Bridging the Digital Divide: through access to finance

Chijioke Egejuru, Investment Officer, TMT Africa
Contents

1. What we do
2. A Case for TMT Investments
3. Key Focus Sectors
4. Targeted Funding for TMT Projects
5. Targeted Initiatives
6. An Investment Case
7. Key Contacts
1. What we do

*IFC is the private sector arm of the World Bank Group.*

IBRD
International Bank for Reconstruction and Development

IDA
International Development Association

IFC
International Finance Corporation

MIGA
Multilateral Investment Guarantee Agency

ICSID
International Centre for Settlement of Investment Disputes

**Solutions in private sector development**

- Loans to middle-income and credit-worthy low-income country governments
- Interest-free loans and grants to governments of poorest countries
- Guarantees of foreign direct investment’s non-commercial risks
- Conciliation and arbitration of investment disputes
1. What we do

*Why IFC?....we create opportunities where it is needed most.....*

**IFC at a Glance**

- Founded in 1956 with 184 member countries
- Largest multilateral source of loan/equity financing for the emerging markets private sector
- AAA rated by S&P and Moody’s
- Equity, quasi-equity, loans, risk management and local currency solutions
- Promoter of environmental, social, and corporate governance standards
- Resources and know-how of a global development bank + flexibility of a merchant bank
- Largest global development institution focused exclusively on the private sector in emerging markets
- Total current committed portfolio of US$69 billion; US$52 billion invested on IFC’s own account, across +2,000 companies
- A well-established telecom investment arm:
  - Committed portfolio: US$2.1 billion
  - FY16 total long-term volume: US$540 million
  - Over 150 dedicated telecom, private equity and venture capital professionals globally

**Our Twin Goals**

*Ending Extreme Poverty*

*From 18% to 3% of world population by 2030*

*Boosting Shared Prosperity*

*Increased incomes for bottom 40% of every country*

**What We Deliver**

**IFC’s Brand Value**

- **INNOVATION**
  - Innovation in key areas
- **INFLUENCE**
  - Influence on outcomes
- **DEMONSTRATION**
  - Demonstration effect on others
- **IMPACT**
  - Impact on development

**IFC’s Results**

**BUSINESS RESULTS:**
- Profitability,
- Competitiveness,
- Client Satisfaction

**DEVELOPMENT IMPACT:**
- Helping the Private Sector
- Reduce Poverty & Foster Inclusive Growth
1. What we do

*IFC has been investing in Emerging Markets for the past 60 years.*

..with over US$8.3 billion invested in sub Saharan Africa across all key sectors...

**FY16 US$52 billion Committed Portfolio by Region**

- Latin America and the Caribbean: 24.2%
- East Asia and the Pacific: 20.8%
- Sub-Saharan Africa: 12.6%
- Europe and Central Asia: 12.6%
- South Asia: 8.6%
- Middle East and North Africa: 1.9%
- Global: 8.6%

**FY16 US$52 billion Committed Portfolio by Industry**

- Financial Markets: 31%
- Infrastructure: 20%
- Manufacturing: 10%
- Consumer & Social Services: 8%
- Funds: 8%
- Agribusiness & Forestry: 8%
- Oil, Gas, & Mining: 6%
- Trade Finance: 5%
- Telecommunications & Information Technology: 4%

**FY16 Long-Term Investment Commitments (Global)**

- FY12: $14.1 bn
  - IFC’s Own Account: 4.9%
  - Mobilization: 9.2%
- FY13: $17.5 bn
  - IFC’s Own Account: 6.5%
  - Mobilization: 11.0%
- FY14: $15.1 bn
  - IFC’s Own Account: 5.1%
  - Mobilization: 10.0%
- FY15: $17.7 bn
  - IFC’s Own Account: 10.6%
  - Mobilization: 7.1%
- FY16: $18.8 bn
  - IFC’s Own Account: 11.1%
  - Mobilization: 7.7%

**FY16 US$11.1 billion Long-Term Investment Commitments by Region**

- Latin America and the Caribbean: 12.9%
- East Asia and the Pacific: 19.2%
- Sub-Saharan Africa: 8%
- Europe and Central Asia: 12.9%
- South Asia: 8%
- Middle East and North Africa: 8%
- Global: 8%
1. What we do

...and we have invested significantly in the TMT sectors and all regions.

