

# Supporting African Trade & Development

## The Afreximbank Approach

tralac Annual Conference

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# Outline

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4. Financing Instruments
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# Afreximbank - Corporate Profile

## Who We Are

- A pan-African multilateral trade finance institution created in 1993 under the auspices of the African Development Bank.

## Vision

- To be the Trade Finance Bank of Africa.

## Mission

- To stimulate a consistent expansion and diversification of African trade to rapidly increase Africa's share of global trade; and in doing so, to operate as a first-class, profit-oriented, socially responsible financial institution and a "Centre of Excellence in African Trade Matters."

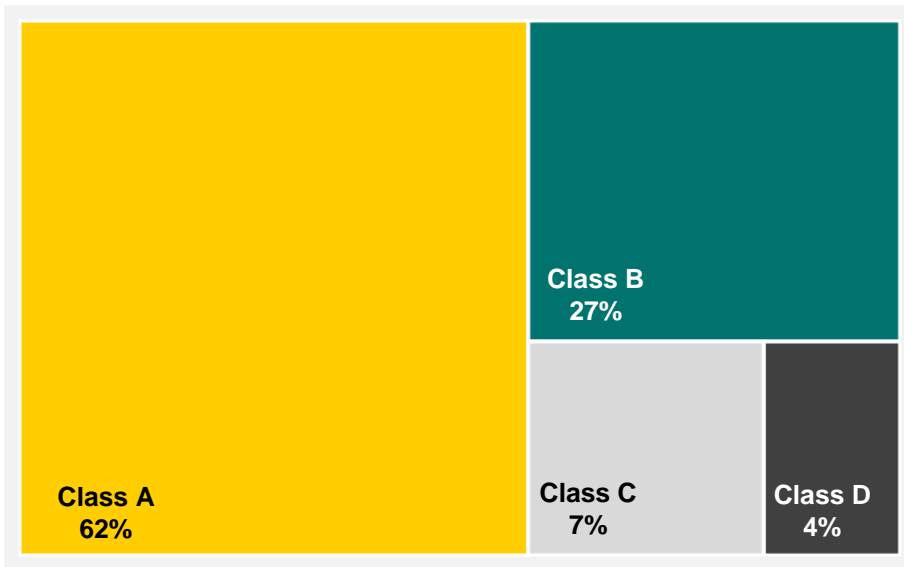
## Mandate

- The mandate of the Bank is to finance, promote and facilitate intra- and extra-African trade while operating commercially through three broad services:
  - Credit (trade & project financing)
  - Risk Bearing (guarantees & credit insurance)
  - Trade information & advisory services

## Physical Presence

- With 52 participating African member countries, Afreximbank is headquartered in Cairo, Egypt and has five regional offices
  - Abuja, Nigeria - Anglophone West Africa
  - Abidjan, Côte d'Ivoire - Francophone West Africa
  - Harare, Zimbabwe - Southern Africa
  - Kampala, Uganda - East Africa
  - Yaoundé, Cameroon - Central Africa.

# Shareholding & Financial Highlights



Preferred creditor status	Investment grade ratings by Moody's (Baa1) / Fitch (BBB) / GCR (A) and JCR (A-)
Consistent profitability Return on Average Equity of 9.91%	Strong Capital Adequacy Ratio of 27%, with Shareholders Funds of US\$5.2bn
Low Non-Performing Loans Ratio of 3.4% Low Cost-to-Income Ratio of 21%	92% of facilities secured, more than 50% outside obligor's country

- **Class "A"** Comprising of African governments and/or their designated institutions and African multilateral institutions
- **Class "B"** African financial institutions and African private investors
- **Class "C"** Non-African financial institutions
- **Class "D"** Open to subscription by any investor, African or non-African through the Bank's Depository Receipts

# Plan VI: Impact 2022 - Extending the Frontiers

## Pillar 1

### IAT & AfCFTA Implementation



- Promote and finance intra-African trade and investment
- Facilitate intra-African Trade

