



OECD Forum on African Debt Management and Bond Markets

Financing of Infrastructure Development

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Outline

- **Introduction – Role of Bond Markets**
 - **Examples of Issuers**
- **Obstacles**

Role of bond issuance in infrastructure in Africa

Africa's infrastructure financing needs are enormous

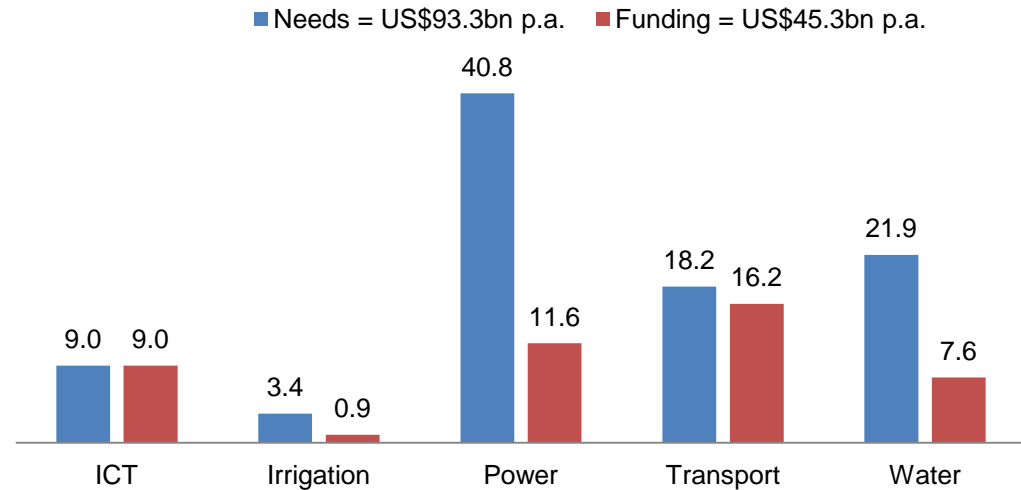
Bulk of infrastructure undertaken by the public sector using foreign currency loans

- Currency risk passed on to consumers – utilities
- Timing of financing may not be synchronized with national priorities
- Funding inadequate to meet all requirements

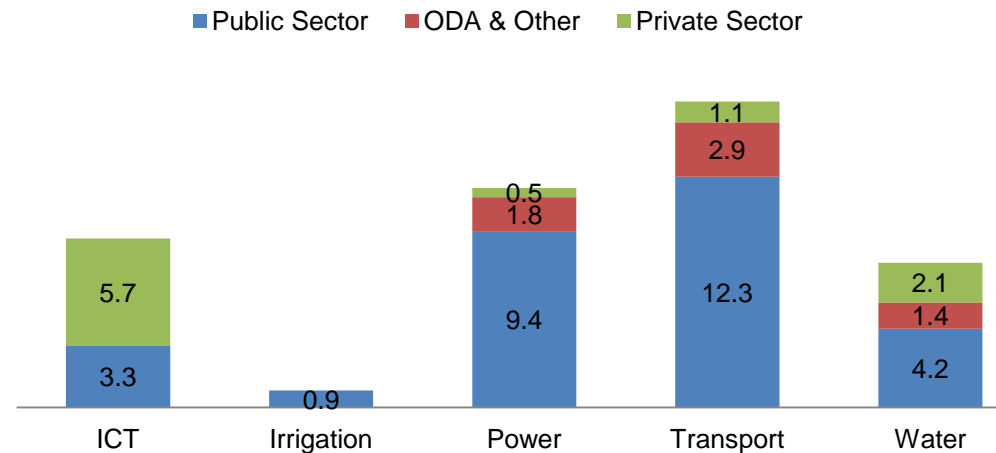
Private Sector can contribute in bridging the financing gap

Capital Markets can be used to raise long-term local currency financing for infrastructure

Africa Infrastructure Financing Gap (US\$bn p.a.)



Africa Infrastructure Funding US\$bn p.a.



