SCOPING STUDY on Infrastructure Public–Private Partnerships in Africa with a focus on Cameroon, Côte d’Ivoire, Kenya, Malawi, Uganda and Zambia

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<tr>
<td>AfD</td>
<td>Agence Française de Développement (French Development Agency)</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AUC</td>
<td>Africa Union Commission</td>
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<td>AUDA</td>
<td>African Union Development Agency</td>
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<tr>
<td>DAC</td>
<td>OECD Development Assistance Committee</td>
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<td>DevCo</td>
<td>The Infrastructure Development Collaboration Partnership (PIDG)</td>
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<td>DFI</td>
<td>Development finance institutions (e.g., AfD, Commonwealth Development Corporation, Development Bank of Southern Africa)</td>
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<td>DFiD</td>
<td>UK Department for International Development</td>
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<td>DRC</td>
<td>Democratic Republic of the Congo</td>
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<td>EAIF</td>
<td>Emerging Africa Infrastructure Fund (PIDG)</td>
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<td>ECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>EU</td>
<td>European Union</td>
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<td>FASA</td>
<td>Financial Advisory Service Agreement</td>
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<tr>
<td>G20</td>
<td>Group of Twenty</td>
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<tr>
<td>G8</td>
<td>Group of Eight (now Group of Seven)</td>
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<td>GET FIT</td>
<td>Global Energy Transfer Feed-in Tariff</td>
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<td>GIF</td>
<td>Global Infrastructure Facility</td>
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<td>GPOBA</td>
<td>Global Partnership on Output-based Aid</td>
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<tr>
<td>ICA</td>
<td>Infrastructure Consortium for Africa</td>
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<tr>
<td>ICT</td>
<td>Information and communication technology</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IEG</td>
<td>Independent Evaluation Group (World Bank Group)</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPP</td>
<td>Independent power producer</td>
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<td>IPPF</td>
<td>Infrastructure Project Preparation Facility (AfDB)</td>
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<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau (German development bank)</td>
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<tr>
<td>MDB</td>
<td>Multilateral development banks (e.g., World Bank Group, ADB, AfDB, European Investment Bank)</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<tr>
<td>MW</td>
<td>Megawatt</td>
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<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PAP</td>
<td>PIDA Priority Action Plan</td>
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<td>PDF</td>
<td>Project development fund</td>
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<td>PIDA</td>
<td>Programme for Infrastructure Development in Africa</td>
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<td>PIDG</td>
<td>Private Infrastructure Development Group</td>
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<td>PPA</td>
<td>Power purchase agreement</td>
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<td>PPI</td>
<td>Private participation in infrastructure</td>
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<td>PPIAF</td>
<td>Public–Private Infrastructure Advisory Facility</td>
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<td>PPF</td>
<td>Project preparation facility</td>
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<td>PPP</td>
<td>Public-private partnership</td>
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<td>PQL</td>
<td>PIDA Quality Label</td>
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<tr>
<td>PSC</td>
<td>Public sector comparator</td>
</tr>
<tr>
<td>REC</td>
<td>regional economic community</td>
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<tr>
<td>REIPPPP</td>
<td>Renewable Energy Independent Power Producer Procurement Programme</td>
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<tr>
<td>RIDMP</td>
<td>Regional Infrastructure Development Master Plan</td>
</tr>
<tr>
<td>RMB</td>
<td>Rand Merchant Bank</td>
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<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SDM</td>
<td>Service delivery mechanism</td>
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<tr>
<td>STAP</td>
<td>NEPAD’s Short-term Action Plan for Infrastructure</td>
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<tr>
<td>TAF</td>
<td>PIDG Technical Assistance Facility</td>
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<tr>
<td>TPI</td>
<td>Traditional public investment</td>
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<tr>
<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
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<tr>
<td>WGI</td>
<td>World Governance Indicators</td>
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EXECUTIVE SUMMARY

INTRODUCTION

This study helps the United Nations Economic Commission for Africa (ECA) advance the 2030 Agenda for Sustainable Development and the African Union Agenda 2063. Most African countries have chosen to use public–private partnerships (PPPs) as vehicles to finance an important part of their economic development, particularly infrastructure (see box 1 for a definition of PPP and a discussion of PPP types). The Programme for Infrastructure Development in Africa’s revised Priority Action Plan (PIDA PAP 2) includes many potential regional infrastructure PPPs. The African heads of state approved PIDA PAP 2 in February 2021, but preparing and implementing PPPs has proven difficult. The Covid-19 pandemic has made the challenge of financing infrastructure in Africa, including using PPPs, even more difficult.

The ECA’s goal with this study and related activities is to increase PPP-financed infrastructure projects by enhancing stakeholders’ ability to use PPPs for innovative financing and infrastructure development post-Covid-19. African countries requested this project during the 2018 and 2019 International PPP Forum meetings.

This report examines the status of PPPs in Africa, focusing on six target countries (Côte d’Ivoire, Cameroon, Kenya, Malawi, Uganda and Zambia) and on the prospects for regional and “people-first” PPPs. This report lays the groundwork for more in-depth country diagnostic studies. The following steps will be taken:

- Development of national action plans for PPPs.
- Structure and management of PPPs.
- Technical advisory services in selected countries.
- Module development and training.

PUBLIC–PRIVATE PARTNERSHIPS IN DEVELOPING COUNTRIES

Since the early 1990s, the World Bank’s Private Participation in Infrastructure (PPI) Project Database confirms alternating waves of enthusiasm, disenchantment and consolidation for PPPs in infrastructure. In the late 1980s, the World Bank’s structural adjustment policies fuelled the rise of private participation in infrastructure service delivery. An extended period of decline in PPPs followed the 1997 Asian financial crisis, demonstrating that the private sector could not always be expected to take on and mitigate all commercial risks associated with the provision of essential services. PPPs began to recover in 2004 as mechanisms were developed to reduce private partner risks or better transfer risks to public partners via capital grants, subsidies, political risk insurance and other instruments of risk mitigation. The global financial crisis of 2008–09 had significant impacts on PPI in Africa.

Covid-19 has exacerbated PPP issues in low-income countries. Like previous crises, the pandemic is causing simultaneous external and domestic shocks: decreased export demand; lower commodity prices; reduced foreign direct investment; diminished domestic economic activity, tourism revenues, remittances and tax revenues; rising food insecurity; and increased pressure on governments to contain the virus’s spread. In most low-income countries, sovereign debt levels, which were already near crisis levels, rose.

The experiences of developing countries with PPPs have varied considerably, reflecting differences in GDP, capital market size and depth, and proximity to
From 1996 to 2020, the power sector attracted the largest share of private investment through PPPs in Africa, at around 58 per cent. Almost 90 per cent of that investment was in greenfield concessions, and almost all were IPP projects. Brownfield electricity distribution concessions are rare in Africa, with few projects reaching financial closure between 1996 and 2020. Only 13 management contracts were signed in Africa during that period.
Around 110 transport projects were to conclude in Africa in 2020. More than 60 per cent were brownfield concessions, which involved extending or managing existing ports, roads or railroads. Over $25 billion was invested in these projects. After power, transport is Africa’s second most active PPP sector, accounting for nearly 30 per cent of total infrastructure investment. Seaport container-handling concessions dominated activity in this sector. These are probably Africa’s most viable non-power PPPs.

From 1996 to 2020, over 30 water and sanitation PPP projects, including municipal solid waste projects, were completed in Africa. These investments totalled just over $1 billion, representing less than 1 per cent of total infrastructure investment on the continent.

Over the same period, telecommunications attracted the largest amount of private investment in Africa. Most of that investment is not captured in the PPI Project Database because the activity is between private companies and individual customers.

Since the 1990s, high-profile efforts have been made to identify, develop and implement regional infrastructure projects. While these strategies highlight the enormous challenges of regional infrastructure development, progress on regional PPP projects has been slow. Historically, regional projects have been prioritized for political reasons rather than financial viability, and many project proposals rely solely on outdated engineering studies. In most cases, regional projects are based on the national governments’ strengths and intentions, as they own any projects providing infrastructure services within their borders. However, national governments have often neglected regional projects.

Many of these issues have been addressed in PIDA PAP 2. PIDA project selection now considers regional economic communities and member states as priorities. Project selection uses an integrated corridor approach to ensure that all priority corridor infrastructure facilities promote social inclusion and sustainability.

Another PPP project challenge in Africa is ensuring that people are prioritized in all project benefits. The development community now recognizes that successful “people first” PPPs, which benefit low-income residents of developing countries, do not automatically result from increased private investment or efficiency gains. And as long as private partners are primarily responsible for developing work plans during the bid process and early implementation, effective measures for equitable benefit distribution are unlikely to materialize. People-first benefits are now being identified and addressed at each stage of the project cycle: preparation, procurement and contract management.

The United Nations Economic Commission for Europe’s (UNECE) International PPP Centre of Excellence recommends “quality infrastructure investments” for “people-first projects.” These are valuable principles to keep in mind when designing PPPs. The PIDA’s new focus on social inclusion also helps. Governments must strike a delicate balance between commercial and value-for-people project designs to structure PPPs that maximize people-first benefits.

**PUBLIC–PRIVATE PARTNERSHIP LEGAL AND REGULATORY FRAMEWORK**

International PPP experts agree that consistent and efficient legal and regulatory frameworks incorporating best practices are critical to ensuring successful private investment in public infrastructure. Such frameworks appear to be necessary contributors to the boom in PPP usage, but they do not guarantee the widespread and effective use of PPPs. The World Bank recently conducted a global survey of PPP legal and regulatory frameworks to identify best practices (World Bank 2020b). A list of PPP best practices identified by the World Bank’s 2020 survey is provided in annex 1.

**The preparation of PPP projects** has long been a priority for developing countries. A lack of funding was not the main obstacle to African infrastructure investment by around 2005, but rather a lack of bankable projects—projects with enough time and money invested in proving their viability to a private financier. In all regions, most governments must improve their PPP legal and regulatory framework regardless of the country’s socioeconomic status.

Low- and lower-middle-income countries can improve their **PPP project procurement skills**. Best practices cover tender structuring details such as the minimum recommended period for proposal preparation, timeframes to resolve complaints and the length of standstill periods. Many countries still use outdated tendering procedures despite experts’ recommendations.

**PPP contract management** is the most time-consuming, complex and costly part of the PPP process for governments, but it is often ignored. Governments cannot track the progress of construction projects or the quality of service delivery without a solid PPP contract management framework. Governments must anticipate renegotiation situations and counteract opportunistic contractor behaviour.

**Unsolicited PPP project proposals (USPs)** pose the greatest legal and regulatory challenges. USPs can be useful when potential private partners identify socioeconomically valuable investment opportunities unanticipated by government planning. However,
PRIVATE partners and that the PPP will produce some development benefits, especially for the poor. But taking on more project preparation responsibility means governments and development partners must cover more costs, which can be substantial.

Some governments have responded by setting up project development funds (PDFs). These are usually set up as revolving funds that directly recover project preparation costs from the implementing agency or third parties such as investors and donors. Most low- and lower-middle-income countries cannot establish PDFs and must rely instead on donor-funded project preparation facilities (PPFs). The use of PPFs had risen in developing countries by the mid-2000s. Annex 2 profiles PPFs active in Africa.

The importance of development partners (donors and multilateral development banks) in providing technical and financial assistance cannot be overstated. Few African countries can expect to use PPPs extensively for infrastructure investment without the help of this network of PPFs and development partners.

KEY PERFORMANCE FACTORS FOR SUCCESSFUL PUBLIC–PRIVATE PARTNERSHIP PROGRAMMES

Few developing countries have long-term infrastructure PPPs, but individual project successes are visible across Africa, providing lessons on interrelated performance factors.

High-level political support and leadership. Political leadership has long been critical to the success of African PPPs. Senior officials and political leaders must be willing to tolerate reduced (or eliminated) state-owned utility sector dominance to enable successful PPPs in infrastructure sectors like power generation and water supply. Replacing state enterprises with PPPs means that many traditional benefits of state enterprises are lost, such as highly paid patronage jobs, extra employment and social safety net benefits for lower-income families and the ability to insulate debts and revenue shortfalls from general budgets.

Facilitative investment climate. While a weak investment climate does not preclude successful PPPs, even in Africa’s poorest countries, several positive socioeconomic characteristics encourage private infrastructure investment. An attractive investment climate influences the competitiveness of project bids and, thus, project costs. Governments can use credit ratings and other data sources to identify realistic opportunities for private investment and actions to improve the investment climate in their economies.

Clear and consistent sector policies, plans and regulations. PPP preparation, procurement and management procedures

Disclosure of PPP information is becoming increasingly important for governments to establish credible PPP programmes that are acceptable to taxpayers and ratepayers. However, less than 40 per cent of countries’ post-project preparation information is available online.

PUBLIC–PRIVATE PARTNERSHIP PREPARATION CHALLENGES

The dilemma of procedures vs methodologies. Ex ante PPP project assessments are required in most developing countries, but methodologies are not often specified. For example, 33 of the 39 African countries included in the World Bank global survey of PPP legal and regulatory frameworks require value-for-money analysis for PPPs, but only six specify a methodology (World Bank 2020a). There is no guarantee that best practices are followed or that the same methodology is used consistently for assessments, so analyses cannot be compared. De facto regulatory compliance has been low, meaning that while required, the analyses were not consistently implemented. Other types of analysis are too complex, time-consuming and costly for government officials to use effectively and consistently. Governments must carefully balance user-friendly analyses for civil servants while specifying methodologies for implementing analytical studies, especially ex ante studies required to justify PPPs.

PPP units. PPP units are common institutional elements in developing countries. Following their success in the United Kingdom, Australia and South Africa, many developing countries have used PPP units to regulate PPP project development. By 2020, 35 of the 39 surveyed African countries had established PPP units. However, researchers have had trouble verifying the contributions of PPP units. “There is no real quantitative evidence of the value of centralised PPP coordination units” (Lemma 2013, 17). After reviewing PPP legal and regulatory frameworks, the World Bank concluded that “forming a PPP unit is not sufficient for the success of a PPP program” (World Bank 2020a).

PPP units can confirm and demonstrate a government’s commitment to PPPs, encouraging government officials and the private sector to pursue PPPs. An early PPP study concluded that “the private sector is more concerned to see an established PPP unit within the client organization...” (Ahadzi and Bowles 2004, 976).

Subsidized project preparation. In the 1990s, governments and donors increasingly paid for and managed project preparation. This increases the likelihood that a project will be adequately prepared, benefiting the government owner more than the private partners and that the PPP will produce some development

if not handled transparently and cost-effectively, USPs can lead to resource waste, mismanagement and corruption.

PREPARATION CHALLENGES

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that are part of PPP legal and regulatory frameworks need to be incorporated into a more extensive network of consistent policies and plans that guide project selection and development. An essential element of this broader network is the government’s regular updating and consistent implementation of clear investment policies based on comprehensive sector master plans. Plans must include supply and demand forecasts, cost analyses and contingency planning related to how state-owned utilities are governed; how private participation relates to government provision of services; who is responsible for developing, procuring and negotiating PPPs; and who regulates PPPs (including licensing private providers). PPP programmes currently lack credibility among potential private investors.

Realistic prioritization of PPPs. Prioritizing the most cost-effective actions to improve infrastructure is critical to making the best use of PPPs in sector plans and policies. PPPs are not always the best option. The development community has long urged African governments to address infrastructure issues to reduce inefficiencies by prioritizing asset maintenance, budget execution, management of state enterprises and equitable end-user tariffs. This means that PPPs should be improved before implementation.

Government sharing of PPP costs and risks. PPP projects frequently require measures to improve cash flow and profitability by reducing large cash outflows and strengthening or securing revenue streams. Government partners usually bear more of the project costs and risks, and PPPs are more likely to succeed when the government handles the costs and risks.

Private sector friendly PPP programme design. The South African Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) is an example of a PPP in Africa that attracted private sector interest. Aside from the apparent benefits of size and economic health, the REIPPPP programme has several design features that evaluators found highly effective in attracting and retaining private sector interest (Eberhard et al. 2014). Here are some examples:

- **Potential project profitability.** The REIPPPP started by allowing developers to make reasonable profits. During the first round of bidding, tariff ceilings were set to allow strong equity returns.

- **Multiple bidding rounds.** Change from a one-off tender to a rolling series of bid rounds helped operators and investors gain confidence in the programme while increasing competition.

- **Sovereign guarantees.** The implementation agreements include sovereign guarantees to back Eskom’s (South Africa’s national electricity utility) power purchases from renewable energy projects.

- **High-quality transaction advice.** The government chose experienced local and international transaction advisors to implement the programme.

- **Bankable documentation and efficient tendering.** The government’s programme unit chose local and international transaction advisors.

**PRELIMINARY PROFILES OF PUBLIC–PRIVATE PARTNERSHIPS IN SELECTED AFRICAN COUNTRIES**

Following stakeholder consultations, ECA selected six African countries for in-depth study: Cameroon, Côte d’Ivoire, Kenya, Malawi, Uganda and Zambia. These profiles, available separately, also include each country’s PIDA PAP 2 projects.
1. INTRODUCTION

Study objectives

This study helps the United Nations Economic Commission for Africa (ECA) advance the 2030 Agenda for Sustainable Development and the African Union Agenda 2063. Historically, African countries have struggled to invest adequately in infrastructure. The African Development Bank estimates the continent’s annual infrastructure needs at $130–$170 billion, with a $68–$108 billion funding gap. On the continent, 319 million people lack access to improved, safe and reliable drinking water; 695 million people lack basic sanitation, more than 600 million people lack access to reliable electricity; and only 34 per cent of Africa has accessible roads (AfDB 2020).

Most African countries have chosen to use public–private partnerships (PPPs) to finance economic development, particularly infrastructure. But preparing and implementing PPPs in African countries has proven difficult. The Covid-19 pandemic has made the challenges of financing infrastructure in Africa even more difficult, including using PPPs. Developing critical infrastructure is also a vital component of any post-Covid strategy of building back better.

ECA supports the expansion of PPP-financed infrastructure projects in Africa. In the post-Covid-19 era, ECA has strengthened stakeholders’ capacities to use PPPs for innovative financing and infrastructure development. During the 2018 and 2019 International PPP Forum meetings, six countries in particular requested technical assistance to improve their PPP implementation capacity: Côte d’Ivoire, Kenya, Malawi, Uganda and Zambia.

This assistance, as requested by these countries, has two main goals:
• To help policymakers formulate PPP frameworks that adhere to international best practices.
• To ensure that PPP units select inclusive PPPs and empower local populations, focusing on youth employment and gender equality, by identifying PPPs that create local and sustainable jobs, promote gender equality and help people meet their basic needs, such as for water, energy, transportation and education.

This report is a scoping study of PPP status in Africa. It serves as a foundation for more detailed country diagnostic studies of the six target countries. This scoping study reveals that infrastructure PPPs entail both risks and opportunities. The study also identifies PPP-friendly policies and institutions (regulations, PPP frameworks and guidelines, legal and institutional arrangements and conducive PPP environments). It also covers resource mobilization and PPP financing (PPP project pipelines, resource mobilization strategies, identification of international partners, and greater availability of local financing for PPPs).

Next steps

This scoping study is the first of several steps that ECA expects to take to meet the above objectives fully:

Preparation of PPP country diagnostic reports. Using the template in annex 3, six national consultants will develop detailed country-based PPP diagnostic reports to guide future actions.

Developing national action plans for PPPs. Consultants will prepare country action plans for PPP implementation, prioritizing infrastructure sectors for pilot PPPs and covering short-, medium- and long-term measures. Each country’s plan will include a roadmap and a description of key stakeholders’ roles in implementing the roadmap.

Structuring and managing PPPs. Consultants will help implement the action plans, providing practical advice and guidance for officials on the following topics:
• The regulatory framework for PPPs and feasibility and procurement regimes.
• Standardized PPP provisions and contract management.
• Project finance structures and project documentation.
• PPP project risk assessment and allocation.
• Understanding of the role of PPP transaction advisors.
• Types of PPPs, including models.
• Project simulation.
• Other critical capacity issues as identified in the national action plans.

Technical advisory services to selected countries. Country-specific advice will be provided based on each diagnostic report’s findings and national plans. Depending on each country’s needs and priorities, technical advice would be given at various levels and priorities covering PPP policy and regulatory assistance, PPP project selection and PPP framework establishment, among other topics.

Module development and training. Providing tailored, experience-based training for selected government officials, informed by country-level PPP capacity deficit assessments.

2. PUBLIC–PRIVATE PARTNERSHIPS IN DEVELOPING COUNTRIES

This section introduces the concept of private participation in infrastructure (PPI), which is widely used in developing countries. This discussion covers the history, current status, emerging trends and lessons of PPPs and PPI.

Types of public–private partnerships and other forms of private participation in infrastructure

There is no single authoritative definition of a PPP, and many terms are used to describe the privatization of public services. This report defines PPPs as risk-sharing relationships in which a legal contract assigns public service delivery responsibilities to a private entity. The PPP contract divides the risks and rewards of providing public services between private entities and public owners or sponsors. The private entity’s compensation can vary depending on performance.

