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Projects in post COVID-19 Sub Saharan Africa

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It is difficult to imagine, let alone forecast, what the state of Sub-Saharan African nations will be after the COVID-19 pandemic is behind us. It is equally difficult to forecast when that might be and what the oft touted "new normality" will be like or how long will it take for nations to achieve back-to-business status (business as usual, we submit, will be unattainable). But what is clear is that the sooner nations can stimulate economic activity, the better it will be for those nations and their people.

Before the pandemic, most African nations were lagging in the provision of key services such as clean water, hygienic sanitation, electricity, telecommunications and broadband, road, rail and port infrastructure and waste management. These are all essential services key to the fundamental objective of alleviating poverty. But governments will not be able to achieve this without the direct involvement of the private sector; and this is best accomplished by entering into public private partnerships (PPPs). A PPP is a collaboration between a state entity and a private sector entity where the latter, for commercial gain, either: (a) performs a function which is traditionally the responsibility of a public sector institution and has the state as an off-taker (for example a prison or state accommodation); or (b) is given the exclusive use of a state asset (for example a toll road) in return for the payment of a concession, licence or similar fee. Whilst there is an argument that these types of collaboration are not good because a state, invariably, can borrow at rates lower than those available to the private sector, there is no denying that the private sector, under the threat of severe penalties and driven by a profit motive, can build and operate projects timeously and more efficiently, resulting in better value for money.

State-led economic activity is critical to the revival of a country's fortunes after times of difficulty. Good examples of this are the stadium build programme for the 2010 FIFA soccer World Cup in South Africa following the 2008 international financial crisis and, shortly thereafter, the same country's ambitious, yet successful, renewable energy independent power producer programme. There will be no better time, in post COVID-19 Africa, for nations to embark on infrastructure roll-out programmes, employing PPP principles, and attain the vital objectives of catching up on infrastructure backlog, stimulating economic revival, creating local, sustainable employment and creating markets for locally produced goods and equipment. Sponsors, anxious to reignite their own economic activities, will be keen to have access to new markets. These sponsors are often manufacturers of key equipment, such as solar panels or wind turbines, and competition between them will be a factor in negotiating attractive prices. Lenders, more often than not development financial institutions (DFIs), have shown willingness in the past to lend into these projects and are well equipped to address most of the risks inherent in SHA projects.

Closing an infrastructure project is notoriously difficult and can be protracted. It is not unusual for large infrastructure projects to take up to three years to reach financial close, and only after that can construction commence. For PPPs to be launched requires certain conditions, the most important of which are: (a) a well developed regulatory environment (the rules of procurement must be clear and entrenched in appropriate legislation); (b) a strong legal system; (c) a sophisticated and well regulated banking system; and (d) reasonable port facilities and roads for the importation and movement of equipment. Strong anti-bribery and corruption and competition laws are also vital. Not all SHA countries can offer these and those who cannot, will find it difficult or expensive to roll out PPP programmes.

Launching an infrastructure programme is costly, as the implementing authority will have to make use of a myriad of advisors – legal, financial, commercial, geotechnical, environmental, etc. – but often these costs will be financed by the DFIs and recovered through the concession and other fees referred to above.

The above scenario is perhaps utopian as, post COVID-19, governments will have their hands full dealing with immediately pressing economic and humanitarian crises. Their credit ratings may have been downgraded making their countries less attractive for foreign investment. But history has shown that emergency measures are temporary and that, eventually, sustainable growth measures start to emerge. Infrastructure programmes, where capital is provided by the private sector (irrespective of the cost of such capital), can be strong weapons for a country to have in its arsenal in times of low or stagnant growth. These programmes are not created overnight and can be developed in parallel with other activities in the post COVID-19 recovery period; the sooner the better. That said, however, politics and bureaucratic intransigence often stand in the way of these critical programmes and it will require exceptional leadership to open the gates on the way to recovery through PPP initiatives.

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