



## **The Dakar Agenda for Action (DAA)**

### **Moving Forward Financing for Africa's Infrastructure**

#### **I. Leveraging Public-Private Partnerships for infrastructure transformation**

1. We, African Heads of State and Government, Ministers and representatives of African countries, Regional Economic Communities, leading business, investment and private sector organizations, development finance institutions as well as development partner institutions, met in Dakar, Senegal on 15 June 2014 at the Financing Summit for Africa's Infrastructure, to build and strengthen innovative synergies between the public and private sectors towards mobilizing pan-African and global financial investments for infrastructure development in the continent.
2. The Dakar Financing Summit was held under the distinguished leadership of His Excellency Macky SALL, President of the Republic of Senegal and Chairperson of the New Partnership for Africa's Development (NEPAD). The Summit was preceded by a Preparatory Forum on 14 June.
3. *Noting* that infrastructure development remains a key driver and a critical enabler for sustainable growth in Africa, we *reaffirm* that the current favourable economic landscape in the continent provides unique opportunity to collectively address the infrastructure deficit by financing critical national and regional high impact projects. *Addressing* Africa's infrastructure gaps will help in creating the economic pre-conditions needed for longer-term growth enshrined in the goals of African Union and NEPAD.
4. *Acknowledging* Africa's steady growth in the past decade, its much improved macro-economic performance and public finance management which helped in withstanding the impact of the global economic crisis, we *re-emphasize* the paramount need for the growth impact to be geared towards social inclusiveness and competitiveness through infrastructure modernization.
5. *Conscious* that Africa's infrastructure lags behind the rest of the developing world, cutting across all sectors, both in terms of access and quality - with only 38% of the African population having access to electricity; less than 10% internet penetration rate; only a quarter of Africa's road network paved; poor port facilities which add 30-40% to intra-Africa trading costs and negative impact on the flow of Foreign Direct Investment (FDI) - resulting in expensive infrastructure services, constrained industrial productivity, limited participation in global trade and holding back the competitiveness of production.
6. *Convinced* that inadequate infrastructure poses a major threat to Africa's growth aspirations, yet its development presents significant opportunity to foster poverty alleviation, food security, job creation and wealth creation. *Particularly, we note* that regional infrastructure is of strategic significance to Africa given that numerous missing links in the continent's infrastructure backbones prevent African countries from harnessing scale economies, stymie development of landlocked countries, and prevent optimal use of common hydrological resources.
7. *We welcome* the growing focus on the regional dimension of Africa's infrastructure development, and in particular the adoption of the **Programme for Infrastructure Development in Africa (PIDA)** by the African Union Assembly of Heads of State and Government in July 2012 as the integrated strategic blueprint for continental infrastructure transformation from 2012-2040; *Thereby, we reiterate* that PIDA is the basis for the implementation of priority projects to transform Africa and the inspiration for the financing of the construction of modern infrastructure based on the PIDA Priority Action Plan (PAP) projects, which require estimated US\$ 68 billion for implementation till 2020, whilst an additional US\$ 300 billion for the project implementation through to 2040.
8. *Expressing concern* on the inadequacy of finance for Africa's infrastructure with the current international funding and delivery architecture ineffective in responding to the continent's special needs, we *recognize* that the finance shortfall should be addressed within reasonable time frame since much of the annual funding gap of US \$40 - 45 billion is associated with the power sector.

9. *Accordingly welcome* as timely the NEPAD-ECA Study on Mobilizing Domestic Financial Resources for national and regional programmes and projects, which was recently endorsed by NEPAD Heads of State and Government Orientation Committee (HSGOC). Undertaken in close collaboration with UNDP, African Development Bank and UNCTAD, the Dakar Summit is essentially the cornerstone and high level implementation platform to concretely move forward the policy outcomes of the Study.
10. *Also welcome* the African Development Bank's initiative to establish *Africa50* as an infrastructure investment platform designed to significantly narrow the infrastructure finance gap. We note with great satisfaction the African Development Bank's progress in the implementation of *Africa50* and in particular its proposed initial investment in *Africa50*'s Project Finance Business Line in an amount up to US\$ 500 million and a contribution of up to USD100 million to *Africa50*'s Project Development Business Line. *Africa50* provides the opportunity for institutional investors seeking good investment returns and security.

## **II. Concrete Actions towards financing for Africa's Infrastructure development**

11. *We deliberated and exchanged* commendable practices from country and regional public-private sector perspectives on viable financing strategies and mechanisms to implement priority infrastructure projects across Africa, with emphasis on capital market development. *We focused* on the best means to promote enabling legal, policy and regulatory environment to enhance infrastructure project bankability and investment, as well as solutions to unblocking the challenges associated with project preparation. *We equally explored* the de-risking mechanisms to advance project financing for transport and energy development, and the expansion of regional ports to promote trade competitiveness.
12. *Noting* the objective of Africa50 to promote regional and transformational infrastructure projects as well as accelerating the pace at which projects reach financial close, *we call* on African governments to support the African Development Bank efforts in making this vehicle from Africa to Africa successful.
13. For Infrastructure financing in Africa to reach the desired level, *we urge* the promotion of Africa-owned private equity funds, deepening of infrastructure bonds, the utilization of diaspora bonds and regional stock exchanges, securitization of remittances and strengthening the existing Sovereign-backed Pension Funds for development projects, with focus on improving policy and institutional environment to assure investment returns. To this effect, *we stress* the importance of African countries utilizing the *BRVM* – a regional stock exchange based in Abidjan, Cote d'Ivoire as an existing window.
14. *Re-emphasizing* the real opportunity for transformation and the shared responsibility between public and private sectors towards realizing the goal of an interconnected and integrated continent that is competitive globally while *noting* the imperative of positively changing the course of Africa's infrastructure through adequate financing based on the mobilization and utilization of domestic and global financial mechanisms and intermediary arrangements, we:
  - a. *Agree* that Africa must now look more purposefully and decisively inwards to raise additional financial resources for stable growth and effective development including infrastructure, by breaking with the past of Aid dependency in terms of resource mobilization.
  - b. *Underscore and urge* the fundamental need for continued political determination by African governments and Regional Economic Communities (RECs) as joint project sponsors and buy-in by the private sector as potential project investors to support the implementation of priority and high impact national and cross-border infrastructure projects through increased and sustained financial investments
  - c. *Encourage* African governments and relevant parties to continue to advocate for greater awareness of the implementation of PIDA through its 51 priority programmes/projects by African citizens and interested parties. *Further agree* to prioritize the financing of the identified sixteen (16) priority infrastructure projects<sup>1</sup> as pilot to accelerate the implementation of PIDA.

