AfDB WEBINAR FOR THE ASIAN PRIVATE SECTOR ON DOING BUSINESS IN AFRICA

Wednesday 23rd September

8:00-10:00am (Abidjan Time), 13:30-15:30pm (Delhi)
16:00-18:00pm (Beijing), 17:00-19:00pm (Seoul)

HANAJIRI Takashi
Head, Asia External Representation Office, AfDB
Overview of African Development Bank

About African Development Bank
- Founded: 1964
- Headquarters: Abidjan, Cote d’Ivoire
- Mission: To spur sustainable economic development and social progress in its regional member countries
- Members: 81 countries (RMCs: 54, Non-RMCs 27)
- President: Dr. Akinwumi Adesina

African Development Bank Group
- African Development Bank (AfDB)
- African Development Fund (ADF)
- Nigeria Trust Fund (NTF)

“The High 5s”, AfDB’s Five Priority Areas
- Light Up and Power Africa
- Feed Africa
- Industrialize Africa
- Integrate Africa
- Improve the quality of life for the people

In 2019, 293 operations totaling USD 10.1 billion were approved.
**Asia External Representation Office**

- AfDB’s first representation outside Africa, in Tokyo, Japan opened in 2012
- Non-regional members in Asia: China, India, Japan, and Korea

**Objectives**

- Enhance partnerships and dialogue with Asian countries
- Promote business and investment opportunities in and with Africa
- Widely disseminate and exchange information about the Bank and projects

### CHINA

- Africa Growing Together Fund (AGTF) in 2014
- Forum on China Africa Cooperation (FOCAC)
- The 42nd Annual Meeting in Shanghai in 2007

### JAPAN

- Japan Policy and Human Resources Development Grant (PHRDG) since 1994
- EPSA launched in 2005

### INDIA

- CII-Exim Bank Conclave on India-Africa Project Partnership, attended since 2013
- India Africa Economic Cooperation Fund since 2015
- The 52nd Annual Meeting in Ahmedabad in 2017

### KOREA

- KOAFEC Conference held biennially since 2006
- KOAFEC Bilateral Trust Fund since 2007
- The 53rd Annual Meeting in Busan in 2018
Africa Investment Forum (AIF)

Africa’s investment market place - a multi-stakeholder, multi-disciplinary platform

The Africa Investment Forum relies on four pillars to achieve its objectives:

1. The Platform
   - CONNECT: Deal origination, structuring and due diligence
   - ENGAGE: Investor Mobilization & Engagement
   - CLOSE: Boardrooms
   - TRACK: Review of Boardrooms’ outcomes

2. The Market Place
   - CONNECT: Deal Advisory
   - ENGAGE: Partners Engagement
   - CLOSE: Public Sessions
   - TRACK: Periodic update meetings with Project Sponsors

3. The Market-Days
   - CONNECT: Digital Platform with a live database of Private/PPP deals
   - ENGAGE: Investment Roundtables
   - CLOSE: Business-to-Business (B2B) Meetings
   - TRACK: Investor engagement

4. The Deal Tracker
   - CONNECT: Investor Blast Mechanism
   - ENGAGE: Virtual Boardrooms
   - CLOSE: Entrepreneur (Start-ups) Pitching Sessions
   - TRACK: Portfolio management and reporting

More information:  [https://africainvestmentforum.com](https://africainvestmentforum.com)  
Contact:  aif@afdb.org
<table>
<thead>
<tr>
<th>OVERALL PARTICIPATION</th>
<th>BOARDROOMS</th>
<th>MARKETPLACE AND NETWORKING</th>
<th>PUBLIC SESSIONS, ANNOUNCEMENTS AND MEDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,291 participants</td>
<td>57 deals discussed in boardrooms</td>
<td>400 official bilateral meetings including curated marketplace B2B conversations</td>
<td>19 public sessions, 22 press conferences</td>
</tr>
<tr>
<td>4 Heads of State/Government (Ghana, Mozambique, Rwanda, South Africa)</td>
<td>USD 67.7 bln (Value of deals discussed in Boardrooms)</td>
<td>31 deals valued at USD 5.2 bln curated for Marketplace B2Bs</td>
<td>Over 2,500 news articles and pick up; 1.82 million estimated coverage</td>
</tr>
<tr>
<td>101 countries represented</td>
<td>25 countries with deals, 7 multinational and 3 regional deals</td>
<td>16 start-up pitches seeking to raise USD 76.4 mln</td>
<td>1.3 million Twitter impressions</td>
</tr>
<tr>
<td>698 Investor Participation</td>
<td>USD 24.6 bln (Size of largest deal - LNG project, Mozambique)</td>
<td>6,591 connection requests that were sent through the App</td>
<td>16,807 profile visits and 4,079 new followers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61 deals valued at USD 27.7 bln displayed on the Marketplace Deal Gallery</td>
<td>56,000 visitors to the Africa Investment Forum website during registration season</td>
</tr>
</tbody>
</table>
COVID-19 & The African Economy

Headwinds
➢ An imminent global recession with a projected U-shaped recovery.
➢ African economies are set to contract for the first time in 25 years (projected real GDP contraction of 3.4%).
➢ Estimated reduction of 30–40% in foreign direct investment (FDI) and remittances in 2020.
➢ Global slowdown in demand for commodities (Africa supplies 60% of global raw materials).
➢ Supply chain disruptions

Tailwinds
➢ Increasing interest in health sector investments.
➢ Resurgence of the debate on industrializing Africa.
➢ Opportunity to accelerate Africa’s digital revolution.
➢ Energy demand remains latent and is likely to spike quickly as lockdown eases.
➢ Infrastructure demand fundamentals remain - the pandemic has created the urgency to accelerate investments in Africa’s infrastructure opportunities

African Economic Outlook 2020 Supplement
❖ Governments and development partners must respond in a more coordinated, targeted, and rapid manner to be effective in limiting impacts
❖ An additional 49 million Africans could be pushed into extreme poverty by the pandemic and its aftermath; West and Central Africa stand to be worst hit

The COVID-19 Rapid Response Facility (CRF)
The African Development Bank Group launched USD 10 billion CRF to protect its RMCs and their private sector enterprises from the economic and social impact of the COVID-19
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Thank You!

English https://www.afdb.org/en
中文 https://afdb-org.cn/
日本語 https://afdb-org.jp/
한국어 https://afdb-org.kr/
Objectives and Guiding Principles
Objective of the Bank’s Non-Sovereign Operations

The Bank’s Non-Sovereign Operations (NSO) refer to financing and investment operations that are not guaranteed by a state, covering mostly private sector transactions. They also cover non-sovereign guaranteed financing of eligible public sector enterprises, as well as financing of regional development finance institutions.

**Objective 1**
- Improvement of the investment and business climate.

**Objective 2**
- Development of social and economic infrastructures and increasing access to reliable, quality services.

