

Impact of the Public-Private Partnership on the Socio-Economic Development: The Case of BMT (Bejaia Mediterranean Terminal)

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Abstract:

The aim of this research is to analyze the impact of a Public-Private Partnership (PPP) on socio-economic development, which combines the skills and resources of both sectors, thus sharing risks and responsibilities. We studied the case of the BMT (Bejaia Mediterranean Terminal) joint venture, a partnership between the Algerian public company PCB (Port Company of Bejaia) and the private Singaporean group Portek, which started in 2006. This partnership has allowed the improvement of the port activity and the implantation of an efficient system of container processing that meets international standards, through a transfer of knowledge and skills as well as an undeniable socio-economic impact on the region of Bejaia and on the national economy.

Keywords: Public-Private Partnership, PCB, BMT, Bejaia.

(JEL) Classification : L24, L33, L92

1. Introduction:

Developing countries, faced with demographic and economic challenges and tight budgetary constraints, often try to strengthen the managerial capacity of their institutions and enterprises and to improve the management of public services. In this view, modernization is an attempt to break with bureaucratic management and to adopt new approaches to public management and administration.

In Algeria, the economic environment has been characterised by the predominance of large public enterprises, which was determined by the socialist policy after the Independence of the country. However, at the end of the 1980s, a transition to a market economy was initiated as well as a desire to reorganise the public sector.

This has resulted in a relative disengagement of the State in economic matters and a change in its attitude towards the private sector. This latter, henceforth recognised as a full partner, complementing and in some cases, even replacing the public sector.

1.1. Research Problematic:

In this new context, the Algerian State considered that it was essential to adopt public-private partnerships (PPP) in order to improve the management of public services and to benefit from the experience and expertise of private companies, whether national or foreign. At the beginning of the 2000s, this public-private partnership thus constituted a new development strategy for the national maritime sector.

Based on the preceding, we have chosen to study the case of a PPP between the Algerian public company PCB (Port Company of Bejaia) and the private Singaporean group Portek, giving rise to the joint venture BMT (Bejaia Mediterranean Terminal), specialised in the operation and management of the container terminal at the port of Bejaia.

Therefore, we will try to answer the following question: **"What is the impact of the public-private partnership in the framework of the BMT joint venture on socio-economic development?"** In this optic, we postulate the following hypothesis: the PPP, through the BMT joint venture, allows PCB to acquire new managerial skills and has a positive economic and social impact on the Bejaia region and the national economy.

1.2. Research Aims:

The purpose of this research is to reveal the interest and significance of the partnership between the public and private sectors in Algeria, either national or foreign, and to evaluate the impact of this PPP on the economic and social development. In the specific case of BMT, we try to highlight the interest of the public company of the port of Bejaia (PCB) in the contracting of this partnership as well as its socio-economic impact on the region of Bejaia and on the national economy.

1.3. Research Methodology:

The methodological approach adopted for this research involves, firstly, presenting the conceptual framework of the public-private partnership, secondly, describing the overview in Algeria for this type of partnership and, finally, highlighting the case of the BMT joint venture in Bejaia by analysing its socio-economic impact.

2. Literature review

The public-private partnership (PPP) is an association of private companies or institutions with public organisms, in the interest of developing the country's

economy and improving the quality of public services (PERRIER and AL., 2014). Inspired by the Anglo-Saxon tradition, the concept of PPP first appeared in the United States in the 1980s before spreading to the United Kingdom and all Western countries, and then to the rest of the world..

It was in the context of the economic crisis following the end of the 'Thirty Glorious Years' that this new approach of managing public affairs appeared, accentuated by the arrival in power of liberal leaders (Reagan and Thatcher), anxious to modernise public services by introducing the methods of private companies (MOKHTARI and AL., 2021).

2.1. Definition of Public-Private Partnership:

Historically, the PPP was originally introduced in 1992 in the United Kingdom in the form of a Private Finance Initiative, although other forms exist such as institutional partnerships leading to the creation of mixed economy companies or joint ventures (BEAUSSE & GONNET, 2012). It has been adapted to complex projects (heavy investments, high technicity, etc.) or projects of an emergency nature for which the public administration could not undertake alone. However, it was in Australia that this concept began to appear in the government's discourse under the name of private sector participation in the realisation of infrastructures or private infrastructure involvement (PERRIER and AL., 2014).

