



PRESENTATION BY
PRESENTAZIONE DI

LYNETTE CHEN

AT THE FORUM
AL FORUM

***“DEVELOPING AFRICA:
AN OPPORTUNITY FOR EUROPE, ITALY AND SICILY”***

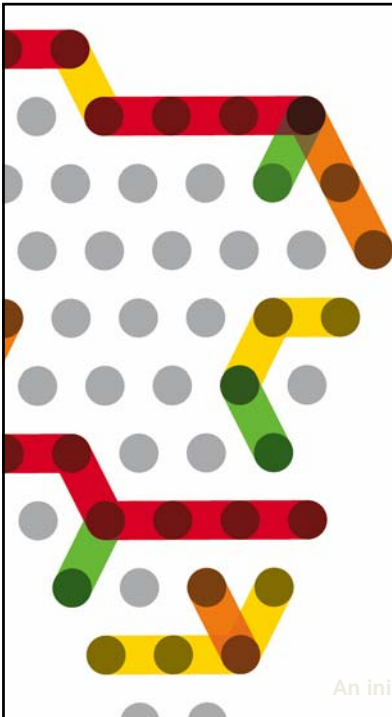

***“LO SVILUPPO DELL’AFRICA:
UN’OPPORTUNITÀ PER L’EUROPA, PER L’ITALIA E PER LA SICILIA”***

Taormina
San Domenico Palace Hotel

October 1 and 2, 2009
1 e 2 ottobre 2009

Reproduced by The European House-Ambrosetti for internal use only.


Riprodotta da The European House-Ambrosetti per esclusivo uso interno.


'Growing' Agricultural Investment Along Africa's Regional Corridors:

The TransFarm Africa Concept

Lynette Chen
CEO
NEPAD Business Foundation



An initiative of The William and Flora Hewlett Foundation



Africa's agriculture challenges and potential



Africa's agriculture challenges :

- Highest concentration of people earning under \$2/day in rural Sub-Saharan Africa
- 75% of Africa's population (450 million people) employed in agriculture and agribusiness
- Half of Africa's small farmers survive on less than \$1/day
- Farms of less than 3 hectares account for nearly 90% of Africa's food production
- Women provide 80% of labour on farms in Sub-Saharan Africa
- Farming represents 30-40% of Sub-Saharan countries GDP and nearly 60% of export income

Africa's agriculture opportunities :

- Vast masses of arable land under utilised
- Africa has capacity to feed itself and export to the world – global food security issues
- Increased investment interest in Africa
- Africa's population close to 1 billion people – market opportunity



What is TransFarm Africa?



Vision

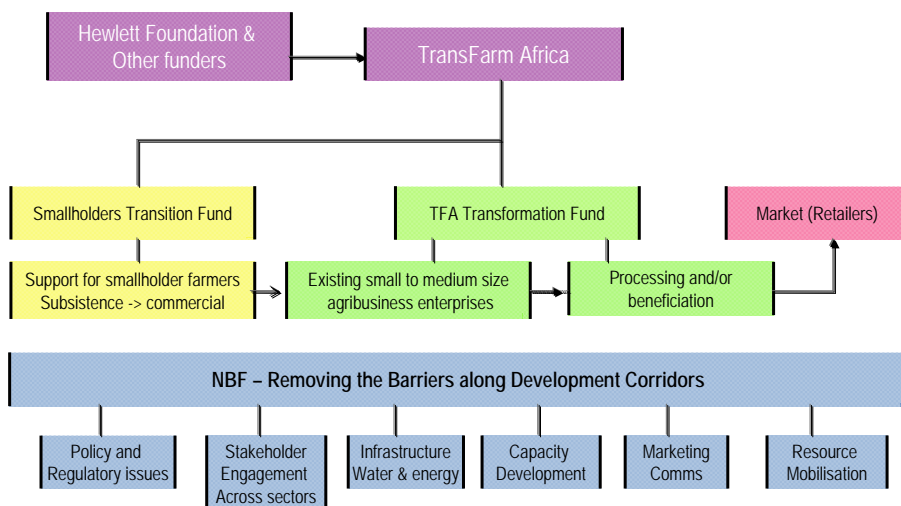
- An African-led “demonstration” programme proving and deploying scalable, sustainable financial and institutional interventions promoting inclusive modernisation of agriculture and acceleration of the Development Corridor process.