Cyclical business due to fast development of sector. Historical focus on supporting mobile operators, primarily with debt financing. Helped grow mobile penetration from 3% in 2003 to 80% in 2014 in sub-Saharan Africa.
2. A Case for TMT Investments

*Significant North – South digital divide...*

- Out of the 7.4 billion global population 4 billion are without internet access
- The offline population is disproportionately rural, low income, elderly, illiterate, and female

**Mobile Phone Adoption (2014)**

**Internet Adoption (2014)**

- Mobile phones are the main source of connectivity in the developing world, but large gaps in internet access remain due to:

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Infrastructure</th>
<th>Affordability</th>
<th>Consumer Readiness</th>
<th>Content</th>
</tr>
</thead>
</table>
3. Key Focus Sectors

**Transform. Innovate. Connect.**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Focus Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broadband</strong></td>
<td>• Support increased universal and affordable access to internet</td>
</tr>
<tr>
<td></td>
<td>• Focus on developing wholesale and retail broadband businesses, with fiber and wireless infrastructure</td>
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<tr>
<td></td>
<td>• Actively develop or support the development of wholesale carrier neutral shared infrastructure networks across 30 countries</td>
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<tr>
<td></td>
<td>• Globally invested in retail and wholesale broadband companies, across emerging markets, with total current investments of ~US$250 million</td>
</tr>
<tr>
<td><strong>Towers</strong></td>
<td>• Support independent tower companies to promote use of shared infrastructure</td>
</tr>
<tr>
<td></td>
<td>• Focus on regional platforms and companies looking to expand across markets</td>
</tr>
<tr>
<td></td>
<td>• Globally invested in 10 tower companies, across emerging markets, including 3 of the leading tower companies in Africa – Helios, Eaton and IHS</td>
</tr>
<tr>
<td></td>
<td>• Total current investments of ~US$300 million globally</td>
</tr>
<tr>
<td><strong>Data Centers</strong></td>
<td>• Support data center companies growth into reliable and scalable, independent data platforms, as data usage surges across markets</td>
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<tr>
<td></td>
<td>• Global experience of investing an 6 data centers companies, in Asia, EMENA and Africa, totaling ~US$80 million</td>
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<tr>
<td></td>
<td>• Total current investments of ~US$45 million globally</td>
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<tr>
<td><strong>Mobile Operators</strong></td>
<td>• Support expansion of mobile network operators and independent rural operators in frontier countries</td>
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<td></td>
<td>• Mitigate political risk in these markets and provide access to longer term financing, on IFC’s own account and through other financial investors</td>
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<tr>
<td></td>
<td>• Support MNOs with financing for strategic asset divestitures</td>
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<tr>
<td></td>
<td>• Total current investments of ~US$800 million, across 23 mobile operators globally</td>
</tr>
</tbody>
</table>
3. Key Focus Sectors

Select IFC Investee Companies and Why....

- **Broadband**
  - O3b Networks
  - afrimax
  - Internexa
  - Telekom
  - EASSy

- **Towers**
  - helios Towers
  - Eaton Towers
  - Russian Towers
  - Phoenix Tower
  - Protelindo

- **IT Services and Data Centers**
  - GDS
  - Zenium Data Centers
  - Teraco
  - NxtGen
  - IXcellerate

- **Mobile**
  - ooredoo
  - grameenphone
  - Idea
  - Africell
  - Wataniya

**Closing the Final Link...**

- **Long-Term Partner Role**
- **Stamp of Approval**
- **Financing Not Readily Available Elsewhere**
- **Global Expertise and Knowledge**
- **Worldwide Presence**
- **Ability to Mobilize Additional Funds**
### 4. Targeted Funding for TMT Projects

**Typical Investment Instruments**

| **Equity** | • Private Equity (including Venture Capital); Typically 5-20% shareholding  
|           | • Long-term investor, typically 4-8 year holding period  
|           | • Not just financial investor, adding to shareholder value  
|           | • Board position on case by case basis |
| **Quasi Equity/Mezzanine** | • Subordinated loans  
|                           | • Income participating loans  
|                           | • Convertibles  
|                           | • Other hybrid instruments |
| **Senior Debt and Equivalent** | • Senior Debt: Project Finance or Corporate Finance  
|                                   | • Fixed/floating rates, US$, Euro and some local currencies; Commercial rates, repayment tailored to project/company needs  
|                                   | • Long maturities: up to 15 years, appropriate grace periods; Range of security packages suited to project/country  
|                                   | • Islamic Financing alternatives available  
|                                   | **Mobilization of funds from other lenders and investors; 1. through IFC’s B loan Syndication Program loan arranger role, 2. arranging parallel financing from other banks and Development Finance Institutions** |
| **Risk Management** | • Currency & Interest Rate Swaps  
|                     | • Caps, Collars, and Currency Derivatives  
|                     | • Commodity Derivatives |
4. Targeted Funding for TMT Projects

Company Growth Cycle and Funding Options

Concept/Start-up Stage
- Friends & Family
- Angels
- Sponsors’ Equity

Early Stage
- VC

Growth Stage
- PE

Mature Stage
- Public/Banks
- Banks/Public

DFIs

Equity

Quasi Equity/Debt

Senior Debt

Turnover
4. Targeted Funding for TMT Projects

*We are investing smartly and quickly...*

..to meet the needs of our clients in a timely manner...

