Overview of the African Development Bank Group

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

President Dr. Akinwumi Adesina

APPROVAL BY SECTOR IN 2019

- **Energy:** 23%
- **Agriculture:** 15%
- **Multisector:** 14%
- **Finance:** 12%
- **Social:** 4%
- **Water:** 5%
- **Transport:** 25%
- **Other:** 2%

In 2019, 293 operations totaling USD 10.1 billion were approved.
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
African Development Bank & Japan

**African Development Bank & Japan**
- **AfDB**
  - Joined in February 1983
  - Non-concessional loan to the middle-income countries and the private sector
- **ADF**
  - Joined in June 1973
  - Concessional funding to the least developed African countries

Japan-Africa Business Forum (JABF)
- Knowledge sharing and networking opportunity to promote business and investment between Japan and Africa
- Panelists including Ministers, high level officers of public sector, business leaders and academics

**JABF2014**: 10-11 June, 2014
- Participants: More than 1,000
- Theme: Succeeding In Africa: Unlocking Growth & Opportunities

**JABF2017**: 25-26 July, 2017
- Participants: More than 1,500
- Theme: Investment and Business Opportunities with Africa
  - Senior Vice President Boamah attended
  - Business matching: 118 meetings

**JABF2021**: tbc

Enhanced Private Sector Assistance for Africa (EPSA)
- Partnership between AfDB and Japan, USD6billion in total from 2005 to 2019
- Comprehensive support for the private sector in Africa to urge economic growth and reduce poverty

**Three Components**
- **ACFA**: Sovereign co-financing arrangement between AfDB and JICA
- **NSL**: Line of credit from JICA to AfDB on concessional terms for financing to the private sector
- **FAPA**: Multi-Donor Trust Fund for technical assistance and capacity building to the private sector in Africa

**EPSA4**
- Announced a joint target of $3.5 billion for 3 years (2020-2022) at TICAD7

Asia External Representation Office
- Established in October 2012 in Tokyo
- AfDB’s first representation outside Africa
- Covers the 4 Asian Member Countries; China, India, Japan and Korea

**Mission**
- Promoting external partnership & dialogue, innovative approaches to business & investment, and knowledge dissemination & exchange, all of which contribute to the mobilization of resources for the Bank’s Ten-Year Strategy and five development priorities known as “the High 5s”

Japan Africa Dream Scholarship Program (JADS)
- Providing two-year scholarship awards to African graduate students to enable them to undergo post-graduate studies in energy, agriculture, health, environmental sustainability, and engineering
- Initiated in 2017 by utilizing Japan’s trust fund; PHRDG
- Promoting inter-university collaboration and university-industry partnerships between Japan and Africa

**TICAD7**
- August 2019 in Yokohama
- President Adesina, VP Sherif, VP Blanke, VP Monga, and VP Tshabalala in attendance
- Dr. Adesina called investment to Africa at Plenary 3
- Organized side event, Innovation towards Human Capital Development for Africa
- Dr. Adesina attended side events organized by JETRO, STS Forum, Sasakawa Africa Fund
- Launch ceremony of EPSA4

As of December 2019

- Japan Africa Dream Scholarship Program (JADS)
  - First since 2017
  - 110 students from 18 countries

Japan
- Nigeria 9.3%
- USA 6.6%
- Egypt 5.6%
- South Africa 5.0%
- Japan 5.5%
- Other 68%

Other 68%

Nigeria 9.3%
USA 6.6%
Egypt 5.6%
South Africa 5.0%
Japan 5.5%

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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
     - Deal Advisory
     - Digital Platform with a live database of Private/PPP deals
   - ENGAGE
     - Investor Mobilization & Engagement
     - Partners Engagement
     - Investment Roundtables
     - Investor Blast Mechanism
     - Virtual Boardrooms

2. **The Market Place**
   - CONNECT
   - ENGAGE
     - Public Sessions

3. **The Market-Days**
   - CONNECT
   - ENGAGE
     - Business-to-Business (B2B) Meetings
   - CLOSE
     - Entrepreneur (Start-ups) Pitching Sessions
   - TRACK
     - Deal Gallery

4. **The Deal Tracker**
   - CONNECT
   - ENGAGE
     - Review of Boardrooms’ outcomes
     - Periodic update meetings with Project Sponsors
     - Investor engagement
   - 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>USD 67.7 bln (Value of deals discussed in Boardrooms)</td>
<td>19 public sessions, 22 press conferences</td>
</tr>
<tr>
<td>4 Heads of State/Government (Ghana, Mozambique, Rwanda, South Africa)</td>
<td></td>
<td>31 deals valued at USD 5.2 bln curated for Marketplace B2Bs</td>
<td>Over 2,500 news articles and pick ups; 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 USD76.4 mln</td>
<td>1.3 million Twitter impressions</td>
</tr>
<tr>
<td>698 Investor Participation</td>
<td>USD24.6 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 remains - 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
The African Development Bank (AfDB) is hosting a webinar for the Japanese private sector on doing business in Africa.

Thank You!

English: https://www.afdb.org/en
日本語: https://afdb-org.jp/
<table>
<thead>
<tr>
<th></th>
<th>What is EPSA</th>
<th>Basic Information about ACFA</th>
<th>Special Features on EPSA 4</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td></td>
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<tr>
<td>02.</td>
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<tr>
<td>03.</td>
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<td></td>
</tr>
<tr>
<td>04.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
I. What is EPSA?

1-1. What is **EPSA** (**E**nhanced **P**rivate **S**ector **A**ssistance)

1-2. **ACFA** (**A**ccelerated **C**o-**F**inancing **F**acility for **A**frica)

1-3. **PSIF** (**P**rivate-**S**ector **I**nvestment **F**inance)

1-4. **FAPA** (**F**und for **P**rivate **S**ector **A**ssistance)

1-5. **NSL** (**N**on - **S**overeign **L**oan)
I. What is EPSA?

I.1 What is EPSA?

A framework for resource mobilization and development partnership between AfDB and Government of Japan

- The Enhanced Private Sector Assistance (EPSA) Initiative is an innovative, multi-component, multi-donor framework for resource mobilization and development partnership to support implementation of the African Development Bank (AfDB) Strategy for Private Sector Development.

