



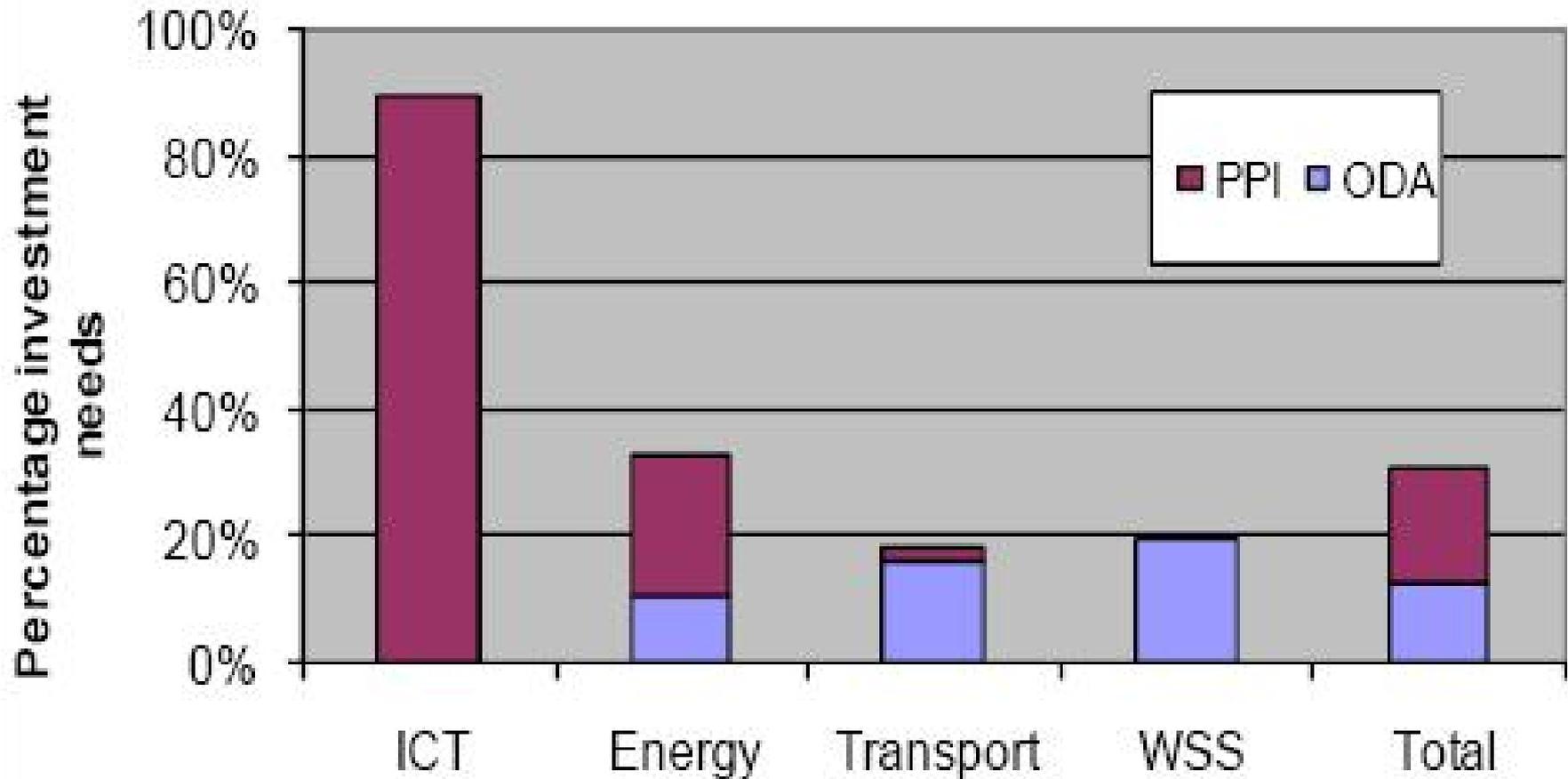
Encouraging Private Investment in Africa's Road Infrastructure

**NEPAD-OECD Africa Investment Initiative
Kampala, 11 December 2008**

Road infrastructure needs more private investment

- Investment in transport infrastructure is a cornerstone for accelerating Africa's regional integration.
 - Transport costs remain very high: 14% of the value of Africa's exports, compared to 8.6% for all developing countries.
 - Existing needs cannot be bridged by public resources and ODA alone; yet these make up 90% of investment in Africa's transport infrastructure.
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Infrastructure financing gaps: few PPIs in the roads sector



**How can African countries attract sound
Private participation in road infrastructure?**

Three key challenges to address for increasing PPPs in road transport

- Creating an enabling environment for PPP success in Africa
 - Coordinating governing bodies at all levels for road infrastructure in Africa
 - Ensuring that road infrastructure projects are genuinely sustainable and inclusive, meeting the needs of the African population.
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1. Creating an Enabling Environment

- Creating a conducive legal and regulatory framework: cost of doing business in Africa is 30% higher than in any other region.
 - High standards of public and corporate governance, including transparency in bids.
 - Access to finance: strengthening local financial markets and setting up infrastructure funds for private participants.
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2. Coordinating governing bodies at all levels

- Coordination across transport sub-sectors and ministries
- Sharing PPP risks and responsibilities among public and private actors
 - Many PPPs have failed because demand risk was inappropriately assigned to the private partner.
 - Mitigation instruments are being developed by multilateral bodies (AfDB, MIGA, World Bank). These encompass commercial risk and risks of political and regulatory instability.
 - African governments must fully share PPP responsibilities when designing contracts: private actors cannot single-handedly finance projects.

