European Agribusiness in Africa: 
Approaches and Challenges

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10 April 2013
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<th>IBRD</th>
<th>IDA</th>
<th>IFC</th>
<th>MIGA</th>
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<tr>
<td><strong>Role:</strong></td>
<td>To promote institutional, legal and regulatory reform</td>
<td>To promote institutional, legal and regulatory reform</td>
<td>To promote private sector development</td>
<td>To reduce political investment risk</td>
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<td><strong>Clients:</strong></td>
<td>Governments of member countries with per capita income between $1,025 and $6,055.</td>
<td>Governments of poorest countries with per capita income of less than $1,025</td>
<td>Private companies in member countries</td>
<td>Foreign investors in member countries</td>
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<td><strong>Products:</strong></td>
<td>Technical assistance</td>
<td>Loans</td>
<td>Investment through Loan, Equity, and Quasi-Equity</td>
<td>Political Risk Insurance</td>
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<td></td>
<td>Loans</td>
<td>Policy Advice</td>
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<td></td>
<td>Interest Free Loans</td>
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<td>Policy Advice</td>
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## Agribusiness Context in Africa

<table>
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<tr>
<th>Food security a strategic priority since 2007</th>
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<tr>
<td>Rural-urban migration</td>
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<td>- Reduction in agriculture production by 5% over last 20 years in Africa while increasing by &gt;40% in other developing countries</td>
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<td>- Increased demand for food</td>
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<td>Dietary shift</td>
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<td>- Continued increase in per-capita caloric consumption while dependency on imports for ¼ of calories consumed</td>
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<td>- Doubling of per-capita meat consumption in Africa by 2030</td>
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<td>- Rate of undernourished Africans increasing by 1 million per year</td>
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<td>Water scarcity and climate change</td>
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<td>- Agribusiness uses 70% of freshwater with 40% gap by 2030</td>
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<tr>
<td>- Shifting weather patterns in tropical and Mediterranean regions</td>
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<td>- Smallholder farmers are not equipped to deal with changing climate</td>
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<tr>
<td>Land</td>
</tr>
<tr>
<td>- Reduced access to land</td>
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<td>- Rising levels of soil degradation</td>
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<td>- Predominance of small farmers</td>
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<tr>
<td>- Poor infrastructure leads to 30% food losses, hampers access to markets</td>
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<td>Protection distorts markets</td>
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<td>- High duties and import bans prevent productivity improvements</td>
</tr>
<tr>
<td>- regulations not fostering commercial agri, land ownership</td>
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<td>Access to finance</td>
</tr>
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<td>- Agri represents only 2% of bank lending</td>
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<td>- Inadequate financial products and services for the agri sector in general and small farmers in particular</td>
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While resources come under pressure

And policies are inadequate and financing is scarce
### IFC Agribusiness Strategy in Africa:
Objective is to Reach $2 billion by 2017

<table>
<thead>
<tr>
<th>What are our objectives?</th>
<th>How do we plan to achieve them?</th>
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<tbody>
<tr>
<td><strong>Food Security</strong></td>
<td>Provide financing and AS to large scale agriculture producers</td>
</tr>
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<td><strong>Inclusiveness</strong></td>
<td>Link small farmers through out-growers schemes</td>
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<td><strong>Sustainability</strong></td>
<td>Improve regulatory/legislative environment for agribusiness</td>
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<tr>
<td><strong>Financing</strong></td>
<td>Distinct strategies for large agriculture-focused countries and separately for smaller poor countries</td>
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<td><strong>Technology transfer</strong></td>
<td>Address sector issues</td>
</tr>
<tr>
<td><strong>Increase food production</strong></td>
<td>Engage with civil societies for alignment of interests</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Provide short-term and working capital financing to agricultural producers and small farmers</td>
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<tr>
<td><strong>Improve investment climate</strong></td>
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<td><strong>Regional strategies</strong></td>
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<tr>
<td>Coordinating with the WB and other donors</td>
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<tr>
<td>Working with Civil Societies</td>
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</table>

- Focus on how we produce more food, more efficiently
- Support small farmers to link them to the global supply chain
- Sustainable environmental and social practices in supply chains
- Innovative financial products and access to finance including to small farmers
- Improve productivity and reduce cost of production with out growers schemes

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**IFC**
International Finance Corporation
World Bank Group
Global Index Insurance Facility

GIIF Overview

• The GIIF program is part of the WBG’s insurance and risk mitigation initiatives to respond to challenges presented by climate change, food security and supply, including price fluctuations.

• GIIF addresses the scarcity of affordable insurance protection against weather and natural disasters in developing countries.

• GIIF is a Global Program. The primary focus to date is in the ACP region where projects are funded by GIIF’s principal donor, the European Union.

