“Afreximbank’s Intra-African Trade Initiative – Overview and Partnership Opportunities”
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Overview of Afreximbank

Strategy Formulation, Context and Objectives

The Pan-African Payment and Settlement Platform

Introduction to the Intra-African Trade Fair

Products, Programmes and Services

Way Forward
Background
Albert Sarraut (1872-1962):
Minster of the Colonies

“Economically, a colonial possession means to the home country simply a privileged market whence **IT WILL DRAW THE RAW MATERIALS IT NEEDS, DUMPING ITS OWN MANUFACTURES IN RETURN.** Economic policy is reduced to rudimentary procedures of gathering crops and bartering them. Moreover, by strictly imposing on its colonial dependency the exclusive consumption of its manufactured products, **THE METROPOLIS PREVENTS ANY EFFORTS TO USE OR MANUFACTURE LOCAL RAW MATERIALS ON THE SPOT, AND ANY CONTACT WITH THE REST OF THE WORLD.**
Global Intra-Regional Exports

Intra-African exports and imports trade lags Europe, Asia and North America, but are comparable to Latin America and the Middle East.
The historical dependence on trade with Europe and North America has reduced as Asia increasingly plays a bigger role as Africa’s trading partner.

**International Trade Partners**

The chart shows the trade volumes with international partners from 2005 to 2014, broken down by region:

- **Europe**:
  - Exports: 201 USD Bn (2005), 134 USD Bn (2014)
  - Imports: 221 USD Bn (2005), 112 USD Bn (2014)

- **Asia**:
  - Exports: 48 USD Bn (2005), 152 USD Bn (2014)
  - Imports: 207 USD Bn (2005), 54 USD Bn (2014)

- **North America**:
  - Exports: 39 USD Bn (2005), 66 USD Bn (2014)
  - Imports: 125 USD Bn (2005), 51 USD Bn (2014)

- **Middle East**:
  - Exports: 29 USD Bn (2005), 11 USD Bn (2014)
  - Imports: 36 USD Bn (2005), 14 USD Bn (2014)

- **Latin America**:
  - Exports: 18 USD Bn (2005), 5 USD Bn (2014)
  - Imports: 18 USD Bn (2005), 9 USD Bn (2014)

Note: pre the 2008/09 Great Recession, the USA was the single largest country trade partner with Africa, post this period, China has emerged as the largest trade partner based mainly on commodity trade; Source: UNCTAD, 2016.
Barriers to Trade

A number of barriers to trade in Africa exist, including high tariff barriers, poor infrastructure, trade policy and limited manufacturing capabilities.

Trading across borders in Africa is typically costly and time consuming due to regulatory challenges.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>African Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to Export</td>
<td>108 hours</td>
</tr>
<tr>
<td>Cost to Export</td>
<td>542 USD</td>
</tr>
<tr>
<td>Time to Import</td>
<td>160 hours</td>
</tr>
<tr>
<td>Cost to Import</td>
<td>643 USD</td>
</tr>
</tbody>
</table>

Average Tariff rate (%)

- Middle East & North Africa: 10%
- Middle Africa: 8%
- Low and Middle Income Countries: 5%
- European Union: 1%

Average Logistics Performance Indicator Score

- European Union: 3.8
- Asia: 3.4
- Middle East & North Africa: 2.7
- Middle Africa: 2.4

Employee FDI Inflows (US Bn)

- Developing Asia: 428
- Europe: 186
- Latin America: 301
- Transition Economies: 103
- Africa: 0

Note: Non-tariff barriers include: product standards, import and export bans, lack of payment systems; Source: World Bank Doing Business Report, 2015; World Development Indicators (most recent data); UNCTAD World Investment Report, 2015; Logistics Performance Indicator, World Bank, 2014.
In Africa, the SADC region dominates intra-regional trade (at about 50%), with COMESA and ECOWAS also showing strong intra-African trade, while AMU and CEMAC are below continental average.

**Share of Intra-African Trade by Region**

**AMU Trade (USD Bn)**
- Agri: 2
- Mining: 2
- Oil: 4
- Manufact: 1

**ECOWAS Trade (USD Bn)**
- Agri: 2
- Mining: 1
- Oil: 6
- Manufact: 2

**CEMAC Trade (USD Bn)**
- Agri: 0.1
- Mining: 0.1
- Oil: 1.9
- Manufact: 0.4

**ECOWAS**
- 30%
- 17%

**CEMAC**
- 54%
- 68%

**AMU**
- 10%
- 10%

**COMESA**
- 21%
- 28%

**EAC**
- 2%
- 4%

**SADC**
- 8%
- 8%

**Note:** 1) Intra-regional services data has been omitted due to trade data not being tracked by respective countries; 2) Percentages will not add up to 100% as a result of overlapping REC memberships e.g., overlapping memberships between COMESA and SADC as COMESA is the largest REC by membership.

**Source:** UNCTAD, 2016
Intra-Regional Trade

Within the SADC, AMU, COMESA and ECOWAS regions, intra-regional trade dominates total African trade compared to CEMAC and EAC where intra-African trade shows greater diversification.

<table>
<thead>
<tr>
<th></th>
<th>AMU</th>
<th>CEMAC</th>
<th>COMESA</th>
<th>EAC</th>
<th>ECOWAS</th>
<th>SADC</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMU</td>
<td>5.3</td>
<td>0.3</td>
<td>2.0</td>
<td>0.01</td>
<td>1.3</td>
<td>0.2</td>
</tr>
<tr>
<td>CEMAC</td>
<td>0.04</td>
<td>1.2</td>
<td>0.1</td>
<td>0.002</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>COMESA</td>
<td>2.5</td>
<td>0.2</td>
<td>10.0</td>
<td>3.1</td>
<td>0.5</td>
<td>10.8</td>
</tr>
<tr>
<td>EAC</td>
<td>0.03</td>
<td>0.3</td>
<td>4.2</td>
<td>2.9</td>
<td>0.1</td>
<td>2.7</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>0.3</td>
<td>2.4</td>
<td>0.4</td>
<td>0.04</td>
<td>12.6</td>
<td>10.7</td>
</tr>
<tr>
<td>SADC</td>
<td>0.4</td>
<td>0.7</td>
<td>15.3</td>
<td>2.5</td>
<td>2.0</td>
<td>38.6</td>
</tr>
</tbody>
</table>

Within-region trade represents the largest share of trade (vs. out of region trade) across regions, exceptions include SADC where the majority of trade flows occur and ECOWAS, which spans a significant geographical reach.

