



New Education Initiative from the African Development Bank
–Private Sector Investment in Education for Africa’s Sustainable Growth–

Skills Development, Youth Employability, Entrepreneurship and Decent work for all

Dr. Keiko TAKEI
Senior Education Economist,
AFRICAN DEVELOPMENT BANK



BANK AT A GLANCE!



Côte d'Ivoire





BANK AT A GLANCE!

African Development Bank

Multilateral development finance institution established in 1964 to contribute to the economic development and social progress of African countries through fighting poverty

"Knowledge Bank"





AfDB is Your Business Partner

BANK AT A GLANCE!

The premier Development Finance Institution in Africa

Established in 1964

Institutions of the African Development Bank Group: African Development Bank + African Development Fund + Nigeria Trust Fund

Mission - To spur sustainable economic development and social progress in Africa thus contributing to poverty reduction

Key Facts

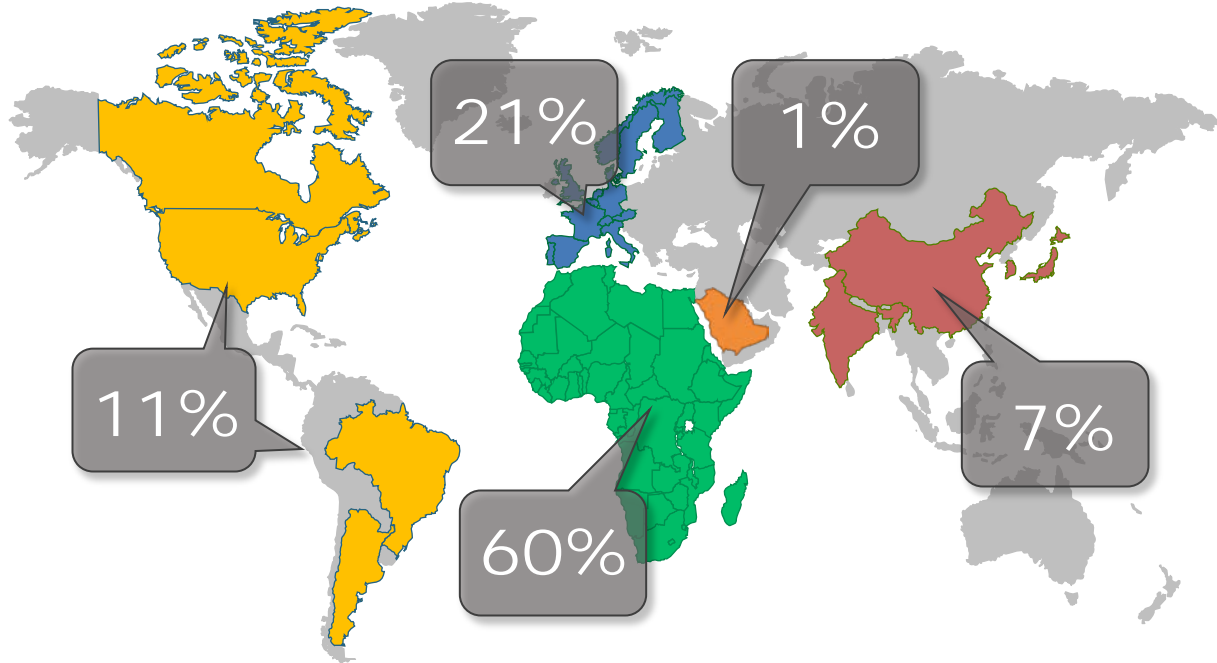
- AAA Credit Rating
- Authorized Capital: USD 105 billion
- Private Sector Portfolio: USD 9 billion
- Shareholders: 54 African countries
26 Non African countries





AfDB is Your Business Partner

A strong shareholder support across continents to fulfill its development mandate



(54 Regional Member Countries & 26 Non-Regional Member Countries)

BANK AT A GLANCE!

