



The 2006 ADB Annual Meetings

***Ministerial Round Table & High Level Seminars
Jointly Organized with the UN Economic Commission for Africa***

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***Infrastructure Development and Regional Integration: Issues, Opportunities
and Challenges***

I. Introduction

1.1 The development of social and economic infrastructure is critical for poverty reduction and achieving the Millennium Development Goals (MDGs) in Africa. Increased market size through regional integration and lower prices through the exploits of economies of scale, are examples of the impact of infrastructure development and regional integration in enhancing economic growth, improving living standards and reducing poverty.

1.2 Despite the aforementioned benefits, infrastructure and regional integration have played a very limited role in Africa's social and economic development. Overcoming these problems would, in the first instance, require a critical analysis of the issues and constraints, and development of an appropriate Policy Framework for Infrastructure Development and Regional Integration. Infrastructure development requires substantial capital expenditures, which have historically been financed through the public sector. Given the increasing demands on public funds, there is a need to address the issue of mobilizing additional resources, particularly from the private sector, to meet the Investment Needs for Infrastructure Development and Economic Integration.

1.3 The objective of this Seminar is to highlight key issues affecting infrastructure development and regional integration, and to discuss issues related to getting the policy framework right for infrastructure development and ways of meeting the infrastructure investment needs of the continent, highlighting the role of Governments, Regional Economic Communities (RECs), financial institutions, donor community, public private partnerships and infrastructure funds.

1.4 The purpose of the paper is therefore to assist African policy makers to address critical issues affecting infrastructure development and regional integration in the continent, and to explore the opportunities and challenges faced by African Governments in this task. Pertinent issues on developing the right policy framework to create an enabling environment for infrastructure development and regional integration are discussed in **Section II** of this report. **Section III** discusses meeting the investment needs for infrastructure development. **Section IV** highlights the current initiatives for infrastructure development, and **Section V** reviews the challenges and issues for scaling up infrastructure development and the way forward.

II. Investment Needs and Resource Requirements

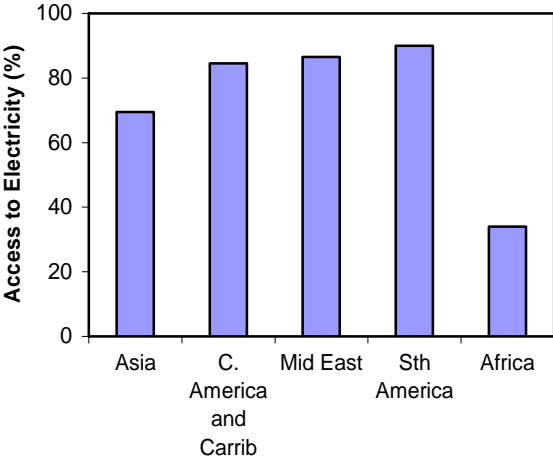
2.1 The importance of regional infrastructure development cannot be overemphasized. Transport infrastructure is at the heart of regional integration as it supports the movement of people and goods across borders. Africa's internal and external trade flows through its roads, railways, inland waterways, ports and airports. Therefore, an efficient and integrated transport system will facilitate national and international trade and factor mobility. An integrated communications system in the continent will spur growth of trade and finance and reduce production and service costs by enhancing the accessibility and affordability of information, and linking Africa regionally and with the rest of the world

2.2 Africa's needs are many and varied. Deriving from the NEPAD programs, the Commission of Africa Report provides a summary of these needs and the resource requirements to meet them. Underpinning the various needs is the development of infrastructure, which appears imperative. The Commission for Africa Report estimates the financial requirements for infrastructure in Africa at US\$ 20 billion, which represents about 30 percent of the total resource requirements for growth.

2.3 There is general acceptance that economic infrastructure is critical for economic growth and poverty alleviation, given its pivotal role in improving competitiveness, facilitating both domestic and international trade, and integration of the continent to the global economy. However, there is a large infrastructure deficit, both in terms of access and quality, to be filled in all the sectors (transport, energy, ICT and water) as indicated in charts 1, 2, and 3 below.

