

Public-Private Partnerships in the Mediterranean

Overview and recommendations
for consistent practice

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IPEMED

- INSTITUT DE PROSPECTIVE ÉCONOMIQUE DU MONDE MÉDITERRANÉEN -

This report results from a select, top-level seminar organized by Ipemed in Paris on 6 June 2011 on private-public partnerships in the Mediterranean.

Tanger-Med Port in Morocco is the fruit of a private-public partnership.

Ipemed Palimpsestes, working papers, provide food for thought and debate on Euro-Mediterranean current affairs.

The Institut de Prospective Economique du Monde Méditerranéen, IPEMED, is an association recognized as in the general interest created in 2006. IPEMED is a think tank promoting the Mediterranean region, with a mission to bring the two sides of the Mediterranean closer together using economics. It is independent from political powers from which it receives no funding. IPEMED is presided by **Radhi Meddeb** and directed by **Jean-Louis Guigou**. Scientific advisor: **Pierre Beckouche**. Communication: **Véronique Stéphan**. www.ipemed.coop Production: Patricia Jezequel, Alain de Pommereau ISSN 2116-6897



FACED WITH INCREASINGLY high investment requirements, estimated by the European Investment Bank at 300 billion euro by 2030, and at a time when state budgets in South and East Mediterranean Countries (SEMCs) are being cut, governments in the region are increasingly turning to public-private partnerships. This is a necessary choice, given that public markets are often insufficient for accomplishing projects, and public debt is at times colossal. In theory, the main advantages of PPPs are an optimized costs/results balance; the sharing-out of risks between public authorities and private operators; continued strategic control of the service by the public body; and gains from private sector experience. States and local authorities benefit from “developing an economic infrastructure to ensure a country’s development, while reducing its debt and the associated risks”⁽¹⁾.

PPPs ARE A NEW TYPE of funding and management in the Mediterranean zone and their increased use does not come without snags. Financial and legal frameworks covering PPPs vary from one country to another and the kind of project that can come under a PPP is not always clear. Lastly, local private sectors appear ill equipped to accompany large-scale projects. For this reason, drawing up and adopting a standardized regional framework to be defined

PPPs are a new means of funding and management for the region and do not come without snags.

could boost the development of this kind of mechanism.

SITUATION VARY from one SEMC to another because of their different histories, political and macroeconomic backgrounds. As a result, their public-private partnership practices differ greatly. Some SEMCs have long experience (e.g. Morocco, Egypt and Turkey) and others have made little significant progress (e.g.

Lebanon and Syria). By relying on a few recommendations, mainly from the European Investment Bank⁽²⁾ and IPEMED seminar participants⁽³⁾, SEMCs could satisfy their investment requirements, mainly for infrastructure, funding SMEs, and non-profit sectors (digital equipment for territories, education and health).

THIS REPORT focuses on three issues:

- An overview of PPPs in eight SEMCs: Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey;
- The main challenges and perspectives for extending PPPs in the Mediterranean;
- Suggested recommendations for all countries in the region to generate consistent PPP practice.

(1) Michel Gonnet, Nicolas Beaussé, *Rapport sur les partenariats public privé en Méditerranée*, IPEMED, due for publication end 2011.

(2) Seminar, 30 May 2011, Casablanca.

(3) Paris, 6 June 2011. www.ipemed.coop/spip.php?article872.

Overview of PPPs in eight South and East Mediterranean Countries

Background

THERE IS NO single definition of PPPs at European level. However, the European Commission Green Paper (30 April 2004) qualifies them by:

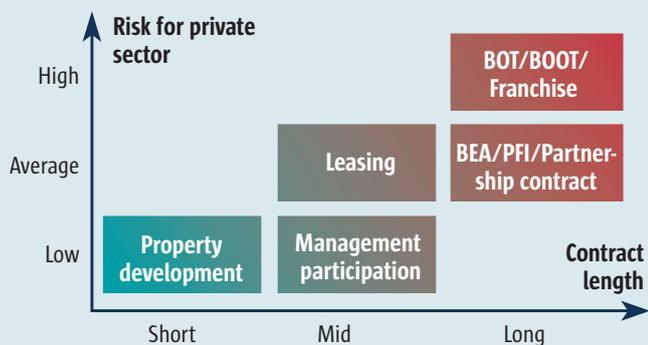
- The relatively long duration of the relationship, involving cooperation between the public partner and the private partner;
- The method of funding the project, in part from the private sector;
- The important role of the economic operator, who participates at different stages in the project (design, completion, implementation, funding). The public partner concentrates primarily on defining the objectives to be attained (public interest, quality of services and pricing policy);
- The distribution of risks between the public partner and the private partner.

