

BOAD

PRactical GUIDE

FOR PRIVATE ECONOMIC OPERATORS



2018 Edition



WEST AFRICAN DEVELOPMENT BANK

**PRATICAL GUIDE
FOR
PRIVATE ECONOMIC OPERATORS**

1. PRESENTATION

The West African Development Bank (BOAD) is the common development finance institution of the member countries of the West African Monetary Union (WAMU). It was established by Agreement signed on 14 November 1973 and became operational in 1976. Its member countries include: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. Its headquarters is based in Lomé (Togo).

By a treaty of the West African Economic and Monetary Union (WAEMU) signed on 10 January 1994 and which became effective on 1st August 1994, BOAD is a specialized and stand-alone institution of the Union. It contributes "independently to the attainment of the objectives set by the WAEMU without prejudice to the objectives assigned to it under the WAMU Treaty.

BOAD is a public international institution, whose purpose, as set forth under article 2 of its Articles of Association, is to promote the balanced development of its member countries and achieve economic integration within West Africa.

2. FIELDS OF INTERVENTION IN THE PRIVATE SECTOR

BOAD's operations in the private sector involve the production or distribution of goods and services in all fields of activities eligible for the Bank's financing, with profit-seeking motive as key objective. These include industries, transports, mining, agriculture, fishery, livestock, forestry, communication, energy, building and civil industry, tourism, hotel activity and other service companies.

Operations in the form of financial or technical assistance involve projects in the process of establishment, expansion, modernization, improvement, renovation and rehabilitation of production and distribution facilities, business privatization and buyout.

3. FORMS OF INTERVENTION

BOAD intervenes in various forms in the private sector:

3.1. Short, medium and long-term loans

These loans are provided to support the production or distribution of goods and services or transfer of ownership of production or distribution facilities to citizens from the WAEMU region. These are liquidity facilities or signed commitments, any facility likely to cover a short-term financing requirement expressed by companies, with a maximum maturity of two (2) years.

3.2. Refinancing facilities to national financial institutions (NFIs):

Refinancing facilities are meant for refinancing productive investments supported by national financial institutions (NFIs) in sectors eligible for BOAD's financial assistance. In order to meet the specific requirements of these NFIs, BOAD proposes four (4) methods of funding, including:

- the refinancing framework agreement for funding SMEs and major companies through NFIs;
- the specialized comprehensive package for funding, through NFIs or a promotion board, projects already identified;
- the line of credit dedicated to micro-projects and SME development;
- leasing meant for funding productive investment projects implemented under a lease agreement.

3.3. Equity investments in the share capital of:

- companies;
- or national, regional or international financial institutions (commercial banks, credit institutions, investment funds).

3.4. Loan guarantee

BOAD's support to loan guarantees takes the form of a first demand signed commitment or as per conditions agreed upon, in favour of an issuer/borrower, which may be a company, a State or one of its subdivisions (local authorities). The various types of loan guarantees include bond loans, interbank loans and negotiable debt securities..

3.5 Support to project preparation, promotion and implementation;

3.6. Financing of project feasibility, implementation and engineering studies;

3.7. Interest allowance on credit facilities;

3.8. Provision of financial services such as financial advisory services, financing arrangement and loan syndication;

3.9. Project financing eligible for the Clean Development Mechanism

4. BENEFICIARIES

Any corporate entity from the WAEMU region or foreign countries desirous of investing in productive operations within the region, may submit to the Bank a funding request.

5. ELIGIBILITY CONDITIONS

5.1. Location

Operations that are eligible for the Bank's financial and technical assistance should be located in at least a member country of the West African Economic and Monetary Union (WAEMU). It is however possible for the Bank to participate in or provide technical assistance to institutions or companies whose objective is to contribute towards private sector promotion in the region, even though such companies may have their registered offices outside the Union.

5.2. Project management company

To be eligible for the Bank's support, the management company should exist legally and be registered in the country's trade register.

5.3. Management method

The management method of companies eligible for the Bank's assistance should be private, with a business-like accounting/bookkeeping system, an organization and operation consistent with applicable regulations.

