



**AFRICA<sup>50</sup>**

**George Mason University**

**Building Infrastructure for a  
Modern Africa**

**Tshepidi Moremong, COO Africa50**

**Sunday 16 January 2021**



**Tshepidi Moremong**  
Chief Operating Officer





# 1. The Opportunity



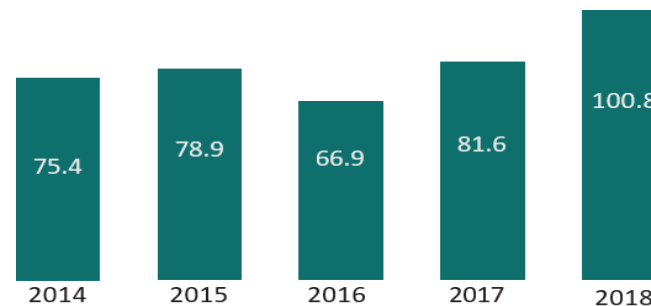
# The Infrastructure Financing Gap

Africa's infrastructure financing needs are estimated to be **US\$130-170 billion per year**, which leaves an **annual gap** estimated at **US\$50-93 billion**.

## Positive pre-COVID trends

- In 2018, total annual commitments to African infrastructure exceeded **US\$100 billion** for the first time.
- African governments continue to be the largest source of funding (37%).

Total annual infrastructure commitments (2014-2018)



Source: Infrastructure Consortium Africa

## Increase of private investments in 2020

- With a total of US\$7.5 billion in private sector commitments, Africa registered a 7.3% increase from 2019. While all other emerging markets saw an average decrease of 52%.

## Africa can attract more investments

- Despite recent improvements, other emerging markets such as Asia and Latin America continue to attract 2 to 3 times more private sector investments (\$14-\$32 billion). Africa should aim to reach similar commitment levels.

Source: World Bank, 2020

# Africa's Vast Potential

Tremendous natural and human resources

Creative investors with patient capital will find fertile ground

AFRICA<sup>50</sup>

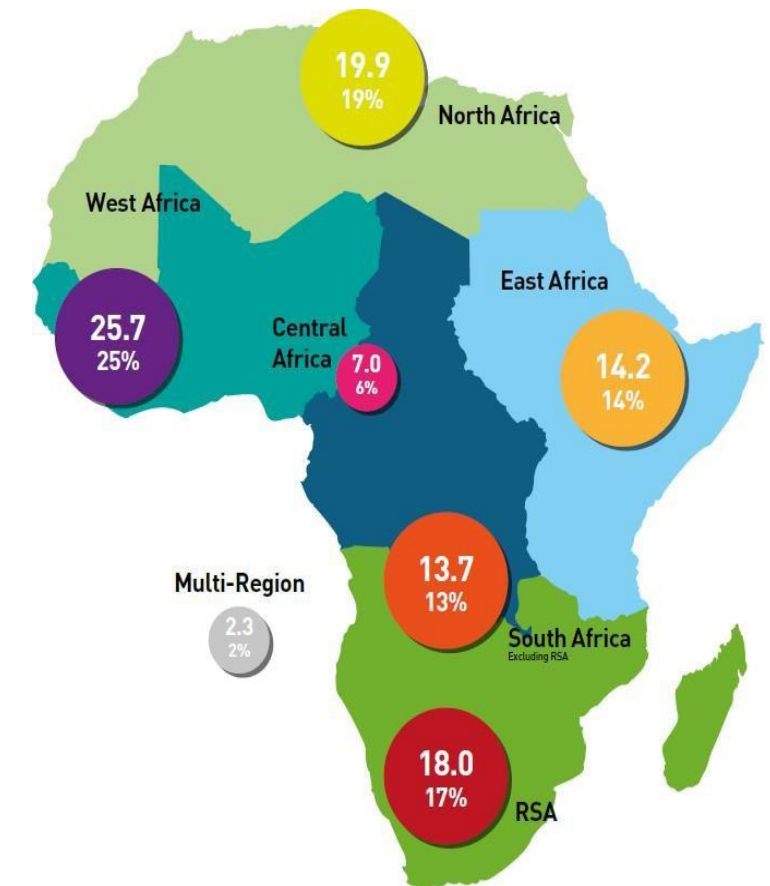
- Growing middle classes
- Youngest population
- Rapid urbanization



# The African Continental Free Trade Area (AfCFTA)

- **Regional projects**, important for implementation of the African Continental Free Trade Area (AfCFTA), received **only 2%** of financing commitments.

