

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

Overview of the African Development Bank Group



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPEMENT



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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



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

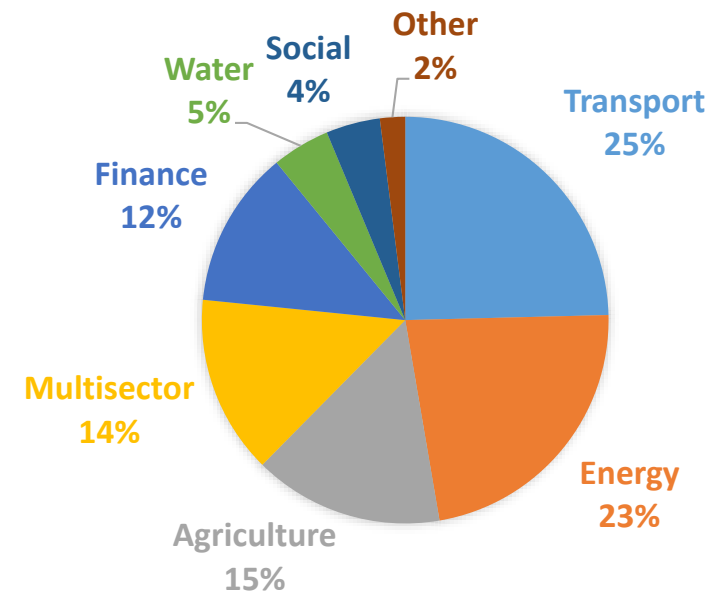


Integrate Africa



Improve the quality
of life for the people

APPROVAL BY SECTOR IN 2019



In 2019, 293 operations totaling USD 10.1 billion were approved

Asia External Representation Office

- AfDB's first representation outside Africa, in Tokyo, Japan since 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-Africa Business Forum in 2014, 2017
- 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

AfDB

- Joined in February 1983
- Non-concessional loan to the middle-income countries and the private sector

ADF

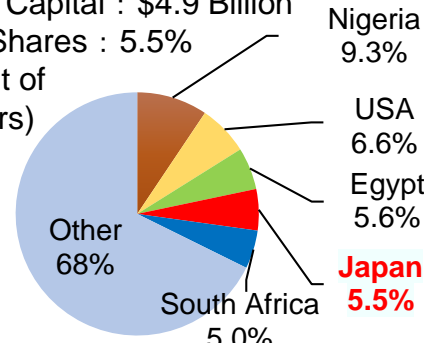
- Joined in June 1973
- Concessional funding to the least developed African countries

Japan

Subscribed Capital : \$4.9 Billion

% of Total Shares : 5.5%

(The 4th out of 81 members)



% of total shares by country
As of December 2019

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 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

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



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

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

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



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



CLOSE

- ✓ Boardrooms
- ✓ Public Sessions
- ✓ Business-to-Business (B2B) Meetings
- ✓ Entrepreneur (Start-ups) Pitching Sessions
- ✓ Deal Gallery



TRACK

- ✓ Review of Boardrooms' outcomes
- ✓ Periodic update meetings with Project Sponsors
- ✓ Investor engagement
- ✓ Portfolio management and reporting

AIF MARKET DAYS 2019 KEY STATISTICS

OVERALL PARTICIPATION



2,291
participants



4 Heads of State/Government
(Ghana, Mozambique, Rwanda, South Africa)



101 countries represented



698 Investor Participation

BOARDROOMS



57 deals discussed in boardrooms



USD 67.7 bln (Value of deals discussed in Boardrooms)



25 countries with deals, 7 multinational and 3 regional deals



USD24.6 bln (Size of largest deal - LNG project, Mozambique)

MARKETPLACE AND NETWORKING



400 official bilateral meetings including curated marketplace B2B conversations



31 deals valued at **USD 5.2 bln** curated for Marketplace B2Bs



16 start-up pitches seeking to raise **USD76.4 mln**



6,591 connection requests that were sent through the App



61 deals valued at **USD 27.7 bln** displayed on the Marketplace Deal Gallery

PUBLIC SESSIONS, ANNOUNCEMENTS AND MEDIA



19 public sessions, **22** press conferences



Over **2,500** news articles and pick ups; **1.82** million estimated coverage



1.3 million Twitter impressions



16,807 profile visits and **4,079** new followers



56,000 visitors to the Africa Investment Forum website during registration season

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

AfDB 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/>



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT



AfDB WEBINAR JAPANESE PRIVATE SECTOR DOING BUSINESS IN AFRICA

ENHANCED PRIVATE SECTOR ASSISTANCE FOR AFRICA

Tuesday 29th September

17:00-19:00 (Tokyo Time) | 8:00-10:00 (Abidjan Time)



AFRICAN DEVELOPMENT BANK GROUP EPSTA OVERVIEW PRESENTATION September 2020



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04. Conclusion

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**ntestment **F**inance)

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

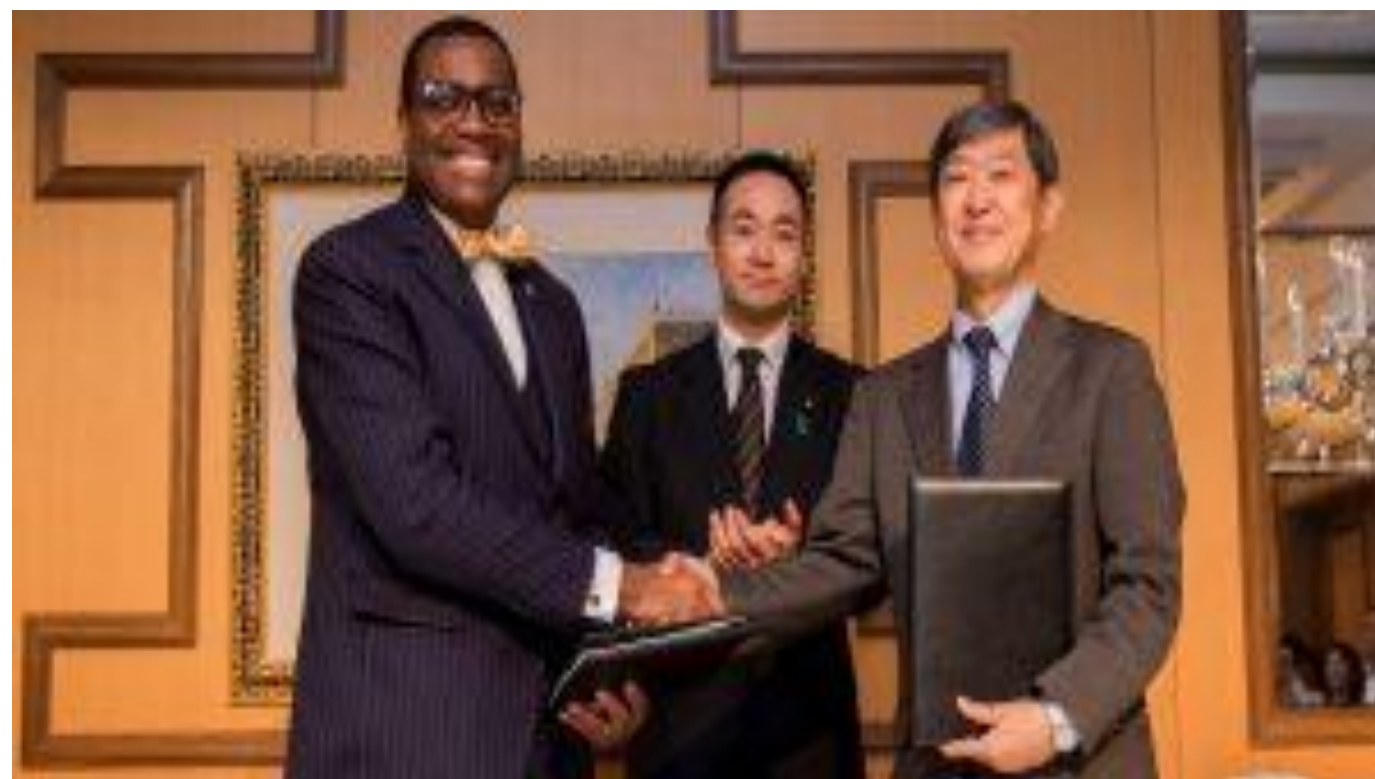


1-5. **NSL** (**N**on - **S**overeign **L**oan)

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

AfDB Main Website: <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/enhanced-private-sector-assistance-for-africa-epsa-initiative/>

I. What is EPSA?

I.1 What is EPSA?



I. What is EPSA?

I.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 3years** (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

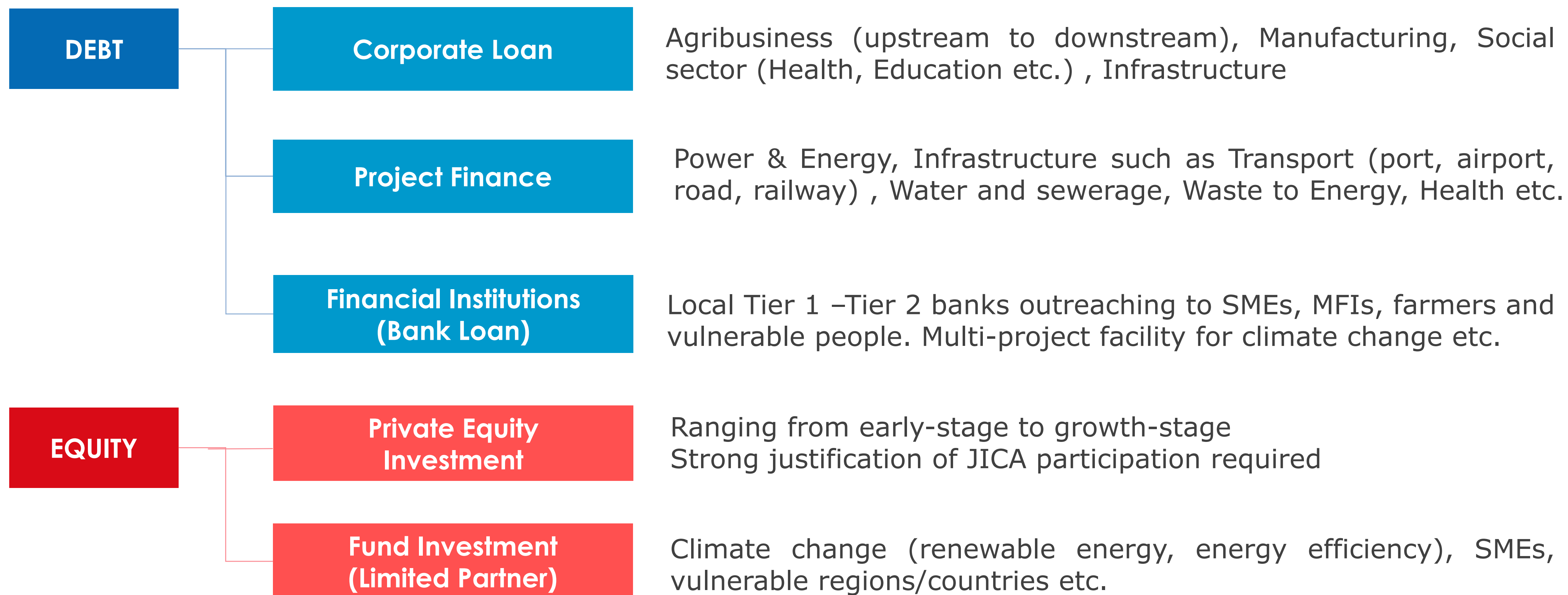
								(Unit: million USD)	
#	Country	Project	Sector	Approval Date (JICA)	Total Project Cost	JICA		AfDB	
						JPY million	USD million		
1	Senegal	Road Improvement and Transport Facilitation Program on the Southbound Bamako-Dakar Corridor (Bank: Senegal, Mali)	Transport	31-Mar-06	293.13	960	8.60	87.20	
2	Tanzania	Arusha – Namanga – Athi River Road Development Project (Bank: Tanzania, Kenya)	Transport	9-Mar-07	147.09	6,857	59.11	53.28	
3	Mozambique	Montepuez – Lichinga Road Project	Transport	19-Mar-07	107.86	3,282	29.45	44.97	
4	Uganda	Bujagali Interconnection Project	Energy	30-Oct-07	74.70	3,484	28.63	28.63	
5	Cape Verde	Power Supply, Transmission and Distribution Project in Santiago	Energy	25-Mar-08	49.29	4,468	37.86	7.28	
6	Cameroon	Transport Facilitation Program for the Bamenda-Enugu Corridor (Bank: Cameroon, Nigeria)	Transport	31-Mar-09	455.08	4,540	44.99	336.80	
7	Mozambique	Nacala Corridor Phase I (Bank: Mozambique, Malawi)	Transport	10-Mar-10	287.51	5,978	60.00	150.73	
8	Uganda	Nile Equatorial Lakes Countries Interconnection line (Bank: Burundi, Rwanda, Uganda, Kenya)	Energy	26-Mar-10	272.23	5,406	61.23	199.01	
9	Tanzania	Road Sector Support Project	Transport	31-May-10	357.96	7,119	76.12	235.94	
10	Tanzania	Iringa-Shinyanga Backbone Transmission Investment Project	Energy	13-Dec-10	478.94	6,048	64.51	68.49	
11	Cameroon	The project to Strengthen and Extend the Electricity Transmission and Distribution	Energy	4-Mar-11	94.97	2,939	33.67	50.94	
			(Subtotal EPSA 1)		2,618.76	51,081	484.30	1,263.27	

