

AFRICAN DEVELOPMENT BANK



Project Summary Note

Partial Credit Guarantee for commercial agriculture in Africa African Agriculture Impact Investment Ltd.

May 2019

African Agriculture Impact Investments Ltd (Mauritius)	
Project Description	The project aims to leverage the AfDB's Partial Credit Guarantee (PCG) to catalyze the deployment of international pension and asset management funds (the Pension Funds) into Africa's agriculture sector in line with the Bank's Feed Africa strategic priority. This will be achieved by using the PCG to back agri-linked notes (the Notes) of up to EUR100M to be issued by a structured finance company. The proceeds of the Notes together with two other pools of assets worth about USD75M will be pooled in a Special Purpose Vehicle (SPV) to create a capital pool for ultimate investment in a diversified portfolio of agricultural farmland assets and related agricultural infrastructure in Africa. These assets will then be put at the disposal of selected agribusiness operators seeking expansion opportunities across the continent.
Client/Sponsor	African Agriculture Impact Investments Ltd (Mauritius).
Cost Structure, Financing plan	The financing structure includes a ring-fenced capital pool in which African pension funds can directly participate, with the opportunity for local sovereign wealth funds to participate as co-investors at the individual portfolio project level.
Bank's Role	The Bank is playing a catalytic role by attracting incremental capital for investment in agriculture in Africa. It has also been instrumental in the design and development of the financing structure as well as in strengthening the ESG standards that will be applied in the implementation of the project in line with its Integrated Safeguards Systems.
Justification for the Bank's Involvement	
Strategic Alignment	The project and its expected outcomes are in line with the Bank's strategic priority for Agricultural Transformation in Africa (2016–2025) as it directly promotes the critical Agricultural Transformation Enablers identified under the Feed Africa initiative specifically through its contribution in expanding agricultural finance, increasing productivity, increasing capacity for domestic value addition and increasing food productivity. It also has cross-cutting alignment with the Bank's strategic priorities for industrialization and regional integration. As a pan-African investment, the transaction is fully aligned with the overarching Ten-Year (2013-2022) Strategy of the Bank and with the long-term objectives of most African governments for achieving food security and youth employment through agriculture transformation as part of diversification of their economies.
Development Outcomes	The investments are expected to target agricultural assets that will support multiple value chains including but not limited to; wheat, maize, barley, sorghum, livestock, dairy, as well as diverse fruits, vegetables and nuts. The project is expected to have strong social, environmental and economic development impact including the generation of over 8,000 jobs with significant involvement of women and youth. It will help disseminate commercial-scale agribusiness and farm operational capacity across Africa with high complementarity with small-scale farmers through technical, managerial and financial skills transfer. Other expected outcomes include (i) tenure and access to productive agricultural land with the requisite infrastructure; (ii) increasing agricultural productivity and food security; (iii) domestic value addition and food import substitution; (iv) improved agricultural infrastructure and technology; and (v) contribution to climate resilience through environmental reform and sustainability. Overall, the project lends itself to

	the pursuit of sustainable development goals as it has a crosscutting alignment with the Bank's top five strategic priorities.
Additionality and Complementarity	The Bank's value added is rooted in its catalytic effect of mobilizing long term incremental capital into the agriculture sector in Africa where access to adequate finance both in terms of quantum and required maturities is still a significant challenge. The Bank has also contributed in enhancing and complementing the ESG systems for the project to fully comply with good sustainability standards in line with its Integrated Safeguards Systems (ISS) and to ensure that the project follows best international standards for responsible investments in farmland, agriculture and food systems.