



**Financial Products
Offered by the
African Development Bank**

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Public Sector Sovereign Guaranteed Loans



1. A loan qualifies as a *Public Sector Sovereign Guaranteed Loan* if made to a Regional Member Country or if it is supported by the full faith and credit of the Member Country in whose territory the Borrower is domiciled or in the case of loans to multinational institutions, if it is guaranteed by a Member Country or by Member Countries in whose territory (ies) the Borrower shall execute the project.

Country Eligibility

2. Eligible countries for Public Sector Sovereign Guaranteed Loans are regional member countries (RMC) from the Bank's Category C and Category B or blend countries.

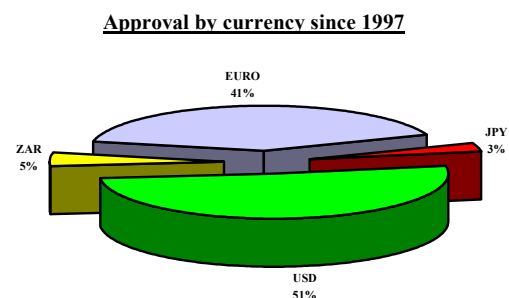
Currencies

3. The Bank may finance a project in one or several currencies approved as lending currencies, currently USD, Euro, JPY and ZAR.

4. In principle, the Bank can also consider lending in other currencies in which it can fund itself efficiently and for which there is sufficient demand.

5. Disbursements, principal repayments and all loan charges are denominated in the loan currency (ies) chosen by the Borrower.

6. **Currency substitution clause:** In the event of a disruption that constrains the Bank's access to a given loan currency, the Bank may replace the loan currency by a substitute currency until appropriate access is restored. The Borrower can accept the substitute currency, withdraw the disbursement request, prepay the loan without penalty or cancel the un-disbursed portion of the loan. A Borrower that accepts a substitute currency will be billed on a pro-rata basis in the original loan currency (ies) and the substitute currency. Interest on the substitute currency portion of the loan will accrue at the rate applicable in the substitute currency.



Loan disbursement

7. Loan disbursements, which will generally occur in several tranches over an agreed disbursement period, are contingent on the fulfillment of disbursement

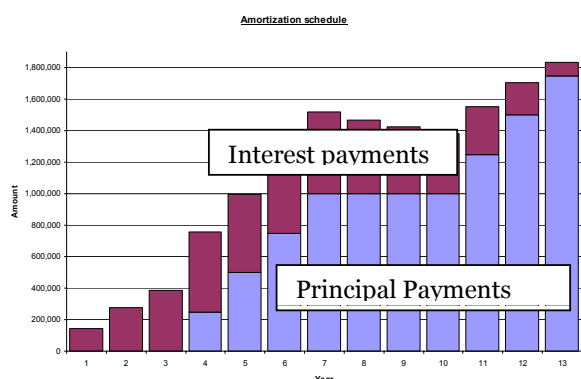
conditions specified in the loan agreement and in accordance with the “General Conditions Applicable to Loan and Guarantee Agreements”.

Loan duration

8. The Bank provides long-term financing to suit the needs of its Borrowers. Loans may have a maximum maturity of up to twenty (20) years, inclusive of the grace period. Maturity restrictions may apply to certain currencies and product types depending on market conditions.

Grace period

9. Grace periods are dependent on the specific characteristics of the project and the time required for its implementation but should generally not exceed 5 years. In exceptional cases, grace periods longer than 5 years may be considered subject to satisfactory justification of project requirements by the Borrower. The grace period starts from the date of signature of the loan agreement.



Principal repayment terms

10. The Bank’s principal repayment terms provide for the payment of equal installments of principal, after the expiration of the grace period. Other principal repayment terms, notably, annuities, bullet repayment and step-up or step-down amortization of principal may be considered subject to satisfactory justification of project requirements by the Borrower.