Notes: 1 Analysis based on export data
Source: ITC, 2016
Industries for Import Opportunities

These opportunities for import matching can be found along the value chain in respective African Economies.

<table>
<thead>
<tr>
<th>Potential for Substitution</th>
<th>Example Importing Markets</th>
<th>Example Export Markets</th>
<th>% of Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td><img src="image1.png" alt="Map" /></td>
<td><img src="image2.png" alt="Map" /></td>
<td>22%</td>
</tr>
<tr>
<td>- Africa has significant agricultural potential, however there are significant imports from the rest of the world</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Extractive</strong></td>
<td><img src="image3.png" alt="Map" /></td>
<td><img src="image4.png" alt="Map" /></td>
<td>38%</td>
</tr>
<tr>
<td>- Africa exports large volumes of commodities in beneficiated / refined form (e.g., oil); similar trends are present in metals exports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Light Manufacturing</strong></td>
<td><img src="image5.png" alt="Map" /></td>
<td><img src="image6.png" alt="Map" /></td>
<td>26%</td>
</tr>
<tr>
<td>- Light manufactured goods (that could be produced in Africa) are imported, esp. from Asian markets and re-exported through hubs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Speciality manufacturing</strong></td>
<td><img src="image7.png" alt="Map" /></td>
<td><img src="image8.png" alt="Map" /></td>
<td>12%</td>
</tr>
<tr>
<td>- Certain speciality manufactured goods are imported by African countries that could potentially be produced by more mature economies</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Further analysis is required to further refine potential opportunities at the product/value chain level, please see appendix for a comparison with the Import-Export Similarity Index methodology.
Characteristics of non-African Imports

Effective matching of supply and demand, by substituting global sources for African sources, can increase intra-African trade up to ca. 38%.
Impact 2021: Africa Transformed
## Considerations for Strategy Formulation (1/2)

<table>
<thead>
<tr>
<th>Internal Factors</th>
<th>External Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Bank Mandate</td>
<td>- Growing significance of Intra-African Trade</td>
</tr>
<tr>
<td>- Stakeholder Considerations</td>
<td>- The end of the Commodity Super-Cycle and its negative impact on many African economies</td>
</tr>
<tr>
<td>- Resource Considerations</td>
<td>- Rising cost of light manufacturing in Asia and the simultaneous drive for industrial development in Africa</td>
</tr>
<tr>
<td>- Aspirational Profile</td>
<td>- Building on the Success of the Bank’s Africa Cocoa Initiative (Africoin)</td>
</tr>
<tr>
<td></td>
<td>- Withdrawal of Correspondent Banking Services from Africa</td>
</tr>
<tr>
<td></td>
<td>- Poor state of trade facilitating infrastructure within the continent</td>
</tr>
<tr>
<td></td>
<td>- Growing importance of Diaspora as a Market</td>
</tr>
<tr>
<td></td>
<td>- The growing importance of China/Renminbi in international trade</td>
</tr>
<tr>
<td></td>
<td>- New technologies and technology boom in Africa</td>
</tr>
<tr>
<td></td>
<td>- Rising middle class</td>
</tr>
<tr>
<td></td>
<td>- Strong support of member countries and shareholders</td>
</tr>
<tr>
<td></td>
<td>- Growing interests in Africa by other countries and regions demonstrated in many partnerships and initiatives.</td>
</tr>
<tr>
<td></td>
<td>- Negative perception of Africa</td>
</tr>
<tr>
<td></td>
<td>- Rising Nationalism in major Global Economies and BREXIT</td>
</tr>
<tr>
<td></td>
<td>- Experience and Operational Capabilities</td>
</tr>
<tr>
<td></td>
<td>- Partnerships</td>
</tr>
<tr>
<td></td>
<td>- Business Concentration and Potential for Catastrophic Events</td>
</tr>
</tbody>
</table>
### Afreximbank Comparative Advantage

- The Bank’s comparative advantage lies in a combination of the following factors:
  - credible brand deriving from a solid name and reputation
  - a culture of integrity, transparency, expertise, knowledge and placing Africa first
  - respect of different African Governments that has been earned through more than 22 years of quality support to their trade development aspirations
  - a bank founded on a broad-based partnership involving African and non-African shareholders and Government and private sector participants
  - an international (supranational) institution which places it in a favourable situation of being divorced from any specific African country risk
  - strong support from key African countries’ central banks which provides the Bank considerable access to information
  - a broad-based international staff, including officers well acquainted with Africa
  - relatively strong financial standing evident in its investment grade credit ratings
  - strong origination capability which saw the Bank originate deals over US10bn

### Internal Business Situational Analysis

- Significant progress made in the following areas over the years but continuous improvement required during Plan V
  - Products, pricing, delivery channels, communication, branding & media
  - Business processes and systems; data, information & knowledge management and project management
  - Risk Management
  - Structure, People, Systems and Culture
  - Stakeholder Engagement
Afreximbank’s Strategy: “IMPACT 2021 – Africa Transformed”

• The Bank’s new five-year strategic plan, “IMPACT 2021: Africa Transformed”, is anchored on four strategic pillars:
Afreximbank’s Strategy: Impact 2021 Africa Transformed

Intra-African Trade
- **Create**: Facilitate capacity for expansion of production and processing capabilities
- **Connect**: Identify key institutions and agents to “connect the dots” in the intra-trade value chain.
- **Deliver**: Deliver efficient and cost effective distribution channels within the continent
- **Measure**: monitoring and measurement mechanisms

Industrialization & Export Development
- **Catalyse**: promote "soft" and "hard" infrastructure developments
- **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
- Strategic focus on financial and non-financial areas of intervention in the trade and trade finance market
- Expand existing trade finance products as well as introducing new innovative products and initiatives
- Fill the voids in trade services created by reduced activities of international banks in Africa resulting from high compliance costs and economic uncertainty

- Finance 1.4% of Africa’s total trade annually
- Increase international finance flows into Africa by 10% annually
- Increase Africa’s share of global trade by financing 1.6% of total intra-African trade
- Finance 1% of Africa’s manufactured exports
- Create 3,000 hectares of industrial parks and special economic zones across all sub regions

- 1.4%
- 10%
- 1.6%
- 1%
- 3000 ha

**Finance 1.4% of Africa’s total trade annually(227,677),(320,725)

**Increase international finance flows into Africa by 10% annually(382,680),(475,727)

**Increase Africa’s share of global trade by financing 1.6% of total intra-African trade(537,683),(631,730)

**Finance 1% of Africa’s manufactured exports(694,680),(787,727)

**Create 3,000 hectares of industrial parks and special economic zones across all sub regions(849,677),(942,725)
Intra-African Trade Strategy - Definition

Intra-African trade is defined as the exports and imports of goods and services amongst African countries. The promotion of intra-African trade is core to the mandate of the Bank.

