Independent Development Evaluation
African Development Bank

EVALUATION OF LOAN SYNDICATION AT THE AFRICAN DEVELOPMENT BANK GROUP

APPROACH PAPER

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1 Introduction

This inception report aims at outlining the context, objectives and methodological framework for the Independent Development Evaluation (IDEV) function's evaluation of the loan syndications and distribution at the African Development Bank Group (the "Bank" or "AfDB" hereafter). Mobilizing additional financing from various debt investors to participate alongside the Bank, to finance private sector projects, is one of the key building blocks of AfDB's mission in spurring sustainable economic development and social progress in its regional member countries.

The Bank has different financial vehicles that play a catalytic and confidence provider role. Through the loan syndication and distribution program, the Bank is better positioned to more efficiently leverage its balance sheet for greater developmental impact and increase scale in its lending activities. It also provides the Bank with an additional risk mitigation tool that can contribute to diversifying investor base/sources of liquidity, providing more competitive and market-based pricing for the client, and crowding in more privately-owned financial resources.

This evaluation holds strategic importance for the Bank, especially, in the context of the Bank's Long-Term Strategy (TYS, 2013–2022) and the High 5s, which place resource mobilization as an enabler to the Bank's ability to achieve its development objectives.

The lessons and recommendations of this evaluation would help improve the Bank's approach to loan syndication and distribution, thus contributing to the development effectiveness of the Bank's non-sovereign operations (NSO).

2 Background

2.1 What is loan syndication and distribution?

Syndication in general

Loan syndication and distribution is the process of involving a group of lenders in funding various portions of a loan for a single borrower. It most often occurs when a borrower requires an amount too large for a single lender to provide or when the loan is outside the scope of a lender's risk-exposure levels. Thus, multiple lenders form a syndicate to provide the borrower with the requested capital.

Through syndication, financial institutions primarily intend to spread the risk of financing a project. Individual return from the investment is proportionate to the degree of risk or amount of funds that each has put up or underwritten.

A syndicate is a general term describing any group formed temporarily to conduct a commercial loan financing. Syndicates can be organized as corporations (formal) or partnerships (informal). For example, a group of investors (Investment Banks, MDBs, Commercial Banks, etc.) underwriting and distributing new issues of securities or blocks of outstanding issues can constitute a syndicate.

A syndicated loan (or 'syndicated bank facility') is a large loan in which a group of banks work together to provide funds for a borrower. A syndicated loan is the opposite of a bilateral loan, which only involves one borrower and one lender[1]. The cost of a syndicated loan consists of interest and several management fees, commitment fees, participation fees, structuring fees, front-end fees, agency fees and underwriting fees when a bank or a group of banks underwrites the loan. Spreads over a base rate such as LIBOR or

[1] You can also have a club deal which is 3-4 banks. From bilateral, you move to club deal and then syndicated loan when more players are involved.

EURIBOR depend upon borrower's credit worthiness, size and term of the loan, state of the market (e.g. the level of LIBOR, supply of non-bank deposits to the EURO banks,) and the degree of competition for the loan.

Loan distribution

The concept of loan distribution is method of selling down loans either in the primary or secondary loan markets. This concept allows the Bank to more efficiently manage the velocity of the loan portfolio, use it as an exposure management tool in cases where there might be single obligor, country or sectorial headroom constraints, and seldom, but in some cases as a way to earn fee income if an asset can be sold at a premium.

The process

The main stages of the loan syndication and distribution are the following: *the pre-mandated stage* during which the details of the proposed transaction are discussed and finalized, *the post-mandated stage* during which the syndication process takes place and facility agreements are negotiated, and the operational *post-signing stage*[2].

- The **pre-mandated stage**: A borrower assigns one or more financial institutions (arrangers) to negotiate a loan agreement. Generally, one of the institutions is appointed a Mandated Lead Arranger (MLA) with the mandate to negotiate the key loan terms with the borrower, appointing the participants/lenders and structuring the syndicate. The MLA is compensated through various fees linked to the transaction and participants to the syndicate receive a compensation essentially composed of a spread, a participation fee or front-end fee, commitment fee and other negotiated fees as the case may be.
- The **post-mandated stage** involves the mobilization of the loan and its distribution up to financial closure. During this stage, the MLA coordinates documentation preparation that covers all aspects of the project to be financed and information on the borrower's creditworthiness and the loan terms. Potential participants are invited to join the syndicate depending on interest or previous experience with the borrower, in that particular industry or sector. Following steps to reach financial close are negotiations, determination of participants' allocations, and formal signature of the loan.
- The **post-signing stage** takes place after the completion date when the deal becomes active and the loan is operational, binding the borrower and the syndicate members by the debt contract. An agent is often contracted to monitor the implementation of the project and the loan reimbursement.

The parties involved

The MLA and participating banks are the main parties involved in loan syndication. A typical syndication involves the following parties, other than the borrower, in the syndication process. These are arranger, underwriting Bank, Participating Banks, Bookrunner, Legal Counsel, Security Trustee/Agent and the facility manager agent. Their roles are defined as follows:

- **Mandated Lead Arranger (Arranger/lead manager)**: It is a bank which is mandated by the prospective borrower and is responsible for placing the syndicated loan with other banks and ensuring that the syndication is fully subscribed. This bank charges arrangement fees for undertaking the role of lead manager. Its reputation matters in the success of syndication process

[2] Godlewski, C. (2010). How to get a syndicated loan fast? The role of syndicate composition and organization. *Finance*, vol. 31(2), 051-092. doi:10.3917/fina.312.0051.

as the participating banks would agree or disagree based on the credibility and assessment expertise of this bank.

