CLEANER PRODUCTION (CP) INVESTMENT OPPORTUNITIES IN AFRICA

Part of UNEP Project on CP Financing in Developing Countries

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Outline

1. Challenge for Cleaner Production Investments

2. Proposed Regional Revolving Fund for CP Investments - Overview

3. Strengths for the Facility

4. Role of ATF members
Challenge for CP Investments

Lack of access to external financing due to:

- Financial Institutions’ attitude to CP investments
- Inability to prepare bankable proposals
- Problematic accounting practices
- Inappropriate pricing of some natural resources
- Difficulties in incorporating intangible, future costs and savings into investment appraisal
- National issues affecting Investments
Financing CP investments: Key funding channels

- Shareholders
- Leasing Companies
- Environmental Funds
- Development Funds
- "Soft" credits & subsidies

Company

Finances for CP investment
Proposed Regional Revolving CP Financing Facility

- Not-for-profit: activities financed by interest on loans
- Finances on “favourable terms” investments with:
  - Preventive focus
  - Rapid payback
  - Environmental and economical benefits ("win-win projects")
- Demonstrates environmental & economic benefits of CP investments to financiers & enterprises – ensure sustainability
Regional Revolving Facility for CP investments...

AFRICAN DEVELOPMENT BANK (ADB)  
(CP Financing Facility)

Regional Level

Business development service providers  
(*technical + financial engineering services*)

Country Level

Law firm

Company Level

Guarantee providers:
- Environmental fund
- Central bank

Companies for Industrial Sectors
- Mining; Metal Products
- Slaughterhouses and Meat processing
- Tanneries
- Food production
- Textiles industries etc
Modus Operandi

- Seed funds from Donor placed with Regional Bank

- BDSP at National levels work with industry to:
  - identify, appraise & prepare investment proposals
  - loan applications
  - monitor programmes
The Law Firm

- Draws contract between company and Business Development Services Providers;
- Keeps legal documentation related to contract
- Registers collateral
- Provides legal information related to the contract(s) as required
- Enforces legal relevant commitments
Guarantee providers

- Guarantee providers shares risks with lending institution so that the lender will be compensated for maximum 50% of the loan on default.

- Optional at country level to support cases that may fail to raise required collateral.
Tasks for Industry

- Participating in CP training programmes
- Providing data and documents to BDSP
- Providing to BDSP and Legal company the collateral for the loan security & signing contract with Guarantee provider
- Signing contract with ADB
- Cooperating with BDSP post financing monitoring programs & providing environmental and economic data as required.
Demonstration of Demand

Strong demand for the facility noted in the following countries so far:-

- Uganda
- Kenya
- Tanzania
- Mozambique
- Zimbabwe
- South Africa
Strengths for the Facility

- Lower cost of borrowing
- National industries protected against adverse investment perceptions
- Competition for funds increases activity
- Opportunity to exchange experiences
Business Development Services Providers

- CP promotion activities; training and communication between companies and governmental and financial institutions;
- Assist company in developing investment project and loan application according to set format;
- Provide information on applicant’s financial status supported by audited financial statements;
- Prepare project progress and completion reports to present as borrower’s disbursement requirements.
Business Development Services Providers...

• Provide Law firm annexes of contract (project description with expected economical and environmental benefits)

• Assist financing company in communicating with applicant and preparation of loan documents

• Assist in project monitoring and supervision: from procurement to progress follow up according to implementation plans
Role of ATF members

- Contribute to the Structural design of the facility
- Promote financing facility among FIs
- Promote training in Environmental Cost Accounting to Financiers and Insurance Companies