

Financing for infrastructure projects and cooperation with DFIs

JICA TICAD-V Seminar

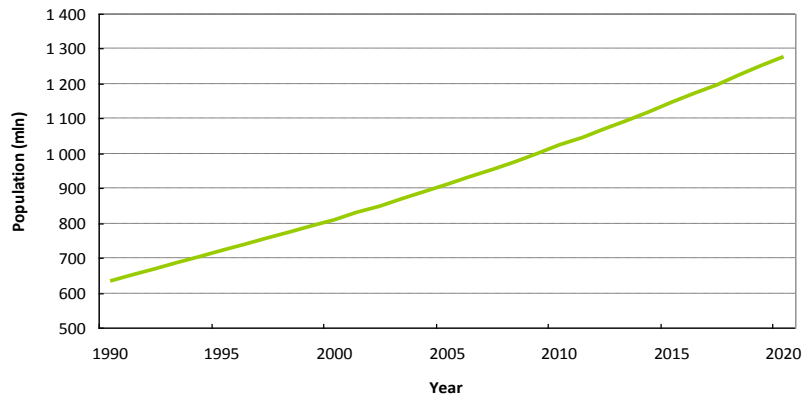
Fumiaki Kurahara

Managing Director
Head of Investment Banking Unit

Increasing Population and Economy

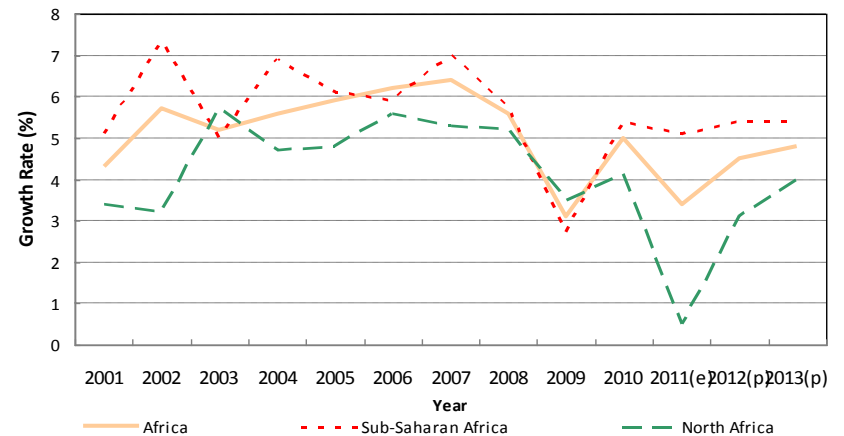
- Population will almost double from 1990 to 2020.
- GDP growth in Africa averaged 3-6% in the past decade.
- This GDP growth is expected to continue.

Population Growth of Africa



Source: World Population Prospects 2010

Africa's Economic Growth



Source: African Economic Outlook 2012

Growing Demand of Infrastructure Development

- US\$93bn was required for infrastructure development in 2009.
- In this pace, it's going to reach US\$200bn as annual investment by 2020.

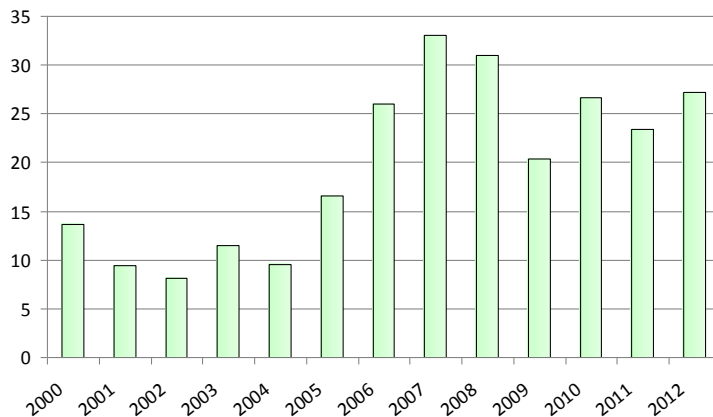


Source: AICD (The World Bank and AU are participation) Commission for Africa.

