Infrastructure Development and Growth:
International Lessons for Sub-Saharan Africa

Event Summary
“Regional Infrastructure for Africa’s Transformation and Growth”
June 7, 2011
Lisbon, Portugal

Africa’s growth accelerated during 2000 - 2008 to an average of almost 5% p.a., a huge improvement over the performance in the previous two decades. However, the continent is far from realizing its full growth potential and in order to reduce unemployment, alleviate poverty and raise living standards. There is an urgent need to not just sustain the recent trends but to raise growth rates to 7% or more. It is widely acknowledged that one of the key constraints to growth in Sub-Saharan Africa is the supply of infrastructure and that easing this constraint would swiftly raise growth rates throughout the region. While the remedy is clear, finding the resources to close infrastructure gaps and to maintain the existing infrastructure has proven to be challenge in spite of foreign assistance and more recently, FDI in infrastructure, especially in countries with rich mineral resources. It is a binding constraint to growth.

In order to illuminate the growth promoting role of infrastructure in the African context and to identify ways of mobilizing additional resources, the Growth Dialogue in collaboration with the African Center for Economic Transformation (ACET), hosted a seminar in Lisbon on June 7th, 2011 as part of the Official Series of Seminars which preceded the annual meetings of the African Development Bank. The policy seminar was chaired by the Managing Director of the Growth Dialogue, Danny Leipziger, and was attended by 120 participants, sparking a lively discussion which underscored the interest in the topic. Three distinguished speakers—Professor Antonio Estache of the Free University of Brussels, Professor Okyu Kwon of KAIST and former Deputy Prime Minister of the Republic of Korea and Professor Edurado Bitran of Universidad Adolfo Ibanez and former Minister of Public Works of Chile defined Africa’s urgent need to deepen infrastructure investments, conveyed the lessons of experience, and spelled out some of the options for mobilizing additional resources. In particular, the speakers focused on the scope for enlarging the resource envelope through expanded public private partnerships (PPP). Drawing on international experience, the presenters demonstrated how much additional mileage could be derived through such arrangements and indicated ways in which countries such as Chile and Korea had effectively harnessed supplemental private funding by tackling institutional, policy and pricing issues which helped improve the infrastructure investment climate.
Two discussants – Dr. Yaw Ansu, Chief Economist of ACET and the Hon. Franklin Bett, the Kenya’s Minister of Roads – commented on the presentations, with Dr. Ansu pointing to the need for region wide coordination of major infrastructure projects, the desirability of creating national agencies to screen and manage infrastructure development and the importance of strengthened legal institutions, streamlined procurement practices, standardized bidding procedures and a deepening of construction capabilities. Mr. Bett also emphasized the need to increase local content and build local capabilities including the negotiating of contracts with the private sector, and increasing the flow of FDI. He saw green infrastructure as a priority for Africa and felt that such an orientation should become an integral part of development strategies.

Other seminar participants were of the opinion that PPPs were more likely in port and airport projects but that private investors were looking for high returns - of the order of 20 – 25 percent. Hence they saw private investors providing 30 – 35 percent equity investment at the most with the rest being supplied by foreign donors and the public sector. Low cost long term debt financing by donors was seen as a way of priming the pump for PPPs with risk mitigating measures and investment guarantees offering additional incentives for other parties. While PPPs could augment the resources available for certain types of infrastructure, the sense from seminar participants was that private investors were likely to be wary and under current institutional circumstances were unlikely to provide more than a small fraction of the needed resources. This highlighted the need for public infrastructure investment to underpin growth, which was, according to Dr. Leipziger, one of the key recommendations of the Spence Commission on Growth and Development. The AfDB has indicated an interest in continuing to work with the Growth Dialogue on this area.