"CAPACITY FOR PROJECT IMPLEMENTATION AND MANAGEMENT OF INFRASTRUCTURE IN EAST AFRICAN REGION"

Workshop in Public Infrastructure Management and Launch of MPIM Consortium

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The State of infrastructure in East African region

1. **Communication infrastructure**

- Submarine cables - the Eastern Africa Submarine Cable System (EASSY), The East African Marine Systems (TEAMS), SEACOM and the Lower Indian Ocean Network (LION II)
- National backbone fibre infrastructure – Uganda's cover approximately 2,200km and connected 22districts

2. **Transport infrastructure:**

- Total road network was 183,178km in 2008 with 91% being unpaved.
- Only 70% of its paved network was classified as being in good condition.
- Paved road network projected to bee 35,250Km by 2030, and is to reach 65,700 Km by 2050 (EAC vision 2050)
- The railway is dilapidated only 7% of cargo
- Revitalization of railway transport – SGR to replace metered railway

The State of infrastructure in East African region

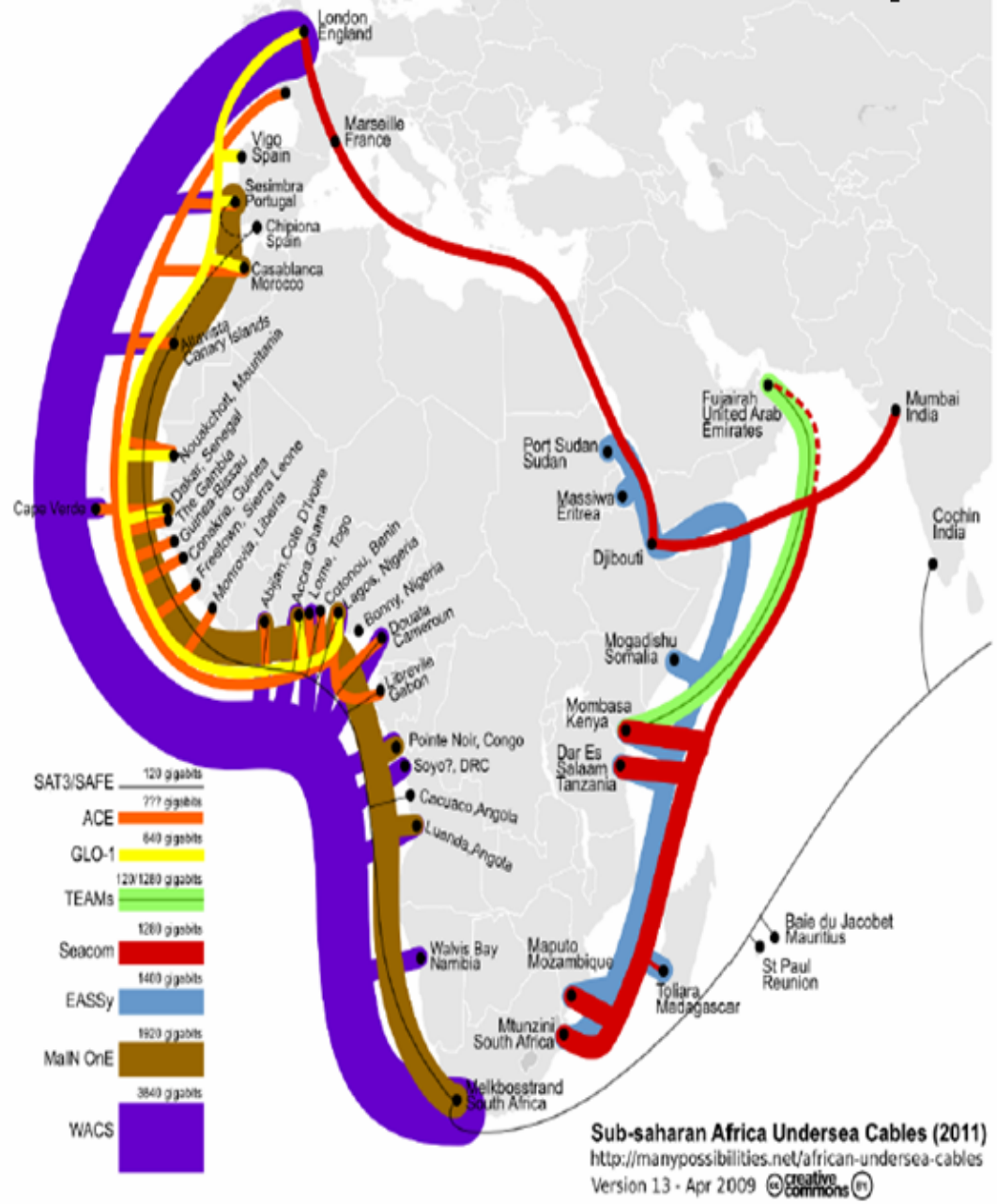
3. Energy infrastructure

Characterized by :

- The smallest per capita power consumption,
- Low electricity access rates on the continent,
- Low installed generation capacities
- High tariff costs.
- **Massive investment in the past 10 years –** increasing EAC total electricity generation by over 20% from 2008 levels.

