



Topic: “Establishing Win-Win Partnerships to Achieve Sustainable Development”

Sustainable infrastructure development as a concept, has been researched, discussed and deliberated for decades. This will continue for decades to come, as it is widely accepted that sustainable development cannot be achieved using a singular approach, by any single party. The complexity of the challenge requires extended integration and expanded connections across political borders, especially on the African continent. Moreover, “today’s solutions may not solve tomorrow’s challenges”; as a result, the civil engineering industry needs to continuously stay abreast of environmental, political, technological, institutional and even religious challenges, to develop new and innovative solutions.

Going further than just having a discussion on the merits of public-private partnerships, this paper presents an alternative approach to partnering that produces a holistic solution. It presents a brief overview of the following:

- Africa’s infrastructure requirements
- The sustainable development agenda
- Development finance and investment needs, and
- A review of the consulting engineering industry

This solution is intentional about considering all technical, social, environmental, financial and institutional concerns, as is required, to address Africa’s infrastructure and overall developmental backlog.



Africa infrastructure review

Despite the progress made, it is extensively reported that most developing countries still suffer from insufficient access to quality, reliable infrastructure. The Africa Infrastructure Country Diagnostic (AICD) estimates that the infrastructure need is indicative of a range of challenges to infrastructure development on the continent (Africa Development Forum Series, 2009). Some of the insights presented within the forum include the following facts:

- Infrastructure development has contributed more than 50% of recent growth performance on the continent.
- Infrastructure development costs are significantly higher due to diseconomies of scale and lack of competition.
- Infrastructure funding requirements exceed US\$93 billion annually over the next 10 years, with an approximate funding gap of more than US\$50 billion.
- The efficiency of Africa's institutional, regulatory and administrative reforms are considered to be only 50% of what is required.

Developmental agenda

Ensuring that developmental efforts are targeted to achieve optimised and sustained impact remains a key challenge on the continent and across the world. On September 25th 2015, various countries adopted a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years through the 17 Sustainable Development Goals (SDG).



Development finance and investment review

The funding and development of infrastructure projects on the African continent is inhibited by various factors, the most significant being the absence of a pipeline of well-prepared bankable projects. The major problem is not a lack of funding; instead, it is the lack of packaged bankable projects – which in turn points to a need for better project preparation (Infrastructure Consortium for Africa (ICA), 2014).

Infrastructure development is typically concerned with the provision of assets in the various economic sectors of the economy, including transport, water and sanitation, power and telecommunications. It also includes social infrastructure in terms of health and education facilities.

Project preparation is a process which comprises the entire set of activities undertaken to advance a project from concept to implementation; the primary objective being to develop the project idea to the point where it will demonstrate bankability, attract financier interest and motivate funding.

Estimated costs for project preparation vary; the general consensus is that it is around 10 % of capital expenditure (Infrastructure Consortium for Africa (ICA), 2014: NEPAD-IPPF, 2014). The finance gap for project preparation is estimated to amount to US\$ 25 billion between 2016 and 2040 (NEPAD-IPPF, 2014).

Sustainable development requires responsible investment practices. The UN Principles for Responsible Investment (UNPRI) comprise of 6 practical principles towards ensuring responsible investment in accordance with their stated mission, that: "...an economical, efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole."



The UNPRI makes the following declaration: "As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios."

Consulting engineering industry review

The consulting engineering and environmental industry is rapidly consolidating, driven by growth, competition, client requirements, and ownership structures. Internationally, more than 180 acquisitions are concluded annually, with five transactions in excess of US\$1 billion in the past two years. Approximately 145 international firms have accessed the African market, with mixed success, generating annual revenues of US\$ 4 billion; of this combined revenue, the top 10 firms saw US\$ 1,5 billion in revenue (Environmental Financial Consulting Group (EFCG), 2016).

Although the continent offers significant advantages for international firms, in terms of potential growth, foreign investment and the need for additional specialised skills, major obstacles to the success of these companies include the perceived risks of a fragmented industry, multiple cultures and legal systems, political instability and indigenisation requirements.

The latest trends indicate an increasing appetite for international engineering firms to partner with established African firms which have a multi-country presence and the ability to address local beneficiation requirements.

Similar trends are found among international donors seeking to increase local participation and empowerment.



It is anticipated that successful firms will need to provide social, environmental and engineering solutions through alternative project delivery mechanisms. Firms that can address these challenges and consistently deliver quality in the major African local markets will develop a competitive advantage and will be highly attractive partners for multi-national clients and international consultants.

(Michael Renshaw, 2016).

The partnership opportunity

GAMA represents numerous engineering practices from 30 member countries on the continent, presenting predominantly technical services capabilities, but with firsthand knowledge of the local development challenges. The regional development challenges on the continent are mirrored to an extent by the fragmented capability offering amongst the GAMA members.

In view of the institutional challenges and industry situation described above, it is evident that GAMA members can contribute significantly to sustainable development on the continent, with huge benefits to shareholders and staff, should a proactive approach be taken toward partnering and alternative regional delivery models be embraced.

Response

The fact that these low levels of development penetration persist in Africa in the 21st century, amplifies the need for an alternative solution: a different way of delivering infrastructure; that is responsive to socio-economic needs, is climate resilient, risk-aware, and bankable or funded. As aforementioned, the purpose of this paper is to present an innovative consideration, conceptualised as a regional infrastructure development platform which is geared to:



- offer a combination of international, regional and local capabilities;
- stimulate value creation and due reward for strategic partners through calculated risk sharing;
- offer infrastructure development solutions to a defined range of economic sectors;
- develop a pipeline of bankable projects in conjunction with development finance institutions; and
- deliver development impact to improve people's lives on the African continent.

An intentional and different partnering strategy provides a local and regional delivery platform for multi-national companies, international donors and finance institutions seeking to invest on the continent. This platform is perfectly positioned for 'partnering up' with international or multi-national companies that have the required expertise and are better positioned to source donor and development funding, but lack local presence or local technical skills to develop and implement projects. It further provides a multi-disciplinary capability offering local and predominantly technical firms on the continent. This approach, which has a strong focus on local economic participation and empowerment, is deliberate about achieving sustainable economic development through African infrastructure projects. The business case for an "African Infrastructure Supermarket", proves that sustainable development can be effectively addressed through leveraging strategic partnerships.

It is by utilizing an innovative partnering strategy, and by being deliberate about "doing good while doing business", that lasting development impact can be realised.