Payment frequency

11. Interest and any other charges on the Bank’s loans are payable semi-annually on any of the payment dates. The Bank has the following payment dates:

a. For floating and fixed rate loans February 1 and August 1 are the standard repayment dates; in addition any combination of the 1st and 15th of any month (excluding 1st January) in accordance with the payment frequency selected by the Borrower is acceptable.

b. For variable rate loan: February 1 and August 1, March 1 and September 1, April 1 and October 1, May 1 and November 1, and June 1 and December 1 are the standard repayment dates.



12. Monthly, quarterly, and annual payment frequencies are allowable (except for variable rate loans) subject to suitable justification by the Borrower, according to payment dates.

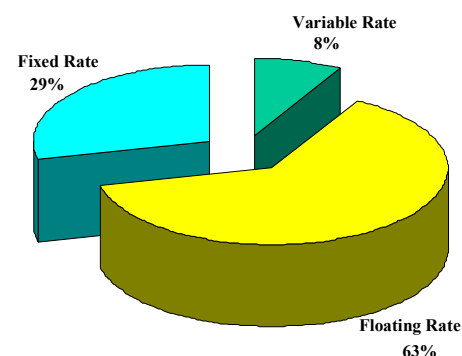
Loan status

13. In most cases, the Bank makes its loans on a “senior” basis. Unless the Bank specifically agrees to other arrangements, its loan must rank on a par, regarding debt service and security, with other senior loans of the Borrower.

Interest rate terms

14. The Bank provides several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely; the chosen **base rate** (incorporating the funding margin) plus a **lending margin** (or spread). These two components are described below. Interest rates on Bank loans are expressed as nominal rates. Interest and any other charges are computed on the basis of the actual number of days elapsed and a 365-day year.

Approval by loan type since 1997



Base Rates.

15. To provide its Borrowers with the flexibility to match the interest rate structure of their loans with their individual financial needs, the Bank offers three principal structures for the base lending rate, namely; **floating base rate, fixed base rate, and variable base rate.**

Fixed Base Rate

Fixed interest lending rate calculation table (in %)	
Public Sector Sovereign Guaranteed Loan	
Base rate	Rate of the swap corresponding to the amortisation structure of the principal
+ Lending spread	0.50%
	Funding spread + Risk premium
	Fixed interest rate
The lending rate can be fixed (1) at each disbursement, (2) on corresponding floating rate reset dates, and (3) when all disbursements are completed.	

16. The principal feature of the fixed rate is that it remains fixed for the life of the loan. However, because loans are generally disbursed in several tranches and the rate applicable to each loan tranche is fixed independently, a single fixed rate loan is usually initially composed of several tranches each with a different interest rate. The fixed rate for each loan tranche is computed by the Bank as the inter-bank swap

market rate corresponding to the principal amortization schedule of that tranche plus the funding margin applicable at the time if the fixing plus the risk premium¹ that reflects the Bank's funding risk. When the disbursement of a loan is complete, the Bank gives its Borrowers the option to consolidate multiple loan tranches into a single equivalent structure to simplify the future administration of the loan.

	---JPY---		-----USD-----				---CAD---	
	ACT365/ACT360		ACT360/ACT360		ACT365/ACT360		ACT365/ACT365	
1 Yr	0.12-0.09	-001-0	3.69-3.66				4.11-4.88	
2 Yrs	0.16 0.13	055 052	4.25 4.22	15 13			4.57 4.54	
3 Yrs	0.24 0.21	077 074	4.72 4.69	30 28			4.95 4.91	
4 Yrs	0.36-0.33	083-080	5.04-5.01	32-30			5.18-5.15	
5 Yrs	0.51-0.48	081-078	5.27-5.24	28-26			5.36-5.33	
6 Yrs	0.68-0.65	088-085	5.44-5.41	32-30			5.48-5.45	
7 Yrs	0.87 0.84	091 088	5.57 5.54	34 32			5.59 5.56	
8 Yrs	1.06 1.02	091 088	5.66 5.63	35 33			5.68 5.65	
9 Yrs	1.23-1.20	089-086	5.73-5.70	35-33			5.76-5.73	
10 Yrs	1.39-1.36	087-084	5.80-5.77	36-34			5.85-5.82	
12 Yrs	1.64-1.61	099-096	5.91-5.88	-			0.00-0.00	
15 Yrs	1.89-1.86	110-107	6.04-6.01	51-49			6.08-6.05	
20 Yrs	2.15 2.13	122 119	6.14 6.11	52 50			6.16 6.13	
25 Yrs	2.32-2.29	124-121	6.16-6.13	45-42			6.15-6.11	
30 Yrs	2.42-2.39	071-068	6.18-6.15	37-34			6.14-6.10	

