Development Finance : Can Public Private Partnerships cushion the debt crisis in Africa

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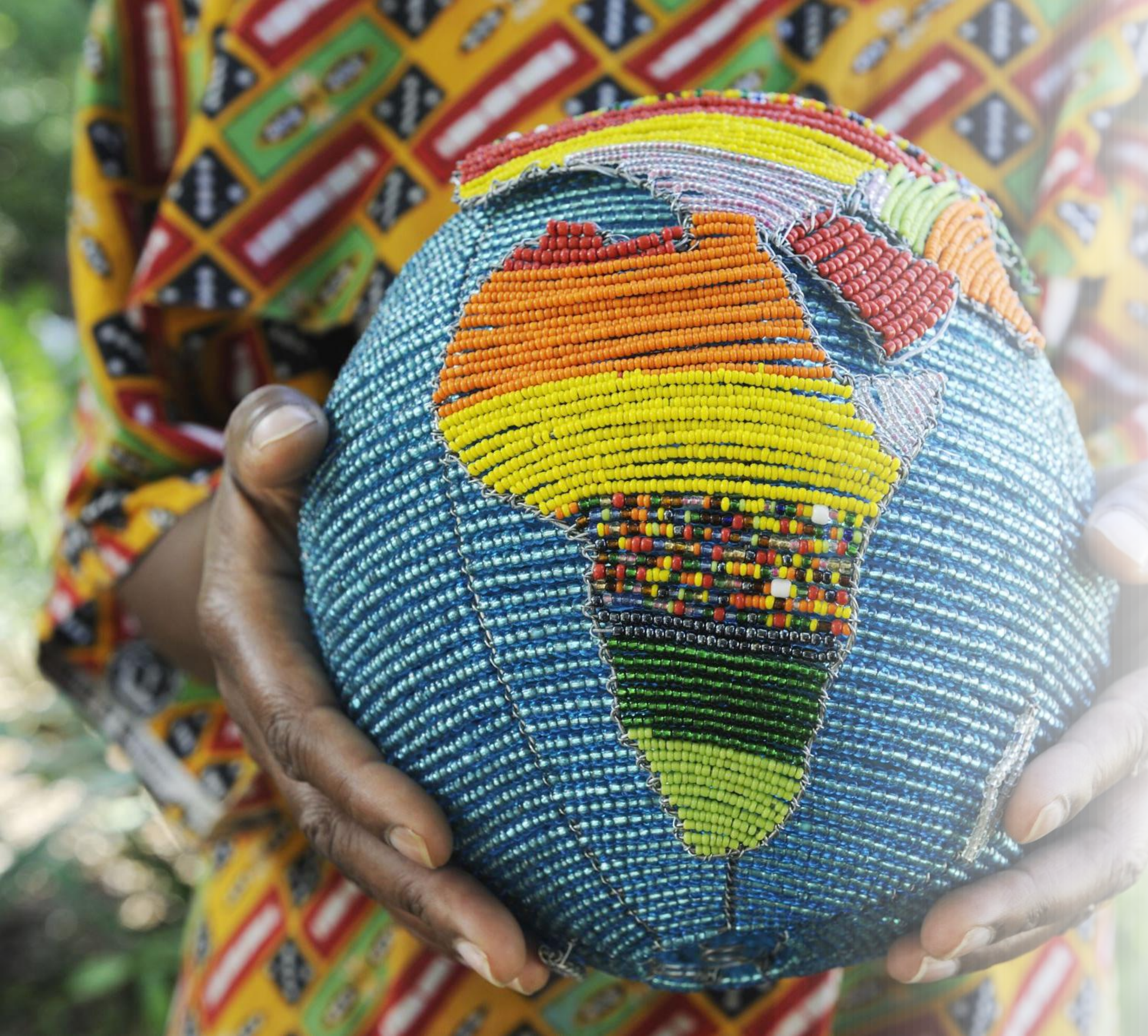
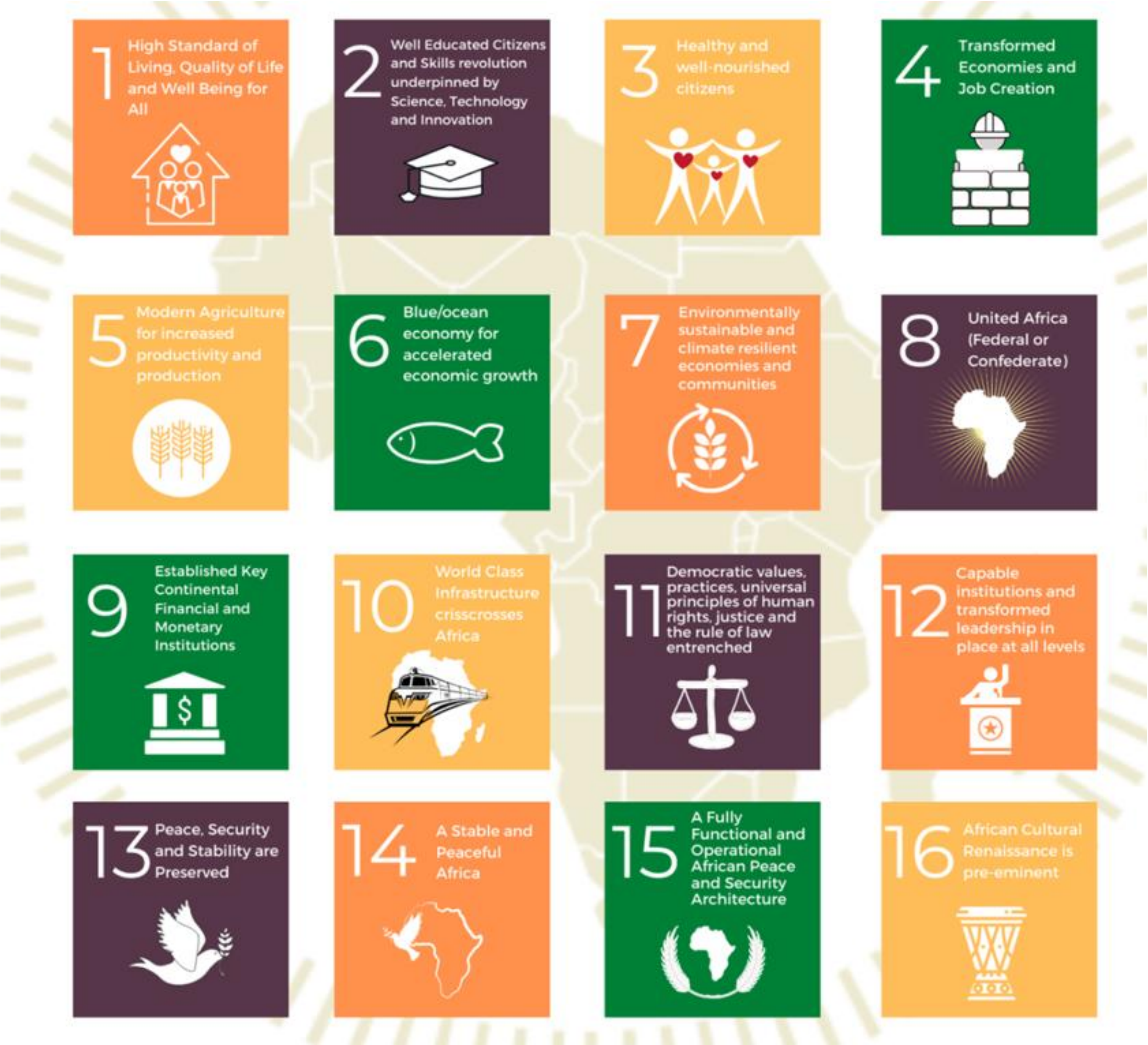


