

Ai infrastructureinvestor

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Back on the rails

Trains are the cheapest way to transport goods over long distances.

Slowly but surely, investors are backing African freight services.

Compiled by **Simon Griffiths**

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project finance round-up

Simon Griffiths sees significant changes in the Africa project finance league tables

Standard Chartered Bank moved into top spot in the league table of mandated arrangers of African project finance loans in 2006, up from fourth a year ago. The bank acted as mandated arranger on five major deals, including Sonangol Sinopec, Kwale Titanium Mineral Sands and the Lumwana Copper Project. "The results are a reflection of our execution capability and clear focus on Africa," says Ade Adeola, Regional Head of Sales & Business Development for Africa with Standard Chartered Bank.

South Africa's Standard Bank is a new entry at number four, with three project finance deals. Jonathan Wood, a director of project finance with Standard Bank, confesses 2006 was "a very busy year across all sectors, but particularly in mining and infrastructure".

This is reflected by the presence of three mining projects in the top ten African deals of 2006, all of which have featured in this column previously.

The power sector features three projects in the top ten, although Sidi Krir was a refinancing. At number two on the projects list, the Hadjret En Nouss independent power plant (IPP) will add 1,227MW to Algeria's electricity supplies. Calyon, an investment bank that advised on the structuring of the deal, says "the US \$640 million debt package represents the largest limited recourse project financing in Algeria funded in dinars through Algerian banks." The Caiman project refers to Tanjong Plc's acquisition of the Port Said and Suez Gulf Independent Power Stations in Egypt.

Shifting landscape

The growing influence of China in Africa's project finance market is clear from the league table of providers of project finance loans. The China Development Bank and the Export-Import Bank of China take up the top two slots. However, this represents their investment in just one transaction, the massive Sonangol/Sinopec deal. Other banks have been more active in terms of numbers of deals.



The legal advisors' table is also characterised by new entrants. Norton Rose and Jones Day, with three deals apiece, pushed last year's number one, Allen & Overy, into third place. Arman Galledari, a partner specialising in project finance at Jones Day, cautions that "Africa has always had great potential but it is clear that there is an imbalance between demand for infrastructure and supply of funds to finance projects – at least at rates acceptable to investors." Nevertheless, growing interest from private equity investors should help to bring down the cost of debt financing.

Standard Bank's Jonathan Wood is optimistic for another good year, starting off with the Gautrain project (see page 49). "Given current commodity prices, mining will continue to be good," he says. In telecommunications we are likely to see continued consolidation with several smaller operators as possible takeover targets. We should also see more IPPs and toll roads. However, "governments are still not fully on top of public-private partnerships (PPPs) and in South Africa, PPPs have stalled."

Part of the problem lies in limited government resources to structure solid PPP proposals. Second, the perception continues that public finance is quicker and cheaper.

This is especially the case for the large African parastatals that continue to use their balance sheets to fund infrastructure development.

Local project finance takes root

Standard Chartered's Adeola says increased appetite from banks to lend into African project finance transactions has encouraged sponsors to push forward with their infrastructure deals. "We are currently advising on major projects in oil and gas, minerals and power, which are likely to come to market in 2007 or 2008," he says. "Some of these projects will be seeking in excess of \$1 billion." When asked about significant trends, Adeola mentions improving Asia-Africa trade and investment flows and the recognition of African deals as a viable asset class by international banks and ratings agencies. There will also be increased use of hedging products for partial risk mitigation.

Vishal Agarwal, Head of Infrastructure Finance (sub-Saharan Africa), with PricewaterhouseCoopers, is also bullish on Africa's prospects for 2007. "Higher savings and increasing strength of Africa's capital markets mean more money is becoming available for infrastructure. Also, there is increased participation in infrastructure from local investment funds, sponsors and businesses, which means we are seeing the development of a robust project finance market."

Agarwal cautions that African project finance deals still take a long time to get done and a tremendous amount of driving of deals on the ground is needed. "You cannot do these deals by flying in from London every now and then." **A**

Top ten African project finance deals 2006					
Project Name	Borrower	Amt (US \$m)	Sector	Country	Financial close date
Sonangol Sinopec International	Sonangol Sinopec International	2111.0	Oilfield exploration and development	Angola	12-May-06
Hadjret En Nouss Project	Shariket Kahraba Hadjret En Nouss SpA	920.0	Power	Algeria	10-Oct-06
Bonny Gas Refinancing	Bonny Gas Transport Ltd - BGT	680.0	Oil Refinery/LNG and LPG Plants	Nigeria	29-Sep-06
Lumwana Copper Project	Equinox Copper Ventures	583.8	Mining	Zambia	1-Dec-06
N4 Maputo Corridor Toll Road Refinancing	Trans African Concessions (Pty) Ltd	478.0	Road	South Africa	29-Mar-06
Caiman Project	Kuasa Nusajaya Ltd	476.0	Power	Egypt	2-Mar-06
Ahafo Gold Project	Newmont Ghana Gold Ltd	470.0	Mining	Ghana	14-Jul-06
Calabar Cement & Power Plant	United Cement Co of Nigeria Ltd - UNICEM	428.0	Processing plant	Nigeria	21-Sep-06
Sidi Krir Thermal Power Refinancing	Sidi Krir Generating Co Ltd	251.0	Power	Egypt	28-Apr-06
Kwale Titanium Mineral Sands	Tiomin Kenya Ltd	226.0	Mining	Kenya	31-Jul-06

Source: Dealogic

project finance round-up

Africa project finance rankings 2006

Top 10 Mandated Arrangers of African Project Finance Loans

Financial Close between 1 Jan 2006 - 31 Dec 2006

Pos.	Mandated Arranger	Amount(\$m.)	No.	%share
1	Standard Chartered plc	366.2	5	7.54
2	Investec Ltd & plc	354.0	3	7.29
3	Citigroup Inc	299.1	3	6.16
4	Standard Bank Group Ltd	299.0	3	6.16
5	BNP Paribas SA	290.5	3	5.98
6	Societe Generale	179.5	3	3.70
7	ING Groep NV	169.5	2	3.49
8	Banque Exterieur d'Algerie	160.0	1	3.29
8	Banque Nationale d'Algerie - BNA	160.0	1	3.29
8	Caisse Nationale d'Epargne et de Prevoyance Banque	160.0	1	3.29
8	Credit Populaire d'Algerie	160.0	1	3.29

Top 10 Providers of African Project Finance Loans

Financial Close between 1 Jan 2006 - 31 Dec 2006

Pos.	Provider	Loan Amt (\$m.)	No.	%share
1	China Development Bank	205.0	1	5.11
2	Export-Import Bank of China	200.0	1	4.98
3	Societe Generale	187.0	3	4.66
4	BNP Paribas SA	176.8	2	4.40
4	ING Groep NV	176.8	2	4.40
6	Standard Chartered plc	176.8	4	4.40
7	Banque Exterieur d'Algerie	160.0	1	3.99
7	Banque Nationale d'Algerie - BNA	160.0	1	3.99
7	Caisse Nationale d'Epargne et de Prevoyance Banque	160.0	1	3.99
7	Credit Populaire d'Algerie	160.0	1	3.99

