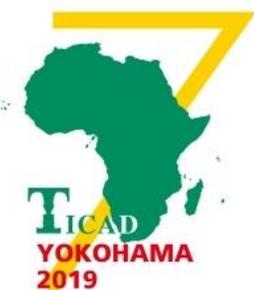


# AfDB Infrastructure Finance overview and Financial Instruments



*For Pre-TICAD 7 Seminar  
Tokyo, Japan  
14 February, 2019*



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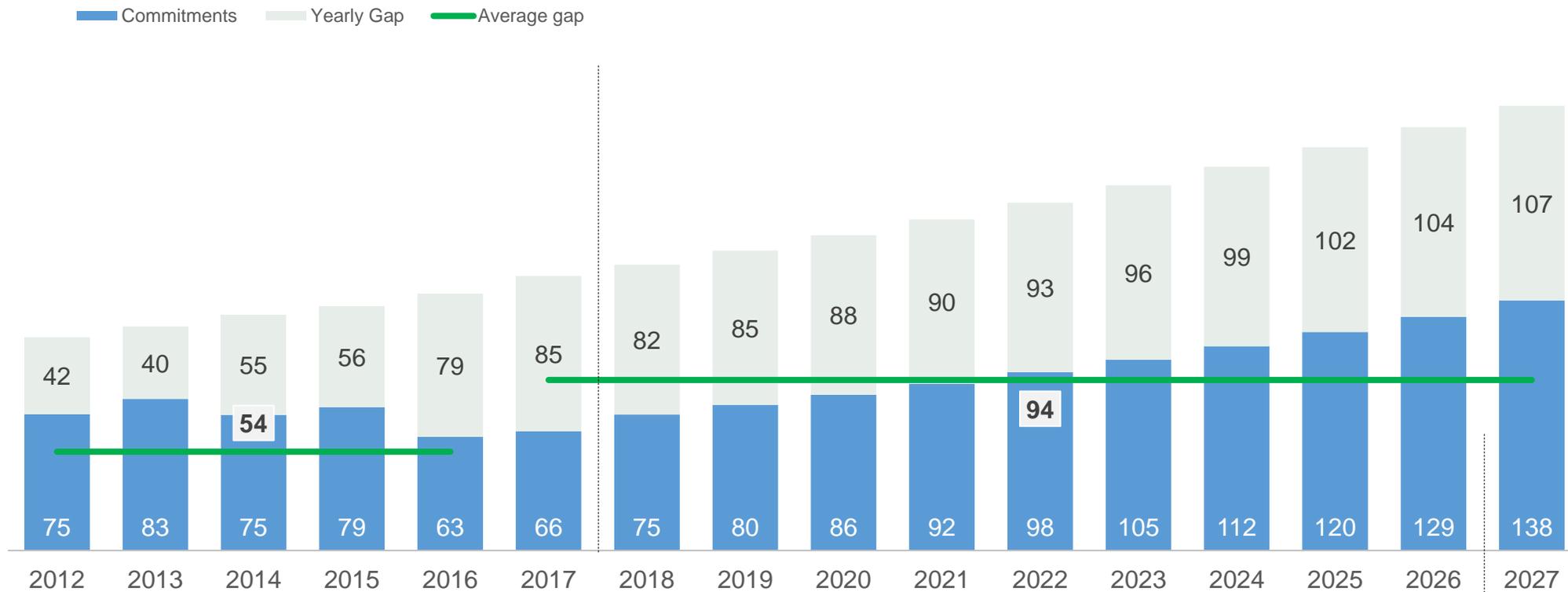
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# Infrastructure market overview and AfDB's activities

# Infrastructure commitment and gap



While investment amount is growing, finance gap is also growing, i.e. \$100B/yr



Source: Analysis based on ICA Report 2017, in US\$ billion

# The AfDB: Supporting Transport for 50 years



Over 450  
transport projects financed



Over 30 billion  
USD of loans and grants



Over 450 million Africans  
benefiting from improved transport systems



40,000 km  
of main roads have been paved



14 countries  
received support to improve their railways systems



30 airport terminals  
have been built or expanded



16 ports terminals  
have been built or expanded



**450**  
transport projects financed



**30 billion**  
USD of loans and grants



**450 million africans**  
benefiting from improved transport systems



**40,000Km**  
of main roads have been paved



**30** airports terminals have been built or expanded



**14** countries received support to improve their railway systems



**16** ports terminals have been built or expanded

**WEST AFRICA**

**Benin**

- USD 485M lent (13 projects)
- 160 km of roads paved (70km urban)
- Cotonou port extended
- 4M beneficiaries

**Burkina Faso**

- USD 616M lent (12 projects)
- 1,150 km of roads paved
- 12M beneficiaries

**Cape Verde**

- USD 120M lent (6 projects)
- 144 km of roads paved
- A port & an airport constructed
- 200,000 beneficiaries

**Côte d'Ivoire**

- USD 1,300M lent (9 projects)
- 1,470 km of roads paved (80 km urban) and two bridges built
- 6M beneficiaries

**Gambia**

- USD 200M lent (8 projects)
- 60 km of roads paved and a major bridge built
- A port & an airport expanded
- 1.2M beneficiaries

**Ghana**

- USD 860M lent (14 projects)
- 590 km of roads paved
- 5 airports improved
- 2M beneficiaries

**Guinea**

- USD 284M lent (9 projects)
- 957 km of roads paved
- Conakry port expanded
- 1M beneficiaries

**Guinea-Bissau**

- USD 131M lent (5 projects)
- 230 km of roads paved
- An airport extended
- 500,000 beneficiaries

**Liberia**

- USD 391M lent (6 projects)
- 360 km of roads paved
- 2M beneficiaries

**Mali**

- USD 388M lent (8 projects)
- 900 km of roads paved
- 9M beneficiaries

**Niger**

- USD 262M lent (8 projects)
- 912 km of roads paved
- 3M beneficiaries

**Nigeria**

- USD 525M lent (7 projects)
- 760 km of roads paved
- 2 airports built
- 8M beneficiaries

**Senegal**

- USD 640M lent (18 projects)
- 1,550 km of roads paved
- Dakar Port expanded, an airport built
- 12M beneficiaries

