

Towards Priority Actions- Promoting Financing Options

Who Should Finance Aflatoxin Control and Why?

Entry Point Africa

September 2015



Financing Gaps in Relation to Control Technologies

- High cost of procurement of Modern Technology such as Hydrogels thus not widely used.
- Use of Biological Control Methods such as Aflasafe, not as widely used due to lack of adequate funding on the awareness side. Thus Farmer knowledge is rather low and perception could be negative. More concentration in terms of funding is on the Biological Potential for use in Aflatoxin Control as opposed to a balanced approach.
- Low Funding for Business Development Services to address elements such as Farmer Perception on Control Technologies, Mentorship and Orientation
- Financing gaps still exists in terms of Breeding Crops for Resistance, Improved Agronomic, Cultural/ Social Aspects, Pre and Post Harvesting Practices and Bio Control Agents.
- Low Levels of Development of Natural Aflatoxin Control Technologies due to low innovative financing structures on the part of industry stakeholders.



Gaps on the Regulatory & Advocacy Side

Financing Gaps in relation to Regulatory Issues are around;

- 1) Establishment of a Regulatory System that covers risk, awareness and effective data collection
- 2) Commercialization of Bio Control Products
- 3) Revision of various Curriculum for Nutrition, Public Health and Medical Health Personnel
- 4) Mainstreaming of Nutrition and Food Safety with existing structures.
- 5) Establishment of National Regulatory Food Safety Systems and enhance capacity for Risk Assessment
- 6) Increased investment in Human Capital Development, Research, Training, Knowledge and Enforcement
- 7) Effective Coordination and Communication
- 8) Accreditation of Laboratories for Aflatoxin Control, Testing and Certification



Return On Investment

- According to the World Bank, EU regulation on Aflatoxin on average costs Africa over USD\$750 million in export revenue. This therefore has deprived African economies of the much needed foreign exchange and job creation.
- Agriculture forms a significant portion of the economies of literally all African countries. As a sector it can therefore contribute towards major continental priorities such as eradicating poverty, hunger, boost both intra, regional and international trade and investment/ rapid industrialization. Issues such as the cost of Control Technologies should be seen as a sunken cost that will trigger expanded production of a commodity such as Groundnut and effective development of appropriate business linkages.
- There is need for investment in Agriculture, foster entrepreneurship, agribusiness and agro food value chains.
- Addressing sector problems such as Aflatoxin shall create sustainable business linkages, trade opportunities, agro processing and reduced cost of doing business.
- ROI should be looked at in terms of tons of Post Harvest Loss (PHL) reduced per US\$ Dollar spent on technology Controls for Aflatoxin, that is ROI will be enhanced by investment in Aflatoxin Control Technologies because PHL will be reduced.
- Important to prioritize Aflatoxin Technology Controls and interventions that maximize ROI as this framework can only be effective at commercial and social level if the “ Business to Business” idea results in a more sustainable partnership among the key actors.



Options for Creating Demand for Technologies & Their Applications

- Broad Consensus that reducing Global Poverty and Hunger requires accelerated growth in the Agriculture Sector. This therefore entails that this sector has potential to generate demand in the Continental and Global Value Chains and Linkages.
- Need for the creation of a strategic alliance among key stakeholders, that speak to core business interests while also addressing critical development objectives. “ Win/Win” Partnership.
- Strengthening of Business to Business Linkages. Adopt a Pull Mechanism.
- Smart Business Development Services for Smallholder Farmers in Africa. Remember 75% of Sub- Saharan African Population is employed in Agriculture of whom majority are smallholder Farmers.
- Development and implementation of Mechanisms that reduce the cost and risks of adopting new technologies.



Economic Gains From Regulation

- Aflatoxin free Groundnut variety will allow for increased exports at regional, sub regional and global markets. This will entail increased agro processing, value addition and generally increased economic activity.
- Budgetary allocations on the part of Governments towards addressing health problems related to Aflatoxin could be re-directed to other developmental activities.
- Smallholder Farmers will be able commercialize their farming activities and earn more sustainable income
- Increased Groundnut production levels to increase in view of proper certification and usage of reliable and safe variety of the Groundnut seed.

