FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

An AINFP Learning Brief

Impact of Access to Finance Support for Food Processing SMEs in East Africa

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Executive Summary

This brief summarizes the comprehensive assessment of the Alliance for Inclusive and Nutritious Food Processing's (AINFP) Access to Finance (A2F) component as the program approaches its conclusion. Operating across Ethiopia, Kenya, Malawi, Tanzania, and Zambia, the AINFP program, funded by USAID and implemented by TechnoServe (TNS), Partners in Food Solutions (PFS), and ISF Advisors, seeks to strengthen processors of nutritious foods. Since 2018, the program has worked with nearly 260 organizations, facilitating mobilization of over $13 million of capital through loans and grants. This assessment draws on quantitative analyses and qualitative interviews, providing a comprehensive understanding of the impact that access to finance support has had on food processors.

The A2F component of the program supported a total of 103 companies with financial advisory support, 60 were in need of financing and 45 ultimately attained financing. The access to finance support played a key role for companies in addressing financing barriers by linking them to finance providers, supporting them during their loan application process, and identifying new funding sources. Key differences were noted across business dimensions including value chain, geography, development of the country's financial sector, and, most notably, size and maturity of SME. For example, smaller, pre-profit SMEs required more frequent, involved engagement to address their developmental needs, and thus were more reliant on grant funding and struggled to access commercial financing. In addition to building the financial capacity of the participating businesses, the program also built long-term sustainability for the financial sectors and value chains in which it operated, especially through direct partnerships with local financial institutions.

The lifespan of this project saw significant changes in the agricultural finance sector and the world including new financial mechanisms launched in certain countries, the COVID pandemic, and shifting global economic trends. The program's focus adapted to these macro trends while learning from clients' successes and challenges. This brief summarizes five key learnings based on this experience that can inform similar programs in the future. These recommendations are explored further in the brief, but are summarized below:

> The A2F component needs to be mainstreamed across overall program objectives and supported by a dedicated A2F lead with local expertise to realize synergies with TA.
>
> Partnerships with local financial institutions are key to building a pipeline of clients to meet program objectives and ensure the program's long-term impact by developing the local financial sector.
>
> Program design, selection, and onboarding need to be aligned but flexible to the needs of different SMEs and their contexts.
>
> Gender considerations should account for the unique needs of women leaders and the businesses they run.
>
> Continuing to maintain regular check-ins with companies' throughout the program and post-program is crucial, ensuring ongoing support is available if needed.

This assessment provides valuable insights into the A2F program's dynamics, highlighting successes and lessons learned. These insights can inform the design and implementation of future SME development programs.

1.0 Objective of this document

As the AINFP program approaches its conclusion, this brief summarizes a comprehensive, evidence-based assessment of the A2F component of the program. It evaluates the effectiveness of technical assistance, grants, and investments in facilitating SME clients' access to finance and identifies which key factors contribute to the mobilization of capital across various stages of the SME development process.

This research categorizes the diverse needs of SMEs, gauges the impact of various forms of support, and identifies gender-specific challenges that surfaced during the program. By examining these aspects of the A2F component of the AINFP program, this brief summarizes insights that can inform the design and strategy of future SME development programs.

2.0 Background, context, and methodology of this document

AINFP provided support to local, private-sector food processing companies to enhance nutritional outcomes for low-income consumers while simultaneously cultivating more lucrative market opportunities for local farmers. Operating across Ethiopia, Kenya, Malawi, Tanzania, and Zambia, AINFP's overarching objective was to foster a more competitive food processing sector, which enhances the availability of nutritious and affordable food products.

This program was funded by the U.S. Agency for International Development ("USAID") as part of the U.S. Government's Feed the Future initiative and was implemented by three organizations: TechnoServe (TNS), Partners in Food Solutions (PFS), and ISF Advisors. The program was managed by TNS, a non-profit organization specializing in business solutions to alleviate poverty. The regional staff of TNS oversaw all activities including: mapping the food processing sector in respective countries; developing country strategies; and determining the most appropriate interventions. PFS provided funding and in-kind contributions of employee time from its corporate partners who provide technical assistance to local food processors. ISF Advisors, with its specialized focus on access to finance, facilitated investments into food processors and worked to strengthen the overall financial systems in countries of operation.

Over 800 businesses applied to the program since 2018, with 240 clients (48% of which were owned or led by women) receiving some form of technical assistance. Among these, 103 clients received specialized support in financial management and capital intermediation, with 45 successfully securing access to financing. AINFP played a pivotal role in facilitating the intermediation of ~$11 million in loans and ~$2 million in grants, benefiting these clients in their pursuit of growth and sustainability.

Given the success and scope of the project, this briefing note summarizes lessons learned to benefit others in the agricultural processing and SME financing sectors. This briefing note draws upon: (i) a comprehensive quantitative analysis of the data collected from companies over the duration of the AINFP program, and (ii) qualitative interviews conducted with the Monitoring, Evaluation, and Learning (MEL) and the A2F lead of the AINFP program.

This brief uses client categories developed by the AINFP program, which categorized businesses by type of organization (publicly versus privately held). Private companies were further categorized by size as defined by annual revenue, number of employees, and daily volume produced. Specific definitions can be found in Table 1. These client categories generally aligned with the access to finance needs of SMEs and support provided. However, it is recommended that future SME programs further disaggregate the accelerator category of clients, as outlined in greater detail in section 4.3.

Table 1 **Client categories used by the AINFP**

Category	Definition
Foundational	Annual revenue <$100K; Staff <5; Volume produced <2MT/day
Transitional	Annual revenue $100-500K; Staff 5-15; Volume produced 2-10MT/day
Accelerator	Annual revenue >500K; Staff >15; Volume produced >10MT/day
Government Agency	Government/State-owned institutions

For simplicity, this brief refers to AINFP clients as companies because only two government agencies were served by the program (fewer than 1% of participants).

3.0 *Overview of A2F Component of AINFP*

Nature of the A2F support

The A2F component of the AINFP program was aimed at strengthening companies' financial systems and facilitating investment into the food processing sector. The A2F lead assisted AINFP companies in securing financing in line with their business requirements while simultaneously working with finance providers interested in supporting food processing SMEs.

While over 100 companies initially expressed a need for finance upon onboarding to AINFP, only 60 companies had clear finance needs and the capacity to take on finance. The program assessed each company's ability to take on interest-based finance (i.e., loans) by looking at factors such as the business's revenue-generating capacity, credit history, business scalability, and the presence of basic management, operational, and record systems. The program assessed each company's ability to take on non-interest-based finance (i.e., grants) based on the client's alignment to the grant provider's thematic area and the company's ability to manage grants funds. Revenue generation was not a key factor for evaluating potential grant recipients.

