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Bridging Africa's Infrastructure Gap Through Strong Sino-Africa Cooperation

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Abstract

The objective of the paper was to review the socio-economic benefits of the budding Sino-Africa economic relationship with a view to arriving at an informed opinion on its desirability and potency or contribution in closing Africa's infrastructure investment gap.

The paper also discussed the issues that may militate against or strengthen the new-found relationship against the backdrop of criticisms from pro-West sentiments.

The desirability of Sino-Africa economic cooperation was established, and recommendations advanced on the issues that will guarantee mutual benefits and sustainability.

Keywords: Infrastructure deficit, Sino-Africa Cooperation, Geo-politics, Socio-economic impact, Economic independence

1. Background

Historically, the West constituted Africa's friend in politics and socio-economy. This is understandable due to the evil called colonisation; and subsequent political independence and sovereignty granted by the West to most African States. Though the West granted political independence, they still control, largely, our economic independence. At least, they want to control our speed of development through well-crafted polices, economic theories, institutions and political designs, also aimed at protecting their economic interests. Consequently, any friendship that seeks to change the status quo like the Sino-Africa cooperation is not viewed constructively by the West.

Friendship is a two-way relationship, whereby, the distance between two friends are equal, viewed from either end. Africa has been with the West for a long time, but resources flow to

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Africa has been disproportionate, unfortunately. The cumulative effect of this is evident in lopsided human and environmental development. Very strong indices of these are evident in the huge infrastructure deficit, and the very low human development index, a narrow measure of which is the poverty incidence. Poverty is native to Africa.

The infrastructure and welfare amenities needed by Africa can be purchased in US Dollars, Euro, Pound Sterling, or Renminbi! Infrastructure, or better still, economic welfare does not know the colour of currency. It, therefore, does not matter who provides the needed finance for the infrastructure needed to close the yawning gaps across Africa, provided it comes at acceptable and sustainable terms and quality. Africa which currently constitutes about 16.6% of the world population, also deserve to live well like their counterparts across the globe. As good neighbours, the rest of the world should support Africa to overcome its barriers to development. After all, if you want to sleep with your two eyes closed, especially, if you want to meet your goat at its stake the following morning, then ensure that your neighbour does not go to bed hungry.

For global peace, security and harmony, the rest of the world should invest in Africa. The time is now, before Africa unleashes its poor, but creative, jobless, hungry and youthful population on the rest of the world, particularly the West. Otherwise, the current migration to 'seek reparations' and all manners of global malpractices are only a child's play. It is on this note that the growing Sino-Africa cooperation is very welcome; and should be encouraged and developed for the equitable and mutual benefits of all stakeholders.

2. Top Ten Sino-Africa Mega Projects Transforming the Continent in 2018

1. Djibouti Railway, Ethiopia and Djibouti.
2. Tanzania-Zambian Railway, Tazara, Tanzania and Zambia.
3. Lobito-Luau Railway, Angola.
4. Abuja-Kaduna Railway, Nigeria.
5. Mombasa-Nairobi Railway, Kenya.
6. Algeria East-West Highway, Algeria.
7. New Cairo, Egypt,
8. Special Economic Zone, Congo Brazzaville
9. Modderfontein New City, South Africa.
10. Lagos-Calabar Coastal Railway, Nigeria.

3. The Issues

There has been a plethora of issues around the newly found cordiality between Africa and China. Let us examine some of the very important ones so as to enable stakeholders hold informed view, make informed decisions or pursue informed policy directions that will produce equitable and mutual benefits to our peoples.

(a) The Opinion of the West: The position of the West is biased, as they are only seeking to protect their economic interest now and in the future. In the past when the West had so much capital resources to spare, they neglected to invest enough or develop Africa for about a century of colonisation and post-colonisation friendship. Instead, they preserved Africa in the natural state as their source of primary unprocessed raw materials and mineral mine fields. They imposed restrictive, or is it punitive, tariff barriers that made value-added processing of Africa's primary products uncompetitive in their markets. Consequently, Africa's producers of coffee and cocoa, who do the more onerous farm work, get less than 10% of the global market value of coffee and chocolate. While the coffee taster in the West earns up to $50,000.00, the coffee farmer in Ethiopia or Kenya earns an insignificant proportion of that.

Now that a new bed-fellow, China, has shown up, and the West is out of pocket and can not compete with China, it is natural for the disadvantaged, in the current struggle for the resources of Africa, to come up with indirect justification for their inaction in the past and the lack of the desired muscle to respond to China's very prominent in-road into Africa today. As China continues to grow and integrate into the rest of the global economy, Africa should establish structures and policy framework to properly receive and domesticate Chinese investments for the benefit of her people.

Besides, it is shear hypocrisy for the West to criticise China's involvement in Africa when China's direct investment across all the sectors of US economy in 2017 was in excess of US$25 billion apart from their holding of US$1.17 trillion in Treasury Bonds and several other small direct investments valued less than US$100million, which have not been included. China's direct investment in Europe in 2017 was US$79 billion. In the UK, it was US$9.5billion in 2016 alone and a cumulative of US$28.7 billion from 2001 to 2016. Furthermore, to better harness Chinese investment, the UK government and UCL (University College, London) launched a UK-China Infrastructure Academy to support the UK-China infrastructure alliance.

