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DISPATCH - 009

IFAD and Equity Launch US\$200 Million Climate Adaptation Finance Mechanism in East Africa



Equity Bank Kenya Managing Director, Moses Nyabanda, and Dr. Gérardine Mukeshimana, IFAD Vice President, during the signing ceremony of the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) in Kigali, on the sidelines of the Africa Food Systems Forum 2026. Photo credits: Equity Group/IFAD

The International Fund for Agricultural Development (IFAD) and Equity Group have launched a US\$200 million blended-finance mechanism aimed at expanding access to climate adaptation finance for smallholder farmers and rural enterprises in Kenya, Uganda, Tanzania and Rwanda.

Known as the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM), the 12-year initiative is expected to reach approximately 260,000 smallholder producers and 500 rural enterprises, with women accounting for at least half of the intended beneficiaries and young people 30 percent.

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Financing Agri-food Systems Sustainably

US\$7.5 Million Investment Targets Africa's Agrifood Trade-Finance Gap



The investment proceeds will support AGTF's continued work with smallholder farmers across Africa.

Photo credits: Global Trade Review.

The Africa Food Security Fund and Exeo Capital have invested a combined US\$7.5 million in Africa Global Trade Finance (AGTF), providing fresh capital to expand short-term trade finance for businesses across African markets.

Announced on 10 September, the investment brings the two investors' total commitment to AGTF to around US\$20 million. The new capital has already been deployed into AGTF's loan book and is expected to support trade-finance transactions involving farmers, traders and agrifood businesses across the continent.

AGTF provides short-term structured commodity finance to underserved SMEs and selected larger traders across about 12 African countries and around 10 commodities, most of them in the agrifood sector. Its financing supports businesses that need capital to purchase commodities, manage inventories and move goods through domestic and cross-border markets.

The investment comes against a wider financing challenge. The African Development Bank estimates that unmet demand for trade finance in Africa stood

between US\$74 billion and US\$92 billion in 2024. Commercial banks intermediated an average of just 23 percent of Africa's trade between 2020 and 2024, down from 40 percent before the pandemic.

For agrifood systems, the implications extend beyond trade itself. Farmers may produce the goods, but traders need capital to buy them, aggregators need working capital to collect and store them, processors need financing to purchase raw materials, and exporters may need funding while commodities are in transit.

Trade finance therefore helps connect different parts of the food system, providing the capital that allows agricultural products to move from producers to markets.

The AGTF investment is one response to that gap. But the broader challenge remains: expanding access to trade finance at a scale that allows more African businesses to participate in regional and global food markets.



"Agricultural commodities being handled and prepared for storage and trade. Photo credit: AFEX.

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The mechanism combines lending with technical assistance. Of the US\$200 million, US\$180 million will be dedicated to lending, while approximately US\$20 million will support technical assistance. Equity Group is contributing US\$90 million from its own balance sheet, matching concessional capital on a one-to-one basis, while financing partners share risk across different layers of the structure.

The financing will support investments aimed at helping farmers and rural businesses adapt to climate-related risks, including irrigation and water harvesting, livestock resilience, post-harvest storage, renewable energy and climate-resilient agro-processing.

For agricultural finance, however, the significance of ARCAFIM extends beyond the capital being deployed.

Climate-related risks can make financial institutions cautious about lending to agricultural businesses and producers whose ability to repay can be affected by weather shocks. By combining concessional capital, risk-sharing and commercial lending, ARCAFIM is designed to test whether climate adaptation can become a sustainable financing opportunity for financial institutions, rather than remain dependent on development finance.

The initiative therefore raises a broader question for Africa's food systems: can the right financial structures make investing in resilience commercially viable - and help move climate adaptation from a development priority to a bankable opportunity?



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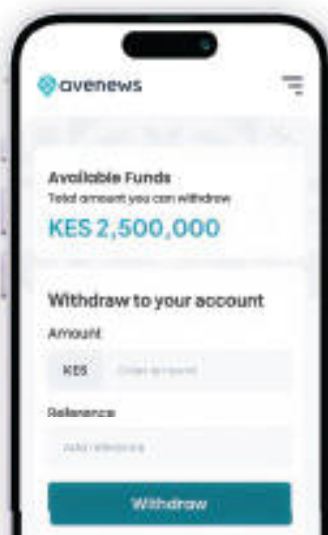
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Africa's agricultural output is rising, but farmer prosperity still lags



Agricultural produce on display at an African market. Photo Credit: AGRA

Africa's agricultural output has roughly doubled in real terms over the past two decades, but the gains have not consistently translated into higher incomes and broader prosperity for the continent's farmers, according to a new AGRA report.

The Impact, Learning and Foresight Report 2026, released on 31 August, finds that cereal yields have increased by about 40% while agricultural gross value added per worker - used by the report as an income proxy - stands at around US\$1,500 in sub-Saharan Africa, compared with US\$4,300 globally.

