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Infrastructure Index

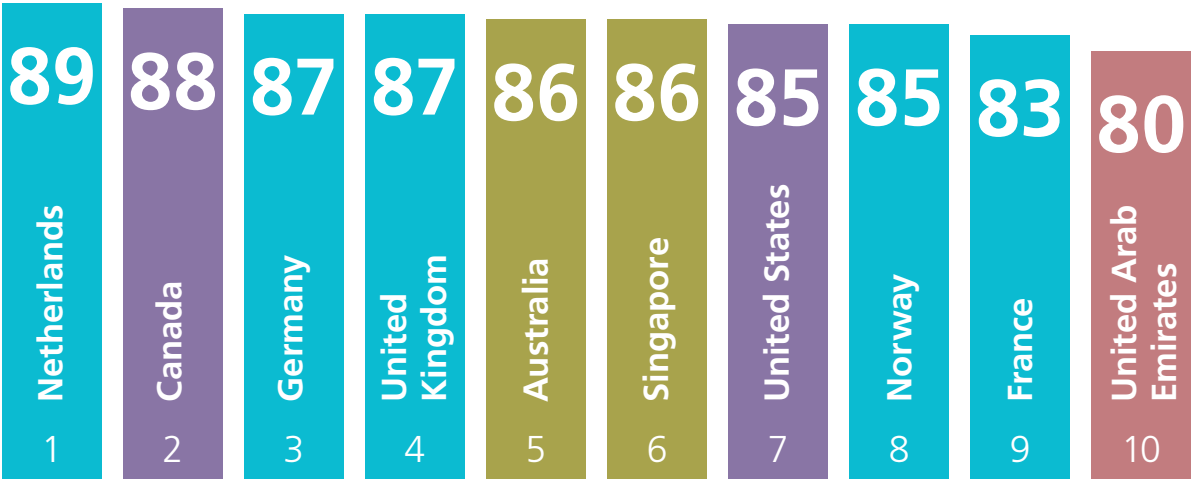
A new direction: Africa – Solar PV takes hold in Africa

The Infrastructure Index results

The CMS Infrastructure Index analyses data across 40 jurisdictions against six key criteria to create a guide to the most attractive destinations for infrastructure investment.



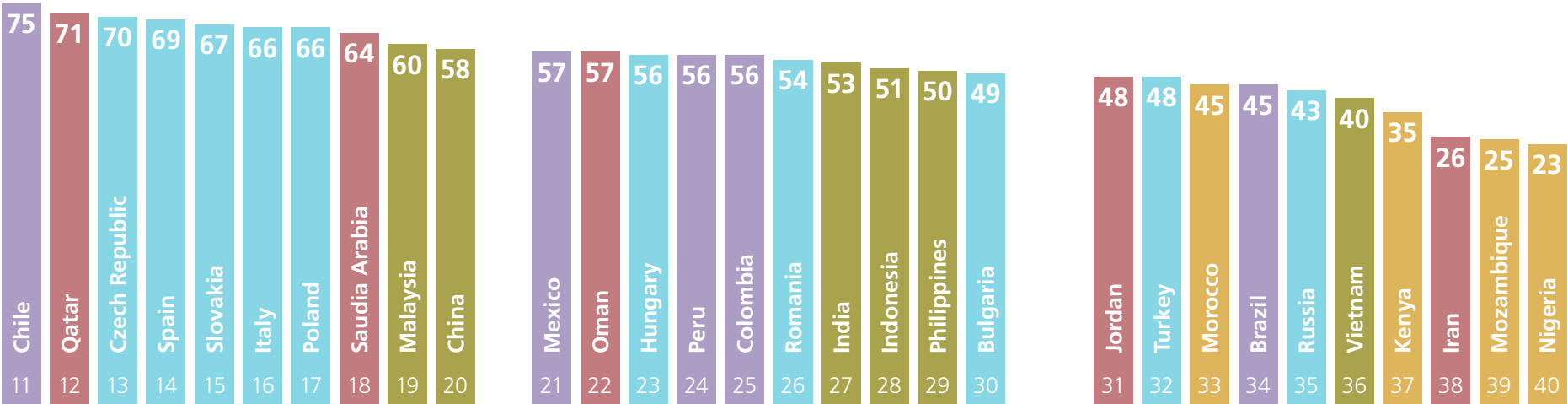
Top 10



There is currently a lot of optimism concerning African renewables due to growing political will and falling costs. Clean energy is widely seen as the most effective way to address the continent’s energy needs.



