

'Massive' infrastructure spending needed in Africa, says report

Economic growth in Africa picked up steam last year and is set to accelerate strongly in 2018, but "massive investments" are needed in infrastructure, the African Development Bank (ADB) said Wednesday, 17 January.



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Growth in Africa rose from 2.2% in 2016 to 3.6% in 2017 and is likely to rise to 4.1% in 2018 and 2019, the ADB said in its annual report, *African Economic Outlook*.

"Overall, the recovery in growth has been faster than envisaged, especially among non-resource-intensive economies, underscoring Africa's resilience," it said.

"The recovery in growth could mark a turning point in net commodity-exporting countries," it added.

Last year's spurt has a range of explanations, including a recovery in prices for oil, which helped petroleum exporter Nigeria, Africa's most populous country.

East Africa is the most dynamic region in terms of growth: 4.9% in 2016, which rose to 5.6% in 2017, and to a projected 5.9% in 2018 and 6.1% in 2019.

However, across the continent job creation did not rise in lockstep with growth, lagging by 1.4%. Woman and young people, aged 15-25, are those who have been most affected by the slow growth in employment. To generate jobs for the 12-million young people entering its workforce each year, Africa must take a fast-track to industrialisation, the ADB said.

But key obstacles in infrastructure remain, including energy, water and transport, as well as health, education, security and administrative capacity. "The continent's infrastructure needs amount to \$130-170bn (€106-139bn) a year, with a financing gap in the range of \$68-108bn," the report said.

By comparison, only \$62bn was mustered for infrastructure investment in 2016.

To those daunted by the funding gap, the ADB said African countries today had a wide range of options for tapping funds, and these lie "well beyond foreign aid".

One idea is to create an "infrastructure asset" class of investment, in which governments or development finance institutions offer guarantees, using flexible financial engineering, to lower the perception of risk for investors.

Tax reform is also essential, the ADB said. Tax collection is improving in Africa - it hauled in around \$500bn last year, a figure that compares with \$50bn in foreign aid, \$60bn in remittances and \$60bn in foreign direct investment. Despite this progress, tax revenue is still below the threshold of 25% of gross domestic product (GDP) deemed necessary to scale up infrastructure spending.

"There is an urgent need for better revenue regimes - including progressive elimination of the vast array of exemptions and leakages that pepper tax systems - to capture the gains from growth and rapid structural change that some countries are experiencing," the ADB said.

Making these changes will not be "straightforward" given the "intensely political" challenge, the report warned.

Source: AFP

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