African Development Bank

Agricultural Finance and Rural Development

2018

Investment Opportunities

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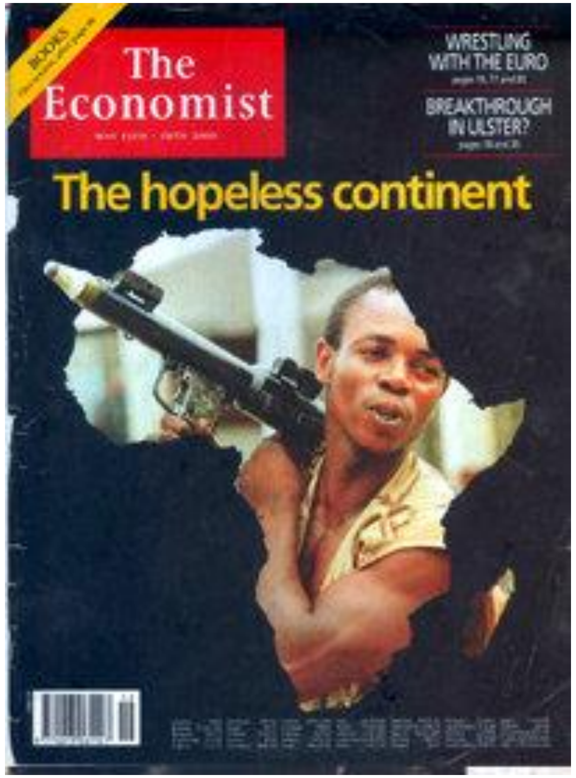
ENCOURAGING FACTS – A RISING CONTINENT

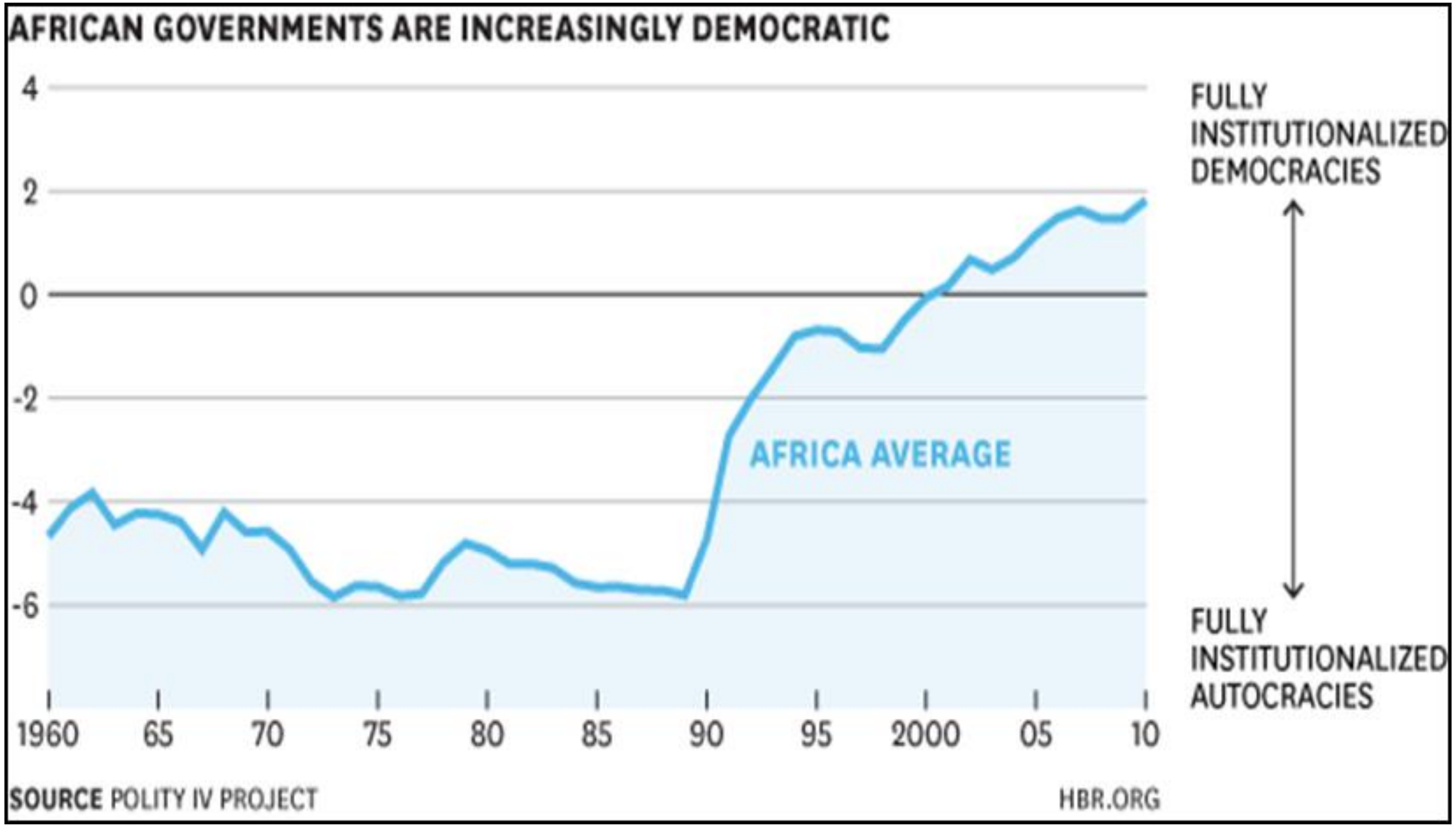


2000

2011

2013…

ENCOURAGING FACTS – DEMOCRACY

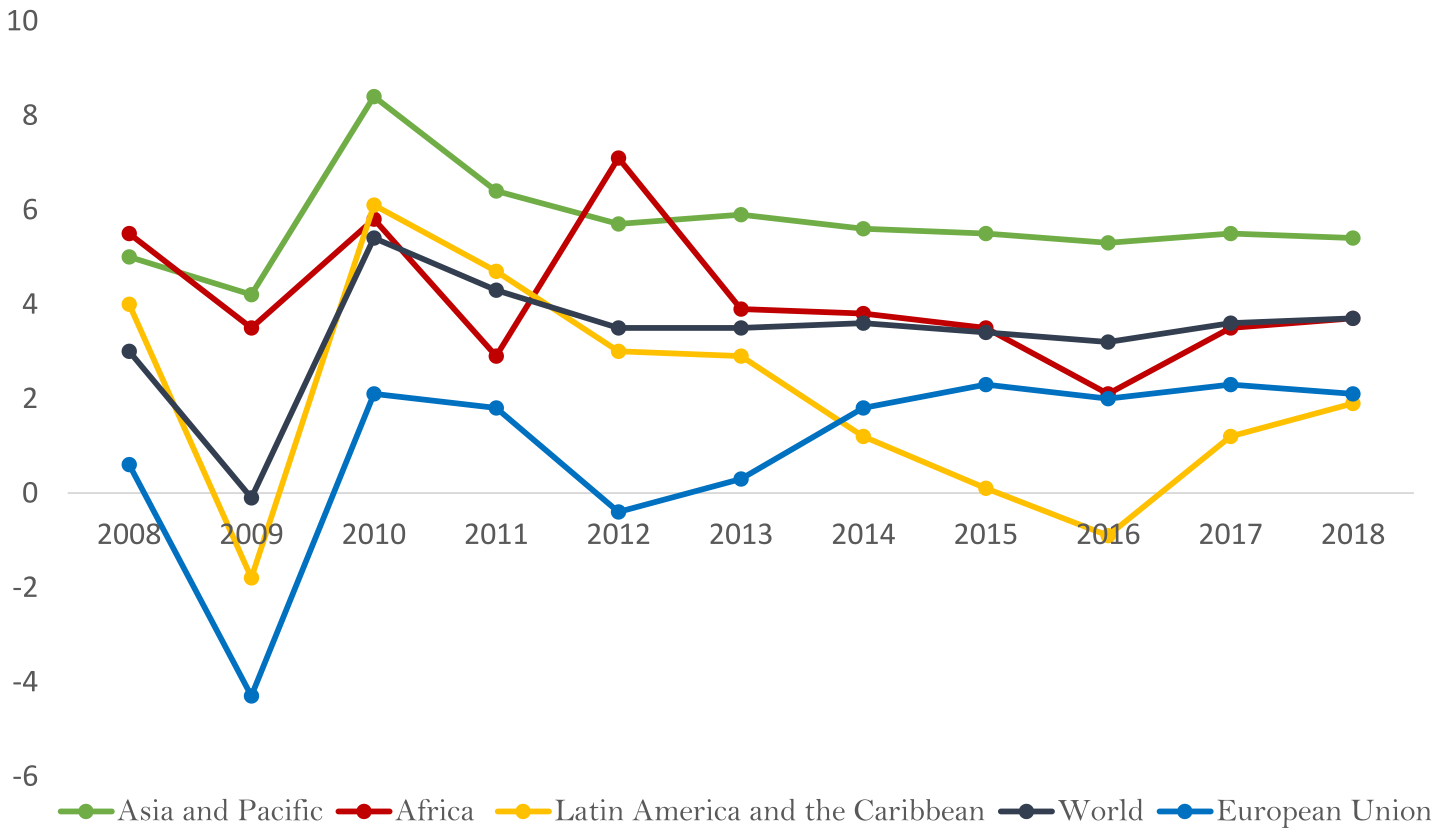


Source: World Bank, 2017

- More than 100 elections in the last 5 years which have led to democratic transitions in several countries; e.g. Burkina Faso, Angola, etc.
- Rise of civil society organizations as major actors in the public space.

ENCOURAGING FACTS – SUSTAINED GROWTH

Sustained economic growth in some countries (17 countries with growth rates above 5% in 2017) and sometime outperforming the rest of the world (7 countries among the 20 world's fastest growing economies)



Rank	Country	Real GDP Growth Rate
1	Macao SAR	13.4
2	Ethiopia	8.5
3	Côte d'Ivoire	7.6
4	Nepal	7.5
5	Myanmar	7.2
6	Bangladesh	7.1
7	Djibouti	7
8	Cambodia	6.9
9	Lao P.D.R.	6.9
10	China, People's Rep. of	6.8
11	Senegal	6.8
12	Guinea	6.7
13	India	6.7
14	Philippines	6.6
16	Tanzania	6.5
17	Turkmenistan	6.5
19	Burkina Faso	6.4
20	Vietnam	6.3

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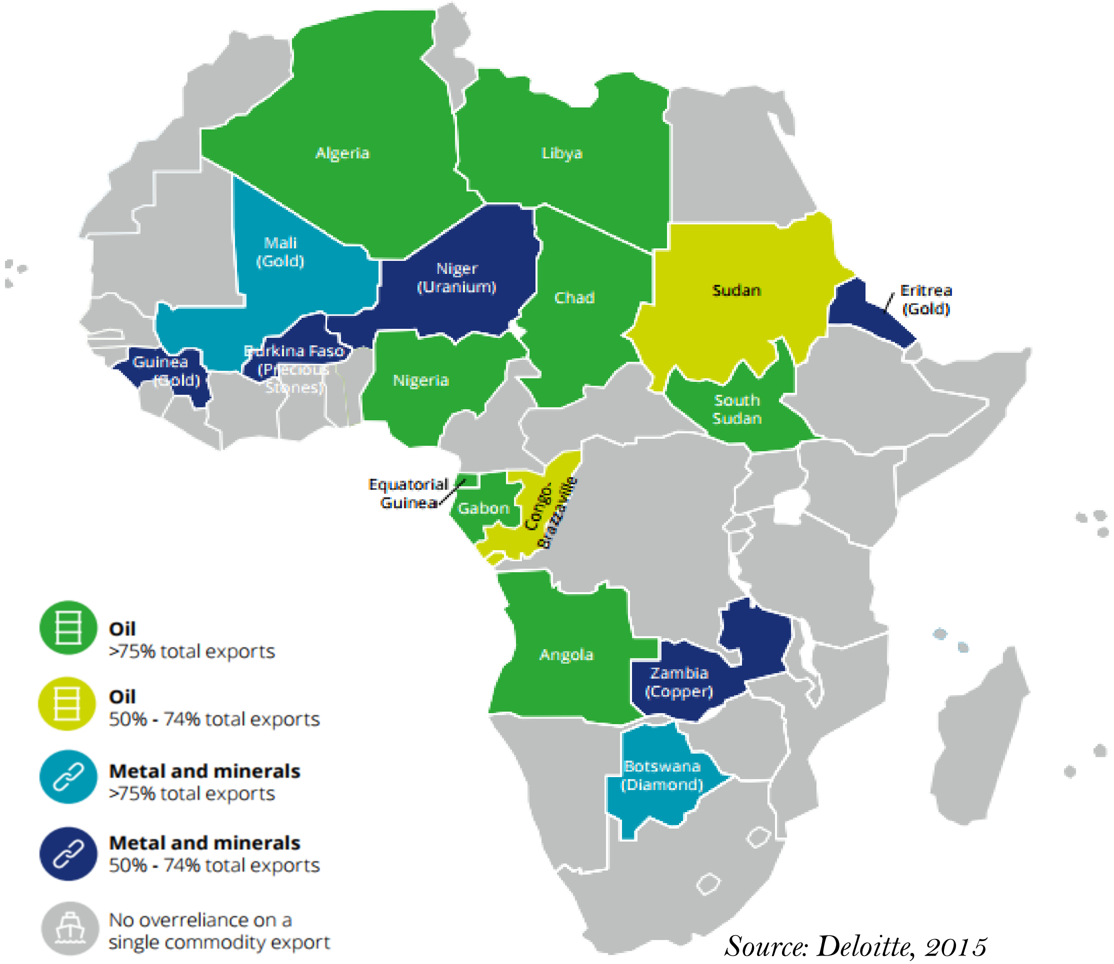
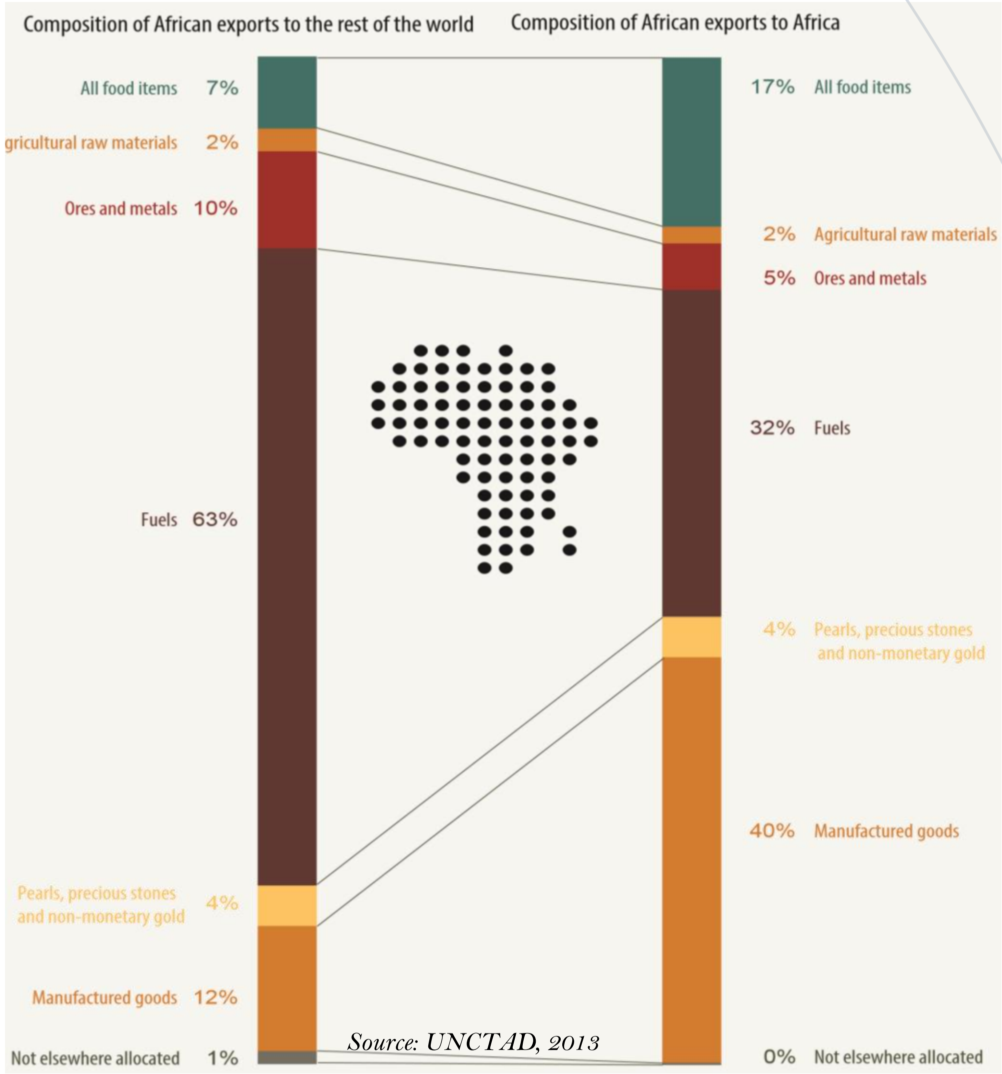
Source: IMF, WEO, 2017

ENCOURAGING FACTS – EXPORTS & DIVERSIFICATION

Part of this growth is due to commodity prices, yet many other performers without oil or other mineral wealth: e.g. Cote d'Ivoire, Ethiopia, Rwanda, Senegal, etc.



