



AFD support to smallholders and cooperatives' access to financing: lessons learnt and prospects in Georgia



Tbilissi, November 29th 2016

Shaping sustainable futures

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2. AFD's activity in Agriculture Financial Intermediation

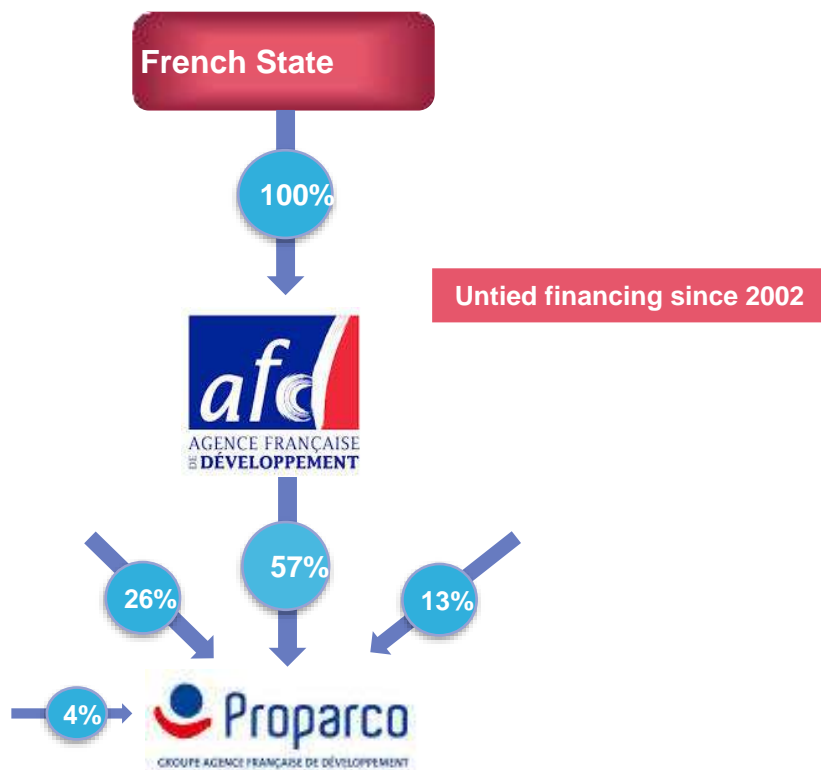
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AFD Group at a glance

