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Dubai's PPP law signals infrastructure intent

Jordan Bintcliffe

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Dubai passed its new public private partnership (PPP) law last month, signalling the emirate's intent to use more private capital to develop future infrastructure projects. Published in the Official Gazette on 20 September 2015, the new law will come into effect on 18 November this year.

The law appears to indicate that Dubai is planning to procure multiple projects through a PPP model. If the Emirate was only intending to procure one or two projects, reasons Clyde & Co partner Adrian Creed, then Dubai's existing legal framework would have already allowed that.

"Dubai, like most other MENA jurisdictions, broadly supports the PPP model, so passing this law signals a statement of intent as regards potential deal flow and future procurement strategy," he said. "For Dubai it's significant because when they press the green button on a new initiative, that initiative tends to be quickly and fully implemented."

A new model

Dubai has previously developed its infrastructure by retaining the equity in its infrastructure projects, but lower oil prices mean it has less capital available for spending in this sector. Although oil accounts for just 5% of Dubai's revenues, reduced prices have had an impact on neighbouring economies.

"Dubai's gross domestic product relies on the real estate sector," Naoki Tamaki, chief representative for the Middle East at Japan Bank for International Cooperation, commented. "With less oil money available, there is less investment in or selling of Dubai's real estate from investors in other oil-producing countries."

"Similarly, Chinese investors are also pulling out of the sector because of their own economic slowdown."

The new law has received positive feedback from several quarters. Advisers will have the opportunity to act for bidding equity groups or work for the government directly, while sponsors and financiers are likely to judge Dubai PPP projects bankable due to Dubai's good credit rating, Tamaki said.

Solar inspiration

Dubai's recent experience of procuring solar capacity through the independent power producer model – with the various stages of the Mohammed bin Rashid Al Maktoum development – may have encouraged its development of a new PPP law. The law should allow it to more fully import both the financing and the competence of the private sector into its energy and infrastructure projects.

"The new law is an indication that Dubai – which has hitherto been a direct procurer via engineering, procurement and construction contracts in all but its alternative energy space – is really looking to change its tact," commented a source at

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a MENA-focused fund involved in PPP investment. "It's looking to bring in both the financing and the competence of developers and financial institutions that put equity into PPP and infrastructure projects."

"There are good skills here already but they will benefit further from importing more talent, which they've already seen with the forays into solar power development – which I believe is a contributor to the decision to create this law."

At least for now it looks unlikely that Dubai will create a centralised PPP unit to manage procurement, as seen in other jurisdictions in the region such as the Kuwait Authority for Partnership Projects, or Egypt's PPP Central Unit.

"There's not really a need to do that in Dubai and the primary legislation doesn't contemplate that," Creed said. "The secondary legislation, which has not yet been issued, may provide further clarity but at this stage I'm not sure Dubai feels the need to create a centralised PPP unit."

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