It is essential to distinguish between PPPs and other forms of PPI (box 2.1). The most visible form of PPP involves a private entity investing in and operating assets used for service delivery. Public service delivery is expected to benefit from private sector efficiency and expertise in financing and building (or renovating) public assets. These PPP contracts, also known as concessions, must be long-term for the private entity to recoup its investments through service sales. An example is a water distribution concession. After rehabilitating and expanding assets, a private company manages water distribution to customers and recoups its investments through user fees.

Brownfield PPPs involve rehabilitating or expanding existing assets (for example, an existing power transmission line or water distribution system), while greenfield PPPs involve the design and construction of new assets (for example, a new power plant or bulk water infrastructure). There are two main ways to compensate a private partner in a PPP: through commercial retail sales to customers who directly pay the private partner or through periodic (usually annual or semi-annual) government or public utility payments for the private provider’s wholesale sales, known as “unitary” or “annuity” payments.

An independent power producer (IPP) is a slightly different but widely used form of concession in the power sector. An IPP builds a new (greenfield) plant and, while the assets can be private, the IPP must sell the power wholesale to the government or a government-owned utility. IPPs typically require a power purchase agreement (PPA) between the private generator and the government buyer of wholesale power. Another form of PPP is a contract requiring private management of public services without a significant capital investment. Private entities do not need long contracts to recoup their investments. A management contract, for example, would allow a private entity to manage (but not invest in) a public utility. The private entity would be paid annually by the government rather than by customers.

There are two other types of PPI projects that are distinct from PPPs. The first is divestiture or selling government assets to a private company; the sale itself is not a PPP. In some cases—such as a power plant sold to a private company that signs a PPA to sell the power back to the government for retail sale to customers through a government-owned distribution utility—those assets may qualify as a PPI (this would be a brownfield IPP). The second type is a merchant project in which a private company owns, builds and operates assets at risk without a government commitment to buy services. It is common for merchant projects to operate in liberalized markets where the sale of services is unrestricted by a PPP contract with the government. In many cases, non-PPP options like divestitures and merchant projects are less risky for private companies. But both (especially merchant projects) are rare in Africa and differ from PPPs. These other PPI projects are important ways the private sector can contribute to infrastructure services and will be discussed in this report.

Track record of public–private partnerships

Since the early 1990s, the World Bank’s Private Participation in Infrastructure (PPI) Project Database confirms alternating waves of enthusiasm, disenchantment and consolidation for infrastructure PPPs. Figure 2.1 shows PPP-related investments in 51 countries eligible for International Development Association (IDA) support—developing countries with gross national income per capita below $1,215—as well as 57 non-IDA-eligible countries. (‘Blend’ countries are excluded.) The two groups of countries performed very differently.
In the late 1980s, the World Bank’s structural adjustment policies fuelled the rise of PPI service delivery. By the end of the decade, concerns about poorly planned state involvement in essential service delivery prompted a return to an economic policy framework that placed a greater emphasis on market-based private provision of these services. In the mid-1990s, PPP use spiked in developing countries.

The Asian financial crisis of 1997 demonstrated that the private sector could not always be expected to take on and mitigate all commercial risks associated with providing essential services. Furthermore, assigning project risks to the public sector did not guarantee effective risk management. PPPs began to recover in 2004 as mechanisms were developed to reduce private partner risks or better transfer risks to public partners through capital grants, subsidies, political risk insurance and other measures. In recognition of the high costs of preparing sustainable, large-scale PPPs in developing countries, fewer brownfield projects (which turned out to be much riskier than expected) and fewer large-scale projects were undertaken after the Asian financial crisis.

The Asian financial crisis had little impact on the PPI market in Africa because there were so few PPI projects in Africa in 1997. However, the global financial crisis that began in 2007 hit Africa hard. During the mid-2000s, project-financed PPPs boomed in Africa as increased financial liquidity in developed country markets flooded into emerging markets, allowing international lenders to make riskier loans. Then, as the global financial crisis spread, international lenders had less money to lend on a project finance basis in riskier emerging markets. Large projects in middle-income countries like Brazil, China and India encouraged state-owned or state-controlled banks and development
finance institutions (DFIs) to replace retreating commercial banks, keeping global PPI investment numbers high during the global financial crisis.

The Covid-19 pandemic exacerbated PPP difficulties in developing countries, particularly in low-income countries, where the pandemic has caused simultaneous external and internal shocks: lower export demand, commodity prices, and foreign direct investment, along with reduced domestic economic activity due to shrinking tourism revenues, remittances and tax revenues and rising food insecurity (Morris 2020). In most low-income countries, sovereign debt levels, already near crisis levels, rose.

The pandemic’s impact on PPI remained strong in early 2021 as the impact on demand and operations resulted in significant revenue losses and slowed construction for existing infrastructure projects and hampered access to private financing for new projects. While obtaining PPP finance in developing countries has always been difficult, several key traditional sources have nearly vanished [see 2nd bullet, which says “increased”] due to impacts of the pandemic:

- **Direct government investment**, which accounted for 25 per cent of total funding for private participation projects in 2017 (World Bank 2017). As many governments increasingly used own-source revenues (taxes and user fees) to service international debt obligations during the pandemic, they stopped supporting both existing and new infrastructure PPPs.

- **Government guarantees and other contingent liabilities** required to close projects. This “hidden debt” would add significantly to developing countries’ actual debt obligations if called upon in times of economic distress. These obligations can exceed 10 per cent of GDP (Griffiths 2019). As the pandemic spread, this indirect financial support for private infrastructure investment increased.

- **Private sector lending to private PPP partners**. Private capital has also been reduced due to the debt crisis in developing countries. Private sector debt accounts for up to 40 per cent of total long-term external debt in these countries (Bolton et al. 2020). External and domestic economic shocks have harmed private borrowers’ creditworthiness, discouraging new lending.

- **Bilateral funding and financing agencies** were affected as a result of large budget deficits and urgent investment needs in advanced economies.

Private investment fell by 56 per cent in the first half of 2020 compared to the same period in 2019 (Diop 2021). Investment levels continued to fall in 2021, which makes identifying the most efficient and effective ways to catalyse private finance even more urgent.

**Public–private partnership performance by region, sector and type**

The experiences of developing countries with PPPs vary widely owing to differences in GDP, capital market size and depth, and proximity to project finance institutions in Europe and North America (figure 2.2).

**Regions**

In the late 1990s, Latin America, a predominantly middle-income region, was the most active region for PPPs. While PPPs in Eastern Europe and Central Asia grew slowly in 2004, European banks began to finance EU-related investments, the
global financial crisis hit in 2007 and investment fell sharply. South Asia saw tremendous PPP growth beginning in 2005 but a sharp decline in investment starting in 2010 as operational issues with projects surfaced. East Asia was a leading PPP region in the early to mid-1990s. After the global financial crisis, the region soared. But much of this growth is driven by government support for projects. The Middle East and Africa regions have historically been the least active regions in PPPs, with far fewer projects than in other regions.

**Sectors and types**

Between 1990 and 2020, PPP investments focused primarily on the power and transport sectors, which together have accounted for over 90 per cent of PPP investments (see figure 2.2).

*The power sector* commands 52 per cent of total investment and 54 per cent of total projects. Nearly 77 per cent of power projects are solely power generation (figure 2.3). The vast majority are IPP projects. These projects are usually project financed, meaning that they are heavily indebted, with limited or nonrecourse loans to special-purpose vehicles and backed by long-term power purchase agreements (PPAs) signed by government power utilities. PPAs are highly technical documents that guarantee lenders that power will be purchased regularly at specified prices. Privately owned (or concessioned) brownfield power generating facilities can also be classified as IPPs. In most developing countries, including almost all IDA-eligible countries, the purchaser (or off-taker) of power is a monopolistic state-owned utility that distributes power to customers.

Brownfield retail electricity distribution concessions account for only 6 per cent of total sector investment in developing countries. In IDA-eligible countries, the private sector considers such projects to be extremely risky. Rehabilitating and expanding distribution networks require capital investment, recouped by selling power to thousands of customers at prices set by government regulators. However, in developing countries, “independent” regulation rarely means that highly contentious political considerations will not influence price-setting or allow concessionaires to recover costs.

*The transport sector* trails the power sector in the share of both total PPP investment (39 per cent) and number of projects (28 per cent). Over half (51 per cent) of investment in transport is in road projects, mostly toll roads (figure 2.4). Non-IDA-eligible countries use toll roads widely. In 2013, toll road investments fell sharply in South Asia and Latin America, affecting total private infrastructure investment in developing countries. In IDA-eligible countries, toll roads make little sense because...
traffic is so sparse. Only 10 per cent of Africa’s total continental road network has sufficient traffic density to support traditional user-pay toll roads. In addition to collecting tolls or petrol taxes, governments can pay private partners through shadow tolls or other payment mechanisms. But most IDA-eligible governments lack the cashflow to take on such liabilities.

Only 18 per cent of PPP investments in transport are in rail concessions. The viability of these projects viability often depends on transportation regulations. Rail projects focusing on profitable freight services attract the private sector, whereas passenger services must often be subsidized. Unregulated road traffic tends to take freight business away from railways, usually at the expense of road quality, so rail concessions are much more attractive when governments restrict heavy vehicle road transport. However, profitability has led to renegotiations in many African countries.

Seaport container handling concessions accounted for just over 13 per cent of total transport PPP investments. These projects have dominated PPP activity in IDA-eligible countries and may be Africa’s most commercially viable PPPs. Ports are attractive to the private sector because they can generate hard currency revenues. The landlord port model is gradually spreading in IDA-eligible countries. Project cancellations or delays are rare, especially with container concessions and expected performance improvements.

In the information and communication technology (ICT) sector, investment has come from merchant projects or divestitures of telecom companies, non-PPP arrangements that do not involve contractual risk-sharing between public and private partners. As the global telecommunications sector liberalizes, private investments often cease to be classified as PPI and thus vanish from the World Bank’s PPI Project Database. In ICT, non-PPP private participation generates more investment (nearly six times). In low-income countries, prepayment systems secure revenue streams for ICT projects such as cellular systems. These projects use mass-produced technology, have low capital costs and benefit from unregulated tariffs.

PPPs were once the only legal way for the private sector to participate in ICT projects in countries that allowed only state-owned telecommunication services. But it is becoming more apparent that state ownership or control of ICT service providers is counterproductive. Promoting liberalized ICT markets and neutral regulation and policies through PPPs is increasingly difficult. However, IDA-eligible countries can still use PPPs in the ICT sector, and PPPs can promote universal coverage for ICT services that state-owned monopoly ICT utilities cannot afford. Increasing the number of mobile operators and liberalizing access to international gateways should help to reduce the role of PPPs in the telecom sector (Williams et al. 2011).

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The water, sanitation and municipal solid waste sector accounts for only 5 per cent of PPP investment in developing countries, despite the urgent need for investment to expand and improve services. Sustainable PPPs in this sector commonly involve new water or waste treatment or storage facilities. In the 1990s, the development community hoped for standard brownfield water concessions with substantial private investment and commercial operation (Kerf et al. 1998). Since the Asian financial crisis of 1997, such projects have become rare, even in IDA-eligible countries. Water concessions have had limited success in Africa, except in Gabon and South Africa.

However, greenfield concessions, such as water treatment plants and management or lease contracts that prioritize operational efficiency and service quality over private investment, are still used in the sector. Government and donor funding is sometimes linked to management or lease contracts. West Africa has used affermage contracts (where government asset holding companies invest) or annual cash flows (Côte d’Ivoire and Mali). Water, sanitation and solid waste is the most difficult sector for PPPs to generate private capital investment (Marin 2009). This is particularly the case in Africa, where government ownership, financing and management will likely continue to be the norm.

3. PUBLIC–PRIVATE PARTNERSHIPS IN AFRICA

Types of public–private partnerships

An overview of Africa’s PPP project contracts and non-PPP projects (divestiture and merchant projects) can be built using data from the PPI Project Database (table 3.1).
Between 1996 and 2020, the power sector attracted the most private investment through PPPs in Africa, at around 58 per cent. Almost 90 per cent of that investment was in greenfield concessions, and almost all was in IPP projects. Hydropower IPPs are urgently needed in Africa, where 93 per cent of economically viable hydropower potential (roughly 10 per cent of the global total) remains untapped. Despite large amounts of concessional financing available from donors and multilateral development banks (MDBs), hydropower projects are especially challenging. The World Bank currently has two dozen hydropower projects in its pipeline, but only a few will be completed soon [source?].

Brownfield electricity distribution concessions are rare in Africa, with few projects reaching financial closure from 1996 to 2020. These are considered risky projects for private investors, especially in developing countries. Cost-reflective tariffs, enforceable rights to disconnect non-paying customers and connection subsidies for the poor (and probably some cross-subsidization of tariffs) are all successful distribution concessions.

From 1996 to 2020, only 13 management contracts were signed in Africa. Normal PPP risks are significantly reduced in these arrangements because they require little or no investment. Despite this and the potential for such contracts to improve power system efficiency, PPPs present a paradox in Africa in all sectors where they are used. While these contracts and contractors appear to perform well, they often disappoint customers and government parties because they cannot address, let alone solve, broad sector problems caused by a lack of investment, regulation or policy.

Other types of PPI projects, such as merchant power projects and divestiture of power companies, are used in Africa but not elsewhere in the developing world [sentence seems to be contradicted in the rest of the paragraph]. From 1996 to 2020, such projects accounted for roughly 30 per cent of PPI power investment in developing countries but only 4 per cent in Africa. Since the 1990s, these arrangements have surpassed traditional PPPs in all sectors because they typically involve lower risks for private partners while often achieving the same results. Merchant power projects and divestiture allow for a continuing public–private relationship in a facility’s management without the risks associated with brownfield concession contracts. While appealing as alternatives to PPPs, such arrangements depend on liberalized power markets (for merchant plants) and capital markets that allow for power company privatizations/divestitures through share sales. Neither condition is found in Africa.

After power, transport is Africa’s second most active PPP sector, accounting for nearly 30 per cent of total infrastructure investment, at $25 billion, and with 110 projects ending in 2020. These included over 60 per cent brownfield concessions, which involved extending or managing existing ports, roads or railways. Seaport container-handling concessions, which are probably Africa’s most viable non-power PPPs, dominate activity in this sector. Rail concessions are fairly standard, but they usually involve little private rail or rolling stock investment. Operators will be fully compensated for “undepreciated” assets at the end of the concession period because they doubt it [what does “it” refer to?]. This is a common issue with investments in assets with a 50-year life span. Except in South Africa and a few other transport corridors, the lack of traffic limits the development of toll roads in Africa.

From 1996 to 2020, over 30 water and sanitation projects were completed in Africa, with total investments of just over $1 billion, or less than 1 per cent of infrastructure investment on the continent. These PPPs were mostly management or lease contracts, requiring little or no capital investment.

Telecommunications has seen the most private investment in Africa over the last 25 years, but most of that investment is not included in the World Bank’s PPI Project Database because of its commercial nature. The database does show investments in
Regional public–private partnerships in infrastructure in Africa

Regional integration has been a top priority in Africa for many years, spawning a complex network of cross-border organizations. Regional and continental bodies advocating for regional integration through infrastructure development include the African Union Commission (AUC), African Union Development Agency–New Partnership for Africa’s Development (AUDA–NEPAD), ECA and the African Development Bank (AfDB). These organizations have worked in Africa since the late 1990s to identify, develop and implement regional infrastructure projects.

Regional or cross-border PPPs (PPPs involving two or more governments) could address many critical infrastructure issues in Africa. For example, Africa has a serious lack of electricity generating capacity. Countries with fewer power resources could import power from neighbours with more resources than they need for their own domestic use. Another issue is the small size of African PPPs, which makes them unattractive to many international companies because of the time and resources required to prepare projects. The AU, World Bank and G20 have recommended large regional infrastructure investment. ECA also promotes regional PPPs. The primary goal of this current ECA project is to promote PPPs to implement Africa’s regional infrastructure priority projects, especially PIDA PAP 2.

NEPAD released its Short-term Action Plan for Infrastructure (STAP) in 2002, identifying 40 regional investment projects that could attract private investors, half of which were regional transport projects. By 2005, the slow progress of STAP highlighted the need for a better understanding of African regional infrastructure. The issue came up at the 2005 G8 Summit in Gleneagles. Together with NEPAD, AUC, regional economic communities (RECs) and ECA, the AfDB agreed to commission a study on regional infrastructure investment needs. This work resulted in the PIDA, approved by the heads of state in 2012. The first PIDA PAP included 433 regional infrastructure projects, mainly in the energy and transport sectors, followed by ICT and transboundary water resources.

RECs updated and implemented their regional infrastructure development programmes as PIDA was implemented. The heads of government of the Southern African Development Community (SADC) approved the Regional Infrastructure Development Master Plan (RIDMP) in 2012, derived from 98 projects in six development clusters (energy, water, transport, meteorology, tourism and ICT). RIDMP’s first phase was NEPAD STAP (2012–2017). The Medium-Term Action Plan phase ends in 2022. The SADC Project Preparation and Development Facility, established in 2006, is expected to help prepare these projects. The enormous challenges of regional infrastructure development in Africa are highlighted. The NEPAD STAP evaluations from 2002 to 2010 identified significant problems affecting regional project implementation. Overall, PIDA PAP 1 project progress was slow, as was RIDMP. By 2019, only 5 per cent of the RIDMP projects had been completed.

Attempts to prepare regional projects in Africa have had similar issues. In the original NEPAD STAP of 2002, most projects were prioritized for political reasons rather than for consideration of (public or private) financial viability. Many projects, backed up by outdated engineering studies, began as public projects. When public money ran out, and private options had to be considered, most of the project preparations did not meet private sector requirements.

The NEPAD STAP evaluations found that regional projects rely heavily on the national governments involved—the owners of various projects providing infrastructure services within their borders. Large projects require dealing with sovereign governments, not supranational entities. Even though SADC plans to establish a regional development fund, regional organizations such as the RECs rarely own or control infrastructure projects. The funding restrictions applied by RECs to regional projects are significant. Like the private sector, these institutions prefer relationships with sovereign governments and define regional projects to highlight sovereign governments’ leading roles.

Economies of scale are frequently cited as a factor that should reduce preparation costs. However, even where economies of scale exist, the costs of preparing large transformational PPP projects are enormous. PIDA PAP 1’s 14 regional power sector projects cost an average of $2.9 billion (AUC 2012). According to standard estimates, preparing projects of that size could cost up to $430 million, with the governments and their development partners responsible for roughly one-third of that cost ($140 million). Project development costs tend to be higher for PPP projects than for conventional public procurement projects, requiring more complex contracts, negotiations and upstream preparation. Many low-income countries lack specific PPP legislative frameworks or clear procedures for awarding PPP contracts. To implement a large regional project, sponsors must obtain multiple licenses, permits and authorizations from multiple national and local authorities. If one or more key permissions are not obtained, it becomes even more difficult to assign these licenses, permits and authorizations to the project financiers as security under the financing arrangements. (See the discussion of PPP project preparation in section 4, below.)

In the developing world, PPPs involving two or more governments are rare. Only 14 cross-border infrastructure PPP projects have been recorded in the World Bank PPI Project
Database since 1996 (table 3.2). Five were gas pipelines, and three were power plants (IPPs). Africa has the largest number of PPPs. None of the cross-border PPPs in other regions involve low-income countries.

Several innovative project design and development strategies on this list could be applied to future regional projects. For example, to build the Kenya–Uganda rail link, Kenya and Uganda signed two separate but coordinated concession contracts that meet and interconnect at the border. It took longer to prepare the two national legal and regulatory frameworks than it would have for separate projects because the two projects needed to be harmonized to “mirror” each other. The West African Gas Pipeline was developed by a joint venture between private companies and governments. The resulting PPP was structured as a “corporate-financed” project, with participating governments providing equity and shareholder loans rather than expensive outside sources. An example of a middle-income country (South Africa) partnering with a low-income country (Mozambique) was the N4 Toll Road concession. South Africa agreed to lead on more complex technical and financial decisions to make the project viable. The N4 PPP benefited from the coordinated and robust support of two visionary leaders. For many developing countries, especially in Africa, PPPs are urgently needed to facilitate cross-border trade and travel. These projects are small and simple in design, but they generate considerable economic benefits. A border-post project in Africa is also being planned.

Regional infrastructure projects that benefit two or more countries do not have to be structured as multicountry PPPs, as the World Bank’s PPI Project Database defines them. Many single-country PPP projects benefit multiple countries. An example would be a large power generation project that is owned by one country but developed to sell power to neighbouring countries via new or existing interconnections. Similarly, many PPPs are implemented by a single country as the first stage in developing corridor infrastructure that will eventually cross borders. These facilities are expected to benefit other countries through trade, transport or communication, but they are typically “owned” by just one country.

Finally, regional infrastructure projects need not be PPPs. Governments can fully fund and operate them, or the private sector can fully fund and operate them. In the second case, this means a private company builds, operates and owns the assets.