ANGLO-SAXON PPP models cover three types of partnership:

- Institutional partnerships (mixed economy or joint venture);
- Partners in which private companies advise public entities on developing their assets;
- Private Finance Initiative contracts (PFIs), the most common type. They were launched in the early 1990s by the UK’s Conservative government under John Major to encourage private investment in hospitals, schools and prisons. They are based on a contract signed between a public entity and a private consortium (often in the form of a Special Purpose Vehicle). Three criteria characterize PFIs: they are overall contracts, generally long term, in which co-contractors receive variable remuneration depending on performance, and including detailed risk sharing.



GRAPH 1 Spread of risk in the private sector depending on type of contract



Source : Michel Gonnet, Nicolas Beaussé, juillet 2011, *Rapport sur les partenariats public-privé en Méditerranée : recommandations pour diffuser plus largement l'usage des PPP dans le financement de projets d'infrastructure dans le Sud et l'Est de la Méditerranée*, IPEMED.

Other types of funding exist, like Build-Operate-Transfer (BOT) and Build-Own-Operate-Transfer (BOOT), which were developed in Australia in the railway sector. Here, a private entity is responsible for providing a service for a private or public entity. When the delegating entity is public, the funding is similar to a PFI.

THE LATIN PPP model follows three types of set-up:

- Public service delegations in the form of leasing, management participation or franchise;
- Public domain occupation contracts (long government lease);
- Partnership contracts set up in 2004.

These contracts are characterized by their long duration (ten to thirty-five years or more) and the fact that the overall design, production, funding, upkeep and maintenance and/or operation of a construction is assigned to a private company by a public entity. This type of contract is based on optimal risk spreading. **GRAPH 1**

Regulatory framework

AS A RESULT of their former protectorate status, both Morocco and Egypt have had longer experience in PPPs.

EGYPT is the region's pioneer. The country has adopted Anglo-Saxon models in the sectors of education, hospitals, wastewater treatment and constructing transport infrastructure. However, its highly fragmented framework has proved unsuitable for developing numerous projects. In 2006, the government therefore launched a long-term policy to

encourage public-private partnerships, mainly for infrastructure. A specialized entity was created called the Public Private Partnership Central Unit (PPPCU). Its mission is to create a favourable regulatory national framework with a view to standardizing procedures, and then to develop financial mechanisms to facilitate setting up credit and stimulate local banking networks to obtain competitive financial conditions. A specific PPP law was adopted by the Egyptian parliament in May 2010.

MOROCCO has had long experience in franchises, based on the French model. In the 1980s, the government embarked on the liberalization of its economy to stabilize its macroeconomic framework. This restructuring saw the state hand over public services to private management, mainly in profit sectors (urban transport, water and electricity supply, sanitation, waste management). Morocco's regulations, which dated from the protectorate era, were not clear and offered few guarantees to investors. PPP contracts were based on common law and not on specific, franchise-based regulations. A law relating to delegating the management of public services was adopted in 2006, aiming to standardize and rationalize sectorial regulations and allowing the use of arbitration in case of dispute. A specialized agency exists for each sector by type of project, e.g. the national agency for telecommunications regulations and the national agency for ports.

TURKEY has also had experience in franchises developed during the time of the Ottoman Empire. Laws on PPPs have been passed, specific either to a sector or to a type of partnership.

ALGERIA, Jordan, Lebanon and Syria have made economic reforms more recently.

ALGERIA made a late move into the market economy. Its framework is restrictive and limiting for foreign investors. PPPs are negotiated under the Investment Code.

JORDAN launched a wave of privatization in 1992. Since 2006, it has placed more focus on long-term partnerships with the private sector. It has had a specific entity for PPPs (the Executive Privatization Commission) since 2006 and in 2008 launched a large-scale PPP programme.

