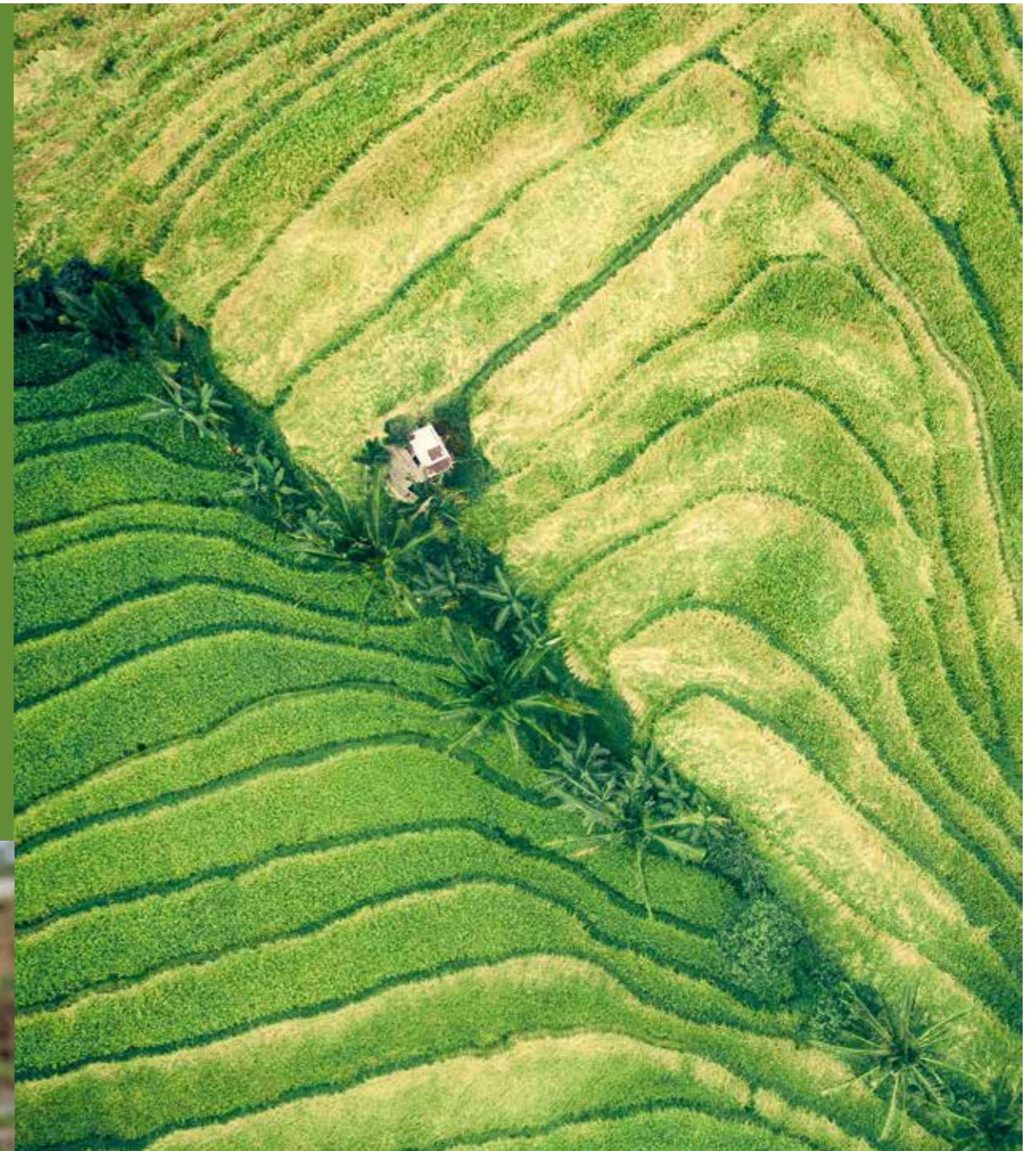


# A year in review 2021



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EDFI AgriFI is an EU-funded blending facility that aims to unlock, accelerate and leverage investments in developing countries, focusing on smallholder's inclusiveness and/or agri-business medium, small and micro enterprises.