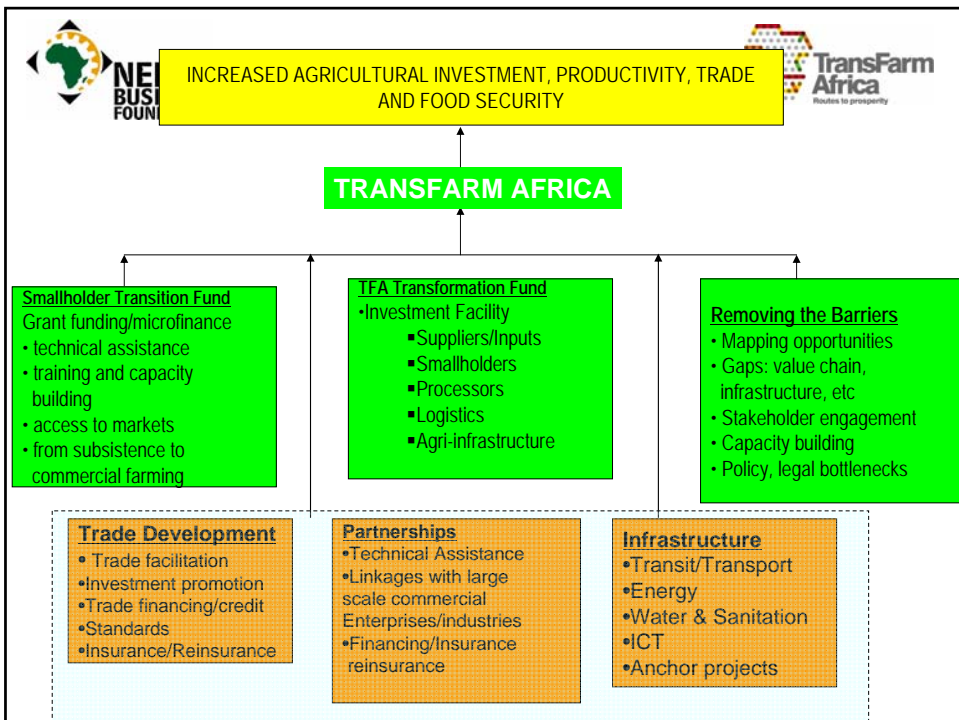
Mission

- To pilot and prove the TransFarm Africa concept by clearing the way for sustainable private investment in commercial African farming ventures within development corridors that enables agriculture in Africa to become globally competitive and provide tangible economic benefits to Africa's citizens and consumers.
- **Four linked elements:**
 1. Smallholder Transition Fund
 2. TransFarm Africa (Pilot) Transformation Fund
 3. “Removing the Barriers” of obstacles to success
 4. Corridor development promotion and support
- Implemented via partnership with local African partner and Africa-based fund manager and investment funds



TFA Structure





1. Smallholder Farmers Transition Fund

Aim - to provide support to smallholder farmers to grow from subsistence to commercial farming through :

- Funding support – microfinancing
- Training support
 - Community engagement and establishment of training structures & peer support groups and coaching
 - Agriculture technical assistance
 - Business skills training
 - Quality and standards training
- Access to markets eg. established commercial farms and retailers



