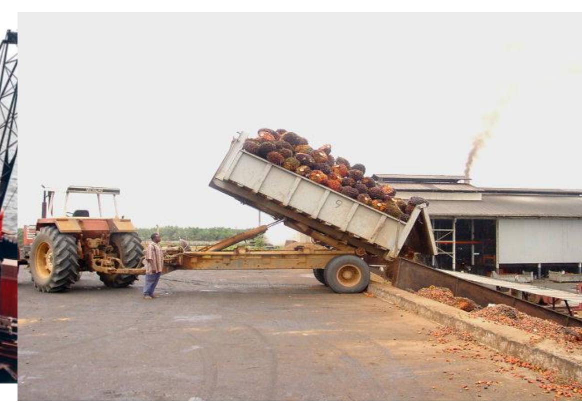
# *Accelerating*
# *Private investments in Africa*







# African Development Bank as a Business Partner

# This presentation is organized in 4 parts

- Who We Are
- What We Do
- How to Work With Us
- Operational Results

# In the first part of this presentation…

- Who we are
- What We Do
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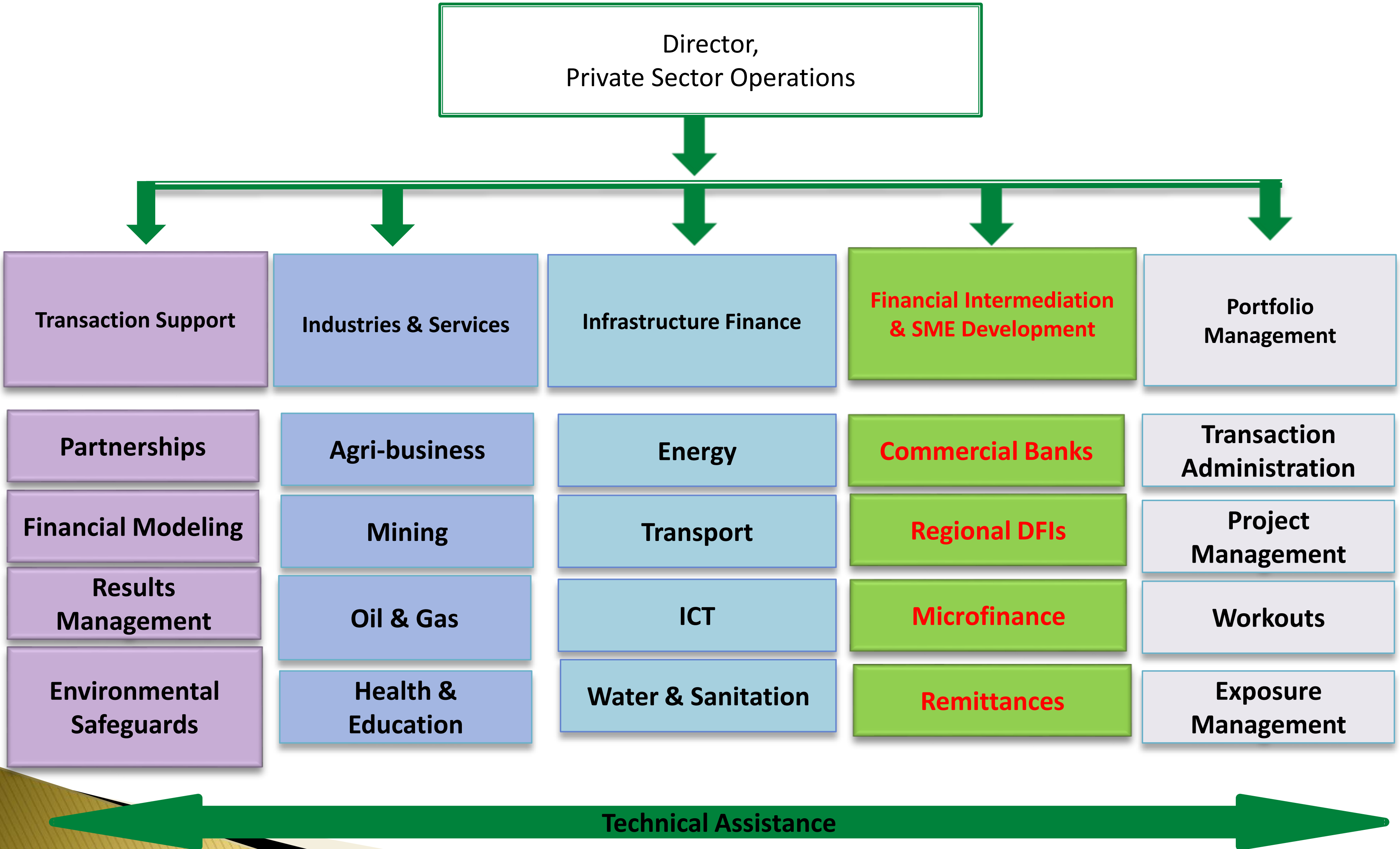
# Introduction

