



# **IGD AGINVEST: CATALYZING AGRIBUSINESS INVESTMENTS IN AFRICA**



## KEY FACTS ON AFRICAN AGRICULTURE

*Africa possesses over 25% of the world's arable land but generates only 10% of global agricultural output.*

*75% of Africa's population, roughly 450 million people, relies on agriculture.*

*Flow of resources into African agriculture is increasing:*

- *Over \$5 billion raised by private investment funds;*
- *Over \$4 billion in 2011 from donors; and*
- *More than 30 African governments committed to allocating at least 10% of their budgets to agriculture.*

## CATALYZING AGRIBUSINESS INVESTMENTS IN AFRICA

Transformation of the agriculture sector is critical to Africa's economic growth and development. Across the continent some 450 million people, roughly 75 percent of Africa's population, rely on agriculture for their livelihoods. Despite possessing more than 25 percent of the world's arable land, however, Africa generates only 10 percent of global agricultural output and has been a net importer of agricultural products since the 1980s. The World Bank estimates that growth driven by increased agricultural productivity is almost three times as effective in reducing poverty as growth in other sectors. Yet the potential for agriculture to lift farming incomes and enhance food security in Africa is not being met.

### KEY CHALLENGES TO BUILDING A DYNAMIC, SUSTAINABLE AGRIBUSINESS SECTOR

Building a dynamic, sustainable agribusiness sector will involve shifting the model from one of subsistence farming to commercial agriculture, albeit on a small scale. To do so successfully requires addressing a number of key challenges, including improving low crop yields, reducing post-harvest loss, addressing infrastructure gaps, and improving processing capacity. In addition, the ability to add value to raw materials at or near the source, and enhancing local, regional, and international market connectivity are critical factors.

### EMERGING TRENDS IN AFRICAN AGRIBUSINESS INVESTMENT

Over the past five years, a wide variety of financing and other resources targeting African agribusiness has emerged from a range of sources:

- **Official donors**, including country governments and multilateral organizations, who recognize the tremendous need for Africa to improve its food security and develop the broader agribusiness sector. They provide direct funding and broad-based support through an array of efforts, such as the U.S. government's Feed the Future Initiative, the Global Agriculture and Food Security Program, the New Alliance for Food Security and Nutrition, and Grow Africa.
- **Philanthropic foundations**, such as the Rockefeller and Bill & Melinda Gates Foundations, which have backed major initiatives like the Alliance for a Green Revolution in Africa (AGRA), and provide direct programmatic support and program-related investments (PRIs).
- **Private sector companies**, including African, U.S., European and South Asian agribusiness operators, who see the huge opportunity African agribusiness offers and have established or expanded operations.
- **Investment funds**, whose ability to raise capital reflects the enormous promise of the African agribusiness sector and the improving business climate across much of the continent.

Despite this growing pool of available finance, progress in transforming the African agribusiness sector from one dominated by small-scale subsistence farming into a driver of growth across the continent has been limited.

## OVERCOMING ONGOING CHALLENGES

Translating increased investor interest and high-profile development initiatives into tangible, commercially viable investments with the potential to transform the sector has proven challenging. Two crucial issues to be addressed are deploying committed capital effectively and better aligning private sector strategies and donor initiatives.

## DEPLOYING COMMITTED INVESTMENT CAPITAL

Investment capital, a relatively new funding source for African agriculture, is an increasingly important element in driving growth in the sector. At present, over 25 investment funds are focused on African agribusiness, most having entered the market in the last several years. While more than five billion dollars in capital has been raised, the majority is yet to be deployed. Critical barriers include:

- **Deal shortage:** Investors cite a shortage of concrete, investable deals with proven operators having demonstrable track records, solid business models, and commercially viable business plans that can achieve scale.
- **Mismatched expectations between the demand and supply sides of investments:** Investors often seek large-scale, established agribusiness operations, but the reality on the ground is that most larger-scale agribusiness investments are greenfield and the majority of farming is small-scale.
- **Infrastructure constraints:** The lack of agricultural infrastructure—such as storage, processing capability, and transport—constrains most agribusiness opportunities, and individual investments cannot effectively address these broader issues.
- **Policy environment:** Government regulations can have a powerful effect on the agribusiness sector, for example where government-controlled pricing impacts local markets.

