AFRICA50

Investing in Infrastructure for Africa's Growth

UNLOCKING CAPITAL FOR INFRASTRUCTURE THROUGH ASSET RECYCLING REPORT

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Africa has expanded its power generation in recent years, but the transmission networks needed to deliver that electricity to people and businesses have not kept pace. Ageing and fragmented grids mean power often cannot reach the communities and industries that need it most, leaving generation underutilized and millions without reliable access.

With public budgets under pressure, financing transmission has become a pressing challenge, and a key topic at Africa50's high-level roundtable on the sidelines of the Luanda Financing Summit in Angola. Ministers, investors, and policymakers came together to discuss how new approaches, especially greater private sector participation, can help accelerate the development of modern, interconnected grids across the continent.

"We often speak of success stories in power generation projects. But we cannot carry that power without having transmission," said Alain Ebobissé, CEO of Africa50, while opening the roundtable discussion.

"Almost all transmission projects in Africa are financed with public money. There is to my knowledge no independent power transmission on the continent," he noted, highlighting Africa50's efforts to pioneer Independent Power Transmission (IPT) models in several African countries as a way to crowd in private investment.

"Africa50 is working in various countries to try and implement some of the first Independent Power Transmission projects. In Kenya, which is the country where we have advanced the most, we teamed up with PowerGrid to develop an Independent Power Transmission project. In Angola we are looking at a PPP (public-private partnership) in transmission," he remarked.

Integrating the grid in southern Africa

Hon. João Baptista Borges, Angola's Minister of Energy and Water, said that the country is prioritizing cross-border transmission infrastructure to strengthen regional power integration and boost energy trade. He highlighted several ongoing projects to link the country's grid with neighboring markets, including DRC, Congo, Zambia and Namibia.

"We want to integrate the electrical system of southern Africa and take important blocks of capacity. This capacity will result in consumption particularly by the extractive industry. There is huge demand and we have received many manifestations of interest," Honorable Borges said.

He noted that the country's President, H.E João Lourenço, had tasked the ministry to seek out private investors to help speed up the deployment of new transmission infrastructure. As part of this effort, Angola has embarked on an ambitious reform programme to make its power sector more attractive to private investors.

"We liberalized the transmission space to allow the private sector to step in...We also need to move forward in terms of tariff reforms. We are working on the next steps in order to have prices that reflect the cost of energy," he added.

Policy and regulatory clarity essential

Private sector capital can be mobilized to deploy transmission infrastructure faster, but only if governments provide clear and predictable policy frameworks, argued Ndiame Diop, Regional Vice President for Eastern and Southern Africa at the World Bank.

"Beyond investment, what will be required will be clear regulation and consistent policy to make sure private sector participation can be secured. They will need clarity, certainty and visibility on the regulatory framework to be able to invest," he remarked.

Diop echoed the call from Angola's minister for reform of electricity pricing mechanisms across the continent. He noted that investors are more likely to back transmission projects when tariffs reflect the full cost of electricity—from generation through to distribution. Without cost-reflective pricing, private operators cannot recover costs or secure financing.

He also called for reforms of public utilities. Many public electricity utilities in Africa suffer from weak balance sheets and limited commercial viability, undermining their ability to invest in new infrastructure, maintain existing assets, and attract private capital.

"In most cases the public utility remains the offtaker of whatever is sold through the transmission line. The financial and operational viability of the utilities will therefore be an essential condition in getting the private sector to enter," he said.

Project structuring holds key to success

Moshood Abolade, Investment Director at Africa50, noted that the opportunity in transmission is huge for investors – provided projects are structured with bankability in mind. "The opportunity in Africa remains huge. The rule of thumb is that when you invest a dollar in the power sector in any country, 20 cents should go to transmission. We continue to lag behind – but we see this as an opportunity."

"A lot of emerging markets have been able to attract private investment into power transmission," he said, pointing to Latin America, which attracts on average $1.5bn in new investments annually in its transmission infrastructure. "We want to replicate this in Africa. It is doable given what Africa50 is doing with its flagship project in Kenya."

Delving into the project in Kenya, he highlighted its unique structuring and risk allocation. "Given that this is one of the first (IPT) projects it is very important that the risk allocation is efficient to ensure that the project can get to financial close and serve as a template for follow-on projects across the continent."

"Our Kenya project is peculiar because the government was thinking about doing this at the same time that Africa50 also recognized that there was a huge gap in this space...We are very proud of this project because the government continues to remain an advocate – and we hope to see this in a lot of other countries," Abolade said.

"The DFI community has also been supportive. We were able to generate very good interest from over seven lenders. Even though we couldn't take all of them, it is a testament that when these projects are well structured, we can get the right amount of debt at the right terms in a way that would make the project bankable," he continued.

He noted that the Kenya project had been able to raise "over $300m in terms of lender interest and equity." He argued that IPT projects could be done in "as quickly as 18 months," provided all parties are aligned and regulations exist.

Asset recycling can support transmission projects

With public finances stretched thin in many African countries, Abolade argued that it was doubly urgent to get private investors to back transmission projects. "What makes this problem urgent is the fact that transmission lines are funded by government resources, which have been constrained in recent years. It's now the time for the government to make that transition to private sector investment in transmission lines," he said.

