



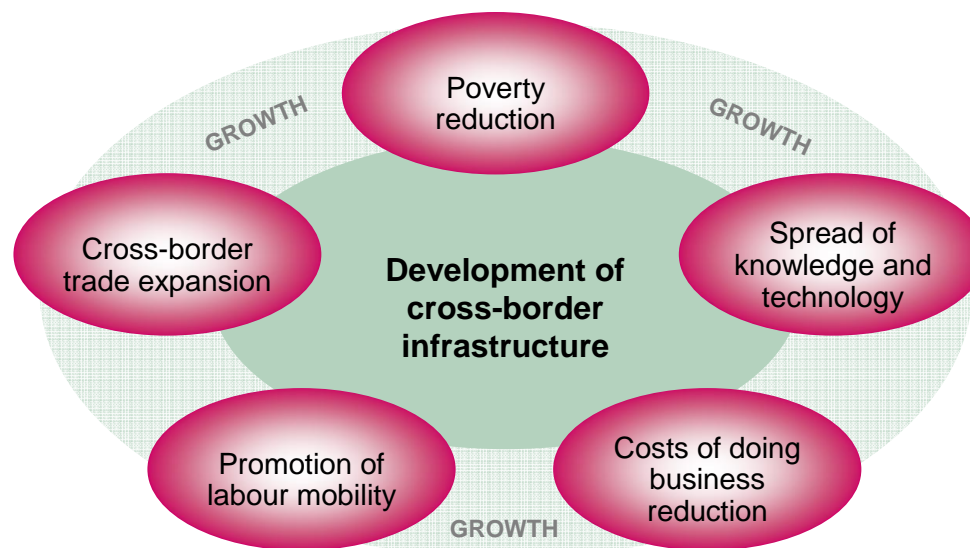
## FINANCING CROSS-BORDER INFRASTRUCTURE IN AFRICA

Trends in Global Finance and Infrastructure 2008: Emerging Opportunities in Africa Conference 23-24<sup>th</sup> June 2008

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## Regional integration is central to the Africa's infrastructure agenda

- For Africa to accelerate economic growth and reach greater prosperity and stability, it needs to increase cross-border trade between neighbouring countries
- Regional trade blocks (eg. ECOWAS) have been established, but these are not functioning as well as they should due to slow growth of regional trade
- One of the determinant factors of undeveloped cross-border trade is inadequate level of infrastructure embarrassing goods and labour movements across borders
- The problem has been identified by New Partnership for African Development (NEPAD) who has developed a program of initiatives which aim to develop cross-border infrastructure by clusters
- The major barrier for development of cross-border infrastructure is raising funds
- The experience of European Union and Asian countries may be used in approaching problems concerning cross-border projects implementation



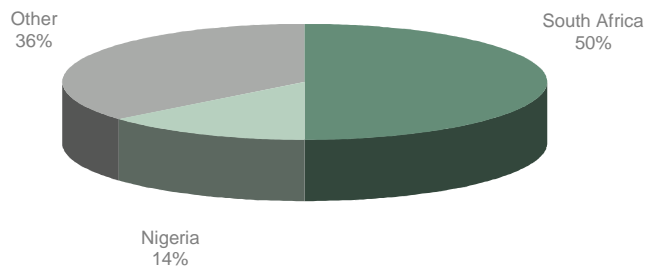
# Africa infrastructure gap

## Overview

- Inadequate and unreliable infrastructure services are a fact of life for African people - many rural households do not have access to safe drinking water, electricity, good transportation, or modern communication services
- Africa's infrastructure costly and uncompetitive: high power costs, road freight 2-4 times as high as US, road freight delays 2-3 times as long as in Asia
- Low access to power and low reliability – negative impact on growth due to energy crisis
- A huge gap exists between actual needs in investments and financing being provided for infrastructure development
- During the last years Sub-Saharan Africa has attracted only a small share of the private investments dedicated for developing countries, and that share has been heavily tilted toward communications

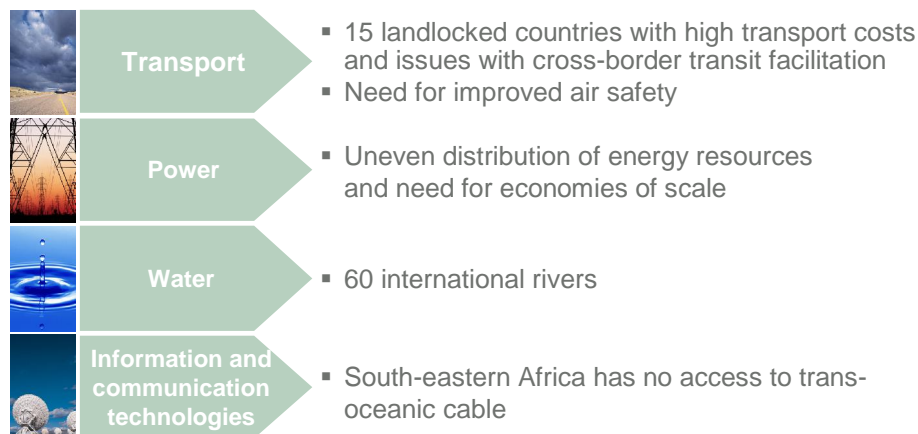
Source: World Bank, UNO materials, PPIAF, The Infrastructure Commission for Africa

