



ESMAP – RENEWABLE  
ENERGY TRAINING PROGRAM

# PPP Financing Overview

April 24, 2014





# What is a PPP?

- A *public-private partnership* (PPP) is a long-term (5 to 30 year) contract between a public entity and a private company, whereby the private company undertakes to provide a public service by delivering some or all of the following services:
  - designing;
  - financing;
  - building;
  - maintaining; and/or
  - operating an installation/infrastructure/ utility
- PPPs are not privatizations, and they are fundamentally different from traditional government public procurement programs





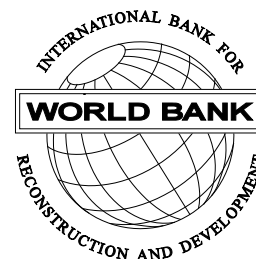


# What is a PPP?

Continued ...



- Different PPP structures exist that vary based on the level of public ownership and risk allocation (e.g., Build-Own-Operate-Transfer (BOOT or BOT), Build-Own-Operate (BOO), Sale/Leaseback, Lease/Purchase, Design-Build-Operate (DBO), Lease/Develop/Operate (LDO))



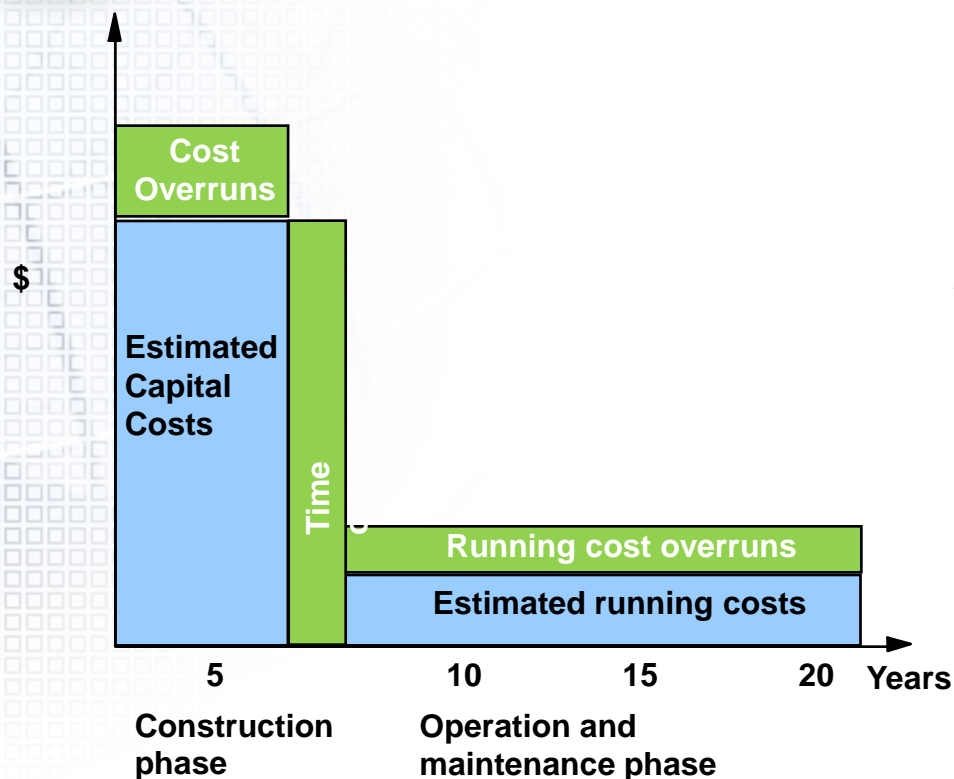




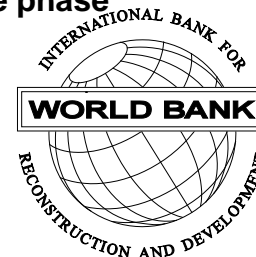
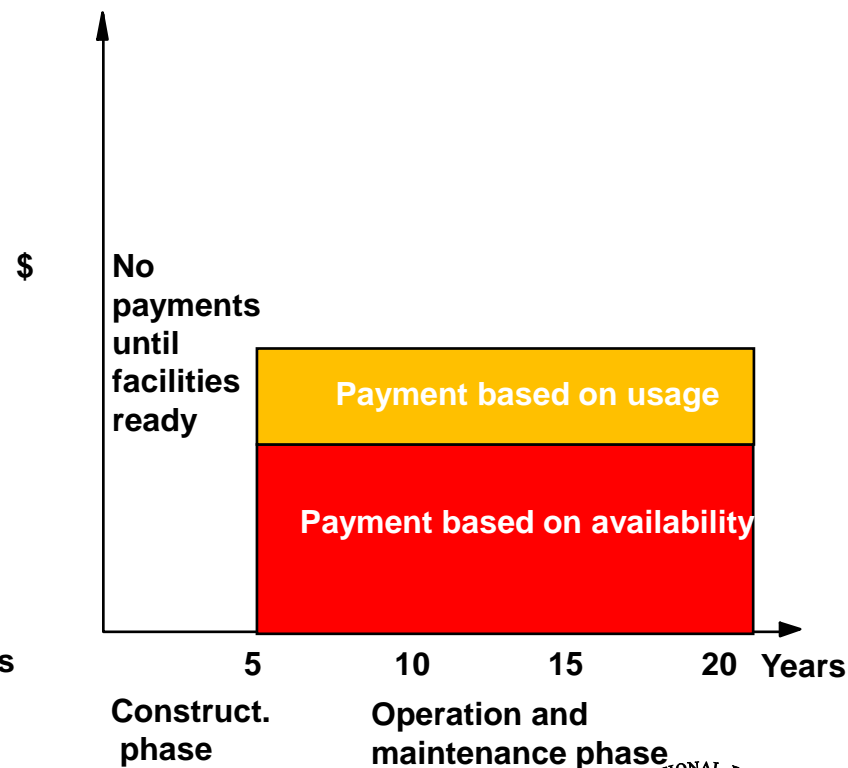
# What is a PPP?

Continued ...

