



**A Programme of the African Union**

**THE IMPORTANCE OF INFRASTRUCTURE IN  
AFRICA**

By

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Excellencies,

Ladies and Gentlemen:

First of all, I would like to thank the Corporate Council on Africa, for inviting me to the first U. S. – Africa Infrastructure Conference. It is my pleasure to say few words about the importance of infrastructure in Africa. I am also happy to be here today, to share with you few messages about development in Africa, engaging the businesses and private sector to fight poverty and to promote accelerated economic growth in Africa.

Let me start by introducing the New Partnership for Africa's Development (NEPAD), which is a socio-economic program of the African Union, based on *partnership among African countries* with objective to promote sustainable development in Africa. NEPAD is also a philosophical framework, under which African countries strive to create a conducive environment for peace, security and democracy.

Our effort within NEPAD is geared towards promoting good governance and the rule of law, investment in our people, and pursuing policies that accelerate economic growth and human development.

Africa has economic comparative advantage in Agriculture, mining, energy production and tourism. Agriculture has been selected as one of the high priority sectors for future investments because is the largest contributor to GDP and employment in most African countries. This will require, among other things, increased productivity, market access and improved competitiveness through lowering of transaction costs.

Africa is a big continent with 54 countries and a population of about 950 millions. The continent is highly fragmented, too many borders, complicated cross-border regulations and norms including visa systems. The railway systems, where they exist, are not compatible among countries and sub-regions. Most of the country side in many African countries have poor roads and without electricity. They were built during colonial times where the objectives were to satisfy the commodity needs of the colonizing countries. Therefore, there is a very little connection among roads, railways and ports of the African countries and sub-regions. As a consequence, almost we do not have intra-African trade. The transaction costs of doing businesses in Africa are too high.

Africa needs infrastructure improvements urgently for development given that it faces the longest distances to the nearest large markets. The rail freight is under 2% of the world total, marine freight capacity 11%, and air freight less than 1%; and its power generation capacity per capita is less than half of that in either Asia or Latin America.

African economies are still vulnerable because of their poor trade performance, dependence on primary production and their narrow export bases. To improve the African economies there is a need to improve market access. We need to adopt adequate legal and regulatory trade frameworks at the national, sub-regional, and regional levels and we need to take a series of procedures to promote exports and integrate Africa's trade into the international trading system.

For instance, in 1990, to export prawns from Maputo in Mozambique to Johannesburg in South Africa, costed US\$ 11 per Kg.

With end of war in Mozambique in 1992, the construction of the Maputo Corridor in 1998 and cooperation between Mozambique Customs Authority with the South African Customs Authority in 2002, improved the situation. In 2005, to export prawns from Mozambique to Johannesburg costed US\$ 6 per Kg. The transaction costs became half of what use to be. Still there is room for improvement. There is a need to scale up the size of export to benefit from economies of scale. For instance, due to economies of scale and market infrastructure technology improvement, to export prawns from Maputo to Washington D.C. costs only US\$ 3 per Kg in a distance of almost 10,000 Kms compared to US\$ 6 per Kg in a distance of 600 Kms.

These are the reasons why we need to improve transport infrastructure, energy, information and communication technologies, water and sanitation in Africa. We need to improve rural infrastructure, including markets infrastructure to harness the economic comparative advantage of agriculture, to reduce the post-harvest losses which amounts up to 40% in average in Africa. This is the only way to transform the economic comparative advantage into competitive commodity production in Africa.

We need “spatial development programmes” in Africa which are complement to each other. We, at the NEPAD Secretariat developed the African Action Plan costed at US\$ 110 bn per year for the next 10 Years, in which we have the infrastructure programmes in areas of transport, energy, ICT, water and sanitation.

Along this conference, you will have the opportunity to be presented with regional projects including telecommunications, roads, bridges, railways, ports, energy and electrical grids. We are establishing a Unit on Spatial Development programming at the NEPAD Secretariat. We need US\$ 10 millions to develop the spatial development program in the next 3 to 5 years. I would like to invite the corporations and private businesses participating in this conference, to join us, in a partnership, to build the necessary infrastructure in Africa.

The shortage of electricity in Southern Africa is already a reality. To cope with the situation, NEPAD is promoting the Mpanda Mkuwa Hydro-electrical Power in Mozambique and the INGA project in the Democratic Republic of Congo. I would like to invite investors and corporations here present to join us in these projects in October and November when we are promoting these two projects.

Progress has been made in moving NEPAD from a concept, to policy development and implementation. A number of lessons have been learnt regarding Africa's development challenges. Some of these lessons include the need to:

1. enhance institutional capacity for effective and efficient programme conceptualisation, planning, implementation, monitoring and evaluation;
2. integrate NEPAD priorities, values and principles into national development plans;
3. reinforce partnerships, within Africa, and with Africa's development partners;

4. harness and generate domestic financial and human resources for development;

Private sector development, driven by business, is the underlying force driving socio-economic development, via all the initiatives and programmes we are discussing today.

The new global configuration with respect to the political forces, economic tendencies and strategic positioning of the major financial institutions is increasing the gap between the rich and the poor, both within and among societies. Therefore, there is a need for simultaneous change in African countries as well as in the developed countries.

The African Union in its constitutive act decided to create two main economic organs, the African Central Bank and the African Monetary Fund. Under NEPAD, the first steps are being performed, including the creation of a Task force from the Ministries of Finance and Central Banks to review government and corporate governance practices in the various countries and regions, and make recommendations on appropriate standards and codes of good practice for consideration by the Head of State Implementation Committee.

I thank you for your attention.