

Infrastructure Financing Trends in Africa – 2018



Presented by

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INTRODUCTION

- ICA's *Infrastructure Financing Trends in Africa* annual report now in its 10th YEAR.
- Improvements made to the 2018 annual report:
 - It includes an in-depth coverage of the role of private sector;
 - It carries out a wide analysis on the determinants of quality infrastructure; and
 - Offers policy recommendations which could result in efficiency gains and market access;

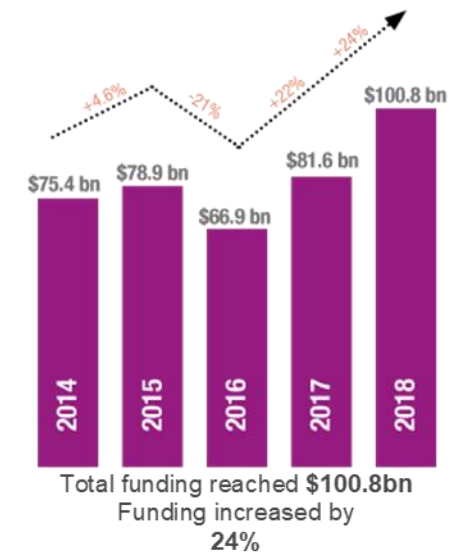
Key Message

- In 2018, total commitments for African infrastructure amounted to \$100.8bn, an increase of 24% over the total commitments reported for 2017 and an increase of 33% over the 2015-2017 average.
- This is the first time that the level of commitments has passed the \$100bn mark.

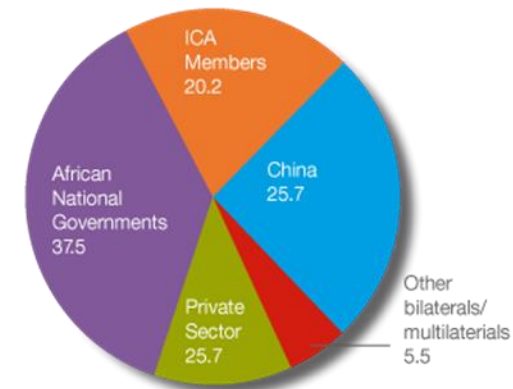
COMMITMENTS TO INFRASTRUCTURE IN 2018

- African governments were the largest source of infrastructure financing, with commitments of \$37.5bn (37% of total commitments),
- Followed by China who committed \$25.7bn (25%),
- ICA members (\$20.2bn, 20%),
- The private sector (\$11.8bn, 12%), and
- Other sources (\$5.6bn, 6%).

