

SECTORS TARGETED BY MDBS FOR GROWTH AND INVESTMENT

MDBs have placed particular focus on the following sectors:

ENERGY TRANSITION



Gas

MDBs play a key role in supporting the transition towards greener energy sources and reducing gas flaring in Africa (which results in significant negative health and climactic externalities) by financing gas processing plants and gas-to-power projects.

Given the increased interest in gas development brought about by these initiatives, appetite for gas commercialization projects is increasing among industry players and commercial banks. In particular, indigenous companies are seeking to expand their focus on gas commercialization activities in order to maximize their earnings from the gas value chain.

Even in countries whose revenues largely depend on crude oil exports, there is a growing recognition of the importance of diversifying away from traditional fossil fuels. For example, Nigeria's huge gas reserves will be a key element in buffering the nation from the effects of the energy transition. To this end, the Minister of State for Petroleum Resources declared 2020 as "the year of gas for the nation." This announcement coincided with the implementation of the seven critical gas development projects (7CGDPs), an integral part of the Nigerian National Petroleum Corporation's gas development strategy.



Renewables

Activity in Africa's renewable energy sector continues to grow. One landmark transaction announced at the start of 2021 was Qatar Investment Authority's acquisition of a 50 percent stake in Enel Green Power's stake in approximately 800 MWs worth of projects in operation and under construction in South Africa and Zambia. As the cost of constructing solar PV units continues to fall worldwide, and as African nations prioritize fiscal and legal incentives tied to these projects, DFIs, developers and investors in Africa expect activity in the renewables sector to grow.



Captive power

Heightened activity in the captive power sector is tied to the increasing investment in the renewables sector. There is a growing recognition that captive power projects can be constructed and mobilized quickly and at reasonable cost.

DIGITAL INFRASTRUCTURE



Few sectors in Africa have attracted the volume of foreign direct investment that digital infrastructure has in recent years. For example, Teraco Data Environments (Pty) Ltd., Africa's largest interconnection hub and vendor-neutral data center provider, is currently constructing a 38 MW powered data center in Johannesburg that is expected to become the largest data center in Africa. Africa's internet usage is growing at an exponential rate. According to GSMA, average African mobile data traffic will more than quadruple to just over seven gigabytes per month per subscriber. This rapid growth offers opportunities for investors and financiers in a number of related sectors. South Africa is currently conducting an auction process for transmission signal rights necessary for full 5G rollout early in 2021. Ethiopia is similarly planning to open its phone market. In addition to signaling rights, there is growing focus on investments in connection with mobile masts and "last-mile" connectivity in Africa. Outside of the telecommunications sector, the Digital Identification for Development Project in Nigeria is a foundational project that seeks to develop a robust and inclusive foundational identification system to facilitate community access to services.¹