

# The African Development Bank Group



## Financial Products and Services

### BOS Presentation

March 22, 2018



# OUTLINE OF THE PRESENTATION

---

**1** The Bank Group

**2** Syndications, Co-financing and Client  
Solutions Department

**3** The Bank's Menu of Products

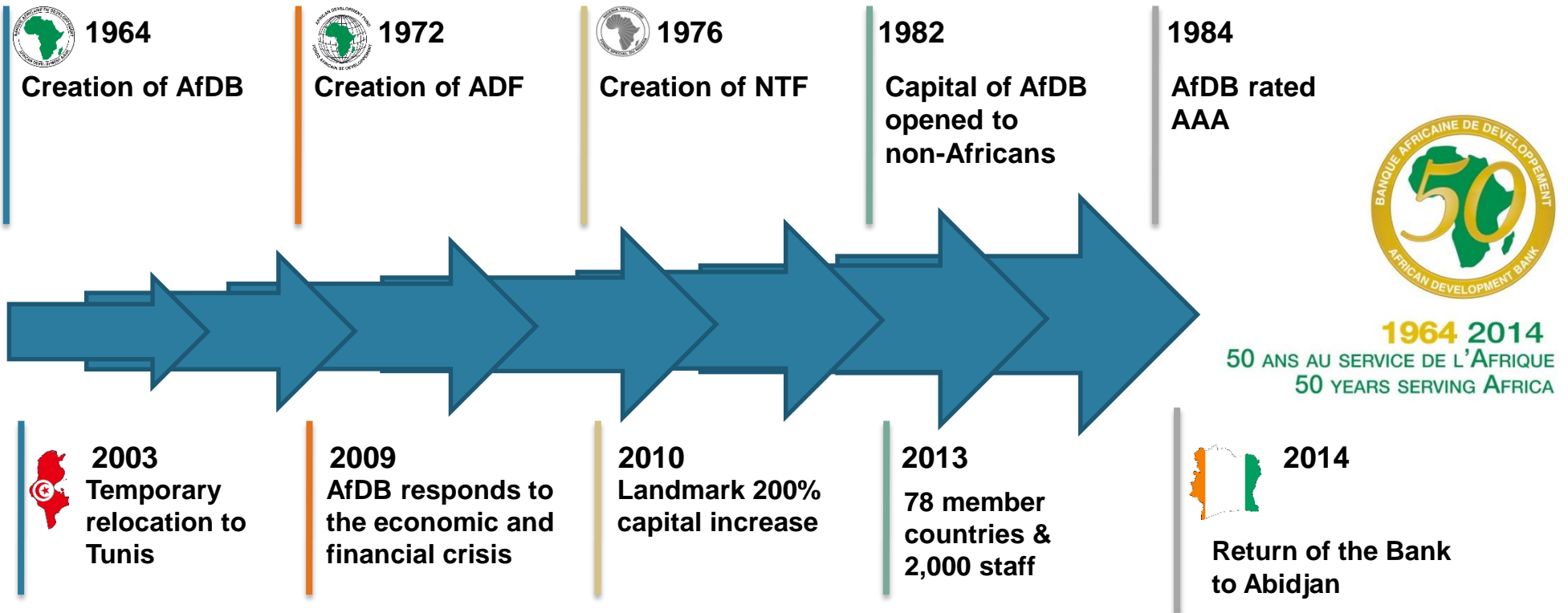


# **1** The Bank Group



# MORE THAN FIFTY YEAR HISTORY

## CHRONOLOGY OF AFDB



# WHO WE ARE

- ❑ Africa's premier development financial institution focused on reducing poverty, and improving living conditions on the continent
- ❑ Our mission & objective is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction
- ❑ The Bank Group achieves its objective by:
  - mobilizing and allocating resources for investment in Africa; and
  - providing policy advice and technical assistance to support development efforts.
- ❑ The African Development Bank:
  1. **Triple-A** by all major ratings agencies
  2. **0% risk weighting** under Basel II

**The ADB Group:** three constituent institutions, separate legally and financially, with a common goal



**African Development Bank ("ADB")**  
Established in 1964  
54 African and 26 non-African countries  
Authorised capital: USD 95 billion\*



**African Development Fund ("ADF")**  
Established in 1972  
Subscription: USD 36 billion  
Financed by 27 State participants including 4 regional donors  
*Concessional Financing Terms*

**NTF**

**Nigeria Trust Fund ("NTF")**  
Established in 1976 by Nigeria  
Maturity 2018  
*Concessional and Non Concessional Financing Terms*



# THE BANK GROUP OVERVIEW

*The Bank's regional member countries are classified according to the Bank's credit policy into 4 categories which determines which financing window they can access.*

		Creditworthy for non-concessional financing?	
		No	Yes
Per capita income above the ADF/IDA operational cut-off (USD 1,215*) for more than 2 consecutive years?	No	<b>ADF-Only</b> countries or Low Income Countries (LICs) only eligible to concessional financing	<b>Blend</b> countries Simultaneously eligible for ADB & ADF resources
	Yes	<b>ADF-Gap</b> countries eligible for ADF resources on blend terms	<b>ADB Only &amp; Graduating**</b> Middle Income Countries (MICs) countries eligible to non-concessional financing only

\*For fiscal year 2016

\*\*Graduating (Transition) countries are eligible for ADF resources on blend terms during a 2 to 5-year phasing-out period (Decreasing access to ADF resources)

# Bank Group Country Classification (as of April, 2017)

CATEGORY C – ADB (17)		CATEGORY B - BLEND (4)	CATEGORY A – ADF (34)			
Graduated (16)	Graduating (1)		ADF-Gap (6)	ADF-Only (28)		
				(3)	(17)	(7)
				Low risk of debt distress*	Moderate risk of debt distress*	High risk debt distress
<ul style="list-style-type: none"><li>Algeria</li><li>Angola (2012)</li><li>Botswana</li><li>Cape Verde (2011)</li><li>Congo, Rep. of (2014)</li><li>Egypt</li><li>Equatorial Guinea</li><li>Gabon</li><li>Libya</li><li>Mauritius</li><li>Morocco</li><li>Namibia</li><li>Seychelles</li><li>South Africa</li><li>Swaziland</li><li>Tunisia</li></ul>	<ul style="list-style-type: none"><li>Nigeria (2014)</li></ul>	<ul style="list-style-type: none"><li>Zambia (2014) (DSA yellow)</li><li>Cameroon (2014) (DSA red)</li><li>Kenya (2015) (DSA green)</li><li>Senegal (DSA green)</li></ul>	<ul style="list-style-type: none"><li>Djibouti (2013) (DSA red)</li><li>Côte d'Ivoire* (2015) (DSA yellow)</li><li>Sao Tome (2013) (DSA red)</li><li>Ghana (2014) (DSA red)</li><li>Lesotho* (2015) (DSA yellow)</li><li>Mauritania (2017) (DSA red)</li></ul>	<ul style="list-style-type: none"><li>Rwanda</li><li>Tanzania</li><li>Uganda</li></ul>	<ul style="list-style-type: none"><li>Benin</li><li>Burkina Faso</li><li>Comoros</li><li>DRC</li><li>Gambia</li><li>Guinea</li><li>Guinea-Bissau</li><li>Eritrea**</li><li>Ethiopia</li><li>Liberia</li><li>Madagascar</li><li>Malawi</li><li>Mali</li><li>Mozambique</li><li>Niger</li><li>Sierra Leone</li><li>Togo</li></ul>	<ul style="list-style-type: none"><li>Burundi</li><li>Central Afr. Rep.</li><li>Chad</li><li>Somalia**</li><li>South Sudan</li><li>Sudan***</li><li>Zimbabwe***</li></ul>

\* Country that comply with the DSA status eligibility criteria for accessing ADB sovereign resource

\*\* DSA not available; assessment and rating classification made by the Bank.

\*\*\* In debt distress.



# THE BANK GROUP ADDRESSES THE DIVERSE FINANCING NEEDS OF THE CONTINENT

## Sovereign and Sovereign Guaranteed Operations

### **AfDB Sovereign Operations**

17 middle-income countries eligible to receive AfDB funding including Nigeria which is Graduating\*\*

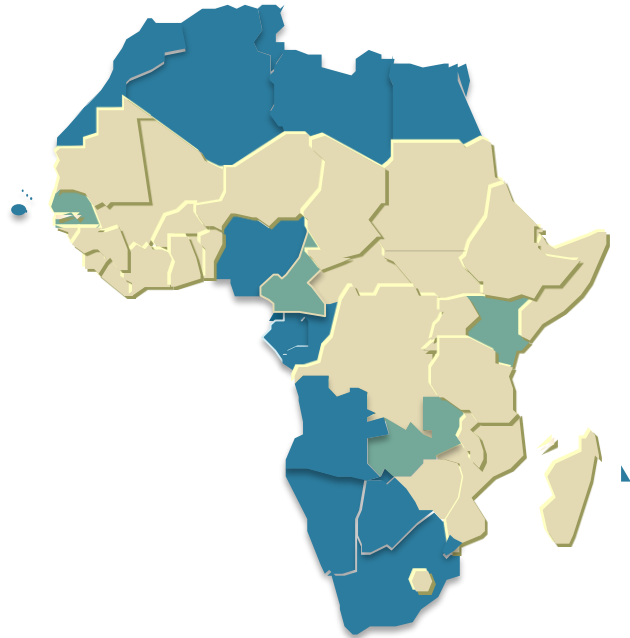
### **ADF Concessional Financing**

34 low-income countries eligible to loans and grants including

- ADF regular
- ADF Advanced
- ADF Gap

### **Blend countries with access to both AfDB and ADF**

4 countries : Cameroon, Kenya, Senegal, Zambia



## Non-Sovereign Guaranteed and Private Sector Operations through ADB window

Viable enterprises and multinational projects, additionality and development outcome

- Direct loans
- Lines of credits
- Equity participation
- Guarantees
- RMP
- Trade Finance
- TA

### **Enclave Finance**

Self-sustaining, export oriented project, located in an ADF-eligible country

### **Additionality and Development Outcome**

- Job creation
- Government revenues
- Financial return
- Foreign currency earnings
- Social and environmental safeguards

\*\* Nigeria graduated to the AfDB-only category in 2014 and is currently benefiting from a transition period of 5 years which will conclude on 31 December 2018





# Allowing ADF Countries Access to ADB Window

---

In order to respond to recent economic developments in RMCs, the Bank amended its credit policy in 2014 to allow ADF countries access to the ADB sovereign window on a case by case basis.

