



Abah Ofon, African Export-Import Bank

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# Project funding opportunities in the coffee sector:

## *An introduction to AFRICOIN*

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**US\$ 7.15 billion:** Price at which Nestle agreed to pay starbucks in May 2018 for the right to sell starbucks coffee products at retailers. Its 3<sup>rd</sup> biggest deal ever in its 152 year history.

**US\$ 5.1 billion:** Price at which coca-cola bought the costa coffee chain in September 2018. Its biggest acquisition in 8 years to leverage consumers globally seeking alternatives to sugary sodas.

**US\$ 1.75 trillion:** The value of the global market for coffee products including freshly brewed, instant and packaged coffee drinks (jingdata)

**These figures underscore the merits in building sustainable supply chains in Africa, which support entrepreneurial capacity and investments in the coffee value chain.**



## 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

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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 50 participant and shareholder member states, accounting for over 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

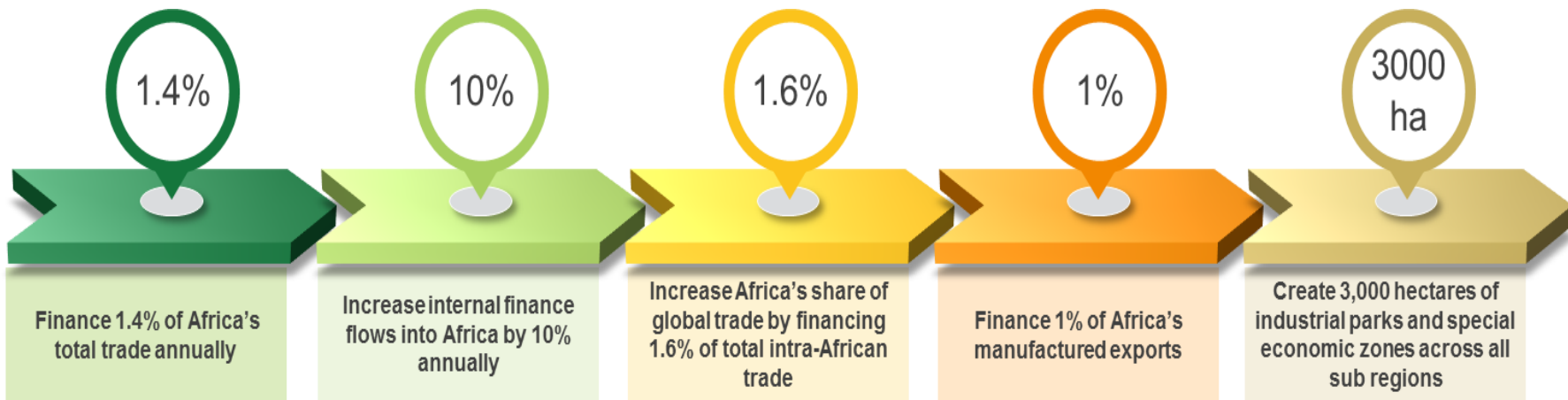
- Fill the gaps in trade services created by reduced activities of international banks in Africa resulting from high compliance costs and economic uncertainties.
- The Bank's interventions will be provided through financial and non-financial instruments.:
- **Financial:** Focus will be on providing trade 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.

