



Strategic Dialogue on Advancing Infrastructure Development in Africa *Technical Meeting*

25 – 26 June 2018, Victoria Falls, Zimbabwe (Elephant Hills Hotel)

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Concept Note

About the Dialogue

The *NEPAD Dialogue on Advancing Infrastructure Development in Africa* (Dialogue) is a multi-stakeholder consultation aiming at defining concrete policy recommendations for Africa's leadership that advance infrastructure projects implementation under the umbrella of the Programme for Infrastructure Development in Africa (PIDA). The dialogue is structured around specific instruments developed by the NEPAD Agency to drive the critical components of infrastructure development on the continent focused on project preparation and the mobilization of private investment.

The 2018 Dialogue will focus on three work streams: (1): How to mobilize African institutional investment for infrastructure development in Africa through the *NEPAD 5% Agenda Campaign*; (2) Options to scale risk mitigation and operationalize an effective African Guarantee Scheme that enables the mobilization of institutional investment and private finance for African infrastructure projects; and (3): How to create the foundation for the bankability of transboundary projects, including how to enhance the role of the PIDA Service Delivery Mechanism (SDM) in early stage project preparation.

The 2018 Dialogue is a NEPAD initiative led by the Regional Integration, Infrastructure and Trade Program (RIITP) that contributes to other policy sectors such as industrialization and job creation.

Objectives, structure, format of the event, and participant contributions

This two-day meeting will bring together representatives of development finance institutions, private sector experts, Regional Economic Communities, infrastructure project authorities, and Project Owners. The Dialogue will first deliberate on the technical modalities involved in scaling of risk mitigation for private investment in Africa's Infrastructure, including African institutional investment. Secondly, the meetings will discuss the operational modalities of early stage project preparation to deal the complexity in bringing regional projects to bankability.

In terms of the specific sessions, the first day (25 June) will begin with a session on mobilizing institutional investment for infrastructure development in Africa. The session will build on initial research on the financial potential of Pension and Sovereign Wealth Funds to invest into Africa's Infrastructure. The day will close with brainstorming on the required steps to scale risk mitigation for infrastructure projects. The second day (26 June) will be devoted to the challenge of project



preparation. Starting with a session on regional infrastructure for development and job creation, the day will close with a discussion on how to enhance the bankability of PIDA Projects.

The objectives of the different sessions are provided below.

Session 1: NEPAD 5% Agenda: Mobilizing institutional investment for African infrastructure

The objective of this session is to discuss the financial potential of Pension and Sovereign Wealth Funds to invest into Africa's Infrastructure, as well as possible implementation strategies and concrete action steps.

Session 2: Guarantee and Risk Mitigation Scheme enabling institutional investment and private finance of infrastructure projects, funds, and vehicles

The objective of this session is to discuss challenges and modalities towards scaling risk mitigation and an African Guarantee Scheme to enable the mobilization of African pension fund investment for African infrastructure.

Session 3: Regional infrastructure for development and job creation

The objective of this session is to demonstrate the potential of PIDA Projects in terms of job creation and share NEPAD's approach in estimating the potential for job creation. The session will also facilitate discussions between NEPAD, partners, and stakeholders on the Toolkit and ways it can be used to advance the development and finance of regional infrastructure and job creation.

Session 4: PIDA Service Delivery Mechanism (SDM): Early stage project preparation for infrastructure projects in Africa

The objective of this session is to:

- Inform Project Owners on the operational modalities of the SDM and how they can benefit from its services;
- Through case study presentations, identify best practices in early stage project preparation of cross-border projects;
- Enhance partnerships among Project Preparation Facilities; and
- Discuss key challenges and possible SDM solutions.

Session 5: How to create the foundation for project bankability at the early stage of preparation?

The objective of this session is threefold. First, the session will discuss the complexity of the institutional landscape of transboundary projects and how it affects the investability of such projects. Secondly, through group discussion, the session aims to set forth best practices and practical action steps from experts, DFIs, and investors on ways to achieve bankability. Finally, this session will identify challenges and solutions through case studies from projects in the SADC North South Corridor Programme, with a focus on Railway Projects and the EAC Multimodal Corridor.



