Private Sector

African Development Bank

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Development objectives and strategy of ADB Private Sector operations

A key developmental challenge to the socio-economic growth of the African continent is the expansion of the role, size and impact of private sector activities. To support such expansion, the needs in terms of policy/regulatory changes, human capital and financial resources are massive, and further exacerbated by the globalization of international markets, which has reduced the available time for African economies to adjust to international competition.

Consistent with its institutional mandate, private sector development is a strategic objective and priority of the African Development Bank (ADB), as enunciated in the Private Sector Development Strategy approved in December 2004. The Bank, in harmony with concurrent development assistance initiatives by sister institutions, aims at inducing private sector growth in regional member countries (RMC), in a number of ways, mainly including:

supporting reforms of the policy/regulatory enabling environment for private sector in RMCs through country dialogue and policy-based operations;
improving the physical and financial infrastructure in RMC to enhance private enterprises productivity and competitiveness;
supporting the strengthening of human capital, in terms of expanded technical assistance, transfer of skills, know-how and technology; and
catalyzing inflow of financial resources to RMCs through direct investment and diversification of financial services..

Within the Bank, the above activities are conducted jointly by public sector and private sector windows. In the area of lending, the Bank's private sector window (Private Sector Department, OPSM) is responsible for all direct lending operations not requiring sovereign guarantees, while public sector Departments lend through RMC governments, to public entities requiring sovereign guarantees provided by those governments.

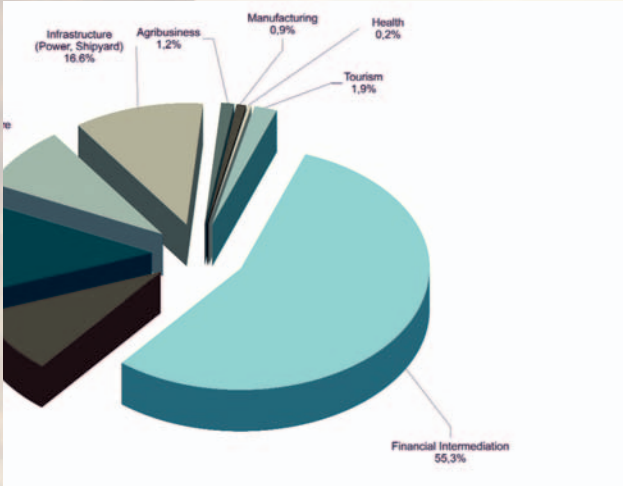
Within the overall Bank objectives of assistance to private sector development, OPSM strategy aims at focusing in particular on four main dimensions:

contribution to the improvement of the enabling environment for business in RMCs; technical and financial support to the strengthening of local financial markets; technical and financial assistance to support development of private infrastructure; and technical and financial assistance to enterprises, in particular

SMEs.

The contribution of OPSM to the advancement of the enabling environment for business in RMCs is carried out through OPSM contribution to the elaboration of ADB Country Strategy Papers (CSPs), which are the key documents defining a country's priority issues and the related assistance strategy by the Bank. OPSM contribution is formalized through the preparation of Private Sector Country Profiles (PSCPs), which are integrated into the CSPs, country by country. OPSM also contributes to Bank-wide sector policy programs and research activities on specific themes, for instance the analysis of a country's financial sector, industrial competitiveness, etc.

A further OPSM contribution in this area is the elaboration of the Bank strategy for enhancing corporate governance in RMCs. Corporate governance is fundamental to attract and protect investors and to sustainably penetrate international markets. OPSM has developed for the NEPAD Secretariat an analysis of corporate governance issues in Africa, and a self-assessment tool, which is being utilized by the NEPAD Peer Review Mechanism. In addition, specific instruments to enhance corporate governance within Bank activities have been developed.



A crucial condition for private sector development in Africa is the good functioning of efficient local financial markets. In this context, assistance to local financial institutions is a key area of activity for the ADB and OPSM in particular. In the last five years, OPSM has extended lines of credit (LOCs) for a total amount of US$ 700 million . These LOCs usually have a long-term maturity (7 to 10 years), thus enabling local banks to on-lend to their clients on similar terms. This helps local banks to balance their revenue streams versus long term lending, and supports investment with long-term returns, thus stimulating industrialization processes in RMCs.