**Objective 3**
- Strengthening private sector enterprises
Nine (9) guiding principles

1. Ownership
2. Selectivity
3. Effective partnerships
4. Compliance with safeguards
5. Reinforcement of markets
6. Development results & Additionality
7. Financial strength
8. Relevance to RMCs
9. Client responsibility
Main conditions and types of financing
The “main conditions” for the Bank’s involvement in a Non-Sovereign Operation

1. The borrower is a private enterprise or an eligible public sector enterprise.

2. The operation is financially sound.

3. The operation should result in satisfactory development outcomes.

4. The Bank brings additionality, which could be either financial or non-financial.

5. Host country has No-Objection to the operation.
Two (2) types of financing

**Corporate financing**
Eligible enterprises in support of their investment programs.
*(instruments include: senior and subordinated loans, lines of credit, agency lines, equity or quasi equity participation, credit or risk guarantees)*

**Project financing**
Specific projects by eligible public or private sector enterprises.
*(instruments include: senior and subordinated loans, credit or risk guarantees, equity or quasi-equity participations)*
Investment criteria
In principle, all economic sectors and subsectors are eligible for the Bank financing on Non-sovereign operations terms, except those set out in the Bank exclusion list (e.g. trade Production or trade in weapons and munitions, Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, etc.).
## Investment Criteria

<table>
<thead>
<tr>
<th>1. Strategic alignment with the Bank and the RMC(s) priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ The country's economic and social priorities</td>
</tr>
<tr>
<td>▪ Bank strategy in the country/region</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Creditworthiness, Commercial viability &amp; Financial sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Industry outlook and market fundamentals</td>
</tr>
<tr>
<td>▪ Financial structure</td>
</tr>
<tr>
<td>▪ Background, experience and financial strength of the sponsor</td>
</tr>
<tr>
<td>▪ Cash flow and rate of return (BP)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Development outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Household benefits and job creation</td>
</tr>
<tr>
<td>▪ Governance and fiscal effects</td>
</tr>
<tr>
<td>▪ Regional integration and economic resilience</td>
</tr>
<tr>
<td>▪ Green growth, environmental, gender &amp; social effects</td>
</tr>
<tr>
<td>▪ Private sector development and demonstration effects</td>
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</tbody>
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<thead>
<tr>
<th>4. Additionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Political risk mitigation</td>
</tr>
<tr>
<td>▪ Financial additionality</td>
</tr>
<tr>
<td>▪ Improved development outcomes</td>
</tr>
</tbody>
</table>
Other key pre-requisites

01 PROCUREMENT
The Bank shall agree with the non-sovereign borrower on acceptable procurement procedures that are in line with well-established private sector procurement methods or commercial practices.

02 INTEGRITY & FIDUCIARY SAFEGUARDS
The Bank will not participate in a transaction when, upon integrity due diligence, it finds that there are significant and unmitigated integrity risks or ethical concerns, or adverse reputational risks. The Bank will apply effective KYC due-diligence procedures and mechanisms.

03 ENVIRONMENTAL & SOCIAL SAFEGUARDS
The Bank is committed to making economic growth and development inclusive while ensuring that Bank operations have no unintended adverse direct or indirect environmental or social impact on communities.
### Application procedure

1. **Description of the project**
2. **Sponsor’s managerial and financial track record**
3. **Governance structure and management team**
4. **Financing plan & cost estimates, inc. amount requested from the Bank**
5. **Key technical and environmental features**
6. **Feasibility indicators**
7. **Business climate and market prospects**
8. **Implementation plan, inc. Status of required licenses, permits, offtake agreements, etc.**

#### Feasibility plan

- Applications for funding are to be sent:
  - By email to [PrivateSectorHelpDesk@afdb.org](mailto:PrivateSectorHelpDesk@afdb.org) (first screening and dispatching to operational teams) using the form available on the Bank's website.
Some of our investments
Financing the education sector

**Afe Babalola University (ABUAD)**

- Eight-year US $40-million corporate loan to the Afe Babalola University (ABUAD) in Ado Ekiti (Nigeria), to finance the university’s expansion plan.

- Expansion plan consists in construction of new facilities - including a 400-bed teaching hospital, an industrial research park, a small hydro power (SHP) installation (1.1 MW) and agribusiness facilities.

<table>
<thead>
<tr>
<th>Structuring</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corp. loan</strong></td>
<td>• $40 M eq (out of $100 M total expansion program)</td>
</tr>
<tr>
<td><strong>Pioneer status</strong></td>
<td>• First private sector transaction in the education sector</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>• 8 years (incl. 3 years’ grace)</td>
</tr>
<tr>
<td><strong>Strategic alignment</strong></td>
<td>• Improve the quality of life for the people of Africa; • Industrialize Africa; • Power Africa; • Feed Africa</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>• Mix of hard and local currency</td>
</tr>
</tbody>
</table>
Financing the water & sanitation sector

Kigali Bulk Water

- The Project entails a 40,000 m3/day bulk water production facility on Public Private Partnership basis, located at Kanzenze, Kigali, Rwanda.

- The Project will extract groundwater from the south bank of the Nyabarongo River, treat water to required water quality standards and deliver water to service reservoirs for the distribution into the Kigali network of Water and Sanitation Corporation (“WASAC”).

<table>
<thead>
<tr>
<th>Structuring</th>
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<tbody>
<tr>
<td>Senior loan</td>
</tr>
<tr>
<td>Pioneer status</td>
</tr>
<tr>
<td>Maturity</td>
</tr>
<tr>
<td>Strategic alignment</td>
</tr>
<tr>
<td>Expected Development outcomes</td>
</tr>
</tbody>
</table>
THANK YOU

Contact:
Non-Sovereign Operations & Private Sector Support Department
PrivateSectorHelpDesk@AFDB.ORG
THE BANK GROUP
Africa’s Premier Development Finance Institution

The AfDB Group: three constituent institutions, separate legally and financially, with a common goal

African Development Bank (ADB)
- Established in 1964
- 81 member countries
- Authorized capital: USD 208 billion
- Resources raised from capital markets
- 0% Risk Weighting under Basel II
- Level 1 under Basel III

African Development Fund (ADF)
- Concessional financing, established in 1972
- Financed by 27 State participants and 4 regional donors
- Subscription: USD 41 billion
- Focus on low income countries
- Replenished every 3 years

Nigeria Trust Fund (NTF)
- Established in 1976 by Nigeria
- Targeted at the Bank’s needier countries
- Maturing in 2023
- Total resources: USD 242 million

Board of Governors
- Highest decision making body
- Composed of Ministers of Finance and Ministers of Cooperation of the Bank’s member countries

Board of Directors
- 20 Executive Directors elected by the Board of Governors
- Oversees the general operations of the Bank

Decisions by both Boards require two third majority or 70% should any member require so

...focused on combating poverty, and improving living conditions on the continent
Over 50 years of partnership for the development of Africa...
African Development Fund

Contributors: 31 countries + the Bank
Funding: cumulative UA 33.7 billion
Replenishment Cycle: 3 years
Beneficiaries: 38 Low-Income Countries
Resource allocation: internal framework based on macroeconomic performance (PBA)

ADF-15 top 10 donors

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution (UA million)</th>
<th>Normalised Burden Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>575.11</td>
<td>15.7</td>
</tr>
<tr>
<td>Germany</td>
<td>424.20</td>
<td>11.6</td>
</tr>
<tr>
<td>USA</td>
<td>360.45</td>
<td>9.8</td>
</tr>
<tr>
<td>France</td>
<td>387.08</td>
<td>10.6</td>
</tr>
<tr>
<td>Japan</td>
<td>323.07</td>
<td>8.8</td>
</tr>
<tr>
<td>Italy</td>
<td>227.04</td>
<td>6.2</td>
</tr>
<tr>
<td>Canada</td>
<td>192.65</td>
<td>5.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>179.52</td>
<td>4.9</td>
</tr>
<tr>
<td>Norway</td>
<td>171.63</td>
<td>4.7</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>164.36</td>
<td>4.5</td>
</tr>
<tr>
<td>Total Top Ten</td>
<td>3 005</td>
<td>82.1</td>
</tr>
<tr>
<td>Total</td>
<td>3 660</td>
<td>100.0</td>
</tr>
</tbody>
</table>

ADF-15 envelopes

Perf. Based. Alloc. PBA
Reg. Op. RO
Trans. State Facility
PPF
PRG
PCG
PSF
Country Classification Framework – CREDIT POLICY

The Bank’s regional member countries are classified according to the Bank’s credit policy into 4 categories which determines which financing window they can access.