17. The rate will be fixed by the Bank either at: (i) the time of each disbursement; (ii) the rate reset/fixing dates corresponding to the selected rate reset frequency; or (iii) after all disbursements have been completed at a date to be selected by the borrower. For Borrowers who choose to delay rate fixing until either the rate fixing dates or until the completion of loan disbursement, interest will accrue from the date of disbursement until rate-fixing at the rate applicable to floating rate loans

in the applicable loan currency(ies). For Borrowers who choose to fix the rate at disbursement, the Bank reserves the right to delay fixing if the size of the disbursement is not large enough to allow for a cost-effective fixing transaction. In such cases fixing would occur as soon as an adequate disbursed amount, as determined by the Bank, has been accumulated to warrant the transaction and such amount should be set out in the loan agreement.

Lending Margins

18. The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin is determined by the Bank and is independent of the base rate chosen, and it remains unchanged throughout the life of the loan.



Loan fees

Commitment Fees

19. The Bank charges a commitment fee (currently 75 basis points) to all Borrowers. The commitment fee is calculated on un-disbursed loan balances. Borrowers may be eligible for a partial waiver of the commitment fee. The commitment fee starts accruing 60 days after loan signature and is payable each payment date.

¹ The risk premiums in paragraph 18 and 19 are identical

Prepayment Premium

20. Subject to having paid all interests, commitment fees and any other charges, and upon giving the Bank 45 calendar days notice, loans can be pre-paid in whole or in part. In the event of early repayment, the Bank may charge a prepayment premium that reflects the Bank's cost of re-deploying the pre-paid funds. The premium is based on current market interest rates, loan interest rate and repayment structure of the remaining term of the loan.

Loan Cancellation

21. Loan cancellation will be in accordance with appropriate Bank financial policies and guidelines and/or provisions of the loan agreement.



Public Sector Sovereign Guaranteed Loan Terms

Borrowers	All ADB borrowers
Currencies	Any currency(ies) from USD, EURO, JPY, ZAR and any other currencies if there is sufficient demand.* (* Currency substitution clause is in effect)
Disbursement	Disbursements are denominated in the selected currency(ies) and are contingent on the fulfillment of disbursement conditions specified in the loan agreement.
Maturity & Grace Period	Loan may have a maximum maturity of up to twenty (20) years, inclusive of the grace period of up to five (5) years. The duration of the loan and the grace period will depend on the specific characteristics of the projects and Bank's borrowing market conditions. Grace period longer than five (5) years may be considered subject to satisfactory justification by the borrower.
Repayment terms (Repayments are in currency(ies) disbursed)	Principal: Equal installments of principal. Other principal repayment terms such as annuities, bullet repayment and step-up or step-down amortization of the principal may be considered subject to satisfactory justification of project requirements. Frequency: Interest and any other charges on Bank's loans are payable semi-annually on Bank's standard payment dates. Monthly, quarterly and annual payment frequencies are allowable subject to suitable justification by the borrower.
Interest rate terms = Base rate + Funding margin (Applicable to the floating and fixed rate) + Lending margin	Floating base rate: it is determined for each loan currency and reset with the same frequency as the repayments, based on the Bank's selected reference interest rate in each market plus a market risk premium if the borrower selects to have a fixed funding margin. The Bank's standard floating base rate is the six (6) month reference rate that resets on 1 February and 1 August. Variable base rate: it is determined for each loan currency using the Bank's average cost of funding of a designated pool of borrowings as the reference rate. It is adjusted twice a year on 1 January and 1 July. Fixed base rate: It is calculated as the swap market rate corresponding to the principal amortization schedule of a particular tranche of a loan plus a premium to reflect the Bank's refinancing risk. Funding margin: It is the semester weighted average of the currency-specific cost spread relative to the 6-month LIBOR of Bank debt allocated to fund all single currency floating rate loans in the loan currency. It is computed twice a year, for value 1 January and 1 July, based on allocated borrowings in the semester ending 31 December and 30 June. Lending margin: Currently 50 basis points
Commitment fee	The commitment fee is calculated on undisbursed loan balances and is determined by the Board. Currently 75 basis points (0.75%). It starts accruing 60 days after loan signature and is payable each payment date. Borrowers may be eligible for a partial waiver of the commitment fee as determined by the Board.
Prepayment premium	In the event of early repayment, the Bank may charge a prepayment penalty that reflects the Bank's cost of re-deploying the pre-paid funds.
Cancellation	Unused portion of loans can be cancelled according to The Guidelines on Cancellation of ADB loans and ADF loans and grants dated March 1994.

