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INTRODUCTION

The PTA Bank provides project finance and trade finance as its core products and services. This brochure summarises these products and services and also outlines their terms and conditions and the methods of assessing the facilities. These facilities are available to businesses and enterprises incorporated and doing business in the PTA Bank member states. Currently the member states are Burundi, China, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

PART A: PROJECT FINANCE

1. OBJECTIVES

The objectives of the Project Finance window are the provision of finance and technical assistance to projects that promote the economic integration of the countries of COMESA. Additionally Project Finance targets those projects that help in the mobilization of financial and technical resources from the financial markets in support of specific projects and programmes in Member States.

2. ELIGIBLE TRANSACTIONS / SECTORS:

- a The PTA Bank provides project finance to public and private sector projects in most sectors of the economies including the following:
 - i. Manufacturing: Basic metal engineering, textiles and fabrics, rubber and plastics, chemical and pharmaceuticals, leather and leather goods, pulp and paper products, clay and glass products, non-metal minerals and other related sub-sectors.
 - ii. Agro-Industry: Food and beverages, horticultural, floriculture, sugar, confectionery, and animal husbandry.
 - iii. Mining: Mineral extraction and processing.
 - iv. Infrastructure: Marine engineering, marine transport, electronic communication, power and hydroelectric facilities, long haulage transport, air transport, railway transport and other transport and communications.
 - v. Tourism: Game lodges and hotels, marine tourism and other related facilities.
- b The PTA Bank assigns high priority to those projects and programmes which:
 - i. Have high potential for positive regional economic impact by benefiting more than one country and making the economies of the Member States increasingly complementary to one another.
 - ii. Source and utilize raw materials, equipment and other productive inputs within the COMESA PTA sub-region.

- iii. Create and promote intra-COMESA and extra-COMESA trade.
- iv. Promote backward, forward and spatial linkages in economies of COMESA Member States.
- v. Develop and promote indigenous and appropriate technologies and skills.
- vi. Promote majority ownership and management by COMESA nationals.
- vii. Promote the role of women in trade and overall development.
- viii. Comply with international acceptable environmental protection standards.
- ix. Create and expand employment opportunities and other social benefits.
- x. Are export-oriented, local resources based and regional in nature.

3. MODE OF FINANCING PROJECTS

In its intervention, the PTA Bank employs either one or a combination of the following modes of financing:

- a Direct loans to specific projects.
- b Co-financing with local or foreign lending agencies;
- c Indirect loans (Lines of Credit) to national development agencies for on-lending to sub-loans / sub-projects;
- d Equity participation in certain enterprises to catalyze the projects provided the PTA Bank does not assume a controlling interest; or
- e Loan guarantees.

4. LOAN AMOUNTS AND TENORS

Loan amounts may vary depending on the needs of the particular project. Loans will normally be not less than \$ 500,000 and not more than \$ 20,000,000. Smaller amounts are considered only under very exceptional circumstances. In any case loans shall not exceed 50% of the total project cost for startups and 60% for expansion projects (including existing assets of the company).

Loans will typically have tenors dictated by the project's ability to repay and cash flows and will not exceed 10 years inclusive of a grace period not exceeding 3 years.

5. SECURITY

Loans can be secured in a variety of ways the most common of which are first charges on fixed assets, fixed and floating charges created by debentures, guarantees by banks, financial institutions and project sponsors or shareholders.

6. PROCESSING OF APPLICATIONS

- a Application for facilities must be submitted with a comprehensive feasibility study or business plan. Upon receipt of the application the Bank prepares a brief on the project highlighting the strengths and weaknesses of the proposal in reference to the concept, commercial, economic viability and technical feasibility. If it is concluded that the strengths are more than the weaknesses, the project is recommended for appraisal, with additional information being sought to fill any gaps as appropriate.
- b Contingent upon the findings of the appraisal, a report is submitted to either the Credits Committee (CC) or the Board of Directors of the Bank for the final approval, depending on the amount of the loan applied for.
- c It is only after approval by the CC or Board, that documentation and implementation / disbursement is done.

