

## SUPPORTING CAPITAL MARKETS DEVELOPMENT

The ALCB Fund was founded December 2012 by KfW, the German development bank, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The Fund's mission is to support the development of African capital markets by promoting primary corporate bond

issuance in local currency. The Fund creates opportunities for local African issuers, investors and intermediaries by providing technical assistance and anchor investment in companies whose ultimate beneficiaries are low-income households and MSMEs.

### APPROACH

The ALCB Fund drives impact by being an advocate for local capital market development. This involves:



**IDENTIFYING** financial institutions and companies with the capacity to issue local currency bonds;



**ENSURING HARMONISATION OF STANDARDS** and appropriate legal documentation such that the bond can be marketed broadly;



**PROMOTING** the advantages of local currency issuances, including diversification of funding and reduced FX risk, maturity and interest rate mismatches;



**SUPPORTING MARKET TRANSPARENCY** through publicly listed bonds, where possible, as well as first-of-their kind transactions that meet the Fund, investment criteria.



**PROVIDING TECHNICAL ASSISTANCE** to support certain costs including roadshows, credit ratings, SMART Certification, regulatory filings and legal support;



**UNDERTAKING RIGOROUS DUE DILIGENCE** and, more generally introducing improved credit standards to the market;



**ACTING AS AN ANCHOR** investor for local currency bond issuances while providing an efficient investment approval process to assist issuers and their financial advisers in the bond marketing process;

### IMPACT FRAMEWORK

There are three broad impact objectives of the Fund.

#### 1. Contributing to local capital market development:

- The Fund mobilises domestic capital market investors, drawing in local pension funds, insurance companies, asset managers and commercial banks;
- Promotes market innovation by participating in transactions that push the boundaries of the market or introduce a new level of sophistication;
- Strengthens local market issuance standards by working with local intermediaries (including placement agents, lawyers, and rating agents) to move the issuance process towards international best practices

#### 2. Improving the financial capacity of local issuers:

- The Fund Supports local currency fundraising, reducing FX risk and diversifying their investment base;

- Reduce interest rate mismatch by investing in fixed or floating rate notes and supporting the refinancing of more expensive existing loans; and
- Improve maturity mismatch by extending the maturity profile of the companies liabilities by limiting issuers reliance on short-term funding; and in turn allowing the issuer offer longer-dated loans to customers.

#### 3. Supporting investment in certain key sectors:

- The Fund invests in developmental sectors where the ultimate benefactors of the funds are low-income households and MSMEs; with sector specific indicators to gauge sector impact. Sectors of interest include: financial inclusion, housing, infrastructure, education, agriculture and green energy.

**FUND MANAGER:** **ALCB FUND INVESTORS/SPONSORS:**



## PORTFOLIO HIGHLIGHTS

Number of investments: **27**

Number of companies: **21 (19 outstanding)**

Number of countries: **12**

ALCB Fund Investments to date:

**USD 63.4 million**

ALCB Fund Outstanding Portfolio:

**USD 49.7 million**

Private Sector co-investment:

**USD 447.3 million**

Values as at December 31st, 2017

**SENEGAL**  
Microcred

**COTE D'IVOIRE**  
Alios

**GHANA**  
AFBG  
Bayport

**TOGO**  
CRRH

**NIGERIA**  
LAPO  
Microfinance  
Dufil Prima Foods

**GABON**  
Alios

**BOTSWANA**  
Bayport  
Getbucks

**LESOTHO**  
Lesana

**UGANDA**  
Platinum

**KENYA**  
ShelterAfrique

**MALAWI**  
Select

**ZAMBIA**  
Bayport  
Izwe  
Zambian Home Loans  
MFinance

## CAPITAL MARKETS DEVELOPMENT

- Private sector co-investment of USD 447.3 million translates to a 7.06X leverage ratio of local co-investment for every dollar invested by the Fund. This will grow as bond programmes reach scale
- The company has invested alongside over 541 local investors including pension funds, asset managers and insurance companies
- In 2017, the fund took anchor positions in 11 new transactions (10 companies), with funds deployed in Botswana, Zambia, Cote D'Ivoire, Lesotho, Malawi, Uganda and Nigeria.
- The Fund is now working with companies to issue follow-on tranches and draw in further local investment.
- Through the Fund's TA Facility, we have provided insight to all new issuers by providing legal advice on the quality of the underlying documentation. In 2017 the Facility also provided transaction-specific support to 7 issuers, including funding for legal advisors, credit ratings, and capacity building.
- The TA Facility has also supported market development research paper in 5 markets, including capital market assessments in Cameroon, Democratic Republic of Congo, Liberia and Sierra Leone, and working with the Lesotho Central Bank to review listing requirements for the Maseru Stock Market

## SECTOR IMPACT

- In 2017, the ALCB Fund made its first investment in the agriculture sector, with the remaining portfolio companies being financial institutions (FIs) specialised in housing, micro-lending, or MSME leasing/lending
- FI issuer's have a combined loan book of USD 1.56 billion and over 1.4 million active borrowers
- Of the FI's active borrowers, 61% are women and 21% reside in rural areas
- Proceeds are utilised for a diverse range of activities, with the most popular use of proceeds being micro-entrepreneurship, education, housing, and health/emergency.

## ISSUER BENEFIT

- In 2017, Issuers have seen an average 33% reduction in foreign currency liabilities. Over the past 4 years, investees have reduced their foreign borrowings on average by >80%.
- Average issuer liability maturity increased by 9 months in 2017.
- Of the 10 companies (11 investments) in 2017, 9 were first time Issuers gaining access to a diversified investor base

## ALCB FUND PORTFOLIO BY SECTOR

