



## **The construction industry - a key partner in the economic integration of the continent envisaged by the African Continental Free Trade Area**

**By Mokate Ramafoko, PPC Managing Director: International Operations**

The world recently witnessed the signing of the biggest free trade area by Heads of African Governments in Kigali. Signed in March this year, the **African Continental Free Trade Area** (AfCFTA) is the largest such free trade area when one considers the number of countries involved.

The African continent currently consists of 55 countries, with 55-odd currencies (some have chosen to adopt the US dollar), 55 regulatory frameworks and, in simple terms, 55 different sets of red tape. This scenario means doing business on the African continent can be challenging, both for foreign and domestic investors. There is thus a general consensus amongst economists and scholars alike that when it comes to force, the Trade Area will yield major economic benefits for the continent, its citizens and businesses alike.

But what does it mean for African businesses and international investors? What opportunities does it offer for our industry?

The Trade Area gives the infrastructure-build programme an added impetus. A researcher at the Cape-based Trade Law Centre (trac), Talkmore Chidede, contends “the AfCFTA’s objective to boost intra-African trade cannot be achieved without adequate trade-related infrastructure”<sup>i</sup>.

This is notable considering that the African continent has a serious infrastructure deficit. A 2009 World Bank Report titled Africa’s Infrastructure: A time for Transformation estimated that US\$93 billion was needed annually for the continent to address this deficit. More recently, Kalilou Traoré, the Economic Community of West African States’ (ECOWAS) Commissioner for Industry and Private Sector Promotion put this estimate at US\$100 billion<sup>ii</sup>. African governments, the private sector, the African Union (AU) and its partners will have to embark on a serious and deliberate programme to build the necessary economic infrastructure to facilitate economic integration.

The construction industry should play a leading role in harnessing the development of this much needed infrastructure. The rapid development of infrastructure, especially regional mega projects in the continent is urgent and critical. Infrastructure is a catalyst for economic growth, competitiveness and integration. An example is efficient port and transport infrastructure that facilitate and ease movement of goods and people between different economies. Modern and world class infrastructure will expedite the economic integration as



envisaged by the Free Trade Area, ensuring that the barriers of trade are removed both on paper and physically.

With this understanding, the AU, in partnership with the UN Economic Commission for Africa, African Development Bank and the NEPAD Planning and Coordinating Agency, among other significant role players, has developed a focussed programme to attend to the infrastructure challenge - the Programme for Infrastructure Development in Africa (PIDA). The programme is “a continental initiative to help address the infrastructure deficit that severely hampers Africa’s competitiveness in the world market”.<sup>iii</sup>

One of PIDA’s overall strategic objectives is to “enable Africa to finally build ‘the’ common market”. It asserts that by improving access to integrated regional and continental infrastructure networks, countries will meet the forecasted demand for infrastructure services and boost competitiveness by increasing efficiencies, accelerating growth, facilitating integration into the world economy, improving living standards, and unleashing intra-African trade”.

In my view, the construction and associated industries should continuously and as a matter of urgency, engage the various governments and multilateral institutions that have the responsibility of providing the necessary infrastructure. This should be done with a view to understanding the priorities and development needs especially the scale, impact and bankability. This will guide both our production capacity allocation and investment decisions.

In this context, PIDA identified four key infrastructure priority areas that require urgent attention, and these are: transport, energy, ICT, and trans-boundary water sectors. These sectors are the backbone of industrial development and offer significant potential for economic growth and development.

Three of the priorities offer abundant opportunities for industry players such as PPC. However, these will not materialise if the industry is not proactive and strategically geared to leverage off these opportunities.

With the implementation of the various infrastructure projects, it is likely that demand for our products and services will increase. The industry cannot afford to be found wanting when this happens. It is thus my contention that, informed by solid and credible market intelligence, the industry should make the necessary investments before demand spikes. It is imperative that we start forming the necessary critical partnerships now to ensure that when the time comes we are well positioned to deliver world class quality infrastructure.

The investments such as those PPC has made in various African countries, specifically in South Africa, Rwanda, DRC, Ethiopia, Zimbabwe and Botswana will go a long way towards



bolstering cement production - a product that is critical and necessary in any large infrastructure project. PPC's choice of countries to invest in was deliberate. Not only do these have a high potential domestic demand for cement and related products, but they are strategically positioned to serve neighbouring countries in regions where they are situated.

Importantly, we don't see ourselves as just cement producers; we see ourselves as playing a bigger role in contributing to the growth and development of all our chosen markets and the continent at large; igniting meaningful collaboration both within and outside our organisation. We call this ethos "STRENGTH BEYOND" which is entrenched throughout our business.

Many of Africa's 55 countries are small, with populations of fewer than 20 million and economies of less than US\$10 billion. Their infrastructure systems, like their borders, are reflections of the continent's colonial past, with roads, ports, and railroads built for resource extraction and political control, rather than to bind territories together economically or socially<sup>iv</sup>. Most would battle to build the critical infrastructure on their own and require partners that are driven by the same objectives.

A proactive approach involving delivery-focussed partnerships will be a game changer as it will bring together small and big economies to deliver mega regional infrastructure projects. The essential benefit of regional infrastructure is the formation of large, competitive markets instead of the current collection of small, isolated, and inefficient ones. Undoubtedly, the industry will benefit during the construction phase as large competitive markets form as a result of integrated economic development.

Perhaps the most obvious example is logistics ports that will facilitate easy movement of goods across the continent with a consequence of reduction in logistics costs. Initiatives such as the North-South Corridor and the Southern Africa Development Community (SADC) Infrastructure Master Plan present massive opportunities for public private partnerships (PPPs).

There is recognition that PPP arrangements assist governments to close material financial, managerial and technical gaps, while supporting regional integration. For example, there is a US\$100 billion funding gap for the SADC Infrastructure Plan. The North-South Corridor project, conceived as the area between Durban and Dar es Salaam, is equally ambitious and costly. It comprises 157 projects in the North-South Corridor and includes 59 road projects; 38 rail projects and six bridge projects (PIDA).

The AfCFTA provides a single rule book for doing business and investing in Africa, a rules-based framework for investing and doing business in the continent. It is precisely what the continent needs at this moment. Harmonisation of trade and investment rules, overcoming



the constraints associated with small economies, achieving economies of scale and integrating African economies are the ultimate objectives of the AfCFTA. But this will and can only be realised if all critical sectors of the economy are mobilised, engaged and focused in a single-minded manner.

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<sup>i</sup> 01 March 2018, <https://www.tralac.org/discussions/article/12790>

<sup>ii</sup> (*Bridges Africa, Volume 6, Issue 2, March 2017*)

<sup>iii</sup> <http://www.au-pida.org/>

<sup>iv</sup> Programme for Infrastructure Development in Africa (PIDA, 2011)

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