Infrastructure Finance Middle East & Africa 2025

Markets, Capital Structures, and Deals

STRONGHOLD
GLOBAL CAPITAL GROUP

Disclaimer

This Information Memorandum (the "Memorandum") has been prepared by Stronghold Global Capital Group ("Stronghold") for informational purposes only in connection with Infrastructure Finance Projects in MEA – Industrial, Infrastructure and Energy 2025. The Memorandum is provided solely to assist selected recipients in evaluating infrastructure finance trends, project pipelines, and investment dynamics across the Middle East and Africa. It does not constitute, and should not be construed, investment advice, a recommendation, an offer, or a solicitation to buy or sell any securities or to participate in any transaction.

The Memorandum is not intended to be a comprehensive statement of all information that may be required to evaluate any potential transaction or opportunity. Recipients should conduct their own independent analysis, investigation, and due diligence. While the information contained herein has been obtained from sources believed to be reliable, it has not been independently verified, and no representation or warranty, express or implied, is made as to its accuracy, completeness, or reasonableness.

Neither Stronghold nor any of its affiliates, directors, officers, employees, representatives, agents, or advisers accept any responsibility or liability for any losses arising from the use of this Memorandum or reliance on its contents, or for any errors or omissions contained herein. No obligation is assumed to update or amend this Memorandum or to provide additional information.

This Memorandum is confidential and is being furnished subject to the terms of a confidentiality agreement previously executed with Stronghold. It may not be reproduced, distributed, or disclosed, in whole or in part, except in accordance with such agreement, and may be used solely for the purpose of evaluating a potential interest in the subject matter described herein.

Stronghold reserves the right, at its sole discretion and without notice, to engage with one or more parties, to modify the scope or structure of any potential transaction, or to terminate discussions at any time.

Table of Contents

1. Executive Summary

Infrastructure finance across the Middle East and Africa (MEA) in 2025 is shaped by rising capital requirements, fiscal constraints on public balance sheets, and increasing reliance on private and blended capital. While both regions share common investment priorities, energy transition, industrial development, and connectivity, the depth, institutional maturity, and bankability of infrastructure markets differ materially between the Middle East and Africa.

Middle East: Institutional Scale and Bankable Infrastructure Platforms

The Middle East benefits from strong sovereign participation, stable macroeconomic conditions, and increasingly mature regulatory and contractual frameworks. Infrastructure delivery has progressively shifted toward structured financing models, including PPPs, sovereign wealth fund co-investment, and project finance. Energy remains the most developed sector, supported by established IPP frameworks, long-term PPAs, and sovereign offtakes, enabling high leverage and long-tenor financing. Capital deployment is gradually diversifying from hydrocarbons toward renewables, grid infrastructure, and lower-emissions power, supported by competitive procurement and standardized documentation. Industrial infrastructure investment is closely aligned with national diversification strategies, emphasizing integrated industrial zones, logistics, and energy-linked manufacturing.

Africa: Structural Demand Growth and Financing Constraints

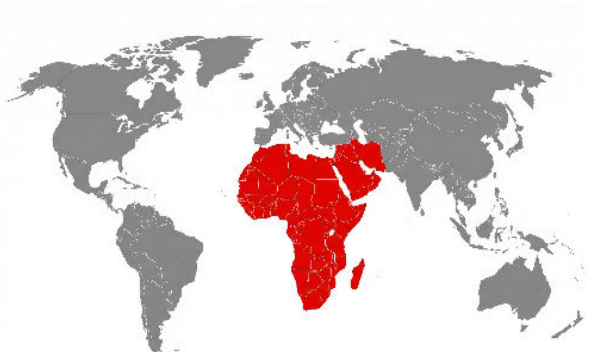
Africa's infrastructure landscape is defined by a significant investment deficit and constrained capital availability. Public funding, multilateral development banks, and development finance institutions remain the primary sources of capital, with private investment largely concentrated in sectors with clearer revenue visibility, notably power generation and telecom infrastructure. Despite improving project pipelines and relatively low historical default rates, financing costs remain elevated due to currency risk, limited local debt depth, and higher perceived country and project risk.

Africa Energy: Access, Grid Expansion, and Blended Capital Solutions

Energy infrastructure represents the largest share of capital deployment in Africa. Investment has recovered since 2021, with renewables particularly solar PV, driving new capacity additions. Grid expansion, system reliability, and electrification remain binding constraints, requiring sustained investment supported by blended finance structures combining concessional capital, guarantees, and private funding. Achieving scale will depend on improving transmission infrastructure and strengthening utility creditworthiness.

Investment Outlook: A Bifurcated but Complementary Opportunity Set

Infrastructure finance in MEA in 2025 reflects a bifurcated investment landscape. The Middle East offers scale, institutional depth, and predictable financing frameworks, particularly in energy and core infrastructure. Africa presents long-term growth potential driven by energy access, industrialization, and regional integration, but continues to face structural challenges related to capital availability, cost, and risk allocation. Continued policy reform, disciplined project structuring, and expanded use of blended finance will be central to sustaining investment momentum across both regions.



