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Infrastructure
Consortium for
Africa

*Catalysing the
Development of
Africa's Infrastructure*



ICA Annual Meeting takes place in Rome

The fifth Annual Meeting of the Infrastructure Consortium for Africa took place in Rome from 9 to 11 March 2009.

The meeting took place at a particularly challenging period, with the impact of the global financial and economic crisis beginning to impact Africa. ICA members noted that the crisis has slowed down several infrastructure projects and reaffirmed strongly their commitment to mobilize and maintain investments in Africa's infrastructure development in response to both Africa's structural gap and the financial crisis.

The Outcomes Statement from the meeting, together a list of participants, can be seen at: <http://www.icafrica.org/en/news-events/article/view/outcome-statement-ica-annual-meeting-rome/>

Chaired by Dr. Mandla Gantsho, Vice President for Infrastructure, Private Sector and Regional Integration, African Development Bank and Dr. Elham Mahmood Ahmed Ibrahim, Commissioner for Infrastructure and Energy, African Union Commission, over one hundred senior representatives of G8 countries, multilateral development institutions, development partners, private sector representatives and key African institutions attended.

Key points that arose from the meeting included:

Italy commits G8 to discuss Africa: The Italian Ministry of Foreign Affairs advised that the Italian government would ensure, through its current chairmanship of the G8, that Africa will feature high on the agenda at this year's G8 Summit.

Africa's infrastructure finance gap remains a major challenge: Despite the financial crisis, ICA members kept their 2008 commitments to infrastructure projects in Africa at the same level as the previous year, at around US \$12bn. The deficit in infrastructure investment is holding back per capita growth by 2% each year. Participants took note of the US\$80bn per year estimated by the Africa Infrastructure Country Diagnostic (AICD) study to be required in Africa split evenly between new investment and operation and maintenance.

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Half of this need, about US\$40 billion, is currently being met – but US\$20 billion, about half of the gap, could be found through improved efficiency.

Africa's Vision for Infrastructure Development in Africa: Participants were informed of the outcome of the recent African Union Summit which laid emphasis on the development of Africa's huge hydro power potential to enhance the generation capacity in response to the energy crisis and on regional power networks to foster regional integration and benefit from economies of scale. In the transport sector, priority will be given to the completion of missing links on the Trans African Highways (TAH). ICA members were requested to align their support to the African priorities agreed at the Summit, including in particular the Programme for Infrastructure Development in Africa (PIDA) as the single policy and institutional framework for developing infrastructure Africa and a basis for identifying priorities.

The financial crisis is affecting investment in infrastructure in Africa: A joint PPIAF/ICA workshop was held back-to-back with the annual meeting to assess the impact of the financial crisis on the infrastructure sector globally and in Africa in particular. While speakers provided evidence to show that projects continue to reach closure (but at a slower pace than 2007), the workshop concluded that the international community needs to act quickly to support preservation of existing infrastructure assets and development of project pipelines during the downturn in anticipation of an eventual recovery.

Italian Risk Mitigation Initiative: Members welcomed the risk initiative proposed by Italy, which will offer advice on the appropriate instruments to use for financing infrastructure projects in Africa. The initiative, which is under design, will be hosted at the AfDB.

Evaluation of the ICA: The annual meeting also provided an opportunity to discuss the report of an independent evaluation of the ICA. Further information about the evaluation report is provided below.

Independent evaluation of Infrastructure Consortium for Africa completed

The results of the independent evaluation of the ICA, which was carried out by a team of consultants from the Oxford Policy Management (OPM) Group, were presented and discussed on 9 March 2009 at the ICA Annual Meeting in Rome.

The evaluation concluded that the convening power of the ICA was its main comparative advantage. There was a general consensus that the ICA's activities have been relevant to Africa's infrastructure development challenges and have helped to create a platform for infrastructure development, monitoring and dialogue between key stakeholders. Members asked the Secretariat to focus on regional projects and programmes and to catalyse joint working. The Secretariat was also mandated to develop a new results-based work plan for the period 2009 to 2012.

The unique contribution that the ICA can make towards such improved coordination was a key feature of the discussions. Both ICA members and non-members, such as China, the Islamic Development Bank, the Saudi Fund, the Central African Development Bank and

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South Africa, commented positively about the ICA's "convening power" – derived from its firm basis in the G8 and multilateral institutions combined with its ability to articulate Africa's concerns, through its location within the African Development Bank and its engagement with African stakeholders.

A number of key issues emerged from the meeting on which consensus will need to be reached during the preparation of the new 3 year work plan. These include definition of the higher-level objectives of the ICA, the operational shorter-term objectives of the ICA Secretariat and the question of expanding communications. Performance indicators linked to the renewed objectives will establish the basis for future evaluations of ICA.

The need for predictable human and financial resources to deliver on the activities of the Secretariat was underlined. The proposed 2009 to 2012 business plan and associated skills requirements and budget of the ICA Secretariat will be circulated for comments and commitments of financial or in-kind support. 31 July 2009 was agreed as the target date for completion of the process of validating and approving the new business plan.

