AFRICA AGRIBUSINESS DEALROOM REPORT

2023

AGRIBUSINESS DEALROOM

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Table Of Contents

About the Africa Agribusiness Dealroom

Message from Dr. Kalibata, President of AGRA and 2021 UN Special Envoy for Food Systems

Acknowledgement of Our Partners

Message from Amath Sene, MD, AFS Forum

1. Investments and Finance Opportunities at the Dealroom
   - 1.1 Recommendations for SMEs
   - 1.2. Government Engagement Overview
     - 1.2. 1. Government Pitches
     - 1.2.2. Case Studies of Select Government Experiences
     - 1.2.3. Follow up on Support to Government
2. Sourcing in Africa
3. Knowledge and Advocacy
   - 3.1. Investor Outlook: Financing Africa's Food Systems
   - 3.2. Agribusiness Outlook: From Crisis to Opportunity
   - 3.3. Climate Finance
     - 3.3.1 Message from the Ecosystem
     - 3.3.2 Africa's Climate Positive Innovations
4. The 2022-2023 Year-round Africa Agribusiness Dealroom
5. Annexes
   - 5.1 2023 Agribusiness Dealroom Secretariat
   - 5.2 Agribusiness Dealroom partners
   - 5.3 The AFS Forum Secretariat
   - 5.4 Africa Agribusiness Dealroom 2023 Session Material
   - 5.5 How to Partner
   - 5.6 About ASF Forum
   - 5.7 About AGRA
   - 5.8 AGRA's unique Agriculture Alliance

About the Africa Agribusiness Dealroom

Launched in 2018, the Agribusiness Dealroom has been a pioneering matchmaking platform in the annual Africa Food Systems (AFS) summit program. The Dealroom was established with the vision of catalyzing new business deals and commitments. It has since grown to become an instrumental hub that brings together governments, private enterprises, and investors to explore trade deals and partnership opportunities that directly impact and enhance sourcing from African smallholder farmers.

Now in its sixth year, the Dealroom has emerged as a pivotal platform, facilitating connections and fostering growth. With over 1,000 companies benefiting from investor matchmaking and 16 governments engaging in fruitful investor interactions, the platform has become a testament to the transformative power of strategic collaboration in the agribusiness sector.

At its core, the Dealroom is a multi-faceted platform that integrates project preparation, pipeline development, project bankability, investment promotion, and an enabling policy environment.
This holistic approach ensures that participants are not only connected but are also equipped with the necessary tools to navigate the complex landscape of agribusiness investment.

As a comprehensive platform, the Agribusiness Dealroom operates on three fundamental pillars - Investments, Knowledge Sharing and Advocacy, and Partnerships - each playing a crucial role in advancing its mission and impact. These pillars work synergistically to foster sustainable development, innovation, and inclusivity in the agriculture and food systems.

Investments

Central to the Dealroom is the commitment to catalyze investments in food systems. It focuses on attracting financial resources from diverse stakeholders such as investors, financial institutions, and governments. By connecting potential investors with viable and impactful projects, the Dealroom is a nexus for facilitating funding opportunities. This includes direct investments in agricultural enterprises, and government projects.

Knowledge Sharing and Advocacy

The Dealroom aims to create an enabling environment for food system investments. It provides an opportunity to influence policies, regulations, and frameworks that impact the food systems. As a convening platform for governments, international organizations, and local communities, the Dealroom works to address emerging challenges and promote policies that foster sustainable agricultural practices, financial inclusion, and equitable development. Through thought leadership and strategic partnerships, the Dealroom also advocates for the prioritization.

Partnerships

The Agribusiness Dealroom takes on a collaborative approach in building strategic alliances amongst a diverse array of stakeholders, including governments, private sector entities, investors, and other stakeholders. The Dealroom partnerships enable the sharing of knowledge, expertise, and resources, fostering innovation and the implementation of best practices. These collaborations amplify the impact of the Dealroom's impact by leveraging the strengths and networks of various stakeholders, ultimately contributing to the achievement of shared goals.

The 2023 Dealroom In Numbers

2,141
Delegates registered in the Dealroom

$3.5M
Investments closed from the 2022 Dealroom

$6M
Investment from USAID into the Nutritious Foods Financing Facility (N3F) that is implemented by GAIN and Incofin.

$100M
Investment commitment by Mohammed Enterprises Limited across the East Africa region

10 Governments
Presenting flagship investment opportunities ranging from agro-processing parks to export trade opportunities

Climate focused track focused on developing a pipeline of SMEs in climate positive value chains

The Agribusiness Dealroom continues into 2024 as a year-round match-making platform, facilitating new business deals, partnerships, and commitments. With increasing investor participation, it remains dedicated to hosting agribusinesses and governments, fostering an investable pipeline, and expanding opportunities for mentorship, partnership, and market entry.

The platform provided a highly interactive space at the AFS Forum that allowed the various actors to interact, engage and extend discussions on bi-lateral and multi-lateral partnerships. Hosting over 200 investor meetings, the broad range of delegates meeting included large investors and intermediaries (fund managers and commercial banks), SMEs and investors, Governments and private sector investors, stakeholders looking for business partnerships, peer to peer networking amongst SMEs and several other constituents using the platform to convene for investments and opportunities.

The Agribusiness Dealroom continues to build off the success and the lessons learned year after year to expand and offer more support to SMEs and governments.

THE AGROBUSINESS DEAL ROOM

	2018 Dealroom (Kigali)	2019 Dealroom (Accra)	2020 Dealroom (Kigali+Virtual)	2021 Dealroom (Nairobi+Virtual)	2022 Dealroom (Kigali + Hybrid)	2023 Dealroom (Dar Es Salaam + Hybrid)
Capital seekers actively seeking financial investment	16	117	208	147+	250+	179
Amount of US$ Million being sought by SMEs	35M	805M	547M	357M	571M	732M
Number of Capital Providers	10	50+	55+	150	150	150
Government and Government Agency Participiation	8	17	15	15	16	13
Live SME Pitching Sessions				2	571M	28
Number of investor meetings interactions				2	150	120
Closed investments in US$ Millions				10	5.6	3.5

The 2023 Africa Food Systems Forum, AFS, took place under the timely theme of ***"Recover, Regenerate, Act."*** This theme resonated profoundly in the context of the shocks that our continent's food systems have recently faced, ranging from the persistent cost of living crisis to the escalating inflation, and the worsening effects of climate change.

In the face of these challenges, the forum underscored the urgent need to redouble our efforts, with an emphasis on actions that would boost agricultural yields through sustainable practices, thereby enhancing food security while minimizing adverse environmental impacts. The convention, which took place alongside the Africa Climate Summit in Nairobi, especially elevated the shared vision of achieving critical climate goals including a just-energy transition. Overall, it succinctly elevated the role of partnerships amongst the government, the private sector and the development community in deriving the investments needed to accelerate food systems transformation and all-round economic growth.

During the 2023 AFS Forum, the Agribusiness Dealroom continued to solidify its position as a prime venue for connecting agribusinesses and investment opportunities with the critically-needed capital. Like previous years, the Dealroom served to confirm that the AFS is not just a forum, but a dynamic ecosystem where ideas meet resources, and opportunities are transformed into tangible progress.

This year's Agribusiness Dealroom was a resounding success, attracting over 2,000 delegates committed to the transformation of the continent's food system through sustainable private sector driven growth. The enthusiasm and collaboration witnessed reaffirmed our collective commitment to driving positive change in Africa's food systems.

Notably, the governments present showed a focused commitment to investment priorities, with a keen eye on the rice, livestock, and fishery value chains, including the establishment of agro-processing parks. The aggregate investment sought included $10 billion in national scale investments, signalling a strong governmental commitment, while USD204 million was sought by SMEs, who continue to play a vital role in the economic fabric of our nations.

Meanwhile, as we celebrate these achievements, it is crucial to acknowledge the specific needs of our SMEs. They identified key asks, including the necessity for fuel and fertilizer subsidies to alleviate operational costs and ensure a stable upstream product supply. Furthermore, the creation of an enabling environment for businesses was highlighted as pivotal to their success and growth.

Finally, it is important to reiterate that the 2023 AFS Forum was not just a gathering of minds but a call to action. It was a testament to our resilience and determination to navigate challenges and forge a sustainable future for Africa. The activity in the Dealroom, and all around the 2023 AFS Forum served to give us a renewed sense of purpose, a commitment to redouble our efforts, and a collective vision for an Africa where food systems are not just productive but also equitable, inclusive, and environmentally sustainable.

Dr. Agnes Kalibata,
President of AGRA and 2021 UN Special Envoy for Food Systems.

Message From Our Co-Chairs

The Agribusiness Dealroom plays a pivotal role in bringing stakeholders together to drive innovation and sustainability in the agribusiness sector. As we work to transform agrifood systems and guarantee improved food security outcomes, we know we need to reduce financing gaps and meaningfully involve the private sector. This year's Dealroom brought together ministers from 10 governments and 60 SMEs, including youth and women entrepreneurs who engaged with more than 100 investors.

Over the years, the Dealroom has evolved to serve as an incubating space for innovative financing and effective and transformative partnerships. As co-chair of the Agribusiness Dealroom, USAID, alongside other donors and AGRA, uses its convening power to bring together influencers and decision-makers, fostering an environment for meaningful dialogue and cooperation, and this year over 1,100 companies were present. We remain intently focused on local private sector development, particularly women-owned firms. Recognizing that Small and Medium Enterprises (SMEs) are the lifeblood of economies worldwide, USAID creates access to opportunities for these entities.

In the 2023 Dealroom, USAID's leadership in SME matchmaking played a pivotal role in unlocking the potential of agribusiness at the local level. This year, a pipeline of approximately $10.2 billion in agribusiness investment was presented, of which $10 billion were national scale investments and $204 million were investments in SMEs. This supports our broader development goals and exemplifies USAID's continued dedication to creating inclusive, sustainable partnerships that transcend traditional boundaries.

Dina Esposito,
Assistant to the Administrator, Global Food Crisis Coordinator, USAID Bureau for Resilience and Food Security

We at IFAD highly value our collaborative efforts with all partners in the Agribusiness Dealroom, working together to ignite increased sustainable private investments in the rural and agrifood sectors. This joint endeavaour is crucial in bolstering access to finance for Small and Medium Enterprises (SMEs) and farmer organizations, thereby enhancing opportunities for decent jobs, especially among women and youth. Moreover, private sector engagement is deemed crucial for IFAD, emerging as one of the priority areas in IFAD's thirteenth replenishment. IFAD is committed to enhancing its collaboration with the private sector to attract increased investment in rural areas, strengthen value chains with a specific emphasis on the mid-stream, and foster the creation of economic opportunities and jobs. This strategic focus underscores IFAD's dedication to leveraging private sector partnerships for sustainable development.

In our role as the co-chair of the Agribusiness Dealroom, IFAD consistently spearheads the transformative journey toward resilient, sustainable, and nourishing food systems in Africa. Aligned with the summit's overarching theme - ***"Recover, Regenerate, Act: Africa's Solutions to Food Systems Transformation"*** - our commitment is resolute. Emphasizing inclusivity and partnership, the summit underscored the pivotal roles of climate finance, gender equality, and youth empowerment. Recognizing the transformative potential inherent in amplifying diverse contributions, with a particular focus on women-led agriculture and youth-led innovation.

