

NEWSLETTER

2019 | ISSUE 2

FOUR NOMINATIONS AND TWO WINS

TDB's achievements recognized
at the African Bankers Awards

MEET

Gloria Mamba, TDB Southern
Africa Coverage Executive and Asset
Management Executive

Mary Kamari, TDB Corporate Affairs
and Investor Relations Executive

MOBILIZING EQUITY

AfDB Invests Another **USD 25 Million**
in Equity

SUSTAINABLE DEVELOPMENT

The Role of DFIs in the **Fight against**
Climate Change

Blending Finance to **Bridge Missing**
Middle SME Growth Constraints

SPECIAL FEATURES:

The East African and Indian Ocean Seabed: a New LNG Global Hub?
Kenyan Winds of Change

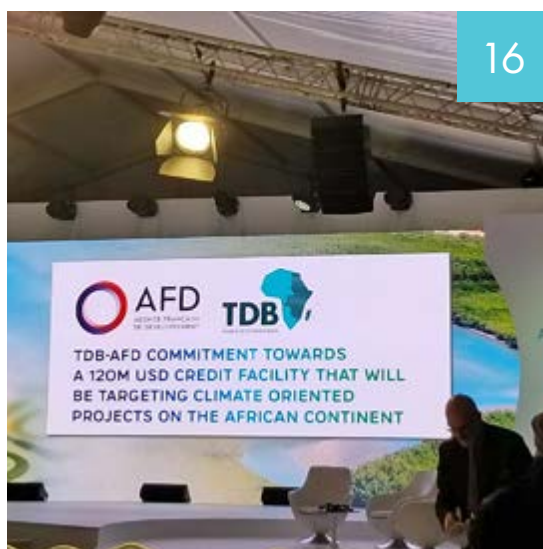
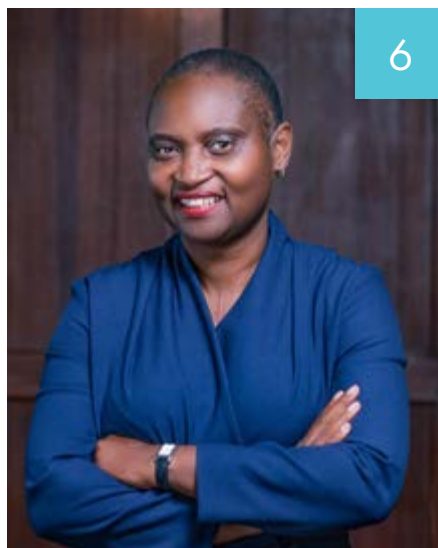




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'African Banker of the Year' and 'Infrastructure Deal of the Year' Awards won in Malabo, Equatorial Guinea, at the African Bankers Awards in June 2019



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Pierre Guislain, AfDB Vice-President, Private Sector, Infrastructure and Industrialization, presents TDB President and Chief Executive Admassu Tadesse with the Infrastructure Deal of the Year Award, jointly won with Crédit Agricole at the African Bankers Awards 2019 (Photo credit: IC Publications).



FOUR NOMINATIONS AND TWO WINS

TDB's achievements recognized at the African Bankers Awards

WORKING WITH PARTNERS FROM AROUND THE GLOBE, TDB HAS COME TO BE SEEN AS THE CATALYST THROUGH WHICH GLOBAL PARTNERS CAN DRIVE IMPACT IN EASTERN AND SOUTHERN AFRICAN COUNTRIES WITH A LOWER RISK.

THE RACE FOR THE 2019 AFRICAN BANKERS AWARDS came to an end on the night of the 11th of June in Malabo, Equatorial Guinea, at a high profile gala dinner of bankers and financial sector stakeholders. This is where TDB jointly received with Crédit Agricole the 2019 'Infrastructure Deal of the Year' award, and where the Bank's President and Chief Executive Admassu Tadesse took home the 'African Banker of the Year' award, one of the top two most prestigious of the competition.

INFRASTRUCTURE DEAL OF THE YEAR

The Infrastructure deal of the Year award recognized TDB's co-financing of the ground-breaking Coral South Floating Liquified Natural Gas (FLNG) project in Mozambique, where TDB collaborated closely with its national partner, Banco Nacional de Investimento (BNI), among others, on this strategic national investment.

The Bank's USD 99.2M Senior Loan Facility towards

Mozambique's Coral South FLNG project – part of one of the largest subscription tickets for which Crédit Agricole was the lead arranger – is a game-changer both in terms of technology used as well as for Mozambique's economy. TDB is the only DFI among other African banks to have participated in the lending of the project.

As a result of the USD 8bn project, the Government of Mozambique is expected to generate up to USD 25bn in income in the form of royalties, taxes and dividends during the commercial life of the project. Likewise, Coral South will help create thousands of direct and indirect jobs, enable technical and vocational skills development, knowledge and technology transfer, and boost the country's competitiveness in the international arena.

The success of Coral South has served as a catalyst for securing two additional mega onshore LNG projects led by Andarko and ExxonMobil with an aggregate capital cost of close to USD 50bn.

BANKER 2019

ork. Celebrate.

ers Awards

EQUIPPED WITH A VERY REAL VISION AND CAPACITY FOR ACTION, TDB'S PRESIDENT SUCCEEDED IN DELIVERING A COMPLETE VOLTE-FACE TO TDB, NOT ONLY RESULTING IN GROWING ASSETS ALMOST 6-FOLD DURING HIS TIME AT THE BANK, BUT GROWING IMPACT.

AFRICAN BANKER OF THE YEAR

The 'African Banker of the Year' award celebrates influential and inspirational captains of Africa's banking industry: those who demonstrate outstanding integrity, and who through their leadership and outstanding vision, are exceptionally agile in achieving a strong financial performance and playing an active role in enhancing socio-economic empowerment and development in the region they serve.

President Tadesse was recognized as this kind of a leader, building on the foundations laid by his predecessor, Dr. Gondwe who played an instrumental role in guiding the Bank through its teething years. Working closely with a committed board and talented management team, Mr. Tadesse has elevated TDB into the world-class African development finance institution it is today.

Equipped with a very real vision and capacity for action, he succeeded in delivering a complete volte-face to TDB, not only resulting in growing assets almost 6-fold during his time at the Bank, but growing impact.

Mr. Tadesse has also managed to attract world class executives and talented professionals from several continents, and has fostered a positive and motivating work environment, where substance, initiative, results and excellence are the focus and basis for advancement and rewards. Everyone at TDB feels like they are part of an exceptional institution.

Likewise, TDB's President has successfully crafted and spearheaded ground-breaking reforms in the Bank's governance and organizational structure, with centres of excellence in risk management, treasury, investor relations and human capital management, among others, which have enabled the Bank to multiply several fold its capital base and lending capacity, and grow a more diversified and de-risked loan portfolio.

As captain, Mr. Tadesse has steered the TDB ship in the right direction, by putting his shoulders to the wheel, as he would say and inspiring others to join in, with impeccable work ethics.

WHY TDB IS A WINNING INSTITUTION

At this year's African Bankers Awards, in addition to these two wins, TDB was also nominated in the categories 'African Bank of the Year' and 'Deal of the Year – Debt' for its USD 1.25bn syndicated sovereign loan facility to the Government of Kenya.

This is not the first time TDB is being recognized for its achievements. The Bank won EMEA Finance's 'Best Supranational Syndicated Loan' in 2016 and 2018; Global Trade Review's 'Best Trade Finance Bank in East Africa in 2015'; Capital Finance International's 'Best ESG Private Enterprise Bank in 2015, Africa'; Global Transport Finance's 'Best Aircraft Deal of the Year in Africa' in 2014; and was awarded the Industry Peer Award for the best performing DFI in Africa 2018 among 49 institutions by the Association of African Development Finance Institutions, for its governance, financial and operational performance.

Despite operating in a challenging environment, TDB has improved its credit rating, delivered solid financial results, and exceeded expectations. What can this be attributed to?

Having taken effect in 2013, TDB's creative ownership structure reforms which have enabled institutional investors to join in as shareholders are a testament to the Bank's unique ability to transform and adapt.

Likewise, TDB maximizes impact in a challenging environment, while keeping its regional character, consistently growing in size and quality and delivering triple-bottom line returns. With half of the Bank's loan portfolio directly and indirectly contributing to SDGs and a world-class credit risk complex, TDB is now an investment grade bank with total assets which have grown from just over USD 1bn in 2012, to close to USD 6bn in 2019, with non-performing loans at under 3%.

According to Moody's "TDB is among the most leveraged African MDBs. The rapid expansion of the loan book is driven by the bank's strategic focus on managed growth, while diversifying the portfolio by country, sector, product and type."

To get closer to its clients and markets, TDB has increased its presence in Members States by setting-up headquarters in Mauritius, opening new offices in Ethiopia, and now DRC, and expanding operations in Zimbabwe. Staff numbers have also increased significantly to cater and drive business expansion.

Furthermore, to meet customer requirements and to have better reach in the region, TDB has also worked on diversifying the products and services on offer. With its world class team, the Bank has mobilized unprecedented volumes of funding, at reduced cost, for its scaled-up trade and development financing. The total value of loans and trade finance transactions grew by 66% from USD 2.5bn in 2014 to USD 4.2bn in 2018.