**Sierra Leone**

- USD 147M lent (6 projects)
- 300 km of roads paved
- 4M beneficiaries

**Togo**

- USD 220M lent (10 projects)
- 650 km of roads paved
- Lomé port expanded
- 5M beneficiaries

**WEST AFRICA**

**Cameroon**

- USD 1,740M lent (15 projects)
- 1,540 km of roads paved
- Douala port & airport expanded
- Rail network financed
- 18M beneficiaries

**Central African Republic**

- USD 80M lent (5 projects)
- 300 km of roads paved
- 500,000 beneficiaries

**Chad**

- USD 300M lent (8 projects)
- 700 km of roads paved
- 5M beneficiaries

**Congo**

- USD 400M lent (6 projects)
- 400 km of roads paved
- Investments in air, rail and inland water traffic
- 5M beneficiaries

**Democratic Republic of the Congo**

- USD 1,060M lent (14 projects)
- 640 km of roads paved
- Major Air security project
- Railway rehabilitation
- 18M beneficiaries

**Equatorial Guinea**

- USD 150M lent (3 projects)
- 30 km of roads paved
- Bata airport financed
- 500,000 beneficiaries

**Gabon**

- USD 80M lent (5 projects)
- 600 km of roads paved
- 1M beneficiaries

**EAST AFRICA**

**Burundi**

- USD 560M lent (14 projects)
- 680 km of roads paved
- Bujumbura airport expanded, a shipyard built
- 8M beneficiaries

**Comoros**

- USD 525M lent (3 projects)
- 280 km of roads paved
- 200,000 beneficiaries

**Djibouti**

- USD 110M lent (5 projects)
- 110 km of roads paved
- 2 port terminals financed
- 400,000 beneficiaries

**Eritrea**

- USD 10M lent (1 project)
- Material for road construction financed

**Ethiopia**

- USD 1,380M lent (17 projects)
- 2,320 km of roads paved
- Addis-Ababa Airport and Ethiopian Airlines financed
- 40M beneficiaries

**Kenya**

- USD 1,780M lent (22 projects)
- 1,720 km of roads paved
- Major urban road projects in Nairobi and Mombasa
- Nairobi airport equipped
- 20M beneficiaries

**Rwanda**

- USD 980M lent (13 projects)
- 800 km of roads paved
- 7M beneficiaries

**Seychelles**

- USD 20M lent (1 project)
- Mahe airport expanded
- 100,000 beneficiaries

**Somalia**

- USD 40M lent (2 projects)
- 1,300 km of roads paved
- 500,000 beneficiaries

**South Sudan**

- USD 10M lent (1 project)
- Capacity building and studies

**Sudan**

- USD 50M lent (2 projects)
- 8 bridges built
- Rail sector supported
- 1M beneficiaries

**Tanzania**

- USD 1,580M lent (18 projects)
- 2,230 km of roads paved
- Public transport in Dar es Salaam
- Lac Victoria development project (multinational)
- 27M beneficiaries

**Uganda**

- USD 870M lent (15 projects)
- 950 km of roads paved
- Support to Rift Valley railways
- 16M beneficiaries

**NORTH AFRICA**

**Algeria**

- USD 760M lent (8 projects)
- 1,200 km of roads paved
- 6 strengthened
- Open Djen Port equipped, Air Algérie supported
- Rail network improved
- 20M beneficiaries

**Morocco**

- USD 10M lent (14 projects)
- Material for road construction financed
- 6,000 km of roads strengthened
- 7 airport terminals built or modernized
- 290 km of railway built
- Mador Port financed
- 18M beneficiaries

**Mauritania**

- USD 90M lent (4 projects)
- 490 km of roads paved and a major bridge built
- 200,000 beneficiaries

**Tunisia**

- USD 2,030M lent (14 projects)
- A major highway built
- 5,300 km of roads strengthened
- Garifha airport built
- Rail Network modernized
- 8M beneficiaries

**SOUTHERN AFRICA**

**Botswana**

- USD 250M lent (6 projects)
- 490 km of roads paved
- Gaborone airport extended
- 1M beneficiaries

**Lesotho**

- USD 224M lent (11 projects)
- 500 km of roads paved
- Maseru airport built
- 2M beneficiaries

**Madagascar**

- USD 680M lent (7 projects)
- 1,000 km of roads paved
- 14M beneficiaries

**Malawi**

- USD 560M lent (13 projects)
- 450 km of roads paved
- Lilongwe airport expanded
- 240 km of railway built or rehabilitated
- 11M beneficiaries

**Mauritius**

- USD 60M lent (4 projects)
- 40 km of roads paved
- 500,000 beneficiaries

**South Africa**

- USD 540M lent (5 projects)
- 170 km of roads paved
- Railway freight transport supported
- 1M beneficiaries

**Swaziland**

- USD 250M lent (6 projects)
- 220 km of roads paved
- 1M beneficiaries

**Zambia**

- USD 560M lent (7 projects)
- 640 km of roads paved and a major bridge built
- Railway equipment purchased
- 2M beneficiaries

