

Dentons/CHINCA MEA Project Reporter

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Chinese contractors and Middle East and Africa projects markets
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Welcome to the first edition of Dentons/CHINCA Middle East Africa Project Reporter



On a bi-monthly basis, we will present a shortlist of upcoming projects in the Middle East and Africa which may be of interest to Chinese contractors and investors looking to do business in the region. These are projects which have been either announced by the relevant government authorities or

reported in the press, and which have yet to be opened to bidding or pre-qualification.

As such, they represent opportunities for contractors and investors looking to become more involved in MEA projects.

In each edition, we will also briefly canvas a legal topic of relevance to the MEA projects market. Our aim is to familiarise Chinese contractors and investors with the market, both in terms of upcoming opportunities and the prevailing legal landscape.

Upcoming projects in MEA region

Project	Description	Project Owner	Sector	Value	Status
UAE					
Dubai Creek Harbour Tower	This tower is expected to be taller than Burj Khalifa (currently the world's tallest building), and completed in time for Expo 2020. There will be three key components: the foundations, the slip-formed concrete core, and a steel frame structure with cables. Work on the foundations package is expected to start mid-2016, and will be followed by the tendering for the superstructure	Emaar Properties	Real Estate – Mixed Development	\$1 billion	Under planning. EOI not yet released. Construction schedule for superstructure expected to be revealed in Q2 2016

Project	Description	Project Owner	Sector	Value	Status
Mohammed bin Rashid Stadium	A 60,000-seat, fully air-conditioned stadium in the Al-Awir area of Dubai. It will be raised off the ground, and will comply with FIFA standards. The venue will also include a training hall, 5,000-space car park, a sports museum and conference halls	Government of Dubai	Real Estate – Leisure and Entertainment	\$817 million	Under design
Dubai Taxi PPP	Dubai Taxi PPPA development involving three adjacent plots of land as part of a real estate and employee accommodation project	Dubai Roads & Transport Authority – Dubai Taxi Corporation	Real Estate – Residential, Commercial	Not reported	Advisers are being appointed to undertake a feasibility study
Kuwait					
Kuwait National Railroad	An integrated rail network with a total length of 511km, to link Kuwait City to Kuwait airport, seaports and the other GCC countries as part of the wider Gulf Railway Network. The project will be implemented under a BOT agreement http://www.ptb.gov.kw/en/Kuwait-National-Rail-Road-(KNRR)	Partnerships Technical Bureau, together with the General Authority for Roads and Transport	Transport – Rail	\$2 billion	In feasibility study phase. Issuance of EOI: Q2 2016 Issuance of RFQ: Q3 2016 Issuance of RFP: Q4 2016 Announcement of preferred bidder: Q3 2017
Kuwait Metropolitan Rapid Transit (KMRT) System	A full metro network comprised of 69 stations (16% underground) with a total length of 160 km. The project will be developed over five phases, with Phase 1 operations expected to commence in 2020 http://www.ptb.gov.kw/en/Kuwait-Metropolitan-Rapid-Transit-System-(KMRT)	Partnerships Technical Bureau, together with the Ministry of Communications	Transport – Metro	\$18.5 billion	Pre-tendering

