

Leveraging World Bank Group instruments to develop Private Infrastructure Projects in Sub-Saharan Africa

The Kounoune I IPP in Senegal

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IFC, Part of the World Bank Group

IFC is owned by its 178 member countries, which collectively determine policies.



International Bank for Reconstruction and Development, 1945



International Finance Corporation, 1956



International Development Association, 1960



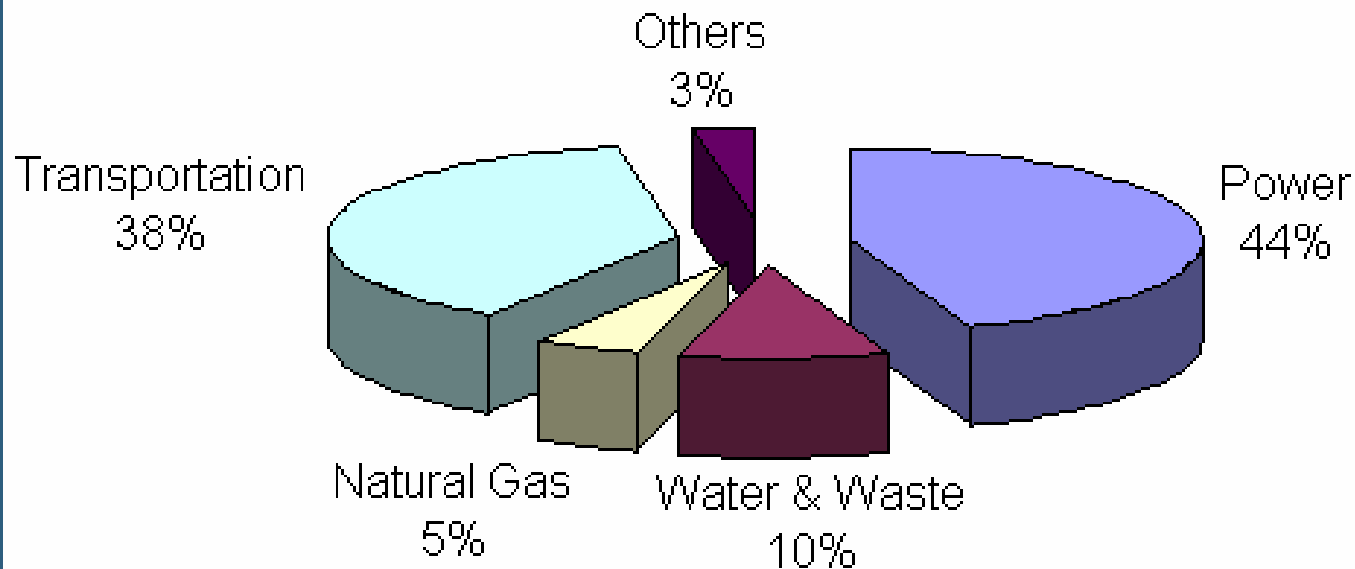
International Centre for Settlement of Investment Disputes, 1966



