



7th Meeting of the Africa Partnership Forum
Moscow, Russia
26-27 October 2006

Progress Report: Infrastructure

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This document has been prepared by the APF Support Unit in collaboration with NEPAD Secretariat sector teams. It will be considered during the discussion of the Progress Report regarding infrastructure, which will take place on Thursday, 26 October starting at 10:00

APF/MOS-2006/07

Progress Report: Infrastructure

I. Synopsis

What targets and commitments have been agreed?

Africa has agreed to:

- Translate regional decisions into concrete actions at country levels.
- Strengthen the capacity of the RECs and clarify their roles and responsibilities as coordinating and facilitating agencies.
- Implement policies and legislation to encourage and facilitate the involvement of the private sector in the financing and management of infrastructure.
- Provide adequate operation and maintenance for all infrastructure.

Development Partners have agreed to:

- Increase resources for infrastructure in line with regional priorities.
- Establish the Infrastructure Consortium for Africa (ICA) as a framework to facilitate delivery of additional resources to infrastructure development.
- Support project preparation.
- Align actions with NEPAD priorities.

What has happened?

- Sub-Saharan Africa is moving in the right direction with significant progress in making more effective use of existing infrastructure and in facilitating the involvement of the private sector in the provision and management of infrastructure. Some progress was achieved in providing a clear division of responsibilities between Africa and its development partners and among African institutions.
- However, little or no progress has been made in accelerating the implementation of projects and programmes.

What is happening on the ground?

- On almost all major infrastructure parameters, sub-Saharan Africa lags behind the average for other low-income countries. Improvement has been slow and uneven.
- Development partners are responding with increased resources, after a decade of stagnation.
- Significant regulatory and policy reforms are taking place at the country level.

- However, resources for project preparation remain inadequate and more coordination is needed at the sub-regional level.
- Private sector intervention has rebounded and non-traditional partners (and particularly China) are playing an increasingly larger role.

What therefore are the key priorities?

- Sustain the recent trend of increasing investment in infrastructure including cross-border projects.
- Incorporate regional programmes, projects and related decisions on policy reforms into national development plans.
- Rationalize roles and responsibilities of various sub-regional organizations.
- Ensure adequate funding for project preparation.