Infrastructure funding distribution by region



# Key Sectoral Needs



## POWER

**570 million Africans** still do not have access to reliable electricity.

**\$120 billion** annual funding required through 2040 to reach universal energy access.



## HEALTHCARE INFRASTRUCTURE

UNECA estimates that health business opportunities in Africa will be worth as much as **\$259 billion** by 2030, of which an important part is for infrastructure.



## TRANSPORT

Road and other transport sectors require **\$35 to 47 billion** annual funding (80% in rehabilitation and 20% in new construction).



## WATER & SANITATION

In Africa, **42%** of people are **without basic water supply**, and **72%** without basic sanitation.



## ICT

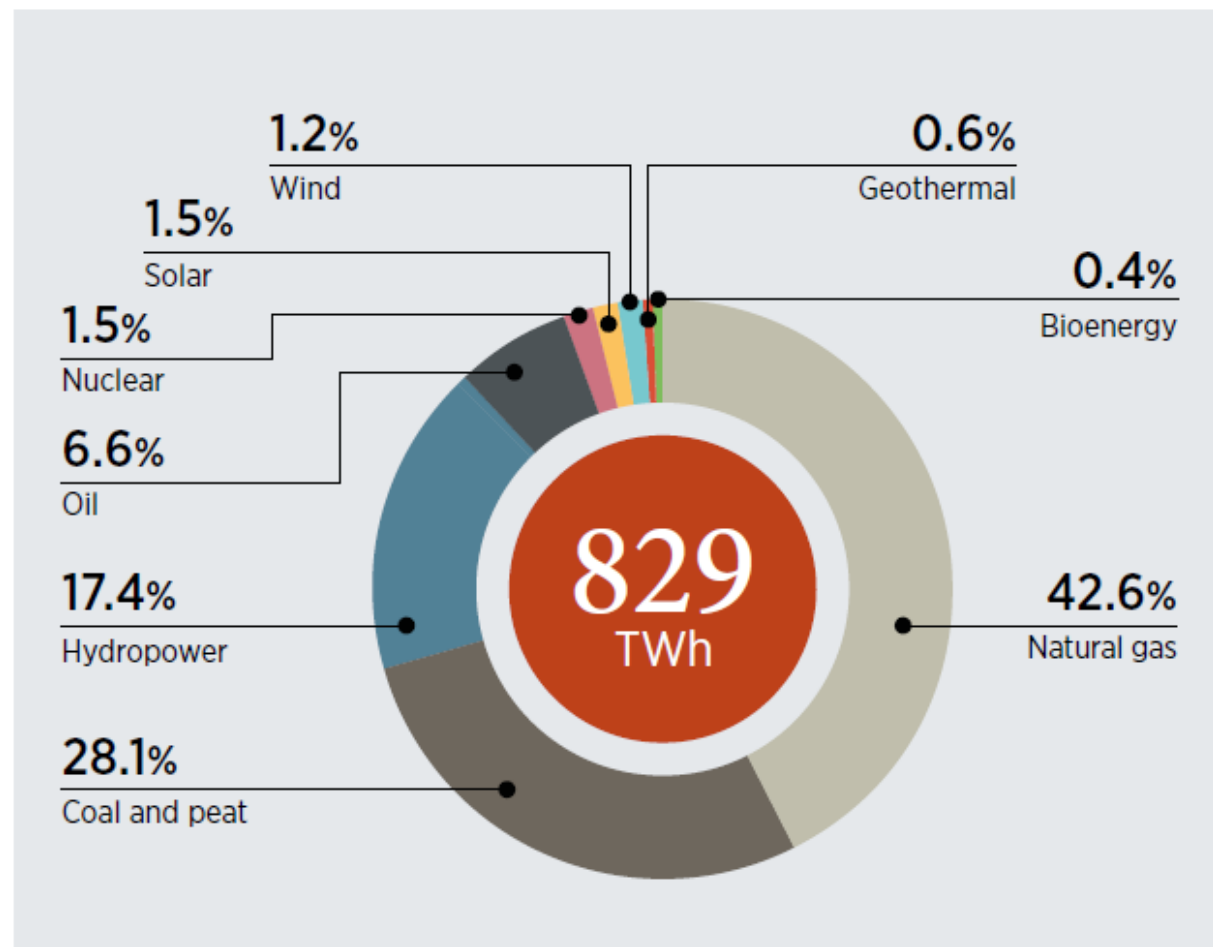
To achieve universal broadband internet access, an estimated **\$100 billion** is needed over the next decade, with a third of it in infrastructure.