Source: Deloitte, 2015



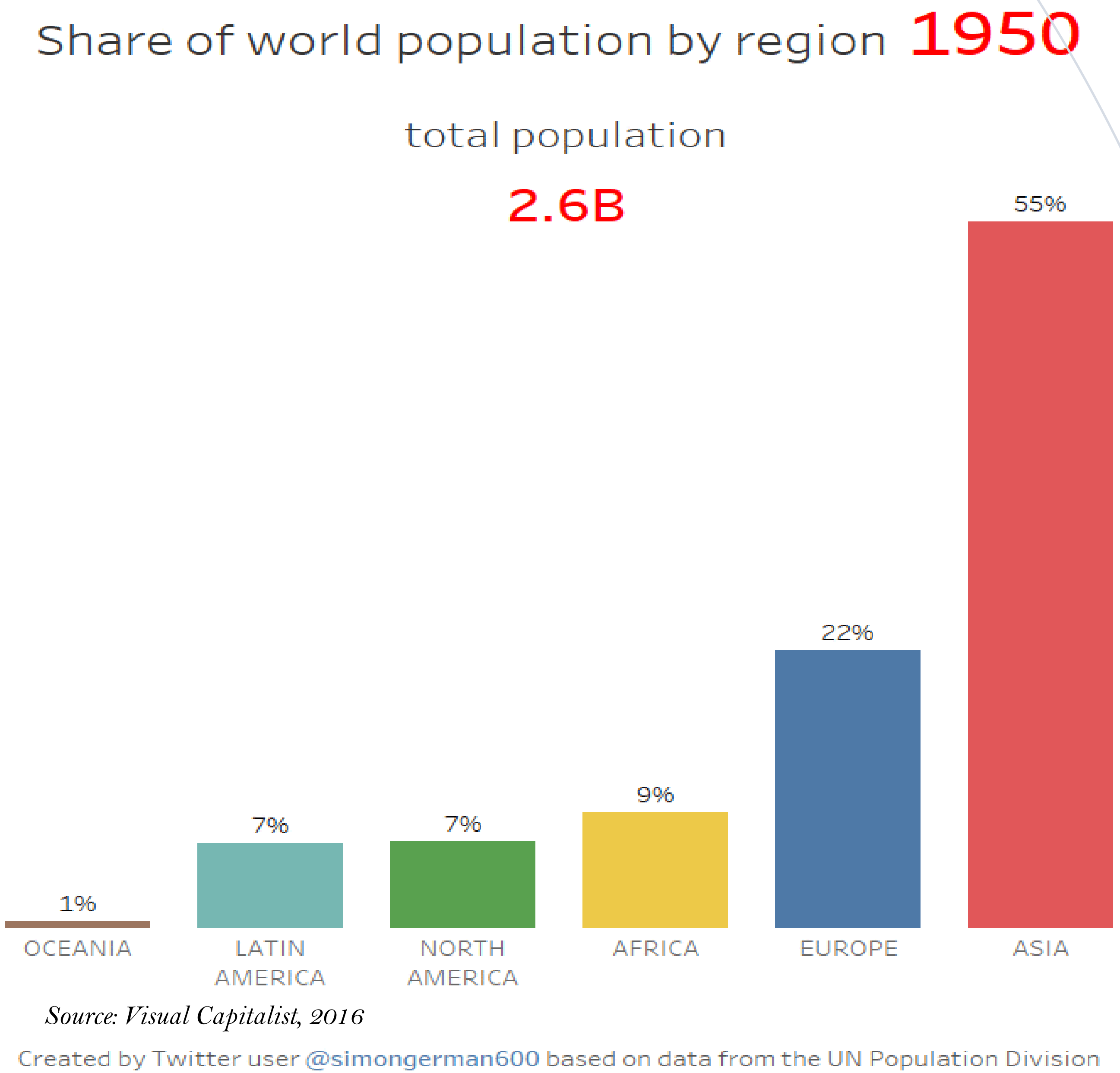
Source: UNCTAD, 2013

Increasing exports flows towards emerging markets (e.g. China, India, Turkey, Brazil…) and within Africa (17% of Africa's total exports in 2015, up from 10% in 1995)

ENCOURAGING FACTS – DEMOGRAPHICS

Potential demographic dividend:

- Today: 1 billion youth
- By 2050: close to 2 billion youth
- In the meantime, labor force in other parts of the world will decline
- 40% of Africans live in urban areas in 2014; this figure will reach 56% in 2050



Source: Visual Capitalist, 2016

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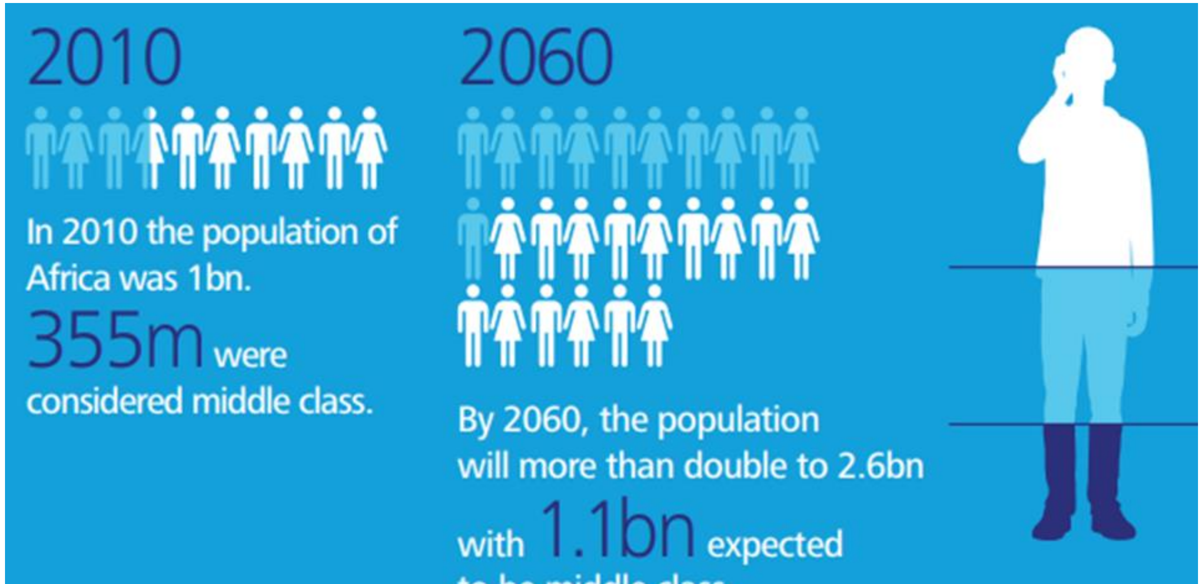
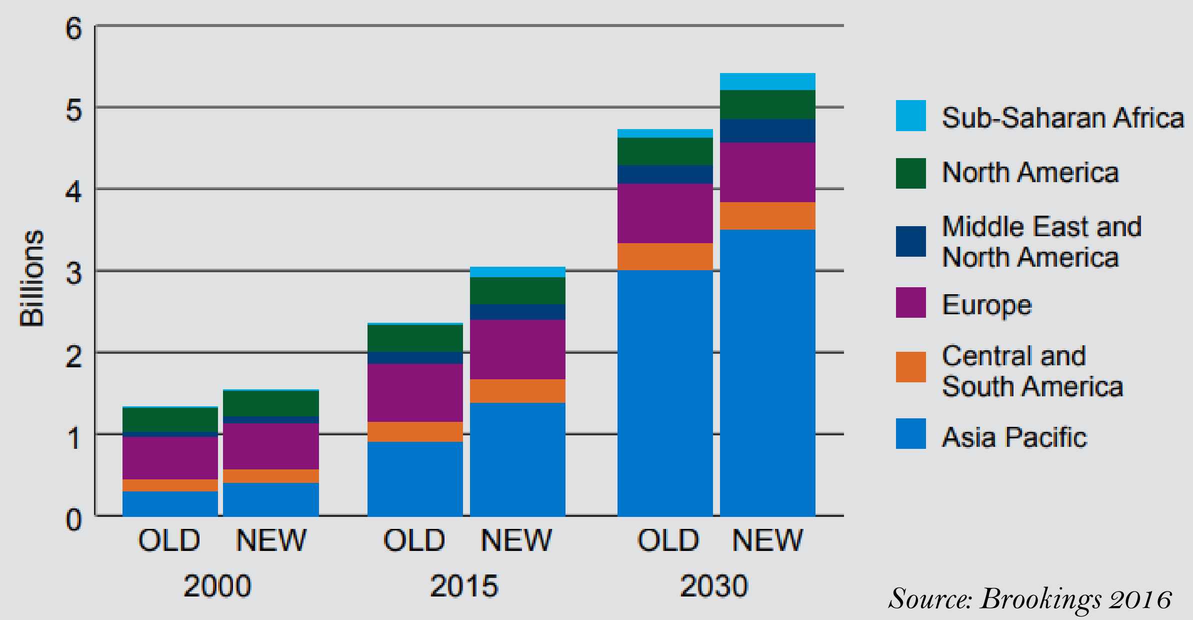
ENCOURAGING FACTS – THE RISE OF THE MIDDLE CLASS

- Average income increased by about 30% over the past 10 years (as compared to 20% of decrease between 1980 and 2000)
- By 2060, 43% of Africans will belong to the middle or upper classes, implying considerably higher demand for goods and services



Source: Pwc, 2017

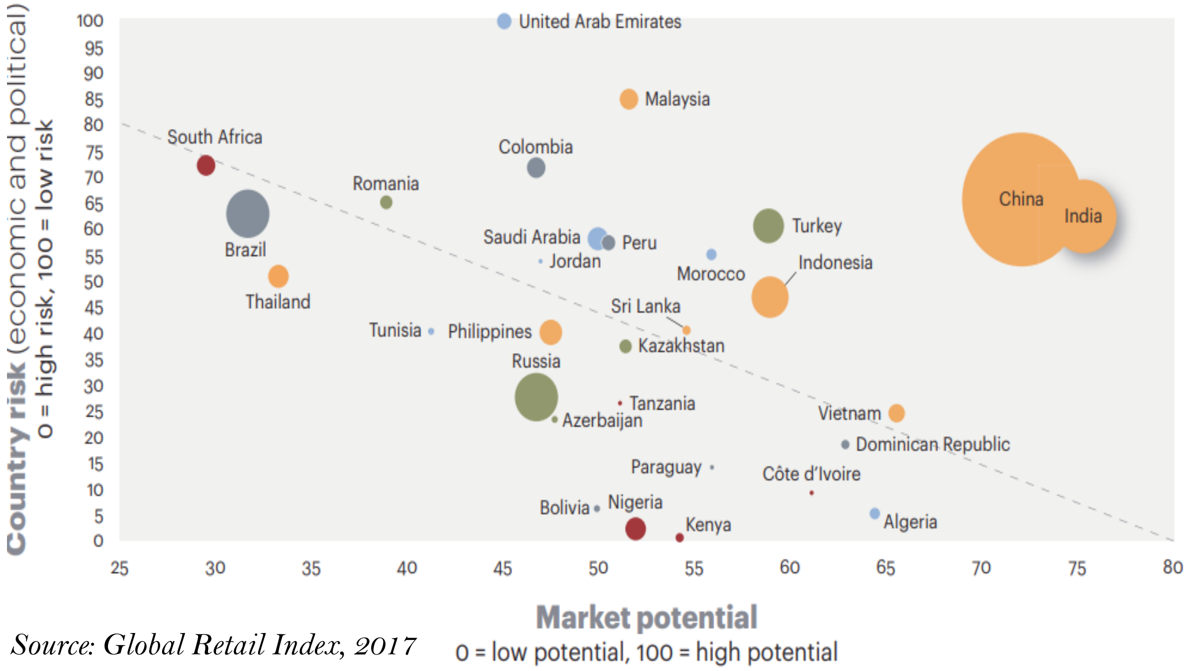


Source: Brookings 2016

ENCOURAGING FACTS – RETAIL & CONSUMPTION

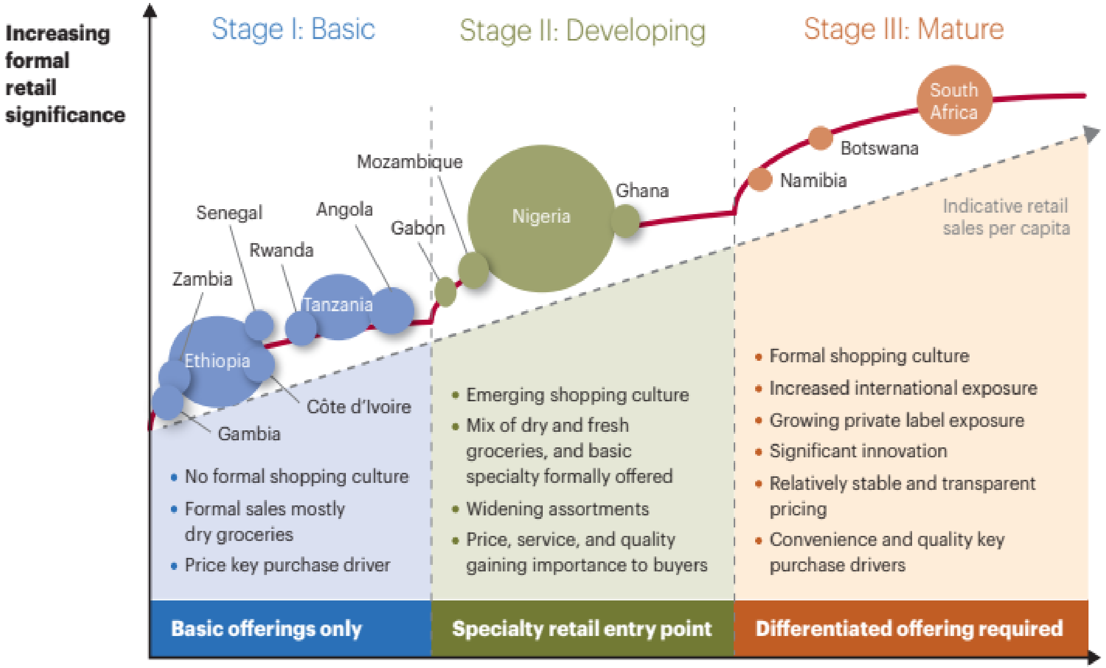
By 2030, combined consumer and business spending is expected to reach $6.7 trillion

