

Creating opportunities,
changing lives



AFRICAN DEVELOPMENT BANK
PRIVATE SECTOR DEPARTMENT

Tokyo, Japan – 13 June 2014

Outline.

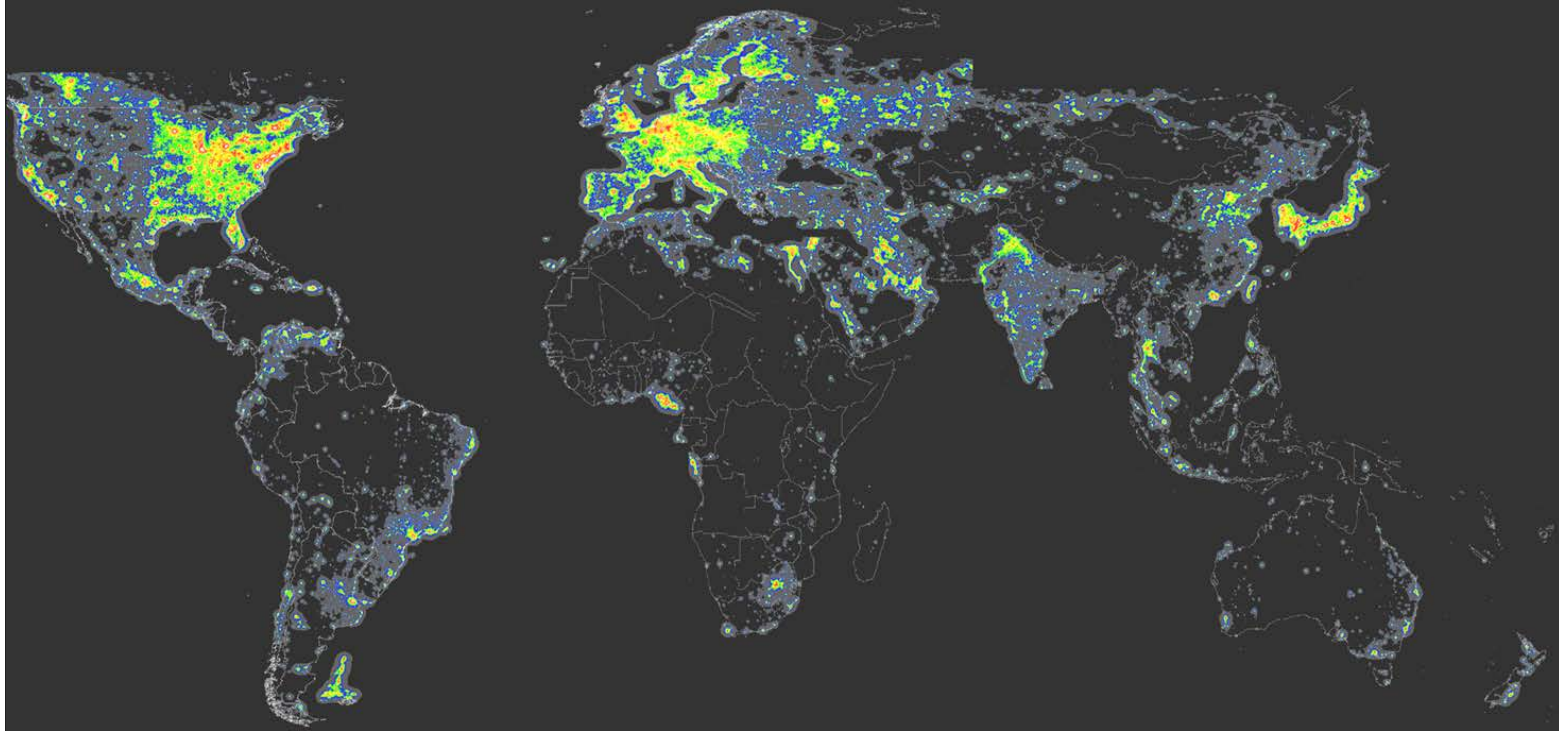
Challenges to Opportunities

AfDB: Partner of Reference

Private Sector Department

Working with AfDB: Products

Working with AfDB: Projects



Challenges into Opportunities

The Premier Development Finance Institution in Africa

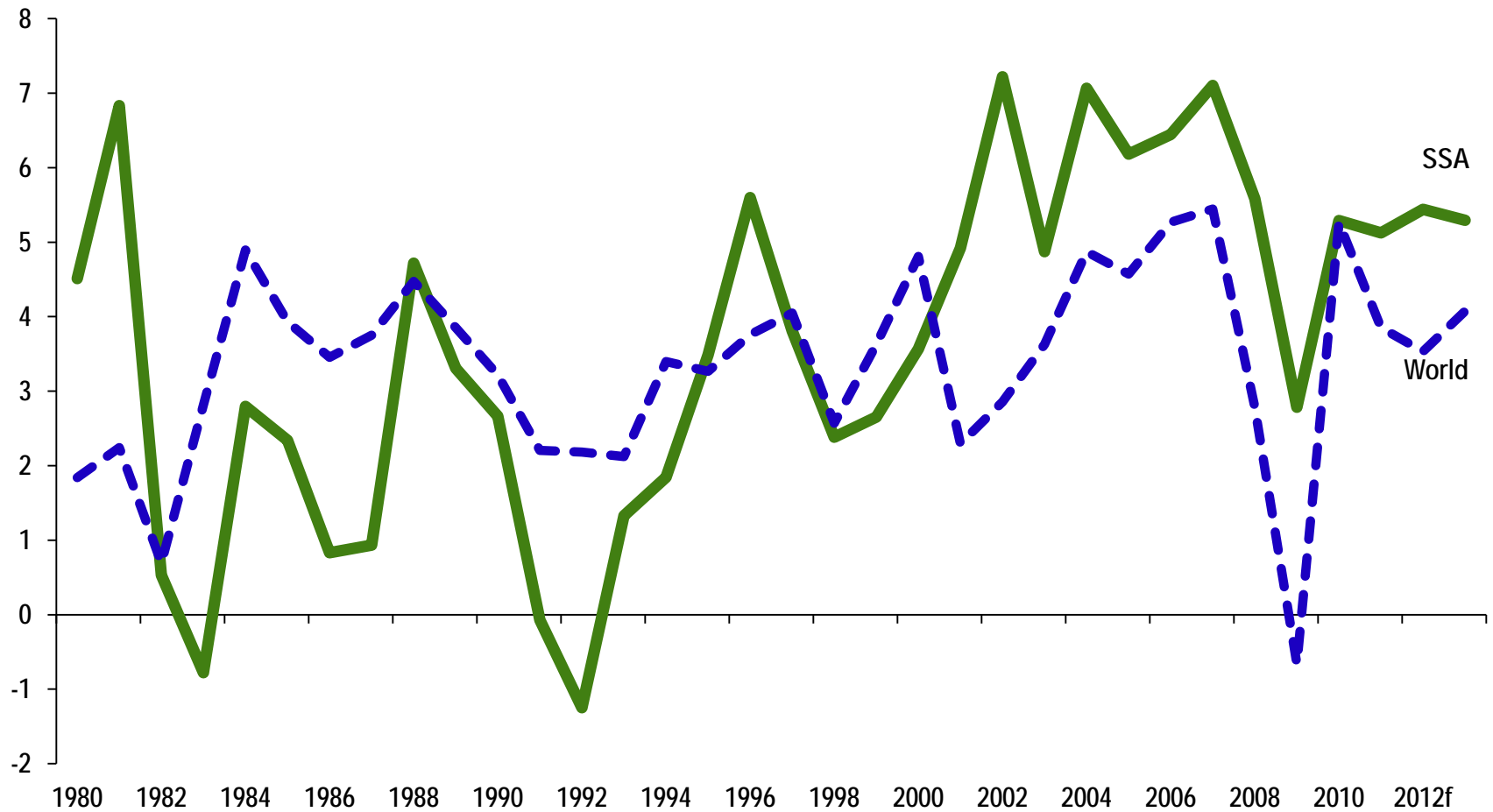


Perceived Stereotypes.

- African countries face a **challenging economic environment**:
 - Economies perform poorly when compared with the rest of the world
 - Any growth is volatile and depends almost exclusively on commodities
- Businesses face a **hostile investment climate**:
 - Investing in Africa is risky (political instability, conflict, corruption)
 - Infrastructure is inadequate
 - Governments lack adequate policies to create an enabling environment