The Arranger may also be the **Bookrunner**[3] whose responsibilities are to issue invitations to participate in the syndication, disseminate information to prospective participants, and inform the Borrower about the progress of the syndication.

- **Underwriting bank**: Syndication is a process of arranging loans, success of which is not guaranteed. The arranger bank may underwrite to supply the entire remainder (unsubscribed) portion of the desired loan and in such a case arranger itself plays the role of "underwriting bank". Alternatively, a different bank may underwrite (guarantee) the loan or portion (percentage of the loan). This bank would be called the "underwriting bank". It may be noted that all the syndicated loans may not have this underwriting arrangement. Risk of underwriting is obviously the "underwriting risk". It means it will have to carry the credit risk of the larger portion of the loan.
- **Participating banks**: These are the banks that participate in the syndication by lending a portion of the total amount required. These banks charge participation fees. They carry mostly the normal credit risk i.e. risk of default by the borrower.
- **Legal counsel:**[4] The legal counsel advises the lenders, prepares the credit documents, and is generally referred as "the lead counsel". The role of the lead counsel is principally to prepare the credit document – the credit agreement, the forms of promissory notes, guarantees, security agreements, intercreditor agreements, and all the documents that support or relate to the credit agreement – and to conduct the legal review of the transaction.
- **Security Trustee/Agent**[5]**:** The Security Trustee/Agent is responsible for holding the security of the assets of the borrower on behalf of the syndicated loan participants. In case of enforcement, the Trustee manages the negotiations with the borrower, and enforces the security according to the lenders' instructions.
- **Facility manager/agent:** the facility manager takes care of the administrative arrangements over the term of the loan (e.g. Disbursements, repayments and compliance). It acts for and on behalf of the banks. In many cases the arranging/underwriting bank itself may undertake this role. In larger syndications, co-arranger and co-manager may be used.

2.2 Loan syndication at AfDB

As part of its strategic ambition of mobilizing additional financing from private investors (mainly banks DFIs and investment funds) to fund long-term private sector projects, the Bank has been seeking new and creative ways to support Africa's transformation to further leverage its own balance sheet. B loans and Co-financings are some of the key ways the Bank's leverages its own resources and stretch its capital for greater impact. For non-sovereign operations, B loans and co-financings are in partnership with private sector oriented DFIs, investments funds, international and local commercial banks, investment banks as well as international and local institutional investors.

Policies

The Bank has developed since 2008, operational guidelines for the syndication of Non-Sovereign Guaranteed loans. These guidelines, revised in 2017, are complementary to the Bank's (i) private sector operations policies, (ii) the policies for lines of credit, (iii) agency lines and guarantees to private sector

[3] AfDB Operational Guidelines for Syndication of Non-Sovereign guaranteed Loans (2008)
[4] *The Business Lawyer* Vol. 64, No. 3 (May 2009), pp. 783-800 (18 pages)
[5] Corporate Finance Institute

financial institutions, (iv) the revised financial guidelines for non-sovereign guaranteed loans and (v) the operational guidelines for non-sovereign guaranteed loans to public sector enterprises.

They defined syndicated loan as "typically a large loan in which a group of financial institutions (the Syndicate) work together to provide funds to a borrower. Usually, one or more lead banks (the Arranger) take a percentage of the loan and syndicate the rest to other financial institutions. To ensure that the borrower does not have to deal with all syndicate members individually, an Agent (the Agent) acts as the focal point for and on behalf of all syndicate members."

In describing the rationale for introducing B-loan program, the guidelines state the key role of AfDB in Africa is to mobilize additional funding for development. The primary objective of the B-loan program is to attract private capital to the continent with the involvement of the AfDB in the transaction as lender of record and co-financier thus increasing of foreign direct investment (FDI) in Regional Members Countries. It also broadens the Bank's mandate by mobilizing loans from financial institutions that are interested in lending to projects in Africa under the umbrella of AfDB's preferred creditor status on the continent.

Institutional framework

Prior to January 2018, the Bank's (Non-Sovereign Guaranteed Loan) Syndication activities was domiciled and delivered through the Private Sector Department (OPSD/PISD/PSD). The Syndication & Co-financing Unit within the private sector department was responsible for arranging syndicated loan facilities (including A/B loan structures to eligible lenders) with commercial lenders, DFIs and other lenders. This was reflected the Bank's institutional architecture for the processing and delivery of private sector projects. The private sector department was responsible for the origination and execution of Non-Sovereign Operations within the Bank (Infrastructure, Industries & Agric, Financial Services, Energy and Portfolio Management). The Loan Syndication service provided by the Bank was therefore delivered in conjunction with the Private Sector Department.

In early 2017, as part of the DBDM reform including the reorganization of Headquarters, the Loan Syndication and Co-financing function was enlarged and transferred into a Department known as Syndication, Co-financing and Client Solutions (FIST). This was established within the Finance Vice-Presidency to scale up syndication and co-financing activities and to promote the optimization of the Bank's balance sheet. Within FIST, a dedicated Syndication and Co-Financing team (FIST.1) was established.

