



***Investing opportunities through public-private
partnerships in Algerian economy***

فرص الاستثمار من خلال الشراكة بين القطاعين العمومي والخاص في الاقتصاد الجزائري

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Abstract:

This study attempts to explore if public-private partnerships are the best solution for the Algerian public services delivery, amid the plummeting in global energy prices, which means a budget crisis for a country's oil-dependent economy. This research aims to analyse public private partnership projects development in Algeria, by presenting a general framework of public-private partnerships models in different fields, basing on the case study of international successful practices, in order to argue that public private partnerships can play a positive role in developing infrastructure investment and public services.

Several findings revealed from the study, despite, the legal restrictions and the non-attendance of a public-private partnership (PPP) regulation, Algeria has an ambitious experience in public-private partnerships projects realized in the few last years, especially in water and desalination field, transport and airports management which steel a remain experience that needed to be spread on other public services

Key words: Algerian investments, Public-private partnerships, Public services, Infrastructure.

الملخص:

تهدف هذه الدراسة إلى تحليل التجربة الجزائرية في الشراكة بين القطاعين العمومي والخاص، بالإضافة إلى توضيح الدور الإيجابي الذي تلعبه هذه الشراكة في تطوير الاستثمارات في البنى التحتية، وتحسين الخدمات العمومية، وذلك من خلال عرض الإطار العام للشراكة بين القطاعين العمومي والخاص، استنادا لأسلوب دراسة الحالة للتجارب الدولية في هذا المجال.

وقد خلصت الدراسة إلى أنه بالرغم من القيود التشريعية التي تحد من تطور الشراكة بين القطاعين العمومي والخاص في الجزائر، خصوصا مع غياب القانون الذي يحكم هذا النوع من العقود، إلا أن للجزائر العديد من التجارب الناجحة والتي حققتها في السنوات الأخيرة في مجال الشراكة بين القطاعين العمومي والخاص، خصوصا في قطاع المياه، البترول والغاز وتحلية مياه البحر.

الكلمات المفتاحية: الاستثمارات في الجزائر، الشراكة بين القطاعين العمومي والخاص، الخدمات العمومية، البنى التحتية.

Introduction

The emergence of new public management, in the early 80s by several developed countries has aimed to implement a public service as a new formula that can be considered and possibly applicable in developing countries. This concept borrowed managerial methods introduced by the private sector, in order to minimize costs and improve the quality of public services.

The invention of the partnership between public services and private sector was after governments' financial surfing and budget restriction. This appearance was in 1989s by the UK government, when the rules that constrain the use of private capital in the financing of public sector projects were withdrawn and the private sector was encouraged to bring forward schemes for privately financed roads, this initiative was branded as the Private Finance Initiative (PFI) [Grahame Allen,2001].The partnership between the government and the private

sector was in case to help in procurement of services that government is the responsible of it, which means that the government is not the only producer of public services.

Many countries began using public-private partnerships in providing public services in different forms, both in developed and developing countries to seek higher efficiency and effectiveness in public services not only for budget saving but also for improving quality of services[Byung woo gil,2013].

According to Paiman, political, socio-cultural and the administrative infrastructures of the government affect the degree and the nature of PPPs, which are well developed in industrialized countries, because of the open competition with the markets, the development of insurance industries, private institutions, and marketing cultures. Despite developing countries, the public sector is financing and providing social services and the private institutions are not well established in these countries [Paiman,2006].

In the case of Algerian government, the state plays a providence role; public services know significant development to cover extensive areas and needs that were in principle of private market sphere. In addition to traditional public services provided free or with a contribution from users, the government managed directly its economic activities and proceeded to utility supplies to citizens massively subsidizing the price, the case of housing for example, a wide range of so-called basic consumer goods.

This situation made possible in the 70s and 80s, but became unsustainable nowadays, due to the erosion of budgetary resources that affect primarily the financing of public services. The only alternative was to rationalize the management and the provision of public services in order to guarantee the continuity in the traditional areas of public services. This paper is intended to evaluate legal and institutional structure of PPPs in Algeria in first place after the exposure of the theoretical framework of PPPs, and the examination of two experiences in two different fields (water and gas and oil).this analysis can shed light on opportunities by PPPs projects in

developing investments and enhancing the quality of public services in an emerging country.