- North & South America :**
4 member countries
Shareholding: 11%
- Europe :**
15 member countries
Shareholding: 21%
- Asia :**
4 member countries
Shareholding: 7%
- Middle East :**
3 member countries
Shareholding: 1%
- Africa :**
54 member countries
Shareholding: 60%



What is our Bank's development strategy?



3
Industrialise Africa
Industrialiser l'Afrique



1
Light up & power Africa
Eclairer & électrifier l'Afrique



2
Feed Africa
Nourrir l'Afrique



4
Integrate Africa
Intégrer l'Afrique



5
Improve the quality of life for the people of Africa
Améliorer la qualité de vie des populations en Afrique

Integrate Africa Industrialise Africa
Feed Africa
Light up and power Africa
Improve quality of life for the people of Africa



The High
Le Top
5 for transforming Africa
pour transformer l'Afrique





AfDB: Private Sector Department Mandate

To assist African governments to improve the **enabling environment for the private sector** :

- Improve essential physical infrastructure (e.g. power, ICT, transportation);
- Improve “soft infrastructure” (legal & regulatory framework) leading to a better business climate.

To create a **catalytic and demonstration effect** by assisting entrepreneurs with specific transactions in :

- Infrastructures (e.g. power, transport, ICT, water & sanitation);
- Industries & Services (e.g. mining, oil & gas, manufacturing, agri-business, social sectors)





The Private Sector at AfDB

AfDB: Private Sector Financing Instruments

Senior Debt

- Adapted maturities (up to 15 years)
- Up to 5 years grace period
- Foreign or local currency loans
- Up to 1/3 of total project cost
- Syndication–co-financing platform

Guarantees

- Partial risk guarantee
- Partial credit guarantee

Subordinated Debt

- Local and foreign currency
- Ranging from sub-debt to quasi equity products
- Terms (tenor and grace period) similar to senior debt

Equity

- Indirect, through Private Equity funds
- Direct, maximum of 25%

Technical Assistance

- Grants for feasibility studies
- Capacity building support
- SME Linkages programs
- Advisory Services





Eligibility Criteria

To Apply for Financing in African Development Bank

- The project sponsor's company(s) must be incorporated in an African country, whether promoted by African or Non-African investors
- An enterprise whose majority is owned by private investors, or owned publically with a strong financial standing and a proven managerial autonomy
- Projects for establishment, expansion, diversification, modernization of a productive enterprise (CAPEX-driven)
- Sponsors with a satisfactory track-record in the sector and financial capacity
- Evidence of adequate management skills for the new undertakings





Private Sector Investment Criteria

1. Strategic alignment

- ⑩ Country's national economic and social priorities
- ⑩ Bank's strategy in the country/region

2. Commercial viability

- ⑩ Sector's perspectives and market fundamentals
- ⑩ Financial structure
- ⑩ Sponsor's track record, experience and financial strength
- ⑩ Cash flows and rate of return

3. Development outcomes

- ⑩ Job creation, households benefits
- ⑩ Fiscal revenues (taxes, royalties etc..)
- ⑩ Environmental and Social performance
- ⑩ Private sector development and Local content

4. Additionality

- ⑩ Structuring and Operations
- ⑩ Political risk mitigation
- ⑩ Catalytical role





Why you need to invest in Education?





Why you need to invest in Education?

Average Annual Rate of Growth of GDP (%)

SSA Growth Quickened Significantly since the turn of millennium

	1990-2000	2000-2016
SUB SAHARAN AFRICA	2.3	5.3
SOUTH ASIA	5.8	7.0
EAST ASIA & PASIFIC	3.7	4.6
(CHINA)	10.6	9.9
(INDIA)	6.0	7.5
WORLD	2.9	2.8

Source: World Development Indicators, 2017, World Bank





Why you need to invest in Education?

