ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

PUBLIC-PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT IN THE ARAB REGION

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Important note: This study relies on the database of the World Bank Public-Private Infrastructure Advisory Facility, which uses a Middle East and North Africa developing country grouping, which includes the following countries: Algeria, Djibouti, Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, the Syrian Arab Republic, Tunisia and Yemen. Data for Iran have been removed except as indicated.

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ACRONYMS AND ABBREVIATIONS

AICD	African Infrastructure Country Diagnostic
AFFI	Arab Financing Facility for Infrastructure
ECE	Economic Commission for Europe
ESCWA	Economic and Social Commission for Western Asia
FDI	Foreign direct investment
GCC	Gulf Cooperation Council
GDP	Gross domestic product
IDB	Islamic Development Bank
IFC	International Finance Corporation
MENA	Middle East and North Africa
OECD	Organisation for Economic Co-operation and Development
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-private partnerships
RECOPA	Special Tax Regime for the Construction, Amplification, Reform or Modernization of Football Stadiums [Regime Especial de Tributação para Construção, Ampliação, Reforma ou Modernização de Estádios de Futebol]

Executive summary

Despite the heterogeneity of their socioeconomic profiles, most Arab countries share a variety of developmental challenges. In particular, the region suffers from poor provision of the public services which need supportive infrastructure in order to function effectively. The extent of coverage, quality and efficiency of infrastructure service varies between regions and countries.

One of the main instruments for Governments to modernize Arab economies is investment in and improvement of infrastructure, following an integrated, strategic approach. It is a powerful means to support economic growth, provide better services to citizens, create jobs, increase overall economic competitiveness, facilitate development of small and medium enterprises, and attract both domestic and foreign capital.

Although the level of public investment in the region overall has been high for the last 20 years, it was concentrated in the oil-exporting countries, which benefitted from mounting fuel prices. By contrast, public investment in the oil-importing countries (Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia) has been on a downward trajectory and remains low, due mostly to limited fiscal capacity.

The region has been relatively weak in mobilizing private capital to finance larger infrastructure projects, compared to other parts of the world. This is due to several system-wide constraints most Arab countries face, albeit to various extents, which include a fragile political environment, a lack of public consensus on the need for public-private partnerships (PPPs), a history of failed PPPs, a lack of knowledge within the public sector to support the planning and implementation of PPPs, a non-existent PPP regulatory framework, an unclear division of authority between different ministries for the implementation of such projects, an unclear dispute resolution mechanism, and so forth.

The ongoing political transition in the Arab region is constraining the decision-making process, and preventing many Governments from committing to long-term projects such as infrastructure development and PPP arrangements. In addition, security concerns and political uncertainty have increased the general perception of risk and discouraged investors. This has been exacerbated as higher regulatory capital requirements for the banking and the insurance sector have resulted in a global contraction of the pool of long-term capital for infrastructure investments.

This publication identifies some of the major challenges the region faces in terms of private participation in infrastructure investment, and advocates for the proactive involvement of the Economic and Social Commission for Western Asia (ESCWA) through the establishment of an Arab PPP platform. The array of activities performed under the umbrella of such a platform would include advising the Governments of member countries on best practice and assisting them in the following: identifying domestic projects to be carried out through PPPs; creating regulatory and institutional frameworks to support the development of PPPs; building the capacity of the public sector to implement PPP projects; and providing support to cross-border PPP projects. Arab countries must cooperate on regional projects because many challenges are regional in nature, and the past attempts of individual countries to tackle those challenges have met with limited success. Working together, countries can lower their individual burden and spread the load of infrastructure development across regional stakeholders. In addition, ESCWA can provide guidance to member countries about working with a rights-based approach to ensure equity and social inclusion.

I. DEVELOPMENT OF INFRASTRUCTURE IN THE LIGHT OF THE MOST PRESSING CHALLENGES IN THE ARAB REGION

The uprisings sweeping across the Arab region over the past three years have put the issues of social justice, democratization and inclusiveness at the forefront of the political agenda. In the aftermath of the tremendous political changes that have occurred in Tunisia and Egypt, the region as a whole is striving for a transition to a new developmental State committed to fostering social inclusion. The Arab uprisings have exposed some of the developmental challenges that have accumulated in the region for years.

Despite the heterogeneity of their socioeconomic profiles, most Arab countries share certain challenges, including significant internal socioeconomic and geographic disparities, chronic unemployment, significant rural/urban divides, the marginalization of certain social groups, strong patronage systems, widespread corruption[1] and deteriorating key governance indicators. In general, the Arab region suffers from poor provision of public services. To function effectively, public services need supportive infrastructure. The issue of infrastructure provision is being discussed as a comprehensive concept and analysed primarily from the developmental perspective. Investment in infrastructure is not seen as an answer to all regional challenges, but as an opportunity to improve the quality of public services, to spread developmental gains more widely, to spur social development, to stimulate the development of the private sector and to create jobs.

A. INFRASTRUCTURE AND DEVELOPMENT

In the absence of a standardized definition across economic literature, the term economic infrastructure is usually used to refer to those facilities directly supporting productive activities, such as roads and highways, airports, naval transport, water distribution and electricity networks, sanitation networks and irrigation plants. In addition, there is the so-called social infrastructure, which refers to facilities aimed at increasing social comfort, such as schools, structures for public safety, hospitals, sport structures, green areas and so on. For the purposes if this text, a more narrow definition of ‘core’ infrastructure will be used that includes the following: roads and highways, airports, public transportation, electric and gas networks, and networks for water distribution and sewage disposal, with the addition of information and communication technology (ICT) infrastructure.[2]

There is no doubt that the development of infrastructure is one of the priority areas for economic development and growth in the Arab region. Although several countries have invested heavily in infrastructure in the last decade, the Arab region continues to lag behind other developing regions in terms of physical infrastructure endowments. The charts presented in figure I provide an overview of the state of infrastructure in the Arab region compared to other developing regions plotted against respective levels of gross domestic product (GDP) per capita. In some indicators, the Organisation for Economic Co-operation and Development (OECD) average has been included as well.

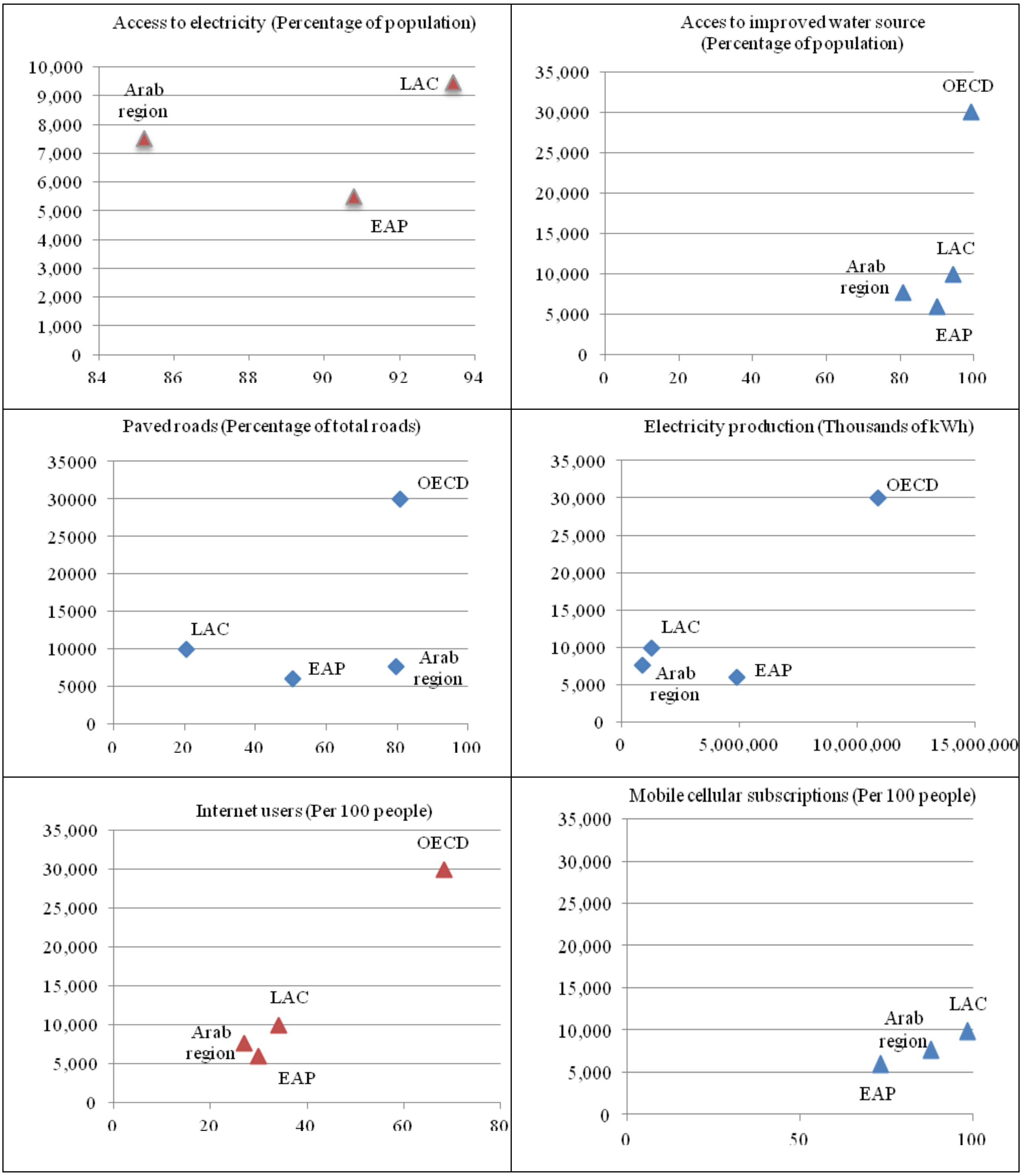
Figure I shows that only 85 per cent of the population in the Arab region has access to electricity, compared to 93 per cent in Latin America. In addition, of those with access to water resources in the Arab region, only 81 per cent have access to improved water sources,3 whereas the same indicator reaches 94 per cent in Latin America and 99 per cent in OECD member countries. The Arab region also performs worse than others in terms of electricity-generating capacity, number of Internet users and mobile subscriptions per 100 people. It is interesting to note that even though GDP per capita is slightly higher in the Arab region than in East Asia and the Pacific, the Arab region has poorer infrastructure. Nevertheless, it is important to point out that the extent of coverage, quality and efficiency of infrastructure service varies significantly between Arab countries.

[1] According to the 2012 Corruptions Perception Index of Transparency International, Egypt, Iraq, Lebanon, Libya, the Syrian Arab Republic and Yemen rank in the bottom third of the 176 countries and territories evaluated; that is, among the countries perceived as most corrupt.

[2] Aschauer, 1989, p. 1.

[3] According to the Joint Measurement Programme of the World Health Organization and the United Nations Children’s Fund, improved water sources refer to a household connection, public standpipe, borehole, protected well or spring, or rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 litres per person a day from a source within one kilometre of the dwelling.