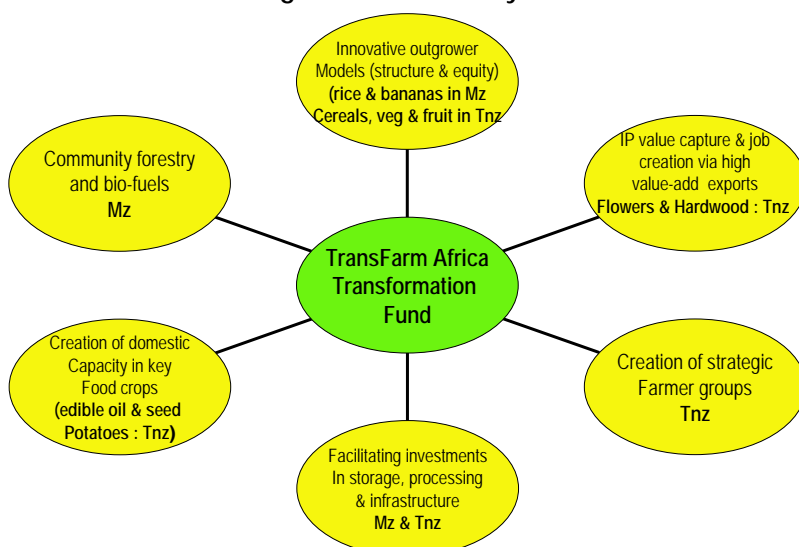
2. TFA Fund: distinguishing features



1. Only projects combining commercial agricultural with **small scale farmer and/or domestic food development** - plus corridor, social impact, sustainability screen
2. **Flexible finance** : commercial terms, only if \$\$ not available elsewhere; open to/will seek out investment pooling
3. **Deal size** : **\$500,000 to \$5 million per deal**; non-collateralised; owner contribution; start-up & 1st stage; track record required
4. **Pilot fund** : **\$20-30 million** (supported by \$12m grant element); 7-10 yr closed end; packaged finance; 5% return; successor funds
5. Portfolio strategy : to **spread projects across value chain**;
6. **Corridor focus** : Central, Nacala, Beira development corridors
7. Project portfolio & experienced fund managers identified; fund design & modelling underway: target completion by mid 2010



Transformational agriculture investment categories identified by TFA





TFA Impact categories



Direct:

- small farmers benefit via income, security, skills;
- employment creation on farms and in supporting segments;
- off farm entrepreneurial business and employment creation
- more affordable and better staple foods
- foreign exchange saving and earnings
- net local and global environmental benefits

Indirect:

- Demonstrate pro-agriculture development of Corridors can have major and positive poverty effects
- Demonstrate transformative investments in agriculture are good commercial bets
- Demonstrate investment platforms can generate commercial returns
- Develop and diffuse institutional mechanisms for promoting agriculture along corridors



Select examples of TFA project impacts



1. Tanzania - seed potato project

- Creation of domestic seed potato industry currently importing 75%
- Increased yields from 1:2 to 1:12-14
- 125,000 farmers increase earnings from \$1-2000/ha to \$3500-\$5000/ha
- 1.25 million people benefit from better food
- Export potential to Kenya, Zambia, Ethiopia, Uganda, Rwanda, DRC

2. Tanzania - 50 ha Protea Flower Export project

- 250 people employed in low employment area
- Wage and services income of up to \$600,000 annually
- 50 first phase subsistence farmers involved as contract farmers significant increase in second stage
- Development of new industry in Tanzania



3. "Removing the Barriers" programme



- Many non finance obstacles to modernization of subsistence agriculture, commercial agriculture projects and sector growth:
 - domestic policies trade-related, capacity constraints, organisational, regulatory, corruption, engagement
- Use local and fund knowledge to identify, prioritize and tackle key obstacles
- Deploy fit for purpose tactics–communications, policy reform, influence and direct engagement, capacity building
- Start with pilots then develop, test and rollout institutional mechanisms to tackle same problems along other corridors
- Strategic aim to demonstrate that focused intervention can accelerate the transformation process