2. Infrastructure Finance: Market Framework and Capital Structure

Infrastructure finance involves a combination of public and private funding sources. Public finance is typically provided through government budgets, grants, and sovereign borrowing, supported by multilateral development institutions. Private finance is contributed by commercial lenders, institutional investors, and other financial market participants and plays a critical role in bridging infrastructure funding gaps.

To attract private capital, infrastructure projects must demonstrate financial sustainability. Revenue streams are expected to be predictable and sufficient to cover operating costs, debt servicing, and provide reasonable returns to equity investors. Lenders focus primarily on the project's ability to meet interest and principal repayment obligations and therefore adopt conservative assumptions on key variables such as demand or traffic forecasts. Protective mechanisms such as debt service reserve accounts, maintenance reserves, or minimum revenue guarantees are commonly imposed, with direct implications for project cash flows and financing structures.

2.1 Infrastructure Capital Providers and Financing Instruments

Infrastructure financing is supported by a diverse range of financiers. Key sources include commercial banks, institutional investors (such as pension and insurance funds), private equity investors, and corporate sponsors. Public-sector participation is provided through governments, development finance institutions (bilateral and multilateral), sovereign wealth funds, and export credit agencies. Philanthropic and impact-focused investors may also participate in select projects, particularly in socially or environmentally focused infrastructure.

- **Blended Finance:** Combines concessional or development capital with commercial financing to reduce risk and cost of capital, crowding in private investment for higher-risk or non-investment-grade infrastructure projects.
- **Climate Finance:** Supports climate mitigation and adaptation infrastructure through dedicated funding sources, including climate funds and DFIs, often provided on concessional terms such as grants or low-cost loans.
- **Islamic Finance:** Provides asset-backed, risk-sharing financing structured in accordance with Sharia principles and can be deployed alongside conventional financing to broaden investor participation.

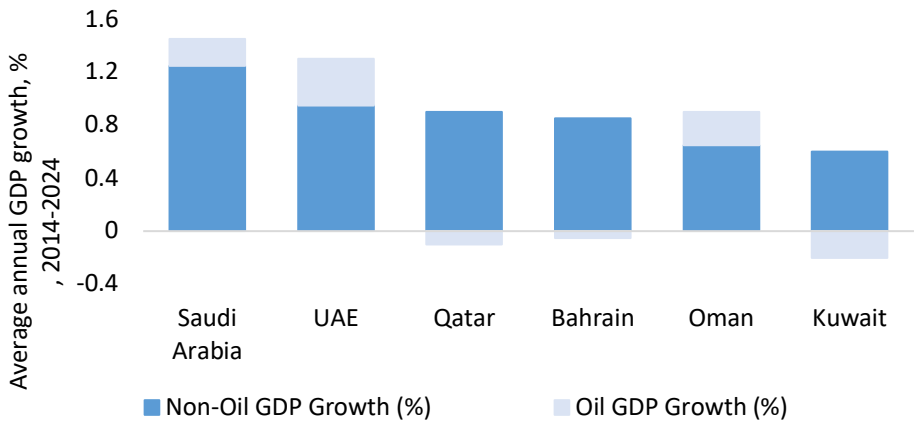
3. Economic Landscape

3.1 Middle East: Macro Fundamentals

3.1.1 Growth Fundamentals:

Economic activity in the region remains robust, primarily driven by the non-oil sector, which has consistently outpaced the oil economy since 2014. In Saudi Arabia, the non-oil economy's share of GDP has risen significantly from 40% in 2010 to an estimated 55% in 2025. While headline GDP will be mechanically lifted by increased oil production volumes, weaker oil prices remain a revenue dampener.

Growth over the past decade has been driven by the non-oil sector



National Statistical Agencies, Haver Analytics, KPMG analysis

3.1.2 Inflation, Cost Pressures, and Capital Implications:

Headline inflation remains subdued and relatively low across most GCC economies, with several countries seeing rates below 1%. However, localized cost pressures persist, particularly in the Saudi housing market where rental prices grew by 7% annually in September 2025.

Country	Inflation Rate
Saudi Arabia	2.2%
Kuwait	3.0%
UAE / Qatar	1.0% - 2.0%
Oman	< 1.0%
Bahrain	Deflationary

Key Inflation Drivers:

- Currency pegs to the US dollar (imported inflation risk)
- Housing and rental price pressures (notably in Saudi Arabia)
- Rising construction input costs (timber, concrete)

Area	Key Metrics
Saudi Labor Market	Unemployment fell to 6.8% (Q2 2025) from 12% (2016); female participation rose from 18% (2016) to 30% (2020), targeting 35% by 2030
Fiscal Reforms	Oil still contributes estimated 70% of government revenue; reforms focus on expanding non-oil tax receipts
PPPs & Privatization	Approx 80% of industry leaders view private capital as critical for infrastructure financing

3.1.3 Fiscal Sensitivities and Oil Price Risks:

The global crude market remains well supplied, with oil prices expected to average USD60–70/bbl, down from USD80/bbl in 2024. The projected USD62/bbl average is below the fiscal breakeven for nearly half of Middle Eastern economies, increasing budgetary pressure.

