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AFRICA EMERGING MARKETS FORUM

Africa's
Infrastructure:
A Time for
Transformation
*Summary of
Overview*

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Africa's Infrastructure: A Time for Transformation

Vivien Foster and Cecilia M. Briceño-Garmendia

The purpose of the Africa Emerging Markets Forum is to discuss the continent's economic and social challenges and to share ideas for better results on the ground. Session IV of the Forum, Infrastructure Development and Financing in Turbulent Times includes an overview presentation of the findings and recommendations of a major new diagnostic study of Africa's infrastructure, Africa Infrastructure Country Diagnostic (AICD).

The Africa Infrastructure Country Diagnostic is an unprecedented attempt to collect comprehensive data on the infrastructure sectors in Africa—covering power, transport, irrigation, water and sanitation, and information and communication technology (ICT)—and to provide an integrated analysis of the challenges they face.

The final report of the study is scheduled to be released in November 2009. The Emerging Markets Forum is grateful to the authors of the study for sharing an advance copy of the study overview on an informal and confidential basis.

Overview Presentation: The 10 Findings and 10 Recommendations of AICD

The 10 Findings

Based on extensive fieldwork across Africa, the following 10 key findings have emerged:

- **FINDING 1:** Infrastructure has been responsible for more than half of Africa's recent improved growth performance and has the potential to contribute even more in the future.
- **FINDING 2:** Africa's infrastructure networks increasingly lag behind those of other developing countries and are characterized by missing links and stagnant household access.
- **FINDING 3:** Africa's difficult economic geography presents a particular challenge for the region's infrastructure development.
- **FINDING 4:** Africa's infrastructure services are twice as expensive as elsewhere, reflecting both diseconomies of scale in production and high profit margins caused by lack of competition.
- **FINDING 5:** Power is by far Africa's largest infrastructure challenge, with 30 countries facing regular power shortages and many paying high premiums for emergency power.
- **FINDING 6:** The cost of addressing Africa's infrastructure needs is more than twice the Commission for Africa's (2005) estimate: around \$93 billion a year, about one-third of which is for maintenance.
- **FINDING 7:** The infrastructure challenge varies greatly by country type—fragile states face an impossible burden and resource-rich countries lag despite their wealth.
- **FINDING 8:** A large share of Africa's infrastructure is domestically financed, with the central government budget being the main driver of infrastructure investment.
- **FINDING 9:** Even after tackling Africa's major infrastructure efficiency gap, an infrastructure funding gap of over \$31 billion a year remains, the bulk of it in the power sector.
- **FINDING 10:** Africa's institutional, regulatory, and administrative reforms are only halfway along, but they are already proving their effect on operational efficiency.

The 10 Recommendations

Based on these findings, the study makes the following 10 key recommendations:

- **RECOMMENDATION 1:** Tackle Africa's infrastructure efficiency gap as a pressing policy priority, thereby seizing an additional \$17 billion a year from the existing resource base.

- **RECOMMENDATION 2:** Make greater efforts to safeguard maintenance spending, which is really a high return investment in asset preservation.
- **RECOMMENDATION 3:** Introduce institutional reforms to tackling inefficiency, that encompass both private participation and governance reform of state-owned enterprises.
- **RECOMMENDATION 4:** Ensure that institutional reform encompasses not only infrastructure service providers, but also line ministries and budgetary processes because these have a major impact on the efficacy of public investment.
- **RECOMMENDATION 5:** Use soft reforms to get full value from existing infrastructure, addressing the regulatory and administrative bottlenecks that prevent facilities from being fully utilized.
- **RECOMMENDATION 6:** Develop regional integration to reduce infrastructure costs, by capturing scale economies, enhancing competition and improving resource management.
- **RECOMMENDATION 7:** Take a spatial view of infrastructure development priorities, using infrastructure to support the development of growth corridors and to enhance economies of agglomeration in urban centers.
- **RECOMMENDATION 9:** Find practical ways to broaden access to infrastructure services, by addressing barriers to the uptake of services and adopting lower cost technologies to accelerate expansion.
- **RECOMMENDATION 10:** Close the infrastructure funding gap by raising additional finance from all available sources; prior attention to the efficiency gap should significantly improve the investment climate.

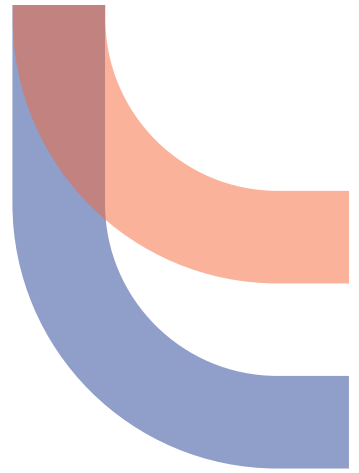
About the Africa Infrastructure Country Diagnostic (AICD)

The Africa Infrastructure Country Diagnostic (AICD) is a project designed to expand the world's knowledge of physical infrastructure in Africa. AICD will provide a baseline against which future improvements in infrastructure services can be measured, making it possible to monitor the results achieved from donor support. It should also provide a more solid empirical foundation for prioritizing investments and designing policy reforms in the infrastructure sectors in Africa.

AICD has produced a series of original reports on public expenditure, investment needs, and sector performance in each of the main infrastructure sectors, including energy, information and communication technologies, irrigation, transport, and water and sanitation. The Flagship Report – Africa's Infrastructure: A Time for Transformation to be published in November 2009 –synthesizes the most significant finds of those reports. The data underlying this volume and the sector reports will be made available to the public through an interactive Web site, allowing users to download customized data reports and perform simple simulation exercises. Much of that data was gathered expressly for AICD.

The first phase of AICD focused on 24 countries that together account for 85 percent of the gross domestic product, population, and infrastructure aid flows of Sub-Saharan Africa. The countries are: Benin, Burkina Faso, Cape Verde, Cameroon, Chad, Congo (Democratic Republic of Congo), Côte d'Ivoire, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, Sudan, Tanzania, Uganda, and Zambia. Under a second phase of the project, coverage is being expanded to include remaining countries.

AICD is being implemented by the World Bank on behalf of a steering committee that represents the African Union, the New Partnership for Africa's Development (NEPAD), Africa's regional economic communities, the African Development Bank, and major infrastructure donors. Financing for AICD is provided by a multi-donor trust fund to which the main contributors are the Department for International Development (United Kingdom), the



Public Private Infrastructure Advisory Facility, Agence Française de Développement, Kreditanstalt für Wiederaufbau (Germany) and the European Commission.

The full Overview paper and others analyzing key infrastructure topics, as well as the underlying data sources, will be available for download from www.infrastructureafrica.org from November 2009. Freestanding summaries are available in English and French. Inquiries concerning the availability of data-sets should be directed to vfoster@worldbank.org.

The Emerging Markets Forum is a non-profit venture of the Centennial Group, a Washington-based strategic advisory firm specializing in emerging market economies. The Forum was created to allow senior political and corporate leaders and public servants reach actionable conclusions on economic, political, and social issues facing emerging market economies.



Further details on the Forum and its meetings may be seen on our website at <http://www.emergingmarketsforum.org>

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