

Towards Expanded Investment in Regional Infrastructure - Increasing



Public-private partnership





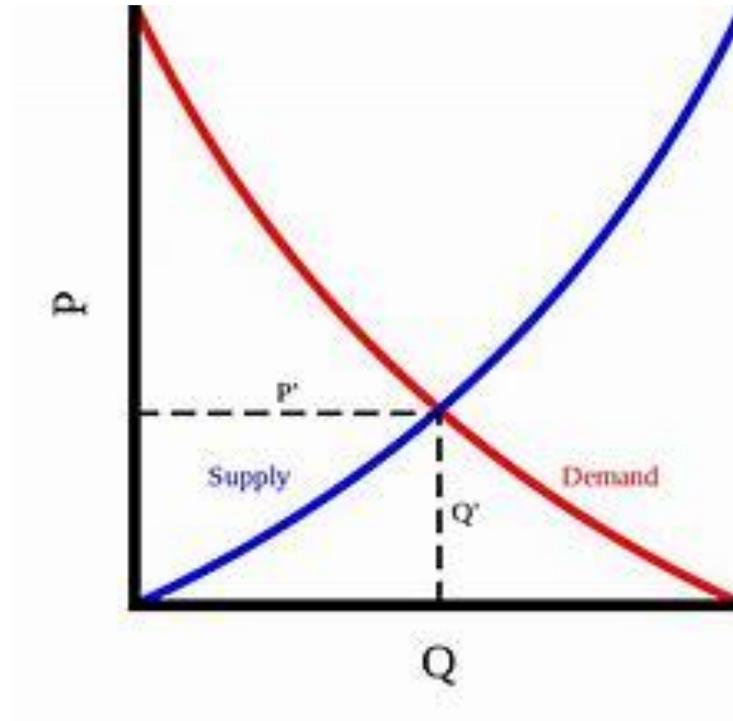
“Traditionally Infrastructure has been the exclusive province of the public sector because of its public good aspects. With few Exceptions the public sector has been costly and inefficient provider of infrastructure” (Harvard Institute for International Development)



The SAD Reality

1. Most public utilities are insolvent and heavily subsidised by the State
2. Millions and Millions of people are without Access to Safe Water,
3. Millions and Millions of people without Access to adequate Sanitation
4. Millions and Millions Discard waste without proper treatment
5. Millions and Millions of People do not have access to Power
6. Urban Infrastructure is so deficient that Traffic Jams have become a norm





With population growth, urbanisation and income growth, the demand for infrastructure is growing and the Gap between demand and supply is ever increasing



WHY DEMAND FOR QUALITY RESILIENT & SUSTAINABLE INFRASTRUCTURE

1. Infrastructure stocks have a positive effect on long-term growth, and a negative impact on income inequality
2. Quality Infrastructure is the key factor to International Competitiveness,
3. Most landlocked Countries, Economy is based on Agriculture. Agriculture sector is highly dependent on energy, telecommunications, water security and transportation and so there is a close alignment between improving infrastructure and global development.
4. If farmers in the continent are to produce enough food to feed a growing population, whilst also sustaining a living from agriculture, sufficient infrastructure needs to be in place. Infrastructure can connect farmers with global markets, linking them to the inputs needed for the sector to survive





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Infrastructure Funding Gap



- The numbers speak for themselves. If Africa is to unleash its true economic potential, \$170 billion is needed every year in infrastructure investment, (African Development Bank)
- Some other Schools of Mathematics will say Africa needs to inject close to \$93 Billion every years
- But current (\$56b) and expected future levels of investment are far short, making infrastructure...



Not Public Alone

- Governments suffer from constrained public budgets, multilateral institutions and donors have acted as a major source of funding for infrastructure projects. However, these traditional sources cannot fully meet the high financial requirements by themselves, as recently acknowledged in a report by the World Bank (2013).



Tested and Tried?

