



FIDIC AFRICA 2021
Infrastructure Conference

TRENDS, CHALLENGES AND OPPORTUNITIES IN FINANCING INFRASTRUCTURE PROJECTS IN SUB-SAHARAN AFRICA

KENNETH AMOLLO

SMEC INTERNATIONAL PTY. LTD



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INFRASTRUCTURE CONFERENCE**



SPEAKER



Kenneth Otieno Amollo Civil Engineer SMEC International Pty | Nairobi

A Civil Engineer at SMEC International Pty. Limited with extensive experience in transportation infrastructure projects. He is particularly enthusiastic about road safety, infrastructure financing, road asset management and economic analysis of transportation engineering projects.



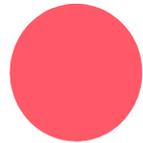
Member of the Surbana Jurong Group



INTRODUCTION

THE INFRASTRUCTURE GAP

According to the United Nations Sustainable Development Goals in 2016, Globally:



Over 2.5 billion people lack access to proper public health conditions



About 663 million people lack access to hygienic and safe water for consumption



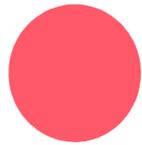
Over one billion people do not have electricity in their homes and the rural access index (RAI) for most low-income countries remains low.



INTRODUCTION

THE INFRASTRUCTURE GAP

Africa 50, an infrastructure investment platform backed by the AfDB:



Estimates overall infrastructure funding needs in Africa amounts to \$1.2 trillion for the period between 2017 and 2025.



It puts the funding gap at between \$30 billion and \$40 billion a year.



The slow growth in African economies has put limitations on government budgets whereas the donor funding rules make it more challenging for banks to free up capital for infrastructure lending.



The Public Private Partnership Model

- World Bank defines PPP as contracts between the public sector and private sector.
- Investments by the private participants in terms of funding, or better technology, or expertise
- Payments are made in exchange for performance, for the aim of service delivery that was initially offered by the public sector.



Advantages of Public Private Partnership Model

- 1 PPPs can mobilize additional sources of funding and financing for infrastructure
- 2 PPPs can improve the process of project selection by subjecting potential projects to the test of attracting private finance.
- 3 Projects are always delivered on schedule and within budget limitations.
- 4 Interests of the contracting authority and the private partner are well aligned since



The challenges in implementation of infrastructure projects and the various ways a PPP framework can mitigate them:

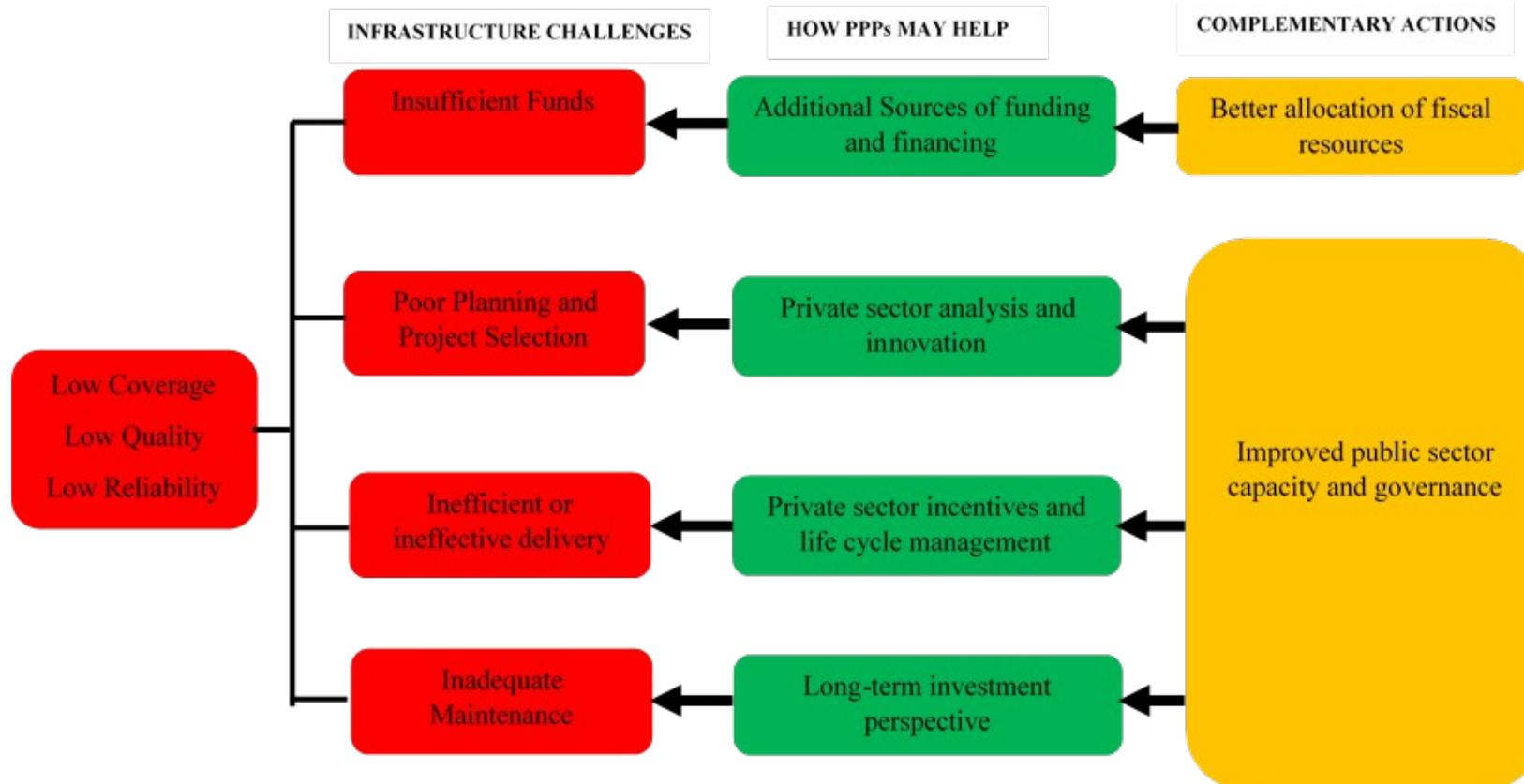


Figure 1: The Infrastructure implementation shortcomings and their mitigation measures using PPP model



of limited
vehicle (SPV).
limited
carry out the
is
contractual
from end
project is



- ## Infrastructure Financing Mechanisms for PPP
- A. Government Financing
 - B. Corporate or On-Balance Sheet Finance
 - C. Project Finance



PPP Shortfalls:

Higher Budgetary Commitments



- Interest rates
- Inflated costs
- Risks on the private entity

- The choice of projects suited for PPP remains primarily with the government.



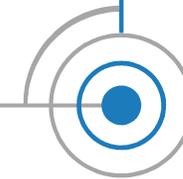
Unclear Fiscal Costs

PPP's are not flexible



- The contract implementation is somewhat very delicate as the risk has been totally shifted to the private

- Incentives for effective PPP implementation depends on the private partner.



Mercy of the Private Partner



PPP Regulatory Framework in sub-Saharan Africa

- The first structured PPP arrangement dates back to 1997 in South Africa
- Between 2004 and 2018, more than 33 African countries adopted the legal framework regarding Public-Private Partnerships (PPP). Currently, less than 10 African countries lack a PPP framework.
- According to the United Nations Economic Commission for Africa (2019), an estimated 479 PPPs have been implemented in Africa, since 1990 to date. A majority of the PPPs on the continent are concentrated in a few sectors i.e. the energy sector and particularly electricity, has the highest number of PPPs.