The African Development Bank has two lending windows:

- Sovereign Guaranteed Operations (public sector projects through governments at concessionary terms)
- Non sovereign Guaranteed Operations – OPSM (private sector projects at commercial terms)

# African Development Bank Group



# The Bank will seek opportunities across the full spectrum of countries

**<u>Geographical Distribution Objectives</u>**

- Low Income Countries & Fragile States (at least 40%)
  - Infrastructure, mining, banking, micro-finance
  - PPP opportunities with ADF resources, scale up public goods
- Middle Income Countries (up to 40%)
  - Infrastructure, public utilities, renewables, banking
  - Risk management, knowledge acquisition opportunities, partnerships
- Regional and Multinational (at least 20%)
  - Infrastructure, industries, financial institutions
  - Funds, programs

# Being Africa's own bank gives the AfDB unique comparative advantages

## Sources of Comparative Advantage

- Vast Experience – the AfDB has been active across the continent for 50 years.
- Broad Knowledge – the AfDB started as a public sector partner but has built a strong private sector team.
- Honest Broker – the AfDB has strong membership support from all 53 African countries.
- Financial Muscle – the AfDB has strong support from the international community reflected in its AAA credit rating.

# As a public institution the Bank has a unique business perspective

**AfDB's Business Perspective**

- Public Interest – consider what is best for all stakeholders i.e. investors, financiers, employees, suppliers, off-takers, governments, local communities, international community.
- Long-term View – consider what is best in the long-term looking through market cycles, crises.
- Risk Taker – ready to put capital at risk in countries and sectors to lead the way for private investors.
- Development Maximizer Not Profit Maximizer – ready to spend resources to enhance overall development impact.

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# Activities

**The activities of the Private Sector comprise two categories:**

**•Non-sovereign guaranteed (NSG) lending activities (assistance to private entities) in the area of Financial Intermediation, Industries & Services, PPPs & Infrastructure, and Microfinance;**