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1. Ruzizi III hydropower 2. Dar es Salam port expansion 3. Serenge-Nakonde road (T2) 4. Nigeria-Algeria gas pipeline 5. Modernization of Dakar-Bamako rail line 6. Sambangalou hydropower 7. Abidjan-Lagos coastal corridor; 8. Lusaka-Lilongwe ICT terrestrial fibre optic 9. Zambia-Tanzania-Kenya transmission line 10. North Africa transmission corridor 11. Abidjan Ouagadougou road-rail 12. Douala Bangui Ndjamen corridor road-rail 13. Kampala Jinja road upgrading 14. Juba Torit Kapoeta Nadapal Eldoret road 15. Batoka Gorge hydropower 16. Brazzaville Kinshasa road rail bridge and the Kinshasa Illebo railways

- d. *Endorse* the setup of a Continental Business Network (CBN) on Infrastructure Financing coordinated by the NEPAD Agency in partnership with the organizing institutions of the Dakar Financing Summit. The Network will comprise leading African and global business and finance bodies as well as regional and international organizations to drive infrastructure investments through improved project preparation, capacity development and overall project implementation, using the sixteen (16) projects showcased at the Summit as basis.
- e. *Invite* the private sector to commit more efforts towards financing the specific selected projects for the Summit as a first step to actualizing the PIDA priority projects by 2020, with the public sector working to achieve project readiness, better leveraging of the limited public resources with those from the private sector and minimizing risks to guarantee investment safeguards. *Also agree* to consider promoting the participation of local private sector in Africa's infrastructure development, through favorable local content laws and capacity building opportunities.
- f. *Agree* that feasibility studies and infrastructure project preparation activities for the identified 16 projects should be carried out by the African Development Bank under the supervision of the NEPAD Agency as means to fast-track the implementation of prioritized projects
- g. *Recognize* that the critical importance of policy certainty and overall enabling environment and thus *call for* continued efforts towards promoting greater transparency in the procurement and tendering processes and capacity building within the continent to prepare bankable projects and attract private sector involvement as top priority.
- h. *Renew the call for* African countries to strengthen the promotion of legal and fiscal stability, and harmonizing regulatory frameworks for infrastructure development to minimize disparities in rules and regulations, including for Public Private Partnerships, along with reducing the tax burden on the private sector investments and exploring introducing policy-based financing and viability gap funding to boost confidence in attracting private capital for the implementation of mega projects.
- i. *Call for* the increased funding and consolidation of infrastructure project preparation facilities in support of Africa's infrastructure. In this regard, *urge* African governments, development finance institutions and international partners to increase funding support for infrastructure project preparation in Africa, especially the NEPAD Infrastructure Preparation Facility (IPPF) hosted at the African Development Bank.
- j. *Underscore* the urgent need to develop **Africa's energy** for industrialization through investments in alternative and renewable energy projects, proper financial structuring of energy projects as prerequisite for private capital investments
- k. **ICT innovation** being the backbone of the digital economy, African countries should prioritize the profitability of regional and continental infrastructure as in the ICT sector. *Therefore agree* that it is critical to capture, preserve and build on the knowledge being generated in ongoing successful infrastructure projects. Infrastructure project implementation should be approached in a holistic way covering associated benefiting industries like agriculture, fisheries, etc.
- l. *Support* the reform efforts by many African countries' towards **port expansion** as means for regional trade development and competitiveness. The promulgation of a regional PPP law by the East African Community (EAC) as a best practice aimed at promoting regional cooperation and facilitating transnational infrastructure development initiatives through PPPs, was acknowledged.

- m. *Urge* **increased private sector participation** through increased knowledge and lesson exchange on enacting laws towards facilitating the participation of the private sector in project development and financing.
  - n. *Note* the blending of **Sovereign Wealth Funds (SWFs)** with traditional funding as key to the success of delivering mega infrastructure and strengthening partnerships with Southern countries including China, Brazil and Turkey as new alternate financiers, as well as catalyzing greater investments through learning from successful IPPs (Independent Power Producers) in Africa
  - o. *Welcome* the efforts of some African countries to further explore the potential of the increasing remittances by the African Diaspora to facilitate a mechanism that will be setup as a financing vehicle to target and attract the remittances
15. Overall, the Dakar Financing Summit for Africa's Infrastructure contextualized the continent's return to growth and the aspiration as the next frontier for investments. The Summit concluded that time has come to fund Africa's development from African financial sources in line with the thrust of the AGENDA 2063. The Summit finally welcomed the continued commitment of African Leaders to frontally address the development finance constraint which underlies the enormous infrastructure gaps, food insecurity and other critical sectors required to boost national development and regional integration.

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