Figure I. Indicators of infrastructure endowment in selected developing regions



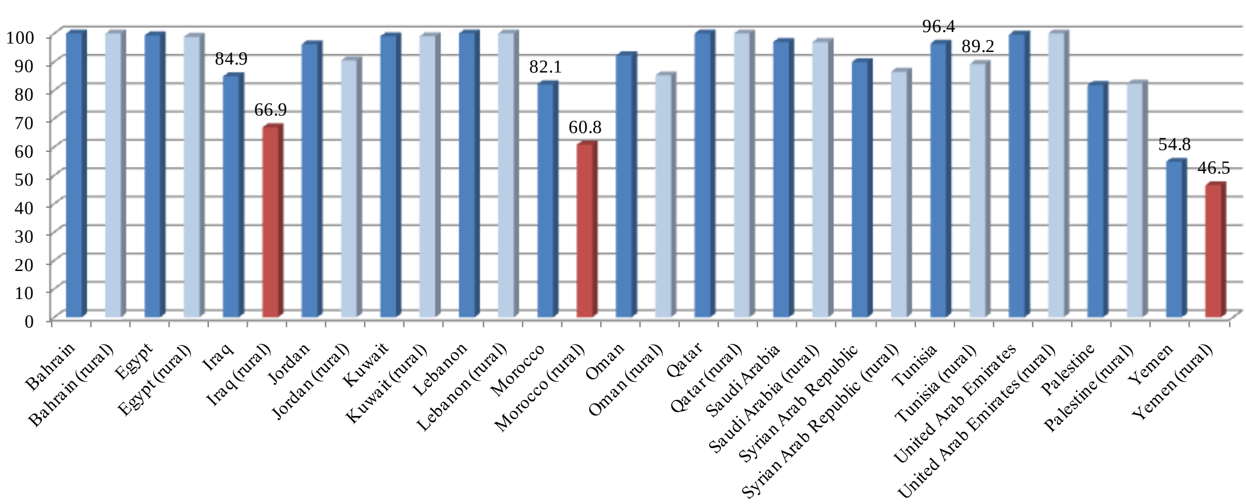
Source: World Bank, 2011, World Development Indicators data files.

Notes: The *y* axis shows GDP per capita in purchasing power parity (constant 2005 international dollars). The description of the *x* axis is given between parentheses above each chart. Figures are based on most recent data available (primarily 2010). Regional groups include only those countries classified as 'developing' by the World Bank. LAC indicates Latin America and the Caribbean. EAP indicates East Asia and the Pacific.

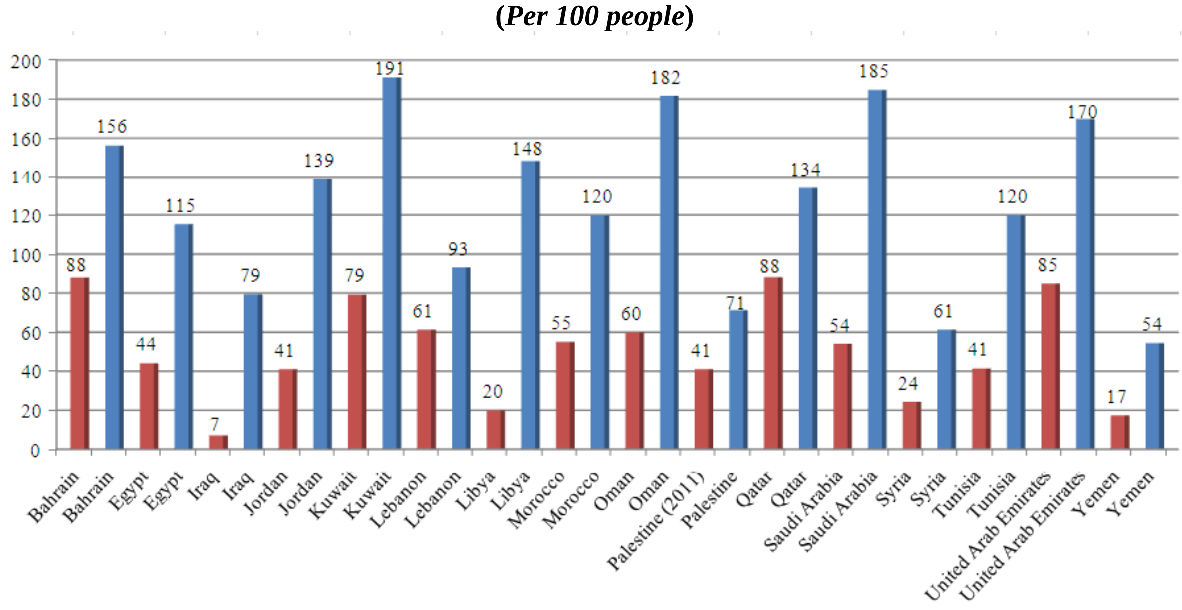
Furthermore, within individual countries, regional disparities and rural/urban gaps may be significant. For example, in Egypt in 2009 the poverty headcount index was estimated at 10.1 per cent for urban areas but reached 28.9 per cent for rural areas. Similarly, in Morocco in 2007 the poverty headcount index was estimated at 4.8 per cent for urban areas and 14.5 per cent for rural.[4] Generally, access to infrastructure can be limited especially in certain areas or for certain social groups. Figure II presents a more detailed demonstration of the disparities between different countries.

Figure II. Disparities in infrastructure, selected Arab countries, 2012

(a) Access to improved water source, national average and rural
(*Percentage*)



(b) Internet users (red) and mobile cellular subscriptions (blue)
(*Per 100 people*)

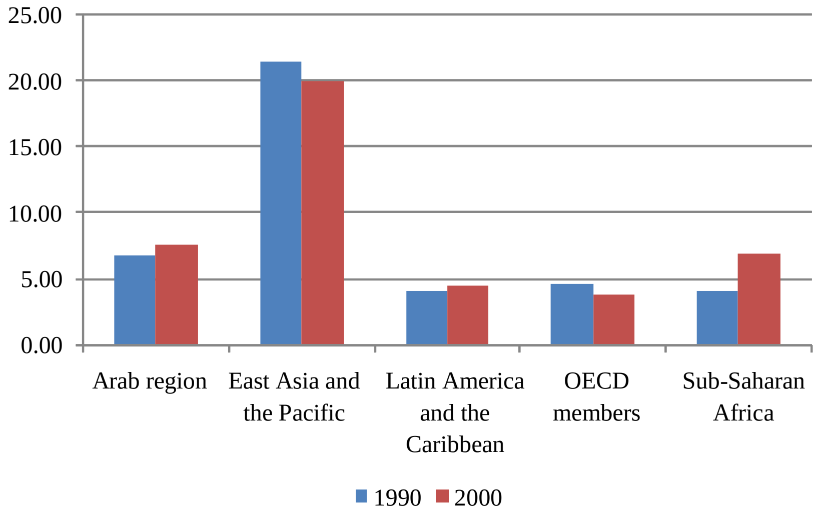


Source: World Bank, 2012, World Development Indicators data files.

[4] Abu Ismail and Al Jondi, 2011, p. 8.

Data on public investment is limited for a number of reasons. First, few national statistical offices publish capital stock data, and national estimates of gross or net capital stocks are not necessarily comparable because different methodologies are used and time series data are not available.[5] This paper, therefore, has used gross fixed capital formation as a proxy for public investments. As illustrated in figure III, public investment spending in the Arab region in both 1990 and 2000 was higher than in most developing regions, due mostly to significant spending in oil-exporting countries, which were enjoying booming revenues.

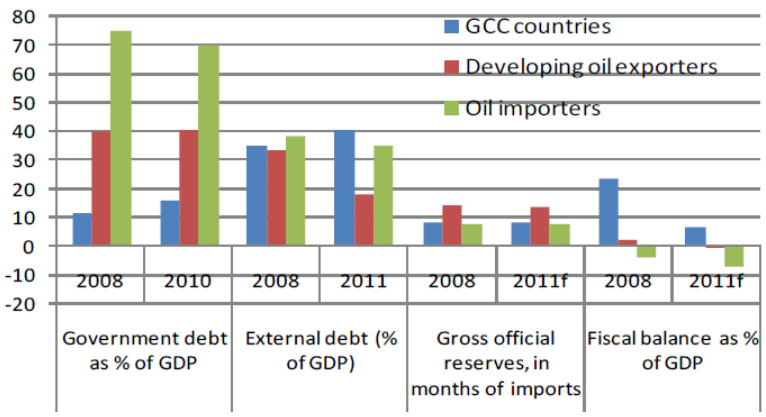
Figure III. Public gross fixed capital formation by region, international comparison



Source: World Bank, 2011; and ESCWA staff calculations.

Note: Public share of the gross fixed capital formation (formerly gross domestic fixed investment, or net investment) includes land improvements; plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings.

Figure IV. Fiscal capacity indicators in Arab subregions



Source: Ianchovichina and others, 2012, p. 4.

Although the region has enjoyed significant levels of infrastructure investment in the last two decades, significant disparities remain in the quality and quantity of infrastructure across different countries and subregions. Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) enjoy the highest quality infrastructure and infrastructure-related services in the Arab region. Those countries have invested oil revenue into infrastructure and achieved an advanced stage of

[5] Égert and others, 2009.

development. By contrast, developing countries in the Arab region suffer from serious infrastructure deficiencies, which are a developmental challenge and an obstacle to regional integration. Public spending on investments has been particularly weak in oil-importing countries, which have much more limited fiscal space than the oil-exporting countries (figure IV). Oil-importing countries (Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia) face the toughest fiscal constraints, and will find it difficult to attract private financing to satisfy the growing need for infrastructure. Some are reaching very high levels of external debt, namely Lebanon (71 per cent) and Tunisia (58 per cent).[6]

Despite efforts to modernize Arab economies and broaden their industrial base beyond the traditional sectors and create jobs, the competitiveness Egypt, Jordan, Lebanon and Yemen is still severely hindered by underdeveloped infrastructure. There is a need for private investment to fill the funding gap in many countries of the region, where public funds are not large enough to fully finance infrastructure development.

While there have been visible developmental efforts to date, several countries need to deal with the effects of the Arab uprisings in a systemic way in order to build on the developmental gains from the last 10 years. According to World Bank estimates, some US$106 billion per year in infrastructure investment is needed in the Middle East and North Africa (MENA) region,[7] according to the following breakdown: US$23 billion in oil-importing countries, US$48 billion in oil-exporting countries and US$34 billion in GCC countries.[8] The same study estimated that there is an investment gap of around US$60 billion per year which, under the current fiscal circumstances, opens the door wide for private involvement in infrastructure financing. Even oil-exporting countries will each need to spend as much as 11 per cent of GDP per year in order to sustain economic growth.[9] Moreover, in order to close the existing funding gap, certain inefficiencies need to be addressed as quickly as possible through better planning and lower hidden costs, a robust pipeline, a strong regulatory framework and well-prepared projects. Undoubtedly, accelerating economic growth and creating jobs are two fundamental challenges that the region must tackle. The quality and accessibility of infrastructure will play a catalytic role in overcoming these challenges. Investment in infrastructure will help countries to maintain existing growth rates, may also become a major source of employment in the region.

In the light of the recent political events across the Arab region, the newly appointed Governments are embarking on the transition from a rentier State to a new developmental State. This concept entails several major shifts in the national development plans, encompassing industrial, agricultural, investment and trade policies, and environmental protection, all scrutinized through the prism of social justice, participation and poverty reduction. In parallel with shifting their key economic policies, some of the major challenges the region must deal with, which are certainly at the core of the popular discontent, are job creation for the fast-growing labour force, the growth of urban populations and increasing pressure on already overburdened urban infrastructure.

The urban setting in the Arab region is under extreme pressure today, due to rapid urbanization over the last decade. According to World Bank estimates, out of a population of 310 million in 2012, 60 per cent reside in urban areas.[10] This is expected to rise to 65 per cent by 2025, due at least in part to underinvestment and to the generally difficult conditions (resulting in some measure from poor infrastructure) in the agricultural sector. For this reason, providing infrastructure in all its facets is one of the key challenges in the region. Another important trend in the region is the rapidly growing labour force, which poses an immense challenge to sustaining economic growth in the long run. The Arab region has one of the largest youth populations in the world. By 2015, around 60 per cent of the population of the Arab

[6] World Bank, 2011. Data refer to 2009.

