THE 7TH AFRICAN TEA CONVENTION & EXHIBITION

Theme: Beyond the Leaf

Session 4: Finance and Investment

STRUCTURED COMMODITY FINANCE AND INVESTMENT OPPORTUNITIES

MS. SIBY DIABIRA, SENIOR REGIONAL INDUSTRY MANAGER, AGRIBUSINESS, INTERNATIONAL FINANCE CORPORATION (IFC)

IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

AGENDA

01. About IFC

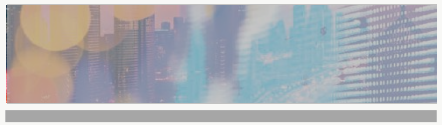
02. The IFC solutions for the Agribusiness Sector

03. IFC's Experience in Agribusiness in Africa

04. Contacts

IFC: A MEMBER OF THE WORLD BANK GROUP

WORLD BANK GROUP



IBRD
International Bank for Reconstruction and Development

Loans to middle-income and creditworthy low-income country governments



IDA
International Development Association

Interest-free loans and grants to governments of the poorest countries



IFC
International Finance Corporation

SOLUTIONS IN PRIVATE SECTOR DEVELOPMENT



MIGA
Multilateral Investment Guarantee Agency

Home of the World Bank Group Guarantee Platform



ICSID
International Centre for Settlement of Investment Disputes

Conciliation and arbitration of investment disputes

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IFC'S UNIQUE VALUE PROPOSITION

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1 Reduced Political Risk & IFC Privileges

- **Government relations** Enhanced profile vis-à-vis **local authorities and partners**
- **Honest broker role**: IFC is viewed as a neutral broker building credibility for the transactions it assists
- **Preferred creditor status**: preferential access to foreign currency in the event of a country foreign exchange crisis
- **No withholding tax on IFC loans**

2 Global Industry Expertise

- **Global IFC investment team dedicated** to the agribusiness and forestry sector in emerging markets
- **Senior industry specialists** focused on various subsectors with deep technical expertise
- **Senior economists** dedicated to agribusiness and forestry

3 Value-Added Advisory

- Best practices advice on **food safety, operations, environment, supply chain, social, corporate governance, gender, human resources, and market entrance**
- **IFC's Environmental & Social (E&S) Equator Principles** have been adopted by over 90 financial institutions
- Identifying and implementing **climate-friendly investments** that improve bottom-line performance

4 Global Presence & Regional Assets

- **Global base of 2,000+ clients** across the five continents
- **100+ offices in 90+ countries** with focus on **local presence and global expertise**
- Investment professionals in regional hubs and country offices, with over half of IFC's staff based in emerging markets

5 Long-Term Funding & Local Currency

- **One-stop shop for financing:** equity, debt, structured finance, derivatives etc. based on client needs
- **Longer investment horizon and less cyclical than most financial investors**: up to 10-12 years
- **Local currency financing** in over 50 currencies with potential to structure **multi-currency facilities**

6 Working Upstream

- Proactively helping **stimulate and create conditions** that result in the movement of capital into **investment projects**
- Early-stage project development engagement to **unlock bankable investment opportunities**

OUR PRODUCTS AND SERVICES

A one stop-shop from debt to equity

- INFRASTRUCTURE & NATURAL RESOURCES
- MANUFACTURING, AGRICULTURE & SERVICES
- FINANCIAL INSTITUTIONS
- PRIVATE EQUITY & VENTURE CAPITAL

Investment

Loans	Equity	Trade and Commodity Finance	Derivative and Structured Finance	Blended Finance
▪ Corporate and project financing ▪ On-lending through intermediary institutions ▪ Sustainable and climate finance linked loans and bonds	▪ Direct equity investments ▪ Private equity funds	▪ Guarantee of trade-related payment obligations of approved financial institutions	▪ Derivative products to hedge interest rate, currency, or commodity-price exposures of IFC clients	▪ Using donor funds to crowd in private financing ▪ Helps catalyze sustainable, high-impact investments

Advisory

Creating Markets Advisory	Firm level advisory	Upstream
▪ Expertise in creating enabling business environment in specific industries ▪ Track record on working with governments on implementing reforms ▪ Deep relationships across WBG help to improve coordination and delivery.	▪ Strengthen clients' performance and impact Strengthen capacity of suppliers (e.g. farmers) and distributors (SMEs) ▪ Sector-specific advisory including PPP Transaction Advisory	▪ Help create new markets ▪ Unlock investment opportunities ▪ Co-develop early-stage projects ▪ Improve ESG standards

Mobilization

- **Over 80 co-financiers: banks, funds, development finance institutions.**

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EAST AFRICA'S TEA SECTOR: CHALLENGES, OPPORTUNITIES AND WBG RESPONSE

SECTOR CHALLENGES AND OPPORTUNITIES

1 CLIMATE VULNERABILITY

Erratic rainfall, prolonged drought and frost risks are increasingly disrupting production cycles, disproportionately affecting smallholder farmers who lack capital to adapt

2 LIMITED VALUE ADDITION

Increase local processing, premium specialty teas, and value-added packaging to capture a greater share of consumer markets.

