



From Farms to Markets: Providing Know-how and Finance.

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Innovative Forms of Finance

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Main Questions

- What specific forms of financing does strengthening farm to market linkages require?
- What financial institutions and what specific financial instruments meet these new requirements, particularly well?
- What specific forms of cooperation between financial institutions and chain integrators are key to profitable growth?
- How transferable are these institutions, instruments and modes of cooperation across regions, across markets and across food categories?
- What opportunities for *South-South cooperation* can emerge from this conference?



Current Situation

- Adaptable financial services are necessary *but not sufficient conditions* for farm to market strengthening
- Traditional challenge
 - Time lag between inputs and outputs
 - Requirements for specialized assets with long economic lives
 - Farmer income maintenance
- Term loans provided through micro finance institutions do not provide an adequate response to the challenges of supply chain linked agriculture



Current Situation

- New challenges
 - Linking financing and supply chain interdependencies
 - New asset categories
 - Need for active investor involvement
 - New risk management mechanisms
 - Increasingly supportive investment environments
- Rapidly evolving institutional response
 - Venture capital/hedge funds
 - Structured finance/ structured trade
 - New forms of public investment





Remaining Challenges:

- Profitable, integrated chains require external sources of working capital in order to sustain growth
- Creditworthiness of participants **in a chain context** requires monitoring
- Collaterals for farm products remain under developed....as do secondary markets for these products
- Instruments for equity and quasi equity investment in chain specific assets remain to be refined
- Ownership rights for farm land and water remain uncertain
- More generally, public policies are only partially supportive of innovative financing
- Boundary lines between public and private good investment require clarification





Opportunities:

- Rising food prices are attracting new forms of private investment
- Long term concerns with food security are provoking new policy thinking
- Large global disparities persist in food production and distribution productivity
- Intensified competition among food chains and their “second generation” competitive responses
- Public policies are being tested which support private investment
- Rapid learning is taking place within global financial service industries
- Increased complementarity between development banking institutions and private investors





Solutions Submitted

- A total of **19 solutions were submitted**
- **Subject areas:**
 - Facilitating business planning and financing
 - Scaling up successful pilot projects (FAEMG, Banca Agrileasing)
 - Formulating innovative supply chain structures (ACDI/VOCA, Cargill Ceylon)
 - Agri-industrial park development and agri-incubators (IAFP and FNC)
 - Due diligence reviews (CIEH-UNIDO)
 - Asset management (ACE, Equi Trade)
 - Matching grants (CCIAT)
- Only a limited number of solutions involve actually **putting private capital at risk**
- **Critical factors:**
 - Integrating competencies both in supply chain management and in financial risk management
 - Translating comparative advantage into competitive advantage
 - Opportunities for replication and self sustaining growth





Points for Discussion

- **What innovative solutions have been successful in providing financing for agribusiness in developing countries?**
- **On what bases can financial institutions and chain integrators sustain cooperation?**
- **What factors have contributed to making these solutions successful?**
- **How can successful solutions be replicated in other countries/regions?**





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Thank You

