

# Overview of the African Development Bank Group

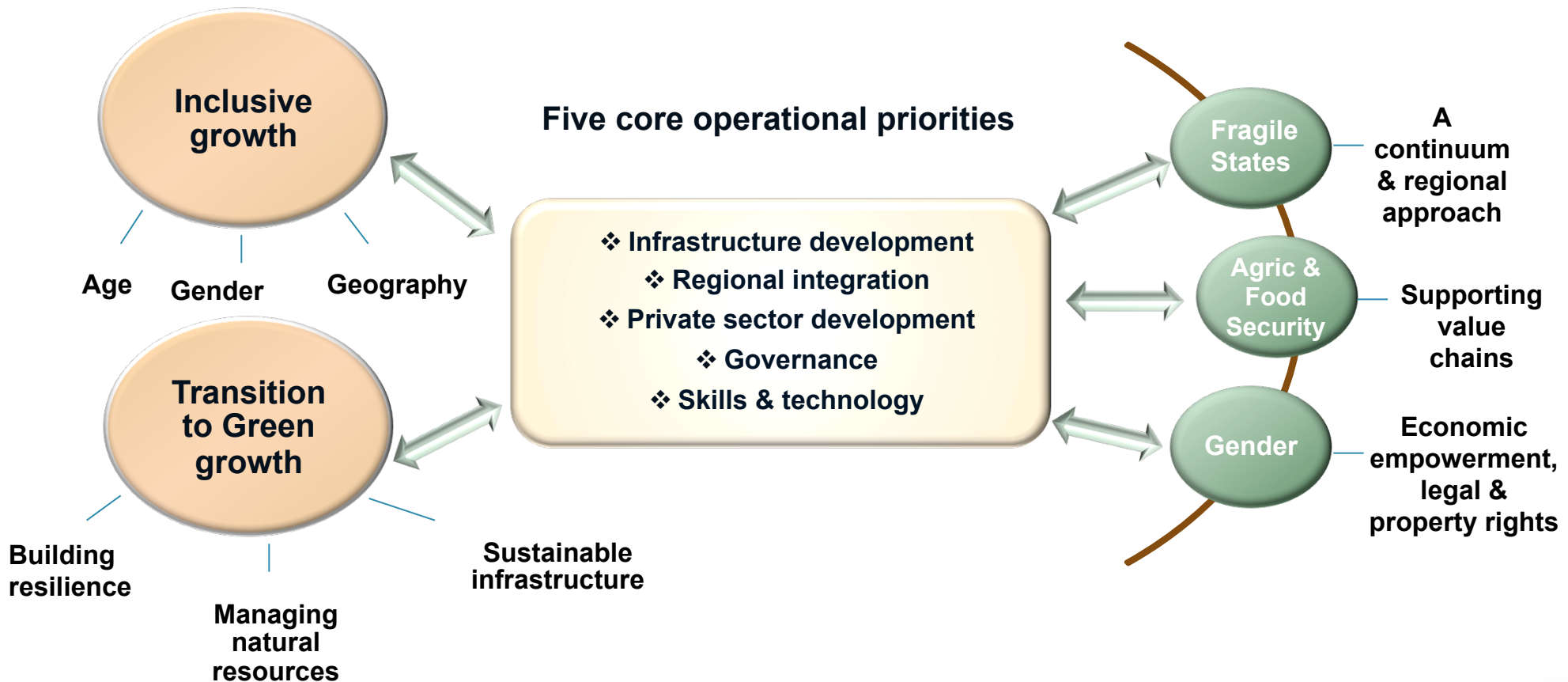




# A vision for Africa's transformation: AfDB Ten-Year Strategy: 2013-22

## Two objectives to support transformation

## Three areas of special emphasis





# Multiple Channels of Funding



1964 2014

## African Development Bank (“ADB”)

Established in 1964

53 African and 26 non-African countries

Authorised capital: USD 103 billion



## African Development Fund (“ADF”)

Established in 1972

Subscription: USD 35 billion

Primarily financed by donors

*Concessional Financing Terms*



NTF

## Nigeria Trust Fund ( “ NTF ’ ’ )

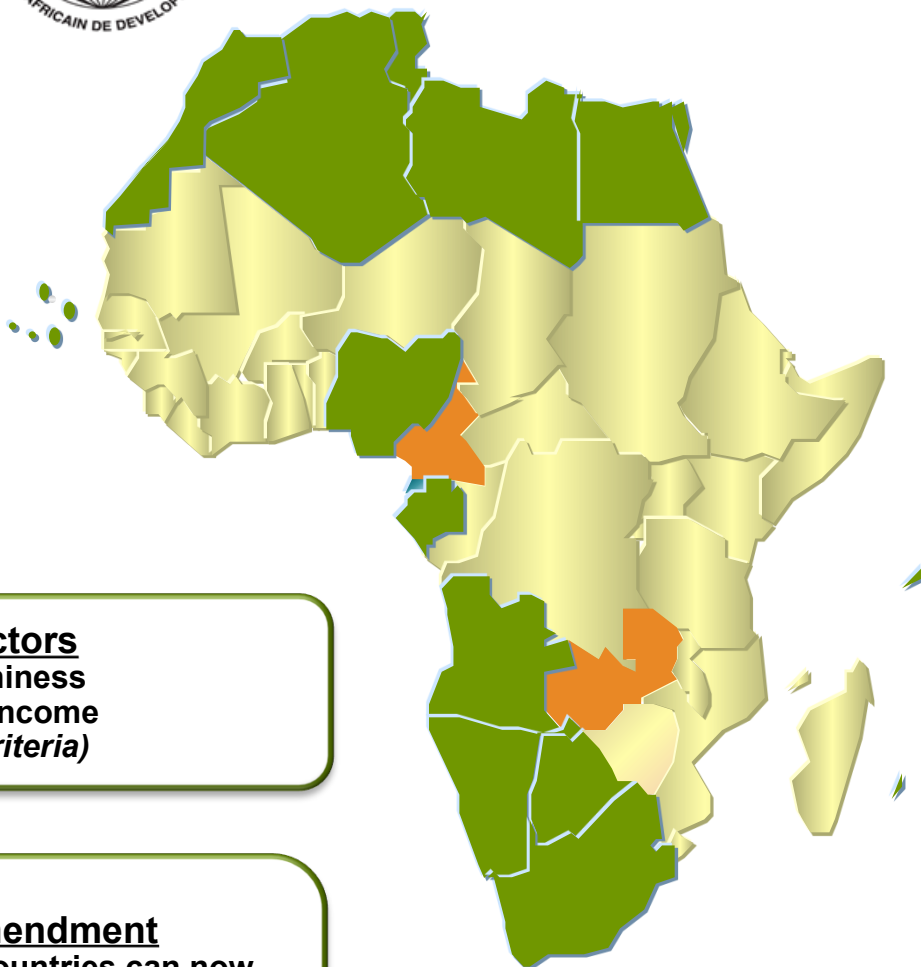
Established in 1976 by Nigeria

Total resources: USD 242 million

*Concessional and Non Concessional Financing Terms*



# Serving all African Member Countries



## Credit Policy Factors

- Creditworthiness
- Per capita income  
(same as IDA criteria)

## Credit Policy Amendment

Certain ADF only countries can now access the non-concessional borrowing window (ADB) under strict eligibility criteria to further support their development agendas

## ADB Sovereign Operations

- 17 countries eligible to receive ADB funding
- Nigeria, Cape Verde and Congo have graduated to ADB funding

## ADF Concessional Financing

- 34 low-income countries divided into three categories: Advanced, Regular, Blend/Gap

## Blend Countries

- Countries eligible for ADB and ADF Funding: Zambia and Cameroon



# Strong Suite of Products

1



## LENDING INSTRUMENTS

Providing long-term (up to 15 yrs) debt to 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

