



## Public-Private Partnership as a Tool for Financing Infrastructure Projects in Algeria

الشراكة بين القطاعين العام والخاص كأداة لتمويل مشاريع البنية التحتية في  
الجزائر

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### Abstract

Infrastructure is one of the most important elements of development that requires huge capitals. Financing infrastructure in Algeria depends entirely on the public treasury, which will not be possible in the future because of the decline in oil revenues. This paper tries to highlight the current state of infrastructure in Algeria, and the challenges that should be faced to provide the convenient environment for adopting public private partnership to finance infrastructure projects.

**keywords:** **infrastructure; public private partnership, public expenditure, public treasury, public investments.**

### Résumé

L'infrastructure est l'un des éléments les plus importants du développement économique, qui nécessite des capitaux considérables. Le financement des infrastructures en Algérie dépend entièrement du trésor public, qui sera difficile à maintenir à l'avenir à cause de la baisse des revenus pétroliers. Cet article tente de mettre en évidence l'état actuel des infrastructures en Algérie et les défis qui doivent être relevés afin de fournir l'environnement approprié pour adopter le partenariat avec le secteur privé comme mécanisme de financement des projets d'infrastructure.

**Mots clés :** **infrastructure ; partenariat public-privé, dépenses publiques, trésor public, investissements publics.**

## **1. Introduction**

Infrastructure projects are a major factor of development in any country; in fact, it represents the backbone of the economy. Governments try to provide infrastructure projects through public expenditure, but because of the huge capitals needed for it, they mostly try to find alternatives to finance that kind of project, which is the case in many countries.

For Algeria, the traditional way of financing infrastructure projects, which is public treasury, will not be sufficient with the decline in oil prices, the principal source of revenue for Algerian public treasury. Therefore, finding alternative sources to finance infrastructure projects is necessary more than any time before, and public private partnership is one of the most prominent alternatives.

### **1.1. Statement of the problem**

Experiences showed that the success of a public private partnership contract depends on the environment applied in; the developed countries had provided the appropriate environment that led to many successful public private partnerships, all this leads to ask this question: What are the challenges of adopting public private partnerships in Algeria to finance infrastructure projects?

### **1.2. Research questions**

To facilitate the answer to the main question, we have asked the following sub-questions:

- What is a public private partnership?
- What is the current state of infrastructure and public private partnership in Algeria?
- What are the areas where Algeria can rely on partnership with the private sector?
- What are the challenges of success of public private partnership in Algeria?

### **1.3. Hypotheses**

- Public private partnership is an efficient tool to attract private capitals to the public sphere.
- Algerian infrastructure is suffering from a remarkable shortage
- Currently, public private partnership is not widely adopted in Algeria.
- Public private partnership could be an alternative finance tool in almost all government-financed infrastructures in Algeria.
- Algerian Government needs to deal with several challenges before adopting public private partnership, and the first one is the absence of legal framework.

### **1.4. Methodology**

This study based on the descriptive method, where we discussed the various aspects related to public-private partnership and infrastructure, with an accent on the Algerian situation in this subject, in a way that leads to answer the main question of the study.

### **1.5. Significance of the study**

This study helps to clarify the real state of infrastructure and public private partnership in Algeria, and to highlight the challenges that must be dealt with to adopt public private partnership in infrastructure in Algeria.

### **1.6. Structure of the study**

To answer these questions, we will structure this paper in the following main points:

- Overview about infrastructure and public private partnership.
- Current state of infrastructure in Algeria.
- Current state of public private partnership in Algeria.
- Sectors to adopt public private partnership in Algeria on the short-term.
- Benefits and challenges of public private partnership in Algeria.

## **2. Overview about Infrastructure and Public Private Partnership**

In this section, we will try to clarify the concept of infrastructure, what it includes, and we will try to define the public private partnership concept and their different types.

