

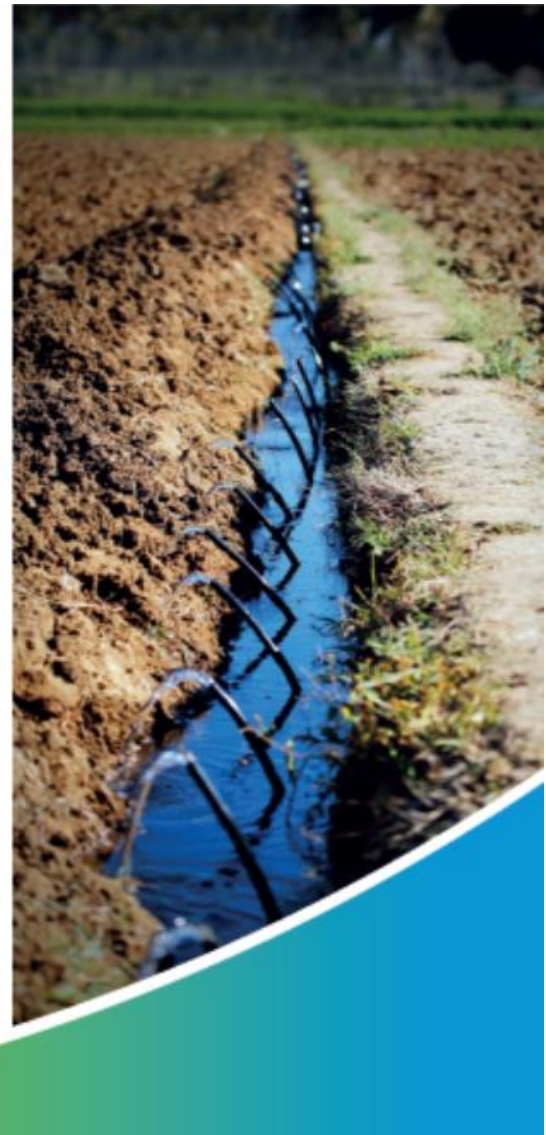


NETWORKING FOR THE FUTURE

Access to Finance Activity Final Report

An Assessment of the Legal Framework Governing Investments by Municipalities in Jordan, Lebanon, and Tunisia

September 2020



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SUMMARY OF ACTIONS TAKEN

The ultimate goals behind this engagement was to change the mindset of municipal leaders and entice them to engage in investment-worthy opportunities using municipal assets. The engagement included a thorough legal assessment of relevant laws and regulations in Jordan, Tunisia, and Lebanon. This assessment included studying available federal and municipal laws and regulations in each country including local governance laws, public private partnership laws, and even new constitutions as in the case of Tunisia. The study also investigated the level of empowerment pertaining to potential investment activities given to municipal leaders in these countries. Potential solutions were assessed to overcome limitations, including recommendations for future legal amendments to laws in Lebanon and the Jordanian local government and public private partnership laws. A detailed report related to this activity was completed and submitted to the MINARET team for review and was duly accepted. This report was recently updated to include a section about gender mainstreaming per the request of the MINARET team.

The second major activity required supporting municipalities in setting up investment funds if the legal environment allowed it. The legal review revealed that only Tunisia allowed investment fund set-up through recently updated laws. Jordan is undergoing an update to the Local Government Law and the Public Private Partnership law, which will allow municipalities much more flexibility related to local investments, however, these changes are still awaiting parliamentarian and Royal ratification. This leaves Tunisia as the only country, and Monastir as the only one of the three municipalities with the legal authority to set up an investment fund. Our submitted report included a design for the suggested fund and was given to, and discussed with, the Monastir municipality. The result of our discussions and ongoing follow-up showed there is no real interest to set-up a fund at this time both because no other municipality has taken this step, and because the feeling is that the process will be too complicated since no one has done it before. The submitted report included a detailed design for Karak, which can be used once the legal updated are done, which are expected to take place sometime during 2021.

The third requirement was to support the MINARET team in conducting networking events for fund and potential investment marketing at the three municipalities. This activity was, unfortunately, not completed due to Karak and Jdaidet El-Chouf not being able to invest, and Monastir not intending to invest or set-up a fund. The activity was also deemed impossible due to travel restrictions caused by the COVID-19 pandemic.

The fourth and fifth activities were focused around identifying investment opportunities and potential investors, respectively. Several opportunities and potential investors were identified in each municipality and a comprehensive report was submitted and approved.

The sixth and last deliverable was to secure financing for at least one project. Our efforts uncovered an opportunity to establish a waste-to-energy plant at Monastir, and a potential investor was identified that was willing to invest US\$150 million in this project and give Monastir an equity stake against their contribution to the project (e.g., delivery, land lease, equipment, etc.). A memorandum of understanding (MOU) was drafted and approved by the investor. The MOU was sent to Monastir, and several follow up attempts were made, with the clear result that Monastir was not interested in pursuing this opportunity at this time.

In summary, the required actions were all completed successfully with the exception of the workshops, which would have only made sense in Monastir, and which were not possible due to lack of interest and the inability to travel.

SUMMARY AND RECOMMENDATIONS

Due to the novel nature of this engagement, challenges were expected and, indeed, faced. The main challenges included educating and convincing municipal leaders of the value of investing to create a sustainable source of revenue for their municipalities. We believe we have succeeded in achieving this task, however, Monastir, which is the only municipality able to invest, still believes such investments are not going to be easy to undertake due to bureaucracies related to the central government. If the mayor and his team are willing to undertake the waste-to-energy investment, we believe the generated income will considerably improve the financial situation of the municipality and set an example for other Tunisian municipalities to follow. Other challenges such as travel restrictions were unavoidable and are expected to be temporary.

Our recommendation is to follow up with both Monastir and Karak sometime in 2021. When the laws in Jordan are updated and ratified, we believe Karak can be one of the first Jordanian municipalities to invest under these laws, and they may need support to achieve this goal.

Monastir may also find ways to overcome the expected bureaucracy and proceed with one or more of the identified investments since they have the legal flexibility to do so.

In summary, we believe this project was successful and should be used as basis for future engagements to support municipal investments.