



UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA

# Promoting Successful Public-Private Partnerships

**African Experiences in PPPs for  
Infrastructure Development**

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# Outline

- Introduction
- Case for PPP in Africa
- Case Studies in PPP
- Constraints to PPPs in Africa
- Conclusions and Recommendations



# Introduction

- Development of infrastructure seen as key to Africa's socio-economic development
- Infrastructure also key to physical integration of Africa
- Several infrastructure initiatives adopted including: UNTACDA I & II, SSATP, Protocols at RECs level, etc.
- Meeting MDGs has given further impetus to infrastructure development in Africa
- Infrastructure development is also a NEPAD priority area



## Introduction (con't)

- Strengthening Africa's infrastructure requires massive investments
- It has been estimated that it would cost approx. US\$8 billion to implement NEPAD projects
- Other estimates on expenditure needed to close Africa's infrastructure gap range between \$10-20 billion per year between 2005-2015
- It has also been suggested that Africa requires investment of 7% of GDP per year on infrastructure.



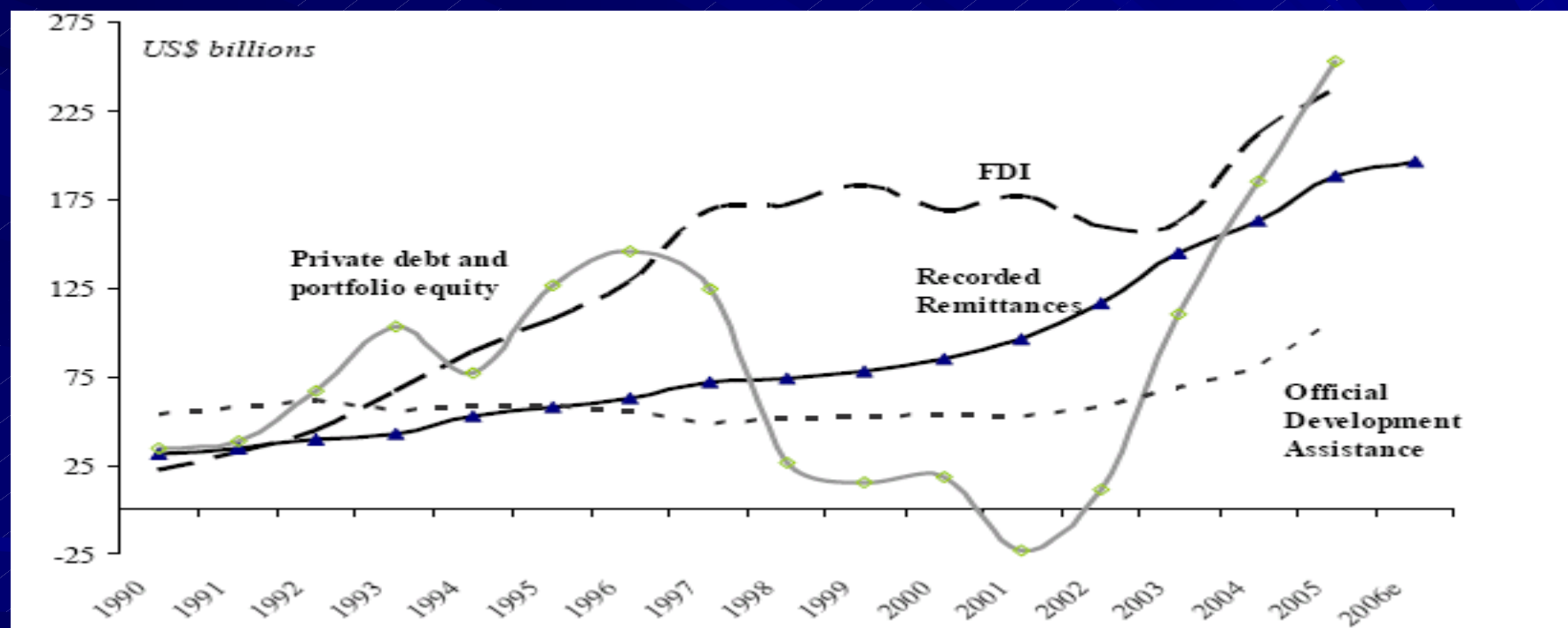
# Case for PPP

- Traditionally, infrastructure development has mainly been the domain of the public sector
- However, governments can't meet the growing demand for infrastructure and services
- Governments depend on ODA for infrastructure development but recent trends indicate that this is an unreliable source of finance
- ODA trend had been downward for several years before peaking up again in 2003
- But increase is not substantial to meet infrastructure development requirements



# Capital flows to developing countries

Source: Global Economic Prospects 2006: Economic Implications of Remittances and Migration (World Bank), World Development Indicators 2006, and Global Development Finance 2006







