TECHNICAL DATA SHEET

COUNTER-GUARANTEE OF INDIVIDUAL BONDS AND ISSUE OF INDIVIDUAL BONDS

DEFINITION

The counter-guarantee of individual sureties of building and public works contracts aims at meeting the specific needs of financial guarantees (sureties) required by the contracting authorities to the companies of the public works industry, the building and the second work of the SME to secure the realization of their works. The counter-guarantee of individual guarantees facilitates to this end the obtaining of guarantees by these companies from the credit institutions.

It allows credit institutions to share with the ASF the risk of execution of bonds by the project owners in the context of issuing individual bonds for the bidding and/ or execution of public works contracts or contracts for the supply of strategic products in ASF member states.

The counter-guarantee of individual bonds contributes to the increase in the volume of signature financing (bonds) granted to SMEs/ SMIs bidding for or winning contracts by enabling them to carry out work or to obtain a bond quickly to respond to or compete for invitations to tender for public or private contracts while preserving their cash flow.

The FSA can also directly issue individual bonds to enable companies to compete for public contracts or contracts with controlled payment schemes, such as those of international organizations or private structures with a good signature.

The issuance of individual guarantees by the FSA or counter-guarantees of individual guarantees is limited to the construction markets and to products of strategic interest to the Member States. Eligible individual bank guarantees are:
- Bid bonds;
- Performance bonds;
- Advance payment bonds;
- Retention bonds.

TERMS OF GUARANTEE

Final Loss Guarantee if the Credit Institution issues the Guarantee.
First Demand Default Guarantee if the FSA issues the individual Guarantee directly.

CURRENCY

The individual guarantee or counter-guarantee is issued by the ASF in the currency of the financing. However, in addition to the local currencies of its member states, the ASF will give priority to interventions in Euro.

TARGET AUDIENCE / BENEFICIARIES

- Direct beneficiaries : Credit institutions and DFIs, national and international financial institutions, regional financial institutions whose action contributes to the integration of the economies of the ASF member states, the project owner if it is the ASF that issues the guarantee ;

- Indirect beneficiaries: Companies bidding for or winning contracts, all private or mixed companies, viable, having their headquarters and their main field of activities in one of the ASF member States.

ACTIVITIES AND ELIGIBLE OPERATIONS

- Sector: Construction or strategic commodity contracts of ASF member states.
- Operations: Bidding and execution of contracts.

REFERRAL

- The application for intervention, specifying the type and characteristics of the bond(s) requested, must be addressed to the Fund by :

- the company wishing to apply for an ASF guarantee in the context of a contract; or
- the credit institution or the NGF requesting the counter-guarantee of the guarantee(s) it has granted to a construction company.

- This request must be accompanied by:

- a copy of the tender or contract ;
- the Bank's risk analysis or summary note submitted to its decision-making authorities;
- a model of the bond or bonds to be issued;
- the company's certified financial statements as well as the company's administrative, legal and regulatory documents;
-a document showing the company's competence and experience in carrying out the contract, as well as related supporting documents;
- a document presenting the company's resources (organization, human resources (CV), equipment and materials) with the transmission of supporting documents to the FSA;
- authorizations and approvals;
- and any other documents deemed necessary by the ASF.
- If the request is submitted by a bank, its risk analysis on the contract to be executed is required.

QUOTA

The maximum percentage of coverage by the ASF is set at :
80% of the amount of the guarantee issued by a direct beneficiary in the context of a counter-guarantee intervention by the FSA; and at 100% for the issuance of a guarantee issued by the FSA.

In all cases, the nominal amount of the bond issued and/or the counter-guarantee granted by the ASF cannot be less than CFAF 50 million or exceed 30% of its effective equity.

FEES

- Commitment fee: ranging from 0.5% to 3% flat of the amount of the guarantee or counter-guarantee. It is payable immediately upon acceptance of the FSA's indicative offer; and

- Guarantee fee: ranging from 0.5% to 5.5% per indivisible quarter of the amount of the guarantee or counter-guarantee and payable at the beginning of each quarter following the duration of the guarantee.

SAFETY REQUIRED

Real and/or personal securities (mortgage, pledge or guarantee, etc.) are required as part of the counter-guarantee of the ASF. These securities are taken at the initiative of the applicant and are registered in his favour. Subrogation shall prevail as soon as the ASF makes a payment in the event of an appeal.
In the event of the issue of sureties, these securities shall be taken on the initiative of the ASF and shall be registered in its favour.

CALL AND PAYMENT OF THE INDIVIDUAL BANK LOAN GUARANTEE

The direct beneficiary of the counter-guarantee of sureties shall send the FSA a request for the enforcement of the counter-guarantee, with a request for acknowledgement of receipt or by express mail against discharge, which must specify the final loss it has suffered (settlement of the claim minus the sums recovered in the implementation of the other securities and reimbursement mechanisms). This letter must be accompanied by a detailed report and the documents agreed upon in the Counter Guarantee Agreement.

As soon as the call for counter-guarantee occurs under the conditions set forth in the Counter-Guarantee Agreement, the ASF shall pay to the direct beneficiary of the counter-guarantee, within a maximum of thirty (30) calendar days from the date of receipt of all the required documents, an advance payment equal to 50% of the amount of the guarantee.

The Final Loss Amount, calculated as set forth below, shall be paid upon completion of all collection procedures (amicable and judicial) and after transmission of proof of the Borrower's insolvency or a certificate of default. In any event, payment of the amount of the final loss must be made no later than thirty-six (36) months from the date of payment of the down payment.

In the event that individual bonds are issued, the ASF shall immediately proceed to compensate the Owner in accordance with the terms of the bond issued by the ASF.

MAIN COMMERCIAL ARGUMENTS OF THE COUNTER-GUARANTEE OF INDIVIDUAL GUARANTEES AND ISSUANCE OF INDIVIDUAL GUARANTEES

The counter-guarantee of contract bonds allows Credit Institutions and National Guarantee Funds to :

- Share the risk with the FSA, in the context of issuing bonds for the bidding and/or execution of construction contracts or contracts for the supply of strategic products in the Member States ;
- To increase the volume of signature financing granted to SMEs/SMIs by enabling them to compete in national markets thanks to the bonds ;
- To improve the quality of their portfolio as well as their solvency ratio, and consequently their financial situation with regard to the new Baltic-inspired prudential system ;
- To optimize the allocation of the effective banking equity, required by the same prudential system;
- To ensure immediate cash flow in case of risk deterioration, within the framework of the guarantee call ;

The issuance of bonds by the FSA and the counter-guarantee of bonds allow domestic firms to :

- Obtain bonds required to bid on and/or perform contracts ;
- Create wealth in the local economy: Added value and impact on households, public finances, shareholders or associates of the company, banks, job creation, maintenance of existing jobs ;
- Strengthen the impact of the private sector, especially SMEs/SMIs, on the national economy.

The issuance of bonds and the counter-guarantee of bonds allow the ASF to :

- Promote the emergence of «national champions» in its member states, especially SMEs/SMIs which will increasingly participate in tenders and/or the execution of public contracts on the national market ;
- Facilitate the bidding and execution of contracts by national enterprises ;
- Contribute to the fight against poverty by supporting SMEs/SMIs in accessing public contracts ;
- To contribute to the strengthening of support mechanisms for SMEs/SMIs in the Member States.