Countries ranked 11-40



Top regional influences

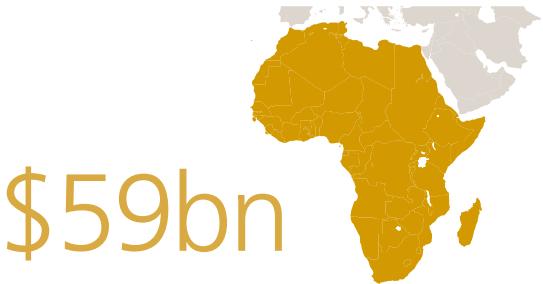
Solar and **wind power** receiving increased investment.



High regulatory and **political risk** prevents most projects from achieving bankability.



US\$59bn committed to Africa by the **World Bank** and the **African Development Bank**.



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A new direction

Creating an attractive environment for investors in infrastructure is no easy task. Politics and policy can make or break private participation and the flow of investment. Something that has never been clearer than in the CMS Infrastructure Index that ranks 40 jurisdictions in order of infrastructure investment attractiveness.

This supplement to the Infrastructure Index examines the opportunities in Africa. A tremendously exciting continent, Africa has grand ambitions to develop its infrastructure in health, schools, energy and roads. It experienced double-digit revenue growth for utilities, transport and healthcare over the last decade and its population is shifting towards urban areas, generating an increased need for reliable infrastructure of all types.

The Index highlights the importance of local governments prioritising and championing infrastructure as private sector finance waits to be invested. If Africa is to benefit, it must provide a clear, deliverable pipeline of projects and some assurances of successful project completions.

Morocco ranks 33rd in the index and is home to the ambitious €2.2bn Noor PC project. Solar power and other forms of clean energy are evident all over the continent as it seeks to use its natural solar resources to future-proof its energy supply.

A number of countries are receiving strong support from private investors. Nigeria's recent Eurobonds are eight times oversubscribed and Mozambique's recent US\$7bn floating LNG project led by Eni has now reached financial close. Kenya is benefitting from Chinese investment as it develops its transport infrastructure in its major cities.

The Index provides a realistic picture for Africa. There are opportunities for private investors keen to be involved in transforming the continent.



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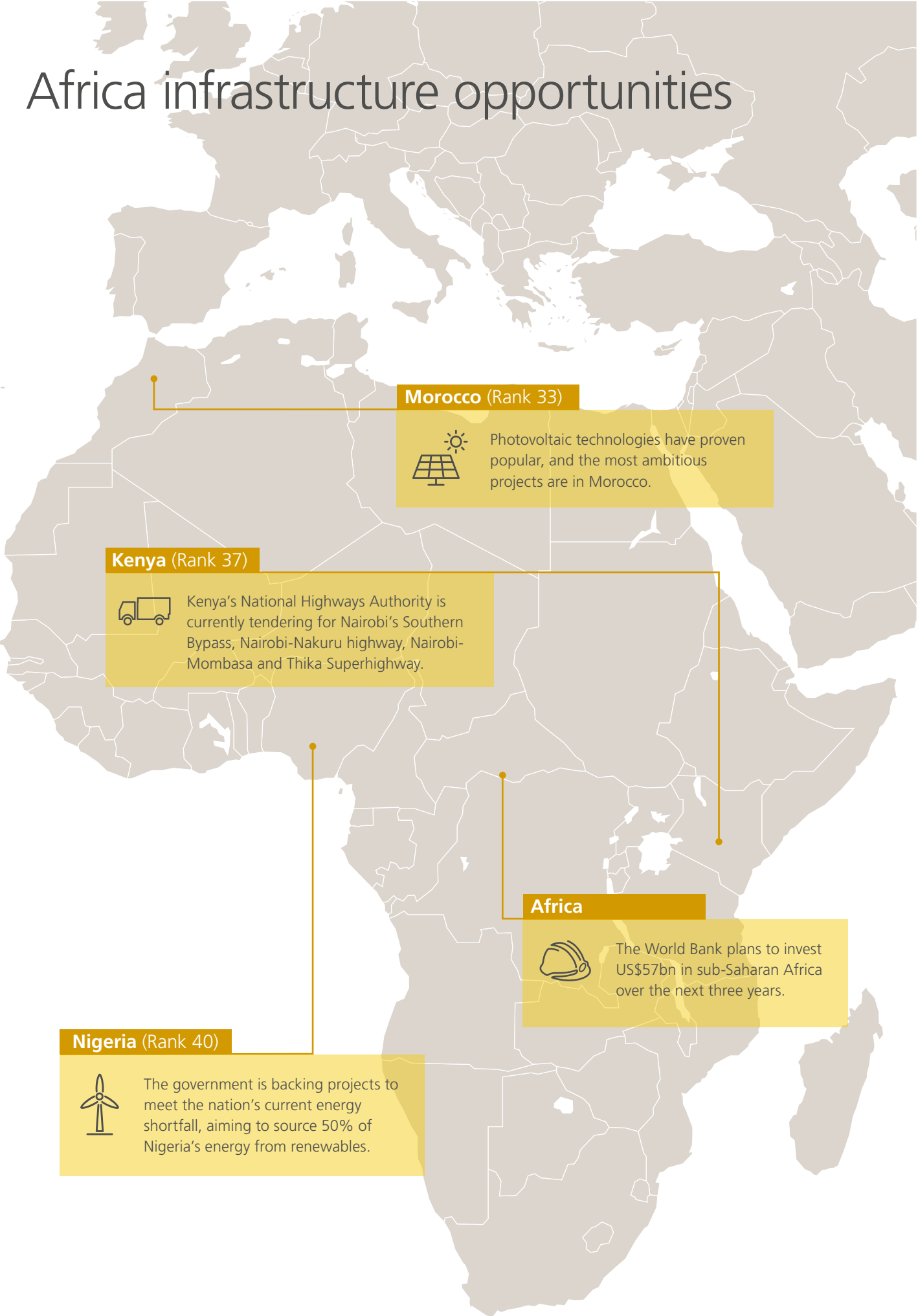
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Africa infrastructure opportunities



