Private Sector Investment in African Infrastructure

KEY INSIGHTS

Private capital is returning to African infrastructure, but it is becoming more selective—concentrating on larger, commercially viable projects with clear demand, predictable revenues and manageable risks.

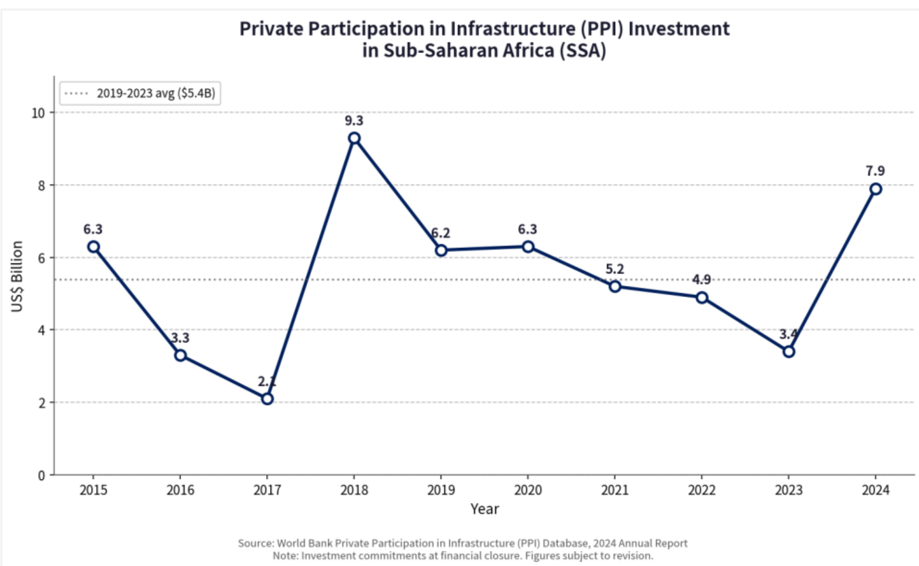
The State of African Infrastructure Investment

Africa faces a significant infrastructure financing gap. The continent requires an estimated US$130–170 billion annually for infrastructure investment, leaving a gap of approximately US$68–108 billion. With public finances under pressure, private capital is becoming increasingly important to meeting the continent's infrastructure needs.

South Africa's decision to open parts of its state-led rail and port infrastructure to private participation illustrates this changing approach. Private miners, exporters and infrastructure operators can play a greater role in developing and operating critical transport assets.

Private infrastructure investment in Sub-Saharan Africa has remained volatile, with periods of large transactions followed by weaker activity. In 2024, PPI investment rebounded 232% to US$7.9 billion across 47 projects, from US$3.4 billion across 66 projects in 2023. The increase was therefore driven largely by larger transactions rather than a broad expansion in project activity, pointing to a market where private capital remains available but increasingly selective.

Figure 1. Private Infrastructure Investment in Sub-Saharan Africa, 2015–2024



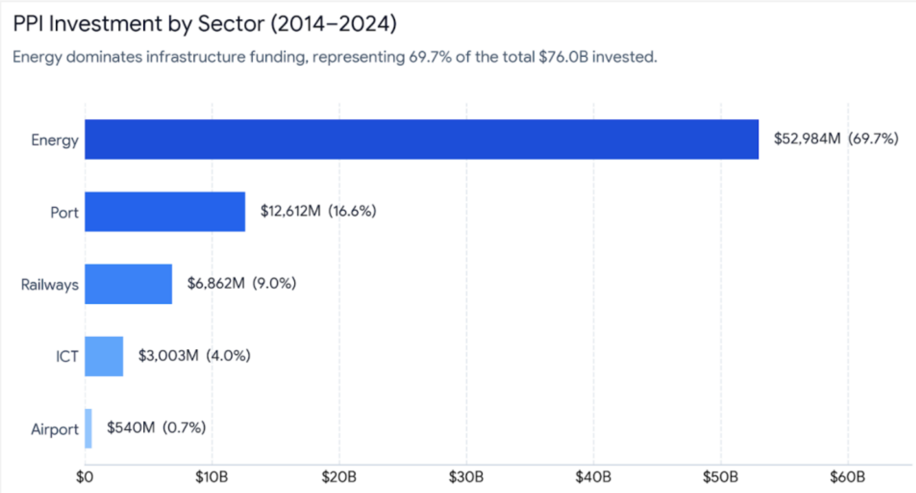
Data Source: World Bank Private Participation in Infrastructure (PPI)

Where Private Capital Is Going

The composition of investment is also changing. Energy remains the largest destination for private infrastructure capital, while transport and digital infrastructure are becoming increasingly important. This points to a more commercially focused model in which investors favour assets with visible demand, predictable revenues and opportunities to manage operational and currency risks.