Examples of Issuers

Infrastructure

- KenGen – Kenya
- Water Utilities* – Botswana
- Road Fund Administration – Namibia
- Port Autonomie de Dakar – Senegal
- Cabo Verde Fast Ferry – Cape Verde
- Comunaute Electrique - Benin
- Inyatsi Construction – Swaziland

* Government guaranteed

Telecoms

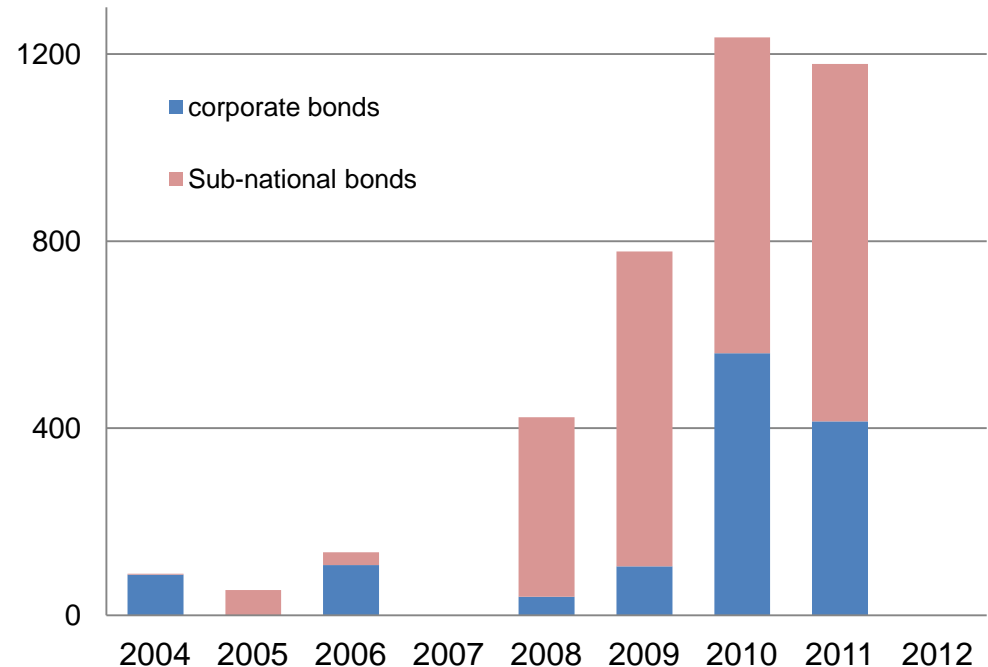
- Safaricom – Kenya
- Mcel Cellular – Mozambique
- Uganda Telcom – Uganda
- Onatel – Burkina Faso
- Celtel – Burkina Faso
- CITelecom – UEOMA
- Telecel Faso – UEOMOA
- Togo Telecom - Togo

Sub -National

- 10 States in Nigeria (inc. Lagos & Niger States)*
- City of Doula - Cameroon
- Municipality of Sal – Cape Verde
- Municipality of Praia – Cape Verde
- City of Dakar - Senegal

* Bulk of funds targeted at infrastructure

Nigeria New Bond Market Issues (US\$Mn)



Obstacles

Macro & Regulatory Environment

(Increases cost and reduces incentive to issue)

- Bond issuance frameworks – requirements, speed and cost
- Tariff Structure – indexation of tariffs to hard currencies (e.g. USD in power sector in Kenya)
- Corporate Governance of SOEs – makes potential issuers unattractive
- Level of development of local markets e.g. Ghana (high interests rates plus short yield curve)

Investor Base

(Size and capacity to invest limited)

- Professional investor segment underdeveloped
- Limited capacity for fixed income analysis (mindset is equities oriented)

Project Preparation Gap

(reduces pipeline of transactions)

- Limited packaged and bankable projects
- Weak sub nationals – limited ability to issue bonds without government guarantees
- Limited private sector participation in infrastructure development

End

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