

## Project Summary Information (PSI)

Project No: 000013

Project Name	Sultanate of Oman: Duqm Port Commercial Terminal and Operational Zone Development Project
Country	Oman
Sector	Transport/Port
Project No	000013
Borrower	Special Economic Zone Authority of Duqm
Implementation Agencies	Special Economic Zone Authority of Duqm
Environmental and Social Category	Category B
Date of PSI prepared or updated	8 December 2016
Date of Board Consideration	8 December 2016
Board Decision	Approved

### I. Introduction

The Sultanate of Oman (Oman) borders Saudi Arabia and the United Arab Emirates in the west; the Republic of Yemen in the south; the Strait of Hormuz in the north and the Arabian Sea in the east. The capital of the country, Muscat, is located in the north of the country. In 2015, Oman had a population of 4.4 million (56% Omani, 44% expatriate) and a GDP of \$70 billion. The country is mainly dependent on oil exports as 80% of the public finances are derived from petroleum related products. In 2015, Oman produced about 981,000 barrels of crude oil per day. Due to the recent drop in world oil prices, Oman had a budget deficit of OMR 4.6 billion (about \$12 billion) in 2015 despite the significant level of oil production.

Oil and gas account for almost 60% of Oman's exports. Imports are largely comprised of mechanical and transport equipment and base metals. Although Oman is blessed with significant mineral reserves that could generate enormous export revenue, mineral exports accounted for only 4% of the total exports in 2015. In order to reduce its dependence on oil, Oman plans to diversify its economy from exportation of crude oil to other mineral exports, manufacturing, logistic service arrangement, warehousing, fisheries, tourism as well as value added industries in the oil and gas sector such as refinery, petroleum storage, and petrochemical plants. In 2015, Oman's Ministry of Transport and Communications (MOTC) produced the Sultanate of Oman Logistics Strategy (SOLS) as part of the national economic diversification strategy. The strategy identified that logistics could significantly enable the economy to diversify away from its dependence on oil and gas. SOLS aims to increase logistics contribution to Oman's GDP from 5% in 2015 to 12% by 2040. With three deep water ports and a favorable position on the Indian Ocean Rim outside of the Arabian Gulf, Oman is strategically positioned to export its natural resources, products and services to the Middle-east, northern Africa, and South Asia. Oman realizes its enormous potential through strengthening its logistics services and transforming the country to a global strategic logistics hub. In line with this, the Government of Oman (the Government) has planned to increase the production and export of construction materials and minerals such as dolomite, gypsum, and marble and prioritize the concurrent development of a mineral connection railway line and the commercial terminal at Duqm Port so as to capture full benefits from such diversification. The Government is also committed to leverage Oman's strategic location to boost its role as a regional logistics hub through investments in large infrastructure projects such as the national railway network, inland and coastal logistics centers, and free trade zones.

In 2011, pursuant to a Royal Decree 119/2011, the Government established a Special Economic Zone Authority of Duqm (SEZAD) to manage, regulate, and develop all economic activities in Duqm SEZ. On behalf of the Government, SEZAD was given the authority to plan, design, and implement long-term strategies for infrastructural development and attract foreign investments to promote a wide spectrum of economic activities. In view of the proximity of Duqm Port to Saudi Arabia's oil

fields such as at Shaybah located near Oman's border, the time and cost for the transportation of cargo will be reduced by over 50%.

SEZAD aims to ensure that the Duqm SEZ tax regimes, land lease rates, and utility tariffs will be provided at competitive rates. Recently in May 2016, SEZAD signed an agreement with Oman Wanfang to build a Sino-Oman industrial park with an investment of about \$10.7 billion, which is projected to generate about 22 million tons of cargo per year handling for import and export through the Duqm Port.

SEZAD is an economic hub composed of several zones which include a sea port, an industrial area, a new town, a fishing harbor, a tourist zone, a logistics center, and an education and training zone, all of which are supported by a multimodal transport system that connects it with nearby regions (e.g., the Arabian Gulf countries, Middle East, East Africa and Southeast Asia). With a land area of 2,000 square kilometers (sq.km) and a 70 km of coastline along the Arabian Sea, Duqm SEZ has long been envisioned as the place that will balance regional development by energizing the Al Wusta governorate to diversify the sources of national income.

