United Nations
Economic Commission for Africa

Infrastructure Financing and Public-Private Partnership

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Investing in sustainable infrastructure has great potential for delivering on economic, social and environmental sustainability (SDGs)

- **Economically:** job creation, increased productivity in key economic activities
- By increasing access infrastructure benefits tremendously **society**
- It protects the **environment** by conserving natural resources and reducing climate change impact.
- **Sustainability** of infrastructure development and financing increases resilience to shocks and stresses.
- It supports sustainable development by contributing directly to achieving select SDGs.

However, infrastructure investment needs are massive, particularly in emerging and developing economies

- $94 trillion needed by 2040 (> half of needs in Asia)
  - China alone accounts for 30% ($28 trillion)
- $3.2 - $3.7 trillion annual infrastructure investment needed to meet the SDGs by 2030
- In emerging and developing markets, infrastructure investment gaps total $452 billion over 2014-2020
  - Actual spending estimated at $259 billion
  - In Africa, $81.6 billion was spent on infrastructure development in 2017
- WEF estimates a 5%-25% economic return for every dollar invested in infrastructure projects
- McKinsey estimates that increasing infrastructure investment by 1% of GDP may result in additional job created (3.4m in India, 1.3m in Brazil)
- Closing the infrastructure gap in Africa could raise GDP per capita by 2.6% per annum.

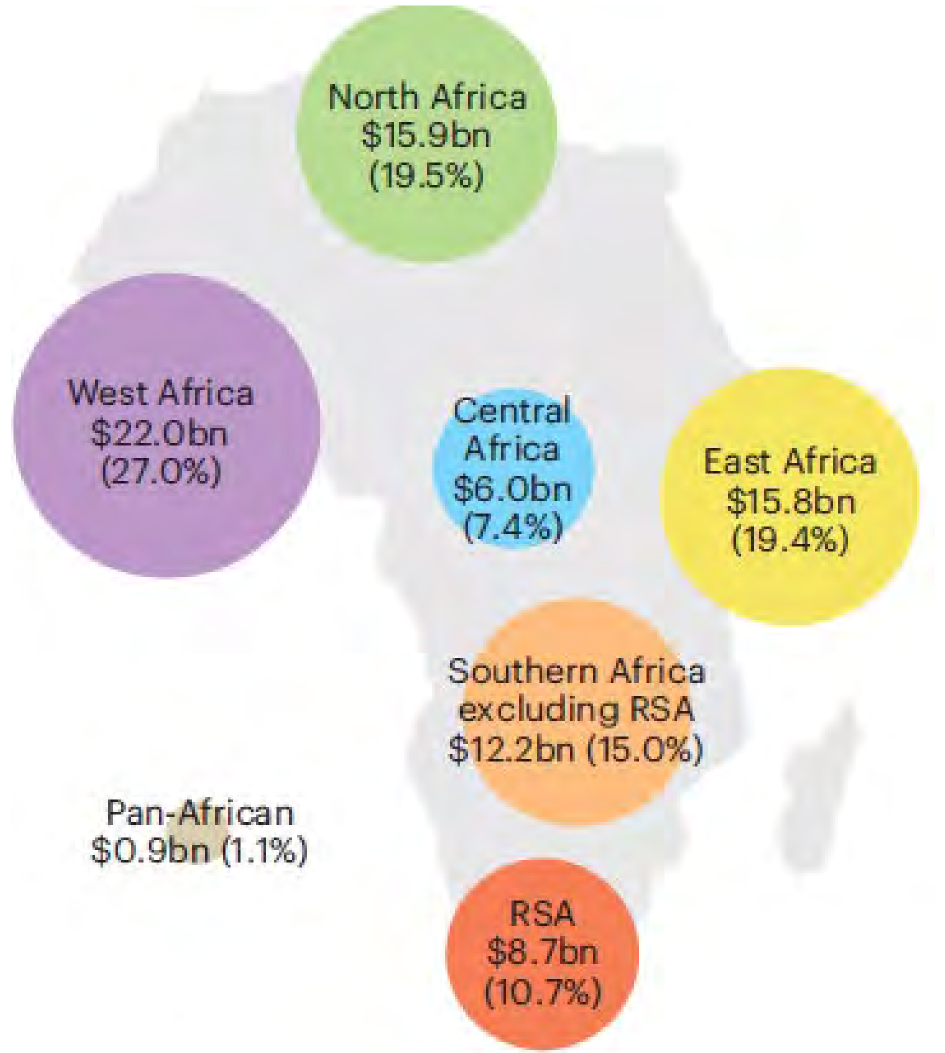
Source: UNECA, World Bank, Economist Intelligence Unit, McKinsey Global Institute, G20-backed Global Infrastructure, World Economic Forum