<table>
<thead>
<tr>
<th>Per capita income above the ADF/IDA operational cut-off (USD 1,165 for 2018) for more than 2 consecutive years?</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditworthy for non-concessional financing? (In line with the Country Policy and Institutional Assessment - CPIA analysis)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>ADF- Regular and Advanced countries or Low Income Countries (LICs) eligible to ADF concessional financing (61% concessionality for ADF Regular and 51% for ADF-Advanced)</td>
<td>Blend countries</td>
</tr>
<tr>
<td>Yes</td>
<td>ADF Gap countries eligible for ADF concessional financing on blend terms (35% concessionality)</td>
<td>ADB-Only</td>
</tr>
</tbody>
</table>

Graduating
Graduating countries are eligible for ADF resources on blend terms during a 2 to 5-year phasing-out period (decreasing access to ADF resources)
Allowing ADF Countries Access to ADB Window

In order to respond to recent economic developments in RMCs, the Bank amended its credit policy in 2014 to allow ADF countries access to the ADB sovereign window.

ADF only countries are eligible to ADB window if they have:

- Low or moderate risk of debt distress under IMF DSA
- Headroom for non-concessional borrowing
- Sustainable macroeconomic position
- Request approved by the Bank’s Credit Risk Committee

Access will be granted to eligible countries on case by case basis to finance viable projects. Eligibility does not guarantee access.

Summary of AfDB Financial Products

**LENDING INSTRUMENTS**
- ADF Loan
- Fully Flexible Loan
  - Policy-Based Operations (PBO)
  - Results-Based Financing (RBF)
- Fixed Spread Loan (FSL)
- Providing long-term debt to public and private sectors

**GUARANTEES**
- Partial Risk Guarantee
- Partial Credit Guarantee
- Portfolio Guarantee
- Mitigating the risks attached to investments in Africa

**EQUITY**
- Direct Equity
- Subordinated Debt
- Mezzanine Debt
- Other quasi-equity
- Bringing scarce risk capital to transformative projects

**TRADE FINANCE**
- Risk Participation Agreements (RPAs)
- Trade Finance Lines Of Credit (TFLOC)
- Soft Commodity Finance Facility (SCFF)
- Bridging the gap in trade financing in Africa

**RISK MANAGEMENT PRODUCTS**
- Interest Rate Swaps including caps and collars
- Cross Currency Swaps
- Commodity Swaps
- Allowing our borrowers to hedge and manage their debt responsibly

**TECHNICAL ASSISTANCE FUNDS**
- Grants
- Concessional Loans
- Equity in select cases
- Reimbursable grants
- Financing the completion of feasibility studies, training and project preparation

**AFFILIATED PARTNERS**
- Africa 50
- Africa Guarantee Fund
- African Export-Import Bank
- Leveraging partnerships with catalytic financial intermediaries

**Menu of Existing Financial Instruments**
PRIVATE SECTOR LOANS
## Fixed Spread Loan (FSL)

### Eligibility
- Public Sector Companies of ADB and Blend countries without a sovereign guarantee; and Private Sector Companies in all RMCs

### Maturity
- Up to 15 years

### Grace period
- Up to 5 years

### Currencies
- EUR, USD, JPY, ZAR, LCY

### Pricing formula
- Base rate: Floating (6m Libor/Euribor, 3m Jibar) or Fixed (Amortizing swap rate) + risk-based lending spread/margin based on project risk

### Interest Rate Features
- Free option to fix up upon disbursement

### Front-end fee
- 100 bps of loan amount at signature

### Commitment Fee
- 50bps – 100bps of undisbursed amount

### Appraisal fee
- Determined during appraisal

### Supervision fee
- As needed

### Prepayment premium
- Hedge unwinding cost in case of a fixed rate loan + a premium determined in the loan agreement

### Viable enterprises & multinational projects

### Additionality and Development Outcomes
- Job creation
- Government revenues
- Financial return
- Foreign currency earnings
- Social and environmental safeguards
**Non-Sovereign Guaranteed Loans – Local Currency**

### Rational
- ✓ Provide long term funding in local currencies
- ✓ Promote domestic capital market development
- ✓ Reduce clients foreign exchange risk /overall economic risk exposure

#### Funding option 1: Domestic Bond Issuance
1. The Bank will issue a local bond to provide the funding for the client.
2. The Bank is hedged if its assets and liabilities are aligned in the same currency.

#### Funding option 2: Synthetic Local Currency Loan (SLCL)
1. The Bank enters into a hedge contract with a market counterparty that provides the equivalent local currency conversion rate. The Bank’s liability is then completely hedged against currency and interest rate variations and the client’s exposure in local currency.

#### Funding option 3: Cross Currency Swap
1. This involves an exchange of notional amount with the swap counterparty at inception and termination, and subsequent receipts of debt repayments in its preferred currency based on the swap transaction executed.

#### Funding option 4: Local Bank Loan
1. The Bank enters into an agreement with a local commercial bank that would provide the client with the funding, and receives its funding cost from the Bank. The Bank bears the credit risk of the client.

### Lending currencies

The Bank currently has **12 approved African lending currencies**:
- South African Rand
- Egyptian Pounds
- Uganda Shilling
- Nigerian Naira
- Kenya Shilling
- Zambia Kwacha
- Tanzania Shilling
- Ghana Cedi
- Botswana Pula
- CEMAC region CFA
- WAMU region CFA
- Rwandan franc (RWF)
AfDB offers to borrowers a free option to convert the Floating Base Rate into a Fixed Base Rate. The Fixed Base Rate can be provided at each disbursement, at last disbursement or any time after disbursement at the request of the borrower.

While the borrower benefits from the Fixed Base Rate obtained by ADB on market conditions, any cost related to the swap is passed to the borrower in case of adjustment or unwinding of the swap before maturity.
Non-Sovereign Guaranteed Loans – LOCAL CURRENCY LOAN TERM SHEET

- **Eligibility**: Borrowers eligible to access ADB window
- **Maturity and Grace Period**: Up to 15 years & up to 5 years grace period
- **Repayment Terms**
  - Payment of equal installments of principal after grace period
  - Other principal repayments terms (annuities, bullet, step up/down) may be considered subject to project requirements / availability of hedging solutions

- **Cost Pass-Through Principle**: Borrowing costs in relevant market + Lending Margin
  - All-in-Cost of Funds + Lending margin (project specific risk)
    - All-in-cost of funds (Base rate: floating / fixed + funding margin)
    - Funding margin (Spread to benchmark funding level + recurrent costs)

- **Fees**
  - **Front-end Fee**: 1% of amount
  - **Appraisal Fee**: 0-1% of amount
  - **Commitment Fee**: 0.5 -1% of undisbursed
  - **Late Payment Fee**: 2% of unpaid amount
  - **When Applicable**: Bond Issue Fee – Upfront Fees, Warehousing Fees
GUARANTEE PRODUCTS
AfDB Guarantees

AfDB Group offers 2 types of guarantees:

- Guarantees to protect the beneficiaries against political risks emanating from the government or its entities: **Partial Risk Guarantees (PRGs)**

- Guarantees to protect the beneficiaries against non-payment by the Applicant: **Partial Credit Guarantees (PCGs)**

Risk perception often leads to an additional risk premium on projects compared to other regions of the world.

This skewed perception of risk impacts the cost and volume of commercial financing and capital investment.

Africa has been less successful than other developing regions in attracting private investment.
AfDB Guarantees

**Purpose of Partial Risk Guarantee (PRG)**

- Currency Inconvertibility and Non-transferability
- Expropriation, Confiscation, Nationalization and Deprivation
- Political Force Majeure Risks
- Breach of Contract

**Beneficiaries**

- Commercial/private sector sponsors/financiers lending to projects in Africa

**Purpose of Partial Credit Guarantee (PCG)**

- Covers a portion of debt service defaults regardless of the cause thus supporting the borrowing of the government or public sector entities in investment operations, as well as private sector borrowers.
- Can help countries get access to the capital markets

**Beneficiaries**

- Private lenders to both private sector clients and/or sovereign clients

The Bank also launched an innovating collaborative platform for risk mitigation called the **Co-Guarantee Platform** pooling the products of five guarantee providers across Africa into a one-stop shop.

