



Global Infrastructure Forum 2017

Washington DC, April 22nd

Participants for CICA: Jorge MAS, Fanny DASTUGUE

CICA participated in the session on **“Building Quality Infrastructure”**.

The session was moderated by Jordan SCHWARTZ, Director, Infrastructure and Urban Development Hub, World Bank.

- ❖ **1st Panelist was Hiroshi KATO, Senior Vice President for Africa, Japan International Cooperation Agency**

Hiroshi Kato explained that in June 2016, under Japanese presidency, G7 Leaders endorsed the **“G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment”**¹, which has crystalized as definition of quality infrastructure investment.

The 5 principles are the following:

- 1) *Ensuring effective governance, reliable operation and economic efficiency in view of life-cycle cost as well as safety and resilience against natural disaster, terrorism and cyber-attack risks;*
- 2) *Ensuring job creation, capacity building and transfer of expertise and now-how for local communities;*
- 3) *Addressing social and environmental impacts;*
- 4) *Ensuring alignment with economic and development strategies including aspect of climate change and environment at the national and regional levels;*
- 5) *Enhancing effective resource mobilization including through PPP.*²

Hiroshi Kato underlined the changes in the international community between 2000 and 2015 which have justified the push for “Quality infrastructure”. He made the comparison between the Millennium development goals and the Sustainable Development Goals. The aspirations are very different and there is an increased recognition of importance of infrastructure. Now the development community is more concerned about the resilience, sustainability and inclusiveness of growth. However given this change of the mindset and this new paradigm of development, there is a need to change also the management of infrastructure projects.

Hiroshi Kato described the experience of JICA and insisted on the **importance of a long term, comprehensive planning in order to achieve Quality infrastructure**. In the context of Africa development, he gave some examples:

- One challenge is to diversify the African economies away from dependence on national resources and commodities. There is a need to develop agriculture and industry. But there is a problem of low productivity in these sectors, partly as a result of

¹ Cf. attached document

² Under Chinese presidency, the essential elements of quality infrastructure investment were also affirmed by Leaders at G20 Hangzhou summit in 2016. Excerpt from Leaders’ communique at G20 Hangzhou summit: “We stress the importance of quality infrastructure investment, which aims to ensure economic efficiency in view of life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise and know-how on mutually agreed terms and conditions, while addressing social and environmental impacts and aligning with economic and development strategies.”



underinvestment in infrastructure. To achieve this dual objective at the same time, it requires some planning.

- Another issue is to cope with the rapid urbanization: they need urban planning.
- The third challenge in Africa is regional integration: expand trade with neighboring countries and develop intra continent infrastructure. Again planning is needed. Urging governments to have a long term vision and national land design planning, sectoral planning etc. Planning serves predictability but also coordination between actors (Government, local authorities, private sector etc.).
 - ❖ **2nd panelist was Usha RAO-MONARI, Chief Executive Officer, Global Water Development Partners (used to work for Blackstone).**

To her; there are 3 key checks for infrastructure projects financing:

- 1) Inclusiveness;
- 2) Scale: building at scale is far more resilient and high quality, it benefits more people;
- 3) Climate resilience: not possible to be exposed to climatic disasters.

She gave the example of water for a mining company in Africa: it is important to put in the ex-ante design the fact that community also gets water. Balance the risks and returns of infrastructure. Raise the level of quality and give access to water to larger communities. Make sure the infrastructure built is a win-win situation.

- ❖ **3rd Panelist was Mohan VIVEKANANDAN, Group Executive, Strategy at the Development Bank of Southern Africa (DBSA)**

DBSA purely focuses on infrastructure. To DBSA, it is important to work with the municipalities on long term masterplans. It is crucial to invest the limited resources correctly. Then Mohan Vivekanandan stressed the importance of project preparation to do the technical studies correctly and to have projects fit for purpose. At DBSA, they don't provide equity but debt financing. They provide up to 20 year loans. The aim is to get involved early and leverage the private sector. They help having a transparent procurement process.

- ❖ **4th Panelist was Maureen HARRINGTON, Director and Head International Development Group, Standard Bank of South Africa Limited**

Standard Bank is mainly in Africa. Infrastructure is its core sector. It is in the interest of the Bank to build Quality infrastructure. « Sustainable and Efficient infrastructure that makes sense for communities ». They have an Environmental & Social team. 15 years ago infrastructure was not the flavor of the day. It had a very negative image in the development world. Now it has changed, sadly at the moment when Basel 3 and other regulations are making it harder to finance infrastructure. As a result we need to have more players - institutional investors, DFIs etc. - to finance the infrastructure projects. According to the World Pension Council, the amount of pension money in infrastructure in Africa is nothing.

There are legal risks and reputation risks for the Bank if they are involved in problematic projects. There are robust discussions inside the Bank on these issues. Scale up private



sector financing. The main point in Africa is the need for a bankable off taker to structure the risk around it.

She concluded Standard Bank is always happy to share experience and lessons learned when bringing up a project.

❖ **5th Panelist was Joseph HAIDER, Senior Sector Economist, KfW Development Bank**

KfW are financing their partners' projects. They have long conversations with their partners/borrowers on what is a Quality infrastructure before the financing of Quality infrastructure. They tend to demonstrate what the advantages of Quality infrastructure are and help their partners in the definition of the standards. To do so, KfW offers a lot of technical assistance and accompanying measures. This requires some additional funding.

Incentives are important for the implementation of Quality infrastructure. The regulatory framework is important to convince the partner/borrower.

Planning is of utmost importance. One of the entry points is the procurement process to ask for Quality infrastructure. It is when the requirements are defined and it is the entry point for the feasibility study.

Questions & Answers:

- *What is the difference between “Quality” and “Sustainable” infrastructure?*

Hiroshi Kato explained Quality infrastructure is a broader concept where each one puts what he wants inside.

The representative from KfW says now the two concepts are almost the same.

- *Usha Rao-Monari was asked if Global Water Development Partners work with African municipalities.*

She answered that as of today they don't because of the counterparts risk when lending to municipalities on a long time period. She added private equity investors would like to work with Multilateral Development Banks (MDBs) to mitigate the risks when lending to African municipalities for infrastructure. But it has been years they are talking about it. There is a need for preparation of projects and for pipelines of projects. The idea is to use the scarce money of MDBs to mitigate some of the risks. Need for the scarce grant or concessional dollars to leverage. Usha can provide us with a full page of possibilities for blending.

- *What about China in Africa?*

Maureen Harrington explained the major shareholder of Standard Bank is a Chinese bank. She told her Chinese colleagues have a very different but complementary approach.

The representative from DBSA expressed a very positive opinion about China in Africa.

The representative from JICA said they recognize the massive volume of Chinese investments in Africa and speed of delivery of infrastructure and that there should be a reflection on how JICA and MDBs could also speed up the procedures and delivery of infrastructure in Africa.