

# BRINGING FINANCE AND COMPETITIVENESS TOGETHER IN SUPPORT OF AGRIBUSINESS

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# Introduction

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## Technical session objectives:

- Present FCI's value proposition for the MFD creating markets in agriculture agenda
- Explain how the Long Term Finance and Markets & Technology global teams can support regional teams
- Discuss concrete project case studies with TTLs

# Outline

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- **FCI value proposition in agribusiness**
- Our agribusiness and agri-finance diagnostics
- Case studies
- Annex

## Context: Increasing demand for high value and processed food products, but challenges remain



### ▪ Demand side

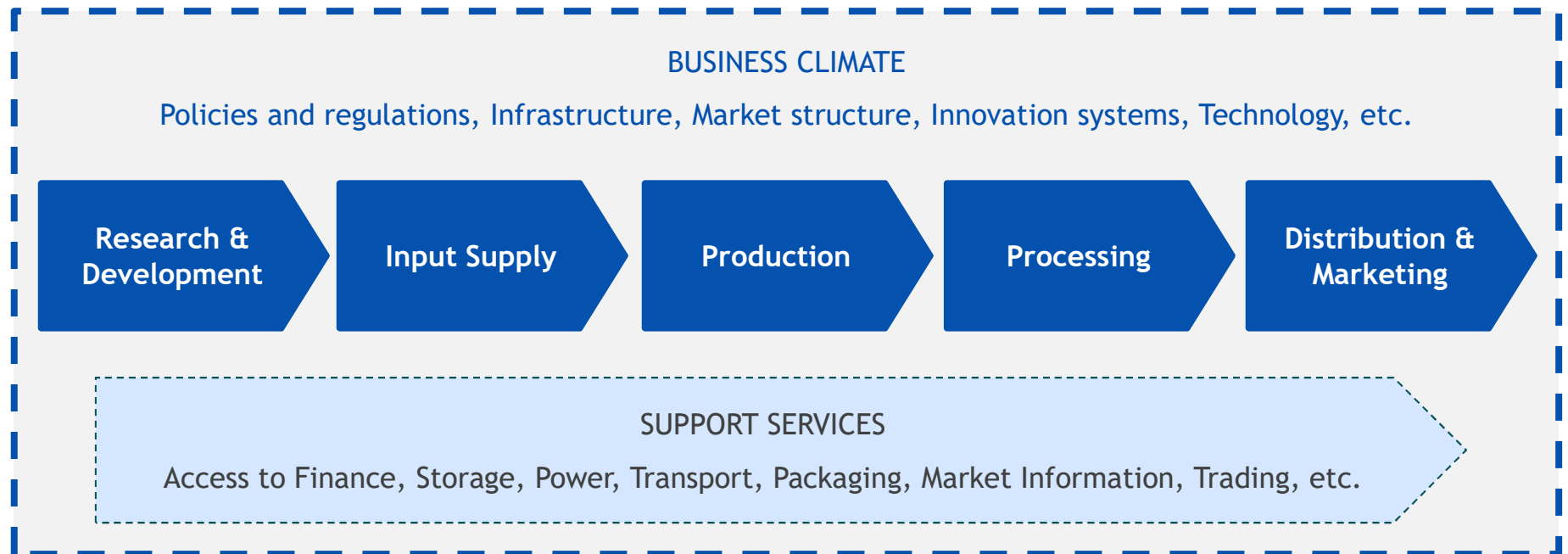
- ✓ **Population increase** in emerging markets
- ✓ **Rising middle class** and increasing **urbanization**
- ✓ **Change in diets** towards higher value foods, like meats, edible oils, fruits and vegetables, and processed products
- ✓ **Commodities** as an investment vehicle



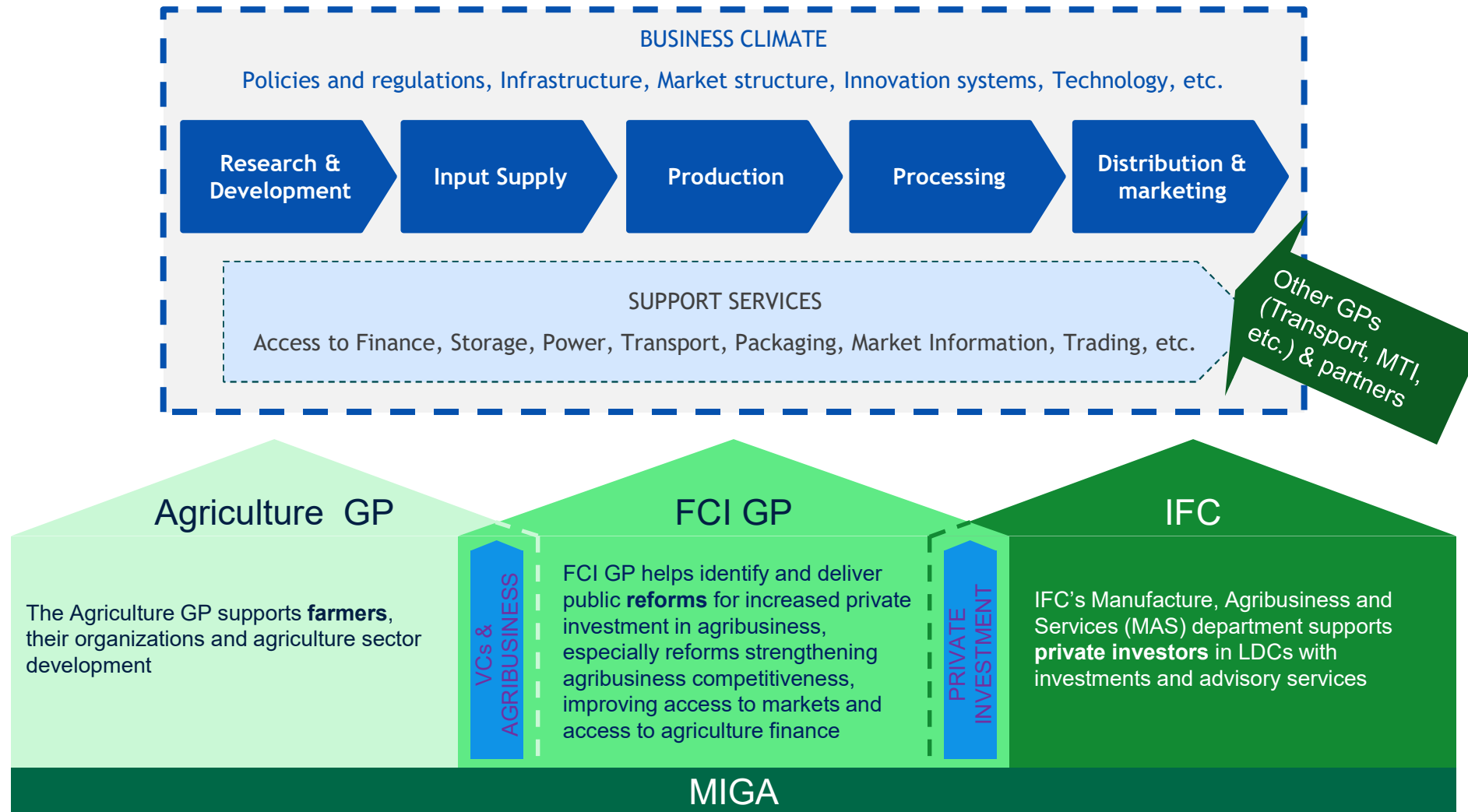
### ▪ Supply side

- ✓ **Arable land** coming under pressure
- ✓ **Climate change** affects production---higher production volatility and uncertainty
- ✓ **Aging of farmer population**---rise in the average age of a farmer
- ✓ **Market failures** across the agribusiness ecosystem still preventing access to high value markets for farmers and agribusiness SMEs

# Agribusiness is part of a complex ecosystem



# FCI actively contributes to a joint WBG effort to boost agribusiness development



## FCI value proposition in agribusiness – Identify and deliver public reforms for increased private investment in agribusiness

**A. Provide key diagnostics** to WBG – FCI, Agriculture GP, IFC – and government clients to map out constraints and opportunities for private sector development in agribusiness

Our *Agribusiness Deep Dive* diagnostic has informed:

- i. Country Private Sector Diagnostics (e.g. Ghana, Nepal, Rwanda, Kenya)
- ii. IFC MAS (e.g. Guinea, The Gambia)
- iii. Design of Agriculture GP projects (e.g. Republic of Congo, Niger)

Our *Agricultural Finance Diagnostic* is similarly used across geographies and teams (e.g. Jamaica, Colombia, Mali, Cote d'Ivoire, Rwanda, Senegal, Vietnam, Haiti, Zambia, Sudan etc.)

