

## **Private Sector Participation in the Water Sector: The Role of International Financial Institutions in the Middle East & North Africa**

### **Did you know...?**

- ☞ **The Middle East & North Africa (MENA) is the world's most water-scarce region. At present, 44 million people in the region, most of them living in rural areas, do not have access to clean water.**<sup>1</sup> Meanwhile, the combination of population growth and dwindling freshwater resources presents one of the region's most challenging issues; experts estimate that per capita water availability – already the world's lowest - could be cut in half by 2050.<sup>2</sup>
- ☞ **Over the last five years, 15 percent – nearly \$900 million – of World Bank lending to the MENA region was allocated for water and sanitation projects.**<sup>3</sup> The Bank's stated aim in its lending was to improve the quality of service, rehabilitate water infrastructure, and cope with problems of scarcity.<sup>4</sup> The largest portion of Bank lending to the sector during this period was for water supply projects specifically.<sup>5</sup>
- ☞ **The World Bank, through both its project and policy lending, has encouraged greater private sector involvement in the provision of water services in the MENA region.** In Yemen, for example, the World Bank is currently financing a \$130 million project to support “the creation of opportunities for increased private sector participation” in urban water services.<sup>6</sup> Private sector participation in the water sector through privatization and public-private partnerships (PPP) has proven a highly contentious issue in many countries, as it has often led to higher prices and reduced access for the poor.
- ☞ **In [Egypt](#), [Gaza](#), [Morocco](#), [Jordan](#), [Yemen](#), [Lebanon](#), and [Tunisia](#), the World Bank Group is actively assisting private investors' participation in the water sector.** In Morocco, for example, the World Bank recently entered

---

<sup>1</sup> [Report Card on Water and Sanitation](#), UNICEF, September 2006.

<sup>2</sup> [Making the Most of Scarcity](#), World Bank, March 2007: p. xiii.


<sup>3</sup> [The Role of IFIs in the MENA Region](#), Bank Information Center, March 2007.


<sup>4</sup> [MENA Regional Brief](#), World Bank., April 2007.


<sup>5</sup> [List of MENA water projects](#), World Bank.

<sup>6</sup> [Yemen Urban Water Supply and Sanitation Program Document](#), World Bank, March 2003: p. 5.

into a four-year policy lending program with the government to undertake a major restructuring of the country's water sector. These reforms are expected to limit government subsidies for water, transitioning toward a cost-recovery system financed by higher tariffs.<sup>7</sup>

 **The World Bank is currently piloting a pre-paid meter system in certain municipalities in Palestine “to enhance local revenue collection and thus improve cost recovery.”**<sup>8</sup> Pre-paid meter systems are highly controversial in many parts of the world for the negative impacts they typically have on the poor. This issue is of particular importance in Palestine, which has one of the world's lowest per capita water availability rates.<sup>9</sup> Another ongoing World Bank project in Gaza supports “renewed and enhanced private sector participation to manage, operate and maintain the water and wastewater services.”<sup>10</sup>

 **The International Finance Corporation (IFC), the World Bank's private sector lending arm, seeks to “support the MENA region's privatization plans” in the water treatment sector.**<sup>11</sup> The IFC plays an advisory role to help governments facilitate private investment in their water sectors, and it also directly finances private water providers. In September 2007, the IFC approved a \$20 million investment in Metito, a company operating throughout the region that is looking to “expand into water utility services [and capitalize] on the privatization potential of public utilities.”<sup>12</sup>

 **The European Investment Bank (EIB), which has surpassed the World Bank as the largest public financier in the MENA region, is also supporting greater private participation in the water sector.** In the last five years alone, the EIB has invested nearly one billion euros for largely private water schemes in the MENA region.<sup>13</sup> The EIB's director for the region was recently quoted as saying, “Management of water resources...is a key prerequisite for sustainable growth. Creating an environment conducive to private investment is essential and particularly relevant for the Mediterranean [MENA] region.”<sup>14</sup>

---

*The **Bank Information Center** is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and IMF.*

*Find out more about BIC's MENA Program at [www.bicusa.org/mena](http://www.bicusa.org/mena).*

---

<sup>7</sup> [Morocco Water Sector DPL Program Document](#), World Bank, March 2007: p. 10, 25.

<sup>8</sup> [Emergency Municipal Services Rehabilitation Project ISDS](#), World Bank, December 2006: p. 3.

<sup>9</sup> [Making the Most of Scarcity](#), World Bank, March 2007: p. 142.

<sup>10</sup> [Gaza Water and Sanitation Project ISDS](#), World Bank, August 2005: p. 2.

<sup>11</sup> [Metito Summary of Proposed Investment](#), International Finance Corporation, April 2007.

<sup>12</sup> *ibid.*

<sup>13</sup> [The Role of IFIs in the MENA Region](#), Bank Information Center, March 2007.

<sup>14</sup> [EIB Press Release](#), European Investment Bank, October 2004.