Partnerships at work in Africa

The construction of a liquefied natural gas terminal in Ghana to support power generation in the Kpone Power Enclave in the port city of Tema, near Accra, is reawakening hopes of an end to the energy crisis that has plagued the country in recent years.

Henri Konan Bédié bridge, Abidjan, Ivory Coast. Credit: ppp.gouv.ci.

Power outages have led to a rationing schedule that involves cutting power for 24 hours every two days. Businesses have been forced to connect standby power sources such as generators, incurring extra costs. Some have had to lay off workers.

The $600 million project, being implemented under a public-private partnership (PPP) between Quantum Power Ghana Gas and the Ghana National Petroleum Corporation, is expected to provide the West African nation with a reliable and efficient power supply.

The plant will add about 220 megawatts of electricity to Ghana's national grid. The country now has 2,900 megawatts of generation capacity, not enough to meet the growing demand, which the National Energy Policy of 2010 estimated would be about 5,000 megawatts by 2016.

"We hope the project will address the *dumsor* once and for all," says Nancy Osabutey, a resident of Accra. *Dumsor* ("on-off") is a Ghanaian term commonly used to describe the erratic power availability in the country.

A recent report by the Institute of Statistical, Social and Economic Research, a Ghanaian-based think tank, estimates that the economy has lost $24 billion as a result of the energy crisis since 2010.

Like many African countries, Ghana is facing an infrastructure financing gap. Policy makers are starting to realise that PPPs can help fill such gaps.

Infrastructure financing gap

“Africa has been growing over the last few years. It will be challenging to achieve economic growth without addressing the huge infrastructure financing and access gap in energy generation and transmission, roads and ports,” says Tilahun Temesgen, the chief regional economist at the Eastern Africa Resource Centre of the African Development Bank (AfDB).

The AfDB maintains that the continent needs about $100 billion per year for infrastructure investment, yet the total spending on infrastructure by African countries is just about half that, leaving a financing gap of about $50 billion.

“This difference should come from somewhere. Tapping into private-sector investment by unleashing the potential of PPPs is one innovative way of attracting financing for infrastructure in Africa, as this has a very high development and poverty reduction impact in Africa,” states Temesgen.

He adds, “Governments and development partners cannot fully close the current huge infrastructure financing gap. It is therefore vital to mobilise private-sector financing to support infrastructure developments.”

Private-sector financing is succeeding in different parts of the continent, just as it soon may in Ghana through the Kpone power plant.

In Côte d’Ivoire, the Henri Konan Bédié bridge in the capital, Abidjan, is considered one of the most successful PPP-funded projects in the post-conflict country. The $265 million bridge, opened in 2014, connects two of Abidjan’s major districts—Riviera in the north and Marcory in the south - and has done away with over 10 kilometres of traffic congestion. About a 100 000 vehicles use the bridge each day.

“This facility enables us to enjoy the benefits of better traffic conditions. We now take less time in traffic, meaning more time for productivity at work. A while ago we would spend more than three hours in traffic,” says Abraham Kone, a resident of Abidjan.

The bridge has also opened up the neighbouring hinterland, simplifying freight transportation to the Port of Abidjan, the largest port on Africa’s west coast.

Public-private partnership is also diversifying the country’s energy sector. The expansion of the Azito thermal energy plant involving the construction of two 144-megawatt power plants will save $4 million in energy costs each year and will enable Côte d’Ivoire to move from being a net importer of electricity to being a net exporter.

With the expansion, the energy plant, located six kilometres west of the port of Abidjan, is producing over 30% of electricity generated in Côte d’Ivoire, with some of it going to neighbouring countries, including Ghana.

Sustainable development

Partnering with the private sector to promote sustainable development is something the government is talking a lot about.

According to Albert Toikeusse Mabri Abdallah, the Ivorian minister for planning and development, “Public-private partnership is in line with Côte d’Ivoire’s National Development Plan, which outlines building and renovating the country’s infrastructure to accelerate development.” The minister adds that “such collaboration will also ensure job creation and poverty alleviation.”

The Sustainable Development Goals (SDGs) envisage that PPPs can promote sustainable development in Africa. A key priority of the UN-founded SDG Fund is to bring together public and private entities to jointly address development challenges.

However, many African countries, according to an AfDB report, are still in the initial stages of PPP implementation “because their use of PPP schemes is still uncommon and PPPs are complex to implement”.

The report indicates that PPPs have historically been scarcer in sub-Saharan Africa than in the rest of the world. Telecoms transactions account form the bulk of PPPs on the continent, but energy PPPs have recently started growing significantly.

“PPPs are not easy. They need a number of issues to be successful. Above all, a stable macroeconomic environment is necessary,” explains Temesgen.

However, an environment characterised by inadequate regulatory frameworks, unclear rules and procedures and lack of political commitment inhibits growth of PPPs.

Uganda PPPs

Uganda is one of the countries with a solid PPP programme. According to the AfDB document, this is the result of many factors, including support from the presidency and the ministry of finance, an earlier successful privatisation programme and a well-designed framework.

At a meeting in South Korea last November, Ajedra Gabriel Gadison Aridru, Uganda’s state minister for finance, planning and economic development, cited the PPP Act enacted in 2015 as a major enabler of the country’s PPPs. The law spells out the specific engagements of private partners in such partnerships. It also regulates the roles and responsibilities of government bodies during the development and implementation of PPP projects.

Concerns have been raised about severe environmental hazards following PPPs. Ghana Gas Company, for example, has been accused of failing to act as areas such as Atuabo, in western Ghana, continue to suffer the effects of oil and gas exploration that have led to widespread air and water pollution.

Because of concerns like this, governments are being urged to disclose information on risk assessments, including potential environmental and social impacts, of such mega-projects. Institutions such as the Bretton Woods Project would like to see more informed consultations, broader civil society involvement and closer monitoring of PPPs by all stakeholders.

Source: United Nations’ Africa Renewal.