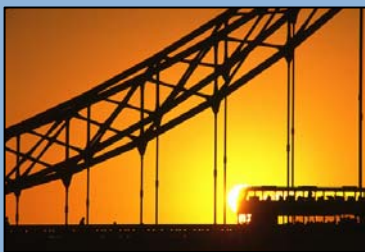


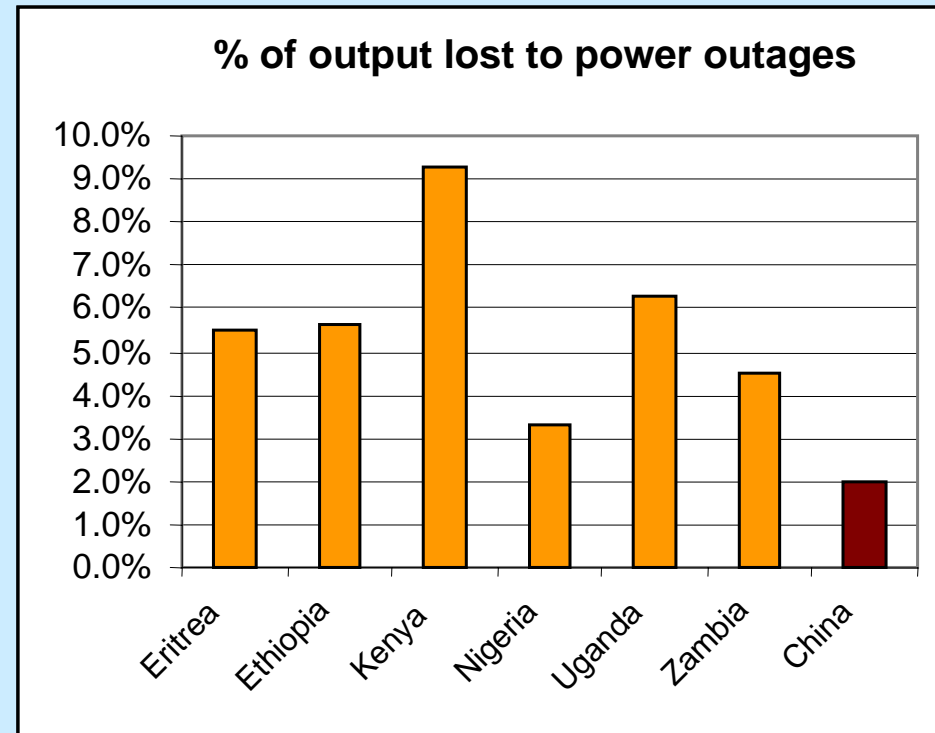
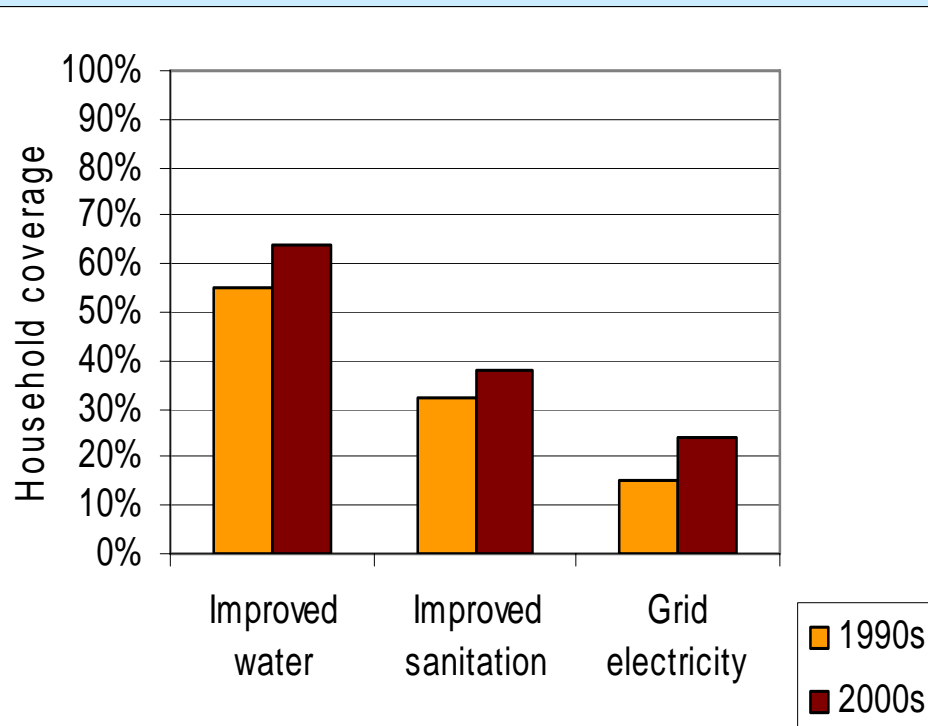