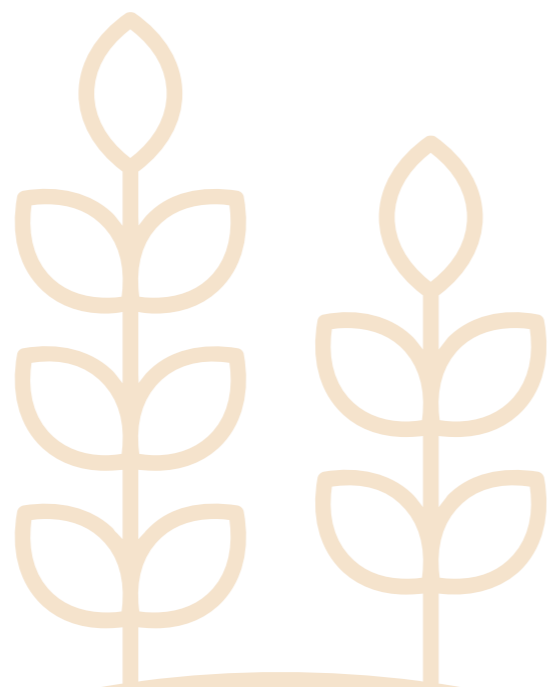
EDFI AgriFI is managed by the EDFI Management Company an organisation established by the 15 European Development Finance Institutions (DFIs).

The EDFI Management Company (EDFI MC) was created in 2016 to serve as a common platform for developing innovative partnership models between the European Institutions and European DFIs. The EDFI MC delivers development finance solutions that enable European DFIs and private sector investors to increase the scale and impact of their work. These solutions allow them to focus on those business models, technologies and geographies where they have not been able to operate at the desired scale, given their resources and investment criteria. It places a particular emphasis on sectors that are critical to sustainable development, such as clean energy and sustainable agriculture. At EDFI

AgriFI, we share EDFI's vision : Investing to make a difference. To improve people's lives in countries where the need is greatest, by enabling the private sector to invest more, and in higher-risk projects, thus creating growth with strong development impact.

 [edfimc.eu](https://edfimc.eu)

# The Agriculture Financing Initiative



## Reinforcing the resilience and sustainability of food systems

**Strengthening global food security requires substantial investment in agriculture and sustainable food systems**, particularly in rural areas and in those countries with the greatest needs. The current geopolitical context made the strategic nature of the sector even more salient. EDFI AgriFI, the Agriculture Financing Initiative, is committed to turn the crisis as an opportunity to speed up the sustainable agricultural transformation.

The EDFI AgriFI facility has been created in 2018 by the European Union to accelerate the food system transition towards sustainability and resilience. By investing in small-scale farming and sustainable food systems across developing countries and emerging markets, EDFI AgriFI aims to directly improve the local socio-economic situation of the most vulnerable populations. The EUR 120m facility provides medium- to long-term financing for private sector enterprises active in the agri-food value chain. Working in close cooperation with DFIs, it develops strategies to crowd-in private sector investment in the agriculture sector.

“The EU is firmly convinced that smallholder farmers are essential for commercial agriculture, but they need better access to capital to fulfil their potential. By establishing and then extending the AgriFI facility we are reinforcing a unique instrument capable of de-risking projects, accelerating markets and catalysing European DFIs and other private investors. Looking forward, we aim to replicate the success story and continue expand the facility”.

LEONARD MIZZI

Head of Unit, DG for International Partnerships, European Commission

## Unlock, accelerate and leverage sustainable agriculture finance

Greater efforts are required to reduce the financing gap in lending to smallholder farmers and agricultural SMEs. There are approximately 600 million smallholder farmers in the world (most of them in Southeast Asia and sub-Saharan Africa), who produce around a third of the world's food<sup>1</sup>. They have relatively limited resources, but they represent a critical part of food systems in developing countries and play a vital role in feeding the global population. A lack of adequate land, infrastructure and skills means that more than EUR 200 bn in agriculture and non-agriculture finance will be required to meet the growing need. The latest data suggest that currently, only 30% is being financed. In Africa only, agriculture is the primary source of livelihood for 55 percent of the population. However, only 1 percent of bank lending across the continent goes to the agricultural sector.

The EU has played a major role in developing innovative instruments, approaches and structures for offsetting risks and creating fresh ways for further private capital to contribute to agricultural finance. EDFI AgriFI is an EU-funded innovative, inclusive instrument for supporting access to finance for agri-SMEs and smallholder farmers. In particular, EDFI AgriFI aims at supporting the “missing middle” companies focused on agriculture that need financing to grow but have difficulty obtaining financing from local commercial banks and international investors. EDFI AgriFI prioritises projects with a high development impact which cannot be structured on a commercial basis.

By 2030, the facility is expected to improve the livelihoods of thousands of smallholders through its global reach and to continue to support agricultural businesses and smallholders while catalysing investors with geographically focused actions.

### EDFI AgriFI financing principles:

ADDITIONALITY

NEUTRALITY

IMPACT

REIMBURSABILITY



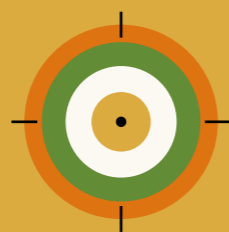
# Our mandate

## EDFI AGRIFI VISION ↘



A world where smallholders are included in the value chain and make a fair living out of agriculture while preserving natural resources.

