



*Creating opportunity where it's needed most*

## **IFC Investment Guidelines & Agribusiness Activities in Africa**

**ACP Science & Technology Event  
March 2011**

# Table of Content

1. Introduction of IFC

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2. Introduction of IFC Agribusiness

---
3. Selected Investments

---
4. IFC Agribusiness Strategy in Africa

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# Section 1: Introduction of IFC

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

**IBRD**  
International Bank  
for Reconstruction  
and Development



Est. 1945

**Role:** ■ To promote institutional, legal and regulatory reform

**Clients:** ■ Governments of member countries with per capita income between \$1,025 and \$6,055.

**Products:** ■ Technical assistance  
■ Loans  
■ Policy Advice

**IDA**  
International  
Development  
Association



Est. 1960

■ To promote institutional, legal and regulatory reform

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

■ Technical assistance  
■ Interest Free Loans  
■ Policy Advice

**IFC**  
International  
Finance  
Corporation



Est. 1956

■ To promote private sector development

■ Private companies in member countries

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

**MIGA**  
Multilateral  
Investment and  
Guarantee Agency



Est. 1988

■ To reduce political investment risk

■ Foreign investors in member countries

■ Political Risk Insurance

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

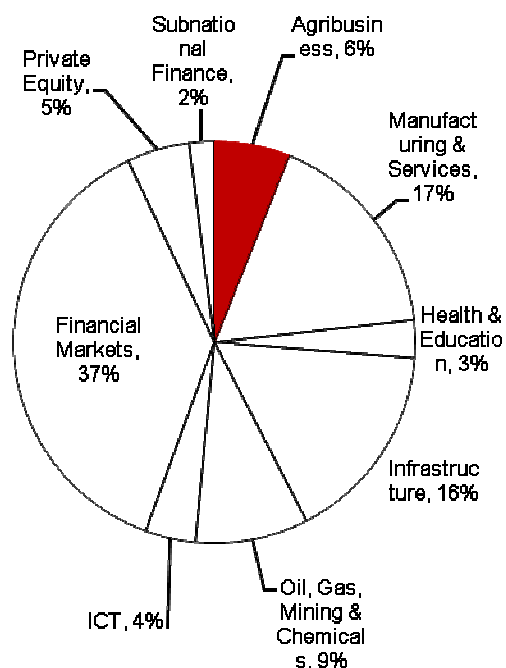
# Overview of IFC

- Largest multilateral source of loan/equity financing for the emerging markets' private sector
- AAA rated by S&P and Moody's
- Profitable every year since inception
- 3,300+ staff
- Equity, quasi-equity, loans, risk management and local currency products
- In-house syndications department working with over 200 banks
- Political risk mitigation
- Preferred creditor status
- Global benchmarking - identifies and disseminates international best practice
- Advice on environmental and social issues . IFC E&S Performance Standards adopted through the Equator Principles by over 50 global institutions

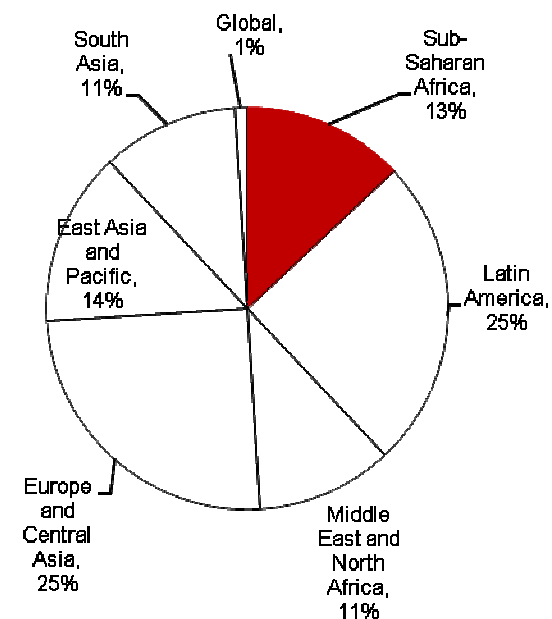
## IFC Fiscal Year June 2010 Highlights

Committed Portfolio (own acct.):	\$38.9 billion
# of Portfolio Projects:	1,656
Commitment for FY2010:	\$12.7 billion
Mobilization* in FY2010:	\$5.4 billion
# of Projects:	528
# of Countries Invested:	103

