This chapter provides an overview of the evolution in the market structures and institutions of the various sectors. The description is partial because it mostly focuses only on two dimensions of market structures and institutions: (1) the extent to which there is some degree of PPI and (2) the extent to which governments have decided to signal their commitment to transparent and accountable regulation by creating an IRA for the infrastructure sectors. In the mind of many, these two reforms have been the most important topic of discussion in policy circles working on the transformation of the institutions driving decisions and service delivery in infrastructure.

The Relevant Dimensions of Reform

Despite their high profile, these may not be the key performance drivers in infrastructure. Indeed, only a small fraction of Africa’s infrastructure investment needs were financed by the private sector and everywhere else, the public sector and small-scale operators took the lead in delivering the services. Many other reform dimensions have influenced the infrastructure markets and their institutions—that is, decentralization, separation of rural and urban agencies, restructuring to promote competition, commercialization and governance of public operators, procurement rules, and so on. Readers interested in a more encompassing discussion of the institutional dimensions of reforms in Africa are referred to the detailed discussion offered by Vagliasindi and Nellis (2009).

Their paper is particularly important because it offers an important discussion of the needs to reform the management and operation of public enterprises. Banerjee and Morella (2011) build on their work to
assess the water sector in more details and point to the widespread effort to corporatize the large utilities public sector operators that were not taken over by private operators. This is also an important dimension of the reform of the sector and the interested reader is referred to this source for more details. In many ways, it is the return of an old demand of the 1970s with the hope that governments and donors have learned enough not to make the same mistakes. Poorly designed corporatization and performance contracts including a lot of wishful thinking were widely blamed for the push for privatization in the region at the end of the 1990s.

An additional essential driver of infrastructure performance that deserves some discussion here is the design of procurement rules. Procurement theory has improved tremendously in the last 15 years or so and there is ample empirical evidence to allow the international community to improve common procurement practice. This evidence shows that poor practice has had dramatic consequences for the unit costs in infrastructure sectors as well as for the development of new local private actors in the delivery of infrastructure services. Estache and Iimi (2011) review the distortions induced by overly conservative procurement rules adopted by most international organizations. These include biases against the development of a local capacity in particular in regions in which the local capacity has little historical record to claim when competing with more experienced actors. It also includes the development of a network of consultants and equivalent actors, which ended up importing approaches rather than developing local solutions better matched to local constraints. Finally, it also introduced a bias against small-scale operators, which was eventually overturned out of pragmatism and necessity in many countries with the help of some bilateral agencies.

Looking ahead, improvement in the management of public enterprises and procurement rules should probably be top priorities for any effort to improve infrastructure service delivery and its costs in the region. They are essential because they deal with the main form of service delivery in the region: delivery by the public sector. However, few of the relevant policies were significantly altered in the last 20 years, which is why they are beyond the scope of this book.

**Informal versus Formal Evidence**

The informal evidence is, as in earlier chapters, based on a systematic assessment of the correlation between the performance of each sector