ADF countries *are can access ADB window if they have...*

- Low or moderate risk of debt distress under IMF DSA
- Headroom for non-concessional borrowing
- Sustainable macroeconomic position
- Request approved by the Bank's Credit Risk Committee

Access will be granted to eligible countries on case by case basis to finance viable projects. Eligibility does not guarantee access.

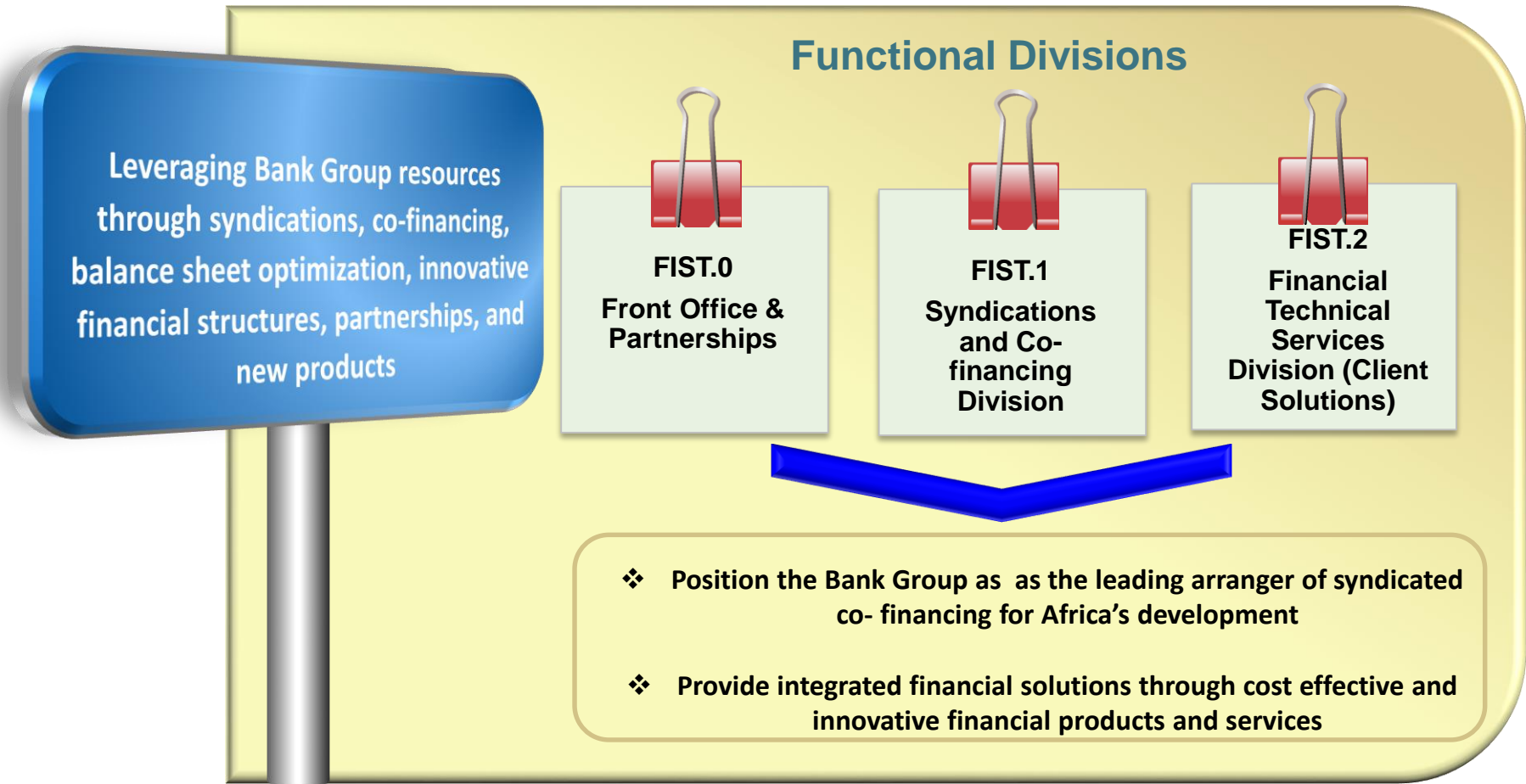


**2**

## **Syndications, Cofinancing and Client Solutions Department**



# Syndications, Co-financing and Client Solutions Department (FIST)



# FIST Key Strategic Focus Areas

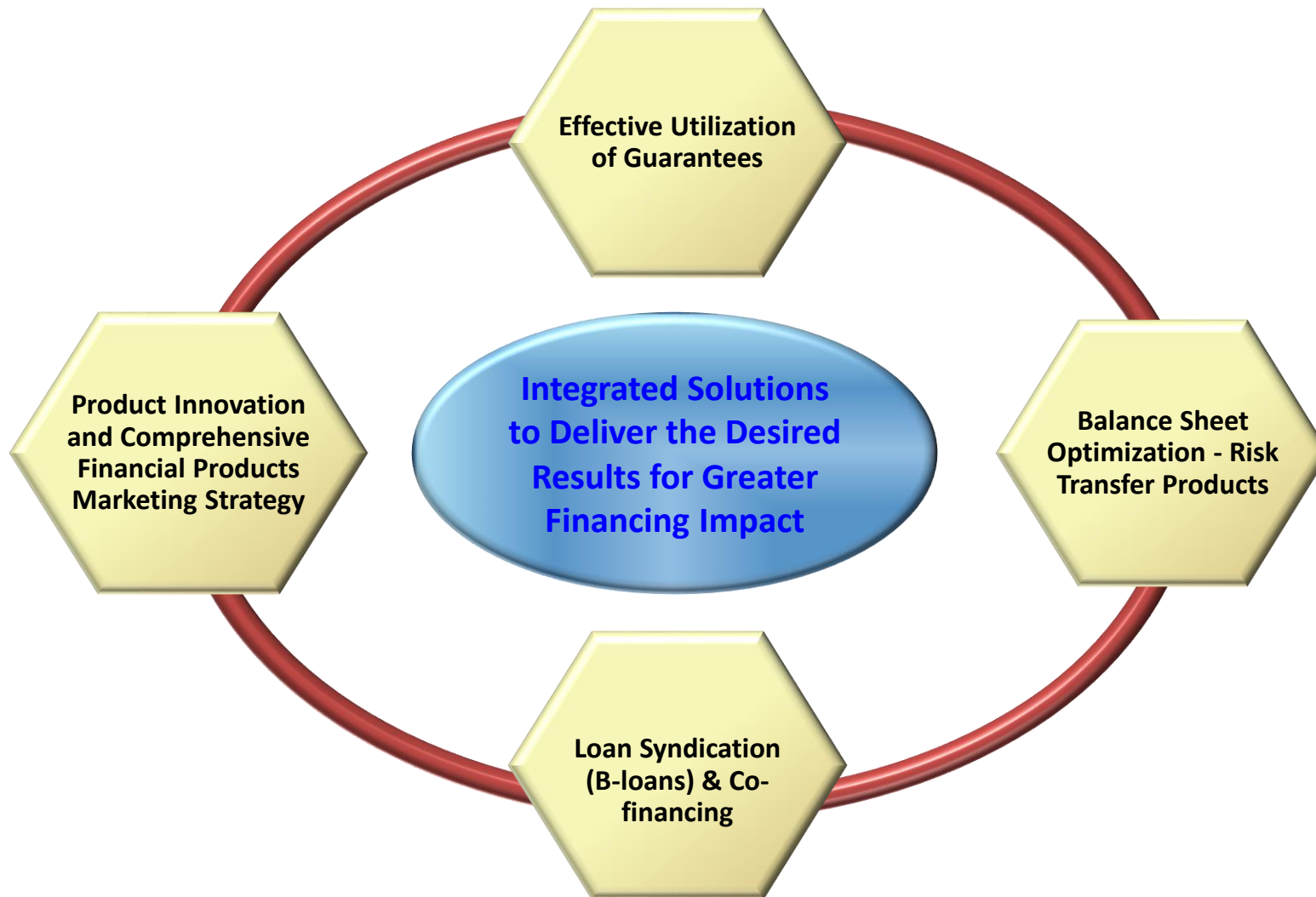
---

- ❖ Shift in Bank Group mobilization culture to increased utilization of syndicated and co-financing structures – Mainstream syndication and co-financing as standard features in Bank Group transactions
- ❖ Leverage of Bank Group limited capital through asset sell-downs, guarantees and other credit enhancement structures while also addressing the high risk perception of Africa transactions
- ❖ Balance sheet optimization and management through, but not limited to, synthetic credit risk transfer mechanisms and structures – efficient management of risk capital
- ❖ Develop new financial products that enable clients to manage related risks through customized derivative based hedging solutions as well as focused development of local capital markets to facilitate domestic resource mobilization
- ❖ Build long term partnerships with pension funds, sovereign wealth funds and other providers of long term capital to support syndication and co-financing opportunities
- ❖ Development and deployment of new innovative and creative financial products designed to attract financing from the private sector on the best available terms and conditions to support the Hi5s
- ❖ Provide a centralized, focused and coordinated application of associated co-financing vehicles and coordinate the achievement of bank-wide co-financing targets and KPIs



# FIST Expected Delivery Mechanism

---



**3**

## **The Bank's Menu of products**



# WHAT WE OFFER

1



## LENDING INSTRUMENTS

Providing long-term (up to 25 yrs) debt to public and private investors

2



## GUARANTEES

Mitigating the risk premium attached to investments in Africa

3



## EQUITY

Bringing scarce risk capital to transformative projects

4



## RISK MANAGEMENT PRODUCTS

Allowing our borrowers to hedge and manage their debt responsibly

5



## TRADE FINANCE PROGRAM

Bringing together international buyers and sellers

6



## TECHNICAL ASSISTANCE FUNDS

Financing the completion of feasibility studies, training and project preparation

