Multi-year Expert Meeting on

TRADE, SERVICES AND DEVELOPMENT

Geneva, 15-17 April 2014

SESSION 6:
REGIONAL COOPERATION ON INFRASTRUCTURE SERVICES
AS KEY INSTRUMENT FOR DEVELOPMENTAL INTEGRATION

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Regional cooperation on infrastructure services as a key instrument for developmental integration

By Dr. Gabriel V. Mougani
Chief Regional Integration Economist
Presentation Outline

1. Rationale & justification of regional cooperation on infrastructure services

2. The Program for Infrastructure Development in Africa (PIDA): the regional and continental cooperative scheme on infrastructure services in Africa

3. Successful experiences, challenges and lessons learned

4. Recommendations

5. Role of AfDB & Partnerships
1. Rationale & justification of regional cooperation on infrastructure services [1]

- Efficient regional cooperation on infrastructure services
- Effective RTAs

Increased growth, connectivity, diversification & regional integration (intra-regional trade & investment, regional value-chains, etc.)
1. Rationale & justification of regional cooperation on infrastructure services [2]

Regional cooperation on IS is guided by the following Bank strategies

- Bank Group Long Term Strategy 2013–2022
- On-going New Bank Group Regional Integration Strategy 2014–2023
- Regional Integration Strategy Papers (RISPs)

One of the 5 priority operational areas
One of the strategic key pillars
Catching up with the “BRICs”... will require fast development of efficient infrastructure services

1. Rationale & justification of regional cooperation on infrastructure services [3]

Infrastructure Gap in Africa

Africa’s infrastructure is half to a fifth that of the BRICs, with wide variations across countries

<table>
<thead>
<tr>
<th></th>
<th>Africa vs. BRICs</th>
<th>Within Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Kilowatt-hours per person</td>
<td>2.4x</td>
</tr>
<tr>
<td></td>
<td>682</td>
<td>4,810</td>
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<tr>
<td></td>
<td>1,627</td>
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<tr>
<td>Road density</td>
<td>Kilometers per thousand square kilometers</td>
<td>4.9x</td>
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<tr>
<td></td>
<td>8</td>
<td>30</td>
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<td></td>
<td>39</td>
<td>9</td>
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<tr>
<td></td>
<td>1.304</td>
<td>5</td>
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<tr>
<td></td>
<td>870</td>
<td>25</td>
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<td>312</td>
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<td></td>
<td>145</td>
<td>21</td>
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<tr>
<td></td>
<td>116</td>
<td>4</td>
</tr>
<tr>
<td>Rail density</td>
<td>Kilometers per thousand square kilometers</td>
<td>2.3x</td>
</tr>
<tr>
<td></td>
<td>3.2</td>
<td>16.7</td>
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<tr>
<td></td>
<td>7.4</td>
<td></td>
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<tr>
<td></td>
<td>South Africa</td>
<td>Egypt</td>
</tr>
<tr>
<td></td>
<td>5.2</td>
<td>1.5</td>
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<tr>
<td></td>
<td>Algeria</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Ghana</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Kenya</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td>0.8</td>
</tr>
</tbody>
</table>

1 Brazil, Russia, India, China. The comparisons exclude Russia for roads and rail because Russia’s land area distorts the statistics.

SOURCE: World Development Indicators, McKinsey Global Institute
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [1]

A continental response to infrastructure deficit
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [2]

PIDA VIDEO
http://www.youtube.com/watch?v=od3HKtDSZZQ
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [3]

- Regional and continental cooperation as recognized necessity for developmental integration in Africa
  - Clear political will for integration
  - Integration as a development tool
  - Specific advantages of regional and continental integration
  - The key role of the Regional Economic Communities (RECs)

- Infrastructure as an instrument of social and economic development in Africa (MDGs, etc.)
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [4]

- Establish a strategic framework for the development of regional and continental infrastructure in four sectors (Energy, Transport, ICT, and Transboundary Water Resources)

- Establish an infrastructure development programme articulated around priorities and over the short, medium, and long-term horizons

- Prepare an implementation strategy and processes
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [5]
3. Successful experiences, challenges and lessons learned [1]

Some successful approaches in regional projects & regulatory cooperation: the One Stop Border Post (OSBP) [1]

Behind the Border: (i) Collaborate with national institutions and RECs to address human capacity and institutional weaknesses, and (ii) Support elimination of NTBs along transport & transit corridors

At the Border: (i) Operational issues: support documentation and process harmonization including STR; (ii) Legal issues: Push for agreements/protocols. (iii) Weak Border Infrastructure: One Stop Border Posts

After the Border: (i) Public policy issues: sudden shift in tariffs; (ii) Non Tariff Measures, i.e. support studies & workshops on Sanitary & Phytosanitary Standards, Non Tariff Barriers etc.; (iii) Political & Commercial Risks: support for strengthening of RECs mechanism.