### **2.1. Definition of infrastructure**

Military strategists evolved the term “infrastructure” during the Second World War to refer to a wide-ranging element of war logistics. Thereafter, economists introduced the term into the literature of economics development to use it interchangeably with “overhead capital”<sup>1</sup>, which are usually provided and financed by the government. The use of the term has gradually expanded to include several terms, such as social infrastructure, hard infrastructure, soft infrastructure, and institutional infrastructure.<sup>2</sup> Infrastructure includes many sectors (like power, transport communication, education and health care services...etc). The world development report classifies the economic infrastructure as following:<sup>3</sup>

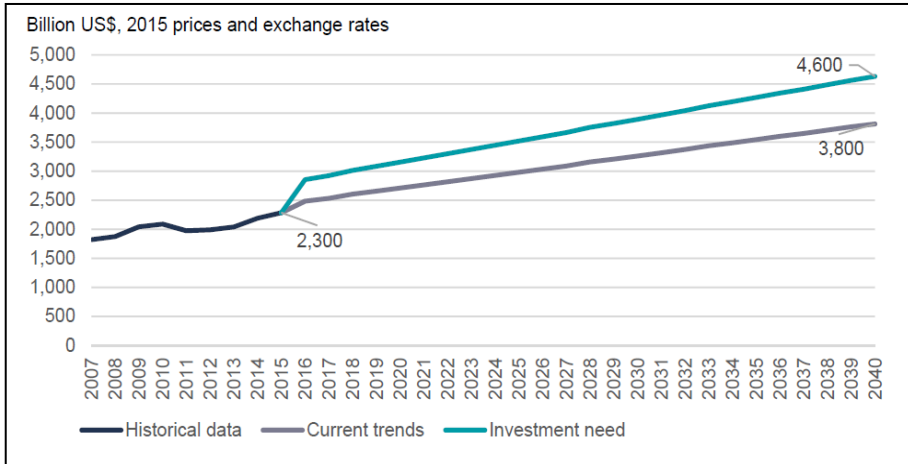
- Public utilities: power, telecommunications, piped water supply, sanitation and sewerage, solid waste collection and disposal, and piped gas.
- Public works: roads, major dam, and canal works for irrigation.
- Other transport sectors: urban and interurban railways, urban transport, ports and waterways, and airports.

Infrastructure also includes social ones like educational institutions and hospitals. Education and health have the same characteristics as economic infrastructure, like significant externalities, large investments, and long gestation period.<sup>4</sup> In most cases, infrastructures are public goods (collective goods) or semi-public goods, because they are characterized by “non-excludability” and “non-rivalry “with different levels; thus, it is unprofitable for private sector investors. That is why; governments consider those infrastructures as a market failure that requires government intervention. That was the case until the 1980s.

## 2.2. The finance of Infrastructure projects

After World War II, the public sector dominance in infrastructure has arisen for several reasons: recognition of the economic and the political importance of infrastructure, a belief that governments need to get involved actively in supplying technology, and a faith that government could succeed where markets appeared to fail.<sup>5</sup>

Until the 1980s, the government remained the main provider of infrastructure projects with a full finance from the public treasury on the basis that everyone participates by paying taxes, since it is for collective use, and it is for the benefit of all. Since the 1980s, a new form of finance has emerged like public private partnerships, as a way to lower the burden on the public budget. The need for infrastructure has risen remarkably after World War II and is still rising, which represents a huge burden on public budgets. The figure below shows the world current trends and the need for infrastructure investment.



**Fig 1:** The gap between global spending on infrastructure trend at the current pace and the actual need until 2040

Source: Global Infrastructure Hub ( 2019), <https://outlook.gihub.org/> , (consulted on 10/02/2020)

We can clearly notice the gap between current trends and real needs for infrastructure investments. This gap is due to the accelerated population growth and the rise of economic growth rate, which forces governments to find alternative ways to finance infrastructure projects because the public budget will not be able to cover all those needs.