IFAD's dedication to the Agribusiness Dealroom is underscored by our focused efforts on driving strategic investments into African food systems. Our priorities include the strengthening of local food systems, empowerment of SMEs and strengthening farmer organizations. This targeted approach seeks to mobilize smarter investments that align with the broader agenda of food system transformation, essential for the overall well-being of the continent.

As we move forward, we aim to continue collaboration with the Agribusiness Dealroom partners, collectively working towards a sustainable and prosperous future for Africa.

Dr. Donal Brown,

Associate Vice President, IFAD

It was truly heartening to join the diverse and committed group of individuals, organizations, and governments converging in the 2023 Agribusiness Dealroom, with the common goal of revolutionizing Africa's food and agriculture landscape.

Across the sessions, it was evident that while innovation abounds in Africa, the real hurdle remains in scaling these groundbreaking ideas. Fundraising for ventures in the sector was identified as an arduous task, but through collective efforts, we charted several pathways to the goal. Yet, the 2023 Agribusiness Dealroom was not just a platform for transactions; it also was a nexus of collaboration, and a breeding ground for innovation. It served as an invaluable opportunity for us to learn, share insights, and forge the partnerships that will catalyze positive change across Africa's food systems.

As AGRA, our presence in the Dealroom underscored our dedication to enhancing farmers' livelihoods. We emphasized the convergence of profitable agribusiness and sustainability as our daily pursuit. Throughout the week, we reiterated our dedication to supporting governments and agripreneurs in their journeys to long-term success. We now leave the 2023 Agribusiness Dealroom eager to implement the learnings from therein, while looking forward to more transformative engagements next year.

Jennifer Baarn,

Head Private Sector Partnerships, AGRA

Acknowledgement of Our Partners

The Africa Agribusiness Dealroom is delivered under one of the 10 thematic platforms of the Africa Food Systems Forum. It is co-chaired by USAID, IFAD and AGRA who lead a coalition of twenty committed partners.

Dealroom Co-Chairs

Technical Partners

Implementing Partners

The Africa Agribusiness Dealroom wishes to thank our host, the Government of Rwanda for anchoring the Africa Agribusiness Dealroom. We also recognize our core partners who contributed immensely to the success of the Dealroom.

Message from AFS MD

The 2023 Africa Food Systems Forum, marked a significant milestone in my tenure as the head of the AFS Forum. The event, held in the United Republic of Tanzania, under the leadership of H.E. Dr. Samia Suluhu Hassan unfolded as a resounding success, serving as a pivotal moment for the collective effort to drive food systems transformation across Africa.

With participation from over 5,400 attendees representing 90 countries, the Forum brought together a diverse array of stakeholders committed to catalyzing change. Among the distinguished guests were five Heads of State and Government, 30 Ministers, and six former Heads of State and Government, forming a high-level assembly that underscored the importance of the discussions at hand. Additionally, the presence of over 80 heads of international agencies and businesses, along with more than 1,200 private sector players, reflected the global commitment to addressing the challenges facing Africa's food systems.

The overarching theme, ***"Recover, Regenerate, Act: Africa's Solutions to Food Systems Transformation"*** set the stage for in-depth conversations and strategic initiatives. Over the course of four days, participants engaged in intent discussions and forged deals aimed at propelling Africa towards a future marked by productive, nutritious, inclusive, resilient, and sustainable food systems.

The Forum became a beacon, spotlighting the political, policy, and financial commitments made by the continent in its pursuit of transformative change. It celebrated ongoing innovations while articulating a collective call for impactful outcomes that would amplify Africa's role in the global climate change discourse. The imperative to redouble the efforts to boost agricultural yields through sustainable practices was a central theme, with a focus on enhancing food security while minimizing adverse environmental impacts.

A standout feature of the AFS Forum, **the Agribusiness Dealroom,** continued to shine as the premier platform for brokering deals and facilitating investments. Since its inception in 2018, this dynamic space has consistently played a pivotal role in connecting stakeholders. In 2023, a remarkable total of 57 SMEs made pitches in the Dealroom, with a notable emphasis on engaging 50 investors specifically relevant to their USD204 million ask. Larger opportunities involving governments and multinational private sector players were also presented. We expect a lot more interactions and investments post the summit.

Amath Pathé Sene

What happens year-round at the Dealroom?

SME Matchmaking:
Profiling and matchmaking of SMEs to investors and financial institutions

Country Investment Promotion:
Preparation and promotion of large national investment opportunities to domestic and international investors.

Sourcing in Africa:
Connecting supply chain actors across value chains, particularly farmer organizations and SMEs to anchor buyers and traders.

Knowledge and Advocacy Program:
Expert presentations and panels, knowledge sharing sessions on investments, markets and finance. Advocacy to support strengthening of enabling and regulatory environment to promote increased investments in and to Africa

Coalition of the committed:
Networking with partners across the continent's agriculture landscape.

The Africa Agribusiness Dealroom runs its activities throughout the year and leverages the global convening at the AGRF to highlight key bottlenecks to the continent's leadership and partners, showcase successes and emerging opportunities and connect stakeholders, initiating new business partnerships and investments that can be supported by the platform beyond the summit.

In 2023, the Dealroom focused on driving the following objectives:

- Increase the visibility of Africa's agriculture investment pipeline
- Improve the investment readiness of SMEs and governments
- Drive partnerships and investments across both public and private agriculture opportunities
- Drive focused advocacy and knowledge agenda for an improved enabling environment for investments

Building off the experiences and global dynamics, as part of its advocacy program, the Dealroom and partners delivered 17 knowledge and advocacy sessions including 2 Master Classes at the summit in Dar Es Salaam. The sessions focused on strategic thematic topics that would drive increased

The sessions brought together the voices of government, private sector, development partners, financial institutions and investors, youth, women and SMEs lending their voices to the challenges and the solutions to accelerating agri-finance and investment to the sector.

Investing in women and youth

Structuring projects to access climate finance (Master classes)

Driving sustainable and responsible sourcing of commodities from local farmers and SMEs

The SME ecosystem and strengthening it to deliver

The Investor Outlook – perspectives from capital providers on the continent

The SME ecosystem and strengthening it to deliver

Key commitments and announcements

The Africa Agribusiness Dealroom reflected the ongoing efforts by various partners throughout the year that culminated in major sector announcements of new initiatives, investments as well as renewed and expanded successful partnerships.

US Government increases commitment to strengthen Africa's private sector

The US Government announced US **$10 million** investment to support financing and capacity strengthening of African food businesses, particularly women owned businesses and those operating in nutritious value chains.

- **US$4 million** investment in VALUE4HER will go towards supporting women in agribusiness.
- **US$6 million** investment towards the Nutritious Foods Financing Facility (N3F) in partnership with the Global Alliance for Improved Nutrition (GAIN) and Incofin Investment Management. The first of its kind, N3F is an investment fund focused explicitly on improving diet quality and nutrition in sub-Saharan Africa by financing SMEs involved in the provision of affordable, safe, and nutritious local food. The fund also prioritizes investments that advance gender equality and provide at least 30 percent of all loans to woman-owned or led SMEs.

METL $1 Billion for Africa Agriculture

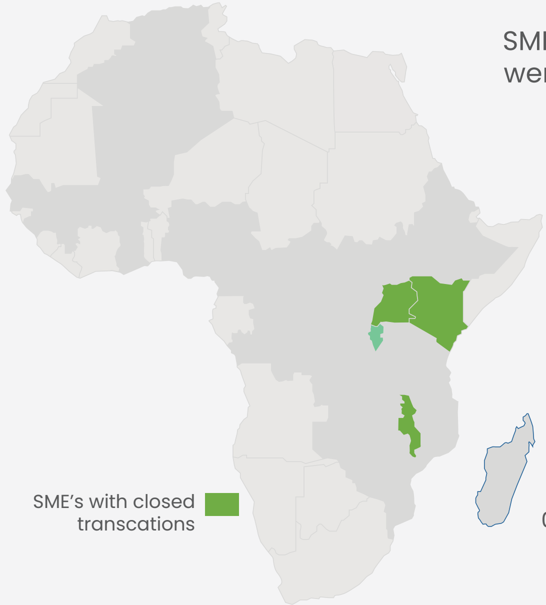
METL President, Mr. Mohammed Dewji, announced his initiative to raise US$1 Billion to go towards agricultural expansion and Agro-processing, including in sisal and sugarcane value chains. At the Agribusiness Deal Room, METL committed to invest US$100 million in four Rwandan companies engaged in production agriculture and other strategic sectors.

Succesful transactions at a glance

US$ 18.5 - 23M
Total investment and trade partnerships

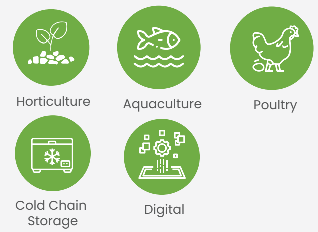
9
No. of investors who closed transactions

4
Total countries represented across Africa



Value Chains

SME's that received Investment were operating in these chains



Investment Range

0.1M – 6M

EQUITY | DEBT | GRANTS

1. Investments and Finance Opportunities at the Dealroom

“We tend to see more emphasis and support provided to SMEs in packaging their proposals as opposed to support in making the business investor ready. The biggest challenge that we face, especially in agriculture is that you make an investment and the first one or two years you are making the business investor ready instead of focusing on growth.”

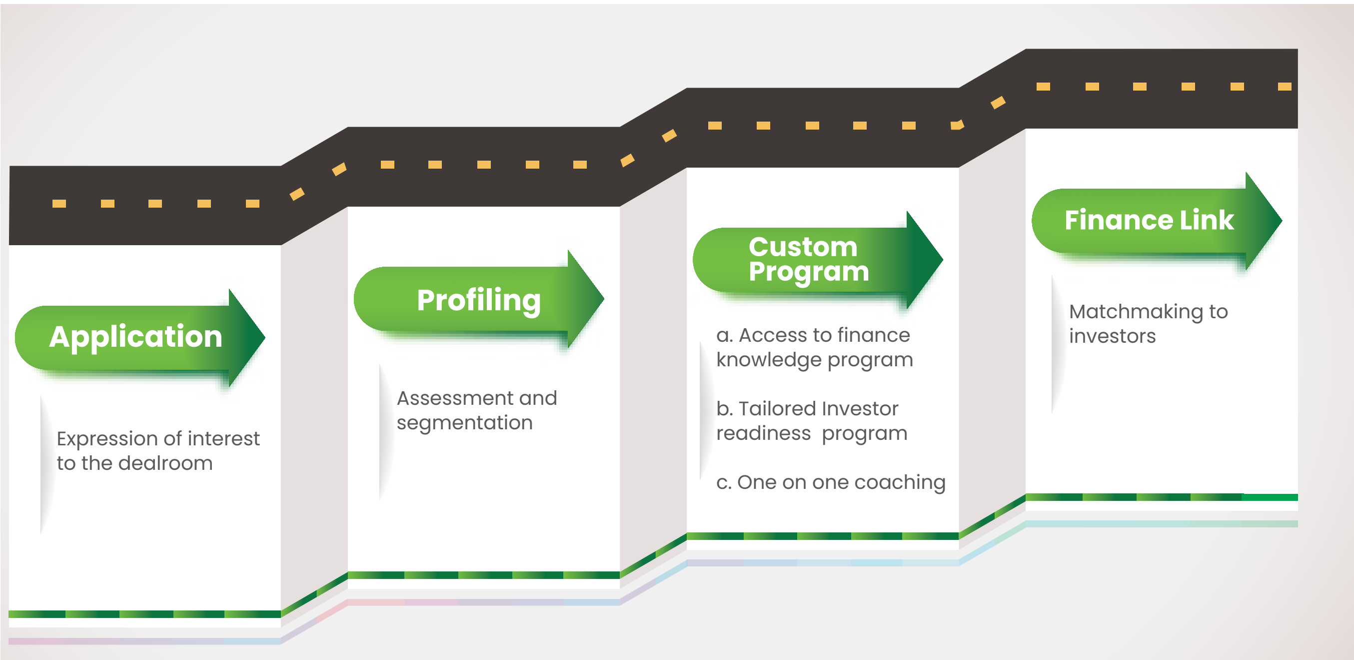
Wanjohi Ndagu,
Investment Director at Pearl Capital

The Agribusiness Dealroom continued to drive a strong investment agenda, providing a space for both Governments and SMEs to showcase their opportunities to a broad range of investors and private companies. Taking a food systems lens, opportunities presented were clustered around sustainable production, climate positive innovations, digital solutions and inclusive business models.