Project	Description	Project Owner	Sector	Value	Status
Oman					
Ras Markaz Crude Oil Storage Terminal	The first phase of the Ras Markaz facility will have a storage capacity of between 6-10 million barrels, which could be expanded in the future to store larger quantities of up to 200 million barrels	Oman Tank Terminal Company (OTTCO), a subsidiary of Oman Oil Company (OOC)	Oil and Gas – Storage, Export/Import Terminal	\$700 million	Pre-qualification expected to be completed later in Q2 2016. RFQ issued in June 2015
Khazaen Logistics Hub	Roads, utilities and service facilities to support the first phase of a 95-square-kilometre integrated logistics hub in the South al-Batinah governorate. The project will be developed in five phases over a 25-year period	Oman Logistics Company (Olco), a wholly government-owned entity	Infrastructure – Logistics	Not reported	Tenders were due to be released in Q2 2016
Al Batinah Coastal Road	A 240 km carriageway with four lanes	Ministry of Transport and Communications	Infrastructure – Roads	\$1.5 billion	Tendering and bidding process for Phase 2, sections 1 & 2 to be launched Q4 2016
Oman National Railway	A 2,244 km railway to link the governorates of Muscat and Buraimi, including 25 stations to be used for passenger and freight transport	Oman Railway Company, together with the Ministry of Transport and Communications	Transport – Rail	\$15.4 billion	On hold since May 2016. Pre-qualification opened in May 2015
200MW Solar Project	One or more solar-based electricity generation plants with an aggregate capacity of up to 200 MW, at Adam and Manah in the governorate of Dakhiliyah. The plants will be grid-connected and based on a combination of concentrated solar power and photovoltaic technologies Likely to be procured under an Independent Power Project model, similar to conventional gas-based power projects	Oman Power and Water Procurement Company (OPWP)	Power and Water – Solar Energy	\$600 million	On hold

Project	Description	Project Owner	Sector	Value	Status
Jordan					
Red Sea-Dead Sea Project	A desalination plant and related pipeline infrastructure to increase desalination capacity for Israel, Palestine and Jordan, while conveying the brine waste product to revitalise the Dead Sea. Capacity is expected to reach 210 million cm/yr of desalinated water, with 160 million cm/yr channelled to Amman and 50 million cm/yr to Aqaba.	Ministry of Water and Irrigation/ Jordan Valley Authority	Power and Water – Water Desalination, Water Transmission and Distribution	\$1 billion	Final submission date for pre-qualification proposals: 30 May 2016. Expected contract award: Q1 2017
Bahrain					
Ramli Housing Project	1,247 residential housing units in Al Ramli, A'ali, Central Bahrain to increase the supply of affordable housing	Ministry of Housing	Real Estate – Residential	\$150 million	Invitations to bid expected to be issued in Q2 2016
Egypt					
Tower in El Maadi Technology Park	A 24-floor residential and administrative tower in El Maadi, south of Cairo	Ministry of Finance – PPP Central Unit	Real Estate – Residential, Commercial	\$102 million	Under planning. Schedule expected to be revealed in Q2 2016
Stadiums in Sharm El Sheikh, Hurghada, Matrouh and Luxor	Each stadium will have a capacity of either 25,000 or 45,000 seats and will include football fields, training sub-fields, sports halls, catering services, gym rooms and physiotherapy rooms	Ministry of Finance – PPP Central Unit	Real Estate – Leisure and Entertainment	\$360 million	Study expected to be completed Q2 2016. Invitations to bid expected to be issued Q3 2016
Morocco					
200MW Noor Argana Solar Complex	This project represents the third phase of Morocco's photovoltaic programme. The selected locations for the complex are Boumalne, Province de Tinghir, Rhamna and Essaouira	Office National de l'Electricité et de l'Eau Potable	Power and Water – Solar Energy	\$273 million	Call for Pre-qualification Bids: end of 2016/start of 2017

Project	Description	Project Owner	Sector	Value	Status
Uganda					
Kampala-Jinja Expressway	A new 77 km expressway connecting Kampala and Jinja, including a 17.8 km southern bypass between Butabika and Munyonyo. The road will be operated on a pass-through toll basis	Uganda National Roads Authority (UNRA)	Infrastructure – Roads	\$1.1 billion	RFQ: To be released by end of July 2016
Kampala-Mpigi Expressway	An upgrade of the existing 32 km road located in Central Uganda, from the present two-lane highway to a dual carriageway	Uganda National Roads Authority (UNRA)	Infrastructure – Roads	\$100-\$350 million	Not reported
Kampala-Bombo Expressway	A 30 km four-lane, dual carriageway	Uganda National Roads Authority (UNRA)	Infrastructure – Roads	Not reported	Designs to be completed later in 2016
Kampala Southern Bypass	An 18 km road starting at Butabika and connecting the new Kampala-Jinja Expressway and Munyonyo	Uganda National Roads Authority (UNRA)	Infrastructure – Roads	Not reported	Not reported
Kampala Flyover	Two flyovers at Kitgum House and Clock Tower Junctions. The flyovers will involve the widening of Mukwano Road and improvements to interfacing roads and junctions	Uganda National Roads Authority (UNRA)	Infrastructure – Roads	Not reported	Designs to be released in December 2016
Kenya					
Mombasa-Nairobi Highway	An expansion of the 485 km Mombasa-Nairobi highway (A109) into a dual carriageway, to ease the traffic to Mombasa port which is the main gateway to East Africa	Kenya National Highways Authority/Kenya PPP Unit	Infrastructure – Roads	\$1.3 billion	Not reported