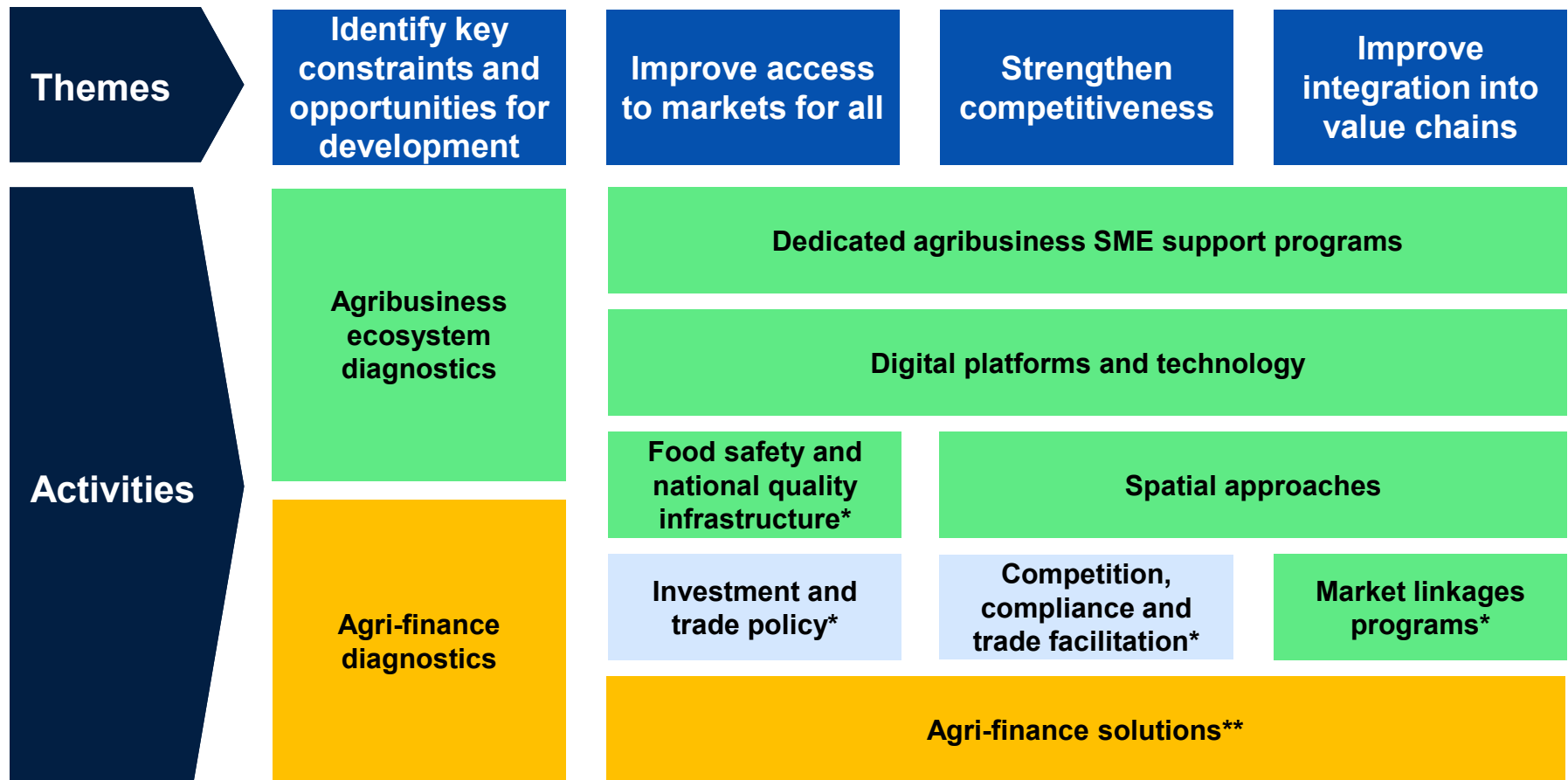
**B. Deliver public reforms** to address barriers to private investment in agribusiness, especially reforms strengthening agribusiness competitiveness, improving access to markets and access to agriculture finance, and harnessing digital platforms and technology opportunities

FCI's agribusiness and agri-finance portfolio is comprised of:

- i. 92 IFC Advisory projects
- ii. 32 IDA/IBRD lending operations
- iii. Cross-support to 31 lending operations of the Agriculture GP

# FCI's agribusiness and agri-finance development support offer – Diagnostics and policy expertise support shown in green for M&T and orange for LTF

## Policy Reforms and Interventions



\* In collaboration with MTI GP

\*\* In collaboration with M&T on warehouse receipt financing

**Increased Competitiveness, Greater Inclusion, Investments, Jobs, Income**



# FCI's dedicated support to agricultural finance through the agri-finance team

## Reforming Public policies



- **Agriculture finance diagnostic and action plans** to reform public policies to support agri-finance, e.g. directed lending, interest rate caps and subsidies, prudential regulations, Partial Credit Guarantees, etc..

## Strengthening Institutions



- Technical assistance to reform **public financial institutions**
- TA for **policy makers, financial institutions, commodity exchanges**
- **TA and supervision/regulations for financial cooperatives and other local rural FIs**
- **TA and supervision/regulations for warehouse finance**

## Promoting agriculture finance



- **Partial Credit Guarantees**
- **Matching grants**
- Credit lines
- **Value Chain** finance
- **Warehouse** finance
- Digital Finance products and services
- Financing **Climate Smart Agriculture**
- Risk management and **agricultural Insurance**

# Active collaboration between M&T and LTF on strategy, knowledge, and project support

## Strategy support

- Most recently, representing jointly FCI at the WBG Agri Sector Group formed with IFC MAS, the Agriculture GP, and MIGA

## Knowledge support

- Joint development and dissemination of knowledge on commodity-collateralized financing
- Knowledge sharing through the agri-finance community of practice

## Project support

- Joint design and implementation support to lending and FCI IFC Advisory projects, as shown in today's case studies
- Collaboration on portfolio support for warehouse receipt financing projects, incl. Invest West Africa Regional WRS Project (602976)
- Exploring piloting crop receipt development in sub-Saharan Africa, building on example of Ukraine
- Implementation Plan design umbrella project for agribusiness and agri-finance in Sub-Saharan Africa (603354)

# FCI agribusiness and agri-finance global and regional teams

## Regional Agribusiness Specialists



AFR Sr. Agri. Specialist,  
Heinz-Wilhelm Strubenhoff



AFR Sr. Agri. Specialist,  
David Ivanovic



SAR/EAP Sr. PSD Specialist,  
Brad Roberts



AFR Sr. Agri. Specialist,  
Augustine Langyintuo



AFR Sr. Private Sector Specialist,  
Hans Shrader

TTLs and co-TTLs of FCI and Agriculture GP projects touching on agribusiness development