Chart 1

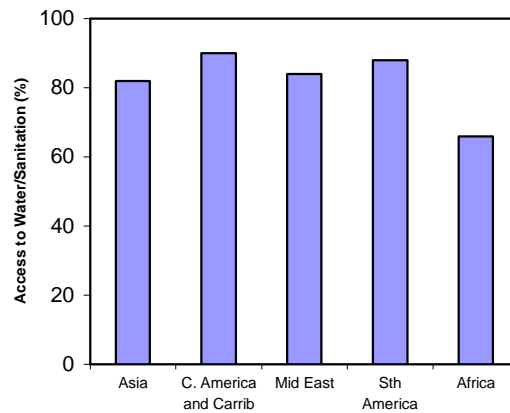
Africa's Acces to Electricity compared to other Regions



2.4 For instance, the level of access to electricity in Africa is only 30 percent, compared to over 75 percent for other Less Developed countries (LDCs). Access to water and sanitation is about 65 percent compared to 80 percent for other LDCs; access to roads is 34 percent compared to 50 percent for other LDCs, while the penetration rate for telecommunication is less than 13 percent compared to 40 percent in other LDCs. This situation has resulted among others in Africa's low rates of economic growth, reduced share of world trade and lack of international competitiveness. The high transaction costs arising from poor infrastructure adversely affects development of the African economies, hinders private sector development, and the flow of Foreign Direct Investment (FDI), and seriously affects the social services coverage, particularly for the rural population.

Chart 2

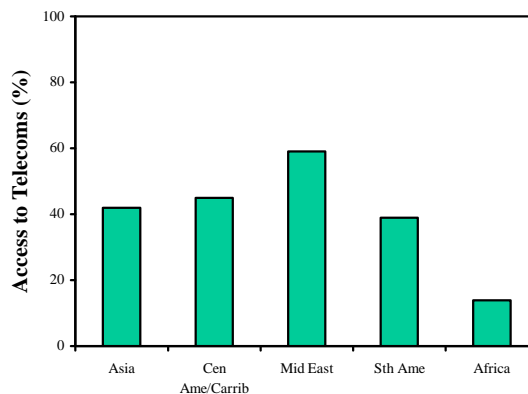
Africa's Acces to Water compared to other Regions



2.5 In the decade immediately following independence, the public sector in made some important contributions to promote infrastructure development. Newly independent countries inherited, in most cases, inadequate and outward-oriented infrastructures designed largely to serve the metropole. Most African States maintained the status quo but also sought to leverage the existing structures to foster infrastructure development. However, like in other developing regions of the world, the majority of Africa’s basic infrastructure utilities were characterized by weak management and poor development strategies, systematic under-investment and gross inefficiencies, which led to the accumulation of huge deficits. As a result, public utilities were increasingly unable to satisfy the growing customer demand and became a drain on the public fiscus.

Chart 3

Penetration of Telcom in Developing Countries



2.6 By the mid-1980s, the situation had become unsustainable, and led to the widespread adoption of structural adjustment programs, with reform and restructuring of infrastructure parastatals being central to these reforms. While sector reforms also focused on policy and regulatory frameworks intended to increase domestic and foreign private sector participation in infrastructure, private capital flows were mainly attracted to the ICT and energy sectors, leaving the other areas of infrastructure under-funded. Moreover, private capital went to a few countries where commercial viability was assured. Nonetheless, Africa’s infrastructure has continued to

trail the world both in terms of quantity and quality. Because of the magnitude of the Africa's infrastructure deficit, the financing challenge requires concerted efforts from all funding agencies in order to achieve the desired development impact and the MDGs.

2.7 In the last few years, there has been a growing realization (e.g, Monterrey Consensus, NEPAD Initiative, Commission for Africa and Gleneagles G8 Summit) of the need to scale up investments to bridge the infrastructure gap in Africa and achieve a minimum of 7% annual growth rate required to halve poverty rates by 2015.