Egypt is the region's PPP pioneer. The country has adopted Anglo-Saxon models in several sectors.



TABLE 1 Summary of PPPs according to background and regulatory framework in eight SEMCs

	Background	Regulatory framework
Algeria	Relatively recent opening up of economy	No specific framework for PPPs, which are negotiated under the Investment Code
Egypt	Experience in BOTs and BOOTs	Entity devoted to PPPs (PPPCU) created in 2006, specific PPP law adopted May 2010
Jordan	Experience in PPPs resulting from privatization reforms	Entity devoted to PPPs (EPC) since 2006, draft law awaiting adoption
Lebanon	Service economy based on tourism and financial services	Draft law on PPPs dating from 2006 awaiting adoption
Morocco	Experience in franchises	Specific law on delegating public services adopted in 2006
Syria	High growth needing support from high investment	Draft law on PPPs awaiting adoption
Tunisia	Experience in franchises	Specific law on franchises adopted in 2008
Turkey	Experience in franchises	Numerous laws on PPPs by type of project or sector, draft law dating from 2007 awaiting adoption

Source : Michel Gonnet, Nicolas Beaussé, juillet 2011, *Rapport sur les Partenariats Public-Privé en Méditerranée : recommandations pour diffuser plus largement l'usage des PPP dans le financement de projets d'infrastructure dans le Sud et l'Est de la Méditerranée*, Ipemed.

LEBANON is facing political instability and a level of public debt that weighs heavily on the country's economic activity. The government embarked on a wave of privatizations in 1998 and the concept of PPPs was proposed in 2004. A draft law dating from 2006 came back to the forefront in 2009 with the current President of the Republic through the Haut Comité de Privatisation (HCP). Several projects are delegated to the public service but within an organized framework.

SYRIA has recorded net growth for ten years. The government is hoping to maintain its growth through private funding and launched a PPP programme to attract foreign investment. A special committee has drawn up a law on PPPs but the draft law has not yet been adopted.

TUNISIA, after massive privatization of some state companies in several phases, since 1998 Tunisia has been turning towards more elaborate techniques including franchises. The regulatory framework was not adapted to PPPs until 2008, when a law on franchises was adopted. **TABLE 1**

Algeria, Jordan, Lebanon and Syria have made more recent economic reforms.

MOST COUNTRIES with experience in PPPs have a regulatory framework with a specific law and entity. Entities devoted to PPPs play a vital role in the success of the projects financed or implemented. They must:

- Identify feasible projects;
- Coordinate national PPP programmes;
- Prepare contractual documents (technical specifications and contracts);
- Follow up on projects;
- Capitalize on experiences of successful PPPs;
- Highlight good practices for future projects.

EGYPT AND JORDAN have set up entities devoted to PPPs (PPPCU and EPC respectively). In both cases, these entities are responsible for coordinating national PPP programmes through ministries and public organizations and putting in place a favourable national regulatory framework. Morocco, Tunisia, and Turkey recently adopted specific laws for different types of PPP. They provide national and foreign private operators with a guarantee of clear and transparent procedures, equal access and treatment, and fair sharing of risks related to projects. The new dispositions adopted in Morocco make it possible to use arbitration for settling disputes and reflect the country's motivation to create an entity devoted to PPP management. Algeria, Lebanon and Syria currently have no PPP-specific laws or entities.

Some successful PPPs in these countries

SEVERAL DIFFERENT PROJECTS have been accomplished in these SEMCs in profit-making sectors, including water, transport and energy, which are attractive to private companies because of the revenues they generate. Other success stories in the non-profit-making sector are worth mentioning, like education, health and housing. **TABLE 2** (p. 4)

Four examples of successful projects are presented here: two projects in the profit-making sectors of water and transport: SEAL in Algeria and Port Tanger in Morocco; two projects in the non-profit-making sectors of education and health: the Jordan Education Initiative and the Kayseri medical centre in Turkey.

ALGERIA. SEAL: promising results

ALGERIA is experiencing unprecedented water scarcity. In Algiers, the water supply network is struggling with huge distribution difficulties. The autho-



Constructing Tanger Med Port required an investment of one billion dollars, two-thirds of which was financed by the Moroccan government.



