

BOAD

PRATICAL GUIDE

FOR PRIVATE ECONOMIC OPERATORS



Edition 2014



BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT

**PRATICAL GUIDE
FOR PRIVATE ECONOMIC
OPERATORS**

1. PRESENTATION

The West African Development Bank (BOAD) is the common development finance institution of the Member States of the West African Monetary Union (WAMU). It was established by Agreement signed on 14 November 1973 and became operational in 1976. Its Member States include: Benin, Burkina, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and 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 «in full independence towards 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 the Bank's Articles of Association, is to promote a balanced development of its member states and achieve economic integration within West Africa by financing priority development projects.

2. FIELDS OF INTERVENTION IN THE PRIVATE SECTOR

BOAD's interventions 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 motives as key objective. These include industry, transport, mining, agriculture, fishery, livestock, forestry, tourism, communication, energy, building and civil industry, tourism, hotel industry and service companies.

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

3. FORMS OF INTERVENTION

BOAD intervenes in various forms in the private sector:

- 3.1. Long and medium-term loans to support the production or distribution of goods and services or transfer of ownership of production or distribution facilities to nationals from WAEMU Member States.
- 3.2. Refinancing facilities to national financial institutions (NFIs)
 - credit facilities for funding micro-projects and SME development ;
 - specialized comprehensive packages ;
 - accords-cadres de refinancement ;
 - leasing.
- 3.3. Equity investments in
 - businesses ;
 - national and regional financial institutions.
- 3.4. Support to project preparation, promotion and implementation ;
- 3.5. Financing of project feasibility, implementation and engineering studies ;
- 3.6. Funding of transfer of ownership of goods and service production facilities to WEAMU nationals ;
- 3.7. Easing of loan conditions through interest allowance for projects falling within the non commercial sector ;
- 3.8. Interest allowance on credit facilities ;
- 3.9. Project financing arrangements ;
- 3.10. Loan syndication ;
- 3.11. Advice ;
- 3.12. Financial service provision ;
- 3.13. Short-term loans to operations, including agricultural campaigns ;
- 3.14. CDM project financing.

4. RECIPIENTS

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

5. ELIGIBILITY CONDITIONS

5.1. Location

Operations likely to benefit from a financial and technical support of the Bank must be located in a Member State of the West African Economic and Monetary Union (WAEMU). It is however possible for the Bank to participate in or provide technical support to institutions or businesses whose objective is to contribute towards the promotion of the private sector within the zone, even though such businesses may have their registered offices outside the Union.

5.2. Project management company

In order to benefit from the Bank's support, the management company should exist legally.

5.3. Management method

The management method of companies likely to benefit from the Bank's support must be private with a business-like accounting/bookkeeping system, an organization and operation consistent with the relevant regulations.

5.4. Information required

For the Bank to consider a project, the dossier to be submitted must include :

- a formal funding request (letter, email, fax) from the project sponsor, indicating the amount and the form of intervention desired (loan, refinancing facility, equity investment...);

- a detailed project study dealing with the following aspects: justification and market, project organization and management, as well as technical, financial and possibly economic aspects ;
- an environmental impact assessment.

The assessment of the dossier with a view to its possible financing requires the following additional documentation and information :

- the latest three activity reports and audited financial statements of the company where the project concerns modernization, expansion or rehabilitation works ;
- the audit report of accounts in case of equity investment involving a capital increase ;
- the technical and financial references of the technical, financial or business partner, where necessary ;
- the expert appraisal report on the current assets where the investment involves contribution in kind, or a proposed take-over of existing businesses ;
- the bank references ;
- the Articles of Association and other background texts ;
- the proposed guarantees.

6. INTERVENTION CRITERIA

6.1. Justification and financial profitability of 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 lucrative market: demand, supply and business policy ;
- the project's comparative advantages in relation to competition ;

- the prospects for the sector's overall growth ;
- the costs and origin of manpower and raw materials ;
- the reliability of project technology and management ;
- the financing plan and financial resources of the company.

6.2. Guarantees

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

- Personal guarantees :
 - joint and several security of major shareholders ;
 - backing by a guarantee fund ;
 - guarantee by a prime rate bank ;
- And collaterals on corporate assets with a view to an adequate cover of the Bank loan :
 - mortgage ;
 - pledging of working capital (including operating equipment and facilities) ;
 - pledging of sound assets (sound debts...);
 - pledge ;

6.3. Project sponsor

The assessment of the sponsor 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 sponsor is not conversant 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 the local staff for the optimal use of the production machinery.

