

SESSION 5: ENHANCING EXTERNAL TRADE, BUILDING AND MAINTAINING RESILIENT INFRASTRUCTURE AND PROMOTING REGIONAL INTEGRATION IN AFRICAN LDCs

Statement from the African Union Development Agency (AUDA-NEPAD)

As the African Union's Development Agency, AUDA-NEPAD believes in the integrating role of connectivity and infrastructure to drive opportunities for sustainable economic growth in the continent. We are therefore at the forefront of continental efforts to provide AU member states with the necessary tools to leverage and mobilize resources to provide sufficient, sustainable, affordable and reliable infrastructure for our people.

The imperatives of regional integration and infrastructure development are clear and well-articulated in the Abuja Treaty establishing the African Union, in the founding documents of the New Partnership for Africa's Development (NEPAD), in the establishment of the African Union's Agenda 2063 and more recently affirmed in by the establishment of the African Continental Free Trade Area (AfCFTA).

In 2010, our leaders launched the Programme for infrastructure Development in Africa (PIDA) as the over-arching framework to guide infrastructure implementation on the continent. PIDA was formulated as a long-term 30-year strategy to be implemented up to 2040. PIDA built on the previous infrastructure development efforts by bringing under one umbrella the 4 key sectors in infrastructure: energy, ICT, transport and water and more importantly focused on large-scale transboundary projects that would make an impact in deepening regional integration and enhancing trade.

The ambitions of PIDA were bold and I will take a moment to highlight a few of these and what has been achieved so far:

- In the area of energy, the objective was to reduce energy costs and increase access to energy, with projected increased in access from the baseline of 39% in 2009 to nearly 70% in 2040. Furthermore, it was expected that Africa would reap savings on electricity production costs of \$30 billion a year.

Subsequently, close to 30 million people gained access to electricity between 2013 and 2019; current access to electricity is around 44%, and with current trajectory and impact of COVID, the 70% by 2040 could be difficult to attain. Hydroelectric energy generation is currently at 147GW against 2020 target of 300GW; energy transmission lines at 7,200km against 2020 target of 16,500km

- Through the various transport projects, PIDA was expected to slash transport costs and boost intra -African trade.

We have witnessed a slight increase in intra-Africa exports to 16% of trade, compared to 11% in 2005 however transportation costs are not declining in line with the objectives.

- PIDA was expected to contribute to both water and food security- on average food and water security are still below 50%
- PIDA had the goal of boosting Africa's ICT connectivity and in particular to boost broadband connectivity by 20 percentage points and increase broadband penetration by 10% by 2018.

This is one of the targets that has been met and exceeded: ICT capacity is currently in the region of 9 Terabits against a target of 6 Terabits; broadband penetration is 25% and in excess of 10% target.

The first PIDA Priority Action Plan (PIDA-PAP 1), which was set for implementation up to 2020, embodied 51 cross-border programs decomposed into over 400 individual projects. We are now moving into the second phase PIDA PAP 2 for implementation up to 2030 and we can report that of the 400+ PIDA PAP 1 projects close to 40% are either in operation or under construction and at least 50% progressed in implementation from initial conceptualisation to subsequent stages.

PIDA projects have contributed more than 16,066 Km of road, at least 4,000Km of rail, up to 3,500 Km of energy transmission line capacity, 7GW of hydro-electricity generation and resulted in more than 40 countries being connected with regional fiber optic cables as well as internet connectivity through Internet eXchange Points (IXPs).