## Pillar 2

### Industrialisation & Export Development



- Promote and support export manufacturing
- Promote industrialization (Industrial Parks, SEZs, Agro-processing Zones)

## Pillar 3

### Leadership in Global Trade Banking in Africa



- Expand and deepen trade finance offerings
- Improve Africa's capacity in trade and access to trade finance

## Pillar 4

### Financial Sustainability



- Maintain solid profitability, liquidity, capital adequacy and asset quality.
- Make a meaningful impact on African trade

# Financing Instruments

- Afreximbank has focused on its mandate, **always putting Africa first**. The Bank is well prepared and committed to supporting export manufacturing and the emergence of regional value chains in the continent in support of an AfCFTA-led industrialisation.
- During the Plan V strategic period Afreximbank **disbursed over US\$20 billion in facilities**, on cumulative basis, in support of intra-African trade and it is our goal to **increase this to US\$40 billion** under the current period up to 2026.
- To sustain this tempo, the Bank has developed a suite of financing products and programmes, which formulate the Bank's envisioned interventions in **providing tailored financing or advisory services** as well as technical assistance in support of exports and exporters.

# Key Financing Programmes and Facilities

<b>Trade Finance</b>	Pre-Export and Post-shipment financing, structured & Commodity Finance with Collateral Management.
<b>Line of Credit</b>	Export and import line of credit, pre- and post-export financing, letters of credit confirmation and correspondent banking services.
<b>Note Purchase</b>	Purchase of promissory notes or similar instruments providing financing to corporates; recourse to issuer and acceptor.
<b>Direct Financing</b>	Direct lending to entities with a balance sheet of at least US\$ 2m and annual revenue of more than US\$ 10m. Pre- and post-export financing up to a max 80% value.
<b>Future Flow Pre-Financing</b>	Future-flow debt offerings that rely upon receivables not generated from export of physical goods e.g. credit cards, royalties and migrant remittances.
<b>Receivables Purchase/Discounting</b>	Purchase of specific receivables of goods and services sold to foreign or domestic buyers.
<b>Asset-Backed Lending</b>	African content promotion in Africa's oil, gas and other mining sectors, maritime transport, railways and airline industries.
<b>Project Related-Financing</b>	Limited recourse financing in support of export projects (e.g. mining, manufacturing & related projects), and infrastructure projects (e.g. power, ports and telecom).

# Key Financing Programmes and Facilities...cont'd

LCs and LC refinancing	Intra-African Export Financing Facility	Packing Credit Finance and Guarantee	Intra-African Trade Services Support Facility
To enable Exporters, procure goods, The Bank will make available its whole suite of trade products and facilities, including Domestic and foreign Letters of Credit for importation of raw materials / goods and refinancing of those LCs to make payment to suppliers.	Line of credit and guarantees with specialized instruments provided to FIs to provide pre and/or post shipment financing to Exporters in support of eligible exports from one African country to another. Those instruments include for example working capital finance, discounting LCs, discounting export bills, and factoring.	Loan or advances given to exporters to support them in financing the purchase, processing, manufacturing and packing of goods prior to shipment. Could also be in form of a guarantee on behalf of exporters, thus making them more viable and acceptable to buyers and able to participate in international export transactions	Specialized products designed to reduce the risks and uncertainties associated with Intra-African commercial transactions in which Afreximbank acts as intermediary to facilitate the flow of documents and payments, such as LC Confirmation, advising, negotiation, reissuance, reimbursement, Bills for Collection, and Open Account related services.