2017 Global Retail Development Index



Source: Global Retail Index, 2017

African retail value "stages"



Source: Global ATKearney, 2017

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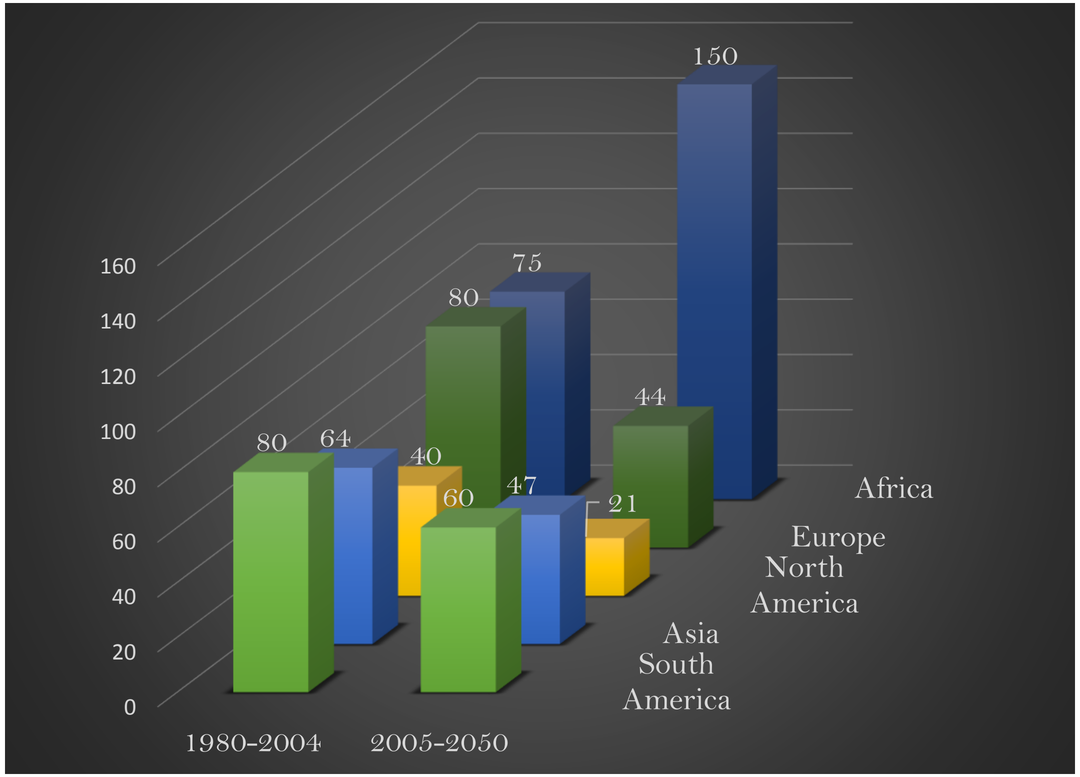
Investment Opportunities in Agriculture

AGRICULTURE IN AFRICA – UNTAPPED MARKET

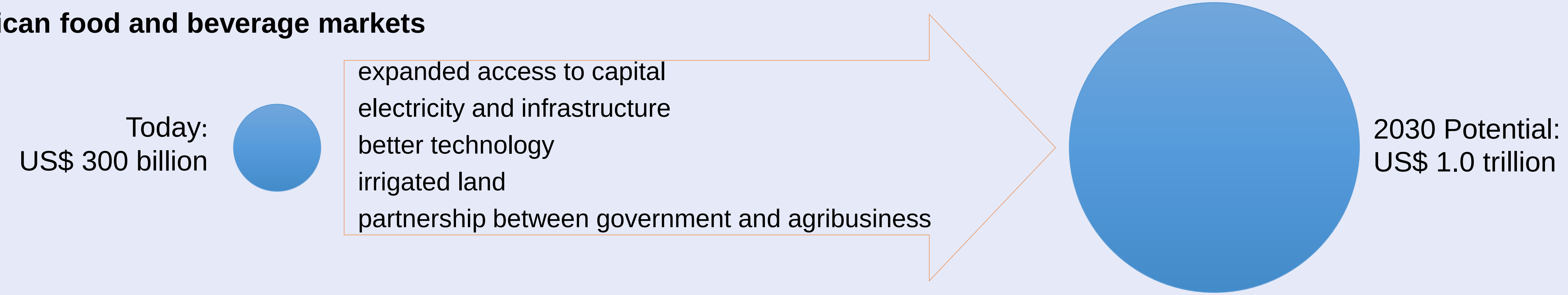
Africa contains 65% of the world's most arable uncultivated land, and it has an abundance of fresh water supplies.

Food grain production growth potential: Actual 1980-2004 and projected 2005-2050 (percent change).



African Agriculture – A US$ 1.0 trillion opportunity

African food and beverage markets



The continent is bursting with potential:

- Almost **50% of the world's uncultivated land, which is suited for growing food crops is in Africa**, comprising as many as 450 million hectares that are not forested, protected or densely populated
- Africa uses **less than 2% of its renewable water sources**, compared to a world average of 55%
- **Yield gaps are as wide as 60-80%** compared to other regions
- **Post harvest losses** run 15 to 20% for cereals and higher for perishable products

Farming is the primary source of food and income for Africans and provides up to 60% of all jobs on the continent:

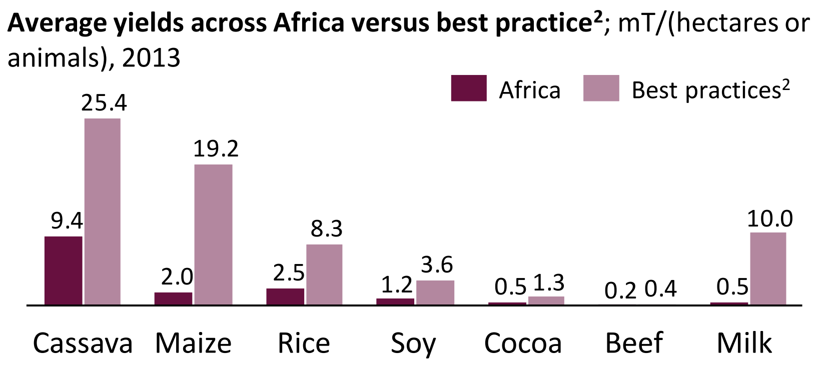
- Africa currently spends **US$ 35-40 billion on food imports**

A vibrant, sustainable, inclusive and resilient agriculture sector is vital for Africa's economic future

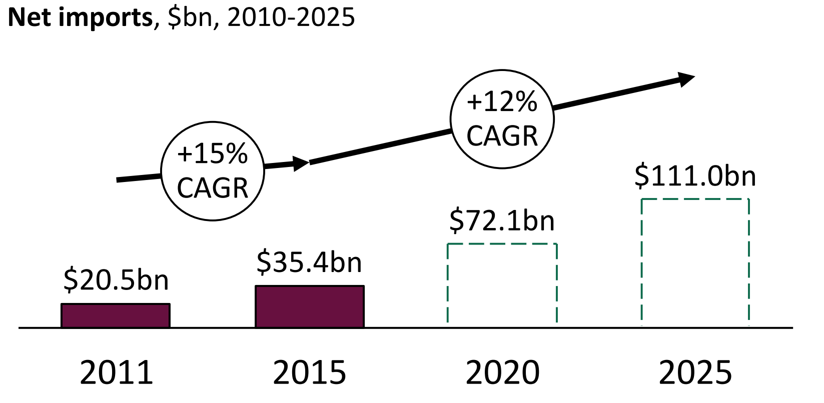
There is an exciting opportunity, as well as an imperative, to drive an inclusive and sustainable transformation of agriculture in Africa

- **African Development Bank estimates[1] suggest import bill could rise from $35bn in 2015 to $111bn in 2025**, which will be both fiscally difficult for African economies to sustain, and creates increased exposure to foreign exchange risks and food insecurity.
- **Taking a more holistic value chain approach is an opportunity to transform agriculture, in a way that delivers broad-based and inclusive economic value.** The role of agriculture as a way of life is now shifting to a source of broad based economic development.
- **What is required is substantial improvements in productivity and downstream activities to absorb and add value to agricultural production, the right regulatory conditions and sufficient liquidity to finance this transformation.**

African agriculture faces a broad set of challenges, including (but not limited to) low productivity



If left unaddressed, the trajectory is likely to be unsustainable – for example in terms of imports



((1) 'Feed Africa – Africa's Agricultural Transformation, African Development Bank, 2016; (2) Best practices = average of top 10 countries in the world by yield in the commodity; Notes: Figures in Billions USD and exclude intra-African trade; . Source: IFPRI; IITA, AFDB, Dalberg analysis

South-South cooperation & investment in Africa is accelerating

China: total direct investment by Chinese companies in Africa by 2016 reached almost US$16 billion and **President Xi Jinping recently announced a commitment of US$60 billion in major capital projects which are tied to developing local economic capacity.** Agriculture investments are targeted to Zambia, Zimbabwe, Mozambique, Tanzania, Nigeria and Sudan. Mainly for the production of grains, cash crops, animal husbandry, fisheries, forestry, agro processing and commodity trading, but also including agricultural technology development and training centers (23 across Africa).

India: Indian investment in African agriculture has been specifically supported by lines of credit from India's Export-Import Bank**. For example, Prime Minister Modi recently announced US$ 10 billion in concessional credits to Africa for the upcoming five year period and nearly 80 Indian companies have invested approximately US$ 2.5 billion in Africa's agriculture sector.** Indian agribusiness is notably involved in selling modern farm technology, such as irrigation pumps, tractors and harvesters, and / or investing in large scale farms (Ethiopia).
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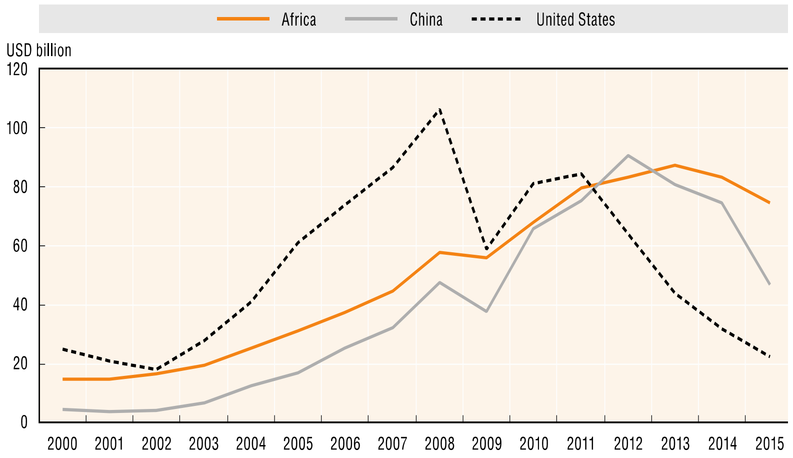
How to leverage South-South cooperation and major capital investment flows to facilitate and accelerate private sector investment in African agribusiness?

Intra-African investment is trending up but much larger growth opportunities lie ahead for African businesses positioned to lead the expansion

FDI in Africa originating from African countries, has largely been driven by intra-continental investors in **South Africa, Morocco, Kenya, and Nigeria**

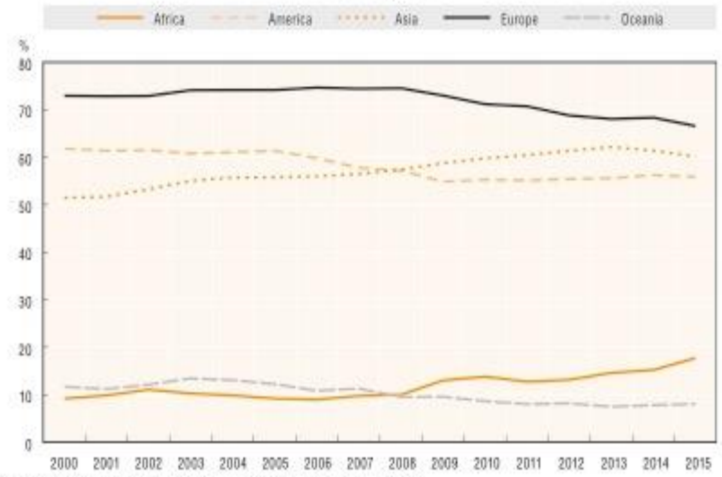
More intra-African investment is required to enable regional trade to flourish – investments yield complementary assets and build equity in African brands. **African investors are also more likely to have competitive advantages:** proximity, managerial and operational expertise

Figure 3.7. Merchandise exports from Africa, to Africa, China and the United States, 2000-15



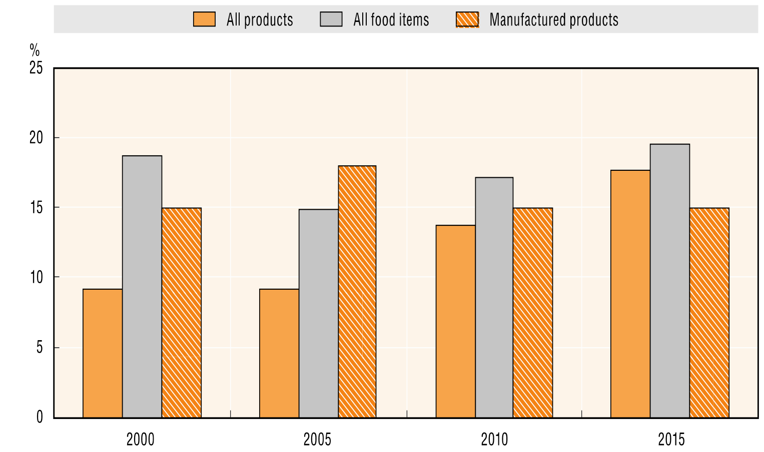
Source: Adapted from UNCTAD data, http://unctadstat.unctad.org/.
StatLink http://dx.doi.org/10.1787/888933475145

Figure 3.8. Intra-regional exports of five world regions as a percentage of total exports, 2000-15



Source: Adapted from UNCTAD data, http://unctadstat.unctad.org/.
StatLink http://dx.doi.org/10.1787/888933475152

Figure 3.9. Intra-African exports as a share of total exports, 2000, 2005, 2010 and 2015



Source: Adapted from UNCTAD data, http://unctadstat.unctad.org/.
StatLink http://dx.doi.org/10.1787/888933475163

