

The Role of ADF in Private Sector Development

ADF-14 Second Replenishment Meeting

June 30 – July 1, 2016
Abidjan, Côte d'Ivoire

Outline

- I. The Bank Group approach to private sector
- II. Private sector & High 5s: challenges to scaling up
- III. Update on the PSF
- IV. Proposals for ADF14: How do we turn billions into trillions?

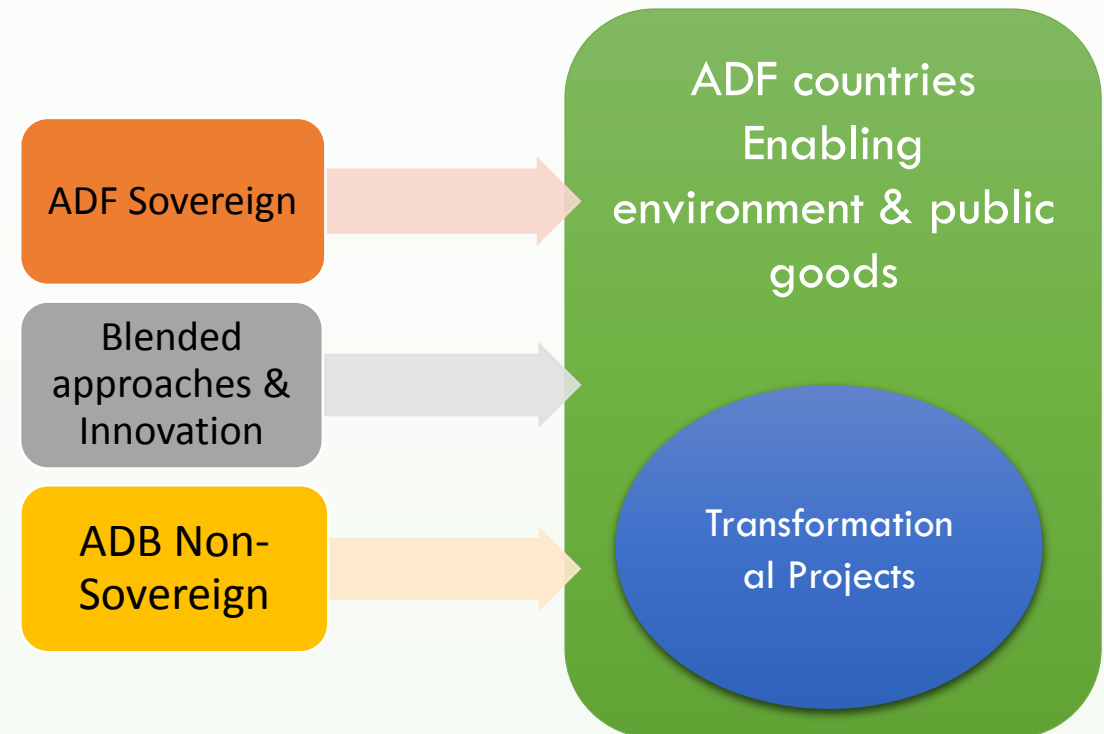
I. The Bank Group's approach to private sector

Well placed to support private sector in low income countries

- ✓ SUPPORT TO GOVERNMENTS
- ✓ LENDING TO PRIVATE SECTOR
- ✓ BLENDED APPROACHES & PPPs

Plus innovation in ADF 12 & 13:

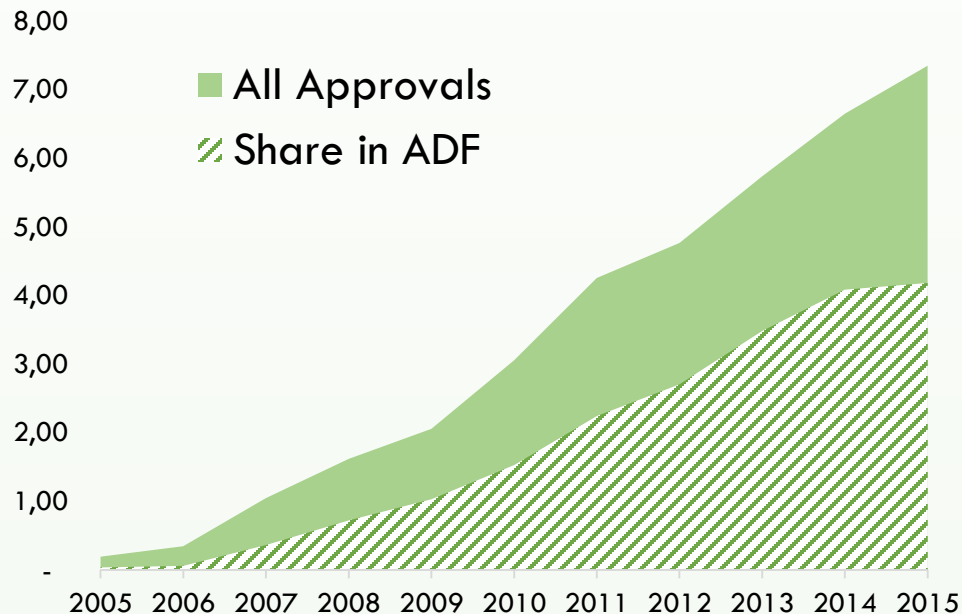
- ✓ PCG, PRG AND PSF



I. The Bank Group's approach to private sector

Calculated scale-up supported by solid experience

Rapid growth in NSO Portfolio



VAST EXPERIENCE - Active across the continent for more than 50 years

BROAD KNOWLEDGE - Strong private sector team

HONEST BROKER - Membership support from 54 African countries

FINANCIAL MUSCLE - Reflected in its AAA credit rating

RECENT DEVELOPMENTS

- ✓ PSD & FS Policies and Strategies (2013 & 2014)
- ✓ Creation of Special Operations Unit (2015)
- ✓ Increased efficiency under BDDM (2016 onwards)

I. The Bank Group's approach to private sector

A key partner for SDGs and High 5s

PSD and the High 5s



Sector-wide reforms & private investment in assets



Agriculture as a business for food security



Industrialization for African value addition & resilience



Market competitiveness through integration



Women entrepreneurs and the youth

Governance

PPPs

Risk management

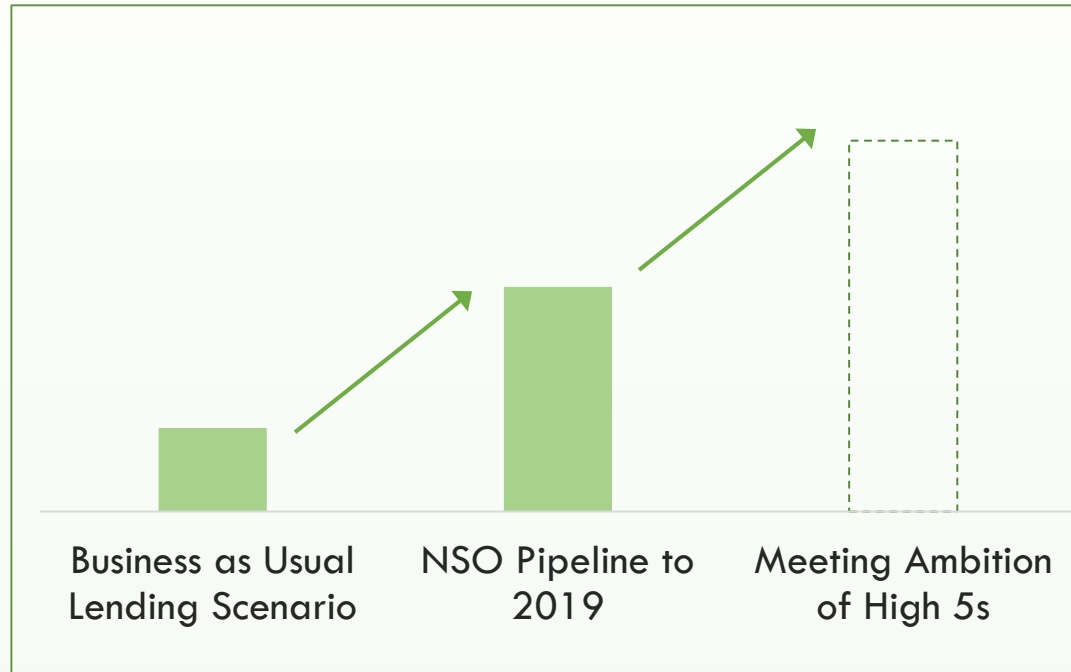
Financing

Mobilization



II. Challenges to Scaling Up

A key partner for SDGs and High 5s



- **Robust pipeline** shows impressive demand for NSOs.
- This will need to be further **leveraged** to meet investment needs.
- Need to **crowd in** other lenders and **mitigate risks**.