The development bank of France

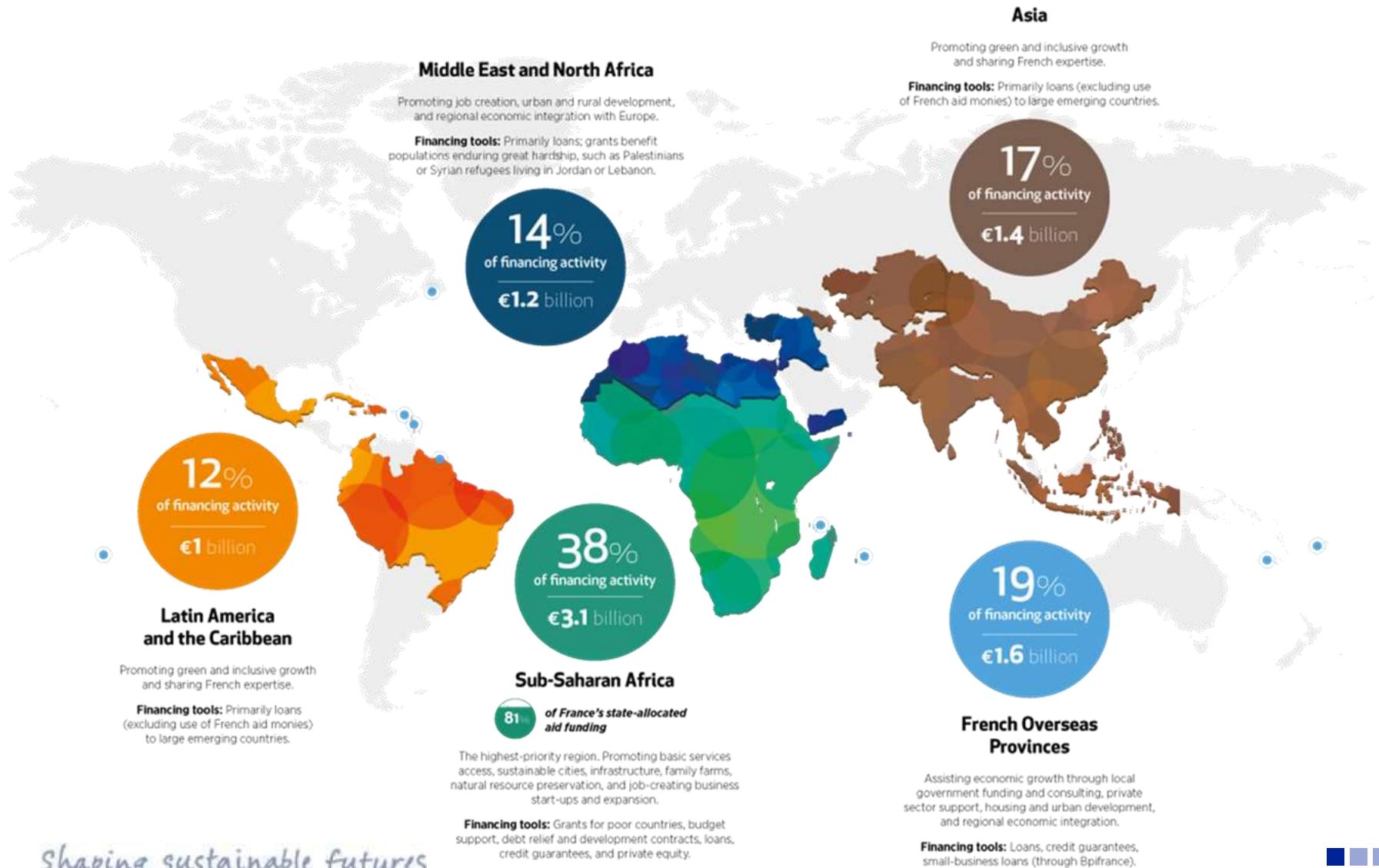
Fostering development which is economically, socially and environmentally sustainable



- **Established:**
 - AFD: 1941
 - Proparco: 1977
- **Employees: 1 945**
- **Head Office: Paris, France**
- **Coverage: 90 countries with 71 field offices**
 - Africa: 30 countries
 - Middle East: 11 countries
 - Asia: 12 countries
 - Latin America: 7 countries
 - Overseas: 10 countries
- **Balance Sheet: € 35 billion (2015)**
- **Rating: AA+**
- **New commitments (Foreign countries and French Overseas): € 8.3 billion (2015)**
- **Total Portfolio: € 22 billion (2015)**

AFD Group at a glance

A global footprint with a focus on sub-Saharan Africa



1.3

AFD Group at a glance: *a full range of financial instruments*

€ 8,3 billion commitments

Funded sectors (projects number)

