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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

African Development Bank
Group (AfDB)

By Dr. Gabriel V. Mougani
Chief Regional Integration Economist

Presentation Outline

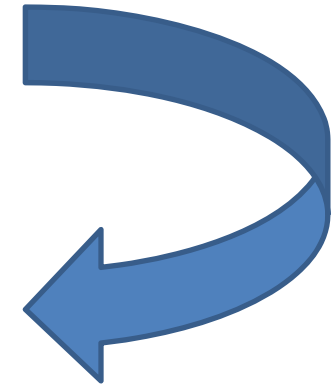
1. Rationale & justification of regional cooperation on infrastructure services

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

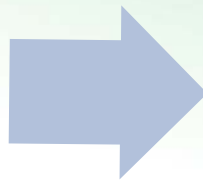


1. Rationale & justification of regional cooperation on infrastructure services [1]

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

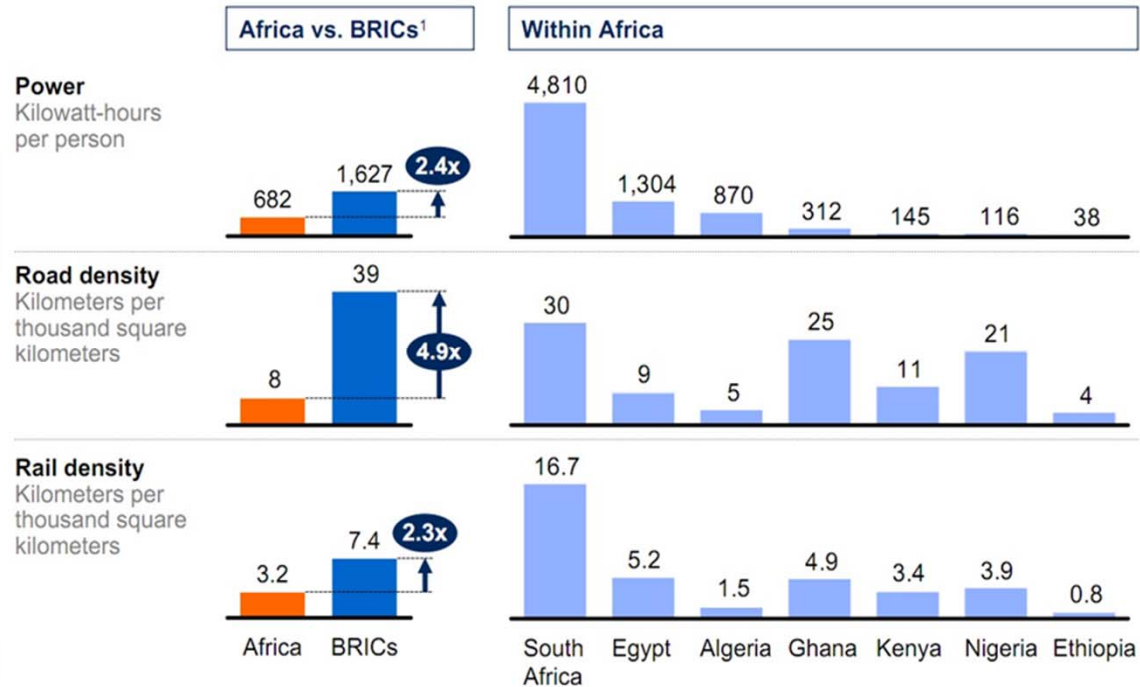


1. Rationale & justification of regional cooperation on infrastructure services [3]

Infrastructure Gap in Africa

Catching up with the “BRICs” ... will require fast development of efficient infrastructure services

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



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



Program for
Infrastructure
Development
in Africa

Interconnecting,
integrating and
transforming a
continent



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>



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2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [3]

The Context

- 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]