Financing by International Banks

Syndicated Loans in Africa

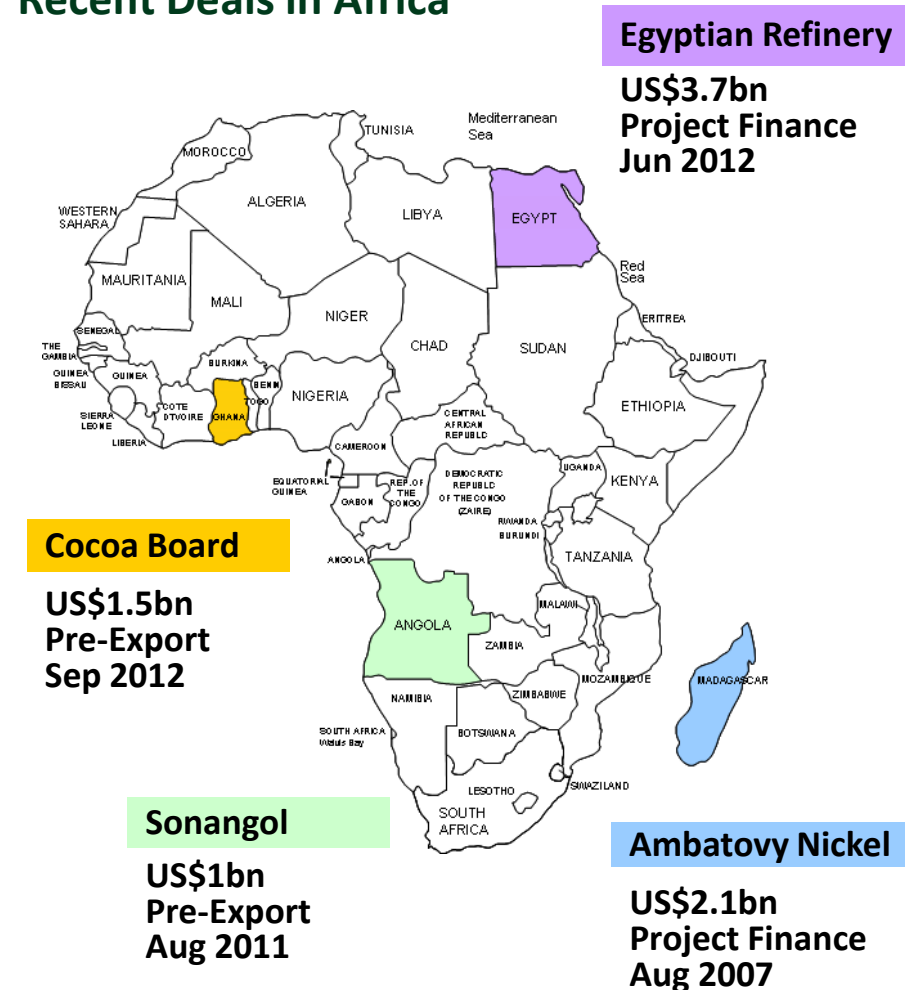
US\$bn



Source: Dealogic

- US\$25-30bln financing every year.
- Mostly, financing for export-revenue type transactions, in hard currency.

