Global Agriculture & Food Security Program
Private Sector Window
Delivering Innovative Solutions
March 5, 2014
The Global Agriculture and Food Security Program is a transformational approach to aid that was launched by a group of innovative donors at the request of the G20 in April 2010.

To address the underfunding of country and regional agriculture and food security strategic investment plans already being developed by countries in consultation with donors and other stakeholders at the country-level.

Contributions and investments toward the achievement of the Millennium Development Goal 1 to cut hunger and poverty by half by 2015 more predictable.
Global Agriculture and Food Security Program (GAFSP)

Public Sector Window
Administered by: World Bank
Funding: US$973 Million
Donors: 8 donors (Australia, Canada, the Bill & Melinda Gates Foundation, Ireland, Korea, Spain, UK, and US)
Overview:
Provides grant funding directly to sovereign governments in accordance with country’s macro strategy

Private Sector Window
Managed by: IFC
Funding: US$309 Million
Donors: 5 donors (Netherlands, Canada, Japan, UK, and US)
Overview:
Provides investment (and advisory services) to eligible private sector companies in the agribusiness field, in conjunction with IFC’s investments
IFC promotes private sector development in Emerging Markets and serves as Secretariat of GAFSP’s Private Sector Window
IFC Creates Opportunity and Improves Lives

- IFC is a member of the World Bank Group
- Global Impact: 200,000 jobs created, 1 million farmers, 11 million patients, 5.5 million power customers
- Sound Financials: AAA rated and US$ 62 Billion Portfolio (Agribusiness is 10%)
  - Annual Agribusiness Program: US$ 4.5+ Billion
- 800+ Financial Institutions leveraging reach in emerging markets

Our Operational Platform

- IFC provides both Investment and Advisory Services
  - Long Term Debt, Trade & Commodity Finance, quasi-equity and equity (minority stakes)
  - Advisory Services examples: farmer training and warehouse finance training for banks
- Leading Environmental & Social Standards
Present in Every Region with 100+ Offices and Active in almost Every Sector - a Unique Platform for Partners

Sectors

- Manufacturing, Agribusiness & Services
- Financial Sector
- Infrastructure, Oil, Gas & Mining
IFC in the Agribusiness Sector

IFC invests in and works with companies in the agribusiness sector to strengthen their supply chain; adopt environmental, social and governance practices; and apply technologies that create a competitive edge.

IFC’s investment services in the agribusiness sector in FY13:
- Portfolio included 254 companies in 56 countries across all regions
- Managed a portfolio of $6.0 billion
- Committed $4.5 billion in new IFC investments along the full value chain

IFC’s advisory services in the agribusiness sector in FY13:
- Managed 96 projects worth $106 million in 41 countries across all regions

IFC investment & advisory projects in agribusiness in FY13:
- Reached over 4.0 million farmers
- New investments reached an additional 750,000 farmers
Six Sectoral Themes in Agribusiness

**Water**
- Global Irrigation Program
- Inputs (e.g. seeds)

**Small Farmers**
- Inclusive supply chains
- Global Agri & Food Security Program (GAFSP)

**Land**
- Principles of Resp Agri Invstmt
- Africa Hybrid Investments
- Ukraine/Brazil

**Urbanization**
- Safe food processing & efficient supply chains
- Food affordability

**Animal Protein**
- Mitigate impacts of full value chain (e.g., feed efficiency)
- Seafood

**Nutrition & Innovation**
- Food ingredients
- Fortified foods and drinks
...Resulting in a Well-Diversified Portfolio (US$6.0 Billion)
Overview of the GAFSP Private Sector Window (PrSW)

**Investment Services**

**Funding:** US$285 Million

**Donors:** 5 donors (the Netherlands, Canada, Japan, the UK, and the US)

**Overview:**
Provides investment to eligible private sector companies in the agribusiness field, in conjunction with IFC’s investments

**Advisory Services**

**Funding:** US$23 Million

**Donors:** 2 donors (the Netherlands, Canada)

**Overview:**
Provides grant funding to projects supporting potential and existing PrSW GAFSP investment clients and their supply chains.
Identified Need for Blended Finance Solutions

- Circumstances where:
  - there is lack of commercial viability (because of perceived/real risks, or costs) that results in “under-investment” in activities that can lead to high social benefits, **but**
  - risk/reward balance for private sector can be achieved over time

- In some cases, public sector will undertake such investment (e.g.: Governments, NGOs)

- IFC and other DFIs can play a role, to a certain extent

- Blended Finance to private sector can “fill the gap” in the market and catalyze investments

*Risks allocated between public and private sector; some inappropriate for private sector to bear*
GAFSP Private Sector Window
Principles for Blended Finance

Moves Beyond IFC Additionality
- Should be projects that both the client and IFC could not do without support
- Used to “de-risk” projects for the market, while meeting IFC investment requirements
- Targeted to risks that are appropriate for private sector to bear (not risks that ought to be assumed by the public sector)