Multilateral Investment Guarantee Agency, 1988

IFC's Infrastructure Investments: Sector Breakdown

IFC's Portfolio by Sector as of 09/2006



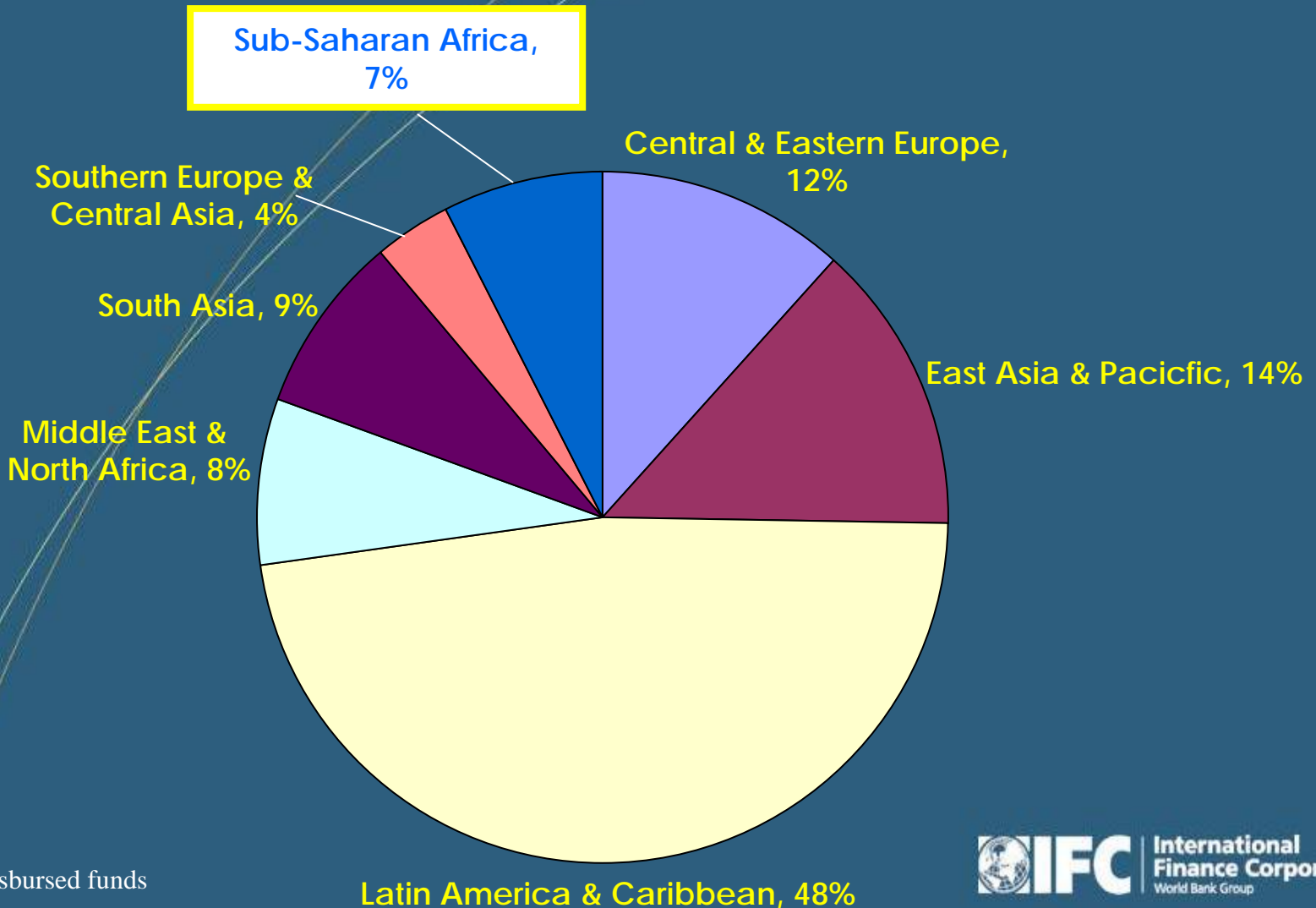
Total Portfolio: US\$ 3.22 billion

Loans: US\$ 2.8 billion

Equity: US\$ 0.42 billion

IFC's Infrastructure Investments: Regional Breakdown

IFC's Portfolio by Region as of 08/2006*

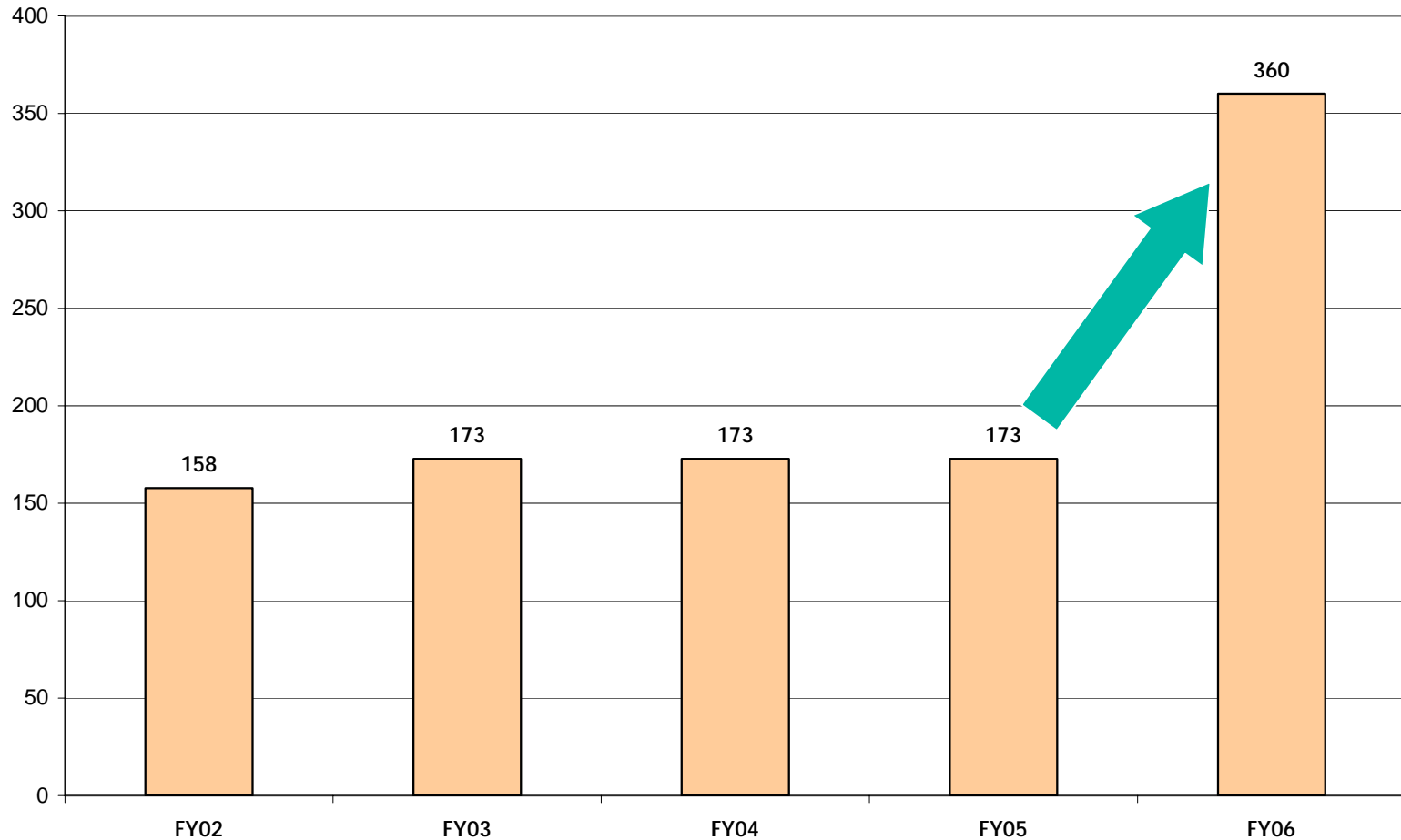


*includes undisbursed funds

IFC's Infrastructure Investments in Africa are growing

IFC's Infrastructure Investments in Sub-Saharan Africa
(FY02-06: Original Commitments)

US\$ millions



Challenges to Private Infrastructure Investments in Sub-Saharan Africa

- Massive investment needs
- High perceived country risk
- Weak sector players (e.g. weak utilities)
- Untested regulatory framework
- Tariffs generally not at cost – recovery level
- Limited gov't commitment to private infrastructure
- Limited availability of private capital