### Committed Portfolio by Industry



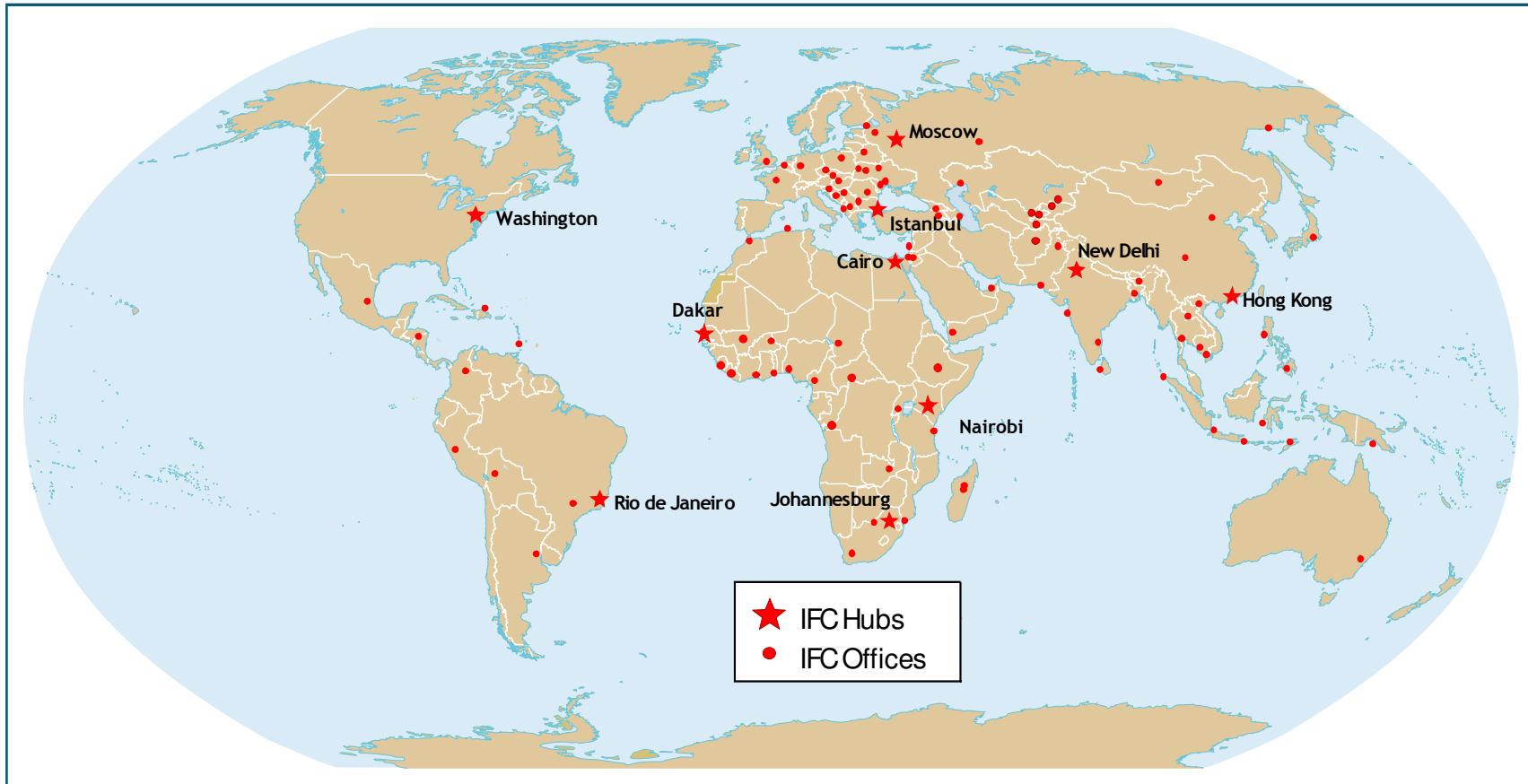
### Committed Portfolio by Region



# IFC's Global Reach

IFC has reach in 100+ country and regional advisory services offices worldwide

Drawing on our experience and lessons-learned, we share sector best practices to the benefit of our clients



