



Supporting African Agroecological Enterprises

**Service Providers for African Agripreneurs
and Smallholder Farmers**

Findings from Interviews

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Background

Supporting Agroecological Enterprises (AEEs) in Africa is a joint action research project of the Agroecology Fund (AEF) and the Alliance for Food Sovereignty in Africa (AFSA) with the support of the 11th Hour Project to analyze existing AEEs in Africa and their service providers. The research is meant to build our understanding of how to enlist and engage existing enterprises and service providers (e.g. NGOs, banks, investors, incubators, policy makers and others) in creating an enabling environment for the marketing and promotion of healthy local agroecological food in local markets. Our thesis is that financial capital can serve as a strategy for inclusion, innovation, and transformation towards agroecological food systems.

Introduction

This briefing summarizes the interviews of service providers financing smallholder agriculture and agribusiness in Africa focused on local African-led businesses and entrepreneurs producing and distributing for primarily domestic markets. The 11 service providers included: NGOs, accelerator/incubators, banks, and investment funds working in microfinance (MF) and small and medium enterprise development (SME).

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Selection & Characteristics of Interviewees

The 11 organizations were chosen opportunistically through known networks and focused on those providing finance to or serving agripreneurs and smallholder farmers, with a social entrepreneurial or business lens and a focus on agroecological or sustainable agricultural production for local markets. This yielded 6 African-run and led organizations, 3 hybrid (African & U.S./Europe) and 2 U.S.-run and led organizations. The project reached out to 9 others for interviews without success and did desk research on 6 other service providers.

Of the interviewed service providers, seven provided access to loans or finance, and four provided training and technical assistance to agripreneurs and smallholder farmers. In this paper, agripreneur indicates the broad category of entrepreneurs engaging in agricultural businesses, agroecopreneur refers to those entrepreneurs engaged in agroecology and business, a subset of the former. This briefing focused on Small and Growing Businesses (SGBs) as differentiated from Small and Medium Businesses (SMEs) by their stage and size as defined by the Aspen Network of Development Entrepreneurs as follows: “commercially viable businesses with 5 to 250 employees that have significant potential for growth and whose managers desire to grow them.”¹

The experiences of 11 different service providers working in over ten African countries are widely diverse. After hundreds of hours spent listening to fund managers and service providers, I feel comfortable asserting that we are in a period of rapid innovation and opportunity.

While upwards of 80% of investment capital focuses on investments of \$200,000 and above with market rate returns, there is a small group of innovators who recognize an untapped potential in Africa, a huge market, and an opportunity for profitable investment that does not look like what has gone before. Specifically, the service providers are: 1) employing new mixes of financial and service provision to agripreneurs who otherwise have no access to such capital, 2) organizing themselves in different ways with holding companies, or non-profits side by side with investment pools, and 3) gaining access to capital with different return expectations including longer-terms, more flexible rates and a different attitude toward growth. To be sure, not all of the entrepreneurs in which service providers invest are successful but new companies are emerging that are circulating food in more local and equitable ways.



Focus

Finance providers
•
Social entrepreneurs
•
Agroecological/sustainable
agricultural production
for local markets

10
countries

11
Organisations
selected

Desk
Research
on **6** Other
Service
providers

KEY TAKE-AWAYS

Please note the following takeaways refer to what we learned from our interviews specifically and not to all investors or technical service providers.

1. **African agripreneurs and agriculture represent a massive investment opportunity , both underfunded and underappreciated.** This is both a current and future trend with population growth on the continent. Business opportunities for smallholder farmers and agripreneurs abound and include, for example: production and processing for local markets to displace imports and high quality local fresh produce for urban customers. Many investors lack knowledge in agriculture and are hesitant to invest.
2. **Most investors pair their funding with technical assistance (business, agricultural production or other).** The interviewees articulated different and creative approaches to enabling smallholder farmers and agripreneurs to increase their productivity and business models. All described ways they prepare the entrepreneurs for growth through stronger accounting practices, increasing their markets and profit margins, understanding their customers, and accessing appropriate finance among other topics.
3. **When solutions focus on local markets, service providers see great potential for entrepreneurs and their businesses.** Innovative service providers understand the opportunity that local and regional markets present in addition to meeting urban customers. By pairing finance with peer-to-peer based technical assistance in marketing, processing and distribution, entrepreneurs can not only meet the needs of a wide variety of consumers for fresh, healthy, and diverse foods but also create demand for these same foods.
4. **Investors do not distinguish between agribusinesses that are agroecological or not.** Most of the investors have 'mixed' portfolios of businesses some of which use industrial inputs and others that are produced with biofertilizers for local consumption. For investors, the key criterion remains a strong business model not its ecological impact.
5. **Due to limited, short-term return on investment in agriculture, there is significant opportunity for strategies to de-risk investment such as blended finance vehicles with single-digit interest rates.** This enables farmers and entrepreneurs to run their businesses profitably. This also includes creative financing, such as financing the transition of 10% of a farm to agroforestry over time, to enable farmers to stage their investments.
6. **Investors still focus on increases in productivity and income as the key metrics of improved well-being.** Others include gender and youth inclusion, climate resilience, and community ownership, while soil health, nutritional well-being and biodiversity are generally regarded as secondary, if they are included.
7. **African staff, technical support, mentors, and angel investors bring local expertise and knowledge that drive culturally relevant and smart innovation and service provision.** All successful service providers are deeply embedded in the local cultural context in which they work.
8. **Service providers who provide technical assistance only are poorly networked with investors.** Many of the service providers who invest in business readiness, improving production techniques, and farm management for farmers and agripreneurs are not connected to banks or investors and feel they are overlooked and lack standing despite their efforts.
9. **Service providers often build their theory of change and target their efforts on one kind of**



entity: for example, business entrepreneur, cooperative, or farmer / producer. This despite the fact that all of these actors may be present and interacting within in a given region.

