

“Africoin”

—A roadmap to higher value addition in
Africa’s cotton market.

Abah Ofon

aofon@Afreximbank.com

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About Afreximbank

The African Export-Import Bank (Afreximbank) was established in October 1993, under the auspices of the African Development Bank, as a pan-African financial institution.

It functions as an international public-private partnership whose purpose is to accelerate the growth of trade in Africa.

The Bank is headquartered in Cairo and has 3 regional offices in:

- Harare, Zimbabwe
- Abuja, Nigeria and
- Abidjan, Cote d'Ivoire

Negotiations are underway for a fourth branch in East Africa.

The authorized share capital of the Bank is US\$5 billion. The Bank has credit ratings of Baa1 by Moody's, BBB+ by Global Credit Rating Co. (GCR) and BBB- by Fitch Ratings

Afreximbank's capital is currently divided into 4 share classes:

- Class A: comprises African states and their designated institutions, the AfDB and African regional and sub-regional institutions;
 - Class B: comprises African financial institutions and private investors;
 - Class C: comprises IFIs, non-African banks and financial institutions and non-African public and private investors; and
 - Class D: Created in 2012 and launched in August 2017 under which fully paid shares can be held by any investor.
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- From a total membership of 32 African countries at inception the Bank now has 49 participant and shareholder member states, accounting for 94.3% of total African population, 88.6% of African GDP and 85.9% of total African trade (May 2018)

IMPACT 2021 – Africa Transformed

The Fifth Strategic Plan for 2017 – 2021 was launched in December 2016 and will focus on four broad areas

Intra-African Trade

- Promote and finance intra-African trade; and trade with the African diaspora;
- The strategy is conceived around three themes: Create, Connect, and Deliver, with Measure as an ancillary theme (CCDm);
- The philosophy behind CCDm is that building solid export manufacturing capacities as well as domestic and continental supply chains will facilitate an increase in the flow of goods and services across borders in Africa. "Measure" introduces monitoring mechanisms to track program during implementation
- CCDm will bring together key players in intra-African trade—farmers, processors, manufacturers, tradable services providers, traders, financiers, logistics providers, and policymakers.
- The Board of Directors approved the separate Intra-African Trade Strategy in April 2016.

Industrialization and Export Development

- Framed around three themes: Catalyze, Produce, and Trade (CPT).
- **Catalyst:** Promote "soft" and "hard" infrastructure developments. The Bank intends to act as a catalyst for industrialisation and export development in Africa by directly addressing the constraints to industrialisation by facilitating the production of value-added exports and services, while ensuring that the produced goods and services are traded.
- **Produce:** Finance and support activities that improve efficiency and quality in production of goods and services
- **Trade:** Facilitate trading through financing and supporting to institutions that provide market access

Trade Finance Leadership

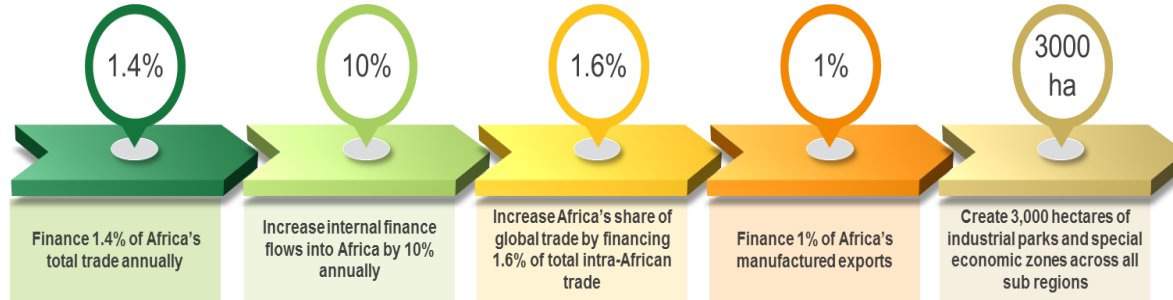
- Fill the gaps in trade services created by reduced activities of international banks in Africa resulting from high compliance costs and economic uncertainties.
- The Bank's interventions will be provided through financial and non-financial instruments.:
- **Financial:** Focus will be on providing trade services; trade finance (short-term products, incl. import/export finance); specialized products (incl. forfaiting and supply chain finance); and guarantees.
- **Non-financial:** Focus on improving the capacity of Africans in the area of trade finance and to undertake trade negotiations and pursue, or lead, the implementation of initiatives aimed at making Africa-related trade information widely available in a cost-effective manner.