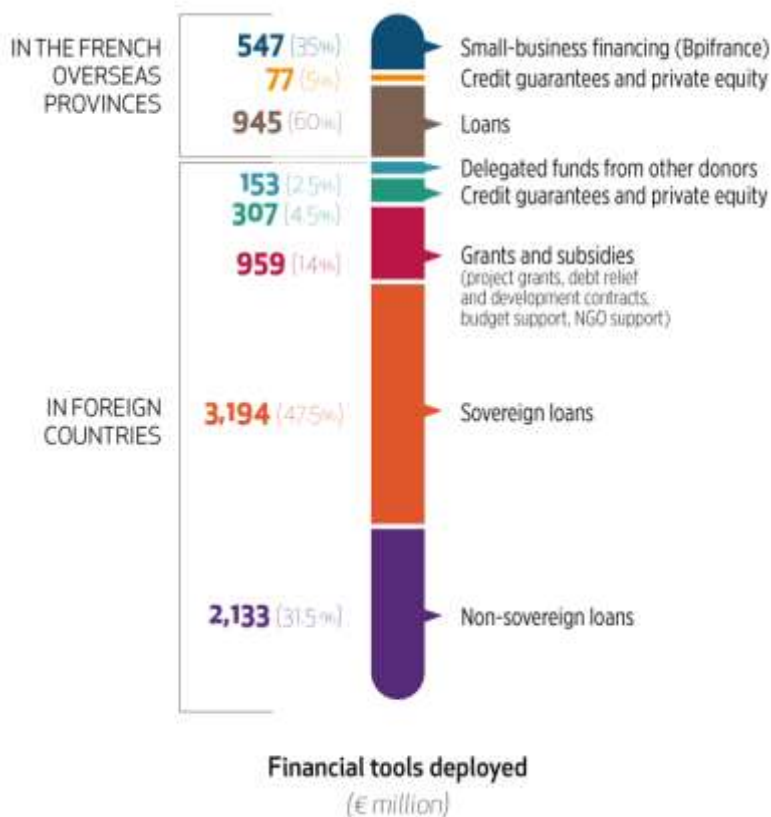


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Strategic framework for agriculture, rural and biodiversity sector financing

- AFD's activities are aimed at
 - **reducing poverty and inequalities** (Millenium Development Goals),
 - **promoting sustainable economic growth** (green and socially inclusive)
 - and **protecting “Global Public Goods”** of benefit to all mankind

- In the agriculture sector, the objectives are to:
 - **Make agriculture and agribusiness an engine for inclusive growth targeting value chain productivity and efficiency**
 - **Support an environment conducive for investment**
 - **Make rural areas attractive for investment and youth, targeting rural infrastructure and decentralization**

2.2 AFD's strategy for agricultural finance

Farmers' access to finance is essential for agricultural development and is part of an efficient agricultural policy

Need to:

- Support the offer on the financial institutions' side:
 - Better understanding of the sector, services adapted to sector's needs, sustainable financial institutions
- Support the demand on the agriculture's sector's side
 - Sector attractive (financial sustainability, limited risks)

2.3 3 main intervention areas

■ Improve family farming performance and sustainability

- Professionalize family farms
- Improve farmers skills
- Promote ecology intensification for greater production and environmental protection
- Support farmers organizations and value chains structuration

■ Promote a performing economic model with high social and environmental added value

- Support capacity building for public actors and professional organisations
- Support creation of highly valuable tools to allow informed decision making
- Improve infrastructures and risks management related to health, price volatility and climate change
- Improve access to rural financing tools

■ Reinforce local government in rural areas

- Soil use, land management, natural resources protection, infrastructures development
- Improve access to basic services in rural areas (health, water, energy, education)

