

African Development Bank Group

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**AFRICAN DEVELOPMENT
BANK GROUP**

OUTLINE



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African Development Bank (AfDB)

African Development Fund (ADF)

Nigeria Technical Cooperation Trust
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INTRODUCTION



African Development Bank
(AfDB)

African Development Fund
(ADF)

Nigerian Technical
Cooperation Trust Fund
(NTF)



AFRICAN DEVELOPMENT BANK

- ❑ Bank Group's **“Parent Institution”**
- ❑ African Development Bank Charter signed in Khartoum, Sudan on 4 August 1963 by the original African Member States of the Bank
- ❑ Established in 1964 following the entry into force of the Charter



PURPOSE

To contribute to the sustainable economic development and social progress of its regional member states (African countries), individually or jointly



FUNCTIONS



- ❑ Mobilizing resources for financing of projects in Africa
- ❑ Financing of investment projects and programs in both public and private sectors
- ❑ Promoting investment of public and private capital in projects in Africa
- ❑ Provision of technical assistance
 - ❑ Geographical area of development activities extends to entire African continent



Character of the Bank



- ❑ Staff (Approx. 2,000) prohibited from interfering in political affairs of any member
- ❑ Principal office of the Bank always located in a regional member state
- ❑ Principal office in Abidjan, Ivory Coast
- ❑ Currently temporarily relocated to Tunis, Tunisia
- ❑ A number of field offices in Africa including in Pretoria, South Africa



AfDB MEMBERSHIP

- ❑ Independent African States (regional)
- ❑ Non-regional countries which are members of, or contributors to ADF (Article (3) of the Charter)
- ❑ Current membership comprises all the 53 African and 24 Non-African members
- ❑ Examples of Non-regional countries - USA, China, India, United Kingdom, Canada, Brazil, Japan, France
- ❑ **South Africa became a member of the Bank on 13th December 1995**



CAPITAL STRUCTURE



- ❑ 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 Charter)
- ❑ Capitalization: approximately US\$ 100 billion after the 6th General Capital Increase in May 2010
- ❑ **South Africa holds 99,984 shares representing 4.516% of the voting power**



6TH GENERAL CAPITAL INCREASE



- ❑ Historic 200% Capital Increase in May 2010 from 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 designed to protect the Bank from over-lending
- ❑ Increased demand for Bank resources due to food, energy, and financial crises



GOVERNANCE STRUCTURE



Board of Governors (77)

Board of Directors (20)

**President + Senior
Management (7VPs, General
Counsel & Secretary General)**



Board of Governors



- ❑ Supreme governing body

- ❑ Composition: Governors and Alternate Governors representing each member (usually Finance Ministers)

- ❑ Powers include:
 - ❑ capital increase and/or decrease
 - ❑ approval of Special Funds
 - ❑ election of members of the Board of Directors and the President
 - ❑ appointment of auditors
 - ❑ approval of accounts
 - ❑ Issuance of directives on credit policy



Board of Directors



- ❑ Comprises 20 Executive Directors representing member countries
- ❑ Exercises delegated powers of the Board of Governors
- ❑ Responsible for oversight of Bank operations
- ❑ Approves loans, guarantees and other investments
- ❑ **Currently, South African Executive Director represents South Africa, Lesotho and Swaziland**



Bank President



- ❑ President of the entire Bank Group
- ❑ National of a Regional Member State (Currently a Rwandese National)
- ❑ Serves for a term of five years (two term limit)
- ❑ Elected by the Board of Governors
- ❑ Chairman of the Board of Directors
- ❑ Chief of Staff and legal representative of the Bank
- ❑ Supported by 7 VPs, General Counsel and Secretary General



AfDB Operations



- ❑ AFDB makes non-concessional loans to Middle Income Countries (Category C and B)
 - ❑ Angola, Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland and Tunisia (Category C)
 - ❑ Nigeria, Cape Verde and Zimbabwe (Category B (Blend Countries))
- ❑ Public sector enterprises from Category C and B are also eligible for non-concessional loans (with or without a sovereign guarantee)
- ❑ Supports private sector development in Africa through private sector lending window on non-concessional terms
- ❑ Special resources to foster assistance to MICs such as MIC Trust Fund



