



PAGE 4: B.1) YOUR CASE STORY: TITLE AND DESCRIPTION

**Q1: TITLE OF CASE STORY**

ITFC's Financing Gambian Groundnuts

---

**Q2: CASE STORY ABSTRACT**

The ITFC as an arranger and a financier extended a Murabaha Financing with the amount of US\$14 million in favor of the Gambia Groundnut Corporation (GGC) in order to finance the groundnut commodity. This case story highlights the arrangement and its impact.

---

**Q3: LONG DESCRIPTION OF THE CASE STORY**

## PUBLIC SECTOR CASE STORY TEMPLATE

Groundnut is the main cash crop of The Gambia and its production and related marketing activities engage a large percentage of the country's population. For long, the industry had been relying on borrowing crop finance funds from local commercial banks at high rates. Moreover, those banks lacked the capacity to meet its financing requirements. Not surprisingly, this made the operations less viable. The net effect had been a downward trend in groundnut production. Late payment to farmers also aggravated their financial uncertainty as the producers were unable to properly plan the use of their annual earnings. This uncertainty often forced them to resort to taking small loans to meet their daily financial needs.

With the availability of financing from ITFC, the Gambian groundnut industry now has access to adequate financing for the purchase of the country's entire commercial crop. The low cost means improved viability for GGC as financing and operating costs are reduced. During the last season all groundnut purchases were fully paid for and on time without recourse to any form of credit buying. This has also strengthened marketing arrangements for groundnuts. Since farmers are now able to sell their produce and receive cash on delivery, they feel more confident in participating in groundnut production. The result has been increased earnings for them, which in turn lead to poverty reduction.

Increased purchases also meant increased export of products, which brought in foreign exchange to the country. Consequently, it helped improve the country's GDP significantly.

### Deal Mechanics:

The Government of The Gambia, on behalf of the Gambia Groundnut Corporation (The Agent) made a written request for the financing of expected bumper harvest of 2010/2011 groundnut season. An estimated 115,000 metric tons was earmarked to be financed at US\$14 million. GGC was reluctant to approach local banks for such an amount due to the high interest rate associated and the inability for the Government to provide the funds on time.

ITFC, braved the risk involved and after making its due diligence, decided to provide the required finance on a six monthly revolving basis. Mechanisms of creating an escrow account were put in place, list of off takers was made available and facility manager was identified.

GGC identified potential buyers/off takers and reached an agreement inter-alia the volumes and quantity for Cranswick Pet Product of UK, HPS/Birdfeed and Leisure of France through Ecotrade for oil. May Bank, London was nominated escrow account holder for the repayment.

After obtaining the purchase approval from ITFC, Facility Manager made sure that the products are insured by "All Risk Coverage" insurance while in the depots or storage facilities with ITFC being assigned as Loss Payee. Facility Manager presented the invoices and warehouse receipts certifying quantity and quality upon which ITFC will release payment to suppliers. Repayments made come from off takers and as agreed and signed in a tripartite contact, all proceeds from sales go through the nominated bank which took the responsibility of allocating amounts due to ITFC on time.

### What makes this deal stand out?

- This is the first Islamic Structured Export Financing deal in The Gambia.
- It is fully supported by the Government of the Gambia with readiness to provide a Sovereign Guarantee in the event that the structure put in place fails to meet the repayment of the financing facility upon its due date.
- The operation was designed to benefit thousands of local farmers of 70% of the rural population whose entire life depends on this crop.
- ITFC was able to use foreign currency to finance local purchases that require local currency thereby earning the country extra foreign currency through this operation.
- ITFC facilitated the increased production of the product since farmers are assured of receiving payments for their products upfront instead of waiting for longer period as it used to be in the past
- Use of a professional local agent, Facility Manager to play successfully the role of monitoring and control in the likes of ACE, SGS collateral managers.

