



CREATING THE SOCIAL AND ECONOMIC INFRASTRUCTURE OF THE FUTURE

Infrastructure in Southern Africa: Needs and
Opportunities Seminar

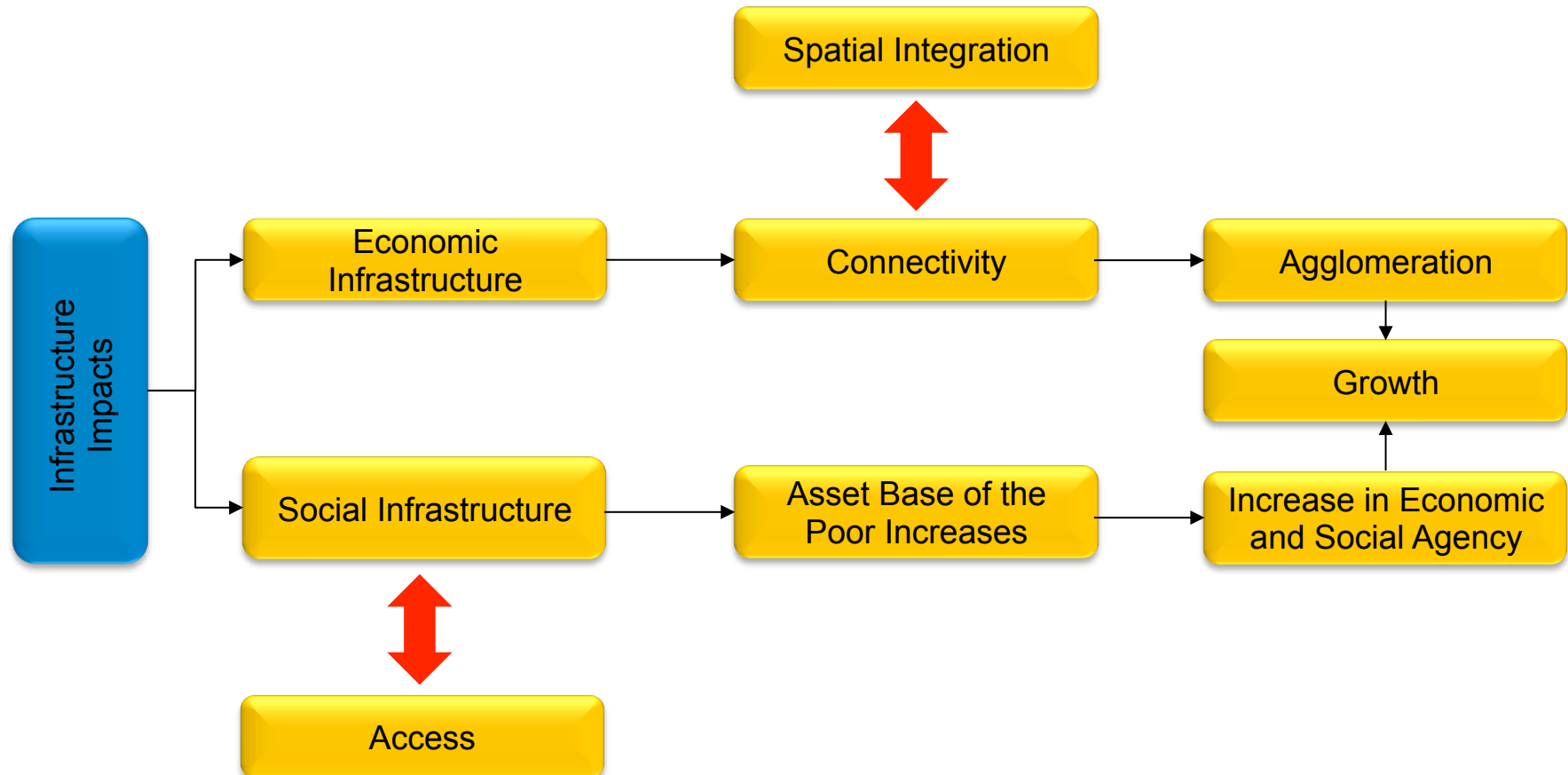
10th September 2015



Africa is on the Move



Infrastructure Key to Africa's Growth

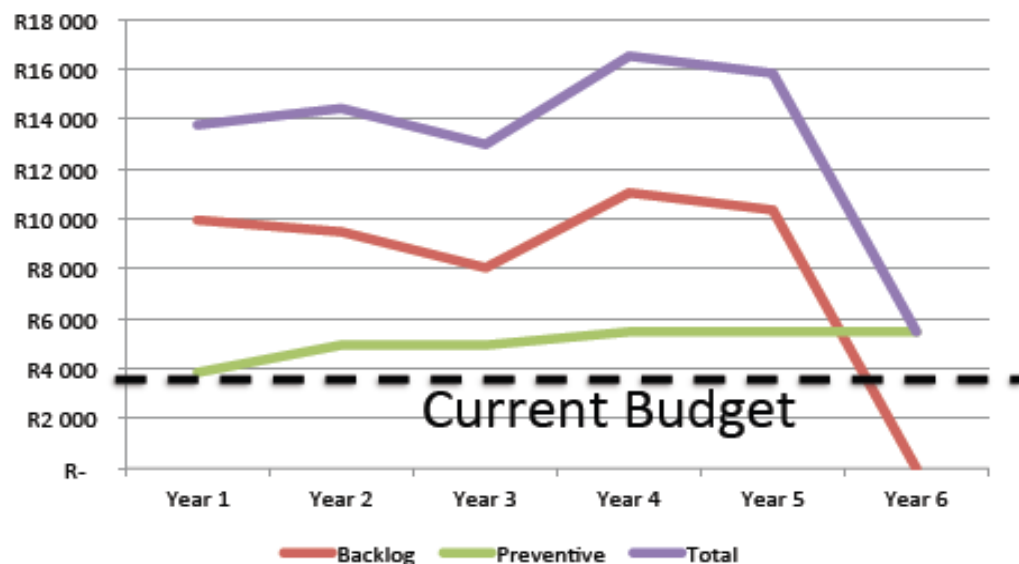


Nature and mix of economic and social infrastructure key to developmental outcomes

Significant Maintenance Backlog

Example: RSA Health Sector

	High Priority items	Medium Priority items		Complete Inventory		
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Backlog	R9 933	R9 477	R8 047	R11 046	R10 346	R-
Preventive	R3 831	R4 941	R4 941	R5 480	R5 480	R5 480
Total	R13 764	R14 418	R12 988	R16 527	R15 826	R5 480
Total Asset Replacement Value			R 267 384			



Cumulative Backlog - R48 848 mil
As % of ARV - 18.27%

Annual Preventive Maintenance
Cost - R5 480 mil
As % of ARV - 2.05%

Significant Demand for New Infrastructure Investments

Growth

GDP

\$2tn 2013 - \$5.5tn 2050

Population

1.1bn 2013 – 2.4bn 2050

Urbanisation

38% 2013 – 60% 2050

Consumer Spending

\$1tn 2013 - \$4.7tn 2050



Infrastructure Demand

- **Rising power demand** from 590 TWh (2010) to more than 3,100 TWh (2040, 6% growth p.a.), requiring current capacity to grow from 125 GW to 700 GW in 2040
- **Transport volume demand**, already insufficient today, is projected to increase by a factor of 6 to 8 by 2040
- **Surging water demand**, already insufficient today, to increase from 265 km³ in 2005 to 400-550 km³ in 2040, potentially bringing river basins to ecological brink. Increasing
- **ICT demand** projected to rise by a factor of 20 by 2018, increasing bandwidth from around 300 Gbps¹ in 2009 to more than 6000 Gbps¹