## TRADITIONAL PUBLIC PROCUREMENT



## Public-Private Partnerships

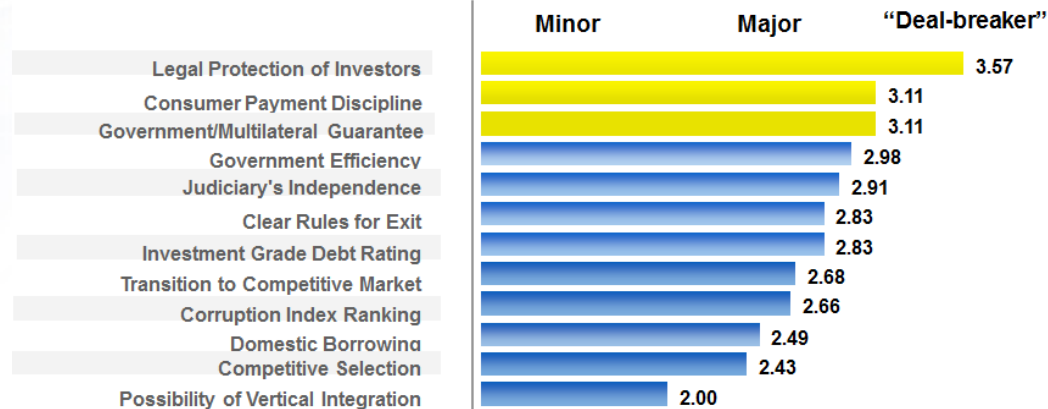






# Enabling Legal Framework

- PPP projects typically involve significant investment by the private sector, over a long period of time – PPP should be synonymous for “PREPARATION,” “PREPARATION,” “PREPARATION”
- In a 2003 World Bank survey, investors said that “insufficient legal protection of investors” was their primary concern







# Key Legal Framework Issues

- **Can the government entity enter into a PPP arrangement**
  - which ministry or local government entity is involved – which body will be empowered to enter into and implement the project?
  - are there legal limitations on delegation to a private operator?
- **Monitoring and regulating the project**
  - which government entity will monitor the project?
  - is there a regulator, or is one contemplated?
  - if there is a regulator:
    - what are its powers?
    - can it override the PPP Agreement?
- **Procurement of PPPs is an expensive process for government AND for bidders**







# Key Legal Framework Issues

Continued ...

