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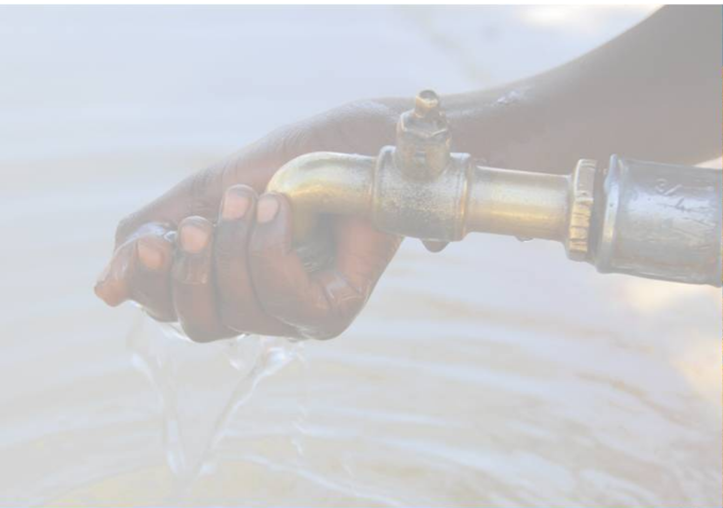
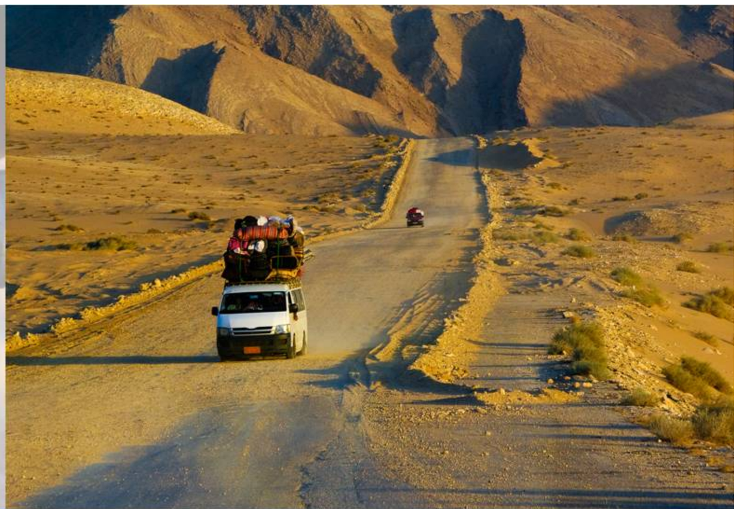
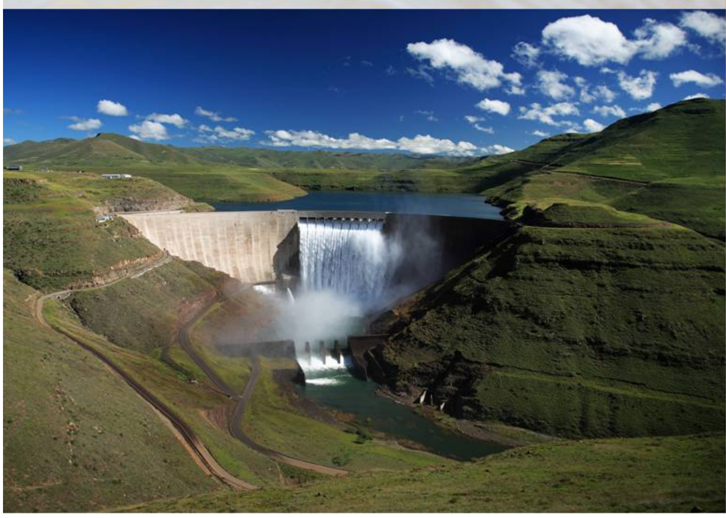
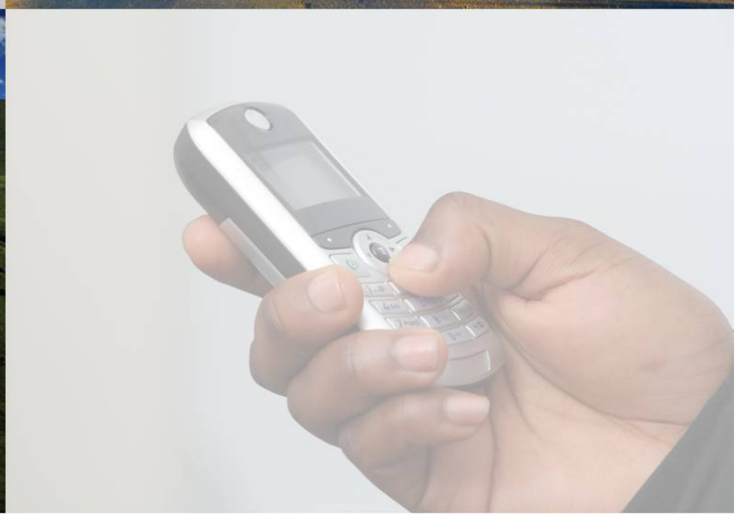
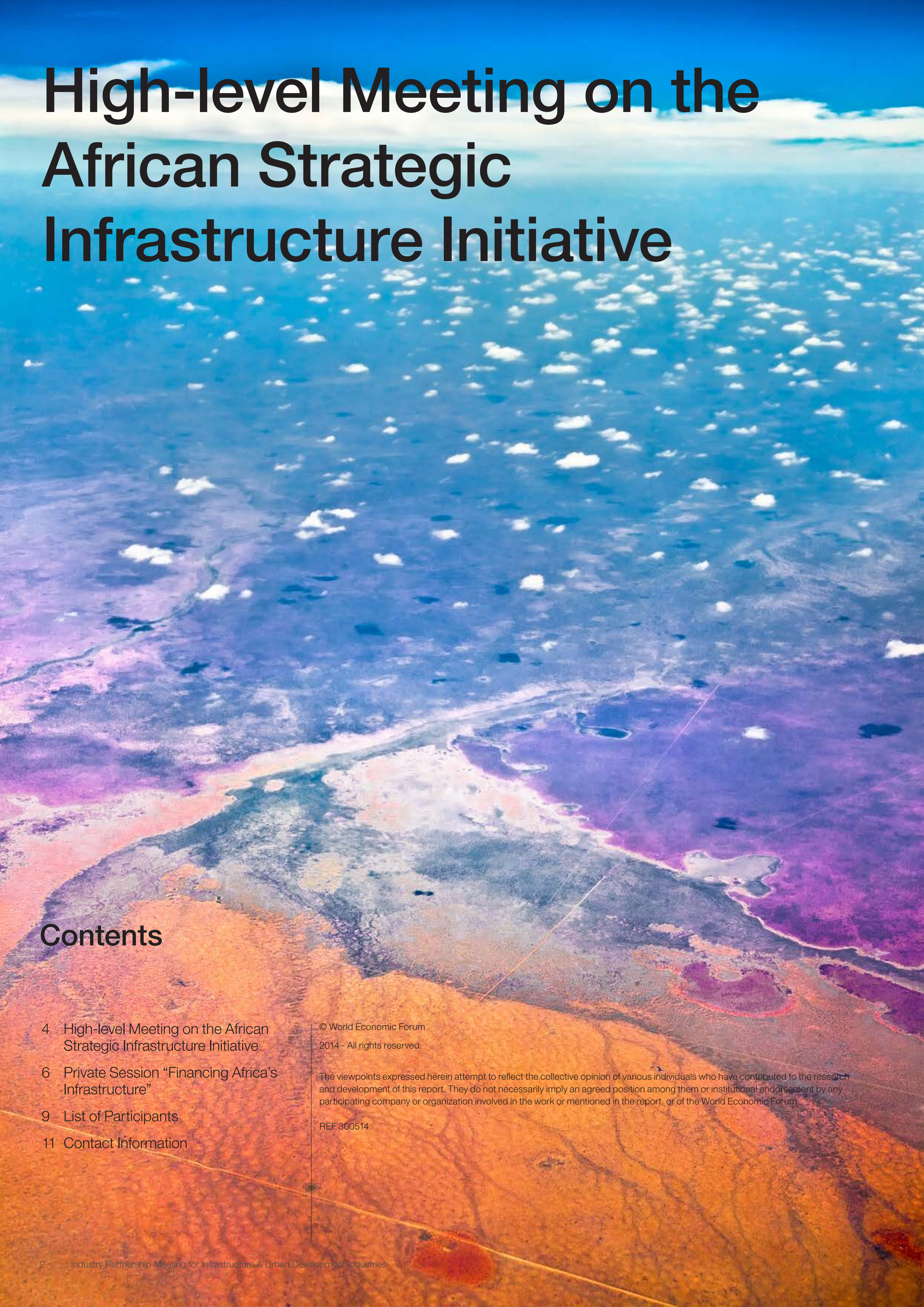
Industry Agenda

