

USAID Supports Historic Loan Guaranty Fund for Agricultural Development

November 11, 2013: The United States, through the U.S. Agency for International Development (USAID) and in partnership with the Senegalese government, signed an innovative loan guarantee agreement that will provide Senegalese farmers with unprecedented access to financing for agricultural equipment to boost productivity and increase food security.

The agreement, signed with the leasing agency Locafrique, provides up to \$5.6 million in guarantees for loans under Locafrique's agricultural portfolio over the next ten years. Notably, it also represents the first time an African government has provided a matching contribution with U.S. government resources to support loan guarantees. In addition, it is the first-ever lease portfolio guarantee developed by USAID, and may serve as a global model for similar programs.

"This investment will accelerate growth and productivity, contributing to Senegal's overall economic development and reduction of poverty," Richard Greene, USAID's Deputy Assistant Administrator for Food Security, said during a ceremony at the Ministry of Economy and Finance. "I hope this agreement will inspire additional financial institutions to develop their own agricultural equipment leasing products."

The new loans will contribute to the mechanization of the agricultural sector and increase investment in critical infrastructure such as new tractors, harvesters, grain mills, and warehouses. Agriculture represents about 16 percent of Senegal's gross domestic product, but fewer than four percent of commercial loans target the agricultural sector, according to government statistics.

Despite the priority placed on agricultural development by the government, the lack of access to adequate finance limits Senegal's potential for substantial growth in agriculture. This impedes the growth and prosperity of small agro-enterprises and presents a significant obstacle for farmers.

To fund the agreement, the Ministry of Economy and Finance matched USAID's contribution using a credit line provided by the Italian Development Cooperation Agency. Combined with seven other guarantees supported by USAID in Senegal, the agreement raises the total guaranty portfolio to more than \$31 million in credit through banks and microfinance institutions that primarily target agriculture.



USAID Deputy Assistant Administrator Richard Greene (front left) shakes hands with Khadim Ba (front right), Director General of Locafrique, a leasing company, during a ceremony marking signature of a historic \$5.6 million, 10-year loan guarantee agreement under the USAID Development Credit Authority that will help farmers receive loans for agricultural equipment. Three of Senegal's ministers attended the event, including Minister of Finance Amadou Ba (center), Minister of Agriculture Papa Seck (second right) and Minister of Women and the Family Anta Sarr (right). USAID Senegal Mission Director Susan Fine is second left, and Director of the Italian Cooperation agency Mariarosa Stevan is far left. (Photo USAID Senegal)

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