AFRICAN UTILITY WEEK

Mustafa Zakir Hussain
Senior Infrastructure Finance Specialist,
Finance, Economics and Urban Dev Dept,
The World Bank

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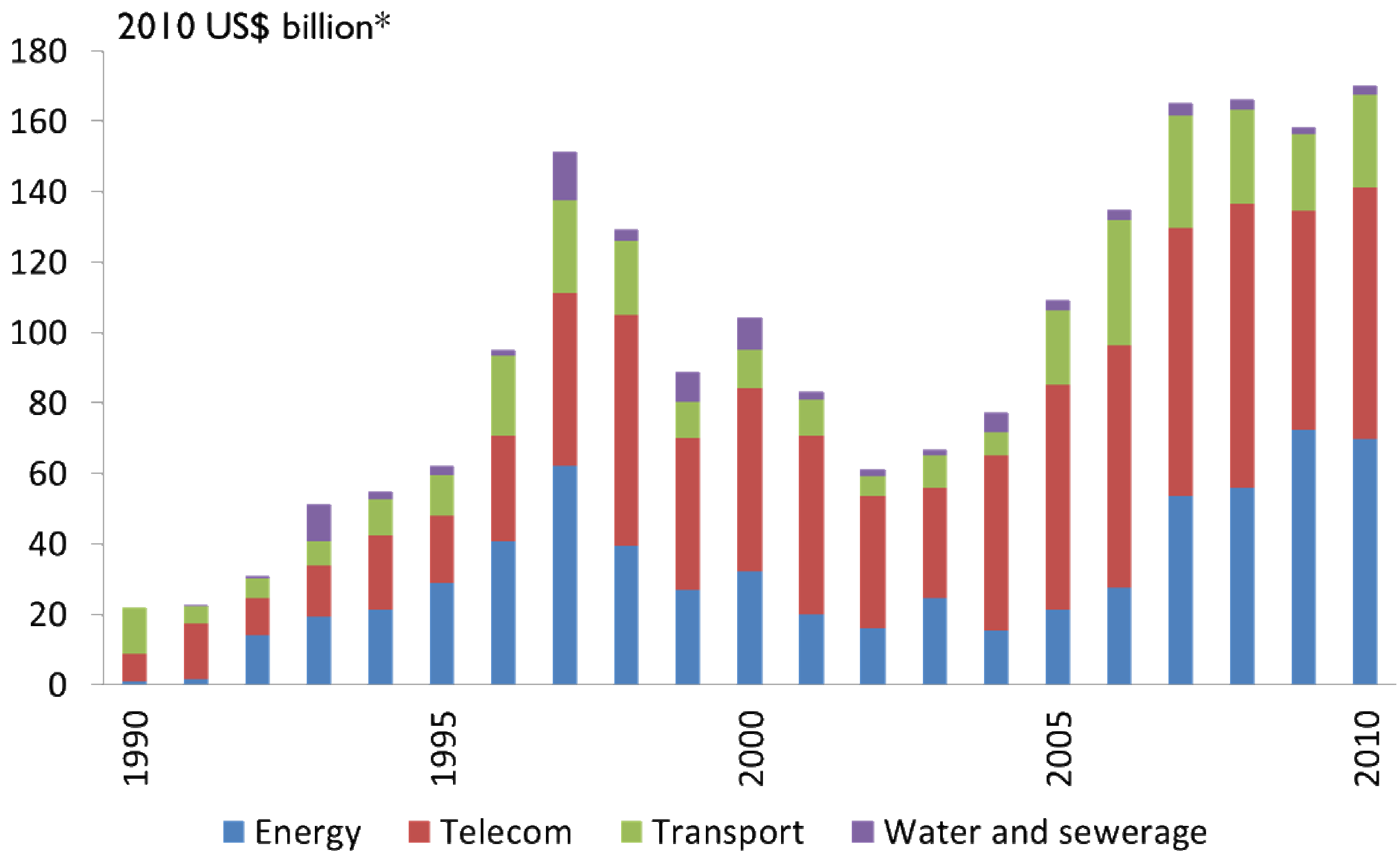
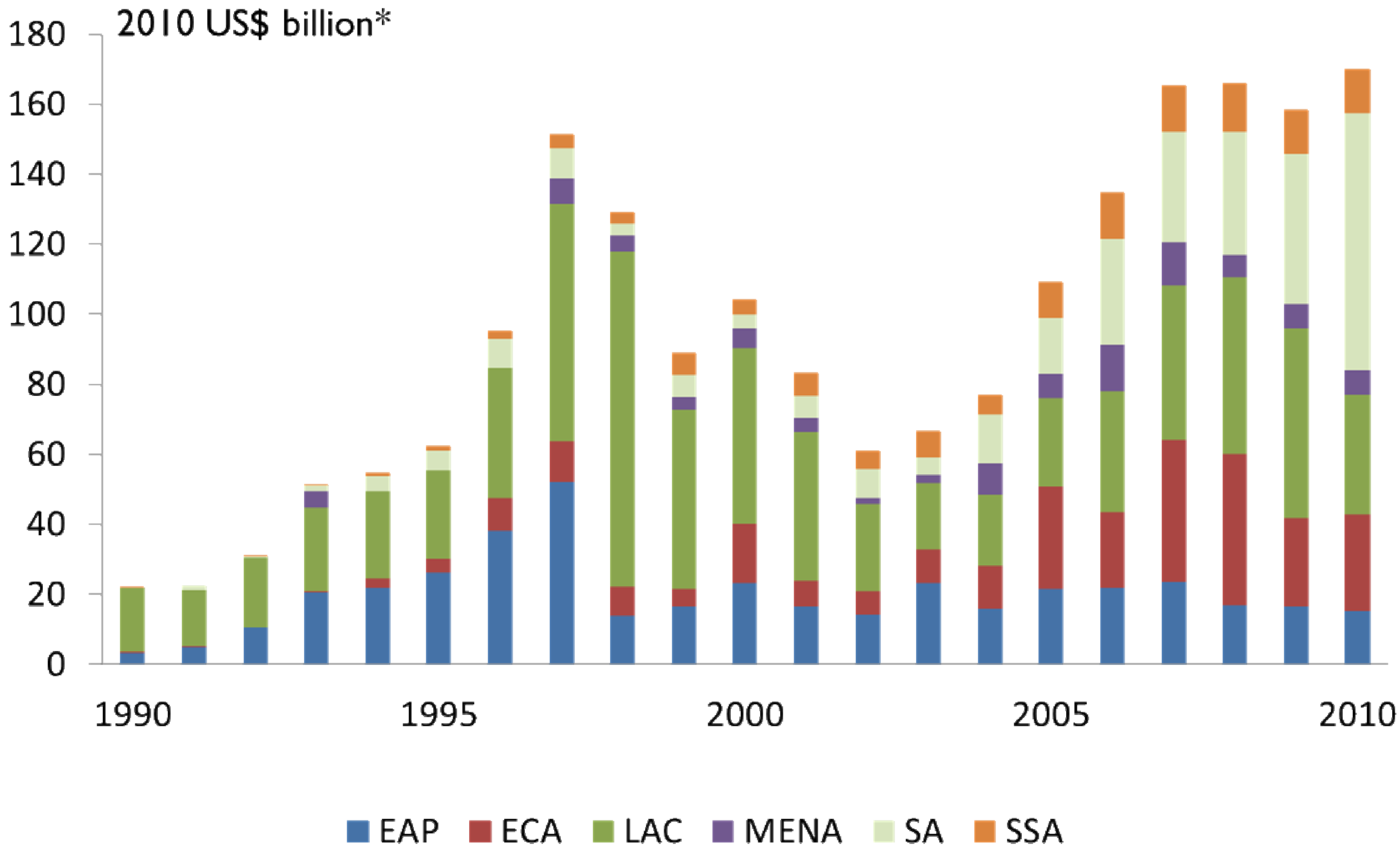
Investment in PPI projects in developing countries by sector 1990–2010