## EDFI AGRIFI MISSION ↘



Build sustainable and inclusive agribusinesses and contribute to improving smallholders' livelihoods.

## CONTRIBUTING TO SUSTAINABLE DEVELOPMENT GOALS ↘



EDFI AgriFI aims to empower smallholders to end hunger, promote sustainable agriculture and improve resource efficiency, consumption and production while fighting climate change.

## OUR MANDATE

For each project financed, EDFI AgriFI tracks a range of impact targets, with a specific focus on the number of beneficiaries whose livelihood is improved and the total area sustainably cultivated.

## Key impact targets (non-exhaustive)



Number of smallholder farmers impacted (number/year)



Smallholder farmers revenue increase (number/year)



Agricultural production (in tons/years)



Area under sustainable cultivation (in ha/years)



Net direct jobs created (number/year)



Leverage (total number of investments catalysed / EDFI AgriFI contribution)





# Our achievements

**3 new contracts for a consolidated amount of €5m bringing the active portfolio to €21m.**

At the end of the year 2021, we had managed to contract 72% of the available capital for the global facility, providing financial support to a microfinance institution Microfinance Solidaire, a Kenyan coconut processing company Kentaste, and an agri-SME in Tanzania, East Africa Fruits.

EDFI AgriFI's active portfolio amounts to €21 m with 8 projects (3 signed in 2019, 2 in 2020, 3 in 2021) and contributes to:



Impacting  
**120 000**  
smallholder farmers



Catalysing  
**3+ times**  
additional private financing

Out of the 8 active files in the EDFI AgriFI's portfolio, 5 are co-funded with European development finance Institutions and development banks (FMO, BIO, PROPARCO and KfW)

4

## new AgriFI's facilities for tailored action in specific geographies

In 2021, we reinforced our partnership with the European Commission, local governments and European DFIs within specific geographies, allowing us to provide a more strategic financial offering to local agriculture value chains and smallholders.

The four dedicated financing windows offer customised approaches designed to meet the needs of specific markets, in line with the growing interest from national governments in such financial instruments.



### Ghana

**SIZE**  
10m euro

**SCOPE**  
Focus on the Northern regions and 7 high potential value chains ( cashew, groundnut, mango, rice, sorghum, soya and vegetables)



### Sri Lanka

**SIZE**  
8m euro

**SCOPE**  
Focus on cold chain and post-harvest losses improvements, and organic production.



### African, Caribbean & Pacific States

**SIZE**  
50m euro

**SCOPE**  
Focus on food security and 10 high potential value chains ( sugar cane, dairy, cashew, coffee, ...)



### Tanzania

**SIZE**  
12m euro

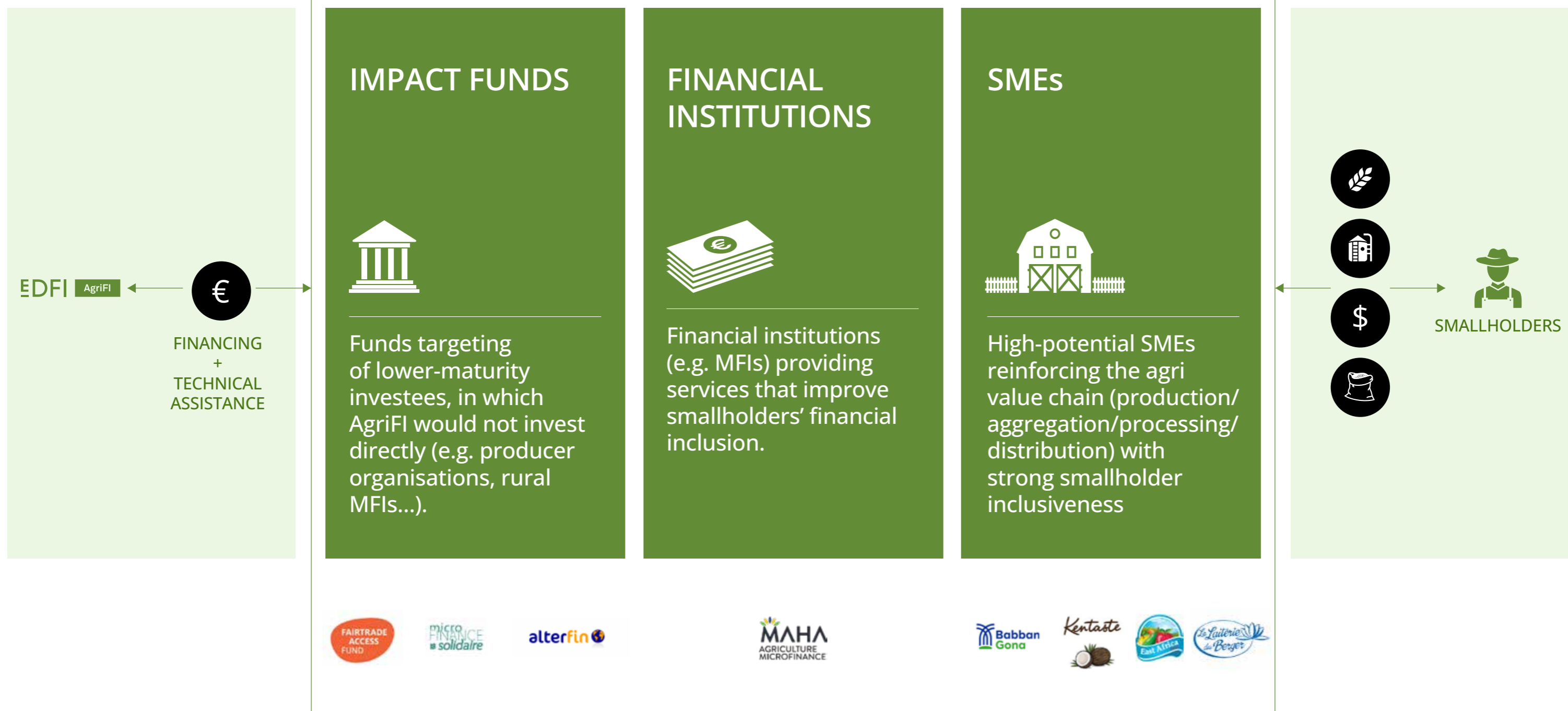
**SCOPE**  
Focus on horticulture, coffee and tea value chains.