**•Non-lending activities include studies, initiatives and new programs.**

# The AfDB addresses private sector development (PSD) at two primary levels

**The AfDB's Private Sector Development Strategy**

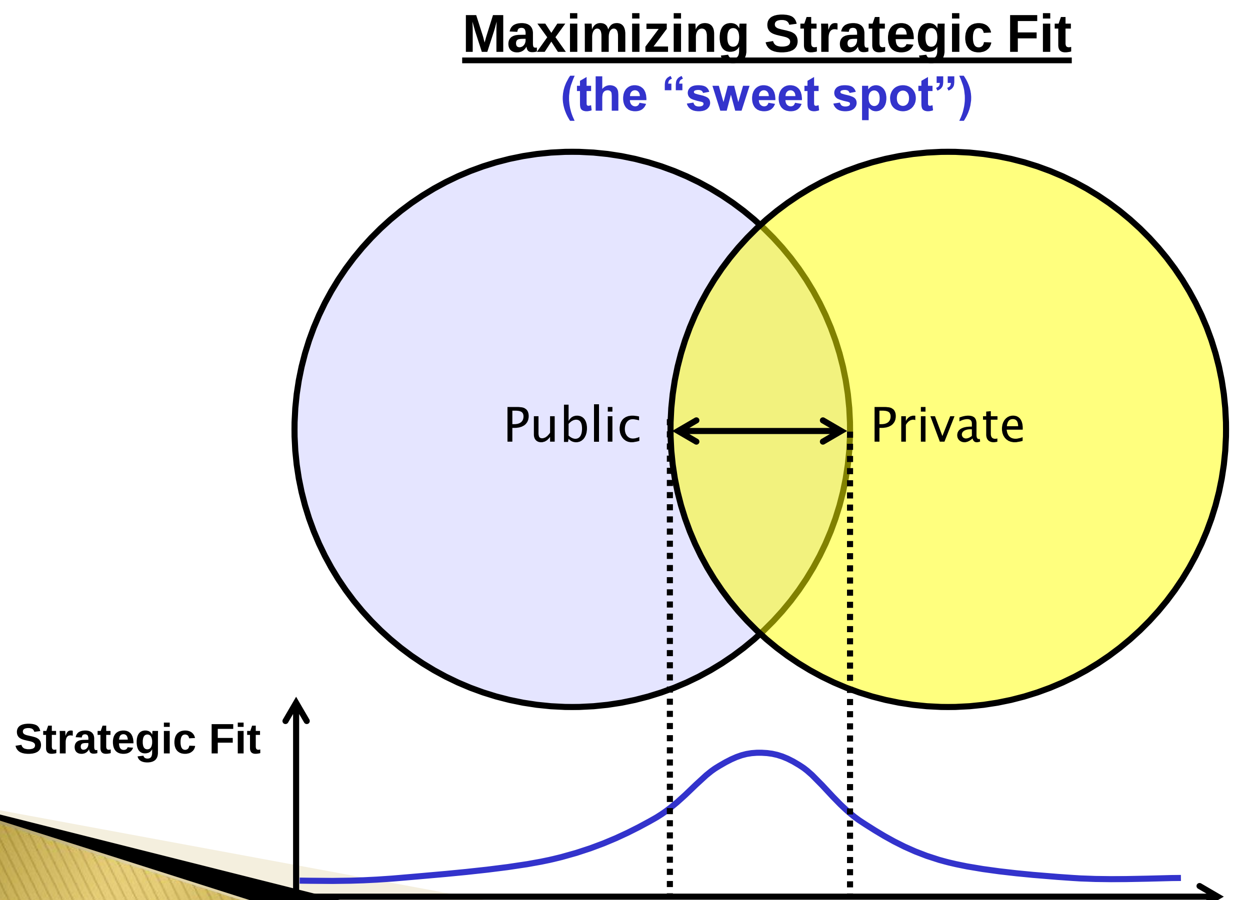
- Assist African governments to improve the enabling environment for the private sector:
  - Improve essential physical infrastructure (e.g. power, ICT, transportation)
  - Improve "soft infrastructure" (e.g. regulatory and legal frameworks, financial sector, trade liberalization, BDS)
- Create a catalytic and demonstration effects by assisting entrepreneurs with specific transactions:
  - Infrastructure (e.g. power, transportation, telecoms, water)
  - Industries and Services (e.g. mining, O&G, cement, agribusiness, hotels)
  - Financial Intermediation (e.g. banks, MFIs, insurance, leasing)

# The AfDB adapts its instruments to meet its clients needs

**Instruments**

- Senior Debt – Up to 20 years (5 yrs grace period), foreign or local currencies
- Guarantees – partial risk, partial credit (long tenors)
- Subordinated Debt – local currency
- Equity – direct, equity funds, up to 25%
- Technical Assistance – grants for studies, capacity building

# Projects with the best strategic fit tend to lie at the public-private interface



# The Bank gives priority to projects that support development corridors

**Strategic Development Corridors**

# In the third part of this presentation…

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## Potential impact can be measured on 4 key dimensions

### Critical Impact Dimensions

- Strategic Alignment – The degree of alignment with all relevant strategies and policies.
- Commercial Viability – Likelihood of sustainable financial success.
- Development Outcomes – Expected economic, environmental and social benefits.
- Additionality & Complementarity – The Bank's "value added" and synergy with the efforts of other development partners.