## FCI Global Agribusiness



Agribusiness & Warehouse Receipt,  
Jean Saint-Geours



Agribusiness & Agri-spatial solutions,  
Maria Miller



Food Safety  
Kateryna Onul



Agribusiness SME,  
Anupa Pant

## FCI Global Agri-Finance



Head, Agricultural Finance,  
Panos Varangis



Senior Financial Sector Specialist,  
Juan Buchenau



Financial Sector Specialist,  
Toshi Ono



Financial Sector Specialist,  
Rachel Sberro

# Outline

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- FCI value proposition in agribusiness

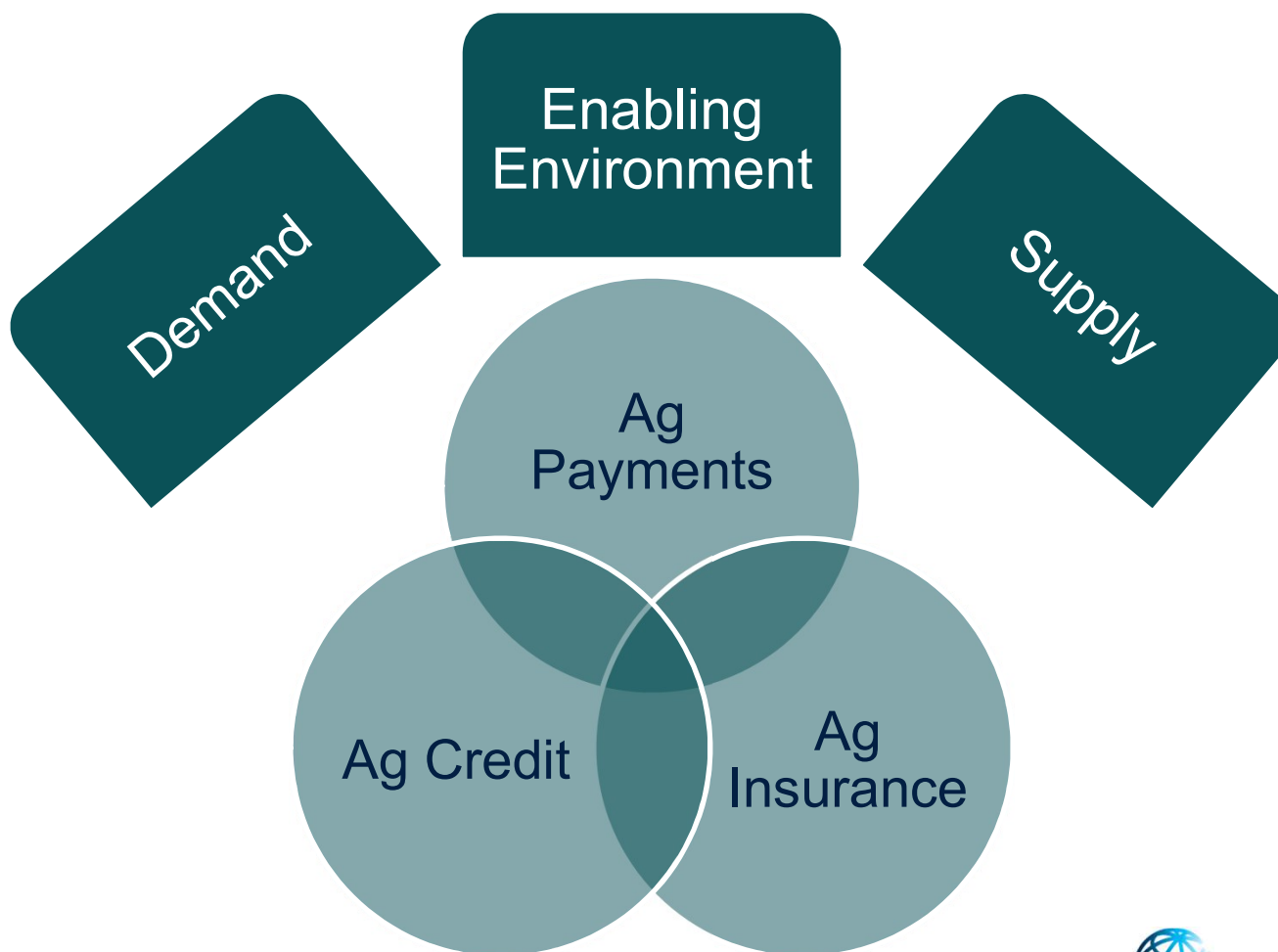
- **Our agribusiness and agri-finance diagnostics**

- Case studies

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# Agriculture Finance Diagnostic Tool

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# Rwanda Agriculture Finance Diagnostic

## Strengthen enabling environment for agriculture finance

- Improve data quality and availability
- Remove fiscal disincentives

## Facilitate financial inclusion of commercially oriented farmers and agri-SMEs

- Professionalize cooperatives
- Digitize ag payments
- Develop directory of agribusinesses

## Deepen the agriculture financing market

- Build FI capacity
- Assess impact of ongoing programs
- Strengthen capacity of DFIs to serve sector

## Scale up the agriculture insurance market

- Commission options assessment for PPP
- Build technical capacity and awareness

Diagnostic publication: <https://elibrary.worldbank.org/doi/abs/10.1596/30453>

# UGANDA AGRICULTURE FINANCE AND INSURANCE DIAGNOSTIC



## 1. Scale-up support to mobilize private financing for agriculture

- Long-term Finance
- Partial credit guarantee
- Other public sector initiatives (like WRF)



## 2. Enlarge the scope of supply of Agriculture Insurance Scheme

- Suitable products for smallholder farmers and vulnerable pastoralists
- Bank Assurance Portfolio Protection Cover



## 3. Unlock potential of enablers

- Digital financial services
- Financial literacy and awareness
- Public and private sector capacity development

## A driving question: where is the market demand?

When addressing client requests, we need to continuously ask ourselves: Which markets could we competitively target? And how?

*What are we producing AND what could we produce ?*

Agro-climatic conditions and other factors predispose countries to engage in certain agricultural value chains

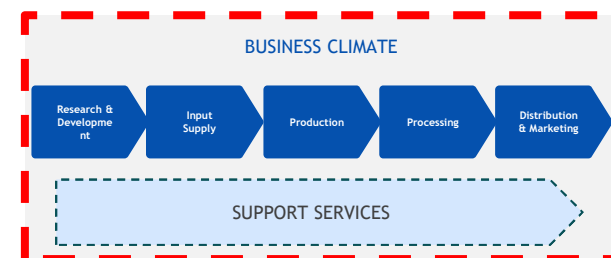
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*On which markets could we competitively sell these products ?*

Competitive pressure and premium for quality will vary depending on the product and the market, which imposes meeting specific requirements (e.g., cost, quality, consistency, etc.) all along the value chain

### *Required focus, the whole agribusiness ecosystem*

To answer these questions, the **performance of the whole agribusiness ecosystem** needs to be assessed and needs to drive the solutions we propose





# An integrating approach to agribusiness

From diagnostics to solution design, we integrate the whole WBG offer for agribusiness development and for maximized results for our clients

1) Assess the **constraints and opportunities** for competitiveness and inclusion in the agribusiness sector using a cross-WBG lens

2) Design **integrated MFD solutions** promoting competitive and inclusive value chains

