Introduction

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

• 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

BUSINESS CLIMATE
Policies and regulations, Infrastructure, Market structure, Innovation systems, Technology, etc.

Research & Development → Input Supply → Production → Processing → Distribution & Marketing

SUPPORT SERVICES
Access to Finance, Storage, Power, Transport, Packaging, Market Information, Trading, etc.
FCI actively contributes to a joint WBG effort to boost agribusiness development

The Agriculture GP supports farmers, their organizations and agriculture sector development

Agriculture GP

FCI GP helps identify and deliver public reforms for increased private investment in agribusiness, especially reforms strengthening agribusiness competitiveness, improving access to markets and access to agriculture finance

FCI GP

IFC’s Manufacture, Agribusiness and Services (MAS) department supports private investors in LDCs with investments and advisory services

IFC

MIGA
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

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

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.)

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

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

**In collaboration with MTI GP**
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, Augustine Langyintuo

FCI Global Agribusiness

Agribusiness & Warehouse Receipt, Jean Saint-Geours
Food Safety, Kateryna Onul
Head, Agricultural Finance, Panos Varangis

FCI Global Agri-Finance

Agribusiness & Agri-spatial solutions, Maria Miller
Agribusiness SME, Anupa Pant
Senior Financial Sector Specialist, Juan Buchenau
Financial Sector Specialist, Toshi Ono

SAR/EAP Sr. PSD Specialist, Brad Roberts
AFR Sr. Private Sector Specialist, Hans Shrader

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

Financial Sector Specialist, Rachel Sberro
Outline

- FCI value proposition in agribusiness
- **Our agribusiness and agri-finance diagnostics**
- Case studies
- Annex
Agriculture Finance Diagnostic Tool

Enabling Environment

Demand

Supply

Ag Payments

Ag Credit

Ag Insurance
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
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

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

- Constraints and opportunities
  - Analyze studies and WBG inputs
  - Interview private sector
  - Mobilize cross-WBG expertise
  - Articulate cross-WBG solutions

- Integrated MFD solutions for competitiveness & inclusiveness

BUSINESS CLIMATE
- Research & Development
- Input Supply
- Production
- Processing
- Distribution & Marketing

SUPPORT SERVICES
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

**Research & Development**

**Input Supply**

**Production**

**Processing**

**Distribution & Marketing**

**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.

**Priority constraints identified by the private sector shown in green**

**Integrated MFD solutions for competitiveness & inclusiveness**

**Articulate cross-WBG solutions**

**Mobilize cross-WBG expertise**

**Analyze studies and WBG inputs**

**Interview private sector**
2.1) Mobilize adequate expertise across the WBG

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

**Short term recommendations**

**Access to inputs:**
- Develop policies to facilitate participation by seed cooperatives and the private sector participation in certified seed multiplication and distribution, including a reduction in government seed imports.
- Reform input distribution system – providing for inclusion of private sector in distribution even as subsidization of inputs continues (e.g. via voucher schemes).

**Competition policy:**
- Conduct cost-benefit analysis for potential competition policy challenges (i.e. role of SOEs, esp. in groundnut, concentration of rice imports)

**Long term recommendations**

**Access to finance:**
- Support establishment of legal and regulatory framework needed for the development of agri-financing products and services (e.g. leasing, other post-harvest financing).
- Develop tools to incentivize agriculture / weather insurance.

**Quality infrastructure:**
- Reform policy environment to allow for accreditation of private sector labs to perform quality assessments, particularly for exports of perishables.

**Digital services:**
- Assess opportunities for digital solutions to expand mobile payments, market information, and to link producers-buyers (including for aggregated food supply to the tourism sector).
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:

- **Maximizing Finance for Development**
  - This suite of WBG agribusiness investment climate reform and concessional financing operations are intended to catalyze large-scale, long-term private sector investment in Guinea
  - MIGA’s political risk insurance solutions could also be of use to promote cross-border investments by mitigating risks of inconvertibility and transfer restriction, expropriation, civil disturbance, or breach of contract from the government
  - In the short-term, IFC MAS is pursuing the limited number of existing opportunities, including via private investor forums, upstream advisory support, and proactive business development with interested regional clients

- **Guinea First Macroeconomic and Sustainable Growth DPO (P166322)**
  - A new DPO (size tbd; PCN expected June 2018) will incorporate substantial agricultural content with the aim to improve the agricultural business environment

- **Guinea Agribusiness Development Project**
  - ("Enclave" project): P164184
  - $175m IBRD operation to increase commercialization of agri-food products. Focus on cash crops (value chains tbd from amongst coffee, cashew, cocoa, fonio, mango and palm)
  - Project will support commercialization of value chains, infrastructure and logistics, and institutional strengthening

- **Guinea Investment Climate Agribusiness Project: 602283**
  - $1.8m IFC advisory project to promote investment and strengthen the agribusiness investment climate

- **Guinea Integrated Agricultural Development Project (P164326)**
  - $40m IDA operation to increase productivity and market transactions between producers and downstream actors
  - Focus will be on productivity, infrastructure and market linkages for key agricultural staples (rice, maize, fruit and veg, livestock, aquaculture)
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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

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| Team Members | TTL: Nancy Chen  
|              | LTF: Toshi Ono  
|              | MT: 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.

- **Selection based on growth orientation, market viability and feasibility**
  - Call for applicants for business expansion plan (media/direct outreach)
  - **Technical Support** for business expansion plan development
  - **Business Expansion Plans**
  - Jury selection of business expansion plan based on specified criteria

- **12 – 18 months**
  - Selection of Recipients of Matching Grants
  - Delivery of Technical Assistance to SME/entrepreneurs and results based MG payments
  - M&E- SME Growth and Linkages

- **6 months**
  - Commitment
  - Team (local, motivation, capacity)
  - Business (cash flow, market, product, location)
**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

World Bank Group
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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**Component 1**
- Improving Veterinary Services
- Extension of agriculture extension services
- Support for agriculture and agriculture MSME policies

**Component 2**
- Productive partnerships
- Grants to Farmers and MSME in fragile regions
- Matching Grants backed by credit from PFIs in other regions
- TA to PFIs
- IFC Risk sharing facility for PFIs (with WB first loss)
- Local Risk Sharing agency for smallest and public PFIs

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**Finance Competitiveness & Innovation GP**
- Africa region / LTF / M&T

**Agriculture GP**

**IFC Financial Institutions Group**
OUTLINE

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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

More publications can be accessed from AgriFin databased (to be launched in Dec 2019)
Examples of FCI agribusiness diagnostics and their impact

**Agribusiness Deep Dive for the Ghana CPSD**

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) strengthen 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)
- 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)
- 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)