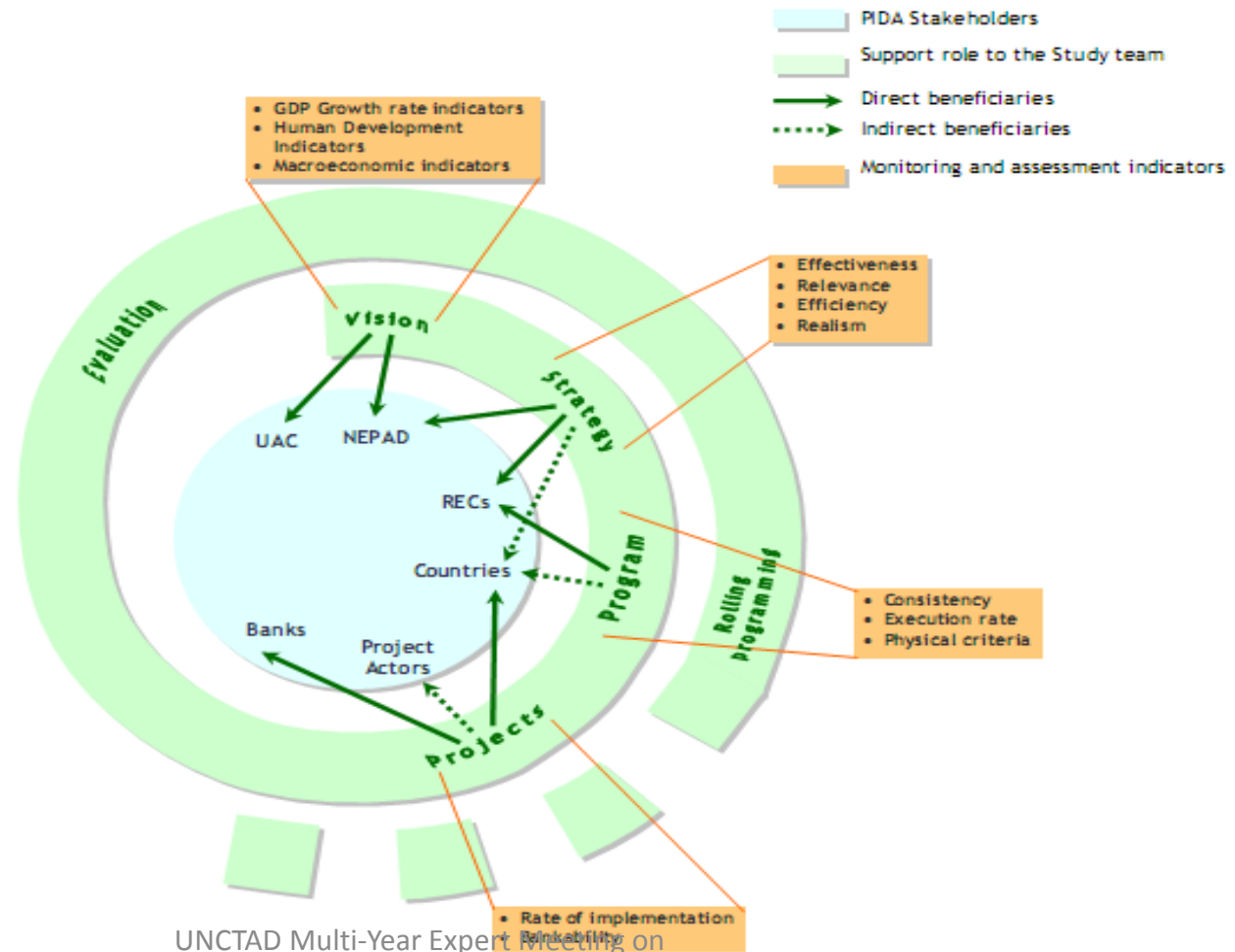
Objectives

- ✓ 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**



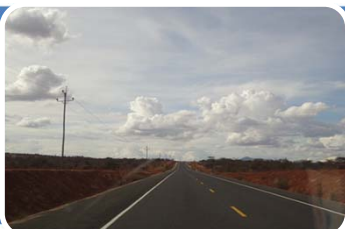
2. The regional and continental cooperative scheme on infrastructure services in Africa: the PIDA – A continental initiative and framework [5]

Expected results – The snail scheme



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.



3. Successful experiences, challenges and lessons learned [2]

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

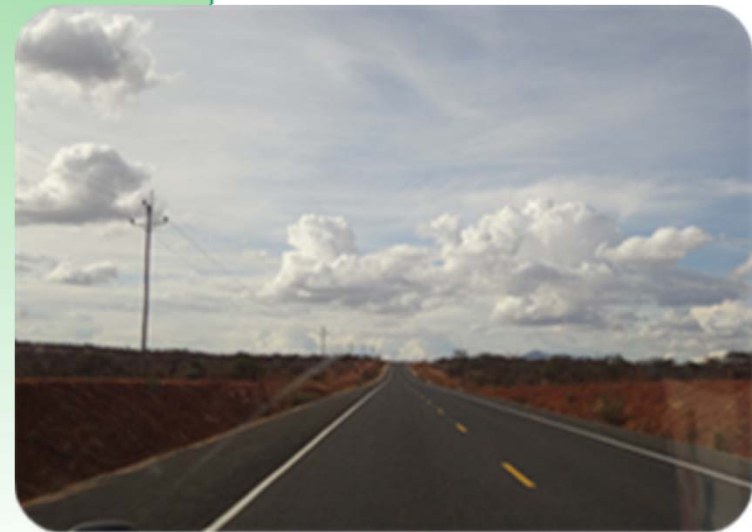
- Lomé–Ouagadougou corridor road rehabilitation and transport project
- Trans–Gambia Road Bridge and Cross–Border Improvement Project– Study on OSBP design