# How we invest

EDFI AgriFI targets three types of investees to contribute to the financial inclusion and improved livelihoods for smallholder farmers. The facility either invests in impact funds – allowing them to reach lower-maturity investees in financial institutions such as microfinance institutions - or directly in SMEs.

## 3 targeted types of investees to reach out to smallholders



# Our portfolio

## Portfolio overview

EDFI AgriFI is now a EUR 120m impact facility, operating in agricultural and forestry sector throughout OECD DAC (Development Assistance Committee) countries. By the end of 2021, the EDFI AgriFI portfolio amounted to EUR 21m, representing more than 72% of the available capital of the global facility, the initial envelope to invest.

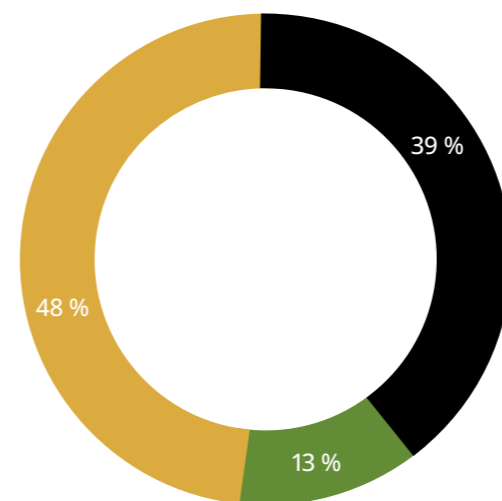


Average ticket size

EUR  
**2.6m**

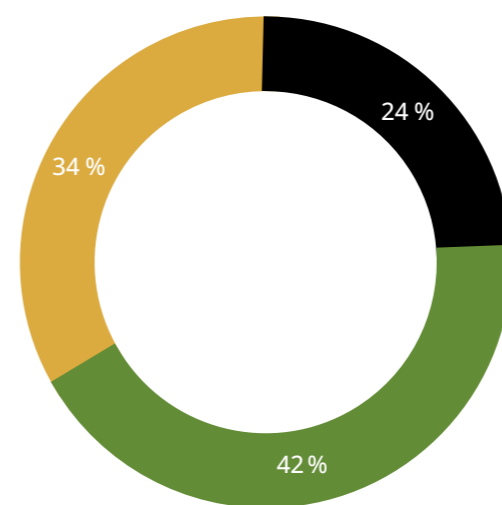


## Portfolio breakdown



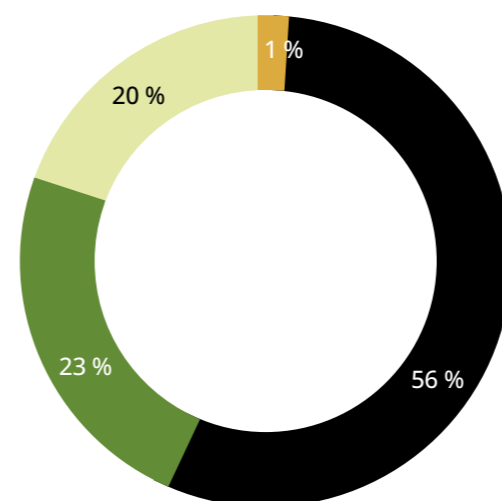
**Breakdown per business model**  
Committed amount in EUR million

