

USAID Financing Ghanaian Agriculture Project (USAID FinGAP)

Sustainability

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USAID Financing Ghanaian Agriculture Project: Who We Are and Key Results

A 5-Year USAID-Funded Project

... addresses a key constraint restricting the development of commercial agriculture and obtaining full food security in Ghana: **access to finance, necessary to enable investment in agricultural value chains.**



40 Strategic Partnerships



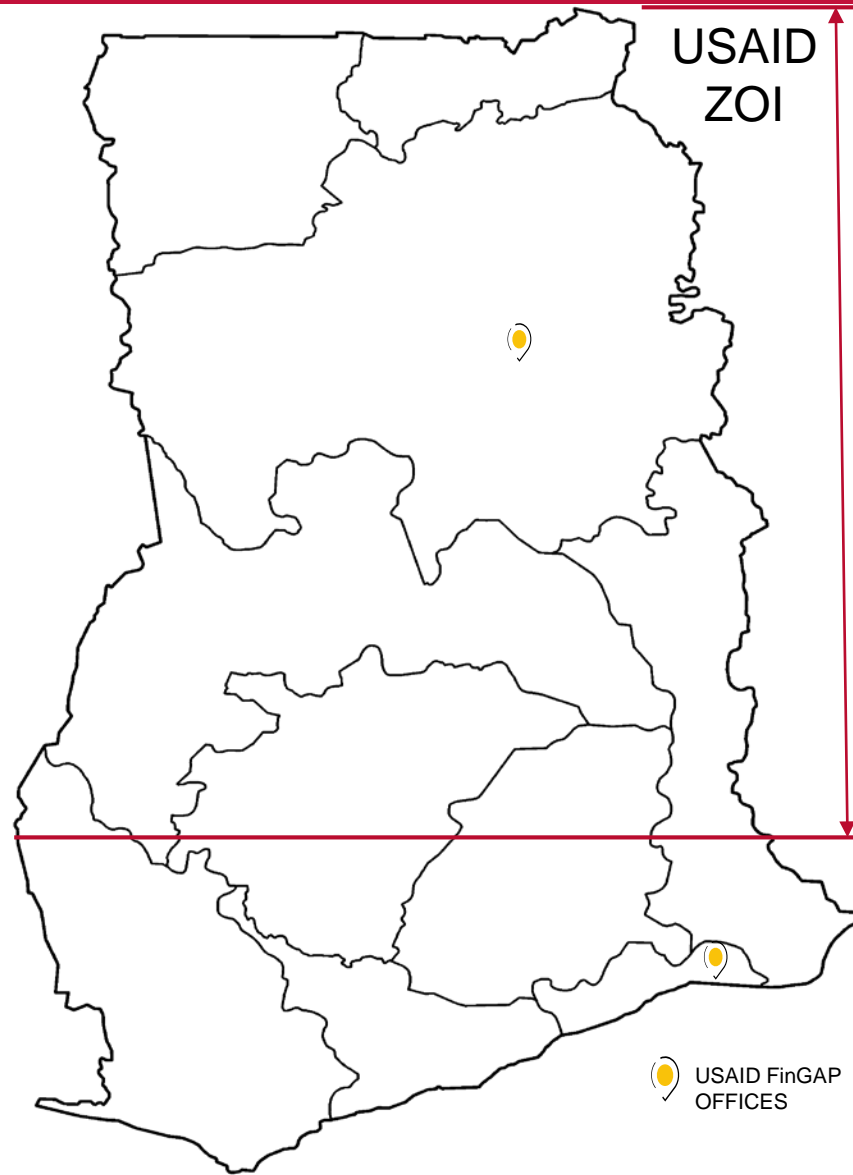
\$166M Agriculture Finance



2,850 SMiLEs



167,000+ Smallholder Farmers



Sustainability Within FinGAP's Goals/Context

“Sustainability takes forever...that's the point”

“Today is yesterday's tomorrow...do it today”

Market System Sustainability: Financing Agribusinesses

Definition: FIs / BAS Providers / SMiLEs are behaving differently (better) as a result of a mind shift because of Project interventions. Stakeholders no longer have market ignorance. Results are being generated from interventions within, witnessing continual behavior change. ‘Development without aid’ is the goal for sustainability. Realization that lending to agribusinesses is profitable, rather than being perceived as risky.

