



Corridor Developments in Africa

African Development Bank's Approach

Presentation by AfDB at TICAD V – Yokohama, Japan
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Presentation Outline

- 1) Introduction – the case for corridor development
- 2) AfDB's Operational Strategy & Corridor Development
- 3) Bank's participation in Corridor Development
- 4) PIDA
- 5) Challenges, Lessons and Outlook



Introduction - the case for corridor development

- ❑ Gate way to land locked countries (16 countries/54)
- ❑ Connecting local firms, to international and regional markets,
- ❑ Tool for stimulating social and economic development
- ❑ Promoting inclusive growth (Strategic policy priority for AfDB)
- ❑ Reduction of transport cost (30% of value in Africa exports as compared to 8.6% for developing countries)
- ❑ Promotion of harmonized and integrated multi modal transport (roads, railways, airlines and ports/maritime transport)



AfDB's Operational Strategy & Corridor Developments (1/2)

- ❑ Infrastructure development: Priority of the MTS 2008-2012:
 - ✓ 51 Projects completed between 2009-2011
 - ✓ Valued at 3 bn USD

- ❑ Under the new 10 year Strategy 2013 – 2022, all 5 core operational priorities are relevant to Corridor Development:
 - 1. Infrastructure Development**
 - 2. Regional Integration (focus on transport corridors)**
 - 3. Private Sector Development**
 - 4. Governance & Accountability**
 - 5. Skills & Technology**



AfDB's Operational Strategy & Corridor Developments (2/2)

Bank Instruments in Support of Corridor Development:

- ❑ **Policy Based Lending** - reform of policies, harmonization of customs laws/regulations and procedures, trade & transit facilitation, policy formulation and dissemination, institutional capacity building (country and REC level)
- ❑ **Public Sector Lending** - concessional and non-concessional loans/grants through the ADB & ADF windows to projects and programs
- ❑ **Private Sector Lending** - loans to private sector sponsored infrastructure projects, e.g.:
 - ✓ *Djibouti Doraleh Port Container Terminal (\$80 million)*
 - ✓ *Senegal Integrated Infrastructure Development - Dakar/Senegal BLAISE DIAGNE International Airport (€120 million) and Dakar Port Container Terminal (€47.5 million)*



Bank's support & participation in Corridor Development (1/2)

Key Corridor Support Include:

- ❖ Northern Corridor: Mombasa to great lakes region through Nairobi & Kampala
- ❖ Mombasa – Nairobi – Addis (MNA) Corridor
- ❖ Lamu Corridor: New Lamu Port to Juba, Eastern DRC and to Addis
- ❖ Central Corridor: Dar-es-Salaam to the great lakes region
- ❖ Kenya – Tanzania Highway
- ❖ North – South Corridor: port of Durban to Copperbelt in DR Congo and Zambia
- ❖ Abidjan-Lagos Corridor
- ❖ Abidjan-Ouagadougou/Bamako Corridor



Bank's support & participation in Corridor Development (2/2)

Hard/physical infrastructure developments on selected corridors:

1) Phase III of MNA	\$150million	OSBP at Moyale & trade facilitation components
2) Northern Corridor	\$54million	Construction of Timboroa – Eldoret Road
3) North-South Corridor	€68 million-	Construction of roads and Bridge
4) Abidjan – Lagos Corridor	\$75million	Construction of Akatsi-Dodzoe, Akatsi-Aflao in Ghana

Soft infrastructure:

5) East Africa Trade and Transport Facilitation Project (EATTFP)	\$14.5 million	Project co-financed with World Bank
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Program for Infrastructure Development for Africa (PIDA) (1/5)

- ❖ Continental wide **Framework** integration through improved regional infrastructure
- ❖ Collective effort done in **Partnership** (AUC, AfDB, RECs, RMCs, Development Partners)
- ❖ African countries GDP/cap will rise above US\$10,000 by 2040 swelling demand for infrastructure services (analysis based on 6% growth)
- ❖ Closing the infrastructure deficit is a regional and continental problem that requires a regional and continental solution
- ❖ PIDA provides an **African owned solution:**
 - ✓ builds on the REC master plans and priorities
 - ✓ is the result of extensive consultations and agreement
 - ✓ provides list of 51 short/medium/long-term infrastructure priorities



