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BRIDGING THE GAP: FINANCING AFRICA'S AGRICULTURAL GROWTH

Launched by Norway and USAID, the "Financing for Agricultural Small and Medium Enterprises in Africa (FASA)" Fund is a multi-donor fund that addresses the financing challenges faced by agricultural small and medium-sized enterprises (agri-SMEs) across Africa.

FASA Fund
by the Numbers

\$70 million
initial investment from USAID
and Norway

\$200 million
target for donor
investments

\$1 billion
target for commercial
capital

Why Agri-SMEs?

Agri-SMEs, as Africa's largest employer and economic engine, are the key to fighting hunger, spurring inclusive economic growth, and reducing poverty. Along with the farmers they support, they are the driving force behind Sub-Saharan African food systems. They create jobs and support 95 percent of smallholder farmers with critical tools and services to increase productivity and profitability — delivering seeds and fertilizer, providing training, purchasing food from farmers, and transporting, storing, and processing food. Yet, three out of four African agri-SMEs cannot access formal bank loans and are too large for microfinance, contributing to an estimated \$100 billion gap in unmet demand for financing.

FASA Fund: Bridging the Agri-SME Financing Gap

With an initial investment of \$70 million (\$35 million each), Norway and USAID launched the FASA Fund with the aim of reaching \$200 million through additional donor contributions. These contributions will then be invested as junior capital (also called catalytic capital or “first loss”) in specialized investment funds focused on agri-SMEs, attracting additional commercial financing by reducing the risk of investing. The Fund uses public investments to unleash private capital and pools funding from various investors to improve efficiency, market access, and governance. The fund will ensure that contributions complement, rather than compete with, private markets.

FASA Fund’s Impact

Over the next 10 years, FASA Fund aims to support 500 agri-SMEs and 1.5 million smallholder farmers, ultimately benefiting 7.5 million people while bolstering nearly 60,000 jobs. The Fund will actively invest in climate adaptation; gender equality; crop diversity to better withstand shocks from pests, weather, and disease; and regenerative agriculture practices that integrate conservation efforts and restore soil health. Through FASA Fund, agri-SMEs will:

- **Increase food and nutrition security:** Boost agricultural productivity; strengthen supply chains; connect small-scale farmers to markets, innovation and technology; and improve access to food for local communities.
- **Reduce poverty:** Generate growth in agriculture, the most effective sector at poverty reduction in Africa.
- **Combat climate change:** Deliver the tools and skills that farmers and businesses need to adapt to climate change and invest in climate-smart practices.
- **Close gender gaps:** Break down barriers for women business owners and farmers to access the tools and services they need to be more productive. One-third of agri-SMEs are women-owned and sixty percent of women in Sub-Saharan Africa work in agriculture.
- **Spur economic growth:** Enable businesses to scale, create employment opportunities and grow into larger markets at home and abroad.

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