



AGRICULTURE  
AND FOOD INDUSTRY

# IFC FUNDING OPPORTUNITIES FOR THE AGRICULTURAL SECTOR

#GROWINMOLDOVA

# IFC FUNDING OPPORTUNITIES FOR THE AGRICULTURAL SECTOR



*Creating Markets, Creating Opportunities*

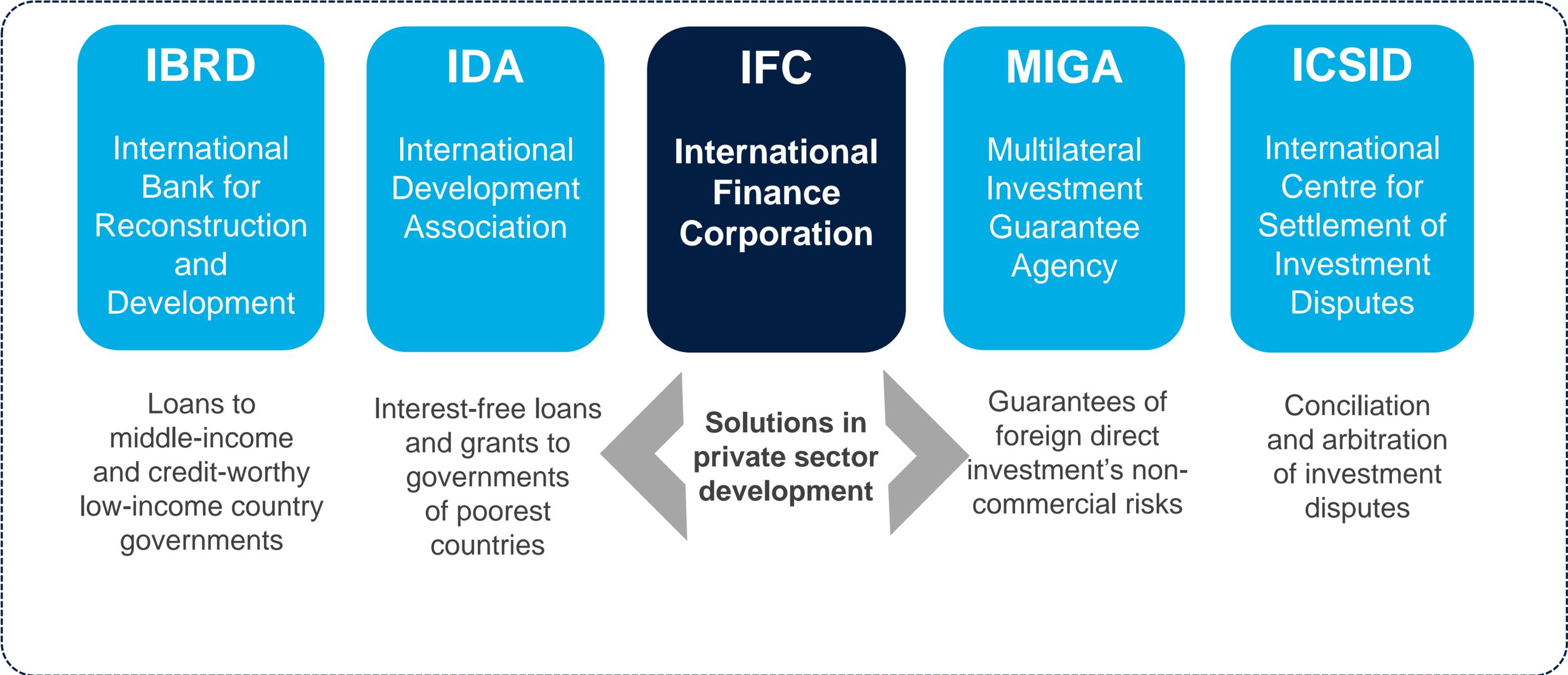


*Creating Markets, Creating Opportunities*

- A member of the World Bank Group
- Provides investment, advice, resource mobilization
- AAA credit rating; owned by 184 countries
- Present in nearly 100 countries

