



# Overview on the Development of the Egyptian PPP Program

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**“PPPs: A transformational Development Tool to Improve  
Access to Reliable & Affordable Infrastructure Services ”**

**USAID**  
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# Agenda

- PPP Program in Egypt
- PPP Policy Framework – Implementation
- PPP Law – General Framework
- Role of the PPP Central Unit
- Goals and Expectations
- PPP Pilot Projects Pipeline
- Case Study – PPP Schools Project
- Lessons Learnt
- Key Problems and Issues
- Options for Egypt





# PPP Program in Egypt

PPP 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

- Provide a new source of investment capital for required infrastructure projects
- Reduce Government sovereign borrowings and associated risks
- Drive the creation of local long term funding market
- Utilize efficiencies of private sector in running public services
- Expand economy and stimulate job creation
- Increase quality of public services to the Egyptian citizen





# PPP Program in Egypt (cont')



## Fundamental Aspects of Egypt's PPP Policy Framework

- 🕒 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 Ministries while input is the responsibility of the private sector
- 🕒 Under the PPP contract:
  - 🕒 The Government retains total strategic control on the service
  - 🕒 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



# PPP Policy Framework



*Egypt is providing the right environment for implementation*

- 🕒 **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 Cabinet and Parliament)
  - 🕒 Standard PPP Contracts, Procurement documentation and procedures
- 🕒 **Creation of regulatory bodies for post contract implementation**





# PPP Policy Framework (cont')



## Implementation Strategy

- 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
- Developed Tool Kit for implementation of projects





# PPP Policy Framework (cont')



## Implementation Strategy (cont')

- 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





# PPP Law General Framework



## Basic Principals for preparation of PPP legislations

- Compliance with Egyptian Law Basic Principals
- Consideration of International Standards
- Incorporation of Capital Market and Local Business Environment Requirements
- Insurance of the Biggest Degree of Flexibility and Capacity for development







# PPP Law General Framework (cont')



## ○ Important Characteristics of the Proposed Legislation

- Clear Description of Definitions
- Set Criteria for Selection of PPP Projects
- Standard Procedures of Procurement
- Basic Heads of Terms of PPP Contracts





# PPP Law General Framework (cont')



## ○ Procedures of Procurement

- Pre-qualification
- Invitation to Bid
- Competitive Dialogue
- Public Sector Comparator
- Selection Criteria Based on best Value for Money





# PPP Law General Framework (cont')



## Q Main Commercial & Legal Aspects of PPP Transactions

- Q Risk mitigation
- Q Output Specifications not Inputs
- Q Availability payments upon acceptance certificate
- Q Inflation and interest rate indexation
- Q Ministry of Finance support to contractual payments
- Q Conflict Resolution Mechanisms
- Q Direct Agreement and step-in rights for Funders
- Q Compensation for termination/ extra-ordinary events/ direct impact on change of Laws
- Q All transactions are in local currency



# PPP Law General Framework (cont')



○ Role of Ministerial Committee

○ Role of PPP Central Unit

○ Role of Line Ministries





# Role of PPP Central Unit



- Act as a 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
- Draft and issue standard project documents, contracts and PPP laws
- 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 (cont')



- Manage PPP transactions and provide technical and advisory support 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





# Goals and Expectations PPP Central Unit



- Develop action plan to overcome obstacles and key impediments
- Share Egyptian experience internationally
- Acquire academic aspects of PPP project structuring
- Enhance strategies' & setting capabilities of team members
- Act as a Center of Expertise on a national & regional basis
- Provide ownership for PPP projects amongst both Public & Private Sectors



# PPP Pipeline Projects

*Approx Value USD in Billion*

## Social Infrastructure

**6.03**

🕒 Education Sector (7 Projects)

5.00

🕒 Health Sector (5 Projects)

🕒 Educational Medical Facilities (1)

0.23

🕒 General Medical Facilities (4)

0.80

🕒 **Utilities Sector** (6 Projects)

**2.20**

🕒 Wastewater Treatment Plants (6)

2.20

🕒 **Transportation Sector** (14 Projects)

**7.00**

**Total Current PPP Projects (32)**

**15.23**







# New Public Schools Project

## 1<sup>st</sup> PPP Pilot Project in Egypt



*2100 New Public Schools in Egypt (7 batches)*

### *Project Description*

- 1<sup>st</sup> batch of 345 schools is in tendered out by GAEB jointly with MOF.
- IFC Transaction advisor
- Private Service Provider shall design, finance, construct, furnish maintain, operate and provide non-educational services
- Location over 27 Governorates & Project Duration 15 Years
- Remaining 6 batches of schools to be tendered over coming 5 years

### *Project Timeframe*

- |               |  |
|---------------|--|
| November 2007 | Issuance of RFP                        |
| January 2008  | Announcement of Qualified Bidders      |
| April 2008    | Issuance of Pre-Final Tender Documents |
| June 2008     | Issuance of Final Tender Documents     |
| August 2008   | Bid Submission Deadline                |
| October 2008  | Contract Signature                     |
| March 2009    | Commencement of Construction           |