# Scaling up infrastructure support in Africa and promoting regional integration



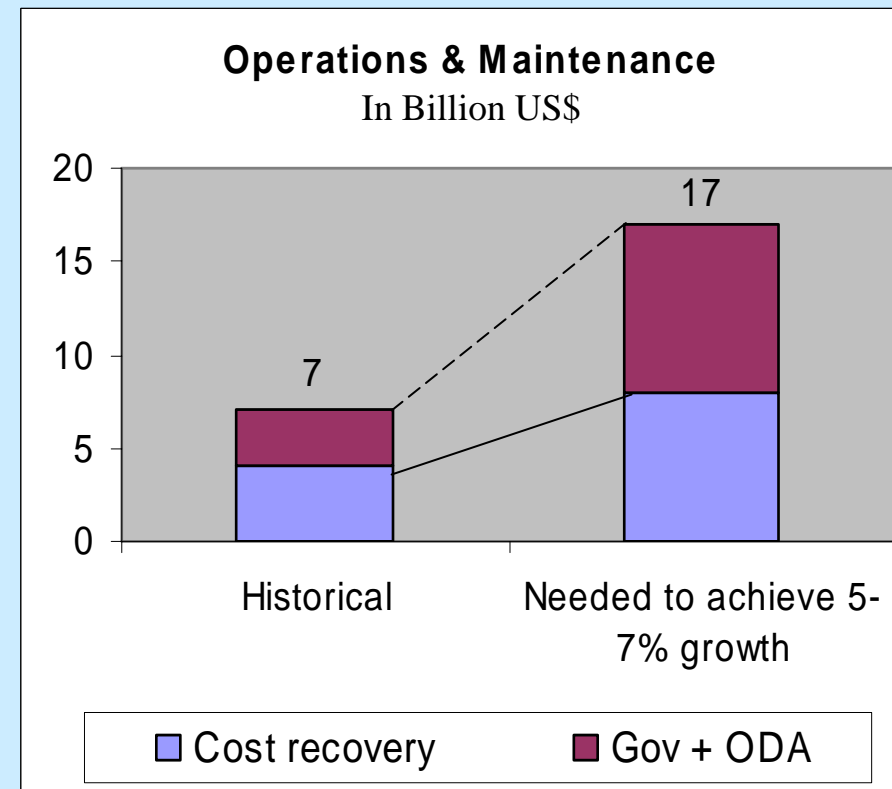
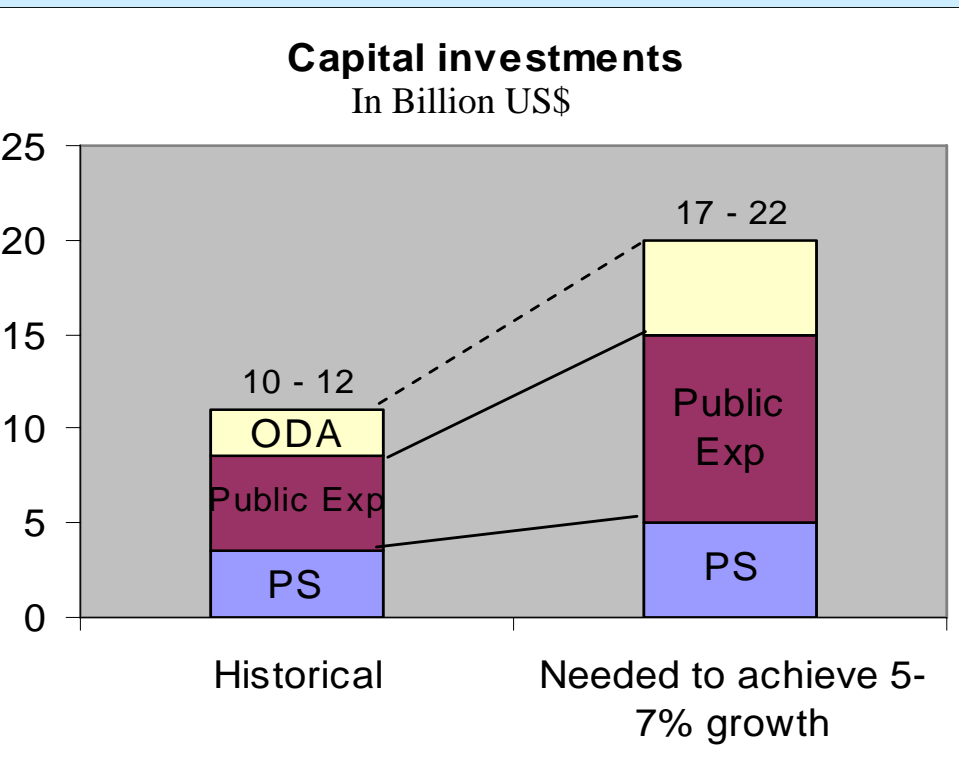
Presentation to Mr. Wolfowitz in preparation of the  
Gleneagles summit - June 29, 2005