# Energy Sector



# Electricity generation in Africa by sources



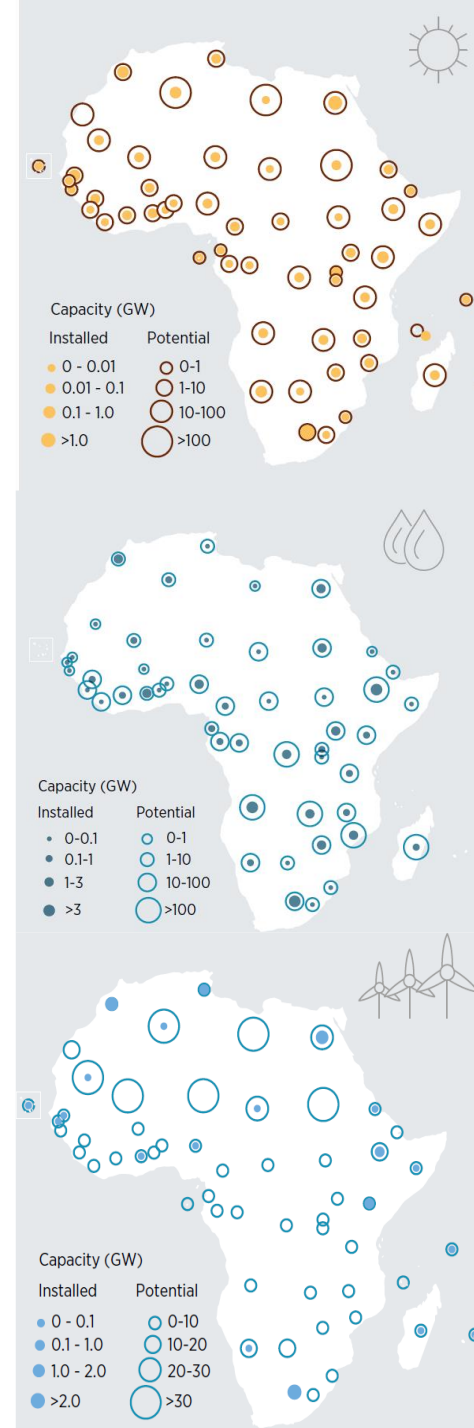
\* TWh: Terawatt hour

Source: IRENA, AfDB 2021

# Renewables:

- African nations are highly committed to addressing climate change.
- Renewables account for **3/4 of new generation in Africa** (mostly solar, wind, geothermal, and hydropower).
- **Southern Africa** led total renewable generation capacity in 2020 with 17 GW (1/3 of total) followed by **North Africa** with 10.9 GW (1/5 of total). **South Africa, Morocco, Egypt and Kenya** attracted **75% of \$55 billion** investments in renewables over 2010-2020.
- **Off-grid** solar capacities expanded faster in Africa than in other parts of the world, with **Sub-Saharan Africa** accounting for **43%** of the world's installed capacity.
- **Solar energy** is now the fastest-growing renewable energy source in Africa.

