AFRICAN DEVELOPMENT BANK

AFRICA FERTILIZER FINANCING MECHANISM (AFFM)

WORK PROGRAM AND BUDGET 2018

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<th>Code</th>
<th>Number</th>
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</thead>
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</tr>
</tbody>
</table>

AHVP/PGCL DEPARTMENTS

September 2018
## TABLE OF CONTENT

Acronyms and Abbreviations ................................................................................................. i

**EXECUTIVE SUMMARY** .................................................................................................. iii

1. **INTRODUCTION** ........................................................................................................ 1

   1.1 Origin of the African Fertilizer Financing Mechanism (AFFM) ........................................... 1

   1.2 AfDB and AFFM ............................................................................................................ 2

   1.3 Objective of the AFFM ................................................................................................ 3

   1.4 Structure of the Work Program .................................................................................... 3

2. **KEY ACHIEVEMENTS** ................................................................................................ 1

   2.1 Operationalization of the AFFM and Resources mobilization ........................................ 1

   2.2 AFFM Extension ........................................................................................................... 1

   2.3 Approvals by the Governing Council ............................................................................ 1

   2.3.1 The approvals by the Governing Council are the following: ...................................... 1

3. **AFFM RESULT BASED LOGICAL FRAMEWORK** ..................................................... 2

4. **WORK PROGRAM FOR 2018** ................................................................................. 5

   4.1 Introduction .................................................................................................................. 5

   4.2 Portfolio development and management ...................................................................... 5

   4.2.1 Project development ................................................................................................. 5

   4.2.2 Portfolio Management ............................................................................................. 6

   4.3 Strategic activities ....................................................................................................... 6

   4.3.1 The AFFM operational procedures manual ............................................................ 6

   4.3.2 The AFFM medium term work program, logical framework and 2018 work program .... 6

   4.3.3 Resources mobilization ............................................................................................ 6

   4.3.4 Following up with pledged amount to be effective ................................................ 6

   4.3.5 Re-discuss previously expressed interests ................................................................ 6

   4.3.6 Further and initial advocacy contacts ..................................................................... 7

   4.3.7 Other resource mobilization activities ..................................................................... 7

5. **BUDGET FOR 2018** .................................................................................................. 9

   5.1 AFFM Financial Resources ......................................................................................... 9

   5.2 Administrative expenses and project support expenses ............................................. 9

   5.2.1 Staff salaries and benefits ...................................................................................... 10

   5.2.2 Consultancy costs .................................................................................................. 10

   5.2.3 Governing Council meetings .................................................................................. 10
5.2.4 Communication activities .......................................................... 10
5.2.5 Resources mobilization activities/ missions and meetings ................ 10
5.2.6 Miscellaneous and Indirect costs. ............................................. 11
5.3 Project Support............................................................................ 11
6. RISKS AND MITIGATION MEASURES ................................ 11
7. CONCLUSION.............................................................................. 11

Annex I. Gantt chart – AFFM Activities 2018
Annex II. AFFM MEDIUM TERM WORK PROGRAM / 2018 – 2020
Annex III. RESOURCES MOBILIZATION PLAN 2018-2020
Annex IV. AFFM Financial Statements 31/12/2017
Acronyms and Abbreviations

AfDB : African Development Bank
AFAP : African Fertilizer and Agribusiness Partnership
AGRA : Alliance for a Green Revolution in Africa
AHAI : Agriculture and Agro-Industry Department of AfDB
AHVP : Agriculture Human Development Vice Presidency
AU : African Union
AUC : African Union Commission
AFFM : African Financing Fertilizer Mechanism
BADEA : Arab Bank for Economic Development
CAADP : Comprehensive Africa Agriculture Development Program
CBOs : Community Based Organizations
CIDA : Canadian International Development Agency
DFID : Department for International Development
DREA : Department of Rural Economy and Agriculture
EBID : ECOWAS Bank for Investment and Development
ETG : Export Trade Group
FAO : United Nation Food and Agriculture Organization
FOB : Free on Board
IFA : International Fertilizer Association
IFAC : International Federation of Accountants
IFAD : International Fund for Agricultural Development
IFDC : International Fertilizer Development Center
INTOSAI : International Organization of Supreme Audit Institutions
IRM : Independent Review Mechanism
MDGs : Millennium Development Goals
M&E : Monitoring and Evaluation
NGOs : Non-Government Organizations
NEPAD : New Partnership for the African Development
PAR : Project Appraisal Report
PCR : Project Completion Report
PPP : Public - Private Partnership
PRSPs : Poverty Reduction Strategy Papers
RBM : Results-Based Management
<table>
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>RECs</td>
<td>Regional Economic Communities</td>
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<td>RMCs</td>
<td>Regional Member Countries</td>
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<td>RMP</td>
<td>Resources Mobilization Plan</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SIDA</td>
<td>Swedish International Development Cooperation Agency</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>UNECA</td>
<td>United Nation Economic Commission for Africa</td>
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<td>US-ADF</td>
<td>United State- African Development Foundation</td>
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<td>USAID</td>
<td>United State Agency for International Development</td>
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EXECUTIVE SUMMARY

The Africa Fertilizer Financing Mechanism (AFFM) is pleased to submit its very first Work Program and Budget for 2018. As per the Instrument establishing the AFFM in its section 7.8, this work program requires clearance by the AFFM Governing Council and approval by the AFDB Board of Directors.

The ultimate goal of the AFFM as mandated by the Abuja Summit, is to facilitate the achievement of application of fertilizer of 50kg/ha, which is within Africa Food Security Vision and the SDGs consisting of doubling agricultural productivity and incomes of small-scale food producers. By raising the rate of fertilizer application in Africa, the AFFM plays an important role in assisting the TAAT reaching its objectives, and the Feed Africa.

Since its operationalization in May 2015, when the African Development Bank has received Instruments of Commitment from African Governments and other donors pledging contributions of ten million United States Dollars (US$ 10,000,000), the AFFM concentrated on recruiting the Coordinator, and working on administrative documents, including the operational procedures manual, medium term work program, the resource mobilization plan and the result based logical framework.

This work program focuses on two priority areas namely, extending credit guarantees to agro-dealers, large-scale fertilizer importers and distributors (through existing national or regional development banks); and establishing regional fertilizer procurement and distribution facilities. Related projects will be selected through a competitive call for proposals.

To ensure its sustainability and commencement of activities responding to actual needs of the fertilizer value chain, a strategic reflection will be conducted by a team of key experts to guide the activities of AFFM towards reaching the targeted goal. Furthermore a feasibility study of the credit guarantee in Africa for the fertilizer value chain will be conducted to assure the best guarantee options are applied by the AFFM and the AfDB.

The resource mobilization will be launched to insure the availability of the resources for the following years’ work programs.

This work program will be implemented by the secretariat of the AFFM which will be made fully functional by recruiting required staff, and assisted by the bank, particularly with regard to project cycle activities.
1. INTRODUCTION

1.1. Origin of the African Fertilizer Financing Mechanism (AFFM)

1.1.1 In June 2006, the Agricultural Ministers of the African Union Member States met at the Conference for an African Green Revolution in Abuja, Nigeria. One of the major agreements resulting from this multilateral Summit was the establishment of an Africa Fertilizer Development Financing Mechanism (AFFM), the main purpose of which is to enhance agricultural productivity by promoting the use of fertilizers.

1.1.2 In proposing the establishment of an AFFM, the Abuja Summit recognized two critical facts. First was the stagnation of Africa’s agricultural performance over the last 30 years; Africa’s agriculture has remained the least performing in the developing world, with productivity increases quite below the population growth. Second, a principal cause of Africa’s meager agricultural productivity is that African farmers apply only five to ten percent of the fertilizer amounts used by their counterparts in other developing regions, such as Asia.

1.1.3 The Abuja Declaration represents the steadfast commitment of African states to work together in boosting the production and availability of fertilizers to all farmers throughout the continent, and in enlarging the demand for fertilizers at the farm-gate. 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 (ROI), 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.

