Early Warning System

MIGA-14662

Eastern and Southern African Trade and Development Bank - Non-Honoring of Financial Obligations - Regional Development Bank

Eastern and Southern African Trade and Development Bank - Non-Honoring of Financial Obligations - Regional Development Bank

Quick Facts

Countries	Burundi, Comoros, Congo, Democratic Republic of, Djibouti, Egypt, Eritrea, Eswastini, Ethiopia, Kenya, Madagascar, Malawi, Mauritania, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Tanzania, Uganda, Zambia, Zimbabwe
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	B
Voting Date	2020-06-18
Borrower	Standard Chartered Bank, Eastern and Southern African Trade and Development Bank
Sectors	Finance
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 422.60 million

Project Description

BURUNDI, COMOROS, DEMOCRATIC REPUBLIC OF CONGO, DJIBOUTI, EGYPT, ERITREA, ESWATINI, ETHIOPIA, KENYA, MADAGASCAR, MALAWI, MAURITIUS, MOZAMBIQUE, RWANDA, SEYCHELLES, SOMALIA, SOUTH SUDAN, SUDAN, TANZANIA, UGANDA, ZAMBIA, AND ZIMBABWE

According to bank provided information, this summary describes non-shareholder loan investments by a syndicate of commercial banks (including Standard Chartered Bank, as agent, on behalf of itself and other commercial banks to be identified, together the "Lenders") to the Eastern and Southern African Trade and Development Bank ("TDB"), formerly known as PTA Bank, with a principal office in Mauritius (dual-domiciled in Burundi, with the operational hub in Kenya). Standard Chartered Bank (as agent, on behalf of itself and the Lenders) has applied for a MIGA guarantee of up to EUR 377 million of principal plus interest and premium, for a period up to 10 years against the risk of non-honoring of financial obligations by a regional development bank ("NHFO-RDB").

TDB is a regional development bank operating in the Tripartite Free Trade Area ("TFTA") comprising the Common Market for Eastern and Southern Africa ("COMESA"), the East African Community ("EAC") and the Southern African Development Community ("SADC"),providing trade and project finance solutions to private and public borrowers. TDB aims to foster economic integration in the region through support of trade, infrastructure development, and private sector growth. TDB also supports national development agencies by co-financing their projects.

Under this proposed project, the Lenders will extend a loan facility denominated in Euros to TDB to support the growth and diversification of TDB's trade finance portfolio (the "Project"). The facility is expected to include EUR 50 million specifically earmarked for COVID-19 response.

Sovereign exposure is comprised of 3 products: FI line of credit (60%); commodity finance (37%); and asset financing and leasing (3%). Most sovereign exposure is through import LCs. Non-sovereign exposure is primarily FI line of credit (37%), export finance (29%) and structured trade and commodity financing (15%). Approximately 92% of non-sovereign exposure is import and export LCs, and the remaining 8% is working capital loans, guarantees and discounting and forfaiting. In terms of sector exposure, oil and gas comprises 50% (about 60% of sovereign exposure and 30% of non-sovereign), agricultural products (i.e. grain and wheat) and inputs (e.g. fertilizer) comprise 35% (about 40% of sovereign and 30% of non-sovereign) and banking and financial services comprises 10% (25% of non-sovereign exposure). All oil and gas exposures are LCs for import (bulk transportation) of petrochemical products.

TDB uses an Exclusion List that is consistent with MIGA’s, and therefore, does not have any exposure to MIGA Exclusion List sectors. TDB also does not have exposure to palm oil. There is one indirect exposure to coal of US$16 million. There are no upstream oil and gas exposures in the TF portfolio; however, there are a small number of upstream oil and gas exposures in the project and infrastructure finance portfolio.

Early Warning System Project Analysis

As stated by the MIGA, the Project is categorized as FI-2 according to MIGA's Policy on Environmental and Social Sustainability (2013) because the use of proceeds is targeted to trade finance ("TF") products, which are expected to have potentially limited adverse E&S risks and impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Eastern and Southern African Trade and Development Bank (TDB) (Financial Intermediary)

Private Actors Description

As stated by Bloomberg, Standard Chartered Bank operates as a bank. The Bank provides savings account, loans, mortgages, credit cards, insurance, and investment services. Standard Chartered serves customers worldwide.

As stated on the company's website, established in 1985, TDB is an investment-grade African regional development finance group, with the mandate to finance and foster trade, regional economic integration, and sustainable development, with an asset base of USD 10 billion.

Eastern and Southern African Trade and Development Bank - Non-Honoring of Financial Obligations - Regional Development Bank

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
Standard Chartered Bank	Investor	Finance	invests in	Eastern and Southern African Trade and Development Bank (TDB)	Client	Finance

Contact Information

Contact information not provided at the time of disclosure

ACCOUNTABILITY MECHANISM OF MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/