

DOMESTIC RESOURCE MOBILISATION – PUBLIC FINANCE – PUBLIC EXPENDITURES – INFRASTRUCTURE : Paris, October 11-12 ; 2010

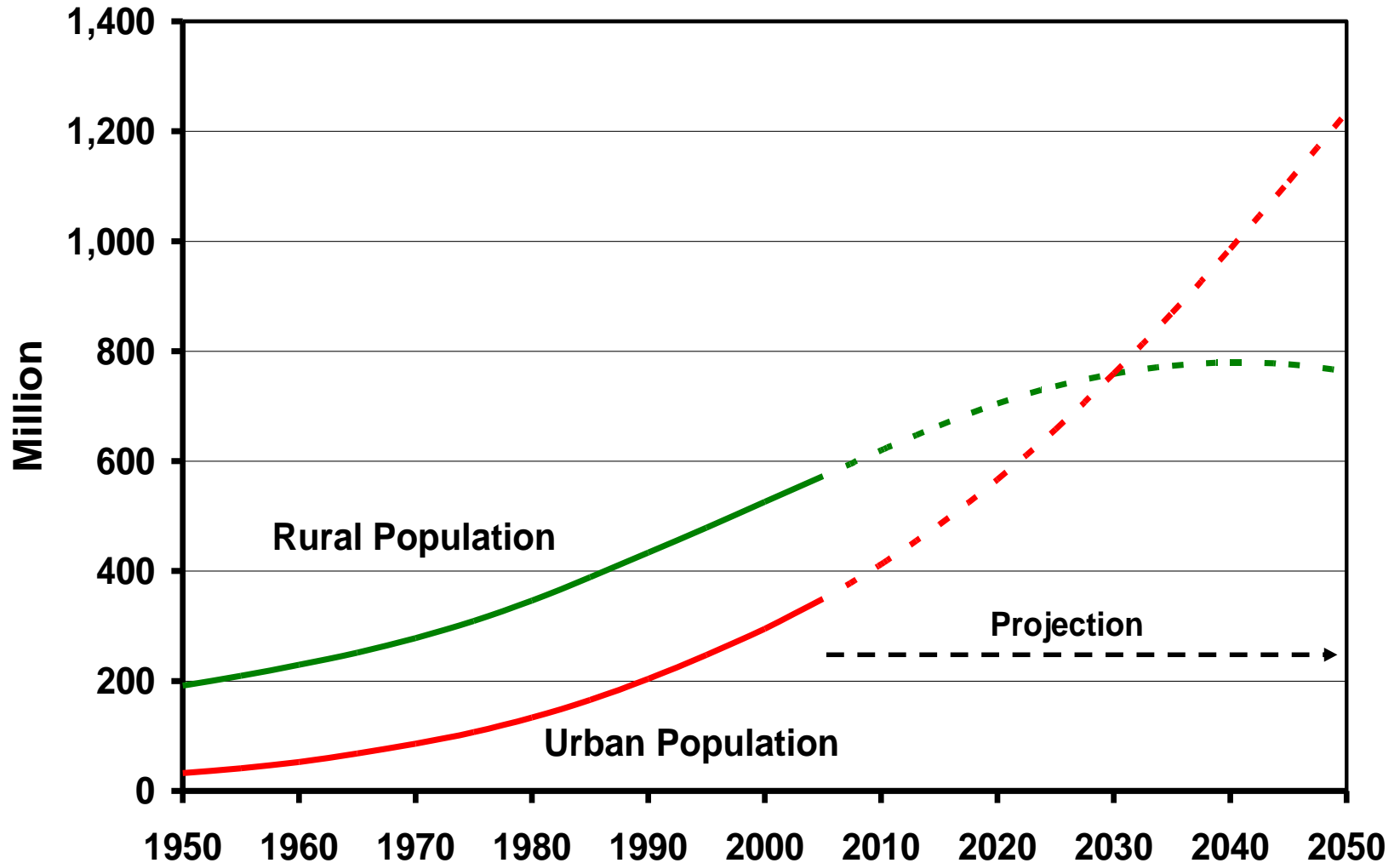
INFRASTRUCTURE FINANCING CHALLENGE IN AFRICA: A SUBNATIONAL PERSPECTIVE

**Session 4: Infrastructure financing – institutions and private involvement
(PPP, Pension Funds, SWFs, Infrastructure Funds)**

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1 - The state of urbanization in Africa

Figure : Urban and Rural Population in Africa 1950-2050



2 - Challenges : Filling the gap

Improving the lives of at least 31 million slum dwellers by 2020 (target 11 of MDG-7) would translate into investments of the order of \$16 billion \$ (UN Millennium Project, 2005, page 128, Table 8.3)

If the more ambitious objective of eradication of African slums is pursued, then the costs jump to \$167 billion \$ for the population of 250 million African slum dwellers

3 - Challenges : Following the urban development

To support the economic growth on its current level, expenditures in infrastructures account for 5,5% of the GDP, 140 billion \$ (World Bank)

The two-thirds of these expenditures (90 billion \$) are under local governments competence

These figures are to be compare to the total annual amount of aid (100 billion \$) and to the total annual amount of World Bank (8 billion \$) and AfDB's (0,4 billion \$) interventions in infrastructure sector in the World

4– Typology of the institutions

	Public Administrative Company	Public Financial Company	Project	Bank
Public and aid resources	Mali (ANICT)			
Public, aid and credit (Financial market)		Tunisie (CPSCL)		Maroc (FEC)
Public, aid and equalization grant	Rwanda (FDC *)			
Public resources, credit and equalization grant		Cameroun (FEICOM)		
Crédits (Financial market)				South Africa (INCA, DBSA)
Crédit via central government			Sénégal (ADM), Côte d'Ivoire (FPCL)	
Commun resources		Niger (CPCT *)		

