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Banque Africaine d'Import-Export

INDUSTRY Outlook

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Transport

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Contents

Introduction

Transport infrastructure deficit paving the way for investment

Transport infrastructure will be a key focus of infrastructure development efforts in Africa over the next decade as governments in the region look to overcome a significant gap in both transport infrastructure access and quality.

At present, the continued existence of Africa's infrastructure deficit presents a challenge to the structural transformation of the region. According to the World Economic Forum's 'The Global Competitiveness Report 2019', this deficit is getting worse, not better. While it is true that substantial capital investment in infrastructure across Africa is still required, this report assesses the ongoing improvements that are being made – as evidenced by a transport infrastructure pipeline of over USD480 billion.

With transport infrastructure set to develop at a rapid pace over the next decade, this report brings it into context across all regions of the continent and covering all segments of the transport infrastructure sector, including road, rail, ports and airports. The report highlights both the opportunities for growth and the challenges facing prospective investors and stakeholders. Topics range from the ambitious Lamu Port South Sudan Ethiopia Transport (LAPSSET) project in East Africa, Egypt's 'National Roads Projects' initiative, transport projects to facilitate commodity exports in Southern Africa, Ethiopia's industrialisation policy, port developments across West Africa and high-speed rail and metro projects in North Africa.

Transport Industry Report

Global Overview

Infrastructure Expenditure Likely to Fall

There will likely be a reduction in both capex and opex from major infrastructure operators in 2021, including within the transport sector. While ultimately the fundamental demand dynamics for transport infrastructure assets remain intact, the financial strain companies have faced in light of government-mandated lockdowns in 2020 will push back investment timelines. In particular, those companies with airport assets are the most exposed to the financial impact of the Covid-19 pandemic. While some level of economic activity has been allowed to continue in most markets and sustained vehicle and rail traffic to a degree, international travel has suffered a protracted slump which, given that airport operating costs are largely fixed, has been a significant drag on earnings.

Africa Impact:

A reduction in investment into the African transport infrastructure space from major infrastructure operators will be coupled with a reduction in public investment as deteriorating economic conditions across markets in Africa may limit the availability of transport sector investment. This is visible in the rising national debt levels as state borrowing and spending will most likely be prioritised in the sectors directly dealing with the Covid-19 pandemic such as healthcare and social security.

BRI to Channel Chinese Investment into Global Transport Sector

China already plays an important role within the global transport infrastructure sector and this has been further strengthened in line with the Chinese government's Belt and Road Initiative (BRI), a vast global infrastructure project launched in 2013 by President Xi Jinping, with the two-pronged aim of establishing an overland Silk Road Economic Belt and a Maritime Silk Road. The proposed network of railways, energy pipelines, roads and ports stretches across Asia to Europe, and into the African continent. There are around 100 markets cooperating in the BRI.

Africa Impact:

The BRI will drive Chinese transport infrastructure investment across Africa, and in turn will improve regional connectivity across the continent. The inclusion of African markets in BRI projects has led to greater investment from Chinese companies in Africa's wider construction landscape, with a number of countries in East and Southern Africa – including Kenya, Mozambique, Tanzania, Djibouti and Ethiopia – becoming beneficiaries.

PPPs a Convenient Tool for Cash-strapped Governments, but will Fall Short

At a time when economic stimulus capabilities are at front of mind, governments in emerging markets who themselves do not have the finances available, will refocus efforts to utilise public-private partnerships (PPPs). Besides fiscal stimulus, many central banks have resorted to expansionary monetary policies in an effort to encourage private sector borrowing and investment. However, low-interest rates alone are not enough to stimulate a material increase in private infrastructure investments, especially in developing markets, given generally low business confidence in light of Covid-19.

Africa Impact:

While governments across Africa are increasingly looking to utilise PPPs, the requisite improvements in project enabling environments will need to be achieved before there is any significant increase in private capital aimed at transport projects in the region.

Africa Overview

Transport will be a major focus of infrastructure development efforts in Africa over the next decade as governments in the region look to overcome a significant gap in both transport infrastructure access and quality.

While the Covid-19 pandemic had a severe impact on infrastructure development across most of the region as fiscal constraints disrupted government spending and slowed project execution, the sizable transport infrastructure development plans being advanced by governments in the region largely remain intact despite delays and other temporary disruptions. Due to the large role played by Chinese funding in African transport infrastructure developments, the economic recovery in China will aid growth in the sector.

The major economies of Nigeria, Egypt and Ghana have the largest transport project pipelines in value terms, underpinned by mega-projects and government transport investment initiatives.

Africa - Largest Transport infrastructure Projects (USD million)

Country	USD million	Country	USD million	Country	USD million
Nigeria	84,055.0	Zambia	6,369.0	Togo	1,270.0
Egypt	67,240.7	Tunisia	6,325.0	Somalia	1,230.0
Ghana	48,519.0	Malawi	5,895.0	Sudan	1,200.0
Tanzania	33,533.0	Liberia	4,793.0	Burkina Faso	1,014.0
Kenya	33,034.7	Senegal	4,648.0	Mauritius	943.0
Mozambique	28,820.5	Mali	4,426.0	Mauritania	793.0
Ethiopia	21,387.0	Zimbabwe	3,309.0	Madagascar	639.0
Algeria	20,111.0	Benin	2,836.0	Congo, Republic of the	376.0
Angola	18,250.7	Eswatini	2,552.0	Botswana	199.0
Morocco	17,482.0	Sierra Leone	2,441.0	South Sudan	160.0
Cameroon	16,683.0	Libya	2,286.0	Chad	132.0
Uganda	15,744.0	Gabon	2,013.0	Lesotho	128.0
South Africa	13,005.0	Rwanda	1,997.0	Niger	93.0
Namibia	8,596.5	Djibouti	1,874.0	Gambia	62.0

Note: Red-Yellow-Green colour scale = highest values are red, average values are yellow, the lowest values are green. Source: Fitch Solutions Key Projects Database

Road Projects Remain the Focus

Road projects dominate the transport infrastructure sector in terms of the absolute number of projects in the pipeline. There are currently over 1,200 road projects at various stages of development across the continent, which is more than the combined number of rail, airport and port projects. This shows the substantial demand for road construction in facilitating the movement of goods and people; roads are also quicker and cheaper to build than other forms of transport. Furthermore, given that around 99% of passenger and freight transport in Africa is currently moved by road, immediate demands for transport capacity are most usefully met by road projects.