The Industrial Revolution



“The aim is for Africa not to be left behind by the fourth industrial revolution. **Private sectors’ investment in Education** will be anchored through the skills development in priority sectors such as Agriculture, Energy, ICT, Infrastructure, Pharmaceuticals, Nutrition, Green and Blue economies, etc”

water power, steam power assembly line, electricity automation robotics, artificial Intelligence

Higher Education and Scientific Research

PPP

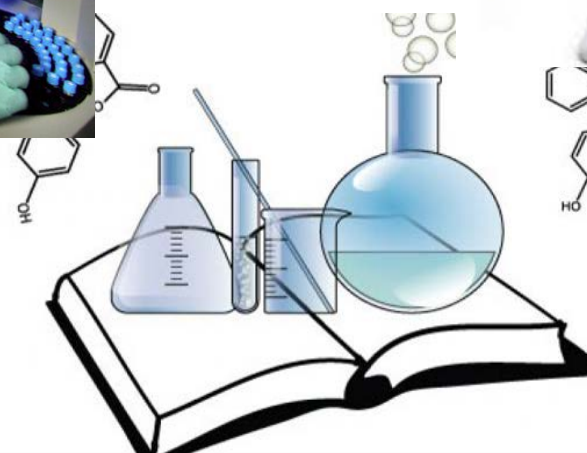
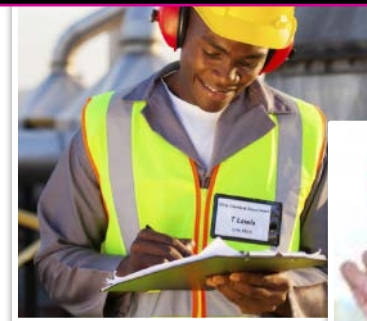
Social & Economic Development

PRIVATE SECTOR'S INTERVENTION IS VERY CRUCIAL FOR EDUCATION SECTOR IN AFRICA



Why you need to invest in Education?

Key for INDUSTRIAL COMPETITIVENESS
Higher Education and Scientific Research



"Skills have become the global currency of the 21st century"

(OECD 2012)