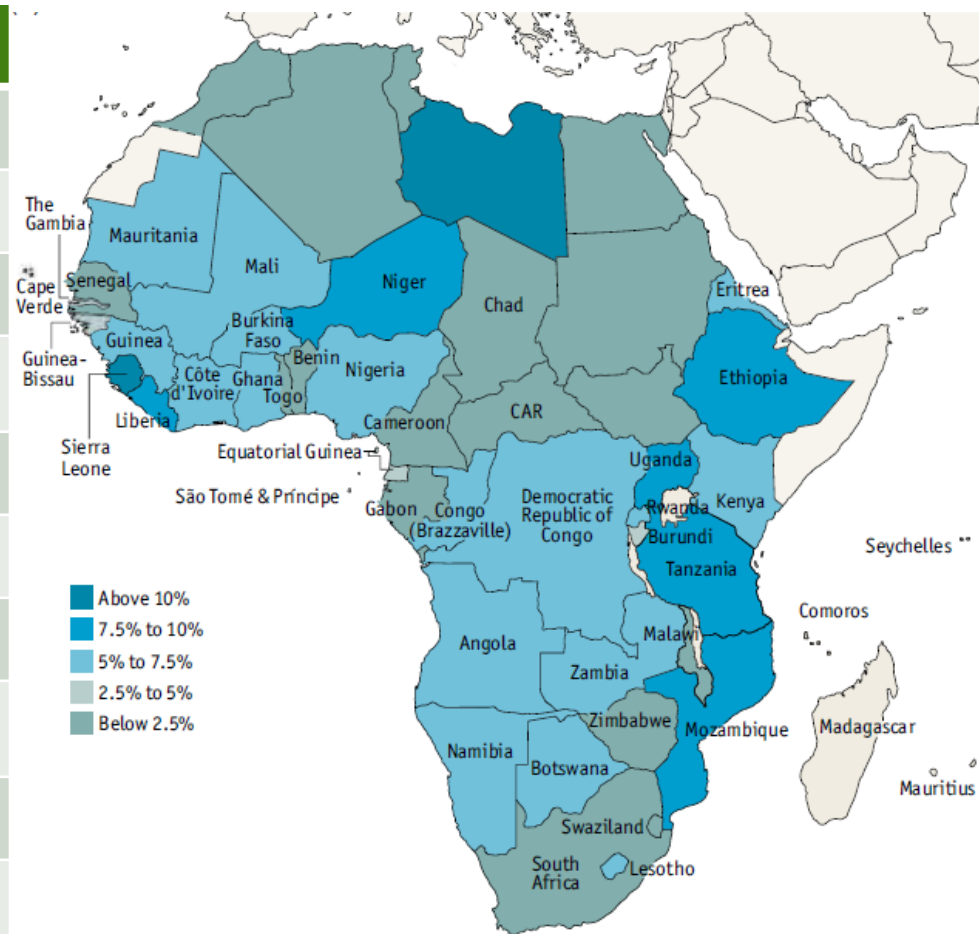


Resilient Growth.



Widespread Real Growth.

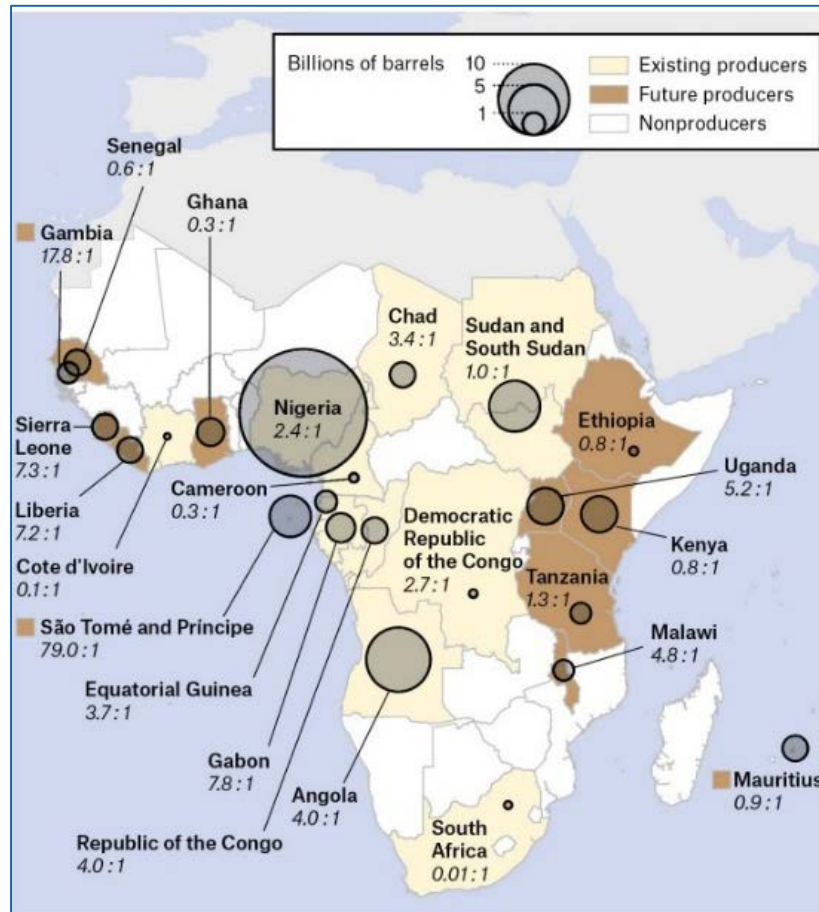
2001 – 2010		2011 – 2015(p)	
Angola	11.1	China	9.5
China	10.5	India	8.2
Myanmar	10.3	Ethiopia	8.1
Nigeria	8.9	Mozambique	7.7
Ethiopia	8.4	Tanzania	7.2
Kazakhstan	8.2	Vietnam	7.2
Chad	7.9	Congo	7.0
Mozambique	7.9	Ghana	7.0
Cambodia	7.7	Zambia	6.9
Rwanda	7.6	Nigeria	6.8