I. Theoretical foundation of public-private partnerships (PPPs)

1. Definitions

In literature the phenomenon of public-private partnership (PPP) is perceived differently, depending on the perspective from which it is treated, from the perspective of American, public private partnership is an agreement between public and private services from which they are made public, the essential feature of such a partnership is sharing investment risks responsibilities and benefits between the partners.

The United Kingdom defines a PPP as an arrangement typified by joint working between the public and private sectors. In their broadest sense they can cover all types of collaborative working together and risk sharing to deliver policies services and infrastructure [H M treasury,2008].

In French doctrine public private partnership is seen as a new form of public entities and private partnership, association created to operate and invest in public services [S.Saussier, 2015].

The OECD report defined PPPs as a long term contractual arrangements between the government and a private partner, where by the latter delivers and funds public services using a capital asset, sharing the associated risks [OECD,2012]

For some scholars PPPs are simultaneously a form of governance, a public policy delivery tool, and a language game involving multiple grammars [Linders,1999], for others it is also a tool of financial arrangements, and a development strategy [Teisman and Klijin 2002]. But it is broadly defined as any positive effort to induce the private sector to behave in ways that accomplish public goals while assisting them to pursue their own private goals [Roger E Hamlin, no year].

From the review of different definitions of public private partnership, several issues emerge. The PPPs are a form of cooperation between two parties, government and private party, working together and investing in public services. The private party can be business organisation, international organisation and even development

agencies. This collaboration is always a commitment between the two parties in a long term contract.

There are differences in PPPs arrangements some of them mentioned that there is a risk sharing between public and private party, like American and Anglo-Saxon definitions, which is not mentioned in the French one. It depends on the nature of investments, in some on them it is a benefit for the two parties to take the risk together which is the common issue, in other cases only the public party take it, or the private party.

Some PPPs are a way to finance projects by the private party, others are financed by both public and private party, in another case only the public entity is the financier. In general the private party is remunerated depending on the way of the project finance.

2. The importance of public-private partnerships

The increasing use of PPPs all around the world is a significant reason for the importance of this innovative procurement in construction, management and maintenance of public facilities.

In literature many reasons for governments resort to PPP as a good solution for the procurement of public services and facilities, from those advantages the opportunity of private financing of the project with a remuneration to the private sector which the government starts to award the private partner in general after the delivery of the project, that is to say the private sector works to finish the project in time and with lower costs. The risk sharing between the public and the private sector, some risks are delivered to the private partner, where the public sector reduce risk in ownership, operation and development, basing on the private partner expertise [Stainback, 2000]. The National council for public-private partnership considers the cooperation between public and private sector maximize strengths of the two sectors, reduce the public capital investment, improve efficiencies with projects delivered at time and guarantee maintenance for a period of time, which improve service to the community [Kimberly S. Meyer, 2012]

3. Public-private partnerships types

Public-private partnerships take several types and models, which are subject to a gradation, from simple to more complex following a continuum of solutions:

The different models of public and private partnership have common characteristics and differences. When the private sector designs, builds, owns, develops, operates and manages or buys or leases an existing asset from the public sector, renovates, modernizes, and/or expands it, and then operates the asset, there is no obligation to transfer ownership back to the public sector, in all types under this categories [C. Bovis,2010]:

- *Design-Build-Finance-Operate* (DBFO): the private sector designs, builds, finances, and operates a public asset, in his operation must cover the management and the maintenance with a contractual period that allows him to sell at the end of it.
- *Build-own-operate* (BOO): in this contract the private sector builds, owns and operates, under the control of the public sector through a regulatory authority or through the contract, the ownership of the facility or the service could be transferred to the public sector, after a period specified in the contract.
- *Build-develop-operate* (BDO): the private sector does not only finances, builds, operates an asset or a facility but he develops it commercially for a specific period.
- *Design-construct-manage-finance* (DCMF): the private sector finances the design and construction of a facility or infrastructure and manages it subsequently for a stipulated period.
- *Buy-build-operate* (BBO): the public asset is transferred to a private sector partner in order to operate and maintain. The control of the public sector is exercised at the time of transfer.
- *Lease-develop-operate* (LDO): the public asset is leased to a private sector partner in order to operate and maintain. The control of the public sector is exercised at the initiation of lease.
- *Operate under License* (OL): the private sector partner receives a license or rights to operate a public service for a specified term, within this spectrum, public-private partnerships can be categorized based on the extent of public

and private sector involvement and the degree of risk allocation.