# Key Financing Programmes and Facilities...cont'd

Supply Chain Finance Guarantee	Contracting Related Guarantees	Export Contract Availability Guarantee	Country Risk and Investment Guarantee Programmes
<p>This guarantee programme is provided to Exporters against risks of not being paid by the Buyer on agreed maturity date in relation to open account trade.</p>	<p>To confirm/reissue a range of specialized guarantees including bid bonds, performance bonds, advance payment guarantees and retention bonds issued by financial institutions to African corporates and contracting companies to conduct construction services in other African countries.</p>	<p>To enable African exporters secure long-term export contracts with bank financing. The Guarantee will cover the risk associated with situations where the Contract against which financing has been provided becomes unavailable before an agreed period.</p>	<p>The purpose of these programmes is to make the sovereign risk of countries more acceptable to investors that are interested in investing in Africa. Through the Investment Guarantee Facility, Afreximbank will provide guarantees to investors in Africa that protect them against the risk of expropriation of capital, dividends and other specified government action that may hinder normal business operations, repatriation of profit, scarcity of forex, etc.</p>

# Key Financing Programmes and Facilities...cont'd

- ❑ We have created an **Afreximbank Trade Finance Facility (AFTRAF)**, through which we are helping African countries and their financial systems manage the withdrawal of trade finance and trade services support by international banks by onboarding over 500 of the continent's 600 regulated commercial banks and providing them with **Trade Credit Confirmation Lines** and **Direct Credit Lines**.
  - Target - US\$8 billion of AFTRAF lines to African banks by 2026
  - Disbursed - Over US\$5 billion already disbursed as December 2022
  
- ❑ Afreximbank is also capacitating African banks and **investors to acquire international banks** divesting from the continent by providing them the required financing to buy-out these banks. So far, we have helped African banks to acquire banks in Guinea, Burkina Faso, Egypt, and Nigeria with additional acquisitions amounting to over US\$1.5 billion being processed in Nigeria, Togo, Mauritius, Egypt, and the United Kingdom.

# Trade Facilitation Programmes and Initiatives

- In addition to the trade finance and guarantee solutions, the Bank is also championing a number of key initiatives designed to support and **boost intra-African trade.**
- The Bank's interventions are designed to facilitate:
  - **industrialization** and **localisation** of **value addition** and **manufacturing**
  - **improved competitiveness**
  - **market access** and seamless **payment** for intra-African trade.

# AfCFTA Adjustment Fund

- Tariff revenue losses estimated at \$3.2 - \$4.1 billion (UNCTAD)  
\$1.9 billion (UNECA)  
1- 5 percent of GDP (IMF)
- The Bank has committed \$1billion for the Credit Fund and provided a \$10million grant funding for the Base Fund.
- The Adjustment Fund will address infrastructure challenges, creation of RVCs, African industrialisation, retooling, reskilling of businesses, etc.
- Afreximbank has been appointed Fund Manager

- The AfCFTA will create significant general and long-term benefits across the continent and stimulate structural transformation.
- However, as with any major trade liberalisation regime, the AfCFTA may introduce near-term disruptions.
- The Bank has been mandated by AU Assembly of Heads of State to work with the AfCFTA Secretariat to establish and operate an AfCFTA Adjustment Fund.

## Base Fund

Contributions from State Parties, grants and technical assistance funds to address tariff revenue losses and support countries to implement the AfCFTA Agreement

## General Fund

Concessional funding essentially for development of both hard and soft trade enabling infrastructure

## Credit Fund

Commercial funding to support both public and private sectors adjust and improve competitiveness to take advantage of the opportunities created by the AfCFTA