Industry Partnership Meeting for Infrastructure & Urban Development Industries
African Strategic Infrastructure Initiative

Abuja, Nigeria 7-9 May 2014

May 2014



High-level Meeting on the African Strategic Infrastructure Initiative

Contents

The viewpoints expressed herein attempt to reflect the collective opinion of various individuals who have contributed to the research and development of this report. They do not necessarily imply an agreed position among them or institutional endorsement by any participating company or organization involved in the work or mentioned in the report, or of the World Economic Forum.

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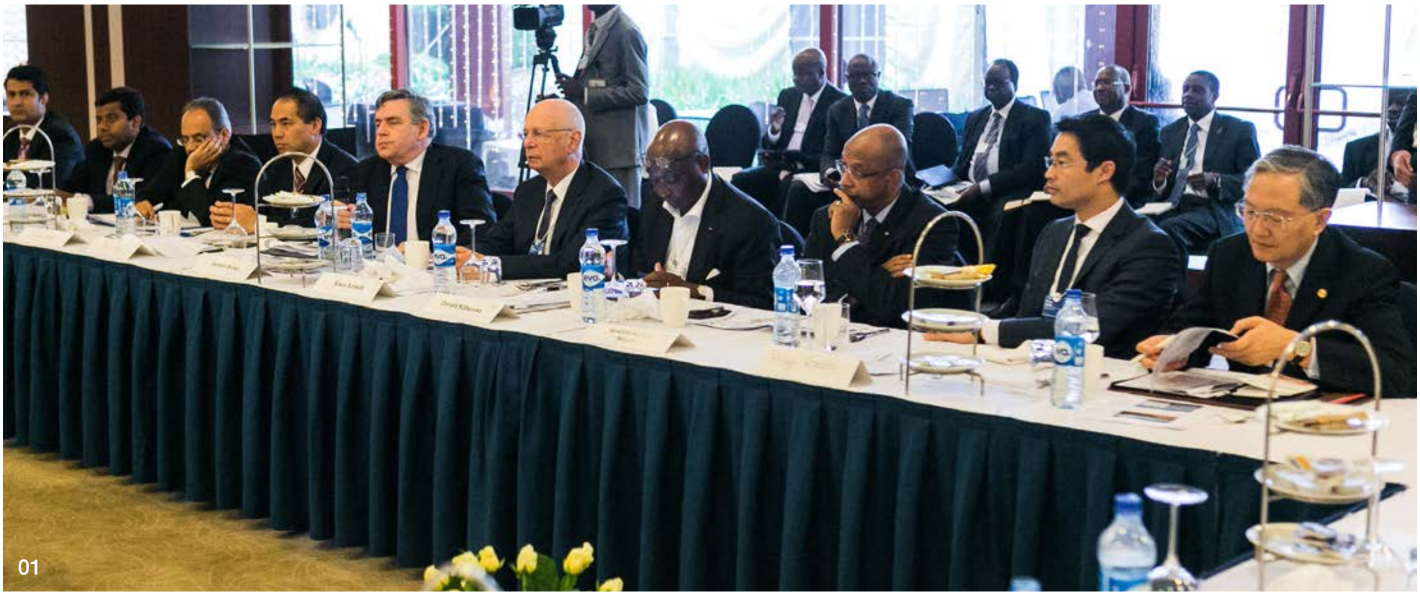
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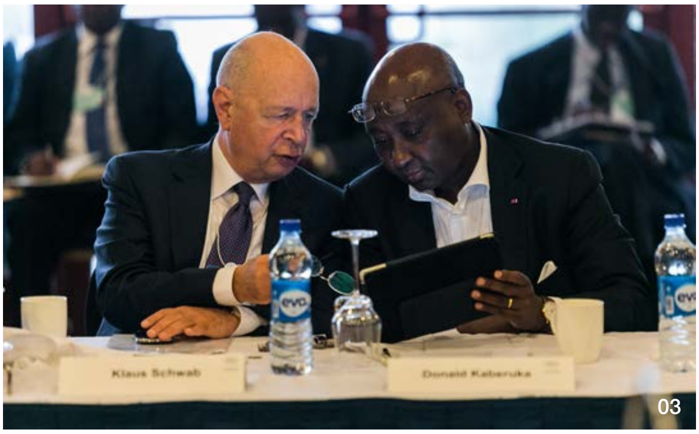

