

Mobilizing Finance for High-Impact Agricultural SMEs in East Africa



Why agricultural finance?



65% of people work
in Agriculture
in East Africa



5% Agriculture receives less
than 5% of commercial
bank lending

Why agricultural SMEs?

SMEs have the potential to drive inclusive agricultural growth



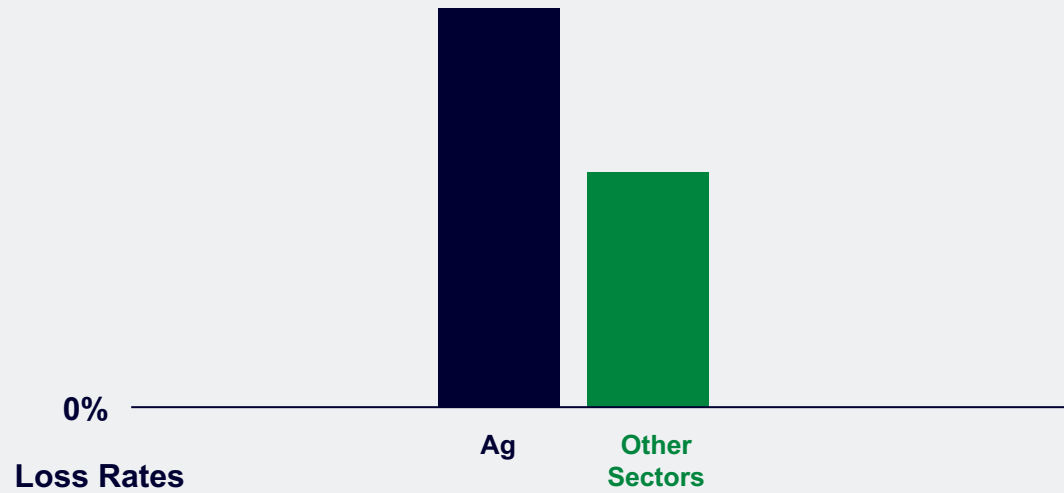
But 3 in 4 lack access to finance

Why does this gap exist?

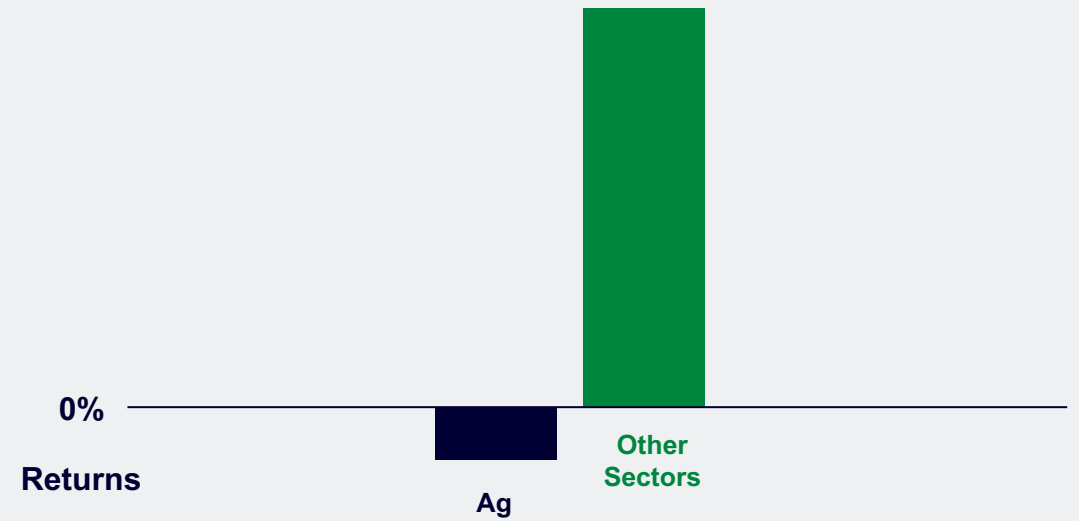


Aceli & Dalberg Advisors gathered data from 35 lenders on the economics of 22k agri-SME loans totaling \$4.5 billion