FIST.1 is responsible for the Bank's relationships with B lenders and co-financiers (including commercial banks, investment funds, DFIs etc.) and for managing the loan syndication process of individual transactions. It is to spearhead all B loans and co-financing actions taken with lenders, e.g. A/B-loans, parallel loans[6], unfunded risk participations (URPs), and the operations where the Bank participates in loans arranged by commercial co-financiers or other DFIs. FIST.1 operates as a support department for NSO operations by providing required expertise to ensure syndicated loans are successfully closed. FIST.1 is expected to play a critical downstream role by (i) establishing the Bank as the leading arranger of syndicated development capital through B loans and Co-financing in Africa, (ii) mobilizing funding from

[6] A parallel loan (*vs.* a syndicated loan) is a loan provided to a Client by the Bank alongside another institution, normally a commercial bank, outside of the Bank's A/B-loan program. (A non-syndicated loan provided by a single bank is normally referred to as a bilateral loan.)

external investors as well, development partners, etc., and (iii) leveraging the development impact of the Bank's capital and resources through balance sheet optimization techniques.

Through its guidelines, the Bank has established various instruments to carry out its syndication operations. The Bank proposes to offer two loan syndication structures, the co-financing loan structure, and the B-loan structure. They are structured as follow:

- The Co-financing structure: is a parallel loan by which the Bank mobilizes various financial institutions – DFIs, ECA's, local commercial banks, multilateral agencies - to lend under a parallel facility agreement all coming under harmonized contractual arrangements, The Common Terms Agreement ("CTA"). This structure allows the Bank to collaborate with financial institutions not eligible for B loans (mainly DFIs). Furthermore, individual loan agreements are required to refer to individual policies and privileges embedded in each DFI charter.
- The B Loan structure: It is a loan structure in which the Bank sells participations to eligible B lenders through a Participation Agreement. In this structure, the Bank is the lender of record and administers entire loan (currently with services of an agent). The Bank fully shares project risks with B-loan participants on a pari passu basis and allows participants to benefit from Bank's status as Multilateral Development Bank and from its Preferred Creditor Status (PCS).

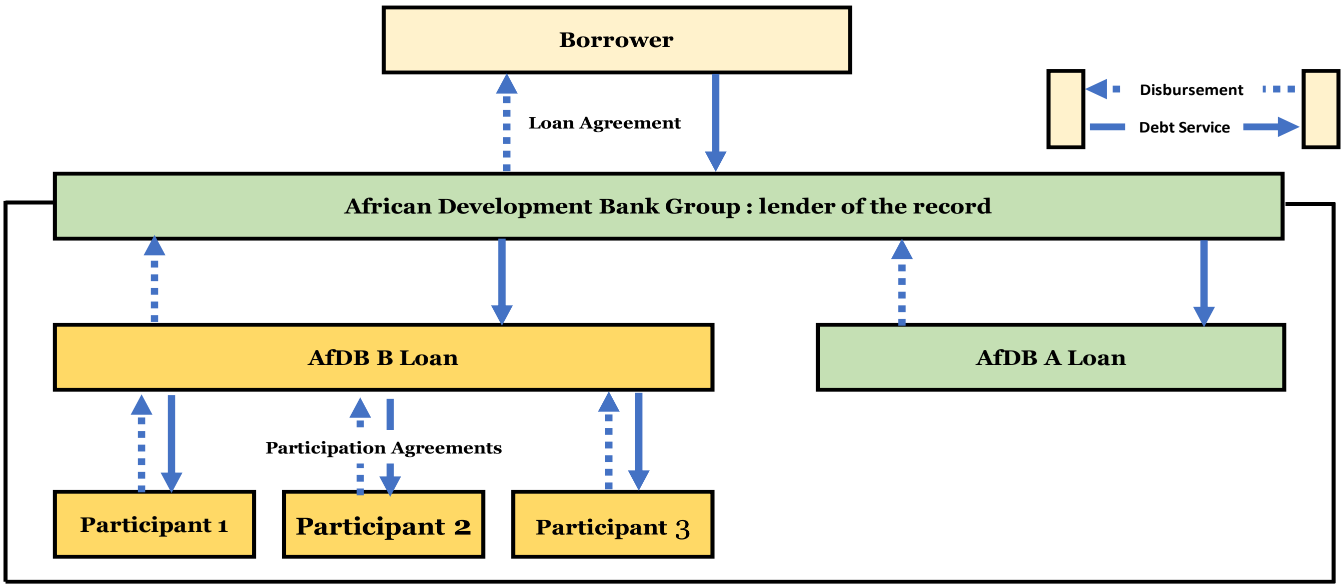
The table below summarizes the various operations under the syndication program of the Bank.

Table 1. Operations under Syndication Program

	A Loans	B Loans	Parallel Loans
Type of investor	MDBs	Commercial Banks, DFIs & Sovereign Entities	Commercial Banks, DFIs & Sovereign Entities
Investment approach	Active Deal by Deal Selection	Active Deal by Deal Selection	Active Deal by Deal Selection
Investor's strategy	Developmental Mandate	Follow their own client strategy	Developmental Mandate
Investment process	Investor makes credit approval	Investor makes credit approval	Investor makes credit approval
Tenor	Generally Long term	Generally shorter than A Loan	Generally matching A Loan
Portfolio rights	Voting	Voting	Voting
Documentation	Loan Agreement	Participation Agreement	Parallel Loan Agreement and Common Terms Agreement

The diagram below shows the relation between the Borrower, the B-loan Participants, and the AfDB, who holds the A-loan.