African Development Bank, European Commission and World Bank issue joint statement on support to Africa's infrastructure

The African Development Bank, European Commission and the World Bank issued ahead of the G20 a statement entitled "Support to Africa Infrastructure in Times of Crisis".

The Joint Statement reiterated the commitment of the three institutions to more coordination and focused efforts to (a) develop regional infrastructure (b) maintain existing assets and (c) enhance policy, regulatory and administrative framework. The statement also re-emphasised the importance of the ICA as the platform for donor coordination.

The statement outlined the concerns shared by the three institutions about the special risks posed to Africa's poorest countries by the global economic crisis and highlighted the priority interventions required.

Highlighting that Africa's recent economic achievements are now severely threatened by the global crisis, with the real danger that poverty will increase rapidly, the institutions stated that focused efforts by international development institutions and donors will be critical.

In this regard, the African Development Bank, the European Commission, and the World Bank announced their willingness to increase their aid volumes to provide much needed counter-cyclical spending in support of rapid recovery, job creation and to promote long-term growth. The three institutions also called on development partners to support harmonized spending and interventions around strategic areas of alignment, with proven high impact, such as:

- Development of regional infrastructure (power corridors, power networks and ICT);
- Maintenance of existing assets;
- Enhancement of policy, regulatory and administrative frameworks.

The full statement can be read at:

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22172834~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

European Commission increases size of EU-Africa Infrastructure Trust Fund

The European Commission has increased by Euros 100 million the size of the EU-Africa Infrastructure Trust Fund, as one of its actions to support developing countries in coping with the crisis.

On 8 April 2009 the European Commission announced that it would increase to €500 million the grant inlay in the EU-Africa Infrastructure Trust Fund. The Commission said that, for its part, it will allocate €200 million for 2009-2010, doubling its current inlay, and calls on Member States to join this effort in order to raise €500 million. Achieving this target will leverage €2.5 billion in soft loans to support infrastructure. Furthermore, the Commission proposed to adapt the Trust Fund to (a) include national infrastructure that is part of regional networks and (b) introduce risk guarantee mechanisms.

To view the full statement by the European Commission please visit: <http://www.eu-africa-infrastructure-tf.net/infocentre/publications/ec-communication-of-8.4.20091.htm>

Successful ICA visit to Kuwait to meet Arab and Islamic development institutions

Collaboration between the ICA and Arab national and regional development institutions is set to grow following a successful meeting in Kuwait.

The joint African Development Bank and Infrastructure Consortium for Africa visit to Kuwait took place with the aim of establishing closer links with the Arab institutions and identifying areas of possible joint work in Africa.

The eight national and regional institutions (the Kuwait Fund, Saudi Fund, Abu Dhabi Fund, OPEC Fund for International Development, Arab Fund for Economic and Social Development, Islamic Development Bank, Arab Bank for Economic Development in Africa, Arab Monetary Fund and the Arab Gulf Programme for United Nations Development Organisations) have formed a Coordination Group to discuss ongoing and planned development projects, and the meeting between the Group and the joint AfDB/ICA team was very fruitful.

Water, transport and energy were all seen by the Coordination Group as areas of interest. The Coordination Group members were also interested in exploring co-financing opportunities, and in attending ICA annual and technical meetings on a more regular basis.

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Commenting on his return from Kuwait, Alex Rugamba, the ICA's Coordinator, declared: "This was a very timely visit, in view of the recent Arab Economic Summit, which instructed the Coordination Group to scale-up its assistance to Africa during this period of global economic crisis. There is scope to build synergy for collaboration in favour of African infrastructure, and there was genuine enthusiasm and commitment on the Group's side to work with the ICA."

ICA takes part in the African Union's Infrastructure Day conference and exhibition

The ICA played a leading role at the Infrastructure Day conference and exhibition held in Addis Ababa at the end of January 2009, on the eve of the African Union Summit – which featured infrastructure as its key theme.

Presenting the ICA's perspective at the Infrastructure Day conference, Coordinator Alex Rugamba outlined the challenges facing the development of infrastructure in Africa due to the global financial and economic crisis, suggested a number of possible responses and set out the ICA's view of the priorities and key issues for infrastructure development in the continent.

His key message was that while the global financial and economic crisis is certain to have implications for the availability of finance for infrastructure development in Africa, the challenges faced can, with determination, be overcome.

Stressing that Africa was making progress, he reiterated the strong commitment from African countries to tackle the infrastructure challenges facing the continent. Rugamba also emphasised that, despite the economic downturn, official development assistance (ODA) was expected to continue at current levels.

Turning to the role of the private sector, Alex Rugamba said: "Development partners on their own cannot meet all the needs. It is important that private capital be tapped – in the more financially viable sectors – to make urgently needed investments. Infrastructure in Africa offers significant investment opportunities for long-term investors, even in a time of global crisis."

Rugamba said that more costly borrowing and a slow-down in private capital flows into Africa – including remittances from the African Diaspora – were symptoms of the current economic situation. He then outlined a number of possible African responses to the crisis, stressing that there was no "one size fits all" solution and that responses would vary from country to country:

- Accelerating intraregional trade and investment;
- Reducing the cost of doing business by strengthening and improving local and regional financial markets;
- Restructuring the financing of projects;
- Benefitting from the vast potential of sovereign wealth funds, emerging infrastructure bonds and infrastructure funds.