3 TRADE DISRUPTIONS

Broaden markets and products to reduce exposure to tariff disputes, conflict and trade disruptions.

4 FINANCING GAP

Smallholders and mid-sized processors face limited access to long-term, affordable finance to invest in productivity, technology, and market diversification

HOW THE WORLD BANK GROUP CAN SUPPORT

FINANCING

Long-term and local-currency finance; trade and working-capital solutions; climate and blended finance.

POLICY ADVICE

Support enabling reforms, quality standards, market access and trade facilitation.

UPSTREAM & ADVISORY

Develop bankable projects; strengthen climate-smart production, smallholder capacity and ESG practices.

A coordinated WBG approach can help build a more resilient, higher-value and diversified East African tea sector.

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FINANCING STRUCTURES: STRUCTURED TRADE & COMMODITY FINANCE (STCF)

Benefit to supplier/Buyer

- Risk appetite for emerging markets and commodity sectors
- Fills a gap in absence of commercial banks
- Having IFC as lender/guarantor pursuant to a stringent due diligence can attract more lenders

Benefit to Banks

- A partner, not a competitor
- Risk mitigation: IFC's AAA rating, effective in managing the effects of Basel regulations
- Capacity enhancement: relieves headroom, single-client, country-exposure constraints

Main Features

- Multiple structures, including working capital facilities; pre-export finance facilities; receivable discounting facilities; borrowing base facilities; transactional financing facilities
- IFC participates by risk sharing or co-lending jointly with a Bank or by providing credit guarantee
- Bank should have solid track record in managing the transaction flow and can act as the security agent
- Environmental and Social (E&S) requirements to be met by facility

Illustration of Borrowing Base Facility Structure

- A Borrowing Base facility is a facility under which the borrower receives financing (loans/advances, LC issuance, etc.) for an amount defined by the aggregate value of a pool of eligible collaterals measured periodically.
- Rates of advance vary according to classes of eligible collateral.

Eligible Collateral	x	Haircut	=	Available loan
• Cash and equivalents • Account receivables • Inventory • Advances to coffee growers • Other liquid assets		• Advances rates (haircuts) are applied to each specific collateral category (typically from 50 to 95%) • Borrowing base certificate • Assets are subject to regular inspections and audits by independent parties of the agent		• The borrower can draw by way of loans/advances, LC issuance, etc.)

IFC partners with a prime commodity finance bank to structure such facility.

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FINANCING STRUCTURES: GLOBAL WAREHOUSE FINANCE PROGRAM (GWFP)

Benefits to Agribusiness

- Enables increased use of financing based on warehouse receipts (Stock Monitoring Agreement, Collateral Management Agreement or equivalent)
- Enhances income by having more flexibility in timing sales to protect against price seasonality
- Faster implementation based on delegation from the Board
- Opportunity for suppliers to sell receivables at attractive discount rates.
- Expertise in establishing sustainability-linked supply chain finance facilities.

