



6TH EU-AFRICA BUSINESS FORUM

**Session: Unlocking Investment for Regional Infrastructure to Accelerate Job Creation
(PIDA)**

27 November 2017

17:10 - 18:30

Abidjan, Cote D'Ivoire

Palais de la Culture, Salle Eboucle

Report from the Session

1. Objective of the Session

The 6th EU-Africa Business Forum was held on 27th of November 2017 in Abidjan, Côte d'Ivoire, host country of the 5th African Union – Europe Union Summit of Heads of State and Government. The 6th EU-Africa Business Forum in Abidjan concludes a series of business related meetings held in Africa and Europe in preparation for the 5th African Union – Europe Union Summit.

A High-Level Panel Discussion was organized by the African Union Commission, the European Union, the NEPAD Agency and the African Development Bank. The discussions focused on how to enable and leverage investments for the Programme for Infrastructure Development in Africa (PIDA), with a particular focus on selected PIDA projects as facilitators for job creation in the continent.

Drawing on an introductory note on PIDA, its achievements and future challenges and the insights on selected PIDA Projects including its impact on job creation, the objective of the session is to help build a strong economic case for accelerated investments for PIDA, with a particular focus on the selected projects as facilitators for job creation on the continent.

Specific Objectives of the Session are:

- To assess and reflect on the progresses and constraints to date in the implementation of PIDA and infrastructure development in the continent in general;
- To Chart the way forward to increase financing for infrastructure including the five selected PIDA projects and the strategies to unlock private investment for infrastructure;
- To identify the pertinent actions needed to create local jobs for Africa's growing youth through large-scale infrastructure projects;
- To agree on key messages for infrastructure development within the framework of the AU-EU partnership to be included in the declaration of the EABF and introduced into the AU-EU Summit declaration.

2. Introduction to PIDA, achievements and future challenges

Dr. Ibrahim Assane Mayaki, CEO of NEPAD Agency

In his keynote address, Dr. Mayaki emphasised on the fundamental importance of prioritizing projects at the continental level given the complexity of infrastructure development. He noted that PIDA as the

continental framework for infrastructure development constitute the answer to the prioritization issue.

The NEPAD CEO also elaborated on the progress achieved so far in PIDA implementation and presented the different instruments and initiatives developed by the African Union Commission and the NEPAD Agency to successfully accelerate the implementation of PIDA. In particular, he recalled the establishment of the Service Delivery Mechanism for early stage preparation, the continental business network which aims to build strategic and positive communication with private sector to mobilise their investment and the 5 % agenda to convince the African institutional investors to get involved in infrastructure projects financing on the Continent.

He noted that the AUC and NEPAD Agency's role is to capacitate the regional economic communities to implement regional projects and to coordinate and facilitate the cooperation and partnerships among all the relevant stakeholders of infrastructure development in Africa

Before he concluded, Dr. Mayaki insisted on the fact the issue of risk perception as impediment to private investment for infrastructure development in Africa. He recalled the outcomes of the NEPAD reports on de-risking infrastructure investment for Africa, which provide strong recommendations to both public and private stakeholders on strategies for low risky investment in African infrastructure projects.

In his conclusion, Dr. Mayaki stated that the NEPAD Agency is working through a corridor approach with regard to regional infrastructure project, insisting that the regional corridors will shape the future industrial and social development and interaction within Africa, the Abidjan-Lagos Corridor being and illustration case. Dr Mayaki called upon African partners to join the African Union Commission and NEPAD Agency's efforts and support the different instruments and initiatives established to facilitate and accelerate PIDA implementation.

3. Flashlight Presentation of the selected PIDA Projects

Dr. Towela Nyirenda - Jere, Regional Integration, Infrastructure and Trade Programme at the NEPAD Agency made a flashlight presentation of the five projects.

- ***Batoka Gorge Hydro Electric Scheme***

The Batoka Gorge Hydro Electric Scheme (BGHES) project is a PIDA hydropower project being undertaken by the Zambezi River Authority (ZRA) approximately fifty-four (54) kilometres downstream of the Victoria Falls. The project will comprise a 181m high, 720m long rolled compacted concrete (RCC) gravity arch dam and two surface power houses (one on either side of the river bank, each having a capacity of 1,200 MW) with a combined installed capacity of 2400 MW and annual energy production of 10,215 GWh/y. The Council of Ministers agreed to develop the project as a Public Private Partnership where the dam would be owned by the ZRA and the power plants developed through a Special Purpose Vehicle ("SPV") with equity being provided by the private sector and possibly each country's utility.