- **Dispute resolution**

- Sovereign immunity
- Does the court system satisfy the investors need for a fair, transparent and efficient dispute resolution mechanism
- If not, is domestic or international arbitration a possibility
- Are international arbitration awards recognized, and can they be enforced
- Other dispute resolution mechanisms – mediation, expert determination, etc.

- **Protecting project revenues**

- Tariff setting
- Rules for billings and collections, particularly where government subsidies are involved

- **Foreign investment issues**

- Restrictions on ownership of local companies by foreign investors
- Restrictions on currency conversions







# Key Legal Framework Issues

Continued ...

- **Land issues**

- Limitations on private ownership of land
- Expropriation of land owned by other parties
- Planning permissions
- Environmental impacts

- **Taxation**

- Stability of taxation system, and compensation for changes in the tax regime - danger of creeping expropriation
- Categories of taxation for which the project company is liable to (income tax, import duties, etc.)
- specific taxes on foreign investors

- **Labor Laws**







# Case Study

KINGDOM OF MOROCCO

## Noor I Concentrated Solar Panel Project







# Morocco Solar Plan

- **Morocco made the strategic decision to increase generation from renewable resources (solar, wind, and hydro) to 42% by 2020**
- **Law 13-09 established the Moroccan Agency for Solar Energy (MASEN) to implement Morocco Solar Plan that specifies the country's policy develop 2,000 MW of solar energy capacity**
- **MASEN was established as a publicly-owned commercial company that operates autonomously under a Board of Directors that include the Government's key Ministers (Finance, Energy, Planning, etc.)**







# Enabling Environment

- Morocco already had a successful track record of attracting and maintaining independent power producers and distribution system concessions in the power sector, with several operating in the country for many years.
- The Government entered into a General Convention with MASEN to guarantee the agency's financial viability and to ensure cooperation of the incumbent public utility
- MASEN hired world-class technical, financial, and legal firms to design, negotiate, and implement the first phase of the MASEN's first plant in its 2,000 MW mandate