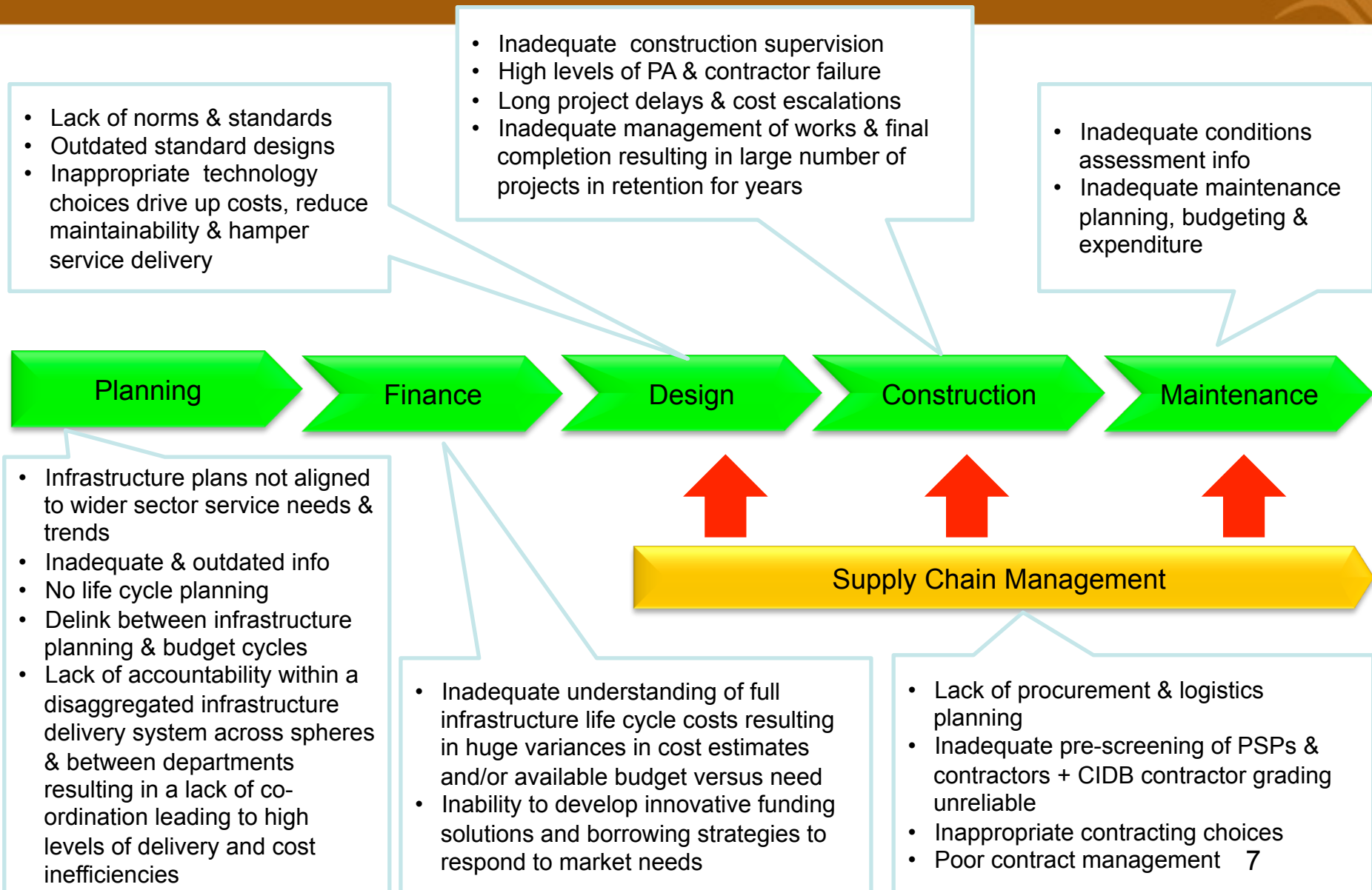
Bottleneck #1: The Funding Gap

Estimated Global Infrastructure Funding Gap 2013 – 20130
\$57 trillion - \$67 trillion



Estimated Africa Infrastructure Funding Gap
c.\$93 billion

Bottleneck #2: The Institutional Capacity Gap



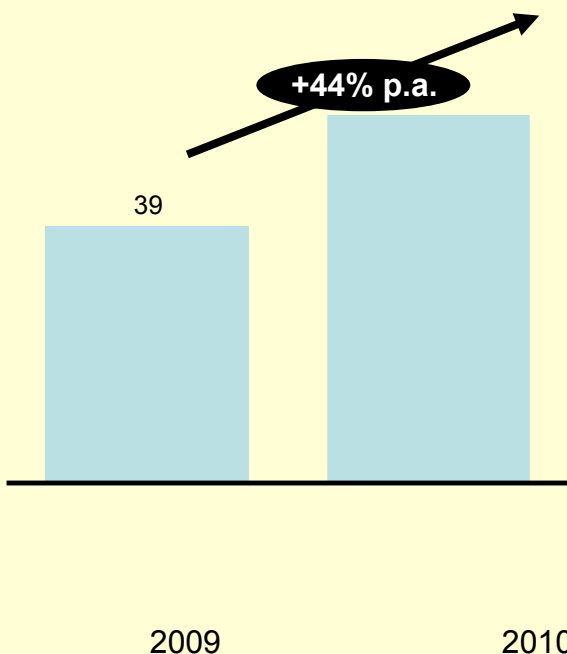
Result #1: A Weak Project Pipeline

Capital is being committed but the bottleneck is a lack of bankable projects

An increasing amount of funding is available for infrastructure projects in Africa ...

Funding committed to African infrastructure¹

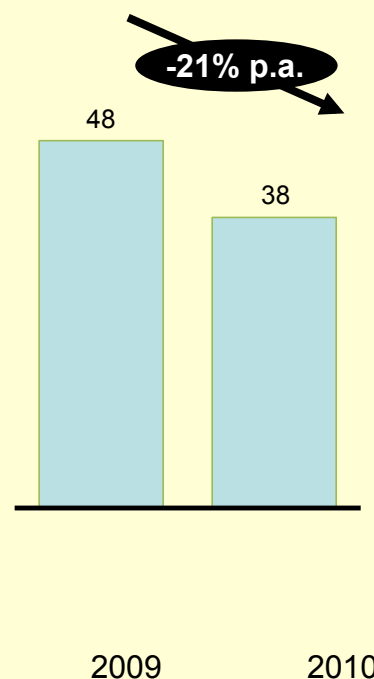
USD Bn



... but most of the funding is not being disbursed due to gaps in project development and preparation and delivery

Rate of funds disbursed as a proportion of total committed funds

Percent



VS.

What investors say

"There is a challenge on the supply side in terms of bankable projects"

"Project development is one of the major challenges due to both lack of skills and lack of experience"

"The lack of technical capacity within government results in poorly written terms of reference"

In 2009 and 2010 alone, a total of ~USD 55Bn was available to spend on infrastructure, but was not disbursed



¹ Includes multilateral, bilateral (primarily China and India), and private sources to fund infrastructure projects in Africa