Email: cgp@afdb.org
AfDB Guarantees — The Benefits of Working with Us

AfDB Group guarantees cover risks that the market is not willing/able to bear or cannot adequately evaluate.

For the Guarantee Applicant, AfDB Group Guarantees attract and/or provide access to:
- New Sources of Financing
- Improved Financing terms

For the Guarantee Beneficiaries and other project stakeholders, AfDB Group Guarantees allow to:
- Mitigate/share risks
- Reinforce government undertakings
- Benefit from AfDB safeguards on the project

For AfDB, countries and other stakeholders, AfDB Group Guarantees allow to:
- Leverage on AfDB resources
- Finance more development projects with available resources

AfDB Group guarantees help catalyze commercial financing in transformative projects in priority sectors.
## AfDB Guarantees – The Term Sheet

<table>
<thead>
<tr>
<th>Lending Window / Terms</th>
<th>Partial Credit Guarantee</th>
<th>Partial Risk Guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADF</td>
<td>ADB</td>
</tr>
<tr>
<td>Leverage</td>
<td>Only 25% of the guarantee amount is deducted from the Performance Based Allocation</td>
<td>A PCG will consume same level of headroom as an equivalent loan</td>
</tr>
<tr>
<td>Borrower/Applicant</td>
<td>Public</td>
<td>Public</td>
</tr>
<tr>
<td>Maturity (yrs)</td>
<td>Up to 40</td>
<td>Up to 25</td>
</tr>
<tr>
<td>Guarantee fee</td>
<td>0.75%</td>
<td>0.80%</td>
</tr>
<tr>
<td>Front-end fee</td>
<td>Up to 1%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Standby fee</td>
<td>0.5%</td>
<td>0.25%</td>
</tr>
</tbody>
</table>
4 EQUITY
Direct Equity

Eligibility

• Financially viable private companies and financial intermediaries
• Public sector companies that are in the process of being privatised and regional as well as sub-regional institutions/companies
• Includes Subordinated loans, income participating loans
• Convertibles and other hybrid instruments

Ownership Approach & Divestment

• Bank’s equity participation not to exceed 25%
• Bank will seek board representation in any company in which it becomes a shareholder.
• Clearly defined exist clause to be exercised upon achievement of objectives
# Indirect Equity

We invest in PE infrastructure funds to diversify our equity investments, target specific regions and industries and reduce transaction costs.

<table>
<thead>
<tr>
<th>Private Equity Investments</th>
<th>Size of Fund (USD)</th>
<th>ADB (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South African Infrastructure Fund</td>
<td>221 million</td>
<td>25 million</td>
</tr>
<tr>
<td>AIG Infrastructure Fund</td>
<td>400 million</td>
<td>50 million</td>
</tr>
<tr>
<td>Pan-African Infrastructure Fund</td>
<td>450 million</td>
<td>50 million</td>
</tr>
<tr>
<td>African Infrastructure Fund II</td>
<td>500 million</td>
<td>30 million</td>
</tr>
<tr>
<td>Argan Infrastructure Fund</td>
<td>200 million</td>
<td>15 million</td>
</tr>
</tbody>
</table>

AfDB currently holds $43.4 billion in assets and a committed portfolio of $1.1 billion in equity investments.
RISK MANAGEMENT PRODUCTS
Risk Management Products (RMPs)

- The Bank’s RMPs are financial products which allow clients to transform the financial risk characteristics of their obligation under a loan or other instrument without renegotiation or amending the terms of the original instrument.
- RMPs enable clients to hedge their exposure to market risks, including: interest rate, currency exchange and commodity price.
- Clients are required to enter into market-based Master Derivatives Agreement with the Bank prior to entering into RMP transactions.

(1) Interest rate swaps: fixed rate for floating or vice versa
(2) Cross-Currency Swap: one currency for another (USD to EUR, for example)
(3) Commodity Price Swap: fixed / floating rate cash flows for price of commodity or basket of commodities
(4) Interest rate Caps and Collars

<table>
<thead>
<tr>
<th>FEES</th>
<th>Interest rate swap</th>
<th>Currency Swap</th>
<th>Commodity / Index swap</th>
<th>Cap and collar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.125 %</td>
<td>0.25 %</td>
<td>0.375 %</td>
<td>0.125 %</td>
</tr>
</tbody>
</table>
TRADE FINANCE
AfDB shares credit risk (up to 50% of transaction value) on a portfolio basis with confirming banks (CBs) that have large and consistent trade finance volumes.

**TERMS**

- **Bank Cover:** Up to 50% of eligible transaction value or risk assumed by the RPA Bank, whichever is lower.
- **Tenor:** Maximum tenor of RPAs is 3.5 years; underlying transactions limited to no more than 2 years.
- **RPA Administration Fee:** Typically between 0.1% - 0.2% of Bank’s earned commission.
- **RPA arrangements with CBs:** Are by nature unsecured.
AfDB provides pre- and post-export financing through local banks

**TERMS**

- **Tenor:** Maximum tenor is 3.5 years; borrowers can recycle proceeds until final maturity of TFLOC
- **Pricing:** based on market practices and includes a credit spread that reflects the Bank’s assessment of the risks, facility ranking, tenor etc.
  - Front-end and commitment fees not exceeding 1% are applicable.
  - Interest will be paid semi-annually
- **Security and Collateral:** Facility classified as unsecured senior debt
**AfDB provides input and post-harvest financing through aggregators**

**AfDB activity**

1. **Buys inputs or sells commodities**
2. **Submits documentation detailing proposed transaction(s)**
3. AfDB provides financing, assumes aggregator risk, not farmer risk

**Commodity Aggregator**

**Aggregator activity**

4. **On-lends to/Pays farmers**

**TERMS**

- **Tenor:** Maximum tenor is 2 years; on an exceptional basis, tenor beyond 2 years may be permitted subject to the approval of the Bank’s credit risk committee.
- **Pricing:** Pricing will reflect the transaction risks and the Bank’s pricing policy for non-sovereign operations and Front-end and commitment fees apply.
- **Security and Collateral:** The facility is a senior debt obligation of borrowing institutions who may require security from their own clients. Such security shall be used as risk mitigation for the Bank’s exposure and may include commodity and documentary pledges, escrow accounts with assignment of proceeds, and private and sovereign guarantees among others.
The Bank is able to supplement its financial products with grants to fund technical assistance to borrowers:

- Objective: (i) Raising the effectiveness of project preparation; (ii) TA aims to foster and sustain RMC efforts in creating enabling business environment in order to promote private sector investment and growth
- Focus Areas: capacity building / training of government officials in project design, preparation and analysis

AfDB Hosted Instruments

- African Legal Support Facility

External Funds

- Climate Investment Funds (CIF)
- Global Environment Facility – AfDB is the implementing agency for Africa
- We-Fi

Trust Funds

- Zimbabwe Trust Fund
- Kore-Africa Economic Cooperation Fund
- Sustainable Energy Fund for Africa
## Other Resources — Co-financing Facilities

### Flagship Co-financing Facilities

<table>
<thead>
<tr>
<th>Funding Resource</th>
<th>Description</th>
<th>Use of Available Resources</th>
<th>Available Resources/Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Co-financing Facility for Africa (ACFA)</td>
<td>Co-financing agreement with Japan International Cooperation Agency (JICA) under the Enhanced Private Sector Assistance Initiative.</td>
<td>Co-financing for selected African Countries on comparable or better terms.</td>
<td>USD 2.06 billion in combined approvals for EPSA III</td>
</tr>
<tr>
<td>Africa Growing Together Fund (AGTF)</td>
<td>Special Fund with Foreign exchange reserves from the People’s Bank of China.</td>
<td>Joint co-financing for the Bank Sovereign and Non-Sovereign projects (80/20 split).</td>
<td>USD 1.24 billion, including USD 400 million for non-sovereign operations until 2024</td>
</tr>
<tr>
<td>EU-Africa Investment Platform (AIP)</td>
<td>Investment facility with the European Union</td>
<td>Blended finance: combination of EU grants with loans or equity from public and private financiers, including the Bank. The EC has recently approved guarantees.</td>
<td>Over EUR 980 million approved (Regional offices pivotal to obtaining these approvals)</td>
</tr>
</tbody>
</table>
Conclusions & Takeaways

