

PUBLIC PRIVATE PARTNERSHIPS

**The risks and benefits of PPPs for the financing of strategic public infrastructure**

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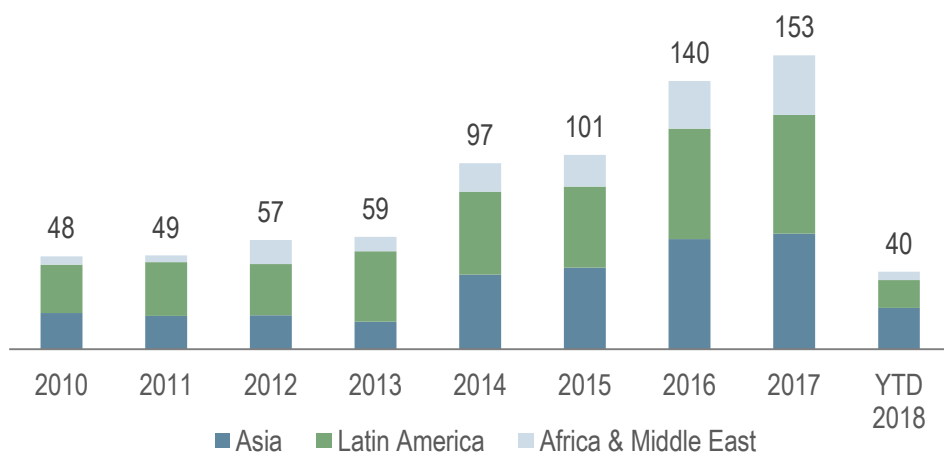
## PPPs are more relevant than ever, notably for North Africa and Middle East countries

### Key drivers of current PPP demand

- Massive infrastructure needs for emerging and transition economies
- Public finances increasingly constrained combined to historical project funding models more challenging
- Needs for foreign direct investments
- Opportunity to tap on private sector expertise to manage large public service infrastructures