Higher Risk



Lower Return

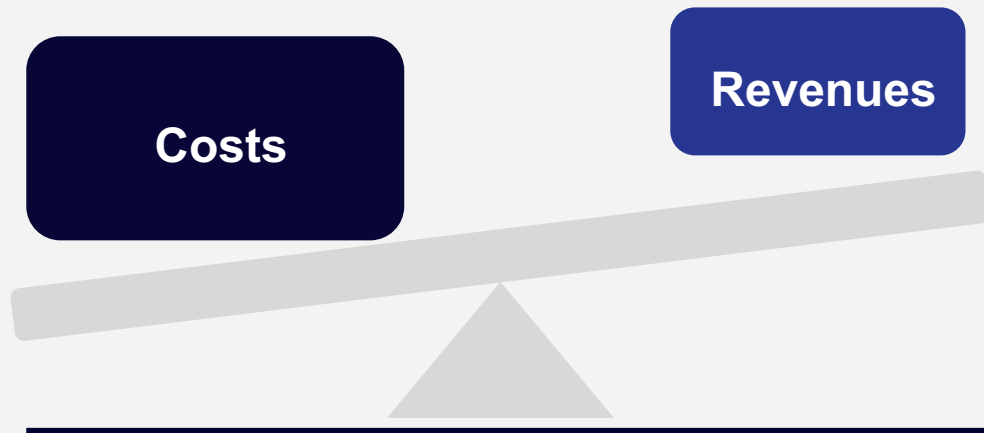


Aceli's vision: re-balance economics for agri-SME lending to align with impact



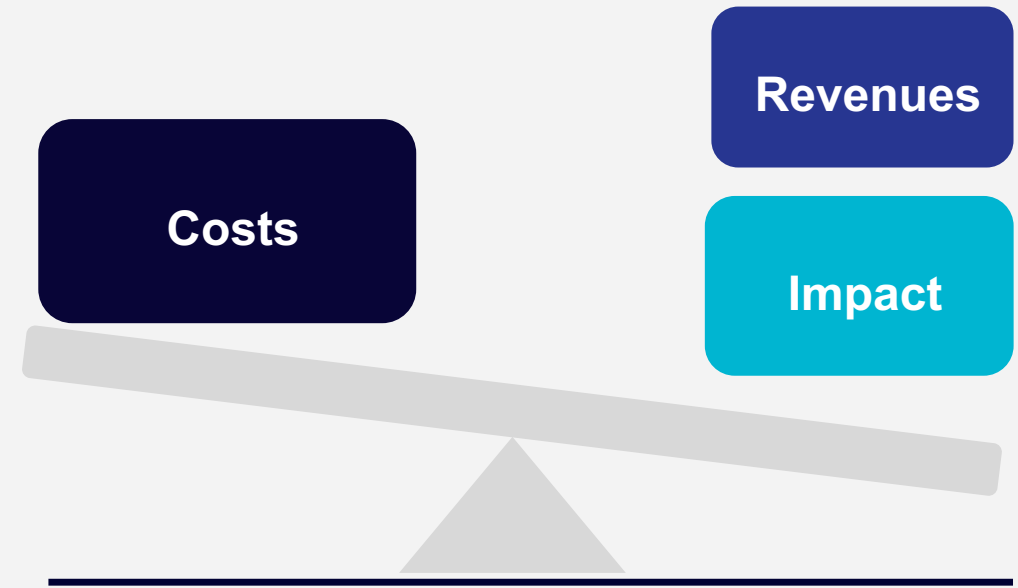
The status quo

AGRI-SME LOANS ARE UNPROFITABLE



Rewarding high-impact agri-SME loans

AGRI-SME LOANS ARE PROFITABLE



What is Aceli Africa?



