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## AFRICAN DEVELOPMENT BANK, MARINER INVESTMENT GROUP, AND AFRICA50 PRICE LANDMARK \$1 BILLION IMPACT SECURITIZATION

- WITH “ROOM2RUN,” AfDB LAUNCHES SECURITIZATION MARKET FOR MULTILATERAL DEVELOPMENT BANK SECTOR
- TRANSACTION IS IN DIRECT RESPONSE TO G20 ACTION PLAN FOR MDB BALANCE SHEET OPTIMIZATION
- AfDB COMMITS TO REINVEST FREED UP CAPITAL INTO NEW AFRICAN INFRASTRUCTURE LENDING, MAKING ROOM2RUN ONE OF THE LARGEST IMPACT INVESTMENTS EVER
- TRANSACTION IS SUPPORTED BY NEW EUROPEAN UNION GUARANTEE TOOL (EUROPEAN FUND FOR SUSTAINABLE DEVELOPMENT)

OTTAWA, Canada, 18 September 2018 — The African Development Bank (AfDB), the European Commission, Mariner Investment Group, LLC (Mariner), Africa50, and Mizuho International plc today announce the pricing of *Room2Run*, a US \$1 billion synthetic securitization corresponding to a portfolio of seasoned pan-African credit risk. Room2Run is the first-ever portfolio synthetic securitization between a Multi-Lateral Development Bank (MDB) and private sector investors, pioneering the use of securitization and credit risk transfer technology to a new and previously unexplored segment of the financial markets.

Structured as a synthetic securitization by Mizuho International, Room2Run transfers the mezzanine credit risk on a portfolio of approximately 50 loans from among the African Development Bank’s non-sovereign lending book, including power, transportation, financial sector, and manufacturing assets. The portfolio spans the African continent, with exposure to borrowers in North Africa, West Africa, Central Africa, East Africa, and Southern Africa. Mariner, the global alternative asset manager and a majority-owned subsidiary of ORIX USA, is the lead investor in the transaction through its International Infrastructure Finance Company II fund (“IIFC II”). Africa50, the pan-African infrastructure investment platform, is investing alongside Mariner in the private sector tranche. Additional credit protection is being provided by the European Commission’s European Fund for Sustainable Development in the form of a senior mezzanine guarantee.

“Room2Run gives us fresh resources to invest in the projects Africans need most,” said **Akinwumi Adesina, President of the African Development Bank Group**. “Africa has the most promise, the greatest natural resources, and the world’s youngest population. But we also have the world’s most persistent infrastructure deficits. The African Development Bank has the strategy to address these infrastructure finance gaps—and Room2Run gives us the capacity to make it happen.”

Structured as an impact investment, Room2Run is designed to enable the African Development Bank to increase lending in support of its mission to spur sustainable economic development and social progress.

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In connection with Room2Run, AfDB has committed to redeploy the freed-up capital into renewable energy projects in Sub-Saharan Africa, including projects in low income and fragile countries.

“On the Impact scale, Room2Run is off the charts,” said **Dr. Andrew Hohns, Lead Portfolio Manager and head of the Mariner Infrastructure Investment Management team**. “Room2Run answers the call of the G20 for private sector participants to step in and facilitate development finance, providing a template for attracting significant private sector capital into urgently needed projects in developing economies.”

**Raza Hasnani, Head of Infrastructure Investment at Africa50** commented, “Room2Run provides an innovative and commercially viable solution to the African Development Bank’s risk management and lending objectives, while paving the way for commercial investors to support and benefit from the growth of infrastructure on the continent. Africa50 is very pleased to participate in this landmark transaction, which is in line with our mandate to drive increased investment in infrastructure in Africa, and to create pathways for long-term institutional capital to flow into this space.”

Room2Run enjoys the support and participation of the European Commission with an investment from the European Fund for Sustainable Development, in the form of a senior mezzanine guarantee. “Only a few days after announcing our renewed Alliance with Africa for sustainable investments and jobs, I am very happy to announce that we are, together with the African Development Bank, launching Room2Run,” commented **Neven Mimica, the European Commissioner for International Cooperation and Development**. “This initiative is a perfect example of what we are doing to support investments in African low income and fragile countries through the External Investment Plan. Through Room2Run we provide an additional protection to investments in the field of renewable energy. Through our Guarantee, investments under Room2Run will translate into extending supply to many people currently without electricity whilst creating much-needed new jobs.”

