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**Common Market for Eastern  
and Southern Africa**

**Case File No. CCC/MER/12/32/2021**

**Decision<sup>1</sup> of the Eighty-Second (82<sup>nd</sup>) Committee  
Responsible for Initial Determination Regarding the  
Proposed Merger involving the Investment Fund for  
Developing Countries, aBi Finance Holdings Limited, and aBi  
2020 Limited**

**ECONOMIC SECTOR: Banking and Financial Services**

**3 May 2022**

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<sup>1</sup> In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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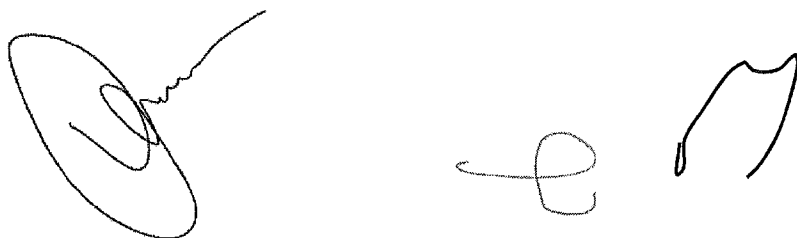
## Introduction and Relevant Background

1. On 19<sup>th</sup> January 2022, the COMESA Competition Commission (the "**Commission**") received a notification involving the Investment Fund for Developing Countries ("**IFU**"), aBi Finance Holdings Limited (the "**aBi Finance**" or the "**Primary Acquiring Undertaking**"), and aBi 2020 Limited, Article 24(1) of the COMESA Competition Regulations of 2004 (the "**Regulations**").
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations, referred to as the CID. The decision of the CID is set out below.

### The Parties

#### *The Acquiring Undertakings*

4. As at the date of the filing, aBi Finance is a special purpose vehicle and does not conduct any activities. Pursuant to the implementation of the Proposed Transaction, aBi Finance will be jointly controlled by IFU and aBi 2020 Limited (the Seller).
5. IFU was established by the Danish State in 1967 and is governed by the Danish Act on International Development Cooperation. IFU is Denmark's development finance institution acting as a Danish impact investor contributing to green, just and inclusive societies as well as supporting the Sustainable Development Goals in developing countries. IFU provides risk capital in the form of equity, loans and guarantees to companies operating in developing countries across Africa, Asia, Latin America and parts of Europe. The fund's revenues are comprised of income from interest, dividends and capital gains. IFU's investments are focused in five primary sectors: Healthy lives; Healthy foods; Financial inclusion; Energy, water and waste; and Transformational business.
6. In the Common Market, IFU either directly or indirectly has investments and certain reserved matters in Egypt, Kenya, Mauritius and Uganda. The entities in which IFU either directly or indirectly has investments and certain reserved matters in the Common Market operate in the following sectors: hospitality, automotive, energy, construction, aerospace, and coffee, as presented in Table 1 below:

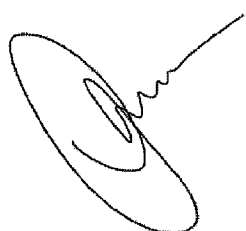


**Table 1 – IFU's Investee Companies in the Common Market**

Member State	Investee Entity	Sector
Egypt	Quasier hotel Company S.A.E	Hospitality
	Enara Bahrain Spy W.L.L	Energy
Kenya	Elgon Road Developments Limited	Hospitality
	African Spirit Group Limited (Kenya)	Hospitality
	African Coffee Roasters (EPZ) Limited	Coffee roasting and packaging
Mauritius	Aerial & Maritime Limited	Aerospace
	African Spirit Group Limited (Mauritius)	Hospitality
	Daystar Power Group	Energy
Uganda	Kjaer and Kjaer A/S	Automotive
	Motorcare Uganda Limited	Automotive

***The Primary Target Undertaking***

7. The Agricultural Business Initiative (“aBi”) is a multi-donor entity devoted to private sector agribusiness development. aBi was jointly founded by the Governments of Denmark and Uganda. aBi serves to support agribusiness development in the private sector to achieve the objective of the Government of Uganda’s Competitiveness and Investment Climate Strategy. aBi provides both financing and technical support in selected agricultural value chains and offers an integrated approach on value chain development.
8. The Primary Target Undertaking is the business of aBi 2020 Limited (which includes the assets, property and liabilities) and provides the following product offerings –
  - Lines of Credit: which are offered to financial institutions, including banks and Micro-FIs in order to facilitate lending to businesses across agriculture value chains;
  - Agriculture Loan Guarantees: which is a Scheme offered for financial institutions to share losses incurred through defaulting loans; and
  - Financial Service Development programme: through which aBi 2020 Limited provides matching grants to financial institutions to build institutional capacity for enhancing the provision of financial services and increase outreach in rural areas.
9. The Primary Target Undertaking conducts its activities only in Uganda.