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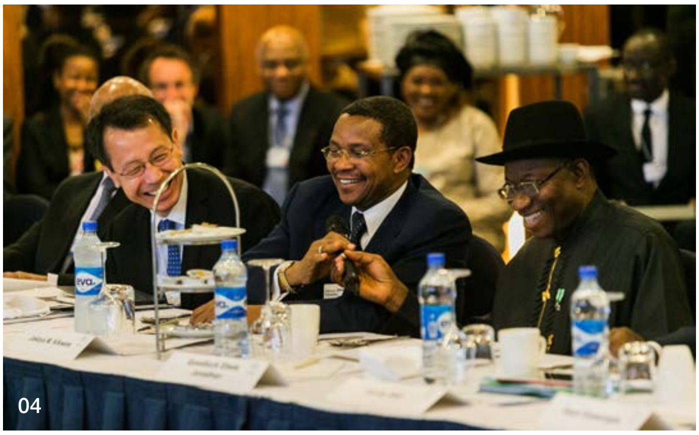
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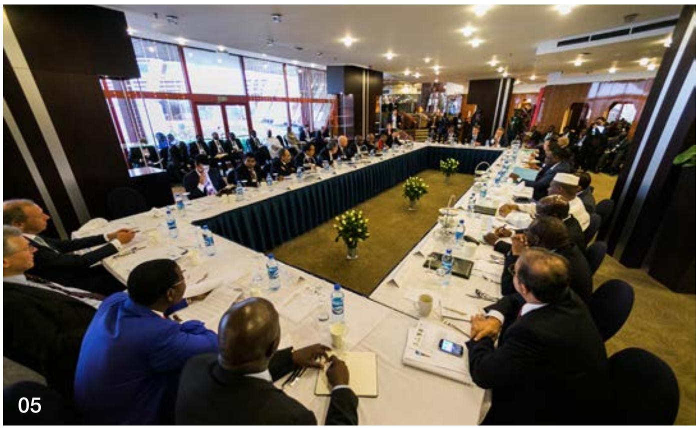
05

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02: Macky Sall, President of Senegal

03: Klaus Schwab, Founder and Executive Chairman, World Economic Forum; and Donald Kaberuka, President, African Development Bank (AfDB), Tunis

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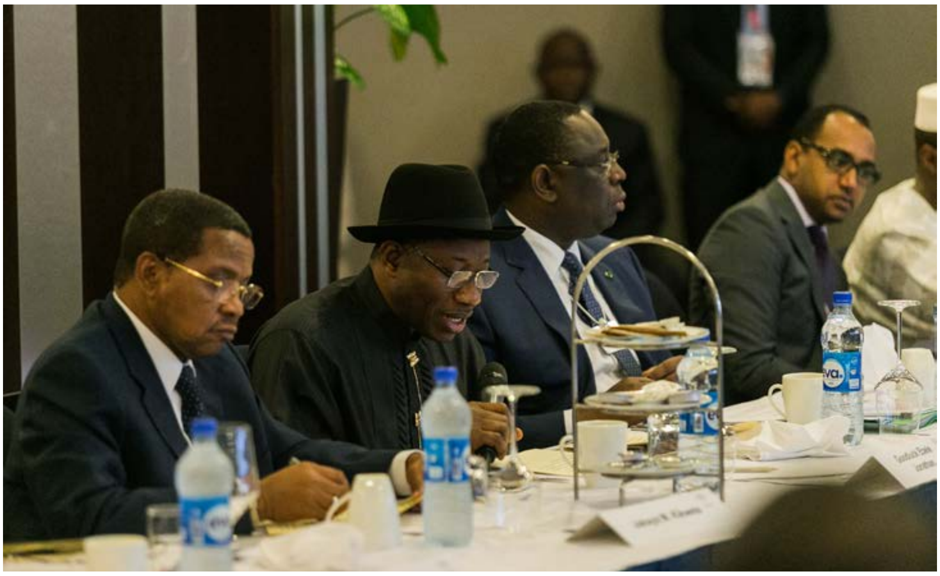
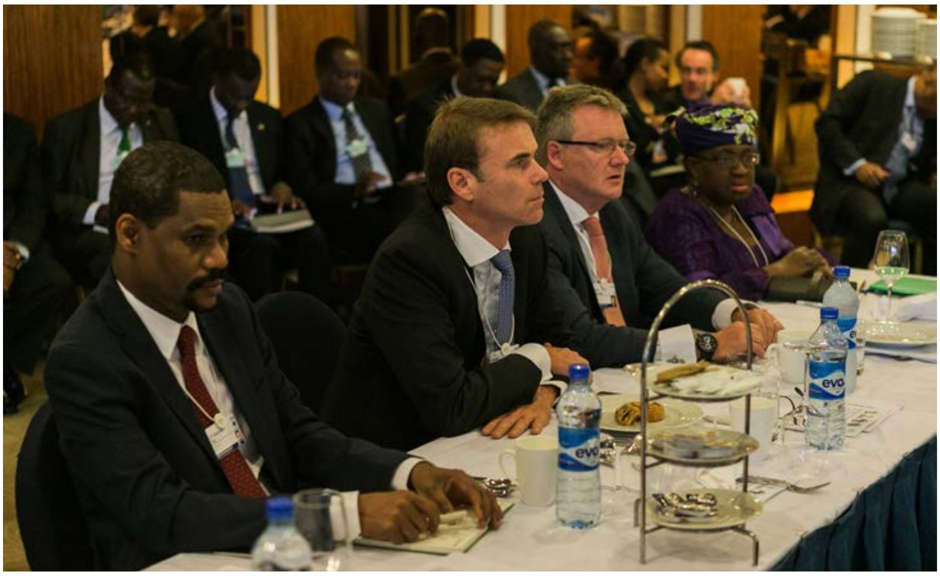


