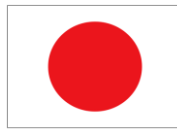




Gouvernement du Sénégal



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

April 27, 2011

Dear members of the G20 Development Working Group,

The fifth Ministerial Conference of the NEPAD-OECD Africa Investment Initiative recently took place in Dakar, Senegal, at the invitation of the President of the Republic of Senegal. Ministers and participants at the conference had in-depth discussions that reaffirmed the critical role that investment policy and private capital flows can play to stimulate growth and alleviate poverty. In particular, two sessions on infrastructure underlined the importance of leveraging efforts and resources from all stakeholders to enhance the enabling environment for infrastructure development and bridge the investment gap in this sector. Of course, infrastructure has been recognised by the G20 multi-year action plan as one of the key pillars for achieving inclusive, sustainable and resilient growth. While African countries can bridge their infrastructure gap through further strengthening their investment frameworks, we would also like to propose the G20 to take decisive action which has a strong leverage effect on infrastructure investment in the continent.

Financiers currently provide only half of the US\$93 billion that the continent needs every year for new physical infrastructure and operations and maintenance. Bridging the remaining gap will entail reinforcing the public sector's role as the primary financier and infrastructure service provider; attracting the private sector to contribute its expertise and capital; and identifying how official development assistance can help leverage private investment in infrastructure and also strengthen the enabling environment, including the appropriate investment policy frameworks and institutional capacity on which hard infrastructure depends.

One key step should involve NEPAD and OECD as well as other international organisations, working with African countries, to **assess and diagnose public sector capacity bottlenecks that hamper infrastructure investment**. This could lead to relevant action plans aimed at strengthening the policy and institutional framework for building infrastructure.

Similarly, there is a clear need for more **capacity building for undertaking public-private partnerships (PPPs)**. At a project level, it is clear that while opportunities abound for developing new infrastructure across the continent, many projects can not attract funding or encounter problems once underway because of inadequate preparation. Impact assessments, pre-feasibility studies, tariff design and procurement rules are some of the many elements that are part of good project preparation. As facilities are created to address the need for more project preparation, it is essential that they are well-harmonised to ensure their effectiveness and avoid redundancy. In addition the G20 could ask for more project preparation efforts and support projects such as the joint NEPAD-OECD-AfDB Capacity Building Program for PPP developers.

Another area we think needs more focus is risk mitigation, especially for the currency risk which is not well covered at present. Because African capital markets are not developed enough to offer the kind of financing needed for capital-intensive, long-term infrastructure projects, investors often borrow in foreign currency while earning revenue in local currency. This exposes them to significant currency risks. **The G20 could urge multilateral development banks to enhance currency risk mitigation instruments**. It could also call on other Development Finance Institutions and Export Credit Agencies to strengthen their risk mitigation mechanisms, including export credit guarantees.

As you prepare for the G20 meeting in November 2011 in Cannes, we hope you will use your role as the major international platform for policy dialogue to call on your members to take critical action for infrastructure development in Africa. The challenges are great but the opportunities for overcoming them are powerful and certainly, the benefits are worth securing. We hope you will support us in this endeavour.

Sincerely,

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