Companies that entered the A2F part of the program typically possessed a good credit history, tangible collateral, profitable cash flow operations, considerable scale, sound financial and operational systems, necessary operating licenses, and operated in markets with clarity in supply and demand. While most of these companies had some prior experience obtaining financing from microfinance institutions, savings and credit cooperative organizations, or commercial banks, they still faced challenges in accessing finance. The most common issues were difficulty articulating and prioritizing their specific financing needs, lack of awareness of and connection to the optimal providers to meet their financing needs, and misalignment between available financing and the company's needs for favorable terms within tight timelines of harvesting seasons.

To address these barriers, AINFP delivered support to companies through linkages to finance providers, preparing and positioning companies to successfully secure financing, and identifying new and unfamiliar sources of financing.

Linkage to finance providers: Frequently, companies lacked awareness of and connections to potential finance providers, leading to missed opportunities in selecting the ideal financial providers for their business needs. The A2F lead utilized their extensive network of international, regional, and local finance providers to connect companies with financial providers and facilitate targeted discussions between these parties. The A2F lead also expanded companies' options by pushing beyond traditional banks, including connecting companies with impact investors as alternative funders.

Preparation and positioning of companies to successfully secure finance: Companies also often faced difficulties meeting finance providers' requirements. With her lending background and relationship with financial institutions, the A2F lead reviewed participants' loan applications to help companies meet prerequisites and prepare for pitches and presentations. These pre-screened financing proposals applications reduced the time needed for companies to secure financing, crucial for food processing SMEs whose finance needs are highly reliant on harvest timelines. Ultimately, 43 companies benefited from shorter timelines of accessing finance.

Identification of new and unfamiliar sources of capital: The A2F lead also identified unique, temporal, and new sources and types of financing. She capitalized on opportunities such as new grant initiatives linked to COVID relief efforts, public financing windows with favorable terms in Malawi and Tanzania, and a newly established warehouse receipt financing scheme in Ethiopia. These new sources of capital did not only increase overall financing options, but some also offered more favorable terms. Ten companies in Tanzania unlocked interest rates of 9–10%, well below the market rates of 18–20%.

This pre-screening role of the A2F lead also assisted finance providers in more efficiently deploying financing into food processing SMEs by developing a pipeline of prospective clients with sound management training. In some countries, lending institutions were involved directly in the A2F training sessions allowing them to better understand companies' needs and build direct relationships with participating SMEs. Beyond addressing the financing needs of AINFP companies, this approach fostered a more resilient and dynamic financial ecosystem for SMEs in the food processing sector that may outlive the project's lifespan.

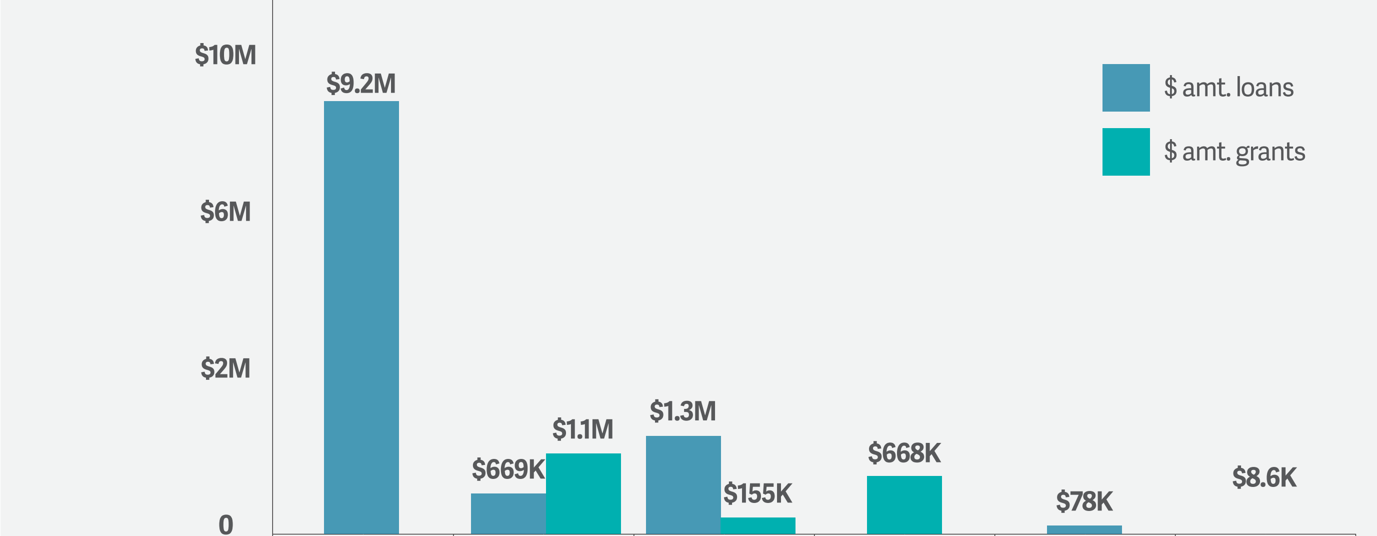
As a result of these efforts, a total of 45 companies accessed ~$11 million in loans and ~$2 million in grants with average transaction sizes of $260k in loans and $78k in grants.

Results of A2F component

Commercial banks provided the majority of financing throughout the program ~68%). Companies preferred working with these commercial banks due to quicker loan processing, more competitive interest rates, and familiarity with the banks. In some countries, most notably Ethiopia, companies preferred banks as they were the only ones offering loans in the local currency. The second largest financier of AINFP companies was impact investors (~14%). Because these investors typically work in hard currencies, while the AINFP clients work in local markets and often local currency, many of these companies lay outside the target client base of impact investors.

Working capital loans were the most demanded instrument for businesses, which were seeking shorter term capital to fulfill operational needs such as purchasing raw materials. Equity financing was unfamiliar and unappealing to companies as owners were wary of relinquishing ownership and control of their business.

Figure 1 **Amount of financing accessed by type of finance provider**



	Bank		Impact Investor		DFI		Foundation/ NGO		Government Agency		MFI	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
Deal Count	33	0	5	2	1	2	0	20	3	0	1	0
Avg. transaction size	$281K	NA	$134K	$567K	$1.3M	$78K	NA	$34K	$26K	NA	$9K	NA

Record checking at Fisenge Dairy Coorperative, AINFP Client in Zambia (1), photo credits: AINFP