1-2. Approved ACFA Projects so far

#	Country	Project	Sector	Approval Date (JICA)	Total Project Cost	JICA		AfDB
						JPY million	USD million	
12	Cape Verde	Electricity Transmission and Distribution Network	Energy	30-Mar-12	90.66	6,186	78.11	13.48
13,14	Botswana, Zambia	Kazungula Bridge Project (Joint, Parallel)	Transport	12-Oct-12	259.30	11,612	149.20	81.60
15	Tanzania	Road Sector Support Project II	Transport	8-Apr-13	342.44	7,659	96.20	225.31
16	Mozambique	Nacala Corridor Phase III (Parallel)	Transport	29-Nov-13	150.19	6,773	86.61	58.52
17	Cameroon	Batchenga Lena Road Development Project	Transport	7-Apr-15	514.87	6,264	53.16	229.70
18	Angola	POWER SECTOR REFORM SUPPORT PROGRAM (PSRSP)	Energy	17-Aug-15	1,200.00	23,640	200.00	1,000.00
19	Tanzania	Kenya-Tanzania Power Interconnection Project	Energy	15-Jan-16	309.26	11,847	98.23	159.06
20	Morocco	Green Morocco Plan Support Program	Agriculture	4-Mar-16	264.00	16,347	132.00	132.00
21	Rwanda	Rusumo-Kayonza Road Improvement Project	Transport	13-Jul-16	376.51	6,889	56.01	244.43
22	Ghana	Construction of a New Bridge across the Volta River on the Eastern Corridor Project (JICA Project Name - Parallel)	Transport	5-Dec-16	91.23	11,239	91.23	0.00
			(Subtotal EPSA 2)		3,598.46	108,456	1,040.75	2,144.10
			(Subtotal EPSA 1+2)		6,217.22	159,537	1,525.05	3,407.37
#	Country	Project	Sector	Approval Date (JICA)	Total Project Cost	JICA		AfDB
						JPY million	USD million	
23	Cameroon	Yaounde-Brazzaville International Corridor Development Project (Mintom-Lele)	Transport	30-May-17	513.71	5,894	57.28	255.85
24	Burkina Faso	Gounghin – Fada N'Gourma Road Improvement Project	Transport	2-Mar-18	224.76	5,659	51.19	107.50
			(Subtotal EPSA 3)		738.47	11,553	108.47	363.35
			(Subtotal EPSA 1+2+3)		6,955.68	171,090	1,633.52	3,770.72

I. What is EPSA?

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



Note: Mezzanine products (sub-debt, preferred equity, etc.) can be also considered.

I. What is EPSA?

I.3 PSIF Criteria

Partner
(Client)



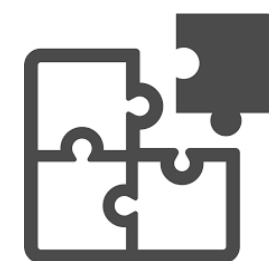
“Quality Company” (SDGs-aligned, ESG-centric etc.).
Both private enterprises and sub-sovereign entities.

Purpose
(Impact)



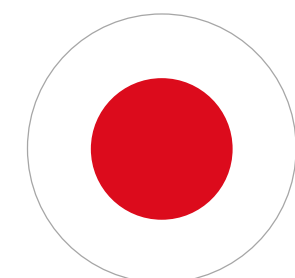
1. **SDGs** (Sustainable Development Goals)
2. **Climate change**
3. **Quality infrastructure**

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 <i>Limited local currencies are also available through cross-currency swap operation</i>
Interest Rate	JPY: FILP Rate* + Margin (Fixed) USD: 6 month LIBOR + Margin (Floating) <i>Country risk premium is not included in the Margin</i>
Tenor	Up to 20 years (door to door: with grace period up to 5 years) <i>Generally longer than commercial loan especially for Corporate and FI Loan</i>
Repayment	Semi-annual repayments
Fees	Same rate of front end fee and any other fees applicable with co-financiers.
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?

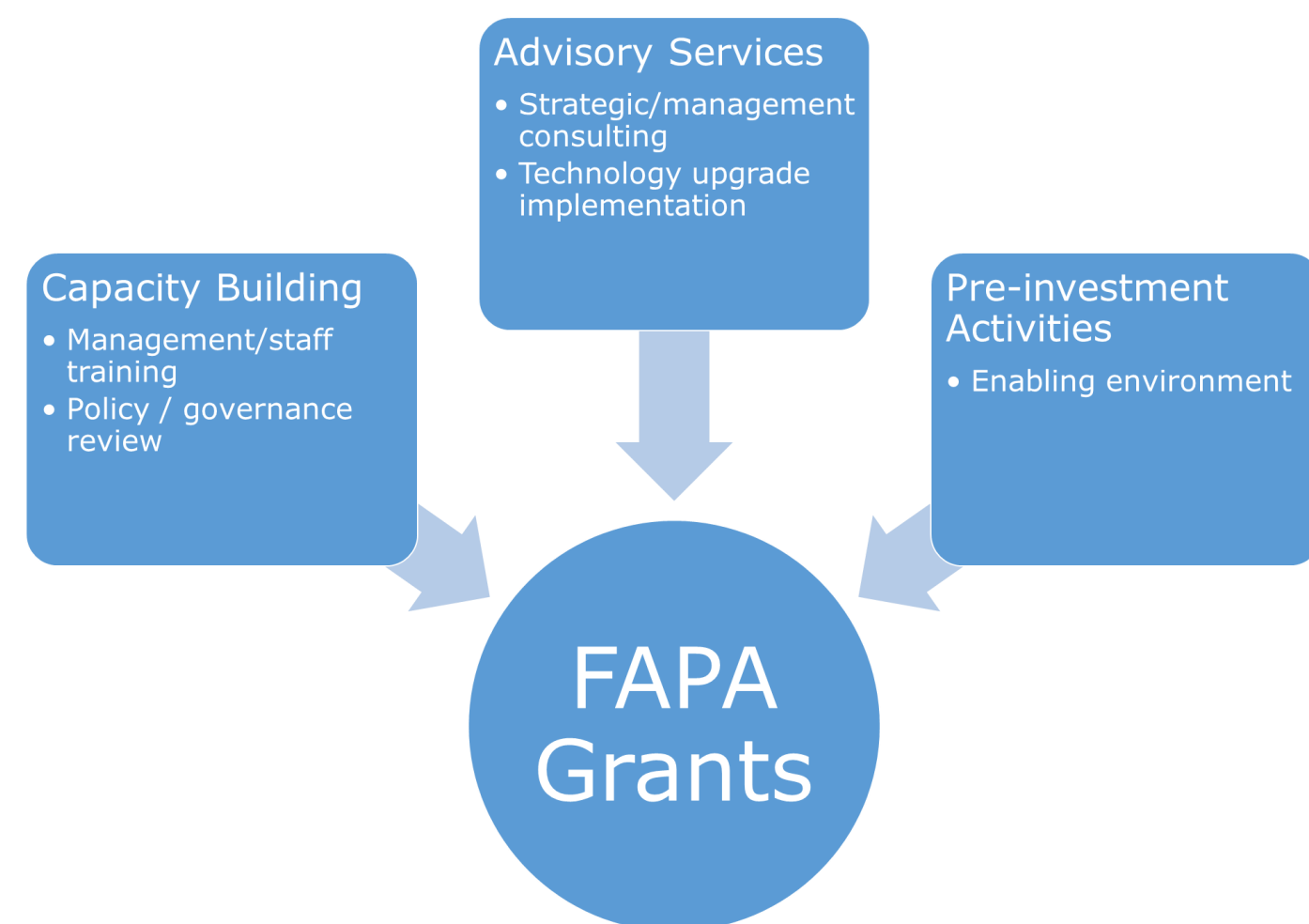
I.3 PSIF Major Terms (Equity)

Amount	Max. 25% of total capital (PE) / fund size as a Minority Investor \$5M - \$20M as typical size for private equity investment \$10M - \$50M as typical size for fund LP investment
Currency	No currency limitation in principle
EIRR	No explicit hurdle rate. To be determined by evaluating the level of risk.
Exit Strategy	Exit Strategy is MUST and agreed among shareholders 5-7 years as typical investment period with various Exit Strategy <i>e.g. strategic sale (put option), trade sale (M&A), market sale (IPO) etc.</i>
Necessity	Strong reason for JICA participation in case of private equity investment <i>e.g. sovereign hook, business model that requires patient capital etc.</i>
Safeguards	Compliance with JICA's Environmental and Social Guidelines

I. What is EPSA?

I.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.



Japan	USD 81.25m
AfDB	USD 10.65m
Austria	USD 2.65m
Interest & Inv. Income	USD 4,85m
TOTAL	USD 99.4m

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

	NSL	Project Name	Country	Type	Pillar
1	1 (Mar 2007)	Access Bank of Nigeria	Nigeria	LOC	FI/SME
2	1 (Mar 2007)	Zenith Bank	Nigeria	LOC	FI/SME
3	2 (Dec 2007)	Bujagali Hydroelectric Power Project	Uganda	LOAN	INFRA
4	2 (Dec 2007)	Sahanivotry Hydro	Madagascar	LOAN	INFRA
5	2 (Dec 2007)	RASCOM	Regional	LOAN	INFRA
6	2 (Dec 2007)	Access Bank*	Tanzania	EQ	FI/Micro
7	2 (Dec 2007)	TCX	Multinational	EQ	FI
8	2 (Dec 2007)	EASSy*	Multinational	LOAN	INFRA
9	2 (Dec 2007)	BOAD*	Multinational	LOC	FI
10	2 (Dec 2007)	BCI	Mauritania	LOC	FI/SME
11	2 (Dec 2007)	EVHA (Health Fund)*	Multinational	EQ	FI/SME
12	2 (Dec 2007)	Investrust*	Zambia	LOC	FI/SME
13	2 (Dec 2007)	Lekki Toll Road	Nigeria	LOAN	INFRA
14	2 (Dec 2007)	Mauritania Leasing*	Mauritania	LOC	FI/SME
15	2 (Dec 2007)	MPEF II	Multinational	EQ	FI/SME
16	2 (Dec 2007)	Zanaco*	Zambia	LOC	FI/SME
17	3 (Jan 2012)	Lake Harvest Aquaculture	Zimbabwe	LOAN	AGRI
18	3 (Jan 2012)	AAF	Regional	EQ	AGRI
19	3 (Jan 2012)	Agri Vie	Regional	EQ	AGRI
20	3 (Jan 2012)	Citadel Fund	Regional	EQ	FI
21	3 (Jan 2012)	WAEMF	Regional	EQ	FI/SME
22	3 (Jan 2012)	Takoradi II Expansion	Ghana	LOAN	INFRA
23	3 (Jan 2012)	SME APEX Facility*	Tunisia	LOAN	FI/SME
24	3 (Jan 2012)	ATI*	Regional	EQ	FI/SME

NSL 1
(USD 100m eq.)

NSL 2
(USD 300m eq.)

NSL 3
(USD 100m eq.)