## MORE EFFECTIVELY ALIGNING EFFORTS BETWEEN THE PRIVATE SECTOR AND DONORS

Most major donors in African agriculture acknowledge that the private sector plays a critical role in providing the private capital and business linkages necessary to develop the sector sustainably. Yet, even with the influx in donor funding and the desire to leverage corporate engagement, successful, large-scale investments that combine public and private resources remain rare. Critically, challenges still remain around:

- Inadequate understanding of how and where business strategies and donor objectives align;
- Donor concerns about their funds contributing to corporate profits;
- Difficulty in advancing complex, multi-stakeholder projects given differing cultures, timelines, and objectives; and
- Lack of a consistent approach to impact measurement.

In order to help overcome these challenges and unlock more of the potential of African agribusiness, we have developed IGD AGINVEST.

## KEY AGRICULTURE INITIATIVES

Key ongoing agriculture initiatives include:

U.S. government programs:

- Feed the Future
- Millennium Challenge Corporation compacts

African efforts:

- Comprehensive Africa Agriculture Programme (CAADP)
- New Partnership for Africa's Development (NEPAD)

Multi-stakeholder approaches:

- Alliance for a Green Revolution in Africa (AGRA)
- Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
- Grow Africa

## IGD AGINVEST

IGD believes that African agribusiness can be transformed into a dynamic sector that is both commercially sustainable and delivers significant development impact. To help overcome some of the major investment challenges and catalyze large-scale agribusiness investments, we leverage our unique network of Frontier Leader investors and operating companies, who have the vision, innovation, in-country operational expertise, and capacity to play a transformative role.

### IGD'S UNIQUE ROLE

IGD aims to drive growth and demonstrate the critical role of business in developing the sector by:

- Connecting the supply and demand sides to catalyze specific large-scale, commercially viable agribusiness investments that have the potential for significant development impact.
- Convening donors and the private sector to collaborate on business-led investments to achieve development objectives more quickly and effectively by leveraging the skills and experience of the private sector.
- Advising companies on effectively measuring and articulating the development impact, both potential and realized, of their core business operations and reinforcing the importance of business as a driver of economic and social change.

### OUR APPROACH

IGD AGINVEST takes a four-pronged approach:

#### **Identifying investment opportunities that are commercially viable and have significant development impact.**

To address the current deal shortage, IGD has prioritized identifying viable investment opportunities through our network. We do this by:

- Engaging with our Frontier Leader companies and understanding their expansion strategies and priority investments, allowing us to focus where there is the greatest potential for growth.
- Prioritizing these investment opportunities based on alignment with IGD's criteria, i.e., commercial viability and high potential for development impact.
- Developing summary investment opportunity profiles that identify investment-limiting gaps (e.g., capital, lack of technical capacity) and using them as engagement tools with investors, donors, and other potential partners.

### Connecting the supply and demand sides of agribusiness investments.

IGD's network consists of investors and operating companies with the interest and capacity to help transform African agriculture. Starting with our network and moving outward, we match the supply and demand sides of agribusiness investment by:

- Aggregating investment opportunities that meet IGD's criteria.
- Socializing them with groups of targeted investors focused on African agribusiness, in particular through the IGD Investor Circle.

### Leveraging donor resources.

We use our in-depth knowledge of both Frontier Leader business strategies and donor priorities in African agriculture to leverage additional resources to address investment-limiting gaps. We support Frontier Leader investment concepts by:

- Promoting investment opportunities to relevant donors where there is clear alignment between donor objectives and the development impacts of the investment.
- Engaging with donors on behalf of Frontier Leaders to identify specific resources to address investment-limiting gaps, with the aim of catalyzing investment and the associated development impacts.
- Connecting donors and Frontier Leaders to leverage resources, including financing mechanisms, such as grants, loans, loan guarantees, and equity, technical assistance, and policy reform.

### Measuring and articulating the impact of catalyzed investments.

In collaboration with sector-leading companies and practitioners, IGD has developed igdIMPACT, a unique approach to impact measurement that captures key social and economic impacts in the areas where a company is most likely to create long-term value. Working with Frontier Leaders, IGD is promoting business adoption of impact measurement by:

- Building capacity to understand and measure the development impact of investments.
- Enhancing the potential and realized impact on poverty reduction by integrating impact measurement into operational execution.
- Effectively communicating to a broad audience of stakeholders the key role of business in development.

### HOW IGD MEASURES SUCCESS

As a nonprofit organization focused on reducing poverty through business growth and investment in Africa, our key measures of success are:

- Dollar value of investments catalyzed as a result of IGD involvement.
- Development impact achieved (e.g., number of jobs created, livelihoods improved).

Additionally, IGD is focused on telling the stories of effective investment in African agribusiness by sharing lessons learned and business insights from IGD Frontier Leaders with a broader audience of investors and donors.

