

BUILDING OPPORTUNITIES: ADDRESSING AFRICA'S LACK OF INFRASTRUCTURE

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In late 2012, Kenya announced a plan to spend \$25 billion on various infrastructure projects. These projects include a 2,000-kilometer pipeline from South Sudan to the northern Kenyan town of Lamu and related improvements to Lamu's port. President Jacob Zuma of South Africa also recently announced that the country will spend \$97 billion on infrastructure investments (McGroarty & Maylie, 2012). These funds are to be used specifically to improve and upgrade roads, transportation networks and ports. Like Kenya, South Africa plans to borrow the money for this ambitious investment plan. The international credit rating community is likely to view these ambitious investments with a pinch of skepticism because of the economic and political challenges associated with such public investments (Juma, 2012). In most African countries, where corruption in the public sector remains a serious challenge for governments, the efficient management of public finances must be a top public policy priority. Yet, as these countries struggle to reduce corruption in the public sector, they must seek ways to invest in the provision of basic infrastructure, which is the foundation for sustainable economic growth and development. African governments must recognize the critical role

they have to play in the provision of a solid foundation for national economic transformation. They must also provide the social capital to anchor sustainable economic growth and enhance human development. Of course, each government must work closely with the private sector to mobilize the resources required to provide the infrastructure needed to meet the deficit.

Building Roads, Spurring Growth, Securing Food

In order for African countries to utilize their abundant natural resources in productive ways, they must develop much-needed infrastructure to serve as the foundation for all wealth-creating activities.

Today, intra- and inter-African trade is being hampered by a lack of appropriate physical infrastructure. In fact, the failure of many rural inhabitants in African countries to efficiently access urban markets via farm-to-market roads has made it very difficult for these citizens to improve farm productivity through specialization and trade. In addition, the few roads that do exist within urban areas are poorly maintained and usually not passable during most of the year. The sus-

tainability of infrastructure is as important as its provision. Corruption, poor planning, failure to make allowance for depreciation and other forms of political opportunism continue to hamper the effective maintenance of infrastructure in African countries. The solution, of course, lies in providing institutions that adequately constrain each country's civil servants and political elites and minimize their ability to act with impunity.

In addition to enhancing trade and commerce, infrastructure such as roads, airports and railways can significantly improve travel within a country, providing labor resources with the opportunity to migrate to areas where they are most needed. Perhaps more importantly, a national system of highways and railroads can provide opportunities for the types of cultural exchanges (e.g., between ethnic communities) that will greatly enhance national integration and minimize destructive ethnic and religious conflict. Sustainable economic and human development in many African countries today depends largely on the opening of national borders to trade and other forms of exchange, which is in line with Africa's regional integration project. However, without fully functioning and viable infrastructure, the regional integration project will fail and these countries will not be able to reap the full benefits of intra-African trade.

Past African Infrastructure Financing Efforts

Most development strategists of the post-World War II period believed that the provision of infrastructure was critical for development in these countries. Such infrastructure included roads (especially farm-to-market roads), bridges, dams, power stations, telephone and irrigation systems, airports, railways and sewage disposal plants (Ostrom et al., 1993). In the 1960s, many foreign assistance strategies developed for African economies emphasized investment in infrastructure, with these structures expected to provide the foundation and wherewithal for significant improvements in agricultural productivity and eventual transition to manufacturing.

As many donors to African countries came to realize, successful infrastructure provision and industrialization required more than providing each country with the financial resources to import physical capital from the developed countries. Official development aid was usually granted to governments and often tied to the political or economic ob-

jectives of the donor country, making it extremely difficult for African countries to fund infrastructure development.

The Reality in Africa after More than Six Decades of Independence

Because of these challenges, most public spending was devoted to inappropriate or unsustainable infrastructure investments—a process that failed to improve agricultural production and foster the economic differentiation that was supposed to help African countries become more competitive globally. In fact, many African governments failed to provide essential infrastructure (e.g., farm-to-market roads, irrigation systems, rural schools) for improvements in agricultural productivity. Instead, these leaders invested in projects that offered significantly high political returns but produced a negative social surplus—so-called “white elephants.” An example of such a project is the Basilica of Our Lady of Peace of Yamoussoukro in Côte d'Ivoire, built between 1985 and 1989 at a cost of \$300 million (Elleh, 2002). As a consequence, today African countries have a serious deficit in the type of essential infrastructure that usually forms the foundation for significant improvements in agricultural productivity—with an efficient agricultural sector providing the wherewithal for eventual transition into manufacturing and industrial production. Agriculture, primarily a rural occupation, is critical to Africa's effective fight against poverty and its eventual industrialization and modernization efforts. However, “[t]he majority of Africa's rural populations do not live within reach of all-season roads. As a result, they are not capable of participating in any meaningful entrepreneurial activities,” (Juma, 2012). More importantly, the lack of infrastructure may not only be depriving those living in rural areas from participating gainfully in economic activities, but it may also be denying them access to life-saving public services (e.g., health care, including prenatal care for women). Most of these services are located in urban centers.