Cooperation with China set to grow

A successful joint ICA, AfDB and AU mission to China in February looks set to lead to an increase in future cooperation on Africa infrastructure issues.

Assisted by the People's Bank of China, the joint visit took place in February and was led by Dr Mandla Gantsho, the African Development Bank's Vice President for Infrastructure, Private Sector and Regional Integration. The Director of Infrastructure and Energy of the AU Commission, Mr. Aboubakari Baba Moussa and the Vice President of KfW, Thomas Wollenzien, also played a key role in the mission.

Extremely useful and worthwhile discussions took place with a number of Chinese stakeholders, and a seminar on African infrastructure was very well attended, with interest shown in particular in power, railway and bridge projects.

Key outcomes of the visit included:

- A firm decision by the Chinese stakeholders to have close cooperation with the ICA and to collaborate on specific projects and information sharing;
- Agreement to select at least two pilot projects for enhanced collaboration during the course of this year;
- Agreement that the People's Bank of China would act as the facilitator with other Chinese institutions in the context of relations with the ICA;
- A commitment by the Chinese institutions to send a delegation to the ICA annual meeting in Rome (four delegates attended, from the People's Bank of China, the China Development Bank and the China EXIM Bank).

ICA Working Group concludes that making Africa's power sector attractive to private investment is now "more important than ever"

Meeting in Dakar, African finance officials, power project developers and representatives from global financial institutions agreed that, in the current economic environment, it was more important than ever for African countries to bring about reforms that make their power sectors more attractive to investment by the private sector.

Gathering during the African Development Bank Annual Meeting in Dakar in May, participants in the Infrastructure Consortium for Africa's Public-Private Infrastructure working group discussed how to maintain private investment flows in the face of the financial crisis. They noted the challenges to financing infrastructure in the current market environment but emphasized that the sector continues to offer attractive returns.

Summing up the mood of the meeting, which was convened by the ICA in conjunction with the African Development Bank and the U.S. Treasury Department, Mandla Gantsho, the

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African Development Bank's Vice-President for Infrastructure, Private Sector and Regional Integration, said "While the financial crisis has increased the costs of financing for African power projects, it is striking that financing remains available for bankable projects."

Dr. Gantsho added: "Development finance institutions have stepped in to help meet financing needs as commercial financing has become scarcer. In the current environment, it is more important than ever that countries continue to move forward with key reforms that make their power sectors attractive to private investment."

Africa's infrastructure gap is a key constraint on the region's economic growth potential and efforts to reduce poverty. Africa's power sector alone requires an estimated \$29 billion per year in capital expenditure over the next ten years. Mobilising private investment is crucial if this level of investment is to be achieved.

Participants discussed what action governments, donors, development finance institutions and the private sector could take to help increase the financing available for infrastructure in Africa and for the power sector in particular:

- Strengthening African governments' understanding of public-private partnerships (PPPs) and their capacity to negotiate and manage PPPs. ICA agreed to establish a task force with project developers and legal experts to draft a model power-purchase agreement. Participants also agreed to examine scaling up assistance to help African governments establish offices dedicated to handling the procurement, financing and legal aspects of PPPs.
- Utilizing emergency financing facilities established to help address financing shortfalls resulting from the financial crisis. Participants particularly noted the African Development Bank's Emergency Liquidity Facility, the World Bank's Infrastructure Recovery and Assets (INFRA) Platform, and the International Finance Corporation's Infrastructure Crisis Facility.
- Continuing key reforms in national power sectors to unlock private investment. Project developers highlighted the need for legislative frameworks to permit private participation in the power sector, independent regulatory agencies, and cost-recovery tariffs.

Farewell – and Welcome

The ICA Secretariat on behalf of the members would like to bid farewell to Mandla Gantsho who will be returning to South Africa next month at the end of his three-year contract as Vice President responsible for Infrastructure, Regional Integration and Private Sector at the African Development Bank. Mandla Gantsho has been a strong supporter of the Consortium and has helped in raising its profile both within Africa and further afield. His wise counsel and good humour will be missed. He will be succeeded in his position as Vice President by Bobby Pittmann who comes with a vast wealth of experience within the US Government. Bobby Pittmann is very familiar with Africa and is keen to pursue the development of infrastructure on the continent.

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We also wish a warm farewell to Andrian Rakotobe, Director of the Water Department at AfDB who is leaving on retirement and to Andrew Roberts who left the ICA Secretariat in March this year to join the Regional Integration Department of the World Bank on secondment from DFID. Andrian and Andrew were both instrumental in setting up the ICA Secretariat at the African Development Bank. We thank them for contribution and wish them the best in their new ventures.

Finally we are delighted to welcome Bernhard Tilemann who is joining the ICA Secretariat from DEG, a member of the KfW Group, as an Advisor. In addition to his advisory role, Bernhard will lead the Secretariat's engagement with the private sector.