

U.S.-South Africa Business Forum and Infrastructure Program

present

The African Development Bank's Procurement Process in the Power Sector: South Africa as a Case Study

Guest Speakers:

Ms. Yacine D. Fal, Division Manager – Procurement, African Development Bank
David Maloney, Assistant Vice President - GE Capital Markets, General Electric

Thursday, July 1, 2010
10:30 am – 12:00 pm

Remarks by Ms. Yacine D. Fal

- Recent AfDB Initiatives:
 - Seeks to increase general capacity by 200%, totaling \$100 billion in contract awards
 - Working to prevent and respond to the current economic crisis as just one of many crises facing the African continent
 - Looking for increase in contribution from the U.S. private sector for development project through AfDB
- AfDB reached goal of becoming the premier development institution on the continent
- In 2009, the portfolio grew from 138 approvals to 181 approvals
- 80% of investment portfolio goes to infrastructure projects
 - AfDB is trying to establish a multi-donor trust fund for developing infrastructure in Zimbabwe
- AfDB has a private sector initiative which is growing and expected to reach 40% of their portfolio by 2015
- Also looking to shift towards using green energy for power projects – Wind power project in Cape Verde
- The largest contract of 2009 was the power in Egypt project, which was supplied by Japan – the total cost was \$285 million

- The South African energy market (ESKOM) is very important because it's coal dominant, but could be used to move towards a cleaner energy by using extracting methane for energy. After extraction, the coal becomes safer to mine as well
 - \$500 million given to ESKOM

Procurement Relationships

- The borrower is fully responsible for the loan
- AfDB has safeguards such as standardized application processes and low transaction costs for borrowers
- Most contracts are awarded through open international bidding
- Tips for winning contracts:
 - The AfDB encourages bidders to establish local content – specifically, preference is given to those who establish 20% local investment

Potential for U.S. Private Sector Involvement

- China is awarded 40% of foreign contracts from the AfDB, most of which are for the transportation sector such as building roads
- The AfDB website has a procurement portal which lists procurement requirements, expectations, and funding details for interested bidders
- (<http://www.afdb.org/en/projects-operations/>)

Mr. David Maloney – GE Capital Markets

1. U.S. companies should reach for the lower-hanging fruit
 - a. Projects shouldn't be the most elaborate or largest necessarily – sometimes a simple, smaller solution is just as effective
2. Importance of indigenous fuel sources
 - a. Coal, methane, gas
 - b. Wind/solar
 - i. As development increases, cost will go down and efficiency will increase
 - c. Embacher Unit– collects methane gas instead of flaring it off
3. Importance of rule of law
 - a. This is a critical factor for attracting and maintaining foreign investors in borrowing countries

Challenges:

- Lack of and fractured infrastructure
- Lack of education
- Need for legislation policies that are transparent and need for partnership with local companies

- Lack of capital and lack of inputs

Questions and Answers:

- Does the AfDB facilitate joint procurement across borders?
 - Yes, they pioneered a regional approach.
 - The World Bank has joined AfDB in this initiative
 - COMESA was awarded a \$1.5 million grant
- Why is China so successful? What lessons can the U.S. learn from them?
 - To compete with China, we must provide necessary resources, regardless of limitations/standards
- What is the AfDB doing with Zimbabwe?
 - Planning to fund the rehabilitation of basic infrastructure
 - Water supply and sanitation
 - Energy and power supply
 - They are hoping to have a general framework by September