**Telecom**

**Algeria**

The Ministry of Post, Information and Communications Technologies launched an international tender notice for the sale of a **third mobile phone GSM license**. The international bid process is facilitated by the use of loan funds obtained from the World Bank to reform the postal and telecom sectors. *(La Tribune, 20/08/02 [www.latribune-online.com](http://www.latribune-online.com))*

Algerian Communications Minister Khalida Toumi denied allegation that the award of **Algeria’s second GSM license** to Egypt’s Orascom Telecom Holding (OTH) may have not been carried out in compliance with the law. The declaration followed the publication of articles in the local media saying that Orascom might had the award in breach of legal regulations on public auctions. *(Mena Report 1/10/02 [www.mena-report.com](http://www.mena-report.com))*

**Egypt**

Egypt’s **Orascom Telecom** (OT) has reported a net profit of US$687,000 in the first quarter of 2002, marking a recovery from the company’s heavy losses in 2001. However, OT is involved in disputes with its Syrian partner in Syriatel (D:rex Technologies) and US Motorola over payment defaults. *(MEED 25/09/02 [www.meed.com](http://www.meed.com))*

**Jordan**

The Jordanian Ministry of Information and Communication Technology (MICT) has launched two studies to prepare the government’s strategy on the **liberalization of the fixed and mobile telecommunications sectors** in the country. The studies are funded by the United States Trade Development Agency. *(Various sources - USTDA, 20/08/2002 [www.tda.gov/trade/press/Aug20_02.html](http://www.tda.gov/trade/press/Aug20_02.html))*

The Jordanian government has launched the **initial public offering** (IPO) for **Jordan Telecom** (JTC), tendering 15 percent of the company’s issued shared capital. J.P. Morgan Chase & Co. has won the mandate to act as the operator’s leading financial advisor and underwriter for the IPO. The IPO was designed to allow local and foreign companies as
well as the common citizen to benefit from it. Subscription for the public offering is open from October 9-23, 2002. (Jordan Times 29/09/02 www.jordatimes.com)

**Lebanon**

The Lebanese government has reached an agreement with the current mobile operators (former BOT contractors) **Libancell** and **France Telecom Liban** (FTML), whereby the two operators would continue to run the networks on behalf of the state until December 31, 2002. According to the contract drafted by Clifford Chance, both operators will receive a combined management fee of US$75 million for the operations and maintenance of the two networks. The government is preparing for the auction of its two 20-year GSM licenses and the two GSM networks. (Various Sources)

**Morocco**

Telecoms watchdog **Agence Nationale de Réglementation des Télécommunications** (ANRT) has delayed until 5 November the closing date for offers for a **second fixed-line network**. Bids were originally due to be submitted by 8 October, but ANRT decided to postpone the deadline after holding clarification meetings with prospective candidates. In August, ANRT awarded licences to two local companies, Morocco Radio Telecom (Moratel) and Inquam Telecom, for the establishment and operation of **trunk mobile radio networks**. (MEED 20/09/2002 www.meed.com)

**Energy**

**Algeria**

Algerian state-owned gas and oil firm **Sonatrach** has signed an energy deal with Spain's **Cepsa** under which Sonatrach will take a 30 percent stake in Cepsa's natural gas distribution unit and 30 percent stake in the unit which operates mainland Spanish cogeneration activities. (Le Matin, 11/09/02 http://www.lematin-dz.com/11092002/jour/le_quotidien.htm)

Sonatrach and Sonelgaz joined forces with a private group of investors to establish a company whose business is to produce power using **renewable energy sources**. The new entity is called **New Energy Algeria (NEAL)**. 45 percent of the AD200 million (US$2,5 million) company will be controlled by oil and gas group Sonatrach, 45 percent by utility firm Sonelgaz and the remaining 10 percent will be owned by the Algerian private food industry group SIM. (Various sources, more information on NEAL can be found at www.sonatrach-dz.com/neal.htm)

**Jordan**

The Jordanian Energy and Mineral Resources Ministry is finalizing legislation to **liberalize the power sector** and open it up to private investors. The government intends to sell around 60 percent of its existing power generation assets, and has appointed ABN AMRO-Rothschild and Fichtner as sale advisors. (MEED 26/07/02 www.meed.com)

There are signs that **Tractebel** of Belgium is close to finalizing an agreement with the Jordanian government that will give Jordan its **first Independent Power Project (IPP)**. Negotiations between Tractebel and the Jordanian government started almost 3 years ago. (MEED 13/9/2002 www.meed.com)