III. Getting the Policy Framework Right

3.1 Globalization and regional integration require effective regional infrastructure to widen and integrate markets, achieve economies of scale, encourage participation of the private sector, and attract foreign direct investment and technology. Infrastructure development is included in the treaties of all the RECs, which provide the framework for aligning sector policies, designing regional master plans, harmonizing regulatory regimes and investment codes, and mobilizing investment resources. Yet gaps still exist in infrastructure and services – raising the cost of doing business and impeding factor mobility, investment, and competition. Moreover, in the areas of international trade, financial integration and technology, much of Africa is lagging behind compared to the global trends, which has contributed to sub-Saharan Africa's effective marginalization in the global economy.

3.2 Various Governments and infrastructure initiatives have established policy frameworks that attempt to address these essential elements and create an enabling environment for infrastructure development and regional integration. However, there is the need for further consultation, collaboration, analysis, synthesis, coordination and harmonization of these different initiatives to ensure effective implementation,

3.3 Getting the policy framework right is also critical for regional infrastructure development, particularly for guiding long-term investments decisions and because of the large number of governments and other stakeholders involved, with varying degrees of commitment to regional integration. The framework should address macroeconomic convergence issues, legal and regulatory frameworks, harmonization of tax laws, efficient trans-border customs and port management systems, good corporate governance, efficient and reliable payment systems, and well developed financial and capital markets.

3.4 Over the last decade, the thrust of reform towards deregulation and pro-competition strategies has gained momentum in most infrastructure sectors. Can we learn useful lessons from these reforms? In this regard, deepening policy reforms would provide useful entry points in the following key areas:

- Maintaining a prudent macroeconomic policy stance, and adopting a positive incentive framework and good governance to foster macroeconomic stability, and hence reduce uncertainties and risks to private sector investment. African countries also have to avoid policy reversals in order to preserve the stability and predictability of the investment climate, and to build investor confidence.
- Development of physical infrastructure and trade/business facilitating infrastructure are equally as crucial as the quality of public-private consultative mechanisms aimed at forging effective partnerships for leveraging the strength of each party and generating lower cost provision of economic infrastructure.

3.5 In many countries, infrastructure policies and sector regulatory and governance systems are inadequate to facilitate rapid development of infrastructure. Furthermore, within a given sub-region, policies and regulatory systems, where they exist, are not adequately harmonised. There is therefore a need to institute necessary measures for countries and regions to develop a harmonised policy framework necessary for cross-border infrastructure investment.

IV. Current Initiatives for Infrastructure Development

4.1 **NEPAD Infrastructure Development Program:** Infrastructure development is at the heart of the NEPAD strategies for poverty reduction through growth and Africa's full participation in the global economy. Because most economies typically lack the economies of scale that can be found in larger markets, infrastructure development constitutes a driver for regional integration and trade competitiveness. Regional cooperation is therefore a necessary basis for development of infrastructure in order to allow for economies of scale through pooling of resources and joint facilities, as well as to overcome the limitation of small and fragmented markets.

4.2 NEPAD pays particular attention to projects that are critically dependant on regional cooperation and joint actions between countries, including: actions affecting several countries, but which are the responsibility of a specific country (for instance regional power lines, protecting trans-boundary rivers from pollution, etc); actions that require coordinated interventions by a group of countries; and actions that are the responsibility of regional entities (e.g. regional control centers for power pools). In respect of largely country-based activities, NEPAD's role is to promote knowledge-sharing, development of requisite capacities, improvement of sector governance, and dissemination of best practices.

4.3 The NEPAD strategy for infrastructure development is two pronged: a **Short-Term Action Plan (STAP)** to kick start infrastructure development for the period 2002-2007, which is complemented by a Medium to Long-Term Strategic Framework (MLTSF). The STAP, developed in consultation with the Regional Economic Communities (RECs), Regional Member Countries (RMCs) of the Bank, specialized infrastructure development organizations, and development partners, is made up of 120 priority studies, capacity building and facilitation programs, and key infrastructure projects estimated at a total cost of US\$ 8.125 billion and covering all the regions. Over 50% of the investment projects is envisaged for financing by the private sector.

