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Crowding in Private Investment in Public Investment

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Outline

- Defining Public Private Partnerships (PPPs) as a scheme to crowd in private investments in public investments
- Motivations for the use of PPPs to to crowd in private investments in public investments
- Showcasing best PPP practices from countries worldwide
- Highlighting critical success factors for effective development of PPP programs
- Addressing specific considerations for incorporating climate mitigation & resilience in PPPs



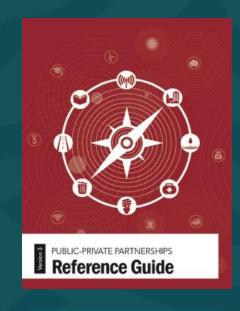






Definition PPP

A long term contract between a public party and a private party for the development (or significant upgrade or renovation) and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility throughout the life of the contract, provides a significant proportion of the finance at its own risk and remuneration is significantly linked to performance and/or the demand or use of the asset or service so as to align the interests of both parties





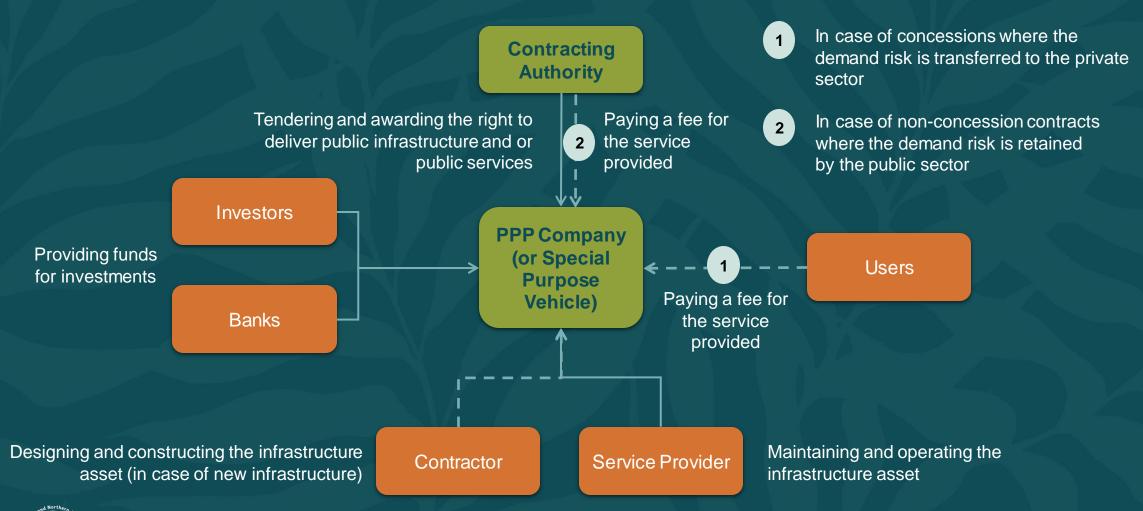








Structure of a PPP





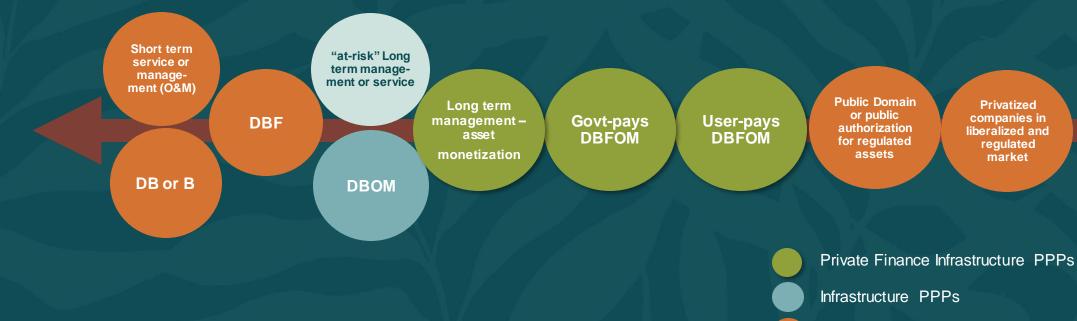






Spectrum of PPP and other Procurement Options

- Private Risk & control
- + Public Control







Service PPPs

Non-PPPs

+ Private Risk & control

- Public Control and Regulation





Motivations for the use of PPP

 Accelerating investments through shifting the financial burden to the private sector and the funding to the users or the next generation

