Infrastructure Action Plan 2012 Follow-up Report

SUBMISSION TO THE G20 BY THE MDB WORKING GROUP ON INFRASTRUCTURE*

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* The MDB Working Group on Infrastructure comprises:

- African Development Bank (AfDB),
- Asian Development Bank (AsDB),
- European Investment Bank (EIB),
- Inter-American Development Bank (IADB),
- Islamic Development Bank (IsDB), and
- World Bank Group (WBG).
- Organization for Economic Cooperation and Development (OECD)

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I. Introduction

In 2011, extensive analysis and collaboration among the Multilateral Development Banks (MDBs) led to a jointly agreed Action Plan setting out ambitious initiatives aimed at (i) unlocking the infrastructure project pipeline, notably to allow for increased private sector participation and financing, and (ii) improving infrastructure spending efficiency. These initiatives resulted from consultations with the G20 MDB Working Group and the High Level Panel on Infrastructure (HLP), which also adopted a set of recommendations

The Cannes Summit of November 2011 welcomed both the HLP's report and the MDB Action Plan, stressed the importance of following-up on these concrete actions and invited MDBs to provide regular updates on the progress achieved. A first update was provided in May, ahead of the Los Cabos Leaders Summit.

The present report, elaborated by the MDB Working Group on Infrastructure with the participation of the HLP, describes progress made during the last 3 months, reaffirming the need for continued support and engagement by G20 member countries.

II. Progress achieved on MDB recommendations:

2.1. Improving Project Preparation Funds (PPFs) Effectiveness

The issue of efficient Project Preparation has made its way in the approach taken by all MDBs, principally because it contributes to enhanced quality at entry leading to quicker development results and increases the attractiveness to alternative sources of capital, in particular from private investors.

MDBs are assessing ways to reserve a greater portion of the funds allocated to infrastructure financing in developing countries to project preparation. Replenishment discussions of concessional funding windows, notably of International Development Agency (WB Group) and African Development Fund, could be a forum for G20 countries to reach collective agreement with other shareholders on this issue.

At the request of G20, the Infrastructure Consortium for Africa (ICA) commissioned an assessment on Project Preparation Facilities active in Africa. The draft report was produces in mid-September. A reference group of MDBs and Donors provided comments and guidance. The ICA Secretariat will present key messages and recommendations to the G20 DWG in October to collect views from G20 members, in view of the report's finalization. The final assessment report, with a Road Map for implementing its recommendations, will be discussed at the upcoming ICA members meeting, end-November 2012.

NEPAD-IPPF's new strategic business plans and streamlined operational procedures have been endorsed in July 2012. The facility is now embarking on an ambitious USD 200 million replenishment, to which African Heads of State have recently agreed to contribute financially.

Going forward, G20 members are invited to provide their views on the key messages and recommendations stemming from the ICA assessment. They are also invited to support efficient facilities and provide a critical mass of resources towards the structuring and preparation of future projects: NEPAD-IPPF and the Arab Financing Facility for Infrastructure are such facilities currently in need of resources.

2.2. Developing catalytic regional projects

Some regional projects have the potential to be transformational in helping to provide the access to markets and essential services critical for promoting inclusive and sustainable growth. Effective implementation of such projects will catalyze more domestic resources and interest towards regional integration initiatives.

11 transformational projects (see section IV) were identified through indicators based on:

1. **Regional integration** – the extent to which the project brings about regional integration;
2. **Political support** – the extent to which the project has been officially endorsed;
3. **Transformation** – the magnitude of the project's potential development impact and the extent to which it promotes environmentally and socially sustainable development;
4. **Maturity** – how far along the project is in the preparation process;
5. **Institutional capacity** – the capacity of the relevant institutions to implement the project;
6. **Private sector potential** – the project's potential to raise private sector finance;

Similar indicators are used by MDBs in strategically selecting regional operations to support. The AfDB, for example, is piloting a framework approved in February 2012 and based on five of the indicators above for the prioritization and selection of regional operations supported by the dedicated resource set-aside under ADF12.

