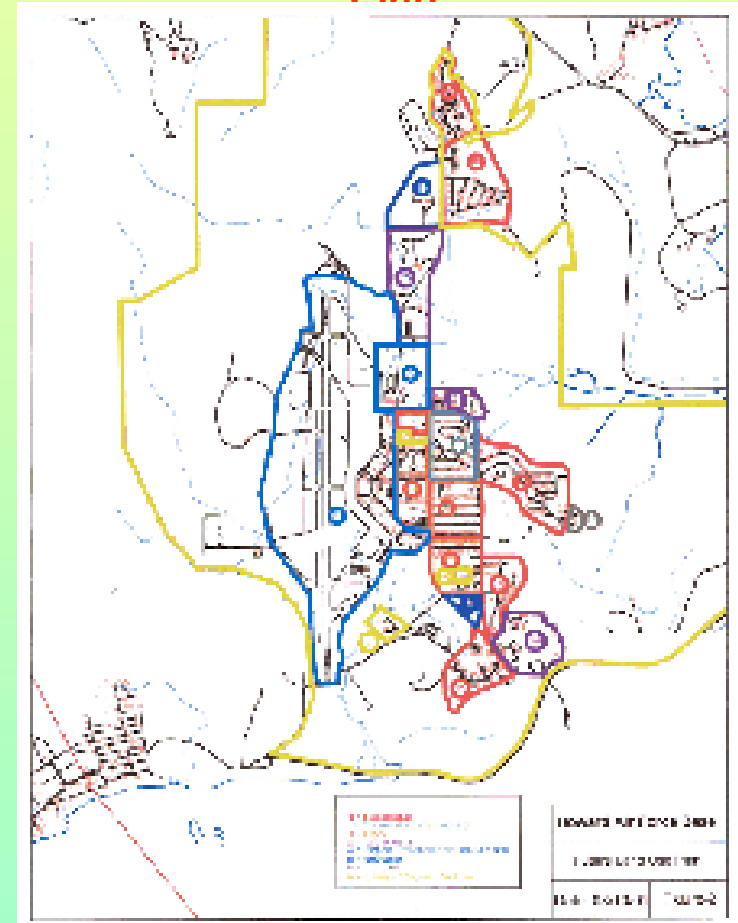
- Advisory Assignment
 - Benchmarking against regional and global SEZ's
 - Preparation of new SEZ law & Regulatory framework development
 - Selection of Master Developer (pre-qual, negotiation, bid design and implementation).

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Example IFC Project 2:
Howard Air Force Base (ARI)
Panama

- Leverage existing infrastructure (airbase) & proximity to Panama City and Canal
- Potential use plan
 - Residential
 - Commercial
 - High-tech
 - Assembly/manufacturing
 - Multi-modal; transshipment

Howard Land Use Plan



Status of Howard

- Benchmarking complete (comparative advantage in interconnectivity, multi-modal transport, banking center/negative is labor)
- * Post 9/11 Real estate and airline slow down
- Consultation with Stakeholders
- Third Reading of New SEZ Law
- * Federal election

IFC Services/ Value Added

- Direct Funding of Zone Infrastructure
- Direct Funding of Project-Specific Facilities
- Advise on zone regulation, and legal environment
- Advise on financial structuring/ zone development planning
- Advise on selection of private developer and contractual structures