On a number of transactions, the Bank is the mandated lead arranger and provides leadership to groups of investors in syndicated loans for major financing. To date, TDB has arranged up to USD 4.2bn in transactions. This has enabled TDB to penetrate and increase its market presence as a first point of call for large ticket deals in the Region.

Working with partners from around the globe, TDB has come to be seen as the catalyst through which global partners can drive impact in Eastern and Southern African countries with a lower risk.

These recognitions in the form of awards are a testament to the Bank's unique agility to respond to the context in which it operates.

The African Bankers Awards, now renowned as the Oscars of African banking, is organized on a yearly basis the sidelines of the African Development Bank's Annual Meetings. This year, TDB was among an impressive group of winners and nominees who together are taking the African banking industry to new heights.

Scale-up, speed-up and synergize is an important motto of the President. First said last November at AfDB's Africa Investment Forum during the plenary session 'Delivering as One for Africa', these words have become a call for action for DFIs and overall the investor community in Africa.

TDB is energized with these recognitions, and TDB staff looks forward to continue scaling-up, speeding-up and synergizing, alongside its President. ■

MEET TDB'S SOUTHERN AFRICA COVERAGE EXECUTIVE AND ASSET MANAGEMENT EXECUTIVE, **GLORIA MAMBA**

**GLORIA MAMBA WHO HEADS TDB'S REGIONAL MISSION FOR SOUTHERN AFRICA
SHARED WITH THE TDB NEWSLETTER TEAM WHAT THE NEXT OPPORTUNITIES
FOR GROWTH ARE IN THE REGION SHE COVERS, AS WELL AS SOME NEW
DEVELOPMENTS IN TDB'S ASSET MANAGEMENT BUSINESS**

Q. Broadly-speaking, can you tell us about yourself and your role at TDB?

GM: My primary responsibility as Coverage Executive is to oversee the origination of new business for the Bank by building, strengthening and deepening relationships with clients and stakeholders in TDB's Anglophone Member States in Southern Africa – Eswatini, Malawi, Zambia and Zimbabwe.

This requires me to have a deep understanding of our markets and clients, both current and potential, to see how the Bank can best serve them, and ultimately how together we can further develop the region in a sustainable way. It is a commitment to building long-term relationships in the region.

In order to do so, I have to make it easy for clients to interact with the Bank by providing a single, primary point of contact, while coordinating with other TDB departments such as Lending Operations, Legal, Credit Risk, and others, to provide customized and innovative solutions to clients.

I have a strong team working with me in TDB's Harare Office with diverse backgrounds in investment banking, trade finance, infrastructure finance, and business development as well as extensive experience working across the continent and globally.

Q: As Coverage Executive for the Southern African Region, can you describe the region you cover, and what differentiates it from the rest of regions TDB serves?

GM: When you look at the size of the Bank's lending book and consider the five different geographic areas in which we are organised, the existing loans in the Southern African region I cover account for 30% of the book. As

such, the Bank's Southern Africa region is its second largest in terms of book size. It is a very diversified portfolio in terms of sectors – everything from agribusiness, power, manufacturing to financial services and private education. While average loan sizes in Southern Africa are smaller than averages across the Bank, their quality is very high and our overall NPL ratio is very low. We also have strong relations with our sovereigns and are significant lenders to most of them.

The pipeline in Southern Africa is solid and growing – we expect to onboard new clients in all our countries in a range of sectors including agribusiness, financial services, mining, tourism, transport & logistics and infrastructure later this year. Many of these transactions will not only be with new clients but also new structures, cross-border and cross-regional initiatives that bring together companies from different parts of the TDB region, in line with the fulfilment of our mandate to facilitate trade.

But it is not only about the new. We continue to extend facilities to partners with whom we have worked before, helping them to achieve their expansion and modernisation targets, and deepening development impact as they expand.

Q. What do you think are the biggest opportunities for investment and growth in Southern Africa?

GM: Some of the most important opportunities for growth are in exports, especially non-traditional exports, in the diversification of trading partners, and improvement of beneficiation capacity and linkages. Our focus on facilitating opportunities in agribusiness, power, transport and logistics and closing the trade finance gap is well-aligned to these opportunities.

Q. Asset Management also falls under your purview. What does this portfolio entail and how does it feed into the rest of the Bank's business?

GM: When I joined the Bank in 2017, my primary responsibility was to review the opportunity in what was then called 'Funds Management', and to see how we could develop it into a third revenue pillar for the Bank. This is a critical segment in our current Corporate Plan to 2022: focusing on TDB's role as a trusted intermediary of capital between other parts of the world and Africa. In this regard, the Bank has developed several important partnerships, especially in the area of climate change.

The name of the Department changed to Asset Management in early 2018 in order to indicate the broader range of services we intend to offer.

In addition, this Department has developed and incubated an innovative SME pilot program, which was launched in October 2018 in Harare. This program has exceeded many of the milestones and timelines which were established at that time and we expect to have fully disbursed the seed funding for this programme by the end of 2019 in Burundi, Ethiopia, Kenya and Zimbabwe. As we continue to build our pipeline, we expect to further certain transactions in several new member economies in 2020.

Again, I have to recognise that fabulous team with whom I work on this initiative from the Harare Office. Their deep understanding of the needs of the "missing middle", wide networks in this sector and the entrepreneurial spirit with which they have driven this initiative have been key to our success to date.

In terms of how this feeds into the Bank's business, Asset Management will bring meaningful impact by creating new partnerships and new revenue streams.

Q. What are your shorter and longer-term plans for the portfolios you manage?

GM: On the Coverage side, our short-term goals are to keep getting better at understanding and unpacking the opportunities in this market and as a result expand and increase clients' access to the Bank's services in this region.

In terms of my Asset Management responsibilities, the key short-term goal is to see through the successful incubation of our SME pilot programme and see it become a stand-alone unit in the Bank.

In the long-term, it is to see Southern Africa keep growing, and increase our contribution to the region's sustainable economic development, and to the revenue and income in the Bank. In terms of the SME programme, it is to see it make real impact across the region we serve, in terms of facilitating access to finance, empowering a range of economic actors and adding to the Bank's revenue and profitability.

Q. On a lighter note, what might someone be surprised to know about you?

GM: Only because the Bank has grown so much, there will be many people who will be surprised to hear that I was the first citizen of the Kingdom of Eswatini to become an employee of the Bank. ■



AFDB INVESTS ANOTHER USD 25 MILLION IN EQUITY



TDB HAS RECEIVED AN ADDITIONAL EQUITY investment of USD 25M in Class B shares from the African Development Bank (AfDB).

This investment builds on a successful thirty-year relationship with AfDB. In addition to being one of the Bank's strategic investors, AfDB and TDB have co-financed and partnered on many projects on the continent, and various lines of credit have been extended over the years.

2018 has been a successful year for the Bank as far as shareholder expansion and strengthening is concerned. Madagascar became TDB's 22nd Member State by subscribing to the Bank's capital stock in the amount of USD 10M, and the Arab Bank for Economic Development in Africa (BADEA) joined the Bank as its 13th institutional shareholder.

Since inception, the Bank's Class B shares have continued to generate positive returns for institutional investors while consolidating the Bank's capital base to support impactful investments in the region served by the Bank.

The Bank continues to enjoy the confidence of its existing shareholders, as evidenced by the decision by the African Development Bank (AfDB) to reinvest

AS AT Q1 2019, THE TOTAL AMOUNT OF EQUITY RAISED FROM CLASS B SHARES, INCLUDING SHARE PREMIUM, WAS USD 190M.

TDB's shareholding expansion strategy has enabled the Bank to grow its capital base and lending capacity, incorporate better-rated shareholding, crowd-in blended finance, and grow a more diversified and de-risked loan portfolio, much of which is A-rated, with limited exposure. ■

THE EAST AFRICAN AND INDIAN OCEAN SEABED: A NEW LNG GLOBAL HUB?

MANY COUNTRIES HAVE ACTIVELY BEEN EXPLORING METHODS TO PRODUCE GREENER ENERGY,

reduce climate risks, and get in line with COP21 and SDG commitments, while reducing electricity prices and enhancing their energy security.

Despite the various advances in this direction, it is clear that the world is nowhere near out of the woods as far as the use of hydrocarbons – oil, gas and coal – is concerned.

As such, the most important challenge facing today's global energy system, and perhaps, humanity overall is satisfying our need for more energy to power global expansion while dramatically reducing carbon emissions to ensure our survival.

Natural gas is the cleanest of all burning fossil fuels. It has significantly less polluting emissions than the other hydrocarbons, reduces almost completely emissions of Nitrogen Oxides (SOx), sulphide, dust and particles, and generates 20-30% less carbon dioxide (CO₂) than oil and 50% less than coal.

In this context, it is reassuring to see that by 2040, natural gas will be the 2nd most important fuel consumed world-wide, supported by industry's gradual move away from coal fuels, and growth in renewables. This is also true in the case of Africa.