1.1.4 The AFFM will work multilaterally – in concert with African governments, regional institutions, the private sector, other development banks, and international donors – to study the fertilizer value-added chain in detail, focusing particular attention on the key transnational factors impeding fertilizer use in order to develop comprehensive strategies for jump-starting Africa’s stagnant agricultural productivity.

1.1.5 The Summit charged the African Development Bank (AfDB) with the responsibility of establishing the AFFM by 2007, in order to assist Bank Regional Member Countries (RMCs) to increase agricultural productivity in the context of the Africa Food Security Vision and the Millennium Development Goals (MDGs). The AFFM supports the implementation of the AU/NEPAD’s 2003 Comprehensive Africa Agriculture Development Program (CAADP), particularly Pillars II and III, corresponding to improving rural infrastructure and market access; and increasing food supply, reducing hunger, improving risk management and crisis response. The AFFM also supports the AU’s June 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods by assisting to build and strengthen sustainable fertilizer value chains to improve smallholder access to fertilizers.

1.1.6 Furthermore, AFFM is supportive of sub-goal 2.3 of the Sustainable Development Goals (SDG), which calls for doubling agricultural productivity and incomes of small-scale food producers, through
secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets, and opportunities for value addition and non-farm employment, by 2030.

1.1.7 With the support of the AU Commission and the UN Economic Commission for Africa (ECA), the AFFM was established in March 2007, and is hosted and managed by the African Development Bank within the Department of Agriculture and Agro-Industry.

1.2. AfDB and AFFM

1.2.1 Hosting AFFM in the Bank reflects a careful consideration of the objectives of the AFFM, as well as the Bank’s mission, capacity, and procedures. The intent is to create a dynamic mechanism flexible enough to meet the needs of both public and private sector operations, while also incorporating the fiduciary safeguards necessary for ensuring donor confidence, as well as compliance with the Bank’s mission.

1.2.2 The AfDB is uniquely placed to extend innovative financing for investment in Africa’s fertilizer value chain. During 2011-14, AfDB using its private sector window, approved loans and grants with total commitments amounting to USD 800 million to finance fertilizer manufacturing projects in Morocco, Nigeria and Gabon. These investments are responding to some of the key market opportunities and challenges of Africa’s fertilizer industry, especially strengthening regional manufacturing capacity, while also helping to boost profit accruing to private entrepreneurs. Currently, the bank has made additional commitments from the private sector window with fertilizer industry, through the Trade and industry department.

1.2.3 Given the limited progress that has so far been achieved via a case-by-case approach, there is good reason to apply a holistic strategy towards sustainably increasing fertilizer usage. Establishing the AFFM, as opposed to merely increasing funding to individual fertilizer projects, will enable the Bank and its partners, who are concerned with not just increased but sustained agricultural productivity, to: (a) examine Africa’s entire fertilizer demand and supply system; (b) gain a wider and deeper understanding of the underlying obstacles to fertilizer use; (c) develop a broader range of policy alternatives to address obstacles more effectively; and (d) prioritize activities for more efficient allocation of limited resources.

1.2.4 The department of Agriculture and Agro-Industry (AHAI) of AfDB shares the responsibility for the 2nd priority of Bank’s TYS High 5s, which is “Feed Africa”. Feed Africa is the Strategy for agricultural transformation, aiming at allowing the continent to become a net food exporting region while using industrialization to add value to process foods and exports commodities; to help to end extreme poverty, and eliminate malnutrition. To reach this goal, AHAI has launched the “Technology for African Agricultural Transformation” (TAAT), with the objective to raising agricultural production and productivity through identification and deployment of appropriate technologies, including nutrient dense crop varieties, vigorous crop outreach campaigns, extension, and market linkage campaigns, in RMCs.
1.2.5 By raising the rate of fertilizer application in Africa, the Africa Fertilizer Financing Mechanism (AFFM) plays an important role in assisting the TAAT reaching its objectives, and for Feed Africa to happen.

1.3. **Objective of the AFFM**

1.3.1 The overall objective of the AFFM is to assist RMCs in increasing agricultural productivity within the context of the Africa Food Security Vision and the SDGs. One of the AFFM’s primary functions will be creating an enabling environment for mobilizing the investments needed to achieve the target of 50 kilogram per hectare for fertilizer use by 2015, as mandated by the Abuja Summit. This target is not yet achieved.

1.3.2 To achieve this, AFFM was designed to assist as follows:

i) Help Africa’s 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 even to the smallest, most remote farm-gates;

iii) Boost fertilizer demand at the wholesale and retail levels by disseminating information about fertilizer impact on returns on investment, and 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.

1.3.3 Following the endorsement in December 2007 of the AFFM Framework by the AfDB’s Board of Directors, the Instrument for the Establishment of the AFFM (the "Instrument") was adopted by the Board of Governors on 14th March 2008 by virtue of Resolution B/BG/2008/01. The Instrument establishes the AFFM as a special fund administered by the Bank, and provides the framework for the administration, structure and governance of the AFFM.

1.4. **Structure of the Work Program**

1.4.1 This document contains seven main sections: the first section provides introduction to the document, and the second section describes key achievements as of 2017. The third section presents the AFFM logical Framework, while sections four and five detail the work program and the budget for 2018. The sections six and seven present the risks and mitigation measures and the conclusion. The AFFM medium term work program (2018 – 2020) and the resources mobilization plan are attached in the annexes.
2. KEY ACHIEVEMENTS

2.1. Operationalization of the AFFM and Resources mobilization

2.1.1 Section 6.1 (b) of the Instrument for the Establishment of the AFFM states “This Instrument shall become effective and the Fertilizer Fund operational on the date when the Bank shall have received Instruments of Commitment from African Governments and other donors pledging contributions in an aggregate amount equivalent to at least Ten million United States Dollars (US$ 10,000,000).”

2.1.2 The status of AFFM resource mobilization is outlined below.
   i) In January 2009, the AfDB made a contribution to the AFFM of UA 5 million;
   ii) In June 2010 and February 2015, Nigeria remitted funds into the AFFM’s account totaling approximately USD 6 million, out of its initial pledge of USD 10 million;
   iii) In February 2015, AGRA remitted USD 1 million into the AFFM’s account;
   iv) In April 2015, Chad committed USD 1 million by signing the AFFM Instruments of Commitment; and
   v) In April 2015, Tanzania committed USD 2 million by signing the AFFM Instruments of Commitment and has since remitted over EUR 173,116 into the AFFM account.

2.1.3 Despite extensive and joint resource mobilization efforts primarily by the AfDB, AUC, AGRA and AFAP, the AFFM Instrument only became effective in May 2015, when it met the required financial threshold referred to in Section 1 above. The year 2015 was also the same year when the Mechanism was to have closed.

2.1.4 As of 31th December 2017, the AFFM received total amount of Euro 12,124,734, has utilized Euro 149,942 mainly for the Governing Council meetings, and the total amount available for commitment is Euro 11,974,792.

2.2. AFFM Extension

2.2.1 At the request of Bank management and on the basis of a postal ballot, in July 2017 the AfDB Board of Governors overwhelmingly approved the management’s proposal for extension of the AFFM to 2032.

2.3. Approvals by the Governing Council

2.3.1 The approvals by the Governing Council are the following:
   i) Recruitment and assumption of duty in November 2017 of the AFFM Coordinator.
   ii) After addressing the prescribed changes, the AFFM medium term Work Program and
   iii) budget for 2018-2020 will be approved.
iv) After addressing the prescribed changes, the AFFM Medium Term Resource Mobilization Plan will be approved.

v) Subject to amendments, the AFFM Operational Procedures Manual will be adopted after final review.

2.3.2 The revised Medium Term Work Program 2018-2020 and the resource mobilization plan are included herein as annexes II and III, while the operational procedures manual is being processed for further review and approval by the Bank.

3. **AFFM RESULT BASED LOGICAL FRAMEWORK**

In accordance with the section 1.1.2, Part C of the AFFM Operational procedures manual, the AFFM Logical Framework matrix is provided herein alongside the first annual Work Program.