<table>
<thead>
<tr>
<th>Mandate of the Bank</th>
<th>Definition of Intra-African Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>According to Article 5 of the Bank Charter, the Bank was established to facilitate, promote and expand intra-African and extra-African trade.</td>
<td></td>
</tr>
</tbody>
</table>

**Intra-African trade in the context of this strategy is defined as:**

- ...the trade of goods and services between or among African countries...
- ...and the flow of goods and services between Africa and Africans in the Diaspora. The inclusion of the Diaspora helps to capture the steady growth in trade and commercial ties between Africa and its citizens in the Diaspora...
- ...Furthermore, the scope of intra-African trade has been broadened to include the informal cross border trade. By including this trade in the scope of intra-regional trade, the Bank is able to design special products and dedicate resources to formalise this trade...
- ...The Bank’s intervention, therefore, is designed to facilitate the industrialization of the continent by putting more emphasis on trade in manufactured goods and trade in services.
Background

Low levels of Intra-African Trade
Reasons for the low levels of Intra-Africa Trade

- Poor state of trade related infrastructure and logistics arrangements.

- Narrow product market (similar export goods and mainly primary commodities).

- Fragmented and undeveloped cross-border payment and settlement systems across the continent.

- Difficulty to access and settle in foreign currency.
Reasons for the low levels of Intra-Africa Trade

- Lack of adequate trade information
- High informal trade activities (~40% of Intra-African trade is informal)
- Existence of tariff and non-tariff barriers to Intra-African trade
- Limited access to multiple markets
Pan-African Payment And Settlement Platform

Purpose, Objectives and Compelling Cases
Purpose

- Facilitate intra-African trade and formalize some of the unrecorded trade due to prevalence of informal cross-border trade in Africa.

- Provide alternative to **current high-cost and lengthy correspondent banking relationships to facilitate trade** and other economic activities among African countries, through a simple, low-cost and risk-controlled payment clearing and settlement system.
Objectives

- Reduce costs of cross-border payments across Africa.
- Reduce duration and time variability of cross-border payments across Africa.
- Decrease liquidity requirements of commercial banks for correspondent banking relationships.
- Decrease liquidity requirements of central banks for settlement.
- Strengthen Central Banks’ cross border payment systems oversight through effective reporting and sound risk management.
Objectives

- Promote intra-African trade through enabling continental payment platform, and formalize some of the unrecorded trade due to prevalence of informal cross-border trade in Africa.

- Provide alternative to current high-cost and lengthy correspondent banking relationships to facilitate trade and other economic activities among African countries, through a simple, low-cost and risk-controlled payment clearing and settlement system.
## Outcomes for Intra-Africa Trade

#### ....compelling case for PAPSP

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitate cross border transactions and payment in local currency</td>
<td>to increase intra-African trade</td>
</tr>
<tr>
<td>Provide Small and Medium Enterprises (SMEs) access to a larger</td>
<td>market place and create links between MSMEs and larger manufacturing companies</td>
</tr>
<tr>
<td>Facilitate the movement of informal to formal channels</td>
<td></td>
</tr>
<tr>
<td>Boost trust across various parties and support intra-African investments</td>
<td></td>
</tr>
<tr>
<td>Promote Diversification of Africa's cross border traded products</td>
<td></td>
</tr>
<tr>
<td>Facilitate the substitution extra-Africa trade with intra-African trade</td>
<td></td>
</tr>
</tbody>
</table>

Afreximbank and its stakeholders (African central banks and commercial banks, Regional Economic/Monetary Institutions, AU, etc.) seek to integrate Africa’s financial market and provide access to a larger market at low cost through cross-border payment clearing and settlement platform, spurring intra-African trade.
PAPSP

Proposed Design Landscape
Pan African Payment and Settlement Platform

Regional Settlement ← Pan African Settlement ← National Settlement

Direct Participants

Indirect Participants

Web Payment
Card/Wallet
Mobile/Internet

Cross Border Faster Payment Services

Regional Payment and Settlement System (REPSS) e.g. COMESA, SIRESS
Settlement Agent: REPSS Operators & Settlement Institutions

Net Settlement

Regional Payment and Settlement System (NAPSS)
Settlement Agent: Central Banks

Co-Settlement Agents: Central Banks
Proposed Initial Settlement Currency: USD

Proposed Initial Settlement Currency: USD

Net Settlement

Cross Border Local Currency Payment Settlement

Currency Exchange Module
Liquidity Management

Clearing Hub (Payment Clearing Engine)
(Currency Exchange Module, Rules, System Administration, etc.)

Pan African (Shared Service) Clearing & Settlement Platform
Proposed Design Landscape

Key Design Overview

- Use case
- Participation
- Topology
- Settlement
- Funding
- Currency Model
- Risk Management
- Compliance
### Use Cases

#### Use Cases for PAPSP Launch

  - Credit transfers for intra-African payments to facilitate business activities.
  - Local currency payments preferable to gain mass with user adoption.
  - Mobile, Internet and eCommerce channels for end user account to account transfer.

- **Interbank Transfers**
  - Interbank payments consisting of High Value payments across Africa will be covered by PAPSP.

- **Remittances**
  - PAPSP could play a central role in reducing costs and streamlining remittances services within Africa.
  - Managed/controlled service offering considering compliance and FX implications.

- **Request to pay**
  - Request for payment sent from one party to another.
  - Enable SMEs to request and receive payment from their buyers or receive and schedule bill/invoice for payment with flexible timescales.

#### Use Cases for future consideration

- **National CSDs, across the participating countries, will develop linkages with PAPSP, to support payments for cross border trading of securities.**
  - Current ASEA linkage project could benefit from PAPSP.

- **Trade Finance**
  - Requires settlement institutions taking responsibility currently assumed by correspondent banks to validate letters of credit (e.g., irrevocability, shipment date, etc.), and guarantee payments.