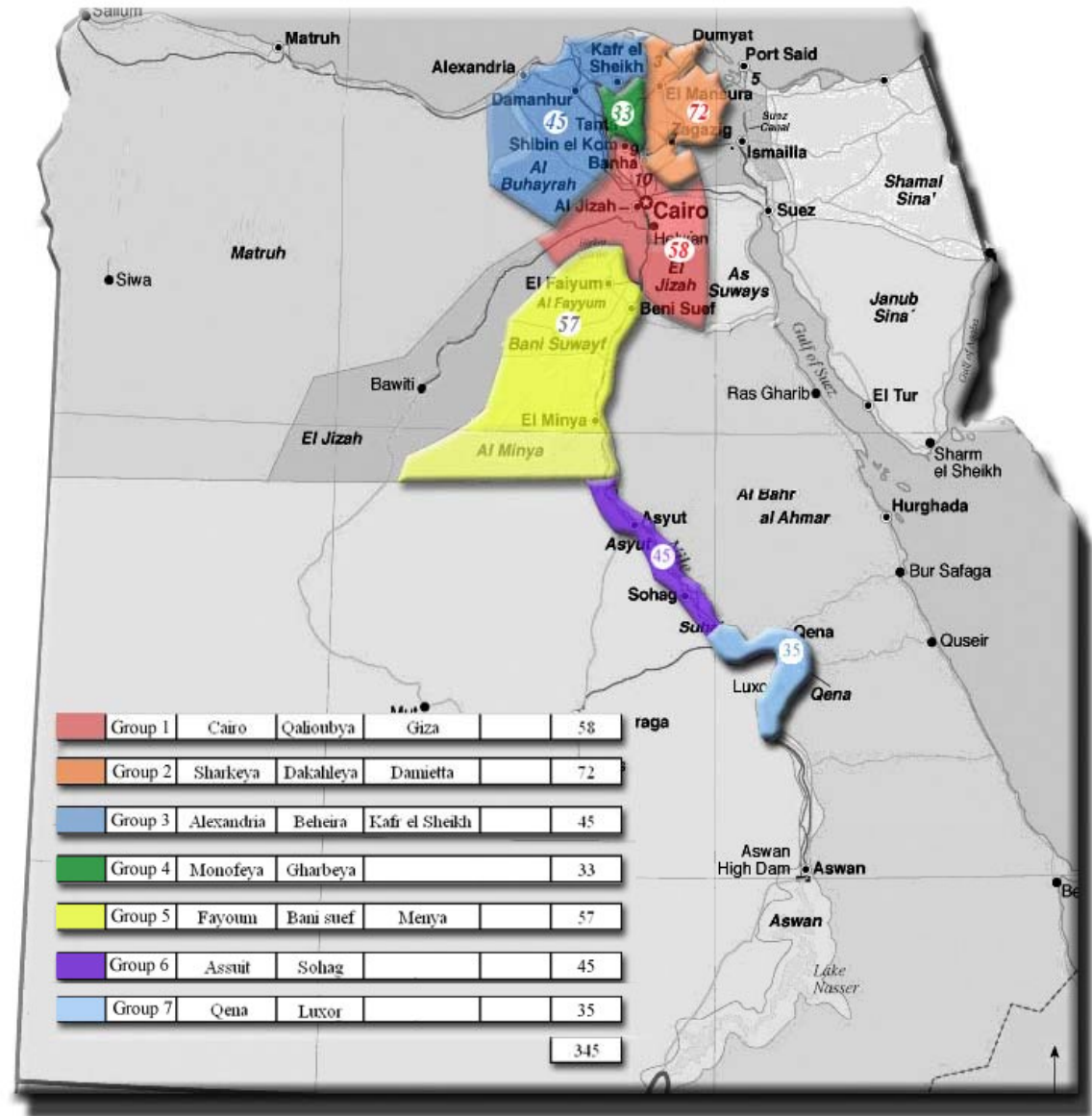


# Education Sector

1<sup>st</sup> Tender

345 Public Schools

Divided into 7 Lots





# PPP Public Schools 1st Batch by Groups



	Governorate	No. of Lands	No. of Classes
GROUP 1	Greater Cairo		
	Total	58	1,088
GROUP 2	East Delta		
	Total	72	1,210
GROUP 3	West Delta		
	Total	45	565
GROUP 4	Central Delta		
	Total	33	417
GROUP 5	Northern Upper Egypt		
	Total	57	1,101
GROUP 6	Southern Upper Egypt (1)		
	Total	45	726
GROUP 7	Southern Upper Egypt (2)		
	Total	35	651
<b>Total Schools</b>		<b>345</b>	<b>5,758</b>





# PPP Public Schools

## 1st Batch by Types of Schools



Prim.	Basic	Prep.	Sec.	Tech.	Hosp.	Agri.	Spec. Needs	Expr.	Special	Total Schools
102	81	65	43	16	1	4	15	11	7	345
30%	23%	19%	12%	5%	0%	1%	4%	3%	2%	100%





