



## PRIVATE SECTOR WINDOW: Fact Sheet

**Program Background and Highlights:** In response to the global food crisis in 2008 the G8++ launched the Global Agriculture and Food Security Program (GAFSP), a multilateral mechanism to assist in the implementation of pledges made at L'Aquila in July 2009 and reaffirmed by the G20 in Pittsburgh in September 2009, to scale-up support to help poor countries reduce poverty and improve rural livelihoods and food security, thereby contributing to the achievement of the United Nations' Millennium Development Goals to cut hunger and poverty by half by 2015.

GAFSP Private Sector Window (PSW) is implemented by the International Finance Corporation (IFC) and the Public Sector Window is administered by the International Bank for Reconstruction and Development (the World Bank).

✓ **The Private Sector Window** will be implemented and managed by the IFC to provide innovative financing aimed at increasing the commercial potential of small and medium-sized agri-businesses and farmers by connecting them with local, national, and global value chains. Its focus is on the following areas:

- **Increasing productivity:** By connecting smallholders with credit, it will enable them to expand and leverage economies of scale to increase agricultural yield.
- **Supporting innovation:** The PSW aims to support companies that develop technology and processes that increase productivity and lower use of water resources and inputs such as fertilizers.
- **Reducing risks:** The PSW will launch financial products such as first loss cover and weather insurance to ease these risks. It will also invest in Micro, Small, and Medium-sized Enterprises (MSMEs) funds to supply flexibility for the funds to invest in MSMEs in riskier countries that cannot attract investment capital through traditional channels.

*"At a time of limited resources and with more than one billion people undernourished, this fund leverages our contributions to tackle one of the most pressing challenges of our time."*

Tim Geithner, US Treasury Secretary

✓ **Types of Financing:** The GAFSP PSW will offer financing across the capital structure in agribusiness firms along the value chain, as well as advisory services alongside investments, focusing on MSMEs in IDA countries. The main types of financing include:

- **Long Term and Short Term Loans:** Local intermediaries and agribusinesses will be able to apply for debt financing from PSW to onlend to smallholders, farmers, and MSMEs. Businesses of this size typically have difficulty attracting commercial financing, thus hampering their ability to financing crops and invest in expansion.

- **Equity Capital:** Availability of equity capital will strengthen the agribusiness supply chain and reach out to MSMEs in the following sectors: logistics, distribution, food production and processing, as well as agri-related infrastructure.
  - **First Loss Cover:** As part of an investment, the facility may choose to also provide first loss cover for loans taken out by smallholder farmers or SMEs, making them more attractive as borrowers to financial intermediaries.
  - **Advisory Service:** When warranted, investments will be complemented by advisory services for increasing access to agri and farmer finance, improving farmer productivity, standards and market links, reducing risks, and mitigating climate change effects.
- ✓ **The Facility's Unique Features:** The Private Sector Window will add value to current bilateral efforts through:
- Focus on agribusiness small farmholders and MSMEs.
  - Investments with a different risk/return profile.
  - Open and competitive call for financing.
  - Open to all MDBs to submit projects for financing by the PSW.
- "The agricultural sector accounts for the majority of the labor force in many poor countries, but only receives a small fraction of total commercial bank lending."*

**Jim Flaherty, Canadian Minister of Finance**
- ✓ **Eligibility for Funding:** Three main criteria will guide investment decisions:
- **Country Need:** The window will be open to private sector firms and financial institutions operating in IDA-only countries, limiting GAFSP to countries with some of the lowest income per capita. Firms outside of IDA-only countries with a compelling case may be considered for funding in consultation with donors.
  - **Use of Funding:** Financing must be used for the expansion of activities related to strengthening smallholder-based supply chains, agribusiness, food and beverage production and processing and related infrastructure facilities.
  - **Development Impact:** Investments will enhance agricultural productivity and increase incomes of smallholder farmers.
- ✓ **Current GAFSP PSW Funding Support:**
- Canada: CAD 50 million
  - United States: USD 25 million
  - The Netherlands: €100 million
- ✓ **Contacts at IFC**
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