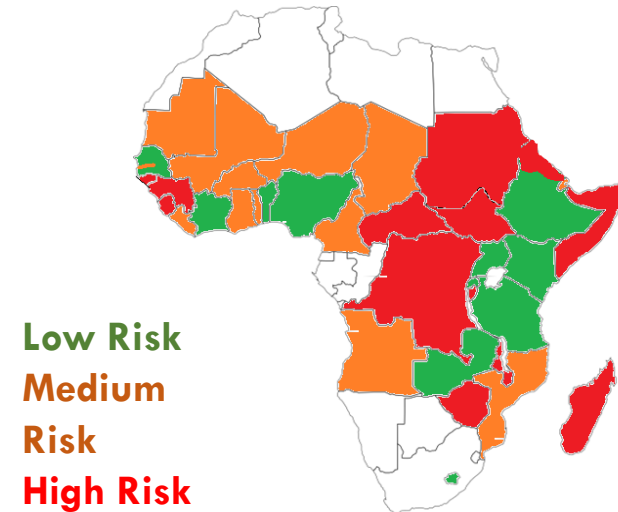
...but significant scale up required

II. Challenges to Scaling Up

Specific challenges in ADF Countries

- Restrictive **business environment**, poor **infrastructure**, especially **power**.
- Under-served groups, including **women-headed businesses**, **MSMEs** and **agriculture**.
- Poor **capacity of sponsors** in preparing bankable projects.
- Challenges in **mobilizing local currency** and shallow local **capital markets**.

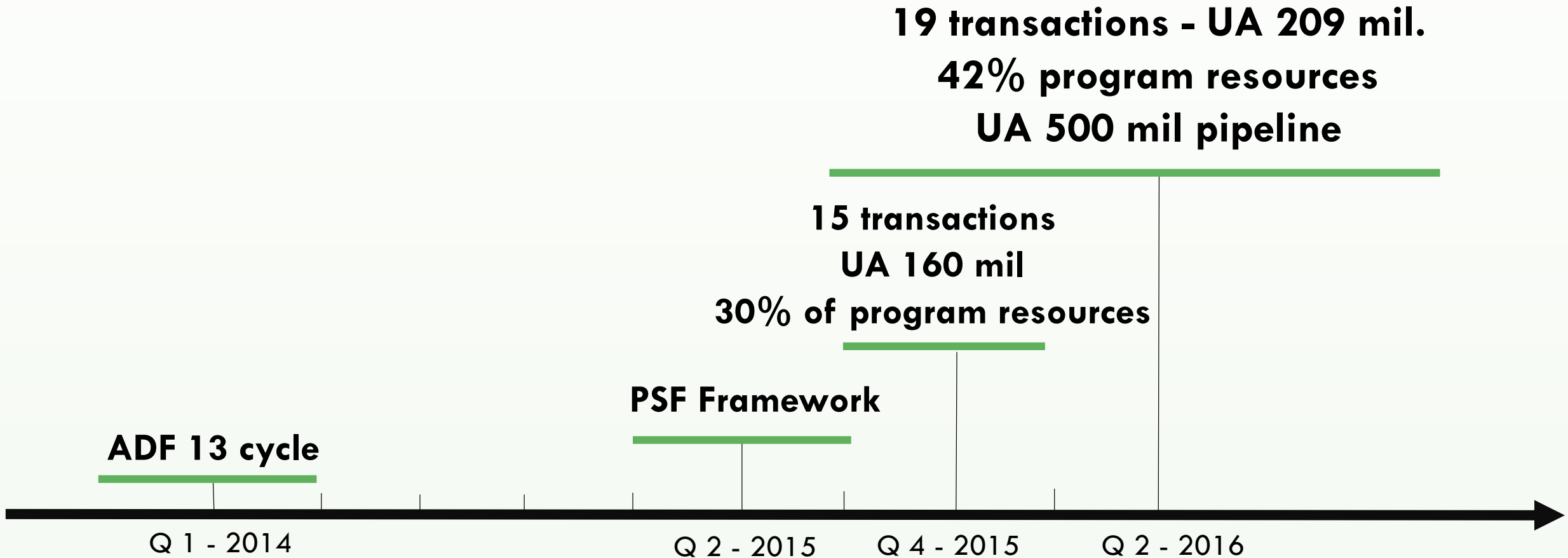
Country risk affects availability and terms of finance for all investors



