Water PPP in the Middle East and North Africa region (MENA)

An Overview

Philippe Marin, Sr. Water & Sanitation Specialist
Global Water Practice, The World Bank
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MENA: major water challenges

Water scarcity: average 1,200 m3/person-year against world average of 7,000 m3/person-year

Combination of **booming urban population** & climate change:

→ Need for **more water production capacity** (especially desalination in coastal areas)

→ Need to **reduce water losses** (often 50% or more)

→ Need to protect water resources: **build WWTP** and sewerage networks

→ Need for **more efficiency in irrigation** (crops per drop)

MENA: money is not always a constraint

Poor institutional frameworks: leading to fast deterioration of infrastructure, poor service quality and unsustainable water management:

- Low tariff discourage demand management and reduce incentives to deal with high water losses
- Intermittent supply (vicious circle)
- Poorly managed sewerage infrastructure (environmental compliance, inefficient assets management)

How Public-Private Partnerships can help (1)

Development of new facilities (desalination and wastewater treatment) through **greenfield BOT-DBO schemes**

Partnering with an experienced private partner through BOT-DBO can allow to:

- Better deal with complex technologies (O&M and technical choices)
- Optimize Capex and Opex
- Reduce cost overrun and delays

How Public-Private Partnerships can help (2)

Improve efficiency and service quality of WSS utilities:

Management contracts & Performance-based contracts:

- Public utility is still in place
- Not limited by low tariff levels

Transfer service provision to a private utility: concessions, leases and hybrid schemes

→ Benefits from outside expertise in O&M and service delivery

→ Increase accountability (contractual targets, ind. Monitoring)

MENA region has been very active

Probably the most active place in the world for water PPP (along with China) over the last 6 years

- PPP for water utilities: **total population served under PPP exceed 28 million people** (Morocco, Algeria, Saudi Arabia, Oman)
- BOTs: mostly **Algeria and Gulf countries**, the driving force has not been accessing private money but using a mechanism more efficient than traditional construction model

Morocco: concessions and BOTs

Concessions schemes:

- Casablanca: LYDEC (Suez) 1997, concession scheme with hybrid financing, water, sewerage and electricity (*see presentation*)
- Rabat: 1999 and 2002 (Veolia)
- Tangiers-Tetouan: 2001 (Veolia)

Irrigation: Guerdane concession 2003 with ONA, more underway to improve efficiency of public ORMVAs

BOTs: new desalination contract in Agadir with Abengoa-led consortium (*see presentation*), more projects underway

Algeria: Management contracts and BOTs

Management contract:

- Algiers since 2006 with Suez – restoring 24/7 service, and establishing a viable public utility –now under second generation contract *(see presentation)*
- Also Oran (2007, Agbar), Constantine (SEM-Veolia), Hanaba (Gelsenwasser): less successful…

Total of **13 BOT contracts for desalination**

- 2.26 millions m3/day developed between 2005 and 2011
- Befesa, Cobra, Aqualia, SNC Lavalin, Hyflux…
- Raised more than $3 billions for investment – though money was not main driver for choosing a BOT scheme

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Egypt: Cairo wastewater BOT

BOT for new wastewater treatment plant in Cairo is one PPP project in WSS sector so far *(see presentation)*

- but also one of the few successful infrastructure PPP sector (IFC as lead advisor)

Irrigation DBO in West Nile Delta: tender could not be awarded due to revolution

Huge investment needs for WWTP: potential for BOTs

Major reform agenda for water and sewerage utilities: highly inefficient framework with 2 national holdings separating construction and O&M, low tariff…

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Gaza and Palestinian Territories

Management contract in Gaza: 1996-2002 with Suez and local partners

Management contract in Hebron: 1999-2002 with Veolia

- Fairly successful but terminated with intifada.

New large WWTP and desalination plants in Gaza: potential opportunities for DBO or O&M schemes

Lebanon: limited experience with water PPP

Management contract in Tripoli 2003-05 with SUEZ (AFD funding) proved disappointing

New DBO for Beirut water treatment plant: WB funding with grant from Arab Financing Facility for Infrastructure (AFFI)

Jordan: Management contracts and BOTs

Amman management contract: 1999-2006 with SUEZ, a major undertaking (multi-donors), and mixed experience…

Yarmouk MC: with Veolia (KfW): 2011-12, terminated on mutual agreement

Madalah governorate: Performance based contract (PBC) for NRW commercial losses with local private sector (GiZ)

Several BOTs:

- Amman WWTP with Sue, *(see presentation)*
- Disi-Amman water supply BOT(operation since 2013)
- Upcoming: Aqaba desalination BOT as part of the Red Dead Sea project

Gulf countries: huge market for BOTs

Both for **desalination and wastewater treatment** projects

BOTs in place in all Gulf countries:

- Kuwait
- Qatar
- Bahrain
- United Arab Emirates
- And to a lesser extent in Saudi Arabia: industrial parks & one pilot desalination with SWCC

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Also major PPPs for water and sewerage utilities in Gulf countries

Saudi Arabia: management contracts in Jeddah (2008 with Veolia), Riyadh (2008, Suez) and Mecca-Taif (2010 with SAUR) *(see presentations)*

- Second generation PPP contracts under consideration

Oman:

- Sewerage MC to establish viable sewerage utility in Muscat: 2006-11 (Veolia)
- Water services: MC for the country (Veolia)

Ajman (UAE): sewerage concession since 2011

Others countries are considering MCs (Abu Dhabi)

MENA water PPP case studies to be presented (1)

Country perspective:

- Jordan & Tunisia: national framework for water PPP by GWP-Med & OECD

BOT session:

- Egypt: Cairo WWTP with Aqualia/Orascom and IFC
- Jordan: Amman WWTP with Suez
- Morocco: Agadir desalination with ONEE

Irrigation:

- Morocco: Guerdane concession

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MENA water PPP case studies to be presented (2)

Long term PPPs: concessions and lease/affermages:

- Morocco: Casablanca concession with LYDEC-Suez
- UAE: Ajman concession with Veolia

Management contracts:

- Algeria: Algiers with Suez
- Saudi Arabia: Jeddah with Suez
- Saudi Arabia: Riyadh with Veolia
- Oman: national water utility with Veolia

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