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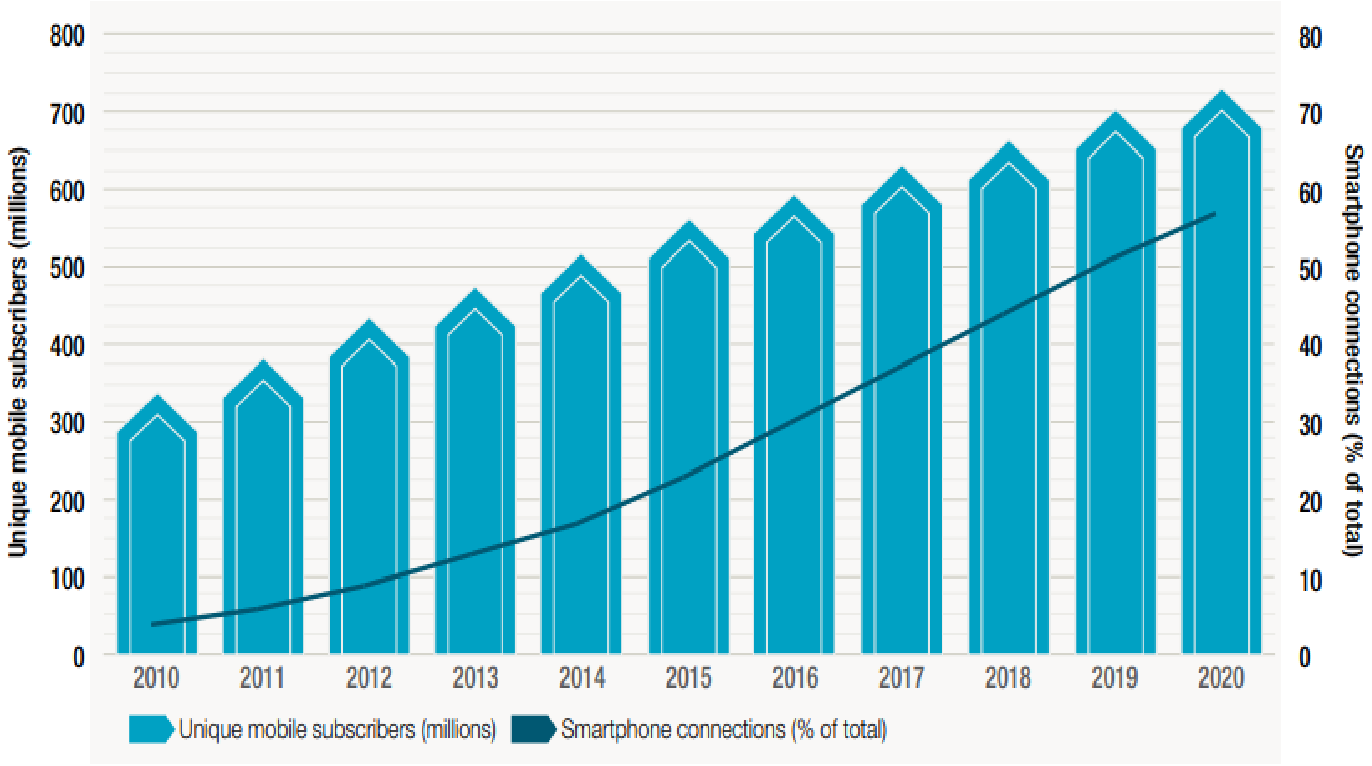
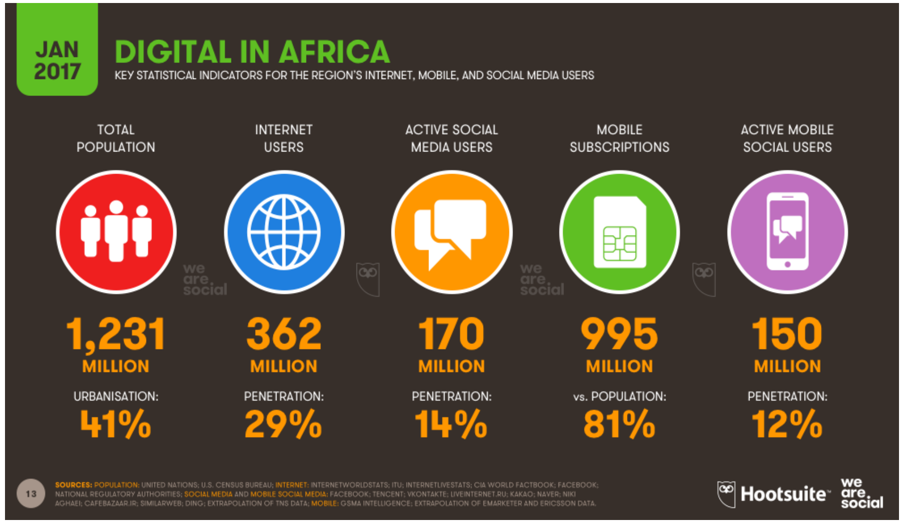
ENCOURAGING FACTS – DIGITAL & MOBILE TECHNOLOGY

Africa Mobile Technology Growth Forecast



Source: ATKearney, 2015



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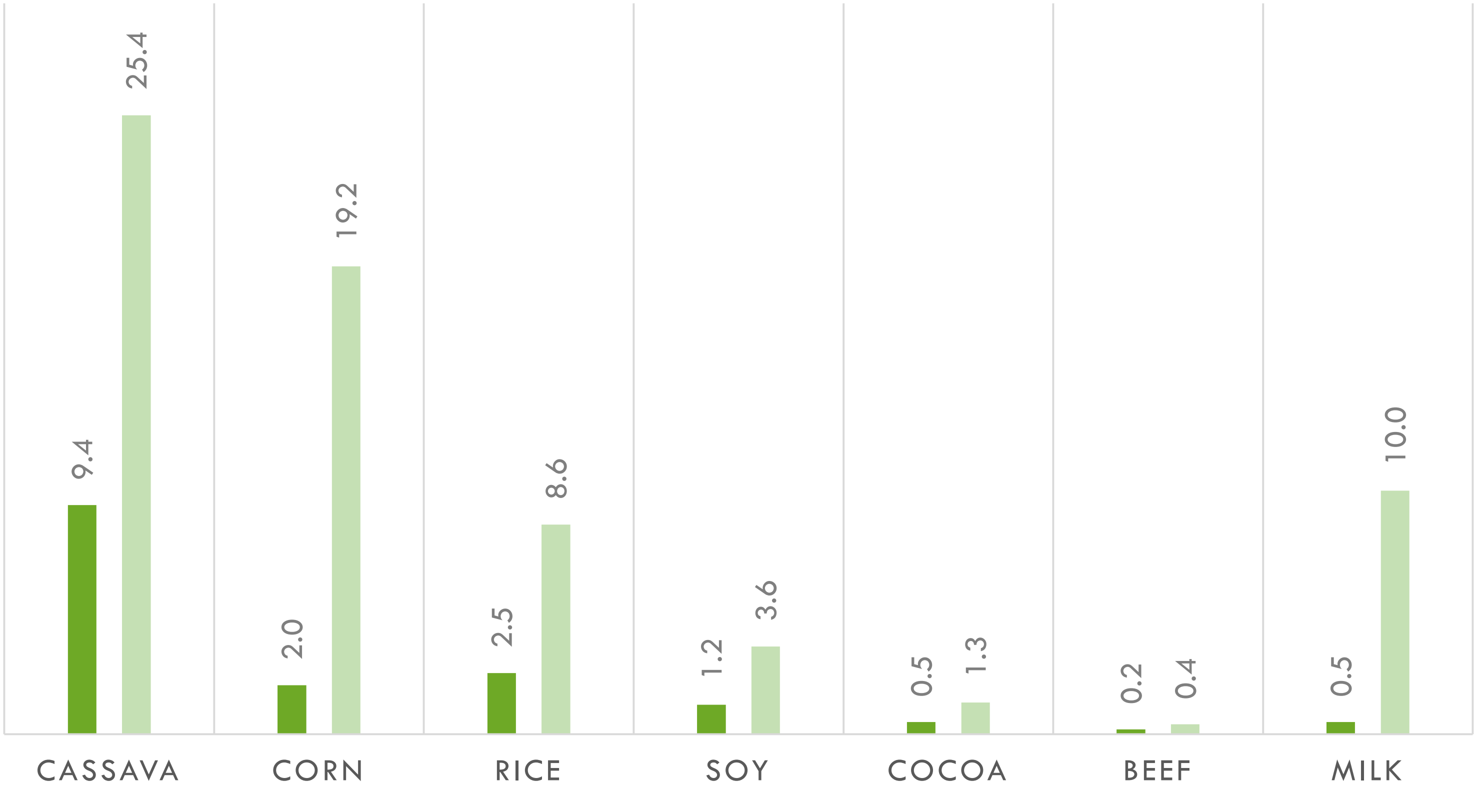
FROM AGRICULTURE TO AGROBUSINESS: NEXT STEPS

Low Productivity – Average Yields in Africa vs. Best Practices
(Tons/Hectare or Animals, 2013)



- Africa spends far too much on food imports – approximately US$35 billion in 2016. Left unchecked, the figure is expected to surge to US$110 billion by 2025
- Low value addition to agricultural commodities and primary production
- How to create a competitive environment that encourage private investors and businesses to boost food production.

Challenges

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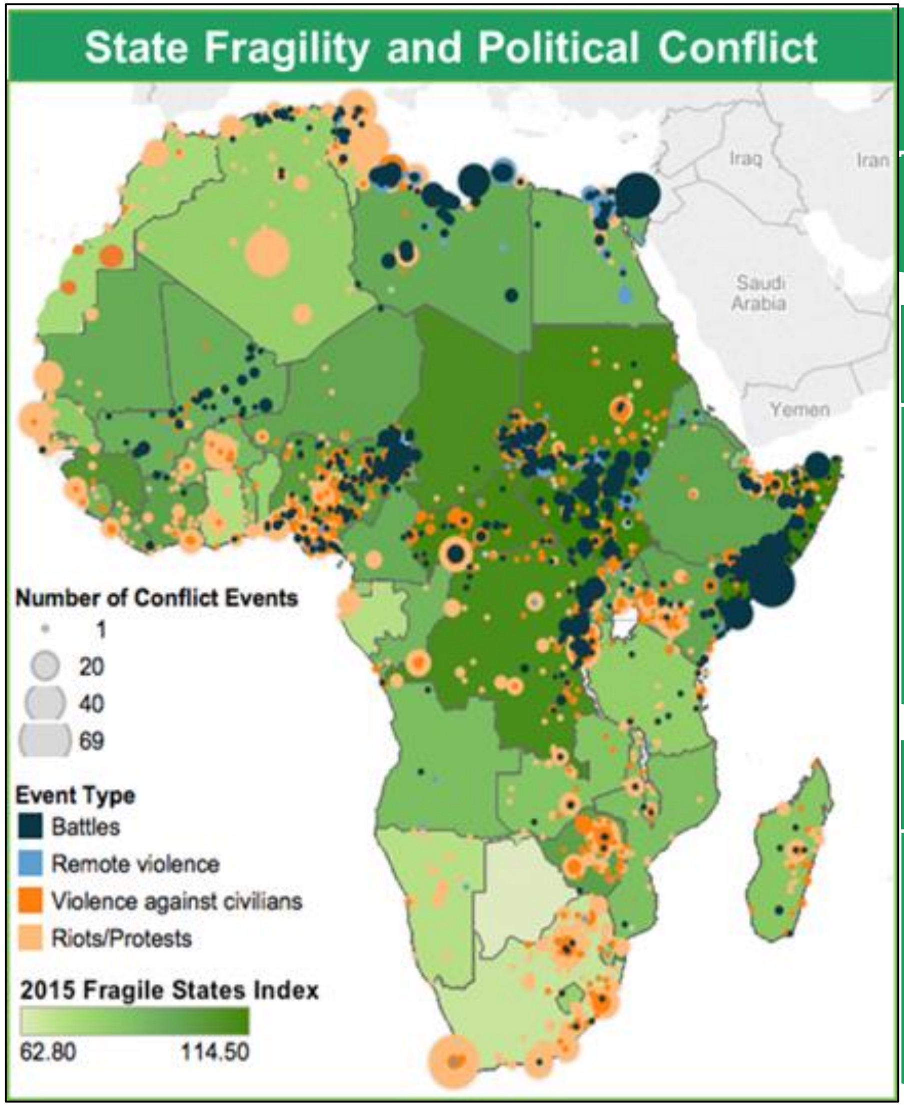
CHALLENGES – FRAGILITY & VULNERABILITY



People in humanitarian need and displaced

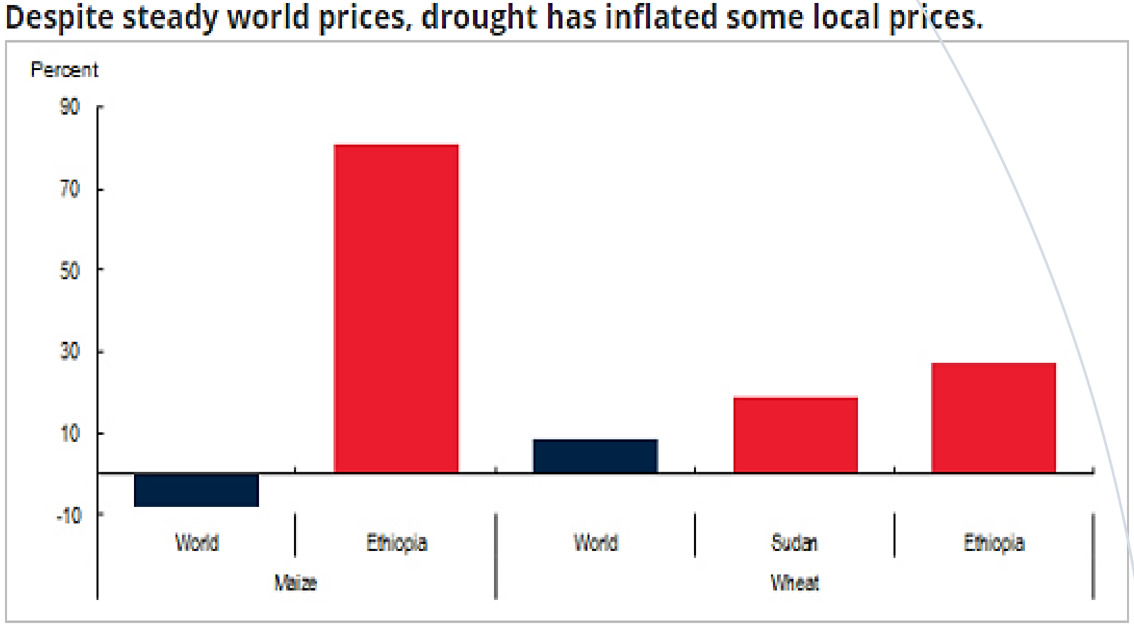
73m

Ebola epidemic (2014/2015)

5 countries hit and $6bn economic losses for SSA

Terrorism

Killed more than 22000 people across Africa



Source: World Bank, 2017

Favorable weather, ample supply, and low prices do not guarantee food availability everywhere:

- Drought conditions have caused crops failures in parts of Ethiopia, Somalia and Kenya and led to severe food shortages
- Conflicts in South Sudan, Yemen and Nigeria have left millions in need of emergency food

