2017 COMBINED FORUM REPORT

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MEFMI

Macroeconomic and Financial Management
Institute of Eastern and Southern Africa

REPORT ON THE PROCEEDINGS OF THE 2017 MEFMI COMBINED FORUM

THEME: Financing of Infrastructure

9 October 2017
Hamilton Hotel
Washington DC,
United States of America

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Participants at the MEFMI Combined Forum

9 October, 2017

Hamilton Hotel, Washington DC, United States of America

Acronyms

CAPEX	Capital Expenditure
DCI	Development Corporation for Israel
DFI	Development Finance Institutions
FDI	Foreign Direct Investment
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
IMF	International Monetary Fund
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
NEPAD	New Partnership for Africa's Development
PIDA	Programme for Infrastructure Development in Africa
PIDG	Private Infrastructure Development Group
PPA	Purchase Power Agreement
PPP	Public Private Partnerships
SDGs	Sustainable Development Goals
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
WTO	World Trade Organisation
UN	United Nations
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UN SG	United Nations Secretary General
USD	United States of America Dollar
USA	United States of America

Foreword

Dr. Caleb Fundanga
Executive Director

The 2017 MEFMI Combined Forum focused on the topical issue of Infrastructure Financing Infrastructure development has been noted to be key to the potential for Africa to become the fastest growing region in the world in the next decade. According to the United Nations Economic Commission for Africa (UNECA) and the New Partnership for Africa's Development (NEPAD) 2014 study; the continent needs $93 billion in infrastructure spending each year. The Infrastructure Consortium for Africa reported that only $74.5 billion was committed to infrastructure development in 2014, with a great majority of it in the transport and energy sectors. About 59 percent of these investments were funded by the national governments, 37 percent from multilateral agencies and bilateral external funding, and a mere 4 percent from the private sector. Compared to other emerging markets and developing economies where approximately 20 percent of infrastructure expenditure is financed by private sources, there is significant potential to increase private sector participation in infrastructure development, including through public private partnerships (PPP).

The tepid involvement of the private sector is not due to the scarcity of funding. The developed world is always looking for opportunities for higher returns given quantitative easing programmes and the prevailing low interest rate environment. Insurers, investment companies, sovereign wealth funds and pension funds are all looking for investment projects to suit their long term investment horizons and return requirements. The problem they face is that of matching the supply of finance from the private sector with investable projects.

The MEFMI Executive Fora is a platform to bridge the gap in communication between policy makers and private sector players. Through the Combined Forum, policy makers in the region and/or potential funders, not only discuss topical issues but also network and establish valuable contacts in the hope that the relationships will come to fruition.

The 2017 Combined Forum which was held on the 9 October under the theme: *"Financing of Infrastructure"* focused on the financing aspects of infrastructure in the region. The outcomes of the Forum, are presented in this report.

MEFMI is grateful to EY for the financial and technical support for the event. This is the third event that EY has partnered with MEFMI, and we trust that they will continue to partner and support the Institute in future events. It is the hope of the Institute that the outcomes of the discussions, as captured in this report, will assist all stakeholders to follow through on recommendations made during the discussions.

Caleb M. Fundanga
MEFMI Executive Director

Executive Summary

According to the World Bank reports, Sub-Saharan Africa (SSA) has an annual infrastructure investment deficit of approximately $93 billion. Its April 2017, Africa Pulse report reveals that SSA lags behind other developing regions in virtually all infrastructure performance metrics. Estimates by the International Monetary Fund (IMF) suggest that national budget funding constitute the major source of funding for infrastructure across the African continent generally, accounting for approximately two thirds of total infrastructure spending. A 2015 Brookings Institution's study on financing infrastructure in SSA concluded that, as of 2012, over 97% of external infrastructure financing came from three (3) main sources:

1) Development finance institutions (DFIs), export credit agencies (ECIs) and other multilateral institutions (Official Development Financing), representing 35% of all external financing:

2) Private sector participants constituting approximately 50% of all external investments (although over two thirds of such investments have traditionally been concentrated in the telecom sector, and power generation); and

3) China in the form of public lending (requiring the incurred debt by SSA countries) from China's Export Import Bank, primarily targeting the transport and energy sectors.

Like most emerging countries, countries in SSA have limited national budgets and this hinders governments' efforts to raise external financing as well as significantly limiting the availability of internal funds for infrastructure development. Therefore private sector investments is vital to bridging the infrastructure gap.

Private investors have the advantage of not only helping to provide the much needed financing, but also providing the necessary technical expertise to ensure that a project is run efficiently. The challenge for project owners, and hence the public sector, is to design contracts that ensure that risks and returns are distributed in an incentive-compatible way. Apart from a proper contractual structure, a solid legal framework is crucial. Infrastructure projects are long term and political risks loom large for investors. Investors are only prepared to commit large sums of financing at long horizons only if they can trust the legal and political procedures.

This report provides a summary of some of the key issues raised during the MEFMI Combined Forum held on 9 October 2017 in Washington DC under the theme **Financing of Infrastructure.** The report also highlights some key considerations that will inform the design of MEFMI's future capacity building interventions on infrastructure funding. There was broad consensus among delegates that with adequate knowledge about the private financiers and the areas they are interested in financing, partnerships could be forged with these financiers that could lead to improvement of the region's infrastructure needs. In this regard, delegates were grateful to MEFMI's partnership with some private institutions that some countries would not ordinarily have had the opportunity to understand their financing structure. Several key messages emerged from the discussions and these include:

- **The need to harness diaspora remittances towards infrastructure financing**
  As the region looks at alternative ways of financing infrastructure, the presentation shed light on the characteristics of diaspora funding, possible ways of attracting it towards long term investments and gave examples of countries where diaspora funding has been successfully used to finance infrastructure.

- **The Political Context for Global Markets Outlook**
  The presentation sought to relate the implications of political developments around the world to Africa particularly, USA's influence under the administration of President Trump, Brexit and the emergence of China as Africa's biggest financier of infrastructure projects. The presentation also explored possible scenarios global political decisions could affect the flow of investments into Africa in the future.

- **Trends in Infrastructure Financing**
  This presentation sought to provide statistical evidence of infrastructure development finance in the region as documented by EY's research and work in the region up to June 2017. It also brought to the fore the importance of governance issues with respect to compliance, anti-corruption, integrity, due diligence and effective management of public, lender and donor finances.

- **Financing Energy Infrastructure**
  This presentation gave a synopsis of managing an energy project from the perspective of a private project financier. It highlighted some of the challenges after a project has been approved, including legal, regulatory and time constraints.

CHAPTER ONE

1 Opening and Welcome Remarks

1.1 Welcome Remarks by Dr. Fundanga, Executive Director, MEFMI

Dr. Caleb M. Fundanga, MEFMI Executive Director welcomed the delegates to the 2017 MEFMI Combined Forum for Central Bank Governors, Ministers and Secretaries of Finance and Economic Development Planning from the MEFMI region. He extended a special welcome to the MEFMI Board of Governors and representatives of technical cooperating partners for continuing to support the Institute. He expressed hope that their presence would assist to deliver goal-oriented, vibrant and thought provoking deliberations.

Dr. Fundanga also expressed gratitude to MEFMI's financial partner for the event EY, whose generous contribution and collaboration helped to make the Forum a success. He noted that the partnership with private sector players has allowed delivery of Executive Fora events without financially burdening the Institute. He expressed MEFMI's hope that the two institutions will continue collaborating in hosting future events. The Executive Director also thanked Mr Reg Max, the Director of Project Development - Sub Saharan Africa at General Electric Company for the role he played in the re-engagement with EY as a partner for the Combined Forum. He informed the delegates that EY had sponsored the Combined Forum in 2014 and 2015 and took a break in 2016 which was filled by General Electric. Dr Fundanga expressed gratitude to Mr Max for his unwavering commitment to MEFMI and the development of economic growth of the region.

