

AFRICAN DEVELOPMENT BANK



# Development of PIDA PAP 2 –

## *Thematic Session on Financing of Projects*

9 June, 2020



# OUTLINE OF THE PRESENTATION

- I. What the Bank Does
- II. Prioritization of Regional Projects for Financing
- III. Solutions for Project Preparation & Development
- IV. Solutions for Financing Public Sector Projects
- V. Solutions for Financing Private Sector and PPP Projects
- VI. Recommendations to Member Countries and Project Owners

# I. WHAT THE BANK DOES





# WHAT THE BANK DOES — *more than just a bank*

## Honest Broker and Technical Advisor

- ❑ AfDB has more than 50 years of experience on the African continent
- ❑ Strong membership support from all 54 African countries
- ❑ The Bank leverages its unique public – private structure
- ❑ AAA credit-rating
- ❑ Work in the interest of the country and project rather than maximizing bank's revenues

## Sovereign and Non Sovereign Financier

- ❑ Finance both public sector and private sector projects
- ❑ Extends credit to sovereign entities in both foreign & selected local currencies

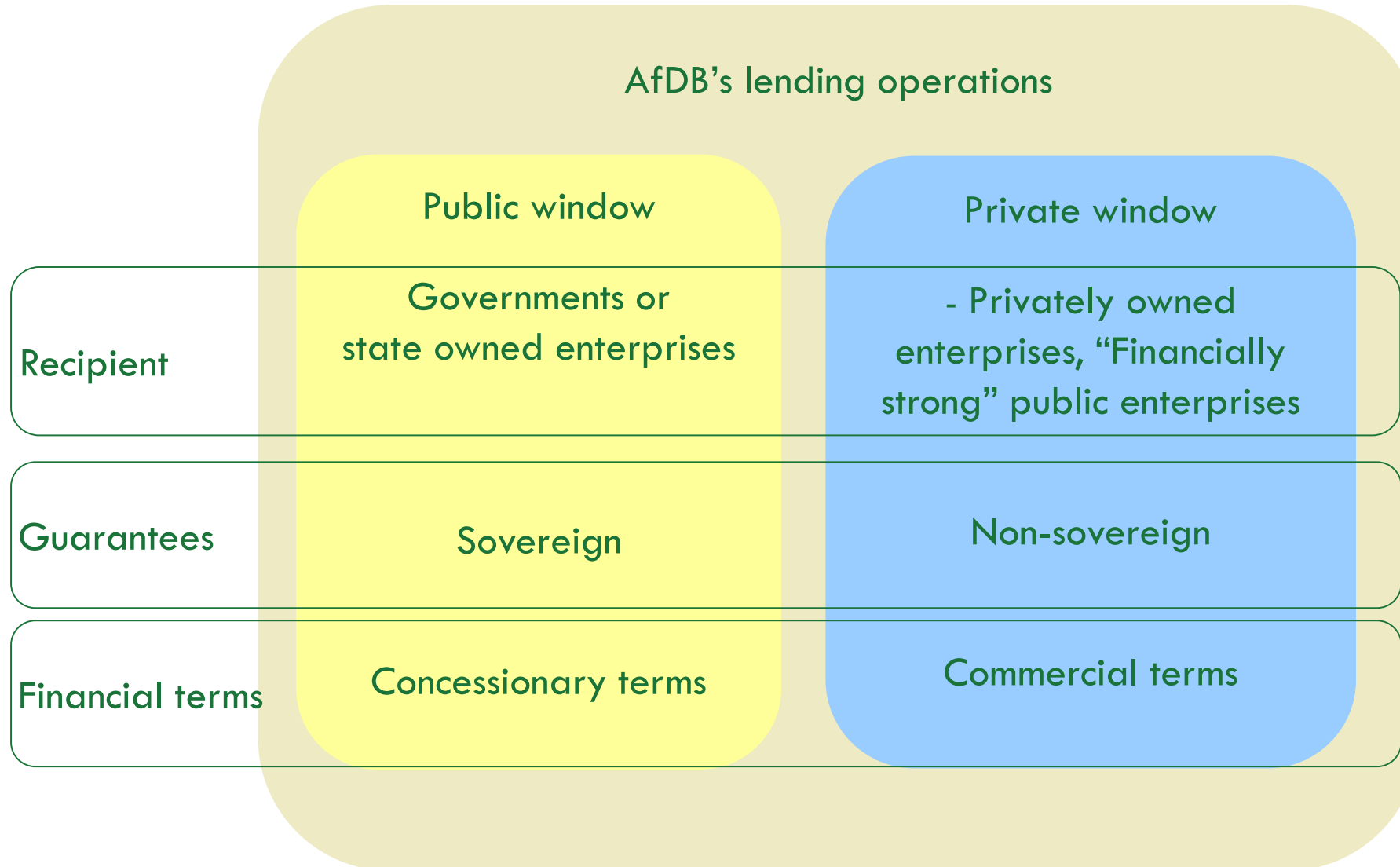


# THE BANK PROVIDES



AND MUCH MORE

# BANK FINANCING



## II. Prioritization of Regional Projects for Financing



# PRIORITIZATION OF REGIONAL PROJECTS

## Prioritisation

- Is project part of continental Programme for Infrastructure Development in Africa (PIDA)
- Is project contained in the Regional Infrastructure Master Plan;
- Is project contained in National Development Strategies/priorities

## Cooperation Agreements

- Is project supported by inter-country Memoranda of Agreement or other form of cooperation agreement

## Financial & Economic Viability

- Assessment of financial & economic rates of return (ERR);
- Assessment of the country & institution's credit worthiness



# HOW ELIGIBLE PROJECTS ARE ASSESSED

## Environmental and Social Impacts

- Assessment of project's potential environmental & social impacts & rating
- Assessment of measures to promote environmentally and socially sustainable developments

## Regional Integration Impacts

- Extent of inter-country & sub-regional cooperation to be derived
- Assessment of the extent & number of sub-regional beneficiaries
- Assessment of potential to maximise economies of scale and reduce unit cost of services to end users

## Project Readiness

- Assessment of the level of project preparedness
- Assessment of likelihood of project reaching financial close
- Assessment of commercial & political commitment to project

# III. Solutions for Project Preparation & Development



# Solutions for Project Preparation & Development



N°	Trust Fund	Managed By	Pledge in Uam	Available in UAm	Sectors