Top 10 Legal Advisors of African Project Finance Deals

Financial Close between 1 Jan 2006 - 31 Dec 2006

Pos.	Legal Adviser name	Proj. Amt (\$m)	No.	%Share
1	Norton Rose	1,773.0	3	26.46
2	Jones Day	1,251.7	3	18.68
3	Allen & Overy	1,045.0	2	15.59
4	Bell Dewar & Hall	315.2	2	4.70
5	Clifford Chance LLP	284.2	2	4.24
5	Shearman & Sterling	284.2	2	4.24
7	White & Case LLP	266.3	2	3.97
8	Chadbourne & Parke	235.0	1	3.51
8	Fulbright & Jaworski	235.0	1	3.51
10	Deneys Reitz	159.3	1	2.38

Source: Dealogic

Project finance lounge

Nedbank Capital's **Mike Peo** and **Orville Cachia** argue that getting the debt-equity mix right, and staying in for the long-haul, are key for successful African railway deals



At first sight, investing in railways in Africa looks like a fool's game. With the exception of major urban centres, many railways around the world are loss-making enterprises that survive through government subsidies. How could anyone profit from running a railway in Africa?

The answer is to distinguish between passenger and freight services. Passenger services very often require government subsidies, but it is entirely feasible to run profitable freight services. The combination in Africa of mineral wealth in remote locations, a weak road infrastructure and surging world commodity prices make a particularly strong case for investing in railways.

Historic under-investment in government-owned rail-links has resulted in unreliable, inefficient services. But with the spread of public-private partnerships, the time is ripe for private sector operators to rehabilitate Africa's railways and profit from their efforts.

Getting structure right

Nedbank Capital has owned and invested in railway infrastructure in Africa since 1996. The most significant railway assets it has financed or invested in are situated along the route between Durban, South Africa, to Ndola, on the Zambia/DRC border. Fifteen years ago it took up to six weeks for freight to travel from Ndola to Durban. It now takes five days.

The Ndola-Durban railway comprises three links. National Railways of Zimbabwe awarded the first 30-year concession on the Bulawayo-Beitbridge link in 1996. Nedbank Capital, alongside other investors, took 85% of the equity. It has been a hugely successful investment. Railways System of Zambia, conceded in 2004,

and NLPI Logistics, (between Bulawayo and Victoria Falls), make up the rest of the railway system.

When looking at railway investments, deal structure is essential. In simple terms, two models exist: total privatisation, and strategic equity investment where the government sells up to 51% of the concession to a private operator

Fifteen years ago it took up to six weeks for freight to travel from Ndola to Durban.

Now it takes five days

and its partners. In both cases, rehabilitating railways, let alone reforming entrenched operational inefficiencies, is time consuming and expensive. Investors need long concessions, typically 20 to 30 years, in order to make the deal worthwhile. A reasonable debt-to-equity structure, typically 70/30, is required to generate the required returns on equity.

The amount of debt a project can raise depends on revenue projections. Investors will demand a financial model showing expected freight tonnage and operational cost efficiencies gained against the capital expenditure needed for any upgrades. In most PPP deals the operator does not ask for revenue guarantees from governments, but it seeks off-take agreements to support the funding. The government gets fixed and variable fees as well as tax receipts out of the deal. Depending on the nature of the transaction, other terms may be added.

Managing expectations

The project structure must allocate and mitigate

risks appropriately. These principally include demand, operational and "expectations" risks. Obviously, a railway that isn't used will not make money and so a proper and realistic market study is a prerequisite to raising financing. A PPP does not give the government an instant fix; the tonnage will not go from one to 50 million in a year. Operational risk is addressed through ensuring high quality management and establishing a thorough understanding of the network.

Finally, in order for a project to succeed, promoters have to ensure all parties understand the challenges of running a railway concession.

Managing the expectations of the government that has concessioned out the railway is critical. In certain cases the concession risks failing where the government's expectations of the revenue growth have not been properly managed.

Given the right contracts and appropriate risk mitigation strategies, commercial banks will consider lending for up to ten years on African railway projects. The development finance institutions can sometimes extend to 15 years.

Africa's export competitiveness suffers because of high transportation costs, both for raw materials and manufactured goods. Railways offer Africa's mining and other export-oriented businesses a reliable and efficient solution to getting their products to market. Consequently, they offer investors attractive opportunities. We are likely to see a big expansion in Africa's railways over the coming years. **Ai**

Mike Peo is Head of Public & Infrastructure Project Finance, and Orville Cachia is Railways Finance Specialist, at Nedbank Capital in South Africa

Redefining the Housing & Construction Sector in the West African Sub-Region



Regimanuel Gray Limited, an American/Ghanaian venture, was incorporated in 1991 with a mission of providing reasonably priced houses to a broad spectrum of purchasers throughout Africa.

Sixteen years on, that mission is very much on course. The company has become the leading private real estate developer in Ghana. Regimanuel Gray Limited has also teamed up with the Sierra Leone National Social Security and Insurance Trust (NAASIT) to establish Regimanuel Gray (SL) Company Limited - a major bold first step in a sub-regional and subsequently continental expansion drive.

Regimanuel Gray's operations in Ghana and Sierra Leone are today truly redefining the sub-region's housing and construction sector through:

- Specialization in turn-key "design and construct" housing projects;
- Delivery of non-residential development projects - including office buildings, warehouses and educational facilities;
- Extensive expertise in planning and provision of infrastructure to project sites.
- Provision of quality products such as blocks, pavers and culverts by subsidiary joint venture companies; and
- Provision of efficient after-sales service and management of completed housing estates.

efficient management of its completed projects.

- Regimanuel Gray Limited's subsidiary support companies in Ghana are RG Estate Management Company; Bessblock Concrete Products Limited (a fully automated concrete blocks manufacturing plant, producing over 20,000 high quality concrete blocks and pavers daily; and Desjoyaux Ghana Limited (which constructs swimming pools)

SIERRA LEONE OPERATIONS

- One hundred and fifty executive class homes and 1,000 affordable homes are currently under construction in the Freetown area.
- Regimanuel Gray (SL) subsidiary support companies and plants include Sierrablock (a fully automated concrete block manufacturing facility capable of producing up to 20,000 high quality concrete blocks and pavers per day) a granite quarry, and a crushing plant (to provide crushed granite for use on Regimanuel Gray projects and for commercial sale).

PRODUCTS AND MARKETING

Regimanuel Gray Limited is providing Serviced Plots, Executive Estates and Affordable Housing Units for residents in Ghana and Sierra Leone. These products are equally available for purchase by non-residents living in the diaspora, and others. To facilitate access to Regimanuel Gray products, Marketing Offices have been set up in Ghana, Sierra Leone, the United States and United Kingdom



GHANA OPERATIONS

- Regimanuel Gray has delivered executive mansions and more than 2,000 affordable housing units in Accra suburbs area
- The company has earned a reputation for its quality products, the quality of life in its gated communities as well as for the

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Your Dream! Your Choice? Our Promise..