8



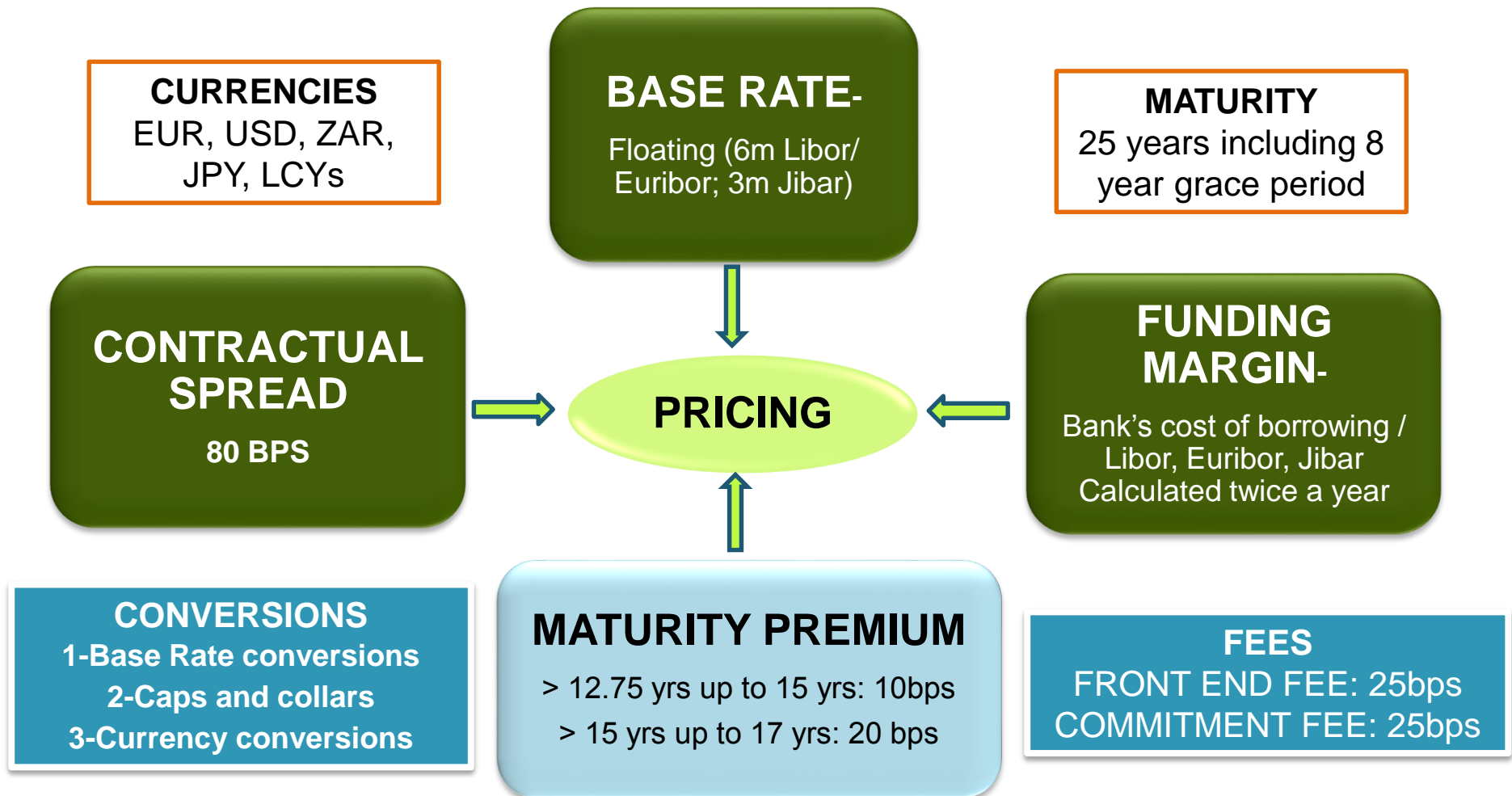
## AFFILIATED PARTNERS

Africa Guarantee Fund  
GuarantCo  
African Export-Import Bank



# WHAT WE OFFER ADB SOVEREIGN CLIENTS

## FULLY FLEXIBLE LOAN



➤ Pricing Formula = Base Rate + Funding Margin + Lending Margin + Maturity Premium





# Lending Rates - ILLUSTRATION

Applicable lending rates for SGLs *with floating base rates*

Period	1 <sup>st</sup> Feb. 2017 – 31 <sup>st</sup> Jul. 2017			
Currency	USD	EUR	JPY	ZAR
Base rate Index	6M LIBOR	6M EURIBOR	6M LIBOR	3M JIBAR
Base rate	1.357%	-0.244%	0.022%	7.35%
Funding Margin	-0.020%	-0.190%	0.000%	0.080%
Lending Margin	0.800%	0.800%	0.800%	0.800%
Lending Rate	<b>2.137%</b>	<b>0.366%</b>	<b>0.822%</b>	<b>8.230%</b>

**6M EURIBOR 5-year history as of 8 Sept. 2016**



**USD 6M LIBOR 5-year history as of 8 Sept. 2016**



# WHAT WE OFFER ADF SOVEREIGN CLIENTS

## ADF STANDARD LOAN

	ADF-Only		Blend, Gap and Graduating
Lending Terms	Regular 40/10	Advance 40/5	Blend 30/5
Maturity (Years)	40	40	30
Grace Period (Years)	10	5	5
First Period (Years)	10	—	—
Amortization Rate (%)	2.0	2.9	4.0
Second Period (Years)	20	—	—
Amortization Rate (%)	4.0	2.9	4.0
Service Charge (%)	75	75	75
Commitment Fee (%)	50	50	50
Interest Rate (%)	0	0	1
Concessionalty (%)	61	51	35

# WHAT WE OFFER NON SOVEREIGN GUARANTEED CLIENTS

## FIXED SPREAD LOAN



La Banque Autrement



### Line of Credit

- **Eligibility:** Private Sector Companies in all RMCs and non-sovereign guaranteed public entities in middle income RMCs.