- Drawing on successful development experience in Asia and around the globe, EPSA was conceived in partnership with the Government of Japan (GOJ), which has provided generous financial support to its implementation since 2005

Website
I. What is EPSA?

I.1 What is EPSA?

Announced July 2005 Gleneagles G8 Summit

EPSA1

1 billion USD over 5 years (2007-2011) from Japan

Announced May 2012 Camp David G8 Summit

EPSA2

2 billion USD over 5 years (2012-2016) from Japan

Announced August 2016 TICAD 6

EPSA3

3 billion USD over 3 years (2017-2019) from Japan and AfDB (joint target)

Announced August 2019 TICAD 7

EPSA4

3.5 billion USD over 3 years (2020-2022) from Japan and AfDB (joint target)

A new co-financing facility has been established: Private-Sector Investment Finance (PSIF).
I. What is EPSA?

1.2 ACFA (Accelerated Co-financing Facility for Africa)

- ACFA is one of the major components under EPSA, with recent announcement at TICAD 7 that both AfDB and JICA will jointly target **3.5 billion USD in 3 years** (including the PSIF for private sector operations from 2020).

- It is a co-financing facility for **sovereign projects** (normally infrastructure projects or in some cases program loans)

- It has 2 co-financing schemes: **joint and parallel**. For joint projects, AfDB functions as Lender’s Agent on behalf of JICA.

- AfDB and JICA signed a general MOU and agreed on **ACFA Guidelines** (and Technical Annex) which was revised in 2012 and further revised in 2019.

- JICA has made special arrangement for ACFA projects **under preferential terms and conditions**.

- For the Recipient Government, co-financing under ACFA can **maximize the ADF allocation threshold** with AfDB.
1-2. Approved ACFA Projects so far

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>Project</th>
<th>Sector</th>
<th>Approval Date (JICA)</th>
<th>Total Project Cost</th>
<th>JICA JPY million</th>
<th>JICA USD million</th>
<th>AfDB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Senegal</td>
<td>Road Improvement and Transport Facilitation Program on the Southbound Bamako-Dakar Corridor (Bank: Senegal, Mali)</td>
<td>Transport</td>
<td>31-Mar-06</td>
<td>293.13</td>
<td>960</td>
<td>8.60</td>
<td>87.20</td>
</tr>
<tr>
<td>2</td>
<td>Tanzania</td>
<td>Arusha – Namanga – Athi River Road Development Project (Bank: Tanzania, Kenya)</td>
<td>Transport</td>
<td>9-Mar-07</td>
<td>147.09</td>
<td>6,857</td>
<td>59.11</td>
<td>53.28</td>
</tr>
<tr>
<td>3</td>
<td>Mozambique</td>
<td>Montepuez – Lichinga Road Project</td>
<td>Transport</td>
<td>19-Mar-07</td>
<td>107.86</td>
<td>3,282</td>
<td>29.45</td>
<td>44.97</td>
</tr>
<tr>
<td>4</td>
<td>Uganda</td>
<td>Bujagali Interconnection Project</td>
<td>Energy</td>
<td>30-Oct-07</td>
<td>74.70</td>
<td>3,484</td>
<td>28.63</td>
<td>28.63</td>
</tr>
<tr>
<td>5</td>
<td>Cape Verde</td>
<td>Power Supply, Transmission and Distribution Project in Santiago</td>
<td>Energy</td>
<td>25-Mar-08</td>
<td>49.29</td>
<td>4,468</td>
<td>37.86</td>
<td>7.28</td>
</tr>
<tr>
<td>6</td>
<td>Cameroon</td>
<td>Transport Facilitation Program for the Bamenda-Enugu Corridor (Bank: Cameroon, Nigeria)</td>
<td>Transport</td>
<td>31-Mar-09</td>
<td>455.08</td>
<td>4,540</td>
<td>44.99</td>
<td>336.80</td>
</tr>
<tr>
<td>7</td>
<td>Mozambique</td>
<td>Nacala Corridor Phase I (Bank: Mozambique, Malawi)</td>
<td>Transport</td>
<td>10-Mar-10</td>
<td>287.51</td>
<td>5,978</td>
<td>60.00</td>
<td>150.73</td>
</tr>
<tr>
<td>8</td>
<td>Uganda</td>
<td>Nile Equatorial Lakes Countries Interconnection line (Bank: Burundi, Rwanda, Uganda, Kenya)</td>
<td>Energy</td>
<td>26-Mar-10</td>
<td>272.23</td>
<td>5,406</td>
<td>61.23</td>
<td>199.01</td>
</tr>
<tr>
<td>9</td>
<td>Tanzania</td>
<td>Road Sector Support Project</td>
<td>Transport</td>
<td>31-May-10</td>
<td>357.96</td>
<td>7,119</td>
<td>76.12</td>
<td>235.94</td>
</tr>
<tr>
<td>10</td>
<td>Tanzania</td>
<td>Iringa-Shinyanga Backbone Transmission Investment Project</td>
<td>Energy</td>
<td>13-Dec-10</td>
<td>478.94</td>
<td>6,048</td>
<td>64.51</td>
<td>68.49</td>
</tr>
<tr>
<td>11</td>
<td>Cameroon</td>
<td>The project to Strengthen and Extend the Electricity Transmission and Distribution</td>
<td>Energy</td>
<td>4-Mar-11</td>
<td>94.97</td>
<td>2,939</td>
<td>33.67</td>
<td>50.94</td>
</tr>
</tbody>
</table>

(Unit: million USD)

(Subtotal EPSA 1) 2,618.76 51,081 484.30 1,263.27
### 1-2. Approved ACFA Projects so far

