

AfDB Infrastructure Finance overview and Financial Instruments



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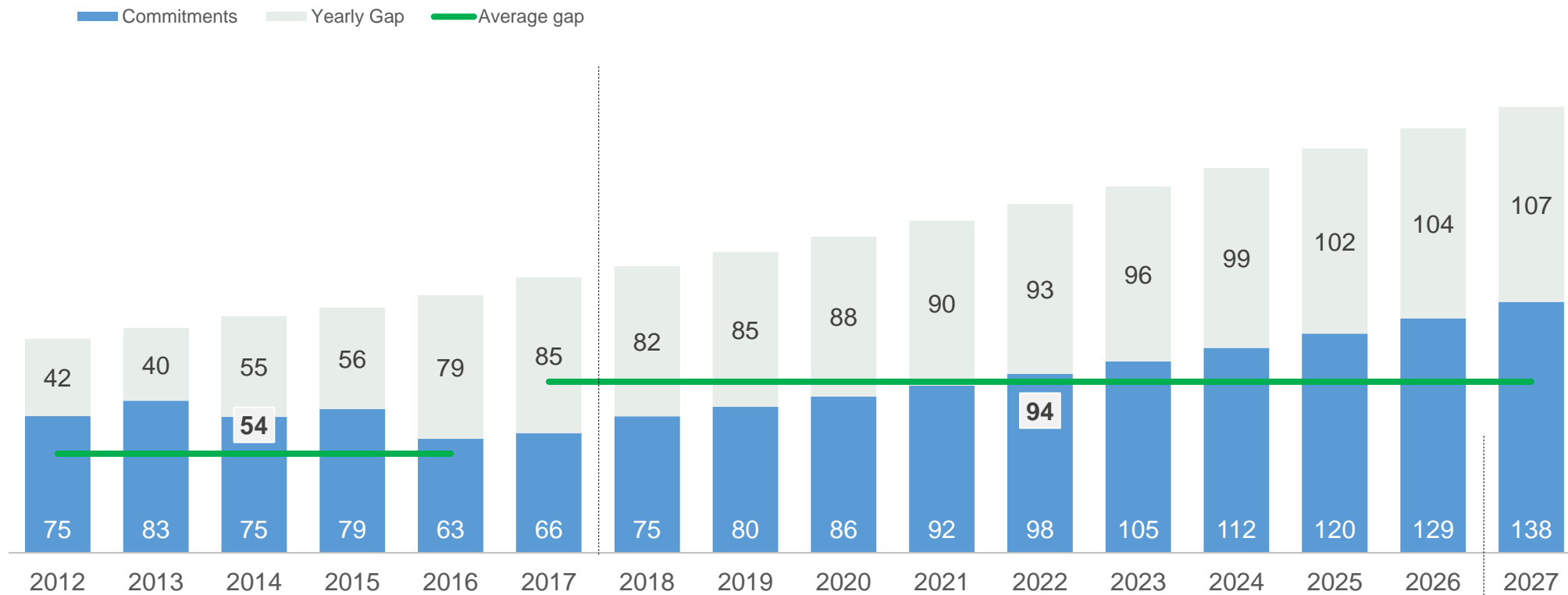


Infrastructure market overview and AfDB's activities

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)
- ▲ 760 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)
- ▲ 390 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 133M 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 752M lent (8 projects)
- ▲ 912 km of roads paved
- 🚆 3M beneficiaries

Nigeria

- USD 752M 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)
- ▲ 500 km of roads paved
- 🚆 4M beneficiaries

Togo

- USD 161M lent (10 projects)
- ▲ 630 km of roads paved
- ✈️ Lomé port expanded
- 🚆 5M beneficiaries

CENTRAL AFRICA

Cameroon

- USD 1,740M lent (22 projects)
- ▲ 1,540 km of roads paved
- ✈️ Douala port & airport expanded
- 🚆 Rail network financed
- 🚆 18M beneficiaries

Central African Republic

- USD 80M lent (3 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)
- ▲ 380 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
- 🚆 5 Railway rehabilitation
- 🚆 18M beneficiaries

Equatorial Guinea

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

Gabon

- USD 880M 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 752M lent (3 projects)
- ▲ 280 km of roads paved
- 🚆 200,000 beneficiaries

Djibouti

- USD 640M lent (18 projects)
- ▲ 1,550 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 580M 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)
- ▲ 1,300km of roads paved
- 🚆 500,000 beneficiaries