Putting African railways



Once considered a drain on resources, railways in Africa have been neglected for decades. **Simon Griffiths** investigates why the private sector is now taking a second look, and how deals are being structured to deliver returns

African railways are due for a renaissance. Strong commodity prices, economic growth and growing confidence in the continent's future have revitalised interest in railways as an essential component of what ought to be a continent-wide, multi-modal transport infrastructure.

Primarily built between 1852 and the 1920s to serve European interests in trade, natural resource extraction or military control, they often brought little to local populations. As tools of the colonial powers, railways helped define and maintain Africa's unnatural divisions, which perhaps explains their later neglect and decline. Many of Africa's railways have languished in state ownership for decades while much-needed investment has been diverted to competing road and air transport projects.

Yet a recently published World Bank report on railway concessions in Africa states: "Railways still offer the most economical solution to transporting non time-sensitive bulk freight on distances over 500km." Mindful of this, both new

construction and rehabilitation are taking place across the continent with funding from a mixture of public and private sources.

"We are very positive about the prospects for African railways," says Roger Lambson, Sales Director for the Middle East and Africa with GE Transportation. GE has an installed base of about

Railways are the most economical solution to transporting non time-sensitive bulk freight on distances over 500km

1,200 locomotives in Africa and expects to sell or upgrade many more. The growth is driven by the expansion of public-private partnerships (PPPs) and increased mining activity.

The major obstacle to railways achieving their potential, says NEPAD, is their current poor

state across much of Africa, which means huge investment is needed in infrastructure, rolling stock and signalling. At the same time, governments are keen to relieve themselves of heavy expenditure on railways, which historically – unlike ports – have represented a drain on national budgets. The hope, of course, is that the private sector can roll in, plug the funding gap and reverse the flow of public money towards railway operations. Recognising this, NEPAD has prioritised providing institutional support for the concessioning of railways in its Short Term Action Plan for infrastructure. The World Bank agrees the revival of railways through concessioning is warranted if the business fundamentals supporting it are sound.

A tale of two concessions

African experience with railway concessioning is limited but gaining pace. Last year saw the award of contracts on Gautrain in South Africa and the Mombasa to Kampala railway line, two hugely different projects. Gautrain is a new-build passenger link between Tshwane (Pretoria) and

back on track



Vision of the future: artist's impression of what Gautrain will look like [Gautrain Rapid Rail Link](#)

Johannesburg, with a spur to O R Tambo International Airport. The Bombela International Consortium, comprising Bombardier, Bouygues, Murray & Roberts and the Strategic Partnership Group, won the 15-year concession after an extended bidding and negotiation process. The total project cost is US \$3 billion, split between

It can be difficult to operate a privatised railway corridor profitably because overall traffic volumes remain low

Gauteng Provincial Government and the consortium.

In contrast, the Mombasa to Kampala railway is 110 years old. The 25-year concession, won by Rift Valley Railways, is for freight operations in Kenya and Uganda, and in Kenya's case includes a five-year passenger concession. Rift Valley Railways will invest \$125m over the first five

years for the rehabilitation, maintenance, and operations of rail infrastructure, freight and passenger services.

"This was one of the most complex deals going into the African market last year and its success is a credit to the commitment of all parties involved to get the deal done, despite numerous setbacks," says Vishal Agarwal, Head of Infrastructure Finance (sub-Saharan Africa), with PricewaterhouseCoopers, who worked as the lead financial advisor on the deal. KfW, the German development bank, and IFC are the senior lenders on the deal, providing \$32m each over 15 years with a five-year grace on principal repayment during the construction and rehabilitation period. The World Bank's International Development Association has provided a \$40m partial risk guarantee, the first ever on a transport project.

How to make the numbers work

Sub-Saharan Africa's current wave of railway concessions began in 1995 on the Abidjan to Ouagadougou connection linking Ivory Coast to

Burkina Faso. This was an *affermage* type of contract where the operator leased the assets from the government and the government retained responsibility for major investments. The Sitarail consortium is led by the Bolloré group, which has significant railway interests in Africa.

Bolloré's participation in rail is instructive. The Euronext-listed group operates a freight network to and from Africa. Railways serve as an extension to that network and help Bolloré access landlocked African countries. In parallel, at the time of the bid the group had interests in shipping, freight forwarding, stevedoring and plantations. The World Bank points out that Bolloré's vertically integrated structure may have lent support to less than adequate rates of return on its railway activities as it judged its participation in the sector in light of the overall profitability of its supply chain.

The point is not to denigrate Bolloré but to highlight a problem in railway concessions. Despite the appearance of a natural monopoly, it can be difficult to operate a privatised railway corridor profitably as a standalone business because, excluding a few cases, overall traffic volumes remain low by international standards.

"It is becoming clear that classic concession schemes (those that require private operators of non-mining railways to finance both track and rolling cost investments) in sub-Saharan Africa are unlikely to produce the kind of profits that will make them attractive to bidders unless they are supported by strong business fundamentals," states the World Bank report.

In other words, the onus is on private operators to ensure they are not overreaching themselves when bidding on railway concessions so as to preclude the need to secure additional profits through the control of entire distribution chains or the supply of equipment. This needs to be taken account of if *public private* partnerships are to succeed.

Problems also arise when the private sector is required to depend partially on unreliable

The private sector can roll in, plug the funding gap and reverse the flow of public money towards railway operations

government subsidies of loss-making passenger services or when strong competition from trucking exists. Trucks essentially use their infrastructure – roads – free of initial investment charges and hence have an automatic cost advantage over railways.

Consequently, the pool of bidders for railway concessions in sub-Saharan Africa tends to be small, particularly from non-integrated operators. However, they do exist. One non-integrated operator active in Africa is the Indian consultancy and project management company RITES, which has a 26% stake in the Beira railway concession in Mozambique. The 670km line was sabotaged in 1984 and the area was heavily land-mined. The line has now been de-mined with funding from the USA. RITES was also named preferred bidder for taking over the operations of Tanzania Railway Corporation and is carrying out



FAST FACTS

- Africa's first railway connecting Alexandria to Cairo was completed in 1856
- The East African Railway reached Uganda in 1901 and reduced the price of transporting cotton to the coast from £200 to £2.40 per tonne
- South Africa has the continent's largest rail network with more than 20,000km of track
- Nigeria has taken out a concessionary loan of \$2.5bn from China and signed an \$8bn contract with the China Civil Engineering Construction Company for the rehabilitation of the 1,315km Lagos to Kano line, first completed in 1912

Other options

Concessioning, however, is not a universal solution. NEPAD says weak infrastructure and low traffic volumes will prevent the privatisation of some rail networks in the short to medium term. Other African railways are simply too small to be commercially viable. In these cases, subsidies may be needed if the private sector is to be engaged.

