



# Large Infrastructure

Conclusion: Turning Africa's infrastructure deficit around

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## Conclusion: Turning Africa's infrastructure deficit around

Much of Africa's current infrastructure endowment reflects the patterns first established under colonialism. Subsequently, low levels of investment and little maintenance have resulted in significant deficits in infrastructure, which are essential for improving human well-being, promoting industrial development and advancing regional integration.

Closing this gap requires more spending on infrastructure, but it must inevitably balance with other priorities such as education and health. The good news is that much of this is happening. Infrastructure investment in Africa has been steadily increasing over the past 15 years, predominantly funded by national governments, although others (China in particular) have an important role. The challenge is to move more projects in the large infrastructure pipeline to financial close. To this end, the international community can play an important role by:

- funding and supporting feasibility studies
- providing insurance against risk
- reducing the risk premium charged by private banks (based on the negative views through which rating agencies view the continent), and
- assisting African governments in managing and overseeing complex projects.

Transforming projects into bankable, sustainable assets requires appropriate procurement and investment reform, including investment in subsidising and properly capacitating feasibility studies, will be essential to attract this capital.

In some places (particularly the US and Europe), generous fiscal stimulus during the COVID-19 pandemic has unlocked large amounts of capital for additional infrastructure spending. Low interest rates have also made borrowing for large projects more affordable than in the past. The shift to remote work by office workers is driving demand for improved ICT infrastructure, and the urgent fight against climate change continues to drive demand for investment in renewable energy.[1]

Mobilising the private sector is clearly part of the solution to Africa's infrastructure backlog, but government resources will remain essential, particularly for basic infrastructure. Proper prioritisation of projects is key. Although major power plants and highways may be appropriate in many contexts, the resources invested in these high-profile projects are often better spent on the basics.

If African governments can properly prioritise projects, and implement the reforms necessary to close the funding gap, infrastructure development across the continent could be transformative. Even a partial closing of the gap, as demonstrated in the scenario presented here, could lead to a significant increase in incomes. Eventually, the development of proper infrastructure is likely an essential prerequisite for the implementation of other major development programmes, such as those examined in our scenarios on industrialisation and trade presented on this site.

Chart 32: Key recommendations

## Africa must

1. Increase public infrastructure investment, particularly public regional infrastructure, as many governments' development challenges require cross-border solutions.
2. Practice good governance by preventing corruption in the public procurement process and by establishing transparency, competition and accountability in procurement
3. Efficiently allocate and use of existing resource available for public infrastructure development
4. Improve utilities revenue collection and lower electricity and water transmission and distribution losses
5. Promote production and use of renewable energy by promoting renewable energy RVC's
6. Promote public-private partnerships and private investors' participation in the development of sustainable public and regional infrastructure by:
  - a. strengthening the rule of law
  - b. reducing corruption levels
  - c. improving regulatory quality
  - d. implementing institutional reforms
  - e. minimizing political uncertainties

## Endnotes

1. *The Economist*, How to get infrastructure right, 2 January 2021; *The Economist*, Is an infrastructure boom in the works?, 2 January 2021.

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## About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

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