TFA Implementation Structure and Strategy



- TFA must be [Africa-based](#), with specific objectives, an implementation timetable and an exit route
- [NEPAD Business Foundation](#) appointed as local implementation partner. Business-oriented; strong links to AU/NEPAD, AfDB, RECs; Gives TFA access to management resources of member companies
- Transferring key TFA investment parameters to national agencies to ensure good deals with foreign capital critical.
- [Brains Trust](#) plays key role. Composed of knowledgeable, experienced African commercial farmers, agri-business entrepreneurs and expert local NGOs
- [Pro-agriculture corridor](#) promotion template difficult to diffuse. Investment in agriculture planning capacity across corridors may be better route

4. Africa's "Spatial Development Corridors"



Corridor Investment Promotion and Support

- African agriculture has potential to reduce poverty and finance economic growth
- Regional Development Corridor strategy – focused efforts across various industry sectors allows for increased impact and alignment of initiatives
- TransFarm Africa will seek to promote Corridor (and corridor agriculture) focus to donors and investors
- Pilot corridor : Beira Corridor (Mozambique, Zimbabwe, Zambia, Malawi)
- Other focus corridors : Nacala Corridor (Mozambique, Malawi, Zambia)
Central Corridor (Tanzania, DRC, Burundi, Rwanda)



‘Anchor Investments’ in the Beira Corridor

ROADS

ADB has committed nearly \$65mn towards the upgrading, rehabilitation and maintenance of various road projects in the Manica and Tete provinces.

RAILWAY

The Beira Corridor railroad comprises two main lines. The first is the Machipanda line linking Zimbabwe (and therefore Zambia and DRC) to Beira port. The second being the Sena Railway line linking Beira to Moatize (coal mines), the Malawi border and the Zambezi delta (sugar plants). The EIB and the EU have recently lent \$94mn towards the Sena Line. A further \$110mn has been committed by the World Bank for the entire project.

BIOFUELS

Principle Energy is expected to utilise 14,000ha to invest \$400mn towards Ethanol production. Located in Dombe, it to flow out of Mozamb port. The project is 13-15MW of extra power to be sold within Mozambique.

MINING

Tete province's coal reserves are among the largest in the world. The largest project expects to see \$1.5bn invested by Vale. Riversdale mining and Tata Steel will invest \$800mn into their Benga Project mine.

PORT

Cornelder de Mocambique is developing a programme to rehabilitate the port, returning it to its previous operating capacity. Funding commitments are as follows:

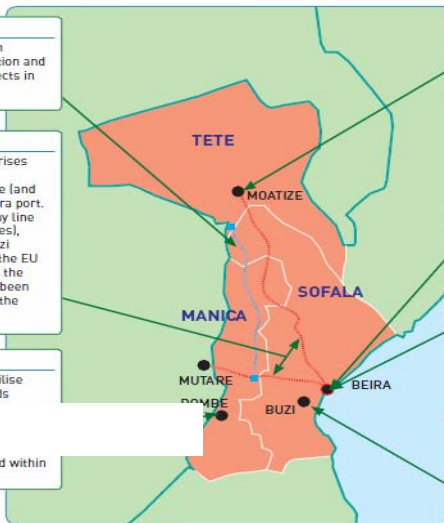
- JICA: \$17mn towards reinforcement of dredging capabilities
- EU: \$60mn towards restoration of the access channel to its original design characteristics

FERTILISER TERMINAL

Yara International will invest \$35mn in a fertilizer terminal at Beira. The port improvements, which include a holding warehouse to streamline distribution, will speed up fertilizer shipments and make fertilizer available year-round. This will significantly cut portside costs.

HORTICULTURE

Prio Agricultura is farming Cereals and Oil Seeds on 9,200 ha of land. The total investment size for this project is \$48mn. Prio have also secured a second plot and are expected to begin works shortly.





Potential bottlenecks for TransFarm Africa

