



**Financing Africa's Cocoa Industry: Introducing
Afreximbank's Africa Cocoa Initiative**



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In this presentation, I shall:

1. Introduce the Bank – Afreximbank
2. highlight the role of finance and Afreximbank's response to the challenges, and
3. Conclude with recommendations.





1. Introduction





I am grateful to ICCO and the host organisers of this event, for giving me and Afreximbank the opportunity to share our thoughts on how we can provide financing and development in Africa's cocoa sector.





1.2 The Bank

- By way of introduction, Afreximbank is a Pan-African Multilateral Financial Institution created in 1993 as an international public private partnership to promote and finance intra- and extra-African trade.
- It is headquartered in Cairo, Egypt and has branch offices in Abuja (Nigeria) and Harare (Zimbabwe). It offers credit (trade and project finance), risk bearing and trade information/ advisory services.





The Bank currently has 4-classes of Shareholders, namely:

- **Class "A"**: made of African governments, African Development Bank (AfDB), African continental, regional and sub-regional financial institutions and economic organizations;
- **Class "B"**: made of African national financial institutions and the African private sector;
- **Class "C"**: made of International financial institutions, economic organizations, non-African financial institutions and non-African private sector; and
- **Class "D"**: open to subscription by any investor, African or non-African.





➤ The Bank, as at the end of 2013, had been assigned the following long-term credit ratings, each with stable outlook:

- Baa₂ by Moody's



- BBB- by S&P's



- BBB- by Fitch



➤ I am pleased to invite you to visit our website at:
www.afreximbank.com for more information on the Bank.





2. Afreximbank's Initiative Towards Transforming the African Cocoa Economy





2.1 Afreximbank African Cocoa Initiative (AFRICOIN)

- Afreximbank in 2012 launched a new initiative called Africa Cocoa Initiative (AFRICOIN) in line with its commitment to support the development of Africa's commodity sectors. This initiative was launched taking note of the Africa's limited involvement in the Global Cocoa value chain despite accounting for more than 70% share of the global cocoa output.
- AFRICOIN is aimed at providing a comprehensive solution to the above challenges confronting the cocoa sector in Africa. Specific objectives of this initiative include, among others:





- ✓ To facilitate the growth in cocoa beans production by supporting productivity improvement initiatives and plantation expansion and technical assistance services to selected players in the African cocoa industry.
- ✓ To support deeper integration of the African cocoa economy into the global value chain by aiding current national efforts at expanding processing of raw cocoa to industrial raw cocoa (cocoa liquor, cocoa powder and cocoa butter) to feed manufacturing plants in Europe, North America and Asia; and
- ✓ To promote consumption of cocoa products in Africa, Asia and the Middle East.



2.2 How Does Afreximbank intends to Achieve these?

➤ Development of the Upstream Segment of Africa's Cocoa Value Chain

- The Bank will work with governments of origin countries in Africa, relevant financial institutions and others to create appropriate funding pool for financing new cocoa plantings and other investments needed to modernize the cocoa sector.
- The Bank, for instance, intends to work with interested governments of origin countries to facilitate the issuance of Cocoa Bonds with proceeds of the bond issuances to be used to support productivity improvements in the short and long term:





- ✓ In the short term, it will be used to finance importation and domestic production of inputs (fertilizers, insecticides, pesticides and cutlasses, pruners etc.) and to finance the provision of extension services.
- ✓ In the long term it will be used to finance plantation expansion using high yielding early maturing varieties.
- Provide short term financing for the acquisition of inputs, including fertilizers, insecticides, herbicides, cutlasses, etc.
- Provide term funding for the establishment, expansion or refurbishment of input production plants in origin countries.



Development of the Downstream Segment of the Cocoa Value Chain

- Working with relevant African governments to drive strongly the cocoa industrialization agenda by facilitating cocoa processing into raw materials that enter industry.
- Under its Export Development Programme (EDP), the Bank provides financing and technical assistance for the development of manufacturing capacity of cocoa processing companies in origin countries.
- Through the EDP, the Bank also facilitates twinning between African and non-African businesses.