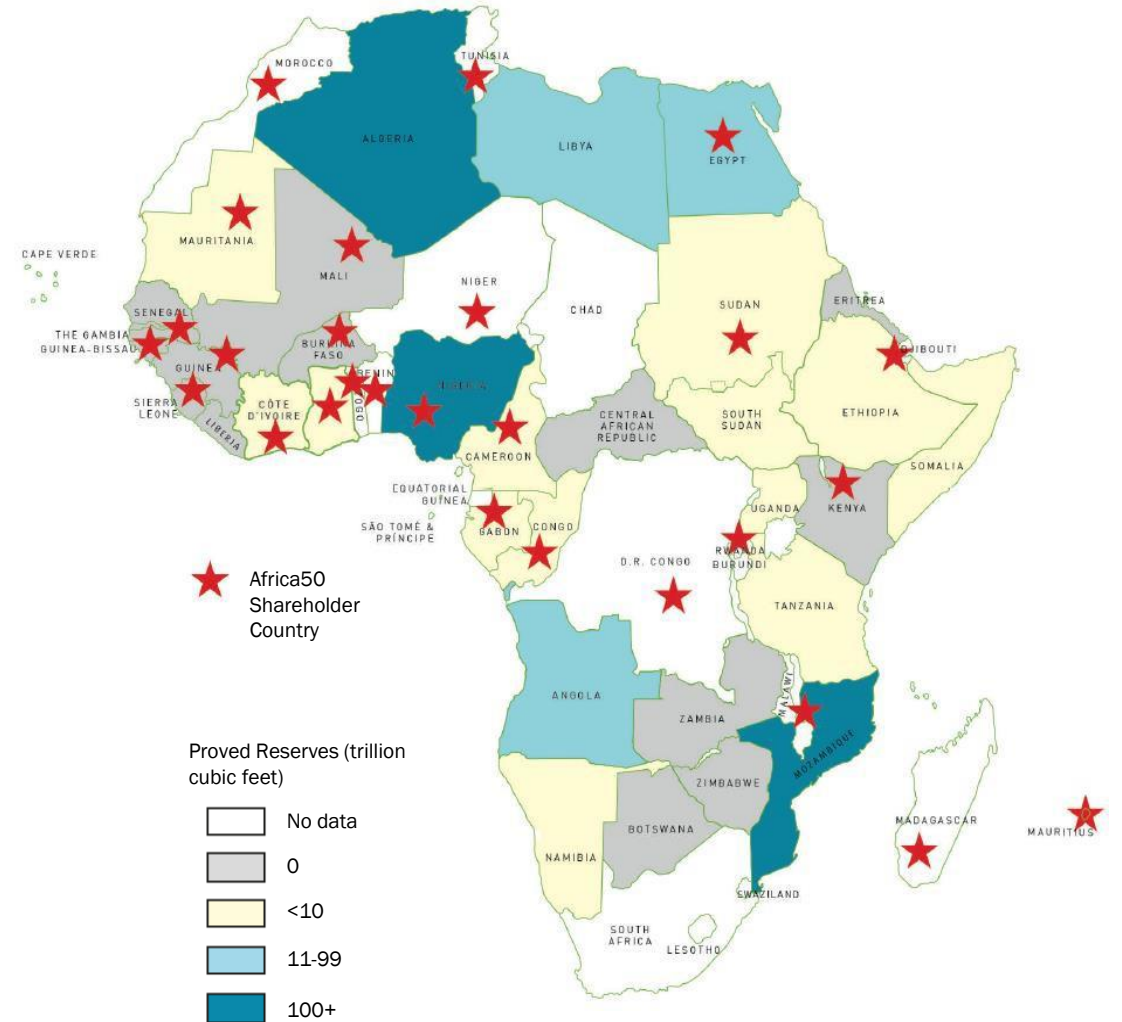
Source: IRENA, AfDB 2021



## Natural Gas:

- Africa should leverage its **vast natural gas resources** as a **transition fuel** to enable its transition towards **100% renewables**.
- The **right energy mix** (renewables and natural gas) will help increase access to baseload **reliable, affordable** and **greener energy**.

Africa's natural gas reserves



Source: Energy Futures Initiative, 2017

# Africa50 - Portfolio

Project Examples:

## BENBAN SOLAR POWER PLANTS

### EGYPT 400MW Solar Plants



\$450 million

- Bringing clean energy to over 3 million people
- Avoiding 350,000 tons of CO2 emissions annually
- Over 2,000 jobs created during construction
- Technology transfer helped create new solar/wind independent power plants.



#### Equity partners

AFRICA<sup>50</sup> Scatec Norfund

#### Lenders

European Bank for Reconstruction and Development  
 IsDB  
 FMO  
 GREEN CLIMATE FUND  
 ICD

# NACHTIGAL HYDROPOWER PLANT

## CAMEROON



**420MW hydropower plant**  
€1.2 billion

- Increase Cameroon's generation capacity by more than 25% (30% of country's energy needs)
- Avoid 1 million tons of CO2 emissions
- Bring clean energy to over 10 million people
- 1,500 direct jobs created during construction (55% locally sourced)

### Equity partners



### Lenders



# KENYA TRANSMISSION PPP Project

## KENYA



## Power transmission lines

- 2 lines: 400kV Lessos – Loosuk and 220kV Kisumu – Musaga
- First independent power transmission (IPT) in Kenya
- First major transmission project in Africa that is being developed under a PPP framework.

