



# Afreximbank Guarantee Programme (AFGAP)

Unlocking Capital  
Reducing Risk  
Creating Capacity

African Export-Import Bank  
Banque Africaine d'Import-Export

Transforming Africa's Trade





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The African Export-Import Bank (Afreximbank), headquartered in Cairo, is a trade finance-focused development bank established in October 1993 as a multilateral trade development institution to finance and promote trade among African countries and between the continent and the rest of the world.

Under the terms of its Establishment Charter, the Bank receives special privileges and exemptions in its Member States and enjoys preferred creditor status in its countries of operation.

As a profit-oriented multilateral institution with a mixed public-private shareholder base, it focuses on private sector loans, guarantees and advisory services. Its four-tier shareholder base consists of: Class “A”, constituted of African states, African central banks and African public institutions; Class “B”, made up of African financial institutions and African private investors; Class “C”, with shares held by non-African investors, mostly international banks and export credit agencies; and Class “D”, under which shares are fully paid par value, that can be held by any investor.

The Bank is rated BBB- (Fitch), Baa1 (Moody’s) and BBB+(GCR).

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## Afreximbank Vision and Mission

### Vision

To be The Trade Finance Bank for Africa

### Mission

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

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## Afreximbank Exim-Plus Agenda

As part of our commitment to deliver full suite of trade finance solution to the continent, Afreximbank has developed Exim-plus as a broad strategy to position the Bank as a comprehensive trade facilitation and financing solution centre in Africa, offering a broad array of instruments often associated with export credit agencies and other specialized trade and development finance institutions, thereby clearly differentiating itself from normal commercial banks and development financial institutions. It aims to position the Bank as a total trade finance solution provider in Africa – the "Trade Finance Supermarket". This offers the great opportunity for customers to have access to a variety of trade finance products that offer solution to their needs.

In furtherance of the Exim-plus strategy, the Bank has expanded its risk bearing instruments by introducing Afreximbank Guarantee Programme (AFGAP). The AFGAP is designed to offer variety of credit enhancement solution to clients in Africa. The objective is to help de-risk African transactions to make them more attractive to investors and financiers. This will help unlock capital and leverage the needed financing to Africa. AFGAP serves as one of the anchor programmes of the Bank developed to advance the Exim-plus objectives.

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## Guarantee Product Categories

The Bank offers variety of guarantee products grouped into 5 different categories to meet various needs of clients, ranging from short term-trade guarantee solutions, working capital and supply chain finance guarantee solutions for mid-cap entities and SMEs, and Bonding facilities for exports and trade contracts including EPC contracts. Other categories also include medium- and long-term guarantee products to support exports and imports of essential goods and services, and other Afreximbank unique guarantees aimed specific to support projects completion, market available guarantee for African commodity processors and light manufacturers to attract medium to long term financing, and a transit guarantee to ease difficulties involved in movement of goods across borders in Africa.

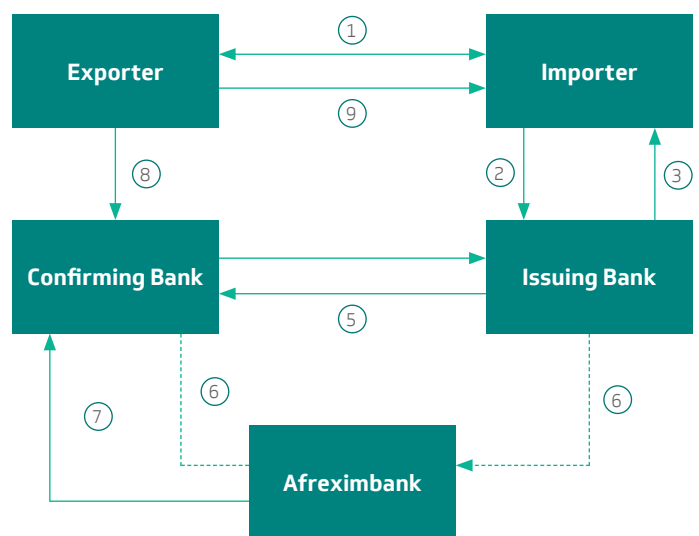
## A. Short Term Trade Guarantee Products

The Bank's short-term guarantee products aim to promote intra- and extra-African trade. Through the programme, the Bank offers the following products:

- i. Afreximbank Letter of Credit Confirmation Guarantee Facility
- ii. Country Risk Guarantee Facility (Short Term)
- iii. Letter of Guarantee Facility- (Short Term Export Credit)

### A1. Afreximbank LC Confirmation Guarantee

A Letter of Credit Confirmation Guarantee Facility is a line of credit for providing guarantees in favour of confirming banks. Confirming banks may not be fully comfortable with the credit quality of the African issuing banks and may therefore seek additional comfort through a Letter of Credit confirmation guarantee or other forms of enhancement such as Irrevocable Reimbursement Undertaking (IRU). The programme aims to promote intra and extra African trade.



- ① Commercial contract signed between exporter and importer.
- ② Importer requests issuing bank to open L/C in favour of exporter.
- ③ Issuing bank opens L/C by taking importer risk.
- ④ L/C payment obligation is advised to the confirming bank.
- ⑤ Confirming Bank confirm L/C by taking issuing bank risk.
- ⑥ Issuing bank and confirming bank notify Afreximbank of the transaction (the two banks should be approved participating banks under Afreximbank L/C confirmation guarantee programme).
- ⑦ Afreximbank provide 100% guarantee of /LC amount to the confirming bank.
- ⑧ Confirming bank advises exporter by confirming the L/C.
- ⑨ Exporter supplies goods to importer.

**Eligible Instruments:** The following instruments issued or guaranteed by participating banks may be eligible for guarantees issued by Afreximbank under the programme:

- i. Documentary letters of credit (LCs);
- ii. Trade-related standby LCs from issuing banks;
- iii. Deferred payment LCs;
- iv. LCs with post-financing advance payment bonds and payment guarantees;
- v. Bid and performance bonds and other contract guarantees; and
- vi. Trade-related promissory notes or bills of exchange.

**Eligible goods and Services:** The guarantee covers wide range of goods and services including commodities, manufactured goods, equipments, machinery, essential services including power supply as well as construction, mining and oil services contracts, cross-border engineering projects and other services. Some environmentally sensitive activities may be considered subject to satisfactory completion of due diligence on environmental and social management issues in line with the Bank's risk management policies and procedures.

**Eligible Participants:** Approved Issuing and Confirming banks ("Approved Participating Banks")

Risks covered: Political and commercial payment risk of international trade transactions undertaken by approved issuing banks in Africa.

**Coverage:** the guarantee covers for up to 100 per cent of the face value of the underlying trade finance instruments.

#### **Benefits of the LC Confirmation**

The benefits are:

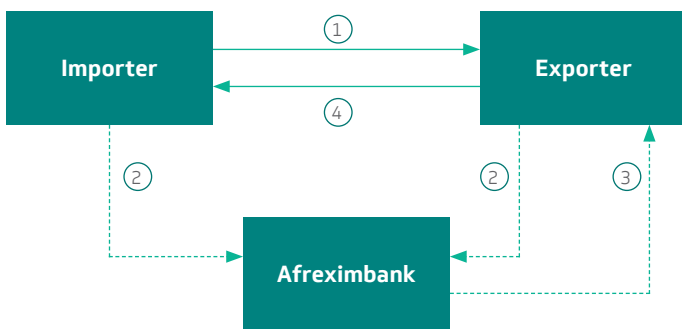
- The confirming bank is able to confirm a letter of credit for the full amount where it doesn't have sufficient risk appetite on the African issuing bank and thus helping to promote intra- and extra-African trade.
- The confirming bank receives a guarantee from Afreximbank to cover the amount due to it, if the African issuing bank fails to reimburse payments
- The exporter is protected against a default of the foreign buyer and the foreign bank

The programme strengthens ability of the participating banks to provide trade financing and through these banks gives African entities the support they need to increase their access to trade finance.

