

Publicly and privately funded initiatives supporting agribusiness investment in Africa

Rapid desk based inventory

Carolin Williams

Overseas Development Institute

June 2015

EPS-PEAKS is a consortium of organisations that provides Economics and Private Sector Professional Evidence and Applied Knowledge Services to the DfID. The core services include:

- 1) Helpdesk
- 2) Document library
- 3) Information on training and e-learning opportunities
- 4) Topic guides
- 5) Structured professional development sessions
- 6) E-Bulletin

To find out more or access EPS-PEAKS services or feedback on this or other output, visit the EPS-PEAKS community on <http://partnerplatform.org/eps-peaks> or contact Alberto Lemma, Knowledge Manager, EPS-PEAKS core services at a.lemma@odi.org.uk.

Disclaimer Statement:

The views presented in this paper are those of the authors and do not necessarily represent the views of Consortium partner organisations, DFID or the UK Government. The authors take full responsibility for any errors or omissions contained in this report.

Contents

1	Introduction	1
1.1	Objective	1
1.2	Methodology	1
2	Key findings	2
3	Inventory of publically and privately funded initiatives	4

1 Introduction

1.1 Objective

This inventory, carried out under the DFID Economics and Private Sector Professional Evidence and Applied Knowledge Services (EPS-PEAKS) framework seeks to provide a quick overview of publicly and privately funded initiatives supporting investment in agribusiness in Africa. It also aims to compare existing initiatives and identify gaps.

The inventory includes initiatives providing loans, equity, guarantees and/or grants for agribusiness development in Africa, both publicly and privately funded. The inventory focuses on agribusiness funds and funds of funds, rather than direct investments themselves. It is not exhaustive of existing agribusiness financing initiatives. Further, other sources of financing, for example financial sector development, non-agribusiness exclusive SME funds, micro financing and sovereign wealth funds, among others will also constitute a significant source of finance for agribusiness development in Africa.

The overview provides basic information on each initiative as publically available and compares them against the following criteria: target deal size, investment period, investment instruments, technical support offered, stage of development of investment cycle, sector or subsector, risk appetite, inclusiveness of investment, focus on gender as well as sources of capital and capital leveraged.

1.2 Methodology

The inventory was put together through a rapid desk based search of publically available information. It builds on an initial list of relevant initiatives provided by DFID. This list was expanded focusing on initiatives funded by development finance institutions (DFI), including FMO, Danida, KfW, CDC and Norfund as well as IFC (however, some of these do not comprehensively list their investments publically yet, notably KfW, which will only start doing so this year and Danida). The inventory was further expanded building on grey literature searches of key agribusiness equity funds. All information provided draws on details provided either by fund management companies or that of investors into the fund as well as grey literature searches for those funds.

The details gathered for each criteria were then compared across the inventory to identify common threads and gaps, particularly in regards to average deal size, makeup of the investment instruments as well as provision of technical assistance provided. Though risk appetite of funds was identified as critical for DFID it was difficult to gauge this based on online searches only.

2 Key findings

For several of the criteria no information could be identified through searches of publically available information. Overall, information was more readily available for public than privately funded initiatives. Based on a quick comparative analysis of the initiatives reviewed, the following observations are made in regards to the criteria:

Target deal size

Target deal size could only be identified for roughly two thirds of the initiatives reviewed through searches of publically available information. Overall target deal size ranged from USD 2,000 to USD100 million. Most initiatives have a target deal size in excess of USD 500,000. Seven went as low as USD 150,000. However only four had a minimum target deal size of below USD 50,000. No information was collected on how many deals close towards the minimum end of target deal size.

Investment period

The target investment period could only be identified for a quarter of the initiatives reviewed through searches of publically available information. It ranged from 1 to 10 years. Most initiatives aimed for an investment period of between 3-7 years. Only one initiatives, AgDevCo, aims to provide investments until investees reach sustainability and can attract third party investment. As most of the funds have only recently been set up, it remains to be seen if these are realistic investment periods.

Investment instruments

The kind of investment instruments employed were identified for roughly two thirds of initiatives reviewed. They generally include a combination of equity, quasi-equity and debt. Only a few initiatives offer grants. Equity investments varied in whether or not they aimed to have a majority stake in companies.

Technical support

Roughly a third of initiatives were identified as providing some form of technical support along financial investments. For several public and private funds the technical support function was exclusively funded by a donor or group of donors.

Stage of development

For roughly a third of initiatives the target state of development could be identified through searches of publically available information. Of these the majority focused on start-ups and early stage businesses. Several also considered investments along all stages of development. It is likely that the majority of initiatives for which no information was identified, will focus on growth.

Sector and sub-sector

Initiatives reviewed varied considerably in whether or not there was a particular sector or subsector focus. Some were focused on one sub-sector only, whilst others spanned investments across several sectors.

Geographic coverage

Most initiatives reviewed focus on Eastern Africa, some on West Africa, some were global, some sub-Saharan Africa focused, yet others only covered one country. However, several least developed countries in Africa are not yet at a point to attract much public or private investment in agribusiness.

Risk appetite

It was not possible to establish the risk appetite of initiatives through publicly available sources. Two private equity funds were the first to be set up in Ethiopia and Zimbabwe respectively. Several funds as described above focus on early stage investment. However, neither necessarily equates to high risk appetite.

Inclusiveness of investment

Most public or public and private initiatives highlight the inclusiveness of investment in terms of farmers reached. However, though not explicitly identified for private initiatives as a key motivator, inclusiveness of investment is likely to be considered at a minimum as a risk management tool.

Focus on gender

Just over 10 percent of initiatives reviewed state that they specifically aim to support women.

Sources of capital and capital leveraged

Initiatives reviewed included public only, public and private, as well as private only investments. Although who invested tends to be stated, generally there is no information on the share by party on investment. Often technical support elements of initiatives, if part of a public private initiatives, is exclusively funded by the public partner.

3 Inventory of publically and privately funded initiatives

The inventory is provided as a separate [excel document](#).