### **2.3. The concept of public private partnership**

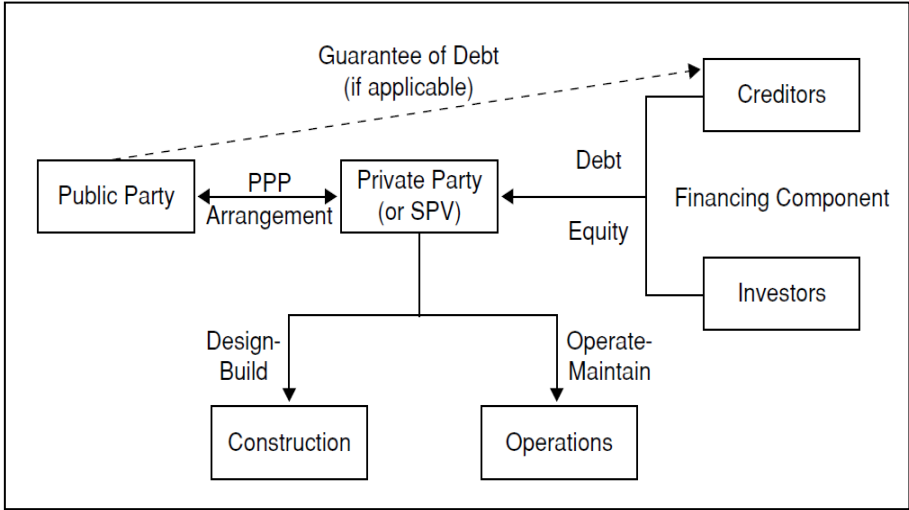
The concept of public private partnership had been common in Europe in the 1980s especially in England as a tool to attract the private sector to the public sphere.

#### **2.3.1. Definition**

Generally, a partnership is a relation of mutual interest between two parties or more. According to International Monetary Fund, the public private partnerships (PPP) refer to arrangements where the private sector supplies infrastructure assets and services that have been provided by the government<sup>6</sup>. While (The Organization for Economic Co-operation and Development) defines the public private partnerships as « an agreement between the government and one or more private partners according to which the private partners deliver the service, in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners ». <sup>7</sup>

Therefore, the PPP is a shift in the role of the public entities and a more involvement of private sector in the public sphere, with the existence of a mutual benefit for contracting parties.

Typically, the overarching goal of a public party entering into a PPP contract is to achieve “improved value for money” through the allocation of certain project risks to a private party<sup>8</sup>, while the private sector goal is to make profits. Besides those two main parties, there are other ones related to the PPP contract indirectly. Figure 2. Shows the various parties that may be involved in a design-build-finance-operate (DBFO) contract as an example:



**Fig 2:** The parties involved in a (DBFO) contract

Source: Corbacho Ana, Funke Katja, Schwartz Gerd (2008), public investment and public-private partnerships: addressing infrastructure challenges and managing fiscal risks, International monetary fund New York, USA, p246.

It should be noted that there are other parties that could be involved indirectly with the public side, like civil society organizations that influence or participate directly in decision making with the public party of the contract. That depends on the degree of participation and transparency that exist. Some public entities like municipalities, for example, could allow for civil society organizations to take part directly in decision making, including ppp decisions.

### 2.3.2. Public Private Partnership Models

There are several types of public private contracts, according to the degree of involvement of the private sector in the contract, as the private sector's position in the contract that will affect the responsibilities and the distribution of costs and risks between contract parties. The table below illustrates most important types briefly:

**Table 1:** Public – Private Partnership types

<b>contract options</b>	<b>characteristics</b>
Traditional public sector procurement	<ul style="list-style-type: none"> <li>• Governments may specify asset or service requirements, and the private sector build or provide the asset or service and infrastructure ownership remaining within the public sector.</li> <li>• The government usually pays for assets or services upon delivery or completion.</li> </ul>
Build – own – operate – transfer (BOOT)	<ul style="list-style-type: none"> <li>• The private entity is responsible for the design, construction, finance and operation of the asset, or the government allows the private entity to provide a public asset for a specified time (to 25-30 years).</li> <li>• The private sector bears all commercial risks and maintenance costs associated with asset for the duration of the concession period.</li> <li>• The asset generates revenues solely or predominantly on a user-pays basis, and ownership of asset reverts to the public sector, at the end.</li> </ul>
Design-build-finance-operate (DBFO)	<ul style="list-style-type: none"> <li>• The private sector finances, designs, constructs and operates a revenue-generating asset for a pre-determined period (the concession period).</li> <li>• The government agrees to purchase the services provided by the private entity under a concession contract, commonly for a duration of 25-30 years.</li> <li>• The private sector retains the ownership of the infrastructure for the duration of the contract but may revert to the public sector at the conclusion of the concession.</li> </ul>
Design-build-operate (DBO)	<ul style="list-style-type: none"> <li>• It commonly integrates the design, construction and maintenance within one contract.</li> <li>• The public sector purchases the infrastructure at the time of commission and retains ownership thereafter. And the private entity is responsible for the asset's operation for a period after commissioning.</li> </ul>

Source: Hodge. G, Greve. C (2005), The Challenge of Public-private Partnerships: Learning from International Experience., Edward Elgar Publishing, Northampton, UK, p 64.

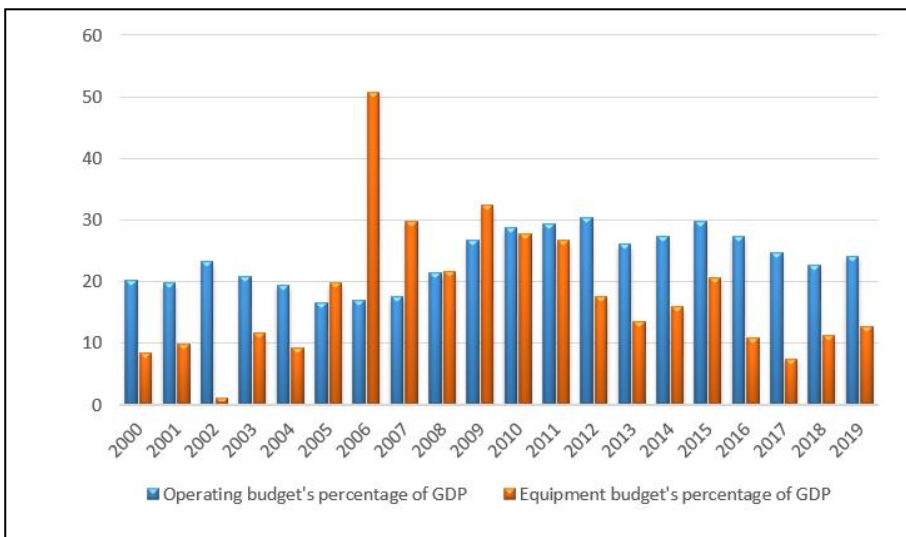
Using these types of public private partnership contracts is a good way to attract private capitals to the public sphere. Some infrastructure projects are not profitable for the private sector like roads; therefore, the concession or private finance initiative (PFI)



models are the only way of bringing in private finance in this case<sup>9</sup>. Generally, each kind of infrastructure project has a more appropriate type of PPP contract, from those mentioned above.

### 3. Current State of Infrastructure in Algeria

Algeria generally uses public treasury to finance their infrastructure, where the government provides the necessary funds for the project, and another party (private or public company) accomplishes the project, so the final cost is borne by the public treasury. The following figure shows the structure of public expenditures operating budget (*Budget de fonctionnement*) and equipment budget (*Budget d'équipement*) as a percentage of Gross domestic product (GDP):



**Fig 3:** Percentage of operating budget and equipment budget of GDP during the period (2000-2019)

Source: Prepared by the researcher based on Finance laws for the years 2000 - 2019, and World Bank data.

During the 1990s, the Algerian economy was not in a good situation because of the political and security instability, but things have become different since 2003 with the boom of oil prices, that

resulted in a significant rise in Algerian revenues. This situation had led the government to think about using those revenues to improve the Algerian economy including infrastructure.