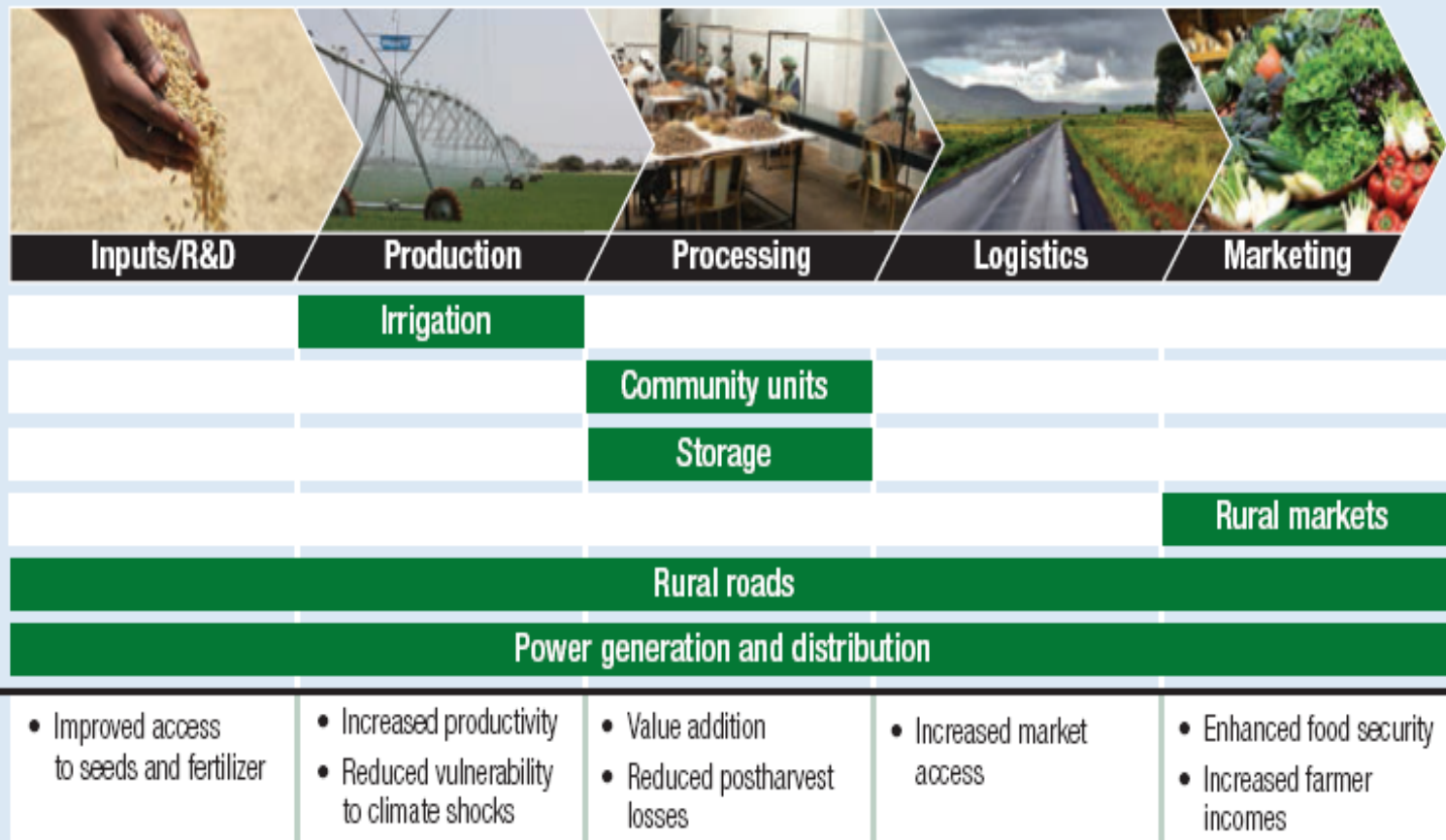
# Overview of the AfDB Agriculture & Agribusiness Strategy





# Agriculture in AfDB's Ten-Year Strategy

**Figure 3** Bank investments in infrastructure support the agricultural value chain and increase food security—from farm to mouth





# AfDB's Strategic Approach 2015-2019

## Vision

A vibrant, resilient, competitive, integrated, innovative and environmentally sustainable agriculture sector that provides food security, generates decent jobs and income as well as economic opportunities for rural Africans.

## Objective

To contribute to Africa's transformation by promoting broad-based economic growth, by ensuring food security and nutrition and by unlocking the Africa's agribusiness potential.