NEPAD is looking at projects to improve existing networks and extend interconnections between railways using alternative sources of funding to the

a feasibility study for a proposed Ziguinchor to Dakar railway in Senegal.

private sector. Some governments have also adopted this approach.

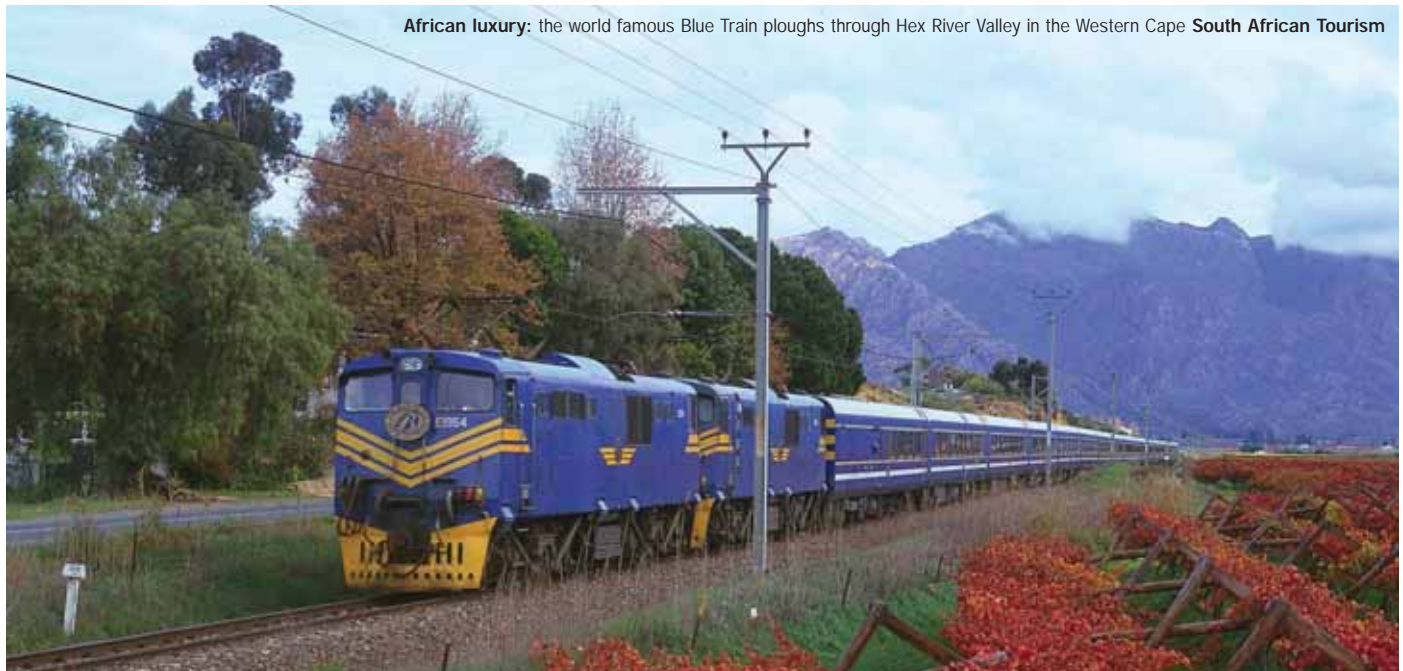
For example, Nigeria has suspended its concessioning programme and opted first to rehabilitate its railways through direct financing. Nigeria has taken out a concessionary loan of \$2.5bn from China and has signed an \$8bn contract with the China Civil Engineering Construction Company for the rehabilitation of the 1,315 km Lagos to Kano line, first completed in 1912. Angola is looking at similar arrangements with the Chinese. However, this type of direct financing has "so far been restricted to countries endowed with substantial mineral resources," says Pierre Pozzo di Borgo, a Senior Transport Specialist at the World Bank.

African railway concessions						
Location	Concessionaire	Starting date	Initial concession length (yrs)	Initial capital contribution (\$m)	Total investment, first five years (\$m)	Commercial bank/private equity financing (%)
Mozambique	CCFB (Beira)	2004	25	19.7	152.5	12.3
Cameroon	Camrail	1999	20	18.5	89.6	44.4
Tanzania	TRC	2006	25	10.0	88.0	62.9
Burkina Faso-Ivory Coast	Sitarail	1996	20	8.8	63.3	19.7
Mali-Senegal	Transrail	2003	25	17.2	55.4	61.0
Kenya-Uganda	URC/KRC	2006	25	20.0	55	100.0
Madagascar	Madarail	2003	25	5.0	36.1	40.9
Zambia	RSZ	2002	20	6.1	14.8	100

Source: World Bank

Ongoing and prospective African railway projects	
Project/Location	Description
Francistown-Bulawayo Passenger Rail Link Botswana/Zimbabwe	Botswana Railways hopes to reduce its losses with the re-opening of the Francistown-Bulawayo Passenger Rail Link. A modern locomotive with eight luxury carriages will be linked to the currently operating freight train.
Isaka-Kigali Rail Line Burundi/Rwanda/Tanzania	The African Development Bank (AfDB) and the governments of Rwanda and Tanzania are funding the feasibility study for the Isaka-Kigali Rail Line. Total funding for the project is \$2.6m.
Lubumbashi-Kindu Rail Line Democratic Republic of Congo	The national rail utility SNCC is reporting serious difficulties in maintaining traffic flow on the 1,470km Lubumbashi-Kindu Rail Line. SNCC has nevertheless managed to acquire 14 locomotives and trucks as a result of an agreement between itself and Spoornet of South Africa.
Belinga Iron Ore Project, Gabon	The Belinga Iron Ore Project should be operational within the next four years. It will be managed by a majority Chinese consortium, with the state holding an undisclosed participation. The total required investment is estimated at \$3bn with about 66% spent on support infrastructure including the extension of the Trans-Gabonese Rail.
Zouerate-Nouadhibou Rail Link, Mauritania	The National Industrial and Mining Company of Mauritania (SNIM) has decided to invest \$85m between 2006 and 2010 to increase iron exports from the country. Much of the funding will be allocated to the reinforcement of the 600km Zouerate-Nouadhibou rail link and for the modernisation of rail equipment.
Moatize Coking Coal Project, Zambezi Valley, Mozambique	An estimated \$2bn is being disbursed on this coal processing plant project. This includes a rail link as well as the upgrading of port facilities.

Source: Africa Project Access



African luxury: the world famous Blue Train ploughs through Hex River Valley in the Western Cape **South African Tourism**

In other cases, cross-border connections could help to boost traffic volumes and help make investments more attractive to the private sector. NEPAD is promoting studies to assess the practicality of interconnecting various national railways within the ECOWAS countries of west Africa.

However, many issues need to be tackled before this becomes widespread. These include the lack of harmonised and regulatory

frameworks between countries, technical problems and commercial factors, such as ticketing and timetabling.