II. Infrastructure: Scorecard of progress

1. Accelerated implementation of projects and programmes



2. Making more efficient and effective use of existing infrastructure



3. Facilitating greater private sector involvement



4. Clearer division of responsibilities



5. Overall score



Scoring Values

RED:
Little or no
progress
being made



AMBER:
Significant
movement in the
right direction,
but more to be
done



GREEN:
On track:
good
progress
being made

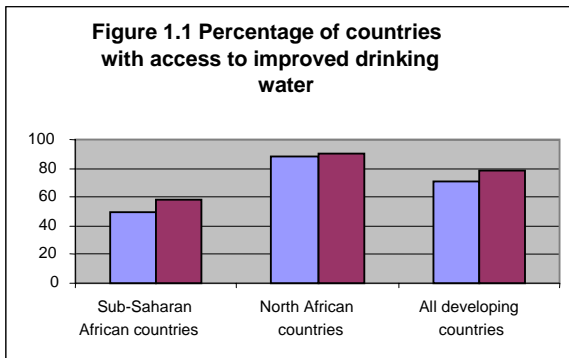


III. Successes, bottlenecks and next steps

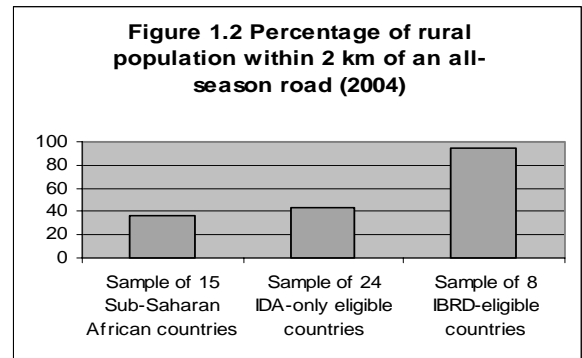
Key monitoring issue	Successes	Bottlenecks	Next steps	Responsibilities
Accelerated implementation of projects and programmes	Donors are increasing their funding on infrastructure, after stagnation over the last decade	Infrastructure development framework lacking in many countries.	Countries to prepare strategic frameworks for infrastructure, including regional projects, and better anchor them in national development plans and PRSPs.	African states
	ICA has been created as a framework to facilitate the delivery of additional resources for infrastructure	Inadequate ownership of regional projects.	More effort to get a clearer sense of priorities among projects based on their preparation readiness.	ICA/ NEPAD/ development partners
	NEPAD Project Management System at advanced stage of development	Disbursement rates are low.	Countries to fast track approval processes for STAP projects.	Development partners
			Donors to consider different aid modalities (e.g. budget support can help O&M provisions).	
		Inadequate funding for project preparation.	Countries and donors collaborate to increase resources and strengthen project preparation capacity.	Development partners / African states
Making more efficient and effective use of existing infrastructure	Energy, transport, and ICT: significant regulatory and policy reforms; increased private participation	State owned utilities in energy and telecoms slow to increase competition and/or privatise.	Strengthen efforts to separate regulation from service provision.	African states
	Transport: one-stop border posts being introduced		Increase use of management contracts and concessions for public utilities.	African states
	Increasing share of operation and maintenance covered by user fees	Regulatory reform in water and sanitation is moving slowly.	Improve targeting and transparency of subsidies to ensure affordable access.	African states
	Water: Regional Basin Organizations (RBOs) established or strengthened.	Inadequate operation and maintenance expenditure.	Track O&M expenditure at country level.	African states in collaboration with others
	Spatial Development Program under preparation for more effective use of infrastructure	Governments do not ensure/enforce compliance with regionally agreed protocols (conventions and legal frameworks).	Monitor country compliance with agreed protocols and conventions using the annual reports of the RECs.	RECs/ NEPAD

Key monitoring issue	Successes	Bottlenecks	Next steps	Responsibilities
Facilitating greater private sector involvement	Concessions and management contracts growing in the transport sector (railroads, airports, and maritime ports)	Private capital not yet flowing into infrastructure areas in large amounts due to perception of high risk and competing options for investment. PPI is still concentrated in a few countries (S. Africa, Nigeria, and Kenya) and in telecoms and to a lesser extent energy.	Mobilise additional resources to increase private sector involvement. (Investment Climate Facility for Africa, the Public-Private Infrastructure Advisory Facility)	Development partners / African states
	Independent power providers becoming more common		Better understanding of PPI as an option, not a universal solution, to financing infrastructure in Africa.	All partners
	Private providers of mobile phone increasingly important		Countries, RECs and official donors to grow capacity in commercial assessment and dealing with the private sector.	All partners
	A few examples in water and sanitation			
	IPPF and African Water Facility (AWF) have been established to facilitate private sector participation			
	Private Participation in Infrastructure (PPI) has bounced back to \$6 billion in 2005			
Clearer division of responsibilities (between Africa and development partners and among African institutions)	Development/ establishment of: i) Power pools in all sub-regions; ii) Water resource management programmes covering 10 shared river basins (4 with developed action plans); iii) Road corridor programmes; iv) Concessioning of 2 railways; and v) Legal instruments and programmes for harmonisation of regulations in ICT	Lengthy and complex decision-making processes of RECs not well suited to new role as implementing organs of NEPAD	AU will report in October on new infrastructure coordination mechanism	African Union (AU)
			AU, NEPAD and RECs will hold bi-annual meetings to discuss progress and bottlenecks	AU, NEPAD and RECs
			NEPAD to produce MLSTF on regional infrastructure provision	NEPAD
	AU-led process underway to develop a coordination mechanism for infrastructure development	Governments do not ensure compliance with regionally agreed protocols, conventions and harmonized sectoral policies and legal frameworks	Governments and RECs to strengthen compliance with regionally agreed protocols and conventions	African states/ RECs
	Infrastructure Consortium for Africa (ICA) established for coordination of donor interventions	Funding from member countries/partners to RECs not adequate for expanded commitments and roles under NEPAD	Inadequate support for national and REC coordinating and facilitating capacity.	Development partners / African states
		Donors do not work at regional level, thus lack of coherence between PRSPs and actions at sub-regional level	Strengthen donor and countries focus on regional projects and programs.	Development partners / African states

