



CENTRAL BANK OF
TRINIDAD & TOBAGO

Public Private Partnerships and the Capital Market in Trinidad & Tobago

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Outline

- 1. The role of Public Private Partnerships (P3s)**
- 2. Some country experiences**
- 3. PPP arrangements in Trinidad and Tobago**
- 4. Financing PPP operations in Trinidad and Tobago**
- 5. What can be done to assure successful financing?**

1. The role of Public Private Partnerships (P3s)

- P3s generally refer to agreements between government and the private sector regarding the provision of public services or infrastructure.**
- The private sector may get involved in the provision of “public goods”—which cannot/will not be produced for profit.**
- PPPs can blend social priorities with the managerial skills of the private sector, relieving government of the burden of large capital expenditure, and transferring the risk of cost overruns to the private sector.**

Several ways of effecting P3s include...

Scheme	Modalities
Build-own-operate (BOO)	The private sector designs, builds, owns, develops, operates and manages an asset with no obligation to transfer ownership to the government.
Build-develop-operate (BDO)	
Design-construct-manage-finance (DCMF)	
Buy-build-operate (BBO)	The private sector buys or leases an existing asset from the government, renovates, modernizes, and /or expands it and then operates the asset again with no obligation to transfer back ownership.
Lease-develop-operate (LDO)	
Wrap-around addition (WAA)	
Build-operate-transfer (BOT)	The private sector designs and builds an asset, operates it, and then transfers it to the government when the operating contract ends or at some other pre specified time. The private partnership may subsequently rent or lease the asset from the government.
Build-own-operate-transfer (BOOT)	
Build-rent-own-transfer (BROT)	

P3s have some advantages but also constraints...

- They can allow governments to avoid or defer spending on infrastructure without forgoing its benefits.**
- Properly structured P3 programs can lead to efficiency gains in the construction of infrastructure assets and the provision of associated services.**
- However, P3s can also be used to bypass spending controls and to move public investment off budget and debt off the government's balance sheet.**

Transparency is therefore essential and among other things there should be...

- **A strong legal framework governing P3s.**
- **Well developed processes for selecting and implementing P3s.**
- **Contracts should ensure that there is adequate sharing of risks between the public and private sector.**
- **Detailed disclosure requirements.**

2. Some country experiences include...

- **Chile:** 36 P3 projects since 1994 with a total value of US\$5.5 billion in transport , airports, prisons and a reservoir
- **Ireland:** the vast majority of P3 projects are in the water sector involving the private sector and local authorities
- **Mexico:** the program started in the mid-1990s and has been concentrated in the oil and electricity sectors
- **United Kingdom:** P3 projects cover schools, hospitals, prisons, public housing, transport, information technology
- **Canada:** current P3 projects include healthcare, justice, transportation and schools