### Project Finance

- **Maturity:** up to 15 years including a 5-year grace period
- **Currency:** EUR, USD, ZAR, JPY and any African lending currency approved by the Bank through the local currency loan program



### Corporate Loan

- **Pricing:** Floating Base rate + credit margin; Plus a free option to fix the Base Rate

# WHAT WE OFFER

## LOCAL CURRENCY LOANS

### Methods:

- Bond issuance
- Cross currency swap
- Synthetic Loan

The Bank can currently provide local currency in selected RMCs through local currency bond issuance in countries where all relevant approvals has been obtained namely:  
South Africa, Egypt, Uganda, Nigeria, Kenya, Zambia, Tanzania, Ghana, Botswana, CEMAC region and WAMU region.



ZMW



XOF



XAF



EGP



UGX



KES



TZS



NGN



GHS



ZAR



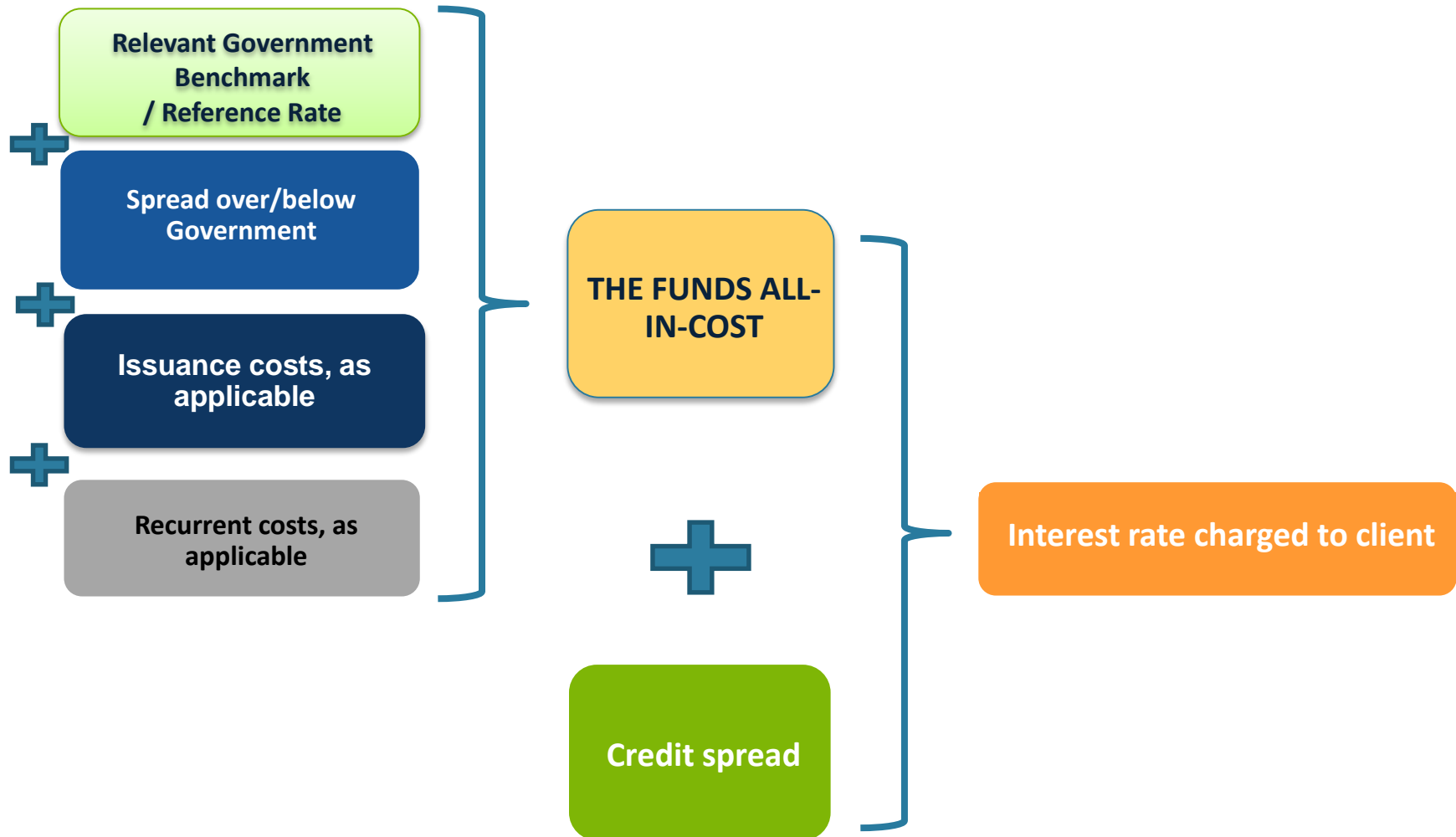
BWP



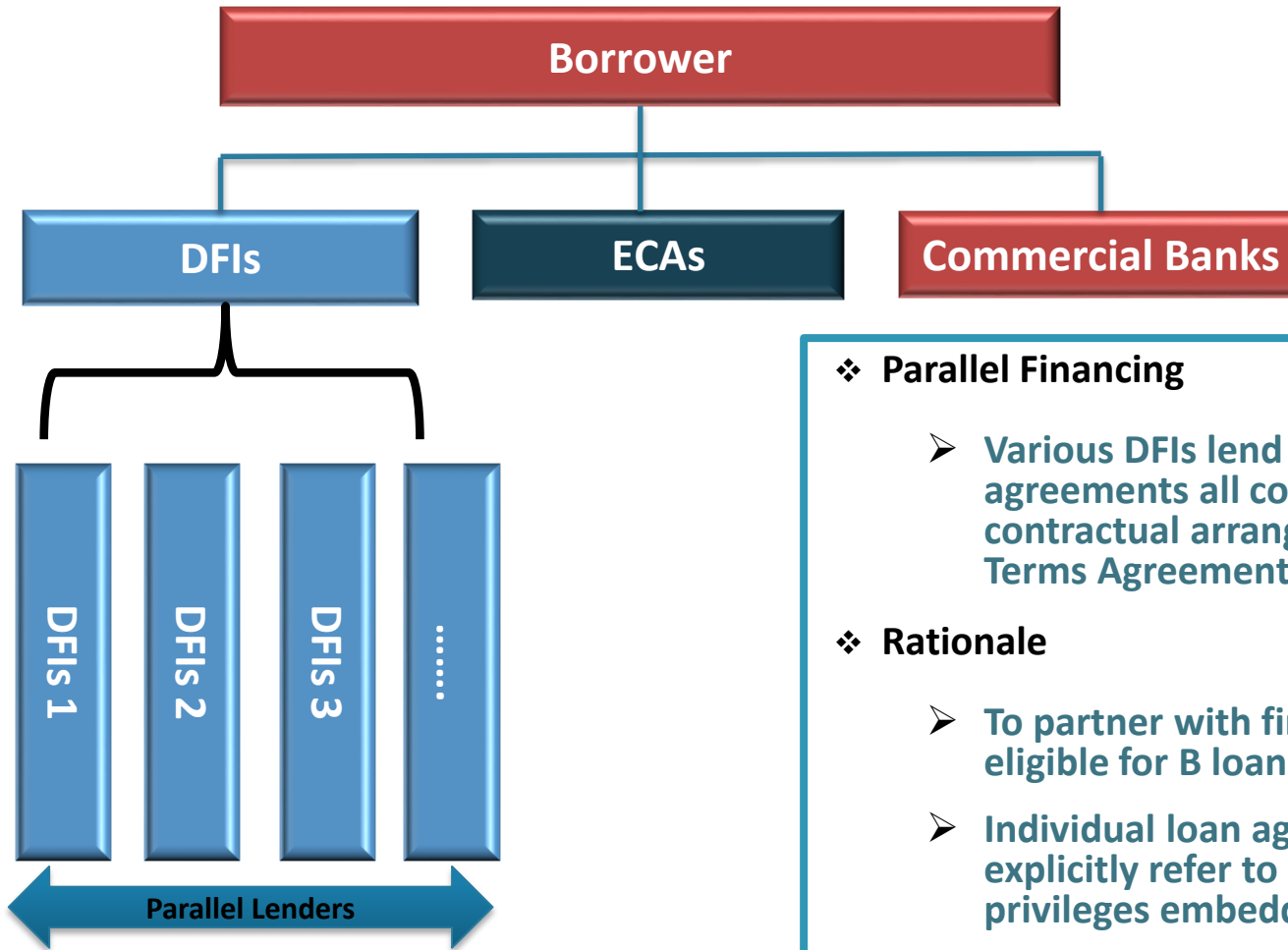
# WHAT WE OFFER

## LOCAL CURRENCY LOANS - Pricing

### Cost pass through principle



# Syndication and Co-Financing- Parallel Financing



## ❖ Parallel Financing

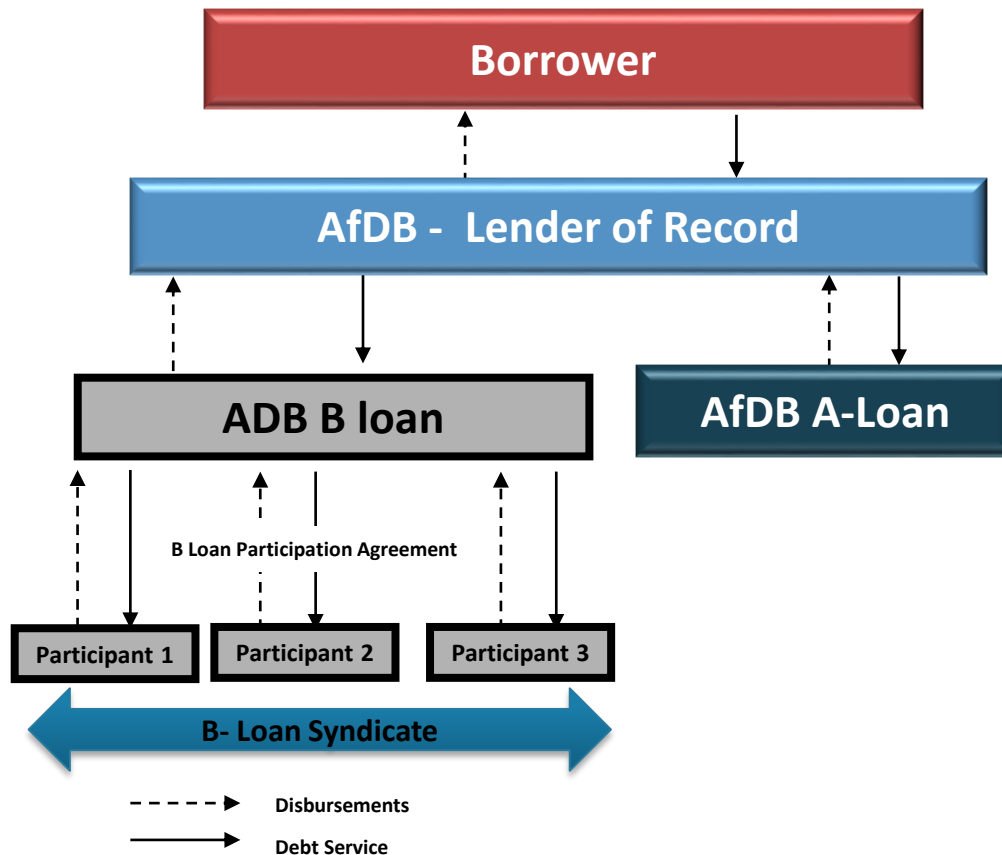
- Various DFIs lend under parallel facility agreements all coming under harmonized contractual arrangements, the Common Terms Agreement ("CTA")

