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Leveraging public-private partnerships in North Africa in the wake of coronavirus disease

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Foreword



The coronavirus disease (COVID-19) pandemic has led to an unprecedented health, economic and social crisis that has amplified the existing vulnerabilities of North African economies. The pandemic has had both short- to medium-term impacts and long-term consequences, which have created a challenge for public policy, which has to mitigate the short-term impact while tackling longer-term issues in the context of decreased public resources. In the short term, the pandemic had an immediate and strong impact on growth and employment. In 2020, the gross development product decreased sharply in all countries in North Africa except Egypt, which maintained a positive growth rate. The economies of Tunisia and Morocco experienced the highest decrease, at 8.8 per cent and 6.3 per cent, respectively. Unemployment increased substantially in all countries, peaking at 12.4 per cent in the subregion. In 2021, owing to vaccinations, past public support to firms and households, and a greater capacity for managing the pandemic, most North African economies experienced a rebound of growth.

However, with the effect of new variants, especially Omicron, supply chain disruptions and labour shortages have posed a threat to world recovery. Higher inflation put pressure on public finances through both the effect on subsidized products and higher interest rates, which created a burden on public finances in developing countries. Debt has increased in all coun-

tries owing to unprecedented wide-scale public support for firms and households.

The pandemic has also presented a setback to the achievement of the Sustainable Development Goals. There are various channels through which the pandemic affects long-term growth and progress towards achieving the Goals. The first channel is through the depressive effect on investment, as the pandemic has a negative impact on capital stock. In 2020, investment fell by 29 per cent in Tunisia, 21 per cent in Egypt and 10 per cent in Morocco. In Algeria, public investment fell by 24 per cent, while it was a primary engine of growth. The second channel is through human capital, owing to lockdowns. School closures had a negative impact on students in all grades. In North Africa, this channel is likely to be the most important one because of the inefficient education systems, insufficient access to new technologies that can compensate for the closure of schools and the measures to mitigate the health crisis that affected the capacity of schools. The massive death toll among the working age population has also led to a significant decline in the return on capital and contributed to low growth. The social consequences of the pandemic are also very high, with a direct impact on poverty and inequality.

Given the long-term effects of the pandemic and its multidimensional impact, the role of the State has been essential in mitigating its economic and social effects.



The role of the State has been magnified, stretching its capacity in a context of already strained public finances. The economic cost of COVID-19 recovery and the long-term challenges faced by the countries in North Africa necessitate that Governments seek partnerships with the private sector.

While public-private partnerships can play a key role in the COVID-19 recovery and beyond, they cannot support the financing and delivery of efficient infrastructure without a robust legal framework and careful planning and implementation. Moreover, because of disruptions in the supply chains, some of the existing partnerships were themselves derailed by the COVID-19 shock. These challenges call for the North African countries to strengthen

their capacity to design, implement and manage such partnerships.

The present report sheds light on the potentially important role that public-private partnerships can play in the post-pandemic recovery strategy and stresses the areas of reform that are needed in order to develop them. It is proposed that such partnerships be used with the objective of increasing efficiency in public spending, and within a comprehensive investment plan that tackles both short- to medium-term and long-term issues. Within this context, governance reforms will be critical for reaching a higher institutional quality in the management of public investment. The development of public capacity in such partnerships has to be central.



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Introduction



The unprecedented economic and social crisis brought about by the coronavirus disease (COVID-19) pandemic disproportionately affected developing countries. As developing countries have globally less prepared public sectors, fewer available economic resources and more vulnerable populations, the effects of the pandemic might erase years of development gains in these countries. Hence, an effective strategy to relaunch the economy in the wake of COVID-19 is urgent and of undeniable importance in each country and in the subregion.

While inclusive economic development demands an active role for the State in the promotion of equal and sustainable growth and in the reduction of inequalities, the present report supports the idea that, in order to deal with the complex short-term problems and long-term challenges generated by the current crisis, government institutions should assume new forms of organization and association. In particular, in the context of strong pressure on the sustainability of public finances, increased government sector involvement in the provision of public services and infrastructure (such as in public-private partnerships) have become critical.

Public-private partnerships are service delivery arrangements based on a mutual commitment between a government agency and a private agent (Bovaird, 2004). One of the aims of this model is to establish coordination around the policy so that the risks of service delivery are

allocated to the agent with the greatest capacity for bearing them. Hence, because of their highly collaborative potential, public-private partnerships are seen as an alternative for optimizing public resources and expertise. While their use in developing countries, including in North Africa, has increased since 2004 as an effective means of overcoming infrastructure bottlenecks (Economist Intelligence Unit, 2015), they should not be seen as a magic fit-for-all solution to solve infrastructure performance and service-delivery problems. They are complex arrangements that require trust among public and private partners, high-level political commitment, capable and trained government personnel, a banking sector willing and able to finance projects, a consolidated legal framework and more. Unfortunately, many developing countries still lack these conditions.

Focusing on North African countries and providing a comprehensive case study of Morocco, the present report explores the necessary conditions for public-private partnerships to be employed optimally as a means of economic recovery in the wake of the COVID-19 crisis. Indeed, by 2040, Egypt and Morocco will need a total of \$921 billion in infrastructure investment (Oxford Economics and Global Infrastructure Hub, 2017). However, North African countries are among the worst performers among lower middle-income countries when it comes to the translation of public spending into economic growth. While public-private partnerships can serve as a



solution to improve investment efficiency in North Africa, few projects in the sub-region have been financed through such partnerships.

Following an introduction on public-private partnership contracts and their limitations, the need for public investment and the role it plays in the recovery from the COVID-19 crisis is discussed in the context of the long-term challenges caused by the crisis and climate change. The enabling environment for public-private partnerships in North Africa is then examined and policy recommendations are made for the creation and use of such partnerships as a policy instrument to increase the efficiency of public spending.





Unprecedented economic shock with long-lasting effects

The economic shock generated by the COVID-19 pandemic was sudden and of an unprecedented size. In the second half of 2020, 85 per cent of the global economy was in lockdown for several weeks, leading to a 4.3 per cent drop in global gross domestic product (GDP) in 2020 (World Bank, 2021b). North African countries were strongly affected. According to the International Labour Organization (2021), in 2020, an equivalent of 255 million full-time jobs were lost relative to the fourth quarter of 2019. In relative terms, job losses were 5 per cent higher for women compared with men and the number of young

employees losing their jobs owing to the COVID-19 crisis was 8.7 per cent higher than that of older employees.

The economic consequences of the crisis in North Africa have been severe, as shown in Table 1. In Tunisia, for example, GDP dropped by 8.8 per cent because of a combination of the COVID-19 pandemic and long-lasting political instability. Unemployment increased substantially in all countries, reaching as high a level as 22.1 per cent in the Sudan, 15.1 per cent in Tunisia and 12.4 per cent overall.

Table 1
Real gross domestic product growth and unemployment, 2020
(Percentage)

	Real GDP growth	Unemployment rate
Algeria	-4.9	12.9
Egypt	3.6 ^a	7.9
Morocco	-7	11.9
Mauritania	-2.2	10.6
Sudan	-3.6	22.1
Tunisia	-8.8	15.1

Source: Ministry of Finance, national statistical office or central bank for all countries except: unemployment rates for Algeria and Mauritania are from the International Labour Organization, and all data for the Sudan are from the International Monetary Fund (IMF).

a: Fiscal year 2019/20.



The current crisis is not comparable in its size and nature to any past crisis. Compared with the Great Depression for example, the decline of global output is three times larger. Also, the speed of the decline in output and employment has been much higher than in 1929. While the Great Depression was a financial crisis, the current crisis is primarily a health crisis, which turned into an economic crisis mainly because of the policies that were introduced to mitigate the health risks. In countries with enough fiscal resources, these mitigation policies have been accompanied by supporting measures for both households and firms, thereby avoiding a much larger drop in economic activity (with serial firm failures and massive unemployment). Owing to these measures, easing lockdowns resulted in a sharp rebound in economic activity.

In contrast to the Great Recession, the current crisis is characterized by an asymmetric impact on sectors, with sectors such as tourism being more vulnerable to the health pandemic (because of their dependence on human interactions) and experiencing a much longer recovery path. The nature and length of the health crisis, which started in the first quarter of 2020, has exacerbated both the short- and long-term consequences of the crisis. It has also triggered structural changes in many dimensions (trade, forms of work, technology, consumption habits and many others).

The pandemic will have a lasting impact, in particular on long-term growth and consequently on poverty reduction and inequality, as they both depend on growth. Jordà, Singh and Taylor (2020) looked at past pandemics as far back as the fourteenth century and found a long-lasting negative impact on growth over a period of 30–40 years. A massive death toll among the working-age population led to a significant decline in the return on capital and to low

growth. There are other channels through which the pandemic has affected long-term growth.

First, through their depressive effect on investment, recessions have a negative impact on capital stock. At the domestic level, investment fell by 29 per cent in Tunisia, 21 per cent in Egypt and 10 per cent in Morocco. In Algeria, public investment fell by 24 per cent, while it was a primary engine of growth.

Second, according to the United Nations Educational, Scientific and Cultural Organization (2020), in April 2020, more than 90 per cent of students (equivalent to 1.7 billion) were affected by social distancing measures taken by governments worldwide. The impact of the crisis on human capital is likely to have a huge impact on long-term growth. In North Africa, this channel is very important because of inefficient education systems and insufficient access to new technologies that could compensate for the closure of schools, as well as the measures taken to mitigate the health crisis that affected the capacity of schools. Before the crisis, the subregion was already lagging behind in terms of the human capital index (as compared with countries with the same level of development) and in the contribution of human capital to growth. One could argue that, as education is not the prime engine of growth in North Africa, this may not be a critical issue. However, as argued by the Economic Commission for Africa (ECA) (2019), North Africa suffers from distortions that prevent an efficient allocation of resources, including human capital. Prevalent skills mismatches in the subregion reflect not only the inadequacy of skills for the needs of firms, but also an inability of the economy to use skills efficiently. This is reflected in relatively low returns in education. Table 2 shows the low contribution of human capital to total wealth in some North African countries.



Table 2**Wealth per capita in selected North African and comparator countries**

(United States dollars)

	Total wealth	Produced capital	Natural capital	Human capital	Net foreign assets
Egypt	38.47	5.60	11.23	22.59	-955
Jordan	49.29	17.58	8.88	27.31	-448
Lebanon	65.15	31.01	4.13	42.15	-1215
Morocco	40.40	13.62	12.37	16.49	-1.99
Spain	342.47	142.82	10.29	215.59	-2624
Tunisia	45.15	14.84	10.18	24.78	-466
Upper middle-income country average	112.79	28.53	18.96	65.74	-432

Source: Glenn-Marie Lange, Quentin Wodon and Kevin Carey, *The Changing Wealth of Nations 2018: Building a Sustainable Future* (Washington, D.C., World Bank, 2018).

Moreover, in the age of new digital technologies, human capital is becoming increasingly critical for long-term growth. Consequently, the poor performance of North Africa, combined with the potentially huge learning losses from the crisis, is likely to have long-lasting effects. In Group of 20 countries, according to Hanushek and Woessmann (2020), the lower long-term growth related to lost learning could yield an average of 1.5 per cent lower annual GDP for the remainder of the century.

Third, disruptions in the “natural” cycle of the process of creation and destruction can lead to a drop in productivity, with the disappearance of productive companies that have been heavily affected by containment measures and the drop in demand. This situation can be exacerbated by the presence of distortions and, in North Africa, these distortions may be severe (United Nations, ECA, 2019) and have a strong impact on productivity growth. Fourth, employment, as in any recession, will remain persistently low, with potential long-term consequences, notably through the erosion of skills of the long-term unemployed.