In 2006, the annual average application rate of 8 kg/ha was reported. Since then, without AFFM intervention, progress in meeting this pledge has been slow and uneven. IFA estimates that the Africa overall application rate was 15kg/ha in 2013, and is expected to reach 17kg/ha in 2019, 55kg/ha in South Africa, and 120kg/ha in North Africa¹. This AFFM logical framework will therefore lead to achieving the target of 50kg/ha set by the Abuja summit, by 2032.

Based on the Result Based Logical Framework below for the AFFM, a baseline will be established for all the performance indicators, allowing to assess the achievements and the AFFM contribution. The study will therefore be conducted in 2019 and the logical framework adjusted accordingly.

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<tr>
<th>RESULTS CHAIN</th>
<th>PERFORMANCE INDICATORS</th>
<th>MEANS OF VERIFICATION</th>
<th>RISKS AND MITIGATION</th>
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<tbody>
<tr>
<td>1. IMPACT</td>
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<tr>
<td>1.1 Increased availability, affordability and application of fertilizers;</td>
<td>1.1.1 Number of Kg of fertilizer applied by farmer at national and regional level. <strong>Baseline 2013:</strong> 15kg/ha <strong>Target:</strong> 50kg/ha</td>
<td>Study reports on fertilizer application in Africa</td>
<td><strong>Risk 1:</strong> Lack of sufficient financial resources to make the mechanism operational. <strong>Mitigation:</strong> A comprehensive resource mobilization plan will be developed and implemented, All GC members will be mobilized to bring efforts together to sensitize and create awareness nearby all stakeholders showing the importance of the AFFM, and its role in achieving the food security vision.</td>
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<td>1.2 Better aligned and enabling policies</td>
<td>1.2.1 Number of drylands restored for crop production</td>
<td>Supervision mission reports.</td>
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<td>1.3 Increased knowledge of best practices in fertilizer use</td>
<td>1.3.1 % increase in yield</td>
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<td>2. OUTCOMES</td>
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<tr>
<td>2.1 Enhanced Africa's Fertilizer manufacturing capacity.</td>
<td>2.1.1 % increased capacity for Africa fertilizer industry</td>
<td>Project completion reports,</td>
<td><strong>Risk 2:</strong> Inadequate/ lack of infrastructure such as feeder roads to facilitate access of fertilizer up to small scale farmers. <strong>Mitigation:</strong> Seek tight coordination with Governments, recommend and leverage larger AfDB and other public-private investments in Infrastructure.</td>
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<tr>
<td>2.2 Enhanced Africa Fertilizer importation and distribution capacity.</td>
<td>2.2.1 % increase of fertilizer supply</td>
<td>Country Survey Statistics</td>
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<td>2.3 Reduced prices of fertilizer</td>
<td>2.3.1 % reduction of fertilizer prices</td>
<td>Monitoring and Evaluation reports</td>
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<td>2.4 Facilitated Cross-border trade</td>
<td>2.4.1 Number of cross border trade policies into application</td>
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<td>2.5 Technologies are properly transferred to fertilizer users</td>
<td>2.5.1 % increase in yield</td>
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<td>3. OUTPUTS</td>
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<tr>
<td>3.1 Financing instruments / models for the development of manufacturing capacity</td>
<td>3.1.1 Number of Fertilizer new/ rehabilitated plants/blending</td>
<td>Supervision mission reports.</td>
<td><strong>Risk 3:</strong> Political willingness. <strong>Mitigation:</strong> Engaging with governments in dialogues and policy/legislation work on fertilizer.</td>
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<td>3.2 Diversified Financing instruments / models for fertilizer importers and distributors</td>
<td>3.1.2 Number of feasibility studies organized.</td>
<td>Audit reports.</td>
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<td>3.3 Operational regional fertilizer procurement and distribution facilities</td>
<td>3.1.3 Number of consortia and PPP concluded</td>
<td>Monitoring and Evaluation reports</td>
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<tr>
<td>3.4 Policy, regulatory and institutional arrangements for enhanced investments into the fertilizer value chain</td>
<td>3.2.1 Amount of credit guarantees provided</td>
<td>Reports on Projects activities</td>
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<td>3.5 Capacity building for relevant stakeholders</td>
<td>3.2.2 Amount of approved loans to support the importation and distribution channel.</td>
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<td>3.6 Targeted research and dissemination of the results of same.</td>
<td>3.2.3 Number of financial products developed to promote public-private investment.</td>
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<td></td>
<td>3.3.1 % Reduction of transaction costs</td>
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<td>3.3.2 % increase in Fertilizer demand</td>
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<td>3.4.1 Number of initiatives supported to improve and harmonize policies</td>
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<td>3.5.1 Number of trainings and extension activities realized.</td>
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<td>3.6.1 Number of research conducted</td>
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<td>3.6.2 Number of new technologies implemented.</td>
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<td>INPUTS/ ACTIVITIES</td>
<td>RISKS AND MITIGATION</td>
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<td>4.1 Support hedging (using futures support pre-investment and feasibility studies).</td>
<td><strong>Risk 4:</strong> Commodity market: Demand for fertilizer is conditioned by farmers’ access to output markets. Markets may be uncompetitive or even exploitative. The ratio of output price to fertilizer price conditions fertilizer use. Fertilizer use is concentrated on the most profitable crops. <strong>Mitigation:</strong> AFFM will seek to link supported projects to others projects alongside the agricultural value chain.</td>
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<td>4.2 Support provision of advisory services by governments, including tax incentives that promote sustainable fertilizer manufacturing</td>
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<td>4.3 Facilitate formation of investor consortia, trade blocs for common ports and hubs.</td>
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<td>4.4 Undertake economic and sector work to identify opportunities for competitive production and trade</td>
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<td>4.5 Support technical feasibility studies to identify bankable projects</td>
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<td>4.6 Support re-habilitation of fertilizer production units to improve efficiency</td>
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<td>4.7 contracts to avert currency fluctuation risk);</td>
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<tr>
<td>4.8 Support credit guarantees for agro-dealers, large-scale fertilizer importers and distributors (i.e., through existing national or regional development banks);</td>
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<td>4.9 Assist private traders in obtaining lines-of-credit from local banks;</td>
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<td>4.10 Support the extension of credit to wholesalers who are established customers</td>
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<td>4.11 Leverage recent improvements in selected African port and rail authorities to reduce fertilizer prices.</td>
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<td>4.12 Support Large-scale purchasing projects that guarantee economies-of-scale.</td>
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<td>4.13 Finance activities for the provision of adequate warehousing space at inland transportation hubs.</td>
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<td>4.14 Support the development of retail and sales kiosks network to improve access to fertilizer by small-scale farmers, especially women</td>
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<td>4.15 Support activities aiming to better align national macroeconomic policies</td>
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<td>4.16 Support government efforts to harmonize policies and improve regulatory capacities</td>
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<td>4.17 Finance studies and supports to policy reforms in the sector using payouts.</td>
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<td>4.18 Support Capacity building, trainings, case demonstrations, extension and dissemination activities.</td>
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<td>4.19 Support Research activities to promote fertilizer utilization in Regional member countries.</td>
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4. WORK PROGRAM FOR 2018

4.1. Introduction

4.1.1 The 5th Governing Council, held in Abuja on 11th December 2017, recommended to focus on two priority areas in 2018, preferably extending credit guarantees for fertilizer importation and distribution, and establishing regional fertilizer procurement and distribution facilities so as to demonstrate quick results within the next six months. Given the limited AFFM resources available, and in order to contribute to leveraging additional investments, the Governing Council recommended to start with few countries but assure an equitable distribution, and where a small investment can generate tangible results and spark more investment (Tanzania, Nigeria, Chad, Malawi, Mozambique, and Ghana). Priority will be given to countries that have financially contributed to the AFFM or has pledged contributions.

4.2. Portfolio development and management

Part of the already existing portfolio will be used in 2018 to implement activities on the field in the priority area recommended by the Governing Council.

