

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 32

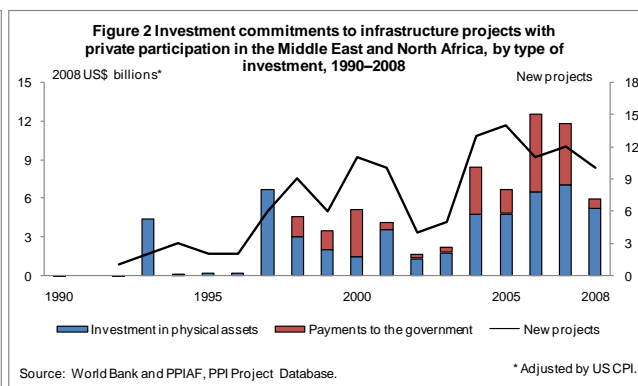
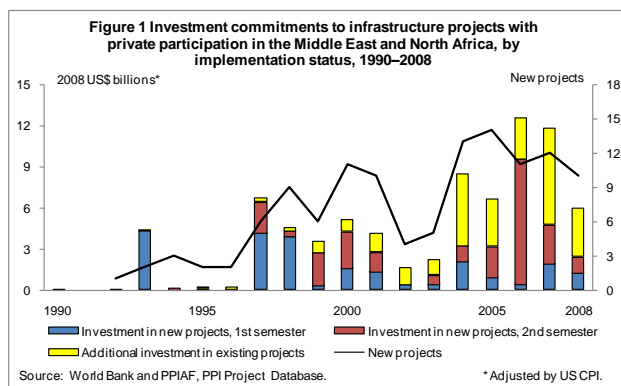
December 2009

Investment commitments and the number of new projects decline in the Middle East and North Africa

Private activity in infrastructure in the Middle East and North Africa declined sharply in 2008, according to just-released data from the Private Participation in Infrastructure Project Database. Both investment commitments and the number of new projects declined, in both the first and second half of the year. Existing telecommunications operators accounted for most of the annual investment. The region's share of total investment commitments in developing countries in 2008 was less than 4%, down significantly from its 7.3% share in 2007.

In 2008, 10 infrastructure projects with private participation reached financial or contractual closure in six low- or middle-income countries in the region.¹ These involve investment commitments (hereafter, *investment*) of US\$2.4 billion. Infrastructure projects implemented in previous years had additional commitments of US\$3.6 billion, bringing total investment in 2008 to US\$6 billion. This level represented a 49% drop from that in 2007 and was the lowest since 2003 (figure 1).² The decline was due equally to new projects and existing ones, which had similar drops in investment.

Classifying investment by type shows that both investment in physical assets and payments to governments contributed to the decline. Payments to governments (such as concession or lease fees and divestiture revenues) dropped by 80% from the level in 2007, to just US\$0.8 billion (figure 2). Investment in physical assets fell by 26% to US\$5.2 billion.



New projects and associated investment in 2008 were evenly distributed between the first and second half of the year. By contrast, activity in the previous three years was more concentrated in the second half of the year. Of the 10 new projects in 2008, 5 were implemented in the first half of the year. These attracted investment of US\$1.3 billion, down 33% from the level in the same period of 2007 (see figure 1). Activity declined even more in the second semester of 2008. Investment amounted to US\$1.1 billion, down 60% from the same period in 2007. Preliminary data on new projects in the first semester of 2009 suggest that private activity remained subdued, with investment reaching US\$1.6 billion.³ Similar

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¹ The 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 investment in some projects may have been omitted for the same reason.