The conjunction of the long-lasting impacts on employment and learning poses a considerable challenge in terms of fighting poverty and reducing inequality. Thus, on the social front, the COVID-19 crisis has led to an increase of between 119 and 124 million in the number of poor people (those living on less than \$1.90 a day) (Lakner and others, 2020). If the threshold of \$3.20 is used, the increase is much larger, estimated at between 175 million and 228 million. This tendency is also visible in North Africa. In Morocco, it is estimated that the poverty rate increased from 17.1 per cent in 2019 to 19.8 per cent in 2020, putting about 1.06 million people at risk of poverty (Morocco, Office of the High Commissioner for Planning, United Nations system in Morocco and World Bank, 2020). In Tunisia, the World Bank estimated that there would be an increase in poverty of 7.3 per cent for 2020 under an optimistic scenario as opposed to an increase of 11.9 per cent under a pessimistic scenario. Nevertheless, government mitigation measures carry a strong potential to lower the risk of poverty for the vulnerable population (World Bank, 2020a). The pandemic has highlighted the vulnerability of low-skilled workers, women, young people and those already living on the margins of society.



Although inequality and poverty were a target of public policies in developing countries, and in North Africa, the pandemic has certainly stressed the need to adapt priorities and policies. Inclusive growth should no longer be a long-term objective but a feature of the growth path to be built into a post-pandemic strategy. It must be taken into account that the most fragile populations and those that are the most vulnerable to aggregate shocks, such as the current pandemic, are certainly negatively affected by the changes induced and the very strong impact on sectors that provide a high percentage of jobs.

Finally, the asymmetric impact of the crisis on the learning losses of poor families will exacerbate inequality. As some sectors that provide many jobs (tourism, for example) will return slowly to a “new normal”, a combination of learning losses, earning losses in households and reduced employment opportunities will deepen the poverty trap. This situation may be exacerbated by climate change, as the poor and vulnerable populations are also those that will be the most affected. The challenge of employment is even more a concern for developing countries, as, on top of the long-lasting direct impact of the crisis on employment, the acceleration of digitalization induced by the pandemic will weigh on employment in the medium to long term. This may be particularly true for middle-income countries in North Africa, such as Algeria, Egypt, Morocco and Tunisia, the development trajectories of which can be curbed if they fail to integrate digitalization into their economic models quickly.

In some studies, attempts have been made to estimate potential employment losses from the expansion of new digital technologies. Manyika and others (2017)

estimated that the number of jobs that would be at risk worldwide by 2030 was between 75 million and 375 million. The COVID-19 crisis has also destabilized the global labour market in the short term. McKinsey & Company (2020) estimated that the jobs of 150 million Africans are threatened by the crisis. Youth unemployment, in particular, has emerged as the central challenge for North African countries in the post-COVID-19 recovery phase (United Nations, ECA, 2020a). These new technologies offer new opportunities for job creation, but it ultimately depends on the ability of each country to adapt, provide efficient policies for workers to update their skills constantly and boost the creation of new activities. Digitalization is compromising the development path of developing countries, however, as robotization will affect industries as they become more capital intensive. It should be recalled that the crisis has affected the sectors differently, with those that are more exposed to the effects of the pandemic facing greater uncertainty. This poses significant challenges for countries in which such sectors account for a large share of GDP, especially in terms of employment. One of the most directly affected sectors is the hospitality and tourism industry. In 2018, the tourism sector accounted for 5 per cent of total employment in Morocco and 9.5 per cent in Egypt (United Nations, ECA, 2020b). Tourist arrivals in Egypt dropped by 70 per cent in 2020 owing to the COVID-19 pandemic (Reuters, 2021). Tourism receipts decreased by 53.7 per cent in Morocco, by 64.1 per cent in Tunisia and by 66.3 per cent in Egypt between 2019 and 2020.

The crisis has revealed many fragilities in both developing and developed countries and, unless blind beliefs are adopted, everything suggests that the shock to the world economy is not an epiphenomenon.



Indeed, since the beginning of the 2000s, several pandemics on a smaller scale have occurred, and the world is probably not immune to other pandemics. In addition, there are the direct effects of climate change to consider.

Developing countries will have to adapt to a world characterized by greater volatility¹ and uncertainty, with the risk that development gains will be threatened more often. The current crisis constitutes, in this respect, a real obstacle to the achievement of the Goals, as highlighted above, with an explosion in poverty rates.

¹ At least because of climate instability, and because of events such as the current crisis in Ukraine, which will lead to less globalization and probably more conflicts in the future.



Role of partnerships in facing the challenges of the coronavirus disease crisis



The crisis has brought the State back to the forefront, and it has had to play a crucial role in managing the pandemic and reducing its immediate impact on the economy. In the era of great upheaval heralded by the COVID-19 crisis, major societal choices will have to be made, and the role of the State will be fundamental. In the terminology of Mazzucato, Kattel and Ryan-Collins (2020), the role of the State will be that of a “market maker”, in the sense of a State that gives directions, initiates change and sets objectives. Moving from a State that acts primarily to solve problems (and as a facilitator) to a State that drives change will obviously have a significant impact on its organization, the capacities it needs to develop, the way it designs and conducts public policy, and its interactions with the rest of society (firms, citizens and others). The 2030 Agenda for Sustainable Development was, to some extent, designed to shape the development agenda by setting goals in a common framework. In the pre-COVID-19 era, governments were increasingly concerned with issues relating to the achievement of inclusive and sustainable growth, and the Goals have provided a comprehensive framework for understanding the multiple dimensions of economic and social development. However, policies in different countries, in particular in developing countries, have assigned different weights to critical objectives, such as reducing poverty and inequality, both in terms of income and opportunities, and access to high-quality public services and infrastructure.

Moreover, despite a greater awareness of the need to take climate change into account, development policies and trajectories have not sufficiently considered the risks associated. Development policies have been insufficiently innovative and still too marked by past development trajectories. The COVID-19 crisis has exposed the vulnerabilities of countries that have not sufficiently considered the long-term well-being of their citizens. It has also reminded us that an overweighting of the present situation in our development choices is probably a mistake because the effects of man’s mark on his environment and the climate are manifesting themselves in unexpected ways. According to the Intergovernmental Panel on Climate Change,² the Mediterranean basin will suffer multiple stresses and systemic failures due to climate change. In this context, the greening of the recovery path appears to be a critical objective for all Governments in North Africa.

COVID-19 has accelerated the need for challenge-led policy frameworks. To the extent that common wisdom is not back to normal, reducing vulnerabilities and building resilience to shocks, both at the individual country level and also at the global level, are likely to guide policy frameworks.

Given the magnitude of the impact of the crisis and the challenges it is posing in many areas, the State will not be able to do everything on its own. In order to face all the challenges related to the COVID-19

² See www.ipcc.ch.



crisis and, more broadly, to the post-pandemic era, greater cooperation with the private sector and civil society will be critical. The 2030 Agenda was very challenging at its inception, and it is even more so now given the deep impact of the crisis on progress towards the achievement of many of the Goals. To address these challenges, partnerships have been included in Goal17, underlining their importance for the achievement of sustainable development. Indeed, the 2030 Agenda is very complex, as it necessitates the mobilization of a large spectrum of competencies and many resources. This can be ensured only to the extent that countries, individually and collectively, can foster partner-

ships between governments, the private sector and civil society.

Table 3 presents the latest data on the extent to which some of the Goals have been achieved in North Africa and shows that there are still important challenges to achieving most of the selected Goals. Looking at dimensions that have been strongly affected by the COVID-19 crisis, the most important priorities for the "post-pandemic" period, such as poverty, health, education and decent work and growth, it is clear that the subregion faces quite important challenges.

Table 3
Level of achievement of Sustainable Development Goals in North Africa

	Algeria	Tunisia	Morocco	Egypt	Mauritania	Sudan	Libya
2020 rank in Sustainable Development Goals Index	56	63	64	83	130	159	
Poverty	●	●	●	●	●	●	●
Hunger	●	●	●	●	●	●	●
Health	●	●	●	●	●	●	●
Education	●	●	●	●	●	●	●
Gender	●	●	●	●	●	●	●
Water and sanitation	●	●	●	●	●	●	●
Energy	●	●	●	●	●	●	●
Decent work and growth	●	●	●	●	●	●	●
Industry, innovation and infrastructure	●	●	●	●	●	●	●
Inequality	●	●	●	●	●	●	●
Partnerships	●	●	●	●	●	●	●

Source: Sustainable Development Goals Index database. Available at <https://dashboards.sdgindex.org>.

Notes: ● = goal achieved; ● = challenges remain; ● = significant challenges; ● = major challenges; ● = no information.

The pandemic has put the world into emergency situations, with strong pressure exerted on the capabilities of the State and its ability to coordinate and partner with the private sector and civil society. Indeed,

there are many examples in which collaboration between public authorities and the private sector has been critical to responding to health issues. Such examples include the need for respiratory devices



and masks. Cooperation with civil society has also been important to targeting poor households. More generally, there are plenty of examples of partnerships between the State, the private sector and civil society to achieve the Goals.³ Thus, State capacity⁴ encompasses the ability to coordinate and partner with the rest of society, including firms, citizens and non-governmental organizations.

As in past crises, tackling challenges such as those emerging from the COVID-19 crisis requires boosting both private and public investment. However, the nature of the crisis, its magnitude and the complexity of the policies that should be designed call for more innovation from the State (and from the private sector) and more collaboration to provide infrastructure and services. In North Africa, State capacity has been a challenge for economic development in the subregion, and it is even more of a challenge now that the State is facing such severe resource constraints. Owing to the fiscal measures taken to mitigate the health crisis and the reduction of government revenue, most North African countries incurred high deficit levels in 2020: Algeria (-8.3 per cent), Egypt (-7.9 per cent), Morocco (-7.7 per cent), Sudan (-5.9 per cent) and Tunisia (-11.7 per cent). Governments in the subregion should view the crisis as an opportunity to rethink their economic policy foundations and innovate to align them with the needs of the post-pandemic world. State capacity can only be quickly adjusted and set at the level of the challenges it faces if it is based on greater cooperation with both the private sector and civil society.

Finally, the ability of countries to emerge from the crisis and embark on a new development trajectory will depend on the policies that are implemented to tackle medium- to long-term consequences of the pandemic, and to create new activities and new jobs. Defining a strategy of recovery is beyond the scope of the present report. However, given the fragilities and weaknesses in North Africa (United Nations, ECA, Subregional Office for North Africa, Intergovernmental Committee of Senior Officials and Experts for North Africa, 2020), the priorities are to limit the impact on human capital, invest in education and health, in particular for the most disadvantaged, cope with the changes linked with digitalization and enable a better reallocation of labour between activities and sectors.⁵ Building State capacity will be crucial to meeting all the challenges but it is limited by inefficient institutions (United Nations, ECA, 2019; United Nations, ECA, Subregional Office for North Africa, Intergovernmental Committee of Senior Officials and Experts for North Africa, 2020). Governance is the cornerstone of reforms that should be adopted to transform the State and build the capacity that is necessary to shape the road to recovery and to build resilient economies. This will be highly beneficial for any partnership between the State and the private sector, or civil society, as will be highlighted in the following section.⁶

3 Examples of civil society partnerships aimed at achieving the Goals are: (a) the Global Campaign for Education, targeting Goal 4 (quality education), which campaigns and advocates at the international, regional and national levels for the right to free, quality, public education; and (b) participatory budgeting initiatives, targeting Goal 16 (peace, justice and strong institutions), which have given a voice to poor and marginalized communities in several countries.

4 Public sector capacity is generally defined as the set of skills, capabilities and resources necessary to perform policy functions, from the provision of public services to policy design and implementation (Wu, Ramesh and Howlett, 2018).

5 The retraining of workers is an important dimension, given the asymmetric sectoral impact of the pandemic and the persistence of the crisis.

6 For a more extensive presentation on public-private partnerships, contract forms, their risks, their pitfalls and conditions for success, the reader can consult the companion report, "Understanding promises and main issues related to public-private partnerships (PPPs) in developing countries" (2022), on the ECA website.