1-5. NSL (Non - Sovereign Loan)

EPSA2=USD 1000m

NSL	Project Name	Country	Type	Pillar	Amount (million USD)	
4 (Mar 2014)	OLAM	Multinational	LOAN	AGRI	80	NSL 4 (USD 100m eq.)
4 (Mar 2014)	AFC	Regional	LOC	FI	200	
5 (Oct 2014)	EADB*	Regional	LOC	FI/SME	40	NSL 5 (USD 300m eq.)
5 (Oct 2014)	EADB*	Regional	EQ	FI/SME	24	
5 (Oct 2014)	PTA Bank*	Regional	LOC	FI/SME	50	
5 (Oct 2014)	Afeximbank	Regional	LOC	FI/SME	150	
5 (Oct 2014)	BOAD*	Regional	EQ	FI/SME	4.18	
5 (Oct 2014)	Africa SME Program*	Regional	LOC	FI/SME	125	
6 (Sep 2015)	ZEP Re	Regional	EQ	FI	4	NSL 6 (USD 300m eq.)
6 (Sep 2015)	XINA Solar One Project	South Africa	LOAN	INFRA	100	
6 (Sep 2015)	Kukuza PDC (PDPAL)	Regional	EQ	INFRA	5	
6 (Sep 2015)	Mouline Moderne du Mali (M3)	Mali	LOAN	AGRI	22.16	
6 (Sep 2015)	LAPO	Nigeria	LOC	FI	12	
6 (Sep 2015)	Moringa Agroforestry Fund	Multinational	EQ	AGRI	12.58	
6 (Sep 2015)	Equity Bank	Kenya	LOC	FI	148	
6 (Sep 2015)	Development Bank of Nigeria	Nigeria	EQ	FI	50	
6 (Sep 2015)	ACRF II	Multinational	EQ	MULTI	45	
6 (Sep 2015)	Africinvest III	Multinational	EQ	MULTI	22.38	
6 (Sep 2015)	Kigali Bulk Water Supply Project	Rwanda	LOAN	INFRA	20	
6 (Sep 2015)	Alitheia Identity Fund	Multinational	EQ	MULTI	12.5	NSL 7 (USD 300m eq.)
7 (June 2017)	ETC Group Limited	Multinational	SCFF	FI	100	
7 (June 2017)	Segou Solar Photovoltaic	Mali	LOAN	POWER	9.32	
7 (June 2017)	Abraaj Health Fund	Multinational	EQ	FI	25	
7 (June 2017)	Boost Africa	Regional	EQ	FI	54.73	
7 (June 2017)	Rx Healthcare Fund	Multinational	EQ	FI	20	
7 (June 2017)	OLAM	Multinational	LOAN	FI	107	
7 (June 2017)	Export Trading Group (ETG)	Multinational	LOAN	FI	100	

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)
<http://www.mofa.go.jp/policy/oda/assistance/country2.html>
- Relation with Japanese Companies (MoF, MoFA, METI)

2. Basic Information about ACFA

2.2 Type of Co-Financing: Joint or Parallel

	Joint	Parallel
Definition	Co-financing on the same component/ contract by ratio	Co-financing on a different component/ contract individually
Procurement Guidelines/ Environmental & Social Guidelines	Generally, <u>Bank's Guidelines and Procedures are applied</u> , 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.)	Each agency will apply its own Guidelines for the relevant component(s)/contract(s)

2. Basic Information about ACFA

2.2 Type of Co-Financing: Joint or Parallel

	Joint	Parallel
Procurement Supervision, Disbursement, etc	<u>The Bank will act as Lender's Agent</u> in conducting the necessary procedures on behalf of JICA. <u>The Bank will issue JICA ACFA Notice</u> when confirms the contents of Request for Disb. from the Borrower.	Each agency will conduct its own necessary procedures.
Ex-post Evaluation	<u>The Bank will conduct the PCR, and share the result with JICA.</u> 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.	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.
Administrative Cost (= ACFA Fee)	JICA pays the agreed amount to the Bank for the service of Lender's Agent.	No ACFA Fee for Parallel co-financing projects.

2. Basic Information about ACFA

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

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

- 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
- 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

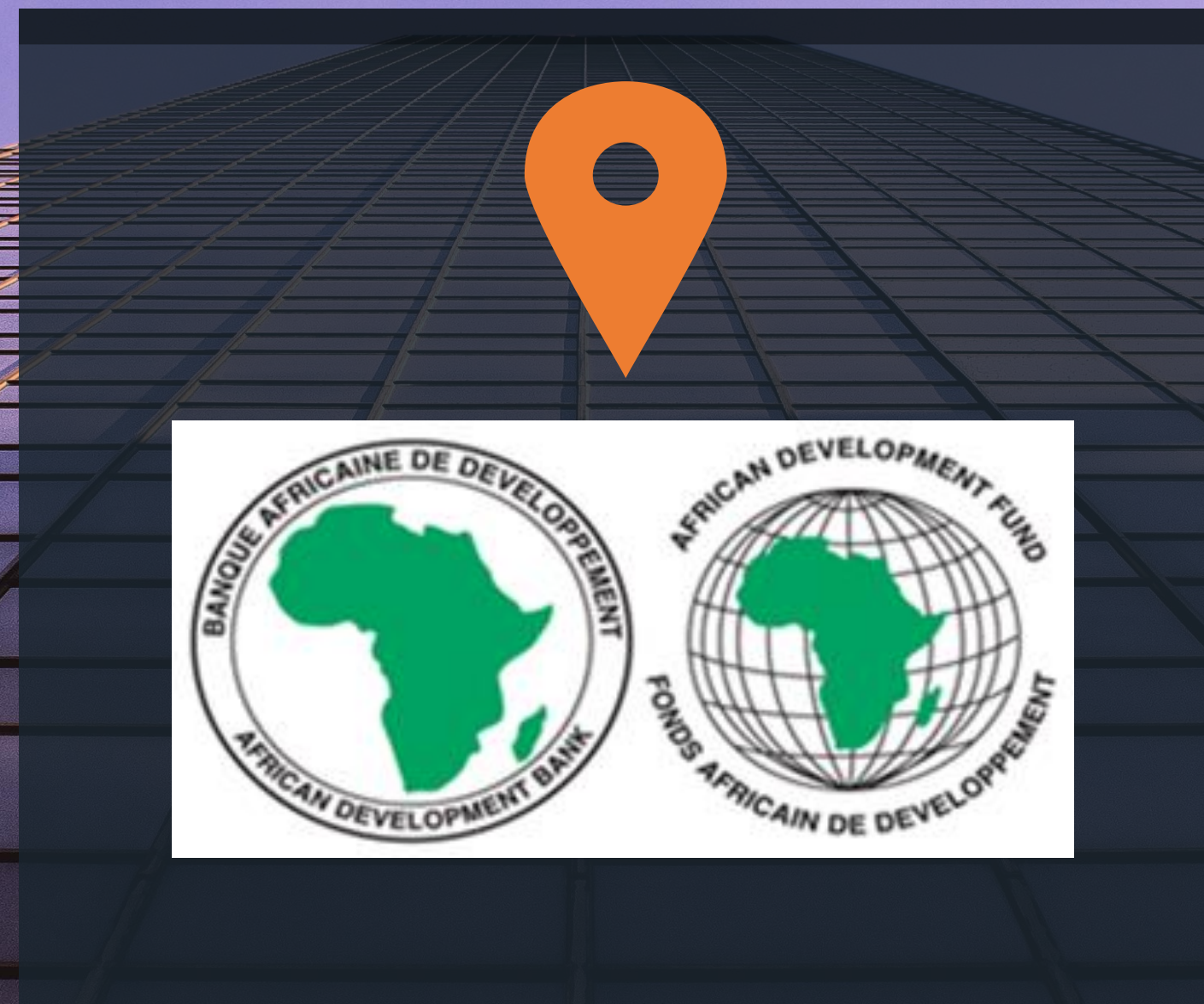
3. Special features on EPSA 4

- ❑ **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

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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



GRUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP

1

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.

