Public Private Partnership Program
Policy Paper
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Introduction

The economic policy of the Government of Jordan (GoJ) aims to achieve comprehensive economic and social stability. This means translating development plans into action in line with national initiatives (e.g., Jordan Vision 2025), which focus on improving public services and achieving sustainable growth by encouraging private sector participation in public infrastructure and service projects. The public-private partnership (PPP) program represents a central pillar of GoJ’s strategy for economic development.

On November 2, 2014, His Majesty King Abdullah endorsed Public Private Partnership Law Number 31, which provides a legislative framework for the PPP program in Jordan. The program aims to enhance the private sector’s role and increase transparent, effective participation in development projects. It takes into consideration economic constraints, the need to achieve sustainable growth, the need to reduce pressure on the public budget, and the need to share and mitigate risks associated with projects.

The PPP program allows GoJ to achieve a number of strategic objectives by attracting private sector investment in public infrastructure and service projects, reducing fiscal burdens and capital expenditures, and maximizing value for money through private sector expertise in financing, building, and managing projects, sharing risks, and improving the quality and efficiency of services delivered to citizens.

In line with the PPP Law and in order to establish an enabling environment and to explain the concepts and approaches for designing and implementing PPP projects in Jordan, this policy paper was developed. This
This paper identifies steps for institutionalizing Jordan’s PPP program and identifies the main references for PPPs.

This paper reflects GoJ’s commitment to incentivize the private sector to effectively engage in the economy through viable, value-added projects.

To complement the legislative framework and further strengthen the enabling environment for PPPs, the Public-Private Partnership Regulation was formulated. The Regulation includes specific provisions on the standard phases of PPP projects and will be followed by the publication of a Guidebook on PPP projects.

**Public-Private Partnerships**

1- **Defining Public-Private Partnerships.** Public-private partnerships are long-term contractual arrangements between a government body and a private sector partner for up to thirty-five years (as per the PPP Law). Partnerships aim to enhance the role of the private sector in delivering public services and infrastructure through new construction or rehabilitation of existing assets. This provided that value for money and the ability to bear costs are guaranteed and that each party is allocated an appropriate share of risks. Under PPPs, the private sector bears financial, technical, operational, and environmental risks associated with the project. Contracts will clearly stipulate the details of the project, including service standards and remuneration for the private party in return of such services.

2- **Goals and Advantages of PPPs**

a. **Goals:**
   - Building, rehabilitating, operating, and maintaining public infrastructure.
   - Encouraging the private sector to enter into investment partnership projects with the Government.
   - Finding the necessary funding to support feasible projects of the Government.
   - Benefiting from up-to-date technical and technological expertise in building and managing projects.
b. **Advantages**

- Improve the quality of and accessibility to services by enabling the private sector to execute projects that boost economic growth.
- Ensure completion of projects on time and on budget thereby reducing infrastructure deficits.
- Incentivize the private sector to innovate, elevate quality standards, and encourage competition in providing public services.
- Ensure the optimal distribution and utilization of available public resources.
- Attract local and foreign investment.

3- **General Principles:**

In implementing PPPs, the Government seeks to ensure compliance with strategic principles and goals to achieve the following:

a. **Improve public infrastructure and service standards and accessibility:** This can be achieved by guiding private sector investments to public infrastructure and service projects that enhance economic growth and address infrastructure gaps across the Kingdom. Due to limited sources of funding and in order to enhance the efficiency and sustainability of public and private investment, the Government has identified PPPs as the best method for implementing projects. These projects will be implemented according to contractually-defined conditions, specifications, scopes of work, criteria, and time frames that both parties adhere to throughout the lifecycle of the project.

b. **Ability to bear costs:** if a project is to be funded through a PPP and the source of project revenue comes from fees paid by the end users in the form of tariffs, the Government must always ensure the ability of the contracting party to meet its financial obligations from its allocated budget and resources and also the ability of the end users to afford the services provided by the project.

c. **Ensure competitiveness and transparency of tendering and implementation procedures:** To maximize value for money, the Government will conduct a “competitive tendering” process in order
to be fair to all private sector bidders. Genuine and transparent procedures will clearly identify the scope of work and ensure access to information for all parties. The tendering process will be conducted in accordance with the PPP Law and Regulation.

