

# Standard Bank Group

Inspired. Motivated. Involved.

## Financing Infrastructure Development in Africa

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We face neither East nor West:  
We face forward.

- Kwame Nkrumah

There's no place like Africa.



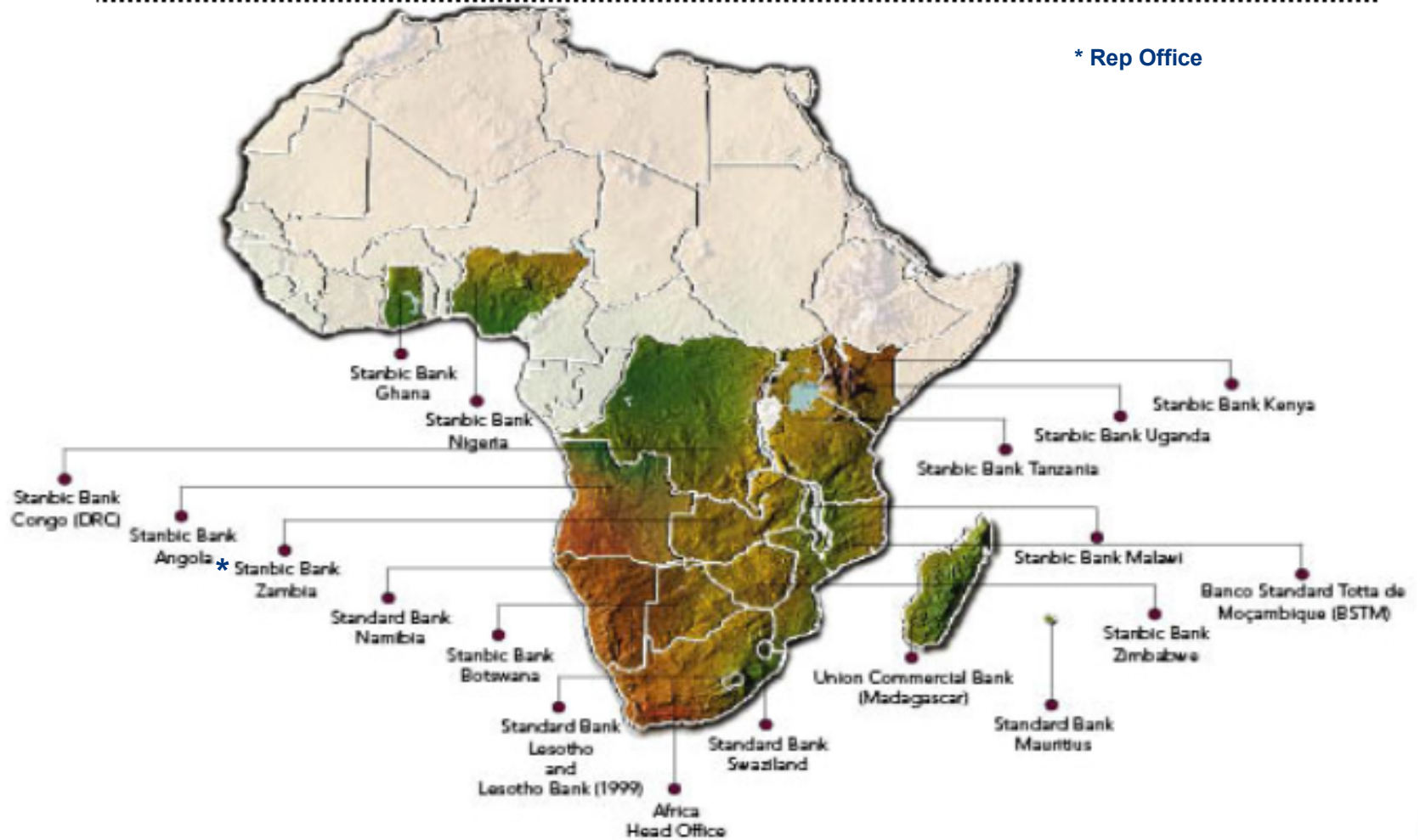
# Presentation Overview

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2

- Standard Bank Group
- “The Bottom Line”
- Factors Influencing the Risk Reward equation
- Case study – South Africa/Mozambique Natural Gas pipeline project as an example of a successful partnership
- Conclusion

# Geographic Spread: African Footprint



Standard Bank Group is the largest African bank by geographic spread, assets, earnings and market capitalisation

# “Bottom Line”

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- The most critical factor in getting the private sector to the discussion table is the **RISK : REWARD** equation. In particular, the projected *reward/return* over the life of the investment needs to adequately compensate for the *risks* to be assumed, similarly, over the life of the investment.
- Perhaps the more fundamental question however is to consider what factors influence the **RISK : REWARD** dynamic. Also and perhaps more critically, to consider the factors driving the **RISK : REWARD** equation over which the investor has little or no control.