The emerging private-sector model is increasingly centred on three areas: digital infrastructure, decentralised energy and trade logistics.

Figure 2. Private Infrastructure Investment in Sub-Saharan Africa, by Sector (2014–2024)



Data Source: World Bank Private Participation in Infrastructure (PPI)

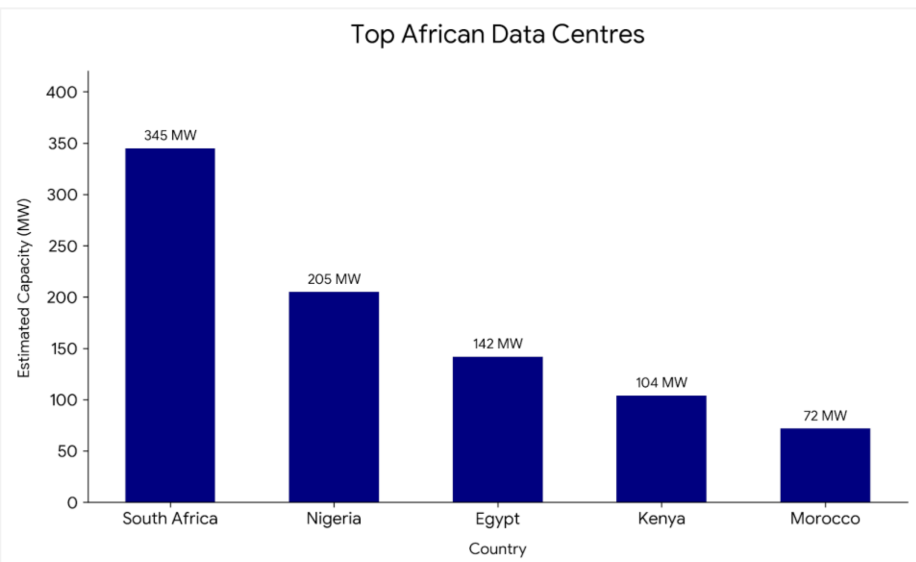
- Energy is 69.7% of the US$76.0bn in total PPI investment, 2014–2024

Digital Infrastructure

Data centres, fibre networks and telecom towers are becoming important infrastructure assets as demand for connectivity, cloud services and digital commerce expands across African markets.

Private investors are attracted to these assets because they can generate recurring revenues from enterprise customers, telecommunications companies and other long-term users. Major markets such as Lagos, Nairobi and Johannesburg are becoming important hubs for data-centre and connectivity investment.

Figure 3. Digital Infrastructure Investment and Capacity Growth in Africa



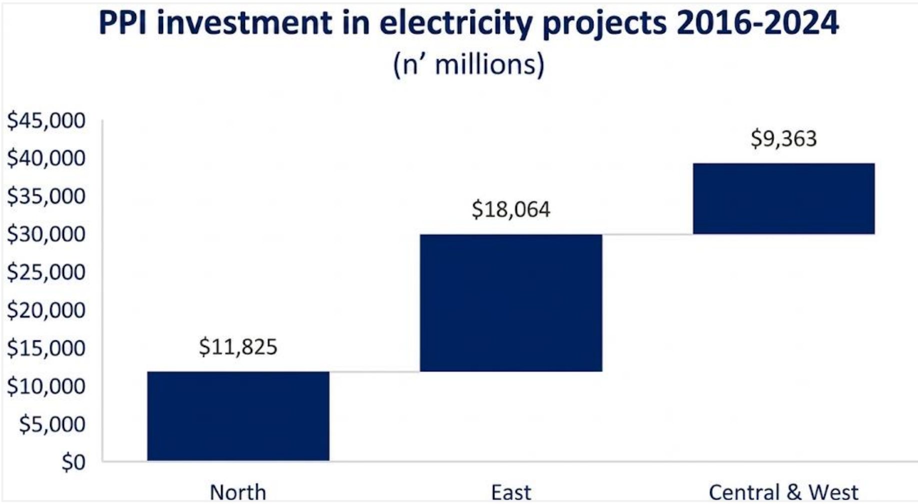
Data Source: Industry / World Bank

Decentralised and Captive Power

Large-scale national grid projects often suffer from lengthy procurement delays and regulatory bottlenecks. Consequently, private capital is pivoting sharply toward commercial and industrial (C&I) solar, captive power plants for mines and industrial zones, and mini-grids. According to the Infrastructure Consortium for Africa (ICA), while total commitment allocations to energy infrastructure stood at US$28.3 billion in recent

- South Africa leads African data-centre capacity at 345MW, ahead of Nigeria (205MW) reporting cycles, direct private investments in decentralized energy solutions increased by 34% year-over-year.

