

IFC Western Balkans Agribusiness Risk Sharing Facility

Western Balkans Guarantee Program

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An aerial photograph of a wind farm. Three large white wind turbines are visible, spaced out across a lush green landscape. The terrain is a mix of rolling hills and flat fields, some of which appear to be planted with crops like corn. A dirt road or path winds through the fields. The lighting is bright, suggesting a sunny day, and the overall color palette is dominated by various shades of green and the white of the turbines.

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Context

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Western Balkans Risk Sharing Facility (WBARSF)

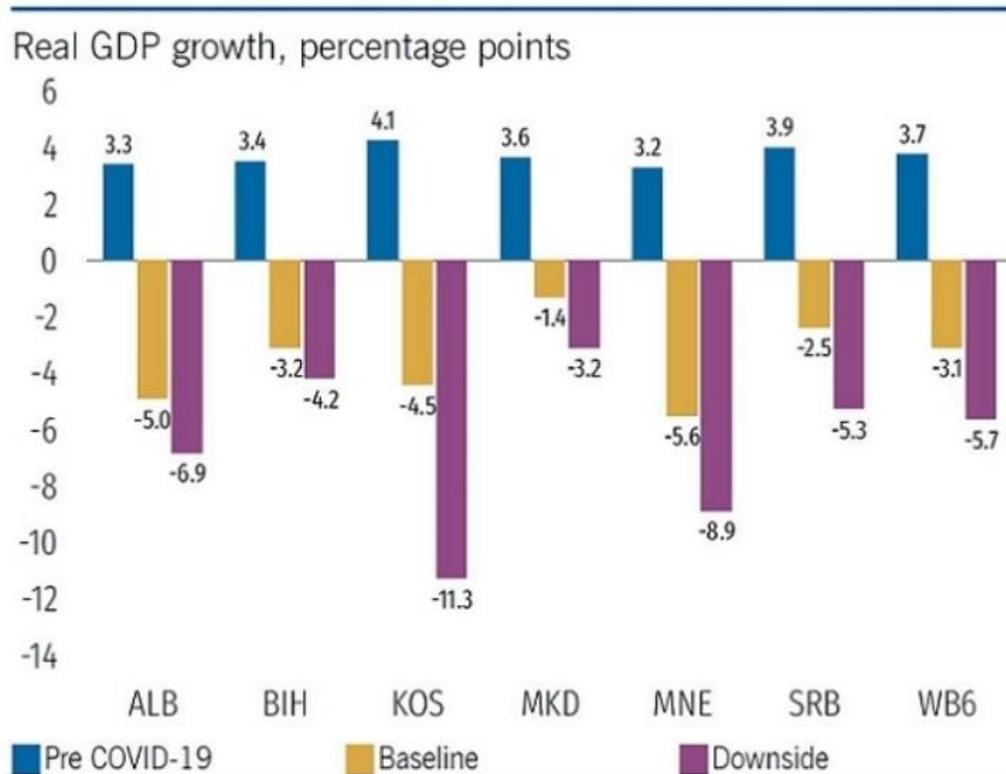
Agribusiness in the region – vital part of the Western Balkan economy



Despite the potential and favorable natural and climatic conditions, all Western Balkan countries apart from Serbia have become net food importers, leaving implications for the role of the sector as a driver of jobs and growth in the rural economy of the region.