On the theme of the Forum, "Financing Infrastructure", Dr Fundanga urged the delegates to take note of what China's role in Africa in terms of infrastructure development. He said that China has become a primary financier of infrastructure projects in Africa. According to the World Bank, China's Exim Bank, the country's official export credit agency, approved at least $6.5 billion in loans for Africa most of which is for infrastructure investments by end of 2010. China Exim Bank loans are often part of larger cooperative arrangements between China and African countries, which may include trade deals, arms exports, student exchanges, and the peace keeping missions. He noted that the Chinese engagement in infrastructure financing was helping to create an infrastructure boom in the region. This has led to a motley of mega-projects that create jobs and boost economic growth while cushioning an economic slowdown the region was facing as a result of subdued commodity prices. He stated that most countries in the region are keen to invest heavily in infrastructure growth and the involvement of the right financiers is therefore required.

He expressed hope that with such platforms as the Combined Forum, where regional infrastructure financing issues are discussed, the region could once more be in the forefront of development. He added that discussions at the Forum present an opportunity for delegates to share experiences on infrastructure financing and propose practical solutions for maximising the available financing opportunities.

1.2 Official Opening Address by Mr. Goodall Gondwe, Minister of Finance and Planning Development, Malawi

Minister Gondwe delivered the official opening address for the forum. He thanked the delegates for taking time to attend the event and EY for supporting MEFMI. He commended MEFMI for organising the event since 1997, adding that the Forum is a useful platform for promoting shared commitment and collective responsibility for advancing the region's quest for sustainable and inclusive economic growth, hence the large numbers of delegates who attend the event.

Turning to the theme of the Forum, Mr Gondwe stated that infrastructure is a key determinant of economic growth of any country; hence it is in the interest of all fiscal and monetary policy custodians to ensure that they understand the developments in financing infrastructure and other investments. The Minister said that unless and until Africa acquires the modern transport systems, power generation capacity, and other basic infrastructure, it will continue to lag behind not only the developed world but other emerging regions.

He further said that African governments recognise the need to develop infrastructure, but have neither the financial resources nor the technical ability needed to close the gap hence the need for private capital and expertise. In this regard, he said that the theme of the 2017 Combined Forum was relevant and expressed the hope that discussions would enlighten delegates on how first-tier international private investors can be attracted to the continent for infrastructure projects. He also expressed concern about the generalisations of SSA as a homogeneous region, while ignoring its rich diversity. He stated that such generalisations can create negative sentiments about Africa and thus affect investors' decisions. He said that SSA countries have many differences in legal traditions, regulatory environment, levels of political stability, human capacity, financial sector maturity, historical background, cultures, languages, natural resources, climate, and geography etc. This diversity provides opportunities and synergies that are critical for attracting private investors. He added that successful private investment in infrastructure in Sub-Saharan Africa depends on the ability of investors, governments, and other stakeholders to recognise the challenges that make this unique investment climate different and distinctive. He urged potential infrastructure financiers to recognise the differences between individual countries, and at times even between individual regions of a single country.

Mr Gondwe highlighted some of the most pressing challenges facing infrastructure investment in SSA countries that distinguish the region from other emerging markets and the rest of the world. These are:

- Limited public sector capabilities, insufficient political will, policy uncertainty, and weak regulatory environments;
- A shortage of available experts who possess needed technical skills; and
- Financing complexities attributable to narrow financial markets, higher actual and provisional risks, longer project durations, significant cost overruns, and currency mismatches.

He urged investors to consider taking a more integrated approach to project life cycles, ensure political buy-in and promote dialogue, reduce maturation periods of project and uncertainty in order to address the challenges.

Turning to policy makers, he exhorted them to develop and implement policies that attract and help private infrastructure investors operate successfully. He noted that this may involve:

- Establishing solid legal frameworks for financing infrastructure, and lobbying government's guarantee for its enforcement and stability;
- Enhancing public sector capabilities through training, and building institutional capabilities in specialized PPP units;
- Formulating integrated infrastructure plans; and
- Developing domestic capital and debt markets to increase investors' access to local currency financing for infrastructure projects.

Mr Gondwe expressed his gratitude on behalf of MEFMI to all the delegates at the Forum and hoped that their contributions will enhance policy formulation process on infrastructure development for better lives and livelihoods in the Africa region in general and the MEFMI region in particular.

CHAPTER TWO

2 Forum Presentations and Discussions

This section presents a summary of the key note address, presentations as well as discussion points on the Political Context of Global Markets, Infrastructure Financing Trends in the Region and Financing Energy Infrastructure respectively.

2.1 Key Note Address

2.1.1 Introduction

*The key note address on **Harnessing Diaspora Financing in Developing/ Financing Infrastructure** was delivered by Mr. Eric Guichard, Chief Executive Officer for Movement Capital Limited. The address was premised on his work in the region over 12 years; first as part of the World Bank and as Chief Executive Officer of Homestrings Private Limited and currently Movement Capital Private Limited companies. Mr. Guichard founded Movement Capital, whose interest is connecting foreign investors and the African diaspora to investments opportunities in Africa and other emerging markets. Mr. Guichard highlighted the potential and possible ways that African governments could consider in harnessing diaspora funding towards infrastructure funding and the associated challenges of tapping these resources. He cited examples of countries that successfully mobilised their diaspora to invest in capital projects. He concluded his address with six (6) takeaways which policy makers could take into consideration in mobilising diaspora resources.*

2.1.2 Diaspora Remittances – Overview

The World Bank reports that remittances increase by five (5) percent annually, even after the global and financial crisis of 2008-09. The reports note that remittances by 31 million African migrants reached nearly $40 billion in 2015, equivalent to 2.6 percent of Africa's gross domestic product (GDP). The data on African migration and remittance flows, however, is likely to be understated because of the scale of undocumented migration within the African continent, the prevalence of informal remittance channels within the region, and the relatively weak official data in many African countries (World Bank, 2016). The true size of remittance flows to Africa, including unrecorded flows through formal and informal channels, is believed to be significantly larger than the official data. After foreign direct investment (FDI), remittances are Africa's largest source of foreign inflows. Remittances generally reduce the level of severity of poverty and lead to higher human capital accumulation; higher health and education expenditure, better access to information and communication technologies, improved access to formal financial sector services, enhanced small business investment; more entrepreneurship, better preparedness for adverse shocks such as droughts, earthquakes and cyclones and reduced child labour.

Remittances are often said to be the most tangible and least controversial link between migration and development. In other words, the African diaspora can help to improve the economies of their countries through remittances that can fund entrepreneurial activities at a time when developing economies may find it difficult to secure resources outside of humanitarian aid.

[1]CV attached as Appendix. Mr Guichard's work over the years has seen him work with several governments in the region in a number of projects that include development of financial markets, sovereign debt management and financing of infrastructure projects

2.1.3 Remittance Trends in Africa

According to the IMF (2012[2]) estimates, a few countries account for a substantial share of remittances to Sub Saharan Africa and North Africa. Nigeria's $10 billion equalled about half of all officially recorded remittances to Sub-Saharan Africa in 2010. Other recipients of large remittance in Sub-Saharan Africa, in order of magnitude, include Sudan, Kenya, Senegal, South Africa, and Uganda. As a share of GDP, however, the largest recipients are Lesotho (28.5 percent), Togo (10.7 percent), Cape Verde (9.4 percent), Senegal (9.3 percent), and The Gambia (8.2 percent). In North Africa, the Arab Republic of Egypt and Morocco are the two (2) largest recipients in terms of both U.S. dollar-denominated flows and share of GDP and account for three-quarters of flows to North Africa, followed by Algeria and Tunisia.

