

IMPACT STORIES

PPIAF Support to Legal and Institutional PPP Development in Egypt



PPIAF support to the government of Egypt has led to a strong legislative and institutional public-private partnership (PPP) framework that has been crucial to the development and implementation of an ambitious PPP program in the water, transportation, and gas distribution sectors. In 2007 PPIAF provided capacity building support to Egypt's recently created Central PPP Unit, housed within the Ministry of Finance. The Central PPP Unit was formed to develop a clear policy framework and action plan for PPPs, and to work alongside line ministries and the private sector to develop PPP projects. PPIAF support to the nascent Unit included an institutional development plan that defined its mandate and operating environment. The PPIAF activity also supported the finalization of a PPP law, which was passed in May 2010 and provided transaction support (financial and technical analysis) to the 6th of October Wastewater Treatment Plant (WWTP).

In 2006 the government of Egypt articulated a new economic reform agenda that emphasized the promotion of PPPs across infrastructure sectors. PPPs are seen as a central element of the government's reform agenda by providing an important means of delivering investment in public infrastructure; infrastructure that is necessary to improve the quality of public services. The government hoped that PPPs could be beneficial in attracting private capital (so easing pressure on the capital budget), and would provide other benefits including:

- Greater efficiency by transferring risks that may be more efficiently managed by the private sector
- Facilitating the development of the domestic financial market
- Harnessing private sector innovation in the provision of public services
- Economic growth and increased employment

The overarching goal is therefore to use PPPs to boost economic growth and development through improved and expanded infrastructure services. Pilot projects were announced in the education, health, transport, and water and wastewater sectors.

As a result, in June 2006, a Central PPP Unit was established in the Ministry of Finance to drive the development of the policy and legislative framework, to appraise and deliver PPP projects in coordination with line ministries and the public sector, to oversee the necessary capacity building of public sector officers, and to communicate the government's PPP vision and message to the private sector and broader community.

It was in this context that the government of Egypt sought assistance from the Public-Private Infrastructure Advisory Facility (PPIAF), beginning in 2007, to improve the legal and institutional framework for private participation in infrastructure.

PPIAF SUPPORT

The government of Egypt requested \$450,000 from PPIAF for assistance in developing a comprehensive PPP program in the country. PPIAF support included the preparation of a diagnostic report on the PPP environment in Egypt, reviewing PPP experience in the country to date and their success, assessing Egypt's legal, financial, and regulatory frameworks for PPPs, and providing options for consideration by the government of Egypt in developing the PPP strategy for the next two to three years. This phase of the activity concluded with the review and revision of a draft PPP law, designed to regulate the role of the private sector in infrastructure projects, services, and public utilities.

In addition, the PPIAF activity assessed the institutional development needs of the Central PPP Unit and helped prepare a business development plan to guide the Unit's establishment. This built upon the diagnostic report prepared and made recommendations and solutions on critical next steps for the PPP Unit's development, including the following key areas: corporate structure, operational issues, PPP projects pipeline, human resources development plan, and financial needs and budget.

The assistance also provided on-the-job technical assistance to review policy issues arising in the design of pilot PPP projects. In this regard, the PPIAF activity specifically supported a technical and financial pre-feasibility study and the preparation of draft bidding documents for the 6th of October WWTP, with the objective of helping the government and the Central PPP Unit to implement an environmentally safe WWTP in the 6th of October Governorate, to be realized under a PPP structure.

OUTCOMES

Following the PPIAF activity, the Central PPP Unit was reorganized to increase its oversight and quality assurance role, based on the recommendations of the PPIAF-funded diagnostic report and institutional development plan. The institutional development plan, as well as being adopted by the Central PPP Unit, also served to contribute to the development of a robust in-house capacity on PPPs within the Ministry of Finance.

In May 2010 a PPP law, reviewed and revised as part of the PPIAF activity, was enacted. Law No. 67 for the year 2010, entitled "Promulgating the Law Regulating Partnership with the Private Sector in Infrastructure Projects, Services, and

Public Utilities," permits government authorities to enter into PPP contracts with private entities, enabling the private sector to finance, construct, and operate infrastructure projects and public utilities for contracts of up to thirty years.

Finally, the Central PPP Unit, together with the Ministry of Housing Utilities and Urban Development decided to invite bids for the design, building, financing, operation, and maintenance of the 6th of October WWTP.

DONOR COORDINATION

Several donors are active in support of infrastructure development in Egypt, including the World Bank and the United States Agency for International Development.

IMPACTS

Based on the PPIAF-funded report, which assessed land-use, population, water consumption, wastewater generation, and the required treatment level for waste in the 6th of October Governorate, a second phase report was launched to prepare the development of the preliminary conceptual design of the WWTP, preparation of the proposed capital investment program, and operation and maintenance cost analyses. Following these recommendations, the decision was taken to launch bidding for the 6th of October WWTP, procured under a PPP structure. When operational, the plant will have a capacity of 150,000 m³ per day. As of May 2011, bids are currently being reviewed by the Central PPP Unit and project advisors.

While the 6th of October WWTP will provide useful replication benefits, the Central PPP Unit has also developed a significant pipeline of infrastructure PPP projects across a range of sectors, valued at a combined \$15 billion.

RELATED PPIAF ACTIVITIES IN EGYPT

- 2004: PPP Models in Irrigation, **\$75,000**
- 2006: Options in PPPs in Operating and Maintaining Irrigation and Drainage Infrastructure, **\$75,000**
- 2007: PPP Conceptual Framework for a Water Treatment Plant in the New Cairo Area, **\$75,000**

Learn more about the Egypt PPP Unit at
<http://www.pppcentralunit.mof.gov.eg>