

Bank to lend \$100 million to small farms in four countries

\$10 million loan guarantee fund

Ghana, Mozambique, Tanzania, Uganda targeted

ACCRA, March 18 - South Africa's Standard Bank will provide \$100 million over three years for loans to small farms and agricultural businesses in four African countries, the bank said in a statement on Wednesday.

Under the deal, announced in Ghana, the Alliance for a Green Revolution in Africa (AGRA), whose board is chaired by former U.N. Secretary-General Kofi Annan, will provide a \$10 million loan guarantee fund to enable loans to businesses previously considered too risky for lending, the bank said.

The fund will operate in Ghana, Mozambique, Tanzania and Uganda, it said.

Traditionally, banks have been unwilling to lend to small farmers on the basis that they lack adequate collateral. As a consequence, farmers are unable to afford the fertilisers, seeds and irrigation equipment that would help them raise output.

"Our action today recognises that the global food crisis is exerting major problems in Africa," Annan said at a signing ceremony in Ghana's capital Accra. "Inflation, food shortages, and trade imbalances all pose huge social, economic, and political risks. But while credit is frozen worldwide, Africa cannot wait for a thaw," he said. African farms' yields are one quarter of the global average, Standard Bank said, a major contributory factor to food shortages across the world's poorest continent.

Last year, riots broke out in several African countries in protest against rising costs of food and fuel, basic substances which many African nations import at world market prices. Ghana, one of the territories in which the fund will operate, produces only 21 percent of the rice and 42 percent of the maize it needs, Agriculture Minister Kwesi Ahwoi said.

"As world leaders respond to the global financial crisis with bailout measures and stimulus packages, we should recognise the power of local financial innovations to create change on the ground," Annan said. (Reporting by Kwasi Kpodo; Writing by Daniel Magnowski; Editing by Anthony Barker)