



AFRICAN DEVELOPMENT BANK GROUP

Capital Markets Development



Frankfurt, Germany. 12th April 2018

The African Development Bank

Transforming Africa since 1964

- Our mission is to promote sustainable economic development and social progress
- Achieving inclusive growth and transition to green growth through the Ten Year Strategy 2013-2022
- Implementing 90% of Sustainable Development Goals through the Bank's High Five Agenda



**Light up and
power
Africa**



**Feed
Africa**



**Industrialise
Africa**



**Integrate
Africa**



**Improve the quality of
life
for the people of Africa**



Financing Africa's Needs

In USD	World	Africa
SDG Financing Cost	3-4.5 trillion	600-650 billion
ODA	135 billion	54 billion
<i>o/w Multilaterals</i>	<i>80 billion</i>	<i>20 billion</i>
FDI	1.25 trillion	54 billion
Remittances	582 billion	66 billion
Private Sector	**	**
Government	**	**
Finance Gap	2.5 trillion	210 billion

- Investments needs for the Sustainable Development Goals are estimated at USD 600-650 billion p.a.

High 5s Financing Needs over the next 10Y

In USD	Average p.a.
Light Up and Power Africa	65 - 90 billion
Feed Africa	32 - 40 billion
Industrialize Africa	10 billion
Integrate Africa	40 billion
Improve the Quality of Life	5.5 billion

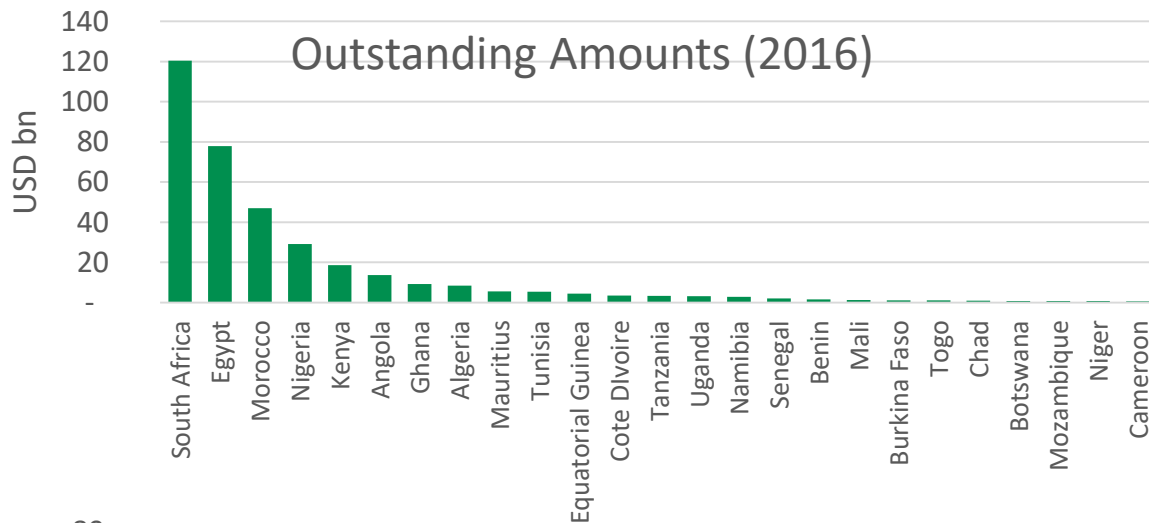
**USD 153 to
186 billion**

- Financing needs for the High 5s Agenda are estimated at about USD 170 billion p.a



Africa's Local Currency Bond Markets Landscape

- Total amount outstanding of African LCY Bonds and Bills (as of End 2016): USD 368 Billion



- Total Amount Issued in 2016 on African LCY Bond Markets: USD 222 Billion



Strengthening African Local Currency Bond Markets since 2008

African Financial Markets Initiative (AFMI)

Two Pillar Initiative

African Financial Markets Database

- Comprehensive database to provide updated, reliable and complete information on African domestic bond markets
- Improving the availability and transparency of African fixed income markets-related data
- Reconciling, standardizing and enhancing the quality of data produced

