



Berne Union Spring Meeting 2017

Perspectives of local Institutions on financing trade
and infrastructure

Kilifi, Kenya

22 March 2018

1. About BDC – the investment arm of Government

A private company established in 1970 under the Companies Act

Our Mandate

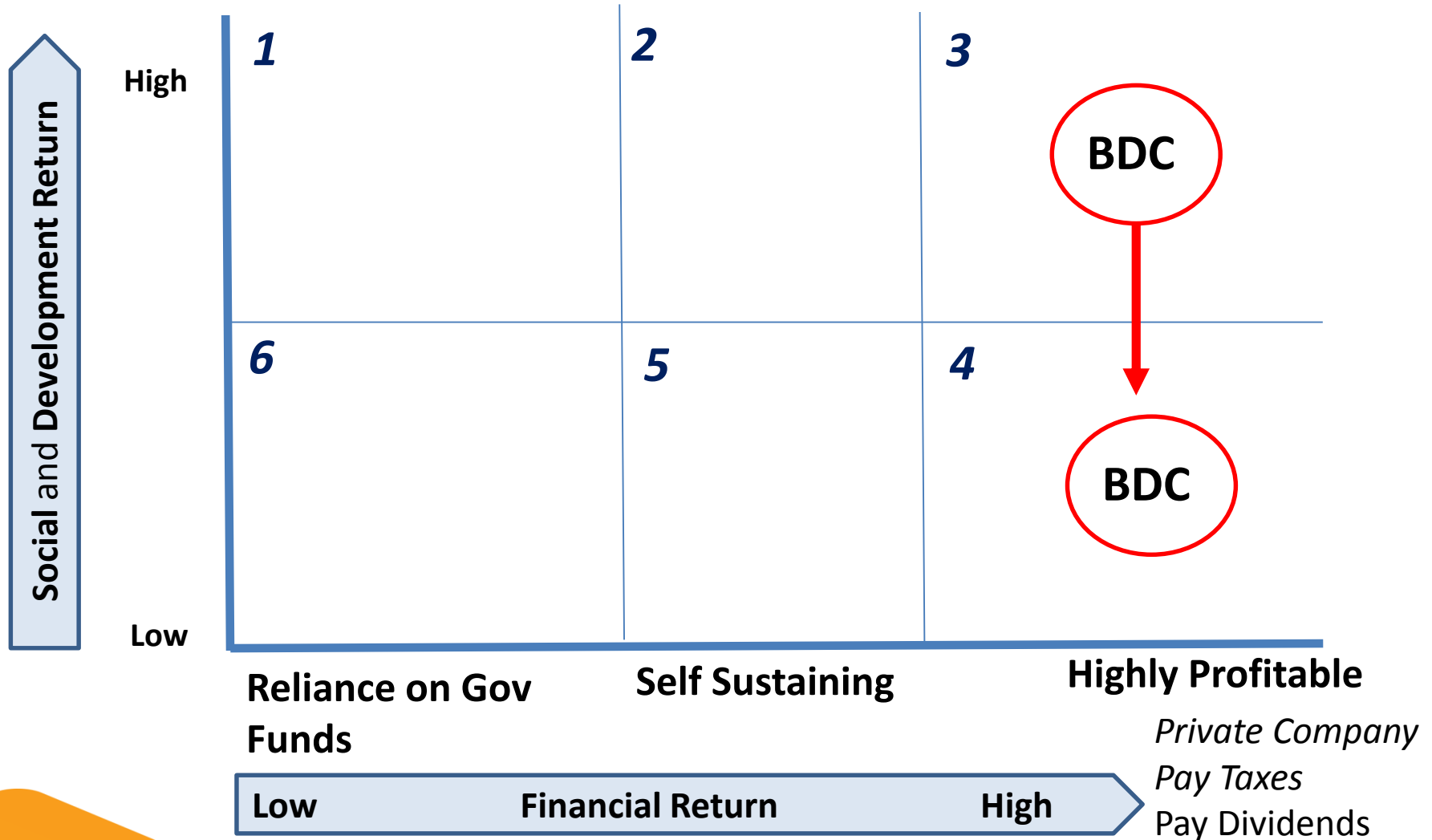
- To provide, facilitate and support **financing of commercially viable developments** to contribute to a sustainable and diversified Botswana economy
- To stimulate **growth of the private** sector, **diversify the economy** and **create wealth for the shareholder**
- To invest regionally and **internationally**

Quick Facts

- **Structure:** A private company
- **Ownership:** Gov of Botswana
- **Governance:** Independent Board
- **Sources of Funding:** Self funding (banks, bonds, divestments, distributions)
- **Use of Funds:** Pays dividends and taxes
- **Products:** Debt, equity, mezzanine, and structured financing
- **Group Assets (2017):** P4 Billion across 32 investments
- **Group Revenue (2017):** P435 Million
- **Industries:** Energy, Infra, Property, Industry, Services, Agric, Tourism, Techn.

2. Our Mandate

An explicit dual mandate to deliver BOTH a financial and a development return



Achieving a balance between these two Mandates is key to our long term sustainability

3. Key Challenges for Botswana

An explicit dual mandate to deliver BOTH a financial and a development return

1. Achieving sustainable diversification & higher GDP growth

- Switch from inward looking to export-led growth

2. Achieving fiscal sustainability

- Diversifying government revenues
- Containing expenditures

3. Employment creation

- Dealing with (youth) unemployment
- Reaping the demographic dividend

4. Response to Dual Mandate AND National Challenges

Our response is driven by both market forces AND a desire to create value for the shareholder.

BDC actively sought clarity of mandate and expectations from the shareholder.

- a. Obtain an **independent credit rating**
- b. Raise **additional funds on a non-sovereign guarantee** basis
- c. Align the **business to the new economic / market realities**
- d. Actively **manage portfolio companies to maximize efficiencies**
- e. Pursue **purely commercial, high-return projects** – in line with our capital structure.
- f. Accelerate **international investment** strategy.

5a. Investing in Infrastructure

General observations

- a. Typically **out of scope** either owing to capital allocation restrictions or risk appetite, but played a facilitating role.
- b. Growing **appetite for PPP's**, but closed transaction remain too few owing to regulatory frameworks or lack thereof.
- c. **PPP's still the most promising answer**, but implementation capacity remains a challenge.
- d. An appetite for **Infrastructure Bonds**, but lack of acceptable pricing benchmarks are a hindrance
- e. **Government guarantees** have traditionally backed infrastructure finance, but are becoming scarce.
- f. Swelling **pension funds** create a demand for long-dated assets

5b. Investing in Infrastructure

BDC's Response to Infrastructure funding

- a. Sought to change **Government's paradigm** about “spending” on infrastructure.
- b. Sought **partners** to boost our balance sheet and participation
 - a. Other DFI's
 - b. Pension Funds.
- c. Sought to bring **commercial principles** into deals.
- d. Partnered with the **private sector**.

6. Conclusions

1. Lead a new paradigm – government does NOT have to do everything

2. Partner with the private sector

3. Bring commercial principles to projects

4. Risk management that excludes Sovereign Guarantees

Questions

