

# **Africa Infrastructure Development – PPP as a Panacea**

By

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Being a Paper Presented at the Africa Association of Quantity Surveyors (AAQS) Webinar  
On Tuesday, February, 2, 2021

# INTRODUCTION

- Infrastructure
  - Water
  - Energy
  - Transportation
  - Land use Pattern

# State of Infrastructure in Africa

- Slums



Figure 1

# State of Infrastructure in Africa cont'd

- Water and Sanitation Problems



Figure 2

# State of Infrastructure in Africa cont'd

- Traffic Congestion



Figure 3

# State of Infrastructure in Africa Cont'd

- Most countries in Africa lag behind the rest of the world in the provision of key infrastructure
- Has huge unmet needs of infrastructure and
- Faces serious infrastructure gap
- 600 million people in Sub-Saharan Africa lack access to grid electricity accounting for over two-thirds of the global population without power
- Less than 40% of the continent's population has access to electricity, about a third of the rural population has access to roads and only 5% of agriculture is under irrigation.

# State of Infrastructure in Africa Cont'd

- The same goes for social infrastructure with only 34% of the population having access to improved sanitation and a slightly better situation for clean water at about 65%.
- Infrastructure investments in Africa have not kept pace with growth in demand.
- The continent accounts for 16% of the world population but generates a mere 1% of global GDP and only 2% of world trade.
- This can be attributed to inadequate infrastructure which remains a major obstacle towards Africa achieving its full economic growth potentials.

# Infrastructure Needs of Africa

- Infrastructure deficit in Africa points to the fact that there is huge untapped investment potentials leading to opportunities for investors – foreign and local.
- Infrastructure financing requirements in Africa's MICs were estimated at about 10% GDP per year while LICs required 15% of GDP per year.
- In another term, it was estimated that between \$130 and \$170 billion per year would be needed to close the total gap. These figures are set to grow to USD 1.59 trillion by 2040.
- These estimates are huge for any African governments to raise

# Economic Situation in Africa

## General Overview

- Africa has about 1.3 billion people as at 2019
- Africa is a resource – rich continent.
- Economic growth mainly is due to growth in sales of commodities

# Economic Situation in Africa Cont'd

Table 1:

Economy of Africa	
Statistics	
<b>Population</b>	1.307 billion (16%; 2019) <sup>[1]</sup>
<b>GDP</b>	\$2.6 trillion (Nominal; 2019) <sup>[2]</sup> \$6.7 trillion (PPP; 2019) <sup>[2]</sup>
<b>GDP growth</b>	3.7% <sup>[2]</sup>
<b>GDP per capita</b>	\$1,970 (2020; 6th) <sup>[2]</sup>
<b>Millionaires (US\$)</b>	140,000 (0.011%)
<b>Unemployment</b>	15%
Most numbers are from the <a href="#">International Monetary Fund</a> .	
<i>All values, unless otherwise stated, are in US dollars.</i>	

# Economic Situation in Africa Cont'd

Table 2:

## African nations

Country	Total GDP (nominal) in 2019 (billion US\$) <sup>[66]</sup>	GDP per capita in 2019 (US\$, PPP) <sup>[66]</sup>	Average yearly real GDP growth, 2010-2019 (in %) <sup>[66]</sup>	HDI 2017 <sup>[67]</sup>
 Algeria	169.3	11,729	2.6	0.754
 Angola	89.4	7,384	1.9	0.581
 Benin	14.4	3,423	5.1	0.515
 Botswana	18.5	17,949	4.3	0.712
 Burkina Faso	15.7	2,282	5.7	0.423
 Burundi	3.1	821	2.0	0.417
 Cameroon	38.9	3,856	4.6	0.556
 Cape Verde	2.0	7,471	2.9	0.654
 Central African Republic	2.3	985	-1.8	0.367
 Chad	10.9	1,654	2.2	0.404
 Comoros	1.2	3,108	3.1	0.503
 DR Congo	49.8	1,015	6.1	0.457
 Congo	12.5	4,600	-1.0	0.606
 Ivory Coast	58.6	5,327	6.7	0.492
 Djibouti	3.3	5,195	6.6	0.476
 Egypt	302.3	12,391	3.8	0.696

# Economic Situation in Africa Cont'd

Table 2 cont'd: African Nation

 Equatorial Guinea	11.8	19,291	-2.9	0.591
 Eritrea	2.0	1,836	3.4	0.440
 Eswatini (Swaziland)	4.6	9,245	2.4	0.588
 Ethiopia	92.8	2,724	9.5	0.463
 Gabon	16.9	16,273	3.7	0.702
 Gambia	1.8	2,316	2.4	0.460
 Ghana	67.0	5,688	6.5	0.592
 Guinea	13.8	2,506	6.2	0.459
 Guinea-Bissau	1.4	2,429	3.8	0.455
 Kenya	95.4	4,985	5.6	0.590
 Lesotho	2.4	3,010	2.8	0.520
 Liberia	3.2	1,601	2.7	0.435
 Libya	39.8	14,174	-10.2	0.706
 Madagascar	14.1	1,720	3.4	0.519
 Malawi	7.7	1,004	3.8	0.477
 Mali	17.3	2,508	4.3	0.427
 Mauritania	7.6	6,036	3.9	0.520
 Mauritius	14.0	23,819	3.6	0.790
 Mayotte (France)	3.1 (2018) <sup>[esa]</sup>	11,815 (nominal, 2018) <sup>[esa]</sup>	(N/A)	(N/A)