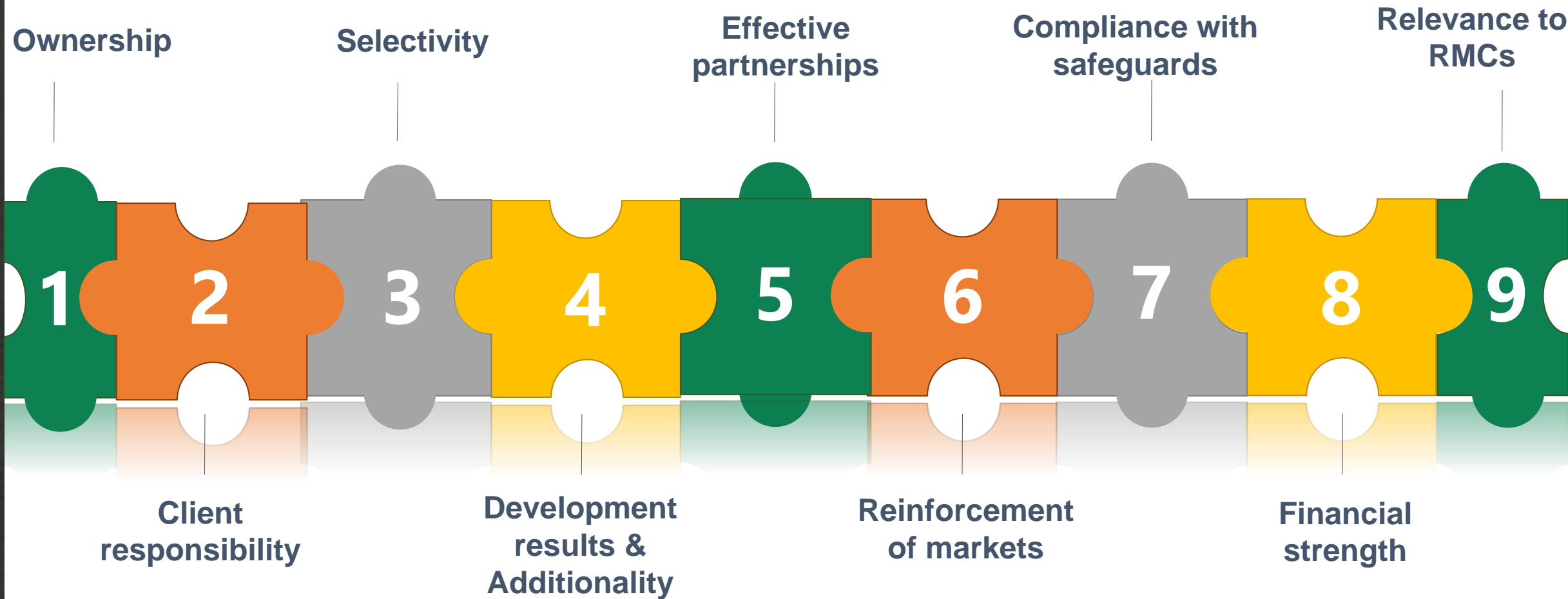
Objective 2

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

Objective 3

- Strengthening private sector enterprises

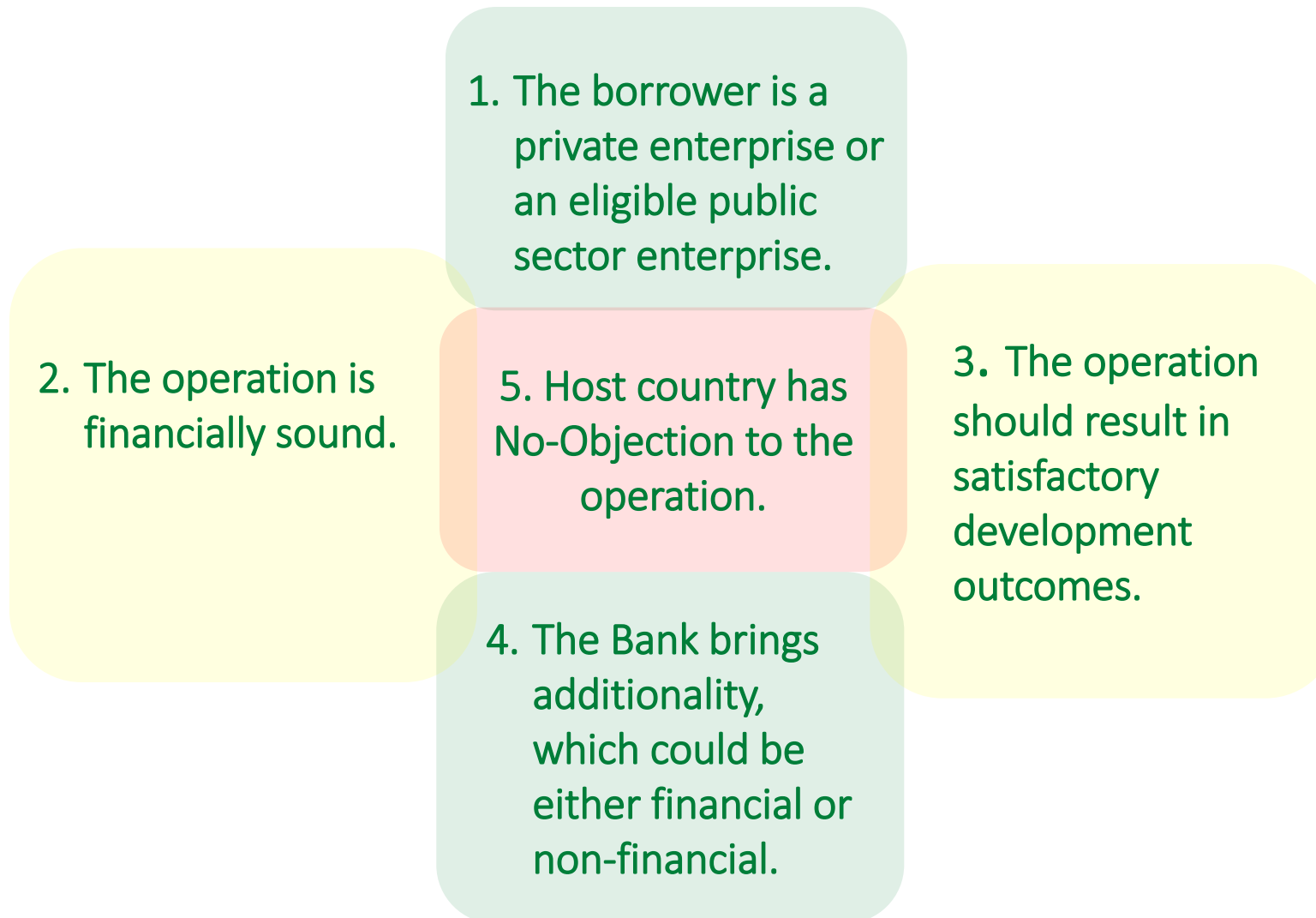
Nine (9) guiding principles



2

Main conditions and types of financing

The “main conditions” for the Bank’s involvement in a Non-Sovereign 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.

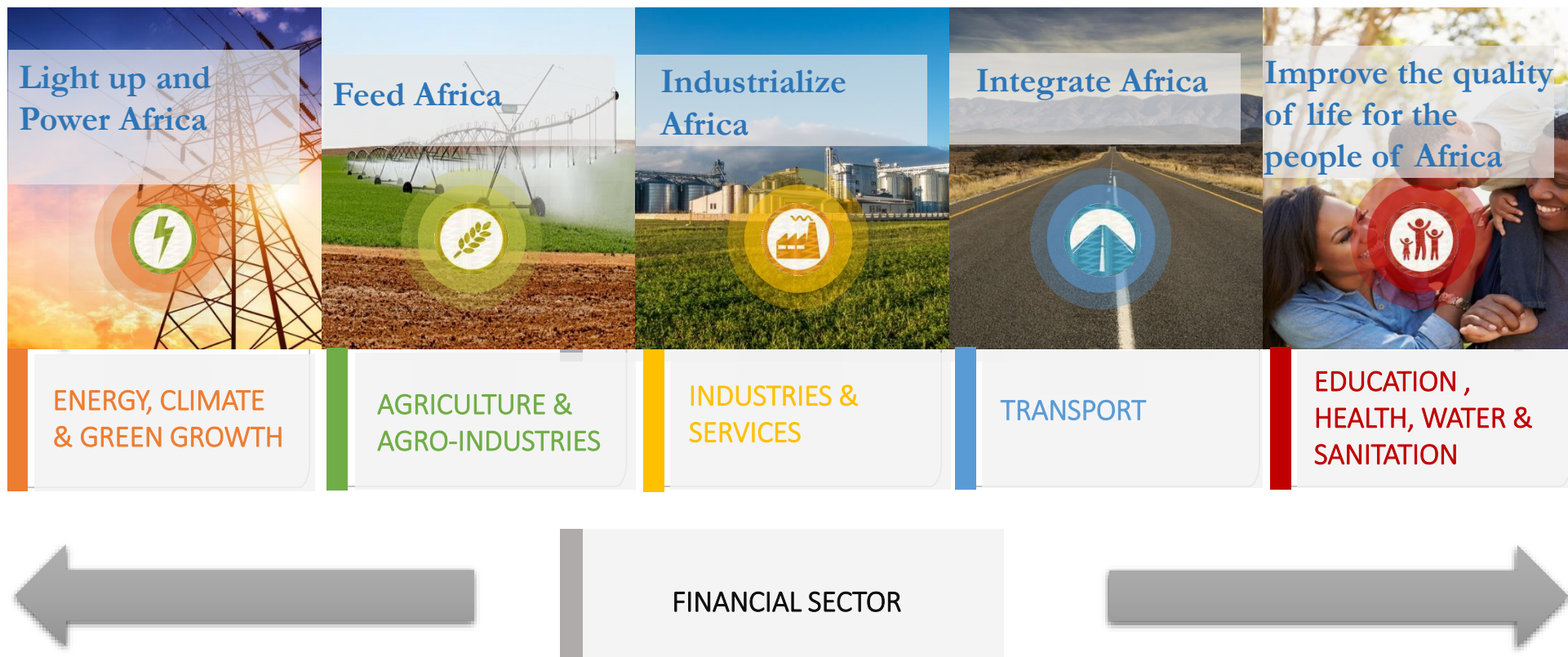
(instruments include: senior and subordinated loans, credit or risk guarantees, equity or quasi-equity participations)

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

0 1

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.

0 2

INTEGRITY & FIDUCIARY SAFEGUARDS

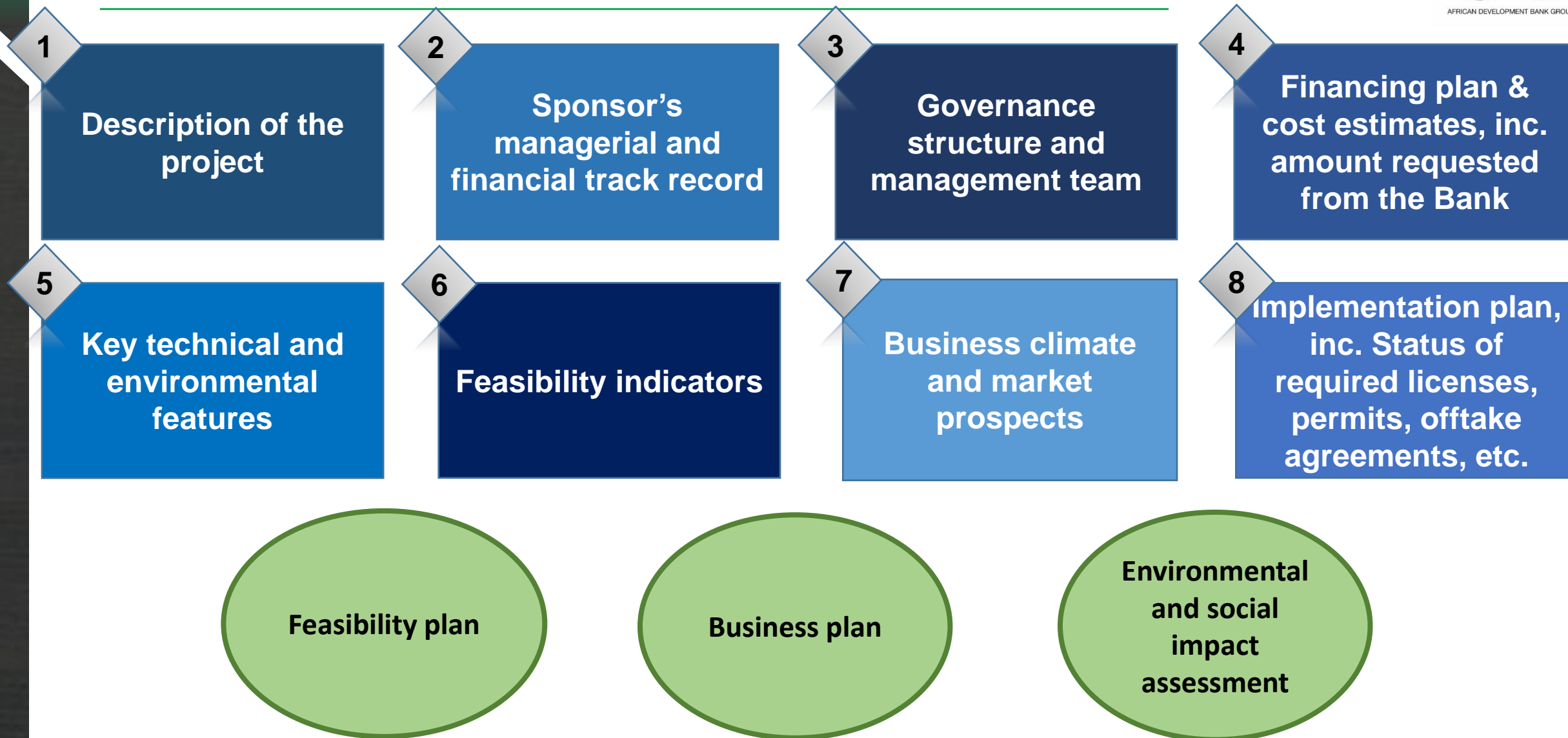
The Bank will not participate in a transaction when, upon integrity due diligence, it finds that there are significant and unmitigated integrity risks or ethical concerns, or adverse reputational risks. The Bank will apply effective KYC due-diligence procedures and mechanisms.

0 3

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



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

4

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.

Structuring	
Corp. loan	♦ \$40 M eq (out of \$100 M total expansion program)
Pioneer status	♦ First private sector transaction in the education sector
Maturity	♦ 8 years (incl. 3 years' grace)
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”).

Structuring

Senior loan	\$19 M (total project cost \$61M)
Pioneer status	First Bank’s PPP transaction in the water sector
Maturity	18 years (39 months grace period)
Strategic alignment	♦ Improve the quality of life for the people of Africa
Expected Development outcomes	♦ South-south investment ♦ Significant demonstration effect ♦ Clean potable water to the population therefore contributing to improving public health



THANK YOU



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AFRICAN DEVELOPMENT BANK GROUP

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



AFRICAN DEVELOPMENT BANK GROUP FINANCIAL PRODUCTS PRESENTATION

September 2020



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AFRICAN DEVELOPMENT BANK GROUP

1

THE BANK GROUP



AFRICAN DEVELOPMENT 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

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.

		Creditworthy for non-concessional financing? (In line with the Country Policy and Institutional Assessment - CPIA analysis)	
		No	Yes
Per capita income above the ADF/IDA operational cut-off (USD 1,165 for 2018) for more than 2 consecutive years?	No	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)	Blend countries Simultaneously eligible for ADB non concessional & ADF concessional financing
	Yes	ADF Gap countries eligible for ADF concessional financing on blend terms (35% concessionality)	ADB-Only Middle Income Countries (MICs) eligible to non-concessional financing only Graduating <i>Graduating countries are eligible for ADF resources on blend terms during a 2 to 5-year phasing-out period (decreasing access to ADF resources)</i>

Addressing the diverse financing needs of the continent

Summary of AfDB Financial Products

1



LENDING INSTRUMENTS

Providing long-term debt to public and private sectors

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

3



EQUITY

Bringing scarce risk capital to transformative projects

- Direct Equity
- Subordinated Debt
- Mezzanine Debt
- Other quasi-equity

5



TRADE FINANCE

Bridging the gap in trade financing in Africa

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

2



GUARANTEES

Mitigating the risks attached to investments in Africa

- Partial Risk Guarantee
- Partial Credit Guarantee
- Portfolio Guarantee

4



RISK MANAGEMENT PRODUCTS

Allowing our borrowers to hedge and manage their debt responsibly

- Interest Rate Swaps including caps and collars
- Cross Currency Swaps
- Commodity Swaps

6



TECHNICAL ASSISTANCE FUNDS

Financing the completion of feasibility studies, training and project preparation

- Grants
- Concessional Loans
- Equity in select cases
- Reimbursable grants

7



AFFILIATED PARTNERS

Leveraging partnerships with catalytic financial intermediaries

- Africa 50
- Africa Guarantee Fund
- African Export-Import Bank

Menu of Existing Financial Instruments

2

PRIVATE SECTOR LOANS

Non-Sovereign Guaranteed Loans

Fixed Spread Loan (FSL)

Viable enterprises & multinational projects

Additionality and Development Outcomes

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



Project
Finance



Line of
Credit



Corporate
Loan

Lending terms	Eligibility	<i>Public Sector Companies of ADB and Blend countries without a sovereign guarantee; and Private Sector Companies in all RMCs</i>
	Maturity	<i>Up to 15 years</i>
	Grace period	<i>Up to 5 years</i>
	Currencies	<i>EUR, USD, JPY, ZAR, LCY</i>
Lending Rate	Pricing formula	<i>Base rate: Floating (6m Libor/Euribor, 3m Jibar) or Fixed (Amortizing swap rate) + risk-based lending spread/margin based on project risk</i>
	Interest Rate Features	<i>Free option to fix up upon disbursement</i>
	Front-end fee	<i>100 bps of loan amount at signature</i>
	Commitment Fee	<i>50bps – 100bps of undisbursed amount</i>
Fees	Appraisal fee	<i>Determined during appraisal</i>
	Supervision fee	<i>As needed</i>
	Prepayment premium	<i>Hedge unwinding cost in case of a fixed rate loan + a premium determined in the loan agreement</i>

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 as 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**:

South African Rand, Egyptian Pounds, Uganda Shilling, Nigerian Naira, Kenya Shilling, Zambia Kwacha, Tanzania Shilling, Ghana Cedi, Botswana Pula, CEMAC region CFA and WAMU region CFA and Rwandan franc (RWF).