The British once dreamt of building a rail link from Cairo to the Cape. They never succeeded. But modern Africa might. However, it is not just a case of laying down parallel lines of steel. Cross-border cooperation is essential to ensure free movement of goods and there are numerous technical, commercial and political problems to

overcome. It should be worth the effort. Railways are cost effective for moving heavy, non time-sensitive goods but in order to attract private sector investment, concessions need to be structured to give operators a fair return on equity commensurate with their risks, particularly if more non-integrated operators are to bid. It's time to put painful memories aside and look to a prosperous and healthier future for Africa's railways. **A**

EXPERT INSIGHT

by Jonathan Wood

African railways have considerable potential as public-private partnerships (PPPs). The Gautrain project in South Africa shows what can be done. With a total investment of \$3bn, the project is currently the biggest transport PPP in the world. The Bombela consortium was able to raise the necessary \$500m (rand equivalent) of debt in the commercial bank market based on the consortium's patronage forecasts and the revenue support provided by Gauteng Province.

However, we are not seeing as many bankable projects as we would like. A number of PPP deals have not progressed as hoped, principally because the deal structures are not bankable.

Railway PPPs face similar issues to projects such as toll roads and airports. All these projects need to be thought out and planned in detail if they are to succeed. In the

long-term, investing time and money in the earlier stages will result in smoother and ultimately cheaper privatisation or PPP processes.

Railways typically do better financially when transporting freight rather than carrying people. Passenger railways have more unpredictable revenue streams and, in emerging markets, face the challenge of cost recovery. Gautrain is an exception because the provincial government has agreed to underpin a certain level of traffic volumes, and this gave comfort to the lenders. The province also provided a substantial part of the capital cost by way of an upfront grant.

On freight services the underlying core business must be predictable and sustainable. An export orientation also helps to generate hard-currency cash flows. This means railways

linking mines or main cities to ports are usually good candidates. These projects become even more bankable if they are linked to a strategic export or import or have a quasi-monopolistic status.

Lenders typically finance rail concessions on a non-recourse basis and will carry out both detailed technical and financial due diligence. In case of default they will want to know the assets they hold as security are valuable. They will need to see concession documents that properly and fairly allocate risks and they want to see an experienced operator running the railway. On the financial side, a variable concession fee is preferable to fixed.

Jonathan Wood is Director of Project Finance, Standard Bank. Standard Bank is Joint Lead Arranger on the Gautrain Project



NIGERIAN PORTS

LAGOS PORT COMPLEX

- **Apapa Bulk Terminals Limited (Subsidiary of Flour Mills of Nig.Plc)**
Tel: 234-1-5803370-9, 5453960-9, 5452667, 5450972
Fax: 234-1-5872749, 5870395, 5452667, 5871602.
Address: 2 Old Dock Road, P.O. Box 341, Apapa, Lagos.
- **ENL Consortium**
Tel: 0803-787-6125
Fax: 234-9-3144238
Address: 26, Burma Road, Apapa, Lagos.
- **A.P. Moller.**
Tel: 234-1-262,6430, 0803979 0219.
Fax: 234-1-2626428
Website: www.apmterminals.com.
E-Mail: appapmtmng @ apmterminals.com.
Address: Maerks House, 121 Louis Solomon close, P O Box 72554, Victoria Island.
- **Green View Development Nig. Ltd. (Dangote Group)**
Tel: 234-1-2671810, 234-1-2695108, 234-1-2695109, 234-1-2695118
Fax: 234-1-2695009, 234-1-2695314
Address: No 1 Kingsway Road Falomo, Ikoyi, Lagos.

LOCATION/TERMINAL(S)

Terminals A&B (Berths1-5)

Container Terminals C& D (Berths 6-14)

Container Terminal, Berth 15-18a & Lilypond CFS

Terminal E (Berths 18b-19)

TIN--CAN ISLAND PORTS

- **Five Star Logistics Limited. (Comet Shipping)**
Tel: 234-1-7748516, 7740143 234-1-5871873, 5566858
Fax: 234-1-5453214
Email: info@cometshipping.com.
Address: 4, Balogun Omidiora Road (Formerly Hinderer Road) PMB 1001, Apapa, Lagos.
- **Grimaldi Group**
Tel: 234-1-5453433, 234-1-5872311
Address: 17 Burma Road Apapa, Lagos.
- **Josephdam & Sons (Nig) Ltd.(JOSDAM Nig Ltd)**
Tel: 234-1-4523739
Fax: 234-1-2880848, 234-1-4528209.
Address: 19, Fatai Atere Way, Matori Lagos, Nigeria.
- **Tincan Island Container Terminal Ltd.**
Tel: 234-1-5873075
Fax: 234-1-5874163
Email: ykotik@netvision.net.il, chidilogu@yahoo.com
Address: 4, Creek Road, P.O.Box 192 Apapa, Lagos
- **Ports and Cargo Handling Services Ltd. (SIFAX)**
Tel: 08033036341
Address: 41, Calcutta crescent Apapa, Lagos, Nigeria.

RoRo Terminal

Greenfield Development
(Build Operate and Transfer- RoRo Port)

Terminals A

Terminals B

Terminals C

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With exceptional technology, professional staff and 8 strategically located seaports, the Nigerian Ports Authority (NPA) is the driving force behind the country's expanding economy. Boasting first-class international ports operators such as Grimaldi (roll on, roll off), AP Moller (container terminal) and ENL Consortium (general cargo) while top indigenous Nigerian shipping firms such as Sifax, Comet, Dangote and Flour Mills operate other terminals, the NPA has been working hard to further improve its already state-of-the-art facilities. Now, having completed port reforms in record time, it is attracting even more international operators to Nigeria, and playing an extraordinarily vital role in the nation's bright future.

AUTHORITY

RIVERS PORT, PORT HARCOURT

- **Ports and Terminal Operators (NIG) Ltd.**
Tel: 234-1-7936365, 0803 302-2666
Email: portterminalnig@excite.com.
Address: Mogfo House, 17 Int. Airport Rd. Ajao Estate, Lagos State.
- **BUA International Limited**
Tel: 234-1-5558971-2, Fax: 234-1-5558972, Email: www.bua.com
Address: 7th Floor, AIB Plaza, Adeyemo Alakija Street, Victoria Island, Lagos.

LOCATION/TERMINAL(S)

Terminals A

Terminal B

ONNE PORT -Federal Lighter Terminal (FLT) and Federal Ocean Terminal (FOT)

- **Brawal Oil Services Limited**
Tel: 234-1-5872491, 5872582, 5871684, Fax: 234-1-5876355
Address: Aeromarine Compound Phase 1, Apapa-Oshodi Expressway P.M.B 1193 Apapa.
- **Intels Nigeria Limited.**
Tel: 234-84-230921, 232888, 235933, Fax: 234-84-610552-3, Email: www.intelservices.com
Address: Km 16, Port Harcourt Aba Expressway P.M.B 6034, Port Harcourt.