2.1.4 Macroeconomic Impact of Remittances

Remittances tend to behave counter cyclically and thus act as a form of insurance for origin countries against macroeconomic shocks. For example, remittances rose during the financial crises in Mexico in 1995 and in Indonesia and Thailand in 1998 (Ratha:2007) and have increased with natural disasters and political conflicts (Yang and Choi: 2007; Yang:2008a; Clarke and Wallsten: 2004; Mohapatra, Joseph, and Ratha: 2009). Remittances thus behave very differently from other private source flows, which tend to be pro-cyclical (Ratha :2003; Chami, Hakura, and Montiel:2009; Frankel:2010). This is largely because most remittances involve transactions among members of the same household, and thus are less driven by profit-seeking motives than private resource flows. Remittances also do not depend on changes in the priorities of official aid donors and their fiscal situations (World Bank:2006).

However, remittances can be pro-cyclical when they are sent for investment purposes, usually in middle-income countries (Sayan:2006; Lueth and Ruiz-Arranz 2008). In Sub-Saharan Africa, where private capital flows have fluctuated considerably from year to year, remittances were more stable than both FDI and private debt and equity flows (Gupta, Pattillo, and Wagh 2009; Singh, Haacker, and Lee 2009) during the financial crisis in 2009.

2.1.5 Practical aspects of Remittances

In his address, Mr Guichard emphasised the practical aspects of remittances. He pointed out that the most obvious impact of remittances is on recipient households as they represent a considerable proportion of household income in some countries. This is supported by the World Bank reports that have noted that 25% of remittances are used towards purchase of land, education services and health care. For example, analysis of the Ghana Living Standards Survey (1998) revealed that 41% of households received remittances at least once a year and on average US$218 each. Across Africa, as in many other parts of the world, studies suggest that remittances can be important to recipient households, which generally spend a large proportion of the funds on consumption. He noted that the challenge facing many African countries that receive substantial income from remittances is providing opportunities to channel these funds to high return and profitable projects that benefit society as a whole.

Many countries in the region have done well to formulate policies that encourage remittance flows. These policies range from reducing transaction charges on income received to incentives such as discounts on purchase of household products financed externally. However, very few countries have developed their financial markets to be able to successfully harness

[2]These estimates of remittance inflows, based on data officially reported in the International Monetary Fund (IMF) balance of payments statistics (IMF 2010), are likely well below the actual volume of remittance flows to Africa. The remittance inflows data reported by country authorities themselves are often higher than the IMF figures.

diaspora remittances towards investments in infrastructure and development projects. Issuance of diaspora bonds can be an important instrument for mobilising diaspora resources. Mr. Guichard advised that lessons can be drawn from countries such as Israel, Bangladesh and India that successfully tapped into this funding to implement capital projects. Important lessons can also be drawn from the experiences of Kenya and Ethiopia which also issued such bonds.

2.1.6 Examples of Countries with Successful Diaspora Bonds

Example 1: Israel

The Israeli Knesset passed a law in February 1951 authorising the floatation of the country's first diaspora bond issue known as the Israel Independence Issue, thereby marking the beginning of a program that has raised over US$25 billion since inception. The Development Corporation for Israel (DCI) issued and underwrote the securities in New York in an effort to raise funds for the construction of national infrastructure and to engage diaspora Jews as active partners in building the new Jewish state. DCI had expected to raise US$25million in the first issue in 1951. However, this was exceeded as it raisedUS$52 million. From 1952 to 1966, the DCI expanded operations throughout the USA and Canada, mobilised significant diaspora resources to finance Israel's industrial and agricultural sectors, including the Dead Sea Works and National Water Carrier. In 1957, diaspora bond sales alone accounted for 35% of Israel's development budget (Time Magazine, Jan 21, 1957).

Over subsequent decades, sales continued to increase, particularly in times of crisis. In the mid- 1980s to 1992, the bonds were the primary way the Israeli government obtained external funding. In the midst of the Persian Gulf War and Iraqi strikes on Israel in 1991, annual worldwide sales broke the US$l billion threshold (Wikipedia). To date, sales continue to soar over US$1 billion mark.

Features of Israel Bonds

In 1951, Israel bonds offered one security. However, as the programme became increasingly successful, multiple investment options were made available to keep the diaspora engaged. The following bonds are currently offered:

Jubilee Issue Bonds – fixed rate 2, 3, 5 and 10-year bonds; US$25,000 minimum investment and increments of US$5,000. Interest is paid semi-annually on May 1 and November 1.

Maccabee Issue Bonds – fixed rate 2, 3 and 5-year bonds; US$5,000 minimum investment and increments of US$500. Interest is paid semi-annually on May 1 and November 1.

Sabra Savings Bonds – fixed rate 3-year bonds; US$1,000 minimum investment and increments of US$100. Interest paid upon maturity.

Mazel Tov Bonds – fixed rate 5-year bonds; US$100 minimum investment and increments of US$10, limited to US$2,500 per day for each purchaser and holder. Interest paid upon maturity.

eMitzvah Bonds – fixed rate 5-year bonds; US$36 minimum investment and increments of US$18. Maximum allowable amount purchased by one person in a transaction, registered in the name of one holder, is US$90. Interest paid upon maturity. May only be purchased online.

Floating Rate LIBOR Bonds – variable rate 2, 3 and 5-year bonds; US$5,000 minimum investment and increments of US$500; interest paid semi-annually on June 1 and December 1.

Although Israel has never defaulted in the payment of principal or interest on any of its internal or external debt, prospective purchasers are warned of sovereign credit risk. The diaspora is also valued as a diversified borrowing source, especially during periods when the government has difficulty in borrowing from other external sources. Opportunity for redemption of these bonds has been limited and history shows that nearly all bonds issued under this scheme are redeemed only at maturity. Furthermore, some US$200 million in maturing bonds were never claimed.

Source: Wikipedia Online Encyclopaedia

Box I: Lessons from the Israel Bond Issue

1. Israeli government has nurtured this stable source of external finance that has often provided it with foreign exchange resources at a discount to the market price.
2. The pricing of DCI bonds has taken into account the changing nature of the target investor population. In the early years, the DCI sold bonds to diaspora Jews, principally in the United States, having a direct or indirect connection with the Holocaust and hence willing to buy Israeli bonds at a discount. Now the old generation is being replaced by a new generation, whose focus is primarily on financial returns.
3. No commercial/investment banks or brokers have been involved in the marketing of Israeli diaspora bonds. Instead, these bonds are sold directly by DCI with Bank of New York acting as the fiscal agent. Currently, there are about 200 DCI employees in the United States who maintain close contacts with Jewish communities in the various regions of the country so as to understand investor profiles and preferences. They host investor events in Jewish communities with the express purpose of maintaining ties and selling bonds. The nurturing of such ties is considered crucial as reflected in the fact that the diaspora bonds offerings are quite extensive with multiple maturities and minimum subscription amounts that range from US$100 to a high of US$100,000.

Example 2: India

India has been successful in tapping its diaspora community for funding on three separate occasions. The first time was in 1991, following the balance of payments crisis where the government issued India Development Bonds (IDBs) and raised US$1.6 billion. The second was after India exploded five (5) nuclear bonds in the northern desert of Pokhran for testing purposes in 1998, leading to international sanctions which affected financial markets and the subsequent decline in the stock market, exchange rate depreciation and the downgrade in the sovereign credit rating. The Resurgent India Bonds (RIBs) in 1998 raised US$4.2 billion which was double the amount anticipated. The third time was the India Millennium Deposits (IMDs) in 2000 which raised US$5.5 billion. The conduit for these transactions was the government-owned State Bank of India (SBI). The IDBs provided a vehicle to non-resident Indians to bring back funds that they had withdrawn earlier that year as the country experienced a balance of payments crisis.

The IDBs and subsequently the RIBs and IMDs paid retail investors a higher return than they would have received from similar financial instruments in their country of residence. India also benefited because the diaspora investors did not seek as high a country risk premium as markets would have demanded. While this may have reflected different assessments of default probabilities, a more plausible explanation resides in investors of Indian origin viewing the risk of default with much less trepidation.

