



REGIONAL AND CONTINENTAL INFRASTRUCTURE DEVELOPMENT – KEY ISSUES AND CHALLENGES

Presentation by:

Anil Bhandari
Senior Infrastructure Specialist
AB International Enterprises Ltd.

ICPAK 35th Annual Seminar
21 – 24 May 2019
Mombasa, Kenya

Presentation Agenda



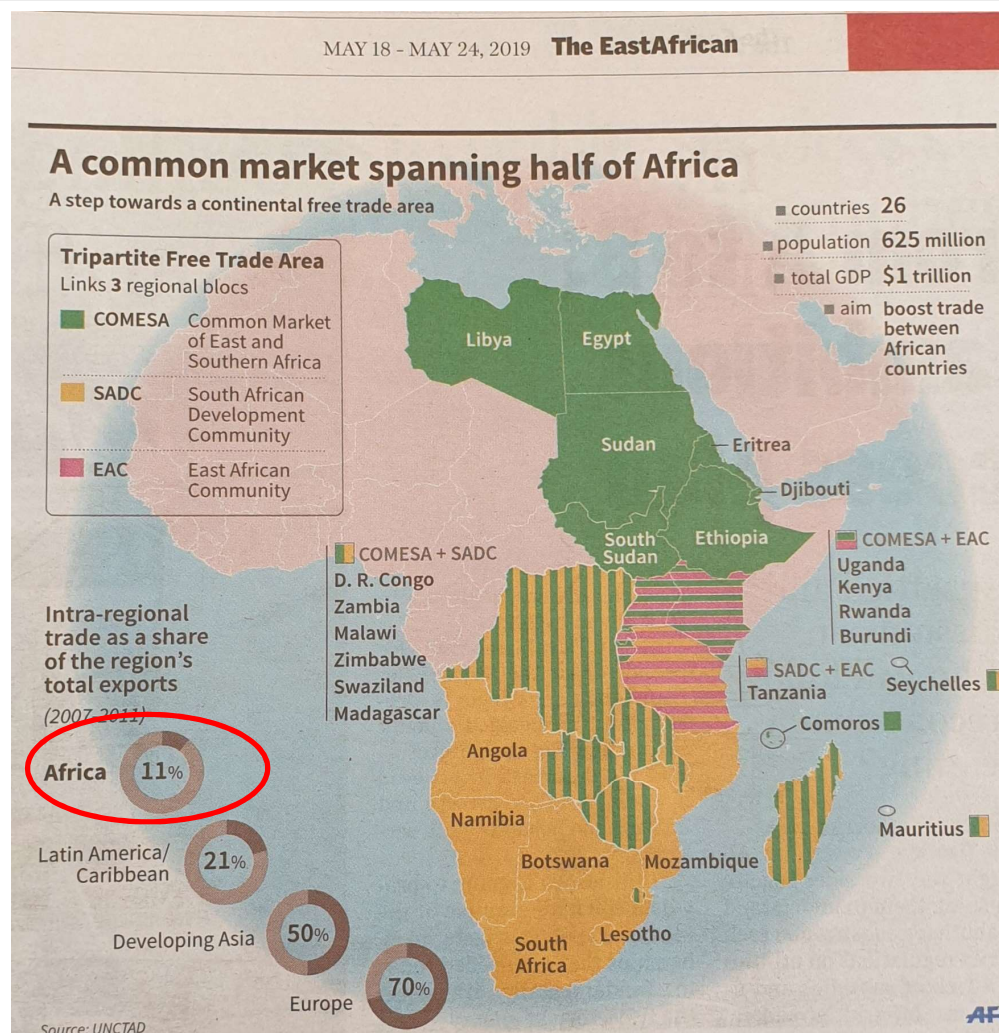
- ☐ Background to Africa's Growth Strategy and Development
- ☐ Impediments to Africa's Growth Strategy
- ☐ Status of Infrastructure in Africa
- ☐ What is the Plan for Africa's Infrastructure?
- ☐ PIDA Plan of Action
- ☐ Agenda 2063
- ☐ Key Issues and Challenges
- ☐ Concluding Remarks

