Addressing Barriers to Southern African Development Community (SADC) Infrastructure Development

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Development Dialogues

A huge challenge is developing feasible, bankable infrastructure projects. Capacity needs to be built to enable governments to undertake essential project development steps.

DBSA
Development Bank of Southern Africa

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Development Planning Division
Development Bank of Southern Africa
PO Box 1234
Halfway House 1685
South Africa

Telephone: +27 11 313 3911
Telefax: +27 11 313 3086

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Participants:

Chairperson:

Michele Ruiters	Development Bank of Southern Africa

Presenters

Ellen Hagerman	Independent Consultant
Vaneshree Naidoo	Abacus Advisory: Infrastructure Strategy and PPP Advisor

Participants

Alvino Wildschutt	Development Bank of Southern Africa
Cleo Rose-Innes	National Treasury
Colleen Hughes	Development Bank of Southern Africa
Cynthia Chikura	Business Unity South Africa
David Monyae	Development Bank of Southern Africa
Ellen Hagerman	Independent Consultant
Inba Thumbiran	Construction Industry Development Board
Irma Weenink	Development Bank of Southern Africa
John Tambi	NEPAD Planning & Coordination Agency
Juana Purchase	Development Bank of Southern Africa
Leon Gouws	NEPAD Business Foundation
Les Saunders	DIRCO
Lusanda Batala	National Treasury
Lynette Chen	NEPAD Business Foundation
Memory Dube	South African Institute for International Affairs
Michele Ruiters	Development Bank of Southern Africa
Mvuselelo Mgeyane	South African Revenue Services
Neha Patel-Manga	National Treasury
Nicolas Anjinhno	National Treasury
Nomfundo Ngwenya	National Treasury
Ravi Naidoo	Development Bank of Southern Africa
Richard Humphries	South African Foreign Policy Initiative
Vaneshree Naidoo	ABACUS
Zanele Sogoni	National Treasury
Zukhanye Mayekiso	Development Bank of Southern Africa

Table of Contents

The Regional Spatial Development Initiative Programme Project Preparation Facility aims to provide quick access to funds on a demand-driven basis and quick disbursement against eligible project preparation activities leading to financial close.

Addressing Barriers to Southern African Development Community (SADC) Infrastructure Development

1. Introduction

Infrastructure development is a major drive in Africa, as a means to unlock economic opportunities and achieve economic growth, and to address poverty. Debates on infrastructure development are intensifying and it is critical that barriers (both hard and soft) be addressed.

This Roundtable sought to discuss the nature and extent of the barriers to regional infrastructure development, and more importantly, to identify means of overcoming them.

A study commissioned by the Development Bank of Southern Africa (DBSA), interviewed fifty people responsible for infrastructure development in the public and private sectors in the region, and conducted an extensive literature review. The study's findings and recommendations were presented at the Roundtable, as was an outline of a Project Preparation Facility (PPF) developed for the Regional Spatial Development Initiative Programme (RSDIP) within SADC. The PPF provides governments with a structured approach to key steps in developing feasible, bankable projects, and quicker access to funds to support each stage of the process.

The Roundtable discussion was based on presentations by Ellen Hagermann – Barriers to Infrastructure Development in Southern Africa, and Vaneshree Naidoo – Financing Regional Infrastructural Projects.

2. Key Issues

2.1 A Regional Perspective: Strengthening country and institutional relationships to support regional infrastructure development

2.1.1 Intense interest in infrastructure development in Africa

The intense interest in infrastructure development in Africa is reflected in the significant number of initiatives underway. The African Infrastructure Country Diagnostic has highlighted that some $96 billion needs to be raised for infrastructure development. The Africa Action Plan, under the auspices of the African Union and NEPAD, is an initiative that aims to provide guidance for infrastructure development for the continent.

The AU vision for efficient, cost effective, reliable, environment friendly infrastructure and services is to be achieved through the building of strong political commitment, human and institutional capacity to develop and promote regional integration, regional projects and to mobilise resources.