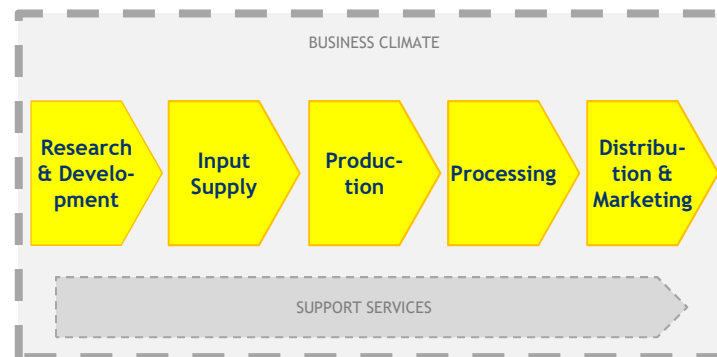
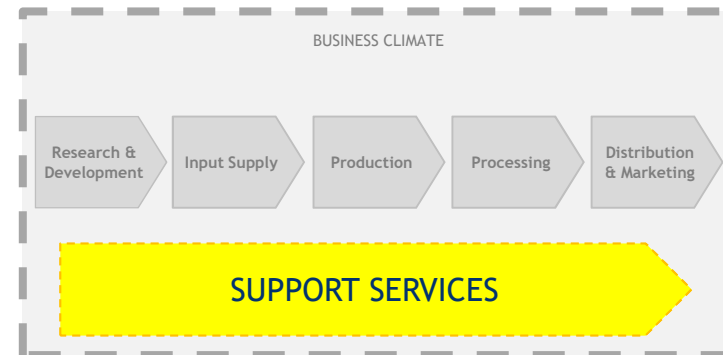
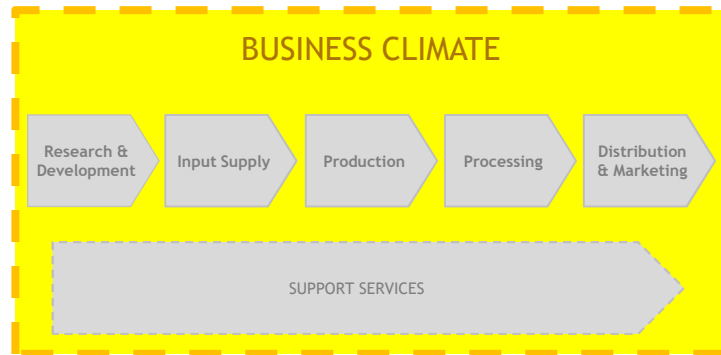
1.1 Analyze the **competitiveness and inclusiveness of the agribusiness ecosystem** from a) data and results of internal and external studies and b) insights from teams from across the WBG

1.2 Refine our competitiveness and inclusion analysis with interviews with **domestic and foreign private sector actors and investors** all along the value chain

2.1 Mobilize adequate **expertise from across the WBG** (notably from FCI, Agriculture and MTI GPs, and IFC MAS & FIG) to identify public and private activities and resources to support sector growth

2.2 Articulate MFD solutions for competitiveness and inclusiveness leveraging **the whole WBG offer for agribusiness**

# 1.1) Analyze the competitiveness and inclusiveness of the agribusiness ecosystem



## 1.2) Understand, from the private sector, the potential it sees and the critical constraints it faces (1/3)



### Agribusiness sector analysis – Main cross-sectoral constraints

Priority constraints identified by the private sector shown in green



**Policy direction:** Distortionary policy measures (e.g. export bans, subsidized imports, ban on groundnut purchase from farmers, competition of SOEs, concentration of rice imports, among others) and lack of policy direction discourage private sector investments

**Ineffective public spending:** Level of government expenditure on agriculture has fluctuated, with the bulk of funding absorbed by input subsidies (which in turn crowd out private sector). Meanwhile areas such as extension services, research, technology promotion, etc., remain under-funded

**National quality infrastructure:** Lack of quality standards for certification and laboratory facilities to test for compliance with Sanitary and Phyto Sanitary (SPS) requirements of developed markets, limits participation in horticulture exports, particularly for SMEs. Policy environment not supportive of private sector testing facilities.

**Constrained seed sector:** Very limited availability of foundation seed from NARI and low demand for certified seed. Lack of clear seed policy until recently

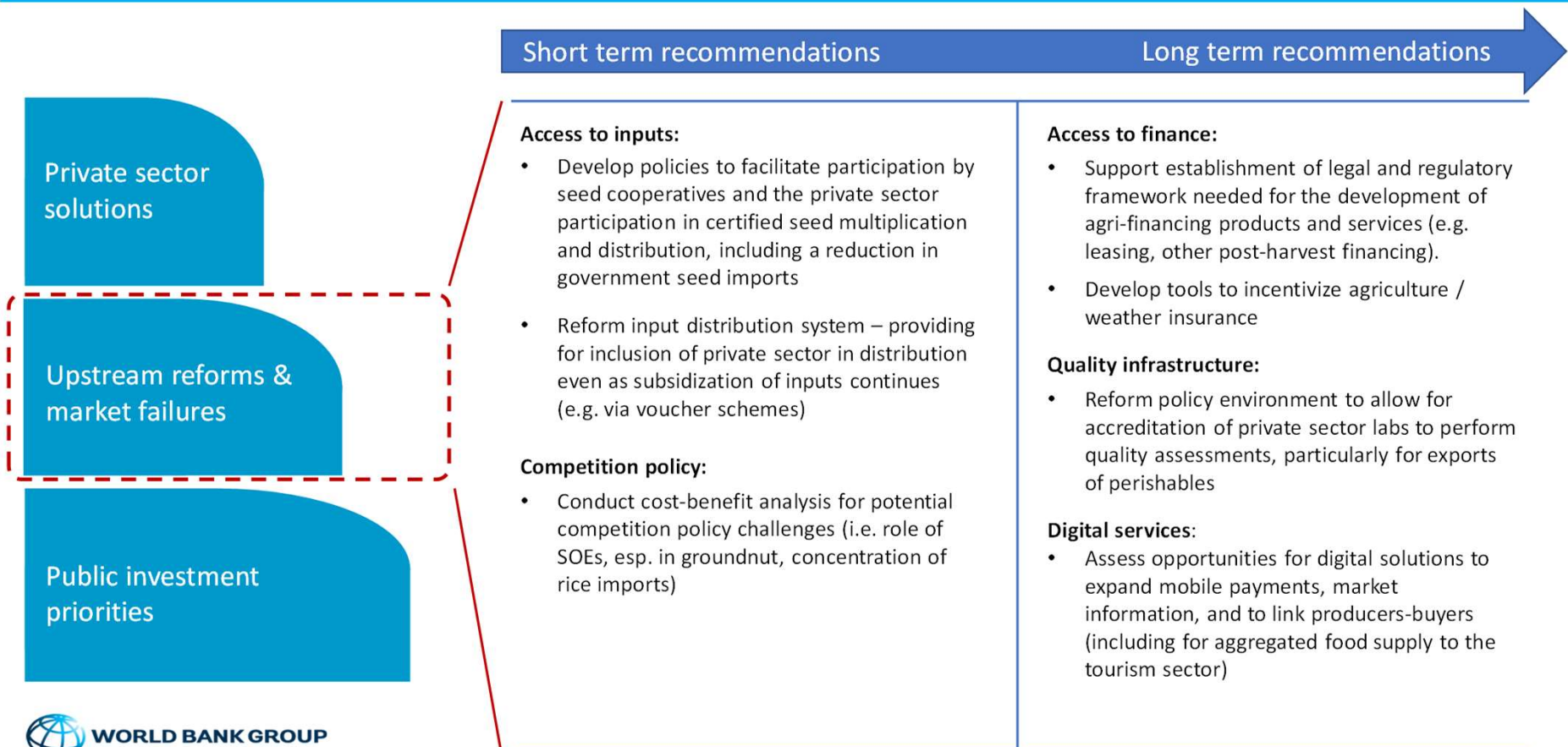
**Soil and water:** Soil deterioration and more frequent weather shocks present challenges for sustained production growth; lack of research capacity and poor availability of inputs and irrigation accentuate this challenge

**Competition policy challenges:** Groundnut purchases are dominated by a parastatal making private sector activities risky and difficult to sustain. Rice imports are concentrated between 3 large players

