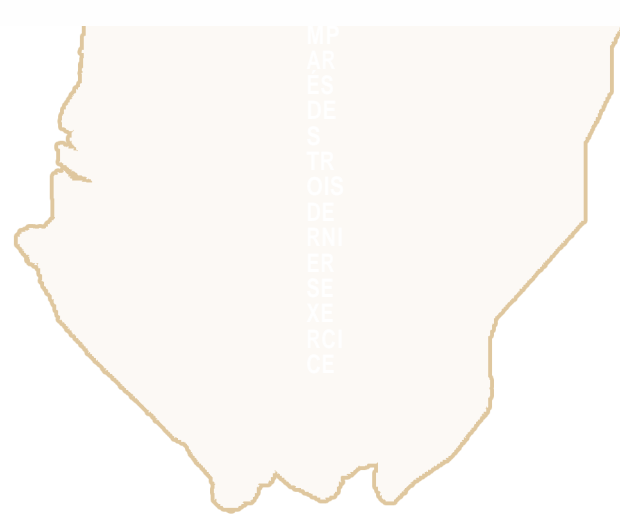




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**The Central African States
Development Bank
(CASDB)**



**THROUGH
QUESTIONS AND
ANSWERS**

The CASDB is devoted to reducing poverty in the Economic and Monetary Community of Central African States (*CEMAC*), particularly through financing priority national or regional development projects and supporting the private sector.

For this purpose, improving the quality of its operations constitutes an absolute priority.

1- THE CASDB: ITS ORIGIN

Historically, the existence of a Central African States Development Bank was born of a decision taken in Bangui on 3 December 1975 by the Heads of State Council for the Central African Customs and Economic Union. This decision was motivated by three major considerations:

- the will of the States to endow themselves of an appropriate instrument to assure them of a wide range of possibilities capable of promoting their development and economic integration;
- the shared concern of the States to most effectively utilize the financing capacities released by their monetary solidarity;
- the wish to have a common cooperative instrument at one's disposal which could also accommodate external partners (countries and institutions) that may desire to contribute to the development of the Central African States.

2- THE CASDB: WHAT IS IT?

Born out of the Agreement of 3 December 1975, the Central African States Development Bank (CASDB) is the development financing Institution of the Economic and Monetary Community of Central Africa (*CEMAC*).

Its activities were actually initiated on 2 January 1977. Its Head Office particulars are:

Brazzaville, (Republic of Congo)

Place du Gouvernement

B.P. : 1177

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The Bank possesses the legal status of an international financial Institution endowed with full legal personality and financial autonomy. On these grounds, it is able to profit from diplomatic immunities and privileges.

Its authorized capital stock – set originally at sixteen billion FCFA (16,000,000,000) – has today been multiplied by slight over five (5) times. On 31 December 2004, it had risen to eighty-one billion, four hundred fifty million FCFA (81,450,000,000).

3- WHERE IS THE BANK'S AREA OF ACTIVITY?

The geographic area of the Bank's activity covers the six (6) *CEMAC* member countries: Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea and Chad.

However, this area may be extended to non-member countries since the Bank may participate in financing projects that are of interest both to a *CEMAC* State as well as to one or several non-member States.

4- WHAT DOES THE CASDB DO?

The Bank's mission is to:

- a) - promote the economic and social development of *CEMAC* countries, particularly through financing national, multinational investments and economic integration projects;
- b) - provide its assistance to States, sub-regional organizations, financial institutions and business concerns in their effort to mobilize financial resources and finance projects;
- c) - support States, sub-regional organizations and businesses in financing feasibility studies for

programmes and projects.

In addition to its direct contribution to financing investments, the CASDB assumes two other strategic roles in Central Africa:

- that of Advisor to Member States, particularly in the domain of project cycles;
- as catalyst for other investments and financing beneficial to the Sub-region.

5- IN WHICH AREAS AND SECTORS OF ACTIVITY DOES THE BANK INTERVENE?

