INFRASTRUCTURE IN AFRICA

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Africa has a **significant infrastructure gap** that presents an opportunity for private investment in a sector that has historically been in the purview of the public sector. The African Development Bank estimates an infrastructure financing gap of between $68 - $108 billion per annum to reach infrastructure targets in Energy, Water and Sanitation, Information and Communication Technology (ICT) and Road and Transport.

Energy: Over 45% of the population in Africa lacks access to reliable electricity, hindering economic growth and development. The continent has vast renewable energy potential, but investment is needed to bridge the gap and progress the just transition away from fossil fuels.

Water and Sanitation: Safe water and sanitation are essential for public health and development. However, more than 60% of Africa's population lacks access to clean water and proper sanitation facilities. Investment is crucial for improved water treatment, distribution systems, and sanitation infrastructure in both rural and urban areas.

ICT: Africa's internet penetration lags other developing regions with less than 40% of the population having access to the internet. Limited access to ICT hinders education, healthcare delivery, and business opportunities. Expanding broadband and fibre access whilst lowering mobile data costs is critical for bridging the digital divide.

Roads and Transport: Poor road conditions and inadequate transport networks raise transportation costs and limit access to markets and social services. Investment is needed in road construction, maintenance, and regional connectivity to improve trade, stimulate economic activity, and connect rural communities.

Africa's infrastructure targets are ambitious, and their achievement will require concerted collaboration between governments, private sector, multilateral institutions, advisors, and local communities.

Sources of infrastructure finance are evolving, characterised by funding sources diversification and marked increase in **Private and Public Partnerships (PPPs)** and **blended finance** utilisation.

Public Sector Funding remains the largest source of infrastructure finance but is significantly constrained by African government's budget allocations as well as increased levels of sovereign debt across the continent.

Multilateral and Bilateral Funding play a crucial role in de-risking projects and crowding in private sector participation in infrastructure development. These funders provide loans, grants, and technical assistance. However, these sources along with other Development Finance Institutions have limitations in scale.

Private Sector Funding is becoming a force to be reckoned with in infrastructure. Increased allocation of capital by asset managers to infrastructure projects is helping bridge the infrastructure gap which is critical in achieving the UN Sustainable Development Goals.

South Africa's Renewable Energy Independent Power Producer Programme is a prime example of the **impact of private capital and expertise** in providing critical infrastructure on the continent.

$19.1 Billion investment has been attracted into South Africa for energy infrastructure projects across different renewable energy technologies adding over 9GW of electricity capacity in the country.

One hundred and eleven independent power producer projects have reached financial close as part of the REIPPP programme.

Significant project pipeline of solar, wind and battery energy storage by independent power producers creates an opportunity for future private investment in South Africa as well as the region through regional power pools.

Cost of Capital the de-risking of REIPPPP private public partnership has resulted in lower costs of capital thus making projects viable and unlocking additional investment.

Rwanda's Bulk Water Supply project showcases the impact of private sector involvement in infrastructure development on the continent. This 27-year Build, Own, and Transfer (BOT) partnership between the Rwandan government and AWID delivered critical water infrastructure.

$75 million through debt and equity financing. These funds went towards the design, construction, and operation of the water treatment plant, along with essential supporting infrastructure like wells, storage tanks, pumping stations, and pipelines.

Delivers **40,000 cubic meters of clean water** daily to the government water utility. This translates to meeting the water needs of roughly 500,000 residents, businesses, and industries – 27% of Kigali's water demand.

This project, the **first of its kind in Rwanda**, represents a successful collaboration between the public and private sectors. It's also a prime example of blended finance, where development finance institutions play a key role in bridging the gap for crucial infrastructure projects.

The project incorporated strong **Environmental, Social, and Governance (ESG)** principles. Improved access to water and sanitation is a direct benefit, but the project's impact extends further. It is estimated to have created 1,500 jobs and contributed positively to Rwanda's socio-economic development, ultimately improving the quality of life for beneficiaries.

Africa is uniquely positioned to benefit from a surge in infrastructure investment. Regulatory and policy reforms are creating a more attractive environment for private investors. Demand for improved infrastructure far outstrips what governments can fund alone. Additionally, a growing interest in infrastructure assets by major investment firms injects fresh capital and expertise into the market. Pension funds, insurance companies, and infrastructure funds are attracted by the long-term, stable returns offered by well-structured projects. This confluence of factors creates a prime opportunity for Africa to unlock its economic potential by closing its infrastructure gap.

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