



# Large Infrastructure

## Infrastructure Spending in Africa

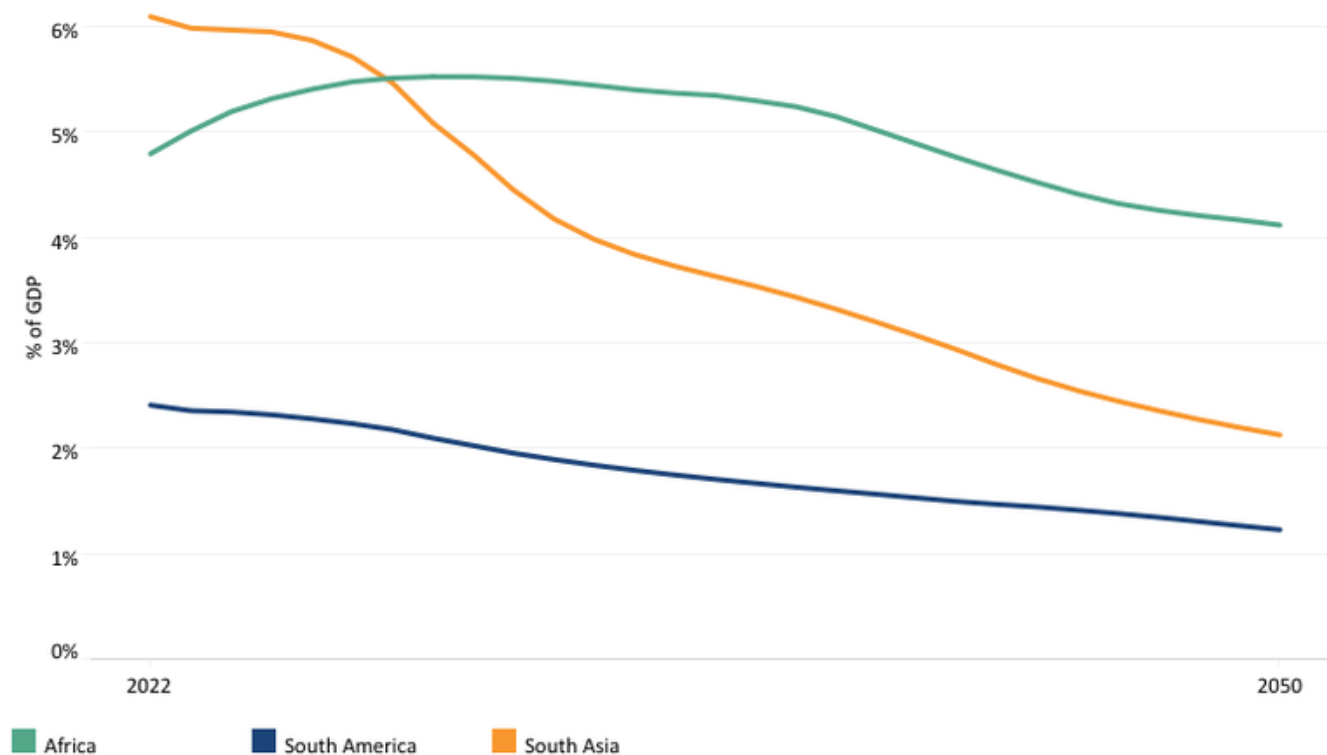
Kouassi Yeboua

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## Infrastructure Spending in Africa

Chart 10 compares spending on infrastructure (all types and including maintenance) in Africa with that in South America and South Asia from 2020 to 2043. As a percentage of GDP, Africa spends significantly more on infrastructure than South America, but much less than South Asia. On the Current Path, this gap will close by 2028 as South Asia's spending (% GDP) declines faster than Africa's. Spending on infrastructure is also set to remain quite robust across the forecast horizon, despite a slight reduction over time. However, because of rapid population growth, Africa needs to spend significantly more on infrastructure than other regions, now and in the future. In 2024, Africa's total expenditure on infrastructure was at about 5.7% of GDP on all aspects of infrastructure (core and maintenance, public and private), compared to 5.2% in South Asia and South America and 2.3% in South America.