**TABLE 3.2** Cross-border public–private partnerships in developing countries, 1996–2020

<table>
<thead>
<tr>
<th>Region</th>
<th>YEAR</th>
<th>Countries</th>
<th>Income group</th>
<th>Project name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Mozambique, South Africa</td>
<td>Low, Upper middle</td>
<td>N4 Toll Road – Mozambique–South Africa</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Mali, Senegal</td>
<td>Low, Lower middle</td>
<td>Dakar–Bamako Railway</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Mozambique, South Africa</td>
<td>Low, Upper middle</td>
<td>Mozambique – South Africa Gas Pipeline</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>Nigeria, Togo, Benin, Ghana</td>
<td>Lower middle, Low, Lower middle</td>
<td>West African Gas Pipeline Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>Kenya, Uganda</td>
<td>Lower middle, Low</td>
<td>Kenya–Uganda Railways</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>South Africa, Zimbabwe</td>
<td>Upper middle, Low</td>
<td>Beitbridge Border Post</td>
</tr>
<tr>
<td><strong>East Asia and the Pacific</strong></td>
<td>1996</td>
<td>Lao PDR, Thailand</td>
<td>Lower middle, Upper middle</td>
<td>Houay Ho Hydro Power Project</td>
</tr>
<tr>
<td></td>
<td>1996</td>
<td>Lao PDR, Thailand</td>
<td>Lower middle, Upper middle</td>
<td>Theun Hinboun Hydro Power Plant I</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>Myanmar, Thailand</td>
<td>Lower middle, Upper middle</td>
<td>Yetagun Gas Pipeline</td>
</tr>
<tr>
<td><strong>Europe and Central Asia</strong></td>
<td>2001</td>
<td>Russian Fed., Türkiye</td>
<td>Upper middle, Upper middle</td>
<td>Blue Stream Gas Pipeline</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>Georgia, Türkiye</td>
<td>Lower middle, Upper middle</td>
<td>Georgia Urban Enerji Ltd. (Hydropower Plant)</td>
</tr>
<tr>
<td><strong>Latin America and the Caribbean</strong></td>
<td>1996</td>
<td>Argentina, Brazil</td>
<td>Upper middle, Upper middle</td>
<td>Santo Tome – São Borja Toll Bridge</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>Bolivia, Brazil</td>
<td>Lower middle, Upper middle</td>
<td>Bolivian Brazilian Gas pipeline</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Argentina, Brazil</td>
<td>Upper middle, Upper middle</td>
<td>Companhia de Interconexão Energética (Electricity Transmission)</td>
</tr>
</tbody>
</table>

at its own risk, without a prior government commitment to buy the services. The merchant project’s private owner negotiates sales agreements with willing government or private sector customers. The World Bank no longer classifies fibre-optic cable projects that sell ICT services to multiple governments or private customers as PPPs.

Many of these ideas for regional projects have been incorporated into the revised PIDA PAP 2. In April 2019, one-third (23) of these projects that benefit multiple countries had a single government owner. The project profiles in section 7 include approved PIDA PAP 2 projects involving each of the six countries in this study.

Challenges facing “people-first” public–private partnerships

If a PPP attracts investment or improves efficiency, it can improve service quality, lower costs and broaden service access. While the claim is often made that the private sector can deliver infrastructure services in low-income countries, such projects rarely increase access to services for low-income families unless they are carefully planned, procured and managed.

A 2009 World Bank study was among the first to show that PPPs are rarely structured in a way that ensures that people receive the most benefits (Gassner et al. 2009). The study compared average annual values for performance indicators before and after private sector involvement (through PPPs or privatization) in water and electric utilities. Although private involvement increased efficiency, it did not result in an equitable distribution of project benefits. For example, increased labour productivity correlated with reduced staffing for water and electricity: private participation reduced employment by 24 per cent in electricity and 22 per cent in water. Government-run utilities employed far more people than privately owned utilities to provide the same level of service. In addition, lower costs did not translate into higher investment or lower prices. It is unclear why. Perhaps user tariffs were already so low that even huge efficiency gains could not justify price cuts. Another possibility is that private operators took advantage of lax regulatory oversight to keep all the profits rather than pass them on to customers or use them for operation and maintenance. This second possibility raises concerns about the long-term viability of PPP gains.

A 2012 review of PPP research concluded that improvements in investment and efficiency in telecommunications (mainly due to technological advances) benefited everyone by increasing access, affordability and service quality (Estache and Philippe 2012). In most other sectors, however, customers and governments rarely benefited from any efficiency or investment improvements. “For the most successful projects, unless regulation works, efficiency gains become rents, which fuel conflicts between governments, users and operators” (p. 16). For example, in cases where private partners are primarily responsible for developing work plans as part of the bid process and later during the early stages of implementation, the development community now recognizes that benefits do not automatically result from increased private investment or efficiency. In such cases, effective measures are unlikely to be taken to ensure the equitable distribution of benefits.

How can PPPs be structured to maximize developmental benefits? The UNECE International PPP Centre of Excellence recommends several project criteria to ensure quality infrastructure investments for people-first projects:

- **Improving access and promoting equity**, which means increasing people’s access to essential services like water, sanitation and energy, especially for the most vulnerable people. People-first PPPs should also promote social justice and make essential services available to all without regard to race, creed or any other personal characteristic.

- **Improving environmental sustainability**, which means cutting carbon emissions to move to a green economy.

- **Improving project economic effectiveness**, which means making projects more successful by achieving value for money and having a measurable impact by removing a barrier or creating a new mechanism for integrating groups into the global marketplace.

- **Be replicable**, which means that PPPs can be repeated and scaled up to achieve the transformational impact required by the 2030 Agenda for Sustainable Development. This criterion implies that local staff and governments have received the necessary training to do similar projects going forward.

- **Engage all stakeholders**, which means directly involving in the PPP project those who might be affected directly or indirectly in the short or long run.

Also critical is convincing the public, civil society organizations and private customers of PPPs’ value and credibility.

For PPPs to be commercially viable, several principles must be understood:

- **The costs and benefits of commercial PPPs have not been as expected**. PPP project operational costs have exceeded expectations, as have profits. Preparation costs were much higher than expected in the 1990s and higher than traditional public procurement. People-first PPPs may be even more costly. Potential solutions to consider include higher government support contributions, higher service prices, cross-subsidization and lower private sector profit margins.
• **PPPs are difficult to implement in developing countries**, and all parties must accept the possibility that contracts will need to be renegotiated at some point. A seminal paper on PPP microeconomics identified three key features: task bundling, risk and responsibility sharing and long-term contracts (Iossa and Martimort 2015). Other studies have noted that such PPPs are challenging to renegotiate and costly (Ross and Yan 2015). However, it is difficult to accurately forecast necessary changes. All the risk mitigation measures needed to deal with inaccurate or incomplete forecasting over the contracts’ long-life spans are rarely in place when contracts are signed. Forecasting must be improved to make people-first PPPs viable, and contracts must be more flexible to accommodate changes required to ensure appropriate levels of customer benefits.

• **PPP contracts are more sustainable if anchored in environments with predictable and robust demand, mature technology, well-established legal and regulatory framework, political stability and public sector administrative competence and consistency**, according to development institutions such as the World Bank (Fatokun et al. 2015; Galetovic et al. 2017; Guasch 2004). The Independent Evaluation Group of the World Bank concluded that for PPPs between 2002 and 2012 “country maturity drives PPP success” (IEG 2015, 73). Of course, such maturity is rare in developing countries, especially the poorest, where politics is volatile, and demographics are changing rapidly. PPPs frequently require multiple adjustments and renegotiation. Again, to make people-first PPPs sustainable, contract structures that can be amended and renegotiated during project implementation must be anticipated.

Governments and their PPP units need to strike a delicate balance between project designs that generate commercial value for money and those that emphasize value for people to create PPPs that meet UNECE standards. Developing desirable people-first characteristics for planned PPPs will be critical to ensuring that such characteristics are consistently targeted as essential project elements. PIDA PAP 2 criteria on social inclusiveness and sustainability features in the planning and selecting of regional infrastructure projects are a helpful guide in identifying people-first characteristics. Examples of such criteria are employment, gender sensitivity, climate sensitivity, urban-rural connectivity and economic and financial attractiveness.

4. **LEGAL AND REGULATORY FRAMEWORKS FOR PUBLIC–PRIVATE PARTNERSHIPS**

International PPP experts agree that a consistent and efficient legal and regulatory framework incorporating best practices is critical to successful private investment in public infrastructure. Such frameworks do not guarantee the widespread and effective use of PPPs, but they appear to be necessary for enabling PPPs to thrive and to be used frequently.

This section’s discussion is based on a World Bank global survey of PPP legal and regulatory frameworks that evaluated regulatory quality in PPP project preparation, procurement, contract management, treatment of unsolicited proposals and information disclosure in 140 countries (World Bank 2020a). An international network of 1,200 PPP experts (researchers, private sector practitioners, public sector experts and others) identified the critical quality measures. The survey covers 140 economies worldwide, including 39 African economies and 27 OECD countries. Critical elements of a PPP regulatory framework may overlap with a general public procurement framework. This section uses the PPP regulatory framework defined in the World Bank global survey. Legal texts governing or setting precedents for PPPs are included in the definition (World Bank 2020a). But this legal-regulatory framework definition needs three qualifiers.

• The World Bank survey focuses on PPP contracting rules and procedures rather than higher-level PPP policies. Policies are rules or instructions for implementing PPP projects, enforced as laws or regulations. PPPs are not referred to in policy statements or government plans to use PPPs for infrastructure service delivery.

• A PPP regulatory framework does not necessitate a separate PPP law defining PPP-specific requirements. Like PPP policies, the World Bank agrees that such a PPP law is not linked to successful PPP use. An integrated regulatory framework is required (particularly in public procurement laws and regulations). Many countries with mature PPP markets have developed successful PPP programmes using general procurement regulations with PPP-specific guidelines. Australia is one.

• As discussed earlier in this report, the World Bank study does not address specific legal and regulatory provisions for regional PPP projects. Following the approval of PIDA PAP 2 in February 2021, the summaries below conclude with comments on the relevance of World Bank survey results for regional projects.

**Preparation**

The preparation of PPP projects has long been a priority for developing countries. By the mid-2000s, a lack of funding was not the main obstacle to African infrastructure investment. There was also a lack of bankable projects, projects with sufficient time and money invested in proving their financial viability to private financiers. Many projects in Africa in the 2000s lacked a detailed benefit–cost analysis or sustainability assessment (Leland and Roberts 2007). PPP experts now advise dozens of steps to justify PPP options for infrastructure projects, including assessments and analyses. (The best practices for PPP project
preparation identified in the World Bank’s 2020 global survey are in annex 1.)

Many governments recognize the need for better rules on PPP project preparation. The World Bank survey data show that the most significant improvements in PPP reform occurred between 2018 and 2020. Regardless of region or socio-economic status, most economies must improve their PPP legal and regulatory framework. Environmental impact assessments are now required for PPP projects in 97 per cent of the 140 countries surveyed by the World Bank. In three-quarters of these countries, PPPs must be compared to traditional public investments using techniques such as value-for-money analysis. But only half of these economies specify the method to be used for these assessments. So, in most of the countries, there is no guarantee that every PPP project gets the same value-for-money analysis. There are regional differences in PPP preparation rules (figure 4.1).

Market-sounding techniques are among the least used best practices in low- and lower-middle-income countries; only 4 per cent of countries employ this practice. The use of market-sounding techniques is encouraged to gauge private sector interest in projects and to motivate the private sector to propose ideas for technological alternatives or innovation. Some measures seem to be applied inconsistently. More than two-thirds of countries require CBA (write out in full) approval before PPP tendering; however, only one-third require CBA approval before signing PPP contracts.

Regional PPPs. Preparation of regional PPP projects can be challenging because of their size and complexity. Inga III, a 4,500 megawatt (MW) regional IPP project in the Democratic Republic of the Congo (DRC), was expected to transmit power to several other countries (BNP Paribas 2009). The consultants estimated that multiple loan sources would be required: four MDBs, six DFIs, several export credit agencies and Chinese policy banks. Inga III’s size and complexity made preparation difficult, as the DRC at the time lacked a legal and regulatory framework capable of dealing with regional PPPs of such size and complexity. The project would require multiple approvals from dozens of DRC officials, and the administrative process alone would take years to complete.

Regional projects “owned” by a single government must first consider that country’s project preparation rules. However, consultation and coordination are required if the project’s commercial viability depends on multiple countries. The Kenya–Uganda rail concession, for example, consisted of two separate PPPs merged at the border, and each project could stand alone. An “interface agreement” between the two governments formalized coordination of the two PPPs. A formal multigovernment project company is usually created to ensure coordination in cases of multiple government owners or single-owner PPPs that require cross-border cooperation. In 2003, the DRC’s power utility formed the Western Power Corridor Company (Westcor Ltd) with four other southern African utilities to develop the project. Westcor agreed to fund technical pre-feasibility, feasibility, and environmental impact studies. However, Westcor’s country shareholdings were never more than $100,000, severely limiting Westcor’s work. Westcor was disbanded in 2015 and replaced by a ring-fenced DRC development agency (Agency for the Development and Promotion of Grand Inga). To prepare for Inga III, the agency coordinated private and public funding, with a board of directors representing key stakeholders.

Other large multiowner regional PPPs have created stakeholder project development agencies to manage and coordinate preparations.

FIGURE 4.1 Preparation of public–private partnerships, scores by region, 2020

Note: Scores are based on responses to standardized questionnaires and follow-up questions. Scores are aggregated for each thematic area based on international best practices: preparation, procurement, contract management and unsolicited proposals and information disclosure. The same weight is allocated to all benchmarks. Possible scores range from 0, worst, to 100, best.

project preparation. In addition to the interests of Mozambique and South Africa, the Maputo Corridor Company represented the private sector and other critical stakeholders in the Maputo Toll Road concession. The two governments signed a second protocol to prepare the toll-road concession contract documentation and handle the tender process for selecting a private operator. The West Africa Gas Pipeline was developed by a PPP.

**Procurement**

There is room for low- and lower-middle-income countries to improve their PPP procurement practices (figure 4.2). Tender structuring details such as the minimum recommended period for proposal preparation, timeframes to resolve complaints and the length of standstill periods are all covered in best practices. Many countries still use outdated tendering procedures despite experts’ recommendations. Only 18 per cent of countries surveyed allow bids to be prepared and submitted for 60 days. A PPP’s features are better suited to flexible, innovative procurement procedures such as competitive dialogue, which could better fit the characteristics of low- and lower-middle-income economies. (The best practices for PPP project procurement identified in the World Bank’s 2020 global survey are in annex 1.)

Other procurement techniques shown to facilitate compliant bidding and to speed bid evaluation are also not used enough. Only 44 per cent of countries provide price or cost estimates to bidders, which can help them submit compliant proposals that are not immediately rejected due to budget constraints. Only 24 per cent of countries require financial models with bids, making it difficult for procurement authorities to quickly assess the practicality and realism of bids and reject bidders who are “low-bailing,” submitting bids that are unrealistically low with the intention of renegotiating them later.

**Regional PPPs.** Coordination of regional PPPs requires legal or institutional measures in most cases, including procurement. Best practice procurement methods must ensure a project’s integrity and credibility. A ring-fenced development authority for Inga III was created in 2015, but the World Bank and other potential financiers requested that it be autonomous to ensure project procurement integrity. A year later, the DRC president took personal control of the project, undermining the independence of PPP unit functions. The government’s new procurement approach, allowing direct negotiation instead of competitive tendering, cast doubt on the process. In response to this severe flaw in the project development process, the World Bank and the International Finance Corporation (IFC) withdrew (World Bank 2016b).

**Contract management**

The assumption is that once a PPP contract is signed, the most challenging part of the PPP process is over. In fact, however, the most costly and demanding part of the PPP process for governments has just begun. Without a solid PPP contract management framework, governments are unprepared for unforeseen events and cannot track construction or service delivery progress. Governments must anticipate renegotiation situations and counteract opportunistic contractor behaviour. Contract modification, dispute resolution, PPP ownership changes and lender step-in actions are best practices in contract management but are not widely adopted in low- and lower-middle-income countries. Regional average scores for contract management (figure 4.3) outperform scores for preparation (see figure 4.1) and procurement (see figure 4.2). (The best practices for PPP contract management identified in the World Bank’s 2020 global survey are in annex 1.)

**Regional PPPs.** The multicountry project development entities typically continue to monitor and manage project

---

**FIGURE 4.2** Procurement of public–private partnerships, scores by region, 2020

![Procurement of public–private partnerships, scores by region, 2020](image)

Note: Scores are based on responses to standardized questionnaires and follow-up questions. Scores are aggregated for each thematic area based on international best practices: preparation, procurement, contract management and unsolicited proposals [add? and information disclosure]. The same weight is allocated to all benchmarks. Possible scores range from 0, worst, to 100, best.

implementation after projects start construction and operation. In large projects like the Maputo Toll Road and the West African Gas Pipeline, these entities include representatives of the participating governments, operators and investors. Private involvement is often appropriate when the private partner pays for PPP contract monitoring costs. Contract changes, such as tariffs, are generally delegated to government committees or independent entities like the Maputo Corridor Implementing Authority.

Unsolicited proposals

The legal and regulatory frameworks for dealing with unsolicited PPP project proposals (USPs) are perhaps the most problematic. USPs can be beneficial when potential private partners identify socioeconomically favourable investment opportunities unanticipated by government planning. However, USPs can lead to resource waste through mismanagement and corruption when best practices are not used to ensure cost-effectiveness.

Sixty-one per cent of the countries surveyed explicitly regulate USPs, nearly one-third do not explicitly regulate USPs, and 2 per cent prohibit them. Nine per cent of the economies surveyed have USPs in practice despite not being regulated. Regional averages for management of USPs are high (figure 4.4). The World Bank survey also found that USPs are the legal-regulatory area in which actual implementation lags farthest behind formalized regulation.

The best practice rule for handling USPs is to use competitive tender practices for ensuring proper contractor selection and project value. According to the World Bank, 15 per cent of governments had no USP-related competitive tendering.
requirement, and only 14 per cent needed more time to prepare USP bids than regular PPPs. USP originators have a competitive advantage in these countries because they have more preparation time than other bidders. (The best practices for USPs identified in the World Bank’s 2020 global survey are in annex 1.)

Regional PPPs. Following best practices is critical to establishing the integrity and credibility of large-scale regional projects, including USPs. Regional PPPs like Inga III can be so large that competitive tendering is not feasible, so a carefully selected contractor is actively involved in the project’s development. However, formal exemptions from existing PPP procurement rules must be fully justified and applied transparently.

Information disclosure

Disclosure of PPP project information is becoming increasingly important for governments seeking to build a reputation for credible PPP programmes that are acceptable to taxpayers and ratepayers. However, fewer than 40 per cent of countries post project preparation information online. Around 60 per cent post PPP procurement and award notices online, following international best practices. Around half of these countries publish tender documents online, but only a third publish tender assessments. Only 36 per cent of economies make PPP contracts public. Fewer than 15 per cent provide public information about PPPs during construction and operation, the period when the public is most interested in PPP performance. Fewer than 20 per cent publish contract amendments. (The best practices for disclosure of PPP project information identified in the World Bank’s 2020 global survey are in annex 1.)

Regional PPPs. All nonproprietary information about PPPs of any size should be fully disclosed online. And during project implementation, when most customers are fully aware of the projects, information disclosure must be well organized. Citizens, civil society groups and the private sector need to know about PPPs if they are to be expected to support them.

5. PREPARATION CHALLENGES FOR PUBLIC–PRIVATE PARTNERSHIPS

Procedures vs methodologies: The dilemma

Ex ante project assessment procedures, such as value-for-money analysis, are now required even in developing countries (World Bank 2020a). But unlike the United Kingdom and other OECD countries, developing countries have not pursued the design and use of these techniques in detail. Typically, civil servants in developing countries lack the technical and financial resources for such assessments. And although most developing countries require various ex ante PPP project assessments, they do not specify what implementation methodologies to use. An analysis of 140 PPP legal and regulatory frameworks by the World Bank found that roughly three-quarters of governments required ex ante project analysis, including value for money (World Bank 2020a). Still, only half of these governments specify evaluation methodologies.

While 33 of the 39 African countries in the World Bank survey require value-for-money analysis for PPPs, only 6 of the 39 specify a methodology. The World Bank survey assessed the performance of six African countries using nine ex ante analytical procedures considered best practices by a large panel of international experts (table 5.1; World Bank 2020a). Except in the case of environmental and social impact assessments (numbers 8 and 9 in table 5.1), the type of methodology is rarely specified. Only one of the six countries specifies a methodology for assessing value for money [which number is this in table 5.1? Seem to be #4, but not one country specifies a methodology according to the table]. In other words, these governments are required to conduct different types of ex ante analysis, but there is no standard methodology for doing so. There is no guarantee that best practices are followed or that the same methodology is used consistently, so analyses cannot be compared. De facto regulatory compliance levels were also low for these analyses, and analyses were often not appropriately implemented even though they were required. Assuring consistency in analyses and assessing projects’ expected value is difficult without specifying analytical methodologies.

Some methodologies may be too complicated, time-consuming or expensive for government officials in developing countries to use effectively and consistently. Using public sector comparators (PSCs) is one example. PSCs, developed as part of the UK’s Private Finance Initiative in the 1990s and later adopted in Australia, Canada and the Netherlands, are now the most widely used ex ante PPP project analysis method [globally?]. The PSC method is a public sector risk-adjusted financial model that compares a PPP project to a public sector project that delivers the same services. It estimates the government’s total costs to achieve the desired outcomes assuming that the PPP project achieves reasonable efficiency improvements.

