

# Innovative impact fund to create jobs for rural youth in developing countries

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*Rome, 15 February 2019/ACP/IFAD:* An impact fund with an innovative approach for attracting much needed capital to the rural areas of developing countries was launched today at the annual meeting of Member States of the International Fund for Agricultural Development (IFAD).

IFAD, along with the European Union, the African, Caribbean and Pacific Group of States (ACP), the government of Luxembourg and the Alliance for a Green Revolution in Africa (AGRA), launched the Agri-Business Capital (ABC) Fund to help rural entrepreneurs in the agricultural sector access the finance they need to grow their businesses and create jobs for poor rural people, in particular young people.

The aim of the ABC Fund is to generate private sector investment in rural small and medium-sized enterprises (SMEs), farmers' organizations and smallholder farmers' groups which often find it hard to access finance from traditional institutions who view them as too risky.

"Small and medium-sized enterprises can be an engine for development and offer rural communities a pathway out of poverty and hunger, but only if they can access the resources they need," said IFAD President Gilbert F. Hounbo. "The launch of the ABC Fund is an important step to realize the huge potential of small farmers, their organizations, and most importantly young people."

It is estimated that more than half of the 1.2 billion young people in the world live in rural areas. Young people are two to three times more likely than adults to be unemployed. In Africa alone, 10 to 12 million young people enter the job market every year.

Neven Mimica, European Commissioner for International Cooperation and Development, emphasized the potential impact of the ABC Fund investments on smallholder households.

"Smallholders and rural businesses are not getting the investment they need from the private sector! ABC Fund will help us address this gap, improve their access to capital and consequently the lives of 700,000 rural households," he said.

In line with its focus on promoting private-sector development, Patrick I. Gomes, ACP Secretary General, who represented the Secretariat at the Launch of the Fund, highlighted the transformative effect the ABC fund could have in poor rural communities.

"Our African, Caribbean and Pacific members have great expectations of the ABC Fund," he said. "We look forward to having the Fund respond to specific needs in the three regions and supporting the implementation of our new approach to structurally transform the ACP agricultural sector. This fund, which aims to contribute to wealth and job creation, particularly for our youth, should significantly enable ACP countries to add value, extract higher rents from commodities, diversify and further integrate into global value chains."

Paulette Lenert, Luxembourg's Minister for Development Cooperation and Humanitarian Affairs, said her government has been a critical partner in the fund's development.

"In line with the Addis Ababa Action Agenda on Financing for Development, Luxembourg has been very active in the field of sustainable impact investment and innovative financing mechanisms," she said. "This has been the case in green and inclusive finance, in labelling and in social performance measurement, as well as in mobilizing private capital for the SDGs. Luxembourg is very proud of having been instrumental, from the first hour, in bringing about this innovative project."

The ABC Fund aims to raise EUR 200 million over the next 10 years. It will provide loans adapted to the needs of SMEs. Loan sizes will range from EUR 20,000 to EUR 800,000. The ABC Fund will work through financial institutions for loans in the range of EUR 20,000 to EUR 200,000, while providing loans between EUR 200,000 and 800,000 directly to investees.

AGRA President Agnes Kalibata, said her organization, with its focus on developing private-sector capacity for technology adoption in Africa, will build on this work as the fund is rolled out across the continent.

“AGRA is delighted to partner with IFAD, EU, and the Government of Luxembourg on this unique and game-changing fund that will provide loans of below 1 million euros which is what most African small rural agri-businesses need to grow and continue delivering previously unavailable, inaccessible and unaffordable services to millions of smallholder farmers,” she said.

IFAD and AGRA, both with operations on the ground in rural communities, will work closely with the fund manager to identify investment opportunities with promising SMEs.

The ABC Fund is an independent fund based in Luxembourg and its investment portfolio will be managed by two investment companies: Bamboo Capital Partners and Injaro Investments.

“Bamboo is proud to collaborate with IFAD on a forward-looking investment strategy, focused on smallholder farmers’ productivity, market access, domestic value creation and resilience,” said Jean-Philippe de Schrevel, CEO, at Bamboo Capital Partners.

Commitments to the ABC Fund include: EUR 45 million from the European Union and the ACP (including 5 million for technical assistance), EUR 5 million from Luxembourg and EUR 4.5 million from AGRA.

*ACP Press*

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