



Task Force 7
Infrastructure Investment and Financing

Policy brief

G20 SUPPORT FOR IMPROVED INFRASTRUCTURE PROJECT CYCLES IN AFRICA

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ABSTRACT

This policy brief argues that new, African-led infrastructure models are needed to support Africa's economic transformation. We argue that the G20, including the Compact with Africa initiative, should support implementation of such models. In particular financing for infrastructure is slow and cumbersome with traditional partners. While non-traditional financiers provide faster response times, projects may also suffer in areas of quality and governance. We recommend that the Programme for Infrastructure Development in Africa (PIDA) quality label be applied for wider use, alongside the development of a learning platform that federates fragmented capacity- building initiatives for infrastructure, establishes a community of practice of African infrastructure experts and provides a forum for regional/global peer learning.



CHALLENGE

The problem the proposal addresses is long project cycles for infrastructure in Africa. The infrastructure gap in Africa is estimated at \$130 and \$170 billion per year, while 80 per cent of infrastructure projects fail at the feasibility and business-plan stage (McKinsey, 2020). It can take several decades for an infrastructure project to be completed, but with 28 African countries having doubled their population in the 25 years between 1990 and 2015, the United Nations projects that another 26 countries will double their population between 2017 and 2050 (UNDESA, 2019). Urban population is projected to increase from 472 million or 40 per cent of the total in 2015 to 1.3 billion or 56 per cent in 2050. By that time there will be some 120 African cities of more than one million people. Without more high quality and green infrastructure developed more quickly, Africa's economic transformation will lag, economic growth will be stifled and the opportunities for integration will be missed.

Research has identified a wide range of bottlenecks that impede reducing project times while retaining quality (OECD and ACET, 2020). These include, for example, institutional capacity constraints and varying standards, constrained access to finance and development partner requirements, changing political priorities, unsatisfactory feasibility studies, inefficient procurement process, complex regulatory frameworks, negotiation complications, sub-contractor performance and lack of risk mitigation tools.

Our recommendations, with support from G20 countries and institutions, including the G20 Compact with Africa (CwA), will help address these constraints, both by expanding the use of the PIDA quality label, and improving learning and knowledge exchange among African infrastructure practitioners. The challenges also require that we leverage and build upon global best practice and experiences.



PROPOSAL

SUMMARY OF PROPOSAL

This policy brief proposes three specific policy recommendations. The first is that G20 countries and institutions and the G20 CwA should systematically support promoting the wider use of the African Union–endorsed PIDA Quality Label (PQL); and further, that they should support promotion of the quality label as an African brand for excellence in infrastructure development processes that can serve to accelerate project pipelines across the continent.

The second proposed recommendation is that G20 countries and institutions and the G20 Compact with Africa should lend support to a community of practice of African infrastructure practitioners and the planned African Infrastructure Learning Platform. This will include supporting efforts to leverage existing initiatives in Africa and worldwide to meet the immediate needs for capacity building among African infrastructure professionals and identify specific knowledge gaps within the ecosystem. These may relate, for example, to finance, procurement, contractor competence, institutional processes and country systems for socio-environmental protection.

The third recommendation is for deepened G20 support within the existing framework of the CwA to specifically address project infrastructure cycles as a means to accelerate infrastructure investment. Such activities may include research and analysis, policy advice and technical assistance, investment and finance promotion, and coordination across countries and institutions.

Additionally, we argue that expanded collaborative partnerships between Development Financial Institutions and a broad range of technical assistance institutions can improve infrastructure design, planning, financing and maintenance, helping to meet the goal of accelerating private investments in Africa, and particularly for infrastructure.