***Figure 1.* relation between the Borrower, the B-loan Participants and the AfDB**



Source: AfDB Operational Guidelines for Syndication of Non-Sovereign guaranteed Loans (2008)

Syndication portfolio

Since the launch in 2012 of its B loan program, the Bank has closed three B-loan transactions, two syndicated loan transactions and is currently engaged as MLA on 7 transactions that are currently in execution phase. The table below summarizes the closed transactions executed by the Bank.

Table 2. Closed transaction executed by the Bank

S/N	**Year**	**Project**	**Amount / Facility**	**Description**	Details of the loan
1	2011	Transnet SOC	US$410mm and ZAR2.703Bn Facilities	The project consists of a loan to support Transnet's 5-year Capital Investment Program. The program will revitalize and expand existing infrastructure and address maintenance deficiencies, especially at Transnet Freight Rail.	A loan : ZAR2,703,000,000 B Loan US$410,000,000

<table>
<tr><th>S/N</th><th>Year</th><th>Project</th><th>Amount / Facility</th><th>Description</th><th>Details of the loan</th></tr>
<tr><td>2</td><td>2014</td><td>LTWP Euros</td><td>EUR 625 million</td><td>The Project involves the Construction and operation of a 300 MW wind farm near Lake Turkana in the Great Rift Valley, in north-western Kenya. The wind farm will comprise 365 turbines of 850KW capacity each.</td><td><table>
<tr><th>Instrument</th><th>Tranche</th><th>Source</th><th>Amount</th><th>Share</th></tr>
<tr><td>Equity</td><td>Equity</td><td>LTWP (KP&P, Aldwych, Norfund, IFU)</td><td>125</td><td>20%</td></tr>
<tr><td>Sub Debt</td><td>Sub Debt</td><td>Subordinated Debt (includes 10M AfDB loan)</td><td>63</td><td>10%</td></tr>
<tr><td rowspan="5">Senior Debt</td><td rowspan="4">DFI Tranche</td><td>AfDB Loan</td><td>90</td><td>14%</td></tr>
<tr><td>AfDB-EKF Loan</td><td>20</td><td>3%</td></tr>
<tr><td>EIB Loan</td><td>100</td><td>16%</td></tr>
<tr><td>AfDB Syndicated Loan</td><td>127</td><td>20%</td></tr>
<tr><td>Commercial Tranche</td><td>Commercial Bank Loan</td><td>100</td><td>16%</td></tr>
<tr><td>Total</td><td></td><td></td><td>625</td><td>100%</td></tr>
</table></td></tr>
<tr><td>3</td><td>2016</td><td>Eskom SOC US</td><td>$975mm Loan Facilities</td><td>The corporate loan will assist Eskom, South Africa's electricity company, to complete its CEP including completion of: Ingula Plant (1332 MW), Medupi Plant (4764 MW) and Kusile Plant (4800 MW);</td><td>Loan A US$10,000,000
Loan B US$965,000,000</td></tr>
</table>

The bank has also closed two syndicated loan transactions in 2019 – Ghana Cocoa Board US$600m and Redstone CSP 100MW ZAR7.6bn projects

While the syndication operations from the Bank have been able to mobilize substantial amounts, it also appears that they have been limited in numbers; over a period of 10 years, the Bank has been able to successfully arrange and complete only 5 syndicated loan transactions. This performance is in contrast with the Bank's Long-Term Strategy and the objectives of the High 5s to boost and leverage the Bank's balance sheet by mobilizing private sector financing for projects. Achieving this objective will require better performance and more collaboration between the syndications & co-financing operations and the private sector operations. It raises important questions regarding the institutional framework in place for syndication operations, its approach to originating transactions and incentives attached to syndication and co-financing, the dedicated resources, and the bank's capacity to deliver on this objective.

3 The evaluation framework

3.1 Purpose

The purpose of this evaluation is to provide the Bank with evidence-based knowledge on the performance of the loan syndication and distribution operations. This exercise should provide evidence on issues around loan syndication and distribution at the Bank, as well as identifying levers of improvement.

3.3 Objectives

The proposed evaluation aims to facilitate learning at the Bank by providing an evidence base on the current state of performance of loan syndications and distribution at the AfDB. Specifically, the objectives of the evaluation are:

- To provide an assessment of the effectiveness and efficiency of loan syndication operations at the AfDB.
- To identify the factors affecting the performance of loan syndication and distribution and the conditions under which they could achieve results.
- To provide the Bank's Management and the Board with lessons and recommendations towards improving the effectiveness of the present and future syndications operations.

3.4 Scope

The Bank loan syndications and distribution will cover the period between 2008 and 2018 and will assess the syndications operations conducted during the given period. The evaluation will cover the assessment of the existing guidelines, the portfolio, existing processes and development results.

3.5 Audience

The findings of this evaluation are directed to various internal and external stakeholders.

i. The Board of Directors to inform their discussions and guidance to Management to improve a range of issues including B loans, co-financing, trust funds and policy dialogue.

ii. The Bank's Senior Management to improve the policies and strategies pertaining to financing and non-financing partnership issues.

iii. The Syndications, Co-financing and Client Solutions Department (FIST) in improving its operations of syndications and co-financing; and

iv. Operational Complexes, Regional Directorates and Country Offices pertaining to co-financing and syndication.

3.6 Approach and methodology

The evaluation will respond to specific questions based on the need of the primary users of the evaluation with the intent of ensuring the utilization of the evaluation and its findings to inform the Bank's decision-making process and improve performance. To this effect, the evaluation will resort to mixed methods and tools.

The evaluation will also review the internal capacity and readiness of the Bank to enter into effective partnerships to achieve its corporate goals taking into consideration changes of the DBDM process.