AfDB in South Africa



- ❑ Major Operations concluded/approved in the last 5 years
- ❑ Medupi Power Sovereign Guaranteed Loan US\$ 2,630,000,000 (Euro 930,000,000 and ZAR 10,630,000,000)
- ❑ Eskom non-sovereign guaranteed loan US\$ 500,000,000
- ❑ Standard Bank of South Africa – Loan US\$ 220,000,000 and Trade Finance Facility US\$100,000,000 (under GTLP)
- ❑ Ned Bank Limited – US\$100,000,000 line of credit
- ❑ Transnet Limited – A-B Loan US\$ 400,000,000 and expected US\$600,000,000 from commercial lenders arranged by the Bank



AfDB in South Africa



- ❑ Bank engaged in upcoming PPPs in mining industry

- ❑ Invested in a number of equity funds including:
 - ❑ South Africa Infrastructure Fund
 - ❑ AgriVie Fund
 - ❑ Africa Agriculture Fund

- ❑ A number of Grant financed initiatives and Technical Assistance in South Africa and the general SADC area



BANK SUPPORT IN FINANCIAL CRISIS



- ❑ Bank played a significant countercyclical role in supporting African economies in their response to the overwhelmingly negative impacts of the global financial and economic crisis
- ❑ Increased and frontloaded commitments
- ❑ Improved response times
- ❑ Introduced new instruments to meet clients' evolving needs
- ❑ Leveraged its balance sheet to the limit consistent with the preservation of its AAA ratings



BANK SUPPORT IN FINANCIAL CRISIS

- ❑ Bank increased support by more than 200% in 2009 compared to 2008
- ❑ The Bank Group loan, grant, and other approvals in 2009 amounted to a historic US\$12.09 billion
 - ❑ US\$11.27 billion for loans and grants, compared to US\$4.76 billion in 2008
 - ❑ US\$832.2 million for debt relief, private sector equity participation, guarantees, loan reallocations, and special funds allocations
- ❑ The distribution of total approvals
 - ❑ ADB, US\$8.4 billion (69.5 percent)
 - ❑ ADF, US\$3.65 billion (30.1 percent)
 - ❑ NTF, US\$8.55 million (0.1 percent)
 - ❑ Special funds, US\$41.7 million (0.3 percent)



African Development Fund (ADF)



- ❑ Established in 1972 by Agreement signed in Abidjan, Ivory Coast, between the African Development Bank and 15 original State 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



African Development Fund



- ❑ ADF is a separate legal entity with its own Board of Governors and Board of Directors
- ❑ Managed by the AfDB (personnel and institutional resources)
- ❑ Donors include South Africa, USA, China, Canada, UK, most OECD countries



South Africa's ADF Contribution



- ❑ South Africa is the only African ADF donor and has contributed to the ADF since ADF-8 Replenishment
- ❑ South Africa will make a contribution of US\$ 15 million for the ADF-12 replenishment
- ❑ South Africa's cumulative subscriptions up to ADF-12 amount to about US\$ 45 million



ADF – Operational Resources



- ❑ AfDB allocations
- ❑ Transfers of AfDB net income
- ❑ Triennial replenishments by ADF donors after consultations
 - ❑ 12 ADF replenishments since establishment
 - ❑ ADF-12 concluded October 2010 in Tunis
 - ❑ ADF-12 Donor commitments of US\$ 9.5 billion for 2011 – 2013 ADF operations



ADF Resource Distribution



- ❑ Distribution of ADF resources to countries through a Policy-Based Allocation (PBA) system taking into account:
 - ❑ Country Performance Assessments (CPA)
 - ❑ countries' level of need – measured by per-capita income and population size: e.g.
 - ❑ Ethiopia may get more than Lesotho
 - ❑ Tanzania more than Mozambique