Background to Africa's Growth Strategy



- ❑ Pre-Independence: Mainly production and export of agricultural products and minerals under colonial rule
 - infrastructural development structured accordingly
- ❑ Post-Independence (late 1950s): Import Substitution Industrialization – modernize agriculture and release surplus labor for industrialization
- ❑ 1970s: Structural Adjustment Programs, Macroeconomic stabilization, market economics, privatization
- ❑ Today: Global trade and competitiveness, better business climate, infrastructure priority, a la China

Intercontinental Trade



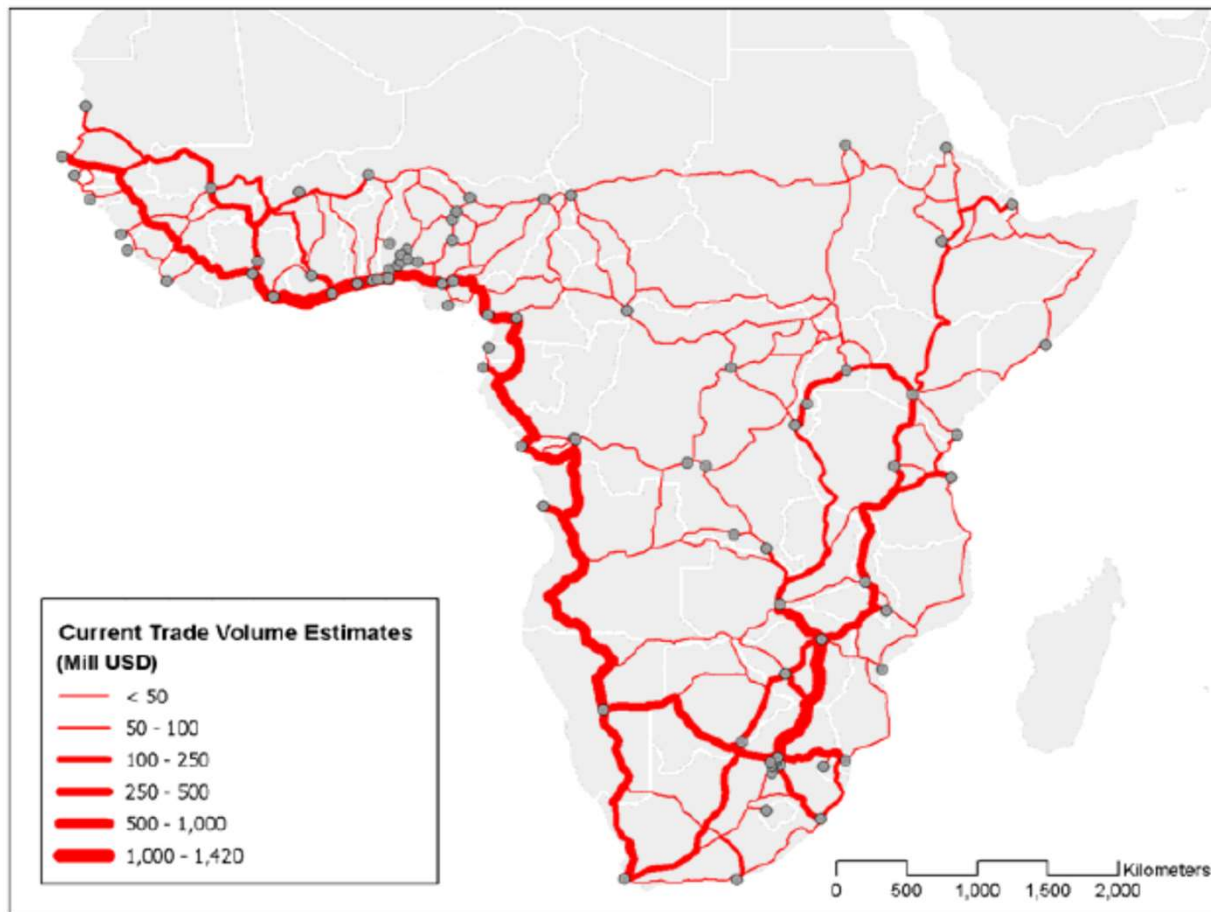
Regional/Continental Trade



Distribution of Trade by Sub-Region as a Percent of Total

