THE LUSOPHONE DEVELOPMENT COMPACT
Accelerating Sustainable, Inclusive Private Sector Growth
“The Compact has been designed with one simple, overarching goal: more private sector and PPP investments in the Lusophone countries of Africa. It is therefore conceived to be highly practical and results-driven.”

Dr. Akinwumi A. Adesina
President, African Development Bank Group

(Lusophone Compact signing, Africa Investment Forum, Johannesburg, South Africa, November 7, 2018)

Partnerships

The Lusophone Compact is specifically designed to be a partnership among its members, and an open platform to partner with other public and private sector stakeholders interested in supporting the Compact’s goal – accelerating private sector growth in the PALOPs.

Operational Delivery:
Africa Investment Forum
- Reinforcing its close focus on enabling specific investment transactions, the Africa Investment Forum is a key partner driving the implementation of the Compact. Its platform is a major vehicle for project sponsors in the PALOPs to find potential investment and financing partners.

Other Development Finance Institutions (DFIs) and Countries
- The Lusophone Compact is open to membership by other DFIs and countries, provided these propose to make specific contributions under the Compact. (New members must be approved by all the current ones.)

Other Private and Public Sector Stakeholders
(commercial banks, investors, insurers, other technical assistance providers, etc.) - The Lusophone Compact shall consider innovative ways of partnering with all external parties that express an interest in promoting private sector and PPP investments in the six PALOPs, and particularly in contributing to financing, risk mitigation and private-sector related technical assistance.

See: https://africainvestmentforum.com
THE DEVELOPMENT FINANCE COMPACT
FOR PORTUGUESE-SPEAKING AFRICAN COUNTRIES

A Partnership between the African Development Bank Group, Portugal and the six Portuguese-speaking countries of Africa (PALOPs):

The Goal:
To accelerate the inclusive, sustainable and diversified growth of the private sector in the PALOPs, in order to improve people's living conditions and social progress.

What is the Compact?
Signed in November 2018, the Lusophone Compact is an investment platform and a partnership among the eight parties, committing them to contribute to accelerate private sector growth and infrastructure development.

It acknowledges that such growth requires leveraging existing resources, finding new sources of funding, and unblocking bottlenecks that inhibit private sector growth.

Why this Compact?
The six PALOPs are diverse in terms of location, size, per capita income and other factors. However, they have in common three basic attributes: the Portuguese language, historic and cultural ties to Portugal and between each other, and significant challenges in private sector development and diversification.
Accelerating Private Sector Growth

Working together, all parties to the Compact have agreed to support the following instruments:

**Financing** and equity participation in private sector and PPP (public-private partnership) projects in the PALOPS, recognizing the specific attributes of those projects, in terms of size, sector, development impact, etc.

**Risk Mitigation** instruments (e.g., guarantees) for those projects.

**Technical assistance** related to specific private sector and PPP bottlenecks, on a project, sector and/or economy-wide basis. This specifically includes **project preparation**, which has been identified in all PALOPs as a major obstacle to reaching “bankability.”

Private sector-enabling **policy reforms** that remove longer-term barriers to the growth and diversification of private investment and PPPs.

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Eligible projects

**Private sector and PPP projects located in at least one of the six PALOPs**

Projects that involve **equity and/or debt financing, guarantees, and/or other forms of participation** (such as exports) **from at least two Compact sources** (the African Development Bank, Portugal and/or a PALOP).

Preference for projects in the Bank’s Hi5 areas (energy, agribusiness, industrialization, regional integration, and improvement in the quality of life of Africans) and each PALOP’s national development priorities.

**Focus on Transformative Projects.** The Compact shall prioritize high-impact projects, regardless of size. (The tools available for projects will differ depending on size, structure, sector and other factors).
How does it work? It’s not one size fits all

The general Lusophone Compact, signed in November 2018, sets out the overall framework for cooperation.

This will focus on the development and leveraging of financing and risk mitigation tools, the admission of new members, and the overall strategic direction of the compact. However, the members recognize that – particularly given the great differences among the six PALOPs – a “one size fits all” approach would not work for day-to-day implementation on the ground.

The Compact members therefore designed country-specific compacts with each of the six PALOPs. Each one includes an indicative pipeline of investment and technical assistance projects, as well as suggested policy reforms, to be supported by the Lusophone Compact. During implementation, the pipelines will be regularly updated in each PALOP by local focal points from the host country, the Bank and Portugal.

These country specific agreements, signed between March and early October 2019, are at the heart of implementation.
What are the parties bringing to the table?

The African Development Bank

The African Development Bank is contributing its own resources to coordinate and execute the Compact

All of the Bank’s own instruments – particularly financing and guarantees – are available under the Compact

In addition to its own resources, Bank-hosted funds – such as the Sustainable Energy Fund for Africa (SEFA), which gives grants and financing to small and medium-sized renewable energy projects, will be available for Compact projects. (These may be particularly appropriate for smaller, transformative projects in the PALOPs.)

In line with the Country Strategy Papers, the Bank will seek to leverage the contributions of Portugal and the PALOPs themselves to advance private sector policy reform and specific technical assistance that promotes investment and financing for private sector and PPP projects.
Portugal is dedicating €400 million in guarantees to stand behind Bank financing for Compact projects.

Other tools include: SOFID’s financing instruments, namely Investimoz and FECOP (for Mozambique); the global €100 million “Fund of Funds for Internationalization” that can co-invest in funds; and Ministry of Environment grants for environmental/renewable energy projects, among others.

In addition, it is expected that the Portuguese private sector, including commercial lenders, will actively participate in the Compact.

Portugal will co-contribute, with the Bank, to private sector-related technical assistance that will directly impact the business enabling environment, as well as project preparation and execution.

The PALOPs

As host countries for investment, the PALOPs commit to providing support for private sector reforms envisaged under the Compact in general, and for individual Compact investments in particular.

Investors from PALOP countries investing in another PALOP (for example, an Angolan investor with a project in Cabo Verde) can also benefit from the relevant Compact instruments.

Given their common challenges in private sector development, the PALOPs are also expected to share “best practice” experiences among themselves (with the support of the Bank and Portugal, wherever appropriate).
To learn more about the Compact

**General Information**
https://www.afdb.org/en/compacto-lusofono

**Email**
compacto-lusofono@afdb.org

Project promoters and potential investors and lenders may also contact the local African Development Bank office and/or the Portuguese Embassies in the PALOPs