



AFRICAN DEVELOPMENT BANK GROUP
SYNDICATIONS & CO-FINANCING PRESENTATION
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GRUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT
AFRICAN DEVELOPMENT BANK GROUP

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SYNDICATIONS

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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

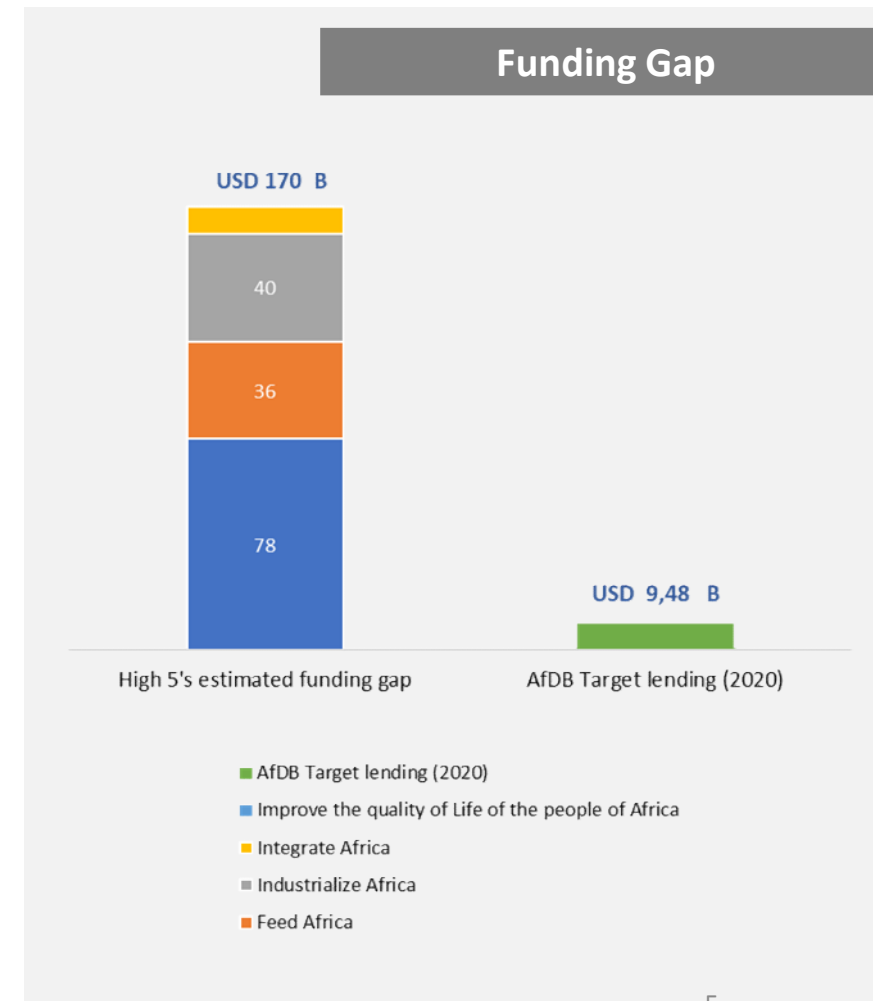
Participating banks can benefit from lead bank’s market knowledge and best practices in lending

