

**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



Table of Contents



01. What is EPSA

02. Basic Information about ACFA

03. Special Features on EPSA 4

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**nvestment **F**inance)

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



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

I. What is EPSA?

I.1 What is EPSA?

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



- The Enhanced Private Sector Assistance (EPSA) Initiative is an innovative, multi-component, multi-donor framework for resource mobilization and development partnership to support implementation of the African Development Bank (AfDB) Strategy for Private Sector Development.
- Drawing on successful development experience in Asia and around the globe, EPSA was conceived in partnership with the Government of Japan (GOJ), which has provided generous financial support to its implementation since 2005

Website

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?

EPISA1	Announced July 2005 Gleneagles G8 Summit 1 billion USD over 5 years (2007-2011) from Japan
EPISA2	Announced May 2012 Camp David G8 Summit 2 billion USD over 5 years (2012-2016) from Japan
EPISA3	Announced August 2016 TICAD 6 3 billion USD over 3 years (2017-2019) from Japan and AfDB (joint target)
EPISA4	Announced August 2019 TICAD 7 3.5 billion USD over 3 years (2020-2022) from Japan and AfDB (joint target) A new co-financing facility has been established : Private-Sector Investment Finance (PSIF).

I. What is EPSA?

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



AFRICAN DEVELOPMENT BANK GROUP

									(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	

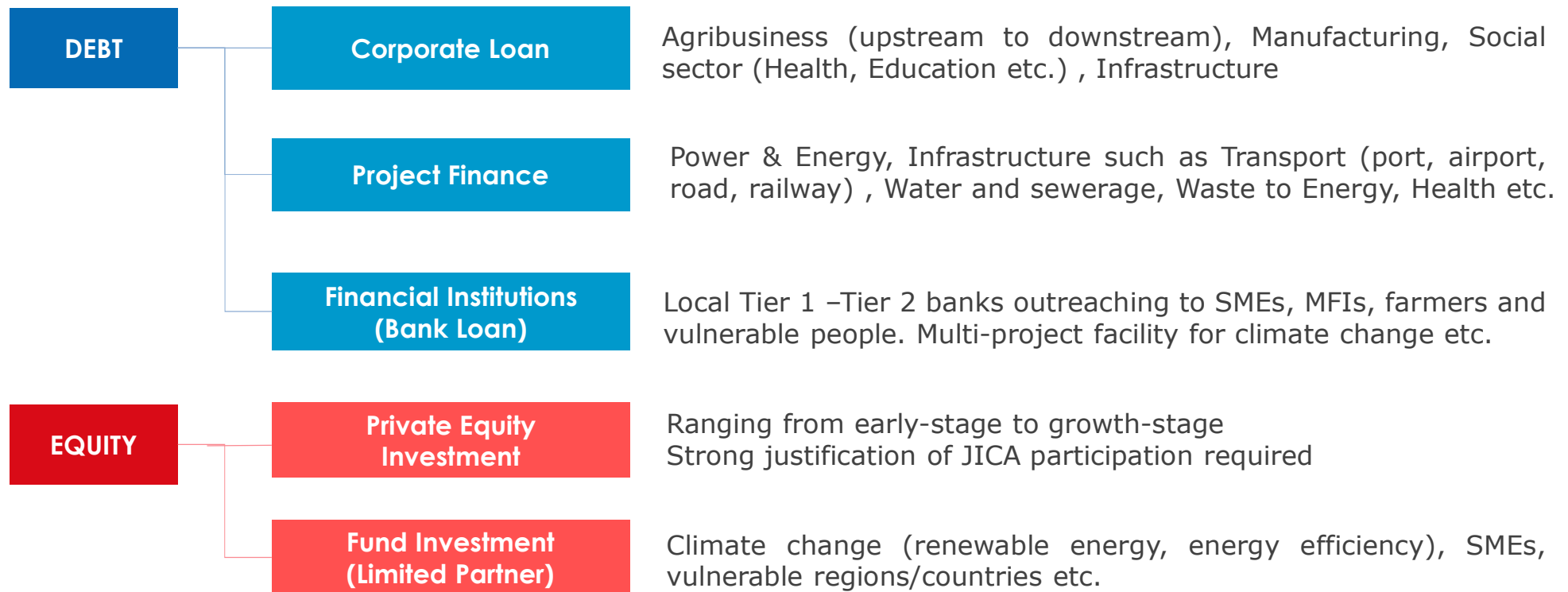
1-2. Approved ACFA Projects so far



#	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)		<p>“Quality Company” (SDGs-aligned, ESG-centric etc.). Both private enterprises and sub-sovereign entities.</p>
Purpose (Impact)		<ol style="list-style-type: none"> 1. SDGs (Sustainable Development Goals) 2. Climate change 3. Quality infrastructure
Supplement		<p>Necessity to take more risks (tenor, price etc.) than commercial banks to supplement bankability/investability of the project</p>
Japan Nexus		<p>Certain Japan-nexus preferable but NOT must Strong development story is a big plus (or even prevail)</p>
Use of Proceeds		<p>CAPEX primarily required for development impact. CAPEX related WC may be considered together with CAPEX on a case-by-case basis.</p>

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
e.g. strategic sale (put option), trade sale (M&A), market sale (IPO) etc.

Necessity

Strong reason for JICA participation in case of private equity investment
e.g. sovereign hook, business model that requires patient capital etc.

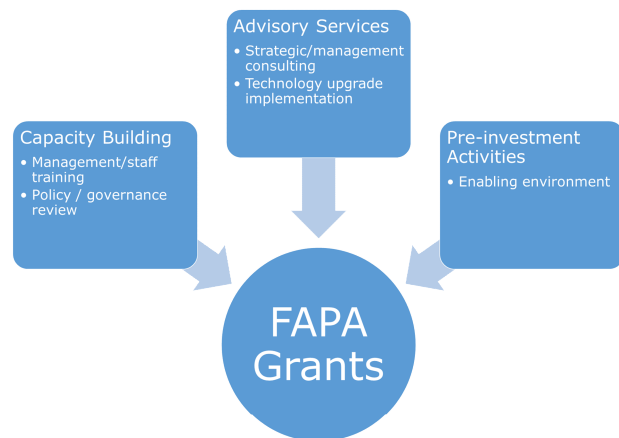
Safeguards

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	NSL 6 (USD 300m eq.)
6 (Sep 2015)	ZEP Re	Regional	EQ	FI	4	
6 (Sep 2015)	XINA Solar One Project	South Africa	LOAN	INFRA	100	
6 (Sep 2015)	Kukuza PDC (PDPAI)	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	Mutinalional	EQ	MULTI	45	
6 (Sep 2015)	Africinvest III	Mutinalional	EQ	MULTI	22.38	NSL 7 (USD 300m eq.)
6 (Sep 2015)	Kigali Bulk Water Supply Project	Rwanda	LOAN	INFRA	20	
6 (Sep 2015)	Alitheia Identity Fund	Mutinalional	EQ	MULTI	12.5	
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

Mail: epsa@afdb.org

EPSA Focal Point (Planning and TICAD Process Division , Africa Department, JICA)

Onizuka - Onizuka.Ryosuke@jica.go.jp

Private Sector Investment Finance Division/JICA

Iwahashi.Tatsuro@jica.go.jp; Owada.Kei@jica.go.jp; Kimura.Asako@jica.go.jp; Enami.Yuko2@jica.go.jp;