

National Workshop on

***Private Sector Involvement
in Water Infrastructure in Lebanon***

**8-9 March 2010
Beirut, Lebanon**

Venue:
**Habtoor Grand Hotel
Convention Center & SPA**

Co-organised by:



Concept Note

Background & Workshop Rationale

To face the tremendous challenge of providing water to their populations in a safe and sustainable manner, many governments have sought to involve the private sector in the management and development of their water systems in the last 20 years. This was seen as a way to inject much-needed investment capital and/or to improve the often poor operational performance of publicly-run utilities. The emphasis on Private Sector Participation (PSP)¹ was also very often related to a more general effort by countries to modernise their water sector and improve the governance framework.

In that context, some Mediterranean countries have already gained some experience with PSP in water supply and sanitation (WSS) and have even experienced some pioneer contracts in irrigation management. In the Middle East and North Africa in particular, the following cases of PPP projects in the water sector can be highlighted:

- Morocco is the most active country in outsourcing water supply among the countries of the region. The Moroccan government awarded in 1997 the first contract of electricity, water and sanitation service delegation in Casablanca and Mohammedia to Lydec, a consortium including Suez environment as a major shareholder. The positive results, that are mainly the expansion of the service to the non served population as well as the gradually learning of PPP mechanisms by the regulation authorities, encouraged the replication of the experience. Delegation contracts are awarded for the cities of Rabat (in 1998 with a Portuguese/Spanish consortium then transferred in 2003 to Redal, a Véolia Environment subsidiary) and Tanger-Tétouan (in 2002 with Amendis, a Véolia Environment subsidiary).

Moreover, Morocco concluded in 2005 a pioneer experience of public-private partnership in irrigation. The private company has in charge the investment for water transfer from Aoulouz and Mokhtar El Soussi dams and for the distribution network in the irrigated area of El Guerdane, as well as their operation for 30 years.

The Moroccan government intends to sign four new similar contracts in the following years for the irrigated areas of Loukkos, Tadla, Doukkala and Gharb.

Also, a project of sea water desalination for irrigation in the area of Chtouka Ait Baha is under study.

- In Jordan as in Morocco PPP projects resulted in decreases in government expenditures and improvements in the water utility performance, reductions in unaccounted-for water, higher water revenues, and lower operating costs, coupled with extensive staff training and use of geographic information systems and information technology.

¹ By PSP in this context we mean a wide range of risk-sharing arrangements on operating and maintaining, and (or) investing in, the water infrastructure, concluded between the public and the private sectors (from full divestiture of fixed assets to management contracts).

- In Tunisia, private sector participation started in 1997 with 2 kinds of pilot sanitation projects : 5 years project of operation and rehabilitation of 3 sanitation plants with a Tunisian-Swedish company and 5 years management contract of sanitation networks with a Tunisian-French company. While the first kind of contracts were unsuccessful and cancelled, the second recorded satisfaction for both users and contractual parties. Despite the success of the pilot project, only three contracts have been concluded for three areas of the capital Tunis, El Menzah - El Khadra, Ariana - Tunis Nord and El Mourouj, Fouchana. The Tunisian government is willing to expand the private participation in order to take advantage from private investment. Therefore, BOT contracts are currently under preparation for the construction of 2 treatment plants and 2 sea water desalination units.

These trends have started expanding to other countries.

- In Egypt, the water and sanitation sector is leading in terms of closed PPP deals and projects in the pipeline. The recent tender for the wastewater treatment plant of New Cairo attracted a significant interest from the private sector with a consortium including the Egyptian company Orascom and the Spanish company Aqualia winning the tender. The Government of Egypt has four additional similar projects in the pipeline for the coming 12 to 24 months and expects more in the future. So far, deals are developing in the area of wastewater treatment plants under BOT contracts. Future developments of projects with the private sector and potential extension to the network and service provision parts of the industry will largely depend on the legislative framework – currently under development – and on the financial sustainability of the proposed projects.

- In Algiers a Public Private Partnership is in place since 2006 between SUEZ and the public company for Water Supply and Sanitation, the SEAAL, in the form of a contract management, with investment made by the Algerian Government. The envisaged investment over 5 years is in the height of 35M Algerian Dinars. Transfer of expertise and technical know-how from SUEZ to SEAAL are expected to be achieved through this contract. In 2006 only 6% of the wastewater was treated, whilst in 2011-2012 it is expected to rise to 70%. The management PPP has already resulted in increased rates of revenue collection also thanks to the open communication channel with the public through the operation of a hotline.