The Infrastructure Consortium for Africa provides the framework for the involvement of the BRICS countries in infrastructure development. The G20 High-Level Panel on Infrastructure has made recommendations particularly on engaging the private sector. The Programme for Infrastructure Development in Africa is identifying priority projects to 2030. The Presidential Infrastructure Champion Initiative in South Africa aims to jump-start regional infrastructure development by identifying seven or eight champion projects.

2.1.2. Implementation of a series of regional infrastructure projects

The Tripartite Agreement which has united three Regional Economic Communities in southern and eastern Africa (SADC, EAC and COMESA), has garnered the energies and collaborative leadership to work towards the integration of two-thirds of the continent. Within southern Africa, the SADC Secretariat has determined that approximately US$20 billion is needed to support trade facilitation and to upgrade regional infrastructure, roads, rail and ports. In response to momentum generated from the Tripartite Agreement, the SADC Secretariat has recently completed the SADC Infrastructure Master Plan which seeks to identify priority projects in the sectors of transport, energy, telecommunications, water infrastructure, meteorology and tourism for Southern Africa.

SADC is a massive region covering 15 countries that are vastly different. In order to achieve better infrastructure development within regions or along corridors, a more integrated approach, as opposed to isolated projects is needed. The adoption of a corridor approach to regional infrastructure development is emerging as a pragmatic approach to addressing regional challenges. Within the SADC region, the North-South Corridor (NSC) has been earmarked as the preferred route for trade between Durban and Dar es Salaam, in large part because it is the main trading artery connecting the land-locked countries of Botswana, the DRC, Malawi, Zambia and Zimbabwe with the major ports of South Africa and Tanzania. The Maputo Corridor is frequently cited as the success story in the region because it was able to develop and complete a key trading route between South Africa and Mozambique in collaboration with the public and private sector. Key elements cited for its success include having a political champion, having a strong and committed bureaucracy as well as ensuring buy-in and confidence from the private sector. The Walvis Bay Corridor is also emerging as an effective model for fostering public and private engagement using a collaborative model based on the building of relationships.

While corridor projects tend to address projects on an incremental basis, most often linking two countries by road, rail or another form of transport, the adoption of a holistic, sequential and inter-modal approach is highly recommended to ensure that all routes along a corridor are successfully connected and facilitate a smooth flow of goods and services from one end of the region to the other.

2.2. A regional perspective poses a set of challenges

Political commitment has been identified as a key success factor in corridor development. Much of the success of the Maputo Corridor may be attributed to former Presidents Mbeki and Chisano championing the initiative with support of competent and committed bureaucrats. This commitment encouraged the private sector to buy into the project.

However, the notion of a political champion as a key recommendation for strengthening the project planning process was challenged raising the question of whether a political project champion is necessarily a pre-condition for successful infrastructure development. A bureaucrat as champion is involved in a project for the long haul, has a thorough understanding of all the stakeholders involved in the project.

There is a need to address the ongoing challenges associated with advancing the regional integration agenda, a necessary condition to increase the number of regional infrastructure projects. While there is need for additional work to understand the barriers, the fear of loss of sovereignty, the emergence of a major player, managing of the differential levels of development, necessary capacity, ensuring public buy-in to supporting regional infrastructure projects, the need to resist the tendency to prioritise national projects over regional projects, particularly after significant progress has made in achieving commitment to a regional project have been identified as significant issues that arise.

There is also the opportunity to learn from other regional blocs where some of the challenges, have been addressed through the provision of structural funds from poorer countries as was the case with European Union, as well as dedicating time and effort to foster relationships among partner countries as was done with the EAC.