Coordinating governing bodies:

Multi-level governance, from the local to the regional scale

- Territorial governance of road projects
 - Authorities may lack expertise in road administration and engineering. Specific training is vital for decentralization to function.
 - Legal harmonisation of road transport at the regional level reduces transport and trade costs and limits opportunities for corruption.
 - Coordinating regional infrastructure projects and programmes: harmonising and rationalising of transport infrastructure projects is essential to avoid duplication and overlap.
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3. Making road infrastructure projects sustainable and inclusive

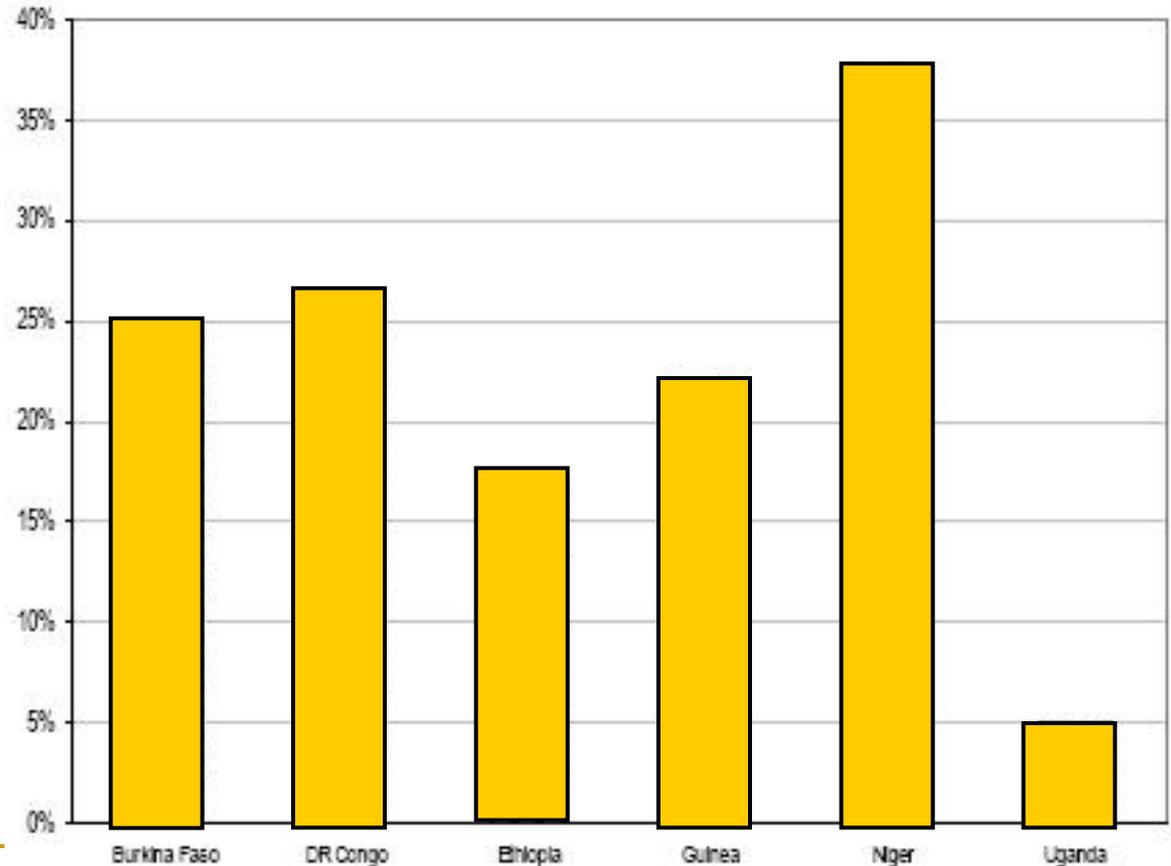
- Due to poor maintenance, many African countries have lost half of their road networks over the last 40 years.
 - Establishing road agencies and maintenance funds: transfer of management from a ministry to autonomous bodies can improve project management ensure that road funds are appropriately used.
 - Output-based contracts and traffic control:
 - Road agencies now contract out 80% or more of maintenance works.
 - New contracting forms of PPPs are allowing more private contribution to road maintenance.
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Ensuring inclusiveness

Including rural areas

- Improving local roads can double agricultural productivity & quadruple sales.
- Road funds can centralise toll revenues from large-scale roads, so as to contribute to the maintenance of rural roads.

Rural population living less than 2km from an all-season road



Ensuring inclusiveness

- Adopting a participatory approach and prioritising community involvement from the design stages of the project can make the most of the potential value-added of local authorities.
 - Ensuring low-income access to toll roads: tolls can vary according to vehicle size, offering poorer users substantial discounts.
 - Employment-generation: ensuring that the majority of workers in a project are locally-hired creates capacities for long-term maintenance.
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Need for reform and potential for progress

- Dialogue across governments and investors can enable private and public partners to actively tackle the key challenges facing Africa's road sector.
- Projects and policies must be coherently prioritised. Developing road corridors at the regional level deserves particular emphasis.
- Private involvement requires empowering local and central public authorities, to foster equal partnerships.
- RECs will also shoulder growing responsibilities in the road sector as regional projects pick up speed.
- Time is ripe for undertaking these regulatory, governance, and contractual reforms, so as to enhance the social return and effectiveness of PPPs in the roads sector.

Today's discussion should identify best-practices and stimulate progress in Africa's road sector.



Thank you