## A2. Country Risk Guarantee Facility (ST)

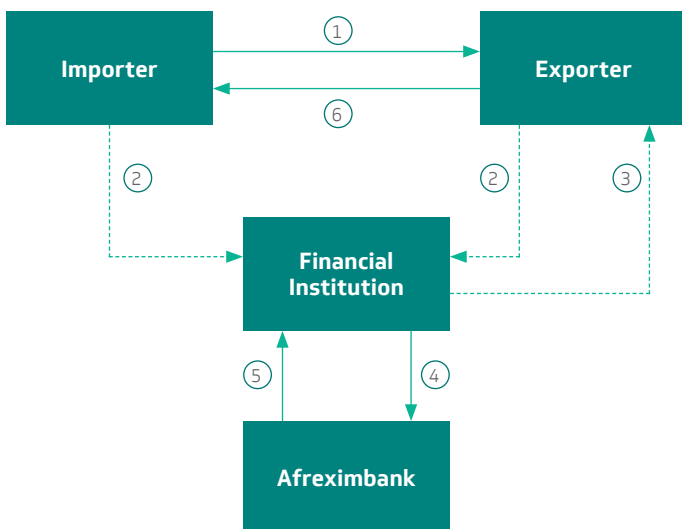
This guarantee facility is aimed at making country risk more acceptable by transferring this risk to Afreximbank. Under this facility, using its privileges in member countries including preferred creditor status by virtue of its ownership by African governments, Afreximbank provides a guarantee to exporters or international and African banks with credit exposures to Africa against certain country risk events. The guarantee can be offered directly to the exporter (importer) selling goods to Africa or to a financial institution providing financing to African entity.

### i. Where Afreximbank offer guarantee directly to the exporter



- ① Commercial contract between exporter and importer.
- ② Exporter / (Importer) request Afreximbank to issue Country Risk Guarantee to cover country risk events.
- ③ Afreximbank issue the Country Risk Guarantee.
- ④ Importer pay for goods under the commercial contracts.

### ii. Where the guarantee is offered to a bank / financial institution



- ① Commercial contract between importer and exporter.
- ② Exporter / (importer) requests its bank to issue country risk guarantee.
- ③ Local bank issues guarantee to exporter.
- ④ Local bank requests counter-guarantee for country risk issued to the exporter.
- ⑤ Afreximbank issues guarantee for the country risk in favour of the local bank
- ⑥ Importer settles payment obligation to exporter.

**Risks covered:** Political risk – such as:

- Adverse measures taken by governments or policy related events;
- Exchange control related issues including currency convertibility and transfer;
- Moratorium on debt payment; and
- Change in law or policy affecting the timing, permits, currency or manner of debt repayment.

**Coverage:** the guarantee covers 50% to 85% of the risk depending on the underlying transaction.

**Beneficiaries:**

- Banks and Export Finance Companies;
- Insurance Institutions active in trade finance in Africa
- Export companies and service providers.

**Tenor:** 360 days but extendable up to 3years.

**Eligible Transactions:** Export of capital goods or services; Bank and Trade Credit including contingent obligations. Old (existing or previously contracted) debt and commercial credits would not qualify.

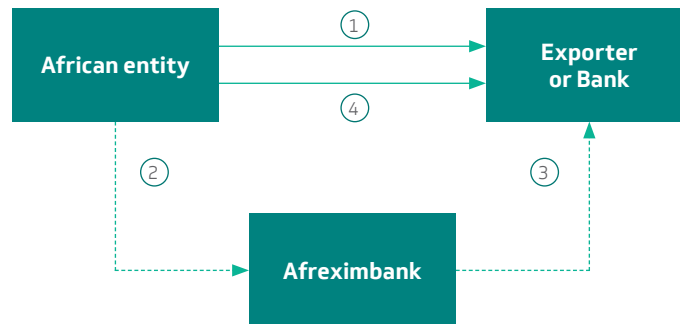
**Benefits of the facility:**

- Cover financing banks where African country risk is either unacceptable or exposure limits have been reached;
- Reduce the requirements for lending to Africa;
- Enhance the credit of African borrowers; and
- Enhance financing of Africa's trade debts.
- Share risk with exporters, service providers, and banks financing African trade, or credit insurance companies, providing cover against African trade risks.

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### A3. Letter of Guarantee facility- Short term Export Credit

Under this Facility the Bank provides credit guarantees to exporters against the risk of not being paid under a trade contract including export contract. The facility also provides cover to lenders of most forms of trade debt.



**Eligibility:** The following criteria must be met:

- the exporter must be carrying on business in Africa
- the buyer must carry on business in Africa or overseas
- the duration of the contract must not be more than 2 years.

**Risks Covered:** Commercial and political risk:

- the buyer's failure to pay any amount due under an export contract
- Borrower fails to make payment after due date (protracted default);
- Buyer or Borrower becomes insolvent;
- Non-convertibility or transferability of currency as a result of government policy

**Coverage:**

- Up to 80% cover is provided to the exporter or the lender.
- the exporter can also be covered against loss suffered due to specified risks

**Tenor:** Short-term (up to 2 years)

**Beneficiaries:** exporters, Banks, Export finance houses, factoring company, corporates involved in international trade among others.

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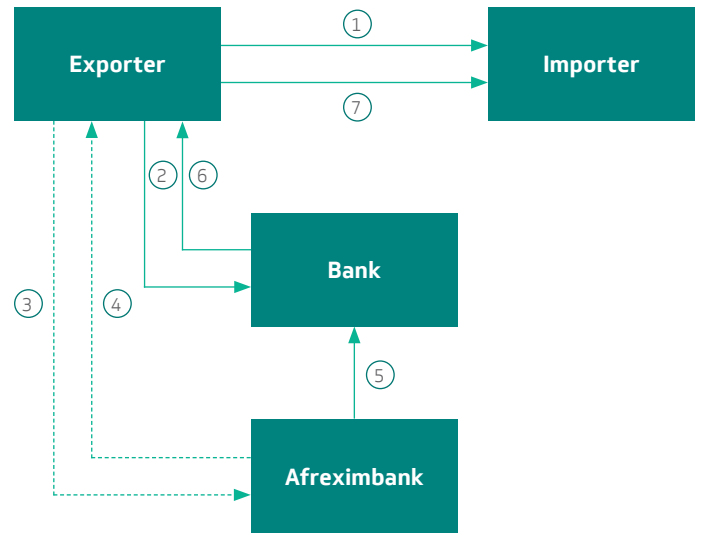
### Working Capital Guarantee Programme (WORKCAP)

The programme assists African exporters, SMEs and businesses involved in the supply chain to gain access to working capital finance. It can be both pre and post-shipment in respect of specific export contracts, raw material acquisition, contract financing, among others. Under the programme, we provide guarantee to lenders to cover the credit risks associated with export working capital facilities and trade debt instruments. The Bank offers three types of guarantees under the programme.

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

## B1. Working Capital Guarantee

Afreximbank Working capital guarantee is a partial guarantee for the financial institution against credit risks associated with working capital facilities for exporters, suppliers, SMEs involved in trade activities among others.



- ① Commercial contract between exporter and importer.
- ② Exporter requests Working Capital finance/loan.
- ③ Exporter requests Working Capital guarantee to back the Working Capital loan request.
- ④ Recourse Deed/guarantee agreement between Afreximbank and the exporter.
- ⑤ Afreximbank Working Capital guarantee issued to the bank
- ⑥ Working Capital finance/loan provided to exporter.
- ⑦ Importer pays to exporter for goods imported.

**Risk Covered:** Commercial risk such as supplier counterparty risk. Risk that the financial institution does not receive payment on or before the due date of payment of an amount due under the working capital facility.