1.1 Year-round SME program

Throughout the year the Dealroom conducted extensive outreach and information sessions for SMEs, incubators, accelerators and partner programs. The outreach attracted a broad range of SMEs with operations across the continent and different value chains. As a result, the Dealroom attracted 714 private sector entities pursuing a variety of opportunities including investments, mentorship, partnerships and connections to other value chain actors, representation, capacity building and acquiring new knowledge. The Dealroom received 171 SMEs that were actively seeking investment in the year, this pipeline was on-boarded into the Dealroom program that provided a variety of engagement points for the SMEs depending on their investor readiness, investability and specific needs.

The summit provided a dual platform for these engagements, with the bilateral room facilitating personalized one-to-one meetings and the pitch sessions allowing SMEs to showcase their potential on a larger stage. In total, during the AFS Forum, SMEs had over 120 meetings with investors. On average, each SME had the opportunity to connect with three investors, resulting in a pipeline under consideration of $140 million that the Dealroom continues to track.

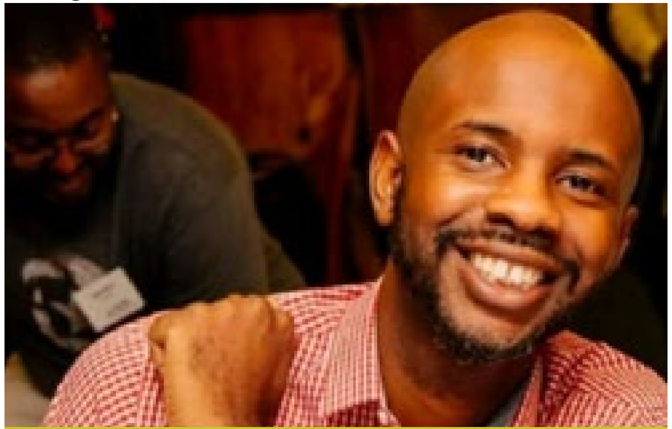


Our Investors

Bamboo Capital Partners
AV Ventures
incofin
SAHEL Capital
Injaro
IFC
goodwell invest with impact
PROPARCO

SNAPSHOT OF PORTFOLIO COMPANIES

YOUTH:
Innovating around indigenous foods and food loss



Olayemi Aganga, Co-Founder, Maungo Capital

Enterprise: Maungo Craft
Country of operation: Botswana
Product: Processed jams, sauces, juices, and syrups derived from marula fruit
Funding ask: USD120,000 in debt and USD20,000 in grants
Use of funds: Production expansion and new market entry (South Africa and the United States)

Founded on the realization of significant marula fruit wastage post-harvest, the company aims to address this issue by utilizing the fruit in various products. The founders discovered that a substantial amount of marula fruit, around 300 metric tonnes, results in only 12 tonnes of oil for the cosmetics industry.

"We asked ourselves 'what happens to all of that fruit?' Unfortunately, what we found is almost nothing, it goes to waste and is unloved," said Maungo Craft co-founder Olayemi

Initially starting at a farmers market in Botswana, Maungo Craft has evolved, establishing its own factory and gaining recognition in the Botswana hospitality sector, earning accolades such as the Generation Africa GoGettazz Agripreneur Award 2019. Endorsements from American TV icon Martha Stewart further validated the company's success.

Aganga expressed the company's ambition to enter the global spreads market, valued at $8 billion, along with the hot-sauce, syrup, and fruit snack markets. Maungo Craft aims to reach customers through hospitality, retail, and export channels.

YOUTH:

Innovating around connecting farmers directly to consumers

Nomaliso Musasiwa, Co-Founder, Fresh in a Box

Enterprise: Fresh in a Box
Country of operation: Zimbabwe
Product:
Funding ask: USD 500,000 Equity
Use of funds: Warehousing and Market expansion into South Africa

Fresh in a Box seeks investment for South Africa expansion

Nomalisa Musasiwa's journey from the loss of her initial tomato harvests to the establishment and expansion of Fresh in a Box is nothing short of inspiring. Fueled by resilience and a determination to create a reliable marketplace for local farmers, she transformed adversity into opportunity.

With a visionary mindset, Nomaliso set out to create an online e-commerce platform for locally sourced groceries, connecting farmers directly with consumers.

Fresh in a Box provides a ready market, sourcing directly from small scale farmers and offering them a premium for their fruits and vegetables.

Ms. Musasiwa emphasized that the funds would primarily be allocated to capital expenditures, enabling the establishment of state-of-the-art warehouses for packaging and processing, as well as the new market entry into South Africa.

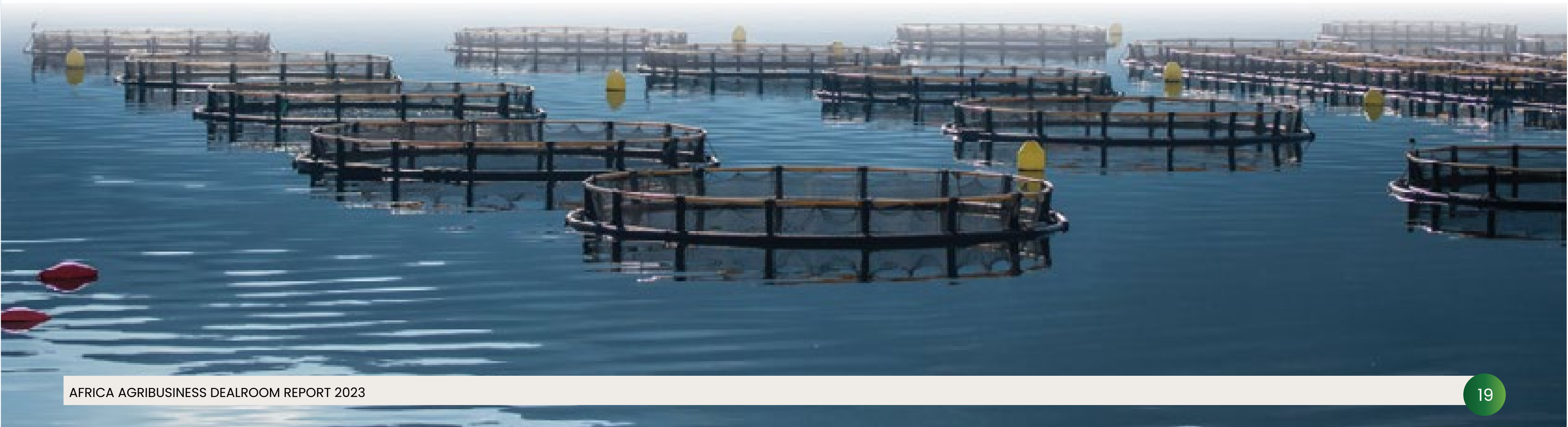
NUTRITION:

Nourishing the continent while building a sustainable fish value chain

Stephano Adrian Karoza, Founder,KCG Aquatec

Enterprise: KCG Aquatec
Country of operation: Tanzania
Product: Integrated value chain – fingerlings, fish cages and consultancy services
Funding ask: USD600,000 in equity and grants
Use of funds: CapEx and expansion

Aquatec is the brainchild of visionary founder Stephano Adrian Karoza. The company has already captured considerable attention with its innovative fingerlings, fish cages and consultancy services. The company is now setting its sights on a bold expansion plan to meet the growing demand for fish in Tanzania, where the annual demand has reached 480,000 tonnes. This demand is, however, faced with imminent challenges including decreasing fish capture from lakes and oceans and a population surge that threatens to strain the existing supply chains. KCG Aquatec has strategically positioned itself as a key player in the quest for sustainable solutions, and has earned recognition for its efforts, clinching the prestigious USD100,000 Funguo grant for the best fish outgrowers model last year. Further bolstering its profile, it "We are looking to impact smallscale farmers, with a focus on the youth, whom we are targeting to engage as outgrowers," Karoza said. Of the $600,000 sought, a significant portion—$350,000—was earmarked for capital expenditures (CapEx), indicative of the tangible infrastructure enhancements the company envisions. The remaining funds would be used to fuel the expansion of KCG's outgrowers model, a pivotal aspect of its strategy to meet and sustainably cater to the escalating fish demand in Tanzania.



YOUTH:
Digitally-powering Africa's food systems

Buffy Okeke-Ojiudu, Founder, Zebra CropBank

Enterprise: Zebra CropBank
Country of operation: Nigeria
Product: Solar-powered crop banks
Funding ask: USD2.5m in seed funding (have raised $1million in debt and 550,000)
Use of funds: Expansion of micro-storage facilities

Recognizing the critical issue of inadequate last-mile storage facilities in Nigeria and throughout Africa, Buffy Okeke-Ojiudu took proactive steps to address this challenge. With approximately 1.3 billion tonnes of food lost post-harvest annually in Africa and Nigeria alone experiencing a staggering USD8 billion in losses each year, Okeke-Ojiudu devised a solution. His innovative approach, Zebra CropBank involves establishing a network of solar-powered micro-storage banks across the country.

Over the past 18 months, the startup successfully implemented five such banks, achieving a net store value of USD1 million and generating revenues of USD500,000. The business model involves charging a nominal fee of 1,000 Naira (USD1.27) per tonne per month, providing an efficient and sustainable solution to curb post-harvest losses and contribute to the economic well-being of the region.

"The core of how we make money is really on trade. Over time, and scale, we hope that farmers can store more and that negates the need for us to buy. So, we can actually, make a margin based on what is already in storage," he said.

Of the USD2.5 funding ask, Okeke confirmed to have received raised USD550,000, and a USD1million indicative offer for a debt facility, leaving him with USD1million to raise from his Dealroom pitch.

"Unlike in "shark-rooms", at the Dealroom young entrepreneurs get constructive feedback about their technologies, to help them refine their concepts and business models, and, hopefully, even find new investments. We aim to be encouraging, supporting for the risk-takers who are working to improve lives and livelihoods."

Peter Goldstein,
Vice President
Communications, Heifer International

1.1 Recommendations for SMEs

Market Validation

It's crucial to validate the demand for an SME's offering in the market before committing to large-scale operations. Understanding the market dynamics enables entrepreneurs to make informed decisions and stay ahead of trends.

Diversification of capital sources

It is important for SMEs to diversify their approaches to engaging with capital investors. Seeking alternative avenues for investment can enhance financial resilience and broaden the scope for sustainable growth.

Resource Efficiency:

By first understanding the market, SMEs can identify the most effective and efficient strategies for growth.

Adaptation to Customer Needs:

Customer needs and preferences can evolve quickly. Understanding the market allows SMEs to adapt their products or services in response.

