African Development Bank Group

Aid for Trade & Infrastructure Financing – the Bank's experience

Presented by:

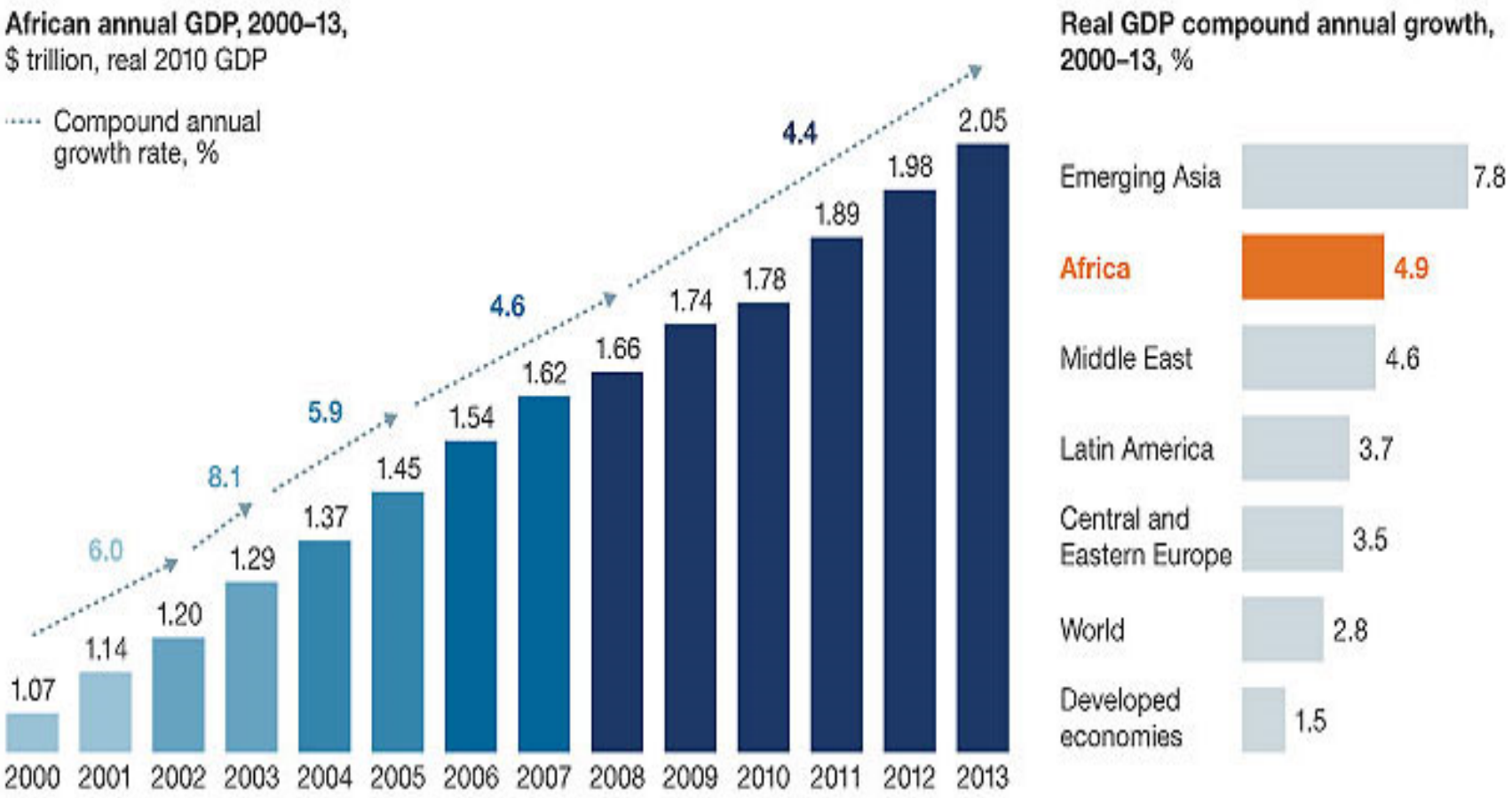
Moono Mupotola
Manager, Regional Integration & Trade Division

AGENDA

1. Introduction – a changing landscape
2. The Bank's instruments & track record
3. Africa's PIDA – State of play
4. Approaches to infrastructure financing
5. Scaling up Public Private Partnerships

A changing landscape

Africa's economic growth accelerated after 2000, making it the world's second-fastest-growing region.