Figure3. above shows a remarkable rise in equipment budget (which includes public investments in infrastructure) compared to the operating budget from 2005, which could be explained by the launch of many infrastructure projects (Roads, schools, etc.) during the period (2006 – 2011), as a part of an ambitious development program that covers 10 years.

The government during the period (2001 – 2014) launched three development programs:

The first one called "*Economic Recovery Program*", covering the period (2001 to 2004); it was worth 525 billion dinars (equal to 7 billion dollars). That program was spread over five axes; the most important one was "*the major infrastructure projects* " with a share of 210,5 billion dinars ( 2.8 billion dollars )<sup>10</sup> which equals more than 40 % of the total value of the program, adding to that other infrastructure projects included with the other axes ( Like local development, human resource development..etc).

The second program called "*Supplementary growth support program*" , covering the period from 2004 to 2009; it was worth 4203 billion dinars (55 billion dollars). (40 %) of the program budget was directed to the development of socio-educational infrastructure (housing, education, health, and regional development), and (40.5 %) to basic infrastructure (transport, public works, water sector)<sup>11</sup> .

The third program called « Economic Growth Consolidation Program », covering the period (2010 to 2014). This program aimed to complete the launched projects and start new ones; its budget was distributed on five axes like improving public services, human development, ...etc).

We clearly note in Figure.3 that during the period (2012-2016), the percentage of equipment expenditures witnessed a significant

decrease which may be explained by the freezing of many projects (including infrastructure projects) due to the decline of revenues, as oil prices decreased remarkably since 2013, and it keeps going down until now (May 2020).

One of the most important steps taken to improve infrastructure in Algeria is the creation of (the Equipment National Fund for Development) (*Caisse Nationale d'Équipement Pour le Développement*) (CNED), under article 70 of the finance law of 2004, The Fund is under the supervision of Finance Ministry. The main objective of the fund is to improve the public equipment spending efficiency and the procedures of evaluation, implementation and follow-up of major economic and social infrastructure projects; so it aims to :<sup>12</sup>

- Rationalize the management of equipment spending through greater control over costs and finance arrangements.
- Provide technical support and assistance during the evaluation of major projects.
- Determine the economic, technical, social and financial feasibility of major capital projects, and give opinions before listing them as public investments.
- Contribute to financing and / or supporting infrastructure projects under a national or regional development program (through a government decision proposed by the Minister of Finance).

Despite the huge budget allocated to infrastructure projects, statistics show that there is a remarkable shortage of infrastructures in Algeria in different sectors. The table below provides some numbers about infrastructure in Algeria:

**Table 2.** Some infrastructure indicators in Algeria

Sector	Used indicator	Indicator value	World ranking (140 country)
Transport	Quality of roads From 1 to 7	4	68
	Road connectivity 1- 100 (best)	87.2	33
	Railroad density km /1000 km <sup>2</sup>	1.7	92
	Airport connectivity score	46,594.5	67
	Efficiency of seaport services (1-7)best	3.9	82
Power	Electricity access % of population	99.1	77 (67 country have the same value)
	Electricity supply quality % of output	99.1	77 (67 country have the same value)
Water supply	Reliability of water supply (1 – 7)	4.6	79

Source: Schwab. K (2019), The global competitiveness report, World Economic Forum, Geneva , switzerland, p. 51

Table 2 above shows the poor ranking of Algeria compared to other developing countries in different sectors infrastructure (68 in quality of roads, 92 in railroad density ....etc) among 140 countries.

Because of the large surface of the country, transportation is a very important factor. That is why, Algeria needs to invest more on transport infrastructure where it has a late ranking like railroad (92 of 140 country), and airport connectivity (67 of 140 country).