■ DIRECT SME ■ INDIRECT MFI ■ INDIRECT FUND



**Breakdown per financial instrument**  
Committed amount in EUR million

■ EQUITY ■ SENIOR DEBT ■ JUNIOR DEBT



**Breakdown per geography**  
Committed amount in EUR million

■ AFRICA ■ CENTRAL & LATIN AMERICA ■ ASIA ■ CARABBEAN

# Portfolio impact

## Our investees' impact<sup>2</sup>

2. In previous reports, we have indicated the full impact generated by the companies supported by EDFI AgriFI. In this 2020 report, we have refined our methodology in order to identify more precisely the impact that our funding can generate. It is therefore a question of better 'attributing' the impact that AgriFI can claim. This new methodology will henceforth be the one applied. To date, Rule B (attribution at a pro rata of AgriFI investment on the investee's total assets) applies to four projects (Alterfin, FAF, Babban Gona, Maha), and Rule A (attribution of all the farmers) applies to one (Laiterie du Berger/ Kossam).

The figures above aggregate the expected impact of AgriFI's clients once they have deployed the proceeds of our investment. AgriFI is typically a minority investor in those companies, and it plays a key additional and catalytic role that accelerates the company's growth.



120 000

smallholders targeted

77 000

already impacted



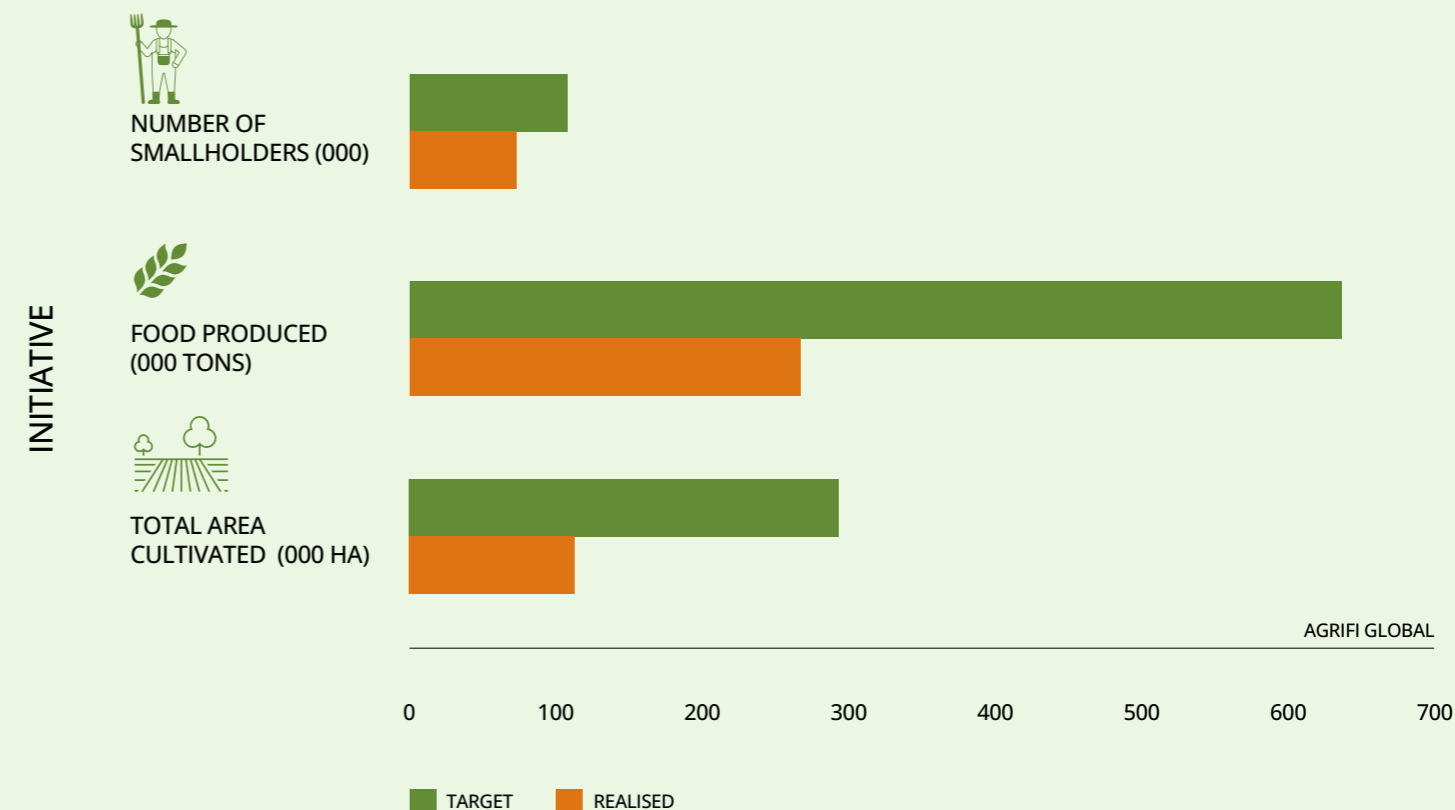
289 000 ha

of area targeted for sustainable cultivation

115 000 ha

currently achieved

### PORTFOLIO IMPACT



EDFI AgriFI contributes to the 2x Challenge/Financing for women targets, an initiative of the G7 DFIs, featuring EDFI members among its signatories.