South Sudan

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

Sudan

- USD 534M 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)
- 🚆 Support to Rift Valley railways
- 🚆 27M beneficiaries

Uganda

- USD 870M lent (15 projects)
- ▲ 930 km of roads paved
- ✈️ Lac Victoria development project (multinational)
- 🚆 Support to Rift Valley railways
- 🚆 16M beneficiaries

NORTH AFRICA

Algeria

- USD 760M lent (8 projects)
- ▲ 1,200 km of roads paved
- ✈️ 6 strengthened
- ✈️ Open Djén 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
- ✈️ Major 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
- ▲ 2,300 km of roads strengthened
- ✈️ Sfax airport built
- 🚆 Rail Network modernized
- 🚆 8M beneficiaries

SOUTHERN AFRICA

Botswana

- USD 250M lent (6 projects)
- ▲ 390 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
- ▲ 240km of railway built or rehabilitated
- 🚆 11M beneficiaries

Mauritius

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

Mozambique

- USD 920M lent (12 projects)
- ▲ 950 km of roads paved
- ▲ 640 km of rail construction and rehabilitation
- ✈️ A port terminal built (Nacala)
- 🚆 9M 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 110M lent (2 projects)
- ▲ 80 km of roads paved
- ✈️ Sao Tomé airport extended
- 🚆 100,000 beneficiaries

South Africa

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

Swaziland

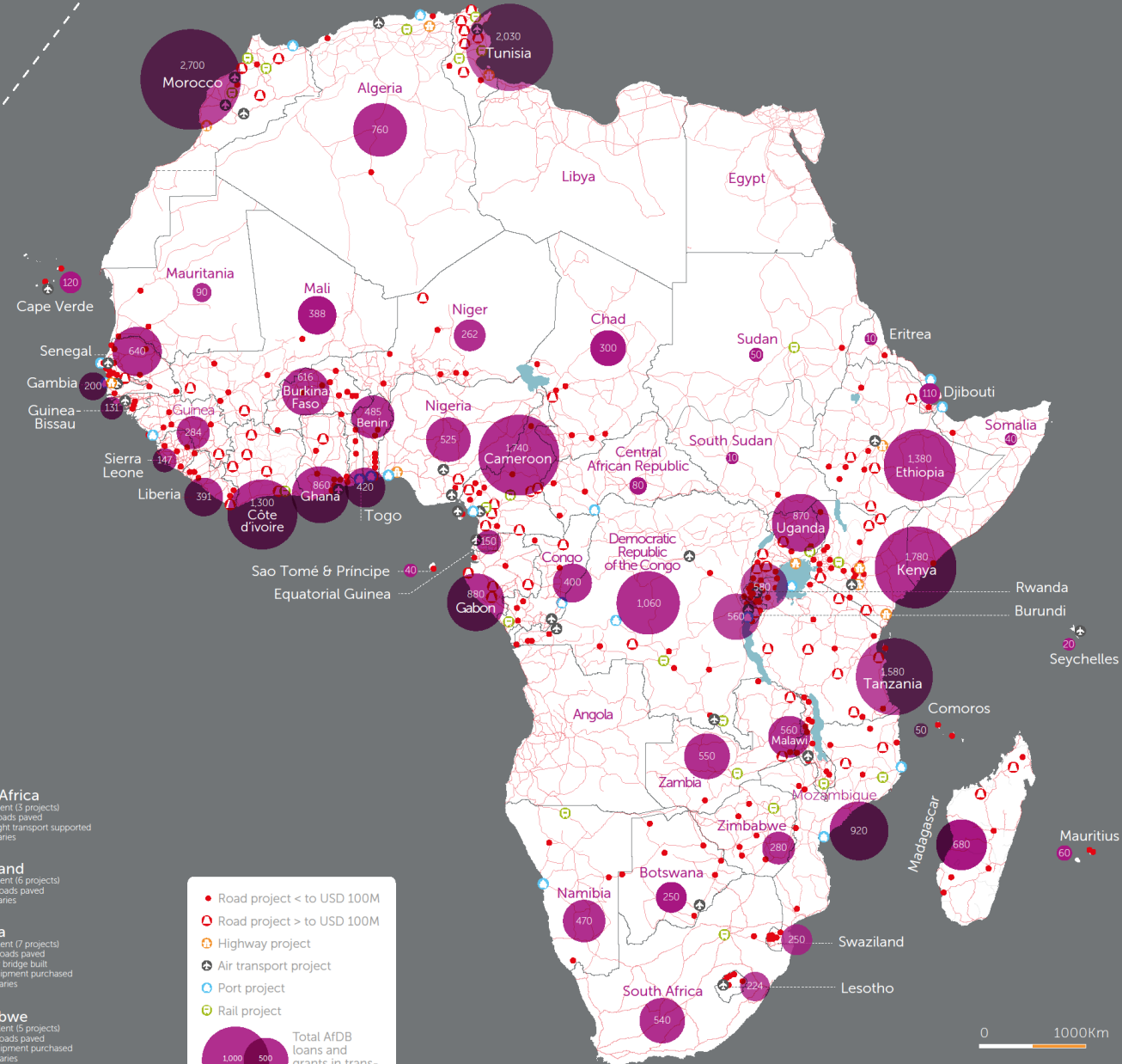
- USD 250M lent (6 projects)
- ▲ 220 km of roads paved
- 🚆 1M beneficiaries