Also, the Bank recognizes that not all local banks have adequate capacity to manage their operations with the highest professional standards, and that limitations sometimes exist in specific areas, such as portfolio management, risk management, environmental policies, etc. In such cases, OPSM provides technical assistance packages to those banks, concurrently with the financing of LOCs, and monitors the improvement of managerial/technical capacity as a condition for the extension of further financial resources.

OPSM activities in the area of financial intermediation are expanding to equity

participations in private banks, leasing financing, insurance and micro-finance.

In the area of physical infrastructure, OPSM supports private infrastructure and public-private partnerships through direct financing and provision of technical assistance services. Direct financing (including senior debt financing and provision of guarantees) has included some of the most successful private infrastructure projects in Africa, such as the Azito power plant in Cote d'Ivoire and the MTN telecom project in Cameroon. Further areas of focus concern financing of transport infrastructure, particularly port facilities, and development of renewable energy sources. In this context, OPSM has funded preparatory studies for the expansion of the Port of Abidjan (Cote d'Ivoire), the establishment of a new port at Mayumba (Gabon), the identification of investment opportunities for wind energy in Africa, etc.

Development of private infrastructure in Africa, which remains at about 6% of equivalent investment in South America, is currently affected by several issues, in particular: a progressive narrowing of the range of international operators active in this field, with associated difficulties in maintaining sufficient competition in the sector; a growing reluctance by international commercial banks to finance private infrastructure projects while shifting instead towards provision of advisory services; and the limited capacity among public administrations in RMCs to conceptualize, prioritize, formulate and negotiate proposals for private infrastructure initiatives. OPSM has analyzed these issues in a comprehensive document (Public-Private Partnerships in Africa, April 2002), and defined a course of action to boost investors' interest as well as capacity in public administrations in this sector.

Finally, technical and financial assistance to African enterprises (those legally registered in a RMC, irrespective of the nationality of their shareholders) is a central part of OPSM mandate. On the technical assistance side, the Bank is co-funding with the International Finance Corporation, specific programs (AMSCO, PEP-Africa) to assist local entrepreneurs in the areas of project formulation, skills enhancement and management.

Direct financial assistance to enterprises is made available by OPSM through long-term debt financing (which is restricted to a minimum of about US$ 3 million equivalent as Bank contribution, which usually never exceeds one/third of total project cost), equity (which never exceeds 25% of the share capital of the enterprise) and guarantees. OPSM supports particularly initiatives in agribusiness, tourism, and industrial modernization, based on strong linkages with external markets. It also supports extractive industries (mining, oil and gas) inducing regional integration and support mechanisms (social infrastructure, financial instruments, etc.) to local communities.

Targeting small-medium enterprises (SMEs) is particularly difficult in Africa, main-

ly because of sub-optimal capitalization and capital structure of enterprises, shortage of skills, weak market linkages/strategic alliances, and lack of business development services and associative networks. The overall result is an extremely high mortality rate of local enterprises, and an associated reluctance by local banks to finance SMEs.

OPSM has developed selected approaches to support SMEs development, through programs aiming at strengthening particularly skills and business linkages, while providing concurrent financial assistance. In this context, OPSM has launched a continent-wide initiative to support franchising in Africa, in collaboration with the South Africa Franchising Association of South Africa. The program includes an analysis of how to develop franchising business in Africa, activities to disseminate the franchising concept/ mechanisms, and the implementation of specific financing schemes for African SME franchisees as well as franchisors.

Further OPSM initiatives in the area of SMEs development concern programs targeting African business women as well as inducing associative capacity and linkages between SMEs and local financial sectors, along proven models developed in Europe.

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AREAS OF FOCUS

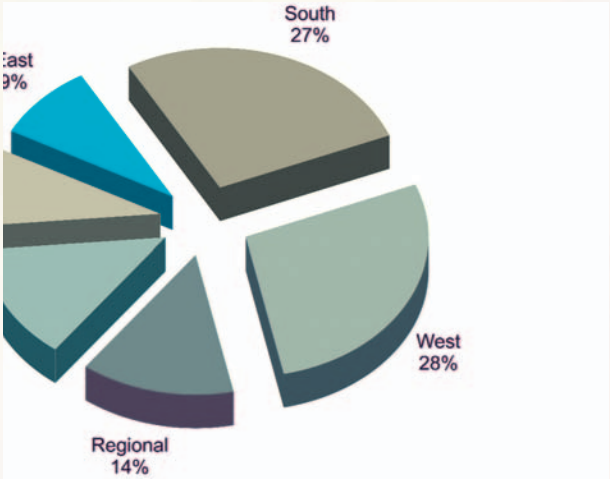
To achieve its objective of fostering private sector development, within the framework of promoting sustainable economic growth and reducing poverty, the Bank gives priority to financial sector and to infrastructure-related projects (especially those involving Public-Private Partnerships). It also supports programs designed to help the development of SMEs, and privatization projects.