Building a Strong Foundation:

Rushing into large-scale operations can lead to a shaky foundation. Taking the time to understand the market allows SMEs to build a solid foundation for sustained growth.

Learning from Early Mistakes:

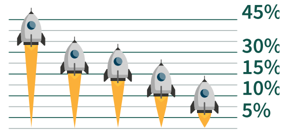
Customer needs and preferences can evolve quickly. Understanding the market allows SMEs to adapt their products or services in response.

Strategic Partnerships:

Understanding the market provides valuable insights into potential partnerships and collaborations. Building these relationships before scaling can enhance an SME's ecosystem and facilitate growth.

Scalability assessments:

Understanding the market helps in assessing the scalability of the business model. It allows founders to identify potential bottlenecks and challenges that may arise during the scaling process.

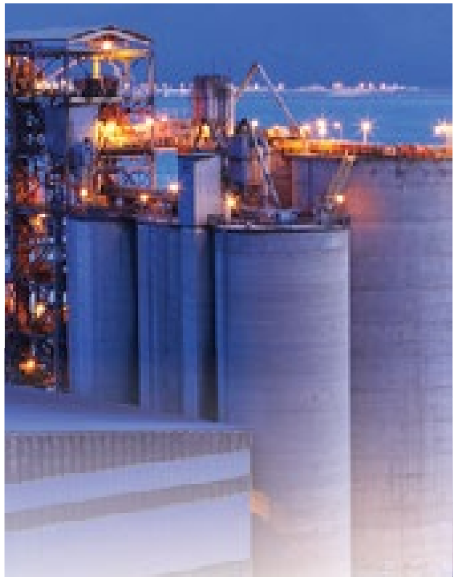


1.2 Government engagement overview

The African Agribusiness Dealroom hosted 12 governments in promoting investment opportunities to various investors, including development finance institutions, institutional investors, financial institutions, and private sector investors. Building from the 2022 AFS Forum, the Dakar Summit and the Food Systems Stocktake, governments prioritized a number of investment areas for the coming years. Most common priorities focused around agro-industrialization and strengthening local food processing and manufacturing, and on the other hand in the value chains livestock and fisheries, rice and fertilizer were most common.

1.2.1 Government pitches

The Dealroom support aims to transform the way governments package and present their investment pitches, creating a dynamic platform where each session is intended to address the priorities of the participating countries.

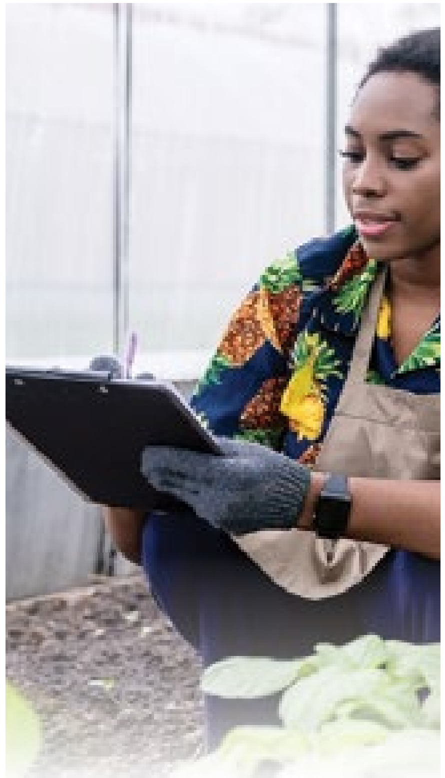


Flagship projects

Ambitious endeavours that showcased medium to large-scale initiatives looking for investment. These projects include infrastructural development, from processing units and roads to storage facilities. Governments presented their flagship projects, collectively seeking USD 10 billion in investment. The visions outlined ranged from the establishment and management of integrated agro-hubs to the development of critical infrastructure, notably across the rice, livestock and fishery value chains.

Strategic value chains

Governments sought increased investments in greenfield and brownfield projects dedicated to developing an end to end functioning value chain including reliable and high yielding production and efficient processing units. The strategic value chains encompassed diverse sectors such as aquaculture, fruits, cashew, rice, livestock, and poultry.

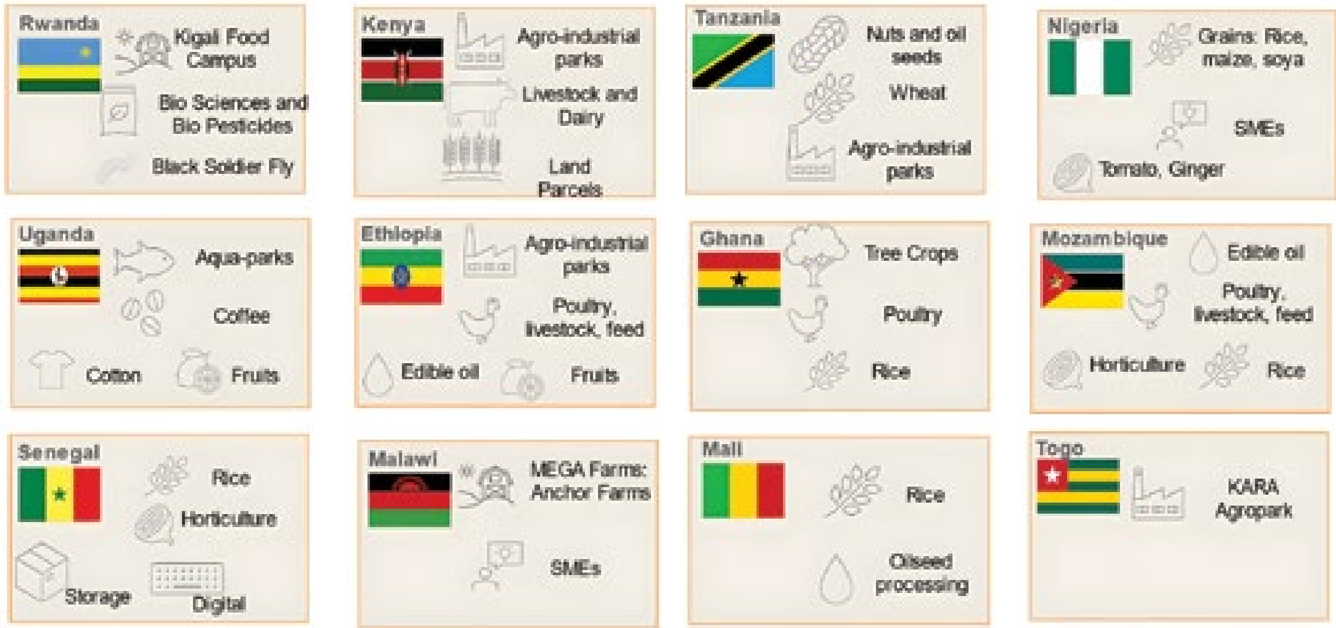


SMEs

Governments also threw their weight behind local SMEs, providing them with a platform to pitch their ideas and connect with potential investors.
Recognizing the criticality of these players as value chain actors across selected strategic value chains.

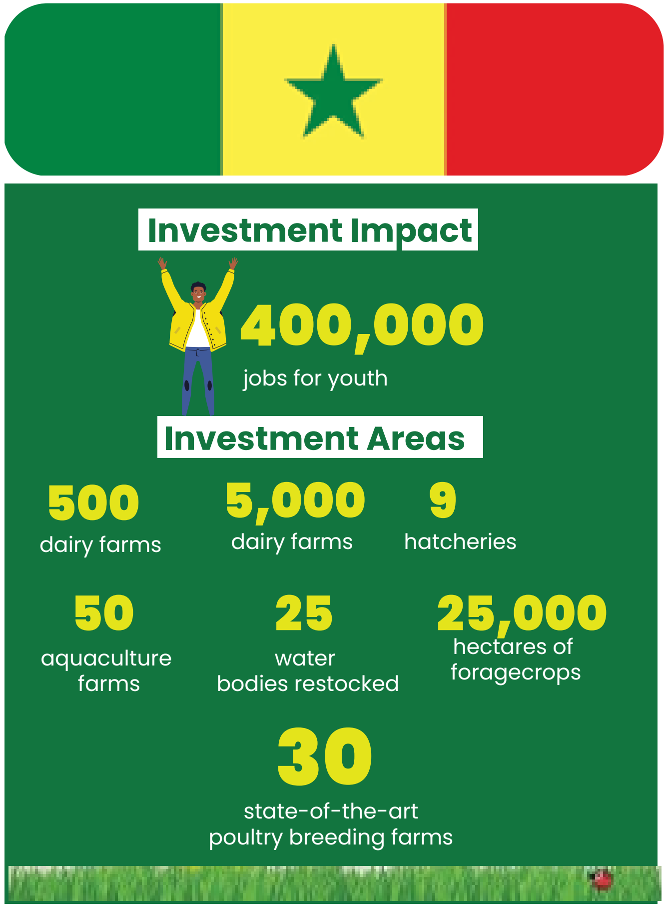
To ensure the success of these ambitious pitches, the Dealroom team hosted high level board rooms, where audience comprised a blend of capital providers and private sector investors, with a predominant focus on regional and international entities eager to explore and expand into new greenfield and brownfield opportunities. Each pitch session was vibrant with governments presenting their visions, investors assessing potential collaborations, and SMEs gaining insights into a dynamic ecosystem where opportunities and aspirations converge.

Figure 4: Summary of investment opportunities prioritized by governments during their Dealroom sessions



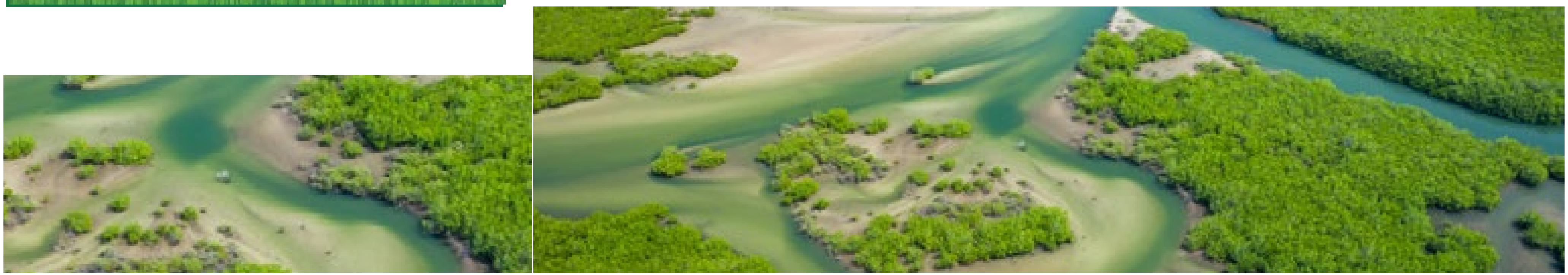
1.2.2 Case studies of select government experiences

The Senegal Investment Compact



In its Dealroom pitch, the government of Senegal presented opportunities within the Senegal Compact, a visionary initiative that is rooted on enhancing agricultural productivity and broadening access to markets and services. At its core, the compact directs substantial investments into the maize, rice, wheat, oil, and poultry value chains, with a promising projection of generating 400,000 jobs.