Solar PV takes hold in Africa

The lack of adequate infrastructure in Africa is stifling the continent’s economic growth, but the wide infrastructure gap can be bridged by private investment. Attracting this money is an ongoing challenge, as high regulatory and political risk prevents most projects from achieving bankability. Currency volatility, corruption and a lack of experience in project finance add to the continent’s uncertainties. But interest in solar PV and onshore wind is on the up.

Rank	Country	2017 Score
33	Morocco	45
37	Kenya	35
39	Mozambique	25
40	Nigeria	23

The World Bank plans to invest US\$57bn in sub-Saharan Africa over the next three years, and the African Development Bank (ADB) committed around US\$2bn to infrastructure across Africa in 2016. Increasingly, larger projects are using debt from Chinese state-owned banks, and will often be managed by Chinese EPCs as part of Beijing’s Belt and Road Initiative. There is currently a lot of optimism concerning African renewables due to growing political will and falling costs. Clean energy is widely seen as the most effective way to address the continent’s energy needs.

Clean energy is widely seen as the most effective way to address the continent’s energy needs.

Morocco – 33rd

Photovoltaic technologies have proven popular, and the most ambitious projects are in Morocco, where the government has developed the €2.2bn Noor PV and concentrated solar power pipeline which, when complete, will hold a capacity of 580MW. Acwa Power reached financial close on Noor 4 in June 2017, with debt provided by German development bank KfW. Whilst Morocco boasts the most dynamic renewables sector in Africa, the infrastructure gap is still considerable. The country has experienced public protests over poor social infrastructure and transport in the northern Rif region throughout 2017.

Kenya – 37th

The dominant economy in East Africa, Kenya has an active transport programme, which includes airports, rail and roads, as outlined in Kenya Vision 2030. A number of projects are being tendered by Kenya’s National Highways Authority (KeNHA) as PPPs, including Nairobi’s Southern Bypass, the Nairobi-Nakuru highway, Nairobi-Mombasa and Thika Superhighway. Others have been financed and built by Chinese banks and EPCs. This was true for the Nairobi-Mombasa Madaraka railway, the largest infrastructure project in Kenya since the country’s independence in 1963, and could be the route for Nairobi’s Northern and Eastern Bypasses. Further Chinese investment will fund an infrastructure development programme aimed at decongesting Nairobi with light rail and roads.



Mozambique – 39th

Whilst commodity prices have undoubtedly damaged the economy of Mozambique, the recent economic downturn has been exacerbated by a scandal surrounding US\$1bn of undisclosed government debt. Inflation in Mozambique rose as high as 25% in 2016, and the country is regularly defaulting on its debt. One project that has progressed is the Coral South liquefied natural gas project. The US\$7bn floating liquefied natural gas project, which is led by Italian oil and gas group Eni SpA, reached financial close in June 2017. On the renewables side, Scatec Solar completed the financing of the 40MW Mocuba Solar this year. The project relied upon multilateral loans and viability gap funding.

Nigeria – 40th

Nigeria has enjoyed an average of 7% growth over the past decade. That said, the country is still underdeveloped and the continued strong growth has put increasing pressure on the nation’s infrastructure. There is now an urgent need for capital, with an energy investment gap estimated at US\$1.5bn and a transport infrastructure gap of over US\$3bn.

To resuscitate infrastructure investment, Nigeria issued a 15-year, US\$1bn Eurobond in February and a US\$500m Eurobond in March 2017. The bonds were eight times oversubscribed, showing strong investor confidence in the country. Bankable infrastructure projects have been sparse in Nigeria; public-private-partnerships (PPPs) are often announced, but rarely reach financial close. The latest casualty is Lagos’ fourth mainland bridge, the contract for which the government cancelled without explanation in 2017, despite having appointed sponsors 12 months earlier. However, the renewables market is moving forward: the government is backing projects to meet the nation’s current energy shortfall, aiming to source 50% of Nigeria’s energy from renewables in the coming years. Nigeria has the lowest political stability ranking of the 40 countries studied, due to the ongoing conflict with militant group Boko Haram in the north-east.