Financial Institutions

The development of an efficient national financial sector is one of the key conditions to mobilize investment resources. The Bank's role is to catalyze the flow of domestic and external resources towards the build up of the financial sector of African countries. The Bank aims at three major objectives: i) to increase private financial institutions' responsiveness to an increasing demand for long-term loans; ii) to strengthen these institutions' capacities, especially to be able to address the specific financing requirements of SMEs; and ii) to ensure sound business and financial management practices within the assisted institutions. For this purpose, the Bank has four instruments, which it can provide to financial institutions: lines of credit, equity participations, guarantees, and technical assistance.

Infrastructure

The Bank promotes infrastructure projects and gives special attention to Public-Private Partnership investments. It provides: (i) financial support through direct equity investment and loans; (ii) advice to enterprises on the structuring of such projects; and, (iii) advice to governments in order to introduce a conducive legal and regulatory framework, as well as technical assistance to enhance their



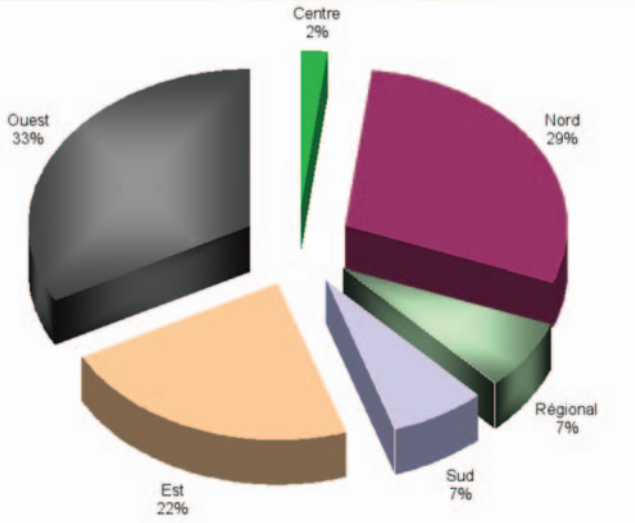
capacity to adequately structure and handle PPP programs. The key objective of the Bank is to provide confidence and comfort to other lenders and investors who may hesitate to participate otherwise due to perceived risks or lack of familiarity with conditions in the host countries. When participating in a project, the Bank will ensure that the interests of the host RMCs and the other parties to these ventures are protected.

Privatization

The Bank encourages the process of privatization, whenever appropriate, and provides assistance in two ways: (i) technical assistance and advisory services to governments to structure privatization schemes and to establish the necessary legal, institutional and procedural frameworks for such operations; and (ii) financial assistance in the form of loans, equity participation and underwriting. The Bank favors competition in privatization processes and makes available its resources to successful bidders if such selection is found satisfactory by the Bank.

Small and Medium Enterprises (SMEs)

Considering the importance of this sector in African economies, the Bank has designed a specific strategy to promote the development of SMEs in the continent. This strategy is articulated into four axes, as follows: (i) fostering a suitable business environment; (ii) promoting entrepreneurship development; (iii) supporting technical assistance and business development services; and (iv) extending adequate and innovative financing instruments, generally through



financial intermediaries such as commercial banks, investment funds and specialized financial institutions, including micro-finance institutions.

Project Finance

Bank financing may be considered for projects to establish, expand, diversify and modernize productive facilities in various sectors, with the exception of real estate business and trade.

The total amount of Bank assistance to any enterprise, including loans, guarantees and underwriting commitment does not normally exceed one third of the total cost of the project, and the Bank's equity investment will not normally exceed 25 percent of the share capital of any enterprise.

In order to be considered by the Bank, the total project cost should at least amount to US$ 9 million equivalent (on an exceptional basis, the Bank may finance smaller projects if they have high potential development impact, with a strong spillover effects into the economy). This prevents the Bank from competing on smaller projects with local banks, which are in a better position to respond to small business.