[7] Includes: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Palestine, Qatar, Saudi Arabia, the Syrian Arab Republic, Tunisia, the United Arab Emirates and Yemen.

[8] Ianchovichina and others, 2012, p. 8.

[9] Ibid.

[10] World Bank, World Development Indicators data files.

region will be under the age of 30.[11] Based on population projections of the increase in the working age population (age 15-60 years), the number of additional jobs that need to be created in the region is 94 million by 2030, or almost 5 million jobs a year.[12]

There is a mismatch between the resources available in the Arab region and investments in the region. Traditionally, the abundant liquidity at the disposal of Gulf countries has flowed out of the region in the form of external investments or has been deposits in banks both inside and outside the region. There are various ways to tackle and attempt to reverse this trend, but fundamental shortcomings must be addressed to make it advantageous for investors from the region to invest within the region.

Infrastructure development is a necessary precondition for all developmental endeavours. There is no qualitative change in industry, trade, agriculture, investment or any other area, without good infrastructure, namely water, energy, transport and communication. For example, Calderon and Serven examined the experiences of 121 countries during the period 1960-2000 and assessed the impact of infrastructure stocks on growth and inequality. Their results confirm that infrastructure positively impacts growth and lowers income inequality, and they therefore argue that infrastructure development is a win-win solution for poverty reduction.[13] Another study found that all dimensions of infrastructure stocks have a positive impact on growth. The study used standard growth regressions in a panel of 16 East Asian countries at five-year intervals.[14]

The current status of infrastructure in the Arab region hinders growth prospects, regional integration, and the competitiveness of particular countries. According to the Global Competitiveness Report 2012-2013 and the Executive Opinion Survey conducted by the World Economic Forum, the most problematic factors for doing business in the region include the inadequate supply of infrastructure, restrictive labour regulations, inadequate access to financing and inefficient government bureaucracy. While GCC countries were well ranked in the Global Competitiveness Report 2012-2013, including Qatar (11), Saudi Arabia (18) and Kuwait (37), other Arab countries came in much lower, namely Jordan (64), Morocco (70), Lebanon (91), Egypt (107), Libya (113) and Yemen (140). In terms of the quality of overall infrastructure according to the same report, rankings were as follows: Egypt (88), Libya (128), Yemen (130) and Lebanon (141).

Despite the moderate growth performance of many Arab economies prior to the recent uprisings, one cannot count on sustaining such a pace in the long run without providing good quality infrastructure. Improved provision of high-quality basic infrastructure services, including hospitals, schools, water supply and sanitation, raises living standards and improves the prospects for employment and inclusive growth. Using the production function approach, one study showed that transport, electricity, gas, water supply and communication facilities have a significant positive effect on economic growth, and show increasing returns to scale.[15] Another study argued that investment in energy and transportation expand access to and benefits from education, building capacity among the poor. It also argued that investments in sectors such as energy, sanitation, transport and water positively affect health outcomes.[16]

Infrastructure investment will increasingly appear at the top of the developmental agenda of many countries in the Arab region, as it is a necessary precondition to support growth and job creation. Yet the reality in the region reflects large differences in the starting points in terms of existing stocks and needs, fiscal circumstances, private sector participation and potential for job creation. Several countries of the

[11] United Nations, Department of Economic and Social Affairs, Population Division, 2011.

[12] UNDP, 2010, p. 15.

[13] Calderon and Servén, 2005.

[14] Seethepalli and others, 2008.

[15] Sahoo and Saxena, 1999.

[16] Brenneman and Kerf, 2002.

region have shown strong commitment to reforms on several fronts, but the process is hampered by political uncertainty.

B. WORLDWIDE AND REGIONAL TRENDS IN FINANCING INFRASTRUCTURE

According to the World Bank Private Participation in Infrastructure Database, the number of infrastructure projects financed through private participation in 2011 in the Arab region was the lowest in more than 15 years, with only two new infrastructure projects reaching financial or contractual closure in low and middle income countries of the Arab region (one each in Algeria and Jordan). By contrast, there were 53 new infrastructure projects in Europe and Central Asia, 89 in Latin America, 104 in South Asia, 85 in East Asia and the Pacific, and 18 in sub-Saharan Africa in 2011.[17]

The Arab region is not alone in seeing decreases in infrastructure investment. Total investment commitments in infrastructure projects in East Asia and the Pacific fell from US$14.5 billion in 2010 to US$10.4 billion in 2011, a decrease of 39 per cent. South Asia witnessed a 45 per cent drop, from US$60.2 billion in 2010 to US$41.5 billion in 2011. Sub-Saharan Africa also witnessed a 13 per cent drop in investment commitments from US$12.9 billion in 2010 to US$11.4 billion in 2011. However, during the same period, investment commitments in Europe and Asia rose by 34 per cent from US$16.6 billion to US$29.9 billion. Latin America experienced the biggest increase in investment commitments, growing 46 per cent from US$29.9 billion to US$55.4 billion.[18]

Initiatives to attract investment that have succeeded in other countries or regions may prove useful Arab countries that wish to encourage PPPs for infrastructure development. The following section highlights the example of Latin America, the role of PPP units at the national level in sub-Saharan Africa, and the achievements of international initiatives to promote PPPs.

1. *Infrastructure development in Latin America*

Infrastructure investment Latin America far outstrips that of the Arab region for a number of reasons. In addition to the much-heralded recent growth in the region, countries in Latin America are undertaking structural reforms to create legal and institutional frameworks more conducive to private investment in infrastructure projects. Latin America has witnessed a sustained period of political and economic stability, and proven to be a good place in which to make infrastructure investments, and a variety of initiatives and policies have been implemented to attract foreign capital, including tax holidays, reduced prices, guaranteed feedstock supply agreements, reduced income tax rates, exemption for taxes on repatriation of profits, and duty free import of project materials. Countries such as Brazil, Chile, Colombia, Mexico and Peru are aware of the need for foreign capital in infrastructure projects, and have been working on improving their regulatory framework in order to achieve this goal. Peru, for instance, has created a governmental agency called ProInversion, whose mission is to promote private investment.

To attract foreign investment in Brazil, the Government recently enacted a special tax regime that grants exemptions on import duties for goods and services related to the Confederations Cup, the 2014 World Cup and the 2016 Olympic Games, known as RECOPA. The Government of Brazil is supporting continued growth (enhanced by demand for natural resources and commodities), and in the lead-up to the upcoming World Cup and Olympic Games, it is promoting greater private funding of infrastructure. The special tax regime loosens the terms of PPP contracts by allowing the private partner to spread out tax payments over the course of the concession contract, as well as allowing the public partner to make

[17] Based on Private Participation in Infrastructure Projects Database update notes 79-84. Available from http://ppi.worldbank.org.

[18] Ibid.

milestone payments during construction.[19] Furthermore, dispersing tax payments during the contract will help relieve the burden of the initial investment for the concessionaire. Now, with milestone payments during construction, developers will receive money sooner, creating a positive economic impact. The Government has also established a fast-track regime (Regime Diferenciado de Contrataçao) for the award of public contracts related to the Confederations Cup, World Cup and Olympic Games in the so-called Brazilian Growth Acceleration Programme, which is focused on improving the infrastructure of the country.

The Latin American region has also benefited from increased access to finance, which has in turn increased funding sources for PPPs.[20] These include infrastructure and pension funds, and capital markets. Infrastructure funds purchase shares in infrastructure project companies, and work with strategic investors such as operators and construction companies to maximize revenue and increase equity value over time. In addition, many countries in the region allow pension funds to commit capital to infrastructure funds and hold long-term debt issues. The long-term life cycle of infrastructure assets tends to match the long-term liabilities of pension funds and allows optimal planning. Listed infrastructure shares in capital markets are attractive to investors because of the intrinsic characteristics of both the underlying business and the investment vehicle. In recent years, shares of Latin American infrastructure companies have outperformed their benchmarks: the Standard and Poor (S&P) Global Infrastructure Fund and Emerging Markets Infrastructure Index Fund and the Macquarie Global Infrastructure 100EFT. The Latin American Trust (Fedeicomiso) has also proven to be a useful tool in project finance, as governments in that region have been able to use it to attract private sector resources into infrastructure development through its role of encompassing the financial and contractual relationships of projects, including guaranteeing and facilitating access to domestic and international capital markets.

2. *Establishing PPP units*

Managing a successful PPP programme requires a range of specialized functions, which not all governments have. In such instances, PPP units can be established to effectively manage a project. These units are designed to house technical skills such as setting policy and strategy, project origination and identification, analysis of individual projects, transaction and contract management, monitoring and enforcement.[21] Currently, Europe and Central Asia has the greatest number of PPP units (37). On an individual country basis, India has the most PPP units (11). South Asia follows with 15, then East Asia and the Pacific with 12, and North America with 7. In sub-Saharan Africa, seven countries have PPP units. Unsurprisingly, the Arab region has the smallest number, with a single central PPP unit in Egypt.[22]

In sub-Saharan, there has been a concerted effort to create dedicated PPP units.[23] Reasons for this include the following:

(a) Creating a centre of knowledge and expertise that can provide individual departments with technical assistance during the creation of a PPP, and monitor departments through its regulatory approval mechanism;

(b) Countering the possibility that government departments do not fully appreciate the budgetary implications of PPPs (which are extrabudgetary in nature);

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[19] However, it is worth noting that almost all Olympic and major sport events had severe budget overruns due to optimistic calculations of revenues and conservative assumptions about spending.

[20] The analysis in this section is based on evidence presented by Alternative Latin Investor and on the website of Latin Infrastructure Quarterly.

[21] Sanghi, 2007.

[22] Figures collated from PPP in Infrastructure Resource Center of the World Bank, PPIAF and IFC.

[23] Analysis in this section is based on Burger, 2006, pp. 4-9.

(c) Monitoring and judging the affordability of infrastructure projects, in particular, acting as a regulatory body within the government, but at an arm's length from the implementing department.

South Africa has perhaps the best known and most advanced PPP unit in sub-Saharan Africa. In 1997, the cabinet approved the appointment of an interdepartmental task team to develop a package of policy, legislative and institutional reforms to create an enabling environment for PPPs. The main function of the unit is to ensure that all PPP agreements comply with the legal requirements of affordability, value for money and sufficient risk transfer. As is the case with other PPP units around the world, the South African unit is intended to guide the operations of both central and local government departments in their undertakings of PPPs, to follow international best practice and facilitate the successful creation of PPPs. However, the promotion of PPPs has not necessarily been smooth, as an average of only two PPPs are created in South Africa per year. This is mainly due to a lack of staff in individual departments and provinces with the skills to develop a partnership and take it through its projected life cycle.

3. *International initiatives*

In 2005, member of the Group of Eight pledged to substantially increase development aid to Africa, particularly for infrastructure. As a result, the African Infrastructure Country Diagnostic (AICD) study was carried out by the World Bank to collect and analyse data on the status of the primary infrastructure networks in 24 countries in sub-Saharan Africa. The study provided cross-country data for eight major sectors: air transport, information and communication technologies, irrigation, ports, power, railways, roads, and water and sanitation. It also tracks indicators which cover key areas in relation to policymaking: affordability; access and pricing; as well as institutional, fiscal and financial aspects. The analysis encompassed public expenditure trends, future investment needs and sector performance reviews. It offered users the opportunity to view the results of the study, download documents and material, search databases and perform customised analysis. This meets the objectives of evaluating past interventions, prioritizing current investments and monitoring future progress.