***IFC is the largest global development institution focused on the private sector in emerging markets.***

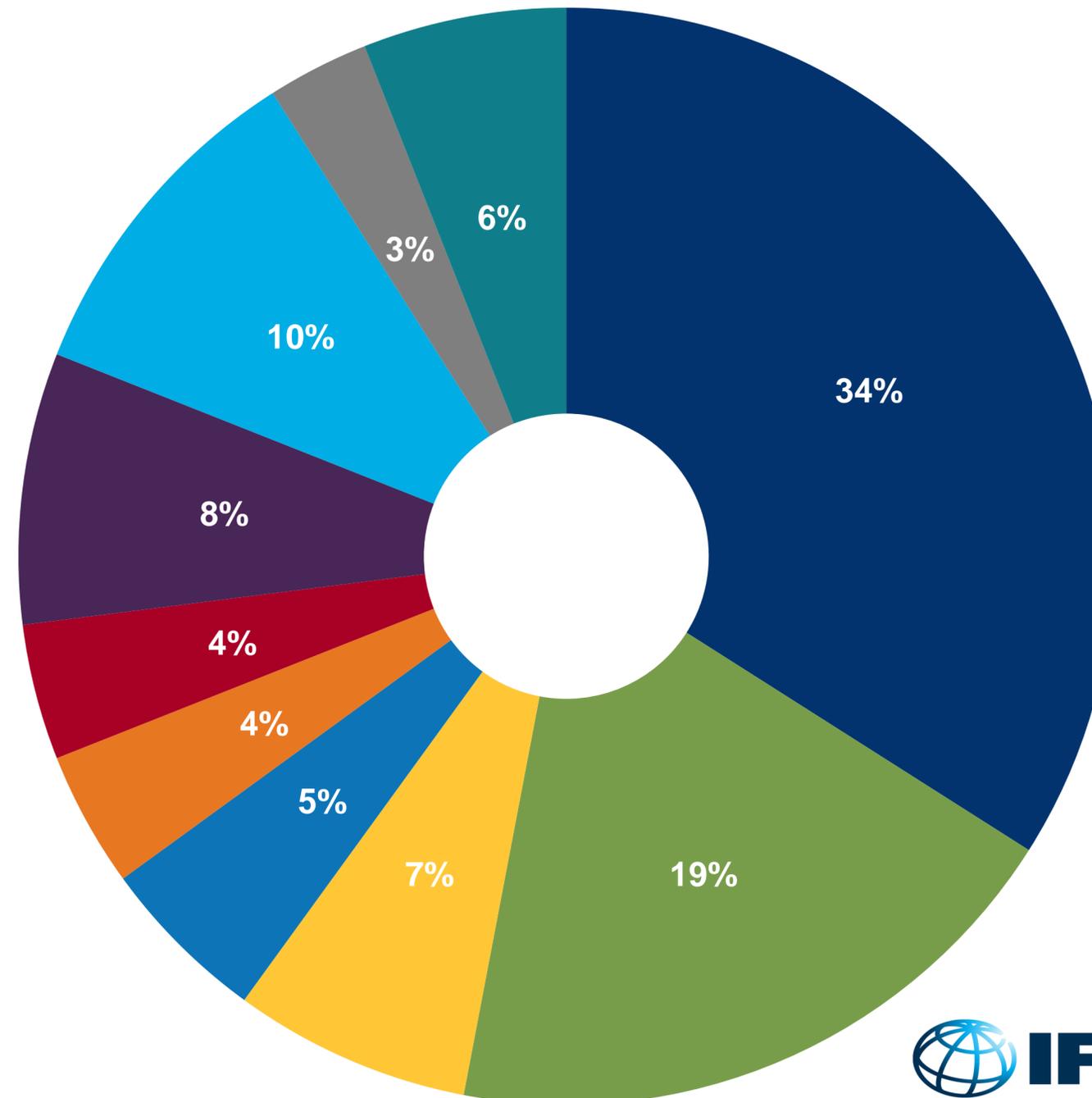
# IFC: A MEMBER OF THE WORLD BANK GROUP



# FY17 IFC COMMITTED INVESTMENT PORTFOLIO BY INDUSTRY

TOTAL PORTFOLIO: \$55 BILLION

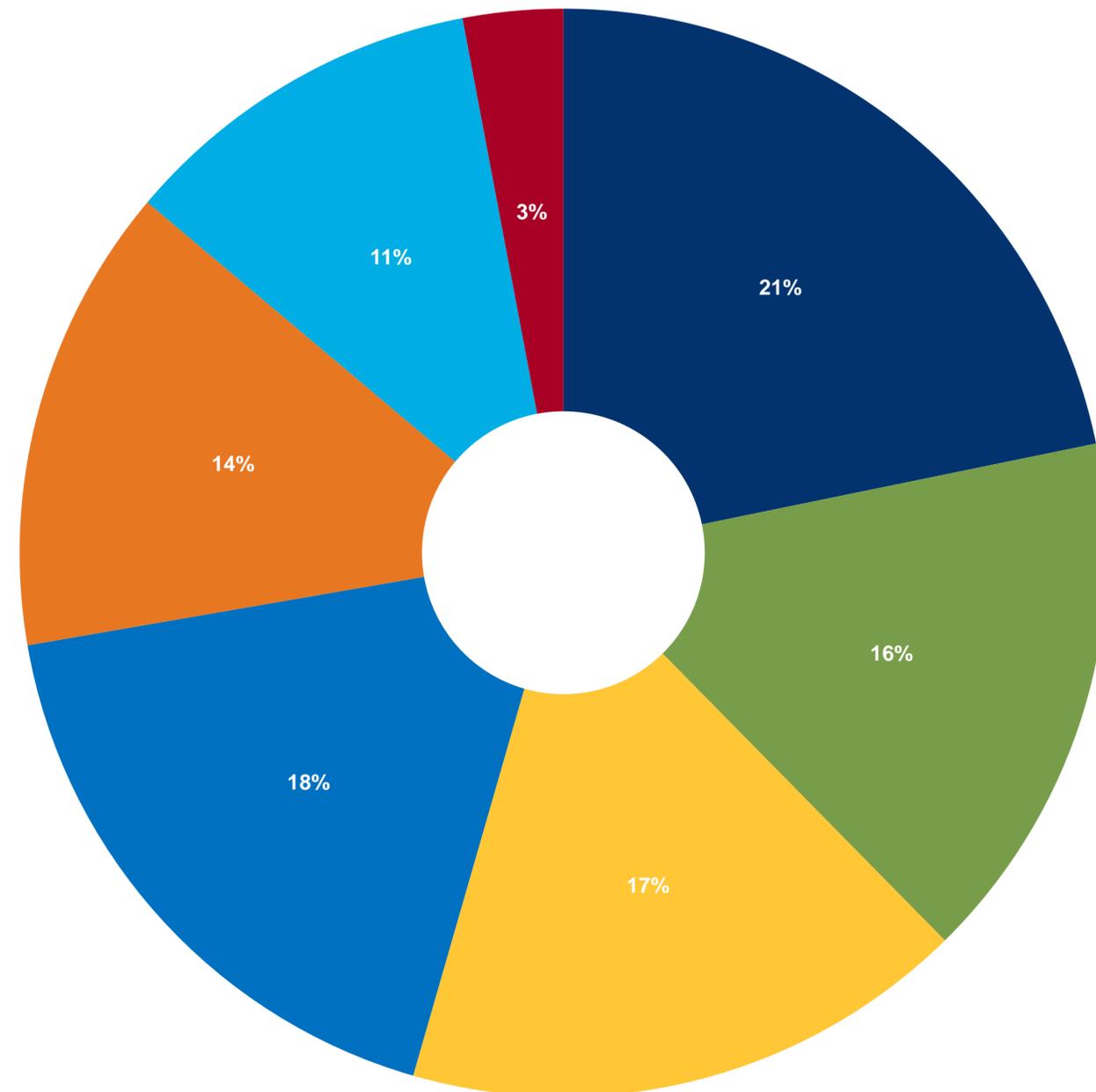
- Financial Markets
- Infrastructure
- Agribusiness and Forestry
- Health and Education
- Tourism, Retail, and Property
- Oil, Gas, and Mining
- Funds
- Manufacturing
- Telecommunications and Information Technology
- Trade Finance



# FY17 IFC COMMITTED INVESTMENT PORTFOLIO BY REGION

TOTAL PORTFOLIO: \$55 BILLION

- Latin America and the Caribbean
- East Asia and the Pacific
- Sub-Saharan Africa
- Europe and Central Asia
- South Asia
- Middle East and North Africa
- Global

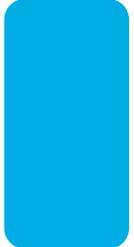


## IFC: A VALUABLE PARTNER

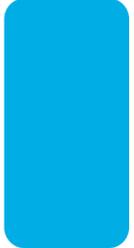
We help clients in good times and bad by offering:



**A strong financial position, strategy, staff**



**Low leverage ratios, prudent risk-management policies**



**A long-term partnership perspective, providing clients important countercyclical financing when commercial banks cut back**



**Strategic and innovative advisory solutions enabling clients to strengthen their performance in a sustainable way, especially in fragile and conflict-affected areas**

# WHAT CLIENTS VALUE ABOUT IFC

Results of IFC Client Survey



# WHAT WE DO

Integrated Solutions, Increased Impact

## INVESTMENT

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- Loans
- Equity
- Trade and Commodity Finance
- Syndications
- Derivative and Structured Finance
- Blended Finance

## ADVICE

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- Innovative Solutions Combining IFC's Expertise and Tools to:
  - Help Create New Markets
  - Unlock Investment Opportunities
  - Strengthen Clients' Performance and Impact
  - Improve Environmental, Social, and Corporate Governance Standards