2.3. Expanding Technical Assistance through PPP practitioners' networks

PPP practitioner networks are a critical complement to domestic capacity-building efforts and external Technical Assistance (TA), to better serve the needs of developing countries.

MDBs and the OECD have continued to expand and strengthen regional PPP practitioner networks. Resources and knowledge-transfer from G20 members would further contribute to develop experience in PPPs.

The OECD developed a training and advisory programme on PPPs which was first implemented in Zambia before being expanded to other African countries, bringing together national PPP units as well as regional PPP networks. In addition, it coordinates the activities of a network of State Owned Enterprises focusing on their role in infrastructure investment, including through PPPs.

The HLP is making progress, in collaboration with the World Economic Forum on the Fellowship Programme it had recommended. Once implemented, this programme will reinforce local capability to prepare and implement bankable projects attractive to private investors.

2.4. Increasing incentives for MDB staff to engage in PPP transactions and regional projects

Regional projects tend to take longer and cost more to prepare. Also, client countries are often hesitant to borrow against their scarce concessional resources for projects that may be a regional rather than domestic priority. Similarly, booking PPP transactions may not be the highest priority of staff on the ground in low-income countries.

The WB's Infrastructure Strategy (approved in December 2011) and AsDB's PPP Operational Plan (approved in April 2012) introduce incentives for staff to focus on leveraging rather than lending resources and to undertake complex catalytic and regional projects.

The AfDB has completed the independent review of its multinational operations and is embarking on a new Regional Integration Strategy that will further reinforce the impact of its operations.

2.5. Piloting an Africa infrastructure marketplace

G20 members supported the establishment of an Africa Infrastructure Marketplace (Sokoni) which will (i) empower project sponsors and development officials to advertise projects and (ii) enable donor governments and potential financiers to easily identify African projects of interest.

Further due-diligence has been completed on setting up the operating structure, which is to be discussed by the AfDB Board in November 2012. Operations can be launched as soon as the 3-year budget of $10 million is secured. Financial support of G20 member countries would allow immediate operationalization.

2.6. Improving procurement practices to facilitate collaboration with the private sector and amongst MDB

To enable more effective collaboration over periods it takes to develop PPPs (within the host country's legal and regulatory environments), MDBs are harmonizing their procurement practices and making them more responsive.

In March 2012, the working group of MDB Heads of Procurement provided guidance on how to apply harmonized procurement principles in PPP operations to public sector recipients. With the representatives of the private sector windows of MDBs, similar guidance has been developed for PPP projects where money is lent directly to private sector entities and adopted in June 2012.

While formal endorsement by the respective Boards of all MDBs is still pending, most MDBs have agreed to adopt a pragmatic approach by seeking explicit policy waivers to use the rules and procedures of the lead MDB, when collaborating on joint projects.

Furthermore, some MDBs are finalizing Staff Guidance Notes on Procurement under PPP arrangements in Public Sector Operations. It is based on the principles endorsed by the PPP Working Group set up by the MDBs to understand and develop guidance on the application of procurement principles for MDB engagements with PPPs.

2.7. Launching a global infrastructure benchmarking initiative

Better infrastructure data is critical if short-term support is to tackle a long-term domestic agenda, as infrastructure is traditionally an unmeasured field. This changed with the advent of the African Infrastructure Country Diagnostic (now African Infrastructure Knowledge Program), which provided a baseline of infrastructure needs, measured what is actually being spent, and identified inefficiencies and priorities for action. It allowed benchmarking across countries, a powerful way to promote improved efficiency. After a pilot of 23 countries, the program is now being expanded to cover all Africa. A similar initiative has also been successfully undertaken in the South Pacific.

Expansion of such an effort to all regions would greatly enhance the usefulness of benchmarking data, which is an effort that needs only to be repeated every 3 to 5 years.

While MDBs are willing to regionally undertake and coordinate a global benchmarking program, financial support from G20 member countries is expected: a modest $3 million to benchmark only Low Income Countries, up to $10 million to cover all developing countries.