4.4 The STAP places emphasis on projects/programmes with a strong facilitation element in order to create an enabling environment for accelerated and sustainable development of the infrastructure in the continent. NEPAD's role in the STAP is to mobilize resources and political will and actions necessary for implementation of policies and institutional reforms, harmonization of legal and regulatory systems, and ratification of agreements.

4.5 The **Medium to Long-Term Strategic Framework (MLTSF)** commissioned by the Bank will develop a coherent and strategic framework for defining, implementing and monitoring infrastructure development in Africa. The Study will be carried out in a participatory manner, with close involvement of the African Union, the RECs, individual countries, specialized infrastructure agencies, NEPAD Secretariat, and development partners. National stakeholders will also play a central role in the implementation of the Study, which is scheduled for completion 18 months from inception in June 2006.

4.6 To date, important progress has been made in infrastructure development under the NEPAD. Firstly, a number of regional infrastructure projects have been financed while another set of projects are at an advanced stage of preparation for subsequent financing. Between 2002 and 2005, the ADB Group alone has financed 25 regional projects/programs for a total commitment value of US\$ 628 million, and mobilized US\$ 1.6 billion in co-financing for the STAP projects. An additional 13 interventions for an estimated amount of US\$ 472 million are being processed for Bank Group financing in 2006. Secondly, the STAP and related NEPAD activities formed the basis for various positive responses by the G8 and Commission for Africa on Africa's infrastructure development agenda. Thirdly, and perhaps a more significant, there has been a reversal in the notion that infrastructure development in Africa should only be carried out by the private sector with a limited role for the public sector. Largely through the impetus deriving from NEPAD, it is now widely accepted that the public sector has a significant role to play, particularly in promoting public private partnerships, and that development partners also need to translate their commitments into coherent actions to support the acceleration and scaling up of infrastructure development.

4.7 **Infrastructure Consortium for Africa (ICA):** The ICA is one of the major outcomes of the G8 response to the NEPAD infrastructure development program. The Consortium, which was inaugurated in October 2005, is a major effort among donors to accelerate progress to meet the urgent infrastructure needs. The ICA Secretariat, hosted by the African Development Bank is already operational.

4.8 The Consortium will address both national and regional constraints to infrastructure development, with emphasis on regional infrastructure in recognition of the peculiar challenges to infrastructure development at this scale. The Consortium is intended to make its members more effective at supporting infrastructure development by pooling efforts in selected areas (such as information sharing, project development, and best practices), and acting as a platform to broker more donor financing of infrastructure projects and programs.

4.9 **NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF):** Created by the ADB in 2003, the Facility is designed to support RECs and countries prepare bankable infrastructure projects to attract financing. The NEPAD-IPPF became operational in 2004, with seed financing of Can \$10 million from Canada, and has been transformed into a multi-donor NEPAD-IPPF Special Fund. This provides opportunities for mobilization of additional resources to meet the huge financing needs for preparation of infrastructure projects and programmes in support of NEPAD. The Government of Denmark made a contribution of US\$ 500,000 to the Special Fund.

4.10 The NEPAD-IPPF has been particularly appreciated by the RECs and countries who have responded with the submission of requests for funding of preparatory activities for their priority projects and programmes. To date, the Bank has approved funding of US \$ 3 million for preparation of six physical projects.

4.11 **Trans-boundary Water Resource Management:** The Bank has carried out the situation assessment study of seven river basins¹ in support of the implementation of NEPAD STAP. The study formed the basis for the formulation of a Short-Term Action Plan for Trans-boundary Water Resources Management in the continent. The report was discussed at a workshop organized jointly by the Bank and the NEPAD Secretariat in Johannesburg in December 2004. The Bank has also approved financing for the SADC Integrated Water Resources Management

¹ The river basins covered are Niger and Senegal in West Africa; Nile in East Africa; Congo and Lake Chad in Central Africa; and Zambezi and Okavango in Southern Africa.

Project, covering three additional river basins, namely, Ruvuma, Buzi and Save river basins in the SADC region, and a Water Resource Planning and Management Project for the Nile Basin Initiative countries.