# Eligibility for Bank's Non-Sovereign Financing

- An enterprise/project must be located and incorporated in the Regional Member Countries (RMCs) of the Bank, whether promoted by African or non-African investors.
- An enterprise/project must be majority-owned (51% +) by private-sector investors, or publicly owned with strong financial standing and proven managerial autonomy.
- Projects for the establishment, expansion, diversification and modernization of productive enterprises.
- Maximum investment of 1/3 of total project cost
- Total project cost: minimum of USD 20 million

# Application Procedures

**To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises should submit a preliminary application covering, in general, the following information:**

1. **Description of the project (sector, location, production volumes, etc.);**
2. **The sponsors, including financial and managerial background;**
3. **Cost estimates, including foreign exchange requirements;**
4. **Financing plan, indicating the amount of ADB financing desired;**
5. **Key technical and environmental features;**
6. **Feasibility indicators;**
7. **Business climate, market prospect, including proposed marketing arrangements;**
8. **Implementation plan, including the status of required licenses, permits, certificates, etc.**

**Having determined the eligibility of a project financing application, the Bank will initiate a full application review. To facilitate this, the Bank would require the following:**

1. **Feasibility study;**
2. **Business plan;**
3. **Environmental impact assessment (depending on the nature of the project).**

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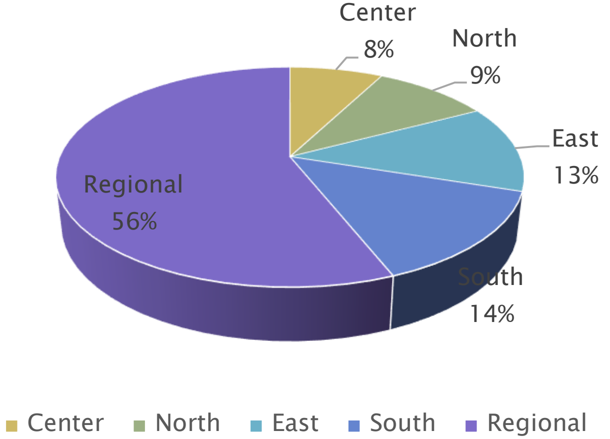
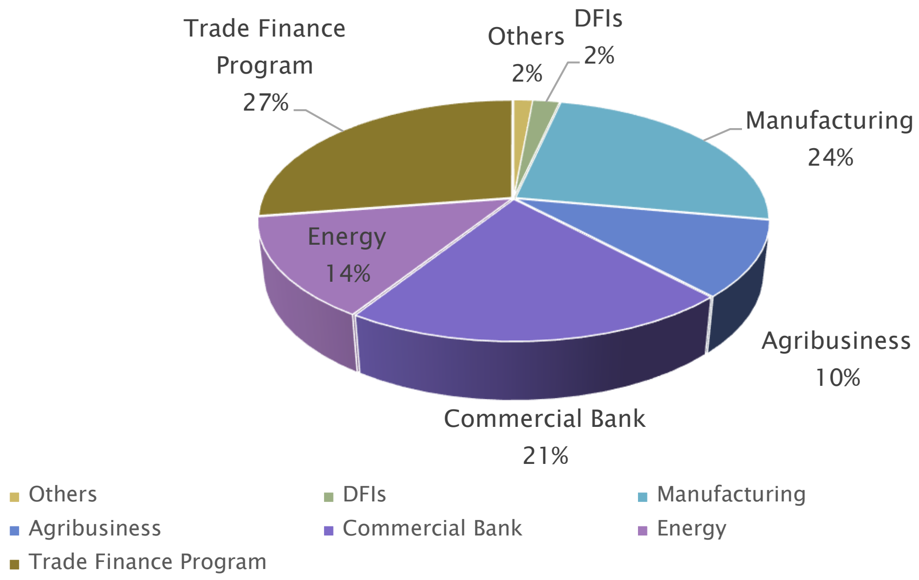
# New Private Sector Approvals as at 31 July 2014

