

Opportunities and Challenging Constraints

By Nabil Sukkar

Photo Carole al-Farah



While Public-Private Partnerships could play an important role in Syria's development, foreign expertise and investment are needed to make such business arrangements viable.

Syria is in the midst of implementing far-reaching economic reforms as it adapts to a social-market economic system, while simultaneously tackling problems such as the growing budget deficit and rapidly declining oil reserves.

Public-Private Partnerships (PPPs) could play a key role in achieving the country's economic and social-development objectives. The use of PPPs in Syria's future infrastructure projects, in particular, will enhance growth, create employment and increase local demand while simultaneously providing efficient, low-cost and reliable services. They will also enable the government to allocate more of its financial resources to social-development projects.

While the government is keen to introduce PPPs to Syria, numerous challenges remain, including the country's recent transition to a market economy, a lack of local expertise in both public and private sectors, an unclear legal framework and delays due to complex negotiation

processes. Above all, Syria will need time to adopt the PPP concept, limiting its capacity to finance PPP infrastructure projects during the 11th Five-Year Plan.

A realistic short-term action plan should be drawn up so that viable and less complex projects can be prioritised. The government can then move to larger, more complex projects as it acquires more experience. Initially, several measures would help the Syrian government overcome these issues and maximise the benefits of the PPP formula.

First, the new social-market economy and the role of the private sector in it need to be more clearly defined, with a broad consensus between the Ba'ath Party, the government and public-sector institutions.

Second, the legal framework should be adapted to facilitate the implementation of PPP projects. The Syrian government is developing specific legislation to define clear parameters for the establishment, management and implementation of PPP projects. As part of this, it is important that an independent commission be established which is entrusted with resolving conflicts.

Third, Syria has liberalised its economy over the past few years, reforming its regulatory framework and creating investment incentives. However, more needs to be done to make procedures simpler and more transparent, to improve tax administration, to set up a fair and efficient legal system and to liberalise the inflow and outflow of capital.

Fourth, a massive effort is needed to modernise and upgrade Syria's private sector. The investment required for PPP projects, the capital financing needed upfront and the complex design, construction, operation and maintenance required is beyond the capabilities of most private organisations in Syria. The inherent risk is that, together with foreign companies, a few large, local companies will monopolise the PPP scene. Thus, it is necessary to upgrade the critical mass of the private sector.

Fifth, there is an urgent need to reform Syria's highly centralised public administration. In order to successfully implement PPP projects, Syria will need a competent public administration that can formulate, tender and supervise complex PPP projects, and one that is able to enforce contracts as well as the decisions of the regulator.

Sixth, advance risk assessment is necessary. Project risks are inherent in design, construction, operation, maintenance, cash flow and legal areas, while external risks outside the project are often related to expropriation, currency and policy instability.

Seventh, tariffs for PPP projects should be based on careful analysis of the cost, the consumer's ability to pay, the sustainability of adequate cash flow and the ability of the government to subsidise the project, in case tariffs are set below recovery cost.

Eighth, the tendering process needs to be efficient and transparent. It should clearly define expected works and services and should explicitly identify the rights and obligations of all parties.

Foreign expertise and funding are therefore necessary in the short-term, which is why international firms should be encouraged to collaborate with local financiers.

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