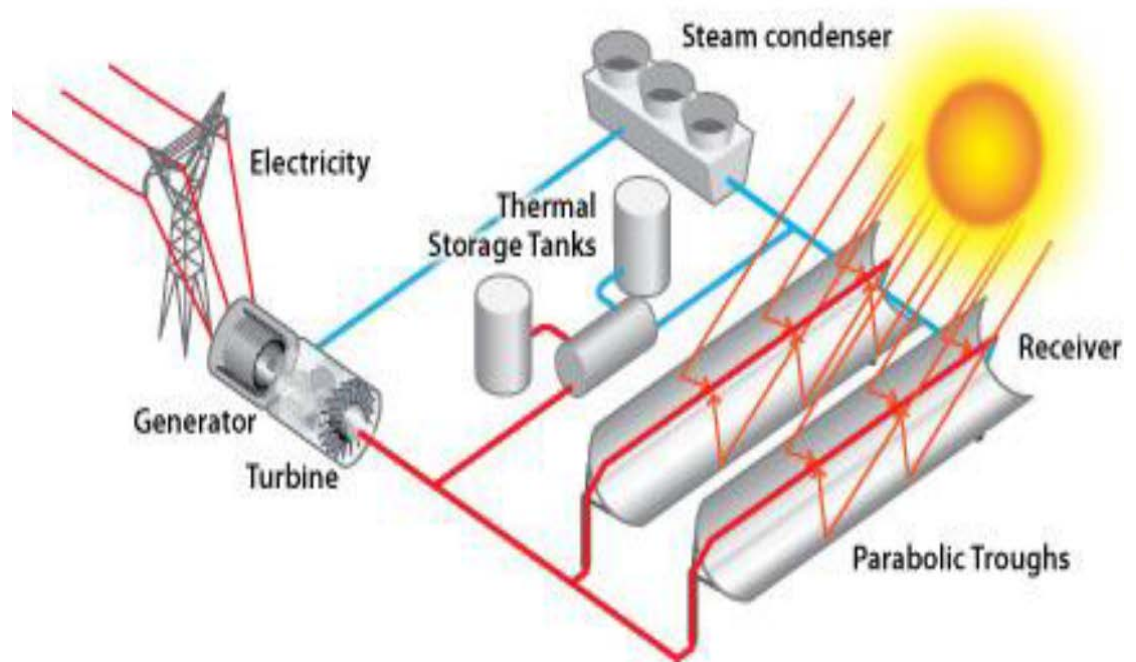
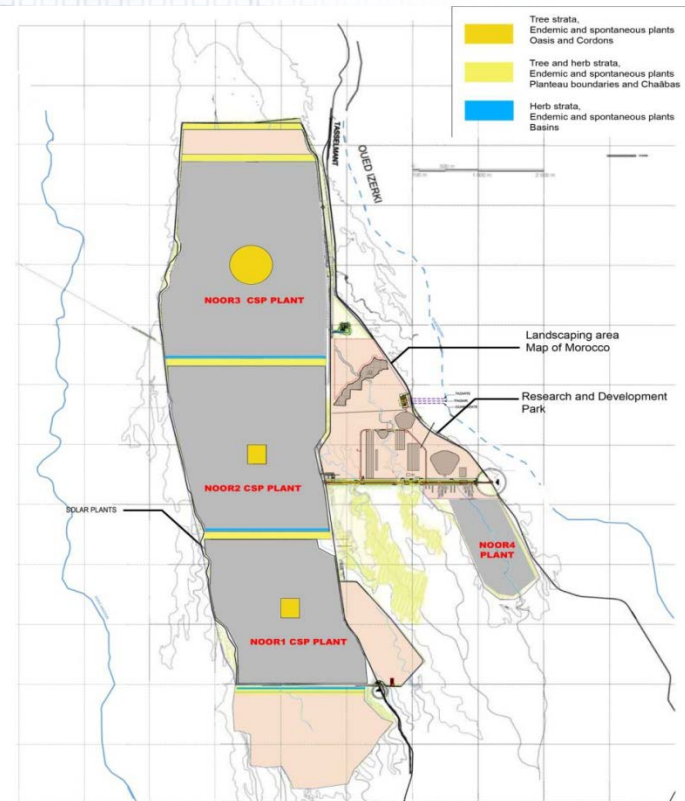