**Coverage:** Up to 80% of the amount

**Tenor:** Short term up to 2years.

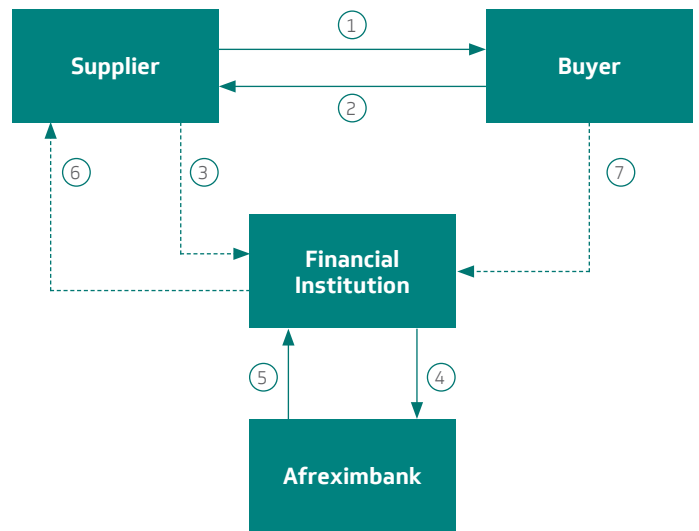
**Beneficiaries:** Banks, Export Finance Houses, other financial institutions lending to exporters and SMEs involved in the export supply chain.

### Benefits of the Working Capital Guarantee:

- Gives exporters, SMEs and other traders in the supply chain access to working capital to deliver on export contracts and keep them grow their export business.
- Prevents business being lost to other competitors due to lack of financing to support contract obligations.
- Is available for pre or post shipment working capital finance or both.
- Can support a single export-related contract or multiple export-related contracts with different buyers.
- Unlocks Working Capital to free up liquidity to finance other contracts.
- Enables exporters and SMEs to establish an ongoing borrowing relationship with their banks.

## B2. Supply Chain Financing Guarantee

Supply Chain Financing facility is a guarantee in favour of a Supplier (or his financial institution) against payment risks associated with extended payment terms granted to a Buyer (trading on open account basis).



- ① The supplier ships goods/services to buyer on open account basis.
- ② Buyer acknowledges receipt of goods and create receivables in favour of the supplier.
- ③ Supplier requests the Financial Institution to lend against receivables from the Buyer.
- ④ Financial Institutions requests guarantee from Afreximbank to cover the risk of non-payment of the receivables.
- ⑤ Guarantee is issued against the debt obligation of the supplier
- ⑥ Financial institution lend to Supplier.
- ⑦ Buyer pays the receivables directly to the financial institution to settle the debt obligator of the supplier.

**How it works:**

- a) The supplier has pre-existing relationship with the Buyer.
- b) The supplier approaches the lender with list of its buyers/ receivables.
- c) The lender reviews the List with the supplier and agrees which of the receivables to be admitted to the financing facility.
- d) The supplier obtains accounts receivables (documented by invoices) from participating buyers and sends them to the lender.
- e) The lender validates the invoices against the list agreed with the supplier to be admitted as eligible for the financing.
- f) The lender may require other documents such as list of exports products, certification of content etc. depending on the nature of the underlying transaction.
- g) Afreximbank conducts its approval process and establishes the guarantee with the lender.
- h) The lender grants the loan or discount the accounts receivables at the back of the guarantee.
- i) Loan is repaid from the proceeds of the account receivables directly from the buyer to the lender.

**Risk Covered:** Counterparty risk in a situation where the Seller (Supplier) or his financial institution does not receive payment on the due date.

**Coverage:** Up to 80% of the supply chain facility (amount of pre-approved receivables)

**Tenor:** Short-term (up to 2 years)

**Beneficiaries:** Supplier– non-African, African, financing institution – non-African, African

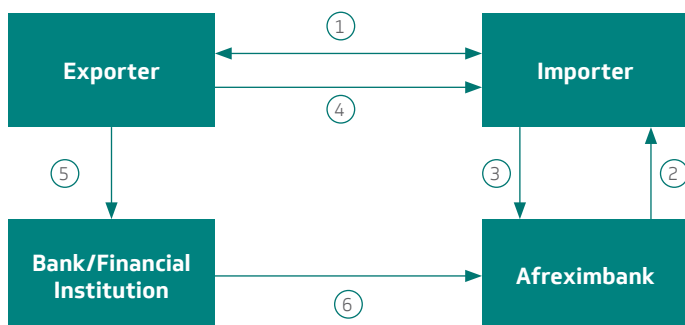
**Benefits of the facility:**

- Enhances working capital management of exporters/suppliers as the facility improves cash flow of the supplier because of the quick conversion of receivable to cash.
- Provides flexibility in extending credit terms to the buyer without affecting liquidity position of the supplier (the repayment of the suppliers' invoices).
- Offers an additional source of working capital funding for the exporter – which is not treated as debt on their balance sheet.

### B3. Note Purchase Cover- Short term

This product is a guarantee on trade debt papers partially or fully to enable their tradability (usually in the form of aval, possibly also by means of transferable demand guarantee).

With this facility, the Bank can provide guarantee on trade debt papers partially or fully to enable their tradability. For instance, an exporter or supplier holding promissory notes or a tradable instrument from a buyer as payment for exported goods can raise funds by selling these notes and thereby transforming a credit transaction into a cash transaction. This Guarantee covers a risk of non-payment of the notes. In such a case, the beneficiary of the guarantee is the bank that buys the promissory notes from the exporter.



- ① Commercial contract between exporter and importer.
- ② Promissory note issued by importer to be guaranteed (avalised) by Afreximbank.
- ③ Afreximbank guarantee (avalised) the Note on behalf of the Importer.
- ④ Importer send guaranteed note to Exporter.
- ⑤ Exporter discount guaranteed note with Bank
- ⑥ Bank claim from Afreximbank should the note issuer is unable to honour its obligation.

**Risks covered:** Commercial risk - bank or corporate and Political risk

**Coverage:** up to 100% of the face value of the paper.

**Beneficiaries:** Holder of the paper, e.g. a financial institution, corporate etc.

**Tenor:** Up to 3 years. Where a tenor longer than 3years is required the facility will be offered under a Supplier Credit Guarantee Facility(See C1 for further details on the Bank's Supplier Credit Guarantee Facility)

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## Medium and Long Term Guarantee Products

The Afreximbank medium and long term guarantee facilities offer export credit support to African entities exporting goods and services within Africa and outside Africa. It also support imports of capital goods and services including trade-related projects.

The key objectives are:

- To enlarge the opportunities for arranging projects and structured trade finance deals in the Continent, thereby encouraging trade finance inflows to Africa;
- Support African processors to obtain required financing to expand their operations and thereby promoting industrialization and export development in Africa.
- To encourage African banks to take the payment risk of their African counterparties.
- To enable international banks to take the sovereign risk of African economies;
- To permit international banks to lend over longer periods to Africa;
- To strengthen African exporters' position in accessing new markets by covering them against the political and economic risks of those markets; and
- To attract investments to productive and value added sectors of the African economies.

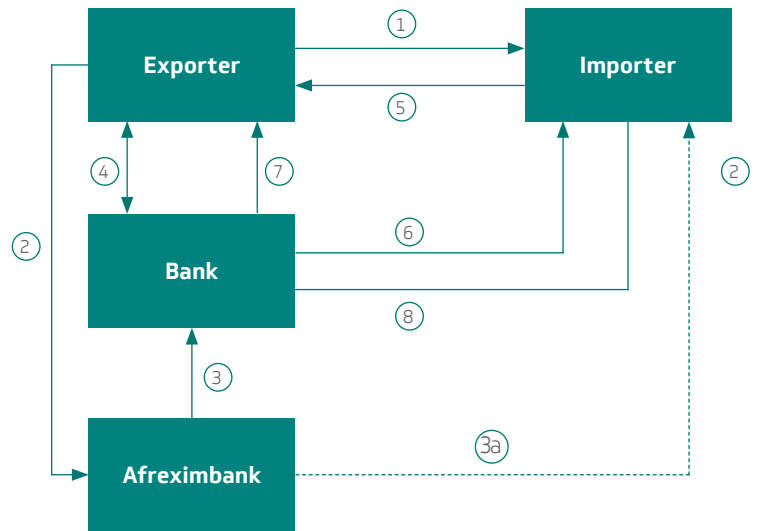
Products offered under the Bank's Medium to Long term Guarantee Programme include:

1. Export Credit Guarantee: Supplier Credit Guarantee
2. Export Credit Guarantee: Buyer Credit Guarantee
3. Export Credit Guarantee: Project Finance Guarantee
4. Investment Guarantee
5. ECA Plus Guarantee
6. Sovereign Obligations Guarantee

## C1. Supplier Credit Guarantee

Supplier Credit Guarantee is a guarantee to an exporter against the risk of not being paid under an export contract or of not being able to recover the costs of performing that contract because of events which prevent its performance or lead to its termination. Under the facility, Afreximbank can provide a guarantee to a bank for a loan to an Exporter for export of goods and services including capital goods.

