

TC Document

I. Basic Information for TC

▪ Country/Region:	TRINIDAD AND TOBAGO
▪ TC Name:	Port Authority of Trinidad and Tobago PPP Project Preparation Structuring Activity
▪ TC Number:	TT-T1134
▪ Team Leader/Members:	Suarez Aleman, Ancor Team Leader; Astesiano, Gaston Alternate Team Leader; Brathwaite, Neeca N. (CCB/CTT); Enrique Dominguez (VPC/002); Fioravanti, Reinaldo Daniel (INE/TSP); Guerrero, Pablo (INE/TSP); Lucenti, Krista (INT/TIN); Mariano Ansaldo (INE/TSP); Marquez, Christian John (INT/INT); Mendoza Benavente, Horacio (LEG/SGO); Rios, Sergio A. (CCB/CTT); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Melisa Gonzalez Bustos; Suarez Aleman, Ancor Team Leader; Astesiano, Gaston Alternate Team Leader; Brathwaite, Neeca N. (CCB/CTT); Enrique Dominguez (VPC/002); Fioravanti, Reinaldo Daniel (INE/TSP); Guerrero, Pablo (INE/TSP); Lucenti, Krista (INT/TIN); Mariano Ansaldo (INE/TSP); Marquez, Christian John (INT/INT); Mendoza Benavente, Horacio (LEG/SGO); Rios, Sergio A. (CCB/CTT); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Melisa Gonzalez Bustos; Suarez Aleman, Ancor Team Leader; Suarez Aleman, Ancor Alternate Team Leader; Brathwaite, Neeca N. (CCB/CTT); Mendoza Benavente, Horacio (LEG/SGO); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Melisa Gonzalez Bustos; Suarez Aleman, Ancor
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	October 26, 2022.
▪ Beneficiary:	Government of Trinidad and Tobago
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Global Infrastructure Facility(FGI)
▪ IDB Funding Requested:	US\$1,500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	November 15, 2022
▪ Types of consultants:	Firms
▪ Prepared by Unit:	VPC/PPP-Private-Public Partnership Unit
▪ Unit of Disbursement Responsibility:	VPC/PPP-Private-Public Partnership Unit
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Environmental sustainability

II. Objectives and Justification of the TC

- 2.1 **Objective.** The objective of this TC is to provide support to Government of the Republic of Trinidad and Tobago (GoRTT) in the structuring activities for a PPP for the Cargo Handling Operations of the Port Authority of Trinidad and Tobago (PATT), where the Port of Port of Spain is the first and major multi-purpose port of the country, strategically located at the crossroads of major trade links via the Panama Canal. The GoRTT's objective is to upgrade PPOS (Port of Port of Spain)' infrastructure through private investments to enhance the competitiveness of and catch up with their regional competitors. The project feasibility studies under the proposed Project Preparation and Structuring Activities - PPSA) will support the government in the structuring process for a potential Public Private Partnership for the Cargo Handling Operations of the Port of Port of Spain. The ultimate goal of the Project is to promote Trinidad and Tobago's economic growth and development by improving port efficiency and competitiveness in the country through a Public-Private Partnership – in line with the [National Development Strategy \(Vision 2030\) 2016-2030, "Improving Productivity through Quality Infrastructure and Transportation"](#).
- 2.2 As described below, this Contingent Recovery Technical Cooperation builds on the non-reimbursable technical cooperation (TT-T1126) funded by the Global Infrastructure Facility (FGI1) to support the GoRTT pre-feasibility assessment (Project Definition Activity, PDA) of the PATT PPP. Results from the PDA indicated the potential viability of a PPP arrangement for the foreign cargo activity (>250k TEU² and 20k vehicles), with a potential estimated capital investment (CAPEX) of approximately USD 200 M. Preliminary results show how the project will deliver value for money, representing a more efficient, sustainable, bankable (that is, attractive to the private sector), and fiscally responsible approach, while providing high-quality and competitive services.
- 2.3 Following is a detailed justification of i) the current condition of port infrastructure and related services provision in Trinidad and Tobago and the needs for improvement; ii); the regional port context and the role of the landlord model (PPP arrangement) in improving port efficiency; and (iii) previous steps for the potential PPP project.
- 2.4 **Port Context in Trinidad and Tobago. Trinidad and Tobago Port Authority Ports – low productivity, old and non-competitive infrastructure, high fiscal pressure.** Before the pandemic crisis, while container port throughput worldwide grew without interruption since 2009 – this is also perceived in the region (except for 2016) – to 2018, Trinidad and Tobago has been continuously decreasing its port throughput since 2014. In addition, availability of appropriate equipment is also compromised, far from the recommended targets, and well beyond their asset lives³. Dredging levels are not