# Factors influencing the Risk Reward equation

## Local Capital Markets

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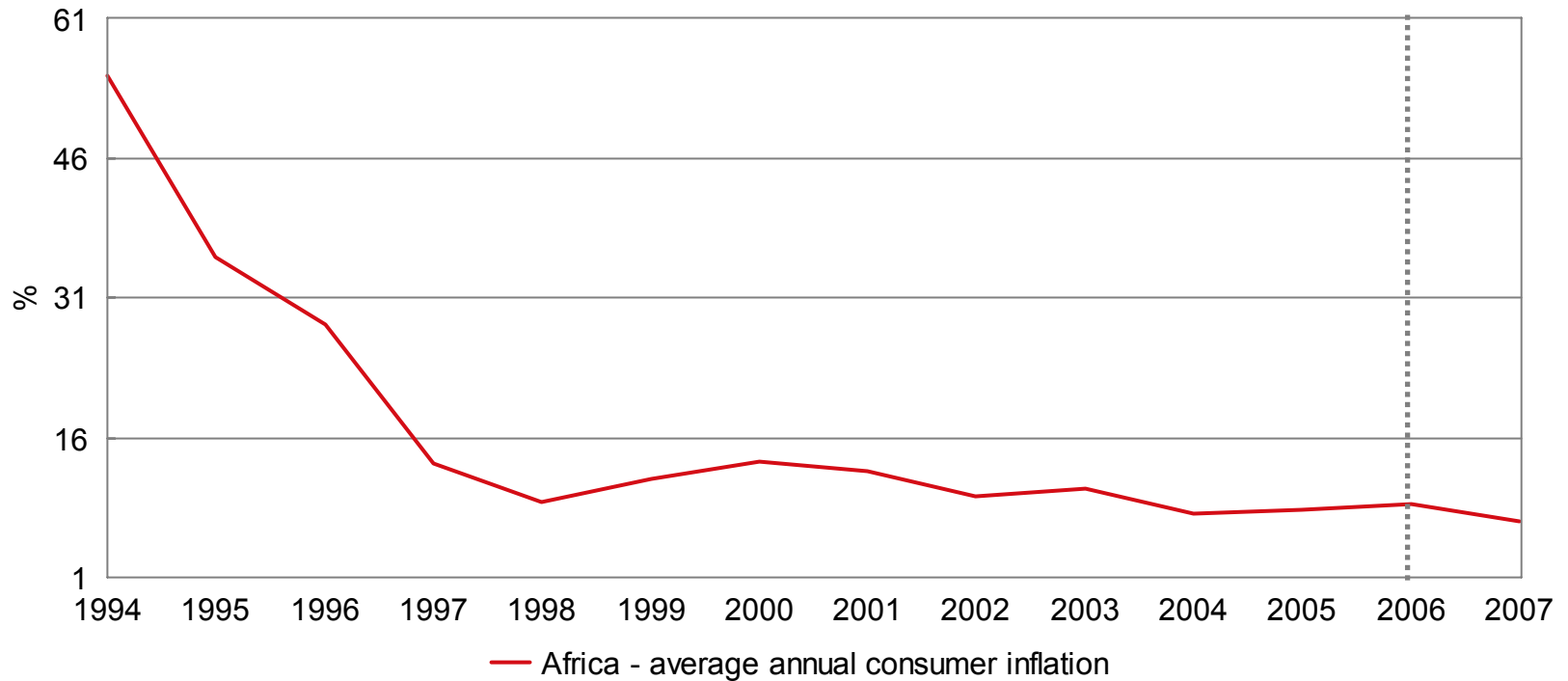
### Developed Local Markets