TABLE 2 PPP projects accomplished in different sectors

	Water	Transport	Energy	Education	Housing	Health
Algeria	SEAAL	-	-	-	-	-
Egypt	New Cairo	-	Kureimat solar power station	-	-	-
Jordan	-	Queen Alia Airport	-	Jordan Education Initiative	-	-
Lebanon	-	-	-	-	Solidere	-
Morocco	-	Tanger Med Port	-	-	-	-
Tunisia	-	Enfidha & Monastir Airport	Rades II IPP	-	-	-
Turkey	-	Göcek Tunnel	-	-	-	Kayseri medical center

Source : Michel Gonnet, Nicolas Beaussé, juillet 2011, *Rapport sur les Partenariats Public-Privé en Méditerranée : recommandations pour diffuser plus largement l'usage des PPP dans le financement de projets d'infrastructure dans le Sud et l'Est de la Méditerranée*, Ipemed.

rities therefore decided to modernize installations and asked Suez Environnement to draw up a diagnosis. In 2003, a memorandum of understanding was signed between Algérienne des Eaux (ADE), the Office National de l'Assainissement (ONA) and Suez Environnement. The range of targets included securing a high-quality service and supplying drinking water twenty-four hours a day. The public water supply service in Algiers was also to benefit from the expertise of a recognized, competitive partner. The partnership got underway with an operational diagnosis that led to an action plan focusing on three areas: modernizing water supply and sanitation in Algiers; updating customer services; and improving human resources management.

To achieve this, a stock company was set up called the Société des Eaux et Assainissement d'Alger (SEAAL). It started operating in February 2006. The chosen contractual process fixed a commitment from the two public and private partners. The programme is funded by the state. SEAAL has produced promising results, having reached 95% of the action plan targets by 2010. A definitive appraisal of this PPP will only be possible at the end of the management contract, due at the end of 2011. Other Algerian towns have opted to implement this type of PPP.

MOROCCO. Tanger-Med Port: vital platform

TO ATTRACT INVESTMENT to the north of Morocco, in 2002 King Mohammed VI decided to build "a structure combining port, commercial and industrial facilities on both sides of the strait, East of Tangiers". The project targets a neighbouring market comprising over 600 million inhabitants from Western Europe, West Africa, North Africa and North America. The objectives are: to make Tanger-Med into one of the main cargo port platforms in the Mediterranean and Atlantic; establish a genuine logistics platform; encourage the emergence of a competitive business zone; and constitute an economic, social and territorial development hub. To create Tanger-Med, the Agence Spéciale Tanger Méditerranée (TMSA) was created in 2002 in the form of a joint stock company with a directorate and supervisory board, financed by public funds. In 2003, the government signed a 15-year convention giving TMSA the legal leverage to equip, develop and



The construction of El Kureimat solar power station 90 km from Cairo received funding from the World Bank in the form of a 46.9 million dollar donation in 2007.

manage the port and industrial complex. TMSA became the unique contact point for investors. Construction and operation of the complex take the form of franchises delegated to stakeholders in the private sector. Calls for tender are launched and several port franchisor-operators are selected. A consortium is led by Bouygues Travaux Public and local private stakeholders like APM Terminals Tangier and Eurogate Tanger.

The construction needed total investment of one billion dollars, two-thirds of which was provided by the Moroccan state. The port has been operating since 2007 and has established itself as a vital platform in the region, with high annual growth in traffic. In 2009, the construction of Tanger-Med 2 was launched. The first terminal is expected to operate from the second quarter of 2014 and has been franchised to the Moroccan operator Marsa Maroc for thirty years.

JORDAN. The Jordan Education Initiative (JEI): catalyst for installing an Internet network

TO FOSTER THE USE of information and communication technologies (ICT), and based on the idea that education is a motor of economic and social development, in 2002 the Jordanian government launched an initiative named *Educational Reform for a Knowledge Economy*. With the World Economic Forum, Jordan was chosen as a pilot country for a PPP programme in the education sector, leading to the creation of the Jordan Education Initiative in 2003.

