AfDB BUSINESS OPPORTUNITIES SEMINAR

FEED AFRICA

• Agriculture and Agro-Industry
• Agricultural Finance and Rural Development

June 20 - 21, 2017
African Development Bank
Headquarters’ Building Auditorium
Abidjan, Côte d’Ivoire
Goals, Targets and Status

**Goals**

1. **Contribute to the end of extreme poverty**
   - 49% of Africans or 420 million live under the poverty line of $1.25 per day (2014);
   - Those living in poverty will rise to 550 million by 2025 if we do nothing.

2. **Eliminate hunger and malnutrition**
   - 33% of African children live in chronic hunger;
   - 58 million children in Africa are stunted (under 5 years).

3. **Become a net exporter of agricultural commodities**
   - Staggering food net food import bill of USD 35.4 billion per annum (2015);
   - Net Imports projected to increase to USD 111.0 billion by 2025 if we do nothing.

4. **Move to the top of key agricultural value chains**
   - Low value addition to agricultural commodities and predominantly primary production;
   - Africa’s share in global production of cocoa beans is 73% vs. 16% share in ground cocoa.

**Status Today**

- Contribute to alleviating poverty though job creation and providing sustainable livelihoods;
- ~130m lifted out of extreme poverty.

- Food security for all Africans that are ‘undernourished’;
- Zero hunger and malnutrition.

**Target by 2025**

- Eliminate large scale imports of commodities that can be produced in Africa, and selectively begin to export.
- Africa’s net trade balance – $0 billion.
- Africa share of market value for processed commodities ~40% (Example for cocoa grinding).

- Target by 2025: Food security for all Africans that are ‘undernourished’;
- Zero hunger and malnutrition.
A Focused Approach on Integrated Commodity Value Chains

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

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

- 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)
7 ENABLERS

1) *Increase Productivity* (TAAT, Mechanization)

2) *Value Addition* (PHL, Agropoles, WRS/Storage, exchanges)

3) *Hard and Soft Infrastructure* (Agropoles, Farmers’ e-Registration, E-wallet)

4) *Agricultural Finance* (Non-Sovereign Operations, RSFM, AFAWA, SME Finance, Sovereign Risk Support, agricultural insurance)

5) *Agribusiness Environment* (Enabling the Business of Agriculture, Land Policy Initiative, ....)

6) *Inclusivity, Sustainability, and Nutrition* (Climate Smart Agriculture, AFAWA, Nutrition, Blue Economy, ENABLE Youth)

7) *Coordination* (Leadership4Ag, Malabo Panel, Agricultural Commodity Platforms)
KEY ACTIVITIES TO SUPPORT STRATEGY - FLAGSHIPS

- RISK SHARING FACILITY MECHANISMS (RSFM)
- TECHNOLOGIES FOR AFRICAN AGRICULTURAL TRANSFORMATION (TAAT)
- AFFIRMATIVE FINANCE ACTION FOR WOMEN IN AFRICA
- MECHANIZATION
- CLIMATE SMART AGRICULTURE
- BLUE ECONOMY & LIVESTOCK
- POST HARVEST LOSS (PHL)
- NUTRITION
- AGROPOLES
- COORDINATION
- ENABLE Youth
- AFFIRMATIVE FINANCE ACTION FOR WOMEN IN AFRICA
- NUTRITION
ENVISON – FOCUS – SCALE

Public Goods support:
Extension, Roads, Irrigation, R&D, Storage, etc.

AFDB Flagships along the Value Chain
TAAT  ENABLE  Youth  RSF  AFAWA  Agropoles

Integration of the Private Sector

Farmers  Agro  Dealers  Seed  companies  Fertilizer  companies  Agro  processors  Industrial  manufacturers  Trade  and  exports

Focus on Key Value Chains;
Go to Scale;
Bring in Ministries of Finance and the Private Sector;
Create Platforms;
Promote Standards;
Develop Internal Markets.
COST AND FUNDING GAP OF STRATEGY

USD $32-40bn annually could unlock USD 85 billion of revenue annually from 2025

Sources for filling the gap include:
- AfDB: USD 2.4bn/year
- Governments: CAADP 10% target
- Commercial banks: 4.8% of ~$14bn
- Sovereign wealth funds: AUM of ~$160bn
- Pension funds: AUM of $380bn
- Africa-weighted PE funds: AUM of $25-35bn