## IFC ASSET MANAGEMENT COMPANY

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- Mobilizing and Managing Capital for Investment

# INVESTMENT

## Loans

- Project and corporate financing
- On-lending through intermediary institutions

## Equity

- Direct equity investments
- Private equity funds

## Trade and Commodity Finance

Guarantee of trade-related payment obligations of approved financial institutions

## Syndications

- Capital mobilization to serve developmental needs
- Over 60 co-financiers: banks, funds, DFIs

## Derivative and Structured Finance

Derivative products to hedge interest rate, currency, or commodity-price exposures of IFC clients

## Blended Finance

Using donor funds to crowd in private financing

# ADVICE

## To Companies

- Attracting private investors and partners
- Entering new markets
- Increasing impact
- Improving operational performance and sustainability standards
- Advancing gender equality

## To Financial Institutions and Funds

- Strengthening risk management, diversifying product offerings
- Promoting universal access to finance, strengthening capital markets, and establishing credit bureaus and collateral registries
- Developing the private equity industry in frontier markets

## To Governments

- Structuring public-private partnerships that improve people's access to high-quality infrastructure and basic services
- Implementing reforms that encourage private investment, spur growth, and create jobs

# IFC ASSET MANAGEMENT COMPANY

**IFC Asset  
Management  
Company had about  
\$9.8 BILLION  
in assets under  
management in FY17**

## AMC FUNDS

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- IFC Capitalization Fund
- IFC African, Latin American and Caribbean Fund
- Africa Capitalization Fund
- IFC Russian Bank Capitalization Fund
- IFC Catalyst Fund
- IFC Global Infrastructure Fund
- China-Mexico Fund
- IFC Financial Institutions Growth Fund
- IFC Global Emerging Markets Fund of Funds
- IFC Middle East and North Africa Fund
- IFC Women Entrepreneurs Debt Fund
- IFC Emerging Asia Fund

# IFC FINANCING - ELIGIBILITY CRITERIA

- To be eligible for IFC financing, projects must have strong development impact, be profitable for investors, and comply with environmental guidelines.
- IFC is a financier of private sector projects.
- It can finance companies that are wholly locally owned as well as joint ventures between foreign and local shareholders.
- To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of own-account debt and equity financing it will provide for any single project. For real sector projects, IFC may provide between 15% and 30% of the total capitalization of the client (long-term debt and equity).
- IFC investments typically range from \$10 million to \$100 million.
- IFC does not lend directly to micro, small, and medium enterprises or individual entrepreneurs, but many of our investment clients are financial intermediaries that on-lend to smaller businesses.

# FINANCING COST AND GUARANTEES

- **IFC's financing is a long term one** – generally between 5 and 10 years; funds are disbursed and repaid in foreign currency or local currency;
- **The interest rate, which can be fix or variable, is in line with the market**, taking into account the risk associated with each project;
- **Commission and fees:**
  - Front-end fee – 1% of the loan's total amount, to be paid before disbursement;
  - Commitment fee – 1% of the undisbursed loan balance;
  - Appraisal fee – established before the evaluation process on the basis of the estimated volume of work;
- **IFC does not demand or accept government guarantees** for its loans, but will ask for other kind of guarantees for real sector clients. Loans to banks are typically unsecured.
- **Approval steps** are:
  1. *Concept Review Meeting* – in case of approval, a Mandate Letter is signed;
  2. *Investment Review Meeting* – decision meeting scheduled after the due diligence process;
  3. *Board Approval*

# APPLICATION FOR IFC FINANCING

An investment proposal should include the following preliminary information:

**1. Brief description of project.**

**2. Sponsorship, management & technical assistance:**

- History and business of sponsors, including financial information.
- Proposed management arrangements and names and curricula vitae of managers.
- Description of technical arrangements and other external assistance (management, production, marketing, finance, etc.).

**3. Market & sales:**

- Projected production volumes, unit prices, sales objectives, and market share of proposed venture.
- Potential users of products and distribution channels to be used.
- Present sources of supply for products.
- Future competition and possibility that market may be satisfied by substitute products.
- Tariff protection or import restrictions affecting products.
- Critical factors that determine market potential.

# APPLICATION FOR IFC FINANCING

**An investment proposal should include the following preliminary information :**

## **4. Technical feasibility, manpower, raw material resources & environment:**

- Comments on special technical complexities and need for know-how and special skills.
- Possible suppliers of equipment.
- Availability of manpower and of infrastructure facilities (transport and communications, power, water, etc.).
- Breakdown of projected operating costs by major categories of expenditures.
- Source, cost, and quality of raw material supply and relations with support industries.
- Import restrictions on required raw materials.
- Proposed plant location in relation to suppliers, markets, infrastructure, and manpower.
- Proposed plant size in comparison with other known plants.
- Potential environmental issues and how these issues are addressed.

