



The Investment Climate Facility for Africa



October 2014 Newsletter:

ICF KNOWS THE IMPORTANCE OF INFRASTRUCTURE FACILITATION IN AFRICA

Foreword from Our CEO

We at the Investment Climate Facility for Africa (ICF) know that infrastructure development in Africa is vital to ensuring access to services and economic growth on the continent. Governments across Africa work closely with ICF on projects to facilitate investment in infrastructure, and thereby ensure long-term development in the built environment and sustainable economic development.

William Asiko - CEO of ICF Africa



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Establishing a fundamental infrastructure



Business growth on the continent is dependent on having basic building blocks in place. By establishing fundamental infrastructure, governments can help countries fulfill their true investment potential and, in doing so, ensure that economic growth is long-standing and self-sustaining.

Development in infrastructure not only benefits the relationship between African governments and private sector investors, but also ensures that citizens have access to service delivery. Improved transport infrastructure will encourage internal and cross-border trade, and reliable energy production will increase the investor confidence levels when it comes to productivity in the region.

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ICF Activity on Infrastructure Facilitation



Rwanda: Energy and Power Sector in Rwanda

ICF worked with the Government of Rwanda to strengthen the Government's ability to bid, contract and negotiate with the private sector in order to reach fair and beneficial terms and conditions on power generation projects. The project built both human and institutional capacity to manage, procure, negotiate, monitor and implement energy sector projects in all sector relevant institutions.

A total of 262 Rwandans in the energy sector and 50 graduate engineering students were trained, enhancing the capacity of the Ministry of Infrastructure and related energy institutions. Training was provided in the areas of tariff setting and financial modelling, hydropower plant maintenance, contract negotiation and management, and Geographical Information Systems.

Five strategic studies were completed with policy and practical implications. These include the Electricity Access Study, the Electricity Tariff Study, the Geothermal Development Study, and the Hydropower Strategy. A Lake Kivu monitoring team was established to monitor methane stability and do surveillance of the Lake Kivu ecosystem parameters. It has also developed an institutional framework for the bilateral management of the methane resource.

 **Sierra Leone:
Airport Transfer**

ICF is working with the Government of Sierra Leone Sierra Leone to improve connections for air passengers between Freetown and the International Airport in Lungi, 176km away. The journey can take up to seven hours by road and alternative methods are expensive and unreliable.

The project aims to establish safe and reliable transfer services between Freetown and Lungi and reduce the time and costs incurred for the airport transfer. Time for airport transfer before check-in by boat or helicopter is expected to be a maximum of 2 or 1 hour respectively. Additionally, a regulatory and administrative framework will be established to enable the private sector to participate in providing transport.



**South Africa:
Municipal Capacity Building Project**

ICF is working with Anglo American South Africa (AASA) and the Development Bank of Southern Africa (DBSA) to build the capacities of five municipalities to enable them to improve the provision of basic services in their areas.

The objective is to make the municipalities more attractive for businesses to invest there, create jobs and improve the local economy. The municipalities are Thabazimbi, Mogalakwena, and Greater Tubatse municipalities in Limpopo province, and Rustenburg and Moses Kotane municipalities in North West province

By the end of the project, it is expected that there will be a reduction in the number of service provision complaints and petitions, a halving of service delivery protests, and an improvement in the overall perception of business regarding local municipal service delivery.

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Tapping into Africa's Infrastructure Potential

Africa's "biggest threat" to its economies has the potential to be turned into its greatest ally if government policies, training for workers and regulations are improved to attract investment into the energy production sector.

Deloitte described inadequate infrastructure as the "single biggest threat" to Africa's long term growth in a 2013 report titled Addressing Africa's Infrastructure Challenges.

The lack in quality and quantity of infrastructure in the energy sector on the continent leads to low investor confidence levels and, as a result, hampers productivity for existing businesses, Deloitte argued.

Deloitte estimated that Africa needs about US\$93 billion over the next decade to solve these infrastructure challenges, with about two-thirds of the funds required to build entirely new infrastructure.

In a research publication by the World Bank in 2009, the institution said spending on infrastructure development is vital to African economies. “Infrastructure has been responsible for more than half of Africa’s recent improved growth performance and has the potential to contribute even more in the future.”

It goes on to state that infrastructure increased per capita economic growth in Africa between 1990 and 2005 by 99 basis points. Basis points are financial units of measure which indicate a percentage change and each basis point is equivalent to a 0.01% change, which means 99 basis points increased per capita economic growth by nearly 1%.

While the 99 basis points increase was almost entirely due to the penetration of telecommunication services – the deterioration of energy infrastructure per capita cut economic growth by 11 basis points for the same period.

The World Bank said the building and maintaining of specific energy infrastructure remains the largest challenge on the continent due problems with financing or implementing large projects with a lack of adequately trained personnel.

To address energy infrastructure issues, ICF has a Power Sector Task Force which helps governments facilitate specific interventions in order to reduce barriers for investment into power generating projects.

ICF achieves this by assisting African governments to improve their power sector policy, regulatory and planning frameworks as well as bidding, procurement and contracting guidelines.

The global investment management firm, Franklin Templeton Investments, said Africa’s economic potential is “tremendous” if adequate infrastructure can be delivered and maintained through public-private projects.

“With government commitment and a cooperative relationship with the private sector, we think investment in infrastructure could vastly improve the welfare of the people throughout Africa,” the company stated in a report titled *Unleashing Africa’s Potential* released in March 2014.

If governments can work alongside teams such as ICF’s Power Sector Task Force, they can attract the required investment into energy infrastructure and ensure the terms and conditions of such agreements are favourable. With such investment, African States can potentially create an environment which is conducive to productive business and industry.

As shown above in the World Bank research, this can dramatically boost several economies across the continent.

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