- AfDB’s goal is to **mobilize resources and blended finance initiatives** to close the financing gap for private-sector-led development of the continent.
- The Bank provides a **diversified product menu** to support Non-Sovereign Operations targeting all sectors, namely agribusinesses, infrastructure and transportation, financial sector development, energy and industrialization.
- Through our sovereign products, the **Bank also supports the enabling environment for private sector** development by de-risking investment and ensuring public sector stakeholders have the capacity to engage in PPP structures.
- The Bank also **leads strategic partnerships** with key private sector clients, financial institutions, and commercial banks to provide a comprehensive support package to private sector clients. The Co-Guarantee Platform is such an example.
- The Bank can both **innovative and high quality** deals to encourage private-sector value-chain development.
- AfDB focuses on leverage with the **objective of catalyzing capital flows, especially commercial lending** and private investment to large scale transactions.
THANK YOU

Contact:
Structured Finance | Risk Mitigation
FIST2@AFDB.ORG
PART I : SYNDICATIONS

PART II : CO-FINANCING
1 SYNDICATIONS

1.1 WHAT IS LOAN SYNDICATIONS

1.2 A/B LOANS

1.3 PARALLEL SYNDICATIONS

1.4 OVERVIEW OF TERMS
1.1 SYNDICATIONS

**DEFINITION**

- A loan that is provided by a group of financial institutions / lenders (syndicate) and is structured, arranged, and administered by one or several arranging financial institutions.

**WHAT DOES THIS MEAN?**

- The Bank will be mandated by the Borrower to be the lead arranger for the debt financing.
- The Bank will be responsible for mobilizing financing for its Borrower on a “best efforts basis”.

**WHY SYNDICATE?**

- One lead bank coordinating the syndicate of banks
- Borrower essentially deals with the lead bank
- Participating banks can benefit from lead bank’s market knowledge and best practices in lending
- Borrower benefits from new banking relationships
1.1 SYNDICATIONS – LEVERAGING THE BANK’S RESOURCES

1. **Better use of the Bank’s capital**
   Syndications allows the Bank to invest in projects while efficiently managing its capital and its prudential ratios. The objective being to do more with less by leveraging the Bank’s preferred creditor status and reputation (e.g. through A/B loans).

2. **Catalyze private and institutional investment**
   One of the main mandates of the Bank is to catalyze capital for development projects in Africa by creating an enabling environment and a demonstration effect.

3. **Huge financing requirements**
   The gap in terms of funding the High 5 is 18x higher than the Bank’s annual lending capacity. Collaboration with other institutions is therefore required and is in line the Bank’s mandate and the President’s priorities.

4. **Increase visibility and impact**
   Playing a leadership role in arranging transactions will maintain the Bank’s position as premiere development finance institution for Africa.

---

**Funding Gap**

- **High 5’s estimated funding gap:**
  - USD 170 B

- **AFDB Target lending (2020):**
  - USD 9.48 B

- Breakdown of the funding gap:
  - Improve the quality of life of the people of Africa
  - Integrate Africa
  - Industrialize Africa
  - Feed Africa
Sectors in the syndication pipeline are generally infrastructure projects such as transportation, energy; and agricultural projects

Eligible counterparties are generally financial institutions, corporates, independently and commercially operated state owned enterprises, as well as greenfield and brownfield projects

Commercial viability is a key issue for the syndicated loan market.

- Financial projections must show profitable turnover to cover companies’ financial obligations

All projects must meet the AfDB’s environmental and social requirements

All projects will go through a due diligence processes covering environmental, legal, technological, social aspects.

The Bank’s loans can be up to 33% of total project costs.
1.2 SYNDICATIONS: A/B LOANS

**A/B Loans**

- Acting as Lender-of-Record, the Bank lends to a borrower;
- Keeps/commits to the A-loan portion for its own book (the A-Loan); and offers participations to commercial investors (the B-Loan);
- B lenders benefit from the Preferred Creditor Status;
- One loan agreement, AfDB is lender of record for entire A/B loan;
- B Loan Participation Agreement transfers all risks to B lender.

**A/B Loans**

- To leverage up the Bank’s capital investment to a single project;
- To facilitate the entry of commercial co-financiers;
  - B-lenders benefit from the Bank’s PCS and immunities and privileges through the B Loan Participation Agreement;
- To provide the necessary risk mitigation to achieve a bankable transaction structure for the B Loan lenders.

**Illustration of A/B loan structure**

- **Borrower via A/B Loan**
  - **AfDB - Lender of Record (One Agreement)**
  - **ADB B Loan**
  - **B Loan Participation Agreement**
  - **Participant 1**
  - **Participant 2**
  - **Participant 3**
  - **AfDB A-Loan**

- **Disbursements**
- **Debt Service**

**A-Loan** is the amount of the Loan that AfDB has agreed to keep for its own credit.

**B-Loan** is the portion of the Loan that is syndicated to commercial financial institutions.
1.2 SYNDICATIONS – PREFERRED CREDITOR STATUS

The Bank enjoys **Preferred Creditor Status (PCS)**

- Bank’s loans have preferential access to foreign exchange in the event of foreign exchange crisis in RMCs – strong mitigant to “Transfer and Convertibility Risk”
  - For example, in case of a default or a near default of a country on its financial obligations, it may restrict the private sector access to foreign currencies but this restriction will not apply in case the money is meant for the repayment to the Bank.

- For public sector exposures, repayment to the Bank generally takes precedence over other creditors in the event of sovereign default

**A/ B-loan structure** extends **PCS** to participating banks under the B loans extended by the Bank
1.3 SYNDICATION – PARALLEL FINANCING

Parallel Financing

- Various FIs lend under parallel facility agreements all coming under harmonized contractual arrangements, the Common Terms Agreement (“CTA”)

Rationale

- To partner with financial institutions including DFIs and ECAs to separately deliver financing to the project
- Individual loan agreements required to explicitly refer to individual policies and privileges embedded in each DFIs charter
## 1.4 SYNDICATIONS – OVERVIEW OF TERMS

### Characteristics

<table>
<thead>
<tr>
<th>Lending terms</th>
<th>Lending Rate</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grace period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing formula</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Front-end fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment Fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraisal fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision fee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other fees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Eligibility**
- Public Sector Companies in all RMCs without a sovereign guarantee; and Private Sector Companies in all RMCs

**Maturity**
- Depends on the underlying project and participant’s risk appetite

**Grace period**
- TBD

**Currencies**
- EUR, USD, JPY, ZAR

**Pricing formula**
- Base rate: Floating (6m Libor/Euribor, 3m Jibar) or Fixed (Amortizing swap rate)

**Base rate**
- A and B loan will carry the same type of interest

**Margin**
- Based on the project risk

**Front-end fee**
- 100 bps of loan amount at signature

**Commitment Fee**
- 50bps – 100bps of undisbursed amount

**Appraisal fee**
- Determined during appraisal

**Supervision fee**
- As needed

**Other fees**
- Arrangement and syndication fee, loan administration fee, underwriting fee...
### 1.3 SYNDICATION – SELECTED TRANSACTIONS

