AUDITOR GENERAL'S DEPARTMENT

INDEPENDENT ASSESSMENT REPORT

KINGSTON CONTAINER TERMINAL

PUBLIC PRIVATE PARTNERSHIP

ANALYSIS OF CONTINGENT LIABILITY EXPOSURE

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial and Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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The Government of Jamaica PPP policy defines a public private partnership as a "procurement contract between the public and private sectors in which the proficiency of each Party is focused in the designing, financing, building and operating an infrastructure project or providing a service through appropriate sharing of risks, resources and rewards". The Vision 2030 Jamaica National Development Plan recognizes the important role of the use of PPP arrangements through "strengthening partnerships between national associations, Government and other public and private sector partners".

According to the FPP FY2017/18, the Kingston Container Terminal (KCT) achieved financial close[1] during the first quarter of FY2016/17, and the Concessionaire took over the operation on July 1, 2016. The Financial Administration and Audit (FAA) Act requires the Auditor General to certify that a public private partnership involves only minimum contingent liability accruing to the Government. In keeping with this mandate, I assessed the contingent liability exposure of the Kingston Container Terminal, by examining its activities over the medium-term. Based on my assessment using the IMF/ World Bank Public Private Partnership fiscal risk assessment model (PFRAM), I have assessed that the KCT PPP arrangement contains only minimal contingent liability.

I wish to express my sincere thanks to the management and staff of the Ministry of Finance and Public Service, and the related entities for the cooperation and assistance given to the audit team.

Pamela Monroe Ellis, FCCA, FCA, CISA
Auditor General

[1] The stage when all the conditions of a financing agreement are fulfilled prior to the initial availability of funds.

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Executive Summary

The Jamaican PPP policy, which was approved by cabinet in 2012, sets out the principles that should guide decision making by Ministries, Departments and Agencies, which are utilizing public private partnerships (PPPs) to improve infrastructure and the delivery of public services. The Public Bodies Management and Accountability (PBMA) Act outlines specific responsibilities for the Minister of Finance in relation to PPPs, and also provides a link between contingency risk of PPPs and total public debt. Since then, the Government of Jamaica, through the Port Authority of Jamaica, entered into a long-term concession arrangement with Kingston Freeport Terminal Limited to finance, design, build, operate and transfer the Kingston Container Terminal.

Finding

Using the IMF/World Bank Public Private Partnership Fiscal Risk Assessment Model (PFRAM).[2] I assessed the risk to the KCT PPP arrangement using several risk categories. As a User-pay PPP, I noted that the Concessionaire possesses responsibilities for most of the 11 risks categories identified. Based on the PFRAM, I have assessed that the KCT PPP contains only minimal contingent liability to the Government.

Recommendations

The Ministry of Finance and the Public Service, along with the PAJ, must ensure effective monitoring of the project to mitigate against the risk of any implicit contingent liabilities being realized.

[2] The PFRAM was developed by the IMF and the World Bank as an analytical tool to assess the potential fiscal costs and risks arising from the PPP projects.

Key Statistics

US$75 million upfront fee representing market valuation of physical assets to be transferred (payable in tranche at financial close and the next six months).

US$15 million annual concession fixed fee (payable quarterly in advance).

8 per cent of gross revenue plus annual variable fees payable to Port Authority of Jamaica

30 years for a finance, design, build, operate and transfer concession arrangement.

Part One - Introduction

Overview

1.1 Vision 2030 Jamaica National Development Plan recognizes the important role in the use of PPP arrangements through "strengthening partnerships between national associations, Government and other public and private sector partners".[3] In 2014, as part of the measures to improve the fiscal responsibility framework, the Public Bodies Management & Accountability (PBMA) Act was amended, which provided legislative responsibilities for the Minister of Finance in relation to public private partnerships. Section 6B(2) of the PBMA Act states that, "The Minister shall ensure that there is full disclosure and regular reporting on contingent liabilities, including the matters referred to in subsections (6) and (9), in each Fiscal Policy Paper to be tabled pursuant to the Financial Administration and Audit Act".