# Limited progress of infrastructure in the 1990's in SSA



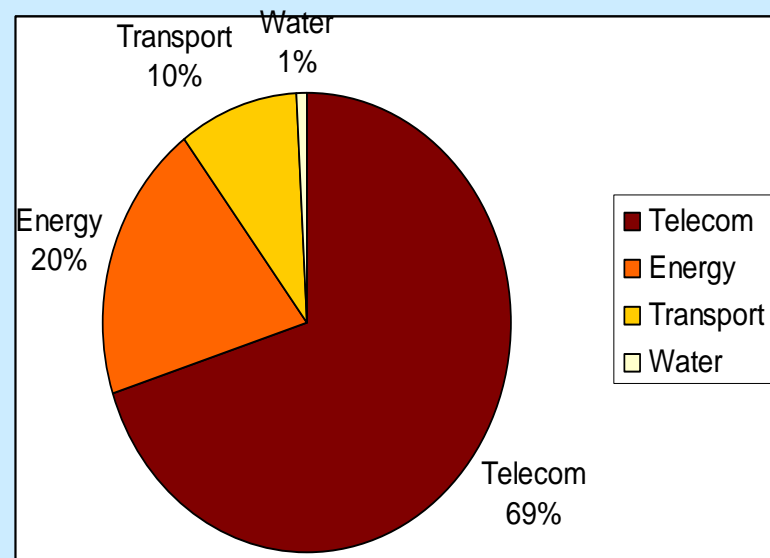
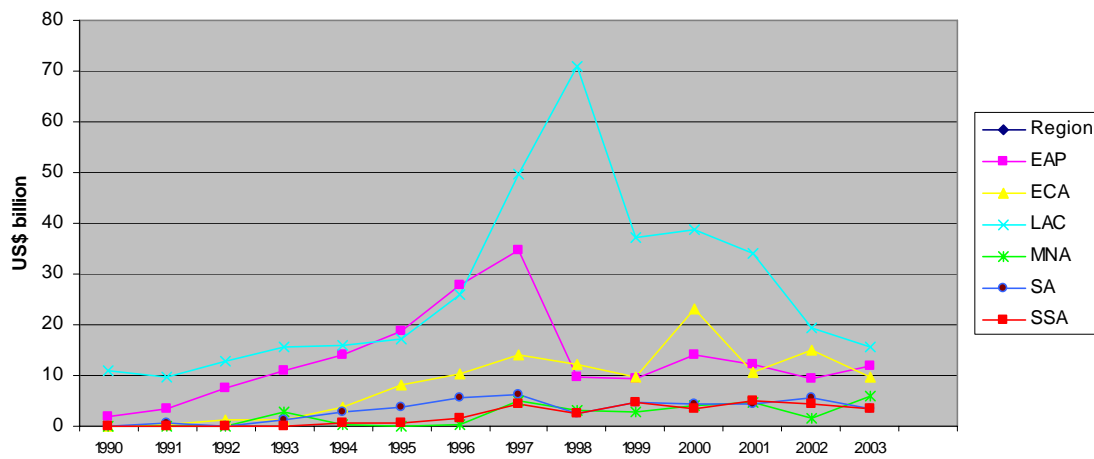
- Most countries would fail water and sanitation MDGs on current trends