Challenge in Africa TODAY



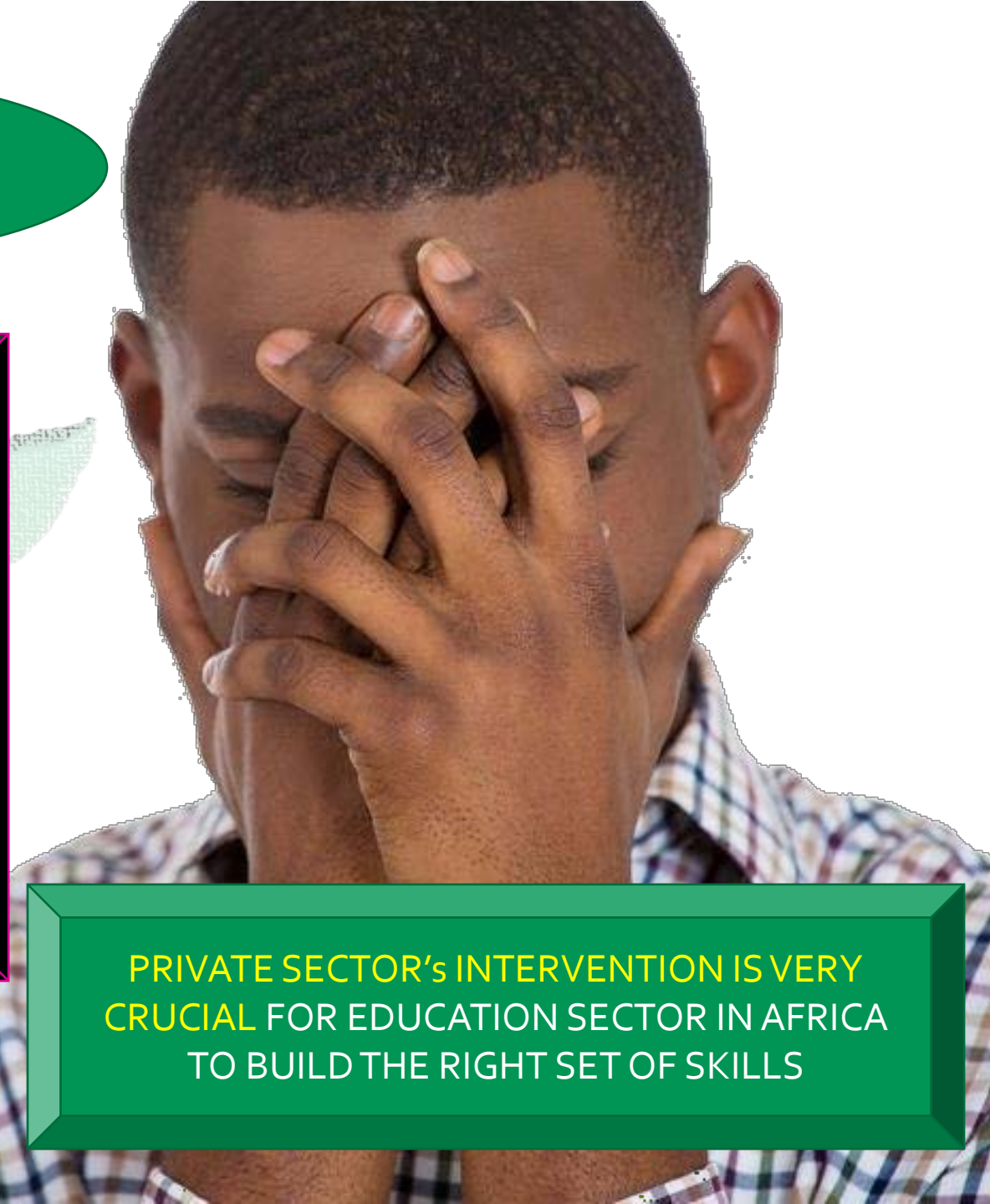


AFRICA'S CHALLENGE today!

12 MILLION YOUTH enter the labor market annually mainly, **WITHOUT REQUISITE SKILLS**

In AFRICA, only 3 million formal jobs are created annually.....

PRIVATE SECTOR'S INTERVENTION IS VERY CRUCIAL FOR EDUCATION SECTOR IN AFRICA TO BUILD THE RIGHT SET OF SKILLS





Situation in Africa : Supply Side

- Africa lags behind other regions of the world due to lack of critical mass of skilled labour.
- It has huge skills and competencies that do not respond to labour market needs