Source: World Bank and PPIAF, PPI Project Database.

* Adjusted by US CPI.

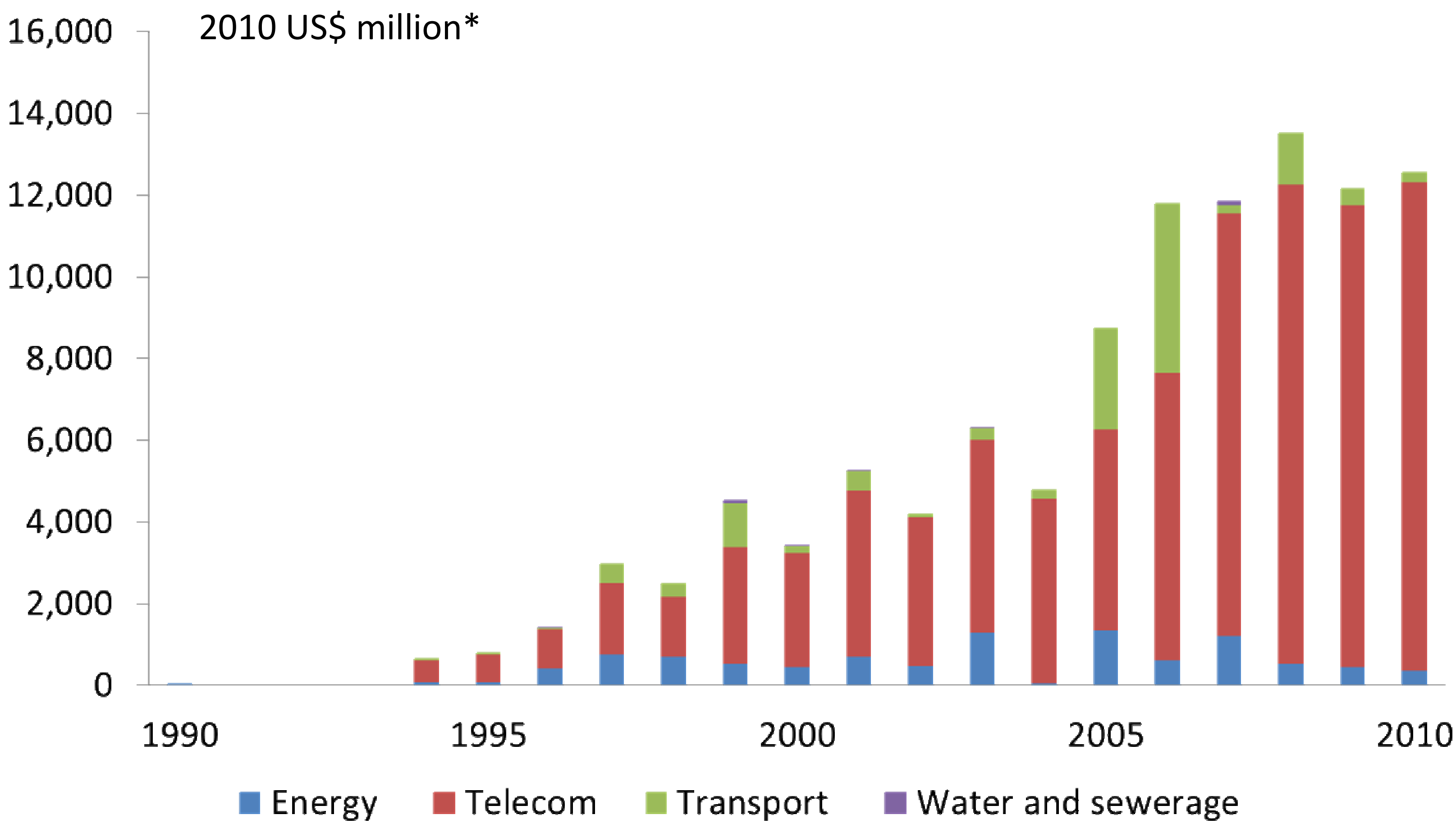
Investment in PPI projects in developing countries, by region, 1990–2010



Source: World Bank and PPIAF, PPI Project Database.

* Adjusted by US CPI.

In Sub-Saharan Africa, investment in telecoms has dominated PPI, 1990-2010



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Source: World Bank and PPIAF, PPI Project Database.

What is currently holding back the market in Sub-Saharan Africa?

- Two areas seem to be particularly important, especially for financing large, complex projects:
  - lack of well prepared projects.
  - availability of commercial financing on appropriate terms.

Lack of well prepared and bankable project packages

- Institutional capacity for preparing projects is usually weak.
  - technical capabilities.
  - projects often lack well connected/dynamic project leaders.
- Lack of large scale sources of project preparation funding.
  - limited opportunities for private sector to risk share with public sector.
  - funding should be of sufficient size (there are plenty of small funds).
  - existing sources of funding lack coordination.

Current financial conditions have reduced risk appetite of private sector investors and financiers

- Crisis in Euro zone is reducing appetite from European banks for Sub-Saharan Africa.
  - shift in market to less risky sectors (to energy and telecom), countries (to large MICs) and companies (to those long established with proven record).
  - focus on structuring and distributing rather than holding loans on own account.
- Regulations (Basel III) and Bank stress-tests are increasing funding costs.
- Regional financing often available with restricted tenor.

How to support countries in this environment?

- Need to better coordinate sources of support for project preparation.
- Ever more limited availability of commercial debt requires more effective use of MDB balance sheets.
  - increasing regulatory requirements on commercial banks increase need for risk mitigation instruments.
  - with existing financing, need to find ways to extend debt tenors and improve risk profile.