

## **MiDA Contributes toward AGRA Project**

Alliance for a Green Revolution in Africa (AGRA) and Standard Bank have announced the \$100 Million fund in affordable loans for Agricultural Value Chain operators in four African Countries including Ghana, Mozambique, Tanzania and Uganda. The Millennium Development Authority (MiDA) has joined the partnership by depositing US\$2 million as its contribution to the Stanbic Bank managed Ghana loan portfolio of US\$25 million. MiDA's contribution is to accelerate the process towards achieving the Goal of the MCA Ghana Program, which is Economic Growth and Poverty Reduction through Agricultural Transformation. The source of funding will be the Compact Agreement between the Government of Ghana and the Millennium Challenge Corporation (MCC) of the United States of America.

A memorandum of understanding governing the partnership was signed in Accra, by the President of AGRA Dr. Namanga Ngongi and Minister of Agriculture of Mozambique, Mr. Soares Nhaca, who is also a Board Member of the Millennium Challenge Account, Mozambique and the Chief Executive of the Standard Bank Group, Mr. Jacko Maree.

The Chairman of the Board of AGRA and former UN Secretary General, Mr. Kofi Annan said, inflation, food shortages, and trade imbalances all pose huge social, economic, and political risks. He notes, while credit has frozen worldwide, programs such as the "Agricultural Guarantee Funding Facility." which aims at increasing the productivity of smallholder farmers will ultimately enable Africa to achieve food security and stability.

Lack of access to finance prevents farmers from investing in basic inputs, such as good seeds, fertilisers and small-scale irrigation needed to raise farm productivity and generate profit. As a result, their yields remain one-quarter the global average, leading to pervasive hunger and poverty across Africa. Little or no commercial financing has been available to entrepreneurs seeking to build businesses that could boost Africa's food production and enable farmers to earn a profit.

The US\$100 million AGRA-Standard Bank partnership will create the largest single financing facility targeting smallholder agriculture by a bank in Africa.

Financial institutions in most African countries have for a long time avoided lending to smallholder farmers due to perceived high risks in the agricultural sector by banks. Farmers usually lack usable collateral; production risks such as unreliable rainfall, lack of irrigation, pests, diseases, and price volatility are some of the risks banks associate with agriculture in most African countries. Another factor is the high costs associated with providing service to the farmers who are usually seen as "remote clients" by the banks who do not usually have branches in communities where farmers reside.