10. **Many service providers work at both the microfinance and small and growing business levels of finance.** They understand many agribusiness opportunities with room for growth require seed investment needs at the \$5,000 to \$200,000 level with follow-on capital.

There is a growing trend to offer investment more than microfinance to smallholder farmers and agripreneurs.



11. **Service providers struggle with both gender parity and youth participation in their programs unless their strategy centers on women and youth.** This is despite the fact that women practice agriculture at the same or higher rates than men and youth represent an untapped and unemployed labor pool. Without addressing systemic bottlenecks such as: discrimination and lack of secure access to land and capital, gender parity or youth engagement will continue to flounder. In addition, service providers have learned that measuring parity in terms of loan volume often masks loan value which is typically lower per capita for women and youth.

12. **African territorial and mass markets represent an understudied and underappreciated source of knowledge and expertise.** In contrast to production and products oriented for supermarkets, restaurants and hotels, those supplying territorial and mass markets are centered in relationships, and cultural relatedness. The number of products, diversity and complexity of social relations run counter to a supply chain approach that focuses attention on single crop aggregation and processing. In contrast to top-down market models, in territorial and mass markets, "you speak in the local language, anyone can participate, everyone brings something to the knowledge economy."³

13. **Service providers are successfully accompanying local profitable African businesses by creating specialized models for offering services and finance to agripreneurs and SGBs (small and growing businesses).** They understand agripreneurs' / SGBs needs differ from those provided by traditional investing models. They see this as an underappreciated niche market. They are rethinking everything from what kind of support services are provided, how finance is offered, repayment terms, length of relationship, type of fund, type of capital attracted, etc.

14. **Deep networks and multiple partnerships enable service providers to successfully navigate the complexities of supporting and growing agripreneurs and agribusinesses.** No one entity is able to provide all of the support that an agripreneur needs. Successful service providers draw on networks of investors, technical expertise, business advice, bankers, local NGOs, government officials and others in order to support agripreneurs.

Summary

This brief is one in a series of three produced by Supporting African Agroecological Entrepreneurs Initiative by the Agroecology Fund and the Alliance for Food Sovereignty in Africa. The prior brief described our findings from a survey of African Agroecopreneurs and the final brief will summarize the case for Agroecopreneurs.

Appendices

A. List of Interviewed Service Providers

- Africa Eats, Fledge - <http://fledge.co/2020/africa-eats/>
- Africa Knowledge Transfer - <http://www.emkambo.co.zw/>
- Bioinnovate Africa - <https://bioinnovate-africa.org/>
- FINCA International - <https://finca.org/>
- AdOpes - <https://adopes.com/>
- Guzakuza - SheFarms & Ignite - <https://guzakuza.org/>
- Iungo Capital - <https://iungocapital.com/>
- Mavuno - <https://www.mavuno.org/>
- MCE Social Capital - <https://www.mcesocap.org/>
- Opportunity International - <https://opportunity.org/what-we-do/agriculture-finance>
- Practical Action Kenya - <https://practicalaction.org/where-we-work/kenya/>

B. Examples of companies that Service Providers supported and/or funded include:

- Guavay Company Limited, Tanzania - <https://www.facebook.com/guavay/>
- Mariseth Farms, Ghana (run by Marian Ofori Twumasi) - no web presence
- East African Fruits, Tanzania - <https://www.eafruits.com/>
- Swahili Honey, Tanzania - <https://swahilihoney.co.tz/>
- Mula Export, Kenya - <https://mulaexport.com/>
- Community Markets for Conservation (COMACO), Zambia - <https://itswild.org/>

C. Table of Services	
Investment	7
Training - Business	6
Training - Agriculture	4
Support - Other	8

D. Type of Investment	
Technical Assistance	5
Grant	2
Microfinance	6
Small and Growing Business (SGB) Loan	2
Small and Medium Enterprise (SME) Loan	4

¹ From Bauchet and Morduch, 2011 Is Micro Too Small? pp 5 quoting Aspen Network of Development Entrepreneurs 2009, p. 8.

² "Africa's agriculture sector, for example, accounts for 23% of the region's gross domestic product and employs more than 60% of the population. Yet Africa imports \$35 billion in food annually, and many places grapple with persistent food insecurity. AVCA research shows that \$80 billion in investment is required annually until 2050 for Africa to support its growing food demands." From ImpactAlpha, April 7, 2021 "Africa's business and investment leaders step up to meet demands for impact and ESG investing" by John Njiraini.

³ Interview with Charles Dhewa, Knowledge Transfer Africa, September 2020.