<table>
<thead>
<tr>
<th>Project</th>
<th>Year</th>
<th>Amount</th>
<th>Type</th>
<th>Participating Lenders</th>
<th>AfDB Funding</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Turkana</td>
<td>2014</td>
<td>EUR 475.5m</td>
<td>Project finance</td>
<td>Mandated Lead Arranger and Lender</td>
<td>USD 95.5m + USD 20m(PRG)</td>
<td>PFI Deal of the Year</td>
</tr>
<tr>
<td>Transnet</td>
<td>2016</td>
<td>eq. USD 657 million</td>
<td>A/B Loan</td>
<td>Mandated Lead Arranger and Lender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eskom</td>
<td>2017</td>
<td>USD 495m</td>
<td>Senior corporate loan</td>
<td>Mandated Lead Arranger and Lender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redstone</td>
<td>2019</td>
<td>ZAR 7.6 billion</td>
<td>Dual Tranche Term Loan</td>
<td>Mandated Lead Arranger and Coordinating Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana Cocoa Board</td>
<td>2020</td>
<td>USD 600m</td>
<td>Senior Lender and Arranger</td>
<td></td>
<td></td>
<td>Long-term facility</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dual Tranche Term Loan</td>
</tr>
</tbody>
</table>

- Participating lenders: Bank of China, Bank of Tokyo Mitsubishi, SMBC, Mizuho, HSBC London
- Participating lenders: Citibank, Bank of China, Bank of Tokyo Mitsubishi, + 6 lenders
- Participating lenders: DBSA, CDC, FMO DEG + 4 other lenders
- Participating lenders: DBSA, CDP, JICA, Credit Suisse + 8 other private lenders
3.1 IN-HOUSE CO-FINANCING FACILITIES
### 3.1 IN-HOUSE CO-FINANCING – FLAGSHIP FACILITIES

<table>
<thead>
<tr>
<th>Funding Resource</th>
<th>Description</th>
<th>Use of Available Resources</th>
<th>Available Resources/Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated Co-financing Facility for Africa (ACFA)</td>
<td>Co-financing agreement with Japan International Cooperation Agency (JICA) under the Enhanced Private Sector Assistance Initiative.</td>
<td>Co-financing for selected African Countries on comparable or better terms.</td>
<td>USD 2.8 billion available under EPSA IV</td>
</tr>
<tr>
<td>Private Sector Investment Facility</td>
<td>Co-financing agreement with Japan International Cooperation Agency (JICA) under the Enhanced Private Sector Assistance Initiative</td>
<td>Co-financing for selected non-sovereign operations in African countries on concessional terms.</td>
<td>USD 2.8 billion available under EPSA IV</td>
</tr>
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<td>Africa Growing Together Fund (AGTF)</td>
<td>Special Fund with Foreign exchange reserves from the People’s Bank of China.</td>
<td>Joint co-financing for the Bank Sovereign and Non-Sovereign projects (80/20 split).</td>
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<td>Over EUR 980 million approved (Regional offices pivotal to obtaining these approvals)</td>
</tr>
</tbody>
</table>
### 3.1 IN-HOUSE CO-FINANCING – FLAGSHIP FACILITIES

<table>
<thead>
<tr>
<th>Funding Resource</th>
<th>Description</th>
<th>Use of Available Resources</th>
<th>Available Resources to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Development Bank (IsDB)</td>
<td>Co-financing Agreement with the Islamic Development Bank Group</td>
<td>Co-financing of sovereign and non-sovereign projects in common member countries with</td>
<td>Target of USD 1 billion for co-financing for each institution</td>
</tr>
<tr>
<td>Nigeria Trust Fund (NTF)</td>
<td>Self-sustaining revolving fund to co-finance public and private sector projects from ADF countries</td>
<td>Concessional and non-concessional financing terms</td>
<td>USD 50 million</td>
</tr>
<tr>
<td>Korea Economic Development Cooperation Fund</td>
<td>Co-financing Agreement with the Government of Korea (Exim Bank)</td>
<td>Parallel co-financing in African Countries</td>
<td>USD 455 million</td>
</tr>
<tr>
<td>Fund for African Private Sector Assistance (FAPA)</td>
<td>Multi-donor Trust Fund of the Bank, Japan and Austria.</td>
<td>Untied grants for technical assistance and capacity building</td>
<td>USD 25m</td>
</tr>
</tbody>
</table>
THANK YOU

Contact:
Syndications | Co-financing
FIST1@AFDB.ORG
Opportunities and Success Stories of the Private Sector Participation in Energy Sector of Africa

Webinar for the Asian Private Sector on Doing Business in Africa, September 2020
WHO WE ARE
Established in 2015, the Power, Energy, Climate and Green Growth Complex is an institution to achieve the New Deal on Energy For Africa to provide energy access to over 600 m people who cannot access to the electricity. It is aligned with one of the High 5s, “Light Up and Power Africa”.

- Provide financing solutions to the private sector transactions
- Provide Technical Assistance on policy and regulation
- Analyze power sector information and data
- Develop the transmission and generation systems in Public Sector
- Provide deep sector technical expertise to utilities to drive them to corporate efficiency
- Mobilize climate and environmental finance
- Strengthen the capacities of Africa’s climate data centers to disseminate climate information for development in Africa
- Off-Grid and Mini-Grid transactions
- Business development in the sectors of Renewables and Energy Efficiency and Clean Cooking
- Financial Solutions, Policy and Regulation
- Power Systems Development
- Climate Change and Green Growth
- Renewable Energy and Energy Efficiency

Source: African Development Bank
Beyond Financial Assistance, Our Approach Comes with Added Value

| Sector expertise | • Extensive knowledge gained from long-term sector engagement  
|                  | • In-house engineers to provide technical advisory and regulatory experts to assess regulatory risk and structure accordingly |
| Country risk mitigation | • Strong government relations  
|                  | • Honest broker role  
|                  | • Synergies with other complexes and regional offices of the AfDB Group |
| Access to full cycle capital | • As the AfDB’s Energy Complex’ arm, we can leverage the Bank’s funds and seamlessly deliver financial products according to company maturity and project’s stage |
| Patient capital | • Long-term investment horizon  
|                  | • Impact capital |
| Regional networks | • With a regional network across stakeholders, we can introduce companies to co-investors, potential clients and other strategic partners |

Source: African Development Bank
Complementary Special Financial Instruments

**TECHNICAL ASSISTANCE**
- Grants for early stage project development and capacity building support (SEFA)
- Sovereign programs with advisory services
- Climate finance-linked technical assistance

**SPECIAL FUNDS**
- **Facility for Energy Inclusion (FEI: On-grid and off-grid)**
  - On Grid: Small-scale IPPs, captive power, commercial & industrial projects and mini-grids
  - Off Grid: Off-grid solar companies using pay-as-you-go technologies or lease-to-own models

- **Sustainable Energy Fund for Africa 2.0 (SEFA)**
  - Operational focus on **Green Baseload, Energy Efficiency, and Green Mini-Grid**
  - Project preparation grant for developers (feasibility studies, ESIA, etc.)
  - Concessional financing (loan, equity, result-based grant)

- **Green Climate Fund (GCF), Climate Investment Funds (CIFs), Global Environment Facility (GEF)**
  - Aim to build resilience to climate change and support transition to green growth in Africa
  - Provide concessional debt and other instruments to enhance project bankability
  - Stronger targeting for innovative projects in high-risk settings
  - Application via AfDB as an Accrediting Entity

Source: African Development Bank
RESOURCES AND ENERGY MARKET IN AFRICA
Africa is “Rich” in Energy Resources

Africa cannot power its homes and businesses unless it realizes this huge renewable energy potential, and combines it where necessary with conventional energy to “light up and power” the continent.

Dr. Akinwumi A. Adesina, President of AfDB

Source: Atlas of Africa Energy Resources
Renewables play a leading role in expanding generation, capitalizing on abundant natural resources and falling technology costs (e.g. Scaling Solar Program in Ethiopia: USD 2.5 cents /Kwh).

Natural Gas remains a strong option for generation. Natural Gas can help satisfy the growing appetite for baseload electricity and complement the rapid expansion of renewables.