3.2 Africa: Macro Fundamentals

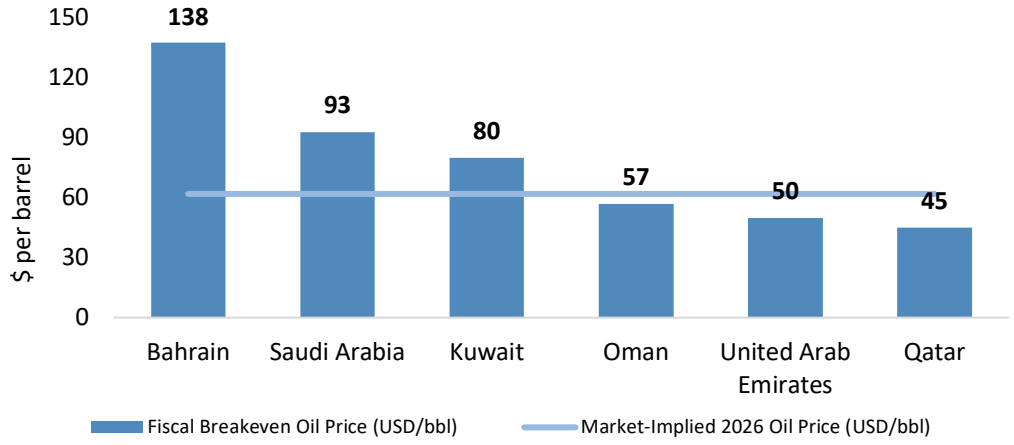
3.2.1 Growth Outlook:

Africa's economic growth has improved despite global shocks, with SSA expanding 2.9% in 2023 and 3.5% in 2024, and projected to reach 3.7% in 2025 and 4.1% by 2026, though growth remains uneven across countries. Current trajectories remain below the AU's 7% Agenda 2063 target, indicating the need for higher infrastructure investment, estimated at USD155bn annually (5.6% of GDP), to support sustained growth.

3.2.2 Inflation, FX Pressures:

Regional inflation remains elevated but is expected to ease from 18.6% in 2024 to 12.6% in 2025–2026, supported by tighter monetary policy and moderating energy prices. While lower global commodity prices (-12% in 2025) are reducing headline inflation, core inflation remains elevated due to wage pressures, service-sector costs, and domestic input constraints.

Oil prices could average below fiscal breakeven levels for some economies



IMF, Haver Analytics, KPMG analysis

3.2.3 Debt Sustainability, FX, and Climate Risks:

- **Debt sustainability pressures**: During 2019 – 23, African governments allocated 7× more spending to debt service than to infrastructure, materially constraining capital expenditure.
- **High cost of capital**: Africa's infrastructure WACC averages 13%, the highest globally, despite lower default rates than other emerging markets, reflecting elevated risk premium.
- **Climate and food security shocks**: Climate events are increasing fiscal and inflation volatility, with approx. USD10bn per year required to repair climate-related infrastructure damage.

4. Sectoral Investment Trends and Capital Allocation Outlook

4.1 Middle East: Sectoral Capital Deployment

4.1.1 Industrial:

Industrial investment in the Middle East is shifting toward value-added, export-oriented, and technology-enabled manufacturing, aligned with national diversification agendas (e.g., Vision 2030, Operation 300bn, Qatar National Vision 2030). Policy support is focused on localization and supply-chain development across priority sectors, using incentives and special economic zones integrated with logistics and energy infrastructure to attract private and foreign capital.

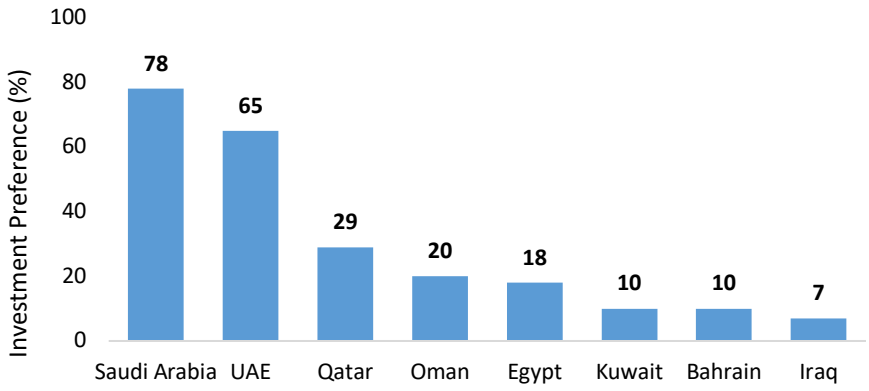
Private participation is increasing, with 73% of investors planning partnerships or alliances over the next 2 – 3 years, reflecting a greater focus on financial returns, cost efficiency, and scalability. Industrial capex is also increasingly directed toward automation, digitalization, and energy-efficient, low-carbon processes, supporting productivity gains and regional net-zero objectives.

4.1.2 Infrastructure:

Infrastructure investment remains a key growth drive in the Middle East, with a shift from state-funded megaprojects toward financially disciplined, private-capital-enabled models. Transport, utilities, urban, and social infrastructure continue to attract capital across Saudi Arabia, the UAE, Qatar, Oman, and Egypt, supported by population growth and large-scale urban programs, with 75% of investors expecting higher infrastructure spending over the next two years.

