



EIB's financing mechanisms in agriculture in Africa



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**Global food systems, local impact: the role of agribusiness and development
partnerships in advancing African agriculture**

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Instruments under the Cotonou mandate



ACP Investment Facility (IF) revolving fund

EIB Own Resources

- Junior or subordinated loans
- Quasi-equity funding
- Equity funding
- Guarantees

Local currencies

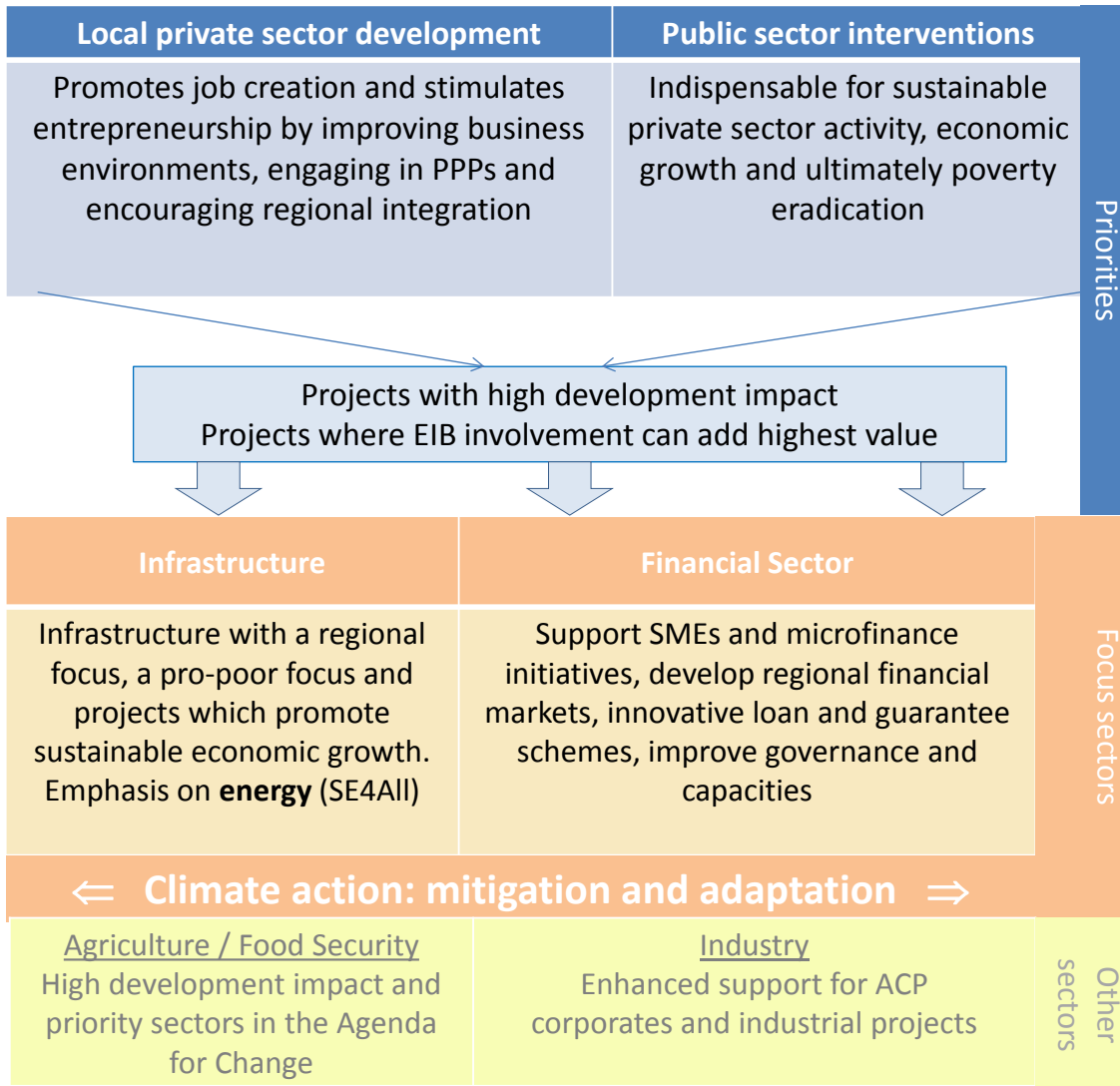
- Interest rate subsidies
- Technical Assistance