**Skills shortage or
skills mismatch?**



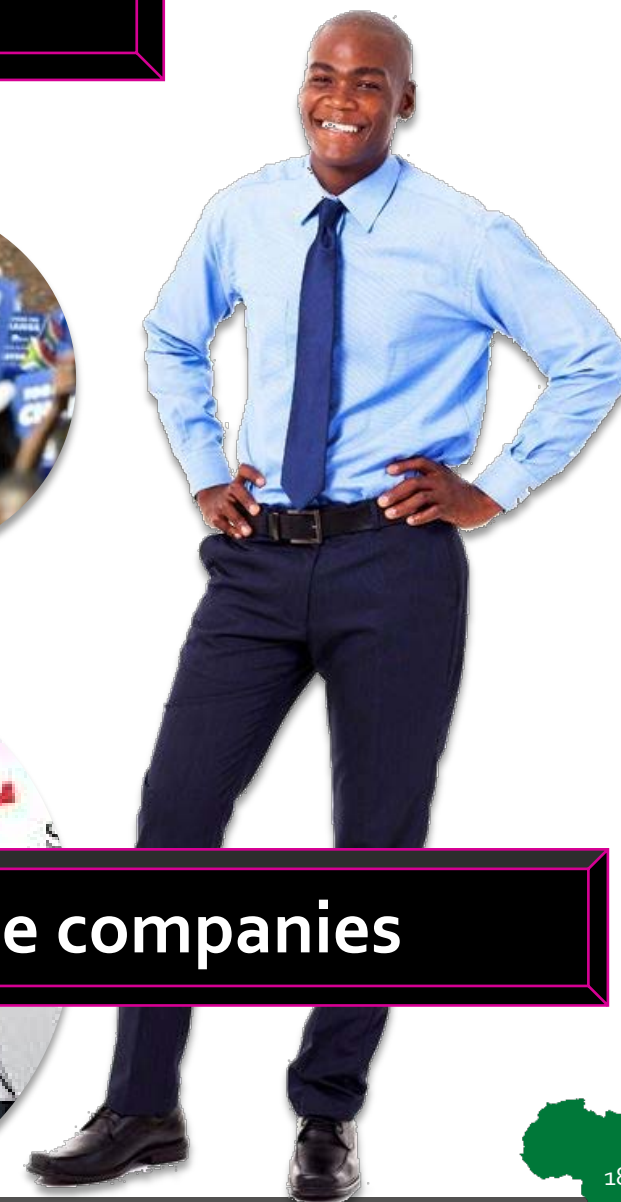


Situation in Africa : Demand Side

Demand side constraints:
not enough jobs to absorb the
growing working age population
in AFRICA



Africa needs lots of investment for jobs / private companies





Situation in Africa : Supply & Demand

Change between 2003–06 average and 2013–15 average in employment by skill level



URGENT NEEDS FOR PRIVATE SECTOR INVESTMENT FOR HIGH SKILLS / MEDIUM SKILLS JOB

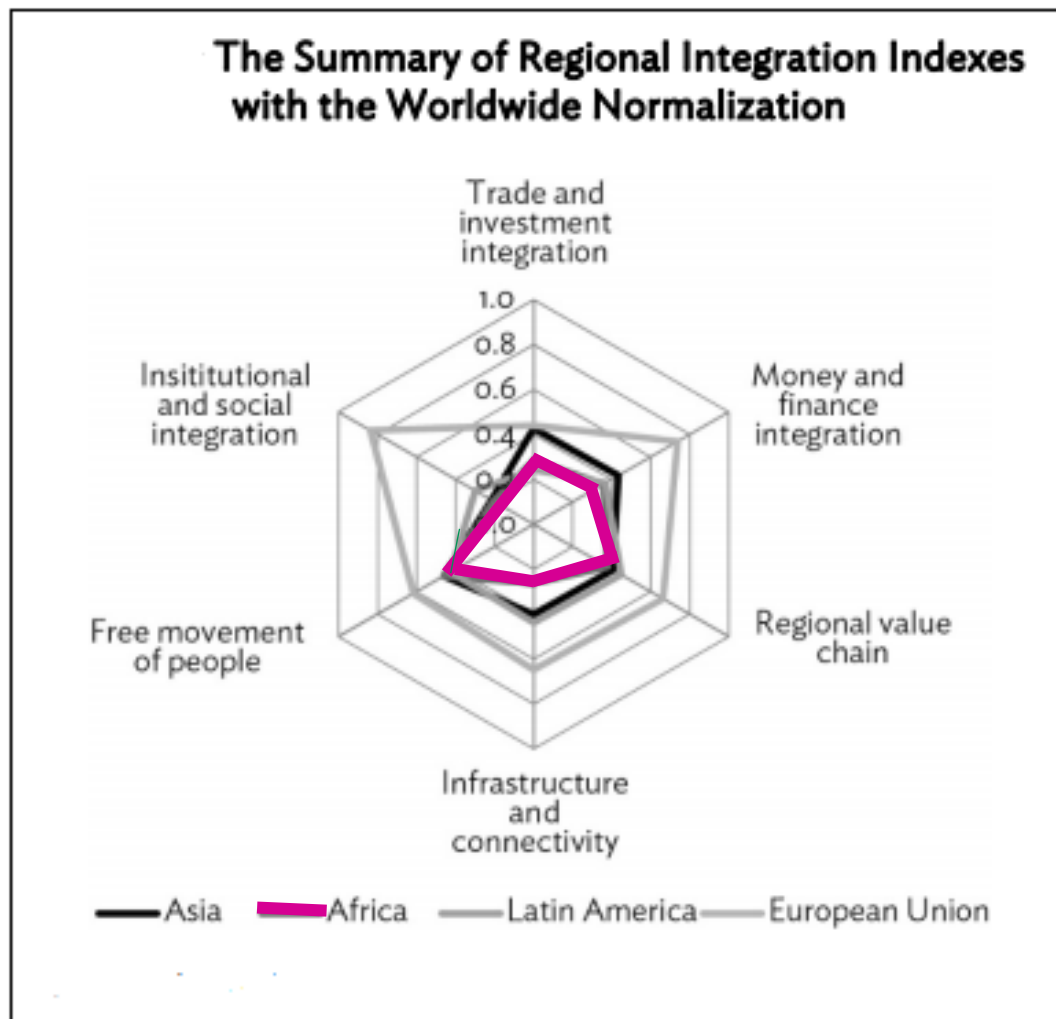
DEMAND SIDE : LACK OF QUALITY JOB OPPORTUNITIES, ESPECIALLY THOSE REQUIRING HIGHER SKILLS.....