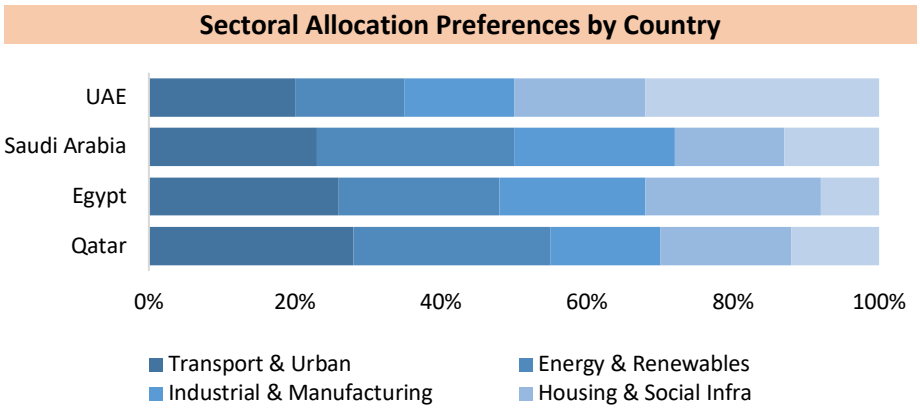
Private financing and PPPs are increasingly central, with 80% of respondents viewing private capital as critical for delivery and budget control. Governments are enhancing project bankability through clearer revenue frameworks, risk-sharing mechanisms, and regulatory reforms to attract institutional investors. Investor focus has shifted toward financial performance, lifecycle value, and execution certainly, supported by greater use of digital tools (BIM, AI, integrated project controls) to improve transparency and risk management.

Investor Preference by Market: Middle East (2025)



Based on PwC Middle East Capital Projects & Infrastructure Survey 2025

- Investor preference in the Middle East is led by Saudi Arabia at about 78%, followed by the UAE at roughly 65 percent, reflecting strong confidence in large, stable project pipelines.
- There is a sharp drop beyond the top two, with Qatar at around 28 percent, Oman and Egypt near 20%, and Kuwait, Bahrain, and Iraq collectively below 10% each.



Based on PwC Middle East Capital Projects & Infrastructure Survey 2025

- Saudi Arabia shows the most diversified allocation, with roughly 30 percent in Transport and Urban, 25 percent in Energy and Renewables, 20 percent in Industrial and Manufacturing, and about 25 percent in Housing and Social Infrastructure.
- The UAE and Qatar are more skewed toward Housing and Energy, where Housing and Social Infrastructure alone accounts for around 35 percent in the UAE and 30 percent in Qatar, while Egypt maintains a more balanced split with no single sector exceeding about 25 percent.
- The sectoral mix underscores country-specific priorities, with transport and energy as universal anchors while data centers and industrial assets concentrate in select markets, reflecting national development agendas rather than actual capital deployment.

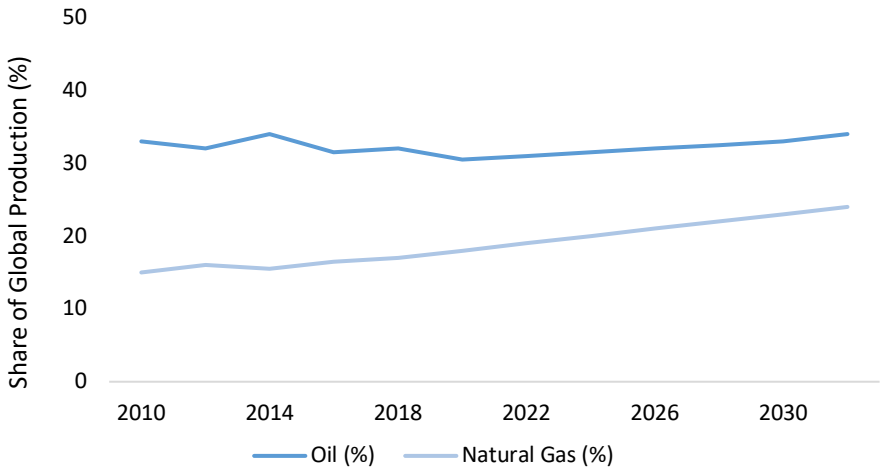
4.1.3 Energy:

The Middle East serves as a primary anchor of the global energy system, maintaining its status as a dominant producer and consumer of hydrocarbons. The region contains five of the world's top ten oil producers (Saudi Arabia, Iran, Iraq, the UAE, and Kuwait) and three of the top ten natural gas producers (Iran, Qatar, and Saudi Arabia). Currently, fossil fuels meet 97% of the region's total energy demand, with natural gas accounting for 56% and oil for 41%. While energy demand in the region grew at an annual rate of 2.6% between 2010 and 2024, this is projected to slow to an annual average of 1.8% to 2035 in the Stated Policies Scenario (STEPS).

