



Instruments to Finance Infrastructure Projects

The case of the African Development
Bank



The Bank's unique role in facilitating infrastructure development

2001 – Heads of State request the Bank to provide technical assistance & advisory services to support implementation of NEPAD Initiative

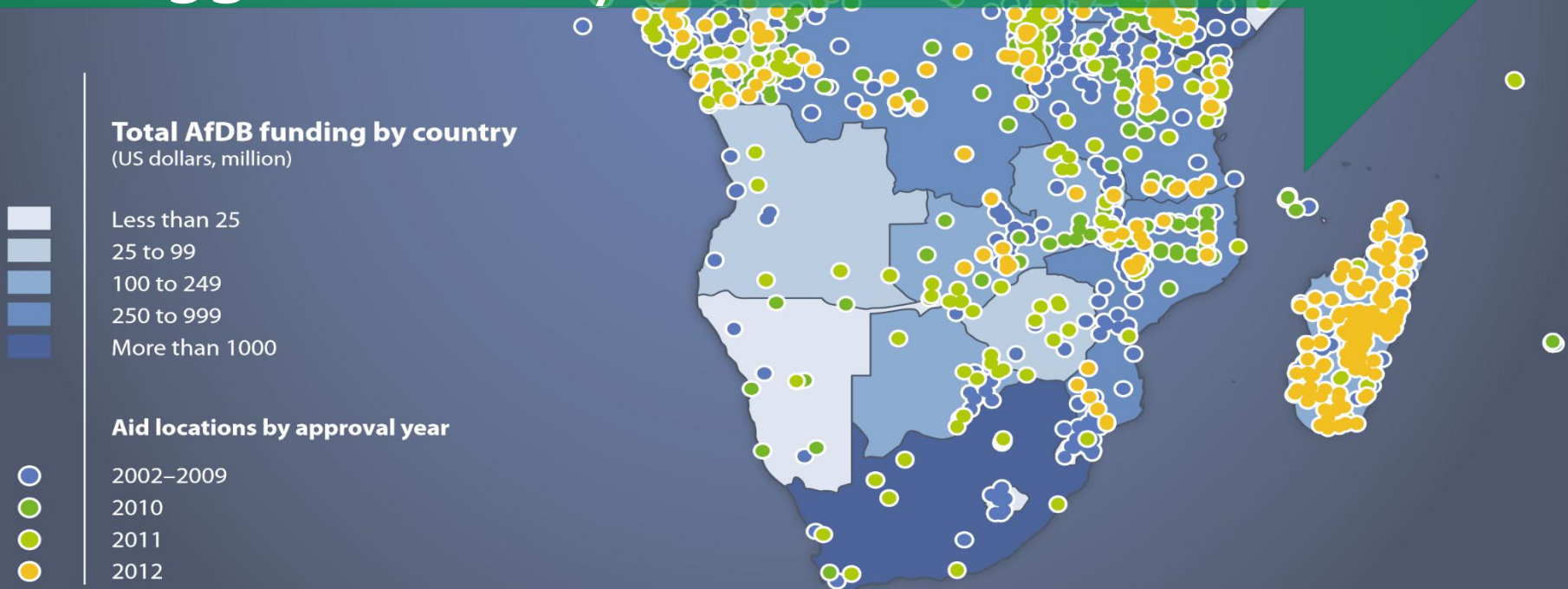
2005 – G8 Gleneagles Summit, renewed commitment to Africa & launched ICA which African stakeholders delegated the Bank to host to ensure consensus on priorities & one voice

2010 – AU Summit mandates Bank Group as Lead Agency for infrastructure development on the continent and Executing Agency for PIDA





Catalytic funding for infrastructure:
€27.5 billion from 2008-12
53% directly in infrastructure



AfDB Group supports a variety of clients through tailored instruments

What We Fund

Infrastructure
"Hard"

Enabling Environment
"Soft Infrastructure"

Windows

ADB/ADF Funds

Special Initiatives
- AWF
- NEPAD/ IPPF
- ICA

Trust Funds
Eg. MIC, FSF

Instruments

Loans

Grants

Equity

Guarantees

Recipients

National/
Local Governments

Regional Organisations
RECs, RBOs, PPs

Private Companies

NGOs/CBOs



General

Differentiated products by category

- Private Sector
- Middle Income Countries
- Low Income Countries
- Grants, concessional loans, market loans and guarantees