- Currency Market
- Debt Markets – Deep & Extended Credit Curve
- Derivative & Swap Markets
- Equity Markets

### Developed Local Markets

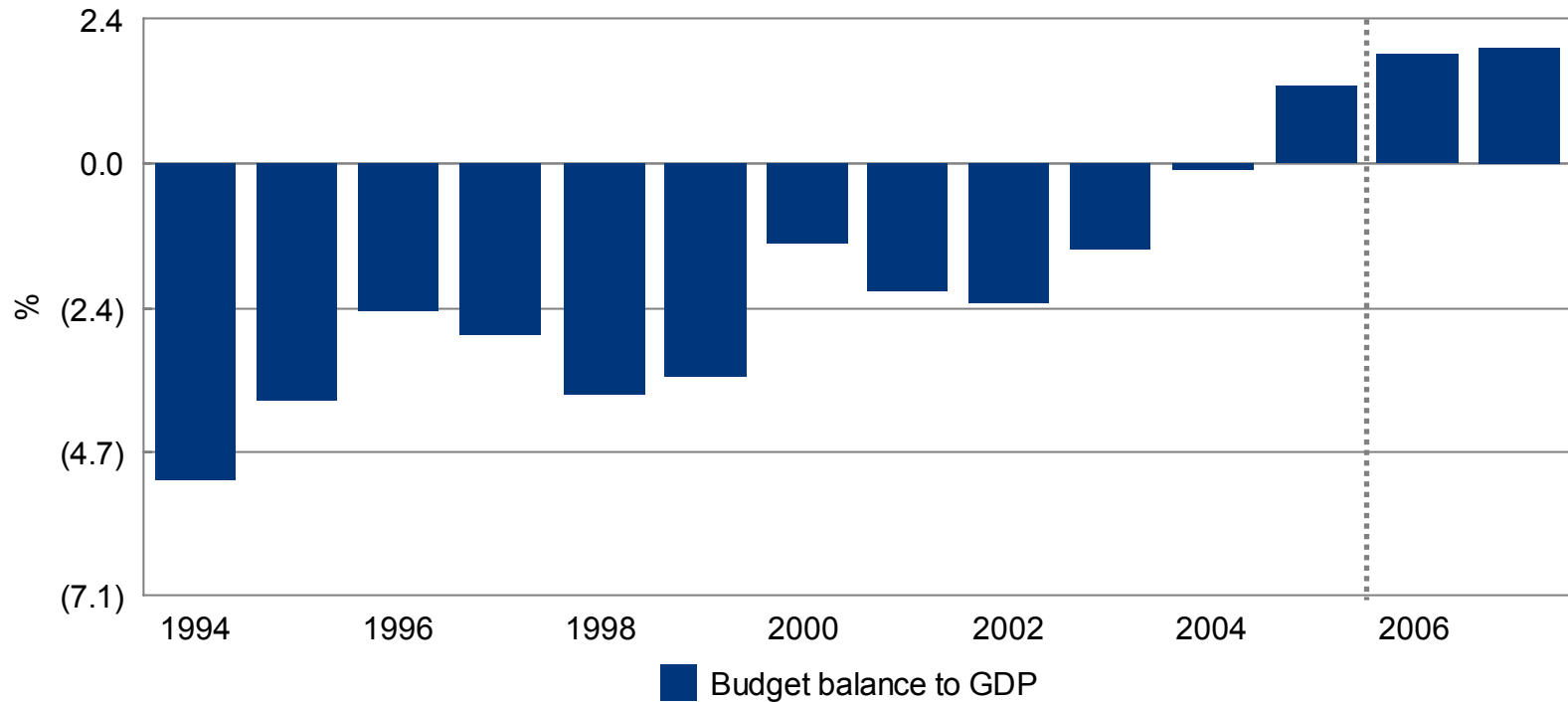
- Lower Inflation
- Budget Balance
- External Debt