2.8. Scaling up the Construction Sector Transparency initiative (CoST)

Mismanagement and corruption contribute to significant financial losses (estimated at 10 to 30 percent of a project's value) during construction projects. The Construction Sector Transparency Initiative (CoST) improves project performance by enhancing the accuracy and rate of information disclosure throughout the full project cycle, from design through completion phases. CoST adopts a multi-stakeholder framework, similar to the Extractive Industries Transparency Initiative, where participation by countries and members of the multi-stakeholder groups is voluntary.

In November 2011, the WB disbursed its first annual contribution of $500,000 and began implementation in selected countries, with little country specific support only, including beneficiaries themselves.

To reach out to more countries with this crucial transparency initiative, financial contributions of at least $5.5 million per year are expected from G20 member countries. Success of the initiative would also require more G20 countries to implement the initiative at their own level, to stage CoST as a global transparency effort important to all countries, not only the poor.

III. Progress achieved on HLP recommendations:

The High Level Panel for infrastructure was set up in 2011 to provide recommendations "in order to scale up and diversify financing for infrastructure needs, including from public, semi-public and private sector sources, and identify, with multilateral development banks, a list of concrete regional initiatives".

Ensuing from an active dialogue with MDBs, the HLP concluded that continuity of public infrastructure financing at the national and international levels is crucial to maintaining the momentum of growth and development in developing countries and LICs in particular. Public sources will and should continue to fund a material portion of infrastructure investments. The HLP thus suggested mobilizing private capital to increase and accelerate the total amount of investments in infrastructure, over and beyond what the MDBs and Governments can do, through 3 key recommendations detailed hereafter. Implementation has started through a number of actions.

3.1. Ensuring a strong supply of bankable projects:

The HLP believes that adequate funding could be made available for bankable projects in LICs. The key constraint was therefore perceived less as funding than the lack of a strong pipeline. This lead to the recommendation to build local capability to prepare bankable projects by:

i. **The use in developing countries of local PPP units to concentrate expertise and improve coordination**

MDBs are already supporting such units locally through targeted interventions and will continue to do so.

ii. **Establishing a fellowship programme supported and managed by the private sector, to be launched immediately**

MDBs welcome this recommendation and invite G20 members to pursue discussions, initiated at the latest World Economic Forum, to work with the HLP to agree on and implement a programme of pro-bono support from the private sector to share knowledge and experience in PPPs with Low income Countries. Implementation should start shortly after the next coordination meeting scheduled mid-October 2012.

iii. **Supporting the proposal made in the MDBs Action Plan to establish regional practitioner networks to support capacity-building**

See section 2.3 above

iv. **Developing standards for PPP documentation**

MDBs are progressing on several regional initiatives, based on existing good practices, which will allow developing countries to economically prepare materials appropriate to attract private capital.

v. **Reviewing the size and range of project preparation facilities, restructuring them on a more sustainable basis and placing greater emphasis on the ability to recover the costs of project preparation**

As detailed in section 2.1, several initiatives are already underway to rationalize PPFs controlled or hosted by MDBs.

G20 members will have to agree with other shareholders, in particular during the upcoming MDB capital increase and soft-window replenishment discussions, on the need to prioritize project preparation financing and dedicate a greater share of MDB funds to preparation facilities, on a grant or revolving basis.

3.2. Contributing to building an enabling environment

The HLP recognised the central role of an enabling environment for facilitating infrastructure project financing in developing countries. Legal and regulatory frameworks for PPPs must provide adequate protection for all parties involved in PPPs, namely the government, the private sector investors, the lenders, the designers, contractors and operators, and the user of the infrastructure services.

MDBs were requested to adjust the way they are operating in order to effectively support the development of PPPs through the following actions:

i. **Adjust the focus of their work towards PPP units in developing countries;**

ii. **Change their procurement procedures in order to accommodate PPPs more easily and therefore improve economy and efficiency[1];**

iii. **Adopt the approach of the leading institution, when several MDBs are involved, in order to streamline procedures, use country systems more and reduce the burden on developing countries;**

iv. **Consider adjusting their staff incentives to promote greater investment in regional projects;**

v. **Promote the CoST initiative on full disclosure of PPP contracts.**

As reported in section II above, progress in ongoing on many of these recommendations. WB already changed the procurement guidelines to accommodate PPPs and similar changes are pending for other MDBs, subject to approval by their respective Boards. Further, policy waivers are being adopted for the lead bank approach, until rules and procedures are fully harmonized.

