

UNLOCKING THE GRIDLOCK: DECODING AFRICA AND SOUTH AFRICA'S STRUGGLES WITH INFRASTRUCTURE IMPLEMENTATION

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Corruption, a skills gap, fragmented planning and coordination and political stability stand in the way of infrastructure reaching its potential in driving economic progress and societal advancement across Africa. The pervasive mismanagement of infrastructure projects across the continent, and South Africa as a regional economic powerhouse, has far-reaching consequences for the continent, impeding economic growth, social development, and sustainable progress.

The Africa infrastructure imperative

Infrastructure is the bedrock of development, catalysing economic expansion, poverty alleviation, and enhanced quality of life. In Africa, the importance of infrastructure is magnified due to its potential to ameliorate specific regional issues like inadequate access to clean water, healthcare, education, and electricity. Efficient transportation systems, energy networks, communication platforms, and water facilities are vital in connecting people, goods, and services, paving the way for diversified economies and poverty mitigation.

However, the World Bank has estimated that inadequate water and sanitation costs Africa about 5% of GDP. In addition, the poor quality of the region's roads, rail and port infrastructure is increasing the cost of intra-African trade by between 30% to 40%, according to the Infrastructure Consortium for Africa. These are costs Africa can ill afford. The benefits of bridging the multi-trillion-dollar infrastructure gap are immense for all economic stakeholders, including investors seeking to unlock alternative sources of stable long-term returns, such as those delivered by the Prescient Clean Energy and Infrastructure Funds.

The challenges and complexities

The failure to implement infrastructure projects effectively has been a recurring issue across African nations, including South Africa. The complexities that underlie these failures include:

- **Corruption and mismanagement:** Corruption remains a pervasive obstacle, diverting funds earmarked for projects and resulting in incomplete or subpar ventures. Transparency International data highlights the extent of the problem. Its 2022 Corruption Perceptions Index ranks African countries low down in the rankings. South Africa, as an example, ranks 72 out of 180 countries, with a score of 43 out of 100.
- **Skills gap and expertise deficit:** The lack of specialised skills and technical expertise within governments often leads to haphazard project planning and execution. This deficiency contributes to delays, cost overruns, and compromised quality. As highlighted by a recent report from the World Bank, it is estimated that about 34% of African public infrastructure projects experience significant time and cost overruns due to skill shortages.
- **Fragmented planning and coordination:** Disjointed coordination among stakeholders can lead to project bottlenecks and inefficiencies. The African Development Bank reports that insufficient coordination between public and private sector players significantly hinders infrastructure development.
- **Political instability:** Frequent political changes disrupt project continuity. Shifts in leadership can result in the abandonment of projects or alterations in strategic priorities. South Africa has faced political turbulence in recent years, impacting the consistency of infrastructure initiatives.

According to Tshidavhu and Khatleli (2020), only 20% of African mega projects reach financial closure because of insufficient labour skills, labour efficiency, improper planning, slow decision-making, and economic policies.

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Counting the cost of inadequate infrastructure spending:

The repercussions of suboptimal infrastructure implementation ripple across the continent, with the resultant costs including:

1. **Growth inhibition:** Underdeveloped infrastructure stunts economic diversification and dissuades foreign investment. Simply put, industries like manufacturing and agriculture cannot be expected to grow without reliable energy, transportation issues, and ineffective communication systems.
2. **Social disparities:** Unequal access to basic amenities, such as water supply, healthcare, and education, perpetuates social disparities, disproportionately affecting marginalised communities and further entrenching poverty.
3. **Continental disconnections:** A lack of seamless communication and transport networks impedes Africa's integration into the global economy. This isolation hampers trade prospects and obstructs the adoption of technological advancements.
4. **Environmental impacts:** Outdated energy systems and inadequate waste management from ineffective infrastructure planning exacerbate environmental degradation. Unsustainable practices worsen pollution and ecological strain.

What next – the path ahead:

Tackling Africa's infrastructure difficulties will require a comprehensive approach. Based on our analysis, the following conditions are required:

1. Governments must prioritise transparent management and accountable governance in infrastructure projects. Doing so by enforcing robust regulations and oversight mechanisms would curb corruption and ensure judicious fund utilisation.
2. Effective project execution is only possible if government bodies invest in technical skills and knowledge. Collaboration between the public and private sectors, and with international partners can facilitate knowledge exchange and ultimately bolster capacity. South Africa's successful renewable energy programme is evidence of this.
3. Research shows that infrastructure planning, most likely at a central level, can transcend political cycles. The formulation of enduring national development strategies which outline long-term objectives will not only result in adequate planning but also have the potential to provide stability and consistency to infrastructure endeavours, which is critical when there is a requirement to "crowd-in" private sector funding.
4. Leveraging private sector partnerships is key to securing funding, expertise, and innovation. Public-private collaborations distribute risks and responsibilities more effectively, leading to improved project outcomes.

Africa's journey towards development is intrinsically tied to its ability to institute robust infrastructure networks that cater to the diverse needs of its population. While challenges abound, collective efforts aimed at transparent governance, skill empowerment, strategic planning, and intersectoral collaboration can alleviate these hurdles. The potential for Africa's economic growth and sustainable development hinges on its capacity to erect a resilient infrastructure framework, fostering connectivity, inclusivity, and achieving competitiveness on the global stage.

Infrastructure at Prescient:

The Prescient Clean Energy and Infrastructure Funds stand testament to our commitment to South Africa's infrastructure drive and is in line with our broader corporate ethos of investing in real assets that contribute to sustainable development while making a meaningful difference in the lives of ordinary South Africans.

We have debunked the notion that impact and commercial success are mutually exclusive. By targeting specific areas of infrastructure, we have shown that responsible investment can be a driver of both positive social change and financial growth.

As we move forward, we remain dedicated to our mission, understanding that Africa's journey towards development is intricately linked to the establishment of resilient infrastructure networks. Through transparent governance, skill empowerment, strategic planning, and collaboration across sectors, we aspire to contribute to the continent's economic growth, sustainable

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development, and global competitiveness. The Prescient Clean Energy and Infrastructure Funds are not just investment vehicles; it's a catalyst for positive change in South Africa and beyond.

Ends

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