The U.S. Trade and Development Agency (TDA) awarded a $250,000 grant to the Jordanian Ministry of Planning to partially fund technical assistance to develop a **second**
**Independent Power Project (IPP).** The Jordanian Ministry of Energy and Mineral Resources will cover the remaining cost of developing the project. ([USTDA, 25/09/2002](http://www.tda.gov/trade/press/Sept25a_02.html))

**Lebanon**

The Lebanese parliament approved the **electricity draft law** in mid August, hence paving the way for private sector participation in the generation and distribution of electricity in the country. The law allows the sale of at least **40 percent of the electricity utility EdL** (Electricité du Liban) and the establishment of a regulatory body for the sector. The transmission grid will remain state-owned, but may be contracted out for private management. ([Various Sources](http://www.leconomiste.com))

**Morocco**

The group **McKinsey/Wafa Trust**, has been awarded the tender launched by ONE (Office National d'Electricité) for the realisation of a study on the **liberalization of the electricity sector**. Two missions are expected to be carried out within the next six months to elaborate a comprehensive agenda for the privatization process of the electricity sector, assess its economic impact and define ONE's strategic positioning. ([L'Economiste, 20/09/2002](http://www.leconomiste.com))

**Transport**

**Lebanon**

The national carrier **Middle East Airlines (MEA)** has placed an order for 6 Airbus jets. This is the first time MEA will buy its jets instead of leasing them for 30 years. The deal was mainly financed by foreign banks, and is part of the long-term programme to restructure MEA and upgrade its fleet prior to its privatization. ([MEED, 16/08/02](http://www.meed.com))

**Water and Solid Waste**

**Israel**

**Via Maris Desalination Ltd.** and **Carmel Desalination Ltd.** groups have won the approval of an interministerial committee to build **two desalination plants**, for an estimated investment of US$140 million. Under the conditions of the tender, each group will construct a desalination plant capable of purifying 30 million cubic meters of sea water a year. The plants are to be built under a **BOO** basis, at a cost of some US$70 million each. ([Jerusalem Post, 20/08/02](http://www.jpost.com))

**Jordan**

The **Jordanian Water and Irrigation Ministry** has signed a 25-year (US$154.5 million) contract with an international consortium, the Samra Plant Consortium, for the construction of a wastewater treatment plant at Kherbet El-Samra, the operation and maintenance of an existing pre-treatment plant at Ain Ghasal, and the interconnecting pipeline and pumping stations. The Consortium is composed of French Ondeo and US Morganti. The US Agency for International Development (USAID) has extended a grant to the Ministry covering 43% of the total cost of the project. The project's consultants are Swedish VAIA-VA-Projekt. ([USAID Press Release,](http://www.usaid.gov/about/as-samra/) [http://www.usaid.gov/about/as-samra/](http://www.usaid.gov/about/as-samra/))
Morocco

The government of Morocco is implementing a **pilot BOT project for the development of water irrigation infrastructure** in the Guerdane perimeter. The project consists of constructing and operating an irrigation infrastructure network to convey 45 million m³ of water from a dam located 50 miles upstream, and distribute it to around 650 farmers. Interested investors are invited to submit a pre-qualification application by October 28, 2002. (MIGA, [www.privatizationlink.com](http://www.privatizationlink.com))

Bulletin

**EU/Regional**

The MEDA funded **Network of Investment Promotion Agencies** (or ANIMA) was launched at a Conference taking place from 17 to 19 September in Paris. The Conference included presentations of the new regional programme and of the network of national Investment Promotion Agencies which should play a central role in the Programme. The regional programme’s main goal is to increase Foreign Direct Investment in the Mediterranean Region. The programme budget is € 3.95 million for 3 years. ([Euromed Synopsis no. 194 12/09/2002, http://europa.eu.int/comm/external_relations/euromed/publication.htm](http://europa.eu.int/comm/external_relations/euromed/publication.htm))

**EIB/Algeria**

The European Investment Bank (EIB) announced recently it was lending a total sum of €165 million to the **Algerian Development Bank** for various infrastructure projects. A €45 million amount is earmarked for rebuilding some infrastructures damaged by the flooding of last November in Greater Algiers. A further €70 million will help finance the Bouira-El Adjiba section of the East-West Motorway which is going to play a crucial role in the Algerian economy and become part of the Trans-Maghreb Motorway, and the remaining €50 million will go towards improving the road network in Greater Algiers. (EIB Press release, [http://www.eib.org](http://www.eib.org))

**EIB/Egypt**

The **Egyptian Electricity Holding Company** (EEHC) has secured an agreement with the European Investment Bank (EIB) for a €150 million long-term loan to build a **natural gas-fired power plant**. EEHC is a company wholly owned by the Egyptian government and it handles electricity generation, transmission, and distribution in Egypt. (EIB Press Release, 11/9/2002, [www.eib.org](http://www.eib.org))

