

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Mexico: CMSA Manzanillo Port Terminal



Overview

The CMSA Manzanillo Port Terminal Project will add urgently-needed capacity to Mexico's largest container port, which serves the two largest population centers and manufacturing regions of Mexico (Mexico City and Guadalajara). The project is intended to improve port productivity, thereby easing congestion and lowering transportation costs. The World Bank Group's International Finance Corporation (IFC) and the Inter-American Development Bank (IDB) jointly provided \$260 million in financing for this project.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

Mexico is the second-largest economy in Latin America and is among the top 15 countries in global trade, with a volume of \$786 billion (World Trade Organization, Country Profile, 2015). Its port sector is one of the fastest-growing in Latin America; container volumes grew at a compound annual growth rate of 12 percent per annum between 2003 and 2013. This growth, particularly on the Pacific coast, is driven by a structural shift in Mexican trade toward greater sourcing of products from Asia, particularly China. Mexico's Pacific coast ports are also major transshipment hubs handling all volumes from Central America, which account for about a quarter of total traffic.

Mexico's two busiest Pacific ports, Manzanillo and Lazaro Cardenas, together accounted for two-thirds of total Mexican container traffic and 94 percent of the Pacific coast traffic in 2013. Although the Port of Manzanillo is Mexico's largest container port, it has been operating at full capacity, which has led to congestion and slower growth rates over the last decade. Moreover, there were draft, storage and equipment limitations at the port which prevented shipping lines from bringing in the larger-sized container vessels plying the trade today.

Project Description

Contecon Manzanillo S.A., the project company, is developing a greenfield container terminal in the Port of Manzanillo in the State of Colima. CMSA is a wholly-owned subsidiary of International Container Terminal Services, Inc. Philippines. The terminal will be developed under a 34-year agreement granted by the port administration of Manzanillo.

The CMSA Manzanillo Port Terminal Project is the only planned terminal development in Manzanillo for the foreseeable future and will add urgently-needed capacity to the port, given that the three existing operators operate at nearly full capacity. The project will also offer more high-quality services than the existing operators given its deeper draft, brand new equipment and large yard area which provides ample storage space. The port will be able to receive the larger container ships that are expected to be deployed on trans-Pacific routes.

The CMSA terminal is being developed in three phases. Phase 1A was completed in September 2013 with an annual capacity of 450,000 TEUs and is operational. Phase 1B was undertaken during 2014-15 and involved the construction of additional ground slots in the storage yard and purchase of additional equipment to increase annual capacity to 760,000 TEUs. Phase 2 will be developed between 2016 and 2021 and will include the installation of additional cranes

and expansion of storage areas. Upon completion (by the end of 2021), the terminal will have an annual handling capacity of 1.35 million twenty-foot equivalent units (TEUs) and will be able to serve the latest generation of container ships, including super post-Panamax ships and larger vessels expected to be deployed in the future.

Multilateral Development Banks' Role

Project costs of \$567 million were financed by direct and syndicated loans supported by multilateral and bilateral international financial institutions including:

- A \$65 million A loan from IFC
- A \$65 million A loan from the IDB
- A \$25 million loan from the China Co-Financing Fund for Latin America and the Caribbean under the management of the IDB
- A \$52.5 million B loan from KfW IPEX Bank GmbH under IFC and IDB syndication

In addition, Standard Chartered Bank provided a loan of \$52.5 million under IFC and IDB syndication.

Outcomes

The CMSA Manzanillo Port Terminal project will help strengthen the port sector in Mexico by increasing container handling capacity by 1.35 million TEUs, improving port productivity, easing congestion and lowering transportation costs. This will promote greater competition, benefitting shippers, shipping lines and consumers alike. As such, the Project will help increase Mexico's competitiveness and indirectly drive trade growth by developing deep water berths and introducing modern, efficient container handling capacity to better serve exports and imports.

The Project employed 150 workers during the initial construction and expects to employ over 850 operational and managerial workers by 2020 (nearly 300 were hired by the end of 2016). The Project will also benefit the State of Colima with concession fees and tax payments, and will thus help free up the fiscal space necessary for other critical priorities.

For more information please contact:

*World Bank Group: Nadine Ghannam
Email: Nsgghannam@worldbankgroup.org*

*Inter-American Development Bank: Paul Constance
Email: paulc@iadb.org*

*IFC: Laura Marie MacInnis
Email: LMacinnis@ifc.org*

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