The IMF (2007) notes that issuing bonds exclusively to Indians gave them incentives to invest in an instrument exclusively available to them. Exclusivity, in particular can be attributed to the fact that these bonds pay back in domestic denominated currency rather than a hard currency such as the U.S. dollar. It is believed that the Indians are more inclined to hold local currency as they still hold assets within the country. This belief is supported by the high level of remittances still pouring into India.

Registration of Bonds

India did not file a registration statement with the Securities and Exchange Commission (SEC), nor did it receive no-action letter relief from the SEC recognising the probable availability of an exemption from registration. Instead, it sought and obtained clearance from banking authorities in the specific states in which it planned to market the instruments. It sold the instruments in Europe, the Middle East, and the US through Indian and foreign commercial banks that specialised in providing services.

India asserted that these instruments offered by the state bank are certificates of deposit rather than debt securities. The instruments specify that suits under them can be brought only in Indian court under Indian law and lastly, they are available only to its diaspora. In other words, India sought to avoid the application of strict and often expensive United States security regulatory regime.

Source: IMF (2007)

Box 2: Lessons from the India Bond Issue

1) The importance of having a focused, systematic and well thought out marketing campaign cannot be overemphasised. The Resurgent India Bonds were promoted heavily through the media, including through the internet.
2) The instruments were marketed explicitly to appeal to the nationalist sentiments of Indian expatriates, whether they were Indian citizens or not. The India government named the instruments to evoke a mythic glorious past when India had been “surging”. This was meant to evoke a desire in the diaspora to see the homeland resurging and invest in instruments that raise capital for development.
3) It's important to appoint a lead co-ordinator and syndicate of financial institutions, including local commercial banks with sizeable remittance and diaspora business. This could be extended to money transfer companies such as Western Union.
4) Governments should consider issuing dollar, pound and euro denominated bonds. The Indian model or what is most practical may be followed to issue in a highly legal or regulated market, like the US. Given the pressures on government finances as a result of the global financial crisis and the need to mobilise substantial resources for public private partnership and infrastructure investment, this may be an opportunity to raise substantial new capital.

2.1.7 Examples of African Countries that have Issued Diaspora Bonds

Example 3: Kenya

Kenya issued a special infrastructure 12 year bond to target diasporas in 2015 to raise US$129 million with a coupon of 12 percent. This was issued at a time when the host country still had many constraints in its regulatory framework and therefore did not perform as expected. The Central Bank of Kenya made it mandatory for potential investors /non-residents to have a local account with a commercial bank or investment bank or alternatively invest through local commercial banks or local investment banks through a nominee arrangement. This was meant to comply with the host country anti-money laundering rules.

Source: Central Bank of Kenya website

2.1.7 Examples of African Countries that have Issued Diaspora Bonds

Example 4: Ethiopia

Ethiopia issued a renaissance bond to the diaspora to fund Ethiopian Electric Power Corporation called the "Millennium Corporate Bond" in 2009. The bond prospectus was written in Ethiopia's local language, the Amharic, with the aim of reaching out to as many Ethiopians abroad as possible. The potential investors were not convinced that the government would repay the debt while other potential investors objected to the project on environmental grounds. Lack of expertise in developing projects and marketing them has been attributed to the low uptake of the bond.

Source: Wikipedia

Box 3: Lessons from Ethiopian and Kenyan Diaspora Bonds

i) Regulatory conditions have to be right before bonds are issued.

ii) Confidence is key. Investors have to be convinced of the credibility of the issuer.

2.1.8 Key Considerations the Region can draw from the Examples

- There is no systematic process to harness diaspora remittances for financing of infrastructure in Africa. This highlights the need to have an appropriate model or framework to harness investment opportunities.
- If regulatory conditions are right and the projects are packaged well, there is no reason why such projects would not succeed.
- There is lack of skills in developing bankable project proposals in the region. There is need for countries to invest capacity development.
- Investors with a personal link to a country are often happier than other outsiders to take risks in the local currency, and at lower yields as demonstrated by the case of India. These investors are usually willing to stick around in a crisis than the institutional investors' that dominate emerging debt market. Countries should consider building relationships with its own diaspora.

- Financial markets factors play a part in the success of mobilising diaspora communities to invest in infrastructure projects. The combination of a conducive regulatory framework, financial stability, international support, widely recognised credit ratings, the structure of the bond itself, and the success of the individual migrants play a large role in boosting investor confidence in one's home country.

2.1.9 Takeaways from the Address

- **Regulatory Framework** – Accessibility

Diaspora investments are not listed in the diaspora or at home, hence access to them is limited. For example, the law in the USA does not distinguish between migrant workers and professional workers who do not have access to bank accounts or financial instruments. This makes it difficult for migrant workers to have access to sophisticated financial services such as bonds. At the same time, there are stringent regulations regarding countries floating their products on official platforms in the USA, thus making it difficult for African countries to market the projects to the diaspora. Countries have to find means to make the investment opportunities accessible to the diasporans.

- **Mobilising the Diaspora** – Networking

The internet and social media has capacity to create a universe of diasporans who are keen to invest at home. Governments can find ways of engaging their diasporans and offering investment products at home through social media and the internet.

- **Investment Readiness of the Project** – Lack of availability of bankable projects

Lack of available bankable projects has been highlighted as a stumbling block to the success of diaspora finance. Governments have to develop project proposals that are bankable.

- **Marketing Campaign and Distribution** – Marketing

It is important to market investment opportunities at home to the diasporans. Lack of awareness /marketing investment opportunities to the diaspora contributes to low participation in the diaspora bonds. Governments need to put in place mechanisms for reaching out to diaspora communities.

- **Impact Measurement** – Social Economic return

The new generation of investors are not only concerned with financial returns. They are also concerned with socio-economic returns. In other words, the expected outcome of the projected funded through diaspora bonds is also important. However, measurement of social impact is extremely challenging. While this can be done, it requires a long period to develop, is costly and many governments usually do not find value in measuring it. To attract diaspora finance, it is also important to consider frameworks that academic institutions like the Rockefeller Foundation have developed for measuring social impact.

- **African Investors are Pan-Africanists** – Africa for all

Diaspora investors are Pan-Africanists. They are not only interested in investing in their home countries. They are interested in investing in projects that are bankable in Africa as a whole. For example, Nigerians investing in Kenya or Ghanaians investing in Rwanda. Policy makers need not restrict investment opportunities and marketing to their citizens only. Information and investment opportunities should be availed to all potential investors from Africa.

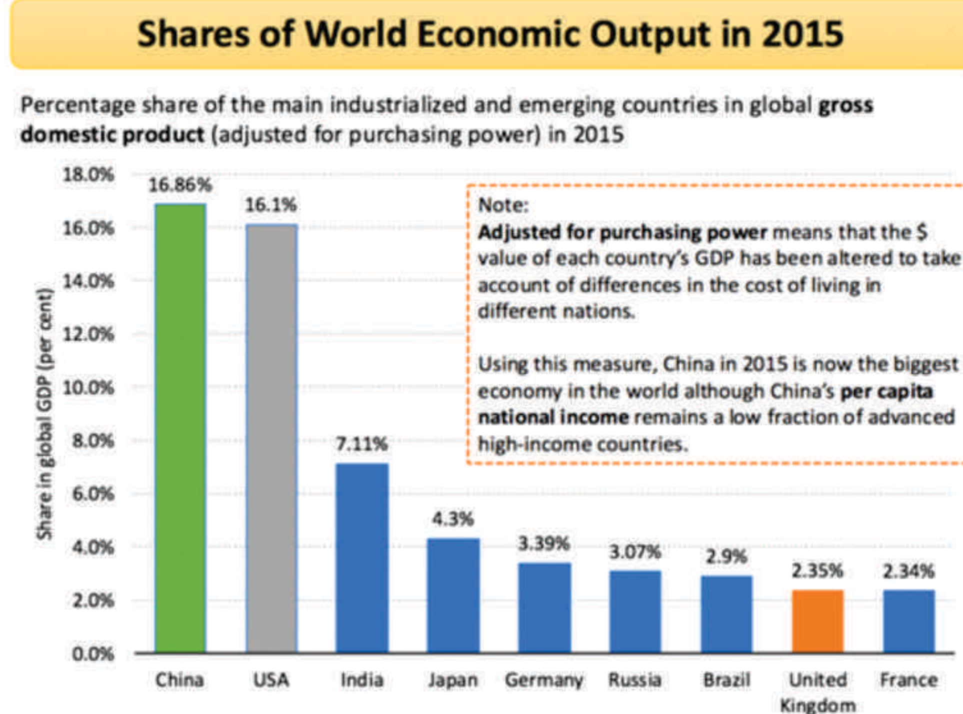
2.2 The Political Context for Global Markets