# Products

IFC can offer wide range of products based on client needs

	Direct Investments	Resource Mobilization	Wholesale Finance	Advisory Services
Short-term Finance	<ul style="list-style-type: none"> <li>Working capital financing</li> </ul>	<ul style="list-style-type: none"> <li>Syndication</li> <li>IFC Asset Management Company</li> </ul>	<ul style="list-style-type: none"> <li>Risk Sharing Facility (guarantee on portfolio)</li> <li>Partial Credit Guarantee</li> <li>Investment in Private Equity Funds</li> </ul>	<ul style="list-style-type: none"> <li>Investment Climate</li> <li>Access to Finance</li> <li>Sustainable Business Advisory (Environment, Linkages, IFC Against AIDS, Corporate Governance)</li> <li>Public-Private Partnerships</li> </ul>
Senior Debt	<ul style="list-style-type: none"> <li>Corporate Loans</li> <li>Project Finance – Expansion, Greenfield (only with sponsors with strong financial capability and relevant experience)</li> </ul>			
Mezzanine / Quasi-Equity	<ul style="list-style-type: none"> <li>Subordinated loans</li> <li>Income participating loans</li> <li>Convertibles</li> <li>Other hybrid products</li> </ul>			
Equity	<ul style="list-style-type: none"> <li>Up to 20% shareholding</li> <li>Long term investment horizon</li> </ul>			

# What we offer

**IFC is a development bank with the flexibility of a commercial bank**

#1

Long-term financing

#2

Stamp of approval – by going through IFC’s rigorous due diligence, the company will be recognized as a credible company with international standards

#3

Political risk mitigation

#4

Market pricing – IFC offers best practice terms and market-based rates in connection with project risk and structure

#5

Global industry knowledge and network – many clients appreciate input from IFC’s industry specialists and investment officers

#6

Best practice on sustainable business management including environmental & social management, corporate governance, and insurance

#7

Counter-cyclical role – we step up in difficult times





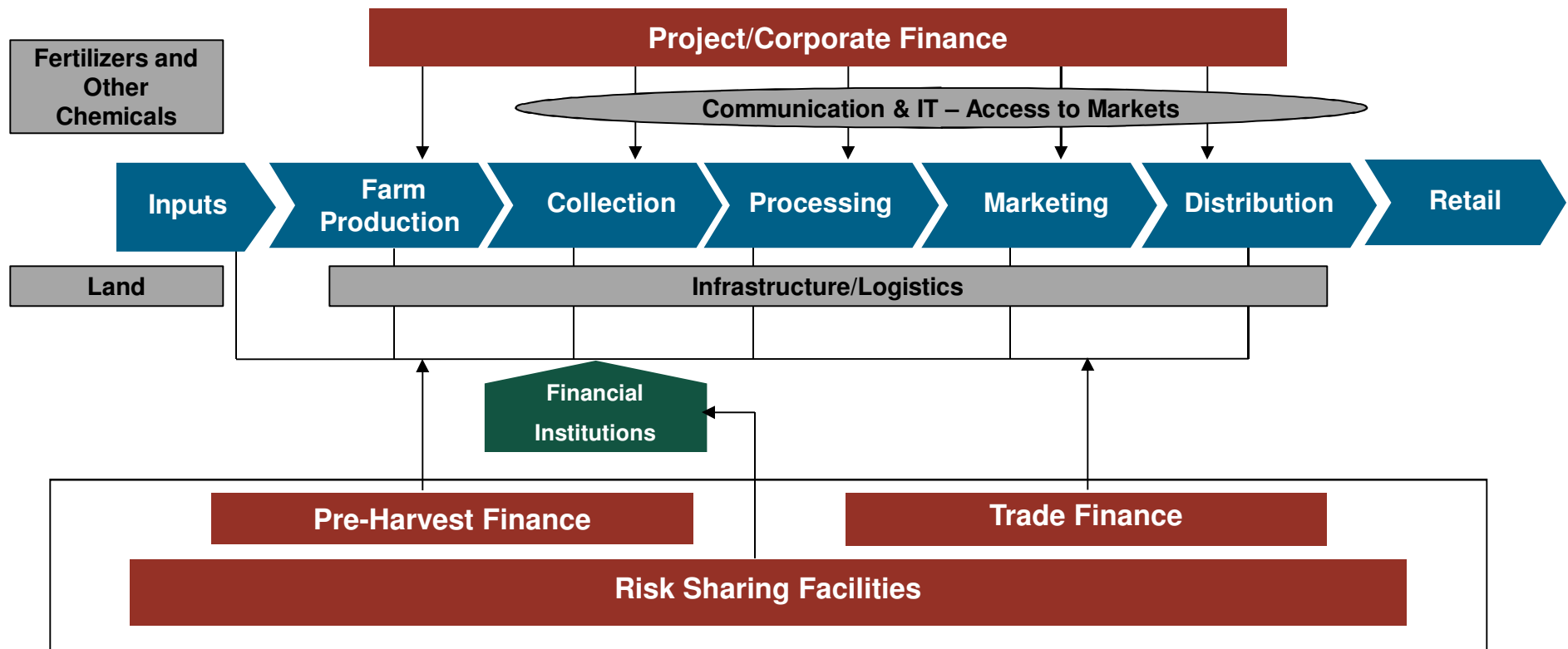
## Section 2: Introduction of IFC Agribusiness