Table 2 **SMEs characteristics and their impact on access to finance**

SME Characteristics	Impact on access to finance
Value Chains	• SMEs in developed value chains were more easily able to access finance due to formalized and organized processes and financial institutions' familiarity lending to them. • SMEs in less developed value chains needed greater support with accessing finance i.e. industry research, design risk sharing solutions, training finance providers, capacity building with lenders to familiarize them with these value chains.
SME Market Structure	• Markets with high concentrations of foundational SMEs (i.e. smaller SMEs) required more basic business support such as training in financial knowledge and literacy. • Markets with high concentrations of transitional and accelerator SMEs (i.e. larger SMEs) focused more on direct support for securing formal financing.
Financial Sector Development	• Developed financial markets feature attributes like availability of capital allocated for agriculture and efficient lending processes such as simple and streamlined borrowing requirements and short loan approval times. In these financial markets, SME financing was more readily available and accessible. • Less developed financial markets feature attributes such as limited foreign exchange, strict lending requirements (i.e. high levels of collateral), and limited availability of capital in the financial system. In these financial markets, SME financing was more challenging to obtain.
Size of SME (Refer to Table 1 for definitions)	• Foundational SMEs: Smaller and micro-SMEs that were typically pre-revenue and lack profitability, collateral, and business management systems. They typically required basic access to finance training such as improving record keeping, financial literacy, operational management, and improving their positioning to finance providers by drafting applications for them. Consequently, they were often ineligible for loans, necessitating grants, concessional, and patient capital. • Transitional SMEs: Medium sized SMEs that were generating revenue and had some basic operating systems in place. They typically required support to strengthen their position for obtaining commercial finance such as prioritizing their business needs, articulating financing gaps, support drafting financing proposals, and building proper systems to handle external financing. Financing accessed were usually loans and grants. • Accelerator SMEs: Larger SMEs that were revenue and profit generating, had proper business systems in place, and had the ability to identify their financing needs and prepare financing proposals. They typically required support identifying optimal financing options in their markets and negotiating financing terms. Financing accessed usually included loans and grants for ad hoc projects or to support critical business stages.

Peanut sorting at the Delish Nutri Factory, AINFP Client in Kenya, photo credits: AINFP

4.0 Findings and learnings

4.1 The A2F component needs to be mainstreamed across overall program objectives and supported by a dedicated A2F lead with local expertise to realize synergies with TA.

AINFP brought in a finance professional with deep experience in the sector to support the A2F components of this program. This expert's background working for both commercial banks and social lenders in East Africa made her well-versed in the challenges that companies in the program were facing and ensured she had a deep network of contacts at local financial institutions. Thanks to her expertise, she guided the selection of the right financial instruments and risk sharing options to allow the businesses to access credit. In addition to improving the effectiveness of the AINFP's ability to offer technical assistance to its clients, the finance professional increased the legitimacy of the program in the eyes of finance providers. This meant greater finance options for the businesses in the program. Future programs with similar objectives should bring on such a local finance professional early on to ensure the success of the initiative.

As critical as this A2F lead was, the program was successful when the A2F component was effectively integrated across the broader AINFP strategy. Program teams directly engaging with companies needed to both grasp the relevance of the A2F interventions and possess basic A2F knowledge to identify opportunities to support clients access to finance. Therefore, going forward for future SME development programs, A2F support should not be viewed as an add on to the program but as core to the support provided. Program leadership can encourage this alignment by including it in the program strategy and mainstreaming it into teams' responsibilities. Training technical teams on basic A2F knowledge and making them accountable for A2F KPIs can reinforce this alignment. The greatest successes of AINFP came when the operational TA support and A2F support worked cohesively together.

Operational TA support from the TNS and PFS teams was delivered concurrently with A2F support. When operational TA was integrated with the A2F component in certain cases, significant direct and indirect opportunities to access finance were unlocked. In the most direct form, TA that supported companies with equipment validation and warehouse certification played a crucial role in securing financing for some companies. Technical experts working with a company could validate the suitability of that company's equipment to a local bank, therefore facilitating approval of financing. Twenty companies were able to secure financing for equipment purchase in this way after verification by the AINFP technical team. In Ethiopia, the technical team expedited certification of clients' warehouses, a crucial step for businesses looking to access collateral-based financing. Four companies were able to apply for such financing thanks to the technical team's support.

In a more indirect way, certain technical interventions focusing on business operations contributed to generating positive financial outcomes for companies. TA interventions like marketing and cost management training improved short-term profitability, which ultimately could contribute to companies' long-term bankability. The impact on the financial state of the companies had limited impact on significantly enhancing access to finance in the short term. However, some interventions, such as support for new product development driving long term sales, could improve companies' ability to access financing in the long term. These results would not be evident until well after the program concludes.

4.2 Partnerships with local financial institutions are key to building a pipeline of clients to meet program objectives and ensure the program's long-term impact by developing the local financial sector.

The program selected companies that were well-positioned to meet AINFP objectives and execute the recommendations of the program by passing them through an initial four-point screening:

Is the applicant a registered company?

Does the company have at least three years of operation?

Are staff available at the company to implement the proposed technical changes?

Is the company producing a nutritious product?

Applicants would then pass through a more rigorous screening process to ensure that the company had attributes that would make it most likely to achieve the objectives of the AINFP. Early on, the AINFP team realized that the level of involvement and commitment of owners or the executive team was one of the most important determinants of an applicant's suitability. By requiring these individuals' participation in the onboarding interviews, AINFP was able to exclude non-ideal candidates more easily, which reduced the resources needed for screening while ensuring selection of the companies with the highest likelihood of success. As a result of this selection process, shortlisted companies had relatively strong technical teams, active founder participation, and a history of operations.

While applicants for the program were initially sourced through a referral-based system and from on-the-ground visits by the AINFP team, public health restrictions during the COVID-19 pandemic forced the process to shift to an online application platform. This change was actually found to be more efficient, allowing the team to collect more detailed information on an applicant's operations and challenges at an early stage. This helped the team assess which processors were the best fit, minimize the need for information follow up, and tailor content for subsequent discussions.

Spotlight on pipeline development and partnership with local financial institutions

While a solid screening process was important in entering businesses into the program, AINFP needed a pipeline of potential candidates to undergo the screening. Initially, AINFP did not develop a targeted strategy for pipeline development, relying on the team's networks through a word-of-mouth approach. Over the course of the project, partnerships with financial institutions became instrumental channels for pipeline building. In Kenya, a mutually beneficial partnership with ABSA bank in Kenya manifested in AINFP providing TA to strengthen business capacity of ABSA clients while simultaneously building the pipeline for AINFP. In addition to the formal partnership with ABSA, the program established a formal partnership with TADB bank in Tanzania alongside informal partnerships with Equity Bank, Root Capital, NMB, CRDB, Azania, and Amana Bank.

Financial institutions prioritized the AINFP program and its TA when they recognized the value in mitigating risks for their businesses. AINFP collaborated with FIs that were enthusiastic about participating in the program and appreciated the value of AINFP's TA offered to companies, particularly those who valued the opportunity, demonstrated a willingness to collaborate, and expressed interest in expanding their agriculture portfolio. This cooperation facilitated advantageous partnerships for both such as data sharing and pipeline building.

More partnerships like these in future SME development programs can build program pipelines while also informing local banks' credit assessments. These partnerships can be particularly beneficial in countries and industries that are not necessarily ready to provide loans to the types of businesses in the AINFP program. Future programs looking to build their pipelines could also leverage industry associations in target value chains or work with organizations promoting women-owned businesses to increase the volume and quality of companies for consideration.