- ***Ethiopia-Sudan Interconnector***

The Ethiopia-Sudan Interconnector is a High Voltage (EHV) Interconnection between Ethiopia and Sudan being implemented by the utilities of the two countries i.e. the Ethiopian Electric Power (EEP), and the Sudanese Electricity Transmission Company Ltd (SETCO). The aims of the new interconnection project is to allow the exportation of part of the power generated by the new Grand Renaissance Hydro Power Plant to Sudan and increase supply to Khartoum area in order to deal with the expected growth of the load in that area.

- ***Kinshasa-Brazzaville Bridge***

The Project and the presented Project Information Memorandum considers the construction of a tolled road-rail bridge across the Congo River at Maloukou Tréchet, the construction of a border post on each side of the river, as well as the construction of road infrastructure to connect the bridge and existing roads on both ends.

- ***Dar-Chalinze Toll Road***

The Government of Tanzania (“GOT”) has identified the need to construct a new 144km long expressway toll road between Dar es Salaam and Chalinze, which is part of a much larger ‘Central Corridor’ project between Dar es Salaam, Kigali (Rwanda), Bujumbura (Burundi) and Kampala (Uganda). The Project is expected to significantly reduce travel time on the most congested section of the longer Dar es Salaam - Morogoro Road.

- ***Zambia-Tanzania-Kenya Power Interconnector***

The Governments of Zambia, Tanzania and Kenya agreed to interconnect their power systems in 2003, via a tripartite inter-governmental memorandum of understanding. The Project will facilitate power transfer to both the north and south, linking the NBI and Eastern Africa Power Pool (EAPP) countries to the Southern African Power Pool (SAPP).

She concluded her presentation by inviting participants to the upcoming PIDA Week, scheduled from 10-14 December in Swakapmund, Namibia.

4. Panel Discussion: Unlocking Investment for Regional Infrastructure to Accelerate Job Creation

The panel consisted of five panellists as follows:

- Mr. Cheikh Bedda, Director Infrastructure and Energy, African Union Commission
- Mr. Roberto Ridolfi, Director, Planet and Prosperity, European Union (TBC)
- Mr. Amadou Oumarou, Director for Infrastructure and Urban Development, African Development Bank
- Mr. Georg Schmidt, Regional Director of Sub-Saharan Africa and the Sahel , Foreign Ministry Germany
- Mr. Mamadou MBAYE, Executive Director, FONSYS

The key messages of the discussions are captured as follows:

Mr. Cheikh Bedda, Director for Infrastructure and Energy at the African Union Commission explained that the development and implementation of large and complex infrastructure projects requires significant financial resources and effective coordination. The Director informed the panel that the AUC after the adoption of PIDA and in close collaboration with the African Development Bank has established the Institutional Architecture for Infrastructure Development in Africa as a tool for planning, monitoring and evaluation for the effective implementation of PIDA.

Regarding the financing of projects, Director Bedda explained that particular emphasis has been placed on good project preparation from the conceptual phase to the closing of financing with a view to attracting private investment. Mr. Bedda reiterated that the AUC has exerted great efforts to get Member States to include adequate resources in national budgets to facilitate the support of partners in the implementation of infrastructure projects, with special focus on PIDA.

He concluded by saying that Africa and Europe share common interests in infrastructure development. This Forum, Mr. Bedda explained, whose definition of the theme and content has been the subject of inclusive consultations, is a platform for finding ways and means to make effective the common aspirations in the realization of infrastructure whose purpose is to improve the living conditions of Africans.

Mr. Roberto Ridolfi, Director for Planet and Prosperity at the European Union

Mr. Ridolfi emphasized EU’s commitment to support the AU and its Member States with the implementation of PIDA as a master piece for infrastructure development. Based on the European experience, he highlighted that cross-border infrastructure, especially the PIDA transport corridors form the backbone for Africa’s successful integration. He continued to explain different blended finance approaches of the EU, also envisioned under the External Investment Plan. These approaches

include for instance the payment of subsidies for loan interest rates or the use of ODA funds to de-risk projects. Despite the potential of private financing, he emphasized that certain infrastructure services, especially with respect to energy transmission lines and road projects, have to be publicly funded. He further advocated for the inclusion of project preparation costs as part of the project investment to be recovered. Finally, he commended NEPAD for its work on the PIDA Job Creation Toolkit to estimate and increase labour market effects of infrastructure projects. This tool and NEPADs work on this issue can help to create more jobs through infrastructure development.

Mr. Amadou Oumarou, Director for Infrastructure and Urban Development, at the African Development Bank

Mr. Amadou Oumarou reiterated the significance of infrastructure for job creation among Africa's rising young population. He stated that the AfDB foresees to create 25 million additional jobs within the next five years through its investments, most notably in infrastructure.

Mr. Oumarou went on to explain that over the past few years, the African Development Bank has approved about \$40 billion worth of infrastructure projects. However, he noted that PIDA projects are complex in nature and tend to have protracted delays in implementation, which can affect the Bank's ability to finance the projects. He concluded by stating that the Bank collaborates with other stakeholders to de-risk and provide guarantee for projects across the African continent.

