

The Caribbean – welcome to PPParadise

Angus Leslie Melville

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Many people find it hard to look beyond sun-drenched beaches and cocktails when it comes to the Caribbean. But with 28 countries and a combined population of 42.5 million, there's a strong argument for rebranding it "the land of sun, sea and PPP" ... if it can follow the example of Jamaica.

Without over-egging the Caribbean Sour, we've seen a few deals make it financial close across the region in recent years.

Looking at the *IJGlobal* database (reverse chronological order) – and without even looking into the power and renewables sectors – 12 social infrastructure and transport deals have made it over the line since late 2005:

- LF Wade International Airport Redevelopment – Bermuda – [March 2017](#)
- Watty Vos Boulevard – Aruba – [February 2017](#)
- Kingston Container Terminal Expansion – Jamaica – [June 2016](#)
- Green Corridor Road – Aruba – [July 2015](#)
- Luis Munoz Marin International Airport Concession – Puerto Rico – [February 2013](#)
- Highway 2000 Second Section, Mount Rosser Bypass – Jamaica – [June 2012](#)
- Viadom Toll Road – Dominican Republic – [February 2012](#)
- PR-22 and PR-5 Toll Roads P3 – Puerto Rico – [September 2011](#)
- Highway 2000 PPP Phase 1B-1 – Jamaica – [March 2011](#)
- King Edward VII Memorial Hospital – Bermuda – [December 2010](#)
- Autopista de Nordeste Toll Road – Dominican Republic – [December 2009](#)
- Turks & Caicos Islands Hospital – Turks And Caicos – [January 2008](#)
- Boulevard Turistico del Atlantico Toll Road – Dominican Republic – [February 2006](#)
- Sangster International Airport – Jamaica – [December 2005](#)

Of that bunch, the biggest by a long chalk was the \$1.28 billion toll road in Puerto Rico which closed in Q3 2011 with \$825 million of debt and a gearing of 64:36.

When it comes to renewables, we've all seen enthusiastic claims on LinkedIn about the rise of clean energy – though sometimes you have to question the accuracy of some figures being bandied about.

Take, for example, Costa Rica which last year (2017) claimed to have run for 300 days on renewable energy. It currently generates more than 99% of its electricity from five sources: hydropower (78%), wind (10%), geothermal energy (10%), biomass and solar (1%).

Meanwhile, there are huge ambitions across the region in this space – and here follows a taster.

Puerto Rico plans to run on 100% renewable energy by 2050, scaling up from 20% by 2025, to 50% by 2040, the rest installed in the final decade. Jamaica announced last month (October) that it would source 50% of its energy from

renewable sources by 2030.

On a slightly less ambitious level, The Bahamas seeks to deliver 30% of its energy needs from alternative sources by 2030, though local media is hugely sceptical of its ability to deliver that; and Barbados plans to achieve a 75% heavy fossil fuel reduction by 2037. And the Cayman Islands are targeting 70% by 2037.

But while ambition is great, projects – infrastructure and energy alike – need to be viewed in circumspect. Bolt on a year (or more) for project procurement while postponement and cancellation risk remain very real issues.

View from the shore

The Caribbean is no different to any other emerging infrastructure market. And viewing the whole region in one sweeping vista is too broad a brush stroke to be of real value. It is not one country with one set of credit ratings and legislation – rather a broad swathe of islands with their own highly-individual circumstances, with no broad scope of opportunity.

But, sticking with that broad brush for a moment, it does feel like an exciting time in the Caribbean and – still broadly speaking – while the region is fairly late coming to the table for PPP, it makes up for tardiness with enthusiasm.

However, Caribbean Development Bank PPP chief Brian Samuel remains sanguine: “If you look in the newspapers or go online, you would think that PPPs are the go-to method of procurement for almost all new infrastructure projects in the Caribbean right now.

“In actual fact, that’s not the case. If you look at most infrastructure projects now – airports, ports, roads, etc. – most of them are still in the public domain.”

Lori Rockhead, senior manager for KPMG in Bermuda, concurs: “P3s tend to garner attention, but most capital projects in the region are **not** deploying alternative financing delivery models. However, all of the drivers which have led to the increasing adoption of P3s in jurisdictions like the US, Canada and UK are present in the region.

“That is the desire to transfer risk – from completing construction on time and on budget to commercial risk, attracting inward investment, creating employment, and smoothing economic stimulus.

“As a result, I am confident the region will continue to see an increase in the use of P3s for large-scale projects.”

And therein lies the rub. A lot of projects being discussed or brought to market lack scale.

Rockhead adds: “One of the regional challenges that tends to dampen the use of P3 is that many projects are under \$100 million in capex. Jurisdictions that leverage leading practice procurement methods and elements of risk transfer can find ways to make smaller projects more attractive to inward investment. Robust planning and transparency are the keys to accomplishing that objective.”

Jamaica, stands out as a regional leader for the inspired way it has gone about driving a procurement agenda, one it has driven forward with almost 100% cross-party political support.

This approach has led to it already achieving 16-18% of its energy from wind and solar backed by an inspired approach to infrastructure delivery (quietly dusting over some false starts from the early years that would be churlish to dredge up).

The key strategy Jamaica took with its Highway 2000 programme was to budget \$20 million for advisers to ensure it was feasible and deliverable to bring the private sector to the table. It mandated:

- UBS Warburg – financial
- PwC – financial
- Dehring Bunting & Golding – financial
- Allen & Overy – legal
- Steer Davis Gleave (now Steer) – traffic analysis

- Jentech Consultants – engineering
- Dessau Soprin – engineering
- Halcrow (now CH2M)– engineering

And that's the way to do it. As the gambling community insists: "You have to speculate to accumulate." The project finance community, meanwhile, would say something far less pithy about lining up ducks... but the sentiment's much the same.

You need a healthy blend of political will and critical mass, though with many of these projects being of a smaller nature, it remains to be seen how much attention they will receive from sponsors that have the skillset to deliver these projects.

Pipeline

There's a pipeline of projects at an early stage of procurement across the Caribbean, but if you want a full list, you will have to trawl through the *IJGlobal* database to identify all of them.

Here follows a handful of projects that are looking good to proceed:

- [Demerara Bridge](#) in Guyana which was first brought to market in August 2017
- [Norman Manley International Airport](#) in Jamaica for which Grupo Aeroportuario Del Pacifico signed a concession last month (October)
- [San Juan Bay Cruise Terminals](#) in Puerto Rico which has five bidders at shortlist
- [Guadeloupe Fiber-To-The-Home](#) network which the French department launched in April
- [Soapberry Wastewater Treatment Plant](#) expansion PPP in St. Catherine, Jamaica, which first came to market in spring 2016
- and there's a lot of talk about an airport PPP in the Bahamas for which a tender is rumoured for launch early 2019

The ambition to deliver infrastructure through PPP structures remains strong across the region, for which the success will bear a direct correlation to its credit rating, GDP per capita and the rigour with which the procurement is planned – not to mention political support.

Bottom line – take a sandwich... it's going to take a while, but that's plenty of time to perfect the Kokomo-Beach Boys' song.

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