The loan syndications and distribution analysis will be based on the operating guidelines approved in 2008.

A portfolio analysis will be conducted to assess the syndicated loans arranged by the Bank since 2008 and a sample of loan operations will be reviewed to determine their development outcomes on one hand and the effectiveness of the syndication process on the other hand.

The analysis will also be strengthened by an analysis of processes, capacity and incentives in place as well as perception of partners and the benchmarking with other International Financial Institutions (IFIs).

Finally, ongoing operations will also be reviewed to understand existing challenges to their success.

4 Evaluation plan

The evaluation is structured in the subsequent phases

- **Inception phase:** The inception phase determines the context, objectives and methodological approach of the evaluation.
- **Data collection phase:** This will include various activities leading to the gathering of the information the evaluation will need to form a judgment. This phase will also include activities such as the country visits, the interviews, survey and benchmarking.
- **Analysis and reporting:** All the data gathered will be analyzed during this period. Draft thematic reports that have been prepared will be reviewed and finalized following the quality assurance process.
- **Deliverables :**

Table 3 below indicates the deliverables expected and indicative periods of their delivery. Annex 1 present a detailed tentative timeline with the milestones of the assignment.

Table 3. Deliverables and indicative dates

Deliverables	Indicative dates
Inception report	*January 2020*
Technical report on loan syndication	*End of February 2019*
Final synthesis report on loan syndication	*End of April 2019*

4.1 Questions for evaluating loan syndications

The evaluation will attempt to respond to a strategic concern formulated as follows:

Are the conditions in place to make the AfDB a top performer to lead syndication arrangements in Africa?

To address this strategic concern, the evaluation questions relate mainly to the relevance, effectiveness, efficiency, and organizational performance of loan syndications and distribution operations at the AfDB. Specifically, the following broad questions will be examined:

i. How relevant is the Bank's approach to loan syndications and distribution key to achieving the LTS (2013-2022) and the High 5s?

ii. How effective are loan syndications in leveraging financing for the Bank's clients? What has been the performance of syndicated loans operations at the Bank?

iii. How well is the Bank organized, both internally and externally, to effectively deliver on its loan syndications?

4.2 Methods of Data Collection and Analysis

Evaluation tools

i. Literature review

The literature will focus on Bank-wide documents related to syndications. It will mainly help clarify all aspects related to the issue of loan syndications and distribution in the Bank and provide preliminary analysis on the funding, operations, results and lessons from past studies and eternal literature.

ii. Portfolio analysis

The analysis will focus on the loan syndications and distribution operations done and/or currently being conducted by the Bank, aiming at providing a strong analytical overview of resources mobilized, operations carried out, and cost effectiveness. As indicated, the analysis will cover the two periods 2008 – 2012 and 2013 – 2018.

iii. Project reviews

The reviews will be conducted to provide a systematic assessment of the evaluation criteria mainly considering projects funded under the syndication operations and completed during the period under scrutiny. Ongoing projects might also be assessed if found relevant. The project reviews will be essentially desk based. This review will be based on the evaluation approach for Non-Sovereign Operations (NSO)

iv. Case study

The case studies will be conducted on a selected sample of operations to offer an in-depth assessment following the project reviews. It will focus on drawing knowledge from operations and partners on project/policy dialogues/knowledge events/coordination activities executed through the syndication arrangements. The field mission will be focused on the collection of information for the case studies.

v. Key information interviews

This will provide qualitative information of the various syndication projects. The survey respondents will focus on investments officers, syndication officers, bank management as well as external stakeholders such as RMCs, Development Partners and the Private sector.

vi. Benchmark exercise

The benchmark will be conducted with similar MDBs, specifically World Bank Group, Inter-American Development Bank, European Investment Bank and the Asian Development Bank, to generate insights on best practices and lessons learned on the structuring of the loan syndications and distribution operations.

The table below present the general definition of the rating criteria of the evaluation. These rating are detailed for each component of the evaluation to determine the rating of the overall syndication program.

Table 4. Rating criteria defined

	Highly satisfactory	**Satisfactory**	**Unsatisfactory**	**Highly unsatisfactory**
Relevance	The syndication program is to a large extent aligned with the Bank's objectives, designed to ensure effectiveness, and does not suffer any major issues	The syndication program is to some extent aligned with the Bank's objectives, designed to ensure effectiveness, and suffers some minor issues	The syndication program is to a limited extent aligned with the Bank's objectives, designed to ensure effectiveness, and suffers some major issues	The syndication program is not aligned with the Bank's objectives, not designed to ensure effectiveness, and suffer major issues
Effectiveness	The syndication program through its operations have achieved expected	The syndication program through its operations have achieved expected	The syndication program through its operations have achieved expected outputs and	The syndication program through its operations have not achieved

	Highly satisfactory	Satisfactory	Unsatisfactory	Highly unsatisfactory
	outputs and outcomes to a large extent	outputs and outcomes to some extent	outcomes to a limited extent	expected outputs and outcomes
Efficiency	The results of the syndication program and its operations are delivered at optimal costs with adequate processes and practices in line with good international practices	The results of syndication program and its operations are delivered are delivered at less optimal costs, but processes and practices are in line with good international practices	The results of the syndication program and its operations are delivered are not delivered at optimal costs and process are inadequate, but practices are in line with good international practices	The results of the syndication program and its operations are not delivered at optimal costs and processes and practices are not in line with good international practices

5 Quality assurance

The reference group of the evaluation will be composed of various bank staff and resource person representing the relevant operation complexes and specialized departments. The full reference group will be nominated following the consultations of the scoping mission. In addition, the evaluation will be strengthened by one internal reviewer and one external reviewer to help ensure the consistency and rigor of analysis in line with good evaluation practices.