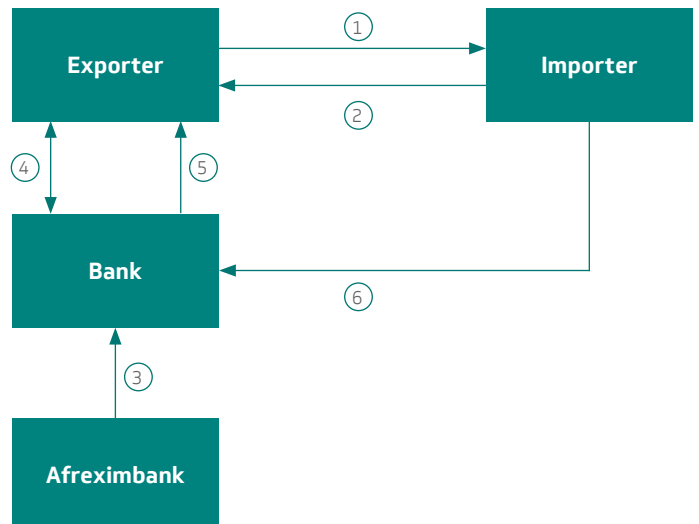
The guarantee can also cover payments due under tradable instruments such as bills of exchange or promissory notes purchased by a bank from an exporter carrying on business in Africa who has received them in payment for goods and services supplied to the Importer



### Where the guarantee is offered to a bank for a loan to an Exporter

- ① Exporter sign export contract with Importer to supply goods and services.
- ② Exporter request guarantee to cover payment of the export contract from Afreximbank.
- ③ Afreximbank provides a guarantee to the Bank that the Importer will pay the amounts due under the export contract.
- ④ The Bank sign export finance agreement with Exporter
- ⑤ Exporter supplies goods and services to Importer
- ⑥ The Bank notify Importer that claims under export contract is assigned to the Bank.
- ⑦ The Bank disburse loan to the Exporter
- ⑧ The Importer repays proceeds of export contract to the Bank.

### ii. Where the guarantee is offered to cover tradable instruments like PNs



- ① Commercial Contract between Importer and Exporter for the supply of goods and services
- ② Importer makes payments with promissory notes (PNs)
- ③ Afreximbank provides payment guarantee to the Bank
- ④ Bank purchase the PNs from the Exporter
- ⑤ Bank pays the exporter
- ⑥ Importer makes payment under the PNs to the Bank

#### **Risks Covered by Supplier Credit Guarantee**

The Supplier Credit Guarantee covers the exporter and/or a bank against both commercial and political risks under the following events:

- Foreign buyer fails to make payment of amount due after due date (protracted default);
- Foreign buyer becomes insolvent;
- Adverse measures are taken by foreign governments;
- Local currency amounts are not converted or transferred;
- Goods are confiscated due to political circumstances; or
- Contract performance becomes impossible due to political circumstances

#### **Eligibility:**

In addition to general eligibility criteria for accessing Afreximbank facilities,

The following conditions must be apply:

1. The Bank involved must be approved Trade finance intermediary of the Bank
2. The exporter must be carrying business in Africa
3. The proposed transaction support intra and or extra African trade.

#### **Beneficiaries**

- African Exporters
- Banks
- Export finance houses
- Major trading entities operating across borders within Africa (Intra-African Trade Champions, Export Trading Companies);

**Cover Percentage:** Up to 90% for political and commercial risks

**Facility Term and Type:** Medium/long-term up to 7 years

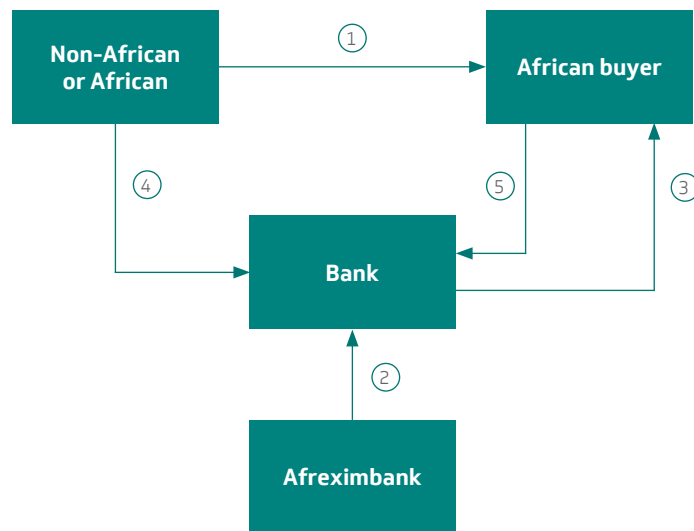
#### **Benefits:**

The Benefits of the Supplier Credit Guarantee include:

- Elimination of payment risk for the exporters thus enabling Exporters to provide extended credit to its Buyers
- Buyer's ability to get a long term credit for which repayments can be made over time
- Increased trade business between Buyers and Exporters thus leading to increased profitability
- It expand market opportunities, enable private initiative, and develop dynamic economies.

## C2. Buyers Credit Guarantee

Buyer Credit Guarantee provides guarantee to financial institutions against the risk that a loan to an Importer for an export contract between an Exporter and the Importer is not being repaid.



- ① Commercial Contract between Importer/Buyer and Exporter/Seller for the supply of goods and services
- ② Afreximbank guarantees the loan covering portion of the payment risk
- ③ Loan Agreement between Importer/Buyer and the Bank
- ④ Bank pays the Exporter/Seller directly from the loan proceeds
- ⑤ Importer/Buyer pays the Banks over an agreed payment milestone

### **Risks Covered**

The Buyers Credit Guarantee covers the exporter against both commercial and political risks under the following events:

- Borrower fails to make payment after due date (protracted default);
- Borrower becomes insolvent;
- Non Payments as a result of governments policy action;

### **Eligibility**

In addition to general eligibility criteria for accessing Afreximbank facilities,

The following conditions must be apply:

1. The Bank involved must be approved Trade finance intermediary of the Bank or Bank acceptable to Afreximbank
2. The exporter must be carrying business in Africa
3. The proposed transaction support intra and or extra African trade

### **Beneficiaries**

- Non-African or African Financial Institutions
- African Importers

Major trading entities operating across borders in Africa (Intra-African Trade Champions, Export Trading Companies);

**Cover Percentage:** Up to 90% for political and commercial risks

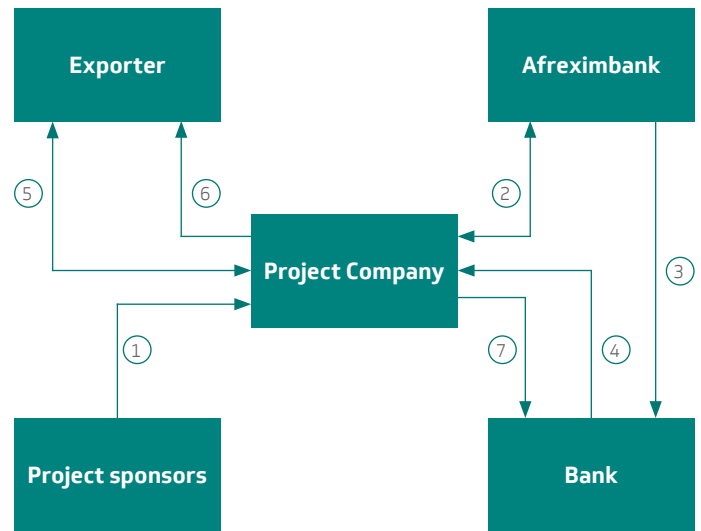
**Facility Term and Type:** Short-term ( $\leq 2$  years) and medium/ long-term ( $> 2$  years) for up to 7 years

**Benefits:** The Benefits of the Buyers Credit Guarantee include:

- The Importer or borrower has access to financing which will be paid over a number of years
- The lending bank receives a guarantee from Afreximbank to cover payment risk of the Borrower/Importer
- Enables buyers to obtain medium and long-term financing and thus increasing trade between Africa and the rest of the world. For African Buyers of African good the facility will enhance intra- African trade.
- Encourages African exporters and importers to enter international markets
- Increased competitiveness as it enhances ability of the African exporters to offer importers the credit necessary to expand into new markets and boost sales with existing customers.

