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

ADF Sovereign
Blended approaches & Innovation
ADB Non-Sovereign

ADF countries
Enabling environment & public goods
Transformational Projects
I. The Bank Group’s approach to private sector

Calculated scale-up supported by solid experience

Rapid growth in NSO Portfolio

- All Approvals
- Share in ADF

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
- 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

[Map showing different risk levels in African countries]

**Reflected in risks**
III. Update on the PSF

Rapid uptake following its establishment

- 19 transactions - UA 209 mil.
  - 42% program resources
  - UA 500 mil pipeline
- 15 transactions
  - UA 160 mil
  - 30% of program resources

ADF 13 cycle

PSF Framework

Q 1 - 2014

Q 2 - 2015

Q 4 - 2015

Q 2 - 2016
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**

- **Q 4 - 2016**
  - Cumulative portfolio of 30 transactions
  - 2/3 program resources

- **End Q 3 - 2016**
  - 5 additional transactions (Agribusiness program)
  - 50% program resource utilization

- **2017**
  - Mid 2017 - 100% PSF 1.0 fully committed

- **Q 4 - 2016**
### IV. Proposals for ADF-14

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<tr>
<th>Proposal</th>
<th>Rationale</th>
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| **Scaling up PSF** | ✔ 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 | ✔ Changes risk / reward structure for other investors  
✔ Support pioneering investments where there are high social returns  
✔ Leverage estimated at 2-4X (conservative)  
✔ Could allow refloos to ADF  
✔ Lessons learned to ensure its effective implementation |
| **Pillar IV TSF** |  |
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
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.