Benefits to Banks

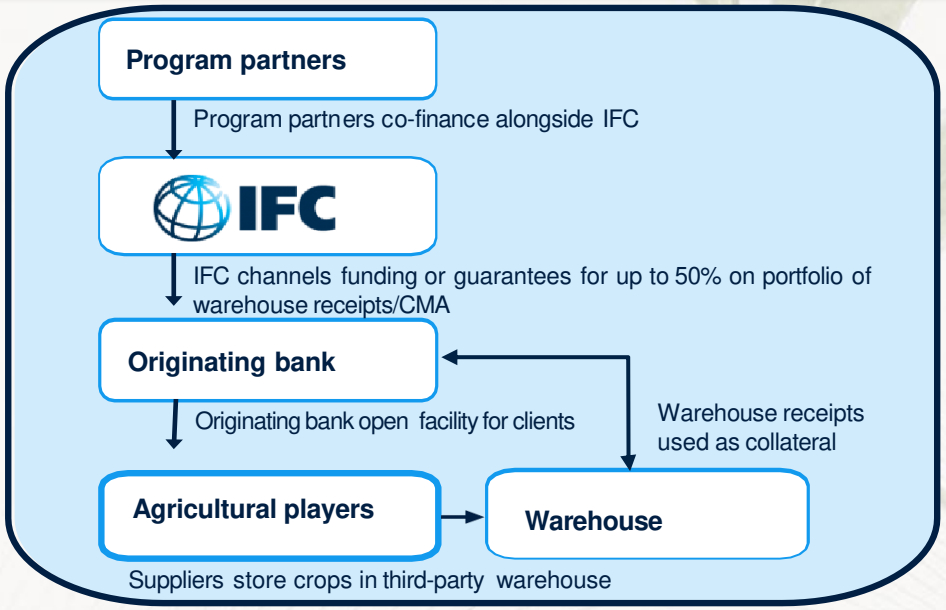
- Expands lending capacity to agricultural sector clients against their warehoused commodities

Main Features

- Support for the agriculture sector by providing banks with liquidity or risk coverage backed by warehouse receipts, which can be used to provide financing to producers and traders ahead of export.
- Funded or unfunded: 50-50 risk sharing; can also take the form of a direct loan
- Prepayment, bilateral or syndicated transactional facility, borrowing base, etc.
- Facility tenor: one year, extendable up to three years
- Beneficiaries: prequalified sub- borrowers

Case Study

- **Africa (2017/2018/2019):** IFC is participating in a 1-year, US$75 million package of transactionally secured and syndicated facilities for ETG Group arranged by different commodity finance banks.
- **Burkina Faso (2016/2017/2018/2019):** IFC extended a 1-year, EUR28.5 million pre-export facility to Sofitex.
- **Cameroun (2016/2017):** IFC extended a 1-year, US$17 million facility to Sodecoton.
- **Mali (2013/2014):** IFC extended a 1-year, US$6 million facility to Compagnie Malienne pour le Development du Textiles (CMDT).



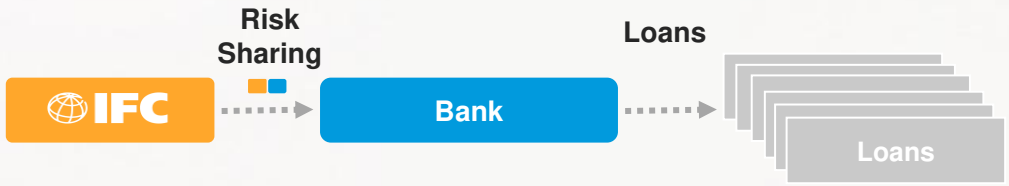
FINANCING STRUCTURES: RISK SHARING FACILITY (RSF)

Client Needs

- Capital for suppliers or other important supply chain partners
- Suppliers too small for individual loans, but with acceptable risk on a pooled basis
- Risk mitigation to IFC partner with the bank

IFC Solution

Risk Sharing Facilities (RSFs) help local banks mitigate credit risk, reduce uncertainty, improve risk/return, build track record



Main Features

- IFC shares a percentage of the credit risk of the loan portfolio up to an agreed size
- Bank's assets remain on the balance sheet of the bank
- Portfolio defined by pre-agreed eligibility criteria
- Reporting is portfolio summary using simple, pre-agreed Excel template

IFC Benefits to Clients

- IFC's AAA rating may allow for efficient risk transfer
- Expand SME business line and market share with reduced economic resources (i.e. economic capital)
- Faster portfolio growth for increased market share
- RSFs can include new products targeting new types of clients
- IFC experience & best practices transplanted from other markets & business models
- Tailored to bank's internal data & systems (incl. MIS, reporting)
- Potentially linked with IFC Technical Assistance programs