**Namibia**

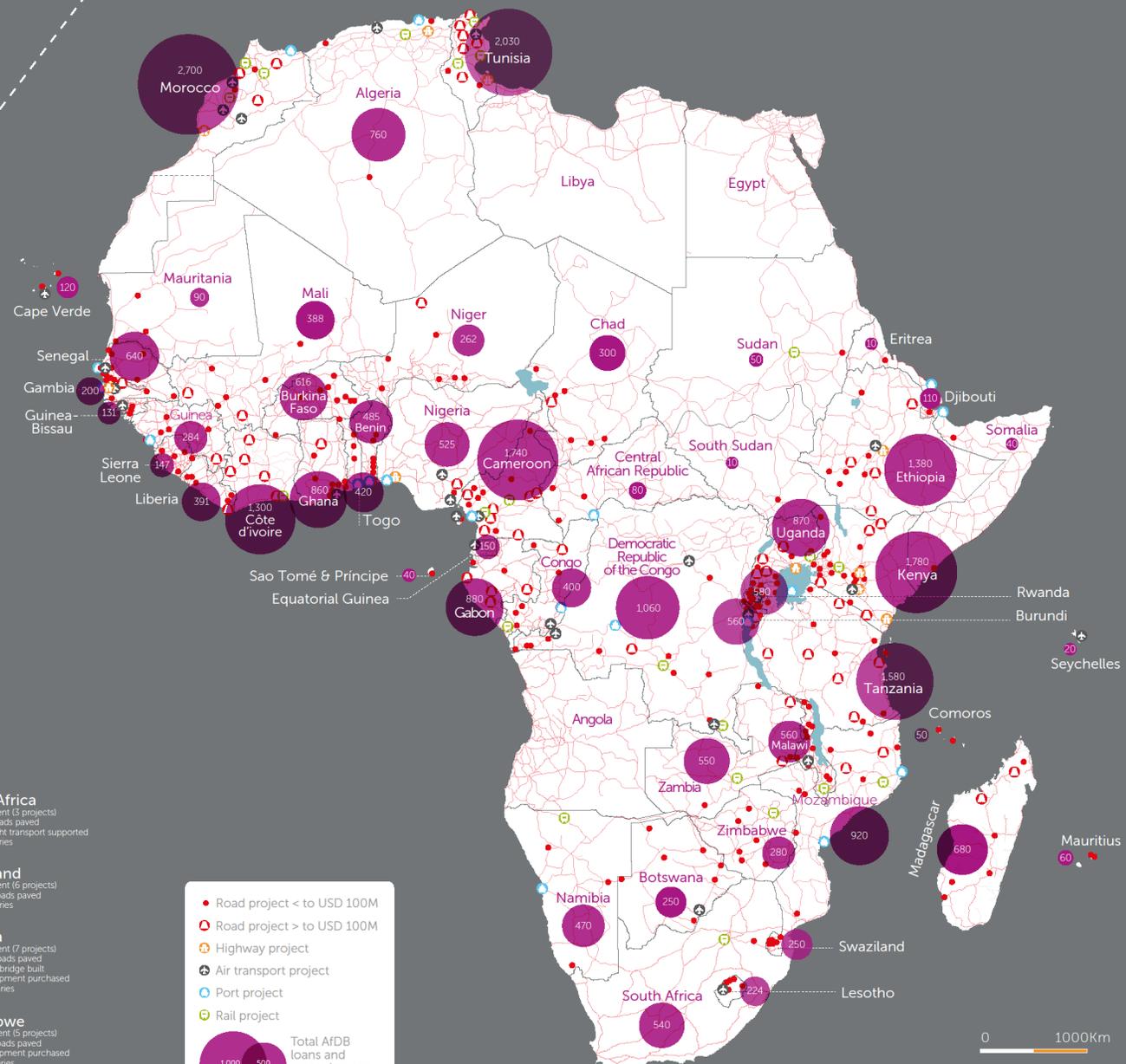
- USD 470M lent (5 projects)
- 450 km of roads paved
- Walvis Bay port and railway network extended
- 1M beneficiaries

**Sao Tomé & Príncipe**

- USD 40M lent (2 projects)
- 80 km of roads paved
- Sao Tomé airport extended
- 100,000 beneficiaries

**Zimbabwe**

- USD 40M lent (2 projects)
- 80 km of roads paved
- Sao Tomé airport extended
- 100,000 beneficiaries



- Road project > to USD 100M
- Road project > to USD 100M
- Highway project
- Air transport project
- Port project
- Rail project



Source : Infrastructure, Cities and Urban Development Department – African Development Bank  
This map has been drawn by the African Development Bank Group exclusively for the use of readers of this poster. The names used and the borders shown do not imply on the part of the Bank and its members any judgment concerning the legal status of a territory or any approval or acceptance of these borders.  
\* USD million value 2016



# Lenders in the market

## Development Financial Institutions



## Export Credit Agencies



## Commercial Banks



## Regional Development Banks



# Equity funds managers



# Enabling market environment is getting ready for investment

## Global Competitive Index (WEF 2018)



	Institutions	Infrastructure	Transport Infrastructure	Macroeconomic Stability	Debt Dynamics	Market Size	Total
Egypt	48.1	70.5	54.0	51.0	37.7	<b>72.8</b>	53.6
Morocco	<b>56.6</b>	71.5	56.2	<b>90.0</b>	<b>80.0</b>	<b>60.0</b>	58.5
Ethiopia	44.9	45.5	<b>33.7</b>	68.0	48.6	54.6	44.5
Rwanda	<b>64.4</b>	50.8	43.0	71.8	47.2	33.8	50.9
Kenya	54.6	54.8	44.2	69.5	47.8	52.2	53.7
Uganda	47.9	43.2	<b>32.2</b>	71.6	47.6	46.4	46.8
Tanzania	50.0	46.0	<b>35.6</b>	73.0	49.4	52.0	47.2
Senegal	52.5	51.8	<b>36.0</b>	69.4	38.9	41.1	49.0
Cote d'Ivoire	44.5	51.2	<b>36.8</b>	75.0	50.0	47.8	47.6
Ghana	<b>55.7</b>	50.3	<b>31.8</b>	54.8	40.0	51.8	51.3
Nigeria	41.7	42.3	<b>29.3</b>	56.4	46.4	<b>70.8</b>	47.5
Namibia	<b>57.2</b>	59.7	<b>45.7</b>	69.9	46.7	36.2	52.7
Angola	37.2	40.7	<b>31.6</b>	31.1	40.0	53.9	37.1
Mozambique	41.2	37.3	<b>25.3</b>	44.5	25.9	40.3	39.8
Botswana	54.7	53.9	40.4	<b>100.0</b>	<b>100.0</b>	38.6	54.5
South Africa	53.8	68.6	57.5	<b>86.7</b>	<b>78.3</b>	<b>68.4</b>	60.8