Nigeria Technical Cooperation Trust Fund (NTF)



- ❑ Established on 25 April, 1976 under the Agreement between Nigeria and the AfDB establishment of NTF
- ❑ 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 to 2017



Main Financial Products



- Loan Products (standard and non-standard)
- Guarantees
- Equity and Quasi-Equity
- Risk Management Products
- Technical Assistance
- African Development Fund (ADF)
- Nigerian Technical Fund (NTF)



AfDB Standard Loan

	Sovereign Guaranteed Loans	Non-Sovereign Guaranteed Loans
Eligible Borrowers	<p>Middle Income Countries (MICs)</p> <p>Public Sector Companies from MICs with a sovereign guarantee</p>	<p>Public Sector Companies without a sovereign guarantee</p> <p>Private Sector Companies</p>
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	



AfDB Equity and Quasi-Equity



- **Direct investment** in Private Companies
 - Preference financial intermediaries
 - Board representation to foster knowledge sharing and best practice

- **Private Equity Funds**
 - Domiciled in Africa
 - Bank owns less than 25% of equity capital

- **Objective of fostering socio-economic development** e.g. agri-business, health, banking (Investment Fund for Health in Africa, African Agriculture Fund, Africa Capitalization Fund)

- **Exit through sale** to local private investors



Risk Management Products



- **Available to existing Bank clients**
- **Assist clients** manage financial risk profile under a loan
 - Interest rate swaps- transforms floating rate into a fixed rate or vice versa
 - Currency swaps
 - Commodity/index swaps
 - Interest rate caps and collars
- **Actual costs borne by client**

AfDB Technical Assistance Funds

■ Middle Income Countries Trust Fund



- **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 with commercial resources.
- Fund size : **61 million UA**
- Maximum grant per project: UA 600 000, minimum UA 100 000



Fund for African Private Sector Assistance (FAPA)



- Grant funding for studies, technical assistance and capacity building
- Governments, inter-governmental bodies, private entities
- Support legal and regulatory reforms, particularly those that strengthen the private sector and develop entrepreneurship
- Deepen financial markets, trade finance and non-banking financial products
- Limited to not more than USD 1 million per project



ADF Loans and Grants



- ADF financial products include loans and grants to 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 8 year grace period for blend countries (with a 1% interest rate)



Other ADF Financial Products



- **Partial Risk Guarantees** (new product to be used for leveraging Private Sector Financing)

- **ADF Technical Assistance Fund grants** to finance feasibility studies, training and institutional capacity building.

- **Fragile States Facility-** assistance to Fragile and post-conflict affected states
 - Capacity building
 - Arrears clearance
 - ADF allocation Top-up

- **Special Relief Fund-** humanitarian assistance in the event of natural disasters, calamities



Nigeria Trust Fund (NTF)



■ 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



AFRICAN DEVELOPMENT
BANK GROUP

Bank Group Medium Term Strategy

- ❑ Bank Operations are currently guided by the Bank's 2008-2012 Medium-Term Strategy (MTS)
- ❑ MTS operational focus:
 - ❑ Infrastructure
 - ❑ Governance
 - ❑ Private Sector Development
 - ❑ Higher Education



Operational Policies and Strategy



- ❑ Environmental and Social Safeguards Policies require
 - ❑ Environmental Impact Assessments for all Bank financed projects,
 - ❑ Mitigation plans
 - ❑ Resettlement and/or compensation plans
 - ❑ Consultation and discussion with all stakeholders especially affected communities

- ❑ Prohibits use of child labour or any form of forced labour on its projects

- ❑ Provides Guidelines for Preventing and Combating Corruption in its operations

- ❑ Prevention of Money Laundering and Terrorist Financing

- ❑ Use of Bank Procurement rules or national systems based on efficiency, transparency, economy and open competitive bidding

QUESTIONS? COMMENTS?



Thank You!

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