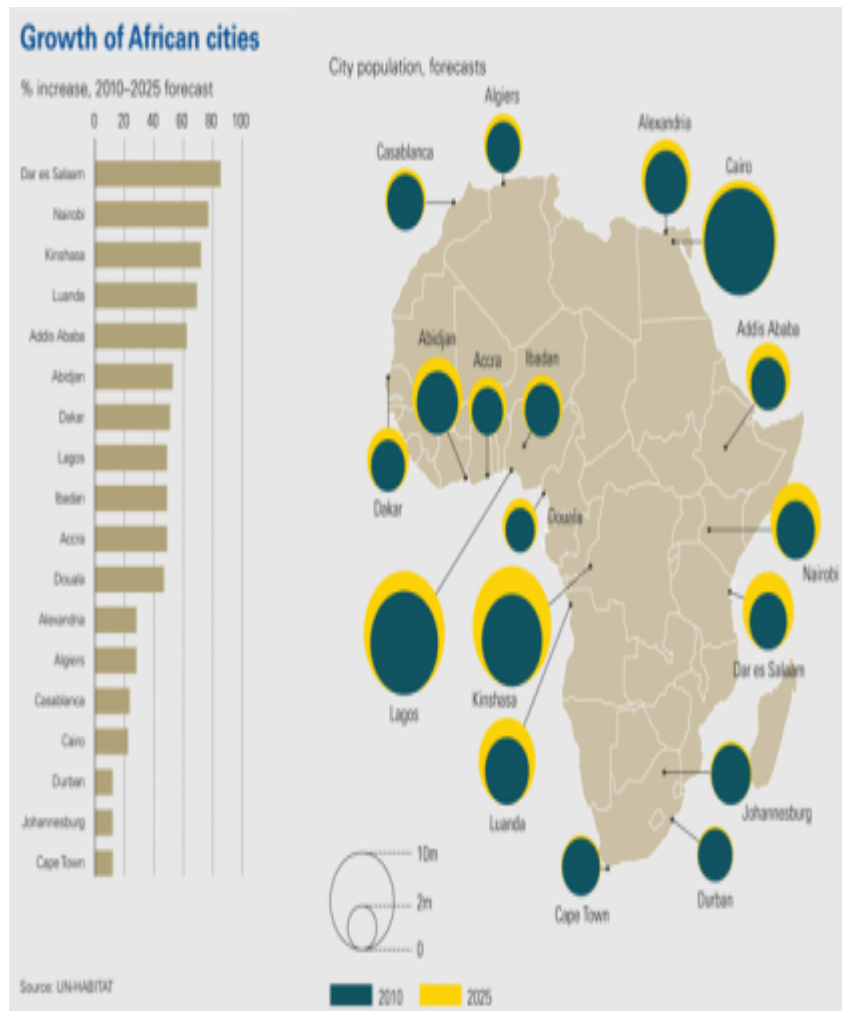
Result #2: Ongoing Failure to Meet Delivery and Developmental Goals



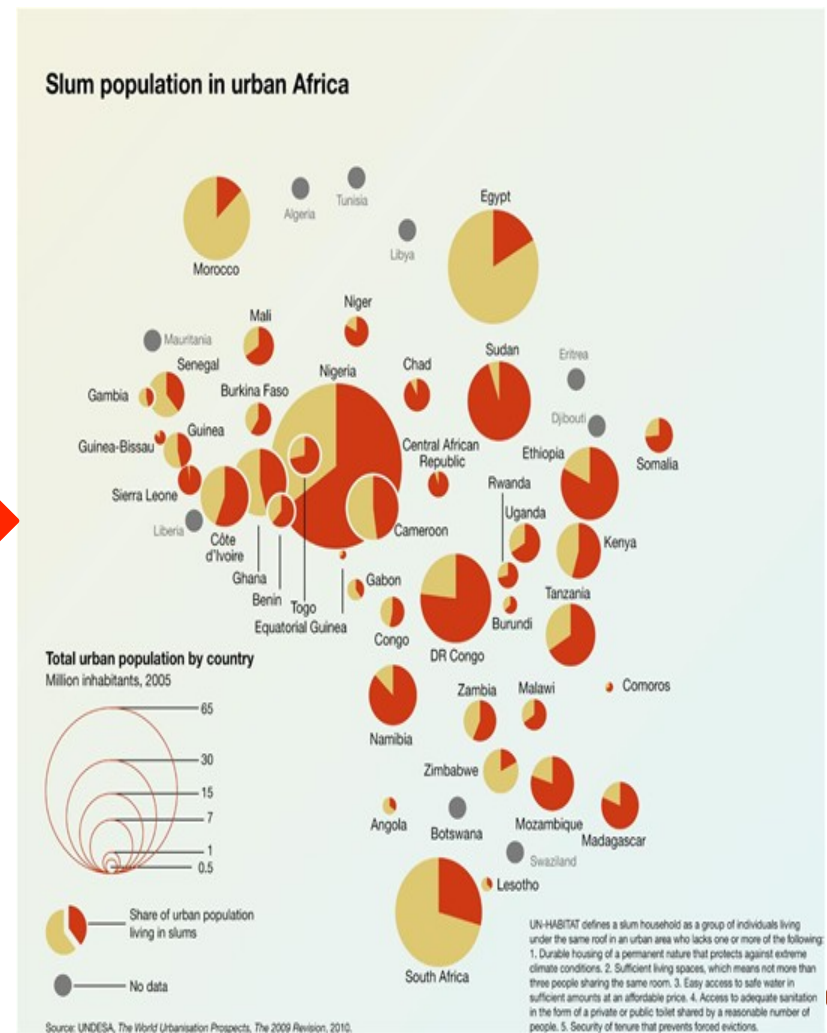
Result #3: African Urbanisation ≠ Growth Dividend