3. PPP arrangements in Trinidad and Tobago

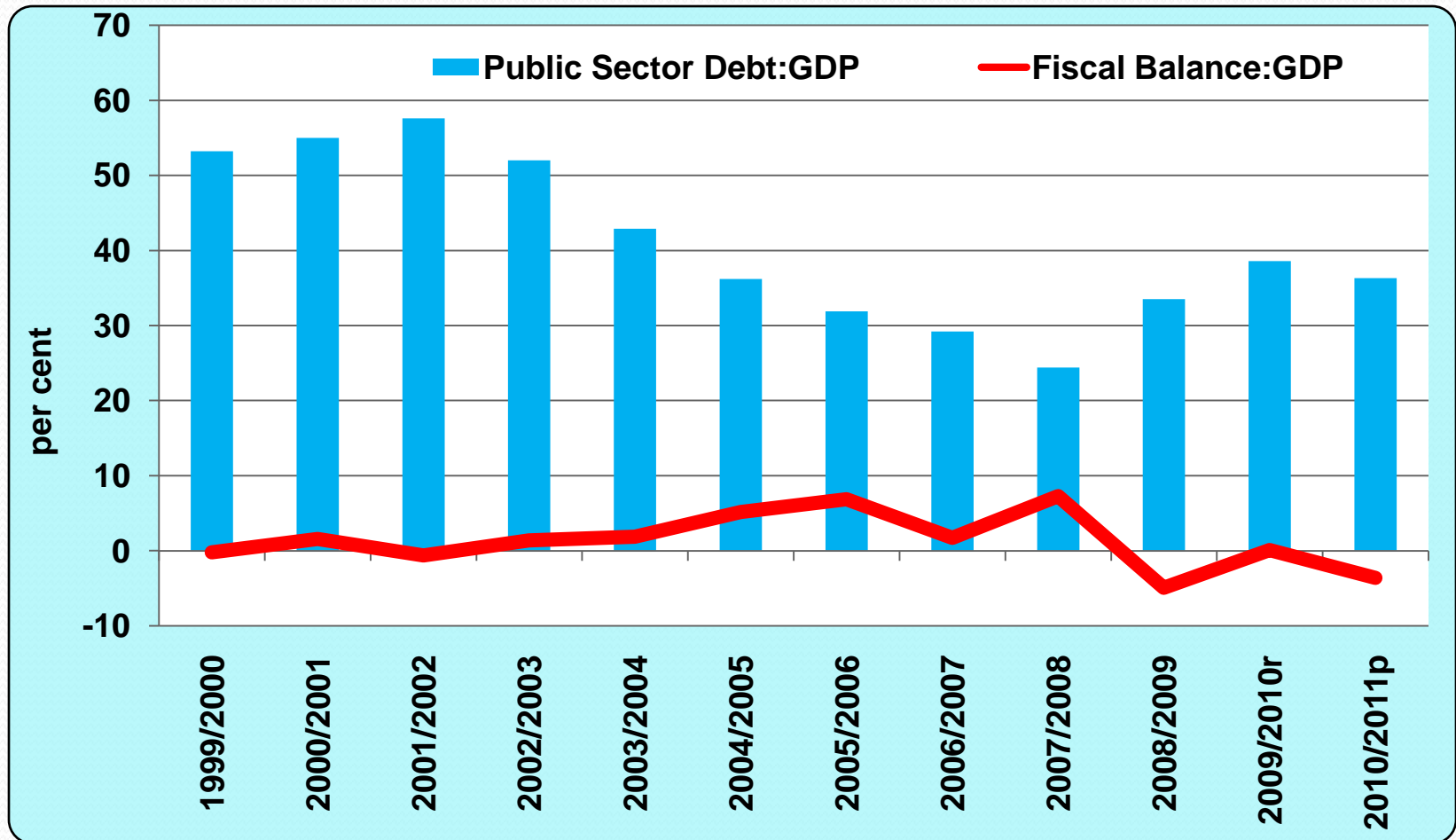
- With substantial fiscal revenue derived from the dominant energy sector, public enterprises in Trinidad and Tobago have ventured into many areas.**
- Relaxation of the fiscal (and financing) constraints meant that many “P3” arrangements reflected the government getting into traditional private activity rather than vice versa.**
- In some cases, the government’s involvement with the private sector was strategic—to take advantage of the private sector expertise and access to markets etc.**
- Over time the government’s shareholdings in companies has declined....**

... but remains important in several activities....

Sector	Company	Government shareholding (%)
Energy and Energy Based	Alutrint Limited	60.0
Financial Services	Agricultural Development Bank	97.2
	Business Development Company Limited	64.4
	National Enterprises Limited	66.0
Service	Point Lisas Industrial Port Development Corporation Limited	51.0
Transportation & Communication	Caribbean Airlines Limited	100.0
	National Helicopter Services Limited	82.3
Financial Services	DFL Caribbean Holdings Limited	28.1
	Trinidad and Tobago Mortgage Finance Company Limited	49.0
Manufacturing and Agro-Based	Metal Industries Company Limited	46.7
Transportation & Communication	LIAT(1974) Limited	2.9

As the fiscal position has tightened...