Several developing countries, including South Africa, adopted the PSC methodology in the early 2000s. But by then, officials in the United Kingdom and Australia had identified flaws in the PSC method, which was found to be an expensive way to endorse private participation. Changes in risk or discount rates can have a significant impact on cost estimates. A UK parliamentary committee found deliberate manipulation of calculations and results (U.K. House of Commons, Committee of Public Accounts 2003, p. 7). In 2004, the UK Treasury introduced changes to the PSC method, requiring that it be part of a broader project appraisal effort. Others have also criticized the
method, and many governments reduced their use of the PSC method in the 2000s (Leigland and Shugart 2006).

South Africa used PSC analysis long after the United Kingdom and Australia adopted more nuanced approaches. The method was costly, difficult for civil servants to understand and properly apply, and it use was dominated by large consulting firms. Required value-for-money studies at the municipal level averaged around 30 months to complete (Levinsohn and Reardon 2007). As a result of this regulatory regime, South Africa’s PPP unit dealt flow stagnated. The experience of South Africa’s PPP unit echoes the findings of other researchers: complex regulatory frameworks can significantly slow the development of PPP projects (Zhang and Kumaraswamy 2001; Chan et al. 2010).

The success of South Africa’s REIPPPP in 2012 weakened reliance on the PSC approach (92 IPPs closed in four years). REIPPPP classified IPPs in a way that exempted them from PPP unit oversight and PSC requirements. The REIPPPP was managed by a former senior PPP unit employee who later admitted that applying PSC requirements would have been prohibitively expensive, slowed the programme and reduced its success (Eberhard et al. 2014).

When specifying methodologies for implementing analytical studies, especially ex ante studies required to justify PPPs, governments must take into account the method’s ease of use for civil servants.

**TABLE 5.1 Ex ante project analysis for public–private partnerships: procedure vs methodology**

<table>
<thead>
<tr>
<th>Project analysis procedure and methodology</th>
<th>Cameroon</th>
<th>Côte d’Ivoire</th>
<th>Kenya</th>
<th>Malawi</th>
<th>Uganda</th>
<th>Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Socioeconomic analysis (cost–benefit analysis of the socioeconomic impact of the project)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>2. Fiscal affordability assessment, including identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3. Risk identification, allocation and assessment (risk matrix)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4. Comparative assessment to evaluate if the project is a good option compared with other procurement alternatives (value-for-money analysis, public sector comparator)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5. Financial viability or bankability assessment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>6. Market-sounding assessment (including the potential interests of the contractors and capacity in the market)</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7. Market-sounding or other assessment specifically designed to identify available solutions and technologies, as well as opportunities for innovation</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>8. Environmental impact assessment (including community consultation)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>9. Social impact assessment (including community consultations)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific methodology?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</table>


**Costs and benefits of public–private partnership units**

Although the World Bank’s 2020 review of PPP frameworks gathered data on PPP units, it did not rank the units according to best practice due to fundamental categorization and evaluation issues. PPP units are strongly recommended by the European Commission (2003) and UNECE (UNECE 2007). By 2009, 17 of the 29 OECD members had created such units (OECD 2010, 3). Duties vary, but most PPP units assist the government in managing and expanding project pipelines. To help governments manage the risks associated with the growing number and value of PPPs, the OECD defined them as “dedicated units” (OECD 2010, 3).

Following the success of PPP units in the United Kingdom, Australia and South Africa, PPP units have become a popular institution in many developing countries. PPP units quickly spread across Africa with the help of development partners, and 32 of the 39 surveyed countries in Africa now have a PPP unit and 3 more have passed legislation authorizing their creation (figure 5.1). The Public–Private Infrastructure Advisory Facility (PPIAF), funded by donors and administered by the World Bank, advised creating PPP units “when a government lacks the capacity and experience to lead a PPP program” (PPIAF 2012, 2).

Many development partners (including the European Investment Bank, European Bank for Reconstruction and Development, Asian Development Bank, AfDB and the US Agency for

International Development) have helped developing country governments build PPP units. PPIAF has helped establish more than a dozen PPP units in Africa, as well as in Bangladesh, Egypt, Haiti and Jordan. These units function under various names (box 5.1).

Government officials and their development partners believe in the importance of a well-functioning PPP unit (Lemma 2013). Initial PPP frameworks in developing countries frequently included PPP units (World Bank 2020a). However, researchers have had trouble assessing PPP units. Weaknesses in the unit’s design make it difficult to evaluate them (Burger and Hawkesworth 2011; EPEC 2014). “There is no real quantitative evidence of the value of centralized PPP coordination units” (Lemma 2013, 17). Creating a PPP unit is not sufficient to ensure the success of a PPP program, according to the World Bank’s survey of PPP legal and regulatory frameworks (World Bank 2020a).

One difficulty in evaluating PPP units is that they vary widely by country and sector, making it hard to agree on how to measure their worth (Burger and Hawkesworth 2011; EPEC 2014). Box 5.2 shows the many design options available for creating PPP units. Nonetheless, such units can demonstrate a government’s commitment to PPPs, encouraging government officials and the private sector to support them. “The private sector is more concerned about seeing an established PPP unit within the client organisation…” (Ahadzi and Bowles 2004, 976).

While the World Bank’s global survey (World Bank 2020a) does not rank PPP units, it provides essential information on such units’ uses and functions. The World Bank found dedicated PPP units in 84 per cent of the 140 economies surveyed. PPP units perform the following functions:

- Capacity building for other government entities – 73 per cent.
- PPP regulation and policy guidance – 72 per cent.

**BOX 5.1 SELECTED AFRICAN PUBLIC–PRIVATE PARTNERSHIP UNITS**

**Cameroon:** The Support for Realization of Partnerships Contracts (CARPA) is an expert body created in 2008. It is supervised by the Ministry of the Economy, Planning and Regional Development (www.ppp-cameroun.cm).

**Côte d’Ivoire:** The National Steering Committee for Public–Private Partnerships (CNP-PPP) was created in 2012 (www.ppp.gouv.ci).

**Kenya:** The Public–Private Partnerships Unit (PPPU) was created in 2013 in the National Treasury but is now known as the Directorate for Public–Private Partnerships (www.treasury.go.ke/directorate-public-private-partnerships).

**Malawi:** The Privatization Commission was renamed the Public–Private Partnership Commission (PPPC) in 2013 (www.pppc.mw/about).

**Uganda:** The PPP Unit was established in 2015 in the Ministry of Finance, Planning and Economic Development (www.pppunit.go.ug).

**Zambia:** The PPP Unit was created in 2009; was renamed the PPP Department in 2018 and was relocated to the Ministry of Finance.

Source: Author’s compilation.
<table>
<thead>
<tr>
<th>PRIMARY FUNCTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulate the process of developing projects.</td>
</tr>
<tr>
<td>Facilitate project development.</td>
</tr>
<tr>
<td>Arrange financial support for projects.</td>
</tr>
<tr>
<td>Build public–private partnership (PPP) capacity and promote PPP programmes.</td>
</tr>
<tr>
<td>Monitor implementation.</td>
</tr>
<tr>
<td>Manage PPP procurement.</td>
</tr>
</tbody>
</table>

3. ORGANIZATIONAL SET-UP
- Within government structure.
- Semi-autonomous unit set up as a government-owned company outside of regular government structure (with its own government-appointed board of directors).
- Separate corporate entity with a completely independent board of directors.

4. STAFFING
- Types: secondments, contracts, permanent hires.
- Skills: project management and financial engineering.
- Recruitment: from the civil service or private sector.

5. FUNDING SOURCES
- Contributions from general government budget.
- Contributions from departmental/enterprise operational budgets.
- Success fees paid by private partners at the time of contract closure.
- Donor funding.

However, the study found that governments often overlooked the likelihood that the flaws that caused existing institutions to fail could also undermine the effectiveness of new PPP units. This is because government machinery is chronically uncoordinated, infrastructure projects are not transparent or competitive and top politicians do not actively support PPP units.

PPP units’ performance in accelerating the flow of PPP projects has been poor. Developing country officials frequently expect such units to expedite the completion of PPP projects. However, PPP units often have the opposite effect, slowing the flow of PPP projects due to a perceived need to carefully apply standardized project development procedures. Better prepared projects should be more sustainable, offsetting long preparation times. This logic rarely satisfies government officials eager to complete projects quickly.
The PPP unit in South Africa’s National Treasury was established in 2000. It developed procedures and guides that became the model for other African national agencies (Lemma 2013). A series of National Treasury approvals were required at different stages, based on recommendations by the Treasury’s PPP unit. PPP project flow was slowed by lengthy, complex, expensive and over-regulated processes, including the use of PSCs (Castalia Strategic Advisors 2007).

Other common shortcomings of PPP units include the following:

- It may be efficient to have a centralized agency such as a PPP unit responsible for all PPP projects, but that could also deter line ministries from participating in the contract management phase when they have not participated in the selection process.
- PPP units are generally unsustainable without significant long-term donor grant funding. Governments therefore sometimes overstaff the units with expensive experts. In many cases, however, PPP units need project managers rather than financial experts or transaction advisors, who are hard to find and keep.
- Regulation of project development contradicts deal closure facilitation. Facilitators and regulators should not be in charge of public funds because they can structure deals to maximize investment returns at the expense of stakeholder benefits. Some facilities have institutional “walls” to separate functions, but their effectiveness is sometimes questioned.

The PPIAF’s long experience creating PPP units, especially in Africa, suggests two conditions for success:

- Units with no authority to enforce compliance with their recommendations are quickly relegated to minor advisory roles without much influence. Governments in low-income countries cannot afford to hire experts whose advice is valuable to project proponents. Private sector experts can be seconded to PPP units or recruited for short periods with donor funding. But these experts usually cannot be retained long enough to train regular staff (and when they do, the trained staff tend to leave for higher-paying jobs). With a small central core of experts, PPP units can enforce government rules regarding how PPPs should be developed and structured rather than just providing advice. The rest of the staff can be competent project managers with broader professional skills.
- Senior government officials should not be able to pre-approve actions based on vague decision-making guidance but rather should conduct systematic post-approval reviews based on specific procedural guidelines or regulations. Senior officials can be involved if post-audit reviews reveal that improper procedures were followed. Pre-approval encourages arbitrary decisionmaking and can stall implementation. But implementing post-audits is complex, requiring detailed procedural rules and consistent, high-quality auditing skills and procedures. PPP units will not work well in countries where standard public works procurement and contracting are flawed. This is why PPPs are not suitable for all developing countries.

**Subsidized project preparation: Project development funds and project preparation funds**

In the 1990s, it became increasingly common for governments and donors to pay for and manage project preparation. This increases the likelihood that projects will be adequately prepared, benefiting the government owner rather than the private partners. But taking on more project preparation responsibility means that governments and development partners must cover more costs, which can be substantial.

One common misconception about PPPs is that the private sector pays for all upfront costs. But this is a myth (Chao 2016). In 2015, governments and bilateral institutions provided 57 per cent of PPP funding globally, and commercial sources provided the rest. The government and donor share was 41 per cent for developing countries (Chao and Saha 2016).

Recent International Monetary Fund (IMF) research confirms that public support for PPP preparation and investment has expanded, although the share is low in Africa compared with most other regions (figure 5.2) (IMF 2021b). The IMF notes that governments may need to provide “extra incentives” such as subsidies and guarantees to help PPP projects succeed in areas where private investment is difficult. “African countries and development partners could consider reallocating some resources used for public investment towards financing public incentives for private projects,” the IMF says (IMF 2021a).

Many PPP projects are abandoned early in the preparation process because of high preparation costs (10 per cent or more of total investment). Some governments have responded by setting up PDFs. These are usually revolving funds that recover project preparation costs directly from the agency implementing the project or from third parties such as investors. An estimated 20 per cent of the 140 countries surveyed by the World Bank had established PDFs, often in parallel with PPP units. But most of PDFs were in high-income countries.

Most low- and lower-middle-income countries cannot set up PDFs, and governments frequently rely on donor-funded PPFs instead. In the late 1990s, it became clear that the global PPI market would not quickly recover from the Asian financial crisis. The development community recognized that preparing private infrastructure investment projects could be costly and risky, especially in low-income countries where infrastructure investment is most needed. Private investors and commercial lenders expect to be paid for their due diligence on projects that appear to be bankable. Still, they have little or no money to
spend on preliminary bankability assessments and early-stage preparation. It is critical to identify and resolve or circumvent problems with policies, regulations, laws, institutional weaknesses or capacity constraints in Africa. This work is risky because it is so far in advance of actual transactions that financial closure is unlikely. It deters private developers, who must recoup development costs from completed deals. Even development partners, who must justify expenditures with tangible project results that promote development, dislike PPP project preparation work.

PPFs were being set up in developing countries by the mid-2000s. To prepare for African infrastructure projects, the World Bank and the Infrastructure Consortium for Africa (ICA) Secretariat published a 60-page guide in 2006 classifying facilities and listing initial contacts (ICA 2006). Six years later, the ICA Secretariat published a two-volume study on African PPFs, which identified 67 facilities initially before narrowing the list to 12 PPFs with the resources and expertise to have significant PPP impacts in Africa (CEPA 2012). Box 5.3 lists nine African PPFs. Annex 2 details these PPFs.

The importance of development partners in providing technical and financial assistance cannot be overstated. In Africa, few PPPs are financially closed without the help of donor-funded PPFs and DFIs or MDBs. In many cases, technical assistance and funding are conflated. Even in most commercial PPP infrastructure sectors, like power generation, PPFs and DFIs are ubiquitous. IFC investments provided the largest share of capital investment in the Scaling Solar IPP Programmes in Ethiopia, Madagascar, Senegal and Zambia. The UK Department for International Development (DfID) and the German development bank Kreditanstalt für Wiederaufbau (KfW) designed and managed the GET-FIT IPP programme in Uganda. The IFC, Netherlands Development Finance Company (FMO), the German Investment and Development Corporation (DEG), Group Agence Française de Développement (Proparco) and the Norwegian Investment Fund for Developing Countries (Norfund) dominate the preparation and financing of African IPPs.

<table>
<thead>
<tr>
<th>Latin America &amp; Caribbean</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>60</td>
</tr>
<tr>
<td>South Asia</td>
<td>80</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>60</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>80</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Adapted by the author from IMF (2020b).

**SELECTED PROJECT DEVELOPMENT FUNDS ACTIVE IN AFRICA**

1. The Public–Private Infrastructure Advisory Facility (PIIAF).
2. The Global Partnership on Output-based Aid (GPOBA).
3. IFC PPP Transaction Advisory Services (IFC PPP Advisory).
4. IFC Infrastructure Upstream.
5. The Private Infrastructure Development Group (PIDG).
   - The Emerging Africa Infrastructure Fund (EAIF).
   - The Technical Assistance Facility (TAF).
   - DevCo.
   - GuarantCo.
   - InfraCo Africa.
6. The NEPAD Infrastructure Project Preparation Facility (IPPF).
7. The PIDA Service Delivery Mechanism (SDM).
   - Experts Service Pool (ESP).
   - PIDA Quality Label (PQL).
   - PQL Quick-Check Methodology.
   - Continental Business Network (CBN).
8. Africa50.

See Annex 2 for profiles of these PPFs.
Some infrastructure sectors have seen fewer successful PPP projects. The government awarded a build-own-transfer water concession to an international water management company in Kigali that recently closed its books in 2017. The project resulted from years of preparation funded by the World Bank, PPIAF, the Private Infrastructure Development Group’s (PIDG) Technical Assistance Facility, and the IFC PPP Transaction Advisory Services (IFC PPP Advisory), which managed the preparation process. AfDB and PIDG’s Emerging Africa Infrastructure Fund (EAIF) provided funding and a 10 per cent PIDG grant. The private and public partners shared total preparation and investment costs.

Few African countries can expect to use PPPs extensively for infrastructure investment without the help of this network of PPFs and DFIs.

6. KEY PERFORMANCE FACTORS FOR SUCCESSFUL PUBLIC–PRIVATE PARTNERSHIP PROGRAMMES

This section examines interrelated performance factors from successful African PPP programmes. Individual project successes can be seen across the African continent. Successful but short-term PPP programmes have been implemented recently, particularly for renewable energy IPPs. The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in South Africa is perhaps the most successful PPP programme in the developing world. It attracted $19 billion in private investment in 92 IPP projects totalling 6,327 MW between 2012 and 2015. South Africa is ranked 10th globally in renewable energy IPP investments, ahead of Canada, Brazil, Spain and France. The REIPPPP is notable for being designed, managed and funded domestically, and the program’s success influenced development partners. This approach has also been successful in renewable energy IPPs in Ethiopia, Madagascar, Senegal and Zambia.

High-level political support and leadership

Former South African President Jacob Zuma’s ambitious commitments to green energy during the 2009 United Nations Climate Change Conference (COP15) and 2011 conference (COP17) meetings may have aided the success of South Africa’s REIPPPP. As long ago as the evaluations of African privatization programmes in the 1980s and 1990s, political leadership has been recognised as critical to success (Jones et al. 2002). The 1997 Maputo Toll Road concession was signed with the enthusiastic support of Mozambican president Joaquim Chissano and South African President Nelson Mandela. In the 1996, the two presidents recommended private investment in the concession and over 180 other commercial projects from Johannesburg to Maputo.

IFC PPP Advisory includes a detailed structure of government commitments to programme success in the financial advisory service agreements (FASAs) that each government must sign before scaling solar programmes can proceed. Governments must also agree to pay monthly retainer fees to IFC for their advisory services, demonstrating their commitment to the success of these PPP projects.

Many politicians need to overcome their and their constituents’ ideological opposition to private sector involvement in public service delivery. Especially in developing countries in which corruption is extensive, politicians may be sceptical of the idea that the private sector can provide essential services at a low cost. The private sector is often associated with politicians’ side businesses in such countries, making selling PPPs to the general public difficult. Politicians may be reluctant to promote policies that seem to legitimize corruption.

If PPPs are to be successful, politicians must be willing to tolerate a reduction (or elimination) of state-owned utility dominance in sectors like power generation and water supply. With PPPs, many traditional benefits of state enterprises are lost, such as highly paid patronage jobs, extra employment and social safety net benefits for lower-income families and the ability to isolate debts and revenue shortfalls from general budgets.

Facilitative investment climate

The investment climate refers to a set of desirable country socioeconomic characteristics that encourage private infrastructure investment—for example, a growing economy that focuses on increasing the private sector’s role in infrastructure service provision. Identifying multiple investment opportunities is also on the list. Although weak investment climates have not prevented some PPP successes, even in the world’s poorest countries, the investment climate influences the competitiveness of project bids and, thus, project costs. Historically, the more stable investment climates in Africa’s middle-income countries have facilitated larger project-financed PPPs on more favourable terms than the less stable investment climates in Africa’s low-income countries. The success of South Africa’s REIPPPP was due to a robust investment climate.

Ratings of a country’s investment climate are probably the most widely used country ratings. They assess a borrower’s willingness and ability to repay debts on time. South Africa, Botswana, Namibia and other African middle-income countries have “investment grade” ratings (BBB– or better). None of Africa’s low-income countries has this rating, and their debts are considered “speculative” from an investment standpoint (table 6.1).

Private investors often use credit ratings to gauge the investment climate in countries where they are considering investing. Investors now have access to many data sources that provide
Clear and consistent sector policies, plans and regulations

The discussion of PPP legal and regulatory frameworks in section 4 emphasized PPP preparation, procurement and management procedures. To achieve successful PPPs, these rules and procedures must be incorporated into a more extensive network of consistent policies and plans that guide project selection and development through:

- Clear investment policies, which are based on comprehensive sector master plans that are regularly updated and consistently implemented by the government.
- Legislation, which formalizes these sector policies.

Plans must include supply/demand forecasts, cost analysis and contingency planning. They should cover how state-owned utilities are governed; how private participation relates to government provision of services; who is responsible for developing, procuring and negotiating PPPs; and who regulates the sector (including how to license private service providers).