¹ Although the official acronym of the Global Infrastructure Facility is GIF, in this document, the acronym FGI will be used for this Facility, as this is the official acronym for the IDB

² TEU means the twenty-foot equivalent unit used to inexactly define a unit of cargo capacity, often used for container ships and container ports.

³ According to the Government, most of the equipment at the PPOS is beyond its economic life and negatively affects the ability to handle vessels transiting with high cargo (transshipment and domestic) volumes, at competitive productivity levels, thereby limiting its revenue generation potential. It must be noted that even if the new Panamax vessels could have been accommodated, only two (2) of the four (4) ship to shore (STS) cranes are able to operate on the vessels effectively and systematically since the other

enough for current global maritime trends. Altogether the combination of old infrastructure and declining cargo produces a low and declining port productivity: operational performance indicators, such as turnaround times are worsening and port equipment such as cranes do not move as many containers per hour as targeted. With less movements, total costs still the same, so cost per unit moved is increasing. PPOS is the cargo handling business unit of PATT. PPOS provides berthing for international container vessels, break-bulk, RORO (Roll-on / Roll-off), dry and liquid/bulk cargo vessels, as well as towage services, container freight services and warehousing, and a one stop barrel shop for clearance and delivery of personal effects. PPOS contributes over 75% of the total revenue of PATT and by extension is apportioned the highest share of the overhead cost being approximately 60% of PATT's overheads, which depletes its operating margin. The highest revenue stream for PPOS is earned from the Cargo Handling business. The results from a low and declining productivity, thus higher costs, and under a public operated port, is that fiscal pressure is high, with an imbalance between port incomes and expenditures, that create deficits to be covered with Government Funding.

In addition to the PPOS Cargo Operations, other PPAT facilities and business units such as the Cargo and Cruise operations at the POSCA (Port of Scarborough), the Regional Cargo activities at CARICOM (Caribbean Community and Common Market) wharves, and Cruise shipping operations at PATT could benefit from an assessment for the potential inclusion of private participation.

2.5 PPP arrangements at the port sector – regional and international evidence: Since the 1960's most developing countries have been challenged with poor port infrastructure and management, leading to low productivity and expensive operations. Since 1980's port authorities worldwide started to involve the private sector in the development and operation of public ports to address cargo containerization trends and the shortcomings in efficiency and outdated infrastructure⁴. Under the landlord model, port authorities keep the ownership of the infrastructure, and the private sector is responsible for its operation through Public-Private Partnerships (PPP) agreements.

2.6 Currently in Latin America and the Caribbean, PPPs are the norm for multipurpose or container cargo port terminals. 92% of TEUs in the region are moved from/to PPP ports, which represents 83% of container terminals in the region. According to IDB's [PPP profile on ports in Latin America and the Caribbean](#), in the last decade there has been an average of three new PPP port projects developed per year, most of them being landlord agreements on existing infrastructure. These PPPs have been largely implemented through competitive tendering process. Until 2019, most PPPs were financially self-sustaining, providing a revenue stream for governments from fixed or revenue-based payments, thus generating fiscal space to address other public needs.

2.7 Efficiency and innovation gains by incorporating private sector participation at ports: [Private port operation has improved the competitiveness of this subsector in LAC](#). Evidence shows remarkable increases in efficiency and productivity indicators in cargo management. Particularly, since the beginning of the 21st century, ports in Latin

two do not have the height or reach specifications. Furthermore, ten out of fourteen rubber tyre gantry (RTG) cranes, which are used for yard operations, are beyond their economic lives, and the other four RTG cranes are approaching the end of their economic lives.