**World Bank Group**

The World Bank, the City of Marseille and the Institut de la Méditerranée organised a **Mediterranean Forum on Information and Communication Technologies** on September 9-12, 2002. The conference, that took place in Marseille and gathered nearly 150 participants from 20 different countries, aimed at enhancing knowledge-based development strategies in the Middle East and North Africa region and to discuss opportunities and issues faced by governments, relevant policies and potential support by the international community. (For more information: [www.worldbank.org/k4dmarseille](http://www.worldbank.org/k4dmarseille))
Most countries attempting to increase levels of private sector participation focus on Private Provision of Infrastructure (PPI) from a sectoral point of view. In particular, countries tend to focus their attention on the need for independent and autonomous regulators and an effective industry structure. While these are important issues, improving the general enabling environment for PPI often proves to be of equal significance. This seems to be especially true in the Middle East and North Africa (MENA) region where overall one finds strong and relatively independent sectoral ministries, and a relatively weak private sector enabling environment.

In considering this enabling environment the specific areas that policy makers interested in promoting PPI should focus on include the: (i) incentive regime for PPI; (ii) legal and administrative framework; (iii) absorptive capacity of capital markets; (iv) institutional set up and (v) capabilities within the public and private sector to manage, analyze, and promote PPI.

An Incentive Regime that encourages PPI is a crucial first step. A major barrier to PPI implementation is the perception commonly held by government officials that the private sector operators are more expensive than public operators. In large part this is due to the fact that private operators (i) have to recover various tax and duty burdens, (ii) have a cost of capital that reflects project risk and includes a return on equity which is often higher than a government cost of capital, and (iii) because the public sector ignores its own often appalling track records of successfully completing large infrastructure projects on time and under budget. (This inefficiency factor, due to delays and increased costs, has been estimated to lie between 20 and 50%).

An approach pioneered by the UK and then adopted in Japan, described as the Private Finance Initiative (PFI), encourages PPI as well as a wide variety of other forms of private participation and financing in the delivery of services provided by the public sector. Furthermore, PFI addresses the concerns that ‘private sector provision is more expensive’ by creating a common evaluation methodology which properly accounts for the factors outlined above and enables publicly managed projects to be compared with privately managed projects.

A modern legal and administrative framework is essential. Project financing arrangements can be very complicated, involving a web of contracts and oftentimes sophisticated corporate structures. From a procurement perspective, the contracts and processes for securing these contracts require special expertise and care. Therefore the implementation of these arrangements is assisted by a modern corporate and commercial legal code, as well as an effective and supportive procurement system. In

---

1 The International Finance Corporation notes from its experience that strong incentives to manage risks contribute towards the construction efficiency of privately financed projects. Figures from several hundred infrastructure projects financed by the World Bank (used as a proxy for publicly financed projects) over 1974-1991 indicate that the projects suffered time overruns averaging 50%-70%, and cost overruns of 10%-20% in dollar terms, whereas private sector projects experienced modest time overruns and cost underruns. (IFC Infrastructure Report –1994)

2 The Private Finance Initiative (PFI) was announced in 1992 and has the objective of finding new ways of mobilizing the private sector to meet needs which have traditionally been met only by the public sector. It is intended to improve the value for money of public sector projects by encouraging public private partnerships. For more information on PFI, http://www.privatefinance-i.com/, and http://www.nli-research.co.jp/eng/resea/life/l19808.pdf
addition, there are other specific impediments that occur from time to time. In the MENA region specific problems have been observed with arbitration provisions that do not allow for international arbitration, and the imposition of withholding taxes. Policy makers, using international best practice as a guide, need to resolve these problems as they arise.

A challenge to policy makers across the region is the question of the unsolicited bid. From a transparency point of view these bids have the potential to raise significant questions on the process being followed to award contracts, and therefore the first guiding principle is that unsolicited bids should be discouraged. However for reasons of urgency, or uniqueness of the proposal, an unsolicited bid may not be avoidable. It is important in this situation to establish clear guidelines across all sectors on how to manage these bids.

The size of PPI deals can challenge the absorptive capacity of regional financial capital markets. There are three critical elements in this regard: (i) prudential limits on the amount of capital that can be lent to any one borrower, (ii) yield curves which make longer term debt relatively very expensive, and (iii) the tenor (length) of the debt available in the market. PPI deals can be very large – some well in excess of a billion dollars – and can involve concession periods of twenty years or more. This often severely challenges the countries financial sector. The size and time factors can make a huge difference to the tariff consumers pay. In one recent regional PPI deal one bidder was hence able to manage the abovementioned issues locally and was able to propose a tariff about 25% below the next rated bidder, who had to resort to expensive foreign financing. The important point here is the need for policy makers to be aware on these financial sector issues and plan to intervene on them. This would not only assist project financing but is of general benefit to the country.