Reflected in risks

III. Update on the PSF

Rapid uptake following its establishment



III. Update on the PSF

Examples of projects and results



885 MW
- 75% renewable



2 import substitution
cement plants
2000 jobs



Agro-processing for
domestic markets



Trade finance
Regional transport
Regional DFIs



African SME
Program
Housing finance

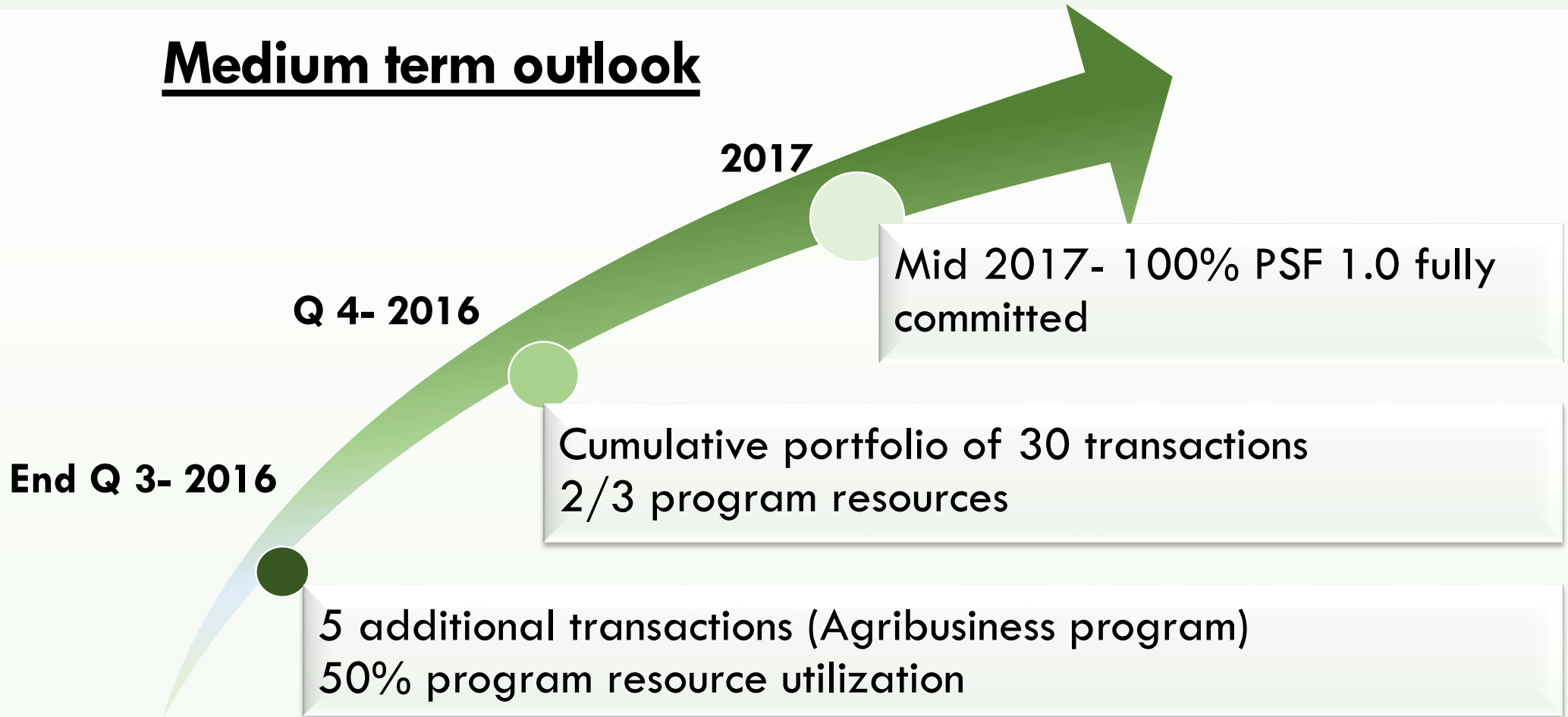


50% of exposures in fragile states!

III. Update on the PSF

Next steps for PSF: PSF 2.0

Medium term outlook



IV. Proposals for ADF-14

Proposal		Rationale
Scaling up PSF		<ul style="list-style-type: none"> ✓ Excellent results from pilot phase ✓ Established and ready to scale up ✓ Strong leverage: with UA200M we can do UA1.8B more NSOs in ADF countries ✓ Revenues generated will be used for future NSOs in LICs
Options for Additional Leverage	Blended Finance Investment Partnerships	<ul style="list-style-type: none"> ✓ Changes risk / reward structure for other investors ✓ Support pioneering investments where there are high social returns ✓ Leverage estimated at 2-4X (conservative)
	Pillar IV TSF	<ul style="list-style-type: none"> ✓ Could allow reflows to ADF ✓ Lessons learned to ensure its effective implementation

IV. Proposals for ADF-14

Deputies are invited to consider:

- Allocation of UA200m to PSF to maintain momentum and catalyze additional finance
- Support blended finance investment roll out at ADF-14

Mid Term Review





Thank you

The High
Le Top  for transforming Africa
pour transformer
l'Afrique



FONDS AFRICAINE
DE DEVELOPPEMENT
AFRICAN
DEVELOPMENT FUND

ADDF 14 Abidjan 2016

I. The Bank Group's approach to private sector

The strategic approach

- **Synergies between Sovereign Operations & Non Sovereign Operations (NSOs)** for business climate reforms and financing;
- **Increase inclusivity** by reaching out to under-served market segments;
- **Mitigate risk & constraints** on a further scale in LICs;
- **Additionality and development outcomes;**
- **Leverage resources and crowd in** additional finance from the private sector and other partners.