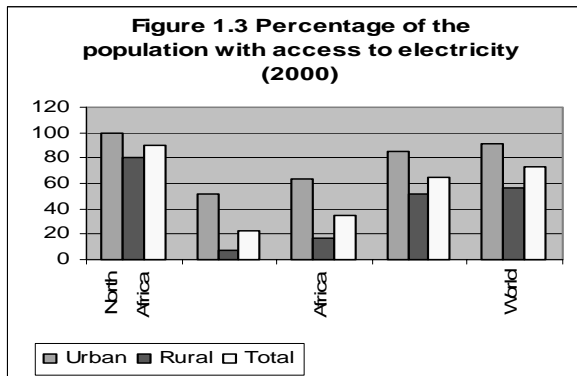
IV. Infrastructure: Results



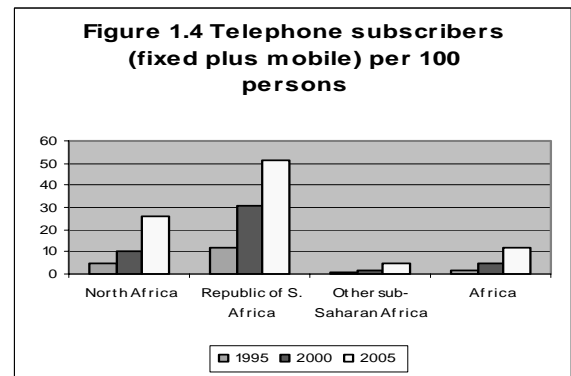
Source: WHO, Health and Millennium Development Goals, Geneva, 2005.



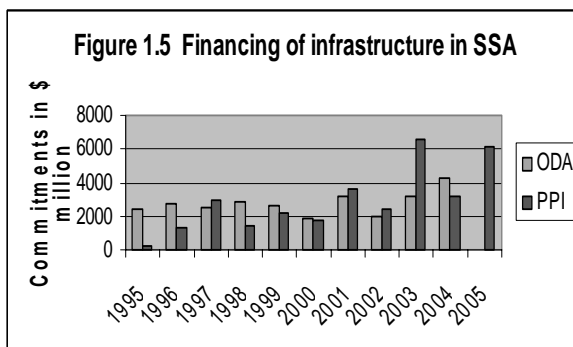
Source: UNECA, Transport and Millennium Development Goals in Africa, 2005.



Source: IEA, World Energy Outlook, 2004

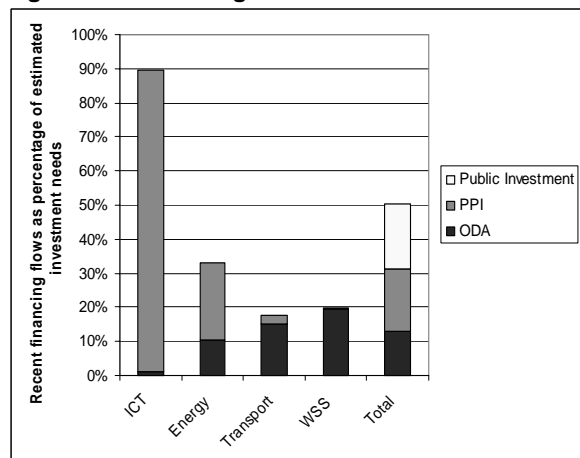


Source: International Telecommunications Union, *Africa, Telecoms projections, 1995 – 2005*



Source: OECD-DAC and World Bank PPI Database, 2005

Figure 1.6: Financing as a share of investment needs



Source: World Bank staff estimates

ANNEX: Key Monitoring Issues

1. Accelerated implementation of new projects and programmes

Indicators	Assessment
1. ODA spent on infrastructure, by sub-sector	Having stagnated for over a decade, ODA for infrastructure reached US\$4.3 billion in 2004, an increase of 40% on previous levels. 2005 levels will be available later in the year. The bulk of ODA flows (77%) go to the transport and water sectors. In 2004, more than 70% of ODA for SSA infrastructure came from multilateral sources.
2. Public sector investment expenditure	<p>For the majority of SSA countries, public sector investment as a percentage of GDP in 2005 was substantially higher than at any other point in the past seven years;</p> <p>Pilot studies in East Africa, done in the context of the on-going Africa Infrastructure Country Diagnostic (AICD) implemented by the World Bank in collaboration with AU/NEPAD, AfDB and RECs, suggest that (domestic) public spending on infrastructure is quite substantial when budget, SOE, special funds, and sub-national resources are fully accounted for. Public financing of infrastructure is worth monitoring more closely.</p>
3. Private participation in infrastructure (PPI)	Newly released data for 2005, indicate that PPI bounced back to US\$6.1 billion. The bulk of PPI flows (84%) go to the telecom and energy sectors, with negligible contributions to transport and water.
4. Better estimates of infrastructure needs for SSA, financing trends and financing gaps	<p>Global figures using the assumption of investment requirements if sub-Saharan Africa (SSA) is to achieve the 7% growth rates needed to meet the MDGs over the next decade have been estimated at US\$22 billion per annum of investment needs, and a further US\$17 billion for maintenance;</p> <p>The Commission for Africa called for an additional US\$10 billion per annum to 2010 and a further increase to US\$20 billion to 2015;</p> <p>The AICD study is expected to substantively improving our knowledge base of investment needs on a country basis.</p>
5. Funding from non-traditional sources (in particular China and India)	<p>Initial findings suggest that they are very large relative to traditional ODA and PPI;</p> <p>A research project by the World Bank, to be released soon, should provide more detailed figures.</p>
6. Value of new projects and programmes approved over last 12 months	From inception (October 2005) through June 2006, ICA funding totalled US\$4.2 billion for NEPAD/STAP projects and studies.
7. Funding and capacity reinforcement for project preparation, particularly of regional projects	<p>Ensure full capitalization Infrastructure Project preparation Facility, IPPF (US\$30 million);</p> <p>Monitor use of funds and their replenishment;</p> <p>Strengthen capacity for project preparation and rationalise their effective use.</p>