Mainline Railways: Highest Value Projects

Rail projects form the largest share of Africa's transport infrastructure project pipeline by value, at over USD230 billion, and represent around 50% of the total. These projects are primarily focused on greenfield, mainline railways, which are being constructed to create more efficient connections from inland, resource-rich countries to seaports.

Major rail projects include the standard gauge railways under construction in Kenya and Tanzania (which are intended to stretch to landlocked Uganda and Rwanda), a new standard gauge railway system in Nigeria and railway modernisation in Côte d'Ivoire. These railways involve huge capital investments, with Kenya's standard gauge railway alone expected to cost nearly USD10 billion.

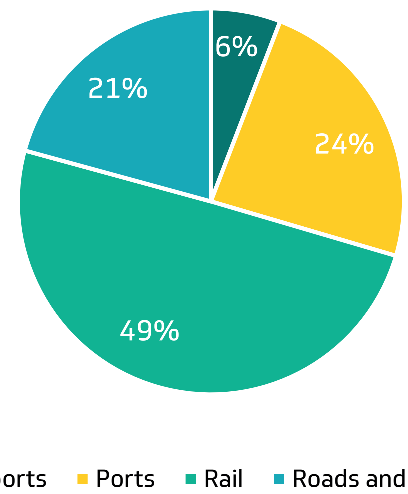
Port Project Pipeline Strengthening in Line with Export Ambitions

Ports are the second-largest sub-sector in Africa's transport infrastructure project pipeline by value, representing just under a quarter of the total, as governments focus on facilitating the exports and imports of natural resources and manufactured goods. Similar to the other transport sub-sectors, most port projects are greenfield developments as countries seek to establish deepwater ports with modern facilities located away from congested cities. Nigeria, Tanzania and Kenya are the main hubs for new port construction, with USD33.5 billion of project value in the pipeline, including Nigeria's Lekki Deep Sea Port, Tanzania's Bagamoyo Mega Port and Kenya's Lamu Port.

Airports Contribute Least to Project Pipeline

Airport projects contribute the least to Africa's transport infrastructure project pipeline. We note that while the Covid-19 pandemic has boosted uncertainty in the transport infrastructure sector, the airport sector in particular faces very high levels of uncertainty given the strong impact of the pandemic on air travel and a lack of clarity around how quickly demand will rebound over the coming months and years. Given this context, there is the significant risk of delays, project downsizings and cancellations for airport infrastructure projects in Africa over the coming years.

Transport Infrastructure Projects by Segment, % of total USD million



Source: Fitch Solutions Key Projects Database

Africa - Largest Transport infrastructure Projects, USD million

Sector	Country	Project Name	Value (USD million)	Status
Airports	Angola	New Luanda International Airport, Icolo e Bengo, Luanda	6,300	At planning stage
	Ethiopia	New Addis Ababa International Airport, Bishoftu, Oromia	5,000	At planning stage
	Rwanda	Bugesera International Airport Project, Eastern Province	1,300	Under construction
	Sudan	New Khartoum International Airport, Khartoum	1,200	At planning stage
	Burkina Faso	New Ouagadougou-Donsin International Airport, Boulgou	793	Under construction
Ports	Nigeria	Olokola Deep Sea Port, Ondo	12,000	At planning stage
	Tanzania	Bagamoyo Mega Port, Dar es Salaam	10,000	Under construction
	Kenya	Lamu Port Project, Lamu	5,000	Under construction
	Nigeria	Ibom Deep Sea Port Project, Akwa Ibom	4,600	At planning stage
Rail	Ghana	Accra - Kumasi High Speed Rail Project	30,000	At planning stage
	Mozambique	Mozambique North - South Railway Line Project	20,000	At planning stage
	Nigeria	Lagos - Calabar Coastal Railway Project	11,000	At planning stage
	Egypt	Alexandria - Cairo - Aswan High Speed Rail	9,779	At planning stage
	Cameroon	Douala - N'Gaoundere Rail Line	9,746	Feasibility studies/ EIA underway
Roads and Bridges	Algeria	Hauts-Plateaux Motorway Project	10,200	Under construction
	Kenya	Nairobi - Mombasa Highway Expansion Project	3,677	At planning stage
	Liberia	Coastal Highway Project	3,000	At planning stage
	Zimbabwe	Beitbridge (Matabeleland) - Harare - Chirundu (Mashonaland) Highway Dualisation	2,700	Under construction
	Nigeria	Fourth Mainland Bridge, Lagos	2,200	At planning stage

Source: Fitch Solutions Key Projects Database

Africa - Transport Infrastructure Project Pipeline, USD million					
	Airports	Ports	Rail	Roads and Bridges	Total
West Africa	5,098	36,728	101,073	31,016	173,914
North And Central Africa	5,191	28,065	53,811	28,685	115,752
East Africa	12,426	26,737	39,901	31,096	110,160
Southern Africa	9,569	25,329	39,083	14,726	88,707

Source: Fitch Solutions Key Projects Database

Supply Chain Opportunities		
Country	Opportunity	Potential Beneficiaries
Egypt	National Roads Projects Driving Project Pipeline	Engineering, procurement and construction firms involved in road construction. International construction companies
Morocco	Port Development Relatively Insulated from Covid-19 Impact	Port construction and operation. Maritime services such as ship chandlers and vessel maintenance
Ethiopia	Industrialisation Policy Underpinning Robust Transport Pipeline	Port and railway construction and operation. Maritime services such as ship chandlers and vessel maintenance
Tanzania	Growing Ore and Metal Exports to Boost Rail Construction Growth	Engineering, procurement and construction firms involved in railway construction. Railway logistics and maintenance services. Commodity exporters
Botswana	Major Regional Transportation Gateway	Engineering, procurement and construction firms involved in railway and road construction. Logistics services. Commodity exporters
Zambia	Natural Resources to Incentivise Transport Investment	Engineering, procurement and construction firms involved in railway and road construction. Logistics services. Commodity exporters
Nigeria	Economic Recovery and Growth Plan to Focus on Public–Private Partnerships	International construction contractors and equipment providers
Ghana	Regional Transport Hub Aspirations Driving Private Investment	International construction contractors and equipment providers

West Africa

Regional Overview

West Africa has the largest transport infrastructure pipeline in Africa, with a total value of over USD170 billion of projects, accounting for 36% of the total African pipeline.