<table>
<thead>
<tr>
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<th>Sector</th>
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<th>USD million</th>
<th>AfDB</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Cape Verde</td>
<td>Electricity Transmission and Distribution Network</td>
<td>Energy</td>
<td>30-Mar-12</td>
<td>90.66</td>
<td>6,186</td>
<td>78.11</td>
<td>13.48</td>
</tr>
<tr>
<td>13, 14</td>
<td>Botswana, Zambia</td>
<td>Kazungula Bridge Project (Joint, Parallel)</td>
<td>Transport</td>
<td>12-Oct-12</td>
<td>259.30</td>
<td>11,612</td>
<td>149.20</td>
<td>81.60</td>
</tr>
<tr>
<td>15</td>
<td>Tanzania</td>
<td>Road Sector Support Project II</td>
<td>Transport</td>
<td>8-Apr-13</td>
<td>342.44</td>
<td>7,639</td>
<td>96.20</td>
<td>225.31</td>
</tr>
<tr>
<td>16</td>
<td>Mozambique</td>
<td>Nacala Corridor Phase III (Parallel)</td>
<td>Transport</td>
<td>29-Nov-13</td>
<td>150.19</td>
<td>6,773</td>
<td>86.61</td>
<td>58.52</td>
</tr>
<tr>
<td>17</td>
<td>Cameroon</td>
<td>Batchengia Lena Road Development Project</td>
<td>Transport</td>
<td>7-Apr-15</td>
<td>514.87</td>
<td>6,264</td>
<td>53.16</td>
<td>229.70</td>
</tr>
<tr>
<td>18</td>
<td>Angola</td>
<td>POWER SECTOR REFORM SUPPORT PROGRAM (PSRSP)</td>
<td>Energy</td>
<td>17-Aug-15</td>
<td>1,200.00</td>
<td>23,640</td>
<td>200.00</td>
<td>1,000.00</td>
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<tr>
<td>19</td>
<td>Tanzania</td>
<td>Kenya-Tanzania Power Interconnection Project</td>
<td>Energy</td>
<td>15-Jan-16</td>
<td>309.26</td>
<td>11,847</td>
<td>98.23</td>
<td>159.06</td>
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<tr>
<td>20</td>
<td>Morocco</td>
<td>Green Morocco Plan Support Program</td>
<td>Agriculture</td>
<td>4-Mar-16</td>
<td>264.00</td>
<td>16,347</td>
<td>132.00</td>
<td>132.00</td>
</tr>
<tr>
<td>21</td>
<td>Rwanda</td>
<td>Rusumo-Kayonza Road Improvement Project</td>
<td>Transport</td>
<td>13-Jul-16</td>
<td>376.51</td>
<td>6,889</td>
<td>56.01</td>
<td>244.43</td>
</tr>
<tr>
<td>22</td>
<td>Ghana</td>
<td>Construction of a New Bridge across the Volta River on the Eastern Corridor Project (JICA Project Name - Parallel)</td>
<td>Transport</td>
<td>5-Dec-16</td>
<td>91.23</td>
<td>11,239</td>
<td>91.23</td>
<td>0.00</td>
</tr>
</tbody>
</table>

(Subtotal EPSA 1) 6,217.22 (Subtotal EPSA 1+2+3) 6,955.68  
(Subtotal EPSA 2) 2,144.10 (Subtotal EPSA 1+2) 3,598.46  
(Subtotal EPSA 1+2+3) 1,040.75 3,407.37  
(Subtotal EPSA 3) 738.47  
(Subtotal EPSA 1+2+3) 1,633.52 3,770.72  

<table>
<thead>
<tr>
<th>#</th>
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</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Cameroon</td>
<td>Yaounde-Brazzaville International Corridor Development Project (Maitom-Lek)</td>
<td>Transport</td>
<td>30-May-17</td>
<td>513.71</td>
<td>5,894</td>
<td>57.28</td>
<td>255.85</td>
</tr>
<tr>
<td>24</td>
<td>Burkina Faso</td>
<td>Gougnin – Fada NGourma Road Improvement Project</td>
<td>Transport</td>
<td>2-Mar-18</td>
<td>224.76</td>
<td>5,659</td>
<td>51.19</td>
<td>107.50</td>
</tr>
</tbody>
</table>

(Subtotal EPSA 3) 738.47 11,553 108.47 363.35  
(Subtotal EPSA 1+2+3) 9,555.68 171,090 1,633.52 3,770.72
I. What is EPSA?

I.3 PSIF (Private Sector Investment Finance): Debt & Equity

**DEBT**
- Corporate Loan
  - Agribusiness (upstream to downstream), Manufacturing, Social sector (Health, Education etc.), Infrastructure
- Project Finance
  - Power & Energy, Infrastructure such as Transport (port, airport, road, railway), Water and sewerage, Waste to Energy, Health etc.
- Financial Institutions (Bank Loan)
  - Local Tier 1 – Tier 2 banks outreaching to SMEs, MFIs, farmers and vulnerable people. Multi-project facility for climate change etc.

**EQUITY**
- Private Equity Investment
  - Ranging from early-stage to growth-stage
  - Strong justification of JICA participation required
- Fund Investment (Limited Partner)
  - Climate change (renewable energy, energy efficiency), SMEs, vulnerable regions/countries etc.

*Note: Mezzanine products (sub-debt, preferred equity, etc.) can be also considered.*
I. What is EPSA?

I.3 PSIF Criteria

| Partner (Client) | “Quality Company” (SDGs-aligned, ESG-centric etc.). Both private enterprises and sub-sovereign entities. |
| Purpose (Impact) | 1. SDGs (Sustainable Development Goals)  
2. Climate change  
3. Quality infrastructure |
| Supplement | Necessity to take more risks (tenor, price etc.) than commercial banks to supplement bankability/investability of the project |
| Japan Nexus | Certain Japan-nexus preferable but NOT must  
Strong development story is a big plus (or even prevail) |
| Use of Proceeds | CAPEX primarily required for development impact. CAPEX related WC may be considered together with CAPEX on a case-by-case basis. |
## I. What is EPSA?

