

Bridging Africa's infrastructure gap

A PFM perspective

Policy dialogue – Infrastructure: improving the coordination of the project cycle
24 August 2017
Kigali, Rwanda

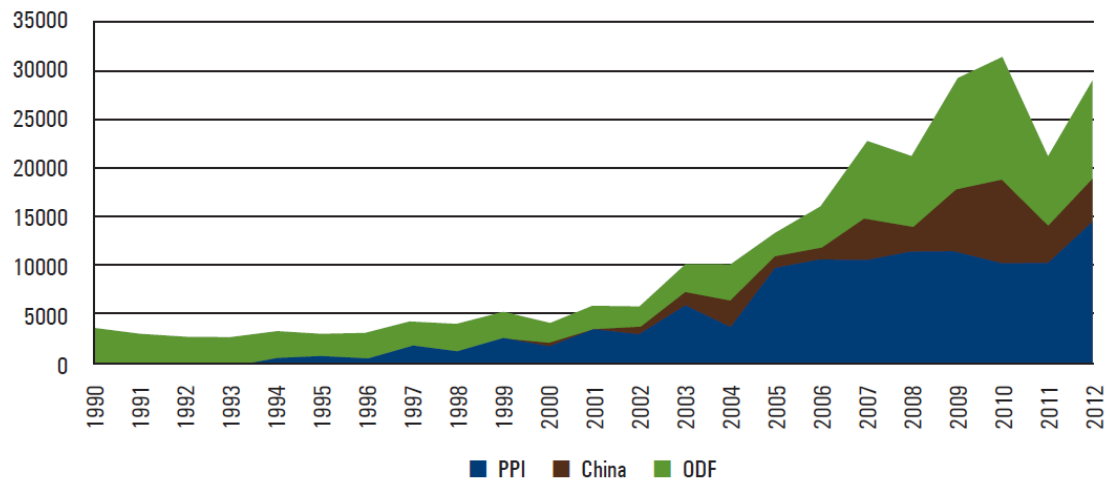
Critical needs in infrastructure investment

- Stark deficiency in infrastructure investment in Africa:
 - The power sector generates the same amount of power as Spain's power sector, but serves a population nearly 20 times as large.
 - 1/3 of rural Africans live within two kilometers of an all-season road\
 - Less than 5% of Africa's cultivated area is irrigated.
- For example, the cost of contending with Africa's energy infrastructure needs is estimated at \$63 billion in 2013, while only \$8 billion were committed in 2013.

A change in the composition of external financing

- External financing from the private sector, multilateral institutions and bilateral donors, especially China, tripled between 2004 and 2012.

Figure 1: External Infrastructure Investment Commitments in Sub-Saharan Africa, by Sources, 1990-2012, in US\$ Millions (Current)

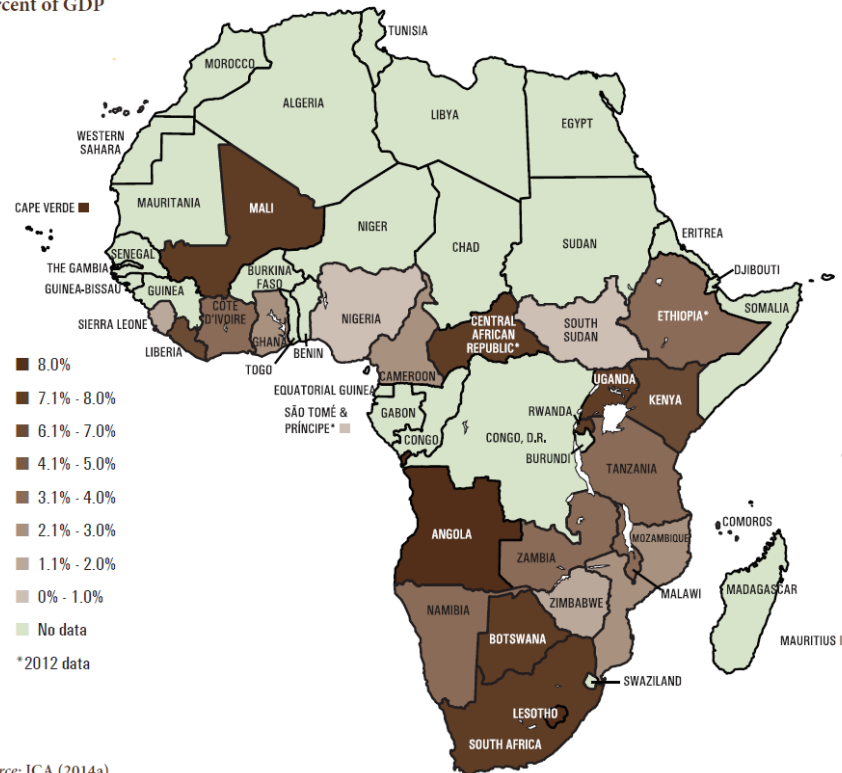


Source: Authors' calculations using OECD, World Bank PPIAF, and AidData databases.

Public sector budget financing remains dominant...

- Sub Saharan African countries finance about 65% of their infrastructure expenditure from their public sector budget, representing 4% of the region's GDP (IMF).

Figure 22: National Budget Allocation to Infrastructure in Sub-Saharan Africa in 2013, Percent of GDP



Source: ICA (2014a).

...and its resources must be expanded

- Domestic resources in Africa have expanded thanks to debt relief and increased revenue collection.
- Nevertheless, resources remain insufficient and countries need to increase further domestic resources to meet the infrastructure gap.





Governance is key to success

- Increased funding is only one part of the solution: the quality and sustainability of infrastructure and related services depends critically on the capacities and capabilities of national governments.
- Research showed that there are efficiency gains to be exploited: of the \$93 billion required annually, it is estimated that \$17 billion could be achieved through governance-related reforms along three dimensions:
 - i. sectoral policy reforms,
 - ii. amount and quality of regulation, and
 - iii. enterprise governance.

Especially in Public Financial Management

PFM cross cuts these three dimensions and is at the core of these governance efforts by:

1. creating stronger budgetary institutions;
2. raising more revenues from countries' own tax bases;
3. improving spending efficiency, especially investment project selection and management as well as the maintenance and rehabilitation of existing infrastructure;
4. undertaking comprehensive medium-term debt management strategies.

**This is your time to make your mark and help
bridge Africa's infrastructure gap !**

Session 1 tasks

Teams choose an energy infrastructure project and answer the following questions on their pin boards:

1. Provide a description (e.g. technology) of the project, including its purpose.
2. Which line ministries would you have to coordinate with for this project? What challenges might arise in coordinating with them?
3. What could be the financing options and requirements of the project?
4. What could be the implementation and execution risks pertaining to this project?
5. Any additional information you feel would be important for the budget submission?

Lego blocks are provided for the teams to use as they fill their boards.

Thank you