## 2 AfDB's financial instruments

# Large Menu of Financial Instruments



# The Bank Group addresses the diverse needs of the continent

**ADB Sovereign Operations**  
 17 middle-income countries eligible to receive ADB funding

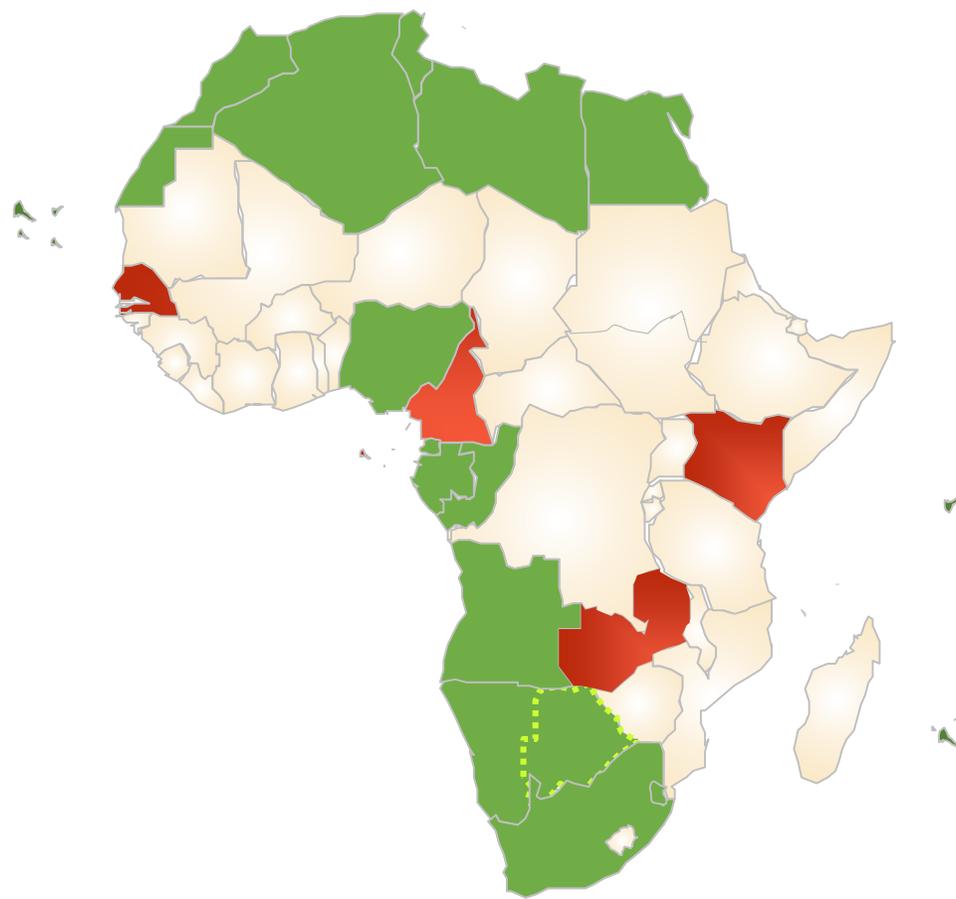
**Criteria :**

- GNI per capita
- Country's creditworthiness

**Access to ADB and ADF financing**

4 Blend countries with access to both ADF and ADB resources. (Cameroon, Kenya, Senegal & Zambia)

**ADF Concessional Financing**  
 33 Low-income countries are eligible to receive loans and grants from ADF only



**Non Sovereign Guaranteed Operations**

Viable enterprises and multinational projects with an additionality and development outcome

- Direct loans
- Lines of credits
- Equity participation
- Guarantees

**Main selection criteria**

- Strategic Alignment
- Development outcomes
- Commercial Viability
- Additionality

3

# Guarantee Instruments

# What are the benefits of AfDB Guarantees?



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



Mitigate/ share risks



Reinforce government undertakings



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.

# Which types of guarantees does AfDB offers?



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)**

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## Partial Risk Guarantees (PRG)

# Partial Risk Guarantee (PRG)



## Description

- A PRG is a financial guarantee which covers **private sector projects against a government** or government owned entity's failure to meet its specified **contractual obligations** to the project.
- PRGs typically cover undertakings that are under government's control, not genuine commercial risks.
- Government obligations should be clearly defined ex ante in contracts between government and the private project or its sponsors.



# Sovereign risks covered by a PRG

AfDB PRGs can be used to cover:

## ❑ Currency Inconvertibility and Non-transferability

- Protects against losses arising from inability to:
- Convert local currency into foreign exchange within host country
- Transfer funds out of the host country

## ❑ Expropriation, Confiscation, Nationalization and Deprivation

- Protects foreign investor against host government's interference with investor's fundamental ownership rights

## ❑ Political Force Majeure Risks

- Such as - damages to assets resulting from politically motivated strikes, riots, civil commotion, terrorism, sabotage, war and / or civil war

## ❑ Breach of Contract

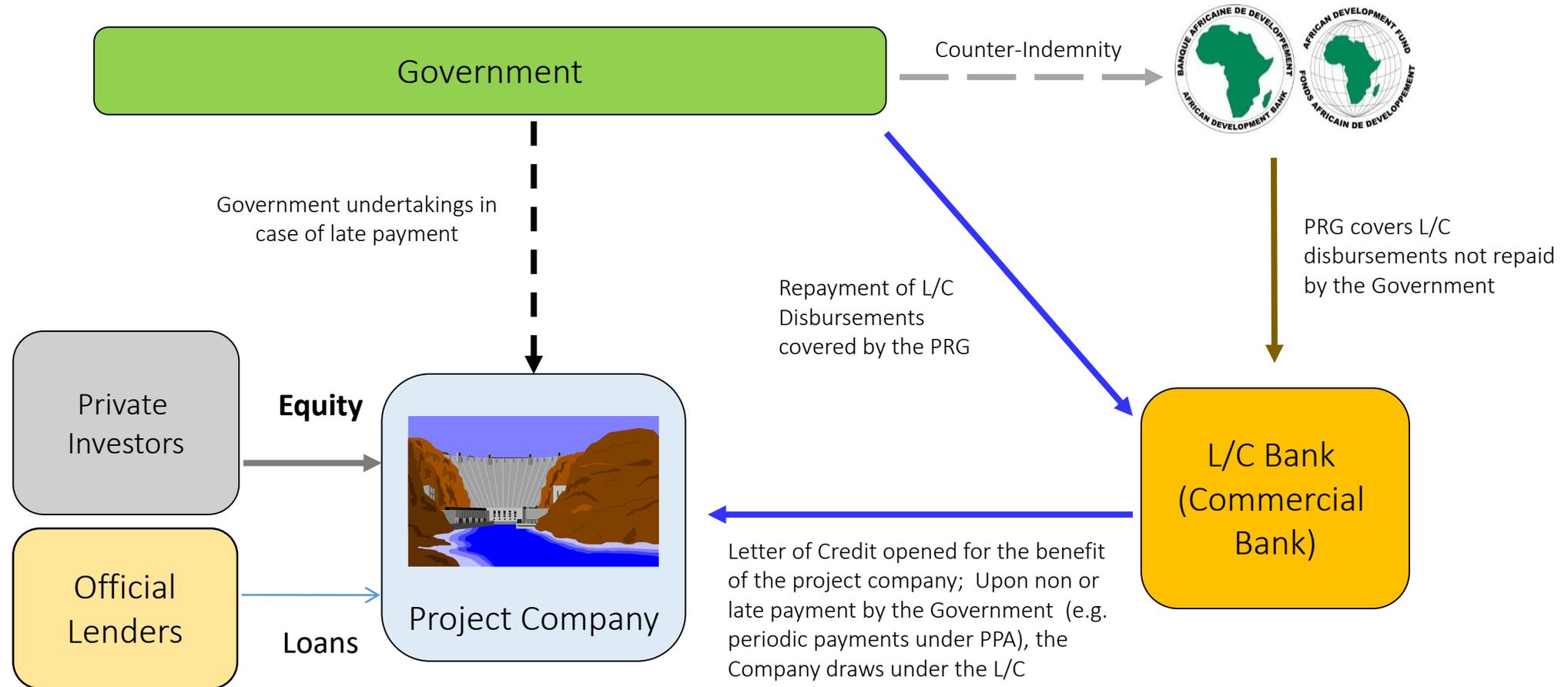
- Protects against loss arising from breach or repudiation of a project agreement including non-honoring of financial obligations by government and SOEs