1.2 The PBMA Act recognizes the relationship between PPPs and public debt management. Section 6B(5) noted that "For the purposes of section 48C(1)(b) of the Financial Administration and Audit Act:

a) the indebtedness of a public body within the specified public sector, arising from a Government-pays public private partnership, shall comprise part of the public debt;

b) the indebtedness of the user-pays public private partnerships shall not comprise part of the public debt."

1.3 In the case of user-pays public private partnership, if there are significant contingent liability risks, this may have implications for the public debt. "Where the likelihood of a contingent liability that (a) accrues to a public body within the specified public sector; and (b) arises from a public private partnership, becomes probable, the quantified amount of the contingent liability shall thereupon form part of the public debt, for the purpose of section 48C(1)(b) of the Financial Administration and Audit Act".[4]

1.4 Section 48 B(6)(d) of the Financial Administration and Audit Act requires the Auditor General to indicate whether a public private partnership involves only minimal contingent liabilities accruing to the Government.

Background

1.5 The GOJ, through the Port Authority of Jamaica, entered into a long-term Concession Arrangement with Kingston Freeport Terminal Limited to finance, design, build, operate and transfer the Kingston Container Terminal. This was in line with the expansion of the Panama Canal, which was scheduled to be completed in 2016 and was expected to bring significant changes within the regional shipping industry. Jamaica's proximity to the north-south trade

[3] Planning Institute of Jamaica, Vision 2030: National Development Plan, page 198.

[4] Section 6B(9) of the Public Bodies Management and Accountability (PBMA) Act

routes into North and South America and the Caribbean, as well as to the east-west trade routes into Asia and Europe, is a significant initial competitive advantage as it facilitates faster and more cost effective transhipment to these areas.

1.6 The Concession Agreement is between the grantor **Port Authority of Jamaica (PAJ)**, a statutory body constituted under the Port Authority Act, and the Concessionaire a consortium of **CMA CGM** and **Terminal Link** with ownership of 40 per cent by Terminal Link and 60 per cent by CMA CGM. **Kingston Freeport Terminal Limited (KFTL**) is a company organized and existing under the laws of Jamaica to engage in, carry on, and provide various port related services. The Concession Agreement is for a period of 30 years after which the operations will be transferred back to the PAJ.

Profile of Public Body

1.7 The Port Authority of Jamaica (PAJ or Authority) was established as a statutory corporation in 1972 under the Port Authority of Jamaica Act Section 6 of the Act requires that 'it shall be the duty of the Authority –

a) to regulate the use of all port facilities in a port;
b) to provide and operate such port facilities and other services as the Minister may require;
c) to recommend to the Minister from time to time such measures as the Authority consider necessary or desirable to maintain or improve the port facilities;
d) to operate such facilities as may be vested in the Authority or to lease them on such terms as may be approved by the Minister;
e) to maintain and improve, where practicable, such port facilities as are vested in the Authority.

1.8 The PAJ has the responsibility to develop the port infrastructure required to support Jamaica's international trade, tourism, commerce and other industries. The PAJ monitors and regulates the navigation of all vessels entering and leaving Jamaica's ports and harbours, to ensure safety and order. The Authority also sets tariffs on goods moved through the public wharves.

1.9 The operations of the PAJ are centred on two main areas, containerized cargo and cruise shipping, both of which are facilitated by the harbours and port services. With regards to containerized cargo, these activities include transhipment and domestic cargo movements and are undertaken at the Port of Kingston, through the Kingston Container Terminal (KCT), and the Port of Montego Bay. The KCT operations accounted for almost all of the profits recorded by the PAJ for FY2013/14 and FY2014/15.