CENTRAL AFRICA

- Doussala (Gabon)– Doumbliise Road project
- Kribi–Campo Road Project
- Congo–Cameroon Road Project

NORTH AFRICA

- RISP currently being developed



3. Successful experiences, challenges and lessons learned [4]

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

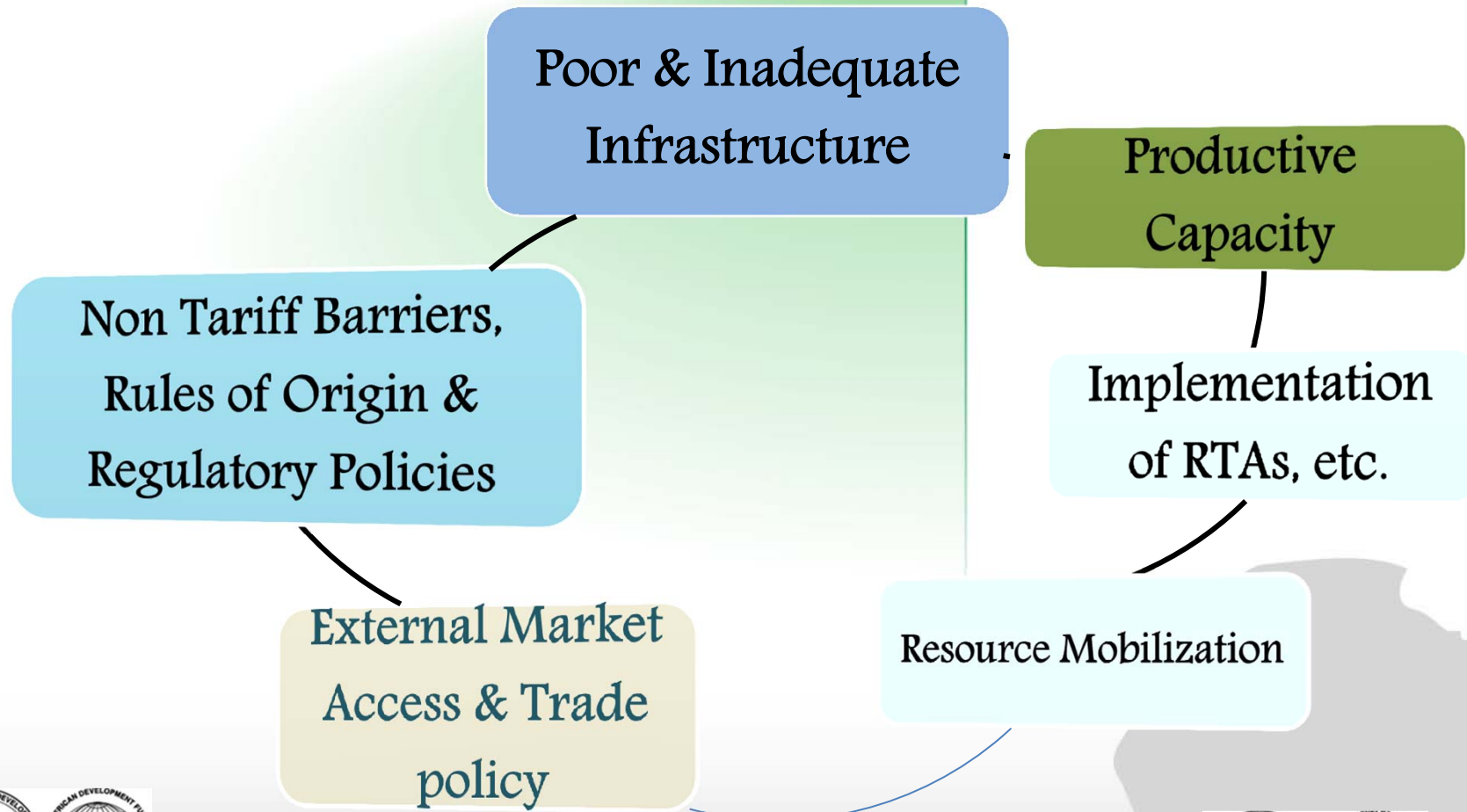


Increased volumes and values of cross border trade
Improved Regional integration