## Private Sector Operations Approvals: from January to July 2014 by Region




## Private Sector Operations Approvals: January to July 2014 by Instrument



# The AfDB's private sector operations cover a broad range of sectors

**Sector Coverage**

- Power – thermal, hydro, wind, solar
- Transport – ports, roads, airports, rails
- ICT – submarine cable, satellite, telephony
- Oil & Gas – exploration, extraction, refining, pipelines
- Mining – extraction, refining, smelting
- Manufacturing – cement, fertilizers
- Agribusiness – sugar, oils, timber, bio-fuels, fishing
- Hospitality – hotels, resorts
- Health & Education – hospitals, schools
- Financial sector – banks, insurance, leasing, microfinance

# The Eskom project is the Bank's largest non-sovereign loan

**Eskom Project**

- Southern Africa
- Investment USD 20 bn
- ADB loan USD 500 mn
- ADB roles
  - Long-term lender
  - Regional partner
- Benefits
  - 100% power access
  - Jobs, growth
  - Regional expansion

# Transnet is the Bank's first large scale syndicated financing

**Transnet Project**

- South Africa
- Investment USD 10 bn
- ADB loan USD 400 mn
- ADB roles
  - Anchor financier
  - Syndication lead
- Benefits
  - Competitiveness
  - Tax revenues
  - Regional integration

# EASSy fibre optic cable connecting East Africa to the rest of the World


## Spread

- From Mtunzini in South Africa to Port Sudan
- Nine landing points covering 10,000 kms undersea
- Lit capacity upgrade from 30Gbps to 90Gbps (4 x 40Gbps wavelengths)

## AfDB Role

- Project sponsor and facilitator.
- Facilitated WIOCC with Technical Grant up to USD750K
- AfDB loan of USD 14.5m to WIOCC (USD 112 m).

## Benefits

- Broadband Access.
- Faster and reliable connection.
- Cost reduction.

WIOCC
... Africa connected the EASSy way

# Nigeria liquefied natural gas is the Bank's largest Oil & Gas project

**Nigeria Liquified Natural Gas Project**

- Nigeria
- Investment USD 1 bn
- ADB loan USD 100 mn
- ADB roles

  **– Political risk mitigation**

  **– Environmental Standards**

- Benefits
  - Royalties
  - Jobs

# The Ambatovy project is an opportunity to scale up public goods

**<u>Ambatovy Nickel Project</u>**


- Madagascar
- Investment USD 3.6 bn
- ADB loan USD 150 mn
- ADB roles
  - Economic analysis
  - Political risk mitigation
- Benefits
  - Taxes, royalties, jobs
  - SME supply chain
  - Public power 30 MW

# The Debra Midroc cement project will address a huge market constraint

## Derba Midroc Cement Project

- Ethiopia
- Investment USD 350 mn
- ADB loan USD 69 mn
- ADB roles
  - Lead arranger
- Benefits
  - Foreign exchange
  - Taxes, royalties, jobs
  - SME supply chain

# *GOPDC is an agribusiness project with high development impact*

**GOPDC Project**

- Ghana
- Investment USD 24.5 mn
- ADB loan USD 7 mn
- ADB roles
  - Long-term lender
- Benefits
  - Outgrower enhancement,
  - SME supply chain