According to ALVAREZ-ROBLES and AL. (2009): "Public-private partnerships are contracts between public and private sector partners for the implementation or management of a project aimed at providing a public service and for which a significant part of the initial investment, financing and risks are shared between the public and private sector partners" cited by (HADJAR, 2014, p.22).

While (OECD, 2008) defines PPP as an agreement between the State and one or more private partners, which may include operators and backers, through which private partners provide a service in a way that reconciles the delivery aims of the State with the profit aims of the private partner, and the effectiveness of the reconciliation depends on a sufficient transfer of risk to the private partners.

Hence, we retain that the PPP is characterised by a long-term relationship, involving cooperation between the public and the private partner on different aspects of a project to be carried out in the public interest.

2.2. Theoretical background of the public-private partnership:

PPPs are the result of a long culmination of the theoretical bases that constitute their foundation, however, their theoretical foundations as well as their conceptual

influences remain little known (SANNI-YAYA, 2005). Consequently, we present in what follows the main theoretical approaches in which public-private partnerships are embedded.

2.2.1. The efficiency-x theory

According to this theory, developed by LEIBENSTEIN (1966), organisational inefficiency in public organisations results from non-measurable and non-identifiable factors such as staff motivation. The x-efficiency theory then supports the idea that PPP can contribute to reducing the sources of inefficiency by avoiding the failures of the State in public organisations, and thus reconnecting with the requirements of performance and competitiveness.

2.2.2 The theory of New Public Management

Born in Great Britain at the beginning of the 1980s, New Public Management is a management method that aims to introduce into the public administration the values and operating methods of private enterprise (AMAR & BERTHIER, 2007). The emergence of this concept can be explained by the need to reduce public expenditure and to compensate for the managerial inefficiency of the public sector.

2.2.3 The theory of transaction costs

This theory, whose precursor is (COASE, 1937), suggests that private firms have an adapted structure that allows them to minimise their transaction costs, achieve significant economies of scale and raises major questions about the way the public sector operates, a viewpoint shared and subsequently taken up by (WILLIAMSON, 1985). This field, combined with other theories, constitutes one of the essential theoretical frameworks of public-private partnerships (SANNI-YAYA, 2005).

2.2.4. The theory of public choice

The theory of public choice, developed essentially by BUCHANAN & TOLLISSON (1972), studies the behaviour of individuals in public institutions and deduces financial and economic failures, particularly in the allocation of resources and the formation of prices of goods and services. To resolve this, It proposes the use of market mechanisms by subjecting a large part of public activities to it.

2.2.5. The agency theory

This theory describes a contract between two contracting parties, principal and agent, that can lead to a situation of divergence of interest which results in agency costs (JENSEN & MECKLING 1976). These costs are expenses for monitoring, auditing, incentives and insurance, often supported by the State. According to agency theory, public-private partnerships can enable the State to minimise agency costs in various economic sectors.

2.3. The public-private partnership in Algeria

Algeria, a mono-exporting country of hydrocarbons, after the oil price crisis in 1986, became aware that this resource is not sustainable, and has since sought to reduce the strong dependence of the economy. From now on, the role of private capital in the economic and social development of the country is even recognised, and encouraged, in the context of an ambitious policy of economic reforms advocating the transition to a market economy at the beginning of the 1990s.

Naturally, it is from this perspective that the use of forms of partnership between the public and private sectors has been envisaged (KESSI & DJEMACI, 2019), the contractual forms of which are numerous: concessions, delegated management, the Private Finance Initiative or the Build-Operate-Transfer (AHMANE, 2018). In Algeria, this consists of optimising the efficiency of public spending by assigning the private sector, particularly the foreign sector, with the provision of services normally provided by the public sector (BELAID, 2014).