## 2.1) Mobilize adequate expertise across the WBG



### Agribusiness sector analysis – Quick wins & mid to long-term solutions (3/4)



## 2.2) Articulate cross-WBG solutions for competitive and inclusive value chains



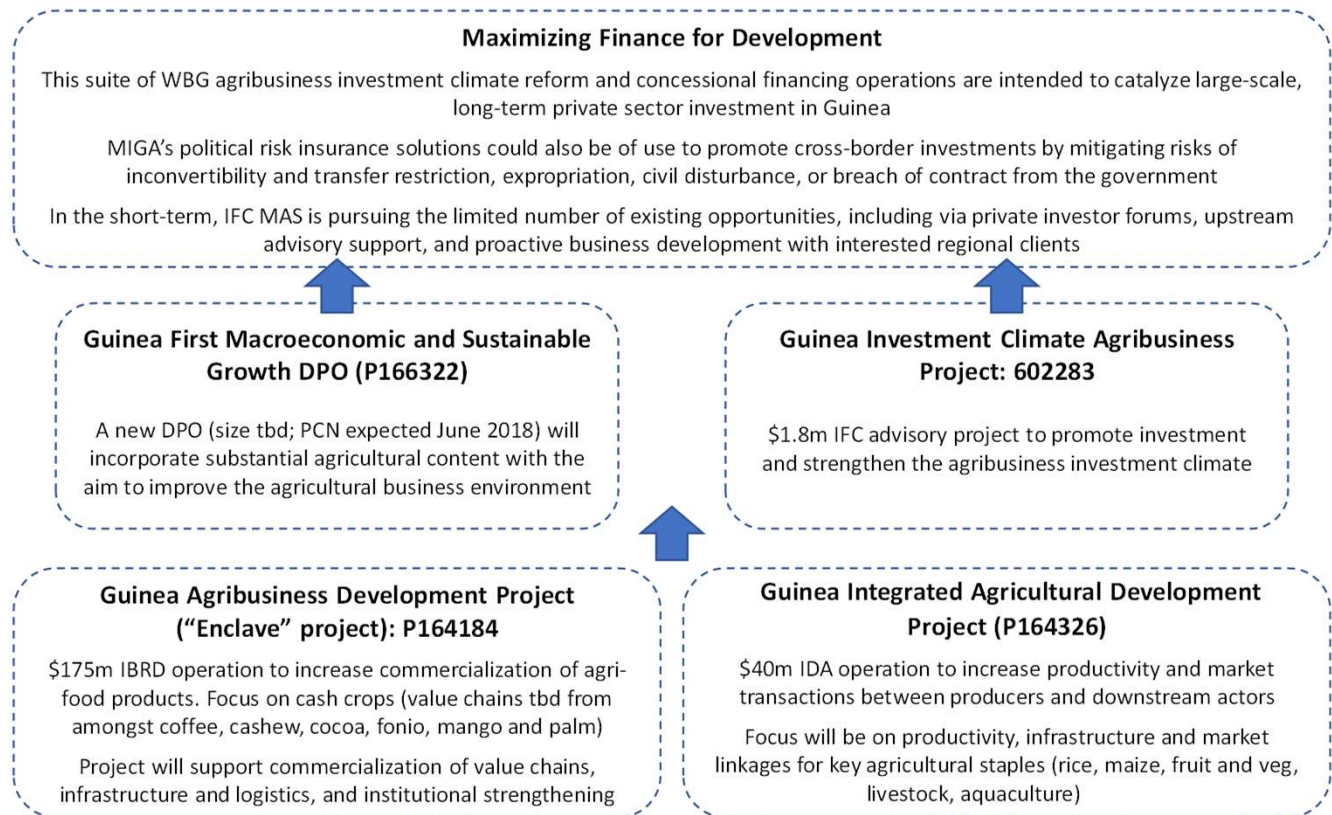
### A WBG “Cascade” framework for agribusiness in Guinea

Addressing these constraints will require coordinating a range of planned WBG solutions, each of which are integrating the findings from this analysis:

Private sector solutions

Upstream reforms & market failures

Public investment for public or quasi-public goods



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- FCI value proposition in agribusiness
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- **Case studies**

- Annex

## Project example: Creating markets through the Ethiopia Commodity-Collateralized Financing (CCF) Project (601298)

Building on M&T's expertise in supporting warehouse receipt systems and on LTF's expertise in supporting commodity exchanges and broader commodity-backed financing instruments (e.g. collateral management agreements, crop receipts, etc.), both teams jointly supported the development of the Ethiopia Commodity-Collateralized Financing (CCF) Project (601298), which, at its core, is about creating markets:

- **Creating markets in warehousing services:** Thanks to the project, the Ethiopian Investment Board has decided to allow joint venture participation of foreign third-party warehouse and collateral management service providers, holding 49% or less stake, in partnership with local investors. The project also helped develop national standards for agricultural commodity warehouses that were approved by the National Standardization Council on June 15 2019
- **Creating new financial instruments to reach underserved populations:** Through its support to the introduction and uptake of CCF instruments, it is expected that the project will lead to an increase in bank lending to underserved populations in the agriculture sector, such as small holder farmers and their cooperative unions
- **Create new markets for commodities trading:** Through its support to ECX, it is expected that the project will help increase private sector driven trading of cereals at the exchange, which will improve marketing of such commodities and transparency in their trading, benefiting particularly small holder farmers

# Project example: Sierra Leone Agro-Processing Competitiveness Project (P160295)

**Overall Goal:** To improve business environment in agribusiness sector and increase productivity of targeted agro-processing firms in Sierra Leone

**Market Failure:**

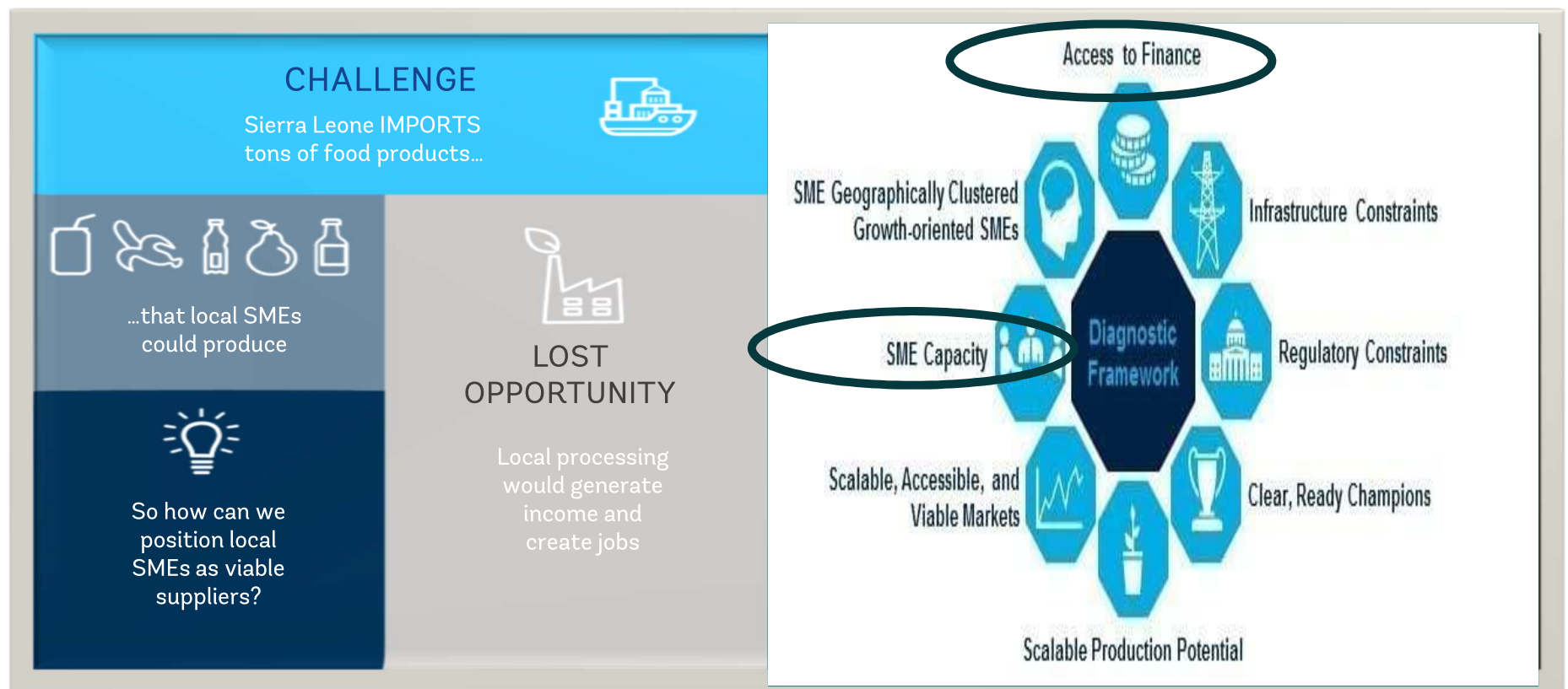
- Policy, institutional, and coordination failures that raise the cost of doing business for agribusiness and agro-processing investors
- Information asymmetries and failures on the demand and supply sides limiting SME market opportunities and links with larger domestic and foreign agro-processors
- Weak supply chain links
- **Lack of access to finance and technology** and
- **Skills gap** at the firm and SME levels

