Infrastructure Financing Opportunities in Africa

A Short Presentation at the 1st Africa Finance Conference
Bonn, Germany

By:

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## Africa’s infrastructure deficit: an opportunities for financiers

<table>
<thead>
<tr>
<th>Africa’s Infrastructure Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa’s largest deficit is in the power sector, including generation capacity, electricity consumption and security of supply. E.g. SSA with 48 countries and 800 million people generates about the same amount of power as Spain with 45 million people.(^1)</td>
</tr>
<tr>
<td>Other key areas include transport infrastructure and water resources.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>The IMF projects SSA’s real GDP growth rate at 5.0% in 2013 and 6.0% in 2014, (compared to 2.9% and 3.6% respectively for the world); backed by continuing investment in infrastructure and productive capacity.(^2)</td>
</tr>
<tr>
<td>This creates a wealth of opportunity for developers and investors, especially with improvements in macroeconomic policy, structural reforms and reliable long term financing.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Investment Opportunities</th>
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<tbody>
<tr>
<td>The estimated financing requirement to close Africa’s infrastructure deficit amounts to USD$93 billion annually until 2020. This represents about 10% of GDP pa for medium income countries, and 15% pa for low income countries.(^3)</td>
</tr>
<tr>
<td>Home governments cannot finance the investment requirements and are looking to external sources and private sector investors through PPPs.</td>
</tr>
<tr>
<td>China, India, and a few Middle Eastern Gulf nations are already financing a record number of infrastructure projects across Sub-Saharan Africa.</td>
</tr>
</tbody>
</table>

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\(^1\)“Fact Sheet: Infrastructure in Sub-Saharan Africa” web.worldbank.org;  \(^2\)“Regional Economic Outlook, Sub-Saharan Africa”, IMF, Oct 2013 \(^3\)“Infrastructure Deficit & Opportunities in Africa” AfDB Economic Brief, Sep 2010
Dimensioning the opportunities ... Sample initiative

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Programme for Infrastructure Development in Africa (PIDA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Parties</td>
<td>NEPAD Planning &amp; Coordinating Agency; African Union Commission; African Development Bank; Regional Economic Communities; Member States</td>
</tr>
<tr>
<td>Key Objectives</td>
<td><strong>Total of US$360 billion</strong> required to implement identified projects to address Africa’s projected infrastructure needs by <strong>2040</strong>.</td>
</tr>
<tr>
<td></td>
<td>51 projects in PIDA Priority Action Plan (PAP), with total investment of <strong>US$68 billion by 2020</strong>: 60% in energy, 37% in transport, 2.5% in water and 0.5% in ICT.</td>
</tr>
</tbody>
</table>

### Projects & Estimates by Sectors and Regions

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of projects</th>
<th>Cost US$ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>24</td>
<td>25.400</td>
</tr>
<tr>
<td>Energy</td>
<td>15</td>
<td>40.300</td>
</tr>
<tr>
<td>TWR</td>
<td>9</td>
<td>1.700</td>
</tr>
<tr>
<td>ICT</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>67.9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Projects</th>
<th>Cost US$ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>North Africa</td>
<td>2</td>
<td>1.3</td>
</tr>
<tr>
<td>West Africa</td>
<td>16</td>
<td>6.2</td>
</tr>
<tr>
<td>Central Africa</td>
<td>9</td>
<td>21.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>6</td>
<td>12.6</td>
</tr>
<tr>
<td>East Africa</td>
<td>11</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>67.9</strong></td>
</tr>
</tbody>
</table>

## Roles and opportunities for German Business

<table>
<thead>
<tr>
<th>Role</th>
<th>Opportunities</th>
</tr>
</thead>
</table>
| **Project Sponsors/ Infrastructure Developers** | - Green-field or brown-field project development across sectors  
- Privately sponsored or Public-Private Partnerships  
- Development cost and risk sharing |
| **Consultants and Specialised Service Providers** | - Feasibility Studies, Engineering Designs, Works Supervision, Project Management, Pre-investment due diligence  
- Specialist surveys, audits and related services  
- Research, benchmarking and advocacy |
| **Original Equipment Manufacturers (OEMs)** | - Supply & installation of equipment  
- Operations & Maintenance service contracts  
- Own Government/Export Credit Agency Support |
| **Contractors** | - Engineering, Procurement Construction Contracts  
- Local firms: Sub-Contracting/Joint Ventures |
| **Logistics and Last-Mile Service Providers** | - Development and maintenance of infrastructure to support last mile service delivery, e.g. gas pipelines, tank farms, etc  
- New market creation/exports |
## Sample infrastructure transactions across Africa

### Total Investment in Infrastructure projects by primary sector - Sub-Saharan Africa (US$ million)

<table>
<thead>
<tr>
<th>Investment Year</th>
<th>Energy</th>
<th>Telecom</th>
<th>Transport</th>
<th>Water and Sewerage</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,970</td>
<td>7,726</td>
<td>-</td>
<td>-</td>
<td>126 12,822</td>
</tr>
<tr>
<td>2011</td>
<td>1,205</td>
<td>9,040</td>
<td>851</td>
<td>-</td>
<td>- 11,097</td>
</tr>
<tr>
<td>2010</td>
<td>472</td>
<td>12,042</td>
<td>250</td>
<td>-</td>
<td>- 12,763</td>
</tr>
<tr>
<td>2009</td>
<td>945</td>
<td>11,507</td>
<td>912</td>
<td>-</td>
<td>- 13,364</td>
</tr>
<tr>
<td>2008</td>
<td>668</td>
<td>11,870</td>
<td>1,255</td>
<td>-</td>
<td>- 13,793</td>
</tr>
<tr>
<td>2007</td>
<td>1,471</td>
<td>10,406</td>
<td>260</td>
<td>121</td>
<td>- 12,257</td>
</tr>
<tr>
<td>2006</td>
<td>675</td>
<td>7,147</td>
<td>4,239</td>
<td>-</td>
<td>- 12,061</td>
</tr>
<tr>
<td>2005</td>
<td>1,160</td>
<td>4,918</td>
<td>2,549</td>
<td>-</td>
<td>- 8,627</td>
</tr>
</tbody>
</table>