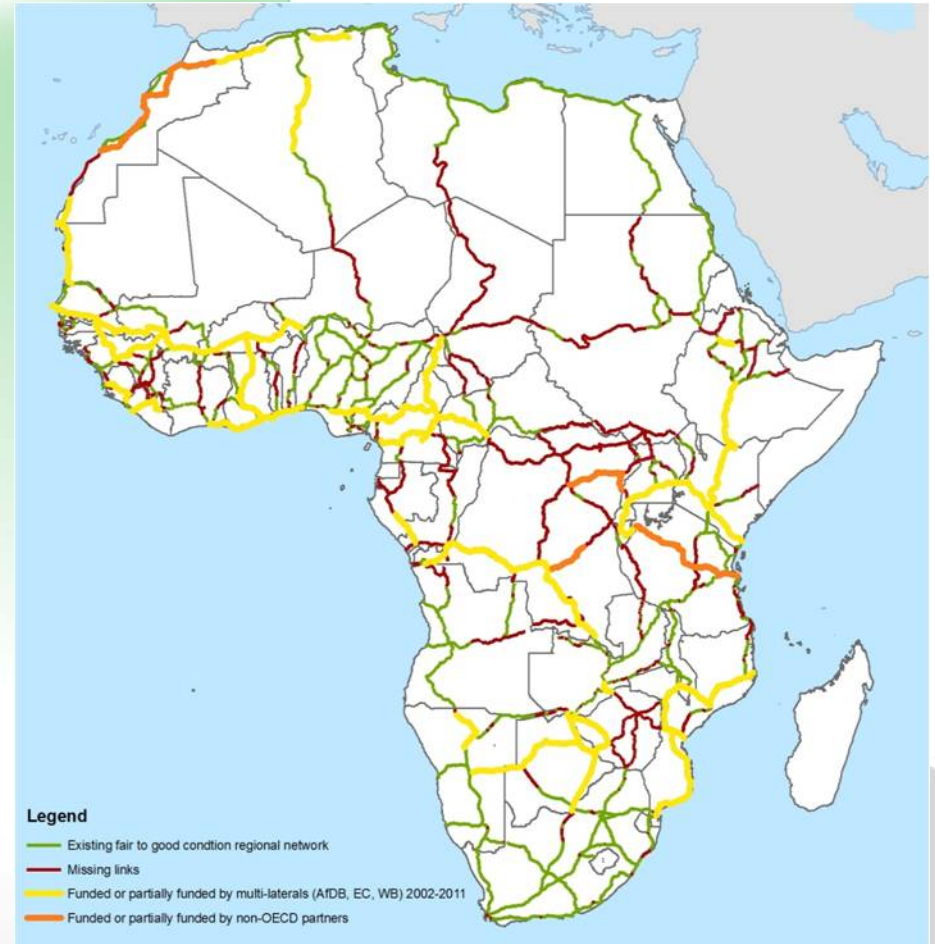
3. Successful experiences, challenges and lessons learned [5]

Obstacles and Barriers to regional and continental cooperation on infrastructure services



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)



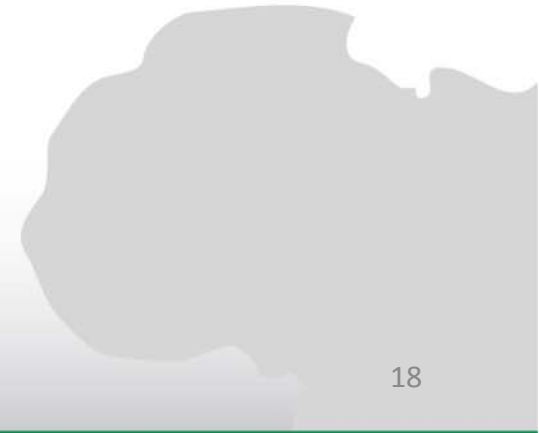
Obstacles & Barriers: Productive Capacity

- Limited capacity to produce
- Inefficient technologies
- Inadequate diversification to exploit RTAs