Following outreach efforts started by the its secretariat, a few countries showed their interest to become members of the Infrastructure Consortium for Africa (ICA). Other G20 members are also invited to consider joining.

G20 member countries' support (financial and as shareholders in the respective Boards) is needed for the realization of several initiatives (like CoST, infrastructure benchmarking, sokoni and ICA expansion).

3.3. Making funding available under appropriate terms

Public intervention remains key for the effective launching of the funding process for long term infrastructure projects, as implemented through the policies and contributions of national governments, bilateral agencies and MDBs. Across developing countries, even where the enabling environment has improved, the challenge of mobilizing private financing for infrastructure projects with private participation remains acute. The HLP believed that significant improvements could be made in this area through decisive action from the G20, as follows:

i. **Sustained support for the development and deepening of local currency debt markets in developing countries and consideration of the use of infrastructure bonds as eligible assets for repo funding by central banks**

All MDBs are contributing to stronger and deeper local currency markets by either issuing in these markets themselves (to provide loans in currencies aligned with revenue streams of infrastructure projects) or accompanying governments as they issue bonds, notably through guarantee instruments.

ii. **Continued contribution to the development of local financial intermediaries, notably through capacity building.**

These intermediaries have a key role to play to reduce the gap between perceived and actual risks for infrastructure investments.

MDBs, through a combination of lines of credit and capacity reinforcement programs, are contributing to strengthen local financial intermediaries.

[1] As already done by the World Bank.

iii. **Efforts by MDBs to move from a lending culture to an enabling culture by 'crowding in' more private capital through the use of guarantees and other risk mitigation products.**

These risk mitigation instruments would benefit both public and private investment projects in infrastructure.

Most MDBs have risk mitigation instruments available, though their use has been limited so far due to lack of incentives from staff and clients. "Cultural" changes underway (see section 2.4) will naturally increase recourse to these instruments.

The World Bank is also currently undertaking a review of its guarantees, with a view to making them better adapted to the needs of client countries. Findings will inform other MDBs with similar products and trigger fine-tuning across all institutions. This will also contribute to a more widespread dissemination of this underutilized instrument.

IV. Progress achieved on the exemplary investment projects:

4.1. West Africa Power pool (WAPP)

i. **Cost estimate and MDBs involved**

Total Cost estimated at $1.4 billion.

Partners involved include the AfDB, EIB, KfW and WB.

ii. **Project description**

Phase 1 of the CLSG project involves the construction of 1411 km of 225 kV double circuit overhead transmission line connecting Côte d'Ivoire, Liberia, Sierra Leone, and Guinea. The transmission line will consist of approximately 130 km in Côte d'Ivoire, 115 km in Guinea, 600 km in Liberia and 560 km in Sierra Leone. The line transmission capacity is 290MW. The route will pass through the sites of future hydraulic plants (Yiben and Bikongor in Sierra Leone and Mano in Liberia). In order to electrify rural areas, 225/33 kV substations will be connected to the line which is also equipped with energized wind shield wire. Construction will commence in 2013 and commissioning is scheduled for 2016.

The total cost of phase 1 development of the project is estimated at approximately $500 million and will be co-financed by a number of donors, including the World Bank, the AfDB, the EIB, and KfW. The project design has been adapted to the available funding envelope. WB is preparing a loan/grant of $150 million for the project. EIB is preparing a loan of around $100 million. KfW is preparing a loan of around $50 million. AfDB is preparing a loan/grant of $200 million for the project.

