



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT

AFRICAN DEVELOPMENT BANK

SUPPORT TO PUBLIC PRIVATE PARTNERSHIPS (PPPs)

IN REGIONAL MEMBER COUNTRIES

16 November 2023

The African Development Bank Group



Founded 1964

AfDB Group = ADB + ADF + NTF

ADB Shareholders

54

African countries
Regional member countries



+27 = 81

Non-African countries
Non-regional member countries

**Member
Countries**

Mission

To promote sustainable
economic growth
and reduce poverty
in Africa

OUR MISSION: to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction.

THE BANK GROUP ACHIEVES THIS OBJECTIVE BY:

- ❖ mobilizing and allocating resources for investment in RMCs; and
- ❖ providing policy advice and technical assistance to support development efforts in RMCs.

AfDB: At the Center of Africa's Transformation



UN Sustainable Development Goals (SDGs)



AfDB Ten Year Strategy 2013–2022

Twin objective: inclusive growth and transition to green growth

Operational priorities

Infrastructure development

3 4 5 6 7 9 10

Regional integration

6 9 16 17

Private sector development

5 8 17

Governance & accountability

5 7 8 9 16

Skills & technology

4 5 9 10 17

Areas of special emphasis

Fragile States

Agriculture & food security

Gender

AfDB 'High 5' priority areas

Light up & power Africa

3 4 5 7 9 13

Feed Africa

2 5 13

Industrialise Africa

5 7 8 9 12

Integrate Africa

6 9 17

Improve the quality of life for the people of Africa

3 4 5 6 8 10 11

THE AFRICA INFRASTRUCTURE GAP



- Significant deficit in Africa's infrastructure with investment gap estimated at more than \$100 billion per year, affecting the living conditions of Africans and the continent's global competitiveness.
- Only 52% of households have access to electricity, 10% of the population is connected to the internet and only 25% of Africa's road network is paved.
- Poor infrastructure cuts national economic growth by 2% every year and reduces productivity by as much as 40%.

PPPs can bridge this gap by leveraging private sector efficiency and financial capabilities to upgrade infrastructure in Africa

PPP STRATEGIC FRAMEWORK 2021-2031



Launched in January 2022

- **Designed to:**
- **Help AfDB scale up financing for infrastructure PPPs in Africa**
- **Help countries establish enabling environments and structure and finance viable infrastructure projects**

