

Giving the lion a voice: How infrastructure can allow Africa to roar

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FORESIGHT

A Global Infrastructure Perspective



Africa is changing, and changing quickly. What was once seen as the “hopeless” continent has recently been re-branded as the “rising” continent.

South Africa’s entry into the elite BRICS club is perhaps one of the most notable symbols of Africa’s rising. But so too are the statistics that emerge almost every day from the continent: by 2035, for example, Africa will have the largest working population on the planet, having overtaken China and India.¹

But if the continent hopes to capitalize on this “demographic dividend” to deliver the vision of a prosperous, peaceful Africa, it needs to start building its future now.

The challenge is clearly massive: Africa will require the creation of a

thousand new cities before 2050;² social infrastructure needs to be created for two billion people; massive investment into transportation is required to move people, goods and resources.

These issues are urgent. At present, poor transport infrastructure adds 40 percent to the cost of doing business on the continent, which is crippling Africa’s global competitiveness, and depressing inter-African trade.³ The scale of the energy and water challenge is equally dire and well-illustrated by the situation in Liberia where the entire power output

is a meager 23MW, and electricity costs 53 cents per kWh.^{4,5}

Moreover, if Africa hopes to achieve its goals and make good on its promise, it will also need to focus on exploiting its second great asset: vast minerals and resources. Achieving this, however, will likely require significant investments into infrastructure.

The infrastructure challenge

There are reams of impressive studies that quantify Africa’s infrastructure needs and the Program for Infrastructure Development in Africa (PIDA) highlights

1 *Initiative for Global Development*, corporate website, <http://www.igdleaders.org/about/overview/africa-now/>.
2 *BRICS bank ‘would help meet Africa’s huge funding needs’*, BusinessDay (South Africa), 25 March 2013, <http://www.bdlive.co.za/africa/africanbusiness/2013/03/25/brics-bank-would-help-meet-africas-huge-funding-needs>.
3 *Africa’s Infrastructure: A Time for Transformation*, World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:22386904~pagePK:146736~piPK:146830~theSitePK:258644,00.html>.
4 *Liberia’s long wait to turn on the lights*, Al Jazeera, June 22 2012, <http://www.aljazeera.com/indepth/features/2012/06/201261912122040806.html>.
5 *Liberia Energy Situation*, Energypedia.com, https://energypedia.info/wiki/Liberia_Energy_Situation.

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50 priority projects for the region, many of which enjoy strong political backing.

But while this is certainly a strategy, it is not a substantive one. So while some positive steps are being taken to engage the private sector to see how progress can be made on a small number of projects, the reality is that proper feasibility studies will be needed to advance most business cases. That being said, we have noted a commendable focus on bankability as well as significant movement from some of the more detailed national strategies such as South Africa's National Development Plan.

As a result, we have noted a great and growing awareness of the need to move from strategy to implementation. Yet while there is strong political drive to make things happen, there are also deep concerns about the overall capacity of Africa's governments to achieve their goals.

Other challenges also threaten the advance of infrastructure on the continent. Regional collaboration – which is certainly on the increase – continues to slow inter-Africa projects. Corruption remains an issue, albeit a diminishing one, and the continent can point to very positive examples of procurement. As is the case in many parts of the world, experienced project leaders are in short supply in Africa and there is no “one size fits all model” of procurement, but this is recognized.

Across the board, there is a need for more integrated planning. Examples abound of white elephant projects – a port without

adequate hinterland links; housing built without transport. This cannot be allowed to continue. A thousand new cities simply cannot be expected to flourish without greater long term, holistic planning.

Closing the gap

The biggest investor by far in African infrastructure is Africa, and there are still a number of domestic funds that can be accessed. But Africans are not the only group with their eyes set on the rising continent; many OECD institutions are present in the market, together with increasing participation from the BRICS. And while the scale of Chinese investment in Africa's infrastructure is much talked-about (though possibly somewhat exaggerated at times), it should be remembered that Brazilian and Indian investment is also great.

Regardless, Africa has a sizeable financing gap. Current spending (approximately US\$40 billion per annum) pales in comparison to the estimated need of US\$90 billion⁶. However, we are at a point in Africa's evolution where there needs to be less emphasis (for now) on where the finance will come from, and more on creating a pipeline of bankable projects. This means focusing on strategies that help to maintain and extend the life of existing assets, while also finding efficiencies that can help shrink the financing gap.

Making positive change

Another major issue for the continent comes down to a lack of available capability and capacity. Just one single power project currently underway in

an African country is thought to have sapped away more than 40 percent of the country's engineers to work on the project. As such, all parties involved in Africa will need to put greater focus on understanding the skills that exist on the continent and across the supply chain. The establishment of educational and training programs for future talent and the development of more mobility within the continent and between key players is needed.

Other issues will also need to be addressed to help Africa realize its potential. Resilience is certainly a key issue with extreme weather, disease, conflict, terrorism and cyber all creating threats to infrastructure and supply chains. Those operating in Africa should also always remember that the continent is far from homogeneous and is actually made up of more than 50 individual markets, each with diverse cultures, languages and currencies.

Lions on the horizon

Given the recent rise of Africa, hopes and expectations are – unsurprisingly – high with widespread certainty from bodies such as the IMF that Africa will realize its potential.

However, the continent and its boosters are at a critical stage. Infrastructure is a key bottleneck to realizing the demographic dividend and we now need to move from strategy into delivery. And, as anyone involved in infrastructure knows, this is where the rubber will need to hit the road.

⁶ *Africa's Infrastructure: A Time for Transformation*, World Bank, 2009, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:22386904~pagePK:146736~piPK:146830~theSiteE:258644,00.html>.

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