# The Sheraton hotel is a business enabler in the heart of Kampala

**Sheraton Hotel Kampala**

- Uganda
- Investment USD 18 mn
- ADB loan USD 8 mn
- ADB roles
  - Long term lender
- Benefits
  - Taxes, royalties, jobs
  - SME supply chain

# EVHA represents the first project in the health sector

EVHA

- Regional
- Private Equity Fund USD 100M
- ADB Equity USD 20 M
- ADB Roles:
  - Catalyst: first investor alongside with the IFC;
  - Created the first system of redistribution aligned on Bottom of the Pyramid (BOP) goals;
- Benefit:
  - Reduce  Perceived « risk » related to African private health sector

# The AfDB's offers a broad range of instruments for the financial sector

**<u>Financial Sector Instruments</u>**

- Equity – Direct investments in banks, DFIs, MFIs, etc
  - With or without board seat, planned exit, commercial returns
- Sub Debt – Subordinated loans or bonds
  - Local currencies, maximum 15 years (10+5), risk priced
- Senior Debt – Senior loans or lines of credit
  - Foreign or local currencies, maximum 15 years, risk priced
- Guarantees – Partial credit or partial risk
  - For specific credits or commercial bank SME programs, risk priced
- Technical Assistance – Grants
  - Up to USD 1 mn for institutional capacity building programs

# The AfDB's covers a broad range of operations in the financial sector

**Financial Sector Coverage**

- National Banks – National Development Bank of Botswana
- Development Finance Institutions – DBSA
- Commercial Banks (Equity) – UBA
- Commercial Banks (Line of Credit) – SBSA
- Commercial Banks (Subordinated Debt) – Nedbank
- Microfinance Banks – K-rep Bank
- Microfinance Banks – (Programs)
- Capital Market Development – TCX
- Leasing Companies – Tunisie Leasing
- Insurance – Africa Reinsurance

# The NDB line of credit will promote small to medium scale enterprises

**National Development Bank [NDB] of Botswana Project**

- Botswana
- ADB LOC: **YEN 5.5 billion, 12 years inclusive of a 2 year grace period**
- ADB roles
  - Long -Term Project Financing
- Benefits
  - SMEs, industry
  - Jobs, growth
  - Institutional reforms
  - Sector reforms

# Subregional DFIs like DBSA are considered as development partners

**Development Bank of Southern Africa (DBSA)**

- South Africa
- ADB LOC USD 100 mn
- ADB roles
  - long-term foreign currency funding
- **Benefits**
  - infrastructure services in South Africa and SADC
  - economic integration of SADC Region.

# The UBA recapitalization project is a PPP in the financial sector

## United Bank for Africa (UBA) Project

Executive Focus

UBA

- Investing to achieve market dominance in Cash Management, Trade Services & Credit
- Significant growth opportunities within the African emerging market
- Diverse Banking Group
- Lagos and other African locations
- Attractive packages with share participation

Founded in 1961, UBA is the largest financial services group in West Africa with a balance sheet of circa US$8 billion, over six million customer accounts, 600 branches and over 700 ATMs. Formed by the merger of UBA and Standard Trust Bank in 2005, the Bank has recently raised more than US$1.2 billion from private and global institutional investors through an equity capital offering and has a clear ambition to be the leading financial services provider in Africa.

A major initiative is now underway to achieve its growth plans involving the appointment of a number of senior and specialist executives who will be deployed into key and growth areas of the Bank. Opportunities exist within the Group centre and the subsidiary businesses in Nigeria and other African countries.

