CMI – MENA water meeting

PPP for desalination plants (DBO-BOTs) in MENA and the Mediterranean

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Growing interest from clients governments for desalination

Most MENA countries are faced with acute water scarcity

The challenge is becoming stronger due to:

- Fast growing demand in urban areas (largely concentrated on coastline cities)
- Impact of climate change
- Refugees inflow
Desalination allows to put IUWM on the reform agenda

Expanding capacity with desalination vs. Reducing water losses: in most MENA countries the scarcity crisis is becoming such that the choice is no longer between the two options:

- Water losses reduction alone would often not be sufficient to deal with medium term demand
- Moving to desalination raises significantly the cost of water produced (more incentives for NRW reduction)

Desalination provides an opportunity to look at overall water cycle through economic efficiency and reforms
Desalination project under PPP

As an alternative to the traditional public civil works approach, PPP projects for desalination can be either:

- **BOT**: private financing – capex and opex costs need typically to be supported by tariff revenues
- **DBO**: public financing while the private sector takes design construction and O&M risks
- **Hybrid schemes**: mixed public and private financing, annuity to replace tariff revenues, ROT...

Desalination PPP can be done with public funding (portion or totality of capex or opex)
Advantages of PPP for desalination plants

Desalination is complex and costly: poor performance of many publicly run plants in GCC (cost > $1.5 perm3)
Private partner will take:
• Design risk
• Construction risks (capex overcost and delays)
• O&M risks (opex and potability compliance)
Benefits include:
• Lowest life cycle infrastructure cost (capex + opex)
• Faster construction
• Better service reliability
Importance of total life cycle: “Totex”

Source: Suez Environment
Yet under traditional civil, work contract model projects are awarded based on lowest capex only!!!
Regional MENA workshop on PPP for desalination

Target countries interested in desalination PPP projects (in preparation or under discussion):

- Morocco,
- Tunisia,
- Egypt (Suez canal),
- Gaza,
- Jordan (Aqaba RSDS),
- Djibouti,
- GCC (KSA reform of national saline utility)
Regional MENA workshop on PPP for desalination (2)

Preparation of guidance note for Bank and IFC staff on desalination PPP projects:
- Market potential (high desalination costs in GCC)
- Lessons learned from past projects
- Key issues for BOT-DBO design and implementation

Cases studies from other Mediterranean countries with experience:
- Spain
- Malta
- Cyprus
Regional MENA workshop on PPP for desalination (3)

About 45 participants:

- 20 from MENA client countries (sponsored)
- 5 from GCC countries
- 5 from other Mediterranean countries (case studies)
- 5 from private sector
- 10 from WB and other donors/NGOs

Workshop plus Guidance note cofinanced by CMI, Water GP (WSS GSG) ($50k), and IFC (t.b.c.)
THANK YOU

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