## Investment flow to African infrastructure projects with private participation (1990 – 2004)

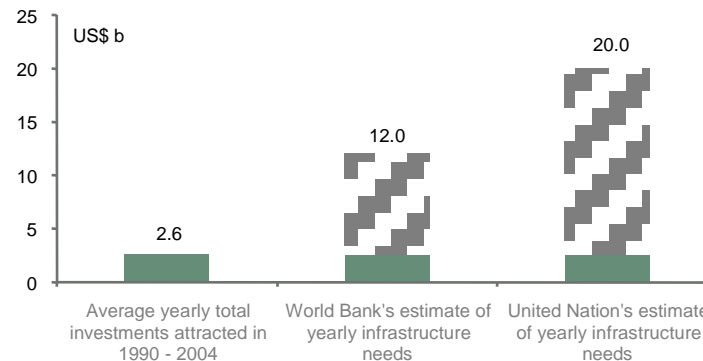


Source: World Bank, PPIAF

## Considerations for cross-border infrastructure development by sector



## Infrastructure financing gap



Source: World Bank, PPIAF, UNO materials

# CHALLENGES FOR FINANCING CROSS BORDER INFRASTRUCTURE

Investment in cross border infrastructure in Africa is hampered by the following:

▶ **Limited Financing** – Inadequate financing has been the major limiting factor for developing cross border infrastructure.

Observed trends and issues include:

- Limited financial resources of the public sector
- High investment cost requirement
- Weak private sector and capital markets
- Poor project preparation and feasibility leading to difficulty in attracting external/private finance.

▶ **Political Factors** – Characterized by the following:

- Uneven distribution of benefits and costs causes lack of political will which leads to narrow focus on national projects.
- Previous experience on civil and armed conflicts

▶ **Institutional Factors**- Observed obstacles include:

- Institutional coordination of participating countries required
- Harmonisation of enabling regulatory framework to address issues relating to tariff setting and operational co-ordination

## Key Success Factors

- **Shared strategic vision**, political will and strong commitment among countries concerned is key for the success of cross-border projects
- **Good coordination** among national line ministries, regional sector institutions, RECs, AU and other stakeholders is essential
- Further progress is required on **harmonisation of the policy**, legal and regulatory regimes between countries
- The projects should be **sponsored by strong regional bodies**, eg. EU, Ecowas, Nepad
- Use of **public-private partnerships** should be encouraged
- **Legal and regulatory frameworks** for private participation in cross-border infrastructure should be harmonized for countries involved
- When costs and benefits between different groups vary dramatically, the issue of **incentives compatibility** needs to be addressed and internalized at the planning and the designing stage
- Further progress also required on **development of new funding instruments** and mechanisms for implementing cross-border projects E.g. establishment of a **development fund** into which affected countries contribute to fund development costs.

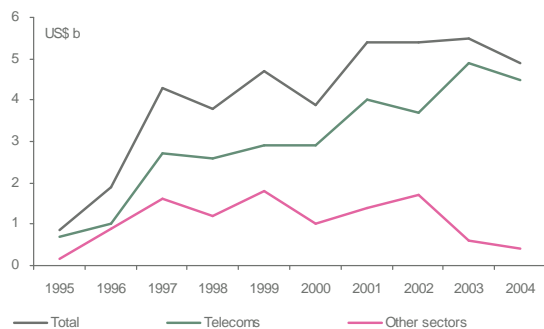
# Private capital in infrastructure financing



- The story of private participation in infrastructure in Africa has been largely one of *telecommunications*
  - The sector accounted for almost 73% of total investment in infrastructure projects with private participation in 1990 - 2004, with stand-alone mobile telephony claiming more than half that share
  - While 126 telecommunication projects with private participation attracted investment commitments of \$28.7 bln in 1990 - 2004, projects in other sectors attracted just \$10.6 bln
- 2/3 of the investment in other sectors went to 54 *energy projects*
- *Transport* had the next largest share of activity, with \$3.2 bln. Nearly 60% of this went to toll roads, mostly for long-term concessions
- Investment in projects focusing exclusively on *water* lagged far behind that in other sectors, at \$230 mln (less than 1% of the total) for 14 projects in 1990 - 2004
- Regional investors, mainly from South Africa, have played a key role in all infrastructure sectors, accounting for more investment (about 38%) in Africa than any other category of investor in 1998 - 2004
- Greenfield activities account for 60% of all infrastructure projects with private participation in Africa

