

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

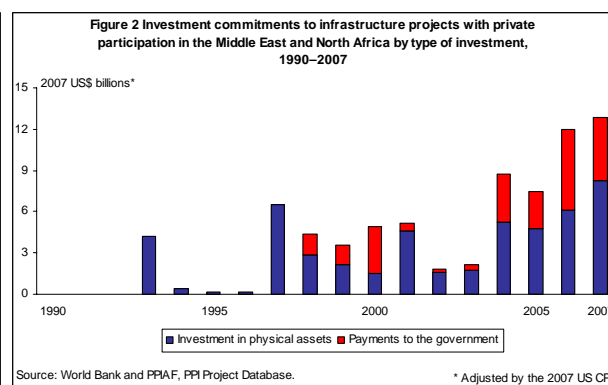
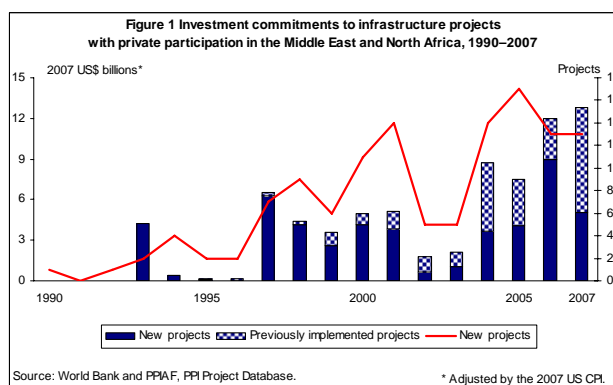
PPI data update note 17

December 2008

Investment commitments in the Middle East and North Africa reached a peak level in 2007

Investment commitments to infrastructure projects with private participation in the Middle East and North Africa grew by 7% to US\$12.8 billion in 2007, the highest level since 1990, according to just-released data from the Private Participation in Infrastructure Project Database.¹ The region accounted for 8% of the year's total investment commitments to developing countries.

Investment commitments (hereafter, *investment*) in the region were driven mainly by projects implemented in previous years (figure 1). Projects reaching financial closure in 1990–2006 attracted US\$7.8 billion, while the 13 new projects implemented in 2007 accounted for US\$5.1 billion. Investment in physical assets grew by 35% to US\$8.3 billion, the highest level ever (figure 2). Payments to governments (such as divestiture revenues and spectrum or concession fees) fell from the highest level reached (US\$5.3 billion, in 2006) to US\$4.6 billion, about 36% of annual investment.



The Arab Republic of Egypt and Iraq dominated investment in the region in 2007, with each accounting for 31% of the total. As in previous years, investment was concentrated in a few countries (Algeria, Egypt, Iraq, and Morocco), although their shares varied significantly (figure 3).

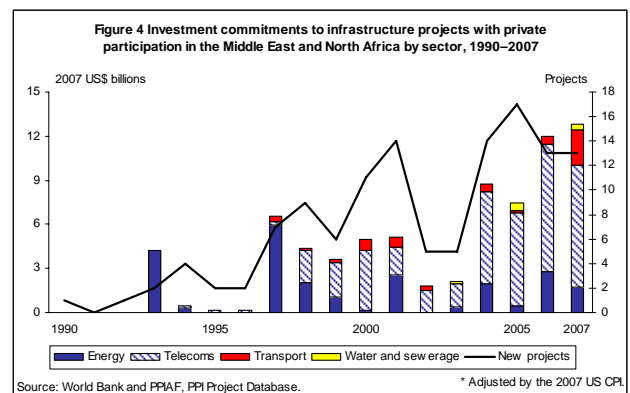
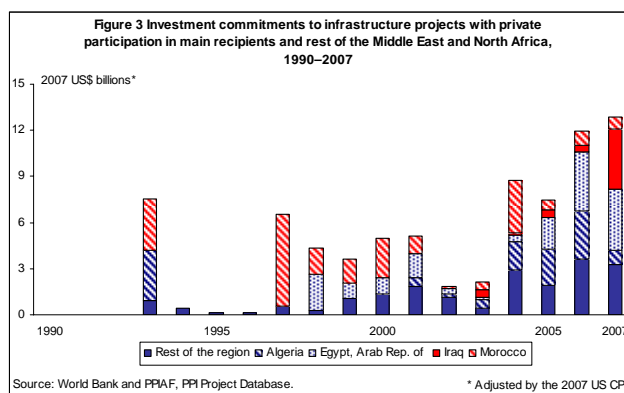
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¹ Data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investments in some projects may have been omitted for the same reason. Barbados, the Czech Republic, Estonia, and Trinidad and Tobago became high-income countries according to the 2007 World Bank country classification (released in July 2007) and are therefore excluded from the PPI Project Database beginning with the 2007 update.

