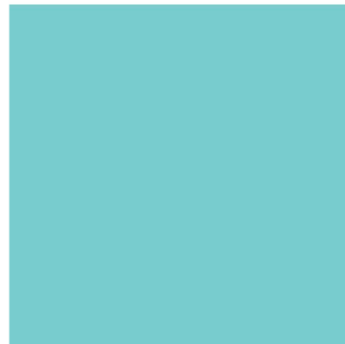


Strategic Dialogue on Advancing Infrastructure Development in Africa - Technical Experts Meeting Victoria Falls, 25-26 June, 2018

Brief on the NEPAD CBN - 5% Agenda Campaign

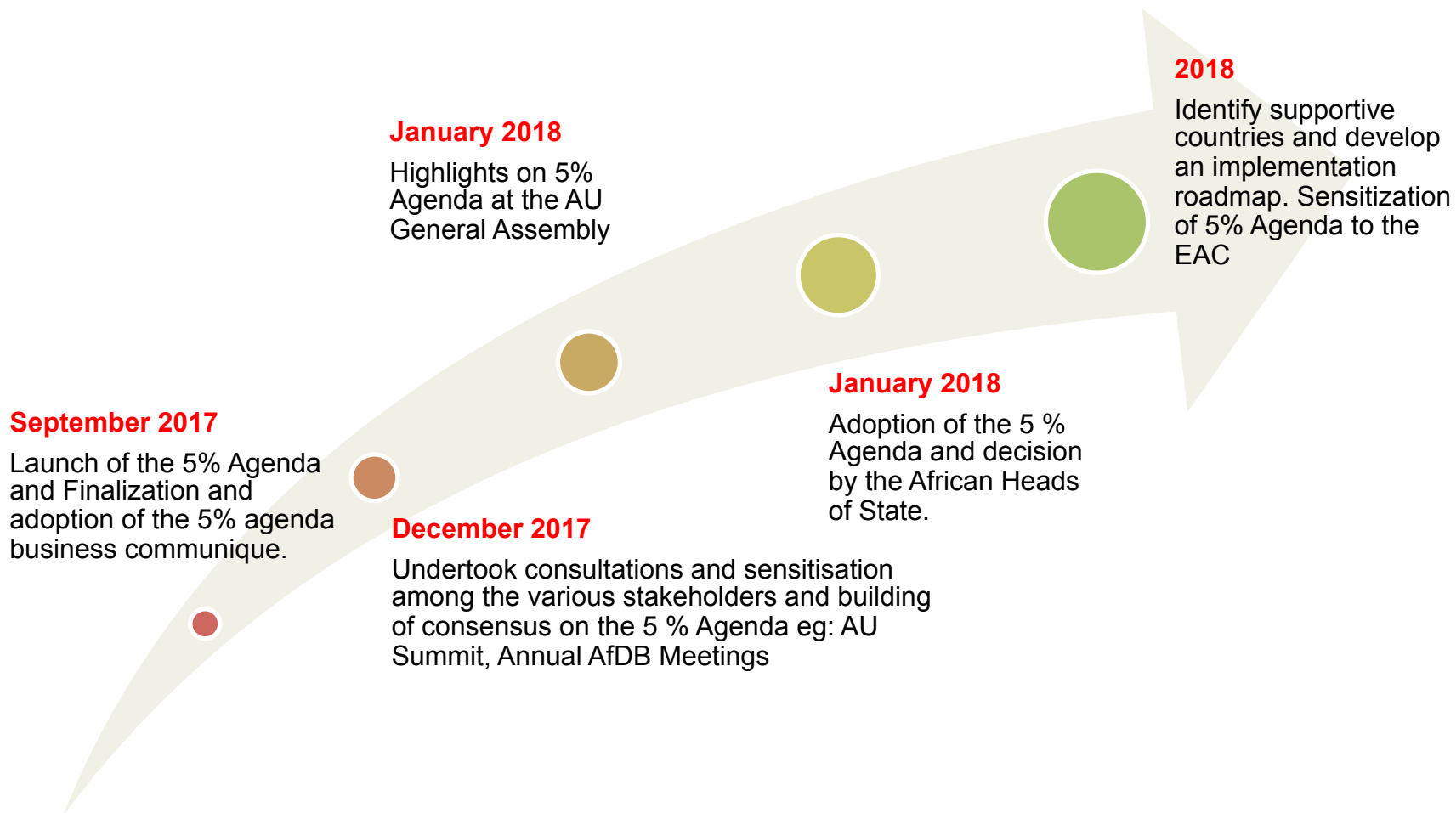
Symerre Grey-Johnson
Head of Regional Integration Infrastructure and Trade Programme (RIITP)