⁴ <https://idbinvest.org/en/blog/transport/lessons-success-story-private-port-operators-latin-america-and-caribbean>

America and the Caribbean have increased their operational efficiency in more than 20%. In fact, data suggests that private sector participation and port competition tend to be related to higher levels of operational and economic performance, and better maintained ports. The leading role of the private sector in incorporating technological advancements will be key for ensuring safety in the terminals, protecting food security, the supply of essential consumer goods and trade during the pandemic. COVID-19 and its consequences up to date have heightened the need of technology to allow remote operation and autonomous computer control, and the private sector is well positioned to further deploy these advancements in the port sector. Examples range from paperless and remotely stationed operations to automated crane handling, autonomous or remote pilotage, automated shuttling of containers and blockchain-enabled digital shipping platforms. Public sector projects aiming to incorporate the private sector for the development and operation of port infrastructures should be adequately structured in order to attract private investment and align incentives to maximize social returns.

2.8 The PPP PPOS Project. Institutional and Legal framework for PPPs. PPP procurement in Trinidad and Tobago is mainly governed by the Public Procurement and Disposal of Public Property Act of 2015, Section 7 (1) of which provides, “This Act applies to public bodies and Public-Private partnership arrangements”. Additionally, a National PPP policy (approved by Cabinet in May 2012⁵) states: “PPPs will be used to support many of the Government’s key policy objectives. PPPs can help meet the basic needs of the people, through better health and education facilities. PPPs also provide opportunities to improve physical infrastructure -such as highways, transportation systems, water, waste management, energy and communications infrastructure...The Government’s decision to enter into a PPP will be based on careful consideration of whether and how involving the private sector in delivering a project will provide the best value for money”.

The Government of the Republic of Trinidad & Tobago intention to implement a PPP Landlord model project for the PATT. In 2021, following stakeholder consultations and further analysis by Government appointed Committees, the Government of the Republic of Trinidad and Tobago announced its intention to adopt a Landlord Model Public Private Partnership (PPP) project, to:

- Improve the efficiency of the operations of PATT’s businesses. It is envisaged that this PPP arrangement would allow for the diversion of State funding to other areas of its economic programme while benefitting from private sector investment, management, technology, and innovation to increase the efficiency and profitability of PATT’s operations in the national interest⁶
- Develop new revenue streams through value-added logistics and services. The potential PPP Project creates an opportunity to provide additional product and service differentiation through value added logistics and value-added services.

2.9 To Support the government in their objective, the IDB PPP Team approved in January 2022 a non-reimbursable technical cooperation (TT-T1126) funded by the Global

⁵ <https://www.finance.gov.tt/about-us/divisions/publicprivate-partnership-unit/>

⁶ [http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-\(EOI\)-Port-Auth](http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-(EOI)-Port-Auth)

Infrastructure Facility (FGI) to support the GoRTT pre-feasibility assessment of the PATT PPP. Among the tasks covered in this activity were: (i) review of technical, financial and bankability aspects, (ii) potential environmental and social considerations, (iii) preliminary financial modelling and PPP structuring assessment, (iv) preliminary legal, institutional, and regulatory due diligence. After the initial due diligence and the reviewing of the information available, the IDB and FGI team visited the country for a site visit of the port of Port of Spain facilities and several technical meetings. Three different business lines have been identified: Foreign Cargo; Cruise and interisland ferry operations; and CARICOM cargo. These three business lines have little to no synergies among them and have different level of maturity, being foreign cargo the most “PPP-Ready” (Phase 1). The foreign cargo activity, which already has a considerable activity (>250k TEU and 20k vehicles), requires an estimated capital investment (CAPEX) of approximately USD 200 M and offers significant opportunity for efficiency gains. Moreover, in the base case scenario at pre-feasibility stage, the project would not only dismiss any public funds or support, but potentially generate revenues to the GoRTT in the form of concessions fees. Hence, the Cargo PPP (Phase 1) is fully bankable by the private sector with the level of attractivity and return depending on the combination of lever values (for example, if the new stevedore agreement is not possible, then a lower concession fee would be necessary to maintain the profitability levels). In 2022, after the assessment developed by the IDB, the government of Trinidad and Tobago had expressed its agreement to the continued engagement of the IDB for the provision of the project preparation structuring activities for a potential PPP for the Cargo Handling Operations of the Port of Port of Spain. This project is of strategic importance to the GoRTT as it aligns to the National Development Strategy (Vision 2030) 2016 – 2030, “Improving Productivity through Quality Infrastructure and Transportation”, and specifically to improve the efficiency of the Port Authority and expand Port Infrastructure.