Financing for the concession arrangement

1.10 Under the terms of the agreement, the Concessionaire is solely responsible for financing the implementation of the concession; they may use the agreement as security for obtaining finance. Loan financing amounted to US$265 million with the rest of the capital works financing to be sourced from equity and internally generated funds of the Concessionaire. Financing, for the Phase 1 Works was finalized through a consortium of Financial Institutions, led by the Inter-American Development Bank [IDB], acting through its agent, the Inter-American Investment

Corporation [IIC]. The facilities mature in June 2031 with a moratorium up to May 2020 and bear both variable and fixed interest with repayment in US dollars. The end of the loan moratorium coincides with the end of phase 1 construction works. The breakdown is as follows (**Table 1**):

Table 1: Total financing under Phase 1

Loan Sources		**US$M**
Inter-American Development Bank	A Loan	94
	B Loan	111
Societe de Promotion et de ParticipationPour la Cooperation Economique S.A.		30
DEG – Deutsche Investitions – und Entwicklungsgesellschaft mbH		30
TOTAL		**265**

1.11 Overall the Concessionaire is expected to implement the concession over three phases, as follows:

Phase 1 will consist of two components and is expected to cost US$259M. These include: capital dredging to 80 per cent debt for post-Panamax vessels to be completed within 5 years of signing; and strengthening of the existing quay walls to accommodate larger vessels and equipment.

Phase 2: Expansion plan to be submitted by Year 10 and work is expected to commence by year 12 at a capital cost of US$250M. Dredging to full post-Panamax depths will be achieved as part of Phase 2 but will be driven by market conditions then existing up to the fifteenth year after the commencement of the concession.

Phase 3 will be subject to market conditions and agreement between the PAJ and the Concessionaire. This would consist primarily of the development of a new deep water berth with a draught of 15.5 metres. The dredging will also allow Jamaica to accommodate post-Panamax vessels, which will start entering the Caribbean when expansion work on the Panama Canal is completed.

Revenue Flows and Payments to PAJ

1.12 At signing, the Concessionaire should provide PAJ with a security bond of US$15 million. The Agreement speaks to a fixed payment to PAJ of US$15 million per annum (payable quarterly in advance). The agreement states that the annual concession fee shall be adjusted for inflation with the base being the concession fee amount at the fifth anniversary of the commencement date.

1.13 The PAJ secured agreement with the Concessionaire that during the transition period (period between the effective and closing date) the PAJ will be able to spend up to US$15 million to improve the capital infrastructure of KCT and is to be reimbursed using a structured payment schedule. The concession agreement refers to this as Port Authority Reimbursable Capital Expenditure. This reimbursable capital expenditure shall be payable in three tranches to the Port Authority by the Concessionaire in the following amounts (1) 68 per cent of the figure on the handover date (2) an amount equal to 16 per cent of the figure on the date that is 90 days after the handover date and (3) an amount equal to 16 per cent of the figure on the date that is 180 days after the handover date.

1.14 The Concessionaire in accordance with the agreement should pay to PAJ a variable fee on a monthly basis that is equivalent to 8 per cent of the gross revenues realized by the Concessionaire during each operating year. An upfront fee representing the market valuation of the physical assets to be transferred amounting to US$75 million (payable in tranches beginning at financial close and over the next six months) with financial close is expected to occur within 6-8 months of signing and handover within three months of financial close.

Objective, Scope and Methodology of our Assessment

1.15 I conducted an independent assessment to determine whether the KCT Public Private Partnership arrangement involves only minimal contingent liabilities thereby limiting the exposure of the Government of Jamaica to fiscal risks. The audit was planned and conducted in accordance with the Government Auditing Standards, which are applicable to Guideline on Best Practice for the Audit of Risk in Public Private Partnership (PPP) (ISSAI 5240) issued by the International Organization of Supreme Audit Institutions (INTOSAI). I also used the IMF PFRAM in the assessment, supported by interviews and reviews of internal and external documents.

Part Two – Analysis of Fiscal Risk

2.1 This report assesses the risk to the government, given the implication for fiscal accounts and the public debt. The assessment relies on the IMF/ World Bank Public Private Partnership Fiscal Risk Assessment Model (PFRAM) framework. There are specific risks that emanate from these PPP's, which either are allocated to each party to the PPP agreement or are shared. The assessment covers 11 risks as outlined below (**Appendix 1**).