While West Africa is home to some of the most advanced ports in the continent, notably in Côte d'Ivoire and Senegal, port facilities remain largely underdeveloped in other countries within the region, particularly Nigeria, and this is paving the way for investment across numerous port facilities.

Nigeria is the dominant player in the region, accounting for 48% of the transport project value in West Africa, and actually has the largest project pipeline of transport initiatives in the entire Africa region. The roads construction sector, which relies strongly on government spending, will benefit from the return of public revenue and infrastructure investment. Meanwhile, the ports sector will benefit from a robust pipeline of active, major port developments and the recovery of trade levels as economies around the globe recover from the adverse impact of Covid-19.

West Africa - Transport Infrastructure Project Pipeline, USD million

Country	Total	Airports	Ports	Rail	Roads and Bridges
Nigeria	84,055	1,296	26,628	43,009	13,122
Ghana	48,519	704	4,111	42,261	1,443
Cameroon	16,683	0	1,407	11,461	3,816
Liberia	4,793	160	0	0	4,633
Senegal	4,648	575	0	2,872	1,201
Mali	4,426	174	0	1,470	2,782
Benin	2,836	658	1,078	0	1,100
Sierra Leone	2,441	588	1,520	0	333
Gabon	2,013	0	0	0	2,013
Togo	1,270	150	1,055	0	65
Burkina Faso	1,014	793	0	0	221
Mauritania	793	0	793	0	0
Cape Verde	136	0	136	0	0
Chad	132	0	0	0	132
Niger	93	0	0	0	93
Gambia	62	0	0	0	62

Source: Fitch Solutions Key Projects Database

Latest Developments

West Africa – Latest Developments

Country	Development	Impact
Cameroon	As of January 2021, work is under way on the Edéa-Kribi-Lolabé highway. The USD462 million project is being delivered under the public-private partnership model by China Harbour Engineering Company.	Cameroon's PPP model has been crucial in attracting and sustaining private investment in the construction market, helping to keep industry growth levels elevated. Cameroon has one of the most developed PPP models in sub-Saharan Africa, in place since 2006 and currently covering an extensive programme of 20 projects.
Senegal	DP World has signed agreements, worth USD1.13 billion, with the government to develop a deepwater port at Ndayane. The 6sq km port will come up around 50km from the existing port.	Competition among ports in West Africa, as countries strive to become regional logistics hubs, will continue to stimulate investment into the port infrastructure.
Côte d'Ivoire Benin Togo Nigeria Ghana	The African Development Bank (AfDB) has approved additional financing of more than USD13 million for the implementation of the Abidjan–Lagos motorway corridor development project, which connects the key economic centres of Côte d'Ivoire, Ghana, Togo, Benin and Nigeria.	The six-lane dual carriageway is a sub-component of the Dakar-Lagos coastal corridor project, which is one of the major regional interconnection projects in the region. Various project stakeholders include preparation financiers AfDB, European Commission, German Society for International Cooperation, as well as Economic Community of West African States, which is the regional coordinator.

West Africa – Latest Developments		
Country	**Development**	**Impact**
Gabon	In September 2020, construction began on the USD1.06 billion Transgabonais highway project, which had been delayed due to the Covid-19 pandemic.	The 780km highway will stretch across the country from Libreville to Franceville and significantly upgrade existing road infrastructure. The project will be among the country's largest in recent years and will help lift the construction sector out of recession in 2021.
Niger & Nigeria	Mota-Engil started construction on the USD1.96 billion Nigeria-Niger railway project at the start of 2021. The project includes the construction of a 284km, 15-station railway line from Kano in Nigeria to Maradi in Niger. The railway line is expected to carry 9,364 passengers and around 3,000 metric tonnes of cargo between Kano and Maradi each day.	The development of cross-border railways will boost intra-regional trade, lower import costs and expedite trade lead times, positioning Niger more favourably to investors.

Source : National sources, Fitch Solutions

Key Drivers

West African Logistics Infrastructure Race

Fierce competition among ports in West Africa, as countries strive to become regional logistics hubs, will continue to stimulate investment into the port infrastructure along the coast between Côte d'Ivoire and Nigeria, including Abidjan in Côte d'Ivoire, Tema in Ghana, Lomé in Togo, Cotonou in Benin and Lagos in Nigeria.

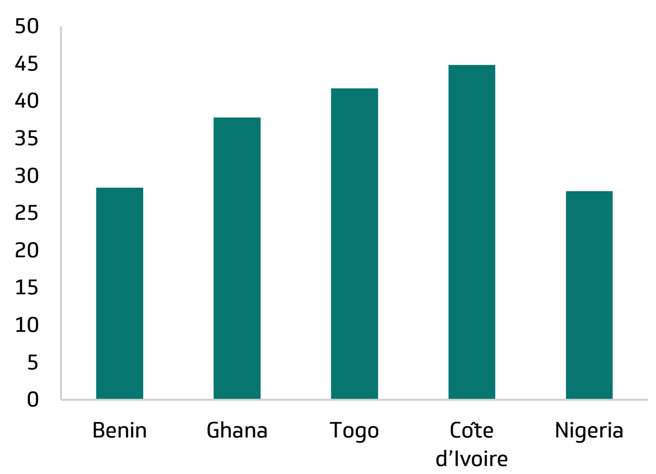
Currently, West Africa's port project pipeline involves nearly USD34 billion of investment. There are a number of other major port developments planned or underway in West and Central Africa: for example, Ghana's ongoing USD1.5 billion Tema Port expansion, the planned Port du Futur in Senegal and the USD590 million Abidjan Second Container Terminal in Côte d'Ivoire. According to Fitch Solutions' proprietary Logistics Risk Index, Côte d'Ivoire's transport network scores better than those of any competitor, enabling Abidjan Port to position itself as a maritime gateway to the region, and a regional transport hub.

Infrastructure to Access Landlocked Countries Prioritised

Investment continues to be channeled into improving connectivity from resource-rich, landlocked countries in the West African region to coastal ports in neighbouring countries. This will significantly boost the investment potential of countries such as Mali, Niger and Burkina Faso by improving intra-regional trade, lowering import costs and expediting trade lead times.