ZMW



XAF



EGP



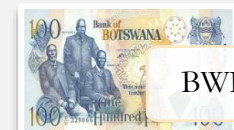
NGN



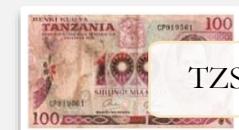
UGX



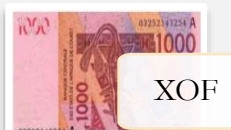
KES



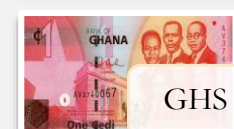
BWP



TZS



XOF



GHS



RWF

3

GUARANTEE PRODUCTS

Risk Sharing

Crowding In

Leverage

- 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)**

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

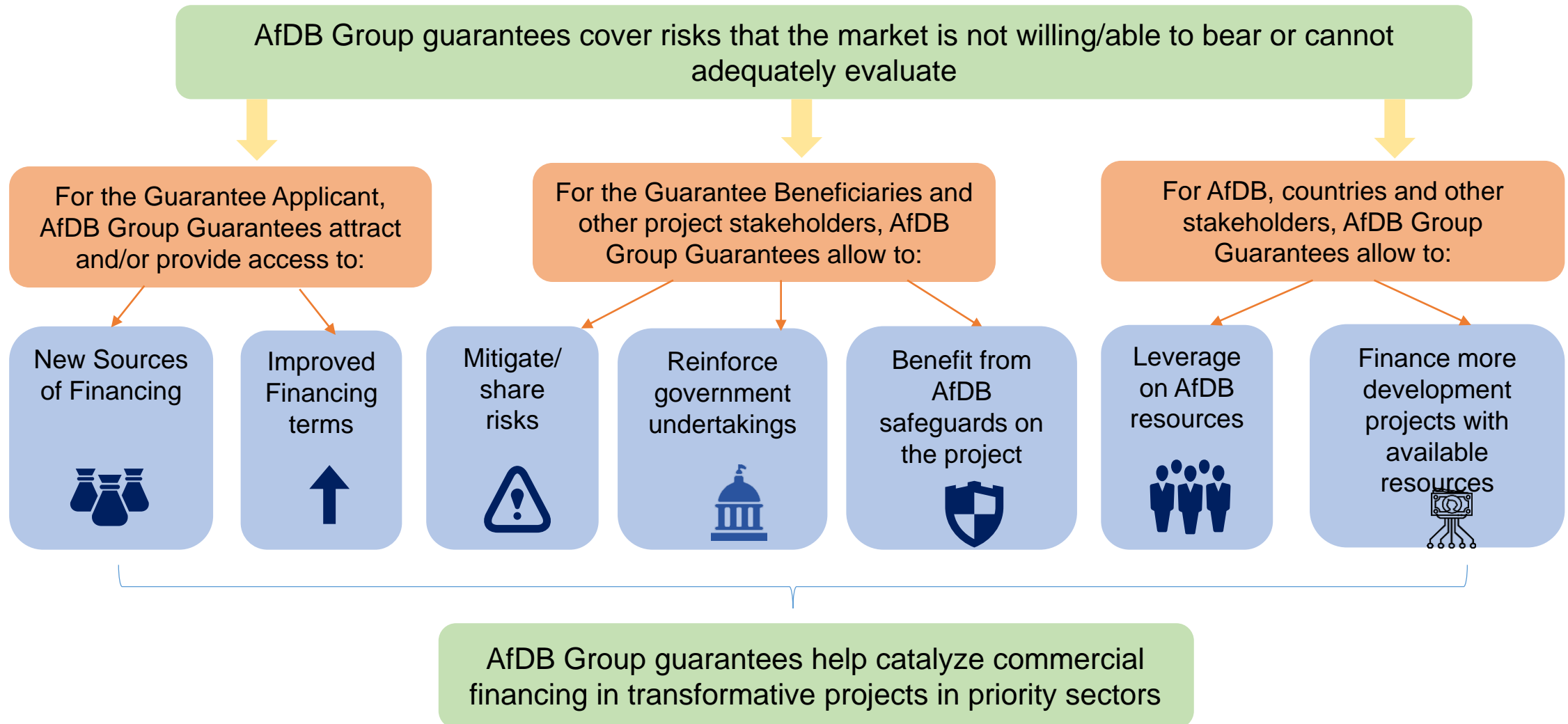
Beneficiaries

- 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 Guarantees – THE TERM SHEET

Partial Credit Guarantee				Partial Risk Guarantee	
Lending Window / Terms	ADF	ADB		ADF	ADB
Leverage	Only 25% of the guarantee amount is deducted from the Performance Based Allocation	A PCG will consume same level of headroom as an equivalent loan		Only 25% of the guarantee amount is deducted from the Performance Based Allocation	100% loan equivalent risk capital is assigned to a guarantee
Borrower/Applicant	Public	Public	Private	Public	Public
Maturity (yrs)	Up to 40	Up to 25	Up to 15	Up to 40	Up to 25
Guarantee fee	0.75%	0.80%	Lending margin	0.75%	0.80%
Front-end fee	Up to 1%	0.25%	1% or more	0%	0.25%
Standby fee	0.5%	0.25%	0.5% – 1%	0.5%	0.25%

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 exit clause to be exercised upon achievement of objectives



Indirect Equity

Private Equity Investments	Size of Fund (USD)	ADB (USD)
South African Infrastructure Fund	221 million	25 million
AIG Infrastructure Fund	400 million	50 million
Pan-African Infrastructure Fund	450 million	50 million
African Infrastructure Fund II	500 million	30 million
Argan Infrastructure Fund	200 million	15 million



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.

5

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

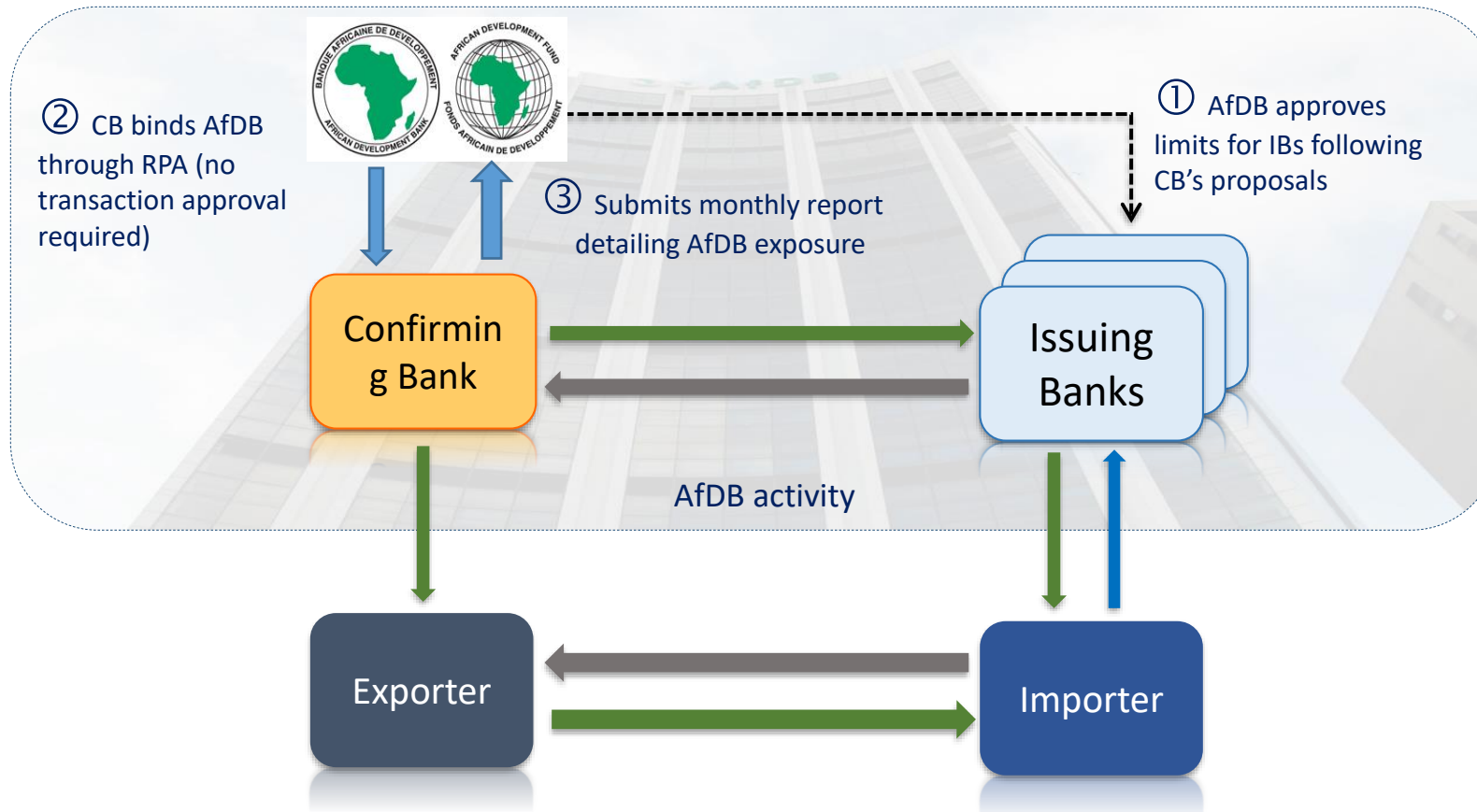
FEES	Interest rate swap	Currency Swap	Commodity / Index swap	Cap and collar
	0.125 %	0.25 %	0.375 %	0.125 %

6

TRADE FINANCE

Trade Finance – RISK PARTICIPATION AGREEMENT (RPA)