The big picture 2018



Where the funding came from



ICA MEMBER FINANCING

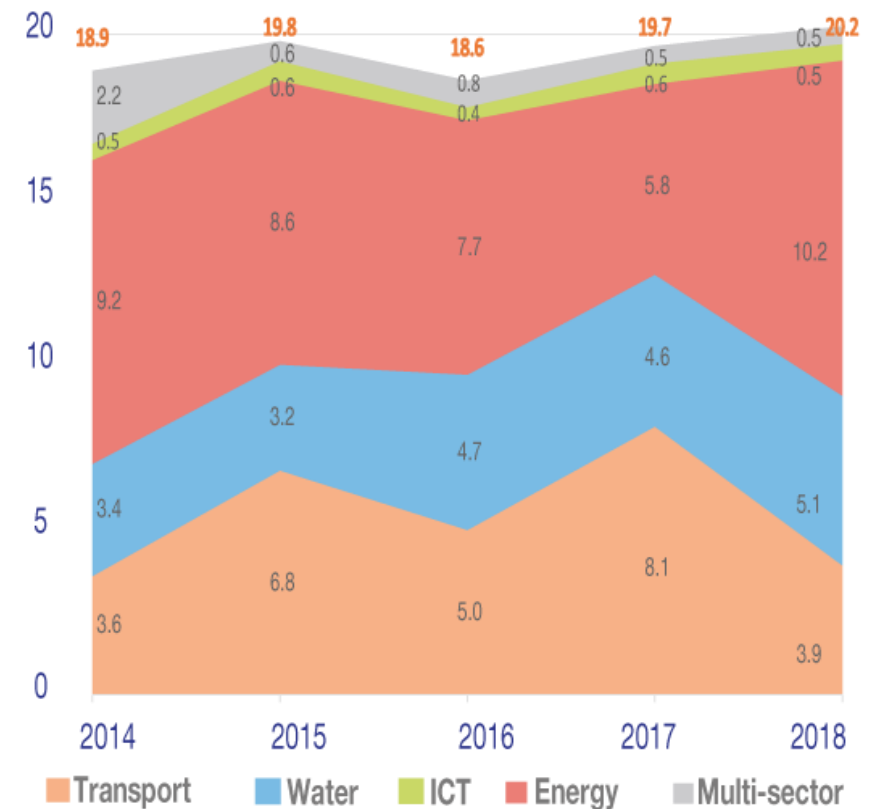
ICA FINANCING – KEY TRENDS

- ICA members have continued to play a major role in financing Africa's infrastructure ever since ICA was created.
- Over the past 5 years their support has remained at the **high level of about \$20bn per year.**
- ICA members have also played important roles in institutional and policy reform in Africa.

ICA FINANCING – SECTOR OVERVIEW

- Funding for **energy operations amounted to \$10.2bn, close to half of total commitments,**
- The level of financing for the **transport sector, \$3.9bn was 40% lower than the \$6.6bn average for 2015-2017.**
- The financing of **\$5.1bn in the water and sanitation sector in 2018** represents around **25% of total commitments,** in line with its representation in 2016 and 2017.
- The **ICT sector accounted for \$503m** in commitments.
- Multi-sector operations for \$527m.

ICA members' commitment Trends by sector (\$bn),
2014-2018



ICA FINANCING – COMMITMENT BY REGION

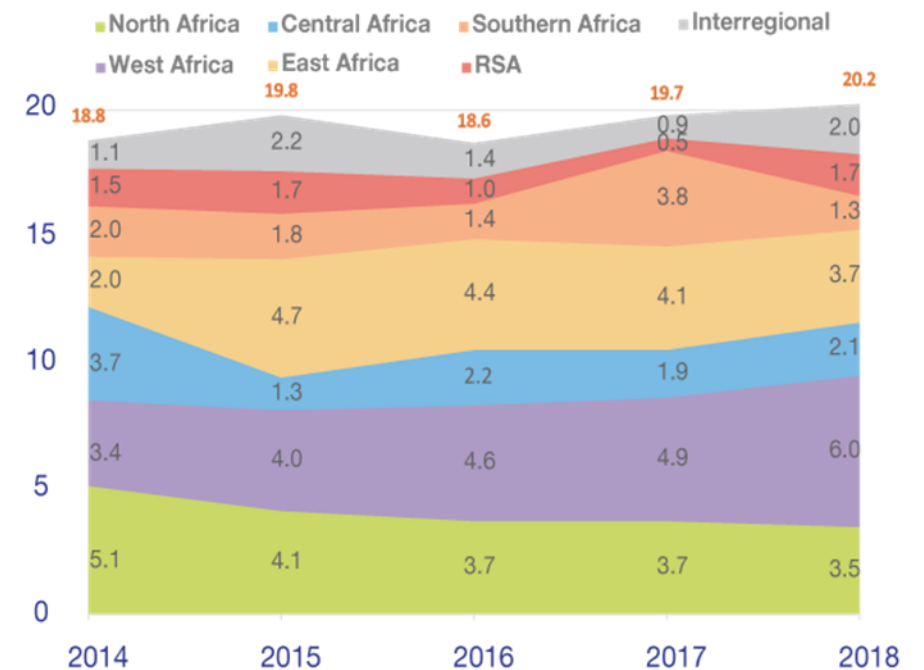
Commitments by region from ICA Members show that:

- **West Africa, at \$6bn, received the largest share of 2018 commitments (30%),** with almost half of the commitments targeted the energy sector.
- This was followed by **East Africa which accounted for 18% of total commitments at \$3.7bn.**
- Commitments to projects in **Central Africa at \$2.1bn were 10% of the total and reflected a sharp increase in the energy sector and a substantial decrease in the transport sector.**
- The level of commitments for operations in **North Africa, at \$3.5bn in 2018, was 17% of the total, in 2018.**

Key Message

- **The overall decrease** is the result of reductions in transport, energy, and ICT and
- **Only the water and sanitation sector saw an increase in commitments.**