APPENDICES

I. EVALUATION MATRIX

Key questions	*Sub-questions/What to look for*	*Indicators/Measures*	*Data/Information Sources/Data Collection Methods*	*Data Analysis*
1. Relevance: To what extend is the Bank's approach to loan syndications and distribution key to achieving the LTS (2013 – 2022) and the High 5s				
To what extent are the projects funded through the Syndication mechanism aligned with the Bank's policies and strategic objectives and support its resource mobilization efforts?	To what extent are the Syndication's objectives aligned to the Bank's strategies (TYS, High 5s and Sectors)? To what extent are the Syndication's objectives aligned to needs of the partners (clients/participants)?	The extent to which the objectives of Syndication are aligned with international, regional and national context, the Bank strategies and the objectives of the clients and partners. Alignment of syndication guidelines with: i) the Bank's CSP, ii) applicable Bank sector strategies, iii) the country's development strategies, and iv) the clients' needs.	Resource mobilization objectives in the High 5s and LTS Interview of key informants Documents from and interviews with Syndication and Co-financing department and private sector	Qualitative analysis Literature review
To what extent is the Syndication operations structuring relevant to achieve its objectives?	To what extent are the Bank's Syndication operational guidelines adequate to support NSO resource mobilization objectives? To what extent is the A/B loan program adapted to the needs of the Bank's clients?	The extent to which the structuring of Syndication projects was highly conducive to achieving the project results? The extent to which Bank's clients find the A/B loan program to be adapted to their financing needs?	IDEV Evaluations Interview and documents on DBDM process Documents from and interviews with clients and partners Bank's peers benchmark Benchmarking with guidelines from other MDBs	Analysis of FIST.1 operational framework Review of the data collected from the Partners
To what extent are the Bank Loan Syndication approaches consistent with its capabilities, strategies, partners/clients' needs?	Does the Bank have enough capabilities and resources in place to establish itself as the leading arranger of Syndicated development co-financing in Africa? How consistent and coherent has the Bank's approach to syndication been over the time to mobilize effectively private capital through syndication?	Resources dedicated to syndication during the period Internal guidelines conducive to the execution of syndicated loans Level of cooperation with operational department	IDEV Evaluations Interview and documents on DBDM process Documents from and interviews with clients and partners Bank's peers benchmark	Analyze Syndication portfolio Review Bank's policies and strategic objectives Review of the data from the Benchmark as comparison metrics

Key questions	*Sub-questions/What to look for*	*Indicators/Measures*	*Data/Information Sources/Data Collection Methods*	*Data Analysis*
2. Effectiveness: To what extent are the Bank's loan syndications and distribution effective in leveraging financing for its clients?				
To what extent the Bank has been able to meet clients' expectations through its loan Syndication and distribution operations.	To what extent is the Bank advancing its strategic resource mobilization priorities and meeting clients' expectations through the Loan Syndications? To what extent the Bank's Syndication approaches meet investors' expectations? To what extent Syndication partners were involved in the decision-making and implementation of the project activities? Is the Bank effective in assessing the market and offering competitive products? What about its effectiveness in competitive edge, flexibility and agility, time to process, client interest?	Planned (output targets) and actual outputs Number of transactions Number of partners/co lenders Planned outcomes and actual outcomes Clients and partners satisfaction survey Internal project cycle monitoring and stakeholder's involvement Established ground rules for collaboration Plan of joint activities among partners	IDEV thematic evaluations Information from FIST1 documents and Special Initiatives Conduct baseline survey Interviews Portfolio Analysis and analysis of case studies Review of project documents, evaluation reports (if available) for projects Perception survey/informant interviews (within AfDB/partners Field visits of borrowers and projects	Analysis of relevance of the total number of partners and clients. Analysis of features (e.g., documentation, results framework, regular meetings, preparation of written reports, etc.) to measure correlation with effectiveness. Evaluation of projects reports Clients surveys data
To what extent have the syndicated operations delivered development results?	What are the outputs and outcomes of the syndicated loans delivered by the Bank during the period? What has been the return of syndication operations for the Bank? What are the internal and external factors driving to achieving expected results? How does the experience of the Bank's Loan Syndication and distribution compare with other MDBs?			
3. Efficiency: How well is the Bank organized, both internally and externally, to effectively deliver on its loan syndication operations?				
Has the Bank put in place adequate processes for the syndication of loans?	What are the processes and policies in place for origination and internal approval? What has been the performance of the syndication process of completed transactions?	Evidence of alternative models to achieve desirable outcomes Availability of Partners and their ability to support the transaction in terms of implication, capabilities and of funding. KPIs of IOs and syndication officers	FIST documents Interviews Review of other Bank & partner documents. Perceptions gathering Review Syndication progress reports	Review and analyze process of entering into Syndication partnership in terms of time and type of agreements (MOU, MOA, LOA)