A pivotal facet of the Senegal Compact is the prioritization of mechanization and irrigation. Recognizing the central role these elements play in modernizing agriculture, the government is steadfast in achieving ambitious quantitative goals, including the realization of hydro-agricultural developments spanning 75,000 hectares. These developments are poised to act as catalysts for increased production and processing within the specified value chains. The second prong of the initiative involves the establishment of key farming enterprises aimed at empowering various segments of the population. This includes the creation of 500 dairy farms, 5,000 individual sheepfolds tailored for women and young entrepreneurs, and the development of 30 state-of-the-art poultry breeding farms. To bolster livestock support, the government plans to dedicate 25,000 hectares for the cultivation of forage crops, ensuring a sustainable and well-rounded approach to the agricultural ecosystem. Furthermore, the Senegal Compact addresses fish production in a proposal that encompasses the construction of nine hatcheries, the establishment of 50 aquaculture farms, and the restocking of at least 25 water bodies. Recognizing the instrumental role of the private sector in propelling economic growth, the government has devised a series of incentives to encourage active participation. Chief among these incentives are tax holidays, and additional financial support to be extended through collaborative efforts between the government and banking institutions.



The Rwanda Food Systems Investment Priorities

All roads lead to Rwanda, as the host of the Africa Food Systems Forum (AFSF) 2024. A thriving business hub, that is particularly enticing for investors seeking opportunities in diverse sectors, the government of Rwanda, presented its' gateway to expansive markets, including the 300 million-strong East African community, 492 million within the COMESA umbrella, and an extensive market of 1.3 billion covered by the African Continental Free Trade Area. This strategic positioning underscores Rwanda's commitment to fostering economic growth and collaboration on both regional and continental scales. Under the leadership of the Ministry of Agriculture, Rwanda Development Board and the Rwanda Agriculture and Animal Resources Development Board, the country presented a suite of investment opportunities, carefully selected along their food systems pathways.

Rwanda Pathway

- **Research and technology**
  - Kigali Food Campus – A food systems hub, linking skills, and knowledge, technology with impact in agriculture.
  - Center of excellence – Ongoing project to develop, adapt, promote and scale up demand-based mechanization technologies.
- **Sustainable production**
  - Insect protein plant- Large-scale automated insect-based protein manufacturing plant targeting livestock feeds, supplements and organic fertilizers.
  - Greenlight Biosciences and Biopesticides – establish a field research station to come up with solutions for agricultural transformation

The Government of Rwanda has been leading the continent in its progressive and intentional approach to ensuring government processes promote ease of doing business and creating the right enabling environment characterized by policy transparency and predictability.

Among its key selling points was an enabling environment created in the country, including through:

- Seven-year corporate income tax holiday for investments over $50million
- A preferential CIT rate of 15%
- Zero tax for companies that export 50% of their products outside the East African community, and with regional headquarters in Rwanda.
- Exemptions of capital gains against duty-free imports on machinery and inputs within the EAC
- Digitized One-stop center that merges 25 institutions, ensuring that investors can navigate licensing and other administrative requirements with ease.
- No restrictions on foreign ownership of land
- No restrictions on capital flows
- Capital gains exemptions on the sale and transfer of share

Uganda

Investment Impact

25
Agro-industrial parks in five different regions of the country

Investment Asks

$57M
Soluble coffee plant

48
Slaughterhouse

$27M
Textile production

27
Pipeline companies

Uganda's participation in the AGRA Africa Food Systems Summit yielded several promising engagements and collaborative opportunities with various companies. These interactions have led to a range of agreed actions, promoting investment, innovation, and economic development in Uganda's agricultural sector. Uganda positioned itself as a prime destination for savvy investors, with a number of high impact investment opportunities, most notably within its expansive landscape of 25 strategically positioned agro-industrial parks. The government has allocated 12 square miles of land, specifically zoning five industrial parks in each of five different regions. This deliberate placement aims to harness the inherent advantages of the country's well-connected land resources. Among the key sectors beckoning investment is the coffee industry, with an ambitious national target of producing 20 million bags by 2025. The government is also eyeing the establishment of a cutting-edge soluble coffee plant with a substantial investment of $57 million. The meat processing sector further adds to the allure with a modern abbatoir valued at $48 million, showcasing promising returns substantiated by a thorough feasibility study. Simultaneously, the cotton and textiles sector seeks an infusion of $27 million in investments to leverage existing textile infrastructure. Investors are poised to reap substantial benefits from the recently-enacted East African Investment Act to which Uganda is a party. This forward-looking legislation brings forth enticing tax incentives for a modest minimum investment threshold of $300,000, including a generous 10-year tax holiday for enterprises exporting over 80% of their products. The government also presented 27 companies, providing a glimpse into a diverse array of investment prospects. Facilitating a seamless entry into these opportunities, one-stop centers have been established to offer comprehensive support, including streamlined company registration processes.

Investors interact at the Uganda Investor Board Room

> **"Our engagement at the Agribusiness Dealroom has resulted in tangible progress and collaboration with international investors and stakeholders. We are now facilitating investment licenses and tax incentives with new strategic partners on warehousing, processing and fertilizer production. These engagements are expected to contribute significantly to Uganda's agricultural growth and food security."**
>
> **Hon. Fred Bwino,**
> Minister of State for Agriculture,
> Uganda

1.2.3 F ollow on support to government

Figure 5: Government engagement cycle

Governments coming to the Dealroom continued to request the support of partners in translating priorities into business cases that can attract the most appropriate investors. This translation comes with multiple facets ranging from the business opportunity, financial modelling, design of requisite processes and procedures and overall multi-sector coordination in the country.

Project management support and coordination

Through the Dealroom we have found that there is high level of interest in investing in opportunities across the continent, however, there are coordination lapses that result in investor fatigue or lack of confidence. At a country level, the need for dedicated resources to follow up on investment leads, coordinate information gathering from respective government agencies for investors, project management to see end to end implementation of requisite project packaging and investment materials. This resource would also play the role of central point of contact to drive forward commitments with funding partners to set up infrastructure (land titles, roads, water etc.).

Transaction advisory

Long term commitment strategic advice and support to government entities. The support would require early on commitment at the prioritization stage, continued support in developing business cases around the prioritized investment areas and structuring and negotiating the transactions.

Technical Assistance to drive 'soft' infrastructure

Numerous investments have been made by governments and development partners working together to identify and design agro investment hubs to attract private sector investment and drive increased processing on the continent. However, the Ministries of agriculture require additional capacity and expertise to translate these investment commitments into investable packages for private sector based on private-sector interest and requirements. The technical a ssistance would also support data analysis and evidence base to support policy decisions that influence increased government budget planning and allocation to agriculture to finance the advancement of the project preparation.

Governments in the Dealroom seek partner help to turn priorities into investor-ready business cases, addressing coordination challenges and emphasizing the need for dedicated resources at the country level.

2. Sourcing In Africa

In a bid to enhance Africa's agri-food value chains and promote the sustainable agricultural practices required to cut down the USD40 billion annual food import bill to Africa, it is imperative for all stakeholders to embark on strategic initiatives that prioritize the welfare of smallholder farmers while concurrently addressing the distribution challenges within the local food production system. This is the premise of the Sourcing in Africa Pillar of the Agribusiness Dealroom, which seeks to support the private sector in designing and scaling successful local sourcing models through value chain partnerships and knowledge sharing. The Agribusiness Dealroom serves as a testament to the potential impact of such collaborations. By showcasing successful partnerships between international organizations and various stakeholders, including off-takers, state institutional buyers, service providers, SMEs, and smallholder farmers (SHFs), the Dealroom illustrates the transformative power of an inclusive and sustainable agricultural environment. The Sourcing in Africa pillar of the Agribusiness Dealroom drives increased sustainable local sourcing through the following interventions:

Local sourcing marketplace:

Through profiling sustainable local sourcing demand from International and domestic buyers of raw and processed agricultural commodities and linking these buyers to processors, financial institutions, service providers, input companies and technical experts.

Local sourcing best practice:

Knowledge and advocacy sessions bringing together buyers engaged in sustainable local sourcing to share best practice in building sustainable markets for smallholder farmers, as well as in thematic and technical issues – for example scaling lease financing models for mechanization - and discuss action needed to address common challenges.

Government investment promotion:

Promotion of government investment sessions highlighting specific investments that can be leveraged by buyers and value chain actors for sustainable local sourcing. Discussion on government support for supplier development in enabling services e.g. technology.

The Dealroom Sourcing in Africa agenda included a focus on Pathways Towards a Resilient and Inclusive Agricultural Supply Chain For Africa. The session convened leaders from top infrastructure and logistics firms in the East Africa Region including WeFreight Logistics, GreeChain Tech, Wilmar International, FarmWorks Kenya, Sino Tan Industrial Park and China Africa Business Council, representing different actors from different phases of the supply chain from farming, aggregation, processing, and trade. The highlight of the session was that all leaders applauded the new tide of investment that is set to boost a sustainable food system of African agricultural products, domestic, regional and international. However, there remain impediments in the lack of sufficient infrastructures in transporting, processing and warehousing which pose a big challenge across all value chains. The panelists called all governments and donors to focus on the logistics infrastructure in order to benefit from the growing investor interest.

Discussions at the 2023 Agribusiness Dealroom prioritized the following actions in advancing the Sourcing in Africa agenda.

Cross-border trade partnerships

Establishing cross-border partnerships involving various stakeholders, including off-takers and service providers, facilitates the global commercialization of agriculture. Collaborations between countries and companies play a pivotal role in enhancing local sourcing capabilities while simultaneously fostering growth in domestic and regional trade. These strategic alliances create a synergistic environment that promotes economic development, innovation, and sustainable agricultural practices on an international scale, while advancing local supply chains.

Infrastructural development

The distribution of locally-produced food in Africa's agricultural regions faces significant obstacles due to inadequate infrastructure, particularly in the last mile of the supply chain. This final leg, connecting producers to consumers, grapples with poorly maintained roads, insufficient storage, and inadequate market buildings. Collaborations involving governments, the private sector, and international organizations are crucial to addressing these issues. Investing in last-mile development is instrumental in unlocking Africa's agricultural potential, promoting economic growth, reducing losses, and enhancing the resilience of local food supply chains.

Product Aggregation

In order to ensure that the escalating demand for agricultural products translates into tangible benefits for smallholder farmers, it is imperative to eradicate exploitative middlemen from the supply chain. This can be accomplished by championing the concept of aggregation, where farmers are empowered to actively participate in the pricing dynamics of their produce. This strategy gives farmers the capacity to influence the market value of their products for fair compensation. Additionally, this strategy opens up the larger and more lucrative markets to smallholder farmers.

Innovative solutions to circumvent sourcing challenges

Firm Name: Wilmar Rice, Tanzania

Something Lite Greek Yogurt, is a five-year old Nigerian company that is committed to sourcing agricultural products from local smallholder farmers. The company has grown from a supplier base of two smallholder farmers to a network of 150 farmers, including 60 women. Over this growth period, it has faced significant hurdles many of which are linked to farmers' output.

A key obstacle, according to the company's CEO, Janefrances Nkiruka Ighosewe, is the farmer's inefficiency in production due to the sporadic use of outdated techniques. Ms. Ighosewe says these farmers operate in clusters, limiting their access to mechanization services.

"We have partners that are willing to supply equipment but small farmers lands are small," she said.

In response, Something Lite has found success in drawing the farmers into cooperatives. This cooperative approach involves merging small individual farmlands, promoting collaboration, and streamlining operations during crucial production seasons. This not only enhances efficiency but also fosters a sense of community among the farmers.