- 2.10 **Studies required.** This TC will support feasibility studies under the Project Preparation Structuring Activities (PPSA) for support the government in the detailed preparation and structuring of the project. On an indicative basis (among others to be defined), the PPSA for the PATT will entail, amongst others, (i) feasibility studies (technical, financial, legal) to design the best model and define the framework for bidders to present their proposals., (ii) final financial, technical, and legal structure, draft PPP contract, and bidding documents., (iii) support to the government in the bidding process until the commercial close (signature of the PPP contract).
- 2.11 **Funding and Coordination.** The Trinidad and Tobago Government, with the support of the IDB PPP Team, applied to a US\$1,500,000 contingent recovery funding from the Global Infrastructure Facility (FGI) to support the Beneficiary to complete the feasibility studies and structuring process for a potential PPP for the Cargo Handling Operations Port Authority of Trinidad and Tobago (PATT). The IDB PPP Team (VPC/PPP) will lead the execution of the Technical Cooperation. Additionally to the resources being approved under this technical cooperation, the PPP Team has also available US\$ 350.000: US\$ 330.000 from the technical cooperation RG-T3600 (ATN/

AC-17969-RG) and US\$ 20.000 from RG-T3829 (ATC/OC-18647-RG) to support the government in complementary studies needed.

- 2.12 **Strategic alignment.** The TC is aligned with the IDB's Updated Institutional Strategy (UIS) (AB-3190-2) through the following pillars: (i) increasing resource mobilization, by supporting well-structured PPPs interventions; and (ii) social inclusion and equality, by promoting the provision of infrastructure that gives the population access to services and better living conditions. In addition, the TC is aligned with the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (GN-2710-5), to support the construction and maintenance of a socially and environmentally sustainable infrastructure, contributing to increase the quality of life, through the encouragement of innovatively channels of private financing. This TC is also consistent with the Transport Sector Framework (GN-2740-12) to promote private sector participation in transportation and where it is stated how port infrastructure quality improves with the involvement of the private sector in construction and operation. In addition, this TC is also consistent with the IDBG Country Strategy to Trinidad and Tobago 2021 - 2025 (TT-P1145) in facilitating Public-Private synergies, stimulating private sector competitiveness – and where it is also reflected how the IDB Group will also focus on improving the institutional framework and management of PPP projects, as well as to maximize operational synergies within SG operations that allow for crowd-in private investment. The TC is particularly aligned to the Country objectives to improve business environment, and the potential role to digitalize port management specifically, and more generally trade and logistics activities. Furthermore, this TC is aligned with the FGI eligibility criteria, as it generates development impact, contributing to the improvement of service quality and increased coverage (GN-2841). Finally, the TC is completely aligned with [Trinidad and Tobago Development Strategy \(Vision 2030\) 2016-2030](#), specifically in Theme III “Improving Productivity through Quality Infrastructure and Transportation”.

III. Description of activities/components and budget

- 3.1 The TC includes a single component: project preparation and structuring activities (PPSA): (i) finalizing feasibility studies (technical, financial, legal) to design the best model and define the framework for bidders to present their proposals, (ii) final financial, technical, and legal structure, draft PPP contract, and bidding documents, (iii) support to the government in the bidding process until the commercial close (signature of the PPP contract).
- 3.2 The total TC budget is US\$1,500,000.00 financed by the FGI.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Project Preparation and Structuring Activities (PPSA)	(i) feasibility studies (technical, financial, legal) to design the best model and define the framework for bidders to present their	US\$1,500,000	US\$0	US\$1,500,000

	proposals, (ii) final financial, technical, and legal structure, draft PPP contract, and bidding documents., (iii) support to the government in the bidding process until the commercial close (signature of the PPP contract)			
Total		US\$1,500,000		US\$1,500,000