Programme

Day 1	
8:30-9:00	Registration & Breakfast
9:00 – 9:05	Welcome - Mr. Elias Masilela, Executive Chairman, DNA Economics
9:05 – 9:45	<p>Opening Session: Mobilizing public commitment and political leadership to advance regional integration and sustainable development through infrastructure</p> <p>Resolute sustained political will and leadership are required to close the estimated US\$108 billion annual infrastructure deficit in Africa,¹ Regional infrastructure projects are required to increase cross-border trade and investment, and increase Africa’s ability to be globally competitive and access both regional and international markets. Delivering on regional infrastructure requires heightened and sustained political leadership in order to address the project development issues that limit access to capital. Projects need to be “bankable.” Addressing project viability and governance gaps is critical to mobilize the very high levels of public and private investment required for Africa’s infrastructure.</p> <p>The requirement for political leadership is demonstrated by the number of projects across the continent, such as the Sambangalo hydropower project in Senegal, the Zambia-Tanzania-Kenya Transmission line, the Ghana 1000 Power Project, and the Batoka Gorge Hydro-Electrical Scheme in Zimbabwe and Zambia. PIDA is the continental priority framework endorsed at the Heads of State level to advance regional integration and advance economic growth nationally and regionally through infrastructure development. Initiatives such as the Presidential Infrastructure Champion Initiative provide platforms for high level political advocacy and coordination that are essential for developing and financing the successful regional infrastructure projects required for Africa’s development.</p> <p>Opening Remarks:</p> <ul style="list-style-type: none"> • Mr. Symerre Grey-Johnson, <i>Head of Regional Integration, Infrastructure and Trade, NEPAD Agency</i> • Mr. Mike Salawou, <i>Head of Infrastructure Partnerships, AfDB</i> • Eng. Munyaradzi C. Munodawafa, <i>CEO, Zambezi River Authority</i> • <i>Director, Ministry of Transport and Infrastructural Development, Zimbabwe</i> <p>Short discussion (Q & A)</p>
9:45-10:15	<p>Reality Check Talk: Mr. Elias Masilela on Making Public Private Partnerships work for sustainability</p> <p>According to the World Bank, by 2040 the urban population in Sub-Saharan Africa will reach over 900 million people, more than the double the current population of 400 million. The rapid population growth combined with migration and the urbanization trends will require significant public and private investment in infrastructure development across the continent. As underscored by the Sustainable Development Goals (SDGs), investments in infrastructure constitute a</p>

¹ *African Economic Outlook 2018*, African Development Bank, 2018, page XV.

	<p>cornerstone for sustainable development. However, it is critical that the approach to these investments be in alignment with the underlying principles of sustainable development and economic growth. Public-Private Partnerships (PPPS) can be scaled up in alignment with the SDGs, provided African governments increase their coordination with the private sector in developing bankable infrastructure projects and address project viability gaps.</p> <p>During this session, Mr. Masilela will address the importance of PPP for infrastructure development and provide ideas on how to scale public private partnerships for infrastructure development and finance in alignment with the SDGs.</p>
10:15-10:45	Break
10:45-12:30	<p>Session 1: NEPAD 5% Agenda: Mobilizing institutional investment for infrastructure development in Africa Moderator: Mr. Elias Masilela, Executive Director, DNA Economics</p> <p>Pension and Sovereign Wealth Funds (SWFs) have emerged as the ideal financing source to bridge Africa’s infrastructure gap. However, for pension funds and SWFs to be able to invest in large-scale infrastructure projects in Africa, a variety of issues need to be addressed to strategically facilitate long-term allocations. In some cases, regulatory frameworks that control institutional investment in Africa need to be modified. Most importantly, new capital market products and investment vehicles need to be developed that can effectively reduce the risk of infrastructure assets, enabling African institutional investors to allocate finance to investment vehicles that serve to finance African infrastructure.</p> <p>Building on the guidance and recommendations of the Continental Business Network (CBN), NEPAD initiated a campaign to increase the allocations of African institutional investors to African infrastructure from its low base of approximately 1.5% of Assets under Management (AUM) to an impactful 5% of AUM. The overall objective of this campaign is to develop a concrete and feasible roadmap to increase allocations of African institutional investors to African infrastructure to the 5% target. Building on input from key stakeholders, this roadmap needs to define concrete steps, actors, accountabilities, timeframes, and expected outcomes to notably increase institutional investment in Africa’s infrastructure. A key focus is on regional PIDA infrastructure as a key mandate of the NEPAD Agency.</p> <p>Objectives: The objective of this session is to discuss <i>the financial potential of Pension and Sovereign Wealth Funds to invest into Africa’s Infrastructure, possible implementation strategies, and concrete action steps. Experts will contribute towards the issues and possible solutions presented by Mr. Robert Okello.</i></p> <p>Presentations:</p> <ul style="list-style-type: none"> • Brief on NEPAD 5% Agenda, Mr. Symerre Grey-Jonson, <i>Head of Regional Integration, Infrastructure and Trade, NEPAD Agency</i> • Presentation on the financial potential of Pension and Sovereign Wealth Funds to invest into Africa’s Infrastructure, Mr. Robert Okello, <i>Consultant</i> <p>Discussants:</p> <ul style="list-style-type: none"> • Mr. Ahmed Attout, <i>Chief Investment Officer, Capital Markets, Financial Sector Development Department, AfDB</i> • Mr. Mike Salawou, <i>Head of Infrastructure Partnerships, AfDB</i>