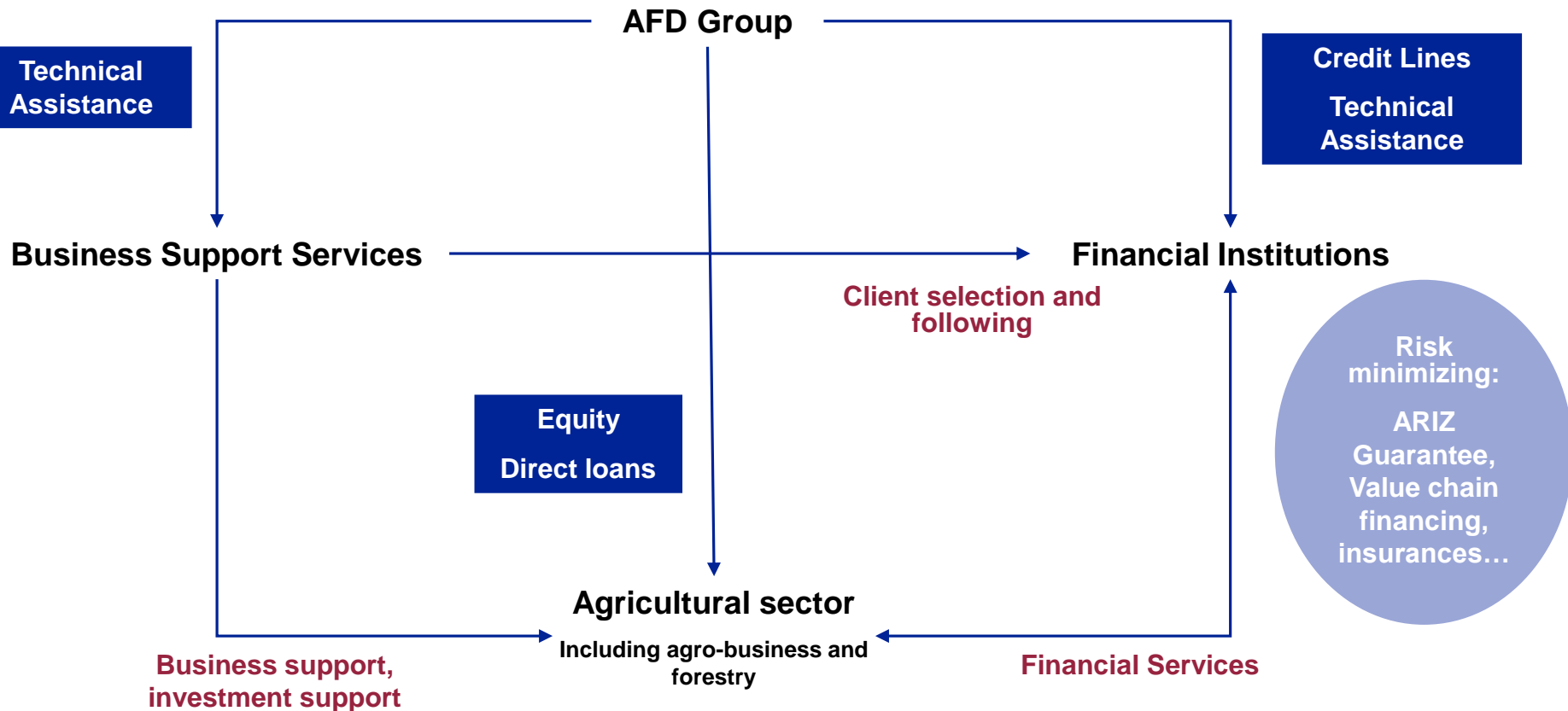
AFD's agriculture finance toolkit: an integrated approach

2.4

Enabling environment:
Modernisation and structuration
of the agricultural and financial
sectors

Support the demand for
financial services

Support the offer of
financial services



AFD various financial products

■ Non-sovereign loans

- **to agri-business and agro-industries** in the framework of organized value chains with balanced/fair contracts
- **to financial institutions** (MFIs, commercial banks, agricultural development banks, etc.)

