



Public Private Partnership PPP & The Egyptian Experience

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Agenda



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- Why PPP's ?
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What is PPP?



- PPP is a long term contractual relationship between the Public Sector and the Private Sector for the purpose of having the Private Sector deliver a project or service traditionally provided by the Public Sector
- PPP projects do not minimize Line Ministries' responsibility to improve public services, only the procurement methodology is different



What is PPP? (cont..)



Performance-based contract under which the private sector supplies public services over time and is paid by the Public Sector, end-user or a hybrid of both. Output is specified by Line Ministers while input is the responsibility of the private sector

Under the PPP Contract:

- The Government secures new infrastructure which becomes Government assets at the end of contract life
- Project and performance risks are allocated to the party best able to manage or mitigate



Why PPP's?



- Infrastructure plays an important role of the overall economic development of any country
- The infrastructure sector needs to urgently implement public sector reforms to address supply-side constraints. It requires changes in delivery mechanisms, processes, procedures and institutional structures to be tailored towards client-focused outcomes and results



Why PPP? (cont..)



- Now a widespread consensus that exclusive dependence on the government is not viable; on the other hand complete reliance on private sector will not produce desired and optimal outcomes. This resulted in the emergence of the concept of the PPP where both the Government and Private Sector work jointly for the development of high quality infrastructure.
- PPP brings together consortia including developers, investors, constructors and other service providers to finance, construct, operate and maintain assets through long term contracts
 - PPPs are key to the Government's economic reform agenda and strategy to increase private sector involvement in public services through leveraging private spending against public spending



Conclusion



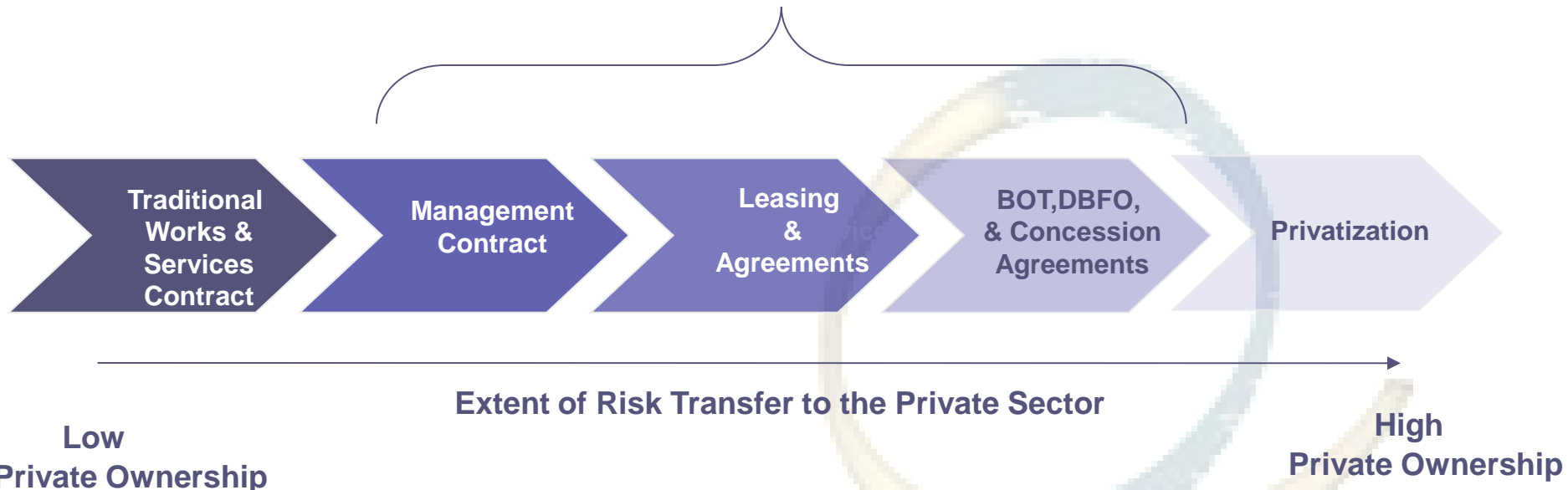
PPP's are:

- A policy available to Government for the provision of basic services (health, transportation, utilities, roads...etc) which seeks to involve the private sector
- An alternative to traditional full public provision of such services- particularly where the government resources are limited
- A tool to appropriately allocate risks & responsibilities associated with service provisions between public and private sector
- A new source of investment capital for required infrastructure projects
- Reducing Government sovereign borrowings and associated risks
- Driving the creation of local long term funding market
- Utilizing efficiencies of private sector in running public services
- Expanding economy and stimulating job creation
- Increasing quality of public services to the Citizens



PPP Program Needs

Public –Private - Partnerships



Governments & public authorities need to be prepared to act as a competent counterpart over the life of the PPP project

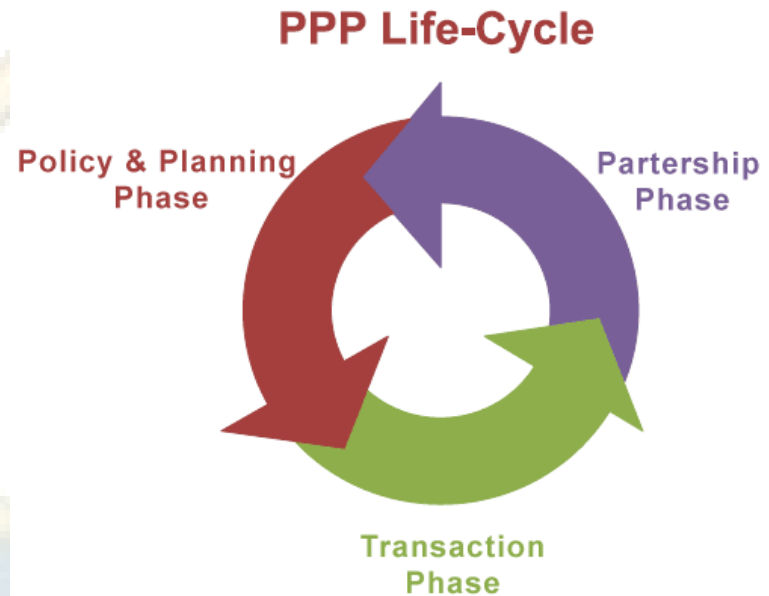


PPP Program Needs



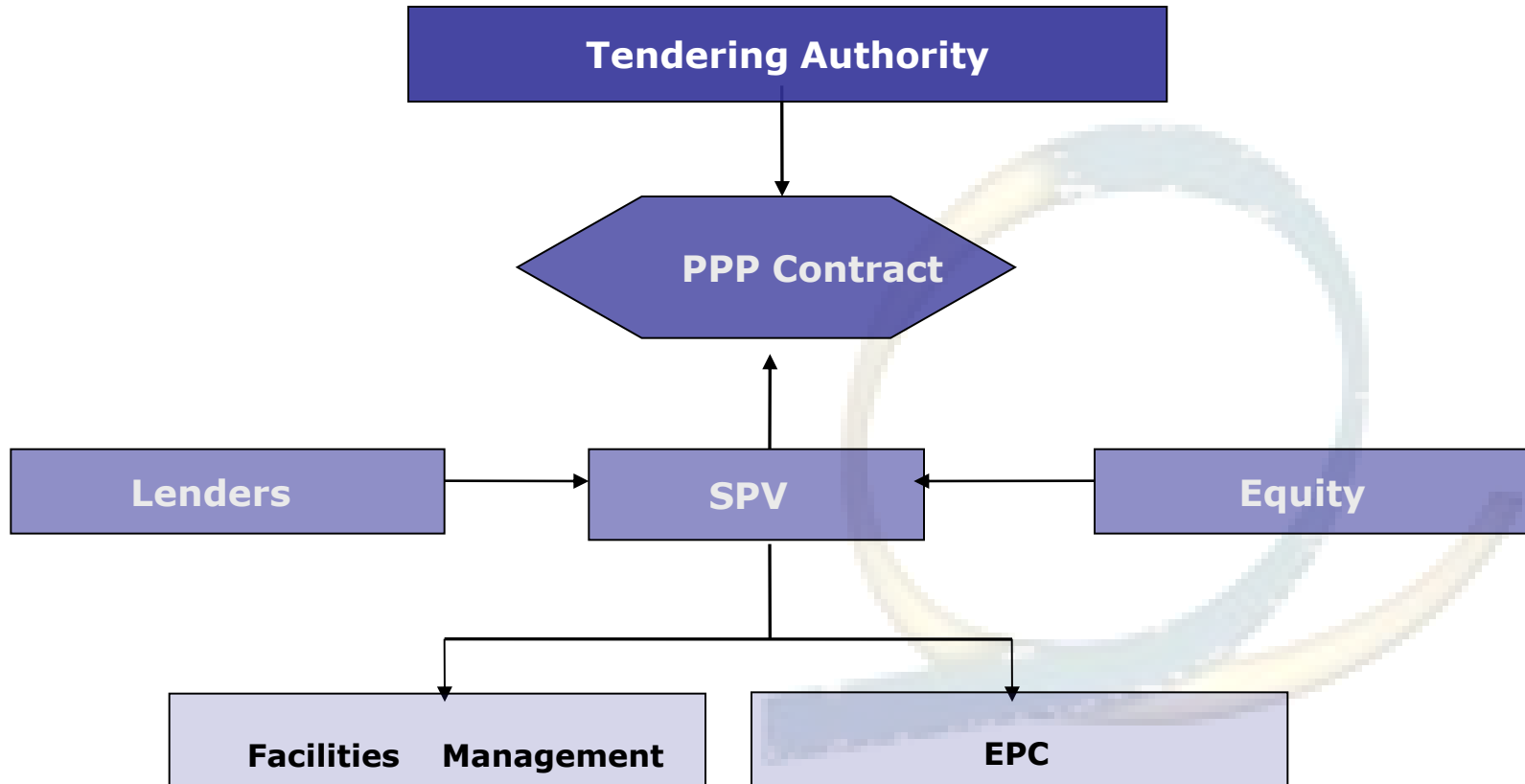
A successful PPP transaction must:

- Embrace the full life-cycle to foster successful and sustainable projects that provide needed public services,
- Create VFM (as compared with pure public sector service provision),
- Comply with general standard of good governance (i.e. transparent and competitive procurement)





PPP Structure





PPP Policy Framework



- Adoption and localisation of international successful PPP models (UK)
- Provision of Supportive Legislative Environment
 - New Legal Framework for PPP Projects
(Draft finalized for Submission to Parliament)
 - Standard PPP Contracts, Procurement documentation and procedures
- Creation of regulatory bodies for post contract implementation



PPP Policy Framework (cont')



- Establishing a PPP Central Unit at Ministry of Finance as well as Satellite Units in Line Ministries
- Identifying PPP'able projects as part of Line Ministries' 5 years Strategic Plan
- Finalizing budgetary and accounting practices to capture PPP transactions
- Setting "Best Practice" precedence through pilot projects
- Arranging for Credit Enhancement mechanisms
- Stimulating domestic banking sector to offer longer tenors and competitive pricing
- Satellite PPP units has been established in various Ministries and resources devoted to PPP projects