Mr. Georg Schmidt, Regional Director of Sub-Saharan Africa and the Sahel in the Foreign Ministry, Germany

Mr. Schmidt stated Germany's commitment for the cooperation with the AU on PIDA Implementation. Up to now, Germany has contributed 777 million EUR for the financing of regional infrastructure in Africa (in addition to technical cooperation). Germany is particularly active with respect to the funding of PIDA energy transmission lines, as these projects oftentimes do not qualify for private investment. Mr. Schmidt emphasized the importance of close cooperation of different funding and technical partners to this regard (for instance African Development Bank, European Investment Bank, KfW, GIZ). Furthermore, Mr. Schmidt elaborated on the Compacts With Africa as an initiative to mobilize private sector resources for infrastructure development in the respective countries. He emphasized the concept of mutual commitment to implement improved framework conditions. He further advocated that German companies can be excellent partners in the promotion of Africa's infrastructure since they provide high-quality products and put emphasis on the creation of local labour and skills transfer. Mr. Schmidt concluded by highlighting the importance of political commitment from AU Member States, e.g. by incorporating all PIDA projects in national budgets, as a pre-requisite for the successful implementation of cross-border infrastructure projects.

Mr. Mamadou MBAYE, Executive Director for FONSY

Mr. Mbaye stated that money is not an issue with regard to infrastructure project development in Africa. The difficulty is how to ease the environment and the economic landscape for investment by improving the rating of our countries. In this regards, the European Union could help by considering a way to provide better rating through guarantee schemes from the European Union to the African project owners. Mr Mbaye also suggested that local commercial banks have a significant role to play within the project cycle. EU external investment plan can be a tool to convey a great rating of EU to some projects in Africa.

In order to unlock private investment and channel investment to infrastructure projects in Africa, Mr Mbaye called upon the African leadership "to think on what is going wrong in the Continent that blocks infrastructure investment flows in their respective countries".

Interventions from the Panel

- **Mr. Mohammed Ateem, Sudanese Ministry of Water Resources and Electricity**

Mr. Ateem stated the support of the Government of Sudan to the the Ethiopia-Sudan Interconnector project and availed his Ministry to technically support in any way requested by the AUC and the NEPAD Agency.

- **Samuel Waweru, Youth Plug-In Initiative**

As an officially appointed AU Youth representative within the AU-EU Youth Plug In Initiative, Mr. Samuel Waweru – responsible for the business cluster – emphasized the importance of infrastructure as a key driver to create jobs. To this regard he appreciated the PIDA Job Creation Toolkit to promote employment through infrastructure. He requested the AU-EU partnership to put a focus on digitalization within PIDA and to promote ICT and energy access in rural areas as a central demand of Africa’s youth preliminarily living in non-urban regions.

5. Summary and closing of Session

Dr. Ibrahim Assane Mayaki, CEO of NEPAD

The NEPAD CEO appreciated the quality of the Panel discussion and expressed his satisfaction on the relevant contribution from the different stakeholders represented.

He noted the need to explore innovative mechanism to unlock financing for infrastructure in Africa. Dr Mayaki called upon the public and private partners to constantly consider institutional innovation as a way to build better synergies and win-win cooperation in infrastructure development on the continent.

He concluded by recalling the importance of partnership and synergies between EU and AU parties to fast-track the implementation of PIDA projects.

6. Outcome of the panel

- **Political outcome: Call for Action**

A concise, focused and agreed upon declaration that fed into the EABF Declaration and subsequently to the Summit Declaration was proposed. The European Union and the African Union will continue to promote intra-African trade and advance greater economic integration by jointly implementing the Programme for Infrastructure Development in Africa (PIDA) as a strategic continental framework to develop cross-border infrastructure in the areas of energy, transport, ICT and Trans-boundary water management. The EU and AU will jointly support project preparation activities and mobilize African and European public and private investments for PIDA, other infrastructure and AU Agenda 2063 flagship projects, as both parties acknowledge the great potential of PIDA and infrastructure development in creating needed jobs for Africa’s transformation (longer version of the declaration attached to this report).

- **Partnership commitment between EU and AU**

Both parties, through their interventions in the panel committed to strengthening cooperation, scaling up and replicating existing successful initiatives and launching concrete and new partnerships that will advance the implementation of infrastructure with special focus on PIDA projects.

7. Participants

Experts from the African Union Commission (AUC), African Development Bank (AfDB), NEPAD Planning and Coordinating Agency (NPCA), Regional Economic Communities, UN system agencies and organizations working in support of Africa, as well as Partners and friends of PIDA, including financiers and project owners attended the panel discussion on PIDA during the EU-Africa Business Forum.