



GLOBAL INFRASTRUCTURE

Opportunity Egypt 2009

Approaches to Finance

11 November 2009

ADVISORY

Egypt PPP Programme

- **PPP Programme**

- **Developed programme of projects managed through MoF PPP Central Unit**
 - **\$15bn planned for 2009-2013**

- **In procurement**

- **New Cairo wastewater project (~\$450m) due for financial close December 2009**
- **Two Teaching Hospitals – invitation to bid issued**
- **6th October waste water project – prequal issued**
- **Public Schools Project – under restructuring**
- **Abu Rawash Wastewater Project – prequal in December 2009**
 - Project to upgrade the level of water treatment from primary to secondary for a 1.2 million m³/day facility. The private sector partner will be required to design, construct, finance, operate and maintain the WWTP and transfer the ownership back to the Ministry of Housing at the end of the contract period.
- **Rod El Farag Highway Project**

- **Pipeline**

- **Ministry of Health Hospitals**
- **Alexandria West wastewater project**
- **Nahia wastewater project**
- **Helwan wastewater project**
- **3 Desalination projects**
- **Suez Granite Quarry road**

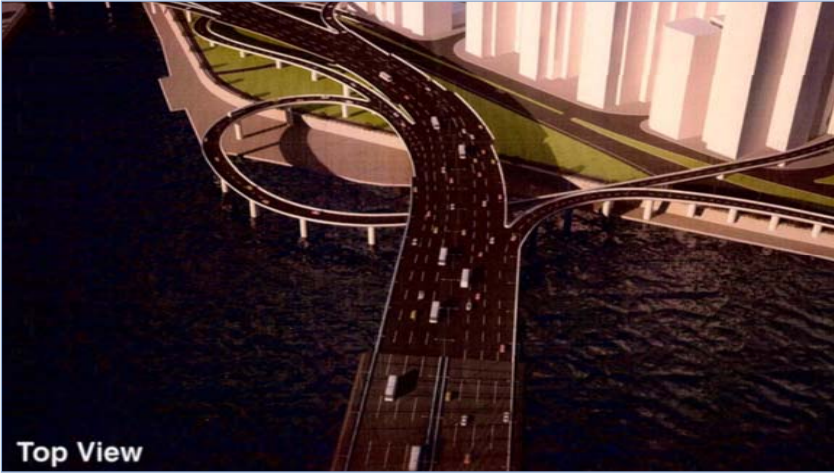
Rod El Farag Highway PPP



Key features :

- Total length of 34kms with a speed limit capacity of 120 kmph
- 8 lanes (4 in each direction) with a service road on either side
- Connecting the Corniche on the east of the Nile to the Cairo- Alexandria highway
- Alignment only for twin track light rail
- Two major bridges across the River Nile
- 7 major intersections

Rod El Farag Highway PPP – Corniche el Nile Bridges



PPP Programme

Funding market

- Egyptian Pound funding market
- Bank market is liquid with reasonable international presence
- Very limited FX and IRS market
- Project finance experience but typically projects to date have been \$ denominated
- Terms in PPP market
 - 70:30 debt:equity
 - Up to 15 year tenor
 - Pricing 250 - 300bp with margin ratchets
 - Priced off average 3 year Certificate of Deposit rate across Egyptian banks
- Banks have pushed for GOE guarantee under termination for contractor default

Key Issues in Financing PPPs

- **Single obligor limit**

- Set at 20% of bank capital base by Egyptian Central Bank
 - If the SPV is considered as a related party to a sponsor, single obligor limitations of that sponsor could hamper their potential to raise finance – based on the sponsors existing loans.
 - If the SPV is considered as an independent entity, single obligor limits may limit the availability of finance for the SPV.
 - Nature of project finance and GOE support suggests the need to look at PPP deals differently

- **Liquidity**

- For large projects insufficient banks to cover all potential bidders
- Stapled financing or partial underwritten offers may be considered
- New long term debt instruments, e.g. AfDB or EIB issued bonds, would facilitate liquidity – the timing of these debt instruments is still uncertain.
- Infrastructure Financing Facility Co being considered through IFC/World Bank

- **Debt tenor**

- Market appetite for up to 15 years.
- For larger deals syndication to smaller banks which are not comfortable with long tenors might be required