Critical Demand Drivers	Supply and Generation Outlook
• Electricity demand rising by 40% by 2035, outpacing total energy growth • Space cooling consumes 25% of electricity and 50% of summer peak load • Cooling degree days projected to rise 10% by 2035 • Desalination power demand to increase 2.5x by 2035 due to shift to reverse osmosis • Energy-intensive petrochemicals remain core industrial demand driver	• Middle East leads global gas supply growth to 2035 • Qatar expanding LNG to >300 bcm capacity by 2035 • Saudi Arabia scaling non-associated gas from Jafurah for power • Solar PV to meet >50% of incremental electricity demand by 2035 • Nuclear emerging as dispatchable low-carbon baseload capacity

- Energy investment in the Middle East is exceptionally high, currently amounting to 6% of its GDP, which is twice the global average. While 78% of current investment is directed toward fossil fuels, this share is projected to decline to 66% by 2035 as capital shifts toward grids, storage, and low-emissions electricity.

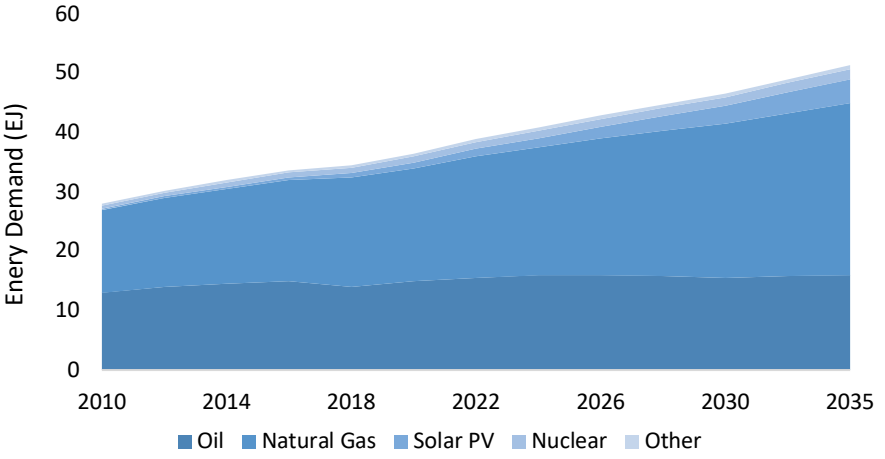
Middle East Share of Global Oil and Natural Gas Production



International Energy Agency (IEA), World Energy Outlook – Stated Policies Scenario (STEPS)

- The Middle East continues to play a central role in global hydrocarbon supply, consistently accounting for around one-third of global oil production over the period. While oil's share remains broadly stable, the region's contribution to global natural gas production increases steadily, reflecting capacity expansion, upstream investments, and rising global demand for gas as a transition fuel.

Middle East Energy Demand by Source



International Energy Agency (IEA), World Energy Outlook – Stated Policies Scenario (STEPS)

- Energy demand in the Middle East rises steadily over the outlook period, with natural gas capturing the majority of incremental demand growth, driven by power generation and industrial use. Oil demand grows at a slower pace, supported mainly by transport and petrochemicals, while non-fossil sources led by solar PV expand from a low base. Overall, the energy mix remains hydrocarbon-dominated under STEPS, with diversification progressing gradually rather than structurally.

4.2 Africa: Sectoral Capital Deployment

4.2.1 Industrial:

Industrial infrastructure finance in Africa supports the continent's productive transformation, focusing on manufacturing, processing, mining, and export-oriented assets such as SEZs, logistics hubs, and captive power. Infrastructure deficits particularly power reliability, transport costs, and digital connectivity continue to constrain competitiveness, with African manufacturers reporting significantly higher bottlenecks than peers in emerging Asia.

Investment is concentrated in mining, metals, cement, fertilizers, and energy-intensive manufacturing, with project IRRs typically in the mid-to-high teens, but overall volumes are constrained by high cost of capital, limited long-tenor debt, and currency risk. As a result, DFIs and ECAs remain critical in mobilizing private capital and supporting regional corridor initiatives such as the Lobito Corridor.

Composition: Industrialization-driven infrastructure represents a substantial share of Africa's investment requirements, reflecting the critical role of connectivity and reliable utilities in enhancing manufacturing competitiveness. The composition is led by transport and logistics, followed by digital connectivity and power infrastructure, highlighting the scale and reliability needed to support productive-sector growth.

Infrastructure Category	Africa's Industrial Infrastructure Investment Share (Approx)
Transport & Logistics	56%
Power Infrastructure	17%
Digital Connectivity	23%
Total Industrial-Linked Infrastructure	>55% of Africa's total infrastructure investment needs

Financing: Industrial infrastructure financing in Africa is primarily project-specific and balance-sheet-driven, led by DFIs, ECAs, and corporate sponsors, and differs structurally from social infrastructure. While private capital participation is relatively higher, particularly in energy-intensive sectors, investment is constrained by high financing costs, elevated WACC, and limited availability of long-tenor local-currency debt, despite strong project-level returns.