1	NEPAD Infrastructure Project Preparation Facility Fund (NEPAD-IPPF)	PICU	48,71	2,45	• ICT• Transport• Energy• Water and Sanitation
2	Africa Legal Support Facility (ALSF)	ALSF	25,88	-	• Legal Support
3	Africa Trade Fund (AfTRA)	RDRI	8,16	2,34	• Trade • Economic Growth• Regional Integration• Infrastructure (water and energy)
4	African Community Practice (AfCOP)	SNDR	4,62	0,02	• Regional Integration• Capacity building• Technical assistance
5	African Water Facility (AWF)	AHWS	134,39	10,35	• Water Sector
6	Agriculture Fast Track Fund (AFT)	AHAI	14,81	10,52	• Agricultural infrastructure• Health
7	Congo Basin Forest Fund (CBFF)	AHAI	100,23	13,79	• Environment• poverty reduction• sustainable forest management
8	Fund for African Private Sector Assistance (FAPA)	FIST	44,65	17,85	• Private Sector Development
9	Global Strategy to Improve Agriculture & Rural Statistics	ECST	3,97	0,01	• Agricultural statistics
10	Governance Trust Funds (GTF)	FIRM/ECGF	4,65	-	• Governance
11	Infrastructure Consortium for Africa (ICA)	ICA	3,62	0,70	• Supporting and promoting increased investment in infrastructure in Africa, from both public and private sources.
12	Making Finance Work for Africa (MFW4A)	PIFD	4,50	0,01	• Financial sector development ranging from access to finance to Capital Markets.
13	Microfinance Capacity Building Fund (MCBTF)	AHHD	4,53	2,86	• Microfinance
14	Migration and Development Initiative Fund	PIFD	6,48	3,65	• Migration and Development
15	Multi-donor Water Partnership Programme (MDWPP)	AHWS	4,73	0,17	• Water Sector
16	Rural Water Supply and Sanitation Initiative Grants (RWSSI)	AHWS	133,07	6,48	• Water Sector
17	South - South Cooperation Trust Fund (SSCTF)	FIRM	3,91	0,67	• Agriculture and Agribusiness• Private Sector Development• Clean Energy
18	Special Fund for Reconstruction and Development for the Great Lakes Region (SFRD)	RDRI	3,02	0,39	• Security• economic development• regional integration
19	Sustainable Energy Fund For Africa (SEFA)	PERN	63,22	15,37	• Renewable Energy• Energy Efficiency
20	Trust Fund for Countries Transition (TFT) DFID	RDGN	6,02	-	• Finance• Governance• Trade
21	Value for Money Sustainability & Accountability in Social Sectors (VfM)	AHHD	0,47	0,45	• Health• Education• Social protection
22	Zim Fund	RDGS/COZW	95,48	4,19	• Infrastructure investments in water & sanitation• Energy
23	MENA Trust Fund	RDGN	14,71	-	• Finance• Trade• Governance
24	Clim-dev Fund	AHAI	34,48	5,25	• Climate change
25	Africa Climate Change Fund (ACCF)	PECG	5,59	1,55	• Climate finance readiness• Climate change• Green growth mainstreaming
	Total		773,92	99,07	