By then, global natural gas production is expected to grow by 46% to 5,370 BCM, 15% of which will come from

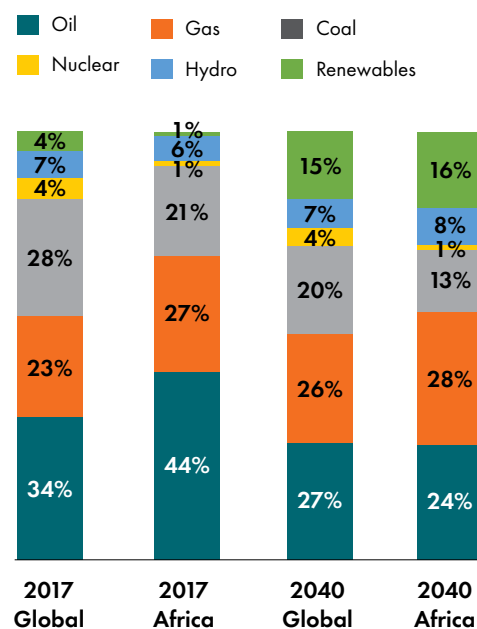


Dr. Diagne Mabouba, TDB Coverage Executive, Franco-Lusophone Africa, who along with other executives, worked on making the Mozambique FLNG project a reality

Africa. As well, African energy production will have grown by 54% and its natural gas production by 109% – although overall, the continent's share in global production will nevertheless remain low at 7%.

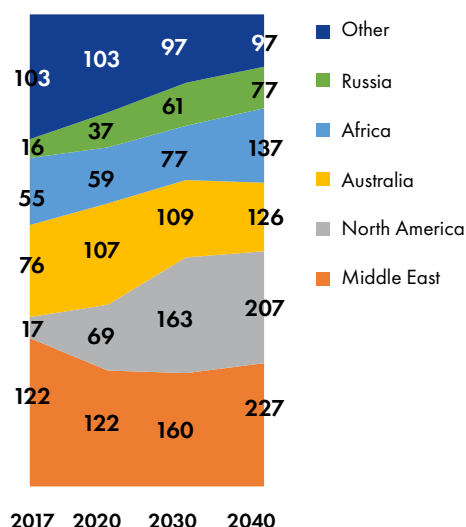
At the moment, according to BP data, in terms of production, Africa accounts for just over 6% of the total natural gas produced, with Algeria, Egypt and Nigeria – the world's 10th, 15th and 17th top natural gas producers – leading the way.

Share of Primary Energy



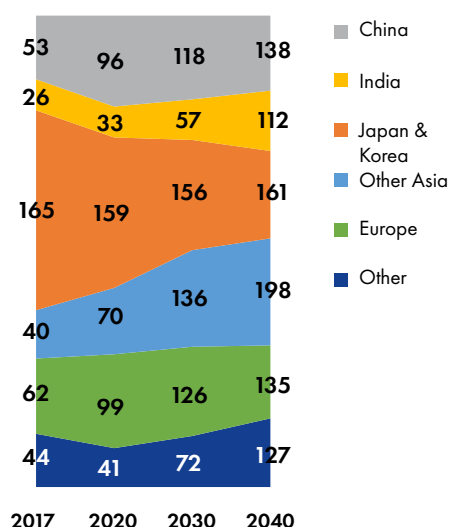
Source: BP 2040 Outlook (2019)

LNG Export Projections (Bcm)



Source: BP 2040 Outlook (2019)

LNG Import Projections (Bcm)



TRADING NATURAL GAS AND THE RISE OF LNG

Interestingly, interregional trade in natural gas accounts for just 24% of the total produced globally, the rest being consumed at home. As part of the latter, 46% is exported through LNG trade and 54%, pipeline trade.

At home in Africa, about 40% of the natural gas produced is exported, 40% of which via pipeline, and 60% via Nigeria, Algeria and Angola's LNG trade. At the moment, African LNG exports represent about 13% of global LNG exports.

Fast-forward to 2040, LNG is expected to cater to 15% of the global gas demand, and to overtake pipeline trade before 2030. And Africa will be exporting more LNG than Australia, currently the 2nd most important LNG exporter after Qatar.

LNG will overtake pipeline trade because converting natural gas into its liquid form reduces its volume 600 times making it easier, cheaper and safer to store and transport to distant offshore markets, which are uneconomical for pipeline trade. Furthermore, in case of an LNG spill, there would be no damage on the ground nor any residues as it

would evaporate. If in water, as it is insoluble, it would also evaporate.

Apart from being consumed locally and exported via pipeline, 50% of African LNG exports go to Europe, and 38% to Asia. On the flipside, this constitutes 37% of Europe's total LNG imports and only 6% of Asia's.

As Asia continues to be the fastest growing region in the world, albeit at varying rates, it will continue to be the center of gravity for energy demand for the foreseeable future.

THE NATURAL GAS RESERVE POTENTIAL OF THE INDIAN OCEAN SEABED

As reported in an African Business Magazine article this past May, Nairobi-based investment advisory firm Rich

Management CEO Aly-Khan Satchu said that:

"The East African seaboard is the last great energy prize going."

Since 1980, global and African natural gas proved reserves have increased by 176% and 192% respectively, while in TDB's 22 Member States, reserves have risen from 3.9 TCF to close to 179 TCF, an increase of 4,257% over the same period. This is largely due to the discoveries of Egypt's Zohr offshore gas field (30 additional TCF), and Mozambique's Romuva fields (approximately 100 additional TCF).

Beyond these numbers reflecting changes in proved reserves, as mirrored by private sector activity around natural gas in the region, there is much more potential both in the Mediterranean Basin and in the Indian Ocean.

2018, three had suggested "excellent" hydrocarbon reserves just a hundred yards below sea level. Since then, Australia's Sub-Sahara Resources Limited was awarded a license to explore the archipelago's offshore potential.

Further South, 49 exploration blocks, each of 12,000 km², were made available for licensing for oil and gas exploration, by the Joint Commission of the Mauritius-Seychelles Extended Continental Shelf, Mascarene Plateau Region.

A treaty was signed in 2012 between Seychelles and Mauritius to secure their joint rights to an additional 400,000 km² of seabed and its underlying sub-soil. It is the world's first Joint Management Zone covering such an area. As published in Offshore Magazine, according to Graham Mayhew, Executive VP at Spectrum GEO – which signed an agreement with both countries to acquire a 20,000 km broadband 2D Multi-Client seismic survey over the Joint Management Area – "this region provides intriguing hydrocarbon potential in a hugely underexplored area".

TDB DRIVES LNG IN THE INDIAN OCEAN

The Bank continues to grow its trade and development financing for a range of priority sectors including energy from clean sources, as part of its triple bottom-line mandate.

Proved African Natural Gas Reserves 2019

Congo (Kinshasa)	0.04
Benin	0.04
Morocco	0.05
Somalia	0.20
Tanzania	0.23
Uganda	0.50
Ghana	0.80
Ethiopia	0.88
Gabon	0.92
Mauritania	1.00
Cote d'Ivoire	1.00
Rwanda	2.00
Namibia	2.20
Tunisia	2.30
Sudan	3.00
Congo (Brazzaville)	3.20
Cameroon	4.77
Equatorial Guinea	5.12
Angola	14.91
Libya	53.14
Egypt	63.00
Mozambique	100.00
Algeria	159.05
Nigeria	198.71

Besides its smaller onshore fields at Mnazi Bay and Songo Songo, it is reported that Tanzania has at least 57 TCF in offshore reserves – up to 40 of which could be recoverable. Various international oil companies (IOCs), including Shell, Equinor, ExxonMobil, BG Group, UK-based Ophir Energy and Singapore's Pavilion Energy, have been engaged in different capacities for various years, working to unlock Tanzania's natural gas potential.

Qatar Petroleum with Total and Eni have recently taken over three blocks in Kenya's offshore Lamu basin for oil and gas exploration. Likewise, the CIA says that Somalia holds 0.2 TCF in natural gas.

Entering Indian Ocean island nations' maritime borders, Norway's TGS and China's BGP have promoting various blocks in an area of 63,296 km² in Madagascar's Morondava Basin, advantageously located in the Mozambique Channel.

In the Comoros, UK-based Discover Exploration and Tullow Oil have entered into a production sharing contract for 3 blocks in an area of 16,063 km², which apart from resource potential of up to 7 billion bbl, could also contain 1.1 TCF of gas.

1,800 km North East of Mombassa, in the Seychelles, as conveyed by the Telegraph, PetroSeychelles' Chief executive Patrick Joseph stated that among four of early test wells which had been undertaken by February of

Given the potential of the Indian Ocean seabed, its strategic geography, the future of LNG, and the transformative impact it could have on local economies, environments and communities, TDB has been contributing to the region's LNG revolution in various ways.

CORAL SOUTH FLNG

As part of the efforts to unlock Mozambique's 100 TCF of natural gas, TDB provided USD 99.2M in a senior loan facility, with Crédit Agricole as the lead arranger, for the Coral South Floating Liquefied Natural Gas (Coral Sul FLNG) project in Mozambique – set to be the world's first ultra-deepwater FLNG unit.

FLNG technology caters to gas resources from offshore and deep offshore gas fields which are typically economically or environmentally challenging to obtain.

Source: US EIA (2019)

Area 4 Partners – Eni, ExxonMobil, CNPC, ENH, Galp and Kogas.

The total project cost, inclusive of equity funded upstream facilities and pre-completion financing costs is around USD 8bn and was funded on a 60:40 debt to equity ratio. The debt was raised from various export credit agencies and numerous and global banks, including Crédit Agricole.