- **CARDS/ POS / ATM**
  - Increase reachability by adding and supporting card and wallet as well as card-based channels such as ATM and PoS.
  - Potentially disrupts international card schemes with Pan-African card processing switches, leading to lower processing fees.

- **Debit Transfer**
  - Will need the development of cross-border debit transfer mandates, to support direct debit transfers.
The participation to the new system will be on voluntary basis.

No restrictions to any AU member State as long as it is an Afreximbank member State.

Only regulated entities (under the supervision of CB) in each country may be allowed as direct participants to use the system.

Qualifying prerequisites may be considered.

Membership agreement would need to be executed and would include: membership criteria, working rules of the system, technical provisions and specifications, settlement accounts opening, provision of collateral, dispute settlement mechanism, etc.
Participation

- Central Bank must have RTGS system
- Central and Commercial banks need participate to the messaging and communication system for PAPSP; such as SWIFT.
- Central and Commercial banks need to meet financial, operational and technical requirements of the PAPSP.
- Central and commercial banks need to sign the membership contractual agreement
- Any participating country’s must be a member State of Afreximbank.
- The Minimum common requirements defined in the MOU need to be met and/or recognized by the legal regime in any participating country and/or the Central bank.
- Membership agreement would need to be executed and would include: membership criteria, working rules of the system, technical provisions and specifications, settlement accounts opening, provision of collateral, dispute settlement mechanism, etc.
Topology

PAPSP will act as a clearing switch for its participants via a centralized shared platform for cross-border payments.
Settlement

- Payments will be in Africa’s local currencies. However, PAPSP will also support foreign currencies such as USD payments.
- USD will be the single currency settlement currency in the initial stage. EUR or other currencies may be introduced later.
- Each central bank will maintain a USD settlement account to settle its payment obligations and hold its payment inflows.
- Commercial banks may maintain a USD settlement account at Afreximbank to settle its payment obligations for payments that may fall outside of what Central banks want to settle.
- It is recommended for each central bank (and commercial banks where applicable) to hold a minimum deposit balance in its settlement account.
- Bilateral Credit limits and multilateral net debit caps could be used to mitigate risk.
Funding Arrangements

- Central banks to maintain PAPSP accounts with the following options subject to agreement/approval.
  - Pre-fund each settlement account before payment can be processed.
  - Minimum deposit balance
  - Credit lines/facility will be provided by Afreximbank to help avoid settlement delays and liquidity issues at receiving banks.
  - Central banks to settle outstanding at agreed time intervals, e.g. 90 days.

- Commercial banks to maintain PAPSP account at Central bank. Preference is:
  - To use existing RTGS account at the central banks
  - To “ring fence” funding amount for PAPSP
  - PAPSP account to be pre-funded before payments can be processed
Funding Arrangements

- Commercial banks to maintain account at the PAPSP (conditions apply). Conditions include:
  - Central bank does not provide FX settlement for some certain services and still allow commercial banks to offer such services with their own funds.
  - Central bank does not provide account facilities as proposed for PAPSP

If any of the above applies…then commercial banks need to:

- Maintain settlement account at the PAPSP.
- Pre-fund each settlement account before payment can be processed.
- Minimum deposit balance is recommended.
Risk Management

- Credit Risk
  - The deferral of settlement generates credit exposures between the banks (PSPs) of the payer and the payee.
  
- Prefunding:
  - Cash coupled with operational controls will be used to keep positions of individual participants from exceeding prefunded amounts.

- Limits on the maximum net debit/credit positions:
  - Limits will be placed on the maximum net debit or credit positions that can be established between participants. Each Participant is responsible for setting its own Net Sender Cap (NSC), to be managed in PAPSP.
Risk Management

- **Credit Risk**

- Limit on transaction amount:
  
  - Limit will be placed on the maximum value of individual instant payments that can be processed. This may change from time to time.
  
  - Individual transactions are subject to each member's Net Sender Cap (NSC).
  
  - Once a cap is reached a member can no longer send payments until its net position recedes (i.e. until it receives payments) or settlement occurs.
Risk Management

- **Settlement Risk**
  - Participants face settlement risks with deferred net settlement.
  - Non Central bank participants will be required to hold a cash sum equal to the value of the NSC in an separate Reserves Account (RA).
  - Central bank participants may hold Reserve Account or Credit line with PAPSP (Afreximbank).

- **Settlement delays**
  - Daily settlement on business days.
  - Pre-fund over the weekends/ holidays such that the potential maximum limit on debit positions are not exceeded before the next business day.
Risk Management

- **Liquidity Risk**

- With the proposed deferred net settlement, liquidity needs are reduced in comparison to gross settlement. This means that liquidity would not be needed continuously, but only at the end of each settlement cycle.

- Participants would require funds to cover only the net debit position at a specific settlement time.

- Prefunding arrangement ensures sufficient funds available for settlement of the net obligations.
Risk Management

- **FX Risk**

- Banks to set a limit on their total exposure with USD settlement currency, with separate sub-limits on different possible durations of exposure (e.g. maximum exposures of up to 7 days; up to 30 days; up to 90 days; etc.). Assure that these exposures would not exceed a level the bank considers appropriate.

- Use of available bilateral or multilateral obligation netting arrangements could reduce exposures even further.

- Potential use of multi-currency settlement mechanisms.

- Banks to manage and control their fx management and risks.
Risk Management

- **Legal and Regulatory Risk**
  - Risk that arise due to the lack of or unexpected application of the legal framework and regulations. This could lead to significant losses, disruptions and potentially failure of the entire systems.
  - Legal framework needs to clearly determine the applicability of laws and regulations for PAPSP, just like other payment systems, so it is supported by a sound legal arrangements.
  - The legal frameworks will provide a sound legal basis for protecting the clearing, netting and settlement arrangements (when payment is final and when funds are legally transferred from payer to payee) as well as clarity on the rules and regulations that apply to cross border instant payments. This also include responsibilities between participants and the clearing and settlement system, PAPSP.
Risk Management

- **Reputational Risk**
  - Risk of losing customers or revenue resulting from negative publicity or loss of confidence (whether based on fact or generated by misperceptions).
  - Reputational risk could arise from financial or operational problems experienced by any entity involved in the PAPSP.
  - Reputational risk could be mitigated by several measures in terms of policies, procedures and management practices including consistent service availability, high quality of service, sound governance and ethics, sound legal framework, consumer protection policy, and
Risk Management

- **Operational Risk**

  - The speed and continuous availability of PAPSP will have an impact on operational risk. The operational factors include capacity problems, security attacks on payment infrastructure, etc.

