Overview of the African Development Bank Group
A vision for Africa’s transformation: AfDB Ten-Year Strategy: 2013-22

Two objectives to support transformation

- Inclusive growth
  - Age
  - Gender
  - Geography

- Transition to Green growth
  - Building resilience
  - Managing natural resources
  - Sustainable infrastructure

Three areas of special emphasis

- Fragile States
  - A continuum & regional approach
- Agric & Food Security
  - Supporting value chains
- Gender
  - Economic empowerment, legal & property rights

Five core operational priorities

- Infrastructure development
- Regional integration
- Private sector development
- Governance
- Skills & technology
Multiple Channels of Funding

**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*

**Nigeria Trust Fund (’’NTF’’)**
Established in 1976 by Nigeria
Total resources: USD 242 million
*Concessional and Non Concessional Financing Terms*
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.

Credit Policy Factors
- Creditworthiness
- Per capita income (same as IDA criteria)

Serving all African Member Countries

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

<table>
<thead>
<tr>
<th>Role of the Bank</th>
<th>Inputs/R&amp;D</th>
<th>Production</th>
<th>Processing</th>
<th>Logistics</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Irrigation</td>
<td>Community units</td>
<td>Storage</td>
<td>Rural markets</td>
<td>Rural roads</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Power generation and distribution</td>
</tr>
<tr>
<td>Results</td>
<td>• Improved access to seeds and fertilizer</td>
<td>• Increased productivity</td>
<td>• Value addition</td>
<td>• Increased market access</td>
<td>• Enhanced food security</td>
</tr>
<tr>
<td></td>
<td>• Reduced vulnerability to climate shocks</td>
<td>• Reduced postharvest losses</td>
<td></td>
<td>• Increased farmer incomes</td>
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</table>
## 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

<table>
<thead>
<tr>
<th>Agriculture Infrastructure</th>
<th>Agribusiness and Innovation</th>
<th>Resilience and Sustainable Management of Natural Resources</th>
</tr>
</thead>
</table>
| • Enhanced rural and feed roads systems  
  • Enhanced irrigation mechanization, and drainage systems  
  • Expanded rural electrification  
  • Enhanced crop storage, agro-processing and livestock infrastructure systems  
  • Expanded knowledge base for Bank’s infrastructural operations | • Increased market access and market intelligence  
  • Increased agribusiness investments and value addition  
  • Increased farmers connectivity to local, urban, regional and global markets  
  • Enhanced innovation and new technology  
  • Enhance access to affordable farm inputs to enhance productivity  
  • Enhanced skills development, including women entrepreneurs and the youth  
  • Eased access to financial services for agriculture business  
  • Expanded knowledge base for agribusiness and value addition in agriculture | • Improved nutrition and food security  
  • Increased adoption of environmentally friendly ‘climate smart’ farming practices  
  • Increased transparency and efficiency in land tenure and regulation  
  • Increased recognition and awareness of the social, economic and cultural value of natural assets  
  • Increased resilience to price variability  
  • Reduced deforestation and soil erosion and degradation  
  • Improved soil, water and waste management |

### Expected Outcomes

- [Image of Africa with AfDB logo]
Overview of the Bank Group Sovereign Instruments
Emits 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.

**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

**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.

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**ADF Sovereign Loan**

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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)

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<th>Target Size</th>
<th>Bank Investment</th>
<th>Year</th>
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<td>USD 100 million</td>
<td>USD 15 million</td>
<td>2007</td>
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<tr>
<td>USD 250 million</td>
<td>USD 40 million</td>
<td>2011</td>
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<tr>
<td>USD 50-60 million</td>
<td>USD 10 million</td>
<td>2014</td>
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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.
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

① Buys inputs or sells commodities

② Submits documentation detailing proposed transaction(s)

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

Commodity Aggregator

AfDB activity

Commodity Aggregator activity

④ On-lends to/Pays farmers

Farmers / Purchasing agents
African Local FI

① Request for pre- or post-export funding
② Submits requisite documentation on its operations
③ AfDB provides financing; assumes bank risk, not exporter/importer risk
④ On-lends to exporters/importers

AfDB activity

Local Bank Activity

Exporters / Importers
1. AfDB approves limits for IBs following CB’s proposals.

2. CB binds AfDB through RPA (no transaction approval required).


Risk Participation Agreement

Confirming Bank

Issuer Banks

AfDB activity

Exporter

Importer
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)**

- 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
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

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

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

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

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)
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.
The Future – What is still needed?

• Trade Finance Direct Guarantees?
• Agriculture Portfolio Guarantees?
• Supply Chain Finance?
  • Factoring
  • Forfaiting
  • Warehouse Receipts
  • Invoice Discounting
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:

AfDB_Group
private-sector-agribusiness@afdb.org
Ftry4@afdb.org
www.afdb.org