## Jurisdiction of the Commission

10. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") provides that:

*Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:*

- a) *the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM\$ 50 million; and*
  - b) *the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM\$ 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*
11. The merging parties have operations in more than two COMESA Member States. The parties' combined annual asset value in the Common Market exceeds the threshold of USD 50 million and they each hold asset value of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide asset value within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

## Details of the Merger

12. The proposed transaction relates to the acquisition by aBi Finance of the entire business of aBi 2020 Limited (the "**Primary Target Undertaking**"), and the acquisition by IFU of aBi 2020 Limited's shareholding in aBi Finance and thus acquisition of sole, control over the Primary Target Undertaking (the "**Proposed Transaction**").
13. On implementation of the Proposed Transaction, the Primary Target Undertaking will be owned by aBi Finance, which in turn will be jointly controlled by aBi 2020 Limited (approximately 73%) and IFU (approximately 27%).
14. Further, IFU will, during the course of 2022, acquire aBi 2020 Limited's shareholding (approximately 73%) in aBi Finance and will thus ultimately acquire sole, unfettered control over aBi Finance and the Primary Target Undertaking. These transactions are inter-dependent and involve the same parties and have thus been considered as a single transaction notifiable under the Regulations.



## Competitive Assessment

### Relevant Markets

#### *Relevant Product Market*

15. The Primary Target Undertaking primarily provides lines of credit and other loan schemes to financial institutions targeting businesses across the agricultural value chains. The CID considered whether the target's product offerings could be segmented by type of product or size of the financial institution. The CID however resolved that an in-depth assessment of the relevant market in this case would be an academic exercise, as the clear lack of overlap between the parties' activities means that the Proposed Transaction is not capable of affecting any candidate relevant market. Premised on the foregoing, and without prejudice to the Commission's approach in the future, the relevant market is broadly construed as the wholesale provision of credit and loan facilities to financial institutions.

#### *Relevant Geographic Market*

16. It is noted that the target's activities are limited to the Ugandan market. The loans provided by the target are specifically targeted towards promoting the agricultural value chain by assisting financial institutions in Uganda. It is noted that international players engaged in wholesale provision of credit and loan facilities such as the French Development Agency<sup>2</sup> and USAID<sup>3</sup> are active in Uganda through their national branches or subsidiaries. Competing development banks or investors seeking to provide similar product offerings would require understanding and familiarity of the Ugandan sector and are likely to require a partnership with the Government to subsidise interest rates and financing risks. It is unlikely that international investors that do not have a national presence would be able to start servicing financial institutions in Uganda without incurring significant risks and within a short period of time. Based on the foregoing, it is concluded that the relevant geographic market for the wholesale provision of credit and loan facilities is Uganda.

#### **Market Shares and Concentration**

17. The CID noted the presence of other providers on the relevant market such as Soluti Finance, Oiko Credit, Microfinance Support Centre, French Development Agency, Yunus Social Business, USAID, and the Agricultural Credit Facility.

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<sup>2</sup> <https://www.afd.fr/en/page-region-pays/uganda>

<sup>3</sup> <https://www.usaid.gov/uganda>



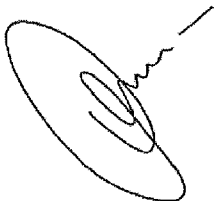
18. In any event, it is noted that the market structure would remain unaltered as given that IFU did not operate in the relevant market pre-merger and further that its activities in Uganda are limited to the automotive sector.
19. Barriers to entry into the wholesale lending segment would manifest in terms of regulatory licensing (in this case from the Uganda Microfinance Regulatory Authority), brand awareness through partnership with local institutions or establishment of local presence. This notwithstanding, the Proposed Transaction will not affect the structure of the market and would thus not contribute to heightening barriers to entry/ expansion or exit.
20. There is no overlap in the activities of the merging parties prior to the notified transaction. The aim of the target business is to provide assistance to businesses across the agricultural value chains. While the transaction is expected to contribute to improving the merged entity's market offering in the long run, the transaction in itself does not create incentives for the parties to engage in unilateral conduct in the foreseeable future and will unlikely lead to a creation or strengthening of market power for either party in the relevant market.
21. In the current case, the CID notes that the transaction may result in improved product offerings which would facilitate businesses in the agricultural value chains access to credit, thus promoting the agribusiness and financial sectors in Uganda. As a result of the enhanced product offerings, the merger is likely to be beneficial to customers in Uganda.

### **Third-Party Views**

22. Submissions were received from Egypt and Mauritius, which confirmed that the Proposed Transaction does not raise any concerns given that the parties do not operate in the same Member State.

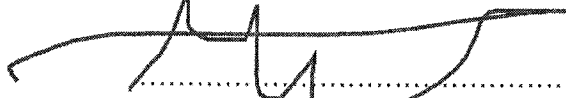
### **Determination**

23. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest.
24. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.

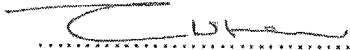


25. The CID therefore approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 3<sup>rd</sup> day of May 2022



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Commissioner Mahmoud Momtaz (Chairperson)



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Commissioner Vincent Nkhoma



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Commissioner Islam Tagelsir Ahmed Alhasan

