



AFRICAN DEVELOPMENT
BANK GROUP

Financing Transport for Growth in Africa **3rd to 4th December 2007, Tunis**

Outcomes Statement

A meeting under the theme “Financing Transport for Growth in Africa” was held in Tunis from 3rd to 4th December 2007. The meeting was organised by the Infrastructure Consortium for Africa (ICA), with the support of the African Development Bank.

The meeting brought together one hundred and twenty high-level representatives from both the private and public sectors. Project investors, contractors, operators, transaction advisors, concessionaires, banks, donors and African institutions held fruitful discussions with country-level sponsors on transport infrastructure projects from across the continent that require financing now and in the medium term. The meeting also offered an opportunity to review recent developments in the transport sector in Africa.

Participants were welcomed to the meeting by the African Development Bank’s Vice-President for infrastructure Mandla Gantsho. In his opening statement the President of the African Development Bank, Donald Kaberuka, emphasised the important link between Africa’s economic competitiveness and of scaled-up infrastructure investment on the continent, and his expectation that the meeting would review appropriate business models for private participation in the development of sustainable infrastructure. Speaking on the same occasion, the Director of Planning and Studies of the Tunisian Ministry of Transport, Mr Wissem Gaida Majoub delivered a keynote address on the Tunisian experience of the participation of the private sector in accelerating Tunisian transport projects.

In the months preceding the meeting the ICA Secretariat worked with a team of project finance specialists to undertake a large-scale screening of transport projects. A shortlist of priority projects ripe for private sector investment, in particular through public-private partnerships, was presented.

Summary of the discussions

Based on detailed discussions around upcoming projects, case studies and presentations on cross-cutting issues:

Finance as a constraint

Infrastructure scale-up will require a much greater focus on public-private partnerships (PPPs). African Governments need to be in the driving seat when developing PPP strategies. A Governments' continuous commitment and adequate capacity during the preparation, the bidding and the execution phases of projects are key and especially important in regional projects where coordination issues are complex.

With few exceptions, local capital markets in Africa are currently not suited to financing transport infrastructure and mismatched to debt tenors which are on average only 180 days in Sub-Saharan Africa, with a maximum of 3 to 5 years in certain markets. High transaction costs are also hampering the development of an efficient market. For example Kenya Telecom – a sub-LIBOR borrower – would have to pay 7% transaction costs to access the capital markets.

Governments need to develop an equity market first, and then develop the debt side. The success of the Kenya stock exchange which has grown from 45,000 to 1 million investors in 3½ years is testament to local appetite. Development Finance Institutions continue to have an important role to play in market development and risk mitigation under PPPs.

Enabling Environment

Governments are responsible for the private sector enabling environment. Legal and economic stability, especially where there is 'regime change', are crucial to enable risk to be priced appropriately and for deals to be sustainable.

Transparent and predictable regulation are also a key factors in attracting private investment in regulated infrastructure segments.

Risk

Engaging with the private sector early in the project lifecycle to ensure clarity on project scope and boundaries is essential to appropriate risk allocation and fair pricing of infrastructure service provision.

The payment risk for the private sector is a key financial sustainability issue. New guarantees now exist to compensate potential payment state breaches in case of state compensation subsidy.

Expectations risk is often high when the private sector takes over concessions characterised by years of public-sector under investment. Effective partnerships based on open dialogue are important as well as appropriate communication to stakeholders about private and public respective commitments under PPPs.

Sustainability

Infrastructure needs to be sustainable. Expenditure in Africa on maintenance of public assets is far below what is required to sustain the present network,

addressing the problem by operating business units involving private sector partnership has to be explored more.

There are a growing number of 'social PPPs' which have shifted from initial concessions ("user-pays") to "government-pays" models, with or without transfer of traffic risk to the private sector. It enables the public sector to better ensure reliability of services as long as availability payments are honoured.

Public and private users are willing to pay for quality of service e.g. road tolling is socially acceptable in most countries, provided there are alternative routes. The Government's role is to ensure the fairness of the pricing and to promote the right investment conditions.

Termination and Contractor Default

Dispute resolution, termination and contractor default are always major negotiation points. Flexibility is key with appropriate due diligence during the preparatory phase.

Ultimately, the risk is carried by the State. Lenders will not finance where there is no termination payment guarantor beyond the project's Special Purpose Vehicle (SPV) since the SPV – by definition – has no other assets. Governments need to price this risk whilst ensuring public interests are protected.