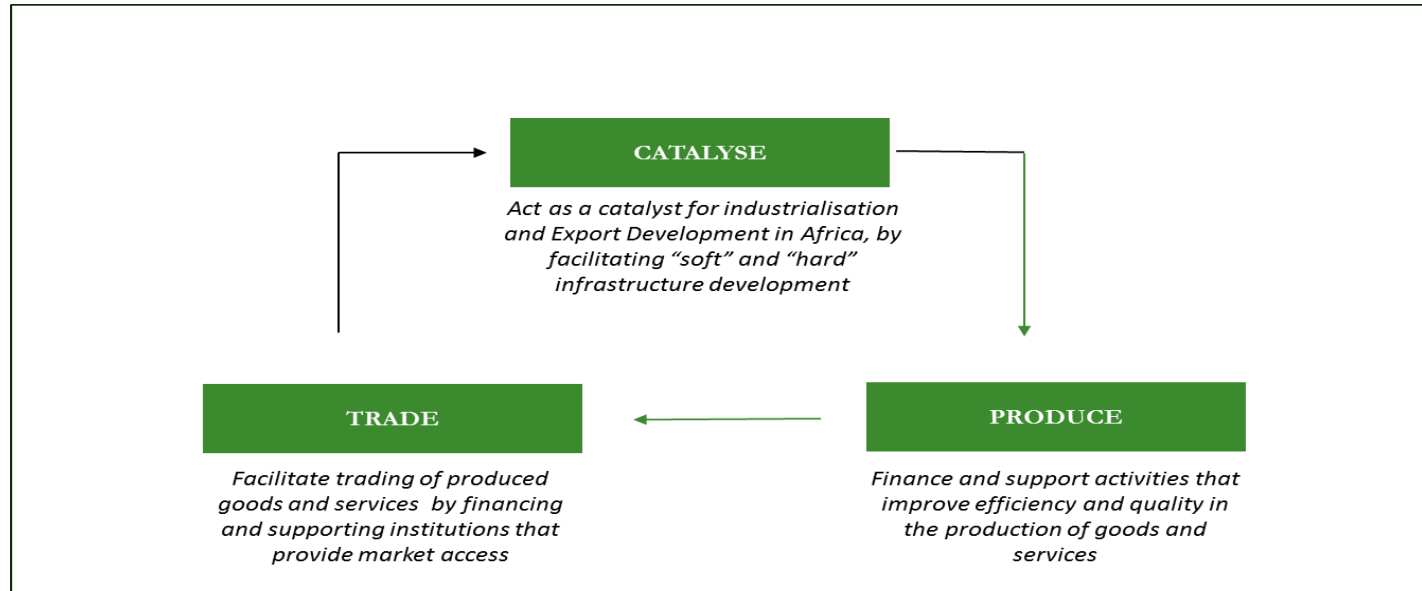
# IMPACT 2021 – Africa Transformed

Macro / Developmental Objectives:



# Snapshot of the Industrialisation and Export Development Strategy

Aide memoire: The Bank under its 5<sup>th</sup> 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 1 provided 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.