Terminals A FLT, Onne

Terminals A FOT and B FLT Onne

CALABAR PORT

Terminal Coordinator's Office
Tel: 234-87-210131, Fax: 234-87-210132, 234-87-210151, 234-87-210132
Address: P.M.B. 1014 Calabar, Cross-River State, Nigeria.

- **Intels Nigeria Limited**
Contact Terminal Coordinator's Office
- **Ecomarine Consortium**
Tel: +23415457312-14, +23415871748-15, Fax: +23415457307, Email: info@ecomarinegroup.com
Address: 9 Wharf road, Apapa, Lagos
- **Addax Petroleum Development Nig. Ltd**
Contact Terminal Coordinator's Office

New Terminal A

New Terminal B

Calabar old Port

DELTA PORTS WARRI

Warri Pilotage District Terminal Coordinator's Office
Tel: 234-53-251080
Address: Delta Port, Warri, Delta State Nigeria

- **Intels Nigeria Limited**
Contact Terminal Coordinator's Office
- **Gulftainer Bel Consortium**
Contact Terminal Coordinator's Office
- **Associated Maritime Services**
Contact Terminal Coordinator's Office
- **Julius Berger Nigeria Plc**
Contact Terminal Coordinator's Office

Warri Old Port, Terminal A
Warri New Port, Terminal B

Koko Port

Warri Old Port, Terminal B

Warri Canal Berth

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Email: info@nigerian-ports.net

London Office: 2nd Floor, Allenby House, 1A Temple Road, NW2 6PJ, Tel: +44 (0)1814503101-3, Fax: +44 (0)181452 8062

Website: www.nigerian-ports.net

Email: npax@nigerian-ports.net, londonoffice@nigerian-ports.net

contractors and consultants corner

Infrastructure investment requires top-quality consultants. For **Jonathan Horn**, Divisional Director International of Kwezi V3 Engineers, it presents new challenges and new opportunities

Kwezi V3 is a 600-strong South African multi-disciplinary engineering consultancy with offices in Mozambique, Zambia, Namibia, the Democratic Republic of Congo and Abu Dhabi. The firm works in all infrastructure sectors and is particularly active in municipal engineering work.

Q What is driving change in the engineering consultancy business in Africa?

Better governance is leading to economic growth and greater investment. For example, we see that governments are financially rewarded for improved governance by the development finance institutions and a portion of this money goes into infrastructure.

Another positive trend is the increased willingness of governments to invest their own money (as opposed to donor funds) in infrastructure. For example, we are working on projects in South Sudan funded by the autonomous government out of its oil revenues.

Q What about the increasing use of public-private partnerships (PPPs)?

PPPs have up-ended the traditional way engineering consultants carry out their business and we have had to adapt accordingly. Traditionally we designed a project for a client, managed the tender process and supervised the contractor during construction. With PPPs, consortia bid to design, build and operate projects on a long-term concession basis. These consortia are typically contractor-led and employ consultant engineers as designers. We therefore provide our services to contractors rather than project sponsors and have had to develop good working relationships with them. Benefits include increased contractor input into design. On the other hand, some of the checks and balances of traditional procurement methods are lost. This has led to new opportunities for consultants to work with project sponsors as primary advisors.

The other big change is risk allocation and mitigation. With PPPs there is the possibility that designers end up shouldering significant project risk out of proportion with their share of responsibilities or revenues. Consultants will need to spend more money on risk management and legal advice to ensure they are properly protected. As yet, we have seen very few examples of consultants entering consortia as equity partners where they stand to benefit if a



project exceeds expectations. In most cases consultants work as service providers but it will be interesting to see if and how this changes in the future.

Q What sectors are going to do well over the next few years?

Mining could really take off as the award of exploratory licenses leads to feasibility studies and development. Railways and transport infrastructure should boom on the back of mining in order to move minerals to the coast for export. There are many plans in place to build new railways and we are already engaged on railway feasibility studies.

However, a note of caution is needed here. Transport infrastructure, and particularly railways, works best when it is regionally integrated. For example, railways need consistent cross-border signalling systems and cooperation on timetabling and access. We see a big role for NEPAD in this as perhaps the only institution with the political clout to influence governments to work together.

Q What is the impact of the Chinese on your business?

The Chinese tend to work within a different business model. For example, state-owned Chinese firms are active in Angola on railway rehabilitation, funded directly by the Angolan government as part of a bilateral trade agreement. It is good for Angola to rehabilitate its railways but by acting alone it has precluded the possibility of a coordinated approach with Zambia and the Democratic Republic of Congo, both of which could benefit from improved rail links with Angola. The other impact is that the consultants

that carried out the original feasibility study – which included proposals for privatisation and links to neighbouring countries – lost out on the detailed design work.

Q What are the greatest threats and opportunities to your business right now?

We know the World Bank and European Union are keen to invest heavily in African infrastructure and that improved economic prospects will similarly inspire further investment in infrastructure. There is no doubt the work will be there and this is a fantastic opportunity for African consultants. However, international consultants have smelled the money too and are paying greater attention to growing their businesses here.

We need the international players to operate in Africa. The ever-increasing size of projects means they cannot be done without engaging them. Still, local knowledge will remain essential and international firms will need the experience and connections of local operators. We must therefore “internationalise” ourselves in order to work successfully with the international competition.

Finally, there is often a huge demand for infrastructure development but too often an unstable political situation and failure to tackle poor governance and corruption leads some consultants to face difficult decisions on how best to pursue project opportunities without compromising their good business practice and ethical values. The eventual outcome of this could be a mafia-type business model, which is in nobody’s interest, and local communities would suffer the most as a result. A concerted effort by both the public and private sectors is required to prevent such a business model from thriving in today’s booming economy. **Ai**

Jonathan Horn talked to Simon Griffiths



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in the pipeline

In his regular round-up of selected infrastructure projects in sub-Saharan Africa, Paul Runge of INFRATREE finds the Karofina dry port open for business and much more

PORTS

There is considerable pressure on Dar es Salaam to cope with increased freight traffic and the requirements of the central development corridor. The port authorities are implementing a special corporate plan to improve productivity at the port. The cost of the project for the enlargement of Djibouti Port is estimated at US \$400m. It includes the construction of a new container terminal at Doraleh, 10km from Djibouti.

The presidents of Mali, Burkina Faso and Senegal have inaugurated the Karofina dry port, situated north of the Mali capital of Bamako. The site covers six hectares and includes 14 hangars, two of which are refrigerated, as well as administration buildings. The cost of the project was 8.3bn CFA francs (\$16.3m). The project forms part of a programme linking the port of Dakar to Mali, Burkina Faso and Niger.

Meanwhile, the West African Development Bank (BOAD) has approved a loan of CFA8bn (\$15.8m) for infrastructure rehabilitation at Lomé Port in Togo.