### Partners

AFRICA<sup>50</sup>



# ICT

- Increased investments in **broadband connectivity, innovation ecosystems/hubs** and **data centers** are required to power the **continent's digital transformation**.
- Focus should be both on **large-scale projects** and **smaller disruptive technologies** developed by start-ups and SMEs.
- **Venture capital investment** has increased on the continent, which facilitated the emergence of several unicorns.
- Africa is increasingly becoming a proof of concept market where **pioneering new technologies** are developed and then being scaled across the world (e.g. the multiple payment platforms such as a flutterwave, paystack).





# Smart Cities

- African cities are growing rapidly and need a smarter development model for that growth to be **inclusive** and **sustainable**.
- Urbanization that leverages **renewable energy, electric transport, eco-friendly building designs**, with increased **digital connectivity**, and modern **waste management** systems will drive **climate-resilient** growth.



## Pressure on cities grows:

- Africa's population will double by 2050 to **2.5 billion people**.
- 40% of all new city dwellers globally until 2050, will live in African cities.

**New models are needed** to avoid further city congestion, pollution and improve city planning, to facilitate human and economic development.

# Kigali Innovation City



Republic of Rwanda  
Ministry of ICT and Innovation

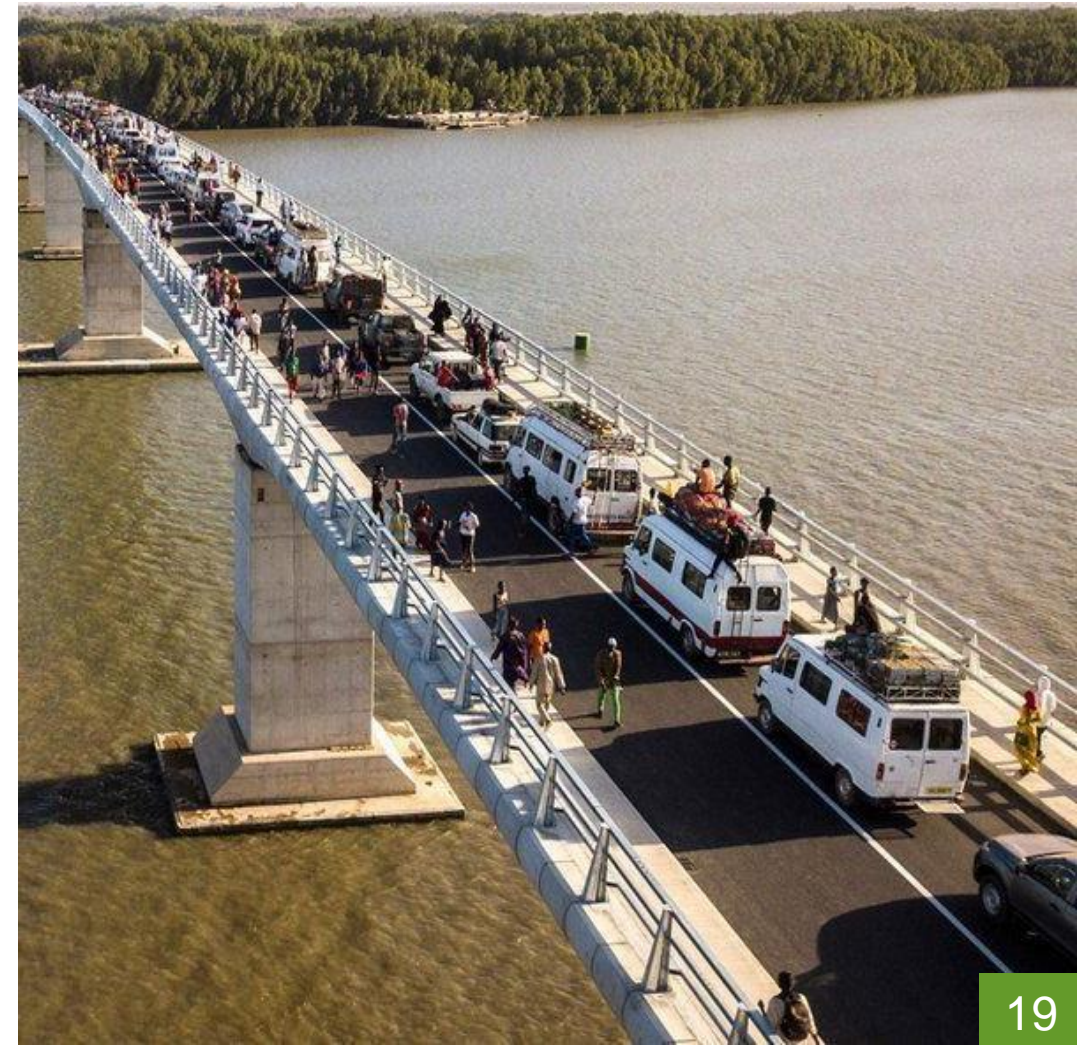
AFRICA<sup>50</sup>

## A World Class Innovation Hub

- Tech-enabled, environment-friendly facilities on 61 ha land
- Will house world-class universities, office spaces, R&D, and start-up business incubators, retail, housing and hospitality.
- Create 50,000 jobs during the life of the project
- Generate \$150 million in ICT exports
- Attract over \$300 million in foreign direct investment

## Transport & Logistics

- There are a number of examples of successful PPP projects in this sector.
- More **regional projects** in the transport industry, including cross-border bridges, roads, railways, ports and airports, will develop with the AfCFTA.
- The logistics sector will also grow further with **digital border posts** playing a critical role in the modernization of this sector. There is also a need to better link production and demand centers.



KINSHASA

## TWO CONGO BRIDGE PROJECT

Rep. of Congo and DRC



### Rail-Road bridge and related infrastructure

- 1st Bridge linking the world's two closest capitals, Brazzaville and Kinshasa
- Connecting a region of +90m people living in the two countries.
- Powering regional trade with 10-fold increase in freight traffic.
- Cutting-edge technology and environmental standards

BRAZZAVILLE