ICA members' commitments Trends by region (\$bn), 2014-2018



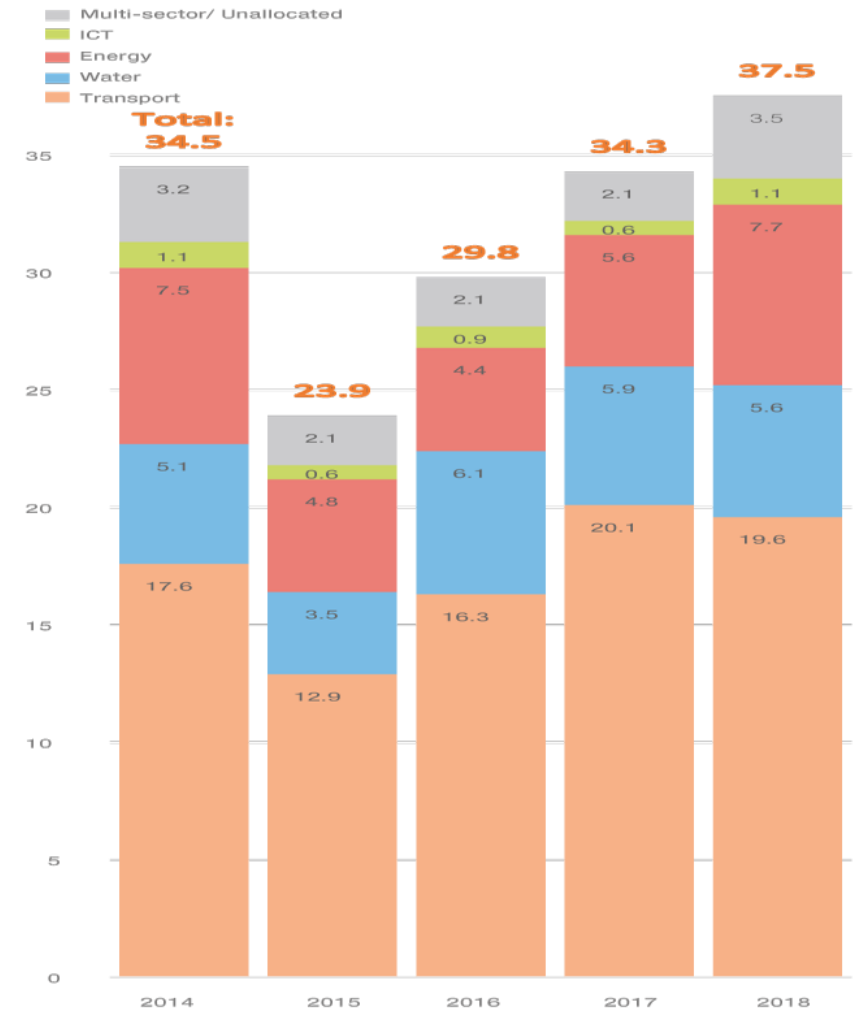
Spending by African Governments on Infrastructure

- National expenditure allocations **were gathered for 48 African national governments**. Out of the 54 African countries, data could not be gathered for **six: Djibouti, Eritrea, Guinea Bissau, Libya, Mauritania, and Sudan**.
- In 2018, **commitments made by 48 African national governments** in support of their own infrastructure programs and projects amounted to **\$37.5bn, 9% higher than the \$34.3bn for 47 countries presented in 2017, and 22% higher than the revised \$30.7bn for 49 countries presented in 2016.**
- Two regions committed substantially more resources in 2018 than they had in 2017: West Africa allocated \$7.9bn, over twice the \$3.6bn it had allocated in 2017. North Africa allocated \$7.9bn, 22% more than the \$6.5bn it committed in 2017. East Africa committed 28% less in 2018 than it had in 2017.
- **Allocations by the other three regions changed minimally:** Southern Africa's went from \$6.2bn in 2017 to \$6.4bn in 2018.

