



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

Financing PPP Projects in Zambia

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Principal Infrastructure Investment Officer

The AfDB Group: General Facts

- 1st multilateral development institution (MDB) in Africa, founded in 1964.
- AfDB Group = ADB + ADF + NTF
- 82 member countries. 54 Regional & 28 Non-Regional
- Headquartered in Abidjan, regional hubs in Tunis, Nairobi and Pretoria, and 42 country offices.
- Mission: to spur sustainable economic development and social progress in its RMCs, thus contributing to poverty reduction.
- The Bank Group achieves this objective by:
 - mobilizing and allocating resources for investment in RMCs; and
 - providing policy advice and technical assistance to support development efforts in RMCs.



The AfDB: Strategic Focus

- The High 5s are a focus of the Bank's Ten-Year Strategy 2013-2022
- The High 5s are intrinsically linked to the African Union's Agenda and would help Africa achieve 90% of the SDGs



Light up & power Africa

USD 33.5bn



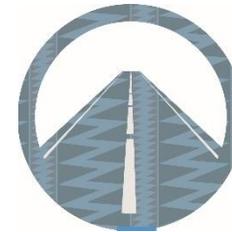
Feed Africa

USD 24.7bn



Industrialise Africa

USD 17.4bn



Integrate Africa

USD 13.4bn



Improve the quality
of life for the people
of Africa

USD 2.4bn

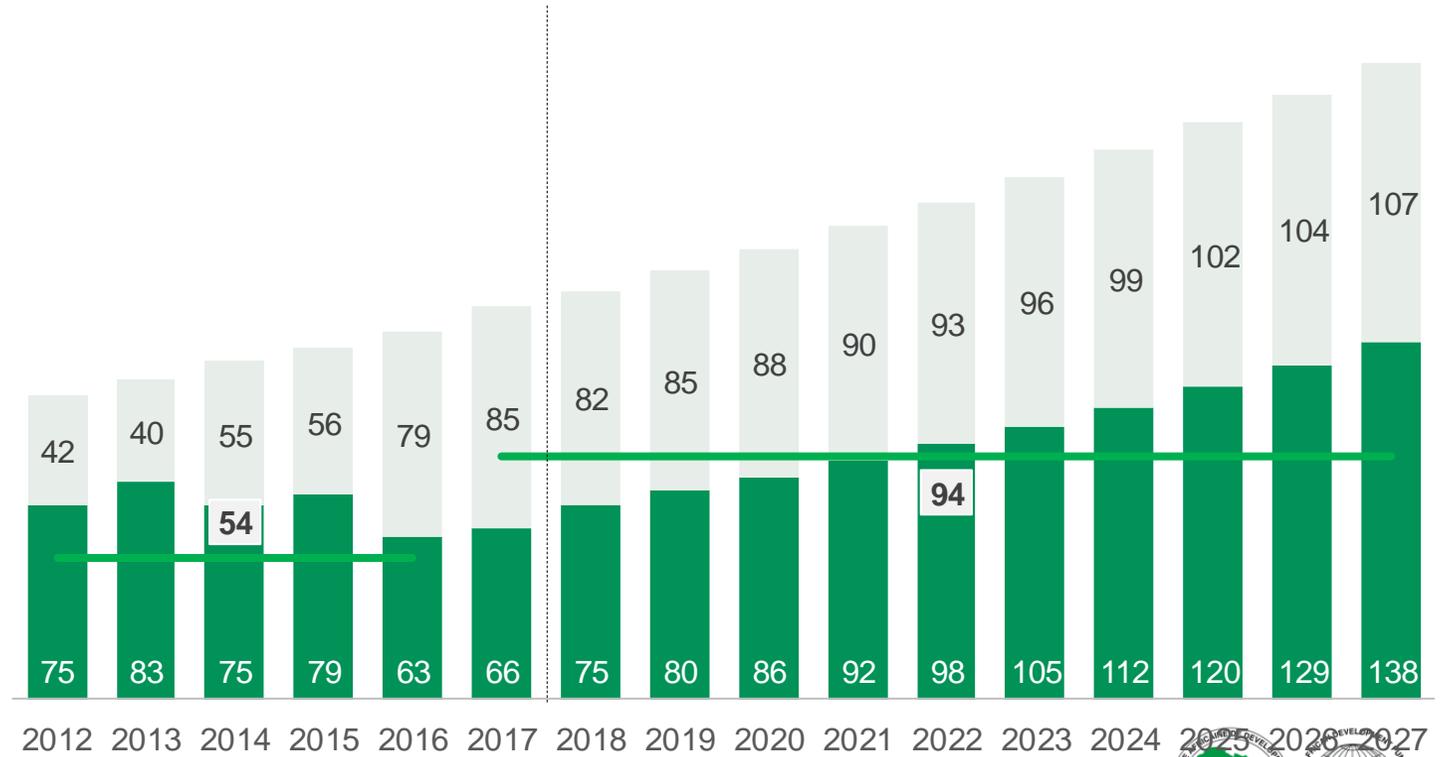
Bank financing target for the High 5s over 2016-2025: USD 91.5bn



