

SPEECH BY H.E.HON.UHURU.KENYATTA, C.G.H., PRESIDENT AND COMMANDER- IN-CHIEF OF THE DEFENCE FORCES OF THE REPUBLIC OF KENYA DURING AFRICA INVESTOR CEO INFRASTRUCTURE INVESTMENT SUMMIT, ABUJA, NIGERIA, 6TH MAY, 2014

Excellencies,

Chief Executive Officers Present,

Distinguished Guests,

Ladies and Gentlemen,

I am delighted to be here today, and to be a part of the Summit. I thank the NEPAD Planning and coordinating Agency, and Africa Investor for organizing this gathering.

The Africa Investor CEO Infrastructure Investment Summit is a premier business development forum for infrastructure investors, fund managers, project developers, project sponsors and PPP policy makers.

We are gratified that the Summit facilitates bankable infrastructure investment project pitches from developers and sponsors, one-on-one meetings with investors, and direct dialogue with infrastructure regulators on specific projects.

This is, therefore, an excellent development opportunity – one can directly engage project decision-makers from across the continent, international financial institutions, regulators and donor organizations that support infrastructure development. I trust we will all make the most of it.

I am also happy to be associated with the Africa Investor CEO Infrastructure Investment Awards, which is a platform for investors in Africa's fast-growing infrastructure sectors to measure and recognize their performance and achievements. The Awards showcase the competitiveness of African infrastructure as an internationally investible asset class.

Excellencies,

Ladies and Gentlemen,

Infrastructure development is critical for economic growth and poverty reduction. In Africa, infrastructure can potentially contribute as much as 2% per year to Gross Domestic Product, with particularly positive effects in East and Central Africa.

In other parts of the developing world, notably in China, massive investments in infrastructure established the backbone for other economic activities such as manufacturing, which in turn fuelled economic growth.

A similar path lies open for African countries. Moreover, increased access to infrastructure services such as roads, electricity, telecommunications, water and sanitation—especially in rural areas—entails direct social benefits such as

health, education, and women's empowerment, so helping to achieve a socially balanced and inclusive growth.

Conversely, deficient infrastructure can hamper economic activities and weaken human development efforts. Poor infrastructure quality especially undermines productivity among manufacturing firms in Africa. Given the future importance of manufacturing for our development, this is not a hindrance we can tolerate.

It is therefore critical to address these deficiencies in order to unlock Africa's productive potential and maximize infrastructure's impact on economic growth and human development. To achieve this, significant financial resources are required.

For a number of years, many African countries have featured infrastructure as one of the main focal areas in their national development plans, including the Poverty Reduction Strategy Papers (PRSPs).

Excellencies,
Ladies and Gentlemen,

An important aspect of our infrastructure development is the need for a regional approach. Economies of scale from regional infrastructure often cut the costs of construction and services.

In particular, regional infrastructure is suitable from Africa's geographical perspective: for example, we have 16 international river basins, which offer vast hydropower potential.

It is therefore vital to promote regional and cross-border infrastructure as it increases trade, improves security, saves money, strengthens natural resource management, addresses the needs of landlocked countries, and builds on national and regional comparative advantages.

As with individual country projects, cross-border projects also require able, well-funded project management, which includes a deep understanding of the economic and financial aspects of all phases from preparation and implementation.

These will not be easy criteria to meet, but meet them we must. We might begin to tackle the matter by emphasizing joint training across regions, the quicker the better.

Excellencies,
Ladies and Gentlemen,
Africa's yearly infrastructure finance needs are immense.

Current infrastructure spending stands at US\$ 45 billion a year, while yearly demand for infrastructure finance is estimated at US\$ 93.4 billion per year over the next decade if the continent is to meet international standards in this field.

The excess demand stems from:

1. Growth-induced demand in basic and social infrastructure (roads, sanitation and the like) and economic infrastructure (energy and telecommunications being particularly prominent).
2. Unmet demand in modern economic infrastructure imposed by globalization and international competition and standards, and;
3. Maintenance and upgrading of existing infrastructure.

However, estimates from the World Bank and the Economic Commission for Africa (ECA), bolstered by the findings of the Africa Infrastructure Country Diagnosis (AICD) study, suggest that if the inefficiencies in project planning, execution and maintenance were properly managed, the yearly finance requirement would be reduced to around US\$ 20 billion per year. It may be that with prudent management, we can halve the funding gap.

Excellencies,
Ladies and Gentlemen,

Many African countries have recently celebrated their fifty years of independence. But even after half a century of independence, far more remains to be done to transform African economies to middle income status.

That mission does not fall only to governments. For business, the infrastructure deficit in Africa is an opportunity to do well by doing right.

Resources from the private sector are required to supplement governments' efforts, but the rewards are not merely commercial – these are projects that have every prospect of radically transforming ordinary African lives.

The infrastructure gap also requires dedicated financing mechanisms if it is to be bridged. Cognizant of the need, the African Union Heads of State and Government endorsed the creation of a dedicated funding mechanism to accelerate infrastructure delivery in Africa.

The African Development Bank is spearheading the establishment of a new fund – the Africa 50 Fund – to mobilize private sector funding to accelerate the rate of infrastructure delivery in Africa.

In the long-term, it will look to gather support for infrastructure from international capital markets. It is, in short, a strong statement of Africa's readiness to address the infrastructure.

Excellencies,
Ladies and Gentlemen,

In the East African Community deliberate priority is given to the development of key regional transport corridors that in turn support trade and investment.

Some of the projects poised to benefit from the Africa 50 Fund in the region include the rehabilitation and expansion of the Northern Corridor connecting

the port of Mombasa with Kampala, Kigali, Bujumbura and Eastern Democratic Republic of Congo.

Other priority regional projects include rehabilitation of the Central Corridor connecting Dar-Es-Salaam with Bujumbura, Kigali, and DRC.

In addition, the LAPPSET project - where Kenya is seeking partnership with the private sector to jointly build a highway, an oil pipeline, a railway line and a seaport at Lamu connecting the new Republic of South Sudan and Ethiopia - holds great investment potential.

These are only some of the ambitious projects that we have embarked on in the region. In East Africa, we are backing our words with deeds.

In Kenya, we have taken note of two factors: One, that investment in disjointed infrastructure has very little dividend. In this context, we have adopted a network approach to all our infrastructure investment, be they in energy, in education, in roads, in agriculture, in health or any other sectors.

Two, that specifications are more often than not superfluous and therefore lead to very heavy and unwarranted investments. A case in point are specifications for road works in rural areas where specifications for high-design speeds are used - with the resultant re-alignment of roads requiring land acquisition, resettlement action plans, relocation of utilities, among others, while specs that allow for all weather mobility would suffice. By adopting the latter, we will bring down the cost of road construction in rural areas by more than 60 per cent.

Excellencies,
Ladies and Gentlemen,

Let me conclude by observing that Africa profoundly needs regional and continental integration for sustainable development. But integration can only thrive where there exists certain critical infrastructure. Yet for such enabling infrastructure to be present, someone has to invest in it.

This, Ladies and Gentlemen, is the defining challenge that we face. I am certain that we will rise to it.

Thank You and God bless you.