

Development Finance Initiative of the Year:

The Agricultural Guarantee Fund Scheme.

A partnership between Standard Bank, the Alliance for a Green Revolution in Africa (AGRA), OPEC Fund for International Development (OFID), Kilimo Trust, Millennium Challenge Account (MCA) and Millennium Development Authority (MiDA) has created an innovative fund for Africa's smallholder farmers: The Agricultural Guarantee Fund Scheme.

Initiated in March 2009, the fund is operating in Ghana, Mozambique, Tanzania and Uganda and aims to reach +750 000 small farmers and Small/Medium sized Enterprises (SME's) with the partners providing a 1st Loss loan and Risk Share guarantees to the Bank and Standard Bank making up to US\$100 million available for lending over three years. This partnership is the largest single financing facility targeting smallholder agriculture by a bank in Africa.

Lack of access to finance is a major constraint to unlocking the potential of agriculture in Africa. Financial institutions have not been inclined to lend to this sector for a variety of reasons, including the remoteness of clients, the lag between investment needs and expected revenues; lack of usable collateral; high risks in regards to weather, pests, diseases and prices; small farm size and small individual transactions; and an underdeveloped infrastructure. Given the above, Standard Bank believes that the only way to effectively offer solutions to this sector is to partner with key players in the agriculture value chain, high profile foundations and NGO's who can assist with operational management. The provision of finance is important, but it is only one of constraints facing small holder agriculture in Africa. Equally important is the provision of a system through which small farmers can improve efficiencies in all areas; from accessing inputs, improving yields, market linkages, infrastructure development and skills transfer.

The Agricultural Guarantee Fund Scheme uses an innovative funding structure that works through a co-operative mechanism. The structure includes linkages to formal markets that provide minimum price guarantees (thus mitigating price risk), includes weather index insurance (to mitigate climate risk) as well as training and mentorship. The co-operative structure allows farmers to consolidate their bargaining power which reduces input costs and contributes to economies of scale in terms of output and market access.

High prices of agricultural inputs coupled with shortage of credit financing have led to a rapid decline in adoption of the majority of improved technologies and practices needed to raise agricultural productivity; process and preserve products, and produce and market differentiated products that allow farmers to generate higher incomes. With finance available to the whole value chain the adoption of advanced technologies will be supported through the initiative.

The expected social and economic outcomes from this project will be to improve household food and income security due to increased agricultural productivity and the generation of market surpluses, improved access to markets, the development and expansion of rural businesses servicing farmers, and improved rural employment. The project will contribute to the overall goal of reducing poverty in African countries.

The initiative has the support of the governments of all four countries and involves numerous local NGO's. Standard Bank is committed to serving the entire value chain in agriculture and this initiative will benefit local stakeholders across the full value chain by offering increased

access to finance to input dealers, farmers, post-harvest agro processing businesses and market players.

Standard Bank recognizes that its operations have an impact on the environment and strives to anticipate and prevent environmental degradation. Ongoing assessment of environmental risk is part of the Bank's activities, services and operating decisions. Standard Bank Group is an Equator Principles Financial Institution (EPFI), having adopted and integrated all 10 of the Equator Principles which relate to Project Finance. In addition The Agricultural Guarantee Fund Scheme programs are based on the principle of safeguarding the environment.

Standard Bank is the largest African bank with a significant presence in 18 African countries. Although the loan facility has been initiated in four countries it is anticipated that it will in the future operate in all areas across Africa where the partners are working. The overall goal of this partnership is to raise household incomes, create employment and ensure food security whilst institutionalizing credit products at more affordable rates for smallholder farmers and SMEs across agricultural value chains in Africa. Most importantly, the partnership is more than just providing finance; it is about providing a complete solution to small holder farmers to ensure long term sustainability.

Alliance for a Green Revolution in Africa (AGRA) is the main agricultural initiative in Africa of the Bill & Melinda Gates Foundations (BMGF) and was founded in conjunction with the Rockefeller Foundation in September 2006.

The Millennium Challenge Account (MCA) is the in-country implementing partner for the US Government's Millennium Challenge Corporation (MCC) in Mozambique and was started in 2003 by the Bush administration to provide grants to countries that are investing in their assets i.e. healthcare, education, economic infrastructure and good regulatory environment. In 2007 the US Government through the MCC awarded \$547m grant to Mozambique. MCA Mozambique is focusing on road construction, water security and agriculture;

The Kilimo Trust was established in July 2005 through funding from the Gatsby Charitable Foundation its work focuses on finding and putting into use innovations that lead to market-led sustainable agriculture for development in East Africa.

The Millennium Development Authority (MiDA) is the in-country development partner for the US Government's Millennium Challenge Corporation in Ghana. Established in 2006 it is focused on the sustainable reduction of poverty through growth

OPEC Fund for International Development (OFID) is an intergovernmental development finance institution which seeks to promote cooperation between member states of the Organization of the Petroleum Exporting Countries (OPEC) and other developing countries. This is mainly done by providing financial resources to assist the latter group of countries in their economic and social advancement.