Demand Risk

2.2 Demand risks for this PPP are allocated to the Concessionaire with the likelihood of occurrence being medium as traffic volumes may not fall in line with initial forecasts, given that KCT faces competition from similar facilities. However, the fiscal impact to the government is assessed to be low, based on section 4.7(a) of the Concession Agreement, which notes that the Concessionaire shall pay an annual concession fee of US$15 million to the Port Authority. The KCT Business Case & Transaction Structure Report outlines revenue projections for the short to medium term. For the financial years 2013/14 to 2015/16, projected traffic volumes were based on KCT's estimates. However, for the financial years 2016/17 to 2024/25, projected traffic volumes were predicated on demand forecast provided by Ocean Shipping Consultant in their report dated February 2013.

2.3 The Concessionaire in accordance with Section 9.5 of the Concession Agreement is obligated to provide the PAJ with quarterly traffic reports indicating the volume of traffic passing through the concession area and the number of vessels, inward/outward containers stored. This should help the PAJ to monitor the operational performance of the facility and indicate any potential revenue shortfall, which has implications for the collection of PAJ's concession fees.

Construction Risk

2.4 The Construction risks associated with the PPP are allocated to the Concessionaire. Section 6.9 of the Concession Agreement details the obligations of the Concessionaire relating to construction risk, ascribing clear penalties for the Concessionaire if construction timelines are not met. The risk associated with the construction of the expansion of the KCT, is that there may be delays in construction, resulting in cost escalation, which may lead to additional financing costs. Section 6.9 of the Concession Agreement states that "the Concessionaire shall construct the improvements in accordance with the Designs and Drawings, the Project Requirements, the Phase 1 Plan or Phase 11 Plan (as applicable), the Proposal and the Project Schedule. Accordingly, the fiscal impact to the GOJ is deemed to be low, given that the Concessionaire bears this risk up front.

2.5 Although Section 6.9(c) allows for compensation to the Concessionaire for any additional costs or other financial consequences caused by Relief Events[5], this is only to the extent that the PAJ has not used its best efforts to assist the Concessionaire in obtaining the relevant authorization or

[5] Relief Events are events which prevent performance of the Contractor of its obligations at any time. The occurrence of these events may trigger compensation to the Contractor.

permit. The PAJ according to Section 6.8 (f) of the concession agreement may be responsible for compensation as a result of delays caused by a relief event due to changes in design, however the relief event clause stated in the concession agreement serves as mitigation for this potential risk.

Governance Risk

2.6 Governance risks relate to the regulatory and political risks, possibly due to legal changes and unsupportive government policies. Governance risks with this PPP are allocated to GOJ with the probability of occurrence being low, as well as the fiscal impact to the GOJ. This is in a context where the GOJ has a public investment management framework in place, which significantly mitigates any potential risk for this area. The PBMA forms part of this legislative framework and currently sets a cap of 3 per cent of GDP for contingent liabilities up to March 31, 2017, which thereafter moves to 8 per cent of GDP. The enhanced fiscal rules require that all PPPs be continually assessed by the Ministry of Finance and the Public Service (MoFPS) and that they be included in the Public Sector Investment Programme (PSIP) and subject to standards set out in the Public Investment Management System (PIMS). Adequate disclosure by the GOJ is critical to the management of governance risk as poor public perception of the governance arrangements underpinning the PPP may hinder the progress of the project.

2.7 The Concession Agreement in Article 19 explicitly states that, "the Agreement shall be governed by and construed in accordance with Jamaican law". The agreement further states, "obligations of the Concessionaire concerning labour, environment, health and safety, customs and tax matters shall be subject to Jamaican law and the Concessionaire shall conduct itself in a manner consistent with Jamaica's obligations under international treaties and agreements insofar as those have the effect of Law in Jamaica".

