

Standard Bank funds Ghanaian water project

Standard Bank has arranged an international financing package to develop a US\$126 million desalination plant in Accra, Ghana. The plant will have a water production capacity of 60 000 m³/day. Investors in the project are Spanish infrastructure company Abengoa S.A. and Sojitz Corporation of Japan, which together are contributing equity funding covering 30% of project costs. The balance of 70% of the project's funding is provided by Standard Bank in the form of senior debt.

George Kotsovos, head of Power & Infrastructure Finance at Standard Bank, said that the sea water desalination project company, Befesa Ghana, will provide potable water for around 400 000 Accra resident who had previously had very limited access to clean water.

Standard Bank was chosen as the lead financier because of its on the ground expertise, strong brand presence in Ghana and its competitive financing offer.

The Standard Bank Group, with representation in 18 countries on the continent, and through its subsidiary Stanbic Bank Ghana, also has the ability to continue to service the project's local financing and banking needs.

Collaboration needed

Kotsovos explained that relationships formed through Standard Bank's on the ground presence were key to the success of the deal structure, as a large number of parties needed to collaborate to make it both viable and sustainable.

Because of the 12-year term of the project's debt funding and lack of mature funding mechanisms in Ghana, the World Bank had stepped in to perform project feasibility studies and to provide credit enhancement to underpin the long-term nature of the funding.

"The deal looks at the entire project's sustainability, from the pipeline carrying water to the residents and long-term agreements between the project, water authority and the relevant local authorities for the sale of water, thereby ensuring the project is bankable," said Kotsovos.

Far-reaching socio-economic impacts

According to Kwamina Asomaning, director of Corporate and Investment Banking in Ghana, the project has the support of the government of Ghana which also guaranteed the obligations of the Ghana Water Company. He also noted that the provision of clean water has far-reaching socio-economic impacts, raising health standards and therefore contributing to increases in learning capability, labour productivity and longevity. "This in turn further raises a community's ability to pay for services."

The plant will be constructed and run by Abengoa, which is a major international build-operate-transfer infrastructure business that has recently identified various opportunities in Africa. This is its first African project, and a well-defined and structured framework based on international public-private partnership standards was a prerequisite for investor comfort.

Standard Bank has taken a lead in assisting many African countries, including Ghana, Nigeria and Kenya in developing their respective frameworks for public private partnerships, a factor which Mr Kotsovos said has been a major contributor to its success in winning such tenders across power and infrastructure projects in Africa.

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