2. Making more efficient and effective use of existing infrastructure

Indicators	Assessment
1. Provision of funds for operation and maintenance in relation to requirements	<p>The African Infrastructure Country Diagnostic Study (AICDS), to be available in 2007, may provide information that can be used to benchmark the situation;</p> <p>Second generation road funds funded by fuel tax and other revenues and managed by a board including representatives of road users have been established in 26 sub-Saharan African countries. Thirteen such road funds rely on user charges (principally fuel levies) for 90 per cent of their revenues. However, only about one-third of them are thought to be meeting the needs for routine maintenance expenditures on a regular basis.</p>
2. Share of operation and maintenance costs covered by users	<p>Regulatory reform facilitating some degree of cost recovery has been substantial in energy, transport, and ICT. Examples of good practice are emerging in drinking water and sanitation provision (Uganda National Water and Sewerage Corporation);</p> <p>The AfDB has developed <i>Guidelines for User Fees and Cost Recovery for Water, Sanitation, and Irrigation Projects</i> to promote policy reform;</p> <p>Toll roads, under certain conditions, may be applicable but a wider adoption is unlikely (Gauteng Province in South Africa);</p> <p>Experience in Africa and elsewhere shows that cost recovery is easier in telecommunications, electricity, and heavily used road corridors. It is also easier in middle income countries.</p>
3. Adoption of reforms and institutional frameworks that make more effective use of infrastructure	<p>Establishment of second-generation road funds; concessioning of airports, maritime ports, and railroads in transport; private participation in energy utilities and telecoms; concessioning of drinking water and sanitation services;</p> <p>Progress in removing cross-border discontinuities of infrastructure but harmonising regulatory frameworks has shown slow progress.</p>

3. Facilitating greater private sector involvement

Indicators	Assessment
1. Progress in starting up the Investment Climate Facility for Africa endorsed by AU/NEPAD	Investment Climate Facility for Africa launched on 1 June 2006 with a target of US\$110 million for its first three-year phase.
2. Implementation of policies and legislation to encourage and facilitate involvement of the private sector in the financing and management of infrastructure (including regional infrastructure)	<p>In the energy sector, a majority of African countries have i) either set up independent electric utility regulators (20) or are in the process of doing so (13); ii) allowed limited competition for access to the market through competitive bids for new power projects; and iii) extended private management control (IPPS, concessions, management contracts, divestiture) to more than 80 per cent in 8 countries and more than 10 per cent in an additional 12 countries;</p> <p>In the transport sector public private partnerships have been increasing; there are presently 18 of them in airports, 13 in railways, and 15 in seaports, and 1 toll road;</p> <p>As regards ICT service provision, i) nearly all countries allow full competition for mobile operators; ii) many countries have licensed a second national operator for fixed lines; iii) privatization of incumbent national operators is proceeding slowly; iv) only a very few countries have legalized voice over internet providers (VOIP); v) countries in Eastern and Southern Africa have committed to introduce policy and regulatory reforms to facilitate the formation and operation of the open access broadband network independent of ownership.</p>
3. Number/value of new projects with private sector investment	The Private Participation in Infrastructure data maintained by the World Bank shows that the average value of investments in such projects increased from an average of \$3.8 billion in 1997-2000 to \$5.3 billion in 2001-04, an increase of 40 %.

