A megaproject rises in East Africa

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A distinctive, glass-panelled multi-storey building with tall stone arches stands out in the bushes of Magogoni in Kenya's historic coastal town of Lamu...

Image source: www.lapsset.go.ke

The far-reaching project involves a railway, a highway, a crude oil pipeline and a fibre-optic cable connecting the four countries. The project will also include several airports, resort cities, an oil refinery, a 32-berth port in Lamu and other supporting infrastructure mini projects.

Once completed, the LAPSSET railway will connect to West Africa’s Douala–Lagos–Cotonou–Abidjan Corridor, running through Cameroon, Nigeria, Benin, Togo, Ghana and Côte d’Ivoire respectively.

Experts view the LAPSSET project as a major contribution to the African Union’s regional integration vision of a peaceful, prosperous and fully integrated continent by 2063. In fact, during the 2015 AU General Assembly, African leaders endorsed the project under the AU’s Presidential Infrastructure Championship Initiative (PICI). Admission into PICI signals that a project is critical to the continent’s regional integration aspiration.

The project will also include construction of Kenya’s second seaport in Lamu, which is expected to be bigger than the currently overstretched Mombasa port. Both ports will help boost Kenya’s status as a transport and logistics hub for the East

Africa and Horn of Africa regions.

Although the project seems a promising idea, it had to be shelved for years after its conceptualisation in 1972, nine years after Kenya achieved independence, because the young republic could not afford the exorbitant projected costs. In 2008, then President Mwai Kibaki revived the project with the hope that part of its $16bn budget would be financed in subsequent national budgets.

Amid the pomp and colour of welcome celebrations, in March 2012 President Salva Kiir of South Sudan, then prime minister of Ethiopia Meles Zenawi and President Kibaki travelled to Lamu to lay the foundation stone for the port, signalling their determination to kick-start the project.

At the onset, Kenya received financial assurances from foreign private investors. However, Brazil, China, the European Union, India, Japan, Qatar and South Korea, though they promised to fund the project, failed to fulfil their commitments. This forced Ethiopia, Kenya and South Sudan to agree to use domestic resources to finance their respective parts of the project.

Kenya was frustrated by a lack of interest from foreign investors, even as it faced pressure from South Sudan, which on a number of occasions openly complained about the slow pace of the project. Oil-rich South Sudan pays high transit charges on its oil exports to its neighbour, Sudan. South Sudan is therefore keen to use the potentially cheaper LAPSSET corridor for oil exports to India and the Far East, although the civil conflict in the newly independent country is creating concerns among major oil producers.

The Kenyan government decided to pick up the tab for the project, which had risen to $24.7bn from the initial estimate of $16bn, and allocated 16% of its 2016/2017 budget to LAPSSET.

Kenya can afford to pay the total $24bn project cost only in phases. This will allow it to construct 32 berths for the Lamu port, the starting point of the LAPSSET project. A similar financing scheme has been adopted for the roads, railway, oil pipeline, resort cities and three airports.

In 2013 the China Communications Construction Company was awarded a contract worth $478.9m to construct the first three berths, to be ready by 2019. Then contracts for another set of berths will be awarded.

“In the next five years the port will be completed just like other components of the project,” said Silvester Kasuku, director general of the LAPSSET Corridor Development Authority. “A lot has been achieved in making this dream a reality. We have a fully-fledged state corporation to ensure the project is achieved.”

In addition, according to Kasuku, over 5,000 jobs have been created since construction started in 2012. But there are questions as to who benefited from these employment opportunities. The immediate first-level jobs available in LAPSSET require literacy and education, which are limited among community members and other nationals in the region.

Second-level opportunities, such as local informal trade and business, may not immediately benefit local pastoral community members, who lack capital and access to credit — meaning they will be late to market.

Besides financing the megaproject, the government has had to deal with concerns about the environment and with compensation for owners of the land the roads and railway will pass through.

In 2008, when the project was revived, environmental activists warned that Lamu’s fragile coastal ecosystem could be destroyed through clearance of mangrove forests, oil pollution and degradation of the famed Old Town area of Lamu. Lack of compensation for land owners and lack of community participation in the planning process also generated hostility towards the project.

Lamu residents coalesced under the Save Lamu lobby in 2012 and took the Kenyan government to court. “Lamu has been our home for generations and we were concerned that a project of this magnitude could be undertaken without our participation," said Mohamed Ali Baddi, who leads Lamu Environmental Protection and Conservation.

Lamu Old Town, which dates back to the 14th century, was designated a UNESCO World Heritage Site in 2001. It is, according to UNESCO, "the oldest and best-preserved Swahili settlement in East Africa," having been continuously inhabited for over 700 years. A decade later, the UN agency urged the Kenyan government to consider the cultural and natural heritage of the island even as it executed the LAPSSET project. Nevertheless, initial scepticism has given way to hope that the project will boost local and regional economies.

"Our lives have changed. We used to hear about the proposed port. We never expected to experience it in our lifetimes," says Jaffar Athumani, a Lamu resident. He adds, "Initially people were afraid that the government would confiscate their land without compensation and this led to our opposing the construction of the port. The situation is different now."

Athumani's excitement is echoed by many other residents, but that is only after the government disbursed about $8.8m to compensate 154 families whose lands were affected by the construction. Kenya's National Land Commission initiated a compensation scheme in 2014 under which dozens of landowners and fishermen received an average of $50,000 for their land and expected loss of fishing grounds.

Also, about 5,000 fishermen are to receive mechanised fishing boats and fishing gear, while fish-processing industries will be established in Lamu.

Fortunes may finally be changing for Lamu since donors in May 2016 formed an African hub to mobilise $20bn for cross-border infrastructure projects. The regional hub was made public by the Sustainable Development Investment Partnership (SDIP) on the first day of the World Economic Forum (WEF).

The SDIP Africa Hub will mobilise blended finance, a combination of funding from private investors and lenders, governments and philanthropic funds.

SDIP members include the Bill & Melinda Gates Foundation, Citi, Denmark, the Netherlands, Norway, Sweden, UK and US. Others are the Development Bank of Southern Africa, Deutsche Bank, East Capital, the European Bank for Reconstruction and Development and the European Investment Bank.

Other contributors are HSBC, the Industrial Development Corporation of South Africa Limited, Inter-American Development Bank, International Finance Corporation, Investeringsfonden for Udviklingslande, Meridiam Infrastructure, Multilateral Investment Guarantee Agency, Sumitomo Mitsui Banking Corporation and Standard Chartered.

With renewed government commitment and positive signals from the international funding community, LAPSSET is set to become a reality.

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