Many developing countries have poor investment planning and prioritization, but development partners (who provide financing) and governments contribute to this failure. This is evident in the sector breakdown of 10-year or older investment flows. In 2010, the private sector contributed roughly 29 per cent of total capital expenditures in Africa, which was more than the combined flows of official development assistance (ODA) and of investments from non-OECD countries like China and India (Foster and Briceño-Garmendia 2010). Only 10 per cent of private investment went into the energy sector, which accounted for 61 per cent of the total funding gap. Water and sanitation accounted for 30 per cent of the funding gap except for private household contributions. The

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**TABLE 6.1** Sovereign credit ratings for selected African countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Credit rating agency and rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>Fitch: B, Moody’s: B2, S&amp;P: B</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Fitch: B+, Moody’s: Ba3, S&amp;P: –</td>
</tr>
<tr>
<td>Malawi</td>
<td>Fitch: –, Moody’s: –, S&amp;P: –</td>
</tr>
<tr>
<td>Zambia</td>
<td>Fitch: CCC, Moody’s: Caa2, S&amp;P: CCC+</td>
</tr>
</tbody>
</table>

---

**BOX 6.1** INVESTMENT CLIMATE DATA SOURCES

Rand Merchant Bank’s Global Markets Research
https://grid.rmb.co.za/

The World Economic Forum’s Global Competitiveness Report
https://www.weforum.org/reports/the-global-competitiveness-report-2018

The Heritage Foundation’s Index of Economic Freedom
https://www.heritage.org/index/

Transparency International’s Corruption Perceptions Index
https://www.transparency.org/research/cpi

The International Monetary Fund’s (IMF) Sub-Saharan Africa Regional Economic Outlook

Ernst & Young’s Africa Attractiveness report

The United Nation’s (UN) World Investment Report

The African Development Bank’s (AfDB) African Economic Outlook

Freedom House’s Freedom in the World

The Economist Intelligence Unit (EIU)
https://www.eiu.com/

The World Bank’s Doing Business Report
https://www.doingbusiness.org/

Bloomberg indices and data
https://www.bloomberg.com/

Source: Author’s compilation.
investment gap was only 4 per cent [where?]. An exception was telecommunications, which had no funding gap.

African countries need help planning, targeting and prioritizing PPI, ODA and non-OECD finance (mainly from Chinese, Indian and Middle Eastern investors). Pre-empted by ODA or non-OECD funding or attempted in situations where modest efficiency gains offer quick wins, PPI projects are frequently unsuccessful.

Few African countries have established clear policies and legislation governing key infrastructure sectors. Some have approved PPPs, but few have addressed PPIs’ relationship with state-owned infrastructure service providers. Infrastructure service regulation in Africa is in its infancy. There have been some new laws and regulatory bodies for telecommunications and electricity. However, the existence of independent regulators does not guarantee positive regulatory outcomes that benefit customers and private providers. Proactive regulation is essential to promoting PPIs, and most African countries lack this regulatory feature. Government interference in regulation continues to undermine regulatory independence in Africa, as noted in the investment climate surveys.

As discussed above in section 4, best-practice regulatory approaches to PPP project preparation and procurement are required. These techniques must also be monitored and enforced to ensure compliance with written rules. Methodologies for conducting mandatory analytical tasks such as benefit–cost analysis must be specified. It is a delicate balancing act to ensure that government staff can implement or understand the analytical results produced by consultants or development partners.

**Realistic prioritization of public–private partnerships**

Prioritizing the most cost-effective actions is critical to maximizing the use of PPIs in sector plans and policies. And it is essential to recognize that PPIs may not always be the best option. The development community has long urged African governments to address infrastructure issues to reduce inefficiencies. This means prioritizing maintenance and repair of existing infrastructure over new construction and addressing poor asset maintenance, budget execution and state-owned enterprise management, as well as adjusting end-user tariffs that do not reflect service delivery costs. According to a 2010 World Bank report, widespread adoption of efficiency measures could reduce Africa’s annual infrastructure investment gap by $17 billion (Foster and Briceño-Garmendia 2010). Since then, investment needs have risen while government efficiency has fallen, indicating that the ‘efficiency gap’ has widened.

In many cases, especially in low- and lower-middle-income countries, government departments are unable to spend the entire amounts allocated in their capital investment, maintenance, rehabilitation or recurring budgets. Insufficient capacity leads to poor sector planning and design; delays in project appraisal, procurement and fund release; changes in contract terms; and budget reallocations.

Many have argued that PPI projects can help solve service delivery issues caused by government institutional flaws. But this has not happened. The same government issues that caused the efficiency gap also caused problems with PPP contract design, preparation and management. The efficiency gap increases the need for institutional reforms to maximize the benefits of PPIs. In other words, current PPI best practice implies that institutional improvement should precede rather than follow the use of PPIs.

An emerging school of thought argues that traditional public investment (TPI) should be prioritized before PPP development. In TPI, the government assumes all risks associated with contract planning, acquisition, financing and design. According to recent research, TPI accounts for 87–91 per cent of low- and middle-income countries’ infrastructure investment (Fay et al. 2019). TPI also raises questions about the quality of government management. The World Bank survey includes TPI efficiency indicators for planning, preparation, procurement and management (World Bank 2020a) [and what does it show?], and future benchmarking surveys will continue to examine TPI performance indicators, especially in low- and lower-middle-income countries.

**Governments sharing the costs and risks of public–private partnerships**

PPPs frequently require measures to improve cash flow and profitability by reducing large cash outflows and securing revenue streams. Government partners typically bear more project costs and risks than do private sector partners (box 6.2). PPIs are more likely to succeed for governments that share the costs and risks.

Most of the techniques mentioned in box 6.2 make projects more appealing to private partners by transferring project costs or risks from the private partner to the government, which must then manage and mitigate them. Under such arrangements, the government is responsible for repaying lenders who fund projects or provide end-user services and collect payments. However, many governments in low- and lower-middle-income countries struggle to manage such risks effectively, which is often part of the motivation for considering PPIs. Making a project profitable often means that other, deeper governmental reforms are urgently needed but may not be addressed by the current project.

Some of these measures make governments more vulnerable to macroeconomic shocks. When a government utility off-takes power from an IPP, that increases the government’s risks in the event of a devaluation of the domestic currency. Making wholesale electricity payments in hard currency has the same effect.
Governments can manage conflicts of interest by taking on or sharing investment risks. For example, governments must be aware of potential conflicts of interest when acting as financiers and regulators. Should a government allow a large-capital-invested concession company to fail? What if bankruptcy is caused by poor customer service? These and other concerns must be addressed before governments become too deeply involved in PPI financing.

PPP project development has always included risk engineering and identification and allocation of project risks. PPAs with sovereign guarantees remain the preferred risk engineering tool for IPP projects in low- and lower-middle-income countries. And risk engineering is critical to the success of projects deemed risky by the private sector, like brownfield distribution concessions. Projects where structuring cannot reduce risks to acceptable levels for private partners will require risk engineering measures (box 6.3). However, governments must avoid viewing risk mitigation products like DFI guarantees as a form of upfront support needed to get uncreditworthy projects off the ground. Using guarantees in this way risks long-term market distortion and moral hazard. Public and private partners lose incentives to structure viable, sustainable projects by securing guarantees for projects with little chance of success.

Private sector-friendly public–private partnership programme design

Aside from the apparent benefits of scale and economic health, South Africa’s REIPPPP had several design features that evaluators found highly effective in attracting and retaining private sector interest that could have wider applicability (Eberhard et al. 2014). Some examples:

• **Potential project profitability.** The REIPPPP started by allowing developers to make reasonable profits. During the first round of bidding, tariff ceilings were set to allow strong equity returns. This sparked investor interest in the program, which led to lower tariff ceilings in subsequent bid rounds.

• **Multiple bidding rounds.** Early in the programme, REIPPPP was changed from a one-off tender to a rolling bid round. This increased confidence among operators and investors in the programme as more of these players began to participate in subsequent tender rounds.

• **Sovereign guarantees.** There were sovereign guarantees in the implementation agreements to back the government utility’s (Eskom) renewable energy purchases. Despite Eskom’s investment-grade credit rating, sovereign guarantees were required due to long-term financial concerns.
**TOOLS TO MITIGATE RISKS AFFECTING CASH FLOW AND PROFITABILITY OF PUBLIC–PRIVATE PARTNERSHIPS**

**Security measures backing government commitments to support projects:** Governments can make many commitments to support public–private partnership (PPP) projects. But because private partners sometimes question the strength of these commitments, many of these commitments must be backed by additional kinds of security. For example, most IPP power purchase agreements must be backed by security arrangements such as escrow accounts, letters of credit, targeted subsidies and budget commitments.

**Sovereign government guarantees:** Investors often demand reassurance that a government’s commitments to support a PPP project are as strong as they can be. This may mean that in a risky project environment, it is not enough for a government-owned utility to sign off-take agreements with PPP project companies – a sovereign guarantee may also be required.

**Third-party credit and risk guarantees:** Donors, multilateral development banks and private companies also provide guarantees or insurance products to cover risks that private lenders or investors are unable or unwilling to take on.

**Credit guarantees** are credit enhancement mechanisms for debt instruments (bonds and loans). They are irrevocable promises to pay principal or interest, usually up to a predetermined amount. Development agencies typically provide partial credit guarantees to public sector borrowers, often with a sovereign counter-guarantee. Credit guarantees can help governments access the finance needed to support PPP projects. Private sector borrowers can use credit guarantees to lower their cost of debt, extend maturities, or obtain financing in their currency of choice, for example, local currency (in cases where PPP projects generate revenues in local currency).

**Risk guarantees** can cover lenders for losses caused by government political and regulatory events ranging from expropriation to government nonpayment of contractual obligations.

- **Partial risk guarantees** from the World Bank Group (International Bank for Reconstruction and Development or the International Development Association) can cover project lenders and equity investors against the risk of a government (or government-owned entity) failing to perform its contractual obligations concerning a project.

- **Political risk insurance guarantees** provided by the Multilateral Investment Guarantee Agency (MIGA), also a member of the World Bank Group, can cover debt and equity investments. MIGA guarantees may cover currency non-convertibility and repatriation risk, expropriation, certain forms of political force majeure and breach of contract by government parties.

**Source:** Author’s compilation.

- **Business-friendly approach.** The government’s programme unit had extensive experience working with the private sector and did not exhibit the mistrust of business that other developing countries’ governments have shown. During all bid rounds, key programme issues were regularly discussed with private sector counterparts.

- **High-quality transaction advice.** The government chose experienced local and international transaction advisors to implement the program. The programme unit avoided criticism from the private sector and industry experts by maintaining high transaction advice quality.

- **Bankable documentation and efficient tendering.** For example, the REIPPPP issued timely requests for proposals and used clear qualification and evaluation criteria, bankable contract documents and appropriate credit enhancements. All of this aided the programme’s private sector support.

- **Effective programme manager.** President Zuma of South Africa supported the programme. Still, it needed a manager who could convince senior government officials, explain and defend the programme to stakeholders, work with development partners, select and manage consultants, work with the private sector and manage a complex procurement and contracting process.

- **Secure tendering.** In addition to 24-hour guards and electronic surveillance, storage of the tendering and related documents was managed from a secure facility in a secret location. This reassured private sector bidders about the process’s integrity.
7. PRELIMINARY PUBLIC–PRIVATE PARTNERSHIP PROFILES OF SELECTED AFRICAN COUNTRIES

This section presents ECA’s preliminary PPP profiles of the six African countries chosen for particular study (Cameroon, Côte d’Ivoire, Kenya, Malawi, Uganda and Zambia). Figure 7.1 summarizes these countries’ PPP investments by sector and value.

The profiles are organized by selected indicators from the data sources shown in Table 7.1.

**FIGURE 7.1** Total public–private partnership investment in selected African countries, 1996–2020

![Figure 7.1 Total public–private partnership investment in selected African countries, 1996–2020](image)


**TABLE 7.1** Indicators and data sources for public–private partnership profiles of six African countries

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AfDB country profiles; <a href="https://www.afdb.org/en/countries/southern-africa/">https://www.afdb.org/en/countries/southern-africa/</a></td>
</tr>
<tr>
<td>Government support for private sector development</td>
<td>Worldwide Governance Indicators; <a href="http://info.worldbank.org/governance/wgi/home">http://info.worldbank.org/governance/wgi/home</a></td>
</tr>
<tr>
<td>PPP highlights</td>
<td>World Bank, PPI Project Database; <a href="http://ppi.worldbank.org/customquery?mode=1">http://ppi.worldbank.org/customquery?mode=1</a></td>
</tr>
</tbody>
</table>
Cameroon public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income group</td>
<td>Lower middle income</td>
</tr>
<tr>
<td>Population</td>
<td>25.9 million</td>
</tr>
<tr>
<td>GNI per capita</td>
<td>$1,500</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
<td>1</td>
</tr>
<tr>
<td>PPP investment, 2014–18</td>
<td>$1,291 billion</td>
</tr>
</tbody>
</table>

The Covid pandemic, the persistence of security and political crises, and the decline in global oil prices slowed Cameroon’s economy in 2020. In 2020, the Covid pandemic hit Cameroon the hardest in health and economics.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
<th>Africa WGI ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>19</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>22</td>
</tr>
<tr>
<td>Political stability</td>
<td>32</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>33</td>
</tr>
<tr>
<td>Rule of law</td>
<td>29</td>
</tr>
</tbody>
</table>

The World Governance Indicators (WGIs) do not include government support for the private sector. On average, African governments and regulators perform well on the WGI. Cameroon’s political stability and control of corruption scores are far below African averages.

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>35</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>29</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>15</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>25</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>34</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>18</td>
</tr>
</tbody>
</table>

Cameroon’s investment appeal is mixed. Taxes are not a significant barrier for many businesses. The country’s sovereign credit rating is above the African average, but other scores, particularly Doing Business, are below it. Despite this, Cameroon’s investment attractiveness ranking is above the African average.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>22</td>
</tr>
<tr>
<td>Project procurement</td>
<td>32</td>
</tr>
<tr>
<td>Contract management</td>
<td>28</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>27</td>
</tr>
</tbody>
</table>

Cameroon’s PPP legal and regulatory framework scores poorly among African countries, indicating several areas for improvement, particularly PPP procurement.

5. Private participation in infrastructure projects and sectors, 1990–2020

- **Projects reaching financial closure by sector**
  - Airports: 1
  - Electricity: 2
  - ICT: 3
  - Ports: 1
  - Railways: 1
  - Water and sanitation: 1

- **Investment in projects by sector**
  - Airports: $31 million
  - Electricity: $231 million
  - ICT: $2,369 million
  - Ports: $599 million
  - Railways: $90 million
  - Water and sanitation: $0 million

ICT is information and communication technology.

6. Public–private partnership highlights

In 2003, the government of Cameroon launched Vision Cameroon 2035, promoting “planned liberalization” in infrastructure development, calling on the government to solicit private and public investment. Cameroon had a PPP policy framework from 2005 to 2009. In 2013, the government announced 21 PPP projects in transportation (highways and ports), urban development, energy and agribusiness. Several of these PPPs have now closed.

Under Vision Cameroon 2035, the government launched an ambitious plan to attract private investment in the power sector, which now exceeds investments in all other sectors combined. In 2001, Cameroon was the first African country to privatize its power utility. An equity sale of 56 per cent and a 20-year concession privatized the state-owned vertically integrated power utility (SONEL). In 2015, the government re-nationalized the transmission network, putting it under state control, moving from a vertically integrated state-owned monopoly to a privately owned one and to transmission unbundling and the introduction of IPPs. The government announced in early 2021 that it would renew the distribution concession contract with some modifications.

The government has identified several obstacles to private investment. One is high customs duties, which have discouraged capital investment. With the help of the Cameroon Business Forum, tax exemption measures have now been implemented.

The government acknowledges that high corruption levels have discouraged domestic and international investment. The National Agency for Financial Investigation, founded in 2005, and the National Anti-Corruption Commission, founded in 2006, were established to reduce corruption.

The country’s infrastructure sectors need better and more consistent regulation. For example, the power industry is overseen by a regulatory agency established in 1998. The agency’s influence over tariff setting, willingness to enforce competitive bidding rules for new generation projects and capacity to carry out its nominal functions remain weak. The government is working on tightening regulations in crucial infrastructure sectors.

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilisation et Transfert des Eaux du barrage Bria au Lac Tchad</td>
<td>Transboundary water</td>
<td>Water transfer</td>
<td>Cameroon, CAR, Chad, Libya, Niger, Nigeria</td>
</tr>
<tr>
<td>Etudes de Faisabilité et Approfondies sur l’Aménagement du Lac Tchad</td>
<td>Transboundary water</td>
<td>Water transfer</td>
<td>Cameroon, CAR, Chad, Libya, Niger, Nigeria</td>
</tr>
<tr>
<td>Continental Africa Water Investment Support Program (AIP) on transboundary water investment projects</td>
<td>Transboundary water</td>
<td>Multipurpose dams, water transfer, regulatory dams, irrigation dams, water MIS management</td>
<td>Benin, Cameroon, Tunisia, Uganda, Zambia</td>
</tr>
<tr>
<td>Développement des Infrastructures des Data Center sous-tendant l’économie numérique</td>
<td>Information and communication technology</td>
<td>Data centres</td>
<td>Angola, Burundi, Cameroon, CAR, Chad, Congo, DRC, Equatorial Guinea, Gabon, Rwanda, São Tomé and Príncipe</td>
</tr>
<tr>
<td>Aménagement des sites hydroélectriques de Bouue et de Tsenguéléledi, et construction des lignes de transport associées</td>
<td>Energy</td>
<td>Generation-Hydro</td>
<td>Cameroon, Congo, Equatorial Guinea, Gabon</td>
</tr>
<tr>
<td>Interconnexion des réseaux large bande des États membres</td>
<td>Information and communication technology</td>
<td>Terrestrial connectivity infrastructure</td>
<td>Angola, Burundi, Cameroon, CAR, Chad, Congo, DRC, Equatorial Guinea, Gabon, Rwanda, São Tomé and Príncipe</td>
</tr>
<tr>
<td>Aménagement du site hydroélectrique de Chollet et des lignes de Transport associées</td>
<td>Energy</td>
<td>Generation-Hydro</td>
<td>Cameroon, Congo, Equatorial Guinea, Gabon</td>
</tr>
<tr>
<td>Programme de soutien à la facilitation du transport par voies d’eau intérieures, à la sécurisation de la navigation fluviale et à la gestion durable des ressources en eau dans le bassin du Congo</td>
<td>Transboundary water</td>
<td>Utilisation et gestion des ressources en eau transfrontalière</td>
<td>Angola, Cameroon, CAR, Congo, DRC, Gabon</td>
</tr>
<tr>
<td>Projet de construction du pont sur le fleuve Ntem situé sur la Route Transnationale Kribi-Campo-Bata reliant la République du Cameroun et la République de Guinée Equatoriale</td>
<td>Transport</td>
<td>Bridge</td>
<td>Cameroon, Equatorial Guinea</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
Côte d’Ivoire public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income group</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>GNI per capita</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
</tr>
<tr>
<td>PPP Investment, 2014–18</td>
</tr>
</tbody>
</table>

Covid infection rates in Côte d’Ivoire are among the highest in West Africa. In 2020, a year after the Covid pandemic affected most sectors, the country’s GDP grew only 1.8 per cent, down from 6.4 per cent in 2019. Exports suffered. Consumer prices rose 1.8 per cent in 2020, up from 0.8 per cent in 2019.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
<th>Africa WGI ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>16</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>10</td>
</tr>
<tr>
<td>Political stability</td>
<td>30</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>15</td>
</tr>
<tr>
<td>Rule of law</td>
<td>13</td>
</tr>
</tbody>
</table>

Government performance on the WGI is mixed. Government effectiveness, control of corruption and rule of law scores are weak. On a scale of political stability and violence, it is ranked 30 [out of?].

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>11</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>13</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>13</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>6</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>11</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>7</td>
</tr>
</tbody>
</table>

Côte d’Ivoire outperforms the African average on private sector investment attractiveness. Almost every Rand Merchant Bank (RMB) investment attractiveness index puts the country in the top 10 (market size, growth, economic freedom and global competitiveness). It is ranked 11th in Doing Business 2020 but in the top 10 in Africa on the RMB ranking.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>23</td>
</tr>
<tr>
<td>Project procurement</td>
<td>7</td>
</tr>
<tr>
<td>Contract management</td>
<td>16</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>20</td>
</tr>
</tbody>
</table>

Compared with other African countries, Côte d’Ivoire’s legal and regulatory framework is robust. Public–private partnership (PPP) procurement practices are effective, but project preparation is not.

5. Private participation in infrastructure projects and sectors, 1990–2020

ICT is information and communication technology.

6. Public–private partnership highlights

Côte d’Ivoire is one of the few African countries with a PPP history predating the 1980s SOE reforms. In 1959, Saur, a private French water company, won a 30-year contract to supply Abidjan through a joint venture, Société de Distribution d’Eau de Côte d’Ivoire (SODECI), with public and private shareholders.

In 1974, SODECI was awarded a 15-year contract to operate and maintain all Ivorian cities’ water systems. In 1988, SODECI signed a 20-year lease contract, giving the operator significant control over investment planning and management, with government funding for water sector investments.

The success of the water sector reforms prompted Côte d’Ivoire officials and their MDB counterparts to consider private sector management for the country’s ailing electricity sector. Compagnie Ivoirienne d’Electricité (CIE) was formed using the SODECI model, and the company signed a 15-year contract in 1990. A second 15-year contract was signed in 1995. Under this contract, the private operator is not responsible for investments. Now that the government’s asset holding company is in charge, several IPPs are operating with 99–288 MW capacity. Others are nearing completion. The IPPs used a mix of direct negotiation and competitive bidding for procurement. Build-operate-transfer structures are being considered for future IPP hydropower sites.

By the mid-1990s, most critical stakeholders in Côte d’Ivoire understood the benefits of private participation in infrastructure. Customers were happy, government revenue increased and workers got better pay and benefits. One identified success factor was the contractor’s experience in Francophone Africa, which helped avoid the kind of unresolvable disputes that harmed other African PPPs. The government’s extensive experience with PPP options such as leases, affermage, concessions, management contracts and service contracts also helped.

