African Development Bank Group
Aid for Trade & Infrastructure Financing – the Bank’s experience

Presented by:

Moono Mupotola
Manager, Regional Integration & Trade Division
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A changing landscape

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

African annual GDP, 2000–13, $ trillion, real 2010 GDP

- Compound annual growth rate, %

Real GDP compound annual growth, 2000–13, %

- Emerging Asia: 7.8
- Africa: 4.9
- Middle East: 4.6
- Latin America: 3.7
- Central and Eastern Europe: 3.5
- World: 2.8
- Developed economies: 1.5

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

- Inclusive growth
- Transition to green growth

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: 13,237 Km
- People with improved access to transport: 34 million
- Transmission lines: 14,500 Km
- Jobs created (private sector operations): 168,000
- Power capacity installed: 1,110 MW
- New or improved access to water/sanit.: 15m people

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

Changing the Game for Africa
AfDB’s active portfolio

The Bank is Africa’s largest external financier for infrastructure
PIDA – Strategic framework for infrastructure investments in Africa

INSTITUTIONAL GAP

INFRASTRUCTURE GAP

INNEFICIENCIES

AFRICAN VISION

STRATEGIC FRAMEWORK

OUTLOOK 2040
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

Total capital cost of PIDA’s PAP by sector and region: $67.9 billion through 2020

By sector (US$ billions):
- Energy: $40.3
- Transport: $25.4
- Water: $1.7
- ICT: $0.5

By region (US$ billions):
- Southern Africa: $12.6
- Central Africa: $21.5
- East Africa: $23.3
- West Africa: $6.2
- North Africa: $1.3
- Continental: $3.0
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**

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

- 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.
2012 PIDA Declaration by African Leaders

Africa50Fund

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

Issue 3: Innovative financing
**Scale up Public Private Partnerships**

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

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

- 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

**PPP Unit**

- Tender Monitoring
- Coordination of public sector contribution
- Environmental & Social Management
- Facilitating fiscal agreements
- Social and Resettlements
- Facilitating permits and authorizations
- Negotiation of project contracts
- Utility connectivity
Sample PPPs

- **Blaise Diagne Airport - SN**
- **Lekki Port – Nigeria : $1.5B**
- **Dakar Toll Road – SN: $225M**
**Going Forward**

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<th>Coordination &amp; Capacities</th>
<th>Resources Mobilization</th>
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<td>• Improve coordination by all key players – RMCs, RECs, AUC, NPCA, Partners to ensure optimization of efforts</td>
<td>• Mobilize funding required for project preparation (NEPAD-IPPF)</td>
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<td>• Build the necessary capacities to accelerate the delivery of PIDA – PIDA Capacity Building Project</td>
<td>• Operationalise financing vehicles – Africa50</td>
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<td>• Scale up use of PPPs</td>
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If you want to walk fast, walk alone
If you want to walk far, walk together.

African proverb