Further to the theme of offering advisory services to build the capacity of Governments in the developing world to promote PPPs, the United Nations regional commissions for Europe and for Asia and the Pacific have dedicated PPP work streams. In addition, the World Bank Public-Private Infrastructure Advisory Facility (PPIAF) is a multi-donor trust fund that provides technical assistance to Governments in developing countries for the creation of an environment conducive to private investment, including the necessary policies, laws, regulations, institutions and capacity-building. It also supports Governments in the development of specific infrastructure projects with private participation. The Asian Development Bank has developed a PPP handbook which provides an overview of the role, design, structure and execution of PPPs for infrastructure development. The African Development Bank promotes PPPs on the continent through technical capacity-building and project funding. To this end their cumulative financing for infrastructure projects and programmes over the period 2008-2012 amounted to US$17.5 billion.[24] In Europe, the European PPP Expertise Centre, the European Public-Private Partnership Forum and the European Investment Bank provide technical assistance and project finance for PPPs.

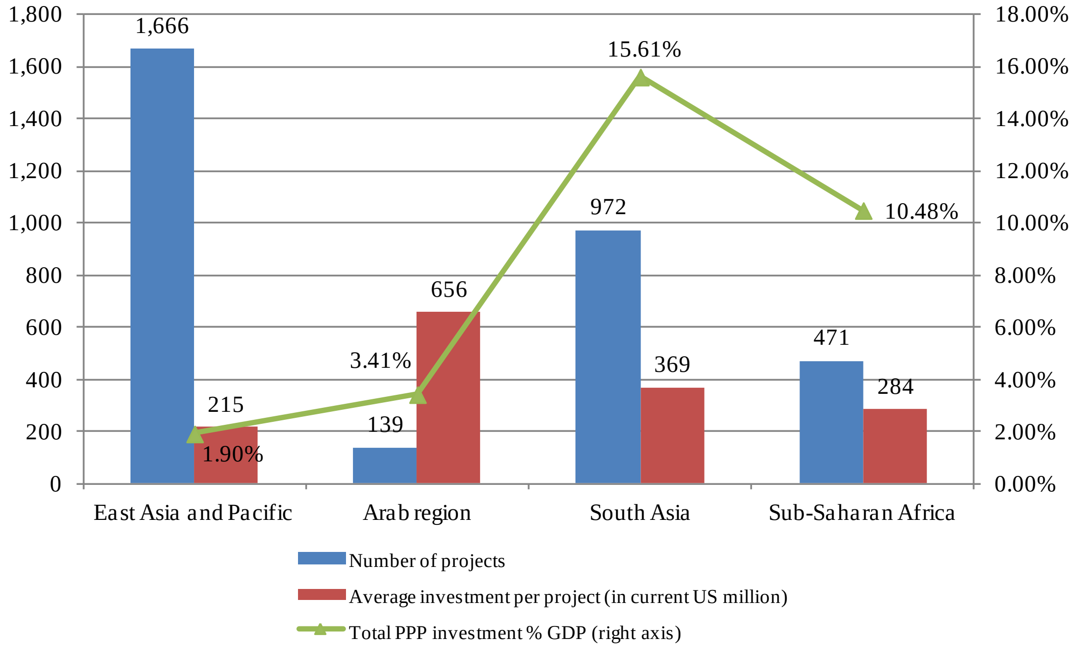
[24] African Development Bank, 2013, p. 47.

II. FINANCING INFRASTRUCTURE THROUGH PUBLIC PRIVATE PARTNERSHIPS IN THE ARAB REGION

A. STATUS OF PUBLIC-PRIVATE PARTNERSHIP DEVELOPMENT IN THE ARAB REGION

In the Arab region, PPPs are not a new concept. Historically, projects financed via private participation were referred to as concessions, build-operate-transfer projects or similar models which fit under the PPP umbrella. Overall, the Arab region has experienced a lower number of PPP projects and total private investment commitments compared to other developing regions. Figure V presents a breakdown of the total investment commitments and the number of PPP projects during the last twenty years in selected developing regions. Despite the limitations of comparisons between developing regions, figure V sheds light on the relative success of different regions in attracting private investment to infrastructure development and engaging with PPPs to deliver public services.

Figure V. Total investment commitments to PPP projects and number of projects in selected developing regions, 1990-2012



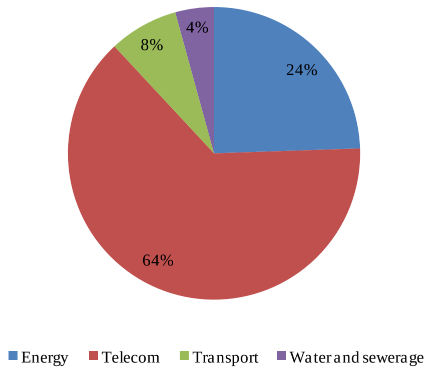
Source: World Bank and PPIAF, Private Participation in Infrastructure Projects Database; and ESCWA staff calculations.

Note: Investment commitments include expenditures on facility expansion, divestiture revenues, and license or canon fees.

Figure V shows that during the period of 1990-2012, the Arab region had fewer infrastructure projects than other developing regions (139), roughly one third of the number undertaken in sub-Saharan Africa (471) across the sectors of energy, telecommunications, transport, and water and sanitation. Total investment for the region was also the lowest, at US$91.1 billion.

Over the past 20 years, the Arab region has accrued the lowest investment volume and number of PPP projects of all developing regions. The majority of PPP projects were clustered in the telecommunications and energy sectors (figure VI). One reason that the telecom sector has attracted investment is that the sector offers an attractive return on investment, as the concession is based on direct revenue collection from end users. By contrast, PPPs in the sectors of water, transport and energy are usually linked to receiving subsidies from the Government, and for that reason are associated with more risk. The dominance of PPP projects in the telecommunications and some projects in the energy sector is notable (namely in Egypt, Morocco and Tunisia), and investors have shown increasing interest in education and urban development particularly in the United Arab Emirates. Historically, Arab Governments have been a reluctant to involve private investors in strategic sectors such as water.

Figure VI. Total PPP investments commitments by sector in the Arab region, 1990-2011

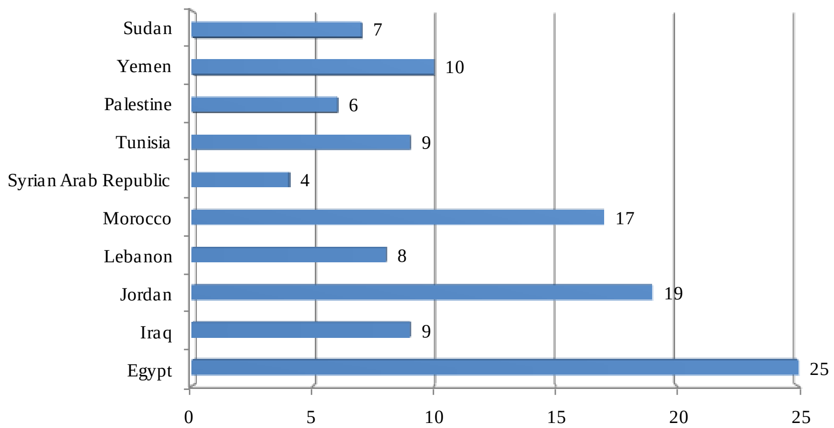


Source: World Bank and PPIAF, Private Participation in Infrastructure Projects Database.

The relatively poor performance of the region in mobilizing private capital for larger infrastructure projects is due to both region-wide and country-specific characteristics. To varying degrees, most Arab countries are facing constraints such as a fragile political environment, the lack of public consensus on the need for PPPs, a non-existent PPP regulatory framework, unclear division of authority between Government ministries for the implementation of such projects, unclear dispute resolution mechanisms, and other governance-related issues.

Global investments in infrastructure fell sharply in 2012, driven by a combination of reduced public spending and decreased availability of long-term private sector financing. This has been the case in the Arab region as well, where the infrastructure finance market has been affected by both the financial crisis and the impact of the Arab uprisings. Foreign direct investment (FDI) and domestic funding in transitional countries have been on a downward trend since 2011, with a negative impact on infrastructure spending across the region. Many projects have been stalled, delayed or even cancelled. The total number of PPP deals has been on a downward trajectory since 2005 and two were closed in 2011 and five in 2012.

Figure VII. Number of infrastructure projects in selected Arab countries, 1990-2012



Source: World Bank and PPIAF, Private Participation in Infrastructure Projects Database.

The ongoing political transition in the Arab region constrains the decision-making process and prevents many Governments from committing to long term projects including those to be carried out through PPPs. In addition, security concerns and political uncertainty have increased the general perception of risk and discouraged investors. This has been exacerbated by the global contraction in the pool of long-term capital available for infrastructure investments as a result of the dynamics in financial markets, driven by higher regulatory capital requirements for the banking and the insurance sector.

Despite the repercussions of the financial crisis (even though different countries in the region were affected to different extents) and the constraints in the banking market, it is realistic to expect that good projects will manage to attract private finance. In addition, considering the context of increasingly tight public budgets and the desire to bolster both economic growth and private sector employment, Governments will undoubtedly see fit to foster private sector involvement in infrastructure development. According to private sector practitioners who have been operating in the region for many years, it is expected that the focus will be on more essential projects, such as basic infrastructure (utilities and transport) and social infrastructure.

B. Challenges for implementing public-private partnerships in the Arab region

PPPs can be complex ventures requiring close supervision from the Government, and a serious commitment from both the private and public sectors. Governments entering PPP arrangements should first consider the existing legal framework, and the governance and supervisory frameworks for PPP projects. For this reason, it is essential to have a comprehensive preparatory phase to lay the groundwork for PPP projects and set up the appropriate institutions and the legal infrastructure required for it.[25] This does not necessarily imply that a government is prohibited from entering into PPP arrangements without taking those actions; however, based on the experiences of other countries around the world, it is clear that countries will close PPP deals more quickly and face fewer problems during the implementation phase if they follow a systematic approach and build a sound institutional and regulatory framework before the project begins.

Figure VIII. Status of PPP projects in the Arab region

(a) Operational versus cancelled or distressed projects by sector (1990-2011)

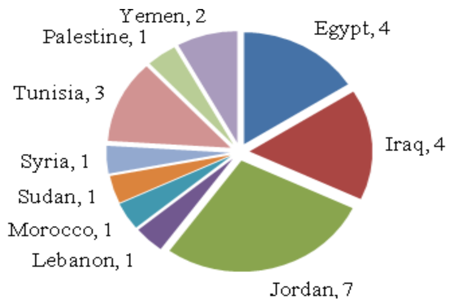
Operational

Sector	Project count
Energy	7
Telecom	6
Transport	7
Water and sanitation	5

Cancelled or distressed

Sector	Investment type	Project count
Telecom	Greenfield project	3
Transport	Greenfield project	2
Water and sanitation	Management and lease contract	1

(b) Operational projects by country (2007-2011)



Source: World Bank and PPIAF, Private Participation in Infrastructure Projects Database.

[25] PPIAF and World Bank published *Attracting Investors to Africa to African Public-Private Partnerships: A Project Preparation Guide,* to aid developing countries in Africa. Available from www.ppiaf.org.