Currencies

- EURO, USDollar, JPYen, ZAR and
- Selected local currencies on case by case



Products for
PRIVATE
SECTOR
without
sovereign
guarantee



Funding Window: African Development Bank



Commercial loans with fixed risk-based spread













Loan terms (interest and maturity) specific to each project



Volumes constrained by a Sustainable Lending Limit calculated annually for each country















Products for MIDDLE INCOME COUNTRIES, with Sovereign Guarantee

-   Funding Window: African Development Bank
-   17 countries deemed creditworthy and with income levels above USD 1,350 per capita
-   Cost of funds: (EURIBOR/LIBOR/JIBAR) + variable lending spread (currently 0.6%)
-   Maturity up to 20 yrs & Grace period up to 5 yrs
-   No incentive mechanism for Regional Projects but discussions initiated with Management



Products for
LOW
INCOME
COUNTRIES,
with
sovereign
guarantee

-   Funding Window: African Development Fund
-   41 countries, inc. 4 that can also access ADB
-   If debt unsustainable: grants
-   Else: concessional loans (service charge of 0.75%, no interest, maturity 50 yrs, grace 10 yrs)
-   Can be used for equity participations in SPVs
-   Incentive mechanism for Regional Projects



An innovative incentive mechanism to promote regional intervention



Each country has a “Performance Based Allocation” based on governance indicators agreed with Donors and population size.













For Regional projects:

- 40% contributed from PBA (33% for fragile states)
- 60% additional from a dedicated envelope
- Small countries can benefit from even larger leverage (contribute only 10% of PBA) to avoid bottlenecks in regional undertakings



Regional Public Goods are special cases where countries do not have to contribute

Guarantees
are also
offered
through all
funding
windows

-   ADF guarantee is particularly attractive
-   Guarantee offered to private banks lending to sponsors transacting with governments or parastatals
-   Guarantees contractual obligations are met (payments under PPA, minimum toll revenue...)
-   Leverage of 4 times, fees limited to service charges of 0.75%)
-   With counter-guarantee from government

Grant based
Project
preparation
through a
dedicated
vehicle and
collaboration,
notably with
EU-ITF

Dedicated facility for preparation of regional infrastructure projects – public & private

- To date 13 projects reached financial close
- Leveraged US\$5.5bn in investment



Critical role recognized in G20 Cannes Declaration November, 2011



NEPAD IPPF role recognized in the AU Head of States and Government Declaration on PIDA implementation



Scaling Up resources and delivery to meet PIDA PAP demand

- Business Plan – US\$200m over 4 yrs

+AWF in water sector

ICA – Infrastructure Consortium for Africa



The ICA acts as a platform (not financing agency) to broker knowledge and financing of projects and programs in African infrastructure



The ICA aims to fill Africa's infrastructure deficit in support of economic growth and development by increasing the amount of finance going to sustainable infrastructure in Africa, from both public and /or private sources



Recognition for the need to coordinate efforts of all stakeholders



Membership is expanding from G8 to G20



Support to the Sustainable Energy for All (SE4All) Initiative



SE4All Africa Hub hosted by AfDB in partnership with AUC, NPCA and UNDP with mission to coordinate and facilitate SE4All implementation in Africa (CEMA Nov. 2012)



The **Sustainable Energy Fund for Africa (SEFA)** is one of AfDB's instruments for mobilizing resources towards the SE4All objectives



SEFA is an AfDB-managed Multi-donor Trust Fund seeded with USD 60 million from the Governments of Denmark and United States.