### C3. Project Finance Guarantee

A Project Finance Guarantee is offered mainly to support trade-enabling infrastructure in Africa such as ports, airports, toll roads, power, and telecom, among others. It can also be structured on a case by case basis to cover specific project risks such as demand or traffic risk, off-take risk, among others. Projects of this type often involve high risks due to uncertainties inherent in the environment, extended time frame of completion, scale of the project or its technologies, among others. In some cases, the risk is so high that banks and other investors are unwilling to invest in the project without a guarantee or some sort of credit enhancement. Afreximbank guarantee is there to provide solution to this problem.



- ① Sponsors provide equity to Project Company
- ② Guarantee Agreement between Afreximbank and Project Company
- ③ Afreximbank provides guarantee to the Bank for the loan covering portion of the payment risk of the project. It can also be a guarantee to cover specific risk such as traffic/ demand risk or off-take risk of the project.
- ④ Bank provides loan to the Project Company
- ⑤ Commercial Contract between Project Company/Borrower and the Exporter for the provision of services under a project contract.
- ⑥ Project company pays Exporter from funds received (Debt and Equity)
- ⑦ Borrower repay loan to the Bank over an agreed payment period.

### **Risks Covered**

The Project Finance Guarantee covers the lenders against both commercial and political risks under the following events:

- Borrower fails to make payment after due date (protracted default);
- Borrower becomes insolvent;
- Government policy related measures which adversely affects the projects currency convertibility or transferability.
- breach of commitments

This guarantee could also be structured to cover specific project risk such as traffic/demand guarantee in the case of toll-road and other transport sector projects, offtake risk in the case of power sector related projects, among others.

### **Eligibility:**

The facility have the same general eligibility criteria for accessing the Bank's facilities. (see general information requirements on pages 34 and 35 )

### **Beneficiaries**

- Non-African or African Financial Institutions
- Non-African or African Exporters
- EPC Contractors
- Project Developers
- Major trading entities operating across borders within Africa (Intra-African Trade Champions, Export Trading Companies).

**Cover Percentage:** 70% (limited recourse) to 100% (full recourse) for political and commercial risks

**Size of transactions:** : >US\$10,000,000

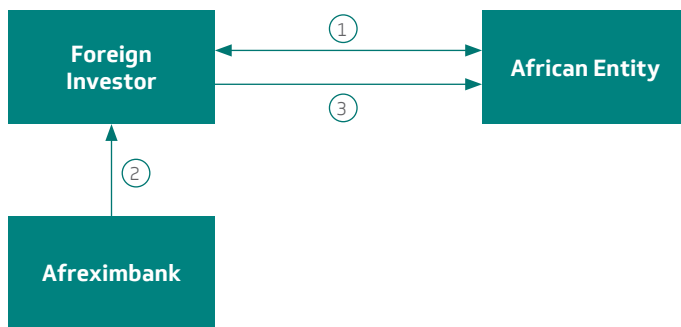
**Facility Term and Type:** Medium/long-term for up to 10 years

**Benefits:** The Benefits from the involvement of Afreximbank in the financing of the project through the Project Finance Guarantee include:

- Extending the reach private financing by mitigating perceived risk and encourage private sector involvement in the project.
- Enabling African project developers to obtain medium and long-term financing
- Encouraging African importers to enter international markets
- De-risking the transaction to help crowd-in financiers who would otherwise have turned away from the project due to the amount involved or the credit period.

## C4: Investment Guarantee

Investment Guarantee Facility of the Bank covers foreign direct investor against the risk of loss resulting from certain political events in connection with a Foreign Direct Investment (FDI) or investment loans in Africa. It can be used by foreign direct investors or banks financing FDI inflows to Africa.



- ① Investment contract between a foreign investor and an African entity to make foreign direct investment into the African entity
- ② Foreign Investor approaches Afreximbank to provide an investment guarantee to cover investment risks in the host country
- ③ Foreign investor investing in the African entity or Financiers offering investment loans in Africa.

### Risks Covered:

The Investment Guarantee covers the foreign direct investor against political risks under the following events:

- Government policy related measures which adversely affects the investment including currency convertibility or transferability;
- Expropriation or nationalisation of the firm in which the investment is made (or of its property) contrary to international law; or
- Restrictions on remittances, including exchange controls, imposed by the host state

**Eligibility:**

1. The transaction should be a new cross-border investments.
2. the investment must be made in an enterprise in the African countries
3. FDIs and those who finance FDIs are eligible.
4. Other forms of investment, such as management contracts, leasing services, franchising and licensing agreements, among others may also be eligible.

**Beneficiaries**

- African and Non- African Companies with FDI in African countries;
- Project Developers, Investment entities, and Entrepreneurs
- Multinational and other Corporations or financial institutions

**Cover Percentage:** up to 90% for political risk

**Size of transactions:** :>US\$ 3,000,000

**Facility Term:** Up to 7 years

**Benefits:**

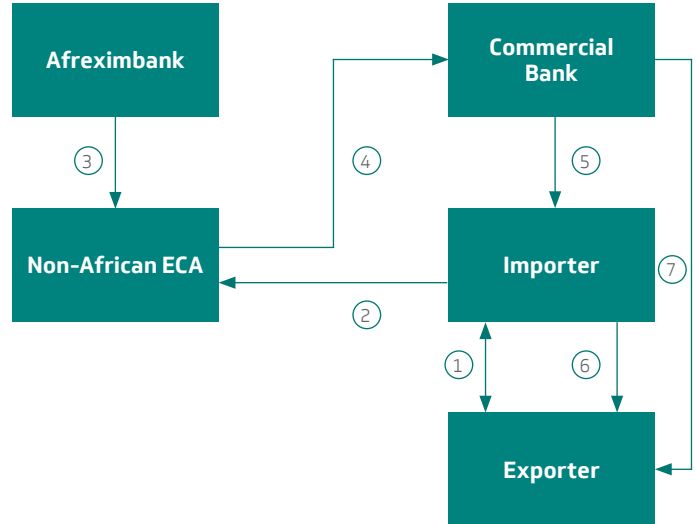
The Benefits of the Investment Guarantee include:

- Increase foreign direct investment flows in Africa
- Elimination of loss of investment by foreign investor
- Facilitate and promote industrialization and economic growth and development.
- De-risk investment related uncertainties.

## C5. ECA-Plus Guarantee

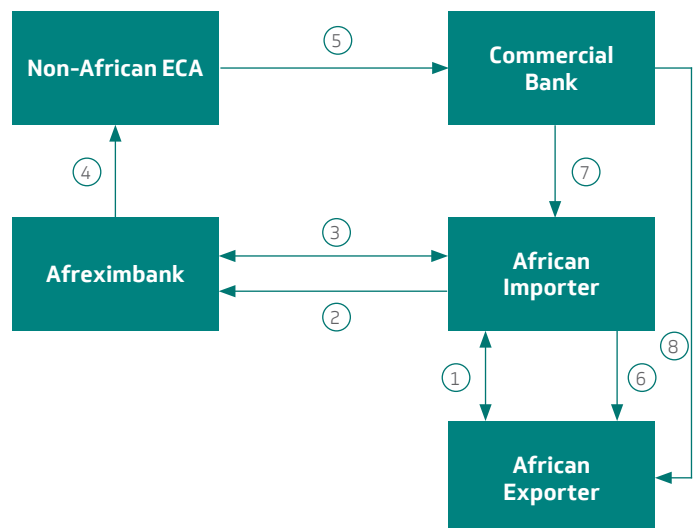
This facility is a partnership arrangement where Afreximbank work with other ECAs to de-risk African transactions by offering guarantees to support export of essential goods and services to Africa. It is an element within the Bank's ECA Loan Facilitation Programme(ELFP) where the Bank selectively work with export credit agencies(ECAs) globally to support acquisition of essential goods to Africa. With the Bank's ECA Plus cover, Afreximbank indirectly protects the exporter or the financial institution's claim to repayment via Afreximbank's co-guarantee, risk participation or a direct guarantee for an ECA. Buyer credit cover protects a financial institution against the risk that a loan to the importer for an export contract between an exporter and the importer is not being repaid.