The Bank's assistance is designed to complement rather than compete with private sources of finance, stimulating and supporting entrepreneurs, investors and bankers' initiatives, and providing direct financial support for worthy projects. Within this framework, the Bank plays a catalytic role and provides comfort in financial mobilization. In this context, the Bank works closely with other organizations and financial institutions (in particular multilateral and bilateral partners) involved in promoting private business in Africa.

Microfinance

As part of its core mandate of developing a vibrant private sector in Africa, the Bank supports MSME in order to reduce poverty and meet the MDG targets, through its Entrepreneurship and Microfinance Development division Financial intermediation and Microfse inance division within its OPSM Department.

The Bank distinguishes between: i) the majority of micro-enterprises that operate as 'necessity' entrepreneurs, and whose businesses generate income to maintain their direct families as part of an economic survival strategy; and ii) a much more smaller portion of MSMEs that are entrepreneurially driven and primarily engage in business with a business growth orientation, and not merely out of survival or necessity. The entrepreneurially driven group has the potential to fill the gap of what is commonly referred to as the 'missing middle' in Africa.

The micro enterprises and 'necessity' entrepreneurs are supported through the Bank's investments and capacity building of the micro-finance industry as part of its direct poverty reduction strategy.

The growth-oriented entrepreneurs, on the other hand, are assisted through specific targeted interventions, such as growth oriented women entrepreneurs' program, franchising, and support to export-oriented businesses which seek to address both financial and non-financial needs of entrepreneurially driven or growth-oriented enterprises.

Approach

The Bank's approach to supporting MSMEs and entrepreneurship development is through financial sector deepening, combined with technical assistance. Financial intermediation aims to enhance the capacity of local financial intermediaries (micro-finance institutions, banks, leasing companies, equity & venture capital funds, etc.) in order to make available to MSMEs, affordable medium to long term financial products. Technical assistance seeks both to build capacity of the financial intermediaries to be equipped to provide financial services to the MSME target markets, as well as to ensure that the non-financial needs and requirements of MSMEs are addressed. The non-financial needs include measures to enhance the enabling environment, and capacity building support to local intermediaries that provide assistance to MSMEs, such as Business Development Services and linkages to markets.

The Bank has successfully designed and executed micro-finance investments and programmes. In entrepreneurship development programmes, the Bank has developed and implemented programs in various countries and target groups such as for women growth enterprises in Kenya and Cameroon with more countries in the pipeline; a franchising program for South Africa, and a second one (under preparation) for Egypt and export support programmes for SMEs in Ghana (under development). New programs are being developed using a regional approach as appropriate.

In addition to developing programmes for financial intermediation and TA, the Bank engages in strategic partnerships with other institutions and development partners with a key role in MSME development in Africa. These include Agence Francaise de Développment, partnerships with AMSCO and PEP Africa

Eligibility for Bank Assistance

To be eligible for the Bank's OPSM assistance:

An enterprise should be privately owned and managed, and it must be located and incorporated in a regional member country of the Bank, although it may be locally or foreign owned.
An enterprise partially or totally owned by the government may also be eligible for the Bank's private sector window assistance provided that it satisfies the criteria of operational autonomy and managerial freedom, and is run on a commer-

cial basis. No sovereign guarantees are accepted.

In addition, the project must:

Be consistent with the country's economic development objectives;
Possess the required financial and economic viability in order to have high chances of success;
Present a sound project concept, as well as strong features in terms of technology, sponsorship and management with a confirmed market for the project products or services;
Contributes to the generation of foreign exchange earnings and savings; employment creation; labor and management skills enhancement, and has an end result of increased global productivity of local communities.
Comply with the Environment Assessment Guidelines and the prevailing environmental regulations of the host country.

In making investment decisions, the Bank takes into account the economic circumstances in the country concerned, and the policies of the government as they affect private enterprises.

Types of Financial Instruments

1 – LOANS

The Bank offers hard currency term loans denominated in the borrower's choice of currency (e.g. US Dollars, Euro, Pound Sterling and Yen). The Bank is exploring the possibility to raise certain local currencies for lending purposes (currently local currency loans can be offered in South African Rand). Interest rates and other charges are set in accordance with market practice to reflect the country and project risks and taking into account terms available from market sources. The Bank takes no foreign exchange risk in connection with its loans, which must be serviced in the same currency in which they are disbursed.