To create Tanger-Med Port, the Tanger Mediterranean Special Agency was set up in 2002 using public capital.

The project's main objectives were to improve the availability of education for citizens; expand the use of ICT in teaching; participate in local development of ICT skills in producing innovative educational resources; and develop an efficient PPP model in order to accelerate educational reform in developing countries. The partnership was set up between the government, the World Economic Forum, and international companies and organizations (e.g. UNESCO, USAID) over three years. A single entity was created called *JEI Project Management Office (PMO)* to manage the project and coordinate private and public stakeholders involved. The PMO's mission also involved finding a private sponsor to provide fixed programmes with funding, expertise and technology.

Since the contract only lasted three years, the JEI PMO became an NGO to continue developing education in Jordan. Several studies have analyzed the keys to the project's success. JEI was a catalyst in installing Internet connection networks and equipping schools with computer equipment. It developed teaching methods based on ICT, improved the quality of teaching and facilitated the creation of partnerships between local ICTs and public stakeholders in the education system. The PMO played a crucial role in setting up communication with each partner: the Ministry for Education, the schools and private partners.



TABLE 3 PPP potential in SEMCs

Algeria ♦ Ambitious 5-year PPP programme launched in 2010
Egypt ♦ Strategic 5-year PPP plan launched in 2010. Involvement of local banking sector to be developed
Jordan ♦ Draft law to be adopted. Ambitious infrastructure investment programmes
Lebanon ♦ Draft law to be adopted. Investment programme funded by the EIB launched in 2007
Morocco ♦ Creation of a specific PPP entity, introduction of PPPs in non-profit-making sectors, participation of local private sector
Syria ♦ Good perspectives for setting up PPPs in transport and energy
Tunisia ♦ Ambitious 6-year PPP programme in solar sector launched in 2010
Turkey ♦ Draft law to be adopted, develop PPPs at municipal level



In Amman (Jordan), Queen Alia International Airport, built under a PPP, is scheduled to open a new terminal in 2012.

TURKEY. Kayserie medical centre: improving quality of care and accommodation capacity

THE MINISTRY for Health launched a project for extending and improving its medical infrastructure and educational and training facilities, entailing an investment of 5 billion dollars over five years. To

raise the funds, the ministry took its inspiration from the PPP created in the British health sector. The medical centre is the first Turkish PPP in the sector. The objective was twofold: to extend accommodation capacities (by 1,548 beds) and care for 10,000 patients a day. The partnership was launched in 2006, based on a specific law regulating build-lease-transfers (BLTs). The ministry's PPP department ran the project and coordinated exchanges between the public and private sectors.

Main challenges and perspectives for extending PPPs

IN A CONTEXT of scarce resources and fragile political climates, many SEMCs have launched ambitious national programmes involving increased, active participation from the private sector in public-private partnerships. However, extending the use of PPPs in SEMCs inevitably comes up against a number of obstacles. **TABLE 3**

Enduring weakspots

THE WEAKNESSES of PPPs in SEMCs are due to several factors:

- Difficulty of financing large-scale projects in the Mediterranean region;
- Local banking sector's lack of experience of financing in general and PPPs in particular;
- Absence of a legible, stable legal framework and PPP-specific entities;
- Not identifying realistic, reliable projects attractive to the private sector and thus potential objects of PPPs.

Difficulty of financing large-scale projects in the region

INVESTMENT requirements in SEMCs are enormous. Two recent studies estimate funding for infrastructure at 150 to 200 billion dollars over the

next five to fifteen years. According to the EIB, for the next ten years, on the southern side of the Mediterranean alone, 100 billion dollars will be needed for the energy sector, 110 billion for urban development (i.e. water, health, waste treatment, urban transport), 20 billion for logistics (i.e. ports, airports, highways) and lastly 20 billion for supporting business development. Clearly, donors operating in the region are incapable of providing these kinds of amounts, even though they have intensified their action. The sums involved remain highly insufficient (20 billion euro in 2009).

In addition to donations and loans from the North and multilateral donors, a significant proportion of funding will have to come from investors of all kinds, whether public, private, international or local. The current lack of cooperation between SEMCs makes it difficult to define suitable coordination methods for putting funding in place for several infrastructure projects.