2.3 Building rigour in Project Planning/Preparation

The planning phase of infrastructure development offers a host of challenges for countries and regions to overcome in their efforts to develop bankable projects. Enhanced capacity is required to enable governments to undertake the essential project development steps, some of which include:

Project preparation recommendations	Motivation
Early rigour required in the pre-feasibility stage in assessing project bankability.	Offers the opportunity to eliminate projects that are not bankable. Often projects are put forward because they could win political kudos but are not necessarily feasible because the numerous stages in project development have not been followed. A baseline study and some form of economic analysis should be conducted. Sufficient funds should be allocated for feasibility studies.
Establishing coordinating committees to ensure all relevant government departments are involved.	A number of projects have gone as far as being put out to tender without the approval of key government departments. This could markedly improve coordination.
Centralising planning and building in of contingencies.	Project planning should be centralised within countries in order to promote better integration across government departments.

Planning and budgeting for monitoring/oversight and undertaking a preliminary baseline.	Monitoring and evaluation is an important part of projects, especially large infrastructure projects at a regional level.
Factoring in environmental and social considerations.	These elements are important within the developing economies of the SADC region. The best financing options for project need to be determined that are not economically sustainable but that can lead to social benefits.
Assessing and documenting the reasons for failure to achieve bankability supported by donor funds for project preparation.	Lessons are important for improving the probability of achieving bankability in other future projects.

It is essential for governments in the region to refine project development capacity and ensure rigour in the complete project development life cycle.

2.4 Developing capacity for project development processes

A significant bstacle to the development and implementation of infrastructure in Africa is an overall lack of capacity. A failure to address it frequently results in projects being stalled or closed down. Hence a gap analysis of capacity at the planning stage across the complete spectrum of infrastructure development is recommended before the development of a bankable project.

While some capacity building programs can address short-term challenges, the biggest capacity gaps in Africa is the lack of engineers, people with professionally-accredited programs that ensure the availability of the financial and program management skills required. Given that these areas of expertise require tertiary education, it is essential that countries undertake a cradle-to-grave analysis to facilitate long-term capacity planning aimed at overcoming both the primary and tertiary education challenges needed to develop a sufficient cadre of professionals over the longer term. The adoption of a programmatic approach also offers a way to ensure that capacity building is systematically considered and integrated into all relevant areas and ministries.

With the emergence of new players on the infrastructure scene, most notably from the BRIC countries, governments also need to hone their skills in negotiating infrastructure development that includes requests for appropriate skills transfer, use of local employment as well as the integration of social and environmental considerations. In cases where the use of external consultants is inevitable, ensuring skills transfer and investigating the best models of the use of external consultants will be important.

Lack of capacity in the planning and delivery of infrastructure projects is evident in governments in the region, as well as in regional institutions. While several participants raised the lack of government capacity to develop bankable projects and co-ordinate activities within governments and across borders as a general major constraint to infrastructure development, others raised concerns about the lack of capacity in certain RECs. However, there are good models to learn from. COMESA (Common Market for Eastern and Southern Africa) was cited as an example of “dynamic, visionary, delivery-focused leadership”, but the question of how to ensure improved performance in other RECs remained a pervasive challenge. The Roundtable also highlighted that a major problem with some RECs is that staff are hired on a quota, rather than a merit basis, to ensure representivity of member states.

The Economic Community of West African States (ECOWAS) is dismantling quota-based hiring and moving towards appointments on merit.

2.5 Financing regional infrastructure and the role of the private sector

Financing for regional infrastructure is daunting. Proposals put forward that are worthy of further assessment include:

- The establishment of regional bonds, the institution of a regional surcharge and the development of regional catalytic projects.
- The incentivizing of representatives from Multilateral Development Banks to make efforts to leverage financing beyond their traditional remit has been proposed by the UN HLP.
- Regional Development Banks represent important players because of their location and their ability to develop relationships among relevant countries in a region. Within this context, UNCTAD is proposing that developing countries that have access to sovereign wealth funds should invest 1% of their assets in regional development banks in the form of paid-in capital.

Overall, it will be necessary to take into account the recurrent problems of developing regional infrastructure including securing political commitment, the sharing of costs in relation to benefits derived and how to address different borrowing rights due to country GDP levels.