Interest Rates

The Bank lends at market rates, pricing its loans at a spread above an appropriate market indicator (e.g. Libor or Euribor). Spreads are set according to the credit worthiness of the borrower and after applying appropriate margins for country and project risks, as well as a reasonable rate of return.

Maturities and Repayment

Bank loans generally run for terms of 5 to 15 years with suitable grace periods reflecting the implementation schedule and projected cash flow of the project. Longer maturities can exceptionally be granted for complex infrastructure projects.

Fees

The Bank charges fees in accordance with normal market practice. These are set depending on the nature, complexity and risk profile of the projects being financed. The fees, to be negotiated and agreed upon between the client and the Bank, may include front-end, commitment, arrangement, appraisal and syndication fees. Costs associated with the need to recruit external technical experts, legal counsel or other necessary specialists, as determined by the Bank, are normally charged to the client.

Security

The Bank will seek various security arrangements to safeguard its investments. The nature and extent of the required security is determined on a case-by-case basis. For example, this may consist of a mortgage on real property, a chattel mortgage or industrial pledge on movables, and a floating charge on cash, inven-

tories and other current assets. The Bank may also require guarantees or other forms of collateral from financial institutions or corporate sponsors.

2 - EQUITY AND QUASI EQUITY INVESTMENTS

Bank equity investments may take a variety of forms, including common shares and preferred stock, with or without participating features. In most instances, equity instruments are denominated in local currency. The Bank will not assume responsibility for managing an enterprise in which it invests but will closely monitor the activities of the company. In making equity investment decisions, the Bank determines its prospective exit strategy. Under normal circumstances, the Bank would divest its equity holding once the project has reached the envisaged performance level and its operations are stable, and when a reasonable return can be achieved.

Bank-enterprise relationship

The Bank will not seek a controlling interest in an investee enterprise and will not normally assume management responsibilities. The Bank does, however, reserve the right to appoint its nominee to the Board of an enterprise and will exercise its voting rights as a shareholder when appropriate. The Bank will maintain regular contacts with the management of the enterprise and will require periodic reports to keep itself informed of the progress and condition of the enterprise. In this regard, the Bank conducts regular supervision missions to visit project sites and to review, together with the client, the progress and potential implementation or operational issues.

3- GUARANTEES

The Bank may provide guarantees to cover the payment of principal and interest for loans and debt instruments extended by others. The beneficiary of the Bank's guarantees, i.e. the funding source, may be financial institutions or commercial firms, both local and foreign.

Guarantees are payable in one of the Bank's normal lending currencies. In addition to a guarantee fee, the Bank will normally charge front-end fees and other

fees similar to those applicable to loans.

4- LINES OF CREDIT

The Bank extends lines of credit (LOCs) to private and public (non-requiring sovereign guarantees) financial institutions (PFIs) for on lending to small and medium sized enterprises (SMEs) and other corporate clients. The PFI enjoys considerable freedom and flexibility in the utilization of proceeds from the LOC, but must demonstrate post-facto that such proceeds have been utilized in accordance with Bank policies and the various provisions in the Loan Agreement. The credit risks of the sub-loans are borne by the financial institutions and/or their sub-borrowers. LOCs are usually not secured.

5- LOAN SYNDICATIONS

Syndications may involve the Bank acting as arranger of financing, whereby banks and other financial institutions are offered participation in a Bank loan, with the banks taking the same project risk as the Bank on a pro-rata basis.
The Bank charges fees to the borrower for syndication services, including the identification of funding sources, the coordination of participants' loans and the on-going administration of the loan participation. The fees are negotiated with the borrower in line with those prevailing for comparable services in the market.

6- UNDERWRITING

The Bank can act as an underwriter of a portion of the securities issued by private sector entities and national or regional investment funds.

Advisory Services

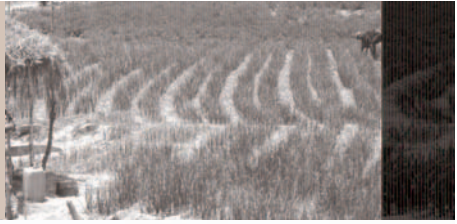
The Bank may offer a wide range of technical assistance and advisory services, including:

Policy advice and technical assistance to governments in order to facilitate the creation of an enabling environment, promote privatization schemes, revise and rationalize investment codes and fiscal regimes, promote foreign direct investments, develop the financial sector and capital markets, etc.

Financial advisory services to governments for privatization projects.
Advisory services to private operators on the formation of new projects or the restructuring of existing ventures.