When the private sector designs and builds an asset, operates it, and then transfers it to the public sector at a specified time or at the end of the contract. A contract may be renewable in other form, and the private sector may lease the asset, this contract includes:

- *Build-operate-transfer* (BOT): the private sector builds a new facility, operates, then transfers the ownership to the public sector after the long-term contract of operation, or the end of construction. Contracts are more complex and tendering process can take longer. The key driver is the transfer of operating risk in addition to design and construction risk.
- *Build-own-operate-transfer* (BOOT): the private sector receives a concession or a franchise to finance, design, build, and operates a facility for a specified period and to charge user fees, after the ownership is transferred to the public sector.
- *Build-lease-operate-transfer* (BLOT): the private sector receives a franchise to finance, design, build, and operate, a leased facility for the lease period and to charge user fees, against payment of a rent.

Partnership between public and private sector cannot take place without the submission of jurisdiction. A division of PPP types as legal types in three categories [C. Bovis, 2010]:

- *The public Concession*: which is a public contract where the private sector has the right to exploit the service solely or this right together with some form of payment by the public sector. There are three main distinctive features in public concession. First, the beneficiary of service provided must be third parties (public or end-users of a public service). Second, the subject of the service upon which the concession is based must concern a matter which is in public interest. Finally, the concession must assume the economic risk to the performance of the relevant service.
- *The contractual public-private partnership*: in this model the relationship between public and private sector is based on

contractual links. The private sector provides the financing for completing the project, the public partner payments based on usage volumes or demand.

- *Joint venture*: called also the institutional model of PPP. A joint venture company is set up, a majority of which is owned by a private sector partner. That partner is selected by the public sector through a competitive bid in order to implement the first phase of work, the public sector authorize the following phases that are carried out by the private partner using the first phase of work. As a benchmark to determine the appropriateness of future costs [Deloitte research, 2005].

II. The foreign experiences with PPPs

The number and value of arrangements in public and private partnerships are increasing, in European market; The average transaction size stood at 280 million USD in 2014, which is the highest average over the last 10 years (203 million USD) [EPEC,H1, 2014]. The United Kingdom remained the largest one in 2014, both in terms of value (7 billion USD) and number of project with 24 transactions closed. In the second place, in terms of value Turkey is the largest PPP market (3.7 billion USD) but in number of projects the France is the second with 10 projects. The third largest market in PPP is Germany by 1.1 billion USD but it shares the third place with Greece in the number of transactions [EPEC, 2014].

The value of PPP market in the USA reached around 60 billion USD from 2005 to 2014; with the total of 48 deals only 80% successfully closed [A. Deye, 2015] [D.Bruce Gabriel and others, 2015]. In the middle east and north Africa, the total investment in PPP projects reached 2.8 billion USD with the participation of private sector, in 2014, Morocco represent the first country of the region in PPP investment value followed by Jordan, the most rest of the countries know instability [world bank group, 2015]. These statistics give an indication of the extent to which countries use PPPs. All transactions are in different sectors, in 2014, the first sector in European market is transport in value terms and number of transactions, followed by the Healthcare sector and the environment sector. The private services reached also education sector which was the most active sector in 2013 in terms of deal number [EPEC, 2014].In the MENA region the energy sector has the greatest investment with 95% of regional

investment, followed by water and sewerage [world bank group, 2015].

A lot of researches study case studies on PPPs projects as method of enrichment, every project has specific characteristics influenced by different factors economic, political and even cultural, negotiations also play a significant role in affecting the specification of a PPP contract. Some case studies refer to lessons for new government in PPPs, some cases chosen in this study as same form of the contract and field represented in Algerian case study.

1. Scottish PPP Water projects, UK

This case study was selected to guaranty better value for money than traditional procurement; three main actors in this contract are the regulators, Water authority and private consortia, all the finance of the BOT contracts was by Internal and debt funding.

The main lessons learned as the European Commission mentioned in their book of case studies [EC, June 2004]:

- The implementation of a unit of PPP to guide projects under expert's supervision, help to minimize problems and insure the well running of the project.
- The transfer of risk in PPP project must be well studied and transferred to the right party.
- PPP projects can ensure a well service delivery and a healthy environment that the Water authority keep.
- PPP project in comparison with the public procurement help in finding solutions to customers problems.