4.12 Economic Commission for Africa: Programmes were developed under the first (1978-88) and second (1991-2000) Transport and Communications Decades for Africa (UNTACDA I & II), with ECA assistance, to establish an efficient integrated transport and communications system as a basis for physical integration and trade. In March 2002 African countries adopted a detailed Action Plan in the successor arrangement for UNTACDA II, which assigned responsibilities to key transport stakeholders.

4.13 The Sub-Saharan African Transport Policy (SSATP), launched in 1987 as a joint initiative of ECA and the World Bank, to promote and facilitate integrated policies and strategies for transport sector capacity building, is now a partnership involving 33 African countries and several other donors. The programme defined a long-term development plan for 2004-2007 to boost the transport development agenda of the RECs and NEPAD, and to support poverty reduction and economic growth objectives. A major theme of SSATP is road management and financing. In this regard, SSATP was instrumental in the creation of road funds in several African countries. Within the framework of the SSATP, ECA played a key role in the establishment of the Regional Economic Communities Transport Coordination Committee (REC-TCC) in 2005. The REC-TCC has developed a comprehensive work programme to promote regional transport in the continent.

4.14 The Almaty Programme of Action adopted at a UN organized international ministerial conference in August 2003, addresses the special needs of landlocked developing countries was adopted. The Programme is a new global framework for transit transport cooperation for landlocked and transit developing countries, taking into account the interests of both landlocked and transit developing countries.

V. Challenges and Issues for Scaling Up Infrastructure Development

5.1 The need to scale up investments and accelerate growth poses a number of challenges for RMCs, both individually and collectively, as well as for Development Partners, including the Bank Group. For the former, the key challenges relate to improving the enabling policy environment; strengthening RECs and RMC institutional capacity for planning, programming, coordination and implementation of projects/programs at the regional and national levels; enhancing domestic resource mobilization, improving governance; and strengthening regional integration and cooperation arrangements. For the development partners, the challenge lies mainly in aligning assistance strategies and practices to the NEPAD priorities in order to reduce transaction costs and enhance the predictability of resource flows. There are many synergies between these challenges. For instance, the anticipated scaling up of international assistance would become unlikely without further progress in improving governance at the country level and development programming and implementation capacity in RMCs.

5.2 Improving the Enabling Policy Environment: The slow private sector response experienced so far towards the STAP indicates that the enabling policy environment, not sectorally targeted investment incentives, is a pre-requisite for effective private sector participation in infrastructure. Specifically in the infrastructure sector, it is clear that the gap is as much a policy and capacity issue as it is of investment. While the situation of infrastructure services is typically one of lagging coverage, poor maintenance and weak finance, some countries have been able to upgrade and expand their infrastructure base and improve services through a combination of policy changes, institutional reforms and investments.

5.3 RMC and RECs Institutional Capacity: The prospects for increased resource flows to Africa raises implementation and absorption capacity issues related to the planning, programming and coordination at the country levels. It is often a misconception that the key problem facing the continent in its development efforts is the non-availability of financial resources. Recently, it has become more apparent that the ability of RMCs to absorb the additional resources perhaps poses a bigger threat to scaling up infrastructure development. This therefore raises a number of pertinent questions, namely, what is the absorptive capacity of African countries individually and collectively? What will be the effect of a rapid scaling up in infrastructure on macro-economic stability and sector governance within the countries? In this context, there is a need for deep and critical analysis on these issues to ensure that additional resources will contribute to real and sustained improvements.

5.4 The limited institutional and financial capacity of the RECs to assist member countries harmonize their policies and regulatory frameworks, and effectively monitor sectoral investment programmes also poses a significant challenge to scaling up investment. It is further observed that most RECs continue to be saddled with large unfunded mandates as the funding streams from Member/Partner States do not reflect the RECs expanded roles and commitments under NEPAD.