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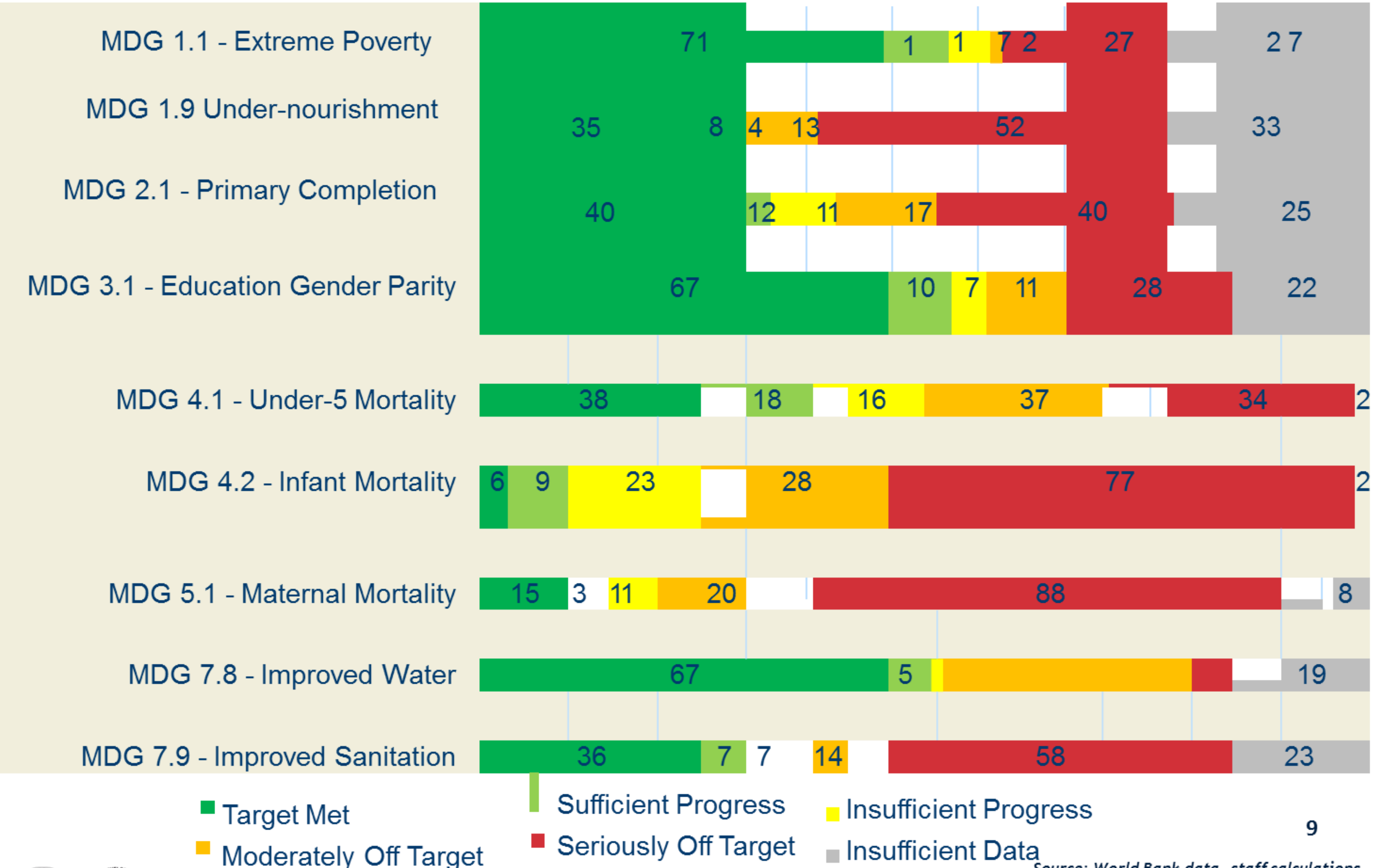
CHALLENGES – POVERTY & INEQUALITY



Source: World Bank data, staff calculations

Poverty decreased in relative terms but not in nominal terms, i.e. number of poor in Africa is close to 500M

Sub-Saharan Africa HDI average still low at 0.523; over 60% of African countries have a low HDI

By 2030, nine out of ten low-income countries will be in Africa

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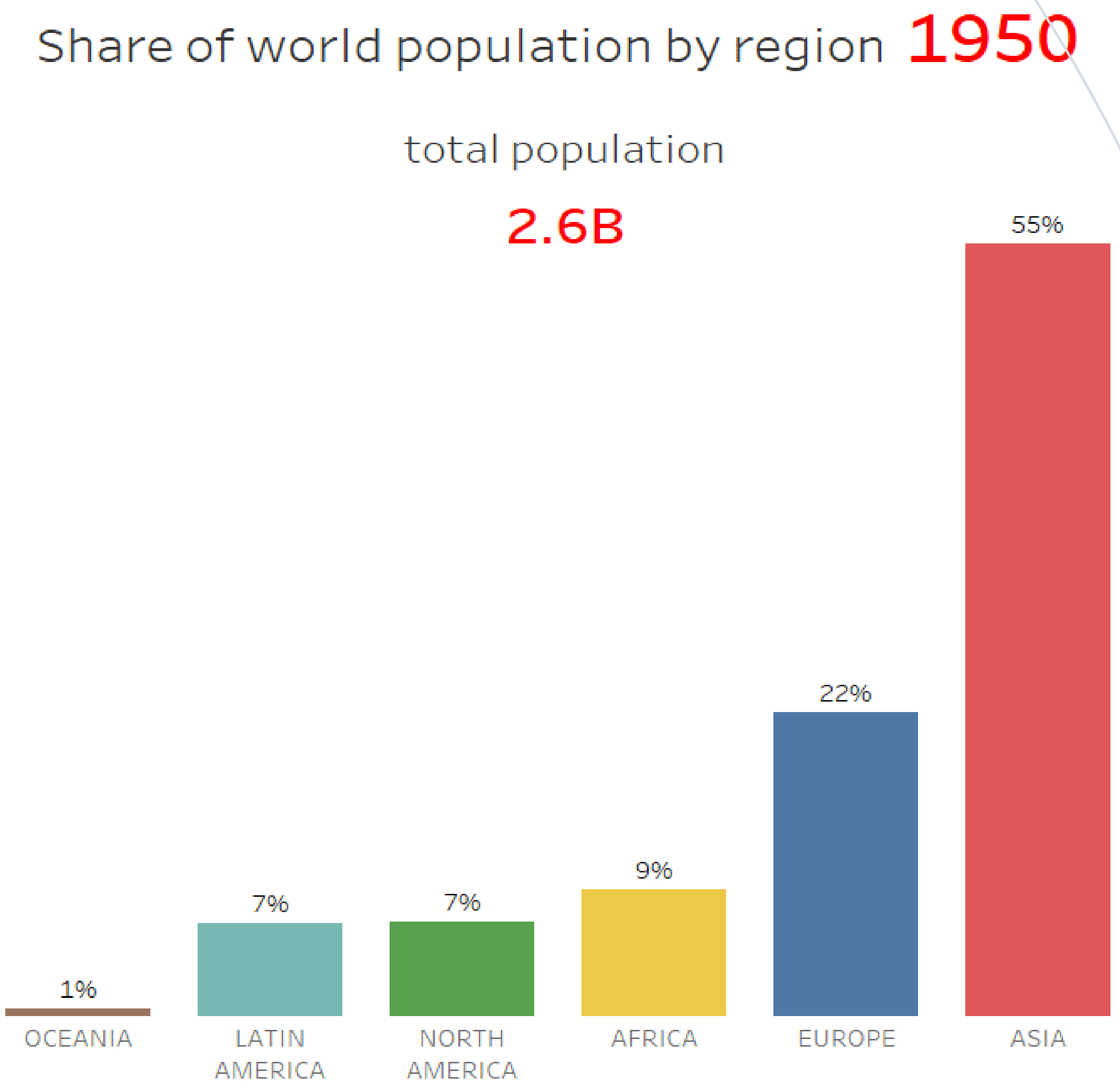
CHALLENGES – DEMOGRAPHICS

Risk of missing the demographic dividend:

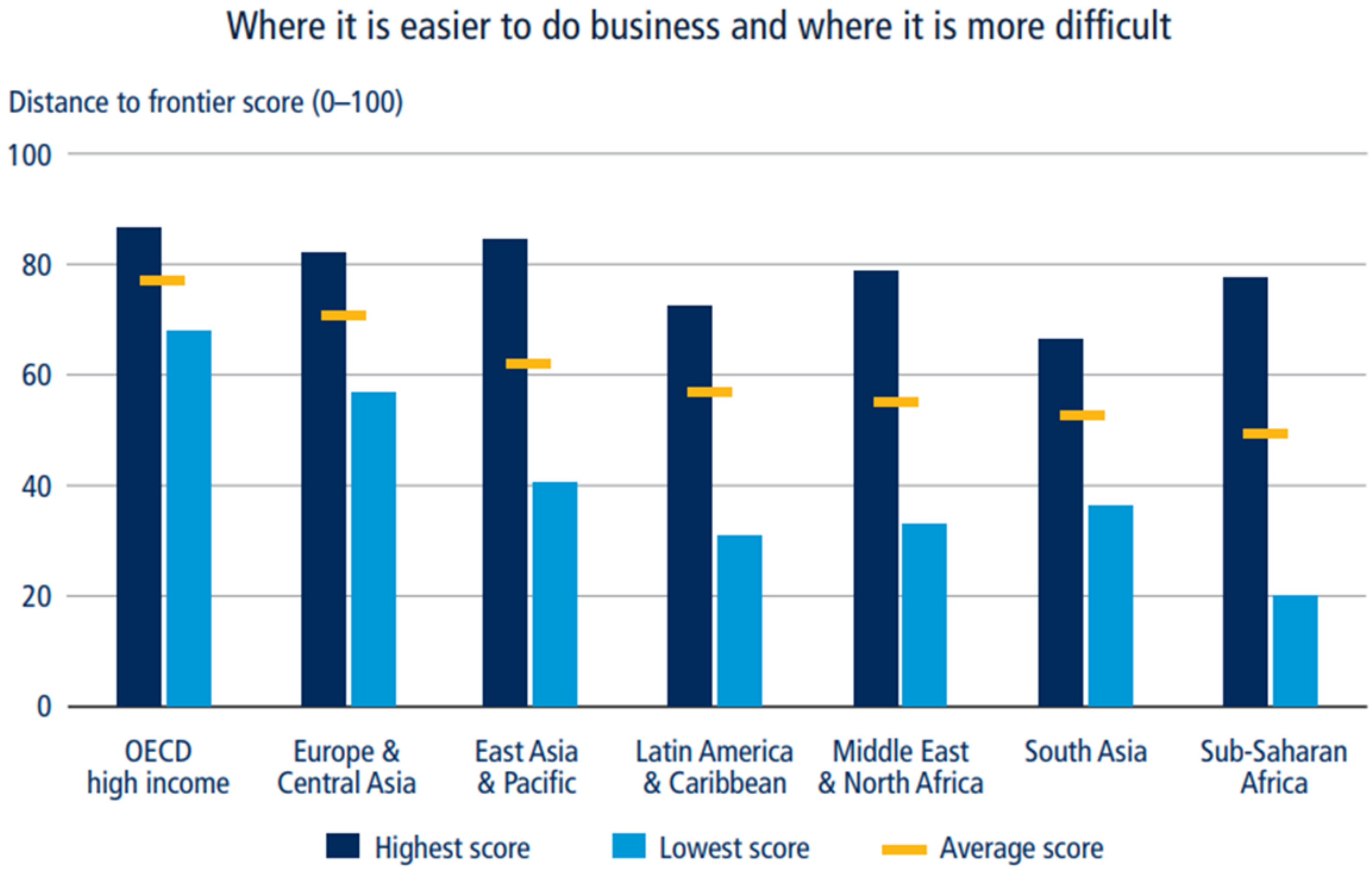
- Between 12-14m youth enter the labor market each year
- Only 2-3 of those find a job
- Professional training and education not properly designed
- Impact of 4.0 Industrial Revolution?



Source: Visual capitalist, 2016

Created by Twitter user @simongerman600 based on data from the UN Population Division

CHALLENGES – BUSINESS ENVIRONMENT

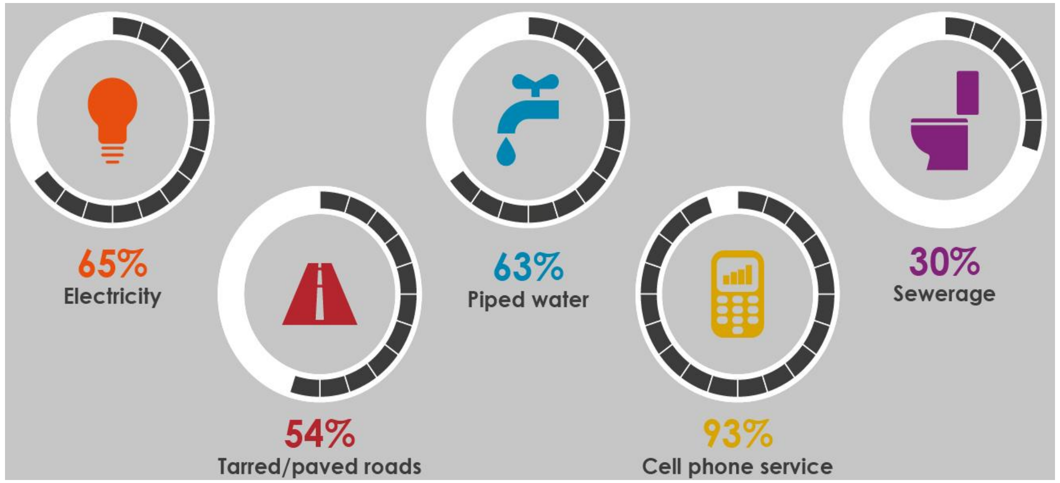


Source: Workd Bank, 2016

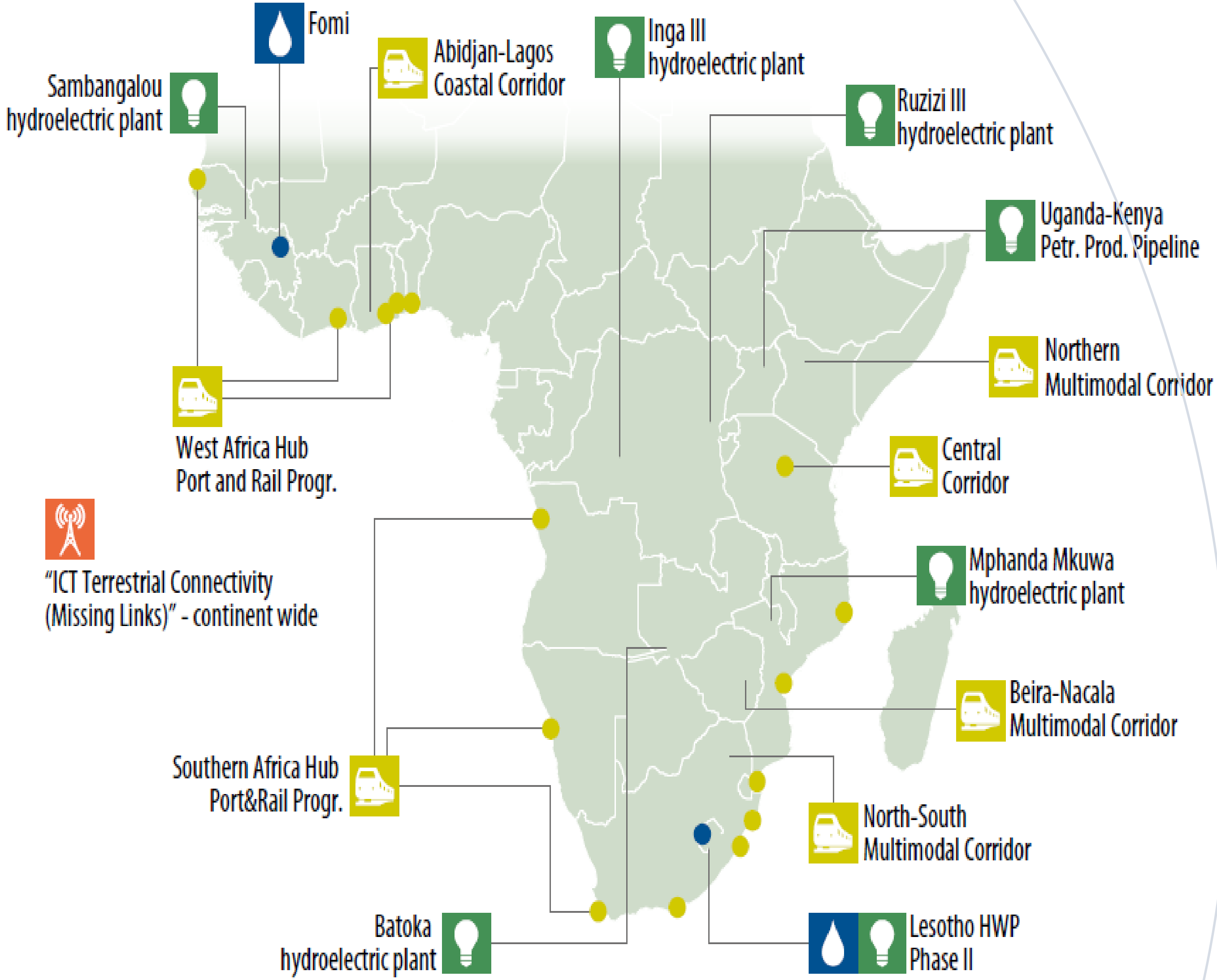
- Progress in overall ease of Doing Business Rankings remains slow
- Power outages among the highest in the world
- Attracting FDI into diversified and higher value-added sectors still a challenge
- African firms are some of the most highly taxed in the world