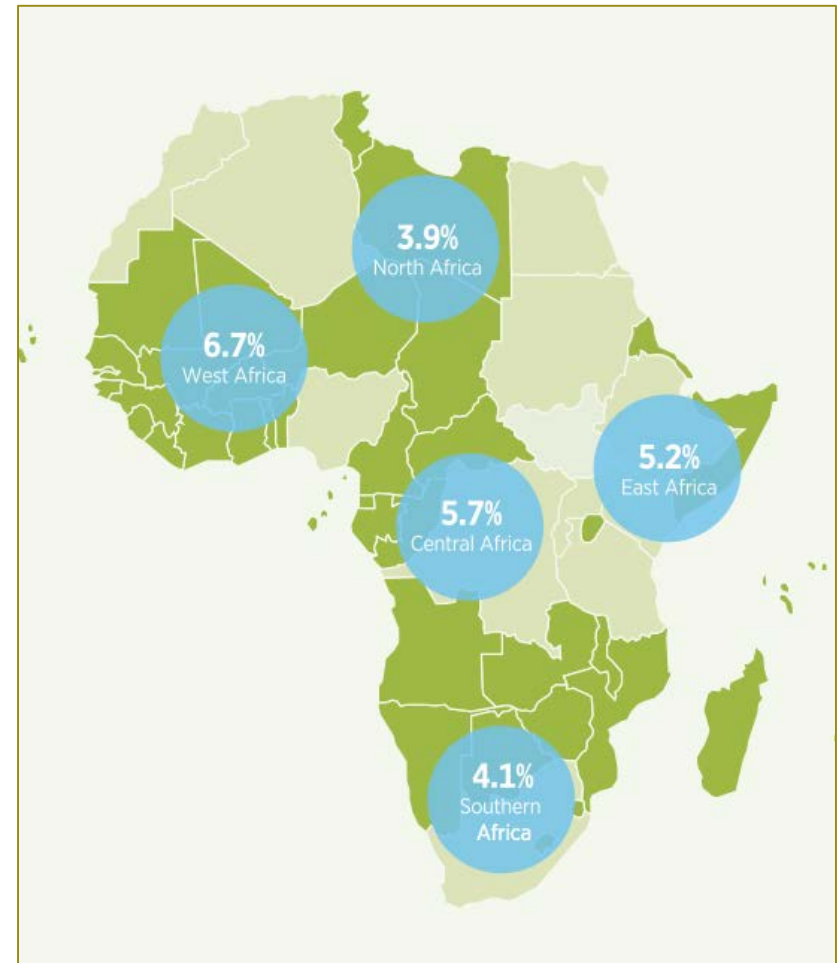
Real GDP growth (2012-2016 forecast, %)



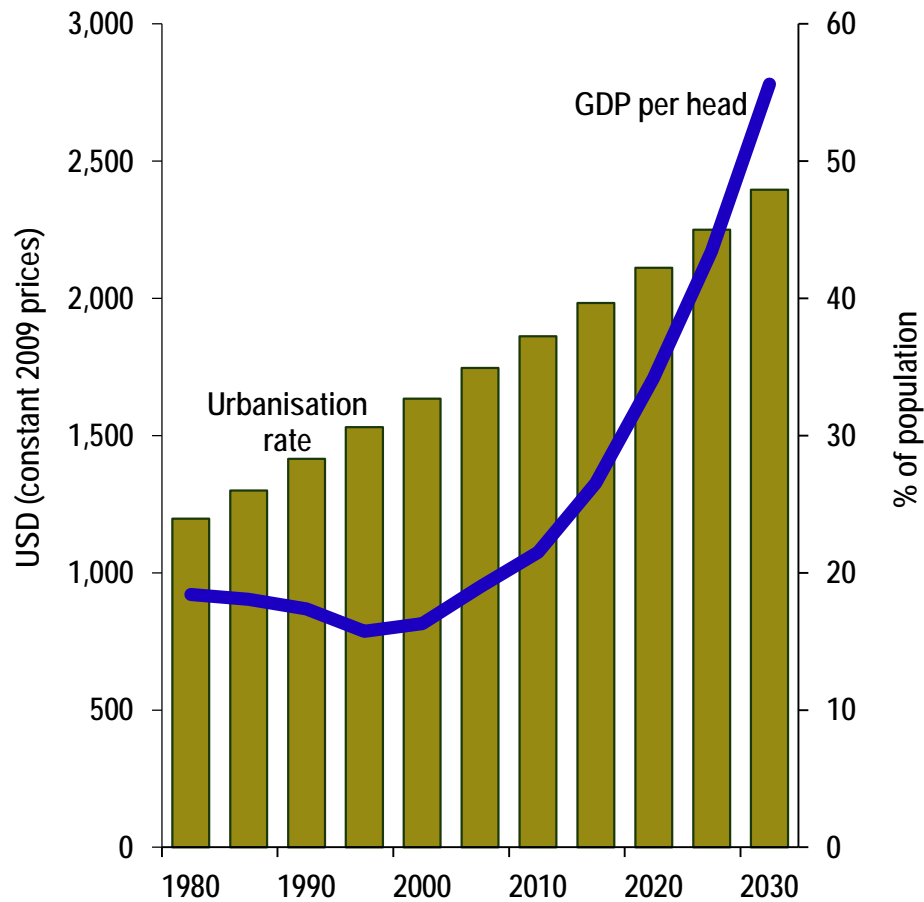
Regional Comparisons.