### I.3 PSIF Major Terms (Debt)

| Amount | $10M - $150M as typical ticket size. Maximum amount of JICA loan should be equal to the lead co-financier (or, sometimes 70% of total project cost) |
| Currency | JPY, USD and EUR  
*Limited local currencies are also available through cross-currency swap operation* |
| Interest Rate | JPY: FILP Rate* + Margin (Fixed)  
USD: 6 month LIBOR + Margin (Floating)  
*Country risk premium is not included in the Margin* |
| Tenor | Up to 20 years (door to door: with grace period up to 5 years)  
*Generally longer than commercial loan especially for Corporate and FI Loan* |
| Repayment | Semi-annual repayments |
| Fees | Same rate of front end fee and any other fees applicable with co-financers. |
| Security | Standard and customary security package including financial covenants |
| Safeguards | Compliance with JICA’s Environmental and Social Guidelines |

* FILP (Fiscal Investment and Loan Program) Rate is long term low interest funding by the Japanese government to achieve policy objectives and utilized by Japanese official agencies such as JICA. Currently FILP rate for 10 years is 0.01% p.a.*
I. What is EPSA?

1.3 PSIF Major Terms (Equity)

<table>
<thead>
<tr>
<th>Amount</th>
<th>Max. 25% of total capital (PE) / fund size as a Minority Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5M - $20M as typical size for private equity investment</td>
</tr>
<tr>
<td></td>
<td>$10M - $50M as typical size for fund LP investment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Currency</th>
<th>No currency limitation in principle</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>EIRR</th>
<th>No explicit hurdle rate. To be determined by evaluating the level of risk.</th>
</tr>
</thead>
</table>

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<thead>
<tr>
<th>Exit Strategy</th>
<th>Exit Strategy is MUST and agreed among shareholders 5-7 years as typical investment period with various Exit Strategy e.g. strategic sale (put option), trade sale (M&amp;A), market sale (IPO) etc.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Necessity</th>
<th>Strong reason for JICA participation in case of private equity investment e.g. sovereign hook, business model that requires patient capital etc.</th>
</tr>
</thead>
</table>

| Safeguards       | Compliance with JICA’s Environmental and Social Guidelines             |
I. What is EPSA?

1.4 FAPA (Fund for African Private Sector Assistance)

- FAPA is a Trust Fund to support private sector development in Africa in line with the private sector development strategy of the AfDB.
- It was first established as a bilateral Trust Fund by GOJ in 2005, and was transformed into multilateral Trust Fund in 2010 with the participation of Austria.
- The current share of contribution is as follows:
- To date, there has been 82 projects totaling USD 66m.

<table>
<thead>
<tr>
<th>Country</th>
<th>Contribution (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>81.25m</td>
</tr>
<tr>
<td>AfDB</td>
<td>10.65m</td>
</tr>
<tr>
<td>Austria</td>
<td>2.65m</td>
</tr>
<tr>
<td>Interest &amp; Inv. Income</td>
<td>4.85m</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99.4m</td>
</tr>
</tbody>
</table>
I. What is EPSA?

I.5 NSL (Non - Sovereign Loan)

- NSL is back-financing to AfDB’s Non - Sovereign Operations on concessional terms.
- In principle, although the resources are pooled with the other financial resources of the Bank and subject to normal Bank processes, the Bank shall attribute the utilization of NSL proceeds to specific operations.
- Thus, the projects to be financed under this scheme need to be appraised by AfDB directly. (JICA does not have a relation to project formulations & operations.)
- NSL 7 of USD 300m eq. was signed between the Finance VP and JICA’s Director General for Africa on June 15th, 2017. (https://www.afdb.org/en/news-and-events/afdb-japan-international-cooperation-agency-sign-us-300-million-loan-for-enhanced-private-sector-assistance-17117/)
## 1-5. NSL (Non - Sovereign Loan)

**EPSA1=USD 500m**

<table>
<thead>
<tr>
<th>NSL</th>
<th>Project Name</th>
<th>Country</th>
<th>Type</th>
<th>Pillar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access Bank of Nigeria</td>
<td>Nigeria</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>2</td>
<td>Zenith Bank</td>
<td>Nigeria</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>3</td>
<td>Bujagali Hydroelectric Power Project</td>
<td>Uganda</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>4</td>
<td>Sahaniotvy Hydro</td>
<td>Madagascar</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>5</td>
<td>RASCOM</td>
<td>Regional</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>6</td>
<td>Access Bank*</td>
<td>Tanzania</td>
<td>EQ</td>
<td>FI/Micro</td>
</tr>
<tr>
<td>7</td>
<td>TCX*</td>
<td>Multinational</td>
<td>EQ</td>
<td>Fi</td>
</tr>
<tr>
<td>8</td>
<td>EASSy*</td>
<td>Multinational</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>9</td>
<td>BOAD*</td>
<td>Multinational</td>
<td>LOC</td>
<td>Fi</td>
</tr>
<tr>
<td>10</td>
<td>BCI*</td>
<td>Mauritania</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>11</td>
<td>EVHA (Health Fund)*</td>
<td>Multinational</td>
<td>EQ</td>
<td>FI/SME</td>
</tr>
<tr>
<td>12</td>
<td>Investrust*</td>
<td>Zambia</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>13</td>
<td>Lekki Toll Road*</td>
<td>Nigeria</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>14</td>
<td>Mauritania Leasing*</td>
<td>Mauritania</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>15</td>
<td>MPEF II</td>
<td>Multinational</td>
<td>EQ</td>
<td>FI/SME</td>
</tr>
<tr>
<td>16</td>
<td>Zanaco*</td>
<td>Zambia</td>
<td>LOC</td>
<td>FI/SME</td>
</tr>
<tr>
<td>17</td>
<td>Lake Harvest Aquaculture</td>
<td>Zimbabwe</td>
<td>LOAN</td>
<td>AGRI</td>
</tr>
<tr>
<td>18</td>
<td>RAF*</td>
<td>Regional</td>
<td>EQ</td>
<td>AGRI</td>
</tr>
<tr>
<td>19</td>
<td>Agri Vie</td>
<td>Regional</td>
<td>EQ</td>
<td>AGRI</td>
</tr>
<tr>
<td>20</td>
<td>Citadel Fund</td>
<td>Regional</td>
<td>EQ</td>
<td>FI</td>
</tr>
<tr>
<td>21</td>
<td>WAEMF*</td>
<td>Regional</td>
<td>EQ</td>
<td>FI/SME</td>
</tr>
<tr>
<td>22</td>
<td>Takoradi II Expansion</td>
<td>Ghana</td>
<td>LOAN</td>
<td>INFRA</td>
</tr>
<tr>
<td>23</td>
<td>SME APEX Facility*</td>
<td>Tunisia</td>
<td>LOAN</td>
<td>FI/SME</td>
</tr>
<tr>
<td>24</td>
<td>ATI*</td>
<td>Regional</td>
<td>EQ</td>
<td>FI/SME</td>
</tr>
</tbody>
</table>