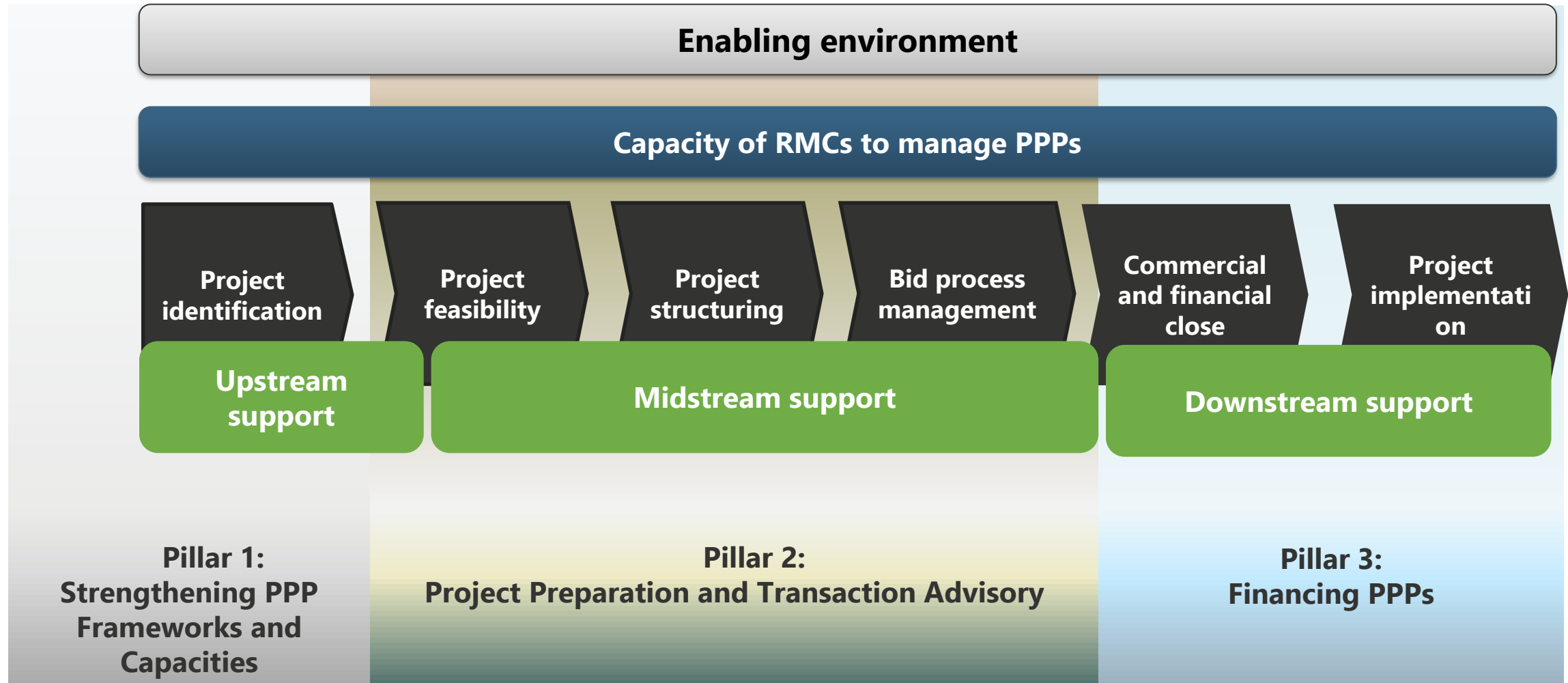
The Framework

- **Provides overall strategic guidance on the Bank's PPP interventions.**
- **Provides a common definition of PPPs within the Bank's context,**
- **Recommends formal internal coordination mechanisms, and**
- **Provides guidance on the application of Bank's financial instruments and resources**
- **It also proposes key principles to guide PPP operations.**

3 Pillars

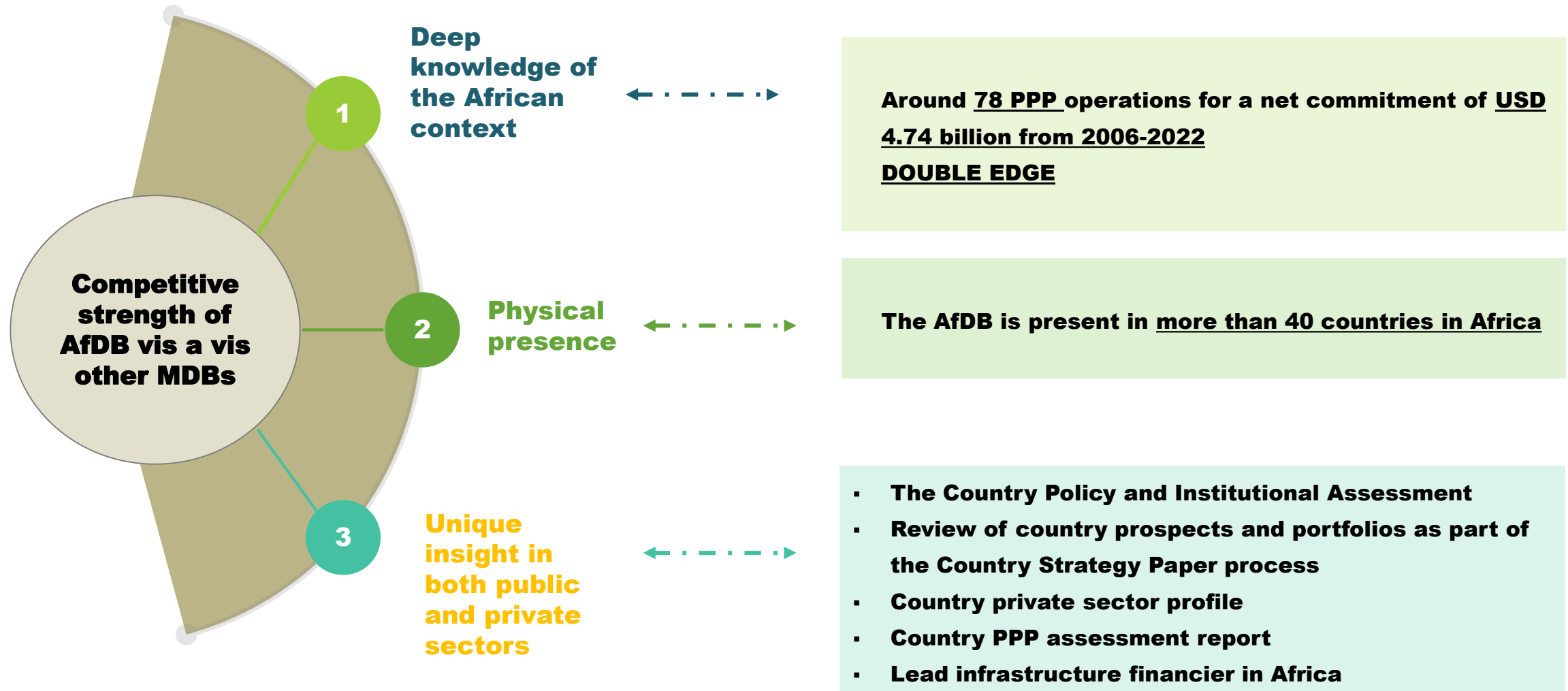
- **Pillar 1-Upstream: Strengthening PPP Enabling Environment**
- **Pillar 2-Midstream: Project Preparation and Transaction Advisory Services**
- **Pillar 3-Downstream: Financing of PPP Projects**