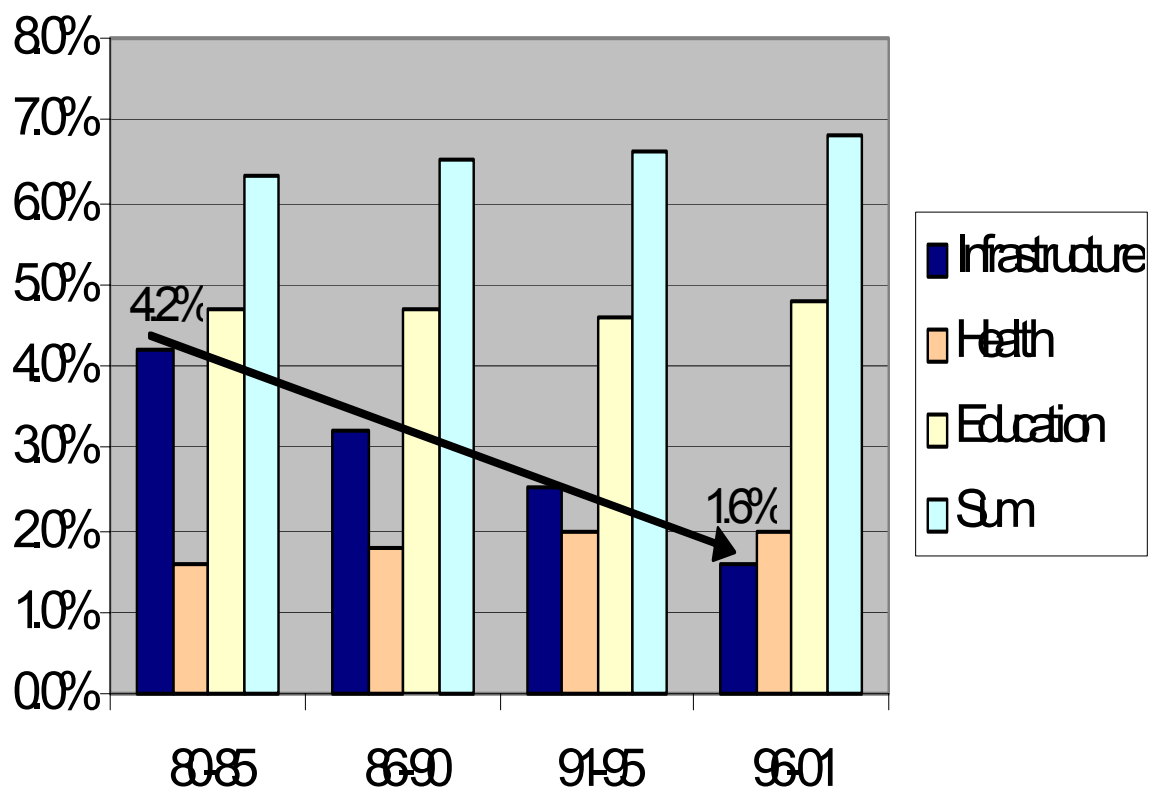
## Case for PPP (con't)

### ODA estimated to be shared as follows:

- 54% - Social infrastructure and services (education, health, housing etc.)
- 21% - Economic Infrastructure and services (transport, energy, communications, etc)
- 13% - Production (agriculture, industry, trade, tourism etc)
- Insufficient state investment, growing pressure on government budgets and inefficiencies in provision of services by State have fuelled PPPs
- Indeed, there are indications that public expenditure on infrastructure has been decreasing