Further rehabilitation of Beira Port is due to commence in April 2007, with the relevant tenders launching in March 2007. This was announced by Dutch firm Cornelder Moçambique. Exports through Beira registered 150,000 tons in 2006, which was a 10% increase on the previous year. The Zambezi Valley Programme and notably the Moatize Coking Coal Project should improve throughput at the port, although many feel that the natural deepwater site of Nacala would be more appropriate.

AIRPORTS

The recent increase in airport projects continues. In Nigeria, the Abuja Gateway Consortium has won a contract to enlarge Abuja Airport and manage it for 25 years. Three contracts have been awarded for the 20-year Entebbe Airport Development Programme. New work includes a VIP terminal, a general aviation block and passenger bridges.

The Zanzibar authorities have stated that there are a number of companies that have expressed interest in the expansion and renovation of the tourist-heavy Zanzibar Airport. The project cost is estimated at \$30m.

RAIL

Chinese engineering company CCECC has been appointed for the construction of the Lagos-Kano line in Nigeria and hopes to complete the first phase of the project within five years (see page 48). The Nigerian President has made references to a large-scale programme that would link the capitals of all 36 states by rail.



Senegal has purchased five locomotives and 20 passenger wagons from India as part of the renovation of the 27km Dakar-Rifisque rail line.

ROADS

The AfDB is engaging in roads projects in the Democratic Republic of the Congo. Two such projects are the Nsele-Lufimi and Kwanza-Kenge roads. The World Bank is funding the Lubumbashi-Kasemeno road that will help integrate the copper producing areas of DRC's Katanga Province. The proposed Lagos toll road in Nigeria is receiving increasing attention. There are references to the use of smart-card technology for the project.

POWER

New power projects are being proposed, largely to meet the requirements of growing resources exploitation. The Zambian government is attempting to satisfy the electricity demand generated from the copper mining industry and has listed a number of new and expansion projects. Proposed projects include the development of a 750MW hydropower station on the lower Kafue Gorge.

Guinea has major bauxite reserves that have led to the planning of large-scale aluminium production projects. However, an essential component that is missing is electricity supply. The Guinea government has responded by listing 14 new hydropower projects that are at various pre-feasibility and feasibility study stages.

The troubled Congolese power utility, Société Nationale d'Electricité (SNEL), is calling on the government to install a second transmission line linking the Inga Hydro Plant to Kinshasa. The capital is experiencing serious power shortages with the current deficit estimated at 170MW. The shortage has been made worse by a recent theft of more than a kilometre of cable from the Kinshasa-Matadi connection.

The cost of the transmission line would be an estimated \$300m.

Investment is still being sought for the Batoka Hydro Power Project, situated some 50km downstream of Victoria Falls. The Project would have the potential to produce 800MW. The implementing agency is the Zambezi River Authority, which is a joint venture of Zambia and Zimbabwe. It was hoped that the Project would be launched early in 2007.

WATER & SANITATION

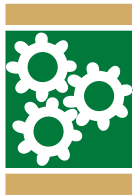
Expressions of interest are being invited from consultants for the Malawi Water Supply Programme. Zambia has received funding from the Arab Bank for the Economic Development of Africa (BADEA) for water supply rehabilitation projects in six districts. Technical assistance funding has also been raised for the country's water distribution companies.

CONSTRUCTION

Multi-disciplinary firms and architects are being invited to pre-qualify for a new hospital in Port Louis, Senegal. The consulting firms must be experienced in hospital construction projects. The contact e-mail is moh-piu@mail.gov.mu.

There are plans for the development of Xefina Island in Maputo Bay. More than \$250m will be invested in the island for the establishment of hotels, restaurants and sports centres. It is hoped that a bridge will be constructed to link the island with the mainland at Costa do Sol.

Comprehensive Africa Visit Reports compiled by Paul Runge are available. For more information on these as well as other products such as Project Databases and Guides to Donor Agencies, contact Paul at +27 11 4656770 or e-mail: afric.projs@pixie.co.za



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expansion in
investments/loans

83%

lending to SMEs;

16.4%

Portfolio At Risk;

1,205%

increase in profit
before tax.

OPERATIONS

INVESTMENT/LOANS APPROVALS:

	JAN-DEC. 2006	2001-2005	Cumulative Total	% Increase
Number of Investments/Loans	106	88	194	120.5
Value of Investments/Loans	N11.82 billion	N9.8 billion	N21.62 billion	120.6

INVESTMENT SIZE:

	JAN - DEC. 2006		TOTAL	2001 - 2005		TOTAL (cumulative)
	SME	LARGE		SME	LARGE	
Number of Investments/Loans	88	18	106	57	31	88
Percentage	83	17	100	65	35	100
Value of Investments/Loans	N8.09b	N3.73b	N11.82b	N3.0b	N6.8b	N9.8b
Percentage	68.4%	31.6	100%	30.6%	69.4%	100%

DEVELOPMENT IMPACT OF BOI'S INVESTMENTS

Total capital formation resulting from investments/loans valued at N21.62 billion = **N67.50 billion**

Expected number of direct and indirect employment to be generated = **310,000**

It is expected that the aggregate production activities of the assisted projects would increase national manufacturing capacity and thus enhance the contribution of the manufacturing sector to Nigeria's Gross Domestic Product (GDP).

FINANCIAL HIGHLIGHTS

	DECEMBER 2006 (unaudited)	Dec. 2005 (audited)	%Increase
Gross Income	N3.36b	N1.38b	143%
Operating Expenses	N1.83b	N1.27b	44%
Profit Before Tax	N1.37b	N105m	1,205%

INCREASED PRODUCTIVITY & EFFICIENCY

	DECEMBER 2006	December 2005
Number of Staff	115	147
Ratio of Operational Staff to Investments/Loans	3:4	4:1
Staff Contribution to Profit	N11.9m per staff	N1.1m per staff
Operating Expenses / Gross Income	54%	92%
Profit Before Tax / Gross Income	41%	8%
Portfolio at Risk (Target is <5%. Industry average in Nigeria: 22%)	16.4%	65%

If BOI's field officers have not reached you, please contact any of the Bank's Offices as listed on the website.

NEPAD views

African infrastructure projects need funding for pre-feasibility studies. NEPAD's deputy CEO, Ambassador *Olukorede Willoughby*, enthuses about NEPAD's role in this area

Q Why is infrastructure so important to NEPAD?

To unlock Africa's development potential we have to facilitate the movement of people and products. You have to be able to improve people's quality of life; they have to have access to schools and education; they have to have access to hospitals. And that's only at a social level. From an economic point of view you have to be able to put productive inputs together to move raw materials to a point of production and then to markets. This makes transportation very important for access and movement.

Q Do you think infrastructure has had a low profile over the last few decades?