2.3.1. The legal and administrative framework of PPP in Algeria

In 1993, Algeria adopted an Investment Act that is relatively favourable to the private sector, whether national or foreign, and it was completed by Ordinance No. 01-03 of 20 August 2001 on the development of investment.

As concerns the public-private partnership, an important step seems to have been taken in the 2000s, although the results are not quite encouraging. However, the legal and statutory framework has been considerably modified to support private sector participation in public infrastructure and services. Furthermore, the public markets code does not take into account the specificities of PPP contracts. Nevertheless, this does not detract from the fact that the country has become aware of the need to create a climate propitious to this type of partnership (AHMANE, 2014).

2.3.2. The Algerian Experience in PPP Projects

Beyond the shortcomings of a regulatory framework, the majority of studies indicate that public and private capital are complementary, and the private sector objectively stimulates the public sector. The public-private partnership, although

in its first stages in Algeria, has seen the implementation of partnership projects in various sectors, but often with foreign partners (KESSI, 2019). It has been made possible by sectoral laws allowing for PPP projects and the accommodating aspects of the existing legal framework have been demonstrated by successful transactions in the energy, water and transport sectors (CNED, 2015).

Thus, the management of water in the city of Algiers was the subject of a partnership between the French private water and waste management group (SUEZ environment) and the Public Company of water and sanitation of Algiers (SEAAL) in 2006, with the aim of improving the distribution of drinking water in the capital.

In the field of transport, the RATP, a French company, was selected to manage the Algiers metro while the ADP (Airports de Paris group) was charged since 2006 with the responsibility of managing the Algiers airport under concession. Also, the container terminals of the ports of Djendjen and Algiers are exploited by Dubai Ports World (DPW) in partnership with the public port companies of Jijel and Algiers and the port of Bejaia in partnership with Portek, a Singaporean company managing container terminals.

3. Results and discussion:

Maritime transport is playing one of the most important functions in the economic development, as the main part commercial transactions is carried out via maritime means. The maritime sector in Algeria suffers from several difficulties that obstruct its integrated performance, notably the awkwardness of management's port infrastructures. It is within this perspective that the Port Company of Bejaia (PCB) has engaged on a phase of modernisation of the port as well as its management mode and the expansion of containerisation in collaboration with foreign partners.

Hence, in this section we present the process of setting up the BMT joint venture, its major achievements, its economic and social impact on the Bejaia region and the country's economy in general.

3.1. Creation of the BMT joint venture

BMT (Bejaia Mediterranean Terminal) is a joint venture between Port Company of Bejaia (PCB), which is the public authority that manages the port of Bejaia, and Portek System and Equipment, a subsidiary of the Singaporean group Portek, which is a container terminal operator present in several ports around the world and specialised in port equipment.

BMT's main activity is the management and exploitation of container terminals. Its mission is to handle all operations related to containers in the best conditions of time, cost and safety. So to achieve this target, it has equipped itself with high-performance equipment and IT systems to support container logistics in order to offer quality, efficient and reliable services to ensure total customer satisfaction.

The PCB launched its 2004-2006 development plan, including the need to establish a partnership for the design, financing, running and the maintenance of a container terminal at the port of Bejaia, a first for Algeria. It started the task of identifying potential partners, focusing mainly on a specialist in the exploitation and maintenance of modern equipment used in container terminals. Consequently, the choice came down to the Singaporean group Portek in 2004 and with the agreement of the government; Bejaia Mediterranean Terminal SPA (BMT) was constituted with the joint venture of the port company of Bejaia (PCB) at 51% and Portek at 49%.

3.1.1. The business plan

Developed in 2002 by the PCB, the business plan is a document allowing the formalisation of a business project. It is the second step in the process of creating a company, which is carried out after the evaluation of the project. It is mainly used to raise finance from investors.

3.1.2. The partner search

The search and choice of a partner were crucial in this process, as they conditioned the success of the project. For this purpose, the PCB launched a call for tenders defining several partner selection criteria. This call was not successful, as PCB had already found the right partner and a direct approach was made to one of the world leaders in port equipment maintenance, Portek.

3.1.3. Collaboration with the supervisory authority

PCB worked with the Ministry of Transport, which resulted in a land concession contract for the joint venture.