Zambia

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

Zimbabwe

- USD 40M lent (2 projects)
- ▲ 700 km of roads paved
- ✈️ Railway equipment purchased
- 🚆 4M beneficiaries



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.

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	72.8	53.6
Morocco	56.6	71.5	56.2	90.0	80.0	60.0	58.5
Ethiopia	44.9	45.5	33.7	68.0	48.6	54.6	44.5
Rwanda	64.4	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	32.2	71.6	47.6	46.4	46.8
Tanzania	50.0	46.0	35.6	73.0	49.4	52.0	47.2
Senegal	52.5	51.8	36.0	69.4	38.9	41.1	49.0
Cote d'Ivoire	44.5	51.2	36.8	75.0	50.0	47.8	47.6
Ghana	55.7	50.3	31.8	54.8	40.0	51.8	51.3
Nigeria	41.7	42.3	29.3	56.4	46.4	70.8	47.5
Namibia	57.2	59.7	45.7	69.9	46.7	36.2	52.7
Angola	37.2	40.7	31.6	31.1	40.0	53.9	37.1
Mozambique	41.2	37.3	25.3	44.5	25.9	40.3	39.8
Botswana	54.7	53.9	40.4	100.0	100.0	38.6	54.5
South Africa	53.8	68.6	57.5	86.7	78.3	68.4	60.8

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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 :

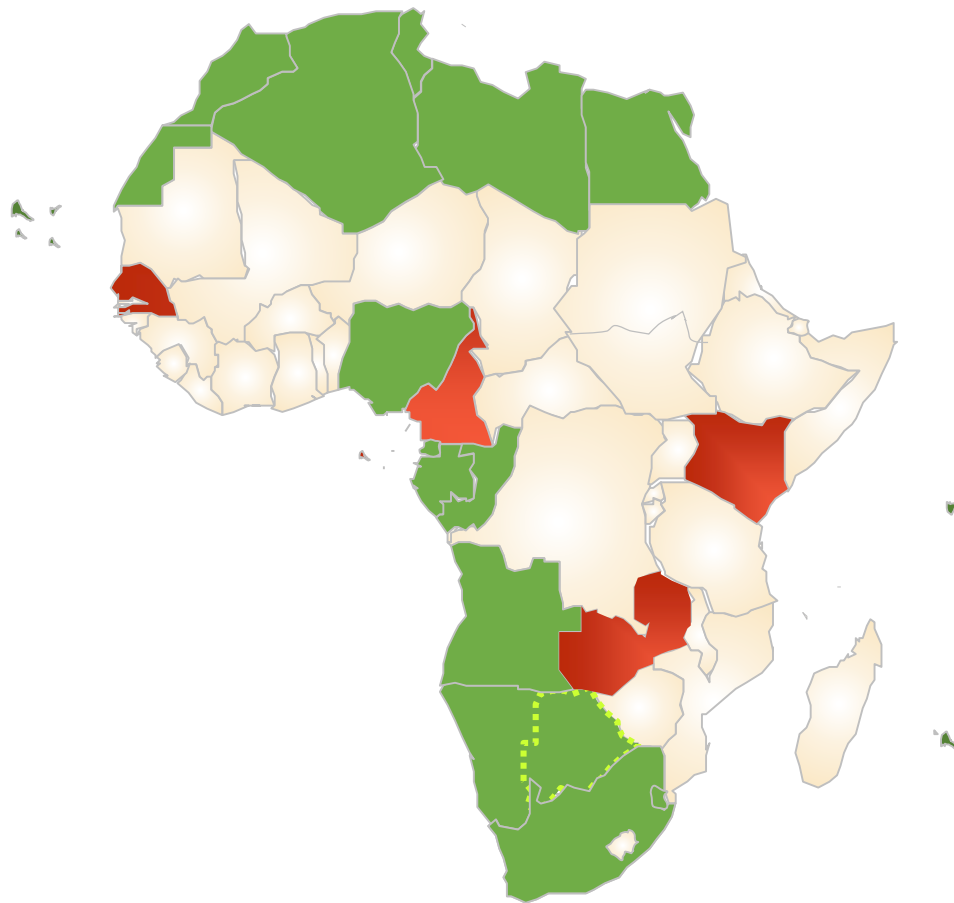
- GNI per capita
- Country's creditworthiness