# APPLICATION FOR IFC FINANCING

**An investment proposal should include the following preliminary information :**

## **5. Investment requirements, project financing, and returns:**

- Proposed financial structure of venture, indicating expected sources and terms of equity and debt financing.
- Type of IFC financing (loan, equity, quasi-equity, a combination of financial products, etc.) and amount.
- Projected financial statement, information on profitability, and return on investment.
- Critical factors determining profitability.

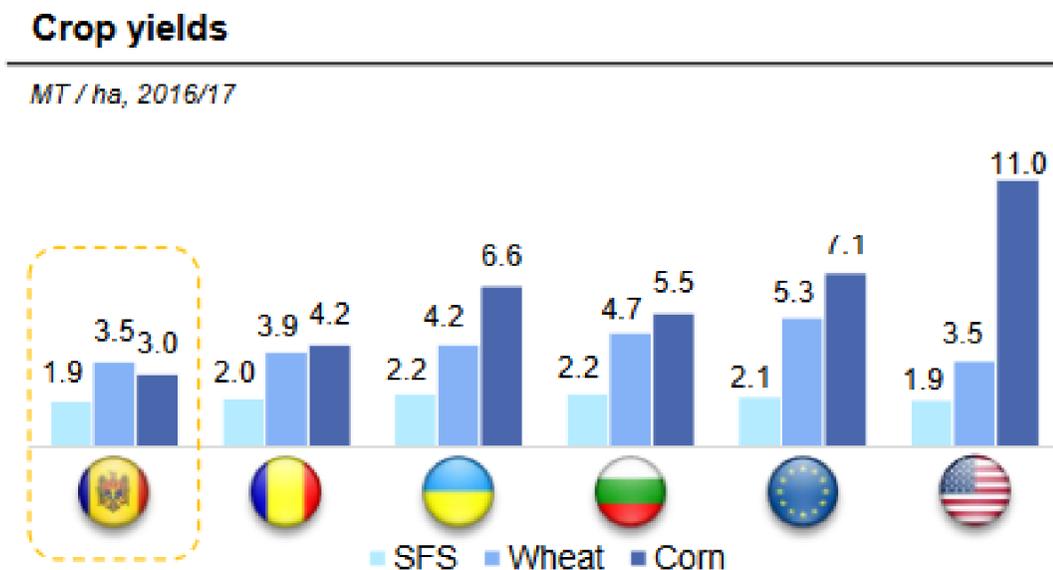
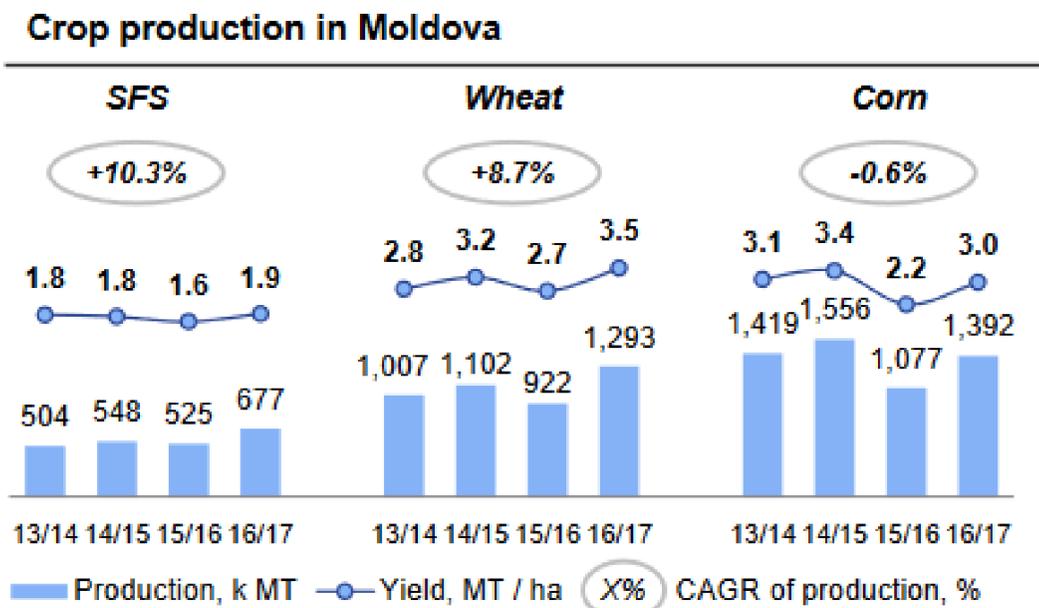
## **6. Government support & regulations:**

- Specific government incentives and support available to project.
- Expected contribution of project to economic development.
- Outline of government regulations on exchange controls and conditions of capital entry and repatriation.

