PRIVATE EQUITY IN AFRICA: 
the role of the African Development Bank 
A key player in the development of equity markets in Africa
The African Development Bank’s Commitment to Supporting Private Equity in Africa

The African Development Bank pursues a strategy that seeks attractive financial returns combined with high development impact and places diversification as its core, in terms of geography, sector, fund size, fund investment stage and fund manager profile. The investment portfolio of the African Development Bank in Private Equity has seen a significant growth over the past few years making it an important player in the industry and an important driver in economic prosperity.

To date, the African Development Bank has committed more than USD 1.45 billion in equity investments, which has galvanized domestic and foreign dialogue between the strong group of LPs and DFIs investing in Africa and the best GPs operating on the continent. This has encouraged sharing of best practices on how to identify the best managers; furthered advisory on how to strengthen the due diligence, valuation and reporting practices of the industry. Supported initiatives aimed at aligning the legal documentation of investors’ interest in African Private Equity and strengthened the profile of the industry on the continent. The African Development Bank brings its standards and policy requirements to the funds in which it invests. These include its environmental and social sustainability standard, governance, and integrity, development indicators, due diligence and fund terms, consistent with best market practice.

The Bank continues to be a key player in the development of equity markets in Africa. The committed portfolio of equity investments has grown steadily from USD 71 million at the end of 1997 to USD 1.45 billion as at the end of 2017.

The African Development Bank investing in Private Equity: portfolio overview

Portfolio building has evolved with market conditions and the objective of ensuring diversification as a prerequisite for managing equity risks. The Bank has invested in multi-sector, multi-country funds to build a portfolio base that achieves portfolio diversification objectives.

- The Bank’s investment portfolio is also relatively diversified geographically, except in Central Africa. West Africa constitutes the largest geographical exposure of the Bank’s portfolio (based on underlying investment costs) with 31% of the total portfolio, while East, Southern, North and Central Africa regions account for 20%, 20%, 18% and 3% of total exposures respectively. The remaining 8% of the investees are in multiple jurisdictions.

- Funds have been allocated to funds investing solely in sectors such as Forestry, Agribusiness, Energy or Health.

The Africa Development Bank is committed to maintaining the growth of Africa’s equity market and investing in projects that adequately respond to the needs of its five priority areas (The High5s) for the continent, which include: Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa.

Investment process

Once the African Development Bank has expressed an interest considering an investment in the proposal, the following highlights the key processing stages to be executed:

The African Development Bank funds portfolio sectoral decomposition

| USD 1.45 billion: total portfolio commitment | 66 Investments: 42 funds & 24 direct investments | 681 investee companies have been created through the Bank’s investment into funds.

The funds are diversified by sector as illustrated above. By strategy, 88.3% of funds are multi-sector funds including funds dedicated to investing in small businesses. 8 funds are single-sector funds investing solely in sectors such as Forestry, Agribusiness, Energy or Health.

African Development Bank funds geographic diversification

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The Africa Development Bank’s Commitment to growing the African Private Equity Market.

Indicative investment process

Selection and monitoring of investments are carried out in a systematic manner