Agriculture is at the heart of Africa’s development agenda. However, farmers on the continent are still facing challenges to access key inputs including fertilizers. Transport cost alone accounts for 30 to 60% of the farm-gate price of fertilizers, thereby making fertilizer too expensive for a lot of smallholder farmers to afford, and resulting in the low consumption of fertilizer on the continent (3% of the world consumption). As of 2019, Africa’s fertilizer consumption rate stands at 19 kilograms of nutrients per hectare - that’s 31 kilograms of nutrients per hectare less than the mandate issued by the Abuja Declaration.

Cognizant of these challenges, the African Heads of State and Governments committed to establishing the Africa Fertilizer Financing Mechanism (AFFM) to fast track the implementation of the Comprehensive African Agriculture Development Programme (CAADP). They envisioned the AFFM as being a sustainable vehicle to boost agricultural productivity through innovative financing. AFFM was conceived as a tool to remedy the issue of the agricultural sector financing, including fertilizer financing, being perceived as high risk in Africa.

Since its operationalization in 2018, AFFM has been implementing its mandate through two priority areas: a) the provision of credit guarantees to actors of the value chain and b) policy advocacy.

In regard to the provision of credit guarantees, AFFM intends to offer solutions to de-risk the fertilizer sector in Africa. Credit guarantees will be an incentive through which financial institutions, fertilizer blenders and manufacturers can provide fertilizers on credit to agro-dealers and distributors. With credit guarantees, the risk associated with fertilizer will be shared between AFFM and other actors of the fertilizer value chain. Less pressure on agro-dealers would also lead to less pressure on farmers who usually cannot afford the high prices of fertilizers.

For policy advocacy, AFFM will work with governments to ensure that regulations and policies on the continent are conducive to the development of a dynamic fertilizer sector.
Achieving sustainable agricultural growth and development in Africa will depend on more farmers getting timely access to affordable fertilizers. Stakeholders and agricultural experts reiterated this at the 7th Governing Council meeting of the AFFM, held on 27 February 2019 in Marrakech, Morocco.

Meeting attendees considered progress reports on the implementation of credit guarantee schemes for fertilizer importers, distributors and agro-dealers in Tanzania and Nigeria. It is envisaged that the credit guarantee will facilitate the funding of the agricultural value-chain players by interested financial institutions.

The high cost of fertilizers is a key bottleneck for Africa’s smallholder farmers”, said Dr. Martin Fregene, Director of Agriculture and Agro-Industry at the African Development Bank. According to Dr. Fregene, smallholder farmers particularly need special support – as they usually cannot afford the high prices of fertilizers. He remarked that an inclusive approach involving all value chain actors is needed to attain the target of 50kg of fertilizer nutrients per hectare.

Cross-border fertilizer trade in the era of the emerging African Continental Free Trade Area was also discussed. In this regard, participants agreed that collaboration between the AFFM, the Africa Union Commission and Regional Economic Communities was needed to achieve policy harmonization.

African Development Bank officials also held bilateral discussions with representatives of the Afreximbank during the Governing Council. The two institutions explored possible avenues for cooperation to extend credit guarantees to fertilizer value chain actors on the continent. The AFFM Governing Council is responsible for determining the general direction and vision the Mechanism. The Council also sets priorities, objectives and milestones for the AFFM.
As part of the implementation of AFFM credit guarantee models for fertilizer financing, an appraisal team from the Bank undertook a mission to Dar es Salaam, Tanzania to conduct due diligence on its local implementing partner, the African Fertilizer and Agribusiness Partnership (AFAP).

The due diligence was part of the process of assessing the possibility of issuing a $5.4 million partial credit guarantee to AFAP, which is meant to share the risks with fertilizer importers, distributors in Nigeria and Tanzania. They will provide fertilizers to retailers and/or smallholder farmers on credit. Discussions with the local implementing partner centred around the capacity of AFAP to effectively implement the credit guarantee models in Nigeria and Tanzania.

The team visited the facilities of Yara and ETG, two major suppliers in Tanzania, to learn about their involvement in AFAP’s previous trade credit guarantee model in the country. The suppliers said AFFM credit guarantees will lead to an increase in volume of their sales to hub agro-dealers, and they reaffirmed their interest in participating in the proposed trade credit guarantee program with AFAP.

A partnership of African development organizations founded AFAP as an independent, non-profit organization in 2012. AFAP is committed to furthering social inclusion and gender equality throughout all its interventions with strategic partners across Africa. Since 2012, AFAP has invested $571 million for the distribution of fertilizer through a network of 5,000 hub-agrodealers in more than five African countries.
Closely engaging fertilizer value chain actors is at the heart of the Africa Fertilizer Financing Mechanism (AFFM) priorities. In this context, the Bank’s Department of Agriculture and Agro-Industry participated in the West Africa Fertilizer Forum in Lomé, Togo in April 2019. The Forum brought together more than 200 participants from 100 fertilizer companies and 16 West African countries to identify the action needed to increase accessibility to fertilizer, expand the market and boost farmers’ productivity.