 More effective project delivery of high-risk infrastructure projects by giving the right incentives to the private sector

 More efficient service delivery by optimizing the costs over the life cycle of the project and stimulating innovation









PPP Best Practices: Canada

Population (million) 38.2 GDP (US\$ billion) 1,988 GDP per capita (US\$)51,988



Program 2003 - 2012

Economic Impact

Critical Success Factors

200+ PPP projects

500,000 jobs created

stable pipeline of **projects**

\$92 billions of economic output

stability in the form of P3

agreement

\$10 billions of cost savings

robust project **financing** environment

\$63 billions project value

\$7 billions of tax revenues

favoured payment mechanisms that provide for **predictable** payments











PPP Best Practices: Uzbekistan

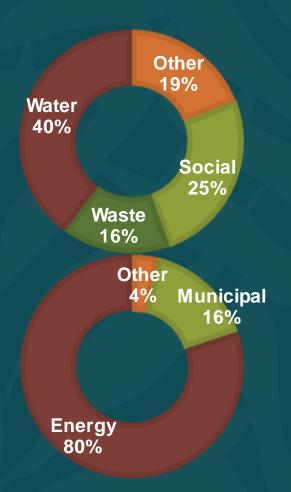
Population (million) 34.9 GDP (US\$ billion) 69 GDP per capita (US\$)1,983



Program 2019 - 2022

350+ PPP projects

\$9 billion project value



Critical Success Factors

National Development Plan prioritizing PPP

Well-staffed and CP3P trained PPP Unit with external advisory support

PPP Law and Implementing Regulations

Small size or government pays PPP providing low risk PPP structures

Sources: VandenBroek





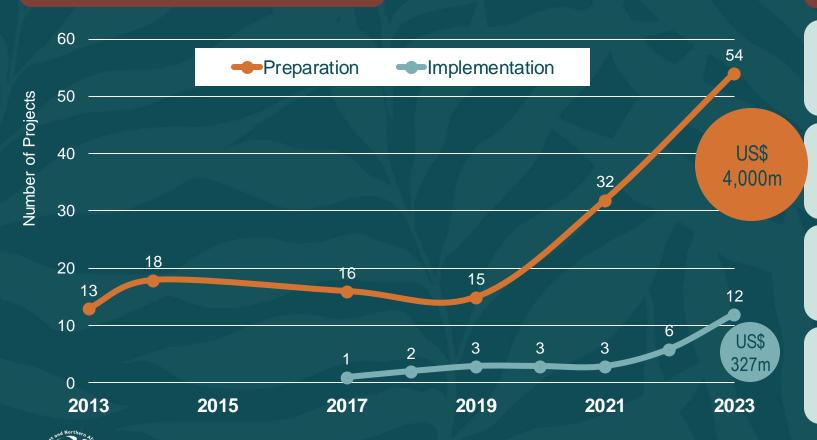


PPP Best Practices: Kyrgyzstan

Population (million) 6.7 GDP (US\$ billion) 8 GDP per capita (US\$)1,277



Program 2013 - 2023



Critical Success Factors

Facilitating Project Development Support Fund established in 2014

Well-staffed and CP3P trained PPP Unit with external advisory support

PPP Law and Implementing Regulations, updated regularly to incorporate lessons learned

Small size PPPs providing low risk PPP structures

Sources: VandenBroek







Critical Success Factors for Effective PPP Programs

Dedicated and appropriate capacity to develop and implement PPP projects

People

A clear strategy ind roadmap for he development and

implementation

Procedures

Explicit rules and institutional responsibilities to guide and facilitate the development of PPP projects