Jakaya M. Kikwete, President of Tanzania; Goodluck Ebele Jonathan, President of Nigeria; and Macky Sall, President of Senegal



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Session Description

At the 2012 World Economic Forum in Africa, international and African business leaders endorsed the launch of an African-focused, business-driven initiative to accelerate the implementation of the Programme for Infrastructure Development in Africa (PIDA) Priority Action Plan. The result was a joint initiative of the World Economic Forum with the African Development Bank (AfDB), the Africa Union Commission (AUC) and the NEPAD Planning and Coordinating Agency. The initiative has been recognized by the African Union Commission as a key driver to increase private sector involvement while accelerating the project preparation process for delivering strategic infrastructure assets. At the World Economic Forum on Africa 2013 in Cape Town, several Heads of State and other high level stakeholders welcomed the initiative and the progress made so far and mandated the BWG to strive for identification of pilots for the acceleration concept. This meeting convened heads of state and leaders from multilateral organizations and the private sector to discuss the progress of the second phase of the initiative and to deliberate next steps.

Special Guests

Thomas Boni Yayi, President of Benin

Goodluck Ebele Jonathan, President of Nigeria

Macky Sall, President of Senegal

Jakaya M. Kikwete, President of Tanzania

Moussa Mara, Prime Minister of Mali

Daniel Kablan Duncan, Prime Minister of Côte d'Ivoire

Jin-Yong Cai, Executive Vice-President and Chief Executive Officer, International Finance Corporation, Washington DC

Zhong Jianhua, Special Representative on African Affairs of the Chinese Government, People's Republic of China

Co-Chaired by

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Carlos Lopes, Undersecretary-General and Executive Secretary, United Nations Economic Commission for Africa (UNECA), Addis Ababa

Ibrahim Assane Mayaki, Chief Executive Officer, NEPAD Planning and Coordinating Agency, Johannesburg

Moderated by

Gordon Brown, Chair, World Economic Forum Global Strategic Infrastructure Initiative; UN Special Envoy for Global Education; Prime Minister of the United Kingdom (2007-2010); Global Agenda Council on Infrastructure

Key Points

– Enormous progress has been made since the private meeting in Cape Town – a three-track work programme is underway.

– Africa's infrastructure deficit is not caused by a lack of political will, but by the lack of financial capacity to undertake expensive projects that require heavy investments.

– The African dilemma is the perception of risk. The gap between perception and reality is largest in Africa. If that gap could be narrowed, the flow of private capital would start to increase.

– In the post-crisis environment and with regulations in place to reduce risk, multilateral institutions have an even more important role to play in supporting infrastructure projects and in creating a climate of confidence for investors.

– The Africa50 Fund, which aims to operate as a one-stop-shop across a project's life cycle, is up and running and is "changing the game" for infrastructure in Africa.

– Participants at this private meeting agreed to give the initiative's Business Working Group a mandate to continue the acceleration of the Central Corridor and other pilots.

Synopsis

In the year since the private meeting at the World Economic Forum Meeting on Africa 2013 in Cape Town, enormous progress has been made, anchored by the African Strategic Infrastructure Initiative. The initiative is led by the World Economic Forum in partnership with the AfDB, and with the support and guidance of the African Union Commission and the NEPAD Planning and Coordinating Agency.

Since the meeting in Cape Town, the African Strategic Infrastructure Initiative has created guidelines on how to progress between now and 2020. Over the next six years, Africa will need US$ 70 billion for infrastructure development.

Resources are needed at the Secretariat of the African Strategic Infrastructure Initiative. Participants agreed to give the initiative's Business Working Group a mandate to continue its work on the acceleration of the Central Corridor and further pilots.