Promises and risks of public-private partnerships



The depth and scope of the current crisis and the resulting need for investment in public infrastructure and services for recovery indicate that there is a need for more partnerships between the public and private sectors. These partnerships may take different forms. By extension, it is also implied that governments need to build new capacities. As stated by Eggleston, Donahue and Zeckhauser (2021), "... a general lesson for any effort to create public value through private capabilities is that the government must take on new, often unfamiliar roles". Public contracts can be regrouped into the three "tools" available to governments: concession contracts, availability-based contracts and traditional procurement. Only the first two tend to be considered public-private partnerships. The last one also permits cooperation between the government and private entities and might lead to the provision of high-quality public services. The first and obvious promise of public-private partnerships is that they can attract new funds in order to finance infrastructure and public services. Clearly, North African countries are characterized by an investment shortage that existed prior to the COVID-19 crisis.

In developing countries more broadly, approximately 1 billion people lack access to electricity, 2.4 billion people (about one third of the world population) are using unimproved sanitation facilities and 660 million lack access to an improved water source. In Africa, more than \$3 trillion is needed in order to meet the Goals. Many

of the poorest countries are unable to mobilize on their own the resources needed to bring key services to the population. There has been hope that resources would be attracted from the private sector through public-private partnerships. To date, however, of the approximate global amount of \$1 trillion invested annually in developing countries, only 9 to 13 per cent has come from the private sector (Fay and others, 2019).

In addition to bringing in new funding sources for infrastructure, such partnerships could help to improve the efficiency of the provision of public services through government outsourcing. Outsourcing presents an opportunity for public authorities to benefit from the expertise of private providers and to focus on their "core business", namely, the supervision of public services rather than their provision. Public services can be delivered at a lower cost by experienced private operators. As stated by Jean Tirole (2017, p.10): "The State no longer provides as much employment through public sector jobs as in the past, nor does it produce as many goods and services through public enterprises. It has transformed itself primarily into a regulator".

Another advantage of such partnerships is that public authorities can transfer risks to the private partners when the private parties are more efficient at bearing them. Outsourcing also guarantees a certain level of cost control that is more difficult to reach with public provision because



internal services are generally not put in competition with potential external contractors. When performed properly, the opening to competition that is realized as part of the outsourcing process forces potential partners to disclose information regarding their costs.

In addition, public organizations are more subject to political interference, which potentially diverts them from the pursuit of their objectives (Boycko, Shleifer and Vishny, 1996). Outsourcing can be viewed as a way to reduce political interference by rendering it more difficult.

Lastly, by offering a comprehensive “package deal” to a single operator through public-private partnerships, the public authority encourages the operator to take the complementarities between the different stages of the project into account. Such a consideration may influence the investments that are set up as well as the operator’s incentives to ensure that the different stages combine efficiently to reduce the infrastructure lead time (i.e. the “interface risk” associated with coordinating all stages of a project: design, construction and operation).

This translates into deadlines that are more likely to be met in the context of such agreements than under traditional public procurement when the project relates to the creation of new infrastructure (National Audit Office, 2009; PricewaterhouseCoopers, 2011; Saussier and Tran, 2012; World Bank, Asian Development Bank and Inter-American Development Bank, 2014). Also, pooling all activities necessary for the execution of a project under a single contract encourages the operator to innovate in order to increase efficiency and generate more revenue.

There are many risks associated with public-private partnership projects (World

Bank, 2018). To name just a few: (a) risks associated with the availability and quality of the project site; (b) risks associated with design, construction and commissioning; (c) risks to successful operations; (d) demand and other commercial risks; (e) risks relating to regulatory or political decisions that may adversely affect the project; (f) the risk that a change in the legal or regulatory framework may adversely affect the project; (g) the risk that the private party in the partnership contract may turn out not to be financially or technically capable of implementing the project, leading to default; and (h) risks arising from changes in interest rates, exchange rates or inflation that may adversely affect project outcomes.

Allocating project risk efficiently is one of the main ways of achieving better value for money in partnerships. Certain types of risk cannot be transferred through the contract. For example, the private party will always bear certain political risks – in particular, the risk that the government will renege on the contract or expropriate the assets or benefits (see section 3 for the discussion concerning Morocco). Before deciding on how to finance a project, the government should be aware that the public capacities needed for managing public services are not the same when it comes to managing a contractual relationship with a private provider. Whether the contracting agency has the authority, capacity and fiscal resources to prepare and tender the project, and to manage the contract during its term is crucial. This requires an appraisal of the current capacity of the procuring authority, including its leadership, and the identification of future needs. There is therefore a tendency for governments to transfer risk to their private partner as much as possible. This may translate into higher project costs and possibly fewer interested partners



in the project (Farquharson and others, 2011). Consequently, the public sector must be willing (and able) to consider the best allocation of risks in order to ensure that banks will be willing to finance the project. Thus, there are some necessary conditions that are critical for the success of public-private partnerships.

Government capacity. Because public-private partnerships are complex contractual and financial arrangements, it is unlikely that governments will have the necessary skills and knowledge to structure the transaction, manage the contract execution and avoid the pitfalls mentioned earlier. In addition, many such partnerships are governed at the subnational level: in OECD countries, 55 per cent of procurement is undertaken at the subnational level (OECD, 2014). Enhancing government capabilities at all administrative levels is important because they are at the core of a successful partnership strategy.

High-level political commitment. Procurement in a public-private partnership differs from traditional procurement in

that it is fundamentally a political decision made at the highest levels of government. In order for the government to lend its full-fledged support to the partnership, it must first understand the benefits and myths of public-private procurement. In other words, public-private partnerships should be pursued for the right reason, to create value for money and social benefits, and not as a second-best substitute for public procurement or owing to debt constraints.

Institutional structures and legal and regulatory frameworks. At all stages of the partnership process, there must be a clear and transparent legal framework that both the public and private parties trust. This helps to minimize the risk of corruption and prevent unethical behavior. In addition, since public-private partnership contracts are long-term commitments and because demand for public services may change, clear rules for renegotiation must be set and applicable to all parties.



Public investment and recovery from the coronavirus disease crisis in North Africa: what is the role of public-private partnerships?



4.1 Public infrastructure for the recovery: efficiency matters

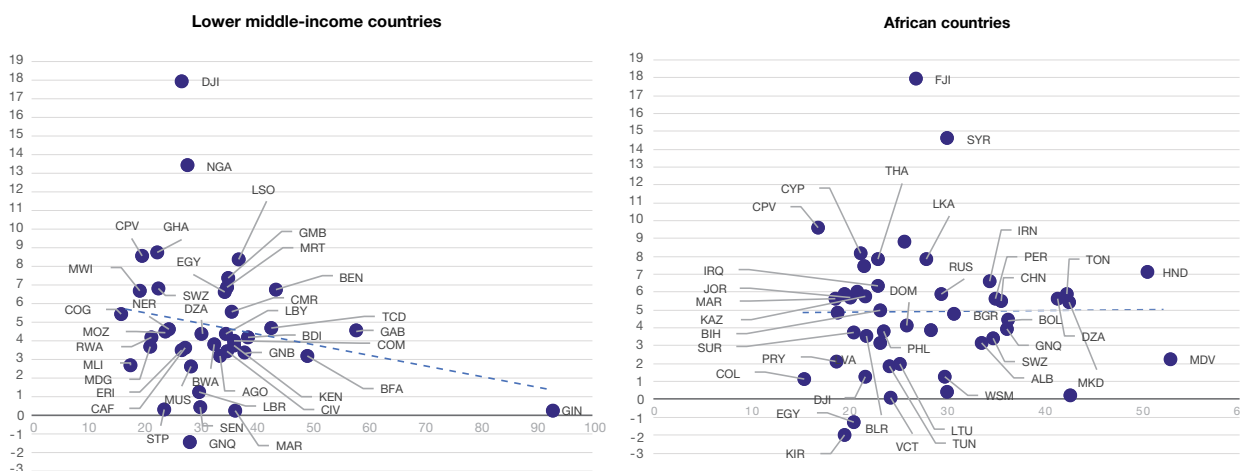
What, therefore, is the role of public investment in a strategy for recovery from the COVID-19 crisis? This is a central issue, although many governments around the world, such as those in the United States of America, have adopted plans for large investments in infrastructure. However, there are some differences between developed and developing countries. Although it is central to long-term growth, the efficiency of public investment for a short-term stimulation of growth is not obvious in developed countries, as discussed in Ramey (2020). However, in developing countries, there is an infrastructure gap and inadequate maintenance of infrastructure (Employment Intensive Investment Programme, 2018). Countries with a low initial stock of public capital therefore have higher public investment multipliers than countries with a high initial stock of public capital (Izquierdo and others, 2019). The impact of public investment on employment creation and growth may be higher in developing countries. Moszoro (2021) has estimated that the direct employment effect of public investment in essential infrastructure, such as electricity, roads, schools, hospitals, water and sanitation, for every \$1 million spent, is the creation of 16–30 jobs in low-income

developing countries. The effect in developing countries is much higher than in emerging markets and advanced economies where the numbers are 10–17 and 3–7 jobs created, respectively, for every \$1 million spent. An important finding is that green investment and investment with a larger research and development component have a higher effect on employment. Public investment can have a crowding-in effect on private investment, which may be important in times of uncertainty over the duration of the crisis, as is the current case.

However, the impact of public investment has a strong correlation with the efficiency of public spending. There are, for example, distortions associated with the public investment process that might render a crowding-out of private investment in the course of building public capital stocks (Cavallo and Daude, 2008). North Africa suffers from inefficiency in public spending, meaning that the impact of public spending on growth is limited. Figure 1 plots GDP growth against government spending as a share of GDP for Africa and lower middle-income countries during the period 2000–2017. It shows that North African countries are among the worst performing among lower middle-income countries (right panel of I), and also among African countries.



Figure 1
Government spending and growth domestic product growth



Source: Author's calculations based on IMF data for government spending and real GDP from the World Development Indicators of the World Bank. Public expenditure and growth are averaged over the period 2000–2017.

Table 4 presents the rank of North African countries in terms of wastefulness of public spending. It shows that the rankings of

Algeria, Egypt and Tunisia have dropped significantly between 2007 and 2017.

Table 4
Wastefulness of public spending, rank

	2007–2008	2016–2017
Algeria	36	75
Egypt	67	122
Mauritania	103	95
Morocco	46	43
Tunisia	2	65
Brazil	127	128
Chile	29	21
South Africa	27	88
Republic of Korea	22	70
Turkey	70	38

Source: World Economic Forum, Global Competitiveness Report 2020: How Countries are Performing on the Road to Recovery, 2020.

Table 5 presents some indicators on human capital and health for North Africa and other emerging countries. It highlights the

gap that North Africa has to address and thus the investment that is necessary.



Table 5
Human capital and health indicators

	Human capital index	PISA maths	PISA science	PISA reading	Physicians per 1 000 (2018)	Hospital beds per 10 000 (2015)	Health expenditure per capita (US dollars)	Health regulations core capacity score
Algeria	0.5	..	..	..	18.3	19.0	998.2	80.0
Egypt	0.5	..	..	..	7.9	15.6	516.3	82.0
Mauritania	0.4	..	..	..	1.8	4.0	163.9	26.0
Morocco	0.5	367.7	376.6	359.4	7.3	11.0	465.7	75.0
Sudan	0.4	..	..	..	4.1	8.2	297.9	65.0
Tunisia	0.5	..	..	..	12.7	22.9	806.3	66.0
China	0.7	591.4	590.5	555.2	17.9	42.0	761.5	94.0
Malaysia	0.6	440.2	437.6	415.0	15.1	18.6	1052.5	95.0
Poland	0.7	515.6	511.0	511.9	24.0	65.0	17844	.
Turkey	0.6	453.5	468.3	465.6	17.6	26.6	1089.2	73.0
Republic of Korea	0.8	525.9	519.0	514.1	23.7	115.3	2711.7	94.0
Sweden	0.8	502.4	499.4	505.8	54.0	25.9	5386.7	92.0
United States	0.8	478.2	502.4	505.4	26.0	29.0	9869.7	91.0

Source: World Bank, OECD (PISA score), Sustainable Development Goals Index database. Available at <https://dashboards.sdgindex.org>. Health regulations core capacity score is a World Health Organization (WHO) average of 13 International Health Regulations core capacity scores.

