
The African Development Bank Group

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FACILITY**

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**AFRICAN DEVELOPMENT
BANK GROUP**

OUTLINE

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3. The African Development Fund (ADF)
4. The Nigeria Technical Cooperation Trust Fund (NTF)
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1. Bank Group Entities

- African Development Bank (AfDB)
- African Development Fund (ADF)
- Nigerian Technical Cooperation Trust Fund (NTF)
- Other Special Funds and AfDB-managed Initiatives



2. African Development Bank (AfDB) #1/2

- Bank Group's “**Parent Institution**”, established in 1964 following the entry into force of the Agreement Establishing the African Development Bank signed in Khartoum, Sudan on 4 August 1963 (the Bank Agreement) between the original African Member States of the Bank
- Purpose: To contribute to the sustainable economic development and social progress of its regional member states (African countries), individually or jointly (Article 1 of Bank Agreement)
- Eligibility for Membership: Independent African States (regional) and Non-regional Countries which are members of ADF or have contributed or are contributing to ADF (Article 3 of the Bank Agreement). Currently there are 53 African and 24 Non-African members.



2. African Development Bank (AfDB) #2/2

- Capital Structure: African - 60%; Non-African – 40% (Article 5 (4) of the Bank Agreement)
 - Bank shares divided into “paid up” and callable shares. The latter may only be called to meet liability for funds borrowed or guaranteed by the Bank (Article 7 of the Bank Agreement)
 - Current level of capitalization: approximately equivalent to US\$ 100 billion following the last General Capital Increase (GCI) approved in May 2010.
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2. AfDB – General Capital Increase (GCI) #3/2

6th General Capital Increase (May 2010)

- Increase of capital resources by approximately 200%
 - Tripling of Bank's current capital resources from approximately US\$ 34 billion to approximately US\$100 billion

- New shares divided into two categories:
 - 6% paid-up shares
 - 94% callable shares

Justification

- Maintenance of prudential ratios
- Operational need
 - Increased demand for Bank resources due to food, energy, and financial crises



3. AfDB - Governance Structure: Board of Governors #1/2

- Supreme Governing Body in which all Bank powers are vested
- Composition: Governors and Alternate Governors representing each member (usually Government Ministers)
- Powers include, inter-alia: capital increase and/or decrease, approval of Special Funds, election of members of the Board of Directors, Election of the President, appointment of auditors and approval of accounts



3. AfDB - Governance Structure: Board of Directors #2/2

- Responsible for oversight of general operations of the Bank – without prejudice to general powers of the Board of Governors
- Approves loans, guarantees and other investments
- Previously 18 members; now 20 members
- Representation largely on the basis of constituencies reflecting shareholding percentages



4. African Development Fund (ADF) #1/4

- Established in 1972 by Agreement signed in Abidjan, Ivory Coast, between the African Development Bank and 15 original States Participants of the Fund
- Purpose is to assist the AfDB to achieve its development mandate by providing concessional financing to the least developed countries of Africa
- List of ADF Participants (donors) has grown over time to include the USA, China, Canada, the UK, and most OECD countries. (Currently 24 non-African Participants/Donors plus South Africa and (soon) Egypt.



4. African Development Fund (ADF) #2/4

- ADF is a separate legal entity with its own Board of Governors and Board of Directors, but is in practice managed by the AfDB through the latter's personnel and institutional resources.
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4. ADF – Operational Resources #3/4

- ADF operational resources come from AfDB allocations and transfers of net income and from periodic replenishments by ADF State Participants (donors)
- The first ADF Replenishment (ADF-1) occurred in 1974 and mobilized resources for use in the period 1976-1978
- There have so far been 12 ADF replenishments, with the last one (ADF-12) concluded in Tunis in October 2010. ADF-12 attracted donor commitments approximately equivalent to US\$ 9.5 billion, to be used for ADF operations in the period 2011 to 2013



4. ADF – Operational Resources #4/4

- The ADF replenishment process involves detailed consultations between AfDB Management and ADF Deputies, (non-statutory representatives of ADF Governors)
- Each ADF Replenishment process includes a mid-term review which is a monitoring and accountability mechanism for the utilization of ADF resources, the development results achieved, and other long-term financial issues affecting the ADF
- Distribution of ADF resources to countries is made through a Policy-Based Allocation (PBA) system which takes into account Country Performance Assessments (CPA) as well as countries' need levels – measured by per-capita income and population size.