Introduction

- To realize agenda 2063,
- Governments in Africa are making attempts and,
- Progressing towards achieving the developed Africa, we want
- Need for public capital and infrastructure outmatch our capacity.
- Nonconventional innovation development finance models required

Africa 2063 aspirations



But what are Africa’s financing needs

- annual cost at $1.4 trillion (excluding social protection, large scale water infrastructure, and climate change, adaptation and mitigation (Sustainable Development Solution Network 2015)
- Estimated it to be $1.5 trillion –at market prices. (Oxfam ,2015)

Achieving agenda 2063

- Developing Africa requires public capital and infrastructure
- Scaling up public capital and infrastructure can improve competitiveness of location , reduces the cost of doing business, reduce inflation and improves competitiveness (UNCTAD,2017)
- Traditional sources of finances have delivered what they could (Kaufman,2007), though their potential remains
- Most African countries have not achieved 20% Tax to GDP ratio, grants and grants from official development assistance are reducing while debt to GDP ratios continue to widen as debt takes on the tall road.
- While efficiencies are required within existing sources of development finance,
- More innovative sources of development finance that do don’t increase debt burden, overburden the tax payer neither extend enormous burden to future generations
- Most recently bonds are being explored but market development for bonds in Africa remains weak though progress towards development of bond markets
- The most common types of financing have been debt finance and tax revenue (World Bank ,2024)
- Post covid 2019, surges in debt were experienced across Africa (see Debt Statistics Report ,World Bank 2024
- Debt has been recognized catalyst for development
- Because of this notion, standard tax to GDP rations have been developed (tax to GDP ideal position 20% of GDP, World Bank ,2024)
- When debt delivers public capital and infrastructure like roads, increased electricity etc. it reduces the cost of doing business and creates
- Though evidence in Africa indicates that in Africa, evidence reveals that debt does not necessarily result into economic growth and development

Does Debt contribute to economic Growth and development? Mixed Outcomes

- persistent rise in debt also has adverse effect on economic growth in the African countries (Mensah, Allotey, Sarpong-Kumankoma, & Coffie, (2020).
- Debt crisis of 1980s resulted into development of standard debt to GDP rations
- Debt to GDP (50:50) has been recommended by IMF/WB threshold(IMF,2018) to raise living standards in low-income countries
- Mineral rich countries debt thresholds of 53%-63% delivers positive economic growth figures(Ndoricimpa,2020)
- Though studies indicate that when threshold is stretched up to 67% still economic growth can occur if debt –public capital and infrastructure

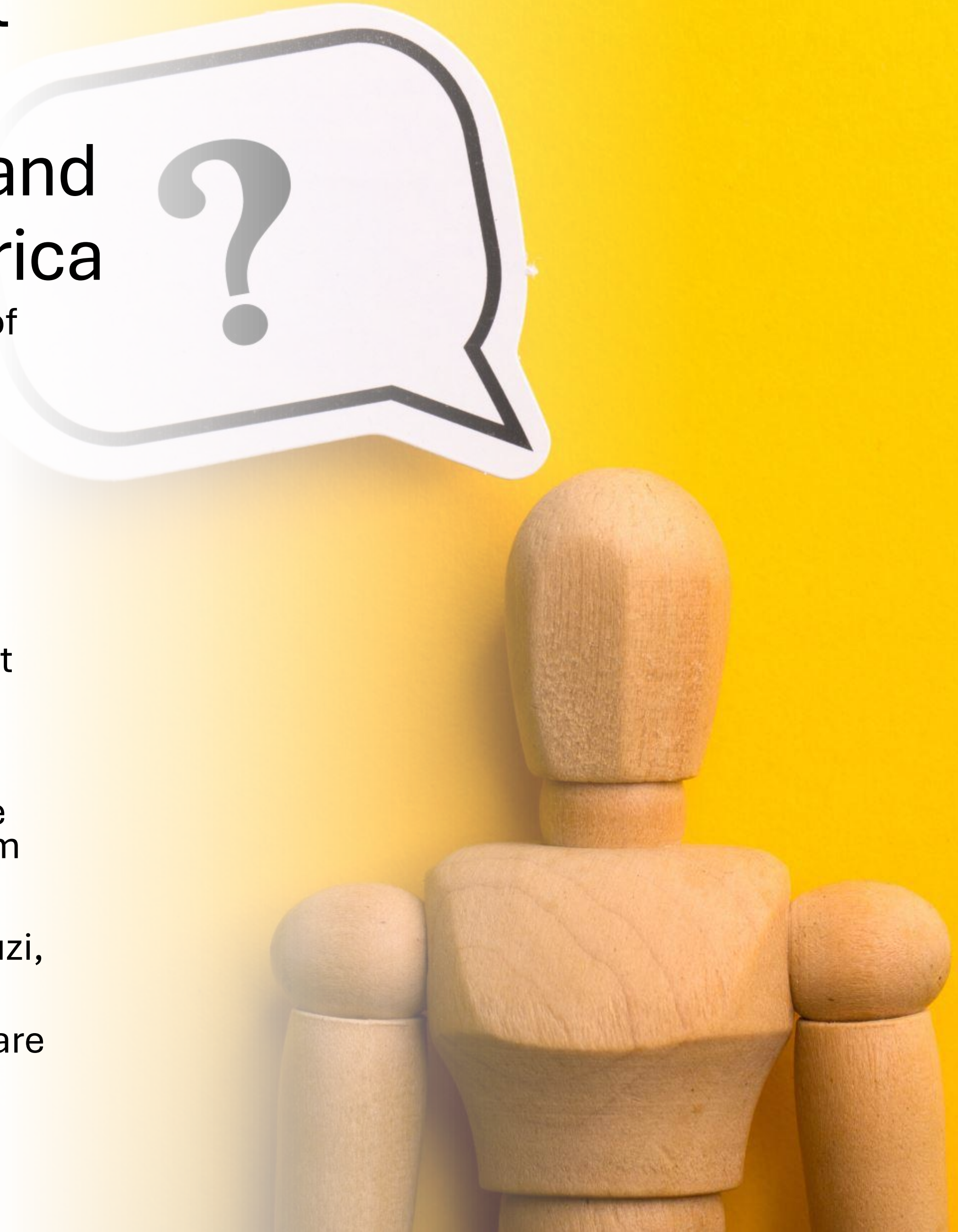
- Higher levels of debt harm future development prospects(IMF,2018;Nodorcimpa,2020)
- High debt levels distort growth repayment of interests which deprives government of necessary funds for taxation investment in economic and social assets.

