



**Arab Bank for Economic  
Development in Africa**

# **Guide to Funding Instruments Under Private Sector & Trade Finance Operations**

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# BADEA Overview



## About BADEA

BADEA is an Aa2 rated multilateral development finance institution established in 1974 and is owned by 18 countries members of the League of Arab States.



## Our Products

We provide **Private Sector Financing** (project and corporate finance) and **Trade Financing** as core products and services to support economic developmental and growth in the eligible African countries.

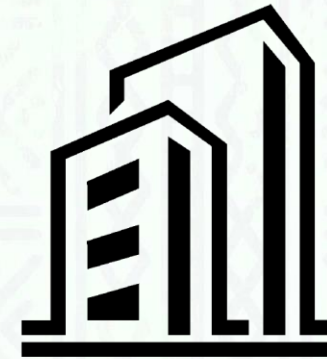
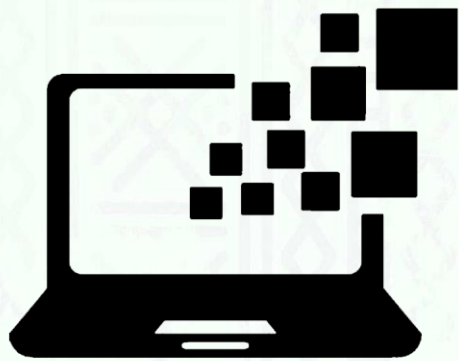
BADEA also supports government-sponsored projects under its Public Sector Operations, which include **Capacity Building grants**.

## Our Presence

BADEA intervenes exclusively in the 44 African countries that are non-members of the League of Arab States



# Private Sector Operations



## Objectives

Our intervention through the private sector window aims at:

- ❖ Provision of funding facilities to projects that promote private sector-led economic growth in Africa
- ❖ Transfer of knowledge and technology into the African continent
- ❖ Promoting and growing African corporates, sectors and industries

## Eligible Transactions and Borrowers

BADEA provides financing to projects, corporates and financial institutions with **lasting development impact** on economies of eligible African countries in terms of jobs creation, skills & technology transfer to local people, foreign currency generation, imports substitution and utilization of local raw materials, among others.

- ❖ **Targeted borrowers** include financial institutions, private sector corporates and profit-oriented state-owned enterprises.



## Funding Instruments

Under the Private Sector Window, BADEA offers variety of products:

- ❖ **Direct Financing** to qualifying projects and corporates which includes:
- ❖ Syndications and co-financing with other lenders
- ❖ Bilateral loans (limited to selected projects).
- ❖ **Indirect loans (Lines of Credit)** to commercial and development banks for on-lending purposes
- ❖ **Equity** investments and **mezzanine** financing (limited to special projects)
- ❖ **Loan guarantees**

## Eligible Sectors

The following sectors are considered eligible for funding, among others:

- ❖ Financial Institutions
- ❖ Manufacturing and heavy Industry
- ❖ Agribusiness Agro-Industry Processing
- ❖ Mining
- ❖ Oil & Gas
- ❖ Power & Energy
- ❖ Transport & Logistics
- ❖ Information Comms Tech (ICT)
- ❖ Hospitality & Tourism
- ❖ Healthcare
- ❖ Education

## Loan Amounts & Tenors

Loan amounts vary by project-specific requirements, client absorption capacity, and availability of funding partners, in addition to the borrower's balance sheet size.

- ❖ Tenors of Private Sector Loans range between **3 and 10 years**. Tenors beyond 10 years may be considered on case-by-case basis.
- ❖ Repayment frequency varies in accordance with project underlying cash flows.
- ❖ Grace periods: projects with deferred cashflow streams may benefit from grace periods of up to 3 years. Grace period of more than 3 years may be considered on a case-by-case basis.

## Pricing

- ❖ While pricing depends on overall risk profile of the underlying transaction, **BADEA offers market-related terms** for its facilities.
- ❖ Pricing can be discussed upon preliminary review and assessment of the funding proposal and issuance of term sheet

## Loan Amounts & Tenors

Loans can be secured in various ways. The most common of which are:

- ❖ Fixed and floating charges on project assets
- ❖ Assignment of receivables
- ❖ Assignment of project contracts
- ❖ Assignment of insurance policies
- ❖ Pledge of shares
- ❖ Pledge of project accounts personal and corporate guarantees by sponsors
- ❖ Bank guarantees, etc.

## Preliminary Information for Processing of Funding Application

Potential clients are expected to submit the following minimal information with their requests:

- ❖ Formal funding request indicating facility amount, currency, tenor, purpose, and proposed collateral
- ❖ Well documented and bankable feasibility study
- ❖ Historical audited financials
- ❖ Basic background information on the borrower
- ❖ Technology source and procurement policies
- ❖ Timetable envisaged for project implementation and completion

# Trade Finance Operations





## Objectives

Our intervention through the Trade Finance window aims at:

- ❖ Supporting **Exports from Arab League member countries** to eligible African countries
- ❖ Promotion of **Arab-Africa and Africa-Arab trade flows**
- ❖ Supporting **Exports of African commodities** targeting both African and international markets
- ❖ Supporting **Financial Integration** across Africa through provision of trade and confirmation lines of credits to local banks



## Funding Instruments

- ❖ Lines of credit financial institutions for on-lending purposes
- ❖ Structured Trade and Commodity Finance (STCF).
- ❖ Pre-shipment financing/export financing
- ❖ Import financing
- ❖ Post-Shipment Loans
- ❖ Loan Syndications, including MRPA's
- ❖ Bridging facilities
- ❖ Contingent Liability Facility including LCs, and SBLCs
- ❖ L/Cs, issuance, confirmation and discounting.

## Funding Instruments

- ❖ BADEA provides financing to export-oriented or foreign currency generating self-liquidating transactions. It also finances the importation of critical raw materials and essential commodities either within Africa or from Arab League countries.
- ❖ **Targeted borrowers** include financial institutions, private sector corporates, state-owned enterprises, and sovereigns.
- ❖ With regards to exports, **BADEA finances exports of African commodities** to both African and global markets



## Objectives

- ❖ Facility amounts vary per **transaction-specific** requirements, client absorption capacity,
- ❖ In addition to the borrower's **balance sheet size**.
- ❖ Facility tenors typically range between **3 and 36 months**. Tenors beyond 36 months may be considered on case-by-case basis.
- ❖ For a detailed discussion on ticket sizes, please get in touch with us.



## Pricing

- ❖ While pricing **depends on overall risk** profile of the transaction, BADEA offers market-related terms for its facilities.
- ❖ Pricing can be discussed upon preliminary review and assessment of the funding proposal and issuance of term sheet



## Objectives

- ❖ Trade finance Loans are secured by a variety of instruments, including receivable's assignment, legal charges on underlying stocks of commodities (CMA arrangements)
- ❖ Bank guarantee, cash collateral, and fixed asset mortgage, among others.



## Preliminary Information for Processing of Funding Application

Potential clients are expected to submit the following minimal information with their requests:

- ❖ Formal funding request indicating facility amounts, currency, tenor, purpose, and proposed collateral
- ❖ Historical financials
- ❖ Basic background information on the borrower.





# Thank You



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