- There is renewed interest in partnership with the private sector for financing, improved efficiency and stimulating growth.

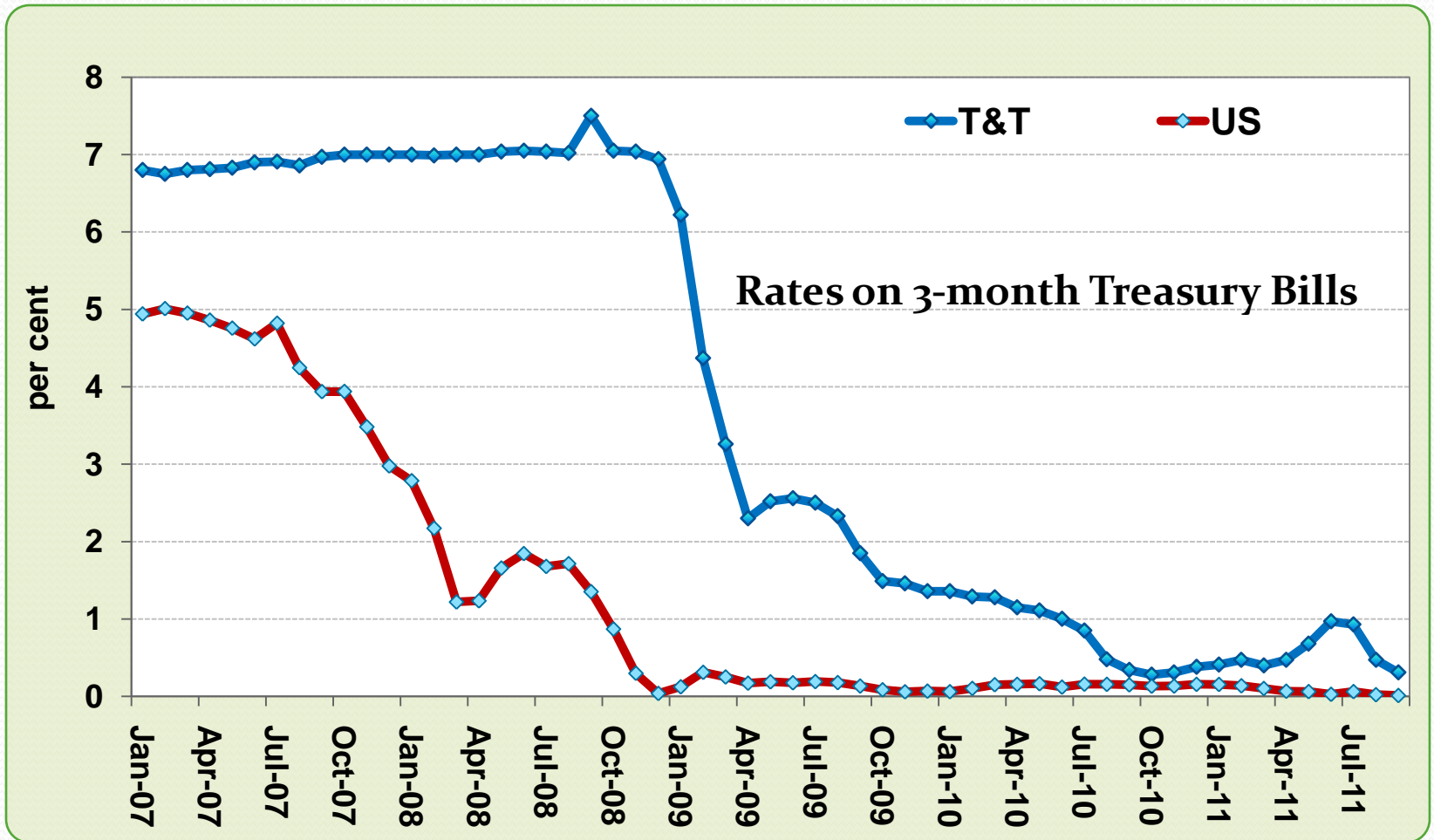


4. Financing PPP operations in Trinidad & Tobago

- The main options for private sector financing in Trinidad and Tobago are (i) bank loans; (ii) issuing bonds; and (iii) equity participation.**