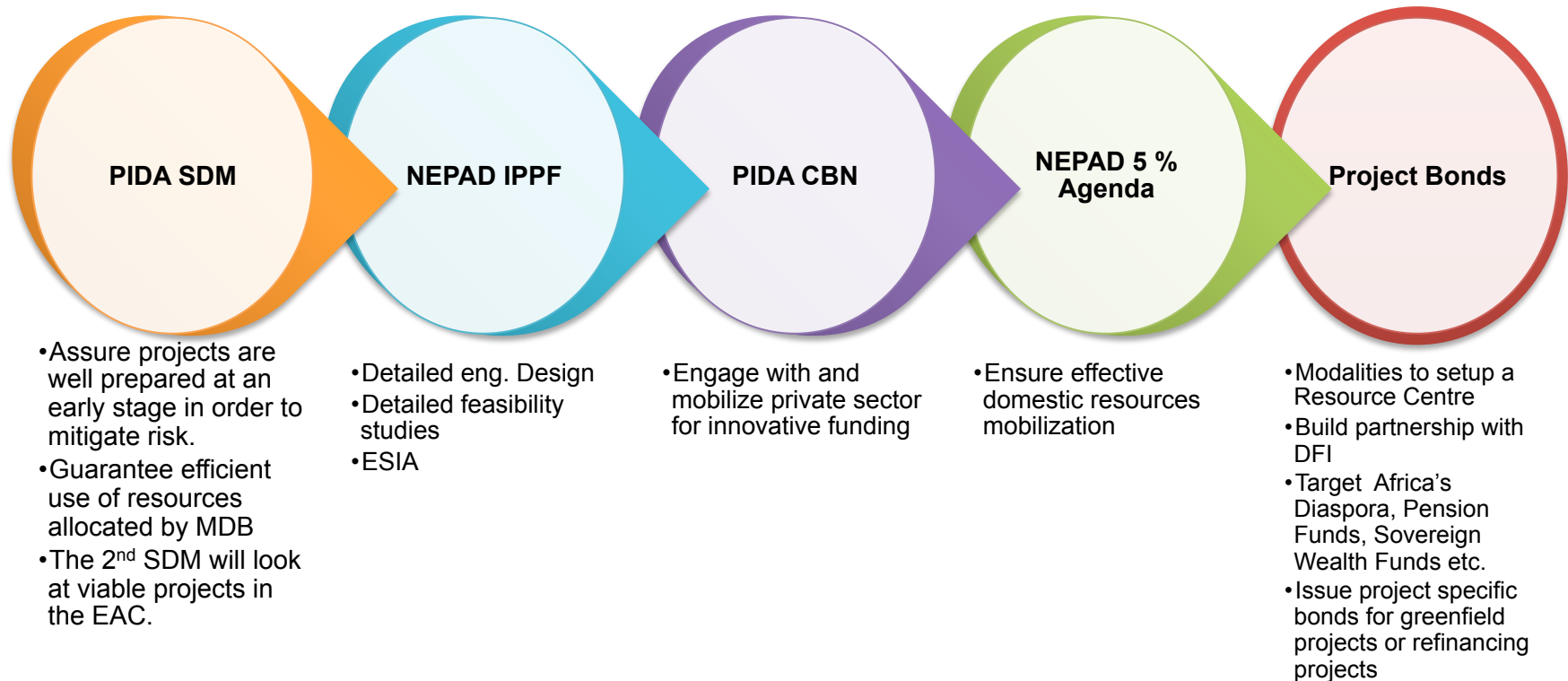
- **Assembly/AU/Dec.508(XXII)** NOTES WITH SATISFACTION the NEPAD Agency's 5% Agenda campaign by the Continental Business Network (CBN), aiming to increase investment allocations by African institutional asset owners, like Pension and Sovereign Wealth Funds, into African infrastructure from its current low base of about 1,5% of assets under management to a more impactful 5%.