The need for infrastructure in Algeria raised in the last 10 years, and will raise more in the next 20 years because of the increase in population and the needs to services. It became hard to use the

traditional way of finance of infrastructure projects with the decline of oil revenues. That what makes PPP contracts the most prominent alternative to financing infrastructure in Algeria, due to its capability to bring private capitals to public sphere.

#### **4. Current State of Public-Private Partnership in Algeria**

Statistics about PPP in Algeria and Africa are generally very limited. According to the 2016 report on the economic development in Africa, PPP investments in infrastructure during (1990 – 2014) reached around 13 billion dollars<sup>13</sup>, which is a very limited number compared to other countries.

Many PPP contracts in Algeria are for management, where the government signs a concession contract with a private company to manage an infrastructure, like the contract signed between the French company “ SUEZ “ , Algerian Water Authority (ADE) and the National Office of Sanitation, to modernize the water and sanitation services of Algiers (the capital) for 3 years. In transportation sector many contract were signed such as:

- Contract with the French company “ RATP” to operate the Algiers metro for a period of eight years.
- Contract with the Emirate company “DP world” to manage Algerian port.

Those types of contracts (management contract) are not the best for Algeria at present. BOOT (Build-Own-Operate-Transfer) contracts are more effective and efficient, because it is generally based on private capitals finance, which means less public expenditure and more infrastructures.

#### **5. Public-Private Partnership Infrastructure Contracts in Algeria**

As mentioned above, there are a very limited BOOT contracts in Algeria. In a workshop on public-private partnership that was held on May 04, 2015, the CNED (the Equipment National Fund for Development) referred to the total partnership projects with the private sector up to 2015 in Algeria as follows: <sup>14</sup>

- 11 seawater desalination projects in the form of (build-own – operate) (BOO) contracts.
- Two power plants under the supervision of the Algerian Electricity Distribution Company.

In 2014, the CNED, in collaboration with South Korean experts, presented a general study to frame and promote public-private partnership. The study concluded with a set of recommendations for the short and long-term, most notably are: <sup>15</sup>

In the short-term:

- The need to sensitize those involved in public private partnership from the public sector.
- The Development of a national policy on public-private partnership.
- The establishment of a special unit related to public-private partnership whose role is to evaluate and ensure that partnership with the private sector that gives better results than traditional methods, and provides technical support to public organizations at various stages of the PPP project, and strengthening research, especially on project evaluation tools and mechanisms.

In the medium term, the study recommended to establish a special law as a regulatory framework for PPP contracts.

In reality, no law on public-private partnership has yet been issued till now (2020) although the issue was discussed at the government level in 2014. Therefore, Algeria does not yet have a legal framework that regulates this form of contracts, except for some traditional ones such as concession contracts listed under public procurement, and municipality law.

Only recently that the Algerian law referred to the possibility of resorting to a partnership with the private sector .That was in the organic Act number 18-15 related to financial Act of September 2018, where the article 37 states that:

*“The government may resort to a full or partial financing of public investment operations, in a contractual framework or partnership with a legal person of public or private law, with the consideration of the medium-term expenditure framework, and the programs of the sector concerned”.*

This article was just an authorization to the government to use PPP to finance public investment (including infrastructures), with no details about the types of partnerships or any regulations.

Therefore, article 37 is the only direct legal reference for PPP in Algerian law; otherwise, contract between the two sectors usually signed based on other different laws such as: <sup>16</sup>

- Presidential Decree No. 15-247 of September 16, 2015 regulating public procurement and public service delegations.
- Law No. 99-09 of July 28, 1999 relating to energy management.
- Law No. 02-01 of February 5, 2002, relating to electricity and the public distribution of gas by pipelines.
- Law n ° 04-09 of August 14, 2004 relating to the promotion of renewable energies within the framework of sustainable development.
- Executive Decree No. 13-424 of December 18, 2013: modifying and completing Executive Decree No. 05-495 of December 26, 2005 relating to the energy audit of establishments that consume large amounts of energy.
- Ministerial decrees of 02 February 2014: setting the guaranteed purchase prices for the production of electricity from installations using the photovoltaic sector and the conditions for their application.
- Ministerial decrees of 02 February 2014: setting the guaranteed purchase prices for the production of electricity from installations using the wind industry and the conditions for their application.
- Law N ° 2005-12 of August 4, 2005 relating to water.