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



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



For the Guarantee Beneficiaries and other project stakeholders, AfDB Group Guarantees allow to:

Mitigate/ share risks



Reinforce government undertakings



Benefit from AfDB safeguards on the project



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

Leverage on AfDB resources



Finance more development projects with available resources



AfDB Group guarantees help catalyze commercial financing in transformative projects in priority sectors.

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)**

4

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

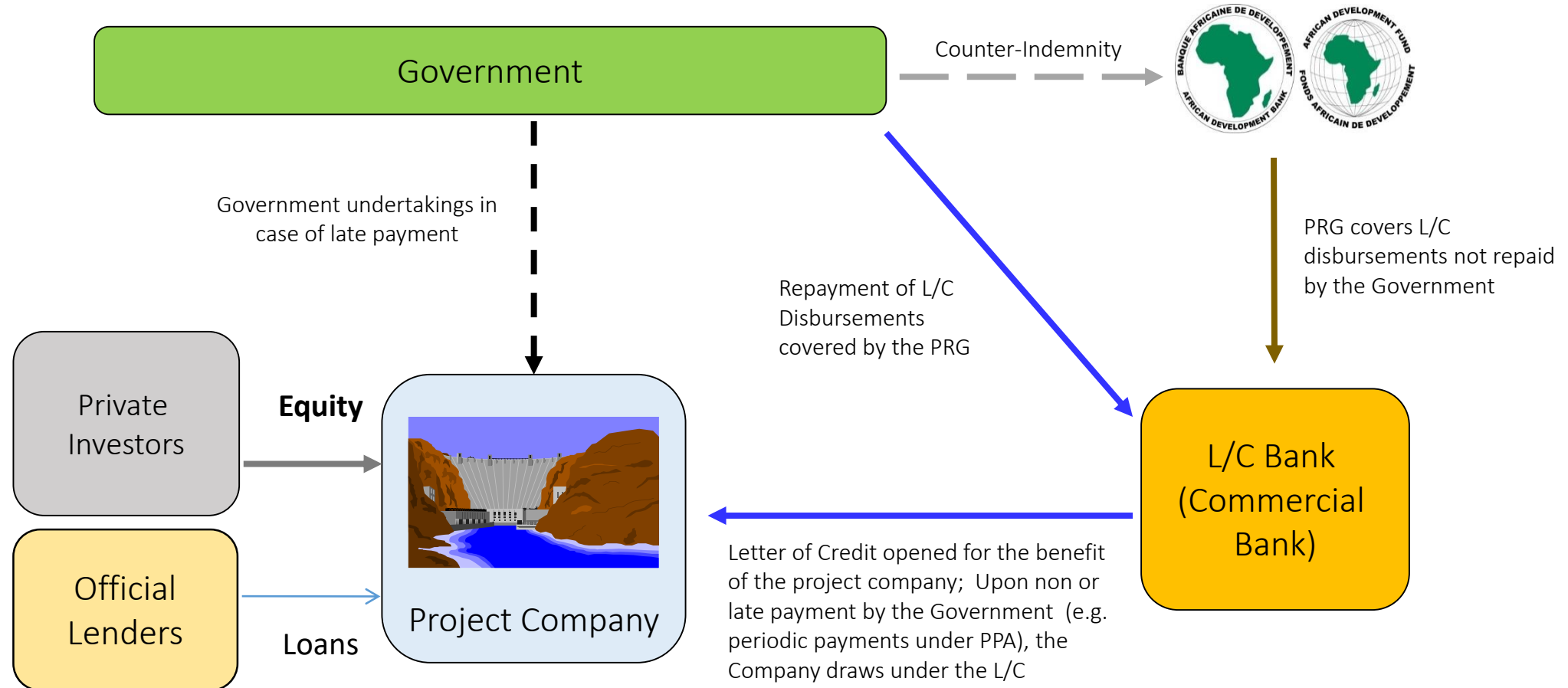
- Protects against loss arising from breach or repudiation of a project agreement including non-honoring of financial obligations by government and SOEs

☐ 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.

