



Africa Infrastructure Development Association

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Q3 News Letter

Dear Friends of the African Infrastructure Sector;

This comes quickly on the heels of the June news-letter last month, and includes;

- ▷ **The Infra Developers and Funds survey for the Continent & the AfIDA Catapult**
- ▷ **Developing Large Scale Solar Parks in Africa**
- ▷ **Local Currency (LCY) Funding in Africa**
- ▷ **Welcome to New Members**
- ▷ **Interesting Partner Events**

survey for the Continent & the AfIDA Catapult

This is our first pan-African infra developers and funds survey. We would like to hear from you regardless of whether you are a member or non-member or of the status of your projects or fund. In fact we are particularly keen on hearing from first time developers and first time fund managers.

At AfIDA the Board and I have been discussing ways in which we can improve the developer experience on the Continent. The sense is that project take too long in gestation, and this is both the effect and cause of many problems we face, not least the large gaps and overlaps of capital, and a perception of poor risk transfer between public-private sectors. Our assessment is that there is a need for an ecosystem where developers learn from each other, find easier access to deep pools of expertise, experience and capital already available for the sector, and access advocacy support for more effective frameworks, policies and financing instruments. **This is the essence of The Catapult** – for a creating a dynamic of *scale*,

speed and *security* of investment in the African infra sector.

Intake at the Catapult will take place through rolling pitch-sessions to some of the best known investors and financiers, and the first of these sessions is planned for **05-October at the Green Energy Africa Summit to be held in Cape Town.**

This survey is intended to find the first participants in the Catapult. We would like all stakeholders from the African Infrastructure to sector engage, so please do fill in this survey. If you are a well established institution – then I urge you to have at least three companies in your deal-pipeline take part in this.

We must have responses in by 19 July 2022.

Please take the survey using this [link](https://www.surveymonkey.com/r/2022-Developers-Funds) or <https://www.surveymonkey.com/r/2022-Developers-Funds>

Developing Large Scale Solar Parks in Africa

Do you know of anyone who can credibly lay a claim to awarding 20,000 MW of projects – let alone in solar energy in three years?

Remesh Kumar K. of the **International Solar Alliance (ISA)** is this one person. In his prior role at The **Solar Energy Corporation of India (SECI)** he did exactly this, aided by a great machinery established by the Government of India through vision and will. Remesh kindly chaired our public-private round-table on developing large scale solar parks in Africa. We had over 40 participants on the call – including ISA focal points and senior public sector representatives from **DRC, Mali, Malawi, Zambia, and Zimbabwe**, and a high voltage representation from the MDB and private sector including **AfDB, Arm Harith, Africa GreenCo, AIIIM, AFC, Amea Power, BII, Cross Boundary, FMO, DBSA, ENEL Green Power, Meridiam, Savannah Energy, Serengeti Energy, Total Energies, and TCX**.

The recording of the full meeting will be posted on our website in short order, and here are some of the key points of the call:

- India has achieved a record installations of 50GW of solar energy through a combination of a number drivers – essentially backed by the creation of a strong enabling environment and political will to attract private capital. Large scale solar parks (1000-2000) MW have played a key role in this, driving ever reducing tariffs – which nearly touched \$ 2 cents/kWh. Is it conceivable that Africa can enjoy this same success?
- You will have noted in previous newsletters that ISA is keen to promote this development in Africa as part of its \$ 1.0 trillion investment mobilisation for solar energy in its members states.
- We heard from the public sector that Governments recognise this opportunity. A major concern is around the dominance of a single source of energy generation (eg Hydro) inadequacy of existing grid infra in most countries, and

there is an acknowledge need for both regulatory and institutional improvements.

- The private sector responded with enthusiasm, albeit tempered with a healthy dose of realism. Leaving aside AfDB, I counted \$ 10.0 billion of capital represented on the call. **ENEL Green Power**, one of the few investors with experience of both the African and India markets, including the first IFC Scaling project in Zambia (a 34 MW project), pointed to both the advantages of a templated project development program with stapled finance, and the significant challenges of bankability, off-take credit, liquidity, sovereign debt capacity, risk-mitigation and technical issues of wheeling, in addition to concentration of demand amongst a few large users of energy – such as mining companies. These constraints, along with dollarisation and sovereign guarantee burden on the end consumer to large scale projects were also echoed by **Arm Harith**, and **AfDB** – the later are developing the Desert to Power initiative in the Sahel.
- **Africa GreenCo** provided a precise and inspiring narrative for solving the most difficult of challenges – that of credit-worthy off-take and of wheeling power. They have been instrumental in assisting Zambia in enacting direct access legislation. Africa GreenCo is in many respects the SECI of the SADC region.
- However, expectations remain low. In fact an impromptu vote at the end of the call revealed only one taker for the possibility of the first 1000 MW Solar Park in Africa in the next three year!
- We do, as an industry, have our work cut out for us. It is clear from the intensity of the discussion, that it is not for the want of capital or effort or ideas that is the issue here. It is the coming together of the public and private sector to figures the 'how' of the first large scale project. It is a journey and a process.

