

AGENCE FRANÇAISE DE DÉVELOPPEMENT

The development finance institution and central operator of France's foreign aid policy under the guidance of the Ministry of Foreign and European Affairs and the Ministry of the Economy, Industry and Employment

ADETEF

The international technical assistance agency of the French Budget, Economy and Finance Ministries

HIGH LEVEL REGIONAL WORKSHOP ON PUBLIC-PRIVATE PARTNERSHIPS IN THE MIDDLE EAST

Movenpick Hotel Dead Sea, Jordan – June 6th and 7th 2010

AFD and ADETEF are organizing the 6th and 7th of June 2010 in Jordan a high level regional workshop on Public Private Partnerships. This event is prepared together with high-level representatives from **Egypt, Iraq, Jordan, Palestinian Territories, and Syria**, willing to share their experience on PPPs, covering public service infrastructures, in the sectors of transport, energy, water, waste management, tourism, urban services, etc.

1. Fostering sustainable investment in infrastructure with PPPs

In the past decades, many countries initiated major reforms in the infrastructure sector separating policy making from service delivery and promoting projects with various forms of private participation or Public Private Partnerships (PPPs). The Public Private Partnership is a contractual relationship entered for an agreed period of time between a public and a private partner involving private investment for the construction, rehabilitation and / or maintenance of an infrastructure and for the purpose of delivering a public service.

The main advantage of PPP schemes is to combine the strengths of the public sector, which has the responsibility to ensure the delivery of public services and to protect the public interest, with the strengths of the private sector, especially its efficiency in delivering high-quality services.

Governments have adopted a variety of approaches to enable and promote private investment in infrastructures which are necessary for the delivery of public services and to ensure the economically sound and efficient performance of such services by a private partner. Numerous PPP projects were implemented under a range of approaches varying from management contracts to concessions, divestitures, PFI, BOT, or BOOT projects, etc.

What differentiates those approaches is how obligations are shared among the parties regarding asset ownership, operations and maintenance, capital investments, and commercial risks. In the case of service contract and management contract, the asset ownership, the capital investment and the commercial risk remain public, as the private operator focuses on operation and maintenance. Within the frame of concession, the asset ownership remains public, the private partner is responsible for delivering the public service on behalf of the public party and whole or the main part of its income comes from the price paid by the end users. In the case of PFI, the income of the private partner comes from the payment made by the public partner upon availability and/or delivery of the service. The responsibility of the private counterpart can also include full or shared asset ownership.

Managing the different and often conflicting interests and expectations of stakeholders—the government, consumers, service providers—is a demanding task for infrastructure regulators. Transparency can be a big help. As a core principle of good regulatory governance, transparency creates credibility for regulatory decisions and helps foster sustainable investment in infrastructure.

2. Sharing lessons from recent operations in the Middle East

New financing models for infrastructure such as sustainable transport, water supply, health and education have emerged during the global economic crisis. Governments have faced higher borrowing costs, lower levels of credit, and reduced international capital flows as a result of the crisis, making it urgent to find innovative ways to combine public and private financing to meet the mounting demand for infrastructure.

Projects need greater support and risk-bearing from governments. How can governments best design their programs to bring in financing while also providing value-for-money, how to mobilize private investments, what mechanisms can governments implement to support PPPs in terms of risk-bearing, guarantees, good governance and transparency?

With a greater focus on sustainable development, the need to curb rising levels of greenhouse gases and to help countries in adapting to the anticipated impacts of climate change will also require substantial investments in infrastructure. How can we meet these needs, how can we mobilize financing from both the public and the private sectors, at the domestic and international levels?

The impact on the delivery of infrastructure services, and whether there are negative consequences for other important social goals, such as equity, should be considered in PPPs. Despite considerable progress, private participation or Public Private Partnership arrangements still face several implementation challenges. These challenges typically involve tariff setting and adjustment, regulatory independence or dispute over contractual provision. How can policymakers and regulators best improve regulatory transparency?