<b>Industry</b>	<b>AGR</b>
<b>Theme</b>	<b>SMEs</b>
<b>Project Stage</b>	Implementation
<b>Region</b>	Africa
<b>Country Name</b>	Sierra Leone
<b>Impl. Start Date</b>	7/26/2018
<b>Impl. End Date</b>	12/31/2023
<b>Funds Managed by WBG</b>	US\$10M
<b>WBG Instrument</b>	IDA-IPF
<b>Team Members</b>	<u>TTL</u> : Nancy Chen <u>LTF</u> : Toshi Ono <u>MT</u> : Anupa A Pant



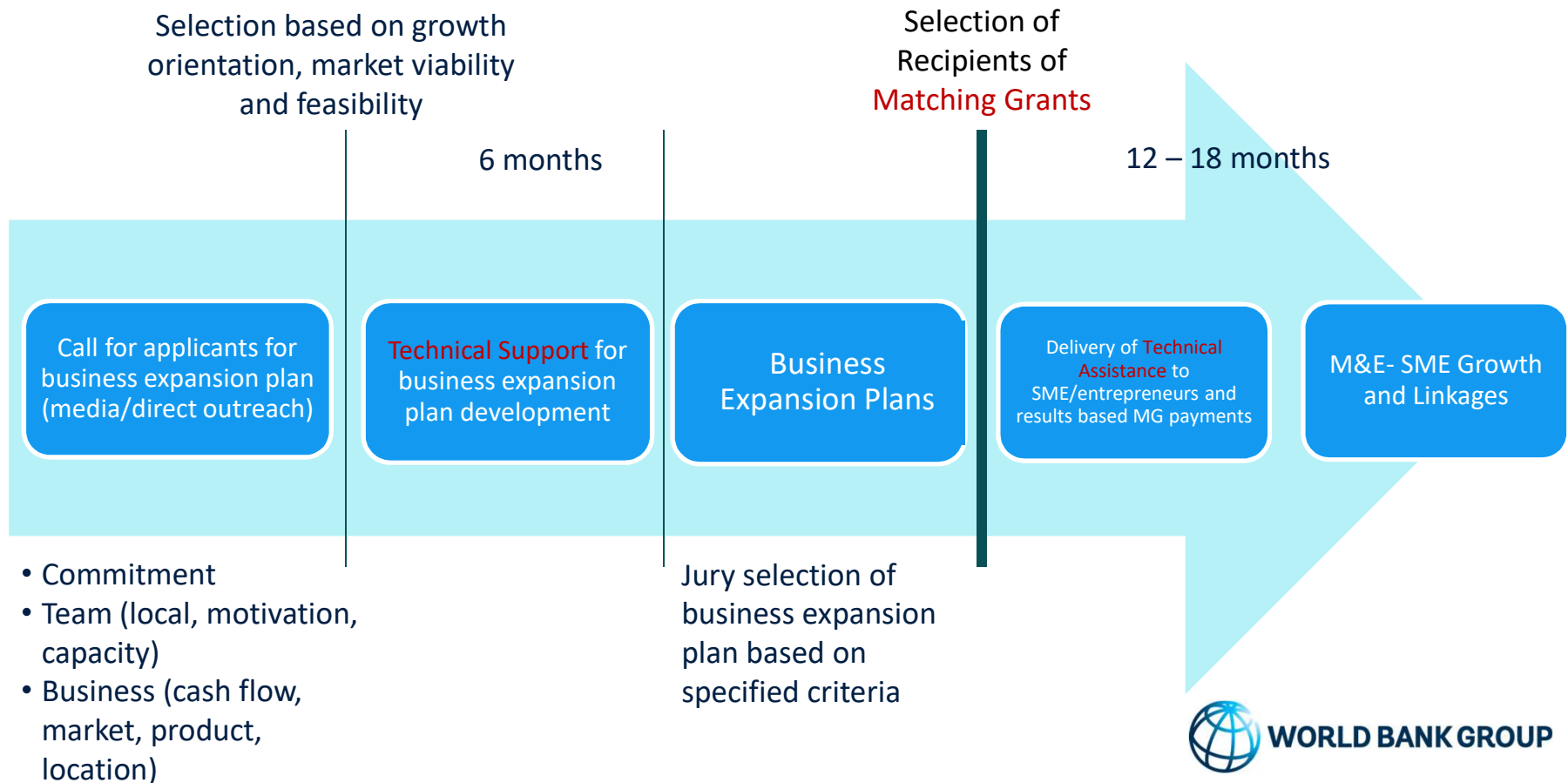
# Step 1: SME ecosystem diagnostic

Eight interconnected diagnostic factors required for SME development and growth



## Step 2: Solution

An integrated package of **technical** and **financial** assistance to **firms** to improve their commercial viability, financial position, and operational efficiency, thereby increasing their **market** access and increased **investments** and **employment** generation



# Project example: Agricultural and Livestock Transformation Project (P164509)



## Weak agriculture production

- Lack of capacity
- Limited access to equipment and agriculture inputs

## Lack of adequate storages and transportation systems

although Niger was the first one in Africa to start WRS for cereals

## Weak agri-food private sector

Less than 100 formal agro-processing MSMEs  
But thousands of informal processing units

