CCAC Soot-Free Urban Bus Fleets

Financing Instruments and Opportunities

African Development Bank
Infrastructure and Urban Development
Non-Sovereign (Private Sector) Infrastructure Division

November, 29 2021
The AfDB: General Facts

• 1st multilateral development institution (MDB) in Africa, founded in 1964.

• 81 member countries.

• Headquartered in Abidjan, regional hubs in Tunis, Nairobi Pretoria and 42 country offices.

• “The overarching objective of the African Development Bank (AfDB) Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction.”
The AfDB: The High 5s

**Light up & power Africa**
Unlock the continent’s energy potential in order to drive much needed industrialization

**Feed Africa**
Transform agriculture to increase productivity, lower food prices, enhance food security, revive rural areas and create jobs for Africans

**Industrialise Africa**
Lead other partners in the process of industrializing Africa and developing the private sector to create wealth from natural assets

**Integrate Africa**
Address barriers, create regional value chains and leverage complementarities in order to tap the continent’s huge market potential

**Improve the quality of life for the people of Africa**
Continue to promote an enabling human development policy environment as well as investing in infrastructure and in improving access to basic services such as water and sanitation.

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

- USD 33.5bn
- USD 24.7bn
- USD 17.4bn
- USD 13.4bn
- USD 2.4bn
The AfDB: Supporting Transport for 50 years

- Over 450 transport projects financed
- Over 30 billion USD of loans and grants
- Over 450 million Africans benefiting from improved transport systems

- 40,000 km of main roads have been paved
- 14 countries received support to improve their railways systems
- 30 airport terminals have been built or expanded
- 16 ports terminals have been built or expanded
Africa is rapidly transforming into a predominantly urban continent

- African cities will receive 24 million more people each year and could reach 1.2 billion urban inhabitants by 2045.
- Several cities will increase in size by close to double over the space of three decades.
- Properly harnessed, such urban proliferation can drive significant and inclusive economic growth in cities, countries, and regions.

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1 Population living in urban areas. UN forecasts last adjusted in 2014.
Transport and Climate Change

• Transport sector accounts for **22% of global CO2** related emissions

• The African continent is to see **a tripling of passenger cars and a doubling of oil demand for transport** between 2012 and 2040

• UN Environment estimates that **90% of urban air pollution** in developing countries is attributable to vehicle emissions

• WHO estimates **that 176,000 deaths per year in Africa are due to outdoor air pollution**
AfDB and Climate Finance

In 2015 a USD 500 million Green Bond was issued by AfDB.

In 2019 AfDB lent USD 3.6 billion in climate finance.

**Investing USD 25 billion in climate finance** from 2020 to 2025 with equal proportions for adaptation and mitigation.

Aligning Bank-financed investments with the objectives of the Paris Climate Agreement and the national climate action plans and NDCs of regional member countries.
AfDB has observed an ever-increasing interest and focus on the green mobility sector and recognizing the opportunity and subsequent demand for environmentally friendly urban transport infrastructure, AfDB is developing and spearheading the initiative termed the Green Mobility Program for Africa.

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<td>Ariel cable car transit systems</td>
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<td>Compressed Natural Gas (CNG) fueled vehicles</td>
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<td>Electric vehicles (EVs)</td>
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<td>Light rail transport systems</td>
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Challenges and Barriers in Financing Clean Bus Fleets

- High Up Front Cost relative to current alternative (petrol, diesel)
- Low capacity of procuring authorities to design, structure, procure and manage sustainable transport project
- Lack of access to long term (local currency) finance
- Lack of scalable and bankable business models as most bus operators are not very profitable or loss making with little investment capital
- Heavy reliance on not well-designed subsidies and grant schemes to de-risk sustainable transport and mobility projects
Financial Products

The Bank plays as **honest broker** between public and private sector agents, while focusing on beneficiaries

### Senior debt
- Adapted maturities (up to 15 years)
- Up to 5 years grace period
- 5 Hard and 11 local currency loans
- Up to 1/3 of total project cost

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

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

### Technical Assistance
- Grants for feasibility studies
- Capacity building support
- Advisory Services
- Climate change Funds

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**A/B loans & syndication**

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Financing Opportunities

- AfDB is an accredited entity / implementing entity to various Climate Finance Funds and Facilities
- AfDB can support Public and Private sector entities mobilize Grants for:
  - Improvement of Enabling Environment
  - TA for Project Preparation and Feasibility Studies
  - TA for Transaction Advisory Services
  - Capacity Building and Knowledge Exchange
- AfDB can support raising concessional debt and viability gap funding to support project viability and blend with AfDB and other lenders
- Structure Minimum revenues guarantees to de-risk project and improve bankability
A support tool for municipalities - UMDF

Improving the Quality of Life in African Cities

- What is the UMDF?
  - TA fund to support – value addition to municipalities / cities in their development objectives.

- Why the UMDF?
  - Cities have approached us for such a dedicated grant facility.

- How will the UMDF help?
  - City plans, city governance, project preparation and staff training.
  - Partnership secured with NDF / Belgium / SECO, more partners welcome.

UMDF partners:

1. Swiss Confederation
2. NDF
3. Wallonia.be

Technical assistance dedicated to urban development in African cities.
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