August 2026

AgriBridge Policy Note #2

Financing Africa's Agrifood Systems:
From fragmented finance to coalition-based agrifood investment

Jointly facilitated by

AgriBridge
Jointly facilitated by WHH & AKADEMIYA2063

Members of AgriBridge - An African-German Policy Network for Sustainable Agrifood Systems

Jointly facilitated by

Imprint

Published by: Deutsche Welthungerhilfe e.V., Friedrich-Ebert-Straße 1, 53173 Bonn

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Photography: Title: Envato/LightFieldStudios, S. 7.: iStock.com/espiegle

This policy note was developed collaboratively by members of AgriBridge and reflects the joint position of the network. The views expressed do not necessarily reflect the views of all individual members, their respective institutions, or the AgriBridge Secretariat, jointly facilitated by Welthungerhilfe and AKADEMIYA2063.

The executive summary and the full version of this policy note are available for download via the following QR code:

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Core message:

African agrifood systems do not simply need more finance. They need finance that is better co-ordinated, targeted to local realities and accountable for impact. Coalition-based finance means bringing all agrifood systems stakeholders together around shared priorities, with clear roles and transparent accountability mechanisms. This can help translate strategies into concrete investments and ensure that finance reaches and benefits those actors who drive the transformation of the continent's agrifood systems.

Executive summary

Persistent underinvestment in African agrifood systems cuts across public budgets, development finance and private sector flows. Transforming Africa's agrifood systems by 2030 was estimated to require annual investments of USD 76.8 billion per year, including USD 15.4 billion from the public sector and USD 61.4 billion from the private sector (Omamo and Mills, 2022). While this estimate provides a useful baseline, inflation, exchange-rate pressures, and tightening fiscal space means that the real financing challenge is likely larger and more complex in 2026. Yet, financing flowing into agrifood systems transformation remains fragmented and not as the scale needed to achieve transformative impact: public finance, overseas development assistance (ODA), public development banks (PDBs), private investors and local financial institutions often operate through separate and uncoordinated instruments, short project cycles, and weakly connected pipelines of bankable programs.

> Financing remains fragmented and not as the scale needed to achieve transformative impact

Public finance remains essential, but fiscal constraints and implementation bottlenecks limit many governments' ability to translate the commitments of the Comprehensive African Agriculture Development Program's (CAADP) Kampala Declaration into catalytic investment for agrifood systems transformation. While ODA is small relative to total needs, it plays a strategic role when it supports public goods, institutions, risk reduction and market creation. Private finance can help scale up investment in processing, storage, logistics, cold chains, digital services and local agribusinesses, provided that policymakers establish legal and regulatory frameworks that improve investment security and help manage risks. These frameworks should also ensure that private investment supports food security, social inclusion and climate resilience and thereby contributes to long-term sustainable development.

The financing gap is also an inclusion gap. Women, youth, smallholders, pastoralists and agrifood SMEs are central to food supply, employment, value creation and resilience, but they remain underserved by mainstream financial systems. Agri-SMEs account for nearly 80 percent of food supply in Africa south of the Sahara (SSA), and the cost of excluding women from finance and markets is substantial (Malabo Montpellier Panel, 2025). Financing agrifood systems should, therefore, not only raise productivity, but support fairer risk-sharing approaches, distribute risks, costs, and benefits more equitably along value chains, strengthen resilience, and create value for people, local economies, societies, ecosystems and public institutions.

Moreover, stakeholder coalitions must be placed at the center of the finance debate. This brief argues that finance becomes transformative only when coalitions co-define priorities, assign roles against which they are held accountable, test instruments in real contexts (policy and innovation labs), and track whether finance reaches underserved actors.

As an African-German policy network, AgriBridge sets out how German ministries, parliamentarians and development banks, in dialogue with African governments, regional institutions, public development banks and private investors, can better support African-owned agrifood systems financing priorities.

Policy recommendations and key messages

Drawing on the analysis in this policy note and on practical examples - from input-market financing for pastoralists in the Sahel, digital finance instruments for youth in Kenya, trade credit guarantees for women-led agrodealers in Uganda, and structured finance for cold-chain and smallholder-linked value chains in Rwanda and Kenya — the AgriBridge network sets out the following strategic policy recommendations. They aim to accelerate and better coordinate financing flows into agrifood systems at the scale needed to support the transformative ambitions of Agenda 2063 and the CAADP Kampala Declaration.