5. The Nigeria Technical Cooperation Trust Fund (NTF)

- The NTF was established by AfDB Board of Governors' Resolution on 25 April 1976 approving the Agreement for the Establishment of the NTF which had been signed in Lagos, Nigeria, between the Federal Republic of Nigeria and the AfDB on 26 February 1976
- The purpose of NTF is to assist the development efforts of low-income African countries whose economic and social conditions necessitate concessional financing
- NTF's lifetime was originally designed to be 30 years, but has now been extended by Agreement between AfDB and Nigeria for a further 10 years from 2007



6. AfDB Financial Products #1/12

1. Loan Products (standard and non-standard)
2. Guarantees
3. Risk Management Products
4. Equity and Quasi-Equity
5. Other Financing
6. Technical Assistance



6. AfDB Standard Loan #2/12

	Sovereign Guaranteed Loans	Non-Sovereign Guaranteed Loans
Eligible Borrowers	<ul style="list-style-type: none"> - Governments of Regional Member Countries classified as Middle Income Countries (MICs) - Public Sector Companies from MICs with a sovereign guarantee 	<ul style="list-style-type: none"> - Public Sector Companies without a sovereign guarantee - Private Sector Companies
Maturity	Up to 20 years	Up to 15 years
Grace period	Up to 5 years	
Disbursement profile	Based on project need and pre-set conditions of loan agreement	
Repayment Terms	Equal installments, Annuities, Bullet, Step-up or Step-down amortization	
Currencies	USD/EUR/JPY/ZAR	



6. AfDB Guarantees #3/12



6. AfDB Risk Management Products #4/12

Risk Management Products	Interest rate swaps
	Cross currency swaps
	Commodity/Index swaps
	Caps and Collars

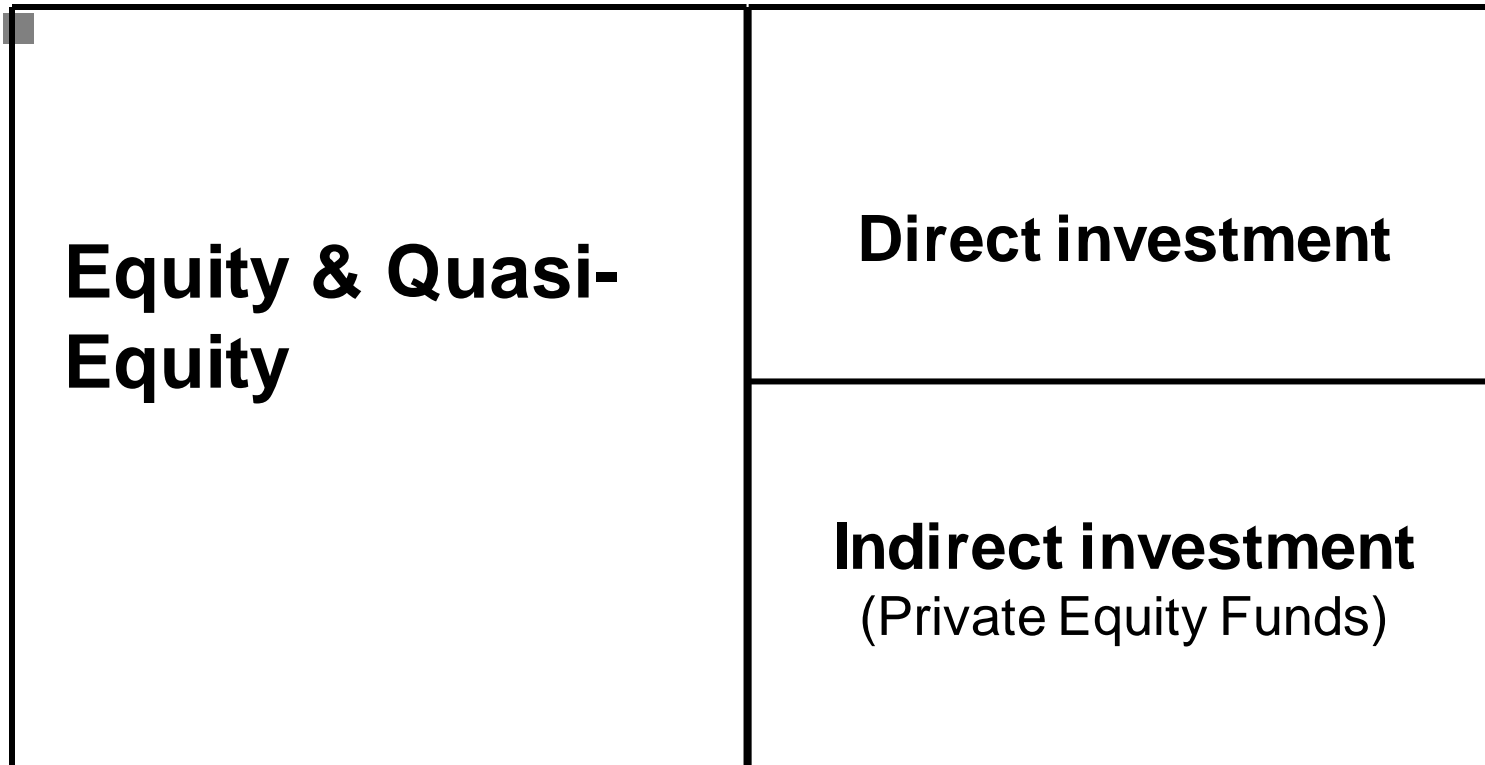


6. AfDB Risk Management Products – Rationale #5/12

- To manage financial risk profile of a client's obligations under a loan without amending the terms of the original instrument
- These products are only available to clients with existing or new obligations with the Bank
- The Bank will not serve as an advisor on any risk management product (RMP) transaction