The findings point to what AGRA describes as a "value trap": production can increase without consistently translating into reliable income, jobs, viable businesses and stronger food systems. The report argues that higher yields are only one part of agricultural transformation; farmers also need stronger links to markets, processing, finance and value addition.

Finance is central to that challenge. AGRA estimates that Africa faces an annual US\$180 billion agrifood financing gap, including about US\$65 billion for small and medium

agribusinesses. Yet the report argues that closing the gap is not simply a matter of putting more capital into agriculture. Finance needs to work alongside markets, infrastructure, technology, institutions and services that allow producers and businesses to capture more value.

The report's findings also challenge a narrow view of agricultural productivity. If farmers increase production but remain unable to secure reliable markets, finance, processing opportunities or better prices, higher output alone may not deliver the economic transformation that Africa's food systems require.

For financiers, this raises an important question about what agricultural investment should ultimately be measured against.

The goal is not simply to finance more production, but to help create the conditions in which productivity can translate into income, resilience and opportunity for farmers.

Tanzania advances new model for agricultural insurance and risk-sharing



Insurance industry leaders during the Tanzania Agricultural Insurance Consortium (TAIC) CEO Roundtable in Dar es Salaam, where members agreed to advance the proposed TAIC business model through a 90-day validation and implementation-readiness phase. Photo credits: UNDP Tanzania

Tanzania's insurance industry is advancing a new model for agricultural risk-sharing that could help expand coverage and strengthen the foundations for agricultural lending.

In August, the Tanzania Agricultural Insurance Consortium (TAIC), which brings together 15 insurance companies, agreed to take the proposed model through a 90-day validation and implementation-readiness phase. The initiative seeks to strengthen coordination among insurers, improve access to reinsurance, and support the development of agricultural insurance products that can reach more farmers.

The move comes as Tanzania's agricultural insurance market shows signs of growth, but remains limited in reach. Ten insurers provided agricultural insurance in 2024, generating TZS 7.83 billion in gross written premiums, a 17 percent increase from the previous year. Yet agricultural insurance still reaches only a small proportion of the country's farmers.

Under the proposed approach, insurers would continue originating and underwriting policies while agricultural risks could be pooled through TAIC under

agreed arrangements. The Consortium could then use consolidated portfolios to strengthen underwriting, develop shared data and infrastructure, coordinate product development and negotiate reinsurance capacity.

The development echoes a question at the heart of the FINAS 2026 Summit in Nairobi, Kenya: how can insurance be embedded into agricultural lending to de-risk and scale climate-resilient finance? A dedicated FINAS session explored precisely this link between insurance, risk-sharing and agricultural lending.

For agricultural finance, the connection is important. When risks are better understood and shared, financial institutions may have greater confidence to lend to farmers and agribusinesses exposed to drought, floods, disease and other shocks.

Tanzania's model is still being tested. But its progress points to a wider financing question for Africa's food systems: can stronger agricultural insurance markets become part of the financial infrastructure needed to unlock more lending to agriculture?

Eastern Africa pushes to turn agrifood opportunities into bankable investments



FAO and government representatives from across Eastern Africa at the Hand-in-Hand Investment Forum in Kigali, Rwanda. Photo credits: FAOSFE.

Eastern Africa is stepping up efforts to turn promising agrifood opportunities into bankable investments, following a regional investment forum that brought governments, investors, financial institutions, development partners and agribusinesses together in Kigali, Rwanda.

The Eastern Africa Hand-in-Hand Investment Forum, convened by the Food and Agriculture Organization of the United Nations (FAO) on 24–25 August, focused on investment opportunities across the region and the conditions needed to move them from potential to investment decisions. Participants from eight Eastern African countries presented investment cases, discussed financing needs and took part in matchmaking sessions with potential investors and financing partners.

The forum identified livestock, coffee, rice, and fisheries and aquaculture among priority regional value chains, with discussions also highlighting the importance of stronger market linkages, regional trade and value addition.

But the focus was not simply on finding more capital. A central theme was investment readiness - ensuring that opportunities are sufficiently developed for investors and financial institutions to assess their commercial

potential, risks, financing requirements and expected returns.

That distinction matters in agrifood systems, where promising opportunities can still struggle to attract capital because of climate exposure, infrastructure gaps, fragmented markets, limited access to finance and weak value-chain linkages. FAO's Hand-in-Hand Initiative is designed to help countries use data, investment cases and partnerships to strengthen this pipeline of opportunities.

For financiers, a stronger pipeline can make it easier to identify viable opportunities and match the right form of capital to them - whether commercial investment, blended finance, risk-sharing instruments or other forms of development finance.

The challenge for Eastern Africa is therefore moving beyond showcasing potential to preparing opportunities that are ready for investment.

Because closing the agrifood financing gap is not only about mobilizing more capital. It is also about ensuring there are enough credible, investable opportunities ready to receive it.