## ❑ Risks not covered

- Currency depreciation and devaluation not covered
- Pre-existing restrictions on conversion or transfer not covered (unless government has expressed to undertake cover)



# Indicative structure of PRG with an L/C



Protection against temporary liquidity shortfalls (L/C Bank Structure)

# Examples of Investments catalyzed through PRGs

Cote d'Ivoire

Dec  
2017

## Transport Sector reform through Asset Backed Financing

**USD 20 million**

- support modernization and acquisition of new planes by Air Côte d'Ivoire (ACDI)
- PRG with L/C used to cover payment obligations of ACDI under the lease agreement
- PRG amount to cover at least 80% of 1 year lease payments.



Kenya

Oct  
2014

## Power generation with Geothermal Development Corporation

**USD 12.4 million**

- Three 35 MW geothermal power plants
- PRG to mitigate the risk of non-payment from Kenya Power and Lighting Company for power purchases and the Geothermal Development Company of Kenya for non-supply of steam 3



Nigeria

Dec  
2013

## Energy Sector Reform and Restructuring Program **USD 180 million**

- Boost private sector confidence to invest in independent power producers (IPPs) through the operationalization of Nigeria's Bulk Electricity Trading Plc (NBET), a government entity established to act as intermediary for an interim period between IPPs and distribution companies
- PRG used to mitigate the risk of NBET not fulfilling its obligations under its PPAs with IPPs



## Case Study: Lake Turkana Wind Power Project (LTWP)- Kenya

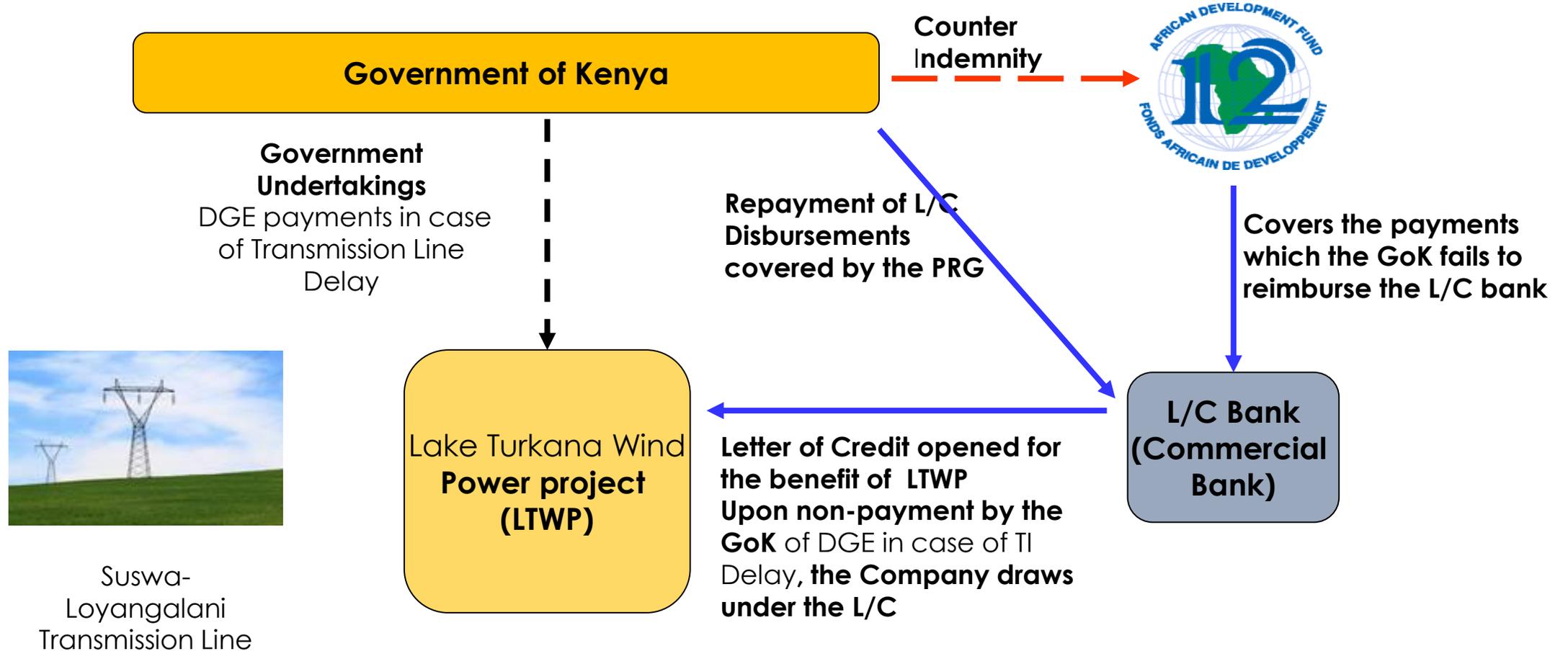
- **310 MW wind farm, located in northern Kenya, near Lake Turkana. The largest wind farm in Africa.**
- Project was identified in 2007 and the Bank has acted as Lead Arranger and Co-Developer to fully structured the Project , syndicating over EUR 100 million of Senior Debt and Sub-Debt.
- Government of Kenya (GoK) had several obligations vis-à-vis the Lake Turkana Wind Project (articulated in a Letter of Support), including the delivery of a 428 km transmission line (T-Line) to connect to national grid.
- **Lenders needed the comfort that political risks will be mitigated**, and that underlying financial obligations will be met.
- A delay in the T-Line would mean that revenues required for debt servicing would not be available, when the Lake Turkana Power Project is already generating power.