No shortfall is envisaged at present, for phase 1 of the CLSG project, but resources are yet to be mobilized for subsequent phases ($900 million).

iii. **Project update**

The West Africa Power Pool (WAPP) enjoys priority status with the AU and CLSG is a key sub-project. All beneficiary countries are committed and have signed the associated project Protocol, although Cote d'Ivoire has not yet ratified the over-arching Energy Protocol to the ECOWAS Treaty. However, Côte d'Ivoire's expressed interest and support to the project is strong. The broader institutional framework of the WAPP CLSG project is well advanced, but consultations between cofinanciers are still ongoing in view of finalizing the implementation arrangements. The WAPP-CSLG Secretariat has been designated to lead project preparation; a Special Purpose Company is being set up, which will own, implement and maintain the project. Nonetheless, all four beneficiary countries are fragile states, and many of the national power utilities are in a weak financial condition with limited institutional capacity.

The project's preparation is spearheaded by the WAPP Secretariat as the Chair of the Joint Implementation Committee (JIC) of the four countries, with assistance from the AfDB, EIB, KfW and the World Bank. Institutional studies (e.g., for market operator), which are being financed by the

World Bank, have been substantially completed and have resulted in a fleet of draft legal documents, which define the structure of the Special Purpose Company (SPC).

Financiers are working to reach financial closure of the project by early 2013, with the objective of the project to be completed by 2015.

4.2. Ethiopia and Kenya Power Systems Interconnection

i. Cost estimate and MDBs involved

At present, the project cost estimate is about $1.15 billion. These estimates will be updated by April/May 2012, following the completion of the required network calculations by the technical design consultant.

The development partners include AfDB, the AFD, EIB and World Bank.

ii. Project description

The 1,000 kilometer inter-connector with a transfer capacity of 2,000 mega-watts would integrate Ethiopia into the East Africa Power Pool (EAPP, comprising Burundi, Kenya, Rwanda, Tanzania and Uganda) serving a combined population of 100 million.

The project's development objective is to promote power trade and regional integration, contribute to the EAPP countries' social and economic development and reduce poverty in those countries. The project aims at exporting the anticipated power supply surplus in Ethiopia to Kenya. This will result in improved supply of electricity in Kenya and other EAPP countries in the long run. In Kenya alone, the additional power injected into the national grid will enable the supply of electricity to an additional 870,000 households by 2018, and a cumulative total of 1,400,000 additional households by 2022 (of which 18% will be located in rural areas). Businesses and industries in Kenya will also benefit, with around 3,100 GWh of additional energy by 2018, increasing to around 5,100 GWh by 2022.

iii. Project update

Lending preparations continue to advance for EAPP, with the project's implementing entities, Kenya Electricity Transmission Company and Ethiopian Electric Power Company, having formed a Joint Project Coordination Unit and each having established a national Project Implementation Team.

The financing plan is now finalized and most lenders have now had funding approved by their respective boards. The project's implementing entities are progressing with the preparation of the project's detailed design in view of preparing the bidding documents for the procurement of the different components of the project.

The earliest commissioning date for the interconnector is end 2017 / beginning 2018.

4.3. Inga Hydropower

i. Cost estimate and MDBs involved

The first phase of the optimal development of the Inga site is estimated to cost between of $6 and 8 billion.

Concerned multilateral and bilateral donors include WB, EIB, AfDB, KFW and AFD.

ii. Project description

As recommended by a workshop held end-October 2011, the first stage of development will concentrate on the so-called Phase A, or "Inga 3 canal". Inga 3 would have an installed capacity of about 4,000 MW. The WB and AfDB are coordinating support for technical assistance along with the African Union.

This follows the already installed 1,775 MW at Inga 1&2 plants, which are under rehabilitation with WB and AfDB financing.

iii. Project update

A workshop was organized by the Government of the Democratic Republic of Congo (DRC) in Kinshasa in October 2011 to discuss the findings and recommendations of the first phase of the AfDB-financed study, which was aiming to compare options for the next phase of development of the potential 40,000 MW at the Inga site. Participants in the workshop included international firms and consultants involved in the process, stakeholders in the DRC as well as potential investors.