# Noor I – Project Overview

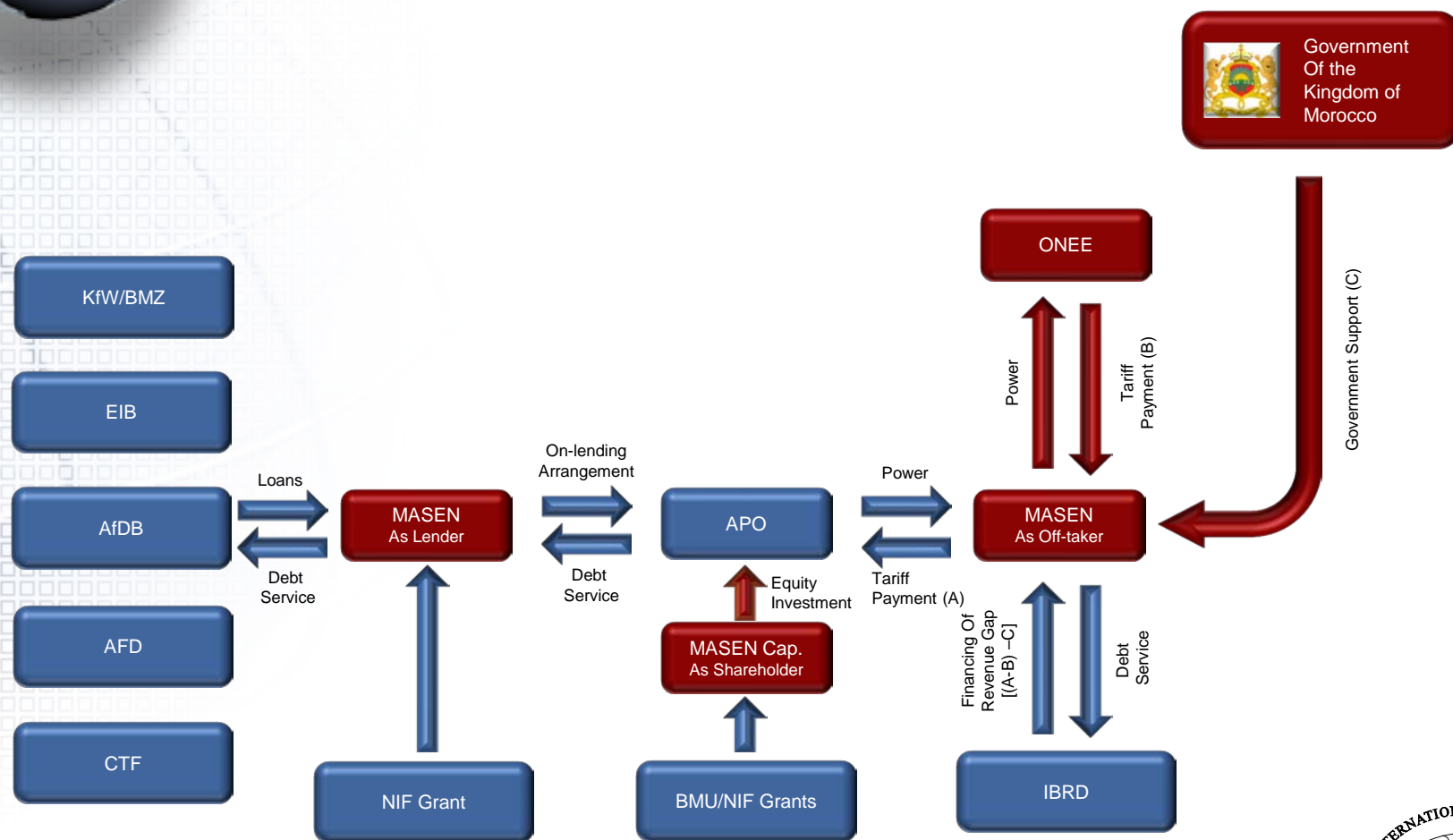
Utility-scale, 160 MW parabolic trough  
Concentrated Solar Power (CSP) with 3 hours of thermal storage







