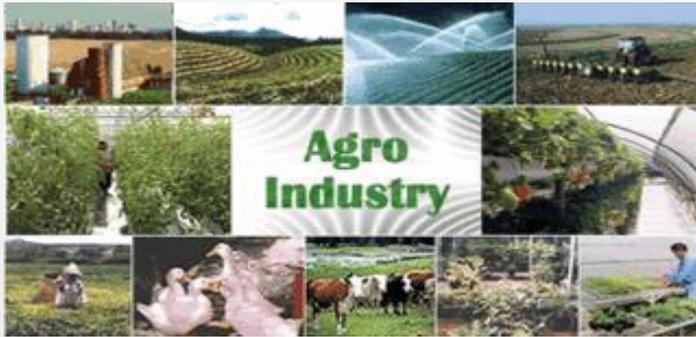




WORLD BANK GROUP

Investing in Agropole and Agro-processing Zones



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*African Development Bank Group
Workshop on the Role of Agropoles and Agro-Processing Zones in
Feeding & Industrializing Africa
Abidjan, March 22-23, 2016*

Outline

International experience of investments in agropoles and agro-zones

Success and failure factors

Concluding remarks



International experience of investments in agropoles – agro-zones

Different understanding of Agropoles and agro-zones



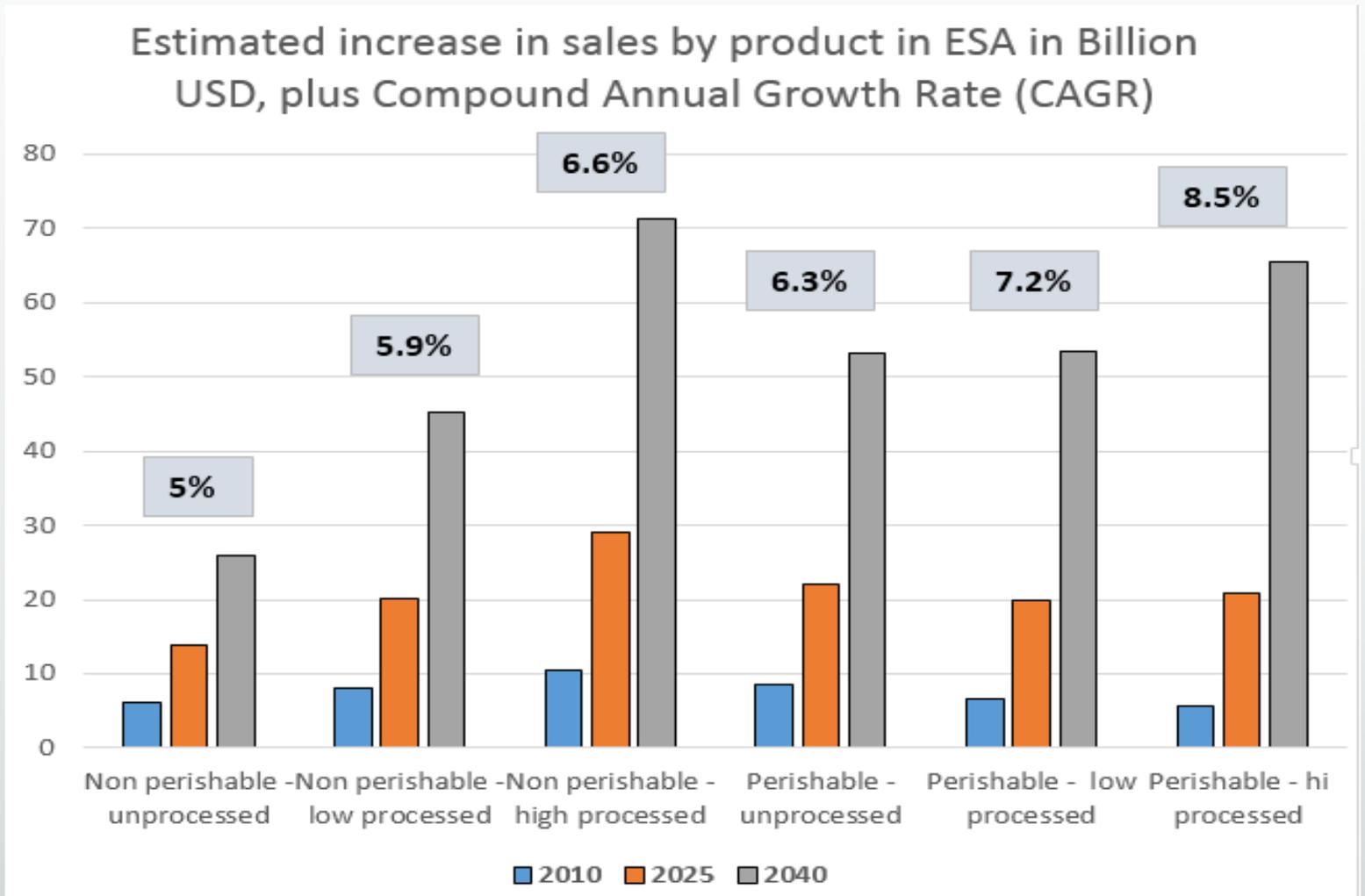
Assembly market
with Services and
locations for some
Primary value
Adding activities /
businesses