Non-sovereign Guaranteed Loans

Public sector enterprises



22. Non-Sovereign Guaranteed Loans to Public-Sector Enterprises (Public-Sector NSGLs) are made to public enterprises that meet specific eligibility criteria, without the requirement of a sovereign guarantee by the host government.

Eligible Countries

23. Eligible countries for Public-Sector NSGLs are regional member countries (RMC) from the Bank's Category C and Category B or blend countries.

Eligible Sectors

24. Under NSGLs operations, the Bank may provide assistance to a public sector enterprise engaged in activities in any sector, including, but not limited to, manufacturing, infrastructure, extractive industries, energy, and other productive activities, provided that the enterprise meet the eligibility criteria.

Eligible Enterprises

25. Public enterprises to be considered for NSGLs would reside principally in the public sector and presenting the following characteristics:

- a. Share capital is majority (i.e., over 50%) owned by the Government or by corporations the capital of which is majority owned by the Government of an eligible country, including cases of full (or 100%) ownership.
- b. Managed autonomously from the host government and financially sustainable.
- c. Duly established, validly existing and operating under the applicable laws of the country in which they are organized.
- d. As a general rule, must have a distinct legal personality and capacity to sue and be sued, as well as incur debts on their own account.
- e. Those not protected by immunities, for example, from legal process, seizure, attachment or execution of judgment. Where such immunities are enjoyed by an eligible public enterprise, the waiver of such immunity for the purpose of the NSGL will be required.
- f. Incorporated in a middle-income regional member country or countries.
- g. Financially and commercially viable, with full control over funding, budgeting, investment, and pricing policies.
- h. Track record of good operational and financial performance.
- i. Adequate accounting and cost control arrangements and management information systems, and must be subjected to annual audits by independent auditors acceptable to the Bank.
- j. Sound management and corporate governance systems.

- k. Demonstrable developmental impact through their activities, and demonstrable contribution towards poverty reduction in the RMC.

26. In the case of special purpose vehicles (SPVs) (i.e., corporate entities established for the specific purpose of operationalizing special capital projects), due diligence process will involve gathering relevant information on the entities sponsoring the SPVs, assessing their financial perspective and operational track record, evaluating the reliability of their guarantees for the SPV, and ascertaining the level of their control and involvement in the decision-making processes of the SPV. In addition, the SPV should have good prospects for meeting all its financial obligations and generate adequate surpluses to sustain its long-term viability. Public enterprises wishing to apply for NSGLs will be encouraged to seek a credit rating from one of the major international credit rating agencies, or a reputable local rating agency.

Private sector enterprises

Eligible enterprises

27. To be eligible for financing, an enterprise should be privately owned and managed, meaning that **more than 50%** of its voting shares must be in private hands.

Currencies

28. The Bank may finance a project in one or several currencies approved as lending currencies, currently USD, Euro, JPY and ZAR.