# A FOCUS ON THE NEPAD-IPPF



## Core Areas Of Support

<b>Grants to African Countries, RECs, Power Pools, RBOs, Corridor Agencies, Others</b>	<b>Full Feasibility Studies, Engineering &amp; Technical Designs</b>	<b>Environnemental &amp; Social Impact Assessment Studies (ESIA)</b>
<b>Preparation of Tender &amp; Bidding Documents</b>	<b>Transaction Advisory Support especially for PPP Type Projects</b>	<b>Financing Plans and Financing Linkages</b>

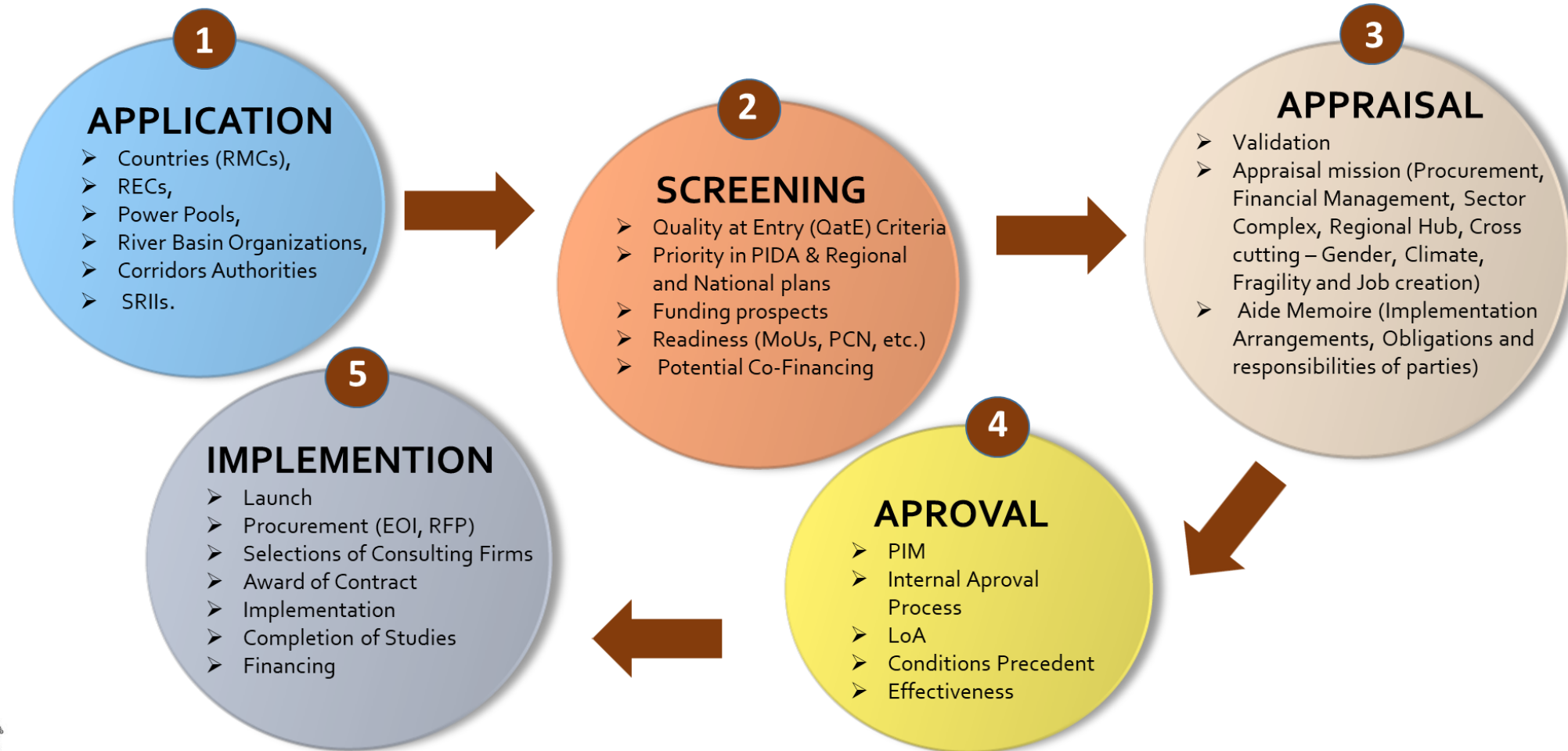
**Complex Projects - Regional - PIDA & RIMP – Partnership**