PILLARS OF BANK PPP STRATEGIC FRAMEWORK 2021-2031



VALUE PROPOSITION OF THE AFDB

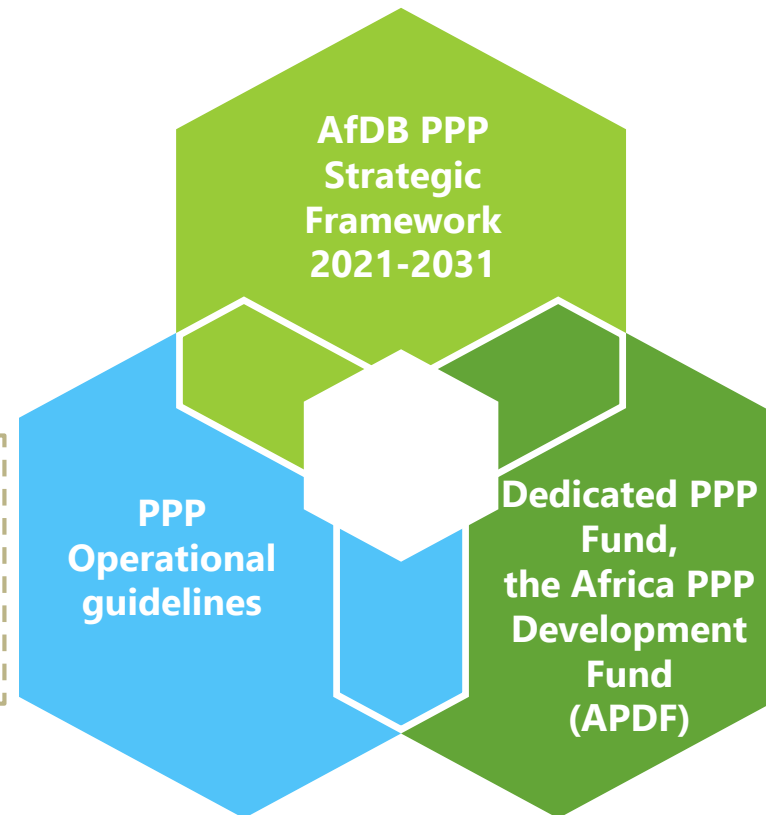
Some MDBs and regional institutions have initiatives to support emerging and developing economies through capacity development and the provision of financing of advisory services (e.g., IFC, EBRD, ADB, DBSA).



