

## **PRIVATE EQUITY FORUM**

**TUNIS – February 12, 2009**

### **WELCOME REMARKS Donald Kaberuka, President, AfDB**

Let me welcome you here today. Your collective presence represents the best in African private equity and there is a strong base of DFI investors amongst us. We have convened this meeting to discuss experiences and lessons learned from past equity investing, the current state of the equity markets in Africa and strategies going forward in a world facing a global financial crisis. The presence of a number of the Bank's Executive Directors is a testimony of the strong interest to hear your views.

Over the past 2 years, the Private Sector at the African Development Bank has witnessed a tremendous growth, almost doubling in its activities each year. From financing 17 projects in 2007, the Private Sector took 35 projects to the Board successfully in 2008. Our targets for 2009 remain robust against the changing scenarios of world financial markets.

Equity is a significant product in our Private Sector portfolio. The Bank recognizes the pivotal role that equity investment plays to catalyze private sector operations. In 2008, the Board approved a new strategy and business plan for private sector development that puts renewed emphasis on equity operations. As risk-capital allocated to Private Sector is estimated to grow, so will capital assigned to equity investments -- from a current limit of 10% of the Bank's total risk capital to a range closer to 20% of total approvals.

Our equity strategy is focused on indirect equity, meaning, taking investment stakes in Private Equity funds investing in Africa. We find this to be an effective mechanism by which to provide equity to the emerging private sector businesses in Africa. We believe successful equity fund managers have developed specialized skills and dedicated

resources. In 2008, the Private Sector Department invested in 6 new funds, representing about 11 % of our total new operations.

In November 2008, the Bank hosted the Ministerial Conference on Financial Crisis in Tunis. In attendance were most of the African Finance Ministers and Central Bank Governors. We have also set-up a Financial Crisis Monitoring Group. It is clear to all, that Africa cannot be immune from the effects of ongoing crisis – indeed no one can. The global financial markets are seeing tight access to liquidity and increased funding costs.

Earlier in January 2009, the Committee of Ten, created by the African Finance Ministers and Central Bank Governors, was convened in Cape Town to develop an African response to the global financial crisis and issues on the G20 agenda. The past ten years has been evidence that Africa can provide good investment returns, however, the financial crisis with the accompanying withdrawal of global capital is reducing investor appetite for risk worldwide. For 2009 and aiming to 2020, the Bank will continue to play its role in spurring investments in African nations and enterprises, so that the African economic growth which has slowed from 7% to 5%, can rebound.

We are seeing a huge increase in demand for financing as commercial capital shrinks. In this environment, we continue to exercise maximum prudence, caution and sound banking principles. There are challenges and resource limitations, but I understand we are called upon to be a counter-cyclical influence and we are prepared to do so.

This new emerging international landscape will call on all of us to reach for our deepest and core financial knowledge and abilities for resource mobilization. Private Equity is an asset class built for the long-term and represents a potentially strong vehicle for economic development and growth. I hope this Conference will help us in the diagnosis of the current challenges facing African Private Equity, and provide us with a platform to think about possible strategic solutions in 2009 and going forward. As they say, “when the

going gets tough, the tough get going". I wish us all a good deliberation over the course of this day.