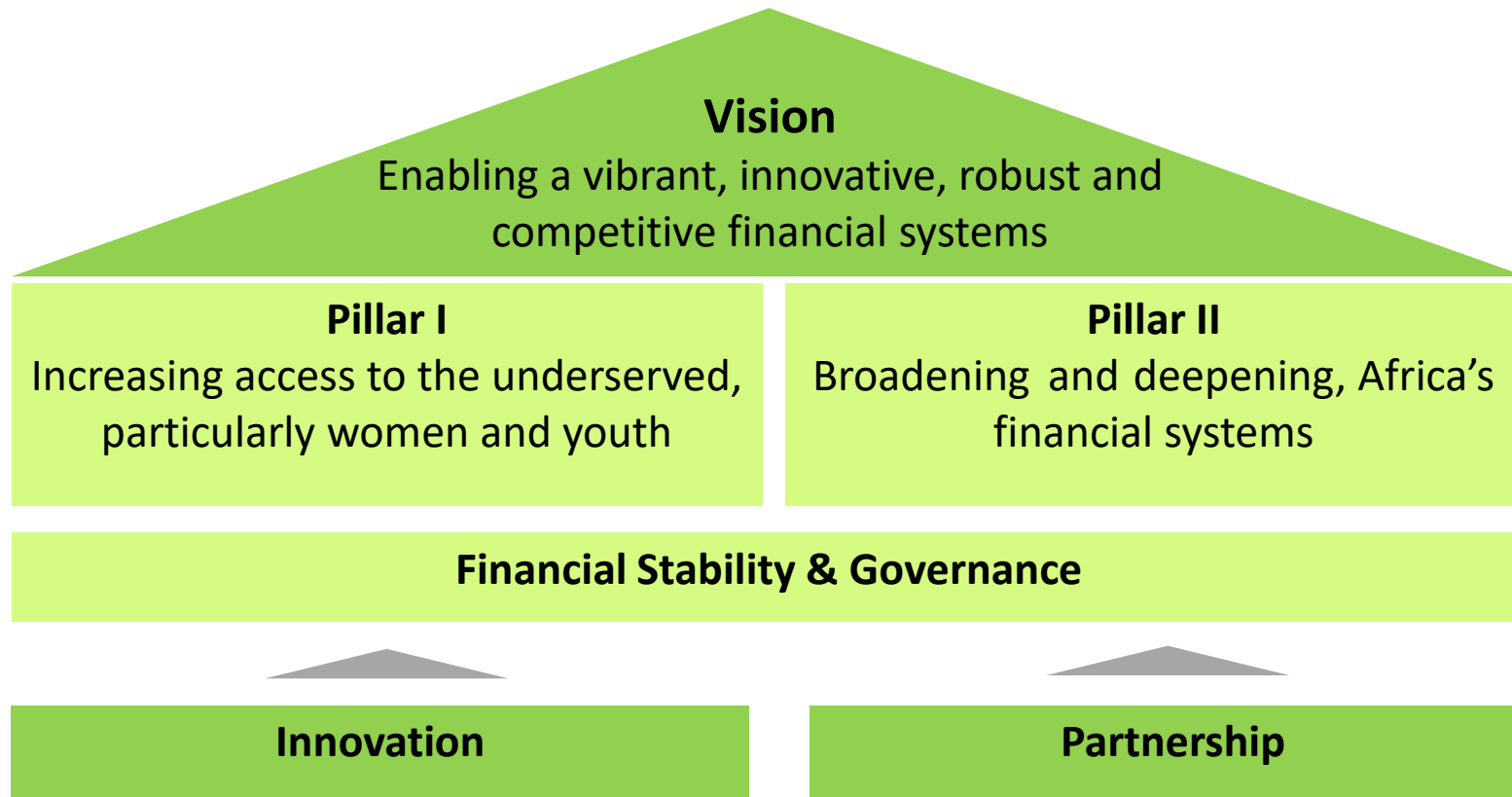
African Domestic Bond Fund

- The first enhanced multinational ETF investing in African local currency sovereign bonds
- Reducing African countries dependency on foreign currency denominated debt
- Encouraging the deepening of domestic bond markets through investments in longer dated debt



Holistic Approach to Financial System Development since 2014

Financial Sector Development Department



Capital Markets Development:

- Debt, Guarantees and Equity Investments
- Risk Management products (PCG, PRGs)
- Grant / Technical Assistance
- Credit enhancement on structured products
- Bond issuances, innovative instruments
- Advisory Services and Knowledge Work