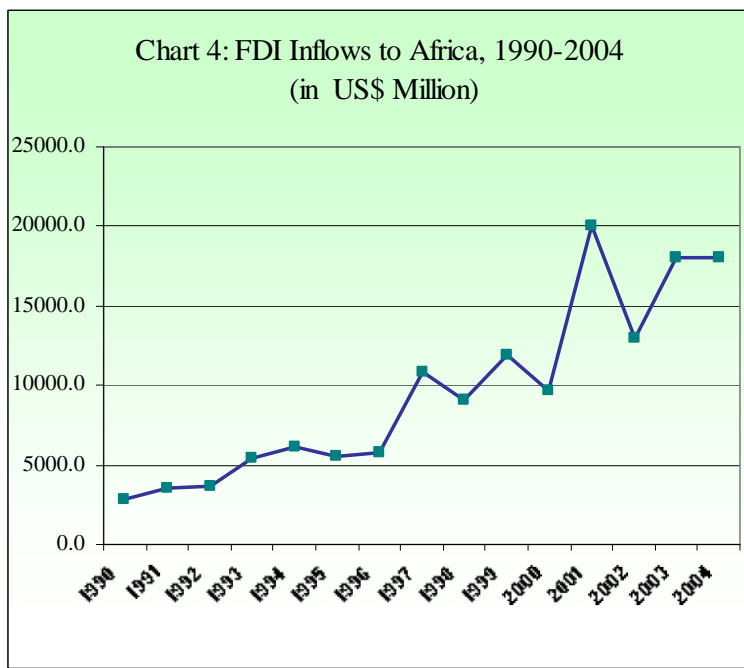
5.5 Lengthy and complex decision-making processes of RECs are generally not well suited to their new roles as implementing organs of NEPAD, which is compounded by the failure of Governments to translate political will into action by ensuring compliance with regionally agreed protocols, conventions and harmonised sectoral policies and legal frameworks. The lack of effective coordination between various stakeholders at the regional and national levels as regards management and implementation of the NEPAD infrastructure projects and programmes is also reflected in a lack of demonstrated ownership of projects;

5.6 Aligning Donor Practices: Generally, the systems and practices of development partners are not fully aligned with NEPAD priorities, and are insufficiently adapted to support the efficient and effective implementation of NEPAD infrastructure programmes and projects. This is evidenced by fragmented funding approaches that require dealing with a multiplicity of donors, thus exposing projects to high transaction costs due to a multiplicity of procedures and associated conditionality. This impacts negatively on project development and implementation, which in turn erodes their development impact.

5.7 Enhancing Domestic Resource Mobilization: Promoting private sector participation also raises the need to develop appropriate financial instruments, using the domestic and regional capital markets, which could foster rapid growth of the indigenous private sector. In particular, the lack of adequate financing instruments in local currency could translate into high exchange risks for all investors, while continued restrictions on the capital account increases convertibility risks faced by foreign investors. On the supply side, the limited market size of individual countries, combined with uncertain growth prospects at the country or regional level due to armed conflicts, tend to limit the scope for attracting private investment. Furthermore, financing most infrastructure projects in foreign currency while underlying revenues are in local currency creates a mismatch that, if not adequately mitigated, could wipe out the returns to investment in regional infrastructure projects.

5.8 Such measures will need to be complemented by efforts to attract larger volumes of foreign private capital inflows. For instance, the flow of FDI to Africa appears to have stagnated since 2000, hence the need for more actions to encourage higher inflows. This requires addressing the high cost of doing business in Africa, which, according to some estimates is 20-40 percent above that for other developing regions.

5.9 Improving Governance and Institutions: Many Governments now recognize that sound governance and institutional capacity are critical for sustainable growth and are giving practical responses to this challenge through the NEPAD process. Africa needs to continue to give high priority to improving governance systems and public institutions to enable them become effective partners to the private sector. Particular concerns in this regard include the need to take concrete steps to reduce corruption, improve the legal and regulatory environment. There is also need for high quality public institutions, sufficiently insulated from political interference to enable them independently formulate and implement policies.



5.10 Accelerating Regional Integration: The prospects for Africa’s sustained economic growth and increased role in the global economy would be considerably enhanced if current regional integration and cooperation arrangements were to be strengthened. The importance of economic integration derives from the opportunities it provides to expand trade, pool resources for investment, enlarge local markets, and to foster a more efficient industrialization by taking advantage of the economies of scale that large markets could provide. However, the main challenge is to promote a framework of open regionalism that puts in place the necessary protocols and arrangements to encourage the joint production of goods and infrastructural services within a larger economic space. To this end, there is a need to develop a realistic action plan for moving from the current loose Free Trade Areas (FTA) to Customs Unions with common external tariffs (CET). This would provide a framework for deepening regional integration as well as a strong platform for negotiating trading and investment arrangements with external trading partners.