Africa has made progress in use of debt but its unique circumstances in handling debt deny the continent favorable returns on debt

Why debt does not contribute to economic growth and development in Africa

- Debt used for personal interests of leaders in power or the interest of their political parties and not citizens
- External debt shocks
- Political instability
- Lack of national ideology
- Inefficiencies in public investment choices
- Absorption issues
- Loans from the East have become popular but do not favor the dream of Africa we want (Nduhura , Lukamba, Molokwane, Karyeija, Nuwagaba, Settumba , Kabasinguzi, 2024)

*Despite this evidence , debt levels are rising(See World Bank,2025;Africa Development Corporation,2025)



Why debt does not contribute to economic growth and development….. (Kaufan,2007)

- government effectiveness,
- political stability,
- voice and accountability,
- regulatory quality

Debt stocks in Africa (World Bank ,2024;UNCTAD,2024

Africa Debt situation estimates

USD$1.16 to 1.12 trillion

Africa (WB,2022)

69% concentrated in 11 countries

South Africa 14%, Morroco 6%,Mozambique 6%,Angola 5%,Nigeria 8%,Egypt 13%,Kenya 4%,Ghana 4%,Zambia 3%,Senegal 3%

The problem of debt is worsened by ....

- Limited representation of Africa global financial architecture and decision making –G20, UN Permanent Security Council, and those of the Clubs of Creditors like Paris and London Clubs
- Infact, what the financial architecture can provide is less than the financial needs of Africa (Odusola,2025)
- Official Development Assistance (ODA) allocated to Africa, the continent most off-track on the Sustainable Development Goals (SDGs), has been on a declining trend from over 44 percent in 2006 to just about 25 percent in 2023 due to changing global geopolitics((Odusola,2025)


New Approaches for funding Africa's development required

A relatively new approach – Project Finance

Delivered through public private partnerships

Public Private Partnerships defined …

- No standard definition
- Cooperative long-term agreements (GoU,2010;PPP Commission, 2009)
- made between government (MDA ,LGs & SOEs) ,
- where private actor takes on the delivery of infrastructure and services delivered by the former

- Significant risk allocation (APMG,2016)
- Contingent liabilities (cater for what if situation)
- Incentives for taking up risks (APMG,2016)
- Parties best suited to manage risk are allocated risks
- Incentive framework-availability payments , user fees, grants or hybrid mechanisms

Sample of PPP Projects in Africa (How do PPPs Provide Finance ?)

