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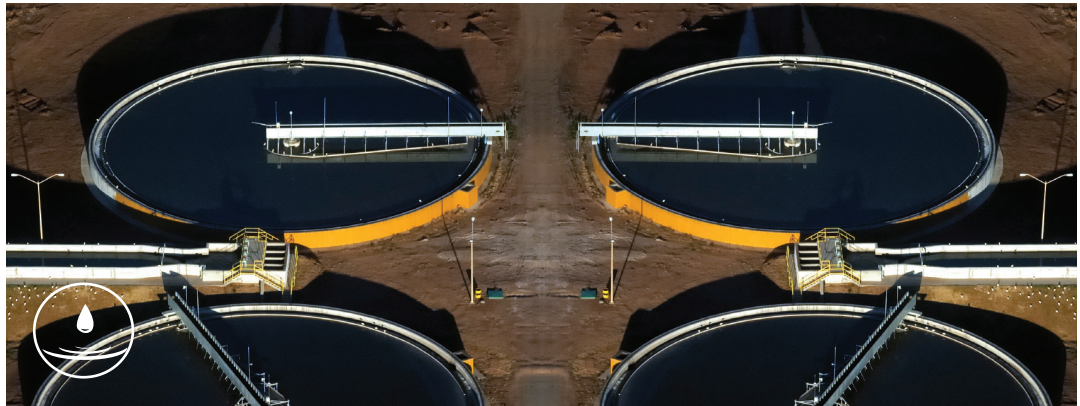
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PUBLIC-PRIVATE PARTNERSHIPS BRIEFS

# Egypt: New Cairo Wastewater



## Overview

Egypt's first public-private partnership will have a major impact on the quality of basic services in a satellite city on the outskirts of Cairo. With IFC's help, the government has awarded a land-mark concession for a wastewater treatment facility that will improve sanitation services in New Cairo, as well as accommodate projected population growth. The project was awarded in June 2009.

A consortium of Egypt's Orascom Construction Industries and Spain's Aqualia (Orasqualia) won the bid for a public-private partnership (PPP) to build, operate and transfer (BOT) a 250,000 m<sup>3</sup>/day treatment plant, which is expected to mobilize private investments totaling \$150–200 million. The government has made the development of New Cairo's infrastructure a priority because the area's population is expected to jump from 550,000 to approximately 3 million over the next 20 years.

IFC's advisory work was supported by DevCo. DevCo, a multi-donor program affiliated with the Private Infrastructure Development Group, is funded by the United Kingdom's Department for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and the Austrian Development Agency.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

## Background

New Cairo City, a satellite town of Greater Cairo, is being promoted as one of the new centers to alleviate overcrowding in the city center. New Cairo's current population of 550,000 is expected to increase to approximately 3 million by 2029. The rapid population growth and inadequate water sanitation infrastructure are placing serious strains on the city's ability to provide adequate services.

The Government has made the expansion and improvement of New Cairo's infrastructure a priority and sought IFC's help to develop and implement a model PPP that can be replicated in other infrastructure projects. Public-private partnerships are at the heart of the Government's long-term economic development strategy, together with the mobilization of private sector finance and know-how.

## Project Description

The selection process included an initial prequalification of prospective bidders based on financial and technical criteria, such as minimum net worth and experience with BOT projects, especially similar wastewater treatment plants. The government received 10 applications and seven bidders were prequalified.

The transaction was structured as a 20-year PPP concession agreement. The private partner will design, finance, construct, operate, and maintain a new wastewater treatment plant with a capacity of 250,000 m<sup>3</sup>/day. In return, the government will pay a Sewage Treatment Charge that includes a fixed portion to cover the investor's fixed costs (such as debt servicing and return on equity) and a variable portion based on the actual volume of treated sewage, to cover the investor's variable costs. In addition, electricity costs will be paid by the New Urban Communities Authority (the offtaker) as a pass-through item. The credit of the New Urban Communities Authority is underpinned by the Ministry of Finance.

The project attracted five bids from consortia comprised of local, regional, and international firms. Bidding was organized in two steps: a technical bid, which was evaluated on a "pass/fail" basis, and a commercial bid, which was limited to those bidders whose technical offers had been accepted.

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The winning bidder was selected on the basis of the lowest Net Present Value of the overall Sewage Treatment Charge throughout the concession period. Since electricity costs are a pass through item, bidders were asked to quote their projected electricity consumption levels to ensure energy conservation. The estimated electricity costs were added to the Sewage Treatment Charge to select the winning bidder.

The Egyptian-Spanish consortium submitted the lowest financial bid and was awarded the contract in June 2009.

## World Bank Group Role

The Government appointed IFC as its lead advisor for the structuring of the New Cairo Wastewater Treatment Plant transaction and international competitive tendering. IFC supervised a team of specialized technical, environmental and legal experts who undertook technical, financial, and legal due diligence to recommend the most commercially and technically viable transaction structure. IFC also played a leading role in marketing the project, prequalifying potential investors according to established financial and technical criteria, drafting bidding documents, selecting the winning bidder, and overseeing the financial closure process.

## Outcomes

- First successful transaction under the Government's PPP program and model for future PPPs.
- Mobilization of \$150–200 million in private investment.
- New wastewater treatment plant will be completed by January 2012.
- Approximately three million people in New Cairo will benefit from improved infrastructure and better service quality over the life of the project.
- Demonstration effect: Regional and international investors attracted to Egypt's PPP market.



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