Project	Description	Project Owner	Sector	Value	Status
Nairobi Commuter Rail	An upgrade of the Nairobi commuter rail service, including the rehabilitation of stations as well as 60 km of existing railway lines, introduction of new purpose-built rolling stock and new rail transport services to new areas such as the Jomo Kenyatta International Airport, and the integration of a new signalling system	Kenya Railways Corporation	Transport – Rail	\$325-350 million	Not reported
Second Nyali Bridge	A second bridge connecting Mombasa Island to the North Coast in Kenya, spanning 600m and with four lanes. It will ease traffic congestion on the existing Nyali Bridge	Government of Kenya	Infrastructure – Roads	\$100 million	Not reported
Mozambique					
Africa Renaissance Gas Pipeline	A 2,600 km pipeline to link the gas reserves of the Rovuma Basin in Palma, northern Mozambique to the Gauteng industrial hub. Gas would be supplied to Mozambique, South Africa, Swaziland, Botswana, Zimbabwe, Zambia, Malawi and parts of the DR Congo. The project would include downstream industry projects for petrochemicals, fertilisers etc. It represents China's largest-ever investment in Mozambique. The Chinese Petroleum Pipeline Bureau is planning to do a pipeline feasibility study	Mozambique (56%) South Africa (24%) China (20%)	Oil and Gas – Industrial	\$6 billion	Press release issued on 22 April 2016

Project	Description	Project Owner	Sector	Value	Status
Ghana					
Accra-Takoradi Highway Rehabilitation and Dualisation	A 245 km coastal highway along national route N1. The project is expected to follow a DBFOM or BOT structure, and will include toll plazas and the collection of toll revenue	Ministry of Roads and Highways/ Ghana Highway Authority	Infrastructure – Roads	\$600 million	Pre-feasibility and full feasibility studies have been conducted
Sogakope-Lomé Transboundary Water Supply PPP	A pipeline to transport drinking water from the lower Volta River in Ghana to the city of Lomé in Togo as well as various Ghanaian communities. The project will include a water treatment plant and an 82 km water transmission pipeline between Sogakope in Ghana and Segbe in Togo	Ghana Water Company	Water and Sewerage	Not reported	A memorandum of understanding was signed in December 2014 between Ghana, Togo and the African Development Bank
Seychelles					
Mahé Sustainable Water Augmentation Project	The project works will include raising the height of the La Gogue Dam by six metres, the construction of a new downstream water treatment plant, and an upgrade to the islands' water pipe network	Government of Seychelles	Water – Desalination, Distribution, Treatment	\$26 million	RFQ issued on 1 March 2016

Note: The information in the above table has been compiled from various public sources. We make no representation about the accuracy of this information, or whether it is up to date at the time of publication. In the next edition of our newsletter, we will provide an update on upcoming projects in the MEA region, and look at the legal framework for PPPs in selected African jurisdictions.