TDB is the only development finance institution among other African banks to have participated in the lending for Coral South FLNG. For its contribution, TDB won jointly with Crédit Agricole, 'Best Infrastructure Deal of the Year', at the African Bankers Awards, in Malabo, Equatorial Guinea, this past June.

The Government of Mozambique is expected to generate up to USD 25bn of income in the form of royalties, taxes and dividends during the 25-year commercial life of the project.

The success of Coral South has also served as catalyst for securing two additional mega onshore LNG projects led by Andarko and ExxonMobil with an aggregate capital cost of close to USD 50bn. These new projects will also generate new income of close to USD 8bn annually – a significant sum as compared to Mozambique's GDP of USD 12bn.

INDIAN OCEAN FSRU

This past October, TDB and the Ministry of Environment, Energy and Climate Change of Seychelles organised a regional meeting to discuss an LNG procurement strategy between the region's island nations.

The proposal is to design, construct and operate a bulk LNG carrier receiving FSRU terminal in one of the Indian Ocean countries, which will allow bulk LNG to be received, broken and redistributed to the other island nations.

The proposed LNG distribution network would enable the Indian Ocean Island Nations to transition from expensive and environmentally damaging imported



Oil tanker, Gas tanker operation at oil and gas terminal, View from above.
(Photo credit: Kalyakan - stock.adobe.com)

According to an Offshore Engineer article from last February, there would be a total of 4 FLNGs which have been completed, including Australia's Prelude, Malaysia's PFLNG Satu, and Cameroon's Hilli Episeyo, and Argentina's Tango, which is not yet operational, and three more on order, including Mozambique's Coral South.

The same source states that there are currently 28 FLNG projects at various stages of planning and design, 11 of which are in Africa.

The Coral South FLNG project, led by Eni, involves the development, financing, construction, operation, maintenance and ownership of a FLNG facility that will liquefy the gas produced in the offshore waters of the Area 4, in Northern Mozambique's Rovuma Basin. Coral South is being implemented under an Exploration and Production Concession Contract which was awarded to

Besides the monetary income, the Coral South project will: help to create thousands of direct and indirect jobs; enable technical and vocational skills development, as well as knowledge and technology transfer; boost the local economy; improve its balance of payments; establish capital formation; maintain long-term economic growth; and, boost the country's competitiveness in the global arena.

Together with the new ExxonMobil/Eni and Anadarko-led onshore projects, Coral South is set to transform Mozambique into a leading global exporter of LNG in the same league as Qatar and Australia.

heavy fuel Oils, biofuels (wood) and coal to LNG, as the new primary fuel for electricity generation. On top of this, their dependence on imported fuels makes their overall economies very vulnerable to world energy price fluctuations. In the case of Seychelles for example, petroleum products constitute around 25% of total imports.

Discussions are ongoing.

This same Offshore Engineer article claims that around 15% of all LNG regasification terminal capacity are now floating regasification terminals, that twenty-nine FSRU terminals are currently up and running, another seventeen under construction, and that among the fifty-one in planning, six are in Africa. A big advantage of floating facilities as compared to onshore ones is the possibility to lease FSRUs, instead of investing in fixed land facilities. ■

KENYAN WINDS OF *CHANGE*

Lake Turkana Windmill Project: Africa's Largest Wind Farm



Michael Awori, TDB Lending Operations Executive, heads the department which, in collaboration with other key executives of the Bank, transforms leads into transactions

LOCATED IN NORTH EASTERN KENYA, NEAR LOIYANGALANI TOWN IN MARSABIT COUNTY,

approximately 10 km East of Lake Turkana, the Lake Turkana Windmill Project (LTWP) is Africa's largest windfarm with an installed capacity of 310MW and comprising 365 wind turbines. With a total project cost of USD 712M, making it Kenya's largest private sector investment, LTWP provides cleaner, cheaper and more reliable energy to Kenyans.

The project is located on 40,000 acres and only 0.2% of the site is occupied by physical structures. The rest of the land representing 99.8% of the project site is opened to the public and continues to be used by the local population for settlement and grazing of their livestock.

LTWP began transmitting into the national grid in September 2018 and operates so efficiently that it has so far averaged a capacity factor of above 80%. Most windfarm projects around the world average between 28%-40% of the installed capacity.

The LTWP was inaugurated by Kenyan President Kenyatta this past 19th of July 2019, during a ceremony which also marked the commissioning of the 438 km Loiyangalani-Suswa transmission line to connect the wind farm to the national grid at Suswa Substation.

TDB was one of the primary co-financiers of this landmark project with a combination of long-term financing and quasi-equity.

TDB partnered with a consortium of lenders under a syndication financing arrangement, which include the African Development Bank, the European Investment Bank, the East African Development Bank, PROPARCO, Netherlands Development Finance Company (FMO), Deutsche Investitions und Entwicklungsgesellschaft (DEG), Eksport Kredit Fonden Denmark (EKF), Standard Bank of South Africa, Nedbank of South Africa and the EU-Africa Infrastructure Trust Fund (EU-AITF).

Project sponsors include Aldwych Turkana Limited – owned by Anergi, an African power company established through the joint venture between African Finance Corporation and Hariith General Partners of South Africa, KP&P Africa B.V., the Danish Climate Fund through the Investment Fund for Developing Countries (IFU), KLP Norfund Investments, Vestas, Finnfund-the Finish Fund for Industrial Cooperation Ltd, and Sandpiper.

The project is managed by an experienced operations and maintenance firm which is supported by the main EPC contractor - Vestas through a Service and Availability Agreement.

TDB WAS ONE OF THE PRIMARY CO-FINANCIERS OF THIS LANDMARK PROJECT WITH A COMBINATION OF LONG-TERM FINANCING AND QUASI-EQUITY.

Lake Turkana Windmill Project (Photo credit: Lake Turkana Windmill Project)

CONTRIBUTION TO ENERGY-GENERATION AND GRID CAPACITY

LTWP contributes to up to 17% of the current peak demand and up to 30% of the current off-peak demand of Kenya's installed capacity. This renewable energy power plant saves the need for Kenya to import USD 140M worth of fossil-fuel every year to power diesel generators.

The project also contributes to lowering of the cost of electricity in Kenya in practical ways. Under the subsisting Power Purchase Agreement, the project will sell the energy at Euro cents 8.529 per kWh and after that, the cost will be reduced for the next 14 years to Euro cent 7.684 per kWh. In this way, in addition to enhancing the availability of electricity in Kenya, the project will significantly contribute to people's disposable income as they reduce their expenditure on power, thanks to the reduced tariffs.

IMPACT

The LTWP has created over 1,000 jobs for workers during peak construction times and over 150 jobs during its operational phase. Besides the power plant itself, the 438 km power evacuation transmission line from the project to Suswa in Narok has also created several jobs. These have resulted in the increase in the economic power of people in the Lake Turkana region.

As well, due to the remote nature of the site, about 201 km of off-site road upgrades have been commissioned, in addition to an 11 km onsite roads network, which will catalyse development in the area. A workers' village was also put up to house construction and operations staff.

In terms of skills transfer, local engineers will undertake short training in Europe to study best practises in wind farm management, which will contribute to enhancing the local skills base.

In addition to enhancing Kenya's power generation capacity, the project supports the government's rural electrification programme and enhances consistency of power supply – grid stability, to the country's various

industries.

The project will enhance availability of renewable and clean power into the grid which may ultimately lead to the closure of more expensive diesel power generation plants. Likewise, this major investment for sponsors and partners is likely to generate substantial revenue and create capital for future expansion of the project or for funding other projects in the country or in the region.

Furthermore, to ensure that local communities benefit from the project, LTWP established the Winds of Change Foundation (WoC), through which it will work to improve people's livelihoods in the area, by investing a portion of revenues. An estimated Euro 10M will be invested over 20 years to enhance employability of the population via education and vocational training, and improve their health through related education and access to water.

TDB'S COMMITMENT TO CLEAN ENERGY

The Bank approaches its interventions in a manner that pro-actively supports sustainable development, including

via initiatives which can lead to the reduction of climate risks and expansion of clean energy - in line with the Paris Agreement, thereby contributing to SDG commitments linked to environmental protection. So far, about half of TDB's loan portfolio directly and indirectly contributes to SDGs.

The LTWP produces 100% clean and renewable energy at a lower cost than other sources of electricity and will lead to the reduction of up to 740,000 metric tons of carbon dioxide equivalent per year.

In this regard, the project fits into TDB's commitment to increase the funding of climate solutions through low-carbon transactions, aiming to green our regional economies. The Bank has been financing low-carbon sustainable business activities, including in wind, hydro and geothermal power plants, which now represent 69% of its overall investment in the energy sector.

TDB's financial support to LTWP is an example of meaningful interventions which should be expected from a development finance institution. ■

THE LTWP PRODUCES 100% CLEAN AND RENEWABLE ENERGY AT A LOWER COST THAN OTHER SOURCES OF ELECTRICITY AND WILL LEAD TO THE REDUCTION OF UP TO 740,000 METRIC TONS OF CARBON DIOXIDE EQUIVALENT PER YEAR.