What Needs to Happen for African Infrastructure in 2013?

Spending on infrastructure should be viewed as a long-term investment in a country's productive capacity—an investment that will yield significant social, economic and political benefits for many years to come. Nevertheless, before proceeding with plans to invest in infrastructure development, each African country should undertake a thorough

and comprehensive analysis of existing infrastructure. Such an analysis should determine the feasibility of repairing and upgrading existing structures, and a dedicated account should be set up for depreciation and maintenance of each unit of infrastructure. The latter process must be followed for all investment in new infrastructure. Such an analysis, with input from and the participation of all relevant stakeholders, should help the government develop a national infrastructure blueprint.

Consideration should be given to the adoption of a regional approach to infrastructure construction and maintenance. In the case of highways and railways, for example, there may be significant economies of scale to be derived from countries working together to construct and maintain roads that offer significant opportunities for regional trade and other forms of exchanges. In addition, in seeking financing for these projects, a regional approach may strengthen the ability of these countries to: (1) negotiate credit terms with international financial institutions; (2) secure necessary inputs for construction; and (3) contract with the various nondomestic companies that are likely to participate in the construction of the various structures. Such a regional approach would actually be in line with the African Union's recent push to make intra-Africa trade a priority for 2013. An example of such an innovative approach to infrastructure investment is Kenya's Lamu Port-South Sudan-Ethiopian Transport corridor project, which is designed to link Kenya's coast with South Sudan and Ethiopia, effectively opening up the region for trade and other forms of exchange.

The African Development Bank (AfDB) has prioritized financing for infrastructure development in the continent. The AfDB is not only making financial resources for investment in infrastructure in Africa available, but it is also providing a platform for various stakeholders on the continent to examine issues critical to the provision, maintenance and utilization of infrastructure services. For example, the AfDB co-hosted (with the U.S. government) a meeting of the Infrastructure Consortium for Africa in Maputo, Mozambique in late November 2012. Among topics discussed were "enhancing coordination amongst infrastructure stakeholders," "facilitating regional infrastructure programs," and "increasing knowledge and information infrastructure in Africa" (AfDB, 2012).

African countries should consider 2013 the year in which they engage their citizens to effectively attack the problem of the infrastructure deficit with a view to ameliorating it. However, the following historical lessons must be kept in mind: (1) The tendency of African civil servants and politicians to opt for so-called "prestige projects" or "white elephants"—infrastructure projects that generate significant benefits for governing elites but provide very little or even negative social value—must be severely constrained; (2) infrastructure projects must be considered a part of the overall process of economic and social transformation in order to avoid ending up with, for example, a "bridge to nowhere"; (3) while investing in infrastructure, the government must make certain that public policies do not undermine the effective functioning of new structures—for example, what use is a brand new public hospital if the poor must bribe hospital staff in order to get treated there?; (4) the private sector must be made a full participant in infrastructure provision projects; (5) adequate allowance must be made for depreciation and maintenance of new structures; and (6) the institutional environment within which these new investments are to be made must be one that (i) promotes openness and transparency in government; (ii) adequately constrains civil servants and politicians in order to minimize corruption and impunity; (iii) promotes peaceful coexistence; and (iv) generally guarantees the rule of law.

Seeking and securing the necessary financing for infrastructure provision in Africa is likely to be quite challenging. Even with the interest and willingness of the AfDB to undertake financing for infrastructure provision in the continent, African countries will still have to engage in various forms of creative and innovative approaches to secure the funds that they need to build and sustain the necessary infrastructure for development. Some of these innovative approaches may include those originating from the public sector but involving the participation of the private sector (e.g., public-private partnerships); those involving the public sector exclusively (e.g., infrastructure bonds denominated in local currencies, as well as commodity-linked bonds); and financial instruments designed to help each country access funds from international markets (e.g., sovereign external bonds, diaspora bonds, private equity funds, etc.) (Brixiova et al., 2011).

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