Limited Agglomeration and High Levels of Social Exclusion

High Urban Growth



High Levels of Exclusion





Proposed Solutions

Solution #1: Increasing State Delivery Capacity

Value Proposition of DBSA Infrastructure Delivery Division

Implementing Agent Services

- ▶ Accelerating delivery
 - Shorten timeframes from concept to brick i.e. implementation planning, design, procurement and construction cycle times
- ▶ Value for Money
 - Setting new cost norms by delivering projects more cost-efficiently
- ▶ Sustainability
 - Life cycle costing, maintenance plans and partnerships to drive full functionality
- ▶ Development Impact
 - Job creation, localization/industrialization and contractor support

Programme Management Services

- ▶ Accurate and realistic project planning and costing
- ▶ Appropriate project designs
- ▶ Adoption of appropriate procurement options
- ▶ Effective management of Implementing Agents and implementation quality assurance

Programme Co-ordination Services

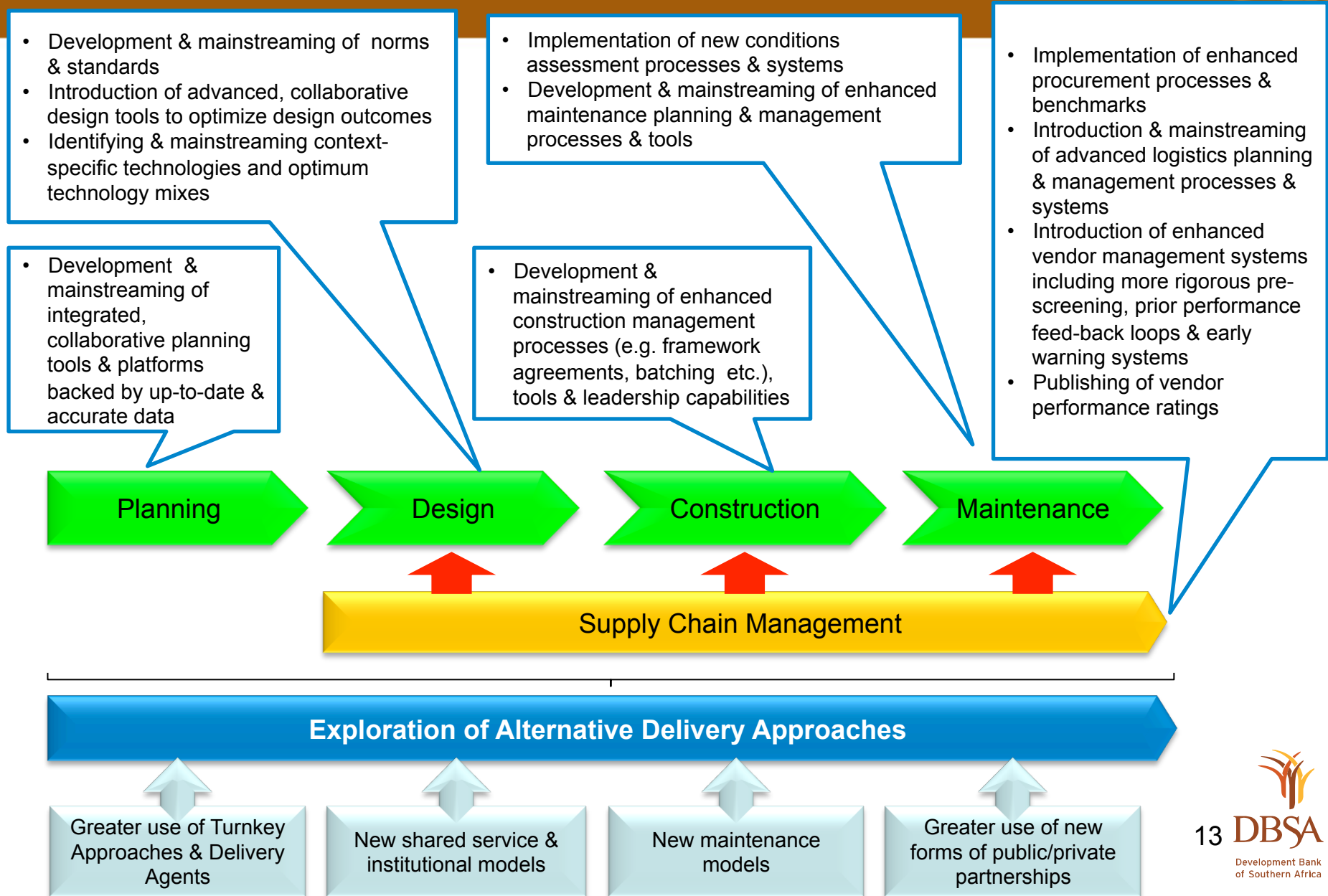
- ▶ Up-to-date and accurate information on the spatial location and quality of infrastructure as well as the status of planned and current projects
- ▶ Information on infrastructure trends
- ▶ Prioritization models and scenarios of infrastructure development impacts