d. **Achieve value for money:** Through PPP projects, the Government seeks to achieve value for money and, at the same time, meet the demand for public infrastructure and services. International experience has shown that in specific cases the private sector can be more capable of executing and managing infrastructure projects than the public sector. To ensure this, the relevant government body will carry out an analysis to determine whether the proposed project will achieve value for money. Based on this analysis, a decision will be made to implement the project either through a PPP or through traditional procurement procedures.

e. **Allocation of risk among the public and private sectors:** In a PPP, risk is assigned to the party that is best able to manage it, thereby maximizing value for money, protecting public interests, and preventing the Government from bearing risks associated with design, financing, construction, operation, and maintenance of projects. Risk is a critical factor that should be taken into consideration and assessed upon the initiation of a project. The size, likelihood, and implications of potential risks associated with PPP projects should be identified as well as best practices in allocating risks and mitigating risk among parties.

4- **Types of PPP contracts:**

GoJ will utilize different forms of PPPs according to the nature and requirements of each project. The most popular PPP contracts globally include:

| Operations, Maintenance & Management (OMM) |
| Build-Operate-Transfer (BOT) |
| Build-Own-Operate (BOO) |
5- Institutional Setup of Public-Private Partnerships

a. Public-Private Partnership Unit: The PPP Unit is responsible for developing and implementing the PPP program and projects in Jordan. The PPP Law states that the Unit shall be established at the Ministry of Finance to coordinate with all concerned ministries, institutions, and stakeholders and to develop and enhance the enabling environment for PPPs. The Unit facilitates competitive and transparent private sector participation in PPP projects, while ensuring value for money and quality.

b. Public-Private Partnership Council: The PPP Council is the supreme authority responsible for PPP-related decisions and policy making. The Council oversees the PPP program while the Unit follows up on the enforcement of the Council’s decisions.

c. Contracting Party: The government entity that is directly concerned with identifying, designing, and implementing the project with the support and supervision of the PPP Unit and in compliance with the PPP Law and Regulation throughout the project lifecycle.

6- Technical Committee for Financial Commitments: A committee formed in accordance with the PPP Law to review, identify, and monitor financial commitments pertaining to PPP projects, especially those that require government budget support. The committee submits its reports and recommendations to the Minister of Finance and then to the PPP Council.

Risk Management

Risk assessment, allocation, and management are key principles that should be taken into account at the early stages of any PPP project. Risk assessment is essential for the feasibility of PPP projects and should be carried out at early to mitigate the probability of risk. The assessment of
the types and levels of risk determines which PPP projects are selected for implementation and how projects are prioritized. Feasibility studies should include a detailed risk analysis as well as strategies and mechanisms for allocating and managing risks. These should represent an integral part of PPP contracts signed between the contracting authority and the private sector partner. To effectively manage any changes to risks, the contracting parties, in coordination with the PPP Unit, should follow up and monitor the allocation of risk throughout the term of contract.

7- Government support for Public Private Partnerships

To achieve the goals of PPP projects and ensure their sustainability, the Government offers various incentives and facilities without undermining public interests. Types of support vary according to the type of project and may include capital and operational support, facilitation of licenses, controlling tariffs, and any other services needed for the sustainability of the project. The Government usually seeks to restrict the amount of direct support it offers to PPP projects by conducting analytical studies and detailed needs assessments as part of the feasibility studies during the bidding process.

The PPP program reflects GoJ’s strong commitment to enhancing the role of the private sector in national economy. The transparent and effective implementation of this program guarantees the rights of investors and beneficiaries alike as it enables the execution of economically, socially, and environmentally feasible projects with modern organizational structures, financing tools. It supports the use of best practices in managing contractual, credit, and market-related risks. Moreover, the Unit is committed to clarifying and streamlining relevant implementation procedures and making reference information and documents available in accordance with best practices. The Unit also cooperates with all stakeholders, ensures the optimal utilization of resources, and seeks to institutionalize capacity building within the
Government to ensure that stakeholders receive adequate services and capable support.