

## Nedbank, IFC provide \$50m finance and warehouse scheme

Nedbank (through its Capital Division) together with the International Finance Corporation (IFC) have launched a \$50-million facility to help commodity traders and processors in sub-Saharan Africa import agricultural commodities and export cash crops...



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The scheme, which is part of the IFC's Global Warehouse Finance Program (GWFP), is focused on providing funding for farmers and traders in emerging and non-developed countries in Africa who are often unable to procure finance due to lack of sufficient conventional loan collateral.

"According to the Global Food Security Index 2014, while 20 (71%) of the countries in the region have recorded an overall improvement during the year, SSA countries still make up the bulk of the bottom tier of the index," says Sekete Mokgehle, Head of Global Commodity Finance at Nedbank Capital. "The scheme is crucial in order to deal with the real challenge of food security across the continent."

As the only South African bank to have signed with the IFC, Nedbank is extremely pleased to be able to play its part towards ensuring that food, a basic human right, is available to all citizens in Africa."

The deals are structured on a warehouse concept, with the physical commodity or collateral being stored in warehouses or other acceptable storage and in transit methods, in order to mitigate potential risks. As the product is sold, the trader pays the lender, enhancing cash flow for the farmer but still protecting the commodity on behalf of the financier.

"The GWFP covers transactions in Africa, excluding South Africa, whereby Nedbank's Global Commodity Finance (GCF) division provides finance against a specific agricultural commodity. This is managed under a collateral management arrangement, stock monitoring arrangement, Warehouse Receipt Financing, in transit against a Freight Forwarders Receipt or similar financing structures," says Mokgehle.

"It is important to note that GCF already provides these products and has been doing so since 1999 in its normal course of business," says Mokgehele. He says the arrangement with the IFC will allow Nedbank Capital to provide additional funding to African importers and exporters, thereby stimulating growth in local businesses in these countries.

"Although the program relates to most African countries outside of South Africa, the main focus is on the less developed countries, where financing is difficult to come by or offered at exorbitant rates. Nedbank Capital would like to ultimately assist in growth in GDP and economies of these countries and would secure food supply in respect of imports to countries where we may have previously been restricted in terms of limits and risk appetite."

He adds that in terms of exports, additional funding would result in an increase in foreign exchange earnings for local countries which would stimulate job creation. "These benefits would be passed onto local farmers who would have easier access to sell their produce at more transparent and improved prices. The program therefore provides a "win-win" solution for all stakeholders along the agri commodities supply value chain and will go a long way to ensure sustainability in the agricultural sector on the African continent."

The first deal has already been signed with rice importers in Liberia, a country heavily affected by the outbreak of Ebola. The crisis heightened the issue of food security in the region, with restrictions on air travel and border closures further adding to pressures. The funding provided by Nedbank has ensured that food is still delivered to the country without any disruption.

German Vegarra, IFC's Regional Head of Manufacturing, Agribusiness and Services for sub-Saharan Africa concludes, "The private sector has a crucial role to play in containing the economic effects of Ebola. By partnering with Nedbank, IFC and Global Agriculture and Food Security Program (GAFSP) will support commodity trade in Liberia, to maintain economic activity and ensure food security in the country."

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