All dollar amounts in this note are expressed in 2007 U.S. dollars adjusted by using the 2007 U.S. consumer price index.

Greenfield projects (build, own, operate [BOO] and build, operate, transfer [BOT] contracts and merchant projects) were the most common, accounting for 7 of the 13 new projects and more than 77% of investment. Concessions (build, rehabilitate, operate, transfer [BROT]) accounted for 2 new projects and 11% of investment. The region also had one divestiture (Jordan's electricity generation company) and three management contracts (one for a metro railway and two for water utilities, all in Algeria).

Activity by sector. As in previous years, telecommunications attracted by far the largest share of investment in 2007 (65%). Investment in the sector amounted to US\$8.3 billion, remaining around peak levels (figure 4). In transport, investment increased from US\$490 million in 2006 to a record US\$2.4 billion in 2007 as a result of two airport concessions. In energy, investment amounted to US\$1.7 billion, within the US\$1–2 billion range of the previous 10 years. In water and sewerage, investment totaled US\$403 million.



In *energy* four countries implemented five projects (table 1). Egypt secured financing for the 88-kilometer (km) East Mediterranean gas pipeline from Al-Arish (Egypt) to Ashqelon (Israel). Iraq implemented the Erbil Power Plant, with capacity of 500 megawatts (MW). Jordan divested 51% of the state-owned Central Electricity Generating Company and secured financing for the 370-MW Amman East Power Project. Oman closed on financing for Barka II, a combined power plant (678 MW) and desalination facility (120,000 cubic meters a year).

In *telecommunications* 10 countries reported investment. Most went to previously implemented projects, which attracted US\$7 billion, while a new mobile operator in Iraq, Korek Telecom, acquired a 15-year national license for US\$1.25 billion. Iraq accounted for almost 60% of regional investment in telecommunications, primarily because of the acquisition of new licenses. Two existing mobile operators (Asia Cell and Zain) acquired additional mobile licenses in Iraq for US\$1.25 billion each.

In *transport* Algeria, Jordan, and Tunisia implemented three projects. The government of Algeria signed a 9-year management contract for the Metro of Algiers. Jordan signed a 25-year concession contract for Queen Alia International Airport. Tunisia signed a 40-year concession contract for Enfidha and Monastir International Airports.

In *water and sewerage* Algeria and Oman implemented four projects, involving investment of US\$403 million billion. In Algeria two 5.5-year management contracts were signed for water and sewerage utilities: one for the city of Oran and the other for the regions of Annaba and El Tarf. In addition, a 25-year BOT contract was signed for a desalination plant with a capacity of 200,000 cubic meters a day in Oran. In Oman a BOO contract was signed for a desalination plant with a capacity of 80,000 cubic meters a day in the Ash Sharqiyah region.