A long-term program of sensible and suitable infrastructure projects for implementatio n through PPP





Plan



Political commitmen t and stamina to pursue PPP

Appropriate and affordable budgetary resources to facilitate the development and implementation of PPP projects





Reputable, competent and captivated developers and lenders to implement PPP projects







Government Support is Essential for Successful PPPs

Project structure must ensure a more efficient project and service delivery

Value for Money Optimal Structure **Affordability Bankability**

Project structure must meet the requirements of capital providers to ensure commercial feasibility and bankability

Project may require government support implying direct and or contingent liabilities that need to be affordable to ensure fiscal sustainability

Too much risk transfer will reduce market appetite









Specific Considerations for Climate Mitigation & Resilience Throughout the PPP Life Cycle

Identification & Screening

Identify and prioritize

suitable projects for climate mitigation

 Assess climate risk exposure

Appraisal & Preparation

- Include climate adaptation and resilience in reference design
- Adjust cost estimates for climate risks
- Include benefits from climate adaptation & resilience in Cost Benefit Analysis
- Consult impacted community

Structuring & Drafting

- Include ability to manage climate risks in qualification requirements
- Include climate requirements in request for proposal
- Include climate risks and financal incentives to mitigate in draft PPP agreement

Tendering & Award

- Include climate risk management plan in technical evaluation
- Include climate risk insurance in conditions precedent

Implementation & Handback

- Update regularly climate risks assessment
- Discuss climate risk management periodically with private partner
- Manage fiscal risks from climate change in terms of identification, appraisal, budgeting and accounting

Incorporate Climate Mitigation & Resilience in PPP Framework

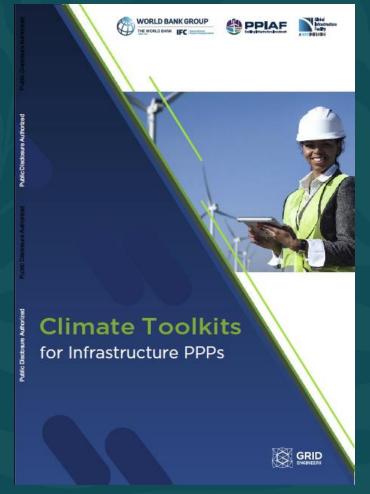


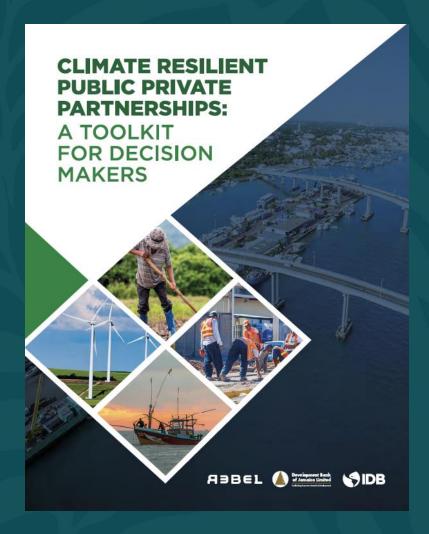


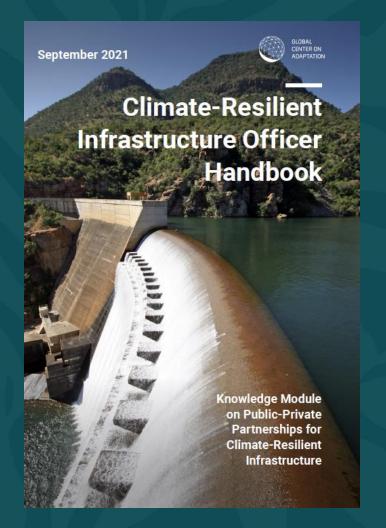




Further References















THANK YOU

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