Legal Insight: Overview of PPP laws/frameworks in the GCC

Dubai

On 20 September 2015, Dubai passed a new PPP law, Law No. 22 of 2015 (Dubai PPP Law). The Dubai PPP Law came into force on 19 November 2015 and will facilitate greater collaboration between the public sector and private sector parties looking to do business in the projects space in Dubai. The Dubai PPP Law is the first piece of legislation in the UAE (either at Federal or Emirate level) dealing specifically with PPPs. It represents an intention to seriously implement a major deviation from Dubai's traditional use of self-funding to procure major infrastructure and energy projects. Dubai is less dependent on hydrocarbon revenues than its neighbours; however, it is no different in its willingness to utilise private sector resources in times of fiscal restraint. With Dubai being the host city for EXPO 2020, it is anticipated that new infrastructure demands will increase exponentially in the coming years, as will energy and other needs. In implementing the new regime, Dubai will certainly be able to benefit from a considerable amount of that global experience due to the multicultural nature of its professional population, which will include those with PPP experience from their home jurisdictions. The aims of the new Dubai PPP Law are stated to include regulating the partnership between the private and public sectors, procuring the best services at the best prices, increasing productivity, improving the quality of public services and transferring knowledge and experience from the private sector to the public sector, with a focus on UAE nationals. Explicit reference is also made to mitigating the financing burdens on the general budget of the Dubai Government and minimising financial risks to the Dubai Government.



The Dubai PPP Law contains a framework for the tendering and awarding of PPP projects, but we anticipate much of the detail required will be included in the implementing regulations that are yet to be issued. It is hoped that the regulations will address certain key issues which are uncertain and which will need to be addressed or clarified to boost investor confidence. To name a few such issues: the law is silent on the availability of Government guarantees for performance and payment, the requirements for capitalisation of the SPV and any local/foreign ownership restriction for the relevant SPV. A procedure for fair and transparent tendering and the award of PPP projects is set out in the new Dubai PPP Law. One point of interest is that if only one or no compliant bids are received, or if the project turns out to be more expensive than anticipated or if it is in the public interest to do so, the government entity is entitled to cancel the tender process. The law clearly states that no compensation for bid costs will be payable in such circumstances, a point which potential bidders will need to be mindful of.

A further point to note is that article 14C of the new Dubai PPP law would seem to suggest that the Government may contract directly with a private sector company proposing a PPP structure, without going through a tender process at

all. We anticipate more detail will be made available about the tender process (and the law in general) in the implementing regulations to be published in due course. In summary, whilst it is still early days for 'official' PPPs in Dubai, the intentions of the Dubai Government are clear. There is every expectation that projects will be announced in the coming months, representing a major new opportunity for developers, investors and financiers. It is to be noted that the Dubai PPP Law obviously only relates to projects by the Dubai Government. It remains to be seen whether other Emirates or the Federal Government follow suit.

Kuwait

In an attempt to rectify shortcomings in Kuwait's pioneering PPP law, the PPP law (Law No. 7 of 2008) (Old Kuwait PPP Law), and in order to further modernise and align its PPP law with international standards, Kuwait has introduced updated PPP legislation by way of Law No. 116 of 2014 (New Kuwait PPP Law). From a structural and governance perspective, the New Kuwait PPP Law provides for the establishment of two new bodies:

- a) Higher Committee for Public Private Partnerships (Higher Committee) – mandated with, among other things, approving entry into projects using the PPP model, approving the allocation of real estate for PPP projects, approving feasibility studies and deterring attempts by Government entities to terminate PPP projects in the public interest, the Higher Committee will be a key player in any PPP in Kuwait.

b) Kuwait Authority for Partnership Projects (KAPP) – the KAPP replaces the Partnerships Technical Bureau and sits under the Higher Committee. The KAPP’s mandate includes establishing public joint stock companies to execute PPP projects, assisting the

Higher Committee with assessing feasibility studies, developing contracts and other templates to be used for PPP projects and submitting recommendations to the Higher Committee and following up on the execution of PPP projects.



The key reforms in the New Kuwait PPP Law are set out in the following table:

Old Kuwait PPP Law	New Kuwait PPP Law
Prohibited mortgages on project company assets and limited assignment rights and limited direct agreements.	Permits security over project contracts and assets and share pledges with approval of the PPP Higher Committee.
PPP Higher Committee for Projects with limited power.	New PPP Higher Committee replacing provisions with, amongst others, power to approve procurement of PPP projects, power to approve feasibility studies for projects, land allocation requests.
Partnerships Technical Bureau, old public authority given responsibility for implementing Kuwait PPP projects. No power to incorporate companies to perform PPP projects.	New authority, Kuwait for Partnership Projects, replaced Partnerships Technical Bureau. Greater authority although largely same staff and assets. Overseen by PPP Higher Committee. Power to establish companies for performance of PPP projects. Also powers to assess feasibility studies for PPP projects and developing contract templates.
Restrictions on foreign companies owning project companies.	
More complex approach for establishing project companies.	Project companies can be foreign owned.
Addresses issues around timing and responsibility for incorporation.	
Restrictions on being able to negotiate PPP agreements and amend PPP agreements during project term.	Permits negotiation of contractual terms and allows amendments to PPP agreements during project term.
Uncertainty around term of usufruct agreements.	Clear that usufruct period to equal investment period.

In addition to the reforms set out in the table above, the New Kuwait PPP Law allows for key new incentives not provided for under the Old Kuwait PPP Law. These include targeted tax exemptions for foreign investors, exemptions from certain customs duties and relaxation of foreign ownership requirements.

The New Kuwait PPP Law heralds a positive step in the right direction for PPP projects in Kuwait. By remodelling the regime which existed under the Old Kuwait PPP Law so soon (relatively) after coming into existence, the Government of Kuwait has clearly signalled openmindedness to continue developing its PPP laws to align them with international standards and make foreign investment into Kuwait more attractive.

Oman

Although Oman has a proven track record for utilising private sector expertise and finance in procuring projects (most notably IPPs and IWPs), the flailing oil market has encouraged it too to divert attention to establishing a focused PPP model in the Sultanate. The establishment of the new PPP model is part of the Government's five-year plan to encourage PPPs. Although little is so far known about the direction which this plan will take, the Government has appointed advisers tasked with developing a legal framework for the procurement of PPPs, with a first draft of the PPP legal framework expected to be delivered within the first half of 2016.

Although the formulation of the PPP legal framework in Oman remains

to be seen, it is hoped that not only will it build on the experience of other members of the GCC and the wider Middle East region, but it will represent a stable framework for foreign investors used to operating in a well-developed international PPP market.

Qatar

While to date there have been no PPPs in Qatar, outside the power and water sector, the benefit of employing this type of procurement has been recognised by the Qatari Government. A report on the subject was prepared for the Qatar Ministry of Economy and Finance and the Qatar Financial Centre Authority in February 2012. Further, it is recognised that while Qatar was not required to invest in PPPs due to a lack of government liquidity, risk sharing inherent in this type of procurement provides an incentive for strong performance. Indeed, the Qatar National Development Strategy for 2011-2016 (published in March 2011) expressly stated that, in light of the construction in the leadup to the 2022 FIFA World Cup, PPP procurement should be considered within the public investment framework and would be of benefit to certain projects.

Notwithstanding this, Qatar is yet to make any significant advancements towards PPP procurement. Qatar currently maintains a strong fiscal outlook (as compared to other jurisdictions in the Middle East) as a result of large oil reserves. However, given the significant value of projects associated with the 2022 FIFA World Cup and the Qatar 2030 Vision, combined with increasing pressure

on the country's capital, the Qatari Government may consider following the UAE and seek to implement similar measures to ensure greater risk sharing across infrastructure projects.

Kingdom of Saudi Arabia (KSA)

Although KSA has long implemented informal PPP projects across various sectors, there are currently no local laws in KSA that specifically govern PPPs. The PPP tender process operates under the KSA Procurement Law in the same way that typical procurements do. That being said, in light of the well-documented fiscal struggles being faced by KSA due to declining oil prices, it remains to be seen whether KSA will more formally embrace PPPs by implementing some form of PPP legal framework.

According to a report in a recent edition of the Middle East Economic Digest (November 2015), the Kingdom is planning to ramp up its PPP projects pipeline and has already released an RFP (request for proposals) for the Taif airport scheme.

Bahrain

Bahrain does not have a dedicated PPP law, per se. However, the Government did enact legislative decree No. 41, "With Respect to Policies and Guidelines of Privatization" in 2002. This legislation deals largely with privatisation in general but does not specifically apply to PPPs in the mould of, for example, the Dubai and Kuwait regimes.



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