  - Any operational incident that results in the delay or interruption of payment services could be immediately evident to end users.

    - The impact gets bigger as PAPSP achieve market acceptability and reachability across Africa.
Risk Management

- Operational Risk....Mitigation

- Continuous availability on a 24/7 basis must be a key requirement.

- Rigorous processes for the identification and mitigation of operational risk,

- Redundancy and business continuity arrangements to ensure the timely recovery of the services in the event of a major disruption

- Timely communication and information to stakeholders.
Compliance

- Support banks in the Africa region in aligning their AML/CFT compliance with international standards.
- Centralized automated sanctions screening.
- Sanction screening at payment initiation point could be considered at early take-off of the project.
PAPSP

Role of Regional Economic/ Monetary Institutions
Role of Regional Economic /Monetary Institutions

- Coordinate the implementation of a well-founded legal framework within the region, working with regional central banks, for PAPSP.

- Provide adequate statistical database on basic instrument usage and clearing and settlement volumes and values to policy-makers to understand the functioning of regional payments clearly enough to assess policy options for effective development of regional and pan-African trade as well as enhancement of the payment systems.

- Coordinate the exchanges of views, information and harmonization of rules and policies within the region for payment systems including for PAPSP and sharing such updated information.
Role of Regional Economic /Monetary Institutions

- Ensuring effective cooperation among market participants, between regulators and market participants, and among regulators essential for the sustenance of a sound and efficient PAPSP.
  - Memorandum of understanding that specifies the framework for cooperation.
  - Provide improvements to regional payment requirements on PAPSP through the establishment of a comprehensive market surveillance committee where all the relevant institutions with oversight responsibilities are represented and mandated to cooperate in gathering changes in the market for PAPSP enhancements or improved services.
Role of Regional Economic /Monetary Institutions

- Promote a competitive and efficient remittance market sharing best practices within the region as well as the adoption of PAPSP for low-cost and easy remittances.
- Ensure the (financial and operational) reliability and efficiency of the clearing and settlement systems.
- Promote competition in the payment services market and facilitate polices to protect consumer interests in WAMZ for the benefit of payments adoption in the region and for the PAPSP.
Role of Regional Economic /Monetary Institutions

- Collect and distribute relevant statistical information to demonstrate the use of PAPSP and the extent to which it is satisfying end user and other market needs in the region. Information and public policy statements relating to all PAPSP matters should be disclosed in a manner that ensures wide dissemination among payment system stakeholders and the general public.

- Represent regional central banks in the PAPSP joint board membership and assuring contacts between institutions through the joint board membership.
PAPSP

Role of Central Banks
Role of Central Banks

- Support the implementation of a well-founded legal framework.
- Provide support in managing settlement of PAPSP payments in its domestic environment as well as ensuring the (financial and operational) reliability and efficiency of the settlement systems.
- Provide oversight on commercial banks and regulated financial entities in its jurisdiction, who are participants on the PAPSP to ensure market discipline financial system stability.
- To pursue the public interest in the PAPSP as Africa’s low-cost shared platform for payments in the continent, and ensure PAPSP operate and comply with the principles and guidelines established.
Role of Central Banks

- Define and implement appropriate actions that central banks can undertake in case participants do not comply with published rules and regulations (for example, the application of predetermined penalties and sanctions for compliance failures).

- Collect and distribute relevant statistical information to demonstrate the use of PAPSP and the extent to which it is satisfying end user and other market needs. Information and public policy statements relating to PAPSP matters should be disclosed by central banks in a manner that ensures wide dissemination among payment system stakeholders and the general public.
PAPSP

Program Roadmap
# PAPSP Roadmap

<table>
<thead>
<tr>
<th>Project Track</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 PAPSP Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning, Business Requirements and RFP</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Vendor Selection Process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAPSP Design &amp; Prototype</td>
<td></td>
<td></td>
<td>Implementation</td>
</tr>
<tr>
<td>2 PAPSS Governance, Policy and Rules,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire Consulting Services</td>
<td></td>
<td></td>
<td>Develop Legal/Regulatory Framework</td>
</tr>
<tr>
<td>Develop Modern Rules Framework, Rulebook and Handbooks</td>
<td></td>
<td></td>
<td>Define Integration and Certification Process for Participants</td>
</tr>
<tr>
<td>Develop PAPSP Clearing Operations Framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop Certification Process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Define PAPSP Clearing Operations Framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 PAPSP Stakeholder Engagement and Communication</td>
<td>Develop Key Stakeholder Awareness Program</td>
<td>Engage Key Stakeholders to get buy-in and support</td>
<td>Conduct Workshops with Key Stakeholders, Participants, Solution Providers</td>
</tr>
<tr>
<td>Gather Consensus from Cross Section Industry Experts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop Communication Strategy and Sustain Stakeholder Awareness Program</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Thank You
Contact Details

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www.afreximbank.com
Introduction to the Intra-African Trade Fair

AFRICAN EXPORT-IMPORT BANK

11th to 17th December 2018
Intra-Regional Trade Outcomes

While intra-African trade has remained low, intra-regional trade in Europe, North America, Asia etc.:

• led to “internationalization” of production systems;
• gave rise to vertical trading chains as well as intra-industry trade; and
• resulted in increased export revenues, job creation, higher government receipts.

These are key building blocks for the Africa we want – a prosperous continent based on inclusive growth and sustainable development.
Strategy Alignment- Key to Africa’s Transformation

**African Union (AU)- Agenda 2063**
- **Boosting Intra-African Trade** (BIAT) is at the epicenter of this plan.
- Target is to grow intra-African trade to **24% by 2022** from around 11% in 2011.
- It also recognizes key impediments to intra-African trade including:
  - Lack of appropriate Trade Finance; and
  - Lack of Trade and Market Information.

**Afreximbank- Impact 2021**
- **Intra-African Trade Pillar** is the **arrowhead** of this strategy.
- Target is to increase intra-African trade to **USD 250 billion** (or 24%) by 2021.
Impact of Lack of Trade and Market Information

- Lack of access to trade and market information is illustrated by a recent study by Afreximbank, UNCTAD, Commonwealth Secretariat.
- Among the findings, countries like Mauritius and Nigeria import leather products from Italy and Belgium at much higher costs when compared to what South Africa and Botswana exports.