3.1.4. Presentation of the project to the State Participation Council

The SPC (State Participation Council) a governmental committee for the organisation, management and privatisation of public economic enterprises, is chaired by the Prime Minister, meets every two to three months, and is in charge for examining, approving files and implementing policies and programmes relating to projects in which the State participates. After approval from the SPC, the PCP started to implement the project.

3.1.5. The legal structure of the project

After the elaboration of the shareholder pact comes the deed of licence (concession deed), so that the PCB can sign the concession agreement which shows the following elements

- Name: Bejaia Mediterranean Terminal
- Nature: Mixed company under Algerian law
- Company name: Joint-Stock
- Head office: Nouveau Quai, Port of Bejaia
- Share capital: 2.5 million USD of which 51% from PCB and 49% from Portek
- The final cost of the project, including share capital, working capital and investments, is 21 million USD, representing the contributions of the two partners.

3.2. The main achievements of BMT

The BMT joint venture is a great success for the port of Bejaia, with the following achievements:

3.2.1. The dry port

The port of Bejaia is located in the core of a populated area, which in itself constitutes a potential danger in case of disaster; the PCB wants to be innovative in the improvement of its services and in the creation of benefits and facilitations for its customers. BMT was in need of more space for the storage of containers, and given the lack of space in the port of Bejaia, the PCB devoted two areas to it:

a. An extra-port logistics zone in Ighil-Ouberouak (Tala hamza):

Located about 5km southeast of the port, and with an area of 48 560 square metres, this site has a spatial capacity of 1 040 TEU (Twenty-Foot Equivalent Units) and a commercial capacity of 19 000 TEU.

b. An extra-port logistics zone in 'Tixter' (Bordj Bou Arreridj):

Located in the wilaya of Bordj Bou Arreridj, its establishment is motivated by the concern to decongest the port, to make the routing of goods to operators more fluid, and to create benefit in terms of logistics.

3.2.2. Training Centre

BMT Training Center is a training centre with international standards dedicated to port trades and logistics, its mission is to satisfy the expectations and requirements of port companies by accompanying them in their knowledge and skills development programme.

Equipped with modern simulators, BMT Training Center is dedicated to the training of Mobile Crane, Gantry Crane and RTG drivers. It also allows learners

to carry out simulation exercises with the help of its latest generation immersive simulator.

3.2.3. The ferry terminal

With the aim of developing passenger traffic, a new infrastructure specially assigned to the reception and transit of passengers and cars in the best conditions has been built. This new passenger terminal conforms to international standards, covers an area of 34 145 m² and is constructed on two sites, namely the landing block from the ship, located within the port enclosure, in R+3 and the boarding building, located outside the port, in R+4, the two blocks are connected by two fixed walkways.

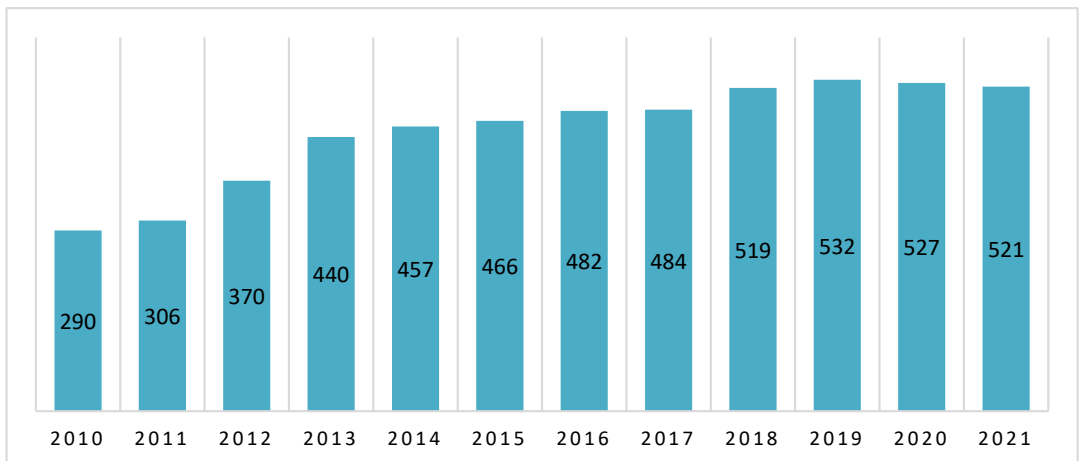
3. Measuring the socio-economic impact of the BMT joint venture

After presenting the BMT joint venture and its main achievements, we will now assess its impact through the economic, commercial and social aspects and their evolution from the establishment of this joint venture to 2021.