- Our investees' senior management is composed of 75% of women
- Our investees' companies employ 50% of women as part of their total workforce



100%  
of the portfolio meets the 2X Challenge to invest in women criteria

## The impact of EDFI AgriFI

Leverage ratio  
superior to

3

### ∨ Catalysing additional funding into sustainable agriculture

With its flexible positioning, EDFI AgriFI catalyses additional investments with a **leverage ratio superior to 3**. The number of follow-on investments is expected to be significantly higher for the impact funds and financial institution investees, whose core business is to raise funding along their growth to finance their activity.

### ∨ Doubling investees' impact targets

On average, EDFI AgriFI investments are enabling companies to double the expected number of smallholders linked to markets, and hence the total area cultivated in a more sustainable manner. More broadly, EDFI AgriFI is contributing to projects that are reaching **more than 1 million smallholders**.

More than  
**1 million**  
smallholders

# Portfolio overview



## A global impact fund supporting microfinance institutions, SMEs and cooperatives - FAF



GLOBAL



IMPACT TARGETS: SMALLHOLDERS: 500 000 | HA OF SUSTAINABLY CULTIVATED AREA: >2 MILION | JOBS CREATED: >10 000



FINANCING INSTRUMENT: EQUITY



EUR 5M



EUROPEAN DFIS AND DEVELOPMENT BANKS INVOLVED: FMO, KFW, BIO

EDFI AgriFI invested EUR 5m in the Incofin Fairtrade Access Fund (FAF) to support its growth strategy, notably in Africa. The fund provides loans and technical assistance to cooperatives, processing enterprises and rural microfinance institutions while encouraging smallholders to grow fairtrade or sustainably certified products. In 2021, the fund disbursed USD 70.4 million, a 40% increase over 2020 disbursements and the largest in its history. The portfolio grew to USD 53,3 million, close to its pre-pandemic historical peak. Despite the challenges related to COVID-19, the fund was able to reach 53 clients (8 of whom were new) and about 368 000 smallholder farmers on more than 800 000 hectares under cultivation in 21 African and Latin American countries and to post a profit for its sixth consecutive year.



© Bill and Melinda Gates Foundation / Alamy



## An innovative and award-winning SME providing inputs and services to smallholder farmers - Babban Gona

NIGERIA	IMPACT TARGETS: SMALLHOLDERS:48 000   HA OF SUSTAINABLY CULTIVATED AREA: >35 000   TONNES OF FOOD PRODUCTION: >130 000	FINANCING INSTRUMENT: JUNIOR DEBT
EUR 5M	EUROPEAN DFIS AND DEVELOPMENT BANKS INVOLVED: BIO, KFW	

EDFI AgriFI invested EUR 5m to help the Babban Gona franchise attract senior debt and reach its ambition of supporting 1 million smallholder farmers in Nigeria. Babban Gona is an agricultural enterprise co-owned by the smallholder farmers it supports, with a holistic range of services on credit. Services include education and training in sustainable farming practices, providing high-quality, affordable, agricultural inputs and storage facilities as well as marketing and distribution support. In 2021, Babban Gona created more than 235 000 jobs in agriculture, almost doubled the number of farmer-members to more than 80,000 from 20 000 in 2019. The average productivity of Babban Gona members was twice the national average, leading to improved food security through increased production capacity to 216 000 Mt of maize.



## A microfinance institution providing loans to rural farmers to pre-finance harvests – MAHA agriculture

MYANMAR	IMPACT TARGETS: SMALLHOLDERS: >90 000   HA OF SUSTAINABLY CULTIVATED AREA: >200 000   TONNES OF FOOD PRODUCTION: >1.5M	FINANCING INSTRUMENT: SENIOR DEBT
EUR 2.7M	EUROPEAN DFIS AND DEVELOPMENT BANKS INVOLVED: FMO	

Maha is a microfinance institution with a vision of becoming Myanmar's leading rural MFI. An unsecured loan from EDFI AgriFI of USD 3m equivalent in local currency enabled the company to expand its portfolio, until the country was hit by a political and economic crisis. Throughout the pandemic and then the current difficult situation, Maha, supported by its international lenders, continues to play a crucial role in financing agriculture in rural areas, and managed to keep its number of branches to 37. It closed the year with more than 60 000 active borrowers, 99,9% of whom are smallholder farmers.