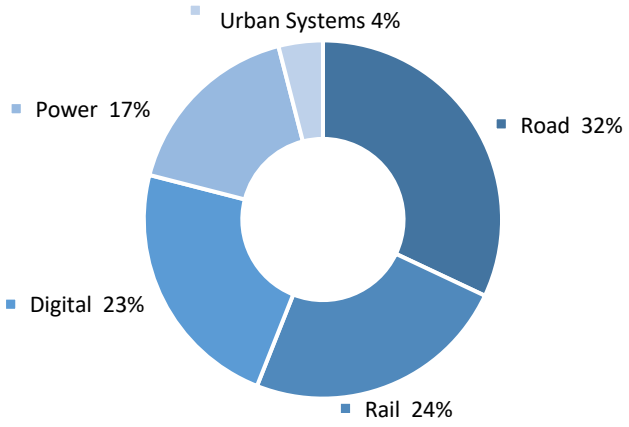
Metric	Africa Industrial Average	OECD Industrial Average
Typical IRR	15% – 20%	8% – 12%
Average WACC	Approx. 13%	Approx. 8%
Primary Debt Tenor	5 – 10 years	15 – 25 years
Risk Profile	High (Political, Currency)	Low (Macroeconomic Stability)

4.2.2 Infrastructure:

- Over 40% of Africa's population lacks access to basic infrastructure services such as electricity and transport.
- Infrastructure investment needs are USD155bn per year (5.6% of GDP) versus current spending of USD83bn per year (3% of GDP). This results in a persistent annual financing gap exceeding USD70bn.
- Funding remains public-sector dominated (89%), with private capital contributing 11% due to regulatory, tariff, and balance-sheet constraints.

Composition: Africa's infrastructure requirements are heavily skewed toward economically connective assets, reflecting the continent's geography, urbanization trends, and trade integration goals. Transport infrastructure represents the single largest investment requirement, followed by digital and energy systems.

Share of total annual infrastructure investment needs



In addition to new capacity, infrastructure sustainability is a growing challenge. Approximately 42% of total infrastructure investment needs are related to maintenance and rehabilitation of existing assets, reflecting historical under-investment in asset upkeep.

Financing: Infrastructure finance in Africa remains predominantly public-sector led, with governments and development finance institutions accounting for 90% of total funding. Official development finance for infrastructure increased from USD10bn in 2010 to USD15bn in 2023, though the outlook is uncertain amid softer global aid flows.

Despite infrastructure default rates below 2%, private participation remains limited due to elevated perceived risk, reflected in a 13% WACC, versus 10% in developing Asia and 8% in OECD economies. As a result, private capital is concentrated in revenue-stable assets such as power generation, telecom towers, and select transport concessions, with private infrastructure investment declining from USD1.8bn (2023) to USD1.2bn (2024).

4.2.3 Energy:

Africa's core energy challenge is mobilizing capital to expand domestic energy supply, with investment rebounding since 2021, led by power sector infrastructure rather than export-oriented hydrocarbons. Under the STEPS, total energy investment is projected to return to 2015 peak levels by 2035, driven by power generation, grids, and energy access.

Energy Segment	Key Metric
Power Capacity	24 GW added per year through 2035; >70% renewables, solar PV 50% of additions
Grid Infrastructure	190,000 km of transmission added annually (+40% vs. current)
Energy Access	USD23bn/year for electricity access; USD4bn/year for clean cooking
Natural Gas	Production rises from 240 bcm (2024) to 260 bcm by 2035

Strategic Investment Challenges

- **High Cost of Capital:** The cost of capital for power generation projects in Africa and other emerging markets is over twice as high as in advanced economies.
- **Financial Health of Utilities:** High connection costs and low consumption levels among newly electrified households strain the revenues of national utilities, often necessitating local currency guarantees and concessional de-risking to attract private investors

Africa's Energy Transition: Investment Needs and Benchmarks (STEPS to 2035)

Investment Driver	Annual Requirement	Primary Mechanism
Electricity Access	USD 23 Billion	Grid extension, mini-grids, and stand-alone systems.
Clean Cooking Access	USD 4 Billion	Shift toward LPG dominance and electric cooking.
New Power Generation	24 GW Added/Year	70% renewables share, led by Solar PV.
Grid Infrastructure	190,000 km Added/Year	Modernization to support rising demand and variable renewables.
Mineral Processing	USD 120 Billion (2040)	Strategic shift to domestic refining of copper, cobalt, and phosphate

- **Capital Requirements for Universal Access:** Achieving universal energy access by 2035 – 2040 is estimated to require annual investments of approximately USD 23 billion in electricity infrastructure and USD 4 billion in clean cooking solutions. These requirements highlight the scale of financing needed to close existing access gaps.

5. Policy and Institutional Enablers

5.1 Middle East: Policy and Regulatory Framework

PPP laws and procurement reforms:

Public–Private Partnerships (PPPs) are a core infrastructure delivery mechanism across the Middle East, reflecting fiscal constraints, large capital requirements, and a shift toward private sector participation. Legal and procurement frameworks have evolved from ad-hoc contracting to standardized; financeable structures broadly aligned with international best practices.