Over the last 8 years of PIDA implementation we have developed instruments and processes to guide infrastructure development which are emerging as good practice to accelerate infrastructure development in Africa. Allow me to elaborate on a few of these:

- The Institutional Architecture for Infrastructure Development in Africa (IAIDA) which sets out the roles and responsibilities of key institutions and actors in Africa's infrastructure development. IAIDA provides a separation of roles and responsibilities between policy and political processes on the one hand and implementation processes on the other, while clearly defining the link between the two.
- The PIDA Service Delivery Mechanism (SDM) is an instrument developed by AUDA-NEPAD that tackles the lack of technical capacity during the project preparation phase. Its core purpose is to make Africa's cross-border infrastructure projects technically sound and economically feasible through technical advisory services facilitated and supported by AUDA-NEPAD. In this way the SDM is complementary to established project preparation

funds (PPFs) as it acts as a feeder to PPF project pipelines. In 2020, the SDM Experts Service Pool (ESP) became fully operational and worked on a pipeline of 89 projects of which 10 were provided with early-stage advisory support.

- The PIDA Quality Label (PQL) for project preparation which serves as an assessment tool to ensure quality in all stages of the life cycle of regional infrastructure projects.
- One of the intended outcomes of PIDA is to address issues of economic marginalization and social exclusion by facilitating the creation of economic opportunities and decent employment. In that regard, AUDA-NEPAD developed the PIDA Job Creation Toolkit to jump-start a new era of African job creation by providing estimates of the jobs potential of infrastructure projects, policy options for maximising jobs and an analysis of skills required that can be used for skills planning and workforce development.
- The Presidential Infrastructure Champions Initiative (PICl) which was started under leadership of the South African presidency is an opportunity for African heads of state and governments to become actively involved in the development and implementation of regional and continental infrastructure projects. The champions bring visibility, unblock bottlenecks, co-ordinate resource mobilization, provide leadership and ensure rapid project implementation. Currently, 11 Heads of States are championing various infrastructure projects.

Drawing on the lessons of the last 8 years, for the next phase of PIDA (PIDA PAP II), we have developed a holistic and innovative approach to selecting a realistic pipeline of transformative cross-border infrastructure projects. Notably, we have evolved from the focus on individual projects and programmes and developed an Integrated Corridor Approach which rests on two pillars.

The first is the corridor planning concept that ensures that all related corridor infrastructure across the 4 PIDA sectors (energy, ICT, transport and water), link to and complement each other. The second pillar is the integration of inclusivity, social and sustainability features into the planning process mirroring the AU Agenda 2063 vision, in order to realise the full socio-economic development impact of regional infrastructure projects.

The selection of projects for PIDA PAP II used as one criterion, the Africa infrastructure development Index developed by the AfDB to prioritise selection of infrastructure projects in countries with the lowest infrastructure development index, namely LDCs & some Small Island Developing States (SIDS).

While these two pillars have been used to develop the eligibility and selection criteria for projects, they have also been used to craft the PIDA PAP II Integrated Corridor Implementation Principles as outlined in the PIDA PAP II Implementation Strategy. There is thus a strategic focus and shift to integrated infrastructure development which emphasises economic corridors that will boost intra-African trade by prioritising the rapid scaling up of trade facilitation infrastructure. This includes establishing Special Economic Zones (SEZs) along the corridors to promote industrialisation and Improving infrastructure essential for access to global markets such as One Stop Border Posts (OSBPs), land and sea ports and trans-African rail and roads.

The corridor approach aims to integrate national production, supply chains and infrastructure with cross-border networks to better serve the needs of Africa's people. Emphasis is also placed on rural-urban connectivity and last mile access to electricity and ICT (digitalisation) services, access to social infrastructure (for health and education) and to productive use for energy from grid and distributed power systems. Furthermore, the corridor development approach envisages enhancing cross-border transit and trade efficiency which is critical to the successful implementation of the AfCFTA.

The AfCFTA is expected to spur an accelerated industrialisation through diversified productive capacities in line with the attainment of broader Agenda 2063 goals. This will present significant opportunities for accelerated economic expansion that will yield real benefits to our populations and will mobilize greater domestic and foreign investments. Here again the pressing need for adequate quality infrastructure that supports this aspiration, is clearly evident, especially in energy and ICT. This must be accompanied by initiatives that enhance productive capacities and promote regional value and supply chains.