Road safety

Africa has the world's most dangerous road network. Economic costs currently amount to US\$10 billion – or 2 percent of GNP, with road traffic fatalities forecast to increase by 80% by 2020.

ICA members and representatives from African Governments took note of the recommendation by the Commission for Global Road Safety that a minimum of 10% of all road infrastructure investment should be committed to road safety.

Key Outcomes

- The meeting was successful in promoting dialogue between sponsors of transport projects and the private sector regarding a number of priority projects. An open dialogue on both financial and political commitments needed to take these projects to financial close took place.
- The need for PPPs to help fill Africa's infrastructure gap was promoted. A greater number of PPPs deals will require strong commitment from countries to ensure the appropriate allocation of risk and increased support for this from

development partners. The meeting heard from several on-going and successful examples.

Next Steps

- The ICA Secretariat will continue to promote priority and short-listed project details to the private sector.
- To support the preparation of new PPPs the ICA secretariat is working on a user-friendly guide for country-level project promoters which will highlight best practice in the preparation and packaging of information for bankable projects. This guide should be available in 2008.
- The ICA Secretariat will track projects presented at the meeting (priority and upcoming) and report on progress in 2009.

Annex 1 - priority projects presented at the meeting

Annex 2 - next steps on priority projects

Annex 3 – upcoming projects

Copies of all project briefs, presentations and opening statements are available on the ICA website (<http://www.icafrica.org>).

Annex 1: List of priority projects

Project Name	Country	Project Type	Promoter
Enfidha Port	Tunisa	Port	Mrs. Zeinab M'Rad Babbou Director, Department of Maritime Affairs Ministry of Transport
Djibouti Ethiopia Railway	Djibouti, Ethiopia	Rail	Mr. Atnafseged Kifle Director, International Relations Ministry of Transport and Communication
Mohammedia Port Container Terminal	Morocco	Port	Mr. Elkhal Hassani Director, Infrastructure and Public Works National Ports Agency
Kazungula Bridge	Botswana-Zambia	Bridge	Mr Remy Makumbe Director, Infrastructure Department SADC Secretariat
Mayumba Port	Gabon	Port	Mr Henri Daguino Technical Advisor Ministry of Maritime Affairs
Winelands Toll Road	South Africa	Road	Mr. Nazir Alli Chief Executive Officer South African National Roads Agency SANRAL
Wild Coast Toll Road	South Africa	Road	
Second Nile Crossing at Jinja	Uganda	Bridge	Mr Jeremy Bassy Aguma Transport Economist Road Agency Formation Unit (RAFU) Ministry of Works and Transportation

Annex 2: Next steps on priority projects

Container Terminal Port of Mohammedia

The feasibility study conducted by the Ports' Agency is yet to be made publically available. The transport sector in Morocco experienced legal and regulatory reforms in 2006, notably a partial liberalisation and the splitting of the former single public entity of the port sector, the Office des Ports (ODEP). The two new entities are:

- Societe D'exploitation des Ports (SODEP), the operational entity
- Agence Nationale des Ports (ANP), the strategic and regulatory entity

Container traffic growth in the Port of Casablanca, which handles over 90% of current traffic in the country, has experienced 20% growth from October 2006 to October 2007, which would support the need for an additional capacity in the Casablanca-Mohammedia area, which are a mere 25 km apart.

The project is a new terminal of an existing port and not a new port in itself. The authorities in Morocco expect the new Tangier Med Port to divert 25% of the container traffic from the Casablanca-Mohammedia area, a share insufficient to affect the economic and financial viability of this project.

Kazungula Bridge

The project is jointly and equally owned by the Governments of Botswana, Zambia and Zimbabwe, and promoted through a Joint Steering Committee (JSC) of the three countries at Permanent Secretary level. At working level there is a separate Project Implementation Committee. The development of the project is being funded by the African Development Bank to the tune of US\$4 million.

Following a procurement process initiated in March 2007, it is expected that the next set of consultancy contracts will be awarded in January 2008. These consist of three separate Lots, namely Feasibility and Detailed Engineering (Lot 1), Financing Options (Lot 2) and the smaller Support for the SADC Secretariat which hosts the JSC (Lot 3). The tender attracted a great deal of interest (37 EOIs, 17 bids for Lot 1 and 15 bids for Lot 2). The identity of the winning bidders is still confidential. SADC hopes the work will be completed by December 2008.