Technical assistance to private sector clients in order to overcome important constraints or capacity deficiencies.

Technical assistance to other economic agents, which play a role in promoting private sector development, such as business associations, etc.



Application procedure

To enable the Bank to promptly assess the eligibility of a project for investment, interested enterprises should submit a preliminary application covering, in general, the following information:

1. Description of the project (sector, location, production volumes, etc.);
2. The sponsors, including financial and managerial background;
3. Cost estimates, including foreign exchange requirements;
4. Financing plan, indicating the amount of ADB financing desired;
5. Key technical and environmental features;
6. Feasibility indicators;
7. Business climate, market prospect, including proposed marketing arrangements;
8. Implementation plan, including the status of required licenses, permits, certificates, etc.

Having determined the eligibility of a project financing application, the Bank will initiate a full application review. To facilitate this, the Bank would require the following:

1. Feasibility study;
2. Business plan;
3. Environmental impact assessment (depending on the nature of the project).

Privately or publicly owned financial institution: checklist for an application for a line of credit and/or an equity investment

This checklist is designed to serve as a guide for the preparation of an application to OPSM for a loan or equity investment by a local financial institution. It will not be fully applicable to all projects and merely indicates the type of issues that should be addressed. Before a project appraisal can take place, it will be necessary to submit a detailed feasibility study and a business plan.

General Information

1- Indicate the name and location of the project.

2- Describe the financial institution, its history, the capital structure and main sponsors, the nature of ongoing activities, information and references of its management, and the audited financial statements of the last five years.

3- Describe the proposed project, including its objectives and rationale, the total investment required, and the expected timing of the operation.

4- Detail preparatory studies and investigations carried out so far, when and by whom.

The sector

5- Describe the financial sector in the host country, covering the main types of financial institutions and their role in the sector. Indicate under what laws and by which regulatory bodies are they approved and allowed to operate. In an annex, list all the institutions by type, giving the basic statistics for each, including assets, deposits and borrowings, capital, reserves and profits, as well as their main owners.

6 - Describe the interest rate environment, including how rates are determined and managed, as well as an indication of the current rates for each type of transaction.

7- Describe the money and capital markets, the different instruments available, and their terms and conditions, estimating the total market value of each type.

8 - Provide an overview of the current foreign exchange regime, indicating which institutions have been authorized to deal in foreign exchange rates during the last

five years.

9- Indicate whether credit is allocated or directed by the government or regulatory authorities to particular market segments, including reference to subsidized credit schemes, if any.

10- Describe how the project fits in with the government's development objectives and policies for the sector.

The Market

11- Describe the market for the product(s) and services, providing historical data and forecasts.

12- List the main competitors, both domestic and foreign, giving indications of their volumes, market shares, any planned expansions, as well as what will be the likely reaction of competitors to this project.

13- Present and defend the marketing strategy selected, including market research, product planning, pricing strategies, distribution, promotional programs, advertising, selling etc.

Organization

14- Describe the structure of the Board and management, including organization charts and CVs of key managerial personnel;

15- Present the human resources management plan for the project, including availability and cost of personnel, as well as the revision of relevant laws, regulations and practices.

16- Describe ongoing and proposed training programs.

Technical aspects

17- Indicate the plans for obtaining adequate and appropriate premises and fixed assets, including equipment;

18- Overview the main features of the planned operating procedures and methods, including computer systems, and the rationale for the choices made.

Government role, taxation, regulations, insurance

19- Indicate if the government has any direct or indirect role in the project, and

review the required government approvals as well as the current status of each, providing copies of approvals already obtained.

20- Describe government and/or central bank regulations related to the operation of financial institutions;

21- Indicate applicable taxes, provisions concerning repatriation of capital, dividends, royalties, etc.

22 - Provide details of all insurance policies related to the project.

Project investment costs and financing plan

23- Provide detailed plans for raising the required capital (if applicable), including information regarding pre-operating expenses and how they will be funded and accounted for;

24- Provide projected balance sheet, profit and loss account and cash flow projections for the next five years of operation, stating detailed assumptions, especially those relating to interest rate and spread, as well as anticipated market penetration.

25- Compute sensitivity analyses at various levels of the business regarding the base assumptions.

26- Compute various measures of performance ratios as appropriate, such as risk assets to capital, operating ratios, return on assets and return on equity.