Financial Soundness and Performance

- The Bank recognizes that for it to have a meaningful impact on African trade, it must be of significant size and be financially sound so as to earn the continued respect of its clients and attain its strategic objectives.
- The Bank plans to be adequately capitalized and will seek to improve its credit ratings. In addition, the Bank will introduce innovative initiatives aimed at achieving a source of permanent capital and improving overall capital management.
- The Bank aims to achieve improved and sound earnings, secure sufficient liquidity (reducing over-reliance on non-African sources), develop a solid loan portfolio, and have in place sound risk management and corporate governance processes.
- The Bank's Central Bank Deposit Programme (CENDEP) will be deepened, and the Bank's risk management capability will continue to be strengthened to accommodate the growth anticipated under the 2017–21 strategic plan.

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Macro / Developmental Objectives:

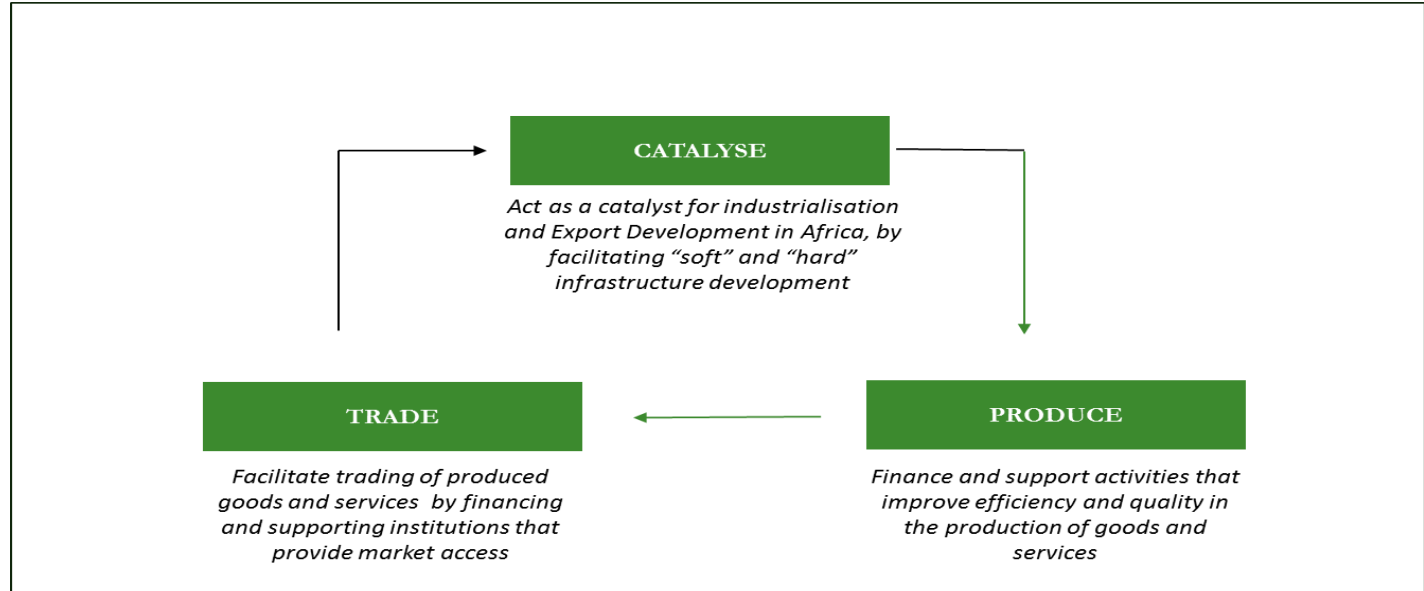


Corporate Strategic Objectives:



Snapshot of the Industrialisation and Export Development Strategy

Aide memoire: The Bank under its 5th Strategic Plan (2017-2021) has identified the I&EDS as one of the pillars to deliver on its mandate.

