THE AFRICAN DEVELOPMENT BANK

THE PREFERRED PARTNER

Guide on the Bank’s Private Sector Operations
Dear Clients and Partners,

The African Development Bank leverages its AAA rating to provide funding for the continent’s economic development through its public and private financing windows.

The Bank recognizes that support for private sector development is the most effective means to fulfill the institution’s mandate to stimulate sustainable and inclusive economic development and social progress in its 54 African regional member countries, thus contributing to poverty reduction.

In this regard, the Bank has identified three key objectives for its non-sovereign operations (NSO):

- Improvement of the investment and business climate
- Development of social and economic infrastructure and increasing access to reliable, quality services
- Strengthening private sector enterprises to promote strong social and corporate governance standards, and assisting African companies to adopt international best practices, thereby increasing their competitiveness within national and international markets

We hope this document provides essential and comprehensive information about how we can collectively collaborate in the future on non-sovereign operations.
Regional and Non-regional Member Countries
The African Development Bank focuses on five priorities that are crucial to accelerating Africa’s economic transformation.

**LIGHT UP AFRICA** A transformative partnership with governments, the private sector, bilateral and multilateral agencies to achieve universal access to energy in Africa by 2025.

**FEED AFRICA** Leveraging its role as a catalyst, the Bank mobilizes resources and blended finance initiatives to close the financing gap for private sector led agricultural transformation in Africa.

**INDUSTRIALIZE AFRICA** The Bank supports African businesses to expand viable markets beyond limited national borders through regional value addition, harnessing the untapped potential of Africa’s natural resources, and expanding regional consumer markets.

**INTEGRATE AFRICA** The Bank’s Regional Integration Policy and Strategy supports regional/continental trade agreements, connectivity (transport and ICT) and financial markets.

**IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF AFRICA** The Bank is committed to scaling up technical skills so that African economies can realize their full potential in knowledge and high-technology sectors, thus providing opportunities for Africa’s young and emerging workforce.
The activities of the private sector consist of two categories:

**LENDING ACTIVITIES**
- Loans and lines of credit
- Equity investments
- Guarantees
- Risk management products

**NON-LENDING ACTIVITIES**
- Policies and guidelines
- Technical assistance
- Advisory services

**A large menu of financing solutions for non-sovereign operations**

The Bank offers an attractive and diversified menu of financing options that allow borrowers access to a tailored solution for their funding requirements. These include:

1. **LENDING INSTRUMENTS**
   - Loans of up to 15 years can be proposed, in foreign or local currency, with a maximum grace period of 5 years.
   - There are three main types of loans:
     - Senior loans for project finance
     - Loans to companies
     - Lines of credit to financial institutions

2. **GUARANTEES**
   - In order to mitigate investment risks, two types of guarantees are offered: the Partial Risk Guarantee and the Partial Credit Guarantee.

3. **EQUITY**
   - Private equity can be provided, mainly through funds, which then invest in medium-sized companies that need to develop. Direct equity investments may also be considered.

4. **RISK MANAGEMENT PRODUCTS**
   - Risk management solutions are available to allow borrowers to hedge and manage their debt responsibly.

5. **TRADE FINANCE**
   - Through a programme to promote trade finance, the African Development Bank can provide:
     - Lines of credit to banks for on-lending to local exporters, importers and distributors
     - Guarantees to share default risks on a portfolio of eligible commercial transactions from issuing banks

6. **TECHNICAL ASSISTANCE**
   - Technical assistance funds may be needed to finance feasibility studies, capacity building and project preparation assessment.
Eligibility Requirements

Recipients of the Bank’s non-sovereign operations financial assistance must satisfy certain requirements. Eligible projects will be submitted to the Bank for assessment and subsequent approval by the Board of Directors who are responsible for the Bank’s final investment decision.

The enterprise must be incorporated in a member country of the Bank, with the project for which the Bank’s financing is extended, located or implemented in one or more regional member countries of the Bank in Africa.

The enterprise must be: majority-owned (more than 50% of the voting rights/controlling interest) by private sector investor(s), or publicly owned with proven operational autonomy and managerial freedom to be run on a commercial basis.