Abbreviation: PISA, Programme d'investissement pour le secteur agricole (Agriculture Sector Investment Programme).

Table 6 shows also that, although North African countries have made efforts in terms of infrastructure and logistics, they are still lagging behind. In logistical performance, there is only one country, Egypt,

which was ranked under 100 (out of 167 countries) in 2018. For infrastructure, Egypt was ranked 58, while Morocco was ranked 93 and Algeria 96.



Table 6
Logistics performance in North Africa

	2007		2018	
	LPI rank	Infrastructure rank	LPI rank (out of 167)	Infrastructure rank
Algeria	140	139	117	96
Egypt	97	121	67	58
Libya			154	115
Mauritania	67	96	135	112
Morocco	94	77	109	93
Sudan	64	73	121	125
Tunisia	60	44	105	133

Source: World Bank, Logistics Performance Index, 2007 and 2018. Available at <https://lpi.worldbank.org> (accessed on 15 July 2021).

Abbreviation: LPI, Logistics Performance Index.

North Africa is in need of public investment but, given the inefficiency of public investment in the subregion, quality counts more than quantity. Moreover, investment should be tailored to long-term challenges. Building resilient and higher-quality infrastructure is essential both for recovery from the COVID-19 pandemic and for long-term growth. In the context of the challenges arising from the crisis and from climate change, investment in renewable energy, information and communications technology (ICT) and resilient transportation is important, as is investment in social infrastructure.

Climate change calls for resilient infrastructure, as is demonstrated by the example of the 2014 floods in Morocco that led to the deterioration of roads. Investment in water is also critical given the drought that often threatens the subregion because of reduced rainfall. There is water stress, with per capita water availability expected to drop to only 500 m³ per year per capita by 2030. Water issues in the subregion are not only linked with resource availability but also with efficiency in delivery and use. There are many losses in water distribution as well as inefficient use. In Algeria, for example, water losses

in the distribution network are estimated at 30 to 40 per cent (Oxford Business Group, 2018). In Morocco, the importance of the improved use of water resources is emphasized in the new model of development. Investments in this sector will be very significant. In Morocco, for example, the national water plan, which dates from 2015, provides for an investment of 261 billion dirhams (nearly \$29 billion) over a period of 15 years.

Investment in the maintenance of infrastructure and in its adaptation to the challenges of sustainable development (energy efficiency of buildings, for example, or resistance to temperature increases and extreme weather events) is the way forward for dealing with both the short-term impact of the crisis and long-term development challenges. First, maintenance projects are of short duration compared with construction projects, as they are smaller in size and deliver quick results. Second, public infrastructure projects are associated with losses caused by inefficiency that can be as high as one third of spending, according to some studies (Schwartz and others, 2020). Third, in advanced economies, green investments have a high job intensity, and investment in adaptation to



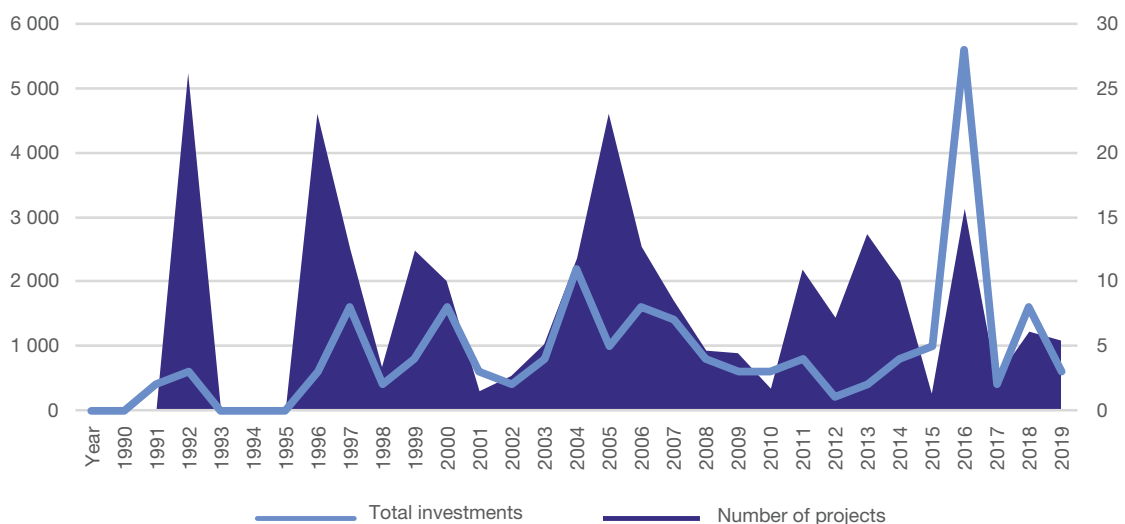
climate change may have high returns. In developing countries, this can also be the case, if appropriate reforms are conducted. This is even more important as advanced economies may put trade barriers on products that do not respect environmental norms. In a recent paper, Hepburn and others (2020) identified five policies with “high potential on both economic multiplier and climate impact metrics: clean physical infrastructure, building efficiency retrofits, investment in education and training, natural capital investment, and clean research and development. In lower- and middle-income countries rural support spending is of particular value while clean research and development is less important”. Furthermore, given the health nature of the current crisis, investment in health care and other social services is critical. Moreover, these are the sectors that benefit the most from an increase in public investment (IMF, 2020). They have strong Keynesian multipliers

as import leakages are small and they are labour-intensive sectors (Reeves and others, 2013). The crowding-in effect for private investment is stronger for industries that have proven to be critical during the COVID-19 health crisis (e.g. communications and transport) and for recovery (e.g. construction and manufacturing) (IMF, 2020). Finally, investment in ICT is critical for all the other types of investments, as ICT will be a key engine of productivity growth in many fields.

4.2 Public-private partnerships in North Africa

Few projects have been financed through public-private partnerships in North Africa, with no clear trend until now (see Figure II).

Figure II
Public-private partnerships in Algeria, Egypt, Morocco, the Sudan and Tunisia, 1990–2019



Source: Private Participation in Infrastructure database. Available at <https://ppi.worldbank.org/en/ppi> (accessed in April 2021).

Note: The sectors with the most significant investments are electricity (far ahead), followed by natural gas and water.



Public-private partnerships certainly have a major role to play both for building infrastructure and for providing public services. However, strong State capacity has to be built before the full benefits of public-private partnerships can be enjoyed. Indeed, in section 4 of the present report, the importance of the quality of institutions needed to capture the efficiency gains of such partnerships was underlined.

4.3 Assessing the enabling environment for public-private partnerships in North Africa

Table 7 presents the Infrascopes index,⁷ which was developed by Economist Impact, which evaluates the environment for public-private partnerships. It shows the evolution of the enabling environment in Egypt, Morocco and Tunisia from 2015 to 2019. While all countries have made progress, they remain emergent players regarding private sector participation in infrastructure financing.

Table 7
Measuring the progress of the enabling environment for public-private partnerships in North Africa as compared with South Africa

	Year	Egypt	Morocco	Tunisia	South Africa
Overall score	2015	51	51.8	45.4	70.7
	2017	55	58	-	-
	2019	55	56	57	-
Score in category 1 (regulations)	2015	59.4	56.3	50	75
	2017	55	51	-	-
	2019	55	51	52	-
Score in category 2 (institutions)	2015	50	50	50	75
	2017	68	40	-	-
	2019	68	40	43	-
Score in category 3 (maturity)	2015	53.1	56.3	31.3	75
	2017	61	78	-	-
	2019	61	72	56	-
Score in category 4 (investment and business climate)	2015	54.6	59.3	60.1	46.4
	2017	51	61	-	-
	2019	51	58	71	-
Score in category 5 (financing)	2015	33.3	52.8	44.4	50
	2017	36	52	-	-
	2019	40	53	43	-
Score in category 6 (subnational adjustment)	2015	50	25	25	50
	2017	-	-	-	-
	2019	-	-	-	-

Source: Economist Impact. Infrascopes: measuring the enabling environment for public-private partnerships in infrastructure, 2021. Available at: <https://infrascopes.eiu.com/> (accessed on 14 June 2021).

Note: Scoring is 0 to 100, where 100 is best.

⁷ The Infrascopes index by Economist Impact is used to evaluate the public-private partnership environment by analysing the quality of the project life cycle in five dimensions: laws and regulations (category 1), institutional framework (category 2), operational maturity (category 3), investment and business climate (category 4) and financing facilities for infrastructure projects (category 5). In the 2015 version, a sixth category, analysing subnational adjustment, was included. Scoring is 0 to 100, where 100 is best.



Table 8
Enabling environment for public-private partnerships in North Africa and selected countries, 2019

	Overall	Regulations	Institutions	Maturity	Investment and business climate	Financing
Morocco	56	51	40	72	58	53
Egypt	55	55	68	61	51	40
Tunisia	56	57	73	60	66	29
Argentina	49	66	40	50	49	37
Chile	79	94	80	78	83	63
Colombia	77	94	80	75	61	73
Brazil	71	63	88	66	69	69
Romania	61	49	78	68	56	53
Bulgaria	44	51	8	50	61	46
Jordan	61	48	78	68	56	53

● Mature ● Developed ● Emerging ● Nascent

Source: Economist Impact, Infrascopes: measuring the enabling environment for public-private partnerships in infrastructure, 2021. Available at: <https://infrascopes.eiu.com/> (accessed on 14 June 2021).

Note: Scoring is 0 to 100, where 100 is best.

As indicated in Table 8, in 2019, the index shows an overall score of 56 for Morocco, 55 for Egypt and 57 for Tunisia (on a scale of 0 to 100, where 100 is the best), as compared with 79 for Chile or 71 for Brazil.

Looking at the dimensions, Morocco has the lowest score for institutions and regulations. Table 20 in the annex contains the components of each dimension and stresses those contributing to the performance of Morocco in these two dimensions. Tables 19, 21 and 22 provide additional detail. The institution's dimension includes the quality of institutional design and the public-private partnerships con-

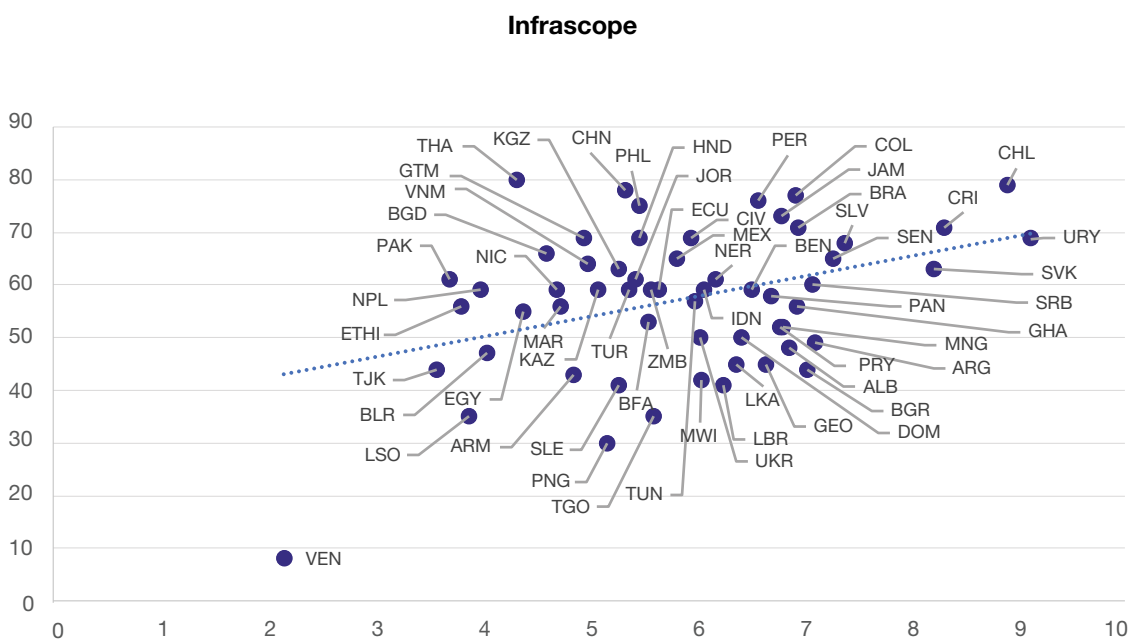
tract, as well as the delay and expropriation risks. According to the Economist Intelligence Unit (2015), significant improvements are needed in transparency and accountability as well as in risk allocation. The three North African countries in Table 8 do not have a high score for financing, and the worst score goes to Tunisia (29), while Morocco has the highest score in the subregion. While the country has greater capacity to fund public-private partnerships than most countries on the continent since its banks are larger and have more financial resources, Moroccan banks still have little experience in financing such projects. In addition, improve-



ment is required in risk allocation for projects to become bankable. On this aspect, in Morocco and in North Africa overall, access to credit is limited and contract enforcement and protection of property may be issues to be addressed, as underlined

in ECA (2019). As efficiency gains from such partnerships are strongly linked with the quality of institutions, governance reforms should be central. Figure III shows the Infrascopes index in 2019 against a measure of government performance.