### Sample projects (2012)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Name</th>
<th>Primary Sector</th>
<th>Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>MTN Nigeria</td>
<td>Telecom</td>
<td>1,453.8</td>
</tr>
<tr>
<td>South Africa</td>
<td>Abengoa KaXu Solar I CSP Solar Plant</td>
<td>Energy</td>
<td>844</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>Henri Konan Bedie Toll Bridge</td>
<td>Transport</td>
<td>365</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>Cabeolica Wind Power Project</td>
<td>Power</td>
<td>90</td>
</tr>
<tr>
<td>Ghana</td>
<td>Takoradi 2 and 3</td>
<td>Energy</td>
<td>440</td>
</tr>
<tr>
<td>South Africa</td>
<td>Abengoa Khi Solar I CSP Solar Plant</td>
<td>Energy</td>
<td>430</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Emerging Markets Telecommunications Services (EMTS)</td>
<td>Telecom</td>
<td>417.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>Kathu Solar Plant</td>
<td>Energy</td>
<td>394</td>
</tr>
<tr>
<td>South Africa</td>
<td>ACED Cookhouse Wind Farm</td>
<td>Energy</td>
<td>300</td>
</tr>
</tbody>
</table>

Discussions?

Thank you!
ABOUT THE
AFRICA FINANCE CORPORATION (AFC)
AFC is an international institution established by agreement between independent sovereign states. Membership includes:

- **Current Members**
  - Nigeria (Host Country)
  - Ghana
  - Guinea Bissau
  - Sierra Leone
  - The Gambia
  - Liberia
  - Guinea Conakry
  - Chad

- **Prospective Members**
  - Cameroun
  - East African Community States*
  - Zambia
  - Mozambique
  - Cape Verde
  - BCEAO (Central Bank of West African States**)

* Includes Kenya, Uganda, Tanzania, Burundi, and Rwanda
** Includes Togo, Senegal, Mali, Cote d'Ivoire, Burkina Faso, Benin, Niger. BCEAO also includes Guinea Bissau which is already a member of AFC.
A multilateral finance institution established to help address Africa’s infrastructure development needs, while seeking a competitive return on capital for its shareholders

Overview

- Founded 2007 as JV between public-private investors
- International organization established by treaty
- Private majority shareholders include leading banks
- US$1.4bn in approved financing transactions
- US$266m in borrowings
- Growing debt, equity and mezzanine franchise
- Leading regional public sector adviser on infrastructure
- Strong expertise as project developer in Africa
- Key focus sectors – Oil, Gas, Power, Transport, Telecoms, Mining, Heavy Industry.
- Over 70 staff operating on pan-African basis

*Project reviewed or investment closed
**No detailed project reviewed
***Not actively seeking deals
AFC prioritises sectors with simultaneously high profit potential and developmental impact.

Current focus is on originating and executing transactions in the following sectors:

1. **Power**
   - IPPs, Emergency Power, Gas-to-Power, Coal

2. **Transport Infrastructure**
   - Roads, Rail, Aviation, Ports, Marine, Logistics

3. **Heavy Industry**
   - Fertilizer, Cement, Manufacturing, Refining

4. **Natural Resources: Oil, Gas and Mining**
   - Near Production, Associated Services

5. **Telecoms**
   - Operators, Infrastructure, Shared Services
Business Model: Leading Financier and Adviser

Advisory

- Products:
  - Project Development
  - Financial Arranging
  - Policy and Technical
  - Restructuring
  - Capital Raising

- Key Clients:
  - Government & Agencies
  - State-owned Enterprises
  - Local corporates
  - International entrants
  - Project Developers
  - Concessionaires

Debt

- Products:
  - Project Finance
  - Trade Finance
  - Mezzanine/Structured Debt
  - Senior Loans/Refinancing
  - Project Bond Issuance

- Key Clients:
  - International developers
  - Major local corporates
  - Concessionaires
  - International entrants
  - Development consortia
  - Local entrepreneurs

Equity

- Products:
  - Greenfield Equity
  - Corporate Finance
  - Buy-Out Capital
  - Expansion Finance
  - Project Development

- Key Partners:
  - Private Equity funds
  - International developers
  - Infrastructure funds
  - Pension funds
  - Major local corporates
  - Government & Agencies

Treasury

- Products:
  - Fixed Income
  - Money Markets
  - Specialized sector funds

- Key Partners:
  - Pension funds
  - Central Banks
  - International investors
  - Investment banks
  - Development Finance Institutions

Diversified Investment Portfolio

- Toll Roads/Bridges
- Power Plants
- Wind Farms
- Subsea Cables
- Telecoms Towers
- Onshore Cables
- Oil/Gas Pipelines
- Sea and Airports

Advisory Services

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