6. AfDB Equity and Quasi-Equity #6/12



6. AfDB Trade Finance Initiative #7/12

- ❑ **Eligible Borrowers** : Financial institutions for on-lending purposes
- ❑ **Terms and Conditions**

Currencies	USD/EUR/JPY/ZAR
Base Rate	Libor/Euribor/Jibar
Lending Margin	Specific to the project
Maturity	Up to 3.5 years
Grace Period	Up to 1 year
Front end fee	Up to 1%
Disbursement	Multiple drawdowns
Repayment	Amortizing repayment or single installment at final maturity
Prepayment	Prepayment penalty charged



6. AfDB Technical Assistance Funds #8/12

Technical Assistance Fund	Middle Income Countries Trust Fund
	Fund for African Private Sector Assistance (FAPA)



6. AfDB Technical Assistance Fund – MIC

#9/12

- **Middle Income Countries Trust Fund**
- **Objectives:**
 - To support capacity building in RMCs, with priority to project/program preparation, feasibility studies and environmental impact assessments.
 - To increase Bank's competitiveness by blending grant funding (MICTF) with commercial resources.
- **Characteristics:**
 - Fund size : 61 million UA
 - Maximum grant per project: UA 600 000, minimum UA 100 000



6. ADF Financial Products #10/12

- ADF financial products include loans and grants and are directed at low-income countries that are not eligible for ADB resources.
- ADF loans are provided on concessional terms for financing of projects, programs and Policy-Based Operations as follows:
 - 0.75% p.a. **service charge** on outstanding balance
 - 0.5% p.a. **commitment fee** on undisbursed commitments
 - 50 years including a 10 year grace period
 - 30 years including an 8year grace period for blend countries (with a 1% interest rate)



6. ADF Financial Products #11/12

- Partial Risk Guarantees (new product to be used for leveraging Private Sector Financing)
- ADF operations also consist of grants provided through the ADF Technical Assistance Fund to finance feasibility studies, training and institutional capacity building.
- ADF also provides assistance to Fragile and post-conflict affected states through its Fragile States Facility



6. NTF Financial Products #12/12

- NTF Loans:
 - Up to 20 years repayment including 7 years of grace
 - Service Charge of 0.75% p.a.
 - Commitment Charge of 0.5% p.a. on undisbursed amounts starting 120 days after signature of Loan Amount



7. Bank Group Medium Term Strategy #1/2

- AfDB Operations are currently guided by the Bank's 2008-2012 Medium-Term Strategy (MTS) that was built on the previous multi-year Strategic Plan (2003-2007)

- Under the MTS, the Bank's selective operational focus is on:
 - Infrastructure

 - Governance

 - Private Sector Development

 - Higher Education



7. Bank Group Medium Term Strategy #2/2

- Through investment in the MTS selective focus areas, the Bank contributes directly to regional integration, Middle Income Countries (MIC) and Fragile States assistance, human development and agriculture
- The MTS emphasizes delivery, development results and accelerated implementation



8. Operational Policies and Strategy #1/2

- Under the Bank's Environmental Policy, Environmental Impact Assessments are conducted for all Bank financed projects, under which the negative and positive aspects of the project are evaluated and mitigants prescribed for any negative impacts
 - The Social Policy of the Bank ensures that communities affected by Bank financed projects are protected
 - Bank policy prohibits financing of projects involving the employment of child labour
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8. Operational Policies and Strategy #2/2

- Procurement for Bank financed projects uses the Bank's rules based on efficiency, transparency, economy and open competitive bidding
 - Guidelines for Preventing and Combating Corruption in its operations
 - Strategy for the Prevention of Money Laundering and Terrorist Financing in its operations
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9. Project Cycle

- Project Identification (Country Strategy Papers)
- Project Appraisal
- Negotiation
- Approval by Board of Directors
- Loan Agreement Signature
- Compliance with Loan Conditions Precedent
- Loan Disbursement
- Project Implementation (Including audit, inspection Monitoring and Evaluation)



10. Any Questions? Comments?



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Thank You!

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African Legal Support Facility
Pan-African Lawyers' Union
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