## 6. Sectors to Adopt PPP in Algeria on the Short Term

Algeria could use public private partnership contracts in many sectors. The table below shows the different areas of partnership:

**Table 3.** Areas of partnership between the public and private sectors

Public Real estate	Network services	Transport
<p><b>Education :</b> Schools - Universities- Children's gardens.</p> <p><b>Security :</b> Police stations - prisons – defense</p> <p><b>Defense :</b> Barracks - training centers - departments.</p> <p><b>Departments:</b> City hotels - ministries - other public buildings.</p> <p><b>Health :</b> Hospitals - nursing homes - clinics.</p> <p><b>Culture:</b> Museums - theaters.</p> <p><b>Sports &amp; Entertainment:</b> Sports fields - swimming pools</p> <p><b>Other:</b> Entertainment areas.</p>	<p><b>Energy:</b> Production distribution</p> <p><b>Water:</b> Production Processing Distribution</p> <p><b>Waste:</b> Collection and removal processing.</p> <p><b>communications:</b> Fixed and mobile networks</p>	<p><b>Air:</b> Airports - transport - other systems</p> <p><b>land:</b> Roads- bridges- tunnels- service stations- other systems.</p> <p><b>Railways:</b> Railway lines - stations - other systems.</p> <p><b>Marine:</b> Networks - ports - transport - other systems.</p>

Source : Campagnac Elisabeth (2009), Evaluer les partenariats public-privé en Europe, Presses de l'école nationale des ponts et chaussées, Paris, France, p 52.

At present, the priority for Algeria is giving a push forward to their economy, and rising growth rate out of the Hydrocarbons sector. The most important type of infrastructure needed to achieve that is transportation network (roads, railways...), due to the large



geographical area. A dense transportation network is very important to facilitate citizen's movements and lowering logistics costs for different product and services companies. Moreover, a dense and efficient transportation network could make Algeria a transport hub for different countries due to its geographical location; thus, it activates their economy in different ways.

Algeria is also suffering from a shortage in public health infrastructure, and it is very concentrated; thus, the use of public private partnership to provide more health services is very crucial, and that will be through building hospitals and medical centers in different regions with local or foreign private partners.

In the local level, priorities could differ from region to another therefore, local public entities like municipalities also could engage in PPP contract in their territories, taking into consideration their local priorities (Infrastructures needed in a desert region in the south could be different from those needed in the northern region of the country).

## **7. Benefits and Challenges of Public-Private Partnership in Algeria**

Experiences showed that many PPP contract was very successful and very useful in either developed or developing countries. To make it successful in Algeria, the government needs to deal with some crucial challenges.

### **7.1. Benefits of PPP in Algeria**

The adoption of PPP as tool to finance infrastructure projects (on government level or in local level (municipalities and wilayas)) will have many positive effects such as: <sup>17</sup>

- Reduce the burden on the public budget by providing an alternative source of finance to infrastructure projects.
- Put the dynamics of the private sector in the service of the public sector, which means more efficiency and more effectiveness.
- The possibility of forming and developing the local human resources in some fields in case the private sector is foreign.

- Greater control over the project in terms of costs and duration of delivery. In most cases, infrastructure projects exceed timelines and costs under traditional financing methods.
- Benefit from sharing risks with the private sector, thus sharing losses, if any.
- Divide the state's investment spending over long periods, which reduces the pressure on the public budget.