Operational and Performance risks

2.8 Operational and Performance risks consider the risks to the Government of not receiving timely and adequate performance reports on the operation of the projects. Given the onus of the Concessionaire to provide such reports, this particular risk would be primarily allocated to the Concessionaire. The Agreement obligates the Concessionaire to provide an annual performance report (Concessionaire Report), failing which, will impact on the Government's ability to effectively monitor the performance of the project, and other associated risks. The contract contains clear penalties to be levied against the Concessionaire for failing to meet performance indicators. I have not seen any factor that should restrict the Government's clear access to these performance reports, and as such, these specific risks were considered low, using the PFRAM.

Financial risks

2.9 Financial risks relates to risks associated with obtaining financing for the project as well as interest and exchange risks over the medium term. An assessment of the contract agreement indicates that these risks are largely allocated to the Concessionaire. Under the terms of the agreement, the Concessionaire is solely responsible for financing the implementation of the project; they may use the agreement as security for obtaining finance. Accordingly, the potential fiscal impact to the GOJ from such risks materializing are estimated to be low given that the responsibility rests with the Concessionaire.

2.10 The Concessionaire obtained loan financing amounting to US$265.0 million through a consortium of financial Institutions, with the remainder of the financing to be sourced from equity; inclusive of up-front funds from the Concessionaire and cash flow from KCT operations during construction. The loan facilities are set to mature in June 2031 with moratorium up to May 2020, which coincides with the projected end of phase 1 construction works. Despite the loan facilities being denominated in US dollars, the Concessionaire faces very little or no exchange rate risk. This is because the revenue operations of the KCT is largely denominated in US dollars. As a result, currency conversion will not be required when making debt service payments, which minimizes exchange rate volatility, in that regard. The fiscal risk to government is low as no loan guarantees were provided by the GOJ.

Force Majeure

2.11 Article 12 of the contract agreement defines the circumstances to be viewed as Force Majeure events[6]. The Force Majeure provisions specified the contractual consequences of certain circumstances that are beyond the control of the parties, and result in the impossibility for the affected party to perform its contractual obligations. The provisions in the concession agreement indicate that the Force Majeure risks are shared between the Concessionaire and the PAJ, as the agreement provides either party with the ability to invoke the Force Majeure clause with shared obligations in the event it leads to termination.

2.12 If invoked, Force Majeure waives all obligations, which are affected by the Force Majeure event, until such is remedied. Whereas the likelihood of such events materializing is considered to be low, the fiscal impact to the government is assessed to be medium, in a context where the level of termination payment the PAJ is stipulated to pay over to the Concessionaire is tempered by any insurance proceeds which may accrue to the Concessionaire. Section 8.3(a) obligates the Concessionaire to obtain insurance policy and coverage relating to loss, damage, destruction caused by force majeure events, to the extent that such are insurable on a commercially reasonable basis. Article 16 of the agreement indicates that the PAJ is obligated to pay the Concessionaire the amount equal to the aggregate of the net book value of all improvements and equipment undertaken and transferred to the PAJ by the Concessionaire and any other amounts owed to the Concessionaire by the PAJ.

Material Adverse Government Actions

2.13 Material Adverse Government Action[7] refers to "any acts or omission by the Contracting Authority or any relevant public authority which occurs during the term of the PPP which has material adverse effects on the cost or profits and which results in the Concessionaire being unable to

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[6] Article 12(1) defines Force Majeure as "acts of God, wars, act of war, invasion, acts of public enemies, hostilities (whether declared or not),restrictions on trade or other activities imposed by any sovereign nation or state, embargoes, blockades, revolutions, riots, civil commotions, acts of terrorism, sabotage, strikes, labour or employer-employee disputes (if not cured for a period of more than two months, fires, explosions, earthquakes, hurricanes or any other natural disasters, epidemics, public health emergencies.

[7] Also known as political force majeure.

comply with all or a material part of the KCT Concession Agreement. Using the PFRAM, the likelihood of the Material Adverse Government Action risk materializing during the term of the KCT PPP arrangement is low with an attendant low risk rating. Notwithstanding, Material Adverse Government Actions that affect the performance of the Concessionaire could result in loss of revenue and trigger claims for compensation, relief and or extension of timelines for project deliverables and excuse from the performance of its obligations under the KCT PPP.