## **7. Timetable envisaged for project preparation and completion.**

# AGRICULTURAL SECTOR IN MOLDOVA

- The agricultural sector plays an important role in the Moldovan economy – it accounts for about 14% of Moldova’s GDP, over one third of total exports and employs about one third of the Moldova’s labor force.
- Moldova has a favorable climate, productive soil and sufficient water that allow the production of a wide range of agri produce.
- Moldova does not impose an export tax on oil seeds. This, along with no export taxes on grains, Moldova’s proximity to ports on the Danube and the Black Sea, and local production of grains and oil seeds exceeding local demand, provides significant export opportunities.
- Moldovan agri sector has a growth potential for output of key crops through improving efficiency of production – crop yields are still well below global benchmarks.



Source: National Bureau of Statistics of the Republic of Moldova, Eurostat, FADN

# IFC'S APPROACH TO INVESTING IN AGRIBUSINESS IN MOLDOVA

## Goals:

- (i) Support **development of agribusiness companies with critical mass to compete** in order to generate **demonstration effect** and help **attract additional investment**;
- (ii) Contribute to improvements across the **entire agribusiness value** chain in a sustainable manner;
- (iii) Support **export opportunities**;
- (iv) Consider **partnership with local banks** to support **small farmers**.

## Clients:

1. **TransOil**, the largest producer of vegetable oil and the largest exporter of grains and sunflower in Moldova,
2. **Bostavan**, one of the largest wine producers in Moldova.

*Availability of sizeable investment projects is limited as local economy is relatively small and the local agri production is mainly in the hands of small farmers.*

# TRANS-OIL - GRAIN/OILSEEDS TRADE & PROCESSING

## Company

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- The Trans-Oil group of companies, established in 1997, is a leading integrated agri-industrial group specializing in grain & oilseeds origination, trade, and vegetable oil production in Moldova:
  - the largest agri-originator - about 60% of sunflower and 25% of wheat;
  - the largest producer of vegetable oil - 95% of local vegetable oil production,
  - the leading agri-exporter - over 50% of agri commodities exported from Moldova
- Transoil holds dominant position in agri commodity trading in Moldova, thanks to its broad asset base, which includes grain silos across the country, vegetable oil plants, grain and vegetable oil port terminals on the Danube river, and a fleet of trucks and railcars.

## IFC Role

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- Long term Financing: enabling the Company to finance its expansion.
- Global Sector Expertise: sharing global sector expertise and industry best practices with the Company.
- Political Risk Mitigation: extending protection benefits to the Company and its shareholder.
- Corporate Governance & Financial Transparency: helping implement corporate governance best practices.

## Transactions

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- 2012: US\$30 million on IFC's account long-term loans, and US\$40 million syndicated loans to support US\$ 110 million project:
  - Trans-Oil's capital expenditure program, including capacity expansion, energy efficiency investments, environmental upgrades.
  - Acquisition of network of elevators in Moldova and Moldova's leading oilseed processor, Floarea Soarelui.
  - Refinancing of short term debt
- 2014-2017: IFC participated with the amount of up to US\$30 million in a short-term syndicated pre-export trade finance loan. The financing was used for domestic purchases of grains and oilseeds for export, covering export trade cycle from stock acquisition through primary processing, storage, export sale and shipment.

## Development Impact

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- Integrating local farmers with higher value added domestic and international markets and increased access to finance for farmers.
- Creating jobs directly and indirectly and improve living standards of employees within the Company and along the supply chain.
- Improving competitiveness of a leading Company operating in important sector of Moldova's economy.

# BOSTAVAN - WINE PRODUCTION

## Company

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- Bostavan, established in 2002, is a leading integrated wine producer in Moldova.
- Founded by Mr. Victor Bostan, the Group owns two wineries and a cognac plant in Moldova, and one winery in Romania.
- Bostavan cultivates a total of 840 hectares of vineyards adjacent to its production facilities.

## IFC Role

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- Equity Financing: provide stable long-term financing to a young company in a very volatile market environment.
- Political risk mitigation: benefit Bostavan and its shareholders with political support.
- Corporate Governance & Financial Transparency: assist Bostavan in improving its corporate governance, incl. revamping its board composition and policies.
- Food Safety Standards: help Bostavan improve its product quality and safety standards, and implement IFC environmental and social standards.