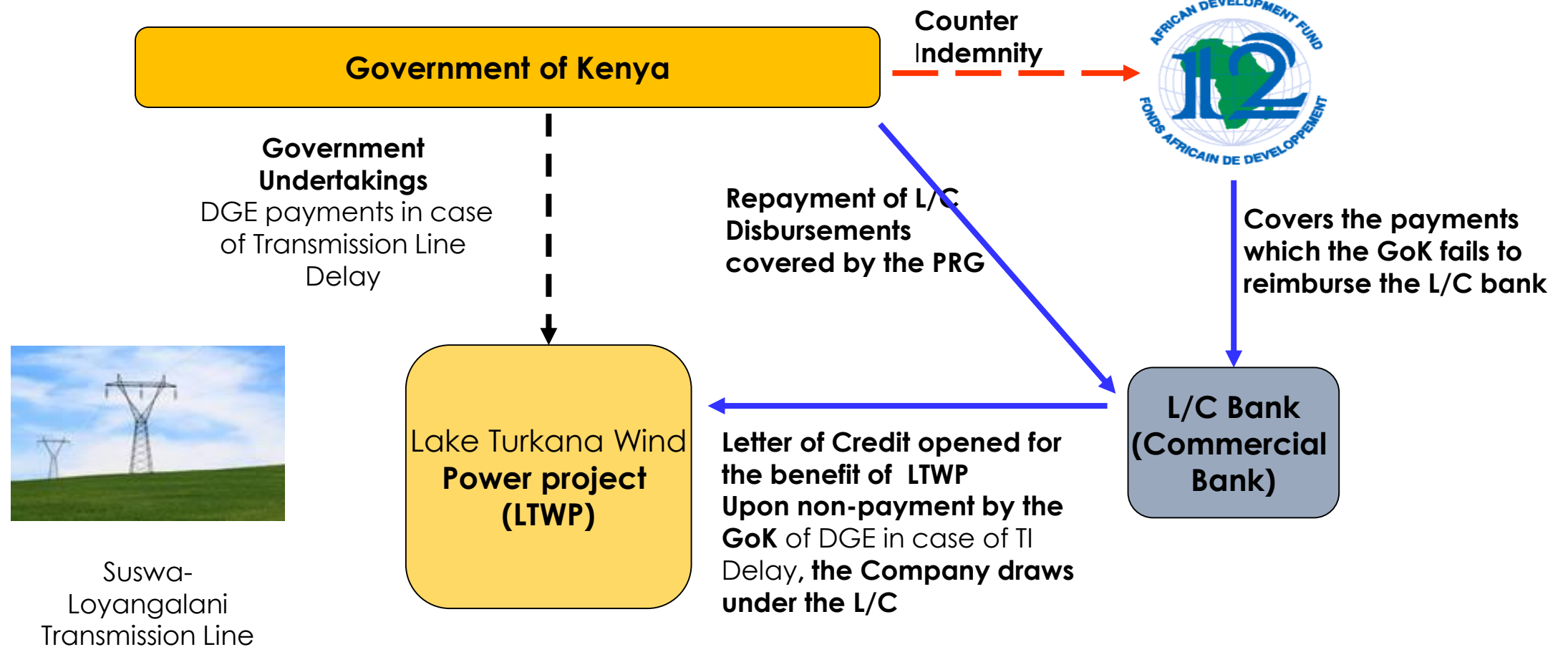
Case Study : Lake Turkana Wind Power Project - Kenya

Guarantee Applicant	GoK\KETRACO
Guarantee Beneficiary	Standard Chartered Bank Kenya (SCK), the L/C Bank
Guaranteed Obligations	GoK/KETRACO reimbursement obligations in case the L/C is drawn
L/C structure	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.
Guarantee Amount	The L/C and the guaranteed maximum amount is EUR 20mn (UA 17.4mn)
Tenor	2 years revolving L/C for Up to 5 years committed maturity
Leverage	UA 4.35M from GoK ADF Performance Based Allocation
Security	A counter-indemnity from GoK