Figure III
Infrascopes index and governance performance



Source: Economist Impact, Infrascopes index. Available at: <https://infrascopes.eiu.com/> (accessed on 14 June 2021). Bertelsmann Transformation Index database, 2020. Available at: <https://www.bti-project.org/en/home.html> (accessed on 13 July 2021).

Table 9 contains some governance indicators that are relevant to building an enabling environment for public-private partnerships. It shows that North Africa still needs to make progress in all dimensions, including independent judiciary, control of corruption and regulatory quality.

The Bertelsmann Transformation Index is of interest as it looks at some relevant governance dimensions for the public-private partnership environment, such as steering capability and resource efficiency.⁸ It shows that there is much room for progress in these dimensions.

⁸ Steering capability is a measure of whether a government manages reforms effectively and can achieve its policy priorities, whether a government makes optimum use of available resources, and resource efficiency measures.



Table 9
Governance indicators

	Egypt	Morocco	Tunisia	South Africa	Chile	Republic of Korea	Turkey	Thailand	Brazil	India	Peru
Independent judiciary	125	79	56	45	26	17	107	71	67	69	80
Government effectiveness	36.5	47.6	48.6	66.4	81.7	88.5	54.3	66.8	43.8	59.6	49.5
Regulatory quality	18.8	46.2	35.6	61.5	84.1	82.2	54.8	59.1	48.1	48.6	71.6
Control of corruption	27.9	45.7	52.9	59.6	83.2	76.9	44.7	40.9	42.3	47.6	36.5
Overall score, WGI	13.9	23.2	22.8	31.3	41.5	41.3	25.6	27.8	22.4	26.0	26.3
BTI-governance performance	4.2	4.9	6.1	7.2	8.9	8.1	4.6	4.5	6.5	6.6	6.6
BTI-steering capability	4.0	4.7	5.3	6.3	8.3	7.3	4.7	4.3	6.3	6.7	5.7
BTI-prioritization	5.0	5.0	6.0	7.0	8.0	8.0	4.0	4.0	6.0	7.0	6.0
BTI-implementation	4.0	5.0	4.0	6.0	8.0	7.0	5.0	5.0	7.0	6.0	6.0
BTI-Policy learning	3.0	4.0	6.0	6.0	9.0	7.0	5.0	4.0	6.0	7.0	5.0
BTI-resource efficiency	4.3	3.7	5.0	6.3	8.7	7.7	5.0	4.7	6.7	6.0	6.0
BTI-efficient use of assets	4.0	4.0	5.0	5.0	9.0	8.0	5.0	5.0	6.0	6.0	6.0
BTI-policy coordination	5.0	4.0	6.0	7.0	8.0	8.0	6.0	4.0	7.0	7.0	6.0
BTI-anti-corruption policy	4.0	3.0	4.0	7.0	9.0	7.0	4.0	5.0	7.0	5.0	6.0

Sources: World Justice Project, Rule of Law Index database. Available at: <https://worldjusticeproject.org/rule-of-law-index> (accessed on 13 July 2021). World Bank, Worldwide Governance Indicators database. Available at: <https://datacatalog.worldbank.org/dataset/worldwide-governance-indicators> (accessed on 13 July 2021). Bertelsmann Transformation Index database, 2020. Available at <https://bti-project.org/en/?&cb=00000> (accessed on 13 July 2021).

Note: For BTI and WGI indicators, higher figures indicate higher performance.

Abbreviations: BTI, Bertelsmann Transformation Index; WGI, worldwide governance indicators. a Higher scores indicate lower performance.



4.4 Case study: public-private partnerships and public investment challenges in Morocco

Morocco and North Africa as a whole need to build more resilient economies that are able to cope with all of the challenges underlined in section 1. In the context of growth slowdown and insufficient job creation, Morocco has built a new model of development, which was released in May 2021. The main axes of the model are:

Axis 1: Productive and diversified economy, creating added value and high-quality jobs

Axis 2: Human capital that allows for better preparation for the future

Axis 3: Opportunities for inclusion for all and a consolidated social link

Axis 4: Resilient territories and places where development is anchored

The axes of the new model address the challenges the country is facing in terms of health, education, social security and digitalization. Table 10 presents selected indicators on human capital and health for North Africa and other emerging countries. It highlights the gaps that the country must address, and thus, the investment needed.

Table 10
Human capital and health indicators

	Human capital index	PISA maths	PISA science	PISA reading	Physicians per 1 000 (2018)	Hospital beds per 10 000 (2015)	Health expenditure per capita (US dollars)	Health regulations core capacity score
Algeria	0.5	.	.	.	18.3	19.0	998.2	80.0
Egypt	0.5	.	.	.	7.9	15.6	516.3	82.0
Mauritania	0.4	.	.	.	1.8	4.0	163.9	26.0
Morocco	0.5	367.7	376.6	359.4	7.3	11.0	465.7	75.0
Sudan	0.4	.	.	.	4.1	8.2	297.9	65.0
Tunisia	0.5	.	.	.	12.7	22.9	806.3	66.0
China	0.7	591.4	590.5	555.2	17.9	42.0	761.5	94.0
Malaysia	0.6	440.2	437.6	415.0	15.1	18.6	1052.5	95.0
Poland	0.7	515.6	511.0	511.9	24.0	65.0	1784.4	.
Turkey	0.6	453.5	468.3	465.6	17.6	26.6	1089.2	73.0
Republic of Korea	0.8	525.9	519.0	514.1	23.7	115.3	2711.7	94.0
Sweden	0.8	502.4	499.4	505.8	54.0	25.9	5386.7	92.0
United States	0.8	478.2	502.4	505.4	26.0	29.0	9869.7	91.0

Source: World Bank, OECD (PISA score), Sustainable Development Goals Index database. Available at <https://dashboards.sdgindex.org>. Health regulations core capacity score is the WHO average of 13 International Health Regulations core capacity scores.

Abbreviation: PISA, Programme d'investissement pour le secteur agricole (Agriculture Sector Investment Programme).



Table 11**Access to infrastructure in Morocco, national level, 2005 and 2017**

	2005	2017
Access to electricity (percentage of population)	80.5	100
People using at least basic drinking water services (percentage of population)	70	87
People using at least basic sanitation services (percentage of population)	73	89
Individuals using the Internet (percentage of population)	15	58
Mobile cellular subscriptions (per 100 people)	41	121

Source: World Bank, World Development Indicators 2017 (Washington, D.C., 2017). Joint Monitoring Programme for Water Supply, Sanitation and Hygiene of WHO and the United Nations Children's Fund. Adapted from World Bank, Morocco Infrastructure Review (Washington, D.C., May 2020).

In terms of infrastructure, Morocco has made important improvements, such as attaining 100 per cent electricity access in 2017. Regarding transport, the country has built a road network that is serving 60 per cent of the population and one of the best rail networks in Africa. However, there are still improvements to be made in terms of access to water and the Internet (see Table 11).

In Africa overall, more than \$3 trillion are needed to meet the Goals. Morocco has

an investment need of nearly \$60 billion, mainly for transport and water infrastructure (Group of 20, 2021), to be largely constructed by State-owned enterprises. Ambitious investment plans have been developed in all sectors with long-term targets, for example, in the 2040 Morocco rail plan and the 2030 national port strategy. Infrastructure investment has led to an increase not only in quantity but also in quality, as seen in Table 12.

Table 12**Comparative ranking of the infrastructure in Morocco**

	Rank among 133 countries in 2009/10	Ranking among 137 countries in 2017/18	Rank among 141 countries in 2019
Quality of the overall infrastructure	73	42 (↑)	53 (↓)
Quality of roads	69	43 (↑)	41 (↑)
Quality of railroad infrastructure	38	38 (=)	-
Quality of port infrastructure	62	32 (↑)	17 (↑)
Quality of air transport infrastructure	70	54 (↑)	52 (↑)
Available airline seat kilometres	49	48 (↑)	-
Quality of electricity supply	60	46 (↑)	97 (↓)
Mobile cellular telephone subscriptions per 100 inhabitants	87	60 (↑)	52 (↑)
Fixed telephone lines	90	95 (↓)	-

Source: World Economic Forum, Global Competitiveness Reports (Geneva, 2010, 2018 and 2019).



However, assessments of the improvements in infrastructure, as reflected in Table 11, do not provide information about its distribution across the population in terms of quantity and quality. Morocco still faces significant challenges in inequality reduction, as well as in access to decent work and inclusive growth. Only 3 out of 12 Moroccan regions account for nearly 60 per cent of GDP, and 6 regions account for 74 per cent of the poor population. Moreover, according to the European Economic and Social Committee (2017), at the end of 2017, 3 out of 12 regions contributed 55 per cent of businesses in Morocco, which has a negative impact on growth and employment in the least attractive regions. National economic growth (4.2 per cent during the period 2001–2016) is driven by four regions: Casablanca-Settat (24.8 per cent), Rabat-Salé-Kénitra (15.7 per cent), Marrakech-Safi (11.8 per cent) and Tangier-Tetouan-Al Hoceima (9.1 per cent) (Morocco, Ministry of Economy and Finance, Department of Financial Forecasts and Studies, 2018).

In the area of health care, the country has expanded its coverage through its compulsory basic health insurance and its health-care scheme. This is part of a broader reform plan to extend social security coverage to the entire population following the pandemic. However, the low budgetary resources along with systemic inefficiencies still strongly limit access to the health-care system.^{9,10} As an example, the medical staffing rate remains well below the standards set by the World Health Organization (WHO),¹¹ with spatial inequalities: 40 per cent of doctors are concentrated in Casablanca (Rabat Region). In terms of the number of years of schooling, only the regions of Casablanca-Settat and Rabat-Salé-Kénitra, as well as the three re-

gions in the south lie above the national average of 5.64 years, while the remaining seven regions have levels below the average. These inequalities and spatial disparities, according to the new model of development, are exacerbated by the unequal distribution of the economic and social infrastructure. As a summary of the challenges Morocco is facing, the number of young people between 15 and 34 years of age who have neither education nor training and employment reached 4.3 million in 2020.

The COVID-19 crisis has underlined the need to increase public investment in education, health and ICT in addition to the infrastructure and service needs in other sectors, as documented earlier. Nevertheless, the increase in public investment and its impact on economic and social development is constrained by both the drop in public revenue and the low efficiency of public investment. The growth in public investment was, on average, 6.6 per cent between 2001 and 2014, leading to an investment rate of nearly 30 per cent. However, as compared with other countries, growth was not correlated with the investment rate (Morocco, Office of the High Commissioner for Planning, 2016).

