

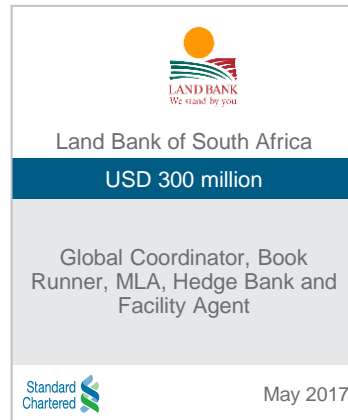


# Financing Schemes

## Indonesia Africa Infrastructure Dialogue

Bali, August 2019

### Transaction Background



Landbank is one of South Africa's strategic development finance institutions and is entrusted with the critical task of promoting food security in the region and transforming the agricultural sector by providing sustainable financing to emerging farmers and entrants from historically disadvantaged backgrounds

Landbank has achieved some significant milestones with a development impact:

- Including supporting creation of 15,000 new jobs
- 13,000 hectares of additional land brought under irrigation in South Africa
- It provides more than 30% of the finance that flows into the agriculture sector in South Africa
- USD 300 million, 95% MIGA Guaranteed Term Loan Facility

### Transaction Highlights

- i. New product launched by MIGA to raise critical financing for SOEs without recourse to MOF guarantee. This deal places us favourably to repeat this structure with other SOEs in our footprint markets.
- ii. By obtaining a 95% comprehensive cover, under the MIGA NHSO structure, DBSA managed to secure very attractive pricing for a 10 year term loan facility with a 3 year grace period.
- iii. Through leading this transaction, we have significantly up-tiered the relationship with DBSA and its sole shareholder, the National Treasury - which positions us well for expanding and capturing growth opportunities with this client across the full spectrum of SCB products.
- iv. Despite a very challenging political climate in SA, the successful closure of this transaction has reinforced our relationship with MIGA and demonstrated our ability to lead high profile financings of this nature in our footprint markets.
- v. Seamless collaborative effort and coordination across various geographies – Johannesburg, London, Hong Kong, New York and Washington DC - by all external stakeholders (MIGA and DZ Bank, NY branch)

Ministry of Finance  
(Angola)

**EUR 246 mn**

MLA, ECA Coordinator & Structuring Bank and Facility Agent

2018

### Transaction Background

- SCB arranged a EUR 246 million loan facility for the Ministry of Finance, Angola (“MOF”) in 2018.
- EKF (Denmark) provides a 100% comprehensive cover (for both commercial & political).
- SCB acted as the MLA, ECA Coordinator & Structuring Bank and Facility Agent.
- The proceeds used for the construction of Lauca transmission line to be constructed by New Horizons in Infrastructure Denmark
- Sub contracting structure rearranged to enable reinsurance from UKEF and EH, allowing EKF to partially offload exposure

### Deal Key Elements

<b>Borrower</b>	Ministry of Finance, the Republic of Angola
<b>Contractor</b>	New Horizons in Infrastructure of Denmark
<b>Project</b>	Construction of the transmission line from the Lauca hydroelectric dam to the capital city Luanda
<b>Facility Amount</b>	c. EUR 246 million
<b>SCB Role</b>	<ul style="list-style-type: none"> <li>▪ Mandated Lead Arranger</li> <li>▪ ECA Coordinator &amp; Structuring Bank</li> <li>▪ Facility Agent</li> </ul>
<b>ECA Participation</b>	<ul style="list-style-type: none"> <li>▪ 100% comprehensive risk cover from EKF (Danish ECA)</li> <li>▪ Reinsurance from UKEF (UK ECA) and Euler Hermes (German ECA)</li> </ul>
<b>Lenders</b>	<ul style="list-style-type: none"> <li>▪ Standard Chartered Bank</li> <li>▪ Deka Bank</li> </ul>
<b>Signing Date</b>	April 2018

### Deal Key Takeaways

Challenges	Solution
<p><b>1</b> <u>Limited commercial facility availability</u></p> <p>Commercial facility to fund a down payment (15% of the commercial contract) is typically required in sovereign transactions. However, due to limited of private insurance appetite / market liquidity at the time, arranging a commercial facility was a challenging task.</p>	<p><u>EKF facility funds the entire commercial contract</u></p> <p>EKF considered providing their support on 'local costs' insofar as related to the 'project' as a whole (not limited to those within the commercial contract). This allowed the EKF facility to be sized as the same amount of the commercial contract. As a result, the down payment was funded through the EKF facility.</p>
<p><b>2</b> <u>E&amp;S coordination between all parties</u></p>	<p>SCB was able to coordinate between the Lenders, Contractor and ECAs in order to ensure the appointment of international E&amp;S consultant to perform E&amp;S requirements (Environmental &amp; Social Impact Assessment / Action Plan / Management System) up to international standards</p>
<p><b>3</b> <u>Finite EKF's country limit on Angola</u></p> <p>EUR 246 million facility size was one of the largest facilities for EKF outside wind power PF deals. EKF faced a stretched commitment requirement. EKF wanted to offload part of exposure through reinsurance. However, there was limited appetite in private insurance market for Angola at the time.</p>	<p><u>Contractual structure &amp; ECA reinsurance</u></p> <p>The Contractor reorganised their sub-contracting structure in order to enable reinsurance from UKEF and Euler Hermes. This structure allowed EKF to offload significant amount of exposure to the two ECAs. We kept EKF as the fronting / anchor ECA to maintain a simple one ECA structure from borrower's perspective.</p>
<p><b>4</b> <u>Currency mismatch</u></p> <p>The commercial contract was denominated in euro. The Presidential Decree indicated the EKF facility was denominated in US\$. If euro strengthens over US\$ during the 3-year construction period, the EKF facility could fall short of the commercial contract amount. This would potentially risk the completion of the Project.</p>	<p><u>SCB's relationship with the Government of Angola</u></p> <p>SCB fully engaged with MOF Angolan to re-issue the Presidential Decree to allow the EKF facility currency to be denominated in euro. This was a highly uncommon solution. This was achieved based on close communication and relationship with MOF Angola and SCB.</p>

# Our Sustainable Finance Journey