Projects include cross-border railways, such as the Mali-Senegal railway renovation project and the Nigeria-Niger railway project, and numerous road initiatives across the region. Regional transport infrastructure development will be largely driven by the needs and preferences of foreign investors, featuring many French construction companies and Chinese state-backed firms, facilitated by bilateral deals between neighbouring states.

Selected Markets - Transport Network Scores, 2020e



Note: 100 = Lowest risk; 0 = highest risk. f = forecast. Source Fitch Solutions Logistics Risk Index

Project Landscape					
Country	**Project Name**	**Sector**	**Value (USD million)**	**Companies**	**Status**
Ghana	Accra - Kumasi High Speed Rail Project	Rail	30,000	Chesterfield Faring LTD, Government of Ghana	At planning stage
Nigeria	Olokola Deep Sea Port, Ondo	Ports	12,000	Ogun State Government, Ondo State Government	At planning stage
Nigeria	Lagos - Calabar Coastal Railway Project	Rail	11,000	China Civil Engineering Construction Corporation (CCECC), Government of Nigeria	At planning stage
Ghana	Nsawam - Kumasi - Paga Rail Line Project	Rail	6,000	China Development Bank, Vision Consult Limited, China Civil Engineering Construction Corporation (CCECC), ILF Consulting Engineers, Gauff Consultants, China National Machinery & Equipment Import & Export Corporation (CMEC), Exim Bank of China, Ghana Railway Development Authority	At planning stage

Project Landscape					
Country	Project Name	Sector	Value (USD million)	Companies	Status
Nigeria	Ibom Deep Sea Port Project, Akwa Ibom	Ports	4,600	Government of Nigeria, Nigerian Ports Authority, African Development Bank (AfDB), Akwa Ibom State Government, Bollore, PricewaterhouseCoopers, PowerChina, Maritime & Transport Business Solutions	At planning stage

Source: Fitch Solutions Key Projects Database

Supply Chain Opportunities

Nigeria: ERGP to Focus on PPPs

Nigeria's Economic Recovery and Growth Plan (ERGP), which is intended to leverage more private capital into projects, places a heavy emphasis on PPPs across the transport sector. With strong demand dynamics in Nigeria's cities and logistics hubs, the market is one of the most promising for investment in Africa. Nigeria's USD12 billion Olokola Deep Seaport and the USD11 billion Lagos-Calabar coastal railway are major projects in the works, which will reduce existing logistical bottlenecks in Nigeria's supply chain.

Risks:

The business environment in Nigeria remains challenging, with heavy bureaucracy and high levels of perceived corruption a key obstacle to private sector development.

Ghana: Regional Transport Hub Aspirations Driving Private Investment

Investment in transport infrastructure in Ghana will continue at pace, notably ports, rail and airports, as the country works to position itself as a regional transport hub in West Africa. Increased private sector participation will help to progress the project pipeline, as debilitated railways will continue to provide ample opportunities for high-value brownfield concessions following the completion of capital-intensive port expansions. Ghana's transport infrastructure sector is also benefiting from its considerable PPP track record.

Risks:

Perceived revenue risks for international investors in Ghana's infrastructure sector are expected to persist as currency depreciation is forecast to continue.

North & Central Africa

Regional Overview

North & Central Africa has the second largest transport infrastructure project pipeline in Africa at around USD115 billion, or just under 24% of the total pipeline. Within the region, Egypt dominates the transport infrastructure market, accounting for around 60% of the total project pipeline by value. The country's transport sector will register strong growth, as the government invests in internal mobility projects to accommodate the needs of a growing, increasingly urban population.

The country's rail sub-sector is poised for investment on the back of the expansion of the Cairo metro, as well as several big-ticket high-speed projects in the planning stages.

The absence of major bulk commodity production, particularly iron ore and coal, will limit the need for movement within the region's transport network. Hydrocarbon resources in North Africa are predominately transported by pipeline. Meanwhile, with the exception of copper, mineral production in Central Africa is concentrated in low-weight-to-value commodities such as gold, cobalt and diamonds.

North & Central Africa - Transport Infrastructure Project Pipeline, USD million

Country	Total	Airports	Ports	Rail	Roads and Bridges
Egypt	67,241	3,756	13,461	43,154	6,870
Algeria	20,111	672	5,190	3,425	10,824
Morocco	17,482	507	6,812	4,064	6,099
Tunisia	6,325	100	1,152	958	4,115
Libya	2,286	76	0	2,210	0
DRC	1,931	80	1,450	0	401
Congo-Brazzaville	376	0	0	0	376

Source: Fitch Solutions Key Projects Database

Latest Developments

North & Central Africa – Latest Developments

Country	Development	Impact
Egypt	In December 2020, the Egyptian Parliament approved a USD2.2 billion loan facilitation agreement between Egypt's National Authority for Tunnels and JP Morgan to construct two monorail projects.	Egypt's rapidly growing urban population will keep putting pressure on congestion and will stoke structural demand for public transport in cities. Hence, significant investment will continue to be channeled into public rail systems.
Algeria	Work on the Algerian section of the Trans-Sahara Highway remains ongoing, with the road eventually set to cover 2,500km in the country.	Algeria has over USD10 billion of value in its road sector - highlighting the potential project opportunities available in ongoing mega-projects such as the Trans-Sahara Highway and the Hauts-Plateaux Motorway.
Morocco	The Ministry of Transport and Logistics completed the technical studies for the Dakhla Atlantic Port at the end of 2020.	The MAD10 billion project is part of the government's plan to improve development projects in the southern provinces. The project is expected to be completed in about six years.
Tunisia	European firms are heavily active in the transport sector. Among these is the involvement of Webuild Group as a contractor on the completed USD240 million Oued Zarga – Boussalem Motorway, as well as the involvement of Siemens AG and France-based Colas Rail in the construction of the metro in Tunis.	Tunisia's competitive landscape for construction contractors of large infrastructure projects is characterised by a strong international component. The limited capacity and technical expertise of domestic firms encourages the involvement of international infrastructure developers.
Libya	The Ministry of Foreign Affairs has unveiled plans to start the construction of the Coastal Expressway project in the second quarter of 2021. The government of Italy will finance the project as part of a USD5 billion Italy-Libya friendship pact signed in 2008.	Given the ongoing fiscal constraints facing the Libyan government, international governments play a fundamental role in helping to finance transport projects in the country.
DRC & Congo-Brazzaville	The African Development Bank has provided a USD56 million loan from the African Development Fund to support road access to the Brazzaville-Kinshasa Bridge, which will connect DRC with Congo-Brazzaville.	The realisation of this project will help support the movement of people across the border and boost trade flows.