## Public expenditure in AFR (11 country sample) % of GDP

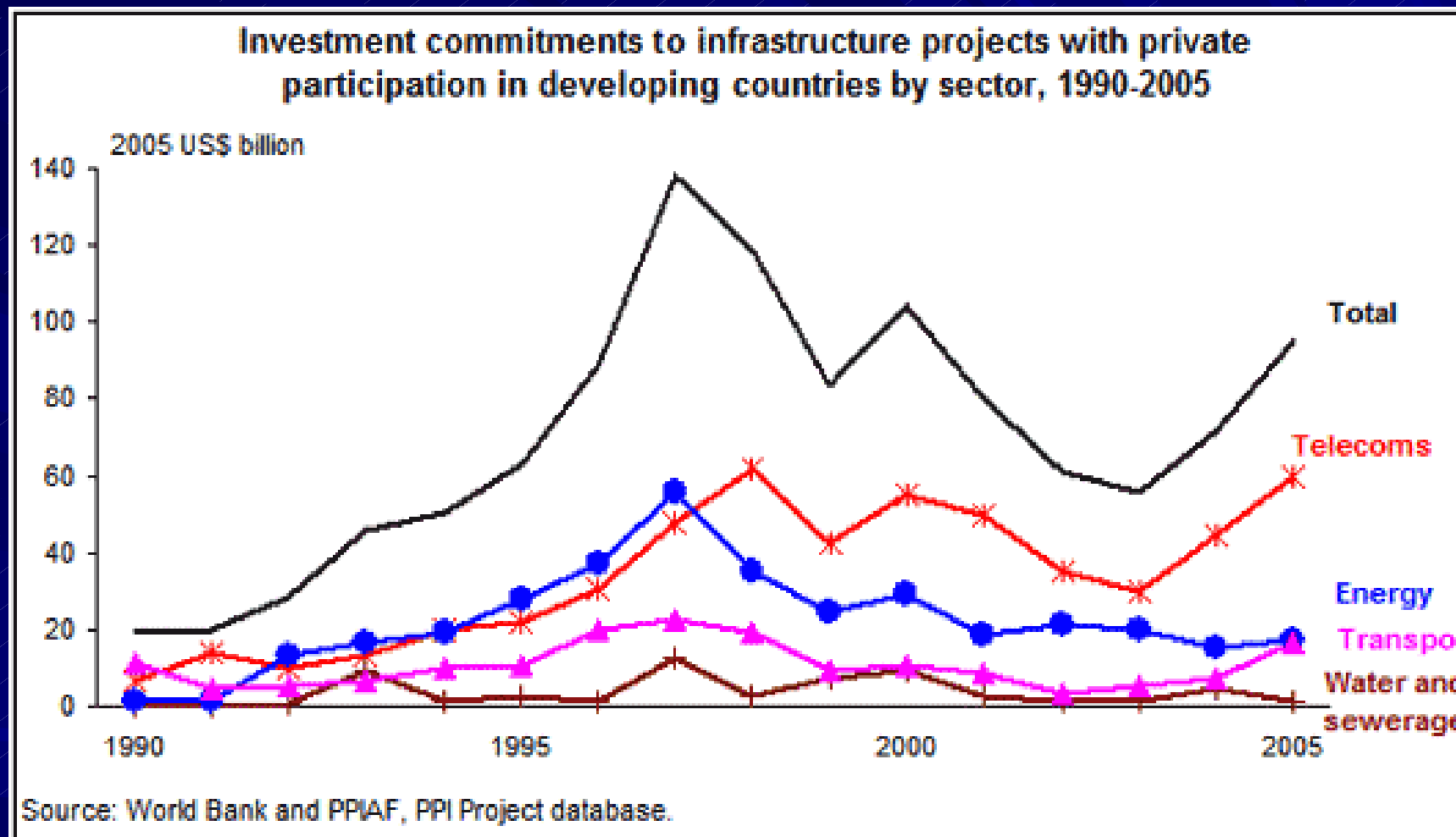


**Source:** Meeting on infrastructure consortium for Africa and energy ministers of Africa, Addis Ababa, 2006





## *Private sector participation contribute to Infrastructure development in Africa*





# Case Studies in PPP

## Toll Road (N4)

- 30 years BOT concession for 503km road linking Maputo with Witbank in S. Africa
- **Benefits:**
  - Road in good state; vehicle operating cost, travel time and distance reduced; capacity of road increased; road safer; saving public sector resources by using private sector
- **Lessons**
  - Users willing to pay if good services are offered; Problem associated with exchange rate fluctuations



## Case Studies(con't.)

### • Rehabilitation and Expansion of Cameroon's Electricity Distribution Network

- PROPARCO signed a 30M Euro credit agreement with Cameroon national power utility , AES SONEL in 2006.
- AES SONEL is majority owned by AES Corp, a US based global power company; Government of Cameroon is the other shareholder
- Credit is one of the largest raised by a privatised power utility in sub Saharan Africa
- Project will permit the connection of 50 000 new customers per year.
- Project will also permit rehabilitation of existing power plants



# Case Studies (con't)

## **Dar Es Salaam Port Container Terminal**

- Privatized in September 2000
- Private Company (TICTS) awarded concession to operate terminal for 10 years
- Substantial work undertaken before privatization including dredging of entrance channel

## **Measures taken by private terminal operator**

- ⇒ Equipment maintenance programme
- ⇒ More training for workers
- ⇒ Automation of container terminal management
- ⇒ Acquiring additional handling equipment

## **Benefits**

- ⇒ Growth in crane productivity
- ⇒ Reduction of service time from 1.10 days per ship in 2000 to 0.76 days in 2003
- ⇒ Container dwell time declined from 37 days per container in 2000 to 17 days in 2003



# Constraints to PPPs in Africa

- **Lack of consensus on benefits of PPPs**
  - **Ideological differences and limited experience**
- **Limited capacity of African governments to plan, negotiate and manage PPP projects**
  - **Lack of technical and collaborative skills**
- **Perceived poor investment climate (lack of transparency, corruption)**
- **Uncertainty in legal and regulatory environment**
- **PPPs, in some cases, are not politically acceptable: concerns about price increases and exclusion of the poor**



# Conclusions

- PPP is a relatively new phenomenon in Africa, hence it is difficult to assess impact
- Experience from elsewhere show that PPP is no panacea. There are associated risks but private sector is needed to compliment government expenditure
- The challenge is to develop strategies to reduce the risk of failure of private infrastructure schemes





# Recommendations

- Building consensus for PPP
- Enhancing government capacity to plan, negotiate, design, implement and monitor PPP projects
- Developing sound regulatory regimes and strengthening regulatory capacity
- Improving efficiency and accountability of service provision
- Ensuring transparency of privatization or award processes
- Developing local financial markets
- Reducing time of negotiation process and bidding costs for infrastructure projects



# Thank You!