Core Legal Features	Procurement Reforms features
• PPPs defined in law as long-term infrastructure and public service contracts • Clear allocation of construction, demand, and operating risk • Availability payments and government support mechanisms standardized • Frameworks designed for non-recourse or limited-recourse project finance • International arbitration widely accepted to mitigate legal risk	• Competitive, multi-stage tendering as the default approach • Evaluation balances price, technical capability, and lifecycle cost • Standardized contracts reduce execution risk and transaction

REGIONAL POSITIONING

United Arab Emirates and Saudi Arabia represent the region's most mature PPP markets, enabling large-scale private capital deployment while limiting sovereign balance-sheet exposure.

Role of sovereign wealth funds:

Sovereign Wealth Funds (SWFs) are central to infrastructure finance in the Middle East, acting as anchor investors, co-investors, and strategic sponsors. Originally established to manage hydrocarbon surpluses, SWFs now play a direct role in domestic infrastructure development and global capital deployment.

Investment Role

- Anchor equity in large infrastructure and PPP projects
- Co-investment alongside private capital, improving bankability
- Provision of patient, long-tenor capital
- Support for projects aligned with national development priorities

Major funds include Saudi Arabia's PIF, Mubadala, ADIA, and ADQ. SWF participation materially lowers financing risk and supports crowding-in of international lenders and investors.

Energy market regulation & IPP frameworks:

Energy market regulation across the Middle East has evolved to support large-scale private investment in power generation, particularly through Independent Power Producer (IPP) models. Governments across the region have retained strategic control over the power sector while introducing structured frameworks that allow private developers

to finance, build, own, and operate generation assets under long-term contractual arrangements. This approach has been central to scaling renewable energy capacity, lowering electricity costs, and reducing fiscal pressure on public balance sheets.

- Middle East power markets use IPP frameworks enabling private developers to finance, build, own, and operate assets under government-controlled, single-buyer market structures.
- These frameworks feature sovereign offtake, long-term PPAs of 20 – 25 years, Build-Own-Operate (BOO) or Build-Own-Operate-Transfer (BOOT) models, and competitive auctions supporting high leverage, long tenors, and competitive pricing.

5.2 Africa: Policy, Institutions, and Development Frameworks

Agenda 2063:

Agenda 2063 is Africa's long-term continental development framework that places infrastructure investment at the centre of economic transformation, industrialization, and regional integration. It promotes infrastructure-led growth to improve productivity, competitiveness, and market access, while supporting structural transformation through industrial development and value addition. The framework also emphasizes regional connectivity to strengthen intra-African trade and integrated value chains, alongside sustainable and climate-resilient development pathways. Led by the African Union Commission and implemented through national and regional institutions, Agenda 2063 guides long-term public investment planning and aligns multilateral and bilateral development financing efforts.

Programme for Infrastructure Development in Africa (PIDA):

PIDA is Africa's principal continental infrastructure planning and coordination framework aimed at addressing cross-border infrastructure gaps that limit economic growth and regional integration. It prioritizes regionally significant infrastructure corridors, with a strong focus on energy, transport, ICT, and transboundary water systems. PIDA emphasizes projects with high economic impact and integration potential. Coordinated by the African Union Commission and AUDA-NEPAD, and implemented through Regional Economic Communities, its Priority Action Plan provides a rolling pipeline of bankable projects and guides multilateral, bilateral, and blended finance deployment.

Africa Green Industrialization Initiative (AGII):

The Africa Green Industrialization Initiative (AGII) is a continent-wide framework designed to accelerate green, energy-intensive industrial development by leveraging Africa's renewable energy resources and critical mineral endowments. It promotes renewable-powered industrial clusters and value addition in energy-intensive and mineral-based industries, while aligning industrial growth with climate and decarbonization objectives. Anchored by African heads of state and supported by development banks and regional financial institutions, AGII focuses on mobilizing blended finance and de-risking mechanisms, strengthening the investment case for energy, transport, and industrial infrastructure through long-term demand alignment.

Accelerated Industrial Development for Africa (AIDA):

The Accelerated Industrial Development for Africa (AIDA) provides a continental policy framework for industrialization and structural transformation, emphasizing infrastructure and energy as foundational enablers. It promotes industrial

diversification, value addition, and the integration of infrastructure, energy, and manufacturing development, while supporting domestic and regional industrial value chains. Led by the African Union Commission in collaboration with development partners, AIDA serves as a policy reference for national industrial strategies and development finance programs. Although not an execution framework, it underpins the strategic rationale for infrastructure-linked industrial investments, particularly in power, transport, and logistics.

6. Future Outlook: Strategic Horizons (2026–2035)

As the Middle East and Africa (MEA) region moves beyond 2025, the infrastructure finance landscape is projected to follow two distinct but increasingly interconnected trajectories. The outlook is defined by a shift from state-led expenditure to diversified capital models, aiming to address the "energy transition" in the Gulf and the "access gap" in Africa.

6.1 Middle East: The Decade of Diversification and Decarbonization

The economic outlook for the Middle East through 2035 is characterized by the structural decoupling of growth from hydrocarbon volatility. With the non-oil sector already outpacing the oil economy, national strategies are aggressively targeting high-value industrialization and sustainable utilities.

