



Sustainable Investments in Transport & Logistics Infrastructure

Intermodal Africa 2022

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April 2022

A photograph of a city skyline at sunset, with buildings illuminated by the golden light of the setting sun. The scene is framed by a large, stylized blue 'A' shape that is semi-transparent, allowing the city view to be seen through it. The 'A' is composed of several parallel lines of varying lengths, matching the Africa Finance Corporation logo.

Instrumental Infrastructure.
Instrumental Africa.

Introduction to Africa Finance Corporation

A multilateral financial institution, created by African sovereign states to provide pragmatic solutions to Africa's infrastructure deficit and challenging operating environment.

\$9.1bn invested across 35 countries

33 African states as member countries

Founded in 2007

A-3 (Moody's)

120 employees



Key Sectors:

- Natural Resources
- Industries
- Telecoms/Tech
- Power
- Transport



Africa's Development Challenges

Demography

- Africa's population is expected to increase from **1.3 billion** today to over **2.5 billion** by 2030, which will exert pressure on infrastructure.
- As per World Bank, poor infrastructure in many parts of Africa **reduce economic growth by 2%** and **hampers business productivity by 40%**.
- Currently, only a **quarter of Africa's road network is paved**, access to electricity is only limited to about **38%** of African population, while the penetration rate for internet is still less than **10%**.

Job Market

- Africa's rapid growing population demands to create **22.5 million jobs** each year whereas it is only creating **10 million jobs** a year which would leave **more than half** of the new entrants into the labor market **unemployed**.

Gender Equality

- Africa is at the forefront in the discourse and fight for **gender equality** and **gender transformative disruption**.
- According to McKinsey's Power of parity Report: Advancing Women's Equality in Africa, Africa's gender parity stands at **0.58** (1 would be full parity).
- In Africa, **70%** of women are excluded financially. The continent has a **US\$42 billion financing gap** between men and women.

Urbanization

- Africa is experiencing **rapid urbanization** with a rate of **40%** in 2015 to **46%** in 2019, it is expected to grow to **60%** by 2050.
- As per Brookings, problems of limited job creation, inadequate structural transformation, and poor livability is seen in many sub-Saharan African cities, where **60% of urban residents live in slums**.
- Many African megacities such as Lagos, Cairo, Kinshasa, Nairobi, and Johannesburg already **struggle to absorb the bulk of the urban population** leading to formation of slums, urban poverty and crippling social conditions giving rise to crime and violence.

Water Scarcity

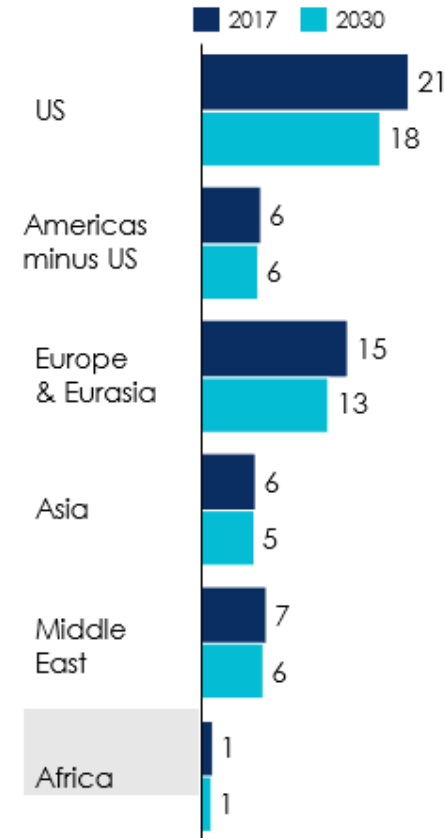
- Africa faces **serious water challenges** such as widespread shortage, pollution, degradation, flooding and poor water management.
- It is estimated that Africa loses **5%** of its annual GDP due to poor access to clean drinking water and sanitation.
- Approximately **340 million people** in Sub-Saharan Africa still do not have access to potable water and a further **508 million people** do not have access to improved sanitation.



