

FIFTH ANNUAL MEETING OF THE INFRASTRUCTURE CONSORTIUM FOR AFRICA (ICA) Final Outcome Statement

In the context of the Italian Presidency of the G8, the Ministry of Foreign Affairs hosted the fifth annual meeting of the ICA from 9 to 11 March 2009 in Rome. Dr. Mandla S.V. Gantsho, Vice President for Infrastructure, African Development Bank and Dr. Elham Mahmood Ahmed Ibrahim, Commissioner for Infrastructure and Energy, African Union Commission co-chaired the meeting. It was attended by over one hundred senior representatives of G8 countries, multilateral development institutions, development partners, private sector representatives and key African institutions. A full list of participants is attached as Annex 1.

The meeting took place at a particularly challenging period with the impact of the global financial and economic crisis beginning to unfold. ICA members noted that the crisis has slowed down several infrastructure projects and reaffirmed 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 annual meeting also provided an opportunity to discuss the report of an independent evaluation of the ICA. The evaluation concluded that the convening power of 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 mandated to develop a new results-based work plan for the period 2009 to 2012.

Italy commits G8 to discuss Africa

A positive tone for the meeting was set at the very outset when in his opening remarks Dr Vincenzo Scotti, the Italian Under Secretary of State at the 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 that will take place in July in La Maddalena. On his part, Professor Luca Riccardi, Personal Representative of the President of the Council of Ministers for Africa noted that the stimulus packages in the developed world included infrastructure building components and was of the view that the same should apply to Africa in order to create jobs and to boost economic growth in these difficult times.

Africa's infrastructure finance gap remains a major challenge

Despite the financial crisis, ICA members kept their 2008 commitments¹ to infrastructure projects in Africa at the same level as the previous year at around **US\$ 12 billion**². The final figure is expected to be slightly higher and will be released after receiving data from all members.

¹ Commitments include ODA and non-concessional lending to the whole of Africa from ICA member donor agencies and development banks

² A full breakdown will be provided in the 2008 Annual Report of the ICA

Africa's infrastructure is still lagging behind. The deficit is holding back per capita growth by 2 percentage points 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. 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. This includes putting in place good policy, legal and regulatory frameworks, improving the performance of state owned enterprises and maintenance of existing infrastructure. The remaining financing gap is thus estimated to be US\$20 billion per year.

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 a number of quick win projects that were presented at the Summit. The final declaration of the Summit stressed the need for accelerating the pace of implementation of infrastructure projects. The leaders showed strong political commitment to addressing the development challenges in Africa. They endorsed 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. Preparation of PIDA will be as inclusive as possible including the elaboration of the terms of reference. It will be informed by the AICD, sub-regional master plans and existing growth diagnostic studies. The AU Commissioner invited ICA members to participate in the PIDA steering committee as members and to the technical committee as observers.

The financial crisis is affecting investments in infrastructure in Africa.

A joint PPIAF/ICA workshop was held a part of the annual meeting to assess the impact of the financial crisis on the infrastructure sector globally and in Africa in particular. Speakers provided evidence to show that projects continue to reach closure but at a slower pace than 2007. Projects are mainly being impacted through higher cost of financing, delays and cancellations due the withdrawal of commercial lenders. The transport and energy sectors are most affected. 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. Multilateral development banks and development finance institutions will continue to be key finance providers but will require fresh capital to effectively respond to the financial crisis. The participants noted that the World Bank, IFC and the African Development Bank have designed and launched emergency facilities in this regard.

Italian Risk Mitigation Initiative

In the context of the crisis there will be greater demand for risk mitigation instruments. 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. Emphasis will be placed on increasing the flow and quality of projects to match the level of risk acceptance by the private sector.

Making use of the ICA's "convening power"

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 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.

Building on its original mandate, the ICA committed to use its convening power to scale up its project brokering role at the programme level to help find financing solutions and shorten lead times to financial close. DFID's support to the North South Corridor jointly promoted by COMESA, EAC and SADC was cited as an example of an opportunity for Consortium members to lead on project brokerage and to operationalise the principles of the Paris Declaration at the regional level.

Members recognised that effective partnerships between the public and private sectors are key to enhancing project 'bankability' and even more so during the current financial crisis. Establishing a credible pipeline of projects will demand a significant effort and require creativity and flexibility from all stakeholders. It also calls for operationalising the 'tunnel of funds' concept between different project preparation facilities and exploring new opportunities such as the clean energy funds.

Looking forward

From a general perspective, members opted to pursue an "enhanced status quo" strategy based on ICA's current objectives, with facilitation, catalytic, coordination and monitoring roles. Most participants saw a useful role for ICA in brokering collaboration at a program or sectoral level (as in the case of the ICA/US Treasury symposium on the African power sector) rather than at a project level. Furthermore, future work will include more effective communication using tools such as an interactive website and GIS platform, continued outreach to other sources of finance, and making use of synergies with other infrastructure related initiatives.

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 membership. Several suggestions were made on activities to be undertaken moving forward. These will be prioritised against the main objectives set for ICA with a focus on results. The performance indicators linked to the renewed objectives will establish the basis for future evaluations of ICA.

The new strategic plan will reposition the Consortium to address the issues and opportunities identified by stakeholders. This would cover information sharing, policy and technical analysis and advocacy aimed at removing blockages, monitoring of disbursements in addition to commitments, strengthening partnerships with other initiatives and players such as the EU Africa Infrastructure Trust Fund and the NEPAD IPPF, continuing its work at the interface between ICA members and



African partners in support of the African vision and PIDA, supporting members' initiatives, securing stronger engagement from key donors, and defining how the ICA will engage the private sector.

Many participants showed strong interest in the provision of reliable, in-depth intelligence on infrastructure needs, potential projects and projects in development, in particular investment-ready projects. The need to build better knowledge and understanding of what is happening in infrastructure in Africa came up repeatedly.

Extension of the AICD to all countries and its sustainability will be a key activity. Members were informed that the AfDB had allocated resources for the extension of the study to more countries and is preparing for an eventual migration of the database. France confirmed its contribution of 200,000 Euros for the 2nd Phase of AICD. Germany will provide 300,000 Euros for the study in addition to nominating a secondee to the ICA Secretariat for a period of three years. DBSA offered to host the launch of the AICD flagship report in South Africa in November 2009.

The need for predictable human and financial resources to deliver on the activities of the Secretariat was underlined. The proposed 2009 to 2012 work plan and associated skills requirements and budget of the ICA Secretariat will be circulated for comments and commitments of financial or in-kind support. It will include initiatives to be led by members, for example the offer from Germany to lead on coordination of water sector activities among ICA members. Where required, adjustments will be made to the operating procedures to ensure smooth implementation of the work plan. It was agreed that those who actually finance the Secretariat, in cash and through secondments should come together once or twice a year to discuss operational issues and provide more hands-on guidance.

The targeted date for completion of the process of validating and approving the new work plan is 31 July 2009.

Venue and date of the next meeting

The next annual meeting of the Consortium is provisionally scheduled for early 2010. The exact date and venue will be confirmed by the Secretariat.