Achievements-to-date



- Significant training and capacity building activities
- Egypt is perceived as one of the leaders in the PPP field in the Middle East North Africa (MENA) region
- PPP Central Unit won “PPP 2008 Award” among the Euro-Mediterranean Countries
- A PPP implementation Guide was issued
- Bilingual website: www.pppcentralunit.mof.gov.eg
- 1 Tender closed & awarded, New Cairo Wastewater Treatment Plant Project
- Pilot project underway
 - 3 tenders opened – closure Q2/2009
 - 4 tenders under preparation
 - 10 projects in pipeline across sectors
- Pilot projects were launched in the education, Hospitals and Utilities sectors



Egyptian PPP Pipeline Projects - 5 years Plan – 2009/2014



Approx Value USD in Billion

| | |
|--|---------------------|
| ■ Social Infrastructure | <u>6.03</u> |
| ○ Education Sector (7 Projects) | 5.00 |
| ○ Health Sector (5 Projects) | 1.03 |
| ○ Educational Medical Facilities (1) | 0.23 |
| ○ General Medical Facilities (4) | 0.80 |
| ■ Utilities Sector (6 Projects) | <u>2.20</u> |
| ■ Wastewater Treatment Plants (6) | 2.20 |
| ■ Transportation Sector (14 Projects) | <u>7.00</u> |
| ■ Total Current PPP Projects (32) | <u>15.23</u> |



PPP New Cairo Wastewater Treatment Plant



- The New Urban Communities Authority (NUCA), with the technical assistance of the PPP Central Unit of the Ministry of Finance of the Arab Republic of Egypt, invited bidders for the Availability and Operation of a Wastewater Treatment Plant in New Cairo through Public Private Partnership
- The project is for the design, financing, construction, ownership, operation, maintenance and transfer of ownership back to NUCA after a period of 20 years or upon Early Termination of the Contract, of a 250,000 m³/day wastewater treatment plant in New Cairo, a new urban community.



Contract Structure



- The PPP contract has been awarded through a competitive tender process open to both local and international bidders. The tendering of the Project was conducted under the Egyptian Tenders Law (Law 89/1998).
- PPP Contract set out the rights and obligations of the parties, including technical and output specifications, service and performance standards, methodology for periodic adjustment of availability payments, monitoring and reporting procedures, dispute resolution mechanisms, performance deductions, termination and compensation procedures.
- Project will broadly follow the United Kingdom Private Finance Initiative (“PFI”) model.



Tendering Procedures



- Invitation for Expressions of Interest in October 2007.
- Prequalification document finalized in February 2008.
- Opening Data Room in July 2008.
- Investors' Conference in August 2008.
- Invitation to Bid in December 2008.
- Announcing the Winning Bidder in May 2009.
- Contract Signature in June 2009.



Pipeline Projects



- Upgrade level of treatment from primary to secondary treatment for Abu Rawash plant with a capacity of 1,200,000 cubic meters / day (to be tendered during September 2009)
- Raise the capacity of 6th of October treatment plant from 150,000 cubic meters / day to 450,000 cubic meters / day (to be tendered during July 2009)
- Raise the capacity of West Alexandria treatment plant by 200,000 cubic meters / day, to the current capacity of 480,000 cubic meters / day and upgrade level of treatment from primary to secondary treatment for the total plant capacity (to be tendered during December 2009)
- Tendering out Rod El Farag Access by mid 2010 upon completion of due diligence as well as technical, legal and financial studies.



Key Challenges and Issues



- Establishment of modern PPP Policy & Legal Framework
- Coordination with Relevant Stakeholders
- A realistic pipeline of viable PPP projects
- Public perception of PPP's as privatization
- Resistance to change / Project ownership issues
- Capacity of Central & Satellite PPP Units
- Financial local markets / funding
- Bankability of projects
- Affordability by Government



Lessons Learnt



- Maintain Strong Ongoing Market Analysis all through Project Implementation
- Market to Right Target Investors
- Make Sure to Select Right Advisors
- Go to Market with a Solid Transaction Structure from Day 1
- Strengthen Public Sector Ownership



Thank You



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