## **7.2. Challenges of Public Private Partnership in Algeria**

Many experiences have shown that the PPP contract in the field of infrastructure could represent a very costly failure for the public side. Therefore, the adoption of this mechanism has risks and challenges that any government must deal with as a first step. For Algeria as a developing country with a very different environment (economic, cultural, ...), compared to the developed ones, its resort to partnership as a method of financing infrastructure requires taking into consideration many aspects and challenges, most notably:

### **7.2.1. The Lack of Legal Framework for Public-Private Partnerships in Algeria**

Many experiences show that the absence of that legal framework could lead to a serious problem such as:

- The increase in costs.
- Legal disputes with private companies.
- The inability to define the responsibilities of the private companies, which makes it very difficult to hold them accountable for their work.
- Public managers will be skeptical about adopting PPP contracts to finance infrastructure projects, in the absence of legislations that protect them, which makes those contracts undesirable for them.

### **7.2.2. The asymmetric information problem**

By virtue of their experience, private companies in a PPP contract will have more information than the public entities, especially

in the technical side, which could lead them to illegal practices to make more profits.

### **7.2.3. Property problems**

There is a problem of identification of public real-estate properties in Algeria. There is no exact identification of public properties in the central and local level (municipalities). A PPP contract requires a precise definition of ownership of real estates used in the project (lands, buildings ...), otherwise the contracting parties could face a disturbance or a stop of the project or a costly legal dispute.

### **7.2.4. The Prevailing Culture of Public Ownership**

Many forms of PPP contracts includes private sector exploitation of the project for a determined period for fees paid by the users. Most of Algerian citizens would complain or evade paying those fees because of the prevailing culture about public properties (like roads). This culture goes back to socialist ideas that dominated for a long period of time in Algeria, that consider infrastructure as a free public utilities; that is why we do not find till now (2019) in Algeria paid roads for example.

### **7.2.5. The Awareness of the Importance of PPP**

There is a lack of awareness among public managers in Algeria about the importance and benefits of the partnership with the private sector, as an alternative to finance public infrastructure. This situation makes them prefer the traditional methods of financing infrastructure projects.<sup>18</sup>

### **7.2.6. Attractiveness of Investment Climate**

Despite the attempts to improve the business environment in Algeria, it is still not attractive for the private sector, especially

foreign investors, because of the instability of business environment and the discouraging investment legislations.

### **7.2.7. The inability to pay the dues**

Some types of PPP contracts require payments of dues on an annual basis over the long-term (30-35 years), which may create financial difficulties if the public partner was a local entity with a limited budget or suffering from financial difficulties.

### **7.2.8. Social Responsibility of the Private Sector**

The entry of the private sector into the public domain is particularly problematic because the private sector will try to make the maximum profits, and the problem is about their commitment to social responsibility towards the community (protect the environment, respect and support the local community ....).

### **7.2.9. Feasibility Study**

Choosing a PPP project on a basis of economic and social feasibility is very crucial; otherwise, the project will be just a financial cost for the public party of the contract (a waste of public money).

## **8. Conclusion**

Infrastructure projects are long-term investments that require large capitals. Many countries have chosen public private partnership as an alternative to finance their infrastructure projects in order to lower the burden on the public treasury. Using that tool in Algeria will be very suitable considering the remarkable shortage of infrastructure and the decline of revenues in the last five years, but experiences have proved that the absence of the appropriate environment to adopt the different types of public private partnerships will lead to a catastrophic fail. That is why Algeria needs to make many changes before using that tool massively in infrastructure, and the most important procedures should be taken are:

- Preparing a legal framework as one unit, that regulates the relationship between all parties involved in the partnership, like in Tunisia (law N° 2015 – 49 of 27 November 2015).

- Raising awareness of the importance of partnership with the private sector, and improving the negative perception towards it, whether for citizens and civil society organizations or for public sector servants.
- Providing the appropriate training for public managers and all those involved in public sector partnership contracts.
- Overcoming obstacles related to foreign investment (like investment law) to attract foreign capitals, experience and technology for maximum efficiency and effectiveness.
- Focusing on social and economic feasibility study in infrastructure projects, as the absence of economic and social feasibility causes the failures of projects.
- Working on the rise of the private sector companies' awareness of their social responsibility towards society to make PPP partnerships more fruitful for local communities.

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