

Project Summary Information (PSI)

Report 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 financing approval	December 8, 2016
Date of PSI updated	March 22, 2019

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, Muscat, is located in the north of the country. In 2015, it had a population of 4.4 million (56% Omani, 44% expatriate) and GDP of \$70 billion. One third of the GDP and 80% of the public finances are derived from petroleum related products. In 2015, Oman produced about 981,000 barrels of crude oil per day. However, due to recent drop in world oil prices, Oman operated at 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 largely comprise mechanical and transport equipment and base metals. Although Oman is blessed with significant mineral reserves that may 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 industry in the oil and gas sector such as downstream refinery, petroleum storage, and petrochemical plants. With three deep water ports and a strategic position relative to the Straits of Hormuz, Oman is considered to be a gateway 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.

The Special Economic Zone Authority of Duqm (SEZAD) was established in 2011 pursuant to a Royal Decree 119/2011 to manage, regulate, and develop all economic activities in Duqm Special Economic Zone (SEZ). Royal Decree 79 of 2013 further granted SEZAD with financial and administrative autonomy status to manage, regulate and develop all economic activities in the Duqm Free Zone. SEZAD enjoys a special treatment above the other zones in the Sultanate in that SEZAD is the only one affiliated to the Council of Ministers. Therefore, the chairman of SEZAD, holding the rank of a Minister, is able to collaborate with all the ministries in the Cabinet. 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. It also oversees the urban expansion of the modern Duqm city while ensuring that the environment is well protected and promoting Duqm to its rightful place as an ideal location to visit, live, work, and invest in the Middle East.

SEZAD is also the focal point for potential investors willing to do business in Duqm SEZ. Through its one-stop shop concept, it facilitates, registers, licenses, and provides environmental approvals using the best

international practices. In addition, goods imported into or exported from the Duqm SEZ will be free of Custom duties. Regulations such as those addressing Duqm SEZ companies' registration procedures, permits requirement, use of the lands arrangement, and tax exemptions have all been issued. 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 Wanfang¹ to build a Sino-Oman industrial park with an investment of about USD 10.7 billion, which is projected to generate about 22 million tons per year volume of cargo 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, the Duqm SEZ is the largest Economic Zone in the Middle East and North Africa region. 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 achieve the potential economic benefits from Duqm port development through improved transport efficiency, strengthened logistics, facilitated mineral exports, and reduced supply chain delivery time and costs for the wide spectrum of industries in the new Duqm Special Economic Zone and its broader hinterland.

III. Project Description

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

- (i) **Construction of port related infrastructure, including access road, terminal building, and Operational Zone facilities.** It includes the following four main works:
 - a) Road and paving works, which include construction of 3 km of 2-lane dual carriageway internal roads connecting all the terminal buildings and parking areas; and construction of container and cargo stacking yard, parking areas, and a helipad.
 - b) Other infrastructure works, which comprise construction of potable water network to serve the commercial berth buildings and ships, a fire fighting network, storm water and sewerage network, installation of electrical, telecommunications, and street and yard lighting cables, and construction of fencing and gates.
 - c) Terminal building and Operational Zone.
 - d) Crane beam and track works, which include installation of a crane beam supported on piles, and its tracks.
- (ii) **Construction supervision.** An international consulting firm engaged for overseeing and supervising the construction of works, will assist SEZAD in timely completing the Project with the desired quality. The function of the consultant would be to assist the SEZAD Project Team in ensuring that the quality and quantities of executed works strictly comply the contractual specifications and are within budget and on time.

¹ Oman Wangfang is a subsidiary of China-Arab Wanfang Investment Management Co, established with government backing in 2015 by companies in the northwestern Chinese region of Ningxia.

- (iii) **Project Management.** Project Management will be undertaken by the SEZAD’s Project Implementation Unit (PIU) headed by the Project Manager, SEZAD’s staff, and its international and national consultants. Regular meetings will be scheduled to track project progress. International procurement specialist and financial management specialist will provide training to PIU and SEZAD on international tendering, and auditing and best financial management practices respectively. All variation orders of contractor’s and construction supervision consultants will be approved by SEZAD’s PIU management.

IV. Environmental and Social Category

The Project has been placed in Category B under the provisions of the Environmental and Social Policy (ESP) of the Bank. 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 the Bank’s ESS 1 – Environmental and Social Assessment and Management, which is applicable to the Project.

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 the certified consultant engaged by the contractor; these documents would support Project implementation and provide the basis for the Final Environmental Permit (FEP) by MECA. The Project Loan Agreement calls for SEZAD to obtain the approval by both MECA and AIIB of the DEIA and EMP, and to issue the FEP prior to commencement of the construction of works.

The PEIA has been posted on 6 November 2016² at the following link:
(<http://www.duqm.gov.om/sezad/environment/reports>).

The Detailed EIA and EMP will be completed, approved and posted by end-November 2016.

V. Estimated Project Cost and Financing Source

The project is estimated to cost US\$ 349.34 million. The financing sources are as follows (in USD million):

Total Project Cost:	\$349.34 million	Total AIIB Financing:	\$262.00 million (75%) \$87.34 million (25%)
Financing Gap:	\$87.34 million		

² <http://www.duqm.gov.om/sezad/environment/reports>

For Loans/Credits/Others	Amount
AIIB	\$262.00 million (75%)
SEZAD	\$87.34 million (25%)
Total	\$349.34 million

VI. Implementation

Project Implementation Period (Start Date and End Date)

01 January 2017 – 31 December 2020

Contact Points

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