



INTERNATIONAL DEVELOPMENT BANK GROUP
AFRICAN DEVELOPMENT BANK GROUP



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AFRICAN UNION



United Nations
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Feeding Africa

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An Action Plan for African Agricultural Transformation

BRIEFING NOTE FOR MINISTERIAL DIALOGUE

Innovative Financing

Background

Limited access to finance continues to bedevil plans for agricultural transformation to date. Yet capital is required for growth of the sector. The causes of the gap between need and actual investments can be from both the demand and supply sides of the equation. Also the types and scope of financing requirements for agricultural transformation vary by sector, duration - from short-term trade finance to long-term debt and equity investment.

There have nonetheless been a number of valiant attempts to tackle this chronic issue and already promising cases can be cited in Nigeria, Sudan and elsewhere. Private sector-led innovative financing mechanisms can also improve access into the sector especially where information gaps are addressed. However, the challenges do exist and mainly involve imbalances in the supply side approaches and the varied nature of the players in the sector confronted often with policy incoherence.

Ministerial Dialogue

Building on the paper prepared on the subject matter and towards providing guidance to the work stream on the subject, Ministers and business leaders are invited to share experiences in the design, implementation and assessment of such innovative financing schemes; identify promising investment opportunities at both national and regional levels; propose policy reforms that must accompany these developments.

Questions to be discussed will include:

- Agricultural Development Banks - Are they still relevant?
- How do we tackle land tenure constraints in brokering deals?
- Do Banks have capacity to assess their projects and provide lending?
- Has the investors' community started to look at agriculture as an asset class they could invest in?
- What are the returns they want to see from the SMEs they invest in?
- How can we make the agriculture sector attractive for investors in Africa?
- SMEs are considered by Fund Managers as risky, because of their size, stage, location or lack of collateral. How are these constraints going to be addressed?
- How will agriculture financing specifically address gaps in gender and youth issues?
- What are the promises of mobile technology in creating new delivery channels to reach the farmers?