In recent years, efforts to introduce PPPs for infrastructure investments in most Arab countries did not deliver on high initial expectations, with few projects implemented and a significant number of projects delayed or cancelled during the tendering process. The current (and growing) infrastructure gap in the Arab region shows that failure to deliver infrastructure projects must be ascribed to underperforming traditional public procurement methods in addition to the lack of success of PPPs. While availability and access to financing are fundamental drivers for the successful development of any infrastructure project, investments have been hampered by the following issues: weak infrastructure strategies and implementation, particularly related to the assessment of infrastructure needs and appropriate funding mechanisms; project priorities that are set without a sound feasibility analysis and due diligence; and flaws in structuring and execution.

The International Monetary Fund (IMF) surveyed 71 countries for the Public Investment Efficiency Index, which is derived from indicators across four key stages of the investment process (appraisal, selection, implementation and evaluation). Egypt, Palestine, the Sudan and Yemen were surveyed for the index and were ranked among the weakest performers.[26] This implies that public investment management processes in are poorly developed those countries. Their performance was especially weak on subindices that highlight inefficiencies in particular areas, such as project appraisal and evaluation. That assessment indicates that public sector procurement capabilities are one of the key challenges for the implementation of successful PPPs in the region. In general, PPP projects face different challenges during the preparation and implementation stages. Liquidity does not seem to be a major constraint on PPP deals in the Arab region. As highlighted by several PPP practitioners in the region, the main constraints are the pipeline of deals, political stability, legal frameworks and the technical capacity of Governments.[27] The low level of expertise within national institutions to design and/or structure, implement and monitor such projects is the primary obstacle the region must overcome. Table 1 details some of the major challenges of select countries in the Arab region.

TABLE 1. CHALLENGES FOR PPP PROJECTS IN SELECTED ARAB COUNTRIES

Egypt	Lebanon	Morocco	Tunisia
PPP law passed in 2010 as part of the Government strategy to reform the economy and increase energy and infrastructure development. Nevertheless, recent political instability has affected its implementation.	No legislative framework yet in place; draft law on PPP not yet ratified.	The law on outsourced management is sometimes more influenced by a concession approach than by a PPP approach.	Telecommunications is the only sector for which the law uses the term PPP, while numerous PPP contracts implemented in other sectors are governed by concession law.
Limited culture of performance-based assessment; limited capacities of public management.	Commitment to reform affected by political instability.	Despite strong commitment to PPP from the Government, capacities within the public sector are still limited.	Commitment to reform affected by political instability.
High political risk implies investor requests for sovereign guarantees.	Low cost recovery and high public debt; limited room for public subsidies.		

Source: Kauffmann, 2011; and ESCWA.

Traditionally, GCC countries have invested revenue from trade surpluses into domestic infrastructure and development projects. This has not been driven by fiscal necessity, but was a developmental option that aimed to achieve economic diversification, reduce the size of the public sector and strengthen the private sector. By contrast, other Arab countries are increasingly committing to PPPs due to fiscal constraints, so

[26] Dabla-Norris and others, 2011.

[27] ESCWA, 2013.

partnerships act as extrabudgetary mechanisms for infrastructure development.[28] In addition, the risks of investment can be shared between PPP partners, and sharing risk is of particular importance especially for developing countries. That said, a successful project must transfer a realistic amount of risk to the private partner, and Governments must not use the partnership as an off-balance-sheet financing mechanism. Excessive risk transfers may simply deter prospective bidders from participating in the project and consequently drive up the costs.

Despite the abundance of financial resources available within the region, certain projects have poor bankability, meaning that their prospect of attracting investment is poor. The Arab region is in great need of basic infrastructure, ranging from water and sanitation to energy, transportation and social (subsidized) housing. Potential projects in these areas are not necessarily attractive from the standpoint of the return on investment, but are indispensable for increasing the quality of life of citizens. The bankability of those projects is exposed to thorough scrutiny. Whichever sector is under consideration, following basic principles is crucial: the project must be both essential (that is, there is high demand and it is indispensable for socioeconomic development) and feasible. As previously stated, the region has experienced much more investment in PPP projects in the telecommunication sector due to the direct collection of fees, among other reasons. There are other sectors where the cost recovery is strained, and depends on government subsidies and other factors which are not under the direct control of the service provider. For this reason, there are some essential public service projects which are vital for the development of communities and require a strong commitment from the Government in order to attract private financing. In this context, one cannot overstate the importance of the commitment of the Government to participate in PPPs, and to facilitate the process to the best of its ability.

Despite the global financial crisis, GCC banks have expressed growing interest in project finance. For example, the National Commercial Bank and Samba Financial Group in Saudi Arabia[29] have pooled their resources and financed the US$1.5 billion Medina Airport deal. For GCC countries, the pipeline of projects is the main constraint to be addressed, while for other Arab countries, development banks seem to be increasingly interested in the region, and have the potential to be an important source of funding. The European Investment Bank is taking more interest in the southern Mediterranean, together with the International Finance Corporation (IFC) and Islamic Development Bank (IDB).

The Arab region itself does not have a development bank, which greatly restricts the range of financing opportunities and the ease of mobilizing resources for projects in the region. In fact, existing development funds or banks are not fully supporting Arab regional integration, yet their support is needed to achieve greater intraregional trade and investment, and ultimately, more inclusive economic development. Funding for regional or subregional projects provided by those funds or banks is limited to specific areas (trade, water, education, health, and so on), and does not involve strategic intraregional projects, such as the development of transportation infrastructure between neighbouring countries. The establishment of an Arab development bank that would support regional projects would greatly facilitate access to finance, as well as knowledge-transfers across the region. Nevertheless, the heterogeneity of Arab States poses a significant challenge to the establishment of a unified development bank.

In the aftermath of the tremendous changes brought by political transition, the need for financing in the Arab region has increased significantly, particularly in those countries which have experienced major political upheaval. The majority of non-GCC countries have experienced a significant decrease in gross national savings since 2007. Gross national savings in Lebanon dropped from 21 per cent of GDP in 2007 to 8 per cent in 2013. The same indicator for Tunisia decreased from 21 per cent in 2007 to 18 per cent in 2013. Net Government debt in Jordan increased from 61 per cent of GDP in 2010 to 79 per cent

[28] Booz and Company, 2012, p. 6.

[29] Lavanchy, 2012.

in 2013, while in Egypt it grew from 60 per cent in 2010 to 75 per cent in 2013.[30] In addition, the availability of private capital has greatly diminished, due in large part to changes in risk perception associated with the political situation in the region over the past year, particularly in regard to long-term financing. In Egypt, FDI dropped from almost 6 per cent of GDP in 2008 and actual disinvestment took place in 2011. Portfolio investments have dropped by 40 per cent between 2008 and 2011. Tunisia has experienced the same phenomena, with FDI decreasing from 5.8 per cent of GDP in 2008 to 0.93 per cent in 2011.[31]

The ability of IDB to satisfy long-term financing needs is constrained by its adherence to sharia-compliant financial mechanisms such as *sukuk*. Moreover, IDB cannot meet the requirements of major infrastructure projects that need financing over 10-15 year timeframe. Even though bonds deals are a current trend in project finance, experience from the region has revealed many limitations to the bond market.

The contribution of both non-banking financial institutions and debt capital markets in private sector financing is still low when compared to banking credit facilities in the region, and to debt capital markets in other developing and emerging bond markets.[32] Even though several Arab countries have endeavoured to establish an adequate market infrastructure for the development of public debt markets, these efforts are nascent. Developing these markets will benefit the region not only by expanding alternative sources of financing, but also by contributing to financial stability by changing the financial system from being primarily bank-oriented to being multilayered. As a group, MENA countries perform relatively well in regulation and supervision, as well as in financial openness.[33] Nevertheless, they need to do more to reinforce the institutional environment and to promote the development of the non-banking financial sector to reduce the maturity mismatch between assets and liabilities. Those steps would benefit PPPs greatly.

Political stability and effective regulatory frameworks for PPPs have become the essential comparative advantage defining the ability of a country to attract international investors and operators in infrastructure services. Given the mixed experience of implementing PPP projects in the region, attention should be paid to securing political support, and to structuring projects in an economically viable manner. It is essential for countries to invest in capacity-building in the field of public management, especially in assuring transparent and competitive procurement, and to set clear dispute resolution mechanisms. There have been several success stories of involving the private sector in financing infrastructure in the power and water sectors of oil-rich countries.[34] Setting up a comprehensive PPP programme, along with the legislative and regulatory framework, has been the key to success of PPP projects in those countries. Considering the ongoing transition in many countries of the region, establishing political stability proves to be one of the primary challenges to securing long-term investments in infrastructure assets.

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[30] IMF, World Economic Outlook Database, April 2013 edition.

[31] World Bank, 2011, World Development Indicators.

[32] Al Mannai, 2012.

[33] Creane and others, 2003.

[34] Keenan, 2011.

III. INSTITUTIONAL PREREQUISITES FOR PUBLIC-PRIVATE PARTNERSHIPS

> "*The benefits of investment do not necessarily accrue automatically or evenly across countries, sectors and local communities. Countries' continuous efforts to strengthen national policies and public institutions, and international co-operation, to create sound investment environments matter most*".[35]

In order for PPPs to have the greatest chance of success, significant steps must be taken to lay the groundwork for them. An enabling environment can have just as much impact on the success of a project as the structure of the transaction itself. Infrastructure projects often do not see the light of day because of the immaturity and disorganization of the market or the national context in which they are conceived, rather than a lack of willingness or readiness on the part of investors or operators. To this end, Governments can proactively prepare for PPPs, laying a foundation on which to build a sustainable and efficient programme that encourages participation and attracts investors.

The heightened need for international investors in infrastructure and public services in the Arab region means that it is all the more important for regulators to provide a transparent and predictable environment so that PPPs can achieve long-term efficiency.

In the Arab region, several areas can be targeted to create a more welcoming environment for investment and infrastructure development. Reforming and strengthening institutions that are involved in any part of a PPP transaction, even those that are not directly involved but that nevertheless may affect a project at a certain stage of its development, can make tremendous contribution to the success of a project. In some cases, certain institutional prerequisites must be established in anticipation of the demands of the private sector or international financial institutions, and the rigours of coordinating the different facets of a project from a government perspective.

A. POLITICAL WILL

Political will is the foundation on which institutional effectiveness can be built. A conscious and deliberate decision on the part of a government to use PPPs for development is the first step in creating an enabling environment, and it is often taken for granted and overlooked. Although they may recognize the benefits that PPPs offer in the provision of public services, Governments may not acknowledge the complexity of PPPs and may not know that they require the coordinated and concerted efforts of several different government entities working hand-in-hand with one or more private or international multilateral parties. Governments must have significant resolve and determination to move the project along at every stage of its lifecycle, especially to overcome obstacles or impasses. Government leaders may even be required to challenge the mindset of the public sector, do things differently from how it had in the past, or adopt a flexible attitude toward principles that may stand in the way of a project's completion.

Governments can hire the very best transaction advisors, but without determination and desire at all levels of the administrative hierarchy to take a project step-by-step from inception to approval, design, tender and ultimately, to financial close, such projects will falter and a much-needed public service or infrastructure asset will remain unrealized. Successful private sector ventures in infrastructure depend on "the capacities at all levels of government to implement agreed projects",[36] and it is important to evaluate not only the capacity to implement a project, but also the agreement between public sector players and stakeholders to implement that project in partnership with the private sector. In the absence of such determination and clear consensus, the potential to squander both time and money is significant for Governments and investors alike. Many investors and advisors allocate substantial resources and hours to preparing a bid in the hope of recovering these costs later in the form of revenues or a 'success fee'.

[35] OECD, 2002, Preamble.

[36] OECD, 2007, p. 11.