Example – Lake Turkana Wind Power Project



Indicative structure of a PRG with an L/C



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Partial Credit Guarantees (PCG)

Partial Credit Guarantee (PCG)

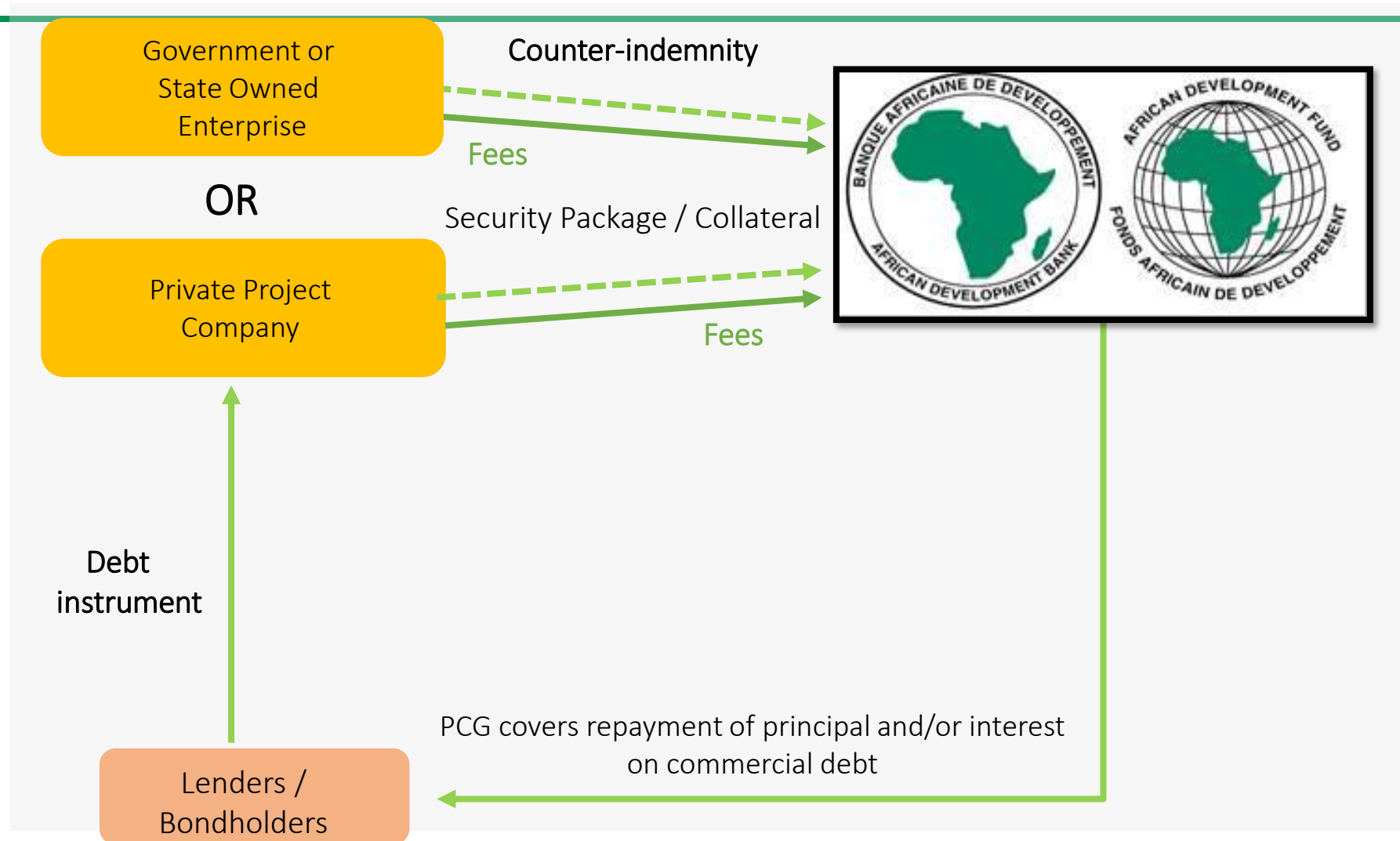


Description

- 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).