# The Africa Trade Gateway (ATG)

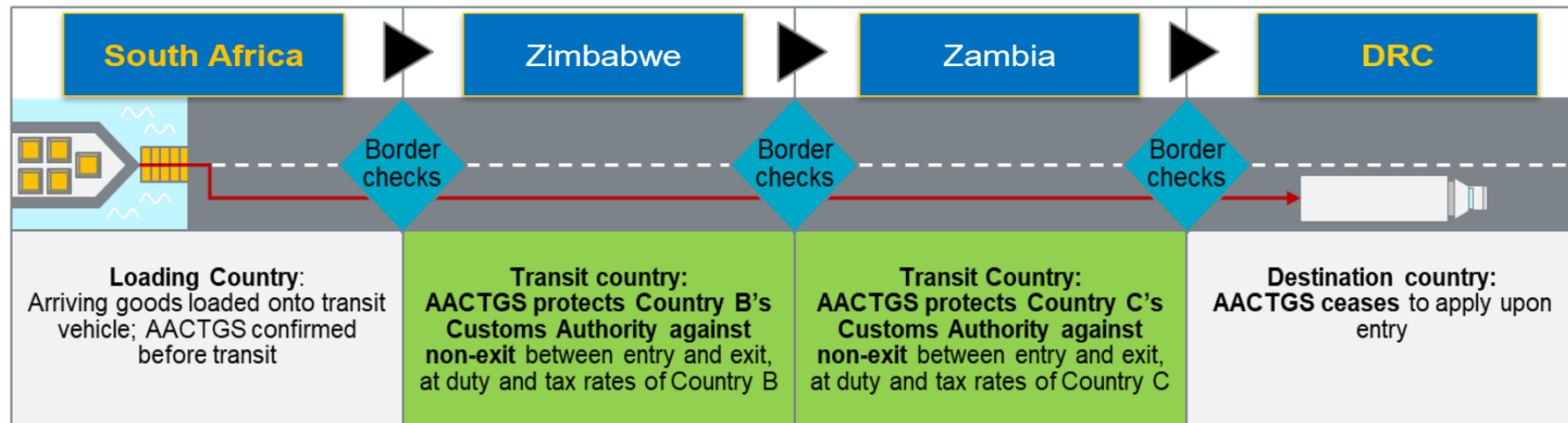
**Recent technological advancements have created the opportunity for Africa to adopt leapfrog technologies that will accelerate the pace of economic development, accelerate intra-African trade and investment and improve competitiveness of African exports**



**Afreximbank in collaboration with key the AfCFTA Secretariat is creating a digital ecosystem that will accelerate intra-African trade through the elimination or significant reduction of major bottlenecks to trade and financial flows within the continent.**

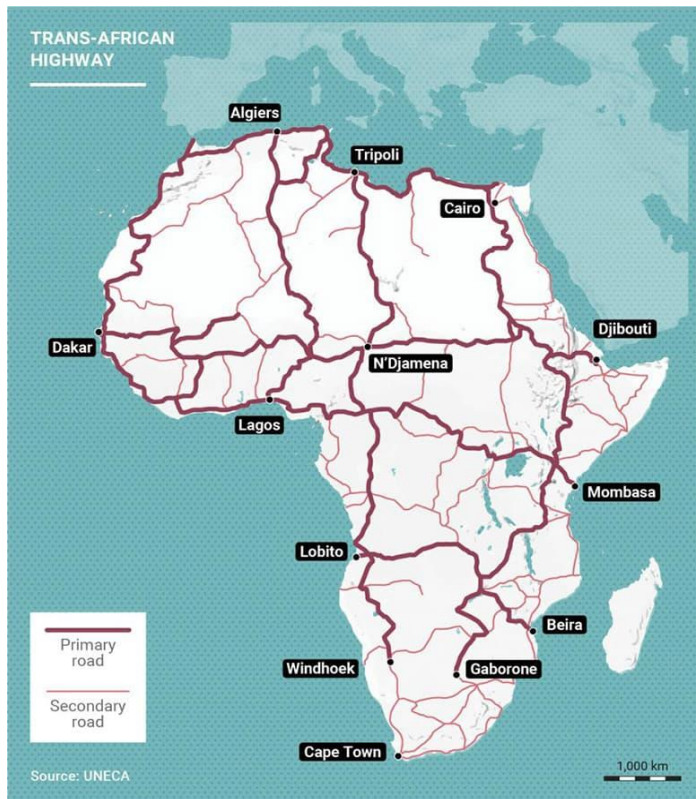
# The Africa Collaborative Transit Guarantee Scheme

- Transit costs add to already high transportation costs in Africa, which affects intra-African trade and industrialisation (\$450/truck/day).
- In order to address the transit challenges, Afreximbank working with the AfCFTA Secretariat developed the African Collaborative Transit Guarantee Scheme with the objective to allow goods to move throughout the continent under a single technology-enabled continental customs bond to promote intra-African trade under the AfCFTA.
- The Bank has committed US\$1 billion for the project**, which is expected to lead to **cost savings of more than US\$300 million/year**.