Asset recycling, he argued, offers governments a chance to unlock capital and new infrastructure investments without taking on more public debt. Asset recycling is where a government sells or leases an operational asset – such as a toll road, port, electricity generation plant or transmission line – to private investors and then uses the proceeds to fund new infrastructure projects.

This "recycling" of capital allows governments to finance new development without increasing debt or reallocating funds from other public services. The private investor then takes over the operation and maintenance of the existing asset, bringing expertise and capital to improve its performance.

"We continue to champion asset recycling and think it can be used for transmission. It's a model that governments can use to monetize existing infrastructure assets. They can use that capital to further expand their infrastructure programme," he said. "It can be used to upgrade existing transmission lines, finance greenfield lines, as well as advance regional integration through interconnectors."


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Transmission investment will improve power affordability

Dr. Donald Kaberuka, Chairman of the Board of Directors of Southbridge, argued that investment in transmission infrastructure would help make power more affordable. "I know many cases where power is available but out of reach of many small businesses and customers. The price is incredibly high, as high as 20 cents per kilowatt-hour. There are many reasons for this, but one of the most notorious is a combination of technical losses and commercial losses," he said.

"For commercial losses, the offtaker – the national electricity companies – are not running their businesses efficiently, not collecting the bills and so on. They are then passing on those inefficiencies to customers in terms of higher tariffs," he said.

Technical losses, he elaborated, emerge from factors such as dilapidated transformers and aged infrastructure. "In several countries, if you combine commercial and technical losses they could be as high as 40% (of the electricity cost) and these are passed on to consumers," he remarked.

Investments in transmission infrastructure will also accelerate the creation of a unified energy market in Africa, Kaberuka argued. "Not every country can have full energy independence from its own sources. It is not possible. We need to create energy markets across Africa by investing in transmission."

Legal support at every stage is crucial

Olivier Pognon, CEO of the African Legal Support Facility (ALSF), said that projects need full legal support at every stage – not just when the important agreements are being negotiated or signed.

"Solid legal assistance is required at each and every stage of the project. You need to think of the legal structuring, the commercial structuring, the governance of the project. These are things that, from inception, governments should pay attention to," he said.

ALSF is a multilateral initiative hosted by the African Development Bank that helps African governments negotiate complex commercial transactions and manage sovereign debt. This includes support for infrastructure and energy negotiations, including PPPs and sovereign guarantees.

"At ALSF we ensure that when a country comes to us for support we check whether the legal and regulatory framework is conducive to the project that is envisaged," Pognon said.

"Sovereign guarantees are often the stumbling block and for reasons that I believe can be overcome through dialogue and through 'legal creativity'. That may sound like a paradox, but there is a legal creativity in solving issues such as blockage around sovereign guarantees," he remarked, citing the use of "call and put options."

De-risking instruments key in attracting private capital

Florizelle Liser, President and CEO of the Corporate Council on Africa (CCA), underlined the critical role of de-risking instruments—such as guarantees—in attracting private investment to transmission infrastructure. She said that this was an issue of particular interest to American investors.

"It's important, especially for American investors, to have the risk mitigation that is needed across the board in these kinds of projects. Having Africa50, the AfDB, the World Bank and governments providing the kind of guarantees that are needed – the kind of interventions that make it a little less risky for companies to be in some of these areas — that's key," she said.

Liser noted that during the U.S.-Africa Business Summit in June, several agreements were signed by US companies targeting energy generation and transmission projects along the Lobito corridor – a strategic logistics route connecting the port of Lobito on Angola's Atlantic coast to the mineral-rich Copperbelt region of Zambia and the Democratic Republic of Congo (DRC).

"That is the kind of thing that we at CCA are supporting our members with and also working with US agencies like DFC (U.S. International Development Finance Corporation) and Exim Bank (Export-Import Bank of the United States) to get involved as well," she remarked.

Zambia ready to partner with private investors

Mafayo Ziba, a senior official at Zambia's energy ministry who stood in for Hon. Makozo Chikote, the Energy Minister, noted that Zambia is courting private investors to help plug critical financing gaps in its energy sector. This, he said, is crucial for Zambia to meet its objectives under Mission 300 (M300) – an initiative by the World Bank and the African Development Bank aimed at connecting 300 million Africans to electricity by 2030

"One of the pillars (of M300) is regional integration in the sense of power interconnections and developing transnational line projects…For Zambia we are landlocked, so we are looking forward to opening up our interconnection with all our neighbours," he said.

He noted that for transmission projects, Zambia was banking on the strategic use of public-private-partnerships for transnational lines with its neighbors. "When I look at some projects, for example the Zambia-Mozambique, the Zambia-Botswana and Zambia-Angola lines. These are the ones where we are looking to bring in private investments, probably in PPP arrangements," Ziba said.

"When we heard about Africa50 (and its IPT project in Kenya), for us it's exciting. We will be looking forward to seeing how we can participate and tap into not just the resources that will come through this initiative, but also the expertise as we develop these infrastructure projects," he remarked.


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