- In Lebanon, a four-year management contract for the Tripoli Water Authority was signed in 2002 with the French company Ondéo-Liban at a cost of 20 million Euro, financed by the French Development Agency. The contract included the operation, maintenance, and installation of equipment, the organization of the billing system and collection of water tariffs, the management of human and financial resources, and the supervision of the construction of a tertiary water supply network and the expansion of a water treatment plant.

Experience, however, has not always matched expectations. In particular, the hoped-for surge in private investment flows has not systematically materialised, underlining the complex organisation and limited creditworthiness of the water sector, the short-comings in the investment environments and poorly developed risk management tools and regulatory capacity in the host countries. And although most countries are interested in developing

PSP, few have a clear idea of the framework conditions needed to derive maximum benefits of such cooperation.

Objectives and setting of the Workshop

The Workshop is intended to discuss opportunities and challenges related to private sector involvement in water infrastructure in Lebanon, with particular emphasis on the modalities of Build, Operate, Transfer (B.O.T) contracts. The discussion is timely for the country, in view of potential application of such contracts to support infrastructure projects foreseen in the 10-Year Strategy Plan of the Lebanese Government for the Water Sector (dams, wastewater treatment plants, canals, irrigation infrastructures etc) that can not be financed solely through public budget resources.

The Workshop will take place in Beirut, in the Habtoor Grand Hotel, on the 8-9 March 2010 and it is envisaged that it will be attended by representatives of different ministries, government bodies and utilities of Lebanon, major donor agencies and IFIs working in the water sector in the country, representatives of private banks, of the the private sector as well as regional organisations working on water issues in Lebanon and beyond.

The Workshop is organised by the Lebanese Ministry for Energy and Water and in cooperation with the Mediterranean Network of River Basin Organisations (MENBO), the United Nations Development Programme (UNDP) and the Global Water Partnership-Mediterranean (GWP-Med). The event is realised within the framework of and is supported by the Mediterranean Component of the EU Water Initiative (MED EUWI) led by the Government of Greece since 2003, the EUWI Finance Working Group (EUWI-FWG) and the GEF Strategic Partnership for the Mediterranean – Large Marine Ecosystems. Further on, the Workshop is supported by the Mediterranean World Economic Foresight Institute (IPEMED), Lebanese private banks, namely Audi Bank, Byblos Bank, Credit Libanais and by the consultancy bureaus, Consolidated Contractors Company, Dar Al Handasa Taleb, KREDO SAL, Murex Systems SA, New Lebanon, Ondeo Liban S.A.L, OTV SA, and SUEZ Environment/Degremont.

The Workshop's Agenda will focus on a set of issues relating to the enabling environment for private sector involvement in the country, such as the institutional, legal and regulatory frameworks, and will also address the financial sustainability of projects, including the issue of warranties and the cost-recovery component.

Relevant expertise, good practices and lessons learnt from Lebanon, the Mediterranean region and beyond will be also presented and discussed in the framework of this event based on the experiences from representatives of the relevant governmental bodies, enterprises, private banks and the donors' community active in the country.

Launching of a PSP Self-Assessment in Lebanon supported by MED EUWI and OECD

The Workshop will launch a PSP activity in Lebanon that falls within the second phase of the MED EUWI Water Policy Dialogue in Lebanon (First Phase 2007-2009) aiming to conduct a self-assessment of the Lebanese framework for private sector participation in the water sector primarily by the different parts of the Government and secondarily by selected private sector stakeholders. The activity will be carried out in close cooperation with the

Organisation for Economic Cooperation and Development (OECD)² replicating and taking stock of similar work currently under finalisation within the MED EUWI Water Policy Dialogue in Egypt.

The activity's objective is to achieve a better understanding of where the private sector could add value and under which conditions and thereby support strategic planning efforts currently underway by the Government. The activity will provide a coherent set of policy directions that address the allocation of roles, risks and responsibilities across stakeholders, the conducive framework conditions and the good partnership practices. It is envisaged that this will facilitate the identification of projects as well as the type of involvement (levels of risk, type of contractual arrangements) that private sector players would be willing to enter into under present conditions and how this could evolve if the policy framework is further strengthened.

The activity will seek to attract the attention of the key stakeholders – foremost the policy makers- to the international good practices in the development of PSPs and to facilitate policy dialogue on how to promote a more effective policy and regulatory environment for PSP in the Lebanese context, especially in view of the planned steps (primarily BOT contracts) within the 10-year Strategy Plan for the Water Sector.

² In order to facilitate a better understanding of the opportunities and risks associated with private sector participation and assist governments to assess the quality of their investment framework, the OECD has developed a *Checklist for Public Action*. The Checklist has been used in a number of cases around the world, including the MENA Region, and has formed part of the MED EUWI Water Policy Dialogue in Egypt.