Local banking sectors' lack of experience

LOCAL BANKS' CAPACITIES for long-term loans are limited, except for Algeria, where banks run by the state can make long-term, fixed-rate loans. Egypt has attempted to facilitate innovative financial packages

مشاركات القطاع الخاص في مشاريع البنية التحتية في دول حوض المتوسط



With aid from the IFC, the Egyptian government agreed on a wastewater treatment franchise in New Cairo. The project was attributed in June 2009. Above, the American University building in the capital's satellite town.

that are favourable to PPPs on a local scale. Its banks can now finance small PPPs in local currency. Funding for projects on a larger scale remains limited. Despite the crisis, Lebanese banks have benefited from numerous liquidities which have not, however, been invested in PPPs due to the lack of a specific law.

Absence of a legible, stable legal framework and specific entities devoted to PPPs

THE PRACTICE of PPPs has been successful in European countries, most of which have created legible, stable regulations and a specific PPP service. The two indispensable factors for accomplishing this type of project are an administrative, regulatory framework comprising a law, and a PPP-specific unit.

Not identifying realistic, reliable projects attractive to the private sector

PROJECT CHARACTERISTICS are crucial since, according to the experts, only 20% to 25% of infrastructures built can take the form of a PPP. SEMCs, with their lack of experience, should select mid-range projects, since large ones are too difficult to implement and small ones would not cover the legal and financial expenses. They should be profitable for the private operator and be part of a plan comprising two or three projects launched by the country.

Genuine potential

ACCORDING TO the EIB, PPP potential in SEMCs amounts to 300 billion euro to invest in infrastructures for the collective good by 2030. Several SEMCs also view PPPs as a preferential method for funding and accomplishing their projects.

ALGERIA. The programme launched for 2010-2014, totalling 286 billion dollars, focuses on water, transport, energy, health and education. The government would like to run some projects as PPPs so that the

private sector could provide most of the investment and bring in its expertise. To do this, the legal framework applicable to PPPs needs to be more legible, including the adoption of specific legislation. As recommended by the EIB⁽¹⁾, Algeria could develop the role of the Caisse Nationale d'Équipement et de Développement (CNED) in order to set up a centre of expertise to supervise PPP projects. This could then pass on its expertise to local governments and ministers.

EGYPT. To maintain steady growth, Egypt needs to develop investment in infrastructure by mobilizing private funding. In its five-year strategic plan (2010-2014), thirty-two projects were chosen totalling 15.23 billion dollars in the sector of social infrastructure (education and health), wastewater and transport.

JORDAN. The local banking sector in Jordan still has little experience in financing PPPs, even though increased expertise in this domain is expected. The draft law is still awaiting adoption, which would give greater visibility to the legal framework relating to PPPs. It is worth noting that infrastructure investment requirements amount to 8 billion dollars over nine years.

LEBANON. The country has encountered difficulties in implementing PPP-type projects. A financing programme was launched by the EIB in 2007 to support reconstruction, granting a 960 million euro loan over five years (2007-2012). Political stability and the adoption of a specific law on PPPs are both prerequisites for attracting international funds to PPP projects.

MOROCCO. Since its creation of a favourable legal framework, the country has recorded increased use

According to the EIB, PPP potential in SEMCs amounts to 300 million euro to invest by 2030.

(1) Femip, *Study on PPP Legal & Financial Frameworks in the Mediterranean Partner Countries*, may 2011-09-19.



of delegated management and closed up its investment gaps. Nevertheless, there is still low participation of the local private sector in comparison with international private groups, with PPP potential estimated at 700 million dirham (around 62 million euro). The government would like to develop partnership contracts in non-profit services (e.g. lighting, education and health) and create a specific PPP entity.

SYRIA. Syria offers perspectives for creating PPPs in transport and energy. However, it will need to adopt the law and create a solid institutional framework before multiplying PPPs. Opening up the banking system and eliminating existing barriers to foreign

direct investments would incite private companies to invest in PPPs.

TUNISIA. The country has launched a solar programme for the 2010-2016 period grouping forty projects in the form of PPPs. The total amount is 1.5 billion euro. The prerequisite creation of a PPP unit would reinforce public sector expertise and offer credibility to investors.

