



**International
Finance Corporation**
World Bank Group

Supporting Agri Sector

IFC's Experience & Plans for Central Asia

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IFC: Three Businesses

Integrated Solutions, Increased Impact

Investment
Services

Advisory
Services

IFC Asset
Management
Company

- Access to Finance
- Investment Climate
- Sustainable Business
- PPP

\$49.6 b portfolio (FY13)

\$232 m (FY13)

\$5.5 b under mgmt (FY13)

Agri Sector Services and Solutions

ADVISORY

A2F

SBA

IC

PPP

- Capacity building of FIs: agri strategy and market segmentation; agri risk management tools; agri lending products dev.
- Agri insurance
- Capacity building of supply chains: farmers training, agri biz, food safety and standards, resources efficiency, financial management
- Policy, enabling environment, trade and competitiveness
- Cold storages, Labs

INVESTMENT

Financing Solutions

Mobilization

- Credit Lines/Term Loans to on-lend to agriculture sector
- Warehouse Finance Credit Lines/Risk Sharing Facilities
- Blended finance for innovative products
- Risk Sharing / Partial Credit Guarantees
- Facilitating financing from local FIs and DFIs to support AS (A2F)

IFC Work in Agri Sector in CA

ADVISORY

A2F

SBA

IC

PPP

- Financing Cotton with local FIs (TJ); Agri Leasing and Equip Financing (TJ);
- A2F & supply chain dev. program (KG, TJ, UZ); asset-based lending instruments (part of supply chain solutions)
- Agri biz standards /Food Safety (UZ, KZ, KG), Resource Efficiency
- Elimination VAT on leasing (TJ); Improving biz environment of agri sector (KG);
- Cold storages (TJ)

INVESTMENT

Financing Solutions

Mobilization

- Trade and Credit lines to FIs targeting SMEs (KG, KZ, TJ, UZ)
- Loans to agri/food packaging companies (KG, KZ)
- A recent agri finance project facilitated \$17.9M for agri sector from FIs, DFIs and private sector in TJ and UZ;
- Aligned AS (IFC)/financing (KfW, WB) projects started in TJ, KG and UZ;

Agri Sector Matrix

OBJECTIVES		DRIVERS	ISSUES
Reduce Poverty	Increased Productivity	Labor	Knowledge/Skills Information
		Inputs	Seeds / Breeds Chemicals/fertilizers Feed/fodder Fuel Mach&Equip
Increase Inclusion	Increased Access to	Extension Services	Veterinary Agronom services Prices
		Markets/Outputs	Distance Quality Seasonality
	Infrastructure	Finance	Funding (availability) Interest rates Collateral Innovative products Processes
			Roads Transportation/Logistics Irrigation Tech infra (vet services, labs) Electricity
Improved Regulatory Regime		Regulations	Land, VAT, Import/Export Licensing, Permits
		Processes, Systems	Inspection; Control mechanism (Labs)
		Trade	Trade barriers
		Land ownership	Registration (title) Secondary market
		Governance (Corruption)	



How Usually DFIs Work

- Large DFIs - broadly defined lending + TA programs (e.g. improvement of irrigations system, pasture management, rural development etc.); long-term view;
- Smaller DFIs - pointualistic approach - addressing one issue at a time; results should be evident by the end of the project;
- Most focus on the following: (1) direct capacity building of farmers or small processors; (2) loans/TA to FIs; or (3) regulatory and business environment.
- Most (if not all) TA is free + grants programs

What We Do Differently

1. Supply chain - aggregator-led approach
 - Creates the **MARKET** for producers/farmers (market pull)
 - **PROFITABILITY** is the key driver for **ALL** in the SC → **SUSTAINABILITY**
 - Fees and/or investment: everybody must have 'skin in the game'
2. In combination with advisory work with FIs
 - Agri lending/risk management tools, processes, products
 - Creates linkages, closes the loop of the SC
 - Better clients for FIs = better asset quality = increased financing
3. In combination with Financing to FIs to on-lend to agri sector
 - Own, WB, IFIs
 - Important to kick start new lending tools, processes, sector focus; longer term financing available to agri sector
4. Supported by regulatory /enabling environment /investment climate work when/as required

