

IFC'S ROLE IN AGRICULTURE FINANCE



IFC

**International
Finance Corporation**
WORLD BANK GROUP

May 2015

IFC is a Private Sector Development Arm of the World Bank Group

IBRD
International Bank
for Reconstruction
and Development



Est. 1945

IDA
International
Development
Association



Est. 1960

IFC
International
Finance
Corporation



Est. 1956

MIGA
Multilateral
Investment and
Guarantee Agency



Est. 1988

Role

- To promote institutional, legal and regulatory reform

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- To promote private sector development

- To reduce political investment risk

Clients

- Governments of member countries with per capita income between \$1,025 and \$6,055.

- Governments of poorest countries with per capita income of less than \$1,025

- Private companies in member countries

- Foreign investors in member countries

Products

- Technical assistance
- Loans
- Policy Advice

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- Interest Free Loans
- Policy Advice

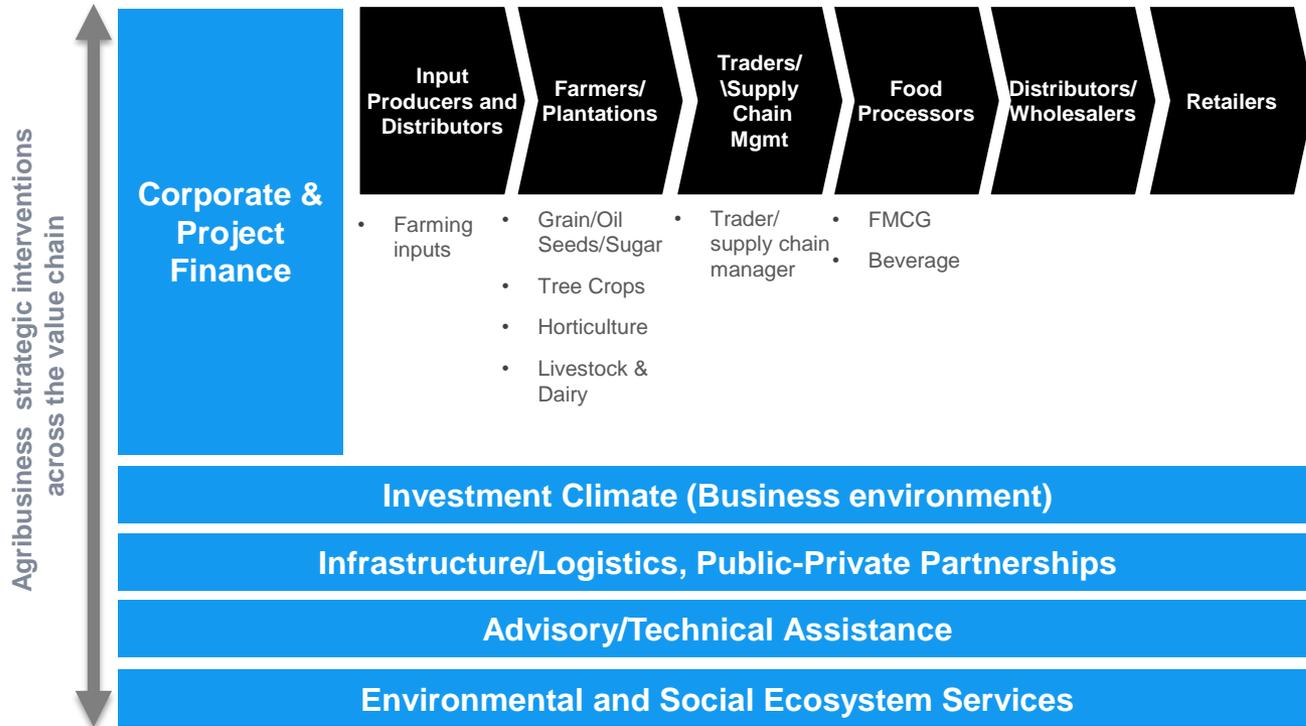
- Investment through Loan, Equity, and Quasi-Equity
- Resource Mobilization
- Advisory Services

- Political Risk Insurance

← **Shared Mission: To Promote Economic Development and Reduce Poverty** →

IFC Investment/Advisory Services Involve in the Agribusiness Value Chain “From Farm to Fork”

Our Interventions and Goals



The Six Themes That Drive Our Agenda

	Water Global Irrigation Program Inputs (e.g. seeds)
	Land Princ. of Responsible Agri Investment Africa Hybrid Investments
	Animal Protein Mitigate impacts of full value chain (e.g., feed efficiency)
	Small Farmers Inclusive supply chains Global Food Security Program (GAFSP)
	Urbanization Safe food processing & efficient supply chains Food affordability
	Nutrition & Innovation Food ingredients Fortified foods and drinks

Three-fourths of the world's poor live in rural areas. IFC's private sector investments are part of the World Bank Group's efforts to boost shared prosperity and end poverty. IFC invests to:

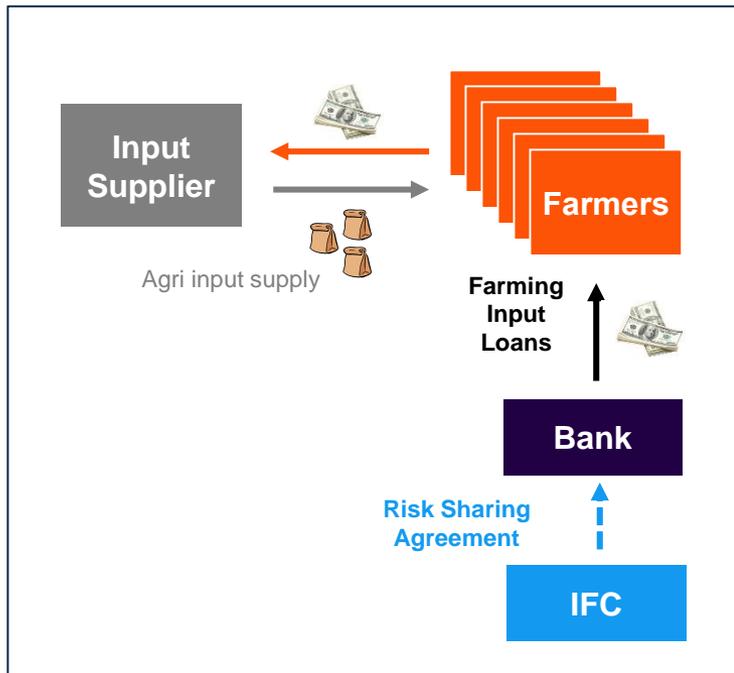
- #1** **ENHANCE FOOD SECURITY**
by increasing production, reducing losses, and raising incomes
- #2** **PROMOTE INCLUSIVE DEVELOPMENT**
by focusing on opportunities for small farmers, women, and risk management
- #3** **SUPPORT ENVIRONMENTAL & SOCIAL SUSTAINABILITY**
by helping the sector reduce its footprint

Collaborating with Financial Institutions - Example of Risk Sharing Facility

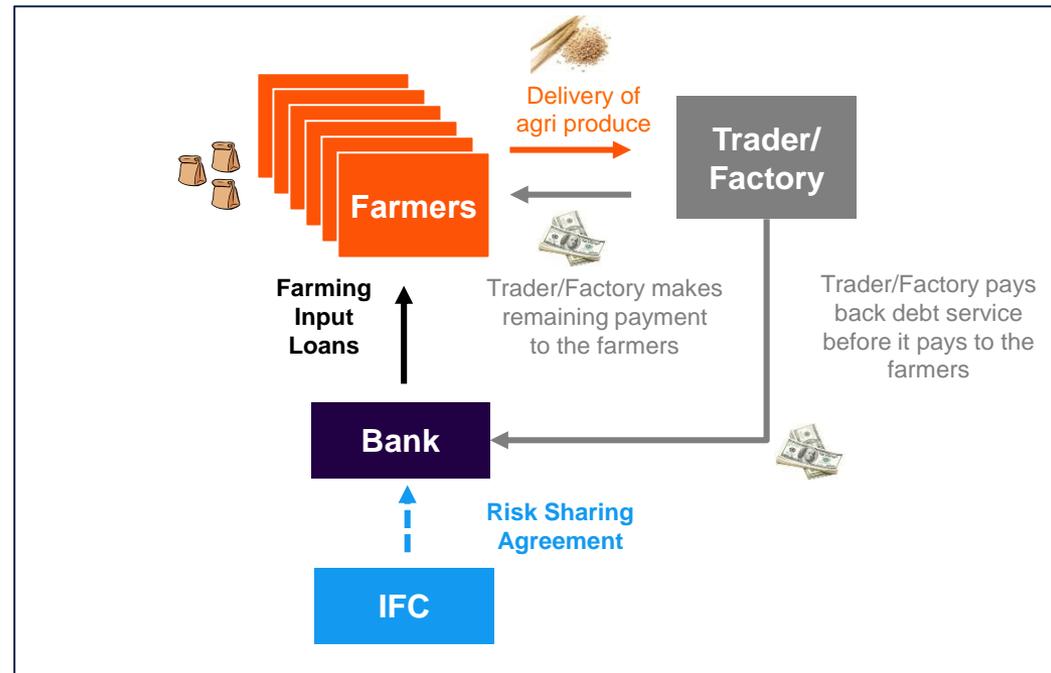
Risk sharing facility is an effective way to reach farmers and SMEs through collaboration with financial institutions and agro-integrators

- IFC support to intermediaries (either financial or agribusiness companies) that in turn finance farmers/SMEs in the agri supply/distribution chain
- IFC can risk-share into an existing or future agribusiness portfolio, developed and serviced by a partner financial institution and which meets mutually agreed eligibility criteria
- Partnership between IFC and the relevant parties (e.g. supplier or offtaker) to ensure alignment of interest

Example: Partnership with Agri Suppliers



Example: Partnership with Offtakers



COLLABORATION WITH GAFSP

Global Agriculture & Food Security Program - 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 agribusiness, in conjunction with IFC's investments.
Type of Collaboration:	Funding support, first loss, counter-guarantee, advisory services support, etc.



KEY DEAL STRUCTURE REQUIREMENT

Post-harvest Financing

- Stock as collateral
(Warehouse receipts, Collateral Management Agreement, Stock Monitoring Agreement, Forwarders' Certificate of Receipts, Silo Certificate, Inventory Certificate, Commodity-backed Promissory Notes, etc)
- Collateral Managers
- Quality Inspection
- Loss Payee for Insurance
(Professional Indemnity, Cargo Insurance)
- Low Loan-to-Value
- Margin calls/Top up clause
- Collection Account
- Others

Farmer Financing

- **Offtake Agreement**
- Fixed Price Contract
- **Collection Account**
- **Direct Payment to Suppliers**
- **Crop Insurance** (Weather Insurance, Yield Insurance)
- Collateral (Fixed assets, Guarantee, Joint Liability, General Assembly resolution, Stock for post harvest, etc)
- Quality Inspection
- Warehouse Operator (Professional Indemnity Insurance, Security Guard, Bank as Collateral Manager)
- **Supervision** (Technical Assistance, etc)
- Others

SHOWCASE: RWANDA FARMER FINANCING FACILITY

Farmer financing facility with KCB Rwanda in support of local farmer cooperatives that will supply maize and soybeans to the DSM plant through Off-take arrangements.