3.3.1 Employment

We start this evaluation by highlighting the impact of partnership on job creation by presenting its evolution between 2010 and 2021.

Figure N°1: Evolution of job creation over the period 2010-2021



Source: Made by us from BMT's internal document

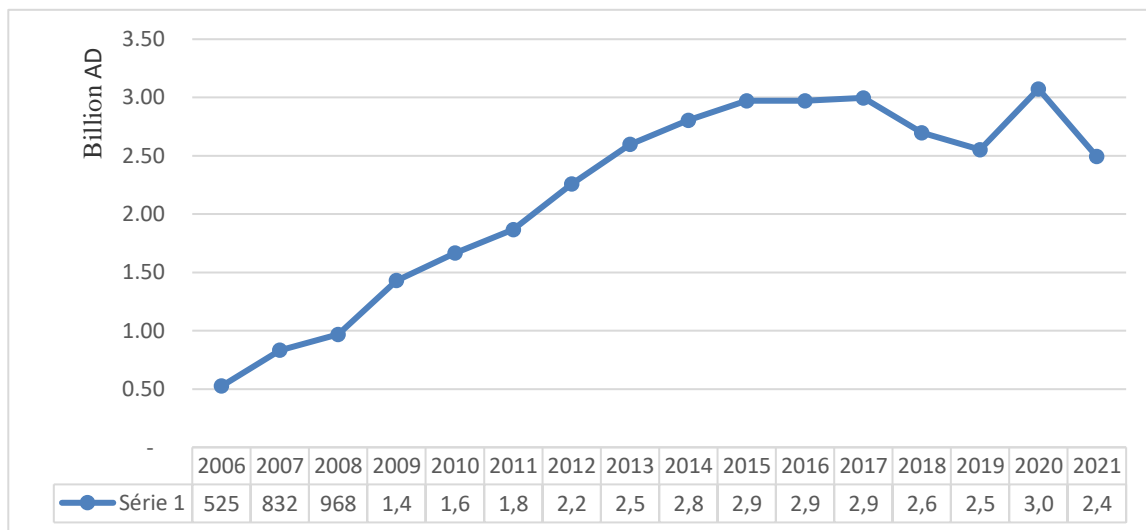
Although BMT is a medium-sized company, it has created jobs since it began operations. The BMT joint venture plays an essential role in reducing unemployment in the Bejaia region and creating wealth, which promotes social stability and contributes to the well-being of the population.

3.3.2 Turnover

The second element of the evaluation is the analysis of the evolution of the turnover, the general trend of which is presented in the figure below.