Agri Sector Matrix

OBJECTIVES		DRIVERS	ISSUES	SOLUTIONS
Reduce Poverty	Increased Productivity	Labor	Knowledge/Skills Information Seeds / Breeds	Training, outreach
		Inputs	Chemicals/fertilizers Feed/fodder Fuel Mach&Equip	SC Linkages Advice, Training SC Linkages
Increase Inclusion	Increased Access to	Extension Services	Veterinary Agronom services Prices	
		Markets/Outputs	Distance Quality Seasonality	Cold storages Training, Certification Capacity building
	Infrastructure	Finance	Funding (availability) Interest rates Collateral Innovative products Processes	Long term, LCY Land, Movable assets m-banking, MABL Knowledge, skills
		Infrastructure	Roads Transportation/Logistics Irrigation Tech infra (vet services, labs) Electricity	Warehouses, storages Drip-irrigation PPP
Improved Regulatory Regime		Regulations	Land, VAT, Import/Export Licensing, Permits	Regulatory changes Capacity building
		Processes, Systems	Inspection; Control mechanism (Labs)	Setup, Design processes, Training, Outreach
		Trade	Trade barriers	
		Land ownership	Registration (title) Secondary market	
		Governance (Corruption)		



New World Bank Group Model

Alignment of separate projects



Joint (co-funded) projects



Joint agri sector strategy

Fully aligned components/sub projects



Central Asia Agrifinance Program (CAAP)

- Launched in Feb 2014, 4.5 years, USD5.1mil for Kyrgyzstan, Tajikistan and Uzbekistan;
- In partnership with Austrian Gov.; discussing with Japan and UK;
- Supply chains + A2F + enabling environment (as required) + financing (WB, IFC, KfW, others IFIs);
- Agri product focus - country specific, replicable (KG - dairy, F&V; TJ - cotton, apricot; UZ - F&V);
- Aligned agri sector projects by the WBG (IBRD/IDA, different IFC's business lines/departments) in 3 countries

THANK YOU!

ANNEXES

Experience: Building FI Capacity in Agrifinance

Project Components

- ❖ Supply chain mapping → opportunities
- ❖ Agrifinance strategy, business plan, staffing
- ❖ Product development for agricultural clients (loans, savings, leasing...)
- ❖ Agri-specific credit analysis & processes, cash flow models, scorecards
- ❖ Risk management, portfolio monitoring, & E&S risk management
- ❖ Loan officer training & policy/procedures manuals

SME Farm Finance in Central Asia

- Advisory & Investment for farms
- Support to identify opportunities & develop methods to finance small- & medium-size farms
- Identify target clients by mapping farms
- Screen borrowers & develop credit assessment
- Specialized loan product based on cash flow cycle
- Processes for loan/crop monitoring & repayment
- Training for farmers/farm managers on input use & better practices to increase yields
- Improved working conditions for women through education, first aid, healthcare, & sanitation



Experience: Linking FIs to Supply Chain Finance

Project Components

- ❖ Convene agribusiness and FI partners to identify value chain finance (VCF) opportunities
- ❖ Market surveys to quantify financial needs & repayment capacity of farmers
- ❖ Develop & pilot finance models for farmers to invest in productivity enhancement
- ❖ Design tripartite agreements between FIs, Agribusiness, & farmers
- ❖ Establish credit analysis processes & procedures to support VCF models
- ❖ Provide AS for non-financial services to farmers / agribusinesses



Cocoa/Coffee Farmer Loans in East Asia

- IFC advisory project to develop Value Chain Finance (VCF) models for investee bank
- Profile financial needs for agricultural cash flow cycles
- Pilot new loan product for inputs for cocoa & coffee smallholders
- Pilot smallholder VCF model with input supplier & agribusiness buyers
- Training to farmers/ groups on business skills & good agricultural practices

Value Chain Finance Structured Loan Product