MEET TDB'S CORPORATE AFFAIRS AND INVESTOR RELATIONS EXECUTIVE, **MARY KAMARI**

TDB'S CORPORATE AFFAIRS AND INVESTOR RELATIONS EXECUTIVE, MARY KAMARI, TELLS US MORE ABOUT THE MANY FUNCTIONS HER DEPARTMENT IS RESPONSIBLE FOR – HOW IT MOBILISES CAPITAL AND EQUITY FOR THE BANK, BUILDS PARTNERSHIPS, AND ENHANCES ITS BRAND, TO DRIVE THE BANK'S VISION.

Q. As Corporate Affairs and Investor Relations Executive of TDB, can you tell us more about what it is that you do and what role the department you head plays at TDB?

MK. Working closely with the President, the Corporate Affairs and Investor Relations Department – CAIR – raises capital and equity from sovereign and institutional shareholders, develops and manages strategic partnerships and networks, and oversees the corporate communications and marketing functions of the Bank.

In line with the Board of Governors' guidance, the department drives the membership expansion of the Bank. Since the department was created, TDB's shareholder base has increased from 19 to 37 shareholders, both sovereign and institutional investors. The most recent Member States to have joined the Bank in the last 5 years include Mozambique,

Eswatini, South Sudan, and Madagascar. Several institutional investors that include pension funds, insurance companies, International Development Funds and multilateral institutions have joined as well since then.

With regards to partnerships, CAIR, establishes and manages relationships with stakeholders in line with the Bank's business and overall strategic direction.

CAIR also houses marketing and communications functions to enhance the Bank's brand equity, and in turn, achieve its vision. This is done through PR activities which include the Bank's various engagements in terms of events, the development of marketing and communication materials, research and the production of contents, digital marketing, engagements with the media, CSR activities, and the tracking of its stakeholders' satisfaction with the Bank.

This year is especially important to us as the Bank will

be turning 35 years old at its upcoming Annual General Meetings in Livingstone, Zambia, in August 2019. As such, CAIR will be leading a 35th Anniversary campaign for one year to celebrate this milestone.

Q. You have joined TDB in 2012, the same year the Bank's transformational ownership structure reforms took effect. Can you brief us about those reforms, what they mean in terms of equity mobilization, and the impact they have had on TDB and the Region it serves?

MK. The Bank was established as the financial arm of a regional economic block – the Common Market for Eastern and Southern Africa (COMESA), formerly the Preferential Trade Area for Eastern and Southern Africa (PTA).

In 2012, the Bank's Charter was revised and TDB started

its transformation, repositioning itself to serve as a specialized trade and development finance institution of the Tripartite Free Trade Area spanning COMESA, the East African Community (EAC) and the Southern African Development Community (SADC), also covering the Intergovernmental Authority on Development (IGAD) and the Indian Ocean Commission (IOC).

This expanded geographic area made the Bank stronger and more relevant to its region. More importantly the expansion provided an opportunity for the Bank to mobilise new sovereign shareholders- Member States in the tripartite region, in addition to new non-regional member countries with strategic interests in the region. This opportunity also served as a model to attract investors from the region and globally.

Several reforms have taken place since I joined the Bank in 2012. The reforms have been in the areas of operations and corporate governance, to name but a few. Moreover, the Bank rebranded from PTA Bank, its former name, to TDB – the Eastern and Southern African Trade and Development Bank.

As formalised in the Charter, a new class of shares was created – Class B – to mobilise institutional investors, which would support the development of the region while earning a financial return. To date, 13 institutional investors now own class B shares.

The introduction of this new category of shareholders not only generated capital and returns but also transformed the Bank's risk profile, which, along with the other reforms, ultimately led to the Bank's current investment grade rating.

Q. What are TDB's plans in terms of membership expansion – in terms of Member States and member countries? What does TDB look for in its Class B equity mobilization efforts?

MK. During our last Corporate Plan 2013-2017, we were very successful at mobilizing capital and equity from our existing and new Member States, as well as new institutional investors. We also had a good successful rate of capital arrear collection from our Member States that had subscribed to the capital increase. I can fairly say that we have strong support from our shareholders, who demonstrate their backing through such commitments.

In terms of membership expansion plans, in our current Corporate Plan 2018-2022, membership expansion and equity continue to be key target initiatives. Geographic expansion has been a key driver of the Bank's loan and profit growth which, in turn, have made the Bank more attractive to new investors, whether sovereigns or institutional investors.

In order to expand its market, increase its resource base and strengthen regional economic integration, the Bank will continue to engage, pursue Member States and member countries that were approved by our Board of Governors. These countries include Member States in the Tripartite region as well as potential member countries from Europe, India, Asia, the Middle East, and others which have strong trading relations with our region. With this expanded footprint, the Bank will deliver more growth to existing Member States and the region as a whole. Similarly, we will continue to target institutional investors in our region as well as vetted long-term investors around the globe.

Q. What does TDB look for in its Class B equity mobilization efforts?

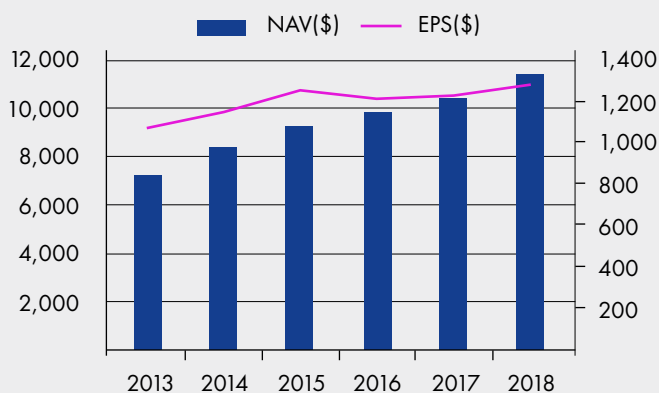
MK. The plan is to target long-term investors and well-rated institutions that will come in with long-term capital as shareholders. Now that we've gotten an investment-grade rating from different agencies like Moody's and GCR, we need to use the credit profile of the Bank, to sell our Class B shares which offer capital gains and dividends to institutional investors. The Bank's targets for Class B shares are African institutions, sovereign wealth funds and pension funds, insurance companies and central banks. We have raised over USD 190M from 13 Class B shareholders – including some which have invested additional equity, significantly exceeding our previous corporate plan target of USD 100M.

Q. What would you tell someone or an institution who is thinking about investing capital in Africa and more specifically in the Region TDB serves?

MK. TDB is a world class financial institution serving a fast-growing African region. Most of TDB's Member States' economies are growing at mid to high single growth rates and as a bloc, TDB's footprint offers a very diversified exposure, with some countries being driven by commodity exports like Mozambique or Zambia, while others, by services or agriculture like Kenya or Rwanda. Through TDB, an investor can benefit from a diversified exposure to fast growing economies.

Under the leadership of the President, Mr. Admassu Tadesse, the Bank has continuously delivered strong growth in profits while also improving the quality of the Bank's assets, allowing us to reach investment grade status for the first time in 2017.

For Member States, joining the Bank is not only a profitable investment, but also gives them access to the Bank's loans and services which have been instrumental in promoting economic and social development as well as regional integration in Eastern and Southern Africa. For institutional investors, Class B shares returns are very attractive, with our NAV growing at double digit rates as well as dividends being paid annually from the Bank's strong profit base. Class B shares are generating very strong USD returns and our investors are very satisfied. Since the introduction of Class B shares in 2013, no institutional investor has sold its Class B shares as there is no matching opportunity for this type of return and impact.



Strong historical growth in the NAV per share which rose from USD 7,610 in 2013 to USD 11,463 in 2018.

Indeed, Class B shares offer significant developmental impact through the Bank's investments in projects and infrastructure and support for the security and supply of strategic commodities in its Member States.

TDB is also a multilateral institution benefiting from privileges and immunities which makes it a safe investment.

Q. Your department oversees communications and marketing. How do these functions drive TDB growth?

MK. Our marketing and communications are key to the positioning of the Bank as a world class, specialised financial institution. Our products are attractive, and we are a client-centric organisation. These are facts that have to be communicated clearly to clients and stakeholders.

The team supports both corporate and business departments in profiling the products of the Bank at the same time as enhancing the Bank's overall image. The rebranding exercise was transformative, and the TDB brand is now well established in Africa and beyond. This was an effort deployed over several years and we are grateful for our Board's guidance and commitment to such a long-haul effort.

The team works closely with business departments in participating, organising or sponsoring events and on targeted communication to socialize the Bank's brand as well as its offering to potential clients, funders and investors. CAIR also obtains feedback from the market and our partners by conducting a customer and partner satisfaction survey on an annual basis, which informs the Bank's corporate strategy.

Q. Stakeholder relations and strategic partnership development are also part of your job. What kind of partners does TDB look to sign MOUs with? What do these feed into in terms of business TDB-wide?

MK. The department I lead establishes and manages the Bank's partnerships with large networks of stakeholders such as the International Development Finance Club (IDFC), the Corporate Council on Africa (CCA), the African Economic Research Consortium (AERC), and other strategic partners. Through these partnerships, we can weigh in on the global development agenda and deliver the transformative growth that our Member States and region requires. We establish our partnerships by entering MOUs. These MOUs, accreditations and partnerships secure more funding for financing the development needs of our region and also allow us to benefit from the most advanced knowledge and resources for economic development.