Obstacles & Barriers: Non Tariff Barriers, Rules of Origin & Regulatory Policies

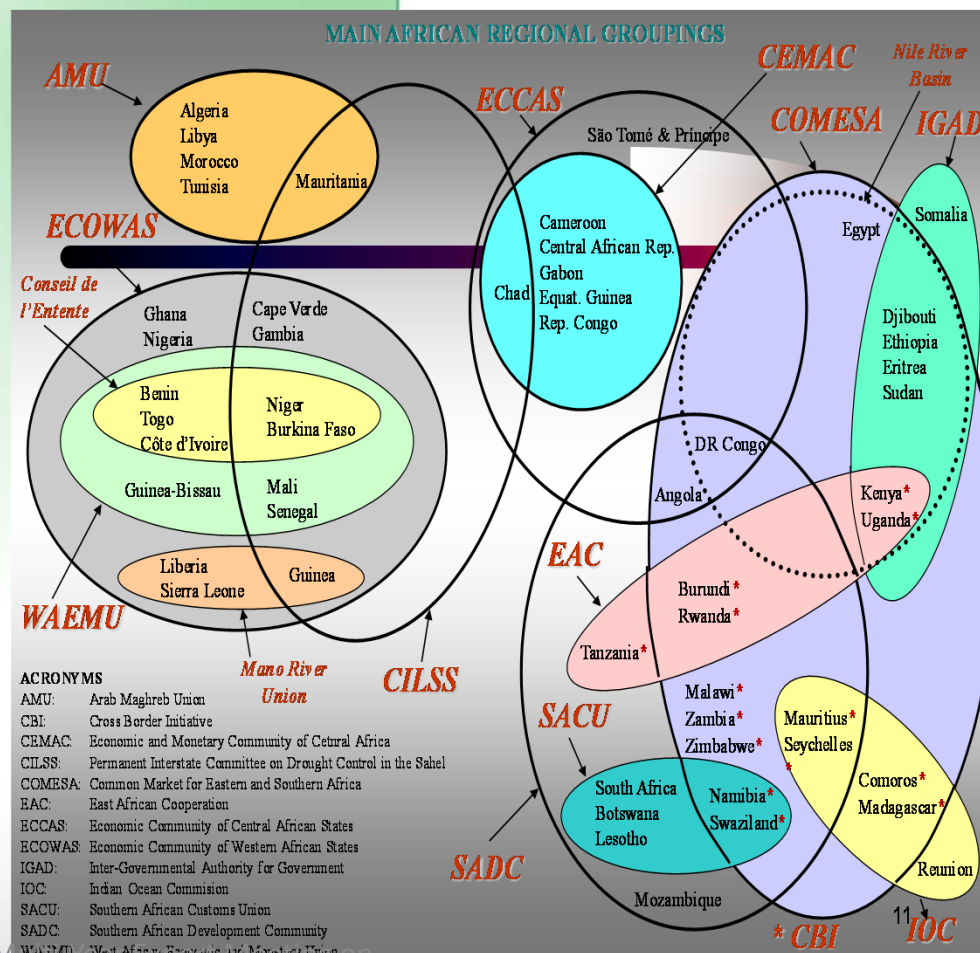
- Complex and lengthy procedures: business regulation; customs arrangements
- Restrictive rules of origin
- Lack of harmonized policies, regulations and procedures
- Exclusion of informal traders
- Road blocks



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

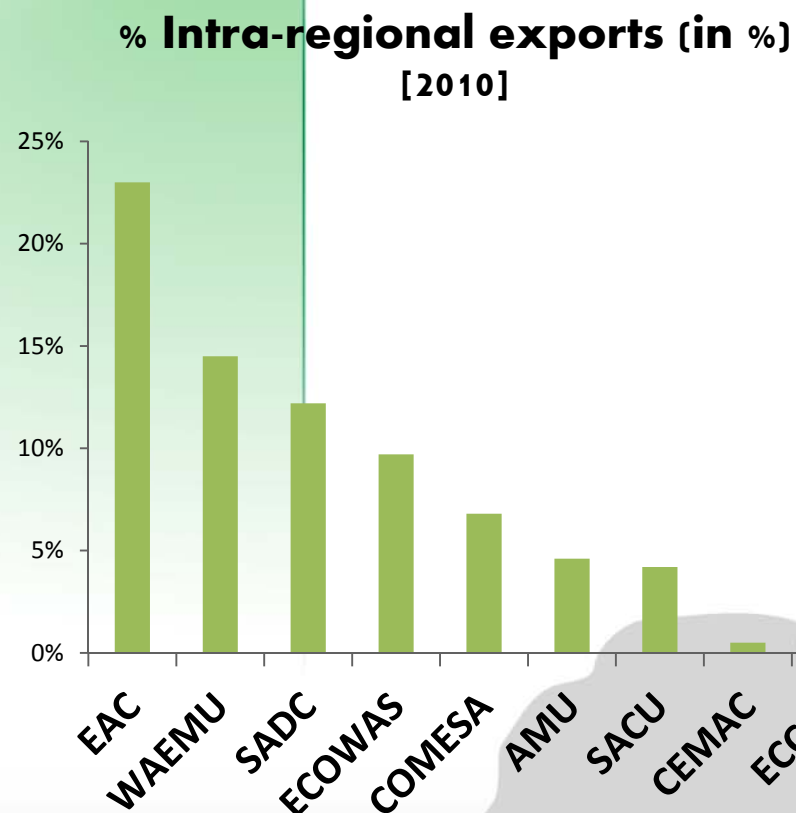
Mosaic of Regionalism in Africa (Spaghetti Bowl)



Obstacles & Barriers: External Market Access & Trade Policy

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]

Snapshot at Infrastructure
Investments in Africa Today and
opportunities of growing demand

- 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

(PIDA Priority Action Plan – PAP –2020) [2]