African Infrastructure Market Overview

\$ 2 trillion is required for Infrastructure funding in Africa in coming 10 years, or \$200 billion per year. It puts the funding gap at between \$100 billion per year.

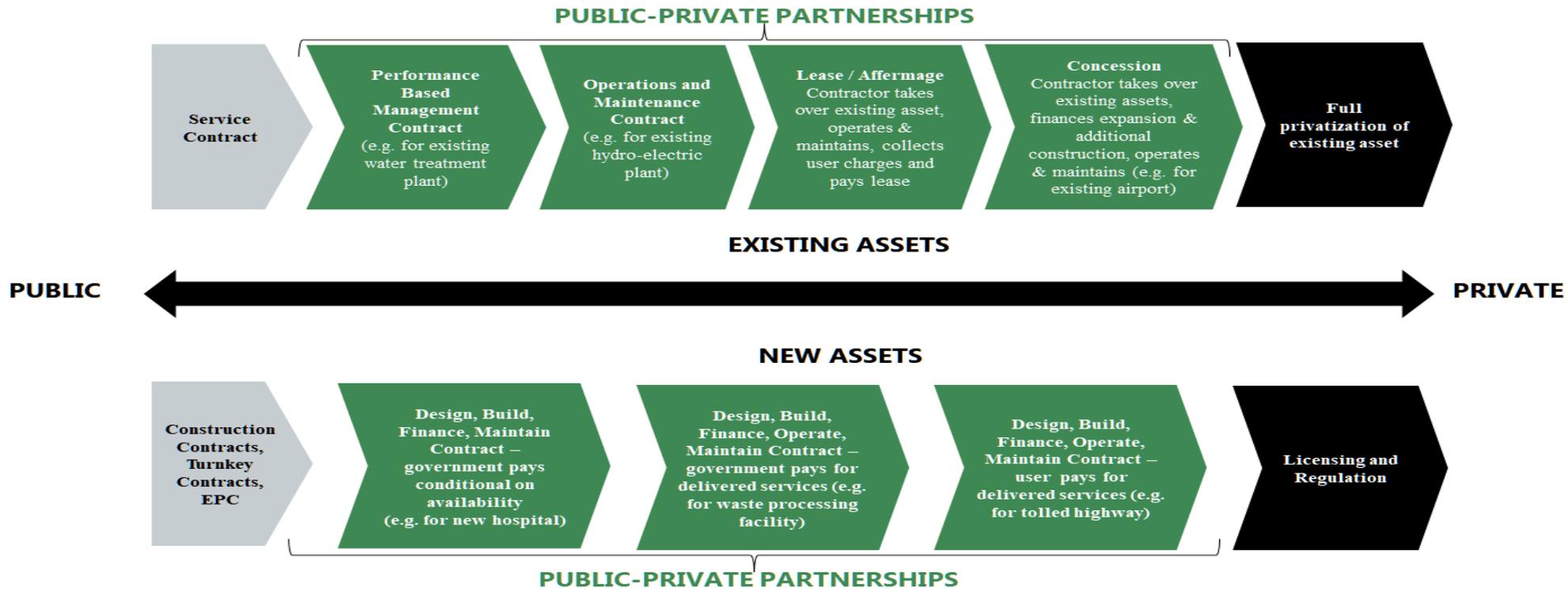
■ Commitments
■ Average gap
■ Yearly Gap