The project must be commercially viable with long-term financial sustainability.

The project must aim to maximize development impact in line with the country’s strategic priorities.

The project sponsor company must operate under competent management and good corporate governance.

The project sponsor company must demonstrate the capacity for environmental and social responsibility.

The Bank’s maximum financial participation shall not exceed 33% of the total cost of the project or investment programme, or 25% of the total share capital of the investee company, or 50% of shareholders’ equity for financial institutions, throughout the duration of the investment.

The project sponsor company must be in good standing with the Bank and the relevant member country of the Bank.
To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises should submit a preliminary application, including the following information:

1. **Description of the project, the fund or the investment**
2. **Sponsor’s or fund manager’s biography**
3. **Governance structure and management team**
4. **Cost estimates and financing plan, including the amount requested from the Bank**
5. **Key technical and environmental features and feasibility indicators**
6. **Business climate and market prospects**
7. **Implementation plan, including status of required licenses, permits or certificates**

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

- **Feasibility Study**
- **Business Plan**
- **Environmental & Social Impact Assessment*”

*Depending on the project

The Bank observes appropriate confidentiality in its dealings with sponsors and the information required to consider project financing.
What we invest in

The Bank’s assistance is designed to complement rather than compete with private sources of finance. The Bank works closely with other organisations and financial institutions, particularly multilateral and bilateral partners, involved in promoting private business in Africa.

AGRICULTURE AND AGRO-INDUSTRIES

The Bank is addressing the unfulfilled potential of agriculture as an imperative for Africa by investing in large, impact-oriented agribusiness firms, in order to foster the emergence of locally owned agro-processing industries, and strategic partnerships to finance value-chain stakeholders.

FINANCIAL INSTITUTIONS

The Bank supports and develops financial intermediaries. It combines financial assistance and expertise in order to achieve the enlargement and deepening of African financial systems, easier access to financial services, and trade growth facilitation for local SMEs.

INDUSTRIES & SERVICES

The Bank’s industrialization objectives are to support global trade integration and regional value chains, grow co-financing and mobilize private sector investment, foster the emergence of regional champions, and create sustainable jobs and increase productivity.

HEALTH & EDUCATION

The Bank invests in health systems that provide access to quality services for all, and health industries that stimulate economic growth, technological innovation and job creation. This accompanies targeted investments that support higher education access.

INFRASTRUCTURE (Energy, ICT, Transport, Water & Sanitation)

The Bank supports the energy sector, from utility-scale grid-connected projects, to decentralized energy solutions like domestic solar systems and mini-grids. Special emphasis is placed on large projects, urban and semi-urban water supply and sanitation infrastructure.
Some of our investments
Agriculture & Agro-Industries

Meridian Consolidated Investments Ltd, Southern Africa

The proposed soft commodity finance facility of $20 million to Meridian Group is to finance Meridian’s commodity exports such as maize, groundnuts, pigeon peas, soya, sesame and beans. Established in 1970 to assist the small-scale farmer, Meridian Group is one of the largest commodity aggregators in Southern Africa. The group plays a significant role in the promotion of agribusiness in five Southern African countries.

The proposed facility supports a well-established and professionally run commodities company in the region. This provides Meridian with the affordable short to medium-term financing required to unlock growth. Meridian will use the funds to purchase the soft commodities directly from small-scale farmers in Malawi, Mozambique and Zimbabwe.

This facility will not only provide inexpensive funding to Meridian, but will also provide FX liquidity support to the same markets. With this project, the Bank indirectly intervened in two low-income countries, Malawi and Mozambique, and a fragile state, Zimbabwe, and in a sector characterized by extremely low investments due to perceived risk.

Financial Institutions

Amen Bank, Tunisia

The project involves funding of €50 million, composed of two lines of credit to Amen Bank of Tunisia for onward lending to small and medium-sized enterprises (SMEs) and corporates in key sectors of the country’s economy.

Amen Bank is a Tunisian commercial bank listed on the Tunis Stock Exchange, with total assets of TND 9.011 billion and shareholders’ equity of TND 1.081 billion at the end of 2019.