Source : National sources, Fitch Solutions

Key Drivers

Increasing SSA Trade Incentivises Transport Investment

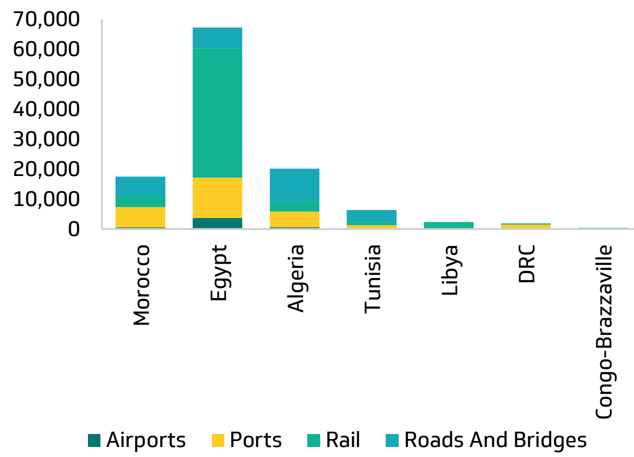
Markets across North Africa are looking to strengthen trade ties with sub-Saharan Africa (SSA), to capitalise on increasing demand from the region and to reduce reliance on trade partners in the slowing economies of the eurozone. Europe was the largest destination for North African merchandise exports in 2019, accounting for around half of the total. That said, annual exports from North Africa to other African countries grew by a fifth in the decade to 2019, accounting for just over 8% of total exports, up from 6% at the start of that decade.

This keenness to diversify export markets is driving the development of transport infrastructure to improve regional interconnectivity and facilitate trade flows into SSA. The Moroccan government in particular, is making a concerted effort to improve transport infrastructure in order to position the country as a key trade gateway connecting Europe and Africa, with port development important to expanding capacity for imports and exports.

Rail Projects in Focus: High Speed and Metro

Markets in North Africa with existing rail infrastructure are looking to develop their mainline transport capacities and invest in high-speed rail links. An example is Egypt's USD 9.7 billion Alexandria-Cairo-Aswan High-Speed Rail, which is currently in the planning stage with an expected completion date of 2022. Moreover, metro projects will continue to contribute to rail project pipelines in Egypt and Algeria. These include the expansion of the Cairo metro, the Thénia (Boumerdes) - Bordj Bou Arreridj Double Rail Line in Algeria, Metro Algiers Line 1 Extension and the Constantine Tramway Extension also in Algeria.

North Africa - Transport Infrastructure Project Pipeline by Segment, USD million



Source: Fitch Solutions Key Projects Database

Project Landscape

Country	Project Name	Sector	Value (USD million)	Companies	Status
Algeria	Hauts-Plateaux Motorway Project	Roads and Bridges	10,200	Algeria Ministry of Public Works and Transport, Cosider Groupe	Under construction
Egypt	Alexandria - Cairo - Aswan High Speed Rail	Rail	9,779	Egyptian National Railways, Patentes Talgo, S.A, Egypt Ministry of Transport (MOT)	At planning stage
Egypt	Ain Sokhna (Suez) - Al Alamein (Matrouh) High Speed Rail Project	Rail	9,000	China Railway Construction Corporation (CRCC), Orascom Construction Industries, Siemens AG, Arab Contractors, China Civil Engineering and Construction Company, Egypt Ministry of Transport (MOT), Arab Organization for Industrialization, Samcrete	Contract Awarded
Egypt	Cairo Metro Line 3 Project, Cairo	Rail	6,164	Alstom SA, Vinci, Bouygues Construction, Orascom Construction Industries, Systra, Arab Contractors, European Investment Bank (EIB), Hyundai Corporation, Hill International, NGE Group, RATP, Eurovia, French Development Agency, Egypt Ministry of Transport (MOT), Government of Egypt, Egis Rail, Thales Group, EHAF Consulting Engineers, Egypt National Authority for Tunnels (NAT), Associated Consulting Engineers - ACE	Under construction
Egypt	Cairo Metro Line VI, Cairo	Rail	5,000	China Railway Construction Corporation (CRCC), Bombardier Transportation, Government of Japan, Government of France, Government of Canada, Egypt Ministry of Transport (MOT), Government of United Kingdom, Government of United States	At planning stage

Source: Fitch Solutions Key Projects Database

Supply Chain Opportunities

Egypt: National Roads Projects Driving Project Pipeline

There are numerous rail and road projects underway in Egypt to strengthen its domestic transport network, in line with the country's National Roads Projects and the government's aims to channel USD15 billion of investment into developing domestic rail and metro projects. Key projects for which the government hopes to attract investment include three rail lines at a total cost of USD14 billion (the 700km Cairo–Luxor line, the 300km Luxor–Hurghada line and the 210km Alexandria–Cairo section), all scheduled for completion by 2022.

Risks:

The broader weakness of Egypt's institutions renders the country a challenging environment in which to invest and operate infrastructure assets. Furthermore, while Egypt's rapidly growing population and the development of new urban areas will drive demand for investment in public transport, the business case for expensive new railway developments is not as strong over the medium term.

Morocco: Port Development Insulated from Covid-19 Impact

Despite the impact of Covid-19 on disrupting supply chains, Moroccan ports have seen a 6.3% increase in imports and exports in 2020, compared to the same time in 2019. The importance of ports to Moroccan trade is why port developments make up a substantial part of the transport pipeline. The kingdom's 2030 National Port Strategy, spearheaded by the National Ports Agency (Agence Nationale des Ports, ANP), has allocated investment of close to USD7.5 billion to expand and upgrade the country's ports along the Atlantic and Mediterranean coasts. The ANP will oversee the management and development of all ports, except for Tangier-Med, whose renovations will be administered by the Tangier Med Port Authority.