Country	Project Name	Description	Cost	Year
Uganda	Umeme Distribution Concession	Upgrade , invest and improve electricity distribution efficiency and effectiveness for 20years		2005
	Bujagali Hydropower dam	Build, own operate transfer a 250MW hydropower station for 33 years, availability-offtaker feed in tarriffs	USD$902m	2012
	Kyambogo University	Development of student accommodation facility 10,000 beds, user fees		2025
	Nile Hotel	Renovate, upgrade national hotel to 5 star hotel, user fees		
Nigeria	University of Lagos	Build Operate Transfer student accommodation, user fees involved		
South Africa	Platinum Express Highway	Toll concession covering 90 km of a section of the N1 running from Tshwane (Pretoria) northwards to Bela-Bela (Warmbaths) and a 295-km section of the N4 running from Tshwane westwards through Rustenburg and Zeerust to the Botswana border, 30 years	R3.0 Billion	2006
	DTI CAMPUS (SOUTH AFRICA)	Building of office for the Department of Higher Education ,25 years ,availability payments involved	Rands 505million	2003/2004
Lesotho	TŠEPONG (LESOTHO	425-bed Queen ‘Mamohato Memorial Hospital (QMMH) in Maseru,* the capital of Lesotho, opened in 2011 as the national referral (tertiary) hospital availability payements involved	M800m	2009
Kenya	Nairobi Express	Build Own Operate and Transfer of Nairobi Expressway way connecting airport to Nairobi City		
Ghana	Cenpower	BOOT 340 MW Power Power Plant 20 years	USD$900million	
Rwanda	Kivuwatt Project	Designing, build, finance and operate power generation facility 125MW for the 25-year term of the PPA.	USD$142.25m	2009
Nigeria	LEKKI EXPRESSWAY (NIGERIA	upgrade, maintain and toll the Lekki Expressway (Phase 1 of the project) and to construct a parallel coastal road (Phase 2), as well as an option to construct a southern bypass(15Kms)	USD$382m	2008

Source: World Bank (2017) with modifications by authors (2025)

PPP Projects in Africa (How do PPPs Provide Finance ?)

Country	Project Name	Description	Cost	Year
Kenya	Nairobi –Nakuru Express Road	Dual lane carriage road express road	KSHs 170 million	2025
South Africa-Capetown	Chapman's Peak Drive	Road improvement programme on 30 year concession	R170million	2003

How do PPPs Provide Finance ?

Private Actors bring project finance (Bujagali Project delivered USD$902m) in Uganda's economy, Platinum Express –South Africa (R3.0billion)

Funded investments by PPPs –public capital and infrastructure(dams, roads, water projects etc.) that create jobs, industry and entrepreneurship increasing GDP(hypothetical though with some evidence)

Tax base enlargement due to growth in GDP (20 % of GDP)