Potential projects. The region has at least 11 infrastructure projects that were awarded in 2007 but did not reach financial or contractual closure before the end of the year. Two of these potential projects are in energy: a 150-MW hybrid solar-gas plant in Algeria and a management contract for the 470-MW Ain Beni Mathar power plant in Morocco. One is in telecommunications: a new mobile operator in West Bank and Gaza. In transport there are three: a 40-year BOT contract for the Damietta Port in Egypt, a BOT contract for the Amman-Zarqa railway project in Jordan, and a BOT contract for the TGV Tangier-Casablanca railway project in Morocco. In water and sewerage there are five: four BOT desalination plants in Algeria (to be located in Cap Djinet, Fouka, Mostaganem, and Souk Tleta) and one BOT contract for a water utility in Amman, Jordan.

Canceled and distressed projects. No infrastructure projects with private participation in the region were canceled or became distressed in 2007. The six projects that were previously canceled or became distressed represent 4.8% of all infrastructure projects with private participation, and 1.7% of investment commitments, in the region in 1990–2007.

Concluded projects. No infrastructure projects with private participation in the region were concluded in 2007.

Table 1 Infrastructure projects with private participation reaching financial or contractual closure in the Middle East and North Africa in 2007

Note: .. = not available; n.a. = not applicable.

Energy										
	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Egypt, Arab Rep. of	East Mediterranean Gas Pipeline Company (EMG)	Natural gas	Greenfield project (BOO)	90	0	469	88 km	..	Mediterranean Gas Pipeline Limited (28%, Arab Republic of Egypt), PTT Public Company Ltd. (25%, Thailand), Merhav Group (25%, Israel)
2	Iraq	Erbil Power Plant	Electricity	Greenfield project (BOT)	100	0	240	500 MW	15	Mass Jordan Trading Company (100%, Jordan)
3	Jordan	Amman East Power Project	Electricity	Greenfield project (BOO)	100	0	300	370 MW	..	Mitsui (40%, Japan), AES Corporation (60%, United States)
4	Jordan	Central Electricity Generating Company (Cegco)	Electricity	Divestiture (partial)	51	120	0	1,700 MW	n.a.	Dubai Holding (34%, United Arab Emirates)
5	Oman	Barka II Power and Desalination Facility	Electricity, treatment plants	Greenfield project (BOO)	100	0	600	678 MW	..	SUEZ (48%, France), Mubadala Development Company (48%, United Arab Emirates)

Telecommunications										
	Country	Project name	Segment	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Iraq	Korek Telecom	Mobile access	Greenfield project (merchant)	100	1,250	0	600,000 connections	15	Others (100%, ..)

Transport										
	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Algeria	Metro of Algiers	Railways	Management contract	100	161	0	14 working cars	9	RATP Developpement (..%, France)
2	Jordan	Queen Alia International Airport	Airports	Concession (BROT)	100	0	675	..	25	Abu Dhabi Investment Company (38%, United Arab Emirates), Noor Financial Investment Company (24%, Kuwait), Joannou & Paraskevides Ltd. (19%, Channel Islands)
3	Tunisia	Enfidha and Monastir International Airports	Airports	Concession (BROT)	100	0	840	..	40	TAV Airports Holding Co. (100%, Turkey)

Water and sewerage										
	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Algeria	Tlemcen Hounaine Desalination Plant	Treatment plants	Greenfield project (BOT)	51	0	230	200,000 cubic meters per day	25	Sacyr Vallehermoso SA (SyV) (17%, Spain), ACS Group (Actividades de Construccion y Servicios) (17%, Spain), Abengoa (17%, Spain)
2	Algeria	Annaba and El Tarf Management Contract	Utilities	Management contract	100	0	0	1,000,000 people	6	Gelsenwasser (100%, Germany)
3	Algeria	Oran Management Contract	Utilities	Management contract	100	0	0	1,500,000 people	6	SUEZ (29%, France), Criteria Caixa Corp SA (28%, Spain)
4	Oman	Sur Desalination Plant	Treatment plants	Greenfield project (BOO)	100	0	173	80,000 cubic meters per day	22	Veolia Environnement (52%, France), Suhail Bahwan Group (48%, Oman)