An Industrial Park
focusing on Agro-
Processing
Activities with
services in a
defined & limited
area of land

**Essentially a
cluster of larger
scale farms,** plus
their processing
operations, which
may or may not be
on the same plot
of land

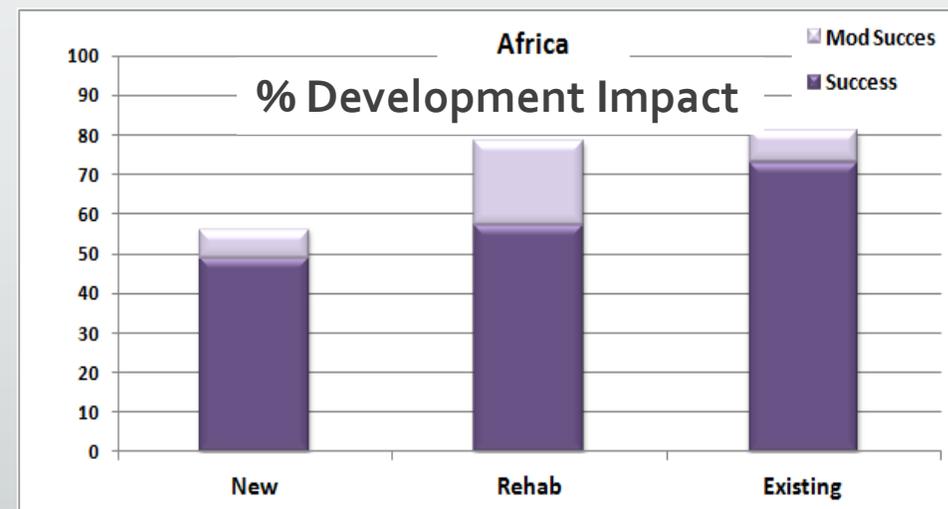
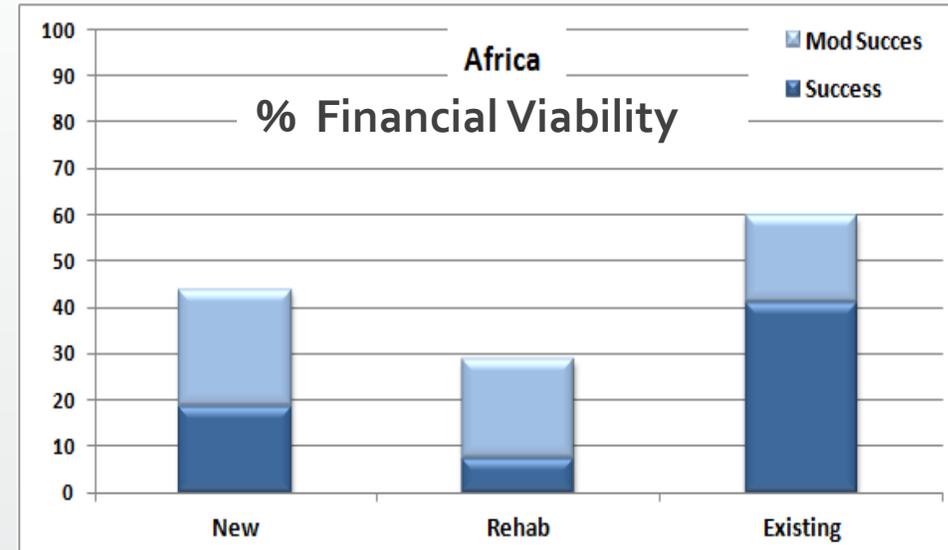
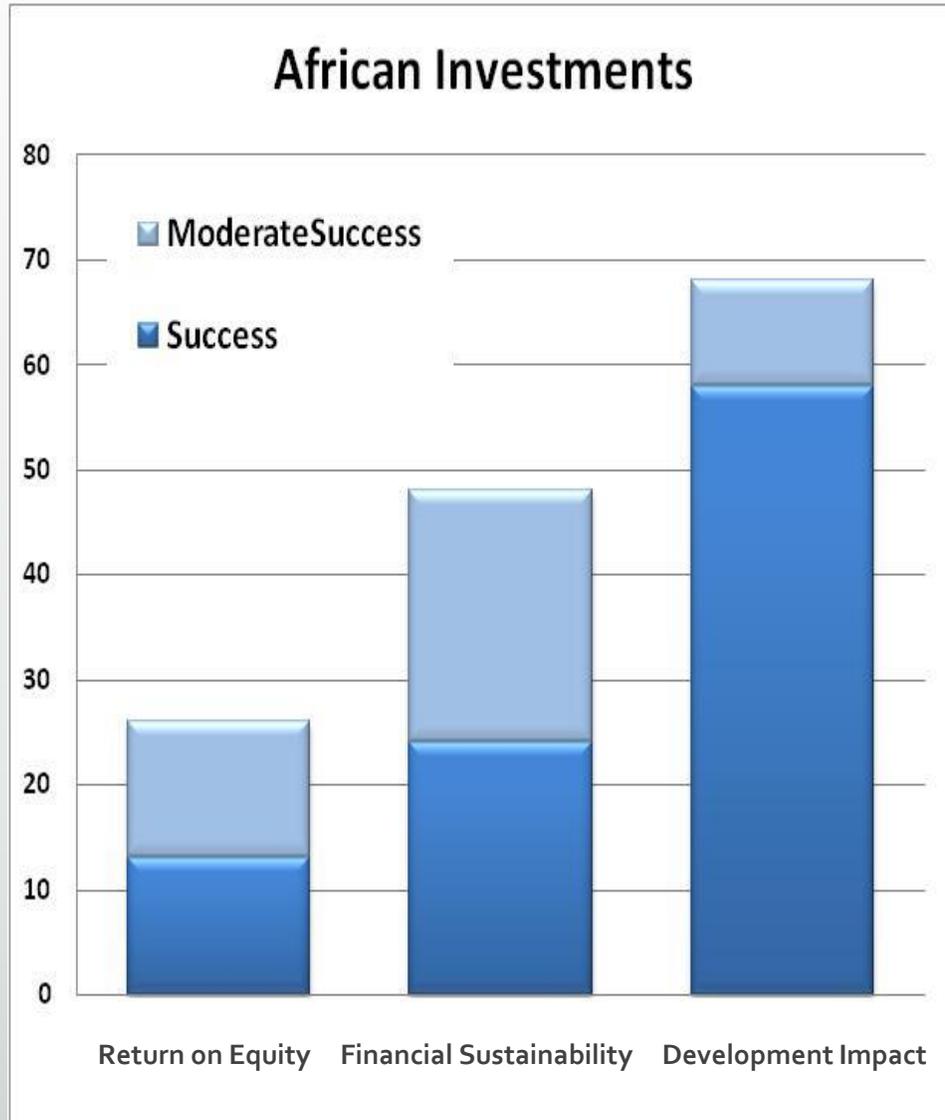
**A small proportion of large scale
agribusiness investments can
change everything – open new
markets, introduce new
technologies, kick start a new
industry**

The key driver of these investments will be consumer demand: figures from East/Southern Africa project forward huge growth in demand for processed foods



DTschirley – Rise of Middle Class in East & Southern Africa: Implications for Food System