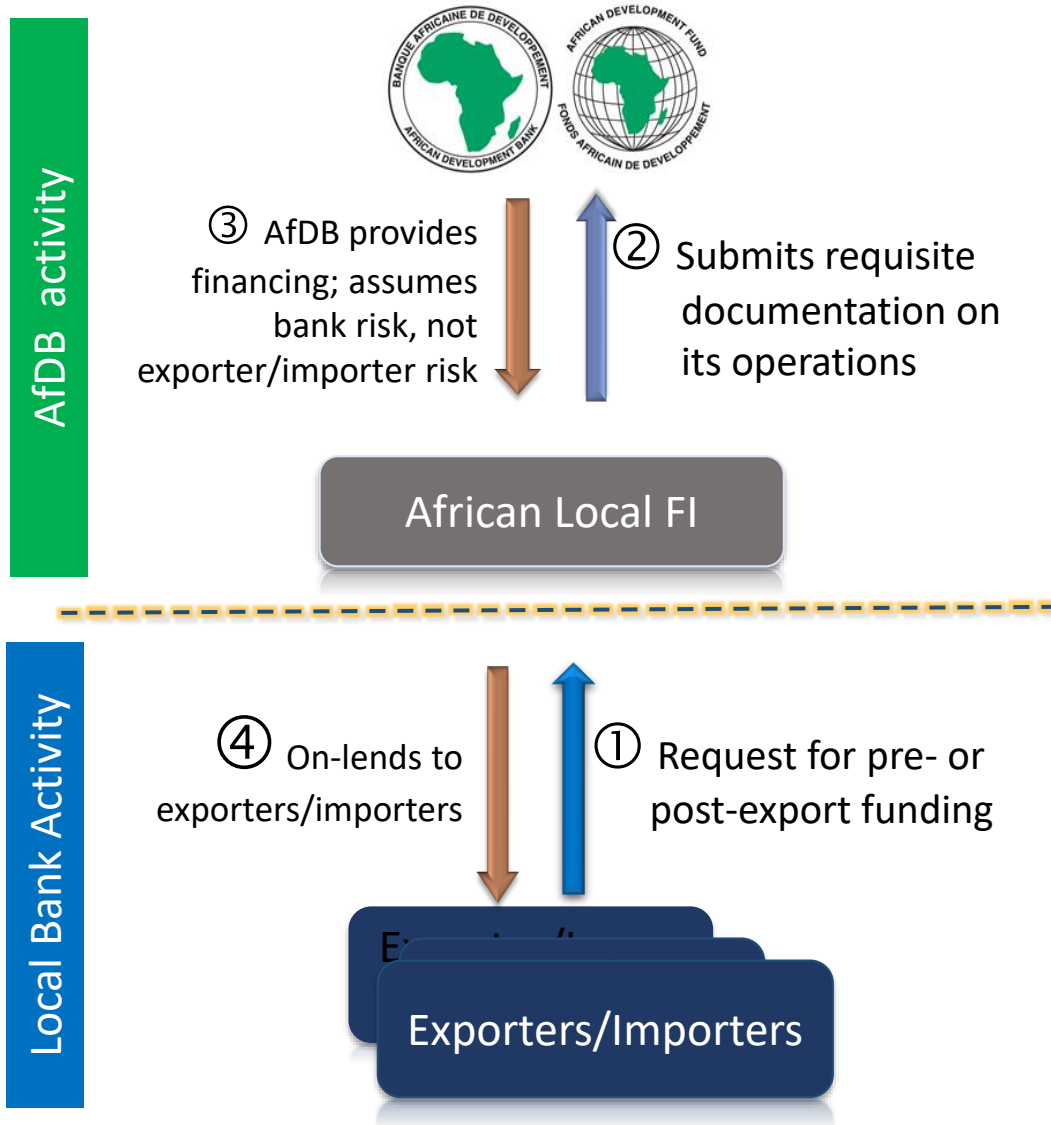
AfDB shares credit risk (up to 50% of transaction value) on a portfolio basis with confirming banks (CBs) that have large and consistent trade finance volumes



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

Trade Finance - LINES OF CREDIT (TFLOC)



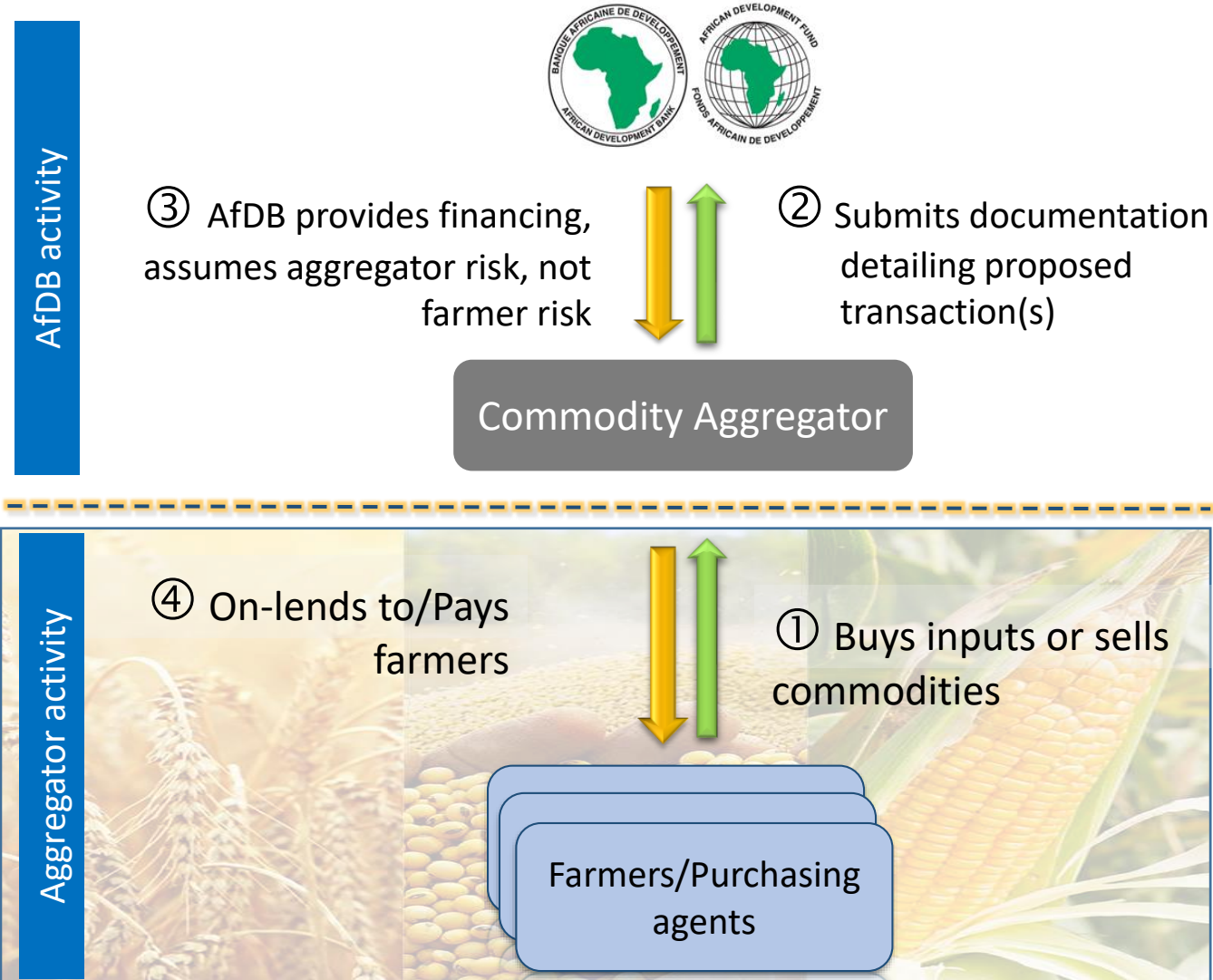
AfDB provides pre- and post-export financing through local banks

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

Trade Finance – SOFT COMMODITY FINANCE FACILITY (SCFF)

AfDB provides input and post-harvest financing through aggregators



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

Providing grants & highly concessional loans for capacity building/technical assistance/analytical work

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:
Structured Finance | Risk Mitigation
FIST2@AFDB.ORG



GROUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP



AFRICAN DEVELOPMENT BANK GROUP SYNDICATIONS & CO-FINANCING PRESENTATION

September 2020



GRUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP

CONTENT



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

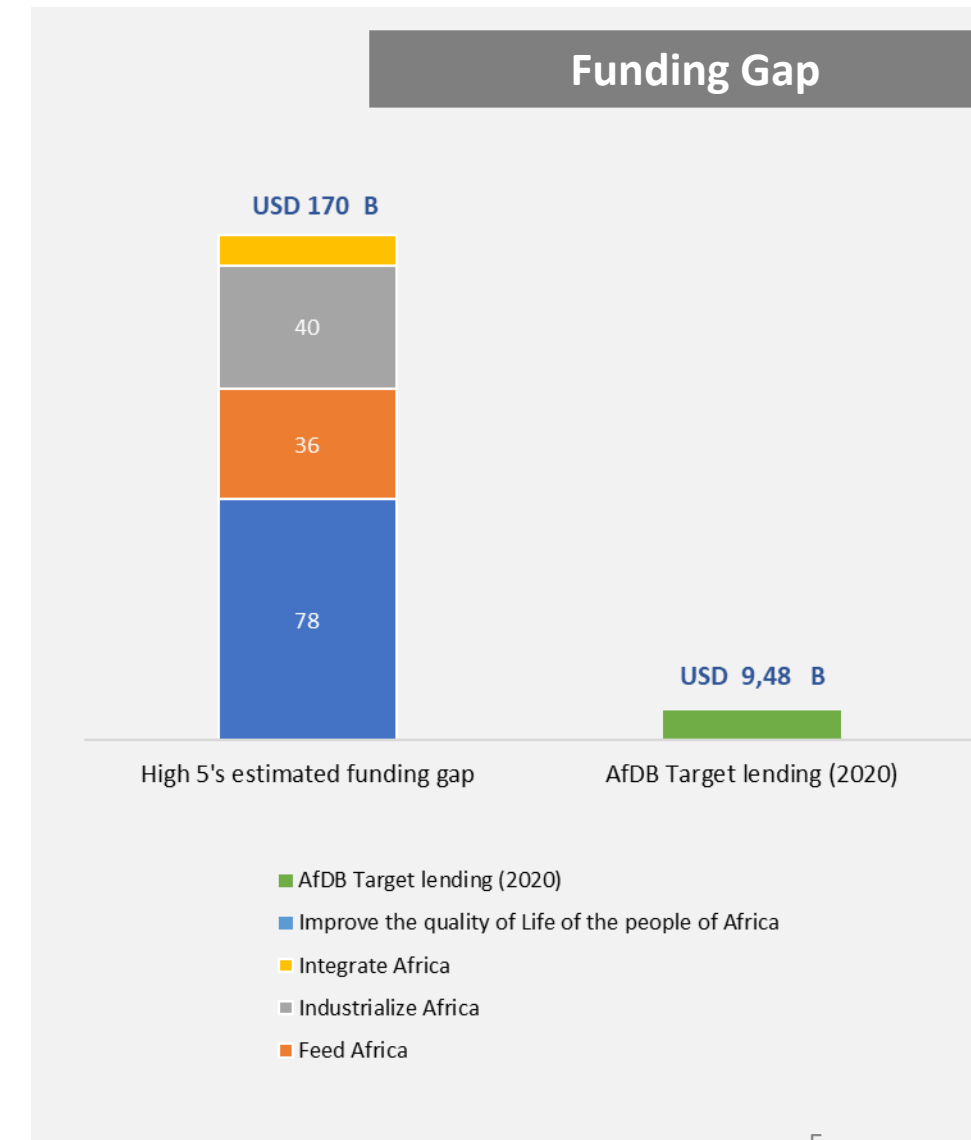
Participating banks can benefit from lead bank’s market knowledge and best practices in lending

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.