IV. Executing agency and execution structure

4.1 By request of the Government of the Republic of Trinidad and Tobago, according with Annex II of OP-619-4, the IDB through VPC/PPP will be the executor of this TC and will oversee the studies in coordination with the FGI team involved and the focal points in the COF. The Project execution by the Bank is justified given the nature of the Fund, experience, and knowledge of the IDB on best practices and implementation of PPP arrangements. The counterparts for this TC will be the Ministry of Planning and Development, and the Port Authority of Trinidad and Tobago. The Global Infrastructure Facility, in addition to the financial partner role, will provide input and comments at the technical level – that will be led by the IDB PPP team, its technical partner for projects in Latin America and the Caribbean. The activities undertaken by this TC will be coordinated by the IDB PPP Team and distributed for comments with the COF, and then with government counterparts.

4.2 **Procurement.** All activities to be executed under this TC have been included in the Procurement Plan -see Annex IV- and will be contracted in accordance with IDB policies as follows: (a) AM-650 for individual consultants; (b) GN-2765-4 and its Guidelines OP-1155-4 for consulting firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services.

4.3 **Contingent recovery modality.** This operation has been designed as a contingent recovery TC, under which the reimbursement to the Bank will be as follows⁷:

- When a PPP Project successfully reaches commercial close⁸, the FGI Activity costs should be reimbursed to the FGI. The mechanics of such reimbursements will be determined by the relevant Government Counterpart and the IDB and may include requiring payment from the successful project sponsor, such requirement to be built into the transaction documentation.
- Project Failure: If the FGI Activity is terminated at any stage because the Project or Program is found to be non-viable or relevant, and hence cancelled, no reimbursement should be required, but if required, reimbursement to FGI should follow the process set forth in (iii) below.

⁷ These reimbursement arrangements have been authorized by the FGI and are in accordance with its Operating Guidelines

⁸ Commercial close, for the purpose of this operation, is understood as the signature of the concession or PPP contract between the Beneficiary and the respective winning bidder.

- **Activity Cancellation:** If the FGI Activity is terminated by the Government Counterpart prior to reaching commercial close, without cause or is terminated by the IDB due to failure of the Government Counterpart to comply with the terms of the FGI Activity engagement, the agreed level of incurred costs should be reimbursed by the Government Counterpart.

4.4 Reimbursement conditions. FGI funding of US\$1,500,000 will be reimbursable in one payment triggered by the successful commercial close of the transactions and according to the terms and conditions of the Agreement between IDB and the beneficiary. Additionally, in case of commercial closure the Bank could agree a success fee with the Beneficiary, which will not exceed 20% of the reimbursement amount.

4.5 Execution period. The execution and disbursement period of the TC is estimated at 36 months.

V. Main risks

- 5.1 While Trinidad and Tobago has a published PPP Policy from 2012, the country has no experience implementing the proposed policy neither the expected transactions linked to it. This would likely be one of the first PPP projects to be implemented under the Policy, which represents challenges in terms of capacity of the Government and its entities to handle such type of processes. As a result, a hands-on support from the IDB PPP Team with assistance from the FGI will be key to mitigate the potential risk that the lack of government's experience represents. A capacity building support should be advised to improve stakeholders' ability to manage future PPP projects. That said, the country is an investment grade recipient, which demonstrates a great potential for future PPP transactions.

VI. Exceptions to Bank policy

- 6.1 There are not exceptions to Bank's policy.

VII. Environmental and Social Strategy

- 7.1 The proposed TC will have no environmental or social impacts, as it will not finance direct investments in infrastructure, it will only fund feasibility studies. Considering the new Environmental and Social Policy Framework (ESPF) of IDB and due to the nature and objectives of the TC, the terms of reference and outputs of these studies would be consistent with the applicable ESPF requirements.

Required Annexes:

[Request from the Client - TT-T1134](#)

[Results Matrix - TT-T1134](#)

[Terms of Reference - TT-T1134](#)

[Procurement Plan - TT-T1134](#)