Mr Kevin Kajiwara is the Co-President Director of Tineo Intelligence. He works closely with Teneo's largest financial and corporate clients, advising 100 CEOs and significant institutional investors with insights on geopolitical and policy risks, their investment and corporate strategy implications. His presentation provided an outlook into the 2018 political and global markets given the recent and prevailing political events. At the centre of political events such as Brexit, rise of China as a global leader and the new administration of President Trump in USA are questions of the impact on long term corporate interests, foreign policy in Africa as well as 2018 economic outlook.

2.2.1 Role of the USA in Globalisation

Globalisation, which started in the post-war era when the United States of America (USA) established itself as the most powerful country in the world changed after the global financial crisis and the rise of China. The era of globalisation dominated by the USA opened up more markets for the country and this helped American companies to sell their products worldwide. The global trends also allowed an increase in the exchange of knowledge, trade and capital around the world, driven by technological innovation from the internet. In the process, trading global trends allowed an immense increase of artificial intelligence and robotics resulting in the relative decline in manufacturing. The figure below shows world economic output in 2015.

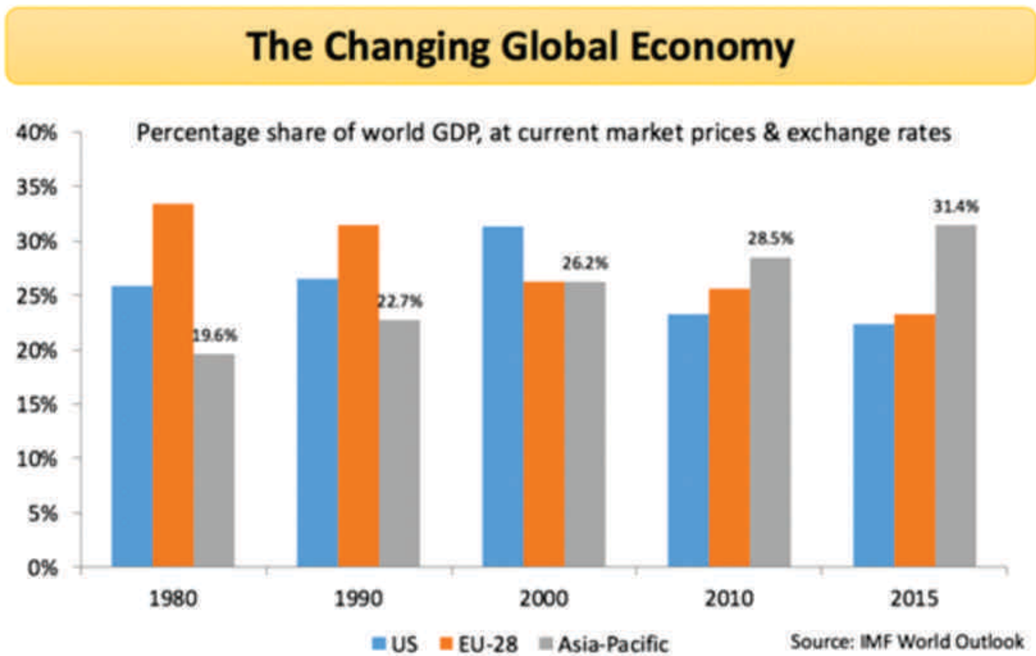
Fig 1 – Shares of World Economic Output in 2015



Source: IMF World Outlook (2014)

As can be seen from Figure 1, China overtook the USA and became the biggest economy in the world in 2015. This confirmed China's status thereby changing the face of the global economy. Figure 2 below shows the percentage of world GDP at 2015 market prices and exchange rate.

Fig 2 – The Changing Global Economy



Source: IMF World Outlook (2014)

From a historical perspective, globalisation has not been linear in its progress. There has been ups and downs and twists and runs with several decades of fast growth, in which the world reaped unprecedented benefits. At the same time, there was a widening gap between the rich and the poor and a deeper division between capital and labour. The relative decline of global free trade system in 2016, could be a sign for the beginning of globalisation going in reverse. According to the World Trade Organisation (WTO), world trade rose by 1.7% only and this was less than world GDP, which grew between 2.2% and 2.9% in the first half of 2016. The IMF suggested three explanations for the decline in trade regimes namely:

- The slowdown in global economic growth, leading to decline in international trade in goods and services at around 3% a year since 2012, less than half of the growth of the previous three decades) (IMF World Economic Outlook)

- The halt in trade and investment liberalisation agreements. The global climate has become protectionist. The IMF notes that, in the 1990s, an average of 30 trade liberalisation agreements were signed annually between countries. But less than ten (10) of such agreements have been signed each year since 2011; and

- The maturity of international production chains that have exhausted their advantages. A decline in global value chains, which is the idea that the process of production consists of many stages and occurs across borders; a phenomenon which developed at a very high rate after China's accession to the WTO in 2001.

Mr Kajiwara pointed out that the geo-political competition in global trade agenda-setting among the USA, the European Union (Brexit) and emerging powers, such as China and India, is increasing populist rhetoric in national trade debates. This also explains the failure or lack of cooperation in the multilateral trading system.

He noted that China will have its 19th national congress on the 18th of October, 2017 (held once every 5 years) which will determine economic policy for the next several years while in Europe, Germany, France and the Netherlands the election cycle is complete and the reigning governments will begin to make policies for the next 5 years. He said that in Europe, the migrant crisis in the last three (3) years fuelled a political backlash against the political establishment and awakened a wave of discontent into the long standing fears about globalisation and dilution of national identity. This change in national politics means that parties need not be in power in order to advance their agendas.

The global economic outlook going forward points to the re-emergence of Russia. He noted that after the Ukraine crisis, Russia may want to get back to good terms with the USA. Given that Russia's junk credit rankings were revised in September 2017, with Standards and Poor's Global Ratings rating it positive from stable while Moody's Investors Service ranked the country at the same level and Fitch Ratings rated it one step above junk. The revisions were made in view of the stabilised growth in gross domestic product and external position and comparatively low net general government debt burden. This move puts Russia on the verge of regaining the investment status it lost two years ago when the collapse in oil prices, compounded by international sanctions over its involvement in the war in Ukraine and Syria pushed it to recession.

Globalisation may continue well into 2018 but with a different paradigm or narrative, ushering in a new era where China will play a key role of leadership. China's entry into the global economy has in part simply resulted in the re-routing of existing trade relationships through China. At the moment, there is no country that seems ready to take a leadership role in globalisation other than China as shown by

the Chinese President attending the Davos World Economic Forum in January 2017. This signifies that China attaches great importance to making globalisation and global governance work again. This however brings in an interesting dimension as China does not have a fully liberalised trade regime. China is a communist state with weak labour laws and censorship. This raises a question of whether China can be successful in leading the globalising agenda.

Global leadership is not about soft development, but being able to put policies to create free markets which China may not want to do. However, China still has potential for cooperation and/or push back North Korea. Whereas the USA President had more power soon after elections, the constant change in political appointments in the White House has put the USA policy in limbo. As a result, not much has been achieved due to high staff turnover. Further, investigations by the FBI on Russia's involvement in the USA Presidential elections has worsened the situation.