Short term roadmap towards the 5% Agenda



NEPAD integrated approach to enhance infrastructure financing



- **Payment Guarantees Mechanism**

1. One of the main concerns from the private sector and obstacles to financing, are the lack of '**Payment Guarantees**' and innovative financial structures to circumvent these issues.
2. The biggest confidence boost a private investor can receive is in the form of a “payment guarantee” or “sovereign guarantee”.
3. As a result, there is need for a guarantee instrument which will normally come from the government’s Ministry of Finance or some equivalent.
4. There are a number of guarantee instruments that support Africa’s infrastructure project structuring. However, all these instruments provide partial guarantee instruments with varying conditionality and complex requirements for qualification and access to funds.



1. NEPAD Agency will play its role of coordination and lead facilitator institution in to gather all the Development Finance Institutions (DFIs) and the Multilateral Development Banks (MDBs) with the sole aim of having a frank and open discussion on the establishment of a and aggregated scheme.
2. Pool all the partial guarantee instruments into a “big facility” that will provide for 100% financial guarantee for institutional investors such as Pension and Sovereign Wealth Funds and Insurance Companies to invest comfortably in PIDA and trans-boundary infrastructure projects.
3. The “big facility” will serve as the guarantee mechanism that will payout in the case of payment defaults by project owners/operators through African Ministries of Finance.



Context

Existing pipeline of champion infrastructure projects in development (PIDA Projects)

+30 existing risk mitigation instruments in Africa

+19 risk mitigation instruments aligned with objective

Importance of individual African infrastructure Projects

Importance of the entire African project portfolio to regional growth

Diverse coverage of projects throughout the continent

Opportunity

Leverage the existing pool of risk mitigation instruments and utilize for the mobilization of African Institutional Investment

Focus the pool of existing risk mitigation instruments on prioritized cross-border projects

- Politically endorsed by African member states of the African Union
- Selected given their high level of economic impact at national and regional levels

Enable effective utilization of existing risk mitigation instruments (currently underutilized)



Why an African guarantee scheme

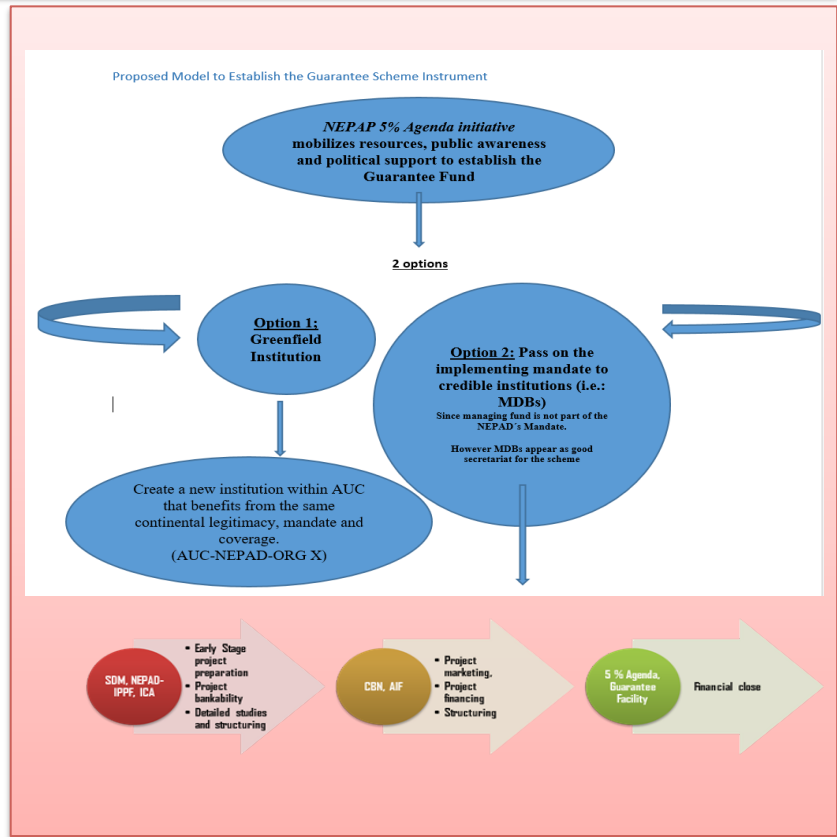
- It is crucial to set an aggregated risk mitigated instrument to provide comprehensive guarantee to enable private sector/ institutional investors to invest in PIDA Projects
- Potential to unlock over US\$25 billion of finance, almost a third of the annual finance required to finance Africa's infrastructure