PPP Regulatory Framework in sub-Saharan

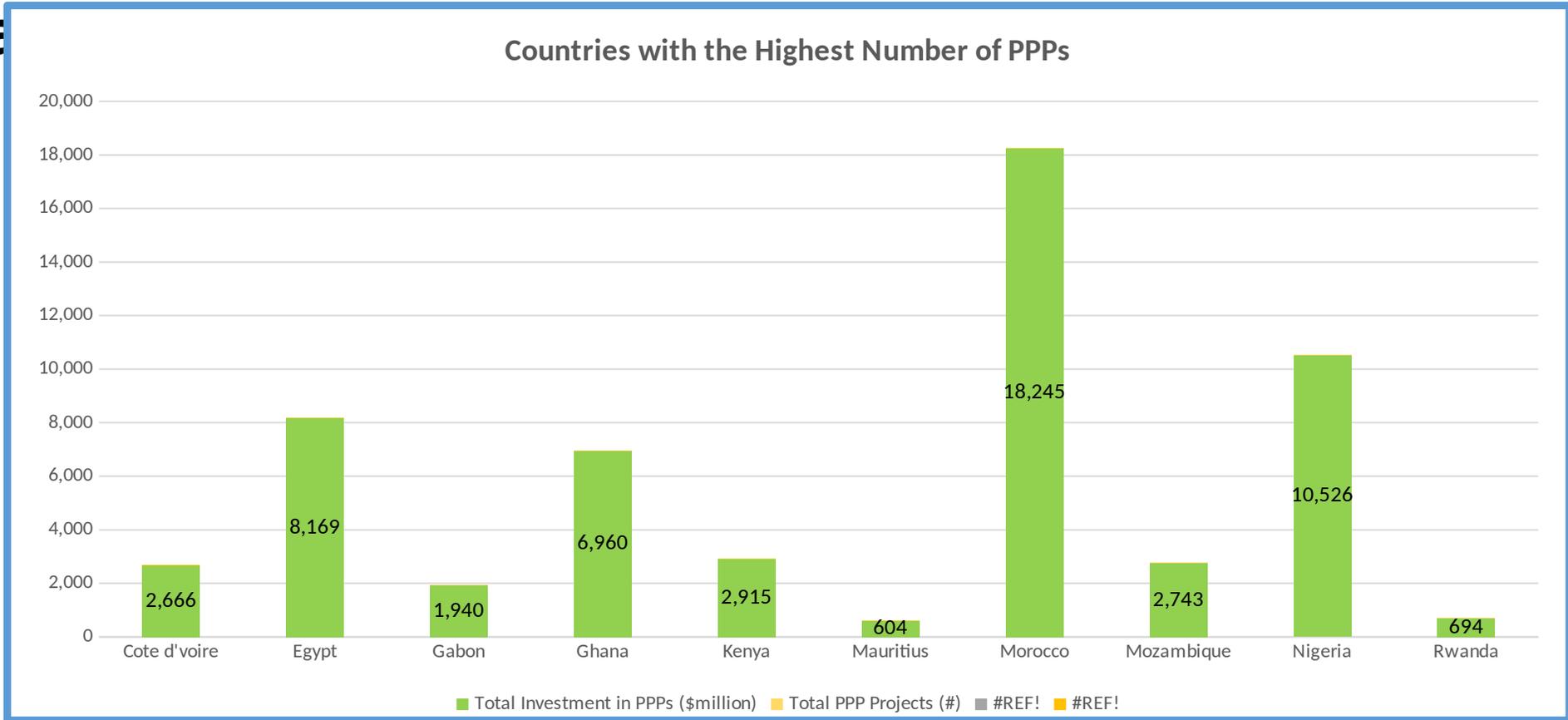
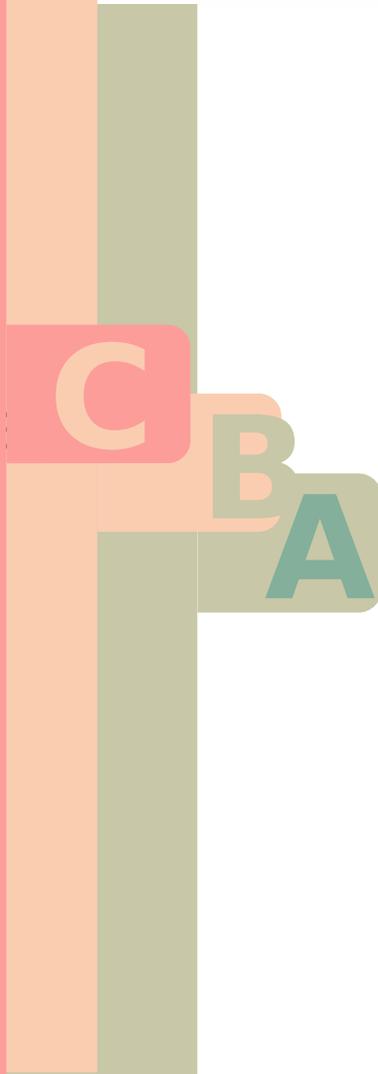


Figure 2: Countries with Highest



Supervision,
Project risk
Management; is

and
Flexibility,
Unbiased
bid
a balance
ensure



Opportunities for Consulting Engineers

- A. Planning and selection of projects
- B. Financing projects
- C. Delivering projects and oversight



Consulting firms should position themselves strategically for the following roles at various phases of PPP implementation:

- 1 Establish expert-led relationships with contractors
- 2 Independent Engineer for Lenders and Government Entity.
- 3 Engineer's Representative in project identification.
- 4 Owners Engineer.



In conclusion:

1

PPP is
the way
to go



2

End
Corrupt
ion



3

Political
Goodwil





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THANKS FOR LISTENING



QUESTIONS



COMMENTS

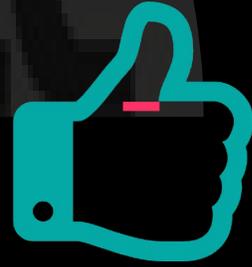


ANSWERS



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