Innovative Learning Solutions

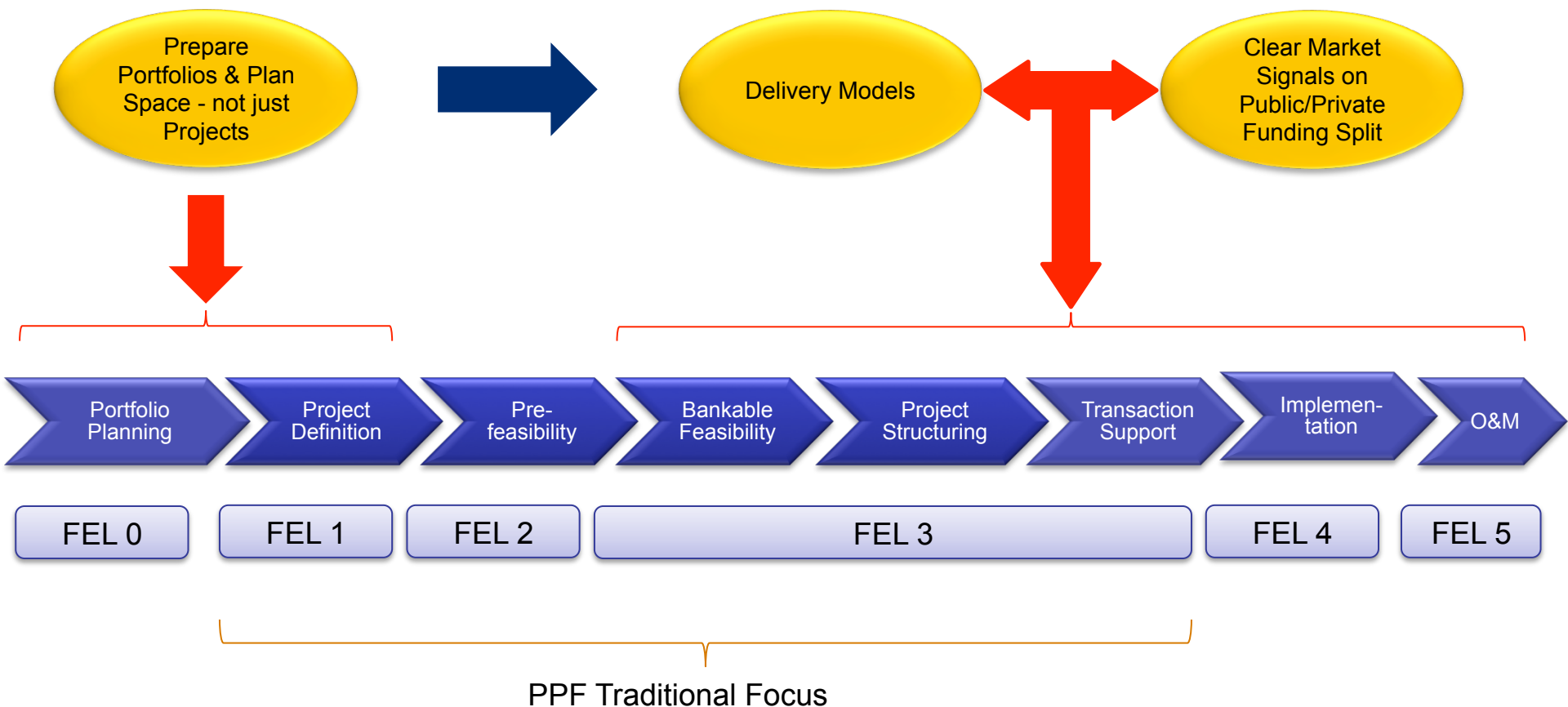
- ▶ Innovative infrastructure delivery learning programmes
- ▶ Customised Learning Solutions
- ▶ Cutting edge infrastructure delivery skills hub