Recent Deals in Africa



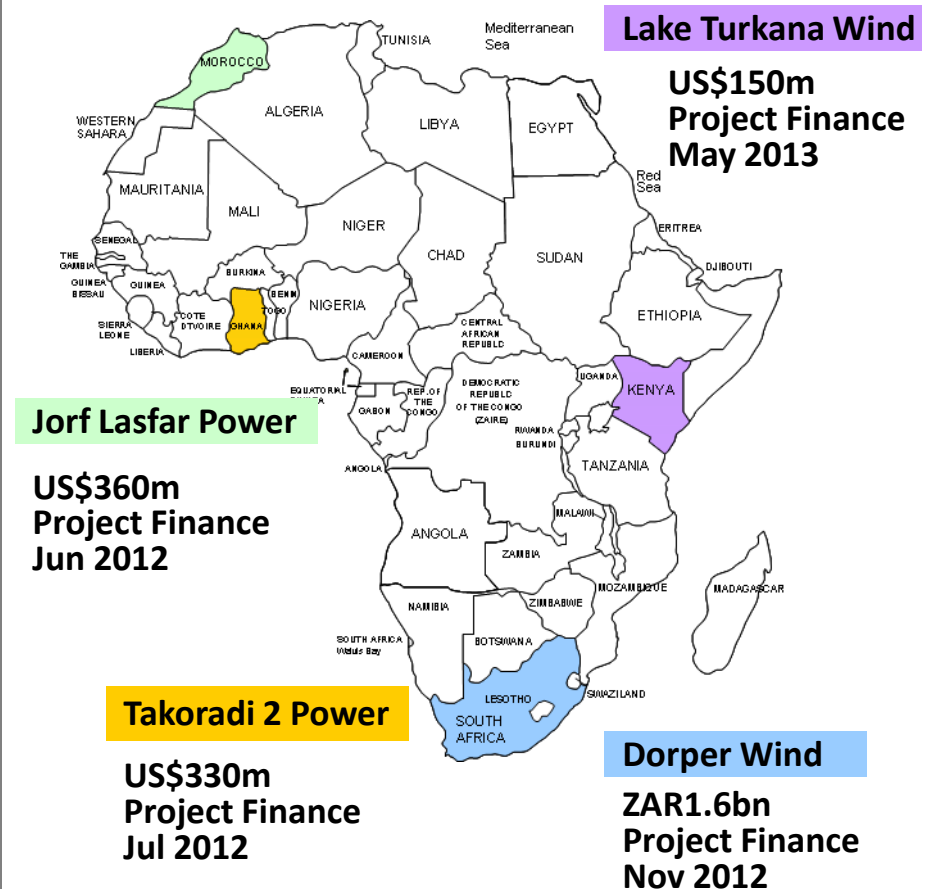
Financing for Infrastructure Projects

Recent Infrastructure Projects

- Some infrastructure projects have attracted financing from international banks.
- But in most cases, with strong involvement of Development Finance Institutions (DFIs) and Export Credit Agencies (ECAs).

*...So,
Why is the involvement of
DFIs required to finance
infrastructure projects?*