Figure N°2: BMT's turnover evolution over the period 2006-

2021



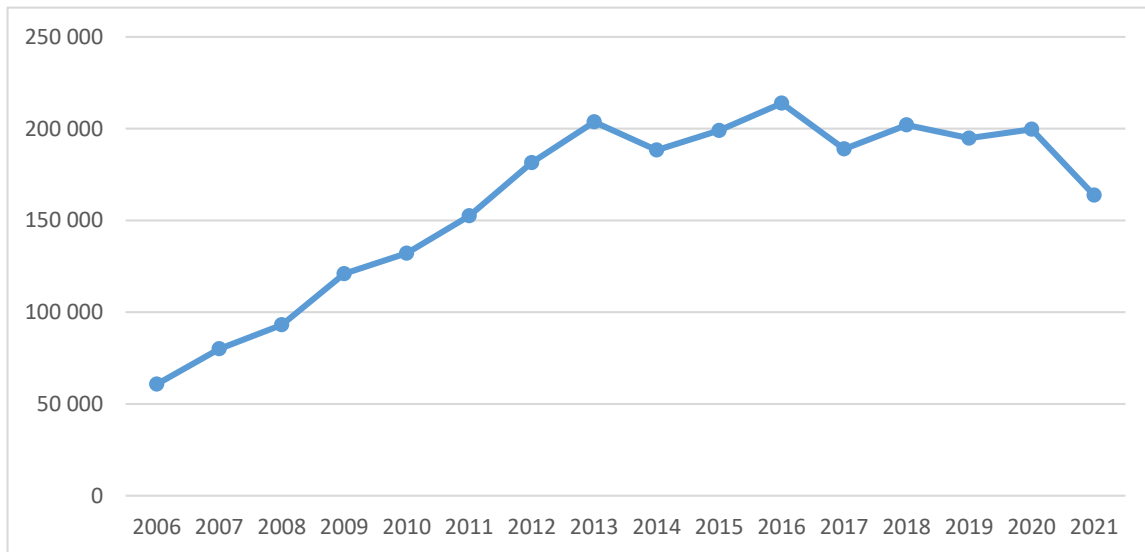
Source: Made by us from BMT's internal document

We notice a remarkable increase in turnover from 2006 to 2016. In 2017, BMT saw a slight decrease in turnover until 2019, due to the import ban on several products and raw materials. From 2020 onwards, we notice an increase in turnover despite the delicate sanitary situation that the world has experienced (COVID-19); this is explained by the closure of several ports in Algeria, which allowed BMT to absorb their market share by putting the necessary means and taking all the sanitary measures towards their employees.

3.3.3 Containers treated

Today, the container reigns supreme in world trade. It has automated almost all freight transport operations, as it allows for a quick switch from ship to truck and train. The following figure gives us an overview of the continuous evolution of the number of containers handled by BMT.

Figure N°3: Evolution of the number of containers treated by BMT over the period 2006-2021



Source: Made by us from BMT's internal document

Since the formation of this partnership in 2006, container traffic has shown a significant evolution, until 2014 when there was a slight decrease, compared to 2013, a year that was characterised by a peak explained by high demand.

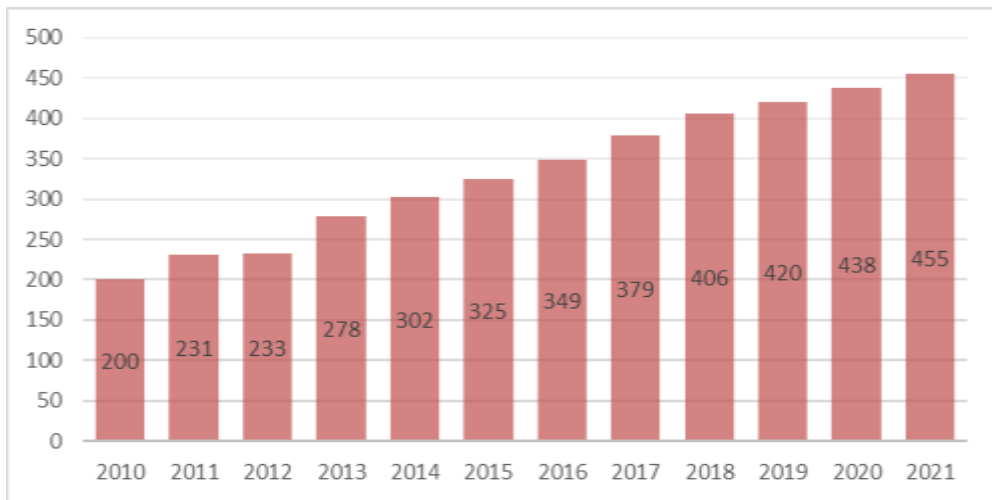
In 2014, the drop in container traffic is actually a return to the normal growth rate, and since then, we see a slight float over the period 2015-2021 and this is relative to the market share that BMT shares with its competitors.