An **incentive facility** building the market for agricultural SME lending

- ❖ **Data-driven**
- ❖ **Market-level**
- ❖ **Impact-aligned**



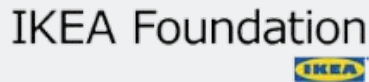
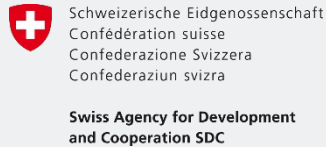
Aceli is a demonstration model to increase agri-SME lending



As of 2024, Aceli is active in Kenya, Rwanda, Tanzania, Uganda, and Zambia

DONOR FUNDING

\$75m committed to date



ACELI OFFERINGS

- Financial incentives for lenders to address risk & profitability barriers
- Technical Assistance for SMEs & Lenders
- Data & Learning



IMPACT TARGETS – 2030, EAST & SOUTHERN AFRICA



Unlock \$1.6 billion in lending



Improve livelihoods for 4 million smallholder farmers & workers



Demonstrate scalable & replicable model



Objective: increase lenders' risk appetite by absorbing incremental risk

Product: portfolio-level first loss

Design:

- ✦ Applies to loans of **\$25k-\$1.75M**
- ✦ **2-9%** of each loan paid into **reserve account** (~5% avg)
- ✦ **Higher %** based on **risk** (new borrowers) & **impact bonuses** (climate & environment, food security & nutrition, gender inclusion, youth inclusion)
- ✦ **Reserve builds** up as loan volume increases
- ✦ Available to **cover any losses at portfolio level**
- ✦ **Complements** typical 50% loan guarantee offered by others



Objective: defray transaction costs to motivate lending to smaller, underserved SMEs

Product: origination incentives

Design:

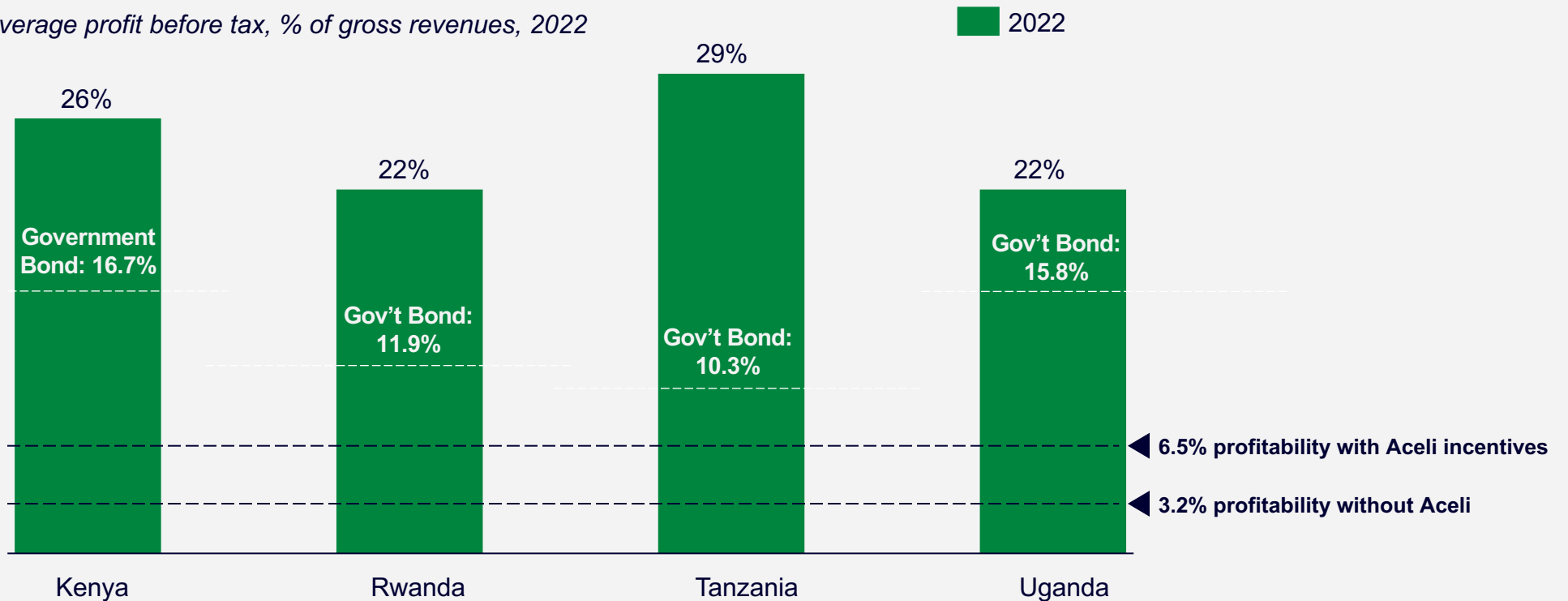
- ✦ Applies to loans of **\$25k-500k**
- ✦ Payment of **2-14% of loan amount** depending on loan size, new v. returning borrower, and impact bonuses (same as previous slide)
- ✦ **Payments are unrestricted**, typically used for hiring new agri specialists, training staff, paying for field visits, conducting value chain analyses