Tentative agenda

8 March 2010	
17:30 – 19:00	<p>Opening Session and Statements by:</p> <ul style="list-style-type: none"> - Dr. Fadi Comair, Director General of Hydraulic and Electrical Resources, Lebanese Ministry of Energy and Water - Mr. Ziyad Hayek, President of the High Council of Privatisation - Ms. Cécile Abadie, Head, Section Infrastructure & Local Development, EC Delegation to Lebanon - Mr. Gilles Pennequin, Responsible of Territorial Development and Sustainable Development, Union for the Mediterranean - Mr. Denis Cassat, Director, Agence Française de Développement - Ms. Marta Ruedas, UNDP Resident Representative - H.E Mr. Nabil Jisr, President of CDR - Mr. Riad Salamé, Governor of the Central Bank of Lebanon - H.E Mr. Gebran Bassil, Lebanese Minister of Energy and Water
19:00 – 20:00	<p>Financing of water resources management projects in the Mediterranean: Recent developments through regional processes - Mr. Vangelis Constantianos, <i>Executive Secretary of Global Water Partnership-Mediterranean (GWP-Med), Secretariat of the Mediterranean Component of the EU Water Initiative (MED EUWI)</i></p>
	<p>Management of River Basins through PPP - Dr. Fadi Comair, <i>Director General of Water Resources and Electric and Chairman of the Euro-Mediterranean Network of Basin Organizations (MENBO)</i> and Mr. J.F. Donzier, <i>Director General of the International Office for Water (OIEau) and Secretary General of the International Network of Basin Organizations (INBO)</i></p>
	<p>The French experience of PPP - M. Pascal Berteaud, <i>ex-Water Director in France and Vice-President of the Ambassade de l'Eau</i></p>
	<p>Water management challenges in the Mediterranean in the context of climate change and importance of PPPs in the elaboration of a Modeling Tool – M. Gilles Pennequin, Responsible of Territorial Development and Sustainable Development, Union for the Mediterranean</p>
20:00	Cocktail
9 March 2010	
08:30 – 09:00	Registration
09:00 – 10:30	<p>Session I: PPP experiences at the regional and national level</p>
	<p>The French experience of delegated management of Public Infrastructures – M. Pierre van de Vyver, General Delegate of the Institut de la gestion déléguée (IGD)</p>
	<p>PPP experience in the water sector in Morocco – Dr. Jean-Claude Séropian, Director of Operation and Maintenance Degremont (SUEZ Environment Group), Chairman of Ondeo-Liban</p>
	<p>Recent PPP trends in the Arab countries of the region – Eng. Mohamed Bany Mustafa, <i>Arab Countries Water Utilities Association (ACWUA)</i></p>
	Discussion
10:30 – 11:00	Coffee break
11:00 – 12:30	<p>Session II: The Lebanese Experience and Opportunities</p> <p>PPP as a tool for water management in Lebanon– Mr. Bassam Jaber, <i>ex-</i></p>

	<i>Director General, Lebanese Ministry of Energy and Water, Chef of the Team MOTGE</i>
	The PPP case of Tripoli – Mr. Georges Kamar, <i>Consultant, Ondéo Liban-SUEZ Environnement</i> & Mr. Francis Stephan, <i>Chargé de Mission, AFD</i>
	The 10 Year's Strategy Plan for the Water Sector in Lebanon: Infrastructure Projects that could be managed through a B.O.T contract and Draft Law (2003) on BOT - Dr. Fadi Comair, <i>Director General of Hydraulic and Electrical Resources, Lebanese Ministry of Energy and Water</i>
	Tariffs and cost recovery for wastewater projects in Lebanon - Mr. Mahmoud Baroud, <i>Director General of Exploitation, Ministry of Energy and Water</i>
	Discussion
12:30 – 13:30	Using the OECD Checklist for Public Action to assess framework conditions for private sector participation in water infrastructure – Ms. Celine Kauffmann, <i>OECD Investment Division, Climate Change & Water Investment Projects</i>
	Discussion
13:30 – 15:00	Lunch
15:00 – 16:00	Session III: The enabling environment for PPP: cost recovery, guarantees and regulation
	Key issues of tariff reforms in the water sector – Mr. Roger Melki, <i>Economic Consultant</i>
	Offering the best guarantees to PPP – Mr. Morgan Mozas, <i>Project's manager in charge of Sustainable Development projects, Mediterranean World Economic Foresight Institute (IPEMED)</i>
	Discussion
16:00 – 16:30	Coffee break
16:30 – 17:30	Interventions by Private Banks
17:30 – 18:00	Conclusions and Closing

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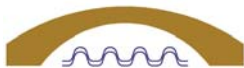
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