### Infrastructure Transaction Activity

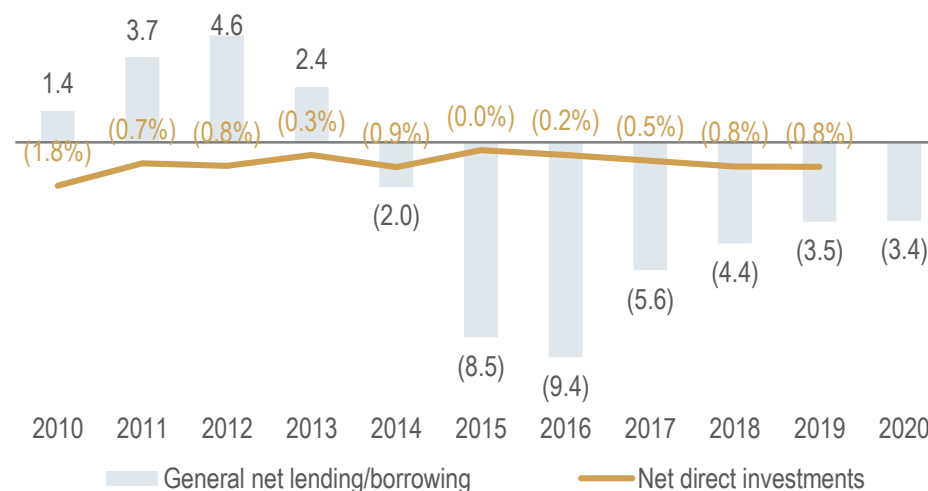
- USD billion



Source: INFRADEALS as of 25/06/2018

### Middle East and North Africa<sup>1</sup> headline public deficit and net FDI flows

- % of GDP



Source: IMF WEO, April 2018

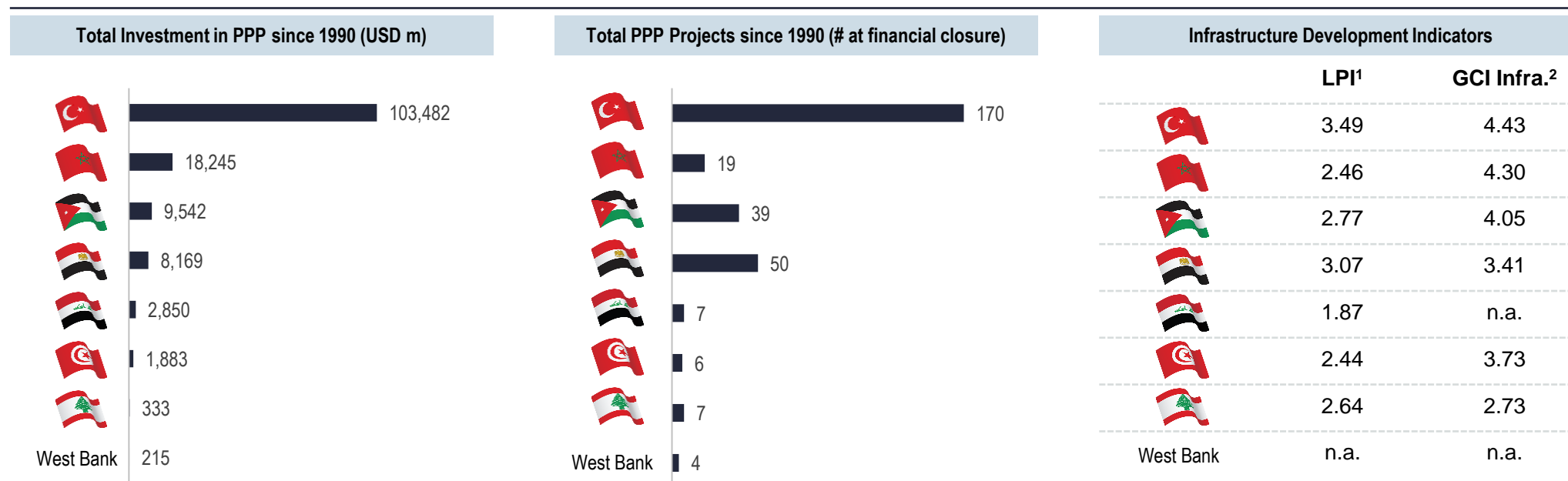
**PPPs are project procurement instruments which can altogether address immediate funding requirements for strategic infrastructure projects but more importantly bring along the benefit of private sector expertise for the management of public assets**

## However the proper implementation of PPPs can face many obstacles

### PPPs often fail when they are motivated by “bad reasons”:

- Mobilize private capital with unique view to save on public spending
  - In most cases, the PPP does not erase public expenditure
- Avoid difficult sector reforms and the restructuring of badly operated public assets
  - On the contrary, sector reform is often a prerequisite for PPPs
- Belief that PPPs can remove all risks for the public authorities
  - On the contrary, risk sharing must be balanced and the legal environment has to be conducive to FDI