Driving Innovation & Best Practice

Solution #2: Driving Delivery Innovation

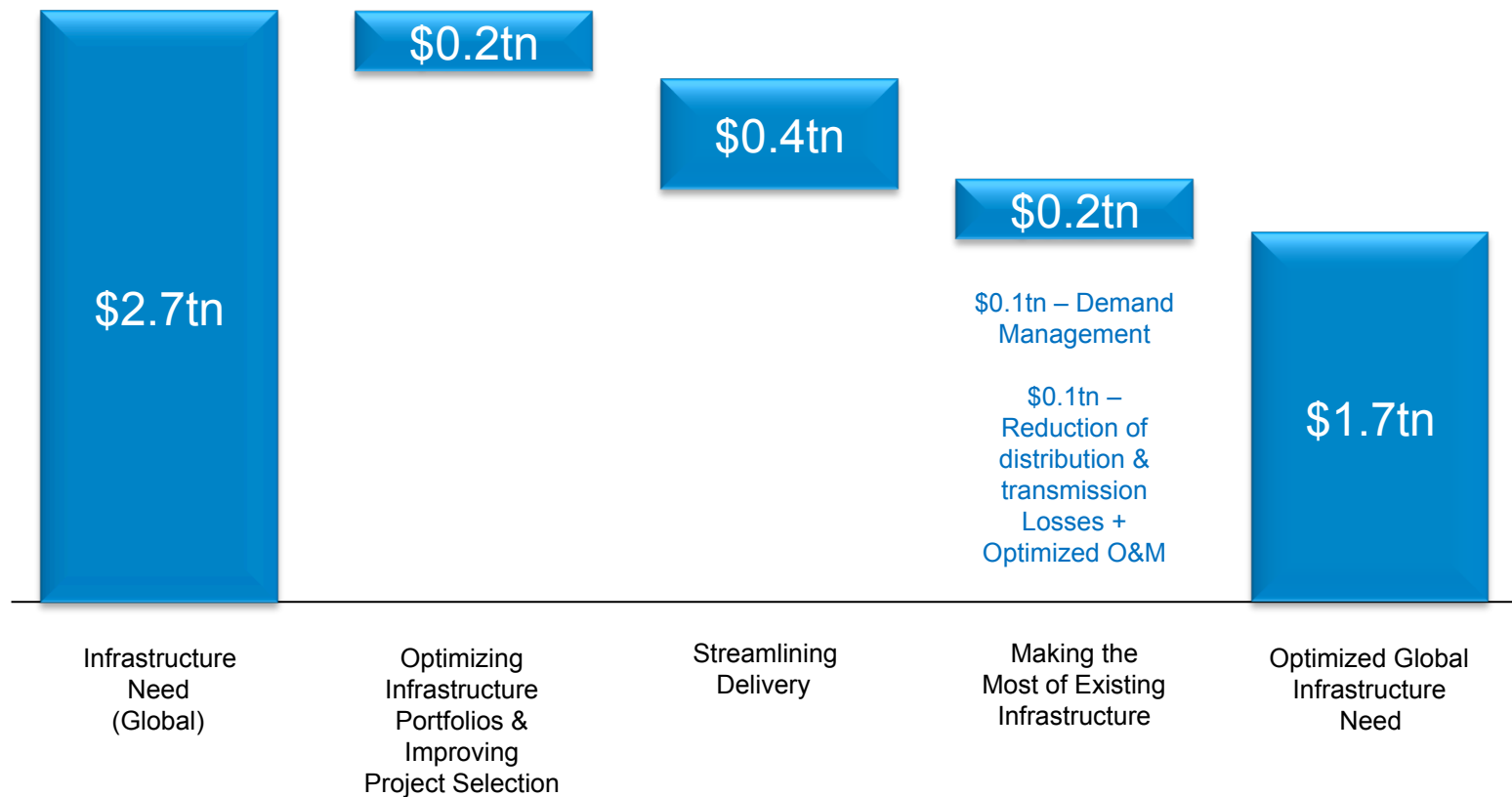


