

OVERVIEW:

AGRI-BUSINESS CAPITAL FUND (ABC FUND)

11TH EDF INTRA-ACP PRIVATE SECTOR DEVELOPMENT PROGRAMMES
AND FACILITIES

Title of facility or programme **AGRI-BUSINESS CAPITAL FUND (ABC)**

Implementing partners International Fund for Agricultural Development (IFAD)

Budget **Budget phase I**

- Total budget: €45,75 million (Financial instrument: €40 million, TA: €3,65 million) + IFAD direct & indirect cost €2,1 million
- IFAD contributes to the **technical assistant** budget

Tentative budget phase II –Blending structure

- Total budget: €237 million
- **Intra-ACP/EDF: €45,75 million (see above)**
- Luxembourg Govt: €4,475 million
- AGRA: €4 million
- Other: €147 million

Duration The ABC Fund is an evergreen investment vehicle, TA will complement as needed in fixed duration contracts

Program description **Overview**
The ABC Fund, a blended capital impact investment vehicle, initiated by IFAD and anchored by the European Commission (EC) with the support of the **Organisation of African, Caribbean and Pacific States OACPS**, the Luxembourg government and the Alliance for a Green Revolution in Africa (AGRA), aims at alleviating the funding gap faced by small-scale farmers, thereby contributing to inclusive economic and social development in targeted countries.

- ABC Fund is an investment fund that targets smallholder farmers and aims to support projects that create viable employment opportunities for rural youth, and men and women led SMEs.
- ABC Fund will start as an open-ended Fund management company.
- ABC Fund's first phase will have a lifespan of up to 5 years.
- ABC Fund will then transition towards a blending facility by using the anchor funds and including commercial investors, expanding the scope and type of financial products.

Fund Features – First Phase

- Duration: open-ended
- Fund size: US \$50M
- Alternative investment fund manager (AIFM): Carne (portfolio & risk management)
- Fund Manager: Bamboo Capital Partners: (portfolio management)
- Investment adviser: Injaro (investment advice)
- Funding: Concessional (Capital preservation)
- African, Caribbean and Pacific countries
- Sector: Agriculture sector with a special focus on SMEs, farmer organizations, and rural youth
- Currency: EUR, USD and local currency
- Exit strategy: Debt repayment
- Expected returns: Revolving

Governance **Board of ABC Fund:** The independent board of ABC Fund is composed of directors nominated by IFAD, the Alliance for a Green Revolution in Africa, Ministry of Foreign Affairs of Luxemburg, and the EC (in collaboration with **the OACPS Secretariat**)

A Project Steering Committee (PSC) is established for the IFAD ACP/EU relations – including European Commission, **OACPS Secretariat**, Fund Manager, TA Manager - that meets once per year; with meetings to be convened by the EC, taking the annual implementation report prepared by IFAD as a basis for deliberations.

Geographic coverage and beneficiaries

Geographic coverage: All OACPS (African, Caribbean and Pacific countries)

Beneficiaries:

- Sector: Sustainable and climate-resilient agriculture and agribusiness
- Underserved segments of the agriculture value chain in developing low- and middle-income countries, namely, farmer organizations, rural SMEs, women and youth.

Access conditions for financing facility

Direct investments

- Direct investments in strategically positioned/unique business model SMEs, with scaling potential.
- Direct investments into farmer groups/organization, aggregators, and value chain actors.

Instrument	Typical Tenor / holding period	Typical Size (EUR)
Working Capital Facilities	Up to 24 months, typical tenor of 6-12 months	200k-440k
Term Loans	3-5 years	400k-0.8M
Sub-debt/Equity	5-7 years	400k-0.8M

Indirect investments

- Indirect debt and equity investments via traditional financial institutions (Agri banks, SME banks and MFIs).
- Co-funded risk and reward sharing agri-portfolios with select financial institutions.
- Indirect debt and equity investments via alternative lenders servicing the target groups.

Channel	Typical Tenor / holding period	Typical Size (EUR)
Working Capital Facilities	2-5 years	200k-4M
Term Loans /Equity	3-7 years	Up to 4M

Single Obligor Limits

The exposure limits to any one investee group will be the greater of (i) five per cent (5%) of the total paid-in capital or (ii) EUR 8M.

Investment themes

The Fund will focus on 4 underlying themes that are likely to have the greatest potential of improving and transforming agricultural and agribusiness SMEs and smallholder farmers' livelihoods:

- Market participation by integrating SMEs and farmers
- Addressing specific value chain bottlenecks
- Local production, value addition/transformation and certification/traceability
- Promoting Ag-tech, innovation and climate-smart agriculture and value chains

Country selection criteria

- Existence of an active IFAD country program with value chain approaches
- Donors (ACP/EU) preferences and priorities
- Maturity of the local private sector market to absorb investments
- Policy and regulatory framework that is supportive of foreign investments

Investee selection criteria

ABC Fund investment officers will leverage, among other opportunities, OACPS/EU, IFAD and AGRA's project pipeline to identify:

- Farmer organizations and SMEs that are part of the "missing middle"
- Key actors within a given agriculture supply chain:
 - Who display high potential for growth and for contributing to IFAD efforts to produce a multiplier effect on the impact for smallholder farmers
 - Whose activities are performed in adherence with IFAD's social and environmental standards

How to apply / contact details

link to the ABC Fund
<https://www.ifad.org/en/abcfund>
or <https://www.ifad.org/fr/abcfund>



Investing in rural people