# Local Capital Markets: Africa's inflation falls



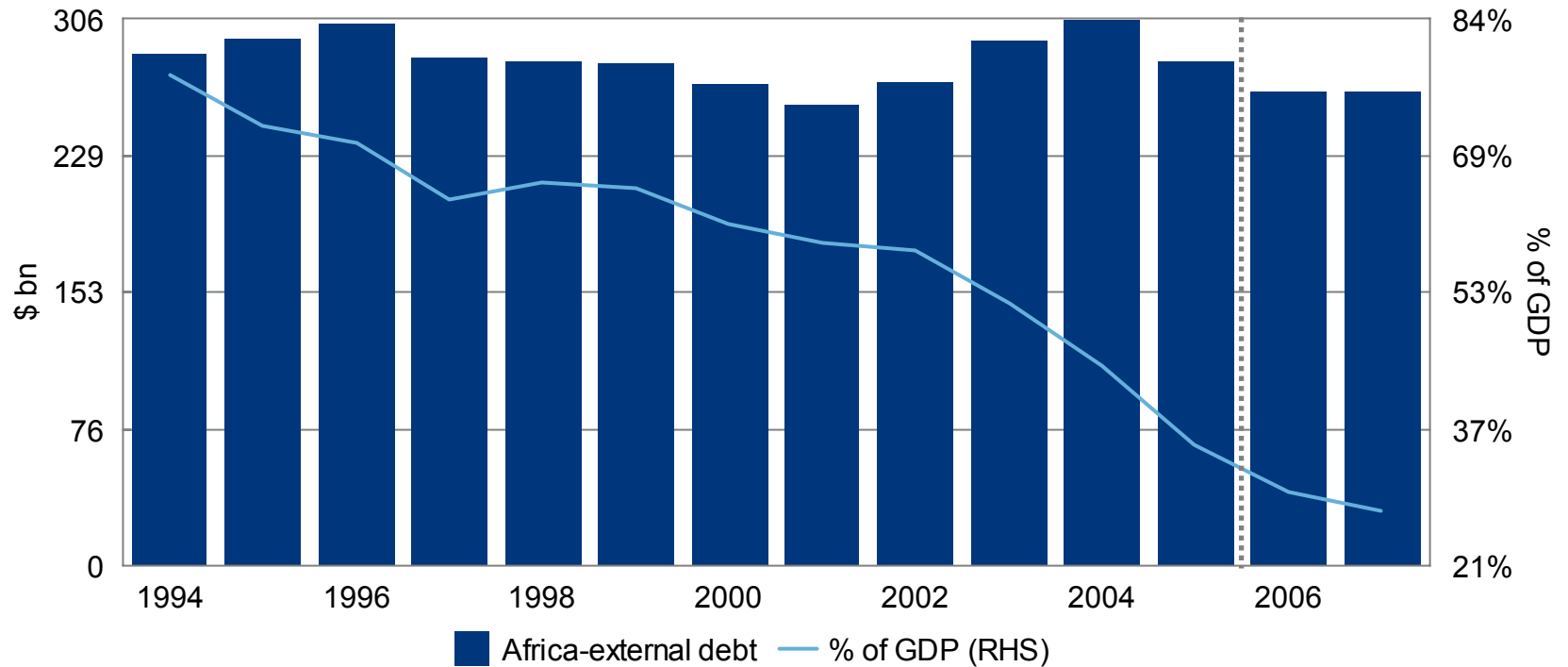
Source: IMF

# Local Capital Markets: Africa's budget balance improves



Source: IMF

# Local Capital Markets: Falling external debt



Source: IMF

# Factors influencing the Risk Reward equation

There are a myriad of factors which determine whether there is a **RISK** : **REWARD** imbalance.

