

GOVERNORS DIALOGUE

Considering the dynamic global financial landscape and the growing needs of RMCs, how do you view the Bank's existing approach to fostering private sector growth and attracting private investment? What additional steps could be taken by the Bank to support the mobilization of the private sector in RMCs to accelerate Africa's transformation?

Let me begin by expressing my sincere gratitude to the African Development Bank and President Adesina for initiating this crucial dialogue. Warm greetings to my fellow Governors and to everyone present here today.

The AfDB is playing a very important role for key projects in Mozambique under the African Development Fund, Transition Support Facility; Private Sector Facility and other lines with huge impact in the core sectors of Mozambique such as Energy (with 49% of the funds), Roads (with 32%) and Agriculture (with 14%).

As other African countries, Mozambique is exposed to climate changes. We commend the Bank for being part of the Energy Transition strategy of Mozambique launched in COP 28 and the support under the Africa Risk Capacity for climate changes. In this sense we would like to recommend the AfDB to increase the portfolio allocated to climate changes but also to the risk management schemes.

The African Development Bank has been doing an outstanding job in fostering private sector growth and attracting private investment.

1. The Bank has been developing tailored strategies for Regional Member Countries (RMCs) and sectors, aligning its support with areas where private investment can generate significant economic returns. This approach attracts investors seeking profitable ventures while addressing key development needs.
2. The AfDB prioritizes the development of tools like partial credit guarantees and political risk insurance, making RMC projects more attractive to private investors by mitigating potential risks.
3. The AfDB encourages blended finance and Public-Private Partnerships (PPPs) for strategic infrastructure projects. This approach unlocks private capital for development while ensuring infrastructure projects prioritize sustainability and regional connectivity.

4. The AfDB's support to Small and Medium Enterprises (SMEs) through initiatives like loan guarantee schemes, angel investor networks, and dedicated venture capital funds empowers SMEs to access financing and become key drivers of economic growth.
5. The Bank's Financial Inclusion Program, its acknowledgment and support of human capital development, responsible debt management in RMCs, prioritization of data collection and analysis to understand risk profiles and investment opportunities across RMCs, and support of knowledge sharing and South-South cooperation have been crucial in fostering private sector growth and attracting private investment.

However, the needs of RMCs are constantly evolving. To unlock our full potential, we must adapt these existing approaches:

1. First, the Bank needs to allow the African Development Fund (ADF) to access the market to secure more concessional resources needed to address the needs of low-income countries and those trapped in recurrent debt cycles.
2. The global financial landscape is dynamic, and RMC needs are diverse. To optimize the Bank's approach, I urge a stronger emphasis on data collection and analysis. This will enable a more granular understanding of risk profiles and investment opportunities across RMCs, allowing the Bank to tailor its strategies for maximum impact.
3. Addressing market access challenges is vital. Market access remains a significant barrier for African countries due to higher borrowing costs resulting from information asymmetry and subjective elements in credit ratings. Reforms to improve data availability, establish regulatory oversight for credit rating agencies, and promote green financing initiatives will contribute to a more conducive environment for accessing financial markets and attracting investment.
4. The Bank needs to play a leading role in transforming international media to ensure that Africa's image and risk profile are portrayed accurately and without prejudice. Accurate portrayals will attract more private investment to RMCs.
5. The Bank should be bold in its efforts to strengthen the enabling environment by promoting good governance practices and fighting corruption. Investing in legal and regulatory reforms that streamline business registration, licensing, and permit processes will enhance investor confidence and attract private sector investment.

6. The Bank needs to prioritize investments in digital infrastructure and technologies to drive digital transformation across the continent. This includes expanding broadband access, supporting digital skills development, and promoting e-commerce. Digital transformation can significantly enhance productivity, innovation, and access to global markets.
7. By implementing these additional steps, the AfDB can significantly enhance its efforts to mobilize the private sector, accelerate Africa's transformation, and achieve sustainable and inclusive economic development.

The conversation on mobilizing private capital for Africa's development requires a shift in perspective. Let's move beyond the traditional view of risk and embrace informed risk taking. Africa presents a compelling investment proposition, and the African Development Bank, along with other MDBs, can play a crucial role in unlocking its full potential. There two very important areas we can focus to achieve this:

I. First, we need to de-risking the Investment Landscape: How?

- **Through innovative Risk-Sharing Mechanisms:** We must go beyond traditional guarantees. Let's explore political stability indices, first-loss guarantees, and co-investment alongside private investors. Partnering with private insurers and Development Financial Institutions (DFIs) can create risk-sharing mechanisms, spreading the burden and making projects more attractive.
- **We need to harmonize Investment Environment:** Streamlined investment codes and regulations across RMCs are essential. This reduces complexity and uncertainty for investors, making Africa a more predictable and user-friendly destination.
- **We need to have Investment Data for Informed Decisions:** Let's prioritize data collection and analysis on investment opportunities and risk profiles across RMCs. Publishing clear and accessible data dispels myths about Africa and showcases the continent's true potential.
- **We must empower Investment Promotion Agencies (IPAs):** Stronger IPAs equipped with resources and expertise are crucial. These agencies can effectively engage with potential investors and address their concerns directly.
- **We need to showcase Africa's Investment Success Stories:** Highlighting successful private sector investments in Africa demonstrates the

continent's capacity for high returns. This creates a positive ripple effect, attracting further capital.

II. The second area of focus is Shifting the Narrative:

We must reframe the conversation. Africa is a continent experiencing rapid economic growth, boasting a young and dynamic population, and rich in resources.

- Let's promote Africa's growing middle class as a potential consumer base for private sector goods and services.
- **Let's show that Africa is a Secure Investment Environment:** Africa's increasing political stability and democratic reforms are creating a more secure environment for investment.

By implementing these policy incentives and practical measures, we can shift the perception of risk in Africa. A more nuanced understanding will encourage informed risk taking by the private sector, ultimately attracting the capital needed to accelerate Africa's transformation. Let's work together to unlock Africa's full potential and build a more prosperous future.