Local Currency (LCY) Funding in Africa

'It is a journey and a process' – was also a key conclusion of two ninety-minute round-table discussions I was part of at the **Africa Energy Forum (AEF)** held in Brussels earlier in June. Amongst the high frequency networking and excellent program that AEF is synonymous with, **AfDB** and **TCX** very kindly led the discussion on this important, but most neglected of, issues of dollarisation vs. local currency capital. To rely solely on hard currency for developing a country's infrastructure and placing that burden on end consumers and citizens with the least capacity to bear this risk – has variously been called 'madness' and the 'original sin'.

The two panels included experts from **AfDB**, **Bboxx**, **GuarantCo**, **InfraCo Africa**, **Lions Head**, **TCX**, and **AfIDA**. These are some of the salient discussion points;

- Panelists set out the various initiatives they have taken to mobilise LCY funding for infra projects, and there were several points of innovation from issuers, investors and lenders.
- AfDB and TCX also explained their cooperation in accessing the positive impacts of LCY capital over dollarized capital. It was recognised that initiatives by TCX to create international capacity in LCY risk in developing and frontier markets (for long maturities) are bearing fruit. The work of **WBG** and **IFC's** listed LCY denominated bonds for developing economies of Africa are also noteworthy.
- However, the prize of on-shore capital funding infra in local currency remains underdeveloped. The work of **NIDF** and **InfraCredits** in Nigeria were well noted, as was the work of **KEPFIC** in raising the first Kenyan Shilling bond for a road project.
- On-shore LCY funding off-course is the lowest cost capital an infra project can access – however there are many regulatory, tax, institutional and capacity challenges that inhibit this, and the two panels discussed these issues at length.

Practically these manifest in shallow capacity and short tenor making this ill-suited for financing long term infra assets. The most significant missing ingredient is 'political will'.

- In terms of 'political will'- the prize certainly goes to the Kenya PPA Task Force, which in their Sep-21 report recommended that all future PPAs in the country be denominated in local currency. It remains to be seen if the Kenyan Government will take up this challenge. All in attendance did feel that Kenya, along with Nigeria and the CFA countries were probably the best placed to be leaders in this effort for making infrastructure in their countries attractive investments for the very users of this infrastructure.
- On cue – AfDB and TCX are working on releasing a Country Readiness for Infra Finance in LCY Index. The idea is that this becomes a tool for a public-private sector discussion on scaling LCY funding. You heard that here first.

Clearly, there is much work to be done to over-come the current dynamic of one-offs, remote and once-in-a-while successes – of which there are many examples as the forging narrative demonstrates. It is our hope that the Catapult offers the possibility of public-private partnerships towards scale, speed and security of infra development across the Continent.

Welcome to New Members

We are delighted to welcome **Gowlings WLG** and **SANRAL** as our newest member to the Association.

Gowlings have a very successful practice in Africa – which builds on the North American and EMEA practice.

SANRAL is South Africa's national roads implementation agency. They have a significant program for attracting private capital to the South African roads sector, as well expanding their own activities in the

region and beyond across Africa. Their joining marks the first non-energy focused member, and we expect this will mark AfIDA's activities in the transport-logistics-industrial parks sector going forward.

They are amongst a several new members who are joining the Association, and we will no doubt hear from them in the near future.

Interesting Partner Events

Infrastructure Africa, virtual 17-18 Sep

This is an excellent annual event, and this is both virtual and free. Please sign-up at; www.infrastructure-africa.com

IDBZ - Conference on Infrastructure PPP in Zimbabwe; Hybrid/Victoria Falls 08-09 Sep

Our esteemed member - Infrastructure Development Bank of Zimbabwe are organising a hybrid conference on Infrastructure PPP in Zimbabwe, and they are request for speakers and

participants. Please would you contact Mr. Phillip Chitsika <pchitsika@idbz.co.zw> at IDBZ if you are interested in speak or attending this conference. A draft program is attached here-with.

Global Infrastructure Dialogue: Frankfurt, 14-15 Sep

Global Infrastructure Dialogue is the goto infra conference for the globe. They have started coverage of Africa from this year, and the organisers have kindly extended a **10% discount** to AfIDA Members using the code **AFIDAGID**. Here's the Event weblink: [Global Infrastructure & Energy Dialogue - #GID22-Infrastructure Dialogue - Dialogue Capital](#)

SuperReturn Global Infrastructure - (London 27-29 Sep)

I am pleased to share SuperReturn's **10% discount** for our members. Please feel free to sign up using the code: **FKR2638EMSPK** at: <https://bit.ly/3OiR5qp>

Best Regards

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