4. Oil and Gas infrastructure:

- Oil and Gas discoveries in Uganda & Kenya– Uganda 6.5 billion barrels of oil –pipeline and refinery infrastructure (FEED)
- Gas production in TZ - 57trillion cubic feet (tcf)



•SEACOM

- Bandwidth: 1.28 Tb/s
- Service Date: **ACTIVE as of 7/23/09**
- East African Landing Point(s):
  - Mombassa, Kenya
  - Dar Es Salaam, Tanzania
  - Djibouti
- Terrestrial providers: KDN (10 Gb), Jamii Telecom
- Owners: Privately held (77% African Owned)

•TEAMs (The East African Marine System)

- **Bandwidth: 1.28 Tb/s (Increased as competitive response to SEACOM)**
- **Service Date: Landed and active as of Sept 2009**
- **East African Landing Point(s): Mombasa, Kenya**
- **Owners: Kenya Gov't (20%), Safaricom (20%), Telkom (20%)**
- **KDN (10%), Essar (10%), Wananchi (5%), Jamii (3.75%)**
- **Access Kenya (1.25%), Others (4 – 1.25%).**

Represents proportions of 85% Kenya Ltd, other 15% owned by Etisalaat of UAE

•EASSy (East African Submarine Cable System)

- Bandwidth: 1.4 Tb/s (Increased as competitive response to SEACOM)
- Service Date: **Expected June 2010**
- Proposed East African Landing Point(s):
  - Mombassa, Kenya; Mogadishu, Somalia,
  - Dar Es Salaam, Tanzania
- Owners: Telkom SA, Neotel, MTN, 26 total telcom investors (largely
- underwritten by DFIs – World Bank/IFC, EIB, AfDB, AFD, DfW

Infrastructure appetite for East African region

- **East African region has exhibited great appetite for infrastructure development over the past decade**.

Infrastructure Appetite reflected in:

- The number of mega infrastructure development programmes
- The size of investment/budget allocated to infrastructure development.

Motivations

- To unclog economic bottlenecks,
- Promote intra and interregional trade a
- Enhance global competitiveness of the region – making East Africa a preferred investment and tourism destination.

Infrastructure appetite for East African region

1. Proliferation of infrastructure programmes:

- **Northern Corridor Integration Project (NCIP) -**10 international road transport, totaling to15,800 km.
- **IGAD Infrastructure initiatives -**an IGAD Infrastructure Masterplan was approved in February 2017 and implementation is ongoing
- **African Union (AU) Infrastructure initiatives**
  - **The Programme for Infrastructure Development in Africa (PIDA)-** USD 11,391,527 - priority regional and continental infrastructure in transport, energy, trans-boundary water and ICT up to the year 2030.
  - **The Eastern and Central Transport Corridors -** approximately US$1.8 billion: comprising 5 ports projects totalling US$990m; 4 railway projects totalling US$465m and 8 roads projects totalling US$377.

Infrastructure appetite for East African region

2 Infrastructure financing:

$62.5bn	• Africa Commitment infrastructure devt
21%	• East Africa's Share of infrastructure financing
26.1%,	• West Africa's Share of infrastructure financing
20.7,	Northern Africa's Share of infrastructure financing
10.4%	Southern Africa's share

CAPACITY FOR INFRASTRUCTURE DELIVERY

1. Mega infrastructure projects implemented with reasonable success

Country	Project	Measures of success
1. Kenya	Mombasa – Nairobi Standard Gauge Railway operational	• Line length 485km • Track gauge 1435mm- equivalent to 4ft 8'5Inc • Passenger operating speed 120km/h • Cargo operating speed 83km/h
1. Uganda	Bujagali Hydropwer project PPP project with multi-dimensional development outcomes	• An additional 250MW to Uganda's power grid • contributed 34.4% of the total generated energy in the country in its first year of commissioning • Marginal cost of power was reduced from 33 cents/kWh to 11 cents/kWh • Complete elimination of subsidies, freeing up over 5% of its budget for provision of

CAPACITY FOR INFRASTRUCTURE DELIVERY

1. Harmonisation of infrastructure policies

- East African Community protocol recognizes infrastructure as one of the most critical enablers of a successful regional integration
- Harmonization of policies