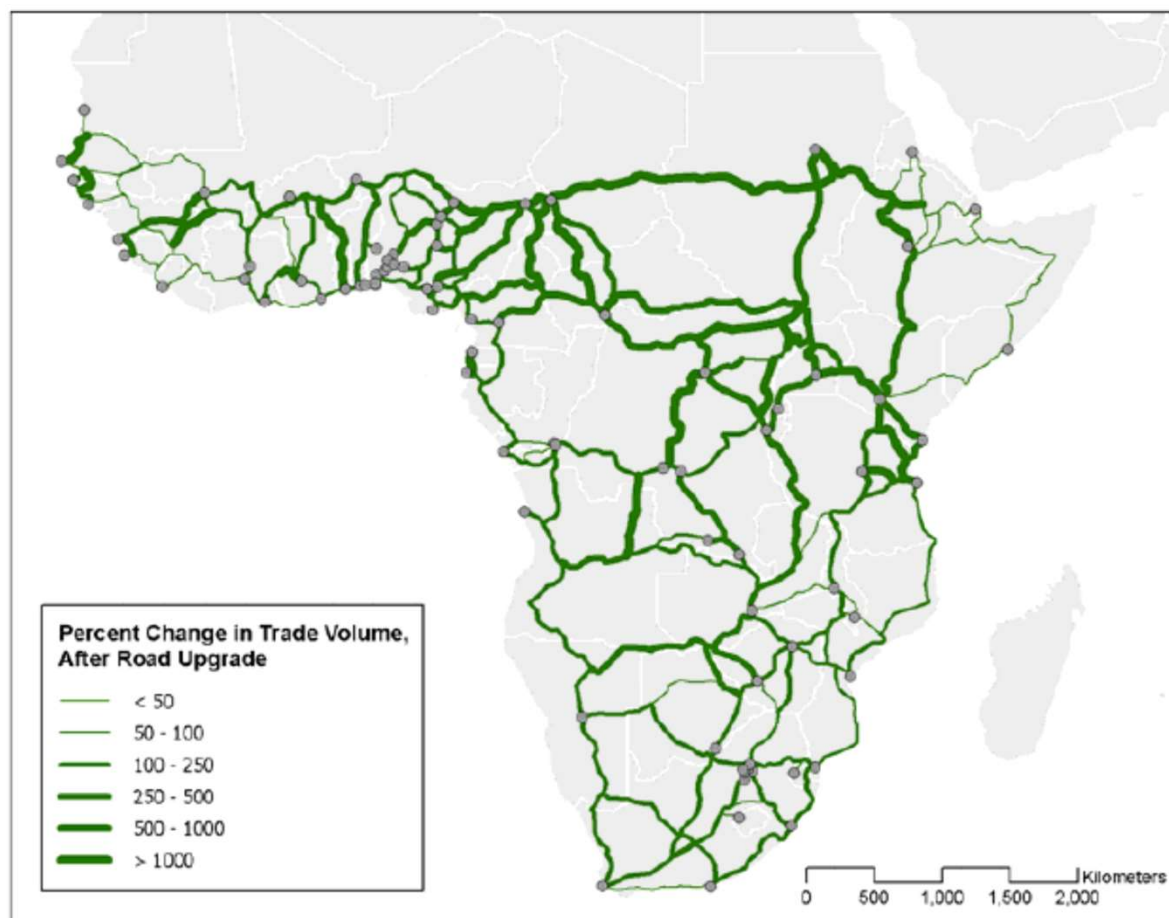
Sub-Region	Imports (Origin)				Exports (Destination)			
	Other Africa	Within S. A.	Overseas	Total	Other Africa	Within S. A.	Overseas	Total
Southern Africa	5.0	16.0	79.0	100.0	0.0	23.0	76.0	100.0
Eastern Africa	8.0	13.0	79.0	100.0	5.0	23.0	72.0	100.0
Total Study Area (S.A.)	5-8%	13-16%	79%	100.0	0-5%	23%	72-76%	100.0

Current Intra-Africa Trade Estimates



Hardly any
East – West
Trade.
< \$200 billion
per annum on
less than
10,000 km
road network

Rise in Intra-Africa Trade With Improved Roads



With Improved
Road Network
trade can increase
to >\$250 billion per
annum

60-100,000 km of
highways required
For full connectivity

Background to Africa's Growth Strategy (Cont..)