No increase for coal due to the climate concerns.
Rapid Developments in Off-Grid Solution Over the Past 5 years


In 2011, only 2 million were served by off-grid solution and it is over 60 million in 2017.

Sources: IRENA OFF-GRID RENEWABLE SOLUTIONS, AfDB
A Wave of New Gas Opportunities is Coming in SSA

Africa, will become a **major player** in natural gas market as a **producer, consumer** and **exporter**. The newly **discovered gas** in Mozambique, Tanzania, Mauritania & Senegal as well as **South Africa** brings huge potential to enhance Africa’s position in the global gas market.

**Opportunities exists in the gas value chain for Asian Stakeholders** particularly in relation to **shipping technology**.
- Liquefied Natural Gas (LNG) /Floating LNG (FLNG), **LNG carrier**, Pipeline, Regasification, **Floating Storage Regasification Unit (FSRU)**, Petrochemical Plants, Generation Plants, Fertilizer, etc.
- Opportunities: FLNG: Congo Brazzaville, Mauritania/Senegal; FSRU: Benin, EQ Guinea, Ivory Coast, Namibia, SA.

**Gas projects recently involved by Asian stakeholders:**
- **MOZ Area 1**: LNG carriers to be built by **Hyundai Heavy Ind.** and Samsung Heavy Ind.;
- **MOZ Area 4**: **CNPC** has 20% shares in the project company through J/V with Exxon and ENI.
- **MOZ Coral South FLNG (Area4)**: **Samsung Heavy Ind.** is EPC consortium with Technip-JGC ;
- **Nigeria Bonny Island (Train7)** : **Daewoo E&C** has been awarded as EPC contractor;
- **Ghana Tema FSRU**: FSRU is constructed by **Jiangnan Shipyard**

Sources: African Energy Outlook 2020, Investing in Natural Gas for Africans: Doing Good and Doing Well, AfDB
Value chain opportunities from “Exploration” to “Power Plant Development” involving Supply & Service of Rigs and Steam Gathering Systems; Supply of Turbines; O&M Services; Technical consultancy services; Civil work.

Successful Case: In 2015, Hyundai E&C in alliance with TTC completed Olkaria IV (280MW) as a public sector project.

IPPs trend and opportunities:

Kenya: Olkaria III (139MW) is “only” IPP operated by Ormat.
- Menengai (35MW X 3): F/C is expected from Quantum, Sosian or Ormat;
- Olkaria VI (140MW): KenGen is processing to award a winner from 5 bidders;
- Olkaria VII (140MW): Exploration is currently on-going (Future IPP);
- Bogoria-Silali (100MW): Exploration is on-going (Future IPP);
- Akira I (70MW X 2): Under development by IPP

Ethiopia:
- Tulu Moyo (50MW+100MW): PPA signed by Meridiam and Reykjavik Geothermal;
- Corbetti (50MW+100MW): PPA signed by ARREF and Reykjavik Geothermal;
- Fantale (50MW): PPA negotiation is to be followed by exploration.

AfDB’s Roles: Public financing at exploration stage; Partial Risk Guarantee (PRG) to IPPs; Debt financing to IPPs; Mobilizing concessional loan to IPPs.

Source: African Development Bank

Other potential countries: Djibouti (1000MW), Uganda (450MW), Tanzania (500MW), Comoros (30MW)
Recent trend in renewable energy IPP procurement:
  • South Africa REIPPP
  • Scaling Solar Program (Zambia, Senegal, Madagascar, Ethiopia)
  • GETFiT Program solar and mini-hydro (Uganda, Zambia, Mozambique)
  • Solar PV IPP procurement in Egypt, Tunisia, etc.

Emerging focus on Battery Storage in support of Green Baseload:
  • South Africa ESKOM battery storage
  • Regional power pool (e.g. WAPP)

Highlight: Zambia Renewable Energy Financing Framework
In collaboration with the Green Climate Fund (GCF), AfDB aims to finance up to 100 MW of small-scale solar PV and mini-hydro projects selected under the GETFiT Zambia Program

Source: African Development Bank
Facility for Energy Inclusion (FEI)

- The **Facility for Energy Inclusion (FEI)** is a USD 500m debt financing platform anchored by the African Development Bank for small-scale projects from private sector companies, with the objective to aggregate capital; structure bankable projects; and accelerate development of electricity access solutions using clean energy.
  
  - First close in November 2019
  - Small-scale IPPs, captive power projects, commercial & industrial projects and mini-grids
  - Investment limit at USD 30m or 25MW for projects
  - Long-term amortizing loans in project finance structures (senior and subordinated) and technical assistance reimbursable grants for late stage projects
  - EUR, USD or local currency, with a tenor up to 15 years

**Example 1: BBOXX RWANDA**
USD 8 m loan in Rwandan Francs secured by inventory, to finance consumer receivables.

**Example 2: SUNCULTURE KENYA**
USD 2.25 m inventory financing operation for a based-technology company leader in solar water pumps and irrigation solutions for smallholder farmers

- Operational since Q3 2018
- Off-grid solar companies using pay-as-you-go technologies or lease-to-own models
- Debt for working capital, inventory finance and consumer finance from USD 2m to USD 20m
- Corporate, secured or senior loans to SPVs in asset-backed structures (securitization)
- EUR, USD or local currency, with a tenor up to 5 years

Source: African Development Bank
Green Mini-Grids (GMGs)

- Driving the creation of a sustainable mini-grid market to achieve universal access, AfDB is positioned as a credible advisor and advocate, as well as financing partner capable of mobilizing investment resources at scale for mini-grids investments.

**Highlights**

- **Ethiopia**: USD 15 million sovereign loan saving (Africa Development Fund) re-allocated/approved to finance mini-grids in 25 villages.

- **DRC Programme**: USD 20 million senior loan for the DRC green mini-grid program approved along with GCF’s USD 20 million co-financing.

- **GMG Market Development Programme**: Critical market support services e.g. GMG help-desk for mini-grid developers, production of market studies.
  - **Expanding to new countries**: engagement initiated in Togo, Guinea, Madagascar, and Angola all with strong partnerships with GIZ, WB, BOAD, and/or AfDB wider operations.

- **Results Based Finance (RBF) grant/reimbursable grant instrument**: under development to be deployed for first time in Togo and DRC in 2020.

Source: African Development Bank
SUCCESSFUL CASES BY ASIAN STAKEHOLDERS
Successful Case 1: AZITO-3 Combined Cycle Plant

The Project

Development of 430MW plant in Abidjan in Côte d’Ivoire being expanded from single-cycle, to a combined-cycle power plant. The plant provides 25 percent of the country’s electricity capacity. The sponsor is Globeleq, a British developer.

Asian Stakeholder’s Role

- **Hyundai E&C** is the EPC contractor and is responsible for the design, construction and commissioning of the expansion project on a turnkey basis.
- The plant is successfully completed in 2015.
- During the peak of construction, the plants created more than 1,300 jobs of which more than 60 percent were met by local employment.

Key Figures

<table>
<thead>
<tr>
<th>Total Project Cost</th>
<th>USD 450 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB Senior Loan</td>
<td>USD 50 million</td>
</tr>
<tr>
<td>AfDB Board approval</td>
<td>Dec, 2012</td>
</tr>
</tbody>
</table>

Source: African Development Bank, Azito Engie
Successful Case 2: Mozambique LNG Project (Area 1)

The Project

• **LNG development (13 mtpa)** with gas resource from Golfinho-Atum field within “Area 1”, at the coast of Northern Mozambique. Total is an operator.

• An **exemplary project** linking **between Africa** and **Asia** in terms of trading, investment, financing and equipment, contributing the **development** in Mozambique and the southern Africa region.

Asian Stakeholder’s Role

• More than 50% of gas will be supplied to **Japan, China, India, and Indonesia, etc.**

• **Mitsui & Co.** and **JOGMEC** having 20% of share along with **ONGC, Bharat Petroleum** and **Oil India** having combined 30% interest in consortium.