### i. where Afreximbank co-guarantee transaction with another ECA under a co-guarantee arrangement



- ① Export Contract between Buyer and Exporter for the supply of capital goods and /or services
- ② Importer and/or Exporter approaches ECA in the exporter home country to provide ECA Cover
- ③ ECA approaches Afreximbank to co-guarantee the facility under a co-guarantee arrangement (partial risk sharing).
- ④ Exporter's national ECA issues guarantee to Bank
- ⑤ Bank provide Loan to Importer at the back of the ECA guarantee.
- ⑥ Exporter supply goods or services to Importer.
- ⑦ Bank pays Exporter directly from the proceeds of the ECA Loan on behalf of the Importer.

### ii. Where Afreximbank cover the full risk of the Importer by providing guarantee to the Exporter country ECA.



- ① Export Contract between Buyer and Exporter for the supply of capital goods and /or services
- ② Importer and or Exporter approaches Afreximbank to provide ECA-plus cover
- ③ Recourse deed or guarantee agreement is signed between Afreximbank and the Importer
- ④ Afreximbank approaches ECA in the exporter home country to guarantee the facility with full recourse to Afreximbank.
- ⑤ Exporter Country ECA issues guarantee to Bank
- ⑥ Bank provide Loan to Importer at the back of the ECA guarantee.
- ⑦ Exporter supply goods or services to Importer.
- ⑧ Bank pays Exporter directly from the proceeds of the ECA Loan on behalf of the Importer.

**Risks Covered:** The ECA-Plus Guarantee covers the exporter against both commercial and political risks under the following events:

- Borrower fails to make payment (protracted default);
- Borrower becomes insolvent;
- Adverse measures are taken by governments leading to non-payment.

**Eligibility:**

The facility follows the same general eligibility criteria of Afreximbank.

**Beneficiaries**

- African Importers and Exporters
- International trading companies including Equipment vendors
- Export Credit Agencies
- Financial Institutions including insurance entities.

**Cover Percentage:** Up to 85%

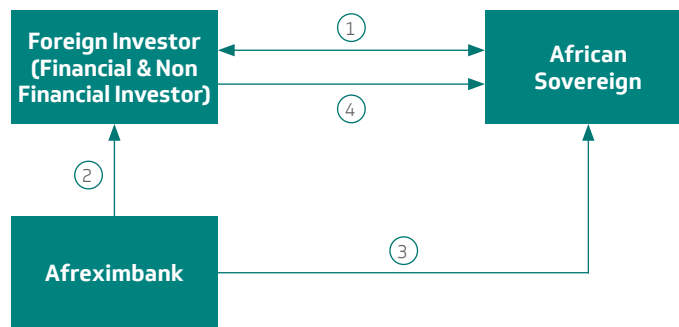
**Size of transactions:** ≥\$5,000,000

- **Facility Term and Type:** Short-term (≤2 years) and medium/long-term (>2 years) for up to 10 years

## C6. Sovereign Obligations Guarantee

The Sovereign Obligation Guarantee protects an international financial or non-financial entity if an African government fails to meet a contractual obligation. It also covers government commitments to project developers, investors and financiers.

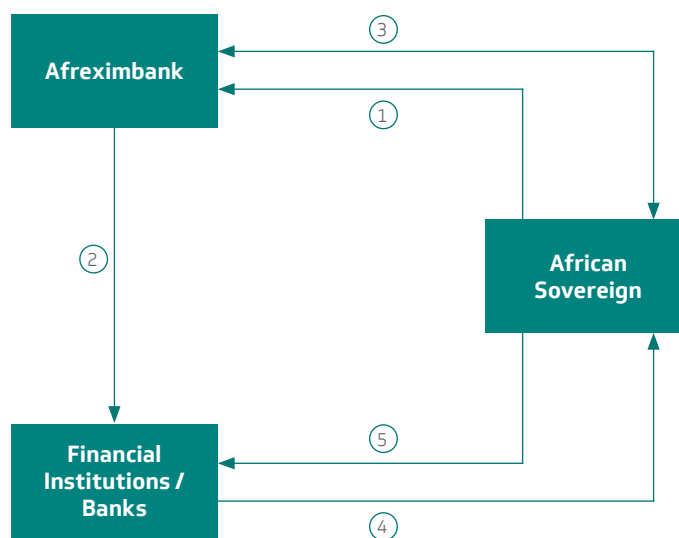
### i.) Sovereign obligation (Commitments) other than debt



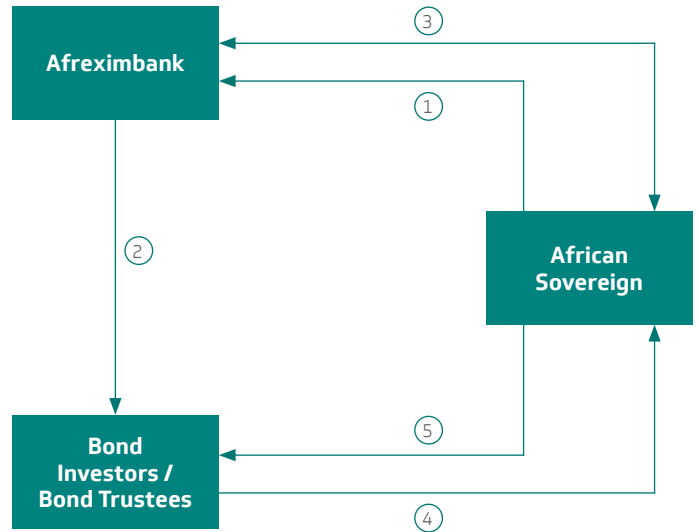
- ① Investment contract via PPP, BOT or other investment arrangement between African Government and a foreign investor to make direct investment in the country
- ② Afreximbank guarantees obligation of the sovereign including payment risk arising from non-honouring of obligations by the sovereign
- ③ Afreximbank enter into Recourse Deed with the Sovereign
- ④ Investor/Contractor provide services under the investment contract

### ii) Where the sovereign obligation relates to Debt obligations

A.) Loan (Bilateral or Syndicated) obligation



B.) Bond( Private or public placement)



- ① The sovereign request Afreximbank to provide guarantee to support sovereign fund raising (Loan or Bond)
- ② Afreximbank provide guarantee to cover non-honouring obligations of the sovereign
- ③ Afreximbank enter into Recourse Deed with the Sovereign
- ④ Lender or Bond Investors provide funds to the Sovereign at the back of the Afreximbank guarantee.
- ⑤ Sovereign repay Debt.

**Risks Covered:**

The Sovereign Obligations Guarantee facility covers the risk of Non-honouring of sovereign financial obligations

**Eligibility:**

The facility follow the same general eligibility criteria of Afreximbank.