- Thus the Bank facilitates cooperation between international chocolate processing plants and their African counterparts a view to eliminating bottlenecks associated with exporting. This cooperation is usually in the form of Joint Ventures (JVs), long term off-take agreement (processing contracts), take-overs, etc.

- The Bank supports leading international names in the cocoa sector interested in taking advantage of AFRICOIN to invest in processing facilities in Africa. Our *Investment Guarantee* and *Country Risk Guarantee Facilities* are available to such investors.



- Through the AFRICOIN, the Bank has provides working capital financing and term funding to several processing companies in Africa. Some of deals executed by the Bank included:
 - ✓ €19.6 million to Cacao et Cafe - SA (CONDICAF) in 2012 to finance capital investment and to increase cocoa beans purchases from 12,000 metric tonnes to about 45,000 tonnes; and
 - ✓ US\$18 million to FTN Cocoa Processors of Nigeria to expand processing capacity from 10,000 metric tonnes to over 20,000 metric tonnes.



- The Bank also provided financing to the following cocoa processing companies:
 - ✓ US\$45.5 million to Societe Amer Et Freres Cacao (SAF-CACAO);
 - ✓ US\$13 Million Term Loan to Societe D'usage Et Conditionement Du Sud-Ouest (SUCSO); and
 - ✓ US\$13 Million to Choco Ivoire.

- Aside financing, the Bank also facilitated access to international markets to some of these entities by promoting Joint Ventures and/or creation of long term off-take contracts between international traders, equipment manufacturers and the local processing companies.
 - ✓ For instance, a JV between Transmar Commodity Group on the one hand and FTN and CONDICAF on the other.





Promotion of Consumption in Africa, Middle East and Asia

- Using the Bank's Intra-African Trade Facilitation Programme (INTRAFAP), and other programmes and facilities to support cocoa consumption within Africa;
- The Bank will also support trade fairs/exhibitions targeted at this purpose; and
- We intend to also support and finance Africa-South Trade in raw and semi-processed cocoa.



Technical Capacity Building

- Provision of technical assistance to the players in the cocoa sector in areas of capacity building among cocoa farmers, processors and related counterparts in the value chain, including promotion of productivity growth and environmental protection.
- The Bank, with its partners including KFW, ICCO, Rabobank, DEG, etc., will undertake the capacity building programme in all four origin countries.
- KFW and Afreximbank are co-funding initiatives across the value chain. Part of this funds will be set aside for the provision of technical assistance to cocoa sector players in Africa. ICCO will be engaged for this purpose.
- The Bank is also in discussion with other institutions, including Rabobank and DEG to join this initiative.





Programme is Implemented through Partnership

- Implementation of the programme is through partnership with major players in the world cocoa economy, namely:
 - i. **International Cocoa Organization (ICCO);**
 - ii. **African Governments;**
 - iii. **African Banks and Development Finance Institutions;**
 - iv. **African Entrepreneurs, through their Organized Private Sector including Cocoa Producers Association;**
 - v. **Global Cocoa Companies and major Global Cocoa Processors;**
 - vi. **Chocolate manufacturers;**
 - vii. **Alliance of Cocoa Producing Countries;**
 - viii. **Public and Private sector Cocoa Research Institutions in Africa**





3. Conclusions





- We believe that the success of this initiative will only be realised with effective collaboration with major stakeholders in cocoa, namely:
 - ✓ Governments of Major cocoa producing countries in Africa;
 - ✓ International Cocoa Organization (ICCO);
 - ✓ Cocoa Producers Alliance (COPAL)
 - ✓ Processing Entities (both state and private sector entities) in Africa; and
 - ✓ International Cocoa Traders and Processors.

- We also believe that the success of this initiative will be a major step towards a sustainable cocoa economy in the continent.

- The Bank will therefore hold series of discussions with key industry players as it drives this Initiative.



Thank YOU

***For More on the Afreximbank's Programmes and
Facilities visit our website at***

www.afreximbank.com