Q. On a lighter note, what might someone be surprised to know about you?

MK. This is an interesting question! My team will tell you, I am always keen on a good laugh and social engagements once in a while. I have an open-door policy where colleagues knock on my door to share any issue, good or bad news or just a light chat. And I believe this is how you drive excellence: humans need support to give you their best, they need your trust to push hard for results. I grant all with warmth and support. And another surprise to many, I love dancing, and I am a good dancer, so I hear! ■

THE ROLE OF DFIS IN THE **FIGHT AGAINST CLIMATE CHANGE**



BBC News Anchor Lukwesa Burak, AfDB Vice President Power, Energy, Climate Change and Green Growth Amadou Hott, Green Climate Fund Executive Director a.i. Javier Manzanares, KCB Bank CEO Joshua Oigara, TDB President and Chief Executive Admassu Tadesse, DBSA Head of Energy, Environment and ICT Lucy Chege, at the One Planet Summit session co-organised by TDB and IDFC on Aligning DFIs to the Paris Agreement

FLOODING IN THE PHILIPPINES. RECORD-BREAKING HEATWAVES IN EUROPE. MELTING POLAR CAPS. DROUGHTS IN INDIA. AND RECENTLY AT HOME IN AFRICA, CYCLONES IDAI AND KENNETH. ALL RESULTING IN DEVASTATION AND ALL UNITED BY A SINGLE CAUSE – CLIMATE CHANGE.

CLIMATE CHANGE POSES IS ONE OF THE LARGEST AND MOST THREATENING ISSUES

of the twenty-first century, with irreparable damage already being made.

During COP21 at the end of 2015, UNCFPP parties reached an agreement to combat climate change, by keeping the rise in global temperatures in check, below 2 degrees above pre-industrial levels, and to aim to limit the latter to 1.5 degrees. To date, the now famous Paris Agreement has been ratified by 185 parties out of 197.

According to the World Meteorological Organization, while climate-science is as robust as it has ever been, “the physical signs and socio-economic impacts of climate change are accelerating as record greenhouse gas concentrations drive global temperatures towards increasingly dangerous levels”.

In fact, extreme weather events were ranked by the World Economic Forum’s Global Risks Report as the

most important global risk, both in terms of impact and likelihood.

Fast-forward to 2050, the WMO forecasts environmental migrant numbers at up to 1 billion people – moving locally, across borders, permanently or temporarily.

In the face of its looming impact, global initiatives are being developed and implemented to adapt to and mitigate climate change.

Adaptation and mitigation are the two main strategies being used to address climate change. Mitigation refers to efforts to reduce CO₂ emissions and to absorb, in order to keep global temperatures in check, and in turn, reduce the concentration of greenhouse gases. As defined by UNCFCC, “adaptation refers to adjustments in ecological, social, or economic systems in response to actual or expected climatic stimuli and their effects or impacts.”

The Paris Climate Agreement calls on governments and other stakeholders – cities, subnational authorities, civil



WHAT IS CLIMATE CHANGE?

The UN Framework Convention on Climate Change (UNFCCC) states that:

“Climate change means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.”

“Human activities have been substantially increasing the atmospheric concentrations of greenhouse gases, that these increases enhance the natural greenhouse effect, and that this will result on average in an additional warming of the Earth’s surface and atmosphere and may adversely affect natural ecosystems and humankind.”

society, the private sector, development finance institutions (DFIs) – alike to scale-up their efforts to combat climate change.

DFIs in particular play a critical role in these efforts, as they have a mandate to invest in economic, social and environmental impacts. At the same time, investors and lenders now take into consideration triple bottom-line impact of their operations, and carbon markets incentivize, and reward positive behavior and actions taken towards climate change. In fact, aligning with the Paris Agreement is set to become a new standard for the financial community.

The African continent is disproportionately impacted by extreme climate. Droughts and floods are becoming more frequent and more severe. Changes in climate are also being named as reasons for the increased risk in insects and pests. Up to 65% of the African population is impacted by climate change, while only being responsible for 4% of global greenhouse-gas emissions. As such, aligning financial flows with climate adaptation and mitigation imperatives is absolutely critical on the continent, especially given the vulnerable socio-economic situation of its population and high dependency on natural resources.

TDB’S FIGHT AGAINST CLIMATE CHANGE

TDB is contributing to the fight against climate change in various ways. With an increasing portion of its TDB’s loan portfolio directly contributing to SDGs, a new SME programme, and as a member of International Development Finance Club, TDB tracks and reports on many climate-related indicators, as it does through its portfolio management activities and environmental and social governance. Likewise, the requirements to obtain credit lines from many of TDB’s partners ensures that projects meet IFC’s Performance Standards and Equator Principles.

Just last March 2019, at the occasion of the One Planet Summit in Nairobi, TDB signed an agreement towards a USD 120M credit facility that will be targeting climate-oriented projects on the African continent. These are set to include renewable energy projects, lower carbon and energy efficiency projects, agriculture, forestry and land-use projects, non-energy GHG reductions initiatives, water and waste management projects, and resilient infrastructure and buildings.

During the same summit, TDB co-organised a session with IDFC. The session’s focus was on the alignment of development banks with the Paris Agreement and long-term sustainable financing in Africa and counted on the participation of the French Development Agency (AFD), the European Investment Bank (EIB), KCB Bank, the Green Climate Fund (GCF), the African Development Bank (AfDB), and the Development Bank of Southern Africa (DBSA).

A month later, TDB and the China Everbright Group signed a Green Finance Cooperation Protocol aiming to establish a comprehensive and long-term strategic partnership to drive green infrastructure finance in clean energy, solid waste treatment, energy saving and emission reduction, intelligent manufacturing & green technology amongst others.

For DFIs to align their work to the Paris Agreement, blended finance is vital. Through the blending of development funds with other financial instruments, an increasingly aware and committed private sector will be incentivized to invest in projects which would otherwise be considered as too risky, or simply unattractive.

UNEP tells us that Arctic Ocean winter temperatures will rise by 3-5°C by 2050, and the Brookings Institution, that about USD 85tn in low-carbon climate resilient infrastructure will need to be built by 2030 – even if Paris Agreement parties honour their commitments. In the absence of action, by 2100, global warming will have reached 4.1°C – 4.8°C above pre-industrial levels.

Progress is happening. Climate change mitigation and adaptation rules are getting stronger and its science harsher. Renewables are gaining considerable grounds as a share of the global energy matrix. Ecological economics are changing our views on even how GDP should be calculated to reflect real economic performance. But the challenge is big, and more needs to happen.

TDB RESPONSE TO CYCLONES IDAI AND KENNETH

The patterns of floods and drought in TDB Member States have been referred to by some as being of ‘biblical proportions’. Such trends are likely to increase in the coming years.

The recent flooding in Southern Africa has affected more than two million people in Malawi, Mozambique and Zimbabwe, since the rains began in early March 2019. Cyclone Idai and then Cyclone Kenneth struck, affecting the livelihoods of millions, killing over 1,000 and overall leaving devastation behind in all three Southern African Member States.

Many people have lost family members and friends, their homes and possessions, and seen their communities devastated. Health providers have reported increases in cases water-borne infections due to poor living conditions. With home food stocks lost and many acres of crops destroyed, widespread hunger is looming.

A world-wide emergency response is taking place in affected countries. The main focus has been on food and nutrition supply, water and sanitation, household goods and shelter assistance, health, and protection, and now rebuilding.

In Mozambique, TDB is working with Phoenix and Mecer and in Malawi with Alliance One to supply much needed relief items to affected populations. In Zimbabwe, the Bank is working with Save the Children on water, sanitation and hygiene facilities for affected schools.

There is therefore a need for rapid short-term response to climate change-provoked disasters in addition to longer-term actions to help Member States deal with these risks. In addition to taking action to address climate change in its core operations, TDB is committed to support the region when disaster strikes. ■

BLENDING FINANCE TO BRIDGE MISSING MIDDLE SME GROWTH CONSTRAINTS

ACROSS OUR REGION, MSMEs (MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES) HAVE AN IMPORTANT ROLE TO PLAY AS DRIVERS OF ECONOMIC GROWTH AND LONG-TERM SUSTAINABILITY.

ACROSS OUR REGION, MSMEs (MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES) have an important role to play as drivers of economic growth and long-term sustainability. They are instrumental in achieving the UN Sustainable Development Goals (SDGs), by providing employment and decent work for all, promoting sustainable industrialization and fostering innovation, and reducing income inequalities. Formal SMEs are one of the strongest drivers of economic development, innovation and employment and contribute up to 60% of total employment and up to 40% of national income in emerging economies.

Despite Africa's growing need for the services, employment and inclusivity generated by MSMEs, they face unique growth challenges, with research indicating access to finance as a major constraint to enterprise growth. A World Bank Group study suggests there are between 365 to 445 million MSMEs in emerging markets, of which only 25-30 million are formal, and that the credit gap confronted by those SMEs identified as formal is about USD 1tn globally. Moreover, the African Development Bank estimates the Sub Saharan Africa SME finance gap at USD 331 bn, with women entrepreneurs accounting for USD 42bn.

In addition to their problems accessing finance, SMEs typically also lack economies of scale which limits their ability to invest in fixed capital and technology. Likewise, having to deal with information asymmetries and less lobbying power than their larger counterparts, SMEs proportionally incur higher compliance costs.