5.4. Information required

For the Bank to consider a project, the documentation required must include:

- For SME/SMIs:

- a formal funding request (letter, email, fax...) from the project developer to the BOAD President, specifying the amount, maturity, interest rate and proposed collaterals ;
- a detailed project study covering the following aspects: rationale and market (supply, demand, price applied, business policy, raw material sourcing strategy), project organization and management (project ownership, project management, organization chart, job descriptions for senior management, articles of incorporation...), as well as technical aspects (technical studies at the final design stage), financial aspects (assumptions regarding project's estimated income and expenses for at least five years) and economic aspects (appreciation of the additionality of the project);
- an environmental and social impact assessment (ESIA) as well the environmental compliance license or issued by national authorities);
- at least, the latest three (3) activity reports and audited financial statements of the company where the project involves modernization, expansion or rehabilitation or a short-term loan;
- the auditor's report in case of equity investment involving capital increase;
- the technical and financial references of the technical, financial or business partner, where necessary;
- the expert appraisal report on the existing assets where the investment involves contribution in kind or proposed take-over of existing companies;
- the bank references;
- the proposed collaterals.

- For NFIs:

- a funding request from the NFI Managing Director to be sent to BOAD President, specifying the amount and the form of support requested (equity investment, refinancing facilities);
- the articles of incorporation, organization chart and by-laws of the NFI;
- the activity reports of the last five (5) years;
- the audited financial statements of the last five (5) years together with the auditors' reports;

- the report and the status of implementation of the recommendations of the last audit engagement of the Banking Commission;
- the activity programme for the next five (5) years highlighting the forecast for medium and long-term lending and leasing;
- the projected operating accounts for the next five (5) years with assumptions to be used in preparing the financial projections (business plan, if applicable);
- the pipeline of projects;
- the collateral proposed to cover a possible loan from BOAD;
- the authorization of the governing bodies to contract a loan.

6. INTERVENTION CRITERIA

6.1. Rationale and financial profitability of the projects

The project must show a satisfactory financial rate of return and should be consistent with the country's developmental objectives. It should demonstrate:

- the existence of a buoyant market: demand, supply and business policy;
- the comparative advantages in relation to competition;
- the sector's overall growth prospects;
- the costs and origin of manpower and raw materials;
- the raw material sourcing strategy/policy, where necessary;
- the reliability of technology and management;
- the environmental reliability thereof;
- the financing schedule and financial resources of the company.

6.2. Collaterals

Where the Bank is involved in financing a project, its loan must be covered by specific collaterals. The range of standard collaterals taken shall include:

- Personal guarantees:
 - joint and several guarantee of major shareholders;
 - backing by a guarantee fund;
 - guarantee by a prime rate bank.
- And collaterals on corporate assets for adequate cover of the Bank's loan:
 - mortgage;
 - delegation of insurance policies;
 - pledging of working capital (including operating equipment and facilities);
 - pledging of sound assets (sound debts, debt securities or title deeds...);
 - pledge;
 - financial collateral;
 - any other collateral deemed satisfactory by the Bank.

6.3. Project developer

Assessment of the project developer involves the analysis of the following:

- his entrepreneurial skills;
- his credibility;
- his motivation;
- his financial standing.

6.4. Technical partners

BOAD requires the participation of a technical partner where the project involves a technology which the project developer is not familiar with.

The technical partner will be any individual or legal entity ready to provide its know-how for the success of the project and train local staff for optimum use of the production machinery.

6.5. Participation of a local bank

In funding a project in which BOAD is involved, the participation of a local bank or financial institution is required.

6.6. Equity contribution

With regard to medium and long-term project financing, BOAD requires equity contribution. For start-up projects, the minimum contribution should be 35% of the total investment amount, including the working capital, depending on sectors.

For projects under expansion, the minimum contribution will be assessed taking into account the debt structure of the company and the project risk. In any case, this cannot be less than 15% of the total investment projected.

7. LIMITS AND CONDITIONS OF INTERVENTION

7.1 Short, medium and long-term loans

Any loan granted to a private project by BOAD shall not exceed 50% of the total pre-tax cost of the project (including working capital). The total pre-tax cost should be equal to or above XOF3 billion. This amount may not exceed 5% of BOAD's capital for risk.

However, with regard to privatization projects, regional projects and projects within the mining and energy sectors, loans can reach 7% of its capital for risk.

At last, as regards refinancing facilities to financial institutions, the Bank's loan cannot exceed 7% of its capital for risk.

A minimum amount is fixed periodically for direct loans granted by BOAD. Below this amount, the Bank provides indirect support through refinancing facilities extended to local banks

The general conditions applicable to loans are as follows:

- **Currency:** loans extended by BOAD are denominated in franc CFA (XOF).
- **Interest rate:** the scale of the Bank's interest rates is determined each year as part of updating of its financial outlook. Interest rates are applied to projects depending on their quality and profitability. They are fixed over the term of the loans. An option for variable rates may be applied to borrowers who so desire, depending on the resources that the Bank can mobilize. The interest rate excludes tax.
- **Fees:** a 0.5% pre-tax commitment fee per annum is levied on the amounts committed but not yet disbursed.
- **Dossier processing fee:** a dossier processing fee of 1% flat is levied on the loan amount granted. Twenty percent (20%) of the processing fee is required prior to field due diligence mission.
- **Tenor:** the maximum tenor of the loan is 10 years with a grace period not exceeding 2 years.