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FEED AFRICA’S APPROACH TO CATALYZING PRIVATE SECTOR INVESTMENT

- **Risk mitigations:**
  - RSFs;
  - Insurance solutions;
  - Funded DFIs

- **Dedicated vehicle (PSF, CIF) with adapted processes and risk assessment**

- **Financing agriculture supporting solutions**

- **Support of RECs initiatives through TAs**

- **Corporate transaction to large groups and commodity traders’ network**

- **Crowding:**
  - Use of Private Equity funds as indirect vehicles

- **Blended financing solution (ADF, ADB, TA fund)**
WILL CONTINUE TO PROVIDE TRADITIONAL PRIVATE SECTOR FINANCING INSTRUMENTS

**Senior Debt**
- Adapted maturities (up to 15 years)
- Up to 5 years grace period
- Foreign or local currency loans
- Up to 1/3 of total project cost
- Syndication—co-financing platform

**Guarantees**
- Partial risk guarantee
- Partial credit guarantee

**Subordinated Debt**
- Local and foreign currency
- Ranging from sub-debt to quasi equity products
- Terms (tenor and grace period) similar to senior debt

**Equity**
- Indirect, through Private Equity funds
- Direct, maximum of 25%

**Technical Assistance**
- Grants for feasibility studies
- Capacity building support
- SME Linkages programs
- Advisory Services
PRIVATE SECTOR OPERATIONS TO BRIDGE THE FINANCING GAP

The Bank will invest in private sector projects that **promote linkages between commercial players and smallholder farmers**

Through a combination of **DIRECT and INDIRECT INVESTMENT** and **TECHNICAL ASSISTANCE**, the Agriculture Finance and Rural Infrastructure Department will focus on transactions which:

- Contribute to food security
- Improve value addition and agro-processing
- Promote transfer of skills and technologies
- Address the needs of local and/or regional markets
- Promote outgrower schemes and SME business linkages
- Comply with the highest environmental and social practices
Partnerships for Agricultural Transformation
GROWTH IN OPERATIONS OVER THE MEDIUM-TERM

*39 operations in 2017 including 2 NSOs
UGANDA: AGRICULTURAL VALUE CHAIN DEVELOPMENT PROGRAM

Description

- The objective is to contribute to poverty reduction and economic growth in Uganda through increased productivity and marketing of agricultural produce.
- The project will focus on three commodity value chains, namely: Rice, Maize and Dairy/Beef value chains; and will comprise of i) Production and Productivity Enhancement, ii) Infrastructure Development, iii) Market Development and Trade Facilitation; (iv) Innovative Financing Mechanism.

Financing

- Project cost is estimated at USD 113 million
- To be financed by ADF loan of USD 102 million
- The Government of Uganda will contribute USD 11 million.

Timeframe

- Preparation: Q1-Q2 2016
- Appraisal: Q1 2017
- Board presentation: Q2 2017
- Launch: Q3 2017
CAMEROON: LIVESTOCK AND FISH VALUE CHAIN PROJECT

Description

• PD-CVEP aims to stimulate and support private initiatives as well as contribute to a dynamic and inclusive development in the livestock, pork industries, by supporting women and youth involvement. The project will intervene in four regions of the country, with a focus segments which limit the good functioning of the livestock, pork and fish value chains, through: i) genetic improvement of cattle, pigs and fingerlings; ii) increased performance of cattle and pig fattening workshops and growth of table fish in fish farms, with a focus on feed; iii) improved slaughter conditions for cattle and pigs, as well as processing, conservation and distribution of meat; iv) the upgrading of conditions for the transport, processing and commercialization of table fish; v) improved inclusive and adapted access to finance; vi) support technical and logistical capacities of public services in all the three industries, for them to properly carry out their supervisory duties.

Financing

• Project cost is estimated at 95 millions USD;
• AfDB will invest around 68 millions USD;
• The government and beneficiaries will contribute around 27 million USD.

Timeframe

• Project duration is planned for 5 years (2017 – 2022);
• Concept note approval was in September 2016;
• Evaluation will wait for the outcome of environmental and social impact studies, planned to start latest on March 2017, as indicated by the ministry of livestock.
Thank you