**Beneficiaries**

- African and non-African financial Institutions
- African and non-African Institutional investors
- African Sovereign

**Cover Percentage:** Up to 100% (up to 60% for debt obligations)

- **Size of transactions:** ≥\$10,000,000

**Facility Term:** Up to 7 years

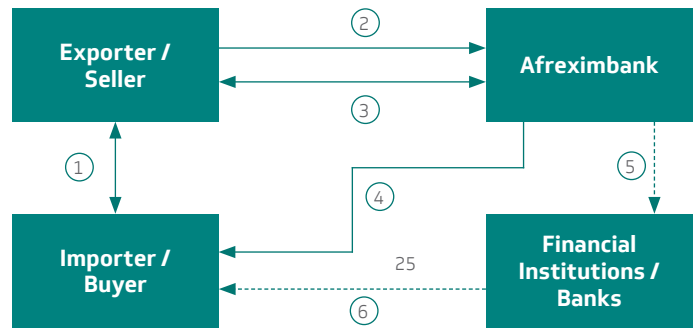
**Benefits:**

The Benefits of the Sovereign Obligations Guarantee include:

- Increased foreign direct investment by Investors in African
- Elimination of credit default risk of sovereigns
- Trade competitiveness and increased trade flows in Africa
- Reduction in the borrowing cost of the African sovereigns given the enhancement provided by the guarantees by Afreximbank.

## D. Bonding Facilities

A Bond Facility is often a prerequisite for exporters/suppliers and companies providing goods or services to buyers in overseas or in the domestic market. Afreximbank bonding facility helps you by providing bonds (guarantees) to support your eligible export-related contracts and other services. It is common for a buyer to require you, as their supplier, to provide bonds (or guarantees) as part of a contract. We can either issue bonds directly to your buyer or provide a guarantee to your bank who will issue the bonds.




- ① Commercial contract between Exporter and Importer for supply of goods and services
- ② Seller/Exporter approach Afreximbank for bonding facility to support contract
- ③ Recourse Deed between Afreximbank and Export/seller for the guarantee
- ④ Afreximbank issue bond (guarantee) to Importer/Buyer
- ⑤ Where the bond is issued through a financial institution, Afreximbank will issue the bond through FI/Bank
- ⑥ FI/ Bank issue bond to Importer.

### Types of bond which can be covered:

**Bid bonds** - Bid bonds provide a safeguard that the exporter is able to and will choose to accept the award of a contract after a successful tender process. It assist such companies in bidding for large projects, operating licenses, prospecting licenses, etcetera, which require that bid bonds be issued.

**Advance payment (Progress payment) bonds** - Advance Payment bonds safeguard that the exporter is able to perform the contract or is able to return advance payment in the event that the exporter is unable to perform the contract. It provides the Importer/ buyer with security for their advance payment under an export-related contract.



**Performance bonds** - safeguard that the exporter/seller is able to perform the delivery or technical performance obligations defined in the agreed contract.

Risks covered under the Bonding facility

It covers counterparty risk including unfair calling of the bond (or any related counter-guarantee).

**Cover Percentage:**

**Bid bonds:** Usually up to 10% of the tendered contract volume

**Advance Payment:** Usually up to 100% of the advance payment

**Performance bond:** Usually up to 20% of the contract volume

**Eligibility:**

The following criteria must be met:

- The exporter must be carrying on business in Africa or the project must be Africa related transaction.
- The bond must relate to a contract between the exporter and a buyer carrying on business within Africa.
- If the project is outside Africa the exporter must be an African entity supplying goods and services to a non-African buyer.

**Benefits of a Bond Facility:**

- It enables African entities to compete more effectively in global markets.
- It can help businesses to free up their working capital.
- It is flexible and can be issued directly by Afreximbank to the Buyer/Importer or in conjunction with a bank.

## E. Other Unique Guarantee Products

Other guarantee product offerings of the Bank are:

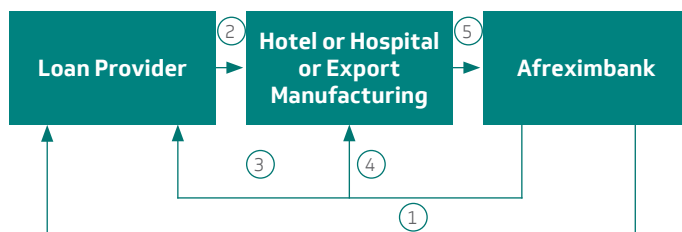
- a) Construction Finance guarantee
- b) Trade Contract availability guarantee
- c) Interstate Transit Guarantee

## E1. Construction Finance Guarantee

The Bank's Construction Finance Guarantee programme support promotion of export services through development of tourism, medical and export manufacturing projects in Africa through a risk sharing arrangement that leverages Afreximbank's strong credit standing and its preferred creditor status in its member countries.

The programme deploy two separate but linked instruments to address financing needs of promoters developing such projects in Africa. The two instruments are 1) contingent guarantee issued by Afreximbank to construction lender(s) to provide assurance of take-out (payment of the construction loan) upon completion of the project; and 2) a Relay facility aimed at taking over the construction facility. The project completion guarantee structure attempts to lay off construction risks to parties best able to manage them while retaining for Afreximbank the operating risks. The overall goal of this is to convert project risks into other manageable risks, thereby ensuring speed in deal closure and reducing overall financing risks to the parties involved in the project. Facilities covered under the Project Completion Guarantee include:

- (a) Construction/Tourism-Linked Relay Facility ("ConTour")
- (b) Construction/Medical Tourism-Linked Relay Facility ("ConMed")
- (c) Construction/Export Manufacturing - Linked Relay Facility (ConEx)



- ① Limited Recourse or Contingent Guarantee
- ② Construction Facility (CF) Construction Loan
- ③ Relay Facility (RF)/Refinancing of contingent on project completion (CF)
- ④ FF&E\* financing (optional) \* FF&E = Furniture, Fitting & Equipment
- ⑤ Repayment From operational cash flows

### African Content

The Construction works must satisfy a minimum of 30% African content, measured by the sum of rent, interest, wages, and profit retained in Africa per annum.

### Eligible Projects

The projects in the following areas:

- Hotels projects ,
- Hospital project; and
- Manufacturing facilities

## **Project Operators**

Project Operators with the following qualities:

### **Hotels:**

- Minimum of 3 years' experience in managing hotels / tourism facilities;
- Hold franchise to, and/or own solid brand names;
- Have a Global Reservation Infrastructure; and
- Have African experience
- Must be financially sound
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### **Hospitals:**

- Must be properly accredited and able to achieve accreditation requirements for the proposed hospital project;
- Must have proven track record of at least 3 years in managing / operating hospitals/medical facilities of international standards in many African countries;
- Must be financially sound; and
- Must demonstrate ability for creating value in hospitals/ healthcare facilities they manage

### **Export Manufacturing:**

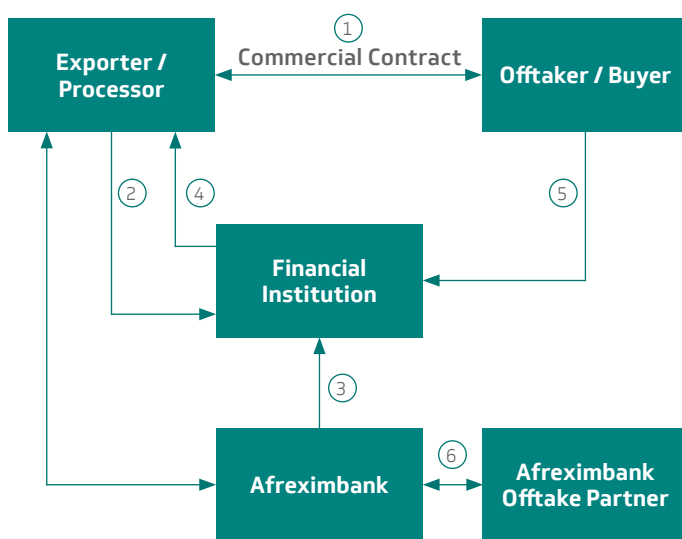
- Track record of establishing and managing facilities of this nature at least 3 years' experience in managing export manufacturing facilities;
- Hold franchise to, and/or own solid brand names;
- Must demonstrate ability for creating value in export manufacturing facilities they manage;
- Have African experience.

