



Shariah solution for cotton pre-export

CIDT/Yebe Wognon – Islamic pre-export

MLAs:	International Islamic Trade Finance Corporation (ITFC), Ancile Investment Company
Borrower:	CIDT/ Yebe Wognon
Amount:	€23 million (€18.5 million input finance, €5 million campaign finance)
Tenor:	1 year
Collateral manager:	ACE Audit Control & Expertise Côte d'Ivoire
Legal counsel:	In-house

This unique transaction was selected as it demonstrates a number of significant innovations on a standard pre-export finance, as well as being *Shariah*-compliant, and of high social and economic significance.

The deal was structured on *Murabaha* basis, where the seller expressly mentions the cost incurred on the commodities to be sold and sells it to another party by adding some profit or mark-up thereon which is known to the buyer, with ITFC as the Mudarib (managing trustee) of funds provided by all participants.

The deal was intended not only to provide funds for the working capital requirements of Compagnie Ivoirienne pour le Développement des Textiles (CIDT) and Yebe Wognon – both with networks that together reach most of the country's cotton farmers; but also to provide support to local farmers by allowing for the prompt payment (cash purchase in lieu of credit) of the harvested seed cotton sold back to CIDT.

There are two components to the financing – an €18.5 million input financing component with a tenor of 12 months, and a post-harvest financing component of €5 million.

ITFC provided the facility to CIDT for the purchase of agricultural inputs to be distributed to local farmers on credit. ITFC is reimbursed through the sales proceeds from the cotton ultimately exported by the borrowers.

The uniqueness of the deal lies not only in the application of Islamic financial principles to fund and manage the risks pertaining to the cotton cycle in Cote d'Ivoire, but also in the use of collateral control to ensure that funds are properly applied for the purchase and distribution of inputs as and when they needed; and to ascertain that when the cotton is harvested, it is controlled so that its final sale will lead to a reimbursement of the facility. This is done by ACE-CI, which is responsible for the oversight over the distribution of inputs to cooperatives and producers; the oversight over raw cotton purchases; oversight over the ginning of the cotton; the transport to export ports and loading of cotton bales; and collateral management of the cotton bales meant for the reimbursement of the ITFC facility.

This transaction makes it possible to provide inputs on credit to a large portion of Côte d'Ivoire's cotton farmers. It follows earlier transactions where the level of control was much less tight, which resulted in difficulties in debt recovery. Without the structure put in place in this transaction, input supply and thus, cotton production in the country would have fallen further. This financing is expected to stabilise and set into motion a new process of growth in the sector. ■

TRADE FINANCE

This is to certify that

CIDT/ Yebe Wognon

was awarded

TRADE FINANCE
DEAL OF THE YEAR

for

€23 million Islamic pre-export financing

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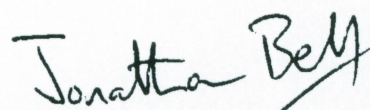
Ancile Investment Company

Borrower: **CIDT/ Yebe Wognon**

Collateral manager: **ACE Audit Control & Expertise**

Côte d'Ivoire

Deal of the Year



Jonathan Bell, Managing Editor