Relating to the outlook to Africa, Mr Kajiwara concluded that China remains a political giant in the political and economic front. He noted that given that the USA currently does not have a policy on Africa, China's relations with most African countries is poised to remain strong to deepen with no contender in sight. China believes that it can change the trajectories of African countries through financing infrastructure, as demonstrated by the billions of soft loans that have been advanced since the early 2000s. Taking into account the different politics, demographics and opportunities for African countries, China's role on the continent will continue to grow going forward.

2.3 Trends in Infrastructure Financing

This presentation from Mr. Dennis Muchiri of EY provided statistics and figures on infrastructure investment trends in Africa. It also shed light on compliance, transparency and integrity issues that have dominated the infrastructure sector as well as the imperative value for money agenda sought by investors.

2.3.1 Foreign Direct Investment Overview

Mr Muchiri noted that 2016 was the toughest year for the whole of Africa as the commodities price crash affected economic performance of major economies of Africa. Citing 2016 EY figures,[3] Africa attracted 671 foreign direct investment (FDI) projects, which was down from the previous year by 12.3 percent. FDI projects created 129,150 jobs across Africa, a decline of 13.1% from 2015 and in terms of number of projects, the USA had invested in 91 projects which was also a decline of 5.2 percent from 2015 creating 11,430 jobs.

Foreign direct investment (FDI) patterns in Africa held steady despite global uncertainty with South Africa, Nigeria and Kenya being the main hub. In 2016, capital investments into Africa rose by 31.9 percent and investment per project averaged US$139 m, against US$92.5m in 2015. The continent's share of global FDI capital flows increased to 11.4 percent from 9.4 percent in 2015. The USA continued to be the leading investor in Africa, accounting for 13.5% of inward investment projects with China picking up pace amid uncertainty around biggest traditional investors (USA and UK). China had a 106 percent jump in projects in 2016 and became third largest investor in the continent and Japan having a 125 percent year on year rise in FDI projects.

In terms of sectors, transport and logistics had a 20 percent increase in FDI projects in 2016 as compared to 2015 and became the fifth largest sector. With respect to individual countries, Cote

[3] Source: EY's Africa Attractiveness Index (AAI) 2017

d'Ivoire remained one of the fastest growing countries globally with Ghana increasingly promising. Closer to home, East African countries – Kenya, Ethiopia, Tanzania and Uganda – being the most buoyant, all poised for growth of 6% and above for the decade. The table below shows statistics with respect to FDIs since 2007.

Fig 3 – FDI overview 2007 – 2016

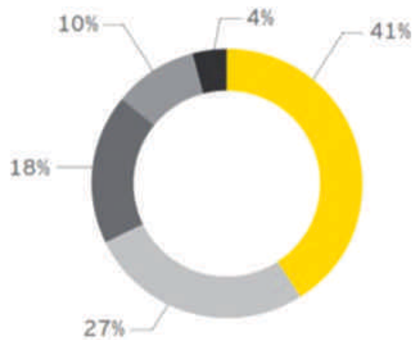
Looking ahead, Mr Muchiri noted that Africa remains on track to be a US$3trillion economy and to achieve that will require accelerating diversification initiatives and boosting resilience to external shocks. Longer term growth prospects remain robust and the evolution of FDI increasing diversification in terms of sources, destination and sectors will continue.

2.3.2 Infrastructure Financing Trends in Africa

Infrastructure development is essential for the growth and competitiveness of Africa. Lack of infrastructure may hinder Africa's economic growth (expected to grow at an average rate of 6 percent annually) and the absence of adequate infrastructure is said to cost Africa approximately 2 percentage points of GDP growth per year.

Of the 196 active projects in EY's infrastructure projects database, 141 or 72 percent are still in the conceptual, planning or pre-implementation phase. Nearly three quarters of projects are yet to get off the ground while other large infrastructure projects have taken far longer than expected to be completed. Lack of funding is often cited as the biggest reason behind Africa's infrastructure gap. Fig 4 below shows the breakdown of active infrastructure projects in Africa by phase. Fig 5 shows active infrastructure projects in Africa by type.

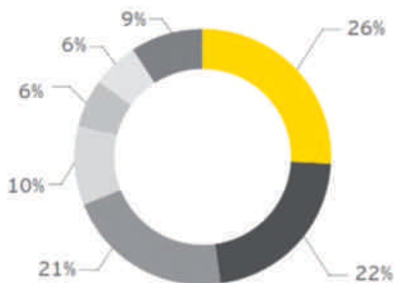
Fig 4 – Active infrastructure projects in Africa by phase



Source: Mr Muchiri's presentation

In terms of project type, in August 2016, the Japanese Prime Minister Shinzo Abe announced US$30 billion in investment to Africa, including about US$10 billion committed towards electricity generation projects and for the upgrading of urban transport systems and ports. Fig 5 below shows active infrastructure projects in Africa by type.

Fig 5 – Active infrastructure projects in Africa by type



Source: Mr Muchiri's presentation

2.3.3 Compliance Issues in Infrastructure Development

All projects are associated with risk and in recent years, greater business complexity has introduced compliance challenges that have been augmented by formal regulatory requirements. Investors are expected not only to comply with rules and regulations but also to derive from emerging global industry practices, internal or ethical standards, transparency requirements, awareness of reputational risk and assurance of quality and control of governance processes and methods. While Africa attracts many infrastructure investors given her fast-growing economies, corruption and security issues remain a significant barrier to investment. A number of companies have been fined for lack of compliance with the USA's Foreign Corrupt Practices Act[4] of 1977 such as in Algeria, Morocco, Nigeria and Egypt.

According to the Organisation for Economic Cooperation and Development (OECD), the real estate, construction and associated industries are among the sectors with the highest level of corruption risk and have featured significantly in bribery prosecutions. The lack of common legislation governing bribery and corruption across Africa is a considerable weakness. The Transparency International (TI) notes that corruption on construction projects can only be eliminated if all participants co-operate in the development and implementation of effective anti-corruption actions which address both the supply and demand sides of corruption. For compliance programmes to be effective in infrastructure sector, the following key control activities have to be undertaken:

[4]Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et seq. ("FCPA"), was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business.

- Setting the correct tone at the leadership level
- Completing a comprehensive bribery and corruption risk assessment
- Reviewing the overall bribery and corruption compliance program
- Implementing anti-corruption policies and controls
- Implementing anti-corruption financial controls
- Conducting anti-corruption compliance training
- Monitoring the compliance program
- Conducting due diligence on contractors, subcontractors and agents
- Using clear contracts with consultants and agents that refer to ABAC procedures and give the company audit rights over relevant contract records
- Proactively analysing operational data on an ongoing basis, using forensic data analytics
- Monitoring expenses such as corporate entertainment carefully
- Vetting of key employees, contractors or partners, especially those unknown to the company, for example, in joint venture situations; and
- Providing whistle-blowing facilities.