Change in Law

2.14 Article 11 of the Concession Agreement speaks to the risk of Changes in Law and refers to it as "any amendment, modification, superseding act, deletion, addition or change in or to applicable Law or the adoption of a new law that occurs and takes effect after the date that bids were due in accordance with the Request for Proposal". It is critical to note that 'Changes in Law' can work to the benefit or detriment of either parties. Our assessment of the Concession Agreement shows that the definition for change in law specifies that the Concessionaire is expected to comply with all relevant laws. The Concession Agreement also contains mechanisms for handling the effects of a change in law. Using the PFRAM, this risk is allocated to the Government with an attendant low likelihood of occurrence. The framework however attaches a medium fiscal impact rating if the risk materializes, as this can result in the Government being required to pay compensation or assuming debts of the Concessionaire due to change in law. At the same time, changes in the legal and regulatory regime requires close monitoring, as risks associated with changes in law may not be easily quantifiable.

2.15 I note that the Concession Agreement makes provision for notice to be given in respect of changes in law; however the timeframe for such notice was not specified nor was the grace period the Concessionaire will be afforded before implementation noted.

Rebalancing of Financial Equilibrium

2.16 The Concession Agreement sets out the process of claiming, determining and implementing compensation to restore financial balance during the term of the PPP arrangement. Article 16 of the Concession Agreement identifies the Termination Compensation outlining Force Majeure, Event of Default and expiry of the term, as cases where applications can be made to rebalance the financial equilibrium. The Concession Agreement applies the principle of rebalancing financial equilibrium to force majeure and material adverse government action events.

2.17 In assessing the KCT PPP arrangement using the PFRAM, this risk is shared between the Concessionaire and the Government; and carries a medium rating. The fiscal impact is likely to be medium as rebalancing of the financial equilibrium makes provisions for the Concessionaire or the Government to have the right to claim compensation to offset any loss incurred, for example revenue foregone for the Concessionaire.

Renegotiation

2.18 There is always the possibility that a PPP contract may be subject to renegotiation, especially where it is mutually beneficial. Renegotiation of PPP agreement involves a change in the original contractual terms and conditions. For example, article 12.6 notes that, "The Port Authority and the Concessionaire shall consult in good faith during 180 days after such notice with a view to agreeing a remedy or an adjustment which restores the economic balance of the concession to the mutual satisfaction of the parties". The Concession Agreement outlines remedies to respond to disagreements that may arise during the term of the Concession Agreement, which includes but not limited to, modification of the existing concession fee, and or extension of any applicable deadline for the Concessionaire to meet its obligation. Although the materialization of this risk might have a fiscal impact, the mitigation measures, embodied in the Agreement, minimizes the risk.

Contract Termination

2.19 The allocation of the risks regarding contract termination is shared between the Concessionaire and the PAJ. Regarding the fiscal impact to the GOJ, I assessed this to be high given the magnitude of the project cost. However, an overall assessment of the likelihood for termination of the Agreement over the medium term indicated a low probability. This was due to several triggers of default assessed to be no longer applicable while others carried a low likelihood over the stipulated review period.

2.20 The termination provisions included in the contract agreement are clear and comprehensive. Article 15 of the Concession Agreement lists the events under which the contract can be terminated and clearly defines the rules for computing the amount of compensation payable by PAJ to KFTL where applicable. The events included are:

- on expiry of the term;
- following the occurrence of an event of default;
- following the occurrence of an event of Force Majeure;
- following the occurrence of an event of certain failures concerning the closing date;
- following the occurrence of an event of certain failures concerning the handover date; and
- Upon election of the Port Authority for convenience upon notice from the Port Authority to the Concessionaire.

2.21 The termination payments in the Agreement represent explicit contingent liabilities for the PAJ for which the entity is obligated to meet should the event of termination materialize. Article 16 of the Agreement specifies the termination compensation for three of the events: (i) Force Majeure, (ii) event of default by the Concessionaire or by PAJ, and (iii) expiry of term. In all cases, the Agreement states that the PAJ is obligated to pay the Concessionaire the amount equal to the aggregate of the net book value of all improvements and equipment undertaken and transferred to the PAJ by the Concessionaire and any other amounts owed to the Concessionaire by the PAJ.