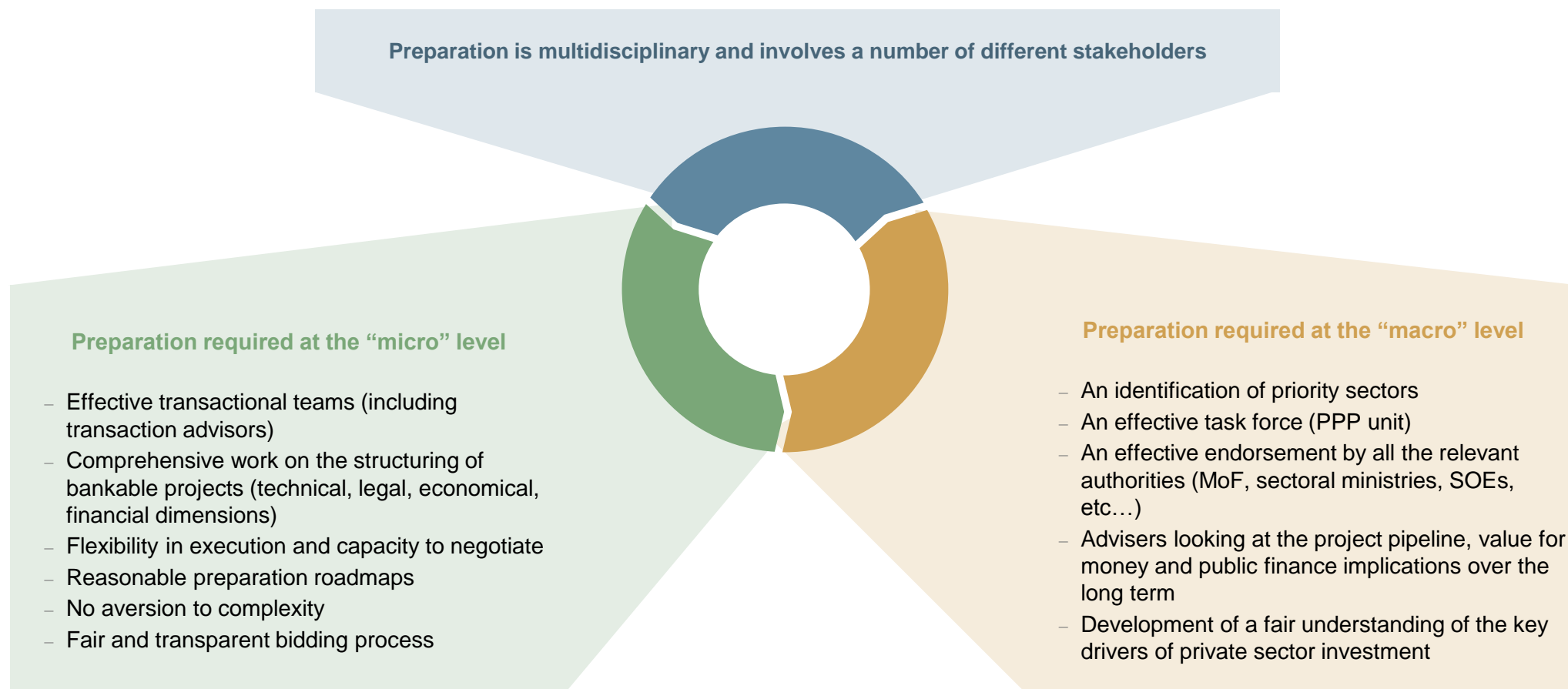
### PPIAF's involvement in North Africa and Middle East



Source: PPIAF Website, as of 25/06/2018

**PPPs can offer a unique opportunity to undertake a major reshuffle in terms of public spending efficiency, sector reform and change the operating relationship between public and private players. However this requires a strong political will and institutional strength**