The inefficiency of public spending may partially explain the facts detailed above. Increasing State capacity and efficiency in public spending must be a central objective in a post-pandemic strategy. In the country's new model of development, which was published in April 2021, the limited capacity of the public sector in the design and implementation of public policies, accessible services and quality in fields that are essential to the daily life and well-being of citizens is highlighted. It is also noted that, in the implementa-

9 About 6 per cent of the general operating budget, on average, over the period 2014–2019, as compared with an international standard of 13 per cent, according to the report on the new development model.

10 About 38 per cent of the population has no medical coverage and households pay, on average, 50 per cent of health expenses themselves.

11 In 2019, there were seven doctors for 10,000 people in Morocco, while the WHO standard is 23.



tion phase, the steering of strategies and public policies is based mainly on the allocation of resources rather than on the monitoring of results, thereby relegating to the background concern for economic, social and environmental impact and performance.

In Table 13, the degree of efficient spending and planning is demonstrated using

the example of delays and cost overruns in airport construction in Morocco. Potential gains from the use of public-private partnerships are illustrated with regard to respect for deadlines (Saussier and de Brux, 2018; Saussier and Tran, 2012; National Audit Office, 2009; PricewaterhouseCoopers, 2011).

Table 13
Airport projects in Morocco, time and cost overruns

Airport project	Initial planned date	Actual completion date	Delay (years)	Initial planned budget	Actual budget	Cost overrun
(billions of Moroccan dirhams)						
Casablanca-Mohamed V	2011	2018	7	1.16	1.9	0.740
Marrakech-Ménara	2013	2016	3	0.907	1.22	0.320
Oujda-Angads	2010	Put into service without formal reception	-	0.650	1.3	0.650
Fes-Saiss	2013	2015	2			
Rabat-Salé	2010	2012	2			

Source: World Bank, Morocco Infrastructure Review (Washington, D.C., May 2020). Data are from reports of “Cour des Comptes” of Morocco. Available at www.courdescomptes.ma/fr/Page-27/publications.

The report by World Bank (2020b) underlines several infrastructure issues to be addressed in Morocco: (a) inadequate planning and uneven application of investment blueprints, for example in transport, that have resulted in higher costs, construction delays and suboptimal project outcomes; (b) a lack of well-defined tools and processes for regulatory functions across the infrastructure sector; (c) regulatory functions that are split across different entities and unclear institutional responsibilities; and (d) procurement weaknesses that have resulted in implementation gaps. Public-private partnerships, if they are well designed in an appropriate environment, can efficiently improve investment in infrastructure.

Although such partnerships cannot be considered a panacea, they can be efficiently improved and extended to be a policy tool that can be used in achieving the objectives set out in the new model of development. In section 2 of the present report, efficiency gains and necessary success factors for such partnerships were underlined. Morocco has experience with public-private partnerships, mostly in concession contracts in infrastructure, and limited experience in partnerships with the private sector in the delivery of social services. Despite the country’s long history with these partnerships and a current clear political will in support of them, more progress is needed, as will be underlined in the next section.



4.4.1 Public-private partnerships in Morocco

Morocco has significant experience in infrastructure development through public-private partnerships, mostly concessions or delegated management. The Jorf Lasfar power plant project carried out in the 1990s was the first successful North African Build-Operate-Transfer project, and it is one of the largest independent power facilities in Africa. It served as a blueprint for other concession projects in Morocco. The latter are primarily used in the energy sector and for infrastructure projects to improve water distribution, sanitation, waste collection and public transportation (OECD, 2014).

Table 14 presents selected statistics on public-private partnerships in Morocco from the Private Participation in Infrastructure database of the World Bank,

which covers 32 partnerships from 1997 to 2020.¹² It is not exhaustive as it does not include small-scale providers owing to a lack of publicly available information. All projects in the database were launched outside of the framework of the new law on public-private partnerships.

Most large public-private partnerships in Morocco are in the energy sector, with 22 out of 32 projects amounting to an investment value of \$16,645 million compared with the total investment value of \$19,879 million.

In energy, such partnerships have been successful and have played a key role in boosting renewable energy supply, with major projects launched by the Moroccan Agency for Solar Energy. Box 1 presents success factors in the case of the NOOR I Ouarzazate solar power plant.

Table 14
Public-private partnerships in Morocco

Sector or subsector	Total investment (millions of US dollars)	Number of public-private partnerships
Energy	16 645	22
Electricity, water utility	5 107	6
Electricity	11 538	16
Information and communications technology	2 110	1
Municipal solid waste	370	5
Treatment and Disposal	369	4
Collection and transport	1	1
Transport	400	2
Ports	400	2
Water and sewerage	354	2
Treatment plant	354	2
Total	19 879	32

Source: World Bank, Private Participation in Infrastructure database. Available at <https://ppi.worldbank.org/en/ppi> (accessed in April 2021). "The database records contractual arrangements for public infrastructure projects in low- and middle-income countries (as classified by the World Bank) that have reached financial closure, in which private parties assume operating risks". World Bank, Methodology, 2019. Available at: <https://ppi.worldbank.org/en/methodology/ppi-methodology> (accessed on 16 July 2021).

¹² "The database records contractual arrangements for public infrastructure projects in low- and middle-income countries (as classified



Box 1

Project of the NOOR I Ouarzazate solar power plant

The Ouarzazate concentrated solar power project, NOOR, is a solar complex with a total capacity of 580 MW, divided among four plants. The complex is the first project developed under the energy strategy of Morocco. The first phase of the programme, called NOOR I, was launched in 2009 and consisted of setting up a 160 MW power plant under the public-private partnership model.

The Government of Morocco was represented in the framework of the project mainly by the Moroccan Agency for Solar Energy and the National Office of Electricity and Water. Construction, operation and maintenance have been awarded to the consortium led by the company Acwa Power. International financial institutions (African Development Bank, World Bank Group, International Bank for Reconstruction and Development and European Investment Bank) provided grants and loans to finance the project.

At the centre of the project are two 25-year power purchase agreements. The first allows the Moroccan Agency for Solar Energy to purchase electricity from the project company at the production price, while the second requires the National Electricity Office to purchase all of the electricity owned by the Moroccan Agency for Solar Energy at the grid price. Thus, the Government of Morocco finances the price difference between these two power purchase agreements through subsidies, in addition to guarantees issued to project lenders. This arrangement allows for greater control and the active participation of the Moroccan Agency for Solar Energy in the production of the service alongside the private partner. Such joint responsibility for plant management improves the alignment of stakeholder interests and mitigates the risk of the private contractor inflating costs and/or operating the plant inefficiently.

The key factors that explain the success of the project are:

- **Appropriate risk allocation.** The private party bears the construction and operating risk, while the Government of Morocco bears the market risk. The role of the Moroccan Agency for Solar Energy in this project is innovative, as it acts both as an equity investor in the project company and also as a buyer of the electricity.
- **Government participation by providing guarantees.** The Government participates with an estimated amount of \$60 million per year to cover the expected difference between the prices at which the Moroccan Agency for Solar Energy will buy the electricity from the producer and the price of its resale on the grid. The Government is also expected to receive certain revenues through its shareholding in the Moroccan Agency for Solar Energy and through tax revenues.
- **Strong private consortium.** The tender was won by the consortium led by the International Company for Water and Power (Acwa Power, Saudi Arabia) and including Aries Ingenieria y Sistemas and TSK Electronica y Electricidad (Spain). Project implementation was very satisfactory, as the project's outcome and output indicators were all met or even exceeded.

Source: Zineb Belghiti and Khadija Angade, «Les facteurs clés de succès des partenariats public-privé au Maroc : une étude de cas de la centrale solaire Noor I», *Revue Economie, Gestion et Société*, vol. 1, No. 28 (February 2021).

In transport, the Tangier Mediterranean Port is a historic example of concession contracts.

by the World Bank) that have reached financial closure, in which private parties assume operating risks". World Bank (2019).



Box 2

Concession-based public-private partnership, Tangier Mediterranean Port – container terminals I and II, start of operations, 2007

Tanger Med Port is a major international port hub and a gateway for Moroccan imports and exports. It was the first port to be developed as a public-private partnership in Morocco. The 30-year concession for terminal I, which consists of a Build-Operate-Transfer model, was granted in 2005 to APM Terminals Tangier, a subsidiary of APM Terminals Group, one of the world leaders in the management of container terminals, and of AKWA Group, a leader in Morocco in the distribution of fuels, gases and fluids. The total investment made by the concessionaire in superstructure and materials is around 140 million euros.

The second container terminal is also operated through a 30-year concession contract granted in 2006 to the consortium EUROGATE TANGIER, ContshipItalia, the leading port operator in Europe, and to the two maritime companies MSC and CMA-CGM, the second and third global transporters of containers, respectively.

Source: Tanger Med Port Authority – GROUPE TANGER MED – Container activity. Available at: <https://www.tmpa.ma/en/activites-services/activite-conteneurs> (accessed on 9 June 2021).

Regarding the financing, in the Middle East and North Africa region, multilateral and bilateral funding has played a major role in past years. In Morocco, according to the Private Participation in Infrastructure database, 52 per cent of the total investment for public-private partnerships is carried out with support from multilateral or bilateral institutions. For those in the energy sector, this number is even higher, at 62 per cent. In renewable energy, financing costs represent a substantial portion of overall project costs. Access to funds from bilateral or multinational institutions reduces the cost, resulting in lower energy costs. In the face of a very heterogeneous legislative environment for public-private partnerships, as well as difficulties in controlling costs and delays and in defining a strategy for partnerships, a new law was enacted in 2014, with subsequent revisions.

4.4.2 The 2014 public-private partnerships law and its amendments

Law No. 86-12 on public-private partnerships, which is related to public-private partnership contracts, was drafted in 2014

and entered into force in Morocco in 2015. The law allows for three tender procedures: competitive dialogue, call for tenders and negotiated procedures. It requires the public institution to conduct a prior assessment of the private sector proposals. The law was subsequently amended in 2020 by the adoption of law No. 46-18. The main amendments are: (a) the extension of the scope of application to other public persons, in particular local authorities; (b) the creation of a national commission on public-private partnerships that reports to the Head of Government;¹³ (c) a simplification of the process of the spontaneous offer and the clarification of the conditions of recourse to the negotiated procedure as well as the harmonization of the provisions of the law with those of the sectoral laws that provide for recourse to the contracts of the partnership. The law specifies that projects under a public-private partnership contract must be subject to a prior evaluation. This assessment must include a comparative analysis of other forms of project implementation and must take into account, in particular, the complexity of the project, its overall cost over the duration of the contract, the sharing of related risks, the level of performance of the service provided, the satisfaction of user

¹³ This main mission of the commission is to set up a national public-private partnership strategy, to decide, among other things, on an annual and/or multi-year national public-private partnership programme, and to set the conditions and modalities of relaxation, in particular, of the prior evaluation procedure and the negotiated procedure.



needs and sustainable development, and the financial arrangements for the project and its financing methods. The law also includes the possibility of engagement in competitive dialogue – the process that allows the contracting authority to discuss different options with bidders with a view to identifying the best solution(s) and, with clearer solutions in mind, to invite final bidders. Despite helping to build trust

between partners, this disposition creates institutional mechanisms that promote a productive dialogue between the public and private sectors.

Table 15 presents the main dispositions regarding the types of risks identified in section 2.

Table 15
Risks of public-private partnerships and public-private partnerships laws in Morocco

Type of risk	Main legal solutions for risks		
	Law No. 86-12	Decree No. 2-15-45	Law No. 46-12
Bad project selection	All public-private partnership projects must undergo a prior assessment process to determine the appropriateness of conducting the project through a public-private partnership rather than through other forms of project delivery.	The competent authority concerned is required to carry out a prior assessment before launching the procedure for awarding the public-private partnership contract. The prior assessment is the subject of a detailed report drawn up by the competent authority. The report sets out a comparative analysis of other ways of carrying out the project in order to justify the use of public-private partnership contracts.	The evaluation report must be validated by the Ministry of Finance. Prior assessment will be optional for projects that are below the investment threshold set by the national commission.
Third party opportunism and lack of transparency	The procedure for awarding the public-private partnership contract is subject to prior public notification.	The notice is published on the website of the public person and in at least two newspapers that are in active circulation, one in Arabic and the other in either English or French.	
State capture and inexperienced private partners	Clauses and mandatory mentions: monitoring and control mechanisms.		
	The private partner may not assign the contract to a third party, in whole or in part, without the written consent of the public entity.		
Contract incompleteness	Clauses and obligatory mentions: conditions for modification of the contract.		
Construction risk, contractual imbalance and force majeure	Clauses and mandatory mentions: specification of the insurance to be contracted by the private partner.		
	Rebalancing of the contract equilibrium in case of force majeure or unforeseen events.		