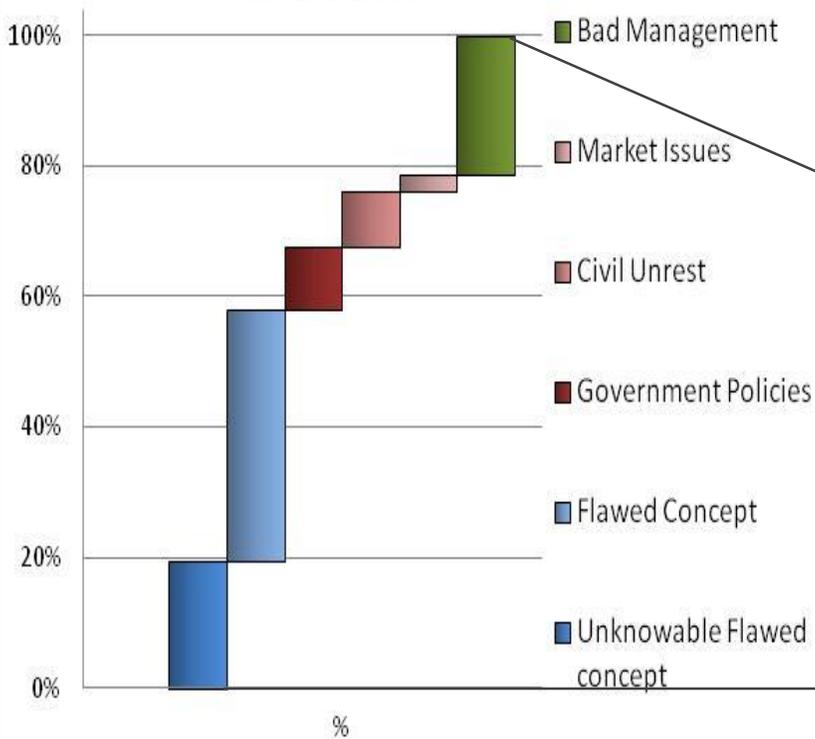
Level of risks is very high – especially for green field sites, 7-9 years to play out, often bought & sold many times



(Source: Grahame Dixie, 2014)

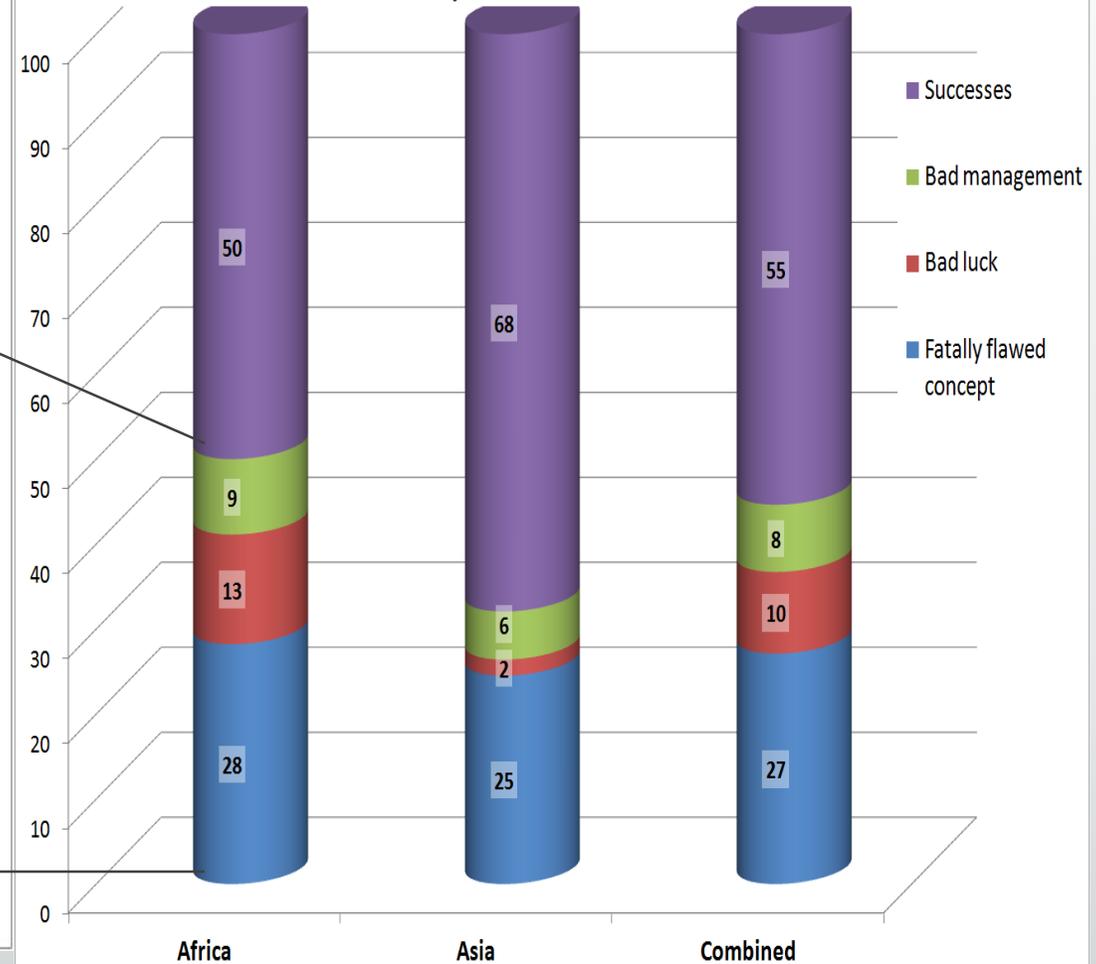
Causes of failure – Flawed concept, bad management and issues – that are beyond the control of the investor e.g. civil unrest, Government policies & markets