Bank Definition of PPP

“A long-term contract between a public entity and a private enterprise for the delivery of public infrastructure and/or services, with risks allocated between the two parties based on their respective capacities to manage each risk, and with the private party’s investment at risk to its performance.”

The definition covers a wide range of PPP structures...



PILLAR 1: Strengthening PPP Enabling Environments and Institutional Capacity

Areas of Bank support in Pillar 1

1

Establishment and operationalisation of legal, regulatory and institutional frameworks

- ↗ **New PPP policy, law and regulations**
- ↗ **Revisions in existing policies, laws**
- ↗ **Implementing regulations**
- ↗ **New PPP institutions**
- ↗ **PPP focussed financial institutions**
- ↗ **Standard processes for review and approvals**
- ↗ **Standard processes for monitoring and supervision**
- ↗ **Identification of possible PPPs (as part of operationalization)**

2

Strengthening of institutional capacities

in the following areas

- ↗ **Project identification**
- ↗ **Screening of potential PPP projects**
- ↗ **Feasibility assessments**
- ↗ **Value for money assessments**
- ↗ **PPP transaction structuring**
- ↗ **Financing of PPPs**
- ↗ **Government support**
- ↗ **Risk assessment and management**
- ↗ **Procurement and contract management**

3

Knowledge development and dissemination

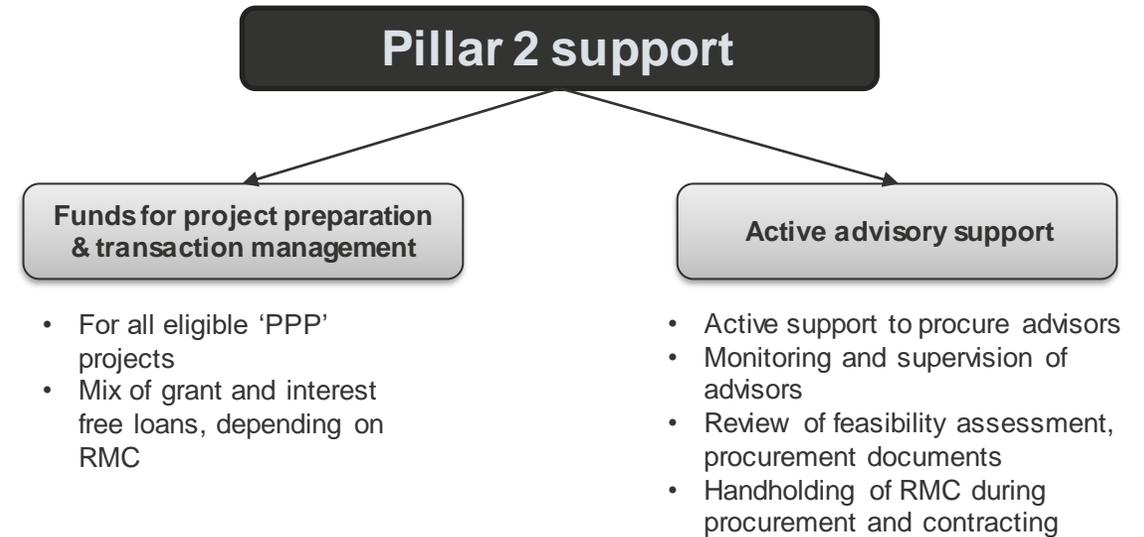
in the following areas

- ↗ **Best practices in PPP implementation, globally**
- ↗ **Innovative PPP structures**
- ↗ **Comparative performance data on different PPP markets**
- ↗ **Guidance on key decisions in the PPP lifecycle**
- ↗ **Toolkits for use in PPP project development**
- ↗ **Guidance on drafting of PPP procurement and contractual documents**