## Focus Areas

	Agriculture Infrastructure	Agribusiness and Innovation	Resilience and Sustainable Management of Natural Resources
Expected Outcomes	<ul style="list-style-type: none"> <li>Enhanced rural and feed roads systems</li> <li>Enhanced irrigation mechanization, and drainage systems</li> <li>Expanded rural electrification</li> <li>Enhanced crop storage, agro-processing and livestock infrastructure systems</li> <li>Expanded knowledge base for Bank's infrastructural operations</li> </ul>	<ul style="list-style-type: none"> <li>Increased market access and market intelligence</li> <li>Increased agribusiness investments and value addition</li> <li>Increased farmers connectivity to local, urban, regional and global markets</li> <li>Enhanced innovation and new technology</li> <li>Enhance access to affordable farm inputs to enhance productivity</li> <li>Enhanced skills development, including women entrepreneurs and the youth</li> <li>Eased access to financial services for agriculture business</li> <li>Expanded knowledge base for agribusiness and value addition in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Improved nutrition and food security</li> <li>Increased adoption of environmentally friendly 'climate smart' farming practices</li> <li>Increased transparency and efficiency in land tenure and regulation</li> <li>Increased recognition and awareness of the social, economic and cultural value of natural assets</li> <li>Increased resilience to price variability</li> <li>Reduced deforestation and soil erosion and degradation</li> <li>Improved soil, water and waste management</li> </ul>



# Overview of the Bank Group Sovereign Instruments





# ADB Sovereign Loan – FFL\*

**Embeds Risk Management Features** into ADB Sovereign and Sovereign-Guaranteed Loans

**Introduces maturity-based pricing structure** and increases the maximum tenor of loans, grace period and average maturity from the current 20, 5 and 12.75 years to **25, 8 and 17 years**, respectively.

\*FFL = Fully Flexible Loan, the name of the new ADB loan product for sovereign and sovereign guaranteed borrowers



**Formula = Base Rate + Funding Margin + Lending Spread + Maturity Premium**



# ADF Sovereign Loan

## Regular Countries (e.g. Ethiopia)

All countries with a GNI per capita below the average are in the “regular” group.

LENDING TERMS	
<b>Maturity</b>	Up to 40 years incl. 10 years grace period
<b>Interest rate</b>	N/A
<b>Service charge</b>	75 bps
<b>Commitment Fees</b>	50 bps
<b>Grant Element</b>	61%
<b>Currencies*</b>	EUR, USD, GBP, JPY

## Gap (e.g. Ghana)

Countries not deemed creditworthy for non-concessional financing but whose income is above the operational cut-off

## Blend (e.g. Zambia)

Countries deemed creditworthy for non-concessional financing but whose income is below the operational cut-off

LENDING TERMS	
<b>Maturity</b>	Up to 30 years incl. 5 years grace period
<b>Interest rate</b>	1%
<b>Service charge</b>	75 bps
<b>Commitment Fees</b>	50 bps
<b>Grant Element</b>	35%
<b>Currencies*</b>	EUR, USD, GBP, JPY

## Advanced Countries (e.g. Senegal)

Countries with GNI per capita above the average of all ADF-only non-gap countries are included in the “advance” group.

LENDING TERMS	
<b>Maturity</b>	Up to 40 years incl. 5 years grace period
<b>Interest rate</b>	N/A
<b>Service charge</b>	75 bps
<b>Commitment Fees</b>	50 bps
<b>Grant Element</b>	51%
<b>Currencies*</b>	EUR, USD, GBP, JPY

# Overview of the Bank Group's Non-Sovereign Instruments





# Private Sector Loan – FSL\*



- **Eligibility:** Public Sector Companies of ADB and Blend countries without a sovereign guarantee and Private Sector Companies in all Regional Member Countries
- **Maturity:** up to 15 years including a 5-year grace period
- **Interest rate:** Fixed or Floating
- **Currency:** EUR, USD, ZAR, JPY and any lending currency approved by the Bank
- **Upcoming Additional Hedging Features:**
  - Opportunity to fix, unfix and re-fix the base rate
  - Ability to cap or collar all or part of the floating base interest rate
  - Right to change the lending currency, including into local currency

\*FSL = Fixed Spread Loan, the name of the private sector client loan product



# Equity & Quasi-Equity

## Direct



## Indirect (through PE funds)



Target Size	Bank Investment	Year
USD 100 million	USD 15 million	2007
USD 250 million	USD 40 million	2011
USD 50-60 million	USD 10 million	2014