4.2.1 Project development

The pipeline will be constituted by the first call for proposals that will be launched during the course of this year. Senders of all other proposals/ concept notes received by the AFFM will be requested to resubmit in respect of criteria and requirements set in the call for proposals.

Activities for project development will include:

i) Prepare the call for proposals and release; 1 month deadline for submission;

ii) Receipt of request from applicants using the AFFM request format;

iii) Project preparation: Primary desk review of applications and provision of feedback to the applicant shortlisted and non-shortlisted;

iv) Project appraisal and review according to AFFM procedures;

v) Project Approval: Issuance of approval notice by the Coordinator after approval by the Governing Council and AfDB Management, as appropriate;

vi) Grant/Loan Signing: Signature of letter of agreement between both parties; and

vii) Grant/Loan Effectiveness: Declaration of effectiveness of the grant or project and make the first disbursement.

Considering that projects pipeline will be generated from call for proposals, and given the recommendation to focus on few strategic countries that would allow to show quick results and attract more funding, proposals for selected strategic countries will be given an added advantage.

The call for proposals will specify the two priority areas for 2018 as well.
**4.2.2 Portfolio Management**

Efforts will be made to mobilize additional funds; however, considering limited resources available, only part of available funds will be utilized in 2018, not to exceed Euro 5.5 million. This first call for proposals would therefore constitute the pilot phase for the AFFM Pipeline constitution, and hence, a requirement for proposals between Euro 250,000 and Euro 2,000,000 will be included in the call for proposals.

**4.3 Strategic activities**

**4.3.1 The AFFM operational procedures manual**

Pursuant to the recommended amendments to the AFFM Operational Procedures Manual, the later will be adjusted and resubmitted for approval by the Governing Council, then by the AfDB following internal procedures.

**4.3.2 The AFFM medium-term work program, logical framework and work plan for 2018**

Based on the AFFM Governing Council recommendations during the meeting held in Abuja on 11th December 2017, the Medium term work program and the funds mobilization plan will be revised and resubmitted to the Governing Council, then to the AfDB Board of Directors for approval.

The 2018 Work plan including the AFFM logical framework are prepared and will be submitted to the Governing council, then to the AfDB Board of Directors for approval as well.

**4.3.3 Resources mobilization**

In 2018, efforts will be made in following up with countries that have pledged contributions to AFFM and have not yet materialized them into funding.

Furthermore, during the 1st and 3rd Governing council meetings, different countries and entities had expressed interest in contributing to the mechanism; they will be approached as well.

Lastly, efforts will be made in approaching the Private sector entities involved in fertilizer production to seek possible area of collaboration, support AFFM and whenever possible facilitate constitution of needed Public and Private Partnerships (PPPs).

**4.3.4 Following up with pledged amount to be effective**

Tanzania and Chad Governments will be contacted by letters and visit to advocate for remittance of the amount they have pledged.

**4.3.5 Re-discuss previously expressed interests**

Most of previously expressed interests were made some time back between 2007 and 2012. It is therefore important to re-discuss with concerned organizations to reiterate them to know at which extent they can be turned into concrete contributions; to learn why they could not materialize in the past, what can be changed, and serve as experience for the AFFM for future negotiations.

i) IFAD reported willingness to provide financial support to the AFFM, possibly in the range of USD 1 million to USD 2 million. They proposed that a letter be addressed to the IFAD President requesting such support; this was done but no commitment was made. They will be approached again to discuss possibility of supporting the AFFM.

ii) IFA reported in 2015 that it would be pleased to consider raising financial support of USD 1-2 million to the AFFM during project year one, subject to certain conditions, including satisfactory
revision of the work plan and budget, demonstrating quick wins on the ground, targeted support for SMEs as it was being done by AFAP, and in collaboration with the latter, etc.

iii) Bill and Melinda Gates Foundation indicated that it could contribute up to USD10 million; contact will be re-launched with them to find any way this can be materialized into letter of commitment and remittance.

iv) The Rockefeller Foundation may contribute up to USD 15 million within the context of their Alliance for a Green Revolution in Africa;

v) AFREXIMBANK reported that they could assist in terms of research and extending trade finance, but would consult their management and report back

4.3.6 Further and initial advocacy contacts

During 2018, AFFM, AUC and AfDB will reiterate advocacy for AFFM funding nearby following RMCs:

RMC category 1: South Africa, Algeria, Morocco RMC category 2: Ghana and Ivory Coast RMC category 3: Mozambique and Uganda, Rwanda RMC category 4: South Sudan, Angola, Togo

Section 9.1 of annex III provides details regarding classification of RMCs into different categories.

AFFM will work with IFDC that has agreed to facilitate discussions with emerging economic countries such as India and China, for the analysis of the niche and an initial contact.

4.3.7 Other resource mobilization activities

In November 2018, the AfDB will organize the “Africa Investment Forum” where diverse investors will meet and make deals. The AFFM secretariat will advocate for the AFFM to be included in the program so that number of investors are approached and informed about the AFFM and appeal for funds.

AFFM secretariat participated in the Argus Africa fertilizer workshop, and Dashboard Planning Workshop that took place in Addis Ababa from 26th February to 1st March 2018. Initial contacts and meetings were organized, with different entities, among others, Bill and Melinda Gate Foundation, AFAP, IFA and ETG. Consultation meetings will also be organized with other key private sector actors.

4.4 Recruitment of long term Consultants

In order to assist in implementing the AFFM work program, long term consultants, respectively the fertilizer industry specialist and Principal investment specialist will be recruited for initial term ending December 2018 to resume duty as soon as possible, May 1st latest. They will work with the Coordinator and AfDB team in preparing the call for proposals, proposals evaluation, project development and appraisal and follow up on grant agreements, and implementation. They will also assist in preparing AFFM diverse documents. The Administrative and Finance Specialist consultant will be recruited to start in April as well.
4.5. Governing Council meetings

Two Governing Council meetings will be organized in June and December 2018. The June meeting will review the progress in implementing the resolutions from the 5th Governing Council meeting of December 2017, discuss progress in AFFM activities implementation, discuss roles and targets set in the resource mobilization plan/strategy. The December GC meeting will review the progress in implementing activities on the field and the progress in resources mobilization, and review the work program and budget for 2019.

4.6. Other Activities

4.6.1 The Secretariat of the AFFM will implement resolutions of the Governing Council, notably: Releasing to UNECA the approved resources for the study on promotion of fertilizer production, consumption and cross border trade in Africa.

4.6.2 Organize Task force meetings: During the AFFM Governing Council of December 11th, 2017, decision was made to set up a Task Force composed of IFDC (Mr. Rob Groot), UNECA (Mr. Mahamadou Nassirou Ba), AGRA (Mr. Fadel Ndiame) and the Coordinator of the AFFM (Mrs. Marie Claire Kalihangabo), and was assigned with the 3 following specific tasks:

   a) Propose a road map for the efficient and strategic use of available funds during 2018.

   b) Prepare a sustainability strategy for the AFFM: the task force will work with AFFM secretariat to organize a 2-3 day strategy workshop with some key-experts to develop a stronger vision, mission and strategy.

   c) Extensively review the 4 AFAP proposals submitted for AFFM/OCP financing and formulate recommendations to the Governing council on a way forward.

Either skype calls or face to face meetings will be organized depending upon the necessity to respond to the tasks assigned by the Governing Council.