Detailed Breakdown of the Causes of Failure, Expressed as a Percentage



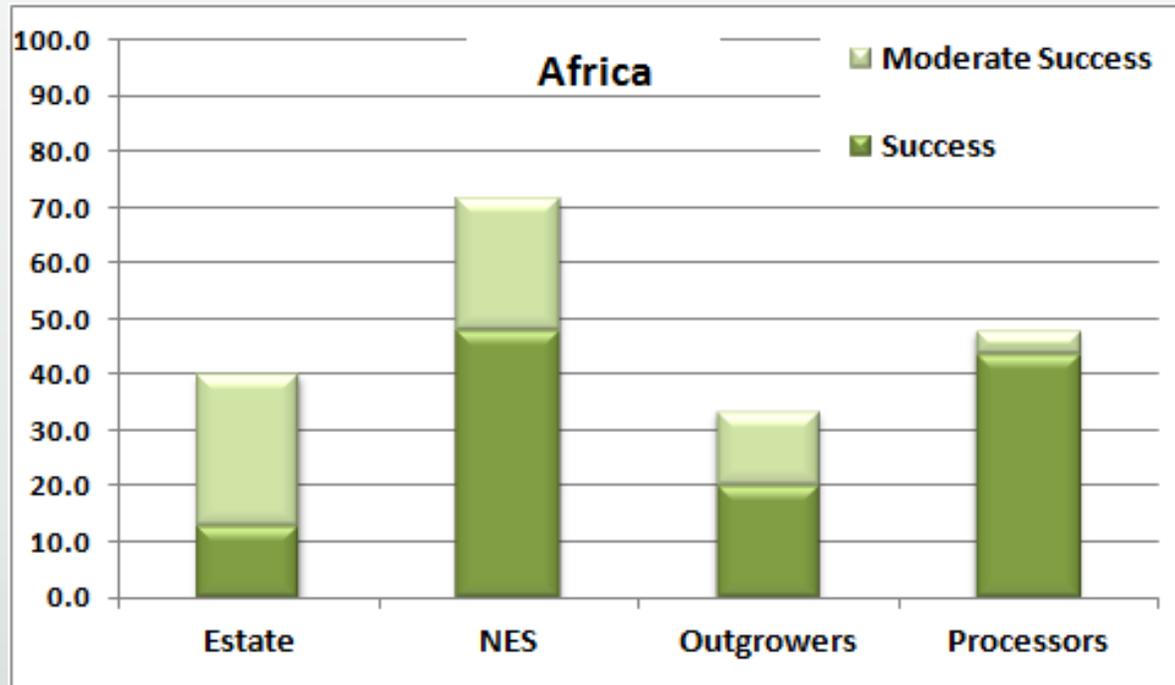
(Source: Grahame Dixie, 2014)

Percentage of Projects that succeed and failed in Africa and Asia broken down by causes of Failure