A three-track work programme

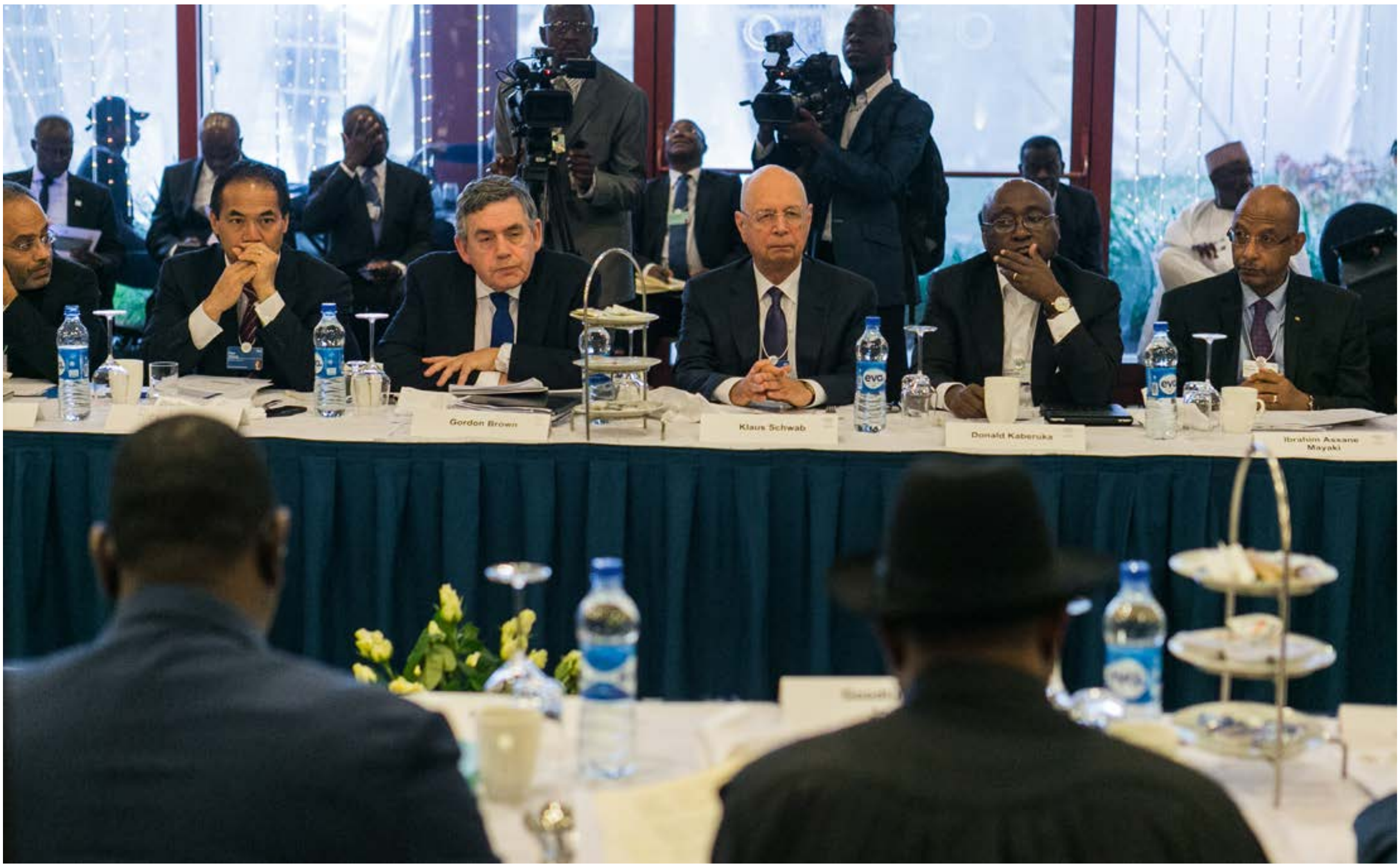
Since the meeting in Cape Town, a three-track work programme is underway:

– A report on the challenges and best practices in transnational infrastructure programme management has been published.

– A concept paper on a new model for early-stage project financing with public-private cooperation has been developed.

– A concept for a replicable acceleration process is being developed and will be piloted in the development of the Central Corridor, which has been identified as the initiative's first pilot. The potential next pilots have been identified: the Beira Corridor and the West Africa Hub, Port and Rail Programme.

The selection of the Central Corridor as a pilot followed a well-defined methodology. Next steps include securing resources and strong political commitment, as well as developing a governance structure of the acceleration process, which should be aligned with existing structures such as the Central Corridor Transit Transport Facilitation Agency (CCTTFA). The preparation of the first technical acceleration workshop is also in the works.



Studies are complete for some elements of the Central Corridor programme, including a feasibility study financed by the AfDB. The Central Corridor is fed by a railway system that was built by Germany almost 100 years ago. A construction adviser is being contracted, and securing finance is the next step.

A private sector representative noted that the African Strategic Infrastructure Initiative's Business Working Group is "providing a pathway" for the private sector to invest. The report on "Transnational Infrastructure Programme Management" outlines a best-practice framework for allocation costs and benefits, aligning with the right technology and developing appropriate frameworks for cross-border infrastructure to advance these programmes more quickly.

Proposed tracks

Catalyse more public-private partnership

– African economies have come a long way from economic stagnation and high inflation, but recent successes are overshadowed by serious deficiencies in transport, energy and communications infrastructure. Africa's infrastructure deficit is not caused by a lack of political will, but by the lack of financial capacity to undertake expensive projects that require heavy investments.

– Nigeria's privatization of its oil, gas and electricity sectors has been driven by effective and coordinated public-private partnerships (PPPs) and is largely viewed as a success story. Africa50 is another example of how PPPs can work (see below). However, more PPPs must be catalysed across the continent.

Reducing the perception of risk

– Participants agreed that the African dilemma is the perception of risk. The gap between perception and reality is largest in Africa. If the gap could be narrowed, the flow of private capital would start to increase. One way to reduce the gap would be to implement projects and demonstrate that they work. They do not have to be large-scale projects; for example, upgrading 50 km of the railway in Tanzania and proving that it is functional could be sufficient.

Securing finance and investment

– Growth across the continent for 2014 is projected to be 5.3%, but this growth is "fragile and not transformative", commented a participant. It is not generating development and it is not inclusive. Today, the market is not strong or capable enough to promote the economic diversification needed. This will not change unless governments and the private sector invest in infrastructure.

– Governments need to promote infrastructure projects that require financing from the private sector, but this will involve fostering a solid investment climate. Because every project has its own idiosyncratic nature, it is critical to define the details while developing an overall framework for PPPs at the same time.