## Limited competitiveness and Weak Access to markets

## Poor access to agriculture finance

- 15% of people financially included
- 2 percent of credit going to agriculture

Fragility of the country with more than 4 regions out of 6 affected by conflicts

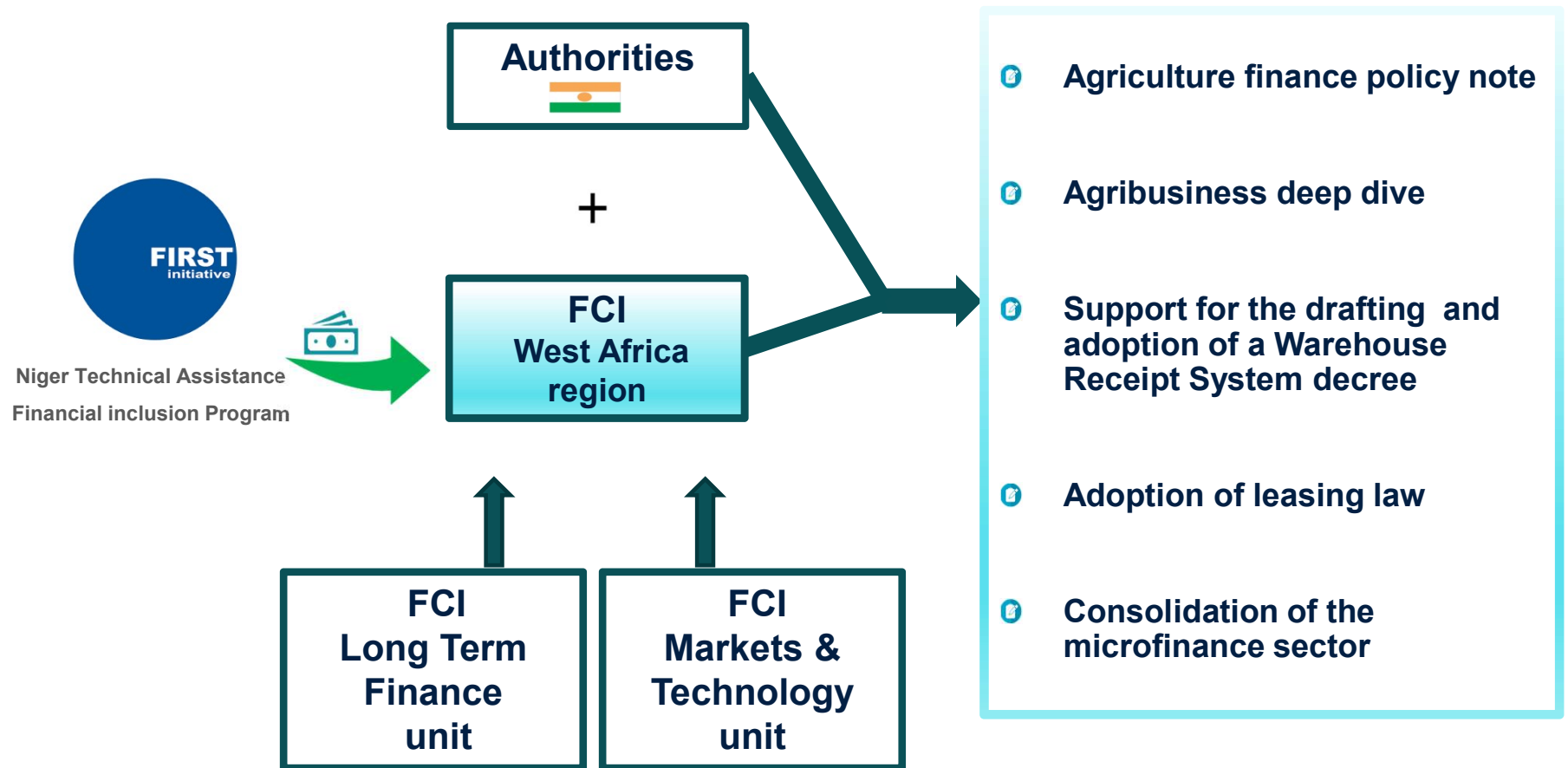
Broken microfinance system with high level of NPLs

Frequent droughts severely affecting production

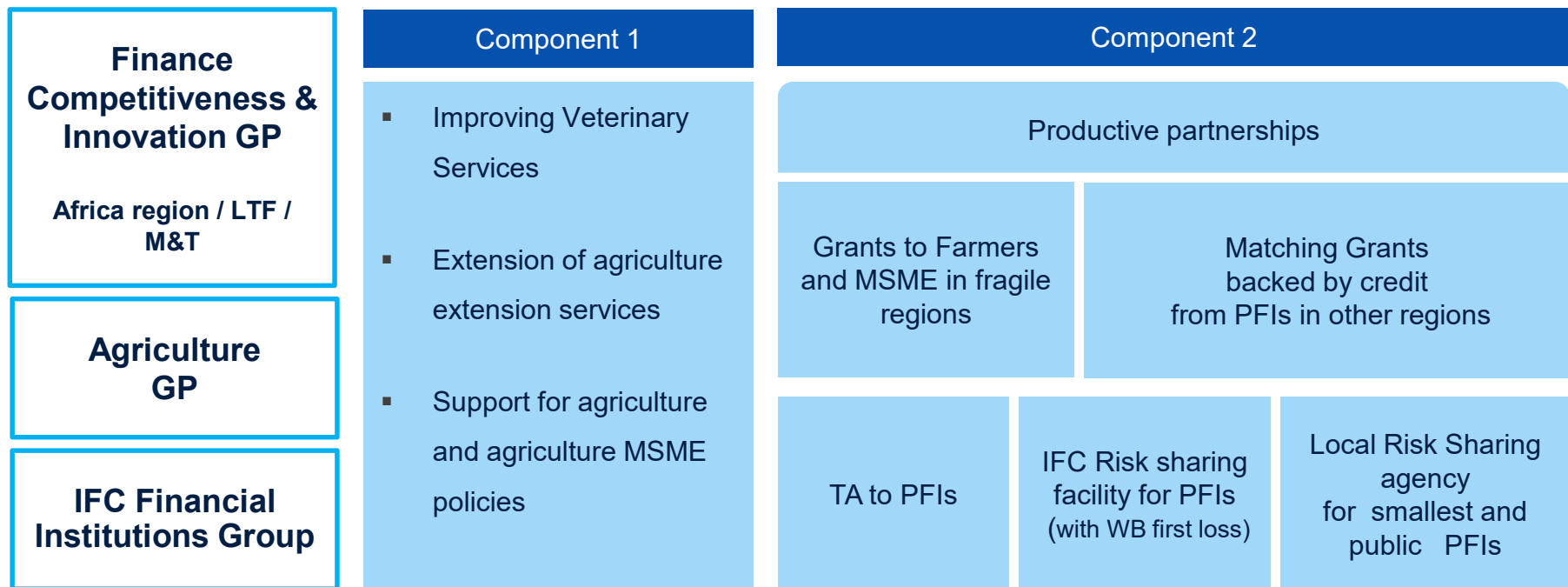
More than 58% people living under the poverty line

Weak access to mobile finance

# Project design process: Collaboration of three FCI teams to build the foundations of agriculture finance in Niger



# The project: A joint FCI-Agriculture GP-IFC FIG \$100m IPF approved by the Board in June 2019



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- **Annex**

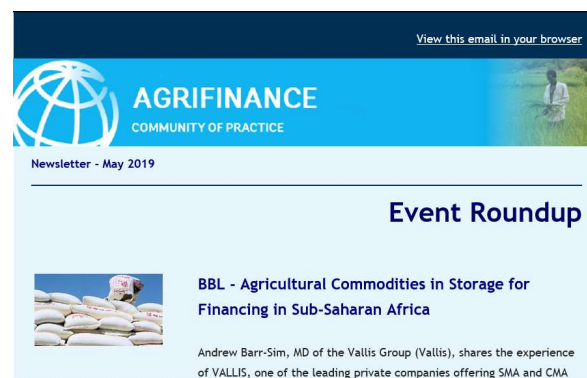
# Knowledge activities on agriculture finance

## Key Knowledge Products:

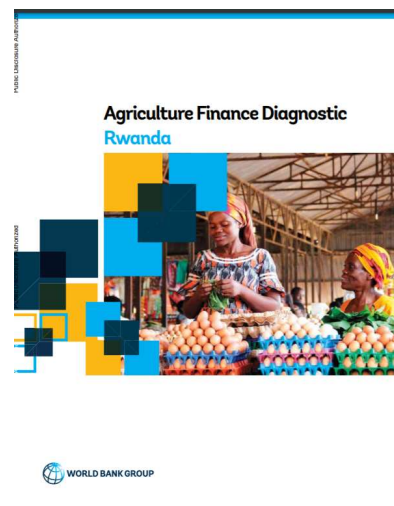
- Agriculture Finance CoP – newsletter and BBLs
- [Partial credit guarantee schemes to promote agricultural finance](#)
- [Agriculture finance note one : lessons learned from World Bank projects using matching grants](#)
- [Using Commodities as Collateral for Finance \(Commodity-Backed Finance\)](#)
- [Rwanda agriculture finance diagnostic study](#)
- [Mobile technologies and digitized data to promote access to finance for women in agriculture](#)
- [Financial Cooperatives : Issues in Regulation, Supervision, and Institutional Strengthening](#)
- [When and How Should Agricultural Insurance be Subsidized? : Issues and Good Practices](#)
- [Toward Scaled-Up and Sustainable Agriculture Finance and Insurance in Uganda : Technical Report](#)