4.6.3 Strategy meeting: To come up with a sustainability strategy that would attract resources needed to link the Africa fertilizer value chain, and achieve the target of 50kg/ha fertilizer application, there is a number of prerequisites: identify all the stakeholders in the chain, map them on the continent, identify barriers/ bottlenecks in the chain, identify the role of each stakeholder in overcoming the barriers, make the necessary and possible linkages. The strategy meeting will bring together key experts in the fertilizer value chain, for a brainstorming on the prerequisites and then make a strategy acceptable to all stakeholders, having considered Africa as a whole. In order to develop a solid resources mobilization plan, the strategy meeting will also discuss the resources needs for the strategy, make a thorough analysis of the funding landscape, the prospective donors and partners to be targeted, the specific channels to use in order to reach out to them. Specifically, the Strategy meeting will do the following:

   i) Assess the current rate of fertilizer usage by crop for each country in a subset of countries (first phase intervention);

   ii) Assess financing of fertilizer supply chain actors and financing at the farm level (how do farmers pay for fertilizers);

   iii) Assess Government policies in fertilizer use;

   iv) Assess the regulatory systems of fertilizer quality and accreditation of agro-dealers;
v) Map Donors and multinational Development Banks interventions to raise fertilizer usage;

vi) Make a list of obstacles and mitigations;

vii) Propose an action plan to build robust supply chain, leveraging on other programs

4.6.4 **Feasibility study of Credit Guarantee in Africa**: One of the AFFM’s key activity areas, is to select and provide suitable credit guarantees to agro-dealers, large-scale fertilizer importers and distributors through existing national or regional development banks. Provision of credit guarantee schemes for the fertilizer sub-sector can complement efforts to develop distribution systems and to support agro-dealers. It is in this context that the AFFM Governing Council has given this activity a first priority for 2018. The main objective of the study is to analyze the feasibility for the AFFM and AfDB to set up a credit guarantee fund to facilitate access to credit for fertilizer importers, distributors and agro-dealers. The study will make an in-depth analysis of the credit guarantee in Africa, analyze past experiences in provision of credit guarantee, analyze different types of credit guarantee, provide factual examples of past success, defeats; model out the credit guarantee demand, and provide a design of the best and suitable credit guarantee model that AFFM and AfDB could support.

4.6.5 **Communication activities**: the AFFM web page will be updated as much as possible, adding a French and Portuguese versions. Efforts will be made to prepare marketing documents for the AFFM as well.

4.7. **Reporting**

One report will be produced by the AFFM Secretariat in 2018: a first semester report for 2018 and will be submitted to the Governing Council before the first Governing Council meeting of June.

5. **BUDGET FOR 2018**

This chapter provides information on the various parts of the budget. This budget 2018 will be executed using the AFFM available resources. AfDB will provide In kind contributions via provision of facilities, offices, equipment, stationaries as well as staff to assist in project cycle activities.

5.1. **AFFM Financial Resources**

As of 31st December 2017, the total amount available for commitment is Euro 11,974,792. This represents the remitted funds Euro 12,124,734 less total expenditures of Euro 149,942. Expenditures are related to Governing Council meetings, AFFM coordinator recruitment charges, salaries, and bank charges.

5.2. **Administrative expenses and project support expenses**

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Annex II. AFFM MEDIUM TERM WORK PROGRAM / 2018 – 2020

1. MEDIUM TERM ACTIVITIES

The AFFM, through its different Governing Council meetings, worked closely with Governments, regional economic communities, donors, NGOs, farmers’ organizations, and the private sector in identifying suitable activities and interventions.

The AFFM will focus on two types of activities: Facilitation activities will remove obstacles impeding investment in fertilizer manufacturing, distribution, and use. The AFFM will concentrate initial efforts on developing viable project pipelines, governance structures, operations manuals, and communication strategies aiming at raising interest and awareness about AFFM and its role in raising the fertilizer use in Africa.

The second type of activities will center on financing capital investments that promote fertilizer supply and use in partnership with the other donors.

For 2018-2020, the mechanism will support activities that will be selected initially through competitive calls for proposals. Selected project will be those in line with priority area defined by the AFFM Governing Council, and depending upon available funds.

Potential activities to be financed will include:

1.1 Developing Africa’s fertilizer manufacturing capacity:

   i) Support fertilizer manufacturing through public-private partnerships by undertaking: (i) economic and sector work to identify opportunities for competitive production and trade; (ii) technical feasibility studies to identify bankable projects; and (iii) re-habilitation of fertilizer production units to improve efficiency
   ii) Provision of advisory services to governments, including tax incentives that promote sustainable fertilizer manufacturing;
   iii) Facilitate the formation of investor consortia.

1.2 Providing credit guarantees for fertilizer importers and distributors

The AFFM will assist countries in reviewing, selecting, and transferring efficient market mechanisms, and in selecting suitable guarantee and support environments within which those markets can best function. The focus would be promoting economies of-scale, i.e. for cost-effective and efficient provision of services. Provision-of-credit guarantee schemes for the fertilizer sub-sector can complement efforts to develop distribution systems and to support agro dealers, i.e. by working with institutions such as the Afrexim Bank, BADEA, and various foundations and NGOs such as AFAP. Such support would include:

   i) Credit guarantees for agro-dealers, large-scale fertilizer importers and distributors (i.e., through existing national or regional development banks);
ii) Assist private traders in obtaining lines-of-credit, hedging, and equity investments from local banks;

iii) Develop and promote innovative public-private fertilizer financing schemes as well as credit products

Technical Assistance support to agro-dealers, as well as banks should be an essential component of the AFFM credit guarantee scheme. AFFM could set up a Technical Assistance Facility for agro-dealers and financial institutions. TA to agro-dealers may be Pre-investment support to make them investment-ready taking into account the requirements of private equity firms or local financial institutions. The TA facility could cost share pre and post investment support on financial management, preparation of bankable business plans and facilitation of credit application processes etc., to ensure loan uptake and reduce the probability of default by agro-dealers.

In the project development phase, AFFM could develop a comprehensive strategy on the management and operations of the Credit Risk Guarantee taking into account the value chains, financial sector, agricultural landscape and other factors in the focus countries.

1.3 Establishing regional fertilizer procurement and distribution facilities

Leveraging recent improvements in selected African port and rail authorities can significantly reduce fertilizer prices, if such efforts are supplemented by:

i) Large-scale purchasing that guarantees economies-of-scale,

ii) Provision of adequate warehousing space at inland transportation hubs

iii) Finance activities for provision of adequate warehousing space at inland transportation hubs

iv) Develop retail and sales kiosks network to improve access to fertilizer by small-scale farmers, especially women.

Formation of multi-country trading blocs capable of utilizing common ports and hubs could also boost fertilizer availability. Flexible public/private partnership schemes could also be very useful here – public institutions would provide fertilizer procurement and facilities for initial storage, leaving private wholesalers and retailers to then distribute it from central nodes. Such a platform for regional fertilizer procurement and distribution could foster greater economies-of-scale, assuming fertilizer inventories are matched to reliable supply and demand estimates.

1.4 Developing policy instruments

Improving the efficiency of fertilizer distribution will require facilitating cross-border trade. This, in turn, will require that national macroeconomic policies be better aligned. The AFFM will therefore encourage and coordinate RECs and Government efforts to harmonize policies and improve regulatory capacities. As subsidies remain the prerogative of sovereign countries, the AFFM will not directly finance fertilizer procurement, and hence will not directly fund subsidies. Nevertheless, it was agreed that payouts can be used to finance studies and supports to policy reforms in the sector. In this domain, UNECA has agreed to take the lead to
conduct the required analysis and unpack what needs to be done in providing a solid basis for new policies.

1.5 Institutional, research and capacity-building activities

AFFM will also support institutions who are engaged in research, development and promotion of fertilizer utilization; same support will be given to national and regional institutions that provide similar services to member countries. AFREXIM BANK reported that they could assist in terms of research and AFFM will engage discussions with AFREXIM to explore possibilities of this support.

1.6 AFFM Secretariat

Since the AFFM became operational in September 2015, the secretariat concentrated efforts in making it fully functional through the Coordinator recruitment and elaborating strategic documents such as Operational procedures manual. During 2018, the 2 most important tasks for the secretariat will be first, to mobilize funds required to achieve the AFFM goal and objectives, and second implement activities on the field using the available funds. The Resource mobilization plan for the medium term is detailed in A of this document.

The staff required to assist the Coordinator in implementing the activities will be recruited in 2018. Initially, following staff will be recruited:

i) Fertilizer Industry Specialist (international recruit);

ii) Principal Investment Officer (national recruit)

iii) Administrative and Finance Specialist (national recruit)

iv) Team Assistant (national recruit)

2. MEDIUM TERM BUDGET

The medium term budget is indicative and will be adjusted annually based on priority areas defined and funds availability.