Progress has been made since the heads of state and government adopted the Programme for Infrastructure Development in Africa (PIDA) in 2012. A key meeting on infrastructure financing is the Dakar Financing Summit in Senegal on 14-15 June 2014, which should be a platform for launching the preparation of key projects.

In the post-crisis environment and with regulations in place to reduce risk, multilateral institutions have an even more important role to play. For large infrastructure projects, how partners' money is used is critical. The private sector is reluctant to participate because of the perceived risk. "The IFC, World Bank and AfDB must work together to create an atmosphere where the private sector feels safe," commented a participant. Investors and lenders find it difficult to determine where the cash flow will come from. And, despite "a lot of talk" about pension and insurance money, it is currently not coming in.

A better understanding of who is willing to finance which project is critical in the push to mobilize public and private sector capital. Once a project is implemented, the cash flow needs to be structured so that capital can be recycled quickly.

Africa50 up and running

The AfDB's Africa50 Infrastructure Fund, the result of a lengthy and intense consultation since July 2013, is now ready for implementation through two business lines, one for project development and one for project finance.

The most difficult aspect of project development and financing is the early capital. Most private companies are not inclined to finance the early costs due to the high-risk profile of the investment. However, Africa50 intends to "change the game for infrastructure" in Africa. The initiative aims to operate as a one-stop-shop across a project's life cycle with two main business lines:

- A project development business line to provide a steady flow of well-structured projects (US$100 million over three to four years)
- A project finance business line for sound investments that generate commercial returns (up to US$500 million in tranches)

Initial expressions of interest from the market have already reached US$650 million.

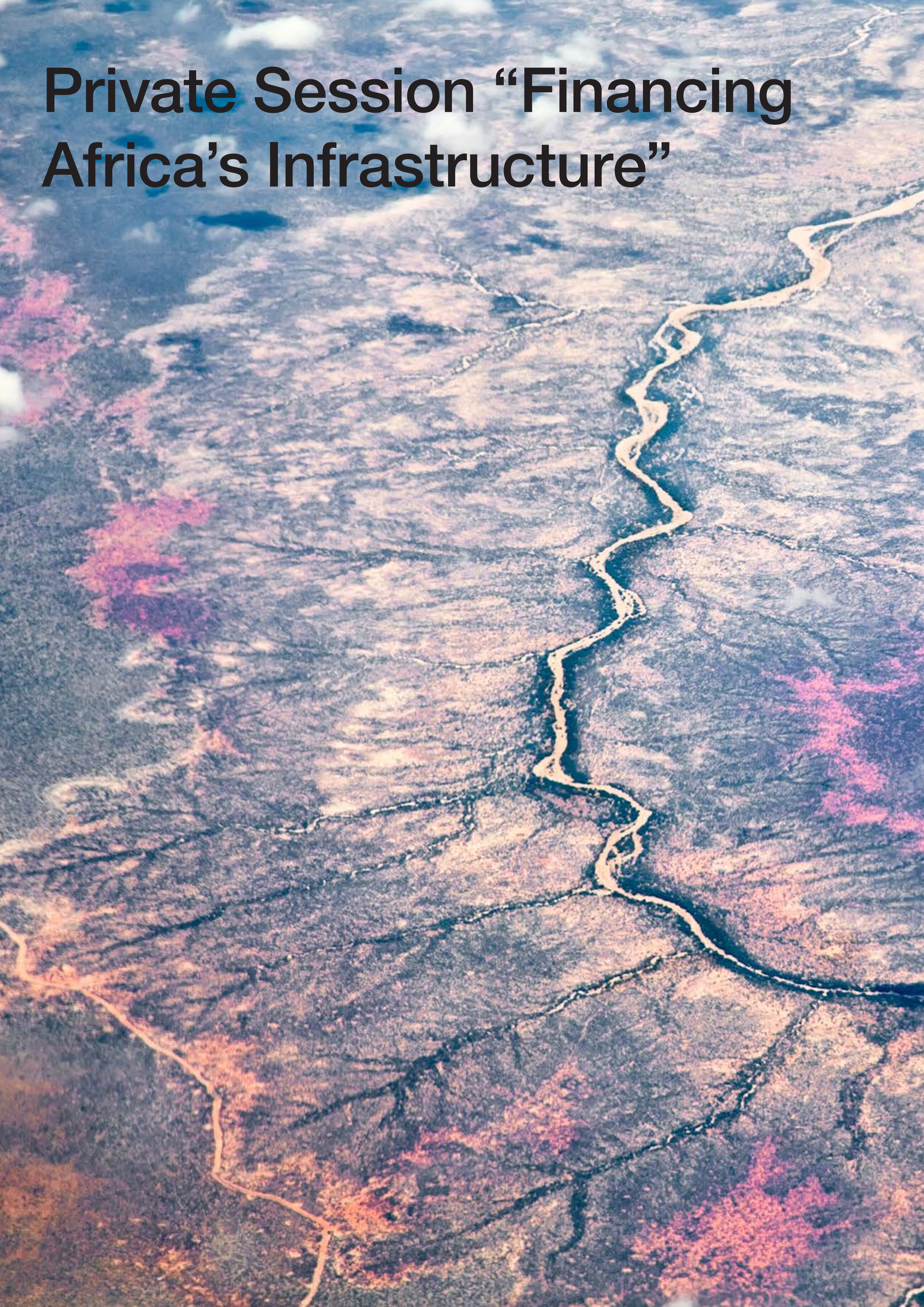
In Senegal, four linked infrastructure projects were developed over two years. The AfDB financed € 185 million directly, which facilitated € 1.3 billion in investments. According to the Africa50 representative, one of the ventures, the airport project, is now self-financing with an 18% to 21% return to investors.