CHALLENGES – ACCESS TO INFRASTRUCTURE

- Still low access to basic infrastructure
- Several critical corridors for regional integration still to be accomplished



Source: Deloitte, 2014



Source: Deloitte, 2014

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CHALLENGES – NO VALUE ADDITION

60%

Employs **60%** of its population

30%

- Contributes to **25-40%** of GDP

- In African countries less than 30% of harvests are processed into value added products

30%

- In developed countries, over 98% of harvests are processed into value added products

98%

- Only $40 of value are added to one ton of processed products in Africa

$40

- $180 of value are added to one ton of processed products in developed economies

$180

Data from ECOSOC, 2003

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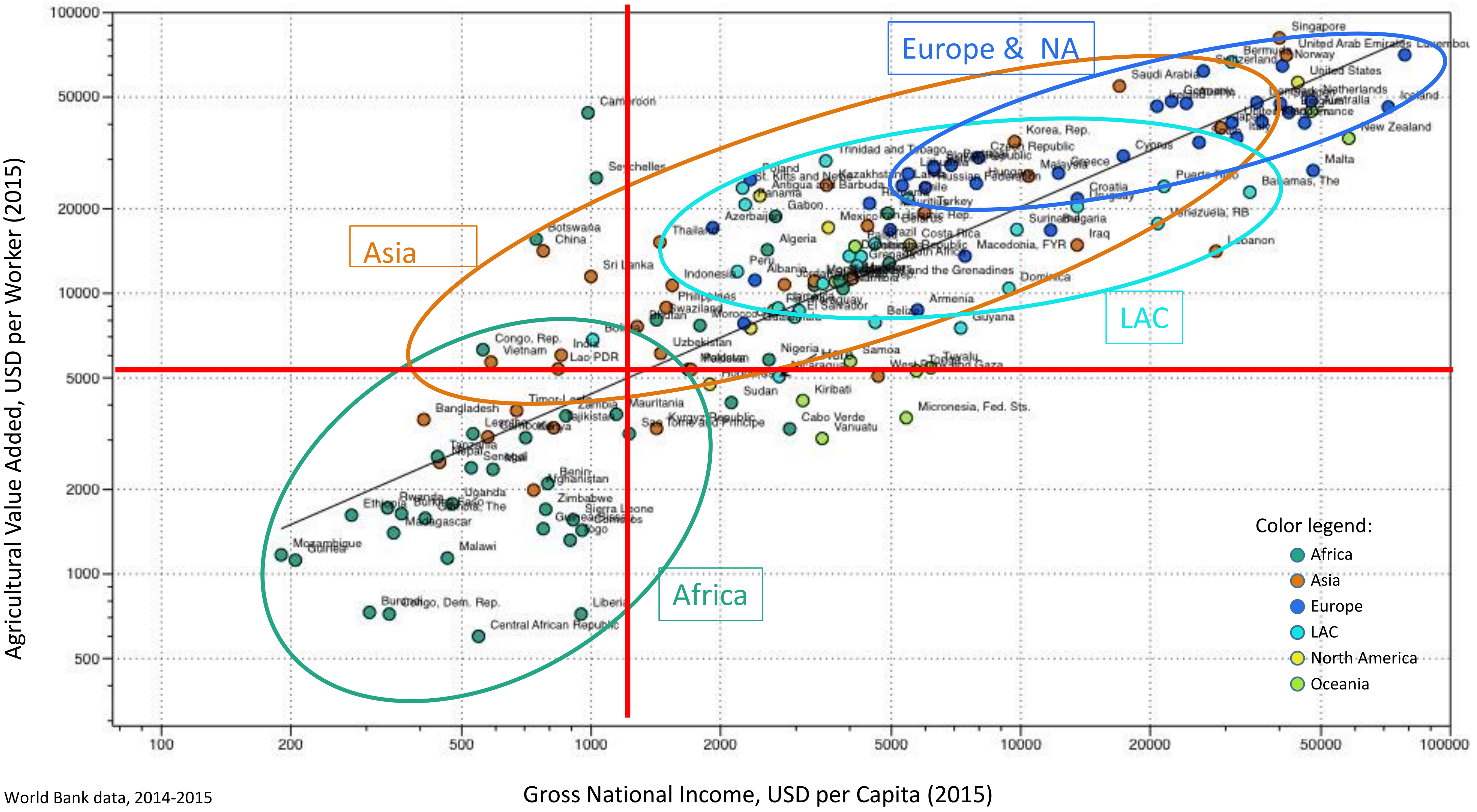
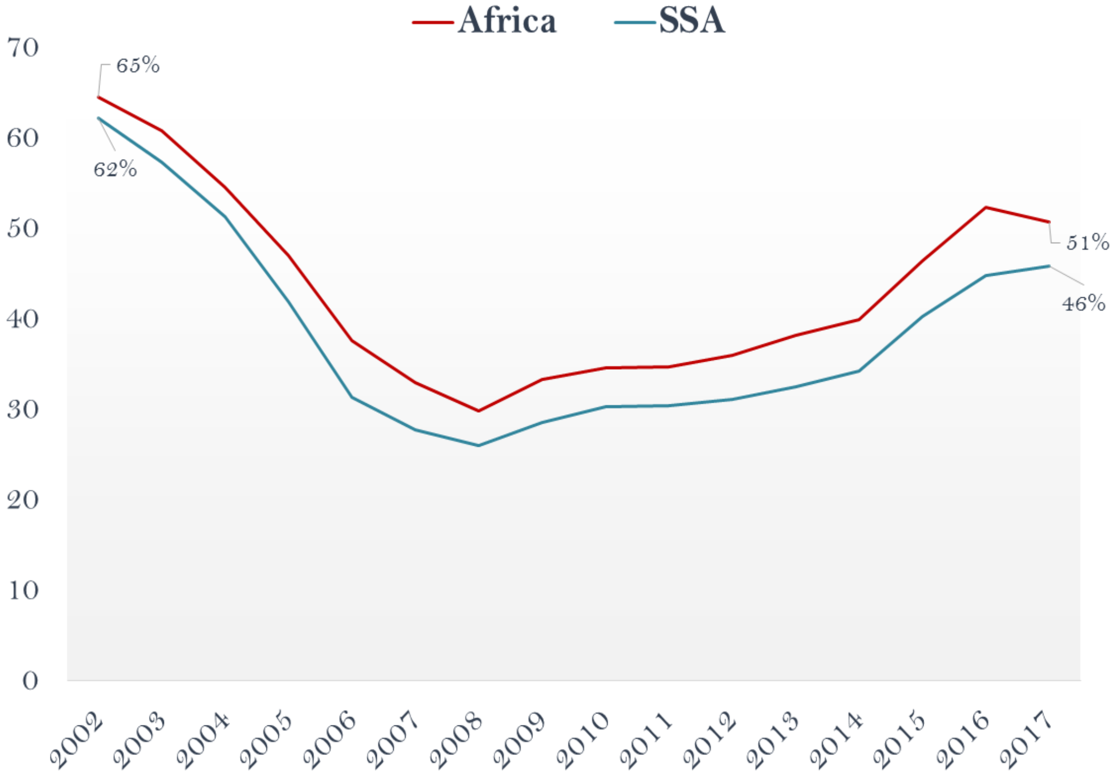
Agricultural Value Added per worker correlates with Per Capita Gross National Income



World Bank data, 2014-2015

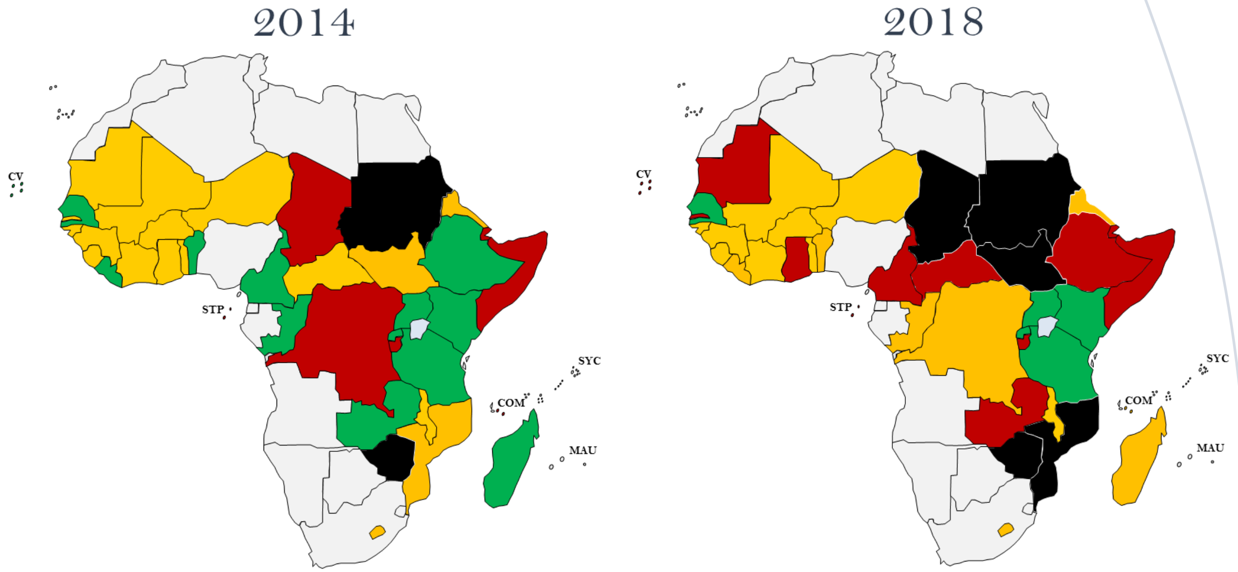
CHALLENGES – DEBT SUSTAINABILITY

General Government Gross Debt – Africa, SSA and Selected Countries (percent of GDP)



Source: IMF, World Economic Outlook, October 2017

Since 2014, 14 countries experienced a deterioration in their DSA; 9 of those are now at high risk of debt distress or in debt distress



DSA Traffic Light	2014	2018	Variation
Low risk of debt distress	13	5	-8
Moderate risk of debt distress	17	17	-0
High risk of debt distress	7	12	+5
In debt distress	2	5	+3

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New Ways of Investing in Agriculture

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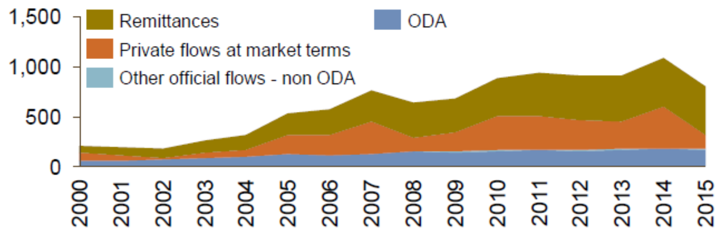
Addressing this gap requires moving beyond traditional ODA, and mobilizing sources from the private sector

Across all sectors (including agriculture) private sources of finance for development far exceed and are growing faster than ODA

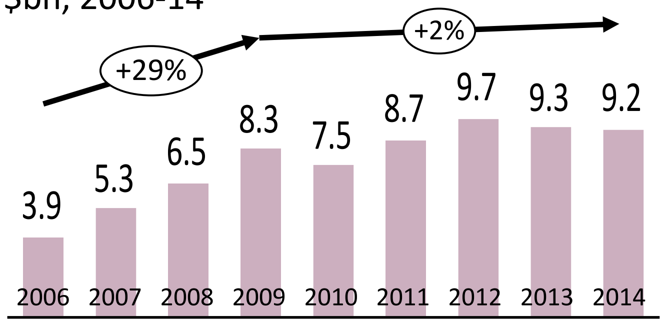
Select financing flows to developing countries
$bn (current prices), 2000-15



- Overseas Development Assistance has been growing at 2% per year since 2008 to reach ~$170bn[2] by 2016, compared with ~12% per year from 2000-2008.
- Conversely, private flows (at market terms) and remittances are increasing. Excluding the downturn in 2015, private flows have been growing 20% per year since 2008. Combined, these sources have reached ~$600bn

ODA for agriculture is slowing down, and is not sufficient to meet the gap in financing needs

Global ODA for Agriculture
$bn, 2006-14



- These trends are also true for agriculture: ODA for agriculture globally grew relatively rapidly, at almost 30% per year from 2006 to 2009, but since then has grown only 2% per year.
- **ODA cannot be expected to fully meet the financing gap**

Sufficient sources of private capital exist, even just in Africa alone, that could potentially be mobilised to address the financing gap

NOT EXHAUSTIVE

Institutional Investors (e.g. Pension Funds, SWFs)	In Africa, Pension Funds and Sovereign Wealth Funds have **$160bn** and **$360bn** AUM respectively. Beyond Africa, pension funds in Europe are starting to increase exposure to African agriculture
Commercial Lenders	Currently lending **$660m** annually, **4.8% of ~$14bn**; room to increase exposure further, especially given ag sector share of GDP
Conventional PE & VC	**$25-35bn** is available across commercial returns seeking PE and VC funds with a regional focus on Africa, representing <2% of the emerging market industry
Impact funds	**~$8bn** targeting Africa, raised across 80 funds in recent years[3]
Value Chain Actors, Other	**>$3bn**[4] from value chain actors, other non-traditional sources (e.g. remittances)

(1) Data is preliminary, does not include FDI; (2) Includes other official flows, although the total figure is dominates by ODA; (3) assumes 40% of impact funding is focused on nor can be leveraged for Africa investments, out of a total of $19bn; (4) $3bn is amount of lending to smallholders, does not include financing to other actors in value chains (e.g. to agro-dealers, processors etc)
Sources: OECD stat; World Bank "Migration and Remittances Data" 2015;

But providers of finance observe a range of finance-related bottlenecks and challenges, leading to a perception of the sector as high risk and constraining their appetite to supply finance

Real and Perceived Challenges to Investing in a Value Chain Actor

		Example Challenges	*Example Interventions*
Challenges in the **Enabling Environment**	**Policy / Regulation**	Regulation and/or unpredictable policy interventions constrain liquidity, prevents market formalization	Increase alignment in policy & regulation to meet investor requirements; incentivise good policy
	Enabling Sectors	Insufficient interface with surrounding sectors (e.g. physical & digital connectivity, technology, data)	Identify & build links between investments in enabling sectors (e.g. technology)
Challenges in **Serving Agriculture as a Sector for Investment**	**Awareness**	Lack of knowledge across value chains and typical agri-business economics	Technical assistance on value chains, how to identify & assess / underwrite opportunities, and product design
	Capacity	Investments processes optimised for other sectors and cannot support agri-businesses	
	Product Terms	Prohibitive material collateral requirements; lack of trust in financial reporting for cash flow lending	***Focus of this report:*** Offer supporting mechanisms to efficiently redistribute risk and support returns (e.g. guarantees, concessional capital)
	Risk Management	Lack of understanding drives inflated risk perception; lack of appropriate risk mitigation tools	
	Liquidity	Low allocation of liquidity for agribusinesses; higher returns often available from lower risk sectors	
	Cost to Serve	Rural MSMEs are widely dispersed, supported by poor infrastructure and & expensive to served	Find aggregators / work with value chain actors; use technology to reduce costs
Challenges affecting the performance and investment-worthiness of **Underlying Farmers and Agribusinesses**	**Awareness**	Insufficient agronomic, business, market and/or financial knowledge	Technical assistance
	Capacity	Farmers and agribusinesses unable to meet lender standards	
	VC linkages	Poor access to inputs; volatile volumes for each stage in chain; volatile prices; too many intermediaries	Engage and link actors in the value chain; offtake agreements
	Agronomic / Climate	Changing productivity and inputs required; unpredictable volume	Support introduction of resilient practices; offer supporting mechanisms (e.g. insurance)

A broad set of interventions are needed to address them, including:

- Policy & advocacy
- Supporting sector investments
- Technical assistance to providers of finance and underlying farmers & agribusinesses
- Using technology and other methods to reduce costs to access farmers
- Innovation in inputs
- Supporting financial mechanisms

This report focuses on financial mechanisms, but this is only one of a broad set of interventions needed.