Program for Infrastructure Development for Africa (PIDA) (2/5)

Ambitious but affordable:

- Total PIDA cost is **US\$ 360 billion** by 2040 with significant impact
- Priority Action Plan (PAP) 2020 contains the first set of immediate priorities: **51 projects and programmes**
- Overall capital cost of delivering the PAP amount to nearly **\$68 billion**, or about **\$7.5 billion annually** (far below 1% of African GDP)

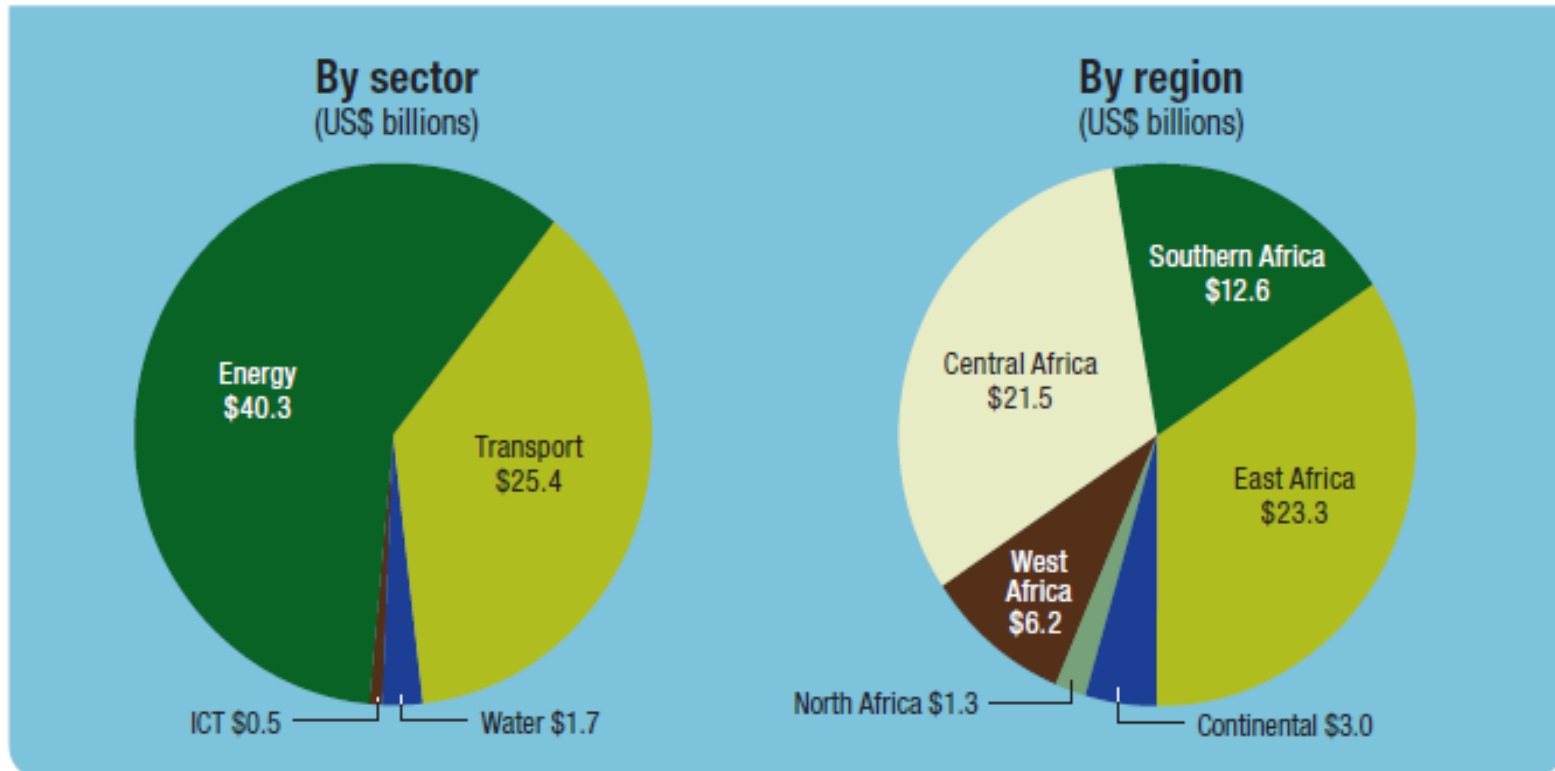
Project Stage	No.	Cost
S1 – Early Concept Proposal	9	USD 17.2 bn
S2 – Feasibility/Needs Assessment	16	USD 22.7 bn
S3 – Programme/Project Structuring and Promotion to Obtain Financing	11	USD 6.6 bn
S3/S4: Structuring/Financing	11	USD 13.3 bn
S4 – Implementation and Operation	4	USD 8.2 bn