Some successful approaches in regional projects & regulatory cooperation [2]

**SOUTHERN AFRICA**

- Kazungula Bridge Project (Zambia–Botswana, focus **OSBP construction & operationalization**)
- Nacala Road Corridor: Feasibility studies on possible construction of **OSBP** at Malawi/Zambia & Mwi/Moz borders

**EASTERN AFRICA**

- Arusha–Namanga–Athi River Corridor – **OSBP operationalization**
- Enhancing knowledge in modern customs practices and revision of the Customs Management Act etc.
3. Successful experiences, challenges and lessons learned [3]

Some successful approaches in regional projects & regulatory cooperation [3]

WEST AFRICA
- Lomé–Ouagadougou corridor road rehabilitation and transport project
- Trans–Gambia Road Bridge and Cross–Border Improvement Project–Study on OSBP design

CENTRAL AFRICA
- Doussala (Gabon)–Doumblise Road project
- Kribi–Campo Road Project
- Congo–Cameroon Road Project

NORTH AFRICA
- RISP currently being developed

Examples of Outcomes of efficient infrastructure services

- Efficient infrastructure services (e.g.: Customs Modernization and Reforms)
- Reduction in time for border crossing
- Reduced costs & enhanced competitiveness
- Increased volumes and values of cross border trade
  Improved Regional integration

Obstacles and Barriers to regional and continental cooperation on infrastructure services

- Poor & Inadequate Infrastructure
- Non Tariff Barriers, Rules of Origin & Regulatory Policies
- External Market Access & Trade policy
- Productive Capacity
- Implementation of RTAs, etc.
- Resource Mobilization
Obstacles & Barriers:
Inadequate infrastructure

• Inadequate connectivity of regional networks (including hard infrastructure and the efficiency of border posts)
• High costs
• Inadequate legal and regulatory enforcement to improve quality of services and reduce costs
• Prioritization has been elusive and PIDA has important role to resolve it
• Project preparation needs quality bankable projects (e.g. NEPAD IPPF)
Obstacles & Barriers: Productive Capacity

• Limited capacity to produce
• Inefficient technologies
• Inadequate diversification to exploit RTAs
Obstacles & Barriers: Non Tariff Barriers, Rules of Origin & Regulatory Policies

- Complex and lengthy procedures; business regulation; customs arrangements
- Restrictive rules of origin
- Lack of harmonized policies, regulations and procedures
- Exclusion of informal traders
- Road blocks
Obstacles & Barriers: Implementation of RTAs, etc. [1]

- Limited implementation of agreed actions in RTAs
- Overlapping & complex institutional arrangements (cf. next slide)
- Large mandates, but limited capacity to deliver

Mosaic of Regionalism in Africa (Spaghetti Bowl)
Preferential market access treatment and Rules of Origin with major external markets outside Africa constrain intra Africa trade

- Different DFQF rules (result in trade obstacles between African countries)
- Rules of Origin (as above)
- Negative incentives for investment hinder regional supply chains and cross-border investment etc.
Obstacles & Barriers: Infrastructure investments needs [1]

- In 2010, more than $55 billion were invested into new infrastructure in Africa

- $390 billion are needed in the medium term and trillions in the longer term

- Some estimate that African infrastructure could generate $200 billion per year in annual revenue for private companies by 2020
Obstacles & Barriers: Infrastructure investments needs
A2  The PIDA PAP is only a priority action plan. It not reflects the overall needs for financing.
Author: 25.06.2013
Obstacles & Barriers: Infrastructure investments needs (PIDA PAP 2020) [3]