**IFC’s TMT Investment Process takes 2 – 4 Months**

<table>
<thead>
<tr>
<th>Concept Review</th>
<th>Appraisal/Due Diligence</th>
<th>IFC mgmt approval &amp; Disclosure</th>
<th>Commitment and Disbursement</th>
<th>Portfolio Management</th>
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</thead>
<tbody>
<tr>
<td>Client needs determined</td>
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<tr>
<td>Assessment of project’s impacts and development contributions</td>
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<td>Policy Committee approval</td>
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<tr>
<td>Mandate letter</td>
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<tr>
<td>IDD &amp; initial assessment of business, technical, legal &amp; environ/social operations and risks</td>
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<tr>
<td>Appraisal</td>
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<tr>
<td>Complete analysis of operations and risks</td>
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<tr>
<td>Negotiation and agreement of principal terms</td>
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<tr>
<td>IFC management approval</td>
<td></td>
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<tr>
<td>Disclosure of environmental and social information</td>
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<tr>
<td>Opportunity for public comment</td>
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<tr>
<td>Drafting &amp; negotiation of legal documents</td>
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<tr>
<td>Board approval</td>
<td></td>
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<tr>
<td>Signing of legal documents</td>
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<tr>
<td>Disbursement</td>
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<tr>
<td>Annual &amp; quarterly review of operational &amp; financial performance</td>
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<tr>
<td>Processing of waivers &amp; amendments</td>
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<tr>
<td>Board representation (if applicable) B-loan &amp; parallel loan administration</td>
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5. Targeted Initiatives: WBG Digital Infrastructure Initiative

*We are collaborating to connect Africa to the digital economy...*

...working with both the public and private sector to build open access networks.

<table>
<thead>
<tr>
<th>Public Sector Role</th>
<th>Private Sector</th>
<th>Public Private Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regulatory framework</td>
<td>• Operations and maintenance</td>
<td>• Project viability</td>
</tr>
<tr>
<td>• Sector reform and liberalization</td>
<td>• Funding</td>
<td></td>
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<tr>
<td>• Asset optimization</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>World Bank Solutions</th>
<th>IFC Solutions</th>
<th>Blended Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Policy and regulatory assistance</td>
<td>• Project development</td>
<td>• IDA funding</td>
</tr>
<tr>
<td>• Capacity building for regulators</td>
<td>• Strategic partnerships</td>
<td>• Technical assistance/advice</td>
</tr>
<tr>
<td></td>
<td>• Financing and mobilization</td>
<td>• Risk guarantees</td>
</tr>
</tbody>
</table>
5. Targeted Initiatives: IDA – Private Sector Window

Expanding private investments in IDA-only countries, with FCS focus.

$2.5 billion

3 Objectives

- Support scale-up of IFC/MIGA engagements in IDA-only and FCS markets
- Crowd in private investment and help create markets
- Support IDA18 Objectives and Special Themes

4 Facilities

- Risk Mitigation Facility
- Blended Finance Facility
- MIGA Guarantee Facility
- Local Currency Facility
6. Investment Case

*Red Compartida (.....a WB and IFC Collaboration)*

<table>
<thead>
<tr>
<th>Project Concept and Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wholesale carrier neutral wireless open access network in Mexico</td>
</tr>
<tr>
<td>• Set up to break market concentration, lower prices and improve broadband connectivity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Thesis</th>
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</thead>
<tbody>
<tr>
<td>• Design, construction and operation of a nationwide independent wholesale mobile broadband network</td>
</tr>
<tr>
<td>• Network to provide IP connectivity services to mobile network operators, mobile virtual network operators and mobile services providers on behalf of the federal telecommunications agency</td>
</tr>
<tr>
<td>• Concession of 20 years, extendable for another 20 years</td>
</tr>
<tr>
<td>• Concession awarded through international tender process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>World Bank Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory assessment and technical assistance to highlight necessary policy reforms required to ensure the successful and unobstructed operation of a wholesale network operator</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>IFC Role</th>
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</thead>
<tbody>
<tr>
<td>Invested equity of up to US$25 million while IFC-AMC managed China Mexico Fund invested equity of US$175 million</td>
</tr>
</tbody>
</table>
7. Key contacts

*IFC has a comprehensive coverage of sub-Saharan Africa*

**Regional Coverage**

- **Washington DC**
  - Aniko Szigetvari
    - Global Head, TMT
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    - W: +234 1 279 9400