Source: Africa Competitive Report, 2017, African Development Bank





World Region Comparator : Challenges in Africa



Africa's regional index is lowest among the regions compared.

Greater regional integration is crucial for improving firm productivity in Africa.





EDUCATION AT OUR WORK





EDUCATION WORK

To increase the industrial competitiveness and skills development..

Support to skills development, youth employability and entrepreneurship especially in

- **Technical Vocational Education Training (TVET)**
- **Higher Education and Scientific Research and**
- **Science Technology Innovation (STI)**



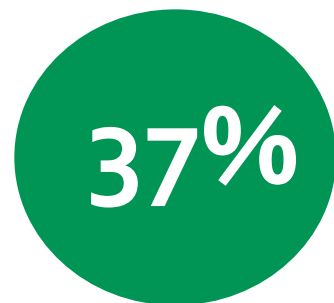


HARNESS THE
POTENTIAL OF
1 BILLION
AFRICANS
2014-2018

NOW We need **Private
Sector's Investment** in
Education Sector in
AFRICA.....

US\$1.6 BILLION
AND BENEFITING
6 MILLION YOUTHS
2005-up to now

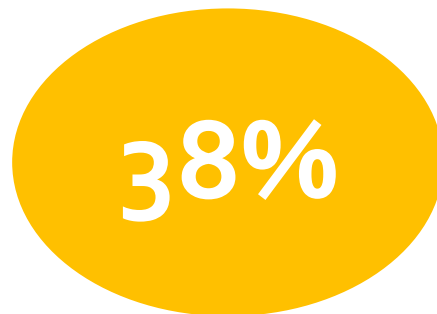




Higher Education
and scientific
research



Pre School,
Primary and
Secondary



Technical Vocational
Training





The Bank's work does not end in the classroom! The Bank's new Education team will work with Private sector for African's future!



A smiling man wearing a yellow hard hat and a high-visibility yellow and green safety vest over a light blue polo shirt. He is giving a thumbs-up gesture with his right hand. The background is a bright blue sky with a blurred industrial structure in the distance.

JOBS FOR YOUTH IN AFRICA (JfYA)

Flagship at the Bank!

Our Target - Create 25 million jobs by 2025



The Bank's JfYA: Pillars



An ecosystem approach
Inclusive employment and entrepreneurship, Human capital development
Better labor market linkages

INTEGRATION



*The AfDB incorporates a **youth employment focus** in its projects, investments, and work with Regional Member Countries*

INNOVATION



The AfDB works with external private and public partners to incubate, implement, assess, and scale promising ideas for creating youth employment

INVESTMENT

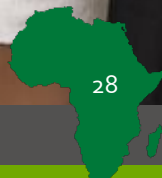


*The AfDB catalyzes **private sector capital** to stimulate the youth employment and entrepreneurship ecosystem*





The Bank's **Education Team** and **Private Sector**
How can we work together?