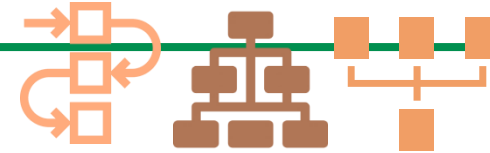
PCGs - Structures



PCGs - Structures



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



PCG can cover:



Individual projects



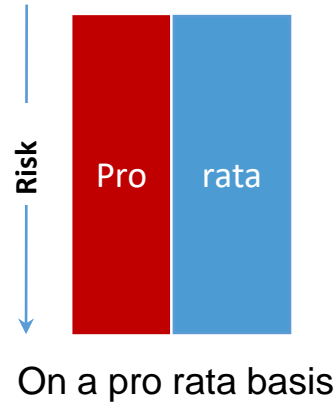
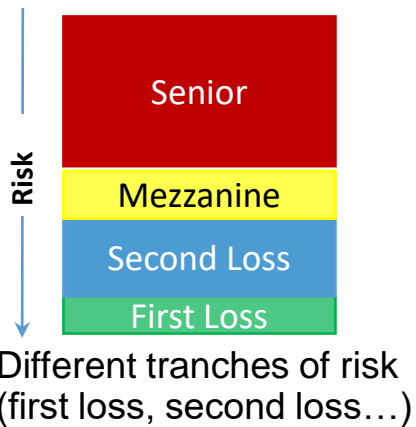
Portfolio of transactions



Principal or interest or both



Fees, Default interest and other penalties are not covered.



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



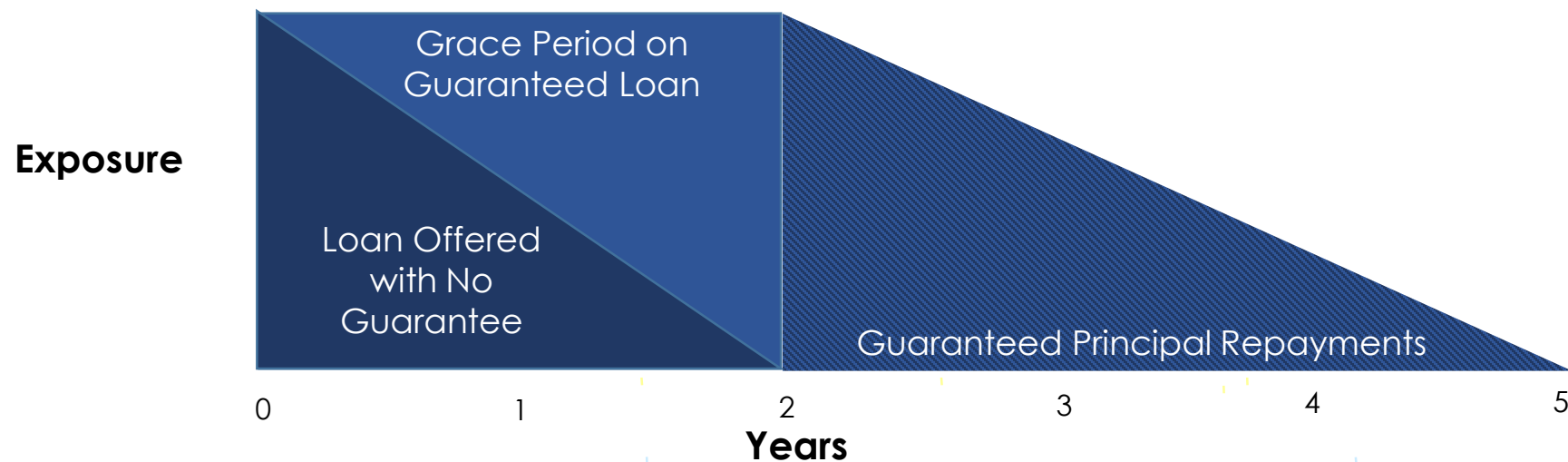
Guarantee Applicant	MTN Cameroon
Guarantee Beneficiary	A syndicate of local banks led by Citibank Cameroon, including Standard Chartered, Afriland First Bank, Societe Generale, BGFI Gabon, BICIG Gabon and Citibank Gabon
Guaranteed Obligations	Outstanding principal on a CFA loan of XOF 23 bn (EUR 35.1mn). Interest is not covered. The loan has a 5 years maturity including a 2 years grace period and repays semi-annually.
Guarantee Amount	A total EUR 27.4mn of which EUR 13.7mn by ADB and EUR 13.7mn by FMO
Tenor	Match loan tenor of 5 years
Security	(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