**NSL 1** (USD 100m eq.)

**NSL 2** (USD 300m eq.)

**NSL 3** (USD 100m eq.)
## 1-5. NSL (Non - Sovereign Loan)

**EPSA2=USD 1000m**

<table>
<thead>
<tr>
<th>NSL</th>
<th>Project Name</th>
<th>Country</th>
<th>Type</th>
<th>Pillar</th>
<th>Amount (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 (Mar 2014)</td>
<td>OLAM</td>
<td>Multinational</td>
<td>LOAN</td>
<td>AGRI</td>
<td>80</td>
</tr>
<tr>
<td>4 (Mar 2014)</td>
<td>AFC</td>
<td>Regional</td>
<td>LOC</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>EADB*</td>
<td>Regional</td>
<td>LOC</td>
<td>FI/SME</td>
<td>40</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>EADB*</td>
<td>Regional</td>
<td>EQ</td>
<td>FI/SME</td>
<td>24</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>PTA Bank*</td>
<td>Regional</td>
<td>LOC</td>
<td>FI/SME</td>
<td>50</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>Afeximbank</td>
<td>Regional</td>
<td>LOC</td>
<td>FI/SME</td>
<td>150</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>BOAD*</td>
<td>Regional</td>
<td>EQ</td>
<td>FI/SME</td>
<td>4.18</td>
</tr>
<tr>
<td>5 (Oct 2014)</td>
<td>Africa SME Program*</td>
<td>Regional</td>
<td>LOC</td>
<td>FI/SME</td>
<td>125</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>ZEP Re</td>
<td>Regional</td>
<td>EQ</td>
<td>FI</td>
<td>4</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>XINA Solar One Project</td>
<td>South Africa</td>
<td>LOAN</td>
<td>INFRA</td>
<td>100</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Kukuza PDC (PDPAI)</td>
<td>Regional</td>
<td>EQ</td>
<td>INFRA</td>
<td>5</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Mouline Moderne du Mali (M3)</td>
<td>Mali</td>
<td>LOAN</td>
<td>AGRI</td>
<td>22.16</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>LAPO</td>
<td>Nigeria</td>
<td>LOC</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Moringa Agroforestry Fund</td>
<td>Multinational</td>
<td>EQ</td>
<td>AGRI</td>
<td>12.58</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Equity Bank</td>
<td>Kenya</td>
<td>LOC</td>
<td></td>
<td>148</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Development Bank of Nigeria</td>
<td>Nigeria</td>
<td>EQ</td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>ACRF II</td>
<td>Multinationial</td>
<td>EQ</td>
<td>MULTI</td>
<td>45</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Africinvest III</td>
<td>Multinationial</td>
<td>EQ</td>
<td>MULTI</td>
<td>22.38</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Kigali Bulk Water Supply Project</td>
<td>Rwanda</td>
<td>LOAN</td>
<td>INFRA</td>
<td>20</td>
</tr>
<tr>
<td>6 (Sep 2015)</td>
<td>Altheia Identity Fund</td>
<td>Multinationial</td>
<td>EQ</td>
<td>MULTI</td>
<td>12.5</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>ETC Group Limited</td>
<td>Multinationial</td>
<td>SCFF</td>
<td>FI</td>
<td>100</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>Segou Solar Photovoltaic</td>
<td>Mali</td>
<td>LOAN</td>
<td>POWER</td>
<td>9.32</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>Abraaj Health Fund</td>
<td>Multinationial</td>
<td>EQ</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>Boost Africa</td>
<td>Regional</td>
<td>EQ</td>
<td></td>
<td>54.73</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>Rx Healthcare Fund</td>
<td>Multinationial</td>
<td>EQ</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>OLAM</td>
<td>Multinationial</td>
<td>LOAN</td>
<td></td>
<td>107</td>
</tr>
<tr>
<td>7 (June 2017)</td>
<td>Export Trading Group (ETG)</td>
<td>Multinationial</td>
<td>LOAN</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>
2. Basic Information about ACFA

2-1. Eligible Countries / Key points

2-2. Type of Co-Financing: Joint or Parallel

2-3. Terms and Conditions of JICA ODA Loans to ACFA Eligible Countries
2. Basic Information about ACFA

2.1 Eligible Countries / Key points

1. Eligible Countries:
   • Basically, if the country is eligible to borrow from JICA, ACFA can be applied.
   • JICA basically is in line with the World Bank IDA Signal System:
     • IDA grant element 100%: Does not lend
     • IDA grant element 50%: Cautiously examines case by case
     • IDA grant element 0%, or blend or IBRD: In terms of debt sustainability, no obstacles for lending.
   • JICA additionally may exclude/ include a country depending on the bilateral diplomatic relationship, etc.