- ❑ Improve Africa's Infrastructure – promote economic growth, overcome historical underinvestment
- ❑ Current financing gap is US\$93 bn per annum, twice that determined only ten years ago -50% Energy, 25% Transport and ICT, rest Water and Sanitation
- ❑ Infrastructure is a pre-requisite to development, but not a guarantee
- ❑ Ultimate objective for Africa is to create a single market of > 1 billion people that is competitive
- ❑ Regional and continental infrastructure integration across Africa is a must

Impediments to Africa's Growth Strategy



- ❑ Infrastructure deficits are large (Roads, Rail, Ports, Energy, ICT, Water and Sanitation)
- ❑ Significant skill mismatches
- ❑ Slow adoption of new technologies
- ❑ Weak institutions and policy and regulatory environment, though great progress
- ❑ Weak financial sector development
- ❑ Low levels of regional and intra-Africa trade and integration

Status of Africa's Infrastructure



- ❑ Nearly 60% of population lacks access to quality transport infrastructure – isolation, healthcare, education, jobs, industrialization, economic growth
- ❑ Less than 40% have access to electricity
- ❑ Less than 20% internet penetration
- ❑ >75% of roads unpaved and in poor condition
- ❑ Poor port facilities add 30-40% to trading costs
- ❑ Quality of Infrastructure in Africa has remained stagnant or even declined in the past few years

Status of Africa's Infrastructure



Quality of Africa's Infrastructure is decreasing or Stagnant

Source: Authors' calculations, based on World Economic Forum, Executive Opinion Survey, various editions; and CIA Factbook, various years.

Source: *WEF Africa Competitiveness Report 2017.*

Status of Africa's Infrastructure

Cont...



- ❑ Less than 40% of the rural population of countries in Africa lives within 2 km of an all-weather roads
- ❑ Rural Population pays 60-80% more per unit of electricity compared to urban population in developed economies
- ❑ Freight costs are \$0.05 - \$0.13 per ton-km compared to \$0.01 - \$0.04 per ton-km in developed countries
- ❑ Trading costs in Land Locked Countries are 50% higher than in Coastal Countries

What is the Plan for Africa's Infrastructure?



- ❑ Numerous studies have been conducted and plans adopted by REC/AU – Agenda 2063, PIDA/NEPAD
- ❑ Objective: to provide a well functioning continental, regional and national infrastructure, including Roads, Railways, Ports, ICT, Energy and Water Supply.
- ❑ Agenda 2063 Vision: the development of world class, integrative infrastructure to support Africa's accelerated integration and growth, technological transformation, trade and development through the implementation of Program for Infrastructure Development in Africa (PIDA)

What is the Plan for Africa's Infrastructure? Cont...



- ❑ By 2040: Power needs will increase 6 times; Transport volumes will increase 6-8 times and Water demand will bring major rivers to brink of ecological disaster
- ❑ ICT needs will have increased 20-fold by 2020
- ❑ PIDA: development of 37,200km of highways, 30,200km of railways and 16,500km of interconnected power lines by 2040. Also add 54,150 megawatts of hydroelectric power generation capacity and an extra 1.3 billion tons throughput capacity at the ports.
- ❑ Intra-African trade to reach 50% by 2045, and Africa's share of global trade to increase to 12% by 2063.

PIDA Priority Action Plan



SECTOR	NO. OF PROJECTS	COST (USD BILLION)
Transport	24	24.4
Energy	15	40.3
Transboundary Water Resources(TWR)	9	1.7
ICT	3	0.5
Total	51	67.9

