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Project Preparation needs scaled up to unlock infrastructure financing

16 November 2015 – Abidjan, Côte d'Ivoire – Delegates attending the consultative Week for PIDA (Programme for Infrastructure Development in Africa), or PIDA Week, taking place at the headquarters of the African Development Bank (AfDB) in Abidjan from November 13-17, heard that the most binding constraint to unlocking infrastructure financing in Africa was lack of properly prepared projects, which in turn is due to lack of adequate capacity to prepare large projects.

PIDA Week is being held jointly by the African Union Commission (AUC), New Partnership for Africa's Development (NEPAD) and the AfDB as part of ensuring coordinated approaches in moving PIDA to realization. PIDA has 51 regional projects in energy, transport, ICT and trans-boundary water requiring financing with an investment portfolio of US \$68 billion up to the year 2020.



Speaking during a panel discussion convened by the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), a multi-donor facility hosted by the AfDB, panelists called for concerted efforts to scale-up project preparation capacities across Africa.

The chair of the session on “Bridging the infrastructure financing gap through well-prepared projects”, **Shem Simuyemba**, who is also the Manager for NEPAD-IPPF, welcomed the creation of the Project Preparation Facilities Network (PPFN) under the auspices of the Infrastructure Consortium for Africa (ICA), as a good basis to foster collaboration amongst the facilities to address the gap in project preparation. However, he observed that more resources were required to match the growing demand for preparing large, regional infrastructure projects.

The panel comprised **Laetitia Habchi**, Investment Expert at the NEPAD Business Foundation (NBF); **Lida Fitts**, Regional Director for Sub-Saharan Africa for the US Trade and Development Agency (USTDA); **Mtchera Chirwa**, Public-Private Infrastructure Specialist with the AfDB; and **Alwyn Coetzee**, Manager, Project Preparation for the Development Bank of Southern Africa (DBSA).

Laetitia Habchi called on the need to translate infrastructure projects into investment opportunities and to package them in such a way that they can attract private sector investors at the early stage.

Lida Fitts of USTDA informed participants that the USTDA had 30 years of experience doing projects in Africa and had during this period, supported about 500 projects in energy, transport and ICT. She observed that a recent study by the

consulting firm McKinsey had shown that there was about US \$15 billion available from the international private sector each year for investment in the African energy sector, but that Africa had not taken advantage of this financing due to lack of well-prepared projects. She called for scaling-up capacity to ensure availability of bankable projects which can attract international investors to Africa.

Mtchera Chirwa of AfDB called for a holistic and integrated approach to project preparation and the importance of understanding investor needs to ensure that prepared projects are aligned to the needs of financiers. He also emphasized the importance of pooling resources available for project preparation through co-financing on specific projects.

Alwyn Coetzee of DBSA informed the forum that project preparation should be viewed in the commercial context of de-risking projects to enhance their bankability and therefore their ability to attract financing from both within and outside Africa. He emphasized that good project preparation requires adequate time, requisite skills and adequate preparation funding and that this was still a major gap in Africa.

In the ensuing discussions, participants called for increased coordination of efforts amongst key players; enhanced and demonstrable commitment by project sponsors especially governments; a predictable environment and transparency in procurement; increased mobilization of Africa's own resources as had been done by Ethiopia for the country's infrastructure projects and Kenya for the mega LAPSSET (Lamu Port, South Sudan and Ethiopia) project; and the urgent need to scale-up and strengthen project preparation institutions that serve continental needs such as NEPAD-IPPF through enhanced contributions by donor partners and African Governments.

Learn more about PIDA at <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/programme-for-infrastructure-development-in-africa-pida/>

The African Development Bank (AfDB) is a regional multilateral development finance institution established in 1964 to mobilize resources towards the economic and social progress of its Regional Member Countries. Headquartered in Abidjan, Côte d'Ivoire, the Bank promotes economic and social development in African states, providing financing for programs and projects across the continent. For more information, visit www.adbq.org.

Source: African Development Bank