The feasibility study to determine the best technical option is still ongoing. Likewise, there are ongoing discussions with Congolese authorities on the institutional arrangements for the project.

A mission of coordination took place in Kinshasa is March 2012, where status of project preparation was discussed and way forward was agreed. The feasibility study of Inga 3 (Grand Inga Phase A) is being finalized with a target date of September 2012.

After BHP Billiton has withdrawn its interest in a smeltering plant which was as a potential off-taker of Inga, the South African and Congolese presidents have signed a Memorandum of Understanding paving the way for a treaty to create an enabling environment and necessary framework for the implementation of the project, including defined milestones for the execution of the Grand Inga Project. This treaty is to be agreed by June 2012.

4.4. North-South Corridor (NSC)

i. Cost estimate and MDBs involved

The current cost is estimated to about $1.2b, after the High Level Financing Conference in Lusaka April 2009.

Partners involved includes the AfDB, the DFID, the EU, the World Bank, and other bilateral donors.

ii. Project description

The project aims to improve the state of physical transport infrastructure (roads, rail, border posts, ports), as well as the regulatory environment for trade facilitation (by simplifying and reducing cross-border clearance procedures, harmonizing transit and transport regulations, and simplifying administrative requirements, etc) along southern Africa's key trading arteries.

The 4,000 kilometer North-South Corridor links the copper belt in Zambia and south-eastern DRC with the port of Durban in South Africa; also incorporating two eastward spurs to the ports of Dar Es Salaam in Tanzania and Nacala in northern Mozambique.

The corridor connects five landlocked countries (Botswana, Malawi, Zambia, Zimbabwe, and southeastern DRC) – with a total population of 40 million people. In addition, it is linked with Mozambique, Tanzania and South Africa as gateway to external markets through the sea port. The smooth functioning of the corridor involves close coordination of infrastructure investments and trade facilitation among the eight countries involved.

iii. Project update

JICA and AfDB approved, end-2011, funding of $260m for the Kazungula bridge Project on the corridor and at the border between two participating countries, Botswana and Zambia. Construction is scheduled for completion in 2018. Dialogue is also ongoing with other institutions (e.g. DBSA) and governments on developing scope and similar partnerships for future projects to boost the efficiency of the corridor, which is being championed by the South African President, as part of the Presidential Infrastructure Champion Initiative.

Options for further developments are being sought among financiers, including the option of private sector participation (concession) in light of the significant investment needs and the need for high volume and trade traffic to justify the investment.

4.5. Isaka-Kigali Railway

i. Cost estimate and MDBs involved

Total construction costs are estimated at $1.6 billion, with variants that go up to $4 billion.

Known partners at this stage include WB and AfDB.

ii. Project description

The project involves the extension of the existing 980 kilometer Tanzanian railway line from Dar Es Salaam to Isaka onwards for a further 494 kilometer from Isaka on to Kigali in Rwanda. There are also plans to add a spur from Keza in Tanzania to Musongati in Burundi (197 km).

The project will complete the rail network from the port of Dar Es Salaam to the landlocked capitals of Rwanda, and potentially also Burundi. The link will go through the Inland Clearing Depot or dry port at Isaka in central Tanzania, which was designed to speed-up the delivery of transit goods to Rwanda and Burundi.

iii. Project update

A detailed feasibility study was commissioned to determine the most appropriate financing modality and PPP option. Contracts for the study and technical assistance were signed in mid-January 2012 and work has commenced in February. It is anticipated to be completed by end 2012. MDBs are also assessing participation through their respective private sector lending windows. Financial close is expected around 2015.

4.6. Jordan Railway project

i. Cost estimate and MDBs involved

Total Project Cost is estimated at $5 billion.

WB, IsDB, EIB, AFD, JICA, Arab Fund, Saudi Fund, Kuwait Fund, and Abu Dhabi Fund have already expressed an interest in financing the Project.

ii. Project description

The Kingdom of Jordan is planning to develop a new railway network which will connect major centers, ports and entry points within Jordan to its neighboring countries (Syria, Saudi Arabia and Iraq) to foster improved regional cooperation as well as connect European railway network, through Turkey and GCC region.

iii. Project update

The project is currently on hold as the Government of Jordan is unable to provide sovereign guarantees for the MDB loans that would finance the Project. There is also a financing gap in excess of $1.5 billion.