<b>Guarantee Applicant</b>	GoK\KETRACO
<b>Guarantee Beneficiary</b>	Standard Chartered Bank Kenya (SCK), the L/C Bank
<b>Guaranteed Obligations</b>	GoK/KETRACO reimbursement obligations in case the L/C is drawn
<b>L/C structure</b>	A standby L/C is opened by SCK at the request of GoK/KETRACO for the benefit of LTWP. LTWP could draw on the L/C to recover up to 4 months worth of payments in the event of T-Line delay. This will allow LTWP to service its debt to lenders.
<b>Guarantee Amount</b>	The L/C and the guaranteed maximum amount is EUR 20mn (UA 17.4mn)
<b>Tenor</b>	2 years revolving L/C for Up to 5 years committed maturity
<b>Leverage</b>	UA 4.35M from GoK ADF Performance Based Allocation
<b>Security</b>	A counter-indemnity from GoK

# Example – Lake Turkana Wind Power Project



## Indicative structure of a PRG with an L/C





## Partial Credit Guarantees (PCG)

# Partial Credit Guarantee (PCG)

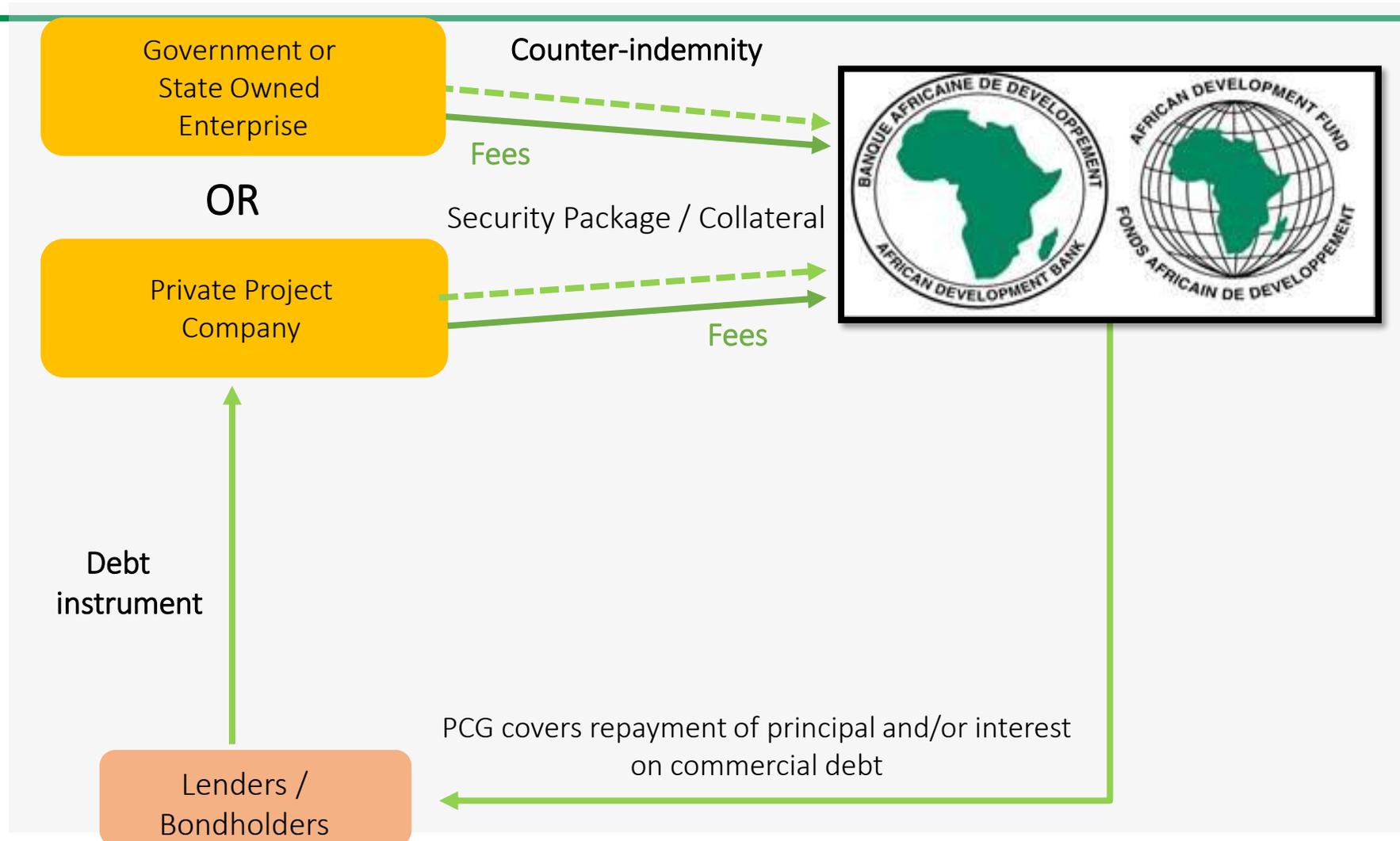


## Description

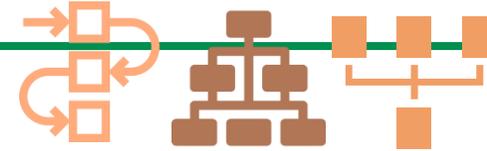
- A PCG covers debt service on scheduled payments of commercial debt, against all risks or specific events of defaults.
- PCGs support private sector entities, government and SOEs (**Applicants**) in mobilizing debt (**Guaranteed Obligations**) from commercial lenders/investors (**Beneficiaries**) to finance their activities and projects.
- Governments can also use PCGs in the form of **Policy Based Guarantees** (PBGs) to raise commercial financing in support of their strategic reforms under the Policy Based Operations Framework (Budget Support operations).