After the 2002–07 civil war, political and economic conditions deteriorated rapidly. But most of the water and power PPPs have continued. The government is now looking to raise more capital investment funds and may issue bonds. However, reducing costs and increasing revenues are the first steps.

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Praia-Dakar Shipping and Maritime Services Project</td>
<td>Transport</td>
<td>Water transport</td>
<td>Cape Verde, Côte d’Ivoire, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Senegal, Sierra Leone</td>
</tr>
<tr>
<td>Barrage à usages multiples de Nounbiel</td>
<td>Transboundary water</td>
<td>Multipurpose dams</td>
<td>Burkina Faso, Côte d’Ivoire, Ghana</td>
</tr>
<tr>
<td>Praia-Dakar-Abidjan Multimodal Transport Corridor</td>
<td>Transport</td>
<td>Road</td>
<td>Cape Verde, Côte d’Ivoire, Gambia, Guinea, Guinea-Bissau, Liberia, Senegal, Sierra Leone</td>
</tr>
<tr>
<td>Centrale Hydroélectrique de Louga 1 et 2 (246 MW)</td>
<td>Energy</td>
<td>Generation-Hydro</td>
<td>Côte d’Ivoire</td>
</tr>
<tr>
<td>Projet régional de la boucle ferroviaire Abidjan-Îouagadougou-Niamey-Cotonou-Lomé</td>
<td>Transport</td>
<td>Rail</td>
<td>Benin, Burkina Faso, Côte d’Ivoire, Niger, Togo</td>
</tr>
<tr>
<td>Abidjan-Lagos Corridor Highway Development Project</td>
<td>Transport</td>
<td>Road</td>
<td>Benin, Côte d’Ivoire, Ghana, Nigeria, Togo</td>
</tr>
<tr>
<td>Implementation of a regional internet exchange point</td>
<td>Information and communication technology</td>
<td>Internet exchange points</td>
<td>Côte d’Ivoire</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
Kenya public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income group</td>
<td>Lower middle income</td>
</tr>
<tr>
<td>Population</td>
<td>52.6 million</td>
</tr>
<tr>
<td>GNI per capita</td>
<td>$1,750</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
<td>8</td>
</tr>
<tr>
<td>PPP investment, 2014–18</td>
<td>$1,447 billion</td>
</tr>
</tbody>
</table>

The Covid pandemic hit Kenya hard. GDP growth slowed to 1.4 per cent in 2020, from 5.4 per cent in 2019. Agriculture fuels growth in the country, but weak services and industries dampen it. Expansionary fiscal, monetary and financial policies have helped businesses and households cope with the pandemic.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
<th>Africa WGI ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>7</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>9</td>
</tr>
<tr>
<td>Political stability</td>
<td>36</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>27</td>
</tr>
<tr>
<td>Rule of law</td>
<td>15</td>
</tr>
</tbody>
</table>

The government’s WGI scores show a mixed picture of support for private sector development. The government scores below the African average on corruption control, political stability and rule of law (reflecting past election-related unrest). On the other hand, Kenya is a top-10 performer in government effectiveness.

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>9</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>7</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>10</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>12</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>3</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>4</td>
</tr>
</tbody>
</table>

Kenya’s investment appeal is above average in Africa but perceived corruption and percentage of firms citing taxes as a significant barrier (not shown here) are below average. The country’s credit rating is below investment grade but above that of most other African countries. Kenya is a preferred African investment destination for RMB 2020.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>5</td>
</tr>
<tr>
<td>Project procurement</td>
<td>22</td>
</tr>
<tr>
<td>Contract management</td>
<td>7</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>18</td>
</tr>
</tbody>
</table>

Kenya’s legal and regulatory framework scores well for preparation and contract management but less well for procurement and handling unsolicited bids.

5. Private participation in infrastructure projects and sectors, 1990–2020

<table>
<thead>
<tr>
<th>Projects reaching financial closure by sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
</tr>
<tr>
<td>Airports</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td>ICT</td>
</tr>
<tr>
<td>Ports</td>
</tr>
<tr>
<td>Railways</td>
</tr>
<tr>
<td>Water and sanitation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US$ million</th>
</tr>
</thead>
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<tr>
<td>Investments in projects by sector</td>
</tr>
<tr>
<td>Airports</td>
</tr>
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<tr>
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<td>Railways</td>
</tr>
<tr>
<td>Roads</td>
</tr>
<tr>
<td>Water and sanitation</td>
</tr>
</tbody>
</table>

ICT is information and communication technology.

6. Public–private partnership highlights

Kenya has PPP experience in multiple sectors and projects. In addition, the government has a PPP unit (established with the help of PPIAF) and a PPP Directorate.

The first IPP in Kenya was signed in 1996. KenGen began selling stock in 2006. But PPP has not always been a success in Kenya. Early IPP contracts were costly, but later thermal IPPs were affordable, and studies show that they outperformed comparable KenGen power plants.

In 2006, the government contracted Manitoba Hydro to manage Kenya Power and Lighting Company’s (KPLC) electricity distribution services. The Kenyan government ended the arrangement after two years. Local Kenyan media and anti-privatization critics blamed the government for high costs and poor performance. But there were other factors. The government and the contractor agreed that three-quarters of the performance goals had been met. But the parties disagreed on the percentage (of what?) (and the size of the resulting performance bonus). The expatriate management team was paid more than previous Kenyan managers, and the contractor had to deal with several labour disputes. It was expected to pay any contract extension (the World Bank paid for the first two years). That would have been difficult given other pressing needs arising from the 2008 post-election civil unrest. The contract was not a failure, but government officials indicated that they would not sign another contract soon.

The country’s high-voltage power lines are overloaded, and the government’s programme to expand access will further strain transmission infrastructure. The government is now actively considering a PPP arrangement. This would be a first for Africa and likely would be similar to projects in Brazil and Mexico. A PPP would benefit other African countries and enhance Kenya’s PPP reputation.

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of a navigational line between Lake Victoria and the Mediterranean Sea—Feasibility Study Phase 2 (VICMED)</td>
<td>Transport</td>
<td>Water Transport</td>
<td>Burundi, DRC, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, Uganda</td>
</tr>
<tr>
<td>Transborder submarine fibre PoPs and regional smart hub facility and data centre</td>
<td>Information and communication technology</td>
<td>Terrestrial connectivity infrastructure</td>
<td>Ethiopia, Kenya, Somalia, South Sudan, Tanzania, Uganda</td>
</tr>
<tr>
<td>Angololo Multipurpose Water Resources Development Project (Angololo Dam) NELSAP</td>
<td>Transboundary water</td>
<td>Multipurpose dams</td>
<td>Kenya, Uganda</td>
</tr>
<tr>
<td>Construction to standard gauge of the Mombasa-Nairobi-Malaba-Kampala-Kigali line (with Malaba-Nimule-Juba spur)</td>
<td>Transport</td>
<td>Rail</td>
<td>Kenya, Rwanda, South Sudan, Uganda</td>
</tr>
<tr>
<td>Juba-Nairobi fibre optic link</td>
<td>Information and communication technology</td>
<td>Fibre optic cable</td>
<td>Kenya, South Sudan</td>
</tr>
<tr>
<td>LAPSSSET Railway</td>
<td>Transport</td>
<td>Rail</td>
<td>Ethiopia, Kenya, South Sudan</td>
</tr>
<tr>
<td>Dawa River multipurpose dam</td>
<td>Transboundary water</td>
<td>Multipurpose dams</td>
<td>Ethiopia, Kenya, Somalia</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
Malawi public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income group</td>
<td>Low income</td>
</tr>
<tr>
<td>Population</td>
<td>18.6 million</td>
</tr>
<tr>
<td>GNI per capita</td>
<td>$380</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
<td>0</td>
</tr>
<tr>
<td>PPP investment, 2014–18</td>
<td>0</td>
</tr>
</tbody>
</table>

Malawi’s economy grew 5.7 per cent in 2019 but only 1.7 per cent in 2020. The Covid outbreak slowed economic activity, particularly in tourism, accommodation and food subsectors, transportation and agriculture. Weak global demand hampered inflows of foreign direct investment.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
<th>Africa WGI ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>18</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>27</td>
</tr>
<tr>
<td>Political stability</td>
<td>9</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>22</td>
</tr>
<tr>
<td>Rule of law</td>
<td>11</td>
</tr>
</tbody>
</table>

The government does well on political stability and rule of law but not well enough on other indicators. Regulatory quality scores are far below the average in Africa.

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>20</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>22</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>35</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>15</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>10</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>25</td>
</tr>
</tbody>
</table>

Aside from the Doing Business score, there are some positives [what are they? Those listed here are all negatives]. Most RMB investment attractiveness indicators in Malawi are below the African average. RMB rates Malawi’s overall attractiveness as average in Africa, meaning investors should consider two dozen other countries before investing in Malawi.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>2</td>
</tr>
<tr>
<td>Project procurement</td>
<td>21</td>
</tr>
<tr>
<td>Contract management</td>
<td>14</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>13</td>
</tr>
</tbody>
</table>

Despite its low PPP activity, Malawi’s legal and regulatory framework is excellent. The country is ranked second in Africa by the World Bank for project preparation.

5. Private participation in infrastructure projects and sectors, 1990–2020

![Projects reaching financial closure by sector](https://ppi.worldbank.org/en/snapshots/country/malawi)

![Investment in projects by sector](https://ppi.worldbank.org/en/snapshots/country/malawi)

6. Public–private partnership highlights

Per capita income in Malawi is among the lowest in the world, which correlates with its PPP activity. The country has one of the lowest levels of PPP-related investment in Africa, reflecting its robust procedures and rules for preparing and managing PPP contracts. Despite its PPP challenges, the country has PPP experience in ICT, transport and electricity.

In 2011, Parliament passed a PPP bill creating the PPP Commission (PPPC) as the sole authority for implementing the PPP programme in Malawi. Its principal task is to develop guidelines on best practices to assist sector ministries in developing, identifying and negotiating PPP projects. The PPC and the Ministry of Finance review PPP project affordability, value for money and feasibility, and contingent liabilities.

In 2001, the government contracted Eskom of South Africa to manage the Electricity Supply Corporation of Malawi (ESCOM) for two years. The government did not do much with PPPs in the power sector until the 2016 Electricity Act, after which it developed an IPP framework with the World Bank’s assistance. In 2016, the government conducted a pre-qualification exercise for solar photovoltaic IPPs with help from the Millennium Challenge Corporation and US Agency for International Development’s Power Africa. Several potential bidders disputed the process, claiming the government lacked competitive procurement rules.

Malawi’s government is pushing PPPs in the power sector. Unbundling ESCOM, strengthening tariff regulation, establishing an IPP framework and creating a solar IPP tender programme are critical steps toward meaningful private sector participation. A 40 MW solar IPP in Salima village is expected to be Malawi’s first grid-connected IPP solar project. InfraCo Africa of the PIDG developed this project.

Various development partners are also helping the government improve the country’s infrastructure. The government must continue to work on sector basics like planning, tariff regulation, transition from plans to projects, competitive procurement and improved sector utilities’ creditworthiness as it introduces IPPs and other PPPs.

[Table below for PIDA PAP 2 for Malawi seems to be wrong/incomplete]

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>SADC Regional Carrier-Neutral Data Center</td>
<td>Information and communication technology</td>
<td>Data centres</td>
<td>Angola, Botswana, Comoros, DRC, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia, Zimbabwe</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
Uganda public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income group</td>
<td>Low income</td>
</tr>
<tr>
<td>Population</td>
<td>44.3 million</td>
</tr>
<tr>
<td>GNI per capita</td>
<td>$780</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
<td>7</td>
</tr>
<tr>
<td>PPP Investment, 2014–18</td>
<td>$127 million</td>
</tr>
</tbody>
</table>

The Covid-19 pandemic and subsequent lockdowns damaged Uganda’s economy in 2020. Real GDP declined 0.5 per cent in 2020 after growing 7.5 per cent in 2019. Global travel restrictions and local containment measures severely hurt the tourism and hospitality industries. However, the central bank held inflation to 3.8 per cent, well under the 5 per cent medium-term target.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
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</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>12</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>6</td>
</tr>
<tr>
<td>Political stability</td>
<td>27</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>31</td>
</tr>
<tr>
<td>Rule of law</td>
<td>9</td>
</tr>
</tbody>
</table>

The government scores poorly on political stability and anti-corruption measures on the WGI but does well on regulatory quality and rule of law. Recent election controversies have not helped the country’s image among private investors.

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>21</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>14</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>14</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>9</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>12</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>14</td>
</tr>
</tbody>
</table>

The country outperforms the African average on most RMB investment attractiveness indicators. Despite concerns about corruption and political stability, RMB ranks Uganda 14th in overall investment attractiveness, a slight improvement over previous years.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>4</td>
</tr>
<tr>
<td>Project procurement</td>
<td>23</td>
</tr>
<tr>
<td>Contract management</td>
<td>6</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>9</td>
</tr>
</tbody>
</table>

Uganda excels on most PPP legal and regulatory issues. However, procurement is still below the average in Africa. The government can do much better.

5. Private participation in infrastructure projects and sectors, 1990–2020

![Number of projects reaching financial closure by sector](source: https://ppi.worldbank.org/en/snapshots/country/uganda)

<table>
<thead>
<tr>
<th>Projects reaching financial closure by sector</th>
<th>US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>0.0064</td>
</tr>
<tr>
<td>Information and communication technology</td>
<td>0.404</td>
</tr>
<tr>
<td>Railways</td>
<td>0.01568</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>0.002</td>
</tr>
</tbody>
</table>

6. Public–private partnership highlights

Uganda has extensive private sector experience in ICT, transport and power. These projects have led to the development of PPP policies and procedures. PPPs are common in power. The sector has faced numerous challenges, but the country has persevered in pursuing private investment. Three PPP projects stand out:

- **Bujagali hydropower project.** In 1994, the government and a US-based private company signed a memorandum of understanding to develop the Bujagali IPP. Following the signing, the World Bank and other development partners negotiated for years. After a competitive procurement process, a new preferred bidder was announced in 2005 for a 30-year PPA with the state-owned electricity transmission company. Bujagali reached financial closure in 2007. Bujagali was the most expensive IPP in Africa by 2010, at $3.4 million per megawatt.

- **Umeme.** The Ugandan government signed a 20-year concession agreement with Umeme Ltd., a Globeleq and Eskom Enterprises consortium (in 2006, Eskom dropped out of the consortium, and Actis Capital later replaced Globeleq). Umeme is a rare PPP type in Africa in that it leases assets from the state for distribution only, buys power from a government wholesaler and sells it to consumers. Umeme recoups its investments in the rehabilitation and expansion of existing assets.

- **Global Energy Transfer Feed-in Tariff (GET FiT) renewable energy scheme.** The government introduced a feed-in-tariff scheme for renewable energy in 2007. Private developers were encouraged to build and operate renewable energy facilities by setting feed-in tariffs. But the initial tariff levels failed to entice developers. The Ugandan Regulatory Authority (ERA) was hesitant to raise feed-in tariffs because of affordability concerns for both the government and rate-payers, who had long benefited from low tariffs. The government accepted a solution proposed by the German development bank KfW and others through which the development partners aided the small renewable energy IPPs financially. ERA launched GET FiT in May 2013 with KfW, DFIs and donors from Germany, Norway, the United Kingdom and the European Union. The programme led to financial closure on more than 15 small IPP projects and became one of Africa’s models for competitive renewable energy IPP programmes.

Uganda has a long history of PPPs, but delays and high transaction costs have resulted in frustration. Like some other governments, Uganda prefers working with Chinese investors on large infrastructure projects that can be completed faster than traditional PPPs.

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental Africa Water Investment Support Program (AIP) on transboundary water investment projects</td>
<td>Transboundary water</td>
<td>Multipurpose dams, water transfer, regulatory dams, irrigation dams, water MIS management</td>
<td>Benin, Cameroon, Tunisia, Uganda, Zambia</td>
</tr>
<tr>
<td>Establishment of a navigational line between Lake Victoria and the Mediterranean Sea—Feasibility Study Phase 2 (VICMED)</td>
<td>Transport</td>
<td>Water transport</td>
<td>Burundi, DRC, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, Uganda</td>
</tr>
<tr>
<td>Transborder submarine fibre PoPs and regional smart hub facility and data centre</td>
<td>Information and communication technology</td>
<td>Terrestrial connectivity infrastructure</td>
<td>Ethiopia, Kenya, Somalia, South Sudan, Tanzania, Uganda</td>
</tr>
<tr>
<td>Angololo Multipurpose Water Resources Development Project (Angololo Dam) NELSAP</td>
<td>Transboundary water</td>
<td>Multipurpose dams</td>
<td>Kenya, Uganda</td>
</tr>
<tr>
<td>Angololo Multipurpose Water Resources Development Project (Angololo Dam) NELSAP</td>
<td>Transport</td>
<td>Rail</td>
<td>Kenya, Rwanda, South Sudan, Uganda</td>
</tr>
<tr>
<td>Akagera River transport</td>
<td>Transport</td>
<td>Water transport</td>
<td>Rwanda, Tanzania, Uganda</td>
</tr>
<tr>
<td>Construction d’un pont sur la rivière Oubangui, d’aménagement des chaînons manquants dans les corridors routiers Bangui-Kisangani-Kampha et Kisangani-Bujumbura</td>
<td>Transport</td>
<td>Road</td>
<td>Burundi, CAR, DRC, Uganda</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
Zambia public–private partnership profile

1. Overview

<table>
<thead>
<tr>
<th>Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Group</td>
<td>Lower middle income</td>
</tr>
<tr>
<td>Population</td>
<td>17.9 million</td>
</tr>
<tr>
<td>GNI per capita</td>
<td>$1,450</td>
</tr>
<tr>
<td>No. of PPPs, 2014–18</td>
<td>3</td>
</tr>
<tr>
<td>PPP investment, 2014–18</td>
<td>$928 million</td>
</tr>
</tbody>
</table>

The Covid pandemic hit Zambia hard, causing a deep recession. After growing 4 per cent in 2018 and 1.9 per cent in 2019, real GDP shrank by 4.9 per cent in 2020. The decline in output is due to an unprecedented decline in all critical sectors of the economy. The government is in talks with the IMF on debt sustainability.

2. Government support for private sector development

<table>
<thead>
<tr>
<th>Quality of governance</th>
<th>Africa WGI ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government effectiveness</td>
<td>15</td>
</tr>
<tr>
<td>Regulatory quality</td>
<td>14</td>
</tr>
<tr>
<td>Political stability</td>
<td>5</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>11</td>
</tr>
<tr>
<td>Rule of law</td>
<td>10</td>
</tr>
</tbody>
</table>

Zambia is a forward-looking African economy. WGI scores generally exceed African averages.

3. General investment attractiveness

<table>
<thead>
<tr>
<th>Investment attractiveness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating environment</td>
<td>13</td>
</tr>
<tr>
<td>Socio-political risks</td>
<td>17</td>
</tr>
<tr>
<td>GDP/purchasing power</td>
<td>17</td>
</tr>
<tr>
<td>Expected annual GDP growth</td>
<td>40</td>
</tr>
<tr>
<td>Doing Business (48 countries)</td>
<td>5</td>
</tr>
<tr>
<td>Overall RMB ranking</td>
<td>17</td>
</tr>
</tbody>
</table>

Zambia consistently ranks in or near the top 10 African countries on RMB investment attractiveness indicators. However, in 2015, Zambia began to feel the effects of falling global commodity prices and a severe drought that reduced hydropower generation and caused power shortages. Its Doing Business score is still high, but its RMB ranking has fallen rapidly.

4. Public–private partnership legal and regulatory framework

<table>
<thead>
<tr>
<th>PPP readiness</th>
<th>Africa ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project preparation</td>
<td>16</td>
</tr>
<tr>
<td>Project procurement</td>
<td>1</td>
</tr>
<tr>
<td>Contract management</td>
<td>3</td>
</tr>
<tr>
<td>Management of unsolicited proposals</td>
<td>16</td>
</tr>
</tbody>
</table>

PPP rules and procedures are excellent in procurement and contract management but not in project preparation and unsolicited proposal management. The PPP unit’s role and location have shifted several times, and the legal and regulatory framework lacks implementation rules and may not be fit for its purpose.

5. Private participation in infrastructure projects and sectors, 1990–2020

- **Projects reaching financial closure by sector**
  - Electricity: 8
  - Information and communication technology: 1
  - Railways: 1
  - Water and sanitation: 1

- **Investment in projects by sector (US$ million)**
  - Electricity: 1,060
  - Information and communication technology: 489
  - Railways: 16
  - Water and sanitation: 0

6. Public–private partnership highlights

Zambia’s PPP record is mixed. Roughly half of the projects in the World Bank PPI Project Database are inactive or cancelled (World Bank 2020b). Concessionaire and government roles and responsibilities were unclear, leading to unrealistic project investment goals and unfulfilled government expectations. The country’s 20-year rail concession was cancelled in 2012.