NOTE: The ratios of oil revenues to tax revenues are derived from comparisons of aggregate national tax revenues (using World Bank data) and projections of oil revenues based



Drivers of Growth.



- Urbanization pace of 4% per year, reaching 50% in 2030
- 49 African cities with a population above 1 million
- Emerging middle class, 313 million (34% of total population)

Improved Investment Climate.

- Countries with the greatest improvement in *Doing Business Report* indicators between 2006 and 2011:
- Reduced risk due to improved political stability:
 - Hostile conflicts declined from an average of 4.8 per year in the 1990s to 2.6 in the 2000s
 - Democratic transitions in Ghana, Senegal

Ranking	Country	GDP Growth (5-year average)
1	Georgia	5.3%
2	Rwanda	7.5%
3	Belarus	7.3%
4	Burkina Faso	5.1%
5	Saudi Arabia	2.7%
6	Mali	5.0%
7	Kyrgyzstan	4.2%
8	Ghana	6.5%
9	Croatia	1.0%
10	Kazakhstan	6.2%



Enormous Potential.



Resources
(\$540 bn)



Agriculture
(\$500 bn)



Infrastructure
(\$200 bn)

An estimated \$2,600 billion in
business opportunities per year



AfDB as Reference Partner

The Premier Development Finance Institution in Africa



AfDB: Your Business Partner.

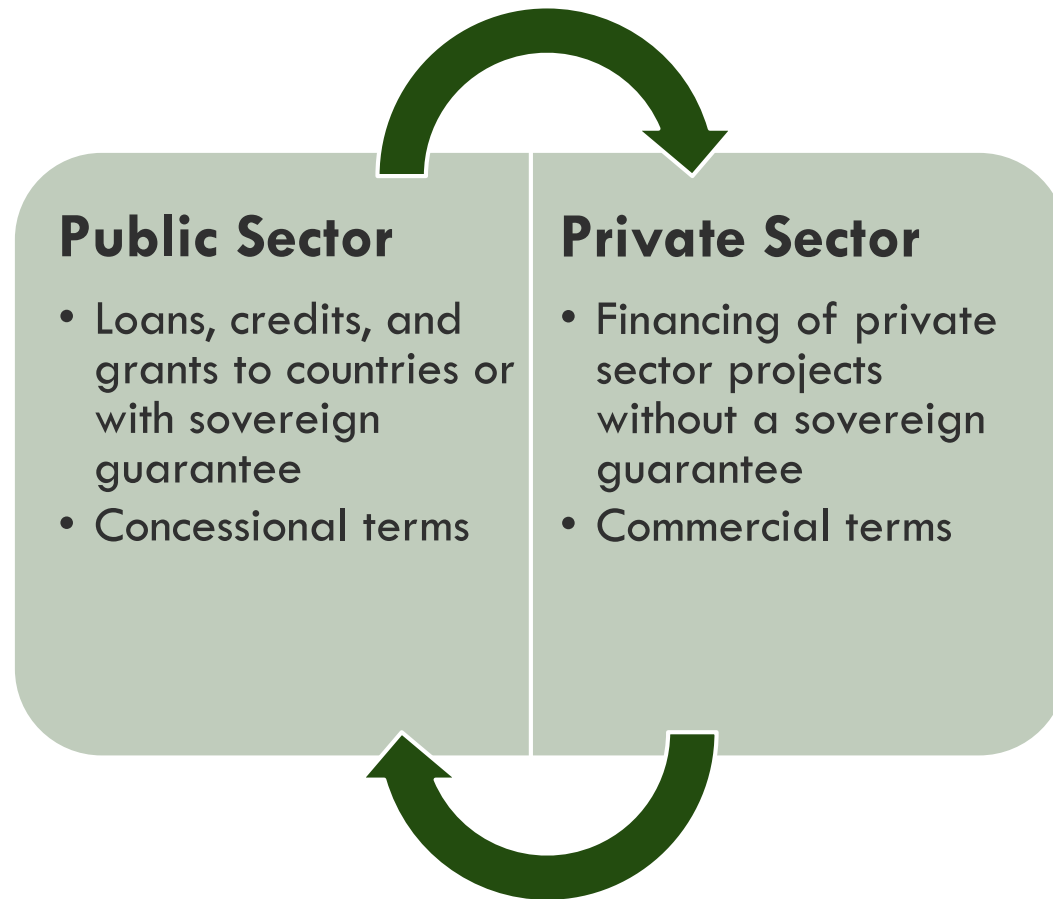
Mission:

To spur sustainable economic development and social progress in Africa thus contributing to poverty reduction

- Established in 1964
- The Group: AfDB + ADF + NTF
- Key Facts:
 - AAA Credit Rating
 - Authorized Capital: USD 105 billion
 - Private Sector Portfolio: USD 9 billion
 - Shareholders: 54 African Countries
24 Non-African Countries
 - 30 country offices, 2 regional hubs
 - 1,900 Staff



“One Bank” Approach.



