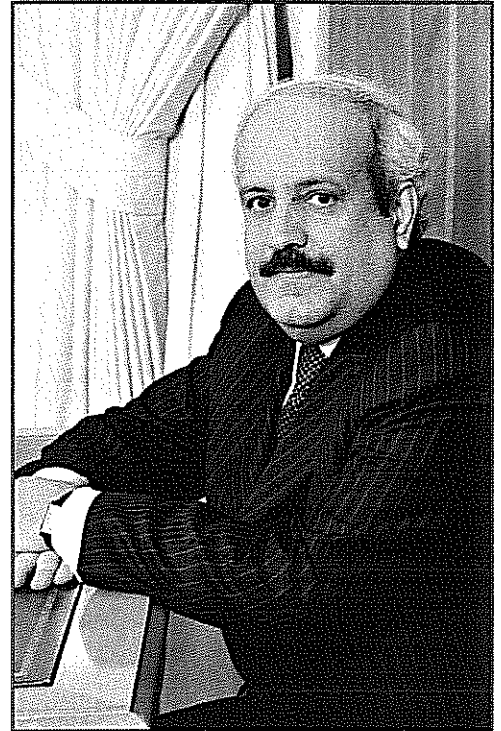




**The Euro-Arab Dialogue on Private Sector
Participation in Infrastructure.
Frankfurt, 20-21 May 2010**



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Speech of Mr. Adnan Youssef
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Excellencies,
Distinguished Audience,
Ladies and Gentlemen,

It is both a pleasure and an honor for us in the Union of Arab Banks to contribute in this conference on the Euro-Arab Dialogue on Private Sector Participation in Infrastructure.

Our appreciations and thanks go to the organizers of this conference, hoping that it will produce fruitful discussions and recommendations regarding the participation of the private sector in the water management sector and the clean energy.

Ladies and gentlemen,

I would like firstly to reveal our appreciation and support to the Arab-Euro dialogue, which should cover all areas of common interests and concerns, particularly the economic and financial issues. We are indeed putting efforts to develop this dialogue for the benefit of both parties.

I would like to also point here, that the current economic concerns for Europe are indeed major concerns for all of us in the Arab world, since the present crisis facing Europe has had its consequences not only on euro, but also oil and commodity prices, interest rates, and capital markets. Besides, some analysts warn that this crisis is expanding and might threaten many other European markets.

Nevertheless, we believe that the Greek debt crisis is not overwhelming for Europe, and we hope that the initiatives of the European policy makers and the ECB with the support of the IMF, especially the €750 billion rescue package and the reform plans, will minimize the effects of the crisis and will stabilize the markets in due course.

Ladies and gentlemen,

Returning back to the topic of our gathering here, I will start my speech with the 2006 United Nations report that stated: "There is enough water for everyone". But, the report adds that water insufficiency is often due to – among many other reasons - a *shortage of investment in both human capacity and physical infrastructure*.

Ladies and gentlemen,

The shortage of water we are witnessing nowadays, affects large proportion of humanity. About 900 million people do not have adequate access to safe drinking water, and 2.5 billion people do not have adequate access to water for sanitation.

The World Health Organization stated that about 50% of the humanity has one of the six main diseases that are associated with poor drinking water and insufficient sanitation. Furthermore, about 5 million people die each year from poor drinking water, poor sanitation, or dirty home environment, all resulting from water shortage.

This "water crisis", is accompanied with (1) excessive use of water, which leads to decreasing agricultural production, (2) overuse and pollution of water resources, and (3) regional conflicts over scarce water resources.

Water shortage is also causing heavy grain imports in most of smaller countries, and will soon do the same in larger countries, such as China and India.

That is not all. In fact, within 50 years, more than 50% of the global population will be living with water shortages. And if the current trends in climate change resulted from the excessive use of hydrocarbon energy, population growth, rural to urban migration and water consumption continue, 2 out of 3 people will face a lack of water in less than 20 years. Furthermore, if these trends continue, 1.8 billion people will be living in countries or regions with water scarcity by 2025 only.

This will eventually lead to cutbacks in grain harvest, which will drive grain prices upward.

Ladies and gentlemen

The MENA region is one of the driest and most water scarce regions in the world. This region contains 5% of the world population, but with less than 1% of the available world's fresh water. The average per capita water availability in the region is about 1,200 cubic meters per year, which is only 20% of the rest of the world's average.

Meanwhile, the population of the region is growing at higher rates than the rest of the world. As a result, by 2025, the regional average water availability will be about 500 cubic meters per person per year only.

Since access to sufficient and safe fresh water and sanitation is a necessity for sustainable development, this water shortage will significantly affect the economic and social development of most countries in MENA.

And with a global crop shortages and high food prices, food security has become an increasing concern throughout the MENA region, and particularly in the GCC countries, where the cereal production has declined due to the depletion of water resources. At the same time, the population is expected to rise from less than 40 million today, to about 60 million in 25 years.

The scarcity of fresh water in most parts of the MENA region is a major obstacle to agricultural development. For instance, Saudi Arabia decided to adjust its wheat production program due to the high cost of fresh water.

Ladies and gentlemen

The awareness about the water shortage in the MENA region has led to urgent calls for solutions to increase water production and optimize its use, to stabilize the current situation, and generate growth in the water management sector.

The governments in the region are intensifying efforts and seeking more private sector participation and investment to increase water production. For example, Saudi Arabia called for over \$53 billion in investment to increase its desalination capacity to about 10 million cubic meters per day by the year 2020. The UAE also needs to invest about \$10 billion in water investment to meet growing needs. Egypt has implemented a program to expand its water infrastructure and attract more private sector investments in water sector.

All these issues prove the high investment needs in the region and the potential to use the private sector expertise and capital to achieve a sustainable water sector. The ESCWA estimated that about \$7 billion are needed in Egypt, Jordan, Palestine, Syria, and Yemen until the year 2025

while the S&P 500 returned 2.74%. besides, over the period 1995-2005, those stocks returned 446%, versus 9.06% in the S&P. These profits are just the beginning of the greatest investment of the 21st century. Note that the key value drivers for such investment, is the fact that the demand for water is not affected by inflation, recession, or changing tastes.

Investment opportunities in water are in a chain of production, supplies, and related industries. Water investment can be made in the "primary industries", such as utilities that produce, treat and transport water. But it could also include related industries, such as pollution management that could increase the efficiency of water use. Thus, secondary industries that are closely related to water offer additional opportunities.

As the demand for fresh water is increasing in parallel with water shortage, new technologies and equipments are being developed in recent years in order to increase the efficiency of water usage and water treatment. As a result, the water industry is now composed of several subsectors, including equipments, services for pumps, valves, water test, filtration or desalination, drinking water, wastewater, industrial water treatment, infrastructure, automation, and consulting services.

Regarding the most attractive areas of water sector, the high-technology segments of water equipment and services, which includes filtration, ultrafiltration, desalination, reuse, and water testing, should witness the highest growth with stronger pricing and higher barriers to entry.

Ladies and gentlemen

According to the International Food Policy Research Institute, an additional 2 billion people will be competing for the shrinking water resource, by 2020, which will make the clean and fresh water even scarcer across the globe.

Thus, for most of the world, clean drinking water will remain more precious commodity than oil, since unlike oil, nothing can replace fresh water.

Fortunately, several private sector investors are working to participate in solving this problem. For those investors, this sector provides one of the most profitable opportunities, since unlike the demand for other products, such as cars or cell phones, no economic downturn will decrease the demand for fresh water.

Thank you for your attention.