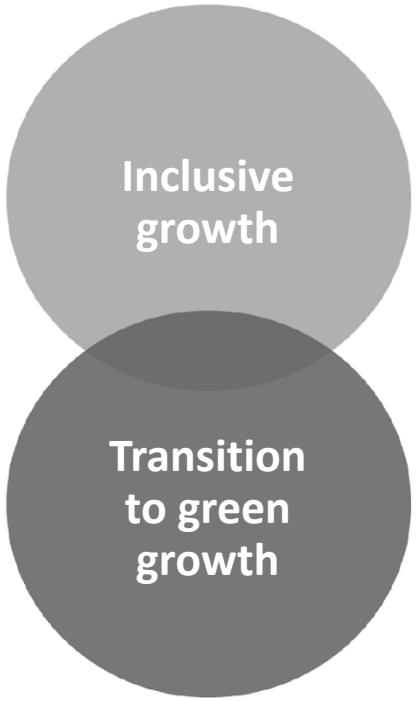
Source: IHS; McKinsey Global Institute analysis

Drivers of change

Financing needs: $90 billion a year**. Actual investments:** $45 billion; **Gap: $45B**

The Long Term Strategy 2013-2022

Two objectives to support transformation



Five core operational priorities

- Infrastructure development
- Regional integration
- Private sector development
- Governance & accountability
- Skills & technology

Three specific areas of focus

- **Fragile states** — A 'continuum' & regional approach
- **Agriculture & food security** — Supporting value chains
- **Gender** — Economic empowerment; Legal & property rights

