Public-Private Partnership Impact Stories

Madagascar: Port of Toamasina


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With support from IFC to structure the transaction, the concession of the port of Toamasina has increased handling capacity at the port from 60 to 2,500 tons a day, helping turn Madagascar into a regional hub for port traffic.

Philippines' International Container Terminal Services, Inc. won the 20-year concession for the operation, management, financing, rehabilitation and development of the container terminal at Toamasina with a bid of €36.80 for the variable concession fee to be paid to the port authority for each TEU (twenty-foot equivalent unit) that transits through the terminal. The transaction closed in May 2005.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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The project was implemented with the financial support of DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group. DevCo provides critical financial support for important infrastructure transactions in the poorest countries, helping boost economic growth and combat poverty. DevCo is funded by the UK's Department for International Development (DFID), the Austrian Development Agency, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and IFC.

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DevCo Infrastructure Development Collaboration Partnership Fund

BACKGROUND

The port of Toamasina handles 90 percent of Madagascar's container traffic and more than 80 percent of all trade traffic. Poor tariff structures and slow handling prevented the port from becoming a major regional hub as the government had envisioned. Transit through the terminal was strikingly low. Key issues were low productivity (Toamasina handled 5 to 6 TEU per hour compared with a global port average of 15 TEU per hour), bottlenecks (full containers sat in the port for an average of 20 days), and outdated equipment.

IFC'S ROLE

In late 2003, the government hired IFC as its adviser to propose amendments to the existing legal and regulatory framework to make it more conducive to private sector participation and to help structure and implement a transaction for a private partner.

IFC recommended a long-term concession that has allowed the government to step-back from day-to-day operation of the port and that required the private operator to improve the port's performance. Specifically, IFC:

- Drafted three government decrees, helping the government restructure the port's management.
- Helped the government create the port authority, a conceding authority for all private sector participation in the port.
- Developed the transaction structure.
- Conducted a prequalification process to ensure that potential bidders had the requisite technical experience and financial strength.
- Ensured a highly transparent bidding process.
- Drafted and finalized the concession contract between the government and the private partner.

TRANSACTION STRUCTURE

Under the concession structure, the private operator has exclusive rights to operate the container terminal for 20 years. The private operator acquired the existing equipment from the state-owned operating company and retained the container terminal's 350 employees for the first five years of operation

IFC also negotiated a 10 to 20 percent tariff reduction for handling and delivery in advance of the bidding thus lowering transport costs for the country, ensuring wider support for the concession, and helping attract potential users.

BIDDING

Four international companies met the prequalification criteria: Philippines' International Container Terminal Services, Denmark's AP Moller Finance, Hutchinson Port Holdings of Hong Kong (China), and the Maltese and French consortium of Malta Freeport/CMA CGM-Bolloré. Bidders submitted bids based on a variable fee per TEU. Philippines' International Container Terminal Services won with a bid price of €36.8 per TEU.

POST-TENDER RESULTS

- Since 2005, container movement (loading and unloading) has increased from 10 or less to more than 30 per hour per vessel.
- Since 2005, time needed for container yard handling and dispatching product has decreased from several days to a few hours, resulting in a significant increase in port capacity.
- The number of days needed to clear customs dropped from five days in 2007 to 2.6 days in 2010.
- Shipping companies have dropped the 7.5 percent surcharge for each TEU.
- Increased traffic has led to greater integration with world markets and increased opportunities for transshipment.
- The region's investment environment has improved as a result of the project, leading to increased investment in mining and cement production.
- As of 2010, the concessionaire had invested $31.3 million, and will invest $166 million more by 2017.
- The realized fiscal benefits of $33.3 million far exceeded the 2005 estimate of $6 million.

* *Unless otherwise stated, monetary values are presented in 2010 US dollars. Results are from a post-completion evaluation completed June 2010.*

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