Among many reasons to invest on the Duqm Port are: (i) its strategic position for Omani government to develop a free trade zone there; (ii) Duqm is needed for the economic diversification effort of the government; and (iii) its necessary and complementary role with the concurrent railways development.

## **II. Project Objectives and Expected Results**

The objective of the Project is to help Duqm Port capture its full economic potential through improved transport efficiency, strengthened logistics services, facilitated mineral exports, and reduced supply chain delivery time and costs for the wide spectrum of industries in the new Duqm SEZ and its broaden international hinterland.

## **III. Project Description**

The following is the summary of planned activities under the project:

- (i) **Construction of Port Related Infrastructure.** It includes the following four main works:
  - a) Road and paving works, including the construction of 3 km of 2-lane dual carriageway internal roads connecting all the terminal buildings and parking areas; container and cargo stacking yard, parking areas, and a helipad.
  - b) Other infrastructure works, including construction of potable water network to serve the commercial berth buildings and ships; a firefighting network; storm water and sewerage network; installation of electrical, telecommunications, and street and yard lighting cables; and construction of fencing and gates.
  - c) Construction of terminal building and operational zone, comprising of administration building, training and amenities centers, emergency and firefighting center, electrical service buildings, multipurpose terminal; container terminal, dry bulk terminal, workshop and maintenance building, gate house, and electrical service building.
  - d) Installation of a crane beam supported on piles, and its tracks.
- (ii) **Construction Supervision.** It includes (a) carrying out of construction oversight and supervision to ensure compliance of works with contractual specifications, environmental safeguards requirement and budget; and (b) strengthening of the capacity of SEZAD's staff in contract management through on-the-job trainings. This activity is to be carried out by well experienced international consulting firm together with the related SEZAD team.

- (iii) **Project Management.** Provision of technical advisory services and logistical support for the management of the Project, and for the strengthening of SEZAD’s procurement procedures. SEZAD will carry out this task with the assistance of international and national individual experts.

#### **IV. Environmental and Social Category**

The Project has been placed in Category B under the provisions of AIIB’s Environmental and Social Policy (ESP). The potential risks and impacts, which will occur primarily during the construction period, are limited and localized, and concentrated within the existing port area, at commercial quays that are already built. A preliminary Environmental Impact Assessment (PEIA) has been prepared to meet the requirements of the national legislation of Oman and a Preliminary Environmental Permit has been issued by the Ministry of Environment and Climate Affairs (MECA). The PEIA addresses the provisions of AIIB’s ESS 1– Environmental and Social Assessment and Management, which is applicable to the Project. SEZAD disclosed the PEIA on its website on 6 November 2016<sup>1</sup>. The Project does not require any land acquisition since the construction will take place at the already constructed berths.

The PEIA includes a legal framework review; environmental, social and ecological baseline studies; assessment of potential impacts during construction and operation; mitigation and monitoring measures; and a general environmental management plan (EMP) that covers environmental and social aspects. The EMP in the PEIA provides for the use of established mitigation measures to reduce and eliminate the potential impacts; these measures would be implemented by the existing environmental and social management, monitoring and reporting system at SEZAD. Consistent with Omani procedures, a detailed EIA (DEIA) and EMP are under preparation by a certified consultant engaged by the contractor. These documents would support the Project implementation and provide the basis for the Final Environmental Permit (FEP) to be issued by MECA. Prior to commencement of construction of works, SEZAD will: (i) obtain all environmental approvals of the DEIA and EMP required under the Omani Laws, and the no-objection of AIIB; (ii) comply with the process of consultation and disclosure of each of the DEIA and EMP; and (iii) implement all the action in accordance with requirements of the DEIA and EMP.

#### **V. Estimated Project Cost and Financing Source**

The project is estimated to cost US\$ 353.33 million. The financing sources are as follows (in USD million):

Total Project Cost:	\$353.33 million	Total AIIB Financing:	\$265.00 million
Financing Gap:	\$88.33 million		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
AIIB			\$265.00 million (75%)
SEZAD			\$88.33 million (25%)
Total			\$353.33 million

#### **VI. Implementation**

Project Implementation Period (Start Date and End Date): 01January 2017 – 31 December 2020

##### **Contact Points**

##### **AIIB**

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<sup>1</sup> <http://www.duqm.gov.om/sezad/environment/reports>

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