2.3.4 Managing Public, Lender and Donor Finances

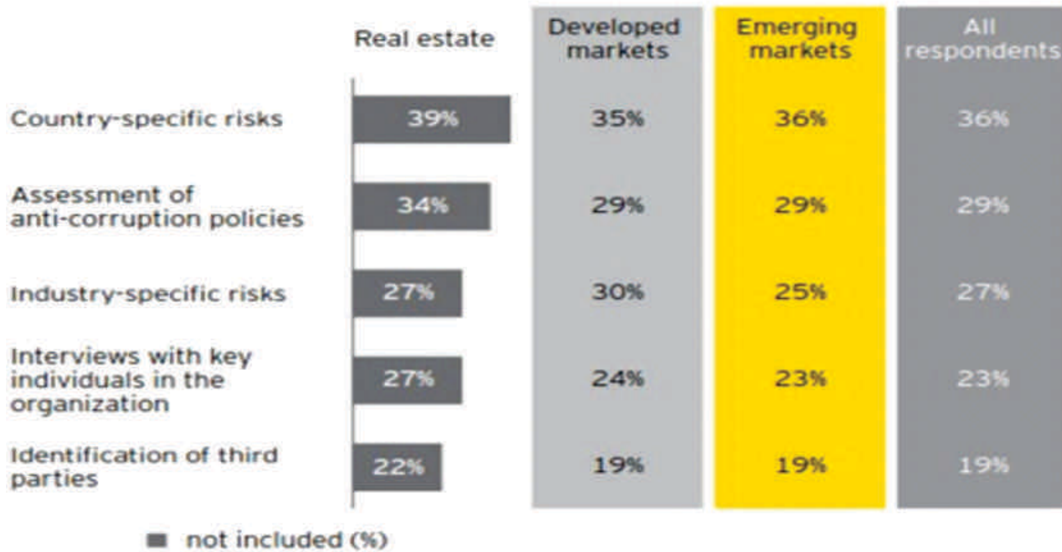
Development partners require recipients of resources to implement integrity and compliance frameworks. International organisations including the IMF, World Bank, regional development banks and large charities have a mandate to investigate allegations of misappropriation of donor funds. Prevailing macroeconomic shocks, such as currency devaluation, a large or worsening budget deficit can prompt governments to review how public finances are managed and the declining donor confidence in the use of international funds can lead to the threat of a lending freeze. The measures that can be taken to manage public, lender and donor finances include:

- Developing comprehensive budgets and stringent Procedures for budget adherence
- Putting in place strong and transparent public procurement processes;
- Establishing transparency in reporting of revenue from natural resources
- Monitoring of treasury activities and payment systems
- Proper management of debt; and
- Reconciliation of accounts.

2.3.5 Due Diligence in Public Private Partnerships (PPP)

The EY Global Fraud Survey (2016) notes that real estate industry's approach to due diligence lags behind other industries, both in developed and emerging markets. The survey notes that the risks of third-party fraud or corruption remain undiminished yet there's more information available regardless of technological developments and modern research techniques. Governments are also on the prowl for ill-gotten gains and illegal financial flows, passing new laws that force companies to declare their beneficial owners. Companies may leave themselves open to the possibility of inadvertently making payments to fraudsters, criminal gangs, politically exposed persons or government officials with potentially devastating financial, legal and reputational consequences. It is therefore important for players in infrastructure sector to utilise approved supplier databases and implement a rigorous processes for checking the ownership or backgrounds of third-party suppliers. Figure 6 below shows a picture of due diligence practises compiled by EY on companies that are on their database.

Fig 6 – Due diligence



2.3.6 Value for Money

In conclusion, Mr Muchiri reminded delegates that the driving force behind PPPs from the perspective of an investor is the value for money. He noted that since the late 1990s to early 2000s, there has been a significant increase in the use of PPPs by OECD countries. The drive to use PPPs is increasingly premised on the pursuit of value for money (cf. OECD, 2008). The value-for-money concept attempts to encapsulate the interests of citizens, both as taxpayers and recipients of public services. As such, value for money should in principle also be the driving force behind traditional infrastructure procurement.

2.3.7 Key Discussion Points

Countries in the region continue to endure several challenges brought by an unsupportive external environment. Political risks faced by countries and the rise in populism in developed countries, subject African countries to a risk premium thus making project finance expensive and unaffordable. Moreover, most countries in the region are beneficiaries of debt relief under former Heavily Indebted Poor Country (HIPC) and they have limits on the amounts of commercial borrowing. However, such countries do not have cheaper alternatives given that grants and concessional financing has been declining over the past decade. Therefore, there is need for such countries to consider other sources of funding such as diaspora bonds, PPPs and developing local currency bond markets to financing infrastructure projects.

Over the past few years, Central Banks assumed a significant role in financing government operations through quantitative easing. Consequently, governments implemented infrastructure projects mainly due to such initiatives. However, there is a shift in monetary policy away from accommodating fiscal operations. The onus therefore is on countries to enforce fiscal discipline while at the same time meeting the large financing needs through market based instruments. One of the options is for governments to consider PPPs, which

have a significant potential to address the huge infrastructure gaps that exist in the region. In this regard, governments should consider identifying champions to properly implement PPP arrangements so that they give the expected return. This is crucial especially considering that one of the biggest investors in Africa, the USA is running a two (2) term election cycle, which does not allow for long term planning, This makes it difficult for long term projects to be financed and the rise of populism set to stay, thanks to social media.

There is need for African countries to align to global approaches as populism also extends to investments and profiling of competitors. Opportunities for accessing funds should continue to be an ongoing discussion as no one size fits all. Countries have to navigate through and find ways to finance infrastructure programs in their respective countries.

2.4 Financing Energy Infrastructure

Ms Susan Flanagan is the Managing Director of GE's Energy Global Markets. GE invests in the development, generation, and transmission of power as an equity holder and/or through debt instruments that third parties operate. Her presentation focussed on some of the challenges that project partners in infrastructure finance sometimes overlook during the planning and implementation stages.

2.4.1 Managing Infrastructure Projects

According to the World Bank, most successful infrastructure finance deals draw on an array of local and international funding sources. These include syndicated commercial bank loans, bond issuances, equipment leasing, multilateral and export credit agency loans or guarantees, and equity commitments by project promoters and dedicated equity funds. However, the rule of thumb is to always bring together public finance, private debt and equity in order to achieve maximum benefits.

Private sector participation in infrastructure is governed by sector-specific regulations or long-term concession contracts. Governments often enter into such concessions under national laws that authorise them to award concessions to private operators to build, finance, and manage infrastructure assets, and collect tolls and tariffs. Acting in their sovereign capacity, governments may abrogate or derogate from contractual arrangements by legislative means. Governments also have legitimate public policy goals and concerns, such as affordability, universal access, and the regulation of monopoly practices. These expose privately financed infrastructure projects to a host of contractual, political, and regulatory challenges.

2.4.2 Risk Management

Risk management is a crucial component in infrastructure projects for all parties concerned. Risk identification, calculation and control are key components in project finance. A project may be subjected to a number of technical, environmental, economic and political risks, particularly in developing countries and emerging markets. Project sponsors may decide to diversify the risk and enter into agreements such as Purchase Power Agreement (PPA) commonly used in power projects in emerging markets. A PPA is a contract between an energy/power owner and the host which distributes electricity, in most cases government. A PPA allows a private company to build a power plant without paying the government fees and in return the government agrees to purchase the electricity from the company at a pre-determined price /rate over a defined period e.g. 20 – 30 year term. This structure allows large-scale power projects to be constructed without the need for a capital budget allocation by the Government. The government simply uses its utility expense budget to pay for the electricity and is insulated from volatile fuel prices. At the end of the PPA term, the Government can extend the contract, buy the equipment, or have it removed.

2.4.3 Challenge of Transparency and Timing of Cost lines

Governments can limit companies to shorter periods for contracts. The short timeframes do not allow equity investors enough time to earn their return on investment. Hence, finding a partner for energy projects is more difficult.

Furthermore, investors who are interested typically charge higher rates to minimise their risks, recoup costs, and make a profit. Consequently, the higher rates make the power purchase agreement less attractive to power companies. Aligning the PPA with regulatory laws along with the shorter contract durations has also impeded the realization of energy projects.

2.4.4 Challenge of Execution

As with any long-term contracts, infrastructure projects are exposed to execution risk. There is always a risk that a project may not be implemented after a PPA has been signed or that a project doesn't perform to expectations after construction is completed. There are many reputable renewable energy developers looking for partnerships with corporate PPA buyers. They need creditworthy off-takers in order to secure financing for the construction of a new project. While it is rare for projects with PPAs to fail, an internal PPA champion, like a sustainability Manager, may only have one opportunity to obtain the required approvals for a PPA. In this regard there is need to avoid the chance of the project failing to be executed as agreed.