The World Bank stresses an important lesson learned from its experience with PPPs over the last 20 years: "strong political commitment to attract private finance is required at the highest level, and should be sustained over time . . . Continued leadership will ensure that PPPs remain integrated into the financing plan for an investment program, with the government and incumbent agencies aligned around this agenda".[37] For this commitment to be "developed, sustained and communicated by the necessary institutional structures… experience has shown the value in identifying a 'political champion' of PPPs able to provide an effective link between political priorities and institutional structures".[38] As many PPP programmes commence as an imposed initiative, with the decision to develop infrastructure through this methodology passed down from the highest positions in government to the relevant public entities and ministries, a dedicated awareness campaign can spread the word among the international business community and raise awareness internally and nationally on the reasoning behind a PPP programme, the pitfalls to avoid and the benefits that can be achieved if carried out correctly.

The support of a political champion for a PPP programme, as advocated by the World Bank, can be instrumental in guiding a country from the decision to develop infrastructure, to overcoming resistance to changing the status quo. This champion must have clear and unequivocal backing to introduce changes, including the institutional and legal reforms needed for a successful programme. Without that support, the champion is unlikely to succeed and the entire PPP programme may enter a state of paralysis.

Although the decision to start a PPP programme is generally a 'top-down' decision, the success of it relies on the lower levels of government to implement and work through the challenging complexity of the transaction, thus the programme must be defended at every level of the government. PPPs are not just a new tool for public procurement, but are a real change in the public sector approach to projects and asset operation; therefore, public sector employees must reach a comfort level in working with them. New legislative and regulatory frameworks may be needed to protect public sector employees. Professional development for them must be encouraged, as a shift towards PPPs should not be implemented simply as a new set of rules, but should be complemented by capacity-building and the empowerment of those in charge of project development and implementation.

The strong stand that a government must take on the issue of PPP-driven infrastructure development starts with the political resolve to carry out decisions once they are made, but continues well into the lifecycle of a PPP project. This political will must also include "special measures, in most cases of a financial or economic nature, that may be taken by the Government to enhance the conditions for the execution of a given project … Government support measures, where available, are typically an integral part of governmental programmes to attract private investment for infrastructure projects".[39] Such support can come in the form of tax or custom duty breaks, legal exemptions, or additional subsidies, to name but a few examples, and can incentivize private partners to carry out their responsibilities without being consumed by unacceptably tight margins.

B. Institutional framework

"*Effective legal, regulatory and contractual conditions are crucial to PPP success but can only exist if supported by an efficient institutional structure which both facilitates PPP development and provides clear boundaries to protect the interests of all parties*".[40]

[37] World Bank, 2011.

[38] European Commission, 2003, p. 48.

[39] UNCITRAL, 2000, p. 45.

[40] European Commission, 2003, p. 48.

Countries embarking on development programmes that feature PPPs as a driving force in public service and infrastructure provision must equip themselves with the capability and resources needed to carry out the task at hand. In addition to political will, the establishment of a clear and welcoming institutional framework encompassing legal and regulatory principles will greatly impact the likelihood that PPP initiatives will be successful. The institutional framework serves as the umbrella under which PPPs occur, however, there is no singular approach to its development, constituent elements or operation.

A number of differing approaches to PPPs are being undertaken by countries in the Arab region, with some creating specific PPP units and/or legislation, while others have embarked upon PPPs in the absence of specific legislation or designated institutional capacity.

1. *PPP units*

As highlighted in chapter two, PPP units are created to address weaknesses in areas including technical assistance, investment promotion, research and capacity-building that impact the ability of Governments to create and effectively manage PPP programmes. "To support the development of a strong bankable pipeline, the availability of local resources to drive the preparation, launch and management of infrastructure projects is essential… the establishment of local PPP units as a focal entity to support the development of PPPs [is encouraged]. The creation of PPP units in countries contributes to gathering expertise and helps with coordination amongst public entities".[41] Although not as widespread as in Europe, North America or Asia, PPP units are becoming more prevalent in the Arab region (table 2).

TABLE 2. PPP INITIATIVES IN SELECTED ARAB COUNTRIES

Country	Sectors	PPP unit
Bahrain	Energy/waste management/housing	No
Egypt	Transport/water/health/education	Yes
Jordan	Water/transport	Yes
Kuwait	Transport/recycling factories	Yes
Lebanon	Energy	Yes
Morocco	Energy/transport/water	Yes
Oman	Energy/transport/housing	No
Qatar	Transport	No
Saudi Arabia	Energy/transport/housing	No
Tunisia	Transport	Yes
United Arab Emirates	Energy/housing/transport	No
Yemen	Energy	No

Sources: Ghazaleh, 2012; and Markab Advisory, 2012.

Egypt and Jordan are two examples of the positive impact of PPP units and related legislation. In 2006 the Ministry of Finance of Egypt created the PPP unit to drive the development of the policy and legislative framework, appraise and deliver PPP projects in coordination with line ministries and the public sector, oversee the necessary capacity-building of public sector officers, and communicate the PPP vision and message of the Government to the private sector and broader community. The unit was later reorganized to increase its oversight and quality assurance roles. Egypt has undertaken PPP projects in areas such as water, transport, health and education.[42] The creation of a PPP unit and related legislation in Jordan helped facilitate the successful US$675 million expansion of the Queen Alia Airport in partnership with the private sector. These countries have benefited from having PPP units as a focal point for projects, giving both the Government and private sector an entity whose responsibility it is to facilitate the successful delivery of

[41] High Level Panel on Infrastructure, 2011, p. 3.

[42] PPIAF, 2012, pp. 2-4.

projects and address issues and bottlenecks when they arise. PPP units must, however, be equipped with qualified personnel or at least qualified-personnel-in-training. "Countries have realised the importance of sourcing high calibre experts to create a nucleus able to drive the process. ... As experience is gained the role of such units changes to focus on assisting the selection of PPP opportunities, counselling, ensuring value for money, investor attraction and above all maintaining political support".[43]

In a recent assessment of the legal framework for PPPs and concessions of Egypt, Jordan, Morocco and Tunisia, the European Bank for Reconstruction and Development found that "…the legal frameworks of Egypt and Tunisia are both deemed highly compliant in relation to best international practice. The compliant effectiveness of concession law in Jordan, Morocco and Egypt is higher (although still in the medium range) than in Tunisia (low effectiveness), which shows that the situation with respect to concession and PPP development in all four countries is not bad, although further progress must still be made".[44] To increase the chances for success of PPP initiatives, Governments may need to do more than establish PPP units. For example, a higher PPP council could link decision-makers with the PPP unit and set the partnership vision for the country, approve projects and provide the legal and political backing for project implementation. It can also prove helpful to establish nodal units in any ministry that plans to tender for PPP projects, which act as a connection point between ministries and the central PPP unit.

Although PPP projects are developed as part of a master plan by decision-makers in the Government, projects tend to be implemented by ministry employees who recommend the course of action that will satisfy public interest and carry out much of the practical transactions of a project. Without set institutions that can successfully manage and connect on every aspect of a partnership, there can be no mechanism to ensure accountability either within the government or of the private sector. Governments demonstrate serious preparedness to handle complex infrastructure projects by identifying a responsible party for every stage of a partnership and organizing those parties into a structure that provides stakeholders with a reference point for questions, concerns or clarifications.

2. *Legal framework*

Although PPPs do not require that a specific law govern such transactions, one encompassing regulation to address any issues that may arise can help simplify and streamline a relatively complex form of infrastructure development. It is commonly agreed that "countries with strong PPP programmes have strong legal frameworks".[45] As such, a well-drafted umbrella law explicitly delineating and addressing all the issues pertinent to PPP transactions sends a clear message to potential investors that their concerns will not be ignored and that the parameters of any project have not been left to chance, but have been thought out and clearly communicated. Such laws must have adequate provisions to guarantee the transparent resolution of disputes and ensure that labour laws are adequate. In addition, the passing of a PPP law establishes "high standards of public and corporate governance, transparency and the rule of law, including the protection of property and contractual rights...Success depends on a wide range of legislation and administrative practices bearing on private companies, their employees and other stakeholders, and the ability of local suppliers and subcontractors to partner with infrastructure providers".[46]

Countries often establish PPPs using existing laws as the foundation for the transaction, with existing contract law governing special purpose vehicle contracts, for example. Countries may grant exemptions in the name of the public interest where existing laws must be contradicted, such as exemptions to certain provisions of a labour law that govern hiring and firing that may be perceived as placing undue burden on the

[43] European Commission, 2003, p. 48.

[44] De Cazalet and Novel, 2012.

[45] Hamilton, 2012.

[46] OECD, 2007, p. 16.

private partner. The fact of the matter is that “investors will be unwilling to put capital at risk unless their rights and responsibilities, vis-à-vis the public sector, other enterprises and the general public, are firmly established and enforced by independent entities”.[47] That said, several countries in the region have successfully implemented PPP projects in the absence of an all encompassing law. For example, the privately operated international maritime container terminals of Tartous and Lattakia in the Syrian Arab Republic were both contracted well before any PPP-specific regulation was passed.

What is undisputed is that all parties involved in PPPs (the Government, private sector investors, lenders, designers, contractors and operators, and end users) must have adequate legal and regulatory protection, and countries must make a conscious effort to achieve long-term certainty with respect to the laws governing the project.[48] In general, “the constitutional, legislative and institutional framework for the implementation of privately financed infrastructure projects should ensure transparency, fairness, and the long-term sustainability of projects. Undesirable restrictions on private sector participation in infrastructure development and operation should be eliminated”.[49]

3. *Regulatory framework*

The regulatory framework is also an important success factor for PPPs. The European Commission has identified a litany of topics to be considered when setting up a legal and regulatory framework that attempts to anticipate issues that will undoubtedly arise in one form or another when implementing a PPP project.[50] These include the following:

- Legal capacity of parties and legal requirement of the State to provide services
- General legislation allowing or restricting private sector involvement, particularly foreign companies
- Existence and legal basis of cost recovery mechanisms
- Ability to provide guarantees
- Property issues of land and infrastructure
- Environmental impact assessment requirements
- Land acquisition
- Planning permission requirements
- Licenses
- Need for project-specific statutory requirements
- Potential conflict with the directives of the governing body and pertinent international organizations
- Transparency of laws
- Administrative coordination
- Dispute settlement provisions
- Forms of possible State financial support
- Competition and antitrust regulations
- Potential impact of employment and social security laws
- Currency and profit repatriation rules
- Public sector borrowing restrictions
- Tax and accounting liabilities
- Adequacy of selection and procurement procedures
- Legislation of governing project agreements and operational issues
- Property law
- Intellectual property law
- Transfer of know-how and technologies
- Adequacy of oversight and monitoring provisions and authority to regulate services

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[47] Ibid.

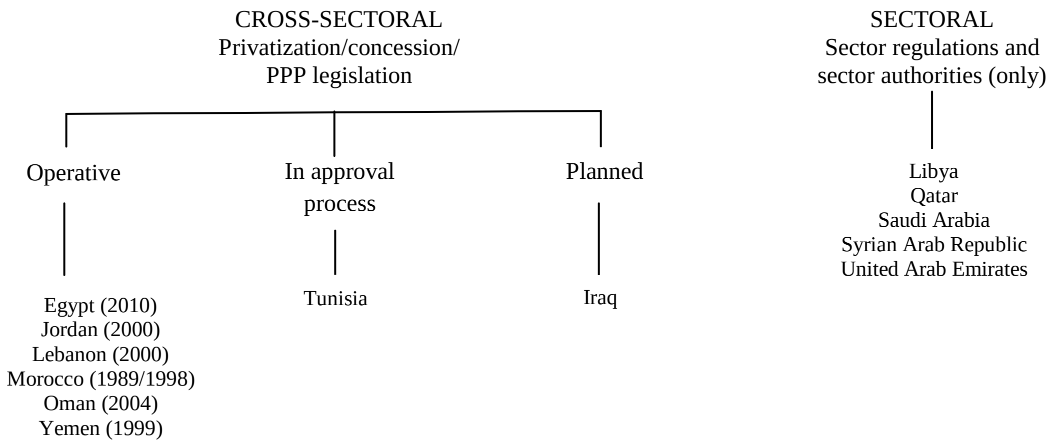
[48] High Level Panel on Infrastructure, 2011, p. 6.