Solution #3: Focus on Early Stage Prep



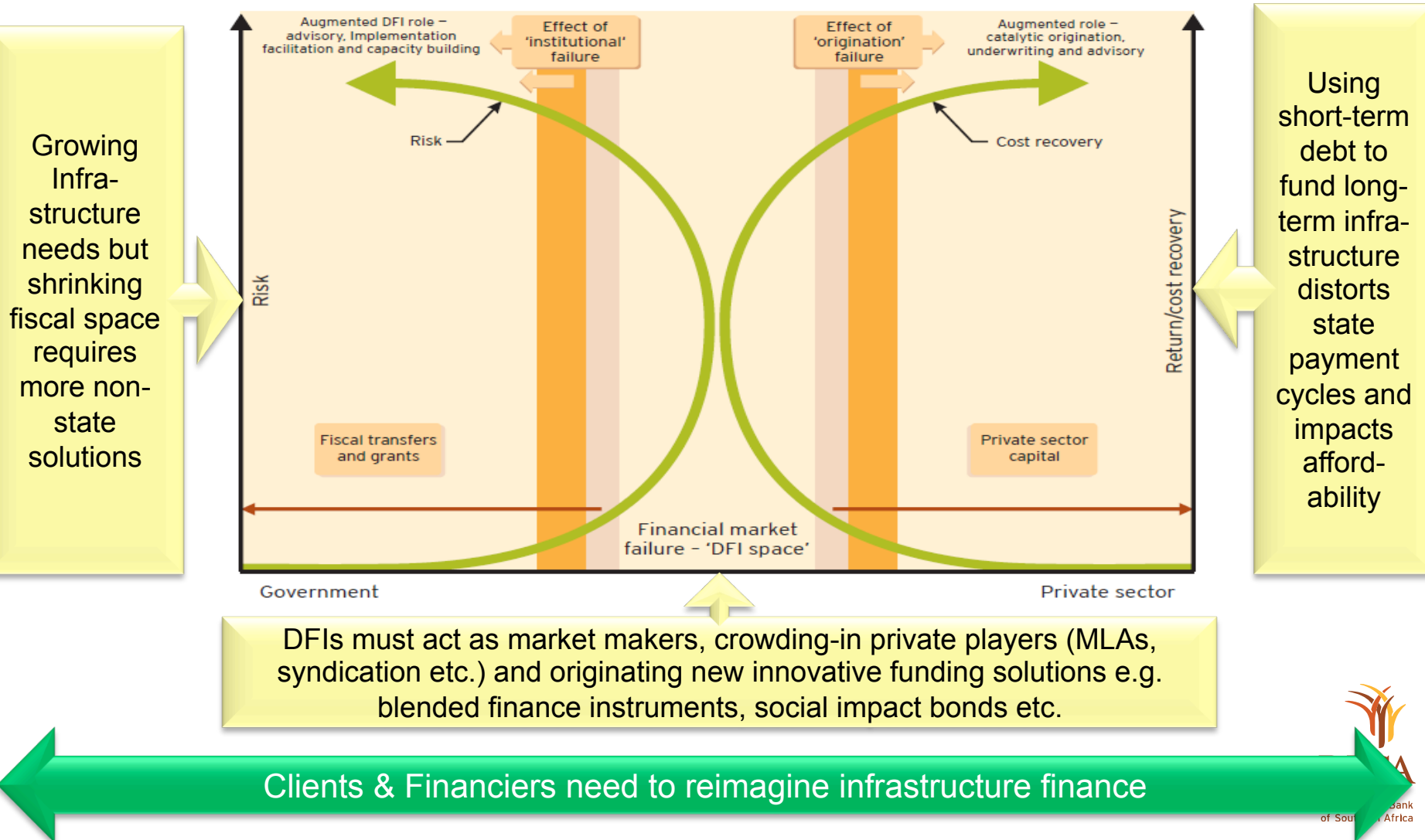
Solution #4: Optimize Infrastructure Productivity