4.3 *Program design, selection, and onboarding need to be aligned but flexible to the needs of different SMEs and their contexts.*

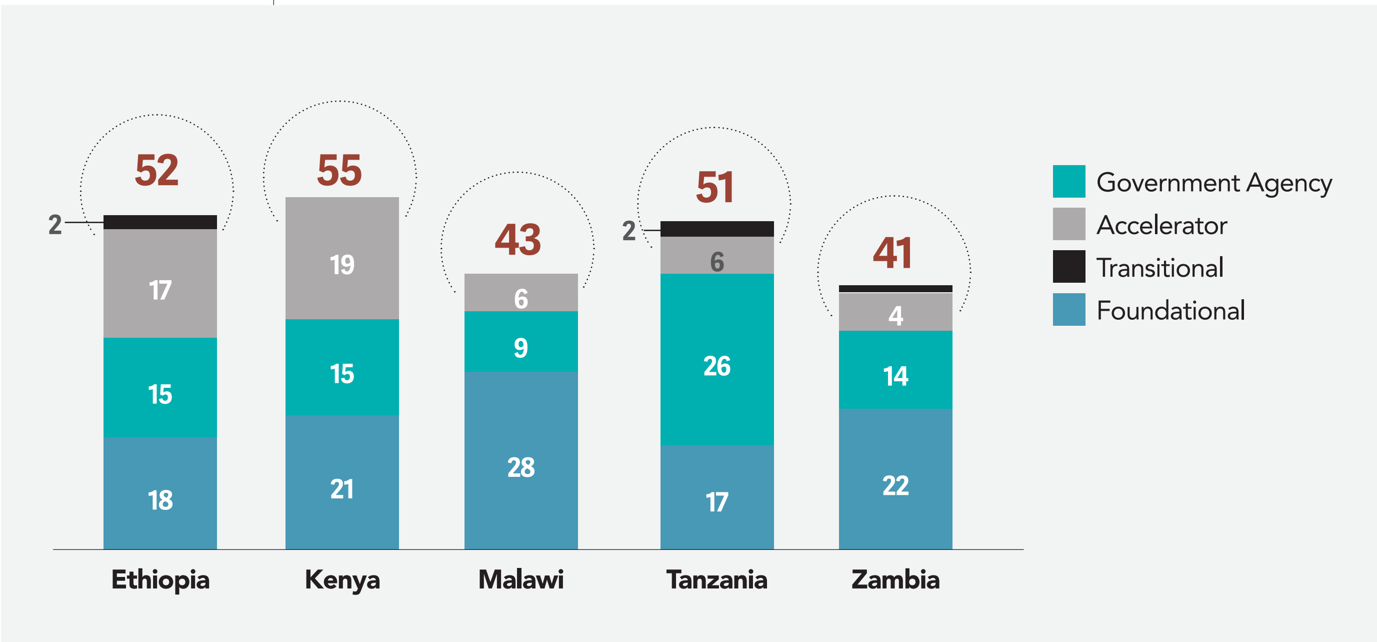
The A2F component responded to the needs of the diverse portfolio compiled by the AINFP, which cut across a wide range of dimensions including value chains, geographies and market structures, financial markets, and size. Considering these dimensions from the start could have helped the A2F more effectively serve all its clients earlier in the program.

Value chains: Developed and undeveloped value chains need varying degrees of access to finance support. AINFP aimed to support "nutritious" value chains, which encompassed both developed (i.e., dairy) and undeveloped (i.e., groundnuts) value chains. Developed value chains were easier to finance since processes are more formalized and financial institutions are more familiar with lending to those businesses and thus perceive these loans to be lower risk. Less-developed value chains, conversely, needed more support including direct interventions with financial institutions to provide industry research, design risk sharing solutions, and training finance providers. If the program had targeted a smaller set of value chains, more targeted A2F support could have been delivered to clients in those undeveloped value chains. In these situations, direct partnership with local financial institutions can be mutually beneficial: increasing the availability of right-sized capital for food processing companies while providing financial institutions with new markets for their products. Future programs could partner with these financial institutions through in-depth industry research, collaborating to design new risk sharing solutions, and helping implement proven risk mitigation strategies.

Geographies, market structure, and financial sector: The differing distribution of SMEs by size and maturity across countries influences the level of support required. Markets with a higher concentration of foundational companies, such as Malawi where 80% of SMEs are micro sized, have different needs than those with mostly larger SMEs, such as Kenya. Similarly, the development of the financial sector in each country influences the availability of capital and thus impacts the type of A2F interventions needed. In Ethiopia, A2F support addressed the country's high collateral requirements and liquidity constraints through identifying different financing credit structures and credit guarantee facilities. Even with support, the foreign exchange limitations significantly deterred processors from growing their businesses within the country. Therefore, future SME development programs can work with businesses in the country to diversify to regional export markets to generate income in foreign currencies.

In Kenya, where loan processing was more efficient and centralized, support focused on writing bankable business proposals and creating awareness for non-bank funding options. In countries with a heavy focus on the agricultural sector, greater financing may be available, such as the agribusiness financing window in Tanzania, which made capital more accessible for AINFP companies or the FInES (Financial Inclusion & Entrepreneurship Scaling) Project in Malawi, which provided special credit lines and de-risked financing for micro SMEs. A tailored approach that considers each different country's market structures and financial sector will be critical to the success of similar programs in the future.

Figure 2 Summary of AINFP portfolio



Tailoring A2F support for SMEs based on size and maturity

The initial focus of the AINFP program centered on accelerator and transitional companies to leverage the technical assistance provided by PFS. As the program expanded its scope and increased the weight of smaller foundational companies in Malawi, Tanzania, Ethiopia, and Zambia. It quickly became apparent that each type of company (accelerator, transitional, and foundational) confronted distinct financing challenges.