In order to bridge this financing gap, technical assistance is needed to explore various structuring alternatives leveraging private sector support through PPP modalities or through guarantees.

4.7. Scaling up solar energy in MENA for export to European Markets

i. Cost estimate and MDBs involved

Estimated to cost $5.6 billion, the scale-up of Concentrated Solar Power (CSP) is being supported in five MENA countries (Morocco, Algeria, Tunisia, Egypt, and Jordan) by a multi-donor group, which includes: the Clean Technology Fund, EU Neighborhood Investment Facility, AfDB, WB, IsDB, EIB, KfW (with German Government grants), AFD and Japan.

ii. Project description

MENA countries are embarking on scaling-up concentrated solar power (CSP) investment program to reduce their current consumption of oil and gas in the power sector as well as export power to their European neighbors. The program includes 1200 MW of CSP generation and also cross-border interconnections for export. CSP is also seen as a major green growth and employment opportunity for MENA, which has taken on even greater importance and urgency since the Arab Awakening.

The Mediterranean Solar Plan was launched in 2008 as a partnership between MENA and the EU to promote Mediterranean integration through solar energy exports from MENA to EU green energy markets, given the massive comparative advantage of MENA in solar energy.

Investments are beginning to happen, most notably with the 500MW Ouarzazate CSP plant within the framework of the 2000MW Moroccan Solar Plan.

iii. Project update

The bidding has recently been completed for the first phase of the Ouarzazate PPP - competition by private investors wanting to participate was strong. The results were recently announced publicly. Start of construction is expected by end-2012

However, the effective opening of green energy markets is awaiting decisions in key EU member states. Negotiations of an intergovernmental agreement for CSP Exports from Morocco to Europe are currently underway 2012 will hopefully see progress on the European side, particularly in the key member states of France, Germany, Italy, and Spain. This could be enhanced by the Deauville Partnership's pledge of concrete support to MENA partner countries through market access and aid, as well as by the revised European Neighborhood Policy's pursuit of those objectives.

4.8. Turkmenistan-Afghanistan-Pakistan and India (TAPI) Natural Gas Pipeline

i. Cost estimate and MDBs involved

The total cost of the TAPI is about $ 7.6 billion as per 2008 estimates.

AsDB and investments from commercial sponsors and from state owned enterprises are considered to supplement funding from domestic banks.

ii. Project description

This project helps Turkmenistan diversifying access for its natural gas to market, by supplying gas from the Yolotan-Osman gas field in Turkmenistan to buyers downstream. The project involves a 1,800km long pipeline to provide Afghanistan, India and Pakistan with a secure long-term supply of clean energy and deepen the regional economic integration.

TAPI would also enhance regional peace and security.

iii. Project update

A Gas Pipeline Framework Agreement (GPFA) was signed in December 2010, as well as a commitment to cooperate and realize the project through an Inter Government Agreement (IGA). Negotiations between the Seller (Turkmenistan) and two Buyers (India and Pakistan) for 100% of the gas have been concluded in May 2012. Turkmenistan/Afghanistan GSPA is still under negotiations. Roadshows were held in September 2012 in major oil/gas and financial hubs around the World to meet with prospective sponsors and financiers.

4.9. ASEAN Infrastructure Fund (AIF)

i. Cost estimate and MDBs involved

Countries of the Association of Southeast Asian Nations (ASEAN) and AsDB intend to set up an infrastructure investment fund (AIF) with a total equity contribution of $485 million.

ii. Project description

AIF will tackle major infrastructure deficiencies in ASEAN countries and will lend for long-tenor sovereign/ sovereign guaranteed infrastructure projects, from 2012 onwards. Total lending commitment by AIF until 2020 is estimated at about $ 4 billion.