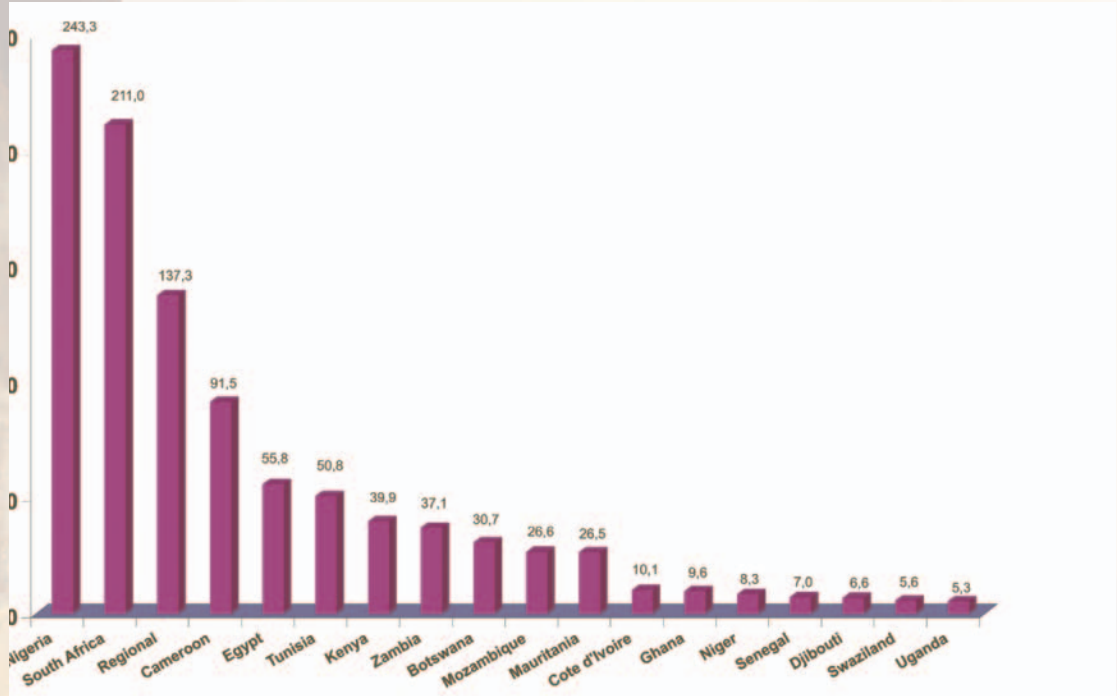
27- Demonstrate sustainable compliance with local and international capital adequacy requirements.

Proposed ADB involvement

28- Provide details of the financial assistance requested from the African Development Bank, explaining why the financing is required, for what purpose the proceeds will be used and what else is expected from the ADB.

Appendices

30- Provide copies of relevant audited financial statements for the last five years, copies of legal documents (e.g. memorandum of incorporation and articles of association), lists of affiliated companies, information on individual shareholders, products and services descriptions, market statistics and other relevant material, as the case may be.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Egypt
Tunisia
Kenya
Zambia
Botswana
Mozambique
Mauritania
Cote d'Ivoire
Ghana
Niger
Senegal
Djibouti
Swaziland
Uganda

Financing of a privately or publicly owned project in the non-financial sectors: checklist for the preparation of an application

T his checklist is designed to serve as a guide for the preparation of an application to OPSM for financing of a privately owned project. It indicates the type of information that should be provided by the applicant.

General information

1- Give the name of potential client, the name of project and its exact location.
2- Describe the proposed or existing company, its capital structure, land ownership details, nature of major activities, sponsors, history, management, audited financial statements for the past five years, bank references, etc.
3- Provide the project's description and rationale.
4- Review the sector, describing how the project fits in with the country's development objectives.

Market

5- Describe the market for the product or service, including production and sales data, imports and exports, forecasts and justification.
6- Review marketing channels, sales arrangements, and usual commercial arrangements.
7- Overview competition, both domestic and foreign, past and current market trends and developments.
8- List tariff and non-tariff barriers.
9- Detail price structures, price controls, subsidies, rebates, import regulations, government involvement, etc.

Technical Aspects

10- Describe technical, construction and other aspects, including the technical process, the basis for its selection, suitability, relative costs, describe processes, rated capacity and anticipated output.
11- Detail envisaged and/or existing key contractual arrangements.