With improved access to trade & market information, intra-African trade can go up to 38%.
Highlights of the Intra-African Trade Fair

• AFREXIMBANK organised the Intra-African Trade Fair in a bid to bridge the enormous gap in access to trade and market information;

• It will also create a sustainable platform for connecting buyers/ sellers/ investors across Africa;

• It offers a unique platform for networking, exchange of information, business ideas and actual execution of trade and investment deals;

• The event will hold every two years and is open to all sectors;

• The inaugural event will take place in Cairo, Egypt from 11 to 17 December 2018;

• Partnerships – IATF 2018
**Intra African Trade Fair will Facilitate...**

**GLOBAL NETWORKING**
Bring together continental and global players to showcase and exhibit their goods and services, explore business and investment opportunities in Africa;

**MARKET PLACE**
Serve as a marketplace where buyers and sellers of goods and services meet and explore business opportunities;

**VIRTUAL PLATFORM**
Virtual Trade Fair commencing in November 2018 will provide a Digital Platform for e-commerce, also bridging the gap in trade and market information;

**B2B**
Provide a platform for B2B exchanges and development of business opportunities.
| **SME DATA** | Opportunities to share trade, investment and market information with various stakeholders including investors, SMEs, the informal sector, Africans in Diaspora, and identify solutions to address the challenges affecting intra-African trade. |
| **FOCUSSED DISCUSSIONS** | A platform to discuss topical issues affecting intra-African trade and provide practical and effective solutions. |
| **ONE STOP SHOP** | Deployment of multi-country and multi-company Pavilions that will serve as one stop shops for intra-African trade and investment opportunities. |
## Intra African Trade Fair in Numbers

<table>
<thead>
<tr>
<th><strong>•</strong> We are targeting to mobilize <strong>1000 exhibitors</strong>.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>•</strong> The event will attract <strong>approximately 70 000 visitors</strong> (buyers/ sellers/ investors etc.).</td>
</tr>
<tr>
<td><strong>•</strong> Target is to <strong>generate USD25 billion in terms of business deals</strong>. AFREXIMBANK and other financial institutions will meet participants to discuss financing arrangements for concluded deals.</td>
</tr>
</tbody>
</table>
# Report Card

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibitors</td>
<td>Over 800 confirmed with others being processed, exhibition space fast running out</td>
</tr>
<tr>
<td>Country Pavilions</td>
<td>32 confirmed, 16 countries finalizing arrangements</td>
</tr>
<tr>
<td>Country Days</td>
<td>3 out of 5 country days confirmed, several countries bidding for remaining 2 days</td>
</tr>
<tr>
<td>IATF 2020 Host Country</td>
<td>A number of countries expressed interest, bids expected end of November 2018</td>
</tr>
</tbody>
</table>
Benefits of Participation

• **Access to Exhibition Platforms** where countries/ businesses will showcase their goods and services;

• **Access to B2B meetings** where businesses will negotiate deals and also meet financial institutions including AFREXIMBANK to finance concluded deals;

• **Participation in Conferences and workshops** that will offer information on intra-African trade and other trade related issues;

• **Identifying investment opportunities** on the African continent.

**FOR ENQUIRIES AND REGISTRATION**

PLEASE VISIT

[www.intrafricantradefair.com](http://www.intrafricantradefair.com)
• African governments and leaders are energizing African markets - 44 African countries signed the agreement establishing the African Continental Free Trade Area;
• This brings together a market size of 1.2 billion people and over USD3.4 trillion of combined GDP.
• AFREXIMBANK is aligned with the West African Monetary Zone (WAMZ) in supporting regional integration in Africa - we continue to stand on the side of African aspiration - the Africa we want;
• The Bank is firmly backing growth and expansion of intra-African trade - it is our belief that Africa will trade and earn its way in the world.
• The Intra-African Trade Fair reaffirms our unwavering commitment to support the ushering a New Dawn for Africa.
Thank you for your Attention
African Export-Import Bank
Banque Africaine D’Import-Export
Transforming Africa’s Trade

Afreximbank
Products, Programmes and Services
MAIN PRODUCTS

1. Intra-African Trade
2. Trade Finance
   - Supporting Financial Institutions
   - Supporting Corporates
3. Afreximbank Guarantee Programme (AFGAP)
PRODUCTS, PROGRAMMES & SERVICES IN SUPPORT OF INTRA-AFRICAN TRADE
Create: Selected Instruments

<table>
<thead>
<tr>
<th>Financing</th>
<th>Facilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing development of Industrial Parks and Export Processing Zones.</td>
<td>Policy advocacy and government relations work in relation to the Create pillar.</td>
</tr>
<tr>
<td>Imports of investment/capital goods using instruments such as Forfaiting, in order to improve access to long term finance by manufacturers and agri-businesses.</td>
<td></td>
</tr>
<tr>
<td>Construction and Export Manufacturing Facility (CONEX) to support the construction of manufacturing plants geared towards exports promotion.</td>
<td></td>
</tr>
<tr>
<td>Contract and Toll Manufacturing Facility.</td>
<td></td>
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<tr>
<td>Franchise Financing Facility.</td>
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<tr>
<td>Intra-African Investment Finance Facility (IAIFF)</td>
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<tr>
<td>Intra-African Investment Guarantee Facility (IAIFF)</td>
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<tr>
<td>Contract Farming and Export Agriculture</td>
<td></td>
</tr>
</tbody>
</table>
## Connect: Selected Instruments

### Financing

The Bank will make available its whole suite of trade products and facilities, including:

- Domestic Letters of Credit and Factoring facilities to support activities of trading companies
- Packing Credit and Guarantee Facilities to enable exporters procure goods and prepare them for exports;
- Pre and Post shipment Guarantees.
- Supplier and Buyer Credit facilities
- Country Risk Guarantees
- Stocking/Inventory Financing Facility for ETCs that procure during seasons and sell all through the year

### Facilitation

- Work with RECs to introduce an Inter-State Transit Guarantee Programme.
- Other policy advocacy and government relations work in relation to the Create pillar.
## Deliver: Selected Instruments

