UK Government

GROWTH GATEWAY

GLOBAL PROSPERITY THROUGH TRADE & INVESTMENT

Guidance document: African businesses seeking finance from the UK Government

OCTOBER 2023

Purpose and contents

This document is intended to provide African businesses with an overview of the requirements and processes involved in securing finance through investment organisations backed by the UK Government.

The document is structured into 4 sections:

To note:

This guidance document is focussed on larger amounts of investment. There are many other sources of smaller sums, depending on the country in which you are based, and sector of your business. For example:

- **In-country FCDO-supported programmes**—an example of which is the Zambia Prospero programme which invests in innovative and viable businesses in Zambia in a range of sectors.
- **Multi-country FCDO-supported programmes**—an example of which is the SheTrades programme which connects women-led businesses with capital providers.

You can contact the Growth Gateway team at GrowthGateway@fcdo.gov.uk to receive tailored guidance on your UK trade and investment questions.

The guide refers variously to both pound sterling and US dollars, depending on which is used by the organisation in question. Please check carefully which currency is used in any given example.

About Growth Gateway: Growth Gateway is a business support programme to help increase two-way trade and investment between low- and middle-income countries (LMICs) and the UK. Part of this programme is the Africa-UK business advisory service through which African and UK businesses are supported to identify and realise trade and investment opportunities. Growth Gateway's joint public-private sector team connects businesses with UK government trade and investment initiatives, provides business advice and expert support, and includes dedicated online information tools. Growth Gateway also undertakes targeted initiatives supporting trade and investment in high potential sectors and markets. This team is contactable via a dedicated mailbox: GrowthGateway@fcdo.gov.uk. More information on Growth Gateway is available on growthgateway.campaign.gov.uk

Key messages

KEY MESSAGES

As you seek financial support:

1. Research finance options prior to engaging potential funders to determine which is right for you. Consider:

- Local and international sources of capital, and for each:
- Which aligns most with your business/project, taking into account: required commercial return, extent of environmental, social, and governance (ESG) benefits, ticket size, country, sector and finance instrument (debt, equity etc)

2. Prepare the following documents prior to engaging potential funders:

- Pitch deck and shortened investment teaser deck for initial discussions
- Clear description of the proposed financing structure, with details of the parties involved and role played by each of them in the deal
- Last 3 years' audited financial statements of the proposed borrower as well as information on your management and ownership structure
- Detailed business model outlining investment plans, growth projections and expected returns

3. Consider the factors that can often cause finance applications to fail:

- Borrower's weak balance sheet and/or lack of sufficient trading history
- Financing proposal not viable for project finance structures (e.g. insufficient level of equity, lack of off-take agreements, weak financial model, developer inexperienced, deal size too small, etc)
- ESG impact assessment not adhering to international standards
- Unclear business plan

4. Clarify the ESG benefits the investment would provide:

- In particular, the additional ESG benefits that the investment would provide beyond that generated by your current business activity
- If appropriate, use the UN Sustainable Development Goals framework to structure your ESG approach

Requirements

On the next five pages, we outline four sources of support to help you secure finance, and the requirements for each.

REQUIREMENT SUMMARY

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	British International Investment (BII)	Private Infrastructure Development Group (PIDG)	UK Export Finance (UKEF)	AgDevCo
More info	p7	p8	p9	p10
Types of finance support	Equity: Direct investments of $10million–$250million Debt: $10million–$250million. Includes corporate lending, senior and mezzanine loans, and subordinated Tier II debt and risk sharing facilities to financial institutions Project finance: $20million–$150million+ to support a range of private sector infrastructure projects	Technical assistance: $50,000–250,000 Investment size: $3million–25million (Infraco) $10 million–50million (EAIF, GuarantCo)	Buyer loan guarantees and direct lending: for deals >£30 million in value Standard buyer loan and bills and notes guarantees: for deals <£30 million in value	Investment size: $5million–$15million Technical assistance: $50,000–750,000
Level of financial return expected	Commercial returns with development impact	Variable	Adequate to cover the cost of the risks assumed	Commercial returns coupled with development impact
What is expected of you	Good track record, business plan, development impact, high ESG standards	Strong development impact and high ESG standards	Must use the loan to buy minimum 20% worth of goods and services from the UK	Good track record, business plan, development impact, high ESG standards
Geographic Focus	Africa, South Asia, Indo-Pacific and Caribbean	Africa and Asia	Global	Sub-Saharan Africa
Sector focus	Infrastructure, climate, financial services, and ITS (Industries, Technology and Services)	Infrastructure, energy, climate	Agnostic but cannot support fossil fuels	Agriculture, forestry, aqua-culture

BII, PIDG and AgDevCo operate at arm's length from the UK Government and have independent investment strategies. For more information on these organisations, please visit their websites. UKEF is the UK Government's export credit agency and a ministerial department. For more information on UKEF, please visit https://www.ukexportfinance.gov.uk

British International Investment (BII)

