OECD-SADC-IFC-JICA Seminar on private sector participation in Africa's infrastructure

2:00pm - 5:00pm, 31 May 2013, Room Kamome, JICA Yokohama, Japan

Addressing policy bottlenecks for private participation in SADC infrastructure: Key concepts

- Since the 1980s, the **gap between demand and supply for basic infrastructure** has been rapidly growing in Africa. Rapid population growth and urbanisation contrast with the stagnation of infrastructure supply and poor maintenance of existing networks.
- In Southern Africa alone, projects covered in the **SADC Regional Infrastructure Development Master Plan** have estimated capital requirements of USD 500 billion. Public investment and ODA will not suffice to meet this need: at least USD 100 billion will have to come from private sector sources. This is in addition to resources needed for upgrading infrastructure networks at country level.
- **Filling the infrastructure funding gap and improving the efficiency of infrastructure investment call for enhancing private sector participation in infrastructure.**Yet the shift from public to private provision of infrastructure services involves many risks and must be carefully prepared and managed.

Investment Policy Reviews conducted by the OECD in five SADC countries shed light on central areas of reform by which governments can manage this shift and seek to better attract private investment in infrastructure:

- The national investment regime can be enhanced by placing priority on strengthening **safeguards for investor protection**, and tackling **restrictions on private participation** in infrastructure sub-sectors (including limits on foreign ownership). Governments should instead consider alternative measures that could achieve the same public objectives without establishing barriers to entry in infrastructure markets.
- In making and implementing the choice between public provision of infrastructure services and PSPI, countries should establish clear **legal rules for the full spectrum of public procurement options** (including PPPs), and enhance the **capacity and co-ordination** of all agencies engaged in procurement (from procurement authorities to PPP units). These entities must regularly interact with infrastructure **sub-sector regulators and competition authorities**, so as to ensure that the resulting infrastructure projects are rolled out in a competitive manner and that end-user benefits are maximised.
- It is imperative to create a **level playing field between public and private providers of infrastructure services** – making more room for the private sector to participate on an equal footing with public providers. This requires action to: improve the **corporate governance** and efficiency of State-Owned Enterprises (SOEs); **unbundle** infrastructure networks; and **regulate** utility markets in an independent manner (especially through sound competition and pricing policies).
- **On the regional level**, it is fast becoming essential for countries to develop their capacity for managing **cross-border infrastructure projects**. Such projects can notably help overcome the shallowness of national utility markets, and facilitate economies of scale for both public and private investors. Neighbouring countries in the SADC region will need to closely co-ordinate and **harmonise regulatory and institutional reforms** aimed at enhancing infrastructure investment. Especially in the case of PPPs, **co-operation on project financing** (including consolidating national capital markets) will also become increasingly necessary.

The OECD paper on addressing policy bottlenecks for private participation in SADC infrastructure has been enhanced **by the inputs of SADC Member States, as well as private investors and Development Finance Institutions engaged in infrastructure projects in the region**. It has been discussed on the occasion of a **joint meeting between the SADC 3P Network and the OECD** (Johannesburg, 26 March 2013) and will feed into recommendations on policy, legal and regulatory frameworks for PPP development across the region, to be presented before **SADC Ministers of Infrastructure and Finance in June 2013**. This makes this paper particularly timely and relevant as a background document for the **joint JICA-SADC-OECD-IFC side-event on infrastructure at TICAD V** (Yokohama, 31 May 2013).