## PUBLIC SECTOR CASE STORY TEMPLATE

**Q4: Please add here web links to project/programme materials.**

<http://www.itfc-idb.org/en/content/itfcs-financing-gambian-groundnuts>

### PAGE 5: C.2) ABOUT THE CASE STORY

#### Q5: YOUR CONTACT DETAILS

Name:	Harun Celik
Ministry/Institution/Organization:	Islamic Development Bank -ITFC
Country:	Saudi Arabia
Email Address:	hcelik@isdb.org

<b>Q6: FUNCTION</b>	Public sector
---------------------	---------------

<b>Q7: FUNDING PARTNER</b> Tick the appropriate box(es)	<i>Respondent skipped this question</i>
---	---

<b>Q8: Additional information</b>	<i>Respondent skipped this question</i>
-----------------------------------	---

<b>Q9: START DATE OF PROJECT/PROGRAMME</b>	<i>Respondent skipped this question</i>
--	---

<b>Q10: STATUS OF PROJECT/PROGRAMME</b>	<i>Respondent skipped this question</i>
---	---

<b>Q11: DURATION OR, IF ON-GOING, EXPECTED DURATION OF PROJECT/PROGRAMME</b>	<i>Respondent skipped this question</i>
--	---

<b>Q12: COST OF PROJECT/PROGRAMME</b>	US\$10-20 million
---------------------------------------	-------------------

#### Q13: Additional information

USD 14 million

<b>Q14: TYPE OF FUNDING FOR PROJECT/PROGRAMME</b>	Loan
---	------

### PAGE 6: C.2) ABOUT THE CASE STORY

<b>Q15: PROJECT/PROGRAMME TYPE</b>	Single country / customs territory
------------------------------------	------------------------------------

### PAGE 7: C.2) ABOUT THE CASE STORY

## PUBLIC SECTOR CASE STORY TEMPLATE

**Q16: SINGLE COUNTRY/CUSTOMS TERRITORY**

*Respondent skipped this question*

### PAGE 8: C.2) ABOUT THE CASE STORY

**Q17: REGION**(If the region does not appear in the drop down menu, please enter manually.)

*Respondent skipped this question*

### PAGE 9: C.2) ABOUT THE CASE STORY

**Q18: MULTI-COUNTRY**(Enter all countries or customs territories)

*Respondent skipped this question*

### PAGE 10: C.4) ABOUT THE CASE STORY

**Q19: CASE STORY FOCUS** Tick the appropriate box(es)

Improving access to trade finance

### PAGE 11: C.5) ABOUT THE CASE STORY

**Q20: HOW SUCCESSFUL WAS THE PROJECT/PROGRAMME** Tick the appropriate box(es)

Successful

### PAGE 12: C.6) ABOUT THE CASE STORY

**Q21: WHAT WERE THE OUTPUTS OF THE PROJECT/PROGRAMME** Tick the appropriate box(es)

New trade finance scheme

**Q22: Additional information**(maximum 300 words)

*Respondent skipped this question*

### PAGE 13: C.7) ABOUT THE CASE STORY

PUBLIC SECTOR CASE STORY TEMPLATE

<b>Q23: WHAT WERE THE OUTCOMES OF YOUR PROJECT/PROGRAMME</b> Tick the appropriate box(es)	Increase in merchandise exports, Reduction in cost of financing of trade finance
<b>Q24: Additional information</b> (maximum 300 words)	<i>Respondent skipped this question</i>

PAGE 14: C.8) ABOUT THE CASE STORY

<b>Q25: WHAT WERE THE IMPACTS OF THE PROJECT/PROGRAMME</b> Tick the appropriate box(es)	Export market diversification, Reduction in incidence of absolute poverty
<b>Q26: Additional information</b> (maximum 300 words)	
<p>During the last season all groundnut purchases were fully paid for and on time without recourse to any form of credit buying. This has also strengthened marketing arrangements for groundnuts. Since farmers are now able to sell their produce and receive cash on delivery, they feel more confident in participating in groundnut production. The result has been increased earnings for them, which in turn lead to poverty reduction.</p> <p>Increased purchases also meant increased export of products, which brought in foreign exchange to the country. Consequently, it helped improve the country's GDP significantly.</p> <p>GGC identified potential buyers/off takers and reached an agreement inter-alia the volumes and quantity for Cranswick Pet Product of UK, HPS/Birdfeed and Leisure of France through Ecotrade for oil. May Bank, London was nominated escrow account holder for the repayment.</p>	

PAGE 15: C.9) ABOUT THE CASE STORY

<b>Q27: LESSONS LEARNT</b> Tick the appropriate box(es)	Other (please specify) No reply provided.
<b>Q28: Additional information</b> (maximum 300 words)	<i>Respondent skipped this question</i>
<b>Q29: PROJECT OR PROGRAMME MONITORING AND EVALUATION FRAMEWORK</b> Tick the appropriate box(es)	Other (please specify) No reply provided.