PILLAR 2: Project Preparation and Transaction Advisory

- **Includes Bank support to RMCs for project preparation**
 - Early-stage project screening
 - Prefeasibility assessment (outline business case)
 - Detailed feasibility assessment (final business case)
- **& Support for transaction management**
 - Market consultations
 - Finalization of PPP transaction structure
 - Preparation of procurement and transaction documents
 - Bid process management
 - Commercial and financial close
 - Arrangements for contract management
- **Operations originated through**
 - Proactive offers for PPPs identified in CSP or through Pillar 1 operations
 - RMC requests
 - As part of larger sovereign operations
 - Requests from co-financiers



Active advisory support for projects

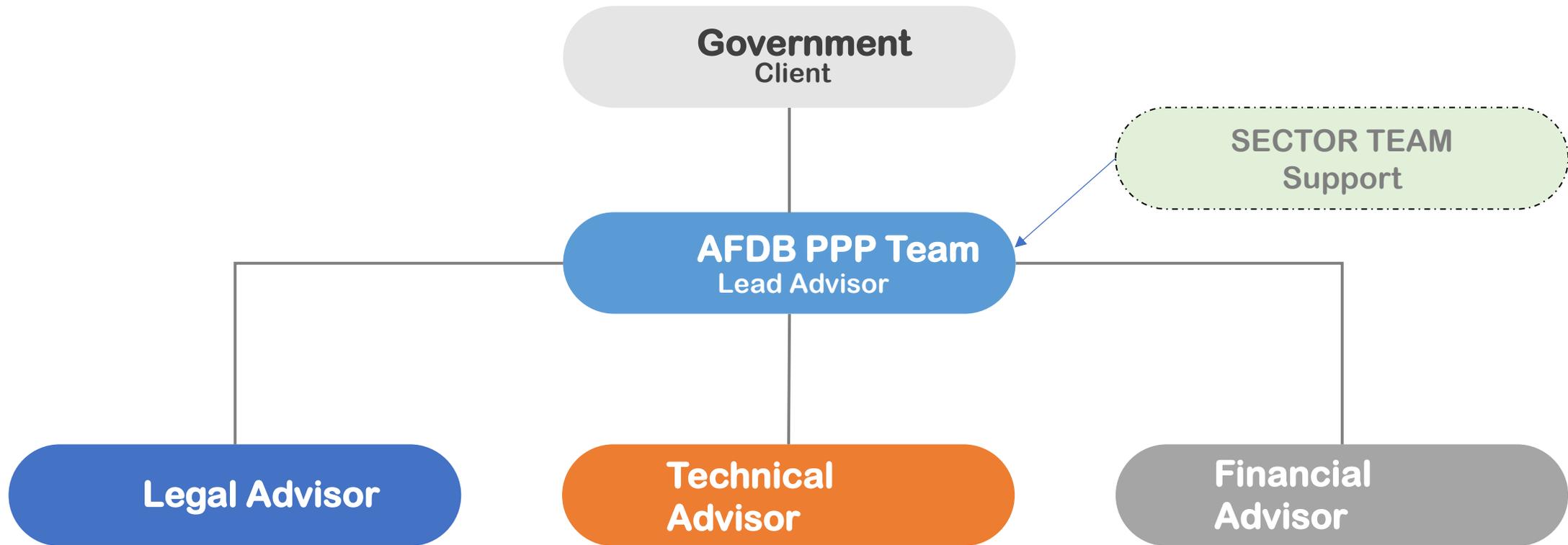
When RMC does not have project preparation capacity, or