Effect of Climate Change in Africa – *least emissions, most vulnerable*

- The effect of climate change in Africa is disproportionate to its share of global emissions – with implications on future infrastructure requirements
- Africa has very low Greenhouse Gas (GHG) emission rate per capita but high negative impact of climate change, including multiplication and intensification of droughts, floods, heat waves and water shortages.
- Future infrastructure developments need to be able to reduce, accommodate or recover from the effects of natural disasters and climate extremes.
- This **requires climate resilient infrastructure planning plus additional cost consideration for development.**

Annual Greenhouse Gas (GHG) emissions¹ per capita, tCO₂e/person (2017 and 2030)



Current development issues may be worsened by climate change

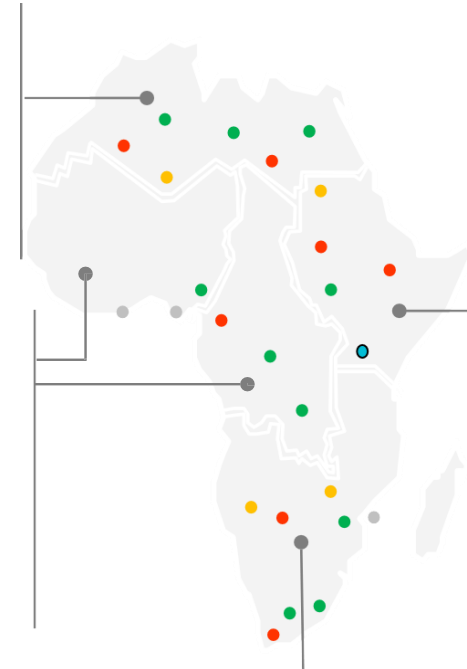
North Africa

Water stress may be worsened by increased desertification of semi-arid areas

West and Central Africa

Low agricultural yields may be worsened by drought

Fast-urbanizing cities at risk from coastal flooding



East Africa

Rainfall may increase in some areas

Expansion of vector-borne disease transmission zone

Declines in fisheries in some major East African lakes

Southern Africa

Heightened water stress in some river basins from droughts and changes in precipitation

- Droughts
- Climate zone shifts
- Coastal flooding/ sea-level rise
- Water Scarcity



¹ Excluding LULUCF emission and stock change

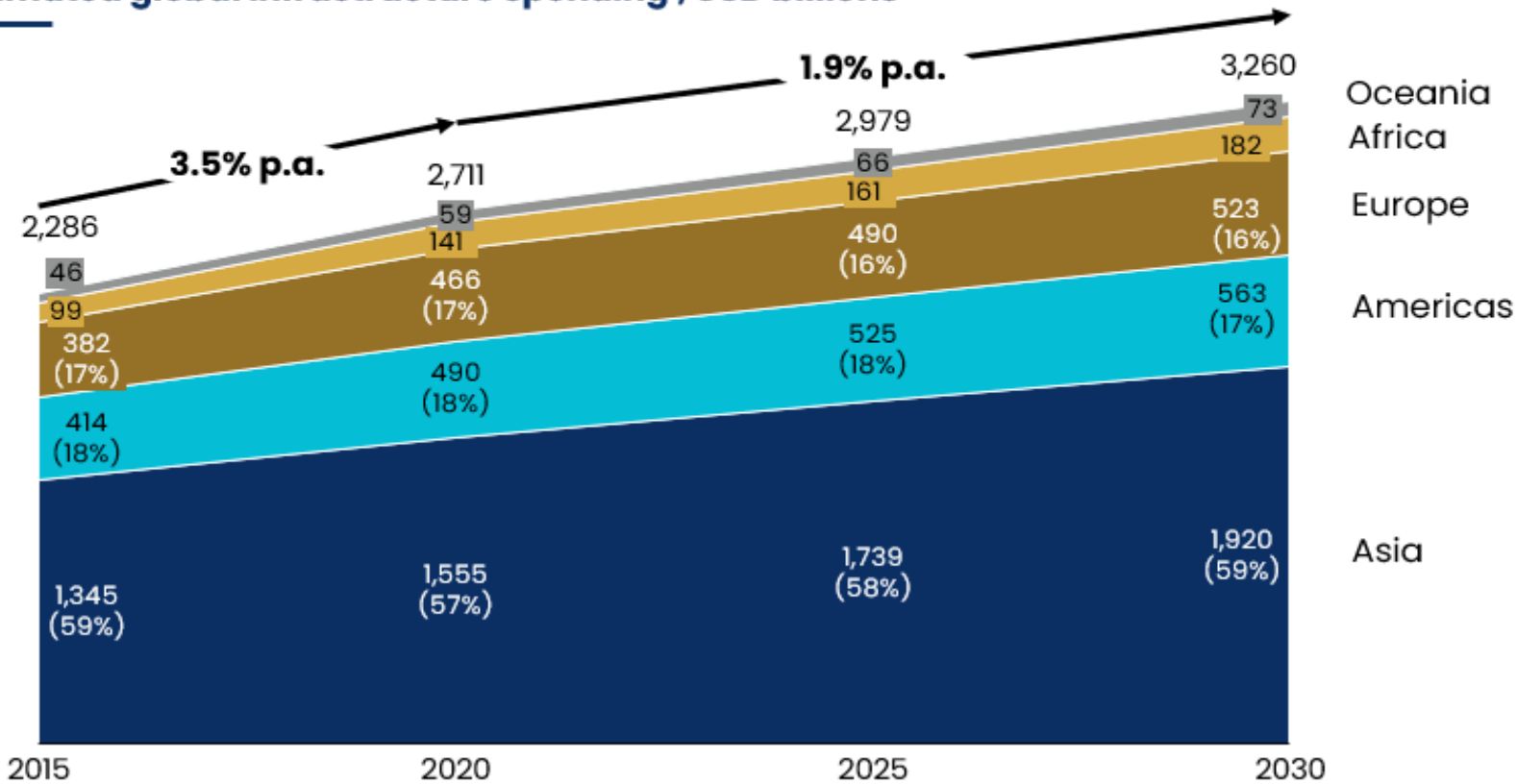
Source: UNFCCC; UN ESA; IEA, Statista, PBL report, UN, IMF

Africa is expected to remain fastest growing region in infrastructure spending at 2.6% annually with an estimated \$2.3 trillion pipeline.

Despite the Covid 19 economic shock, Africa is expected to return to a strong growth trajectory with increased demand for infrastructure assets due to:

1. Increased utilization of a vast natural resource base
2. Strong demographics coupled with accelerating urbanization/industrialization and regional integration
3. Booming Digital Economy

Estimated global infrastructure spending¹, USD billions



CAGR, % (Estimate)

2015-20 **2020-30**

Oceania	3.4%	1.4%
Africa	7.4%	2.6%
Europe	4.0%	1.2%
Americas	3.0%	2.1%
Asia	5.3%	2.1%



AFC is fully committed to embedment of ESG and Climate Change in its investment decision-making, its operations, projects and all activities throughout the Corporation – through a collaborative and an evolving innovative approach

- ESG principles are embedded in the **investment process** and part of the sustainability strategy as a corporation. At AFC, we aim to adhere to IFC's 8 performance standards throughout the Project life
- **Focused interventions** include Gas investments (LPG, LNG, CNG etc.), Beneficiation investments, Renewables (Building a platform), Forestry preservation and sustainable forestry, Launch of **Infrastructure Climate Resilient Fund (ICRF) by AFC Capital**



SOME OUTCOMES

- **Track record on pivotal renewable energy projects**, e.g., 25.5 MW Cabeolica wind farm in Cape Verde, 60MW Red Sea Wind Power project in Djibouti, 44MW Hydro Power project in Cote D'Ivoire, 420MW Hydro Power project in Cameroon. \$160 million investment in a **renewable energy platform in Egypt**
- One of AFC's investments In Gabon, GSEZ is using **best in class practices and the highest international standard to meet its target of Carbon Neutral industrialization. They have become the first carbon-neutral certified industrial zone in Africa** and have received the award of an ISO 1406. 4-1 carbon neutral certification
- In 2021, AFC issued inaugural CHF150 Million Reg S senior unsecured benchmark **Green Bond**, which matures in 2025 to (re)finance or invest in Eligible Green Projects meeting the Green Bond Framework criteria.



Impact of Climate Change on Africa's Built Infrastructure: Turning risks into opportunities

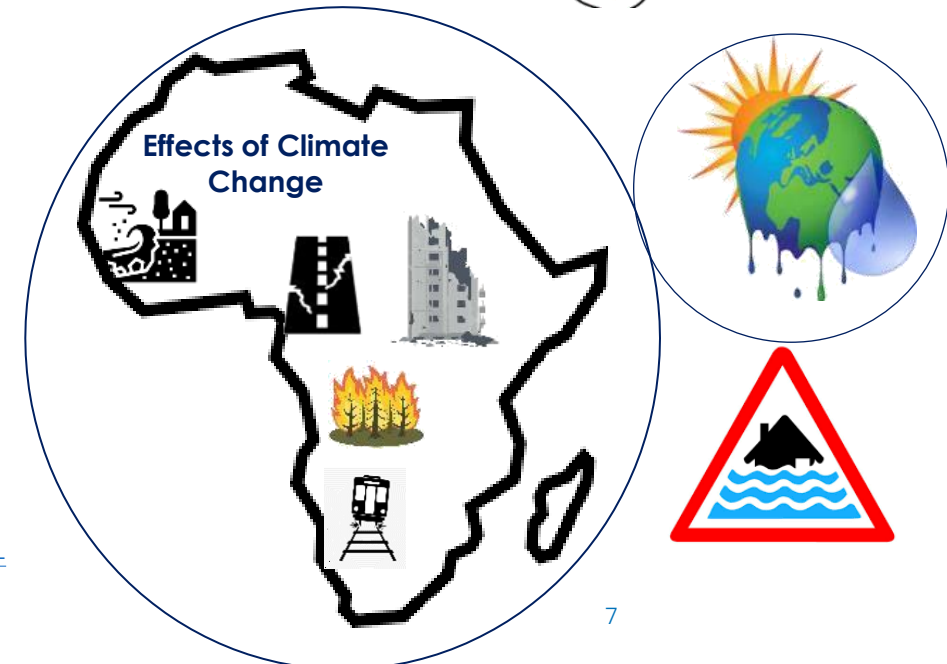
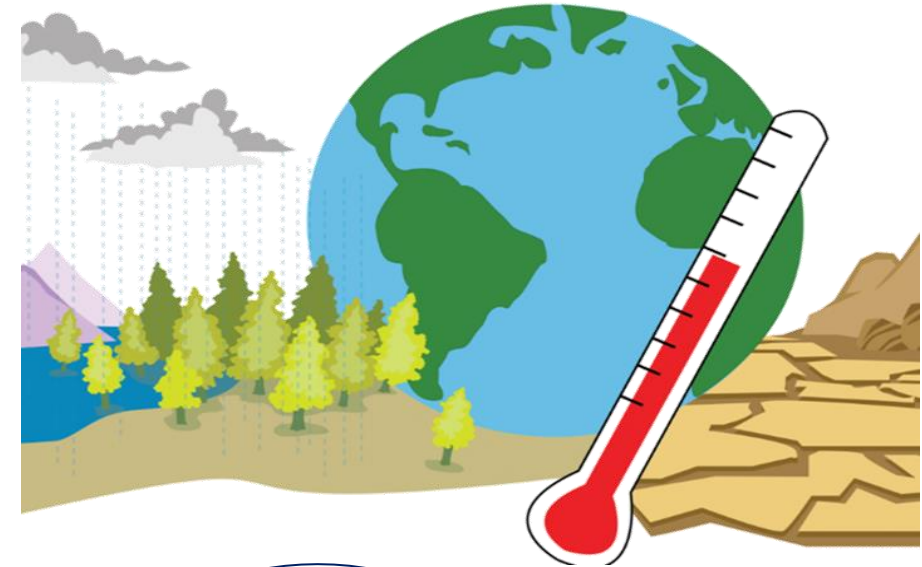
Risks to infrastructure associated with climate change:

- Infrastructure assets are often not designed to withstand the increasingly devastating effects of climate shocks, which include high temperatures and prolonged heat waves, changing precipitation patterns, droughts, floods and rising sea levels that can cause significant and costly damage.
- Without significant improvements in infrastructure resilience, annual economic losses from natural disasters' damage to urban infrastructure alone will increase from \$250 to \$300 billion currently to \$415 billion by 2030¹.
- With Africa being the most vulnerable continent to climate change, mainstreaming climate change is a key requirement for the long-term viability of its infrastructure.

Turning climate risks into opportunities: Marrying the impact of climate change with a pipeline of resilient infrastructure projects that promote economic development and empowerment, while protecting the planet.

- **An estimated \$2.3 trillion in investments, which create a \$230 billion annual market opportunity over the next decade is required to finance this African climate transition ².**

1. World Bank: <https://www.worldbank.org/en/news/press-release/2016/10/12/world-bank-investing-in-urban-resilience-can-save-the-worlds-cities-billions-each-year-and-keep-millions-out-of-poverty>
2. Nationally Determined Contributions (NDCs) – Paris Climate Agreement , 2018



AFC Capital Partners' inaugural offering: Infrastructure Climate Resilient Fund (ICRF)



Objective

Focus on potential investments that enhance the quality and longevity of physical infrastructure (roads, ports, bridges, rail, telecommunications, clean energy and logistics projects in Africa) with the objective of making these assets more resilient to the impacts of climate change



Investment themes

Greenfield and brownfield investments in the Africa Finance Corporation's traditional infrastructure core sectors including:

- i. Climate-resilient and Low Carbon Transport Infrastructure: Ports & Logistics, Road & Bridges, Airports, Railways, and E-mobility
- ii. Renewable Energy
- iii. Low Carbon and Climate Resilient Industrial Parks
- iv. Natural resources to support the global energy and mobility transition (climate-resilient mining)
- v. Telecommunication Infrastructure



Blended Finance

Commercial and concessional equity from international and multilateral sources, such as the GCF, other foundations, etc. A portion of the fund will focus on project development.



Innovative Capital Structure

To be developed to incentivize various pools of capital providers accordingly – providing the necessary commensurate protections and returns profile





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