Infrastructure Consortium for Africa (ICA) – information note, March 2006

Summary

Infrastructure Consortium for Africa (ICA) was inaugurated at the end of 2005 – the Secretariat is now up and running at the African Development bank (AfDB). Several key donors have committed significant additional resources. An ad-hoc meeting of the Consortium will take place in Tunis on April 11 2006, to help make progress on Consortium commitments, in advance of the next full meeting in June.

Progress so far

1. Consortium Secretariat

The Secretariat is now up and running African Development Bank. For the UK, Andrew Roberts, has been seconded from the Department for International Development. The secondment forms part of the $20m committed by the UK, over 3 years, to help with the initial work of the ICA. Future secondments from Japan and the World Bank are likely to follow soon, with the aim that these individuals are in place in time for the June meeting in Addis.

The early work of the Secretariat will focus on getting communications networks up and running, developing a draft work program for the Consortium in 2006, and delivering successful April and June meetings.

2. Additional funding for African infrastructure

Progress on financing has already been made. Key donors have already announced new resources, or signalled their intention to increase resources, amounting to around an **additional $2.0 billion annually**, until 2008 – see table 1. This is made up from:

- World Bank has substantially scaled-up its financing for SSA infrastructure. IDA commitments to SSA infrastructure more than doubled over the period 2001 to 2005. Under IDA-14 the World Bank has pledged to increase financing to an annual average of $2.4 billion, compared with $1.4 billion during the IDA-13 period, while both IFC and MIGA are committed to doubling their support to SSA infrastructure during the IDA-14 period.
- The European Commission could provide an additional €270 million per year under EDF 10 if current spending levels on infrastructure are maintained[1].
- On the 9 February, the European Commissioner for Development and Humanitarian Aid, Louis Michel, announced the launch of a Trust Fund, in support of the EU-Africa Partnership on Infrastructure. In the start-up phase (2006-2007) the Commission intends to mobilise up to €60 million in grants and the European Investment Bank up to €260 million in loans for the operation of the Fund. Participation in the Trust Fund is open to EU Member States, their Development agencies, and financial institutions. It has the potential to significantly increase resources to infrastructure in Africa.

[1] Approximately 25% of EDF 9 or €3.4bn (over 5 years) was committed to infrastructure in ACP countries. There may be scope for a greater proportion of EDF 10 (€22.7bn over 6 years) to infrastructure in Africa.

- The African Development Bank allocated $1.05 billion to infrastructure under ADF 9 (2002 – 2004); this has risen to approximately $2 billion (loans and grants) under ADF 10 (2005 - 2007)[2].
- Japan has committed $1bn of JBIC loans and $40m in grants to the private sector arm of the African Development Bank (ADB) in the form of a trust fund called the Enhanced Private Sector Assistance for Africa (EPSA). Japan has proactively undertaken an analysis of infrastructure projects on the NEPAD Short Term Action Plan (STAP) and short-listed 14 as possible to receive Japanese funding.
- In the US, around half of the value of compacts either signed or in discussion with the Millennium Challenge Corporation, is for infrastructure. Some of this money is coming to Africa, with the possibility of more to come as more compacts are agreed on the continent. For example, of the $307m compact recently signed with Benin, infrastructure was a significant component, with support for the rehabilitation of the port of Cotonou. Further, USAID now has a new office for infrastructure, to support their programme of capacity building, technical assistance and local currency credit guarantee. USTDA is providing a financial advisor, a former U.S. Executive Director at the African Development Bank, through NEPAD to assist with investor outreach on some of the priority STAP projects.

Table 1 - Estimated annual infrastructure spend in Africa and estimated additional spend in 2008

Financial source	**Current estimated spend US $ 2004**	**Financial source**	**Additional US$ per year by 2008**
		Multilateral	
World Bank	$1,400	World Bank	$1,000
		EC[3]	$330m (€270m)
		EIB[4]	$300 (€250m)
African Development Bank	$1,049	African Development Bank	$230m
Total bilateral ODA commitments (includes EC commitment)[5]	$1,500	**Bilateral[6]**	
		USA	$200m
		Japan	$250m
	$3,949m		**Estimated total in 2008 = $2,310m**

Others

The estimated additional $2bn per year for African infrastructure from traditional donors, does not include the significant amounts of new money are being poured into the sector by China, India and some Arab countries. For example, India recently invested $500m in Sudan and China over $2bn to Angola. These investments are linked mainly to extracting natural resources. Engaging with these donors will be a topic for the ICA to discuss in the coming months.

