10th March 2025, Brussels, Belgium

REPORT

Investing in Africa's Agriculture: The Role of AATIF & Blended Finance

Brussels

Hafsa Banane El Jebari
Research Assistant

European Business Council for Africa and the Mediterranean (EBCAM)

www.ebcam.eu

+32 456 79 11 50

Avenue Toison d'Or 77
1060 Brussels - Belgium

On the 10th of March, the **InfoPoint of DG INTPA** hosted the event “Investing in Africa's Agriculture: The Role of AATIF & Blended Finance”. The event aimed to provide insights into the latest activities, results, challenges and lessons learned derived from the using blended finance as a tool to support Africa's agriculture sector.

The event was moderated by **Zoltan Agai,** NTPA F3 Sustainable Agri-Food Systems and Fisheries; and included insights from **Doris Köhn,** Cygnum Capital, AATIF Fund Manager and Chairwoman; **Michael Hoelter,** Cygnum Capital, Investment Advisor to AATIF; **Paula Whyte,** Common Fund for Commodities, Technical Assistance Facility Manager to AATIF; and **Nuno Santos,** Deputy Director (Business Development), FAO.

An overview of the Africa Agriculture and Trade Investment Fund (AATIF)

AATIF's mission focuses on boosting Africa's agricultural sector by fostering sustainability, improving food security, and promoting economic resilience, especially in the face of climate change.

AATIF leverages **blended finance** to address the significant financing gap in the African agriculture sector, particularly for SMEs. Since its inception in 2011, AATIF has raised € 100 million to support sustainable investments in agricultural enterprises by not only granting them the financing they need to scale up their activities, but also by providing farmers and companies with **technical assistance** to ensure their investments are both viable and impactful.

The fund aims to realize the potential of Africa's agricultural production, related manufacturing & services, and trade through sustainable investments across the entire value chain. It differentiates between two types of investments, **direct investments in corporations** and **indirect investments to the financial sector for on-lending.**

- **Direct Investments in Corporations**
- **Input:** seeds, agrochemicals (fertilisers, crop protection), irrigation systems, animal feed and mechanisation.
- **Farming:** farming enterprises, livestock operations, agroforestry operations, farmer cooperatives, out-grower schemes.
- **Processing:** storage facilities, local value addition activities, such as milling, ginneries, bottling cleaning, crushing, packaging, etc.
- **Sale:** domestic and export markets including retail, wholesale, cooperatives, traders, distribution companies.

- **Indirect Investments to Financial Sector for on-lending (Banks and non-Bank financial institutions):**
- **Lenders**
- **Loan Agents**
- **Transactional Banking Services**

European Business Council for Africa
Avenue Toison d'Or 77 – 1060 Brussels – Belgium
Tel. : +32 456 79 11 50 – website: www.ebcam.eu - email : contact@ebcam.eu

For the screening and the provision of sustainable investments as well as technical assistance, the investment fund relies on diverse partners for its **management:**

- **Cygnum Capital:** Investment advisor
- **International Labour Organisation & UN Environment Program:** Sustainability Advisor
- **Common Fund for Commodities:** Technical Assistance Manager

Current Portfolio and Current Fund Capital Structure

The fund has deployed **USD 570.3 million** of capital since its inception, has an outstanding portfolio of **USD 179.5 million**, and USD **29.4million** of uncommitted capital. The current fund capital structure, as of 31st December 2024, consists of USD 25 million in Notes, USD 12 million in A shares, USD 48 millions in B shares, and USD 134,6 million in C shares.
The **Private Sector** holds all **Notes**. **OeEB**, the Development Bank, Austria holds all **A shares**. **B shares** are held by **DWS Asset Management** (Germany) and **KfW Development Bank**, while **C shares** are primarily held by **BMZ** (the Federal Ministry for Economic Cooperation and Development of Germany), and the **European Commission**.

The Importance of Blended Finance in covering Africa's Agriculture Financing Gap

In recent years, African Agriculture, a vital sector for millions of households across the continent, has faced a series of significant challenges. These include limited access to capital, driven by the perceived high risks by commercial banks. As well as recurring cycles of vulnerability exacerbated by global factors, such as the COVID-19 pandemic, the war in Ukraine, and climate change.
The implementation of blended finance through the injection of **concessional capital** by institutional partners, has facilitated the de-risking of investments and encouraged private sector participation, thereby scaling up investment efforts.

Impact Assessment: Measuring AATIF's Success

Key Impact Areas:

- **Environmental Sustainability**: Investments must meet high environmental standards, ensuring a positive environmental impact.
- **Social Impact**: AATIF ensures that investments promote strong social and environmental outcomes, including local community development.
- **Trade & Processing**: Focus on local value-added processing and expanding trade opportunities.
- **Outreach**: Strengthening ties with producers and farmers by involving them in value chains.

Technical assistance is tailored to meet the **specific needs of agricultural businesses** and value chain partners. Through collaboration with the Common Fund for Commodities, AATIF has supported African SMEs in integrating sustainability in their strategies, improving preparedness and business resilience, clarifying scopes and costs of projects, and enhancing construction readiness for companies seeking to expand operations.

European Business Council for Africa
Avenue Toison d'Or 77 – 1060 Brussels – Belgium
Tel. : +32 456 79 11 50 – website: www.ebcam.eu - email : contact@ebcam.eu

<u>**Challenges in Agricultural Investment and Blended Finance Lessons**</u>

Main Challenges:

- **Existence of high transaction costs**, particularly when engaging with small-scale farmers.
- **Limited Risk Appetite** for agricultural investments in fragile markets, where issues like climate change and instability exist.
- **Exchange rate fluctuations** add uncertainty and risk to investments.
- **Private Sector Caution**, as agricultural SMEs are still considered high-risk by commercial lenders, making financing scarce.

Lessons Learned:

- Blended finance, although valuable, cannot cover all the gaps—especially when addressing the $75 billion shortfall in African SME funding.
- Corporate governance needs to be flexible and adaptable to local contexts.
- While farmers benefit indirectly (e.g., through better access to markets or improved supply chains), direct loans to farmers are difficult to arrange due to high transaction costs.
- The risk appetite is often limited, especially in frontier markets, and fund managers need a strong track record to attract more capital.
- A clear, flexible investment strategy is necessary, with a broad approach to ensure diverse investments.

European Business Council for Africa
Avenue Toison d'Or 77 – 1060 Brussels – Belgium
Tel. : +32 456 79 11 50 – website: www.ebcam.eu - email : contact@ebcam.eu