- OPSM is a Directorate within the Bank (vs. WB-IFC)
- 5 divisions:
 - **OPSM 1:** Operations Support
 - **OPSM 2:** Industries and Services
 - **OPSM 3:** Infrastructure and PPPs
 - **OPSM 4:** Financial Intermediation and MF
 - **OPSM 5:** Portfolio Management

Comparative Advantage.

1. **Vast Experience** – active across the continent for almost 50 years
2. **Broad Knowledge** – started as a public sector partner but has built a strong private sector team
3. **Honest Broker** – strong membership support from all 54 African countries
4. **Financial Muscle** – strong support from the international community reflected in its AAA credit rating



Unique Business Perspective.

1. **'Honest Broker'** – considers what is best for all stakeholders i.e. investors, financiers, employees, suppliers, off-takers, governments, local communities, international community.
2. **Long-term View** – considers what is best in the long-term looking beyond market cycles, short term shocks.
3. **Risk Taker** – ready to put capital at risk in countries and sectors to lead the way for private investors.
4. **Development Maximizer** – ready to spend resources to enhance overall development impact for commercially viable operations.



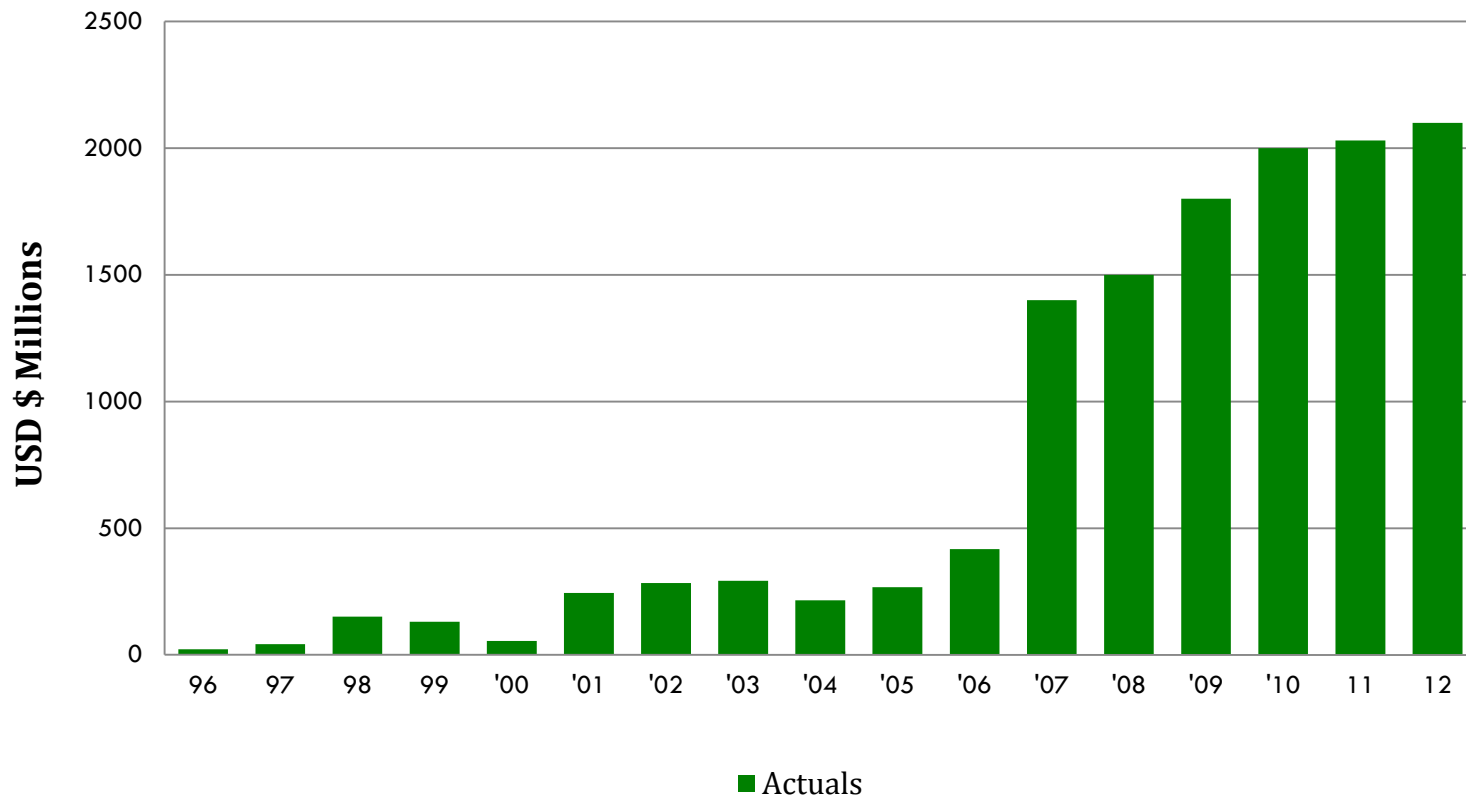


AfDB Private Sector Department

Focused on encouraging private sector expertise and finance to fill the financing gap