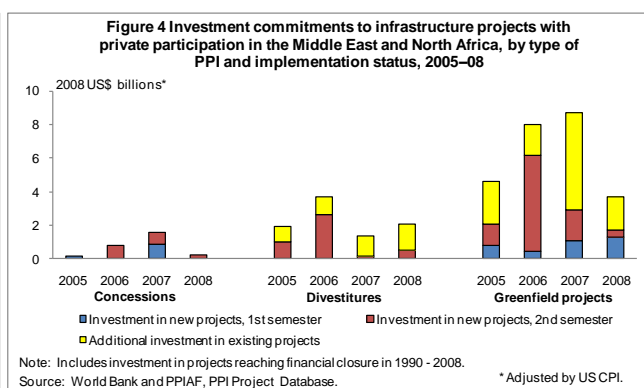
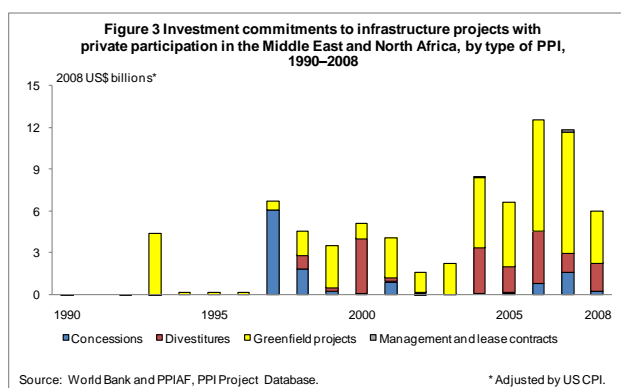
² Investment data are reported in 2008 U.S. dollars, using the U.S. consumer price index and 2008 as the base year. Data at <http://ppi.worldbank.org/> are reported in millions of current U.S. dollars unless otherwise indicated.

³ "Assessment of the Impact of the Crisis on New PPI Projects: Update 4," PPI data update note 24 (October 2009).

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analysis is not possible for existing projects because the data do not allow the separation by semester of additional investment.

Investment declined between 2007 and 2008 for all types of private participation except divestitures (figure 3). Investment in greenfield projects fell by 57% to US\$3.7 billion, the lowest level since 2003.⁴ Greenfield projects nevertheless remained the most common type of private participation, accounting for 62% of regional investment and 6 of the 10 new projects in 2008. A smaller size for new greenfield projects and lower investment in existing ones explain the decline (figure 4). Investment in divestitures grew by 50% to US\$2.1 billion, 34% of the regional total, thanks to additional investment in existing projects. Two new divestitures were carried out in 2008. One was for an electricity utility in Jordan, and the other was an initial public offering of the fixed and mobile telecommunications operator in the Islamic Republic of Iran. The region's other two new projects were a concession for a container terminal in the Republic of Yemen and a management contract for a water utility in Algeria.⁵



Three countries—Algeria, the Arab Republic of Egypt, and Morocco—accounted for 71% of investment and 7 of the 10 new projects in the region in 2008. The concentration of regional activity in these countries was more pronounced in 2008 than in previous two years (figures 5 and 6).

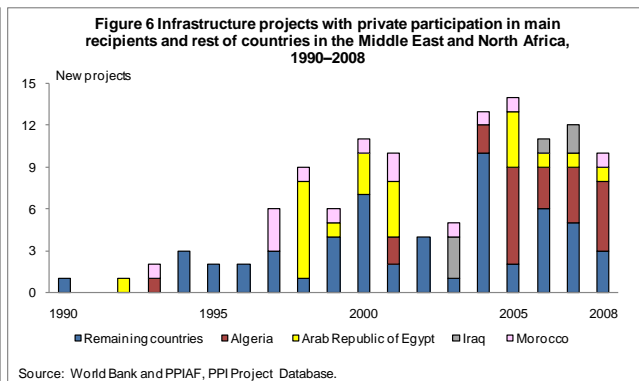
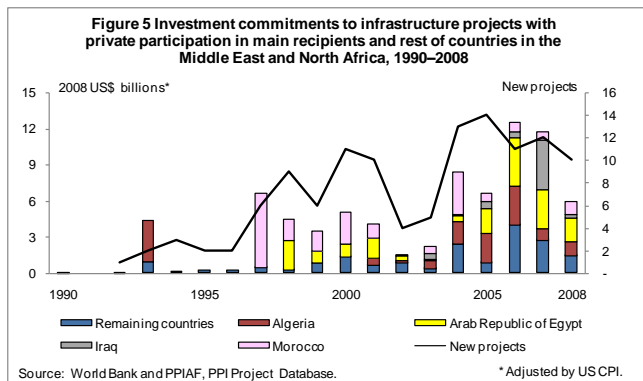
Activity by sector. As in previous years, telecommunications attracted the largest share of investment in the region (66%). But investment in this sector fell by 48% to US\$3.9 billion, the lowest level since 2003 (figure 7). Network expansion by existing telecommunications operators accounted for most of that investment (figure 8). In energy there was only one new project, attracting investment of US\$104 million. In transport three new projects were implemented. These new projects brought investment totaling US\$1.1 billion, about half third of the level in 2007. In water and sewerage the five new projects attracted investment amounting to US\$874 million, reflecting a big increase compared with earlier years.