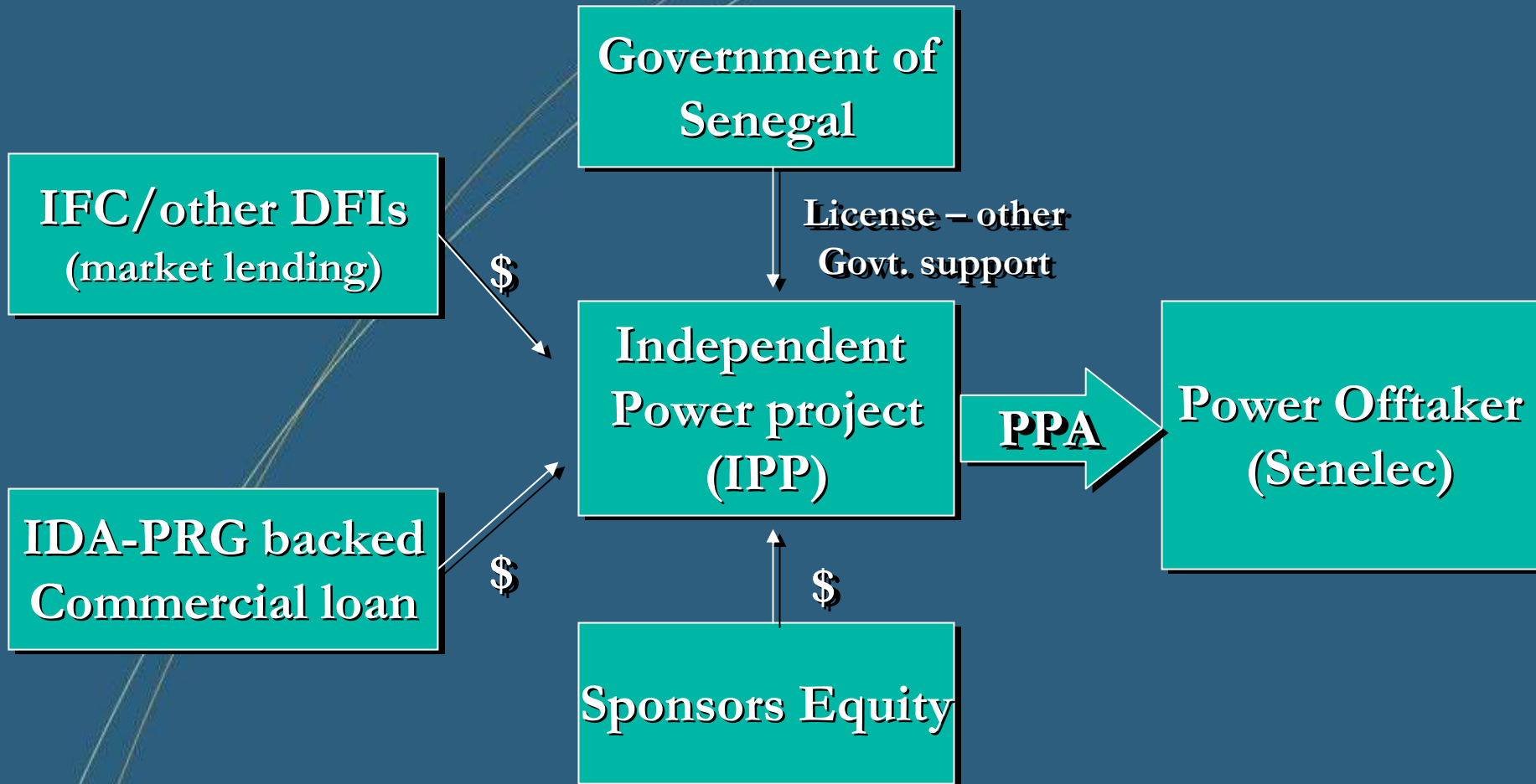
IFC's response: Proactivity

- Enhanced business/project development efforts: significant IFC resources committed to this approach in countries where gov't are committed to reform
- Initiatives and/or projects are underway in Senegal, Ghana, Nigeria, Cameroon, Uganda, DRC, Madagascar, Namibia, Rwanda and Kenya
- IFC continues to look for well-structured projects
- Core team dedicated to business/project development efforts in Africa based in Johannesburg supported by Washington-based staff.

IFC's response: Proactivity (cont'd)

- **Enhanced partnership with the World Bank**
 - More systematic collaboration with Bank's infrastructure & PRG groups
 - Seamless use of all available World Bank Group instruments (policy advice, technical assistance, risk mitigation, equity, debt, etc.)
 - Optimize delivery to clients by joint World Bank/IFC teams
- **Enhanced cooperation with other bi-lateral and multi-lateral agencies**
- **Developing new models of public-private partnerships with joint public-private financing, where appropriate**
 - Significant catch-up investment requirements
 - Aggressive sector development targets
 - Regulatory Issues
 - Tariff constraints (e.g. implicit/explicit subsidies needed)
 - Inability of project sponsor (either public or private) to obtain sufficient funding

World Bank Group project development approach: Kounoune IPP in Senegal



The Kounoune I IPP was successfully developed in a very challenging environment

- Senegal initiated power sector reforms in 1997
- Two consecutive failures of Senelec's privatization
- High perceived country risk
- Massive investment needs to meet the government's stated objectives
- International investors retreating from emerging markets
- Tariff levels not enough to cover CAPEX & OPEX costs w/o significant concessional financing

World Bank Group Response (1)

- IFC and World Bank advised GOS to consider an a IPP for a 60 MW power plant despite the failed privatizations of Senelec
- IFC and World Bank staff worked in close cooperation to help develop the IPP project
- IFC conducted a market sounding to assess interest for a possible private power deal in Senegal
- World Bank/IFC jointly helped GOS and Senelec to hire a reputable IPP advisor to help carry out the bidding process
- World Bank, IFC and MIGA staff secured senior management approval for joint financing for the IPP

World Bank Group Response (2)

- IFC contacted other financial institutions to complete the project's financing plan before bid submission as follows:
 - IFC A-Loan: 25% of project costs
 - Commercial loan backed by IDA-PRG: 10% of project costs
 - Other DFIs (AFD group, AfDB, BOAD): 35% of project costs
 - Sponsor equity : 30% of project costs
- Indicative terms of WBG financing package were included in bidding documents.
- Bank and IFC staff remained actively involved throughout the bidding process.

Outcome of the bidding process

- Seven global power companies expressed interest in participating.
- Three companies actively participated in the bidding process.
- Two consortium submitted a technical and a financial offer.
- The Mitsubishi/Matelec consortium was selected as the preferred bidders.
- The Power Purchase Agreement (PPA) was signed in February 2005.

Latest developments

- World Bank Group Board approval in May 2005
- Financing secured in Nov. 2005
- Construction well advanced
- First engine to be connected to grid in Nov. 2006
- Commercial operations expected in Dec. 2006

THANK YOU