PROJECT APPRAISAL REPORT – INFRASTRUCTURE CREDIT GUARANTEE COMPANY LIMITED ("INFRACREDIT")	
Project Description	Provision of (i) a subordinated loan; and (ii) a Partial Credit Guarantee Facility (PCGF) to Infrastructure Credit Guarantee Company Limited, Nigeria ("InfraCredit"). The subordinated loan will improve InfraCredit's qualifying capital base and enhance its long-term liquidity position whereas the PCGF will free up InfraCredit's qualifying capital, enabling it to expand its local currency bond guarantee operations. Under the PCGF, the Bank will partially guarantee and share with InfraCredit, the credit risk on a portfolio of selected bankable and local Investment Grade (IG) bonds issued by eligible infrastructure projects or companies and funded through domestic local currency (LCY) bond markets.
The Client	InfraCredit is a private limited company established in 2016 to support long-term local currency infrastructure financing using bond guarantee products. Its core business is to guarantee bankable infrastructure related LCY bond issuances. This is meant to uplift the credit rating of such bonds to attract local institutional investors; thereby improving access to long-term finance for infrastructure projects through domestic debt capital markets. It also undertakes capacity-building activities targeted at pension funds and insurance companies to motivate their involvement in investing in long-term non-sovereign bonds to finance infrastructure assets and the private sector. InfraCredit's initial sponsors were the Nigerian Sovereign Investment Authority (NSIA) and GuarantCo who have been joined by Africa Finance Corporation (AFC) in 2018 as equity investor and the German Development Bank (KfW), as a subordinated loan investor in InfraCredit.
Cost Structure and Financing Plan:	The Company is in the process of raising additional funding contributions in core equity and in sub-loan in 2019/2020 in order to support expansion of its business capacity, scale and financial standing in line with rating agency requirements and strategic plan 2017-2021. The proposed investments from AfDB will supplement its existing qualifying capital as well as allow the Bank to share the default risk on a selected portfolio of bonds in InfraCredit's books to free up its capital for additional business.
Bank's Role:	Provision of (i) a subordinated loan of USD 10mln; and (ii) a partial credit guarantee facility of USD 5 mln. Both interventions will provide InfraCredit with more resources to scale up its business activities, to facilitate the financing of eligible infrastructure assets. This is necessary due to the current shortage of long-term capital and liquidity required by infrastructure entities / projects in Nigeria.
Implementation Arrangements:	The Bank will sign a Subordinated Loan Agreement with InfraCredit. The Bank will also execute a Guarantee Agreement with InfraCredit with respect to the PCGF, allowing for risk sharing on qualifying bond issuances. These will also govern reporting and monitoring requirements as well as environmental and social compliance.
Market:	Nigeria's has huge infrastructure needs that require long-term capital, especially in local currency. Existing infrastructure stock accounts for less than 25% of GDP according to the country's National Integrated Infrastructure Master Plan. According to the Nigerian Pension Commission (PENCOM), the country had total pension fund assets as at end 2018 of NGN 8.5 trillion. Initiatives such as InfraCredit, through its bond credit guarantees, encourage the flow of institutional funds into infrastructure. Opportunities for InfraCredit are in the High 5 aligned sectors of energy, transport, agriculture, housing, etc.
Justifications for the Bank's Involvement:	
Strategic Alignment:	The project is aligned to the TYS 2013-2022 by expanding access to finance for infrastructure and the Bank's H5: Industrialize Africa, Feed Africa and Light Up and Power Africa. It is specifically aligned to Flagship 3 of the Industrialize Africa priority- 'to develop deep and liquid local capital markets'; and the Financial Sector Development Policy and Strategy (2014-2019) by deepening local financial system. It is aligned to the updated Nigeria CSP (updated to December 2019), particularly Pillar II which supports the delivery of key infrastructure especially in the road transport, energy, agriculture, as well as water and sanitation sectors.
Development Outcomes:	The project will generate positive development outcomes in terms of: (i) contributing to the reduction of Nigeria's infrastructure deficit; (ii) catalysing long-term financing for infrastructure via its de-risking activities; (iii) crowding-in institutional funds for the financing of infrastructure through domestic local currency capital markets; (iv) promoting local currency capital markets growth through increased corporate bond issuances and tenor extension; (iv) increasing government revenues; and (v) stimulating direct and indirect jobs creation through the value chain link. Improved infrastructure including more energy and better roads will generate more direct and indirect economic benefits, stimulating productivity and growth that will benefit private enterprises including SME's in the respective value chains and households.
Additionality and Complementarity	Through this intervention, the Bank will send a strong signal to other potential investors and contribute to the sustainability of InfraCredit. Additionally, it will complement the Bank's efforts to attract and channel institutional financing into Africa's infrastructure such as the Africa 50, Africa Investment Forum (AIF), among others.
Concept Review	August 2018
Final Review	February 2019
Board Approval	April 2019