Agenda 2063: Ten-Year Priority Infrastructure Plan



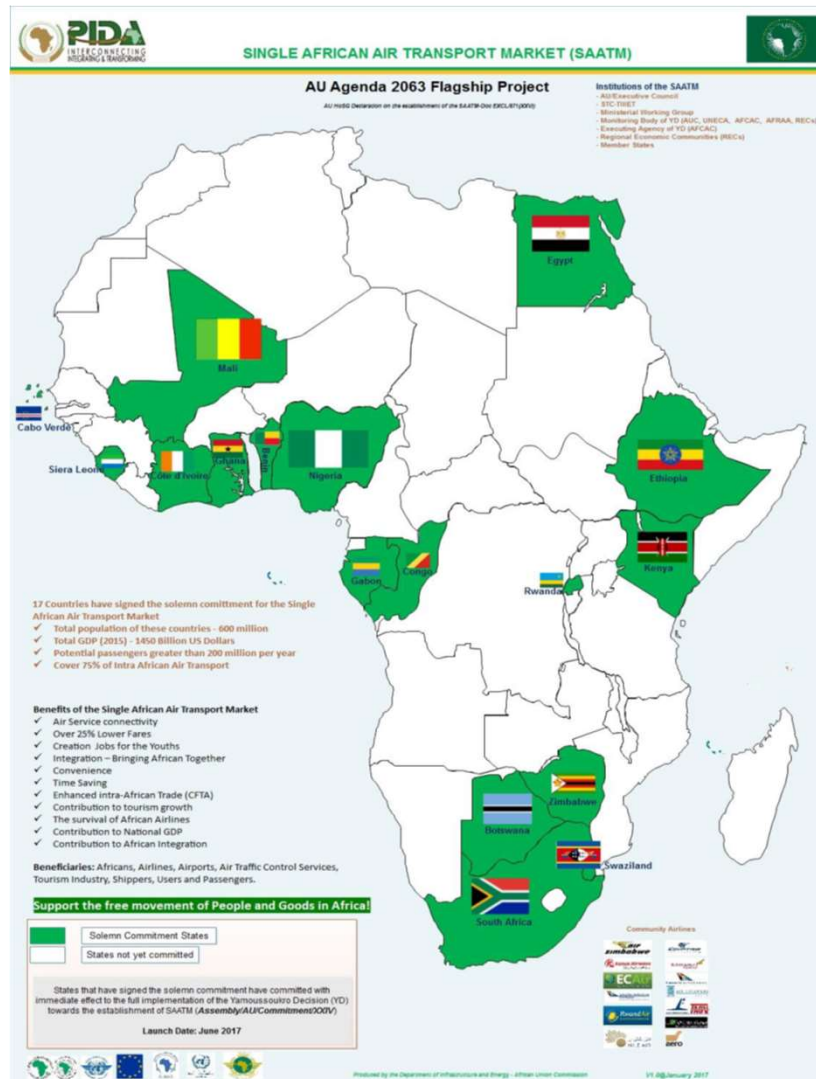
- ❑ Missing Links in Trans-Africa Highway Network:
Construct missing links and strategic connectivity roads
- ❑ Establishment of a Single African Air Transport Market (SAATM): Implement the Yamoussoukro Decision on Open Skies
- ❑ Implementation of the Grand Inga Dam Project (DRC):
Generation and distribution of 42,000 MW of Power
- ❑ The Pan-African E-Network: Intra-African broad band terrestrial infrastructure, including marine cables
- ❑ Integrated High Speed Train Network: Connect all Capitals

