

Enhancing **Private Sector** Development In **Africa**



AFRICAN DEVELOPMENT BANK GROUP



The African Development Bank (AfDB) is a regional multilateral financial institution, engaged in promoting sustainable economic growth and alleviating poverty in its 54 Regional Member Countries (RMCs). Established in 1964, AfDB shareholding structure comprises 54 African countries and 26 Non-African Countries.

The AfDB provides a range of financial products for the private sector to complement its traditional lending operations to governments. Private Sector Operations of the Bank Group promote strong social and corporate governance standards as well as help African Companies achieve international best practices, making them more competitive at home and in the international marketplace.

AfDB: Africa's Premier Development Financial Institution

AAA by all rating agencies

<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Africa</div> <ul style="list-style-type: none"> Algeria Angola Benin Botswana Burkina Faso Burundi Cameroon Cape Verde Central African Rep. Chad Comoros Congo Côte d'Ivoire D. R. Congo Djibouti Egypt Equatorial Guinea Eritrea Ethiopia Gabon Gambia Ghana Guinea Guinea Bissau Kenya Lesotho Liberia Libya Madagascar Malawi Mali Mauritania Mauritius Morocco Mozambique Namibia Niger Nigeria Rwanda S. Tome & Principe Senegal Seychelles Sierra Leone Somalia South Africa Sudan Swaziland Tanzania Togo Tunisia Uganda Zambia Zimbabwe 	<ul style="list-style-type: none"> ■ African Development Bank (AfDB) <ul style="list-style-type: none"> – Established in 1964 – Authorized capital - US \$ 102 billion – 54 African and 24 non-African countries ■ African Development Fund (ADF) <ul style="list-style-type: none"> – Established in 1972 – Subscriptions - US\$ 28 billion – Primarily financed by non-African countries ■ Nigeria Trust Fund (NTF) <ul style="list-style-type: none"> – Set-up by Nigeria in 1976 – Capital – US\$ 200 million 	<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Europe</div> <ul style="list-style-type: none"> Austria Belgium Denmark Finland France Germany Italy Luxembourg Netherlands Norway Portugal Spain Sweden Switzerland UK
		<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">North & South America</div> <ul style="list-style-type: none"> Argentina Brazil Canada USA
		<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Middle East</div> <ul style="list-style-type: none"> Kuwait Turkey Saudi Arabia
		<div style="background-color: #008080; color: white; padding: 5px; text-align: center; font-weight: bold;">Asia</div> <ul style="list-style-type: none"> China Korea India Japan

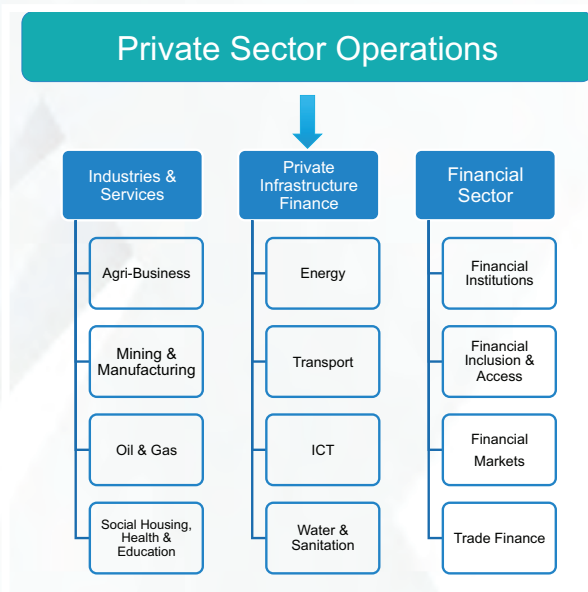
Development Objectives and Strategy of the African Development Bank's Private Sector Operations

Africa is experiencing unprecedented economic growth, and the key objective of the AfDB Group's Strategy 2013-2022 is to support the transformation of the continent by improving the quality of that growth - making it shared and more sustainable. Consistent with its institutional mandate, private sector development is a strategic objective and priority of the AfDB, as enunciated in the Private Sector Development (OPSD) Strategy with the overriding vision of a competitive private sector across Africa.