Avoids Market Distortion
- Minimum concessionality: Provide minimum “subsidy element” in financing to enable greater probability for sustainability & market transformation; minimizes over subsidizing
- Maximizing leverage of private sector; ensure private risks born by private sector
- Incentives for project sponsor aligned with impact performance

Leads to Sustainability
- Time-bound: should not be applied where long term subsidies are required; subsidy is limited in time (e.g.: 5-8 years) but offered until market/track record is established; subsidy should be limited to demonstration/decline over time
- Targeted approach for specific barriers (risk and cost) inhibiting investment
- Link with Advisory Services: Broaden impact and achieve market transformation

Upholds Transparency
- Cost effectiveness to achieve development impact
- Governance: deploy concession funding with the highest standard of care, and with governance structure which manages inherent conflicts of interest in funding structuring and decision making

Strong M&E framework will monitor delivery of these principles
GAFSP PrSW Investment Instruments

Direct funding or through intermediaries:

• Loan tranches at subsidized interest rate
• Risk sharing facilities
• Subordinated loans
• First loss
• Credit guarantees
• Equity

>> Flexible structures!!!
IFC’s Project Cycle

Early Review
- Client needs determined
- Assessment of project’s impacts and development contributions
- Policy Committee approval
- Mandate letter

Due Diligence
- Assessment of business opportunities and risks
- Analysis of environmental and social opportunities and risks
- Appraisal visit
- Credit Committee approval

Disclosure
- Disclosure of environmental and social information
- Opportunity for public comment

Commitment and Disbursement
- Negotiation and agreement of principal terms
- Board approval
- Signing of legal documents
- Disbursement

Monitoring
- Annual review of project performance
- Financial covenants review
- Environment & Social Report

We Agree on a Specific Timeline to Meet Client’s Needs
Why Partner with IFC on Private Sector Investments?

- Deep sector / country expertise to provide in-depth suggestions and analyses with regards to business plan and exit strategies

- Best-in-class “Environmental & Social (E&S)” standards to analyze and assess potential E&S implications of the investment project; particularly bodes well in a greenfield context

- Advisory Services to support value chain partners for capacity building and training (i.e. farmer training, access to finance)

- IFC’s “Stamp-of-Approval” can catalyze other private sector funders to support long-term capital structure where necessary

- IFC, as a member of the World Bank Group, positioned to facilitate macro-level dialogues with host government officials- “Political Umbrella”
GAFSP’s Private Sector Window Project Examples
**Transaction Overview**

- US$15.0 million senior unsecured loan package from IFC and GAFSP.
- The proposed package comprises a US$5.0 million term loan from IFC and a US$10.0 million term loan from GAFSP plus $5M from FMO and storebrand (in process).
- The loan is a 5 year, annually renewable credit facility.

**Development Impact**

- The proposed investment is expected to result in significant developmental benefits to rural businesses in many IDA countries in Latin America and Africa.
- As a result of the investment, an incremental 300,000 farmers will be reached annually by 2016.
- The investment sends a strong market signal regarding the business case for sustainable and climate friendly agriculture in difficult markets.

**Root Capital** facilitates market linkages and delivers credit and financial training to agricultural SMEs across Africa and Latin America that are trapped in the “missing middle”, or the gap between microfinance and commercial banks, and have limited or no access to finance. The Company has disbursed over US$430 million of cumulative capital to rural agricultural SMEs and reached 624,000 small-scale farmers. The financial package from IFC and GAFSP will support the growth and help enable the transformation of Root Capital's primary lending arm, STF, to become a financially sustainable entity.
FDL is the largest microfinance institution in Nicaragua with 36 commercial agencies, 55,000 clients served and a portfolio of almost US$60 million. Incorporated as a not-for-profit organization, FDL was founded in 1993 by the Compañía de Jesús (Jesuits) to play a key role in reaching small producers in some of the most vulnerable and poor regions of Nicaragua. FDL currently lends to 14,000 farmers and agribusinesses, and is expected to extend its reach to approximately 22,000 farmers and agribusinesses in vulnerable rural areas over the next five years. The financial package from IFC and GAFSP will allow FDL to obtain the funding it needs in order to further increase its reach to this critical segment.

**Transaction Overview**
- The proposed package comprises a US$5 million senior unsecured term loan from IFC, a US$2 million subordinated unsecured term loan from GAFSP.
- The loan term is up to 5 years with a 1 year grace period, and repayment is in 8 equal semi-annual installments.
- The GAFSP loan includes a step-down interest rate feature linked to agribusiness portfolio milestones to incentivize the Bank to further increase its support to the sector.