Types of finance support that could be available to you

Equity and debt:

- **Equity:** Equity: Direct investments of $10 million–$250 million
- **Debt:** $10 million–$250 million. Includes corporate lending; senior loans and subordinated Tier II debt to financial institutions, project finance, and risk sharing facilities to financial institutions

Level of financial return expected

Commercial viability while investing to achieve development impact

What is expected of you to be eligible for finance support

- Successful track record or extensive relevant operational experience
- Solid business plan and experienced management team
- Ability to demonstrate development impact
- Commitment to high ESG standards

Geographic Focus

Africa, South Asia, Indo-Pacific and the Caribbean

Sector focus

Priority sectors are infrastructure and climate, financial services, and ITS (Industries, Technology and Services) industries (services, manufacturing, agriculture, real estate and construction, technology)

Points to consider

BII does not invest outside of its mandated regions, and does not provide sovereign lending, export finance, grants, start-up capital, or tied aid

Climate finance and gender-lens investments are key themes

More info

www.bii.co.uk

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Private Infrastructure Development Group (PIDG)

Types of finance support that could be available to you

Equity, debt, guarantees, project development funds/ grants, technical assistance:

- TA (primarily to investee companies): $50,000–250,000
- Investment size: $3 million-25 million (InfraCo); $10 million–50 million (EAIF, GuarantCo)
- Aims to leverage other financing, including from development finance institutions (DFIs), so companies should be engaging multiple sources

Level of financial return expected

Moderate/variable with strong development impact and high ESG standards. Exit strategy is part of investment decision.

What is expected of you to be eligible for finance support

- Strong development impact and high ESG standards
- We advise getting in touch with the individual companies to explore their interest in your project

Geographic Focus

Africa and Asia

Sector focus

Infrastructure, with a significant energy and climate portfolio

Points to consider

- Technical assistance may be available to (primarily) investee companies
- Focussed on early-stage support, and leveraging investment from other commercial and development finance institutions
- PIDG engages through its constituent companies: InfraCo Asia, InfraCo Africa, GuarantCo and Emerging Africa Infrastructure Fund (EAIF)

More info

www.pidg.org

UK Export Finance (UKEF)

Types of financial support that could be available to you

Buyer Credit and Direct Lending Facility:

- Buyer Credit and Direct Lending typically are for contracts of least £30 million. For smaller amounts, there is the SBLG (Standard Buyer Loan Guarantee) or Bills and Notes products.
- UKEF can support major energy and infrastructure projects, and has provided financing in excess of £1 billion in major projects overseas, often working in partnership with other export credit agencies.
- The loan is typically repaid over 10 years

Level of financial return expected

A premium is charged per transaction to cover for risk and operational costs.

What is expected of you to be eligible for finance support

- Use the loan to buy a minimum of 20% worth of goods and services from UK suppliers
- Eligibility criteria varies by product. Check UKEF's website for full information: www.ukexportfinance.gov.uk/products-and-services/finance-for-buyers/

Geographic Focus

UKEF can support export transactions all around the world, although the level of risk capacity varies by country. Check the UKEF website for full information: www.gov.uk/guidance/country-cover-policy-and-indicators

Sector focus

Any sector is eligible for support with the exception of fossil fuels

Points to consider

UKEF works with UK exporters and overseas buyers to find the right support, with finance options including:

- Repayment terms of 2–10 years, and up to 18 years in some sectors, such as renewable energy
- Flexible UK content requirements for projects supported
- Financing available in 60+ local currencies

AgDevCo

Types of financial support that could be available to you

Equity, debt, mezzanine and working capital:

- Investment size: $5 million–$15 million
- Technical assistance (to investee companies): $50,000–$750,000

Level of financial return expected

Returns dictated by instrument and/or creditworthiness of investee. Seeks commercial viability while investing to achieve development impact.

What is expected of you to be eligible for finance support

- Successful track record or extensive relevant operational experience—three years' audited accounts
- Solid business plan with evident potential for further growth and an experienced, ideally local, management team
- Ability to evidence and quantify development impact from expansion to be funded
- Commitment to implement ESG best practices over time

Geographic Focus

Sub-Saharan Africa—aside from upper-middle income countries

Sector focus

Agriculture, forestry, aqua-culture, agro-processing and agri-related services

Points to consider

- Must generate positive change for one or more beneficiary groups and 'do no harm' for ESG/safeguarding
- Must have evidence of existing developmental impact and be able to explain how additional funding will increase impact
- Interest in hearing from women-led and locally owned/managed businesses

More info

www.agdevco.com

Process

On the next four pages, we outline the process of applying for our sources of support.

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British International Investment (BII)

1. Origination

Time: Variable, typically between 3-24 months

Key stages:

- Relationship building and origination. Initial conversations between prospective investee and BII investment team.
- Early scoping of potential development impact and commercial case of a future transaction.

Key info submitted: An 'investment teaser' slide deck. Publicly available commercial information.