6.5. Participation of a local bank

The participation of a local bank or a financial institution is required in funding a project in which BOAD participates.

6.6. Equity contribution

With regard to project financing, BOAD requires equity contribution. For projects in the process of being established, the minimum contribution ranges between 35% and 40% 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. This cannot be in any case less than 15% of the total investment projected.

7. LIMITS AND CONDITIONS OF INTERVENTION

7.1. Medium and long-term loans

Any loan extended by BOAD to a private project shall not exceed 50% of the total tax-free cost of the project (including the working capital). This amount may not exceed 5% of BOAD's equity. However, with regard to privatization projects, regional projects and projects within the mining and energy sectors as well as projects involving financial institutions, BOAD loan can reach 10% of its own equity.

A floor cap is fixed periodically for direct loans. Below this cap, the Bank intervenes indirectly through refinancing facilities extended to local banks.

The general conditions applicable are as follows :

- Currency: loans extended by BOAD are expressed in franc CFA.
- Interest rate: the scale of the Bank's interest rates is determined each year as part of the updated 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 resources that the Bank can mobilize.
- Fees: a 0.5% commitment fee is levied on the amounts committed but not yet disbursed.
- Dossier processing fee: a dossier processing fee of 1% flat is levied on the extended loan amount.
- Tenor: the maximum tenor of the loan is 12 years with a grace period not exceeding 3 years.

7.2. Equity investment

The cap for each equity investment in which the Bank is involved is fixed at 25% of the company's capital and 10% of BOAD's Equity Investment and Assistance Fund resources. The Bank's equity investment in a company is generally subject to the allocation to the Bank of a seat of incumbent director.

7.3. Research financing

Where a sponsor lacks a feasibility study for his project, he can submit to the Bank a request for funding such a study in the form of advance. In addition to the formal request, the request for funding 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 in fees, per diem, travel expenses, etc ;

- the shortlist of consultants ;
- the Articles of Association of the management company, where necessary;
- the guarantees proposed ;
- any other documents or information deemed necessary for the project appraisal.

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

8. PROCUREMENT OF GOODS AND SERVICES

Goods and services financed by BOAD are in principle acquired through international competitive bidding or select shopping. Nevertheless, negotiated contracts can be accepted under some conditions as may be set forth by the parties concerned. Contracts signed in connection with the implementation of a Bank-supported project are expressed in francs CFA, 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 States at the following address :

**Monsieur le Président
de la Banque Ouest Africaine de Développement (BOAD).**

WEST AFRICAN DEVELOPMENT BANK (BOAD) HEADQUARTERS

68, Avenue de la Libération
B.P. 1172 Lomé - Togo
Tél.: (228) 22 21 59 06 / 22 21 42 44 / 22 21 01 13
Fax: (228) 22 21 52 67 / 22 21 72 69
Email: boadsiege@boad.org

Resident Missions	Addresses
BENIN	Immeuble BCEAO / COTONOU BP 268 Cotonou - Bénin Tél.: (229) (229) 21 31 59 35 Fax : (229) 21 31 59 38 E-mail : boadmrbrn@bj.boad.org
BURKINA FASO	Immeuble BCEAO / OUAGADOUGOU 01 BP 4892 Ouagadougou 01 - Burkina Tél.: (226) 50 31 07 94 Fax : (226) 50 30 58 11 E-mail : boadbrbf@bf.boad.org
CÔTE D'IVOIRE	Immeuble BCEAO / ABIDJAN 01 BP V 224 Abidjan 01 - Côte d'Ivoire Tél.: (225) 20 21 80 80 Fax : (225) 20 21 80 00 E-mail : boadmrcl@ci.boad.org
GUINEA BISSAU	Immeuble BCEAO / BISSAU Rue, Abdoulaye Fadiga BP 38 BISSAU Guinée Bissau Tél.: (245) 590 80 08 / 325 63 10 Fax : (245) 320 13 05/21 E-mail : vnapocan@gw.boad.org
MALI	Immeuble BCEAO / BAMAKO BP 206 Bamako - Mali Tél.: (223) (223) 20 23 78 57 Fax : (223) 20 23 77 98 E-mail : boadmrml@ml.boad.org
NIGER	Immeuble BCEAO / NIAMEY BP 778 Niamey - Niger Tél.: (227) 20 72 49 80 Fax : (227) 20 72 49 82 E-mail : rassouma@boad.org
SÉNÉGAL	Immeuble BCEAO / DAKAR BP 4157 Dakar - Sénégal Tél.: (221) 33 823 63 47 Fax : (221) 33 823 63 46 E-mail : boadbraen@sn.boad.org

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