The CASDB intervenes in financing investments relative to both public and private sectors, and with regard to quite a varied range of fields:

- Infrastructures (energy, telecoms, ports, airports, railroads, roads, transportation equipment, etc.);
- Industries and agro-industries, mining;
- Agriculture, animal husbandry, fisheries, forestry and rural development;
- Real estate programmes, the hotel trade, information and communication technologies.

The Bank also plays a part in financing infrastructures and educational and sanitary equipment, as long as they generate added value and a satisfactory capacity for reimbursement.

Investments involving the Bank are related to the operations of:

- construction or modernization of development infrastructures;
- creating, acquiring, modernizing or diversifying means of production;
- Rehabilitating, restructuring, privatizing and repurchasing enterprises.

On the other hand, the Bank may not intervene in operations with regard to reimbursing debts, financing completed investments or projects of simple trade.

6- WHO MAY PROFIT FROM CASDB INTERVENTIONS?

Any project promoter – be it a physical, corporate or state body, joint venture or private, *CEMAC* national or not, wishing to invest in the *CEMAC* area in operations that are eligible to receive CASDB financing – may submit a request to the Bank.

Thus, it may concern: a State, a collectivity, a regional organization, an enterprise, a national or sub-regional financial institution, etc. that constitutes a genuine legal entity.

7- HOW DOES THE CASDB INTERVENE?

Bank interventions may assume varying forms:

- **Medium or long-term loans:** these are the forms of intervention that are most commonly practiced by the Bank. They consist of granting a credit to a beneficiary according to well-defined conditions and intended for financing a definite project;
- **Interest Subsidies:** The Bank may subsidize its own loans, in conformity with the regulations of subsidy fund use;
- **Equity participation:** The Bank may subscribe capital shares of an enterprise up to but not exceeding 10% of the authorized capital of the said enterprise. However, the level of participation may reach 25% in the case of sub-regional financial institutions;
- **Endorsements and Security:** The Bank may provide its guarantee for loans granted by other financial institutions according to conditions set by the Board of Directors;

- **Financing Feasibility Studies:** Based on the operating regulations of the Study Funds, the Bank may finance feasibility studies – except for any other preliminary project studies – when the latter are needed to facilitate carrying out projects which have been referred to it. This fund is intended primarily for financing studies of regional projects as well as those that facilitate reducing development disparities that exist between member countries;

- **Refinancing Lines:** the Bank also intervenes indirectly in the form of refinancing lines (credit lines, basic refinancing agreements, etc.) granted to local commercial banks and other National Financial Institutions (*IFN*) that finance micro and other small and medium-size enterprises (*PME*) projects whose needs fall under the lower threshold (200 million FCFA) for direct CASDB interventions.

8- HOW TO PROCEED TO OBTAIN CASDB ASSISTANCE?

To profit from CASDB assistance, one need only to submit documents including:

- a formal request of financing addressed to the Chairman of the Bank. The request should clearly indicate the purpose and amount of the requested financing as well as the type of intervention that is wished (loan, equity participation, refinancing line...);
- a project feasibility study, including the features of the deal, its organization and management, as well as its technical, financial (especially the financing plan and accounts forecast), and economic aspects;
- detailed information regarding the borrower (and if necessary about the technical partner), the three most recent authentic certified financial accounts in preexisting cases, legal texts (registered statutes and other basic documents);
- Warranties proposed to cover the requested loan.

Whatever the circumstances, the promoter should be willing to communicate to the Bank any other document and supplementary information required by the latter.

The CASDB is committed to following up on every request for financing that is sent to it. The waiting period depends only on the quality of the files and the ability of the promoters to provide supplementary documents required by the Bank.

9- WHAT ARE THE ADMISSIBILITY CRITERIA FOR PROJECTS?

Bank assistance – in the form of loans, equity participation, endorsements or interest subsidies – may only be applied to viable projects that can offer an acceptable level of economic and financial profitability and which are located within the territory of a Member State.