Program for Infrastructure Development for Africa (PIDA) (3/5)

Figure 1

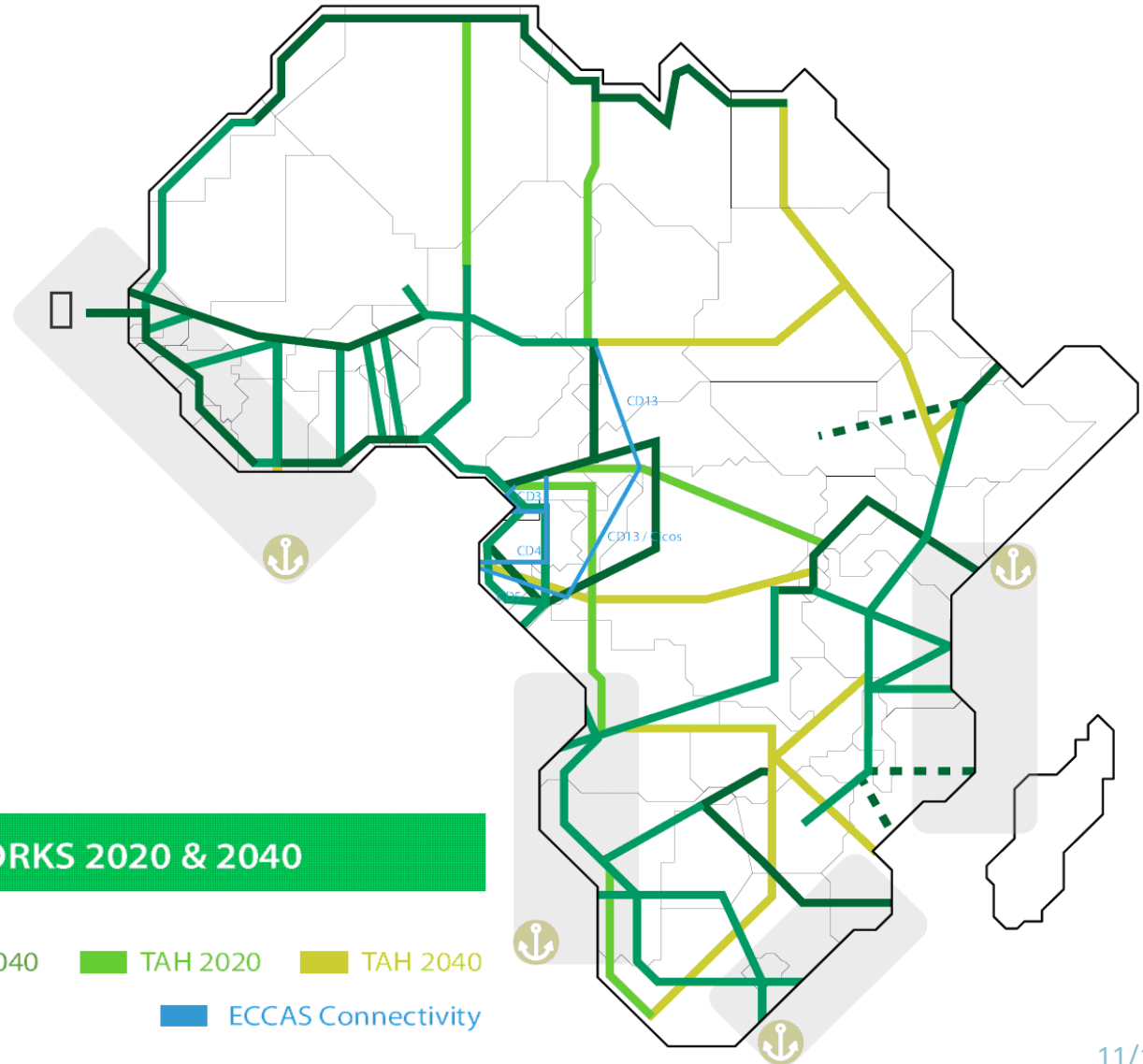
Total capital cost of PIDA's PAP by sector and region: \$67.9 billion through 2020



