

# Export credit finance key to international project development

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The use of export credit finance to develop large projects in Africa can help mitigate political and economic risks, New Partnership for Africa's Development (NEPAD) Business Foundation (NBF) CEO Lynette Chen said on Wednesday.

Speaking at a public-private partnership (PPP) workshop hosted by Africa Investment and Integration Desk (Avid), she noted that export credit finance contracts typically dealt with the political and currency risks related to the construction of large projects in foreign countries.

"These contracts are structured [taking into account] the obligations of the South African government and the foreign government where the project will be developed," she said, adding that by using export risk partners, such as the Export Credit Insurance Corporation of South Africa (ECIC), financiers are able to develop projects knowing that key risks involved are covered.

Chen added that NEPAD had found that more projects in Africa were being structured using export credit cover.

She pointed out that Avid was working with the United Nations and the Stockholm Institute of Water to finance a water and sanitation project on the African continent.

"This project will prepare the process and criteria for the implementation of key projects in five areas across the continent and it will identify key private sector financiers that are interested in financing water and sanitation projects across the continent," she said.

Chen noted that key areas that Avid would look at for the project included large storage dams, increased irrigation efficiency, the intensification of production and crop diversification in the agricultural sector, as well as large hydropower dams, thermal power stations and river hydropower schemes.

"While everyone is focusing on energy and infrastructure as key sectors, water cuts [affect] different sectors and are key for agricultural and energy production," she said.

She stated that Avid would also look at establishing wastewater treatment projects, industrial and nonrevenue water projects and seawater desalination plants throughout Africa.

Other projects that Avid has been successful in securing include the revision of South African municipal PPP training, which will, along with the National Treasury, be used to improve PPP skills in municipalities.

International case studies on bulk services, particularly in water, electricity, public transport, smart cities and housing will be used for educational purposes and if the programme is successful it will be expanded across the continent.

"Avid has finalised a draft business plan and secured the participation of international nongovernmental organisation Water Aid to set up a pan-African water finance leadership forum, intended to up skill CFOs in the top 100 cities in Africa," she said.

She explained that a physical forum and online platform would be established and managed by an international service provider to support the development of cities in Africa, as many people were moving from rural areas to urban cities in search of employment.

"Through empowering CFOs, we hope to support them with conceptualisation and development of bulk infrastructure projects," she said.

Chen stated that Avid's role in these projects was not only to provide private sector investment and link them with financiers, but to build capacity in the public sector.

"It's one thing to bring the private sector to the table, but if government agencies are not aligned with the same terminology or understanding of the complexities of PPP deals, and what securities governments need to provide for the private sector to invest, then these deals don't get off the table," she explained.

Also speaking at the workshop, ECIC head of business development Portia Gumbo-Dube said strong institutional coordination and support from development finance institutions, commercial banks, contractors and governments needed a strong commitment from all those who were involved in major projects across the continent, to "correct the allocation of risks."

"Government support is essential and good will may not come in the form of an actual guarantee, but that commitment and collaboration is key [to the success of large projects across the continent]".

She added that a strong regulatory framework, improvements to legal frameworks and the adoption of international best practice in terms of what had been done in other jurisdictions, as well as taking key learning points from large exemplar projects, such as the Befisa desalination project in Ghana, were key for successful projects in the future.

"If a project is sustainable it means it can be replicated in other regions. Risk mitigation and robust structure, as well as a robust financial model and affordability are important," she said.

Gumbo-Dube added that ECIC support did not necessarily make a deal bankable, noting that projects needed to be bankable and robust on their own.

"Collaborating early on in the process is good; the role that the ECIC team played in the desalination plant in Ghana, for example. Being there from the structuring of the deal and playing a role in providing input, helps to mitigate challenges," she said.

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