■ Sovereign loans

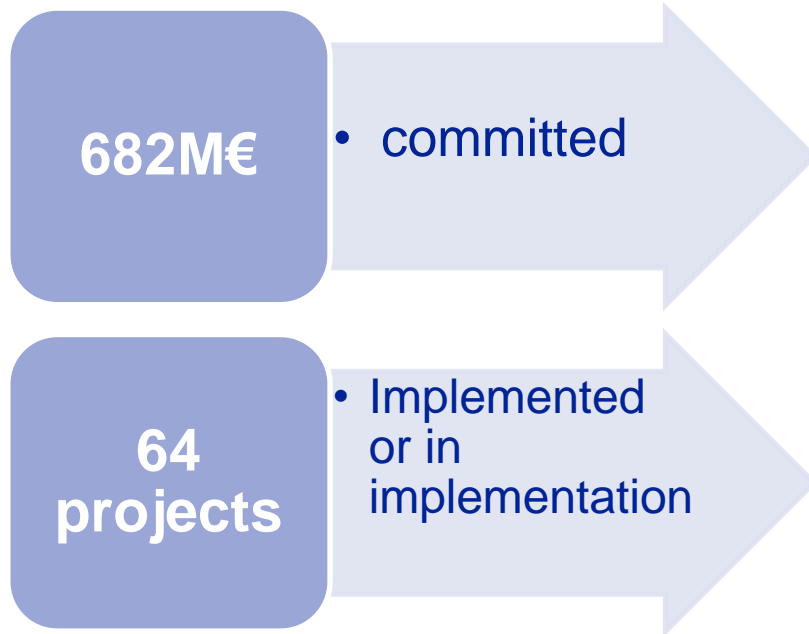
- **financing national policies/programs** (incl. Through on lending to public banks)
- **financing public infrastructure** (irrigation, roads, etc.)
- **strengthening institutional capacities** of all stakeholders through sovereign credit lines

■ Guarantees (incl. ARIZ): to private operators or financial institutions

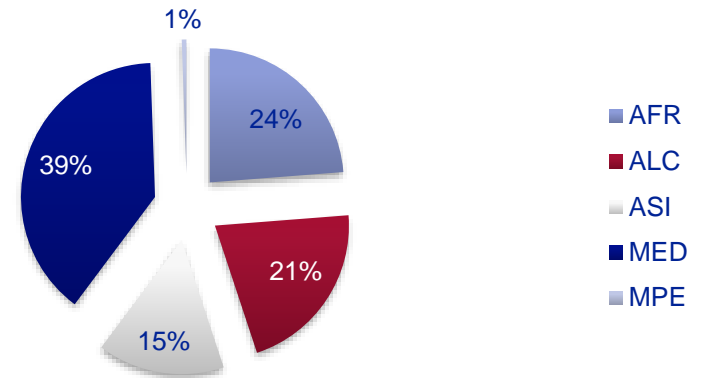
■ Grants (mainly for credit lines)

- strengthening public capacities to design and implement sectoral policies
- strengthening private actors capacities (ex. financial institutions' capacity building)
- supporting agronomic, financial and commercial innovations

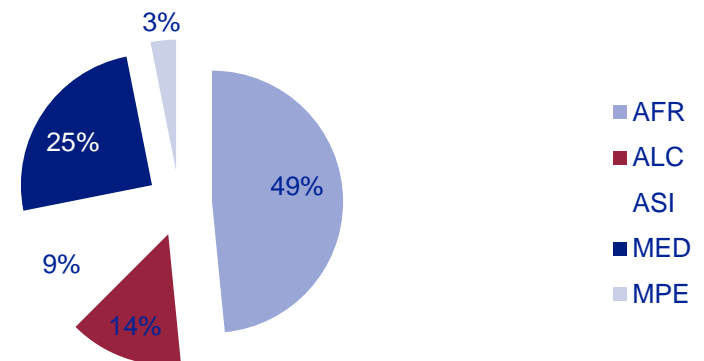
2.6 Key figures – 2008-2015



Geographical distribution (M€)



Geographical distribution (number of projects)



2.7 Expected impacts

- To increase access to finance to small scale farmers and rural/agro SMEs
- To ensure food safety
- To increase agriculture productivity
- To create/maintain decent jobs in agriculture and rural areas, generate revenue and reduce poverty

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3.1

Morocco – Access to finance for rural (non-agricultural) and agro-processing VSMEs