## 2. Attracting Capital



# Available sources of capital for infrastructure

## Private Equity and institutional investors

can support the development of large and specialised funds that invest in a wide variety of projects.



## Local capital markets

can provide local currency finance to protect economies from capital flow volatility and dependence on foreign debt. Local debt and equity markets can be better leveraged when large banks or DFIs provide risk guarantees or act as anchor investors.

## Blended finance

the combination of concessional financing and private capital to deliver sustainable projects is an additional critical tool in the delivery of infrastructure on the continent.



## Co-financing between private investors

draws on the strength of both to build confidence and spread risk beyond private sponsors and commercial banks..



## Public Private Partnerships

are a familiar vehicle that, given the right regulatory framework, sector planning, and quality off-takers, can provide the comfort private investors seek.



## Ways to tap into new, innovative sources of capital

### ASSET RECYCLING

To free up public revenues

### IMPACT INVESTING & ESG

Projects with strong ESG standards and focused on contributing to the UN SDGs can attract more capital

### FINTECH

Africa's Fintech boom can help leverage local savings to finance smaller-scale projects.  
(crowdfunding, blockchain and cryptocurrencies, e-payments, etc.)

### ISLAMIC FINANCE

Widely used in the Gulf Cooperation Council (GCC) and ASEAN countries, they are relatively undeveloped in Africa, while almost a third of the continent's population is Muslim.

# 3. The Enablers





# The Enablers



## Project Preparation is crucial

- A recent McKinsey study shows that as much as **80% of projects in Africa fail in the development stage**, and **only 10% reach financial close**.
- So local project sponsors, financial institutions and other capital providers should allocate **more funds to this critical stage**.

## The Role of Government

- Providing the enabling environment to attract investments and allow for a fair allocation of risks.

## Mitigating risk perceptions

- According to Moody's Africa's debt default rate on projects (10-year average) is only 1.9%, it is the lowest in the world after the Middle East.

## Leveraging local and international skills

- It is important that private sector developers/ sponsors with the requisite track record and skills are utilized, working in conjunction with Government to accelerate delivery of projects.

# AFRICA<sup>50</sup>

**Thank you for your attention**

Follow us on   

 [africa50.com](http://africa50.com)

 [@africa50Infra](https://twitter.com/africa50Infra)

 [info@africa50.com](mailto:info@africa50.com)