It's not exactly been low profile; it's just that African governments have had to go it alone because it's not been easy to attract funding. Due to privatisations and public-private partnerships (PPPs), infrastructure investments are becoming more interesting and bankable and that has renewed interest. At NEPAD we have 124 projects, of which a sizeable proportion are physical projects. It has not been easy: we have a lot of projects at concept level but in order to move them to the feasibility stage we have to do pre-feasibility studies. These can consume about 10% of a project's cost and that is a lot of money for most Africans to be able to muster. So we are trying to make the African Development Bank (AfDB) pay a lot more attention. Currently we have a US \$10 million fund to facilitate projects, and we're trying to expand that and make it more multi-donor. We also need to increase the scope of coverage of the fund and make conditions less stringent and more flexible in order to allow more African access to the funds. We think our activities in the area of infrastructure investment can really accelerate because it is so important.

Q Can the private sector play a role in putting forward funding for African infrastructure projects?

The private sector has always had a role to play. It's simply that the role has not been clearly determined

because opportunities have not been made explicit enough either to the private sector or funding institutions. Now that we have governments realising they cannot go it alone in the area of infrastructural development, they are taking a closer look at bankable projects. They are coming up with the regulatory frameworks that allow for PPPs in those areas and on that basis private sector operators are invited or can play a part and jointly make an approach to banks. But for us to deal with multi-country projects they must be both economic and bankable because of the criteria we use. Additionally, projects must promote regional integration. Sometimes viable projects are stalled because of political or other reasons so we intervene to make sure that the projects get moving.

Q What specific support do you provide to make sure projects get the funding and coordination they need?

NEPAD is a facilitating agency. We do not get directly involved in the projects. Indeed, the AfDB handles our project investments. We assist the regional economic communities on a policy and political level and assist to identify those viable bankable projects, which are then submitted, with our support, to the AfDB.

Q Do you see those projects taking off? Do you think that this infrastructure gap will be bridged?

We've started bridging the gaps because there's a lot more open-mindedness on the part of everybody. Take the Eastern Africa Submarine Cable System project, where there were a lot of issues and problems. NEPAD, being centrally placed, played a neutral and objective role in putting the project together. At one point it was feared that we were maybe not on the side of the private sector operators but on the side of the regulators. But at the end of the day the roles have been clearly understood and we are moving forward with this project. We were also able to host a multi-stakeholder dialogue on the Inga 3 project in the Democratic Republic of Congo. We were able to get both the national stakeholder and the international interested parties to discuss how to move the project forward, and we feel sure that we have succeeded. There is a lot more the new Infrastructure Consortium for Africa is able to provide in identifying areas of comparative advantage of external partners, and to pool these advantages together in support of African infrastructure projects. We are very optimistic there will be an acceleration of project implementation, especially with private sector initiatives such as the NEPAD infrastructure investment facility (NIIF).



Olukorede Willoughby talked to Alison Lock



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multilateral views

In the second part of his exclusive interview with *Africa investor*, Mandla Gantsho, Vice President at the African Development Bank, defends the Infrastructure Consortium for Africa

Q How does your vision for the AfDB align with the goals of NEPAD?

I think in future you will see increased activity from the AfDB on larger projects with the potential to support regional integration – a key goal of NEPAD. As you know, we are the lead agency for NEPAD's infrastructure programme and we have spent the last few years working on the NEPAD Short-Term Action Plan (STAP). We are now developing the Medium to Long-Term Strategic Framework (MLTSF).

Our support on NEPAD STAP projects has scaled up from US \$630 million between 2002 to 2005 to \$324m for 2006 alone. However, simply investing in projects is not enough. What we are trying to do is optimise the synergies between projects – making sure the plans of the different regions and countries are co-ordinated and connected. This thinking underpins the MLTSF, which will provide a coherent, strategic framework that will serve as the basis for defining, implementing and monitoring infrastructure development on the continent. Preparation of the MLTSF will involve the definition of sub-regional strategies as well as a continental strategy for the sustainable development of infrastructure in the five sub-regions of the continent.

We are financing the MLTSF study alongside the Nigerian Technical Co-operation Fund. It will cost about \$3.9m and should be completed about the end of 2007. The study will be carried out in close collaboration with the World Bank-financed African Infrastructure Country Diagnostic Study (AICD) that was commissioned by the Infrastructure Consortium for Africa (ICA).

Q How else are you supporting the NEPAD infrastructure agenda?

First, we recognise the importance of Africa's Regional Economic Communities (RECs) in developing infrastructure projects. We therefore provide targeted technical support to RECs in the preparation, packaging, financing and implementation of infrastructure projects and programmes and in the monitoring of programme implementation. Our technical support also extends to the NEPAD Secretariat where we assist with the coordination and monitoring of programme implementation. Second, we value our role as a centre of knowledge and information in infrastructure development. Finally, we are actively pushing five big infrastructure projects,

one per region, which are in line with the NEPAD vision.

Q Why do we need the Infrastructure Consortium for Africa in addition to NEPAD and the AfDB?

The objective of the Consortium is to build a strategic partnership among donors and stakeholders to facilitate the development of infrastructure in Africa as prioritised by the AU, NEPAD and national governments in support of economic growth and poverty reduction. It is intended to make its members more effective at supporting infrastructure in Africa by pooling efforts in selected areas (such as information sharing, project development, and good practice) without necessarily pooling financing decisions.

Although the Consortium is not a financing agency, it acts as a platform to broker more donor financing of infrastructure projects and programmes in Africa.

Q So what has the ICA done, in terms of pushing forward new infrastructure projects?

ICA members agreed that there was a need for greater coherence of donor efforts to reduce transaction costs and ensure more effective and efficient delivery of funding consistent with the commitments made on harmonisation.

As such, ICA looks on an ongoing basis at ways to scale up financing and increase cooperation at project level, but not exclusively. More broadly, ICA is working to identify and overcome project development, financing, capacity and business environment constraints, in a new cooperative spirit that recognises the comparative advantages of different donors.

ICA attempts to address both national and regional constraints to infrastructure development, with an emphasis on regional infrastructure, recognising the particular challenges at this scale.

The ICA is responding to country priorities and ICA members have increased their investment in regional and national infrastructure projects. For example, from October 2005 to June 2006,

Consortium members committed \$3.44bn to country-level projects.

Given the scale of the investment required, both the AfDB and the ICA will continue to advocate for more public and private resources to infrastructure.

As one of the first key actions in that direction, we supported an ICA conference in December 2006 on "Financing Electricity for Growth in Africa", which sensitised key energy, investment and legal companies to potential electricity infrastructure projects requiring immediate financing in Africa.

It is hoped that the meeting will result in the opening of new dialogues with private sector companies on selected projects, with a view to future participation in financing. The meeting also helped information flow to the private sector and helped decide how best to maintain high levels of communication between public and private sectors.

A

Mandla Gantsho
talked to
Simon
Griffiths

Mandla Gantsho joined the African Development Bank (AfDB) in May 2006 as Vice President, Operations III: Infrastructure, Private Sector & Regional Integration following a stellar career at the Development Bank of Southern Africa, where he held the title of CEO and MD since 2001. According to Trevor Manuel, South Africa's finance minister, Gantsho 'played a pivotal role in transforming the DBSA into a leading and widely respected regional development bank'.