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EMERGING AFRICA INFRASTRUCTURE FUND
Working with business for stronger African economies

Private Infrastructure Development Group

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Emerging Africa Infrastructure Fund backs better future for Senegal with €6.6 million loan to expand power station

Tobene II expansion to raise output by 19MW to 115MW

In a boost to the independent power sector in Senegal, the Emerging Africa Infrastructure Fund (EAIF) is increasing its lending to Melec PowerGen (Matelec Group), the owner and operator of the Tobene power station in Senegal. The new B loan of €6.6 million is part of the financing of an expansion of the plant. The first phase, which EAIF also lent to, was completed on time and within budget. It began producing power in 2016.

"Tobene II" involves adding a new 19MW generating set to the existing 96MW facility. Installed capacity will increase to 115MW. Loans provided by EAIF now total €31.6 million. The new €6.6 million tranche has a term (tenor) of 13 years.

EAIF is a member of the Private Infrastructure Development Group (PIDG). Seven governments (and The World Bank) currently contribute funds to PIDG. In the case of EAIF, support comes from the governments of the UK, The Netherlands, Sweden and Switzerland, as well as private sector banks, the German development finance institution, KfW and its Dutch equivalent, FMO.

Completion of the expanded plant is expected shortly. The company financed the majority of the cost of the expansion using other short-term resources, and it is now restructuring the facility's finances on a long-term and sustainable basis.

EAIF Chairman, David White, says that the success of the first phase of the project helps demonstrate to private sector companies and investors in the power industry that Senegal is a market of growing potential.

"Melec PowerGen is producing reliable, more affordable electricity for the economy and people of Senegal. It is now in a position to make a bigger commitment to the country. The expansion is a tribute to Matelec Group's enterprise and the stability and potential of Senegal. I expect others will follow. EAIF is delighted to support the company. By backing Tobene II EAIF is backing a better future for Senegal."

Among the benefits the enlarged Tobene plant will bring to Senegal are savings of between US$25 and US$35 million a year to the country's electricity utility, SENELEC; more reliable, power and at a competitive price; and displacing a proportion of the expensive and noisy rented diesel generators used in many businesses and homes.

Samer Naser, Chief Executive Officer at Melec PowerGen says,

"Senegal's economy is becoming more robust as it grows. We are confident that the country is building a more stable and enterprising society. EAIF has once again supported our growth as a business and helped strengthen Senegal."

A heavy fuel oil plant, the Tobene facility has the ability to convert to gas power if and when reliable and affordable gas becomes available, either from recently discovered oil and gas fields in Senegal or from neighboring Mauritania.

Senegal's economy has been steadily strengthening over the past few years. Growth in 2014 was 4.3%, rising to 6.5% in 2015 and again to 6.6% in 2016. The projection for 2017 is above 6%. Senegal, which has a population of c16 million people, is classed as low-income country and is one of the world's least developed nations. 43% of its people are aged under 15. Life expectancy is some 10 years below the global average.

The country has a national economic development strategy called Plan Senegal Emergent (PSE). Enlarging and upgrading its infrastructure is at the centre of the plan, which also includes improving the business environment to foster private investment. For the past two years, the World Bank has included Senegal in its top ten reforming nations.

EAIF is managed by Investec Asset Management (IAM), one of the largest third-party investors in private equity, credit, public equity and sovereign debt across the African continent.

Nazmeera Moola is Head of EAIF at Investec Asset Management. She says,

"Over the last five years, Senegal has successfully raised its growth rate above 4% and is working hard to consolidate its budget deficit. The country's focus and concerted effort to implement structural reforms should support Senegal's growth over the medium term. As the country tackles its structural challenges, EAIF is committed to supporting its infrastructure build out."

IFC acted as Mandated Lead Arranger and A Lender, Banque Ouest Africaine de Development ("BOAD") as Lender and EAIF and FMO, the Dutch Development Agency as B Lenders.

ENDS

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Notes to Editors

The Emerging Africa Infrastructure Fund

The Emerging Africa Infrastructure Fund provides a variety of debt products to infrastructure projects promoted mainly by private sector businesses in sub-Saharan Africa. Established and substantially funded by the governments of The Netherlands, Switzerland, Sweden and the United Kingdom, and with debt provided by the German development finance institution, KfW and its Dutch equivalent, FMO, the Fund works with private sector businesses, African and European banks and other development funds and agencies. It helps create the infrastructure framework that is essential to sustained economic stability, business confidence, job creation and poverty reduction. It has to date supported nearly 60 infrastructure projects across eight sectors in 20 sub-Saharan African countries.

www.eaif.com

The Private Infrastructure Development Group

The Private Infrastructure Development Group (PIDG) encourages and mobilises private investment in infrastructure in the frontier markets of sub-Saharan Africa, south and south-east Asia, to help promote economic development and combat poverty. Since 2002, PIDG has supported 133 infrastructure projects to financial close and provided 265 million people with access to new or improved infrastructure. PIDG is funded by donors from seven countries (UK, Switzerland, Australia, Norway, Sweden, Netherlands, Germany) and the World Bank Group.

www.pidg.org

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*As at end March 2017