Partnership to Cut Hunger and Poverty in Africa

Investing in Physical Infrastructure: Who Sets the Priorities?

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Broad Themes

- Public investment is justified to support private activity
- Public investment priorities should be demand driven
- Public investments should be linked as much as possible to the goal of reducing poverty in all its dimensions
Why Priority Setting is Important

- Making good use of available and promised resources
- Attracting new resources to fill the funding gap
- Keeping the focus on key questions:
  - How productive is any investment in fostering private economic activity and meeting other human needs that benefit the poor?
  - Are better investment options realistically available?
Why Priority Setting is Hard

- Requires making choices across multiple dimensions, including –
  - Markets and growth versus services to the poor
  - Area of infrastructure
  - Type of project
  - Regional versus local focus of investment
  - Initial investment versus maintenance
- Involves many institutions and decisionmakers
- Involves making inherently uncertain predictions of benefit
Active Venues and Processes for Priority Setting

- **AU/New Partnership for Africa’s Development**
  - Comprehensive African Agricultural Development Programme (CAADP) and CAADP compacts
  - NEPAD Infrastructure Medium to Long Term Strategic Framework (MLTSF) Study

- **African Development Bank**
  - Lead African institution for infrastructure coordination and analysis for continent-wide priority setting and project selection
  - Key Africa-based financier of infrastructure

- **Regional Economic Communities**
  - Priorities for regional integration
  - Focusing on interconnectivity of major transport, power and water systems
Active Venues and Processes for Priority Setting

- National and local governments
  - Allocating scarce national and local resources
  - Working through PRSP and regular budget processes
  - Focusing on internal markets and delivery of services to citizens

- Sectoral organizations
  - Northern Corridor Transport Coordination Authority
  - IWRM initiatives and “global water partnerships” at region and country levels
  - Numerous electrification and rural energy initiatives
Active Venues and Processes for Priority Setting

- World Bank
- EU-Africa Partnership on Infrastructure
- Infrastructure Consortium for Africa
- US Millennium Challenge Corporation
Important Progress on Infrastructure Priority Setting

- MDGs provide an agreed framework of goals to guide infrastructure priority setting
- Africa has an increasingly robust institutional framework for priority setting
- Users and other private stakeholders are gradually getting more involved
- Serious attention is being paid to the analysis required for priority setting
- Priority setting process is increasingly Africa-owned
Priority Setting Issues and Challenges: Institutions

- Can the AU/NEPAD/AfDB capacity for priority setting be strengthened?
- How can the ICA best play its role in aligning donor resources with African priorities?
- Are the RECs equipped and adequately empowered to coordinate priority setting and balance competing needs and interests?
- What institutional arrangements and capacity are needed to make national-level processes work for priority setting?
Priority Setting Issues and Challenges: Process

- Is there a need to establish more explicit and well-defined decision processes for priority setting?
- How can processes for resource allocation and other priority setting be made more transparent and participatory?
- How can the full range of private sector stakeholders be heard and have their interests considered?
- How can the interests and needs of small-scale enterprises and the poor be brought fully into the process?
Priority Setting Issues and Challenges: Metrics, Data and Analysis

- How can areas of investment and specific projects be rationally compared for priority setting purposes?
- What’s the right basis for predicting poverty reduction benefits?
- What data gaps need to be filled to improve priority setting?
- What analytical capacity building is needed in Africa to evaluate poverty reduction benefits before and after investments are made?
Recommendations

- Strive for more rational, data-driven priority setting, but don’t expect pure reason to prevail.
- Make priority setting more *demand driven* by bringing in the voice and knowledge of the African private sector – in all its dimensions and at all levels.
- Always ask how proposed resource allocations and projects will deliver benefits to the poor.
For more information.....

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