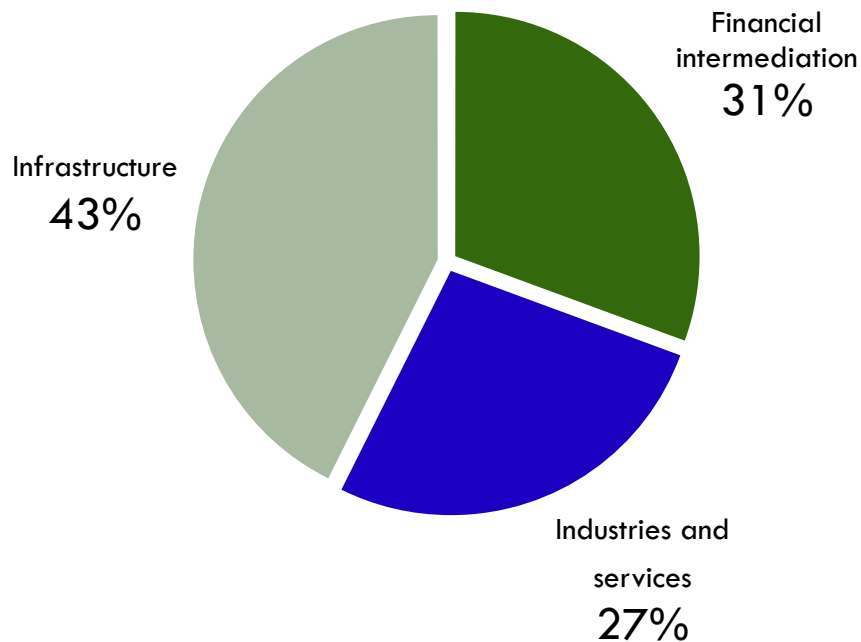


Private Sector Operations.



Private Sector Operations (OPSM).

Per sector (2011)



Per country (2011)



AfDB private sector operations.

- **Oil & Gas:** refining, pipelines, distribution
- **Mining:** extraction, refining, smelting, processing
- **Manufacturing:** cement, fertilizers
- **Agribusiness:** sugar, oils, wood, biofuels, livestock
- **Social:** healthcare, pharmaceuticals, education, housing

- **Energy:** generation, transmission, utilities
- **Transport:** sea ports, roads, airports, rail
- **ICTs:** fiber cable, submarine cables, satellites

- **Financial Sector:** banking, insurance, trade finance





Private Sector Financial Products

More than just commercial viability



Two Primary Tools.

1. **Assist African governments to improve the enabling environment:**
 - Improve essential “physical infrastructure” (e.g. power, transport and ICT backbone)
 - Improve “soft infrastructure” (e.g. regulatory and legal frameworks, financial sector, trade liberalization)
2. **Support the development of and provide financing to projects:**
 - Industries and Services
 - Infrastructure
 - Financial Intermediation



Financial Instruments and Products.

Senior and Junior Debt

- Long tenors and grace periods (Foreign or local currency)
- Up to 1/3 of total project cost

MLA and syndication

- Mobilize debt from other financiers (e.g. A/B loan structure)
- Lead due diligence on behalf of all financiers

Equity

- Private Equity funds
- Up to 25% of a company's shareholding

Guarantees

- Partial Risk Guarantee
- Partial Credit Guarantee (long tenors)

Advisory Services

- Project preparation (financial and technical)
- Improving soft and legal infrastructure

Basic Requirements.

- **African Base:** Project or entity located and incorporated in the territory of one of our 54 regional member countries, regardless of sponsors' nationality
- **Private Sector:** Means majority-owned OR public shareholding but independently exploited and commercial criteria
- **Productive Use:** Establishment, expansion, modernization of productive enterprises
- **Limit:** 1 / 3 of total project costs



Private Sector.

AfDB
supports
Private
Sector
Transactions
which:

optimize local valorization and monetization of resources

promote industrial development, providing local value added and transformation

Focus on crowding in additional capital to emerging sectors of the economy

prioritize the supply to local and/or regional markets – import substitution, export

benefit the local governments and economies

promote transfer of skills and local training

foster inclusive growth through local business linkages and communities development programs

are environmentally and socially sustainable and viable

promote corporate social responsibility programs and adhere to transparency fundamentals



Value Proposition.

Project Selection Track Record	Low loss rate (<1%)
Local Knowledge	Experience on the ground
Dialogue with Governments (Convening Power)	Mitigate political risk
Packaging Resources	Market, concessional, guarantees, local currency
Reliable	Take long-term perspective to market cycles
Scale to Handle Most Transactions	USD 0.5 million to USD 500 million
Competitive Cost	Risk-based market pricing
Intrusive	Examine all aspects of the projects
Demanding	Insist on a fair deal





AfDB Experience

Experience throughout the continent



SASOL Natural Gas Project.