In case of exceptional projects

- Pathfinder PPPs in new sectors
- Pilot PPPs in RMCs with no PPP experience
- Complex and regional PPPs
- Strategic & transformative PPPs

AfDB PPP Lead Transaction Advisory Services

Preparation & PPP Transaction Advisory Services : Scheme Structure



PILLAR 3: Financing PPPs

▶ Bank financing for PPPs

- ▶ **Sovereign side:** grants, loans and guarantees,
- ▶ **Private side (PPP SPV):** debt, equity, quasi equity, risk products, guarantees, combination of concessional & non concessional products, , multi-project financing platforms

▶ Designed to crowd in domestic/regional financial institutions

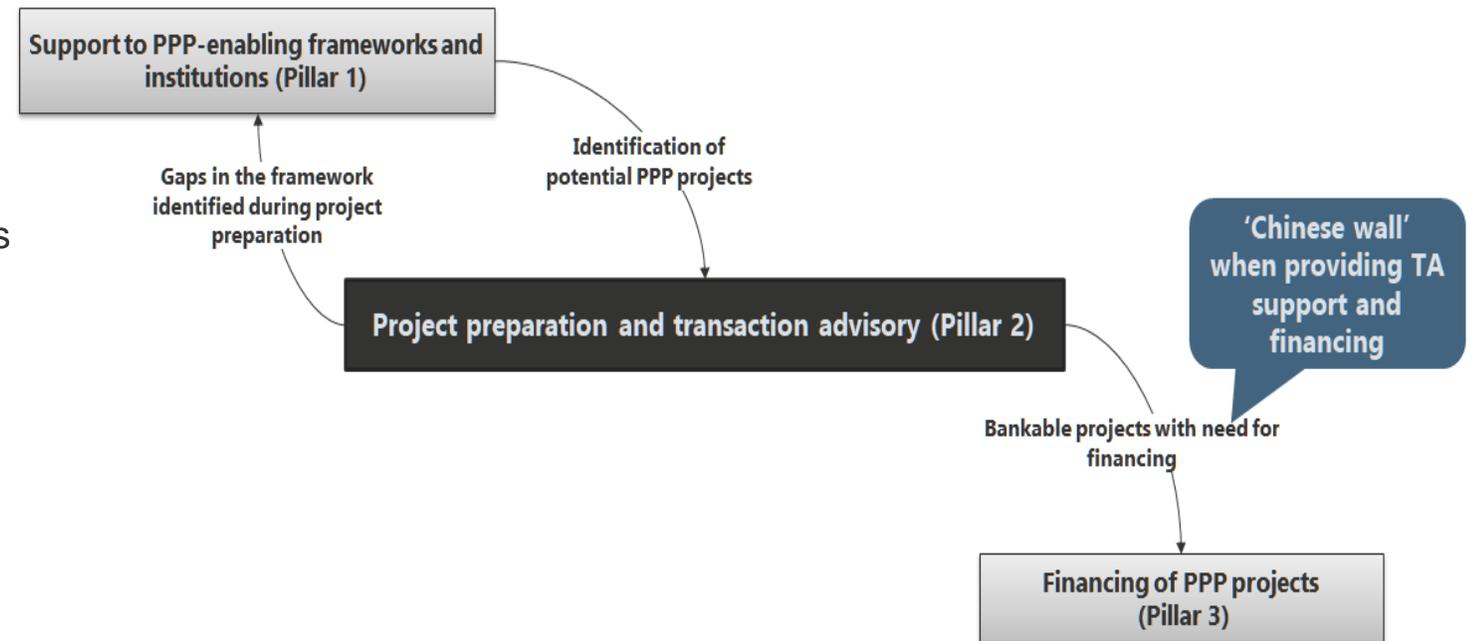
▶ New approaches to be developed

- ▶ Lines of credit / multi-project financing platforms PPPs
- ▶ Combination of concessional and commercially priced products
- ▶ Sub-sovereign financing facilities