2. Key points for Japanese ODA side:
   • County Assistance Policy (Ministry of Foreign Affairs)  
   • Relation with Japanese Companies (MoF, MoFA, METI)
2. Basic Information about ACFA

2.2 Type of Co-Financing: Joint or Parallel

<table>
<thead>
<tr>
<th></th>
<th>Joint</th>
<th>Parallel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Co-financing on the same component/contract by ratio</td>
<td>Co-financing on a different component/contract individually</td>
</tr>
<tr>
<td><strong>Procurement</strong></td>
<td><strong>Guidelines/Environmental &amp; Social Guidelines</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Generally, Bank’s Guidelines and Procedures are applied, considering that the guidelines of each agency share the same fundamentals with only few exceptions, which needs to be dealt with. Environmental and Social Guidelines should be enforced by each organization. (Technical annex 3.)</td>
<td>Each agency will apply its own Guidelines for the relevant component(s)/contract(s)</td>
</tr>
</tbody>
</table>
2. Basic Information about ACFA

2.2 Type of Co-Financing: Joint or Parallel

<table>
<thead>
<tr>
<th></th>
<th>Joint</th>
<th>Parallel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement</strong></td>
<td>The Bank will act as Lender’s Agent in conducting the necessary procedures on behalf of JICA. The Bank will issue JICA ACFA Notice when confirms the contents of Request for Disb. from the Borrower.</td>
<td>Each agency will conduct its own necessary procedures.</td>
</tr>
<tr>
<td><strong>Supervision, Disbursement, etc</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ex-post Evaluation</strong></td>
<td>The Bank will conduct the PCR, and share the result with JICA. The Bank is expected to consult with JICA on the contents of PCR prior to such missions. The Bank also shares the results of Ex-post evaluation to JICA if it conducts such evaluation.</td>
<td>Each agency will conduct its own ex-post evaluation. In the case of JICA, JICA will do ex-post evaluation 2 years after project completion for all projects in addition to PCRs.</td>
</tr>
<tr>
<td><strong>Administrative Cost (= ACFA Fee)</strong></td>
<td>JICA pays the agreed amount to the Bank for the service of Lender’s Agent.</td>
<td>No ACFA Fee for Parallel co-financing projects.</td>
</tr>
</tbody>
</table>
2. Basic Information about ACFA

2.3 Terms and Conditions of JICA ODA Loans to ACFA Eligible Countries

<table>
<thead>
<tr>
<th>Category</th>
<th>Fixed/ Variable</th>
<th>Interest Rate (%)</th>
<th>Repayment Period (years)</th>
<th>Grace Period (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income Least Developed Countries (- US$ 995)</td>
<td>Fixed</td>
<td>0.01</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Least Developed Countries or Low Income Countries (- US$ 995)</td>
<td>Floating</td>
<td>¥LIBOR + 25bp</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Fixed</td>
<td>0.55</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Lower Middle Income Countries (US$996 – US$3,895)</td>
<td>Floating</td>
<td>¥LIBOR + 65bp</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Fixed</td>
<td>0.95</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Upper Middle Income Countries (US$3,896 – )</td>
<td>Floating</td>
<td>¥LIBOR + 85bp</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Fixed</td>
<td>1.15</td>
<td>30</td>
<td>10</td>
</tr>
</tbody>
</table>

- The above only shows the Preferential Terms (better than standard terms and conditions) since ACFA Projects are eligible for it.
- JICA offers several options for a lower interest rate product for shorter tenure/ grace period. See the following URL for the whole options. [https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/index.html](https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/index.html)
- Major Economies under each category is shown in the following URL. [https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/c8h0vm0000aoex8o-att/index_2018_01.pdf](https://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/standard/c8h0vm0000aoex8o-att/index_2018_01.pdf)
3. Special features on EPSA 4

- **ACFA**: Infrastructure development consistent with the G20 Principles for Quality Infrastructure Investment and possibly development policy loan to improve the business environment.

- **PSIF**: Collaboration between JICA’s Private Sector Investment Finance and the Bank allowing for increased direct co-financing of non-sovereign operations by JICA.

- **FAPA**: Support for priorities jointly agreed upon under EPSA 4: activities that ensure improved debt sustainability and create an investment-friendly environment.

- Quality infrastructure investment in line with G20 principles.
Conclusion

- **ACFA** is one of the major components under EPSA and is an efficient way to expand the output of ADF projects.

- **PSIF** will stimulate economic activity and improve the living standards of people in developing countries through equity investments and loans for projects undertaken in developing countries by the private sector.

- For starting the formulation of co-financing projects...
  - Contact EPSA focal point to start discussion
  - Contact JICA country office
Thank you for your kind attention!

Contact Us

EPSA Focal Point (Co-Financing and Syndication – FIST 1) - AfDB
Mail: epsa@afdb.org

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Onizuka - Onizuka.Ryosuke@jica.go.jp

Private Sector Investment Finance Division/JICA
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AFRICAN DEVELOPMENT BANK GROUP
NON-SOVEREIGN OPERATIONS POLICY
Webinar for the Japanese Private Sector on Doing Business in Africa
September 2020
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. Client responsibility
2. Development results & Additionality
3. Effective partnerships
4. Compliance with safeguards
5. Reinforcement of markets
6. Financial strength
7. Relevance to RMCs
8. Ownership
9. Selectivity
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)
3 Investment criteria
What we invest in

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

1. Strategic alignment with the Bank and the RMC(s) priorities
   - The country's economic and social priorities
   - Bank strategy in the country/region

2. Creditworthiness, Commercial viability & Financial sustainability
   - Industry outlook and market fundamentals
   - Financial structure
   - Background, experience and financial strength of the sponsor
   - Cash flow and rate of return (BP)

3. Development outcomes
   - Household benefits and job creation
   - Governance and fiscal effects
   - Regional integration and economic resilience
   - Green growth, environmental, gender & social effects
   - Private sector development and demonstration effects

4. Additionality
   - Political risk mitigation
   - Financial additionality
   - Improved development outcomes
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.

