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Infrastructure for Inclusive Growth

Financing Infrastructure

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Shaping sustainable futures

Africa's infrastructure needs are high

- Needs for Infrastructure finance notably in power is undisputed.
- Opportunities are there :
 - High GDP growth
 - Ability and willingness of African citizens to pay.
 - Many African countries are undertaking sector reforms.
- Financial resources will have to come from domestic and external, public and private resources.

2.1 Project pipeline

- Lots of project ideas in the pipeline
- Studies submitted to donors regularly have serious shortcomings. Donors play an increasingly active role in project development.
- Few well structured and bankable projects

Obstacles to mobilizing private sector resources

- Private sector's risk appetite is fairly limited.
- private participation remains selective focusing on most financially viable and less risky projects.
- Long term visibility, contractual security and risk allocation is crucial to attract private financing

Regional integration is necessary but add complexity

- Infrastructures in Africa are inherently regional
- This characteristic add difficulty, involving different actors, jurisdictions and multiple procurement authorities
- The structuring and development of regional projects are more complex and is time-consuming.

Infrastructure financing scheme differ by sector and country

- No “one size fits all” solution : the right financing structure will depend of the country’s institutional environment and sub-sector business models.
- Support is needed upfront to improve the legal and institutional framework.
- A mix of financial tools at the project level : guarantee, sovereign, non sovereign, commercial, concessional, grant for TA, equity, etc.

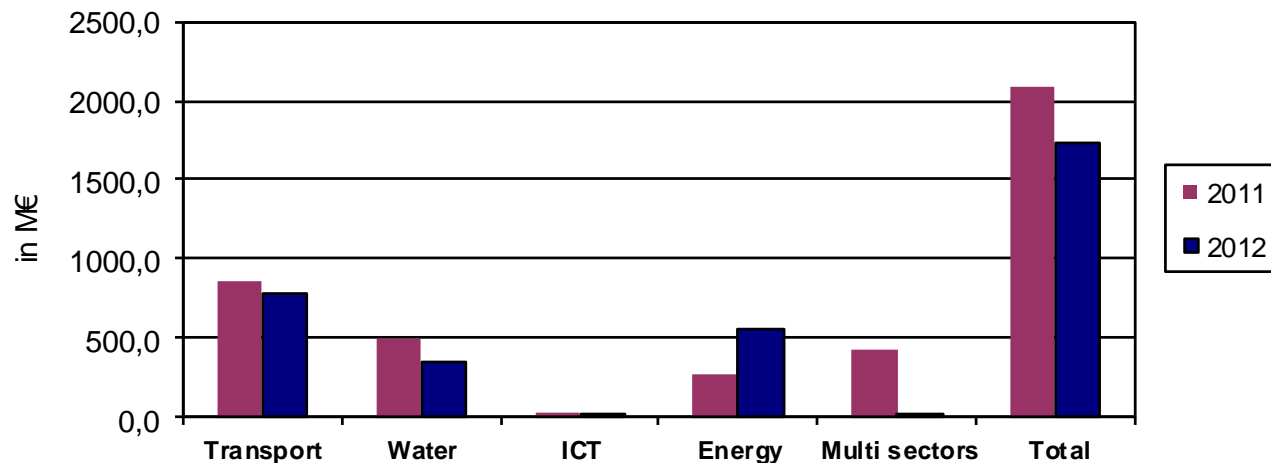
- ODA is important both as a direct financier and as a catalyst of private investments.
- Maximize the synergy between private and public donors :
 - more partnership and harmonized practices, example Mutual reliance Initiative
 - pooling instruments: grants and loans; public and private
- New and additional financing tools.
- Adopt integrated infrastructure development approach