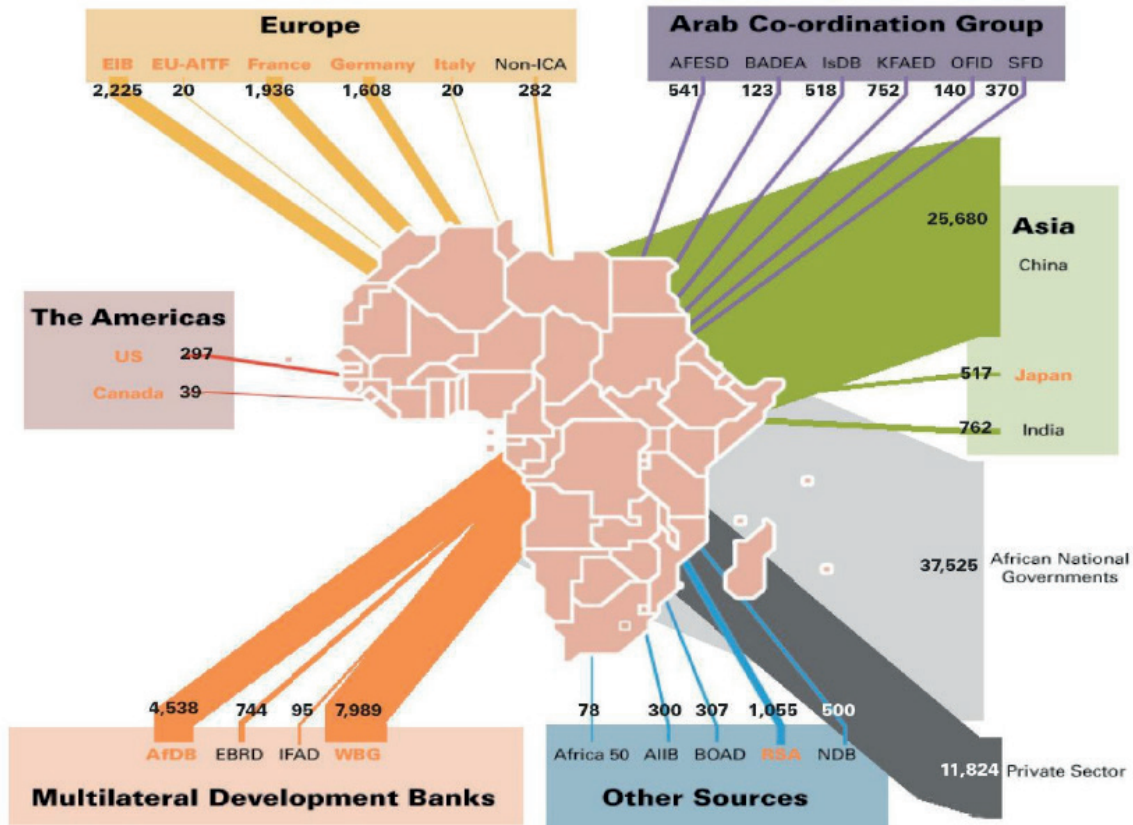
RATIONALE FOR PROPOSED RECOMMENDATIONS

Current upstream processes are not generating pipelines of “ready to go” quality infrastructure projects. Moreover, in the context of the African Continental Free Trade Area Agreement, adequate commitment between countries and institutions, and financing mechanisms are missing for the creation of cross-border infrastructure, which is essential in a large continent with many landlocked countries.

There are many new trends regarding demographics and particularly urbanisation (OECD/SWAC, 2020; AfDB/OECD/UNDP, 2016). UN projections note that Africa’s population will grow from 1.3 billion in 2019 to 2.4 billion by 2050, with much of this growth coming from sub-Saharan Africa (UNDESA, 2019). Alongside the demographic dynamics and growing urbanisation, there are also the added challenges of climate change, innovation and technology and a more global economy.



Against this backdrop the African infrastructure financing landscape is changing rapidly. Before the COVID-19 pandemic, according to the Infrastructure Consortium for Africa (ICA), Chinese financing for African infrastructure has been running at levels comparable to, or higher than, financing from all G7 members and multilateral development banks (MDBs) combined (ICA, 2018, 2019.)



Infrastructure Financing Trends in Africa

(2018 Financial Trends Summary, Infrastructure Consortium for Africa)

There are already numerous programmes of support to Africa focused on infrastructure. These include the aforementioned PIDA, significant lending programmes from MDBs and development finance institutions, the G20 Compact with Africa, the European Union External Investment Plan, the Belt and Road Initiative, the Asia-Africa Growth Corridor, the Forum on China-Africa Co-operation Beijing Action Plan, the Yokohama Plan of Actions 2019, Organisation for Economic Co-operation and Development (OECD) principles and guidance on infrastructure financing, as well as infrastructure-related working groups within the G7, G20 and the United Nations. In addition to PIDA and the ICA, within Africa there are institutions such as the Africa Finance Corporation; advocacy organisations such as the AU Continental Business Network; investment events such as the Africa Investment Forum; and industry groups such as the Africa Infrastructure Development Association. Globally, institutions such as the Global Infrastructure Hub and the Global Infrastructure Facility also provide critical support.

But even with this rich ecosystem to support scaling up infrastructure in Africa, some important gaps remain – notably the need for expanding the PIDA quality label and providing a dedicated platform for African infrastructure practitioners to learn from each other and



from global experience. There is an abundance of good practices including many that arise from learning by doing in Africa, and that can inform initiatives and programmes to fill these gaps.

IMPLEMENTATION OF THE PROPOSED RECOMMENDATIONS

The first recommendation is G20 support to expand the PIDA quality label. The PIDA quality label is used to award projects that meet key criteria in project preparation. It is provided by the African Union Development Agency (AUDA- NEPAD) and supported by the African Union (AU). The objective is to make project preparation faster, particularly to attain bankability. The programme certifies excellence with a label recognised by the international community and the private sector.

With G20 support, the quality label could be awarded to more public-private partnerships, which often only reflect a small percentage of all projects. The quality label could also be made more applicable to public sector projects where there are sometimes challenges in procurement, construction or resettlement. Finally, if adopted by the G20, the label can help to decentralise management of projects across Africa.

G20 countries and their institutions and initiatives (such as the CwA) should both indicate their support for an expansion of the quality label, and provide either direct technical support, or advocate for MDBs and international financial institutions to provide such support. Likewise, G20 countries should encourage development finance institutions to assess investment and financial additionality to projects under an expanded PIDA quality label. Expansion of the quality label would be undertaken directly by the PIDA Secretariat at AUDA-NEPAD, as per existing institutional arrangements.