## Establish a milk value chain in Northern Senegal - Laiterie du Berger/ Kossam

SENEGAL	IMPACT TARGETS (BY END OF 2023): SMALLHOLDERS: 2 800   TONNES OF MILK COLLECTED PER YEAR: 3 000	FINANCING INSTRUMENT: SUBORDINATED DEBT
EUR 0.6M	EUROPEAN DFIS AND DEVELOPMENT BANKS INVOLVED: BIO	

EDFI AgriFI invested EUR 0.6m in subordinated debt in Kossam, a subsidiary of La Laiterie Du Berger (LDB), which is in charge of the milk collection from semi-nomadic herders living along the Senegal river. The milk is processed into dairy products at LDB’s factory. EDFI AgriFI investment will enable Kossam to strengthen its milk supply chain by increasing the number of herders delivering milk and provide them with training, capacity building and access to services and animal feed.



## A cooperative to support sustainable family farming in developing countries - Alterfin

AFRICA, LATIN AMERICA AND ASIA	IMPACT TARGETS (BY END OF 2024): SMALLHOLDERS: 1.4M   HA OF SUSTAINABLY CULTIVATED AREA: 6M   TONNES OF FOOD PRODUCTION: 10.7M	FINANCING INSTRUMENT: DEBT
EUR 3M	EUROPEAN DFIS AND DEVELOPMENT BANKS INVOLVED: BIO AND EIB	

EDFI AgriFI committed EUR 3m in Alterfin, a Belgian cooperative involving more than 6000 members, of which the vast majority are individuals. The cooperative is currently active in 35 countries, supporting sustainable agriculture by financing 11 agricultural value chains. By doing so, Alterfin has a direct impact on more than 945 000 smallholder farmers. In addition to fostering financial inclusion, the organisation is firmly devoted to sustainable farming. Of all the 74 SMEs and producer’s organisations supported by Alterfin, some 60% are certified organic and 57% are fairtrade partners.





## A microfinance institution financing and growing social microfinance institutions and social businesses in fragile regions

GLOBAL	IMPACT TARGETS (BY END OF 2029): SMALLHOLDERS: 30.000 (MOSTLY WOMEN)   HA OF SUSTAINABLY CULTIVATED AREA: 30 000 M	FINANCING INSTRUMENT: JUNIOR DEBT
EUR 2M		

The global coronavirus pandemic has had a significant impact on economic activity around the world, including on the financing capacity of the social MFIs, partners of Microfinance Solidaire. Yet, these partners, working in difficult geographies, were able to demonstrate again in 2021 their resilience and at the same time, Microfinance Solidaire was able to raise funds to cover its financing needs for the years to come. The funding obtained from AgriFI is earmarked to support rural microfinance, and 47 250 farmers benefited from microloans to grow their agriactivities in 2021.



## An organic and fair-trade certified producer of coconut products - Kentaste

KENYA	IMPACT TARGETS (BY END OF 2028): SMALLHOLDERS: 3000   HA OF SUSTAINABLY CULTIVATED AREA: 4000   TONNES OF FOOD PRODUCTION: 10 000	FINANCING INSTRUMENT: SENIOR DEBT
EUR 1.3M		

Founded in 2008, Kentaste is an organic and fair-trade certified manufacturer and distributor of coconuts-based products, namely coconut milk, coconut cream, virgin coconut oil and desiccated coconut. The firm is based along Kenya’s coast and worked in 2020 with around 2700 smallholder farmer suppliers. In 2021 this numbers increased at 3300 and most of them are registered organic and fair-trade. The project has a substantial impact of the farmers’ disposal income, as coconuts represent 50-75% of the household income for most farmers. By investing, AgriFI is willing to become an anchor long term lender and provide a solution fitting the expansion plan, contributing to fund the new factory CAPEX with working capital.







## Cutting the distance between farmer and consumer – East Africa Fruits



TANZANIA



EUR 1.3M



IMPACT TARGETS (€): SMALLHOLDERS: 10 000 (2025) | HA OF SUSTAINABLY CULTIVATED AREA: 3200 (2023) | TONNES OF FOOD PRODUCTION: 14 000 (2023)



FINANCING INSTRUMENT: SENIOR DEBT

Founded in 2013, East Africa Fruits (EAF) is a family business collecting a range of fresh products directly from smallholder farmers and distributing them to urban customers in Dar Es Salaam. The company focuses on tackling post-harvest losses by aggregating supply & demand and improving the overall cold chain distribution, processing & warehousing infrastructure, while increasing the availability and quality of produce in the local markets. EAF sources from an extended network of smallholders and provides them additional support to accelerate their financial inclusion. By going from farm to urban marketplaces, EAF is replacing multiple intermediaries and therefore reducing food waste along the chain, maintaining control over the produce quality and ultimately redistributing more of the final price back to smallholders.