USAID FinGAP Financing Model:

- 1) PFIs Incentives for results; payments used to enhance agric. lending and financing
- 2) Business Advisory Services assisting and paid by both SMiLEs and FIs alike
- 3) Linkages between FIs and BASPs
- 4) Training/TA for FIs and BASPs; use of alternative financing, e.g., GSE as financing source for SMiLEs
- 5) Use of Risk Mitigation Tools to lower risk and lower offered interest rates

Participating Financial Institutions' Incentives

“To all employees: New Incentive Plan... *Work...or get fired*”

Banks are being positioned to finance the 3VCs

- Established Agriculture desk (or dedicated agriculture personnel's) to facilitate financing of agriculture related deals
- Cost share investment in infrastructure to improve operations (computers, motor bikes, vehicles, branch offices)

Sustainability of Results	Institutional Sustainability	Commercial Sustainability	Market System Sustainability
Banks (and non-banks) linked to viable deals and continue to work with clients on new facilities	Document results and share project lessons to encourage replication among other FIs in Ghana	Reduced MRS NPLs to drive expanded agriculture portfolio; agric. lending is profitable	As market opportunities grow, FIs adjust with internal resources, e.g., pay for BASPs and TA.

Business Advisory Services (BAS)

“We deliver what others promise”

BAS Providers are able to package deals to be bankable and investible

- Establishment of BASPAG, Business Advisory Services Providers Association of Ghana
- Capacity building of BAS Providers to package agriculture deals
- Support Business Advisors to assist listing of SMiLEs’ securities on GSE/GAX/GFIM as sources of financing

Sustainability of Results	Institutional Sustainability	Commercial Sustainability	Market System Sustainability
SMiLEs see value in BAS and will continue to engage BASPs, pay for services	Build capacity of BASPAG members to advance quality services to SMiLEs	Increased incomes from facilitating the financing of Agribusiness and other SMEs	FIs and SMiLEs pay for services of BASPs with own resources

Training/TA for PFIs, BASPs

“Luck is when an opportunity comes along, and you are prepared for it.”

- Institution specific training... FIs linked to capacity development resources and willing to pay for capacity development services
- Capacity building of BAS Providers to package agriculture deals and source alternative financing for SMiLEs

Sustainability of Results	Institutional Sustainability	Commercial Sustainability	Market System Sustainability
FIs and BAS Providers trained... will continue to pay for capacity building	Use local trainers to deliver training that meets industry and world best standards	Additional business line for local trainers; FIs and BASPs find value in capacity building	FIs and BASPs access /pay for own training when needed

Use of Risk Mitigation Tools

“The biggest risk is to do nothing”

- Increased numbers of FIs with DCA and other partial loan guarantees
- Subsidized cost of utilizing guarantees (Eximguaranty 75%); GIRSAL guarantee
- Reduced agric. insurance premium cost (GAIP @ 50% or more)

Sustainability of Results	Institutional Sustainability	Commercial Sustainability	Market System Sustainability
<ul style="list-style-type: none"> •SMiLEs commit own resources to access credit guarantees •FIs committed to renew DCA •SMiLEs commit own resources to access agriculture insurance 	<ul style="list-style-type: none"> •GIRSAL to champion agriculture insurance •SEC improve regulatory roles in monitoring capital market 	<p>Policy to drive utilization of insurance and guarantees</p>	<p>As market opportunities increase, RMTs become an integral part of credit administration and risk mitigation</p>

Strengths and Weaknesses of the Sustainability Approach “Build on your strengths; work on your weaknesses”

Strengths

- BASPAG to continue to provide services to stakeholders in the agriculture value chain
- FIs are positioned to continue financing to the agriculture sector; agriculture lending is profitable
- Perception that agriculture lending is risky is only a perception; agriculture lending is not as risky as perceived

Weaknesses

- Interventions are influenced by the real macro-economic environment
 - > High interest Rate Regime
 - > Unavailability of competitive funds or sources of funds
 - > Slow uptake of RMTs
- Perceptions can become reality
 - > Agric financing is risky
 - > “They don’t, so we don’t”

General Expectations of Sustainability Approach

“High achievement always takes the place in the framework of high expectation”

- Improving macro economic environment to positively impact agriculture finance by lowering (loan) interest rates
- Improving the uptake of the use of RMTs
- A developing capital market to provide access to alternative sources of financing

Reality on the ground/within Ghana context

“If you don’t create your reality, your reality will create you”

*Finance Challenges Persist: High (Loan) Interest Rates...
Slight Uptake of RMTs.... the need for:*

Institutional Sustainability

*There is an entity that can maintain interventions beyond
the life of a project...*

**USAID FinGAP to establish a Blended Finance Funding
Vehicle to sustain financing of SMiLEs and other SMEs**

THANK YOU!

“If you are going to do it...do it right. Financing Agriculture is not risky, if done right...managing risk...knowing about the VC...financing at appropriate times in the cycle...monitoring post-financing activities...”

“Happiness is not the destination...it is the journey”

**Rick Dvorin,
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