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



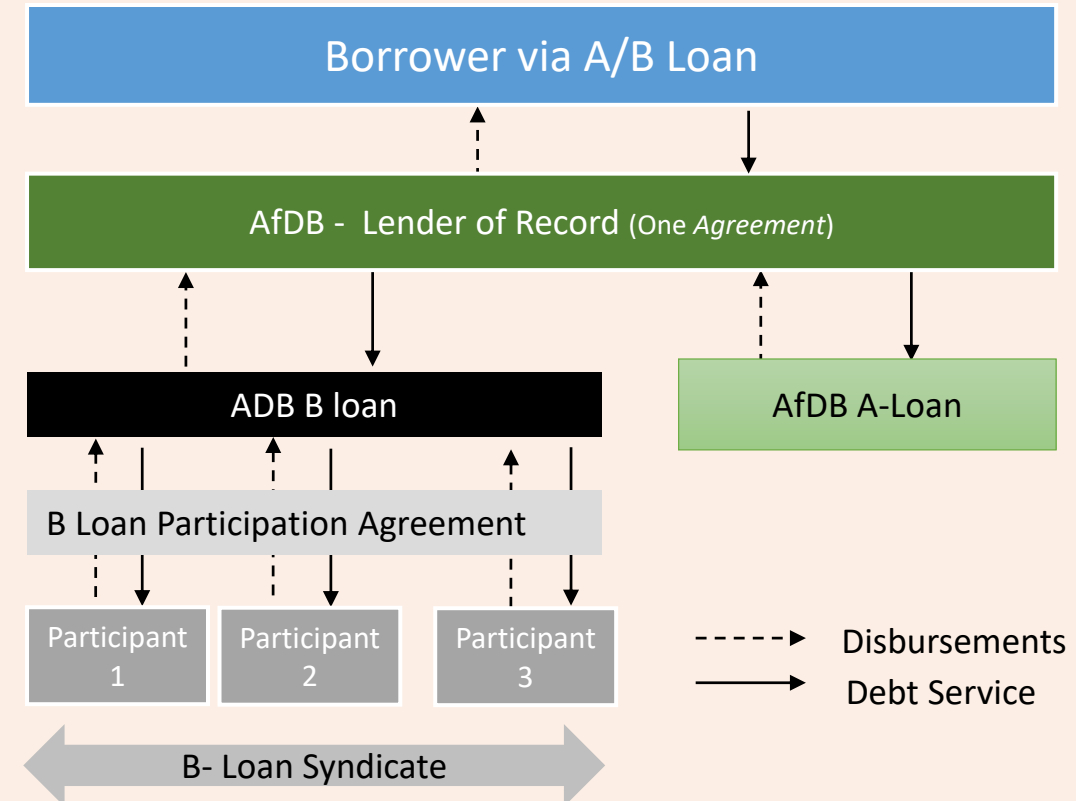
A/B Loans

- 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

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



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

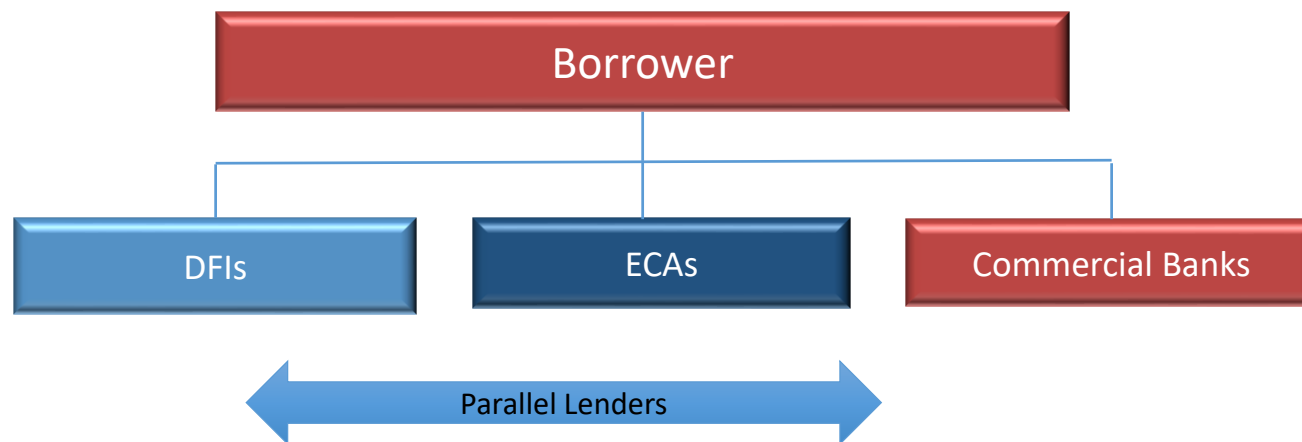


The Bank enjoys **Preferred Creditor Status (PCS)**

- ❑ 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

Lending terms	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
Lending Rate	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
Fees	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



Lake Turkana	Transnet	Eskom	Redstone	Ghana Cocoa Board
2014 EUR 475.5m	2016 eq. USD 657 million	2017 USD 495m	2019 ZAR 7.6 billion	2020 USD 600m
				
Mandated Lead Arranger and Lender	Mandated Lead Arranger and Lender	Mandated Lead Arranger and Lender	Mandated Lead Arranger and Coordinating Bank	Senior Lender and Arranger
Project finance 2014 PFI Deal of the Year	A/B Loan	Senior corporate loan		Long-term facility Dual Tranche Term Loan
Participating lenders: Proparco, TDB, DEG + 4 other lenders	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
AfDB funding: USD 95.5m + USD 20m(PRG)	AfDB funding: ZAR 2.27 billion (eq. USD 247 million)	AfDB funding: USD 10m	AfDB funding: ZAR 2.27 billion	AfDB funding: USD 50m

2

CO-FINANCING

3.1 IN-HOUSE CO-FINANCING FACILITIES

3.1 IN-HOUSE CO-FINANCING – FLAGSHIP FACILITIES

Funding Resource	Description	Use of Available Resources	Available Resources/Target
Accelerated Co-Financing Facility for Africa (ACFA)	Co-financing agreement with Japan International Cooperation Agency (JICA) under the Enhanced Private Sector Assistance Initiative.	Co-financing for selected African Countries on comparable or better terms.	USD 2.8 billion available under EPSA IV
Private Sector Investment Facility	Co-financing agreement with Japan International Cooperation Agency (JICA) under the Enhanced Private Sector Assistance Initiative	Co-financing for selected non-sovereign operations in African countries on concessional terms.	USD 2.8 billion available under EPSA IV
Africa Growing Together Fund (AGTF)	Special Fund with Foreign exchange reserves from the People's Bank of China.	Joint co-financing for the Bank Sovereign and Non-Sovereign projects (80/20 split).	USD 1.24 billion, including USD 400 million for non-sovereign operations until 2024
EU- External Investment Plan	Investment Platform with the European Union	Blending finance: combination of EU grants with loans or equity from public and private financiers, including the Bank. The EC has recently approved guarantees.	Over EUR 980 million approved (Regional offices pivotal to obtaining these approvals)

3.1 IN-HOUSE CO-FINANCING – FLAGSHIP FACILITIES

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



THANK YOU

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GROUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP



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

Webinar for the Japanese Private Sector on Doing Business in Africa,
September 2020



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Power, Energy, Climate and Green Growth

1

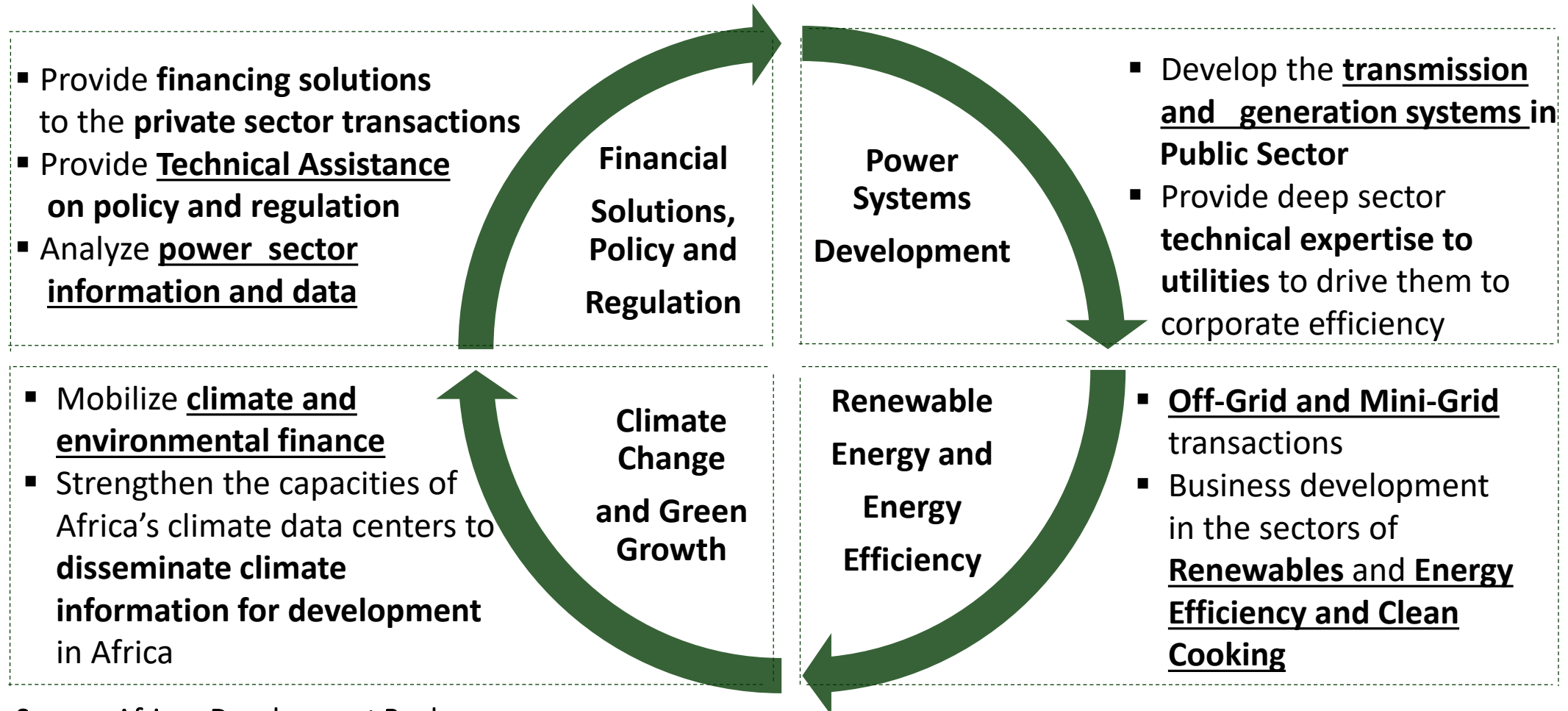
WHO WE ARE



AFRICAN DEVELOPMENT BANK GROUP

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**”.



Source: African Development Bank

Beyond Financial Assistance, Our Approach Comes with Added Value



Sector expertise	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Strong government relations• Honest broker role• Synergies with other complexes and regional offices of the AfDB Group
Access to full cycle capital	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Long-term investment horizon• Impact capital
Regional networks	<ul style="list-style-type: none">• With a regional network across stakeholders, we can introduce companies to co-investors, potential clients and other strategic partners

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

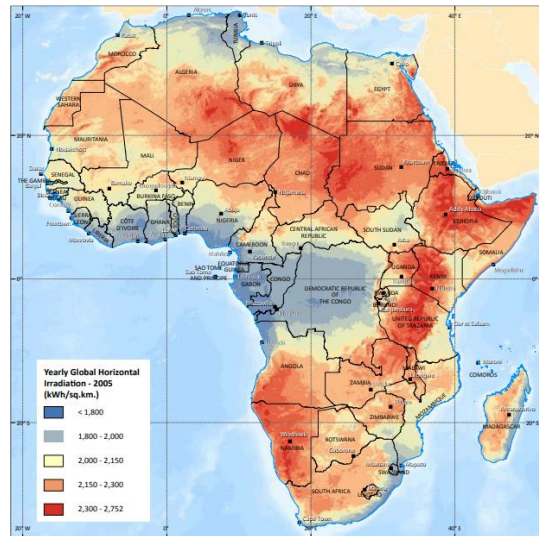
- **Facility for Energy Inclusion (FEI: On-grid and off-grid)**
 - On Grid: Small-scale IPPs, captive power, commercial & industrial projects and mini-grids
 - Off Grid: Off-grid solar companies using pay-as-you-go technologies or lease-to-own models
- **Sustainable Energy Fund for Africa 2.0 (SEFA)**
 - 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



2

RESOURCES AND ENERGY MARKET IN AFRICA

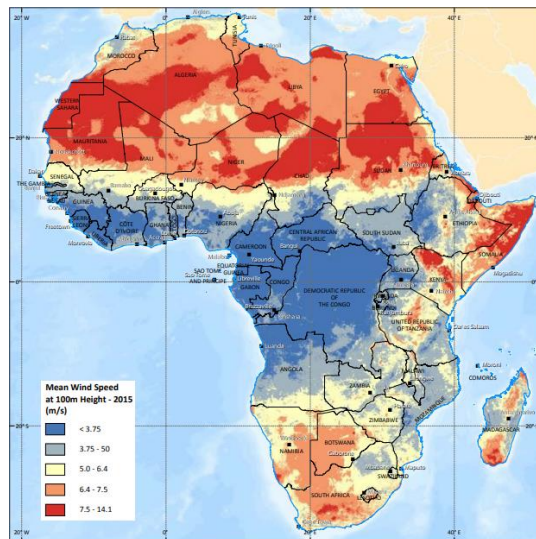
Africa is “Rich” in Energy Resources (Renewables and Gas)



Solar PV (10 TW)