5.11 There is a further need to rationalize existing regional economic communities (RECs) by eliminating overlapping memberships, and build their institutional capacities to enable them become effective agents of development and implementers of programs under the NEPAD initiative in their respective sub-regions. Additionally, there is a need to harmonize sectoral policies, especially in infrastructure, as a way of accelerating development of regional competitive markets, and attracting foreign direct investment.

5.12 Role of the African Development Bank: The Bank Group’s mission of poverty reduction and sustainable growth in Africa puts the continent’s development challenges at the heart of its operations. The Bank Group is scaling up its financial contributions to RMCs following the significant increase in the replenishment of the ADF resources. Since 1998, the Bank’s operations have been on an upward trend, with approvals increasing from US\$ 1.7 billion to reach over US\$ 3.0 billion in 2005, of which 42 percent was allocated to the infrastructure sector. The Bank also approved nearly US\$ 5.0 billion of debt relief to the 24 countries that have qualified under the HIPC initiative since 1998, and more recently, an additional US\$ 8.5 billion of debts owed by 33 countries under the Multilateral Debt Relief Initiative (MDRI).

Disbursements to on-going projects have also continued to expand. In 2005, disbursements reached US\$2.0 billion, up from US\$ 900 million in 2000.

5.13 The Bank Group continues to place a high premium on inducing private sector growth in its regional member countries. Recognizing the usefulness of public-private partnerships (PPP) for infrastructure development and for catalyzing foreign direct investment, the Bank is re-positioning its structure to play a more active role in promoting PPPs in the region.

5.14 To maximize its development impact, the Bank is striving to ensure that its financial and staff resources are selectively targeted on projects, programs and advisory activities that represent priorities for RMCs; foster poverty reduction and reflect the Bank's comparative advantages, division of responsibilities and partnership arrangements with other development partners. In order to increase its contributions to the socio-economic development of its RMCs, the Bank would lead in providing knowledge and information on the investment opportunities in Africa and also galvanize international support through increased advocacy. Also, due to the ongoing decentralization of the Bank Group, the Bank will strive to better realign its development assistance with individual country priorities.

5.15 Within the NEPAD, the Heads of State and Government Implementation Committee (HSGIC) of NEPAD in November 2001 mandated the Bank Group to be the lead agency for infrastructure development. The Bank is further mandated to lead the development of banking and financial standards, and cooperate with ECA on economic and corporate governance. The Bank was also designated as a strategic partner to the African Peer Review Mechanism (APRM). To implement its NEPAD mandate, the Bank has put in place the necessary institutional arrangements, which included principally, the establishment, in January 2004 of the NEPAD Support Unit within the Bank's organizational structure.

5.16 As regards the NEPAD infrastructure development programme, the Bank has over the period 2002-2005, financed twelve physical projects, including one private sector sponsored project, and twelve studies for a total commitment value of US\$ 627.9 million and mobilized about US\$1.6 billion in co-financing for some of these projects. In addition to the multi-national projects under NEPAD, the Bank continues to finance infrastructure projects in regional member countries. Currently, the total portfolio of infrastructure projects under implementation by the Bank stands at US\$ 3.83 billion. A key issue identified by the Bank in its support to the development of NEPAD infrastructure is the level and quality of preparation of key infrastructure projects across the continent. Recognising the need to assist countries and regional institutions in project preparation, the NEPAD-IPPF was established as a multi-donor supported facility. To date, the Bank has supported the preparation of six physical projects.