# 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.

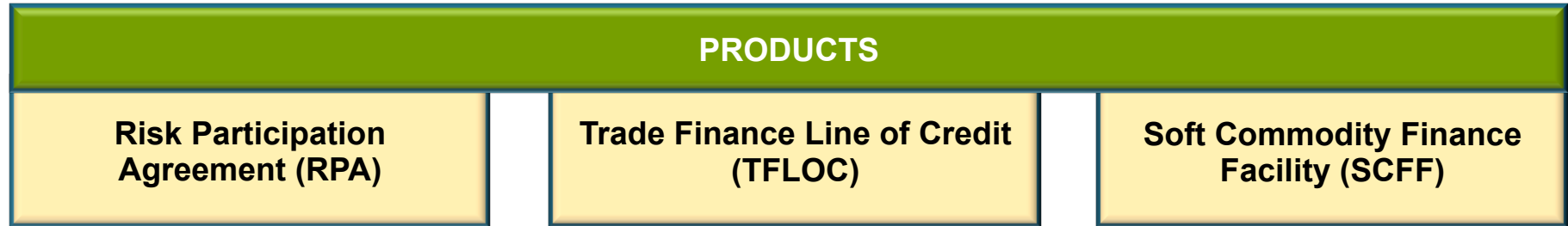


## □ PARTIAL CREDIT GUARANTEES (PCG) → mitigating *both* commercial and political risk

- 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.



# Trade Finance Program



A USD 1 billion program approved in February 2013, to be run over a four-year period to address:

- ❑ The importance of trade finance in the development of African economies and in particular,
  - the current growth in African trade stimulated by a surge in global demand,
  - new opportunities created by globalization as well as rising commodity prices
- ❑ The scarcity of affordable trade finance in Africa and its increasingly adverse impact on RMCs; and
- ❑ The lingering effects of the global financial crisis resulting in reduction of liquidity and risk appetite of financial institutions for supporting African trade transactions

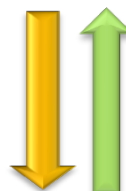




# Soft Commodity Finance Facility



③ AfDB provides financing, assumes aggregator risk, not farmer risk



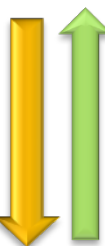
② Submits documentation detailing proposed transaction(s)