Source: interviews; Dalberg analysis

New possibilities to bring multiple different types of providers of finance together, with different objectives, and risk-return appetites

	Finance providers	Description	Examples
Typically seeking (near) commercial returns	Institutional investors	• Includes resources from pension funds, unclaimed financial assets authorities, insurance funds, HNWIs wealth managers. Usually have a cap on investments outside capital markets	• Pædagogernes Pensionskasse (PBU), PKA and PensionDanmerk into the Danish Climate Investment Fund
	Commercial Lenders	• Financing by formal financial institutions whose core business includes lending; primarily commercial banks and micro-finance banks.	• KCB, Equity Bank, Cooperative Bank, JP Morgan
	Private Sector Funds (PE and VC)	• Provides investment capital, usually in form of equity or debt with expectations of a return. Includes private equity, venture capital funds.	• Standard Chartered PE; Carlyle Group; Leapfrog; Shore Capital
	Corporates, Value Chain Actors	• Private companies typically participating in value chains themselves and providing value chain financing, or otherwise able to derisk finance (e.g. offtake agreements)	• Buyers / traders: Cargill, Olam, Ecom • Food companies : Starbucks, Nestle
	Financial Instrument Providers	• Focused providers of specific instruments to support the reallocation of risks; includes insurers, hedging platforms / swaps providers, and players that either solely or mostly focus on providing guarantees	• Storebrand Life Insurance, TCX, Guarantco, US Development Credit Authority
Can take diverse range of positions across risk-return spectrum	Farmers Organisations	• Formal and informal entities that organize farmers and provide multiple services, which may include the provision of or on-lending of credit to individual farmers as well as collective investments	• Faso Jigi (Malawi)
	Government	• National government public funding either through budget allocations or ministerial allocations to programs/initiatives	*Most national governments*
	Impact Investors & Catalytic Funds	• Private funds offering debt or equity, with a focus on the effectiveness of their investments in driving impact, and with typically a secondary interest in return. Includes impact-first funds, high net-worth individuals or family offices	• Larger pooled vehicles: AATIF, AgriFI • Niche / local: Althelia, African Ag Fund • Impact / frontier funds: LafCo
	Development Finance Institutions	• Provide financing for development, usually at terms that are significantly concessional versus commercial providers	• Multilaterals: AFDB, EIB, IFC • Bilateral: FMO, KfW, OPIC, Proparco, BIO, CDC
Typically seeking nil returns	Philanthropy & Foundations	• Seek to achieve impact, primarily through provision of grants, for private philanthropy and charities. Foundations may deploy a range of financial instruments	• BMGF, Omidyar Network, Lundin Foundation
	Multi- & Bilateral Donors	• Provide resources for development, usually in the form of grants. Majority tends to be provided with no expectation of return of capital. Can also provide conditional funding (e.g. performance based) and seed grant funding	• USAID, DFID, DEG, SIDA

Source: Dalberg analysis

The landscape of finance tools is diverse; we focus on 3 main categories

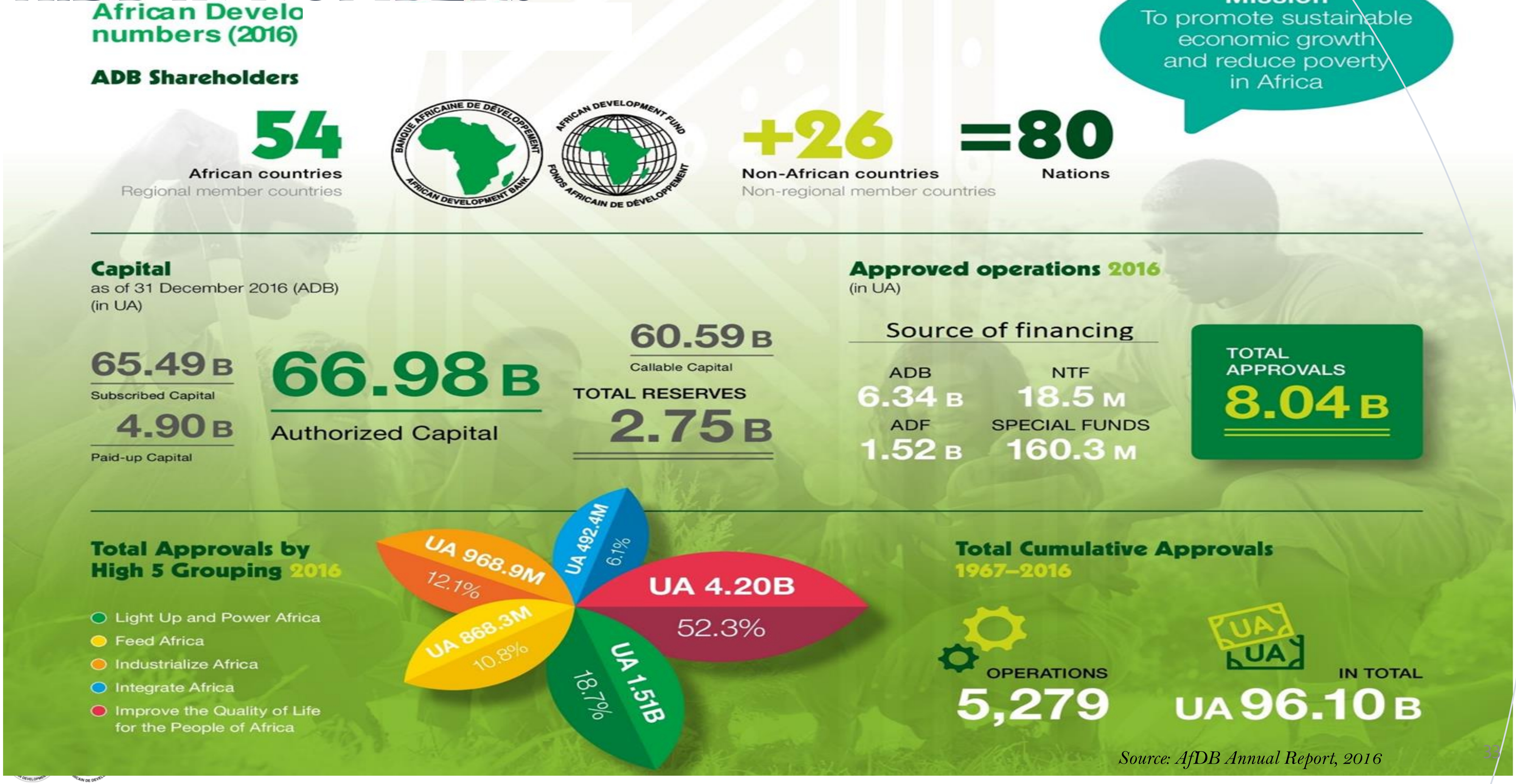
Categories	Description	Typical tools used	Main risks addressed
Risk mitigation tools[2]	• The most frequently used tools are guarantees, which ensure that if a negative event occurs, the guarantor will take action – within this, credit guarantees are the most common. exist, but are less common in blended finance for agriculture • Insurance policies – especially weather and crop insurance – are less common but growing. Currency hedges and interest rate swaps also protect against specific risks • Securitization, especially in the form of warehouse receipts are also growing, and provide alternative sources of collateral to improve bankability	✓Guarantees ✓Insurance ✓Securitization ✓Derivatives	• Often address general credit risk, especially through credit guarantees and securitization • Derivatives and specific insurance and guarantee products target specific risks such as political, currency, interest and commodity price risk
Direct funding	• Provide capital for target enterprises, usually with a tiered structure that allow more junior capital to support the realization of commercial risk-adjusted returns of senior or commercial investors • Addressing more fragmented, often smaller and higher risk agri SMEs and farmers often requires using patient and highly concessional capital and/or grants, plus risk mitigation tools and technical assistance • Addressing larger investment opportunities (often further downstream to production, e.g. in logistics, warehousing, processing and international trading) may require addressing real and perceived business model and market dynamic risks, typically using mezzanine finance, subordinate loans / long-tenor loans, and may include guarantees	✓Structured debt capital and grants ✓Structured / long-term equity and debt ✓Other Direct Debt instruments (e.g. local currently, contingent liquidity) ✓(Climate finance[1])	• Typically combine a set of instruments in a pooled investment vehicle to address a broad set of risks required to catalyze private sector finance • Seed / early stage & patient capital can specifically target business model risk • Currency risk

1. Climate adaptation finance cuts across other sources of direct funding, but typically also requires specific TA and capacity building to be able to ensure projects and/or funds can access such funding; 2. Some risk mitigation tools – especially hedging instruments such as swaps – are not necessarily blended finance themselves but form part of a blended finance intervention overall Source: OECD / WEF "A primer on blended finance" 2015; interviews; Dalberg analysis

AfDB Overview

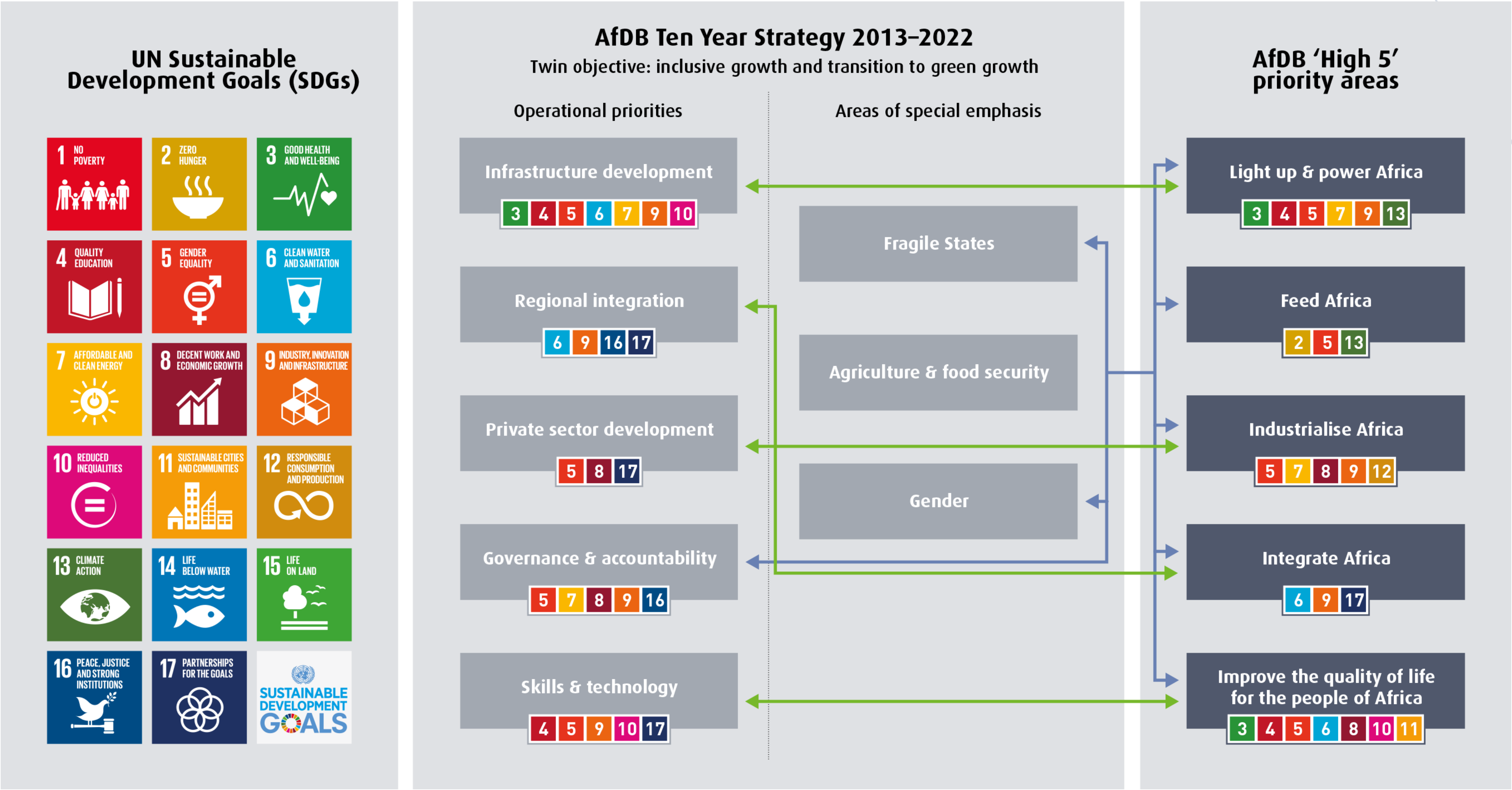
AFRICAN DEVELOPMENT BANK GROUP

AfDB IN NUMBERS



Source: AfDB Annual Report, 2016

AfDB STRATEGIC FRAMEWORK



AfDB STRATEGIC FRAMEWORK – OBJECTIVE & TARGETS BY 2025

UNIVERSAL ACCESS TO ELECTRICITY

- +162 GW electricity generated
- + 130 million on-grid connections
- + 75 million off-grid connections

AGRICULTURAL TRANSFORMATION

- ~130m lifted out of extreme poverty
- Zero hunger and malnutrition
- Africa´s net trade balance – $0 billion
- Africa share of market value for processed commodities increased by 40%

ECONOMIC DIVERSIFICATION

- Industrial contribution to GDP increased by 130%
- 35 special economic zones supported
- 30 PPPs developed & strengthened

REGIONAL MARKETS

- Intra-African trade representing 52% of total trade
- US $172 billion saved in transportation cost
- No visa requirements for Africans travelling across Africa

SOCIAL AND ECONOMIC OPPORTUNITIES

- 25 million jobs created
- US $30 billion in income gains for the African economy
- Improving access to water & sanitation
- Strengthening health care & educational systems

approx. USD 170 billion per annum

Feed Africa: AfDB's strategy for Africa's Agricultural Transformation

TARGET:

Achieve Self-Sufficiency & Market Surplus

In 18 Priority Commodity Value Chains

across 5 Agro-Ecological Zones (AEZs)

16 Key Flagship Initiatives

KEY OVERARCHING GOALS

1. Contribute to the end of extreme poverty
2. Eliminate hunger and malnutrition
3. Become a net exporter of agricultural commodities
4. Move to the top of key agricultural value chains

AFRICAN DEVELOPMENT BANK GROUP

BUSINESS DELIVERY MODEL

- Move closer to our clients to enhance delivery
- Reconfigure HQ to support the regions to deliver better outcomes
- Strengthen the performance culture to attract and maintain talent
- Streamline business processes to promote efficiency and effectiveness
- Improve financial performance & increase development impact

Light up & power Africa → Vice Presidency Power, Energy, Climate and Green Growth →

Feed Africa → Vice Presidency **Agriculture and Social Development** →

Industrialise Africa → Vice Presidency **Private Sector, Infrastructure and Industrialization** →

Integrate Africa →

Improve the quality of life for the people of Africa → Vice Presidency **Agriculture and Social Development** →

Chief Economist/Vice Presidency for **Economic Governance and Knowledge Management**

Vice Presidency Regional Development and Business Delivery

- Five Regional Development & Business Delivery Hubs (Central, East, North, South and West) led by **Director Generals**
- Fiduciary Safeguards, Procurement Policy and Inspection
- Transition States Coordination

AFRICAN DEVELOPMENT BANK GROUP

FINANCING INSTRUMENTS & INITIATIVES

ADF

- Performance-Based Allocation
- Regional Operations Envelope
- Transition Support Facility
- Guaranty & credit enhancement products

MAIN BANK GROUP'S FINANCING WINDOWS

NTF

ADB

- Sovereign
- Non-Sovereign
- Guaranty products, Syndication

Bilateral & Thematic Funds

Special Initiatives (e.g. ALSF, RBF,…)

Africa50, Africa Investment Forum…..