The proposed funding, composed of a long-term line of credit and a trade finance facility, will enable Amen Bank to gain access to much-needed financial resources to grow its loan and trade finance portfolios, thereby contributing to Tunisia’s development.

The long-term line of credit will enable Amen Bank to provide long-term funding to its clients with projects and investment opportunities in the agriculture/agribusiness industry and health sectors. With the Bank’s trade finance line of credit, Amen Bank will have a facility that is more suited for funding international trade operations required by its growing client base.
Industries & Services

**Indorama Fertilizer Project, Nigeria**

The Bank provided approximately $95.5 million to support the expansion of a fertilizer complex in Port Harcourt, Nigeria. The project increased the borrower’s capacity from 1.4 to 2.4 million tons a year by adding a new and identical train to the existing plant. This project increased the availability of urea fertilizer to address Africa’s food security concerns, while creating direct and indirect jobs during construction and operation. It also generated tax revenues for the government of Nigeria and improved the country’s foreign exchange reserves through savings from reduced imports, and foreign exchange inflows from fertilizer exports.

**Energy**

**Atinkou and Azito Power Plants, Côte d’Ivoire**

Two senior loans cumulatively valued at €150 million were granted by the Bank in June 2019 to strengthen the Ivorian electricity network. The first loan of €100 million was granted for the construction of the Atinkou power plant, a combined-cycle, gas-fired thermal plant in Taboth, in the district of Jacqueville.

The Atinkou power plant has an electricity generation capacity of 390 megawatts (MW). The project was developed in two phases through the delivery of a 255 MW combined-cycle gas turbine and 135 MW steam turbine plants.

The other senior loan valued at €50 million was granted to expand electricity generating capacity at the combined cycle Azito gas-fired thermal power plant.

The first phase came into service in January 1999. This involved the installation of a 181 MW gas turbine and a 72 MW steam turbine, increasing Azito’s total additional generating capacity by 253 MW.

This project is located in Yopougon, and will contribute to the goal of universal access by 2030, and to provide affordable electricity to neighbouring countries.

At the African Development Bank, climate change is an important theme. The Bank focuses on clean energy infrastructure, as seen in Côte d’Ivoire, where the Azito power plant recycles the heat it produces. A new generator has increased the plant’s generation capacity without using additional combustible fuel.
Health & Education

Afe Babalola University, Nigeria

This project involves a corporate loan of up to $40 million to expand Afe Babalola University in Ado Ekiti, Nigeria. The private university was established in 2010 in southwestern Nigeria, to address the mismatch between academic programmes and the demands of the country’s labour market.

The university comprises five faculties for undergraduate students (science, social sciences and management, law, engineering, and medicine and health sciences), and a graduate school.

The expansion project involves the construction of a 400-bed university hospital, an industrial research park, a graduate school, university campuses, a central library, a mini hydro-electric power station and strengthening the university’s administrative and governance structures.

At the same time, it will increase access to quality education for more than 10,000 students, provide more than 12,000 highly qualified and well-equipped graduates for the job market, while more than 2,400 trained farmers will benefit from its agricultural training and entrepreneurship programmes.

Transport

Ethiopian Airlines, Ethiopia

This project provided support to Ethiopian Airlines during a major fleet expansion plan, which involved the purchase of 51 new aircraft. This is part of Ethiopia’s Plan for Growth and Transformation II.

Ethiopian Airlines now operates a network of 129 destinations in 75 countries. Besides contributing to regional African integration, it also connects Africa to the rest of the world.

The Bank supported this programme through a corporate loan of $159 million to partially finance the first phase of the expansion programme. This corporate loan will enable Ethiopian Airlines to continue modernizing and expanding its fleet to achieve the goals contained in its Vision 2025 strategy.
The African Development Bank - more than a creditor, a partner

- Catalytic effect: stimulating additional private and public sector investment
- Technical assistance
- Wide range of instruments
- Long-term loans
- Financing in local or foreign currency

CONTACT US FOR GENERAL INQUIRIES AND FUNDING REQUESTS:

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