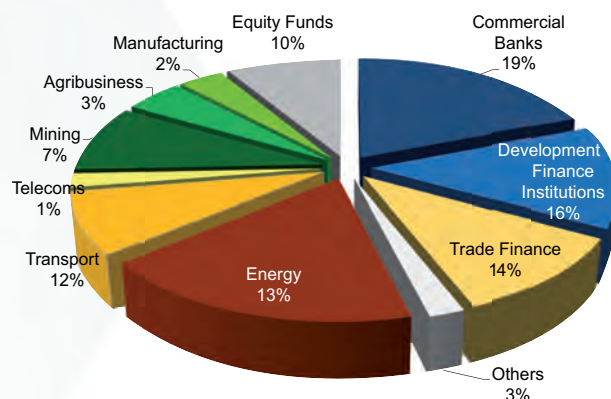
The private sector activities of the Bank focus on three broad business segments: (i) infrastructure-related projects (especially those involving Public-Private Partnerships), (ii) real sector anchors (manufacturing, industries, oil and gas, and services), and (iii) financial sector with inclusive finance as anchor. It also supports programs designed to help the development of SMEs, promote privatization projects, and to enhance the business climate.

Areas of Focus

To achieve its objective of inclusive and green growth, the Bank has enacted private sector development as a core strategic priority.



Private Sector Portfolio by sectors



Our Instruments

Senior Debt	Equity	Subordinated Debt
<ul style="list-style-type: none"> • 1st Rank Security • Debt Service Reserve • Cash Waterfall Priority • Reasonable Collateral 	<ul style="list-style-type: none"> • Quasi Equity • <25% of equity capital • Shareholder 1st refusal 	<ul style="list-style-type: none"> • USD, EUR, JP, and ZAR • Local Currencies • Interest Rate Premium • Reasonable Collateral
Guarantees	A/B Loans	Technical Assistance
<ul style="list-style-type: none"> • Partial Risk • Partial Credit 	<ul style="list-style-type: none"> • A/B: 1/3 • Participation Agreement • Mitigate Country Risk through PCS • Commercial Banks 	<ul style="list-style-type: none"> • Capacity Building • Grant Funding • Legal Reform Support • Facility modernization



In this context, the Bank works closely with other organizations and financial institutions (in particular multilateral and bilateral partners) involved in promoting private business in Africa.

Eligibility for Bank Assistance

To be eligible for the Bank's assistance:

- An enterprise should be privately owned and managed, and it must be located and incorporated in a Regional Member Country of the Bank, whether promoted by African or non-African investors.
- An enterprise partially or totally owned by the government may also be eligible for the Bank's private sector window assistance provided that it satisfies the criteria of operational autonomy and managerial freedom, and is run on a commercial basis. No sovereign guarantees are accepted.
- The total amount of Bank assistance to any enterprise, including loans, guarantees and underwriting commitment does not normally exceed one third of the total cost of the project; and the Bank's equity investment will not normally exceed 25 percent of the share capital of any enterprise.
- The total project cost should at least amount to US\$ 20 million equivalent (on an exceptional basis, the Bank may finance smaller projects if they have high potential development impact, with a strong spillover effects into the economy). This prevents the Bank from competing on smaller projects with local banks, which are in a better position to respond to small business.

Project Finance

Bank financing may be considered for projects to establish, expand, diversify and modernize productive facilities in various sectors, with the exception of real estate business.

The Bank's assistance is designed to complement rather than compete with private sources of finance, stimulating and supporting entrepreneurs, investors and bankers' initiatives, and providing direct financial support for worthy projects. Within this framework, the Bank plays a catalytic role and provides comfort in financial mobilization.

In addition, the project must:

- Be consistent with the country's economic development objectives;
- Possess the required financial and economic viability in order to have high chances of success;
- Present a sound project concept, as well as strong features in terms of technology, sponsorship and management with a confirmed market for the project's products and/or services;
- Contribute to the generation of foreign exchange earnings and savings, employment creation, labor and management skills enhancement, and has an end result of increased global productivity of local communities; and
- Comply with the AfDB's Environment Assessment Guidelines and the prevailing environmental regulations of the host country.

Application Procedure

To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises should submit a preliminary application covering, in general, the information listed below.

1. Description of the project (sector, location, production volumes, etc.);

2. The Sponsors, including financial and managerial background;
3. Cost estimates, including foreign exchange requirements;
4. Financing plan, indicating the amount of desired AfDB financing
5. Key technical and environmental features;
6. Feasibility indicators;
7. Business climate, market prospect, including proposed marketing arrangements;
8. Implementation plan, including the status of required licenses, permits, certificates, etc.

Having determined the eligibility of a project financing application, the Bank will initiate a full application review. To facilitate this, the Bank would require the following:

1. Feasibility study;
2. Business plan; and
3. Environmental impact assessment (depending on the nature of the project).

The Bank will observe appropriate confidentiality in its dealings with sponsors and the information required to consider the financing of projects.



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