TURKEY. PPP creations are subject to numerous specific laws relating to sectors and types of partnership. The government now faces the challenge of adopting a harmonized regulation with the aim of developing projects at municipal level.

Recommendations for consistent PPP practice

PPPS ARE USED not just for financial reasons, but as a way of diversifying sources of funding outside the state budget and guaranteeing project performance. Lack of infrastructure is often more costly for states than setting up a PPP. The following recommendations are designed to encourage consistent PPP practice in the Mediterranean.

National level

1. Develop the local banking sector to provide expertise in financing, which currently presents long-term limitations. Funding should be in local currency to protect against currency fluctuations.

2. Encourage greater participation from the local private sector (especially SMEs), which is practically absent, alongside more present international private groups.

3. Secure and guarantee investments in the Mediterranean by setting up a legible, efficient legal system. The legal framework should be designed to be unified, simple and non-fragmented.

4. Generalize and standardize procedures for facilitating PPP creation. Taking inspiration from practices developed in Europe and elsewhere, it is important to instil a durable culture of sharing good practices between SEMCs that often do not communicate with each other.

Lack of infrastructure is often more costly for states than setting up PPPs.

5. Create PPP units that bring together legal, economic and financial skills. Their role would be to disseminate best practices as far as possible, support authorities' project bids and plan and prioritize certain PPP projects.

6. Back a reasonably sized pilot project that succeeds because its economic profitability is obvious for the private operator "You shouldn't try to work on too many projects at once."⁽²⁾

7. Grant local authorities a bigger role with the concept of spontaneous offers⁽³⁾. The Moroccan regionalization process is rife in this area and offers much greater financial autonomy to authorities (especially for digital equipment). The procedure encourages SMEs to work together to create jobs and strengthen industry.

8. Encourage users who often associate PPPs with privatization to agree to higher tariffs and the withdrawal of the public sector from public services. This entails training all stakeholders (public and private) to reach mutual understanding. One of the keys to success in PPPs involves constant dialogue between the delegating authority and the private sector while recognizing their shared interests.

(2) Presentation by Alain Poliakoff, Director of marketing and sales at Egis Projects, during a select, top-level seminar organized by IPEDM on 6 June 2011.

(3) Concept developed by Eric Lepont, Managing Director of GB4P, during a select, top-level seminar organized by IPEDM on 6 June 2011.



The Mena-OECD investment programme makes it possible to evaluate the region's commercial climate and reforms relating to privatizations and PPPs.

Regional level

SEMCS NEED TO mobilize the private sector and attract foreign direct investment (FDI). To this end, improving the business climate is a prerequisite to developing PPPs at regional level with a focus on the following:

1. Reduce barriers to investment while encouraging SEMCs to durably attract FDI thanks to a higher-quality legal, institutional and financial environment. This would encourage competition between investors and lenders.
2. Boost regional cooperation by exchanging PPP experiences (network of existing PPP units). This would involve reinforcing expertise linked to processes and procedures for implementing projects. "A pool of experience similar to the PPP task force set up by the EIB in Europe would be necessary"⁽⁴⁾.
3. Encourage participation from international financial institutions. Buy lending their support to PPPs, international set-ups (e.g. OECD, World Bank, IFC, EIB, AFD, etc.) would help accelerate the expansion of this type of funding in the region.

4. Foster the creation of a *one-stop shop* for accredited projects grouping national and international stakeholders capable of guaranteeing funding. A transparent list of projects would make it possible to plan the use of resources and draw up funding programmes to optimize different proposals for guarantees and national and international insurance.

THE MENA-OECD investment programme, instigated by the OECD, has developed a tool for evaluating the commercial climate in the region and quantifying the progress of reforms linked to privatization projects and PPPs. Femip have also launched a study on the "legal and financial framework of PPPs in Femip countries" to set up a technical assistance programme. This will be used for a series of pilot projects making priority investments in the countries selected, i.e. Egypt, Jordan, Morocco and Tunisia. ●

(4) Presentation by Eric Diamantis, Vice-President of Ipemed, during a select, top-level seminar organized by IPEMED on 6 June 2011.

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