

# Egypt PPPs grounded

---

Jordan Bintcliffe

25/08/2016

A lack of dollar-funding and government attempts to cut project costs have meant 2016 has been quiet for financial closes on public private partnerships (PPP) in Egypt. The country's plans to procure a number of new projects under its PPP scheme, which *IJGlobal* revealed in October 2015, have had mixed results.

Among the projects planned for tender around the time were three desalination plants – El Tor, Safaga, and El Alamein – and the Nile River Bus Ferry. The Abu Rawash wastewater treatment PPP – awarded the month prior – had [financiers lined up and was said to be nearing signing toward the end of 2015](#). Almost a year on, the results are gloomy as a series of issues have slowed projects.

## Currency concerns

Egypt has been suffering a severe dollar shortage, largely due to a decline in the country's tourism sector. As a result, developers have struggled to reach financial close on projects with a high foreign currency component. One such example is [Abu Rawash, which was eventually provided a guarantee by the Ministry of Finance](#) to shield against currency fluctuations as well as [a guarantee of the full dollar component by Egypt's Central Bank](#).

Despite the guarantees, it has continued to limp forward. The scope of the project is now being rethought – the addition of tertiary treatment and co-generation is under consideration at a potential additional cost of \$250 million. The project [is also under consideration by Egypt's Ministry of Housing for a switch from PPP to an engineering, procurement and construction \(EPC\) contract](#) in an effort to reduce costs. Abu Rawash is now unlikely to reach financial close before the end of 2016, a source at one of the lenders on the deal told *IJGlobal* recently.

Another project, the El Alamein desalination plant, was also under review for a change in its procurement method in April this year with potential for it to be tendered as an EPC. The plant, along with the [El Tor and Safaga desalination projects, has since been cancelled](#) after apparent [legal issues relating to their location](#). It's unclear whether El Alamein is planned for retendering using an EPC model.

## Help on the horizon

Earlier this month, Egypt agreed a \$12 billion loan with the International Monetary Fund (IMF) in efforts to restore confidence to its economy and tackle the issue of foreign exchange shortages. The IMF funding will be disbursed over three years and is aimed at improving Egypt's foreign exchange markets, narrowing the country's budget deficit and spurring job creation and growth.

The agreement will be presented to the IMF's board in a few weeks' time and is dependent on Egypt agreeing up to \$6 billion in additional funding in the form of sovereign loans – likely from other Gulf countries. The United Arab Emirates has already committed \$1 billion, state-run news service *WAM* said on 23 August.

Another PPP, the [Nile River Bus project, was due to launch a request for qualifications \(RFQ\) in November 2015](#), sources said at the time. The RFQ was later launched in mid-2016 with [bids entered on 18 July](#). With the planned IMF funding in place, the River Bus tender may have a slightly less rocky route to close than the other PPPs in the programme.

*Thank you for printing this article from IJGlobal.*

*As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.*

*If you have been given this article by a subscriber, you can contact us through [www.ijglobal.com/sign-up](http://www.ijglobal.com/sign-up), or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.*