In the lead up to Davos 2015

Proposed activities include:

- Develop a set of options for moving the Central Corridor forward
- Hold a side event on the Central Corridor at the Dakar Financing Summit in June
- Plan a workshop in Kigali for the Central Corridor
- Hold an investment conference in Kampala for the Central Corridor
- Agree on priority projects, standardize templates and address data gaps, and agree on implementation frameworks (August)
- Identify strategic investors and involve agencies responsible for the investment promotion (November)

Private Session “Financing Africa’s Infrastructure”



Session Description

Infrastructure is a foundational building block for any region's economic progress and Africa is no exception. This session brought together leading policy-makers, investors and operational experts to discuss ideas on which models African countries can utilize to jump-start new infrastructure investment.

The session both drew from and helped advance the World Economic Forum's broader Strategic Infrastructure Initiative. This initiative includes the Infrastructure Investment Blueprint, a framework for governments on the most critical policies to attract private capital to infrastructure, and the concept of a sustainable Infrastructure Project Preparation Facility, a new potential model to help governments attract resources for early-stage project development.

Co-Chairs

Gordon Brown, Chair, World Economic Forum Global Strategic Infrastructure Initiative; UN Special Envoy for Global Education; Prime Minister of the United Kingdom (2007-2010); Global Agenda Council on Infrastructure

Donald Kaberuka, President, African Development Bank (AfDB), Tunis; World Economic Forum Foundation Board Member; Global Agenda Council on Africa

Special Guests

Claver Gatete, Minister of Finance and Economic Planning of Rwanda

Armando Inroga, Minister of Industry and Trade of Mozambique

Michael Kamau, Cabinet Secretary, Transport and Infrastructure of Kenya

Bashir Yuguda, Minister of National Planning Commission of Nigeria

Key Points

– Increased infrastructure spending requires better stakeholder alignment, government coordination and appropriate risk mitigation plans.

– To increase long-term investment in infrastructure, policies should be set at the national level and infrastructure projects must address the political and regulatory risk at the start of the process.

– To attract early-stage project financing, coordination between government actors, availability of risk mitigation instruments and an adequate deal structuring is critical.

Synopsis

Boosting long-term investment requires national policies and adequate addressing of risks

Infrastructure policies must be set at a national government level to attract long-term investors. Governments should clearly state which role they will play in sharing the risks at all stages of an infrastructure project. National governments should also play a supporting role in the coordination of regulations and investment requirements across all relevant levels of government and ministries. At the same time, governments need to develop capacities to ensure they serve as a strong counterpart vis-à-vis private sector investors.

The management of an infrastructure project needs to address the political and regulatory risk at the start. Of particular importance for investors is the procurement process. To attract additional investors and to increase competition at the tendering stage, governments must reduce the uncertainty related to the procurement rules and process. However, the main prerequisite for a successful project is its financial viability. There are very high market entry costs for an investor who is interested in financing infrastructure in a specific country. These costs encompass setting up a local presence, understanding and evaluating the regulatory environment and establishing contacts with key decision-makers in the public sector. Hence, to be willed to commit to a country, investors need a credible pipeline of projects from the public sector.

List of Participants

High-level Meeting on the African Strategic Infrastructure Initiative

From the Government and International Organizations

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Goodluck Ebele Jonathan	President of Nigeria
Donald Kaberuka	President, African Development Bank (AfDB), Tunis
Jakaya M. Kikwete	President of Tanzania
Carlos Lopes	Undersecretary-General and Executive Secretary, United Nations Economic Commission for Africa (UNECA), Addis Ababa
Moussa Mara	Prime Minister of Mali
Ibrahim Assane Mayaki	Chief Executive Officer, NEPAD Planning and Coordinating Agency, Johannesburg
Ngozi Okonjo-Iweala	Coordinating Minister for the Economy and Minister of Finance of Nigeria
Macky Sall	President of Senegal
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Alex Wong	Senior Director, Head of the Centre for Global Industries and Head of Basic & Infrastructure Industries
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Private Session "Financing Africa's Infrastructure"

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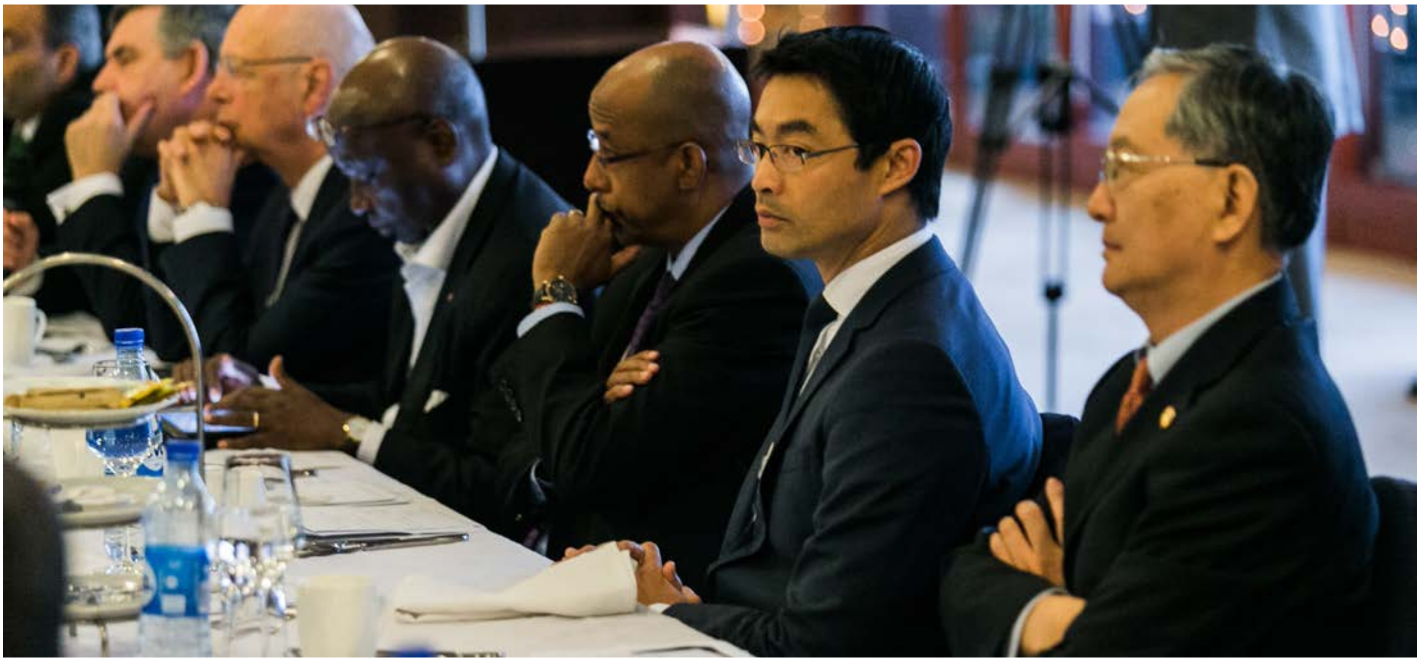

