

Developments in the Infrastructure Sectors – August 2016

1. Energy

In Africa, investment in energy is increasing:

- Nigeria developing a 100 MW solar project;
- Sunpower- Egypt- 50MW solar project which is expected to reach financial close by December 2016;
- Beni Suef power plant -4.8 GW gas powered energy project in Egypt; and
- Ghana Takorodi 1300 MW power projects.

Countries like Rwanda, South Africa and Mozambique are also investing heavily in energy confirming the realisation of the critical role energy plays in pivoting socio-economic transformation. Zimbabwe should therefore not be left out as the rest of Africa is moving ahead.

Table 4.1: Selected energy projects implemented in Africa, Source: <http://www.ee.co.za/article/power-developments-africa-september-2016.html>.

Name of Project	Funding	Scope of the project
Hydropower and Irrigation Projects – pre-feasibility Studies - Tanzania	-€2-million grant from African Water Facility-AfDB -€500 000 Government of Tanzania and UK Aid's Climate Resilient Infrastructure Development Facility.	Irrigation scheme, agro-business development, the dam, a 6-billion m ³ reservoir, a 300 MW hydropower plant and the high voltage transmission line.
Green-Mini Grid – Niger	US\$ 1 million – AfDB-Sustainable Energy Fund for Africa -	Target to provide 15% rural access to energy through off-grid and mini-grids by 2020. -15 MW installed green mini-grids (GMG) capacity by

		2020.
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The Tanzania project provides a template of integrated project development which by its nature attract funding from bilateral and multilateral financial institutional. This project is quite similar to such projects like Tokwe Murkosi, which could have been developed along the same lines. Green energy continue to attract funding.

4.2. Information and Communication Technology

4.2.1 Infrastructure Sharing to Bridge the Digital Divide

The GSM Association (GSMA) launched an active infrastructure sharing initiative in East Africa, between mobile network operators (MNOs) Airtel, Millicom and Vodacom. The MNOs will launch six 3G pilot sites across Tanzania to test the sustainable provision of mobile broadband services to 13-million people in rural areas of Tanzania¹. This provides an important lesson to Zimbabwe.

4.2.2 Changing Competitive Landscape of the ICT Sector in Africa

Sonatel a telecommunications company in Senegal launched a free WiFi zone project in Senegal which would entail development of digital public service centres². A similar project is being implemented in Kenya through Liquid Telecoms. This would drive e-business and offers advertising opportunities to young entrepreneurs. *This shows that the traditional telecommunication revenue lines are under threat as over the top services takes over. Advertising, e-business and mobile money offers new opportunities to this industry. Government could also learn from experiences in India where Reliance Communications Ltd. (“RCOM”), India’s leading fully-integrated nationwide telecommunications service provider, and Maxis Communications Berhad (“MCB”), promoters of Aircel Limited (“Aircel”), a leading pan-India mobile operator, today announced the signing of definitive documents for the merger of their Indian wireless businesses - the largest-ever consolidation in the Indian telecom sector³. This provides a good template for various Government owned*

¹ See (<http://www.ee.co.za/article/telecoms-developments-africa-september-2016.html>) accessed on 17 September 2016.

² See (<http://www.ee.co.za/article/telecoms-developments-africa-september-2016.html>) accessed on 17 September 2016.

³ http://www.indiaonline.com/article/news-top-story/rcom-and-aircel-join-hands-to-announce-largest-ever-consolidation-in-indian-telecom-sector-116091400574_1.html. Accessed on 17 September 2016.

telecommunication players. Research has shown that some firms are saving up to 30% in operational expenses by outsourcing towers (which can be leased to multiple companies at once). This puts the idea of infrastructure sharing into perspective for the ICT Sector. The market based option could be establishment of a Tower management company where operators can sell their Towers.

5. Resource Mobilisation for Infrastructure Development

Japan has promised to provide approximately US\$3 billion in support of African City Facilities development, within three years, also including African Development Bank cooperation implementation of US\$1 billion based facilities project⁴.

China and the World Bank have formed an infrastructure firm with an initial \$500 million investment to help fund projects in Africa⁵. During the forum on China-Africa Cooperation (FOCAC) summit held in Johannesburg, Chinese President Xi Jinping announced a \$60 billion fund for Africa's industrialisation. Along with the new fund was the elevation of China-Africa ties to a comprehensive strategic partnership with 10 core areas of cooperation including infrastructure, health and education.

Investec – won the contract to manage the Emerging Africa Infrastructure Fund (EAIF), which focuses on infrastructure funding in Africa. EAIF was established in 2002 as an initiative of the Private Infrastructure Development Group. The overriding criterion for projects to be funded is that they must meet strict social and economic development objectives⁶.

S&P suggest that Africa could benefit from a thriving Islamic bond market, however, there is need for review of tax laws and investment regulations to comply with Islamic finance.

⁴ http://www.indiaonline.com/article/capital-market-commodity-futures-mid-session-commentary/commodities-buzz-japan-to-invest-3-billion-in-african-city-facilities-development-116091200166_1.html

⁵ <http://www.theeastafrican.co.ke/business/China-and-World-Bank-form-firm-to-fund-Africa-projects/2560-3378104-4mhtfx/index.html>

⁶ <http://www.financialmail.co.za/moneyinvesting/2016/05/26/infrastructure-funding-coup-for-investec>

Moreover, research elsewhere shows that there are higher cost in providing Islamic finance. Zimbabwe, with a growing number of the Moslem community should consider creating a conducive environment for tapping into Islamic finance for infrastructure development.

Ghana plans to issue it first domestic investor only two year bound of US\$ 50 million targeted at capital expenditure with a coupon of 5%. Ghana public debt has reached US\$ 27.8 billion constituting about 65.9% of GDP. Ghana issued its fifth Eurobond in September 2016, US\$ 750 million due in 2022 with an expected yield of 9.25%.

Africa Finance Corp plans more Eurobonds to support energy generation and logistic projects.

6.0 Conclusion

Africa is offering opportunities for infrastructure financing and Chinese market continue to offer a viable opportunity to the country for infrastructure development. Renewable and environmental friendly projects are also getting attention for funding.