**Head of Cash Management** - Group

Reporting to the Director, Global Transaction Banking, you will achieve market dominance by developing the strategy and product design and managing the sales activities for value added cash management solutions for corporate, commercial and retail customers in Nigeria. These will include sales collections, payments and information services. You will have a demonstrable track record of building and managing an effective and profitable business with specific relevance to cash management, accounts receivable and accounts payable products and services. (Ref: 614)

**Head of Trade Finance** - Group

Reporting to the Director, Global Transaction Banking, you will achieve market dominance by developing the strategy and design of products and managing the sales activities for value added trade services solutions for corporate, commercial and retail customers in Nigeria. These products will include trade services, supply chain and trade finance. You will have a demonstrable track record of building and managing an effective and profitable business with specific relevance to international trade products including letters of credit and bills for collection. (Ref: 615)

**Head of Credit Risk Management** - Group & Subsidiaries

Reporting to the Chief Credit Officer, you will ensure the proper monitoring of the credit portfolio to achieve agreed performance targets. In addition, you will be responsible for the supervision and the disbursement of approved credit facilities in line with corporate policy and generate timely portfolio performance reports. You will be degree qualified and have a demonstrable track record of managing a strong credit portfolio in a large financial services institution. (Ref: 616)

In return, UBA is able to offer short, medium or long term contracts, attractive expatriate packages, relocation assistance and share participation.

To express an interest, please forward your resume including current remuneration to info@wrightsonwood.com or by post to Wrightson Wood, Radiant House, 34-38 Mortimer Street, London W1W 7RG quoting the relevant reference number.

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The Economist September 15th 2007

UBA recruitment notice in The Economist magazine

- Nigeria
- Investment USD 600 mn
- ADB equity USD 50 mn
- ADB roles
  - Assist gov't plan
  - Strengthen relationship
- Benefits
  - Strengthen fin. Sector
  - International listing
  - Rural & regional expansion

# The line of credit to SBSA provides long term financing for SMEs

**<u>SBSA Bank Project</u>**

- South Africa
- ADB LOC USD 220 mn
- ADB roles
  - Long term forex lender/financier
- Benefits
  - SME development
  - Capacity building

# The Nedbank bond is the Bank's first marketable subordinated debt facility

**Nedbank Subordinated Bond**


- South Africa
- Investment USD 280 mn
- ADB bond USD 140 mn
- ADB roles
  - Long-term ZAR lender
  - Strengthen relationship
  - Knowledge acquisition
- Benefits
  - Low income housing
  - Black economic empower't

# K-Rep bank in Kenya is one the most successful micro-finance projects

**<u>K-Rep Bank Project</u>**


- Kenya
- Investment USD 4 mn
- ADB equity USD 1 mn
- ADB roles
  - Board member
- Benefits
  - Jobs, micro-enterprises

# Access Bank Tanzania is the AfDB's first micro-finance program

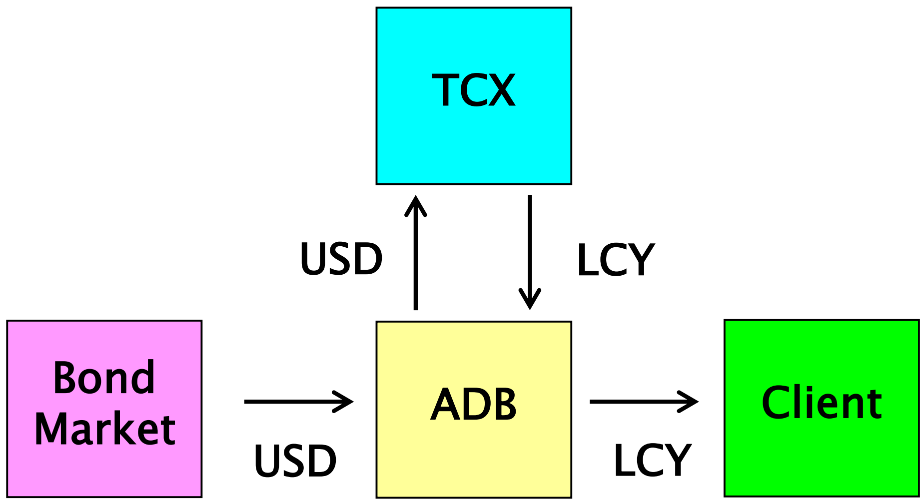
## Access Bank Tanzania Project

- Tanzania
- Investment USD 4 mn
- ADB equity USD 1 mn
- ADB roles
  - Board member
  - LCY lender later
  - LFS technical partner
- Benefits
  - Jobs, micro-enterprises
  - Roll out to other countries