AFRICA GOVTS. FINANCING – SECTOR OVERVIEW

- In 2018, as in previous years, the largest share (52%) of national infrastructure budgets supported operations in the transport sector. This compares with shares of 59% in 2017 and 53% in 2016.
- Allocations to the energy sector in national budgets amounted to \$7.7bn in 2018, (38%) more than in 2017.
- Much of the large increase ENERGY SPENDING in West Africa allocation is explained by a **sharp jump in Nigeria (\$1.4bn in 2018 compared with \$185m in 2017)**.
- National allocations to the ICT sector increased by 85%, reaching **\$1.1bn in 2018, \$514m more than in 2017. The most noticeable changes were a \$193m increase in allocation in West Africa and a \$109m increase in Central Africa.**
- At the country level, the **largest allocations were in Kenya (\$160m), and Egypt (\$116m).**

National Government Budget Allocations by Sector (\$bn), 2014-2018



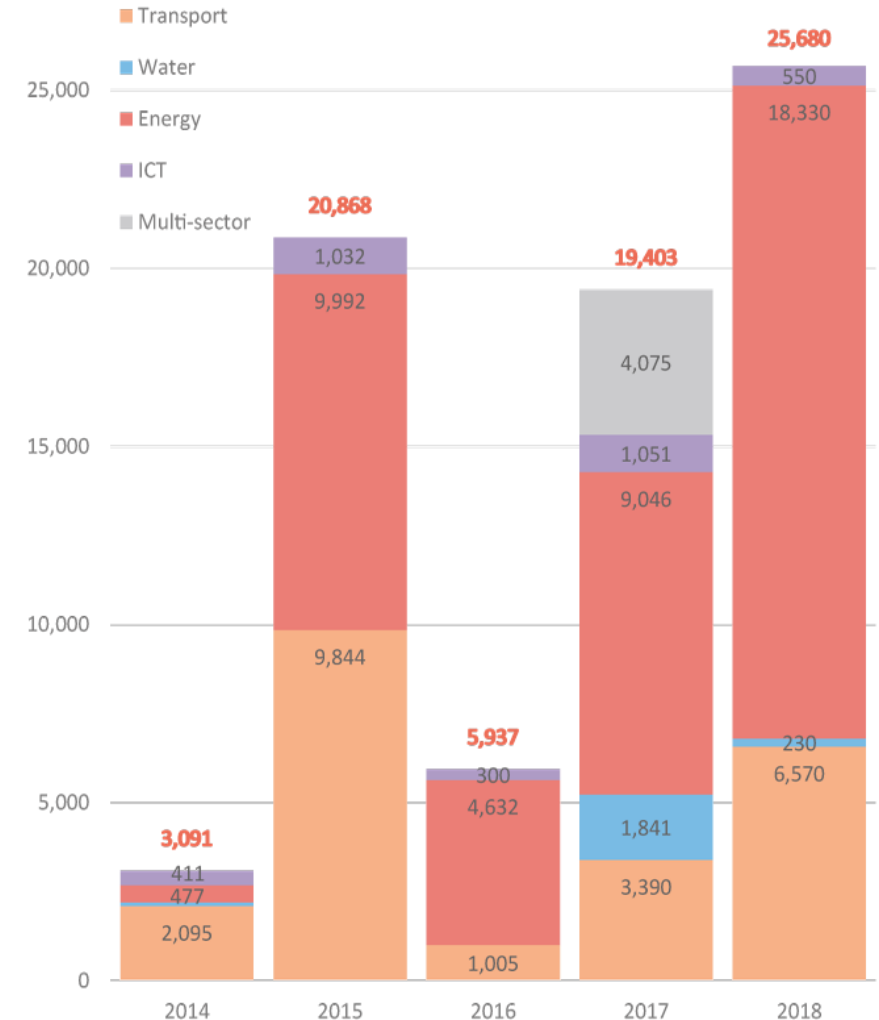
OTHER PUBLIC SOURCES OF FINANCING



CHINA

- China's investments and construction in African infrastructure amounted to \$25.7bn in 2018
- This is 32% higher than the \$19.4bn level reported in 2017, and the highest level of commitments recorded since we started reporting on Africa infrastructure financing trends.
- China's financing includes \$550m in the ICT sector and \$230m in the water and sanitation sector.
- Worth noting is that **China's Belt and Road Initiative (BRI)**, a multi-billion dollar plan to link Asia, Europe and Africa, is providing large amounts of financing for infrastructure in many African countries.
- It is estimated that the value of **loans from Chinese financing of energy and infrastructure projects in Africa almost tripled between 2016 and 2017, from \$3bn to \$8.8bn**, and is expected to increase in 2020 and beyond.
- Much of the resources were allocated to West Africa with (US\$10.5 bn.), then followed by Southern Africa (US\$6.9 bn.) and the least recipient was Central Africa with US1.3 bn. of commitments