**Commodity Aggregator**

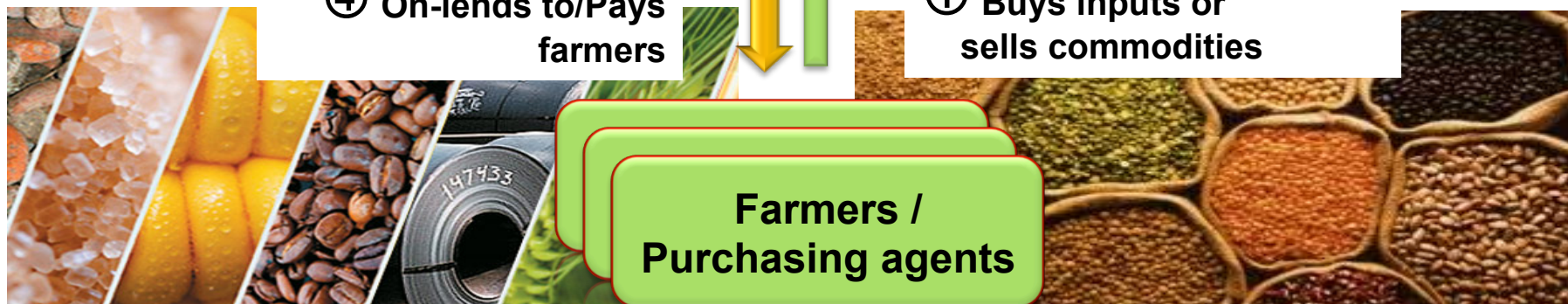
AfDB activity

Commodity Aggregator activity

④ On-lends to/Pays farmers

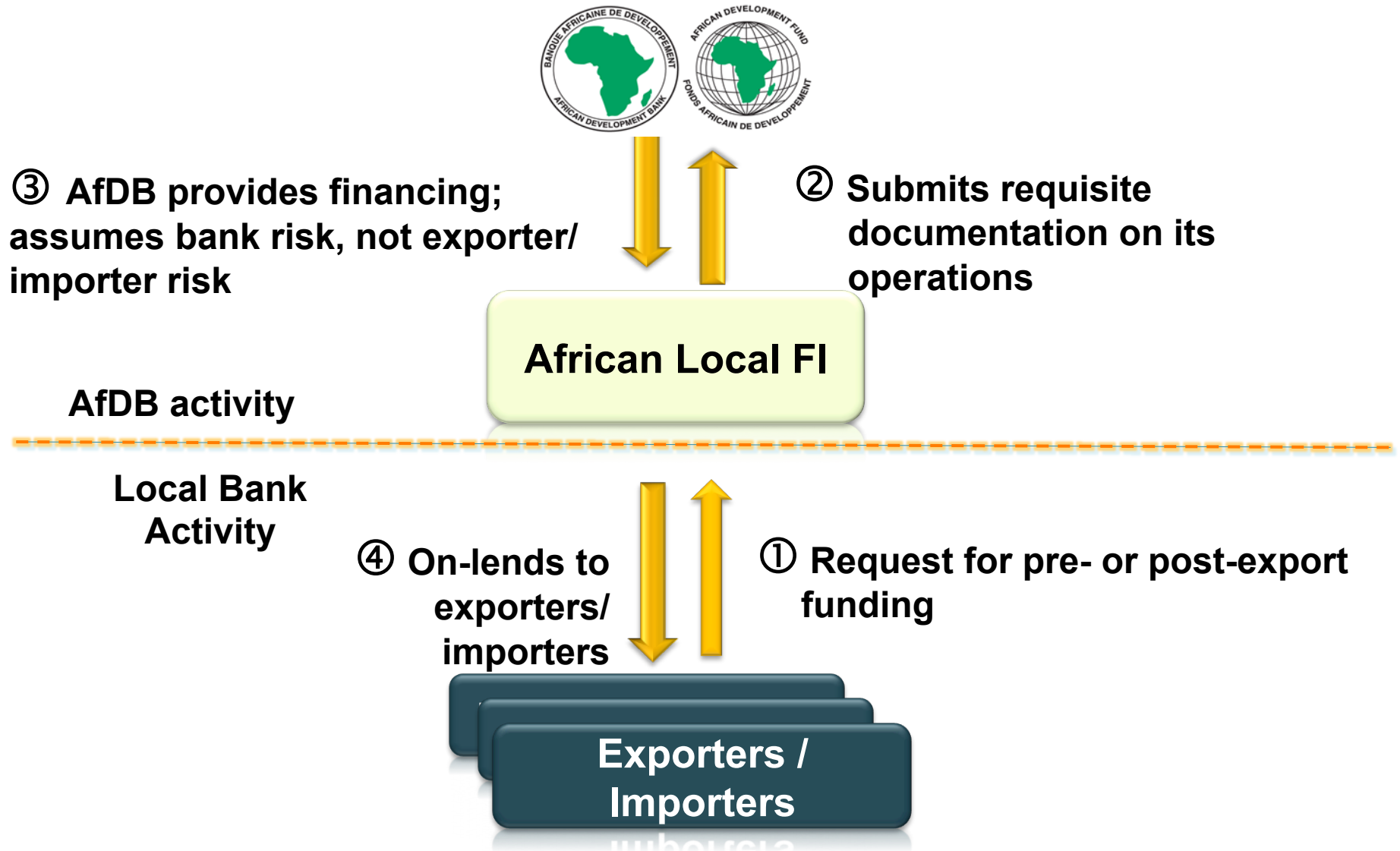


① Buys inputs or sells commodities



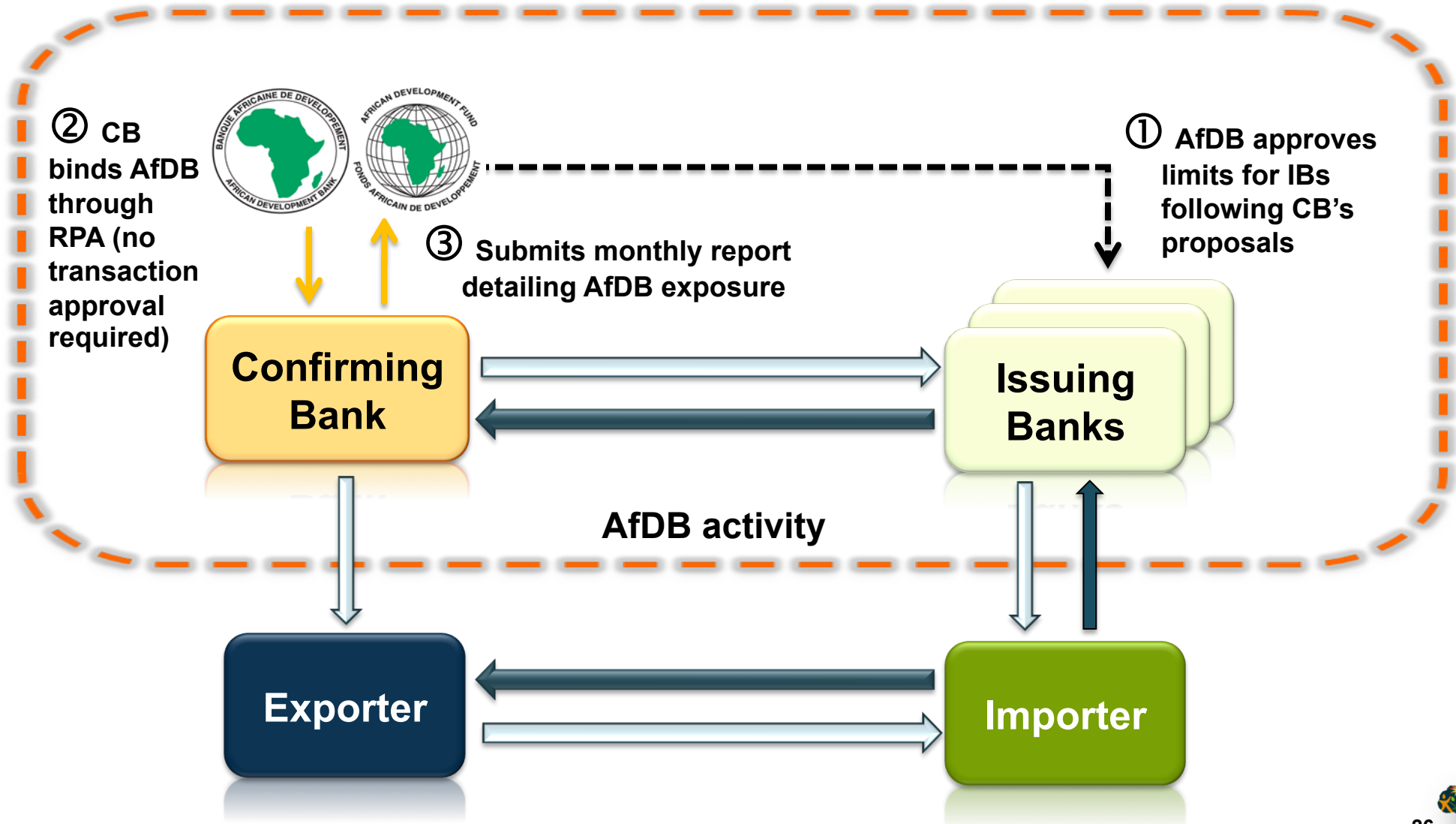


# Trade Finance Line of Credit





# Risk Participation Agreement



## Other Special Initiatives and Resources





# Trust Funds

## Agriculture Fast Track Fund (AFTF)

- Established in 2013.
- Partnership with USAID, SIDA and DANIDA.
- Aims to reduce the infrastructure deficiency in the agriculture sector by developing a pipeline of projects that are attractive to DFIs and can engage the private sector as project sponsors.
- Accessible to private small and medium enterprises (70 percent of the resources) and public entities.

## Congo Basin Forest Fund (CBFF)

- Launched in June 2008.
- Partnership with UK and Norway.
- Seeks to address climate change challenges by financing operations that help to transform the way people live in and earn a living from the Congo Basin forests and the way their governments protect and preserve these forests.