29. In principle, the Bank can also consider lending in other currencies in which it can fund itself efficiently and for which there is sufficient demand.

30. Disbursements, principal repayments and all loan charges are denominated in the loan currency (ies) chosen by the Borrower.



31. **Currency substitution clause:** In the event of a disruption that constrains the Bank's access to a given loan currency, the Bank may replace the loan currency by a substitute currency until appropriate access is restored. The Borrower can accept the substitute currency, withdraw the disbursement request, prepay the loan without penalty or cancel the un-disbursed portion of the loan. A Borrower that accepts a substitute currency will be billed on a pro-rata basis in the original loan currency (ies) and the substitute currency. Interest on the substitute currency portion of the loan will accrue at the rate applicable in the substitute currency.

Loan documentation

32. In addition to a loan agreement, and depending on the project, non-sovereign guaranteed loans may also typically have security documentation, such as: (i) project funds agreement, which provides that the project sponsors have an obligation to contribute any shortfall in financing for a project; (ii) guarantee of sponsors; (iii) escrow account that will have on deposit a certain amount of project revenues which could be used for debt service repayment; and (iv) security sharing agreement with other senior lenders. This list is not exhaustive and additional agreements may be required depending on the project.

Loan disbursement

33. Loan disbursements, which will generally occur in several tranches over an agreed disbursement period, are contingent on the fulfillment of disbursement conditions specified in the loan agreement and in accordance with the “General Conditions Applicable to Loan and Guarantee Agreements”.

Loan duration

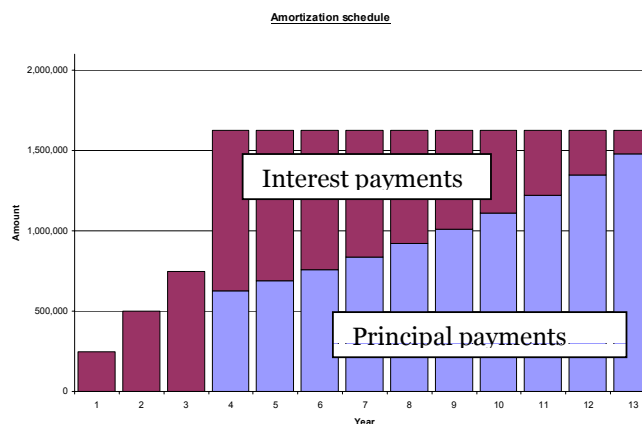
34. The Bank provides financing to suit the needs of its Borrowers. Loans may have a maximum duration of up to fifteen (15) years, inclusive of the grace period. In exceptional cases, longer duration loans may be considered on a case-by-case basis. Duration restrictions may apply to certain currencies and product types depending on market conditions.

Grace period

35. Grace periods are dependent on the specific characteristics of the project and the time required for its implementation but should generally not exceed 5 years. In exceptional cases, grace periods longer than 5 years may be considered subject to satisfactory justification of project requirements by the Borrower. The grace period starts from the date of signature of the loan agreement or at a date agreed amongst co-financiers in co-financed projects.

Principal repayment terms

36. The Bank’s principal repayment terms provide for the payment of equal installments of principal, after the expiration of the grace period, if any. Other principal repayment terms, notably, annuities, bullet repayment and step-up or step-down amortization of principal may be considered subject to satisfactory justification of project requirements by the Borrower.



Payment frequency

37. Interest and any other charges on the Bank's loans are payable semi-annually on any of the payment dates. The Bank has the following payment dates:



a. For floating and fixed rate loans February 1 and August 1 are the standard repayment dates; in addition any combination of the 1st and 15th of any month (excluding 1st January) in accordance with the payment frequency selected by the Borrower is acceptable.

b. For variable Rate Loan: February 1 and August 1, March 1 and September 1, April 1 and October 1, May 1 and November 1, and June 1 and December 1 are the standard repayment dates.