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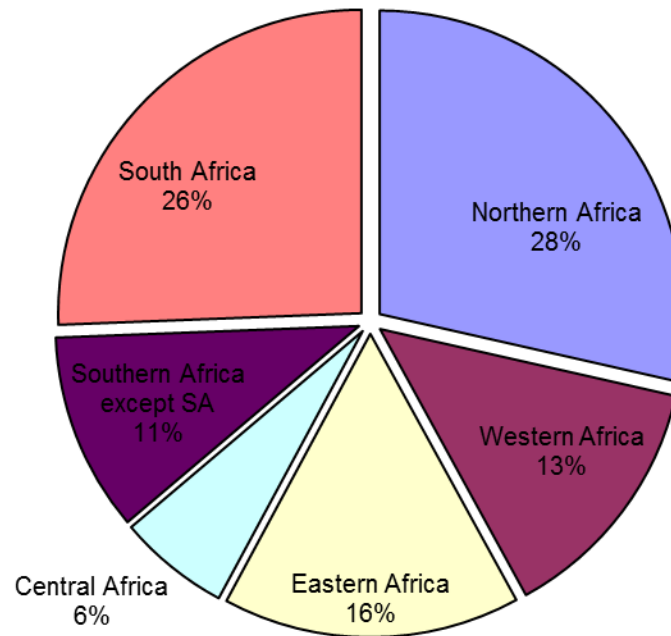
AFD activities in the infrastructure in Africa

- Total AFD commitments in infrastructure projects in Africa for 2009 and 2010 :
 - 2011 : 2,1 billion EUR of which 0,5 billion EUR in North Africa
 - 2012 : 1,7 billion EUR of which 0,6 billion EUR in North Africa

AFD commitments in Africa by nature of infrastructure



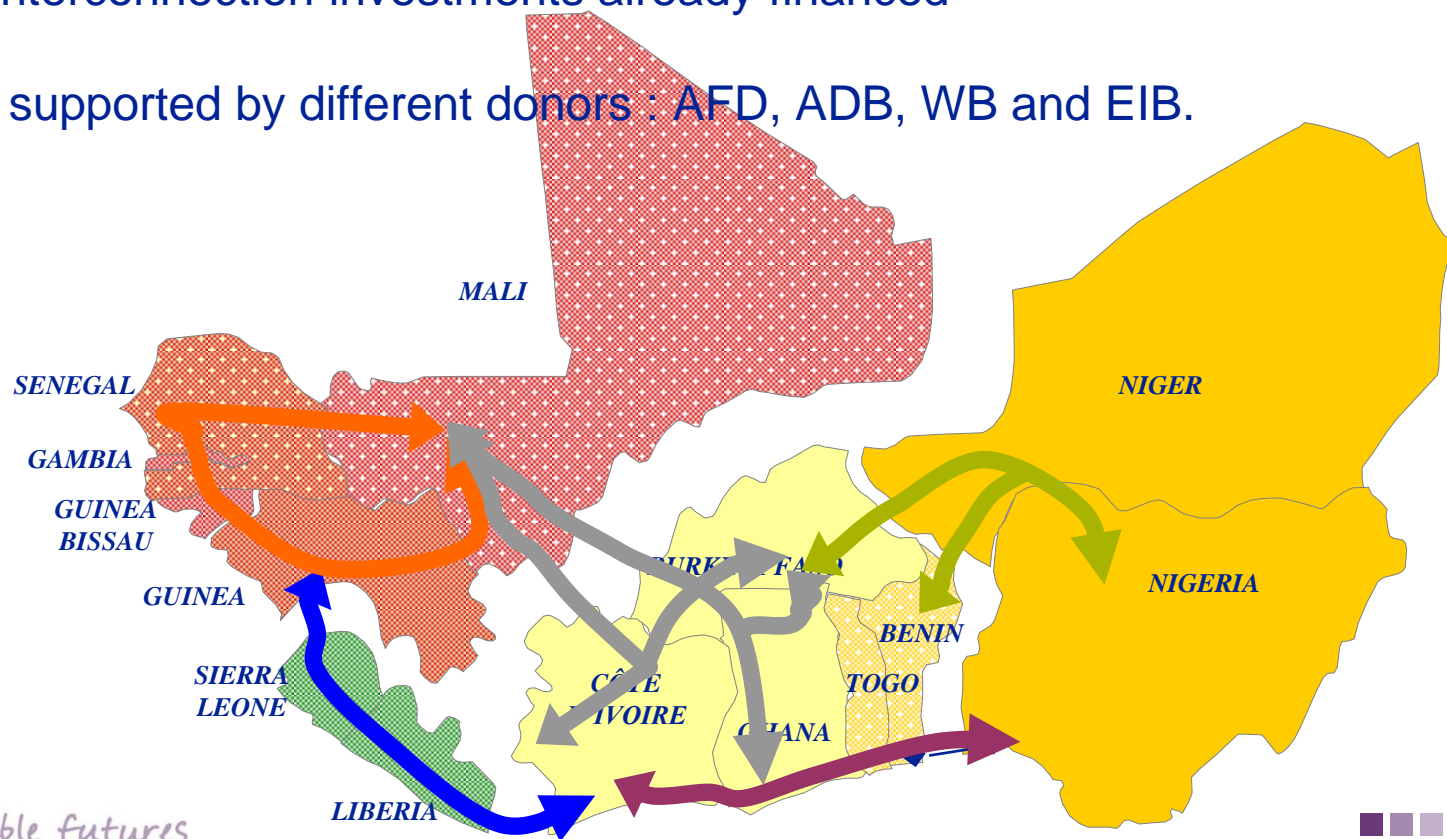
AFD commitments for infrastructure by region in Africa