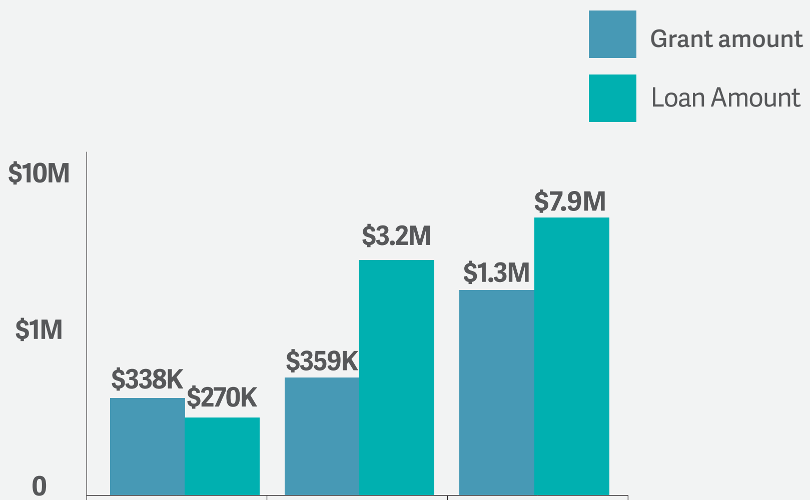
In aggregate, portfolio companies had a median operating tenure of ~10 years, a median baseline revenue of $150k, and employed a median of 24 individuals. Of the total 241 (51% women-owned/led) clients selected for the AINFP program, 21% were accelerator, 33% were transitional, and 44% were foundational clients. Accelerator companies were categorized as those with revenues above $500k; however, even within this typology, a diverse range of companies existed with varying levels of maturity and differing access to finance challenges. Companies with over $1 million of revenues typically had the ability to identify their financing needs and prepare quality proposals themselves but may have needed help identifying financing options in their respective markets (i.e., non-bank lenders) or negotiating financing terms. Companies below that revenue threshold shared many characteristics with transitional companies, which needed more involved A2F support than accelerator companies did. Therefore, future programs can further disaggregate this broad accelerator category of SMEs into companies with $500k-$1 million of revenues and revenues beyond $1 million given these varying A2F needs.

While a transitional company could draft an initial proposal, it might have needed more accompaniment throughout the loan application process. Support for transitional companies in this program focused on prioritizing business needs, articulating financing gaps, and building proper systems to handle external financing. The complexity of accelerator and transitional companies meant that it took a longer time to develop relationships, implement program recommendations, and thus see results compared to earlier stage businesses.

While foundational companies were quicker to change, supporting them required the most resources and interactions out of the three types. Many foundational AINFP companies were pre-revenue without a clear pathway to profitability. Training focused on building core capacities of record keeping, financial literacy, and operational and financial management. These businesses also needed support positioning themselves to finance providers (usually in search of grant capital) and drafting applications. For this segment, the A2F lead often needed to provide detailed support writing proposals and applications. While the amount of support was greatest for this group, the TA needs were less complex and recommendations could be implemented on a shorter timeline, thus showing results in the shorter term. Working with a greater share of foundational companies increased adherence of companies to program recommendations across AINFP from 57% in Q32022 to 68% in Q32023.

The varying access to finance needs for different types of SMEs was also evident in the type of financing sought out. Accelerator and transitional companies primarily targeted commercial finance (i.e., loans from banks or impact investors) while foundational companies were not yet lendable given their limited collateral, lack of necessary business management systems, and that many were operating at a loss. These foundational companies either needed grants or highly patient and concessionary capital, meaning this cohort secured a greater amount of grant funding ($338k in total, $34k average transaction size) compared to loan financing ($270k in total, $27k average transaction size). While accelerator and transitional companies also looked for grant financing, it was most often used by these larger businesses for discrete periods such as financing social impact projects or weathering challenging times such as those brought about by the COVID-19 pandemic.

Figure 2 **Financing accessed by company size**



	Foundational		Transitional		Accelerator	
	Grant	Loan	Grant	Loan	Grant	Loan
Deal Count	10	9	8	22	7	11
Avg. transaction size	$38K	$27K	$45K	$146K	$183K	$714K

Note: *Some companies received both grants and loans thus the total deal count is higher than the number of companies that received financing*

Foundational businesses with proven grant management systems found it relatively easy to acquire more grants because grant makers preferred working with companies experienced with grants management. However, grants are unsustainable for long-term growth, as evidenced by transitional and accelerator businesses only using grants for ad hoc projects or emergency purposes. A challenge observed by the A2F program was that over reliance of foundational businesses on these grants might decrease their chances of accessing debt financing in the future, although they are likely to have continued success with grants. This "grant cycle" is a trap for earlier-stage businesses and future interventions should be more strategically designed to progress foundational companies from grants to commercial financing. There were, however, examples of cases where companies were provided with grants during critical stages in their business to propel their growth to secure commercial financing. Below is the case of Legacy Manufacturers, which was able to leverage grant funding during the Covid-19 pandemic to expand the business and eventually progress into obtaining bank financing.

Case Study: Legacy Manufacturers

Legacy Manufacturers is a soy- and maize-based food processing business in Zambia that was in the process of launching its business amid the global pandemic. The founder of the business recognized a gap in the Zambia market and devised a plan to buy soy and maize from smallholder farmers to produce nutritious soy chunks, cornflakes, soybean oil, and corn snacks for distribution across the country.

However, launching during the COVID pandemic, Legacy Manufacturers faced significant hurdles including difficulties importing materials, trouble sourcing high quality crops, and issues with paying employees. Financially, the company struggled to secure working capital for raw materials during the harvest season, especially with the volatile market for soy and corn. Its initial finance provider was unable to offer support due to its own difficulties brought about by the COVID pandemic. Legacy Manufacturers had trouble obtaining bank financing due to high market rates, no proven revenue record, and a lack of collateral and cashflow. What's more, the company had limited awareness of alternative financing options, such as grants and impact investors, leaving it with few options to finance its growth.

To overcome these challenges, the A2F specialist played a crucial role helping Legacy Manufacturers obtain a $50k COVID-resiliency Coalition for Farmer-Allied Intermediaries (CFAI) grant. Securing this initial grant was pivotal for the business to not just stay afloat during the pandemic, but to grow, allowing Legacy Manufacturers to buy raw materials from intermediaries, pay its staff, and expand its business. Combined with the TA provided by the AINFP program of good manufacturing practices, marketing training for Bottom of the Pyramid, and employee capacity building, this grant unlocked the development of new products such as fortified cornflakes and soya-based porridge blends. Subsequently, a grant from the US-Africa Development Foundation further catalyzed the business' sourcing capabilities and allowed for direct buying from smallholder farmers. As the company expanded, it successfully transitioned to commercial financing, securing loans from First National Bank and Prospero to further boost its growth.

The support Legacy Manufacturers received from the AINFP program enabled significant operational advancements for the business in sourcing from smallholder farmers, increasing processing capacity, hiring, and paying employees, and growing overall sales. Since first working with AINFP in 2020, Legacy Manufacturers has sourced soy and maize from over 2,600 smallholder farmers and increased its processing capacity. It expanded its workforce, hiring 89 permanent employees. Eventually, all this unlocked double-digit growth.