Agriculture Finance and Rural Development Department

AFRICAN DEVELOPMENT BANK GROUP

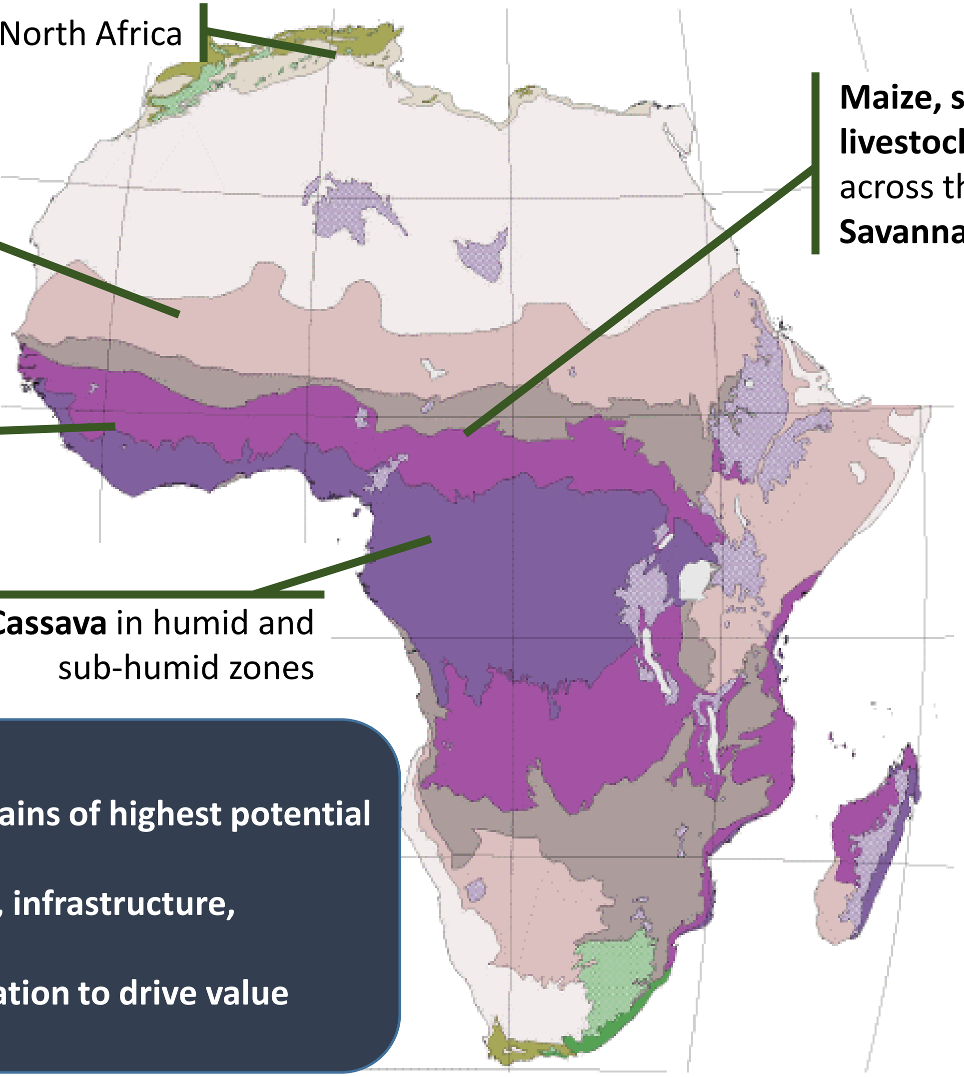
A Focused Approach on Integrated Commodity Value Chains

Wheat in North Africa

Sorghum, millet, cowpea, and livestock across the **Sahel**

Rice in West Africa

Cassava in humid and sub-humid zones



Maize, soybean, livestock, and poultry across the **Guinea Savannah**

Tree crops (including **cocoa, coffee, cashew, and oil palm**), **horticulture** and **fish farming** across all of Africa

Agricultural commodity value chains and agro-ecological zones targeted by the Feed Africa

GUIDING PRINCIPLES

- Prioritize agricultural value chains of highest potential in each AEZ
- Address all constraints (policy, infrastructure, inclusivity)
- Ensure private sector participation to drive value addition and marketing

EXPECTED RESULTS

Food self-sufficiency (rice, wheat, maize, fish , soybean, palm oil)

Creating a food secure Sahel (sorghum, millet, livestock)

Realizing the potential of the Guinea savannah (maize, soybean, livestock)

Moving up the ladder of global agricultural value chains (cocoa, coffee, cotton, cashew, cassava)

WHO WE ARE – Agricultural Finance and Rural Development

Agriculture is a major strategic priority for the AfDB.

The Agricultural Finance and Rural Development Division has the mandate to achieve the Feed Africa Initiative's goals by working with and providing financing to the public and private sector to improve agricultural efficiency, output, and access to markets throughout value chains.

Feed Africa: a new way forward for food and agriculture

i. Contribute to eliminating extreme poverty in Africa by 2025

ii. End hunger and malnutrition in Africa by 2025

iii. Make Africa a net food exporter

iv. Move Africa to the top of export-orientated global value chains where it has comparative advantage

WHY AfDB – We blend financial clout with unique additionality

Sector Expertise

- We have extensive knowledge gained from long-term sector engagement
- Our staff includes in-house agricultural experts and regulatory experts, all with years of experience in Africa, who provide technical advisory assistance and assess regulatory risk in order to structure deals accordingly

Country Risk Mitigation

- We have very strong government relations throughout Africa and beyond
- We play an honest broker role
- We actively pursue synergies with other divisions, departments, and regional offices of the African Development Bank Group so that we can address risks holistically

Unparalleled Networks

- With an unparalleled network of stakeholders throughout the region and across the globe, we can introduce companies to co-investors, potential clients, and other strategic partners

Access to Full Cycle Capital

- As the African Development Bank's Agricultural Finance solutions' division, we can leverage AfDB funds and seamlessly deliver financial products according to a company's maturity or a project's stage

Patient Capital

- Long-term investment horizons do not scare us
- Impact capital

WHY AfDB – We have a wide range of deal-structuring options

Special Funds Technical Assistance

- Grants for early stage project development and capacity building support
- SME linkages programs with advisory services
- Climate finance facilities

Equity

- Typically up to 25% stake for the African Development Bank's account
- Usually long-term investor with no board seat
- AfDB currently holds $43.4 billion in assets and a committed portfolio of $1.1 billion in equity investments.

Mezzanine

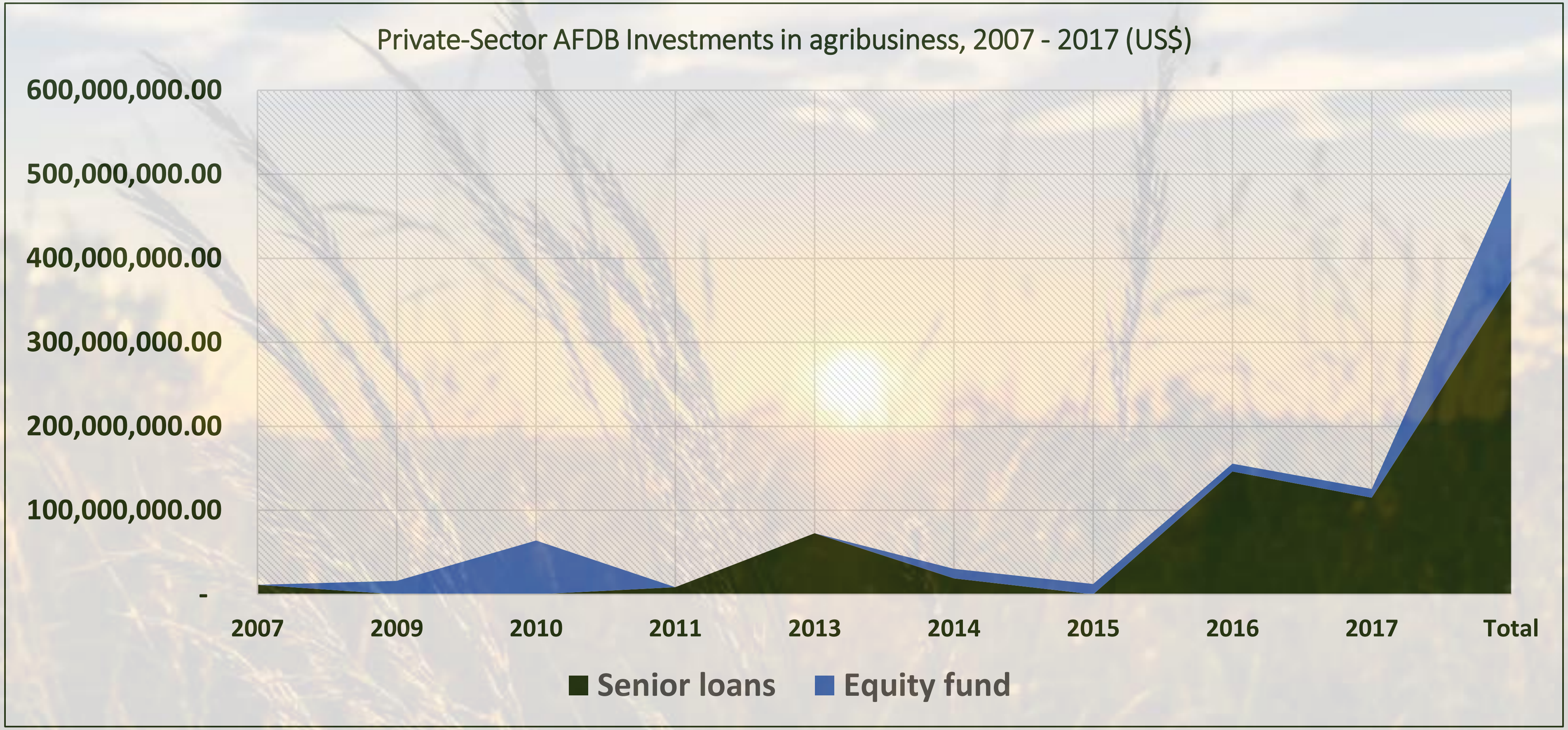
- Subordinated loans, income participating loans
- Convertibles and other hybrid instruments

Senior Debt and Structured Products

- Fixed-spread loans in EUR, USD, ZAR, JPY, and in some approved local currencies
- Long maturities (up to 15 years, with the possibility for longer terms if approved)
- Grace periods up to 5-years
- Commercial rates (base rate fixed or floating + credit spread)
- Swap and risk management products

OUR TRACK RECORD – the AfDB is a seasoned partner

From 2007 to 2017, the AfDB invested about US$ 500 million in private-sector agribusiness



N.B. These figures only capture Non-Sovereign Operations (NSOs) in the agribusiness sector.
The AfDB also has Sovereign Operations in Agribusiness, which are not part of its Private Sector portfolio.

OUR TRACK RECORD – Case Study: Export Trading Group

EXPORT TRADING GROUP

Direct loan to Export Trading Group (ETG)

2016

- US$ 100 million senior loan to finance part of ETG's Agricultural Investment Program (AIP) in Africa to promote employment for youth and women, and to adopt an integrated value-chain approach that emphasizes access to regional and global markets
- AIP consist of investments in: (i) Fertilizer projects; (ii) Processing Plants; (iii) Multi-commodity warehouses; and (iv) Silos
- Enhancing the efficiency of agricultural value chains by increasing the infrastructure base and capacity for value addition
- Contributing to industrialization with new processing plants
- Contribution to smallholders access to inputs (seeds and fertilizers), mechanization and access to international markets thereby ensuring significant revenues to farmers

OUR TRACK RECORD – Case Study: Olam Africa

Olam

Senior Loan to OLAM Africa Investment Program

2017

- US$ 107 million corporate loan to finance a portion of OLAM’s operations in Africa
- Part of a USD 200 million investment program (OAIP II) that covers two sub-projects, one for creation of industrial scale palm oil refineries in Central and/or West Africa and another for development of 600,000 tons per annum of high quality poultry and fish feed and a million hatching eggs every week.
- Creating better market access for smallholders and a more robust supply chain.
- Improving macroeconomic resilience through import substitution in Nigeria and increased exports in Gabon
- Strengthening economies through diversification by increasing the manufacturing sector’s share of GDP

WORKING WITH AfDB – Eligibility Criteria

- The Project Company must be **incorporated in an African country**;
- The project must be **environmentally sound** and comply with **AfDB's environmental guidelines and the regulations** of the respective country;
- Sponsors must have satisfactory **track-record** and **financial capacity**;
- Evidence of adequate **management skills**;
- The project must be **financially viable**;
- The project must aim to **maximize development impact** in line with the country's strategic priorities.

WORKING WITH AfDB – Products for the Private Sector

Loans

- Non-sovereign-guaranteed Loans (Private Sector)
- Local Currency Loans
- Syndicated Loans – Parallel co-financing and A/B structures

Guarantees

- Partial Risk Guarantee
- Partial Credit Guarantee

Equity

- Equity
- Quasi-Equity

Risk Management

- Interest Rate Swaps
- Currency Swaps
- Commodity / Index Swaps
- Interest Rate Caps and Collars

Trade Finance

- Risk Participation Agreement
- Trade Finance Lines Of Credit
- Soft Commodity Finance Facility

Others

- Special Funds
- Technical Assistance

WORKING WITH AfDB – Investment Cycle

3 TO 6 MONTHS

IDENTIFICATION PHASE

Origination
- Business Development
- Eligibility assessment

Exploratory review
- Early-stage review; signature of Non-Disclosure Agreement, and reception of questionnaire from client
- Departmental and complex clearance of Preliminary Evaluation Note (PEN)

PREPARATION PHASE

Concept review
- Preliminary analysis
- Preparation of Project Concept Note (PCN) at Credit Risk Committee (CRC), Additionality and Development Outcomes Assessment (ADOA) rating, Environmental and Social rating

Final review
- Project Appraisal: Due Diligence mission (DD) with Credit Risk Officer, Lawyer, ADOA Officer, Modeler, E&S Officer and Procurement Officer
- Clearance of Project Appraisal Report (PAR) at Credit Risk Committee (CRC), Operations Committee (OpsCom) and Country Team (CT)

Documentation, Closing, and First Disbursement
- Conclude negotiations
- Finalize Term Sheet
- Conclude legal documentation
- First disbursement and Handover to Portfolio Management

Thank You