

PARTNERSHIP INITIATIVES INFORMATION SHEET

Name of the Partnership/Initiative

SUSTAINABLE AFRICAN PUBLIC-PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT (SAPPID)

Expected date of initiation: A Memorandum of Understanding is to be signed at the WSSD

Expected date of completion: Ongoing

Partners Involved:

Governments:

The Member States of the African Union; through its' association with NEPAD

Intergovernmental organizations:

NEPAD is a comprehensive, integrated development plan that addresses key social, economic and political priorities for the continent. It entails a commitment by African leaders to African people and the international community to place Africa on a path of sustainable growth, accelerating the integration of the continent into the Global economy. It calls on the rest of the world to partner Africa on her own agenda and programme of action.

Major groups:

African Development Bank
USAid
Groupe Agence Francaise de Development

Other:

- NEPAD Business Group
- Eskom
- Industrial Development Corporation
- Development Bank of Southern Africa
- Emerging Africa Infrastructure Fund
- Southern Africa Infrastructure Fund
- AIG Africa Infrastructure Fund
- Southern African Enterprise Development Fund
- South African Export Development Fund

Leading Partner:

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Main objectives of the Partnership/Initiative

Eskom proposes to facilitate the establishment of a NEPAD Funding Commission (“NFC”), a body proposed to be aligned with both NEPAD and the Investment Advisory Council (“IAC”), an alliance of the United Nations Council on Trade and Development and the International Chamber of Commerce. The intention of the NFC is to create a facilitating body for the investment of funding by donor and development agencies into infrastructure projects in Africa. This is consistent with one of the aims of the New Partnership for Africa’s Development (“NEPAD”), which is increased overseas development assistance (“ODA”) through a reformed ODA delivery system, to ensure that flows are more effectively utilized by recipient African countries.

The NFC would facilitate such flows, by creating a “member’s charter”, committing the members to the funding of infrastructure projects in Africa, that create sustainable development in the communities affected, focusing on all aspects of development including economic, social and environmental, again in line with the aims of NEPAD.

Through the various infrastructure funds that would be members of the NFC, and the NEPAD Business Group, a body aligned to the IAC, the NFC would encourage the financing of infrastructure projects through public, private partnerships.

A schematic outlining a proposed inter-relationship of the funds, NFC, the donor agencies and the specific projects is outlined in Annexure 1.

Further, the establishment of an “African Energy Fund” (“the Fund”) is proposed to assist in realizing projects aligned with the NEPAD goals in the area of energy and electricity infrastructure projects. The Fund “sponsor” is Eskom, South Africa’s national electricity utility. Eskom is currently the single largest supplier of electricity on the continent, supplying more than 50% of the electricity consumed on the continent. Eskom owns and operates a number of coal-fired, hydro and pumped storage power stations and one nuclear power station, totaling a net maximum capacity of nearly 40 GW. Some 26,000 kilometers of HV transmission lines span South Africa and extend into all neighbouring countries, whilst its distribution teams connect up to 1000 new homes every day – an achievement unprecedented anywhere else in the world.

The aim of the Fund would be to harness and leverage financing from the sponsor, together with funds made available by various international development and financing agencies, such as the South African Industrial Development Corporation (“IDC”) and the Development Bank of Southern Africa (“DBSA”), to maximize the benefits of new energy and electricity infrastructure projects undertaken in Africa, whilst minimizing the risks associated with such projects in Africa, to private investors.

The Fund seeks to align itself with NEPAD’s objectives around energy development, in that it aims to develop first and foremost the interconnected grid for the African continent, before focusing on country-specific energy projects. The Fund, both directly and through the NFC concept, also seeks to align itself with NEPAD’s objectives around reform of the ODA finance mechanism and the development of PPPs to assist with the delivery of required infrastructure. The private sector has a huge role to play in financing the infrastructure needs of the continent and the Fund can become a leading example of the public- private partnership vehicles envisaged by the NEPAD framework document, to the extent that the projects to be financed will be structured to provide returns that will be attractive to the private sector.