Infrastructure: Driving Growth in Africa

Infrastructure responsible for more than half of Africa's recent growth performance

Infrastructure: improves competitiveness, facilitates domestic and international trade and enhances regional integration

Africa's massive infrastructure needs: invests only 15-25% of GDP on transport infrastructure compared with more than 40% in China



In 2017, $81.6 billion was committed to finance Africa's infrastructure.
Africa needs between $68bn-$108bn a year to meet its infrastructure needs

AfCFTA – An opportunity to increase infrastructure investment and improve SDGs implementation in Africa

- Regional integration is vital for Africa - providing benefits and opportunities for infrastructure, structural transformation and strong and integrated markets
- 54 African countries signed the Agreement establishing the African Continental Free Trade Area (AfCFTA) – 27 have ratified it.
- The AfCFTA – an important step towards boosting intra-African trade and achieving the SDGs and leaving no one behind (Agenda 2030 and African Union Agenda 2063).
- Long-term gains are estimated at about US$15-$25 billion annually when all tariffs are eliminated.
- Expected increase in intra-African trade will contribute to:
  - Structural transformation (incl. increased production/trade of more sophisticated products with a higher technological content),
  - Higher returns on investments (with economies of scale),
  - Increased efficiency of domestic firms,
  - Employment expansion (incl. for women and youth), especially along road corridors.

An Overview of PPPs in Africa

Analysis on PPPs is happening with a diverse range of data 9 (common understanding of PPPs on the Continent is essential)

- **One data source states that:**
  - PPP investments reached a peak of $ 11.4 billion in 2013 (for 29 projects) before declining to less than $5 billion (for less than 20 projects).

- **ECA analysis finds that:**
  - Since 1990 Africa has invested an estimated $98 billion in PPPs.
  - An estimated 479 PPPs have been implemented in Africa, during that period. A total of 409 of them are still active.
  - Majority of the PPPs on the continent are concentrated in a few sectors.
- 15 countries have implemented more than 10 PPPs since 1990 to present: Algeria, Côte d'Ivoire, Egypt, Gabon, Ghana, Kenya, Mauritius, Morocco, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda.

An Overview of PPPs in Africa

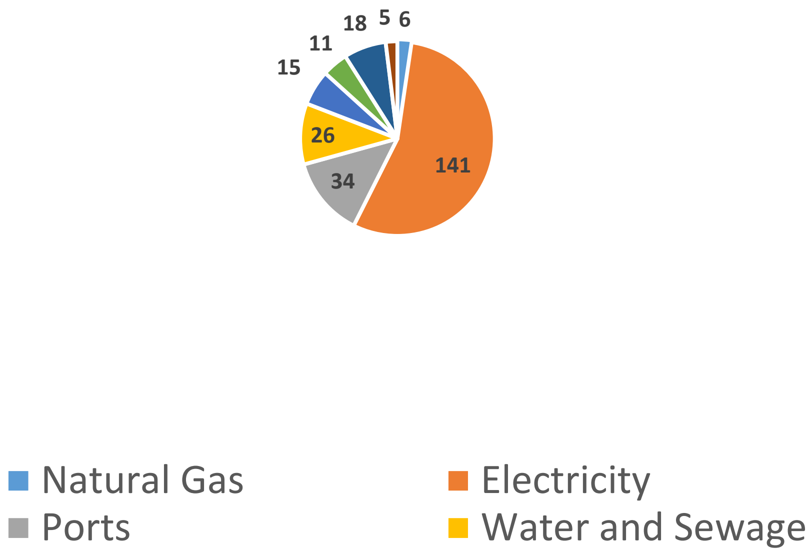
Data shows that African countries have a PPP Framework, which consists of either laws, policies, procedures, institutions, rules and regulations that can be applied to PPP implementation.