Privatization of the Copperbelt Energy Corporation Plc transmission network is considered a success by the government, which has established two concessions to run networks in rural and mining areas. Also in the sector are Sinohydro Kafue Gorge Lower hydropower plant, TATA Itzhi-Tezhi hydropower plant and Maamba coal-fired power plant. Other IPPs, such as the $200 million Western hydropower IPP, have been completed or are near completion.

To take control of 33 state-owned enterprises, including the power utility ZESCO, the government formed the Industrial Development Corporation (IDC) in 2014. The IDC is charged with overseeing the government’s investment in these firms. Responsibilities include assisting companies in improving internal operations, raising commercial finance, developing supporting infrastructure and co-financing private sector investments, including new greenfield infrastructure projects with private sector involvement. Through an IDC–IFC Scaling Solar programme, the government has procured several low-cost solar IPPs.

The government has established a PPP framework, which was approved in 2009, and an inactive PPP unit. Previous power sector projects have used both this PPP framework and the government’s more extensive procurement framework. The high transaction costs, lengthy negotiations and implementation delays have resulted in high costs for private investors. More important, the PPP unit and IDC have different roles in driving PPP projects, and neither has a deep understanding of PPP issues. The IDC may be unwilling to wait for competitive procurement to conclude, aiming to attract private investment.

The Zambian government must institutionalise its improved PPP policies, planning and procurement rules. Due to the success of the IFC-funded Scaling Solar programme, the government has announced plans for 600 MW of on-grid solar power and a KfW-funded GET-FIT program. This goal may be achievable with IFC’s continued support and IDA guarantees. Scaling Solar relies on significant donor grant funding and continuous IFC quality control to ensure proper document preparation and competitive tendering.

7. Programme for Infrastructure Development in Africa Priority Action Plan 2 projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Sector</th>
<th>Subsector</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZiZaBoNa Transmission Power Interconnector</td>
<td>Energy</td>
<td>Transmission Lines</td>
<td>Botswana, Namibia, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Luapula Hydropower project</td>
<td>Energy</td>
<td>Generation-Hydro</td>
<td>DRC, Zambia</td>
</tr>
<tr>
<td>SADC Regional Carrier-Neutral Data Center</td>
<td>Information and communication technology</td>
<td>Data centres</td>
<td>Angola, Botswana, Comoros, DRC, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>Continental Africa Water Investment Support Program (AIP) on transboundary water investment projects</td>
<td>Transboundary water</td>
<td>Multipurpose dams, water transfer, regulatory dams, irrigation dams, water MIS management</td>
<td>Benin, Cameroon, Tunisia, Uganda, Zambia</td>
</tr>
</tbody>
</table>

Source: Author’s compilation.
8. CONCLUSIONS

Africa's infrastructure sectors are facing a long-predicted investment crisis. Despite decades of warnings, as documented by the World Bank (Foster and Briceno-Garmendia 2010) and the African Union Commission (2012), among others, infrastructure investment has continued to lag and too many Africans lack access to essential infrastructure services. The Covid pandemic's social and economic impacts have exacerbated the situation.

The private sector must help if significant progress is to be made in meeting infrastructure needs. Other sources of infrastructure finance, including ODA, non-OECD financing and government budgets, can do more but cannot fully meet the financial challenge of supplying the kind of infrastructure needed on the continent. The private sector has played a financing role in middle-income countries and in industries like power generation.

About 40 per cent of PPP-related investment in developing countries is in power. Africa has a good track record with PPPs, especially IPPs. IPPs account for 70 per cent of PPP-related investment in low- and lower-middle-income countries. Private investment is limited in transportation and water and sanitation. ICT attracts high levels of private investment, but it is now primarily a private, commercial business sector, eliminating the need for PPPs.

The private sector's underinvestment in Africa's infrastructure is due primarily to a lack of bankable projects—projects whose commercial viability has been convincingly demonstrated through sound technical and financial preparation. Bankability is easy to establish, especially if governments or development partners are willing to share costs and risks.

The main obstacles to successful African PPPs are identifying projects with commercial bankability potential and adequately preparing them. These challenges go unmet in Africa due to inadequate funding of preparation costs, scarce technical skills and weak laws, plans, policies and procedures. This scoping report has examined many projects that may not have enough commercial promise to attract private participation.

An information collection template such as the one in annex 3 is needed to help governments address PPP challenges. The template can be used to collect comparable country data on PPP readiness. This is the next step in ECA's support for the six African countries. Six national consultants conducted diagnostic exercises and worked with government officials to develop action plans to improve PPP readiness. These action plans will include short-, medium- and long-term measures to guide stakeholders in implementing PPPs.
ANNEXES

ANNEX 1. PUBLIC–PRIVATE PARTNERSHIP LEGAL AND REGULATORY BEST PRACTICES: WORLD BANK 2020 GLOBAL SURVEY

The public–private partnership (PPP) best practices discussed here cover project preparation, project procurement, contract management, unsolicited proposals (USPs) and project information disclosure.

Project preparation
- The ministry of finance or central budgetary authority assesses, accounts for and signs off on the long-term fiscal implications before launching procurement and signing a contract.
- There is a system to track the fiscal impact of PPPs, such as including PPP projects in the budget and accounting for and reporting on them.
- The project is selected, assessed and prioritized with all other public investments.
- The project is consistent with national public investment plans and strategies.
- The project is adequately justified based on the following types of assessments:
  - Socio-economic analysis.
  - Fiscal affordability assessment.
  - Risk identification, allocation and assessment (risk matrix).
  - Comparative assessment to evaluate whether a PPP is the best option to deliver a project, including public sector comparator or value-for-money analysis.
  - Financial viability or bankability assessment.
  - Procurement strategy.
- Market sounding regarding potential interest for a project among market participants.
- Market sounding to identify solutions and technology available as well as opportunities for innovation.
- Environmental impact assessment, including a consultation process with affected communities.
- Social impact assessment, including a consultation process with affected communities.
- The assessments mentioned above are included in the tender documents.
- The results of conducted assessments are published online.
- The tender documents are published online.
- The procuring authority prepares a draft PPP contract and includes it in requesting proposals or tender documents.
- The procuring authority has developed standardized PPP contracts and transaction documents to facilitate the procurement process and guarantee consistency.

Project procurement
- The bid evaluation committee members are required to meet minimum qualifications.
- The procuring authority publishes the public procurement notice online.
- Foreign bidders have unrestricted access to participate in a PPP tender.
- The procuring authority grants potential bidders at least 60 calendar days to submit their proposals.
- The procuring authority can choose among various competitive procurement methods to select the private partner based on suitability.
- If a direct (noncompetitive) award is possible, there are well-defined circumstances in which the usage of such a procurement method is justified.
• The tender documents explain in detail the procurement procedure, providing the same information to all bidders.
• The tender documents specify the qualification requirements (or the pre-qualification requirements when applicable).
• When applicable, the qualification requirements (or the pre-qualification requirements) are effectively regulated to ensure equal access for all qualified bidders to a PPP tendering process without limiting competition.
• Potential bidders can submit questions to clarify the public procurement notice or the request for proposals, and the answers are disclosed to all potential bidders.
• Potential bidders can suggest innovations to improve the tender documents or the procurement approach, including submitting variant bids, value engineering or technologically neutral options.
• There is a set timeframe for the procuring authority to answer the bidders’ questions or requests for clarification.
• If any changes or modifications are made to the tender documents, the bid submission deadline is extended sufficiently to allow the potential bidders to adjust their bids.
• The procuring authority conducts a prebid conference to inform potential bidders further, and any clarifications provided during the conference are disclosed to all potential bidders.
• Bidders prepare and submit a financial model with their proposals or are asked to fill out the pro forma financial model prepared by the procuring authority.
• The procuring authority evaluates the proposals strictly following the evaluation criteria stated in the tender documents.
• Non-price criteria can be used for the bid evaluation, and such criteria are justified, objective and quantifiable.
• The procuring authority provides a cost estimate or value of a PPP contract in the tender documents.
• The procuring authority follows a specific procedure to guarantee value for money if only one proposal is submitted.
• The procuring authority publishes the award notice online.
• The procuring authority provides all bidders with the results of the PPP procurement process, including the grounds for selecting the winning proposal.
• The procuring authority allows the bidders to hold a debriefing meeting to discuss why their bids were not selected.
• There is a standstill (or a pause) at least 10 calendar days after the notice of intent to award a contract is issued and before the contract is signed to allow unsuccessful bidders to challenge the award decision, and this period is specified in the requests for proposals or in a notice of intent to award a contract.
• Any material negotiations between the selected bidder and the procuring authority after the award and before signing a PPP contract are restricted and regulated to ensure transparency.
• There is a specific complaint review mechanism for the PPP procurement process complaints.
• There is a set timeline during which decisions on complaints will be issued.

• The decision on complaints is subject to appeal.
• The original complaint or appeal is reviewed by an independent body (other than a procuring authority or the courts).
• The procuring authority publishes the signed PPP contract and its amendments online.

**Contract management**

• The procuring (or contract management) authority has a system to manage implementation of the PPP contract, including establishing a PPP contract management team, involving some contract management team members in the project starting at the procurement stage and adopting PPP implementation manuals and risk mitigation mechanisms.
• The PPP contract management team members are required to meet minimum qualifications.
• The procuring (or contract management) authority establishes a system for tracking progress and completing construction works under the PPP contract, with relevant information made publicly available online.
• Monitoring and evaluation systems are in place to oversee implementation of the PPP contract after the construction stage, with relevant information publicly available online.
• Foreign companies are permitted to repatriate income generated from PPP projects.
• Potential changes in the structure of the private partner are expressly regulated, requiring the replacing entity to be at least as qualified as the original private partner.
• Modification and renegotiation of the PPP contract are expressly regulated to reduce incentives to use these changes opportunistically by either the private partner or the procuring authority.
• Third-party government approval is required for contract modifications.
• The procuring (or contract management) authority cannot unilaterally modify a contract without third-party approval.
• Specific circumstances (force majeure, material adverse government action, change in the law, refinancing) that may arise during the life of the PPP contract are expressly regulated.
• Alternative dispute resolution mechanisms, including mediation, dispute resolution boards and domestic and international arbitration, are available.
• Arbitration awards are enforceable by local courts.
• Lenders are given step-in rights for cases when the private partner is at risk of default or if the PPP contract threatens termination for failure to meet service obligations.
• The grounds for termination of the PPP contract and its associated consequences are well defined.

**Unsolicited proposals**

• The procuring authority assesses the merits of the USP and ensures that it aligns with the government’s investment priorities.
• Before proceeding and thoroughly assessing the unsolicited proposal, there is a vetting procedure or a prefeasibility analysis.
• If the USP is justified, the procuring authority initiates a competitive procurement procedure to select the private partner.
• The procuring authority grants all potential bidders (besides the proponent) a minimum time to prepare alternative proposals.
• The time to prepare alternative proposals is at least 90 days.

Project information disclosure:
• Preparation
  • Standardized PPP contracts or transactional documents are available.
  • PPP assessments are available online.
  • Tender documents are available online.
• Procurement
  • Procurement notice is available online.
  • Award notice is available online.
  • Contract is available online.
  • Contract amendments are available online.
• Contract management
  • Information on construction progress is available online.
  • Information on project performance is available online.

ANNEX 2. SELECTED PROJECT PREPARATION FACILITIES ACTIVE IN AFRICA

Public–Private Infrastructure Advisory Facility

The Public–Private Infrastructure Advisory Facility (PPIAF) is one of the first and best-known global project preparation facilities (PPFs). It was created in 1999 by the UK’s Department for International Development (DFID), the Government of Japan and the World Bank in response to the sharp decline in private sector investment flows into developing country infrastructure beginning with the Asian financial crisis in 1997. The PPIAF is a multi-donor trust fund managed by the World Bank. Within two years, donor membership grew to include Canada, France, Germany, the Netherlands, Norway, Sweden, Switzerland, the Asian Development Bank and the UN Development Programme, and by 2010, PPIAF had attracted funding from 17 donors.

The PPIAF was designed and staffed to take a broad approach to creating enabling environments conducive to infrastructure PPPs. Activities include assisting developing country governments in formulating countrywide and sector-specific private participation strategies, designing and implementing effective legal and regulatory frameworks and building relevant institutional capacity. During fiscal 2001, PPIAF provided $19 million in funding—roughly half from DFID—for 74 activities in more than 39 countries (World Bank 2002, 57).

The PPIAF is an unusual PPF in that it does not prepare projects. It focuses on support to government clients for reform of the upstream legal and regulatory enabling environment, identified in the early 2000s by the World Bank and others as a major problem area that needed reform before private investment flows into developing countries could be restarted. The trust fund model means that the facility is managed by the World Bank and that every grant approved by PPIAF for training, regulatory reform or upstream project preparation needs to be endorsed and managed by World Bank staff who are not acting as the activity’s task team leader. For PPIAF activities in specific countries, each grant must be approved by the relevant World Bank country director or a regional director. An internal evaluation of the World Bank’s PPP work over 2002–12 by the Bank’s Independent Evaluation Group found that most of PPIAF’s activities were carried out in support of conventional World Bank projects, for example, technical advisory services during the preparation of a World Bank loan (IEG 2015, 38).

The Global Partnership on Output-Based Aid

The Global Partnership on Output-Based Aid (GPOBA) was a second major DFID–World Bank collaboration designed to meet PPP challenges associated with the need for subsidies to at least partially cover infrastructure service delivery costs in poor areas and help make PPP service provision more sustainable (Brook and Smith 2001). The GPOBA was created in 2003 to explore “output-based aid” subsidies tied to the achievement of actual outputs rather than inputs, as with traditional aid projects. This meant that subsidy payments would be made after improved access to service (for example, the delivery of potable water to households) was confirmed rather than as a way to finance inputs that might or might not eventually lead to more or better services (for example, the construction of a water pipeline or treatment plant). Like the PPIAF, the GPOBA was a World Bank-managed multil donor trust fund designed to guide World Bank staff and clients in designing and managing output-based aid programmes, monitoring and assessing their effectiveness and providing limited amounts of donor financing for pilot subsidy programmes.

Like the PPIAF, the GPOBA also scaled up quickly and proved to be highly successful in attracting funding from other donors after DFID’s initial commitment. But after much research and experimentation, it became clear that output-based aid schemes worked best with small, urban services projects involving extensions of existing infrastructure networks. Larger infrastructure projects requiring upstream investments long before outputs could be achieved were not as suitable for this approach. In early 2019, the GPOBA changed its name to the Global Partnership on Results-Based Approaches as part of a rebranding effort to associate itself with a broader range of financing mechanisms with performance-based characteristics.
International Finance Corporation Public—Private Partnership Transaction Advisory Services

The IFC PPP Advisory is a third PPP support programme based in the World Bank that rapidly expanded its activities in the 2000s. Like the PPIAF and GPOBA, IFC PPP Advisory did this with the help of donors like DFID, both directly through contributions to IFC-managed trust funds and indirectly through grants from PPIAF and GPOBA that were used to support IFC’s PPP Advisory work. By the early 2000s, IFC PPP Advisory focused on downstream PPP project preparation—bringing to commercial closure5 PPP transactions that did not require extensive upstream legal and regulatory reforms. Within the World Bank Group, IFC PPP Advisory has earned high marks for performance, and evaluations confirmed that this work generated high added value for individual transactions [cite source]. IFC PPP Advisory has supported many first-of-kind PPPs and structured various model contracts.

The IFC project advisory process typically progresses through phases. The first phase involves interactions with potential government clients regarding project opportunities and completion of a project concept note that was reviewed and approved internally by IFC. This phase ends when governments agree to formally request IFC help in structuring a PPP (as described in the concept note) by signing a financial advisory services agreement (FASA) that defines mutual responsibilities, a retainer fee structure for payments by the government to IFC and details of the expected PPP transaction. After the FASA is signed, IFC teams prepare option reports and recommendations on the PPP transaction structure. A final phase involves IFC helping organize and manage a competitive tender process that, if successful, results in a PPP contract award and commercial closure. A condition of the contract award usually is a fee payment to IFC by the preferred private bidder at the commercial close to help cover transaction costs. IFC PPP Advisory exits the process at that point, and the winning bidder must secure financing for the project to reach financial closure.

IFC Scaling Solar is a unique IFC PPP Advisory product that originated in 2015 in Zambia and was implemented in several other developing countries. The programme involves developing and financing several large-scale solar photovoltaic IPP projects procured through an IFC-designed assistance programme. The programme represents millions of dollars in assistance and very low risks to the government client because every vital aspect of the programme is handled by the IFC PPP Advisory, from project site location document preparation to procurement management. IFC Investment usually offers finance to the preferred bidder, assuming IFC PPP Advisory management of the tender process and oversight of all bid document preparation. The Scaling Solar strategy offers PPP delivery speed and efficiency through bankable, non-negotiable template documents and “stapled” financing by IFC Investment (automatically available to preferred qualifying bidders) to help avoid drawn-out negotiations. The programmes have successfully concluded PPPs that achieve low pricing for government clients. The second round of Scaling Solar tendering was eventually implemented in Zambia. Additional Scaling Solar country programmes were announced in Senegal in February 2016, Madagascar in May 2016 and Ethiopia in January 2017. In 2018, the IFC signed a FASA to develop a Scaling Solar programme in Uzbekistan, the first such programme outside Africa. “Scaling Wind” and “Scaling Re-Water” (for wastewater treatment) are in development at the IFC.

International Finance Corporation Upstream

IFC Upstream is a new IFC PPP programme in the design and development stage in 2020–21. It reflects the IFC view that focusing on transaction assistance alone would not be enough to facilitate adequate PPPs in the poorest and most fragile countries or in countries with lower levels of government capacity. Since the early 2000s, IFC PPP Advisory has driven the PPP development process in IFC client countries by taking control of the process, adding project design and development requirements to FASAs and often taking direct control of bid documents and tender management. This downstream transaction focus worked reasonably well in middle-income countries but not as well in low-income countries. More time and effort were needed on upstream legal, regulatory and capacity-building activities to prepare the groundwork for downstream PPP transactions in such countries. In IFC parlance, “upstream activities” refers to work needed before the traditional investment cycle begins, in other words, before the FASA is signed, so that the necessary precursors to private investment are in place.

The details of this upstream approach are still being developed. But in 2020, IFC began hiring 250 staff to expand this upstream business. Several principles were also established to guide this upstream work, including creating conditions for private sector investment that would not happen if left to market forces alone. The upstream timeframe appears to be defined as beginning no more than five years before investment, so the initiation of this upstream work would depend on the expectation that a private sector investment would be possible within five years.

The Private Infrastructure Development Group

The Private Infrastructure Development Group (PIDG) and its subsidiary companies quickly became the leading recipient of DFID financial support to facilitate private investment in infrastructure in developing countries. The PIDG was expected to:

• Work with public and private sectors as needed but concentrate on the private sector since World Bank–associated programmes focus on government counterparts.
• Recover project development costs at financial close or shortly thereafter. This commercial approach to projects would maximize the demonstration effects that seemed necessary to motivate more private sector interest in PPPs in poorer countries.

• Focus only on developing countries, defined rigorously as those identified in the first two columns of the official list of countries eligible for official development assistance published by the OECD’s Development Assistance Committee ("the DAC list").

• Employ experienced private sector transaction experts, with individual facilities managed by boards of directors drawn mainly from the private sector.

PIDG was set up independently of multilateral development banks (MDBs) such as the World Bank but mimicked the World Bank’s trust fund structure by using a private financial services company in London to host a trust fund into which donor money could be deposited and held for use by PIDG facilities. After creating the trust fund structure and a small central secretariat, PIDG began setting up individual facilities:

• The Emerging Africa Infrastructure Fund (EAIF) was established in 2002 as a $365 million debt fund that provided long-term foreign currency–denominated loans for private sector infrastructure projects in Sub-Saharan Africa. EAIF aimed to address the market gap created by the region’s high interest or short tenor loans provided by commercial banks, which were unsuitable for infrastructure financing. Because EAIF was to operate on private sector commercial principles, it was expected to demonstrate the viability of long-term commercial lending for infrastructure projects in Sub-Saharan Africa.

• The Technical Assistance Facility (TAF) was established in 2003 to provide private grant funding to PIDG facilities. Although the other PIDG facilities had donor funding for the typical project due diligence and preparation expenses, successful projects were supposed to cover those costs (to demonstrate their commercial viability). The TAF grants did not require full recovery because they targeted preparation problems that would not be considered “normal” in OECD countries. The technical capacity and expertise required to deal with such problems was absent in counterparts policymaking bodies, regulatory agencies and line ministries. However, although the TAF had the money for various kinds of policy and regulatory reforms, it had neither the mandate nor the funding to go as far upstream as the PPIAF, so the reforms it paid for were mainly downstream and transaction related. But in the late 2000s, the TAF created an output-based aid window to add capital grants to its grant menu, which initially consisted of technical assistance grants. In 2012, viability gap funding grants were added, as upfront project capital subsidies, effectively replacing output-based aid grants for PIDG projects.

