# SENAC: Towards a robust African toll concession model

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Senegals government and the Eiffage-owned Societe Eiffage de la Nouvelle Autoroute Concedee concession company held a formal signing ceremony on 2 December for the CFAF148 billion (roughly Eu225 million, or $300 million) private financing for the Dakar-Diamniadio toll road, though it had effectively reached financial close in mid-November between sponsors and lenders. The government was probably right to share in the credit, because the financing demonstrates that when host governments are prepared to share in the financial risks of emerging markets toll deals, these can be operated in a financeable form by the private sector.

The Senegalese government has wanted to build the road since 1973, and the countrys current president, Abdoulaye Wade, made developing it a priority project in 2000. Senegal has included the concession, designed to reduce congestion in its capital, in a larger $532 million urban development project. By making the road part of this urban redevelopment project, Senegal, and its investment promotion and major projects agency, APIX, were able to maximise the involvement of development finance institutions.

The Senegalese government built a 7.6km first section, between Malick Sy and Patte dOie, itself, and this road will remain toll-free. It subsequently awarded a 4.2km second section, from Patte dOie to Pikine, to Portugals MSF under a conventional public works contract. The concession involves the operation of this section and construction of a 20.6km third section from Pikine to Diamniadio, and will be awarded to a private operator.

The government was working from studies that had first been carried out in 2001-2, and had procured advisory services from SETEC (traffic), Norton Rose (legal), Egis (technical) and Compagnie Benjamin de Rothschild (financial). Its advisers indicated that based on traffic forecasts the government would be unlikely to finance the entire cost of the $300 million section with private capital. Instead, they suggested that the government contribute $165 million of the cost as an investment subsidy.

African governments can take the same approach as developed world governments. The better-run among them often have access to international bond markets, and multilateral lenders are happy to lend to a sovereign governments when they want to transfer infrastructure operations to the private sector. For Dakar-Diamniadio, the Senegalese government had access to the proceeds of two bond issues, the second of which, a $200 million five-year issue, closed in 2008. On top of this it borrowed, again at the sovereign level, $49 million from the African Development Bank, $80 million from the AfD, Frances development agency, and $105 million from the World Banks International Development Agency.

Eiffage beat bids from MSF and Autoroutes du Maroc and SENAC was named preferred bidder in December 2008. Advisory boutique Nodalis Conseil was selected by Eiffage to be its financial adviser.

The challenge for the sponsor would be to maximise the use of sources of debt in West African CFA Francs, the currency in use in predominantly Francophone western Africa, to avoid currency mismatches. The sponsor approached the AfDB, International Finance Corporation and Proparco, all of which were part of institutions that were familiar with the project, as well as the West African Development Bank (Banque Ouest Africaine de Développement, or BOAD), with headquarters in Lome. All but Proparco, which has shied away from traffic risk after a poor experience in the Thai roads sector in the late 1990s, eventually committed in early 2010.

The CFA42 billion financing breaks down into a CFA15 billion 14.5-year loan from the West African Development Bank, a CFAF5 billion loan with a 14-year tenor from Senegalese commercial lender Banking Company of West Africa (part of the Attijariwafa Bank group), a CFAF6.5 billion equivalent subordinated loan in Euros from the International Finance Corporation, and CFAF7.75 billion in 15-year Euro-denominated senior debt each from the IFC and African Development Bank. The CFA Franc debt is priced at an all-in rate of roughly 10%.

Eiffage is providing another roughly CFA23 billion in equity, which together with the CFA82 billion government subsidy, rounds out the projects CFA150 billion cost. Eiffages Senegalese construction subsidiary, with a roughly 84-year history in the country, is construction contractor under a fixed-price date-certain construction contract. Beyond the construction commitment, Eiffage does not provide any guarantees of the projects private debt, and neither does government.

Lenders are fully exposed to traffic risk on the 30-year concession, which in turn is dependent on the willingness of private car drivers to avoid congestion on the outskirts of Dakar and in reaching a proposed Blaise Diagne international airport. Tolls can be increased by a maximum annual percentage indexed to Senegals inflation rate. The concession agreement was signed in July 2009, and took effect in December 2009.

Besides traffic risk, the sponsor needed to be comfortable with the ability of the government to acquire land for the concession quickly enough. The urban development project will involve the relocation of inhabitants of the area, with the potential for legal challenges, and for attracting intense scrutiny from the development bank lenders. Senegal has re-assured lenders by having a transparent development process and a solid legal framework for concessions.

The financing succeeds in transferring construction and operations risk for a new infrastructure asset to the private sector, though its does so by asking the public sector to assume a non-negligible financial burden. Still, Dakar-Diamniadio looks like providing a robust template for top-tier regional governments to attract infrastructure expertise from international operators.

**SENAC**
**Status**: Signed 2 December 2010
**Size**: $300 million
**Location**: Dakar, Senegal
**Description**: Construction and operation of 20km toll road under 30-year concession
**Sponsor**: Eiffage
**Equity**: CFA21 billion
**Debt**: CFA41 billion
**Lenders**: Banking Company of West Africa, African Development Bank, West African Development Bank, International Finance Corporation
**Lender legal**: Clifford Chance
**Sponsor financial adviser**: Nodalis
**Sponsor legal**: White & Case
**Government advisers**: SETEC (traffic), Norton Rose (legal), Egis (technical) and Compagnie Benjamin de Rothschild (financial)