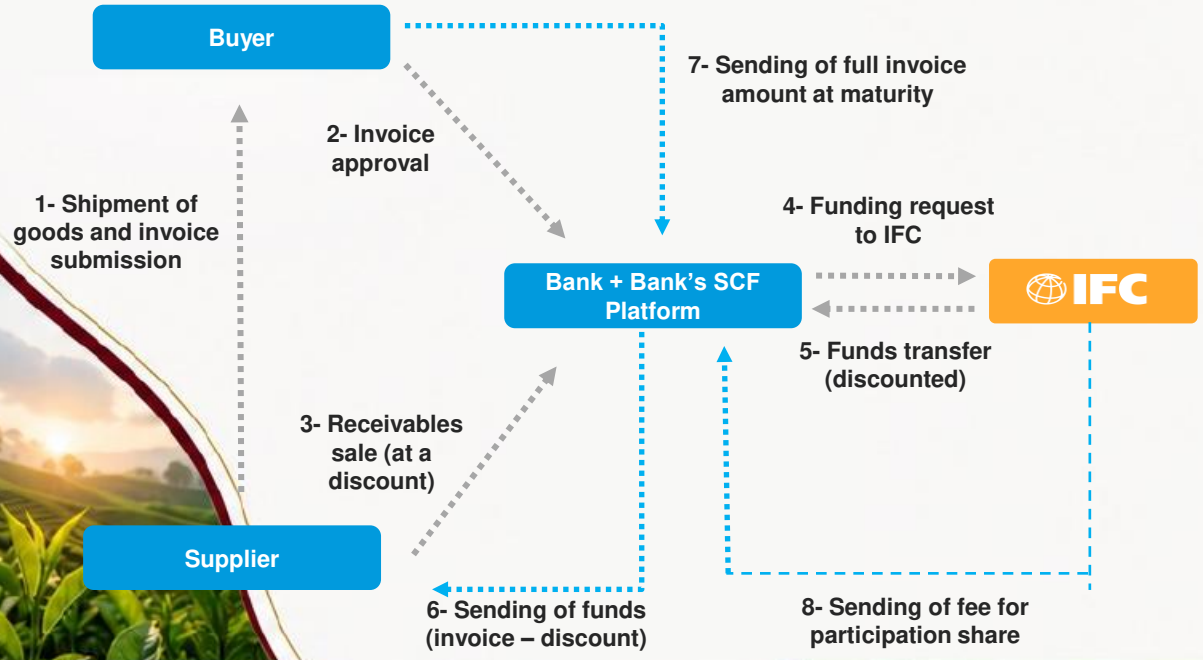
Case Study – Cargill

- 3-partite Risk Sharing Facility between (a) Cargill ; (b) Société Ivoirienne de Banque (SIB) and (c) IFC, to provide leased trucks to Cargill's supplier cocoa cooperatives (up to 100 coops).
- IFC shares with SIB 50% of the credit risk in a portfolio of medium-term (3-year) truck leases provided by SIB to the Coop Borrowers for a target size of CFA Francs 3.5 billion (approx.US$6.0 million).
- Leases will be repaid from the proceeds of the coops' cocoa sales to Cargill.

FINANCING STRUCTURE: GLOBAL TRADE SUPPLIER FINANCE (GTSF)

Client Needs

- Affordable financing for suppliers who may not otherwise obtain it.
- Opportunity for suppliers to sell receivables at attractive discount rates.
- Expertise in establishing sustainability-linked supply chain finance facilities.



Main Features

- Partnership with buyers to enhance access to finance for suppliers.
- Discount rates for receivables based on the buyer's credit strength.
- Mobilization of private capital through partnerships with banks and credit insurers.
- Assistance in expanding emerging markets coverage for supply chain finance platforms.
- Provision of expertise to buyers and banks for sustainability-linked finance facilities.

Case Study – Barry Callebaut AG

- Barry Callebaut is the world's leading manufacturer of high-quality chocolate and cocoa products.
- IFC provided financing to Barry Callebaut AG for suppliers of sugar, soy lecithin and dairy based in different emerging market countries.
- The project cost amounted to US$30 million under the Global Trade Supplier Finance program.

SELECTED IFC CLIENTS ACROSS AFRICA

Kenya

Loan: $12.0 million (2012), $25.0 million (2015), $10 million (2019)
2012 – to build a new warehouse, 2015- to finance small-hydropower plants, 2019 – to support the expansion strategy

2012 – 2015 - 2019

Kenya/Malawi

A Loan of $4 million
Support macadamia/coffee operations in Malawi. Stand-by loan for Kenya tea packing operations

2018

Ivory Coast-Ghana

Loan: $280 million

Funding working capital for ECOM's cocoa business in Cote d'Ivoire and Ghana.