- Bank loans are a traditionally very popular form of financing for businesses in T&T...**
- However, such loans are costly, generally very short-term in nature and hence not well suited for the longer term requirements of P3s.**

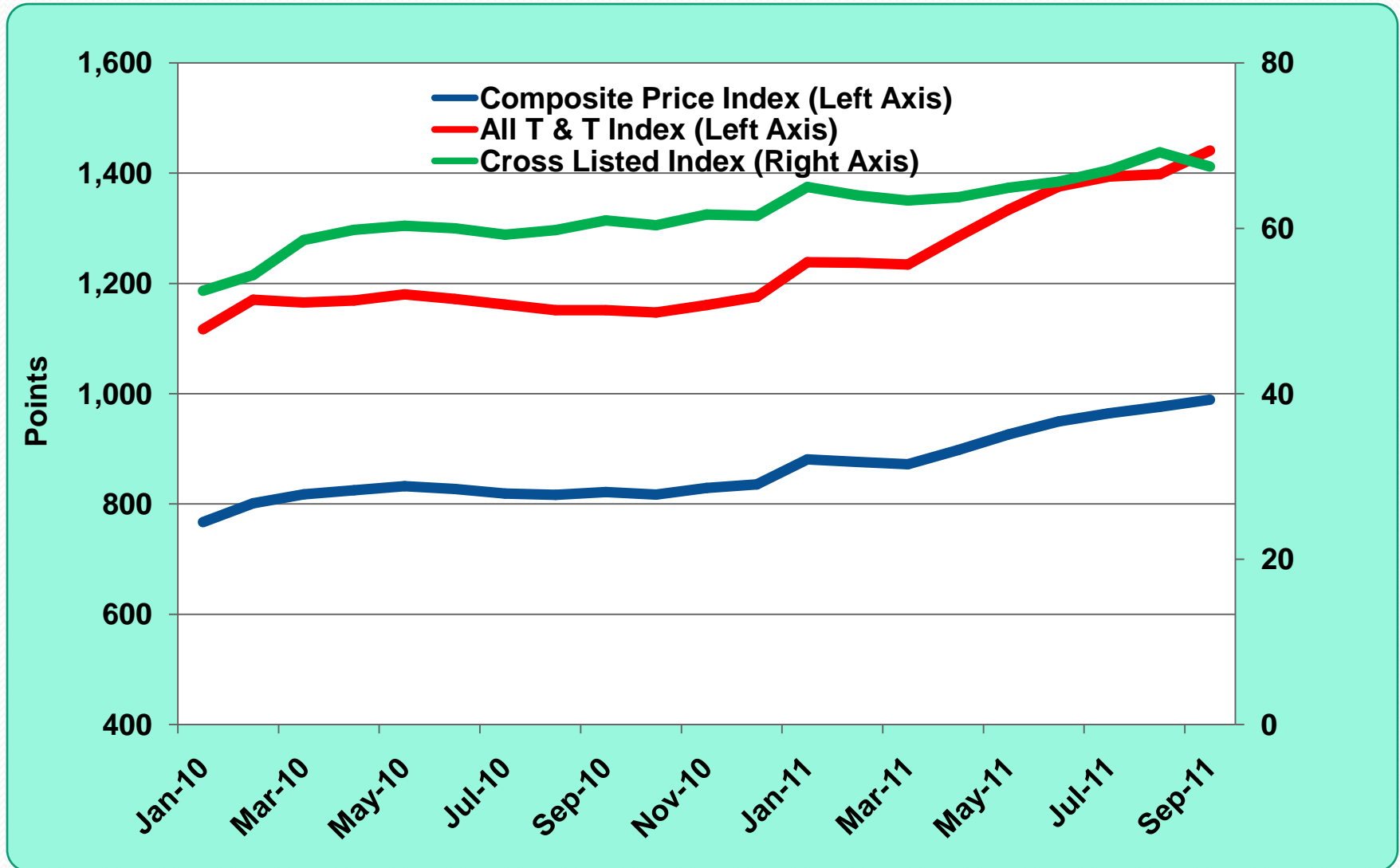
The focus should be on the capital market...