31

More publications can be accessed from AgriFin databased (to be launched in Dec 2019)



Monthly  
Agrifin CoP  
Newsletter



## Examples of FCI agribusiness diagnostics and their impact

### Agribusiness Deep Dive for the Ghana CPSP

*New Invest Ghana: Agribusiness Competitiveness Advisory Project* supporting targeted investment promotion in competitive value chains, building on efforts by the World Bank to secure land and develop irrigation infrastructure under the *Ghana Commercial Agribusiness Project*. Additional activities will include trade-related regulatory reforms, improvement of the business environment for agribusiness exporters, and public-private dialogue to assist the government to identify future opportunities to attract private investment

### Agribusiness Deep Dive in support of IFC MAS in Guinea

*New Invest Guinea Investment Climate Agribusiness Advisory Project* supporting investment promotion, public private dialogue, and business climate reforms such as a one-stop-shop for land registration and construction permits, investor protection and dispute resolution reform, among others, while helping build a pipeline of agribusiness investment-ready projects to generate new foreign and domestic commercial investment

### Agribusiness Deep Dive in support of Agriculture GP in the Republic of Congo

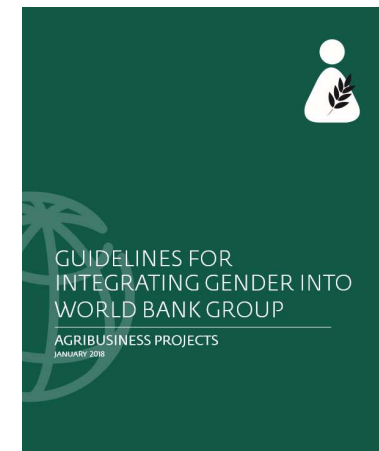
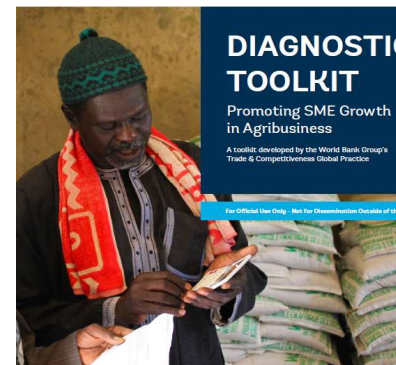
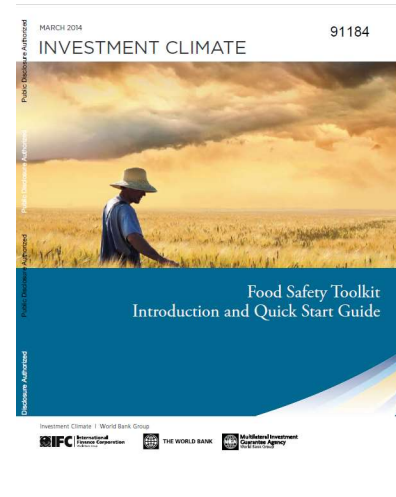
*New Commercial Agriculture Project (P159979)* in the Republic of Congo, an IDA credit of US\$ 100 million approved by the Board on July 13, 2017 that aims to i) provide direct support to producer groups and to agribusiness MSMEs; ii) improve public infrastructure and the business climate for commercial agriculture, notably regarding cooperatives, the seeds policy, rural code, and food safety; and iii) strength institutional capacity to support the development of commercial agriculture



# Knowledge activities on agribusiness development that expand the knowledge frontier for all partners

## Key Knowledge Products:

- Food Safety Toolkit (2014)
- A Guide to Investor Targeting in Agribusiness (2014)
- A Guide to Warehouse Receipt Financing Reform (2016)
- Diagnostic Toolkit: Promoting SME Growth in Agribusiness (2017)
- Seeds for All Toolkit (2017)
- Agri-Spatial Solutions to Support Agribusiness Development (2017)
- Partnership for Growth: Linking Large Firms and Agro-Processing SMEs (2018)
- Implementing Principles for Responsible Investment in Agriculture (2018)
- Future of Food: Maximizing Finance for Development in Agricultural Value Chains (2018)
- Food Safety Staff Training Course Toolkit (2019)



# Opening markets in Europe, China and Middle East for Ukraine's food exports

Since 2012, FCI has advised the Government of Ukraine on legal and regulatory reforms to food safety systems and has worked in close collaboration with IFC MAS and other teams across the WBG to open markets for Ukraine's food exports



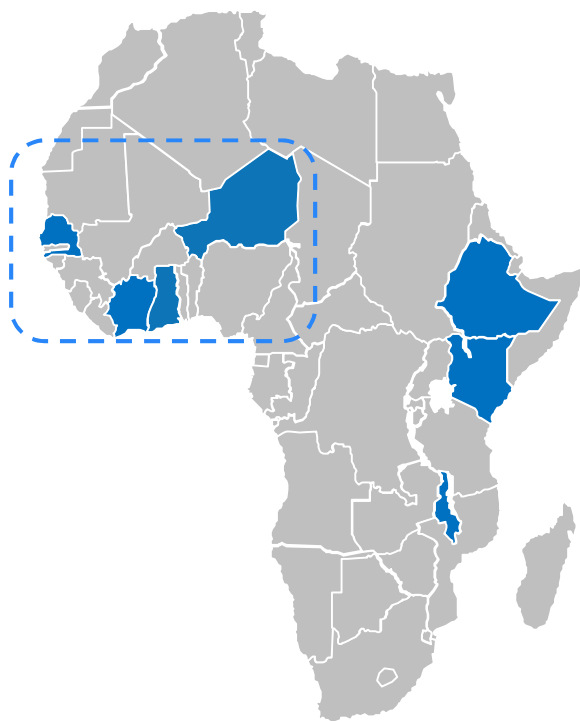
## Achievements:

- **Markets open** for Poultry to the EU in 2013 / Dairy to China in 2015 / Dairy to the EU in 2016 / Frozen beef to China in 2017 / 80 types of food products to Saudi Arabia in 2017 / Beef to Turkey in 2018
- **Export increases**, e.g. 80% increase for poultry exports within a year after market opening to the EU, \$46 million increase to Saudi Arabia since opening in December 2017
- **Cost compliance savings** of \$160m annually for Ukraine's dairy producers
- **Increased investment for IFC** with \$300m additional investment in poultry

## WRS Ongoing Initiatives and Impacts – Creating markets by increasing the reach of **financial and warehousing services** to underserved populations (producers and agribusiness SMEs)

### Ongoing projects in:

Côte d'Ivoire	Ghana	Ethiopia	Kenya
Malawi	Niger	Senegal	Regional West Africa



- **WRS laws/decrees** have been passed with project support in Côte d'Ivoire, Malawi, Niger, and Senegal
- In Côte d'Ivoire, Kenya and Malawi, projects have already resulted in close to **65 million USD of loans** with **hundreds of thousands of farmers reached**
- Projects often combine WRS support with **support to commodity exchanges** (e.g. Ethiopia, Ghana, Malawi)
- Such projects help **crowd in the private sector in warehousing** (opening of the sector to FDI in Ethiopia)
- Improved access to professional storage can also help **reduce post-harvest losses** (e.g. 30% PHLs in government-run warehouses vs 0.2% in WRS-linked private sector-run warehouses in Kenya)