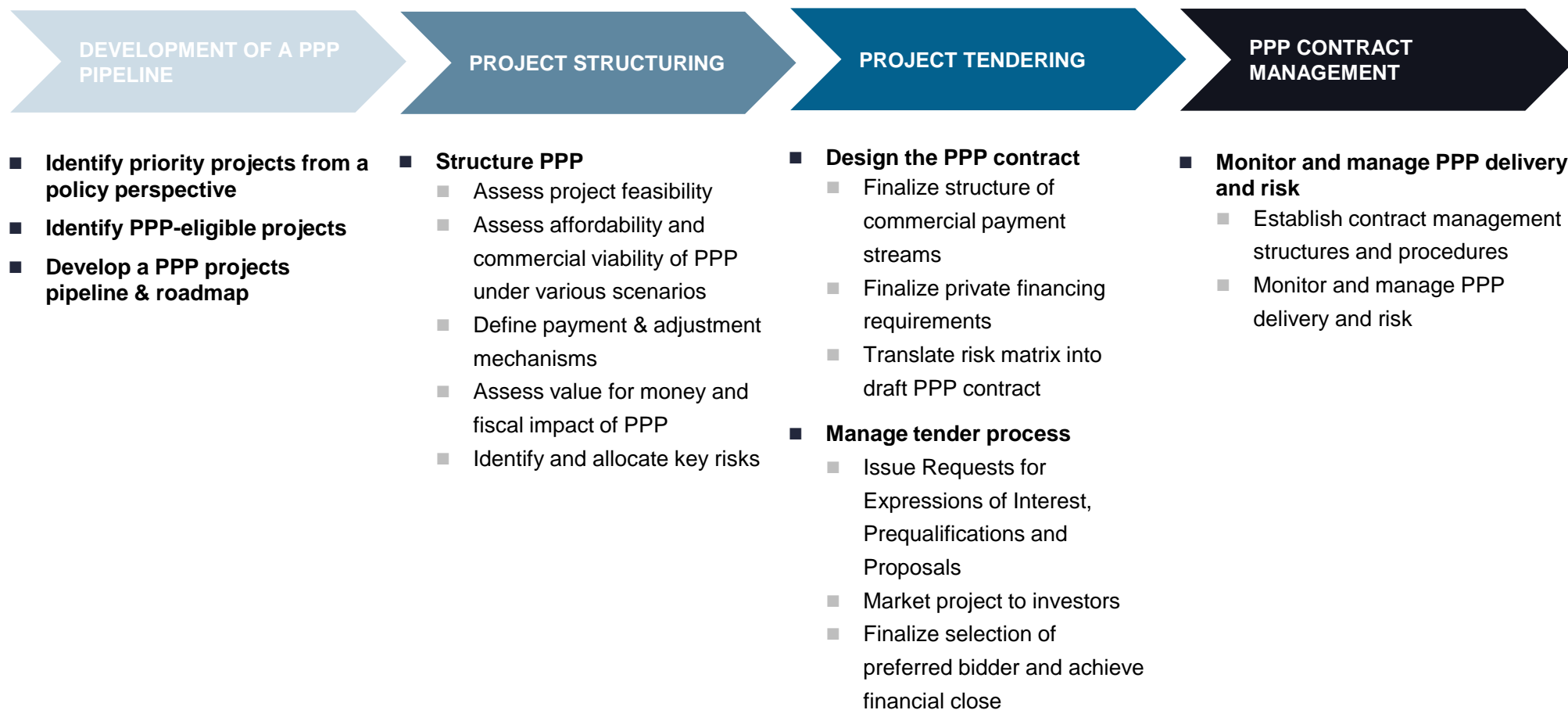
## Key success factors for the implementation of PPPs



**PPPs are complex instruments which require thorough preparation works**

## Key factors of success for the implementation of PPPs *(cont')*

### PPP Process Roadmap



Sources: World Bank, Lazard

Lack of knowledge or improvisation explain most failures, either in the preparation or the execution phase



## Case Study– Red Sea Dead Sea Project Phase 1 (Ongoing)

Lazard is currently advising the Government of Jordan on the flagship Red Sea Dead Sea desalination and water conveyance project



- The Red Sea Dead Sea (RSDS) project is a proposed initiative to address the challenges associated with the decline of the water level in the Dead Sea and the on-going water crisis in the region
- RSDS involves the phased development of an infrastructure, to be located in Jordan, and meant to desalinate seawater and transfer brine to the Dead Sea. It was developed in the context of a regional cooperation framework involving the Hashemite Kingdom of Jordan, the State of Israel and the Palestinian Authority.
- Phase 1 of the RSDS project entails a seawater intake, a 65mcm/year desalination plant and a conveyance system including brine discharge facilities at the Dead Sea
- Late 2015, the Government of Jordan launched a prequalification process with a view to shortlist developers for the project on a Build, Operate and Transfer (BOT) basis
- In association with legal and technical consultants, Lazard is acting as financial advisor to the Jordan Ministry of Water and Irrigation in relation to the project all the way through financial close
- Lazard's scope of work includes, in particular:
  - Support to the development of the BOT contractor selection procedure
  - Support to the design of the project tariff system and payment mechanisms
  - Development of a project financial model and project affordability analysis
  - Assistance to the development of the project contractual structure and the key project contracts
  - Assistance in discussions with potential grant providers and preparation of associated documentation
  - Assistance on financial matters throughout the BOT contractor selection process up to financial close