In addition to pointing to the need for financial sector reforms, Governments should ensure their enabling environment are fully supportive of guarantee instruments. A number of MENA countries have specific obstacles to guarantees. For example one country requires all guarantees to be approved by the legislature, effectively blocking guarantees in that country. These instruments are provided by the multilateral banks and other official agencies.

PPI deals need an institutional oversight capability. Whether it be Japan, the UK, the Philippines, or Morocco, a key mover of the PPI agenda is the existence of a centralized institutional oversight capacity. This capacity is needed to coordinate policy, promote the agenda, build domestic capabilities and manage the incentive regime. In the MENA region an early mover in this direction is the Government of Jordan who has been using its Executive Privatization Commission (EPC), in combination with the Ministry of Planning, to provide this kind of oversight role. The EPC’s mandate includes: (i) promotion, (ii) capacity building, (iii) provision of technical expertise through internal capacity and capacity provided by donors (USAID and EU), and (iv) coordination responsibilities. At the same time a central capacity is developed, it is important also to build capability in the sectoral ministries.

PPI deals require capability across the public and private sectors. Policy makers need to ensure there is not only a capability within the public sector, but also in the key areas of the private sector, the advisory community (accountants, engineers, lawyers) the financial community, and the investing community. Activities that should be encouraged in this regard include training, workshops, seminars and publications.

Parallel sectoral reforms can be encouraged by a central oversight body. The general PPI enabling environment requires attention if PPI has to fully establish itself in the

---

3 The World Bank Group for example provides a variety of guarantee instruments through IBRD’s Project Finance Group, the IFC and MIGA.
region. However, as indicated earlier, for PPI this in itself is not enough. Sectoral reforms that (i) build effective regulatory protections, (ii) lead to viable tariff structures, and (iii) encourage competition are also critical and need to be developed in parallel. The establishment of independent regulatory capacity which is often the first step in the PPI reform agenda needs to be accompanied by the establishment of a central oversight capability. Initially this can be an informal arrangement (perhaps an informal steering committee is all that is needed), but as the sectoral reforms take hold this central capability will also need to be expanded. From this small beginning a basis for dealing with the wider enabling environment issues can be developed.

*PPI can play a significant role in the MENA region.* It is clear in MENA that the enabling environment for PPI reform is every bit as important as the sectoral level reforms. Indeed by focusing on these issues in parallel to the sectoral level reforms, by building incentive systems, by strengthening the legal, administrative and financial environment, by building capacity, capabilities and oversight institutions, PPI can play a crucial role in meeting the future infrastructure and social service needs of the Region.

---

**Upcoming seminars and training**

**Regulation and Competition**

“*Eau, transport et pauvreté : Régulation et partenariat public-privé dans le secteur des services urbains*”

Location: Paris  
Duration: November 4-8, 2002  
Cost: Euro 3,500  
Language: French  
For more information: gchenet@worldbank.org

**Water**

“*First Regional Conference on Perspectives of Arab Water Cooperation: Challenges, Constraints and Opportunities*”

Location: Cairo, Egypt  
Duration: October 12-14, 2002  
Language: English  
For more information: [www.nwrc-eg.org/arabwater.htm](http://www.nwrc-eg.org/arabwater.htm)

**Publications and articles**

**Eurostat**

“*The Mediterranean countries in 2001: selected indicators*”

To download the complete document: [http://www.europa.eu.int/comm/eurostat](http://www.europa.eu.int/comm/eurostat)
UNDP

“Arab Human Development Report 2002”
To download the complete document: http://www.undp.org/rbas/ahdr/

World Bank

“Benchmarking Regulators - Making Telecom Regulators More Effective in the Middle East” by Mohamed A. Mustafa
To download the complete document: www1.worldbank.org/viewpoint/HTMLNotes/247/247summary.html

EC/WB PPMI Programme

“Transport Policies for the Euro-Mediterranean Free-Trade Area – An Agenda for Multimodal Transport Reform in the Southern Mediterranean” by Daniel Müller-Jentsch
To order this publication: http://publications.worldbank.org/ecommerce/
Contact Information: ppmi@worldbank.org

This newsletter is issued on a monthly basis. All material contained in the newsletter reproduces articles and press releases and is intended to provide information on PPI-related news in the Maghreb and Mashrek regions. All material is reproduced without any endorsement or value judgment on the part of the World Bank, the European Commission or its staff. If you wish to receive additional information or to subscribe/unsubscribe, please contact us at ppmi@worldbank.org or fax no +32 2 552 00 25.