▶ Integrated with Pillar 1 and 2

- ▶ Project identification in Pillar 1 operations
- ▶ Project preparation/transaction structuring in Pillar 2 operations

Integration with Pillar 1 and 2



Large Menu of Financial Instruments

The Bank plays as honest broker between public and private sector agents

1



SENIOR DEBT

- Adapted maturities (up to 20 years)
- Up to 5 years grace period
- 5 Hard and 11 local currency loans
- Up to 1/3 of total project cost

2



SUBORDINATED DEBT

- Interest Rate Premium
- Reasonable Collateral

3



A/B LOANS & SYNDICATION

- A/B: 1/3
- Participation Agreement
- Mitigate Country Risk through Commercial Bank Partners

4



GUARANTEES

- Partial risk guarantee
- Partial credit guarantee
- Other Risk Mitigation Products

5



EQUITY

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

6



TECHNICAL ASSISTANCE FUNDS

- Feasibility Studies
- PPP Advisory
- Structuring Support
- Capacity Building
- Climate Change, ESIA

7



AFFILIATED PARTNERS

- Africa 50
- Africa Finance Corporation
- International Finance Corporation, etc



Our Lending Partners

<p>Development Financial Institutions</p>	
<p>Export Credit Agencies</p>	
<p>Commercial Banks</p>	
<p>Regional Development Banks</p>	

Our Equity Partners



Eligibility Criteria



Africa-based project



Commercially **viable**



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



Strong **additionality** by AfDB



Environmentally sound, supports gradual transition to **Green Growth**



Sound procurement

Our Internal Process



Overall 6-18 Months

- Signature of Non-Disclosure Agreement and reception of questionnaire from client
- Departmental and complex clearance of Preliminary Evaluation Note (PEN)
- Letter of Interest (LoI) with pricing range - if sponsor requires for request for Proposals (RfP)
- Identification mission: Country priorities, supporting infrastructure
- Clearance of Project Concept Note (PCN) from Credit Risk Committee (CRC), Country Team (CT) and Operations Committee (Opscom)
- ESIA summary in EN and FR to be published 30 or 60 days before Board
- Mandate letter with fees and margin
- Appraisal /Due Diligence mission (DD) with credit risk officer, lawyer, ADOA officer, modeller, procurement officer and any other relevant parties
- Clearance of Project Appraisal Report (PAR) at Credit Risk Committee (CRC), Operations Committee (Opscom) and Country Team (CT)
- **Board Approval**
- **Negotiations, Signing, Financial Close, and Disbursement**

Key Transactions



Roads & Bridges	Dakar Toll Highway Phase 1/2 (2010/11)	Henri Konan Bédié Toll Bridge (2012)	Railways & Ports	Transnet Phase 1/2 (2010/14)	Nacala Rail and Port (2015)	Mobility	SA Taxi (2018)
							
	AfDB commt. EUR (1)13.5m/(2)4.1m	AfDB commt. EUR 58m		AfDB commt. ZAR (1) 2.7bn / (2) 3.5bn	AfDB commt. USD 300m		AfDB commt. USD 107m
Airports	Aéroport International Blaise - Diagne (2011)	Ghana Airport Invest. Programme (2015)	Ports & Logistics	Dakar Container Terminal (2009)	Lomé Container Terminal (2011)	Gabon Special Economic Zone Port (2018)	
							
	AfDB commt. EUR 70m	AfDB commt. USD 120m		AfDB commt. EUR 46m	AfDB commt. EUR 60m	AfDB commt. EUR 40m	
Airlines	Ethiopian Airlines Phase 1 (2011) Ph2 (2016)	Air Côte d'Ivoire	Financing Vehicles	FEC (2019)		AIIF3 (2018)	
							
	AfDB commt. (1) USD 40m (2) USD 159m	AfDB commt. EUR 50m		AfDB commt. EUR 100m		AfDB commt. USD 40m	

THANK YOU



African Development Bank Group

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