Risks:

Morocco's export sector remains highly vulnerable to any economic downturn in the eurozone and an even steeper slowdown than expected has the potential to undermine investment into export-orientated transport infrastructure over the short-to-medium term. Over the longer term, the economy will benefit from greater exposure to emerging markets in SSA, but this process will take time and may face resistance from some of the more uncompetitive economies in that region.

East Africa

Regional Overview

East Africa has the third largest transport infrastructure project pipeline in Africa in value terms at just over USD110 billion, or around 22% of the total pipeline. This pipeline is dominated by rail projects, which account for over USD30 billion, or around a third of the total transport pipeline. Major rail projects include the Dar es Salaam-Mwanza Standard Gauge Railway Line in Tanzania, and the Uganda section of the Kenya-Uganda-Rwanda-South Sudan Rail Project.

Port investment is also continuing at pace, with Tanzania and Kenya the major hubs for new port construction, including the Bagamoyo Mega Port in Tanzania and Kenya's Lamu Port. Furthermore, landlocked Ethiopia will likely prioritise the development of Berbera Port in Somaliland, while continuing to rely on Djibouti as its central export corridor. The port, in which Ethiopia holds a 19% stake, is currently undergoing a USD442 million expansion, and its proximity to Addis Ababa renders it an attractive option for Ethiopia's exports.

Within the region, Tanzania and Kenya each account for 30% of the region's transport project pipeline by value. Besides strong rail and port pipelines, robust medium-term growth expectations for tourist arrivals will serve to carry the airport sector through the short-term disruption inflicted by Covid-19's adverse impact on international air traffic.

East Africa - Transport Infrastructure Project Pipeline, USD million

Country	Total	Airports	Ports	Rail	Roads and Bridges
Tanzania	33,533	1,035	12,114	14,451	5,933
Kenya	33,035	1,190	6,705	9,795	15,345
Ethiopia	21,387	5,692	144	11,055	4,496
Uganda	15,744	1,439	5,000	4,600	4,705
Rwanda	1,997	1,300	80	0	617
Djibouti	1,874	400	1,474	0	0
Somalia	1,230	10	1,220	0	0
Sudan	1,200	1,200	0	0	0
South Sudan	160	160	0	0	0

Source: Fitch Solutions Key Projects Database

Latest Developments

East Africa – Latest Developments

Country	Development	Impact
Kenya	Rift Valley Highway, VINCI Concessions and Meridiam signed a PPP agreement in October 2020 with the government of Kenya and the Kenya National Highways Authority for the construction of the EUR1.3 billion Nairobi-Nakuru-Mau Summit Highway project.	Kenya continues to favour PPP models for infrastructure investment. In April 2013, the government passed a law on PPPs in order to attract foreign investment in the infrastructure sector. This law, the Kenya PPP Act, continues to govern the implementation of PPPs in the country.
Tanzania	The African Development Bank approved a USD272 million loan for the construction of the new Msalato International Airport.	While Covid-19 has had a severely negative impact on global passenger air traffic, Tanzania is set for very strong growth in tourist arrivals in the medium term, which will provide tailwinds for airport construction growth.
Ethiopia	The Ethiopian Roads Authority signed contracts with local and international contractors for the construction of eight road projects, totalling 738km, in February 2021.	The roads, which will require an investment of ETB18.2 billion, will link Ethiopia with neighbouring countries including Sudan, Kenya, Eritrea and Somalia, providing a real boost to regional interconnectivity and trade, once complete.
Uganda	In October 2020, the Ugandan government started rehabilitation works on the Tororo-Gulu railway line. The 375km single-track line connects eastern and northern Uganda to the port of Mombasa in Kenya and is due to be completed in 2023.	Uganda will need to revamp its domestic transport infrastructure to properly support its oil production activity, given that its key logistical shortcomings increase shipping lead times and the cost of moving goods.
Rwanda	Rwanda's Ministry of Finance and Economic Planning signed a deal with China under which the latter will provide a USD42.8 million grant for widening the 10.3km Prince House Remera-Nyandungu-Masaka road.	Chinese construction firms are particularly active in the Rwandan roads sector, holding a 74% share of key construction roles in this infrastructure sub-sector. Key firms include China Road and Bridge Corporation, China Henan International Cooperation Group and Sinohydro Tianjin Engineering.
Djibouti	In early 2021, Djibouti Ports & Free Zones Authority signed an investment agreement with China Merchants Group for a USD350 million port regeneration project in Djibouti.	Djibouti's economic growth will be supported by foreign investment into ports and military bases with its position as a regional logistics hub set to remain intact.

Source : National sources, Fitch Solutions

Key Drivers

Chinese Dominance in East Africa to Continue

The majority of East Africa's construction sectors exhibit a particularly strong Chinese presence. In fact, Chinese construction companies hold a 56% share of transport infrastructure projects in East Africa. In particular, Uganda is a key market for Chinese firms; in the Ugandan rail sector, Chinese contractors control more than 70% of construction projects.

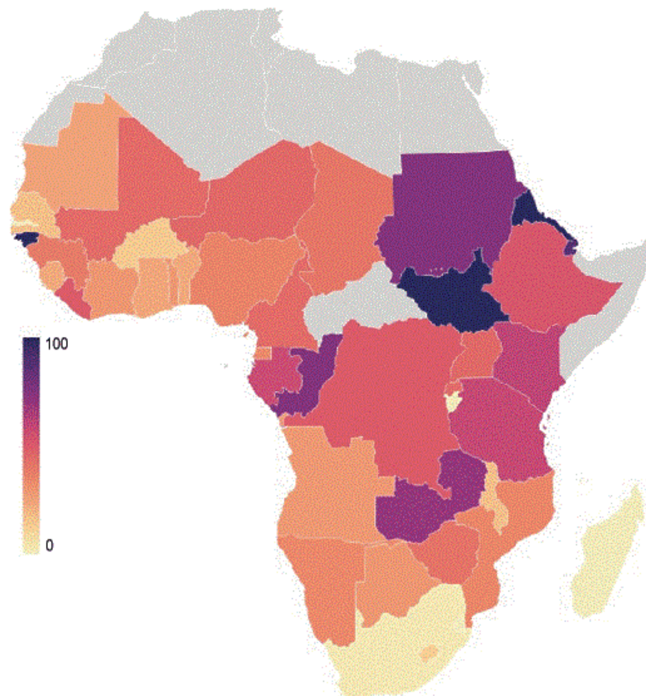
The major project in the pipeline is the China-funded standard gauge railway system connecting Tororo and Nimule near the Ugandan border with South Sudan via Gulu (Northern Line) as well as Kampala and Malaba on the border with Kenya (Eastern Line), Kampala and Mpondwe near the border with the Democratic Republic of the Congo (Western Line) and Bihanga and Kigali in Rwanda (Southwestern Line).