• Financed by **JBIC** (USD 3 Billion) and commercial banks covered by **NEXI** with USD 2 billion loan insurance.

• LNG carriers are to be built by **Hyundai Heavy Ind.** and **Samsung Heavy Ind.**

Key Figures

<table>
<thead>
<tr>
<th>Total Project Cost</th>
<th>USD 20 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfDB Senior Loan</td>
<td>USD 400 million</td>
</tr>
<tr>
<td>AfDB Board Approval</td>
<td>Nov, 2019</td>
</tr>
</tbody>
</table>

**AfDB’s Role**

Only DFI Participation, Political Mitigation Role, TA to enhance local content/governance.

Source: African Development Bank
THANK YOU!

Naoshige Kinoshita
Chief Investment Officer, Energy Financial Solutions, Power, Energy, Climate and Green Growth,

Namho Oh
Senior Investment Officer, Renewable Energy and Energy Efficiency, Power, Energy Climate and Green Growth,
FINANCING THE PRIVATE SECTOR TO BOOST AGRICULTURE TRANSFORMATION IN AFRICA

Nanette Derby
Agriculture and Rural Finance Division
23 September 2020
# The Feed Africa Strategy

## Agricultural Transformation in Africa

<table>
<thead>
<tr>
<th>Vision</th>
<th>Transformation of African agriculture into a competitive and inclusive agribusiness sector that creates wealth, improves lives, and secures the environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Contribute to the end of extreme poverty</td>
</tr>
<tr>
<td>2</td>
<td>Eliminate hunger and malnutrition</td>
</tr>
<tr>
<td>3</td>
<td>Become a net exporter of agricultural commodities</td>
</tr>
<tr>
<td>4</td>
<td>Move to the top of key agricultural value chains</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Gain ‘fair share’ of export-oriented commodity value chains</td>
</tr>
<tr>
<td>Outputs</td>
<td>Large-scale dissemination of productivity-increasing tech, inputs, and capital</td>
</tr>
<tr>
<td>Enablers</td>
<td>Increase realized productivity</td>
</tr>
</tbody>
</table>

Coordinate activities to kick start and scale transformation
The strategy for agricultural transformation in Africa will focus on selected priority Agricultural Value Chains and related Agro-Ecological zones based on key criteria.

### Criteria for Agricultural Value Chain Prioritization

<table>
<thead>
<tr>
<th>Future Demand</th>
<th>Competitive Advantage</th>
<th>Scope for transformational uplift</th>
<th>Potential to nourish Africa</th>
<th>Existing focus</th>
</tr>
</thead>
</table>
Agriculture Financing
... Catalyzing Private Sector Investment

Risk mitigations:
- RSFs; Insurance solutions; funded DFIs

Dedicated vehicle (PF, CIF) with adapted processes and risk assessment

Crowding: Use of Private Equity funds as indirect vehicles

Corporate transaction to large groups and commodity traders' network

Support of REC initiatives through TAs

Blended financing solution (ADF, ADB, TA fund)

Financing agriculture supporting solutions

WORK WITH THE PRIVATE SECTOR

TO TRANSFORM AGRIC VALUE CHAINS

Large International Corporates

Large and Mid-Sized Africa-Based Companies

Agriculture SME and Operators

Specific Private Equity Funds
Agriculture Financing
... Our Value Proposition

- Local currency options
  - Reduce clients foreign exchange risk and promote domestic capital market development
- Mobilization of capital
  - Through its many partners and deep relationships we enable the mobilization of additional capital
- Long-term relationship
  - We build long-term relationships with our clients, which allows them to consistently get assistance from the Bank
- Long term maturity
  - The maturity of our loans are usually longer than commercial terms and includes a grace period (from 2 to 5yrs) to reflect project’s needs
- Dedicated Agricultural Finance Division
  - This team of agricultural experts focus solely on investing in Agricultural companies which leads to more deals and financing in the sector
- Strong presence
  - Strong presence across Africa through RMC offices with deep understanding of local context
- Local currency options
  - Reduce clients foreign exchange risk and promote domestic capital market development
The Feed Africa Portfolio

• Commitment
  USD 994 M
- Senior Loan 17%
- Equity 14%
- Partial Credit Guarantee 2%
- Technical Assistance 67%

• Sector
  Diversified
- Diversified Agro 7%
- Cocoa 7%
- Flour 7%
- Forestry 7%
- Rice 7%
- Aquaculture 7%
- Bioenergy 7%
- Rubber 7%
- Oil 7%

• Region
  Multinational
- West Africa 33%
- Central Africa 7%
- East Africa 7%
- South Africa 48%

Note: based on the 2007-2019 NSO transactions, sector breakdown only for Senior Loans
Case Study 1

Ghana Cocoa Board (COCOBOD)
Long-term receivables-backed facility

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Deal Size</th>
<th>Signing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>Cocoa</td>
<td>USD 600 M</td>
<td>2019</td>
</tr>
</tbody>
</table>

Borrower of Strategic Importance
COCOBOD is a 100% state-owned entity responsible for regulating the cocoa industry and for the sole exporter of raw cocoa beans in the country.

Project Description
Financing key components of COCOBOD Productivity Enhancement Programmes (PEPs) - a set of measures that will improve productivity per hectare and increase cocoa production levels well above 1 million tonnes per year.

Expected Development Outcomes
- Increase of 450kg to 1,200 kg per hectare thereby resulting in a commensurate increase in overall incomes impacting on the livelihoods of 800,000 farmers
- 45,000 Hectares (Ha) of farms irrigated
- 156,400 Ha of ageing and diseased farms rehabilitated
- 90,000 youth trained
Syndicated dual tranche term loan comprising a USD 250 M 7-year tranche (the “DFI Tranche”) and up to USD 350 M five-year tranche (the “Commercial Tranche”).

Global investor interest - US, Europe, Asia and Africa

Long term tenure international financing to meet the sector’s long-term investment needs

Blended finance of concessional donor funds with commercial development financing and other commercial financing
Case Study 2

African Agriculture Impact Investments
Partial Credit Guarantee

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Deal Size</th>
<th>Signing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>Agribusiness</td>
<td>USD 120 M</td>
<td>2020</td>
</tr>
</tbody>
</table>

Borrower - An Impact Investor
African Agriculture Impact Investment Ltd (Mauritius) which establishes a Structured Finance Company which will issue agri-linked notes up to EUR 100 M (circa USD 120 M) to European Pension Funds. The Bank’s PCG will guarantee the notional amount of the Notes.

Project Description
The project will leverage AfDB’s Partial Credit Guarantee to catalyze the deployment of European pension and asset management funds as well local pension funds into Africa’s agriculture sector.

Expected Development Outcomes
• Regional integration and economic resilience through import substitution, improved intra-African trade and foreign exchange earnings;
• Creation of over 8,000 direct jobs of which 65% will be jobs for youths and 35% of the jobs will be held by women;
• Additional employment through second-party service providers
Project structuring details

The Structured Finance Company will issue agri-linked Notes up to EUR 100 million (USD 120 M) with a maturity of 15 years.

The AfDB will issue a guarantee to cover Nominal Amount of the Notes at redemption in year 15. The SFC will issue an indemnity to AfDB indemnifying the liability under the Guarantee.

The proceeds of the Notes will be combined with assets from two other pools – from regional pension funds (worth USD 75 M) - into a pool of ring-fenced capital assets of at least USD 195 million in the underlying Pooling Mechanism or

The SPV will then invest this pool of capital in a diversified portfolio of Agricultural Farm Land Assets and its related agricultural infrastructure in Africa.

Each portfolio company in which the pooling mechanism invest will be ring-fenced as a special purpose vehicle to limit liabilities and maximize returns for investors.

The SPV structures also allow for potential investments from local investors such as African pension and sovereign wealth funds, through direct co-financing.

long-term capital mobilized for the African agriculture sector
Thank you