# The Africa Collaborative Transit Guarantee Scheme

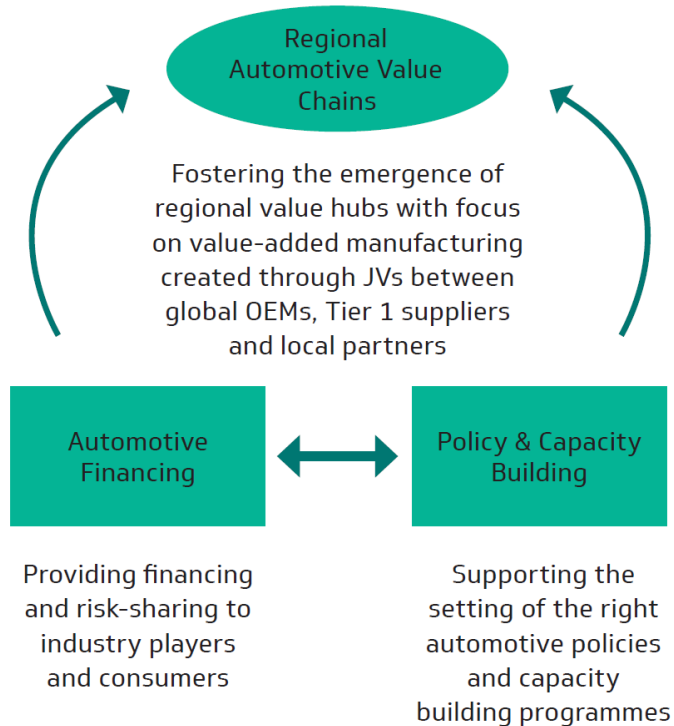
Key transit routes critical for intra-African trade



A single transit bond from *Cape Town to Cairo* or *Dakar to Mombasa* under the AfCFTA



# The Africa Automotive Strategy



- Afreximbank, working with the AfCFTA Secretariat, the African Union Commission and AAAM has developed a comprehensive continental automotive strategy, which aims to catalyse the development of a sustainable automotive industry in Africa.
- It encompasses tailor-made financial and non-financial products and services founded on 3 strategic pillars
- **Afreximbank has committed \$1billion** to support the initiative, which is available to any investor in the automotive value chain.
- An integrated and developed auto industry will have very positive industrial, technology, skills and employment impact on Africa.
- It is imperative that we stop (or significantly reduce) the importation of used vehicles and improve local production of cars in the continent.
- The Auto Fund will operate on the back of AfCFTA Rules Of Origin (RoO) and is expected to contribute to the development of significant regional value chains.



# Export Trading Companies (ETCs)

- ETCs play a vital role in terms of aggregating products to achieve economies of scale, providing market information and assisting corporates, SMEs and informal cross-border traders to participate in international trade.
- ETCs played a vital role in facilitating exports and industrialization in Japan (Marubeni, Mitsui, Mitsubishi, Toyota) and Korea (Samsung, Hyundai).
- The Bank launched its Strategy on ETCs in June 2019 and it provides a range of financing and trade facilitation services, to support their establishment including:
  - Technical support in form of project preparation facilities for setting up ETCs.
  - Advisory and Twinning Services (Mandates)
  - Capacity building and stakeholder sensitisation.
  - Advocacy and promotion of the African ETC concept
  - A suite of financing products including equity support, corporate and project finance, trade finance, investment and country risk guarantees.

# Africa Quality Assurance Centres (AQACs)

- A lot of African exports are frequently rejected not only by Western countries but also by fellow African countries due to non-compliance with standards and technical specifications.
- Afreximbank is supporting the establishment of internationally accredited quality assurance centres across the continent.
- A pilot project in Nigeria is already functional and three more centres will be built in Egypt, Ethiopia and Tanzania.
- The Bank is also working with African standards authority - ARSO on policy issues to improve standards and compliance to international regulations in order to boost exports.
- The AQACs will provide conformity assessment services such as testing, inspection and product certification as well as training.
- The aim is to have one set of African standards replacing the multiple national standards, tests certificates and inspections.