Sector: Agriculture

Subsector: Rural development

Criteria	Project characteristics
Final beneficiaries	<ul style="list-style-type: none"> • Rural non-agricultural very small businesses/SMEs • Agro-processing SMEs
Financial product	<ul style="list-style-type: none"> • € 60 M non-sovereign concessional loan • € 0.5 M Grant
Project	<ul style="list-style-type: none"> • Support to the Moroccan public policy for rural development • Improvement of access to finance for rural non-agricultural very small businesses/SMEs and agro-processing SMEs
Estimated subprojects	<ul style="list-style-type: none"> • Approx. 3,500 very small businesses/SMEs
Maturity	12 years with 3 years grace period
Interest rate to the final beneficiaries	Between 6% and 8% (Dirham)
Expected impact	<ul style="list-style-type: none"> • 88.25 M€ support investments • 28 000 created or maintained jobs • Access to social security for approx.168,000 persons

3.2

Morocco – Access to finance for rural (non-agricultural) and agro-processing VSMEs

Sector: Agriculture

Subsector: Small and medium farms long-term investments

Criteria	Project characteristics
Final beneficiaries	<ul style="list-style-type: none">• Small and medium farms
Financial product	<ul style="list-style-type: none">• € 40 M non-sovereign concessional loan• € 0.5 M Grant
Project	<ul style="list-style-type: none">• Support to the “Plan Maroc Vert” – Morocco’s agriculture public policy• Improving small and medium farmers productivity and incomes
Estimated subprojects	<ul style="list-style-type: none">• Minimum 2850 small and medium farms
Maturity	12 years with 5 years grace period
Interest rate to the final beneficiaries	8% for short-term investments and 8.5% for long-term investments
Expected impact	<ul style="list-style-type: none">• € 80 M supported investments

3.3

Sustainable agricultural practices in Mexico

Sector: Agriculture

Subsector: Rural development

Criteria	Project characteristics
Final beneficiaries	<ul style="list-style-type: none">• Agro industries, farmers, producers associations
Financial product	<ul style="list-style-type: none">• USD 100M Loan: AFD + cofinancing from BID for the investments• € 5M Grant from EU (LAIF)<ul style="list-style-type: none">• TA for institutional strengthening and market development in the field of sustainability and climate change (€ 1 M)• Development of innovative financial mechanisms for implementing pilot projects in the field of sustainability and climate change (€ 4 M)
Project	<ul style="list-style-type: none">• Promote modern, profitable and sustainable practices in agriculture, fisheries and forestry sectors• Develop innovative financial tools and products• Raise the level of sustainable incomes in rural areas
Intermediary	The national rural development bank (FIRA) for the refinancing of the agriculture & rural sector through banks & MFIs dedicated to agric innovative solutions to cope with climate change