	<ul style="list-style-type: none"> • Mr. Michael Kottoh, <i>Managing Partner of Konfidants and Co-founder of AfroChampions</i> • Ms. Mapatane Kgomo – <i>Partnership Specialist for South Africa, DBSA</i> <p>References:</p> <ul style="list-style-type: none"> • AU-NEPAD Continental Business Network (CBN) 5% Agenda Report: <i>Mobilising Domestic Pension and Sovereign Wealth Fund Capital for PIDA and other African Infrastructure Projects through Institutional Investor Public Partnerships (IIPPs)</i> • The NEPAD Continental Business Network (CBN) Report: <i>De-Risking Infrastructure and PIDA Projects in Africa</i>
12:30 - 14:00	Lunch
14:00-16:00	<p>Session 2: Scaling risk mitigation and an African Guarantee Scheme enabling institutional investment and private finance of infrastructure projects, funds, and vehicles</p> <p>Moderator: Dr. Barbara Samuels, <i>Executive Director, Global Clearinghouse for Development Finance (GlobalDF)</i></p> <p>Experts estimate that approximately US\$108 billion² is required annually to close the infrastructure deficit in Africa. This alarming infrastructure finance gap reflects the continent’s urgent needs and is fully recognized by the development community. It is understood that this deficit will not be bridged without private sector finance. However, the track record of securing private sector funding for African infrastructure has been poor, reaching less than US\$100 billion in 2017 according to the World Bank PPI Database. Moreover, given Basel III, reduced long-term bank debt is available for infrastructure projects.</p> <p>Institutional investment has emerged as a potential important source of funding. The match is in theory aligned as institutional investors are faced with a low interest rate environment and infrastructure projects provide them with a predictable, inflation-adjusted cash flow that has a low correlation with existing investment returns.</p> <p>However, the key obstacle to mobilizing institutional investment and private finance in infrastructure is the perception and actual level of unacceptable risks. In fact, the range of risks is large – risk of nonpayment, political risk in changing contractual terms, risk of performance of service and management, project development, commercial risk, etc. Furthermore, this situation is all the more aggravated by a major concern with regards to energy projects: The risk of utilities defaulting on their payment agreements. In fact, when investors invest in an energy project, the returns are determined by the payments under the Power Purchase Agreement (PPA) for power produced and sold to the “off-taker,” which in most cases is an underfunded state utility. This payment risk is often unacceptable to investors given the poor track record of utility payments.</p> <p>A common approach for risk mitigation of off-taker payment risk is a guarantee from a creditworthy third party entity (usually an AAA-rated development agency). Therefore one solution for mitigating payment risk would be the scaling</p>

