



Brussels Rural Development Briefings
A series of meetings on ACP-EU development issues

Briefing session n° 13

**Upgrading to compete in a globalised world:
What opportunities and challenges for SMEs in agriculture in ACP countries?**

Wednesday 23rd September 2009 – 8h30 – 13h00

**Provide equity capital and matching grants in agricultural investments to support agro-industries:
the case of the African Agricultural Fund (AAF)**

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Executive Summary

The African Agriculture Fund (“AAF”) has been initiated by the Agence Française de Développement (“AFD”); African Development Bank (“ADB”); Alliance for a Green Revolution in Africa (AGRA”); International Fund for Agricultural Development (“IFAD”) and Banque Ouest Africaine de Développement (“BOAD”) the (“Promoters”). The Promoters have selected Phatisa Fund Managers to act as manager of the AAF.

This is a new US\$500 million private equity fund being established to focus on food production and distribution throughout the continent of Africa. The Fund will target the entire range of food related agri business from primary agriculture, through processing to services and infrastructure. In addition to the main large scale private equity transactions the Fund will include a team focused on investing 20% of the Fund in SMEs and rural micro-finance.

General information

Concept paper: 27 March 2009

Manager selected: 6 July 2009

First closing: 30 November 2009

Fund managers: Phatisa Fund Managers

Destination: Entire continent of Africa.

Sector: Food - primary (arable, plantations and forestry); secondary (processing and animal feeds); and services/infrastructure (storage, fertilisers and other inputs).

Theme: Build in-country empowered integrated agri businesses, for example: white protein (soya production, storage, expelling, animal feeds and poultry).

Type: Start-up, early stage, expansion, MBO/I, acquisition, outgrower/smallholder - equity (majority /minority), quasi-equity and mezzanine.

Fund size: US\$500 million with first closing at US\$150 million in the fourth quarter, 2009.

Pipeline: In excess of US\$200 million in DRC, Tanzania, Uganda, Zambia, Malawi and Ethiopia.

Track record transactions: Acquisitions (animal feeds, citrus groves and processing, fertiliser, outsource contractor and tea); private equity - MBOs (aquaculture, crop protection and dairy processor); and disposals (arable, coffee, flowers, forestry, macadamia, tea, sugar and vegetables).

Unique features

80% will be invested in large-scale private equity transactions; with 20% spread across:

- SMEs; and
- rural micro-finance.

There will be three classes of shares:

- “A” shares - to take first loss on behalf of C shareholders up to 6% return
- “B” shares - neither give nor receive any first loss benefit
- “C” shares - to receive a benefit from A shareholders

Up to US\$13 million has been earmarked as donor funding to the AAF as a Technical Assistance Facility.

Achieved to date and fund raising process

Phatisa has handpicked a team of committed investment professionals to manage the Fund. Team members have a demonstrable track record of successfully investing, managing and exiting agri investments in Africa. The Fund has an extensive deal pipeline with a value of over US\$200 million.

The Fund's Information Memorandum is being finalised and a roadshow planned across Europe, USA and Africa. To date the Fund has secured its Promoters and indicative commitments from ADF, ADB, DBSA and Proparco. Whilst the Fund is targeting a first closing of US\$150 million, the indicative commitments amount to between US\$90 million and US\$120 million.