7.2. Short-term loans

The Bank's financing is limited to a maximum of 5% of its capital for risk per short-term cashflow financing transaction; in terms of overall amount per borrower for a short-term transaction, the ceiling is 25%.

The general conditions applicable to loans are as follows:

- **Currency:** loans granted by BOAD are denominated in CFA franc (XOF). However, there are possibilities for direct payments in foreign currency (Euro) to suppliers.
- **Financial conditions:** these conditions will be determined in conformity with local banks' standard financing conditions and based on BOAD's scale of interest rates which is determined each year as part of updating of its financial outlook.
- **Term:** the maximum tenor of the loan is two (2) years.

7.3. Equity investment

The ceiling for each equity investment in which the Bank is involved is fixed at 25% of the company's share capital. The Bank's equity investment in a company is generally subject to the allocation to the Bank of a seat of incumbent director.

7.4. Boad loan guarantee

Commitment by BOAD to guarantee an transaction is limited to a maximum of 5% of its capital for risk; in terms of overall amount per borrower for a bond issue guarantee transaction, the ceiling is set at 25%.

Tenors as well as financial conditions of guarantees offered by BOAD are negotiated on a case-by-case basis with issuers/borrowers and intermediation and management companies (in the case of bond loan issues), taking into account their needs and characteristics, the nature of the operation and the purpose of the bond loan.

7.5. Financing of studies

Where a project proponent has no feasibility study for his project, he can submit to the Bank a request for funding such a study in the form of cash advance. In addition to the formal request, the funding request must include:

- the feasibility study making it possible to clearly present the project (definition, market, size, location, cost, technical partner, where necessary, etc.);
- the detailed terms of reference for the feasibility study to be conducted;
- the composition of the task team to conduct the study and the confidential cost assessment of the study broken down into fees, subsistence expenses, travel expenses, etc.;
- the shortlist of consultants;
- the articles of incorporation of the management company, where necessary;
- the proposed collaterals;
- any other document or information deemed useful for the project appraisal.

The cash advance is repayable in the event where the study culminates into a viable project implemented with or without the financial contribution of BOAD.

8. PROCUREMENT OF GOODS AND SERVICES

Goods and services financed by BOAD are in principle acquired through open or select international competitive bidding. Nevertheless, direct contracts can be accepted under some conditions agreed upon by the parties. Contracts signed in connection with the implementation of a Bank-supported project are expressed in franc CFA (XOF), unless otherwise agreed by the Bank.

9. SUBMISSION OF THE FUNDING REQUEST

The funding request and the project can be forwarded directly to the Bank headquarters or through the resident missions located in member countries at the following address:

The President of the West African Development Bank (BOAD)

WEST AFRICAN DEVELOPMENT BANK (BOAD) HEADQUARTERS

68, Avenue de la Libération
PO Box 1172 Lomé - Togo
Tel.: (228) 22 21 59 06 / 22 21 42 44 / 22 21 01 13
Fax: (228) 22 21 52 67 / 22 21 72 69
E-mail: boadsiege@boad.org

RESIDENT MISSIONS IN MEMBER COUNTRIES (OTHER THAN TOGO)

| COUNTRIES | Addresses |
|---------------|---|
| BENIN | Immeuble BCEAO / COTONOU PO Box 268 Cotonou - Bénin (+229) 21 31 05 58/ 21 31 59 35 - Fax: (+229) 21 31 59 38 Email: boadmrjb@boad.org |
| BURKINA FASO | Immeuble BCEAO / OUAGADOUGOU 01 PO Box 4892 Ouagadougou 01 - Burkina Faso Tel.: (+226) 25 31 07 94 - Fax: (+226) 25 30 58 11 E-mail: boadbrbf@boad.org |
| COTE D'IVOIRE | Immeuble BCEAO / ABIDJAN 01 PO Box V 224 Abidjan 01 - Côte d'Ivoire Tel.: (+225) 20 21 80 80 - Fax: (+225) 20 21 80 00 E-mail: boadmrcci@boad.org |
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| SENEGAL | Immeuble BCEAO / DAKAR PO Box 4197 Dakar - Senegal Tel.: (+221) 33 823 63 47 - Fax: (+221) 33 823 63 46 E-mail: : boadmrnsn@boad.org |

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