

AFRICAN DEVELOPMENT BANK



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Project Summary Note

The DAL GROUP Company Limited

SUDAN

February 2022

DAL Group Co Ltd.

Project Description	Supporting part of the company’s long term initiatives for agricultural transformation in Sudan and the East African region through the provision of high quality value-added products and services that touch the lives of people every day. The initiative will leverage the Company’s expertise and operational excellence to expand its Agriculture and Food business with the objective of transforming the Sudanese agriculture and food industry. It will also strengthen the company’s role in local food production and distribution in the region. Under this initiative, the company will adopt latest technologies, best practice and international standards in food manufacturing and processing, safeguards principles, and world class agriculture and industrial services
Client/Sponsor	Incorporated in 2003 under the laws of Sudan, DAL Group Co Ltd (“the Client” or “the Company”) is Sudan’s most diversified conglomerate and home to the country’s biggest agri-food enterprise. It has been in business for over 40 years with very good track record both locally and internationally. It started out with a focus on heavy equipment and providing agricultural and engineering services, and later grew into the diversified company it is today. The Company’s activities are grouped under three main operating divisions composed of multiple specialized operating entities. DAL Group Co Ltd is a family-based enterprise created by the late Mr. Daoud Abdellatif.
Cost Structure, Financing Plan	The total cost of investments under the IP is estimated at USD 108.2 million to be funded by internally generated revenues (retained earnings) and loans from the AfDB and other commercial banks.
Bank’s Role	Providing a senior multicurrency (USD/EUR) corporate loan not exceeding the equivalent of USD 75 million.
Market	Sudan is geographically located at the center of a huge market for agriculture, food, and consumer staples thanks to its proximity to East Africa, Middle East, and Asia. Sudan alone has a population of 42.2 million of which 73.5% are urban based. Although Sudan is considered to be self-sufficient in some local staples in aggregate terms, it remains structurally deficit in staple food production. The regional potential is further justified by East Africa’s strong economic growth of 5.8% which as per AfDB economic reports, is driven by agriculture and supported by household consumption on the demand side. The Region’s annual food import bill is estimated at more than USD 5 billion. The recent lifting of sanctions for Sudan opens up access to new markets and further outreach into international markets for the Company especially in markets where it already has some foothold. Financing the IP will enable the Company to become more competitive, expand its operations, increase production, and position itself to contribute to filling the growing gap in the local and regional Agri-Food market.
Strategic Alignment	The IP is aligned with the Bank’s long-term strategy (2013-2022), the strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), the Agricultural Transformation (Feed Africa) Strategy 2016-2025, and Pillar II of the Country Brief (2017-2019) which focuses on Agriculture for Job Creation and Livelihoods. It is also consistent with the Bank’s strategic priorities for industrialization, regional integration, and the improvement of the quality of life for Africans by modernizing food processing, boosting regional trade, providing affordable good quality nutrition, job creation, health, and education. Since losing most of its oil revenues in 2011, Agriculture has been a national strategic priority for Sudan’s economic diversification as reflected in the National Agriculture Investment Plan (2016-2020) which seeks to achieve agriculture-linked growth largely through private investments.

<p>Development Outcomes</p>	<p>Sudan has a very unstable food security challenge that has been exacerbated both by the longstanding sanctions and a series of climatic challenges (e.g., the 2015 El Niño). This has caused price hikes of 20% – 50% for food staples ranging from wheat and flour to livestock. The IP is expected to contribute to (i) enhanced efficiency of crop and livestock value chains (ii) food security and food import substitution, (iii) fiscal revenues and forex earnings, (iv) job creation (v) regional integration through trade, (vi) industrialization through incremental food processing</p>
	<p>capacity (vii) improved livelihoods with positive gender and youth impact (viii) Skills and technology transfer.</p>
<p>Additionality and Complementarity</p>	<p>This transaction will (i) contribute to private sector development and send a strong positive signal to the international market that would encourage the flow of FDI into Sudan (ii) provide long term hard currency financing in a market where such financing is still limited; (iii) improve the Company's E&S safeguards system, and (iii) complement the Banks existing support and interventions to the country and region.</p>