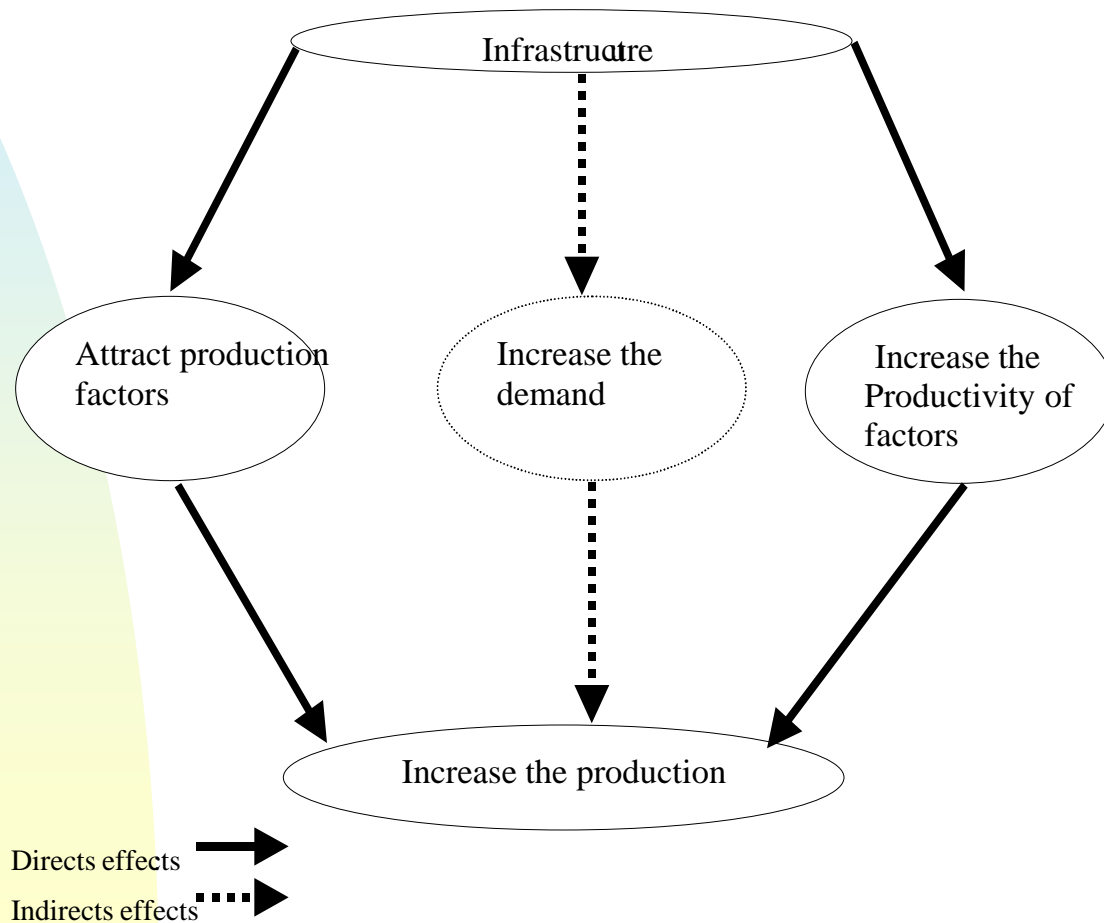
5– Missions of the specialized institutions

	Grants	Loans	Interest subsidy	Guarantee	Institutional support
Tunisia (CPSCL)	X	X	X		X
Morocco (FEC)		X			X
Senegal (ADM)	X	X	X		X
Rwanda (FDC)		X		X	
South Africa (DBSA)		X			X
Côte D'Ivoire (FPCT)		X			
South Africa (INCA)		X			
Cameroon (FEICOM)	X	X			X
Niger (FPCT)		X			
Mali (ANICT)	X			X	X
Malawi		X			

6 – Borrowing conditions

	Capital fund	Operation fund	Duration	Condition s	Contr ibution
Tunisie (CPSCL)	X		Long term	Market rate	30%
Maroc (FEC)	X		Long term	Ratio : annual reimbursement of credit / Own resources (40%)	20%
Sénégal (ADM)	X		12 year s (4,25%)	Capital and maintenance	10%
Rwanda (FDC)	X		Long term	---	---
South Africa (DBSA)	X		Long term	Market rate	--
Côte d 'Ivoire (FPCL)	X		6 - 12 years	Ratio : annual reimbursement of credit / Own resources	10%
South Africa (INCA)	X		Long term	Market rate	--
Cameroun (FEICOM)	X		Short term	Management Ra tios	---
Niger (CPCT)	X		Shor t, middle and long term	Management Ratios	---
Mali (ANICT)					

7 – Infrastructure and economic development



8– Maintenance budget, local economic development and poverty reduction

Cities lose their stock of capital because of maintenance deficiency. In most cases maintenance budget amount is lowest than the town's theoretical requirement of maintenance

Maintenance budget contribute to efficient strategies against poverty by giving contracts to small and medium enterprises

Local governments inability to spend money is the cause of a vicious circle where an impoverished urban environment leads to the stagnation or relative regression of the local economy

9 – Conclusion

Evidence of positive urban contribution to national economic growth in African countries.

Evidence that gaps in local infrastructure constitute a major obstacle to national growth

Regional approach of specialized financial institution as public spending and investment in infrastructure is a key factor for long-term economic growth in Africa