Arab Financing Facility for Infrastructure

Developing infrastructure for growth and regional integration in Arab Countries

Arab countries face a shared challenge of raising growth, improving competitiveness, and creating significant levels of new employment. Developing world-class infrastructure is critical for unlocking the region’s growth potential, creating jobs and improving the quality of infrastructure services, one of the recurrent demands of its growing population.

The Arab Financing Facility for Infrastructure (AFFI) is a partnership between the World Bank Group and the Islamic Development Bank (IsDB) to support Arab infrastructure development for economic growth and regional integration. It is designed to promote regional policy dialogue on infrastructure challenges; to catalyze access to public and private finance sources; and support sustainable infrastructure projects, in particular Public-Private Partnerships (PPPs).
Eligible sectors:

- Energy (power plants, transmission lines and distribution services)
- Transport (rail, road, airport and ports)
- Water and Waste (water supply, sanitation and solid waste)
- Information and Communication Technologies (optical fiber, sea cable)
- Social infrastructure (hospitals, schools)

The four components of AFFI:

- The Arab Infrastructure Policy Forum (AIPF) is a ministerial/high-level forum which offers a dialog platform on regional infrastructure issues.
- The Technical Advisory Facility (TAF) provides transaction advisory services and grants to prepare Public-Private Partnership projects in Infrastructure.
- The Public Window provides funding to governments on infrastructure and PPP projects.
- The Private Window provides mainly mezzanine funding (Sharia compliant and non-Sharia) to the private sector for infrastructure projects in Maghreb, Mashreq and Gulf countries.
The Arab Infrastructure Policy Forum will boost dialog on regional integration

The Middle East and North Africa (MENA) region has low levels of regional economic integration. Intercountry trade within MENA accounts for less than 10% of total trade, compared to 24% in East Asia and 70% in Europe. Intra-region investment flows are limited. Only 10% of Gulf country total investment goes to non-Gulf countries. Only 0.3% of Maghreb investment comes from other Maghreb countries.

AFFI will offer a platform for regional policy dialogue, technical assistance and financing to help foster coordination and stimulate regional infrastructure projects, the building blocks of regional economic integration.

List of Arab countries*

1. Algeria
2. Bahrain
3. Comoros
4. Djibouti
5. Egypt
6. Iraq
7. Jordan
8. Kuwait
9. Lebanon
10. Libya**
11. Mauritania
12. Morocco
13. Oman
14. Qatar
15. Saudi Arabia
16. Somalia
17. Sudan
18. Syria
19. Tunisia
20. United Arab Emirates
21. West Bank and Gaza
22. Yemen

*Access to AFFI different financing windows subject to eligibility.

**Libya has been excluded from Arab league meetings since February 22, 2011.
Governance of Technical Assistance Facility (TAF)

The Technical Assistance Facility Governing Body

- Members are donors to the TAF
- Provides strategic guidance and oversight to the TAF
- Monitors the performance of the TAF

The TAF Managers

- Part of a joint IFC and IsDB management structure
- Manage the TAF
- Assess/evaluate/approve grant requests
- Develop relationships with governments wishing to undertake PPPs

Governance of the Private Fund

The Advisory Committee

- Provides investor oversight

The Fund Investment Committee

- Approves requests
- Has overall responsibility including monitoring performance of the Fund

The Fund Manager

- Identifies and negotiates fund investments
- Manages the portfolio of investments
Supporting the development of Public-Private Partnerships (PPP) in Infrastructure

Investments in PPPs in the Middle East and North Africa (excl. Gulf countries) almost tripled between 2000 and 2007, from $4bn to $11.4bn with governments doing increasing numbers of PPPs.

While MENA is making strides in PPPs, it still lags other regions. Investment in PPPs as a percentage of GDP in MENA is half that in Eastern Europe and Central Asia. Adjusted for the size of the economy, South Asia is mobilizing more than 4 times the level of PPP investment of MENA.

However structuring large PPP transactions and achieving financial closure, which lead to successful operational infrastructure, require a complex set of PPP skills not readily available in the region. In addition, long term financing is still limited today.

AFFI will help build the PPP momentum by providing targeted technical assistance, disseminating good practices, and providing both public and private financing. In addition, it will advocate leveraging resources between sub-regions (especially from Gulf countries to Mashreq and Maghreb)
Arab Infrastructure Policy Forum

Has an overview of AFFI activities and discusses strategic orientations to move the Arab infrastructure agenda forward

TAF Governing Body
Supervises the TAF

World Bank Board
Approves projects

Fund Investment Committee
Approves projects

TAF managers
Assess/evaluate and approve requests

World Bank sector lead
Assesses/evaluates projects

Fund manager
Assesses/evaluates requests

Public entity
Submits request for technical assistance and transaction advisory

Government
Submits projects

Private promoter
Submits projects
### AFFI’s timetable and key features

<table>
<thead>
<tr>
<th>AFFI component</th>
<th>Objective</th>
<th>Activity</th>
<th>Date</th>
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<tbody>
<tr>
<td>Arab Infrastructure Policy Forum</td>
<td>Foster regional dialogue on infrastructure challenges</td>
<td>Launch</td>
<td>April 5, 2011 in Amman, Jordan</td>
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<tr>
<td></td>
<td></td>
<td>Next meeting</td>
<td>To be decided</td>
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<tr>
<td>Technical Assistance Facility</td>
<td>Provide transaction advisory for PPPs and grants to prepare PPP infrastructure projects</td>
<td>Signature of the grant agreement between the World Bank and the IsDB. Funding from IFC and IsDB. Secondment of IFC and IsDB Staff.</td>
<td>April 5, 2011 in Amman, Jordan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Open to operations</td>
<td>Planned summer 2011</td>
</tr>
<tr>
<td>Public Window (initially World Bank)</td>
<td>Provide public funding – IBRD terms – to governments for national and regional infrastructure projects</td>
<td>Open to operations</td>
<td>April 5, 2011 in Amman, Jordan</td>
</tr>
<tr>
<td>Private Fund</td>
<td>Invest in infrastructure projects (private promoter) providing mainly mezzanine funding (Sharia compliant or not)</td>
<td>Selection of the fund manager</td>
<td>Mid-April 2011</td>
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<tr>
<td></td>
<td></td>
<td>Open to operations</td>
<td>Planned end of 2011</td>
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For more information on the Arab Financing Facility for Infrastructure

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