

AFRICAN DEVELOPMENT BANK



PROJECT SUMMARY NOTE

**LOAN FOR
OLAM AFRICA INVESTMENT PROGRAM
(OAIP II)**

MULTINATIONAL

PRIVATE SECTOR DEPARTMENT

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Contact Persons

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PROJECT SUMMARY NOTE – OLAM AFRICA INVESTMENT PROGRAM (OAIP II)

Program Description:	Consistent with the leveraging and crowding in approach through large corporates to deliver on the Feed Africa and Industrialize Africa mandates, a USD 107 million corporate loan has been approved to finance part of OLAM's operations in Africa. This is part of a USD 200 million investment program (OAIP II) that covers two sub-projects, one for creation of industrial scale palm oil refineries in Central and/or West Africa and another for development of 600,000 tons per annum of high quality poultry and fish feed mills in Nigeria. The program will further consolidate OLAM Group's agricultural value chains on the continent.
Client/Sponsor:	OLAM Aviv Investment Holdings (OLAM Aviv), Mauritius set up as fully owned subsidiary of OLAM Group, will be the borrowing entity whereas relevant Olam subsidiaries undertaking these projects will be the project companies. OLAM Aviv will borrow under a full, irrevocable, and unconditional guarantee from OLAM International Singapore, its parent company. The OLAM Group is a leading global integrated supply chain manager with a portfolio of 16 agricultural product platforms and food ingredients. Established 26 years ago, OLAM Group has a direct presence in 70 countries (including 24 countries in the continent). The Group has built a leadership position in many of its businesses – including Edible Nuts, Cocoa, Coffee, Spices and Vegetable Ingredients, Dairy, Rice, Packaged Foods, Rubber and Agri Logistics & Infrastructure. In FY 2015, OLAM Group generated an operating profit of SGD 346.2 million (USD 243.5 million) and an EBITDA of SGD 1,122.8 million (USD 789.6 million) over for a turnover of SGD 19.1 billion (USD 13.4 billion). As at Dec 2015 it had shareholder equity of SGD 5.2 billion (USD 3.7 billion).
Cost Structure and Financing Plan:	Total investment planned under the OAIP II program is USD 200 million. The program will be funded through a mix of Bank's facility and the internally generated cash flows.
Bank's Role:	Senior loan of USD 107 million for seven years (including 3.5 years grace period), available to OLAM Aviv under full irrevocable parent guarantee. The Bank is also processing two technical assistance (TA) programs that will benefit smallholders involved in Olam's palm oil plantation project in Gabon and for the animal feed project in Nigeria. These programs will complement existing initiatives from Olam Group under Olam Livelihood Charter program. The production of the plantations (in part) will be used to supply the palm oil mills & refinery in the Central/West African region.
Implementation Arrangements	Olam Group will be selecting EPC contractors based on an international bidding process. The program has been categorized as 4(b) as per the Integrated Safeguards System and, the ESMS systems of the Group have been reviewed and found in full compliance with the Bank requirements.
Market:	African food processing markets are estimated to reach USD 275 billion by 2030 (Source Mckinsey). Specifically the palm oil refining facilities are running at full capacity in the markets under the program and additional capacity is needed to meet the increasing needs of domestic markets based on population and GDP growth. Similarly the import ban for frozen poultry meat along with fast growing consumption has created space for new capacity to be set up in Animal Feed business in Nigeria. This combined with the Group's supply chain expertise, project execution capability and existing presence on the ground ensures that the program has a good chance of meeting its objectives.
Justifications for the Bank's Involvement:	
Strategic Alignment	The program is fully aligned with the Feed Africa and Industrialize Africa and Improving quality of life for Africans, initiatives under the High 5s. The program also promotes integration through supply chains of Olam Group within Africa. The TA assistance under the facility will improve the well-being of smallholder farmers working on Gabon Palm oil plantations and in the poultry sector in Nigeria. The program also focuses on addressing the key reforms crucial to strengthening African agriculture sector namely (a) adoption of new technology (b) strengthening food supply chains (c) improving trade related infrastructure and (d) improving access to finance.
Commercial Viability:	This being a corporate finance facility, the repayment of the facility is not dependent on revenues from the program. No security will be taken over the project assets. Instead, the Group will provide an undertaking for regular funding of designated debt service account for the facility. The facility will also be supported by full corporate guarantee from OLAM International Singapore.
Development Outcomes:	OLAM Group has a strong CSR policy based on three pillars namely economic prosperity, social welfare and environmental stewardship benefiting 2.5 million smallholders in Africa. OLAM's flagship CSR program "Livelihood Charter" was awarded in 2012 world bank meetings in Tokyo for leadership in sustainable development in Africa, and will benefit 400,000 farmers in Africa by 2020. OAIP II program will create industrial scale palm oil refining capacity and 600,000 tons per annum of high-quality poultry and fish feed and a million hatching eggs every week. The sourcing for the projects will be local thereby creating market access for smallholders. Both projects in the program will benefit from TA facilities to further strengthen the development outcomes for smallholders. The investment program will serve underserved regions of Kaduna (North-Eastern Nigeria) and will improve macroeconomic resilience through import substitution in Nigeria and increased exports in Gabon. The program will also create economic diversification by increasing share of manufacturing sector in the two economies.
Additionality and Complementarity:	The Bank will support this important development initiative through providing long term financing for the program. The Bank will also provide technical assistance facilities to support small holder farmers who will form the supply chain of the palm oil refinery and animal feed projects in the program.