# Noor I – Project Structure



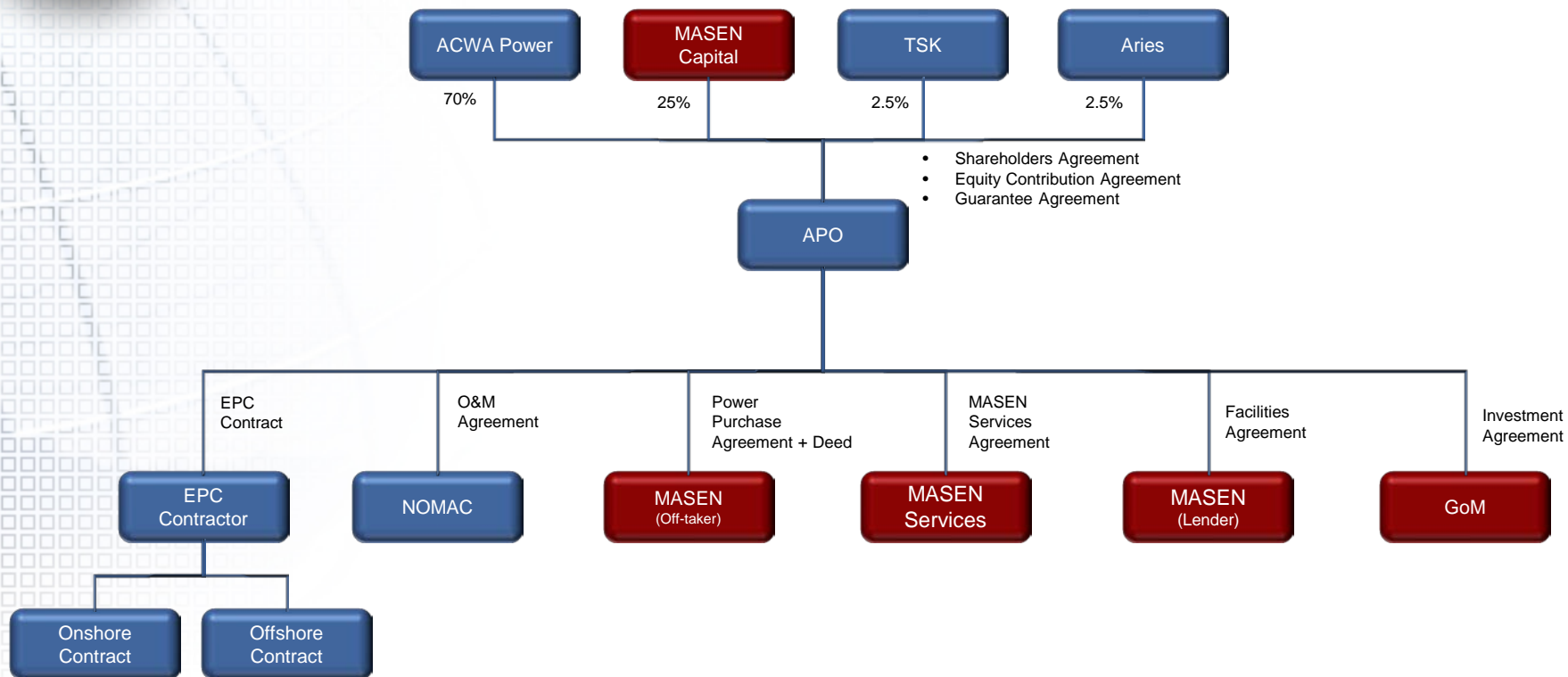




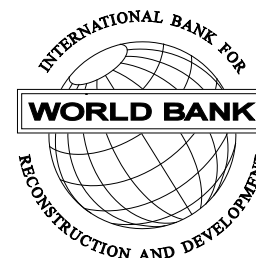
# Noor I – Project Structure

Continued ....

## Contractual Structure



- Acciona Infraestructuras, S.A.
- Acciona Ingenieria, S.A.
- SENER Ingenieria y Sistemas, S.A.
- TSK Electronica Electricidad, S.A.