- Senior loans
- Intermediated loans

Widely traded currencies



Roadmap for EIB activities in the ACPs and OCTs 2014-2016



Do More: Gradual increase in lending



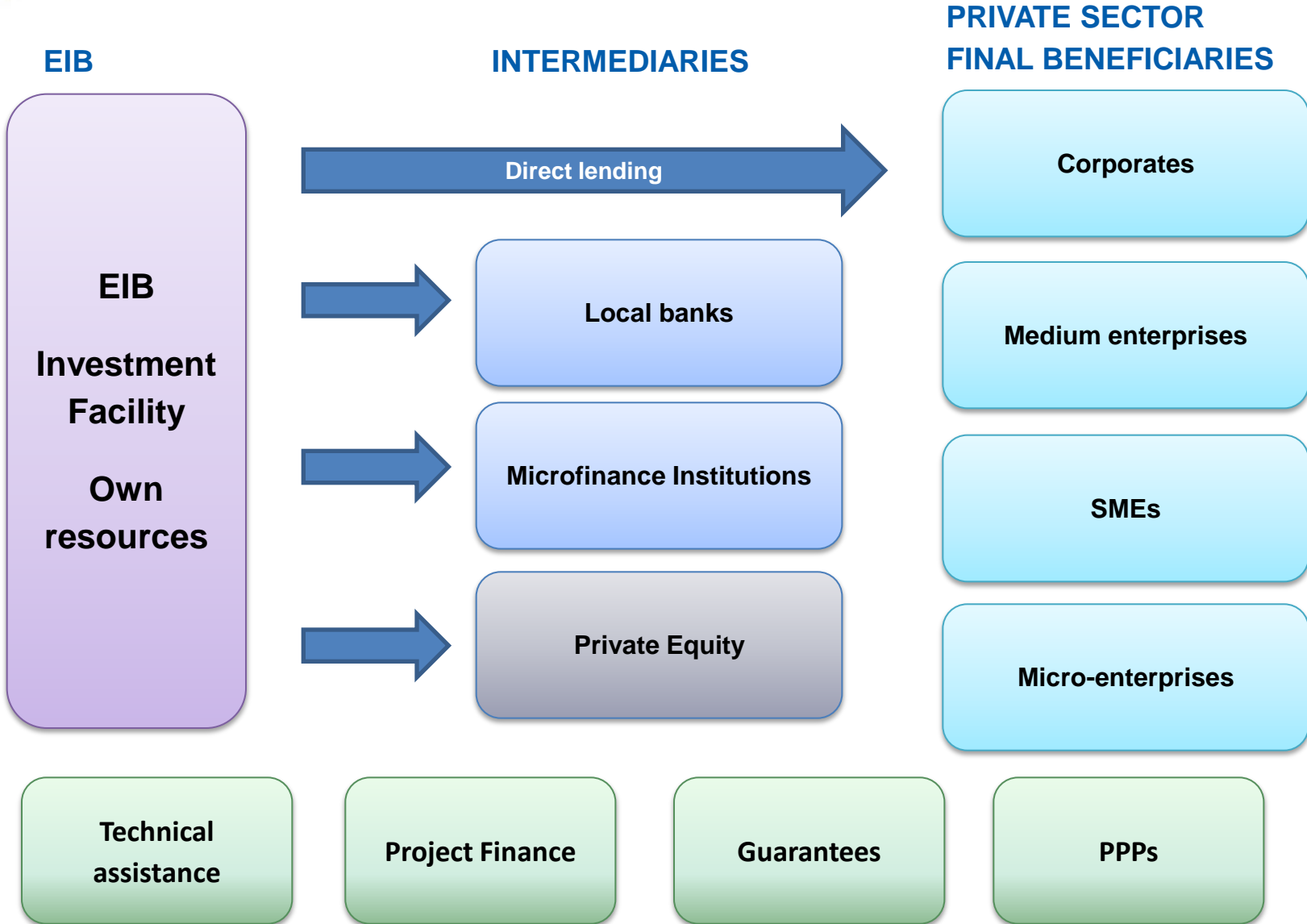
Do Better: Results measurement – minimum attainment of performance indicators



Do Differently: New sectors, different financing instruments & impact financing



EIB support to the private sector





Showcase 1 : Mauritius - Sugar Industry Reform (2009)