As it is shown in the table below, during 2018 - 2020, priority will be given to 2 activities: 48% of the total budget will be dedicated to extending credit guaranties to fertilizer importers and distributors, while 30% will be used for developing Africa’s fertilizer manufacturing capacity. 12% of the budget will be affected to activities relating to establishing and making operational regional fertilizer procurement and distribution facilities.

The total budget for the medium term is euro 48,115,000 out of which total amount of euro 11,846,894 is available and euro 36,268,106 needs to be raised during the same period.
Annex III. RESOURCES MOBILIZATION PLAN 2018-2020

1. Introduction

The third Governing Council meeting, under paragraph 2.3.4 resolved that “Instead of the resource mobilization plan being designed for a ten-year period, it will be adjusted to three years”.

This resource mobilization plan (RMP) is developed at a crucial period for the AFFM as it has become operational only in 2015, and is now required to implement activities on the field that would be convincing enough to attract more resources, commitment and interest of diverse potential donors and beneficiaries.

Since the AFFM was created in 2007, efforts were put together to mobilize fund nearby different entities, and they have yielded 18.2 million euro of pledge, and 12.1 million euro remitted.

Ownership by Governments remained a problem, and other donors wanted to first see results on the field.

The Medium work program implies not only implementing activities on the field and show results, but also gradually raising awareness on the importance of the mechanism among RMCs, and mobilizing resources needed to achieve the goal set by the Abuja summit in 2006.

The work program requires additional resources in order to be able to respond to the rapid and complex need in fertilizer value chain.

To be perceived by stakeholders and other and beneficiaries as credible, the AFFM should therefore assure sustainability of the program and provide high quality services to RMCs. This resource mobilization plan will therefore support and complement the implementation of the medium term program.

This RMP provides global principles that will guide resource mobilization over three years. It is not static, and can be adjusted annually to suit the needs and new opportunities that will arise. Similarly, the resources mobilization teams can take the initiatives to go beyond the plan if they find unexplored paths that could offer great chances of financing.

2. Africa’s fertilizer sector

The use of fertilizer in many parts of Africa is constrained by poorly functioning input and output markets. Generally speaking, fertilizer markets in Sub-Saharan Africa are weak, underdeveloped and characterized by high transaction costs due to: diseconomies-of-scale resulting in high free on board (FOB) prices and high transport costs; high shipping costs to African ports; tariff and non-tariff trade barriers; and higher operating margins at every stage of the supply chain. Consequently, these markets clear at prices that are beyond the reach of the majority of small-scale and subsistence farmers.

The high transaction costs are exacerbated by structural (supply-side and demand-side) constraints, which severely hinder the development of efficient and effective private sector-led fertilizer markets in Africa.
On the supply-side, the main constraints are: continued government interventions in the activities of the fertilizer industry (production, procurement and distribution) despite liberalization; obsolete infrastructure (ports, roads, equipment); lack of or poor quality control; the high cost of finance; limited human capital in terms of quantity and quality; and weak market information systems.

Demand-side constraints include: outdated fertilizer recommendations; non-existent or inadequate research and extension support for farmers; lack of access to finance or credit for small-scale farmers to purchase fertilizers; lack of or poor access to stable output markets to absorb increased production; and production risk due to smallholder farmers’ almost exclusive reliance on rain fed agriculture. As a result, fertilizer markets in SSA have failed to reliably provide the right type of quality fertilizers to small-scale farmers in rural areas in a timely manner and at an affordable price.

The finance constraint has many dimensions at all levels of the fertilizer value chain. The majority of fertilizer consumed in Africa is imported and importation of fertilizer is a capital-intensive venture. Few African businessmen can raise, at one time, important sums of money and stiff collateral requirements; in addition to this high interest rates make borrowing from local financial institutions impossible for many. Therefore, importers have to use letters of credit. However, it is impossible to ship and sell large quantity in time frame proposed by letters of credits, so domestic interest rates become a factor.

Consequently, only a small number of importing firms – typically those with connections to the international banking industry and linkages to the international fertilizer manufacturing industry – have consistent access to adequate finance. At the distributor and retail levels, the small size of loans required and lack of mechanisms for contract enforcement in rural areas discourages commercial banks from making loans for the input business. At the farm-level, small farmers also have limited access to credit as there are similar issues associated with interest rates coupled with the inability of banks to viably service individual farmers.

Farmers’ limited access to stable and competitive output markets, especially for staples, further constrains the economic incentive to use fertilizers. Accordingly, many African governments have introduced fertilizer subsidy programs, but they have limited reach, often fail to target the intended recipients, tend to crowd out the private sector, and place a huge burden on the national budget.

3. The objective of the RMP

To mobilize sufficient funds needed to implement AFFM medium term program and build a network for sustainable resource availability for the achievement of the AFFM goal.

i) Brief prospective partners of the AFFM, both public and private, on its potential benefits;

ii) Report on the AFFM’s planned medium-term activities and the growing interest in supporting the Mechanism financially; and

iii) Motivate partners to commit financially to the AFFM to enable implementation of its medium-term Work Program.

4. The business case for supporting the AFFM financially

2 Although fertilizer is being manufactured in Africa, this is concentrated in North and South Africa. Three countries in North Africa (Egypt, Morocco, and Tunisia) account for 92% of production. South Africa is the fourth-largest fertilizer producer in Africa. They source their finance from both international and local sources. However, this fertilizer is mainly targeted towards overseas markets and the majority of fertilizer consumed in SSA is imported.
An operational AFFM will benefit both African countries and their national and international private sectors in a variety of ways explained below, with positive implications for fertilizer marketing, corporate profits, farm productivity, output and incomes, environmental conservation, rural livelihoods and inclusive growth.

The African Development Bank, Africa’s premier multilateral development finance institution, is uniquely placed to extend innovative financing for investment in Africa’s fertilizer value chain. During 2011-14, AfDB using its private sector window, approved loans and grants with total commitments amounting to USD 800 million to finance fertilizer manufacturing projects in Morocco, Nigeria and Gabon. These investments are responding to some of the key market opportunities and challenges of Africa’s fertilizer industry, especially strengthening regional manufacturing capacity, while also helping to boost profit accruing to private entrepreneurs. The opportunity that an operational **AFFM brings is to stretch further down the value chain to reach new and/or underserved markets**, by offering a special window that would be able to bundle loan portfolios to local commercial and development banks and micro-lending institutions. By doing so, the AFFM will make innovative finance available to their larger private clients, and subsequently to Africa’s emerging small and medium fertilizer enterprises.

**The AFFM will assist to increase farmer demand for fertilizer at the wholesale and retail levels.** This will increase business opportunities along the fertilizer value chain – manufacturing and trade (warehousing, imports, intra-African trade, and distribution) thereby creating new and bigger markets in Africa for fertilizer value chain players. In particular, with the Abuja Declaration having resolved that African countries scale up their average fertilizer application rates to 50 kg/ha, this could increase in fertilizer markets in Africa, with attractive returns to investment by private firms engaged in the fertilizer value chain.

Trade barriers that create high transaction costs between countries limit access to inputs including fertilizer. African farmers, especially those in landlocked countries, face higher prices for fertilizers than farmers in other developing countries. Farmers in coastal countries in Africa generally enjoy better prices for fertilizer. The **AFFM will engage RECs and their member States to address fertilizer cross-border trade bottlenecks**, to create a more conducive regulatory environment to facilitate private sector engagement in the fertilizer market including quality control, thereby facilitating business opportunities. AFFM would also foster the development of a sustainable fertilizer trade based on innovative commercial funding and reduce dependence on subsidies. This would enhance private investments at all levels of the fertilizer supply chain, which will result in reduced subsidy levels, releasing funding for investment in other social programs.

