

Proparco provides support to SMEs and larger enterprises in Southern Africa

Proparco offers a wide array of financial instruments - including medium and long-term lendings, guarantees and equity investments - to finance greenfield, expansion, LBOs or rehabilitation projects

Medium and long-term refinancing agreements offered to banks and financial institutions to finance SMEs

In Southern Africa, to observe the subsidiarity and the complementarity of its operations so as to avoid acting as a competitor of local banks or financial institutions, a significant part of Proparco commitments to SMEs is carried out in partnership with financial intermediaries. This means SMEs have to approach their usual banking partners to access this type of medium and long term funding rather than Proparco directly. In the region, lines of credit have already been made available to different banks and financial institutions in South Africa, Mozambique, Zambia and Zimbabwe.

More especially in South Africa, where Proparco has a significant outstanding portfolio, such lines of credit have been provided to the Industrial Development Corporation (IDC), a state owned financial institution, four lines of credit dedicated to SMEs financing for a cumulative amount equivalent to USD 52 million. Proparco has also provided several long-term foreign currency lines of credit to Rand Merchant Bank (RMB) and Standard Bank (SB), two of the leading South African merchant banks. The funds provided to these banks have been on-lent to finance major industrial and infrastructure projects all over the African continent

Different types of risk mitigating products available

Proparco runs the ARIZ guarantee programme, a loan guarantee facility managed by its parent company, the French Development Agency. This investment risk insurance mechanism (a 50% guarantee on a maximum bank loan amount of EUR 1.5 million) is designated to facilitate access to financing of SMEs and microfinance institutions. This insurance mechanism is only proposed through a partnership established with local banks.

For single amounts above EUR 1.5 million, Proparco has developed other type of risk mitigating or credit enhancement products mainly based on guarantee tools.

These guarantees can be made available in local currency directly to a corporate or project.

Equity and quasi-equity investments mainly through investment funds

Proparco rarely provides equity and quasi-equity products directly to SMEs but rather through local investment funds dedicated to SMEs financing. In Southern Africa, Proparco has presently invested in 4 national investment funds and 2 regional funds focusing on SME's financing. These funds have experienced teams that provide financing through different equity tools such as equity investments, quasi-equity and/or shareholder loans.

Up to know, most of Proparco's equity investments have been made on the banking and financial sector.

Towards the end of 2004, Proparco's has created a new department dedicated to private equity operations. This initiative should allow the company to have a strongest presence through direct investment in the corporate market within the next few years.

Direct financing to private enterprises

Proparco is in a position to provide direct financing to companies or projects, as in the case of countries where there is a lack of medium and long-term financial resources available, for a minimum loan amount of EUR 1.5 million (projects or companies requiring minimal resources are dealt through the refinancing agreements and/or risk mitigating products highlighted above).

In Southern Africa, one of Proparco's main direct commitments was the USD 32.3 million funding, alongside other financial partners, to the Mozal aluminium smelter in Mozambique.



One recent operation in which Proparco has been involved is the EUR 8 million financing to the Aquapesca's shrimp aquaculture farm that has catalysed the development of aquaculture in Mozambique.

Proparco has also funded in the region projects such as a sugar factory rehabilitation, a flour milling manufacture or breweries.

Proparco always tries to co-finance operations alongside the enterprise's usual banking partner or other private or development finance institutions. Lendings are provided in EUR and USD or in local currency when the swap market permits it. Interest rates are charged accordingly at market conditions at fixed or floating rates. Structuring offered goes from standard corporate lending to project finance (structured / limited recourse financing only for loans above EUR 5 million).



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Proparco at a glance

Proparco is a French development and investment bank whose main shareholder is the French Development Agency. Other shareholders include major French private banks and companies and international banks such as the Development Bank of Southern Africa.

The French Development Agency is a French government-owned development financial institution which is part of France's foreign aid. Its main objective is to contribute to the economic and social progress through long-term financing in over 90 developing and emerging market countries.

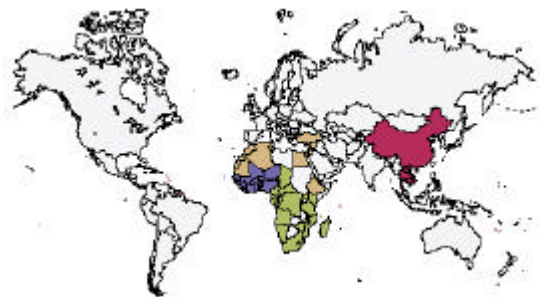
The Agency is headquartered in Paris and has 45 offices throughout the world, with a very strong historical presence in Africa.

Its balance sheet totals EUR 17.2 billion, for a global amount of equity of EUR 1.7 billion. The Agency and its bond issues, which are not directly guaranteed by the State, are rated AAA by Standard & Poor's and by Fitch, a rating which reflects the institution's statutory links with its sponsoring bodies and its public mission.

Proparco is a market-oriented financial company exclusively devoted to financing the private sector through a wide range of financial instruments, such as long-term corporate and bank lending, project finance, private equity investments and various types of risk-mitigating products.

Proparco's activities are implemented through four operational departments: Banking & Capital Markets, Infrastructure & Mining, Corporate Finance and Private Equity.

The French Development Agency and Proparco are operating in Southern Africa from a regional office based in Johannesburg.



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