



Overview on the Development of the Egyptian PPP Program

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Agenda

- PPP Drivers – Egypt -
- PPP Policy Framework – Egypt -
- PPP Implementation Strategy - Egypt
- Role of the PPP Central Unit – Egypt
- Egyptian PPP Program – Achievement to date –
- Egyptian PPP Pipeline Projects – 5 years plan – 2008 - 2012
- Lessons Learnt
- Key Challenges and Issues
- The Way Forward
- World Bank Recommendations Options for Egypt
- Egypt: Proposed PPP Project Preparation Facility





PPP Drivers - Egypt -



- According to World Bank recommendations Egypt should allocate between 5.5-7% (approx. US\$ 13 billion) of its yearly GDP to cover infrastructure needs in order to sustain growth prospects around 7-8% for the future
- The mobilization of private capital is required to bridge this financial gap; international experience indicates that 10-30% of infrastructure capital needs can come from the private sector through PPPs
- Egypt can realistically target the mobilization of 10-15% (approx. US\$ 2 billion) of infrastructure needs through PPP's





PPP Policy Framework - Egypt -



Egypt is providing the right environment for implementation

○ Adoption and localisation of international successful PPP models (UK – South Africa)

○ Provision of Supportive Legislative Environment

- New Legal Framework for PPP Projects (Draft finalized submitted to Cabinet and Parliament)
- Standard PPP Contracts, Procurement documentation and procedures

○ Creation of regulatory bodies for post contract implementation

○ Establishment of satellite Units in Line Ministries





PPP Implementation Strategy – Egypt



- Placing clearly PPP initiative within reform macro fiscal agenda
- Establishing a PPP Central Unit at Ministry of Finance as well as Satellite Units in Line Ministries
- Ongoing International Advisory Mentoring
- Identifying PPP'able projects as part of Line Ministries' 5-years Strategic Plan
- Providing legislative framework – PPP Law
- Developing standardized Toolkit for implementation of projects
- Finalizing budgetary and accounting practices to accurately reflect PPP transactions
- Setting “Best Practice” precedence through pilot projects
- Arranging for Credit Enhancement mechanisms
- Stimulating domestic banking sector to offer longer tenors & competitive pricing





Role of PPP Central Unit – Egypt



- Act as Public face of PPP initiative in Egypt since June 2006
- Establish a national PPP policy framework for implementation
- Set PPP guidelines and methodologies appropriate to Egypt
- Develop standard project document, contracts and PPP legislations
- Coordinate the PPP program and process across Line Ministries, private sector and funding market
- Report to Ministerial Committee for projects approval and recognize issues that may impede the PPP program
- Identify PPP'able projects as part of Line Ministries' 5-years strategic plan





Role of PPP Central Unit – Egypt (cont')



- Provide technical and advisory support for PPP transactions as well as ensure compliance with legislative framework
- Supervise Tendering and Performance Monitoring Committees
- Act as:
 - Center of PPP Expertise, Support and Intelligence Gatherer
 - Center for Capacity Building
 - Central Complaints Resolution Office for PPP Investors



Egyptian PPP Program – Achievements to Date -



Policy & Planning Phase

- PPP Policy Directive in place
- New PPP Law drafted – in Cabinet
- PPP Central Unit operating; PPP Satellite Units at line ministries emerging
- Training & Capacity Building ongoing
- Publication of PPP Guidelines and Booklet (biannually)
- Toolkit for project implementation being finalized
- Website: www.pppcentralunit.mof.gov.eg

Awarded the best PPP 2008 Prize among the Euro-Mediterranean Countries





Egyptian PPP Program

– Achievement to Date – (cont')



Transaction Phase

- Pilot projects under way
 - ❖ 3 Tenders opened – closure Q1/Q2-2009
 - ❖ 4 Tenders under preparation – RFP – Q1/2009
- 32 projects in pipeline across sectors



Egyptian PPP Pipeline Projects – 5 years plan – 2008 – 2012 -



Approx Value USD in Billion

Social Infrastructure (12 projects)	<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>