2.22 In the case of a concessionaire event of default, the PAJ would also be required to pay to the Concessionaire the Net Present Value (NPV) of lost concession fees over the next five (5) years. For a PAJ event of default, the PAJ would be required to pay over the NPV of the net income after tax of the Concessionaire that could have been distributed to shareholders over the next five years as well as any incremental tax liability arising because of such payment. These payments would be potentially significant, as they would represent a major percentage of the entire value of the project cost. The total project cost for Phase 1 of the project, as presented in the loan documents, was estimated at US$452.2 million (**Appendix 2**). The situation is exacerbated by the short (maximum 120-days) turnaround time for which compensation payments are required by the Agreement to be made; the agreement makes provision for the calculations of termination compensation up to 60 days after termination date and up to a further 60 days for payment to be effected after calculation date.

Appendices

Appendix 1

	Identification of risks	Allocation	Likelihood	Fiscal impact	Risk rating Likelihood*Impact	Mitigation strategy	Priority actions Rating*Mitigation
1	Governance risks	Public	Medium	Low	Low	YES	Low priority
2	Construction risks	Private	Low	Low	Irrelevant	YES	NO action required
3	Demand risks	Private	Medium	Low	Low	NO	Medium priority
4	Operational and performance risks	Shared	Low	Low	Irrelevant	YES	NO action required
5	Financial risks	Private	Low	Low	Irrelevant	YES	NO action required
6	Force majeure	Shared	Low	Medium	Low	YES	Low priority
7	Material adverse government actions	Public	Low	Medium	Low	YES	Low priority
8	Change in law	Public	Low	Medium	Low	YES	Low priority
9	Rebalancing of financial equilibrium	Shared	Low	High	Medium	YES	Medium priority
10	Renegotiation	Shared	Low	Medium	Low	YES	Low priority
11	Contract termination	Shared	Low	High	Medium	YES	Medium priority

Source: IMF PPP Fiscal Risk Assessment Model

Appendix 2

Project Cost Statement

Project Cost	US$ (000)	Percentage %
Upfront Fee	75,000.00	16.58
Straddle Carriers	7,838.00	6.16
Infrastructures	77,650.00	39.28
Quay Cranes	2,040.00	4.87
TT,ECH, Spare Parts & Other	2,066.00	2.67
IT System	2,180.00	2.69
Pre-Operating Costs-CMA CGM Advances to KFTL	3,036.00	0.67
Pre-Operating Costs-Sponsor Development Cost	2,320.00	0.51
Pre-operating Costs-Surveys, studies, advisory costs and mortgage processing	12,415.00	2.75
Secondary Works Capex	7,540.00	1.67
Interest Paid During Construction	41,310.00	9.14
Major Maintenance Reserve Account	19,228.00	4.25
Cash to the Balance Sheet for Working Capital and Contingency	9,830.00	2.17
Financing Fees	5,859.00	1.3
Debt Service Reserve Account	23,906.00	5.29
Total Project Costs	**452,218.00**	**100**

Source: Concessionaire Loan Agreement

Appendix 3

Event	Likelihood	Comment
On expiry of the Term	Low	The concession agreement has a term of 30 years. Agreement currently in first year of term.
Following the occurrence of an Event of default	Low	Remote possibility of an event occurring which leads to either a Concessionaire Event of Default or a PAJ Event of Default
Following the occurrence of an event of Force Majeure	Low	
Following the occurrence of an event of certain failures concerning the Closing Date	N/A	Closing Date milestone achieved. Closing date occurred June 30, 2016.
Following the occurrence of an event of certain failures concerning the Handover Date	N/A	Handover Date milestone achieved. Handover was complete on July 1, 2016
Upon election of the Port Authority for convenience upon notice from the Port Authority to the Concessionaire.	Low	

Source: Concessionaire Loan Agreement