

Syrian PPPs

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Our team

- Only international law firm with Syrian association (Sultans Law)
- Advised on circa 50 MENA PPPs
- 25% of our turnover is generated in the Middle East
- Strong credentials in regional energy, utility and transport PPPs



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Key requirements

- **Structure:** the project should provide attractive returns to those who risk their capital
- **Transparency:** legal and regulatory structure must be clear
- **Certainty:** lenders and investors need to know that the rules of the game will not be changed



Key requirements

- **Predictability:** regulatory regime must have pre-determined objectively justified criteria underpinning all regulatory decisions
- **Fairness:** regulations and application of regulations must be fair and free of politics



PPP or private sector only

- Project company could be wholly owned by private sector or govt could retain a strategic shareholding (direct or otherwise)
- Dubai Metro: 100% owned by Dubai Govt
- Hajj Airport BTO; 100% owned by private sector



PPP or private sector only

- Regional IPP/IWPPs

- Abu Dhabi-govt retained 60% shareholding.
- Saudi-govt retained 40% shareholding.
- Bahrain-100% equity to developer.
- Oman-65% to developer, 35% to local investors through IPO.



Government should:

- Take as much risk as possible away from the private sector
- Incorporate the project company and transfer it to the bidder after everything is in place e.g. permits, licences etc.
- Cover risk of change of law, increase in taxes etc.
- Give a payment guarantee?
- Acquire the land required and transfer it to the project company by lease at a nominal rent?
- Transfer existing assets and staff to project company



Government should:

- Obtain all approvals required from other govt authorities.
- Establish new industry sector organisation (if necessary).
- Set up new independent regulatory authority and decide on jurisdiction and prepare regulations e.g.
 - Oversee relevant industry in Syria
 - regulate safety and competition
 - grant licences to developers and operators
- Compulsory purchase of land
 - Who will take responsibility for land acquisition process?
 - Compensation payments? Necessary planning approvals?



Funding the RFP and front end advisory work

- Jordan-Egypt gas pipeline project. Front end Jordanian govt advisory costs covered by a one off licence fee payment to be paid by successful bidder.
- Gulf IWPPs-successful bidder to include govt's front end legal, financial and technical adviser costs when calculating power and water tariff.



The Concession Agreement

- Based on regional and relevant international precedents.
- Conventional risk allocation.
- Should it incorporate principal regulatory requirements?
- Government obligations:
 - Financial support
 - Land acquisition
 - Permits and licences
 - No competing project?
- Government risks
 - Change in law/tax regime
 - Archaeological finds
 - Political risks – war, terrorism, expropriation
 - Compensation on termination



Challenges

- Who will take currency risk?
- How much can local banks lend to a particular sector in Syria?
- Attracting strong international lenders and developers



Conclusions

- Virtually every regional govt now implementing PPPs
- Utility and energy projects are generally easiest sectors to finance
- Banks now much stricter on lending requirements
- Transaction must be properly structured



Conclusions cont'd

- Start with easy projects
- Don't pass on too many risks to private sector
- Show govt commitment to PPP and privately financed projects
- Syria will need to compete for finance with other regional PPPs