With declining access to public financing, the private sector represents a key source of potential financing which to-date, has been limited in its involvement. This can be attributed to many factors such as

- Relationships between the public and private sector are mixed in Southern Africa and on the continent at large.
- The risks involved in financing projects which have not been prepared with the requisite level of rigour.
- A demonstration of a clear commitment to working with the private sector by ensuring transparency, predictability as well as a capacity to manage PPPs effectively.
- The lack of bankable projects that can legitimately go to tender.
- There is a need to consider the different financing mechanisms that are available as well as how to bundle them in an attractive manner. Countries such as Mozambique are looking at hybrid mechanisms, and the OECD has recently completed a mapping exercise of financing mechanisms aimed at identifying and assessing the best financing options.
- Risk is a key concern - so donors have increasingly invested in risk mechanisms as a way to leverage private sector financing
- Experience such as the number of failed public private partnerships. an overall lack of capacity to effectively develop and implement joint programs between the two including

More work is required to understand the concerns and needs of the private sector and to create platforms of dialogue between the public and private sector. For example, the SADC Development Finance Resource Centre has been mandated to establish a network of PPP practitioners both to build capacity as well as to promote PPPs as an important approach. With the limited success and progress made on core infrastructure PPPs, more work is needed to draw lessons learned and to share experiences. In the case of PPPs, experience is showing that the private sector is willing to engage where it is certain that the public is willing to pay for access to infrastructure. The greatest success has been with ICTs whereas most of the other core infrastructure areas face resistance since the public believes it is the role of government to use taxpayer money to deliver essential services.

Several Roundtable participants confirmed that useful cooperation was developing between the public and private sectors in the area of PPPs. For example, the International Mining Council is assisting the DRC government to develop a strategy and guidelines for private sector investment.The Walvis Bay Corridor (WBC) provides a model for engagement with the private sector. The WBC operates through two teams - one focuses on policy and regulatory issues as well as cross border relationships between governments of countries involved in the WBC. The second is a private sector investment unit that looks for private sector skills to help with development of PPPs.

Still, more needs to be done to better understand the needs and motivations of the private sector overall.

2.6 Promoting Community Benefits

Concern was expressed that too much emphasis in Spatial Development Initiatives (SDIs) is being placed on developing transportation infrastructure, and not enough on such areas as agriculture and in obliging investors in infrastructure and mineral resources to also undertake initiatives that will benefit communities where projects are being developed and implemented. Pro-poor development was acknowledged as critical in that infrastructure should be built, not just to get goods in and out, but needs to be designed in such a way that it benefits local communities. Local people must also be employed in projects. If they lack skills, capacity building must be included in the design of infrastructure projects. Further, government capacity to include pro-poor development in infrastructure projects also needs to be built. On another level, South African supermarkets in Africa need increasingly to procure supplies from within countries in which they operate, in order to stimulate local economic development.

3 Conclusion

The Roundtable was a useful exploration of the issues and concluded that there were a range of “soft” and “hard” issues :

The chief “soft” barriers to regional infrastructure development are

- General capacity constraints that could markedly impede infrastructure development in the region.
- Lack of capacity to develop bankable projects
- Limited coordination of activities across government departments,
- The nature of the relationship between the public and private sectors
- Country borders and
- The lack of capacity within certain Regional Economic Communities (RECs).

On the other hand, the “hard” issues are:

- Rigour in project preparation (projects need to be well prepared in order to reduce risks, ensure project success, be bankable, and attract private sector funding).
- The setting up of financing models to support infrastructure development, are also critical to address.

Regional Development Banks are cited as being an important player in regional infrastructure development. For South Africa, Southern Africa and increasingly Sub-Saharan Africa, the DFIs such as the Development Bank of Southern Africa (DBSA) represent a key player for infrastructure development. The DBSA is a financier of infrastructure, a manager of PPFs, a catalyst for partnership among neighboring countries, a capacity builder and a knowledge broker. As a bank that operates in the region, it is well positioned to work more closely with partners in South Africa and the region and is increasingly seen as a trusted partner by Development Partners to manage PPFs and to provide the skills, expertise and networks to undertake regional infrastructure projects.