LAPSSET: Ambitious Project to Facilitate Trade with Landlocked East Africa

The LAPSSET Corridor Program is East Africa's largest and most ambitious infrastructure project, bringing together Kenya, Ethiopia and South Sudan. LAPSSET comprises numerous infrastructure projects, including the Lamu Port development in Kenya, roads and railways linking the port to Ethiopia and South Sudan, and oil pipelines from the port to Uganda, north-western Kenya and South Sudan.

The Lamu Port project is the cornerstone of the LAPSSET Corridor and a major part of the Kenyan government's infrastructure development strategy, and as a result it has seen the fastest progress of all the LAPSSET projects currently under development. Having completed the construction of three berths, an additional 29 are planned, as well as the new Lamu Port Industrial City, which will elevate Lamu Port into being a significant hub for exporting locally manufactured goods.

SSA - Chinese Company Market Shares of Major Construction Projects, by Country, %



Source: Fitch Solutions Infrastructure Key Projects Database

Project Landscape

Country	Project Name	Sector	Value (USD million)	Companies	Status
Tanzania	Bagamoyo Mega Port, Dar es Salaam	Ports	10,000	China Merchants Group, Tanzania Port Authority, Oman's State General State Reserve Fund (GSRF)	Under construction
Tanzania	Dar es Salaam - Mwanza Standard Gauge Railway Line	Rail	7,500	China Railway Construction Corporation (CRCC), Mota-Engil, Standard Chartered, Yapi Merkezi Group, Exim Bank of China, Government of Tanzania, Export Credit Bank of Turkey, China Civil Engineering Construction Corporation (CCECC), Reli Assets Holding Company	Under construction
Ethiopia	New Addis Ababa International Airport, Bishoftu, Oromia	Airports	5,000	Ethiopian Airports Enterprise (EAE)	At planning stage
Kenya	Lamu Port Project, Lamu	Ports	5,000	Lapsset Corridor Development Authority, Government of Kenya, Kenya Ports Authority (KPA), China Communications Construction Company (CCCC)	Under construction
Ethiopia	Awash - Mekele Railway Project, Awash - Woldia/ Hara Gebeya Section	Rail	1,700	China Communications Construction Company (CCCC), Export Kredit Namnden (EKN), The Ethiopian Railways Corporation (ERC), Eksport Kredit Fonden (EKF), Government of Ethiopia, Export-Import Bank, Swiss Export Risk Insurance, Yapi Merkezi Group, Bombardier Transportation, ABB Group	Under construction

Source: Fitch Solutions Key Projects Database

Supply Chain Opportunities

Ethiopia: Industrialisation Policy Underpinning Robust Transport Pipeline

While the value of transport projects in Ethiopia is smaller than many of its regional peers, the actual number of planned projects is significant. This is because Ethiopia's ambitious industrialisation plans require significant improvements to the country's transport infrastructure, and the government is prioritising the expansion of domestic road, air and rail networks to boost its status as a global manufacturing hub. At present, the country's landlocked status requires it to rely on the ports of its neighbours, including Djibouti, Somalia and Sudan. Ethiopia is likely to prioritise the development of Berbera Port, in self-declared independent Somaliland, and associated land transport projects connecting the port with Ethiopia's manufacturing sites.

Risks:

The dominance of Chinese and Italian firms in Ethiopia's competitive landscape will continue to crowd out new competition. These firms have been active in the market for a number of years and continue to cement their position, securing high-value contracts in the transport sector.

Tanzania: Growing Ore and Metal Exports to Boost Rail Construction Growth

Tanzania's transport infrastructure sector will be a particular bright spot for investment over the coming years, supported by significant growth in ore and metal freight as Tanzania will continue to provide an export corridor for those commodities mined in Zambia's and DRC's Copperbelt region. In the rail sector, the first two sections of the planned standard gauge railway linking Dar es Salaam and Mwanza, on the shores of Lake Victoria are currently under construction and additional links with Kigali in Rwanda and Musongati in Burundi are planned. The involvement of international construction companies, like Portugal's Mota-Engil and Turkey's Yapi Merkezi, and financiers, including Standard Charted, a major international bank with perceived stricter loan criteria than more risk-tolerant Chinese lenders, illustrates the perceived feasibility and financial sustainability of the overall project.

Risks:

The often extended timelines of major projects in Tanzania remain a risk to operating in this market, substantially raising the potential cost of developing an asset. Failure to adequately prepare projects before the tendering process can result in land resettlement disputes that delay or disrupt construction, halting development for several years in some cases.

Southern Africa

Regional Overview

Southern Africa has the smallest transport project pipeline of all Africa's sub-regions. The total transport pipeline amounts to just under USD90 billion, accounting for around 18% of the total.

The rail sector dominates the transport infrastructure project landscape, with over USD35 billion in the pipeline, nearly half of the total value. There are several large-scale railway projects planned across Southern Africa aimed at facilitating commodity exports within the region and beyond. Botswana, in particular, will emerge as a major transportation gateway for the region's North–South Corridor that will help to support trade growth in Southern Africa, particularly once the African Continental Free Trade Area enters into full operation.

In line with commodity-focused transport investment in Southern Africa, ports will also see significant expansion. The port project pipeline in Southern Africa amounts to nearly USD22 billion; the most substantial project is the USD4.3 billion Southern African Development Community Gateway at the Port of Walvis Bay in Namibia.