However, the intention of the Fund will be to focus not only on energy infrastructure projects, but on integrated projects which cover a longer value chain. It is considered imperative to address the economic, social and environmental sustainability of each of the projects. To date, interconnector projects such as those outlined above, have primarily focused on the narrower energy drivers, within financial and technical parameters only. While environmental impact assessments may have been performed, this is primarily with the intention of minimizing damage, rather than focusing holistically on achieving an integrated sustainable solution.

The intention of this initiative is to assist in the creation of economic sustainability, so that, while the focus is on energy, the intention is to seek integrated projects, which cover a longer value chain, through the integrated approach assisted by the NFC. One of the key features of NEPAD is the promotion of value-added processing on the African continent. The initiative will support job creation as one of the most important determinates of economic growth for the African continent. The Fund will not only generate jobs in the energy sector, but will greatly influence sectors such as construction, telecommunications, information technology and financial services. Associated economic opportunities are to be investigated in the areas of transport, mining, manufacturing, agricultural processing and tourism.

A schematic outlining a generic “long value chain project” is outlined in Annexure 2.

A further benefit is the promotion of inter-African trade, another key feature of NEPAD that the Fund is designed to facilitate. Not only will the projects result in power sharing between African countries, but the goods and services produced by customers of the energy plants will be traded amongst the participating African countries.

It is believed that there is substantial benefit to be gained through a focused African expansion plan, where the projects are no longer viewed as stand alone projects run in an ad hoc fashion by various governments and aid agencies. The establishment of the Fund, achieves not only this single, cohesive implementation plan, but assists in the attraction of private investment, by minimizing the risks to investors. These risks are reduced by various NEPAD initiatives such as peace and security and political and economic governance and are also reduced by the Fund in particular through diversification (country and project), credit-enhancement mechanisms funded by donor agencies, government endorsement both through NEPAD and directly, and the peer review process.

This partnership/initiative will support the objectives of Agenda 21 as well as relevant goals and objectives of the United Nation Millennium Declaration, in that:

- The fund will enable financing for energy projects identified under NEPAD, which have no investor appetite due to perceived investment risk and/or large capital requirements.
- The fund will serve as an example of a successful public-private partnership.
- Projects to be funded must consider integrated planning as a fundamental prerequisite.
- Identification and quantification of the environmental and social aspects must be explicitly considered in the scope of work.

Expected results:

A commitment by the direct fund participants, additional funds and development and donor agencies to a NEPAD funding commission/ forum. This commitment is to be realised in the identification, development and funding of longer value-chain projects which will support socio-economic development in Africa.

Specific targets of the Partnership/Initiative and timeframe for their achievement:

- Discussions with NEPAD Steering Committee – 29 July 2002; ongoing
- Long value chain project concept demonstration – 2 August 2002
- Signing of an Memorandum of Understanding between the Fund participants – August 2002
- Feedback to the Investment Advisory Committee – August 2002
- Workshop with interested participants in NFC – August 2002
- Implementation of the NFC – November 2002

Coordination and Implementation mechanism

Individual funds would maintain their individual management and reporting structures. The workshop to be held in August will determine the implementation process for the NFC .

Arrangements for funding

A discussion document has been circulated to various private and institutional investors and development and donor agencies. Substantial interest has been elicited. Discussions with African partners are at an advanced stage. Additional participants in the NFC are invited to make expressions of interest.

Arrangements for capacity building and technology transfer

In order to qualify for funding, proposed projects must support credible African implementation partners.

Links of Partnership/Initiative with on-going sustainable development activities at the international and/or regional level (if any)

The purpose of the fund is to promote sustainable socio-economic development in Africa. Projects to be funded must adhere to the principles of best practice. They must also identify related social and environmental initiatives in order to realise synergies.

Monitoring Arrangements

Arrangements are to be addressed in the NFC Charter.