Meanwhile, before the West makes available its Rolls Royce, they should leave us to ride in the Toyota supplied by China. However, the Toyota should come with genuine spare-parts, good after-sales garage and assembly plant with robust technology transfer programme manned by competent and committed professionals.

Of course, that is not to say that the great expectations of Chinese investments do not come with growing concerns. These are probably more relevant to the West, that is already infrastructure-rich or that have alternative funding sources, than to Africa. Africa should be more interested in the socio-economic impact than in the geopolitical dimensions of Chinese investments. If and when the West provides better alternatives, Africa will make the better choice.

(b) Africa's View of China and Chinese: Africa's experience with Chinese investments have been reported with mixed feelings. The key source of worry is that their operations are less than transparent, self-centred and produces sub-standard outcomes. Furthermore, they have bad indigenous employee relations, sometimes tending to racism. All of these can be remedied, however, in prior specifications and enforceable agreements between the parties.

(c) China's view of Africa: In a study conducted by SACE (Sino Africa Centre of Excellence) Foundation in 2014 on Chinese Business Perception Index **(BPI)** in Kenya, and by extension Africa, the Chinese business community identified the following significant obstacles to business in the order of importance: (a) corruption (b) crime rate (c) obtaining work permit (d) tax rate (e) tax administration (f) customs and trade regulations (g) inadequately skilled workforce (h) court system and (i) electricity. These factors will feature across Africa with minor variabilities only in the ranking.

(d) Debt Trap: Another major criticism is that China is forcing Africa into a debt trap. This cannot be correct as the investments and / or loans are not offered at gun-point. The USA is probably under Chinese debt trap than any African country if viewed from the lens of debt capacity measurement indices. In the current USA-China tariff face-off, one joker China hopes to deploy against the USA is its investment in the US Treasury Bond, where China holds US$1.18 trillion (about 6%) as at June 2018. This is aside from FDIs in almost all the sectors of the US economy.

African countries should, however, adopt best practices in debt procurement that will ensure sustainability and keep the ratios of annual debt-service to annual revenue, in particular, within acceptable or optimal limits. Of course, this should apply to debts from all sources - domestic, or foreign; and Chinese or otherwise. In this regard, and given Africa's current debt profile, only very low interest, and long term debts that conserve debt-service capacity and debt sustainability is acceptable. Better still, we need more of investments and hybrids like PPPs, BOTs, etc. than outright debt.

(e) Loan Purpose and Africa Infrastructure Deficit: Loans are not bad in themselves if they are sustainably procured and use strictly for purposes of creating value and opening up future opportunities capable of generating more than enough cash-flow or economic value for repaying the loans, and not for present consumption. Consequently, African countries should be disciplined enough to limit loan purposes to infrastructural investments capable of generating sustainable socio-economic returns and advancement opportunities for the long-term benefits of the people. Therefore, any burden arising from any new loan will be economically justifiable.

Back-of-the-envelope, Africa's infrastructure investment deficit is put at about US$22.4 trillion by 2030 in order to meet the UN sustainable development goals. According to the Global Infrastructure Outlook published in July, 2018, by the Global Infrastructure Hub, 10 African countries of Morocco, Tunisia, Egypt, Ethiopia, Senegal, Guinea, Côte d'Ivoire, Ghana, Benin and Rwanda would need about $2.4 trillion by 2040 if they are to keep pace with economic growth. However, only $1.4 trillion of it is likely to be delivered, leaving a projected deficit of US$1trillion. $415 million of the $1trillion shortfall will be required by year 2030. By extrapolation, the 54 African countries would have a shortfall of about US$22.4 trillion by 2030.

The list of physical infrastructure need in Africa is endless. However, some of the very critical and already identified or prepared ones are as follows:

Table 1. Some pipelines of Africa's projects

Serial No	Project	Country	Amount / cost
1	Mambila hydroelectric power project	Nigeria	$5.8 billion.
2	Konza Technology City	Kenya	$14.5 billion.
3	Inga 3 dam project	DR Congo	Revised since 1950s
4	Bagamoyo Port	Tanzania	10 billion.
5	Standard Gauge Railway Project	Kenya	Mombasa-Nairobi=US$3.27b* Nairobi-Naivasha=US$1.5b Naivasha-Kisumu=US$3.7b.
6	Huge (4.5GW) solar park	Tunisia	
7	New Administrative Capital	Egypt	
8	Grand Ethiopian Renaissance Dam	Ethiopia	US$4.8bn
9	Modderfontein New City	South Africa	US$8 billion.
10	Nacala corridor rail and port project	Mozambique	US$5 billion.
11	Lekki Deep Seaport	Nigeria	US$1.2 billion
12	The LAPSSET Corridor Program.	Kenya	US$13b billion.
13	13. Pinnacle Towers	Kenya	US$200 million.
14	Rabat Bouregreg Tower	Morocco	US$375 million.

