

Public Procurement Market

Looking at the MENA region

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MENA Countries

- Big market but very weak regional integration

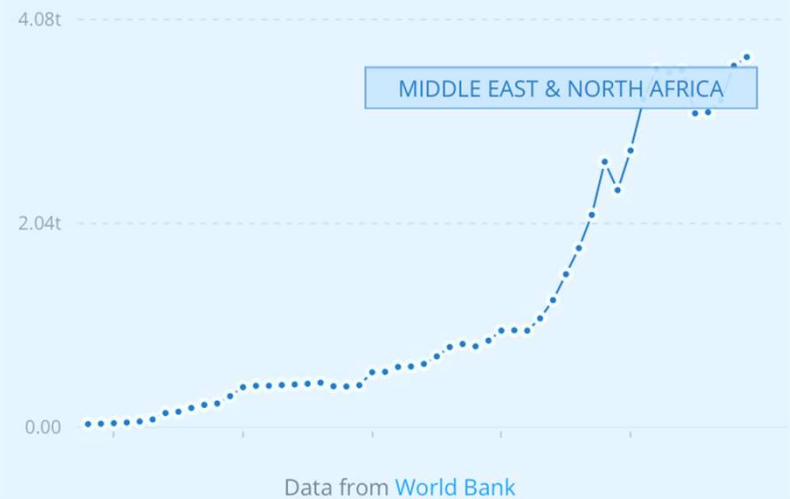
(Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, (Malta), Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab republic, Tunisia, United Arab emirates, West bank and Gaza, Yemen)

- Culturally, economically and politically diverse
- Population: 450 millions (two-third under 35-years-old)
- Unemployment: 25% pre-crisis

MENA Key Figures

- Total GDP: 3,7 trillions USD in 2019
- Growth contraction of -1,1% in 2020
- Highly correlated to oil prices (60 % of global oil reserves and 45 % of natural gas)
- Public debt is 45% of GDP in 2019 and projected to rise to 58% in 2022
- Current account (-4,8%) and fiscal balances (-10,1%)

GDP (current US\$)






Why PP in MENA?



Neighbouring market – Cultural and language connection



PP represent 15% to 25% (e.g. Egypt procure over 20% of their GDP)



EU commission efforts to open PP market through multilateral initiative (e.g. Euro-Mediterranean partnership), bilateral agreements, WTO (GPA)



Foreign and institutional PP project financing, including from European countries and International institutions (World Bank, EBRD, Islamic Development Bank etc.)

Positive evolution **Modernizing PP**

- Modernizing and simplifying (access to information and procedures)
- E-Government procurement
 - (e.g. Marocco: www.marchespublics.gov.ma ; Tunisia: www.tuneps.tn/index.do ; www.marchespublics.gov.tn)
- Online procurement portal and Central procurement authorities
- Procurement efficiency - Growing capabilities in PP and tendering process



Positive evolution **Legal Framework**



- Improvement in fair competition, transparency, governance and anti-bribery laws
- Procurement legal framework modernization to meet international standard (World Bank, OECD, GPA-WTO, UNICTRAL etc.)
- Public Private Partnerships legal framework

Positive evolution **Targeting SMEs**



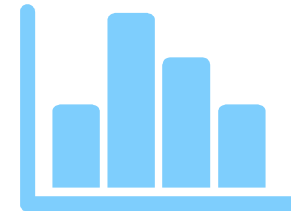
- Policy of favouring SMEs (e.g. KSA 2030 vision from 26% to 35%) –
- Using purchasing powers to help grow SMEs footprint
- Lowering barriers to entry to PP
- Growing policy of PP tendering in lots (strategy towards SMEs)
- Breaking monopolies and import exclusivities



RISKs

Risks **Economic, Social, and political**

- **Economic:** inflation, cost of material, current account (-4,8%) and fiscal balances (-10,1%)
- **Political:** political instability, war, terrorism, expropriation, new laws and regulations, or international events, bilateral relationship etc.
- **Social:** social instability, strikes, wages increase (e.g. *wages increase during covid*)