JSC are open minded as to the implementation method for the project, including the option of implementing it through traditional Government procurement methods i.e. without involving the private sector. Design and financing options are being developed in parallel and it is unclear when the project will be tendered.

Deep Sea Port of Mayumba

The Government of Gabon has secured financing from the Islamic Development Bank for a feasibility study which is already underway. The study will address all aspects including technical, economic, financial, legal, social and environmental issues. The study is being carried out by Studi for the access road and bridge,

Sogreah for the port and Gide for legal issues. The Port project benefits from strong Government support and is expected to be operational in 2011 under a BOT scheme. The final feasibility study is expected to be published in April 2008.

Enfidha Deep Sea Port

In line with the modernisation of its port infrastructure and in consideration of the growth of container transshipment traffic in the mediterranean basin, the Tunisian Government intends to construct a deep seaport at Enfidha in the form of a full BOT. A call for expression of interest from firms and consortia specialised in the development and operation of such terminals was published on 14 December 2007. The closing date for the submission of expression of interest is 31 January 2008.

Second Nile Crossing at Jinja

The project is at concept stage. A few issues have been identified in the initial appraisal studies but additional studies are required. The intention will be to toll the second crossing to HGVs and repair the current crossing and retain as untolled and for light vehicles only.

The Second Crossing could not be thought of as a domestic only project, but a designated domestic link in the context of the regional Northern Corridor. This would allow Uganda to access additional funding for the feasibility studies and, potentially, the implementation.

South African Road Toll Roads:

Winelands Toll Road and Wild Coast Toll Road

These projects are very high on the agenda of the South African National Roads Agency (SANRAL) and will be carried out regardless of the private sector role – though as they are actively seeking a private investor. SANRAL does not provide any government guarantees or minimum traffic guarantees. During the bidding process, 3 candidates are pre-qualified, of which 2 or even 3 are pre-selected and invited to submit a best and final offer. SANRAL relies on a point system to rate all best and final offers and negotiates with the sponsor putting forward the best offer. The main points that are negotiated include termination and force majeure clauses.

Annex 3 – Upcoming projects

Project Name	Country	Project Type	Contact
Integrated Transport Project	Botswana	Road	Supee Teravaninthorn <i>Lead Transport Specialist</i> <i>World Bank</i> Tel : (+1) 202-473-4981 Email : steravaninthorn@worldbank.org
Douala and Yaounde National Airports	Cameroon	Airport	Andre Ndongo <i>PRSSAC Management Unit</i> <i>Coordinator</i> <i>Cameroon Civil Aviation Authority</i> Tel: (273) 230 47 66 Email: apndongo@yahoo.fr
Kinshasa and Brazzaville Bridge	DR Congo, Congo	Rail, Road, Bridge	Godwin Punungwe <i>Transport Advisor</i> <i>NEPAD Secretariat</i> Tel: +27 11 313 3353 Email: godwinp@nepad.org
Rosso Bridge	Mauritania, Senegal	Bridge	Una Clifford <i>European Investment Bank (EIB)</i> Tel: +352 4379 3326 Email: u.clifford@eib.org
Banjul Port	Gambia	Port	Peter Sturmheit <i>Transportation Engineer</i> <i>AfDB</i> Tel: +216 7110 3667 416 Email: p.sturmheit@afdb.org
Mombasa Bypass	Kenya	Road	Anil Bhandari <i>Senior Adviser</i> <i>World Bank</i> Tel: +254 20 3226421 Email: abhandari@worldbank.org
General Cargo Port Operations	Tanzania	Port	Dieter Schelling <i>World Bank</i> Tel: +255 22 218 3279 Email: dschelling@worldbank.org
Thika Project	Kenya	Road	Anil Bhandari <i>Senior Adviser</i> <i>World Bank</i> Tel: +254 20 3226421 Email: abhandari@worldbank.org
Kampala Bus Rapid Transit Project	Uganda	Public Transport	Jeremy Bassy Aguma <i>Transport Economist</i> <i>Ministry of Works and Transportation</i> Tel: +256 31 233100/ +256 41 318000/ +256 31 2 233215 Email: jagumba@rafu.or.ug
Kampala-Entebbe Road Alternative	Uganda	Road	