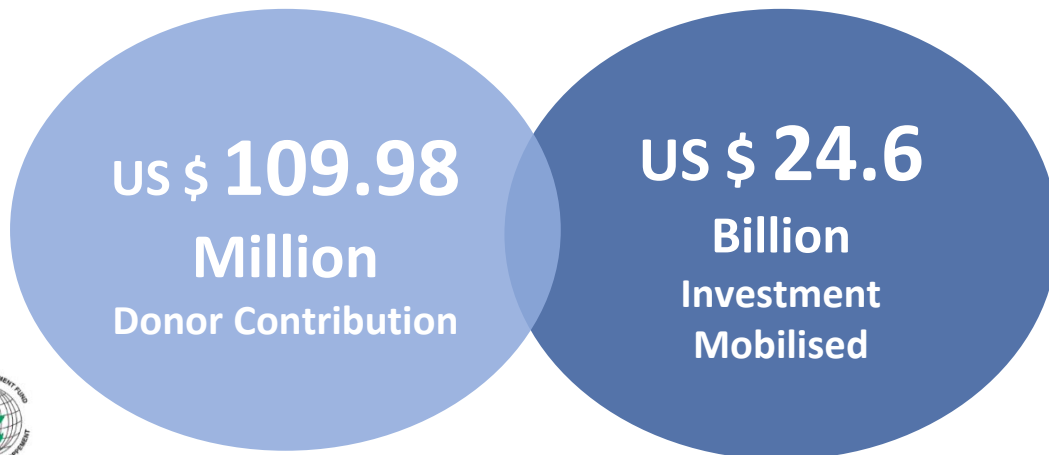
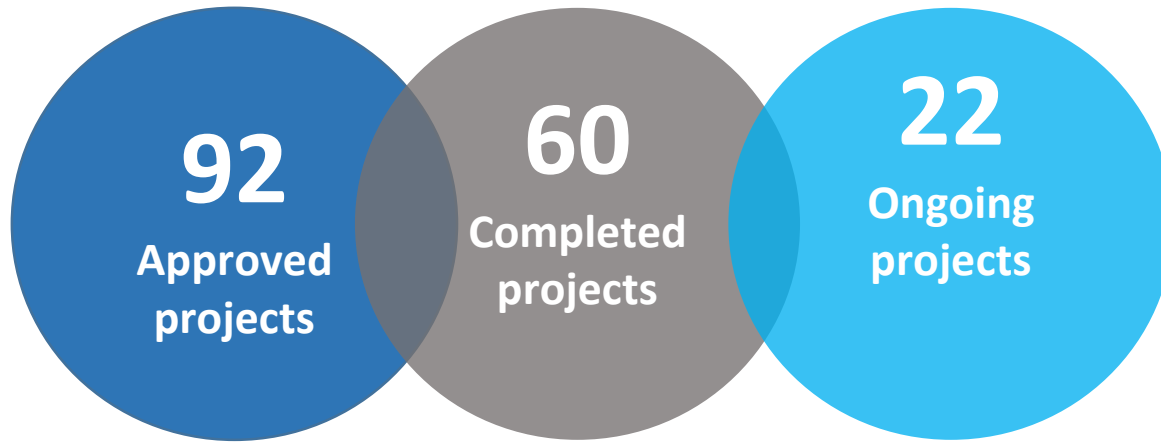
# A FOCUS ON THE NEPAD-IPPF