• The Infrastructure Development Collaboration Partnership (DevCo) was created in 2003 as a PIDG-affiliated programme implemented by IFC’s PPP Transaction Advisory Services. DevCo involved a donor-capitalized trust fund hosted by the IFC. The IFC PPP Advisory team could help reduce the costs of developing PPPs in low-income countries that could not make the expected government contributions to IFC costs. DevCo projects used the same project development process as that used for any other PPP developed by IFC PPP Advisory. The work was done downstream close to the transactions. It mostly paid for consultant work on project technical analysis, structuring and feasibility assessments, with IFC exiting the project at the commercial close. The PIDG’s role in DevCo transactions was to substitute for the donor in approvals for grants and performance monitoring. DevCo project successes were counted against both IFC and PIDG performance targets, even though there was almost no interaction between PIDG and IFC at the project level. In the early 2000s, DiID was the principal donor supporter of the DevCo trust fund, but other donors eventually joined.

• GuarantCo was created in 2004 as a local currency guarantee vehicle to mitigate credit risks for local currency financing of infrastructure projects. Because many infrastructure projects derive most of their revenues in local currency, debt funding could be burdensome and less than ideal. At the same time, however, local institutional investors were often not regarded as suitably creditworthy for infrastructure project financing, with institutional investors often lacking the capacity to evaluate the creditworthiness of projects and price long-term securities. The GuarantCo was meant to respond by offering partial guarantees on infrastructure projects’ private and public sector debt. These guarantees would serve as credit enhancements to facilitate local debt markets, mitigating credit risks for local lenders and investors.

• InfraCo Africa was established in 2005 as an infrastructure project development company focused on low-income countries of Sub-Saharan Africa. InfraCo’s strategy was to assume the risks and costs of early-stage project development and develop projects from their early conceptual stages to financial close when projects would, in effect, be sold to private investors. By managing the project development process, InfraCo could exercise quality control over all phases of project development, such as feasibility assessment and project structuring. This control was expected to result in highly bankable projects. (A similar facility was created in 2007 to focus on Asian countries.)
The New Partnership for African Development
Infrastructure Project Preparation Facility

The New Partnership for African Development (NEPAD) Infrastructure Project Preparation Facility (IPPF) was established by the African Development Bank (AfDB) in 2003 as a bilateral project preparation fund with support from the Canada Fund for Africa and administered by the Canadian International Development Agency. But five months after the 2005 G8 summit in Gleneagles Scotland, which focused on African development issues, the IPPF was converted into a multilateral trust fund with contributions from the United Kingdom, Denmark and Norway. IPPF’s objective was to prepare infrastructure projects identified in the early lists of priority regional infrastructure projects developed by NEPAD, now known as the AUDA (African Union Development Agency)–NEPAD. The IPPF was intended to focus on downstream preparation (feasibility studies and structuring) emphasizing private investment. But the preparation work was much more complex and costly than anticipated. IPPF made little progress until 2007, when it upgraded its internal technical capabilities and started receiving support from DFID. Eventually, other donors contributed to the facility. The IPPF is now seeking new funding from additional donors.

The Programme for Infrastructure Development in Africa Service Delivery Mechanism

The Programme for Infrastructure Development in Africa (PIDA) Service Delivery Mechanism (SDM) was created in 2014 to support projects identified as part of the PIDA. In 2014, the African Union Commission (AUC) and AUDA–NEPAD created the SDM to address the lack of capacity for early-stage PIDA project preparation at national and regional levels. The SDM provided institutional advisory services, legal advice, communications and capacity-building support to countries and agencies originating PIDA projects. The lack of internal technical capacity in the SDM meant that there was little demand for SDM support. In 2019, the AUC and AUDA–NEPAD added new tools and sub-units to improve SDM performance, such as the Experts Service Pool, the PIDA Quality Label (PQL), the PQL Quick-Check Methodology and the Continental Business Network.

Africa50

Africa50 is perhaps the most ambitious and concrete response to the challenges posed by the PIDA study. The AfDB announced in July 2013 its intention to establish Africa50 as a multibillion dollar preparation and financing facility targeting large infrastructure projects in Africa. Its stated purpose is “to unlock private financing sources...and...accelerate the speed of infrastructure delivery in Africa” (AfDB 2013). The AfDB’s initial presentations on Africa50 to its board of directors anticipated that two business lines would be needed for the facility to achieve its goals: a revolving project preparation fund and a financing fund. The revolving project preparation fund was expected to cut project preparation time to financial close by more than half—from seven years to under three years. This fund would recover its costs from governments or private developers (plus a premium to cover losses on unsuccessful projects) either through repayment at project financial close or through carried interest shares in closed projects. The financing fund would collect large amounts of capital and make project investments available via bridge equity, senior secured loans, credit enhancements, refinancing, secondary transactions and so on. The AfDB calculated that it needed an early equity investment in this fund of $3 billion, soon expanded to $10 billion, to achieve its aim of leveraging over $100 billion in investment. The bank also planned to raise debt in international capital markets to augment Africa50’s ability to finance its project pipeline.

The Global Infrastructure Facility

The Global Infrastructure Facility (GIF) was created in 2015 by the G20 in responses to challenges posed by the need for regional private investment projects in developing countries. The support for regional infrastructure projects in Africa, reflected in PIDA and Africa50, was mirrored at the international level in G20 meetings after 2012. The G20 began to focus on the need for large, regional or transformational PPPs and cited the importance of regional project priority lists like PIDA’s. This G20 focus prompted critical members of the G20 MDB Working Group, such as the World Bank, the Asian Development Bank and the AfDB, to consider new PPFs that would address the challenges associated with these projects. Several new PPFs were established over the next five years.

When considering the MDB Infrastructure Action Plan at the IDA17 negotiations in 2013, the World Bank proposed using more significant concessional funding to develop transformational PPP projects. That proposal eventually resulted in the establishment of the GIF in April 2015 as a multilateral trust fund in the World Bank. GIF’s initial five-year pilot phase was funded with a $94 million capitalization, contributed by Australia, Canada, China, Japan, Singapore and the World Bank. The GIF’s mission was to coordinate the efforts of development finance institutions, MDBs, bilateral donors, private investors and governments “to increase private investment, particularly long-term finance, in complex Emerging Market and Developing Economies (EMDEs) infrastructure projects.” “Complex projects” were defined as those that required multiple parties to work together to structure, arrange and provide financial support, as well as projects that required a blend of financial and risk mitigation instruments to attract commercial finance. The definition explicitly included projects that “provide services to multiple countries or have a regional impact” (GIF 2015, 3).
ANNEX 3. TEMPLATE FOR A PUBLIC–PRIVATE PARTNERSHIP READINESS SCORECARD

The following diagnostic template is intended to be used to collect data on 11 facets of public–private partnership (PPP) readiness that, when completed, constitutes a scorecard assessing a country’s readiness for PPPs:

1. Background environment.
2. PPP experience.
3. Stakeholder support and ownership.
4. PPP legal and regulatory framework.
5. PPP institutional capacity.
6. Funding and managing fiscal risk.
8. Transparency and disclosure.
9. People-first PPPs.
10. Regional PPPs.
11. Readiness Scorecard summary.

Introduction

This diagnostic template is intended to assess countries’ readiness to use PPPs to enhance infrastructure services by posing critical questions systematically organized under 11 thematic headings.

Applying this template in the six pilot countries (Cameroon, Côte d’Ivoire, Kenya, Malawi, Uganda and Zambia) prioritized by the United Nations Economic Commission for Africa (UNECA) is the first step in preparing national PPP action plans to increase countries’ ability to use PPPs to enhance infrastructure services.

The application of the diagnostic template consists of three phases:

- Desk review using the ECA Scorecard to establish a country’s PPP readiness.
- On-site due diligence through interviews and consultations with key stakeholders to confirm findings from the literature review and identify gaps in the PPP framework.
- Preparation of an action plan that identifies options for structuring a robust and sustainable PPP programme.

The Public–Private Partnership Readiness Scorecard

1. Background environment

Do the economic fundamentals and business climate in the country facilitate successful PPPs?

Macroeconomic and other data

- Per capita gross domestic product.
- Economic growth rate.
- Current average inflation rate.

- Sovereign credit rating (including details on the probability of default).

Business climate


Climate change

- Global Climate Risk Index – German Watch: https://germanwatch.org/sites/default/files/20-2-01e%20Global%20Climate%20Risk%20Index%202020%2014.pdf

2. Public–private partnership experience

Does the government have any successful experience implementing PPPs?

- Have any PPP projects been considered or implemented?
- What were/are the government’s key objectives in undertaking PPP projects/programmes?
- Are the implemented PPPs operational and considered a success?
- Are there any “local” versions of PPPs, including joint ventures, privatizations, concessions, leases or other forms?
- What are the key drivers of local/variant PPPs, if any?

3. Stakeholder support and ownership

Is there general support for PPPs from the government, the general public and other key stakeholders?

Government support and ownership

- Is there a clear understanding and ownership of PPPs at the highest levels of government, including the cabinet and parliament? What about subnational governments?
- Is there a clear PPP champion in the national government?
- Is a defined PPP strategic plan/policy in place in the country?

Public support

- Is the public supportive of PPPs?
- Is domestic industry supportive of PPPs?
- Is there any solid opposition to PPPs from specific stakeholder groups? If yes, what are the reasons for such opposition?

4. PPP legal and regulatory framework

Does the existing framework facilitate successful PPPs? Do improvements need to be made to the framework through amendments in existing legislation/regulations/rules or through new/additional legislation or adequate guidelines?
General PPP enabling legislation and regulation

- Can PPPs be undertaken in the country under existing laws or contracts?
- Is there a specific or generic law that addresses PPPs? When was it enacted?
- Is a clear PPP policy formalized in law, regulations, policy documents or manuals? When was it put in place?
- Are their legislation, rules or regulations that provide clarity to government officials, industry and other stakeholders on:
  - The definition of PPP.
  - Types of PPPs that can be undertaken (such as management contracts, leases, build-operate-transfer, availability-based, concessions, asset sales and others).
  - The process for approval of projects.
  - Procurement of projects.
  - Regulation and management of projects through the construction and approval stages.
  - Specific public authorities that can sign the PPP agreement.
  - Institutional structures that initiate, implement and manage the PPP process with clarity on roles and responsibilities.
- Does the PPP policy/law/regulation reflect and contribute towards official climate change targets (to develop low-carbon and climate-resilient infrastructure) made by the national government?

Specific legislation and regulations regarding unsolicited proposals

- Can a government accept unsolicited proposals (USP) under existing law or contract?
- Do USP regulations provide clarity on:
  - Definition of USPs.
  - Types of USPs that are allowed.
  - Minimum requirements for USP submission.
  - Procedures for approval of USPs.
  - Procedures for ensuring competition or fair market value.

Other specific legislation and regulations

- Are other laws, regulations or procedures in place to assess the fiscal impact of PPPs on the government?
- Are other laws, policies and procedures in place that include proactive government disclosure? Timelines for disclosures?
- Is any other relevant legislation or regulation materially influencing the preparation, procurement and implementation of PPPs?

5. Public–private partnership institutional capacity

Is there a second tier of PPP-related institutions and processes that facilitates implementing the law, regulations, rules and policies?
• Is a well-functioning budgetary system supporting multiyear fiscal commitments to infrastructure and PPPs where such support is required?

PPP project preparation funding
• Does the government have (earmarked) funds for professional PPP project preparation, procurement and implementation?
• If not, does the government have access to technical assistance funds, project development facilities or project preparation facilities from multilateral development banks (MDBs)?
• Does the PPP framework allow climate finance mechanisms into project preparation funding at the planning stage?

Framework for government support to PPPs
• Are there clear criteria for evaluating projects for support?
• Are there clear criteria for determining the level of support under different instruments?
• Is there a provision for various instruments, such as grants, debt, equity and other direct funding/financing support, with a clear set of criteria for using each instrument?
• Are the institutional roles and responsibilities of the various entities (the contracting agency, PPP unit, ministry of finance/economy and so forth) laid out in the appraisal and approval of projects for support?
• Has the framework been formally implemented and used in practice?

Framework for managing fiscal commitments and contingent liabilities
• Is there a PPP/public financial management/fiscal responsibility/budget management regulation or policy that mandates assessing, monitoring and managing financial commitments and contingent liabilities?
• Has a framework been developed that identifies the institutions, processes and methodologies for assessing, measuring, monitoring and managing fiscal commitments and contingent liabilities arising from projects?
• Does the framework provide an adequate assessment of the economic costs and benefits and value for money of a project and the project’s risk profile?
• Is there sufficient expertise within the relevant offices for sound implementation of the framework?

7. Access to finance

Are there project financing structures and sources available to support PPPs?
• Is local currency financing available?
• Is there a robust project finance market that supplements traditional corporate finance?
• Are various debt instruments available to cater to project needs, such as senior, mezzanine, subordinated debt and take-out financing?

Do the significant sources of debt (commercial banks and capital markets), including domestic and external borrowing, provide reasonably long and adequate tenors?
• Are credit enhancement and risk mitigation products (guarantees) available to support project financing?
• Is there an excellent secondary market available for refinancing debt and equity?
• Is there a functioning bond market?
  • Is there a nongovernment bond market with adequate depth?
  • Is a secondary market available for bonds with sufficient volumes (to assess the liquidity of fixed-income instruments)?
  • Is there a broad investor base in bonds that includes foreign investors?
• Do development finance institutions (DFIs) and MDBs play a significant role in financing projects, directly or indirectly, and what powerful instruments are they using?
• Do the current regulations and rules support investments in infrastructure projects by long-term investors, including pension and equity funds? Are pension funds only in instruments with specific investment-grade ratings, or is there flexibility? Are there regulatory caps on pension fund exposure to infrastructure, and do these allow further investment in the sector?

8. Transparency and disclosure

Are PPP-related oversight, audit and disclosure procedures and institutions in place?
• Does the supreme audit institution have the capacity and skills to undertake PPP audits and publish the findings?
• Have there been prior audits of PPP projects? What is the substance of these audits? Which critical shortcomings do these reports identify?
• Is there a clear framework for PPPs’ financial, performance and forensic audits?
• Is a proactive disclosure law or policy covering PPPs adequately implemented?
• Are there other specific methods for ensuring transparency in the PPP process, such as disclosure of crucial information relating to project approval, procurement and performance?

9. People-first PPPs

To what extent is this country’s PPP legal/regulatory/institutional framework consistent with the following principles established by the United Nations Economic Commission for Europe (UNECE) International PPP Centre of Excellence regarding “quality infrastructure investments” for “people-first” PPP projects?
• Increasing access and promoting equity, which means that access to essential services, such as water and sanitation
and energy, should be increased for people, especially people who are socially and economically vulnerable. Furthermore, people-first PPPs should promote social justice and make essential services accessible to all without restriction on any grounds (for example, race or religion).

- **Improving environmental sustainability**, which means cutting carbon dioxide emissions to move to a green economy.

- **Improving project economic effectiveness**, which means that projects must be successful, achieve value-for-money and have a measurable impact by removing a barrier or creating a new mechanism for integrating groups into the global marketplace.

- **Be replicable**, which means that PPPs can be repeated and scaled up to achieve the transformational impact required by the 2030 Agenda for Sustainable Development. This criterion also needs to consider whether local staff and governments have received the necessary training to do similar projects in the future.

- **Engage all stakeholders**, which means directly involving them in the PPP project or involving those who might be affected directly or indirectly in the short and long run.

### 10. Regional PPPs

To what extent is the government prepared to identify, develop and manage cross-border PPPs, Programme for Infrastructure Development in Africa’s revised Priority Action Plan (PIDA PAP 2) PPP projects or other regional PPPs involving benefits for multiple countries?

- Does the government have any experience successfully implementing regional PPPs?
- Do the government and general public support regional PPPs? Are regional project opportunities prioritized in infrastructure planning?
- Are the government’s PPP selection criteria for regional projects consistent with the PIDA PAP 2 “integrated corridor approach” to project prioritisation?
- Are efforts planned or under way to harmonize legal/regulatory/procurement/procedural rules with other countries to implement regional PPPs?
- Is the institutional framework (for example, a PPP unit) capable (in terms of human and financial resources) of facilitating regional PPP projects?
- Is the government willing and able to host and staff a “project institution” that is officially responsible on behalf of participating governments for managing the development of a specific regional project?
- Is there a formal process to work with relevant RECs on regional project identification?

### 11. Readiness Scorecard summary

What are the priority areas for improvement (see table A3.1)?

**On-site due diligence consultation options**

This is an illustrative list of stakeholders—individuals/firms/organizations—that may be consulted during the on-site due diligence phase of this work. The national consultants will need to customize these lists to suit each country.

**Government**
- Ministry of finance.
- Ministry of economic development.
- Ministry of infrastructure.
- PPP unit, if separate from the above.
- All relevant sector ministries.
- National agencies or state-owned enterprises dealing with infrastructure.
- Regional organizations.
- Supreme audit authority.
- Accounting and statistics officials.
- Ministry or department of budget.
- Public debt management authority.
- Provincial governments.
- Local bodies.
- Independent regulators.
- Parliamentarians (based on specific country circumstances).

**PPP legal firms/lawyers**
- These should include those who may have provided legal advice for projects initiated as PPPs or on PPP legislation/regulations/frameworks.

**Financiers**
- These should include those who may have financed any past projects or are planning to finance future projects.
  - State-owned development banks.
  - Commercial banks.
  - DFIs and MDBs.
  - Equity funds.
  - Direct equity investors.
  - Debt funds.
  - Pension funds.

**Other private stakeholders**
- Special purpose vehicles (existing PPPs).
- Developers.
- Construction contractors.
- Other subcontractor categories.
- Chambers of commerce.
TABLE A3.1 Readiness Scorecard summary

<table>
<thead>
<tr>
<th>Themes</th>
<th>Readiness questions</th>
<th>Yes</th>
<th>No</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background environment</td>
<td>Do the economic fundamentals and business climate in the country facilitate successful public–private partnerships (PPPs)?</td>
<td></td>
<td></td>
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<tr>
<td>Experience with the PPP process</td>
<td>Does the government have successful experience implementing PPPs?</td>
<td></td>
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<tr>
<td>Stakeholder support and ownership</td>
<td>Is there broad support for PPPs from the government, the public, the private sector and other key stakeholders?</td>
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<tr>
<td>PPP legal and regulatory framework</td>
<td>Does the existing framework facilitate successful PPPs? Are improvements needed in the PPP framework, through amendments to existing legislation and regulations or through additional legislation or guidelines?</td>
<td></td>
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<tr>
<td>PPP institutional capacity</td>
<td>Is there a second tier of PPP-related institutions and processes that facilitate implementation of the law, regulations, rules and policies?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Funding and managing fiscal risk</td>
<td>Does the government provide funding support to PPPs in the form of debt, equity, grants or guarantees? Does the government effectively identify and manage financial risk associated with PPPs?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to finance</td>
<td>Are project financing structures and sources available to support PPPs?</td>
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<tr>
<td>Transparency and disclosure</td>
<td>Are PPP-related oversight, audit and disclosure procedures and institutions in place?</td>
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<td></td>
</tr>
<tr>
<td>People-first PPPs</td>
<td>Is the PPP legal, regulatory and institutional framework consistent with principles established by the United Nations Economic Commission for Europe International PPP Centre of Excellence regarding “people-first” PPP projects?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Regional PPPs</td>
<td>Is the government prepared to identify, develop and manage cross-border PPPs, Programme for Infrastructure Development in Africa Priority Action Plan II PPP projects and other regional PPPs involving benefits for multiple countries?</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Nongovernmental organizations and community service organizations:
• These should include organizations interested in service provision, key performance indicators and disclosure issues.

Donors
• MDBs and bilateral aid organizations.

Scorecard sources
NOTES

1. The landlord port model refers to PPPs in which a government port authority owns basic port infrastructure but leases it to a private operator that runs the port under a long-term concession. In most cases, the port authority regulates while the operator builds and maintains the port superstructure. Early African models of the model [finish the sentence] (Leigland and Palsson 2007).

2. Scores are based on responses to standardized questionnaires and follow-up question and answer sessions via conference calls and emails. Scores are aggregated for each thematic area: preparation, procurement, contract management and unsolicited proposals [add? and information disclosure]. Only areas recognized as international best practices are scored. The scoring methodology allocates the same weight to all benchmarks. To receive a full point for the scored question there must be a valid provision in the regulatory framework that addresses the issue. Possible scores range from 0 to 100. Economies with the highest scores, nearing 100, are considered to have PPP frameworks that are closely aligned with international best practices in all thematic areas.

3. “Commercial closure” refers to the signing of all project documents with a private partner, with financing (“financial closure”) yet to be fully arranged. IFC PPP Advisory exits the project before financial close is a way to ensure against conflicts of interest with IFC Investments, the largest part of the IFC and arguably the world’s largest financier of PPP transactions. IFC normally does not take advisory and investment roles at the same time on a PPP for this reason (IEG 2015). Other rules restricting staff access to internal information outside their business lines are designed to ensure that project details are not formally shared between IFC Advisory and IFC Investment.

4. In 2001, the first column of the DAC List included “least developed countries,” a classification based on a variety of development problems. The second column included “other low-income countries,” a classification based on specified levels of per capita gross national product as of 1998 (less than $760 at the time).

5. See, for example, Country profiles – African Development Bank: https://www.afdb.org/en/countries/southern-africa/.
REFERENCES

European Commission 2003 [add reference]


PPIAF 2012 [add reference]


UNECE 2007 [add reference]