THE MISSING MIDDLE

A key challenge MSMEs are facing is basic access to finance. A DFID Impact Program market survey on Sub Saharan Africa in 2015 revealed that many promising enterprises seeking capital are unable to get themselves to a point where they are ready to receive investment. Despite the large number of impact investors in the region, the capital they provide does not adequately span the entire risk-return spectrum, nor is it equally available at all ticket sizes.

Specifically, research confirms a 'missing middle' in capital availability for ticket sizes in the USD 200,000 to USD 2M range. The missing middle SME is characterized as too large to access micro funds and too small or very risky for commercial bank finance. Of the USD 9.3bn in impact investment deal volume to date, only USD 1bn was in the USD 250,000 to USD 1M ticket size range.

In addition to financial obstacles, the typical enterprise seeking investment will have multiple preparation issues or face challenges accessing suitable growth funds due to

limited available information regarding potential investors. These difficulties hinder the ability to match the appropriate investors with enterprises in need of funding.

SOME NOTEWORTHY INITIATIVES IN THE SME FINANCE ECOSYSTEM

There are considerable ongoing endeavors on the continent to address the SME finance gap. Several development finance institutions have established SME finance centric programmes carved away from their lending programmes.

For example, the AfDB's USD 125M Africa SME Programme supports African local financial institutions with long term liquidity and with technical assistance, to be able to successfully provide relevant financing to SMEs and build larger and good quality SME loan portfolios. AfDB has also established the Affirmative Finance Action for Women in Africa (AFAWA) programme launched in 2017, designed on the premise that women face additional challenges in obtaining financing, owning and expanding businesses and accessing capital and technology.

The Women Entrepreneurs Finance Initiative (We-Fi) supports MSMEs as a collaborative partnership between 14 governments, 8 multilateral development banks, and other public and private sector stakeholders. With funding of over USD 350M and hosted by the World Bank Group, We-Fi will scale up women entrepreneurs' access to financial products and services, build capacity, expand networks, offer mentors, and provide opportunities for women to connect with domestic and global markets. We-Fi also aims to assist governments in fostering enabling environments for women in business.

Despite all these efforts, the SME finance gap remains, suggesting room for more players to come on board in order to provide a necessary multi stakeholder approach. In addition, impactful investment in SMEs requires a country-specific financing model that can only be provided by financiers that possess local knowledge, which can be used to better inform policies and decision-making.

TDB'S SME PROGRAM

TDB recently launched its SME Program, drawing its mandate from the Bank's corporate plan 2018-2022. As the Bank looks to advance greater development impact and address inclusiveness and sustainable growth in the region through specific strategic themes and outcomes in

its financing and interventions, the SME Program is well positioned to contribute towards this agenda.

The 3-year pilot program is part of TDB's asset management activities and focuses on 6 countries, namely Ethiopia, Burundi, Kenya, Zimbabwe, Zambia and Malawi to provide appropriate finance and technical assistance to selected SMEs – particularly those led by youth and women. Leveraging anchor funding of USD 3M from Bank funds, the SME Program will work to crowd in external funds to expand financial access for SMEs in the region.

The program is currently validating a strategic framework whose approach seeks a holistic view to financing SMEs and financial intermediaries. It achieves this by blending financial access with matched technical assistance that is targeted at addressing other growth challenges in their business. Based on country contexts, the program seeks to deploy relevant instruments to unlock longer term finance through lines of credit and credit guarantees to de-risk lending to financial intermediaries working at the base of the pyramid, where the impact could be the greatest.

This approach is designed to enable the SME Program to become established in the market, balance risks and impact requirements, and act as a springboard to expanded programmatic design financing.

SME lending remains a difficult venture given the challenges in standardizing products and procedures, difficulty in attaining economies of scale, high operating costs and off course the high risks.

In line with TDB's route to market strategy of working through financial intermediaries during the pilot phase, the Bank has already signed an MOU with UNTU Capital, a company providing credit to the economically active MSMEs in Zimbabwe using digital finance channels.

THE 3-YEAR PILOT PROGRAM IS PART OF TDB'S ASSET MANAGEMENT ACTIVITIES (...) TO PROVIDE APPROPRIATE FINANCE AND TECHNICAL ASSISTANCE TO SELECTED SMES – PARTICULARLY THOSE LED BY YOUTH AND WOMEN.

Likewise, another MOU was signed with ENAT Bank, a women-owned and run Ethiopian bank, with which is exploring avenues toward supporting women exporters in Ethiopia.

Beyond this, the Bank is in discussions with various funders around the globe to crowd-in more finance, and is pursuing various guarantee transactions and a lending window, hand-in-hand with intermediaries such as UNTU

and ENAT, to reach MSMEs in need of working capital.

In the near future, Africa has become key player in the global economy, due to its mineral wealth and natural resources, geo-strategic position, vast arable land, booming population growth, including a large percentage of young people, and available high returns on investment. The focus must be placed on SMEs, which might very well lead the way toward prosperity in this next exciting chapter of Africa's story. ■

FASHION: A DRIVER FOR AFRICAN GROWTH



The dynamism of the USD 3bn African fashion industry showcased in a parade during the launch of the Pan-African Fashion Initiative-PAFI in Addis Ababa in March 2019 (Photo credit: The AfroChampions Initiative)

The value of the global fashion industry currently stands at around USD 2.4tn, with an annual growth rate of 5.5%. Yet, Africa accounts for less than 5% of this value, while Asia and the USA share 40% each of the market. As we witness a rise in global demand for African designs and aesthetics, the creative economy in Africa presents untapped potential to transform livelihoods and trigger real growth in employment.

Specifically, research shows that the development of the fashion value chain in Africa – involving value expansion from USD 3bn to USD 15bn – would lead to a 3.34% boost in weighted employment across the continent, a 16% reduction in the trade deficit, as well as to a 25% contribution to overall welfare gain.

Scaling-up of the African fashion value chain certainly requires investment in infrastructure, but also technological advancement and training in the areas of manufacturing, design, distribution and marketing. Engagement of private stakeholders and African industry and trade ministries is necessary in order to devise a long-



AFRICAN FASHION IS AN INCREDIBLE OPPORTUNITY TO CREATE A GROWTH DRIVER GLOBALLY!

Dr. Frannie Léautier,
TDB Chief Operating Officer

term roadmap designed to boost the African fashion value chain as a whole, especially in the context of the African Continental Free Trade Area (AfCFTA), and open strategic opportunities to enhance free movement of goods and manufactured products on the continent. The AfCFTA is a likely catalyst to jumpstart the 'Made in Africa' initiative.

The Pan-African Fashion Initiative (PAFI), organized under the auspices of the AU Commission Department of Trade and Industry, and in collaboration with The AfroChampions Initiative, TDB and other partners like AfDB is a strong example of the efforts being deployed to create a platform for public and private stakeholder engagement and dialogue around the fashion value chain. Among the initiative's main goals is to define relevant policies and approaches and generate awareness to help advance the African fashion industry.

Dr. Frannie Léautier, TDB Chief Operating Officer summarized it well: "African fashion is an incredible opportunity to create a growth driver globally! Let's change African mindsets and transform whole value chains from 'fertilizers to fashion' and 'fashion to finance'." ■

TDB'S EUROBOND SUCCESSES



From left to right: TDB Treasury Executive Abraham Byanyima, TDB President and Chief Executive Admassu Tadesse, SEM Chief Executive Sunil Benimadhu, TDB Senior Legal Officer Tom Mzumara, and Head of Corporate Services, Hamere Tefera, at the secondary listing of TDB's Eurobond on the Stock Market of Mauritius in June 2019

TDB'S SENIOR UNSECURED 5-YEAR USD 500MN EUROBOND

issued this past May 16th, made history as TDB's lowest-cost-ever global Eurobond. With a reoffer yield of 5.000% and a 4.875% coupon, the bond was oversubscribed 3.3 times, and closed with an order book of USD 1.65bn. The Notes were admitted to the Official List on the Main Securities Market of the Irish Stock Exchange (ISE) in Dublin on the 23rd of May 2019.

With a 50bp tightening throughout the book building process on a yield basis, TDB achieved a rare negative new issue premium, a remarkable achievement given the current rising interest rate environment. With this latest Eurobond, on a reoffer spread basis, TDB managed to achieve a 57.9bp tighter pricing compared to its previous Eurobond transaction in 2017.

Citi, Commerzbank, Emirates NBD Capital, MUFG, SMBC Nikko, and Standard Chartered Bank were the Joint Lead Managers on this transaction.

A diverse and high-profile group of institutional

investors were attracted from several regions of the world, including Europe, US Offshore, East Asia, the GCC sub-region and Africa. This followed intense road shows to several financial centres, led by Admassu Tadesse, President and Chief Executive, and David Bamlango, General Counsel and Senior Executive.

Following this success, the Bank made a secondary listing of this benchmark 2024 USD-denominated Eurobond on the Stock Market of Mauritius (SEM) on the 4th of July 2019, a first for an African Eurobond issuer for SEM, thanks to which, Mauritian investors will be able to access the global Eurobond market through their own stock market.

"TDB is delighted with its secondary listing on SEM, with which, it will be able to contribute to the development of Mauritius' financial sector, and to continue raising the profile of African capital markets" says Admassu Tadesse, TDB President and Chief Executive.

