



African Development Bank

*Mobilising Private Financing
for Water Projects in Africa:
The Role of the AfDB*

ICA Meeting : Financing Water for Growth in Africa
November 2008

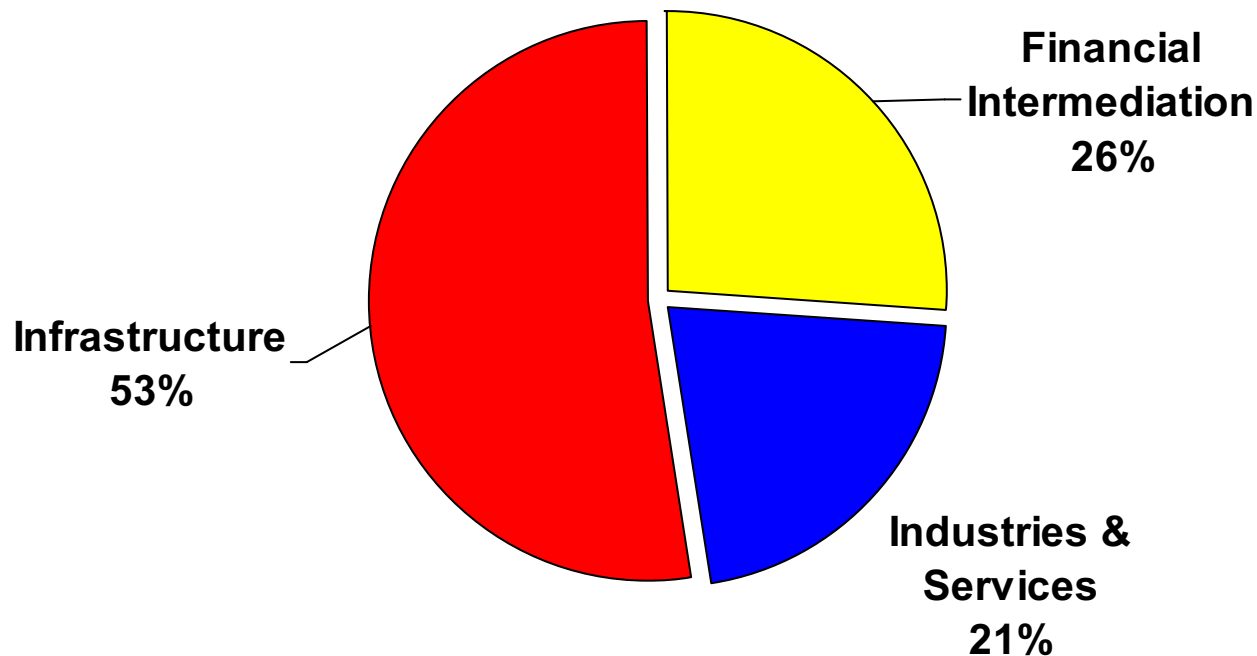
Introduction.....

- The lack of infrastructure constitutes one of the major obstacles to private sector development in Africa.
- Many African countries are looking for new funding solutions to address this critical gap.
- This presentation will introduce the AfDB Strategy to mobilize private financing for Water & Sanitation

Infrastructure Focus

Non-sovereign operations in 2007 reached a record USD 1.4 billion...