## ❖ Rationale

- To partner with financial institutions not eligible for B loans (mainly DFIs)
- Individual loan agreements required to explicitly refer to individual policies and privileges embedded in each DFIs charter



# Syndication and Co-Financing- A/B Loan



## ❖ A/B Loans

- Acting as Lender-of-Record, the Bank lends to a borrower;
- Keeps part of the loan for its own book (the A Loan); and
- Sells participations to commercial investors (the B Loan)

## ❖ Rationale

- To leverage up the Bank's capital investment to a single project
- To facilitate the entry of commercial co-financiers
  - ✓ Via the extension of the Bank's immunities and privileges through the B Loan Participation Agreement
- To provide the necessary risk mitigation to achieve a bankable transaction structure for the B Loan lenders

# WHAT WE OFFER

## NIGERIA TRUST FUND LOANS

---

**NTF was established in 1976 at the initiative of Nigeria, to provide concessional financing to the Bank's RMCs with particular focus on the poorest among them.**

- ❖ NTF resources are **provided in co-financing operations** with ADB and ADF, as well as **in stand alone operations**. Supplementary loans for Bank Group financed projects can also be considered.
- ❖ Utilization of NTF resources is subject to a **ceiling of USD 10 mln** per project in order to promote broader coverage of the Fund's resources.
- ❖ **3 options** are available for the utilization of NTF:
  - ✓ NTF loans with long-term maturity
  - ✓ NTF loans with short-term maturity
  - ✓ Private sector operations in both ADB and ADF countries
- ❖ All NTF financing, for both public and private sector operations, are provided in **USD only**.



# WHAT WE OFFER

## PARTIAL GUARANTEES

---



### ❑ PARTIAL RISK GUARANTEE (PRG) → reducing political risk exposure

- A PRG is a financial guarantee which covers debt service defaults on commercial debt, normally for a private sector project, **when such defaults are caused by a government or government owned entity's** failure to meet its specified contractual obligations to the project.

17 PCGs approved to date

- ❑ ADB PCG was instrumental in getting Seychelles debt burden on a sustainable path.
- ❑ Second time that a PCG has been used in a sovereign debt restructuring

### ❑ PARTIAL CREDIT GUARANTEES (PCGS) → mitigating *both* commercial and political risk

- Cover a portion of scheduled repayments of loans or bonds **against the risk of non-payment by the obligor**
- Help to lengthen the maturity of both public and private debt financing beyond that available in private markets.

# WHAT WE OFFER

## DIRECT EQUITY AND QUASI-EQUITY

### DFIs



### Insurance, Commercial Banks and Microfinance



# WHAT WE OFFER

## EXAMPLES OF EQUITY INVESTMENTS in FUNDS

**We invest in PE infrastructure funds to diversify equity investments, target specific regions and industries, and to reduce transactions costs.**

Private Equity Investments	Size of Fund	AfDB Commitment	Role
South African Infrastructure Fund	\$221 million	\$25 million	Investment Committee
AIG Infrastructure Fund	\$400 million	\$50 million	Advisory Committee
Pan-African Infrastructure Fund	\$450 million	\$50 million	Investment Committee
African Infrastructure Fund II	\$500 million	\$30 million	Advisory Committee
Argan Infrastructure Fund	€200 million	€15 million	Advisory Committee

# WHAT WE OFFER

## RISK MANAGEMENT PRODUCTS

---



### 4 Main types

- (1) **Interest rate swaps:** fixed rate for floating or vice versa
- (2) **Cross-Currency Swap:** one currency for another (USD to EUR, for example)
- (3) **Commodity Price Swap:** fixed / floating rate cash flows for price of commodity or basket of commodities
- (4) **Interest rate Caps and Collars**

# WHAT WE OFFER

## TRADE FINANCE PROGRAM

---

### Trade Finance Program

**Risk Participation  
Agreement**

**Trade Finance Line  
of Credit**

**Soft Commodity  
Finance Facility**

**Trade enabling policies, Infrastructure projects, T/As**



# WHAT WE OFFER

## SPECIAL FUNDS & INITIATIVES

- ❑ The Bank is able to supplement its financial products with grants from bilateral or thematic funds to provide technical assistance to borrowers with the aim to:
  - (i) Raise the effectiveness of project preparation;
  - (ii) Foster and sustain RMC efforts in creating enabling business environment to promote private sector investment and growth.
  - Focus Areas: capacity building / training of government officials in project design, preparation and analysis



Rural Water Supply  
& Sanitation  
Initiative (RWSSI)





# THANK YOU

For further inquiries please contact:

## Client Solutions Division



afdb\_acc



[www.afdb.org](http://www.afdb.org)



African  
Development  
Bank Group



[FIST2@afdb.org](mailto:FIST2@afdb.org)



AfDB\_Group



+225 2026 3900