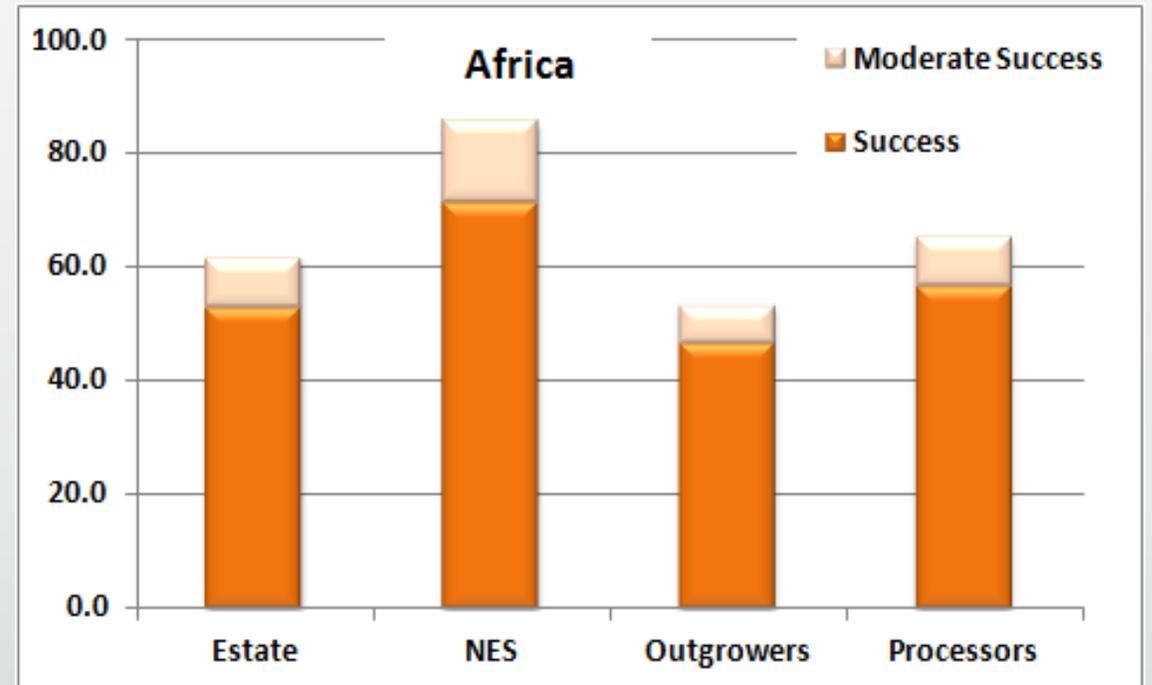


Significant differences between business models, Outgrowers & large farms the most risky, next processing operations and Nucleus Estates the least, but because the business model well understood, and limited processed crops