2007 Operations by Sector



... and YTD approvals in 2008 already above annual target of USD 1 billion

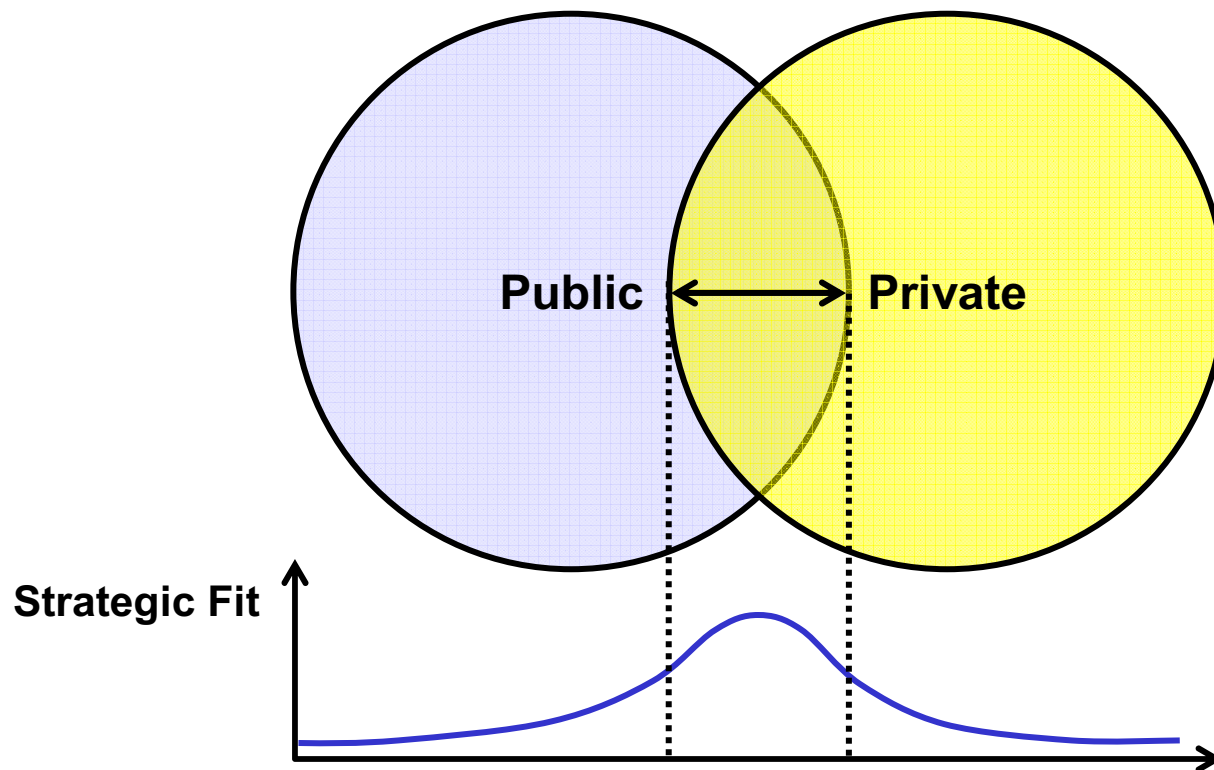
No Water & Sanitation operation yet.....