## Transactions

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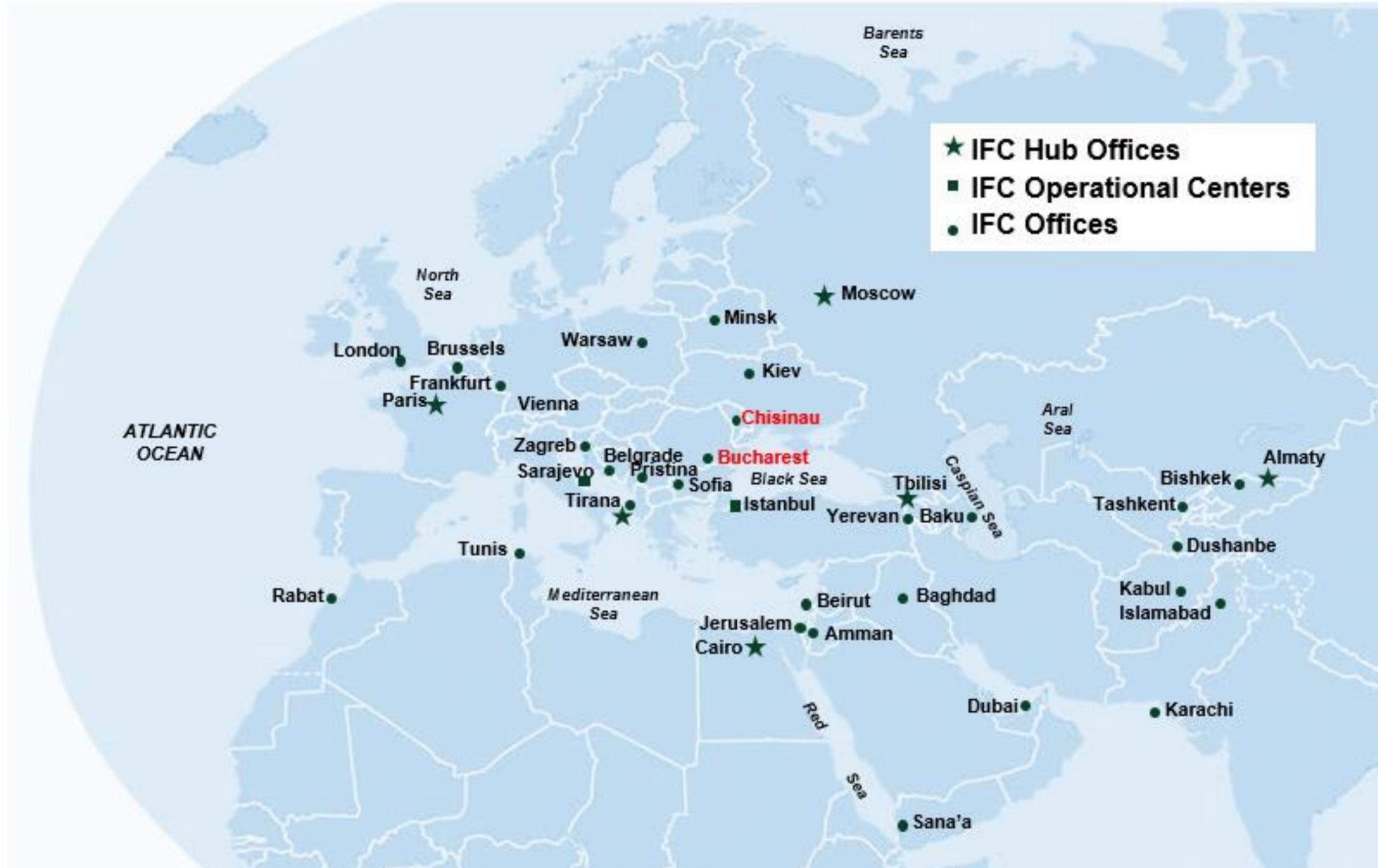
- 2008: US\$5 million in equity alongside Mr. Victor Bostan and Detroit Investments Group (majority shareholders at that time).
- 2013: US\$0.3 million addition capital injection as a part of capital increase to help Bostavan weather the political/market crisis.
- 2018: partial exit as a result of successful IPO on the Bucharest Stock Exchange.

## Development Impact

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- Rehabilitate key production assets in Moldova's wine industry, an important contributor to the country's GDP.
- Expand linkages to farmers and other input suppliers, and other SMEs (transporters, distributors, retailers).
- Create jobs, directly and indirectly, and improve living standards of employees at Bostavan and other companies along the supply chain.
- Enhance product safety and affordability by implementing international best practice and certifications.
- Contribute to increasing Moldova's fiscal revenues by strengthening the country's economic tax base.

