

# ***Working for a Sustainable and Inclusive Recovery : the case of PPP***

Cameroon Investment Forum

June 2009

# Plan

- 1° What is AFD ?
- 2° Our strategy to foster PPPs
- 3° Examples of PPPs in Cameroun
- 4° Other information about AFD

# In 2008, AFD developed solutions to help developing countries withstand crises

Economic, Energy  
And Food Crises

Climate Change Crisis

***THE NEED FOR A SUSTAINABLE AND INCLUSIVE  
RECOVERY***

Security Crisis

Social Crisis

Solutions Offered:  
Funding Liquidity, Terms, Rates and Risk-sharing  
“Green” and “Inclusive” Investments a Priority

# New funding vehicles will address the crisis

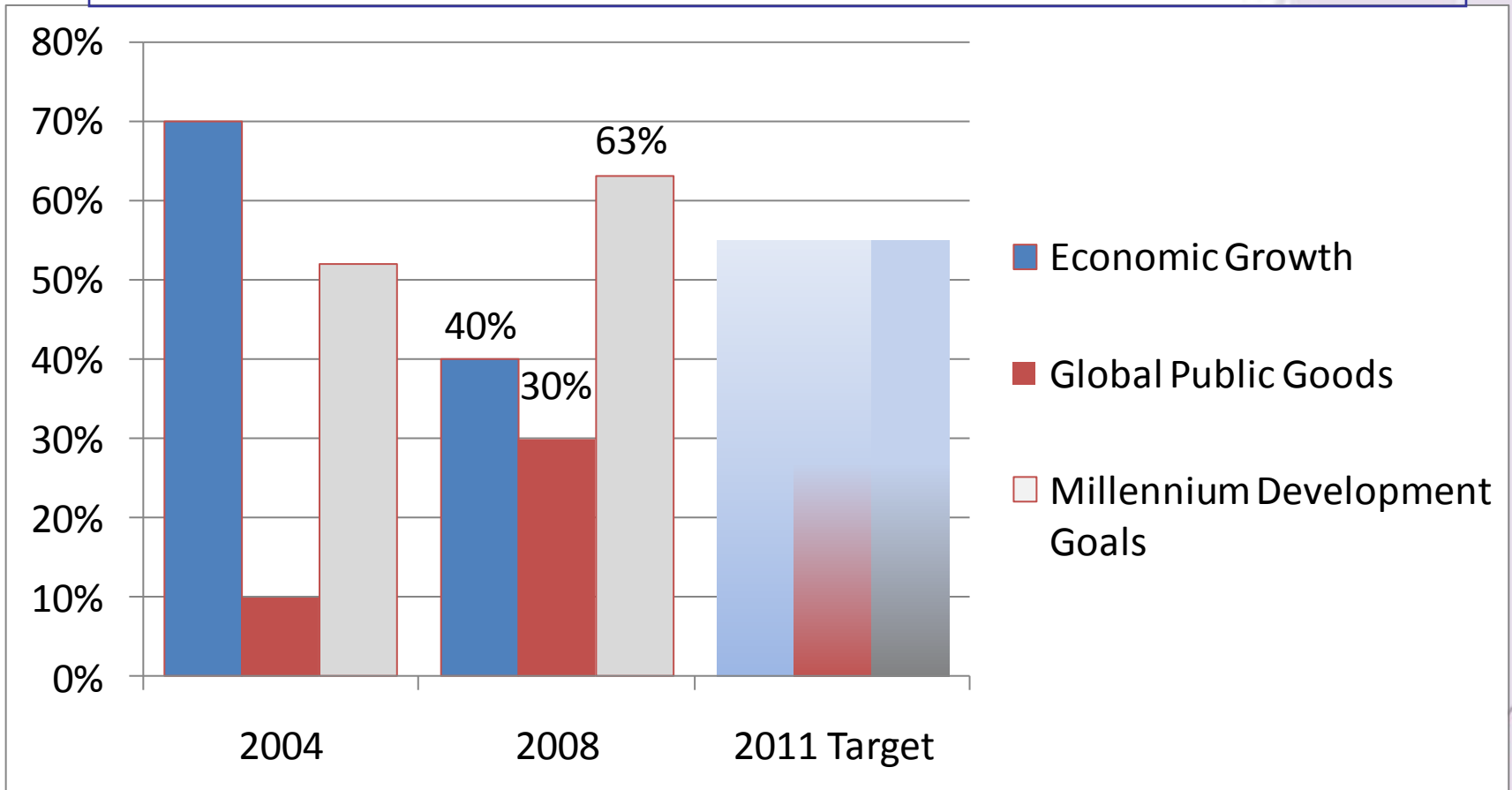
- Highly-subsidized counter-cyclical loans
- Guarantees for bond issues
- Project to generate new sources of funding through new savings and investment products for the general public that would be used to finance development projects