2. Royal Dutch Shell JOINT VENTURES with China

Shell is a company specialized in oil and gas exploration and processing, transportation and marketing of natural gas and electricity, and marketing and shipping of oil products and chemicals announced in 2008, a Joint venture project with Chinese state-owned china national petroleum corporation and Qatar Petroleum International. The JV would build an oil refinery and petrochemical products manufacturing complex in china.

This big project was to produce refined fuels and petrochemical products. The Petrochina hold 51% interest in joint venture, Shell hold 24.5% and Qatar petroleum 24.5%.

The capacity of refining in china is supposed to rise from 6.2 million barrels per day (b/d) in 2006 to 14.6 million b/d in 2030, with about 60% percent of the world's petrochemical demand growth occurring in Asia, and more than one-third in China alone [A. Panibratov, A. Abramkov, 2012]

III. The Algerian case

Taking advantage of an unprecedented financial improvement, Algeria is launched since 2001, in developing the economic programs, a significant financial means have been mobilized. The objectives are to provide the country basic infrastructures and improve public services. However, recorded results remain modest given the importance of public expenditure. GDP growth rate continues to be pulled mainly by natural minerals reserves, which represent a substantial percentage of it. Government agencies have direct resources to finance the infrastructure investments without the need of private sector financing. Regulatory restrictions introduced in 2009 on foreign investments, making the Algerian partner's must hold at least 51% of stake and allowing the government to buy back the assets of private companies. These restrictions allowed the development of few types of PPPs in specific sectors, like water and energy sectors, but the financing of these projects was provided by public banks.

1- The benefits of PPP for Algeria

The implication of public-private partnerships for the Algerian economy is crucial. The most important reasons are listed below [M Salim Telidji, 2015]:

- Attracting alternative sources of funding for the state budget.
- Put the dynamism of the private sector to the public-sector service.
- Better control of the projects in terms of cost and time.
- Optimization of risk sharing between partners.
- Deferral of capital expenditures of the state over a long period.
- Sanctuary operating expenses (by contracts).

2- Institutional frame work

The Ministry of Finance grants the budgets and therefore has an important role in the PPP decision making process. In addition, the National Committee of Transactions (CNM, Commission Nationale

des Marchés) present a crucial role in the management of PPPs. The National Fund for Capital and Development (CNED, Caisse Nationale d'Équipement et de Développement) is responsible for: following the implementation of large projects, enhancing the evaluation and enlarge the financial sources. Whilst local entities and sector based "by services" entities (such as universities and hospitals) do have the ability to procure major projects, in practice significant projects are usually centrally procured. The CNED has a large experience in developing projects in different infrastructure sectors; also it has reliability with international project finance industry [European investment bank, 2011]. The establishment of a PPP unit in Algeria within CNED is currently being contemplated, for the two important reasons [M Salim Telidji, 2015]; the first is the compensation of the information asymmetry and the expertise between public and private sector. The second reason is capitalization of experience as first interest, and accompanying public contracting. The unit mission will be [M Salim Telidji, 2015]:

- The evaluation of projects to ensure that PPPs bring added value compared to traditional procurement mode.
- Technical support to public sector at various stages of implementation of the PPP project.
- The capacity building, including training of public sector officials involved in PPP.
- The development of research, especially in terms of tools and project evaluation mechanisms.

3- The legal framework in Algeria

Regulatory restrictions in Algeria serve as a significant deterrent on private sector investment and PPPs. The passing of the Complementary Financial Law in 2009 (particularly through the Ordinance no. 09-01 of July, 22nd 2009) created several restrictions on foreign investment, including elimination of free transfer of imports, the Algerian share capital is at least equal to 51 percent in any foreign investment, and allowing the government the right to buy back the assets of private companies [Investment code in Algeria, February 2015]. In the absence of a specific PPP law, PPP projects have proceeded via the general public procurement law and the Investment Code, which do not take into account the specificities of PPP contracts and the implementation of PPP projects are regulated on sectoral laws

(electricity, water, transport and public works)[world bank,2015] [M Salim Telidji, 2015].

4- The financial terms in Algeria

Under the Algerian law, foreign investment regulation, required two important specific conditions that affect foreign financial participation, the first one foreign institutions invest with one or several institutions subject to Algerian law, and the majority of the social capital is by the Algerian residents. The second important requirement only local banks must lend in this case. For the tax rules, they are not considered during the evaluative process of bidding (the pre-tax and the after-tax are not considered in the selection of bidders) [European investment bank, 2011].