## NEPAD-IPPF Grant approval process

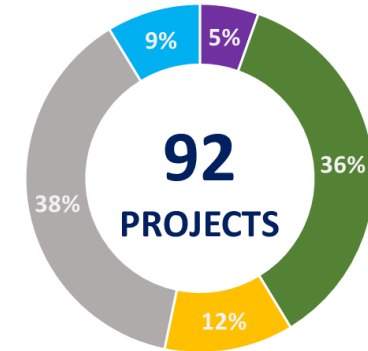


# A FOCUS ON THE NEPAD-IPPF

## KEY ACHIEVEMENTS & IMPACT

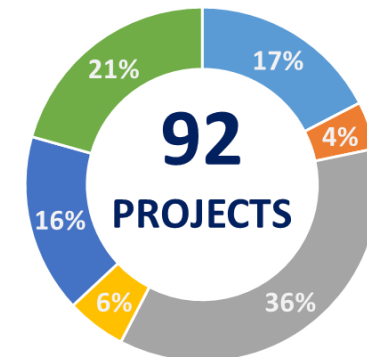


Sectoral breakdown per number of activities



■ Capacity Building ■ Energy ■ ICT ■ Transport ■ Water

Regional breakdown per number of activities

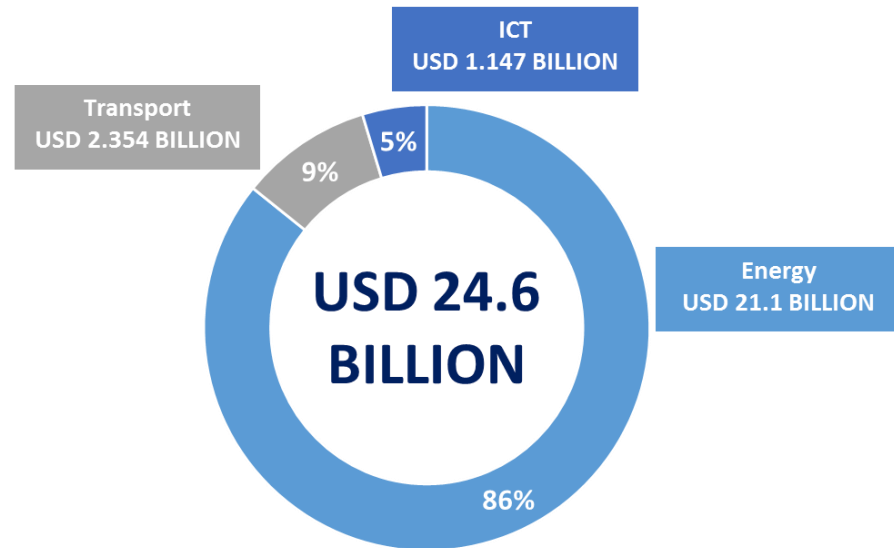


■ Central Africa ■ Continental ■ East Africa  
■ North Africa ■ Southern Africa ■ West Africa