- With very low interest rates, investors are searching actively for good yields



The stock market has been doing well...

T&T Stock Market Indices



... but the number of listed issues has stagnated...

Trinidad and Tobago Stock Exchange

End of Period	No. of Listed Co's	No. of Listed Issues	No. of Transactions	Market value of Shares Traded (TT\$Mn)	Market Capitalization (TT\$Mn)
2004	33	36	36,057	3,033.4	107,560.1
2005	34	37	32,316	4,326.3	107,503.7
2006	34	37	20,791	2,497.9	96,838.3
2007	33	36	17,744	2,249.9	98,177.3
2008	34	37	22,053	2,191.0	76,432.9
2009	32	36	9,884	1,474.2	70,576.1
2010	32	35	8,496	864.5	77,780.9
Sept. 2011	31	35	7,294	874.0	92,266.3

There is an unexploited market for corporate bonds

Primary Bond Market: January – October 2011

	Borrower	Face Value (\$Mn)	Period to Maturity	Coupon Rate Per Annum
January	Guardian Holdings	TT\$900	12	Fixed Rate 7.98 p.a.
March	Water and Sewerage Authority	TT\$1,335.9	20	Fixed Rate 6.95 p.a.
May	NIPDEC	TT\$750	19	Fixed Rate 6.55 p.a.
May	Home Mortgage Bank – Series 1	TT\$40.6	5.3	Fixed Rate 5.00 p.a.
May	Home Mortgage Bank – Series 2	TT\$33.7	5.3	Step up: 1-3 yrs 4.75; 4-5 yrs 5.25 p.a.
May	Home Mortgage Bank – Series 3	TT\$27.5	8.1	Step up: 1-4 yrs 5.00; 5-8 yrs 5.75 p.a.
May	Home Mortgage Bank – Series 4	TT\$83.2	13	Fixed Rate 6.25 p.a.
July	Ansa Merchant Bank Ltd – Tranche 1	US\$25	3	Fixed Rate 3.50 p.a.
July	Ansa Merchant Bank Ltd – Tranche 2	US\$10	5	Fixed Rate 5.00 p.a.
July	Ansa Merchant Bank Ltd – Tranche 3	US\$15	7	Fixed Rate 5.50 p.a.
August	Udecott	US\$88	10	Fixed Rate 5.63 p.a.
October	NIPDEC	TT\$500	15	Fixed Rate 6.05 p.a.

5. Assuring successful financing for PPPs

- **Solid projects can attract much of the required financing on the Trinidad and Tobago capital market.**
- **There are avenues for bond and equity financing from domestic sources and the rest of the Caribbean.**
- **Extra regional investors could also be interested.**
- **Partnership with the government could reassure investors about the safety of investments.**
- **P3 financing could add much needed depth to the capital markets.**

At the same time there need to be appropriate safeguards in order to get the best public/private synergies...

- Contracts need to be carefully specified, and can draw on international experience.**
- Penalty clauses for nonperformance should be in place and enforced.**
- The public sector needs to ensure it has the right expertise to co-manage the projects.**
- Clear procurement policies need to be in place.**
- Reporting to the public on the performance and financial transactions of the P3s should be comprehensive and timely.**



Thank you for your attention.