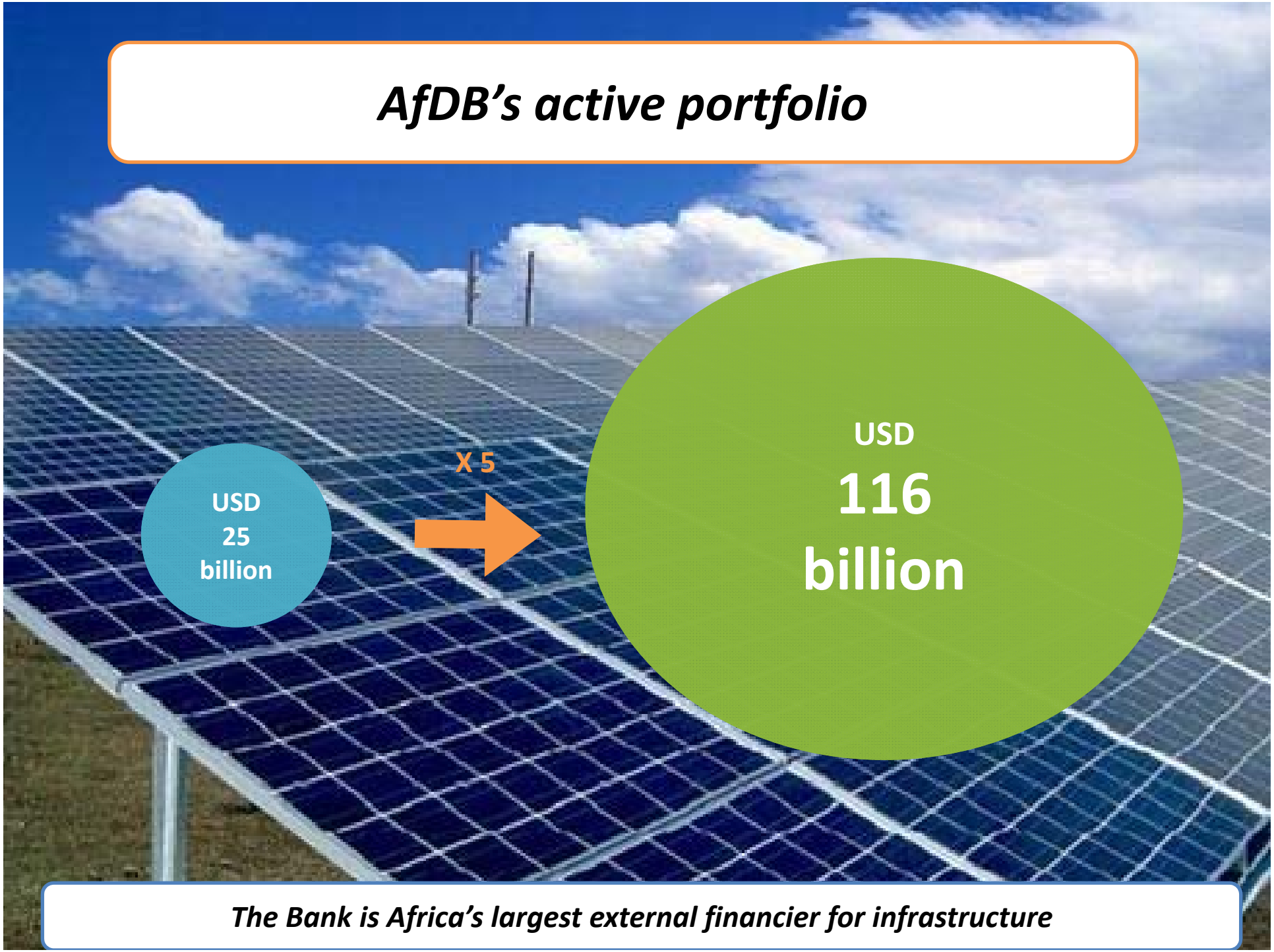
Strong Track Record of Delivery

Roads constructed / rehabilitated	People with improved access to transport	Transmission lines
13,237 Km	34 million	14,500 Km

Jobs created (private sector operations)	Power capacity installed	New or improved access to water/sanit.
168,000	1,110 MW	15m people