4.4 *Gender considerations should account for the unique needs of women leaders and the businesses they run.*

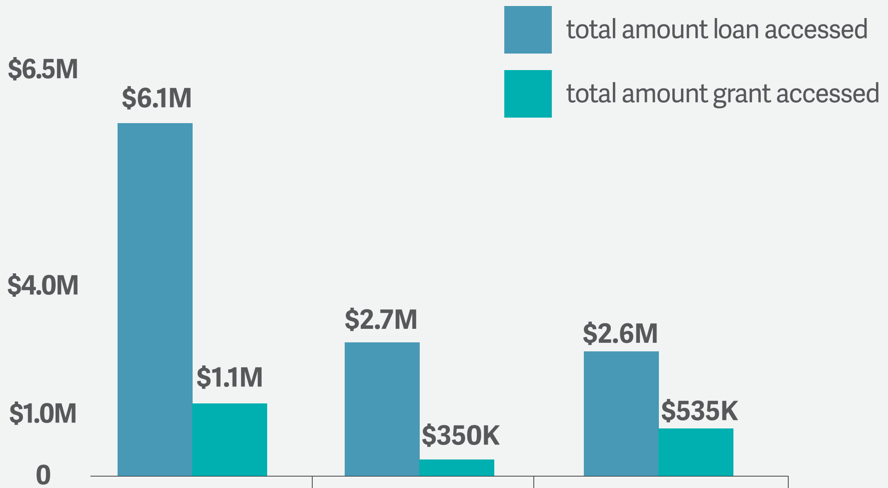
The AINFP program was designed with a key focus on supporting women-owned and women-led companies. However, the initial portfolio predominantly comprised Male-owned businesses. This dynamic was due to a lack of a gender lens strategy to achieve the gender inclusion objectives. In 2022, with the support of USAID, the AINFP implemented a targeted gender lens approach under the direction of a dedicated gender lead. This approach included explicit recruitment of women-owned and women-led businesses, performance of gender assessments, and organization of B2B forums and peer-to-peer learning events for women leaders.

While TA needs were assessed to be largely similar regardless of the gender of the company's owner or manager, differences in executive approaches were noted between male and female managers. Women tended to be more risk-averse, less likely to delegate, and were delicately balancing professional and personal responsibilities (e.g., caring for young children). This manifested in women applying for lower levels of financing than they were qualified for, entering new markets more slowly than their male peers, and struggling to identify the necessary resources to address their business issues. Consequently, women-led businesses operated with smaller management teams and experienced more restrained growth compared to their male-led counterparts. In one case study, three companies in the same industry, country, and that were founded around the same time showcased divergent outcomes after approximately a decade of operations. The two male-led companies had similarly high turnover levels, twice that of the women-led company. Notably, the Male-owned firms had established robust governance structures and professional management teams while the Female-owned firms centralized decision-making with the owner and established its governance structure much later in its lifespan.

Financial access further highlighted these disparities. While women-led businesses comprised the majority of finance recipients in AINFP (24 out of 45) these businesses accessed substantially less funding than their male-led counterparts ($2.6M in loans and $535k in grants for women-led businesses compared to $6.1M in loans and $1.1M in grants). Much of this can be attributed to women-led businesses being smaller in size with women-led foundational and transitional companies comprising half of all the companies accessing finance. Only 4% of A2F clients were women-led accelerator businesses compared to 14% of total A2F businesses being male-led accelerator businesses.

Product sorting at Beecare Apiaries, AINFP Client in Kenya, photo credits: AINFP

Figure 4 **Total and average amount of finance accessed, by gender ownership**



	Male Owned		Jointly Owned		Female Owned	
	Loan	Grant	Loan	Grant	Loan	Grant
Deal Count	12	5	6	4	25	15
Avg. transaction size	$508K	$219K	$448K	$88K	$103K	$36K

Given these nuances, future SME development programs could integrate more targeted business management technical assistance for women-owned and women-led businesses. Some recommendations include:

- Training focused on the needs of women leaders including building confidence and self-belief;
- Implementation of women's forums and workshops to allow for the exchange of challenges, learnings, and successes with other women leaders;
- Provision of diverse mentorship opportunities including regional and cross-continent exchange programs for women; and
- Introduction of financial products designed with a gender lens accompanied by tailored technical assistance

Case study: Wimssy Dairy

Wimssy Dairy illustrates the impact of A2F support over the course of a company's involvement with the AINFP program. Wimssy Dairy confronted substantial obstacles in securing financing, yet the dedicated A2F support played a pivotal role in overcoming these challenges, ultimately contributing to the significant growth of its business.

When Wimssy Dairy, a women-owned and managed dairy processing company in Kenya, joined the AINFP program, the business needed financing to purchase solar energy equipment and vehicles. When the AINFP team conducted a business assessment, they identified concerns around profitability and governance that would make it challenging to sustainably secure financing. When the COVID pandemic hit, demand decreased for yogurt, Wimssy's main product, putting the business into an even more difficult situation.

Given these initial challenges and tough operating environment, the A2F team worked with Wimssy to identify and secure grant financing, of which the business was previously unaware. These grants allowed the business to lift itself through challenging times continuing its operations, incorporating recommendations to improve the business, and even expanding the sale of yogurt to the low-income population living in the cities.

Learning about the risk of such a strong concentration in yogurt, Wimssy saw an opportunity during the pandemic to diversify into long shelf-life milk. With support from the TA team to get the necessary licenses, the milk was quickly on shelves at local stores. When challenges arose with the co-packing arrangement, Wimssy needed to set up a new business line for the long-life milk, which required commercial financing for the equipment. A2F support connected Wimssy with new finance providers, including impact investors who not only provide funding but also TA to support business activities and farmer outreach. Despite struggling to access bank finance due to collateral requirements, A2F support meant the business could prepare investment proposals, deliver pitches, and conduct follow ups with finance providers. Wimssy eventually was able to secure financing in the form of 3 grants and 3 loans from 6 institutions including impact funds and banks, to expand its milk business line. AINFP also helped the company identify external opportunities to improve the business' operations. The A2F lead identified local commercial banks providing TA support for farmer training, aimed at increasing SMEs' productivity. This training improved the business' ability to source milk, supporting Wimssy's increased dairy needs for its new product line.

After 4 years of program support, Wimssy's processing capacity doubled, milk collection doubled, the workforce grew from 52 to 67, profitability was more robust, and sales grew by over twenty percent. The business also improved its governance by establishing a management team and a board of directors, empowering the company to sustain its growth in the future.

4.5 ***Continuing to maintain regular check-ins with companies' throughout the program and post-program is crucial, ensuring ongoing support is available if needed.***

Although accessing financing is one critical component for company growth, maintaining positive relationships with finance providers and effectively managing investment are equally important. As part of the AINFP program design, companies that achieved predetermined milestones were considered "graduated" and their program support was discontinued even as the AINFP program continued. This meant that many A2F clients graduated from the program after receiving their first disbursement. However, obtaining financing is just the beginning of the financing cycle, and many challenges can arise with repayments or allocations of proceeds from financing. These challenges don't just jeopardize the businesses' success, but also can impact the relationship between the program and finance providers thus decreasing the likelihood that other clients will be extended similar financing in the future. Therefore, maintaining an ongoing dialogue with companies throughout and after the program concludes, even if companies "graduate," and offering support as needed, is essential for the sustained success of the program. This approach is vital for ensuring sustainable growth by companies and nurturing relationships with finance providers. One company, struggling with loan repayment after obtaining financing with A2F support, was able to resolve their challenges and restructure their loan with the support of the A2F lead in leading a dialogue between the company and the bank after it had been graduated from the program.