# Africa's infrastructure investment needs



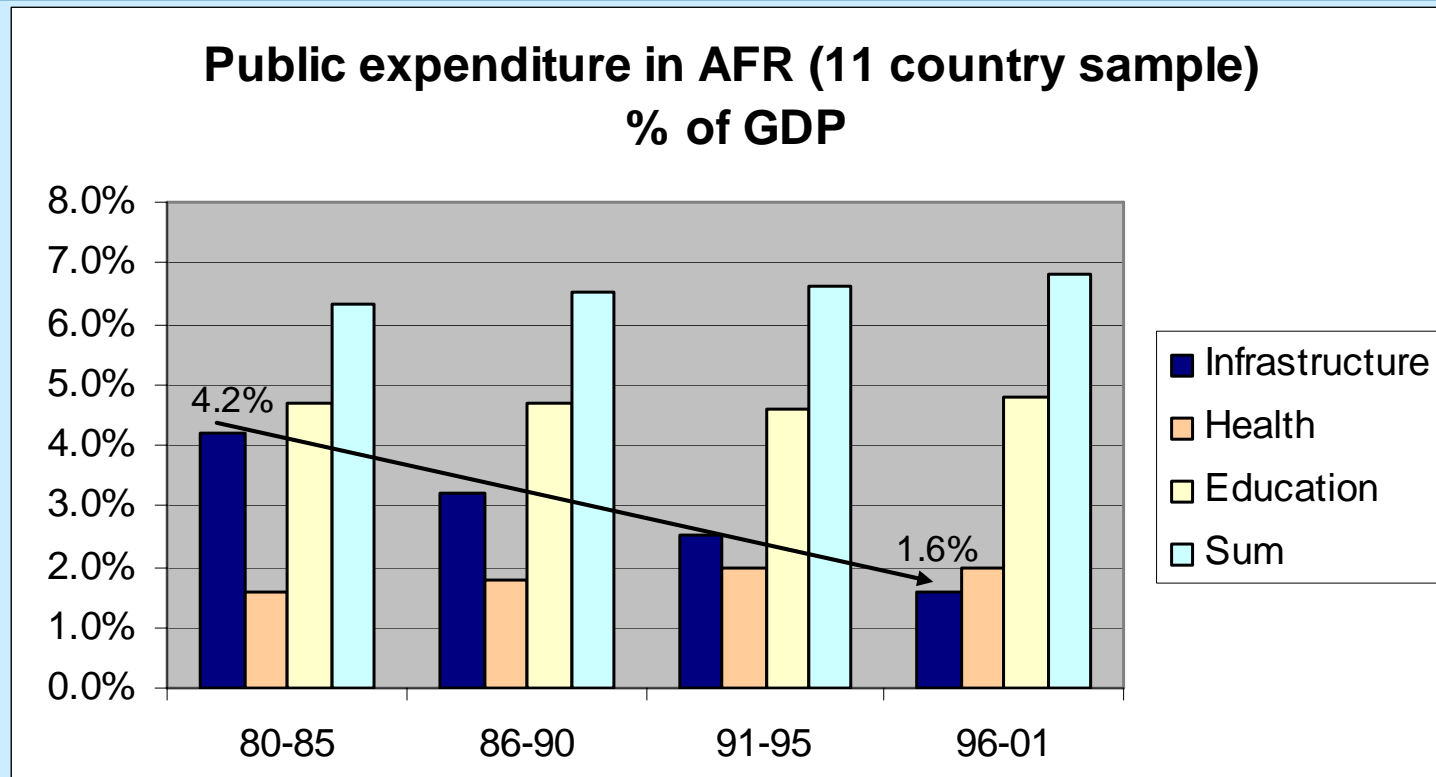
# Increase the contribution of the private sector

Annual Investment in Infrastructure Projects with Private Participation by Region, 1990-2003



- 3-4 billion per year, 4% of PPI investments worldwide
- WBG can play an important role in increasing private flows: advice on PPI model, investment climate work, risk mitigation, support in structuring.