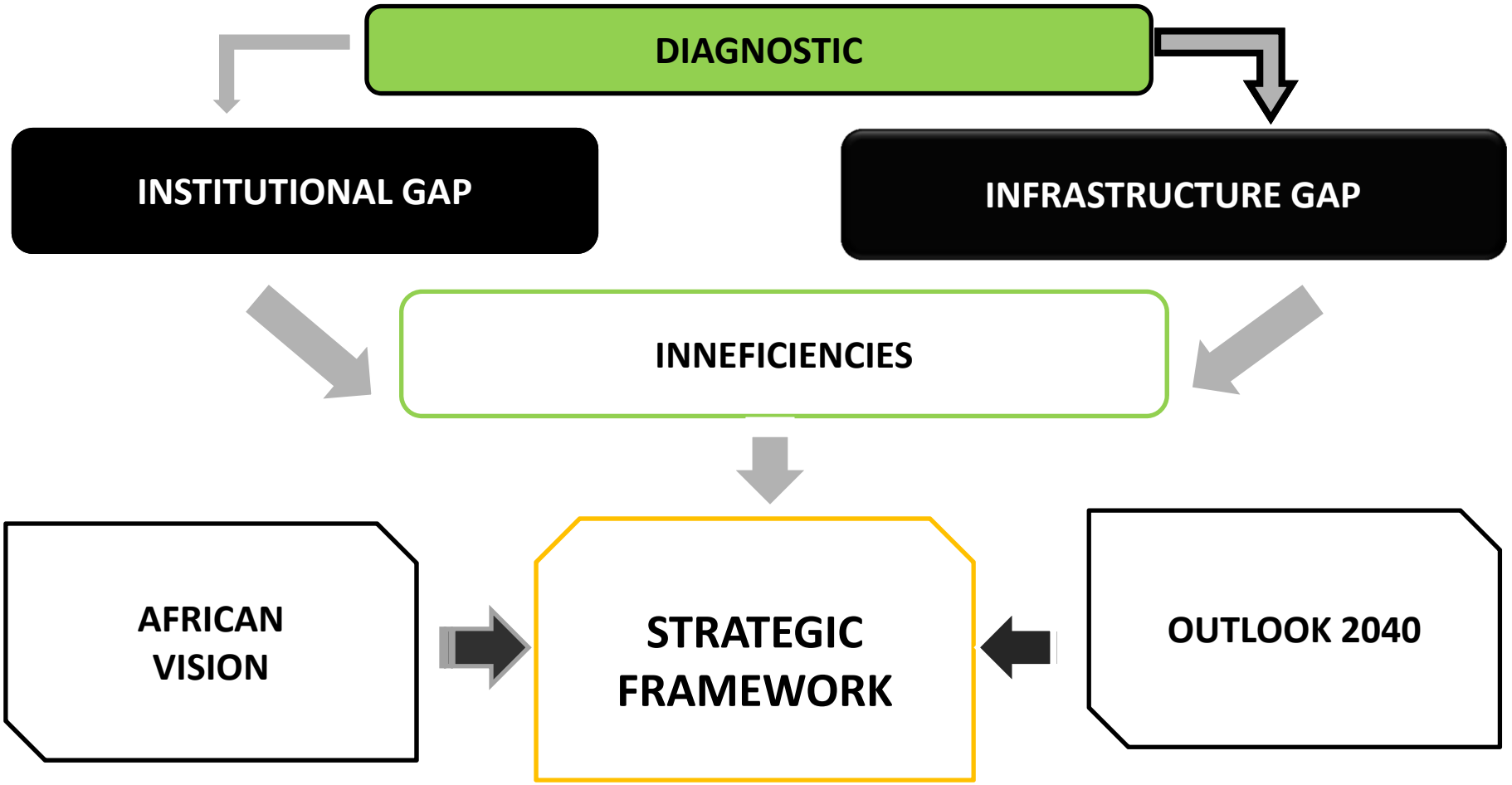
An estimated 12 billion USD invested in infrastructure over the last 5 years