Chinese Commitments by Sector (\$m), 2014-2018



Arab Coordination Group

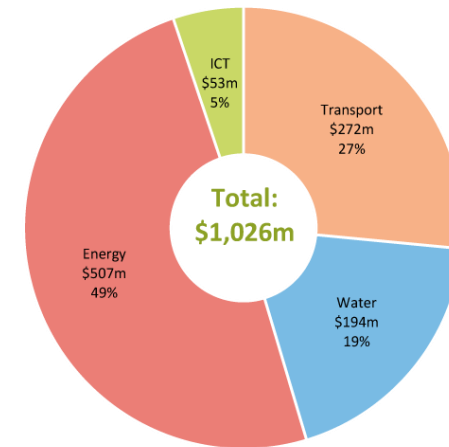
- The CG currently consists of ten institutions, four of which are national institutions including the Kuwait Fund for Arab Economic Development (KFAED), the Saudi Fund for Development (SFD) , the Abu Dhabi Fund for Development (ADFD), the Qatar Development Fund (QDF), and
- **Five regional organizations consisting of** the Arab Fund for Economic and Social Development (the Arab Fund, AFESD), Islamic Development Bank (IsDB), OPEC Fund for International Development (OFID), the Arab Bank for Economic Development in Africa (BADEA), the Arab Gulf Program for United Nations Development Organizations (AGFUND) as well as the Arab Monetary Fund (AMF).
- **The CG committed \$2.4bn in 2018, which was markedly less (20%) than the \$3bn committed in 2017.**

Non-ICA European Sources 2018

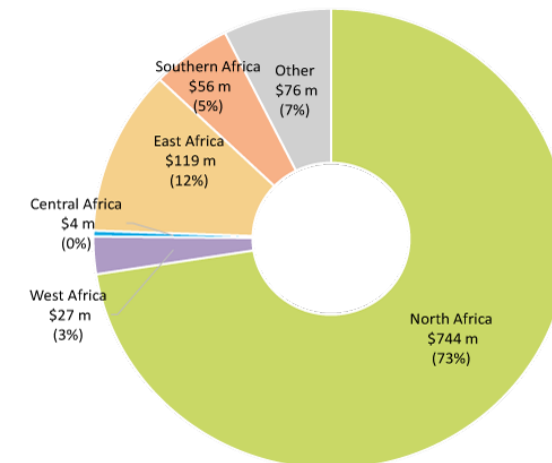
- Commitments to African infrastructure by European organizations that are not members of ICA amounted to \$1.1bn in 2018, (31%) lower than the \$1.6bn committed in 2017, but significantly higher than the \$392m committed in 2016.
- At \$509m, energy accounted for 45% of total commitments, a lower share than the 56% experienced in 2017.
- \$336m were committed to transport, \$199m to water and sanitation. Commitments in ICT were \$16m and in multi-sector operations, \$12m.



