The COVID-19 pandemic has created an unprecedented global economic crisis not seen since the Spanish Flu in 1918. Economic projection and forecasting activities are dominated by uncertainty. However, people’s needs in terms of food security and nutrition (FSN) remain constant, if not more than in the past. It therefore becomes crucial that all African nations take concerted actions to ensure access to strategic agricultural inputs such as fertilizer, which is food for our crops, seeds, and pesticides.

While the widespread implications of COVID-19 are challenging, all of the fertilizer value chain stakeholders, from producers to traders, distributors and retailers, need to be supported to ensure an adequate supply of plant nutrition products. As such national and local authorities must act together to minimize disruptions to the subsequent movement of fertilizers to smallholder farmers. As the main planting season in most of the African countries is approaching (May-June), the availability of inputs (fertilizer, seeds, etc.) to farmers is of ultimate necessity to produce enough food.

We firmly believe that governments should promote policies that remove any restriction in the importation, distribution and use of inputs in the countries. Such a measure would apply to quarantine duration at port activities (imports, exports), industrial activities (manufacturing or blending), logistics (domestic transport and intra-regional trade), and commercial activities (continuity of fertilizer supply farmers).

On the fertilizer demand side, farmers depend on fertilizers and seeds to grow productive and nutritious crops. During this emergency situation, farmers require immediate access to all agricultural inputs, that could be provided through smart subsidies to produce more food to ensure food security post COVID-19 in Africa. To this end, governments must remove all of the usual barriers, reduce logistics costs, and provide affordable financing to support trade and distribution of agri-input supplies.

To guarantee access to the strategic inputs they need, AFFM is leading the effort with other departments within the Bank to provide regional member countries (RMC) with key products needed by our farmers. This new issue of our newsletter will shed some light on how the Mechanism is already working to make these goals a reality.
The Africa Fertilizer Financing Mechanism’s Governing Council closed its eighth meeting with a call for increased investment to boost agricultural yields and build the industry across the continent.

The Council met on 24 January at the Abidjan headquarters of the African Development Bank, which hosted the talks. The meeting was attended by 12 of its 13 institutional members, who reviewed AFFM’s 2019 activities and defined the body’s strategic direction for 2020.

“The Africa Fertilizer Financing Mechanism has now effectively started implementing its activities as its first agreements were signed in 2019 to foster the fertilizer market in Nigeria and Tanzania. New projects are being prepared for implementation in other countries,” said Marie Claire Kalihangabo, the AFFM’s coordinator. The Governing Council commended the AFFM on its 2019 achievements and endorsed its second Annual Report, as well as its 2020 work program and budget. The meeting discussed ways to mobilize more resources to scale up its activities on the continent.

Participants said the organization could significantly transform the fertilizer value chain in Africa and strongly recommended mainstreaming AFFM’s projects into the lending program of the African Development Bank and other stakeholders, like Afreximbank, for increased impact.

Josefa Leonel Correia Sacko, the African Union Commissioner for Rural Economy and Agriculture who also serves as Chairperson of the AFFM Governing Council, called on the AFFM to work closely with key stakeholders to implement the resource mobilization objectives. She also called on the AFFM to build strategic partnerships that will speed up the implementation of the Abuja Declaration objectives.

Sacko also provided an update on the potential second Fertilizer Summit, scheduled to take place in 2021. The summit will bring together African leaders and other stakeholders to evaluate progress since the 2006 Abuja Declaration and chart the way forward. The Bank considers the AFFM as an essential mechanism to improve the availability and affordability of fertilizers at the smallholder farmer level. “Through its flexible structure, multiple financial instruments and in-house expertise, the AFFM can create a long-term impact on the fertilizer value chain in Africa,” said Dr. Martin Fregene, Director of Agriculture and Agro-Industry at the African Development Bank.

The Council also committed to supporting the review of the AFFM strategy and resource mobilization plan, which will spur the organization’s activities in other countries.
The African Development Bank urged development finance institutions, NGOs, farmer cooperatives, and the private sector to develop more effective financing solutions for Africa’s fertilizer value chains. The Bank’s call to action came during the Argus Africa Fertilizer Conference held on 19 February. The conference’s theme was “Supporting the fertilizer value chain to improve agricultural productivity and economic growth in the region.”

“Appropriate investment and financing of the entire fertilizer value chain have become a precondition for achieving our continental objectives in the area of agricultural development,” said Marie-Claire Kalihangabo, Coordinator of the Africa Fertilizer Financing Mechanism, during a forum on the sidelines of the Conference.

AFFM is a Fund managed by the African Development Bank to accelerate agriculture development in line with the Bank’s High 5 priority to “Feed Africa,” as well as with Africa Food Security Vision, the Sustainable Development Goals and the African Union’s Agenda 2063.

Bank and AFFM staff presented tools and strategies to remove bottlenecks in the fertilizer value chains of African countries, including fertilizer. Dr. Edward Mabaya, Manager of the Bank’s Agribusiness Development Division, told attendees that digital solutions could play a more significant role in revitalizing and connecting the fertilizer supply chain.