## IGD AGRIBUSINESS FRONTIER LEADERS

African Export-Import Bank

AICO Africa Limited (and  
subsidiary Seed Co)

Deere & Company

DuPont Pioneer

Ecobank Transnational  
Incorporated

Equity Bank Limited

Novus International, Inc.

Olam International

Phatisa Group Limited

Press Corporation Limited

Quality Chemical  
Industries Ltd.

Standard Chartered  
Bank Zambia Ltd.

Surya Capital Limited

## LOOKING FORWARD: ENGAGING WITH IGD TO CATALYZE AGRIBUSINESS INVESTMENT

IGD recognizes the critical role that agribusiness can play in poverty reduction, not only by increasing the incomes of the very poor, but in the wide-ranging opportunities that a sustainable, robust agricultural sector brings in terms of job creation, skills, and capacity development across the value chain. To help achieve our goal of building a dynamic agribusiness sector in Africa that is both commercially sustainable in the long-term and delivers significant development impact, IGD seeks to work with all stakeholders, including operating companies, investment funds, donors, and government agencies, to catalyze increased investment.

For **IGD Frontier Leaders** with a business interest in African agribusiness:

- Actively participate in our IGD AGINVEST initiative by bringing forward your investment opportunities.
- We will help translate your investment ideas into action, from conceptualization to promotion, from identification of constraints to connecting with investors and capacity-building partners.

For **Investors**:

- Join the IGD Investor Circle to gain access to credible agribusiness deals on the continent.

For **Donor Organizations**:

- Engage with IGD to identify private sector partners to align with your development objectives in the African agribusiness sector.

*To get involved or to learn more, please contact Helen Mant, at [hmant@igdleaders.org](mailto:hmant@igdleaders.org).*

## CASE STUDY: THE LAST MILE ALLIANCE // INCREASING SMALLHOLDER ACCESS TO HIGH-QUALITY INPUTS IN TANZANIA

Rural smallholder farmers in much of Tanzania have limited knowledge of, and poor access to, high-quality affordable farm inputs, such as hybrid seed, fertilizer and crop protection chemicals, and appropriate finance and insurance products. As a result, farmer yields remain low at around 1 to 1.5 tons per hectare compared with a potential yield of 3.5 tons per hectare. The opportunity to significantly enhance farmer livelihoods by helping them improve output volumes and quality is matched by the commercial growth potential for companies providing inputs and financial services, including insurance, to capture this underserved market.

### TAKING FARM INPUTS TO THE REMOTE SMALLHOLDER FARMER: LAST MILE DISTRIBUTION

Seed Co recognizes the vast potential in Tanzania, where nearly two-thirds of farmers are engaged in maize farming, the majority being small-scale. Commercially, the latent hybrid seed market represents huge potential growth: of the total maize seed market of 70,000 metric tons, only 7,500 is currently improved hybrid seed. Successfully converting this market to hybrid seed requires Seed Co to create a rural distribution network that provides improved access not only to seed, but other necessary inputs, including fertilizers and crop protection chemicals, affordable financial services, and appropriate crop insurance to de-risk the purchase of inputs. In addition, to convince farmers of the benefit of hybrid seed, effective training in agronomy and business skills is required to ensure farmers utilize the improved inputs correctly and maximize the potential for improved crop yields.

### THE LAST MILE ALLIANCE

The Last Mile Alliance brings together a coalition of commercial partners (providers of inputs, financial services, and insurance), existing agro dealers, foundations, and donors to achieve a unique, cost-effective rural distribution network that supports both commercial success and development impact at scale. The aim is to achieve high levels of coverage across the country, starting in the northwest, with an initial target of 20 new distribution hubs in the first year.

Alliance partners' existing distribution outlets have been mapped, with gaps in coverage correlated to population density. New distribution hubs, comprised of 40-foot cargo containers, will be established to fill high-priority network gaps and ensure smallholders are within 12 kilometers of Alliance partner products. A highly skilled team of agronomy trainers will build the capacity of local agronomists who will then educate small agro-dealers and smallholder farmers on the use of improved inputs and good agricultural practices. Demonstration plots, highlighting the benefits of appropriate input usage, will be established and maintained as an integral part of the education process.

Partners will measure the business value and development impact of the Last Mile Alliance using the IGD impact measurement approach. Evaluation will include number of farmers trained, effectiveness of training and improved input usage assessed by increased crop quality and yield, and product uptake.