# TCX will pave the way for increased local currency lending

**The Currency Exchange (TCX) Project**

**Schematic Flow of Funds at Inception**




- Global (Pan-African)
- Investment USD 500 mn
- ADB equity USD 50 mn
- ADB roles
  - Swap user
  - Regional partner
- Benefits
  - Risk reduction
  - Capital market development

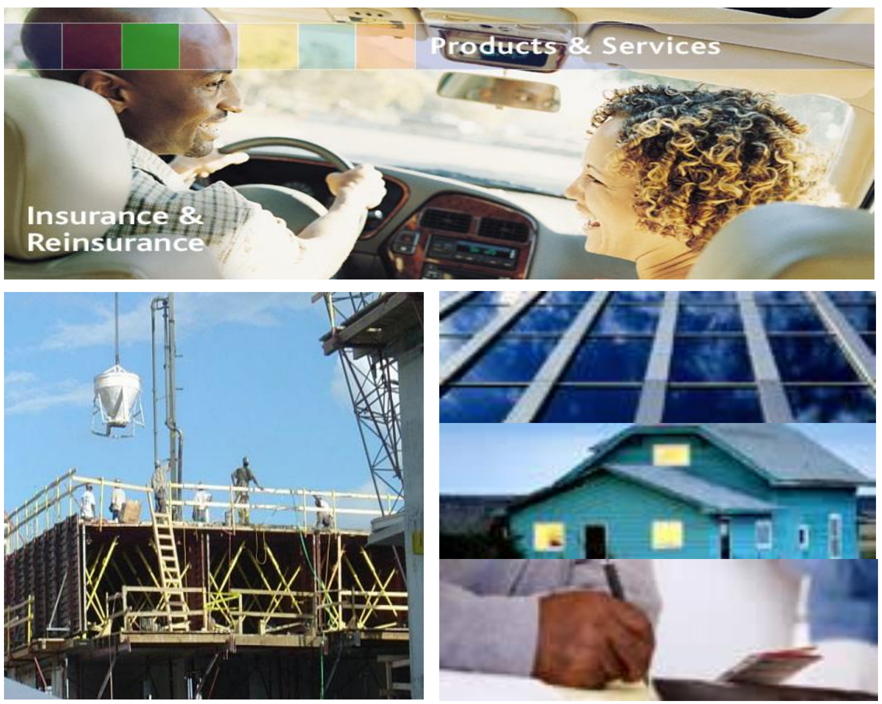
# Tunisie Leasing was the AfDB's first leasing project

**<u>Tunisie Leasing Project</u>**


- Tunisia
- ADB LOC USD 8 mn
- ADB roles
  - Lender
- Benefits
  - SME financing

# Africa-Re was the AfDB's first re-insurance project

**<u>Africa-Re Project</u>**




- Nigeria (Pan-African)
- ADB Equity USD 4.7 mn
- ADB roles
  - Board member
  - Rating enhancement
- Benefits
  - Insurance market
  - Catastrophic risk

# Recent projects with Italian Involvement...

| Sector | Comments |
|---|---|
| Power | The Italian company is the sponsor in Eastern Africa |
| Health | Italian Sponsorship |
| Oil & Gas | The EPC contract for the fertilizer component for an Oil and Gas Project. |
| Agro-industry with the development of agricultural value chains | An agro-industrial project for the development of agricultural value chains (maize, tomato, dairy, beef, etc.) in Southern Africa. |

# In summary...

- There are huge opportunities for profitable investment in Africa.
- Although the investment climate may be improving, it is still quite challenging.
- The African Development Bank is a partner that can help Italian Investors achieve business success and ensure sustainable and equitable development.

# Contact

Private Sector Operations

African Development Bank

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