Participants also discussed the need for closer cooperation between development partners and commercial banks to create exclusive fertilizer financing opportunities throughout Africa and bolster small and medium enterprises in the fertilizer sector. Small and medium enterprises are thought to represent the key to providing smallholder farmers with quality fertilizer guarantee instruments, loans to support fertilizer production, as well as access.

The Forum provided an opportunity for Mali to showcase how effective public-private collaboration and better organization of value-chain actors helped raise the country’s fertilizer use to 50kg of nutrients per hectare. In achieving this, the country met a target set in the 2006 Abuja Declaration on Fertilizer for the African Green Revolution.
AFFM in action: the Mechanism launches a $2.2 mill project in Nigeria

The Africa Fertilizer Financing Mechanism (AFFM) has kick-started a $2.2 million project to provide fertilizer suppliers in Nigeria with financial support to improve supply for 200,000 smallholder farmers with Africa Fertilizer and Agribusiness Partnership, its implementing partner in the country.

The trade credit guarantee project is AFFM’s first in the West African nation and will involve 10 fertilizer suppliers, 12 hub agro-dealers and 120 retail agro-dealers. The project will also train farmers in proper fertilizer use and other agricultural best practices.

The Senior Director of African Development Bank’s Nigeria Regional Office, Ebrima Faal and government and industry partners attended the project’s launch on 3 March in the capital Abuja. Participants discussed the project and its implementation with AFFM’s local partner, the Africa Fertilizer and Agribusiness Partnership, or AFAP.

“We will leverage on existing networks and look for creative solutions to increase the availability of fertilizer in the country,” said Nana-Aisha Mohammed, AFAP’s representative at the ceremony.

Umar Musa, Assistant Director of the Nigerian Federal Ministry of Agriculture and Rural Development’s Farm Inputs Support Services Department, who represented the Ministry at the event, said AFAP should work with the Nigerian government and other actors in the fertilizer value chain to ensure that the project complies with Nigeria’s policies and sector strategies.

“We are confident that the project will increase access to quality and affordable fertilizer by smallholder farmers and hence, contribute to the transformation of the agriculture sector in Nigeria,” said Marie Claire Kalihangabo, AFFM Coordinator. Kalihangabo expressed her gratitude to the Government of Nigeria for their financial support to the Africa Fertilizer Financing Mechanism.

The Bank’s Nigeria Regional Office Senior Director Faal said the National Fertilizer Quality Control Act 2019 further serves to reinforce the government’s commitment to the sector.

“This program is timely because the government has placed measures to encourage local production of fertilizer,” he said.
A delegation from the Africa Fertilizer Financing Mechanism (AFFM), and the African Fertilizer and Agribusiness Partnership (AFAP) held several meetings with key actors of the fertilizer sector in Abuja, Nigeria on 4 March 2020. These actors included fertilizer companies (Indorama, Notore and OCP Nigeria), the Ministry of Agriculture and Rural Development’s Directorate of Farm Inputs Support Services and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending.

The meetings presented the AFFM Trade Credit Guarantee project and introduced AFAP as the implementing partner of the project in Nigeria. They also provided an opportunity to see how these different actors could contribute to a smooth implementation of the project in Nigeria.

The discussions highlighted that the fertilizer market in Nigeria is serviced on a cash basis and that the companies usually do not sell on credit – and how this makes it difficult for smallholder farmers to access quality and affordable fertilizer. The fertilizer stakeholders pointed out that despite the high demand for fertilizer in the country, availability remains a challenge that drives up prices of this strategic input on the market.

Another critical issue identified in the country was the distribution of fertilizer. Fertilizer does not usually reach farmers’ gates in a timely manner. To address this, fertilizer companies are designing integrated solutions that facilitate rural community access to fertilizer. This solution provides input, training and extension services for farmers as well as reduces the distance farmers need to travel to access fertilizer. Local company Notore is implementing a similar solution.

All the attendees agreed that the Trade Credit Guarantee project could be a game-changer in the fertilizer sector, as it will address issues relating to availability and distribution of fertilizer. Most participants also expressed an interest in working with AFAP in the Trade Credit Guarantee project.
Project preparation in Burundi: AFFM and AHAI strategize on how to boost agricultural productivity in Burundi

The Africa Fertilizer Financing Mechanism (AFFM) participated in the Bank’s Department of Agriculture and Agro-industry preparatory mission for the “Support for the sustainable development of agricultural, animal and fisheries value chains in Burundi,” project from 3 to 14 February 2020. The mission was led by Youssouf Kabore, Chief Livestock Officer for the Department’s agriculture research, production and sustainability Division.

In Burundi, the agriculture sector employs up to 90 percent of the working population, contributes to 40% of the nation’s GDP and constitutes 95 percent of the country’s export earnings. However, average annual fertilizer use in Burundi is estimated at 5.4kg / ha. This is far below the target of at least 50 kg/ha set by the 2006 Abuja Declaration on Fertilizers for the African Green Revolution. The Bank project aims to improve long-term food and nutrition security as well as the resilience of target populations in three provinces. Youth and women are its major beneficiaries. Fifty percent of the structures to be supported are led by women, as well as 50% of the farmers that will be trained on farming best practices.