# PPP Public Schools

## 1st Batch by Classes



Total Schools by Classes	Schools Number of Classes					
	<8	<16	<24	<32	>32	Total
	58	184	58	19	26	345
17%	53%	17%	6%	8%	100%	





# 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



# Key Problems and Issues



- Walk the last mile to establish a modern PPP Policy & Legal Framework
- Improve Coordination with Relevant Stakeholders
- Build a realistic pipeline of viable PPP projects
- Public perception of PPP's as privatization
- Resistance to change / Project ownership issues
- Strengthen the Capacity of Central & Satellite PPP Units





# Key Problems and Issues (cont')



## 🕒 Develop Market Supply Side Institutions

### 🕒 *Projects Preparation Facility*

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

### 🕒 *Projects Economically & Commercially Viable*

Creation of Viability Gap Fund for Capital & Operational Subsidies for the Project

### 🕒 *Developing Long Term Financing Instruments for PPPs*

Creation of Infrastructure Financing Fund

Tenor of LT debt does not exceed 7 years

Floating interest rates beyond 5 years

Hedging Instruments

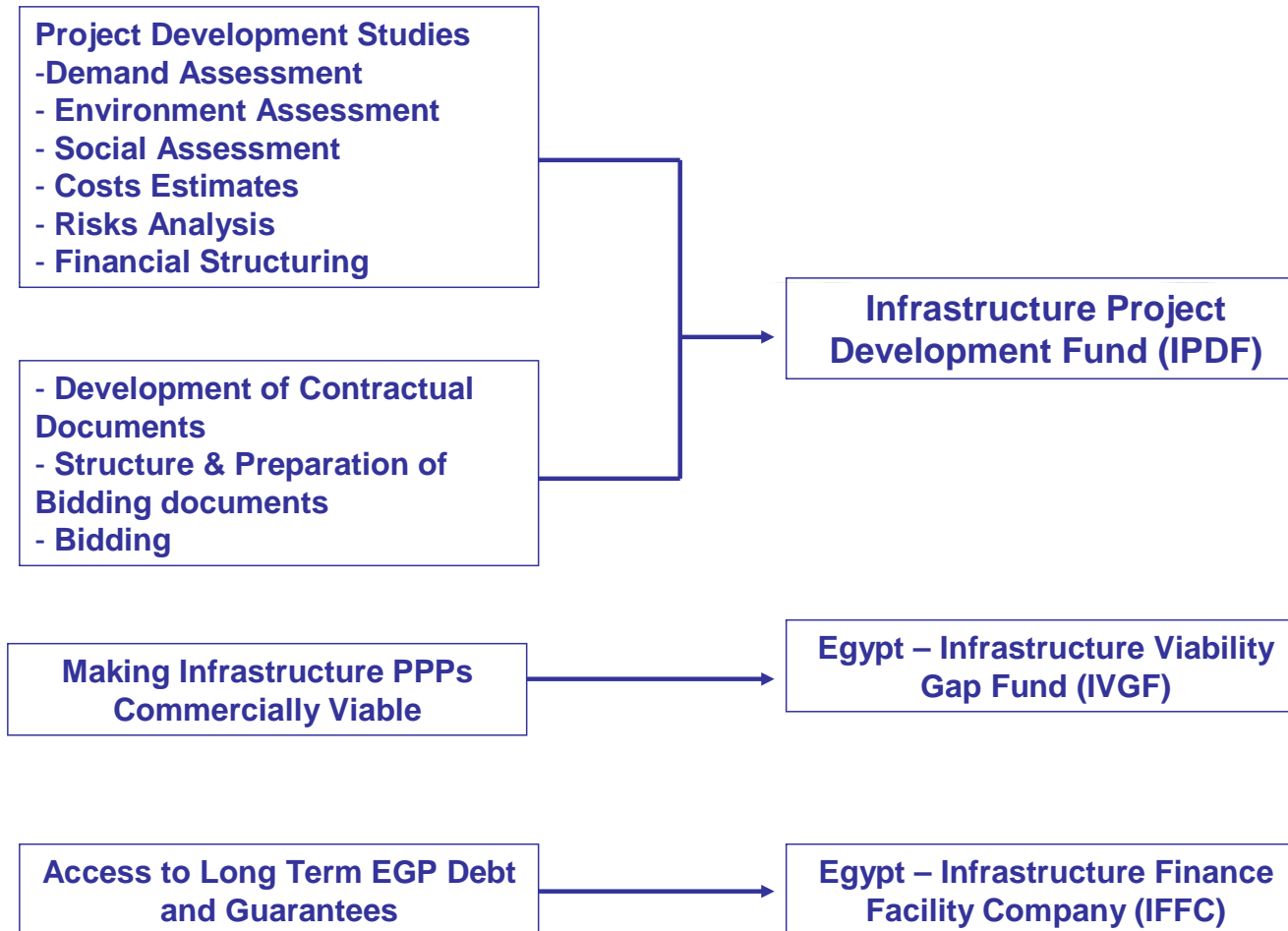
Capacity to appraise & price long term risks

Develop the Bond Market





# Options for Egypt





# Thank You

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