

## **A conversation with Bobby Pittman on June 27, 2013**

### **Participants**

- Bobby Pittman — Founder, Kupanda Capital, and former Vice President of Infrastructure, Private Sector and Regional Integration at the African Development Bank
- Elie Hassenfeld — Co-Founder and Co-Executive Director, GiveWell
- Hudson Cavanagh — Research Analyst, GiveWell

### **Summary**

GiveWell spoke with Mr. Pittman as part of its initial consideration of the cause of developing-world infrastructure, i.e., supporting the construction of roads, access to electricity, Internet access, etc.

Mr. Pittman pointed to four main opportunities for philanthropists:

1. Providing early stage funding to unlock funding from large funders, including private-sector capital.
2. Expanding projects to benefit neglected communities.
3. Ensuring that community interests are represented in the planning process.
4. Changing the mix of infrastructure projects, including making the energy mix have a greater portion from renewable energy sources.

**Note:** This set of notes was compiled by GiveWell and gives an overview of the major points made by Mr. Pittman in the conversation.

### **Possible roles for philanthropy in developing world infrastructure development**

Mr. Pittman believes that, while there is a substantial amount of funding in infrastructure development, but there is still not enough funding to meet the needs. Philanthropists could contribute in the following ways.

#### **Early stage funding**

In the early stages of a project, funding is needed to determine whether a project is feasible and to convene the actors who could implement the project. The early stages of project development tend to be underfunded in sub-Saharan Africa. Later in the process, large private and public players are able and willing to move projects forward.

There were about 20 private-sector deals closed in Africa as a whole last year. About half of those were power infrastructure. Reasons there were not more deals include:

- Lack of private developers with large balance sheets. A large balance sheet allows a company to take strategic risks and fund the research necessary to identify new projects.
- Lack of public or philanthropic funding for project preparation, including feasibility studies.
- Lack of market information to bring the various parties together. The African Development Bank is working on a project called Sokoni (Swahili for marketplace) to provide information on project funding sources, potential investors, and other market information.

Feasibility studies tend to be relatively inexpensive and underfunded. Examples:

- It took a year to find the \$1 million needed to do a feasibility study for the Lake Turkana wind farm project. This funding came from USAID.
- The Inga hydroelectric project in the Democratic Republic of the Congo is the world's largest hydroelectric project. The feasibility study cost 13 million Euros. The study changed people's minds about the feasibility of the project and there are now concrete actions toward implementation. The World Bank and the African Development Bank played a key role by funding the feasibility study and convening partners to discuss the project.

In addition to feasibility studies, Mr. Pittman believes that more meetings that bring together the players for a particular project, could be helpful.

There are a number of regional bodies, such as The New Partnership for Africa's Development (NEPAD), the African Union (AU), the Common Market for Eastern and Southern Africa (COMESA), and the East African Community, that have staff focused on highlighting opportunities for cross-border infrastructure projects. These groups have very small budgets. Funding these groups could help them to transition ideas for projects to implementation of projects. The African Development Bank is probably the largest funder of these groups. It funds two of the five infrastructure researchers at NEPAD. About \$2 million dollars could have a significant impact on NEPAD's work and \$5-10 million could have a significant impact on the African Union's work. Alex Rugamba, Director of Regional Integration & Trade Department at the African Development Bank would have more information about current funding available for investigating opportunities for infrastructure projects.

Funding early stage research involves not only making resources available but also choosing among a large number of potential projects to investigate. It is risky because even if you chose these investigations well, you will fund some failures. Failures can lead to allegations of corruption. In addition, early-stage project developers, because of the nature of the enterprise, tend to be risk-takers with

"cowboy" personalities. Policymakers are reluctant to fund these types of people. One way to get around these concerns is to fund a facility, set up guidelines and allow the facility to make the decisions about who to fund.

Most of the progress in early stage funding has been for power. InfraCo, which was founded ten years ago with a small amount of funding by the UK government's development department, DFID, has closed a number of deals and is considered successful. The International Finance Corporation's InfraVentures program has not yet closed a deal and probably is not ready to be scaled up. The African Development Bank is also planning to open a development company by the end of the year and the US is planning to support the African Development Bank's Sustainable Energy Fund for Africa (SEFA) program. The African Union recently launched an early stage funding program for geothermal energy projects with 50 million Euros in funding, primarily from the German government.

### **Expanding projects to benefit neglected communities**

Philanthropists could add funding to projects that are in progress to benefit neglected communities. Examples include building a rural access road off of a new major road or funding local connections to a new power plant.

### **Ensuring that community interests are represented**

Governments generally do not have the rules in place to make sure local communities are consulted. There are some advocacy groups that represent communities' interests. There may be scope to use social media to make community opinions a greater part of infrastructure project planning. A philanthropist could provide funding to a large funder, such as the African Development Bank, to add a social media component or other community involvement component to future projects.

### **Changing the mix of infrastructure projects**

Philanthropists could push more funding toward certain projects over others. For example, by funding renewable energy sources to make the mix of power sources in the developing world more environmentally-friendly.

## **Types of infrastructure projects**

### **Roads**

Roads tend to be a large portion of governments' infrastructure budgets. Politicians do not like to fund risky and long-term projects and roads tend to be low-risk. Funding roads is not well suited to private-sector development because there is

generally little or no revenue from roads. Due to the large portion of public funding in roads, it is difficult for funders to play a catalytic role.

## **Power**

There is currently a shift in sub-Saharan Africa and the power sector is attracting many more private players. Mr. Pittman believes that in the next ten years there will be a substantial increase in private funding for power.

Early stage funding has been and is likely to continue to be useful in unlocking private and public capital for power projects.

## **Telecommunications and the Internet**

This is an area where patient capital can unlock work that has a big impact on people's lives. It's less certain that early stage funding will lead to capital investment in this area than in power, but there is more upside because there is more scope for creativity and big impact on how people live.

## **Other types of projects**

There are some opportunities in water, ports and airports, but the path to impact is less well understood than it is for power.

## **Strategies**

*GiveWell asked Mr. Pittman to comment on strategies that Todd Moss of the Center for Global Development had suggested in a previous conversation.*

## **Cash on delivery**

There is some potential for this to have impact, particularly in water.

## **Advocacy for improved regulation**

It is much easier for niche groups to impose unreasonable restrictions on poorer countries than it is in richer countries. For example, the Overseas Private Investment Corporation (OPIC) delayed a gas-fired power project because US environmentalists had successfully advocated for environmental restrictions on overseas projects. The regulations never would have been politically viable within the US and they make less sense in Africa than they would in the US. Similarly, US interests have restricted US involvement in African hydroelectric development because they believe that dams are destructive. This effort has been led by the group International Rivers based in Berkeley, California. Efforts to counter restrictive regulations such as these could be impactful.

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