# Reverse decline in public financing for infrastructure in SSA

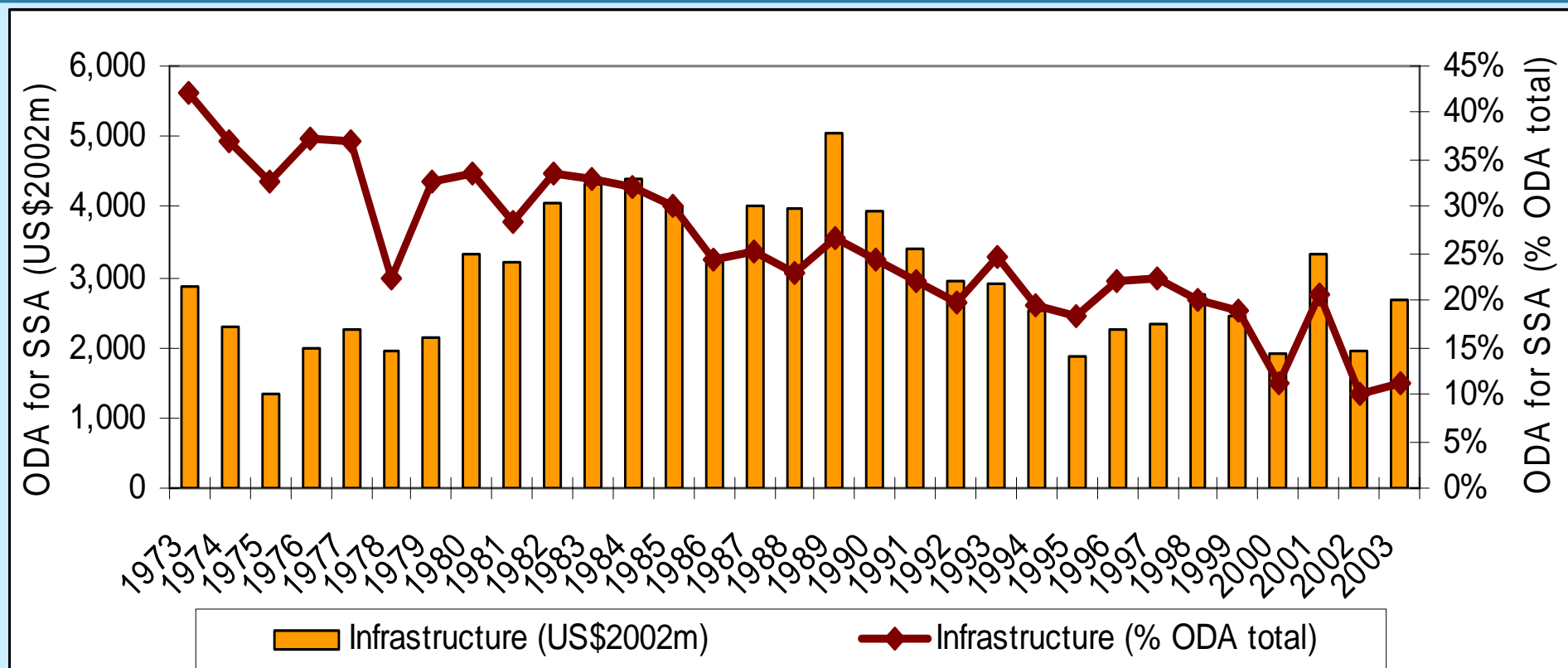


- SSA countries are spending less than 40% of amounts needed to maintain existing roads.