<table>
<thead>
<tr>
<th>Financing</th>
<th>Facilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Fleet Financing Facility</td>
<td>- Improving administrative and procedural efficiencies, cross-border logistics, customs, regulatory environments, deepening harmonization of standards and conformity to international or regional regulations with a view to promoting trade.</td>
</tr>
<tr>
<td>- Financing aircraft fleet to improve air connections</td>
<td>- Spearheading the policy, advocacy work towards making African Governments introduce policies friendly to intra-regional infrastructure. In pursuit of this goal, the Bank will work with partners such as UNECA, the AU, ECOWAS and similar entities.</td>
</tr>
<tr>
<td>- Maritime Merchant and Service Facility</td>
<td></td>
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<tr>
<td>- Development and financing of sea links</td>
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</tr>
<tr>
<td>- Introducing <strong>Buyer Support Facilities</strong>, including Buyer Credit Facilities, LC Confirmations, Guarantees, Mobile Payments to enable small buyers order goods from Export Trading Companies or manufacturers</td>
<td></td>
</tr>
<tr>
<td>- Deploying <strong>project finance</strong> to support the construction of trade enabling infrastructure such as power plants, transport infrastructure including warehouses.</td>
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</tr>
</tbody>
</table>
There are several kinds of intermediary firms providing a range of export services including Commission Agents, Export Trading Companies, Export Agents, Commodity Boards, Merchants, or Re-Marketers etc.

The Bank has made the deliberate choice to support the creation and expansion of ETCs in Africa to assist in overcoming constraints faced by small producers and SMEs, by integrating them into regional, continental and global value chains using Intermediaries/Aggregators.

An Export Trading Company (ETC) acts as an independent company that provides support services for firms engaged in exports including supplying raw materials, warehousing, shipping, insuring and billing on behalf of the client.

ETCs also help suppliers find overseas buyers and provide them with raw material to ensure seamless production as well as other pertinent market information.
In order to support and facilitate the industrialization of the continent, the Bank has designed and is implementing various interventions under its Industrial and Agro-Processing Parks Initiative, which is aimed at providing technical and financial solutions for the development of Industrial and Agro-Processing parks in member countries.

Focus for this initiative is Agro-processing (cocoa, coffee, rubber, fruits and vegetables, etc.) and Light manufacturing (garments, apparels, leather, shoes, plastic products, wood processing and wood products, simple metal products, etc.).

The initiative will focus on agro-processing and light manufactures with the aim of assisting African countries to capture jobs that are de-localizing from economies currently undergoing a transition from labour-intensive to technological intensive industrialization.
The Bank is supporting the establishment of cost effective and easily accessible internationally accredited Inspection and Certification Centres in member countries, in order to improve market access and increase exports of African agricultural and agro-processed products as well as light manufactures to other African and international markets, where there are stringent technical, sanitary and other requirements.

This initiative will support efforts at improving Africa’s conformity assessment infrastructure to support industrialization and export development strategies of the Bank’s Member countries.

The Bank will bring together financial and non-financial stakeholders with the appropriate capacity and expertise to support the planning, development and management of the inspection and certification centers.
The Bank’s analysis shows that lack of access to trade and market information is a key factor to low levels of intra-African trade. In order to address this challenge, the Bank intends to convene biennial trade fairs (starting from 2018) to connect buyers and sellers from the continent and provide trade and market information.

The Trade Fair will serve as a marketplace where buyers and sellers of African goods and services meet and explore business opportunities; provide a platform for B2B exchanges; and facilitate sharing of market information with the informal sector.

As part of the Trade Fair, the Bank will also organize its Intra-African Trade Finance and Payments Conference which will enable participants to share information and expertise on Intra-African Trade Finance and Payment and Trade Facilitation.
Selected Strategic Initiatives

Development of the Inter-State Transit Guarantee (6/6)

Since transit costs add to the overall cost of moving goods in Africa, Afreximbank is working with National Guarantors to introduce a regional transit guarantee that will cover the movement of goods throughout the continent.

The Bank will provide a counter-party guarantee to National Guarantors and customs authorities to allow goods to move throughout the continent under one guarantee/bond that is backed by Afreximbank.

Through its counterparty guarantee services, the Bank will boost the capacity of national guarantors and financial intermediaries to provide guarantees at the national level.

There is currently no continental transit guarantee while only a few RECS have regional schemes. Accordingly, traders are required to buy national bonds at each border, which cause delays and increase the cost of transport and the cost of doing business in the continent.

The Bank will work with National Guarantors to ensure that the scheme results in a win-win situation for all stakeholders.
Lending to Financial Institutions

Correspondent Banking/Africa Letter of Credit Facility to African commercial banks

Facilities under the Lines of Credit Programme include:

i. Letters of Credit Confirmation

ii. Letters of Credit Refinancing Facility

iii. Reimbursement Guarantee Facility

iii. Line of Credit Facilities to support trade customers
Documentary LCs & Standby LCs

DOCUMENTARY LETTERS OF CREDIT
For payment of goods and services
Designed to be drawn on after product is shipped against presentation of stipulated documents
Typically used for cross-border transactions

STANDBY LETTER OF CREDIT
Two types: guarantee ("default") and direct payment ("direct-pay")
Used to support performance under a contract and payment obligations e.g. unpaid open account invoices
May be used to manage risks associated with complex projects or contracts
Discounting Acceptances

What is it?
Also known as Acceptance Documentary Credit. A Letter of Credit available by Acceptance provides a period of credit for the Buyer. It also allows the Seller to obtain post-shipment financing, which is without recourse, by discounting a Bill of Exchange drawn on a bank.

Core features
1. The Discounting Bank is providing a short term loan known as an Acceptance Facility.
2. Acceptance credits are used to provide the Buyer with extended commercial credit by the Seller. This might encourage and give the Seller a competitive advantage over other similar suppliers when the Buyer is deciding with whom to purchase from.
Forfaiting

What is it?
1. A form of financing which involves an Exporter selling its receivables that has the advantage of independent credit in the form of an L/C (or other independent payment obligation/undertaking), without recourse and in advance of the due date at a discounted price, to the Forfaiteur.
2. Also known as without recourse financing or discounting, or discounting of promissory notes/bills of exchange.

Core features
1. Requires an underlying documentary payment obligation from the commercial transaction (e.g. bills of exchange, letter of credit, promissory notes) independent from the Contract of Sale.
2. The underlying payment obligation may sometimes require a guarantee or aval.
3. Assignable contractual undertakings may be forfaited if suitable words are used.
4. Forfaiting is usually taken without recourse to the Exporter given the strength of the independent payment obligation of the Issuing Bank.
5. Secondary markets exist for forfaiting.
Pre-export Financing - Core Features

- Exporter will be in less developed and politically higher risk countries.

- Lender will often be located offshore but will have experience in doing business in the less developed location.