[2] ADF resources only, not total Bank spend to the infrastructure sector.
[3] Assumes same 25% percentage spend on infrastructure of EDF 10 resources, the same % as EDF 9
[4] Member States still to agree to the use of EIB's own resources in Sub-Saharan Africa
[5] Source OECD
[6] Key bilateral sources of funding only and averaged over 5 years. Figure excludes potential contribution from International Finance Facility.

The private sector
Whilst many African countries are not very conducive places to do business, the private sector's assessment is cautiously positive, and investment levels would appear to be increasing. The Consortium has engaged (UK funded) a niche infrastructure consultancy, which routinely structures project finance deals in Africa, to provide for the ad-hoc meeting in April, an overview of current public and private sector financing trends, highlighting some successes and key constraints.

Partner governments
Partner governments are giving greater emphasis in second generation Poverty Reduction Strategies to economic growth, and the need for infrastructure to support growth. The results of the Africa Infrastructure Country Diagnostic study, will be important in enabling governments to target increased investments and ensure adequate provision in public budgets.

The Public Investment Corporation of South Africa is in the process of setting up, with other African countries, a Pan-African Infrastructure Development Fund. Public pension funds in Africa will provide the seed capital. 10 of the 14 targeted funds are in SSA, comprising $81.3bn. The initial fund size, to be established in 2006, will be $1bn, with a target size of $4bn.

3. Analytical work in support of Consortium outcomes

The inception meeting of the Infrastructure Consortium in May 2005 identified the need for a diagnostic study to synergise with NEPAD's Medium to Long Term Strategic Framework (MLTSF). The meeting requested the World Bank to develop terms of reference for a "Diagnostic Study" covering country specific issues, to complement the MLTSF.

Africa Infrastructure Country Diagnostic Study

The Africa Infrastructure Country Diagnostic Study will generate a quantitative assessment of the state of Africa's infrastructure – drawing on national level data across infrastructure sectors. The data will be aggregated to inform both national and regional decisions - facilitating accountable, efficient, equitable and fiscally sustainable resource allocation decisions. An advisory, including representation from the NEPAD Secretariat and the AU, will also be established to support the development of these complimentary studies. The advisory board will also oversee the development of an overall synthesis document to integrate the national and regional level findings.

A full team has been put together for the study and work is progressing well. By June, the team hopes to be able to report the initial results on the detailed sector specific diagnostics of investment needs and policy issues (access, affordability, quality and governance). This work is being conducted in close collaboration with the sector specialists of the WB, AfDB and the EU, as well as the RECs, through regular consultation processes.

A newsletter, to be issued shortly by the World Bank, will report in more detail on progress being made.

NEPAD's Medium to Long Term Strategic Framework (MLTSF)

The contract for this study is scheduled to be awarded by March 31. The African Development Bank has approved a grant of $2.5m to finance the study and four firms/consultancies have been shortlisted. The balance of funds for the study is financed by the Nigeria Technical Cooperation Fund.

The MLTSF, which represents the second phase of the two-pronged approach adopted to address the objective of NEPAD in infrastructure development, will provide a coherent, strategic framework that will serve as the basis for defining, implementing and monitoring infrastructure development on the continent. The MLTSF will involve the definition of sub-regional strategies as well as a continental strategy for the sustainable development of infrastructure in the five sub-regions of the continent. It will be carried out in a participatory manner and will involve close consultations with the African Union, the RECs, countries, specialized infrastructure agencies, the NEPAD Secretariat, and development partners.

4. Ad-hoc meeting of the Consortium, Tunis, April 11

In advance of the next full ICA meeting, in June, the President of the African Development Bank, Donald Kaberuka, has agreed to host a seminar aimed at ensuring progress on Consortium commitments in advance of the next full meeting in June.

5. Consortium meeting, Addis Ababa, June

The next full meeting of the ICA in June, will be hosted by the AU in Addis Ababa, Ethiopia