# Carry out the French President's "Initiative for Africa" by supporting private enterprise

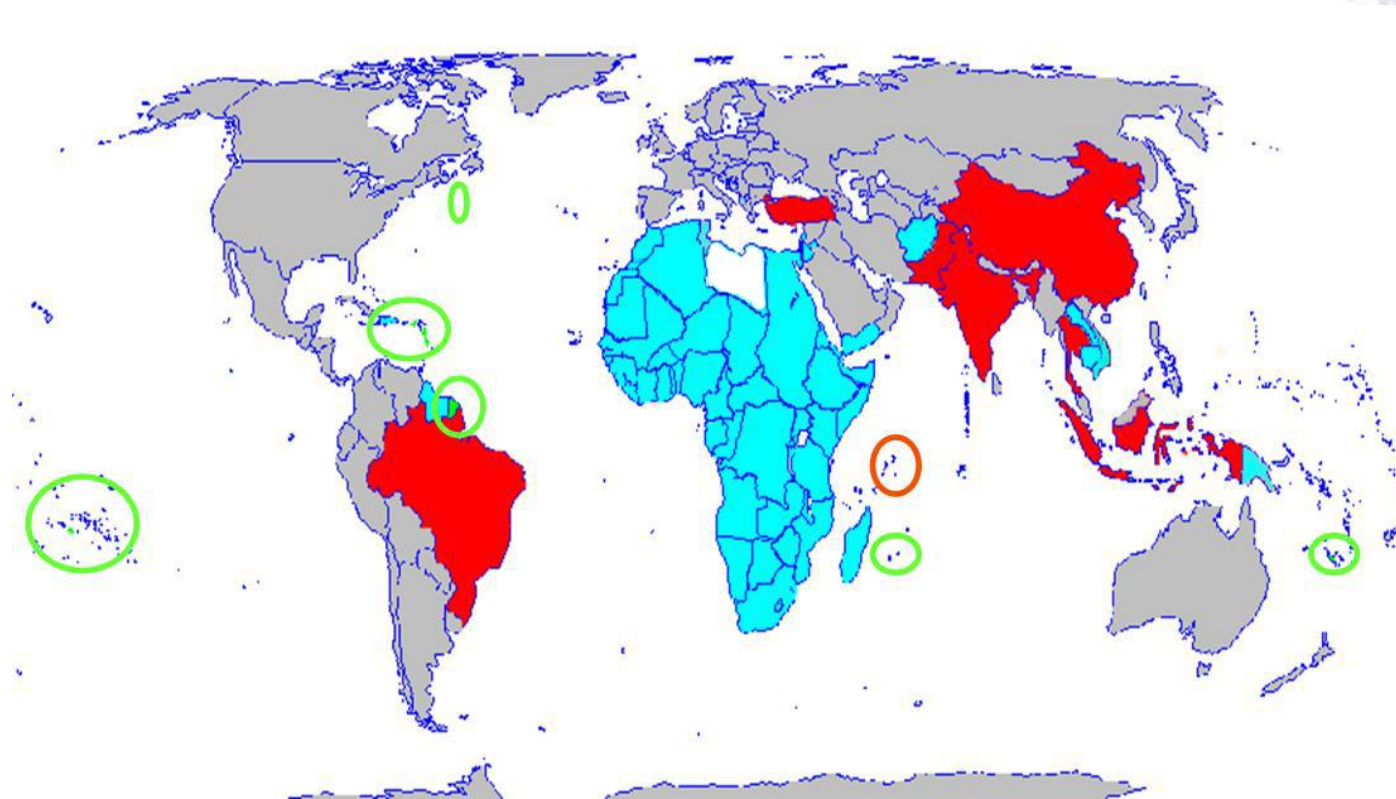
- PROPARCO increased its capital base to €500 million and will triple its financing level to €4 billion over the next five years
  - A platform for private and public investors
- Creation of the €250 million FISEA Fund to invest in and support African businesses
  - Aims to create more than 100,000 jobs in Africa
- Creation of the ARIZ II Facility for AFD to guarantee up to €750 million in loans
  - In 2008, ARIZ II backed €75 million of new investments and approximately 6,000 employees