- Lender will often have a long standing relationship with the Buyer (Offtaker) and will understand his business model as ultimately the Lender receives payment from the Offtaker in the form of the Seller's receivable.

- Most important Security granted to the Lender are assignments of the Offtake Contract and control over the Collection Account. Therefore, the structure is often seen as having a limited security structure. Because of the jurisdiction of the Producer it is unlikely any collateral granted by the Seller will be a form of acceptable collateral for a typical direct loan.
Warehouse and Inventory Financing - Core Features

1. Usually a short-term uncommitted facility with annual review.

2. Usually constrained by the time frame that inventory awaits sale.

3. It is possible for the Borrower to store the goods on-site, and not use a warehouse operator.

4. Ancillary agreements with warehouse operator and third party collateral management or inspection agents.

5. Goods that are in transit may also be included within this arrangement. Security over goods in transit may be given in form of bills of lading consigned to the Lender.

6. A major risk to the Lender is the resale value of the inventory/goods. The loan is usually only a percentage of the inventory’s value.
AFREXIMBANK GUARANTEE PROGRAM (AFGAP)
Afreximbank Guarantee

**STFG**
- LC Confirmation Guarantee Facility
- Country Risk Guarantee Facility
- Letter of Guarantee Facility/SBLC

**WorkCap**
- Working Capital Guarantee
- Supply Chain Finance Guarantee
- Note Purchase Cover

**AfrECA**
- Export Credit Guarantee: Supplier Credit Guarantee
- Export Credit Guarantee: Buyer Credit Guarantee
- Export Credit Guarantee: Project Finance Guarantee
- Investment Guarantee
- ECA Plus Guarantee
- Sovereign Obligations Guarantee

**Bonding**
- Bid Bond
- Advance Payment Bond
- Performance Bond

**Others**
- Project Completion Guarantee
- Market Availability Guarantee Facility
- Transit Guarantees
## AFGAP Product Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>STFG</td>
<td>LC Confirmation Guarantee Facility</td>
<td>Guarantees for confirming banks taking African banks that issue LCs. This will be a framework facility with issuing banks and confirming banks (similar to the IFC’s GTFP), under which individual guarantees of confirmations would be provided. It will also cover Irrevocable Reimbursement Undertakings (IRUs)</td>
</tr>
<tr>
<td></td>
<td>Country Risk Guarantee Facility (predominantly ST)</td>
<td>Guarantees to international entities with credit exposures to Africa against certain country risk events.</td>
</tr>
<tr>
<td></td>
<td>Letter of Guarantee Facility</td>
<td>Credit guarantees to lenders of most forms of debt.</td>
</tr>
<tr>
<td>WorkCap</td>
<td>Working Capital Guarantee</td>
<td>Partial guarantee for financial institutions against the credit risks associated with working capital facilities.</td>
</tr>
<tr>
<td></td>
<td>Supply Chain Finance Guarantee</td>
<td>Guarantees against risk of not being paid by the Buyer on agreed maturity date in relation to open account trade.</td>
</tr>
<tr>
<td></td>
<td>Note Purchase Cover</td>
<td>Guarantee on trade debt papers partially or fully to enable their tradability.</td>
</tr>
<tr>
<td>AfrECA</td>
<td>Export Credit Guarantee: Supplier Credit Guarantee</td>
<td>Insurance for exporters against risk of not being paid or not being able to recover costs of performing the export contract.</td>
</tr>
<tr>
<td></td>
<td>Export Credit Guarantee: Buyer Credit Guarantee</td>
<td>Insurance for financial institutions against the risk that a loan to the importer for an export contract is not being repaid.</td>
</tr>
<tr>
<td></td>
<td>Export Credit Guarantee: Project Finance Guarantee</td>
<td>Insurance for financial institutions against the risk that a loan to the importer for a project finance transaction is not being repaid.</td>
</tr>
<tr>
<td></td>
<td>Investment Guarantee</td>
<td>Insurance for foreign direct investors against the risk of loss resulting from political events in connection with FDI.</td>
</tr>
</tbody>
</table>
## AFGAP Product Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ECA Plus Guarantee</td>
<td>Indirect protection for exporters or the lending banks’ claim to repayment via reinsurance, coinsurance or a guarantee for an ECA.</td>
</tr>
<tr>
<td></td>
<td>Project Plus Guarantee</td>
<td>Insurance for foreign investors or exporters against risk of loss resulting from breach of commitments not covered by supplier credit, buyer credit, investment cover or ECA Plus.</td>
</tr>
<tr>
<td></td>
<td>Sovereign Obligations Guarantee</td>
<td>Guarantee for international financial or non-financial entities if an African government fails to meet contractual debt obligation.</td>
</tr>
<tr>
<td>Bonding</td>
<td>Bid Bond</td>
<td>Safeguards that exporter is able to and will choose to accept award of a contract after a successful tender process.</td>
</tr>
<tr>
<td></td>
<td>Advance Payment Bond</td>
<td>Safeguards that the exporter is able to perform the contract or can return advance payment if unable to perform the contract.</td>
</tr>
<tr>
<td></td>
<td>Performance Bond</td>
<td>Safeguards that the exporter is able to perform delivery or technical performance obligations defined in the contract.</td>
</tr>
<tr>
<td></td>
<td>Standby Letter of Credit</td>
<td>Performs in the same way as an on-demand bid, advance payment and performance bonds.</td>
</tr>
<tr>
<td>Other</td>
<td>Project Completion Relay Guarantee</td>
<td>This product area includes ConTour, as well as additional products, ConMed and CONNEX, all of which have the same structure. The two instruments are 1) contingent guarantee issued by the Bank to construction lender(s) to assure them of the take out upon completion of the project; and 2) a relay facility aimed at taking over the construction facility.</td>
</tr>
<tr>
<td></td>
<td>Market Availability Guarantee Facility</td>
<td>Guarantee programme aimed at supporting export processors to secure long-term export contracts with bank financing or serve as a protective cover for investors looking to take advantage of the various market opportunities.</td>
</tr>
<tr>
<td></td>
<td>Transit Guarantees</td>
<td>Goods are considered in transit from a custom’s authority perspective when imported goods destined for another country pass through the borders of the country in transit without payment of duty. Importers or exporters may be allowed importation of goods for transit to other countries on presentation of a Transit Guarantee issued by a reputable financial institution.</td>
</tr>
</tbody>
</table>
Thank You!