ROADMAP FOR PPP SUPPORT TO RMCs



- **Provides integrated and consistent direction to Bank's PPP operations in its Member countries**
- **Objective: to promote private sector participation in infrastructure by mobilizing private finance, for supporting infrastructure development in African countries**



- **Practical guidance on the design and implementation of PPP support operations**
- **Highlight good practice and lessons learnt from other institutions**

- **A multi-donor trust fund**
- **Will be used to prepare, structure, and place in the market well structured PPP projects**

RATIONALE FOR ESTABLISHING THE APDF : 1/2



1

INFRA-STRUCTURE GAP

- ❖ **Estimated at US\$59-96 billion in 2020**
- ❖ **Impedes African countries' economic growth and global competitiveness**
- ❖ **PPPs can bridge this gap; they can *mobilize private sector efficiency* while leveraging public sector regulation and long-term planning**

2

ENABLING ENVIRONMENT FOR PPPS

- ❖ **PPPs require conducive policy, legal, regulatory, and institutional frameworks, which are weak or non-existent in many African countries**
- ❖ **APDF can help create enabling environment by providing resources to develop and implement PPP laws, regulations and guidelines**
- ❖ **It can also support the establishment and strengthening of national PPP units**

3

CAPACITY BUILDING

- ❖ **A key barrier to the success of PPPs in Africa is the lack of capacity within governments to develop, negotiate, manage, and monitor PPP projects**
- ❖ **APDF will finance capacity-building programs to enhance skills of public officials in governance and management of PPPs**

4

PROJECT PREPARATION

- ❖ **APDF will finance feasibility studies, climate-change risk assessment, environmental and social impact assessments, financial modeling, risk analysis, and other preparatory activities essential for successful projects.**

5

PPP TRANSACTION ADVISORY SERVICES

- ❖ **PPP transactions are complex, APDF can finance the cost of hiring these advisors, ensuring that PPP projects are well-prepared, well-structured and bankable.**
- ❖ **This requires expertise of financial, legal, technical, climate-change, gender, and environmental and social advisors.**
- ❖ **Many African countries lack such expertise, leading to poorly structured PPP deals**

RATIONALE FOR ESTABLISHING THE APDF : 2/2

6

INADEQUATE DEAL FLOW

- ❖ RMCs have limited capacity to prepare projects to the standards required by private investors, or to bring projects to market in a professional manner
- ❖ PPP projects are often not selected with well-informed criteria, leading to marketing, and pitching of inappropriate projects

7

REDUCING RISK

- ❖ APDF can mitigate risk for potential investors by using its resources to de-risk projects, making them more attractive for private investment.

8

CATALYZING PRIVATE INVESTMENT

- ❖ APDF will leverage its resources to attract private investment into climate-smart infrastructure
- ❖ By demonstrating viability of PPPs and mitigating their risks, it can encourage more private investors to participate in PPPs that are green, resilient, and inclusive.

9

PROMOTING SUSTAINABLE DEVELOPMENT

- ❖ By focusing on PPPs, APDF will align its efforts with the UN SDGs
- ❖ Many infrastructure projects that can be undertaken via PPPs, such as renewable energy, clean water and sanitation, and affordable housing, directly contribute to achieving the SDGs.