AIF will contribute to enhanced access to key infrastructure services with the ASEAN leading to improved regional cooperation including greater trade and connectivity; and synergy with other ASEAN regional integration initiatives including Chiang Mai Multilateral Initiative Mechanism, ASEAN Bond Market Initiative. One of the primary operation targets is that the portion of regional projects should be at least 30%.

Through this initiative, and with AsDB's financial, technical and operational support, ASEAN's investments will be catalyzed, representing an important effort at south-south cooperation. The AIF model thus holds the promise of leveraging future potential equity contributions and cofinancing, and subsequently demonstrating a means of unlocking a portion of the region's own resources (such as domestic savings and foreign reserves) for its needs through future debt issuance.

iii. Project update

The AIF was incorporated in Malaysia on 24 April 2012 as a limited liability company. The memorandum and articles of association for the AIF was also issued. The first AIF Board meeting was held on 3 May 2012. At the meeting, the AIF Board approved (a) the AIF governance and operational structure; (b) the framework for financial reporting to the AIF Board; (c) the framework for the AIF's liquidity management and (d) the indicative pipeline of candidate projects for 2012-2014

The AIF is expected to be fully operational by end of 2012.

In addition, further co-financing by other development partners, including private institutions have already been committed.

4.10. Regional Program for Scaling-up Clean Biomass Energy in the Greater Mekong Subregion

i. Cost estimate and MDBs involved

AsDB is setting up this program for an aggregate amount of $355 million.

ii. Project description

The project aims to scale up the use of biomass technologies (biogas and biochar) within the Greater Mekong Subregion (GMS).

The two components are: 1) a regional program of $ 80 million to support efficient utilization of biomass in GMS countries; and 2) a $275 million Asian Rural Biogas Fund to be on-lent by financial institutions for private sector participation and including grants for developing the associated markets wherever feasible. .

The project is expected to transform the rural poor in Cambodia, Lao PDR and Viet Nam from being emitters of greenhouse gas and black carbon to become active participants in production of clean bioenergy, carbon sequestration, and food security enhancement.

iii. Project update

A $4 million regional capacity development project financed by Nordic Development Fund has started since December 2011. The ensuing project has since been merged into a larger, multi-sector project titled: Climate-friendly Value Chain Development in the GMS, scheduled for approval in 2014. Request for funds for project preparatory technical assistant is being pursued. Low pace of public finance resource/grants mobilization hinders the implementation of this project and efforts are being pursued to mobilize additional grant resources in order to start operating by end 2012

4.11. Pacific Corridor

i. Cost estimate and MDBs involved

Studies supported by the IADB show an aggregate economic cost of $2,25 billion for the road works and approximately $300 million for the improvement of the border crossings along the Pacific Corridor.

ii. Project description

The Pacific Corridor starts in the city of Puebla (Mexico), and follows the coastal route parallel to the Pacific Ocean until Panama City, covering a total length of 3,244 km. The objective of the Pacific Corridor is to integrate the Meso American region by facilitating the transport of goods and persons. The project consists of a series of highway and border crossing improvements across 7 Meso-American countries, in order to provide an efficient and safe corridor for intra-regional trade.

iii. Project update

Based on the Investment Program comprising all highway and border crossing works identified for the Pacific Corridor, a proposal has been developed for the financial and institutional implementation, considering public-private partnerships and traditional public works procurement.

At the Heads of State and Government Summit of December 2011, the “Declaration of Merida” was adopted. This Declaration reassures the relevance, objectives and actions of the Mesoamerica Project and defines specific mandates to move forward with the studies and works for the Mesoamerican Integration Corridor (MIC, otherwise known as Pacific Corridor). Following these mandates, a proposal for a Management Unit for the program was developed, based on a Memorandum of Understanding to be signed by all beneficiary countries in the term of three months since the summit. Both instruments are currently being analyzed by the Transportation Ministers and their advisors of each of the member countries.

Currently, IADB is supporting with a team of consultants the elaboration of all Terms of Reference required to develop the pre-investment studies for all projects identified for the Pacific Corridor, terms that are expected to be completed by mid-2012.