AFRICAN DEVELOPMENT BANK

Introduction to the Development of the Bank’s Public Private Partnerships (PPP) Operational Framework

*Presentation of an Overview and Rationale*

8 September, 2020
PPPs globally and in Africa

- Investments in infrastructure with private participation total **USD 1.12 Trillion during 2009-19** in Low- and Middle-Income Countries

- Asia, Europe and the Pacific accounted for just over 60% of this financing, whilst Latin America alone attracted 32%.

- **Africa attracted less than 7%**

- African governments under pressure to maintain adequate levels of infrastructure investment

- Infrastructure investment need of **USD 130-170 Billion by 2025**

- Financing gap of **USD 68-108 Billion**

- PPPs can help bridge a part of the financing gap by leveraging private finance

  Plus...

  - Help improve efficiency of service delivery

  - Efficiency savings can resolve part of the financing gap
But PPPs in Africa need substantial support

Low levels of PPPs in Africa as compared to other regions (value of PPP deals)

Many reasons for stagnation

- Limited government capacity to identify and develop PPPs;
- Absence of pipeline of bankable PPPs;
- Lack of financing choices in the domestic financial markets;
- High risk perception of investors.

Potential role of AFDB to use its competitive strengths to support PPP development

- Unmatched knowledge and presence across Africa;
- Ability to meet the financing requirements of even the most complex PPPs;
- Ability to mobilise and lead other financiers;
- Relationship with Regional Member Countries;
- Experience across infrastructure sectors.

Source: PPI Database, World Bank
PPPs - Integral part of Bank’s strategy, proven by the independent evaluation

- The AFDB Strategy for 2013-2022 emphasizes that the Bank will be an increasingly active partner and facilitator for private investment

- The Bank’s other sectoral strategies also show a clear intent for a wider use of PPPs

- An Independent (IDEV) evaluation was initiated in 2017 to take stock of Bank experience of PPPs and inform future strategy
IDEV evaluation of Bank’s PPP portfolio

- 65 operations – total commitment of UA 2.7 Billion (over 10 years to 2017)
  - Upstream support
  - Support for enabling policy and regulatory framework
  - General budgetary support
  - Technical and advisory support

- Downstream operations
  - Loans
  - Guarantees

Bank’s commitments in upstream and downstream operations
(Million USD)
Key conclusion of the evaluation... The Bank has made a Positive Impact

- Demonstrated use of PPP in key sectors (energy, renewables, roads & highways, ports)
- Established successful PPP precedents (Dakar Toll Highway, Lake Turkana Wind Power, Ourzazate NOORo I and II)
- Improved capacity of governments through experience

- Leveraged private investment for critical infrastructure (mobilized private investment worth 158% of Bank’s commitment)
- Made implementation possible by providing long tenors and competitive prices, not possible by commercial banks

- Strengthened management of environment and social impacts
- Demonstrated strategies for managing impacts in large projects
- Enhanced the development impact
However, there are clear areas for improvement in the Banks PPP Operations

There is a need to have a **consistent direction and approach** for support to PPPs in the development of country and sector strategies.

There is a need for **improved internal coordination** in providing support for PPPs across Bank’s operations.

There is a need to **ensure clear messaging** on Bank’s intentions for PPPs, to RMCs and partners.

There is a need to **better define institutional roles** for PPP activities and support within the Bank.

There is a need to **strengthen internal capacity** for PPPs within the Bank.

There is an opportunity to **deploy resources more effectively**.
The evaluation also found that

All operational elements and resources are already present but dispersed across the Bank…

Enabling framework
- Institutional Support Projects
- Policy Based Operations

Developing and structuring projects
- Project Preparation Facilities
- Sector complexes’ support for structuring transactions

Financing projects
- Sovereign loans/ ADF Grants
- Project Finance
- Risk mitigation (PRGs)

…with a clear need for an overarching PPP framework of the Bank, to facilitate
- Common understanding within the Bank’s operations of what constitutes a PPP
- Consistent direction for country and sector strategies
- Basis for coordination across Bank’s operations
- Clear messaging on Bank’s intentions for PPPs, to RMCs and partners
- Defining the institutional roles within the Bank
- Strengthening capacity of Bank staff
- Effective deployment of resources
Approach taken in Developing the Bank PPP Framework

- **Comprehensive** – covering an analysis of current approaches and identification of opportunities for all forms of Bank support to PPPs across the PPP lifecycle
- **Consultative** – based on both internal and external stakeholder dialogues and feedback
- **Dynamic** – taking into consideration the mix of RMCs PPP maturities, stage of PPP development and institutional capacity across Africa
- **Collaborative** – based on lessons & experiences of peers, and anchored around collaboration across the PPP lifecycle

We are here
Overview of what the Framework will entail:

- **PPP enabling framework**
  - Institutions capable of identifying & developing PPPs
  - Pilot projects/ project pipeline
  - Market ready PPP transactions
  - Private investment leveraged to meet infrastructure requirements

**Pillars of Bank Support**

1. **Pillar 1:** Strengthening PPP enabling framework and institutional capacity
2. **Pillar 2:** Project preparation & transaction advisory
3. **Pillar 3:** Financing of PPPs
Our Expectations from this Workshop

✓ From Session 1
  • Challenges that Regional Member Countries are facing in implementing PPP enabling frameworks;
  • Factors hampering the flow of PPP transactions even in countries with established PPP frameworks;
  • Feedback on the main areas of support for enabling environment that the Bank should prioritize.

✓ From Session 2
  • Feedback on what role the Bank should prioritize to improve the flow of bankable PPP projects in Africa;
  • Feedback on the gaps in PPP project Structuring and Advisory Services in Africa and how can they be closed;
  • Feedback on the need for the Bank to actively advise on PPP transactions.

✓ From Session 3
  • Feedback on what the Bank needs to prioritize to be more effective in financing PPPs;
  • Feedback on whether the present instruments are deemed adequate in financing PPPs;
  • What innovation the Bank can build into its PPP Framework to achieve an increase in financial closure PPP projects.
We look Forward To Your Comments, Feedback and Advice

THANKS FOR JOINING THE CONSULTATIVE WORKSHOP

Hoping for an insightful and productive event!