Implementation of the second recommendation relates to an Africa-led infrastructure knowledge and peer learning platform and a community of practice of African infrastructure practitioners that works to speed up the building of capabilities of infrastructure professionals and stakeholders across Africa. Such a platform has been endorsed in the final communique of the sixth PIDA Week in January 2021, and furthermore by the African Union Heads of State.

Forming a multidisciplinary community of African infrastructure professionals is a priority. It does not at this time exist in a holistic manner, and hence professionals across disciplines do not have a natural “community” and miss out on opportunities for sharing experiences, good practices and latest innovations. The knowledge aspect of the platform would include new research and analysis, case studies and comparative studies; as well as existing training courses and online sharing via video materials. In particular, the knowledge platform would gather content from the private sector; technical, vocational and training institutes; and international and regional organisations. Topics may include, for example, upstream regulatory issues, project preparation, financial structuring, designing procurement systems, and operations and management.

The peer learning aspect of the platform would provide thematic-based groups of experts to share new research and analysis, explore policy issues over time and provide recommen-



dations to policymakers. The peer learning experiences will include both one-off events, as well as medium- and long-term engagements and thematic series – and both virtual and in-person engagements. There will be an emphasis on real-time learning across public and private sectors related to ongoing infrastructure projects.

China's Growing Role in African Infrastructure

China has emerged as a major infrastructure partner to Africa. Beyond the role of Chinese banks in financing infrastructure, and Chinese contractors in implementing it, China also plays a significant capacity-building role through training African officials. During its presidency of the G20 in 2016, China championed African industrialisation, linking it to infrastructure provision.

This legacy, as well as China's continued support of the African Union, puts it in a prime position to support the initiatives proposed in this paper. Making the PQL standard for all Chinese-led infrastructure projects would do much to raise public confidence in project negotiations between African government stakeholders and Chinese companies, which are still characterised by opacity. African projects make up roughly 30 per cent of China's global construction business. This means that the implementation of these proposals could also have a beneficial knock-on effect in contributing to standard-setting in other regions in the Belt and Road Initiative.

Stakeholders are keenly aware that numerous institutions are already organising professional groups or running training programmes for civil servants and other infrastructure experts. PIDA has its own capacity development programme; and the Development and Investment in Infrastructure Conference Series is an annual conference on infrastructure development and investment in Africa organised by the University of Zambia, the University of Johannesburg, the Copperbelt University (Zambia) and the National Council of Construction of Zambia. The Africa Infrastructure Development Association is an association of project developers that fosters dialogue amongst its

members, works to standardise project development documentation and serves as a policy advocacy platform for the industry. And the African Capacity Building Foundation provides an array of relevant knowledge products and services.

In establishing an Africa-led infrastructure knowledge and peer learning platform and a community of practice of African infrastructure practitioners, organisers will partner with ongoing efforts, fill gaps where appropriate and create linkages among existing programmes and initiatives. In particular, the PIDA Service Delivery Mechanism will remain an anchor initiative to advise infrastructure project stakeholders.

Implementation of the third recommendation to deepen G20 support on project cycles within the existing framework of the Compact with Africa requires G20 members to actively advocate for the quality label and knowledge platform. The CWA is a flagship G20 initiative which was created when Germany held the G20 Presidency. It is intended to increase investment in Africa, with a focus on infrastructure. The CWA's objective is to expand the attractiveness of investment by improving the macroeconomic stability of countries, the business environment and financing frameworks. With support from the African Center for Econom-



ic Transformation (ACET), the stakeholders coordinate reform agendas, policy actions and investment opportunities. The CwA is governed through the G20 Africa Advisory Group, co-chaired by Germany and South Africa; and receives implementation support from ACET.

Implementation of this third recommendation may also include incentives to CwA members to participate in these initiatives with additional technical assistance from the international financial institutions. Lastly, the G20 Africa Advisory Group (both G20 and CwA members) should encourage further CwA-specific research and analysis on project cycle challenges, and integrate project cycles into overall CwA policy matrices and programming. Such activities may include policy advice and technical assistance, investment and finance promotion, and coordination across countries and institutions.

The G20 has an intrinsic role to play in ensuring that Africa's infrastructure gap is addressed more quickly than in the past, but with quality infrastructure. A significant portion of African infrastructure will be financed and constructed by G20 governments, institutions and corporations, hence these recommendations are of high relevance to the G20. Such support will lead to greater growth and economic transformation, thereby lessening pressures of poverty and migration. If done with awareness, such infrastructure investment will be climate-smart and cognisant of social, economic and governance issues.





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van Staden is a senior researcher focusing on Africa-China relations at the South African Institute of International Affairs. His work concentrates on China's growing geopolitical and development role on the continent, with a specialization in public and media diplomacy. He also focuses on some of Africa's other external relationships, notably with the G20. Van Staden holds a PhD from the University of Nagoya in Japan. He is the co-founder of the China-Africa Project, which tracks Chinese engagement across the Global South via podcasting and multimedia.