² African Economic Outlook 2018, African Development Bank, 2018, PP XV

	<p>up of such guarantees by acceptable investment grade institutions.</p> <p>Although there are many guarantee instruments that support Africa’s infrastructure, the current spectrum of guarantee instruments are partial guarantee instruments with varying conditionality and complex requirements for qualification and access. To address this investment blockage, the providers of guarantees including Development Finance Institutions (DFIs), bilateral development partners, and private sector insurers, need to have a candid practical discussion on how to scale and accelerate access to viable risk mitigation solutions, especially for large regional projects.</p> <p>The <i>NEPAD 5% Agenda</i>, aimed at increasing African institutional investments to 5% of Assets under Management (AUM) to African infrastructure, cannot be realized without operationalizing effective risk mitigation instruments. A properly structured approach would need to leverage the existing risk mitigation capacity and think through ways to cover outstanding risks working with private sector insurers in the reinsurance market. Another focus is the need to increase the access and usefulness of such instruments, and ways to apply them to Africa’s large infrastructure projects that are in the process of development. Therefore it is important to discuss how to leverage and harmonize these available resources and mobilize additional resources enabling financial close. This panel therefore aims to engage the technical expertise of risk mitigation providers and experts to define a strategy on how to scale risk mitigation and an <i>African Infrastructure Guarantee Scheme</i>.</p> <p>Objectives: The objective of this session is to discuss <i>challenges and modalities towards concretely scaling risk mitigation and an African Infrastructure Guarantee Scheme</i>.</p> <p>Kick off presentation: Mr. William Lloyd George, <i>Consultant</i></p> <p>Discussants:</p> <ul style="list-style-type: none"> • Mr. Ahmed Attout, <i>Chief Investment Officer, Capital Markets, Financial Sector Development Department, AfDB</i> • Mr. Pizzaro Lukhanda, <i>African Trade Insurance Agency</i> • Ms. Lade Araba, <i>Africa Region Representative, Convergence Finance</i> • Ms. Penny Herbst, <i>Strategic Director, Africa GreenCo</i> • Mr. Cyprian Marowa – <i>Head of Infrastructure Finance, Transport & Logistics, DBSA</i>
16:00-17:00	Conclusions and defining the way forward –Mr. Symerre Grey-Johnson, <i>Head of Regional Integration, Infrastructure and Trade, NEPAD Agency</i>
Day 2	
9:00-10:30	<p>Session 3: Regional infrastructure for development and job creation</p> <p>Moderator: Dr. Barbara C. Samuels II, <i>Executive Director, Global Clearinghouse for Development Finance (GlobalDF) and Vice-Chair, UN FfD Business Steering Committee</i></p> <p>Cross-border infrastructure projects have huge potential that can be leveraged to</p>

	<p>address critical African economic, social, and development challenges. Such Infrastructure would boost regional integration and intra-African trade, and create employment for the continent’s growing and youthful population and the existing workforce. The NEPAD Agency and its partners have developed a scalable methodology to track, estimate and optimize the job creation potential of large-scale infrastructure projects in Africa. This methodology is now being implemented using an on-line Job Creation Toolkit that will allow Project Owners, governments, technical partners, and investors to assess how project design impacts job creation and potential ways to maximize jobs. By documenting the job creation impact of infrastructure, Project Owners can improve access to the strong political and stakeholder support needed to successfully develop and finance infrastructure projects.</p> <p>The Toolkit provides actionable strategies and policy recommendations on how to increase African jobs and skills. In alignment with Agenda 2063 objective of “harnessing the demographic dividend” in Africa, the Toolkit will have a significant impact on evidence-based agenda setting and policy making to create smart synergies between infrastructure projects and activities aimed at advancing job creation, cutting across skills, education, and trade.</p> <p>Objectives:</p> <p>The objective of this session is to demonstrate the potential of PIDA Projects in terms of job creation and share NEPAD’s approach in estimating the potential for job creation. The session will also facilitate discussions between NEPAD, partners, and stakeholders on the Toolkit and ways it can be used to advance the development and finance of regional infrastructure and job creation.</p> <p>Kick off Introduction: NEPAD Job Creation Toolkit: The case of the Batoka Gorge Hydropower Project</p> <ul style="list-style-type: none"> • Mr. Symerre Grey-Johnson, <i>Head of Regional Integration, Infrastructure and Trade, NEPAD Agency</i> • Eng. Munyaradzi C. Munodawafa, CEO, Zambezi River Authority <p>Roundtable discussion</p>
10:30-11:00	Break
11:00-13:00	<p>Session 4: PIDA Service Delivery Mechanism: Early stage project preparation for infrastructure projects in Africa</p> <p>Moderator: Ms. Anna Waldmann, <i>Project Head Infrastructure (PIDA), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH</i></p> <p>Traditionally, Project Preparation Facilities (PPFs) focus on the mid/late stages of project preparation. Consequently many priority national and regional infrastructure projects struggle in gaining support to progress from concept to a point where they meet PPF application criteria. Moreover, as documented in several studies (notably those of the Infrastructure Consortium of Africa), the amount and type of funds provided by PPFs are insufficient to meet the needs of both national and regional infrastructure projects. As a result, the lack of technical and financial capacity during project preparation is recognized as one of the key bottlenecks in enabling regional infrastructure projects to reach financial close.</p>