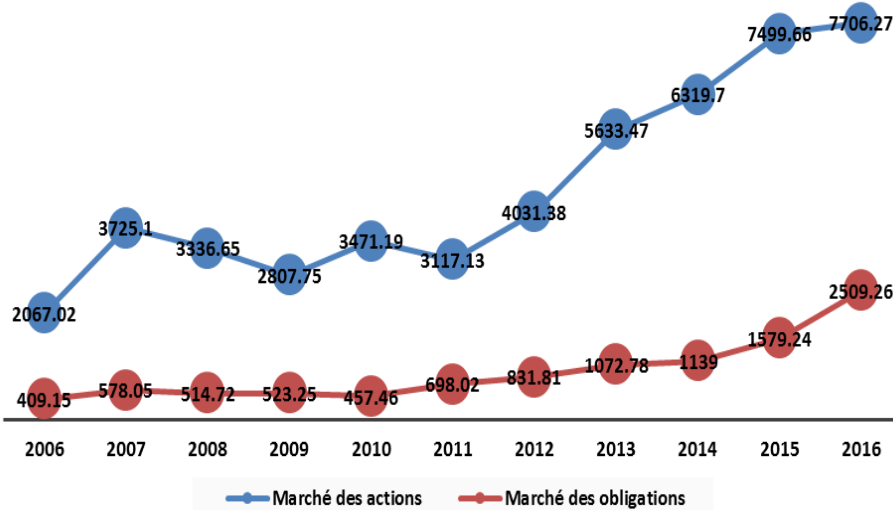
Supporting the Development of an Enabling Environment

PADMAFIR

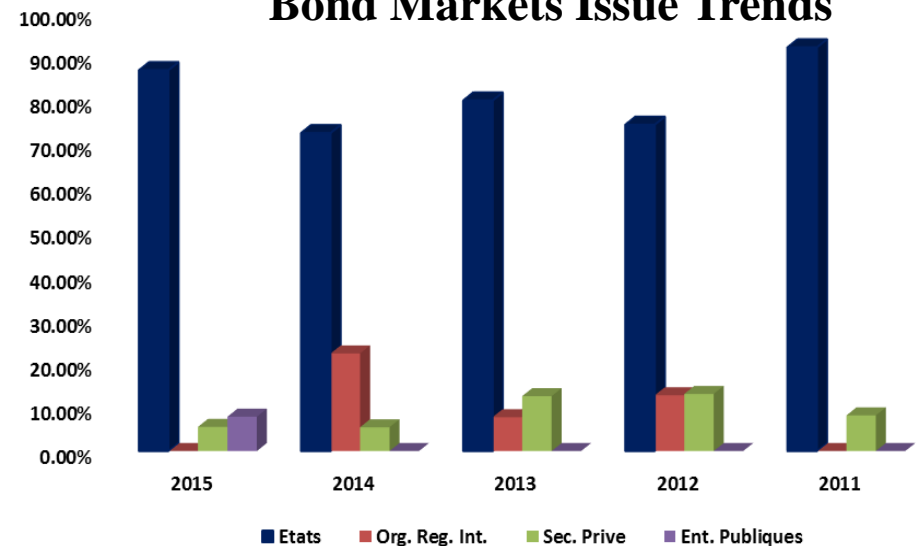


- Regulatory Reform
- Capital Markets Stakeholders capacity building
- Project Management Support