Trans African Highways



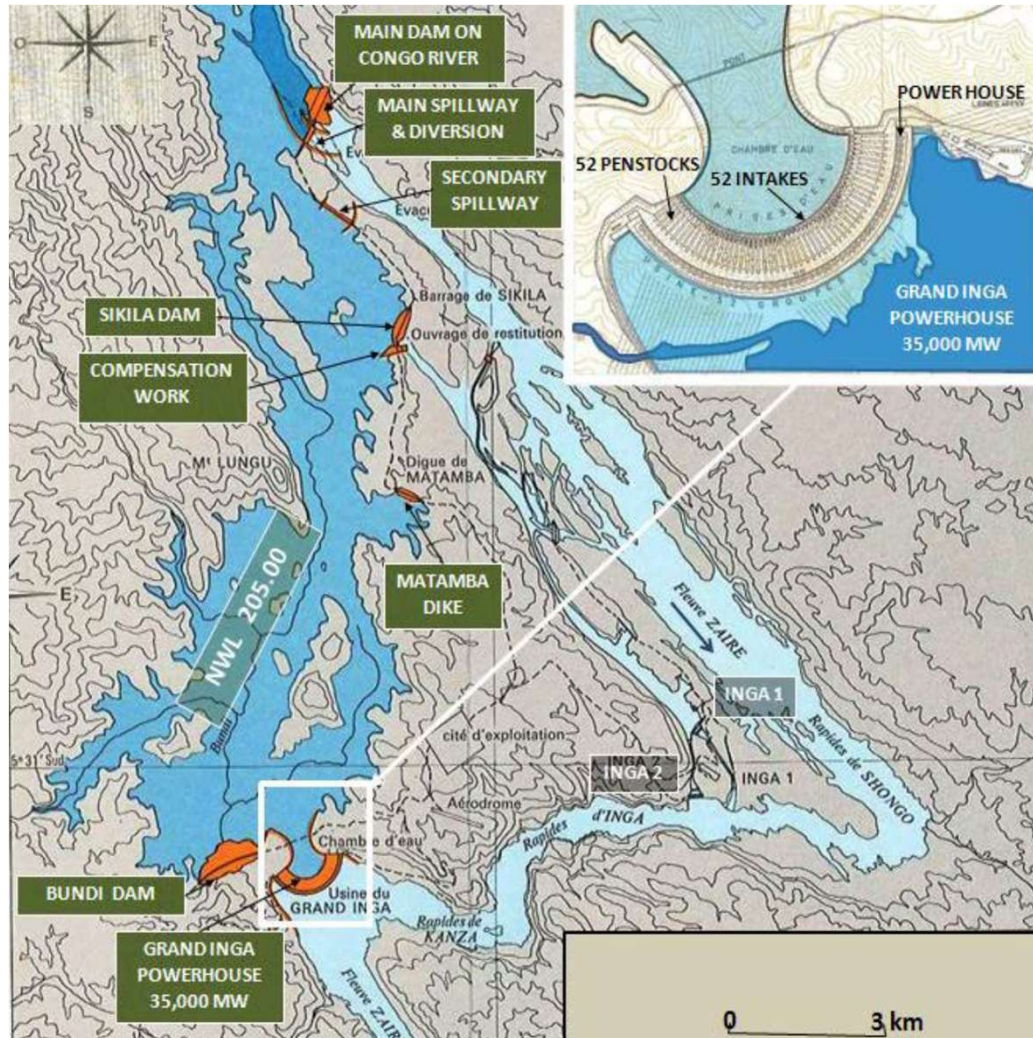
- Nine Principal Corridors
- Disconnect between North Africa and Sub-Saharan Africa
- East – West Disconnect

Single African Air Transport Market (SAATM)



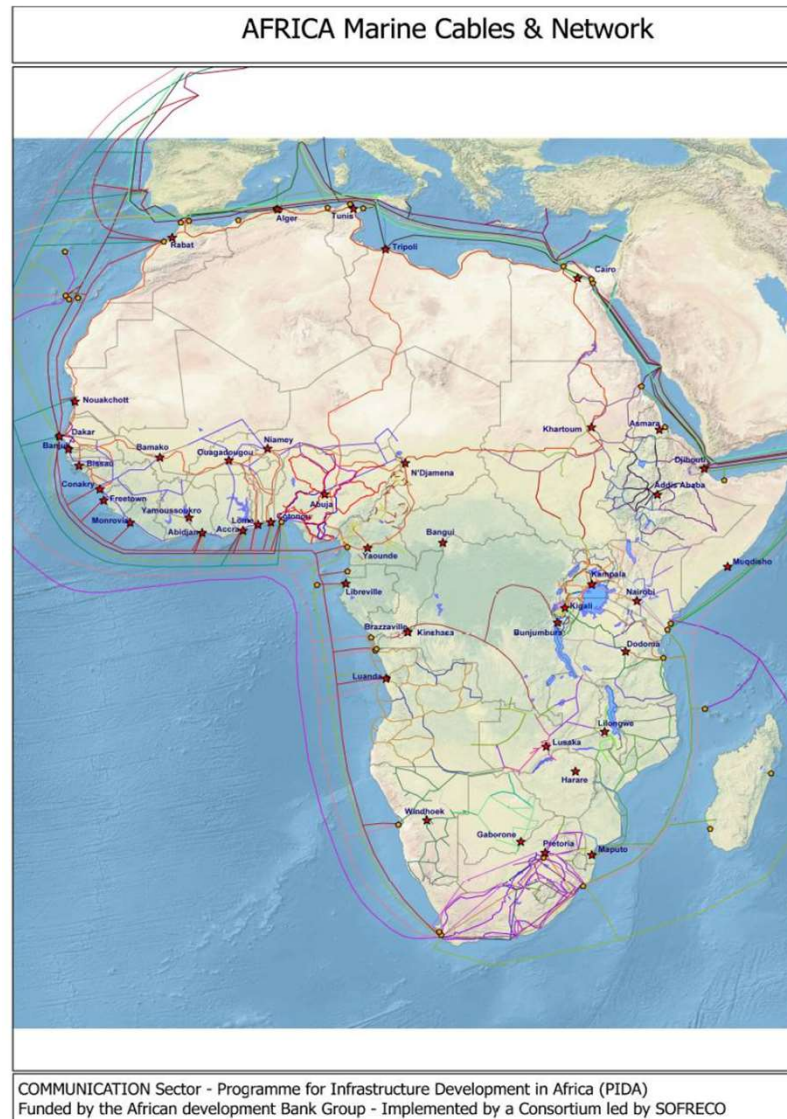
- 23 member countries have signed on
- Full liberalization of civil aviation
- Currently the sector supports 6.8 million jobs and contributes \$72.5 b to GDP
- Private sector driven

