

# AFRICA

## development



### BACKGROUND

## Infrastructure: strengthening the foundations for Africa's development

The lack of modern infrastructure is a major challenge to Africa's economic development and constitutes a major impediment to the achievement of the Millennium Development Goals (MDGs) and other vital objectives, such as revitalizing agriculture.

The needs are enormous. From rural roads, railways and harbours to irrigation systems, telecommunications, clean water, sanitation, energy and such basic social infrastructure as health, education, banking and commercial services, hundreds of millions of Africans lack even the most fundamental amenities. This is particularly true in rural areas, where the majority of the continent's 920 million people live. The burden also falls most heavily on women, who often must spend hours collecting wood for cooking and heating in the absence of electricity. Rural women walk an average of 6 kilometres daily to rivers and springs for want of piped water and wells.

### Gaps and shortfalls

According to assessments of Africa's infrastructure done in 2006 by the African Development Bank (ADB) and the intergovernmental Infrastructure Consortium for Africa (ICA):

- less than a third of sub-Saharan Africans have electricity
- only 56 per cent drink clean water
- barely a third of rural Africans live near a road
- just 4 per cent of Africa's farmland is irrigated
- over 60 per cent of the population lacks basic sanitation facilities
- less than a quarter of paved roads per kilometre than other developing regions.

In the decades since African countries achieved their independence, many governments sought to build on the meagre infrastructure left by the departing colonial powers. But those efforts were hampered by weak planning and management capacity, inadequate financing, corruption and a lack of integrated regional and transcontinental planning and cooperation. Poor maintenance has left much existing infrastructure in disrepair, particularly in rural areas.

Although the damaging economic and social impacts of Africa's infrastructure deficiencies were widely recognized, both African and donor investment in infrastructure declined relative to other priorities during the 1990s. In part, there was an incorrect assumption that private investors would step in to finance

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Africa's infrastructure requirements. "This was a policy mistake" the UK government-sponsored Commission for Africa declared in a 2005 report.

The result, notes Secretary General Ban Ki-moon in his report to the 22 September high-level meeting of the General Assembly on Africa's development needs, is that despite the continent's abundant natural resources, "Africa's potential is far from being fully harnessed." Moreover, the region is not on track to achieve the MDGs by the 2015 target date. Some 40 per cent of Africa's people, he notes, still live in extreme poverty. And while Africa accounts for 12 per cent of the world population, it generates only about 1 per cent of global gross domestic product and 2 per cent of world trade.

### **Higher costs**

The ICA, whose members include the G-8 countries, multilateral development institutions and the Development Bank of South Africa, estimates that poor road, rail and harbour infrastructure adds 30–40 per cent to the costs of goods traded among African countries. The expense of moving Africa's foreign imports to customers inland is on average 50 per cent higher than shipping costs in other low-income developing regions.

The UK government-sponsored Commission for Africa estimated that transportation bottlenecks and inefficiencies amount to an 80 per cent export tax on Ugandan textiles, making them far less competitive on world markets, discouraging greater investment in the sector and slowing job creation. The lack of modern storage and marketing facilities is a major contributor to food insecurity, with losses to spoilage running as high as 30–40 per cent of grain harvests in some countries.

### **Priority projects**

Meeting Africa's infrastructure needs is at the heart of the African Union's development framework, the New Partnership for Africa's Development (NEPAD), which promotes good governance and economic policies that foster rapid and sustainable growth, poverty alleviation and better integration into the global economy. NEPAD's \$8 bn Short-Term Action Plan for infrastructure includes 20 priority projects designed to jumpstart regional economic integration and lay the foundation for medium- and long-term investments to close the continent's infrastructure gap. Those priorities include:

- the West Africa Gas Pipeline to transport Nigerian natural gas to neighbouring countries for electric power generation
- modernization and expansion of container handling facilities at the strategic Kenyan port of Mombasa
- the Nile Basin Initiative to strengthen regional cooperation and management of the river, which flows through 10 countries and is the world's longest
- strengthened management and planning capacity within regional economic communities for cross-border infrastructure development.

NEPAD puts regional integration at the centre of its ambitious infrastructure blueprint. It calls for financing regional investments in agriculture, power, water, transport and information and communications systems. It projects then connecting this infrastructure to foster inter-African trade, create economies of

scale for investment and trade, reduce high transport and communications costs and enable free movement of people and goods across Africa's many borders.

### Investment needs

But estimated costs are high. The Secretary-General's report calls for more than \$52 bn a year in public and private investments to close Africa's infrastructure gap by 2010. According to the UN, this estimate includes donor finance of about \$38 bn per year distributed over the following sectors:

- energy — \$20 bn
- transport — \$11 bn
- water and sanitation — \$5.7 bn
- information and communications — \$1bn.

ICA data indicates that support for infrastructure has risen significantly in recent years, with commitments in 2007 exceeding \$12 bn — a 61 per cent increase from the \$7.5 in commitments the year before and well above the roughly \$7 bn pledged in 2005. China has also emerged as an important source of finance of infrastructure development in Africa. The World Bank estimates that Chinese infrastructure investment commitments totalled \$7 bn in 2006 and \$4.5 bn in 2007. Chinese financing has gone mostly to railways (\$4 bn) and hydropower generation (\$3.3 bn). Once completed, those investments will increase sub-Saharan Africa's hydroelectric capacity by 30 per cent.

Private investment is also rising, although much of this is concentrated in Africa's fast-growing telecommunications sector — particularly in mobile telephone services — and to a lesser degree in energy. The ICA reports that since the late 1990s, private investment in infrastructure in Africa as a whole has exceeded G-8 development aid. In 2005, the group notes, private sector investments in sub-Saharan Africa telecommunications alone totalled nearly \$3.9 bn.

### Increasing financing for African infrastructure

aid and loans, \$ bn

	2005	2006	2007
G-8	\$2.5	\$1.9	\$3.6
Multilateral*	\$4.8	\$5.8	\$8.8
<i>Total (excluding China)</i>	<i>\$7.3</i>	<i>\$7.7</i>	<i>\$12.4</i>
China (estimates)	\$1.5	\$7.0	\$4.5

\*African Development Bank, World Bank, European Commission, European Investment Bank, Development Bank of South Africa  
UN Africa Renewal from ICA and World Bank data

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