7. THE PRINCIPAL TERMS AND CONDITIONS FOR PROJECT LOANS:

The principal terms and conditions applicable to the PTA Bank's project finance loans are as follows:

- a **Interest Rate:** The interest rates for direct financing and Lines of Credit will be determined by the PTA Bank reflecting the cost of funds, risk exposure and margin. Rates can be fixed or floating depending on nature and source of funds.
- b **Fees and Expenses:** Fees levied on project finance are: commitment fees on the undisbursed portion of the loan effective a given number of days from the date of loan; facility fees on the loan amount payable in advance of appraisal; arrangement fees; guarantee fees. These fees depend on the type of project and complexity of the proposal. The borrower also pays all related and incidental expenses to providing the facility.
- c **Repayments:** Repayments will be on a quarterly or semi-annual basis in the currencies of disbursement.
- d **Exchange Risk:** The Borrower bears the entire foreign exchange risk by repaying all loans granted in foreign exchange in the same currencies of disbursements.
- e **Procurement:** Loan proceeds shall be utilised to procure goods and services as approved by the Bank following internationally accepted methods of competitive and prudent procurement.

- f Refinancing: The loan proceeds shall not be utilised for any refinancing of existing debts.
- g Insurance: The Bank requires that projects maintain comprehensive insurance policy covers on all assets pledged against the loan, with the Bank's interest noted.

8. INFORMATION REQUIRED IN FEASIBILITY REPORTS OR BUSINESS PLANS

The following is a summary of the principal components, which should be incorporated in the feasibility reports, or business plans. Applicants may, however, incorporate other relevant information to support their proposals depending on the type of project.

a Brief description of project:

- i. What business the project wishes to undertake and what the project involves.
- ii. A description of the relevant economy and industry factors surrounding the project.
- iii. The nature and particulars of the project company including shareholders and directors, financial standing and business history.

b Sponsorship, management and technical assistance:

- i. History and business of sponsors, including financial information.
- ii. Proposed management arrangements and names and curriculum vitae of managers.
- iii. Description of technical arrangements and other external assistance (management, production, marketing, finance, etc.).

c Market and sales:

- i. Basic market orientation: local, national, regional, or export.
- ii. Projected production volumes, unit prices, sales objectives, and market share of proposed venture.
- iii. Potential users of products and distribution channels to be used. Present sources of supply for products.
- iv. Future competition and possibility that market may be satisfied by substitute products.
- v. Tariff protection or import restrictions affecting products.
- vi. Critical factors that determine market potential.

d Technical feasibility, manpower, raw material resources, and environment:

- i. Brief description of manufacturing process.
- ii. Comments on special technical complexities and need for know-how and special skills.
- iii. Possible suppliers of equipment.
- iv. Availability of manpower and of infrastructure facilities (transport and communications, power, water, etc.).

- v. Breakdown of projected operating costs by major categories of expenditures.
- vi. Source, cost, and quality of raw material supply and relations with support industries.
- vii. Import restrictions on required raw materials.
- viii. Proposed plant location in relation to suppliers, markets, infrastructure and manpower.
- ix. Proposed plant size in comparison with other known plants.
- x. Potential environmental issues and how these issues are addressed.

e Investment requirements, project financing, and returns:

- i. Estimate of total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component.
- ii. Proposed financial structure of venture, indicating expected sources and terms of equity and debt financing.
- iii. Type of financing required and amount.
- iv. Projected financial statement, information on profitability, and return on investment.
- v. Critical factors determining profitability.

Tabulate the proposed project costs as follows:

Estimated Project Costs – USD				
Item	Existing	Proposed/Additional		Total
		Foreign	Local	
Land and Buildings				
Plant and Equipment				
Ancillary Vehicles				
Commercial Vehicles				
Office equipment				
Working Capital				
Total Fixed Assets				

Tabulate the proposed financing plan as follows:

Financing Plan - USD					
Source	Existing	New Funding		Total	Gearing
		Local	Foreign		
Promoter's Equity					
Other Bank O/D					
PTA Bank Loan					
Total Finance					

f Government support and regulations:

- i. Project in context of government economic development and investment program.
- ii. Specific government incentives and support available to project.
- iii. Expected contribution of project to economic development.
- iv. Outline of government regulations on exchange controls and conditions of capital entry and repatriation.

- g Timetable envisaged for project implementation and completion.