Profitability of agri-SME lending vs. other options



Commercial bank profitability

Average profit before tax, % of gross revenues, 2022



Notes: Return on Assets or Equity is a more common way to evaluate bank financial performance, but profit before tax (PBT) is shown here as it is a more familiar, intuitive calculation. PBT is after depreciation and amortization, and the margin is calculated relative to gross revenue (interest income, fees, trading income, forex income, and other revenues) without interest expense of bad debt provision. The profitability calculation of 6.5% with Aceli incentives follows a different methodology based on the Aceli incentive effect net of revenues, costs, expected losses, and cost of capital over the full life of a loan, not within a single financial year. However, this comparison provides an indicative way to demonstrate opportunity costs for banks.

Sources: Annual reports



Example: Rwandan coffee aggregator



In 2021, the SME accessed its first loan with support of Aceli incentives → substantial growth in one year

Employs 5 full-time workers (2 women) and 66 casual laborers (58% women)

Market linkages for 717 smallholder farmers (44% women)

Climate & Environment practices: Soil health improvement practices; reforestation & restoration

Impact:  

Metric	Y1	Y2	Growth
Loan size	\$120k	\$200k	67%
Revenue	\$252k	\$413k	64%
Payments to farmers	\$111k	\$264k	138%
Capital leverage of Aceli's incentives	6.1x	15.4x	9.3x



Diversification:



Growth:

- 79% increase in agri-SME lending in 18 months

Diversification:

- Portfolio allocation to tea sector: 92% (2021) → 38% (2023)
- Added staple grains, dairy, livestock

Impact:

- 7x increase in loans to women-owned SMEs

* Family Bank was awarded Aceli's 2022 Impact Bank of the Year



"There is an awakening that has been created. Aceli incentives have helped us become more innovative in product design." - Head of Agribusiness, Family Bank

Aceli lending partners



MULTI-COUNTRY LENDERS



Lending metrics

As of December 2023 (3 years of operations)



\$152M

capital mobilized

\$97k

avg loan size

879k

smallholder farmers

62%

loans to first-time
borrowers

51%

gender inclusive
(2X criteria)

68%

food security &
nutrition

9.9x

leverage ratio
(capital mobilized /
incentives)

27%

SME growth rate

Impact chain



Activity	Incentives	Incremental lending	Enterprise growth & performance	Access to markets & services for farmers, quality jobs for workers
Metrics	9.9x capital leverage 1,570 loans \$152M in loans	59% loans to new borrowers 23% YoY increase in loan amount Lower collateral requirements and interest pricing (varies by lender)	31% increase in annual revenues	Surveys of 4,331 farmers (42 SMEs): Farmers receive higher prices, more timely payments, more services (inputs, credit) vs. other buyers; also report more security in their livelihoods. Surveys of 249 workers (26 SMEs): 89% report higher salaries vs. previous jobs.
		Third party longitudinal evaluations are on-going re: lender behavior, SME access to finance & enterprise performance, and farmer & worker livelihoods Evidence Fund launched in collaboration with International Growth Centre to support research across any of these areas with an emphasis on impact priorities such as climate & environment, gender, and youth.		



For more information:

www.aceliafrica.org

Email: info@aceliafrica.org