[49] UNCITRAL, 2000, p. xi.

[50] European Commission, 2003, p. 38.

Broadly speaking, two approaches to regulatory frameworks for PPPs have been followed in the Arab region. As highlighted in figure IX, Arab countries with systems informed by civil law, in particular Maghreb countries, tend to adopt cross-sectoral (or horizontal) laws and regulations on privatization, PPPs and concessions. Countries that are more influenced by common law traditions, in particular GCC countries, tend to adopt sectoral regulations, and the corresponding authorities often have considerable discretion in the definition of non-contractual terms.

Figure IX. Approaches to regulatory frameworks for PPPs in selected Arab countries



Source: Compiled by ESCWA.

The importance of regulatory clarity is magnified when dealing with cross-border or regional infrastructure projects. It is recommended to establish mechanisms to facilitate the implementation and operation of such international undertakings. PPP transactions are usually more complicated than traditional public procurement or public provision of a service, but this complexity takes on a whole new meaning once a project extends beyond the territory and jurisdiction of a single country. In such cases, "special caution is warranted to ensure that project objectives are widely shared and underpinned by formal agreements and dispute resolution mechanisms. This applies to infrastructure projects generally, but is particularly important where non-government participants are involved".[51] Governments attempting to undertake cross-border projects would be well served to lay the regulatory groundwork at the onset, so the focus can be on the provision of the service rather than on the constant ironing out of differences between project partners.

C. CONCLUSIONS

Institutional frameworks consisting of legal and regulatory provisions are conducive to enabling PPP initiatives of critical importance to Arab countries. To date, countries in the region have taken heed and adopted varying approaches consisting of establishing PPP units and undertaking legislative and regulations reforms. Although the very best practice can be introduced through laws, ultimately, legislation cannot be effective unless it is part of a holistic approach to creating an enabling environment where PPPs can flourish.

[51] OECD, 2007, p. 21.

IV. THE POTENTIAL OF ESCWA TO ASSIST MEMBER COUNTRIES IN DEVELOPING PUBLIC-PRIVATE PARTNERSHIPS

The Economic and Social Commission for Western Asia (ESCWA) was established to support economic and social development and regional integration and cooperation between member countries. In accordance with these guiding principles, regional or cross-border public service and infrastructure projects present an obvious opportunity for ESCWA to encourage cooperation between the countries of the region and to assist them in meeting their needs for infrastructure while maintaining a clear focus on public service provision and delivery, especially in the light of the current turbulent times. The population groups in the region have become increasingly vocal (in some cases even violent) in their demands for basic services and the efficient use of collected taxes and funds, and Governments have taken note of the critical nature of the needs of the people.

Different international institutions have been established with the aim of facilitating infrastructure projects in the region and providing the financial means to make these projects a reality. The World Bank, IFC, the European Investment Bank, the French Agency for Development, and the German development bank KfW, to name a few, have initiatives in place that aim to set up and implement infrastructure projects. The most prominent of these is the joint venture between the World Bank, IFC and IDB, called the Arab Financing Facility for Infrastructure (AFFI), which aims to establish a regional platform to support infrastructure projects. “AFFI was officially launched in April 2011 in Amman, Jordan, where Arab countries, international finance institutions and representatives of the private sector agreed to mobilize support and efforts for infrastructure development in the region to meet the population’s needs by delivering affordable high quality infrastructure services and creating economic opportunities, including growth and jobs”.[52] These goals are targeted through a policy forum which offers a dialogue platform through the funding activities of the Technical Advisory Facility of AFFI as well as through funding that it provides to both the public and private sectors for infrastructure projects.[53]

AFFI activities are focused more on the financing of infrastructure advisory services and mezzanine lending, and less on the provision of advisory services themselves. The value of the activities of AFFI is not to be downplayed, as securing financing is a fundamental part of any project, however, those activities do not address the need that most Governments in the region have for objective advice on how best to develop through PPPs. Most international organizations dedicated to promoting PPPs tend to focus on creating an enabling environment so that private investors and operators feel secure in their decision to invest time and money in developing projects in potentially risky or underdeveloped locales. The work of those organizations is also indispensible, especially considering the budgetary constraints many ESCWA member countries face, but there must also be a concerted effort to assist Governments with their core duty: to serve their citizens.

A. BALANCING THE NEEDS OF GOVERNMENTS AND PRIVATE PARTNERS

A government-centric approach to infrastructure advisory services has become increasingly important as Governments are wary of being too accommodating of the private sector. Economic theory generally holds that the private sector is the most suitable engine for economic growth and development. In addition to that, transaction advisors and private sector operators and investors often have long-standing mutually beneficial relationships that contribute to the staunch support of infrastructure advisors for the private sector. It can be argued that this perceived bias is a result of public sector institutions not hiring good advisors or not being willing to pay for the best advice, and as such, the asymmetry of professional skills in favour of the private sector affects the ultimate structure of the transaction. If Governments increase the budget for

[52] Available from http://www.ifc.org/wps/wcm/connect/d75c10804aee4412a0f3fa888d4159f8/AFFI+Brochure.pdf?MOD=AJPERES.

[53] Ibid.

advisory services they can save time and money in the implementation of projects, where the real savings are realized by the public sector.

One example that demonstrates this need for a careful balancing of the public interest and the demands of the private investor is the matter of sovereign guarantees. In many cases, as a precondition to implementing a PPP project in a country that does not have a top credit rating or is exposed to certain political risks, investors demand that the Government provide sovereign guarantees that lessen, or in some cases eliminate, the risk involved with investment. Governments are invariably encouraged to offer sovereign guarantees to attract private investment, yet the long-term burden to the treasury is downplayed. If not scrutinized and planned carefully, sovereign guarantees can leave Governments accountable for payments that were negotiated at the onset of a project, but that may become unreasonable in a changing economic context or that may not be commensurate with the level and quality of public service provision that is being offered. The fact of the matter, however, is that while these guarantees are beneficial for the private sector and cover the credit risk associated with financially weak public institutions, they are not always crucial, contrary to what some institutions claim. Some projects are bankable enough to attract world-class investors and operators and would secure independent project financing on the merits of the anticipated revenue stream alone. Other projects involve such little risk that the private sector is capable of absorbing it and operating at a profit without relying on government assurances. Projects that stand on their own merit should be carried out without sovereign guarantees, nevertheless, private sector investors point out that there are far too few financially sound projects in the Arab region.

Of course, some PPPs in certain countries must have a sovereign guarantee component due to fluctuating global prices, anticipated and previously acknowledged insufficient revenue streams, or the poor reputation of the tendering Government, but by no means does this apply to every infrastructure or public service project. It is therefore the task of the Government to act accordingly and try to understand which projects absolutely require sovereign guarantees and which projects do not.

Although some investors will shy away from projects that do not include sovereign guarantees, many others, upon careful study of a market or the gauging of interest in a project, would be willing to implement projects without the safety net support of the host Government. Especially in today's economy, when competition between private investors, contractors and operators is fierce, investors may forego sovereign guarantees because the number of prime low-risk projects is limited as is the amount of long-term financing available worldwide. As with any negotiation, the private investor will always ask for more than is actually required, with the hope of minimizing risk and increasing profit. It is up to Governments to approach PPPs with methodical scrutiny, so that private participants are welcomed, but not at the expense of the finances of future generations. PPPs are ultimately about sharing risks and allocating them to the party that is best positioned to reduce those risks.

A balance between attracting investors and ensuring the financial close of a project is just one part of any PPP project. Equally important is meeting public service objectives and time frames, ensuring public policy is accounted for during the set-up and execution of a project, and ensuring the interests of both the affected stakeholders and the Government are met. "Far too often, PPPs tend to be nothing but disguised privatization or concession measures, especially where legal and institutional frameworks are weak … [or] in countries where corruption and mismanagement are clearly evident. Accordingly, discussing possibilities for undertaking PPPs necessitate a proper discussion of mechanisms to ensure transparency, accountability measures, strong regulatory measures and capacities, as well as strong counter-part governmental institutions".[54]

To counterbalance the interests of the private sector, Governments today need advice not only on how to create an enabling environment for PPPs, but also on how to establish and implement the mechanisms to

[54] ANND, 2012, p. 2.

ensure that every goal of public service provision is met and sustained. This issue is most pressing in countries with socialist roots or centrally-planned economies that restrict private sector involvement or investment flows. Governments of such countries are likely to be wary of the private sector and view transaction advisors who display a clear fondness for it with a certain degree of scepticism. Their advice may be rejected out of hand if the concerned Government views any aspect of the proposal as exposing it to undue burden, or if the proposed course of action contradicts accepted practice. Compromises may be mandatory to the process of PPP development and must be made with a level of informed consent. If appropriate compromises are not made, there may be tremendous negative consequences on the ultimate delivery of a public service to the end user. Thus, Governments need to understand and buy into the reasoning behind every compromise or departure from the status quo. An objective third party that advises and informs public sector decision makers can help to move the project forward.

ESCWA is uniquely positioned to satisfy the call of Governments for objective and public-service oriented advice, and to encourage it to establish the prerequisite enabling environment for the private sector that supports its aim of profitability in exchange for carrying out every aspect of a project with efficiency and professionalism. Private sector involvement should not be secured at the expense of the population of a country, and ESCWA can help Arab Governments strike the right balance and overcome the apprehension they may feel towards the motives of private infrastructure service providers.

As a United Nations entity, ESCWA has neither corporate backers nor clients from whom it seeks remuneration, and thus has no objective other than to serve its member countries. The interest of each ESCWA member country and the interest of the region as a whole are the priorities of the organization. This fact should help member countries feel at ease. Governments are more likely to negotiate transparently if contracts are negotiated in the light of objective advice that an organization such as ESCWA can offer. This will be fundamental to the efforts of ESCWA to effectively encourage infrastructure development in the region.

Knowledge gaps between PPP participants can be identified and singled out for capacity-building, and ESCWA can strengthen a weak link in any PPP transaction chain and provide training if entities need it to become efficient and qualified parties to a transaction. Because of its exposure to the experiences of member countries in the field of infrastructure development, a major component of the propose role of ESCWA would be to aggregate those experiences, promote best practice and bridge knowledge gaps. This would enable less-experienced Governments to benefit from the experiences of other countries. ESCWA can help Governments understand the process of partnership transactions and the implications of ancillary agreements and their effect on the viability of a project, the effect on the treasury of long-term commitments, and the benefits or detriments of embarking on a certain course of action. As economic and social development through PPPs is not currently the norm in the region, it is understandable that Governments may be apprehensive about making decisions that are worth hundreds of millions of dollars and that may also have financial implications for generations to come. Governments must make informed decisions that truly fulfil their policy objectives, and a third party that is dedicated to serving their interest can relieve some of the pressure on public sector employees and provide additional support to the decision-making process.

