



# **Challenges and Issues of financing infrastructures – Case studies of public-private partnerships (PPP)**

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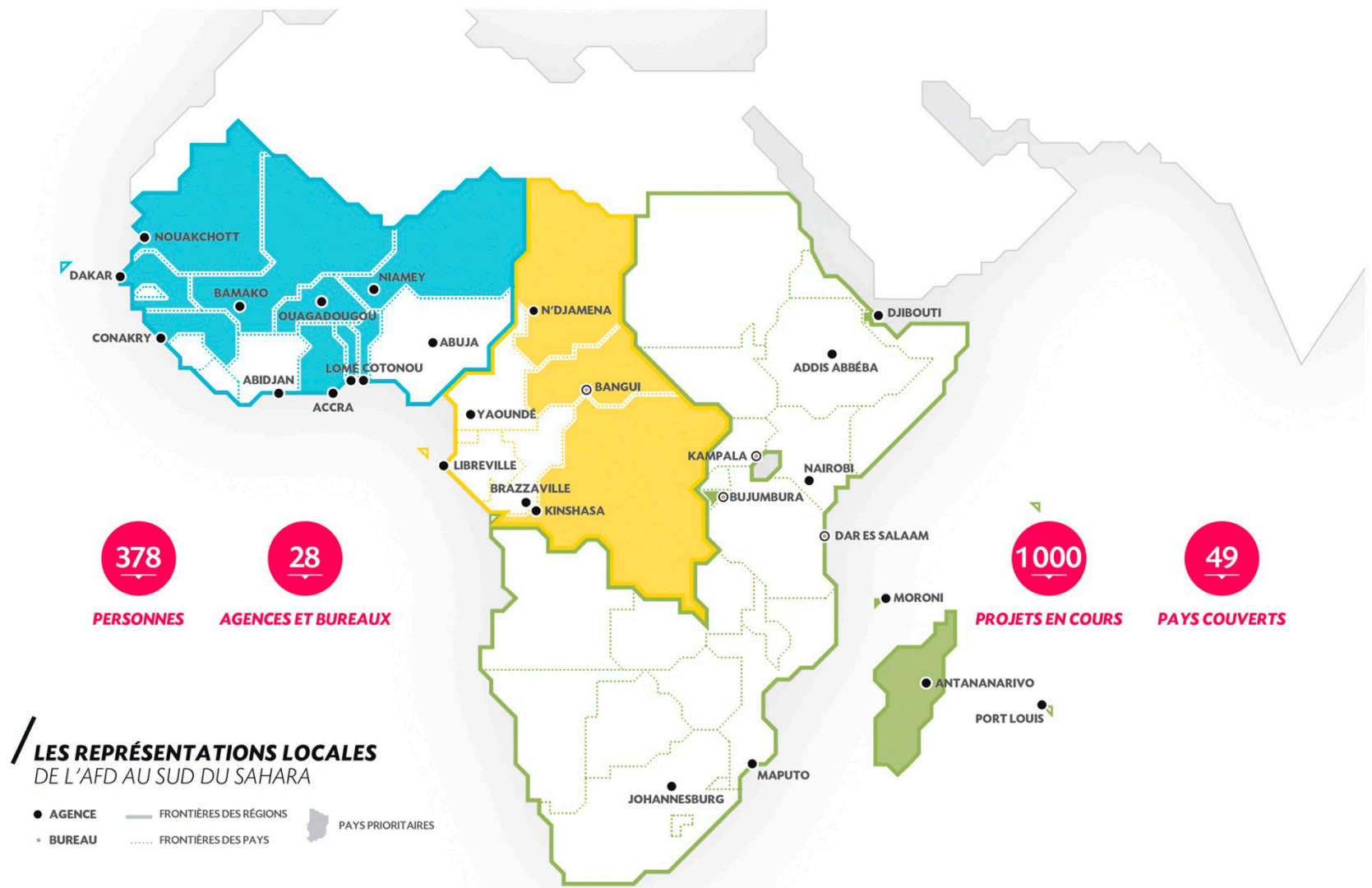