1. Turn strategies into action

The German Government, African governments, PDBs and regional institutions should set up and institutionalize multi-stakeholder agrifood financing coalitions at national and regional levels. These coalitions can bring together ministries of finance, economy and agriculture, PDBs, private investors, representatives of SMEs, women-led enterprises, youth agripreneurs, farmers' and pastoralist organizations, civil society, producer organizations and regional research and development organisations as early as the planning phase. Their role should be practical: identify financing gaps, advise on public and development finance priorities, co-develop bankable program pipelines, coordinate public and private financing instruments, and align investments with CAADP Kampala commitments, National Agrifood Systems Investment Plans (NASIPs), the AfCFTA, and Agenda 2063.

Target groups: German ministries and parliamentarians; African governments; regional institutions; development banks; donors.

2. Put public, development and private finance to work

Agrifood systems finance should be based on clearly defined, complementary roles within a coalition.

- **Public finance** and ODA should support public goods, institutional capacity and enabling policy frameworks that promote risk reduction, market creation, inclusion and equality. PDBs and Development Finance Institutions (DFIs), including KfW and AfDB, can apply various instruments, such as guarantees, local-currency finance, concessional and repayable finance, trade credit facilities and technical assistance to take on appropriate risk and reach actors that commercial finance does not yet serve, working through local financial intermediaries where possible.
- **Private finance** should scale responsible investment in domestic agri-SMEs and midstream value-chain functions such as processing, storage, logistics, cold chains, digital services and local agribusinesses.
- **Blended finance** and guarantee instruments should complement, not replace, ODA and should be assessed against transparency, additionality and development impact criteria.

Where debt burdens constrain fiscal space, debt relief, restructuring or debt swaps linked to food security and resilience should be considered if transparently governed and aligned with national investment plans.

Target groups: African ministries and parliaments; BMZ, KfW and German parliamentarians; public development banks; DFIs; private investors.

3. Design finance for diverse agrifood realities

Financing instruments must be co-created with the actors they serve and adapted to women-led enterprises, youth agripreneurs, agri-SMEs, smallholder farmers and pastoral communities. This means moving beyond primary production to financing the „missing middle“ - processors, storage providers, logistics actors, local input suppliers, cooperatives and service providers that connect farmers to markets. Regional public goods — including cross-border trade infrastructure, pastoral corridors, market information systems, climate-risk insurance, early-warning systems and adaptation measures— need targeted and tailored financing.

Target groups: African governments; regional economic communities; development banks; donors; local financial institutions; private investors.

4. Make agrifood finance accountable for impact

Public, concessional and blended finance should disclose objectives, subsidy levels, risk-sharing arrangements, target groups and expected development outcomes. Where finance relies on digital tools, satellite data, alternative credit scoring or platform-based services, accountability should also cover data governance, data sovereignty, intellectual property (IP) protection and fair benefit-sharing. The success of agrifood systems financing should be measured not only by the level of capital mobilized, but by whether finance reaches women, young people, SMEs, smallholders and pastoralists; whether it strengthens local value chains; reduces climate and market risks; and contributes to food and nutrition security, building decent livelihoods and resilience. Where public subsidies or guarantees are used to mobilize private investment, they should be justified by additionality, reviewed over time, and phased out as markets become commercially viable.

Target groups: Governments; parliaments; donors; development banks; private investors; civil society; farmer organizations; research actors.

What policymakers can do now to implement these recommendations

For policymakers, the central task is to move from fragmented financing instruments toward coordinated coalitions that assign roles, adapt finance to local realities and prove impact.

1. Finance and set up multi-stakeholder platforms that connect CAADP, NASIPs, AfCFTA and Agenda 2063 to national budgets and expenditure frameworks and raise accountability around these issues.

2. Require transparency, additionality and impact tracking for public, concessional and blended finance, including whether finance reaches underserved actors and strengthens food security, resilience and local value creation

3. For German policymakers, this means translating the four recommendations into concrete support for African-owned coordination platforms, KfW and African risk-sharing mechanisms that reach SMEs and local value chains, and stronger transparency requirements for all actors using German public or concessional resources.

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