Impact of COVID-19

Real GDP Growth, Two Scenarios for 2020



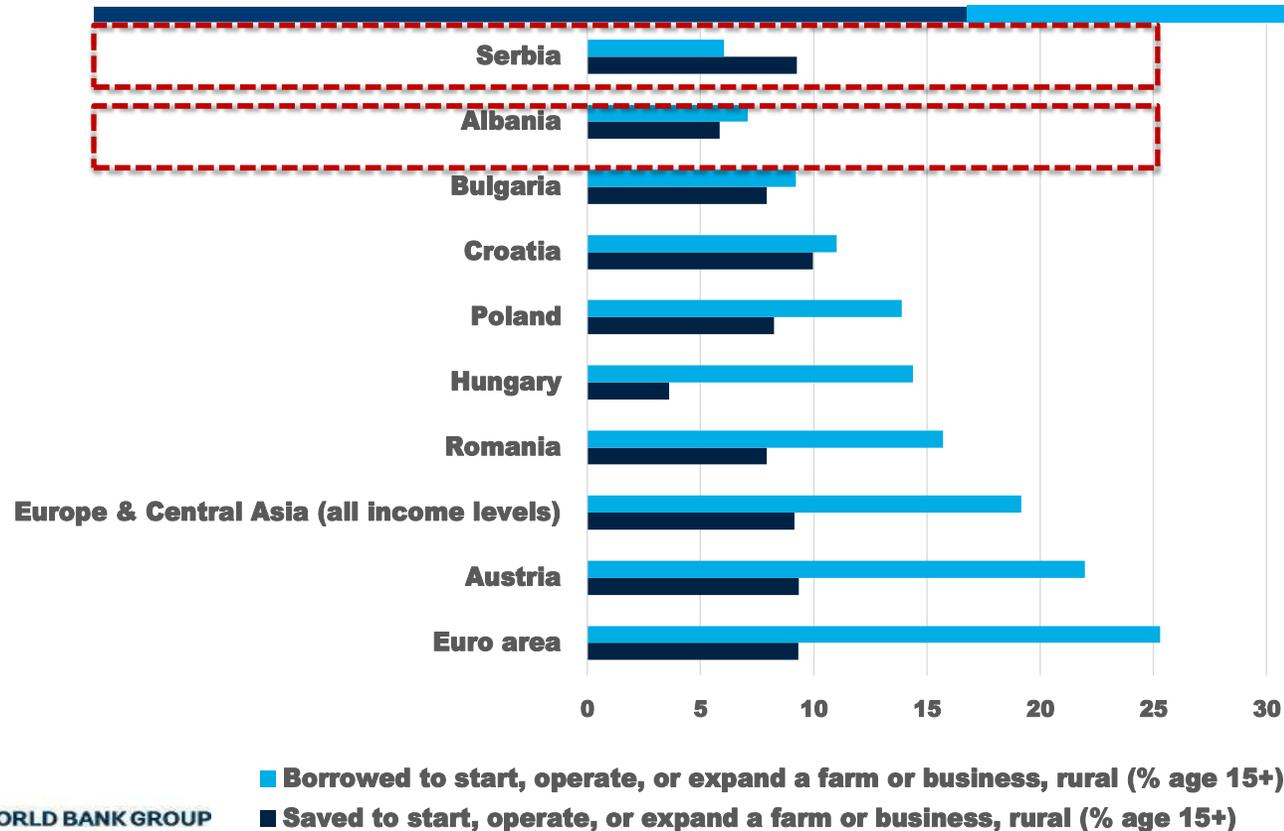
Economies in the Western Balkan region will likely decrease by between 3% and 5.6% in 2020 as a result of COVID-19

Agribusiness sector was hit not only because of the pandemic, but also due to systemic neglect of the sector in the past

COVID-19 pandemic has increased the risk perception of the agri-MSME segment, further reducing the willingness of financial institutions and investors to finance this segment.

FAO is particularly concerned about the pandemic's impacts on vulnerable groups (e.g. small-scale farmers, pastoralists or cattle farmers) hindered from working on their land and caring for their livestock.

Financial services in rural areas in the Western Balkans



Besides needed policy level changes, private sector can contribute to the much-needed sectoral transformation.

Access to finance is identified as the biggest obstacle preventing farmers to modernize production, increase productivity and hence yields, and raise competitiveness, especially for commercially driven small and medium Agri producers.

The penetration of financial services in rural areas in the Western Balkans is lower compared to EU countries, and the usage of credit is particularly limited.

E.g. while around two thirds of adults in rural areas in Serbia have accounts with financial institutions, only 6% of them have loans and less than 8% in Albania which places them at the bottom of the list in Europe.

Source: Findex database 2017.

Overview of the proposal

Summary: Western Balkans Agribusiness Risk Sharing Facility (“WBARSF”) will mobilize guaranteed Financial institutions investments to agribusiness clients for much needed sector modernization and digital transformation. The COVID-19 pandemic has further increased the risk perception of these segments, causing additional challenges in accessing needed finance, finding markets to sell their products, or buy essential inputs.

The targeted final beneficiaries: small and medium size agriculture producers i.e. farmers including women and youth farmers, Agri-MSMEs, including early stage MSMEs, startups, and businesses in rural areas.

Eligible WB economies: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

ICT role: In addition to the proposed RSF, ICTs offer unprecedented opportunities to further de-risk agri-finance by addressing information asymmetry and perceived risk of MSMEs financing while reducing transaction costs and increasing outreach and ultimately improving competitiveness and bankability of agricultural producers. ICTs should also help final beneficiaries to make the best possible decisions on optimization of resources, production techniques, cost saving opportunities etc. Changes in production techniques are also conditioned by the climate impact. Not only agricultural sector globally produces 25% of the GHG emissions but also the climate effects are being demonstrated through floods or droughts, events to which Western Balkans was severely hit in last decade.

To address these market failures, IFC proposes a holistic program to i) de-risk agri-finance and help reduce transaction costs for FIs in the medium to longer term; ii) promote digitalization of the agri-sector both in local financial intermediaries as well as on end user level by delivering quality information and support services for decision making based on ICT solutions that will enhance farm productivity improving linkages between producers and markets; iii) introduce climate smart agriculture concepts and machinery; iv) focus on the MSMEs that have the potential to grow and/or are export oriented and v) address demographic trends whereby youth among others are moving out of the rural area to urban areas.

Strategic relevance and complementarity

EU accession process

- Need for a major structural transformation towards a more dynamic and competitive sector;
- MSMEs need better positioning to obtain bridge financing needed in order to benefit from the IPARD grant support.

European Green Deal

- Contributing to reducing environmental impact and to future Green Agenda for the Western Balkans;
- Contributing to Farm to Fork Strategy by promoting sustainable farming.

Other Guarantee products

- KfW in cooperation with Kosovo Guarantee Fund;
- IPA and German Government program in Albania and
- EBRD program with the Albanian government.