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# IFC Investment in the Agribusiness Value Chain

## “From Farm to Fork”

IFC Agribusiness’ goal is to deliver development impact along the global agri-supply chain, through investments and advisory services with the private sector, to create opportunities and improve peoples’ lives



# Agribusiness – Sub Sector Descriptions

## Livestock

- Animal processing (beef, pork, poultry, aquaculture)
- Dairy products (milk, cheese, ice cream)

## Vegetable Oils

- Palm oil, soybean crushing

## Horticulture

- Fruits & vegetables
- Coffee/tea/cocoa
- Rubber

## Grain & Milling

- Sugar & confectionary
- Grains & milling (grain and beans production, grain/starch processing)

## Processed Foods

- Noodles, Sauces, snacks, tinned products etc.

## Beverages

- Bottled water, soft drinks, fruits juices

## Other

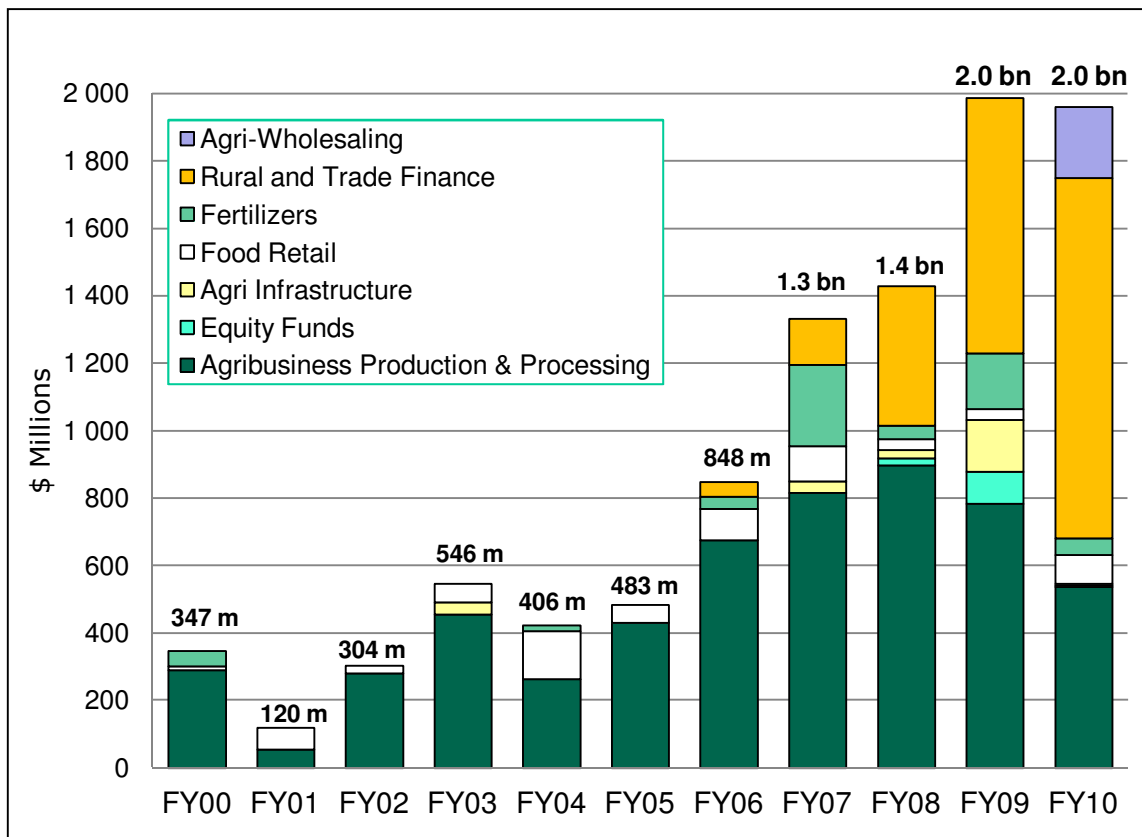
- Financial/wholesaling companies
- Storage/warehousing/logistics
- Agri-transport, rail, ports