# Introduction

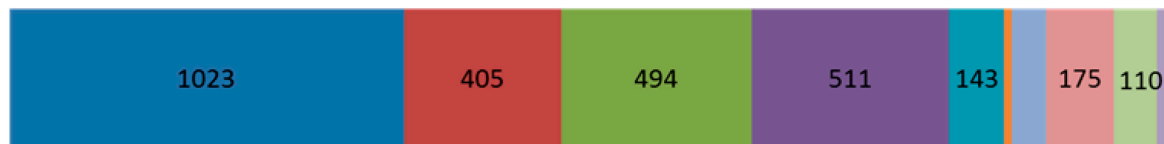
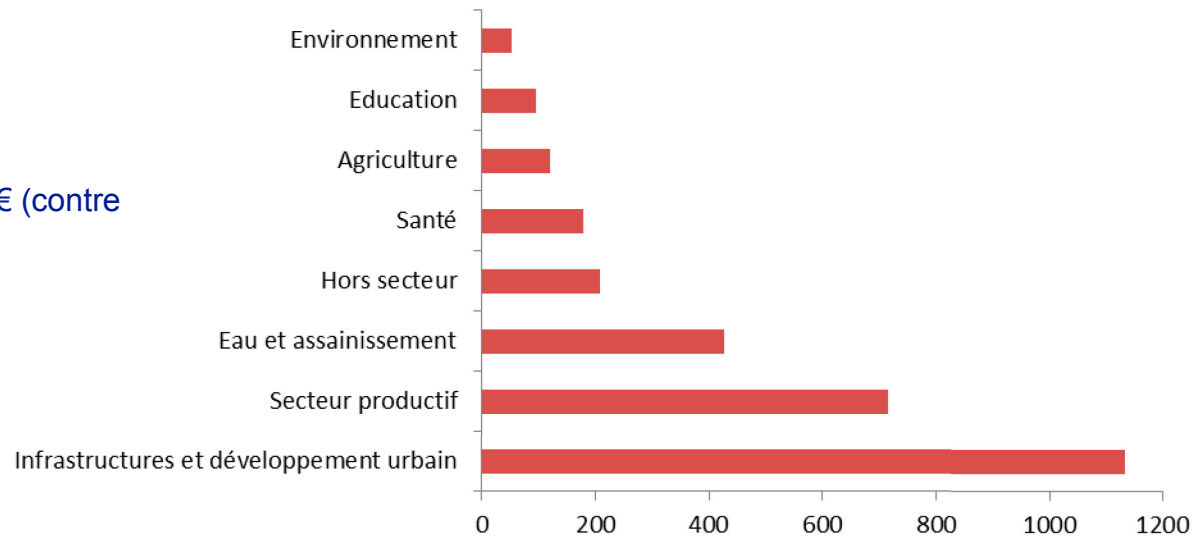
## 1. AFD in 2013 in Sub Saharan Africa

# Local AFD office in SubSaharan Africa: the first bilateral network



# The AFD group in SubSaharan Africa in 2013

- 2,9M€ loan approvals
- 47% of total activity abroad
- Subsidies under program 209 : 143 M€ (contre 163 M€ en 2012)
- C2D and debt restructuring : 511 M€
- Loans: 1922 M€



- Prêts souverains AFD
- Prêts non souverains AFD
- Prêts Proparco
- C2D et conversions de dette
- Subventions
- ONG
- Aide Budgétaire
- délégations
- Garanties
- Fonds propres



# Strategic vision for 2014-2016

## ■ Final objectif

- Promote inclusive and sustainable growth

## ■ Two main strategic objectives Deux grands objectifs stratégiques

- Reduce Poverty Lutter contre la pauvreté
- Promote sustainable growth Promouvoir une croissance durable

## ■ Three cross cutting issues Trois enjeux transversaux :

- Gender Genre
- Climate (ecological diplomacy)
- Economic diplomacy Diplomatie économique

## ■ Five key operational objectives Cinq grands objectifs opérationnels

- Promote productive and sustainable agricultural production that safeguards natural resources Promouvoir une agriculture productive et soutenable et qui préserve les ressources naturelles
- Unlock territories, economies, people Désenclaver les territoires, les économies et les hommes
- Promote the development of sustainable cities Favoriser le développement de villes durables
- Support job-creating enterprises Accompanyer des entreprises créatrices d'emplois
- Strengthen human capital Renforcer le capital humain



## 2. Financing infrastructures in SubSaharan and Central Africa : the role of AFD



# Infrastructures in SSA: a major issue of development and a priority for AFD

- Challenges in terms of infrastructure development are large in SSA: they lower potential growth by 2 percentage points and the World Bank estimates financing needs to close the infrastructure gap at Euros 93 millions per year (for 10 years)
- Financing sustainable infrastructure is one of the priorities of AFD in SSA. In the past 5 year, AFD had allocated EUR 4bn in the past 5 years.
- AFD promotes a regional approach
  - Economies of scale
  - Promotes natural resources in a sustainable manner
  - Increases regional integration
- AFD intervenes mostly in 3 sectors
  - Renewable energy
  - Transportation
  - Water and sanitation