# A FOCUS ON THE NEPAD-IPPF

## KEY ACHIEVEMENTS & IMPACT



### LEVERAGE EFFECT

**Every USD committed** by NEPAD-IPPF has **attracted USD 861** in downstream financing for physical implementation.



#### PROJECTS CONSTRUCTED (16)



- OMVG Gambia-Senegal River Bridge
- Doussala-Dolisie-Brazzaville Inter-capital Links
- Nacala Road Corridor One Stop Border posts Mozambique, Malawi, Zambia
- Mtwara Development Corridor (Mueda to Negomano road)



- Benin-Togo-Ghana Electricity Interconnection
- Gambia River Basin Organization (OMVG) Electricity (Kaleta)
- Ethiopia Kenya Power
- Ghana-Burkina Faso Power Interconnection
- Kariba North Bank Hydropower Generation
- Ithezi-Thezi Hydropower Generation
- Ethiopia GIBE III Hydropower



- COMTEL
- East Africa Submarine Cable System (EASSy)
- East Africa ICT Backbone
- Maritime Communications Safety, Lake Victoria
- Central Africa ICT Backbone

#### UNDER CONSTRUCTION (9)



- Kazangula Bridge
- Rosso Bridge (Senegal-mauritania)
- Multinational Burundi-Rwanda Road
- Port of San Pedro
- Rehabilitation of selected Road Sections of the Centrale Corridor in Tanzania, Rwanda & Burundi



- Ruzizi III
- 330kv WAPP North-Core –Nigeria-Niger-Benin-Togo-Burkina-Faso Electricity Interconnection
- Inga 3
- Zambia-Tanzania-Kenya Electricity Interconnection

#### CONSTRUCTION NOT STARTED (2)



- Central Africa Cross Border Electrification
- Kenya-Uganda Oil Pipeline



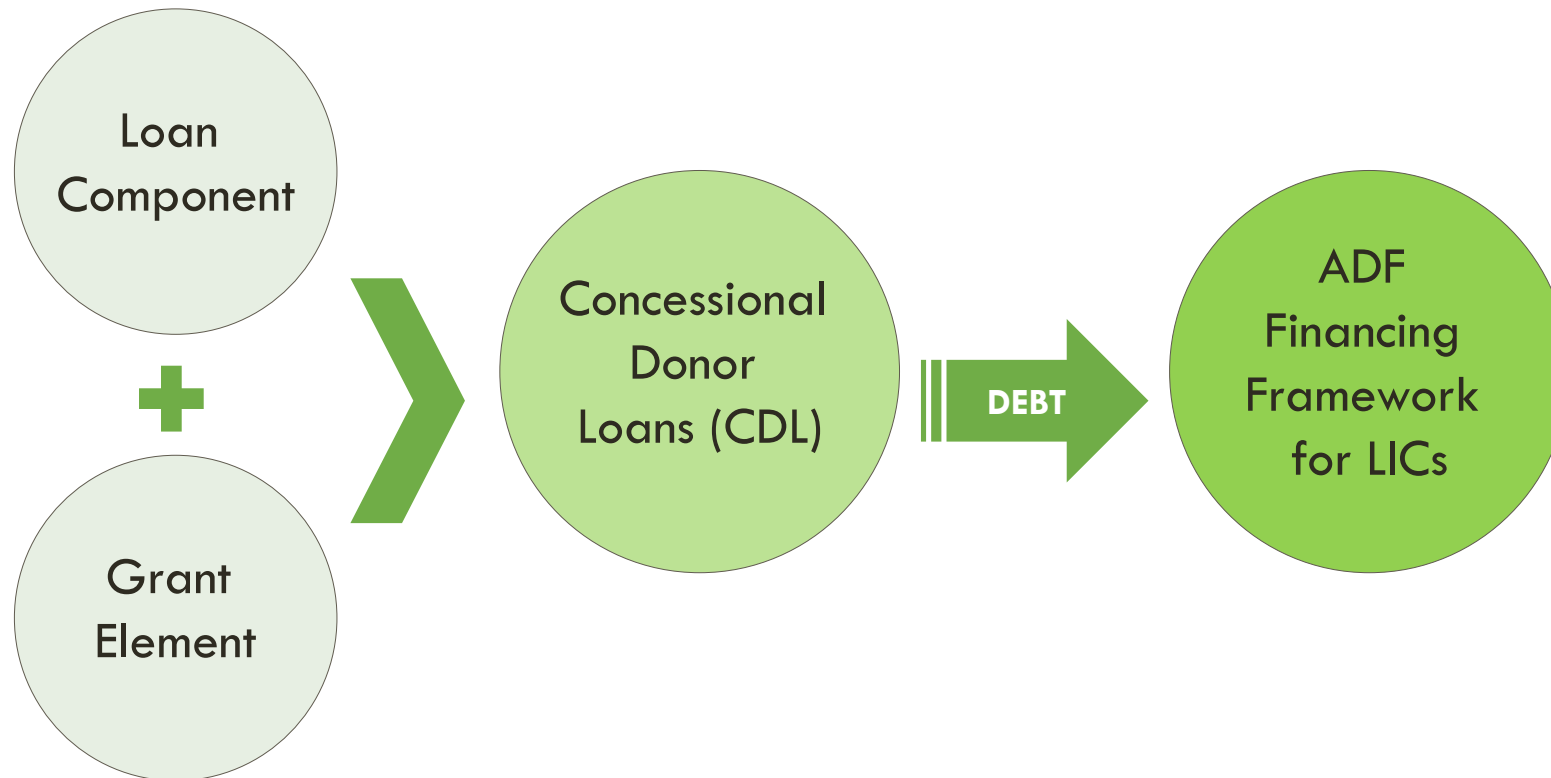
## IV. Solutions for Financing Public Sector Projects



