1. Infrastructure Development Challenges in MENA

2. Overview of Arab Financing Facility for Infrastructure (AFFI)
   A. Technical Assistance Facility
   B. Arab Infrastructure Policy Forum

3. AFFI Contacts
Infrastructure Development Challenges in MENA
Growing demands for infrastructure services in MENA

Potential impact political transition on infrastructure development

- **Contraction of the fiscal space** and (lower remittances and tourism proceeds, reduction of FDIs, etc.) **coupled with increase in social spending** (In 2001, growth in Egypt, Tunisia and Syria to reach 1.5% only)

- **Higher country risk profile** **coupled with** lower market appetite for infrastructure projects

- **Reprioritization** of projects **coupled with** higher expectation on accountability and transparency of projects

The challenges ahead

- **Strong demographic growth & job creation pressures:** 2 – 3% per year

- **Rapid urbanization:** 3%+ per year

- **Declining competitiveness** of MENA cities and economies

- **Growing backlog** of infrastructure investments

- Need to deliver **tangible service improvements** within a short time frame
Low Levels of Regional Integration in MENA

- Potential impact political transition on infrastructure development
  - Inter-country trade accounts for less than 10% of total trade, compared to 24% in East Asia and 70% in Europe
  - Intra-region investment flows are limited – Only 10% of GCC total investment goes to non-GCC countries
  - Only 0.3% of Maghreb investment comes from other Maghreb countries
### Quality of service lags behind other regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Electricity connection delay (days)</th>
<th>Value lost to power outages (% of sales)</th>
<th>Water connection delay (days)</th>
<th>Mainline telephone connection delay (days)</th>
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<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>21</td>
<td>2.6</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>15</td>
<td>3.0</td>
<td>9</td>
<td>16</td>
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<tr>
<td>Latin America &amp; Caribbean</td>
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<td>4.1</td>
<td>35</td>
<td>36</td>
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<tr>
<td>Middle East &amp; North Africa</td>
<td>62</td>
<td>4.3</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>South Asia</td>
<td>49</td>
<td>7.4</td>
<td>29</td>
<td>50</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>38</td>
<td>5.9</td>
<td>42</td>
<td>54</td>
</tr>
<tr>
<td>OECD</td>
<td>10</td>
<td>2.3</td>
<td>—</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: World Bank ICAs
Growing backlog of infrastructure investment in MENA

Infrastructure Investment Needs
~ $100 bn / yr

Inefficiencies

• Cost overrun
• Poor design & execution
• Etc.

Actual Investments in Infrastructure
~ 60 – 70 bn/yr

GAP

More and Better Public Investments
• Better planning
• Targeted Subsidies
• Lower Hidden Costs

More Private Investments
• Robust Pipeline
• Strong Regulatory Framework
• Well prepared projects

Source: World Bank, 2009
Overview of Private Infrastructure Investment, 2000-2009 (US$bn)

- PPPs in MENA tripled between 2000-2006
- MENA was hit badly by the credit crunch in 2006-7
- MENA did not recover as developing countries did
- South Asia mobilizing 4 times the level of MENA

**Private Investment in the Middle East and North Africa**
*(IFIs & Private Sector)*

- **Egypt, Arab Rep.** $15.7 26%
- **Morocco** $10.1 17%
- **Iraq** $6.1 10%
- **Jordan** $5.7 10%
- **Remaining Countries** $10.6 18%
- **Algeria** $11.1 19%

**Source:** Jett, World Bank and PPIAF, PPI Project Database.
Private participation in MENA’s infrastructure is low in all sectors but telecom

Private Infrastructure Investment in the Middle East and North Africa

- Energy & Telecom private investments peaked just before the credit crunch

Source: Jett, World Bank and PPIAF, PPI Project Database.
Overview of AFFI
SPONSORS: AFFI is a partnership between the World Bank Group and the Islamic Development Bank to support Arab infrastructure development

OBJECTIVES: Established to promote economic growth and regional integration through:
- Support to regional policy dialogue on infrastructure challenges;
- Support to improved access to public and private finance sources;
- Support to sustainable infrastructure projects, in particular Public-Private Partnerships (PPPs)

STRUCTURE: AFFI has four components:
- A Policy Forum
- A Technical Assistance Facility
- A private fund led by IFC and IsDB & providing mezzanine funding to MENA region (incl.GCC)
- A public fund led by IBRD & providing funding to governments for infrastructure and PPP projects
AFFI Features

Policy Forum
Foster regional dialogue on infrastructure challenges

Technical Assistance
Provide transaction advisory and grants to prepare PPP infrastructure projects