How do PPPs provide development finance

Efficient cost management than government

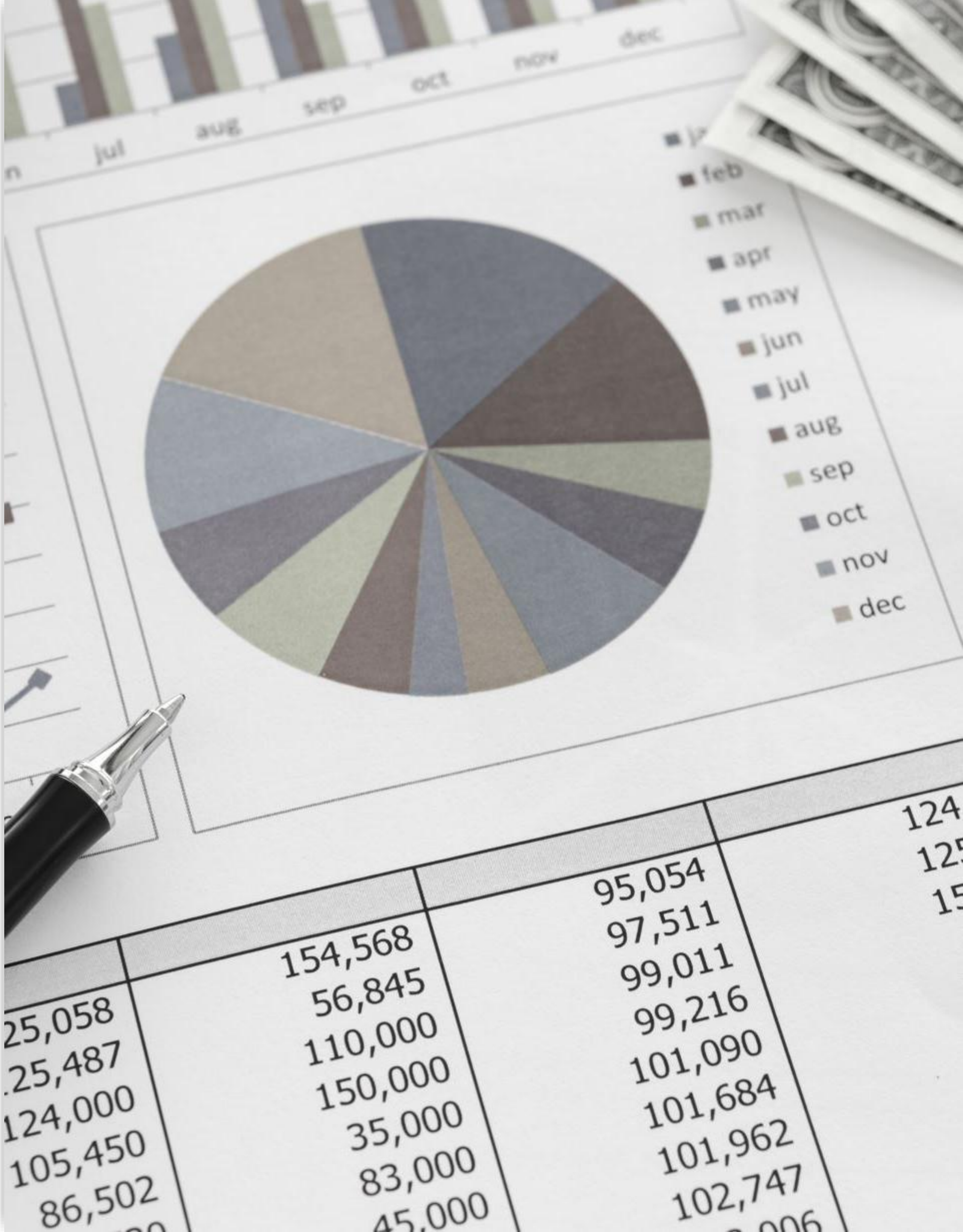
Minimal corruption by private operator

Private sector can manage operations better-non availability implies direct losses or indirect losses through penalties

*Efficiency saving hypothetically can translate into practical savings

PPPs may reverse the gains....................

- Lack of publicness,
- Poor risk allocation,
- Structuring(balance between debt and equity),
- Poorly negotiated contingent liabilities,
- Information asymmetry-linked to lack of capacity (PPP Units, Attorney General, Solicitor General-sustainable capacity required through professionalization e.g with certifications such as CP3P)