AfDB's active portfolio



The Bank is Africa's largest external financier for infrastructure

PIDA – Strategic framework for infrastructure investments in Africa



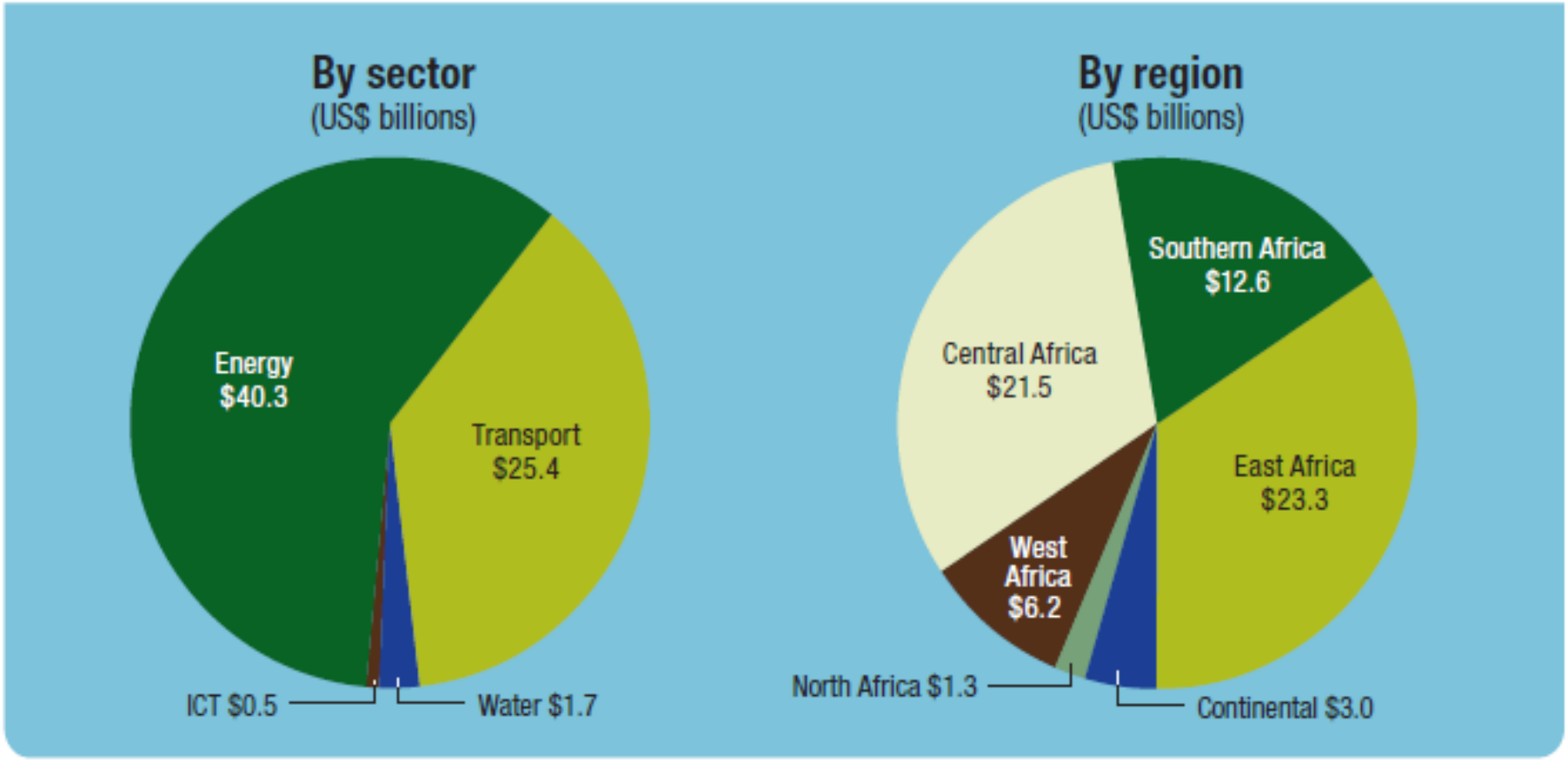
Ambitious framework but affordable…

- ✓ Total PIDA cost is **US$ 360 billion** by 2040;
- ✓ PIDA PAP (2012-2020)- first set of immediate priorities - contains 51 projects and programmes;
- ✓ Overall capital cost of delivering the PAP from 2012 through 2020 - **nearly $68 billion**, or about $7.5 billion annually (below 1% of African GDP)

24 transport	15 energy	9 TWR	3 ICT

PIDA Priority Action Plan – 2013-2020

Figure 1 **Total capital cost of PIDA's PAP by sector and region: $67.9 billion through 2020**