Another challenge is around the need for comprehensive training among these smallholder farmers. Despite having access to seeds and agricultural inputs, many farmers lack the necessary knowledge and skills to optimize their usage. Recognizing this gap, Something Lite has taken a proactive approach by initiating training programs to empower farmers with the latest agricultural techniques, ensuring they make the most out of available resources.

Meanwhile, challenges persist in securing the necessary funds for agricultural activities. The current monthly payment plans offered by financial institutions, says Ms. Ighosewe, have proven impractical for farmers who typically experience longer harvest cycles. In light of this, Something Lite advocates for a more flexible and tailored financial approach, one that aligns with the specific timelines of harvest periods. This strategy aims to alleviate the financial burden on farmers and promote a sustainable and equitable partnership.

Logistics also presents a formidable hurdle for smaller companies like Something Lite. Unlike larger corporations, Something Lite cannot afford the constant travel to individual farms to inspect and collect products. To overcome this challenge, the company has implemented a strategic solution by establishing offtake stations. These stations serve as centralized collection points where farmers bring their products, streamlining the logistics process and allowing Something Lite to efficiently transport the agricultural goods to the market.

"If you ask an African business owner, 'what is your biggest nightmare?' they will say logistics, transportation, warehousing and efficiency of supply chain actors. These are the areas of the business where the maximum attention is spent. Investments to address supply chain infrastructural and efficiency gaps will go a long way to improving the competitiveness and investments into the sector."

Vinod Kumar,
DCM-Commercials, Wilmar Rice,
Tanzania

3. Knowledge and Advocacy

The Africa Agribusiness Dealroom held 11 knowledge and advocacy dialogues at the AFS Forum. The dialogues were centered around the key trends and issues emerging from the agriculture investment landscape.

Climate Finance

The climate finance theme included connected sessions running through the week:

- Masterclasses led by CGIAR, SAFIN and UNEP targeted at strengthening the capacity of SMEs to assess their climate risks and articulate their climate positive contributions.
- Private sector round table led by Acumen, that focused on the opportunities and constraints from the perspective of private sector players.
- Public sector round table led by AGRA and CASA, that focused on the big bet pathways needed to accelerate climate adaptation investments in food systems.
- Knowledge session on innovative financing mechanisms for stimulating the uptake of CSA technologies.

Local sourcing in Africa

The sourcing in Africa theme focused on:

- Catalyzing sustainable business action and responsible sourcing
- South-south collaboration to drive investments in food systems with a focus on enabling infrastructure.

Increasing deal flow for SMEs

That included a combination of sessions running through the week:

- Strengthening the SME enabling ecosystem
- Investor roundtable that delved into the challenges and solutions necessary for accelerating deal flow and investments.

The Agribusiness Outlook Report launch

The annual flagship report that brings the perspectives of CEOs in the agribusiness sector, highlighting what keeps them awake, their outlook for the sector and their priorities.

The sessions brought together 75 expert voices and experiences from across the globe and representatives from international private sector, industry captains, governments, investors and financial institutions, SMEs, women, youth and development partners.

3.1 Investor Outlook: Financing Africa's Food Systems

We are working to see how we can unlock climate finance in a blended way – combining both public and private resources. We believe that working through existing commercial financial banks will leave a sustainable input. And in different countries we are trying to see which SMEs have innovative ideas for green business."

Sara Mbago-Bhunu,
Regional Director East and Southern Africa at International Fund for Agricultural Development (IFAD)

INTRODUCTION

The Agribusiness Dealroom organized an Investor Roundtable aimed at better understanding the challenges and opportunities from the investors perspective in serving the "Missing Middle". For this purpose, the Missing Middle was defined to be the financing needs of agri-Small and Medium Enterprises (SMEs) ranging from USD 50k to USD 500k. Through their extensive networks, a carefully selected group of investors and other stakeholders was invited. Priority was given to non-deposit-taking financiers to be able to compare if the drivers behind the challenges are similar to the ones from commercial banks. The roundtable discussed pressing challenges including return expectations, risk mindset, the role of Investment Committee (IC) members, as well as incentive structure challenges (potential grant dependency of SMEs vs. mission drift of funds). A few bold statements were developed as prompts to ensure a lively discussion, which was facilitated by a moderator.

INVESTORS PERSPECTIVE

1. A mismatch between supply and demand

There is a consensus that the lack of financing is not the reason that the missing middle is not being serviced. The main question is what needs to be in place to channel the available funds to reach the agri-SMEs who need funding.

One global funder of funds mentioned that they have over USD 5 billion in grant funding available (e.g., to be potentially used for de-risking facilities) but received not a single proposal from African institutions. They further mentioned that when talking to investors, they say they do not see any bankable projects, while when they talk to project developers, they say they cannot access capital. How do we deploy this capital to the African continent?

2. Need for better coordination

The funds are available but they are not flowing into the African agriculture sector. Furthermore, new investment funds are regularly established, but they remain relatively small with significant overhead costs. All these funds compete for the same handful of investable SMEs, who have a risk profile in line with most financiers' investment criteria. As a result, the investors's impact remains limited. How do we meet the needs of all SMEs? In the sections below, some ideas for solutions are provided.

Sizable funds are sitting idle because of the lack of a strong pipeline. One possible solution would be to merge the fragmented landscape of investment funds into a much larger agribusiness fund, so it is easier for those parties who do have a pipeline with bankable agri-SMEs to find financing. The fund will have to develop different types of financing tailored to the diverse needs of SMEs at different stages of development. Supply and demand side constraints need to be addressed simultaneously.

When speaking of scale, a plea was held to stop thinking that every market or country is unique. Some issues need to be addressed across the continent. “We are fragmenting our own market so much that nothing is moving”. This would be an argument for more uniformity and standardization in investors’ processes.

3. De-risking instruments for non deposit taking financial institutions (NDFI’s)

Deposit taking financial institutions are heavily regulated and limited in the risk they can be exposed to even with blended risk facilities. This gap can be filled by NDFIs such as impact funds, private equity and venture capital, however, these capital providers have smaller agriculture portfolios.

To incentivize NDFI’s in reallocating parts of existing investment portfolios to increase investment in agriculture., structures can be set up to take part of the risk so that lower returns on impact investing are acceptable. Apart from the usual risk-sharing structures, Technical Assistance (TA) can be provided to agri-SMEs as well as capital providers to help lower the risks involved. Capacity is a major challenge, not capital availability.

4. The risk, return, and impact perspective

In straightforward risk management, one benchmarks against other sectors. The double-digit returns, which can be achieved in sectors such as construction, are not realistic in the agricultural sector. Should investors in agriculture look at risk-return differently?

One participant thought that financiers need to take a strategic view of risk management in agriculture, and that means taking on more risk. The feeling was that investors avoided this risk and asked for relatively high securities and/or numerous requirements from agri-SMEs to offset it. There is a need for a more systemic view on financing agriculture and there are examples we can learn from. Vietnam started much later than Africa in crops such as cashews and coffee, but it has now surpassed Africa. A policy perspective needs to be developed, including a long-term view of which commodities need to be scaled up.

5. Role of donors and fund structures

Investors in the agricultural space generally aim for a sustainable business model, balancing between returns and impact, as it is their goal to remain in existence for years to come. With return expectations in the range of 20%, the sector can only be attractive if appropriate donor supported subsidies are in place, instruments like first-loss mechanisms, de-risking structures, or other mechanisms that influence the risk levels making it more attractive to invest. To be successful in creating sustainable returns, investors need to blend the more traditional way of looking at investments with the impact they hope to achieve. Maximize impact with sustainable returns and not maximize returns with some impact.

Secondly, there was a plea for more patient capital and more open-ended vehicles, such as vehicles that can recycle capital. This would give investors the time to find out which structures work and adjust their way of working to incorporate the new lessons learned.

6. Creating an investable pipeline

There was a resounding view on the lack of a strong investable pipeline, where the gaps ranged from agri-SMEs not being investable, others not investment-ready and others lacking transparency and standards.

On the other hand, because most development programs are mission driven and tend to award these SMEs grants, the TA provided tends to be misaligned with the investors’ needs and the grants given create SME-Donor dependency. There are examples of SMEs who say they would rather not opt for a loan as it is also possible to receive a grant. “A grant is preferred as we do not need to repay a grant”.

Recommendations were made to structure capacity building such that it incentivizes SMEs who are ambitious and eager to learn and improve and show that it is possible to become robust and sound businesses ready to handle financing to fuel their growth.

From an investor's point of view, the outcomes of development programs that invest a lot of funds in TA are difficult to assess on their added value by investors. There often is a mismatch between what are the needs of investors and what is delivered. Furthermore, it is not possible to distinguish between good service providers and less successful ones. It is very difficult to benchmark this information. The lack of uniformity in measuring the progress of the SMEs makes it difficult for investors to act. It is not clear if the TA has contributed to developing a bankable pipeline. Defining 'bankability' and introducing uniformity in how we measure would very much help the investors.

From the enabler's point of view the need was expressed to reflect on themselves and why they are not building an effective pipeline of companies.

Overall, developing a strong pipeline of investment opportunities will require a level of standardization in definitions (e.g. what is defined as 'investable') and in advisory services ensuring that TA programs are less mission driven and more structured around the specific gaps of the SME.

7. Financing reforms to incentivize commercial banks

The earlier-mentioned investment funds aim to service a part of the market, but to scale up commercial banks play an important role. In Africa, the role of commercial banks is relatively small. In 2011, only one per cent of the balance sheet of the commercial banks in Africa was invested in agriculture. Now in 2023, it is estimated to be between 3% and 6% (with some exceptions like in Tanzania where it is much higher). There needs to be other incentives (other than impact) to convince the commercial banks to invest more.

Investors also highlighted the need for the central bank review of its definition of 'agriculture'. Agriculture, as defined today is focused on the production side and its attendant risks, this means that actors further upstream the value chain are either classified as manufacturing or are subjected to an erroneous risk base if classified as agriculture. There is a need to review the overall classification and to categorize the central bank risk weighting by sub-sectors.

There are good examples of different structures used to incentivize increased lending to the sector that African markets can borrow from.

a. **Regulatory incentives, example - Tanzania:** A good example of where such incentives have resulted in an increase in the agriculture portfolio is in Tanzania, as was recorded in the AGRA Agribusiness Outlook Report 2023. In Tanzania, the central bank introduced an incentive for commercial banks, where a bank that extends credit to agriculture is eligible for a reduction in SMR amount, equivalent to the loan extended, as long as also, the interest premium on the loan is below 10%.

b. **Democratization of sector information:** Subsidizing the costs of data and information gathering around strategic value chains to reduce the due diligence costs of banks. The banks have costs of looking into SMEs because of the lack of sector information. It is important to see how can we generate information for them to make a well-informed decision.

c. **Liquidity and capital base support for agriculture banks:** Some banks are facing liquidity issues. If the banks receive funds that bridge this gap, these issues can be addressed. First loss structures helped banks to graduate and launch an SME program. The further TA support helped them to complete this process and make it a success. More examples showed that finance alone is not enough. Risk in agriculture is not always understood by commercial banks. Providing grants to commercial banks for first loss together with an integrated TA fund addresses this problem.

8. Investors and their Investment Committee (IC) members

For investors, their IC members must understand the continent and the experience of financing SMEs. Some investors choose their IC members to sit on boards of SMEs (making sure to avoid all possible conflicts of interest) to have a feel of the struggles SMEs have. Another option is to blend the IC team with people who have other expertise (e.g. NGOs) and have added value to structuring the financing of SMEs. This can help bridge the gap between the parties providing the TA services and those who provide financing (see earlier mentioned mismatch between supply and demand). This setup can also help to point the management teams of the SMEs in the right direction for further professionalization.

