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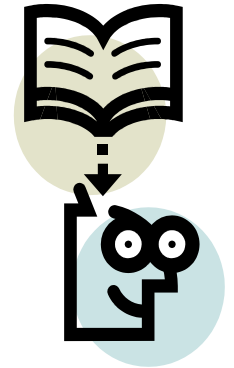


# ***Africa Financing Partnership (AFP)***

***Doha  
28 November 2008***



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## *Background*

In order to leverage AfDB's resources, the Private Sector Operations seeks to build **smart partnerships with like-minded institutions**

**World Economic Forum (WEF):** In formulating the AFP concept, the AfDB has taken significant inspiration from the **Monterey Consensus** and WEF's Finance for Development Initiative and its report: **The Untapped Potential of DFIs to Catalyze Private Investment.**

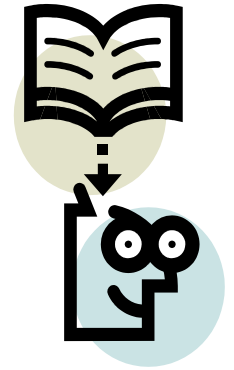
**European Financing Partnership (EFP):** AFP was also inspired by EFP, a concept pioneered by European DFIs that seeks positive productivity and diversification effects to its member DFIs from co-financing.

**Africa Financing Partnership (AFP):** AFP goes beyond DFI collaboration and seeks to harness the potential of DFIs to mobilize private capital for Africa's development.

- AFP** =>
- A concrete response to the Monterey Consensus
  - Targets large and ultra-large projects (up to several billion dollar projects)
  - Builds on consolidated market knowledge and skills of its promoting partners
  - Provides for efficiency / productivity gains for all partners
  - Mitigates risks and catalyzes private capital flows to Africa



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## *Broad Objectives: AFP will ...*

- Become an organized collaboration and **co-financing platform** among DFIs with strong Africa experience that optimizes the use of their consolidated market knowledge and project financing skills.
- Become **akin to a “fund”**, with a clear identity and business strategy for co-financing large scale private sector projects in Africa in a productive and cost efficient manner without compromising on quality.
- Become a self-managed pool of funds - **“fixed syndication”** - have streamlined operational modalities that provide for strong oversight and control ensuring quality and adherence with strategic objectives.
- Have a modus operandi that instils confidence in private financial institutions thus enabling it to **“crowd in”** and leverage DFI financing with private capital flows alongside.



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## AREAS FOR EFFICIENCY GAINS

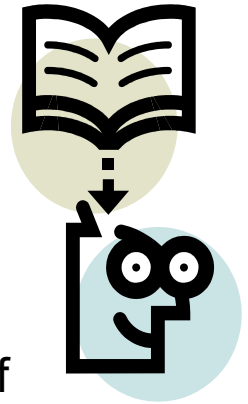
Indicative resource consumption from Project Identification to First Disbursement)

PROJECT IDENTIFICATION .....	2 – 5 %
CONCEPT FORMULATION .....	7 – 10 %
FACT FINDING / DUE DILIGENCE .....	~ 25 %
APPRAISAL .....	~ 35 %
BOARD APPROVAL .....	5 – 7 %
LLEGAL DOCUMENTATION .....	2 – 3 %
NEGOTIATION / SIGNING .....	2 – 6 %
FIRST DISBURSEMENT .....	5 – 9 %

< 75 %



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## Getting there: *AFP's three-step approach*

- **First:** To create a harmonious partnership among a limited number of larger DFIs acting as *Promoting Partners* with strong Africa experience, risk taking resources, project pipeline and the capability to absorb responsibility for due diligence and appraisal on behalf of the others.
- **Second:** To expand, structure and systematize the partnership towards facilitating additional and generally passive co-financing by interested DFIs in a second tier as *Supporting Partners*.
- **Third:** To formalize the AFP structure by creating a Special Purpose Vehicle (SPV) to consolidate and to act as conduit for the commitments by partners. At this stage commercial sources would be invited to participate in a third tier as *Commercial Partners*.



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## *Target beneficiaries*

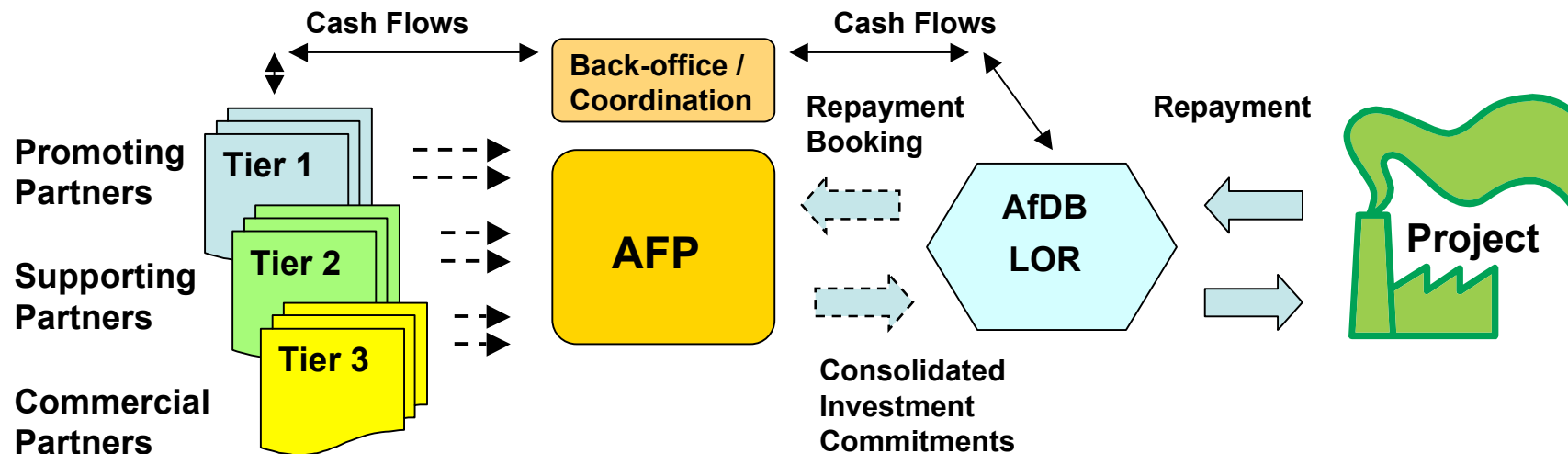
- **Public Private Partnerships (PPP):** African countries are increasingly developing their capabilities to launch concession based and other forms of PPP schemes to reduce the fiscal burden of developing their infrastructure. PPP projects are expected to form a substantial proportion of AFP's portfolio.
- **Large Projects in Core Sectors:** AFP will specifically target large scale infrastructure / industrial projects, e.g. extractive industries, power, ICT, transport, water and sanitation, refining, construction materials, energy efficiency and renewable energy, etc.
- **Types of Projects:** AFP will consider a variety of project types including green field developments, refurbishments, upgrades and expansions and privatizations as well as projects that enhance regional integration.



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## Ultimate Objective: *AFP – the Financing Gateway to Africa*



### *For Each Project*

- One PP leads due diligence / appraisal / legal / project monitoring / reporting etc.
- All cash flows pass through the LOR / IOR managed by AFP's Back-Office
- Approved by AFP Credit Committee
- AFP financing combined maximum 2/3 of total financing
- AFP enjoys ADB's Preferred Creditor Status and indirectly its eligible shareholders