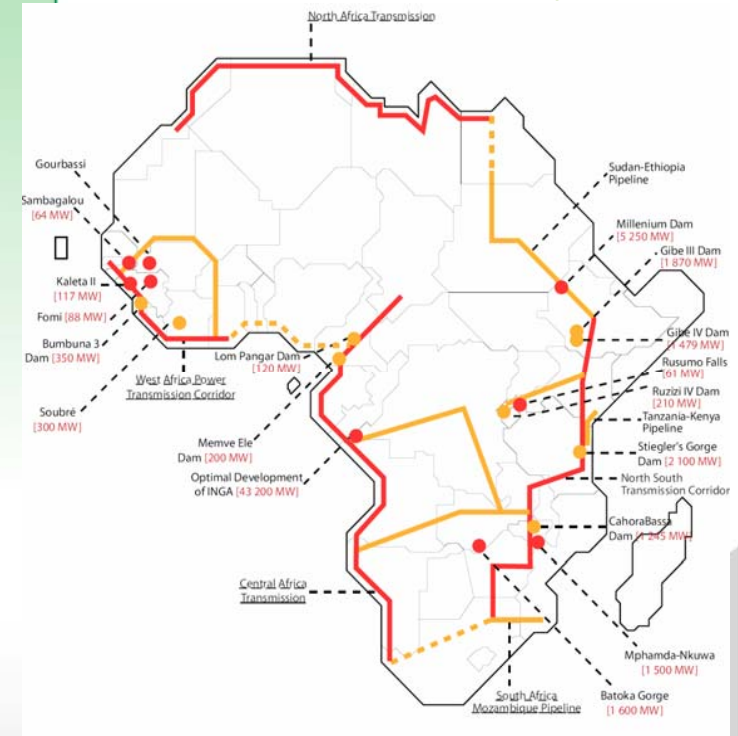
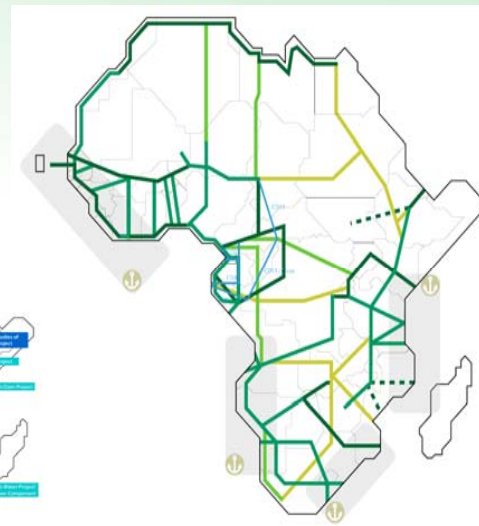
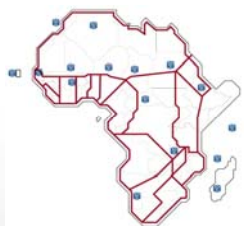
A2

Transport - 24 projects (25 billion de \$EU/ 20 billion €)

Water (9 projets – 2 billion \$/ 1,6 billion €)

ICT (3 projets - 0,5 billion US\$/ 0,4 billion €)

Energy - 15 projects (40 billion US\$/ 31 billion €)