Often the perception is that investors do not have people on the ground, but this is not always the case. Many investors have their 'boots on the ground'. This does not however always address the issue that it is expensive to evaluate agri-SMEs. Adding transparency and uniformity on how to measure robustness and progress could help reduce the cost of small ticket sizes.

An idea to scale up was to promote the top-performing investment analysts so they start their own vehicles themselves a few years down the road. This would lead to more vehicles that could handle smaller ticket sizes and that could help solve the financing gaps for the missing middle 10 years from now.

9. Systems level change

Finally, a few ideas were shared for large-scale solutions. According to the participants, there are many potential solutions shared and many innovations tested, but coordination is lacking. Currently, the market is too fragmented. Information is not being shared resulting in duplication in some cases and limited scale in other cases due to the fragmented approach.

Some solutions suggested include:

a. **An African agriculture depository** that includes ideas, data, and information so we understand the different actors, where they are and how they can engage. There is a need for more collaboration and sharing of instruments and information. A more integrated view is needed.

b. **A Pan-African equity exchange for SMEs.** It would help the market choose the SMEs that can scale up. Also, an equity exchange for SMEs would help the many investors who are struggling to realize exits. The current markets are not intermediating the capital flow in the way that is needed.

CONCLUSIONS

Funding is not the problem; it needs to be channelled.

Donors and their partners need to avoid creating donor dependency

The supply and demand side need to be addressed at the same time to bridge the gap

Creating a pipeline of bankable SMEs is the biggest challenge. There are too few investment -ready organizations

TA needs to be provided to SMEs, as well as banks

TA to SMEs needs to be more result-driven, transparent, benchmarked, and uniform

Return on financing agriculture is lower, and therefore structures to share risk are needed.

Impact doesn't only need to be translated into SDGs.

Commercial banks can help scale up, but they need to be incentivized.

Develop larger markets and exchanges. Financiers and SMEs need to be able to find each other more easily.

Governments need to be part of the solution

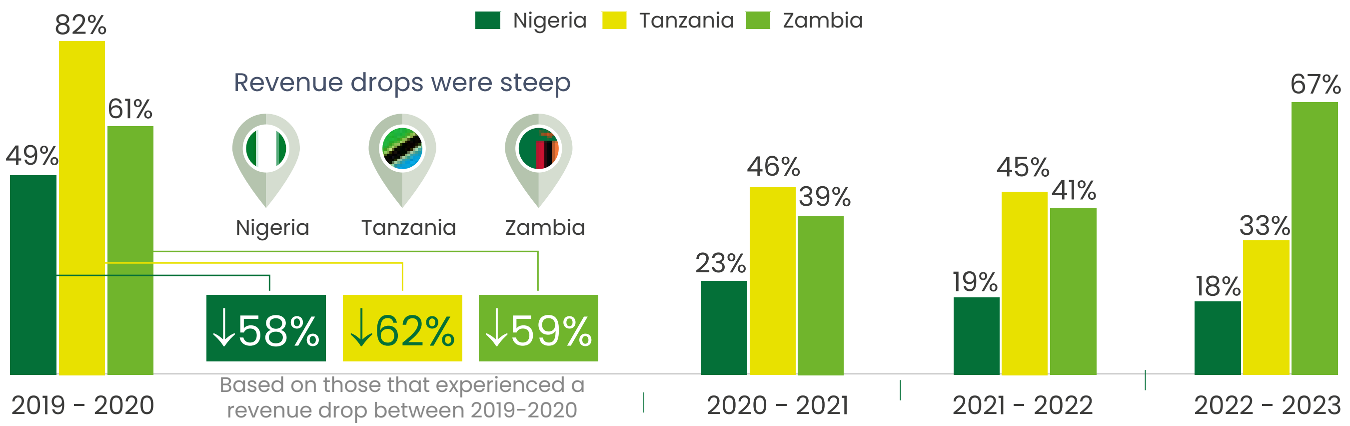
FROM CRISIS TO OPPORTUNITY

The 2023 Agribusiness

The Triple Crisis has been hard hitting on Agribusiness, with CEOs reporting revenue declines

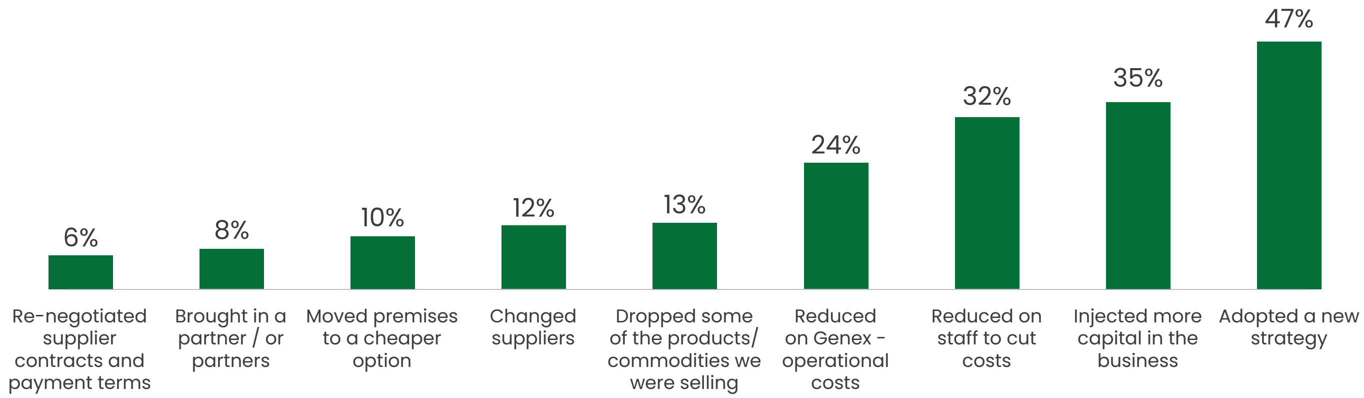
POSITIVE OUTLOOK AS AGRIBUSINESSES RECOVER

% of SMEs claiming a revenue drop year on year



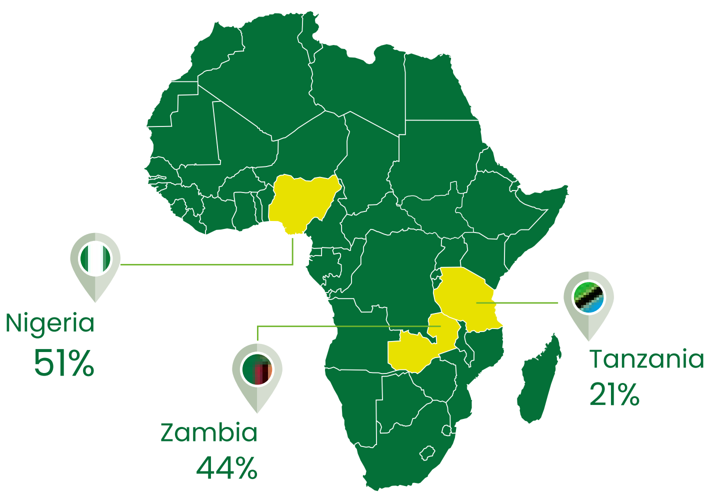
CEOS TAKE ACTION TO SURVIVE

Agribusinesses rejected costly finance options in the market, with only 15% taking on commercial capital and the rest sourcing from friends, family and their business savings



GOVERNMENTS SUPPORT BUSINESS SURVIVAL

CEOs are positive with an upward recovery outlook



Tax rebates: E.g. in Nigeria, The Economic Stimulus Bill 2020 provided 50% tax rebates to registered businesses.

Input import substitution and input subsidies: E.g. the scaling up local fertilizer manufacturing, and robust investments in irrigation, and seeds production particularly to mitigate the impacts of climate change.

Export liberalization: E.g. in Tanzania, imports and exports were freed which helped reduce the local market slump at the beginning of Covid-19, where the price of maize and rice dropped significantly (Nyange & Kongola, 2020).

Financial interventions: E.g. Specialized financial products developed by the government of Tanzania resulted in an interest rate drop from around 20% to 9%; The Bank of Zambia's Facility to prompt agribusiness loan relief during Covid 19.

Policy to incentivize local sourcing: E.g. in Zambia the government directed all Chain Stores such a Shoprite and Pick N Pay to prioritize local agricultural produce.

SMES PRIORITIZED THEIR SUPPORT NEEDS

Priority 1

Affordable credit

Capital injection was seen as a major strategy that agribusinesses used to survive and it continues to be core to business operation with less than 15% taking on commercial credit finance over the last 3 years due to the cost of credit.

Priority 2

Business enabling environment

CEOs prioritized an enabling business environment with better policies, reduced regulatory costs and bureaucracies and government support/ protection against globally driven constraints – fuel costs and currency devaluations.

Priority 3

Farmer Support

Agribusinesses have direct interaction with farmers through sourcing, therefore farmer's productivity have a direct impact on the agribusiness performance and CEOs asked for more focused, tailored, and concerted investment and support to improve quality and quantity of produce at the farmer level.

Priority 4

Market transparency & information

The provision of market information to highlight market shortages and gluts and the reduction of government intermediation on price subsidies that distort market dynamics is vital for mitigating risks for losses and driving better profitability for SMEs.

Priority 5

Improved warehousing systems

Better managed storage facilities with sufficient space, full capacity, safe and secure, running effectively and affordable was necessary for enhancing product quality, reducing post-harvest and production losses and also serves as collateral for a loan.

CALL TO ACTION

Agribusinesses remain positive in their outlook for the sector

CEO's adopted pivotal strategies to remain resilient, these included injecting additional capital into their businesses, reorganization, and redeployment of human capital and in some cases relocation of their businesses. What this critical middle need is concerted effort by the ecosystem to build resilience not just of the businesses but the entire supply chain.

Next level interventions to reduce the cost of commercial capital

The strongest call from agribusiness continues to be finance, in particular the cost of the finance. There has been progress made in improving access to finance through several blended facilities and capacity building of businesses to improve the bankability of agribusinesses. But agribusinesses opted not to access the finance due to its high cost unless there are incentives discounting the strategic minimum reserve requirements of commercial banks that are lending to the sector to drive higher uptake, an example from Tanzania.

Policy review and new incentives targeted at agribusinesses

Reflection from the agribusinesses demonstrated that the most effective actions taken by governments were in reducing the cost of doing business through tax reductions and tax incentives. However, agribusinesses are still facing high operation costs driven by fuel prices and low profit margins driven by currency devaluations and would benefit from improvements in the areas of the less formal nontariff barriers that increased the cost of business and in strengthening cross-border regulation and facilitation to allow for export trade

Strengthen agribusiness capacity as a service provider to the smallholder farmer

The relationship between agribusinesses and smallholder farmers is critical and benefits each both ways. Strengthening the capacity of the agribusiness as a service provider to the farmer should be prioritized as they are most invested in the success of the farmer due to the interdependent relationship.

Improved supply chain infrastructure

In supporting the cost efficiency of agribusiness, CEOs prioritized improvements in warehousing. A strong call was made to improve both the hard infrastructure (providing greater storage capacity through construction of warehouses and cold storage houses) and the soft infrastructure (warehouse management systems including finance and quality standards, so they work at full capacity, run efficiently, are secure and facilitating the use of stored product for loan collateral).