Other agendas

- African Union Commission (AUC),
- Intergovernmental Authority on Development (IGAD),
- Lake Victoria Basin Initiative
- East African Communications Organization (EACO),

CAPACITY FOR INFRASTRUCTURE DELIVERY

2. Resource mobilisation capacity for Infrastructure financing

1. Resource allocation to infrastructure development financing has soared over the past decade.
2. Increasing number of partners

- Multinational development partners – such as AfBD, European Union and the World Bank;
- Bilateral donors such as the Government of People's Republic of China (through EXIM Bank of China);
- Private sector players – providing Foreign Direct Investment (FDI) and/or funding PPP projects in infrastructure
- Governments of Partner States.

CHALLENGES OF INFRASTRUCTURE PROJECT DELIVERY

1. The fiscal space:

- **Capacity to sustain finance infrastructure is questionable**.
- Infrastructure development in Africa comes at a high price – over 70% of finances are borrowed funds
- Alternative financing is lacking – PPPs, infrastructure bonds etc
- Delay to mobilise counterpart contributions where external financing (loans)
- O&M is compromised

CHALLENGES OF INFRASTRUCTURE PROJECT DELIVERY

Effective demand for laid infrastructure

- Supply –led developments
- Failure to drive economic activities

Country	Load (GWh)	Surplus (GWh)	Surplus/Load
Ethiopia	28,386	12,557	44%
Uganda	7,768	2,636	34%
Tanzania	18,455	5,059	27%
Burundi, East DRC, Rwanda	3,369	840	25%
Sudan	46,707	7,824	17%
Kenya	39,975	6,003	15%

CHALLENGES OF INFRASTRUCTURE PROJECT DELIVERY

- **Technical capacity**
- Technical capacity gaps in form of appropriate technologies, equipment and skilled human resources
- Skills gap also manifest in areas of project management and public investment analysis.
- The Policy Brief by the Office of Special Advisor for Africa (2015) identifies limited number of "bankable" projects among the major infrastructure challenges in Africa.

CHALLENGES OF INFRASTRUCTURE PROJECT DELIVERY

- **Local participation and local content development**
- Local participation is critical to sustainability of infrastructure development projects.
- There are some positive strides towards mobilisation of local content in infrastructure development. Eg. Uganda the procurement framework has been reviewed and reservation policy introduced to enhance local participation.
- Despite this local participation in infrastructure development is still challenged due to other constraints
  - working capital,
  - technology, skilled personnel
  - absence certification and accreditation framework to ensure that local supplies confirm to required standards.

CHALLENGES OF INFRASTRUCTURE PROJECT DELIVERY

- **Complementary Infrastructure**
- Complementary assets such as land acquisition for right of way and way leaves.
- No harmonised legal and policy framework for management of land infrastructure for the purpose of infrastructure development
- Land compensations alone accounts for about UGX 1trillion for road projects. This is n equivalent of about 300kms of paved roads. For instance land compensations for the Entebbe-Express way cost over UGX 308billion, equivalent to about 100kms of paved road (NPA, 2018).

EXISTING CAPACITY BUILDING INITIATIVES

- **The NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF), a US$ 102 million Special Fund**

i. Preparing high quality and viable regional/continental infrastructure projects

ii. Developing a consensus and partnership for project implementation;

iii. Promoting infrastructure projects and programs aimed at enhancing regional integration and trade.

Since 2005, NEPAD-IPPF has approved 76 grants for regional infrastructure projects, crowding in investment financing of over US$ 8.7 billion.

EXISTING CAPACITY BUILDING INITIATIVES

- **Infrastructure Consortium Africa (ICA):**
- facilitates infrastructure development in the water, transport, energy and ICT sectors, through both regional programmes and country-specific initiatives.
- ICA also works to overcome technical and political challenges to building more infrastructure, and it helps to improve understanding of Africa's infrastructure development needs through the provision of better information.
- The establishment of a Project Preparation Facilities Network to help address problems associated with project preparation, and a study on best practice and lessons learnt in co-ordinating project co-financing, information sharing and resource mobilisation;

Conclusion

- The East African region has registered critical milestones in improving the access and quality of infrastructure.
- Considerable capacity has also been built in implementation and management of infrastructure projects.
- However, infrastructure projects being major undertakings require careful planning, preparation and investment.
- In order to undertake infrastructure projects with reasonable success, there is a need to strengthen capacity at national and regional levels.
- This capacity should be broadbased to cover financial, human resources and technical assistance (technology transfer).
- Key among capacity building imperatives is the need to develop local capabilities or local content development.

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Thank you