- Focus on outputs
- PPPs make projects affordable
- Better value for money over the lifetime of the project
- More efficiency in procurement
- Faster project delivery with more projects in a defined timeframe
- Risks are allocated to the party best able to manage the risk
- Off balance Sheet financing



Successful Cases of PPPs







The other Model





DANGER

80

STL

ACID

2P

1830

80

20

BCA 1545

AJC 8955 T





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**Increasing Public-Private
Partnership Toward Expanded
Investment in Regional
Infrastructure**





TARIFF

- Cost reflective tariffs vs the power of the Vote. Public pressure encourages policymakers to hold prices below costs, resulting in services that operate at a loss and require that funds be diverted from other programs,
- In most instances due to public pressure, the cost of the good is not reflective to the cost. Mostly in the Energy Sector, however there instances in some sectors where the cost in itself is an over kill
- Cost reflective does not mean an overkill – Case study of one Border Post in Southern Africa Under PPP



Example

	Minimum Number of Trucks per Day (\$300)	Average Number of Trucks per Day (\$450)	Maximum Trucks per day (\$900)
Monthly	900 000,00	1 350 000,00	2 700 000,00
Yearly	10 800 000,00	16 200 000,00	32 400 000,00
PPP Duration	270 000 000,00	405 000 000,00	810 000 000,00



Project Information Document (PIM)

The image is a blue-tinted photograph used as a background for a title. It features a laptop keyboard on the left side, partially obscured by a rolled-up blueprint. The blueprint is unrolled in the foreground, showing technical drawings with various lines, circles, and alphanumeric labels. A pen is also visible, resting on the blueprint. The overall scene suggests a professional or technical environment.

Project Information Document

- Zero/No data/ Low Quality Information on infrastructure projects being showcased.....
- Where there is information document, the Information becomes a treasure, it cannot be easily shared with the Investors
- Something has to be transferred between individuals!



Bankable Project – Project Preparation

It is Only a Fool who tests the depth of a River with Both Feet

- It's not that there's a lack of money either. Institutional investors have more than \$100 trillion in assets under management globally. A small fraction could easily plug Africa's financing gap. The list of investment hotspots is also getting longer, with seven visible leaders including South Africa, Rwanda, Kenya, Ethiopia, Egypt, Morocco and the Ivory Coast.



Bankable Project – Project Preparation

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1. “The actual hurdle is ‘bankability’, and the challenge that investors face in identifying and structuring bankable projects,” explains Ibrahim Sagna,
 - “The second set of challenges relates to government aptitude. In most cases they own the jurisdiction and the asset, so they need to guide the regulations and concessions, as well as kick start the agreement. All too often political agendas create hurdles for transactions.”

CREATE A PIPELIN OF BANKABLE INFRASTRUCTURE PROJECTS -



Increasing Public-Private Partnership Toward Expanded Investment in Regional Infrastructure

- Consultations

- Feasibility studies are particularly useful tools to determine the extent and desirability of public participation in a given infrastructure project – that is, whether the project is amenable to private sector involvement or whether it would be better suited to traditional infrastructure procurement (based on the “design-bid-build” approach). The feasibility study should therefore include a complete risk analysis. Indeed the greater the degree of private sector involvement, the larger the transfer of risks from the public to the private actor
- Project preparation should also involve adequate consultations with end-users and other stakeholders prior to the initiation of the project, preferably at the planning stage. Indeed private participation in infrastructure is unlikely to be successful unless authorities have assured themselves beforehand that the envisaged undertakings are in the public interest and are acceptable to consumers and other stakeholders.

e - Tolls



Wayforward

- Rigorous preparation process
- Bankable feasibility study
- Balanced risk allocation & regulation
- Conducive enabling environment
- Main policy actions to promote long-term investments Government support for long-term investments: designing policy measures that are supportive of long-term investing The limited number and sporadic nature of investment opportunities in the infrastructure sector are perceived as the main barrier preventing investors from including infrastructure in their long-term investment strategy.



Bureaucratic procedures and fragmented decision-making - **NDPs**

- To Transform the region into a dynamic global hub for business, investment and innovation Fast-track economic development by enabling private-sector growth. A true one-stop shop for potential and current investors in is a MUST.
- Projects Should not be Politically Driven rather they should be Drivers of the Economy and Regional Integration – Inclusion of the Projects in the **NDPs**



*Thank you
for your Attention*