4. Clearer division of responsibilities

Benchmarks	Assessment
1. Clearer division of responsibilities between AU/NEPAD, RECs other regional organisations, and countries	<p>AU hosted a meeting in Tunis on 4-5 September 2006 to agree on coordination mechanism;</p> <p>NEPAD brainstorming session in Nigeria in October 2006.</p>
2. Clearer division of responsibilities and better co-ordination between donors	ICA Annual Report will make an assessment of current levels of co-ordination and collaboration among donors.

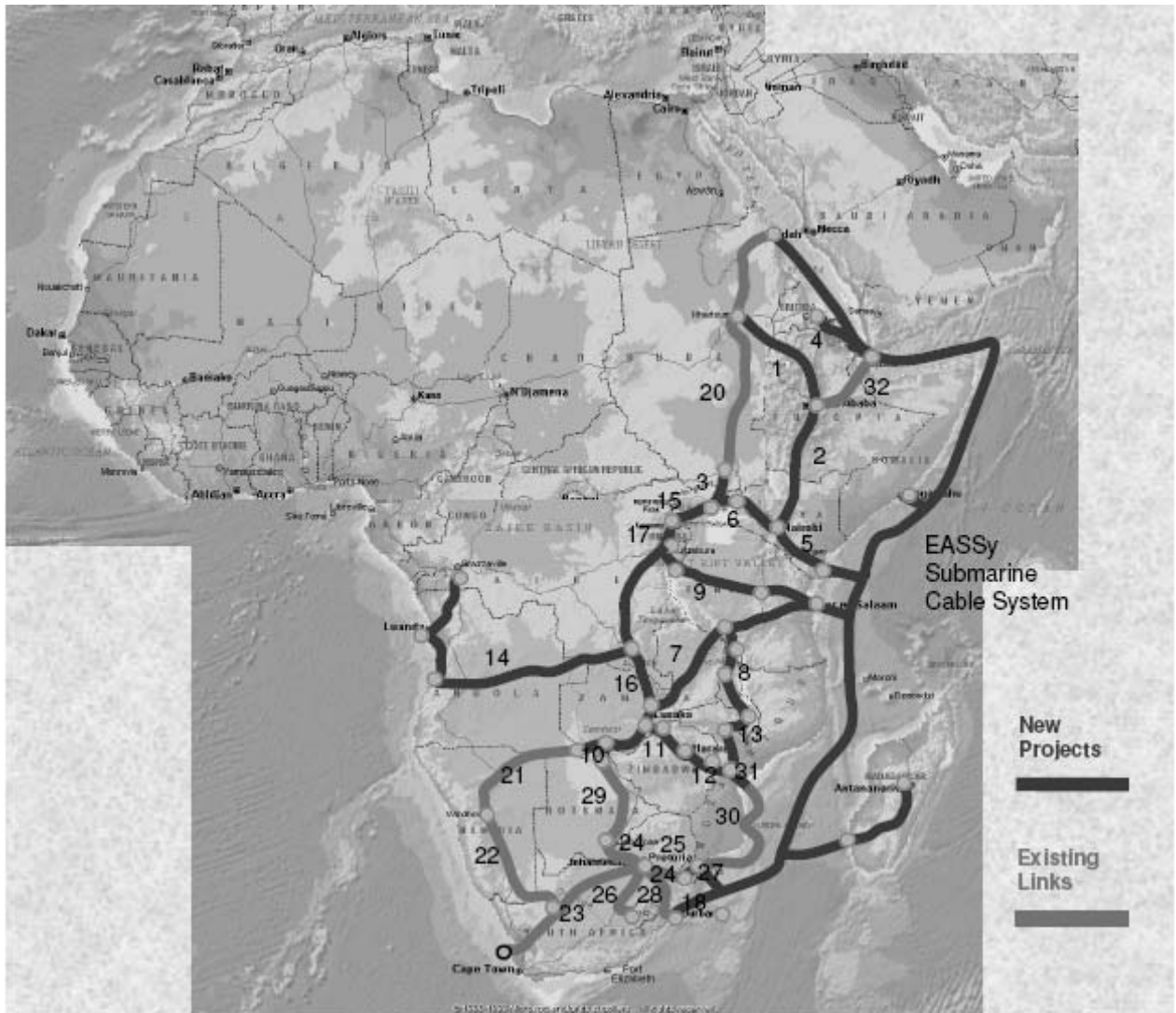
Maps