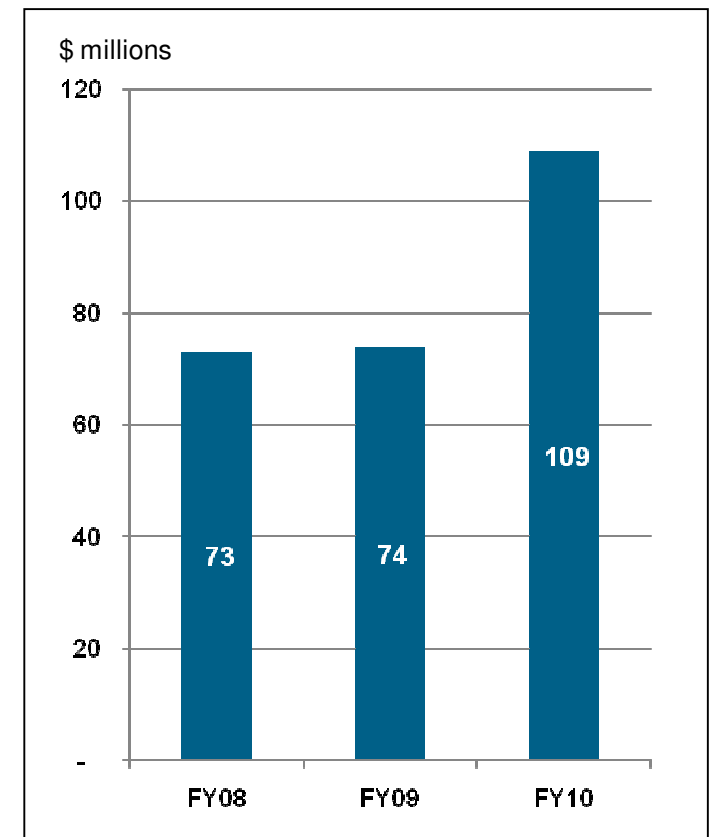
# IFC-wide Agri-related Investments

IFC has significantly increased its agri-financing in recent years

IFC's Annual Commitments in Agribusiness (Global)<sup>1</sup>



IFC's Annual Commitments in Agribusiness (Africa)<sup>1, 2</sup>

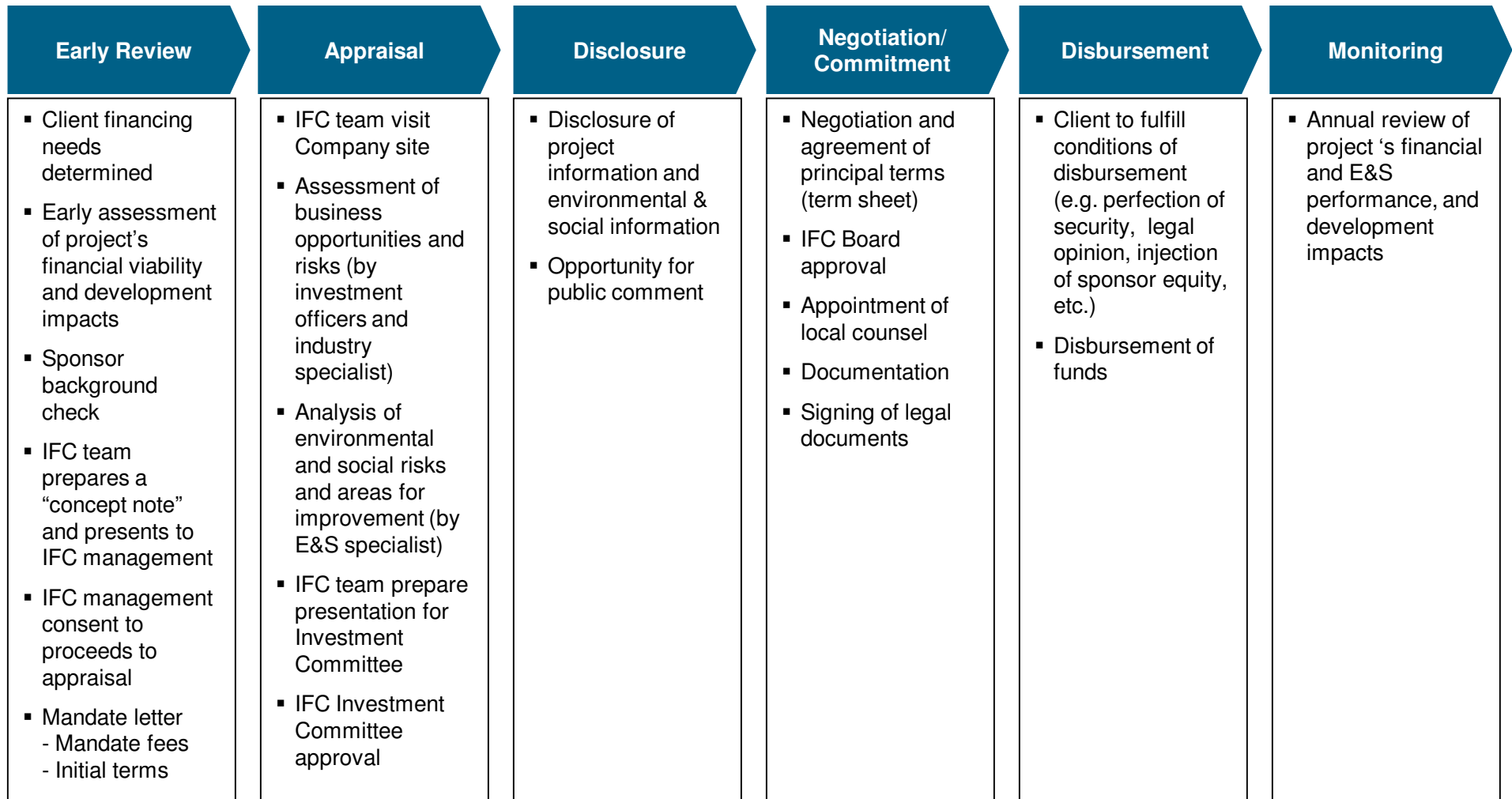


## IFC Africa Agribusiness – General Investment Criteria

- IFC typically invests in projects whose total cost exceeds US\$ 10 million (of which **IFC investment shall generally be at least US\$ 5 million**). However, IFC cannot finance more than 50% of a project's total cost and IFC's exposure shall not exceed 25% of a company's total capitalization (term loans plus shareholders' equity) based on post project completion
- A project must be **commercially and economically viable** and offer IFC the potential for a commercial return while also providing **development impact**
  - It is generally important that the company/project has **cost advantage against competitors**. In case of company selling to domestic market, its production cost should be lower than import parity price of alternative products from overseas. In case of exporters, the production cost should be globally competitive
- A project and its supply chain must be **environmentally and socially sustainable**
- In the agribusiness industry, IFC typically finances **expansion projects of an existing company, rather than green field projects** (i.e. start-up projects). However, IFC can support a green field projects if its sponsor has significant relevant industry experience (farming, food processing etc.) and financial strength
- **A project sponsor is expected to inject equity** representing 40-50% of the total project cost
- **Adequate security and support** – mortgage on land/equipment, project completion support from sponsor, etc.
- **Integrity/ethics** of sponsor and company

# IFC Investment Process

Project processing timeline is 4 months to 12 months from early review to commitment (depending on scale and complexity of project, etc.)