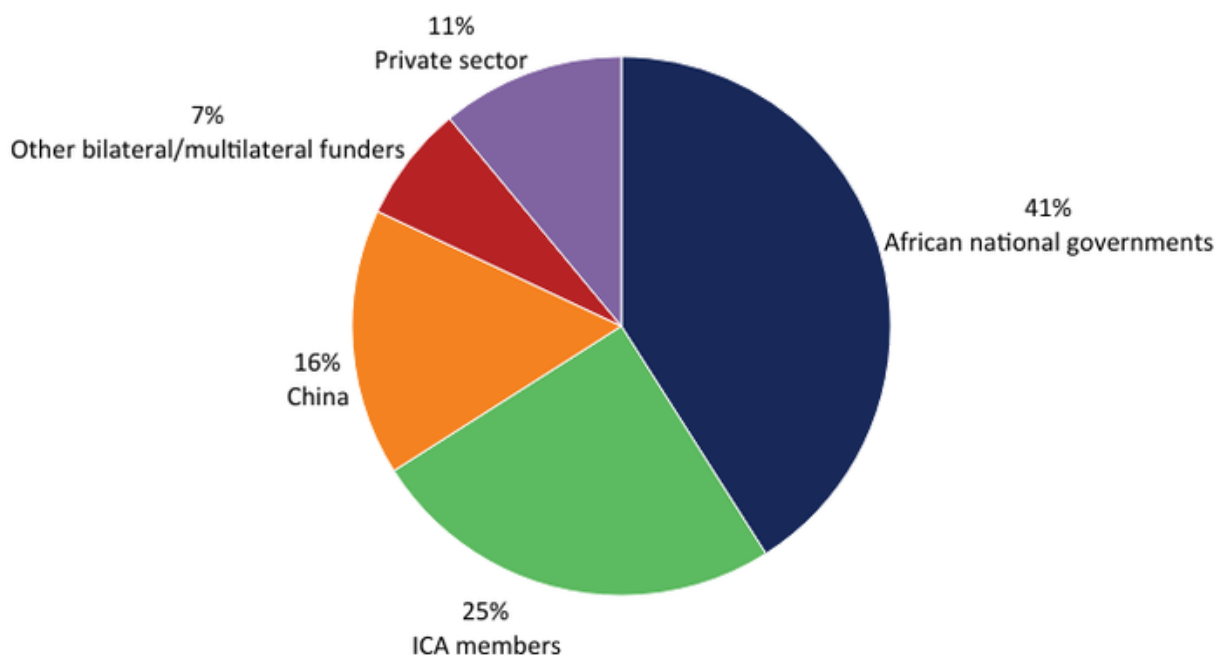
**Chart 10: Total infrastructure spending in Africa compared with South Asia and South America, 2022-2050**



Source: IFs 8.5.0 initialising from OECD Structured Analysis Database

Many actors are involved in financing and delivering infrastructure in Africa. Chart 11 depicts the contribution (%) to Africa's infrastructure financing, by source, as an annual average from 2016 to 2020. Based on the most recent comparable data, total infrastructure investment in Africa—from governments, development partners and the private sector—averaged **US\$83 billion** per year. African governments and development funders remain the dominant sources of financing, together accounting for 89% of average annual infrastructure commitments over this period. Their investments were largely concentrated in transport, energy and water infrastructure. By contrast, the private sector played a more prominent role in digital infrastructure, accounting for 55% of total investment. Even so, this share remained well below the 76% private sector contribution observed across developing countries.

Chart 11: Contribution (%) to Africa’s infrastructure financing, by source, annual average, 2016-20



Source: ICA (2022), Infrastructure Financing Trends in Africa 2019-2020

Note: The members of ICA (Infrastructure Consortium for Africa) were the G20 countries, Spain, and several African and international development organisations and finance institutions

Over the period 2016-2020, public infrastructure spending averaged 1.3% of GDP (about US\$34 billion annually), well below the levels observed in countries that have successfully pursued infrastructure-led development strategies, such as China (6.7% of GDP) and Vietnam (5.1%).