Key questions	*Sub-questions/What to look for*	*Indicators/Measures*	*Data/Information Sources/Data Collection Methods*	*Data Analysis*
	How do these compare with ongoing transactions? Has the Bank explored alternative models to achieving the desired outcomes, including whether Syndication is the best approach? Are the necessary resources (staff, time, funds) available, properly allocated, and well matched for planned Syndication project activities both in the syndication department and other relevant departments of the bank? What are the internal incentives in place to promote the syndication business? Is there a robust performance framework which enables the Bank to manage progress towards delivering both actions and outcomes?	Nature of the Syndication participants. Increased Bank's Lending portfolio Established Syndication practices including Results Measurement Baseline information/Theory of Change. Existence of risks analysis framework and mitigation measures. Reduced Syndication transaction costs and/or increased Syndication fees.	Review time taken to build up Syndication partnership "from formation, building to maintenance". Market conditions and competition	Assessment of the partners assets and capabilities against B lender requirements and the Bank's objectives Portfolio Analysis Structure of legal agreements (Participation agreement, loan Agreement, Common Terms Agreement)

II. GENERIC STAKEHOLDER INTERVIEW GUIDES

NOTE:

- *This generic interview questions will be adapted to different stakeholders. It should be noted that the interviews will be conducted in an iterative and complementary manner.*
- *All interviews are confidential to protect the identity of all informants. Information shared by key informants should be used while strictly ensuring their anonymity. In the cases, some information would be quoted, the interviewer must confirm the prior agreement of the interviewee.*

1. The Bank's Staff

Criteria	Questions
Relevance	1. In your views do you see the Loan Syndication objectives, in terms of private capital mobilization, aligning with the Bank's strategies (TYS, High 5s and sectors)? 2. Are the Bank's Loan Syndication objectives in line with the clients and partners needs/requirements? 3. How would describe the relevance of the Bank's Syndication operational guidelines with regard to its private capital resource mobilization objectives? Do you find them up to date compared to current market trends and practices? 4. What would be your recommendations ensuring that the Bank's Syndication operational guidelines would secure the best options possible for loan syndication projects? 5. How do you see the internal structuring process within the Bank of loan syndication projects? Do you feel all the relevant stakeholders are associated to the project? 6. Is the Bank well equipped (capabilities, resources, organization…etc.) to establish itself as the leading arranger of Syndicated development co-financing in Africa?
Effectiveness	7. Do you see the Bank leveraging on the Loan Syndication initiatives to achieve its strategic resource mobilization priorities and meeting clients' needs? 8. How would you rate the Bank's Loan Syndication approaches with regard to investors' expectations? 9. In your views what are the main challenges and opportunities in Syndication initiative design and implementation? How could the Bank leverage on those opportunities and overcome the challenges? 10. Is the Bank resourced with appropriate human, institutional, and contextual capacity to manage Loan Syndication projects? 11. How successful do you think the Bank has been in syndicating loans so far.? 12. What lessons have you learned from previous deals and that are being applied in ongoing ones? 13. What lessons or best practices do you know of that you believe are not currently being learnt from or applied? 14. What would be your recommendations to improve the loan syndication work in the Bank?

	15. How would you compare the experience of the Bank's Loan Syndication compare with other MDBs/DFI?
Efficiency	16. How are potential B-Lenders identified and selected? Are they involved in the upstream structuring of the Bank Loan Syndication projects? 17. Do you see the Bank exploring alternative models to achieving the desired outcomes, including whether Syndication is the best approach? 18. Are the necessary resources (staff, time, funds) available, properly allocated, and well matched for planned Syndication project activities? 19. Is there a process of balancing benefits/value-addition and costs when entering into Syndication? Which costs occur most frequently and how do they affect Syndication projects? 20. Is there a robust performance framework that enables the Bank to manage progress towards delivering both actions and outcomes? 21. How do you see the income contribution of the Bank's Loan Syndication projects? 22. How can be those achievements compared to the figures of other MDBs? 23. What lessons and recommendations can you share to make loan syndications more efficient

2. The Bank's Clients

Criteria	Questions
Relevance	1. To what extent do you see AfDB Loan Syndication approaches aligning with your expectations? 2. In your views, is the AfDB well equipped to be the leading arranger of Syndicated development co-financing in Africa? 3. How would you compare the AfDB Loan Syndication processes to the other MDBs DFI and Commercial Banks?
Effectiveness	4. How effective do you find the AfDB Loan Syndication timeline with regard to your financing needs? Is the project planning well-structured and respected? What changes would you like to see in the project lifecycle (e.g.: Timeline, Planning, Processes…etc.)? 5. From your perspective, do the AfDB Loan Syndication approaches meet your needs and expectation? Where do you see areas of improvement? 6. To what extent have you been involved in the Loan Syndication project lifecycle? 7. How would you rate the performance of the Bank as a MLA? How would you rate the performance of the other participants? 8. How would rate other functions of AfDB 9. Do you see AfDB with relevant processes and resources with enough flexibility in place for quality results to support its Loan Syndication initiatives? 10. How does your experience with AfDB Loan Syndication compare with other MDBs or Commercial Banks' approaches? 11. How would rate the AfDB as Leading Arranger of Syndicated loans?
Efficiency	12. Did AfDB fully understand your needs and expectations, and embedded them while structuring the Loan Syndication project, and selected the participants accordingly? 13. Do feel that the necessary resources (staff, time, funds) were available, properly allocated by the AfDB, and well matched for your Syndication project activities? 14. In your views, are the selected Syndication participants the most appropriate in line with your expectations and needs? 15. Would you partner again or recommend AfDB as Leading Arranger for syndicated loans across the continent?