Industry Partners

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Ross McLean	President, Sub-Saharan Africa	The Dow Chemical Company	South Africa
William Olukoya	Chief Financial Officer	Symbion Powel LLC	United States
Imrhan Paruk	Executive, Corporate Development	African Rainbow Minerals Ltd (ARM)	South Africa
Mohale Rakgate	General Manager, Project Preparation, Financing Operations	Development Bank of Southern Africa	South Africa
Mohan Vivekanandan	Group Executive, Strategy	Development Bank of Southern Africa	South Africa

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Jayendra Naidoo	Executive Chairman	J&J Group	South Africa
Roberts U. Orya	Managing Director and Chief Executive Officer	Nigerian Export-Import Bank (NEXIM)	Nigeria

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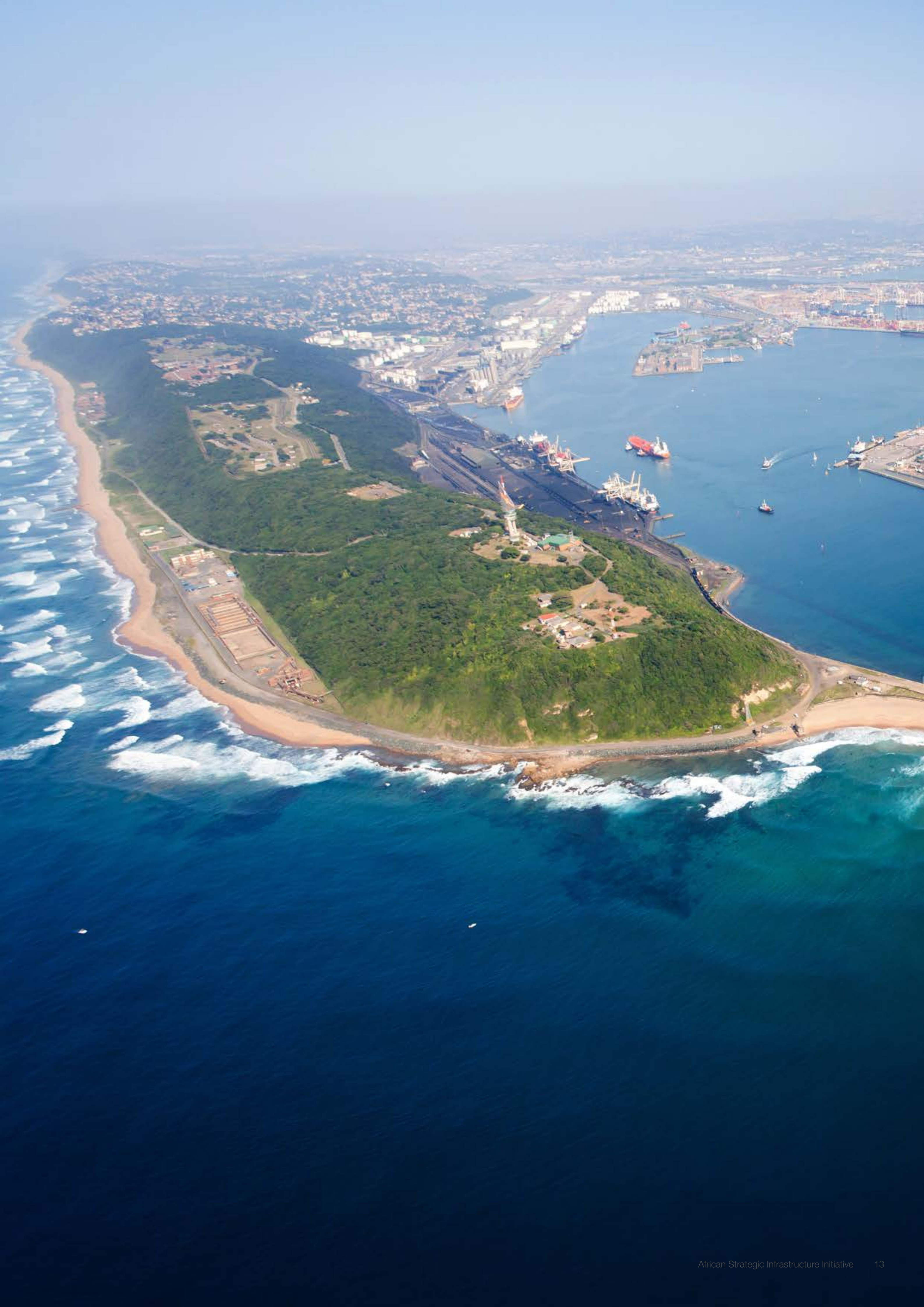
Alex Wong	Senior Director, Head of Centre for Global Industries and Head of Basic & Infrastructure Industries



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