GIIF Objectives

• Develop sustainable local markets for index-based insurance to mitigate against weather and natural catastrophe risks in developing countries.

• Improve lending in the agricultural sector through the mitigation of weather risks for farmers and encouraging the adoption of productive inputs.

• Mobilize local private sector / global players to distribute and promote index-based insurance products.

• Establish knowledge management and distribution platform on index insurance.
Global Agriculture and Food Security Program (GAFSP) Private Sector Window (PSW)

- In 2009, G8 announced at L’Aquila a program to address food security and improve incomes of poor in IDA countries.
- GAFSP created with separate Public and Private Sector windows to deliver on objective.
- IFC has been asked to be the custodian of G20 capital and to set up and directly manage the Private Sector Window for the GAFSP.
Selected Agribusiness Transactions in Africa

1. **Salala Rubber**
   - **Location:** Liberia
   - **Loan:** $10 million
   - Rehabilitation & expansion of existing rubber plantation, renovation of processing facilities & provision of working capital.
   - **Committed:** 2008

2. **GRIMAS**
   - **Location:** Mali, Côte d’Ivoire, Senegal
   - **Loan:** €14 million
   - Expansion of operations of carbonated soft drinks, plastic packaging and carbon dioxide
   - **Committed:** 2010

3. **Ethiopian Coffee**
   - **Location:** Ethiopia
   - **Guarantee Facility:** Up to $10 million
   - A 3-year, up to $10 million revolving guarantee facility on the selected banks’ portfolio of loans to coffee farmer cooperatives
   - **Committed:** 2010

4. **GOPDC**
   - **Location:** Ghana
   - **Loan:** $12.5 million
   - Diversification oil palm plantation and processing company in Ghana into refined oil business.
   - **Committed:** 2007

5. **Tantalizers**
   - **Location:** Nigeria
   - **Loan and Equity:** $8.5 million
   - Expansion of restaurant chain to supply convenient, affordable packaged food for urban populations
   - **Committed:** 2010

6. **KARSTEN Farms**
   - **Location:** South Africa
   - **Loan:** $7.2 million
   - Expansion of farming operations & establishment of fruit trading, logistics and handling services in South Africa.
   - **Committed:** 2006

7. **Feeding the Nation**
   - **Location:** Zambia
   - **Loan:** $10 million
   - Expansion of livestock and retailing operations in Zambia and Nigeria.
   - **Committed:** 2010

8. **Zambeef**
   - **Location:** Zambia
   - **Loan:** $2 million
   - Expansion and modernization of existing horticulture and flower production in Timau.
   - **Committed:** 2005

9. **Kongoni River Farms**
   - **Location:** Kenya
   - **Loan:** $2 million
   - Expansion & optimization of mill operations in Maputo, including investment in a new pasta plant.
   - **Committed:** 2008

10. **ICF**
    - **Location:** Mozambique
     - **Loan:** $7 million
     - Expansion & optimization of mill operations in Maputo, including investment in a new pasta plant.
     - **Committed:** 2008
IFC provides a 3-year, up to $10 million revolving guarantee facility on the selected banks’ portfolio of loans to coffee farmer cooperatives in Ethiopia.

- The bank loans will assist the cooperatives to (i) acquire wet mills for processing “cherry” coffee into “washed” parchment coffee, and (ii) meet their working capital needs.

- For the 2010/2011 coffee season, IFC has selected Nib International Bank S.C. (“NIB”) for the program. It may add new banks in subsequent seasons.

- TechnoServe (NGO managing East Africa Coffee Initiative) provides first loss.

![Illustrative Structure Diagram]

- **Project Size**
  - Expected financing to cooperatives ($ mn)
    - '10/11: 8.5
    - '11/12: 15
    - '12/13: 21

![Risk Sharing Facility Illustration]
Rubber - Salala Rubber (Liberia)

Company

- Salala Rubber Corporation is one of Liberia’s largest rubber producing and processing company
- The main sponsor is Socfin Group which is a global rubber and oil palm plantation operator

IFC Role

- Provide loan with long tenor and sufficient grace period that is appropriate for tree planting and harvesting cycle
- Political and country risk cover
- Implement environmental and social policies and guidelines
- IFC investment in post-conflict Liberia would send a positive signal to the investment community. This would catalyze investment interest from the business community and other Development Financial Institutions

Transaction

- IFC Investment: $10m Loan
- Commitment: July, 2008
- IFC loan supports project to rehabilitate plantation dilapidated during the civil war. In addition to productivity gains by new plantings and renovation of processing plant, the project includes rehabilitation of social infrastructure (housing, schools, clinics) which is in a very poor state

Development Impact

- Employment creation
- Reach to local farmers (who supplies raw rubber to Salala)
- Linkage to local SMEs