Risks Financial

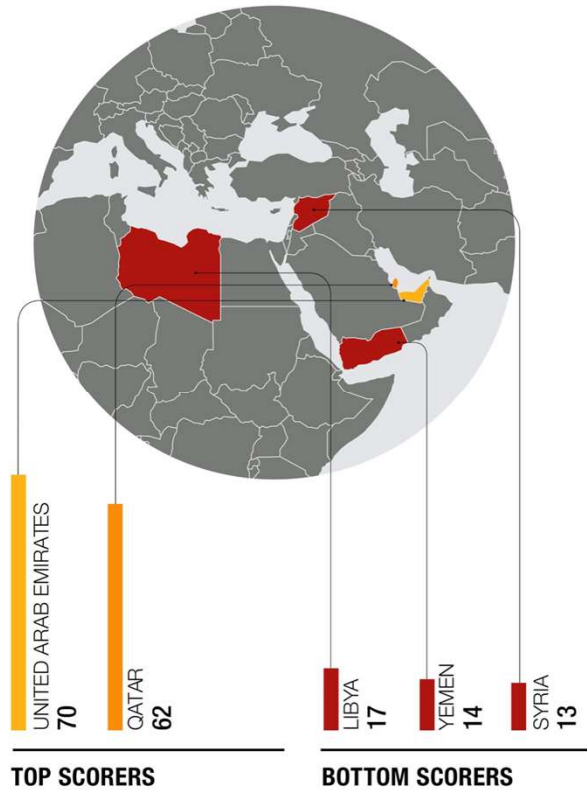


- **Financial crisis**, Budget deficit, balance of payment deficit etc.
- **Monetary** risk (currency devaluation etc.), inflation
- **Payment** delays, additional claims etc.
- Performance **bond** release, cash retention (trap) etc. (*often ends up in difficult negotiations*)

Risks **Legal, operational and Competencies**



- **Legal framework**, legal changes (e.g. minimum wages), contractual misinterpretations and loopholes, poor tender documentations etc.
- **Operational difficulties**: visa, work permits, entry permit (Mol), products and material entry, special permit and licences, difficulties to physically access location, subcontractors inexperience
- Despite serious improvements, most MENA countries still suffer from **weak capabilities and competencies** in public procurements



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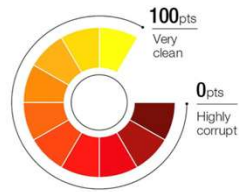
COUNTRIES ASSESSED

39/100

AVERAGE CPI REGIONAL SCORE

CPI points colour code:

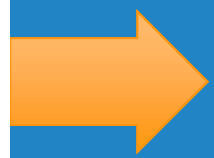
The CPI uses a scale from 0 to 100. 100 is very clean and 0 is highly corrupt.



Risks

Corruption and integrity

- At Every Stage: from pre-tendering to the execution
- Despite some incremental progress by some countries, the outlook remains grim
- UNCAL, OECD Anti-Bribery convention, USA FCPA, UK anti-bribery laws,



Mitigating Risks

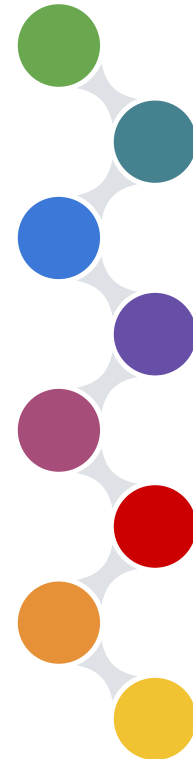
➔ Local Partnership

- **Selecting the right local partner**

- Experience with local PP and regulations
 - Access to information and network
 - Assist with the tendering process and the execution
 - Verify budget reality (MoF)
 - Operational help – visa, licenses (MoL and Mol)

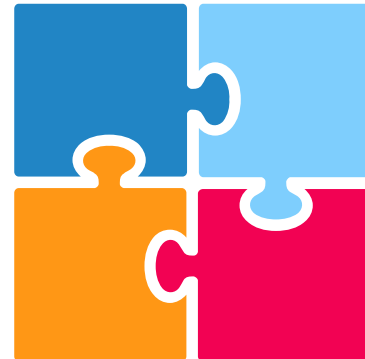
- **Avoid the typical mistakes** in selecting your partner (« Son of... », « I know everyone... »)

- Incorporating a **local entity**. Some countries still have a 51% local ownership model



➔ Alliances & Networks

- **Joint Venture/Consortium** with local and International partners with existing presence
- **Subcontractors** to a Belgian/EU main contractor with local knowledge
- **Business networks**



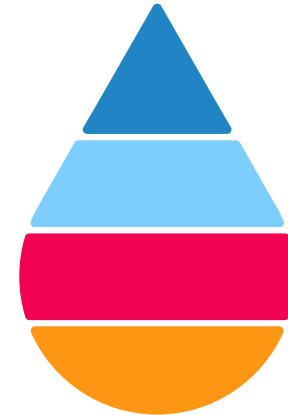
➔ Diplomatic & Institutions

- **Diplomatic institutions & Commercial attachés**
Meetings organization; access to information; Checking in individuals etc.
- **Credendo**
- **Belgium has a good reputation** and is usually perceived as “politically neutral”



➔ Corruption

- **Make your anti-bribery culture clear from day one**
- Compliance statement signing and **training** the local partner
- Watch for **red flags**, due diligence on **third parties** etc.
- Some countries have developed corruption reporting mechanism



Thank You



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