Within the global scope of this project, the AFFM gathered information and made an analysis of the fertilizer sector in order to strategize on how to include fertilizer in the productivity sub-component of the project. Sandrina Gomes, AFFM Business Development Expert, and the mission team met with various actors along the fertilizer value chain to better understand their sector issues. Some of the key actors included; the Burundian Institute for Agronomic Sciences; fertilizer suppliers such as Fertilisants organo-minéraux industries and Edendred; agricultural cooperatives CAPAD and Coopératives Kirundo, the International Fertilizer Development Center, among others.

AFFM’s representatives learned main factors affecting fertilizer use in Burundi are: the absence of a robust private sector; timely availability and accessibility of fertilizer; lack of knowledge on fertilizer use; poor diversity in types fertilizer; and limited access to financing. It is crucial for the Bank’s project in the country to design a comprehensive response that will help foster the fertilizer sector increase farmer’s yields.

Support to the fertilizer sector as part of the of the project could include financing solutions for better access to fertilizer and other agricultural inputs as well as extension services to farmers. Other potential Bank support could consider strengthening Burundi’s capacity to monitor the quality of fertilizer and the adequacy of commercially available fertilizer formulations in relation to crop and soil needs.

AFFM’s participation in the preparatory mission showed how internal collaboration can play a vital role in achieving the Bank’s Feed Africa objectives. Mainstreaming a fertilizer component in the Bank’s agriculture project for Burundi would go a long way in improving its agricultural productivity.
About 300 stakeholders in West Africa’s fertilizer sector called for more action to support the industry, which is central to the continent’s agricultural revolution.

The call came out of the first West Africa Fertilizer Financing Forum, organized by the African Fertilizer Financing Mechanism and the West Africa Fertilizer Association, held from 30 September to 1 October 2019 in Abidjan.

Financing remains one of the missing links for a robust agricultural value chain in West Africa, participants said. The Bank grasped the opportunity to present available financing instruments to support the sector and started conversations with some fertilizer companies on future collaborations.

Major regional commercial banks attending the meeting expressed their interest in risk-sharing facilities. They said stronger collaboration with fertilizer suppliers is needed to facilitate bank access to relevant financial information. Bank representatives also suggested increased working relationships with small and medium fertilizer suppliers and distributors from the West Africa Fertilizer Association to boost trade credit with guarantees from the Africa Fertilizer Financing Mechanism.

“I reassure you that the African Development Bank is deploying de-risking financial instruments, including partial risk guarantees and partial credit guarantees, to leverage financing and cover for private lenders/investors,” said Dr. Martin Fregene, the Bank’s Director of Agriculture and Agro-industry.

“I am convinced that large companies, as well as small and medium-sized companies in the fertilizer industry, will be able to implement the conclusions of this forum to expand their activities and thus develop West Africa’s fertilizer industry,” said Kobenan Kouassi Adjoumani, Côte d’Ivoire’s Minister of Agriculture and Rural Development.
After signing a Letter of Intent in Marrakech, Morocco in February 2019, the Africa Fertilizer Financing Mechanism (AFFM) and OCP Africa, a leading fertilizer company, have agreed to collaborate in a trade credit guarantee program aimed at improving access to fertilizer in Ghana and Côte d’Ivoire. After different meetings in Casablanca, Abidjan, and Accra in 2019, the two organizations have decided to expand OCP’s Agribooster initiative.

The Agribooster mechanism helps support smallholder farmers with access to good quality inputs products and services such as: inputs (fertilizers, seeds and crop protection products); training on good agricultural practices; and market linkages and financial services such as credit loans.

The AFFM and OCP have agreed to commit US$2 million each for a total of US$4 million to the credit guarantee. Each party in the credit guarantee scheme will retain the obligated funds in its separate revolving accounts. Both parties will share the risk at 50%-50% pari-pasu. This credit guarantee program will last through the year 2022.

Once operational, the guarantee will mitigate potential risks that might arise along the value chain, from smallholder farmers to fertilizer suppliers. In Ghana, the project - part of a government and OCP partnership agreement - aims to reach 250,000 smallholder farmers and increase their yields by 35%. In Côte d’Ivoire, OCP Africa in partnership with the Rice Development Agency, intends to work with 180,000 smallholder farmers and increase their yields by 30%.

Through the partnership, OCP Africa will make fertilizer available to smallholder farmers via importers and aggregators. Those stakeholders will provide at least 20% in deposit for the inputs at the beginning of the sowing season. Farmers will receive extension services, including harvest assistance. At the end of the farming campaign, the aggregators/importers will pay the farmers for their outputs and reimburse the importers for the inputs. Finally, the importers will pay OCP Africa the balance for the fertilizer distributed on credit at the beginning of the farming season.
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Boosting access to fertilizers through innovative financing solutions