- South Africa - Mozambique
- Investment ZAR 8.5 billion
- AfDB senior loan ZAR 550 million
- AfDB roles
 - Long term debt
 - Reduced cost of PRI
- Benefits
 - Reduction of air pollution
 - Jobs
 - Social benefits
 - Regional integration
- Capacity
 - 856 KM
 - 122 (MGJ/a) per year



A public-private partnership between the GOSA, GOM and Sasol

Egyptian Refinery Company.

- Investment USD 2.6 billion
- AfDB Investment
 - Senior Loan USD 200 million
 - Sub Loan USD 25 million
- ADB Roles
 - Financier during challenging times
 - ESMS
- Benefits
 - Import substitution
 - Revenues to Government
 - Foreign exchange earnings
 - Infrastructure development
- Capacity
 - 152,500 barrels/day



During the financial crisis, the Bank played a countercyclical role.

Nigeria LNG.

- Investment USD 2.1 billion
- AfDB senior loan USD 100 million
- AfDB Roles
 - Political Risk Mitigation
 - Complementary financing
 - Advisor to local banks
- Benefits
 - Reducing gas flaring
 - Adds value to a natural resource
 - Jobs
 - Social Benefits
- Capacity
 - Additional processing capacity of 1.334 mscfd



Indorama Fertilizer Plant (Nigeria).

Description

- Construction and operation of a **1.42 MTPA gas to urea fertilizer plant**; Pilot project for **AfDB's Inclusive Industry Program**
- Including: (i) a **84km pipeline** (ii) a multi purpose **jetty and terminal infrastructure** (Onne Port, 16km from project site)
- Plant will be located in the **Eleme's** existing industrial complex
- **Sponsors:** Eleme (51%), Africa's 2nd largest Polyolefin producer and Indorama (49%), world largest polyester producer and one of the leading emerging global industrial conglomerates

Costs

- Total project cost is **USD 1.2 billion**. Debt to equity is 67/33
- Lead arrangers: **IFC, Standard Chartered** and **Stanbic/Standard Bank**; **corporate guarantee** from the sponsor: **USD 800 million**
- **AfDB's role:** a senior secured loan of up to **USD 100 million**.

Development Outcome

- Nigeria **imports 100% of its fertilizer requirements** (annual demand of 0.5 to 1 million ton); Nigeria will be transformed to a **major exporter**
- **Reduction of gas flaring** with negative environmental costs. **Forex revenues** for FGN (taxes & dividends).
- **Job creation and SME linkages** through the distribution chain for the domestic market. Revenues for **host communities** and **sponsors employees**

Transnet (South Africa).

- Total project cost: \$10 billion
- AfDB Role
 - \$400 million senior loan
 - Arranged an additional \$410 million syndicated loan (first AfDB B-loan)
 - A-loan: 10 years, 2 grace + B-loan: 7 years, 2 grace
 - SMBC (Agent), Bank of China, Mizuho, BTMU, HSBC
 - Signed in October 2011



Addax Bio-Energy (Sierra Leone).



Integrated project aligned with AfDB's
focus on green growth

- Investment EUR 248 mn
- ADB
 - Senior Loan EUR 25 mn
- ADB Roles
 - Financier
 - ESMS
- Benefits
 - Green Energy
 - Revenues to Government
 - Foreign Exchange earnings
 - Food Security
- Capacity
 - 960,000 tons cane/year, 100 GWh of electricity from biomass

Bagamoyo Sugar (Tanzania).

- Investment USD 450 mn
- ADB
 - Senior Loan USD 50 mn
 - Standby Loan USD 50 mn
- ADB Roles
 - Lead Arranger
 - ESMS
 - TA-Outgrower Scheme
- Benefits
 - Import Substitution
 - Revenues to Government
 - Renewable Energy
 - Infrastructure development
- Capacity
 - 125,000 tons of raw sugar, 15 MW cogeneration power



Bank supporting Tanzania's vision to setup an integrated agro-processing facility

Lekki Port (Nigeria).



Port Infrastructure can have a Dramatic
Effect on Business Competitiveness

- A new state of the art port capable of handling up to 2.7 million TEU
- Facilities for Container bulk, dry bulk, and liquid bulk
- In the Special Economic Zone
- Beneficial to the Government, the local economy and the local population
- Total cost estimated to be at USD 1.5 billion
- Operational within 48 months
- Best practices with regard to environmental and social management.

Nacala Corridor (Mozambique).

- Access to sustainable and secure logistics at competitive tariffs to export coal produced at the Moatize coal mine
- Essential for production expansion, from 4Mtpa to 22Mtpa
- Worldwide competitiveness for Mozambican natural resources
- Mozambique and Malawi
- 912 km of railway, of which 230 km are greenfield and 682 km are brownfield
- 4 concessionaires (CEAR, CDN, CLN, and Vale) brought together by one company: Vale logistics, associated with CFM



Integrated Infrastructure to provide the backbone to support Economic Growth in Mozambique

Rail and Port Project

Thank You For Your Attention.

African Development Bank
Private Sector and Microfinance Department