Leveraging technology to improve market dynamics

As opportunities continue to emerge for expansion of trade markets through the Africa Continental Free Trade Area and Export Processing Zones, agribusinesses require stronger market visibility systems. Some of the CEO's suggestions included establishment of more digital marketplaces for market expansion, end to end supply chain digital platforms for visibility, e-Finance as a way to reduce cost of transactions, digital extension to improve farmer productivity amongst others.

AGRA Factsheet 2023 | **Source:** Ipsos Africa Center for Development Research and Evaluation

3.3 Climate Finance

> **“Climate finance needs to come off the sidelines and help smallholder farmers to deal with the climate crisis and food insecurity.”**
>
> **Ann Vaughn ,**
> The Senior Policy Advisor for Climate and Agriculture, USAID

3.3.1 Message on Climate Action

Addressing climate change requires substantial financial investments, with a particular emphasis on providing robust support to countries, particularly in Africa, which accounted for nine of 10 worst affected countries in 2020. The costs associated with implementing effective climate change solutions are considerable, necessitating a concerted effort from the international community to ensure the success of both adaptation and mitigation strategies. This financial support is especially critical for African nations, as they often face unique and heightened vulnerabilities due to a combination of geographical, socioeconomic, and environmental factors. Across different discussions in the 2023 Agribusiness Dealroom emphasis was placed on sustained and substantial climate finance to enhance Africa's resilience and capacity to adapt to the adverse impacts of climate change, such as extreme weather events, rising sea levels, and changing agricultural patterns. Additionally, investing in mitigation efforts was defined as crucial to curb the further escalation of greenhouse gas emissions. The following key messages stood out in relation to climate finance:

Accelerated and innovative fund raising

There is a critical and urgent need for increased financial commitment to address climate change and its impacts. Innovative financing solutions and mechanisms are also required to attract investments towards sustainable and climate-resilient initiatives.

Prioritization of the worst affected

A just transition is required ensuring that climate finance benefits vulnerable communities, like those in Africa and promotes social and environmental equity. Additionally, there is a need to balance investments between climate adaptation and mitigation efforts to address both current and future challenges.

Partnerships and collaboration

Global collaboration is required among governments, businesses, and financial institutions to mobilize sufficient resources for climate-related projects.

Private sector leadership

The private sector has a central role to play in driving climate finance, encouraging businesses to integrate sustainability into their strategies, and promoting investments in green technologies.

Transparency and accountability

It is imperative to address the concerns related to the perceived risks in climate finance making it more attractive for investors. Additionally, transparency and accountability in the use of climate funds are critical to building trust among stakeholders and ensuring effective implementation of projects.

Monitoring and evaluation

It is important to measure the impact of climate finance investments, using clear metrics and benchmarks to assess progress and demonstrate positive outcomes.

Enabling policy environment

Supportive policies at national and international levels are required to create an enabling environment for climate finance, including incentives and regulatory frameworks.

> “We want to encourage the private sector especially in adaptation and sometimes we have brilliant ideas, but it is really about how you measure the impact and how you make the case that’s the difficult part.”
>
> **Zhen Qu ,**
> Programme Manager, UNEP

3.3.2 Africa’s Climate Positive Innovations

The Agribusiness Dealroom partnered with Climate Policy Initiative and the ClimateShot Investor Coalition (CLIC) to identify, support and prepare a pipeline of climate positive innovations. CLIC’s Agrifood Investment Connector identified and supported 8 SMEs to assess their climate and nature impacts, incorporate climate impact information in their business narratives and facilitate engagement with investors and other strategic partners.

The 8 companies supported interacted with investors throughout the 5 days of AFS Foum, with over 30 meetings occurring on-site. Over 43 individuals requested copies of the pitch decks after the showcase event which was also attended by online participants.

All 8 SMEs received investor interest and had follow up meetings with Africa-focused VCs, venture debt providers, international impact investors and government grantors (e.g. the UNFCCC Adaptation Fund) etc. Some emerging/consistent threads of feedback from investors and SMEs include:

- Many early-stage investors do not have a specific climate mandate while later stage or larger investors such as DFIs with climate mandates often look for later stage, larger investment opportunities.
- Early stage growth SMEs need patient working capital e.g. to roll-out of credit services or climate smart farm equipment to farmers which requires time to educate the farmers and gain traction. Some loans available are too costly (e.g. 40% IRR for a local currency loan), or too short-term (<1 year).

Lessons from the pre-work at the AFS Forum and recommendations on what needs to be done and by whom to develop a strong African pipeline:

- Guarantees to gain access to local currency loans at affordable rates, or grants to absorb losses from currency fluctuations.
- Stronger co-investment relationships among funders to increase speed of investment, also reducing time businesses spend on going through due diligence.
- More blended finance instruments like the Catalyst Resilience Fund that are willing to take risks in earlier-stage (post-revenue, pre-profit) agribusinesses.
- More efficient mechanisms to fund farmer transition and subsidize crop insurance through agribusinesses instead of existing methods e.g. through local government.
- Climate and nature impact assessment is gathering more interest among the investment community but implementing a robust Impact Measurement and Management system is challenging and costly for small agribusinesses – support is needed to develop methods, systems and efficient data collection.

CLIC continues to work with the 8 SMEs to support their climate impact assessment work and investor/strategic partner engagement and will be expanding during 2024-2027 to support additional agribusinesses across Africa, Asia and LAC.

4. The 2022-2023 year-round Africa Agribusiness Dealroom

As a year-round platform, the Africa Agribusiness Dealroom climaxes at the AFS Forum as it kicks off activities for the next year. This year, the Dealroom will continue to drive the momentum building on commitments made in unlocking increased investments, tackling climate action, driving increased local sourcing and building resilient, sustainable and inclusive food systems. The Africa Agribusiness Dealroom partners will support the activities below throughout the year:

Investment mobilization

- Profiling and matchmaking of SMEs to investors and BDS providers
- SME capacity building on investor readiness
- Development of a climate focused track for investments
- Monitoring and reporting on deal sourcing and deal closure
- Live SME pitch sessions and investor networking sessions

Policy advocacy for investment enabling environment

- Building on the dialogues at the AFS forum, work closely with partners to cascade the agricultural financial policy reform dialogue to the country level and support stakeholder engagement
- Through the year, collate and document bottlenecks constraining finance and investment flows, feeding these back to partners and advocacy players to inform design of support programs at a country and continental level

Building sustainable and inclusive value chains

- Support dialogues around priority value chains
- Facilitation of partnerships in priority value chains
- Year-round matchmaking between value chain actors

Supporting committed governments to unlock investments into flagship projects

- Support to investor ready governments to promote opportunities to domestic and international strategic partners and investors
- Support governments in the strengthening of the soft infrastructure including developing investment prospectus, investor criteria, investment portals
- Strengthen policy feedback through national investor and private sector roundtables

5. Annexes

5.1 2023 Agribusiness Dealroom Secretariat

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Jennifer Baarn
Steve Lee Mwichigi
Cheng Cheng
DJ Forza
Dianah Muhabi
Stella Massawe
Bernardo Sousa
Gideon Laux
Wojtek Dubelaar
Brenda Wandera
Marise Blom
Kathyrn James
Vanesa Adams

5.2 Agribusiness Dealroom partners

Dealroom Co-Chairs

AGRA | IFAD | USAID

Technical Partners

AFSF | ACELI AFRICA | AECF | ACUMEN | AICCRA | ALLIANCE BIOVERSITY & CIAT | CABI | CLIC | CGIAR | The Global Alliance for Improved Nutrition (GAIN) | GENERATION AFRICA | HEIFER INTERNATIONAL | IDH | INTERNATIONAL FINANCE CORPORATION | THE ROCKEFELLER FOUNDATION | UK-AID | AFDB

Implementing Partners

ADVANCE CONSULTING | AFRICAN MANAGEMENT INSTITUTE | SCOPE INSIGHTS

5.3 The AFS Forum secretariat

Pathe Sene
Catherine Ndung'u
Ann Muthoni
Nadine Umuhooza

The AGRA Delivery Team

Appreciation is extended to AGRA Country and expert teams.

5.4 Africa Agribusiness Dealroom 2023 Session Material

If you missed any of the engaging sessions at the 2023 Dealroom or would like to revisit a session that interested you, please find all the session recordings HERE

The Africa Agribusiness Dealroom is one of ten thematic platforms of the AFS Forum. The partners' platform is co-chaired by AGRA, USAID, and IFAD, while the Partners Management Support for the Africa Agribusiness Dealroom is managed by AGRA on behalf of two dozen partners, bringing together complementary capabilities, resources, and networks to the Summit and year-round platform.

- If you are a development organization, investor or financial institution and would like to become a strategic partner of the Africa Agribusiness Dealroom, please email us on **dealroom@agra.org**
- If you are an entrepreneur looking for investors, please download the enterprise profile template here and email it to **dealroom@agra.org.**
- If you are a government institution, the Africa Agribusiness Dealroom is designed to help you attract new investors and engage with key stakeholders in line with your country's investment climate. For further information please email us on **dealroom@agra.org**

5.6 About ASF Forum

The ASF Forum was first held in 2006 as the African Green Revolution Conference (AGRC) and hosted by Yara International ASA in Norway. The conference moved to Africa in 2010, championed by the former UN Secretary General, Kofi Annan, who oversaw its transition to an African identity. The Forum now consists of an annual event combined with thematic platforms and activities throughout the year to ensure continuous progress over time. Rwanda is the second country, after Ghana, to host the event twice, having successfully hosted the 2018 edition. Consequently, Rwanda will host the event in alternate years, having been named the home of the AGRF seat. Other AFS Forum's member countries will host the Forum in the years between. In its current format, the AFS Forum is organized by the AFS Forum's Partners Group, a coalition of institutions that care about Africa's agricultural transformation.

5.7 About AGRA

Established in 2006, AGRA is an African-led, Africa-based and farmer-centered institution working to place smallholder farmers at the center of the continent's growing economy by transforming their farming from a solitary struggle to survive, into a business that thrives. Working in collaboration with our partners, among them; African governments, researchers, development partners, the private sector and civil society AGRA's work primarily focuses on smallholder farmers – men and women who typically cultivate staple crops on two hectares of land or less. AGRA has learned a lot from past efforts during its first decade and is now recognized across the continent as a strong voice for African rural development, a prosperous agricultural economy, and for supporting thousands of small African businesses and millions of African families to improve agriculture, enhance food security and improve their livelihoods. For more information, visit www.agra.org , https://agrf.org/dealroom Facebook, LinkedIn and YouTube

5.8 AGRA's unique agriculture alliance

The Partnership for Inclusive Agricultural Transformation in Africa (PIATA) is a unique strategic alliance launched in 2017, that enables African agriculture actors to do business differently as they support leaders to drive an inclusive agricultural transformation. The innovative partnership drives integrated delivery within agro-economic zones and across value chains, as well as enhancing in-country coordination to leverage wider investments and deliberate engagement with the private sector to build sustainable systems that will transition agriculture from subsistence into a business that works. PIATA members include the Bill & Melinda Gates Foundation, the Rockefeller Foundation and the United States Agency for International Development (USAID) with the Alliance for a Green Revolution in Africa (AGRA) as the implementing partner through its alliance of partners. The UK Foreign, Commonwealth & Development Office (FCDO) recently joined the partnership and brings greater focus on regional food markets and food trade through policy predictability and market systems development. The Federal Ministry of Economic Cooperation and Development, BMZ, is currently a non-voting member and a resource partner, co-financing AGRA's strategy in Burkina Faso and Ghana.

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