# Creatives Economy Strategy

The creatives and cultural industries sector is increasingly being recognized as a significant and meaningful contributor to Africa's economy and structural transformation agenda. However, while Africa has a deep pool of talents, it lacks the infrastructure, organization and capacity to commercialize its creative talents and reap the vast fortunes lying in wait.

- Increase Africa's share of global cultural trade flows
- Develop specialized financial products to support the creatives and cultural industries ecosystem
- Facilitate technical capacity building programs that enable export grade production
- Facilitate market access to high value demand hubs
- Advocate for harmonized regulatory reforms especially in relation to IP rights and taxes.

- 01 **Financing**
- 02 **Capacity Building**
- 03 **Export & Investment Promotion**
- 04 **Linkages & Partnerships**
- 05 **Digital Solutions**
- 06 **Policy Advocacy**

The Bank has provided a **US\$1 billion Fund** dedicated to support the sector over the next two years, in the form of direct equity investments, venture capital investments, accelerator programmes for start-ups, feature film financing, music production financing, recoupable grants and some non-recoupable grants, amongst others.

# Fund for Export Development in Africa (FEDA)

- The Fund for Export Development in Africa (FEDA) is the development impact investment platform sponsored by Afreximbank to implement the Bank's equity investment mandate across Africa.
- FEDA's primary objective is to provide developmental equity and quasi-equity capital to companies that are involved in intra-African trade and export development/manufacturing in Africa.
- FEDA was set up with the philosophy to execute:
  - Growth investing with a focus on development impact.
  - Partnership mindset to bring all relevant parties together to develop Africa.
  - Support intra-African trade, manufacturing and value-added export development.
- FEDA was created to address the \$110 Billion gap in equity financing on the continent
- It implements a multi-sector investment strategy along the intra-African trade and value-added export manufacturing value chain across Africa

# Intra-African Trade Fair (IATF)

- Lack of access to trade and market information has been identified as a key constraint against the growth of intra-African trade.
- In order to address this challenge, Afreximbank, in collaboration with the African Union Commission and the AfCFTA Secretariat, organise biennial continental Intra-African Trade Fair (IATF) as a platform where buyers, sellers and investors meet to consummate transactions.
- The IATF has become the AfCFTA Market Place and the go-to trade event in the continent and supporting the implementation of the AfCFTA.



**The IATF2023 will hold in November and will comprise of eight verticals as shown above**



## IATF2023 Projections

**\$43bn**

IN TRADE &  
INVESTMENT  
DEALS

**+35k**

VISITORS

**+75**

EXHIBITING  
COUNTRIES

**+1,600**

EXHIBITORS

**\$42.1bn**

IN TRADE &  
INVESTMENT  
DEALS

**+32k**

VISITORS

**69**

EXHIBITING COUNTRIES

**+1,501**

EXHIBITORS

## IATF2021 Outcomes

# Concluding Remarks

- We at Afreximbank believe that Africa now has the best opportunity to change its fortunes and take its rightful place in global trade with the adoption of the AfCFTA.
- While the AfCFTA provides an opportunity for Africa to energize intra-African trade and reduce the vulnerability of its economies to external shocks, the implementation of the Agreement will have complexities, given the large number, different nature and diverse stages of economic development of the Member States.
- Furthermore, addressing trade information gaps and working with the private sector are imperatives for the AfCFTA to succeed as actual trading ultimately rests with the private sector.
- Effective implementation of the AfCFTA will require finance, trade facilitation and investment in trade-enabling infrastructure to ensure that supply-side constraints are addressed, and market access benefits are fully realised.
- Afreximbank has shown strong support in championing the growth of intra-African trade and remains committed to ensuring that the potentials of a well implemented AfCFTA Agreement are delivered for the socio-economic benefit of the African People.



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Delivering the Vision  
Building Prosperity for Africans

# Thank you

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