Map 1 Transport Infrastructure



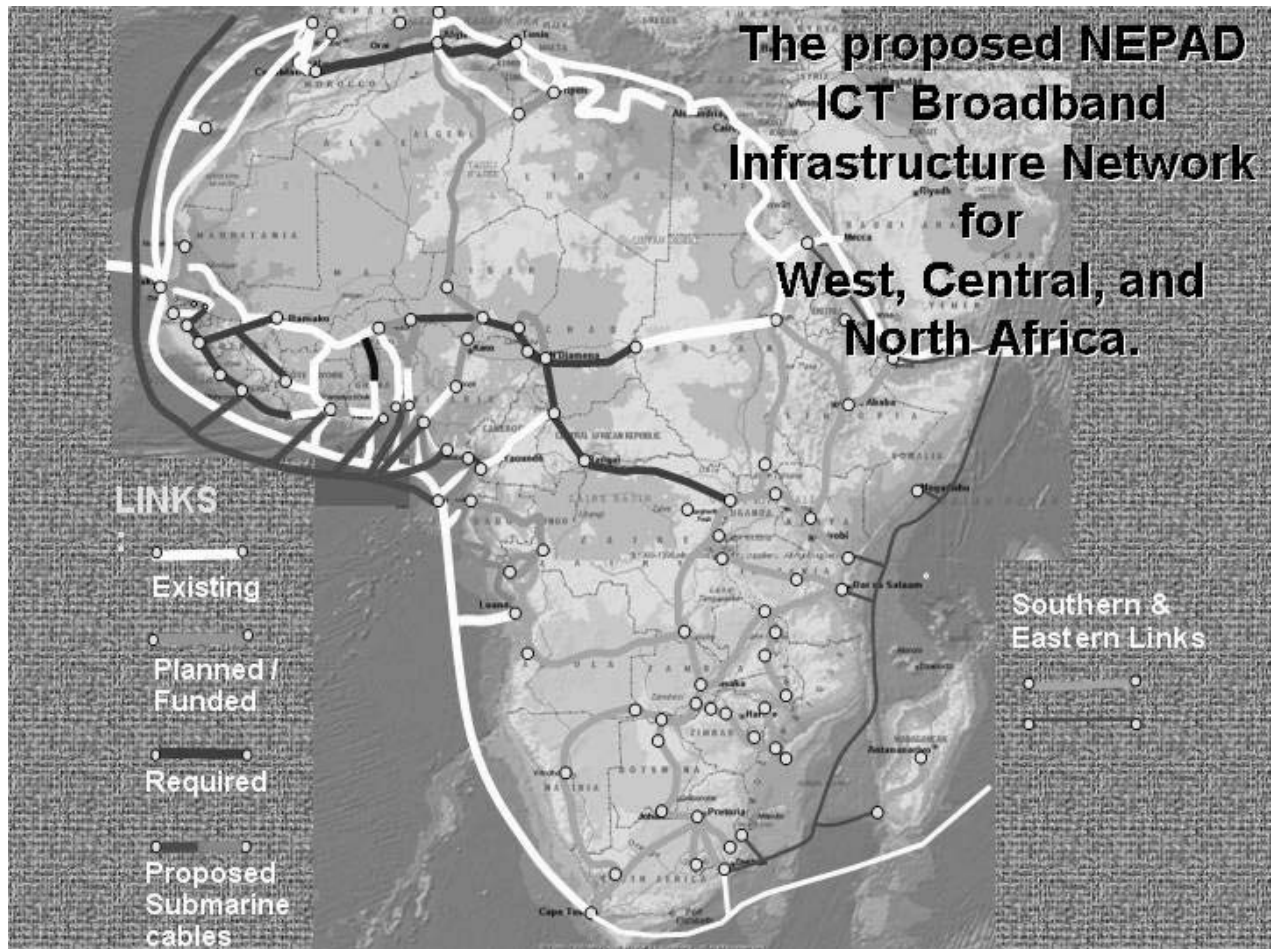
Source: African Economic Outlook 2005-2006, OECD 2006.

Map 2 Broadband ICT Network for Eastern and Southern Africa



Source: Policy and Regulatory Considerations for NEPAD Broadband ICT Network: Presentation 6 April 2006, ICT Consultants (http://www.eafricacommission.org/docs/CTO_Presentation_Third_Draft_Report_6_April_2006.pdf)

Map 3 The proposed NEPAD ICT Broadband Infrastructure Network for West, Central and North Africa



Source: Africa e-commission.

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