Public investment in Africa is constrained by limited fiscal space and rising sovereign debt burdens. The continent’s debt levels are approaching those seen before the major debt relief initiatives of the early 2000s. In 2024, public debt reached 67% of Africa’s GDP, exceeding the 62% recorded in 2000, with external debt accounting for around 22% of GDP. Eight African countries, out of 11 globally, are in debt distress, while a further 15 face a high risk of overall debt distress, including 12 where vulnerabilities stem primarily from external debt exposures. Over the period 2019–2023, African governments spent, on average, seven times more on debt servicing than on infrastructure. Elevated debt service costs are partly driven by high and uneven interest rates on sovereign borrowing, which range from 0.2% to 7.7% across Africa’s main infrastructure financiers, including the World Bank, China, the AfDB and bilateral creditors. As a result, interest payments exceed infrastructure spending in 15 African countries. China is the largest individual funder of Africa’s infrastructure (Chart 11). However, China’s contribution decreased significantly from US\$25.7 billion in 2018 to US\$6.7 billion in 2019 and further to US\$6.5 billion in 2020. This reduction reflects the decision by China’s government to reduce its investments in Africa because of criticism for its role in growing African governments’ sovereign debt burden and concerns about Africa’s ability to service its debt. Also see the section on debt in the [Current Path](#) theme.

Private investment in infrastructure in Africa remains modest, reflecting heightened risk perceptions, macroeconomic volatility and a high cost of capital. While global private infrastructure investment tripled between 2013 and 2022, Africa

attracted only 6–8% of annual global flows during this period. The weighted average cost of capital for infrastructure projects is estimated at 13% in Africa, compared with 10% in developing Asia and 8% in OECD countries. Despite these challenges, infrastructure investments in Africa can offer high returns, particularly where regulatory frameworks are strong. Project costs and implementation timelines can be up to 60% higher than in developed countries, yet expected returns may reach 20%, among the highest globally. Over the period 2013–2023, South Africa and Egypt captured a significant share of private infrastructure investment, 21% and 15%, respectively. These were supported by robust policy frameworks and targeted initiatives, such as South Africa’s Renewable Energy Independent Power Producer Procurement Programme and Egypt’s issuance of Africa’s first sovereign green bond. Also see the FDI section in the [Financial Flows](#) theme.

Development finance continues to play a critical role, but the outlook for this source of finance is increasingly uncertain. Although annual development finance for infrastructure rose by around US\$5 billion between 2010 and 2023, recent geopolitical and macroeconomic pressures have led to [declining](#) disbursements, which fell from US\$16.6 billion in 2022 to US\$14.8 billion in 2023. Furthermore, preliminary estimates for 2024 suggest that [net aid](#) from members of the OECD Development Assistance Committee (DAC) to all sectors in Africa fell by 1% in real terms compared to 2023, with projections suggesting a cumulative reduction of 16–28% between 2023 and 2025. These declines disproportionately affect countries with lower levels of development.

In sum, Africa’s infrastructure financing is largely structured around three main instruments: debt (through loans and bonds), equity and blended finance. Debt financing takes multiple forms, including commercial loans, concessional loans and grants. While infrastructure financing has traditionally been dominated by grants and concessional lending, China’s engagement in Africa has increasingly shifted infrastructure financing toward more commercially oriented lending. In general, debt financing is less costly than equity financing, while the cost of blended financing varies widely depending on its structure.

Loans and bonds remain the most widely used instruments for financing infrastructure across the continent. Most African countries, for instance, maintain lending arrangements with multilateral institutions such as the World Bank. At the same time, blended finance is gaining prominence as a means of leveraging public resources to attract private capital. Closely linked to this trend is the growing emphasis on public–private partnerships (PPPs). A wide range of [PPP](#) models, from Build–Operate–Transfer arrangements to management contracts, has been promoted to mobilise private-sector expertise and financing, to improve project delivery timelines and the long-term operation and maintenance of infrastructure assets.

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## About the authors

Dr Kouassi Yeboua previously worked as a Senior Researcher at AFI, where he led significant ISS studies on the long-term development prospects of the Democratic Republic of Congo, the Horn of Africa, Nigeria, Malawi, and Mozambique. His research focuses on development economics, macroeconomics, gender, and economic modeling. He holds a PhD in Economics.

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