Transport Networks

24 projects, US\$ 25 bn

The transport program links the major production and consumption centers, provides connectivity among the major cities, defines the best hub ports and railway routes, and opens the land-locked countries to improved regional and continental trade.



PIDA - TRANSPORT NETWORKS 2020 & 2040

- Corridor 2020
- Corridor 2040
- TAH 2020
- TAH 2040
- Hub Port Programmes
- ECCAS Connectivity



Program for Infrastructure Development for Africa (PIDA) (4/5)

Boosting intra-trade:

- ❖ Transport volume will increase **6-8 times** (14 times for some landlocked countries)
- ❖ Port throughput **255 million tons** 2009 (>2 billion in 2040)
- ❖ Transport efficiency gain at least **\$172 billion** in the Africa Regional Transport Integration Network (ARTIN)



Program for Infrastructure Development for Africa (PIDA) (5/5)

Table 3.1 Economic cost of inefficiencies in ARTIN, 2009

Type of cost	Amount (US\$ billion)	%
Total-ARTIN-corridor-inefficiency-costs	75	43
Total-ARTIN-air-transport-inefficiency-costs	25	15
Total-value-of-suppressed-freight-demand	65	38
Total-value-of-suppressed-air-transport-demand	7	4
ARTIN-total	172	100



Program for Infrastructure Development for Africa (PIDA) (6/6)

AfDB's support to accelerate implementation of PIDA PAP 2020

- 1) Develop and financially support a **“Capacity Building Program”** for AUC, NEPAD NPCA, RECs to enhance the implementation efforts
- 2) Strengthen **Project Preparation** around PIDA PAP through e.g. support provided by project preparation facilities like NEPAD IPPF or AWF
- 3) Assist in unbundling, prioritizing and sequencing of PIDA PAP projects into **pipeline of bankable sub-projects (Updating of project fiches)**
- 4) Facilitate **Private Sector engagement** and address issues of Enabling Environment in collaboration with WEF
- 5) Facilitation of **Financing / Resource Mobilization** in collaboration with ICA
- 6) Dissemination of sector knowledge and communication



Challenges

- **Huge Financial Resources needed** - \$17billion estimated cost of the 16 corridor projects contained in the PIDA Transport PAP; Total financial requirements exceed commitments thus a financing gap
- Political will to coordinate and implement reforms:
 - ✓ harmonization of customs regulations
 - ✓ adoption/implementation of REC protocols on movement of goods/persons
 - ✓ transport sector regulatory reforms
- Good/modern physical infrastructure is important. However, it is also crucial that non-tariff barriers (NTB) don't hinder international trade and transport. NTBs negatively impact landed logistics thus competitiveness of trade in Africa.

The Bank recognizes these challenges and engages in all above types of activities to help RMCs to improve their logistics environment.



Lessons

- Need for close cooperation between corridor member states from planning to completion
- Need to ensure joint prioritisation of segments of the project in each participating country
- Importance of early collaboration between various development partners active in the sectors and projects
- Importance of blending different sources of financing public, private and deploying the tunnel of funds concept wherever possible
- Design review prior to works execution to identify deficiencies early in project implementation
- Uniform standards in RECs important for harmonized operational conditions



Outlook

- The transport component of the PIDA-PAP presents an opportunity for further corridor development (16 of the 24 Transport PAP are corridor development programs)
- The Bank will continue to support and invest in both the hard and soft infrastructure key transport corridors
- Infrastructure Funding Gap still significant thus a need for even greater collaboration amongst DPs and enhanced resources mobilisation
- Need for more domestic resource mobilisation and Private Sector Participation to close financing gap



THANK YOU

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