The competition is tough between neighbouring countries to attract financing and the involvement of private operators, in a situation where regulations and laws vary from a country to another. How to harmonize preparations of infrastructure projects, how to strengthen the coordination between PPP units, how to enhance the legal and regulatory frameworks for project financing?

3. Taking benefit of a centuries-old experience of PPPs in France

Historically, concessions and other PPP approaches have been tested in France since the 18th century for transportation infrastructures or water management. This experience increased during the 19th century with urban infrastructures notably in Paris under Baron Haussmann restructuration works.

Numerous approaches are developed in France, involving different levels of public authorities, state, regions, districts, or municipalities, such as “concessions”, “global public contracts”, “convention for public domain utilization”, “national interest operation”, “partnership contracts”. Furthermore, French private and public operators have been transferring this know how, collaborating with foreign counterparts in different sectors ranging from water management, transportation infrastructures, waste management, energy production and distribution schemes, etc.

AFD is *the Groupe Agence Française de Développement*, a bilateral financial and development institution working on behalf of the French Government. As a bilateral development bank and as the central operator of France’s foreign aid policy under the guidance of the Ministry of Foreign Affairs and the Ministry of Economy, AFD uses a wide range of financial instruments such as grants, subsidies, guarantees, loans, equity, shareholding, co-financing and local bank intermediation.

The Agency works with many partners: national, regional and local governments; local authorities and municipalities; international agencies; non-governmental organizations; foundations; private companies; entrepreneurs; and local banks, microfinance institutions and capital markets. AFD’s financing, know-how and more than a thousand employees and agents support social, economic and environmental projects in many sectors, including those where PPPs are engaged in, such as urban infrastructure, transportation, energy, water management, ...

ADETEF, the international technical assistance agency of the French Ministries of Economy and Finance, is providing governments and public authorities with high-level expertise from the public sector and contributes to disseminate best practices in the areas of economic and financial policy-making.

On PPP items, the objective of Adetef policy is to increase awareness of his partners countries about the different public-private partnership contracts and to promote the long French experience of the public sector with the private operators.

The agency is developing this activity through several services such as bilateral actions (seminars and study visits), training and information weeks in France, benchmarking operations, involvements on multilateral funds in calls for tenders from the European Union or other international financial institutions (IFIs). The main topics are developed with experts from all the institutional partners of Adetef: the French PPP task force (Mapp), the French line ministries of transports, ecology, public works, health, justice, education, interior..., PPP experts from a lot of private fields (lawyers, banking institutions...) and private companies.

4. Objectives and structure of the Workshop

The Workshop will provide an exchange platform for the key issues of public-private partnership schemes, and will enable real experience sharing with decision makers, financing institutions, private operators and experts with, as main objective, to find innovative ways to combine public and private financing to meet the mounting demand for infrastructure in the Middle East.

The major subjects and issues to be discussed cover:

- Learning from projects implemented in Egypt, Iraq, Jordan, Palestinian Territories and Syria
- Laws and regulations in the different countries
- Difficulties and constraints in contracting and following up
- Strong points and methodologies for profitability, risk management, social requirements
- Tariffs and regulatory function of the public counterparts
- Monitoring the risks and managing the financing in good conditions

The Workshop is organized in 6 sessions, each of them lasting 1:30 hour.

- 1. Lessons from recent and/or major PPP projects implemented in the Middle East*
- 2. Statement of the institutional and legal reforms framing PPPs in this region*
- 3. Evaluation of the main difficulties and constraints to take up*
- 4. Methods of management, risk monitoring, and financing*
- 5. An experience of private operators in France: concession and tariff scaling*
- 6. Tools and methodologies proposed by French public institutions in emerging or developing countries*

Expected speakers will include:

Public decision makers, representatives of ministries, heads of PPP units, regulatory authorities
Representatives of financial institutions, AFD, the World Bank, private banking
ADETEF, Lawyers, experts
Major private groups operating in the region

Targeted audience:

Public authorities in charge of projects planning and financing
Public authorities in charge of contacting and monitoring
Private operators in the fields of infrastructure, transportation, energy, water
Consultancy services, engineering companies, Lawyers
Professional and Customers Organizations