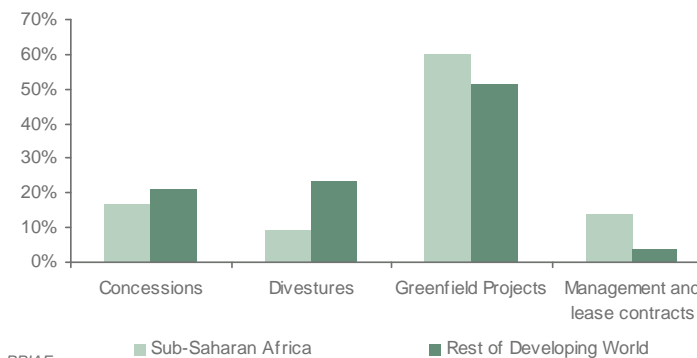
Source: World Bank

## Telecoms have driven investments



Source: World Bank, PPIAF

## Greenfield projects preferred by investors in Africa



Source: World Bank, PPIAF

## SELECTED PROJECT PIPELINE (AfDB- 2007)

Renaissance  
Group

### SECTOR SUMMARY

Sector	Costs US\$ Million
Road Corridor	11,400
Energy	10,650
ICT	1,950
<b>Total</b>	<b>24,000</b>

### AFRICA - ICT PROJECTS

Region	Project	Cost (US\$ Million)
East & South	EASSy (Submarine System)	420
Continent	RASCOM (Satellite System)	450
South	SATA Back Haul	300
East & South	COMTEL & Back Haul	225
West	Terrestrial Interconnection	225
Central	Terrestrial Interconnection	300
<b>Total</b>		<b>1,920</b>

### AFRICA – ROAD CORRIDOR PROJECTS

Corridor	Length-Km	Cost- \$Mn
Nairobi-Cairo	900	750
Dodoma - Kigali	500	600
Lobito – Beira	1,770	1,425
North-South (SA-Botswana-Zambia)	150	150
Trans – Kunene (Namibia – Angola)	980	600
Nacala (Moz-Malawi-Zambia)	890	675
Mtawara (Moz-Tanzania)	810	675
Pointe Noire – Ndjamena (DRC-CAR-Chad)		825
Yaounde-Bangul-Kisangani-Bujumbura	4,000	3,000
Yaounde-Brazza-Luanda	1,000	825
Dakar-Lagos	2,150	1,350
Algiers –Lagos (Niger)	400	300
Dakar-Ndjamena	230	225
<b>Total</b>		<b>11,400</b>

### AFRICA – ENERGY PROGRAMS

Region	Coverage	Cost- \$ Mn
SAPP	Malawi/Moz/Zmb/Zbwe/Namibia	3,210
CAPP	DRC/RDC/EqGn/CMR/ BRDi/ RWD/AGL/NGN	4,763
WAPP	Gambia/CIV/Mali/GHN/Ben/Gui/Togo/BFN	2,010
EAPP	BRD/ETH/RWD/KNY/UGA	615
<b>Total</b>		<b>10,598</b>

## Key Enablers for financing cross-border projects

- Increased focus on improving connectivity in Africa through NEPAD
- Creation of larger markets and greater cross-border transactions through free-trade agreements (FTAs) and Customs Union initiatives of Regional Economic Communities (RECs) - COMESA, SADC, EAC, ECOWAS<sup>(1)</sup> etc. – aim a single FTA
- Improved coordination for infrastructure development among African institutions – eg. WAPP
- International commitments to scaling up expenditure on infrastructure in Africa including for capacity building and project preparation facilities
- New financing instruments – EU-Africa Infrastructure Trust Fund, Pan-African Infrastructure Development Fund (PAIDF), etc.
- Increased possibilities of development through Public-Private Partnership (PPP)
- Increased support for private participation in infrastructure in Africa – The Public-Private Infrastructure Advisory Facility (PPIAF), Infraco etc.
- Reduced conflicts on the continent allowing the preparation of projects
- Local currency sources offer a new potential for infrastructure projects – local capital markets – example of KenGen IPO

(1) COMESA = Common Market for Eastern and Southern Africa; SADC = Southern Africa Development Community; EAC = East Africa Community; ECOWAS = Economic Community of West African States  
Source: NEPAD, The Infrastructure Commission for Africa

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