PART B: TRADE FINANCE

1. OBJECTIVES

The objectives of the Bank's Trade Finance window are:

- (a) Adding value to the COMESA exports by reducing to the lowest possible level the exporters' financing costs;
- (b) Establishing a system of export finance for goods and services originating from the COMESA region;
- (c) Assisting in the development of a market for financial instruments arising from operations relating to the export of goods and services from the COMESA region;
- (d) Promoting and assisting the establishment of systems for export credit guarantees and foreign exchange revolving funds for the region which complement the existing national schemes;
- (e) Providing technical assistance to clients for the identification, preparation, financing and implementation of trade and trade-related projects; and
- (f) Co-operating with national, regional and international institutions for the benefit of trade development in the COMESA region.

2. ELIGIBLE TRANSACTIONS/SECTORS

The PTA Bank provides financing to export-oriented or foreign currency generating transactions, which are self-liquidating. It also finances importation of critical raw materials into the COMESA region. Such transactions may be in the private or public sectors in all Member States.

The applicant company must be incorporated in a PTA Bank Member State, although exports and imports can be to a destination or from a source of the applicant's choice.

3. TYPES OF CREDIT FACILITIES & INSTRUMENTS

In providing trade finance facilities, the PTA Bank uses any or a combination of the following instruments:

- a **Pre-shipment Loans**
Under Pre-shipment finance, exporters are provided with working capital for purchase of raw materials and processing and packaging of the exportable commodities. In providing pre-shipment finance, the Bank's warehousing finance scheme is used to allow exporters to borrow cheaply using exportable commodities as the primary security.

- b Post-Shipment Loans**
Post-shipment financing assists exporters to bridge their liquidity needs where exports are made under deferred payment basis. A typical mode of post-shipment financing is bills discounting. Bills discounting facility serves to provide liquidity to an exporter by advancing him/her a portion of the face value of a trade bill drawn by the exporter, accepted by the buyer and endorsed to the PTA Bank. The facility is also extended to financial institutions to enable them meet their liquidity requirements in providing pre and post-shipment finance to their clients.
- c Loan Syndications**
The Bank provides finance jointly with other participating institutions in loan syndications under a single loan agreement. The Bank also plays the role of lead bank to organize credit syndications in an effort to attract finance from international banks and money markets to meet the demands of large-scale borrowers.
- d Contingent Liability Based Business**
This relates to a number of products which the Bank uses in order to guarantee the performance of a client under a normal trade contract. The Bank may, for instance, issue a guarantee or stand-by Letter of Credit on behalf of a client receiving goods or raw materials on credit terms. Guarantees may also be issued to cover advance payments made to clients under certain supply contracts. The Bank may also provide Bid Bonds for clients participating in tenders.
- e Issuance and Confirmation of L/Cs**
The Bank issues import L/Cs in favour of suppliers within or outside the COMESA for account of its customers. The Bank also adds its confirmation to L/Cs opened by buyers through their banks where the exporter is unwilling to take a risk on the buyer's bank, the issuing bank.
- f Structured Finance**
This product is used to raise cheaper funds from markets outside the COMESA region, such as the USA, for financing export activities in Member States. The programme enables exporters in the Member States to benefit from local currency financing for their pre-shipment financing requirements.
- g Hedging Facilities**
The Bank has developed hedging facilities that are utilised side by side with commodity financing and provides price risk protection to commodity exporters and importers by shifting price risks involved in commodity trade. The objective of this product is to protect both the Bank and clients from the risk of adverse prices.
- h Securities-Backed Facility (SBF)**
This product enables the Bank to provide local banks in COMESA member states with export and import finance requirements using the local bank's pool of Treasury bills and bonds as security.

4. LOAN AMOUNT AND TENORS

Facility amounts vary depending on the needs and borrowing capacity of the borrower. However, the minimum facility amount is US\$ 500,000 and the maximum amount is US\$ 20,000,000. Smaller amounts can be obtained through local banks to which the PTA Bank has extended lines of credit.

The PTA Bank's trade finance facilities are extended to borrowers on a short-term basis. Validity periods range from 90 days to a maximum of two years. Renewal of any credit facility for a further period is made at the discretion of the Bank. Depending on the borrower's asset conversion cycle, multiple rollovers within the facility period are permitted.

5. SECURITY

The security for the Bank's trade finance facilities include any or a combination of the following:

- a Assignment of the underlying export receivables;
- b First legal charge on stocks of export commodities, raw materials, spares and equipment financed by the Bank.
- c Bank guarantee
- d Cash collateral; and
- e First legal charge on fixed assets.

