AFAP’s extensive experience in fertilizer financing comes from managing our own activities (in-house trade credit guarantee fund) and from working with clients in designing and implementing a wide range of finance programs. So we not only see financing from consultants’ perspectives, but also from the viewpoint of implementers of our own daily operational requirements in several countries over multi-year periods. This operational advantage makes us uniquely equipped to understand the realities that exist in each geography and bring a practical approach to successfully achieving our clients’ objectives.

Some of the key services that AFAP offers to its clients are outlined below.

**Design and structuring of trade-credit programs**

**TARGET CLIENTS:** Input supply companies  
**OBJECTIVE:** Profitably increase sales

While offering trade credit is a powerful tool to increase sales, it comes with the associated risk of incurring credit losses. Our approach is to work closely with clients to review their distribution chain, its participants and the payment sources at each step of the chain. With this, we can make specific recommendations regarding:

- Credit underwriting guidelines (e.g. size limits and terms)
- Management information systems and reporting requirements
- Documentation requirements
- Policies and procedures (e.g. funds movements, collections, client reporting)
- Other risk-mitigation actions (e.g. use of inventory insurance where appropriate)

**Design and structuring of trade credit guarantee programs**

**TARGET CLIENTS:** Guarantor entities – development focused or private/profit focused  
**OBJECTIVES:**

- Increase fertilizer usage (development)
- Meet return on equity goals (private)

For trade credit to flow along the distribution chain, participants must have mutual trust and a capacity to bear the associated credit risk. In many instances, one or both of these elements is lacking. In these instances, trade-credit guarantees can increase the volume transacted across the distribution chain. Benefits for development entities as guarantor is to see increased supply of inputs made available to the targeted sector (e.g. smallholder farmers). For a private investor as guarantor, the benefit would be earning a targeted risk-adjusted return. AFAP can assist by providing analysis and suggestions as to:

- Specific supply chains to engage with or to avoid
- Guarantee parameters (e.g. risk-sharing percentage, down-payment minimums, days-to-pay terms)
- Management information systems and reporting requirements
- Documentation requirements
- Policies and procedures (e.g. funds movements, collections, client reporting)
Management of trade-credit guarantee programs

TARGET CLIENTS: Guarantor entities: development focused or profit focused
OBJECTIVE: Outsourced management of daily operations

Closely aligned to AFAP’s ability to assist in the design and structuring of trade-credit guarantee programs is our ability to implement and manage such programs for the guarantor entity. Since we had many years’ experience of this ourselves, we are able to bring this proven and practical capability to our clients. The benefits for the client, whether development or profit focused, include:

• Faster implementation
• Reduced internal complexity (no need to hire and build a “greenfield” operations platform)
• Operational risk reduction

Project financial analysis

TARGET CLIENTS: Project sponsors (private sector or development entities)
OBJECTIVE: Evaluation of financial viability

Infrequently, private-sector and development entities encounter situations that require investment in fixed assets such as warehouses or fertilizer-blending plants. These require significant investment and are expected to return economic benefits over a long time period. Accordingly, they justify rigorous financial analysis to accurately determine not only the cost/benefit but also the financial resources required.

Our analysis can range from the simple to the very complex, including such items as:

• Full operational modeling (as input to the financial model) over multiple years
  - Operation metrics (e.g. capacity utilization)
  - Physical materials needs and output volumes (e.g. raw materials, labor, energy)
• Integrated financial modeling to produce:
  - Multi-year and detailed pro-forma GAAP financial statements
  - Working capital required to support the operational plan
  - Return on equity (IRR, MIRR), sensitivity analysis, break-even analysis

Supply and demand chain financial analysis

TARGET CLIENTS: Development entities and input-supply companies
OBJECTIVE: Increase input usage (development entities)
Market entry/expansion (input-supply companies)

An input supplier looking to enter/expand in a new market faces many of the same questions as development entity wishing to improve input availability. Some of those questions are:

• What is the financial capacity of the distribution chain and the end buyers?
• What are the specific financial barriers on both the supply and demand sides (e.g. lack of working capital, lack of equity, lack of credit availability, trust/credit risks, profitability)?

We assist in answering the above questions to determine what can be done to reduce the identified financial barriers. Once we establish what the roadblocks are, our final and most critical step is to analyze if and how the roadblocks can be reduced or eliminated using the appropriate financial tools.

Business skills training to SMEs

TARGET CLIENTS: Development entities and input supply companies
OBJECTIVE: Capacity building

While some highly developed distribution chains have been built, in many geographies and input sectors we bring extensive experience across many countries in delivering targeted training to SMEs in order to build their capacities related to key business areas such as:

• Finances (e.g. budgeting, pricing and expense control)
• Inventory management (e.g. proper handling and loss reduction)
• Accounting (e.g. basic bookkeeping for reporting and management control)

Have questions?

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