In *energy* only Jordan had new private activity (table 1). Jordan divested two regional electricity distribution companies, 100% of Electricity Distribution Company (EDCO) and its remaining share (55.4%) of Irbid District Electricity Company (IDECO), for US\$104 million. The two companies have a total of 438,000 connections.

⁴ This note uses the term *greenfield project* as defined in the PPI Project Database methodology. The definition includes the following schemes: build, lease, and transfer (BLT); build, operate, and transfer (BOT); build, own, and operate (BOO); merchant; and rental.

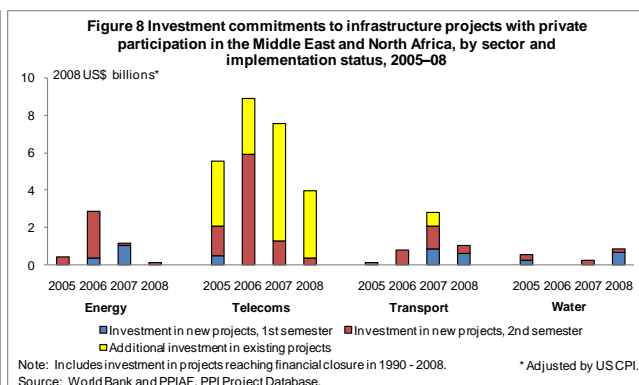
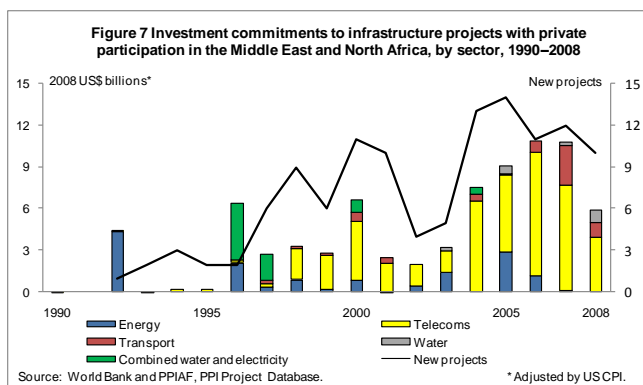
⁵ This note uses the term *concession* as defined in the PPI Project Database methodology. The definition includes contracts under which a private entity takes over the management of a state-owned enterprise or asset for a given period during which it also assumes significant investment risk. The following schemes are considered concessions: build, rehabilitate, operate, and transfer (BROT); rehabilitate, lease or rent, and transfer (RLT); and rehabilitate, operate, and transfer (ROT).

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In *telecommunications* investment in previously implemented projects amounted to US\$3.6 billion, and that in one new project to US\$370 million, for a total of US\$3.9 billion. The government of the Islamic Republic of Iran divested 5% of the national fixed and mobile operator Telecommunication Company of Iran (TCI) through an initial public offering in the local stock exchange.

In *transport* three countries had private activity in seaports. The Arab Republic of Egypt signed a build-operate-transfer (BOT) contract for Damietta port with investment of US\$640 million. Morocco implemented a second container terminal at Tangier Mediterranean Port, involving investment of US\$200 million. The Republic of Yemen signed a US\$220 million concession for the Aden and Ma'alla container terminals.