2025

Uganda-Ethiopia-Kenya

Loans: CHF4 million and $3 million

Investments in the AAA program to restore coffee production in regions affected by adversity

2017 - 2022

Uganda-Tanzania-Kenya

Loan of $30 million

funded participation in uncommitted secured trade facility for Volcafe and its East African subsidiaries

2022

CASE STUDY: KENYA TEA DEVELOPMENT AGENCY

KTDA

Company

- Kenya Tea Development Agency (KTDA) is the largest tea business in East Africa, 100% owned by and supplying services to 600,000 smallholder farmers
- KTDA Power Company (KTDA Power) is a wholly owned subsidiary of KTDA established to implement power projects for KTDA factories

IFC Role and Additionality

- 2012: *Standard Setting:* Environmental, social, health, and safety standards within the tea sector to serve as a benchmark in Kenya and East Africa. *Cleaner Production:* "Green" building codes, introduction of solar power, and improvement of energy and water efficiency at tea factories. *Supply Chain Improvements:* Replanting of aging tea bushes to increase smallholder productivity and enhance quality of tea.
- 2015: *Structuring and Mobilization:* Supporting the Company in structuring the Project to ensure bankability and mobilizing GAFSP funding and syndication loans. *Advisory Program:* Leveraging IFC expertise/knowledge through associated advisory program including farmer training and energy efficiency advice.
- 2019: *Financing structure* through funding terms not readily available in Kenya; and non-commercial risk mitigation, including trusted partnerships. IFC will also leverage its technical expertise in logistics to provide advice on the Group's business strategy.

Transaction

- 2012: US$12 million loan to a Kenyan tea company 100% owned by and supplying services to 600,000 smallholder farmers. IFC financing will support the construction of state-of-the-art "green" warehouses near Kenya's Mombasa port.
- 2015: US$25 million (IFC A+GAFSP Loan) + US$30 million Syndicated Loan to KTDA Power to develop 7 run-of-the-river small-hydropower plants (SHP) with 16MW capacity. The SHP will provide captive power generation to KTDA tea factories to reduce energy cost (represents c 30% of production cost) and sell any excess to the state-owned utility company.
- 2019: US$10 million A Loan for the development of an Inland Container

Development Impact

- 2012: *Farmer reach:* Directly benefit 600,000 farmers who will receive higher tea payments due to lower storage costs and greater operational efficiencies.
- 2015: *Higher farmer income:* c. 350,000 farmers will receive (i) higher net income against tea sales thanks to lower energy costs; and (ii) dividends as shareholders of the Project. *Employment:* the Project creates employment of more than 2,000 during construction and c 60 permanent stuff
- 2019: Affordable cargo freight logistics infrastructure in the city of Nairobi and improve the integration of logistics networks centered around the Port of Mombasa and SGR.

CASE STUDY: VOLCAFE – EAST AFRICA 2022



VOLCAFE

Company

- Established in 1783, ED&F Man is one of the largest traders of agricultural products with an annual revenue of over US$6.2 billion for FY2021 September. Sudzucker Holding GmbH owns strategic stake of 34.37%. The remaining 65.63% ownership is held by ED&F Man's board, senior management and employees.
- ED&F Man's coffee business, Volcafe, is one of the largest traders of Arabica and Robusta coffees providing beans for 80 billion cups of coffee a year.

Transaction

- The investment is an up to US$30 million in the form of funded participation (IFC Participation) in an up to US$80 million uncommitted secured trade facility (the Facility) arranged by Absa Bank Limited (acting through its Corporate and Investment Banking division) (Absa or the Bank) for Volcafe and its East African subsidiaries: namely, Kyagalanyi Coffee Limited (KCL) in Uganda, Taylor Winch Tanzania Limited (TWT) in Tanzania, and Taylor Winch Coffee Limited (TWK) in Kenya (the Project). The project is supported by the IDA Private Sector Window's Blended Finance Facility (IDA PSW-BFF) to de-risk the investment.

IFC Role and Additionality

- IFC's participation sends a strong signal to the market and plays a role in the Facility's mobilization efforts by providing a stamp of approval for the Project structure and improves overall market perception.
- IFC's involvement provides comfort to other commercial lenders.
- IFC contributes with its expertise to structure the transaction solidly. The adoption of IFC's Environmental & Social Performance Standards also promotes broader sustainability standard setting in the industry.

Development Impact

- The Project is expected to reach 77,000 farmers in Uganda, Tanzania and Kenya, safeguarding farmer livelihoods by providing access to markets and access to sustainable farming practices.
- Volcafe provides technical assistance and training to farmers through its "farming as a business" program, which aims to help farmers improve their coffee quality, farm productivity and yields, and train farmers on sustainable production, good agronomy, and making the best use of land. In addition, the program also helps them manage risks and exchange information with each other.

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THANK YOU!!