5.2

WAPP : power interconnection projects

- WAPP objective : create a regional power market
- Regional Master plan and action plan established
- Multiple interconnection investments already financed
- Program supported by different donors : AFD, ADB, WB and EIB.



5.5 Port of Pointe-Noire – Congo Brazzaville



- Objective : increase the Port traffic
- Investments to extend and improve the port infrastructure
- Financing Plan : 166,2 M€
 - Investment : AFD (non sovereign), EIB, BDEAC (local currency), Public authority, private concessionaire
 - Technical Assistant (2,5 M€) : AFD, and European fund
- Container terminal private concessionaire
- Signature of an agreement between the government and the lenders.

Bujagali: Public-Private Partnership (PPP)



Context

- Very low electrification rate in Uganda: 9% on an average
- Since 2001, strong energy demand, matched through the use of emergency thermal power plants, leading to an increase of electricity prices for the end users
- Strong increase of demand: +6.3% per year since 2001
- Number of load shedding multiplied by 3 since 2001.

Project

Type: Renewable Energy / Hydropower

Country: Uganda

Commitment Year: 2007

Project Cost:

USD 872 M

Concession duration:

30 years

Main stakeholders:

- AKFED
- Sithe Global Power

Content and Financing

- **Financing of a 250 MW hydropower plant:**
 - PROPARCO loan: 17-year USD 50 M senior + USD 10 M subordinated loans
 - AFD soft loan: USD 12 M of with subsidy is used to finance some extensions to the project: rural electrification, access to drinking water of neighboring population and erosion prevention
 - Co-financing with IFC, EIB, AfDB, FMO, DEG, commercial banks

Impacts

- **PROPARCO / AFD synergy**
- **Economical Impact**
 - Generation cost per kWh is divided by 2
 - Fiscal revenues (USD 300 M) and creation of direct local employment (1,100)
- **Environmental Impact**
 - Reduction of CO₂ emissions (minus 1.5 million tons per year)
 - Run-of-river plant reducing flooded area



Beyond blending with the EC facilities: blending under PIN/PIR in Burkina Zagtouli project

- Zagtouli
 - *Ouagadougou (à côté poste 225 kVs)*
 - *30 MW centrale PV*
 - *UE : 25 M€ (PIN)*
 - *AFD, BEI : prêts concessionnels (22,5M€ chacun)*
 - *UE « Lead » (MoU en cours) = procédures européennes*
 - *Y compris clause d'origine (ACP-UE)*



Priorities and strategic orientations

■ Energy :

- Access is the first priority for Africa : projects under preparation in Niger, Ouganda, Kenya, Bénin, Mauritania, Zambia, Ghana
- Hydropower development : projects in preparation : Adjarala, Kandadji, RuziziIII, etc.
- Regional integration : power interconnection, Mali / Burkina/Ghana; Senegal/Mauritania; Kenya/Tanzania
- Improve the performance and financial situation of national Utilities : technical assistance and political dialogue

■ Transport :

- Urban public transport : Bus Rapid Transit (BRT, example Nigeria, Ethiopia) ; Light Rail Transit (LRT, examples Casablanca)
- Non urban railway transport : only when dense freight traffic and good governance. Priority to rehabilitation of existing links (Camrail, Sitarail, CFCO)
- Port / Airport : excellent sectors for PPP. Airport (Ethiopia, Kenya) Port (Mauritius,



Thank You
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