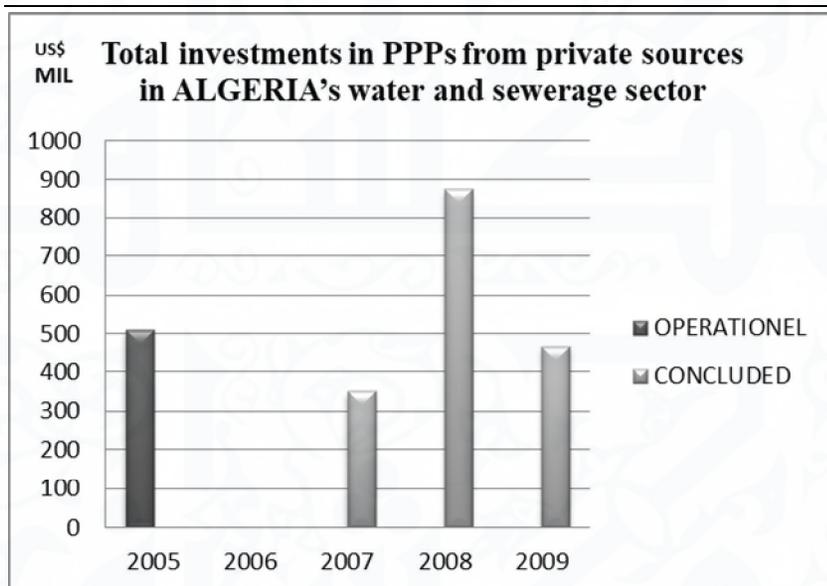
The delays in project delivery risks are absorbed by the private sector in partnership project, as it is in international practices, but the changes in financial costs and law are also the responsibility of the private partner. The public partner is responsible of financial risks and unforeseeable events [European investment bank, 2011].

5- PPPs projects in Algeria

Despite the lack of a legal, regulatory, or institutional PPP framework, Algeria has significant experience in PPPs, with 26 PPP projects reaching financial closure for the period of 1990-2015, and 24 PPP projects under construction and operation. With a total investment committed to PPPs since 1990 of 8,330 million USD (as a private investment) [world bank, 2015].

Algeria has developed significantly through the use of PPP launched since 2005 in water and sewerage projects to period of 5 years with a total value 2204 million US Dollars. In 2005 two project under BOO contract form with 510 million USD and one management contract*, after waiting a year, Algerian government starts over with 351 million USD under BOT contract, and two contract management*. In 2008 the value of four BOT contracts was the important with 874 million USD and one management contract*.in 2009 the investment dropped to only one BOT with a value of 468 million USD in water and sewerage sector.

* In the database of PPI amounts of the total investment for these lease/management contracts are zero



Source: world bank group, July 2014.

In 2010 PPPs reached over 5 years, a total of 20 projects by 2014[M Salim Telidji, 2015]. The Public Investment Programme (2010-2014) which is devoted 286 billion USD budget suggests therefore many opportunities for PPP [B. Aliouat, 2013]:

- 11 seawater desalination projects as BOO type and two power plants run by Algerian Energy Company (AEC);
- 3 container terminal concessions (the ports of Algiers, Béjaia and Djendjen);
- 4 Management contracts for the management of drinking water (Algiers / Tipaza, Oran, Constantine, Annaba / Taref)

In joint venture projects, the major of Algerian government investments are in the field of gas and oil, SONATRACH is the state-owned oil company, which is responsible of the different contracts in this field. By 2015 the partnerships contracts in joint ventures forms in oil and gas projects were about 36 contracts [SONATRACH, November 2013]; 8 contracts are under exploration phase, two contracts concluded under the law 86-14¹ and the other 6 contracts

¹ The Law 86-14, the foreign partner becomes owner of its share of production from the FOB port of loading.

concluded under law 05-07². The 28 contracts are under development and exploitation phase; 24 production sharing contracts (PSC), one risk service contract (RSC), 2 participation contracts and one contracts concluded under law 05-07.

A lot of companies specialised in oil and gas exploration and exploitation works in partnership with the Algerian oil and gas state-owned company SONATRACH, in different joint ventures.