Excessive and/or inefficient application of inorganic fertilizers over time could cause negative environmental footprints, amongst other adverse effects. **AFFM partners will work to build capacity and create awareness on good agronomic practices** vis a vis fertilizer use by farmers, for more sustainable long-term development impacts. In particular, AFFM will promote appropriate and balanced use of fertilizers by emphasizing good land use and agricultural practices, effective agricultural extension and practical agronomic training for farmers.

With Africa’s SMEs being an important but often overlooked enterprise segment, which if adequately resourced and exploited could provide excellent opportunities for investors to achieve competitive financial returns and positive social impact, **the AFFM will foster SME linkage programs to large**
scale private sector fertilizer investment operations, especially those aimed at strengthening the regional fertilizer manufacturing capacity.

By contributing to the domestication of fertilizer manufacturing in Africa, the AFFM would assist to reduce the high transaction costs arising from diseconomies-of-scale resulting in high free on board (FOB) prices and high transport costs, as well as high shipping costs to African ports that currently characterize Africa’s fertilizer imports. This will help African farmers to have better access to fertilizer and at prices that are likely to be more affordable, contributing to increased farm productivity, production and profits.

5. AFFM Strategic direction

The Abuja Declaration committed African Union Member States to work together in achieving a very ambitious goal: boosting fertilizer use to achieve 50 kg/ha by 2015. This commitment is soundly based on the undeniable fact that Africa’s poor agricultural output – which threatens not only the continent’s economic growth but also its food security and environmental health – cannot be reversed unless efficient and sustainable fertilizer use can be significantly elevated.

The Abuja Summit participants, in making such a commitment, acknowledged that “conventional” efforts currently being implemented to encourage fertilizer use in Africa (both by the Bank Group and others) constitute an important start, but are by no means a satisfactory solution, since individual project-by-project efforts are limited by their own scope and scale. Many barriers preventing the African agricultural sector from reaching its full potential are international and regional in nature.

Past experience shows that fundraising is not one person’s task at a certain moment, but a continuous team effort which yields better sustainable results; reason why this RMP is proposing to establish Resource Mobilization Teams that will be charged with implementing it, and the AFFM coordinator dedicated to this task on a regular basis.

6. Resource mobilization team

This AFFM resource mobilization plan is for 3 years. The Coordinator of the AFFM is a permanent line of work and a team effort. The Chair of AFFM Governing Council and Governing Council members, will all work together, in varying capacities, to ensure that the AFFM meets its fundraising targets each year. The teams will be proposed along with the plan.

The AfDB will play an important role in mobilizing resources within the bank and nearby different potential donors. The teams proposed will be discussed and agreed upon, as well as the mandate and target during the 6th Governing Council to take place in June 2018.

AFFM secretariat staff will coordinate all efforts in producing all documents that will be needed for resources mobilization.

7. Resource mobilization principles

The framework and the instrument for the establishment of the Africa Fertilizer Financing Mechanism, and the medium term Work Program inform the resource mobilization activities.
The AFFM will need to establish relations to try to secure short as well as long term donor support for the program. To assure all potential source of funds are explored, a list of possible donors and funding priorities will be investigated annually and appraised periodically.

Advocacy for AFFM support will apply various resource mobilization methods; fundraising trips, meetings, letters of request, presentation of the AFFM during workshops, conferences, and other means will be used to fundraise and update donors on AFFM progress. Efforts will be made to ensure that there isn’t any breach of the values, identity and integrity of the AFFM, AfDB and AUC during the process.

Essential features of the AFFM resource mobilization plan include that:

i) The AFFM will seek funding to develop work within its program areas and on a national, regional and international basis;

ii) Convincing and concrete arguments will be presented, demonstrating direct interest with facts and concrete opportunities;

iii) Strategy will be personalized per targeted potential contributor;

iv) A proper and comprehensive communication strategy will be important to understand each other’s work and values, and hence develop relationships and partnerships with major donors. The strategy will also aim to inform donors, beneficiaries, RMC, stakeholders and other, about progress on AFFM support, achievements, existing opportunities, challenges and plans;

Time will be invested in planning, preparing, identifying, and building relationships with new prospective donors;

While negotiating with potential donors, the AFFM will ensure that the terms and conditions of funding agreements, procedures and reporting schedule are mutually acceptable;

The AFFM will not discourage donor-sponsored programs as long as they fit in the AFFM’s overall goals and there is appropriate institutional capacity to support the implementation of such programs.

8. Resource mobilization targets

The estimated financial implication for the implementation of the Work Program indicate that total resources for the AFFM should reach Euro 48,115,000 by 2020, while available funds to date are euro 11,846,894; this means a total amount of Euro 36,268,106 to be mobilized within 3 years, with an increasing target as shown in the chart below.
9. Possible sources of funds and resources

Each niche of potential resources will be explored, potential donors will be approached with a specific advocacy and communication strategy to provide awareness and information about the AFFM. The order of priority will be as follow, noting that the list is not exhaustive and may be adjusted when deemed necessary. Furthermore, the strategy meeting scheduled in 2018 that will develop AFFM sustainability plan will come up with a resources mobilization strategy as well. For this purpose, the meeting will engage discussions on the resources needs for the strategy, make a thorough analysis of the funding landscape, the prospective donors and partners to be targeted, and the specific channels to use in order to reach out to them.

9.1. Regional Member Countries

One example of clear proof that the countries believe and trust the AFFM would be to agree on making a contribution whether institutional or for a particular project.

The African Union Commission, through the chair of the AFFM Governing Council will call upon, once again, Regional Member Countries to contribute. The AUC efforts will be supplemented by the Bank in aligning Feed Africa lending projects/ initiatives toward AFFM support whenever possible.

In order to customize advocacy, RMC are divided into 4 different categories:
1. Those with developed fertilizer industry and advanced level of fertilizer utilization
2. Those that show a move in fertilizer industry and fertilizer utilization
3. Countries with limited number or no fertilizer industry, and low level of fertilizer use
4. Countries with limited number or no fertilizer industry, and low level of fertilizer use, but with fertilizer raw material, potential for fertilizer plant-

Based on first contact, a priority list will be established to pursue negotiations. Nevertheless, a priority order for contacting countries in 2018-2020 could be as follows:
9.1.1 RMC - Category 1 Developed fertilizer industry & high level of fertilizer use

<table>
<thead>
<tr>
<th>Countries</th>
<th>Egypt, Tunisia, South Africa, Algeria, Morocco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>- Opportunity to Extend fertilizer plants in countries in category 4; - Possibility of extending more innovative financing for investment in fertilizer value chain</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Governments, fertilizer companies, donors, development Finance institutions and Banks.</td>
</tr>
<tr>
<td>Responsibility</td>
<td>AFFM, AFDB and AUC</td>
</tr>
<tr>
<td>Expected Results</td>
<td>Euro 7 million</td>
</tr>
</tbody>
</table>

These countries possess the highest fertilizer consumption in Africa, 120 kg/ha for northern countries (this number is highly influenced by Egypt, which applies 400 kg/ha on average), and 55kg/ha for South Africa. They have also developed fertilizer industry, having 92% of fertilizer produced in Africa. These countries could benefit from economies of scale by expanding their fertilizer plants in countries in category 4, where raw material exist and still unexploited or exporting in other sub-Saharan African countries.

9.1.2 RMC – Category 2: With a certain progress in fertilizer industry and fertilizer utilization

<table>
<thead>
<tr>
<th>Countries</th>
<th>Nigeria, Tanzania, Kenya, Zambia, Malawi, Ghana, Zimbabwe, Ethiopia, Ivory Coast, Senegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>- Develop more capacity and exploit more economies of scale, and increase fertilizer production. - Opportunity of extending more innovative financing for investment in fertilizer value chain</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Governments; Fertilizer Companies; Donors; Development Finance institutions; and Banks</td>
</tr>
<tr>
<td>Responsibility</td>
<td>AFFM/ AfDB and AUC</td>
</tr>
<tr>
<td>Expected Result</td>
<td>Euro 4 million</td>
</tr>
</tbody>
</table>

Countries in this category, are the major fertilizer consuming countries and possess a big portion of phosphate and Nitrogen mining and production in sub-Saharan. They are said to be operating at less than 20% capacity, using imported raw material. By expanding the market of their production in other countries, they will be able to increase production and reduce production costs.