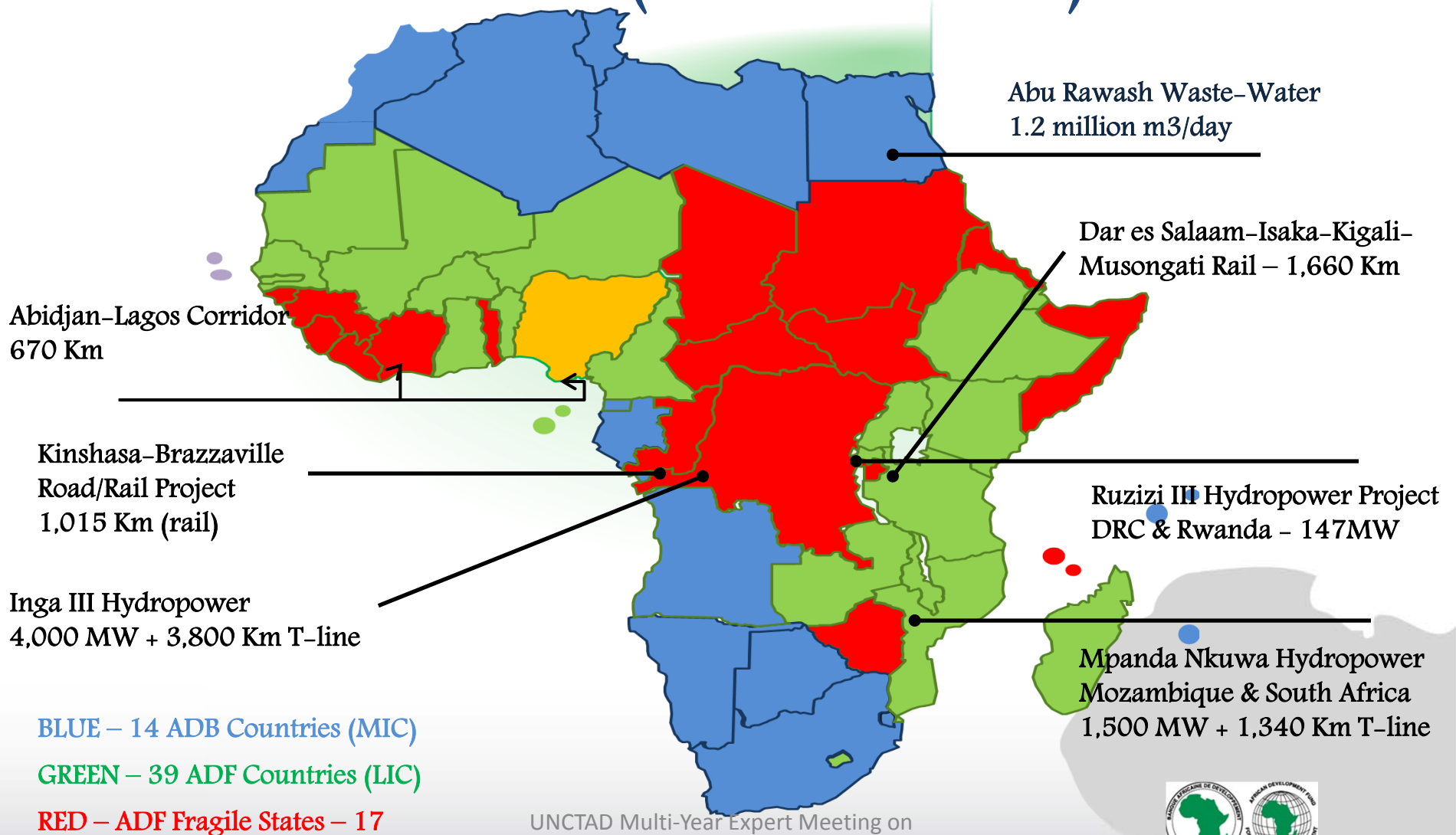
Slide 22

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]



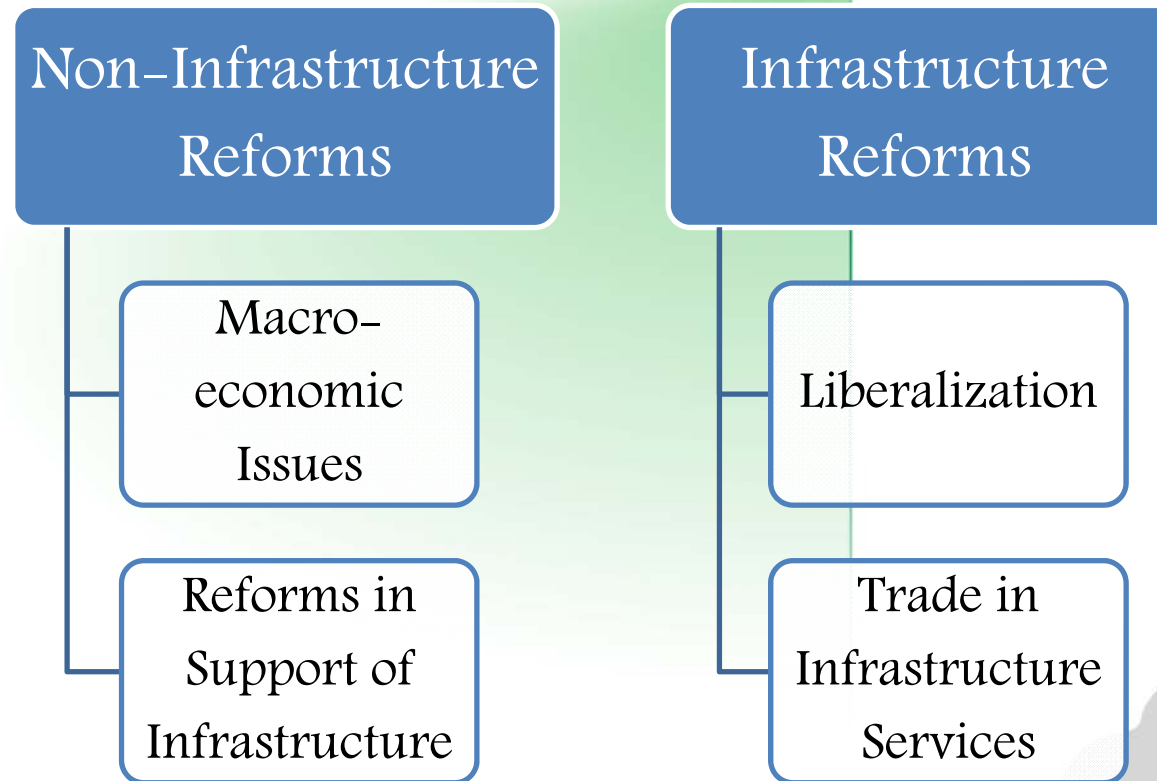
4. Key recommendations [1]

- 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)