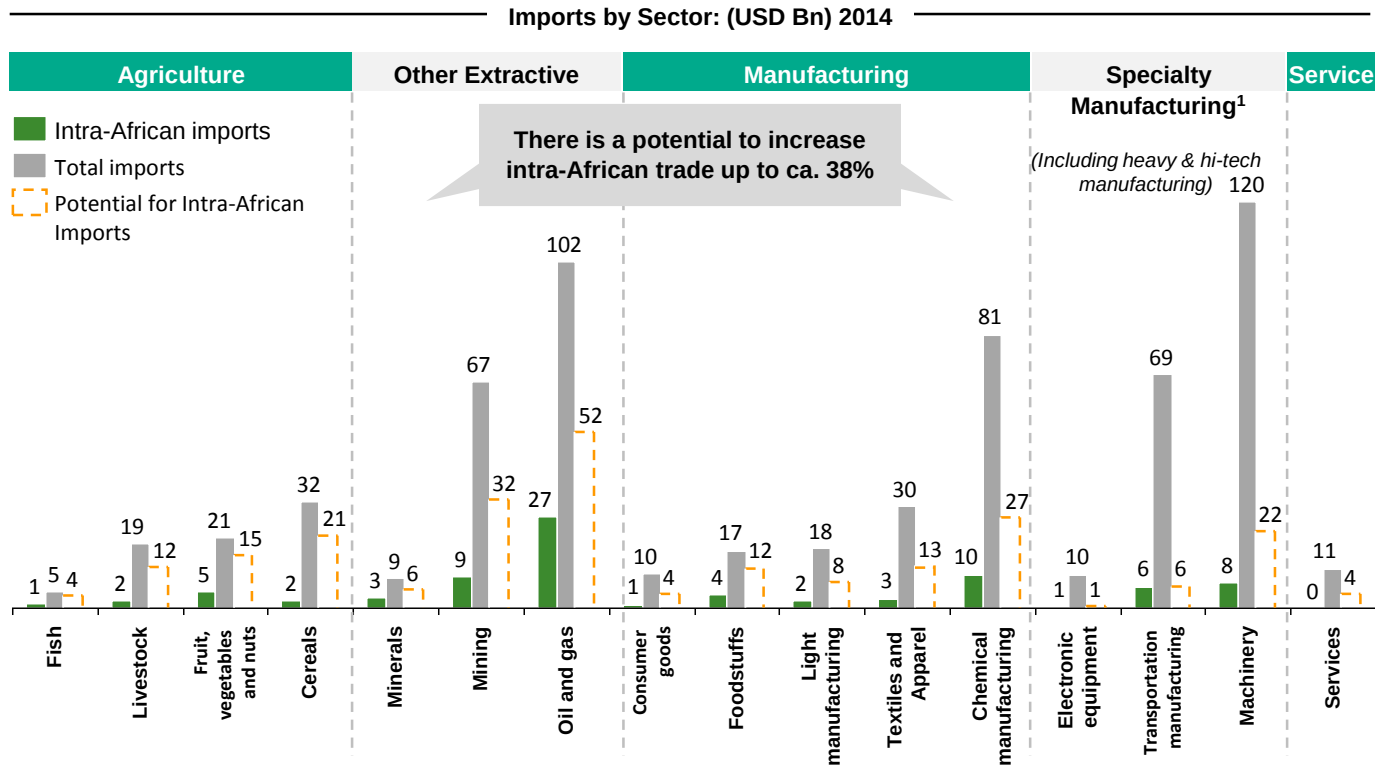


Afreximbank's African Cocoa Initiative (AFRICOIN Phase 1)