9.1.3 RMC - Category 3 – Very limited or no fertilizer industry with very low level of fertilizer application

<table>
<thead>
<tr>
<th>Countries</th>
<th>Mozambique, Uganda, Rwanda, Madagascar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>Commitment and willingness resulting in benefiting from AFFM support from mobilized funds</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Governments; Fertilizer Companies; Donors; Development Finance institutions; and Banks</td>
</tr>
<tr>
<td>Responsibility</td>
<td>AFFM, AfDB, AGRA and AUC</td>
</tr>
<tr>
<td>Expected Results</td>
<td>Euro 2 million</td>
</tr>
</tbody>
</table>

Such countries use imported fertilizer from other African countries or outside Africa. Understanding the importance of the AFFM and contributing to it, will lead to its effectiveness, which in turn will attract more resources from other donors. Such countries could therefore get access to fertilizer at reduced costs, number of regulatory barriers and logistical constraints will have been removed. The AFFM mobilized funds could also be used to support these countries’ specific projects.

9.1.4 RMC - Category 4 - Very limited number or no fertilizer industry, low level of fertilizer use, but with fertilizer raw material, potential for fertilizer industrialization

<table>
<thead>
<tr>
<th>Countries</th>
<th>DRC, South Sudan, Angola, Equatorial Guinea, Togo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>AFFM support, Linkage and advocacy for Private Sectors investors to develop fertilizer industry</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Governments; Fertilizer Companies; Donors; Development Finance institutions; and Banks</td>
</tr>
<tr>
<td>Responsibility</td>
<td>AFFM, AfDB and AUC</td>
</tr>
<tr>
<td>Expected Results</td>
<td>Euro 2 million</td>
</tr>
</tbody>
</table>

Countries in this category need to be linked up to biggest fertilizer industries or investors to make a good use of raw material available to produce fertilizer to be used in their own countries and dedicated for exportation. By contributing to the AFFM, the later will be able to facilitate networking and development of PPP.
9.2. Foundations and Bilateral

<table>
<thead>
<tr>
<th>Interest</th>
<th>Serving common goals and combined efforts for achieving respective objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility</td>
<td>AFFM, IFAD, and AUC, AfDB, AGRA</td>
</tr>
<tr>
<td>Expected Results</td>
<td>Euro 12 million</td>
</tr>
</tbody>
</table>

Bill and Melinda Gates: first contact was done in March 2010, in Washington, D.C. where AFFM was presented during the BMG Foundation donor convening on fertilizer in Africa. AFFM with AfDB will contact them again to present progress, constraints faced and program after the AFFM has become operational.  
IFA and IFAD members of AFFM will be approached again (AFFM, AfDB, AUC) to discuss once again possibility of reinstating previous willingness, and consideration of financing AFFM and review previous conditions as regard to current AFFM development.  
Both will also assist in mobilizing funds nearby other bilateral organizations in this category. The Rockefeller Foundation: will be contacted by AFFM and AGRA for appealing for the possible 15M USD announced in the past;

9.3. Major International Players, Africa fertilizer Industry

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Trade Attaches in Addis Ababa of Embassies of concerned countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>Serving common goals and combined efforts for achieving respective objectives</td>
</tr>
<tr>
<td>Responsibility</td>
<td>AFFM, AfDB, AGRA, IFA, AUC IFDC</td>
</tr>
<tr>
<td>Expected Results</td>
<td>Euro 9 million; Private sector investments; Technology transfer; High level international fertilizer forums for Africa; Other joint ventures</td>
</tr>
</tbody>
</table>

AFREXIMBANK, member of the AFFM Governing Council was approached by AfDB appealing for funding for the AFFM, a partially favorable response was received, and they will be contacted again to seek possibilities of concrete financial commitment. The Arab Bank for Economic Development (BADEA is also poised to support specific investment opportunities.

IFDC offered to facilitate discussions with emerging economic powers such as India and China, so as to secure their support. This will be put into action during this medium term program.
AFFM will also be assisted by IFDC to make initial contact with ETG, while AfDB and AGRA will approach once again OCP.

10. Conclusion

Fertilizer is an essential factor in boosting agricultural productivity, but average levels of fertilizer use in Africa are less than a fraction of the world average, making NEPAD’s goal of attaining an average agriculture annual growth rate of 6 per cent unattainable. If Africa’s farmers increased their productivity and substituted imports with their own production, this could provide a powerful impetus to reducing poverty, enhancing food and nutrition security, and supporting a more inclusive pattern of growth.

Today, Africa remains the region with the highest prevalence of undernourishment, and sub-Saharan Africa being the worst affected. Decreased food production per capita in Africa has led to malnutrition, poverty and hunger. Given Africa’s continuing vulnerability to food insecurity, the AFFM remains very relevant continental initiative to the African Food Security Vision, as well as the AU’s Malabo Declaration of June 2014 on accelerated agricultural growth and transformation for shared prosperity and improved livelihoods.

Therefore, supporting the Mechanism financially makes good investment sense. Both African countries and their private sectors stand to gain considerably from an operational AFFM in terms of increased business opportunities and profits along the fertilizer value chain for smallholder farmers, as well as for larger entrepreneurs and firms engaged in fertilizer production, blending and distribution.
AFRICAN DEVELOPMENT BANK

AFRICA FERTILIZER FINANCING MECHANISM (AFFM)
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017
(Expressed in EUR)

CONTRIBUTIONS

Nigeria 5,276,624
ADB 5,773,900
AGRA 888,652
Tanzania 185,558

Total contributions 12,124,734

Bank Charges (20,598)

Total funds available 12,104,136

DISBURSEMENTS

Ongoing activities (Annex 1)

Total Disbursements (129,344)

Funds available 11,974,792

Represented by:

Cash in bank 12,048,764
Less: Amount payable (73,972)

Fund balance 11,974,792
AFRICAN DEVELOPMENT BANK

AFRICA FERTILIZER FINANCING MECHANISM (AFFM)
STATEMENT OF COMMITMENT AS AT DECEMBER 31, 2017
(Expressed in EUR)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funds available</td>
<td>12,104,136</td>
</tr>
<tr>
<td>Less: Commitments</td>
<td></td>
</tr>
<tr>
<td>Ongoing activities (Annex 1)</td>
<td>(676,302)</td>
</tr>
<tr>
<td>Grant Funds available for commitment</td>
<td>11,427,834</td>
</tr>
</tbody>
</table>
AFRICA FERTILIZER FINANCING MECHANISM (AFFM)
SUMMARY OF ONGOING ACTIVITIES AS AT DECEMBER 31, 2017
(Expressed in EUR)

<table>
<thead>
<tr>
<th>Codes</th>
<th>Activities</th>
<th>Amount Allocated</th>
<th>Cumulative Disbursement as at 31/12/16</th>
<th>Disbursements from 01/01/17 to 31/03/17</th>
<th>Disbursements from 01/04/17 to 30/06/17</th>
<th>Disbursements from 01/07/17 to 30/09/17</th>
<th>Disbursements from 01/10/17 to 31/12/17</th>
<th>Total Disbursement for the year</th>
<th>Cumulative Disbursement as at 31/12/17</th>
<th>Undisbursed Balance as at 31/12/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>714342</td>
<td>AFFM GOV. COUNCIL MEETING</td>
<td>268,800</td>
<td>46,592</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,982</td>
<td>18,982</td>
<td>65,574</td>
<td>203,226</td>
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<tr>
<td>715821</td>
<td>AFFM COORDINATOR</td>
<td>381,502</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>63,770</td>
<td>63,770</td>
<td>63,770</td>
<td>317,732</td>
</tr>
<tr>
<td>716301</td>
<td>AFFM GOVERNING COUNCIL ABUJA</td>
<td>26,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>676,302</td>
<td>46,592</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>82,752</td>
<td>82,752</td>
<td>129,344</td>
<td>520,958</td>
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</tbody>
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