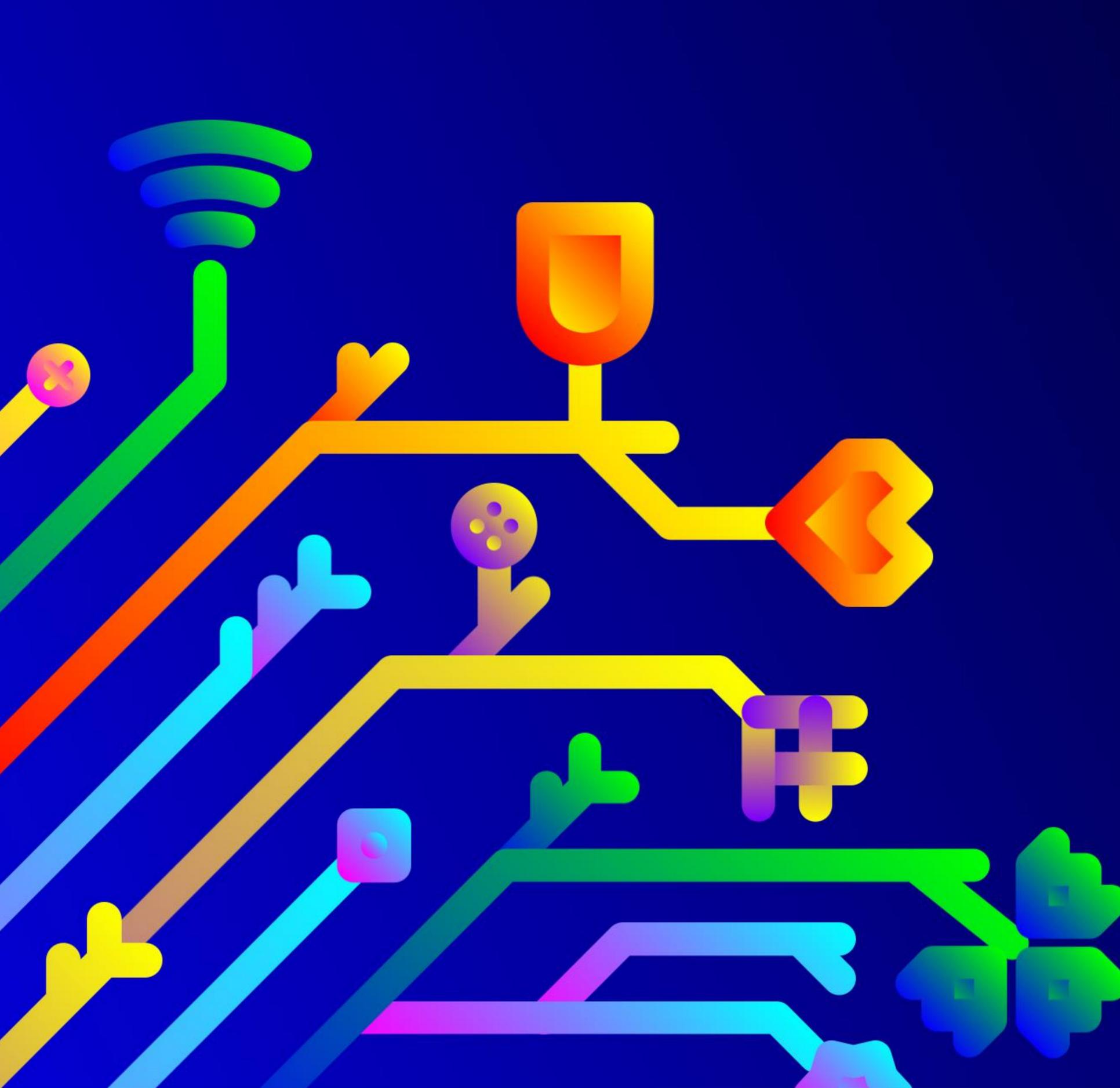
# CONTACT DETAILS



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A large, abstract graphic on the left side of the slide. It consists of several thick, colorful lines in shades of green, yellow, orange, red, and blue. These lines are connected by various icons: a Wi-Fi signal, a game controller, a trophy, a speech bubble, a hashtag, and a social media profile icon. The lines and icons are set against a dark blue background.

**THANK YOU**

**CRISTIAN NACU**

**SENIOR COUNTRY OFFICER,  
MOLDOVA AND ROMANIA**

**#GROWINMOLDOVA**