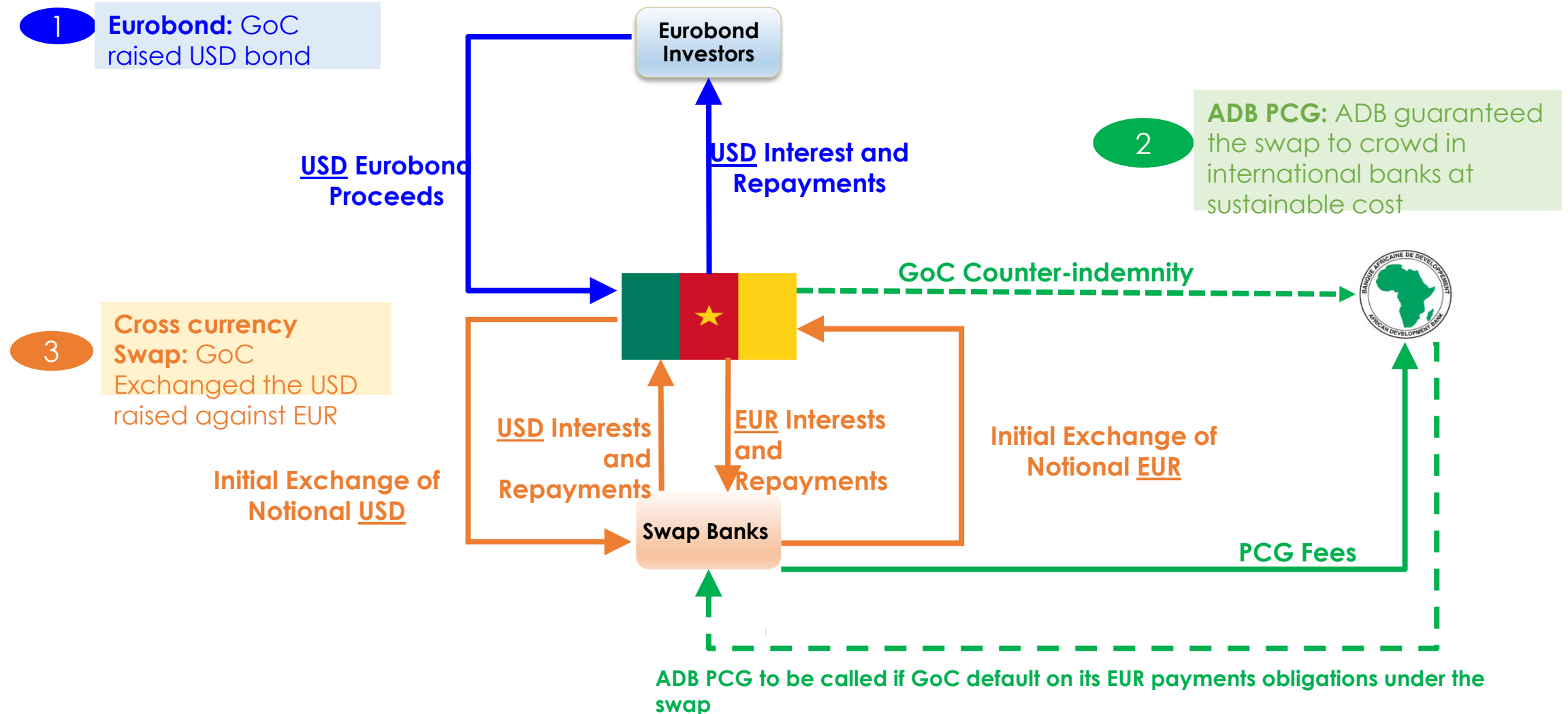


Guarantee Applicant	Cameroon
Guarantee Beneficiary	Swap counterparties in the 3 cross currency swaps entered by GoC with: (1) Société Générale (USD 350mn), (2) Deutsche Bank (USD 250mn) and (3) Standard Chartered (USD 150mn)
Guaranteed Obligations	EUR Interest and Principal payments under the cross currency 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.
Guarantee Amount	50% of the principal amount on the EUR leg of the cross currency swaps EUR 343.3mn
Tenor	Match the cross currency swaps 10 years tenor (8 Octobre 2025)
Security	GoC counter-indemnity agreement

Case Study 2 : Cameroon FX hedge on Eurobond



Example of CG structure to guarantee a swap



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