Joint operated projects since 1995 in Algerian OIL and GAS field

| Year | Joint venture | Perimeters |
|-------------|---|---------------------------|
| 1995 | SONATRACH / ENI | BIR REBAA |
| | SONATRACH / TOTAL | HAMRA |
| 1996 | SONATRACH / BP | RHOUE EL BAGUEL |
| | SONATRACH / CEPESA | RHOUE EL KHROUF |
| | SONATRACH/ PETROCANADA | TAMADANET |
| 1998 | SONATRACH / ANADARKO / ENI/MAERSK | BERKINE |
| | SONATRACH / REPSOL/SAMSUNG/INCHON | TIFERNINE |
| 1999 | SONATRACH / TOTAL/ REPSOL | TIN FOUYE TABANKORT |
| 2000 | SONATRACH / HESS | EL GASSI, AGREB, ZOTTI |
| 2002 | SONATRACH / ENI/ CEPESA/ ANADARKO/ MAERSK/ CONOCOPHILLIPS/ TALISMAN | OURHOUD |
| 2003 | SONATRACH / CONOCOPHILLIPS/ TALISMAN | MENZEL LEDJMET NORD |
| | SONATRACH / SINOPEC | ZARZAITINE |
| | SONATRACH / BHPBILLITON | OHANET |
| 2004 | SONATRACH / ENI/ BHPBILLITON | ROD & SATELLITES |

² The Law 05-07, Contracts must provide for Sonatrach's participation in the contract at a minimum level of 51 per cent. As indicated above, the operator bears all investment costs during the exploration period. These costs are then reimbursed by Sonatrach up to its participating rate if a commercial discovery is made. During the exploitation period, all parties, including Sonatrach, contribute to operating costs up to the extent of their participation.

| | | |
|-------------|----------------------------------|-----------|
| | SONATRACH/BP/ STATOIL | IN SALAH |
| 2006 | SONATRACH/BP/ STATOIL | IN AMENAS |
| | SONATRACH/ CNPC | TOUAT |
| 2013 | SONATRACH/FCP | MLE |
| | SONATRACH/ ENI/ ANADARKO/ | EL MERK |
| | MAERSK/ CONOCOPHILLIPS/ TALISMAN | |

Source: data from ministry of energy on the web site; <http://www.energy.gov.dz>.

5-1- The case of SEOR in the water field:

In August 2005, a new law in the field of water which provides for opening the way for private sector participation. From the four experiences that Algeria provided in water sector, the SEOR company emerged in April 2008 in the Wilaya of Oran in the west Algeria, with a capital estimated at one billion dinars, divided equally between the two partners, SEOR and the Spanish company «AGBAR AGUA». The nature of the contract is a “management contract” for a period of five and half years.

The Algerian government has granted the right of participation of the private partner in improving public service management, in the conduct of drinking water and cleansing in water sector. The partnership agreement between the two partners is in two-phases [M. Amine Mehdi khelladi, no year]:

- The first phase of six months, in which the private partner acquires knowledge and achieves the identification of all branches activities.
- The second phase of a five-years, where the achievement of the Action Plan, which was developed in the first six months.

The company's goals through contracting in the first version as follows:

- Provide potable water service for 24 h.
- Conduct cleansing interest.
- Customer "clients" manage to raise the technical and technological returns.
- Reload economic and financial management.
- Achieve security and communication schemes.
- Professional training.

The important operational results that the partnership between SEOR and AGDAR are [Senoussi Ben Oumer, 2014]:

- Increasing the water resources from 140,000 m³ / day in 2012 to 300,000 m³ / day.
- Increase the volume of water billed to 33% .
- Increase the number of customers (residents), with 20% from 1,356,999 residents in 2008 to 1,619,940 in 2012.
- Reformatting 570 km of sewerage network which represent 31% of the network.
- Developing the GIS maps and distance control system.

5-2- the case of OHANET Development Algeria in petroleum and gas field:

As it is mentioned in the company's presentation "SONATRACH is the Algerian state company for the research, exploitation, pipeline transportation, processing and marketing of hydrocarbons and their by-products. Its purpose is to make an optimum use of its hydrocarbon national resources and create wealth serving the country's social and economic development" [SONATRACH, 2013].