# Case Studies





# Award Winning Impact in Public Sector Portfolio



USD 45 million support to increasing agricultural productivity and ensuring markets function

**Uganda: Community Agricultural Infrastructure Improvement Program**

- Halved the cost to transport produce to major towns and halved the journey time
- Reduced post-harvest losses by approximately 20%, especially for perishables such as cabbage, tomatoes, pineapples, and watermelons
- Farm gate price increases of staple products (maize, milk, bananas) demonstrate the success of the program

**AFDB IS THE FIRST MULTILATERAL DEVELOPMENT BANK TO RECEIVE RECOGNITION FROM THE US TREASURY AWARDS FOR DEVELOPMENT FOR TWO PROJECTS IN THE SAME YEAR (2013)**



# Diversified Portfolio of Private Sector Transactions

## Ghana Oil Palm Development Cie

Ghana

Loan: Euro 7 million (extension)

Key features:

- 300 direct job created
- 5,000 ha outgrower scheme
- 1,500 farmers

Committed: 2003

## SIAT Rubber and Palm Oil Plantation

Gabon

Loan: Euro 10 million

Key Features:

- 6,500 farmers employed
- 2,000 ha outgrower scheme
- Smallholders provided with extension services

Committed: 2007

## Pipeline : several Palm Oil Projects

USD 150 million

West Africa

- Formation of cooperatives
- Smallholders provided with inputs, access to credit, extension services and technical assistance

## Pipeline: Integrated sugar project (sugar, cogeneration and biofuel)

USD 50 million

East Africa

- Outgrower scheme on 3,000 ha (1,500 small and medium sized local farmers)

## Lake Harvest Aquaculture

Zimbabwe

Loan: USD 8 million

Key Features:

- 920 direct jobs created
- Business linkages with local farmers : USD 10 million/year

Committed: 2011







# Success Under the Trade Finance Program

- Under the Trade Finance Programme, AfDB supports pre- and post-shipment financing of exports & imports of soft commodities such as:
  - coffee, cocoa, sugar, corn
  - wheat, soybean and fruit across the continent;
- This involves providing finance to FIs, commodity aggregators, structured commodity funds, and other intermediaries e.g. **SUCDEN (Sucres Et Denrees)** for the purchase and export of cocoa from Ivorian small holder farmers;
- The SUCDEN transaction involves 2 components:
  - a US50 million commodity finance facility; coupled with
  - a TA component (through a grant) to address capacity constraints related to cocoa certification in Cote d'Ivoire.



# CONCLUSIONS





## The Future – What is still needed?

- **Trade Finance Direct Guarantees?**
- **Agriculture Portfolio Guarantees?**
- **Supply Chain Finance?**
  - **Factoring**
  - **Forfaiting**
  - **Warehouse Receipts**
  - **Invoice Discounting**





# Let us work for you

**To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises or countries should submit a preliminary request/ application covering, in general, the following information:**

1. Description of the project (sector, location, production volumes, etc.);
2. Cost estimates, including foreign exchange requirements;
3. Financing plan/model, indicating the amount of AfDB financing desired;
4. Key technical and environmental features;
5. Development impacts and feasibility indicators;
6. Business climate, market prospect, including proposed marketing arrangements;
7. Implementation plan, including status of required licenses, permits, certificates, etc.;
8. If a private sector transaction, information on the sponsors, including technical, financial and managerial background; and
9. For public sector operations, requests for financing must originate from Ministries of Finance.





# Strategic Partner of Choice

- **Partner of choice:** As an *African organization serving Africans*, AfDB has a deep understanding of the continent's journey so far and vision for the future.
- **Catalyst, convener and connector:** With 31 field offices and 2 regional centers, AfDB has *continent-wide presence*, leveraging its participation to *mobilize partners and additional resources*.
- **Operational results:** AfDB is closer to its clients and present on the ground. In 2014, we approved **USD 135 million**, closing critical financing gaps for private agri-projects worth **USD 1.2 billion**. Through our public sector window, in 2014, we approved loans and grants for 17 agriculture and rural development projects with commitments valued at **USD 660.74 million**.
- **Operational track record:** *Complementary approach* via public & private sector windows, a *strong track record of managing funds* for concessional financing.
- **Accelerating development impact:** *Blending instruments and resources*, AfDB supports project preparation and strengthens MSME business linkages so high risk projects have *highest development impact*.



# Thank You



**“The Bank’s overarching goal in the next decade is to support Africa’s ambitions to unlock the continent’s internal potential for a stable, integrated, competitive, diversified and growing economy—in short, to become the next emerging market. This is what Africa wants, and this, I believe, is what Africa will achieve.”**

*President, Donald Kaberuka*

**For further inquiries please contact us below:**



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