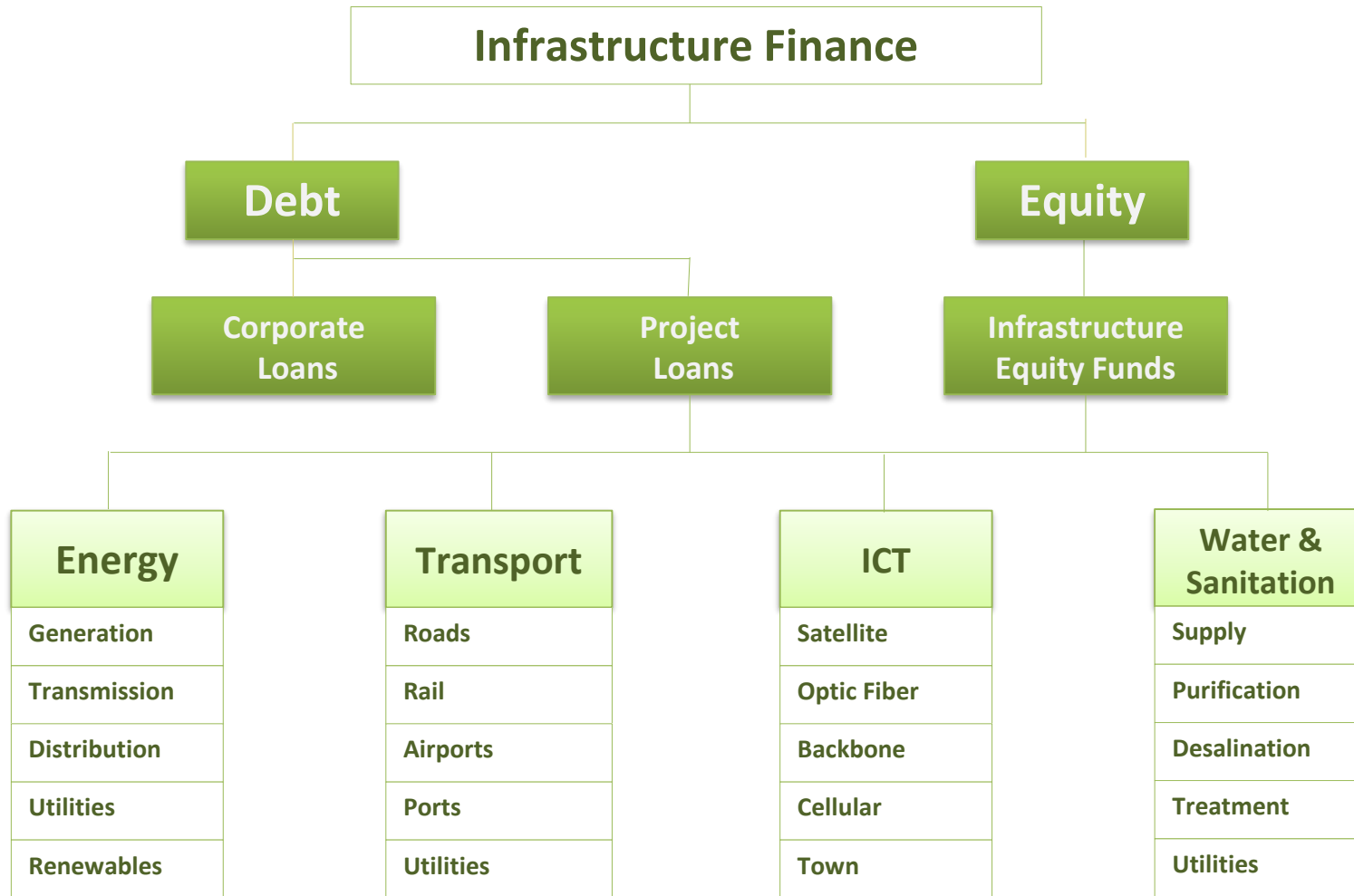


# AFRICAN DEVELOPMENT FUND (ADF) WINDOW

**Donors provide concessional debt in addition to grants to the ADF to increase resources available for ADF (LIC) countries.**



# ADB WINDOW INFRASTRUCTURE LENDING



# V. Solutions for Financing Private Sector & PPP Projects



# FINANCING OF PRIVATE SECTOR & PPP PROJECTS

## Financing Instruments

### Senior Debt

- Adapted maturities (up to 15 years)
- Up to 5 years grace period
- Foreign or local currency loans
- Up to 1/3 of total project cost
- Syndication—co-financing platform

### Guarantees

- Partial risk guarantee
- Partial credit guarantee

### Subordinated Debt

- Local and foreign currency
- Ranging from sub-debt to quasi equity products
- Terms (tenor and grace period) similar to senior debt

### Equity

- Indirect, through Private Equity funds
- Direct, maximum of 25%

### Technical Assistance

- Grants for feasibility studies
- Capacity building support
- SME Linkages programs
- Advisory Services



# NON SOVEREIGN FINANCING INVESTMENT CRITERIA

## 1.Strategic alignment

- Country's national economic and social priorities
- Bank's strategy in the country/region

## 2.Commercial viability

- Sector's perspectives and market fundamentals
- Financial structure
- Sponsor's track record, experience and financial strength
- Cash flows and rate of return

## 3.Development outcomes

- Job creation, households benefits
- Fiscal revenues (taxes, royalties etc..)
- Environmental and Social performance
- Private sector development and Local content

## 4.Additionality

- Structuring and Operations
- Political risk mitigation
- Catalytical role

# NON SOVEREIGN FINANCING INVESTMENT CRITERIA



Africa-based project



Commercially **viable**



**Development impact:** Households benefits, infrastructure, government, macroeconomic resilience, gender and social effects



Strong **additionality**



**Environmentally** sound, supports gradual transition to **green growth**



Sound procurement

# Recommendations to Member Countries and Project Owners



# RECOMMENDATIONS TO MEMBER COUNTRIES & PROJECT OWNERS ON PIDA PAP 2 PROJECTS

- Start early on upstream preparation, e.g., MoUs, setting up **supranational agencies/authorities** for implementing regional infrastructure projects;
- Early commencement of **Project Preparation activities** such as feasibility studies etc.;
- **Timely decision**/determination on whether to implement through **public or PPP approach** is essential for appropriate structuring and securing the right partners;
- The **AfDB is a committed partner** in supporting priority projects.





# THANKS FOR YOUR ATTENTION

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