# PCGs - Structures



# PCGs - Structures



AfDB Group guarantees can be structured with great flexibility to fit the project needs.

## PCG can cover:



Individual projects



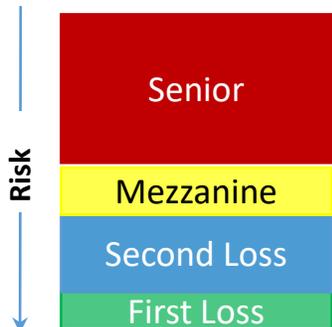
Portfolio of transactions



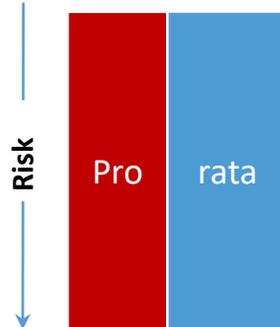
Principal or interest or both



Fees, Default interest and other penalties are not covered.



Different tranches of risk (first loss, second loss...)



On a pro rata basis



PCG can also be structured to share risk as if AfDB was providing the loan (in this case AfDB keep all lender risks). This is particularly used for local currency transactions.

# Case Study : Mobile Telephone Network - Cameroon



- The project is to expand the operations of CAMTEL Mobile which was acquired by MTN as part of the privatization of the national telecommunication provider in Cameroon. MTN plans to design, finance, build and operate a modern Global Mobile System (GSM) cellular telephone network of about 400,000 subscribers.
- The total project cost was estimated at Euro 209 million of which:
  - Shareholders equity and quasi-equity: EUR 109.1mn
  - International senior debt: EUR 65mn
  - Local senior debt: XOF 23 bn (EUR 35.1mn)
- The International senior debt was guaranteed by EKN, the Sweden ECA (Commercial and political risks)
- The Local Senior debt was guaranteed by ADB and FMO (credit guarantee)
- The MTNC project financing was the first exposure of local banks to the limited recourse project finance field, as well as the telecommunications sector.
- By providing a guaranty for a relatively large amount, ADB and FMO allowed the local banks to increase their long term lending capacity, without breaking Central Bank prudential regulations.

# Case Study : Mobile Telephone Network - Cameroon



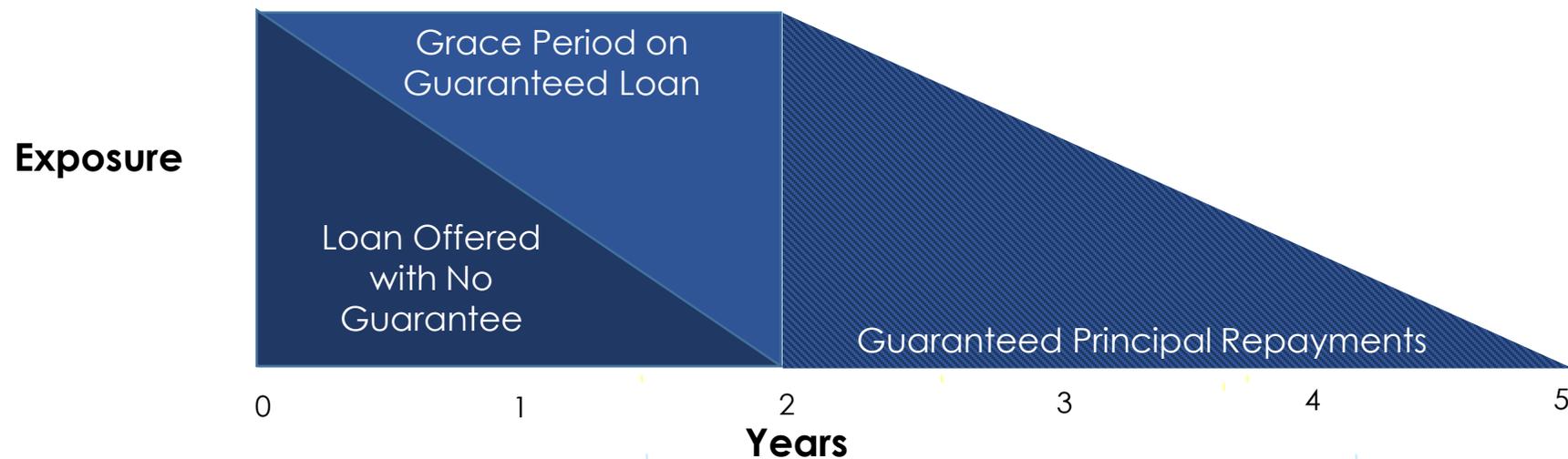
<b>Guarantee Applicant</b>	MTN Cameroon
<b>Guarantee Beneficiary</b>	A syndicate of local banks led by Citibank Cameroon, including Standard Chartered, Afriland First Bank, Societe Generale, BGF I Gabon, BICIG Gabon and Citibank Gabon
<b>Guaranteed Obligations</b>	Outstanding principal on a CFA loan of XOF 23 bn (EUR 35.1mn). Interest is not covered. The loan has a 5 years maturity including a 2 years grace period and repays semi-annually.
<b>Guarantee Amount</b>	A total EUR 27.4mn of which EUR 13.7mn by ADB and EUR 13.7mn by FMO
<b>Tenor</b>	Match loan tenor of 5 years
<b>Security</b>	(i) A pledge of MTN's shares in the Project Company; (ii) A mortgage on MTNC's fixed assets; and (iii) Floating charges on company's non-fixed assets, including bank accounts and rights under the concession agreement. Security package shared pari-passu with the lenders.

# Case Study : Mobile Telephone Network - Cameroon



## Example of tenor extension using a Guarantee

Where lenders cannot or are not willing to offer long term debt that matches the needs of a project, AfDB Group CGs can be used to cover credit risk on the longest installments allowing lenders to provide longer tenor loans while meeting their prudential requirements and risk appetite.



