

# Investing in sustainable development projects

General remarks from an industrial point of view (aerospace industry)

Sharing Knowledge Foundation, Jordan

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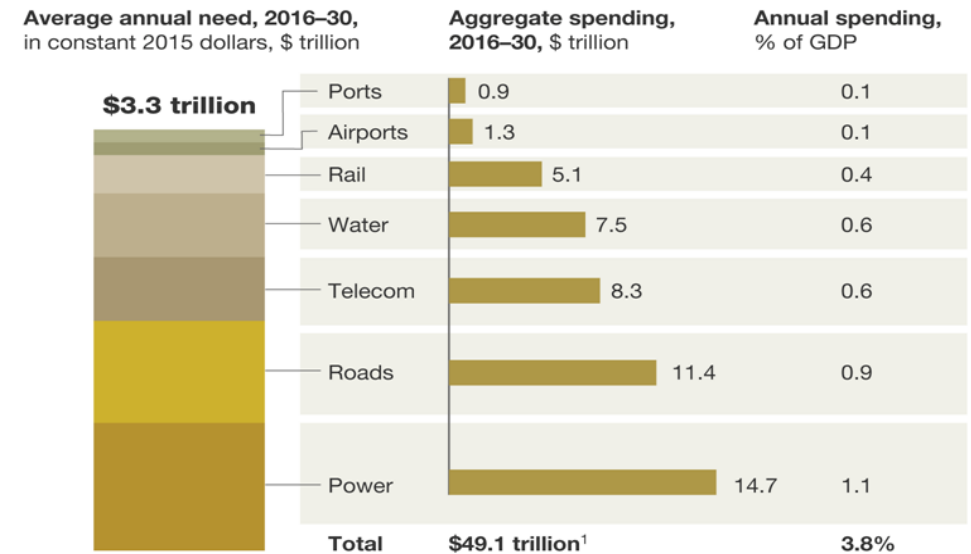
# How to satisfy needs for infrastructure investment when public funds are short?

- Global needs for infrastructure investment: more than 49 trillion USD by 2030
- A challenge when **public funds are lacking**
- Governments use funding of projects through **Public-Private Partnerships/PPP**

*“PPP is a long term contract between a private party and a government entity for providing a public asset or service, in which the private party bears significant risk and management responsibility; remuneration is linked to performance” (Knowledge Lab World Bank Group)*

- Obstacles for private investment:
  - Mobilization of capital over the long term
- Projects sometimes fail or are delayed
- Infrastructure requires stable + sustainable investment
- PPPs for infrastructure development = public and private sectors create jointly innovative solutions
- Benefits for the community to be measured in the long term

To keep pace with projected growth, the world needs to invest \$3.3 trillion in economic infrastructure annually through 2030.



<sup>1</sup>The estimate of total demand is lower than the \$57 trillion projection in previous MGI research. It has been adjusted for the following reasons: this projection covers a 15-year period (2016–30) rather than an 18-year period (2013–30); water numbers have been reduced by 40%, as Global Water Intelligence adjusted its water capital-expenditure definition to exclude equipment spending; base-year prices have been revised from 2010 to 2015; and GDP growth forecasts have been revised downward by IHS.

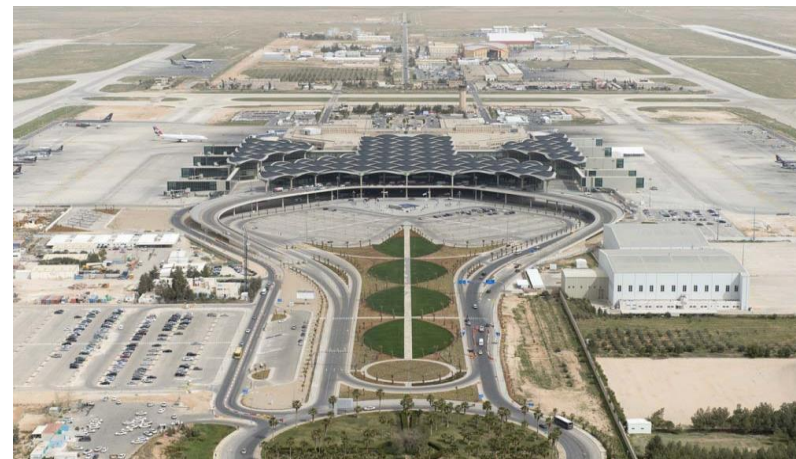
McKinsey&Company | Source: McKinsey analysis; McKinsey Global Institute analysis

## Key lessons learnt from Jordan (my understanding) include:

- **Government commitment**
- **Clear strategy**
- **Macro-economic stability**
- **Sufficient legal authority**
- **Centralized privatization agency**
- **Efficient intra-governmental coordination**
- **Highly-qualified external advisors**
- **Sufficient funding**
- **Fair concession design, reasonable risk allocation and transparent bidding process**
- **Flexible transaction structure**
- **Long term global impact monitoring**
- **Patience**

# Successful PPP project: Queen Alia International Airport Amman

- Queen Alia International Airport: best airport of its size in the Middle East (Airports Council International 2014, 2015, 2016)
- 25- year renovation and expansion PPP project co-financed by IFC World Bank and Islamic Development Bank, facilitating private investment
- Bid won by an international consortium (Airport International Group), the Government was offered a 54% share of gross revenue
- Expansion to a capacity of 12 million passengers per year for the new terminal
- Construction completed 2 years later than planned (2013)
- Significant traffic growth + 9% (in 2016, 7,4 million passengers compared to 3,9 million in 2007), better than expected



# Airbus Group: focus on education, science and technology in Jordan

Why we are interested in Jordan:

- Favorable business environment
- Attractive Business Park concept
- Well educated young people, excellent engineers
- Push for new technologies and innovation, moving to a knowledge-based economy
- High value added



Why we do not invest yet in the country's infrastructure:

- No aerospace capabilities
- Small market
- No offset-obligations
- Cost base quite high vs. Tunisia p.ex.