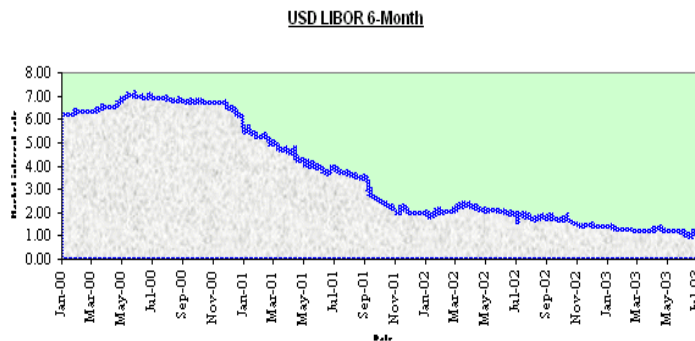
38. Monthly, quarterly, and annual payment frequencies are allowable (except for variable rate loans) subject to suitable justification by the Borrower, according to payment dates.

Loan status

39. In most cases, the Bank makes its loans on a "senior" basis. Unless the Bank specifically agrees to other arrangements, its loan must rank at par, regarding debt service and security, with other senior loans of the Borrower. The Bank may make subordinated loans to enterprises meeting its investment criteria.

Interest rate terms

40. The Bank provides several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely; the chosen **base rate** plus a **lending margin** (or spread). These two components are described below. Interest rates on Bank loans are expressed as nominal rates. Interest and any other charges are computed on the basis of the actual number of days elapsed and a 365-day year.



Base Rates.

41. To provide its Borrowers with the flexibility to match the interest rate structure of their loans with their individual financial needs, the Bank offers three principal structures for the base lending rate, namely; **floating base rate, fixed base rate, and variable base rate.**

Fixed Base Rate

Fixed interest lending rate calculation table (in %)	
Non Sovereign Guaranteed Loan	
Base rate	Rate of the swap corresponding to the amortisation structure of the principal
+ Lending spread	Project specific risk spread
Fixed interest rate	
The lending rate can be fixed (1) at each disbursement, (2) on corresponding floating rate reset dates, and (3) when all disbursements are completed.	

42. The principal feature of the fixed rate is that it remains fixed for the life of the loan. However, because loans are generally disbursed in several tranches and the rate applicable to each loan tranche is fixed independently, a single fixed rate loan is usually initially composed of several tranches each with a different interest rate. The fixed rate for each loan tranche is computed by the Bank as the inter-bank swap market rate corresponding to the principal amortization schedule of that tranche plus a premium to reflect the Bank's funding risk. When the disbursement of a loan is complete, the Bank gives its Borrowers the option to consolidate multiple loan tranches into a single equivalent structure to simplify the future administration of the loan.

43. The rate will be fixed by the Bank either at: (i) the time of each disbursement; (ii) the rate reset/fixing dates corresponding to the selected rate reset frequency; (iii) at loan commitment, i.e. at loan signature (only permitted for loans of a maximum amount equivalent to USD 5 million and where full disbursement will occur within one year from the date of signature); or (iv) after all disbursements have been completed. For Borrowers who choose to delay rate fixing until either the rate fixing dates or until the completion of loan disbursement, interest will accrue from the date of disbursement until rate-fixing at the rate applicable to floating rate loans in the applicable loan currency(ies). For Borrowers who choose to fix the rate at disbursement, the Bank reserves the right to delay fixing if the size of the disbursement is not large enough to allow for a cost-effective fixing transaction. In such cases fixing would occur as soon as an adequate disbursed amount, as determined by the Bank, has been accumulated to warrant the transaction and such amount should be set out in the loan agreement.

44. At the time of rate fixing, the Bank computes the fixed swap rate that transforms its floating rate funding into the exact structure of the Borrower's loan, including grace period and principal amortization, at current market rates.

Lending Margins.

45. The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin(s) are determined by the Bank and are independent of the base rate chosen. The lending margin(s) are set at the time of loan approval based on the Bank's assessment of the risks inherent in each project.

Loan fees

Commitment Fees.

46. The commitment fee is 1 % per annum and is calculated on undisbursed loan balances. The commitment fee starts to accrue at latest 60 days after loan signature. The commitment fee is payable each payment date.