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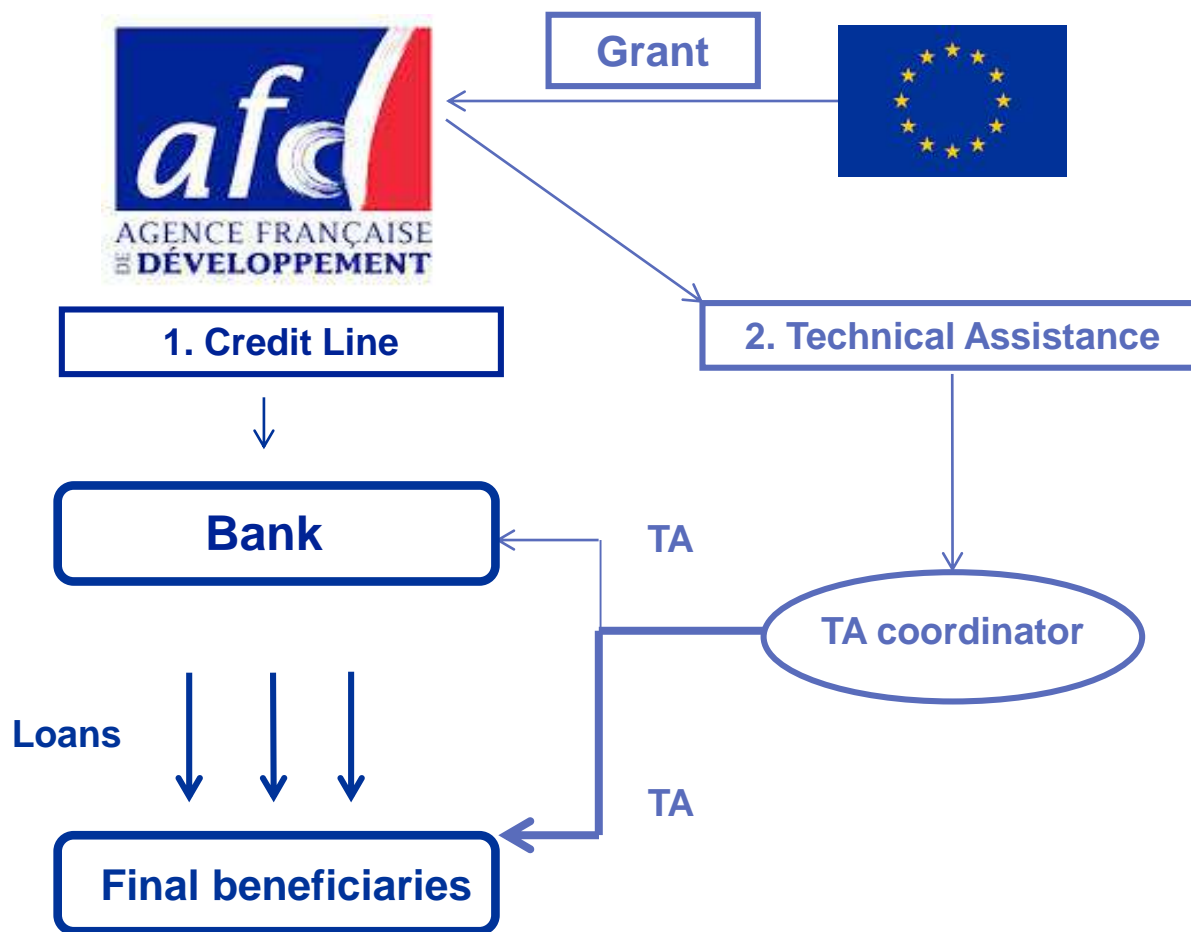
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4.1 Lessons learnt

- **Agriculture is part of an ecosystem**
 - ⇒ its development needs to be part of an integrated government policy
- **It is essential to support both the offer and the demand for financial services:**
 - Affordable financial conditions
 - Financially sustainable projects
- **It is essential that farmers and financiers understand each others' needs and constraints**
 - Need to build trust between the banks and their clients
- **The best support to farmers has to provide both affordable funding and experienced counselling**

4.2 Proposal of Partnership: Forecasted project scheme



4.3 Proposal of Partnership: Main characteristics

Objectives	Provide access to finance to small rural farmers and cooperatives not yet financed by the market
End Beneficiaries	<ul style="list-style-type: none"> (i) dynamic family farms with potential to become, with access to finance and technical support, commercial farms (50 000 out of 165 000 falling into this category); (ii) promising cooperatives, among those recently established (out of 1000 recently established with ACDA/EU support).
Eligibility criteria	<ul style="list-style-type: none"> (i) max 20 000 GEL loan for working capital and max 40 000 GEL loan for fixed assets; (ii) min of 50% of the loans => assets financing (investment); (iii) at least 1 000 farms and 100 cooperatives to be financed for their investment projects; (iv) Min 3 years for loans to finance fixed assets (v) Capped interest rates to ensure affordability
Maturity	10 years
Grant Component EU	3 to 5 M EUR (Technical Assistance)



Thank you for your attention

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développeur d'avenirs durables