Southern Africa - Transport Infrastructure Project Pipeline, USD million

Country	Total	Airports	Ports	Rail	Roads and Bridges
Mozambique	28,821	381	1,854	22,169	4,417
Angola	18,251	6,785	7,091	3,190	1,185
South Africa	13,005	476	2,156	9,091	1,282
Namibia	8,597	0	6,930	685	982
Zambia	6,369	907	0	2,189	3,273
Malawi	5,895	231	4,101	1,234	329
Zimbabwe	3,309	403	0	0	2,906
Eswatini	2,552	280	2,140	0	132
Mauritius	943	0	418	525	0
Madagascar	639	0	639	0	0
Botswana	199	106	0	0	93
Lesotho	128	0	0	0	128

Source: Fitch Solutions Key Projects Database

Latest Developments

Southern Africa – Latest Developments

Country	Development	Impact
Mozambique	Construction of a deepwater port at Macuse is scheduled to start at some point in 2021.	The port will be built as part of a USD2.4 billion project, which includes construction of a 620km railway line that will connect Macuse Port to the Moatize and Chitima mines. The USD2 billion railway line will allow coal transport from Tete province.
Angola	Plans were unveiled for the construction of the Angola-Tanzania trans-African railway line in late 2020.	The project includes the construction of a narrow gauge railway line between Lobito in Angola to the Zambian border, and from there on, it will be extended through Zambia to the central town of Kapiri Mposhi. The railway line will further link to the 1,860 km Tanzania-Zambia Railway.
South Africa	It was announced in February 2021 that the South African National Roads Agency plans to invest around ZAR500 million in a road infrastructure project in the Buffalo City metropolitan municipality.	The South African road sector remains dependent on government funding, which is a risk given fiscal consolidation will limit public infrastructure investment.
Namibia	China Gezhouba Group Corporation started construction on the Walvis Bay-Arandis railway line rehabilitation project in December 2020. The USD72.7 million project includes the rehabilitation and upgrade of the 107.5km railway line.	Chinese firms continue to play a key role in developing and financing infrastructure projects in Namibia, which will help drive long-term expansion in Namibia's construction market.
Botswana	The construction of the Kazungula Bridge over the Zambezi River between Botswana and Zambia to replace the existing ferry was completed in October 2020. It will improve trade infrastructure in the Southern African Development Community (SADC) by speeding up transit times across the border.	Botswana's emergence as a major transportation gateway for the Southern African North-South Corridor will support construction sector expansion.

Source : National sources, Fitch Solutions

Key Drivers

Southern Africa Rail Projects Follow Commodity Export Routes

There are several large-scale railway projects planned across Southern Africa aimed at facilitating commodity exports within the region and beyond. The gradual commissioning of these projects will drive transport infrastructure growth in the Southern Africa region. These projects include the development of railway infrastructure between the copper mines in northern Zambia and southern DRC, and the ports of South Africa and southern Mozambique (as part of the North–South Corridor), and to facilitate coal exports from Botswana via Namibia's Walvis Bay Port, and from Mozambique's Moatize coal mines via a planned port in Macuse.

Mozambique's Vast Transport Project Pipeline Driving Regional Investment

Mozambique has the largest project pipeline for transport across the Southern African region, accounting for just over 30% of the total transport project value. This is underpinned by numerous port, rail and road projects that are being built to facilitate the exploitation of Mozambique's vast natural resource wealth. For example, Mozambique is a new hotspot for gas exploration and plans are in place to develop LNG export terminals that could see the country become one of the leading LNG exporters worldwide. Furthermore, construction of a deepwater port at Macuse is scheduled to start in 2021, which includes construction of a 620km railway line that will connect Macuse port to the Moatize and Chitima mines. The USD2 billion railway line will allow the transport of coal from Tete province.

Southern Africa Railway Network

Note: Blue: existing railways, red: planned railways.
Source: Fitch Solutions, Southern African Development Community

Project Landscape

Country	Project Name	Sector	Value (USD million)	Companies	Status
Mozambique	Mozambique North - South Railway Line Project	Rail	20,000	Government of Mozambique	At planning stage
Angola	New Luanda International Airport, Icolo e Bengo, Luanda	Airports	6,300	Aviation Industry Corporation of China (AVIC), China Tiesiju Civil Engineering Group, China Hyway Group, China National Aero-Technology International Engineering Corporation, Bank Gospodarstwa Krajowego, Mace Group, China International Fund, Odebrecht, Government of Angola	At planning stage
Namibia	SADC Gateway, Port of Walvis Bay, Erongo	Ports	4,167	Ministry of Mines and Energy - Namibia, The Namibia Ports Authority (Namport)	Under construction
South Africa	Moloto Rail Corridor Project, Gauteng - Mpumalanga	Rail	3,943	Demacon Market Studies, SiVEST, DLA Piper, Cliffe Dekker Hofmeyr, Deloitte, Exim Bank of China, SMEC International, Prasa, China Communications Construction Company (CCCC), Government of China	At planning stage
Zimbabwe	Beitbridge (Matabeleland) - Harare - Chirundu (Mashonaland) Highway Dualisation	Roads and Bridges	2,700	Government of China, Prostruct Consulting Pte Ltd, Bitumen World, Exodus Company, Fossil Contractors, Masimba Construction, Tensor Systems Pvt Ltd, Government of Zimbabwe	Under construction

Source: Fitch Solutions Key Projects Database

Supply Chain Opportunities

Botswana: Major Regional Transportation Gateway

Botswana will emerge as a major transportation gateway for the region's North–South Corridor that will help to support trade growth in Southern Africa. While Botswana lacks direct access to the sea, its central geographic location makes it one of the most connected countries regionally for overland supply chains, linking the Southern African states with each other and to other countries in Central and East Africa. For example, the Trans-Kalahari Railway Line Project aims to connect Botswana to Namibia's Walvis Bay Port, which will unlock additional value for Botswana's mining sector by facilitating coal exports.

Risks:

The government's ambitious stimulus package to help against Covid-19 is likely to come at the expense of public infrastructure spending, including across the transport sector.

Zambia: Natural Resources to Incentivise Transport Investment

Significant natural resources, including considerable copper reserves, have attracted substantial infrastructure investment into Zambia's transport sector, strengthening the project pipeline. Zambia's railway network connects the landlocked country, and its mineral-rich Copperbelt region, with sea ports in Tanzania, Mozambique and South Africa. Planned railway construction projects will improve these railway connections and establish additional ones with Angola's Lobito Port and Mozambique's Nacala Port.

Risks:

Investment in Zambia's railway network could be disrupted by the government's reduced capacity for public infrastructure spending, as well as diminished revenue prospects in the transport sector, resulting from decreased short-term demand for Zambian copper exports.

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