Africa has to invest up to $50 billion dollars annually in infrastructure, Zemedeneh Negatu, E&Y

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To maintain sustained economic growth and meet the Millennium Development Goals (MDG), Sub-Saharan African countries have to invest up to US$ 50 billion annually in infrastructure, said Zemedeneh Negatu, the Managing Partner of Ernst & Young, LLP in Ethiopia. He made the comments on Wednesday, October, 21, 2009, in Cape Town, South Africa, at the Africa Investor (Ai) *"CEO Forum on Infrastructure, Energy and Clean Tech"*, held at the Cape Town International Convention Center.

During the Forum's panel discussions on *Transport and Tourism Related Infrastructure Projects*, Zemedeneh noted that various studies done by the likes of the African Development Bank (AfDB) and also by Ernst & Young have indicated that the total infrastructure needs in Sub-Saharan Africa for roads, airports, power, telecoms, etc, could reach between US$40 and US$50 billion dollars annually, including tourism infrastructure. He explained that the total GDP of Africa in 2008 ranked it as the sixth largest economy in the world but significant infrastructure investments are needed for Africa's ranking to be solidified and evenly wide spread throughout the continent.

Regarding tourism, he stated that the importance of the sector in the socioeconomic development of Africa cannot be underestimated since an increasing number of African countries now rely on tourism as an important economic growth sector, especially in generating foreign exchange. However, mainly due to in-adequate investments in infrastructure, Africa's share of the global tourism revenue was only US$ 29 billion, or just 3%. He said that Dubai alone received more tourists last year than all of Sub-Saharan Africa combined, excluding South Africa. Therefore, attracting investments in infrastructure is critical if Africa were to benefit more from the annual US$4 trillion global tourism industry. He noted that while improvements are on-going, large investments are still needed in roads, airports, railways, ports since expensive transportation is an impediment to attracting tourist to Africa.

Zemedeneh Negatu

When asked for his perspective on the success factors to attracting investment in infrastructure in general, and to tourism projects, in particular, Zemedeneh listed several factors and at the top of the list is a politically stable operating environment. He said no investor will finance any project, especially a tourism one, in an environment where there is political instability. Safety and security also align with political stability, he added. Other factors to consider are the rule of law, consistent and effective applications of regulations and macro economic stability. He said that these are the high level issues investors initially ask before even considering the micro or project level details about investments.

One of the key recommendations made by Zemedeneh is for African countries to look East, in particular to China, for their infrastructure financing needs. Citing a study his E&Y team had recently done, he noted that China had committed US$18.0 billion for African infrastructure over the past 6 years and plans to spend US$20 billion more to finance trade and infrastructure across Africa over the next three years. He further noted that China's planned investment in the power sector in Sub-Saharan Africa will increase the total available hydropower generation capacity by more than 30 percent and billions of dollars are being invested in Africa on Chinese funded telecoms infrastructure. He continued by saying that last year Chinese banks gave more money to Africa than the World Bank. But Zemedeneh expressed concern that many African countries have not yet developed effective capacities and strategies to fully benefit from China's investments and financing including taking advantage of the US$ 5.0 billion China-Africa equity investment fund.

One area of infrastructure that needs particular attentions in Africa, according to Zemedeneh, was the weak state of air transport in many African countries. For example, an airline advisory team he heads has made an analysis which shows that Sub-Saharan Africa has only two major airlines (those with annual revenues of over a billion dollars), namely South African Airways and Ethiopian Airlines, on a continent of almost a billion people. He stated that one way of addressing the challenges of the aviation industry in Africa, which is essential for economic development including tourism, is for African airlines to collaborate and build up critical mass. "Consolidate or perish" is the term he used to make the point about the need for collaboration. Due to the already capital intensive nature of the airline business and the evolving regulatory requirements for the industry regarding carbon emissions and fuel efficiency, significant additional investments have to be made by airlines, which many small stand alone African carriers can not afford.

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