Public Window
Provide public funding-IBRD terms for national and regional infrastructure

Private Window
Invest in infrastructure projects (private promoter) providing mainly mezzanine funding
Eligible Sectors

- **Energy**
  - Power plants, transmission & distribution

- **Transport**
  - Rail, road, airports & ports

- **ICT**
  - Optical fiber, sea cable

- **WATSAN**
  - Water, sanitation & solid waste

- **Social Assets**
  - Hospitals & schools

Arab Financing Facility for Infrastructure (AFFI)
TAF will support the following activities:

- **Awareness Building**: to improve understanding of PPPs through seminars, workshops, publications, etc;

- **Enabling Environment**: to support governments in developing overall PPP policy/strategies, legislation/regulation/competition frameworks

- **Transaction Advisory**: to support specific PPP infrastructure transactions through advisory services;

**Will develop into a regional Centre of Expertise and Excellence for PPPs over time**
Arab Financing Facility for Infrastructure

**Governance Structure**

- **IFC**
- **IsDB**
- **World Bank**

**TAF Governing Body** (IFC, WB, IsDB, other donors...)

- **Trust Fund**

**TAF staff** (from IFC and IsDB)

**Reporting Line**

- **Advisory Services**
  - It's expected to be self-sustaining after 3-5 years

**Other Donor Contributions**

- WB Grant Agreement
  - FY11 - $1m
  - FY12-13 up to $4m

**Trust Fund**

- FY11 - $1m

**Other Donor Contributions**

- FY11 - $1m to FY12 - $1m

**Arab Financing Facility for Infrastructure**
Arab Infrastructure Policy Forum

Developing Infrastructure for Growth and Regional Integration in Arab Countries
**Areas of focus for the Policy Forum**

**Promotion of PPP**
- Capacity building of PPP units and sector agencies to prepare, procure and close PPP projects
- Harmonization of PPP frameworks in the region
- Improvement of the creditworthiness of off-takers
- Development of a regional center of excellence in infrastructure financing

**Coordination across sectors and countries**
- Identification of high-impact regional infrastructure projects
- Improvement of regional infrastructure planning
- Harmonization of regulation and technical standards
- Promotion of accountability and transparency
- Adaptation of infrastructure services to climate change

**Knowledge sharing**
- Assessment of infrastructure performance and needs, especially from a regional integration perspective
- Dissemination of experience and best practices, especially in the area of PPPs

Arab Financing Facility for Infrastructure
Examples of Regional PPP Network Development

<table>
<thead>
<tr>
<th>Regional Network</th>
<th>Launch</th>
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</thead>
<tbody>
<tr>
<td>• Global PPP Network</td>
<td>2007</td>
</tr>
<tr>
<td>• European PPP Expertise Centre (EPEC)</td>
<td>2008</td>
</tr>
<tr>
<td>• Latin American PPP Network</td>
<td>2010</td>
</tr>
<tr>
<td>• Southeastern Europe and the Mediterranean PPP Forum (SEM)</td>
<td>2010</td>
</tr>
<tr>
<td>• Asian PPP Forum</td>
<td>Oct 2010</td>
</tr>
<tr>
<td>• Southern African Development Community (SADC)</td>
<td>Feb 2011</td>
</tr>
<tr>
<td>• <strong>Arab Financing Facility for Infrastructure (AFFI)</strong></td>
<td>Apr 2011</td>
</tr>
<tr>
<td>• East African Community (EAC)</td>
<td>July 2011</td>
</tr>
</tbody>
</table>
Looking Ahead: Challenges & Potential in MENA

**Energy**
- **renewable energy** sources to reduce hydrocarbon dependence
- Strengthening regional energy networks to facilitate the establishment of regional energy (gas and electricity) markets
- Reducing inefficiencies in energy production and consumption

**Water**
- trans-boundary water resources
- Harnessing new, innovative supply sources
- Modernizing irrigation

**Transport**
- Regional trade facilitation programs and regional transport corridors
- Rural access roads
- Efficient urban transportation systems
- Improving road safety

**Telecom**
- Liberalization of ICT networks while encouraging coordination of ICT infrastructure development and broadband deployment both at national and regional level
- Strengthening competition on backbone networks and international connectivity
- Strengthening of regulatory and competition agencies
- Development of a more balanced ICT legal and regulatory framework, protecting the privacy of the users and Intellectual Property Rights
AFFI Contacts
<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Contact Information</th>
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<td>AFFI and TAF</td>
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Thank you