Applications for funding are to be sent:
By email to 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>Corp. loan</td>
<td>• $40 M eq (out of $100 M total expansion program)</td>
</tr>
<tr>
<td>Pioneer status</td>
<td>• First private sector transaction in the education sector</td>
</tr>
<tr>
<td>Maturity</td>
<td>• 8 years (incl. 3 years’ grace)</td>
</tr>
</tbody>
</table>
| Strategic alignment  | • Improve the quality of life for the people of Africa;  
                        • Industrialize Africa;  
                        • Power Africa;  
                        • Feed Africa |
| Funding              | • Mix of hard and local currency |
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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior loan</strong></td>
</tr>
<tr>
<td><strong>Pioneer status</strong></td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
</tr>
<tr>
<td><strong>Strategic alignment</strong></td>
</tr>
</tbody>
</table>
| **Expected Development outcomes** | • South-south investment  
• Significant demonstration effect  
• Clean potable water to the population therefore contributing to improving public health |
THANK YOU

Contact:
Non-Sovereign Operations & Private Sector Support Department
PrivateSectorHelpDesk@AFDB.ORG
# 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

## Boards

### 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

...focused on combating poverty, and improving living conditions on the continent

Decisions by both Boards require two third majority or 70% should any member require so
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>Creditworthy for non-concessional financing? (In line with the Country Policy and Institutional Assessment - CPIA analysis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Addressing the diverse financing needs of the continent
Summary of AfDB Financial Products

1. LENDING INSTRUMENTS
   - ADF Loan
   - Fully Flexible Loan
     - Policy-Based Operations (PBO)
     - Results-Based Financing (RBF)
   - Fixed Spread Loan (FSL)

2. GUARANTEES
   - Partial Risk Guarantee
   - Partial Credit Guarantee
   - Portfolio Guarantee

3. EQUITY
   - Direct Equity
   - Subordinated Debt
   - Mezzanine Debt
   - Other quasi-equity

4. RISK MANAGEMENT PRODUCTS
   - Interest Rate Swaps including caps and collars
   - Cross Currency Swaps
   - Commodity Swaps

5. TRADE FINANCE
   - Risk Participation Agreements (RPAs)
   - Trade Finance Lines Of Credit (TFLOC)
   - Soft Commodity Finance Facility (SCFF)

6. TECHNICAL ASSISTANCE FUNDS
   - Grants
   - Concessional Loans
   - Equity in select cases
   - Reimbursable grants

Menu of Existing Financial Instruments

- Africa 50
- Africa Guarantee Fund
- African Export-Import Bank
PRIVATE SECTOR LOANS
Non-Sovereign Guaranteed 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

Additionality and Development Outcomes
- Job creation
- Government revenues
- Financial return
- Foreign currency earnings
- Social and environmental safeguards

Viable enterprises & multinational projects

Project Finance
Line of Credit
Corporate Loan
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

The Bank will issue a local bond to provide the funding for the client. The Bank is hedged if it has its assets and liabilities aligned in the same currency.

Funding option 2: Synthetic Local Currency Loan (SLCL)

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

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

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:
GUARANTEE PRODUCTS
AfDB Guarantees

- 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 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)
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 – \textbf{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

For AfDB, countries and other stakeholders, AfDB Group Guarantees allow to:

- Benefit from AfDB safeguards on the project
- 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>
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

<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.

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

**Confirmiting Bank**
- CB binds AfDB through RPA (no transaction approval required)
- Submits monthly report detailing AfDB exposure

**Issuing Banks**
- AfDB approves limits for IBs following CB’s proposals

**Exporters**
- 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

**Importer**
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 activity**

1. Request for pre- or post-export funding
2. Submits requisite documentation on its operations
3. AfDB provides financing; assumes bank risk, not exporter/importer risk
4. On-lends to exporters/importers

**Local Bank Activity**

Exporters/Importers

African Local FI
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.
Other Resources – TRUST FUNDS & SPECIAL FUNDS

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
Conclusions & Takeaways

AfDB works with and invests in the private sector to transform Africa

• 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:
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FIST2@AFDB.ORG
CONTENT

PART I : SYNDICATIONS

PART II : CO-FINANCING
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.

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

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”.
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 with 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.
1.1 SYNDICATIONS – ELIGIBILITY CRITERIA

- 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

---

**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

B- Loan Syndicate

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
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>Eligibility</th>
<th>Public Sector Companies in all RMCs without a sovereign guarantee; and Private Sector Companies in all RMCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
<td>Depends on the underlying project and participant’s risk appetite</td>
<td></td>
</tr>
<tr>
<td>Grace period</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Currencies</td>
<td>EUR, USD, JPY, ZAR</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lending Rate</th>
<th>Pricing formula</th>
<th>Base rate: Floating (6m Libor/Euribor, 3m Jibar) or Fixed (Amortizing swap rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base rate</td>
<td>A and B loan will carry the same type of interest</td>
<td></td>
</tr>
<tr>
<td>Margin</td>
<td>Based on the project risk</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fees</th>
<th>Front-end fee</th>
<th>100 bps of loan amount at signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment Fee</td>
<td>50bps – 100bps of undisbursed amount</td>
<td></td>
</tr>
<tr>
<td>Appraisal fee</td>
<td>Determined during appraisal</td>
<td></td>
</tr>
<tr>
<td>Supervision fee</td>
<td>As needed</td>
<td></td>
</tr>
<tr>
<td>Other fees</td>
<td>Arrangement and syndication fee, loan administration fee, underwriting fee...</td>
<td></td>
</tr>
</tbody>
</table>
## 1.3 SYNDICATION – SELECTED TRANSACTIONS

<table>
<thead>
<tr>
<th>Project</th>
<th>Year</th>
<th>Currency</th>
<th>Type</th>
<th>Participating Lenders</th>
<th>AfDB Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Turkana</td>
<td>2014</td>
<td>EUR 475.5m</td>
<td>Project Finance</td>
<td>DBSA, CDC, FMO, DEG + 4 other lenders</td>
<td>ZAR 2.27 billion (eq. USD 247m)</td>
</tr>
<tr>
<td>Transnet</td>
<td>2016</td>
<td>USD 657m</td>
<td>A/B Loan</td>
<td>Bank of China, Bank of Tokyo Mitsubishi, SMBC, Mizuho, HSBC London</td>
<td>USD 95.5m + USD 20m (PRG)</td>
</tr>
<tr>
<td>Eskom</td>
<td>2017</td>
<td>USD 495m</td>
<td>Senior Corporate Loan</td>
<td>Citibank, Bank of China, Bank of Tokyo Mitsubishi, + 6 lenders</td>
<td>USD 10m</td>
</tr>
<tr>
<td>Redstone</td>
<td>2019</td>
<td>ZAR 7.6 billion</td>
<td>Mandated Lead Arranger and Coordinating Bank</td>
<td>DBSA, CDC, FMO, DEG + 4 other lenders</td>
<td>ZAR 2.27 billion</td>
</tr>
<tr>
<td>Ghana Cocoa Board</td>
<td>2020</td>
<td>USD 600m</td>
<td>Senior Lender and Arranger</td>
<td>DBSA, CDP, JICA, Credit Suisse + 8 other private lenders</td>
<td>USD 50m</td>
</tr>
</tbody>
</table>
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>
<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- External Investment Plan</td>
<td>Investment Platform with the European Union</td>
<td>Blending 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>
## 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