Non-ICA European Commitments by Sector, (\$m) 2018



Non-ICA European Commitments by Region (\$m), 2018

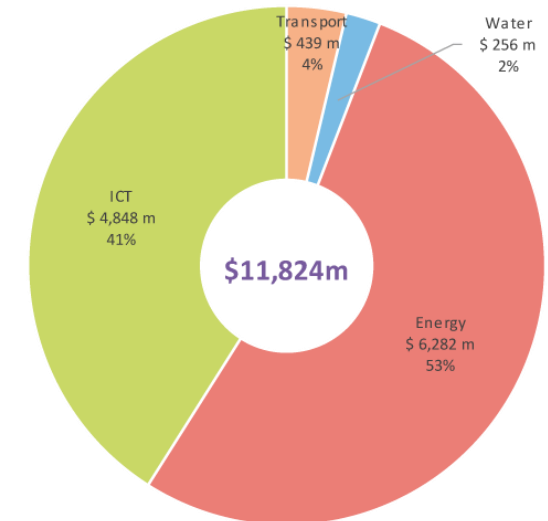


PRIVATE SECTOR

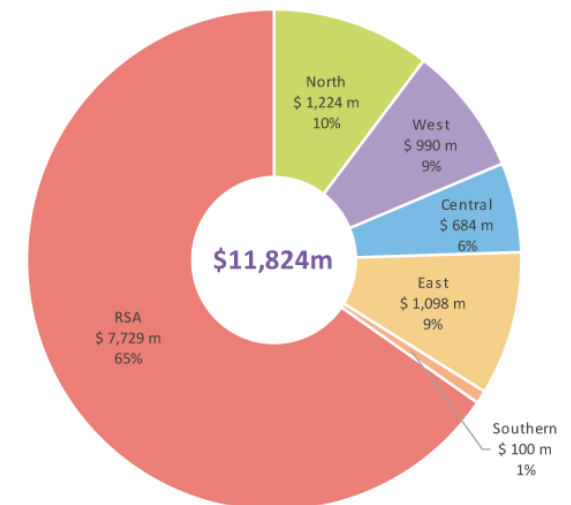
PRIVATE SECTOR PARTICIPATION

- During the year there were 21 new renewable-energy projects in RSA.
- Cameroon received a commitment for a \$1.4bn hydropower plant, the first major private sector financed infrastructure in Cameroon since 2012.
- Other countries with PPI transactions include Ghana, Guinea, Kenya, Mali, Namibia, Senegal, Sierra Leone, Somalia and Zambia.
- **However, with the exception of ICT, the private sector provides a lower share of financing for African infrastructure than in other developing regions.**

Private Financing by Sector, 2018



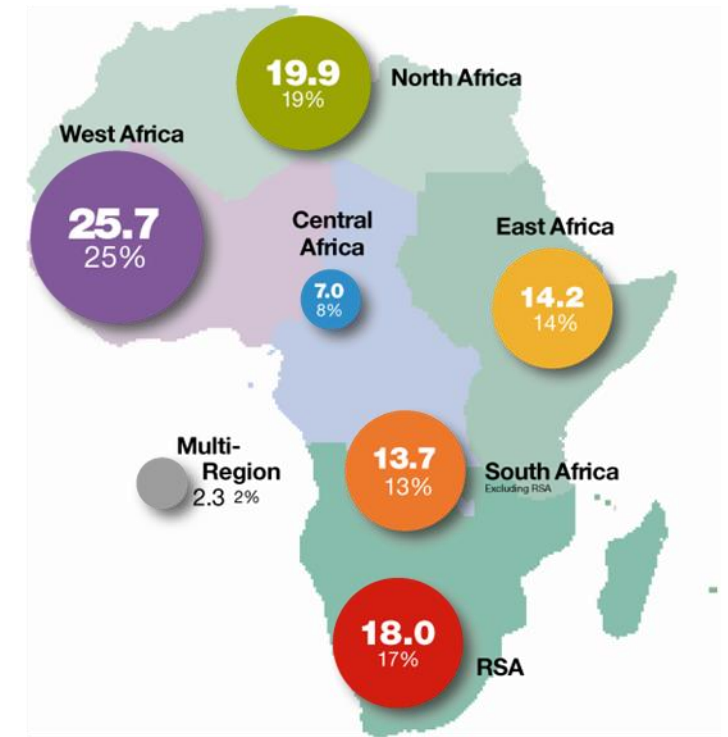
Private Financing by Region, 2018



CONCLUSIONS

INFRASTRUCTURE FINANCING TRENDS IN AFRICA

- All sectors were the recipients of increased commitments, some more markedly than others:
- Transport sector 2018 commitments of \$32.5bn were 5% higher than the 3-year (2015-2017) average of almost \$31bn.
- Water and sanitation sector commitments, at \$13.3bn, were 21% above the previous 3-year average of \$11bn.
- Energy sector commitments in 2018 amounted to \$43.8bn, (67%) higher than the 2015-2017 average. This is the largest level of commitments ever recorded in the sector.
- ICT also saw record commitments in 2018, \$7.1bn.
- **It is worth noting that estimates of Africa's financing requirements range from \$130bn to \$170bn (AfDB Est.).**
- **Even with the significant increase in 2018, which results in an average level of commitments of slightly above \$83bn for the 2016- 2018 period, there still remains a financing gap of \$53bn to \$93bn per year.**



THANK YOU

