

AFRICAN DEVELOPMENT BANK GROUP



**STATUS OF IMPLEMENTATION OF THE
AFRICA FERTILIZER FINANCING
MECHANISM (AFFM)**

DECEMBER 2008

1. Background

1.1 In June 2006, at the African Fertilizer Summit in Abuja, Nigeria, some Heads of State of African countries, together with the Ministers of Agriculture and other eminent persons, resolved that it was necessary to establish an Africa Fertilizer Financing Mechanism (AFFM), for the purpose of enhancing agricultural productivity by promoting the use of fertilizers. The African Development Bank was given the mandate to establish and host the AFFM with the support of the United Nations Economic Commission for Africa (UNECA), and the African Union Commission (AUC).

1.2 The AFFM is intended to serve as a vehicle for financing the various activities agreed upon at the Abuja Summit. Specifically, it will: (i) help the African public and private sectors conduct feasibility assessments and secure financing for promising fertilizer production ventures; (ii) improve the “economies-of-scale” of fertilizer production, procurement, and distribution, for example by creating “platforms” to help the private sector be more cost-effective in delivering key agricultural inputs to even the smallest, most remote farm-gates; (iii) boost fertilizer demand at the wholesale and retail levels by disseminating information about fertilizer’s impact on return on investment, and by extending credit guarantees to farmers and suppliers; and (iv) exploit other potential “targets of opportunity” in the value-added chain, i.e. by helping to better align transnational customs policies, which currently make cross-border transactions inefficient and costly.

2. Achievements to-date

2.1 The Bank established a Working Group for the AFFM in October 2006. This Group drafted: (i) the Instrument for the establishment of the AFFM; and (ii) a Framework Paper detailing its operational modalities. These documents were endorsed by the Board of Directors on 4 December 2008; and approved by the Board of Governors on 15 March 2008. To mobilize support and resources for the Mechanism, the Bank organized a first consultation meeting with AFFM stakeholders on 2 May 2007. Partner institutions represented at this meeting included the International Fund for Agriculture Development (IFAD), Food and Agriculture Organization of the United Nations (FAO), Rockefeller Foundation, Gates Foundation, International Fertilizer Development Centre (IFDC), NEPAD Secretariat and Arab Bank for Economic Development in Africa (BADEA). During this meeting, participants discussed and agreed on the operational modalities of the Mechanism.

2.2 During the period of March to December 2008, the following activities were carried out:

- Creating the AFFM’s Coordination Unit;
- Initiating activities to recruiting the AFFM’s Coordinator and staff;
- Initiating the establishment of the AFFM Governing Council;
- Defining administrative arrangements (including allocation of implementation roles, budgeting, and opening of AFFM account) for the operationization of the AFFM.
- Developing communication tools including a pamphlet, a logo, and a website.
- Drafting the AFFM Operational Strategy
- Drafting of the AFFM three years indicative operational program 2009 – 2011.

- Drafting of the AFFM Operational Manual on the Rules of Procedures.
- Drafting a proposal for establishing Regional Fertilizer Procurement Facilities¹.
- Planning of the AFFM launching meeting and fund raising activities;

2.3 To ensure full participation of AFFM stakeholders in the preparation of its operational documents, namely, the Operational Strategy, Indicative Operational Program for 2009 - 2011, Operational Manual on the Rules of Procedures, and Concept Paper for the establishment of a Regional Fertilizer Procurement Facilities, Partners' Consultation Meetings were organized in July, September and October 2008. The October 2008 meeting was co-chaired by the African Development Bank and the Alliance for a Green Revolution in Africa (AGRA). Other participants at the meetings included representatives of the United Nations Food and Agriculture Organization (FAO); International Fund for Agriculture Development (IFAD); International Fertilizer Association (IFA); African EXIM Bank, World Bank, International Fertilizer Development Centre, and United Nations Office for Projects Services (UNOPS). These meetings were also used to review AFFM implementation documents and provide comments for their improvement.

3. Financial Support and Pledges to AFFM Implementation

Efforts are still on to secure the 10 million US Dollars pledged by the Federal Government of Nigeria. Meanwhile, AfDB has provided UA 5 million to AFFM from its net income. Also, the Bank supported AFFM activities implementation using its 2008 administrative budgets. An estimate of Bank's financial support through administrative budget to studies and other AFFM activities including meetings was US \$ 310,060. In addition, the Bank supported the implementation of AFFM activities with significant management and staff time. AGRA's contribution to the drafting of the concept paper for the establishment of a Regional Fertilizer Procurement Facilities was in the order of US\$ 140,000.

4. Planed Activities for 2009 / The Way Forward

The following major activities have been planned for 2009:

- AFFM Official Launching and First Governing Council Meeting in January 2009 in Tunis. On this occasion, AFFM operational documents (Para 2.2) will be submitted to the Governing Council for review, comments and endorsement.
- Submission of the AFFM operational documents (Para 2.2) for the consideration of the Boards of Directors in February 2009.
- Meeting of East African Countries (Ministers of Finance and Agriculture) to review and agree on a proposal for the establishment and operation modalities of a Regional Fertilizer Procurement Facility in February 2009. The meeting will be jointly organized by the Bank and AGRA in Nairobi, Kenya.

¹ This activity was co-financed by the Alliance for a Green Revolution in Africa (AGRA)

- AU/NEPAD, ADB and representatives of the Council of African Ministers of Agriculture will undertake a joint sensitization mission in February 2009 to potential donors' countries / agencies to encourage them to contribute to the Mechanism.
- AU/NEPAD and ADB will collaborate with the Council of African Ministers of Agriculture to jointly organize in March 2009 a partners' pledging meeting.
- Field Missions to RMCs for building AFFM pipeline of projects;
- Formulation and submission for Boards consideration of AFFM project proposals.

5. Conclusion

While field activities are yet to start, much has been achieved in terms of implementation documents preparation and mobilization of support for the mechanism through consultation with stakeholders and Bank's staff participation in related meetings. The Funds enjoy strong support from the African political leadership and partners. The funds will be fully operational in early 2009.