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



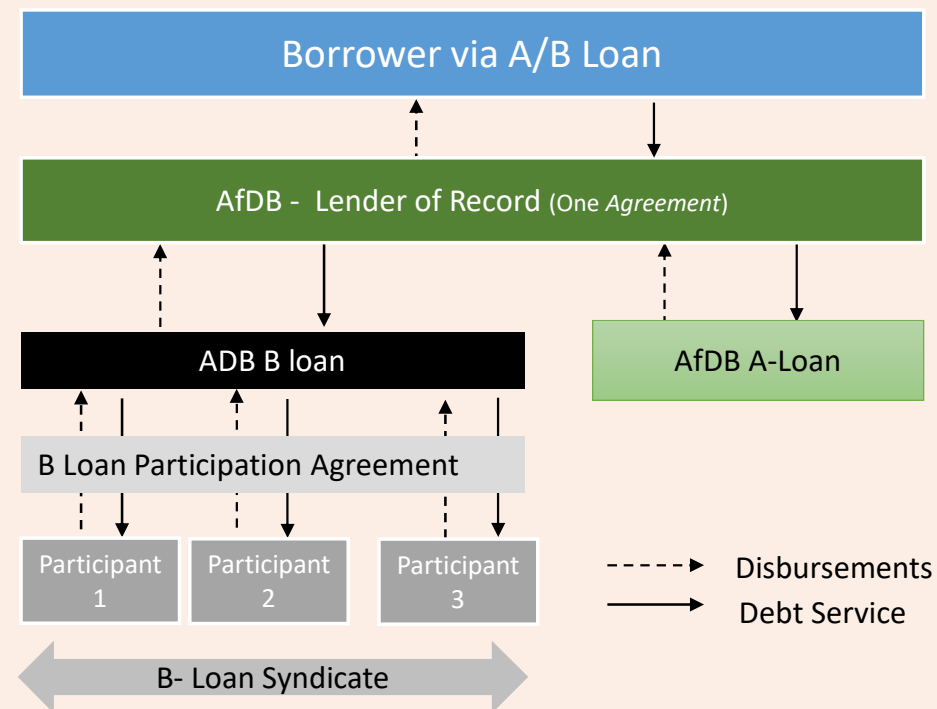
A/B Loans

- 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

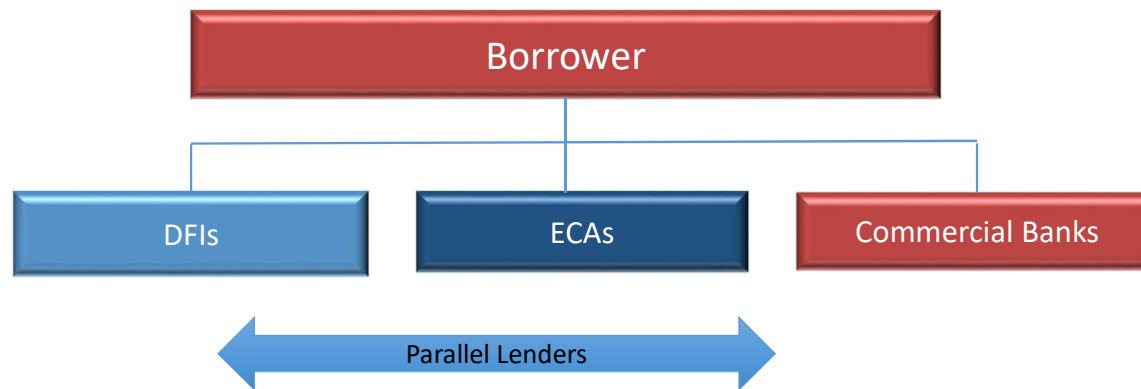


The Bank enjoys **Preferred Creditor Status (PCS)**

- ❑ 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

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CO-FINANCING

3.1 IN-HOUSE CO-FINANCING FACILITIES





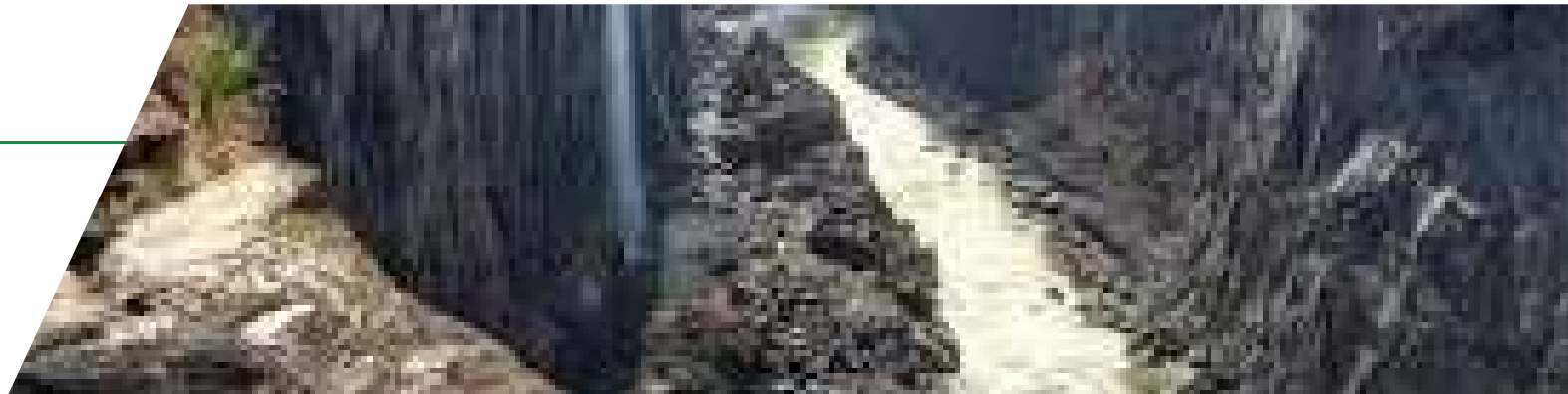
3.1 IN-HOUSE CO-FINANCING – FLAGSHIP FACILITIES

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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