# Economic Situation in Africa Cont'd

Table 2 cont'd: African Nation

 Morocco	118.6	8,148	3.4	0.667
 Mozambique	15.2	1,302	5.4	0.437
 Namibia	12.5	10,279	2.8	0.647
 Niger	12.9	1,276	5.9	0.354
 Nigeria	448.1	5,353	3.0	0.532
 Réunion (France)	22.0 <sup>[69]</sup>	25,639 (nominal) <sup>[69]</sup>	2.1 <sup>[70]</sup>	0.850 (2003) <sup>[71]</sup>
 Rwanda	10.1	2,363	7.6	0.524
 São Tomé and Príncipe	0.4	4,141	3.9	0.589
 Senegal	23.6	3,536	5.3	0.505
 Seychelles	1.7	30,430	4.6	0.797
 Sierra Leone	4.2	1,778	4.4	0.419
 Somalia	4.9	(N/A)	(N/A)	0.364 (2008) <sup>[72]</sup>
 South Africa	351.4	12,962	1.5	0.699
 South Sudan	4.9	862	(N/A)	0.388
 Sudan	33.4	4,140	-1.6	0.502
 Tanzania	60.8	2,841	6.7	0.538
 Togo	5.5	1,657	5.6	0.503
 Tunisia	38.8	11,125	1.8	0.735
 Uganda	36.5	2,646	5.2	0.516
 Zambia	24.2	3,526	4.3	0.588
 Zimbabwe	18.7	2,896	4.2	0.535

# Importance of Good Infrastructure

- The relevance of infrastructure cannot be over-emphasized in economic growth.
- It is estimated that a 1% increase in a country's infrastructure stock leads to 1% increase in GDP
- 1% rise in income per head leads to a 0.5% increase in demand for infrastructure.
- It is a two-way thing as the lack of infrastructure limits finance and the lack of finance limits infrastructure.
- Since government cannot provide the necessary fund for infrastructure and for the economy to grow, PPP is the answer.

# Public Private Partnership (PPP)

PPP is a contractual arrangement that enables full involvement of the private sector in the development, construction, finance and operation of public infrastructure projects, facilities or services.

This procurement arrangement is necessitated due to the burden of financial shortage. Generally, PPP has the following benefits:

- Optimal utilization of resources and efficient output delivery
- Harness the expertise, innovations and operational efficiencies of the private sector.
- Value for money
- Elimination of cost overrun and time overrun, delays and operational difficulties
- Improved service delivery
- Private sector growth and stability, ensuring private capital flows, provide investment opportunities, stimulates local industry and job markets
- Eliminates corruption

# Current Needs

- Provision of infrastructure
- Developing digital technologies adoption for production and services sectors
- Improvement in connectivity to lower the logistics cost

# Current Needs Cont'd

- Crowd management
- Alternative housing and public transit model
- Slum upgrading
- Development of more balanced networks of cities and of mega-regions

# Current Needs Cont'd

- Reduction in distance between workplace and residences (teleworking)
- Strengthening of public health system, Educational system and technological system.

# PPP OUTLOOK IN AFRICA

## ➤ **Egypt**

- Egypt Public Private Partnership Law – No.67 of 2010

## ➤ **Kenya**

- Public Private Partnership Act of 2013
- Public Private Partnership Regulations of 2014

## ➤ **South Africa**

- Preferential Procurement Regulations of 2017
- Standardized PPP Provisions of 2004

## ➤ **Nigeria**

- Public Procurement Act of 2007
- Infrastructure Concession Regulatory Commission Act of 2005

# THE CHALLENGES

## ➤ **Risk**

- Political
- Commercial
- Operational

## ➤ **Return on Investment**

- Public Service Obligation (PSO)
- Bankability
- Long-term financing

## ➤ **Legal and Regulatory framework**

- Bureaucracy
- Financial structure

# THE PROPOSAL

**Government**



**Concessionaire**

Needs Assessment unit	Legal unit
Locally sustainable design proposal unit	Risk analysis/management unit
Risk analysis/management unit	Procurement unit
Legal unit	Finance unit
Procurement unit	Technical unit
Finance unit	Maintenance unit
Technical unit	Data control unit
Maintenance unit	
Data control unit	

# Conclusion

## The New Africa: Good Road Network



Figure 4

# Conclusion Cont'd

## The New Africa: Efficient Transportation



Figure 5

# Conclusion Cont'd

## The New Africa: Efficient Health Facilities



Figure 6

# **APPRECIATION**

**Thank you for your listening attention**