3.3.4 Freight forwarders and customs declarants

The freight forwarder is a transport intermediary whose mission is to ensure continuity between two separate transports within the strict framework of the instructions received. He is therefore an agent. The very purpose of his function

shows that the freight forwarder is deeply affected by the container revolution. We present below the evolution of the number of forwarding agents and registrars having a working relationship with the port of Bejaia since BMT started its activities.

Figure N°4: Evolution of the number of forwarders and registrants over the period 2010-2021



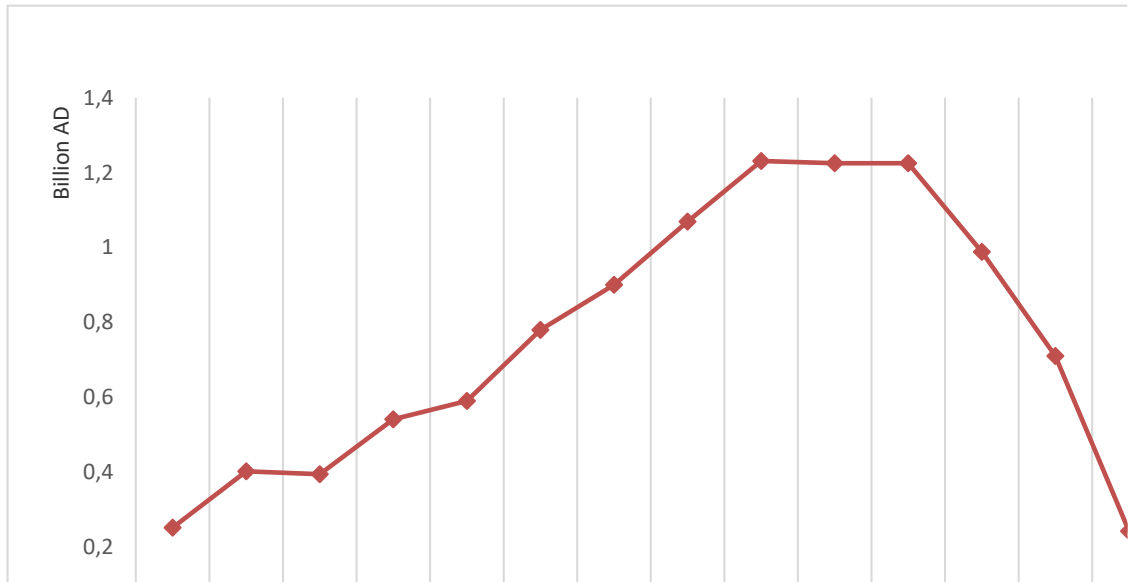
Source: Made by us from BMT's internal document

We note that the number of forwarders has increased considerably after the development of this partnership, as well as the number of customs declarants. We note that these forwarders and declarants all have a working relationship with the port of Bejaia, their number has almost doubled in 10 years between 2010 and 2021 and this can be explained by the sustained growth of the volume of containers handled during the period already mentioned.

3.3.5 Net result

Obviously, as we have already pointed out, the result achieved by BMT should be growing for the simple reason that container traffic (CT) has not stopped growing. The following figure gives us an analytical reading of the evolution of this result.

