

The alternatives: projects, bonds, development banks

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Resource-backed loans are not the only way of financing a producer state. Project finance, which secures the loan against a specific asset, whether a mine, a refinery or a pipeline, with dedicated cash flows and its own governance, offers a transparency and a discipline that a loan secured against general production lacks. Bond issues on the international markets, which several African states have used, subject the borrower to rating and to public disclosure. As for loans from multilateral and bilateral development banks, which are cheaper, they come with economic policy conditions that states accept with varying degrees of willingness.¹ Geneva's trading houses and banks take part in these alternatives as arrangers, as investors or as project partners. The development institutions established in Geneva or operating from Geneva are their architects.

The choice between these instruments, which belongs to the states, depends on their situation: a state shut out of the bond markets by its rating and out of development finance by its arrears turns to resource-backed loans for want of anything better. Geneva's contribution to healthier financing for Africa therefore runs through the alternatives: the Geneva managers who subscribe to African bonds, the banks that finance projects, the impact and blended-finance funds described in Part K, and the development institutions that structure these transactions. Commodity trading is only one element of it.

1 Notes

1. African Business, February 2024, “Africa’s Eurobonds market roars back to life”: after the market had been closed throughout 2023, Côte d’Ivoire raised USD 2.6 billion in January 2024 (two bonds of nine and thirteen years, more than USD 8 billion in orders), Benin USD 750 million at 8.375% in February 2024 (its first dollar bond) and Kenya USD 1.5 billion at 10.375%, around USD 4.8 billion in total; IFC, “Global Trade Finance Program” (guarantees and financing from development institutions). ↩

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