# Case study

## East Africa Fruits – enabling rural farmers to sell their production in cities using technology

East Africa Fruits is tackling post-harvest losses by cutting out the multiple intermediaries between farms and cities with the use of technology and cold-chain infrastructures. Unlike other suppliers in the sector, EAF purchases products directly from a network of 4,000+ smallholders that they pay directly. It then sorts, grades and packages the food before distributing it directly to urban retailers and businesses. By going from farm to central marketplaces, EAF shortens the food supply chain and contributes to reducing food waste along the chain, associated with each additional intermediary.

In addition, the company provides a series of services to smallholder farmers such as trainings dedicated to improve their yield and harvests' quality. EDFI AgriFI financing will be allocated to scale up operations and invest in additional trucks, collection centres and machinery.

Almost half of farmers production never reaches the market, and this loss is spread out across the farm-to-market value chain. Elia Timotheo, founder and CEO of East Africa Fruits, wanted to support fellow Tanzanian smallholders by bringing greater efficiency to the agricultural value chain. He came up with two conclusions. Firstly, farmers need training on efficient farming strategies in order to reduce the losses in production (estimated at 20 to 25 percent). Secondly, farmers do not pay attention to the transportation system used to ship their production to urban marketplaces. Inappropriate vehicles and packaging leads to an additional 10 percent of losses. Lastly, farmers lack adequate storage facilities. Elia and his team turned those combined challenges into opportunities for the food market in Tanzania, establishing a long-term relationship with smallholder farmers with higher prices than the market, on the spot payment and a full offtake guarantee. In the end, the comprehensive system put in place is also tremendously improving the distribution system, hence the efficiency of the value chain, and results in fairer income for all.

The company provides a series of services to smallholder farmers such as trainings dedicated to improve their yield and harvests' quality.



# Our value proposition

An innovative and catalytic blending instrument

## Impact first

INVESTING IN SUSTAINABLE FARMING  
IN DEVELOPING COUNTRIES

EDFI AgriFI is expected to increase the production and incomes of at least 100,000 smallholder farmers

EDFI AgriFI invests in smallholder farmers' markets with the aim of supporting increasing yields at affordable rates and thus helping to increase farmers' incomes. By strengthening sustainable supply chains, EDFI AgriFI helps create additional jobs, improves food security and enhances environmental and social practices. Each year, EDFI AgriFI monitors its clients in terms of social, environmental and financial performance.

## Additional and collaborative

BUILDING AND ACCELERATING  
MARKETS THROUGH PARTNERSHIPS

75% of the portfolio value in partnership with European DFIs.

EDFI AgriFI works closely with the European Commission, EU delegations and governmental institutions to develop strategies for offsetting risks and for maximising private sector leverage in agriculture financing. Thanks to the nature of its funding, EDFI AgriFI permits an increase in the risk and credit ceilings that benefit private sector enterprises and smallholder farmers in rural communities.

## Go-to-place for catalytic investments

### INVESTING IN THE “MISSING MIDDLE” COMPANIES DENIED OTHER SOURCES OF FINANCING

Over the coming years, EDFI AgriFI aims to catalyse additional commitments for a minimum EUR 125m.

EDFI AgriFI investments rely on a strategic and entrepreneurial approach to attract additional financing for promising early-stage businesses, complying with EU development finance objectives and allowing them to grow and access traditional finance. All investments are assessed through strict additionality criteria and leverage ratios. Blended finance helps promote the financing of categories of investment which, at present, cannot be supported by other investors.

## Fit for purpose and scalable

### OFFERING FLEXIBLE INSTRUMENTS BASED ON SMALLHOLDERS NEEDS

EDFI AgriFI invests from EUR 0.5-5m through various instruments such as equity, quasi-equity, junior and senior debt.

Working closely with its clients, EDFI AgriFI develops long-term financing solutions tailored to each specific project, the current economic and financial situation of the country as well as its risk profile. EDFI AgriFI finances capital expenditure, long-term working capital needs and operational expenses, depending on the business models and the company's stage of maturity. EDFI AgriFI also provides continuous support and guidance throughout the investment process.

# Our team

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EDFI AgriFI is managed by a team of experienced investment professionals from the EDFI Management Company based in Brussels.

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∨ **Dominiek Deconinck**

Chief Investment Officer - EDFI MC

∨ **Dimitry Van Raemdonck**

Manager

∨ **Aude Sauvaget**

Senior Portfolio Officer

∨ **Bart Coenegrachts**

Senior Investment Officer

∨ **Robin Boereboom**

Investment Officer

∨ **Guillaume Simoes**

Investment Officer

∨ **Perrine Duffaure**

Investment Officer

THE INVESTMENT TEAM  
BENEFITS FROM BACK-OFFICE  
SUPPORT FROM EDFI MC.





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