Energy Mix Transformation:

While the region will remain a central pillar of global hydrocarbon supply particularly in natural gas, where Qatar aims for over 300 bcm of LNG production by 2035 domestic energy consumption is pivoting. Under the Stated Policies Scenario (STEPS), solar PV is projected to meet more than half of the region's additional electricity demand by 2035. This supports aggressive national targets, such as Saudi Arabia's goal to generate 50% of its electricity from renewables by 2030.

Infrastructure Demand Drivers:

Electricity demand is forecast to rise by roughly 40% by 2035, driven significantly by climate adaptation needs. Specifically, the transition of water desalination from thermal to electric reverse osmosis systems is expected to increase desalination-related power demand by 2.5 times.

Capital Evolution:

The financing model is maturing rapidly. With 75% of investors expecting increased infrastructure spending, the market is shifting toward Public-Private Partnerships (PPPs) to maintain budget discipline, Sovereign Wealth Funds (SWFs) will continue to evolve from passive capital allocators to active co-investors and strategic enablers of domestic infrastructure.

6.2 Africa: Bridging the Gap through Structural Transformation

The outlook for Africa posits a recovery in growth momentum, projected to reach 4.1% by 2026, though this remains below the 7% target set by Agenda 2063. The forward-looking agenda prioritizes closing the continent's $70 billion annual financing gap by shifting focus from raw material extraction to value-added processing and universal access.

The Energy Access Imperative:

Achieving universal energy access by the 2035 – 2040 horizon requires a massive capital surge, estimated at USD 23 billion annually for electricity infrastructure and USD 4 billion for clean cooking. The region needs to add approximately 24 GW of power capacity annually, 70% of which is expected to be renewable.

Industrial Value Chains:

A critical strategic shift is the move toward domestic mineral processing. By 2040, investment requirements for refining critical minerals (such as copper and cobalt) domestically are estimated at USD 120 billion, aiming to capture higher margins within the global battery and energy transition supply chain.

Financing Innovation:

With the cost of capital (WACC) averaging 13% the highest globally the future of African infrastructure finance relies heavily on blended finance solutions. The market must increasingly leverage development finance institutions to de-risk projects, thereby crowding in private capital for grid expansion and industrial zones.

6.3 Conclusion

Looking forward, the MEA region presents a bifurcated but complementary opportunity set. The Middle East offers scale and bankability through established regulatory frameworks and deep sovereign pockets. In contrast, Africa offers structural demand growth and high-impact development opportunities, contingent upon the successful deployment of risk-mitigation instruments to unlock private capital.

7. Sources

1. https://iea.blob.core.windows.net/assets/dfe5daf4-dbc1-4533-abeb-fafb1faee0f9/WorldEnergyOutlook2025.pdf
2. https://www.pwc.com/m1/en/publications/capital-projects-and-infrastructure-survey-2025.html
3. https://www.pwc.com/m1/en/publications/2025/docs/capital-projects-and-infrastructure-survey-2025.pdf
4. https://thedocs.worldbank.org/en/doc/1e37eb843a14b11d7803bb519549bed1-0330212024/related/Annual-Report-2025-Final-Oct-8-2025.pdf
5. https://www.elibrary.imf.org/downloadpdf/display/book/9798229023016/9798229023016.pdf
6. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/10/africa-s-development-dynamics-2025_d153f2a8/c2b40285-en.pdf
7. https://au.int/en/agenda2063/
8. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Agenda2063_Popular_Version_English.pdf
9. https://au-afcfta.org/
10. https://www.thedtic.gov.za/sectors-and-services-2/1-4-2-trade-and-export/afcfta-2/
11. https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/programme-for-infrastructure-development-in-africa-pida
12. https://www.investkenya.go.ke/agii/
13. https://www.africa50.com/media/news/article/africa-launches-landmark-green-industrialisation-framework-with-100-billion-in-new-commitments
14. https://au.int/en/ti/aida/about
15. https://u.ae/en/information-and-services/business/public-private-people-partnership/ppp/public-private-partnership
16. https://source.benchmarkminerals.com/article/sovereign-wealth-funds-support-the-middle-easts-pivot-to-clean-energy-supply-chains
17. https://www.deloitte.com/middle-east/en/about/press-room/gulf-sovereign-wealth-funds-lead-global-growth-as-assets-forecast-to-reach-usd18-tn-by-2030.html
18. https://www.iea.org/reports/global-energy-and-climate-model/stated-policies-scenario-steps
19. https://www.pwc.com/m1/en/industries/sovereign-wealth-investment-funds.html
20. https://www.aoshearman.com/en/insights/global-ma-insights/middle-eastern-sovereign-wealth-funds-boost-regional-ma
21. https://www.ashurst.com/en/insights/sovereign-wealth-funds-in-the-middle-east/
22. https://www.elibrary.imf.org/view/journals/007/2018/028/article-A001-en.xml
23. https://rulebook.sama.gov.sa/en/shariah-governance-framework-local-banks-operating-saudi-arabia
24. https://assets.kpmg.com/content/dam/kpmgsites/uk/pdf/2025/10/middle-east-economic-outlook.pdf.coredownload.inline.pdf