- EUR 28M for 2 senior loans to finance the 2 first sugar refineries in Mauritius to accompany the sugar industry reform in the country reducing total sugar production by half
- The operation supports local processing in combination with a long-term off-take agreement by Südzucker thereby increasing local value added in a sustainable structure
- 2 Mauritian banks provide long-term guarantees to secure the EIB funding.
- The loans benefit from an interest rate subsidy in compliance with the Port Moresby declaration



|| Showcase 2: AGRI-VIE FUND (2009)

- The Agri-Vie Fund provides equity and quasi equity to SMEs operating in the value addition part of the agricultural value chain (processing, distribution, marketing and services) with a preference for SMEs with a vertically integrated farming business (including product transformation) ensuring better control over output.
- This strategy aims at improving the currently underdeveloped agricultural sector (lack of soil fertilization, low yields and high post-harvest losses) and thus to contribute to better food security on the African continent.
- Results after five year (end of the investment period): 12 investments made in seven African countries and across 11 sub-sectors for a total of USD 66m.





Showcase 3: **FEFISOL** (2011)



- FEFISOL SICAV-FIS provides debt and equity financing to African MFIs and agriculture producer organizations (POs)
- One of the main strategic objectives is to promote access to financial services to rural populations and to finance agricultural activities
- Results after less than one year:
 - ✓ 57% of Microfinance final clients are rural and 17% of their portfolio is dedicated to agriculture
 - ✓ 3 POs financed for a total of about EUR 1.2 m (about 1/3 of total portfolio) represent altogether about 9,500 small holder suppliers
 - ECOOKIM in Ivory Coast
 - ACPCU Uganda
 - KPD Kenya
- Financing is combined with technical assistance (eg: support for organic certification, plot geo-localisation)





Showcase 4 : **Malawi credit line for exporting industries** (2013)



- EUR 15M credit line to a local commercial bank targeting value-added processing in the agricultural sector
- The operation supports government's efforts to develop its export base and diversify its agriculture away from tobacco
- So far, EIB long tenor funds have been on-lent to 4 projects for a total of EUR 7.5M for the construction of warehouses, acquisition of dhal processing machinery and a rice milling plant, and expansion of poultry production
- The intermediary bank was able to extend scarce foreign exchange denominated loans for **tenors 2-3x** what is otherwise available in Malawi





The new Impact Finance Envelope (IFE)



- Amount : EUR 500m to be deployed through the ACP Investment Facility over 2014-2020.
- Objectives: generating superior developmental impact than conventional operations by focusing on private sector projects which could not be pursued until now due to their high level of risk, and targeting sectors and/or business models delivering superior S/E impact to targeted populations, in particular when
 - risk-adjusted expected returns are lower, or
 - contractual risk mitigants cannot be adequate, or
 - for financial sector operations: countries of operations bear weak regulation, currency volatility and/or lack of benchmarks



IFE focus and instruments



- Areas of focus:
 - Social & demographic challenges:
 - Unemployment, in particular in rural areas and among women and youth, **agriculture/food security**, social and financial exclusion, migration, post-conflict / post-disaster recovery, access to healthcare, access to education and training etc.
 - Environmental challenges:
 - climate action (including access to renewable energy and energy efficiency), forestry issues, waste management, preservation of biodiversity, water supply etc.
- Four financing instruments are proposed:

Social Impact Funds

Loans to Financial Intermediaries

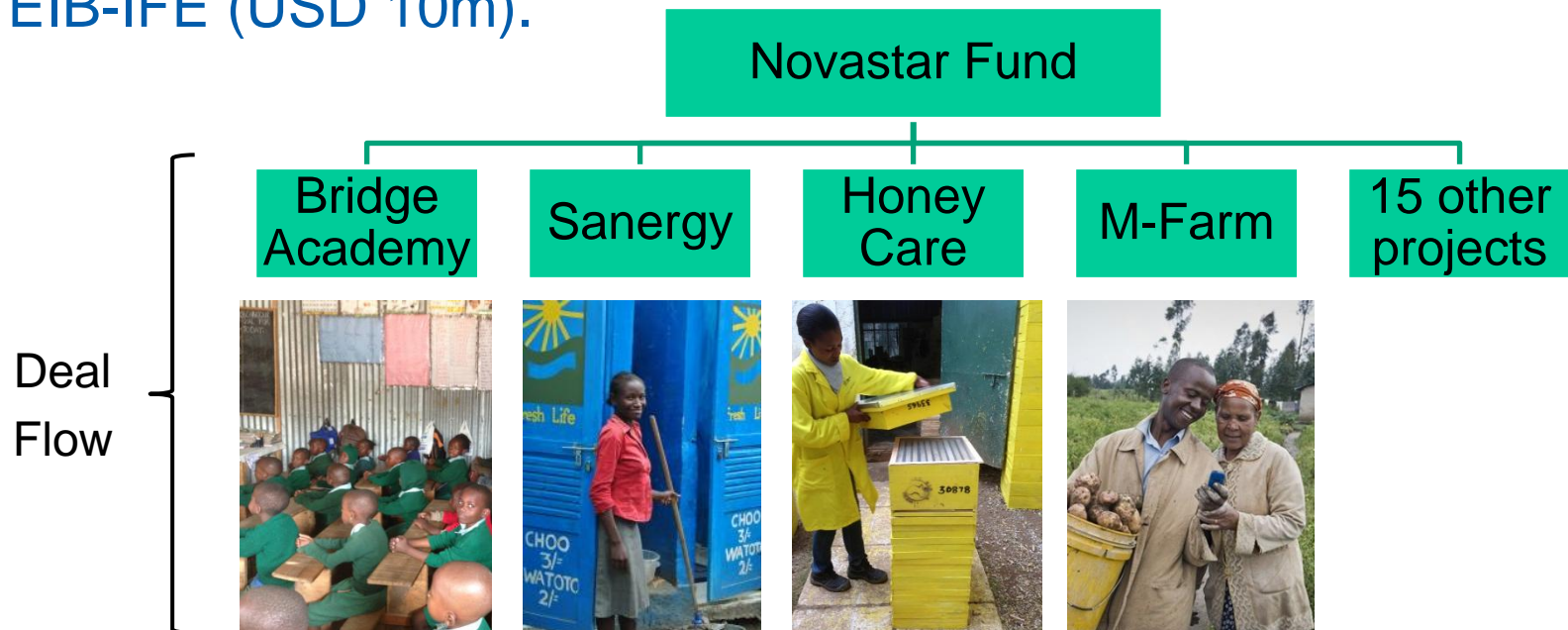
Risk-sharing Facilitating Instruments

Direct Financing



Example of a Social Impact Fund: Novastar

- Novastar will support early stage businesses that provide goods and services transforming low-income consumer markets (the « base of the pyramid » - BoP)
- Target total size: USD 80m – First closing Q2 2014 at USD 40m
- Prospective investors: CDC (USD 15m), FMO, Norfund (USD 10m each), private investors (Lundin, Rwanda Pension fund, etc.) and EIB-IFE (USD 10m).



Example of financial intermediation: ACP Smallholder Farming



- A joint initiative of EIB and IFAD to support smallholder farming activities in ACP countries
- Building on pilot projects carried out by IFAD, with the objective of providing medium to long-term local and foreign currency funding (currently very scarce)
- 5-8 countries targeted, including Malawi, Mozambique, Ethiopia, Nigeria, Rwanda
- Amount: up to EUR 50m



Support to up to 100,000 smallholder farmers over 2014-20.



Example: Lurio Forestry First Phase - Mozambique

- Establishment of 20,000 ha of fast-growing forest plantations in the Nampula province and construction of a chipping mill (to be increased to 126,000 ha over 15 years)
- Agribusiness project contributing strongly towards local private sector development and climate change mitigation
 - The project currently employs approximately 1,000 people which is expected to increase to 12,000 over the long run
 - It is the largest approved forestation project in Africa which is projected to absorb more than 30 million tons of CO₂
- Project: EUR 20m corporate loan structure with PF type covenants and security
 - Some of the elements necessary for a standard PF project (e.g. long-term offtake agreements, completion guarantees) are lacking and the sector is considered risky hence proposed under the IFE



Study: Financing Opportunities in Agricultural and Food Value Chains in SSA



- Screening ongoing by GIZ to identify financing opportunities in value chains for EIB
- 10 country profiles: Benin, Burkina Faso, Burundi, Côte d'Ivoire, Ethiopia, Madagascar, Malawi, Mali, Tanzania, Zambia
- Selected criteria: Agricultural relevance, LDC, agriculture/nutrition as focal sector in the NIP
- Gap analysis in value chains and relevant counterparts
- Potential for co-funding with DEVCO, GIZ et al



<http://www.eib.org/acp>