*Seed Co Limited, a subsidiary of AICO Africa Limited, is Africa's largest proprietary seed breeding, production, processing, and distribution group. With seven research stations and operations in 16 African countries, Seed Co develops and markets location-specific certified crop seeds, mainly hybrid maize seeds, but also cotton, wheat, soya bean, barley, sorghum and ground nut. Smallholder farmers make up 90% of Seed Co's market.*

*Seed Co Tanzania Limited was incorporated in 2012. Local production at sites in Arusha and Mbeya is currently 2,000 metric tons per year, with an annual growth rate of 25%. Seed Co Tanzania is the only seed company in Tanzania that produces seeds locally; it plans to produce all seeds locally by the end of 2018.*



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*“What is needed in rural Tanzania is a collaborative effort to really improve the standards of farming from a very basic level. The proper use of improved inputs can dramatically enhance yields, quality, and consistency of crops enabling smallholders to graduate from subsistence farming to achieving basic incomes”*

Dave Clements  
Managing Director, Seed Co  
Tanzania

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#### ANTICIPATED DEVELOPMENT OUTCOMES

- 100,000 smallholders with access to inputs and effective training, through the initial 20 distribution centers planned.
- Increased farmer yields from 1 to 1.5 tons per hectare to 3 to 3.5 tons.
- Improved quality and consistency of crops, resulting in enhanced food security and potential to graduate from subsistence to small-scale commercial farming.
- Job creation at each new distribution center, including a commitment to employ women and youth.
- Over the longer-term, improved inputs and learned techniques will help maintain soil quality.
- Improved resilience achieved through the provision of appropriate, affordable insurance products.

#### IGD SUPPORT FOR THE LAST MILE ALLIANCE

IGD recognizes the potential development impact of the investment that Seed Co and its commercial partners are making through the Last Mile Alliance and has provided ongoing support by:

- **Connecting** potential commercial partners from the IGD network and priority donors with Seed Co’s local management team and facilitating in-country meetings and discussions.
- **Convening** meetings with potential donors and partners to profile the Last Mile Alliance, reinforcing its potential at headquarters and local offices.
- **Advising** on potential donor resources that could be leveraged to support the initiative, including assistance with proposal development and positioning, as well as input on additional stakeholders, such as potential off-takers, that might be engaged over the longer term.
- **Measuring the impact** using IGD’s impact measurement approach to capture impact over time.
- **Communicating** the story of the Last Mile Alliance and its potential as a new and innovative model of business-led development.

### LAST MILE ALLIANCE: KEY FEATURES AND PARTNERS

- Clear commercial imperative coupled with potential to achieve significant development impact.
- Unique collaboration of commercial partners and development partners.
- Strong local leadership driving the initiative.
- Integrates access to inputs, finance, insurance, and agronomy and business skills services at one location.

### NEXT STEPS

Good progress is being made, but to reach scale—Seed Co anticipates 200 distribution centers across the country—the following is needed:

- Additional commercial partners who bring both financial commitment and added value, in terms of technology, existing distribution networks that can be integrated into the model, skilled agronomists, and trainers.
- Identifying and establishing viable sites for future distribution centers, including demonstration plots, where there is sufficient population to justify them on a commercial basis.
- Support from donors to effectively deliver agronomy, technical, and business skills training, utilizing Seed Co and other partners' expertise and ongoing extension service workers.
- Downstream partners—including crop storage providers, off-takers, and aggregators—who can contribute to reducing post-harvest loss and connect farmers to markets more effectively.

*If you are interested in engaging in this initiative, please contact Helen Mant at [hmant@igdleaders.org](mailto:hmant@igdleaders.org).*

### ALLIANCE PARTNERS

*Committed:*

- Yara International ASA
- Syngenta AG
- Bayer CropScience
- National Microfinance Bank Plc (Rabobank Group)
- Africa Enterprise Challenge Fund (AECF)

*In discussion with Seed Co:*

- Afrisem
- DFID Tanzania
- East West Seed
- Makulima Seeds
- Mtanga Farms
- Rijk Zwann
- Triachem

## **ABOUT IGD**

The Initiative for Global Development (IGD) is a non-profit organization that drives poverty reduction by catalyzing business growth and investment in the developing world. We bring together an influential network of senior executives from sector-leading companies with the interest and capacity to make strategic investments in high-need, high-potential areas of Africa. Members of our Frontier Leaders network shape global connections and frontier market insights, and promote business-driven development to create economic growth and opportunity.

## **ACKNOWLEDGEMENTS**

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## **ADDITIONAL INFORMATION**

For more information on IGD AGINVEST, or to learn how to participate, please contact Helen Mant, Director, at [hmant@igdleaders.org](mailto:hmant@igdleaders.org).