

THE AFRICAN DEVELOPMENT BANK GROUP'S COVID-19 RAPID RESPONSE FACILITY FOR REGIONAL MEMBER COUNTRIES

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The COVID-19 Response Facility

On 21 April 2020, the African Development Bank Group (AfDB) announced the establishment of a Covid 19 Rapid Response Facility (CRF) to lessen the severe economic and social impact of the COVID-19 pandemic on its Regional Member Countries (RMC) including the private sector.

The CRF consists of up to UA¹ 7.4 billion (USD 10 billion) of resources drawn from the African Development Bank and African Development Fund. This includes UA 4.1 billion for sovereign operations in AfDB countries, UA 2.3 billion for sovereign and regional operations under the African Development Fund², and UA 1 billion for non-sovereign operations in AfDB countries.

The AfDB has said that in recognition of the urgency, CRF operations will be subject to streamlined appraisal reports and fast-track approval.



¹ UA is the official currency for the AfDB projects

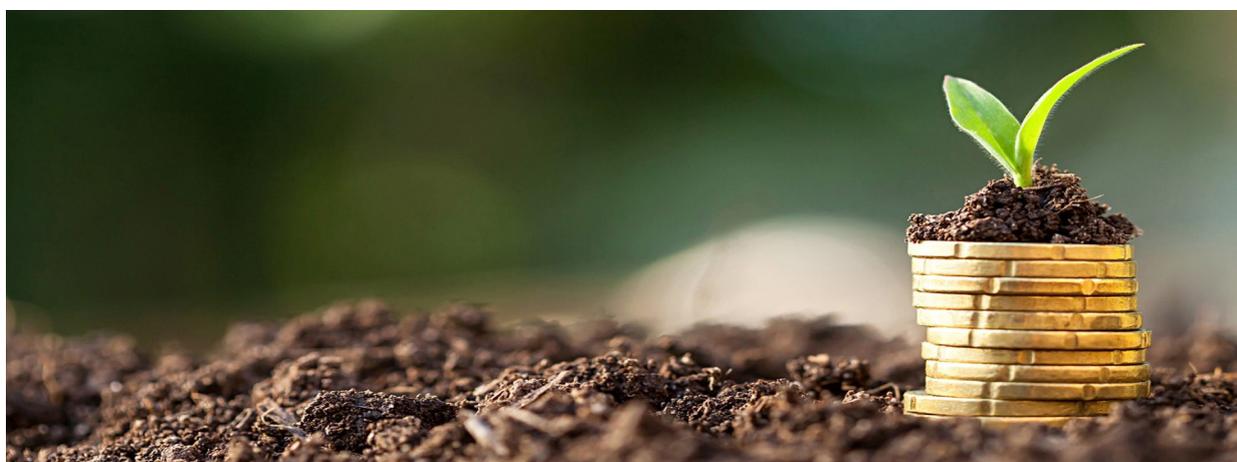
² The Bank's concessional fund for poverty reduction and economic and social development in the least developed African countries

Criteria for Accessing the Facility

The CRF caters for both the AfDB's public sector and private sector clients. For proper and efficient allocation of the CRF to be achieved, a distinction was made between sovereign and non-sovereign operations.

Sovereign Operations

For sovereign operations, the bulk of the CRF will be used as Crisis Response Budget Support (CRBS) to aid the RMCs in cushioning the devastating effect of the pandemic. The CRBS will be deployed for ongoing services such as income supplements, pension payments, and other payments on which ordinary households depend; protection to the most vulnerable; funds to sustain critical infrastructure; support for critical needs for normal commerce in areas that may have suffered interruptions in supplies or sales as a result of the virus; and injection of liquidity to support the financial system.



In prioritising the requests by RMCs for budget support, the Management of the AfDB considers the following:

- (a). The severity of the impact on the economy and fiscal stress;
- (b). Severity of the impact of COVID-19 on government capacity to provide needed services and maintain infrastructure;
- (c). Degree to which denying assistance would threaten to reverse gains and undermine degree of resilience achieved in recent years; and
- (d). Threat of a sovereign ratings downgrade.

RMCs applying for CRF budget support must:

- (a). demonstrate the projected fiscal impact of COVID-19 crisis; and
- (b). explain how the resources will be used to improve the country's resiliency and ability to address the challenges of the COVID-19 crisis.

Non-Sovereign Operations

The CRF caters for non-sovereign operations by way of (a) deferral of debt service payment; and (b) liquidity support. The eligible beneficiaries of the CRF under the non-sovereign operations are the private sectors of the RMC who are existing clients of the Bank.

Deferral of debt service payment

For the deferral of debt service payment, the loans must have been signed and disbursed with the clients currently having debt service obligations. In cases where there are multiple lenders, such as project finance operations, the AfDB will only offer debt deferrals or new financing as part of an agreed lenders plan. Eligible beneficiaries under the deferral of debt service payment are required to provide the following:

- (a). Financial cash flow projections showing the need for deferral due to the crisis;
- (b). The 2019 financial performance which should be satisfactory as determined by the Risk department;
- (c). A business plan, outlining contingency plans and liquidity management strategies that support the financial model / cash flow and demonstrates future ability to pay; and
- (d). Information concerning relief received from other creditors (which can include trade creditors and other lenders and related party loans).

Liquidity support facility

The liquidity support facility prioritises financial intermediaries by supporting loan restructuring and provision of working capital to their clients, including Small and Medium Enterprises (SME) affected by the crisis or critical to the response (e.g. medical value chains, manufacturing, etc.). Eligible beneficiaries under the liquidity support facility are required to provide the following:



- (a). Financial cash flow projections showing an expected shortfall in liquidity due to the crisis;
- (b). A business plan demonstrating increased short-term funding requirements due to the crisis (e.g. for those critical to the response (e.g. medical value chains, manufacturing, etc.); and
- (c). A forecast / ability to refinance (in case of Financial Institutions) that demonstrates the repayment over the envisaged time period.

Implementation of the Facility

The implementation of the CRF is guided by three principles which are:

- (a). Flexibility;
- (b). Speed; and
- (c). Responsiveness.

In pursuing the above principles, the Management of the AfDB is required to provide its Board of Directors a 100% percent transparency on the activities funded under the CRF. Additionally, Management will provide the Board of Directors with a monthly update on the CRF lending program and an update on its prudential financial ratios through the quarterly financial statements of the Bank.

Timeframe

In pursuing the above principles, the Management of the AfDB is required to provide its Board of Directors a 100% percent transparency on the activities funded under the CRF. Additionally, Management will provide the Board of Directors with a monthly update on the CRF lending program and an update on its prudential financial ratios through the quarterly financial statements of the Bank.

Conclusion

It is very likely that the pandemic has a severe impact on the economy of African countries. The AfDB, its shareholders and development partners in recognition of this has acted swiftly to establish exceptional measures to cushion the effect on the economy of countries and survival of businesses especially financial intermediaries who provide support for MSMEs.

[Click here for more legal resources on how COVID-19 affects you.](#)

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