### **Benefits of the facility.**

- The facility is offered to support construction of hotels, hospitals and manufacturing facilities.
- With Afreximbank's Refinancing Undertaking, the parties financing the construction phase are provided a sound basis for providing funding as they can pre-finance the construction contract on the basis of Afreximbank's off-take once they are satisfied with the performance risk of the contractor.
- The project is afforded the opportunity of achieving a longer financing maturity than Afreximbank and/or the entity financing the construction phase will ordinarily be willing to give.
- The facility effectively turns a project financing into something akin to a typical pre-export trade finance deal structure that is easily managed thereby lowering the overall cost of funds.

## E2. Trade Contract Availability Guarantee Facility

This facility is one of the Bank's sector specific intervention aimed at supporting export processors to secure medium to long term financing using their export contracts in a situation where the duration of the exporter's offtake contract is shorter than the duration of the loan requested. Under the facility, Afreximbank provides guarantee to cover pre-agreed cash-flow shortfalls arising from non-availability of export contracts thereby mitigating against market risk. This guarantee gives comfort to the bank to lend to the exporter beyond the current offtake contract duration.



- ① Commercial contract between Exporter/Processor and Buyer/ Offtaker (usually short term contracts).
- ② Exporter approach a bank for medium term loan but bank request offtake contract to match tenor of the medium term loan request.
- ③ Afreximbank provide contract availability guarantee to the bank to protect them against market risk as a result of non-availability of export contracts.
- ④ Bank provide medium term loan to Exporter.
- ⑤ Offtaker pay proceeds of the export contract directly to bank.
- ⑥ Afreximbank enter into arrangement with its off-take partners (mainly the commodity traders) for the contingent offtake commitment.

## Risks Covered

It covers contract availability risk, where the exporter's offtake contract duration is shorter than the requested loan duration.

## Beneficiaries

- i. Export companies
- ii. Commodity processing companies
- iii. Major trading entities operating across borders in Africa (Intra-African Trade Champions, Export Trading Companies);
- iv. Financial Institutions

**Cover Percentage:** Up to 100% of the contract availability risk.

Facility Term and Type: medium/long-term (>2 years) for up to 10 years

**Benefits:** The Benefits of the Trade Contract Availability Guarantee include:

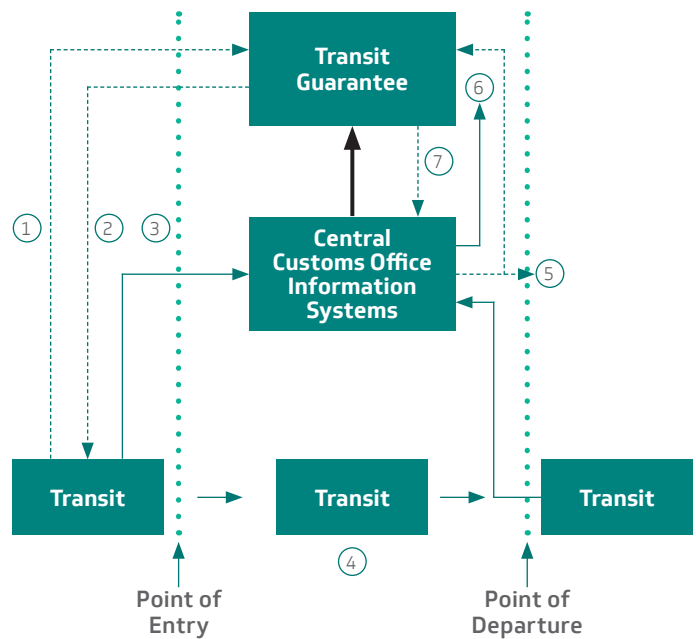
- the exporters have access to financing which will be paid over a number of years
- the lending bank receives a guarantee from Afreximbank to cover contract availability risk should the borrower is unable to secure further offtake contracts for his products
- Enables exporters to obtain medium and long-term financing and thus increasing African exports.
- Increased competitiveness as it enhances ability of the African exporters to raise financial resources to increase production of export goods.

### E3. Interstate Transit Guarantee

The Interstate Transit Guarantee is offered as part of the Bank’s overall objective of facilitating and promoting intra-African trade by reducing some of the bottlenecks associated with movement of goods across borders within Africa.

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. With Afreximbank Transit Guarantee, importers or exporters will be allowed to move goods in transit without paying customs duties or being subjected to unnecessary delays, on presentation of the transit guarantee to the customs authorities.

When the goods are in transit, they will be under customs control from the Customs office of departure to the Customs office of final destination. A Transit Guarantee system ensures that the Customs duties and taxes, which are at risk during a transit operation, are covered at all times until the goods are presented to the Customs office of destination.



- ① Principal Request guarantee
- ② Afreximbank issue guarantee
- ③ Principal presents guarantee to Customs
- ④ Transit Customs Territory
- ⑤ Transit Procedure completed successfully, Guarantee discharged
- ⑥ Transit not completed successfully, Guarantee activated
- ⑦ Afreximbank pays customs & claims from principals

#### Risks Covered

The Guarantee covers risks of non-transit of imported goods and non-payment of import duties and taxes. The Guarantee is based on actual duties and taxes that are supposed to be paid based on the customs value of goods and level of risk.

#### Eligibility

The facility will have the same general eligibility criteria of the Afreximbank for its transactions.



### **Beneficiaries**

- Major trading entities operating across borders within Africa (Intra-African Trade Champions, Export Trading Companies),
- Trade Associations involved in freight forwarding, clearing agency, haulage service, and other long distance transport activities acceptable to the Bank
- Reputable Financial Institutions seeking to reinsure their transit guarantee exposure.
- Other traders with track records acceptable to Afreximbank.

### **Cover Percentage: 100%**

Facility Term and Type: Typically very short term (one-off), but can be of a revolving nature. It can also be issued to cover single goods/cargo in transit or multiple goods/cargo in transit.

### **Benefits:**

- It help reduce bottlenecks associated with movement of goods across borders within Africa and thereby facilitate quickly movement and clearance of goods in transit.
- importers or exporters are allowed to move goods in transit without paying customs duties or being subjected to unnecessary delays, on presentation of the transit guarantee to the customs authorities
- It serves to provide assurance of non-diversion of transit goods and payment of requisite duties and taxes to the revenue/customs authorities.

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## General Eligibility

### Eligible Entities and Countries

The Bank's facilities are available only to:

- Shareholders and/or non-Shareholders in (Participating States), namely, those states whose Ministries of Finance and/or Central Banks have subscribed to the Bank's share capital and/or whose Governments have signed/acceded and ratified the Bank Agreement.
- Shareholders in non-Participating States; and
- Non-Shareholders in non-Participating States but only to the extent that such Afreximbank's support will be used towards imports from a Participating State.

### Eligible items

The Bank supports transactions in all traded goods and services except:

- Armaments, ammunition and other military equipment;
- Psychotropic drugs or narcotics;
- All items for which international trade is prohibited for environmental reasons or by international conventions; and
- Pornographic and obscene materials.

In addition, the Bank respects the trade policies of eligible countries and thus has country specific negative lists, corresponding to items which are prohibited for international trade in eligible countries.

### Eligible Transactions

The following transactions are eligible for financing by the Bank:

- All eligible exports of Participating States;
- All eligible imports of Participating States, that is, export-generating or trade-enabling with strong development impact.
- African imports, including raw materials, equipment, and spare parts; and equipment for infrastructure and other essential items;
- Intra-African trade in Eligible Items;
- South-South trade in Eligible Items;
- All Eligible Imports of Non-Participating States from Participating States.

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## How to Apply

Submit your application to Afreximbank Headoffice (Guarantees & Specialised Finance) or any of our branches using contact details indicated below. The application should include the following:

- Detailed Information about the applicant;
- Brief information about the transaction
- Company Profile and Ownership Structure;
- Board and Management Profiles;
- 3years most recent financial statements;
- Business plan if it is a new company; and
- Nature of Business
- Any other information as may be required by the Bank.

### Headquarters

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[afreximbank.com](http://afreximbank.com)

### Abuja Branch

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Asokoro,  
Abuja, Nigeria

PMB 601 Garki, Abuja, Nigeria

T +(234) 9 460 3160  
abuja@afreximbank.com

### Abidjan Branch

3<sup>me</sup> Etage, Immeuble  
CRRAE-UMOA, Angle Boulevard  
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