- Abu Rawash Waste-Water 1.2 million m$^3$/day
- Dar es Salaam–Isaka–Kigali–Musongati Rail – 1,660 Km
- Ruzizi III Hydropower Project DRC & Rwanda – 147MW
- Inga III Hydropower 4,000 MW + 3,800 Km T-line
- Mpanda Nkuwa Hydropower Mozambique & South Africa 1,500 MW + 1,340 Km T-line

**Map Notes:**
- BLUE – 14 ADB Countries (MIC)
- GREEN – 39 ADF Countries (LIC)
- RED – ADF Fragile States – 17

**UNCTAD Multi-Year Expert Meeting on Trade, Services and Development – Geneva 15-17 April 2014**
4. Key recommendations [1]

- Invest in priority **regional infrastructure projects (also in border posts)** to close the missing links for connectivity
- Enhance **regional regulatory bodies** to ensure infrastructure services reforms
- Implement **RTAs, rationalize RECs and liberalize rules** of origin & market access
- Scale up **trade facilitation assistance** (and deliver more efficient logistics services) through harmonization and/or mutual recognition of regulations, procedures and standards
- Gather the **political will** and prioritize the implementation of the trade agenda,
- Mobilize **innovative financing** (infrastructure bonds, Africa 50, etc.)
4. Key recommendations [2]

Priority Infrastructure Reform Agenda (PIRA)

Non-Infrastructure Reforms
- Macro-economic Issues
- Reforms in Support of Infrastructure

Infrastructure Reforms
- Liberalization
- Trade in Infrastructure Services

MULTI-DISCIPLINARY & MULTI-SECTORAL APPROACH

UNCTAD Multi-Year Expert Meeting on Trade, Services and Development – Geneva
15-17 April 2014
4. Key recommendations [3]
Impact Monitoring and Reporting

- Connectivity, Efficiency
- Reduced Cost of Doing Business
- Growth in Trade & Services

Infrastructure services
Trade & Investment
Growth & Developmental integration
5. Role of the AfDB & partnerships [1]

<table>
<thead>
<tr>
<th>Project Financing</th>
<th>Resource Mobilization &amp; Capacity Building</th>
<th>Knowledge Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Project Financing through ADB Windows</td>
<td>• Prepare and Coordinate Resource Mobilization Strategy</td>
<td>• Lessons in Implementing Cross-border Infrastructure Projects</td>
</tr>
<tr>
<td>• Project Preparation through NEPAD-IPPF – First Fruits</td>
<td>• Help Translate and Implement Decisions of AU Heads of State on PIDA Financing</td>
<td>• Best Practices, Models and Technical Assistance Support</td>
</tr>
<tr>
<td>• Resource Mobilization through ICA – Co-financing, Leverage</td>
<td>• Targeted Capacity Building Support – RECs, MS</td>
<td>• Reforms – PIDA “Soft Infrastructure” Issues</td>
</tr>
<tr>
<td></td>
<td>• Capacity for Dialogue (Public &amp; Private)</td>
<td>• Trade Facilitation (TF)</td>
</tr>
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</table>
5. Role of the AfDB & partnerships [2]

There’s a recognized need to scale up investments to implement TF measures in order to reap the benefits (Matching commitment with recourses)

- Creation of the Africa Trust Fund (AFTRA):
  - Strengthening capacity of national and regional African institutions to effectively support trade facilitation and market access; and
  - Supporting increased trade competitiveness and performance among regional member countries (RMCs).
We seek to build & cement focused partnerships with key stakeholders.

Partnerships based on the Bank’s comparative advantage & overall strategic focus to deliver its work programme.

Examples of Partners: RECs

(i) Continental level institutions
(ii) Multilateral donors – EU, etc
(iii) International Institutions – UNDP
(iv) Corridor Hubs (in West and Southern Africa)
5. Role of the AfDB & partnerships [4]

MOU with WCO → Knowledge products and Capacity Building
Design & implement Customs Modernization Action Plan (CMAP)

UNCTAD: (i) Cooperation (Trade policy, etc.) & Planned technical cooperation agreement (Regional & intra-African investments survey, capacity building, data base, etc.)

Trade finance initiatives for Boosting Intra-African Trade
Resource mobilization for Africa under the Aid for Trade Initiative
Joint capacity building Forums, e.g. recent TF Symposium for Africa
Selected references
(available on www.afdb.org)


- African Development Bank, African Union and NEPAD, *Programme for Infrastructure Development in Africa - Interconnecting, integrating and transforming a continent*.


Thank you

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