2. Scoping

Time: Variable, typically between 3-6 months

Key stages: Further refinement of development impact and commercial rationale for investment. First stage 'screening' approval at Screening Investment Committee.

Key info submitted: Detailed commercial and legal information shared under non-disclosure agreement.

3. Due diligence

Time: Variable, typically between 3–9 months

Key stage:

- Detailed due diligence on commercial, ESG, legal and compliance, and development impact aspects of the investment.
- Results of due diligence presented for second stage investment approval at Preliminary Investment Committee.
- Continued due diligence, if needed, to address Investment Committee outcomes.

Key info submitted: In-depth commercial and legal information shared under non-disclosure agreement. Site visits and interviews with management and staff. Legal agreements, including action plans on ESG and other value-added areas, negotiated and drafted.

4. Execution/disbursement

Time: Variable

Key stages:

- Final stage investment approval at Final Investment Committee.
- Investment terms finalised and agreed between investee and BII investment team. Legal documents signed and contractual obligations entered.
- Post investment BII is an active investor supporting business growth and professionalisation as well as value-add activity (for example initiatives on ESG, gender, or climate)

Key info submitted: Final legal agreements signed. Regular commercial and impact reporting during lifetime of BII's investment.

Private Infrastructure Development Group (PIDG)

1. Origination

Time: 3-4 months

Key stages:

1. Submit project proposal
2. Identify key risks
3. Confirm government/community support and necessary rights.
4. Due diligence
5. Negotiate relevant agreement

Key info submitted: Info on project's technology, business model, impact, health and safety. Stakeholder list.

2. Scoping

Time: 1-4 years

Key stages:

1. Feasibility studies, environmental and social impact assessments
2. Finalisation of operating agreements
3. Fine-tuning of financial model

Key info submitted: Key permits, approvals and licenses. Construction and operation contracts.

3. Execution/disbursement

Time: 6-36 months

Key stages:

1. Draw down financing
2. Establish site-based management team
3. Establish health & safety systems
4. Monitor progress on development impact
5. Transition to operations and management team.

Key info submitted: Dependent on company and situation.

UK Export Finance (UKEF)

1. Origination

Time: Varies depending on complexity of deal structure

Key stages:

1. Approach UKEF for indication of likelihood of support.
2. Submit relevant documentation, as outlined earlier in this guide

Key info submitted: Project teaser, borrower's financials, application form and, where required, a sustainable lending questionnaire.

2. Scoping

Time: Varies depending on complexity of deal structure

Key stage: Application form triggers consideration of various risks and impacts, alongside debt sustainability.

Key info submitted: Project information memorandum (PIM) outlining the full project scope, including costs breakdown and key stakeholders; relevant financial information (last 3 years of audited accounts for corporate loans or financial model for project finance structures); breakdown of UK versus non-UK costs in the deal; feasibility and ESG studies.

3. Due diligence

Time: Varies depending on complexity of deal structure

Key stage: In-depth risk assessment covering a broad range of areas (e.g. financial, legal, environmental, social and political). Detailed UK content review is also performed at this stage

Key info submitted: UKEF will specify prior to the due diligence process commencing

4. Execution/disbursement

Time: Varies depending on complexity of deal structure

AgDevCo

1. Origination

Time: 4 weeks

Key stages:

1. Obtain 'investment teaser'/concept note from sponsor/management team
2. Hold initial meeting with sponsor/management team
3. Enter non-disclosure agreement (NDA) and review business and expansion plan
4. Preliminary decision on instrument, after which a three-stage approval process commences

Key info submitted: Proposal concept note; NDA signing.

2. Scoping

Time: 6-12 weeks

Key stages:

1. Preliminary due diligence with focus on commercial, technical (agriculture) and financial aspects including site visits
2. Company to provide 3-statement financial model
3. Initial screening of impact and ESG criteria
4. Identify areas for enhanced due diligence (if applicable)
5. Prepare terms to be shared with company

Key info submitted: Due diligence checklist including detailed business plan and financial model; technical reports; market study; key supplier/off-take contracts

3. Due diligence

Time: 4-8 weeks

Key stages:

1. Complete confirmatory due diligence with focus on legal and ESG compliance and the development of value creation plans
2. Negotiate and agree term sheet

Key info submitted: Term sheet

4. Execution/disbursement

Time: 8-12 weeks

Key stages:

1. Legal drafting
2. Execution of legal agreements
3. Satisfaction of pre-disbursement requirements and/or perfecting security
4. Disbursement

Key info submitted: Execution documents; agreed value creation strategy; any ESG and financial action plans; and adoption of key policies e.g. business integrity; responsible investing

Next steps

To receive further advice and guidance on which finance option is right for you, and how to prepare an application for finance, email the Growth Gateway team at GrowthGateway@fcdo.gov.uk.

Please note, Growth Gateway is also available to review and comment on your draft finance application prior to submission.

You can learn more here about how Growth Gateway can help your business.