Energy corridors in Africa are key to harnessing the continent's energy resources. AUDA-NEPAD is currently working with the RECs, Power Pools and Partners to develop a Continental Transmission (Power Systems) Masterplan. Such a Masterplan will lead to the creation of a continental Electricity Spot Market, which will enable Member States to gain access to the most affordable electricity sources.

Going forward, resilience and sustainability of our infrastructure will become critical issues. We are all aware of weather-related events such as Cyclone Idai which caused devastating loss of lives and destruction of livelihoods and infrastructure in Mozambique, Malawi, Zambia and Zimbabwe. The cyclone destroyed power infrastructure as well as roads and bridges. As the continent becomes more interconnected, the impact of such natural disasters will be more evident and widely felt in the future. The vulnerabilities highlight the urgent need for us to "modernise" PIDA implementation so that our infrastructure is not only responsive to our needs, but also builds the necessary resilience against such shocks. Resilience emphasises the importance of recovery and adaptation in the aftermath of disruption. This calls us to start seriously thinking about climate proofing our infrastructure designs.

The transition from PIDA PAP I to PIDA PAP II is taking place during the biggest global pandemic in modern history. COVID 19 has heightened the need for us to hasten infrastructure development in Africa to support adoption of hygienic practices, delivery of health services, remote working, remote learning and the continuation of economic activity under disruptive conditions. Access to clean water and sanitation, energy and ICT infrastructure have been key for our survival. In addition, transport and logistics have played a pivotal role in distributing medical supplies and maintaining vital trade routes during the various lockdowns.

As countries continue to battle the pandemic more resources will need to be directed towards health care and social protection programmes. This will divert already scarce resources away from infrastructure development. This is a paradoxical dilemma for government since infrastructure spending is going to be key for the post recovery period as we painstakingly work to contain the virus. We will therefore need to work with our various stakeholders, especially the private sector, to identify innovative ways of funding infrastructure development.

In closing, allow me to offer a few reflections that could serve as the basis for recommendations for the way ahead:

1. One of the key objectives of regional integration is to ease the movement of people, goods, services and capital within the continent and this requires sustainable, resilient, high-quality infrastructure.
2. Corridor development is an integral part of boosting intra-African trade and an essential element of regional integration. We need to ensure that corridors become the anchor for our programmes across other sectors – agriculture and food security, health, education, science and technology, natural resource governance etc. In this way, delivery across these sectors will be concentrated to enable visible socio-economic transformation.
3. Provisioning infrastructure into rural Africa opens up markets and enhances agriculture value-chains, a key factor of Inclusive Transformation for African economies. Great importance must be placed on financing of energy, road and rail projects that are trans-boundary in scale, spur industrialisation of Africa's economies, and capacitate the workforce through skills enhancement for the youth.
4. The public sector worldwide is expecting private capital, especially institutional investment, to provide significant funding for infrastructure projects. Working together, the private and public sectors need to proactively create an effective and efficient project development ecosystem that results in the significant scaling up of pipelines of bankable and investable infrastructure projects. This includes ensuring sustainable financing for infrastructure projects and adequate funding for project preparation.
5. The ongoing COVID-19 pandemic is challenging all existing frameworks and approaches towards investments, particularly for infrastructure delivery. Evidence from past crises indicates that infrastructure will be a cornerstone for the post-COVID-19 economic recovery and we should, therefore, seize this opportunity to build a new social compact towards people-centred public-private partnerships for infrastructure investment.

Through this brief overview, we can see that achieving regional integration, causes us to look at different dimensions: the hard infrastructure (ports, roads, railways and telecommunications), the soft infrastructure (regulatory, customs, business environment), the breadth of integration (market access and trade) and the depth of integration (integration beyond trade).

In conclusion therefore, and as we seek to elaborate the successor to the Istanbul Plan of Action, we need to stretch the boundaries of our imagination and think critically about how we will build and utilise synergies and complementarities between the AfCFTA, PIDA and other key strategic frameworks to deliver on Africa's aspirations for infrastructure development and regional integration.

Thank you.

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