Conclusion

Overall, this evidence-based assessment shows that the A2F component of the AINFP program was successful at increasing access to finance for food processing SMEs in target countries. The program resulted in a number of lessons learned and areas of improvement for future projects to keep in mind. Key takeaways from this include:

1. The A2F component needs to be mainstreamed across overall program objectives and supported by a dedicated A2F lead with local expertise.

2. Partnerships with local financial institutions are key to building a pipeline of clients to meet program objectives and ensure the program's long-term impact by developing the local financial sector.

3. Program design, selection, and onboarding need to be aligned but flexible to the needs of different SMEs and their contexts.

4. Gender considerations should account for the unique needs of women leaders and the businesses they run.

5. It is important to continue checking in with companies after they transition out of the program, providing additional support if needed.

Processing machine checking at Dina Foods Group, AINFP Client in Ethiopia, photo credits: AINFP

Appendix 1

Table of existing data collected and additional data to be collected in the future

Type of data	Datapoints already collected	Additional datapoints to be collected in the future
Value chain	Value chain(s)/commodity type the company operates in	Existing datapoints suffice
Country	Country of operations of company	Existing datapoints suffice
Ownership gender	Gender of the company owner (male, female, or joint-owned)	Existing datapoints suffice
Age of proprietors	Age range of company owner(s)	Existing datapoints suffice
AINFP segmentation	Foundational, Transitional, or Accelerator client based on business size and financial information, detailed below	Will depend on future programs, suggestion to consider standardizing future SME categorizations with other donor programs
Financial information	Baseline revenue, whether the company received financing before	Credit history, profitability, historical revenue growth (for medium to large SMEs), whether financing was received before
Business maturity	Year of business establishment	Existing datapoints suffice
Business size	Baseline number of employees, Baseline production (i.e. metric tons/day, liters/day)	Existing datapoints suffice
Farmers supported	Baseline number of smallholder farmers the business works with	Existing datapoints suffice
Governance	Not captured at initial stages	Whether or not board of directors or board of advisors (for medium to large SMEs)
Market share	Not captured at initial stages	Market share, market strategy

Appendix 2

Minimum criteria for accessing finance by finance provider

Criteria	Grant providers	Impact investors	Conventional lenders	Private equity investors
Ownership	Locally owned	Either local or foreign owned	Either local or foreign owned	Either local or foreign owned
Profitability	Not necessary to be positive	Should be positive	Should be positive	Not necessary to be positive, but growth trajectory
Farmer engagement	Yes	Yes	Not necessary	Not necessary
Credit History	Current borrowings to be up-to-date	Positive	Current and past should be positive	Should be positive
Financial, management and operational systems	Some form of financial system	Some form of financial, management systems	Yes	Yes
Collateral requirements	Not necessary	Yes	Yes	Not necessary
Business plans	Not initial pre-requisite	Yes	Not initial pre-requisite	Yes
Registration	Formal	Formal	Formal	Formal
Examples (includes finance providers that were identified in the AINFP program that both provided and did not provide finance to companies)	Prospero, MEDA, CFAI, USADF, Oxfam EDP/ Programme	Heifer Impact, Rabo Rural Fund, Agri-Fi Challenge Fund (Kenya & Zambia) SEFAA, Kenya Industrial Entrepreneurship Programme (KIEP +250), Yunus Social Business, Adapta Earth, Common Fund for Commodities, Incofin N3F Fund, AHL Ventures, Jenga Capital, SUNU Capital, SME Impact Fund, Grassroot Business Fund	Warehouse Receipt Financing – Ethiopia, Tanzania Agribusiness Window, FiNes Program – Malawi Kenya Industrial Entrepreneurship Programme (KIEP +250), Kenya Commercial Bank- Female-Led and Made Enterprises-FLME (KCB-FLME)	Hivos Impact Fund, Truvalu, AHL Venture Partners, Creadive Capital, Renew Strategies
Types of SMEs accessing this source of finance	Smaller, micro-SMEs that are not yet profitable to support transition into sustainable growth. Medium and large SMEs during critical business stages (i.e. emergency funding	Profitable medium to large SMEs	Profitable medium to large SMEs	SMEs of all sizes with high growth potential

Appendix 3

Table of financing approved and accessed

Loans approved and accessed

A2F Client	Country	Ownership gender	Segmentation	Lender	Type of finance provider	Type of financing	Value of financing approved($)	Value of financing accessed ($)
Company 1	Tanzania	Female	Transitional	CRDB Bank	Bank	Loan	$86,139	$86,139
Company 2	Tanzania	Female	Transitional	CRDB Bank	Bank	Loan	$113,402	$112,229
Company 3	Kenya	Male	Accelerator	ABSA Bank	Bank	Loan	$192,308	$192,308
Company 4	Kenya	Female	Accelerator	Kenya Industrial Estates	Government Agency	Loan	$129,032	n.a.
Company 5	Kenya	Male	Accelerator	Coop, IM bank	Bank	Loan	$565,471	$565,471
Company 6	Ethiopia	Male	Accelerator	Commercial Bank of Ethiopia	Bank	Loan	$6,943,396	$3,471,698
Company 7	Zambia	Female	Foundational	Heifer Impact	Impact Investor	Loan	$62,184	$54,704
Company 8	Kenya	Male	Foundational	Venture Capital	Impact Investor	Loan	$5,719	$5,719
Company 9	Tanzania	Joint	Transitional	Root Capital	Impact Investor	Loan	$321,000	$321,000
Company 10	Malawi	Female	Foundational	National Bank-Development	Bank	Loan	$60,000	$60,000
Company 11	Malawi	Female	Foundational	MAIIC	Government Agency	Loan	$15,000	$15,000
Company 12	Zambia	Female	Foundational	EFC-Entrepreneurs Financial Centre Zambia	MFI	Loan	$8,632	$8,632
Company 13	Zambia	Female	Transitional	North Credit	Bank	Loan	$4,686	$4,686
Company 14	Kenya	Joint	Transitional	IM Bank	Bank	Loan	$33,926	$33,926
Company 15	Malawi	Female	Transitional	National Bank-Development	Bank	Loan	$88,632	$88,632
Company 16	Malawi	Female	Transitional	MAIIC	Government Agency	Loan	$59,386	$59,386
Company 17	Zambia	Male	Transitional	FnB Bank	Bank	Loan	$230,196	$230,196
Company 18	Zambia	Male	Transitional	Prospero	Bank	Loan	$20,453	$20,453
Company 19	Ethiopia	Male	Accelerator	Commercial Bank of Ethiopia	Bank	Loan	$919,276	n.a.
Company 20	Tanzania	Male	Foundational	NMB	Bank	Loan	$12,005	$12,005
Company 21	Tanzania	Male	Accelerator	CRDB Bank	Bank	Loan	$31,632	$31,632
Company 22	Tanzania	Female	Transitional	TADB Bank	Bank	Loan	$175,409	$173,262
Company 23	Tanzania	Male	Transitional	Azania Bank	Bank	Loan	$126,529	$126,528
Company 24	Tanzania	Female	Transitional	Azania Bank	Bank	Loan	$151,000	$151,000
Company 25	Tanzania	Female	Transitional	Azania Bank	Bank	Loan	$151,000	$151,000
Company 26	Malawi	Joint	Foundational	Heifer Impact	Impact Investor	Loan	$100,000	n.a.