# Benefits and limitations of PPPs

## ■ Benefits

- Compensate for deficiencies in the management of services
- Strengthen the government's programming and contracting capacities
- Contribute to financial autonomy of local government and public enterprises
- Promote sectoral dialogue and private sector involvement
- Enhance regional integration
- Promote innovative partnerships

## ■ Limits and lessons

- No magic bullet for budget constraints
- Political risks and small size market may discourage some operators
- Contracts need to be country specific
- PPPs requires strong legal framework and a good governance of public entities
- Governments have a key role to play to ensure the balance between protecting consumers and making the project attractive enough for the private sector



# PPPs in Sub-Saharan Africa

Between 2000 and 2010, 42 African countries have implemented 248 projects for a total investment of \$ 55.1 billion.

❑ **ICT:** Developing mobile telephony in 90% of SSA countries increased service coverage from 5% to 60% between 1990 and 2010.

❑ **Transport:**

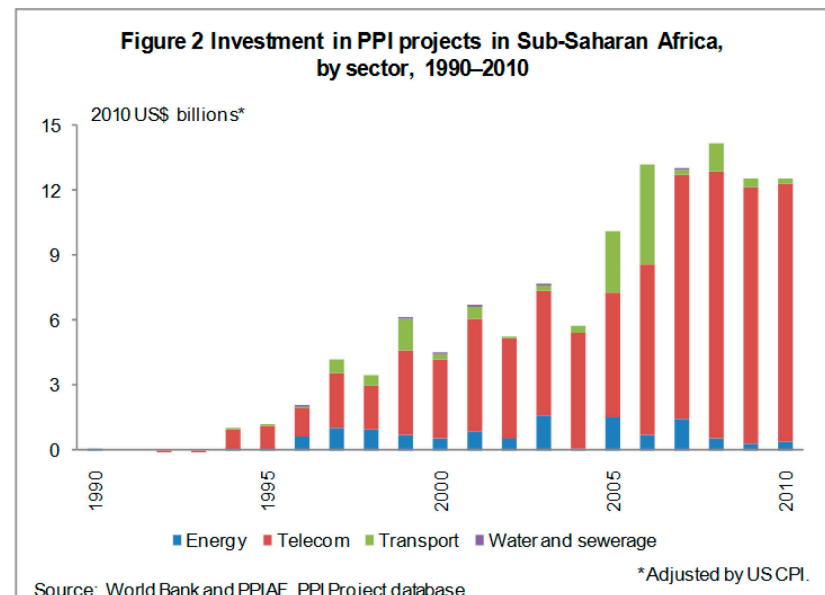
- **Ports:** 30 container terminal concessions (Liberia, Mozambique, Nigeria, Tanzania, Senegal, RCI).
- **Railroad:** 14 concessions, but several cases of contracts renegotiation (a success Camrail)
- **Airport and toll roads :** limited experience (Abidjan, Brazzaville, Dakar)

❑ **Electricity**

- **40 IPPs**
- **35 management contracts / lease**

❑ **Water**

- **26 management contracts / lease**
- **40% cancellation**



# AFD's Approach

## ■ Technical Assistance:

- For developing regulatory and institutional frameworks for PPPs
- For studying the operational feasibility
- For programming, contracting and negotiating with the private sector

## ■ Funding:

- Technical assistance and capacity building (subsidies)
- Infrastructures and services :
  - *Direct lending to local authorities and public enterprises*
  - *Concessional loans to private companies and associations for:*
    - the implementation of additional social and environmental measures
    - funding non-profitable components for the private sector
  - *Proparco loans at market conditions to private PPP operators*
- PPIAF Partners

## ■ Research and training

- CEFEB : “PPP in Infrastructure”,  
“Bien Préparer un PPP” avec Adetef-ALSF (AFR)
- Seminars and study visits
- Research program on PPPs (2005-2010) :  
more than 30 articles published



# PROPARCO – A diversified expertise in financing PPPs.

*PROPARCO has financed a large variety of PPPs in the world :*

## Gas extraction and transportation :

- Tenure license for the exploitation of gas (extraction and transport)
- Energy
- Concessions to private operators for transport and distribution
- BOTs for production: hydroelectricity, wind, biogas, biomass, geothermal, gas CCGT, diesel HFO

## Transport

- Railway licenses
- Airport concessions
- Port terminal concessions
- Toll Roads