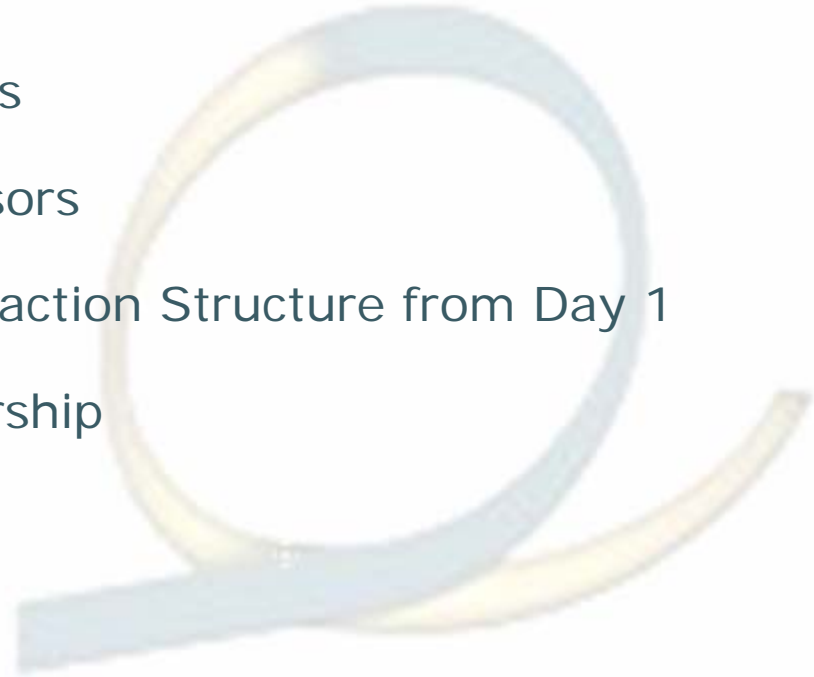




Lessons Learned



- Maintain Strong Ongoing Market Analysis throughout 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





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 PPPs as privatization
- Resistance to change / Project ownership issues
- Capacity of Central & Satellite PPP Units
- Financial local markets / funding
- Bankability of projects
- Affordability by Government





The Way Forward



Creation of Market Supply Side Institutions For:

○ Projects Preparation

Creation of a Revolving Fund to cover PPP projects preparation costs (Technical & Transaction Advisory)

○ Developing Long Term Financing Instruments for PPPs

Creation of Infrastructure Financing Fund to stimulate long-term project finance in local currency

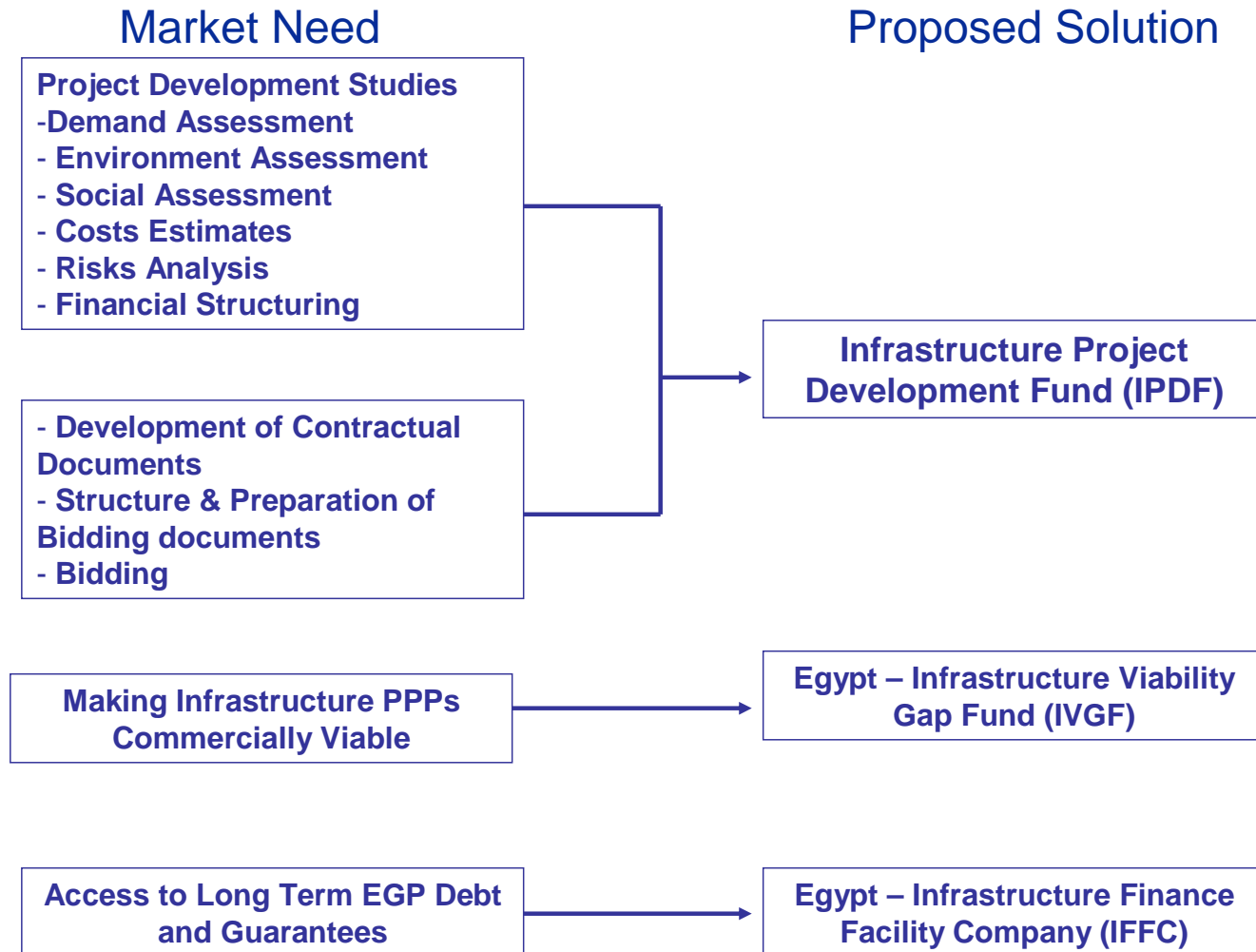
○ Viability of Projects economically and commercially