5.17 In addition to the Bank's role in regional infrastructure development within NEPAD, it has launched two key initiatives in water, the Rural Water Supply and Sanitation Initiative (RWSSI), and the African Water Facility (AWF) to support in a more coherent manner the development and utilization of water resources in the continent as well as facilitate attainment of the MDGs. Currently, the Bank is rolling out the Rural Water Supply and Sanitation Initiative (RWSSI). To date, projects have been approved for 8 countries with a total commitment value of US\$ 304.24 million. The key challenge is to fast track implementation of RWSSI to assist RMCs attain the water related MDG access targets. The African Water Facility (AWF), hosted by the Bank under the auspices of AMCOW, is at the implementation phase and one operation has been approved. The main challenge for the Facility is to mobilize resources to complement ongoing efforts to assist countries, local communities and NGOs improve access to water supply and sanitation.

5.18 Notwithstanding the advances made by the Bank in support of infrastructure development, it is limited by its internal capacity to broaden its scope as well as capacity to provide policy advice and knowledge to its regional member countries. The Bank is currently implementing a new organizational structure to be able to enhance its organization and resource capability to be in a better position to play a more pronounced and proactive role in the development of the continent.

VI. Conclusions

6.1 This paper has brought together the infrastructure development needs and challenges facing Africa to ensure development effectiveness as international aid is scaled up. While Africa's recent economic performance has improved, it is clear that growth rates are not sufficient to reach the MDGs. Underlying the need for accelerated growth is the need for infrastructure development and regional integration. Also, countries must improve the domestic environment to significantly accelerate growth and reduce poverty by improving the enabling environment: maintaining macroeconomic stability, improving governance and institutions, enhancing domestic resource mobilization, and by advancing with regional integration efforts.

6.2 In view of its importance for the development of the continent, Governors are invited to share their experience to date and propose ways and means of accelerating the on-going initiatives for infrastructure development. **At the Country Level**, the implications of the potential for scaling up infrastructure development include prioritizing infrastructure in PRSPs and annual budgets; ensuring effective sector, economic and corporate governance structures exist; maintaining a stable macro-economic environment, investing in human capital development to maintain infrastructure; instituting adequate policies for private sector participation in infrastructure; and developing domestic financial markets to sustain infrastructure development.

6.3 **At the Regional Level**, the scaling up of infrastructure financing and development would have implications on the degree of harmonization of cross-border infrastructure development policies across countries, and promoting regional approaches to resource mobilisation and development of legal and regulatory frameworks. Furthermore, NEPAD, ECA and ADB should continue working closely with the RECs and RMCs to harmonise and coordinate infrastructure sector policies and programs.

6.4 **At the African Development Bank level**, the implications for scaling up infrastructure financing and development would require that the Bank becomes more proactive in the mobilization of resources for the continent, develop and deploy appropriate institutional structure and flexible lending instruments to match the needs of countries, and emerge as center of knowledge to better serve the continent. Furthermore, this would call for the Bank to strengthen its support for the NEPAD in project preparation as well as in the provision of effective support to countries for the implementation of requisite sector, economic, and corporate governance reforms necessary to promote and sustain infrastructure development.

6.5 Governors are invited to consider the following issues in relation to accelerating infrastructure development.

- (i) **Policy actions:** What new measures can be pursued to enhance domestic and regional resource mobilization? What are the available domestic and regional financing mechanisms that could be employed for human capital development – should total cost recovery be pursued in poor African economies? How do we streamline the RECs and align their activities with the NEPAD priorities?

(ii) Role of public sector in financing infrastructure development: what actions should be taken to forge Public-Private Partnerships (PPP) in mobilizing resources, developing and managing infrastructure development? What appropriate regulatory and policy frameworks would prevent the emergence of private monopolies and also facilitate the development of infrastructure projects that are socially desirable but not deemed bankable? How do we incorporate the impact of climate change in infrastructure development without hindering private sector participation? How do improve effectiveness in the co-ordination and harmonisation of the activities of various government and infrastructure initiatives?

(iii) Role of International financial institutions: What should be the role international financial institutions in supporting accelerated infrastructure development? How can the international donor community harmonise their procedures in financing infrastructure development to reduce transaction costs and align activities to the NEPAD priorities? Should a specific proportion of Official Development Assistance (ODA) be targeted for infrastructure Development?