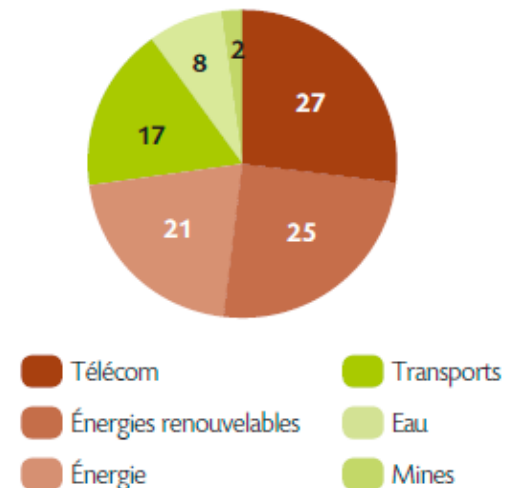
## Water supply

- Water concessions
- BOTs for water treatment

## Telecom

- Concessions for optic fiber networks in rural areas:

Pourcentage sectoriel du portefeuille Infrastructures de Proparco (1 Md€ fin 2011)





### 3. Examples of Projects

# Dakar Highway



## ■ Highway Dakar –Diamniadio

- AFD co finances up to € 60 million the highway program and urban development of the Cap-Vert peninsula
- Double level PPP (Financement et exploitation)
  - *Total Cost: 485 M EUR funded by the government of Senegal(209 MEUR) ; Eiffage (88 MEUR) ; WB (78 MEUR) et AfDB (50 MEUR) ; AFD (60 MEUR)*
- Public-private partnership with a licensing agreement between the company Eiffage and the State of Senegal
- Beyond the road part, it is a multidimensional urban development project integrating both the creation of a new neighborhood in the east of the capital, the restructuring of irregular settlements, and reorganizing the waste sector

- In 2013, AFD granted additional funding to the government of Senegal to finance the public share of the extension of this highway to the new international airport Blaise Diagne

# Camrail : railway in Cameroon



## CAMRAIL

**Type :** Transportation

**Country :** Cameroon

**Year :** 2002

**Project costs :** EUR 95,3 M

**PPP :** concession

**Main sponsors :**

BOLLORE S.A.

COMAZAR

## Context

- **1009 km of railway being a major communication axis:**
  - North-South for Cameroon
  - Regionally with Chad and Central African Republic as an access to the Atlantic ocean
- **Outdated infrastructure lacking significant public investments led Gov. to delegate railway operation to private concessionaire CAMRAIL in 1999**
  - CAMRAIL increased fret volumes, staff productivity and service reliability & quality

## AFD & PROPARCO's role

- **AFD EUR 12 M concessional loan to CAMRAIL**
  - Financing non profitable heavy infrastructures : rebuilding of tracks and infrastructure heavy maintenance
  - Co-financing with IDA & EIB (for a total EUR 43M)
- **PROPARCO : EUR 6,5 M 12 year loan** and local banks : EUR 4,12 M
  - Financing rehabilitation and acquisition of rolling stock

## Impacts

- Development of regional trade and transit
- Fight against illegal transportation (poaching and precious protected wood)\*
- Profitable railway generating toll and tax revenues for the state

# Bujagali Hydro Power Plant in Uganda



## Bujagali Energy Ltd.

**Sector :** Power/Hydro

**Country :** Uganda

**Year :** 2007

**Project costs:** USD 872 M

**PPP :** 30 year BOT

**Main sponsors :**

AKFED, Sithe Global Power

## Context

- **Low electrification rate in Uganda** : average of 9%
- **Important energy shortfall since 2001** compensated by the use of emergency fuel power plants leading to **price increase for final customers**
- **High demand increase** : +6,3% per year since 2001

## AFD & PROPARGO's role

- **Financing of 250 MW hydropower plant developed by project co BEL**
  - PROPARGO loans : US 50 M senior + USD 10 M subordinated, 16 years
  - USD 12.8 m soft loan from AFD, whose grant element finances access to drinking water & electrification in rural areas
  - Co-financing with IFC, EIB, AfDB, FMO, DEG, commercial banks

## Impacts

- **Economic impacts**
  - KWh production costs reduce by 2
  - Taxable earning (USD 300 M) and direct employment creation (1100 jobs)
- **Positive ecological impacts**
  - CO2 emission reduction estimate : 1,5 Mt CO2 eq/year
  - Dam on water, limiting flooded lands
- **Enlarge access to drinking water & electrification in rural areas**



■ **Thank you for your attention!**