The emergence of OHANET Development Algeria was after SONATRACH invited foreign companies to bid to undertake the capital investment necessary to develop the four gas condensate reservoirs in 1997. BHP shows an interest in May from the same year for participation in the project but the final submission was with ITOCHU Oil Exploration Co., Ltd. in August 1998. After this date, Petrofac Resources International Ltd participate in the joint venture under the invitation of BHP and ITOCHU.

BHP and its joint venture partners signed the Risk Service Contract (RSC) with SONATRACH on 2 July 2000, which was approved on 12 November 2000 by the Algerian government. In December 2000, BHP sold to Woodside Energy (Algeria) Pty. Ltd 15% of its interest in the OHANET Development, a subsidiary of Woodside Petroleum Ltd. BHP Billiton holds a 45% equity interest in OHANET with Japan OHANET Oil & Gas Co. Ltd, with 30%, Woodside Energy (Algeria) Pty. Ltd, with 15%; and Petrofac Resources OHANET LLC, with 10% [Malcolm Garratt, Martin Christie, Patrick Cassidy, 2004].

Under the terms of the Risk Service Contract (RSC) the total production from the fields is owned by SONATRACH. The foreign partners' mission is the development of reservoirs, and in return they recover their investment, with a fixed profit margin, from hydrocarbon

liquids production over eight year period (starting from the beginning of production). The monetary entitlement will be converted into volumes of condensate Butane and Propane that will be transferred from export ports on the Algerian charge, and priced by SONATRACH. Under the terms of the RSC, the partners are not allowed to any of the pipeline sales gas or the associated revenue. This gas will be utilised by SONATRACH to meet its long term Mediterranean pipeline gas and LNG sales requirements [Malcolm Garratt, Martin Christie, Patrick Cassidy, 2004].

The project was developed and realised its objectives as it is mentioned [Malcolm Garratt, Martin Christie, Patrick Cassidy, 2004]:

- In October 2003, BHP Billiton/SONATRACH began first gas production from the joint venture wet gas development at OHANET, southern Algeria. The new facility was set on schedule and within the original USD 1 billion budget (USD 464 million net to BHP Billiton).
- The processing facility treated around 710 million standard cubic feet per day (MMscf/d) of gas and produce a maximum of 30,000 barrels per day (bbl/d) of condensate and 26,000 bbl/d of Liquefied Petroleum Gas (LPG), together with a stream of dry pipeline sales quality gas for SONATRACH.
- The development includes all major fluid handling and handling systems, including two gas trains, fuelled by 47 productive wells.
- A total of 28 new wells have been drilled and completed and 15 wells have already been restored. The last four new wells have been postponed as required under the risk service contract to allow the assembly of three to four years from the date of production
- With the ROD Integrated Development (80,000 barrels per day gross) due on-stream in 2004, BHP Billiton Petroleum is well placed to develop further growth opportunities in Algeria, a country with vast hydrocarbon resources.

Conclusion:

The Algerian experience with PPPs is very restricted, due to a various reasons. The most important is the legal framework which is not clear and suitable for the specification and the complexity of PPP projects. A specific legislation must be enacting to PPP projects which would clarify all the projects phases, the projects awards and the contractual provisions.

The private financing of infrastructure is limited in joint ventures and all basic infrastructures is financed by the Algerian government, and the private partners participation in managing and developing the facilities with a fixed price awards in a short term contract from four to eight years. Guarantees on loans from banks and financial institutions are covering only the public companies which represent a restriction for long-term investments in PPPs procurements, the government must provide the guarantees for the private foreign investors in PPP projects, in order to encourage this kind of investments. A clarifying guidance of the policy framework can ameliorate the foreign investments especially the private financing of long-term contract in PPP projects.

PPPs represent the only effective way to provide services in the lack of public funds to realize the essential infrastructure investments. The Algerian government started this strategy with PPP projects in few fields: desalination, water, transportation and gas and oil. Two different cases are exposed in this article, the first one is SEOR Company in providing drinking water, and this PPP contract is rewarded on a fixed price to the foreign investor not on performance, which creates a problem in the efficiency and effectiveness of the service delivery. The second one the joint venture between SONATRACH and BHP Company in gas and oil production, in this kind of contract (risk service contract) the Algerian company restrict access to petroleum ownership rights, the main advantage for the foreign investor, is the access to produced petroleum on preferential terms, in the hopes of developing lucrative long-term relationship.

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