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Opportunities and Success Stories of the Private Sector Participation in Energy Sector of Africa

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WHO WE ARE
Energy Complex: A One-Stop Energy Shop For the Public Sector and Private Sector

The **Power, Energy, Climate and Green Growth Complex** is established in 2015 to achieve the **New Deal on Energy For Africa** to provide energy access to over 600 m people who cannot have 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**

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 (Renewables and Gas)

- **Solar PV** (10 TW)
- **Wind** (110 GW)
- **Hydroelectric** (350 GW)
- **Geothermal** (15 GW)

“Proved” reserved gas is 510 Tcf in 2018.

The volume is expected to grow due to the recent gas discoveries in Africa. 40% of the global gas discoveries between 2011 to 2018 are from “Africa”.

Power Generation to Increase More Than Double by 2040

Renewables (Solar PV, Geothermal, Wind and Hydro, etc.) play a leading role in expanding generation, capitalizing on the rich natural resources in Africa 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.

Sources: Africa Energy Outlook 2019, IEA Homepage, AfDB
BUSINESS OPPORTUNITIES FOR JAPANESE STAKEHOLDERS
Geothermal opportunities will be promoted by most of the East African courtiers to meet their mitigation objectives under **Nationally Determined Contributions (NDCs)**. Opportunities exist in **Djibouti**, **Uganda**, **Tanzania**, **Comoros** in addition to **Kenya** and **Ethiopia**.

**Strong initiatives by Japanese on public financing scheme:**
12 out of 16 turbines in Olkaria I to V in Kenya have been provided by Japanese companies, **MSK/MHPS** and **TTS/Toshiba**. Olkaria I Unit 6 is being constructed by **Marubeni/Fuji**. **JICA** has been involved as financier in Olkaria projects since 2010.

**IPPs trend and opportunities for Japanese:**

**Kenya:** Olkaria III (139MW) is “only” IPP in this continent operated by Ormat.
- **Menengai (35MW X 3):** F/C is expected from Quantum, Sosian or Ormat;
- **Olkaria VI (140MW):** **KenGen** is to award a winner from 5 group bidders;
- **Olkaria VII (140MW):** Exploration is currently going on as future IPP;

**Ethiopia:**
- **Tulu Moyo (50MW+100MW):** PPA signed by Meridiam and Reykjavik Geothermal;
- **Corbetti (50MW+100MW):** PPA signed by ARREF and Reykjavik Geothermal;

Source: African Development Bank
Introduction of AfDB’s roles in Menengai Geothermal IPPs

(1) Mobilized and provided USD 25M from Climate Investment Funds (CIFs);

(2) Provided USD 120M from AfDB’s own finance; both through AfDB’s public sector window in exploration stage.

(3) To provide PRG to IPPs to cover obligations of KPLC and GDC for 3 months of IPP’s revenue.

(4) To provide AfDB’s debt finance to IPPs;

(5) To mobilize climate finance to IPPs; both through AfDB’s private sector window.

Sources: AfDB and CIFs
A Wave of New Gas Development is Coming in Africa

Africa will become a major player in natural gas market as a consumer, producer and exporter driven by the newly discovered gas fields in Mozambique, Tanzania, Egypt, Mauritania & Senegal and South Africa.

Opportunities exist across the gas value chain for Japanese stakeholders:
• LNG /FLNG, LNG carrier, Processing, Pipeline, FSRU/FSU, Petrochemical Plants, Generation Plants, Fertilizer, etc.

Sample ‘gas’ projects promoted by Japanese:
• EQ Guinea LNG: Mitsui (8.5%) & Marubeni (6.5%) has shares in the project;
• Moz Coral South FLNG: JGC is EPC contractor with Technip & SHI;
• Moz Area 4 LNG: JGC is EPC contractor with Fluor and Technip;

Sample ‘gas to power’ projects promoted by Japanese:
• Tunisia Carthage Power (CC 471 MW): Marubeni has 40% of share of IPP;
• Ghana Cenpower Generation (CC 340MW): Sumitomo has 28% of share of IPP;
• Ghana Takoradi T2 (CC 120MW): Mitsui is EPC contractor with KEPCO;
• Tanzania Kinyerezi II (CC 240MW): Sumitomo/MHPS/Toshiba is EPC consortium;
• Moz Maputo (CC 110MW): Sumitomo/IHI is EPC consortium.

Renewable Energy IPPs and Battery Storage

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 CASE BY JAPANESE STAKEHOLDERS
Successful Case: Mozambique LNG Project (Area 1)

The Project

- LNG Development (13 mtpa) with gas resource from Golfinho-Atum field in the coast of Northern Mozambique. Total is an operator.
- An exemplary project linking between Africa and Japan in terms of trading, investment, financing and technology, contributing the development in Mozambique and the southern Africa region.

Japanese Stakeholder’s Role

- About 30% of LNG will be supplied to Jera, Tokyo Gas and Tohoku Electric Power.
- Mitsui & JOGMEC has 20% share of concessionaire.
- Financed by JBIC (USD 3 Billion) as well as commercial banks (MUFG, Mizuho, SMBC, etc.) covered by NEXI’s loan insurance (USD 2 Billion).
- NYK, MOL, and “K” Line are in negotiation to operate LNG vessels through a separate financing scheme.

Key Figures

- Total Project Cost: 20 Billion USD
- AfDB Senior Loan: 400 million USD
- AfDB Board Approval: Nov, 2019
- AfDB’s Role: Only DFI Participation, Political Mitigation Role, TA to enhance local content/governance

Source: African Development Bank
THANK YOU!

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