- **Of the 15 countries with most PPPs, only 3 (Algeria, Côte d'Ivoire, South Africa) lack a law specifically for PPPs, although, they have other sectoral laws.**
  - Although South Africa has no specific PPP Law, it has significant experience with PPPs. The legislation governing national and provincial PPPs is the Treasury Regulation 16, issued under the Public Finance Management Act of 1999.
- **Of the 15 countries, only 2 (Algeria, Côte d'Ivoire) lack a PPP Unit.**
- **Majority of African countries (for which data is available) have a PPP Framework.**
  - A total of 29 African countries have PPP Units.
  - There is variation in the placement of the PPP units, although most of the Units are under the Ministry of Finance. Some PPP Units are located under the Presidency, Prime Minister’s Office.
  - 39 countries have a PPP Framework, i.e. laws or regulations that are applicable to PPPs.
- Majority of African countries, also apply sectoral laws and those related to procurement.

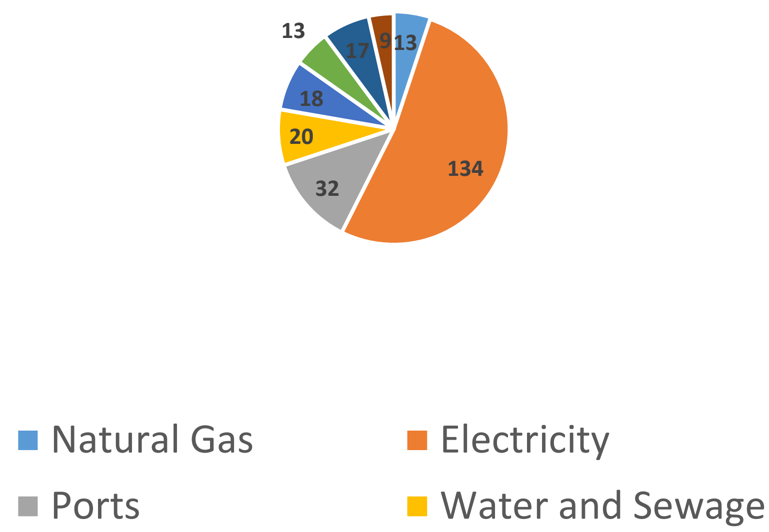
An Overview of PPPs in Africa

Sectoral distribution in Africa

Sectoral Distribution of the Most Recent PPPs



Sectoral Distribution of the Largest PPPs



An Overview of PPPs in Africa

Lessons we are learning for the success of PPPs:	Implied capacity development:
Policy certainty	Good policy and regulatory environment
Project pipeline	Long-term planning
Right partnerships	Market intelligence and experience
Transparency and consistency	Good governance
Use of tech to reduce transaction costs	Digital tech embedding
Good assessment of risks and allocation among parties	Tested market; technical skills (law, finance, sector); negotiation
Pricing	Tariffs review, regulatory independence

An Overview of PPPs in Africa

Emerging Key issues include:

1. In the context of development finance, how do we facilitate further uptake of PPPs in Africa?
2. How do we achieve high-level policy engagement in Africa on PPPs, and what are the recommendations for doing so?
3. How do we accelerate market-testing of more PPPs in Africa, in order to avoid losing fiscal space due to guarantees?
4. How do we strengthen PPP Units as a vehicle for capacity building across various areas?

THANK YOU!