## Section 3: Selected Investments

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## Project Examples in the Agribusiness Value Chain

Direct Finance		
Inputs	<b>CJSC Rise (Ukraine)</b>	US\$10 million loan to support a leader in farmer services and inputs (fertilizer, seeds, equipment, etc) in Ukraine
Farm Production	<b>GOPDC (Ghana)</b>	\$12.5 million loan to plant oil palm trees, upgrade plantation infrastructure, and support over 7,000 out-growers
Sourcing	<b>Conaprole (Uruguay)</b>	US\$108 million and US\$62.5 million expansions of dairy product facilities to efficiently utilize global competitive advantages of Uruguay's largest dairy cooperative, and one of its largest employers
Processing	<b>Zambeef (Zambia and Nigeria)</b>	US\$10 million loan to support a livestock company to expand its business in Zambia and Nigeria
Marketing	<b>GRIMAS (Mali, Cote d'Ivoire, Senegal)</b>	EUR14 million loan to support a carbonated soft drink and plastic package producer and marketer to expand in West Africa
Distribution	<b>Export Trading Group (East Africa)</b>	IFC structured a partial credit guarantee that allowed Export Trading Group to obtain US\$120 million in financing to expand trade in agricultural commodities
Retail	<b>Tantalizers (Nigeria)</b>	US\$8.5 million loan and equity investment of Nigerian restaurant chain Tantalizers to help it supply convenient, affordable packaged food for urban populations
Infrastructure/Logistics	<b>Snowman Frozen Foods (India)</b>	US\$ 5 million equity financing for cold storage facilities. This investment will help improve India's logistics operations in handling harvested food and reduce post-harvest losses

Indirect/Wholesale Finance		
Pre Harvest Finance	<b>Ecom (Latin America)</b>	Corporate loan facility to a leading supply chain manager of coffee, to be on lent by local subsidiaries to farmers for capital expenditures and crop financing



# Selected Agribusiness Transactions in Africa



## Salala Rubber Liberia

Loan: \$10 million

Rehabilitation & expansion of existing rubber plantation, renovation of processing facilities & provision of working capital.

Committed: 2008



## Merec Mozambique

Loan \$7 million

Expansion & optimization of mill operations in Maputo, including investment in a new pasta plant.

Committed: 2008



## Bakhresa Grain Milling Mozambique and Rwanda

Loan : \$10.5 million

Construction of a new mill in Mozambique and purchase of transportation equipments in Rwanda.

Committed: 2010



## Tantalizers Nigeria

Loan and Equity: \$8.5 million

Expansion of restaurant chain to supply convenient, affordable packaged food for urban populations

Committed: 2010



## Groupe Ami Mali

Loan €8 million

Expansion of mill operations, diversification into animal feed and scaling up of mineral water plant

Committed: 2008



## GOPDC Ghana

Loan: \$12.5 million

Diversification oil palm plantation and processing company in Ghana into refined oil business.

Committed: 2007



## Karsten Farms South Africa

Loan: \$7.2 million

Expansion of farming operations & establishment of fruit trading, logistics and handling services in South Africa.

Committed: 2006



## Coca Cola SABCO Africa Region

Loan: \$57 million

Expansion and modernization of operations in South and East Africa. Expansion into Asia.

Committed: 2006, 2002



## Kongoni River Farms Kenya

Loan: \$2 million

Expansion and modernization of existing horticulture and flower production in Timau.

Committed: 2005



## Bonite Bottlers Limited Tanzania

Loan: \$10 million

Modernization and expansion of existing plant in Moshi.

Committed: 2005



## Zambeef Zambia

Loan \$10 million

Expansion of livestock and retailing operations in Zambia and Nigeria.

