

# Client Alert

Middle East Islamic & Finance Practice Group

February 2, 2017

## Saudi Arabia Launches First Education PPP Programme

The latest aspect of Saudi Arabia's wide-ranging Vision 2030 economic reform initiative has taken a step closer with Tatweer Buildings Company's (TBC's) plans to establish the first education public private partnership (PPP) programme in the country.

In January, the Kingdom's Minister of Education, Ahmed Al-Issa, launched the education push at an event entitled "Investment and Finance in Educational Buildings Conference". At present, around 80 per cent of education in the country is funded directly from the state so the education component of the programme is expected to require widespread private investment.

Al-Issa told delegates at the event that while the government expects to contribute some SAR200 billion (US\$53.3 billion) to the education budget, a key new area would be to encourage PPPs in the sector. He added that there would be a glut of investment and financing opportunities for firms, including possibly offering long-term concessions that could run for up to 30 years.

## Schools out

The programme will face a number of legal innovations as it is something of a new venture for social infrastructure in the country. For example, there will be the issue of the most appropriate PPP structure to implement the projects, taking into consideration recent local and international deals in the education sector and developing the request for proposals and draft PPP agreement. One of the priorities will be to issue the request for proposals to the market as soon as possible so that a preferred bidder can be appointed to commence work on the development programme.

There is also the question of what sort of additional services, if any, will be packaged with the projects. For example, what operational and maintenance provisions can be added to the design, build and finance model to deliver success. There would then be the criteria for

For more information, contact:

**Leroy Levy**  
+971 4 377 9910  
llevy@kslaw.com

**King & Spalding**  
*Riyadh*

(in affiliation with the Law Office  
of Mohammad Al-Ammar)

Kingdom Centre  
20th Floor  
King Fahad Road  
PO Box 14702  
Riyadh 11434  
Saudi Arabia  
Tel: +966 11 466 9400  
Fax: +966 11 211 0033

*Dubai*

Al Fattan Currency House  
Tower 2, Level 24  
DIFC | Dubai International  
Financial Centre  
P.O. Box 506547  
Dubai, UAE  
Tel: +971 4 377 9900  
Fax: +971 4 377 9955

[www.kslaw.com](http://www.kslaw.com)

performance measurement and how to approach availability fees and success payments but also, crucially, risk allocation.

PPPs usually require striking a balance between the sponsors, financiers and the state. Certain contracts are structured in a way that all the parties take a different risk allocation.

The overall expenditure of the Saudi education programme has been estimated by TBC to be US\$12 billion.

*King & Spalding (legal) and HSBC (financial) are advising TBC on the programme.*

*Celebrating more than 130 years of service, King & Spalding is an international law firm that represents a broad array of clients, including half of the Fortune Global 100, with 900 lawyers in 19 offices in the United States, Europe, the Middle East and Asia. The firm has handled matters in over 160 countries on six continents and is consistently recognized for the results it obtains, uncompromising commitment to quality and dedication to understanding the business and culture of its clients. More information is available at [www.kslaw.com](http://www.kslaw.com).*

*This alert provides a general summary of recent legal developments. It is not intended to be and should not be relied upon as legal advice. In some jurisdictions, this may be considered "Attorney Advertising."*