



The Infrastructure Consortium for Africa
Le Consortium pour les infrastructures en Afrique

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PRESS RELEASE

CHALLENGES FACING INFRASTRUCTURE DEVELOPMENT IN AFRICA CAN BE OVERCOME

- **Borrowing more costly; lower level of private sector investment in new infrastructure projects**
- **Commitment of African countries remains strong; levels of Overseas Development Assistance likely to remain consistent**
- **Range of possible responses available to help mitigate the limit impact of global financial and economic crisis.**

The global financial and economic crisis is certain to have implications for the availability of finance for infrastructure development in Africa – but, with determination, the challenges faced can be overcome.

This was the message from the Infrastructure Consortium for Africa (ICA) at today's Infrastructure Day conference and exhibition in Addis Ababa, on the eve of the African Union Summit – where the theme will be Infrastructure Development in Africa. Set up by the 2005 Gleneagles G8 Summit, the ICA's objective is to build a strategic partnership among donors and stakeholders – including the private sector – to facilitate the development of infrastructure in Africa

Presenting the ICA's perspective at the Infrastructure Day conference, Coordinator Alex Rugamba outlined the challenges facing the development of infrastructure in Africa due to the global financial and economic crisis, suggested a number of possible responses and set out the ICA's view of the priorities and key issues for infrastructure development in the continent.

Stressing that Africa was making progress, he reiterated the strong commitment from African countries to tackle the infrastructure challenges facing the continent. Rugamba also emphasised that, despite the economic downturn, official development assistance (ODA) was expected to continue at current levels.

Turning to the role of the private sector, Alex Rugamba said: "Development partners on their own cannot meet all the needs. It is important that private capital be tapped – in the more financially viable sectors – to make urgently needed investments. Infrastructure in Africa offers significant investment opportunities for long-term investors, even in a time of global crisis."

Rugamba said that more costly borrowing and a slow-down in private capital flows into Africa – including remittances from the African Diaspora – were symptoms of the current economic situation. He then outlined a number of possible African responses to the crisis, stressing that there was no “one size fits all” solution and that responses would vary from country to country:

- Accelerating intraregional trade and investment;
- Reducing the cost of doing business by strengthening and improving local and regional financial markets;
- Restructuring the financing of projects;
- Benefitting from the vast potential of sovereign wealth funds, emerging infrastructure bonds and infrastructure funds.

Looking at the priorities and key issues facing the development of infrastructure across the continent, and stressing that increased external funding would not solve all of Africa’s funding, Alex Rugamba outlined 6 themes:

- *A greater emphasis on regional solutions:* Regional integration holds the key to reducing infrastructure costs – for example, US \$2bn could be saved each year by trading power across national borders.
- *Increase in the level of domestic financing for infrastructure:* African governments must continue to mobilise additional domestic resources - it both promotes growth and helps to attract further private investment.
- *Increase in the resources spent preparing and financing regional infrastructure projects:* The lack of projects prepared to a stage where they are ready for financing continues to be a significant bottleneck.
- *Africa’s power crisis:* Africa’s chronic shortage of electricity supply demands urgent attention – and about \$25 bn a year in investment.
- *Increase the efficiency of existing infrastructure:* More efficient infrastructure will result in lower costs, freeing up domestic finance for investment and encouraging more outside investment.
- *Spending on urban infrastructure:* Urban infrastructure is under strain in cities across the continent.

Notes to Editors

The Infrastructure Consortium for Africa (ICA) was launched at the G8 Gleneagles summit in 2005. The Consortium’s mission is to help improve the lives and economic well-being of millions of people across the African continent through support to scaling up investment for infrastructure development from both public and private sources. Many African countries lack the essential building blocks of economic progress – roads and railways (which are well maintained), access to electricity, the internet and mobile phones and water for drinking and sanitation.

The ICA also works to help remove some of the technical and political challenges to building more infrastructures and to better coordinate the activities of its members and other significant sources of infrastructure finance, such as China, India and Arab partners.

The ICA is supported by a small secretariat hosted by the African Development Bank. Members include the G8 countries, the World Bank Group, the African Development Bank Group, the European Commission and the European Investment Bank.

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