In addition, the Bank will verify that the projects proposed for its financing satisfy the following selective criteria or some of them according to the nature and scale of the said projects. The loans must:

- be for development projects;
- be promoted by a credible borrower who is able to fully reimburse the payment of the contracted loan (capital and interest) on time at its maturity;
- contribute to strengthening regional integration and the economic convergence of the *CEMAC* member countries;

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- allow transferring technological knowledge;
 - contribute to promoting employment;
 - enable perceptible savings, or increases in foreign currency income for the State or Member States in question;
 - generate sufficient additional resources to justify its fulfillment;
 - contribute to environmental protection and the preservation of ecosystems.

In brief, the economic and financial criteria are the only determining factors for the admissibility of a project by the Bank.

In case the project is considered admissible, the Bank then undertakes a more profound and detailed study of the said project within the framework of its preparation and evaluation.

10- WHAT ARE THE LIMITATIONS AND INTERVENTION CONDITIONS OF THE BANK?

The CASDB applies the principles of sound management and correct financial practices to its operations. Therefore:

- setting up a minimum self-financing amount of 25% by the promoter constitutes the preliminary condition for granting a loan or guarantee by the Bank;
- the maximum level of the Bank's intervention within a project is 75% of the cost (excluding taxes) for the proposed investment;
- the Bank's upper commitment threshold in any project may not exceed 10% of its permanent resources;
- the ceiling level for direct interventions of the Bank is set at 200 million FCFA, except for files pertaining to Specialized Funds. Below this threshold, the Bank intervenes indirectly through refinancing lines granted to local banks.

Once the project financing is approved by the Board of Directors (which meets every three months), it is materialized through the signing of a Loan Agreement between the Bank and the Borrower.

The Loan Agreement specifically states the financial conditions to be applied to the loan that has been granted. Generally, CASDB loans show the following conditions:

- Currency

Most of the loans granted by the CASDB are drawn up in CFA francs. However, they may also be drawn up in any other freely convertible currency (Euro, American Dollar ...), either at the request of the Borrower, or when the context of the project is favorable for it (for instance, cases of export projects that generate foreign currency). Reimbursements to the Bank are carried out in the currency specified in its loan agreement.

- Interest Rates

As regards the setting of interest rates to be applied to the loan provided, the rule observed by the CASDB is based on a dual consideration, namely:

- the cost of resources utilized to prepare the loan, increased by a margin;
- the profitability level and character of the project to be financed.

Therefore, the interest rates applied by the Bank vary according to the sectors and projects. These rates offer the advantage of being **exempt of all duties and taxes** and are applied to the outstanding balance, i.e. only on the amounts of loans disbursed and yet to be reimbursed.

- Loan Lifetimes

The CASDB does not offer short-term assistance. Its interventions deal solely in medium-term (from 3 to 10 years) or long-term (from 10 to 20 years) financing.

In practice, the life of loans granted by the Bank is set according to reimbursement potentials. Up to the present time, this period has never been less than 6 years, while it has often exceeded 10 years.

Bank loans are always matched with a maturity life of **deferred capital reimbursement**, which may extend to 3 years for medium-term assistance – reaching 7 years for long-term credits.

- Charges

A **commitment charge** is collected on the amount confirmed by an as yet undisbursed loan agreement. Its rate varies from 0.75% to 1.25% per annum.

An **intervention charge** of a flat 1% is applied to the amount of the loan granted.

11- DOES THE BANK REQUEST SECURITIES?

The Bank takes all appropriate securities to ensure the effective materialization of its operations. They may require various kinds of backing – either alternatively or cumulatively:

- a joint liability guarantee of the State or States involved (in cases of regional public projects);
- the joint liability guarantee of a financial institution or a authorized bank by the CASDB, or with a guarantee fund;
- main shareholders surety, of an enterprise;
- real surety (mortgage, collateral, delegating an insurance policy);
- other personal surety;
- domiciliation of a project's operating revenue on one or several dedicated bank accounts;
- Other specific and appropriate guarantees.

Provided with a sufficiently ample institutional capacity for its activities, the CASDB is applying itself – through close collaboration with its partners – to progressively strengthen its resources so as to more effectively respond to the multiple needs of its clients.

More importantly, the Bank intends to pursue the development of its activities within the strict framework of adopting the best practices in the field and to implement an exemplary professionalism.