- ❑ In 2012, Afreximbank, launched the Africa Cocoa Initiative (AFRICOIN-Phase 1) to provide an End-to-End solution (upstream, midstream and downstream) to the African cocoa sector.
- ❑ AFRICOIN is aimed at providing solutions as follows:
 - **Upstream-Production:** facilitate the growth in cocoa beans production by supporting productivity improvement initiatives, plantation expansion and technical assistance services to selected players in the African cocoa industry;
 - **Midstream-Processing:** support deeper integration of the African cocoa economy into the global value chain by expanding processing of raw cocoa into industrial cocoa (cocoa liquor, cocoa powder and cocoa butter) to feed manufacturing plants in Europe, North America and Asia; and
 - **Downstream-Consumption:** promote consumption of cocoa products in Africa, Asia and the Middle-East.

Supporting cotton through AFRICOIN P.2 from Farm— Consumption (incl Intra-African Trade)

Effective matching of supply and demand, by substituting global sources for African sources, can increase intra-African trade up to ca.38%



The Programme is implemented through Partnerships with major players in the industry. Within Cotton the Bank has highlighted a potential partnership with CmiA



About the entity

The Cotton made in Africa is an initiative that aims to improve the living conditions of cotton farmers in **Sub-Saharan Africa** through trade. At the same time, the entity establishes an international alliance of **textile companies** who purchase the Cotton made in Africa raw material and pay a licensing fee to use the seal.

Industry: Textiles

Location: Sub- Saharan Africa

"We are pleased, with CmiA in Ethiopia, to supply the basis for a textile industry in which sustainability plays a crucial role from the fields all the way to the product. This can contribute to better value creation in Ethiopia and help millions of people gain employment and prosperity." Tina Stridde, Managing Director of Cotton Made in Africa

A focus on trade

Cotton made in Africa is an initiative of the Aid by Trade Foundation. With the support of various partners the foundation focuses on **aid by trade**. Beyond supporting **sustainable cultivation of agricultural and forestry products**, the long-term aim is to further develop the value chains in those countries where the **raw materials are produced** in order to generate maximum added value. Africa is thus the foundation's first regional promotion focus.

Through agricultural training, Cotton made in Africa provides cotton farmers in Sub-Saharan Africa with **improved and sustainable farming methods** that comply with CmiA standards. The knowledge farmers receive not only protects people and nature, most importantly, it also helps them generate higher yields and incomes.

Future plans

Cotton Made in Africa aims to continue improving the living conditions of African smallholders and to promote environmentally friendly cotton production.

Partnership benefits

Afreximbank can harness a partnership with CmiA to increase cotton exports. Owing to CmiA's policy of sustainable farming methods, Afreximbank can leverage on this to facilitate trade in Africa through the promotion of sustainable African business practices.

CASE STUDY—Afreximbank cotton financing in West Africa

- **Region:** West Africa
- **Facility type:** Revolving Pre-export receivables-backed facility
- **Purpose:** Procurement of cotton seeds for export
- **Facility Structure:** Against original warehouse receipts/Against firm exports contracts
- **Compliance with the Bank's mandate:**
 - Export-generating business
 - Promoting value-addition on the continent
- **Proof of additionality?**
 - Post-turmoil support
 - Competitive/affordable financing
- **Development Impact:**
 - Contribution to GDP/Export revenue/Employment
 - Direct and indirect contribution to productivity/ Farmer education/technical assistance
- **Environmental and Social Considerations**

The Initiative will support key activities in the cotton value chain, including:

- ✓ Plantation expansion and productivity improvements;
- ✓ Imports and/or domestic production of cotton production inputs;
- ✓ Expansion and/or refurbishment of existing processing (ginning)/manufacturing plants;
- ✓ Establishment of new processing (ginning)/manufacturing plants; and
- ✓ Promotion of finished and semi finished consumption in Africa but also globally.

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