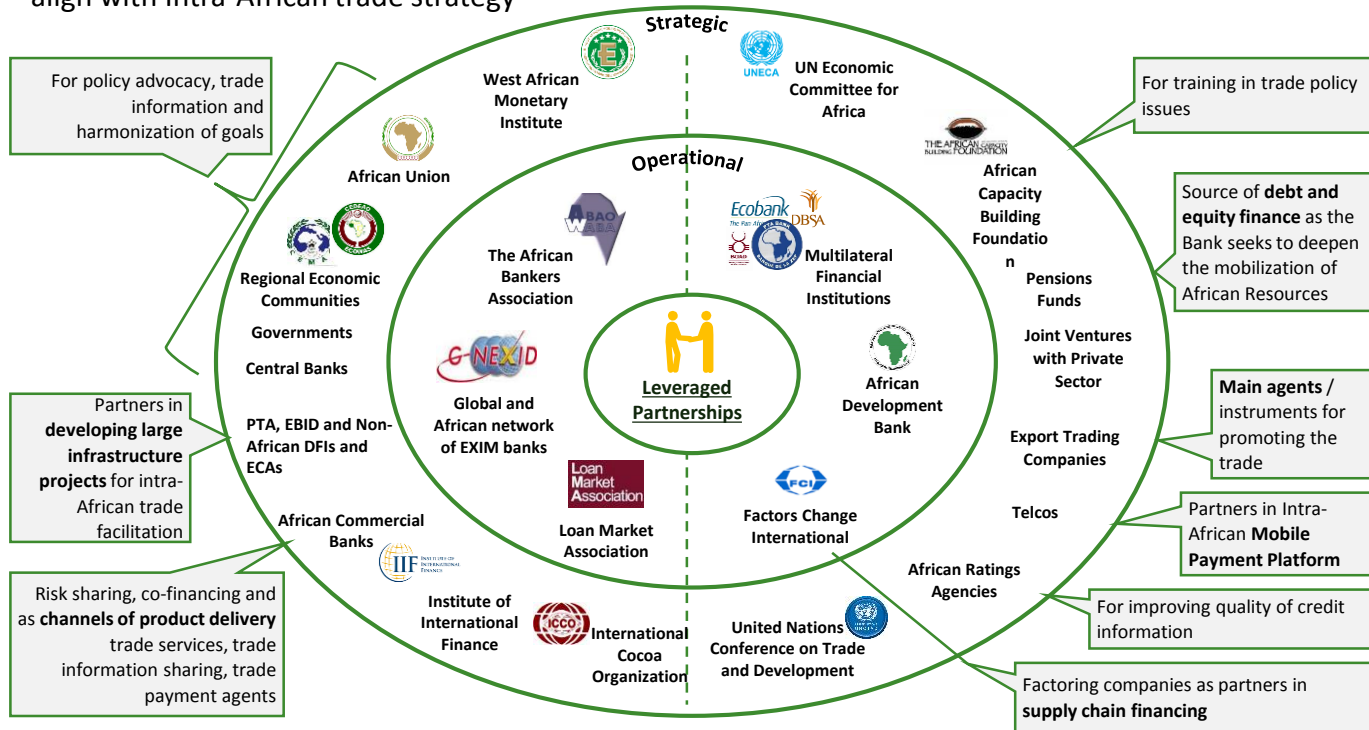


# Afreximbank's African COMMODITIES Initiative (AFRICOIN Phase 2)—the case for coffee

- **Upstream—Support for productivity improvement**
  - Through financing of production inputs (fertilizers, insecticides, etc); financing of new plantations and expansion of existing ones;
- **Midstream—Expansion of Roasting/processing capacity**
  - The Bank will finance expansion of processing capacity through imports of new equipment and refurbishment of existing plants
- **Downstream—Financing Consumption Promotion**
  - The Bank will work with its Partners to finance consumption promotion in origin countries, Africa and Asia.

# The Bank's financing programme is implemented through partnerships with major players in the commodity of interest

Some of Afreximbank's existing partners, shareholders and potential new partners identified that align with Intra-African trade strategy



Effective implementation of this strategy will require Afreximbank to ensure that all relationships with existing partners, shareholders and potential new partners are being utilised to their full potential in addressing the Intra-African Strategy

## Specific partnerships in the coffee industry

In pursuit of its strategy, the Bank is keen to leverage on partnerships with major players in the world coffee economy, including:

- i. Inter-African Coffee Organization (IACO);
- ii. International Coffee Organization (ICO);
- iii. African governments, especially those in coffee producing countries;
- iv. African Banks and Development Finance Institutions;
- v. African Entrepreneurs, through their organized private Sector including Coffee Producers Associations;
- vi. Global Coffee Companies and major coffee processors; and
- vii. Public and Private sector Coffee Institutions in Africa.



# How will the Bank intervene?

- **Credit (Trade and Project Finance)**

- The Bank's Export Development Programme combines credit, risk bearing, twinning, market access, and advisory services geared towards creating non-commodity export products for sale to a broad range of export markets.

- **Risk Bearing ( Guarantees and Credit Insurance)**

- For instance In November 2017, the Bank launched its new guarantee programme (AFGAP), with the objective of unlocking capital and leveraging financing into Africa. The aim is for the programme to play a major role in de-risking African transactions to make them more attractive to African and international investors and financiers. It will offer a wide range of credit enhancement solutions to African clients as part of the Bank's Exim-plus strategy that was developed by the Bank to position itself as a comprehensive trade facilitation and financing centre in Africa

- **Trade Information and Advisory Services**

- Technical and capacity building Provision of technical assistance to the players in the coffee sector in areas of capacity building among farmers, roasters and related counterparts in the value chain, including promotion of productivity growth and environmental protection.
- The Bank, with its partners such as Africa Capacity Building Foundation, will undertake capacity building programmes in origin countries.

## How to Access AFRICOIN

***The Initiative supports key activities in the coffee value chain, including:***

- ✓ Farm expansion and productivity improvements;
- ✓ Imports and/or domestic production of commodity farm inputs;
- ✓ Expansion and/or refurbishment of existing roasting/processing/manufacturing plants;
- ✓ Establishment of new processing/manufacturing plants; and
- ✓ Promotion of consumption in Africa, the middle East and Asia

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## ***Who is Eligible?***

- ✓ Private coffee sector participants, including input producers and importers;
- ✓ Entities with roasting/processing/manufacturing plants located in Africa;
- ✓ Governments and government agencies; and
- ✓ Multinational processing/manufacturing entities operating in Africa.





# Conclusion

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## ***Going Forward***

- The Bank will continue to leverage financing into the continent's commodities sector through:
  - Provision of investment and country risk guarantees to international investors and financiers seeking investment opportunities in the industry;
  - Provision of off-take contract guarantees to international banks;
  - Facilitating the issuance of bonds to finance key upstream activities and to support consumption initiatives.
- The Bank will also expand its direct financing activities in support of processors in Africa.

- The Bank will continue to facilitate productivity improvements and market access by:
  - Using its Intra African Trade Initiative (“IATI”) to support imports of farm inputs, particularly fertilizers, from North Africa, which is a net exporter of such inputs, into the rest of Africa; and
  - Work with governments and institutions to intensify its capacity building programmes.



"I'm still waking up OK, but recently I haven't been smelling the coffee."

**Thank You**  
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