	<p>The PIDA Service Delivery Mechanism (SDM) was developed and established by the African Union Commission and the NEPAD Agency as a specific instrument to address this challenge. The SDM instrument tackles the lack of technical and financial capacity during the project preparation phase by providing technical advisory to PIDA Projects in the project preparation cycle. SDM’s core mission is to make Africa’s cross-border infrastructure projects technically sound, economically feasible, and politically acceptable.</p> <p>The objective of this session is to:</p> <ul style="list-style-type: none"> • Inform Project Owners on the operational modalities of the SDM and how they can benefit from its services; • Through case study presentations, identify best practices in early stage project preparation of cross-border projects; • Enhance partnerships among Project Preparation Facilities; and • Discuss key challenges and possible SDM solutions. <p>Kick off presentation: Mr. Ibrah M. Wahabou, <i>Manager, PIDA SDM, NEPAD Agency</i></p> <p>Discussants:</p> <ul style="list-style-type: none"> • Mr. Mike Salawou, <i>Head of Infrastructure Partnerships, AfDB</i> • Mr. Desmond Matete, <i>Director for Infrastructure, Infrastructure Development Bank of Zimbabwe</i> • Captain Dieudonne Dukundane, <i>Executive Secretary, Central Corridor Transit Transport Facilitation Agency</i> • Mr. Cyprian Marowa – <i>Head of Infrastructure Finance, Transport & Logistics, DBSA</i>
13:00-14:00	Lunch Break
14:00-16:00	<p>Session 5: How to create the foundation for project bankability at the early stage of project preparation?</p> <p>Moderator: Dr. Barbara C. Samuels II, <i>Executive Director, Global Clearinghouse for Development Finance (GlobalDF) and Vice-Chair, UN FfD Business Steering Committee</i></p> <p>Sub-Saharan Africa’s annual infrastructure investment needs are estimated at 10% of GDP. The issue of bankability of Africa’s priority infrastructure projects constitutes the key bottleneck in attracting private capital to meet the continental infrastructure gap and provide its population with access to affordable basic social services that they currently lack.</p> <p>Indeed, as highlighted by the World Bank’s Public Private Infrastructure Advisory Facility (PPIAF), the key problem is not a lack of funding but rather the lack of bankable projects – which underlines the urgent need for more and better project preparation.</p> <p>The objective of this session is threefold. First, the session will discuss the complexity of the institutional landscape of transboundary projects and how it affects the investability of such projects. Secondly, through panel discussion, the session aims to set forth best practices and practical action steps from experts, DFIs, and investors on ways to achieve bankability. Finally, this panel will illustrate</p>



	<p>challenges and solutions through case studies from projects in the SADC North South Corridor Programme, with a focus on Railway Projects and the EAC Multimodal Corridor.</p> <p>Kick off presentation: <i>Project preparation challenges for regional infrastructure development in SADC, Chelsea Markowitz-Economic Diplomacy Programme, South African Institute of International Affairs</i></p> <p>Discussants:</p> <ul style="list-style-type: none">• Mr. Peter Varndell, NEPAD Business Foundation• Mrs. Odete da Gracia Semiao, Project Coordinator, Ministry of Transport, Mozambique
16:00-17:00	<p>Conclusions and defining the way forward: – Mr. Symerre Grey-Johnson, <i>Head of Regional Integration, Infrastructure and Trade, NEPAD Agency</i></p>

END.