Buyers can reduce their exposure to project execution risk by performing due diligence on both the project and the developer, and by utilising effective risk reduction strategies in the contracting phase. For instance, requiring a developer to post meaningful credit to guarantee the PPA can indicate the developer's confidence in executing the project once a PPA is signed. This can also provide financial relief to the buyer in the event of unforeseen events and the project fails. If a project isn't implemented, there is an opportunity cost to the PPA buyer, as well as the potential loss of internal stakeholder support for PPAs.

Another hurdle is that a project may become unavailable. It may be sold to another buyer, or a development or financing impediment may arise. Buyers in this scenario may have to go back to the drawing board to look for a replacement project, which can take considerable time and effort. Overall, execution risk can be minimised during the project selection phase by identifying the most viable project options and by structuring contracts according to existing PPA best practices. Working with a buyer's agent can also minimise execution risk by providing expertise on structuring and implementation of the project variables.

2.4.5 Unsolicited Proposals

A proposal is defined as Unsolicited Proposal (USP) when a private sector entity approaches government with a bid to develop a specific infrastructure project without the government first having identified and assessed the suitability of the project. Thus, USPs are an alternative to government-initiated projects. There are merits in establishing provisions for considering unsolicited project proposals, as they are often based on innovative ideas. Determining how to respond to unsolicited bids to promote transparency in the procurement process and recognise such proposals is typically difficult. The difficulty rests in getting the right balance between encouraging private companies to submit innovative project ideas without losing the transparency and efficiency gains of a competitive tender process. Key factors to consider include ensuring the consistency of USPs with other government priorities and ensuring competition so that USPs deliver economically beneficial infrastructure with the greatest possible value for money.

2.4.6 Price Risk

Probably by far the highest perceived risk for both the project developer and the off-taker is price risk. For synthetic PPAs, both the project owner and the off taker are facing significant price risk. For the off taker, the risk is that the power price will go below (and remain there for quite some time) the agreed strike price, implying that they will have to pay the project company a higher price than the market price for a long period of time. On the other hand, they also do realize that it is in their interest to have a stable, predictable price level for several years. For the project developers (IPP) the risk is that the wholesale power prices rise above the agreed strike price for a longer period of time than anticipated. They will not be able to benefit from the higher wholesale prices as the price as agreed under the PPA is capped. The price risk is a major hurdle for many companies to enter into synthetic PPAs. For complicated structures, allocation of risk is always key.

2.4.7 Points of Discussion

Cost of funding: is a hindrance in undertaking complicated projects such as energy projects especially with respect to Africa. With the financial markets relatively undeveloped, countries are reluctant to look at private equity in project funding. Balancing benefits for infrastructure financing between fiscal, monetary and political pressures is difficult in Africa as there are already ongoing projects that have cost overruns that were not foreseen at planning stage.

Lack of Capacity: Governments in the region lack capacity to undertake PPP projects. Hence, there is need to improve capacity to undertake these projects as they are beneficial. Ministries to build capacity of its staff in finance as their work is has implications on the finance aspects.

Lack of resources dedicated to project preparation: there is need for MDBs to consider availing project preparation facilities and financial resources. There are several unsolicited project proposals that are caught up in the problems of governance that are prevalent in the region.

CHAPTER THREE

3 Closing Remarks

The closing remarks were given by Ms Morgan O. Ortegas, EY Executive Director, Geostrategic Business Group. In her remarks, she commended MEFMI for putting together the event and expressed EY's support for initiatives that are aimed at developing Africa. She echoed the sentiments that the private sector is a crucial partner in advancing sustainable development, noting that as the world of business and public sector increasingly intersect, the pressure is to do more in partnerships with the private sector. Some of her take-aways from the event are:

- Importance of interaction between policy makers and financiers to discuss development issues and possible solutions. She pointed out that EY has a big portfolio of private equity clients that include GE who stand ready to work with MEFMI member countries in financing infrastructure.

- The importance of developing domestic debt and capital markets to come up with innovative financing solutions that support infrastructure financing.

- Importance of developing capacity in the region to ensure bankable projects, appropriate regulatory frameworks and guidelines that support economic growth and undertake PPP projects. She stated that EY continues to look into how Africa can be helped and will continue to support important interventions in capacity building such as the MEFMI combined forum.

CHAPTER FOUR

4 Vote of Thanks

The closing remarks were delivered by the Minister of Finance and Economic Development for the Republic of Zimbabwe, Honourable Patrick Chinamasa. Mr Chinamasa thanked the delegates for their active participation and contributions during the Combined Forum, which made the event successful and informative. He also extended his gratitude to MEFMI's Cooperating Partners, private sector stakeholders and delegates who attended the combined forum, recognising that their support and passion in the achievement of sustainable development, for the region helps to motivate stakeholders to pursue means of achieving that.

Mr Chinamasa also thanked EY and GE for supporting the Combined Forum, and encouraged the two (2) institutions to continue nurturing their collaborative partnership. This will be critical as the Institute strives to bring capacity development to the region, and more importantly, enable it accomplish its mandate and vision of a region capable of defining, pursuing and achieving its own development agenda. He thanked the speakers for the very insightful presentations and noted that the cooperation and constructive input made it possible for the event to be successful.

APPENDICES

Appendices

PROGRAMME OF EVENTS - 2017 MEFMI COMBINED FORUM
Monday 9 October 2017

Theme: Financing of Infrastructure

Venue: Grand Ballroom Almas Hamilton Hotel, 1001 14th St. NW. Washington DC 20005, USA

TIME	EVENT	MODERATOR
08:30-09:00	**Registration and Welcome**	**Charity Mangwende,** MEFMI Programme Assistant
	OPENING CEREMONY	**Gladys Siwela Jadagu,** MEFMI Public Relations Manager
09:00-09:05	**Welcome Remarks** **Dr. Caleb M. Fundanga -** MEFMI Executive Director	
09:05-09:10	**Official Opening Address** **Hon. Goodall Gondwe -** Malawi Minister of Finance and Development Planning	**Dr. Caleb M. Fundanga -** MEFMI Executive Director
09:10-09:30	**Keynote Address** **Eric Guichard -** Chief Executive Officer, Movement Capital Ltd	
09:30-10:00	**2018: The Political Contect for Global Markets** **Kelvin Kajiwara-** Co-President Teneo Inteligence **Trends and Infrastructure Financing-** Mr Dennis Muchiri, EY Partner **Floor Discussion**	**Honourable Adriano Malelano -** Minister of Economy and Finance, Mozambique
10:00-10:25		
10:25-11:05	**Tea/Coffee Break and Group photograph**	**Gladys Siwela Jadagu,** MEFMI Public Relations Manager
11:05-11:30	**Financing Energy Infrastructure** **Susan Flanagan,** Business Strategy & Growth, Energy Financial Services Business Partner	**Mr Keith Muhakanizi,** Permanent Secretary Uganda Ministry of Finance, Planning and Economic Development
11:30-12:15	**Floor Discussion**	
12:15-12:30	**Closing Remarks -** **Ms. Morgan D. Ortagus,** EY Executive Director Geostrategic Business Group **Vote of Thanks** **Hon. Patrick Chinamasa** - Zimbabwe Minister of Finance & Economic Development	**Dr. Caleb M. Fundanga -** MEFMI Executive Director
12:30-14:30	**LUNCH -** West Wing - Almas and Sphinx Bar Lounge	

Director of Ceremonies - Dr. Caleb M. Fundanga, MEFMI Executive Director
Event Rapotteur - Sipho Makamba, MEFMI Programme Manager

List of Forum Delegates

DELEGATES LIST
COMBINED FORUM 2017

Monday 9 October 2017
Hamilton Hotel, 1001 14th St, NW,
Washington DC 20005, USA

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Our Values:

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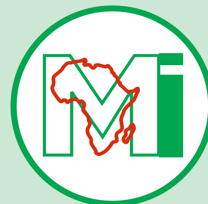

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