BRVM Market Valuation

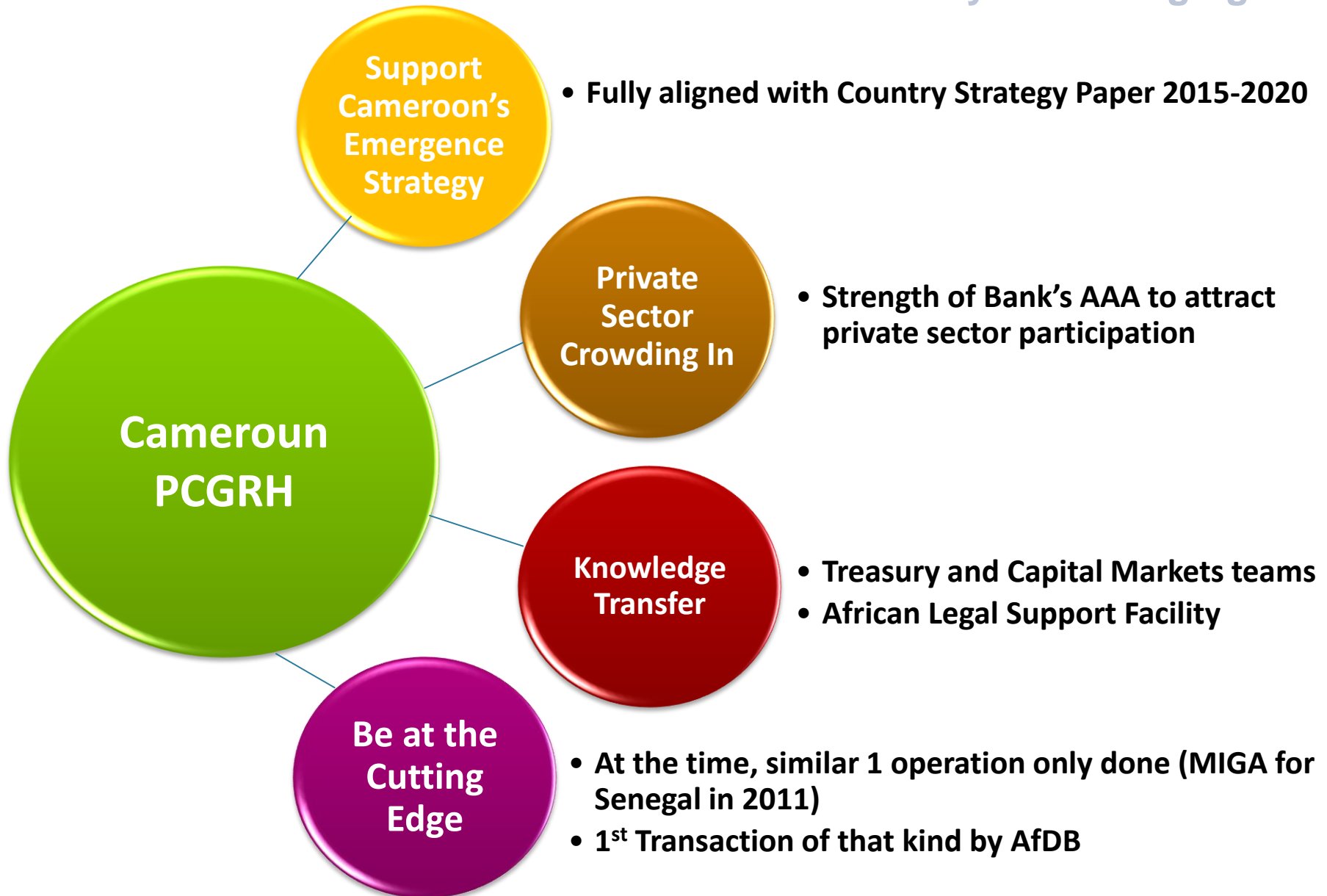


Bond Markets Issue Trends



Supporting Access to Capital Markets

Cameroun Partial Credit Guarantee for Currency Risk Hedging



Borrowing Strategy Contributing to Capital Markets Development

Provision of Local Currency Financing

RATIONALE:

- Reduce clients foreign exchange risk / overall economic risk exposure
- Provide long term funding in local currencies
- Introduce benchmark issuances and role model transactions
- Introduce a new asset class and allow for diversification
- Promote domestic capital market development

FUNDING METHODS*:

- Domestic bond issue
- Synthetic Local Currency Loans (non-deliverable forwards or “NDF”)
- Cross currency swap

The Bank currently has 10 approved African lending currencies:

South African Rand, Egyptian Pounds, Uganda Shilling, Nigerian Naira, Kenya Shilling, Zambia Kwacha, Tanzania Shilling, Ghana Cedi, CEMAC region CFA and WAMU region CFA.



BWP



ZMW



EGP



XOF



XAF



UGX



TZS



NGN



KES



GHS



Borrowing Strategy Contributing to Capital Markets Development

Provision of Local Currency Financing

The Bank can currently provide local currency through a **bond issuance** in selected RMCs where all relevant approvals have been obtained to access domestic capital markets.

Through bond issuances the Bank contributes to the promotion of African capital markets by:

- ✓ **stretching the yield curve**
- ✓ **setting new benchmarks**
- ✓ **providing role model transactions in terms of documentation and execution**

The Benefits of Supranational Issuance

To the Country

Develop Fixed Income markets

Support Institutional & Operational Infrastructure

Higher liquidity, performance, maturities & yield

Lowered borrowing costs

The Benefits of Supranational Issuance

To the Investor

Offers opportunity to invest in local Supranational bonds

Provides a benchmark

Provides a unique diversified vehicle for local SSA bonds

Promotes capital transformation by increasing appetite



Thank you
Danke Schön