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African Development Bank

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Introductory Remarks: AfDB’s Private Sector Operations

Tim Turner, Director, Private Sector, AfDB
Africa: The Next Frontier

How can the AfDB help investors?

April 2012
Introduction…

• Historically Africa has been considered one of the riskiest continents for doing business and has therefore attracted a small share of world FDI.

• Despite the global financial crisis, in the last decade many African countries have made significant progress in improving their business climates and investors are taking notice of the many investment opportunities.

• The purpose of this presentation is to illustrate:
  – Some of the challenges/opportunities for doing business in Africa,
  – How the African Development Bank can assist investors to achieve success in Africa.
This presentation is organized in 3 parts…

• **Africa** – challenges and opportunities

• **The AfDB** – your African partner

• **Operational Results** – recent financing
There are many good reasons why Africa has been left behind…

Past Obstacles
- Poor infrastructure
- Political instability
- Weak laws
- Red tape
- Corruption

= HIGH RISK
… but there are good reasons to be optimistic for the future

African Mineral Deposits

Winds of Change

Natural resources
+ Reduced conflict
+ Better governance
+ Strong growth
+ Untapped markets
= HIGH POTENTIAL
In the second part of this presentation…

• Africa – challenges and opportunities

• The AfDB – your African partner

• Operational Results – recent financing
Being Africa’s own bank gives the AfDB unique comparative advantages

Sources of Comparative Advantage

- **Vast Experience** – the AfDB has been active across the continent for almost 50 years.

- **Broad Knowledge** – the AfDB started as a public sector partner but has built a strong private sector team.

- **Honest Broker** – the AfDB has strong membership support from all 53/4 African countries.

- **Financial Muscle** – the AfDB has strong support from the international community reflected in its AAA credit rating.
As a public institution the Bank has a unique business perspective

AfDB’s Business Perspective

• **Public Interest** – consider what is best for all stakeholders i.e. investors, financiers, employees, suppliers, off-takers, governments, local communities, international community.

• **Long-term View** – consider what is best in the long-term looking through market cycles, crises.

• **Risk Taker** – ready to put capital at risk in countries and sectors to lead the way for private investors.

• **Development Maximizer Not Profit Maximizer** – ready to spend resources to enhance overall development impact.
The AfDB addresses private sector development (PSD) at two primary levels

The AfDB’s Private Sector Development Strategy

• Assist African governments to improve the business enabling environment:
  – Improve essential “hardware” (e.g. power, ICT, transportation)
  – Improve “software” (e.g. regulatory and legal frameworks, financial sector, trade liberalization, business development services)

• Create strong demonstration effect by assisting entrepreneurs to achieve success with a select number of transactions:
  – Infrastructure (e.g. power, transportation, telecoms, water)
  – Industries and Services (e.g. mining, O&G, cement, agribus, hotels)
  – Financial Intermediation (e.g. banks, MFIs, insurance, leasing)
The AfDB can help partners with its unique “value-added proposition”

AfDB’s Unique Value-Added Proposition

- Project selection track record – low loss rate (<1%)
- Local knowledge – experience on the ground
- Dialogue with governments – mitigate political risks
- Packaging resources – market, concessional, g’tees, LCY
- Reliable – take long-term perspective to market cycles
- Scale to handle most transactions – $0.5 to US$500 million
- Competitive cost – risk-based market pricing, longer tenor
- Intrusive – examine all aspects of the projects
- Demanding – insist on a fair deal
Projects with the best strategic fit tend to lie at the public-private interface

Maximizing Strategic Fit
(the "sweet spot")
In the last part of this presentation…

• Africa

• AfDB

• Operational Results
New private sector operations reached USD 2.2 billion in 2011
The AfDB’s private sector operations cover a broad range of sectors

**Sector Coverage**

- **Power** – hydro, wind, thermal, solar
- **Transport** – ports, roads, airports, rail
- **Telecoms** – fibre cable, satellite, telephony
- **Oil & Gas** – exploration, extraction, refining, pipelines
- **Mining** – extraction, refining, smelting
- **Manufacturing** – cement, fertilizers
- **Agribusiness** – sugar, oils, agro-energy, fishing
- **Hospitality** – hotels
- **Health & Education** – hospitals, schools
- **Financial sector** – banks, insurance, leasing, microfinance
Cabeolica in Cape Verde was the Bank’s first private wind project

Cabeolica Wind Project

- Cape Verde
- Investment EUR 65 mn
- ADB loan EUR 15 mn
- ADB roles
  - Long-term lender
- Benefits
  - 30% increase of power
  - Renewable
At 300 MW, Turkana will be Africa’s largest wind energy project

Turkana Wind Project

- Kenya
- Investment EUR 520 mn
- ADB loan EUR 100 mn
- ADB roles
  - Long-term lender
  - Lead arranger
- Benefits
  - 10% increase of power
  - Renewable
  - Leverage installed hydro
The Ithezi Thezi power project shows the AfDB’s range of instruments

**Ithezi Thezi Power Project**

- **Zambia**
- **Investment USD 230 mn**
- **AfDB loan USD 50 mn**
- **AfDB roles**
  - Commercial lender
  - Concessional lender
- **Benefits**
  - 120MW of clean power
  - Power sector reforms
The PAIDF project is the largest infrastructure equity fund in Africa

Pan-African Infrastructure Development Fund (PAIDF)

- Pan-Africa
- Investment USD 1 bn
- ADB equity USD 50 mn
- ADB roles
  - Regional sponsor
  - Fund mobilization
- Benefits
  - Regional infrastructure
  - African pension funds
Transnet is the Bank’s first large scale syndicated financing

Transnet Project

- South Africa
- Investment USD 10 bn
- ADB loan USD 400 mn
- ADB roles
  - Anchor financier
  - Syndication lead
- Benefits
  - Competitiveness
  - Tax revenues
  - Regional integration
The Dakar port is part of Senegal’s integrated infrastructure master plan

Dakar Container Port Project

- Senegal
- Investment EUR 210 mn
- ADB loan EUR 48 mn
- ADB roles
  - Anchor financier
  - Environmental review
- Benefits
  - Competitiveness
  - Tax revenues
  - Regional integration
The Dakar airport is part of Senegal’s integrated infrastructure master plan

Dakar Airport Project

- Senegal
- Investment EUR 525 mn
- ADB loan EUR 70 mn
- ADB roles
  - Co-lead arranger
  - Environmental review
- Benefits
  - Competitiveness
  - Tax revenues
  - Regional integration
  - Safety
The Main One cable has connected the West Coast of Africa

Main One Cable Project

- West Africa
- Investment USD 270 mn
- ADB loan USD 60 mn
- ADB roles
  - Project sponsor
  - Lead arranger
- Benefits
  - Broadband access
  - Cost reduction
The Bank is looking for new ways to help sub-regional DFIs like EADB

East African Development Bank (EADB)

- Uganda (East Africa)
- ADB equity USD 8 mn
- ADB loan USD 40 mn
- ADB roles
  - Board member
  - Technical assistance
- New Role
  - Partial Risk Guarantee?
In summary...

- Although Africa has been left behind for many decades, huge opportunities for long-term investors are opening up.

- The AfDB is scaling up its efforts for private sector development and is looking to strengthen its partnership investors, bankers and “world class” corporations.

- The AfDB can: (i) help investors achieve business success in Africa, and (ii) ensure that this commercial success helps Africa achieve sustainable and equitable development.