Raw Materials and Procurement

12- Review raw materials needed, sources, order time, stability of supply, concessions, import licenses, supply contracts, as well as likelihood of cost increases.

Infrastructure and Transportation

13- Overview the adequacy and cost of power, communication, water and other

utilities, as well as transportation facilities, including an estimation of possible installation delays and possible port delays.

Environmental Aspects

14- Describe in detail the waste disposal systems, the project's effect on the physical and social environment, including the possible requirement of resettlement of communities, as well as the actions project sponsors are taking to mitigate these effects.

Organization and Management

15- Describe the structure of the Board, Management and key operational units.
16- Give information regarding the organization of the project construction and supervision, the determination and negotiation of costs, and the construction schedule.
17- Provide details of technical assistance or management contracts or other agreements.
18- Provide information regarding the availability and costs of appropriately skilled workers, as well as information on labor laws, union organizations, ease of work force reduction, etc.

Government role, taxation, regulation, insurance, special incentives

19- Indicate if the Government has any direct or indirect role, as well as which licenses, permits and certificates are required and their current status.
20- Indicate if there are any investment incentives or privileges accorded to the project.
21- Describe applicable taxes, provisions for repatriation of capital, dividends, royalties, foreign exchange regulations, etc.
22- Provide details on all insurance policies related to the company, the project, the management and the Board.

Project Investment Cost and Financing Plan

23- Provide detailed capital cost estimates, including land, buildings, earthworks, machinery, equipment, licensing, permanent working capital, interest during construction, and contingencies, allocating costs according to local and foreign currency requirements.
24- Present the financing plan, including details of shareholding structure, sources of loan funds and loan conditions.
25- Detail the proposed financing by the African Development Bank and the envisaged purpose and use of Bank proceeds, including the anticipated disbursement schedule and rationale.

Financial and Economic Evaluation

26- Present projection of output, revenues, costs and profits at least for the duration of the loan. Cost items should include raw material, labor, power and other utilities, repair and maintenance, administration expenses, sales expenses,

working capital, depreciation, taxes, etc.
27- Provide a complete financial evaluation of the project including computation of financial internal rate of return, profit and loss, balance sheet and cash flow for ten years, along with the detailed assumptions. If the application concerns an expansion project, provide comparisons of forecasts with and without the project.
28- Carry out an economic evaluation, calculating the economic rate of return and stating the assumptions used.

Risks and Safeguards

29- Discuss realistically the risks involved in carrying out the project, including climatic considerations, infrastructure, government, labor, supplier, market and other factors. Review how the project sponsors intend to guard against the risks.

Appendices

30- Provide copies of audited financial statements for the past five years (if available), copies of relevant legal documents (e.g. memorandum of incorporation and articles of association), maps, lists of affiliated companies, information on individual shareholders and managers, detailed process, equipment or product descriptions, market statistics, financial schedules, etc.

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BUREAUX EXTERIEURS

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FIELD OFFICES

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The African Development Bank (ADB) is a regional multilateral financial institution, engaged in promoting sustainable economic growth and alleviating poverty in its regional member countries (RMCs). Established in 1964, ADB shareholding structure comprises 53 African countries and 24 others from America, Asia and Europe.

The African Development Bank Group comprises the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF). Established in 1964, ADB provides loans to its clients both public and private on non-concessional terms. Resources allocated to private business operators enter into this category. Three loan products to meet the needs of its clients are available: the single currency variable loan, the single currency floating rate loan, and the single currency fixed rate loan. The interest rate on single currency variable loan is based on the six-month average cost of all outstanding Bank borrowings specifically allocated to fund all single currency variable loans. The rate for the floating rate loan is based on the 6-month LIBOR/EURIBOR in the menu of currencies offered by the Bank. For fixed-rate loans, the rate is based on the Bank cost of borrowing to fund them

The ADF was created in 1973 and comprises the State participants and the ADB. The Fund's major objective is to reduce poverty in regional member countries. It provides loans on concessional terms to low-income RMCs. ADF loans bear no interest charge, carry a service charge of 0.75 percent per annum on outstanding balances, and attract a commitment fee of 0.50 percent per annum on undisbursed commitments. Private Sector operators have no access to such resources.

The NTF is a special fund created in 1976 by agreement between the Bank and the Government of Nigeria to assist in the development efforts of low-income RMCs whose economic and social conditions and prospects require financing on non-conventional terms. NTF lends at 4 percent interest rate.

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