Creation of viability Gap Fund for capital and/or operation subsidies necessary to make projects commercially viable





World Bank Recommendations Options for Egypt





Egypt: Proposed PPP Project Preparation Facility (PPF)



PRIMARY OBJECTIVES

- More and better PPP projects are developed by public authorities at any one time
- GOE makes informed decisions based on good quality feasibility studies
- The GOE develops well structured PPP Projects that can be delivered and financed by the private sector





Egypt: Proposed PPP Project Preparation Facility



SECONDARY OBJECTIVES

- To ensure that all PPF funded projects adhere to good practice as will be set out in various Central PPP unit guidance;
- To support the project management and technical capacity of the Public Authorities to undertake PPP Projects;
- To ensure PPF sustainability by recovering partial disbursements from PPP projects where appropriate, and
- To provide a vehicle to the bilateral and multilateral donor organizations to contribute their funds and leverage their sector objectives





Egypt: Proposed PPP Project Preparation Facility



ACTIVITIES TO BE SUPPORTED

- Cost of Transaction Advisors – from project inception to close
- Capacity building of Public Authorities and the PPP Central Unit (up to 10% of the total cost of Transaction Advisory costs) through training, seminars, conference etc....)






Egypt: Proposed PPP Project Preparation Facility



REVOLVING FUND PRINCIPLE

 A “project development fee”, applied where the project size and cost recovery characteristics are such that the recovery of PPF costs from the private party to a concluded PPP agreement does not materially affect value achieved in the project or where end user costs for services are not substantially increased





Egypt: Proposed PPP Project Preparation Facility



PUBLIC AUTHORITY COMMITMENTS

- Initial direct financial contribution
- Co-funding in kind: provision of office facilities, equipment and other material support
- Provision of dedicated project personnel and other non-financial resources to manage the project and Public Authority's delivery requirements
- In case a Public Authority, after receiving PPF support, decides to stop pursuing the PPP project development; it has to justify its decision based on commercial considerations; i.e. the PPP project opportunity offers inferior value in comparison to the alternatives, or otherwise has to reimburse funds back to PPF





Egypt: Proposed PPP Project Preparation Facility



KEY FEATURES

- Location of the PPP under the control and operation of the MOF as a separate account with the central bank
- Limited movement of funds – the MOF, along with participating multilaterals and donors, transfer the annual PPF requirements into the PPF account and, when due and payable, the PPF makes payments to the transaction advisors on behalf of the Public Authority in accordance with a Funding Agreement between the PPF and the Public Authority
- Use the PPP Central Unit for all management functions and administrative support as the secretariat, as well as for ensuring that the financial management is effective
- Outsourcing the Financial Audit Services requirements to a reputable Company
- A continued role for the PPP Central Unit in project development

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Egypt: Proposed PPP Project Preparation Facility



PPF COMPONENTS

- Policy Board (PPP Ministerial Committee)
- Evaluation Committee
 - Director, PPP Central Unit;
 - Budget Manager, MOF;
 - Treasury Manager, MOF;
 - A representative of the donors participating in the PPF
 - A representative of the multilaterals participating in the PPF
 - Secretariat (PPP Central Unit)





Thank You



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