Front-end fee.

47. The front-end fee is designed to partially compensate the Bank for the costs associated with processing a loan request and preparation of the documentation for loan approval. It is only charged on an approved project. It is not reimbursed if the project is subsequently canceled. The front-end fee is 1 % of the loan amount. The fee is payable before or at loan signature, however when market and/or conditions warrant, the front-end fee may be paid up to thirty (30) days after loan signature or as agreed among co-financiers in co-financed projects.



Appraisal fee.

48. In cases where project appraisal contains a large advisory component such as external legal counsel and/or due diligence, the Bank may charge an appraisal fee. The fee is set in order to partially or fully recoup the Bank's costs during appraisal and is payable even in cases where the project is, for whatever reason, not approved. The appraisal fee is payable no later than the date of first disbursement, or as agreed among co-financiers in co-financed projects.

Late payment fee.

49. To cover the financial cost of delayed interest, principal or any other amounts due under the loan, the Bank charges a late payment fee and breakage costs, if any, as incurred by the Bank. The late payment fee will be at least 2 % per annum above the interest rate on the loan and will be calculated on the amount overdue.

Prepayment Premium.

50. Subject to having paid all interest, commitment fees and any other charges, and upon giving the Bank forty-five (45) calendar days notice, loans can be pre-paid in whole or in part. Notice shall begin to run as from the date of its receipt by the Bank. In the event of early repayment, the Bank may charge a prepayment premium that reflects the Bank's cost of re-deploying the pre-paid funds. The premium is based on current market interest rates, loan interest rate and repayment structure of the remaining term of the loan.

Other fees and penalties.

51. The Bank may charge other fees and/or penalties on a case-by-case basis.

Loan Cancellation

52. Loan cancellation will be in accordance with appropriate Bank financial policies and guidelines and/or provisions of the loan agreement.

Loan Security



53. The Bank will require borrowers requesting NSGLs to provide it with suitable security – including but not limited to mortgages, fixed and/or floating charges over the assets of the borrower, as well as pledges. In cases where there are other co-financiers of the project, the Bank shall require that its own security is of a rank *pari passu* with that of the other co-financiers.

54. In addition, the Bank may require adequate guarantee to cover its loan exposure, including commercial bank guarantees and/or guarantees issued by other corporate entities acceptable to the Bank. The Bank may accept a central bank guarantee if offered by the NSGL client, provided it is determined that such a guarantee is, firstly, legally callable, and, secondly, does not constitute a sovereign guarantee. As other alternative forms of security, in particular cases, the Bank may request the establishment of (i) foreign or domestic escrow accounts that will have on deposit a certain amount of project revenues, which could be used for debt service repayment, (ii) support agreements under which third parties would undertake to cure defaults of the borrower to the Bank and or



(iii) any other mechanisms that the Bank, in consultation with the borrower, deems necessary and appropriate under specific project circumstances. Guarantees, escrow and support arrangements may cover a specified period (e.g. project construction) or the entire duration of the Bank's loan.

Government support

Privileges, Exemptions and Immunities

55. Government's role is a critical factor in the financing of public-sector projects. The Bank will bear the commercial risk; but it may require that the host Government provide general comfort commitment as evidence of its recognition of the potential benefits of the project, to protect the Bank against government decisions and actions that may adversely affect the sustainability and success of the project, and also reassure co-lenders and even the project sponsors.

56. To facilitate its non-sovereign guaranteed public-sector lending operations, the Bank will seek prior confirmation concerning the privileges, exemptions and immunities of the Bank, including exemption from taxes, unrestricted repatriation of loan principal repayments, interest and any other income from sale proceeds of Bank's investment or security held in the country as well as any other privileges and immunities accorded to the Bank under the Bank Agreement.



57. The Bank will not undertake Public-Sector NSGL operations in a category C or B country if that country has not signed a *Letter of Assurances* confirming the privileges, exemptions and immunities of the Bank in respect of such operations.