**The ADB guarantee to MTNC allowed local banks to provide longer term funding (5 years) in an environment where the longest maturity was limited to 2 years:**

- The lender takes the full credit risk up to year 2
- From year 2, ADB takes the full credit risk

## Case Study 2 : Cameroon FX hedge on Eurobond



- To accelerate growth and increase decent jobs for young people, the Government of Cameroon (GoC) set under its 10 years strategy, a three-year emergency plan 2015-2017 targeting to invest more than CFAF 900 billion to be mobilized mainly from capital markets including through the issuance of a Eurobond in international bond market. The Eurobond proceeds were to finance projects in agro-industry, water, road, power supply and modernizing the national oil refining company (SONARA).
- USD Eurobond markets are deeper, more diversified and sophisticated than the EUR Eurobond markets. Consequently, it was more difficult for a B rated sovereign to issue long-dated large-volume of debt in EUR. To ensure the success of its first Eurobond, Cameroon chose to issue in USD.
- In November 2015, Cameroon issued a USD 750mn Eurobond with a 10 years maturity and 8 years grace period. The bond pays a coupon of 9.5% semi-annually.
- To mitigate currency risk involved with the USD Eurobond, GoC seeks to enter into a cross currency swap that will transform the USD interest and repayments flows into Euro (Cameroon currency XAF is pegged to EUR). Due to the significant amount involved, the long tenor and the speculative grade rating of B granted to Cameroon, it was difficult for GoC to find swap counterparties at reasonable cost. ADB used its PCG to crowd-in international banks and help Cameroon reach a reasonable price on the swap. The Bank also used the Africa Legal Support Facility (ALSF) to support GoC in the legal and technical negotiations for the establishment of the cross currency swap ISDA documentation.

## Case Study 2 : Cameroon FX hedge on Eurobond

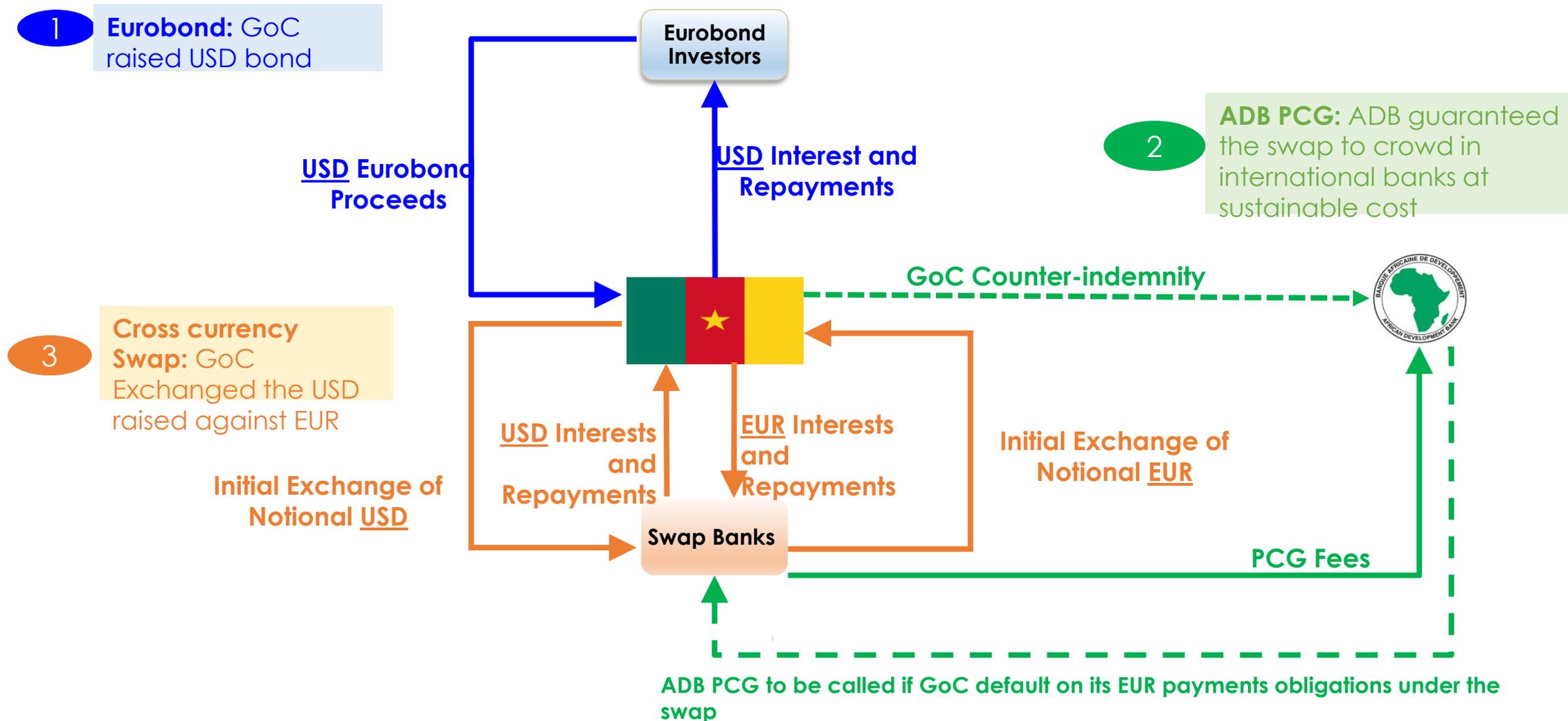


<b>Guarantee Applicant</b>	Cameroon
<b>Guarantee Beneficiary</b>	Swap counterparties in the 3 cross currency swaps entered by GoC with: (1) Société Générale (USD 350mn), (2) Deutsche Bank (USD 250mn) and (3) Standard Chartered (USD 150mn)
<b>Guaranteed Obligations</b>	EUR Interest and Principal payments under the cross currency swaps, Early Termination or Partial Early Termination Amounts payable by GoC except tax gross up amounts, default interest or compensation, fees or expenses on enforcement, amounts claimed by way of damages or remedy.
<b>Guarantee Amount</b>	50% of the principal amount on the EUR leg of the cross currency swaps EUR 343.3mn
<b>Tenor</b>	Match the cross currency swaps 10 years tenor (8 Octobre 2025)
<b>Security</b>	GoC counter-indemnity agreement

# Case Study 2 : Cameroon FX hedge on Eurobond



Example of CG structure to guarantee a swap



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