Figure N°5: Evolution of BMT's net result over the period 2006-2021



Source: Made by us from BMT's internal document

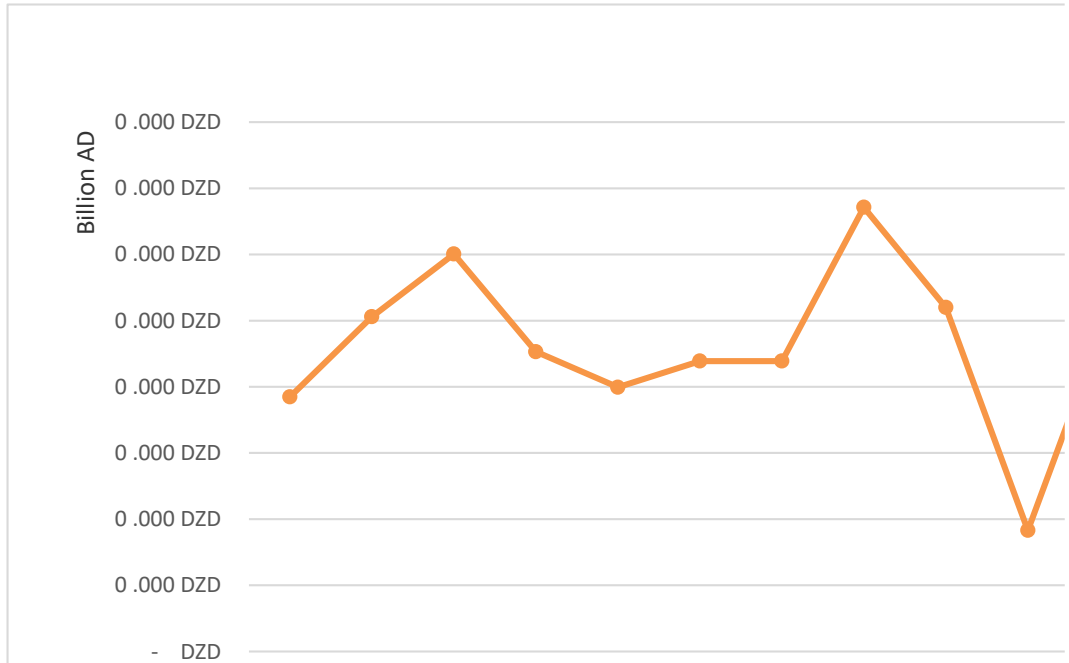
BMT has always had a positive net result since its creation until today, which is the consequence generated by its activity, which explains why this company is performing well in more than one-way. However, since the year 2017, the result has recorded a continuous decrease until 2019, before rebounding in 2020 and decreasing again in 2021.

This floating situation was caused by the introduction of an import ban list following the fall in oil prices to preserve foreign exchange reserves, as well as the uncertain context that characterised international trade.

3.3.6 Taxation

We conclude this presentation of the impact of the BMT joint venture on the economy of the Bejaia region and that of the country in general, by addressing the aspect relating to the contribution of this company to taxation, and this through the analysis of the evolution of the amount of taxes paid to the tax authorities.

Figure N° 6: Evolution of BMT's contribution to taxes over the period 2010-2021



Source: Made by us from BMT's internal document

The BMT company was exempt from taxes during the first three years of its existence, which is a fiscal incentive offered by the state in the framework of investment promotion. The latter figure shows that BMT's contribution to taxation shows an average evolution, between increases and decreases, which can be explained by the contrasting evolution of both turnover and result.

4. Conclusion:

The BMT joint venture is an undeniable success for the port company of Bejaia (PCB) insofar as it has allowed the realisation of several infrastructures beneficial to the port activity and the population, namely the dry port, the training centre and the maritime station, in addition to the acquisition of new knowledge, managerial skills and modern management methods. For this purpose, a computerised container processing system was acquired, which has resulted in a significant improvement in the number of containers processed, and a significant increase in

the number of forwarding agents and customs declarants working with the port of Bejaia.

Concerning the economic impact of this partnership, the number of jobs created is very significant and contributes to the absorption of unemployment in the region of the wilaya of Bejaia, a result in perfect adequacy with the positive evolution of the turnover and the net result over the whole period of our study. BMT's contribution to taxation is also appreciable, as its activity is clearly increasing, as are its turnover and results, which largely corroborates the hypothesis put forward at the beginning of this research.

In spite of this good alternative for the present case studied of the BMT joint venture, it remains that the public-private partnership in Algeria comes up against certain obstacles such as the current legal framework which does not give complete satisfaction. Legal and regulatory measures must be taken or adapted to allow for the harmonious development of this type of partnership between the public sector and the national or foreign private sector.

Finally, we recommend to the PCB to renew this partnership with Portek, which expires in 2024, for the simple reason that the latter has brought and still continues to do so, important benefits to the economy of our country in the first place, to the port company of Bejaia (PCB) in the second place and to the population of the region of Bejaia in the last place.

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