SEFA

SEFA
operates
through three
components /
financing
windows

Project
preparation
grants to
bring RE/EE
projects to
bankability

Equity
Investments
in RE
through a
Private
Equity Fund

Grants for
enabling
environment
activities in
the energy
sector



Capacity Building and Policy Dialogue



Grant funding is challenging



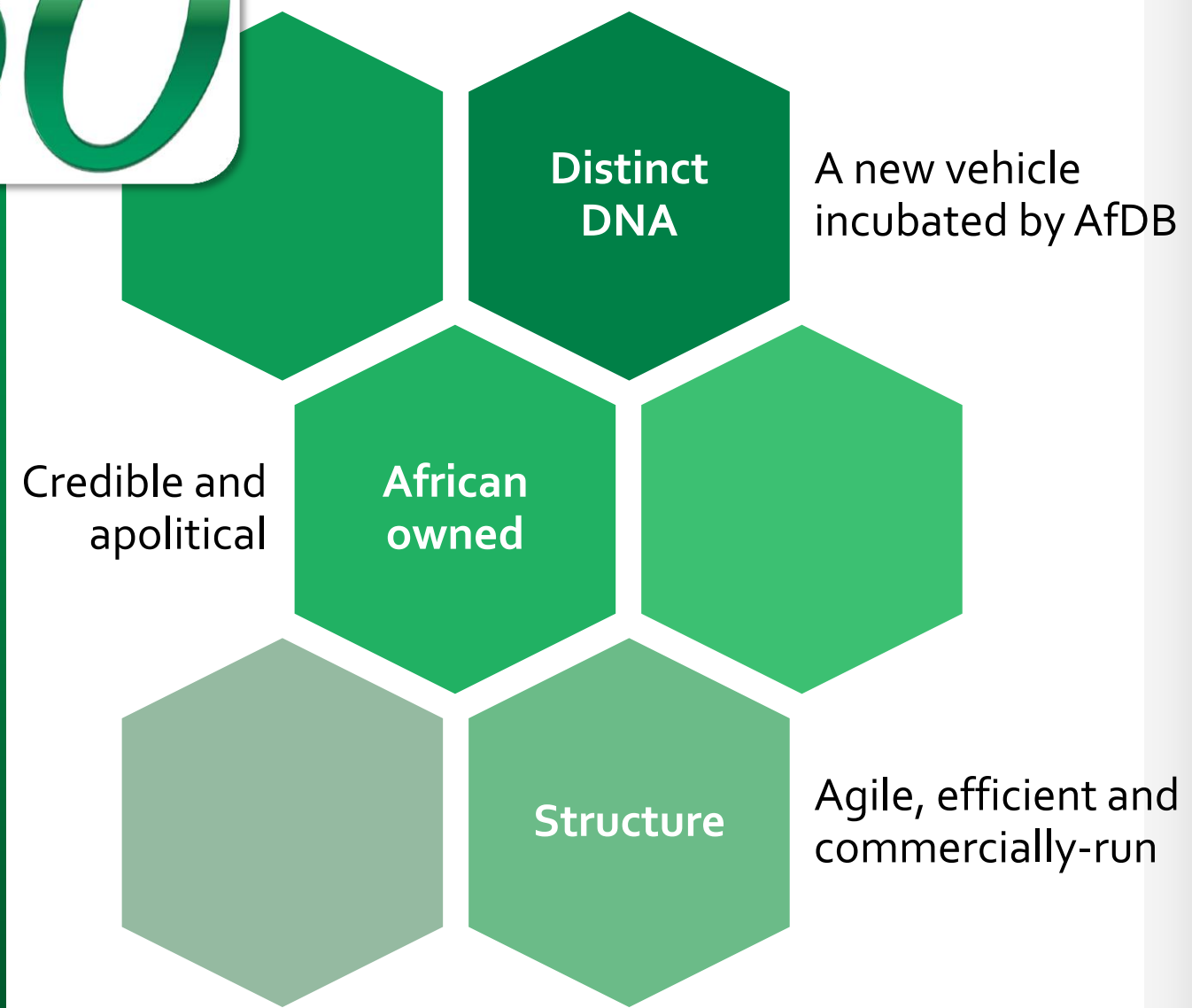
Countries do not want to borrow for such activities as stand alone projects

→ **Blend with investment projects**

- Developed in partnership with sector departments
- Retrocession to regional entities
- Synergies between investment and policy reforms
- Measurable results
(that feed into resource mobilization efforts)

AFRICA 50

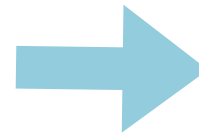
A comprehensive approach, capitalizing on AfDB's experience



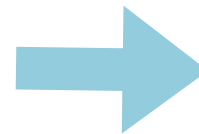


African capital working for Africa

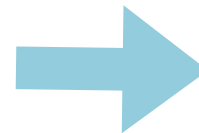
African Countries
African Development Bank
African Institutional Investors



International Financial
Markets



Development Partners
Power investors



EQUITY

USD 3bn paid-in
USD 7bn subscribed

BONDS

Revolving Fund for
Project
Development

TARGET : "A" rating and USD 100bn leveraged



CONCLUSION

Project Preparation for Bankability

Capacity Building for Sustainability

Collaboration leveraging on instruments of each institution

Coordination of interventions throughout Tunnel of Funds



شكرا

MERCI

OBRIGADO

THANK YOU

Ralph
Olayé

Manager
NEPAD

r.olaye
@
afdb.org