Proposal

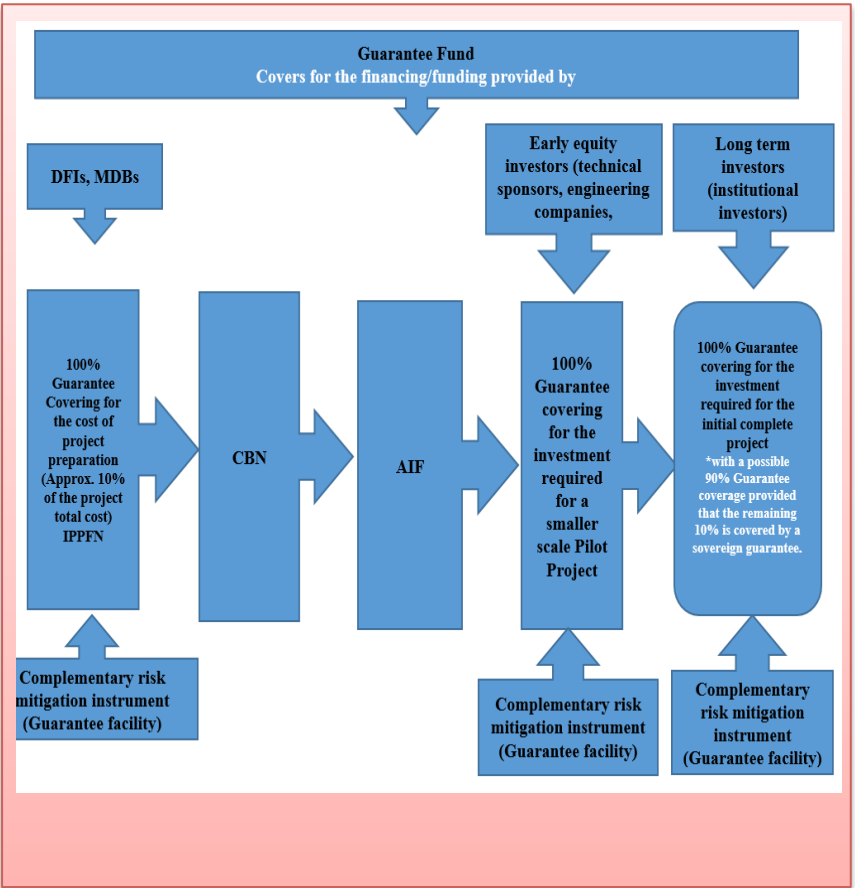
- **Option 1:** Pool all existing risk mitigation instruments streamlining access
- **Option 2:** Select PIDA projects
- **Option 3:** Through the G7 and G20, mobilize new resources into the African Guarantee Facility to cover a greater number of projects
 - Existing schemes earmark a portion of their current guarantee to PIDA Projects
- **Option 4: Blended scheme: sovereign guarantee + aggregated guarantees or a combination of partial guarantees**

Integrated Proposal on the conceptual formulation of the African Guarantee Scheme

Proposed model to establish the Guarantee Scheme



How to conceptualize it



Thank you