58. Before approving a NSGL operation, the Bank will formally notify the government so as to provide an opportunity for the government to provide its non-objection to the proposed Bank intervention, in accordance with the provisions of Article 17(1) (b) of the “**Agreement Establishing the African Development Bank**”.

Other Forms of Support

59. In addition to the letter of non-objection, the host Government of a Public-Sector NSGL operation may be required to give further undertakings and assurances by way of letters of assurances or letters of comforts, including commitments to undertake specific macro-economic and/or sectoral reforms or institutional changes deemed essential for project success and sustainability of the project. The undertakings and assurances would be tailored to protect the Bank from non-commercial risks, such as regulatory risks, currency transfer risks, moratorium, nationalizations or other forms of taking.

60. In addition, a Public-Sector NSGL agreement will outline the rights, privileges and obligations of the Bank as a preferred creditor, in the event of a firm decision to restructure or privatize the public sector enterprise beneficiary of an outstanding Bank non-sovereign guaranteed loan.

Countries Under Sanctions

61. The accrual of arrears on any NSGL operation will not translate into the application of Bank sanctions provisions on the country as a sovereign borrower, as the government will not be directly responsible for the default on loans extended by the Bank under the Public-Sector NSGL facility. However, where a Government fails to meet or honour its obligations in connection with an undertaking given with respect to a non-sovereign guaranteed public-sector lending operation, such a failure, if not cured, may result in the country being placed under sanctions pursuant to Article 44 of the Agreement Establishing the African Development Bank.



Non Sovereign Guaranteed Loan (NSGL) Terms	
Borrowers	Public sector NSG borrowers and private sector borrowers
Currencies	Any currency(ies) from USD, EURO, JPY, ZAR and any other currencies if there is sufficient demand.* (*) Currency substitution clause is in effect
Disbursement	Disbursements are denominated in the selected currency(ies) and are contingent on the fulfillment of disbursement conditions specified in the loan agreement.
Maturity & Grace Period	Loan may have a maximum maturity of up to fifteen (15) years, inclusive of the grace period of up to five (5) years. The duration of the loan and the grace period will depend on the specific characteristics of the projects and Bank's borrowing market conditions. Final maturity longer than fifteen (15) years and grace period longer than five (5) years may be considered subject to satisfactory justification by the borrower.
Repayment terms (Repayments are in currency(ies) disbursed)	Principal: Equal installments of principal. Other principal repayment terms such as annuities, bullet repayment and step-up or step-down amortization of the principal may be considered subject to satisfactory justification of project requirements.
	Frequency: Interest and any other charges on Bank's loans are payable semi-annually on Bank's standard payment dates. Monthly, quarterly and annual payment frequencies are allowable subject to suitable justification by the borrower.
Interest rate terms = Base rate + Lending margin	Floating base rate: it is determined for each loan currency and reset with the same frequency as the repayments, based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6) month reference rate that resets on 1 February and 1 August.
	Variable base rate: it is determined for each loan currency using the Bank's average cost of funding of a designated pool of borrowings as the reference rate. It is adjusted twice a year on 1 January and 1 July.
	Fixed base rate: It is calculated as the swap market rate corresponding to the principal amortization schedule of a particular tranche of a loan plus a premium to reflect the Bank's refinancing risk.
	Lending margin: Project specific risk-based margin
Fees	Commitment fee: 1% of the undisbursed loan balances. It starts accruing 60 days after loan signature and is payable each payment date. Front-end fee: 1% of the loan amount. Payable before or at loan signature. Appraisal fee: The Bank may charge an appraisal fee on a case-by-case basis.
Prepayment premium	In the event of early repayment, the Bank may charge a prepayment penalty that reflects the Bank's cost of re-deploying the pre-paid funds.
Late payment penalty	In case of late payment, the Bank will charge a penalty of two percent (2%) in addition to the applicable interest rate on the late payment.
Cancellation	Unused portion of loans can be cancelled according to The Guidelines on Cancellation of ADB loans and ADF loans and grants dated March 1994.