Opening remarks of Africa50 CEO Alain Ebobisse

at CADF forum in Accra on Oct. 19, 2016

Thank you for that introduction Mr. Yali and thank you for inviting Africa50 to this important investment forum.

I've been asked to focus on the benefits and challenges of infrastructure development in Africa and to explain the strategy of Africa50, since it is a relatively new entity.

As you all know, the benefits from improved infrastructure in Africa would be significant. Adequate transportation -- by road, rail, air and sea -- allows businesses to get their goods and services to market in a secure and timely manner, and workers to get to the workplace. Reliable electricity supplies allow businesses and factories to work unimpeded and children to study at night. A modern telecommunications network improves efficiency through the free flow of information and the development of related services. And adequate sanitation allows people to remain healthy and productive.

Evidence shows that infrastructure investment has a significant effect on economic growth. For example, raising the infrastructure of all African countries to the standard of Mauritius would increase per capita growth by more than 2%.

Unfortunately this is rarely the reality in Africa. Businesses still suffer from a lack of reliable power, leading to low productivity and little growth. Transportation remains slow and often unsafe, with few regional linkages and intermodal hubs. Millions face health problems for lack of clean water or adequate sanitation. All this not only affects individual countries, but also stifles regional integration and Africa's full participation in the globalized economy.

The most urgent needs are in energy and transportation, followed by water and sanitation (and these are also Africa50's priorities). However, even in the ICT sector, which has made great progress, there is still much untapped potential. In Africa's 27 low income countries only one third of the population has access to electricity and adequate sanitation, or lives within two miles of an all season road. And only two thirds have access to clean water.

While a large majority of people now have access to cellphones, the internet penetration rate is still well below that of other regions, with only about one fifth having access to the internet, and not always broadband

Couple the lack of infrastructure with inadequate trade and investment regulations and you can understand why most countries and businesses on the continent remain uncompetitive. Indeed, while some countries have made progress, others remain in a vicious, negative cycle. Businesses cannot grow because of a lack of infrastructure; they remain informal and do not pay taxes, and governments find themselves without adequate revenue to improve the infrastructure that these firms would need to progress. We have to break this vicious cycle.

And it is not just any infrastructure that is needed, but the right infrastructure, as was shown by the success of investing in cellphones instead of land lines. In the energy sector this means tapping appropriate renewable sources whenever possible and finding innovative solutions for reliable distributed electricity and rural electrification. This is key for economic progress, since power outages in Africa are estimated to cost up to 4% of GDP. In the transport sector the emphasis needs to be on market roads linking production centers and distribution hubs, ideally on a regional level, as well as roads reaching rural populations, and decongesting rapidly growing cities.

The challenge is enormous, with an annual funding need estimated at $135 billion, of which only $75 billion is being met. African governments generally do not have the financial resources to tackle this shortfall alone. They will need outside investment, especially from the private sector.

To attract this investment they are competing in a global marketplace for limited funds. This means that they must strive for state of the art investment climates, writing and enforcing the types of regulations that will attract investors while protecting their own interests. Take the energy sector. The attractiveness of investing in the big ticket items the sector needs to improve generation and distribution is undermined by the lack of creditworthy utilities. They are often inefficient and bound to tariffs that do not cover costs. And urgent attention should be given to the development of regional energy infrastructure to achieve economies of scale. But this can be stifled by politics and regional rivalries.

In the transport sector Africa's prolonged underinvestment has resulted in dilapidated infrastructure, resulting in far higher transport costs than in other developing regions. The story is similar in the water and sanitation sectors, where the needs are growing substantially as water supplies are becoming scarce in some regions and unplanned urbanization is skyrocketing. According to the African Development Bank, Inadequate investment in water and sanitation is estimated to lower African GDP by up to 5%. ICT has been the bright spot,. However, even here progress in some countries has been limited by government monopolies which result in excess costs and undermine the access to and quality of ICT services.

But it's not all bad news. The AfDB's 2016 annual African Infrastructure Development Index found that scores are improving in all countries, although with much variation. Sub-regional rankings remain stable, with North Africa leading the way, followed by Southern Africa, and West, Central and East Africa trailing behind. As expected, the ICT sector has contributed the most to the progress and rankings of countries over the past decade. The transport and power sectors recorded slower growth due to the much higher level of investment needed, contributing less to improvements in the index. Progress in water supply and sanitation was particularly disappointing in many countries, especially compared to developing countries in other regions.

So what needs to be done to speed progress in infrastructure in Africa? I think that I'm preaching to the choir here. I know that my colleagues from the China Africa Development Fund and others on the panel must agree that the private sector has a major role to play.

This is exactly why Africa50 was created. so, allow me to introduce Africa50 -- what we are doing and how we can work with all of you. Africa50 is an infrastructure investment platform owned by African governments, African Central Banks and the African Development Bank. So far 23 countries (including the great country of Ghana which is hosting us today) and two central banks have committed over $800 million in capital to Africa50.

We expect more countries and central banks will join, with some likely to do so in the next few months. Our capital should grow to over $1 billion in early 2017 and our long term goal is $3 billion. Africa50 mobilizes funds not only from African states but also from international financial institutions and institutional investors such as pension and sovereign wealth funds, insurance companies, and other private sector entities. Operating like a commercial entity, we focus on medium to large scale infrastructure projects that are commercially sustainable and offer an appropriate return to investors.

To accomplish this we have created two separate divisions, Africa50 Project Development and Africa50 Project Finance. While being ring fenced to avoid conflicts of interest, they share the goal of shortening the time between project idea and financial close and leveraging public funds to raise capital from private investors. By bringing these functions together in one institution we can provide support at every stage of the project cycle.

The primary objective of the Project Development division is to increase the number of bankable infrastructure projects. In that respect it will be eager to partner with CADF's COIDIC. In addition to providing financing at earlier stages of projects, Africa50's staff contributes to project development, with a particular focus on mobilizing political support.

Africa50 acts as a strategic minority partner alongside project developers who have the required industrial expertise and financial standing. Project development costs are shared with developers and recovered at financial close generally through the right to invest equity.

Through our Project Finance arm we invest equity and/or quasi-equity in projects at financial close or beyond, and can issue mezzanine debt on a case by case basis. As in the project development phase, we seek strategic minority positions in projects sponsored by strong partners.

Thanks to our sovereign shareholder base, we can act as a bridge between our member governments and private investors, managing the public-private relationship to lessen political and regulatory risk. This will be particularly useful for PPP's, although we are interested in funding all appropriate private projects with a predictable cash flow.

Although most infrastructure sub sectors are eligible for financing, our priorities are energy and transport. In the energy sector this includes renewable and conventional generation, power transmission and distribution, and mid- and downstream gas infrastructure. In transport it includes roads, airports, ports, and logistics.

So our ambitions are high, but we are aware that Africa50 cannot fill the huge infrastructure investment gap that Africa faces alone. We very much look forward to working with CADF and like minded partners present at this conference, so I am eager to hear your views and look forward to a fruitful exchange of ideas.