Recent Deals in Africa



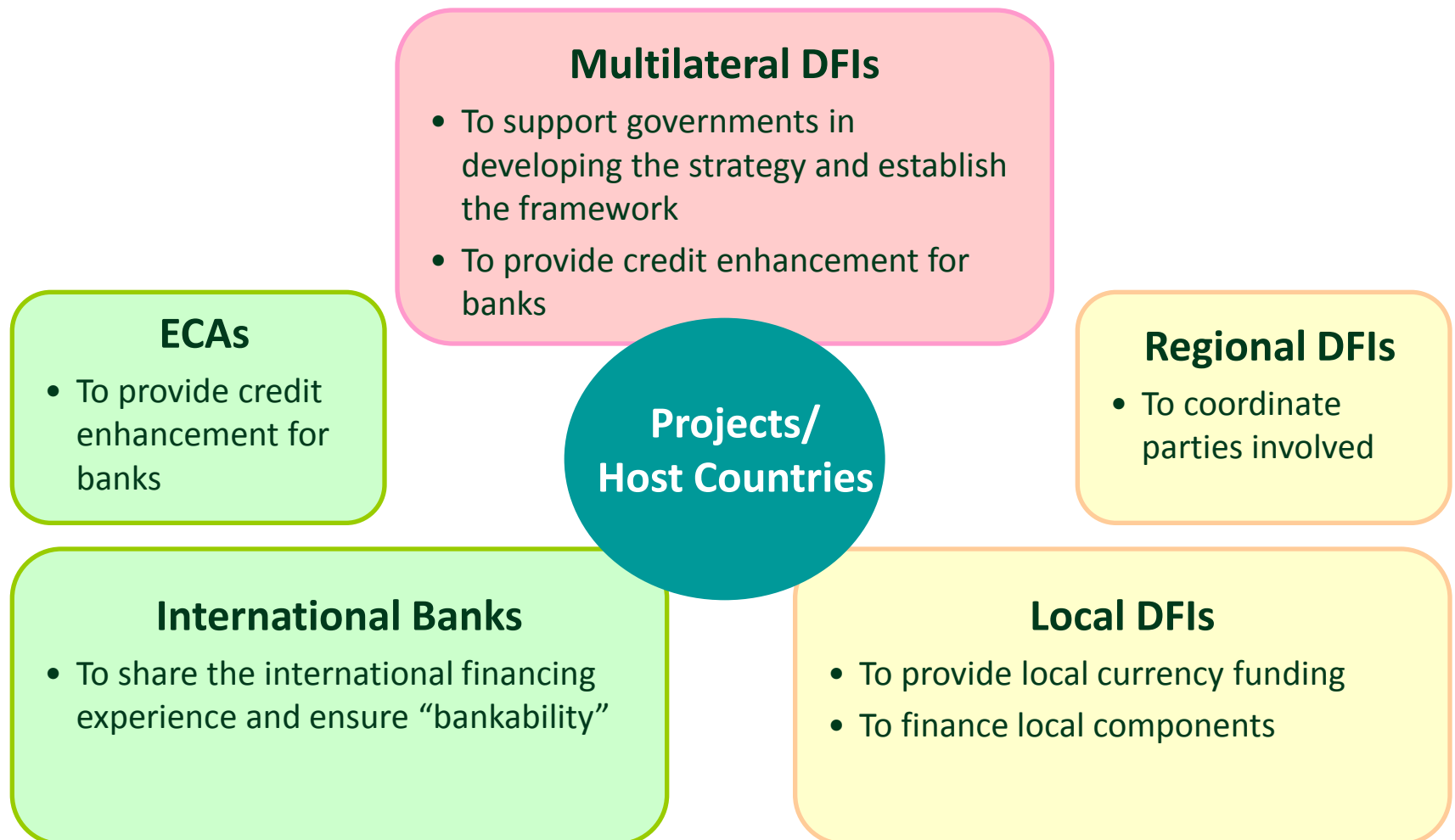
Challenges for Infrastructure Finance

Key challenges are...

- Limited capacity and experience of the host country
- Lack of the grand design and framework
- Difficulties to secure long term funding and local currency funding
- Necessity to coordinate relevant parties in cross-country transactions
- Difficulties to raise funding for local components by export finance

Challenges for Infrastructure Finance (Continued)

... and potential solutions



Examples of Working with DFIs

How have commercial banks been working with DFIs in other regions?

For example, in South East Asia, IPP scheme has been developed to match growing power demand

Projects	Contents
New IPP in Vietnam	<ul style="list-style-type: none">• Government has attempted to limit the undertaking of the government, resulting in delay in IPP projects.• New IPP structure has been developed with support from IFC, and the Nghi Son 2 Power, 1,200MW coal-fired power plant project is under negotiation.
New IPP (PPP) in Indonesia	<ul style="list-style-type: none">• PPA will be guaranteed by “Indonesia Infrastructure Guarantee Fund”, established with support from IFC.• Central Java Power, 2,000MW coal-fired power plant project is expected to be developed under this structure as PPP.
PT Indonesia Infrastructure Finance	<ul style="list-style-type: none">• Special purpose finance company has been established, focusing on domestic infrastructure projects.• PT IIF is sponsored by Indonesia MoF, IFC, ADB, DEG and SMBC.

What we've done in Asia can be done in Africa as well

Japanese Bankers Association

Japanese Bankers Association is general incorporated and represents private banks in Japan.
It is not a self-regulatory organisation.