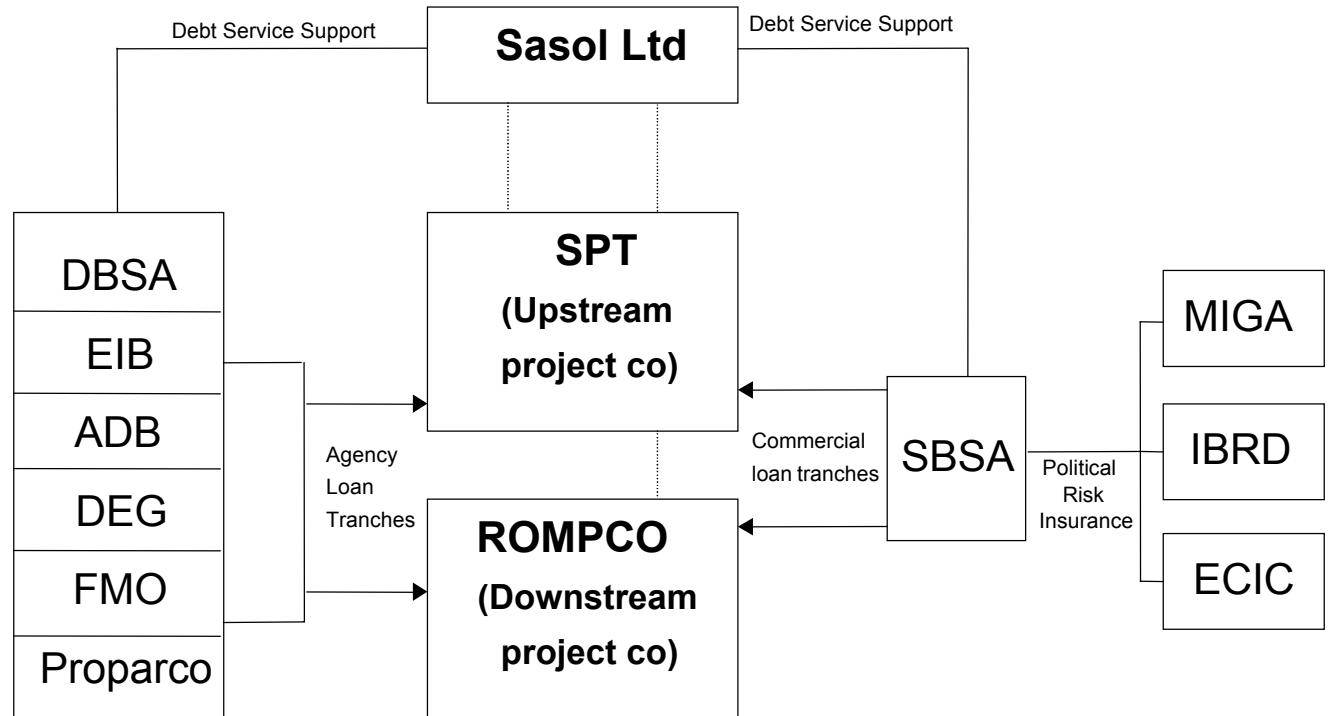
For illustrative purposes these can be categorized as follows:

- **Certainty** - The certainty of a sound legal and regulatory environment is critical to the assessment of any investment (E.g. concessions, mineral rights, security of assets etc etc)
- **Stability** -Political stability, the adoption of sound economic policy and governance by government, as well as the stability of the domestic financial system plays a key role in the assessment of risk. Strong correlation between economic growth and sound financial system
- **Partnership** - The availability and willingness of institutions to partner and share risk is critical in the equation. Partnership includes partnership between governments on intra regional infrastructure projects as well as partnerships between political risk providers, multilateral/bilateral institutions as well as banks.

The **South Africa/Mozambique** natural gas pipeline project is a good example of all these factors facilitating the initial private sector investment in the project as well as the subsequent leveraged finance.

# Case study – South African/Mozambique Natural Gas pipeline

## BASIC TRANSACTION STRUCTURE



# Case study – South African/Mozambique Natural Gas pipeline (cont.)

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11

- The project represents one of the largest infrastructure investments in Sub Saharan Africa (US\$1,2b).
- It is a blue chip project with world class private sector contractors and operators. The project has allowed the Mozambican government to exploit this aspect of its mineral wealth through the involvement of the private sector, which, but this investment, would not have been possible.
- It is an excellent example of a successful collaboration/partnership between the public sector and the private sector. Both the South African and the Mozambican governments own a 25% stake in the infrastructure asset. It involves a *partnership of risk sharing* between the project sponsor, the Governments, multilateral funding institutions (EIB, AfDB, DBSA, IFC), bilateral funding institutions (FMO, DEG, Proparco) public sector political risk providers (three ECA's, MIGA and the World Bank IBRD) and the private sector (sponsor and commercial banks).

# Conclusion

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## Key to our investment decision:

- Local Capital Markets
- Stability
- Certainty
- Partnerships

# Contact Details

## Name

Mark Chiaviello  
Director  
Corporate & Investment Banking  
Standard Bank Group, Ltd

## Telephone

+1 212 407 4052

## Email

Mark.Chiaviello@standardny.com

[www.standardbank.co.za](http://www.standardbank.co.za)