Committed: 2010



## GRIMAS Mali, Cote d'Ivoire, Senegal

Loan €14 million

Expansion of operations of carbonated soft drinks, plastic packaging and carbon dioxide

Committed: 2010



## Section 4: IFC Agribusiness Strategy in Africa

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# Agribusiness Context in Africa

## Agribusiness is backbone of African Economy

- 25% of continent's total GDP; as high as 50% in some countries
- 70% of Sub-Saharan Africa's households depends on agribusiness for is livelihood
- Tendency has been for agri investments to go toward export crops – this is starting to change due to higher commodity prices and rates of return

## Growing Demand

- Food production must **double** by 2025 to feed Sub-Saharan Africa (compared to by 2050, globally)
- Food expenses comprise major portion of a family's total revenues
- Emerging middle class in large cities with more sophisticated demand

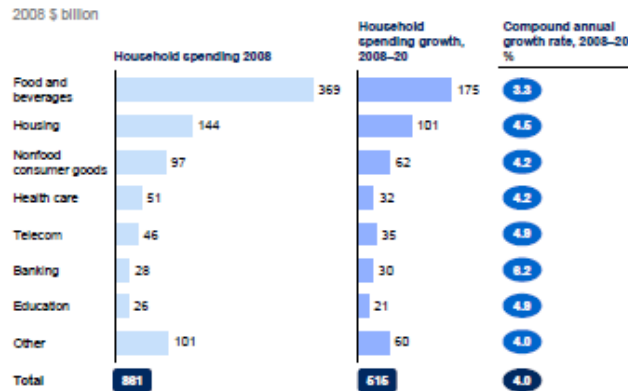
## Importation and Food Security

- Food deficit creates significant vulnerabilities
- We do not see a significant, short-medium term rise in food production in Sub-Saharan Africa
- Food imports are - and will continue to be - required

## Uncultivated land with potential

- 60% of the world's uncultivated and arable land in Africa, with some favorable growing and grazing conditions
- Agriculture yields are among the lowest in the world, offering upsides

Food accounts for the largest share of consumer spending

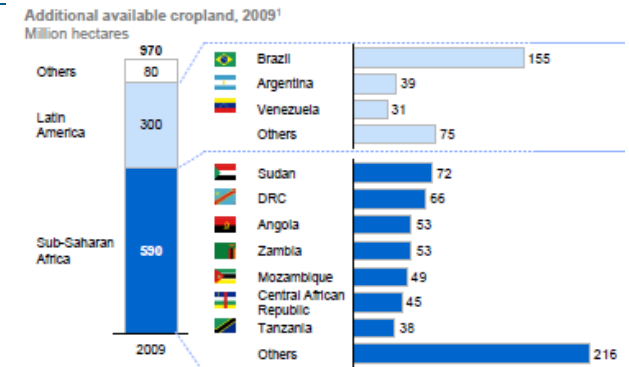


SOURCE: World Bank World Development Indicators; Euromonitor; McKinsey Global Institute

Deficit Forecasts for Major Food Categories

Sub-Saharan Africa	
Cereals (Grains, Rice)	-15%
Vegetable Oil	-5%
Sugar	-5%
Meats	-4%
Milk Powders	-10%

Africa represents about 60 percent of the potentially available cropland in the world




<sup>1</sup> Cropland defined as land producing output greater than 40% of maximum yield under rain-fed conditions, excluding forest areas.

SOURCE: World Bank/Food and Agriculture Organization, *Awakening Africa's sleeping giant*; McKinsey Global Institute

# Strategy

- Aggressively support efficient food production & distribution through:
  - Working with large, efficient players in the supply chain
  - Developing relationships (investors, input suppliers, Development Financial Institutions, donors)
  - Supporting financial institutions with focus on the agriculture sector
  - Assess causes and gaps to address Food Security
- Promote and support opportunities along agribusiness value chain:
  - Larger countries and with growing middle class
  - Countries or groups with reasonable policy and infrastructure
- Support competitive production of cash crops through supporting:
  - Projects in countries with inherent comparative advantage
  - South-South initiatives to improve productivity and yields
- Tailor specific instruments and partnerships to address different challenges in individual countries/sub-regions (i.e., leverage, replicate – “one size doesn’t fit all”)
- More collaboration with financial institutions



■ Q & A