# AFD holistic approach to development

## AFD's Commitments' Direct Contribution to Strategic Development Goals



# A global vision underpins AFD's three strategic goals

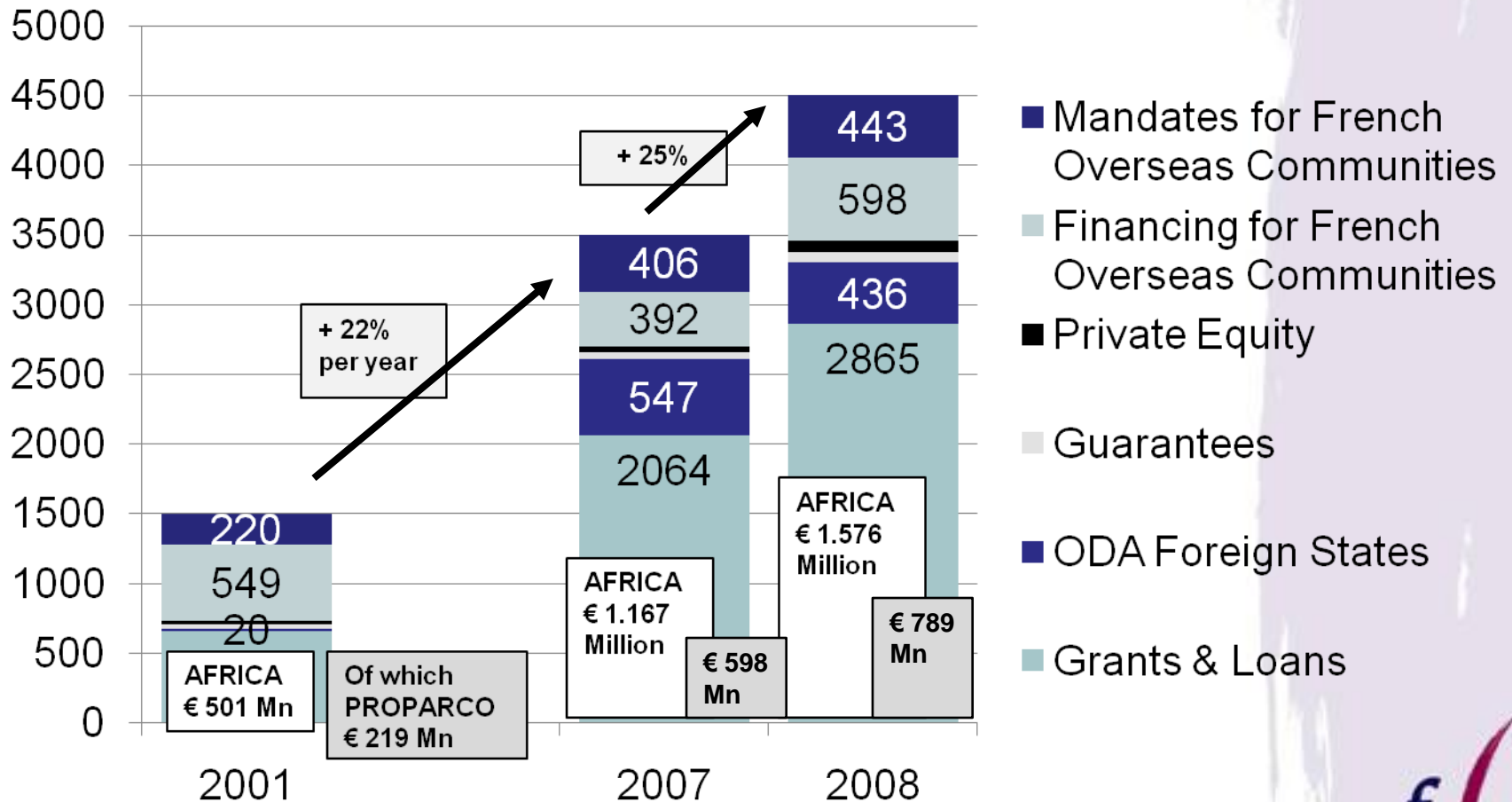


 International Solidarity

 National Solidarity

 Protecting Global Public Goods

# AFD commitments reached €4.5 billion, of which €1.56bn for Africa in 2008



- 1° What is AFD ?
- 2° Our strategy to foster PPPs
- 3° Examples of PPPs in Cameroun
- 4° Other information about AFD

# AFD's PPPs strategy

- AFD believes in the **implementation of public policies by the private sector** all over the world
- AFD does not believe in a « one size fits all » solution
- AFD **supports and finances PPP** designed to **fit specific situations** with includes both regional and sector-based specificities
- 5 examples in Cameroon