# Increase cost recovery

- **Tariffs**
  - **Water: tariffs less than 20% of operations and maintenance costs**
  - **Power, 70% of utilities recover O and M, none recover investment costs**
- **Governance and efficiency**
  - **Average power losses - 20%; 45% in Nigeria**
  - **Water: 60% of the water is lost in Tanzania**
  - **Delays in payment of government bills, poor collection**
  - **Fraud**
- **Towards doubling of cost recovery?**

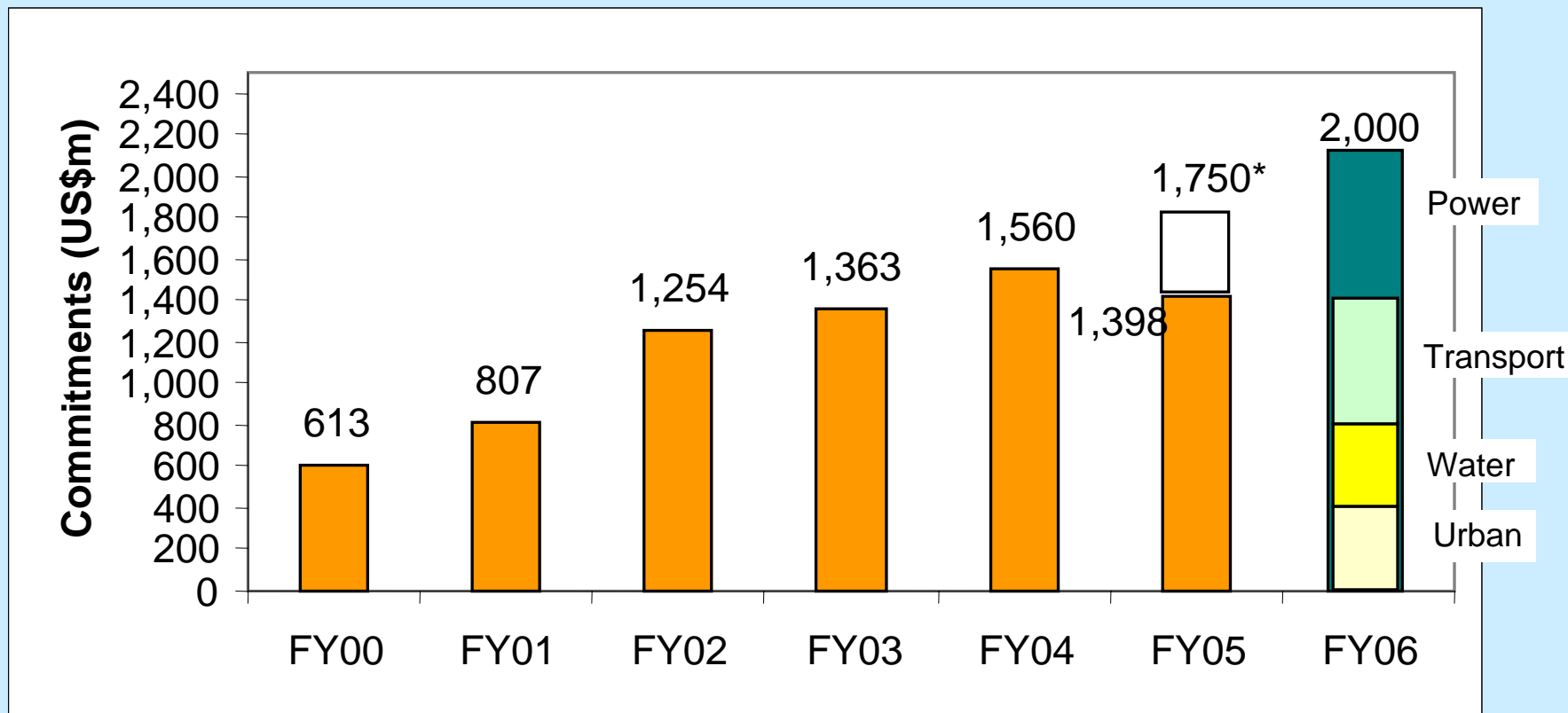
# Reverse drop in ODA for infrastructure in SSA