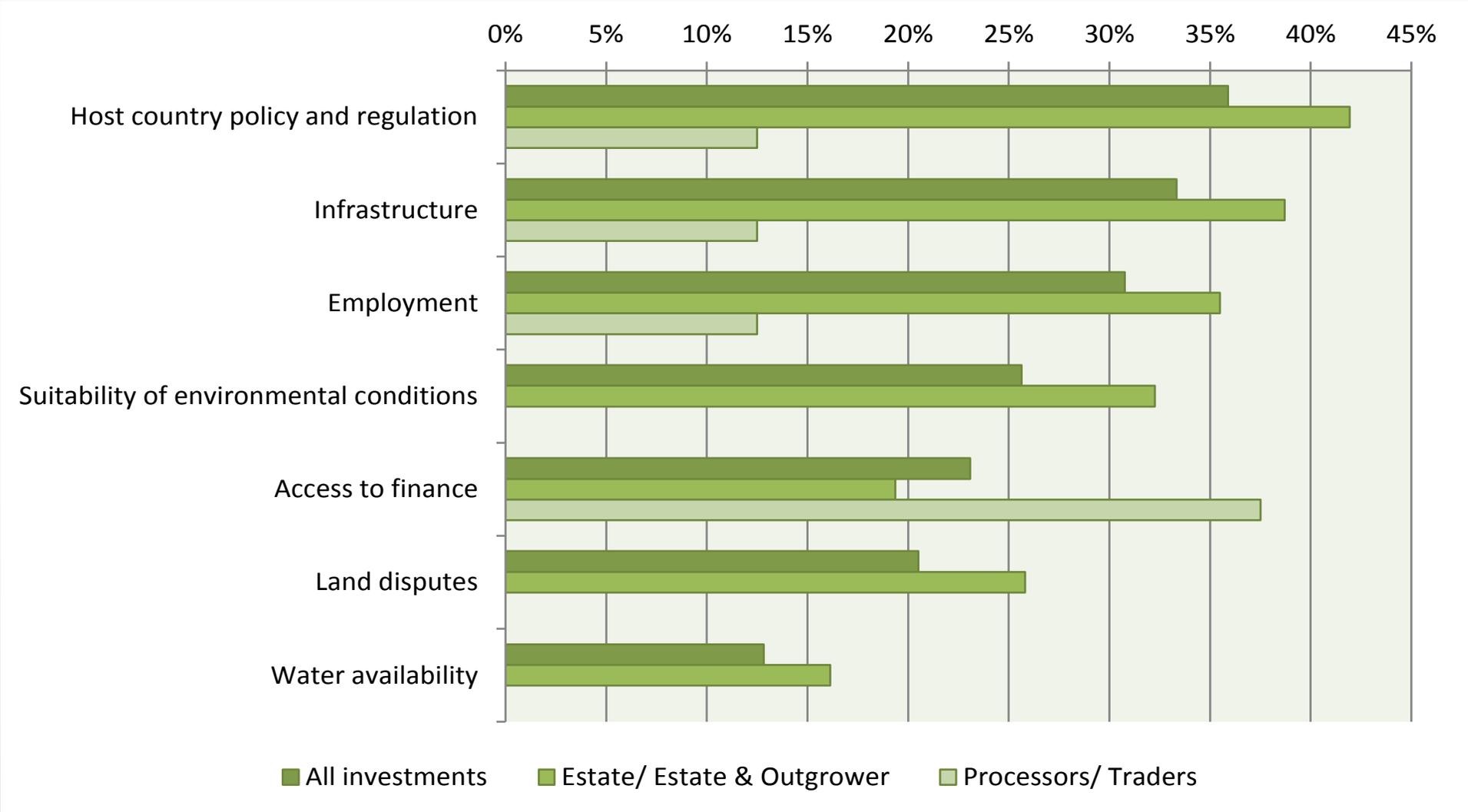
% Financial Viability



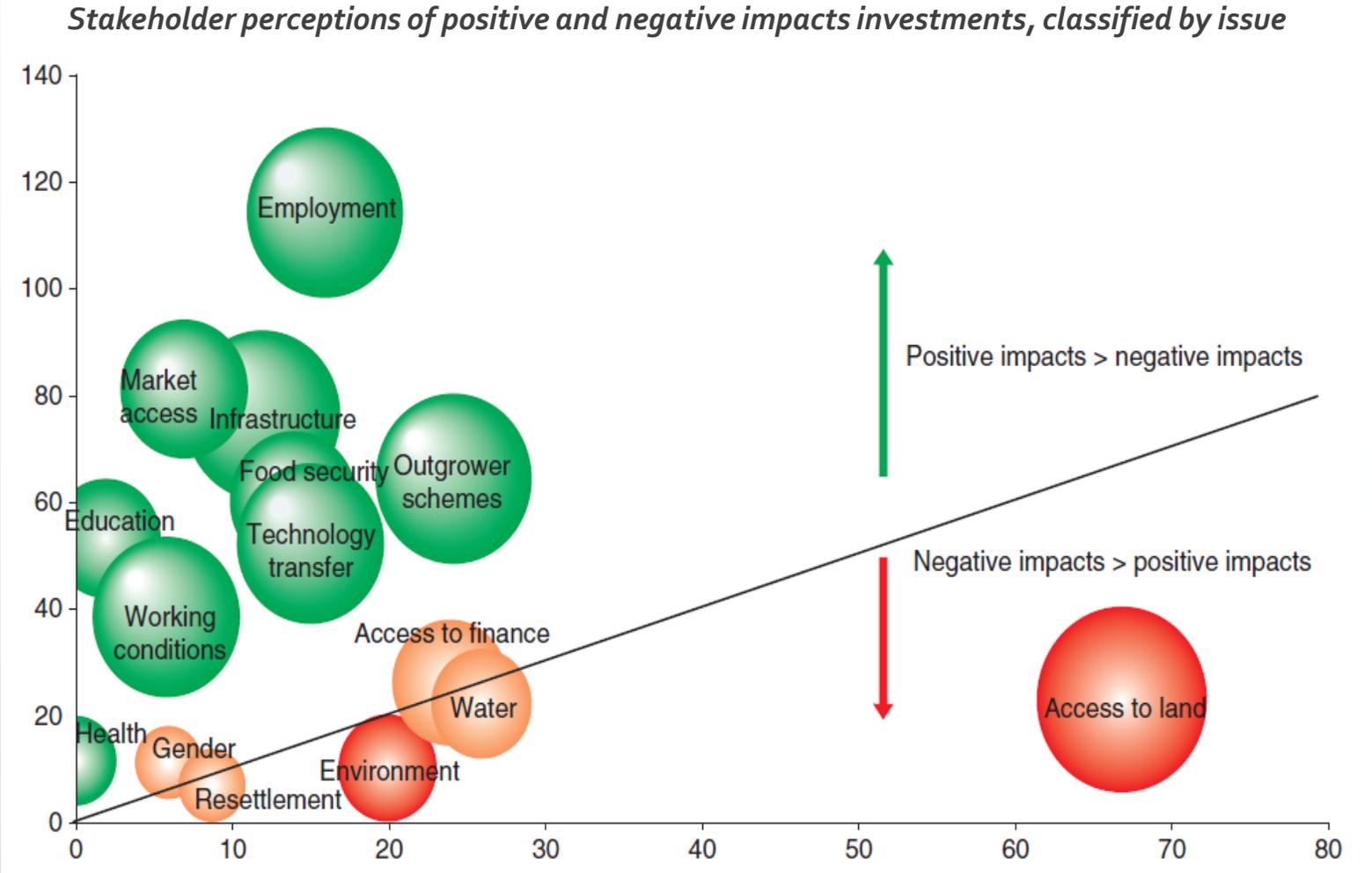
% Development Impact



Good Investors are looking for clarity & consistency in policies & regulations, basic infrastructure



Large range in perceptions by surrounding community..... pluses jobs, markets, infrastructure, outgrowers, the most difficult issue is land, followed by environmental issues (water)



(Source: Grahame Dixie, 2014)



Success and failures

Factors that generally determine success or failure



Success Factors

Existing Infrastructure

- Proximity to existing public infrastructure facilities (energy, water, etc.)
- Access to transportation networks (roads, highways, railway, etc.)
- Distribution markets

Land

- Well-defined legal title
- Min or no population displacement and/or relocation

Adequate site

- Good physical characteristics and proper soil foundation
- Minimal environmental constraints
- Expansion potential
- Proximate access to large consumer (export/domestic) markets

Well-organized urban planning

- Existence of land-use plans that adhere to best-practice urban planning and development standards

Success Factors

Modern land-use plans

- Public/Private construction of zone infrastructure facilities including social infrastructure
- Public/Private sector provision of waste-disposal/refuse-collection capacities

Investment climate, legal, regulatory and institutional framework

- Effective and transparent

Private management of the zone

- Efficient administrative, operational, and management

Failure Factors



Remote sites requiring substantial capital expenditures

Poorly designed and constructed infrastructure facilities