In *water and sewerage* Algeria implemented five projects with total investment of US\$874 million. Four are 25-year BOT contracts for desalination plants with a total capacity of 720,000 cubic meters a day: Mostaganem (200,000 cubic meters a day), Tenes Lilmiyah (200,000), Souk Tleta (200,000), and Fouka (120,000). In addition, the Algerian government signed a 5.5-year management contract for the water supply and sanitation company of the city of Constantine.

Potential new projects. In addition to the 10 new projects reaching financial or contractual closure in 2008, at least 7 other projects were awarded but had not reached closure by the end of the year. The potential projects were for greenfield facilities, including a port terminal in Morocco, three desalination plants in Algeria, and a railway and two power plants in Jordan.

Canceled and distressed projects. No projects were canceled or became distressed in the Middle East and North Africa in 2008.

Concluded projects. No projects were concluded in the region in 2008.


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IN INFRASTRUCTURE DATABASE**
Table 1 Infrastructure projects with private participation reaching financial or contractual closure in the Middle East and North Africa in 2008

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

Energy										
	Country	Project name	Project status	Sub-sector	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Contract period (years)	Main sponsors
1	Jordan	Electricity Distribution Company (EDCO) and Irbid District Electricity Company (IDECO)	Operational	Electricity	Divestiture (full)	100	104	438,000 connections	..	National Industries Group Holding (30%, Kuwait), Dubai Holding (40%, United Arab Emirates), United Arab Investors Company (30%, Jordan)

Telecommunications										
	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors	
1	Iran, Islamic Rep.	Telecommunication Company of Iran	Operational	Fixed access, mobile access, and long distance	Divestiture (partial)	5	370	47,000,000 connections	Others (5%, ..)	

Transport											
	Country	Project name	Project status	Sub-sector	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Government cash support (US\$ millions)	Type of government support	Capacity size and type	Main sponsors
1	Egypt, Arab Rep.	Damietta Port	Construction	Seaports	Greenfield project (BOT)	100	640	n.a.	n.a.	..	Kuwait and Gulf Link Holding Company (30%, Kuwait), China Shipping Group (20%, China), Terminal Link Company (20%, Egypt, Arab Rep.)



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2	Morocco	Tangier Mediterranean Port, Second Container Terminal	Construction	Seaports	Greenfield project (BOT)	80	200	n.a.	n.a.	1,300 throughput (thousands)	CMA-CGM (20%, France), Eurokai KGaA (40%, Germany), Mediterranean Shipping Company (20%, Switzerland)
3	Yemen, Rep.	Aden Container Terminal Second Contract and Ma'alla Container Terminal	Operational	Seaports	Concession (BROT)	50	220	n.a.	n.a.	700 throughput (thousands)	DP World (50%, United Arab Emirates)

Water and sewerage

	Country	Project name	Project status	Sub-sector	Type of PPI	Investment commitment (US\$ millions)	Capacity type	Capacity	Main sponsors
1	Algeria	Fouka Desalination Plant	Construction	Treatment plants	Greenfield project (BOT)	180.0	Cubic meters per day (thousands)	120	Acciona (26%, Spain), SNC Lavalin (26%, Canada)
2	Algeria	Mostaganem Desalination Plant	Construction	Treatment plants	Greenfield project (BOT)	250.0	Cubic meters per day (thousands)	200	Fomento de Construcciones y Contratas SA (FCC) (26%, Spain), Obrascón Huarte Lain (OHL) (26%, Spain)
3	Algeria	Société des Eaux et de l'Assainissement de Constantine	Operational	Utilities	Management and lease contract (management contract)	n.a.	Population (thousands)	1,200	Société des Eaux de Marseille (100%, France)
4	Algeria	Souk Tleta Desalination Plant	Construction	Treatment plants	Greenfield project (BOT)	213.0	Cubic meters per day (thousands)	200	Malakoff Bhd (41%, Malaysia)
5	Algeria	Tenes Lilmiyah Desalination Plant	Construction	Treatment plants	Greenfield project (BOT)	231.0	Cubic meters per day (thousands)	200	Abengoa (51%, Spain)