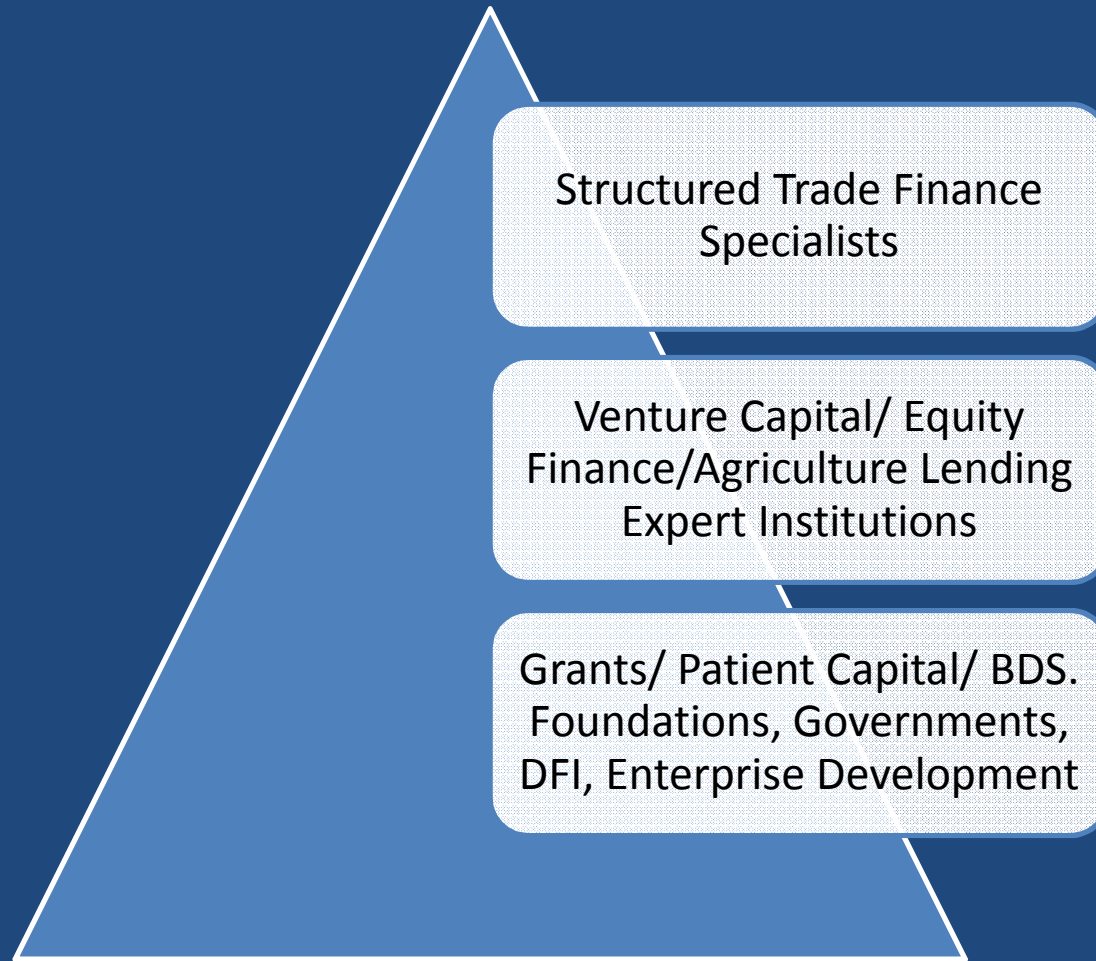


Financing Aflatoxin Control & Groundnut Trade

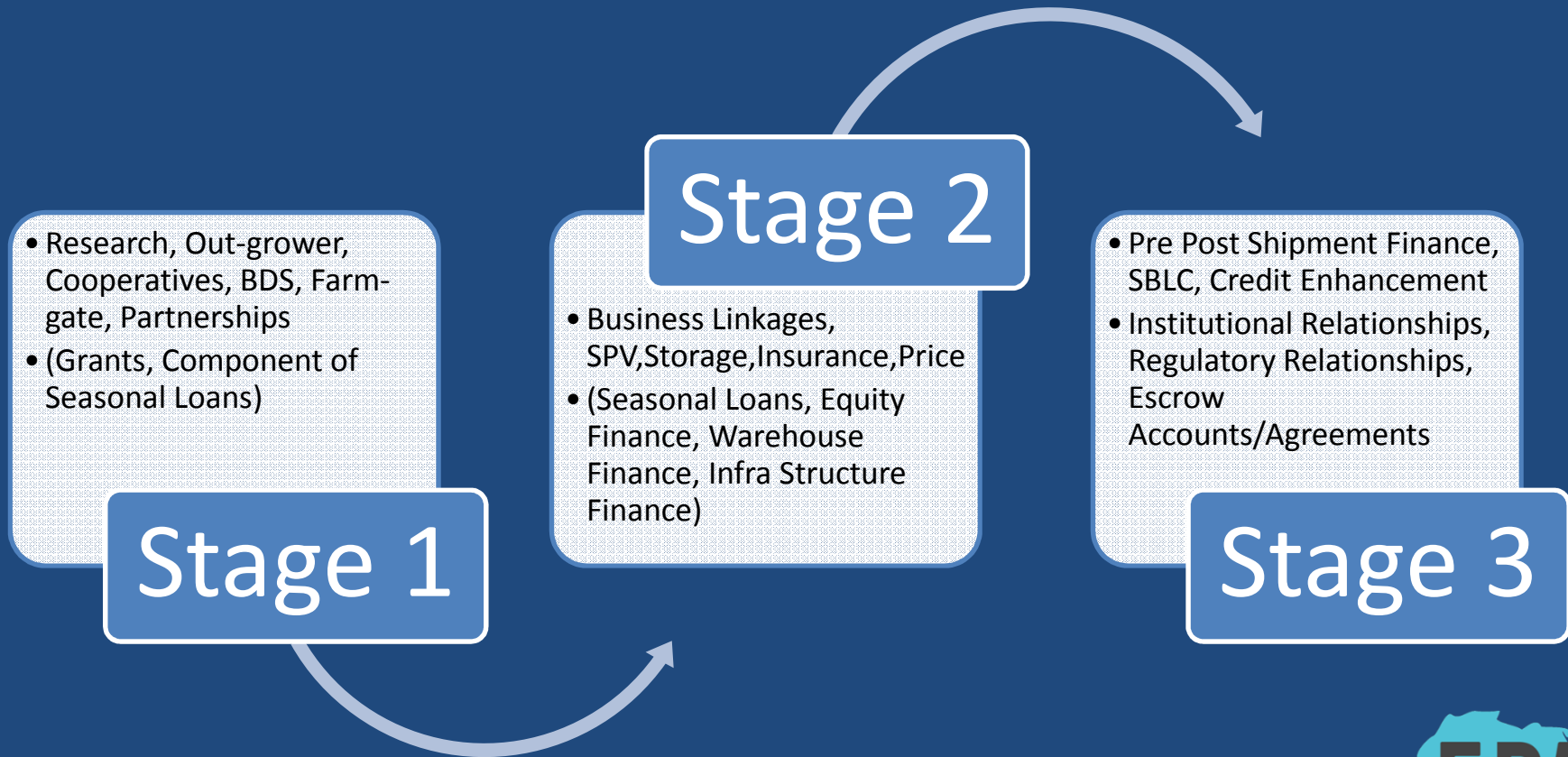
- Financing Actors- to cover costs in terms of projects related to Research/Technology Development/ Business Development Services, Capacity Building, Training. These include but not limited to the World Bank, the AU, COMESA, SADC, ECOWAS, IFAD, ADB FAPA Window, CFC, JICA, USAID.
- Financing Actors- to cover Patient Capital, Structured Trade Finance, Project Finance, Guarantees, Trade Insurance and wholesale Lending. These include Afrieximbank, ADB, PTA Bank, ATI, Indigenous Development Banks, ITFC to name a few.
- Regional and International Commercial Banking Groups- to Finance Senior Debt, Short Term Debt Issuance, Working Capital Finance, Bridge Finance, Asset Finance, Seasonal Agriculture Facilities, Trade Finance.



Who Should Finance Groundnuts?



Business Model



Business Model Continued

- In the model presented, there is support delivered to Governments, Farmers, Private Sector and Development Institutions. The Model attracts financing from Banks, Development Finance institutions, Foundations, Governments, Regional Economic Groupings and other classes of funders.
- It is possible to put together a model as indicated in this paper that allows a for a wide range of funders to participate in the Aflatoxin Agenda.
- In terms of Concrete Options for Financing Aflatoxin Control along the value chain, various funding instruments can be used;
- 1)Credit Guarantee Schemes
- 2) Micro Enterprise Finance
- 3) Trade Insurance
- 4) Crowd Funding
- 5) Private Equity
- 6) Warehouse Receipts/ Invoice Discounting



Conclusion

- As more of Africa's smallholder farmers become active players in commodity value chains, one needs to develop institutions that enable farmers, traders, warehouse managers and processors to produce safe commodities, trade and market commodities efficiently and effectively. This has huge advantages for everyone involved. Financing is at all levels of the production cycle.
- Key stake holders that includes National Governments have a role to play in identifying suitable financing options that allow for the production and trading of Aflatoxin free Groundnuts and related commodities.



THANK YOU

QUESTIONS?