How can Japanese company become a joint venture partner?

Africa is 54 countries. Private sector players have to identify what priorities they have, where they do business, what business they do, and who they want to do business with. Is it mining, tourism, fishing, or agriculture etc? **Based on sector, we need a skills labor to promote business. –**

→ Education and Jobs for Youth in Africa can intervene in this part.

- Each country has a Trade ministry and that is first Port of Call for public private partnerships.

→ This will differ among countries surely the AfDB can expedite this by replicating existing arrangements.

- The first step is to have a common commercial and economic interest and some complementary needs and capabilities.

→ **African Education Fund (AEF)** Initiative could help decide these in the education sector by identifying bottlenecks in knowledge and skill that corporates could get engaged with. AEF could even identify opportunities for matching funding with Japanese corporates for training and skill development whereby the contribute x USD and the Government Y USD





You can be partner with African Government – How so?

- Can do as above and develop an MoU leading to a service contract of one kind or another. This is quite common and needs to be in both parties interests
- The method is to open bilateral discussions between potential partners – private sector to private sector and /or private sector to government
- If the intention is to get support for AFDB for an **AEF** then you have to talk with US!





How Private sector skills workforce will benefit African Education system?

- **Increased productivity** of national workforce, greater efficiency and profitability, self sustained growth increasing domestic income and expanding markets for Japanese goods e.g. Vehicles, software, mobile phones, S&T, medication etc .
 - **Technology transfer.** Labour costs in Africa may be lower and if coupled with productivity gains this could lead to greater employment and win win for Japanese companies
- As above. It is in the interests of Japanese private sector to develop markets for its products in Africa. This needs more workers in Africa doing valued added and knowledge based things that increase incomes and give purchasing power to a new generation.





How Private sector skills workforce will benefit African Education system?

- Large corporates should invest in the countries they export from and to develop their markets which means helping African become richer.
- Corporates should invest where they do business to be good citizens, provide employment and develop markets for their products
- Some of this can be Corporates Responsibility but much bigger is the effect of trade on job creation etc





How Private sector skills workforce will benefit African Education system?

- The best PPPs must have mutual interest and mutual benefit at the centre. Corporate responsibility is helpful but often small scale. There should be more of it an it can help understand export markets.
- If fund could provide seed corn for PPPs at concessional rates and if there were good chances of sustainable growth as a result, **African Education Fund (AEF)** could host an innovation fund that would share some of the risk of start ups. It could provide credit guarantees.





Example: This delivery BIKE will bring Africa

YOUR SMALL INVESTMENT IN AFRICA WILL CHANGE THE LIFE OF AFRICAN VILLAGE!



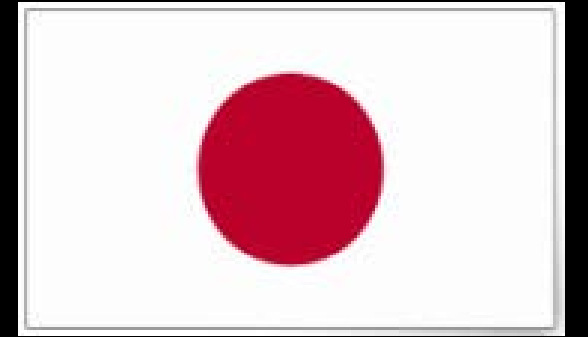
SMALL INVESTMENT WILL BRING RURAL AREA MORE EFFICIENCY - Food, Medication, School equipment etc..





The Bank's Education work doesn't stop in Africa. We foster International Cooperation. Such as with JAPAN!





ありがとうございます！

Would you like to work with us?

Contact: K.TAKEI@AFDB.ORG