Room2Run also directly responds to calls by the G20 that MDBs use their existing resources to full capacity, as articulated in the 2015 G20 MDB Action Plan to Optimize Balance Sheets, as well as calls for greater MDB efforts to crowd-in private investment. The G20 has called on MDBs to share risk in their non-sovereign operations with private investors, including through structured finance, mezzanine financing, credit guarantee programs, and hedging structures.<sup>1,2</sup>

The Government of Canada has been a global leader in advocating for MDBs to use their existing resources more efficiently and to mobilize private capital for global development. The goal of the G20 MDB Action Plan to Optimize Balance Sheets is to catalyze significant new development financing from the MDBs throughout the real economy in key development regions. “Attracting more private capital

<sup>1</sup> <http://www.g20.utoronto.ca/2015/Multilateral-Development-Banks-Action-Plan-to-Optimize-Balance-Sheets.pdf>

<sup>2</sup> *The Antalya Action Plan*. The Group of Twenty, 2015.

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into global development efforts is critical to building economies that work for more and more people around the world,” said **Bill Morneau, Canada’s Minister of Finance**, “that’s why Canada and our G20 partners have been calling on multilateral development banks to use their existing resources as efficiently as possible, and to look for new ways to attract more private capital. We are pleased to see the African Development Bank come forward with a transaction that directly responds to both of these objectives. Room2Run is an innovative solution to a long-standing challenge.”

**Juan Carlos Martorell, Co-Head of Structured Solutions at Mizuho International**, adds, “Compared to other synthetic securitizations, a major achievement of Room2Run has been to ensure that ratings agencies, and in particular S&P, reflect the merits of the risk transfer into their rating assessments for multilateral development banks. AfDB’s leadership through this transaction has now set the stage for broader adoption of the instrument throughout the MDB community.”

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#### **About the African Development Bank Group**

The African Development Bank (AfDB) Group is the premier development finance institution in Africa with a mandate to spur sustainable economic development and social progress in the continent, thereby contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in the continent; and providing policy advice and technical assistance to support development efforts. The African Development Bank's authorized capital of around USD 100 billion is subscribed to by 80 member countries made up of 54 African countries and 26 non-African countries. [www.afdb.org](http://www.afdb.org)

#### **About Mariner Investment Group, LLC**

Mariner Investment Group is a global alternative asset management firm that advises several direct and affiliated single and multi-strategy hedge funds, funds of funds, and other alternative investments services. Founded in 1992, Mariner and its associated advisers manage approximately \$11 billion of assets through offices in New York, London, Tokyo, Seoul, Philadelphia, Dallas, Harrison (NY), Rowayton (CT) and Summit (NJ). [www.marinerinvestment.com](http://www.marinerinvestment.com)

#### **About Africa50**

Africa50 is a pan-African infrastructure investment platform that contributes to Africa’s growth by developing and investing in bankable, environmentally sustainable, medium to large scale infrastructure projects, with a focus on the energy, transport, ICT and midstream gas sectors. Africa50 catalyses public sector capital and mobilises private sector funding, while delivering differentiated returns and economic impact to its shareholders. It is uniquely equipped to accompany governments and investors throughout

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the project cycle thanks to its complementary project development and project finance arms. Headquartered in Casablanca, Morocco, Africa50's investor base is currently composed of twenty-seven African countries, the AfDB and two African Central Banks, with over US \$850 million in committed capital. [www.africa50.com](http://www.africa50.com)

### **About the European Fund for Strategic Development**

The new European Union EFSD Guarantee is part of the EU's ambitious External Investment Plan launched in 2017. The aim of the Plan is to encourage investment in Africa and the EU Neighbourhood region to promote growth and job creation. The Plan focuses on a number of priority investment areas, such as sustainable energy and connectivity; micro, small and medium enterprises financing; sustainable agriculture, rural entrepreneurs and agroindustry; sustainable cities and digitalization for sustainable development.

The European Fund for Sustainable Development (EFSD) combines existing investment facilities and the EFSD Guarantee instrument to leverage additional financing for investments in Africa and the EU Neighbourhood region.

### **About Mizuho International plc**

Mizuho International plc (Mizuho International) is the London based securities and investment banking arm of the Mizuho Financial Group, Inc., and is a wholly owned subsidiary of Mizuho Securities Co., Ltd. With a primary focus on client based activities, its wide range of services includes sales and trading in both debt and equity securities, the underwriting of new issues and M&A advisory services. Mizuho International is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and is a member of the London Stock Exchange and LCH.Clearnet Limited.

Mizuho's Structured Solutions team has structured and arranged SRT transactions across a wide range of internal and external issuer portfolios totaling £10 billion, with experience in granular and concentrated portfolios, asset classes, single/multiple currencies and structural features, across jurisdictions globally.

Mizuho International also has an office in Frankfurt, Germany and in Dubai, United Arab Emirates. [www.mizuho-emea.com](http://www.mizuho-emea.com)

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