

INFRASTRUCTURE PLANNING AND FINANCING NEEDS

The AfDB Perspective



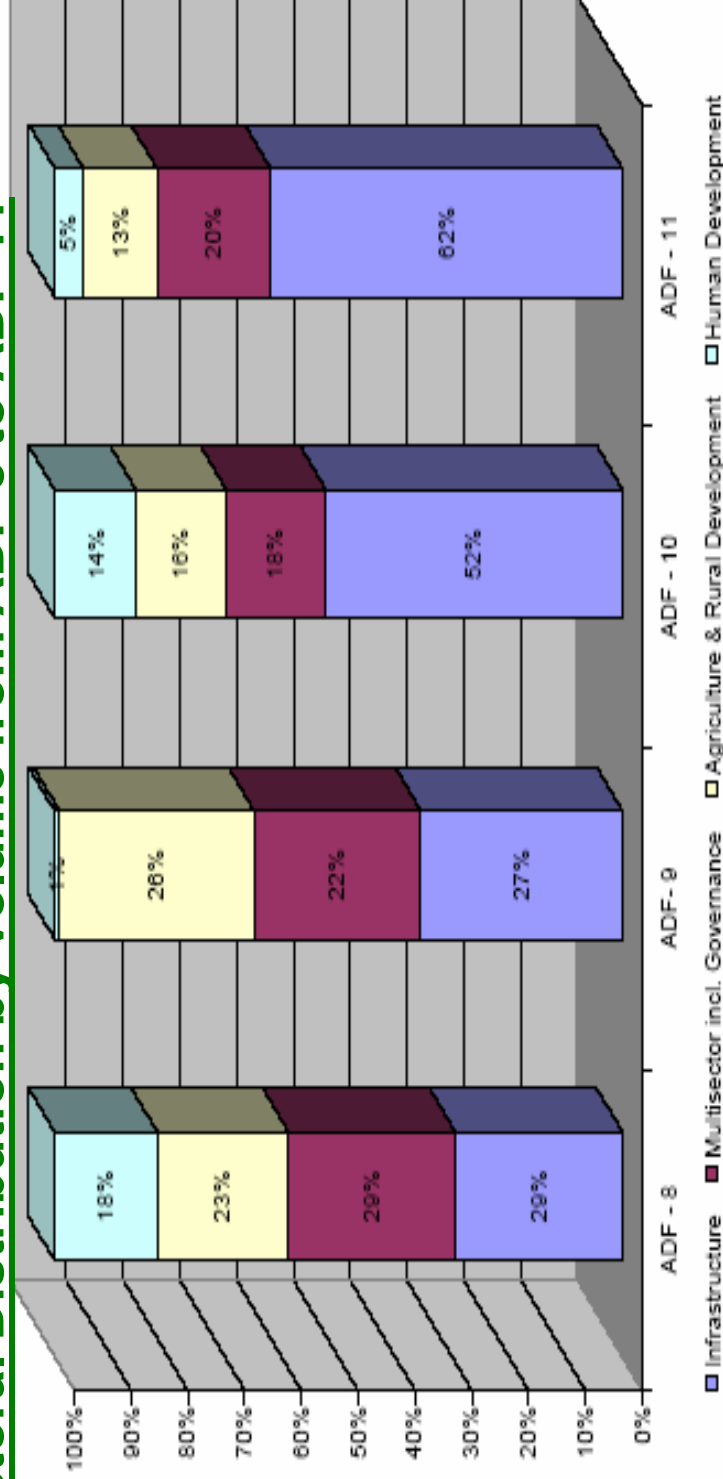
ICA Annual Meeting – Session 6
Tokyo, Japan
March 13th, 2008

OUTLINE

- ADF FINANCING RESOURCES
- LEVERAGING CO-FINANCING OPPORTUNITIES WITH NON-ICA MEMBERS (CHINA, INDIA AND ARAB FUNDS)
- LEVERAGING CO-FINANCING OPPORTUNITIES WITH THE PRIVATE SECTOR
- LONG-TERM SUSTAINABILITY ISSUES AND FOCUS ON RESULTS

INFRASTRUCTURE IS A CORE PRIORITY FOR THE BANK....

Sectoral Distribution by volume from ADF 8 to ADF 11



The Bank allocated \$1.05 billion to infrastructure under ADF 9 (2002 – 2004); this has risen to approximately \$2 billion (loans and grants) under ADF10 (2005 - 2007) and will reach more than US\$ 5 billion under ADF 11. In addition, 17,5% of ADF 11 to support regional operations was agreed.



LEVERAGING CO-FINANCING OPPORTUNITIES WITH NON-ICA MEMBERS

Formalize collaboration through elaboration of MoU with key institutions

- Enhance dialogue at the country and regional levels
 - Joint missions
 - Knowledge sharing through joint ESW, co-sponsored training
 - Promote parallel financing opportunities
- Engagement with China Eximbank (visited the Bank), Korea Eximbank, China Dev Bank and India Eximbank. Similar efforts is envisaged for Brazil, Russia and others.
- Concerted efforts to resource mobilization e.g. Joint ICA/AfDB/NEPAD/DBSA mission to Arabs Funds, (planned for April 08)
- Encourage them to contribute to the NEPAD IPPF multi-donor TF and to finance multinational flagship projects.



LEVERAGING CO-FINANCING OPPORTUNITIES WITH THE PRIVATE SECTOR

- ▶ Elaborate innovative approaches to enhance infrastructure projects delivery (PPPs) -
 - BOOT
 - Concessions
 - Management Contracts
 - Maintenance Contracts
 - Etc
- The Bank is launching a PPP strategy- ToR available
- Use of innovative schemes in financing projects
- Crowd-in private equity funds for infrastructure projects delivery
- Mobilization of domestic resources – pension schemes, Stock markets, Insurance Companies
- Development of risk mitigation mechanisms to encourage more private sector participation

LONG-TERM SUSTAINABILITY ISSUES AND FOCUS ON RESULTS

- **Sustainability issues to be addressed**
 - Substantial maintenance requirements (US\$ 20 billion per year) compounded with insufficient financial resources
 - Cost overruns in infrastructure: unusual prices increase in construction contracts since 2004, i.e. in Lesotho +91% , Uganda +133% for road contracts
 - Insufficient, below-requirements public financing for maintenance
 - Weak institutional arrangements (regulation, cost sharing,)
- **The Bank** has completed a study on cost overrun and is launching a study on Governance and Efficiency incentives for State Owned Enterprises (SOEs) in the infrastructure sector- ToR under finalization
- **The Bank focuses on results under the ADF 11 in the following areas:**
 - **Development effectiveness:** particularly in governance, regional integration, private sector development, infrastructure provision and new technology.
 - **Institutional effectiveness** (Key reforms needed to strengthen the focus on results)
 - **Quality at entry** (The provision of baseline data on expected outcomes will be a top priority of the Fund)
 - **More effective decentralization and harmonization** (Field offices coordination and harmonization role in line with Paris Declaration)

THANK YOU FOR YOUR ATTENTION