At the Forum, Bank representatives shared the work the Bank is doing to support Africa’s agriculture and the fertilizer sectors. Martin Fregene, Director of Agriculture and Agro-Industry at the Bank reiterated the Bank’s commitment to supporting the private sector to ensure that they play a key role in achieving “Feed Africa”, the Bank’s comprehensive strategy to end hunger in Africa and combat poverty through a thriving agriculture. Fregene also highlighted AFFM’s role of unlocking fertilizer financing to increase access to quality and affordable fertilizers.

To answer concerns of participants on the Bank’s support to small and medium enterprises (SME) over access to finance in the agriculture and fertilizer sectors, Fregene said the Bank is currently strategizing on the possibility of establishing a Special SMEs Fund to address the issue. “Targeted support to SMEs is key to a dynamic agriculture and fertilizer sectors in Africa,” he added.
The African Development Bank and OCP (Office Chérifien des Phosphates), a leading African fertilizer company, signed a letter of intent that confirmed their commitment to collaborate to enhance use of fertilizers and boost agricultural productivity in Africa. This move is in line with the Bank’s willingness in strengthening its collaboration with the private sector. The partnership will focus on key areas including designing and implementation of programs, collaboration in financing the fertilizer value chain; collaboration in soil testing/mapping, and collaboration in boosting fertilizer demand and capacity building.

Martin Fregene, Director of Agriculture and Agro-Industry at the Bank said, “The partnership with OCP is part of the Bank’s efforts to involve the private sector in the implementation process of the High 5s. I believe OCP has a great role to play with regards to the achievement of our ‘Feed Africa’ objectives.”

Karim Lofti Senhadji, CEO, OCP Africa said, “OCP is a solution provider to all actors of the fertilizer value chain in Africa. We re-affirm our willingness to contribute to the extension of the credit guarantee models beyond the two AFFM target countries selected to start the implementation of this model.”

**AFFM-OCP: Partnering with the private sector to enhance fertilizer use in Africa**
Working with other development Banks to extend credit guarantees

During the 7th Governing Council in Marrakech, Morocco, Bank officials held bilateral discussions with representatives of the African Export-Import Bank during the Governing Council – exploring possible avenues to co-support and extend credit guarantees to fertilizer value chain actors on the continent.

It was an opportunity for Afreximbank to express its commitment to explore ways to support the work of AFFM. Abah Ofon, Manager of Research and International Cooperation at Afreximbank, the representative of Afreximbank mentioned that 60% of their balance sheet is composed of line of credit.

According to OFON, their activities are centered on the following:

i) Line of credit;

ii) Trade information and advisory services, and;

iii) Risk bearing instruments such as credit guarantee and insurance.

OFON conveyed to AfDB/AFFM that both Afreximbank and AFFM should work towards using fertilizer and its value chain to facilitate intra-African trade.

Upcoming event:

West Africa Fertilizer Financing Forum, Abidjan, Côte d’Ivoire.

Date: 30th September to 1st October 2019.

The African Development Bank, the Africa Fertilizer Financing Mechanism, and the West African Fertilizer Association are working together in a partnership to provide financing for fertilizer value chain by organizing a forum aimed at identifying financing needs and designing financial instruments to respond to the fertilizer value chain needs.

The main objective of the Forum is to link private sector players in West Africa’s fertilizer industry with the Bank’s and other financial institution’s financing instruments that will lead to increased access to affordable finance as well as improve farmers’ access to fertilizers.
At the African Union, we consider the Africa fertilizer Financing Mechanism as a key instrument to achieve the objectives of the Comprehensive African Agriculture Development Programme. It will contribute to making fertilizers, a key input to Africa’s agriculture transformation, available to our farmers. We need to work together to make sure that it benefits African countries. We should also coordinate activities with other key actors including regional economic communities, the private sector, the civil society, farmer’s organizations as well as development partners to make sure that we overcome the challenge of fertilizer financing to unlock the potential of our agriculture.”

“In Tanzania, most of the farmers cannot afford to buy fertilizers. Because of their limited incomes, they are usually unable to meet the requirement of a collateral when they want to borrow from financial institutions. The high prices are mainly due to the fact that the fertilizers used in the country are most imported. I firmly believe that the African Fertilizer Financing Mechanism can play a big role in protecting our countries and making sure that the fertilizer supply is assured and the demand is met. AFFM has the potential of transforming the fertilizer sector and reshaping the agricultural development of our continent.”

“We strongly believe that AFFM should work through farmer’s organizations. We interact on a regular basis with farmers and know what they are going through. The Mechanism constitutes a solution to tackle the challenges farmers usually face including access to financing key inputs. We usually work with commercial banks but the high interest rate is an obstacle which consistently hinder farmer’s activities. Therefore, AFFM affordable financing will help us in bringing sustainable solutions to our farmers including access to fertilizers, information on fertilizer usage, capacity building, etc. It will also help us build a holistic ecosystem to strengthen the agricultural value chain in general and the fertilizer value chain in particular.”
FOSTERING FERTILIZER FUTURE

The Newsletter of the Africa Fertilizer Financing Mechanism

The faces of AFFM

From left to right: Zacharie Zida, Fertilizer Specialist; Benjamin Asare, Investment Specialist; Marie Claire Kalihangabo, Coordinator; Amel Jendoubi, Team Assistant; Yaovi Djissenou, Finance and Administration Specialist.

Boosting access to fertilizers through innovative financing solutions