- 1° What is AFD ?
- 2° Our strategy to foster PPPs
- 3° Examples of PPPs in Cameroun
- 4° Other information about AFD

# Railways in Cameroon

- Private contract to run a public service
  - Railway investment paid by Camrail (loan from AFD and EIB)
  - Locomotives and cars paid by Camrail (loan from Proparco)
  - Goods traffic is profitable but limited by physical capacity
  - Passenger traffic is subsidised
  - It works properly but pace of investment is too slow
- Amendment in 2008
  - Railway investment paid by the State (loan from World Bank)
  - Locomotives and cars paid by Camrail (loan from Proparco ?)
  - Increased investment in infrastructure and cars will increase transport capacity for goods

# Water sanitation in Cameroon

- Creation of a public company that owns State assets (Camwater)
- International bid to lease the network to a private company. Moroccan CDE won and operates technical and commercial issues
- Loans from European EIB and AFD to State / Camwater to rehabilitate pipes, increase water production and extend distribution network in Yaounde and three regional towns

# Power generation and delivery in Cameroon

- Private contract to run a public service
  - AES Sonel operates power generation, transportation and delivery in Cameroon
  - AES invests in power production up to a cap (1 000 MW) above which a new bidding process is required
- Creation of EDC, a public company that owns State assets in the power sector
  - Property transfer to be organised
- Autoproducers are allowed, as well as private power producers which would sell to AES Sonel or big power consumers
- Proparco lends to AES Sonel and future private producers
- AFD is ready to lend to EDC subsidiaries

# Dam to regulate river flows

- Although access to energy is an issue, only 3% of Cameroonian hydropower potential are currently equipped
- The Lom Pangar Dam will regulate the Sanaga river which will both **increase the production of existing hydropower plants** and **enable** the building of **new hydropower capacity**
- Estimated cost : 130-150 M€ including social and environmental aspects (30 to 50 M€), but excluding pipe line adaptation and hydropower generation
- Strategic infrastructure managed as a “**cost centre**” that will **trigger investments** in hydropower and industry (mainly power consuming aluminium production)
- Possibility of a “**water tax**” for the State (not considered for now)
- → Creation of a public company (subsidiary of state owned EDC) that will **sell water rights** to private power companies (AES Sonel for existing hydropower plants and future hydropower self-producers)

# 2<sup>nd</sup> Bridge on the Woury river in Cameroon

- Only one bridge crosses the large Woury river that divides Douala and Southern Cameroon in two parts.
- Slowdowns hamper economic activity and create a social burden
- The **unique route** creates a strategic, economic and social issue
- **Economic profitability** of a second bridge is high, but **financial returns** would imply a toll gate (and more slowdowns) or a fiscal toll (and complex negotiations)
- A PPIAF financed study concluded that an **all public option** would fit that case
- AFD agrees and considers a loan to Cameroon

- 1° What is AFD ?
- 2° Our strategy to foster PPPs
- 3° Examples of PPPs in Cameroun
- 4° Other information about AFD (as a reminder)

# 2008 commitments will contribute to the fight against poverty and inequalities

## Action

Access to drinking water

Primary schooling

Improvements in housing conditions for people in poor neighborhoods

Improvements to health care services, hospitals and clinics

## Impact

➤ 4.4 million people

➤ 7 million children

➤ 1 million people

➤ 2.1 million patients per year

# 2008 commitments will contribute to supporting economic growth

<b>Action</b>	<b>Impact</b>
Support for private enterprise	➤ 80,000 firms
Create jobs in business, trade and industry	➤ 370,000 employees
Connection to telecommunications networks	➤ 5 million people
Construction and repair of roads, railroads and tracks	➤ 9.5 million people

# 2008 commitments will contribute to protecting Global Public Goods

## Action

Energy efficiency

Reducing and off-setting  
AFD's own carbon  
footprint

## Impact

- Save 3.3 million tons of CO2 per year – the equivalent of 1.2 million vehicles' annual carbon dioxide emissions
- AFD's first purchase of 20K tons of carbon credits to fight deforestation in Cambodia

# Increase food security through a new Fund for African Agriculture

- A year after the “hunger riots,” AFD is launching a new fund together with the African Development Bank, the International Fund for Agriculture and Kofi Annan’s “Alliance for a Green Revolution in Africa”
- The Fund for African Agriculture is targeted at private firms and farmers’ cooperatives that will increase and diversify crop production in Africa
- The Fund will raise €200 million in the near term, with a long-term goal of €500 million