MGI: Infrastructure Productivity Report 2013

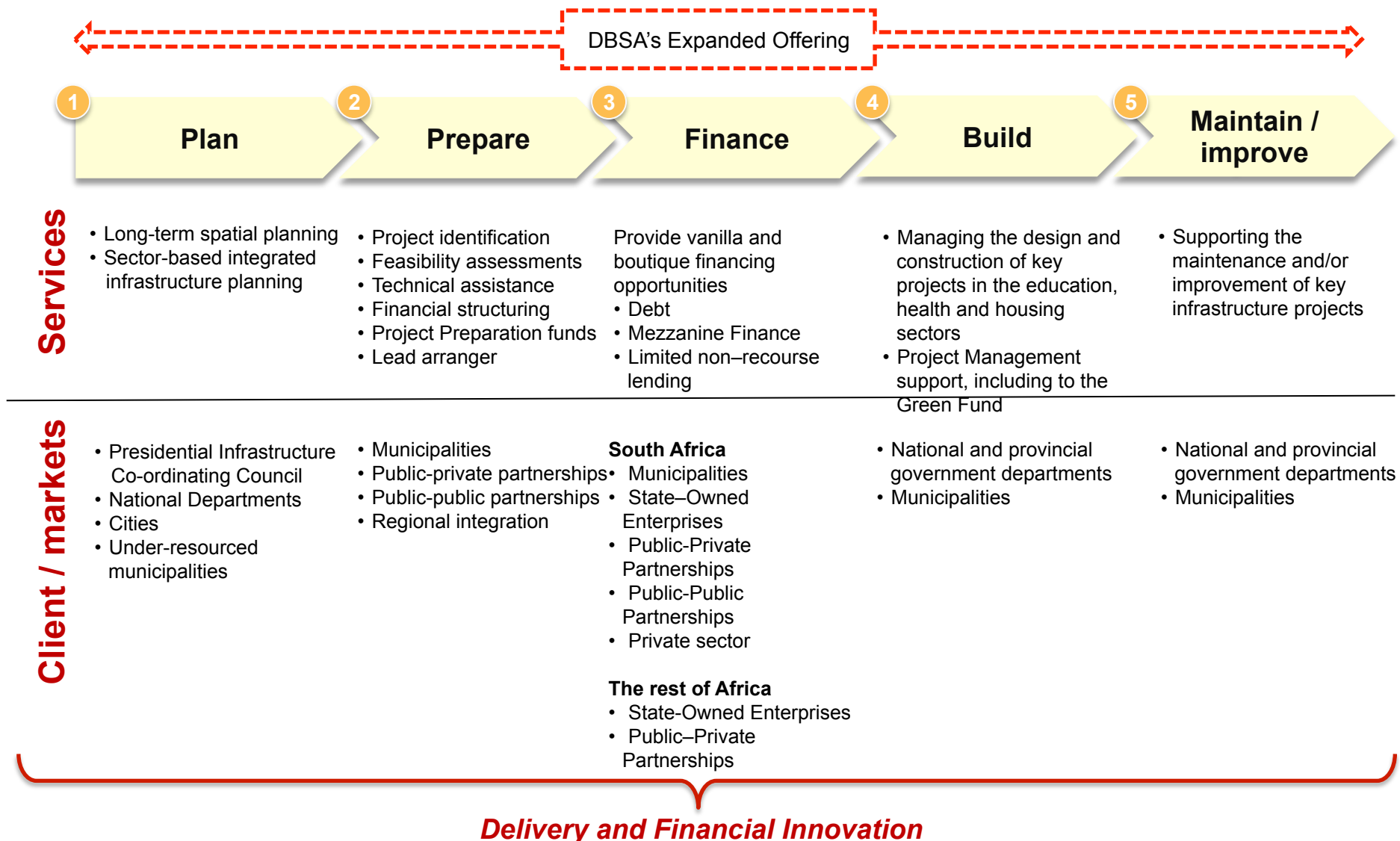


Solution #5: Innovative Funding Solutions

The Role of DFIs



Summary: Creating the Social and Economic Infrastructure of the Future Requires Combined Finance and Implementation Solutions





THANK YOU