Another way that ESCWA may ameliorate the environment for PPPs in the region is by opening and hosting a line of communication between all parties to such partnerships. Experts can be connected to take advantage of different experiences, PPP units can reach out to one another to share best practice, and Governments can brainstorm potential projects or ways to tackle common issues. The result would be a common ground for the ministries, experts and private sector participants to discuss, scrutinize and manage proposed projects. Should differences of opinion come to light, ESCWA can encourage communication to avoid an impasse, and can even mediate between differing parties to help them come to a mutually-beneficial solution that restores the focus to the real issue to be tackled: meeting the needs of the citizens of the region.

Facilitating communication is especially important, since, with the exception of GCC countries, very little regional cooperation exists, especially when compared to member countries of the Economic

Commission for Europe (ECE). In Europe, the culture of cooperation is a by-product of the European Union, and it is the starting point that makes international or cross-border transactions significantly easier.

Recent political changes across the Arab region have the potential to hinder the transaction planning and implementation process, possibly to the point of paralysis, thus magnifying the need for ESCWA to support Governments in identifying, facilitating or, if need be, mediating cross-border projects suitable for PPPs. For example, any proposal to link the countries of the Levant with Gulf countries by road or rail would face incredible difficulties in implementation or even cohesive planning, given the antagonistic stance some countries along the route. ESCWA may be able to steer dialogue between government entities away from politics and would make every effort to keep the focus on the subject matter at hand when coordinating the discourse. Although this seems like a daunting undertaking, it may be the only way to achieve meaningful cooperation on regional infrastructure development.

The approach would be to ensure that parties to a PPP understand the context in which Arab Governments operate and remain focused on achieving what is best for the public interest. Policy advisory services to Governments and specific transaction-based advisory services would aim to align public policy with individual project structure and to create agreements between parties to a special purpose vehicle contract (lenders, financial institutions, public sector and export credit agencies, suppliers and off-takers) and the Government. Sometimes PPP programmes are too ambitious to be implemented, ignoring the limitations of a local workforce or overestimating the investment climate. In other cases, local challenges that were not accounted for wreaked havoc on a project after it entered into the implementation phase. ESCWA would be on hand to help Governments work through these obstacles and avoid the disruption of public service provision.

The proposed collaboration between ESCWA and the International PPP Centre of Excellence of ECE based in Geneva would be major milestones for promoting PPPs as a development tool in the region. ESCWA would assist in sharing with member countries the knowledge and technical know-how collected regionally and globally, and would raise awareness in both the public and the private sector spheres as to the benefits and drawbacks of PPPs. In cooperation with ECE, which has substantial expertise and a well-deserved reputation in the area of PPPs, ESCWA could provide value for member countries in the form of toolkits, best practice guidelines, networking and policy forums, agreement templates and other relevant materials. Inputs from global and regional players in the field of infrastructure development would be compiled, organized and disseminated so everyone in the region can benefit from lessons learned and the experiences of other PPP practitioners. ESCWA could establish a network of experts from the region in order to increase the capacity of Governments to identify, negotiate, manage and implement successful PPPs through meetings, conferences and reports. The end result would be a reference and referral centre, a so-called “one-stop-shop” that assists countries with PPP policies, strategies and units, capabilities and markets, and the contextualization of laws, strategies, tools and processes to fit local circumstances. In compliance with the strategy of the International PPP Centre of Excellence, ESCWA would adhere to the principles of neutrality and impartiality, and offer Governments advice while leaving it up to them to choose the best path for their needs.[55]

At this point, ESCWA faces several challenges. There is little local or regional expertise in PPPs, and this has been addressed with a ‘learn-as-you-go’ approach. By contrast, ECE has learned from a large pool of local experts with experience on a plethora of projects (including several cross-border projects). Thus, in the beginning, ESCWA would have to rely on the expertise of ECE, and adopt its broad guidelines and best practice, and contextualize this information to suit the needs of the Governments of ESCWA member countries. To succeed in this ambitious venture, ESCWA would have to undergo capacity-building exercises and may even hire experts with specific skill sets so that it can respectfully and objectively give member countries and other stakeholders the very best services and advice.

[55] Information about the International PPP Centre of Excellence is available from www.unece.org/ceci/ppp.html.

The aim of the proposed involvement of ESCWA is not to replace the activities of other regional players, but rather to act as a complimentary force with a specific role as champion of the public interest. The potential for technical advisory services is currently limited by the capacity and funding of the organization, and it will not undertake activities that are already being carried out by IFC and other specialized organizations.

B. ARAB PPP PLATFORM

In the past, individual ESCWA member countries have attempted to tackle regional infrastructure challenges, but the nature of those challenges is such that cooperation and knowledge sharing are essential to overcome them. Working together, countries can lessen their individual burden and spread the load of infrastructure development across the region. The Arab region currently lacks a coordinated mechanism for the promotion of PPPs and should necessary resources be available, ESCWA will seek to develop a PPP platform for this purpose. The main tasks of the PPP platform in assisting Governments in the region are as the following:

(a) Identifying domestic projects to be carried out through PPP;

(b) Providing advice on best practice;

(c) Creating regulatory and institutional frameworks to support the development of PPPs;

(d) Building capacities to increase the skills of public sector participants from across the region and to support Governments in becoming an equal partner in future PPP transactions;

(e) Identifying cross-border projects to be carried out through PPPs.

It is envisaged that the platform could eventually create a common regional legislative framework specifically to handle regional or cross-border PPPs. It could take the shape of a regional agreement for cross-border projects to be governed by a unified PPP law that "should specify the extent to which a concession might extend to the entire region under the jurisdiction of the respective contracting authority".[56] Such a tremendous feat would streamline PPP development in the region and eliminate confusion as to which law governs PPP-related matters.

Furthermore, the platform could act as the reference point for member countries and the private sector with regards to PPP projects in the region. Information sharing between relevant stakeholders on the platform can be achieved and automated through the exchange of information through an accessible real-time portal, perhaps in the form of an internet webpage, that aggregates information and makes it accessible to public sector parties to a project as well as private sector operators, contractors, and investors that are interested in participating in infrastructure projects in the region. Information and progress documents could also be shared through this portal. In addition, the platform could offer a forum through which issues can be raised and discussed with a multitude of experts, even those with no direct role to play in the particular project.

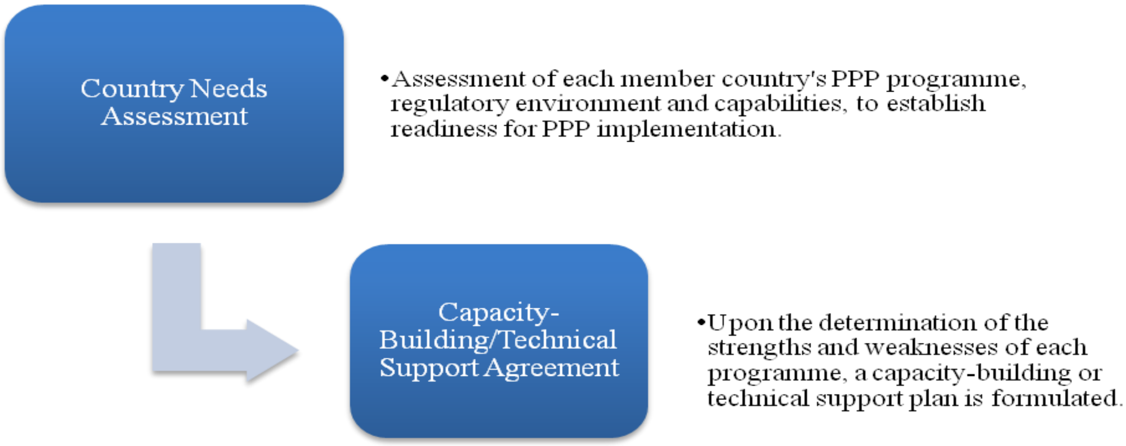
The benefits of the platform would not be limited to the Governments of member countries, but would extend to potential investors and private sector developers. These parties would have access to consolidated information about PPPs in the region, and could gauge investment attractiveness through the groundwork that the platform would accomplish. The knowledge available on the platform would especially benefit member countries without experienced or well-established PPP units.

Subject to acquiring sufficient resources, the process of making the Arab PPP platform a reality begins with gathering and organizing information on PPP experience in the region so far. ESCWA should enlist the aid of the PPP units of member countries to create a regional set of best practice guidelines. Pitfalls to avoid and data on the consequences of failure should be compiled. Next, a list of priority projects should be

[56] UNCITRAL, 2000, p. xii.

compiled across a multitude of sectors, and coordination between member countries on these projects would be encouraged from the pre-feasibility phase. Furthermore, as outlined in figure X, there must be a needs assessment at the country level to evaluate readiness. The needs assessment should evaluate PPP programmes, regulatory environments and national capacity, and would help to ensure that each national PPP programmes is strengthened, eventually creating a stronger and more attractive regional PPP outlook. International PPP best practice toolkits should be modified to take regional factors into consideration. The toolkits will need to be dynamic and adaptable as the investment landscape of the region reshapes itself. In addition, it is essential that the platform include a roster of experts, forming a support network that can be accessed at any time. However, it should be noted that ESCWA does not envisage itself undertaking advisory duties with regards to the preparation or implementation of projects.

Figure X. Needs assessments to evaluate readiness for PPP implementation



Regional cooperation in energy generation and distribution can provide capacity on demand and the lowest cost energy so that people benefit from cheaper kilowatt-per-hour rates across borders. Coordinated management, treatment and conservation efforts in the water sector can also prove vital for the region, as water is a shared resource and demand for it is constantly increasing. Another project that could generate revenue for countries of the region is the proposed Hajj Toll Road: a dedicated motorway that would connect some capitals of Arab countries with the holiest sites of Islam.

In conclusion, with the requisite resources, the Arab PPP platform would act as a hub for collecting and sharing information to aid the wider development of PPPs in the Arab region. The objectives would be to establish a shared vision, employ and manage the use of shared resources, and overcome common constraints and obstacles through a coordinated regional effort. Through the portal, the platform would promote greater cooperation and could help meet infrastructure needs in the region. Closer cooperation, knowledge-sharing and coordination of efforts could lower the cost of regional projects, and lead to comprehensive solutions to development constraints that are not limited to the territorial boundaries of individual member countries.

V. CONCLUSION

Ongoing transitions in the Arab region have brought forward concerns about high unemployment, the lack of access to basic services and huge inequalities within particular countries. The public outcry of the underprivileged has brought the issue of inclusiveness to the forefront. Despite decent growth during the last decade, many countries have failed to address the needs of the fast-growing labour force and youthful population.

As this paper has detailed, infrastructure investments can have a far-reaching impact on economic and social development if effectively directed and fostered. Poor provision of public services, the lack of adequate infrastructure and the need for private sector investment to improve both the quality and coverage of infrastructure are increasingly leading Arab Governments to seek PPPs as a means to undertake the much needed infrastructure development.

PPPs have been, and continue to be a key mechanism through which to undertake infrastructure projects to ensure better provision of public services in various parts of the world. In order to facilitate greater numbers of PPPs, governments all over the world have undergone structural reforms, including the establishment of PPP units, to oversee the creation of the necessary institutional framework.

As outlined in the paper, challenges for implementing PPPs in the Arab region include political instability and an inadequate institutional framework to attract international investors and operators in infrastructure services. Strengthening governance and the efficiency of investment spending will be critical to deliver results through infrastructure investment.

To this end, ESCWA is committed to assisting its member countries in developing the capacity to increase the number of PPPs for infrastructure. This would include compiling technical knowledge of best practice and country-specific advice regarding the formation and operation of PPP units, legal and regulatory frameworks, project lists (both country and regional) and the formation of a platform to act as the driving force for PPPs in the region.

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