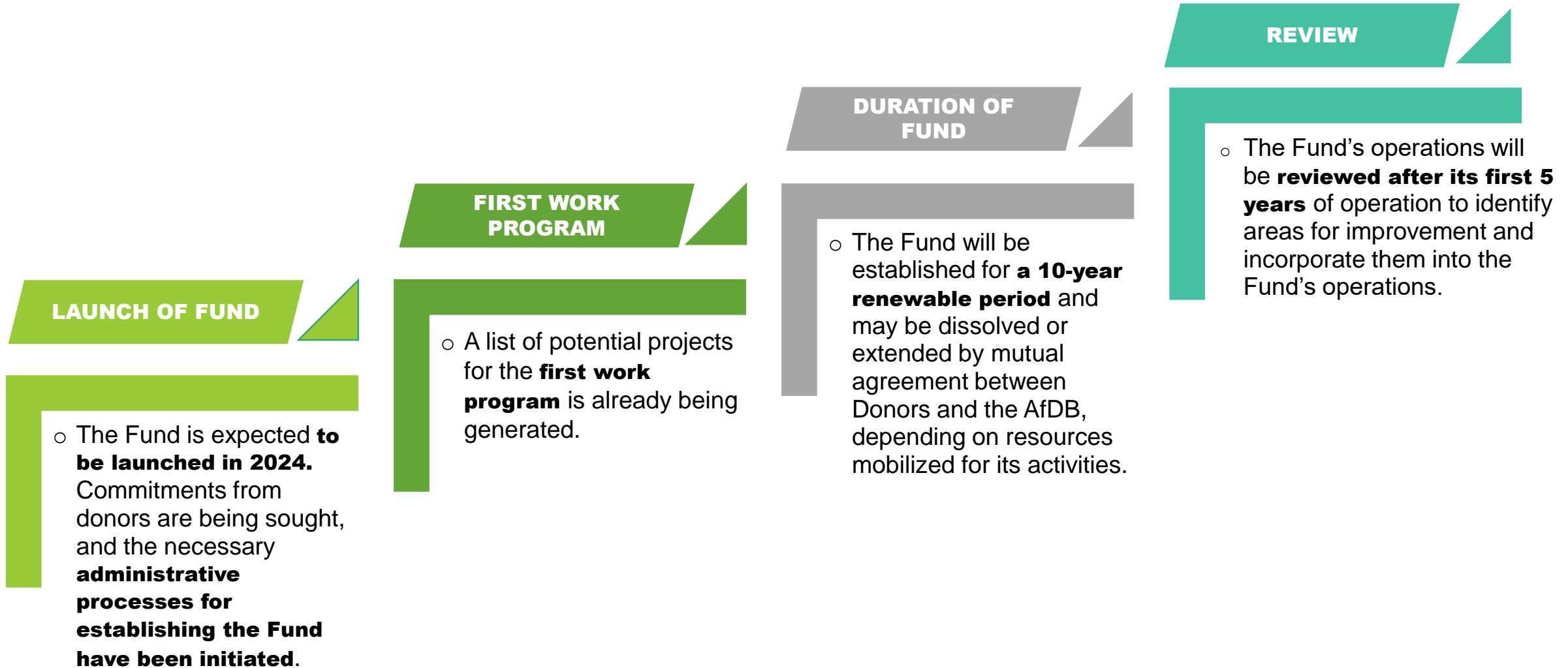
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ALIGNMENT WITH BANK STRATEGY

APDF will:

- ❖ Support all the Bank's High 5 priority areas: (Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and improve the Quality of Life for the People of Africa)
- ❖ Support inclusive growth and transition to green growth
- ❖ Comply with the Bank's core operational priorities, including infrastructure development, regional integration, private sector development, governance, accountability, and skills development
- ❖ Address the Bank's areas of special emphasis, including fragile states and food security.

STATUS OF PREPARATION, TIME-FRAME AND DURATION



FUNDING STRATEGY OF THE APDF



**WE ARE PLANNING TO RAISE \$50
MILLION FOR THE FIRST 5 YEARS**

i.e. **US\$10 million per year :**

- ❑ **Estimated US\$2 million in total for Upstream support (Pillar 1) projects annually.**
- ❑ **Average of 4 Transaction Advisory mandates (Midstream support or Pillar 2) annually at an average cost of US\$2 million per project**

We will seek a contribution from the AFDB of \$10m (20%), leaving \$40m (80%) to be raised from donors

- **We have begun a preliminary fundraising effort to raise this amount**
- **We hope to end up with between 4 and 6 bilateral donors**
- **AFDB's rules require us to have written commitments from at least two donors before we can begin the process of establishing a trust fund**
- **We have targeted Turkey one of these two “anchor” donors given your interest in creating business opportunities for Turkish private contractors in PPP projects across Africa**

FOR FURTHER INFORMATION



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THANK YOU



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