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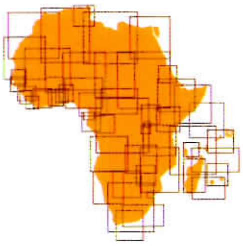
Africa
54 Countries
One Union
Addis Ababa, May 3-4, 2012



Africa: 54 Countries, One Union
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Infrastructure & Development

Concept Note

FOUR KEY ISSUES:

- Innovative financing for distributing solar energy production at domestic and regional level;
- Transportation, connecting hubs of industrial manufacturing;
- Need for strong coordination among donors and development agencies;
- Strong political commitment to speed up reforms toward planning and financing of regional and continental infrastructures.

- Africa has a low infrastructure ratio relative to other developing regions of the world. Two thirds of the region's rural populations have no access to roads. Over 60 percent of Africans are not connected to electricity. Mobile telephony expansion across the region has been a success story, but less than one in ten Africans is connected to the internet.

- The present political and economic fragmentation of Africa is unfavorable to sustained growth.

- Africa needs to build regional infrastructure that will promote inclusive growth and regional integration, which will create large and competitive economic spaces that are attractive to investors and lead to increased employment and mobility of people across borders. Regions that are well connected by road transportation, ICT, power supply and water systems will enhance inclusion. Infrastructure promotes inclusion when it links businesses and farmers to markets and helps re-address territorial imbalances within countries, or links small economies and fragile states to a regional economic hub.

- Infrastructure is, in turn, the key to building feasible regional and continental markets.

- Good infrastructure creates an enabling environment for economic activity. African firms could achieve productivity gains of up to 40 percent with adequate infrastructure. GDP growth could be enhanced by as much as 2 per cent per year.

- Financial support is critical for infrastructure. $93 billion are required annually to finance infrastructure in Africa. Current expenditure is around $45 billion. With a potential efficiency saving of $17 billion, we might estimate the current financial gap being $ 31 billion.

- There are different types of infrastructure depending from the type of economy you plan to have. It is evident that the infrastructure created for supporting the production and trade of raw materials and primary products is entirely different from that needed to support a distributed industrial structure.

- It is also clear that infrastructure issues link up with those related to the pattern of trade. Trade predominantly consisting of primary products meant for export requires a system that is very different from one designed for inter- and intra-industry exchanges. Likewise, an industrial structure made of few large 'growth poles' has infrastructural needs that are very different from those of a pattern of industrial districts of large, medium and small sized enterprises. Which type of infrastructure is to prevail is a far reaching policy decision.

- Important sub-regional and regional infrastructure projects have been launched in recent years thanks to the AfDB, the EIB, UNIDO, the World Bank and other institutions. However, in the planning, financing, implementation, and monitoring of regional and sub-regional infrastructure projects, there is a need for strong coordination among donors and the development agencies involved in Africa.

- Coordination is crucial if we want to avoid that every donor and executing agency/institution takes care of the same issue: few years ago it was the development of SMEs, then we focused on private sector, then on trade. Today investments and technical assistance are mainly directed to energy projects though the previous challenges still remain. The need exists for a more integrated approach that considers all the mentioned challenges in finding the path out of poverty and builds on a coordinated effort based on complementarities among development agencies so as to ensure that energy is linked to productive activities.

- Some new approaches attracting private players in the financing of African infrastructure exist already but they should be strengthened. Adequate economic and legal reforms and sincere commitment by governments are prerequisites to achieve more private sector involvement. Innovative financing models are necessary, as in the case of distributed energy production, including micro-generation, and water purification units, where the key issue is to offer some form of guarantee to the utility, while providing small individual equipment to millions of users.

- Moreover, projects should be not just evaluated *ex-post* but they need to be monitored step by step. In doing so, civil society may have a significant role, which should be supported and enhanced.

- There is a high commitment at political level to stick to regional cooperation, but some countries prefer to go it alone. Reforms are needed, but they require a strong political commitment. The case of the infrastructure for water supply and distribution is a typical example.

- The role of Regional Economic Communities (RECs) is key to promoting, coordinating and developing regional integration. However, there is a need to strengthen their capacities in maintaining the political commitment of their member countries and in translating it into programmes.