6. HOW TO ACCESS THE PTA BANK'S TRADE FINANCING FACILITIES

PTA Bank's Trade Financing facilities can be accessed by:

- a Direct application to the PTA Bank by the borrower;
- b Application from a commercial bank on behalf of the borrower; and
- c Applying to local commercial banks that are enjoying the PTA Bank's credit facilities for on lending.

7. GENERAL TERMS AND CONDITIONS

Conditions in respect of disbursement, repayment, interest and bank charges are as follows:

- a **Disbursements**
Disbursements are made directly to the applicant's suppliers.
- b **Repayments**
Interest and principal repayments are effected in the currency of disbursement in accordance with the tenor of the individual drawings.

c Interest Rates

The interest rates are LIBOR based for currencies of disbursement and begin at cost of funds plus a minimum margin of 1.50%. The spread for cash collateralized facilities as well as facilities to blue-chip clients can, however, be below 1.50% provided it is sufficient enough to cover the cost of funds.

d Fees

Fees such as management fees, arrangement fees and draw down fees, are chargeable depending on the nature of the transaction;

e Expenses

Legal fees and reasonable out-of-pocket expenses are payable by the borrower. Any other expenses like commercial bank's agency fees and collateral management fees (where applicable) are also for the account of the borrower.

8. INFORMATION REQUIRED FOR PROCESSING APPLICATIONS

Applicants for credit are required to provide complete and accurate information on the following aspects. Provision of the required information in sufficient details assists the Bank to process the application expeditiously. Applicants are therefore encouraged to give as much detail as possible.

a Basic background information on the borrower

This includes:

- i. Name, domicile and ownership of the applicant Company.
- ii. Names of shareholders and Directors.
- iii. Nominal and paid-up capital.
- iv. Legal Status of the company.
- v. Line of business (give a full description of the business activities).
- vi. Brief history of the company highlighting major developments in the methods of trade, product mix and other factors central to the performance of the company.

b Required facility

This should include the following:

- i. Amount.
- ii. Type of Credit Facility.
- iii. Purpose of facility (give details of the end-use of the facility requested).

- iv. Tenor of facility.
- v. Schedule of drawdowns.

c Key Industry Dynamics

The borrower should highlight key industry players as well as provide a comparison of its performance and standing in the industry compared with its competitors. Information on the market shares of the various key industry players should be provided. Information should also be provided on the following:

- i. The borrower's competitive advantages vis-à-vis the other players giving details of the critical success factors.
- ii. List of major competitors and their market share.
- iii. Market share of the applicant company.
- iv. List of major buyers with details of the selling terms.
- v. List of major suppliers with details of the terms of purchase.
- vi. Key industry risks as well as how the borrower mitigates them.
- vii. Description of the Trade cycle of the business.
- viii. Seasonality of the operation giving details of peak and slack seasons.

d Management

The applicant company is required to provide:

- i. A detailed organization chart
- ii. Information on the key personnel (of the rank of Departmental Heads and above) which should include, the name, age, educational background, years of experience, line of operations and posts held, present position and description of duties & responsibilities.

e Management Information Systems

Please give details of the planning, controlling & monitoring systems which have been put in place.

f Financials

The following should be provided:

- i. Audited financial statements with audit reports for the past three (3) years and related supporting data. Provisional statements will be required where audited accounts are not available. Explanation needs to be given for any material negative or positive variances in the financial statements.
- ii. Cash flow projections as well as underlying assumptions.
- iii. Latest aged analysis of trade debtors and creditors.

g Security

The borrower has to indicate the type of security to be provided and submit the latest independent professional valuation reports in the case of fixed assets.

- i. List of properties to be pledged.
- ii. Value of each property (as supported by a professional valuation).
- iii. Whether the property is being used to secure loans from another lender and if so, details of commitments are needed.
- iv. Location of the property proposed as security.

h Present banking relationships

The Bank requires full details of credit facilities being enjoyed at the moment. In particular:

- i. Types of facilities.
- ii. Amount approved.
- iii. Date approved.
- iv. Outstanding balance.
- v. Repayment terms.
- vi. Due date.
- vii. Securities provided.
- viii. Ability of the company to meet its current borrowing obligations.

Application can be sent by hard copy or electronically to the addresses given on the cover of this brochure.