Main legal solutions for risks			
Type of risk	Law No. 86-12	Decree No. 2-15-45	Law No. 46-12
Lack of project coordination		Interministerial committee for public-private partnership contracts composed of representatives of various ministries set up under the aegis of the Ministry of Economy and Finance.	National commission for public-private partnerships responsible for a national annual public-private partnership strategy and for setting offer evaluation standards. Precision of the role of the commission in evaluating projects.
Breach of obligations or bad service delivery by the private sector partner	Substitution right: the public authority can replace the private partner with a substituted entity, notably in the event of a serious breach of its obligations.		
	Enables lenders to ask the public authority to substitute the private partner with a new entity in the case of a serious breach of its obligations.		
	Performance-based payments: the public sector can impose penalties on the private partner if it does not meet the performance objectives.		
Early termination of the contract	The contract must provide for dispute resolution through conciliation, conventional mediation, arbitration or court proceedings.		

Source: Author's construction from documentation on public-private partnership laws.

Globally, the law is aligned with the principles of international organizations, such as the World Bank and OECD. However, some issues require particular attention:

1. The provision that the negotiated procedure (procedures under which the contracting authorities consult the economic operators of their choice and negotiate the terms of the contract with one or more of them) may not be subject to prior advertising and/or competitive tendering regulations when: (a) the service can be performed or operated, for technical or legal reasons, only by one private operator; (b) there is an urgency resulting from events that could not be foreseen by the public entity; and (c) there are reasons of national defence or public security. Even if those exceptions to advertising and competitive tendering are common in many

countries (e.g. in European directives for public procurement and concession contracts), it can be argued that the pertinence of using public-private partnerships in those cases is questionable since they imply long-term public expenses and should not be used for emergency needs.

2. The preference for domestic instead of foreign companies in the bidding process is justified from a development perspective. Its objective is to integrate Moroccan companies into the dynamics of the projects either as a first-rate operator or within the framework of the subcontractor, which is also framed at the level of the law. One should, however, strengthen governance mechanisms in order to limit conditions for corruption (Brogaard and others, 2021).



3. Including the possibility of unsolicited proposals is a good amendment in order to increase flexibility and address the limited capacity of public institutions, but it risks leading to a “free-for-all” because a company that has invested in a prior assessment and provided information may not agree to be put out of a tender. Thus, a balance will have to be struck between the desire for competition and the flexibility introduced with spontaneous offers. However, unsolicited proposals, in any case, remain an exceptional practice and not the rule because the principle is to always resort to competition.
4. The governance of public-private partnerships creates challenges for coordination and cooperation among many stakeholders with different competencies and capacities to deal with such contracts.
5. There is no article in the law that sets rules for consultations with communities that are likely to be affected by projects. Similarly, documents and studies that support the choice of the public-private partnership contractual model and the full unsigned or signed contract are not made public. Support from communities may be necessary and may increase the efficiency of partnerships in certain contexts and under specific circumstances.

As mentioned before, there is no panacea for securing contractual agreements associated with public-private partnerships. If the new legislation in Morocco is enforced correctly, the previous points must be carefully managed so that the partnerships will succeed.

4.4.3 Firms’ perception of the institutional environment

To ascertain the experience of firms with public-private partnerships, a survey was run by ECA in June 2021 in Morocco with 25 business leaders participating, to understand their perceptions of several dimensions related to public procurement and public-private partnerships. Among the respondents¹⁷ stated that they had already participated in a call for tenders, while 54 per cent were not aware of the law on public-private partnerships.

Table 16 summarizes the answers obtained in the survey. Some striking results are interesting to mention. First, it appears that risk-sharing is problematic, as it should be finely tuned in public-private partnerships since this is one of the advantages of using them (see section 2). Indeed, 81 per cent of the respondents believed that the public sector was not open to negotiating risk-sharing and contractual arrangements. To achieve optimum results, risk should be transferred to the contracting party that will be best able to handle it. The less finely tuned the risk transfer, the more rigid the contractual terms and the higher the prices received during bidding processes, the more likely it is that contract execution will be difficult in terms of renegotiations, extra costs and lack of adaptability to the environment, among other things.

In addition, the same proportion of respondents (81 per cent) believed that payment delays from public authorities posed a challenge. If private partners do not trust in the willingness of public authorities to pay without delay, it might reduce competition (i.e. some firms will not participate in the call for bids) and/or increase bidding prices, as private companies might anticipate this future cost. Trust challenges are highlighted in the responses to other questions: (a) 82 per cent believed that, in



the event of a contractual dispute with a private company, the public sector would not be prepared to take the company's interests into account; (b) 76 per cent believed that the public sector would not be willing to bear the risk of a change in the law; and (c) 65 per cent believed that the public sector would not be willing to compensate private contractors if the public-private partnership contract were modified.

Another issue raised from the analysis of the survey results was expropriation risk. More than 60 per cent of the respondents believed that there was a high risk of expropriation of their benefits. This can be

questioned, as Morocco appears to be on the average rate of expropriation risks in international ranking.¹⁴

Not surprisingly, 73 per cent of the respondents believed that the public sector did not have the capacity to manage complex, long-term contracts. As mentioned in section 2, public capacities are crucial and often fall short in whichever country is under consideration (Decarolis and others, 2020).

Table 16
Firms' perception of the institutional environment
(Percentage)

	Yes	No
Negotiations between private and public companies ensure that project risks are understood, controllable, finite and appropriately allocated in the contract	35	65
Public sector is open to innovation in services provided by the private sector	56	44
Public sector is willing to consider the requirements of the private sector regarding contractual arrangements and risk-sharing	19	81
Are you aware of any formal consultations with private sector firms prior to bidding processes in government contracts?	75	25
Public sector is able to ensure that payments due to the private company under the contract are made on time	19	81
In the event of a contractual dispute with a private company, the public sector is prepared to take the company's interests into account	18	82
The public sector would be willing to provide investors with guarantees in the event of early termination of the contract	41	59
The public sector would be willing to compensate private contractors if the contract were modified	35	65
The public sector would be willing to bear the risk of a change in the law	24	76
The public sector has the capacity to manage complex, long-term infrastructure contracts	27	73

14 For more information on expropriation risk in Morocco and in the world, see https://www.theglobaleconomy.com/rankings/expropriation_risk.



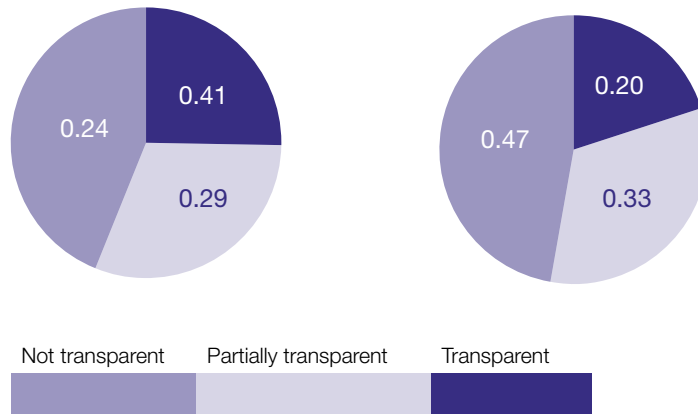
In terms of risks, Table 17 shows that demand risk and corruption risk are evaluated by firms as high.

Table 17
Firms' evaluation of public-private partnership risks (Percentage)

	Low	Medium	High
Political risk	47	13	40
Demand risk	27	20	53
Corruption risk	33	13	53
Cost uncertainty	50	29	21

Finally, transparency seems to be an issue in public contracts (see Figure IV), with nearly 50 per cent of respondents indicating that the bidding process was not fair and transparent in Morocco, and more than 50 per cent of respondents considering corruption to be an important issue. Without any transparency, there is no trust in the accountability of public procurement. Transparency is at the core of the best public procurement practices in order to avoid corruption and restore citizen trust in public procurement performance.

Figure IV
Transparency and expropriation risk



The law on public-private partnerships draws on the guidelines of international organizations. This does not guarantee, however, that the environment will be sufficiently enabling, as is indicated by the scores of Morocco in important dimensions of public-private partnerships (Infra-scope index and governance indexes, see section 4 of the present report). In addition to the issues regarding infrastructure that are underlined in the report of the World Bank (2020b), there are some concerns about the harmonization of public-private partnerships with the relevant legislation in the specific institutional environment of Morocco. The decision-making process

involves many public actors (ministries, State-owned enterprises, agencies, municipalities and others), various laws and decrees,¹⁵ weak coordination of public policies and the lack of a culture of public policy evaluation. The prioritization and selection of partnerships, along with their decentralization at the municipal level, potentially raise some issues, such as whether clear national investment planning and coordination mechanisms exist among the various institutions. The decentralization of public-private partnerships at the local level also raises challenges in the following areas: (a) the capacity of local institutions, such as municipalities, to deal

¹⁵ The law on public-private partnerships should be the sole legal reference for such partnerships. However, there seem to be issues with its harmonization with sectoral laws. The law on public-private partnerships provides for exemptions from such sectoral laws.



with public-private partnership contracts; (b) an increased risk of corruption; (c) the potential loss of knowledge accumulation and capitalization; and (d) coordination among many projects at different institutional levels. For this last point, it will be very important to build an efficient governance system to prioritize and coordinate among the different institutional levels. The national commission on public-private partnerships and the standing committee for local authorities are important components of such a system but, ow-

ing to the large number of stakeholders, a broader coordinating structure may be needed. One other important aspect is clarification of the role and responsibilities of each stakeholder. Finally, the law on public-private partnerships should be part of an overall legislative framework, including laws on land, taxation and other matters, to ensure coherent and efficient implementation of public-private partnerships.



Policy recommendations



Owing to the unique features of the COVID-19 pandemic, the size of the short- and long-term fiscal multiplier that would result from large public investment cannot be easily anticipated. However, it is likely to be lower for emerging market economies and low-income countries, which face tighter financing constraints and have weaker public investment management practices, than for advanced economies

in which the multiplier will be larger than in normal times and well above 1.0 (IMF, 2020). Financing of public investment is an issue at a time when fiscal deficits and debt are increasing in all countries. In 2020, public debt reached almost 78.0 per cent of GDP in Morocco and 88.1 per cent in Egypt. Sovereign spreads are quite high for all countries, in particular for Egypt and Tunisia (see Table 18).

Table 18
Fiscal deficit and debt, 2020, and sovereign rating, 2021

	Fiscal balance	Public debt (percentage of GDP)	External public debt	Fitch 2021 sovereign rating (percentage)
Algeria	-8.3a	50.3	0.8	..
Egypt	-7.9	84.8	3.3	5.33
Morocco	-7.7	59.1b	18.7b	2.42
Mauritania	2.2	71.8	56.7	..
Sudan	-5.9	249	238	..
Tunisia	-11.7	87.6	56.6	5.33

Source: Ministries of Finance and central banks, except for public debt for the Sudan (IMF).

^a Data are for end of November 2020.

^b Treasury debt.



A rapid and strong deterioration of the public finance position can threaten the sustainability of public policy, as the cost of borrowing will become too high and the burden of debt will affect the ability of countries to finance their spending. The fiscal multiplier depends on the efficiency of public spending, which remains a major concern in North Africa. Thus, to mitigate access to credit and lower fiscal revenues, increasing the leverage of public spending and reducing waste of resources appear critical.