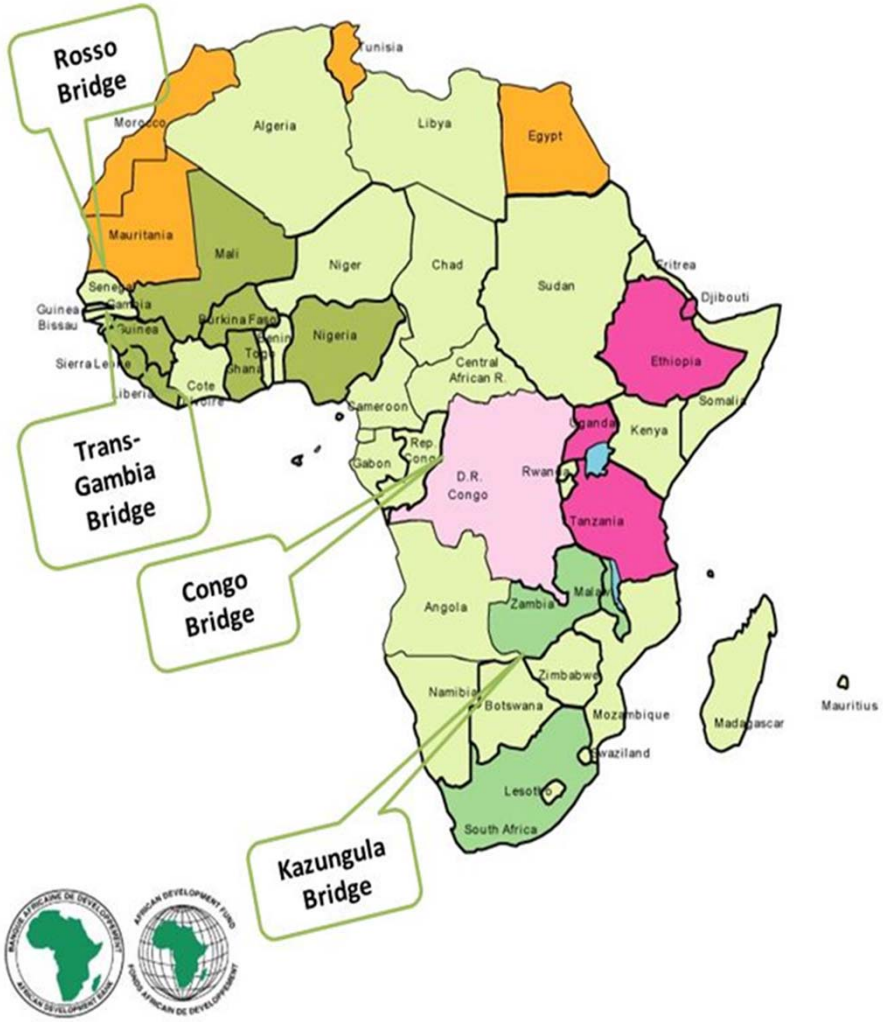
“Bridging the gap” – sample PIDA projects

Kazungula Bridge – key Zambezi River Crossing on the North-South Corridor linking Botswana & Zambia, but also Zimbabwe & Namibia.

The Congo Bridge – significant Congo River Crossing over the Congo River linking DRC & Republic of Congo, Kinshasa and Brazzaville.

The Trans-Gambia Bridge – critical bridge across the Gambia River along the key Dakar – Lagos Corridor in the ECOWAS.

The Rosso Bridge – important Bridge linking Senegal & Mauritania.



Issue 1: Project Preparation

- **Issue:** Project preparation critical to making projects bankable and attractive for financing;

- **NEPAD IPFF:** -Infrastructure Project Preparation Facility;

- **Fund's approvals:** $50 million in grants for more than 60 regional project preparation activities;

- **Challenge:** Fund is primarily donor financed. Need to scale up resources allocated to project preparation through for e.g mobilization of domestic resources.

2013-2015 PIDA PAP Preparation Needs

NEPAD-IPPF SPECIAL FUND
NEPAD-INFRASTRUCTURE PROJECT PREPARATION FACILITY

REC	Number of Projects	Cost (million $US)
TRIPARTITE (COMESA, EAC & SADC	3	8.2
EAC	3	8.7
ECCAS	8	19.3
ECOWAS	16	61.5
IGAD	13	53.7
SADC	15	27.1
UMA	4	8.5
Total	**62**	**187**

Significant gap in resources allocated to project preparation

Solution: Mobilizing domestic resources

- Decision of Heads of State for countries to provide direct support to NEPAD-IPPF to cover project preparation costs estimated at **US$200 mill;**

- Country contributions for the forthcoming years:

  i. **2014: USD 53 million**
  ii. **2015: USD 54 million**
  iii. **2016: USD 50 million**.

- **Objective:** make this amount available for NEPAD-IPPF as soon as possible

Issue 2: Information & Matchmaking

- **Enhanced Coordination** – Coordination in Africa's infrastructure development is ICA's *raison d'être* to lead to more effective interventions by all stakeholders;

- **Facilitation of Regional Infrastructure Programmes** – ICA contributes by using its **convening power to bring stakeholders together** both to work jointly on the identification and removal of key technical and policy blockages and the financing of regional infrastructure programmes;

- **Increased Knowledge and Information** – ICA will develop knowledge and analytical tools that will help to match the demand for infrastructure with the supply.

