

**The EU-Africa Infrastructure Partnership:
Supporting Africa to do Business
EU Business Summit 7th December 2007
Intervention of Gary Quince**

Ask any businessman or farmer in Africa what are the main constraints that they face in producing and marketing their goods and services, then the absence or poor quality of infrastructure is likely to be at or near the top of their list of complaints. Access to reliable power, water, transport, telecommunications and the internet are key for businesses to be able to produce on a sustainable basis and deliver their goods and services to market, be it in-country, regional or internationally. In this respect business in Africa faces serious competitive disadvantages.

Some examples

- **Transport costs** for intra-Africa trade (including trans-shipment) are high, at nearly twice the levels in other developing regions. Only about a third of Africa's rural population has access to an all-season road. Nearly 40 percent of Africa's population lives in landlocked countries with high transport costs and poor trade links..
- **Energy access** is a major impediment to business; the average rate of electricity access in Sub-Saharan Africa is under 20% of the population and less than 10% in 20 Sub-Saharan Africa countries. Unreliable energy supply is another major impediment for business. For example, Kenya loses the equivalent of almost 10 % of its manufacturing output due to power outages.

- **ICT:** Despite the spectacular growth in mobile phone use in Africa, half of African countries are still dependent on expensive satellite connections to link up with each other and with the rest of the world. This translates into some of the highest communication costs in the world with international calls costing up to 20 times more than in other developing countries and bandwidth prices up to 40 times more than highly developed countries.

It was against this background that the EU and Africa launched the Infrastructure Partnership in Addis Abeba last October.

The Infrastructure Partnership with Africa is Europe's response to the ambitious goals of the African Union and its NEPAD Infrastructure Action Plan. The partnership aims to support increased investment in Africa's transport, energy, water and ICT networks. By increasing country and regional interconnectivity, trade will be able to expand, economies grow and job opportunities created, thereby boosting Africa's efforts to reach the Millennium Development Goals.

The Infrastructure Partnership is a key element in the overall framework of cooperation between Europe and Africa as defined in the joint EU-Africa Strategy being adopted this week at the EU-Africa Summit. Our Joint Strategy will establish a sound foundation for well-structured dialogue and concrete cooperation between Africa and Europe, across a range of areas.

EU is a reliable partner

The European Union is not new to infrastructure in Africa. On the contrary, as the largest grant donor to Africa, we are a long-standing partner in improving its infrastructure. For example, since 2002, the European Commission has committed a quarter of the 9th EDF, some € 3.8 billion in infrastructure. The bulk of these funds has gone to road transport. More recently water and energy have been growing, mainly since the launch of the Water and Energy Facilities in 2004.

We have also developed close dialogue with national Governments on infrastructure sector policy and institutional reforms which we should build upon to include issues such as the overall business environment, regional integration and closer cooperation with the private sector.

What will the EU-Africa partnership in Infrastructure finance?

Our Infrastructure Partnership will expand under the 10th EDF that starts next year and our aim is to increase financing for infrastructure by 50%: from 3.8 billion to €5.6 billion over the next five year period

With a continental and regional focus the Partnership will finance cross-border regional projects such as the major road corridors across Africa, cross-border energy interconnections, trans-boundary water programmes as well as ICT networks, notably the fibre optic cable along the East Africa coast from South Africa to Sudan.

As in the past, we will also continue to work with African governments under our bilateral programmes to improve infrastructure within countries

particularly in the road transport sector which half of African countries have identified as a priority sector for support under the 10th EDF.

The Partnership will channel additional grant financing and leverage additional investment by EIB and European development financial institutions:

The Partnership will complement this with additional financing for regional interconnectivity. A key element of this increased financing effort towards regional infrastructure is the EU-Africa Infrastructure Trust Fund, established in April this year.

I am pleased to say that, as well as the European Commission, 10 EU Member States have already joined the EU Infrastructure Trust Fund – Austria, Belgium, France, Germany, Greece, Italy, Luxemburg, The Netherlands, Spain. Just this week the United Kingdom confirmed that it will join. Contributions to the Trust Fund stand at €97 million and the Commission is now finalising a further contribution which will bring the Fund to over €140 million. These grants will be blended with loans from the EIB and other European and African development financing institutions, to mobilise total financing in excess of €500 million.

Progress during the first six months of the Trust Fund has been encouraging and we look forward to new contributions and replenishments from existing Member countries

The Trust Fund is managed by an Executive Committee, composed of EU Member States and the Commission. The Executive Committee approves

projects proposed by Development Finance Institutions. In doing so, the Executive Committee will be guided by the priorities of the EU-Africa Infrastructure Partnership Steering Committee, which has joint and equal Africa-EU membership and includes a representative of the Business Forum.

The Trust Fund can provide grant finance in the form of:

- Interest-rate subsidies
- Studies and technical assistance
- Grants for environmental or social project components
- Risk-insurance premia

To give you some idea of the types of projects financed, the first four projects are as follows:

1. Félou Hydropower Scheme: The Trust Fund is providing a €10 million interest rate subsidy, towards this €100 million hydro-electric scheme, which will provide increased energy for Mali, Mauritania and Senegal.

2. East African Submarine Cable System (EASSy): This project foresees the construction of a 10 000 km fibre optic submarine cable along the East African coast, from South Africa to Sudan with landing points for all countries in between. The Trust Fund is covering the cost of a specialised management team which will facilitate the participation of African operators in the project.

3. Ethiopia – Kenya Power Interconnection: The Trust Fund will co-finance the feasibility, environmental impact assessment and organisational study for the interconnection of the power systems of the two countries.

4. West Africa Power Pool, pre-investment studies: The Trust Fund is financing pre-investment studies of the interconnection of the power systems of Ivory Coast, Liberia, Guinea and Sierra Leone.

The Trust Fund has also given its "clearance in principle" to two further projects, subject to submission of detailed proposals:

1. Pointe-Noire port, Congo Brazzaville: This project will involve improvements to the infrastructure and the handling equipment of the port to an estimated cost of €100 million, with the Trust Fund asked to provide interest rate subsidy estimated to €10 million.

2. The Caprivi electricity interconnector: This is a €250 million project, interconnecting the power systems of Namibia and Zambia, and by extension to Angola, Botswana and South Africa. The Trust Fund is asked to provide €15 million interest rate subsidy.

Over the next few months we will be working to identify medium-term infrastructure investment pipeline. In this work we will be guided by the priorities established by the EU-Africa Infrastructure Partnership Steering Committee, which in its turn involves AU/NEPAD and the private sector.

But let me stop talking about what we are doing and say a few words in areas on which I think we need to do more:

Firstly, we are attracting fewer and fewer contractors to bid on infrastructure projects we finance. We want to reverse this trend. What are the obstacles from your standpoint, hindering your participation and what are the steps you would like us to take?

Secondly, despite our efforts, our experience on Public-Private Partnerships is very limited. Mobilising private sector resources is a critical issue, for Africa to reach its development goals. What are the steps you suggest we take to facilitate wider use of the Public-Private Partnerships?

Thirdly, how can we better reflect the particular concerns of the private sector in pursuing our policy dialogue, with national Governments, regional organisations and the African Union. The new trading relationships between the EU and Africa, which will enter into force next month, add even greater urgency to ensuring that business needs are fully reflected in this dialogue.

I will be very interested in having your feedback on these issues.

Finally, let me assure you of our full commitment to this joint endeavour to improve Africa's interconnectivity and its people's access to better transport, energy, water and ICT services. If we succeed then Africa's trade will be more competitive, economic growth will be sustained and poverty reduced.

Thank you.