Other relevant information:

For further information, please investigate the following web-sites:

www.basd-action.net and follow the link to “Legacy Projects”

www.sapp.co.zw (this site also has links to the member utilities)
www.nepad.org

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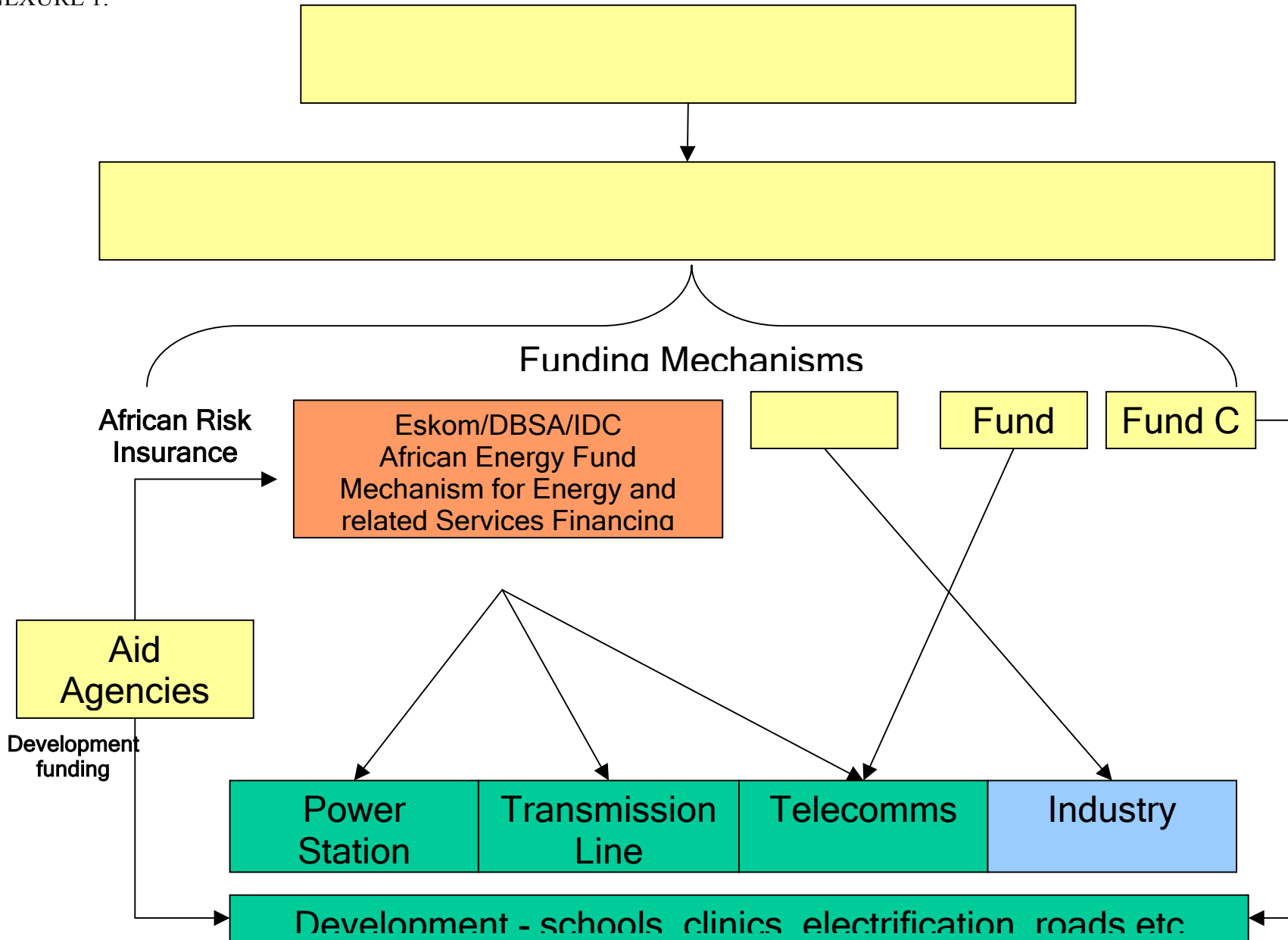
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ANNEXURE 1:



ANNEXURE 2:

