



# Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 18-Nov-2019 | Report No: PIDC27638



**BASIC INFORMATION**

**A. Basic Project Data**

Country Africa	Project ID P171967	Parent Project ID (if any)	Project Name Regional Infrastructure Finance Facility (RIFF) Project (P171967)
Region AFRICA	Estimated Appraisal Date May 04, 2020	Estimated Board Date Jun 18, 2020	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Trade and Development Bank (TDB), Common Market for Eastern and Southern Africa (COMESA) Secretariat	Implementing Agency Trade and Development Bank (TDB), Common Market for Eastern and Southern Africa (COMESA) Secretariat	

**Proposed Development Objective(s)**

The Project Development Objective is to support the expansion of long-term finance to infrastructure and social sectors in Eastern and Southern Africa.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	425.00
<b>Total Financing</b>	425.00
<b>of which IBRD/IDA</b>	425.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	425.00
IDA Credit	400.00
IDA Grant	25.00



Environmental and Social Risk Classification

High

Concept Review Decision

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

## **B. Introduction and Context**

### Country Context

Africa has achieved one of the fastest and most sustained growth spurts in the past two decades. While growth is expected to increase in 2019, many challenges remain: unlike other emerging regions such as South and East Asia, poverty is on the rise in several countries in Sub-Saharan Africa (SSA); the availability of jobs has not kept pace with the number of entrants in the labor force; public debt vulnerabilities are rising; and, majority of countries in fragility, conflict, and violence (FCV) situations are in SSA.

### Sectoral and Institutional Context

Africa is a diverse continent, and much of it suffers from an ailing or non-existent infrastructural base - a key factor that affects the region's ability to realize its full potential for economic growth, international trade, and poverty reduction. The continent's largest infrastructure deficit is to be found in the power sector. On top of this, the limited existing infrastructure is severely impacted by extreme events associated with climate change.

Statistics reveal that Africa's infrastructure financing gap has been widening over time, from an estimate of approx. US\$31 billion in 2010 to between US\$68 - US\$108 billion a year according to new 2018 statistics. Private sector financing is key to bridging this gap but private investment into Africa's infrastructure remains low, averaging only US\$6 billion/year. Mobilizing the necessary private sector funds to satisfy the growing demand for infrastructure investment will require new sources of long-term finance and alternative ways of deploying it, while also improving the efficiency with which existing resources are used. Leveraging a regional institution that has strong governance systems; is managed on commercial principles; and has proven track record to 'crowd in' private investment and private management is one of such alternative avenues. Such a platform will help to bring in the discipline of the markets to proposed infrastructure transactions, along with greater transparency and value for money.

In this regard, using IDA Scale-Up Facility (SUF), the proposed Regional Infrastructure Finance Facility (RIFF) Project aims to mobilize long-term private finance into high-impact, transformational infrastructure and social sectors with a focus on eastern and southern Africa. This initiative will seek to address some of the aforementioned market failures by partnering with Trade and Development Bank (TDB) - the sub-regional development bank for the Common Market or Eastern and Southern Africa (COMESA) region. TDB currently lends to private infrastructure projects alongside commercial banks - the RIFF Project would aim to scale up this line of business. To strengthen the enabling environment of COMESA member states towards promoting private sector investment into infrastructure, a technical assistance window to be managed by the COMESA Secretariat is also provided. The partnership with these regional institutions is based on their readiness and track record, and the project aims to demonstrate that long-term and infrastructure financing can be done efficiently through partnerships with the private sector, since public financing for such projects is



insufficient, constrained (by rising debt levels) and is not efficient.

While autonomous entities, TDB and the Secretariat are intrinsically linked in their origin and essence of existence i.e. regional integration. This continental goal is aimed at promoting economies of scale, enabling competitiveness, diversification, addressing supply-side constraints, knowledge sharing, fostering regional value-chains, intraregional trade and investment, cross-border infrastructure and overcoming the challenges of small markets. These aims and objectives mirror the goals and targets of the proposed RIFF project.

#### Relationship to CPF

As the RIFF Project is of a regional nature, it does not follow a specific country's development program but is cross-cutting in its focus areas. It is directly addressing WBG's *Africa Regional Integration and Cooperation Assistance Strategy for the period FY18-FY23* which contemplates focusing on fewer and bigger operations within the core pillars of creating sustainable and inclusive growth, strengthening human capital, and building resilience. Attracting private investment and strengthening regional financial institutions are key partnerships to achieving this strategy. The RIFF project is focused on infrastructure projects which underpin jobs and economic transformation (JET) - an IDA18 special theme.

### **C. Proposed Development Objective(s)**

The Project Development Objective is to support the expansion of long-term finance to infrastructure and social sectors in Eastern and Southern Africa.

#### Key Results (From PCN)

The PDO will be measured by the following key outcome indicators:

- (a) Total amount of private investment mobilized into transformative projects; and
- (b) Total number of beneficiary firms.

Other outcome indicators could include the total number of direct jobs created and the total amount of trade flows, investments, or mobility across borders generated through this intervention.

### **D. Concept Description**

The project is an Investment Project Financing (IPF) with three proposed components and two implementing agencies i.e. (i) TDB for –a financial intermediary financing operation with components 1 and 2, aimed at scaling up TDB's long-term project and infrastructure financing activities; and, (ii) COMESA Secretariat for Component 3 - a technical assistance and capacity building window.

Component 1 will seek to mobilize private investment by making available long-term infrastructure finance to firms. Infrastructure sectors here include: Energy, Logistics, Water and Sanitation, ICT/digital, and social infrastructure such as health, education and housing.

Component 2 will provide financing for TDB to set up credit enhancement instruments to de-risk the sub-projects themselves, or to credit enhance TDB to mobilize greater amounts of private capital. Three different mechanisms are being explored to provide credit enhancement, i.e.: Partial credit guarantee fund set up by TDB; Tier 2 capital equivalent



to TDB; and, Equity capital to TDB from member countries.

Component 3, a US\$25 million regional IDA grant, will be managed by the COMESA Secretariat to support the technical assistance and capacity building needs of the Project.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Areas OP 7.60	TBD
Summary of Screening of Environmental and Social Risks and Impacts	

## CONTACT POINT

### World Bank

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### Borrower/Client/Recipient

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### Implementing Agencies

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**APPROVAL**

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**Approved By**

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Country Director:		