

NSIA invests NGN10 billion into an innovative construction finance warehouse facility in collaboration with InfraCredit to support bankable greenfield infrastructure project finance in Nigeria.

11th October 2023, Lagos – The Nigeria Sovereign Investment Authority (“NSIA” or the “Authority”) has invested NGN10 billion into a Construction Finance Warehouse Facility (“CFWF” or the “Facility”) in collaboration with InfraCredit, to enable project developers access construction finance on a sustainable basis on the back of InfraCredit’s guarantee.

The CFWF is a multi-funder revolving facility that was established to facilitate the provision of construction finance with a maturity of up to three (3) years, for a portfolio of eligible greenfield infrastructure projects backed by InfraCredit’s guarantees on a direct or contingent basis as applicable, and to be subsequently refinanced through an InfraCredit-guaranteed long term infrastructure debt financing from the domestic capital markets.

The Facility’s financing will bridge the construction funding gap until project developers can secure permanent financing from the debt capital markets, post-commercial operation, supported by InfraCredit’s guarantee subject to achieving agreed performance milestones. CFWF will be a game-changer in Nigeria, mobilising development finance and private institutional investments at scale for early-stage infrastructure projects with strong fundamentals but high perceived risks.

Nigeria’s infrastructure is underdeveloped and inadequate which has long been a bottleneck for its economic growth and development. According to the IMF, Nigeria has a huge infrastructure gap and will require a substantially larger level of investment in infrastructure to bridge the annual financing requirement of US\$100 billion over the next 30 years.

Most of the demand for infrastructure finance is for new “greenfield” infrastructure assets, which is the higher risk start-up development phases of projects that involve construction before revenues are established. However commercial lenders increasingly view the term lending typically required for infrastructure projects as less attractive due to capital constraints and the liquidity risk of financing long-term assets, whilst insurance companies and pension funds are, in fact, ‘natural’ investors in infrastructure assets once the cash flows are stable and predictable, since the long maturity and fixed rate nature of infrastructure bonds are a good match to their long-term liabilities. To bridge this funding gap, it is therefore clear that alternative sources of capital and innovative funding structures are required to catalyse investment to support these infrastructure development goals and create a bankable pipeline of, given the already stressed public purse.

NSIA is pleased to be undertaking this investment in partnership with its portfolio company and an established player in the infrastructure financing space, InfraCredit – a “AAA” rated local currency financial guarantor with a capitalisation of over USD237 million. Since its inception in 2017, InfraCredit has built an exemplary record of supporting private sector development of strategic Nigerian infrastructure projects, having issued guarantees of NGN183 billion (approximately USD440 million – par value at issuance) to fifteen (15) companies distributed across the power, transportation & logistics, ICT/telecommunications, gas to power, LPG clean cooking and input to infrastructure sectors, with issuances to the debt

capital markets of up to 20 years tenor fully subscribed, some by more than 160% by over 19 domestic pension funds and insurance companies, demonstrating strong demand from domestic institutional investors.

The Nigeria Sovereign Investment Authority (www.nsia.com.ng) is an investment institution of the Federation set up to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure, and providing stabilization support in times of economic stress, through three ring-fenced funds: The Stabilization Fund, the Future Generations Fund, and the Nigeria Infrastructure Fund

CFWF has been designed to provide much-needed early-stage debt financing to infrastructure projects through the construction period, until the project moves towards completion and commercial operations is achieved. In theory, this model will shift and increase the appetite of early-stage investors, reduce the cost of project finance, boost the overall success rate of greenfield project execution and improve project structuring and corporate governance, as best practices are implemented from project inception.

NSIA has provided the anchor funding of NGN10 billion to mobilise additional funding to the Facility from other potential funders to co-finance eligible infrastructure projects originated and pre-assessed by InfraCredit, with the aim to reach up to NGN100 billion capacity within the next three years and unlock up to NGN 500 Billion in well-structured, bankable infrastructure projects and bring them to market, which will expand the market with good quality infrastructure projects for institutional investors backed by credit enhancements from InfraCredit.

The set-up cost for the Facility was supported by funding provided by FSD Africa (<https://fsdafrica.org/>) under a Technical Assistance Agreement with InfraCredit.

Aminu Umar-Sadiq, MD/CEO of NSIA, said, “[NSIA, through the creation of InfraCredit, has successfully channeled long-term institutional funding towards brownfield infrastructure projects in Nigeria. The CFWF is set to amplify this capital mobilization, unlocking a source of long-term local currency capital for sustainable greenfield investments, in a downside protective manner. This will significantly enhance access to sustained financing for green projects, consequently driving the development of sustainable infrastructure across Nigeria.”]

Chinua Azubike, CEO of InfraCredit said: “To close the infrastructure gap in a sustainable way, we need more greenfield infrastructure projects to reach financial close, we are pleased to be supported by our sponsor, the NSIA, in sustaining strategic innovative funding solutions at the earlier stages of the infrastructure project's life cycle, which is a crucial and urgent intervention to make projects more resilient, and accelerate private sector investments in infrastructure that will improve Nigeria's economic trajectory “

For more information, please contact:

Nigeria Sovereign Investment Authority

Joyce Onyegbula

Phone: +2348025321666

Email: jonyegbula@nsia.com.ng

Infrastructure Credit Guarantee Company Limited

Media Enquiries: info@infracredit.ng

Guarantee Enquiries: transactions@infracredit.ng

Phone: +234 6312300