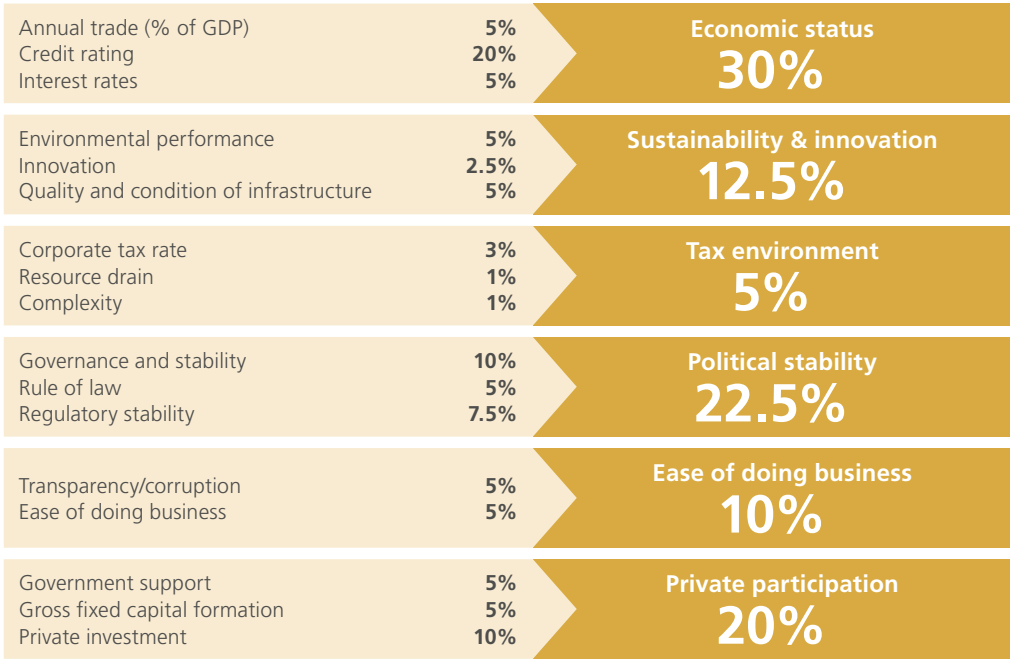
The government is backing projects to meet the nation’s current energy shortfall, aiming to source 50% of Nigeria’s energy from renewables in the coming years.

Methodology

The Index indices are based on the following six main indicators and further sub-indicators, as shown below:

- Economic status
- Sustainability and innovation
- Tax environment
- Political stability
- Ease of doing business
- Private participation

All of these are weighted as shown in this graph:



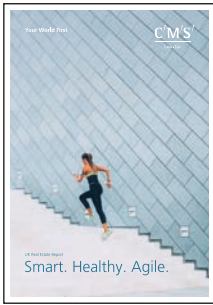
This Infrastructure Index provides an effective tool to measure the overall attractiveness of each country for infrastructure investment, also allowing a more sophisticated analysis based on the comparison of specific parameters, such as political stability and private investment in infrastructure, among different jurisdictions. The commentary provided in this report provides a regional context for our findings, also considering major themes in the industry, track-records and project pipelines.

The scores and subsequent rankings for Africa are highlighted below.

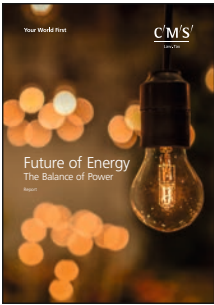
	Score	Private participation	Ease of doing business	Political stability	Tax environment	Sustainability and innovation	Economic status
Morocco	45.27	10.00	5.23	11.16	3.69	7.19	8.00
Kenya	34.86	6.00	4.36	7.64	3.83	7.23	5.80
Mozambique	25.14	3.25	4.04	5.68	3.78	5.39	3.00
Nigeria	23.28	6.63	3.63	2.54	2.72	6.09	1.67

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Future of energy:
the balance of power



What has 2017 meant
for Transport?

About inspiratia

inspiratia pushes the boundaries of analytics in the global infrastructure and renewables sectors, producing the most accurate and insightful analysis, uncovering new financial information and making robust sector predictions.



inspiratia provides clients with the tools to anticipate and analyse market trends in a way that helps grow their pipeline of deals and assists with business development. Based in London and Washington DC, inspiratia has an international team of industry experts and analysts all with in-depth sector expertise and extensive professional networks. www.inspiratia.com



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