

# Comment on “Potential Gains from Infrastructural and Natural Resource Investment Coordination,” by Peter Robinson

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The paper identifies sources of potential gains of regional cooperation in infrastructure and natural resource development. In spite of what Peter Robinson refers to as a “win-win” characteristic, the level of regional cooperation in infrastructure and natural resources in the past is found to have been disappointingly low. The author, however, is optimistic about future prospects banking on the improvement in the security situation and the widespread adoption of economic reforms in the region. It is argued that these factors underpin prospects in specific sectors notably energy, water and transport. I am basically in agreement with the main thrust of the paper. In fact, the arguments in the paper are so convincing that one wonders why regional cooperation in infrastructure and natural resources is still so low. My comments will largely reflect on points of agreement with the paper and on additions which reinforce the general thrust of the paper.

Peter Robinson emphasises correctly that the largest gains arise from trade and investment integration and recognises that considerations of dynamic gains are of even greater significance in the era of globalisation. At the outset the author of the paper acknowledges that these dynamic gains involve the capturing of externalities in areas such as technology and skill acquisition. However, in the paper itself greater attention is given to gains accruing from pooling investment resources to make joint investments than on gains arising from technology and skills acquisition. Yet opportunities for reaping benefits of technological capability building could be demonstrated in technologies and skills associated with power generation and distribution, water management and transport. The case for the “win-win” characteristics of regional cooperation could be strengthened further if gains associated with technological capability building were brought out more clearly in the paper.

Robinson makes many good points on regional cooperation in infrastructure and natural resources but I would like to pick two points which I think deserve greater emphasis even in other areas of regional cooperation. First, the complementarity between regional cooperation and regional

integration is a commendable idea. Regional cooperation as a complementary approach to regional integration rather than its rival is a useful idea for reconciling the otherwise common tension between the two approaches. Second, the tendency to confuse security of supply of infrastructural services with the nationalist approach to self sufficiency is shown to be fallacy. Zimbabwe's energy policy during the 1980s has provided a good example of this fallacy. Another example is Tanzania. The insecurity of supply of power that Tanzania has been experiencing in the past few years would probably not have occurred if Tanzania had taken a regional approach in energy planning. It has come to be recognised in Tanzania that connecting to the Uganda and Zambia grid could enhance security of power supply.

Regional cooperation in energy not only enables cooperating members to tap significant economies of scale but also increases reliability of supply and reduces eventualities of unmet demand or reduce occurrences of replicative private investments in energy supply to cushion the negative effects of unserved demand. Regional cooperation in energy, in particular, enhances reliability in supply partly because of the diversity of climatic conditions (e.g. timing of rain and dry seasons) and diversity of sources of energy supply (e.g. natural gas, coal, hydro power).

In addition to enhanced reliability of supply and savings in energy investment requirements regional cooperation is likely to bring advantages as well in terms of cost of generating energy in the region. Regional cooperation in energy supply would reduce the wide disparities in inter-country levels of cost of energy. For instance, the cost of a kwh of electricity ranges quite widely from 3.5 US cents in South Africa to 11 US cents in Tanzania. Linking energy generation to a regional grid is likely to reduce these disparities and allow low cost suppliers to reach several countries in the region. The advantage of energy cost reduction on various economic activities in the region would be considerable.

The paper has pointed out that while some regional cooperation programmes have been facilitated by the activities of donors the role of donors has contributed to dampening regional cooperation efforts at least in two respects. First, most donors programmes have had national rather than a regional focus. Second, different donors support programmes have been associated with different kinds of equipment and institutional arrangements which have often been incompatible. These observations are to a large extent valid. However, it is important to point out that the challenge here lies in the need to coordinate donor activity, an initiative which must be taken up by the recipient governments. The adoption of a national or regional approach to development programmes and the choice of equipment and institutional arrangements for implementing these programmes

can be influenced more by national initiatives than by donor initiatives. The challenge is on the recipient governments to put in place national and regional programmes in which donor activity should be invited to fit in rather than the other way round (recipient activity fitting in donor arrangements). The tasks of coordinating donor activity is within the powers and mandate of recipient country governments.

The paper has covered three specific sectors: energy, water and transport. While it is not expected that all sectors related to infrastructure must be covered I feel that one of the sectors which should not be excluded from the discussion is telecommunications. The potentials of regional cooperation in using satellite facilities and in making best use of the super highway of information and utilising other benefits associated with the unfolding information technology deserve great attention at present and in future. This is an area where benefits of regional cooperation could be very high.

In section 5 of the paper reference is made to "Financing and Institutional Arrangements". This section says very little about financing arrangements. Yet, the paper indicates quite convincingly that the financial requirements of infrastructural investments are considerable. To date these investments in the region have largely come from donor funding, a source which is not sustainable. The challenge here is on establishing regional cooperation arrangements in financing infrastructure. In doing so the possibility of making use of existing financing institutions (e.g. Development Bank of Southern Africa) should be explored before creating new ones. In taking initiatives in putting in place financing arrangements lessons should be drawn from the experience of regional cooperation arrangements elsewhere. For instance, the experience of the European Investment Bank in financing infrastructural investments in the European Union may be useful in this context.