Operations are selected based on 4 key criteria

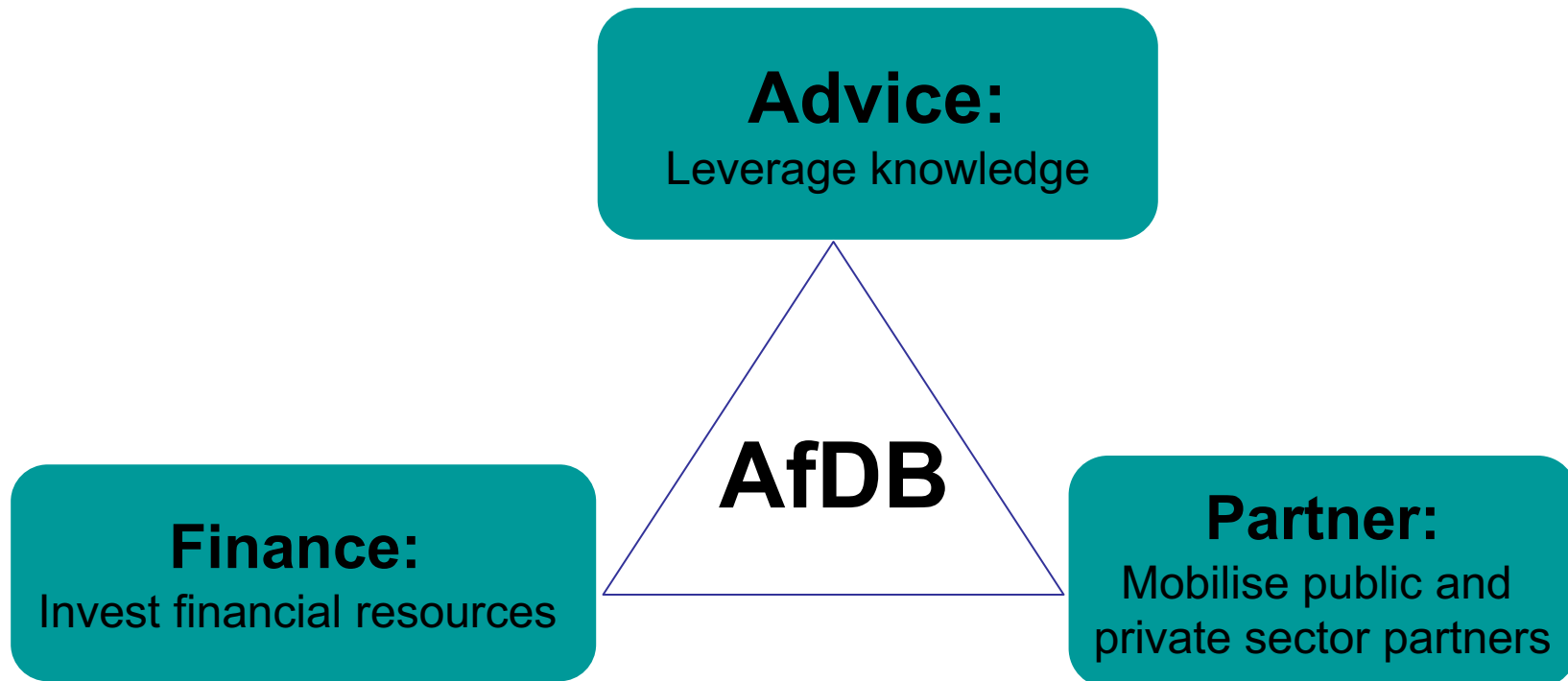
- I. **Strategic Alignment** – Fit with Country development strategy as well as Bank strategies and policies.
- II. **Commercial Viability** – Financial strength and risks. Creditworthiness.
- III. **Development Outcomes** – Expected development outcomes including economic benefits, environmental and social effects.
- IV. **Additionality & Complementarity** – The unique contribution of AfDB to improve either commercial viability or development outcomes.

Projects with the best strategic fit tend to lie at the public-private interface

Maximizing Strategic Fit



AfDB Role – 3 critical roles



AfDB Role - Advisory

- Policy Advice and Technical assistance to governments to enhance the environment for private investment in the sector
- Advisory services to private operators/sponsors on structuring of projects
- Technical assistance to overcome constraints or capacity deficiencies
- Project development assistance:

Bilateral & Multilateral grants to support promising Projects

- **Fund for African Private Sector Assistance (FAPA)**
- **NEPAD IPPF**
- **Bilateral/Multilateral grants**

AfDB Role: Financier- We adapt our instruments to meet our clients needs

Instruments

- I. **Guarantees** – partial credit (long tenors)
- II. **Senior Debt** – long tenors: Up to 15 years (or longer on a case by case basis) – the AfDB has strong credit rating (AAA) which allows for competitive pricing of its loans.- foreign or local currencies
 - » (Subordinated Debt – local currency)
- III. **Equity** – direct, equity funds, up to 25%
- IV. **Technical Assistance** – grants for studies, capacity building

Complementary Role of Governments -

Improving bankability of water projects

- **Sound Environment** — good policy and legal frameworks
 - Clear sector level policies on private investor roles
 - transparency & credibility of regulatory framework
 - Clear Policies on tariffs & subsidy mechanism
- **Sound Project Concept** —
 - Proven technology
 - Cost effective
 - Sound market assessment & reliable demand estimates
 - Off-take Agreement: commercially sound off-taker
 - Consideration for the environment/social impact

Complementary Role Governments -

Improving bankability of Water Projects

- **Strong Public Support-**
 - Previous PPP experience
 - Adequate stakeholder consultation
 - commitment to project-related agreements
 - BOT, Concession, Lease etc
- **Partnership with Strong Private Sponsor(s)**
 - Track record
 - Financial strength
 - Adequate equity participation

Looking forward...

- The Bank endeavours to build a strong pipeline of water & Sanitation projects across the continent

In summary...

- Our strategy is to unleash the power of the private sector to meet Africa's huge needs for water infrastructure.
- The AfDB has made infrastructure and private sector development two of its top strategic priorities.
- The AfDB has unique comparative advantages to assist infrastructure projects to get off the ground.