ODA for infrastructure in SSA, billions of dollars

# Scale up IDA support to infrastructure

## Recent trends in IDA lending for SSA infrastructure



\* IDA 14 prefinanced

# Increase aid effectiveness in infrastructure

- **Performance of portfolio**
  - Satisfactory project outcome ratings increased from 63% to 84% in 4 years
- **Co-financing:**
  - 15 Bilateral and Multilaterals associated in Bank infrastructure projects in 2004 (\$800 million). Largest contributors: EC and AfDB
- **Country based programs linked to outcomes**
  - Examples: Ethiopia, Chad road SWAPs
  - AfDB/WB MDG focus countries in water and sanitation
  - Broader use of PRSCs
- **Capacity building to improve impact of investments**
- **Data to track outcomes**
  - Country level system, Africa infrastructure flagship study

# Strengthen support for Regional Integration

- **47 countries = half GDP of Spain**
- **Increase regional focus of PRSPs and CAS.**
- **Develop capacity of selected RECs: preparation of NEPAD projects, donor harmonization.**
  - FY06-07: focus on SADC, ECOWAS, UEMOA, EAC
- **Scale up WBG support for regional infrastructure**
  - FY00-05: 11 operations for US\$555 million.
  - FY06-08: Focus on NEPAD Short term action plan
    - \$8 billion of feasible project
    - Road corridors, submarine cable, power pools
    - IDA regional infrastructure project pipeline: \$2bn
    - MIGA, IFC role in financing, structuring, risk mitigation (e.g., West Africa Gas Pipeline)

# Proposal for an “Africa infrastructure consortium”

- **UK did not mobilize supplemental infrastructure funding for SSA, beyond:**
  - DFID’s \$500 million increased support for infrastructure
  - Japan’s \$1 billion funding for private sector programs (“accelerated co-financing schemes for Africa”)
- **As a result, DFID has abandoned the concept of an “infrastructure fund”**
- **Instead, proposal for an “Africa Infrastructure consortium” in the spring of 2005**
  - First meeting in May 2005 in London, supported by key donors, AU, NEPAD
  - Proposal that Secretariat be co-led by WB and AFDB
  - Proposed functions: Coordination of scale up efforts, harmonization of donor approaches, monitoring of outcomes, acceleration of preparation of regional projects.

# Next steps in launching the African Infrastructure Consortium

## **Tasks to be completed by October 2005:**

- **NEPAD:** proposals for list of projects to be presented to consortium members
- **ADF:** study on potential funding of projects
- **DFID:** review of existing project preparation facilities
- **AfDB with WB and DFID:** proposal for secretariat
- **WB and AfDB:** needs assessment and action plan for scaling up the energy sector
- **WB:** TORs for regional Infrastructure flagship study
- **WB:** share outcomes on best practices, from June conference in Cape Town, on private sector participation in Africa
- **Next meeting of Consortium to review progress (October 2005)**

# Mbeki's new proposal for a \$20 billion NEPAD fund

- **Interest of the proposal**

- Africa-based initiative, supportive of efforts to strengthen AFDB
- Ambitious funding proposal
- NEPAD focus, e.g., regional integration
- Would be consistent with Africa consortium concept – AU and NEPAD in consortium

- **Risks/Challenges:**

- UK found little support of G8 donors for infrastructure fund proposals, additional funding
- Limited capacity at AFDB - important to include WB in the management
- Risk of becoming a “vertical fund” – essential to integrate in country programs
- Might take away the focus from other infrastructure needs – both national and regional needs are important

# Summary: Suggested messages on infrastructure at Gleneagles

- **Major scale-up in ODA for infrastructure to achieve MDGs**
  - Doubling of ODA to infrastructure?
    - Projected increase of IDA14 lending to infrastructure to 2.4 billion dollars
  - Harmonization and co-financing, based on country led programs geared to clear outcomes
  - Regional integration of infrastructure important
- **ODA alone will not be enough:**
  - Governance, improved tariff policies, gains in efficiency
  - Government expenditure for infrastructure should increase
  - Use ODA to leverage private financing
  - Capacity building to increase the impact of investments
- **Support for Gleneagles proposals**
  - Support to Africa infrastructure consortium
  - Cautious support to Mbeki's proposal