Grand Inga Dam Project



- 12,000 MW through PPP (\$14 billion)
- Regional Game Changer
- Largest Hydropower site in the world
- Generation cost \$0.03 – 0.05 per KWh
- Sell to South African Power Pool and others

Africa Marine Cable and Network (ICT)



- Connect all countries to at least 2 landing stations
- Regional land-based infrastructure (350,000 km at present)
- 80,000 km Optical Fibre in the pipeline (\$2.0b)
- Competition in service provision

Key Issues and Challenges



- ❑ Three Layers involved National, Regional, Continental
- ❑ Planning is good, but implementation is a challenge
- ❑ Requires effective implementation, monitoring and evaluation arrangements at the national, regional and continental levels – RECs
 - Strengthening of Institutional and human capacities
 - Enabling legal, policy and regulatory environment
- ❑ Political Commitment and leadership with broader view point
- ❑ Collaborate NOT Competete

Key Issues and Challenges

Cont.....



- ❑ Build-neglect-rebuild syndrome – Commit to Maintenance
- ❑ Resource Mobilization (Financing)
 - Investment budget allocation, increased taxes
 - Commercial banks, DFIs, African-owned private equity and venture capital funds
 - Risk-sharing and guarantee facilities such as the planned African Credit Guarantee Agency (ACGA)
 - Credit insurance agencies and regional insurance and reinsurance agencies such as AfricaRe
 - North Africa-linked Inter Arab Investment Guarantee Corporation (IAIGC) and Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

Key Issues and Challenges

Cont.....



- ❑ Resource Mobilization (Financing) Continued....
 - National/regional stock exchanges,
 - National/regional bonds
 - AfDB and DFI's trade finance lines of credit
 - FDI with built-in technology and knowhow transfer
 - Official Development Finance (ODF) - Multilaterals
 - Official Chinese Financing (G2G, AIIB, BRICS-NDB)
 - Private Sector Financing (Publi-Private-Partnerships)
- ❑ Realistic target setting
- ❑ Accountability – incentives, reprimands
- ❑ Inclusivity – stakeholder consultations, consensus building

Key Issues and Challenges

Cont.....



- ❑ Conflict, Instability and Insecurity
- ❑ Climate Change and Natural Disasters
 - African Climate Fund
 - Climate smart and resilient Policies
- ❑ External Shocks
 - Capital Markets and Financial shocks
 - Commodity Prices
 - Disruptive Technologies
- ❑ Corruption and Impunity (in the top three factors affecting business climate and competitiveness)

Concluding Remarks



- ❑ Infrastructure is a pre-requisite to development
- ❑ Africa's Infrastructure needs are enormous
- ❑ Benefits of improving and expanding infrastructure are equally enormous
- ❑ Well thought out and high impact plans are in place through good planning
- ❑ Implementation Capacity is a problem
- ❑ Many avenues of Financing are available – we need to be creative/innovative
- ❑ Other Challenges are known and can be surmounted

THANK YOU

Anil Bhandari
Abhandari48@gmail.com