Non involvement of the private sector (PPP mechanism) and inadequate marketing of the zone

Lack of adequate institutional and administrative capacity and cumbersome governance system

Uncompetitive economic policies such as excessive reliance on tax holidays and protectionist labor practices



Concluding remarks

Wide range of outcomes, most investments studied generated positive socio-economic benefits but much room for improvement and lessons to learn

Extraordinarily wide range of outcomes :

- Socio-economic impact on local communities;
- Broader impact on host countries; and
- Financial and operational success of investments.

Significant interaction between these three aspects:

- Financial & Operational success
- Satisfied Surrounding Communities
- Experienced & well resourced investors

On balance investments studied generated positive socio-economic benefits for surrounding communities and host countries.



Hence, lessons on 'how to' maximize the benefits and minimize the risks of agricultural investment.



But many negative impacts and room for improvement.



Advice For Policy Makers

Do

- Know what development you want
- Be more choosy about the investor, Business model, enterprise
- Set up process, review investments systematically
- Encourage alternatives to large scale land investments
- Support 1st movers, but not at scale
- Have a plan B for failure.

Don't

- Offer more incentives to foreign investors than local
- Do mega land deals
- Make multiple gambles on same new business model
- Allow people to have land without making productive investments
- Short cut existing land regulations

(Source: Grahame Dixie, 2014)



Merci pour votre attention