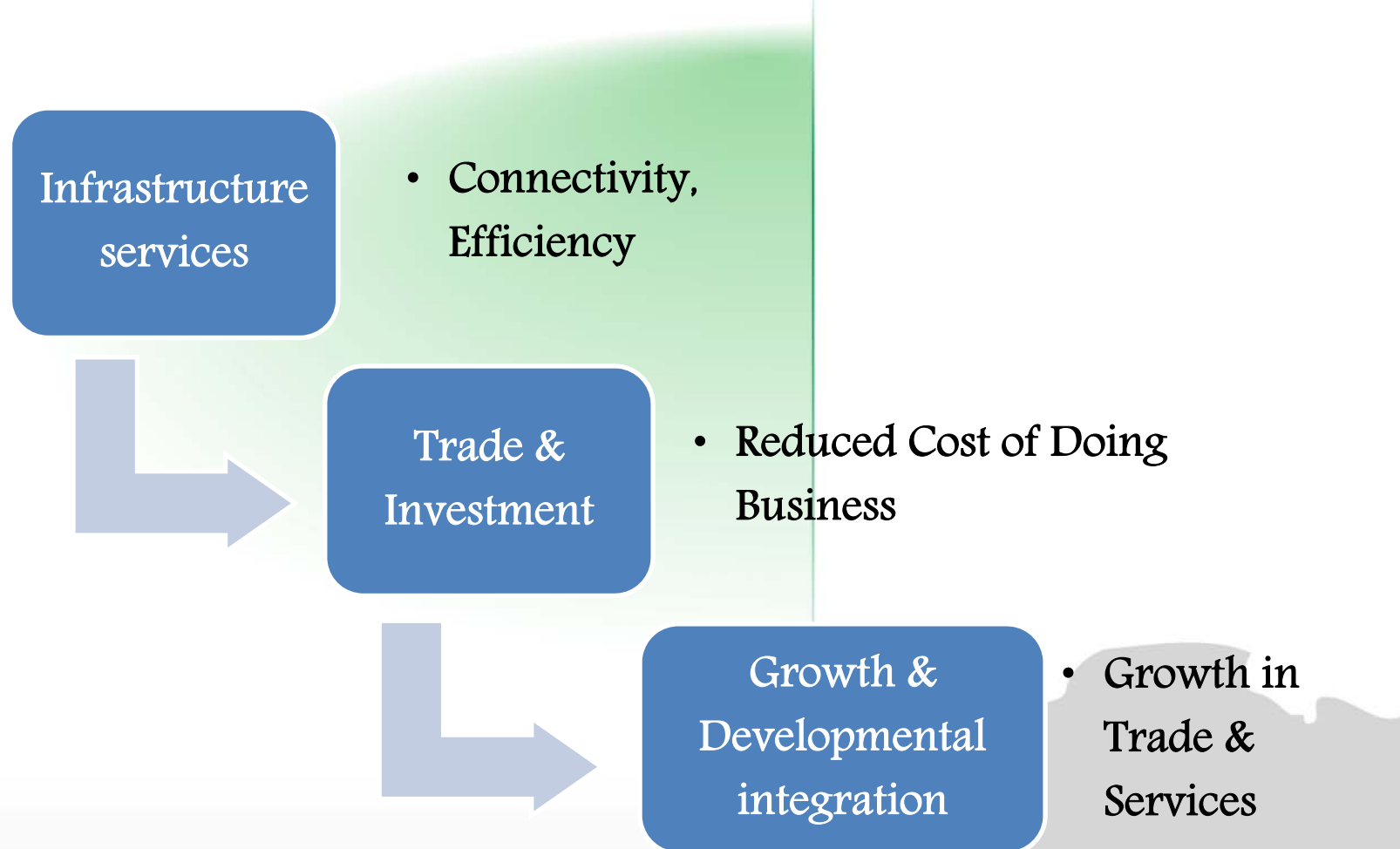


MULTI-DISCIPLINARY & MULTI-SECTORAL APPROACH



4. Key recommendations [3]

Impact Monitoring and Reporting



5. Role of the AfDB & partnerships [1]

Project Financing

- Project Financing through ADB Windows
- Project Preparation through NEPAD-IPPF – First Fruits
- Resource Mobilization through ICA – Co-financing, Leverage

Resource Mobilization & Capacity Building

- Prepare and Coordinate Resource Mobilization Strategy
- Help Translate and Implement Decisions of AU Heads of State on PIDA Financing
- Targeted Capacity Building Support – RECs, MS
- Capacity for Dialogue (Public & Private)

Knowledge Products

- Lessons in Implementing Cross-border Infrastructure Projects
- Best Practices, Models and Technical Assistance Support
- Reforms – PIDA “Soft Infrastructure” Issues
- Trade Facilitation (TF)



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 resources)

- **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).



5. Role of the AfDB & partnerships [3]



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)

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Thank you

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