Appendix 3

Table of financing approved and accessed

Loans approved and accessed

A2F Client	Country	Ownership gender	Segmentation	Lender	Type of finance provider	Type of financing	Value of financing approved($)	Value of financing accessed ($)
Company 27	Kenya	Joint	Accelerator	Co-operative Bank	Bank	Loan	$2,425,960	$1,787,766
Company 28	Kenya	Joint	Accelerator	Agrifi Challenge Fund	Impact Investor	Loan	$550,000	$200,000
Company 29	Tanzania	Female	Transitional	TADB Bank	Bank	Loan	$47,647	$47,647
Company 30	Tanzania	Female	Transitional	TADB Bank	Bank	Loan	$134,935	$92,413
Company 31	Ethiopia	Female	Transitional	Enat Bank Loan	Bank	Loan	$73,812	$73,810
Company 32	Ethiopia	Female	Transitional	Enat Bank	Bank	Loan	$34,907	$34,867
Company 33	Ethiopia	Female	Transitional	Enat Bank	Bank	Loan	$85,833	$85,462
Company 34	Tanzania	Female	Foundational	CRDB & NMB	Bank	Loan	$63,264	$63,264
Company 35	Zambia	Male	Accelerator	Norfund	DFI	Loan	$1,328,000	$1,328,000
Company 36	Kenya	Male	Accelerator	ABSA Bank	Bank	Loan	$180,168	n.a.
Company 37	Tanzania	Joint	Accelerator	CRDB Bank	Bank	Loan	$86,093	$86,093
Company 38	Tanzania	Male	Foundational	NMB	Bank	Loan	$21,088	$21,088
Company 39	Tanzania	Female	Foundational	NMB	Bank	Loan	$25,728	$25,728
Company 40	Tanzania	Joint	Transitional	CRDB Bank	Bank	Loan	$261,937	$262,205
Company 41	Tanzania	Female	Foundational	n.a.	Government Agency	Loan	$3,976	$3,976
Company 42	Kenya	Male	Transitional	Heifer Impact	Impact Investor	Loan	$88,819	$87,335
Company 43	Tanzania	Female	Transitional	TADB	Bank	Loan	$1,198,083	$718,609
Company 44	Tanzania	Female	Transitional	NMB	Bank	Loan	$260,870	$260,870
Company 45	Tanzania	Female	Transitional	NMB	Bank	Loan	$87,402	n.a.
Company 46	Kenya	Female	Accelerator	DTB Bank	Bank	Loan	$39,770	$39,770
Company 47	Kenya	Female	Accelerator	Equity Bank	Bank	Loan	$106,054	$106,054
Company 48	Kenya	Female	Accelerator	Equity Bank	Bank	Loan	$49,008	$49,008
Company 49	Kenya	Female	Accelerator	Rabo Rural Fund	Impact Investor	Loan	$500,000	n.a.
Company 50	Kenya	Female	Accelerator	SEFAA	Impact Investor	Loan	$600,000	n.a.

Appendix 3

Table of financing approved and accessed

Grants approved and accessed

A2F Client	Country	Ownership gender	Segmentation	Lender	Type of finance provider	Type of financing	Value of financing approved($)	Value of financing accessed ($)
Company 1	Tanzania	Female	Transitional	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$45,000	$45,000
Company 2	Tanzania	Female	Transitional	GAIN	Foundation/ NGO	Grant	$7,727	$7,727
Company 3	Tanzania	Female	Foundational	MEDA	Foundation/ NGO	Grant	$35,975	$35,975
Company 4	Ethiopia	Male	Foundational	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$30,000	$30,000
Company 5	Kenya	Male	Foundational	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$28,000	$28,000
Company 6	Kenya	Male	Foundational	USADF/Stanbic	Foundation/ NGO	Grant	$50,000	$50,000
Company 7	Kenya	Male	Foundational	USADF	Foundation/ NGO	Grant	$250,000	n.a.
Company 8	Kenya	Female	Foundational	USAID	DFI	Grant	$127,685	$130,077
Company 9	Zambia	Female	Transitional	USADF	Foundation/ NGO	Grant	$100,000	$61,165
Company 10	Zambia	Male	Transitional	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$50,000	$50,000
Company 11	Tanzania	Female	Transitional	MEDA	Foundation/ NGO	Grant	$167,000	$50,000
Company 12	Ethiopia	Joint	Transitional	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$50,000	$50,000
Company 13	Malawi	Male	Foundational	CAT Grant	Foundation/ NGO	Grant	$60,000	n.a.
Company 14	Zambia	Female	Foundational	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$20,000	$20,000
Company 15	Tanzania	Joint	Transitional	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$50,000	$50,000
Company 16	Kenya	Joint	Accelerator	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$50,000	$50,000
Company 17	Kenya	Joint	Accelerator	Agrifi Challenge Fund	Impact Investor	Grant	$550,000	$200,000
Company 18	Tanzania	Female	Foundational	Kilimo Tija	DFI	Grant	$25,000	$25,000

Appendix 3

Table of financing approved and accessed

Grants approved and accessed

A2F Client	Country	Ownership gender	Segmentation	Lender	Type of finance provider	Type of financing	Value of financing approved($)	Value of financing accessed ($)
Company 19	Tanzania	Female	Foundational	AGRA Women to Women Supply Chain Innovation Grant	Foundation/ NGO	Grant	$9,000	$9,000
Company 20	Tanzania	Female	Foundational	MEDA	Foundation/ NGO	Grant	$10,000	$10,000
Company 21	Zambia	Male	Accelerator	Agrifi Zambia	Impact Investor	Grant	$1,328,000	$934,580
Company 22	Ethiopia	Female	Transitional	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$44,700	$44,700
Company 23	Kenya	Female	Accelerator	CFAI Grant - Visa Foundation	Foundation/ NGO	Grant	$50,000	$50,000
Company 24	Kenya	Female	Accelerator	GAIN Grant	Foundation/ NGO	Grant	$80,000	$6,137
Company 25	Kenya	Female	Accelerator	GAIN Grant	Foundation/ NGO	Grant	$12,283	$12,283
Company 26	Kenya	Female	Accelerator	USADF	Foundation/ NGO	Grant	$250,000	$28,314

Flour processing at Wakene, AINFP Client in Ethiopia (1) Photo credits: AINFP

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