KEYNOTE SPEECH
WORKSHOP ON ESTABLISHING AGRICULTURE RISK SHARING AND FINANCING MECHANISMS

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His Excellence Mr. Henry Rotich, Cabinet Secretary for the National Treasury,
Honorable Ministers of Finance and Agriculture,
Honorable Governors of Central banks,
Members of the private sectors,
Representatives of farmers’ organizations,
Distinguished Ladies and Gentlemen.

On behalf of Dr Akinwumi Adesina, President of the African Development Bank Group, I am pleased to welcome you all to this workshop on “Establishing Agriculture Risk Sharing and Financing Mechanisms” whose objective is to deliberate on how we can unlock the full potential the African agriculture sector, by scaling-up financing for its development.

Let me say how delighted I am that we have been able to collaborate with the Agricultural Finance Corporation of Kenya in co-hosting this event.

Ladies and Gentlemen

During his inauguration as the 8th President of the Bank Group, Dr Adesina articulated his vision to take the African continent to the next level in five key priority areas (aptly termed High 5s). One of these High 5s is the “Feed Africa”. Pursuant of this Feed Africa priority, President Adesina convened a High-Level Conference (HLC) on Agricultural Transformation in Africa in Dakar, in October 2015. The HLC brought together over 60 Ministers of finance, agriculture and central bank governors to review the state of agriculture and design new ways to unlock Africa’s tremendous agricultural potential. The conference resulted in the adoption of an 18-point action plan to transform African agriculture: including the dire need to scale-up innovative financing to boost the development of the entire agricultural value chain.

Furthermore, the Dakar Agenda has culminated in the articulation by the Bank’s Management and approval by its Board of Directors of the “Strategy for Agricultural Transformation in Africa.” The Feed Africa Strategy is the driver to transform African Agriculture into a globally competitive, inclusive and business-oriented sector that creates wealth, generates gainful employment, and improves the quality of life for farmers and all Africans. It also seeks to bring to scale, existing and successful initiatives across Africa and beyond.

The overarching approach of the strategy is a commodity-focused integrated approach, which simultaneously addresses multiple bottlenecks across entire prioritized agricultural commodity value chains, within related agro-ecological zones and working with various partners, many of whom are around this room today.

To achieve the set goal of the Strategy, the need to expand agricultural finance has been identified as one of the key enablers. This is imperative because the cost of agricultural transformation is enormous. For example, it has been estimated that about USD 30 billion is required on an annual basis to implement agricultural transformation in Africa. Finance matters in this case, because it is the catalyst for growth. While there are a number of critical bottlenecks constraining the growth of a highly-productive and prosperous agriculture sector in Africa, finance is a cross-cutting catalyst for the much needed transformation of the sector. Due to both perceived and real risk considerations, banks and other financial institutions tend to minimize exposure to agriculture in their portfolios. This you will agree with me, requires new ways of doing business and clearly an innovative approach to crowding-in resources for the sector. This is precisely why our meeting today is important.

Private sector-led innovative financing tools have great promise to improve access to capital in African
agriculture by catalysing private investment. Innovative financing instruments are designed to mobilize additional resources and address market failures as well as removing institutional barriers. They equally complement traditional resource flows such as foreign direct investment, remittances and government investment. And while public sector investment is important to agriculture, the private sector ultimately will drive activity and growth in agricultural development. This makes private sector involvement critical and central to public sector-initiated innovative finance.

In financing agriculture and agri-business, the Bank is not starting from scratch! The AfDB in partnership with many around this room has been proactive in implementing mechanisms, such as equities, guarantees, trade finance, among other financial instruments. However, with our new Strategy, we are aiming to go further, we are aiming to go higher.

This important gathering therefore, will be deliberating in the next two days, on how to leverage on existing solutions and together with our Regional Member Countries, local and global financial institutions and development partners we are committed to designing differentiated mechanisms which will help de-risk agriculture value chains, reduce transaction costs and unlock financial flows into the sector; at scale and across the continent.

Working with you, we can establish agricultural risk sharing mechanisms to allow commercial banks and other financial institutions to lend at scale to agricultural value chains. In doing this, successful piloted innovative cases such as the NIRSAL in Nigeria which has been able to leverage up to ten times the balance sheet of commercial banks could be a model for expansion and replication to scale.

Ladies and Gentlemen

To us at the African Development Bank, Feeding Africa is a partnership and it is very much a work in progress. We cannot and we will not do this alone! Our goal is to add to, and not duplicate, earlier efforts. It is also the intention of the Bank to scale existing and successful interventions across Africa, while further developing the required capacity of actors – both public and private – throughout the system to sustain the positive impacts of these interventions.

Ladies and Gentlemen

Let me conclude by underscoring the importance of this workshop. Innovative financing can help enable agricultural transformation in Africa, with different roles for different actors: 1) Government has a role to play in developing policies and a regulatory environment conducive to growth and private sector investment in the agriculture sector, 2) Investors can also bring co-investment opportunities to public agencies and development banks that aim to catalyze investment in the sector, and seek out operating and investing roles in Public-Private-Partnership frameworks, 3) Philanthropic donors can experiment with new models of agriculture investment partnership that reach under-served populations in novel and innovative ways.

We hope to end this conference in two day’s time with a consensus built around a common and agreeable understanding of how risk sharing for financing Africa’s agricultural investments can be realized. We seek your experience, input and buy-in on how we can work together to design and implement tailor made solutions for risk sharing and financing mechanisms for the sector. A key take away from this conference has to be the articulation of possible roles public and private institutions and government partners can play to make this vision of Feeding African a reality.

The African Development Bank will accelerate these efforts with expertise in agricultural development, strong networks across the continent, and a range of innovative financing instruments such as risk-sharing and guarantee mechanisms for financial institutions. We shall also offer support to home-
grown mechanisms of risk mitigation, by acting as a trusted third party and through structured agricultural PPPs.

So it is indeed my pleasure to welcome you all again to this workshop that is bringing together all actors of the agriculture value chain to agree on how best to scale up financing for the sector.

I look forward to the outcome of the workshop and the concrete recommendations that will emerge.

On behalf of the President of the African Development Bank Group, I once again thank you for your presence and wish you productive deliberations.

Asante Asana.