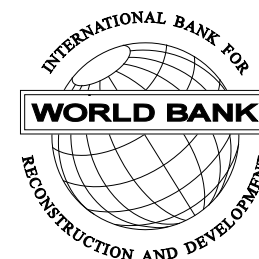
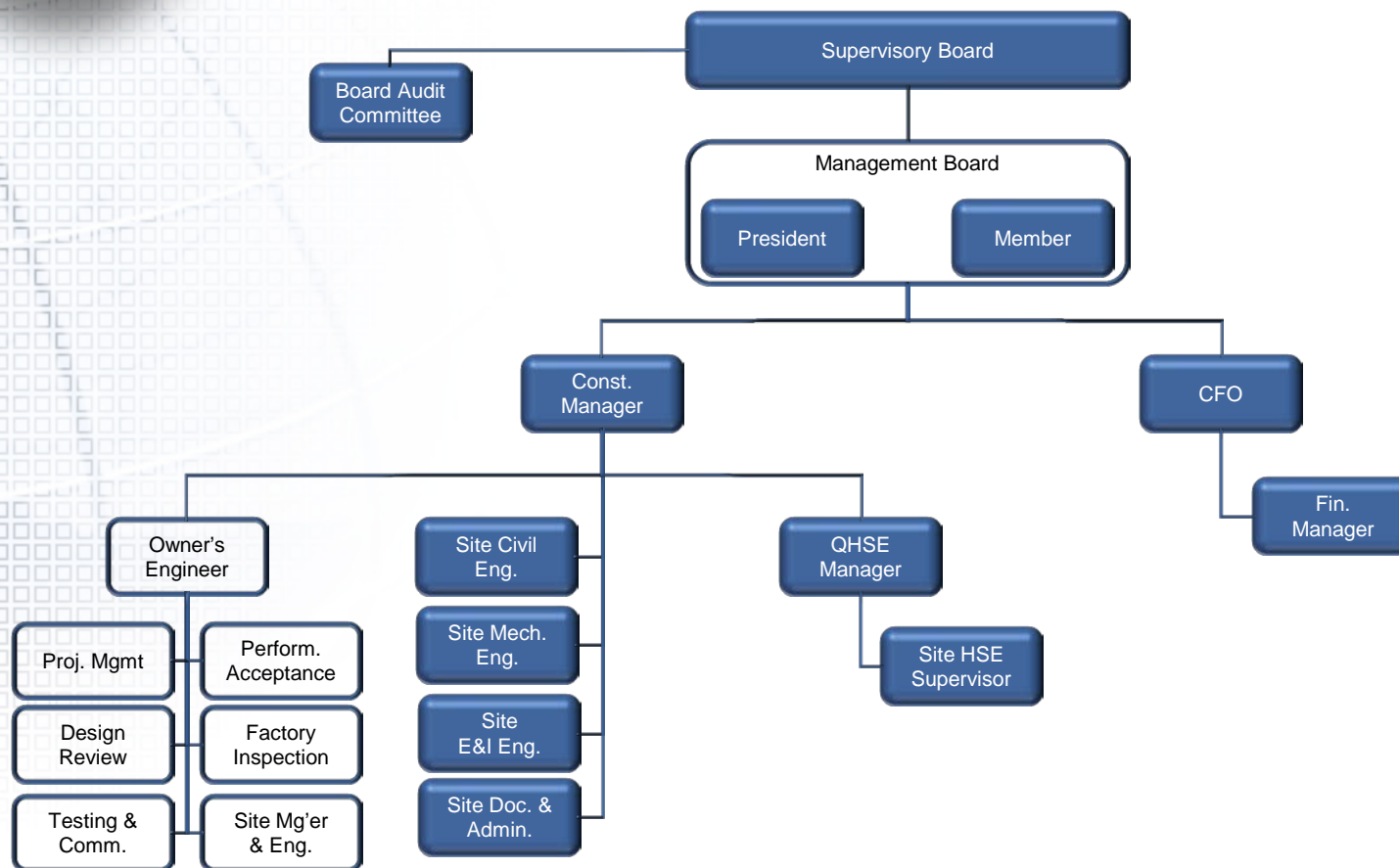




# Noor I – Project Structure

Continued ....

## Project Implementing Entity's Organizational Structure







# Thoughts to keep in mind ...

- It is important to support development of renewable energy, but we should try to avoid crowding out the private sector on projects using technologies that have achieved commercial parity (e.g., PV and wind) – consider facilitating private sector investments instead through guarantees, technical assistance, etc.
- Innovative technologies that need Bank support the most are still evaluated internally through traditional project constructs that focus on a project's economic returns – need to urgently develop a new framework for evaluating climate-friendly projects whose benefits extend well beyond the project or country borders
- Need to be realistic about the costs of a renewable energy policy in our dialogues with client countries







# Thank You

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