Consolidating the funding gains from PPPs

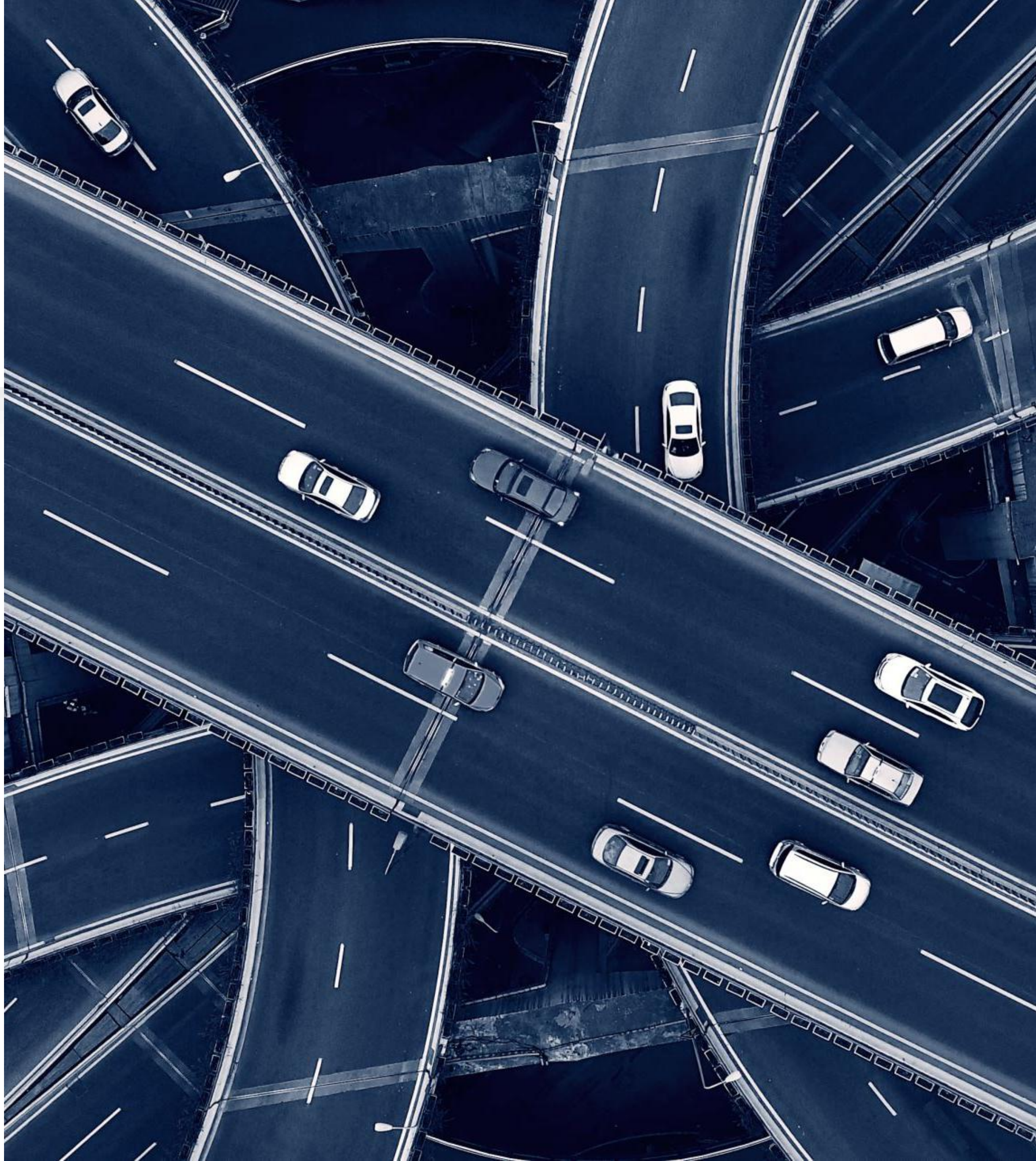
- Build capacity in procurement, negotiation and contract management
- Political will and support (Kenya’s pathway is remarkable – commissioning of Nairobi –Nakuru Express Road)
- Improve publicness (openness and transparency, surplus revenue sharing , citizen engagement)
- Periodic Review of Contingent Liabilities, tiered approval of PPP stages at Treasury(PPP Unit) & measuring and valuation of contingent liabilities
- Accountability (World Banks Public Disclosure Framework/Australia's experience-publishing contracts and annual reports using IFRS)
- Performance monitoring frameworks
- Incentive frameworks designed to reward and penalize
- Broad stakeholder engagement improves publicness (also viewed as publicity)for buy in and commitment to the PPP project
- Integrate PPPs screening with public investment decisions

Examples of Contingent liabilities

- Early termination of contract
- Revenue/Demand Guarantees
- Political Guarantees
- Force majeure event (payment usually for amount due to lenders and book value of equity

Conclusion

- Africa's development relies on increase in public capital and infrastructure
- Debt is a key source of funding required but its increase to unprecedented levels rising
- Debt may not increase public assets and infrastructure
- Infact, debt in Africa has not delivered economic growth
- Though infrastructure is key for improving competitiveness of location and doing business



Thank you for listening

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