15	Mombasa Port Expansion	Kenya	US$350million.
16	Lamu -Isiolo Road.	Kenya	US$610 million.
17	Kenya -Tanzania Highway.	Kenya - Tanzania	US$751.3 million.
18	East - West Road	Nigeria	US$4.75billion in 2011.
19	Second Niger bridge	Nigeria	US$1-2billion.
20	New Airport Terminal in Lagos, Abuja, Kano & Port Harcourt	Nigeria	US$500 Million in 2014

*Executed. **Moving cost;

Source: Various Countries' Capital Plans.

The challenge is for these and other critical projects to be well-prepared and prioritised for investment. The terms of the investment should be very well negotiated. In any bilateral or multilateral engagements (including investment) what is not negotiated is not is really offered. Hence loan or investment amount, tenor, interest rate, suppliers of equipment, expertise, labour and all the frequently contested issues should be agreed and well-documented upfront. A very strong control, monitoring and evaluation team should also be agreed and installed.

(f) Balancing global development for global social security, peace and harmony: The world has really become a global village. Development disparity across the world are known and new happenings become known on real-time basis. Globalisation has been aided by internet of things (IoT) mobile telephony and the accompanying ease of communication. Even the poor now knows his oppressors. That partly accounts for the upsurge in migration even at the greatest of risks. That is why the West and other developed world should rally round and support the development of Africa and the other under-developed world, this time not via unsustainable donations, but through more enduring economic models that offer equitable mutual benefits for all.

Let whoever has the capital invest in Africa and reap the benefit of his return on capital, but in return let Africans benefit from decent employment, economic welfare, and brighter future economic opportunities. After all, all that the migratory youthful African population is seeking from the West is gainful employment that has eluded them in the continent despite our vast underdeveloped potentials locked up in minerals and natural resources, where they have not been unjustifiably transferred to develop other geographies.

Consequently, the only sustainable panacea to the global problems of migration, poverty, insurgency, terrorism, food insecurity, etc., and that can bring long term sustainable peace is

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2021, Vol. 7, No. 1

an even development of the global economy. Rather than criticise, let the West step up their engagement with Africa and join China to invest in Africa's infrastructure, industrialisation, agribusiness value chains and in the extractive industries to promote global peace and harmony.

(g) Language barrier: A critical factor in the opacity, misgivings and distrust of Chinese operation in Africa revolves around language barrier. Africa and China should pursue a programme of cultural integration that will entrench mutual understanding, mutual trust and mutual confidence.

(h) Project preparation, prioritisation, negotiation and implementation: A critical issue

review. The consequences of these are: cost overruns, schedule delays and benefit shortfalls (Flyvbjerg, Bent) and under-specification. Other consequences are abandoned projects, communal restiveness, etc. There are several abandoned projects dotting the surface of Africa. A major one in Nigeria is the Ajaokuta Steel Project on which government is said to have expended about $8billion (including salaries), but will still need to expend another $500million if the project has to see the light of the day.

In order to avoid the common problems of cost overrun, overtime and under-specification often associated with major projects financed in any which way, Africans should be more internally focused to block the inroads of such problems. We should shun corruption in all its ramifications and focus professionally on projects from identification through design, prioritisation, negotiation, implementation, supervision, control, monitoring, and evaluation. We should build a masterplan and pipelines of prioritised projects. Project preparation should specify realistic time schedules, quality and sources of manpower and materials, quality of delivery, local content, environmental impact assessment (issues and remedies) professionally determined loan types, sources, tenors, interest rates, collateral, etc.

The terms of agreements should be stated in clear and unambiguous manners. They should be negotiated professionally to include clauses on: project management, standards, insurance, indemnity, maintenance and sustainability, community relations, contract enforcement and arbitration within the African nation involved.

(i) Indigenous Manpower: Africa is blessed with talents that can design, prepare, negotiate and implement good and successful projects either in the public service, private sector or in the diaspora. The major problems of good project preparation, negotiation and delivery are corruption, and political and optimism biases.

However, two African countries (Botswana and Rwanda) seem to have overcome, largely, the malaise of political and optimism biases. Botswana's transformational leadership embraced administrative reforms aligned to global best practices. The focus of leadership and administration is good, transparent, citizen-centric ('customer-oriented') effective, result-oriented, open, democratic, disciplined, performance-driven, result accountability, customer satisfaction and feedback and accountable leadership. Like in Botswana, Rwanda's transformational leadership also executed public sector reforms. They conducted a national skills audit in 2008 and upgraded skill development to fill the gaps, putting square pegs in square holes; and round pegs in round holes. Rwanda built a result-accountability public service and private sector-led economy.

4. Conclusion

A stronger Sino-Africa economic cooperation is desirable, and recommended. However, this must be built on a foundation of mutual trust, mutual benefit, and socio-economic sustainability.

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