To this end, governments should be guided by some key principles while launching large infrastructure investment projects: (a) prioritization of investment projects with an investment plan that is aligned with a long-term development strategy and recovery plan; (b) efficiency and evaluation of public spending; and (c) short-term impact while keeping the long-term view as a compass.

If an enabling environment is built, the development of public-private partnerships can help to increase the efficiency of public investment. While there are as many different ways to structure a long-term infrastructure contract as there are ways to write contracts, a large part of the literature, reviewed in Roehrich, Lewis, and George (2014), Hodge, Greve, and Biygautane (2018) and Fabre and Straub (2019), suggests that such partnerships offer the potential to increase efficiency by bundling investments, infrastructure and service delivery, providing higher-quality infrastructure and services at optimal cost and risk allocation, and generating innovative responses to social problems. In short, such partnerships would combine private and public strengths to promote socially optimal outcomes. However, in addition to a solid institutional and legal framework, numerous conditions would need be met for efficiency gains to be attained: (a) synergy and communica-

tion between public and private partners as the basis of successful partnerships; and (b) the government staff responsible for contracts should be capable of handling risk management and enabling learning and knowledge transfer to deal with the long-term and complex nature of public-private partnership contracts. As stated by Eggleston, Donahue and Zeckhauser (2021, p.31), "... a general lesson for any effort to create public value through private capabilities is that the government must take on new, often unfamiliar roles".

Experience with public-private partnerships varies from country to country, and there is a vast body of literature that provides concrete operational recommendations for their implementation. The following policy recommendations are more focused on a global framework to deal with issues that may reduce the efficient use and development of such partnerships as a policy instrument tool. Insofar as all countries in the subregion are likely to suffer from public resource constraints, particular emphasis should be placed on the efficiency of public spending, beyond sustained public spending. As had been pointed out, there is still a large public infrastructure gap to be filled, in particular in such critical sectors as health, but without a significant increase in the efficiency of public spending, the impact on growth and job creation is likely to remain limited. With this in mind and given the progress that still needs to be made to improve the environment for public-private partnerships, the progress made has been seen more as a strategy for increased efficiency than for raising investment volume. Policy recommendations include the following:

- Develop a comprehensive investment plan aligned with a development strategy that addresses short-term and long-term development challenges (higher uncertainty and volatility, and climate change, among



others) in the context of the consequences of the crisis. The development strategy should focus on key vulnerabilities and build resilient economic and social systems:

- Include a specific investment plan for the maintenance and upgrading of infrastructures to increase their resilience to climate change
- Integrate the use and development of public-private partnerships within the investment plan by identifying key areas in which the gains from the use of the partnerships can be optimized, taking into account the capacity constraints
- Improve the quality of public investment management institutions (procurement, transparency and selection)
- Increase transparency and evaluation in public investment
- Strengthen the capacity of public investment management institutions in terms of skills and financial resources
- Develop a strategy to build a culture of partnership between the public and private sectors, in particular in the production of public services. This will be critical, as the public sector lacks the capacity to improve the quality of all public services
 - Partnerships should be built with the objective of strengthening national capacity to address essential issues, innovate and adapt to change
- Develop collective capacity for public-private partnerships:
 - In addition to the need for dedicated teams in each sector, a cross-cutting public-private partnership unit with adequate capacity should be put in place:
- Complex contractual instruments require that government personnel learn new skills, such as negotiation, contractual and financial skills, and the ability to focus not on inputs, as governments are mostly accustomed to, but on project outputs (United Nations, Economic Commission for Europe, 2008). This is why the creation of dedicated central public-private partnership units has been a key method used in OECD countries; they should help also in developing countries. The roles of these units may include providing policy guidance, playing a “gate-keeper” function in deciding whether or not a project should move forward, providing technical support to procurement departments and agencies during project identification, offering evaluation and procurement services, building capacity by training public sector officials, promoting public-private partnership in both the public and private sectors, and supervising the execution stage of contracts (i.e. managing renegotiations and providing ex-post evaluations). Establishing such a unit in a cross-sectoral ministry is an interesting strategy both to quickly consolidate the expertise and know-how in the country and to ensure consistency among the various public-private projects in the country (Farquharson and others, 2011). In addition, such units could be responsible for developing national training programmes to build the expertise of government officials around the country on issues relevant to public-private partnerships (United Nations, Economic Commission for Europe, 2008)



- Identify pilot projects, under the guidance of the public-private partnership unit, in different sectors in order to increase knowledge transfer and further understand the specific context and difficulties of each sector
- Establish a “data bank” on public-private partnerships by collecting data on their characteristics, risks, contracts and performance criteria
- Establish a dedicated fund that will:
 - » Support the building of capacity related to public-private partnerships
 - » Support the bankability of public-private partnerships with insufficient market value but with high social returns
- Define clear roles and responsibilities for all stakeholders

In defining a development strategy for public-private partnerships, governments should also include the risk of future adverse shocks, such as pandemics and disasters. Indeed, future pandemics are likely, and climate shocks will become more frequent. Resilience must be a key aspect of public-private partnership design and contracts. For shocks that affect demand in concession contracts, one possible solution is to use a variable term date for the contract¹⁶ based on the least present value of revenues approach.¹⁷

¹⁶ The contract stops when the least present value of revenues is reached, which allows for adjustment in the case of unpredicted demand variations and shocks.

¹⁷ An innovative feature of public-private partnership contracts in Chile.



Conclusion



The COVID-19 pandemic has fuelled an economic and social crisis that is likely to last and to have long-term effects. It has triggered an acceleration of deep transformations at the global level that will have a strong impact on the development trajectories of North Africa (acceleration of digitalization, reorganization of global value chains, higher importance of human capital, among others). The pandemic has also exposed the social vulnerabilities of the subregion and underlined the need to invest more in health, education and social protection. Making growth more inclusive should be a key priority. This is all the more important since North Africa will suffer multiple stresses and systemic failures due to climate change, according to

the Intergovernmental Panel on Climate Change. Facing all of these challenges exerts high pressure on State capacity (fiscal capacity and governance) and will require a fundamental transformation of the role of the State and its relation to the private sector. Partnerships between the private and public sectors will be crucial in increasing the leverage effect of public spending. Although they are not a panacea, public-private partnerships can be used for more efficient public investment in infrastructure and the delivery of public services. This requires governance reforms to establish a more enabling environment for them, especially in relation to public investment.



Annex

Table 19
Number of public-private partnerships, by country and sector

	Algeria	Egypt	Morocco	Tunisia
Energy	6	34	22	5
Information and communications technology	2	4	1	2
Municipal solid waste	2	1	5	
Transport	5	15	2	1
Water and sewerage	15	2	2	1

Source: Private Participation in Infrastructure database. Available at <https://ppi.worldbank.org/en/ppi> (accessed in April 2021).

Table 20
Details of institutions and regulation components of the Economist Impact Infrascopes index, Morocco

1. Regulation	1.1 Conducive regulatory environment	1.2 Selection criteria	1.3 Fairness and openness of bids and contract changes	1.4 Conciliation schemes	1.5 Regulators' risk allocation record	1.6 Coordination among government entities	1.7 Renegotiations	1.8 Sustainability
51	100	100	78	25	0	25	33	50
2. Institutions	2.1 Institutional framework for public-private partnerships		2.2 Stability of agency dedicated to public-private partnerships	2.3 Project preparation facilities		2.4 Transparency and accountability		
40	100		33	25		0		

	Mature
	Developed
	Emerging
	Nascent

Source: Economist Impact, Infrascopes: measuring the enabling environment for public-private partnerships in infrastructure. Available at: <https://infrascopes.eiu.com/> (accessed on 14 June 2021).



Table 21**Development of information and communications technologies and connectivity**

	Internet development index	Networked readiness index	Mobile connectivity index 2016	Internet inclusivity index
Algeria	4.7	3	51.6	56.7 (74th)
Egypt	4.6	3.8	54.2	62 (65th)
Libya	4.1		53.6	
Mauritania	2.3	2.5	33.6	
Morocco	4.8	3.6	57.7	65.5 (59th)
Sudan	2.6		38.9	43.7 (91st)
Tunisia	4.8	4.1	60.3	
North Africa	4.0	3.4	50.0	
Emerging comparator countries				
China	5.6	4.1	74.3	75.1 (36th)
India	3	3.9	55.6	71.7 (46th)
Malaysia	6.4	4.8	67.4	75.4 (35th)
Poland	6.9	4.2	75.8	82.3 (11th)
Turkey	6.1	4.1	65.6	71.7 (46th)
Viet Nam	4.4	3.7	65	71 (50th)
Developed comparator countries				
Republic of Korea	8.9	5.5	78.3	84 (6th)
Sweden	8.4	5.9	82.9	86 (1st)
United States	8.2	5.6	80.7	85.4 (3rd)

Source: United Nations, Economic Commission for Africa, "COVID-19 crisis in North Africa: the impact and mitigation responses" (Addis Ababa, 2020).

Note: The score (out of 100) of the Internet inclusivity index is shown, along with country ranking.



Table 22**Total official development assistance and share of infrastructure in official development assistance**

Country	Year	Total official development assistance		Social infrastructure for official development assistance		Economic infrastructure and services for official development assistance	
		(millions of US dollars)	(percentage of GDP)	(millions of US dollars)	(percentage of GDP)	(millions of US dollars)	(percentage of GDP)
Morocco	2010	1 234.85	1.32	660.78	0.71	198.05	0.21
	2015	715.97	0.71	325.44	0.32	245.07	0.24
	2019	1 140.40	0.95	693.96	0.58	203.44	0.17
Egypt	2010	1 586.26	0.72	320.76	0.15	912.02	0.42
	2015	961.36	0.29	270.41	0.08	428.01	0.13
	2019	900.34	0.30	338.43	0.11	106.75	0.04
Tunisia	2010	565.17	1.28	143.81	0.33	372.87	0.85
	2015	559.82	1.30	331.2	0.77	23.35	0.05
	2019	1 055.80	2.72	638.29	1.65	260.81	0.67
Jordan	2010	783.51	2.89	321.53	1.18	37.55	0.14
	2015	1 869.33	4.84	586.86	1.52	118.15	0.31
	2019	2 538.90	5.71	1 835.28	4.12	36.3	0.08
Lebanon	2010	320.15	0.83	189.8	0.49	33.85	0.09
	2015	867.69	1.74	264.46	0.53	5.38	0.01
	2019	1 220.46	2.35	473.79	0.91	40.1	0.08
Bangladesh	2010	1 295.65	1.12	441.01	0.38	575.28	0.50
	2015	2 106.16	01.08	559.8	0.29	935.18	0.48
	2019	3 711.66	1.23	371.6	0.12	2 402.64	0.79
India	2010	3 552.00	0.21	373.4	0.02	2 723.93	0.16
	2015	2 499.71	0.12	522.87	0.02	1 340.51	0.06
	2019	3 256.90	0.11	406.14	0.01	2 128.90	0.07
Pakistan	2010	3 273.75	1.85	1,187.73	0.67	420.95	0.24
	2015	1 466.81	0.54	749.41	0.28	323.38	0.12
	2019	1 412.16	0.51	628.88	0.23	561.96	0.20
Indonesia	2010	3 552.00	0.47	373.4	0.05	2 723.93	0.36
	2015	2 449.71	0.28	522.87	0.06	1 340.51	0.16
	2019	3 256.90	0.29	406.14	0.04	2 128.90	0.19
Viet Nam	2010	2 314.16	2.00	515.02	0.44	1 111.04	0.96
	2015	2 592.97	1.34	959.5	0.50	1 191.76	0.62
	2019	617.71	0.24	287.28	0.11	101.29	0.04

Source: Author's calculation based on Organization for Economic Cooperation and Development, Net ODA database. Available at <https://data.oecd.org/oda/net-oda.htm>, and World Bank, Net official development assistance received (current US\$) database. Available at <https://data.worldbank.org/indicator/DT.ODA.ODAT.CD>.



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