Chairman: **Takeshi Kunibe**

(President and CEO of Sumitomo Mitsui Banking Corporation)

The number of the staff is **266**.

Two roles of JBA

- ☐ Trade Group
- ☐ System Operator

Aims

Main Functions

1. Planning concerning the operation of payment systems
2. Promoting proper consumer transactions
3. Promoting CSR and reinforcing compliance
4. Supporting banking business of members

There are **194** bank members

6	64	41	15	51	3	14	and 59
City banks	Regional banks	Members of the Second Association of Regional Banks	Trust banks	Foreign banks	Bank holding companies	Other banks	<i>Regionally-based bankers associations</i>

As of 1 May 2013.

SMBC Group in Africa

Ghana

GLOBAL TRADE REVIEW BEST DEAL AWARD 2012

Ghana Cocoa Board USD 1.5bn

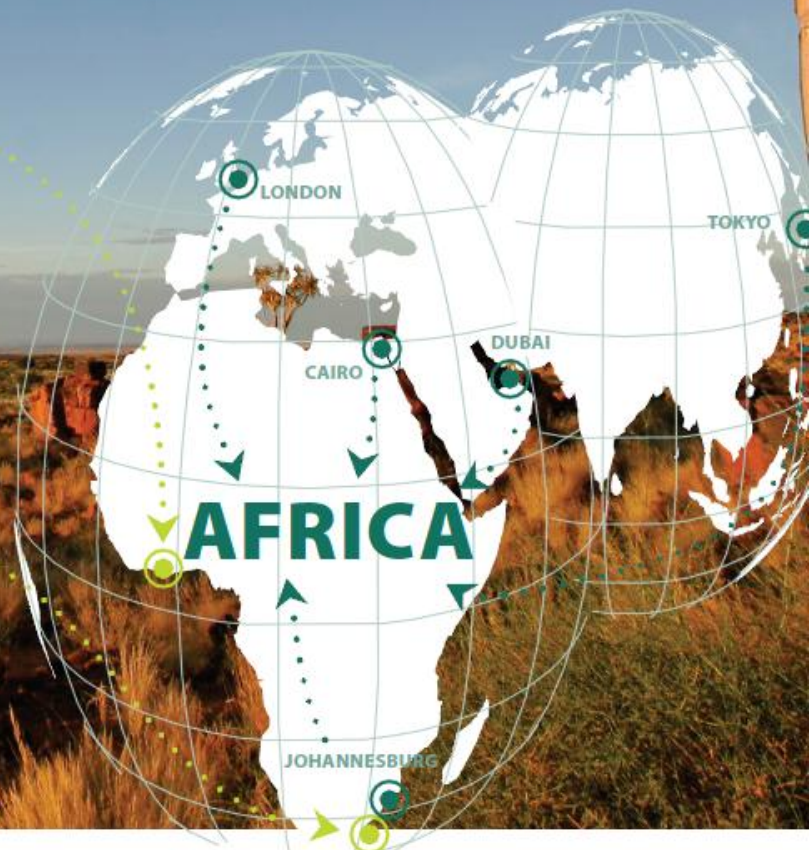
A pre-export finance facility for commodity production and business development. In addition to the deal, SMBC and other syndicated banks donated funds to improve a school for local children as part of a social development programme.

South Africa

EUROMONEY AFRICAN WIND DEAL OF THE YEAR AWARD 2012

Dorper Wind Farm Project ZAR 1.6bn

Financing for a 100MW renewable energy project in South Africa's Eastern Cape, which included facilitating a credit insurance programme to support a consortium of Japanese and South African clients.



Project Finance International
**GLOBAL BANK OF THE YEAR
WINNER 2012**



Infrastructure Investor
**GLOBAL INFRASTRUCTURE
BANK OF THE YEAR WINNER 2012**



Trade Finance Magazine
**BEST TRADE BANK IN JAPAN
WINNER 2012**