



Arab Bank for Economic Development in Africa (BADEA)

Private Sector & Foreign Trade Operations

December 2016 - Algiers



Presentation Outline

- ❑ Introduction
- ❑ Lending Criteria for Private Sector Operations
- ❑ Eligibility Criteria for Private Sector Projects
- ❑ BADEA Trade Finance Facilities



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Introduction

- ❑ Since its establishment in 1974, BADEA has played pivotal role in the socio-economic development of Sub-Saharan African countries where it operates
- ❑ This includes the promotion and development of the private sector in Sub-Saharan Africa
- ❑ Historically, BADEA's intervention in the private sector has been through:
 - Provision of direct funding to development finance institutions for on-lending to private sector operators
 - Provision of financial support to micro-finance sector
 - Provision of technical assistance grants to promote investment
 - Sponsoring Arab-African investment promotion activities
 - Contributing to Africa-wide trade and investment initiatives.



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Lending Criteria for Private Sector Operations

- ❑ In recognition of the critical role the private sector plays in socio-economic development, BADEA has introduced a new window of operations dedicated for the support and development of private sector
- ❑ The total amount allocated for each of the remaining years of BADEA's 7th Corporate Plan (2015 – 2019) is USD 100 million
- ❑ This funding can be accessed either directly by private sector operators or indirectly through intermediary financial institutions



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Lending Criteria for Private Sector Operations – CONTD

□ Main terms of direct lending:

- Lending limits: \$3m - \$10m
- The above amounts can be availed to fund up to 30% and 50% of new projects' and existing projects' total cost, respectively, or up to 25% of total shareholders' funds whichever is less
- Purpose – CAPEX and permanent working capital
- Tenor – up to 12 years, including grace period of up to 3 years
- Pricing – competitive and market related
- Securities – fixed & floating charges, personal and corporate guarantees, sovereign guarantees for Government-backed projects, etc.



Lending Criteria for Private Sector Operations - CONTD

- **Main terms of indirect lending through intermediary institutions:**
 - **Lending limits: \$5m - \$15m, or up to 20% of total shareholders' funds, whichever is less.**
 - **Purpose – on-lending to private sector clients**
 - **Tenor – up to 10 years, including grace period of up to 3 years**
 - **Pricing – competitive and market related**
 - **Securities – can be negotiated on case-by-case basis, where applicable**



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Eligibility Criteria for Private Sector Operations

□ Eligibility criteria for direct lending:

- Borrower - must be a company duly incorporated in an eligible African country
- Country- all African countries excluding those which are members of the League of Arab States
- Ownership - must be owned at least 51% by private investors (state-owned entities that operate on commercial basis can also qualify)
- A signed Framework Agreement between the country where the project is located and BADEA or provision of a political risk insurance
- Submission of a bankable feasibility study, confirming the project's viability



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Eligibility Criteria for Private Sector Operations

- Eligibility criteria for indirect lending:
 - Borrower – dully incorporated as a local or regional financial institution
 - Country- all African countries excluding those which are members of the League of Arab States
 - Ownership – borrower must be owned at least 51% by private investors (state-owned or multilateral financial institutions can also qualify)
 - Sectors- borrower can on-lend to all sectors
 - Borrower should have established track record of successful operations
 - Borrower to submit a well documented business plan to BADEA



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BADEA Trade Finance Facilities

- ❑ Due to the important role that trade can play to enhance and strengthen Arab / Africa cooperation, BADEA has launched a Trade Finance Facility earmarked to finance exports from Arab countries to eligible African countries
- ❑ The total amount allocated for each of the remaining years of BADEA's 7th Corporate Plan (2015 – 2019) is USD 200 million
- ❑ Lending criteria/ terms:
 - Lending limits: \$10m \$50m. Limits might be negotiated on case-by-case basis
 - Purpose – on-lending to finance imports from one or more Arab country or local trade in goods already imported from one or more Arab country
 - Merchandise being financed must have at least 30% of content / value added of the respective Arab country



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BADEA Trade Finance Facilities - CONTD

- Tenor – 1 year, renewable twice
- Pricing – competitive and market related
- Securities – can be negotiated on case-by-case basis, where applicable
- Eligibility criteria
 - Borrower – dully incorporated financial institution in an eligible African country. Public entities are also eligible
 - Borrower should have established track record of successful operations
 - Borrower to submit a well documented business plan to BADEA



**THANK YOU FOR YOUR
ATTENTION**