Issue 3: Innovative financing

2012 PIDA Declaration by African Leaders

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Africa50Fund

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Unlocking private financing and accelerating the speed of infrastructure delivery in Africa

Scale up Public Private Partnerships

PPPs: a long-term solution to meet Africa's infrastructure need

Project level advantages	▪ Efficiency of project execution and service delivery ▪ Project delivers targeted outcomes on time and on budget
Sector level advantages	▪ Accelerated development of infrastructure ▪ Long-term financial sustainability and affordability
Macro level Advantages	▪ **Freed-up public resources** Accelerated infrastructure development stimulates economic growth

Determinants of success of PPPs

Three rules for the success of PPP projects…

1. Preparation
2. Partnership
3. Patience

… Which should embed two additional important factors:

1. PASSION
2. TRUST

What is lacking…

Is not the interest or availability of private financing sources

But rather the presentation of rigorously developed and efficiently marketed PPP opportunities

➔ Establishing a strong PPP unit is the key to developing a successful project pipeline

Issue: *skills mix required is highly complex…*

- Overall project management
- Financial and economic analysis
- Specific sector expertise
- Legal and regulatory expertise
- Fiscal expertise
- Communication
- Contract negotiation
- Human resources
- Environment and social
- Resettlement of PAPs

- Provision of an **expertise unavailable in other units of the Government**
- Building a **center of expertise** through in-house and external resources
- **Hiring top-tier counsels** (industry, financial and legal) throughout a project development cycle
- **Partnerships** with Development Finance Institutions

Solution: *Establish a PPP Unit*

Tender Monitoring	Coordination of public sector contribution	Environmental & Social Management
Facilitating fiscal agreements	**PPP Unit**	Social and Resettlements
Facilitating permits and authorizations	Negotiation of project contracts	Utility connectivity

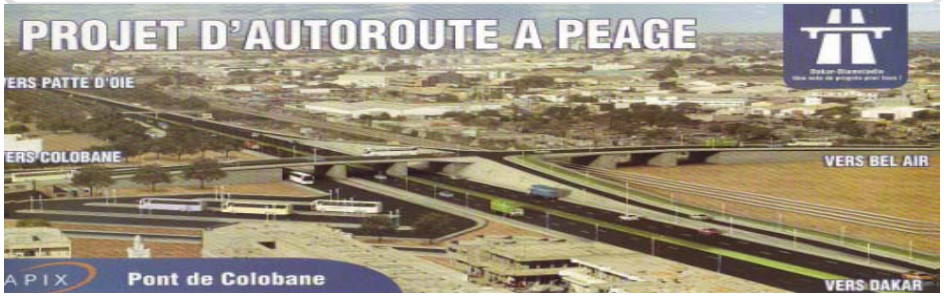
- **Single focal point** for investors
- **Responsible for project coordination and implementation**
- **Institutional memory** of «lessons learnt» and of transactional best-practice
- **Coordination** with relevant **Ministries**

Sample PPPs

Blaise Diagne Airport - SN

Lekki Port – Nigeria : $1.5B

Dakar Toll Road – SN: $225M



Going Forward

Coordination & Capacities

- Improve coordination by all key players – RMCs, RECs, AUC, NPCA, Partners to ensure optimization of efforts
- Build the necessary capacities to accelerate the delivery of PIDA – PIDA Capacity Building Project

Resources Mobilization

- Mobilize funding required for project preparation (NEPAD-IPPF)
- Operationalise financing vehicles – Africa50
- Scale up use of PPPs

If you want to walk fast, walk alone
If you want to walk far, walk together.

African proverb

For more information

www.afdb.org;
www.pida.org

Moono Mupotola
m.mupotola@afdb.org

(216) 71 10 39 00
(216) 71 10 26 54

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