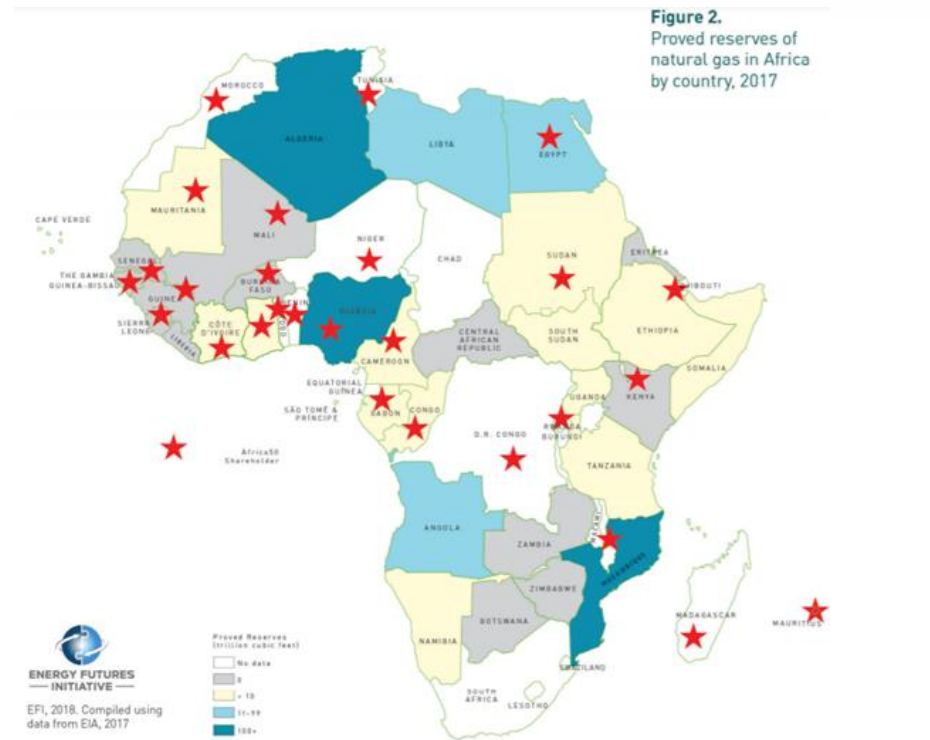
Hydroelectric (350 GW)



Wind (110 GW)



Geothermal (15 GW)

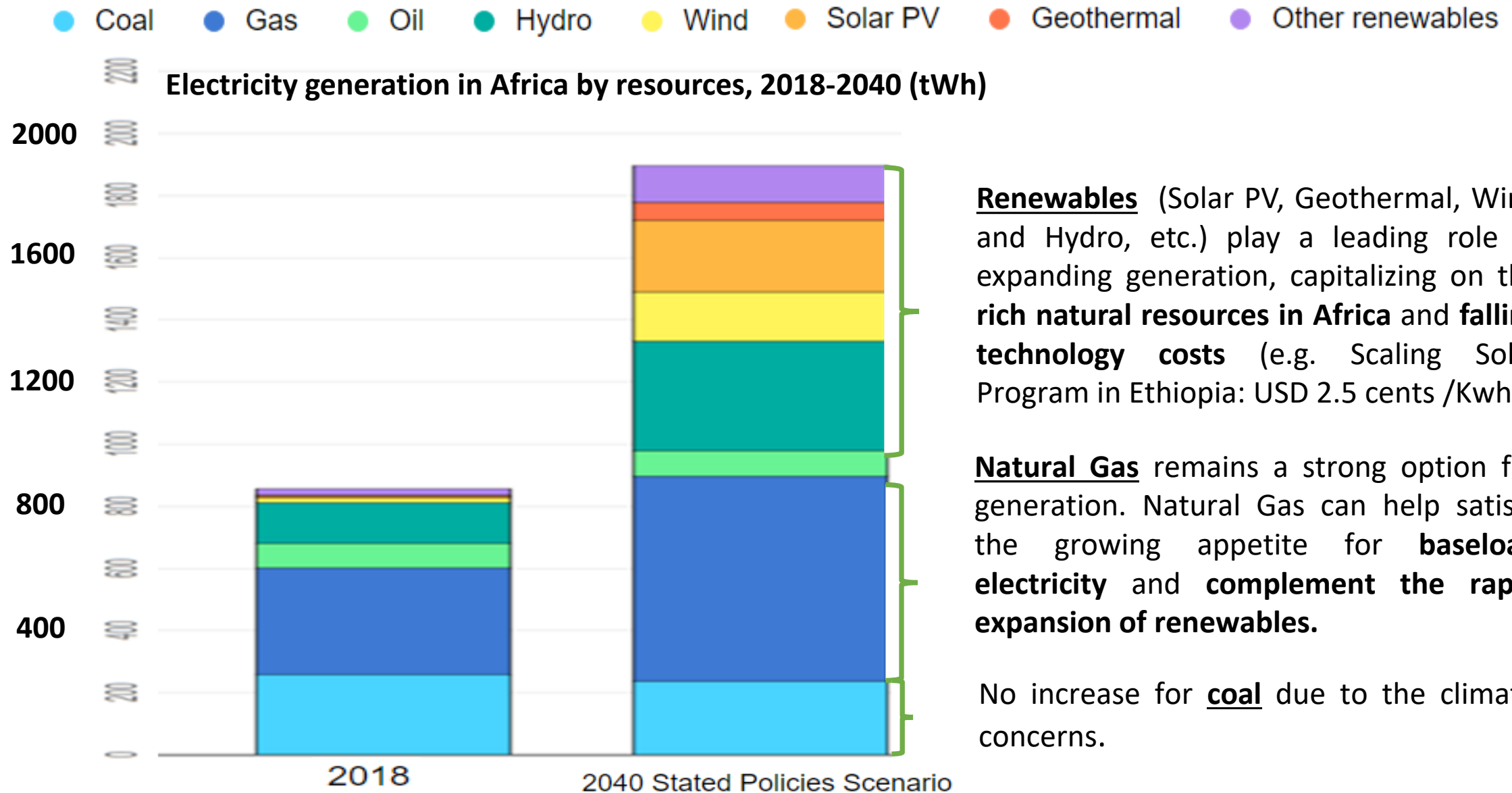


“Proved” reserved gas is 510 Tcf in 2018.

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”.

Source: Atlas, BP, Africa Energy Outlook 2019, Africa 50

Power Generation to Increase More Than Double by 2040



3

BUSINESS OPPORTUNITIES FOR JAPANESE STAKEHOLDERS

Geothermal Opportunities through Public Financing and IPPs

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.

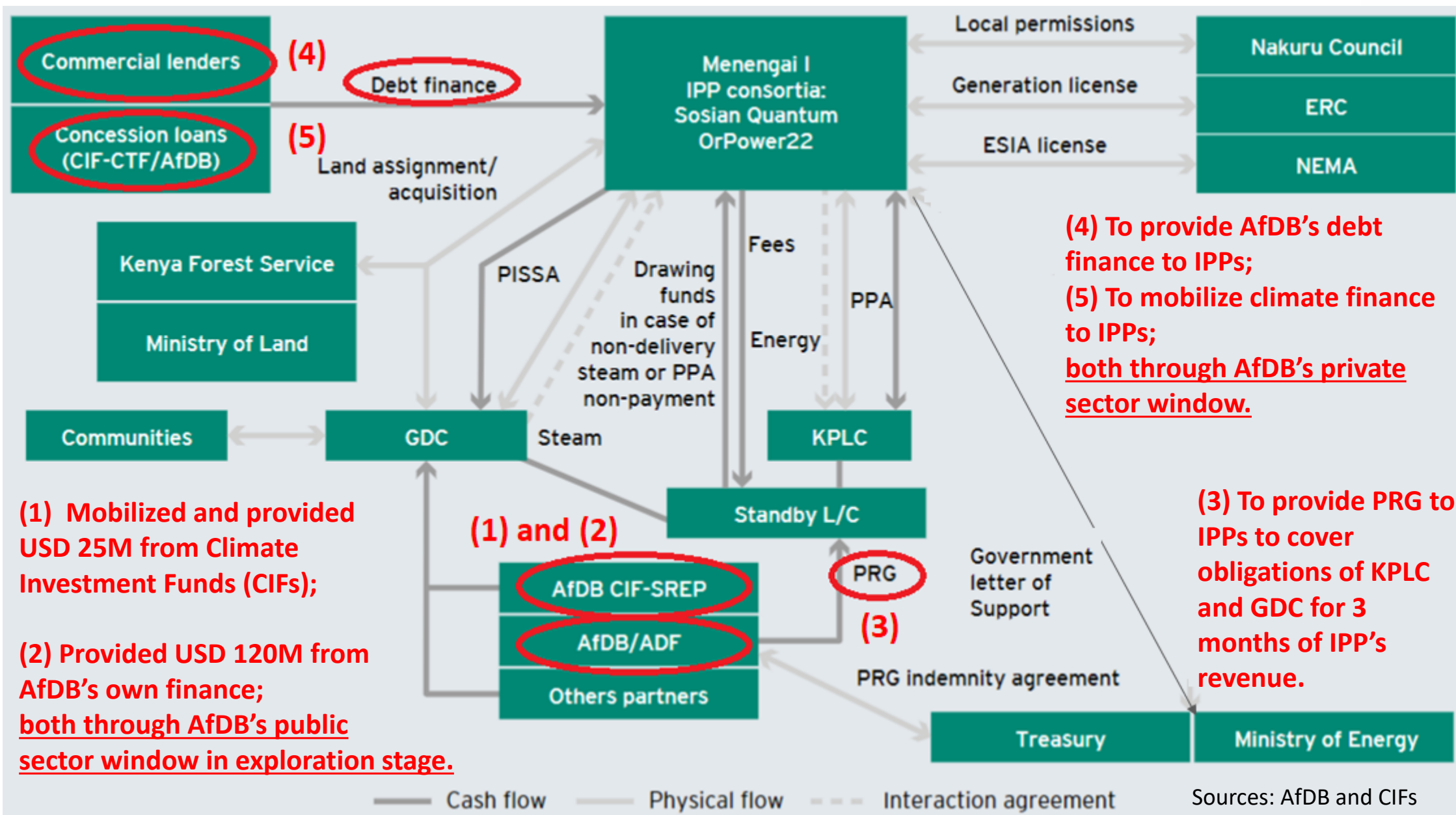
- **Menengai (35MW X 3):** F/C is expected from Quantum, Sosian or Ormat;
- **Olkaria VI (140MW):** KenGen is to award a winner from 5 group bidders;
- **Olkaria VII (140MW):** Exploration is currently going on as future IPP;

Ethiopia:

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



Introduction of AfDB's roles in Menengai Geothermal IPPs



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

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



- 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

Example 1: BBOXX RWANDA



USD 8 m loan in Rwandan Francs secured by inventory, to finance consumer receivables.

Example 2: SUNCULTURE KENYA

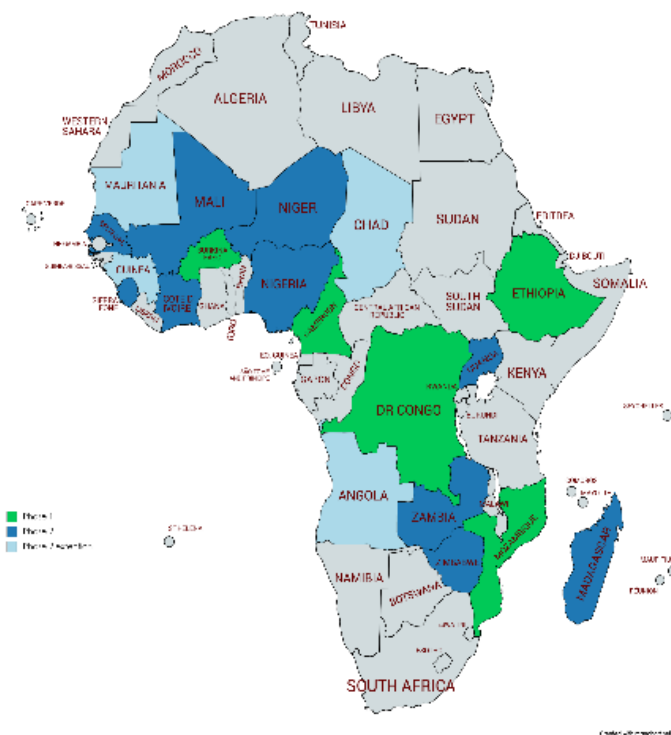


USD 2.25 m inventory financing operation for a based-technology company leader in solar water pumps and irrigation solutions for smallholder farmers

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.

4

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





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,



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