Sunil Benimadhu, Chief Executive of The Stock Exchange of Mauritius (SEM) said: "we welcome TDB's

initiative to list the first Eurobond on the SEM. This landmark listing adds a new dimension to SEM's internationalization strategy and confirms the SEM's attractiveness as a listing platform for African issuers."

TDB has a successful track record of issuing bonds within Africa and other international markets. Its previous issuances in the Eurobond market date back to 2010, 2013 and 2017, the last one of which gained the Bank entry to the JP Morgan Index of EM Bonds.

In Africa, in addition to this secondary listing, some of TDB's latest capital market issuances in local currencies include a TZS 32.6bn facility in Tanzania, a UGX 15bn bond in Uganda; and, a KES 1bn bond.

The SEM is the only exchange in Africa, and one of the few exchanges worldwide, that can list, trade and settle securities of an issuer in multiple currencies, USD, EUR, GBP, ZAR and Rs, as well as trade and settle transactions in the issuer's securities in those five currencies. This provides a natural hedge against currency risks and eliminates currency conversion costs – rendering the SEM



very attractive to both international issuers and investors.

In addition to SEM's flexible provisions with regards to secondary listings and the fungibility of traded securities, TDB will be able to benefit from the stock exchange's diversified range of products and platforms to raise new capital. Over USD 5bn has been raised by international issuers on the SEM so far, and 200+ securities are listed on SEM.

On top of improving countries' current account balances and overall, their capacity to respond to shocks, well-developed bond markets increase countries' abilities to withstand global capital flows, reduce forex risks, and, with intensified international participation, to maintain sound fiscal and monetary policies, and stable political environments.

TDB's ratings were upgraded to investment grade by Moody's and Global Credit Ratings (GCR) in 2017, a testament to TDB's quality growth, and driver of the growing appetite of global investors for TDB opportunities. ■

ASIAN ENGAGEMENTS: TDB CONTINUES ON ITS FRUITFUL JOURNEY WITH THE ORIENT

AS IT IS THE CASE WITH OTHER PARTNERS AROUND THE GLOBE, TDB'S COOPERATION AND PARTNERSHIPS WITH THE WORLD'S FASTEST GROWING REGION ARE GROWING.

JAPAN

TDB and the Japan Bank for International Cooperation (JBIC) signed this past May a USD 350M 10 to 20-year export credit line, the largest of its kind, with the longest tenor, to have been executed between both institutions to date. Part of the credit line will be covered by Nippon Export and Investment Insurance (NEXI), one of Japan's two official export credit agencies, with JBIC.

Following a ¥ 1.5 bn (≈ USD 12.5M) 3-year export credit line signed in 2007, and a USD 80M 7-year line in 2016, this third agreement is another milestone in JBIC and TDB's joint commitment to continue strengthening economic cooperation between Japan and TDB's 22 Member States.

"Having launched ECA financing services in 2016, TDB has so far executed USD 340M of ECA-backed credit lines in the region it serves, partly, as a result of the fast growing relations the Bank has built with JBIC-NEXI and other strategic funding partners" says Admassu Tadesse, TDB President and Chief Executive.

TDB values its long-standing relation with JBIC as well as with the Japanese private sector, and looks forward to further engagements, namely during the upcoming Tokyo International Conference on African Development (TICAD 7).

CHINA

This past April, TDB signed a Green Finance Cooperation Protocol with China Everbright Group (CEG) with the aim to establish a comprehensive and long-term strategic partnership to drive green infrastructure finance in TDB Member States.

The purpose of the agreement is to promote cooperation for, among other initiatives, clean energy, solid waste treatment, energy saving and emission reduction, intelligent manufacturing and green technology.

TDB and CEG will also work towards establishing a sub-fund of the Belt & Road Green Fund (BRGF)

dedicated to Africa. The BRGF is an initiative aiming to strengthen infrastructure, trade and investment links between China and 65 other countries.

TDB President Admassu Tadesse remarked "with the People's Republic of China as a shareholder of TDB through People's Bank of China, we are delighted to deepen our engagements by signing this Protocol with CEG and broaden our horizons of cooperation towards a brighter and greener future for all".

KOREA

TDB and the Korea Overseas Infrastructure & Urban Development Corporation (KIND) signed this past July 2019 a memorandum of understanding via which, the door has effectively been opened between both institutions to cooperate on infrastructure financing in the region TDB serves.

TDB and KIND have agreed to cooperate to facilitate project and infrastructure development, and to leverage Korea's innovative experience in infrastructure and urban development through KIND. This can be via technical as well as financial advisory assistance, to support infrastructure projects, as well as feasibility studies to bring infrastructure transactions to a bankable stage.

Infrastructure development is one of the key areas where the Bank deploys its development financing and pursues its vision to advance the economic development, integration and prosperity of its region. Among others, TDB has invested in ports, power generation plants, ICT infrastructure, heavy manufacturing, regional airlines, as well as agribusiness and tourism. The Bank has also arranged USD 4.2bn in sovereign loans which are being used to finance various infrastructure activities in the region.

KIND is a newly established organization by the Korean Government to proactively support global public-private partnerships and infrastructure and urban development for sustainable growth in emerging markets. ■

CAP SUR TUNIS

ACCORDING TO AN ERNST AND YOUNG 2018 SURVEY OF TUNISIAN ENTERPRISES, 27% OF TUNISIAN BUSINESSES are looking at Sub-Saharan Africa for future development in the short-term, and 18% say they are already present.

TDB is delighted with the excellent meetings held this past June in Tunis, Tunisia, and thankful for the warm welcome of its delegation led by TDB COO Dr. Frannie Léautier by: H.E. Zied Ladhari, Minister of Development, Investment and International Cooperation; H.E. Mohamed Ridha Chalghoum, Minister of Finance; H.E. Omar Behi, Minister of Trade; H.E. Samir Taieb, Minister of Agriculture, Hydraulic Resources and Fisheries; H.E. Sabri Bachtobji, Secretary of State for Foreign Affairs; Mr. Beligh Ben Soltane, Chairman of the Tunisia Investment Authority; and Youssef Ben Romdhane, General Director of Maritime Transport and Ports at the Ministry of Transport.

TDB is also delighted to have participated to the Tunisia Investment Forum 2019 and to have sponsored the Africa Blue Economy Forum.

Tunisia joined the Common Market for Eastern and Southern Africa (COMESA) in 2018 and offers to its private sector many opportunities for expansion in the region TDB serves, and likewise, opportunities to African companies in its territory. Key sectors of cooperation to keep an eye on include in financial services, agribusiness, pharmaceuticals/cosmetics, textile value chain, ICT, 3rd cycle education, health, and aviation/automotive (parts). ■

SYNDICATING SOVEREIGN LOANS: INNOVATIVE & SUSTAINABLE AVENUES TO FINANCE REGIONAL ECONOMIC DEVELOPMENT

EARLIER THIS YEAR, IN WHAT WAS THE BANK'S LARGEST-EVER TRANSACTION AS AN INITIAL MANDATED LEAD ARRANGER

(IMLA), TDB, successfully availed the Government of Kenya with a USD 1.25bn syndicated sovereign loan.

Meant to cover some maturing debt and infrastructure development expenditure, TDB, alongside the Standard Bank of South Africa (SBSA) as Senior Mandated Lead Arranger and Société Générale, NED Bank, ABSA, Citi Bank, SMBC and RMB also made history by providing Kenya with the first-ever USD 1bn plus commercial sovereign facility entirely arranged and underwritten by African financial institutions.

The funds will allow the East African nation to refocus some of its debt to rehabilitating roads and airports and give it wherewithal to diversify the currency of its external debt from a mostly U.S. dollar concentration to the Euro.

Typically, African countries – even those with macroeconomic fundamentals as favourable as Kenya's – have had to grapple with refinancing short-term commercial debt within short periods. Overall, TDB exceeded its Member Country's expectations by arranging a loan with a tenure of up to 10 years. Going forward, Kenya will have overall breathing room to refocus some of its budget to economic development and better mitigate against the inherent risk of shorter-term refinancing.

Continuing to serve a regional first point of call for large ticket deals, TDB has arranged over USD 4.2bn in sovereign loans in the region. As stipulated in its current Corporate Plan, TDB intends to serve as the ideal intermediary of both regional and global capital flowing into the region. Thus, a syndicated sovereign loan facility as transformative as the one to Kenya speaks to a bright future of innovative and more sustainable financing for regional economic development. ■

Tunisia. www.depositphotos.com

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THIS IS NO **LION**, NO **BEAR** AND NO **BULL**.

EACH YEAR, MILLIONS OF WILDEBEESTS NAVIGATE THE AFRICAN SAVANNAH - WEATHERING ELEMENTS & ENRICHING THE CIRCLE OF LIFE AS THEY GO FORTH.

LIKE THESE VIBRANT CREATURES, WE SYNERGIZE WITH OUR ECOSYSTEM, GROWING IN **LEAPS & BOUNDS**. WE INFUSE A WORLD-CLASS BLEND OF **FINANCING & SUSTAINABILITY** AS WE INTERMEDIATE REGIONAL AND GLOBAL CAPITAL INTO AFRICA. *



*TDB IS A SPECIALIZED INVESTMENT GRADE BANK
FINANCING TRADE & PROJECTS IN EASTERN AND SOUTHERN AFRICA

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