**Strong Development Impact**
- The proposed investment will increase the availability of financing to the underserved rural and agribusiness sectors, primarily small producers in Nicaragua.
- As a result of the investment, new direct and indirect jobs are expected to be created through the scaling up of producers.
- IFC’s allocation of funding to rural agri producers is expected to motivate others to reactivate their support to the microfinance sector in Nicaragua.
# africaJUICE (Ethiopia)

## Company
- africaJUICE is the first Fairtrade certified tropical fruit juice producer (mainly passion fruit, mango and papaya) in sub-Saharan Africa.
- The company owns a 1,600 hectare farm as well as a EU compliant multi-fruit processing facility built in 2010 in the Upper Awash region in Ethiopia.
- Over 1,400 tons of juice products have been exported to date, mostly to Europe.

## Transaction
- IFC investment: Preferred equity investment of US$3 million, combined with GAFSP investment of US$3 million and FMO investment of US$4 million
- Financing Objective: (i) realizing the passion fruit potential of its existing farm and its outgrowers and on diversifying its product base with the development of three new strategic crops (pomegranate, acerola and lemon) as well as (ii) expanding its processing capacity.

## IFC + GAFSP Role
- Provides the needed long-term capital to an early stage business.
- IFC’s technical expertise, global knowledge of the industry and markets.
- GAFSP funding to further reinforce the capital structure of the company.
- Provides a "stamp of approval" for other private sector investors and DFIs to participate in the project.

## Development Impact
- Expected to reach at least an incremental 1,000 small scale passion fruit farmers over the next seven years.
- Significant improvements in local food security.
- Penetration of fair trade / modern farming practices to the wider producer base in Ethiopia.
- Development of improved natural resource management techniques, especially water utilization.
- Contribution to wider regional development in terms of jobs, infrastructure, education, health and other socio-economic parameters.
What can IFC Advisory Services (AS) do for you?

IFC can help your company:

- Increase sales/profits and access new markets
- Save costs and improve resource efficiency
- Improve productivity
- Obtain capital and gain access to finance
- Manage risks, enhance reputation, and attract investment
- Operate in an improved business environment
IFC AS Solutions to Resolve the Challenges Companies Face

Supply Chain & Community:
Enhance farmer productivity and local incomes
- Facilitate more effective training delivery on good agri practices
- Training skills for agriculture extension workers
- Farmer engagement and aggregation models
- Mobile /ICT solutions for info dissemination
- Responsible land use - company & community engagement

Environment & Social Standards:
Mitigate high risks
- Food safety Management Systems
- Improved E&S practices and performance
- Business models for standards verification/certification
- Traceability solutions for commodities

Resources & Environment:
Produce more w/fewer resources
- Energy and water efficiency
- Climate resilient crop varieties, cultivation practices & technology
- Commodity roundtables and National interpretation of standards
- E&S Management Systems
IFC AS Solutions to Resolve the Challenges Companies Face

**Bank Capacity Building:**
Advise & Develop Agricultural Finance Operations
- Diagnostics/ Capability Assessments of FIs
- Agri Borrower Credit Assessment Tools
- Crop-level & Farm-level Cash Flow Models / Assessment Methodologies
- Agri Portfolio & Risk Management Systems & Processes

**Value Chain Finance:**
Link FIs to Sustainable Supply Chains
- Agri Supply Chain Finance Scoping & Assessments
- Market Surveys & Farmer Financial Demand Assessments
- Value Chain Finance Models & VCF Loan Product Development
- Lead Firm Risk-Sharing & Tri-Partite Financing Models

**New Lending Products:**
Agri-insurance and warehouse receipts
- Insurance Products for bank’s portfolio to mitigate systemic risk
- Programmatic insurance approach: systemic work w/ insurance Cos., banks, other FIs
- Agri Commodity Inventory/ Warehouse Loan Products
- Post-Harvest Credit Line Assessments & Methodol.
- Agri Commodity Price Monitoring & Risk Mgt.
GAFSP PrSW Lessons of Experience

**Blended Finance Process Works**
- BF process has added rigor and additional governance
- Investment Teams have succeeded in processing blended finance project in a timely manner

**Strategic Relevance**
- Each project with GAFSP funding had high developmental impact and financial sustainability
- Each project has an SME smallholder farmer component/focus

**Innovative Structuring**
- Concessional Funding is being used in innovative financial structures to mitigate risks
- Debt, Equity and Risk Sharing blended finance solutions have been introduced

**Project Size**
- GAFSP PrSW projects have been quite small relative to typical IFC funded projects but we are now getting bigger projects
- GAFSP funding from $1 million to $20 million (median of $5 million), leveraging in an equivalent size (or more) of IFC financing to the same enterprises
Deepening Areas for Public Sector and Private Sector Engagement

**What are we doing now?**
- Existing discussions: Rwanda and Ethiopia
- “Missing Middle” solutions

**What more can we do?**
- Linking companies supported via PuSW to financing from PrSW
- Strengthening the supply chains of PrSW clients via PuSW projects i.e. policies, capacity building, infrastructure
- Earmark GSAFP PuSW to complement PrSW projects

*How can we work together to do things differently? And be more strategic?*
Who to Contact?

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