Figure 4. Private Investment in Energy Infrastructure by Region



Data Source: World Bank PPI / Infrastructure Consortium for Africa

- AfCFTA covers a market of 1.3bn+ people, underpinning long-term logistics demand

Despite the growth of mini-grids in Africa, there is an uneven distribution across zones, with North Africa recording the lowest PPI investment of the three regions shown. This is unsurprising, as North Africa has the highest level of access to electricity compared to other regions, reflecting more stable existing generation and distribution infrastructure.

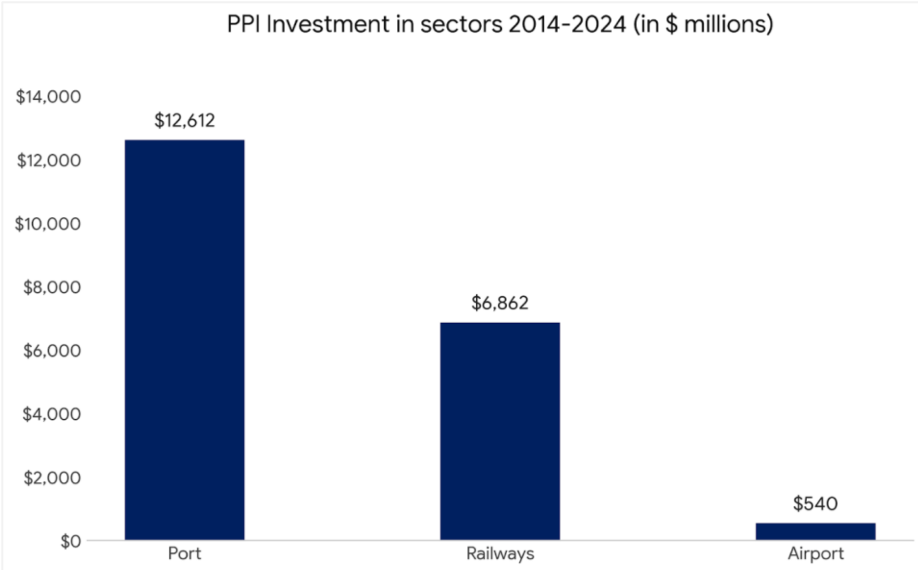
Independent Power Producers (IPPs) selling directly to creditworthy commercial off-takers bypass financially distressed state utilities, securing reliable yields.

Trade Corridors and Logistics

The expansion of intra-African trade is increasing the need for more efficient ports, rail networks and logistics infrastructure. The African Continental Free Trade Area (AfCFTA), covering a market of more than 1.3 billion people, provides a long-term demand case for infrastructure connecting production centres to domestic and regional markets.

Ports, freight rail, inland container depots and logistics hubs are therefore attracting greater private-sector attention. South Africa's rail and port reforms provide a prominent example of this model, with private users increasingly participating in infrastructure that directly supports their commercial operations.

Figure 5. Private Infrastructure Investment in Transport by Sub-Sector



Data Source: World Bank PPI

De-risking Is Becoming Central to Private Infrastructure Investment

The growing role of private capital does not eliminate the risks that have historically limited infrastructure investment in Africa. Currency volatility, political risk, regulatory uncertainty and weak utility finances can still undermine project economics.

As a result, blended finance and risk-sharing structures are becoming increasingly important. DFIs such as IFC and DFC can provide guarantees, political-risk protection and concessional capital that reduce the risks faced by commercial investors.

Local-currency financing is also gaining importance, particularly for projects whose revenues are generated in local currencies. Greater participation from domestic pension funds and institutional investors can help reduce currency mismatches while deepening local capital markets.

The implication is that infrastructure investment is becoming less dependent on investors simply accepting African market risks. Instead, project structures are increasingly designed to allocate and reduce those risks before commercial capital enters.

Strategic Outlook

Private participation in African infrastructure is becoming more commercially focused. The 2024 rebound in PPI investment shows that capital remains available, but the concentration of investment in fewer, larger projects suggests that investors continue to favour opportunities with clear demand, predictable revenues and manageable risks.

For governments, this makes bankable projects, credible regulation and effective risk-sharing mechanisms increasingly important. Digital infrastructure, distributed power and trade logistics are among the areas best positioned to attract private capital, while DFIs and blended finance can help make more projects investable.

The state will remain central to infrastructure development, but its role is increasingly evolving from sole financier to regulator, enabler and partner to private capital.