Arab Bank for Economic Development in Africa (BADEA)

Private Sector & Foreign Trade Operations

December 2016 - Algiers
Presentation Outline

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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.
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.
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
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
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
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 to $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.
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** – duly 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