3. Partners and B Lenders

Criteria	Questions
Relevance	1. Do you see the AfDB Loan Syndication approaches aligned with your ambitions and expectations? 2. In your views, to what extent does the AfDB Loan Syndication's approach involve all the relevant participants? Do you see any area of improvement the Bank relationship with its co-financiers? 3. From your perspective is AfDB well equipped with enough capabilities and resource in place to establish itself as the leading arranger of Syndicated development co-financing in Africa? In your views, what are AfDB assets and competitive advantage to leverage on to better ensure this positioning? What do you see as main challenges to be managed? 4. Have syndication and co-financing, operations processes, and pricing principles been responsive to market expectations and conditions? What factors explain utilization levels of the Bank's syndication solutions?
Effectiveness	5. In your views, what are the external factors driving to achieving Loan Syndication expected results? 6. To what extent Syndication partners were involved in the decision-making and implementation of the project activities? 7. Do you see AfDB with relevant processes and resources with enough flexibility in place for quality results; to support its Loan Syndication initiatives? 8. How does the experience of the AfDB Loan Syndication compare with other MDBs? 9. In your views, are the Bank's Syndication Operational Guidelines relevant with market best practices, and aligned with clients' needs, while meeting the partners expectations?

Efficiency	10. To what extent do you benefit from AfDB's: Preferred Creditor Status (PCS) Recognition of its Risk Mitigation (by Regulators, Rating Agencies, Basel II) Private PRI (Political Risk Insurance) providers Environmental and social leadership Structuring and restructuring skills 11. Are selected partners the most appropriate in line with the AfDB private capital mobilization objectives and the participants expectations? 12. To what extent AfDB through its Loan Syndication initiatives provide the B lenders with the necessary risk mitigation to achieve bankable transactions structure? 13. To what extent are AfDB's loan documentation templates in line with acceptable market standards?
Recommendations	14. What changes should the Bank make to its pricing model to be more competitive? 15. What improvement could be made regarding processes, product range, features, client focus, underling policies, business model, institutional support, resources, incentives, 16. Should the Bank extend the syndication to sovereign operations and develop as a developmental approach to syndication in order to streamline its use? 17. What other changes could be made to increase the use of syndication in the Bank?

4. **Questionnaire for Benchmarking**

Criteria	Questions
Relevance	1. Did you liaise with internal departments before drafting your strategy? If so, did you find that there was general support for co-financing and syndications? From which departments? 2. Is loan syndication incorporated in the Bank's strategy and what role does it play in supporting growth of lending towards say infrastructure financing 3. Do you have a Board mandate requiring that other departments use your department? If not, do you think that would have made a difference in the relative success of your department? 4. What do you think would make your department used more widely internally? 5. Is the Loan Syndication used as a key instrument in your private capital resource mobilization strategic ambitions? 6. To what extent are your objectives in terms of Loan Syndication aligned to the needs of yours partners (clients/participants)? How do you assess the alignment? 7. Did you establish operational guidelines for your Loan Syndication projects? To what extent are they helping you to achieve your objectives of resource mobilization? 8. How often do you keep them updated to the market best practices and the evolving clients' needs? 9. To what extent your Loan Syndication approach involves all the relevant internal stakeholders? 10. How critical is loan syndication to the success of a certain type of transaction or project? 11. Market – what kind of loans are available/have been executed in the markets we operate in by DFIS/commercial banks/lenders; What are the trends; what are the gaps between what clients want, what is on offer, what AfDB offers and commercial bank market? 12. Drivers for the syndication levels; what factors affect utilization; is the design of the Bank's offering conducive to achieving successful syndication 13. How relevant are conferences and seminars in creating awareness of AfDB's syndications operations and expertise
Effectiveness	14. To what extent is the Loan Syndication helping your organization achieving its private capital mobilization priorities while meetings clients' expectations? 15. Which external organizations (banks, MDBs, or otherwise) do you work most closely with? How do you see your Loan Syndication approaches meeting investors' expectations?

	16. Do you regularly engage in price and terms benchmarking? If so, how often, and with which organizations? 17. In your views, what the key internal and external factors driving to achieving expected results? 18. What have you found is your biggest operational challenge – internally and externally? 19. How do you see your Loan Syndication experience and approaches compare with your peers (MDBs/DFIs)? 20. What resources do you use and what capabilities do you leverage put your organization as leading arranger of Loan Syndication transactions across the continent? What is your pricing structure for loans (public and private) and co-guarantees (public and private)? 21. What is your usual Loan Syndication project timeline (from the mandate to the financial closing)? How do your clients feel about the project process and timing? 22. How instrumental was syndication to bringing transactions to financial close? 23. Has syndication contributed to other operational objectives such as instilling commercial/market discipline in operations, achieving co-financing targets, lowering project costs, improving financing terms such as tenors, freeing up headroom? 24. What courses and trainings will help drive best practice and standards for an effective syndication operation?

Efficiency	25. How do you select your Loan Syndication project participants? What criteria do you use? How do you associate the external participants to the project structuring? 26. Do you feel your organization is well integrated or are departments operationally siloed? If siloed, has that prevented your department from being as successful as it might otherwise have been? 27. How difficult (or easy) was it for the co-financing/syndications division to become integrated into your organization, and why? 28. Which departments currently, and historically, have used your department the most for co-financing and syndications? 29. Are the necessary resources (staff, time, funds) available, properly allocated, and well matched for planned Syndication project activities? 30. Do you have a process of balancing benefits/value-addition and costs when entering into Syndication? 31. Which costs do you see occurring the most frequently and how do they affect Syndication projects? 32. Do you have performance framework that enables you to manage progress towards delivering both actions and outcomes?