

The Agricultural Transformation Initiative Launches Investment Support Facility in Malawi to Catalyze New Economic Opportunities that Focus on Positive Impact for Smallholder Farmers

MALAWI – August/September 2019 – Despite efforts to increase the competitiveness of smallholder farmers and to diversify economic opportunities, Malawi’s economy is still heavily dependent on tobacco as its major export and hard currency earner. The growth rate of global demand for tobacco products has slowed and is expected to continue to decline. Yet, Malawi’s dependency on tobacco has actually increased over the last five years. In addition, there has been limited success in attracting both local and international investment into Malawi’s agricultural sector, especially for large, complex agricultural diversification transactions.

As part of a broader strategy, the Agricultural Transformation Initiative (ATI) recently announced the launch of the Investment Support Facility (ISF), which will help to promote new, long-term economic opportunities for the agriculture sector, by attracting inclusive investments. The goal of ISF is to facilitate commercial transactions that feature credible and robust business models, which will result in measurable increases in market access and income for smallholders or micro and small enterprises (MSEs). ISF will also ensure that at least 40% of the transactions help women. Over the next three years, ISF plans to mobilize and leverage at least \$75 million, while incorporating no fewer than 25,000 smallholders or MSEs.

ISF Project Director Roland Pearson said, “ISF will need to be nimble, adaptable, and creative, by supporting a variety of transaction types, capital combinations, and partner and client engagements, such as various forms of debt, equity and hybrid structures, multiple agricultural sectors (other than tobacco directly), as well as joint ventures, mergers, acquisitions and other types of corporate formations”.

ISF will serve as a facilitator to realize investments that will support Malawi’s transition away from its current dependence on tobacco, while at the same time providing new opportunities to increase economic growth. To do this, the ISF will prioritize investments that create value along the full value chain, not just primary production, but also processing, packaging, and exporting, as well as ventures that incorporate new energy, irrigation, or agricultural technologies.

“We aim to be a trusted and independent transaction advisor and catalyst with a focus on closing the gap between potential investors and investees, who are seeking capital to fund transactions that result in agricultural transformation and economic diversification in Malawi, in particular transactions that positively impact smallholders and micro and small enterprises. Already, we believe we have an initial pipeline of 10 to 15 transactions that seem potentially viable and worth investigating further,” said John Lishman, Team Lead of the ISF.

ISF will provide tailored, pay-for-results incentives to a variety of carefully vetted transaction advisers to drive deal closure. The ISF will also work to generate interest among banks and other investors to

take a second look at investments in Malawi, and demonstrate through successes that Malawi's economy offers commercially viable opportunities now and in the future.

"The Agricultural Transformation Initiative is dedicated to supporting the efforts of smallholder tobacco farmers to diversify their crop portfolio", said Candida Nakhumwa, Country Director, Agricultural Transformation Initiative. "ISF will emphasize smallholder impact as a key principle for all transactions it supports, and will work with investees to develop business plans that intentionally integrate significant numbers of smallholders into their business models for meaningful income generation and productivity increases".

About the Agricultural Transformation Initiative

The Agricultural Transformation Initiative (ATI) is a core pillar of the [Foundation for a Smoke-Free World](#), an independent, US [501\(c\)\(3\)](#) nonprofit organization with the purpose of improving global health by ending smoking in this generation. Recognizing that the Foundation's mission entails an accelerated decline in global tobacco demand, the ATI aims to support diversification of tobacco-dependent economies.

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