

Activating the Agri-SME Finance Market

LEARNING FROM 2020-2025



Executive Summary

2020-2025 HEADLINE RESULTS

55

LENDERS

5,576

LOANS

\$79k

AVG. LOAN SIZE

\$440M

IN LENDING TO SMEs

63%

FIRST-TIME
BORROWERS

10x

LEVERAGE

2.3M

FARMERS &
WORKERS

5

COUNTRIES
Kenya, Rwanda, Tanzania,
Uganda, Zambia

Across Africa, the agriculture sector has the potential to improve livelihoods for millions of farmers and workers, increase local supply of affordable and nutritious foods, and build productive and resilient food systems. In the context of tight fiscal budgets and shrinking foreign assistance, an urgent question facing African policymakers and international donors is: **how to unlock private capital to bridge the agricultural finance gap and drive inclusive economic growth?**¹

Aceli launched in Q3 2020 to activate a competitive lending market for small- and medium-enterprises (SMEs) that form the backbone of a thriving agriculture sector. The premise of Aceli's approach is that capital will not flow at scale to agricultural SMEs – or other high-impact, underserved sectors – until both the real and perceived risk-return barriers are addressed.

At the design stage, Aceli gathered [data](#) on the economics of agri-SME lending, **revealing two major barriers. First, risk:** the typical 50% guarantee structure offered by many government and development actors is not enough on its own to increase lender risk appetite.² **Second, return:** lending to agriculture entails higher operating costs and lower profitability than other sectors. Previous efforts to bridge the agri-finance gap have been partial and fragmented because they neither quantified the risk-return shortfall at a market level nor compensated financial institutions adequately to create a compelling business case for sustained investment.

To overcome these barriers, Aceli designed [financial incentives](#) that share in the risk, defray the high transaction costs, and reward lenders for serving high-impact agricultural SMEs. Aceli pools together public and philanthropic funding to provide incentives for 55 lenders in five countries. Every \$1 of financial incentives mobilizes \$10 in private capital. By bringing the business case for agri-SME lending into alignment with the impact case for livelihoods, inclusion, and resilient food systems, these incentives and complementary capacity building are catalyzing four interrelated market shifts:

Market Shift #1: African financial institutions are now deploying private capital in local currency to a market they previously overlooked: agri-SMEs at the lower end of the “missing middle” that are too large for microfinance but beyond the reach of development finance institutions and impact investors. Over the past five years, 45 African-domiciled lenders have utilized Aceli's incentives, accounting for 96% of the 5,576 loans (compared to a pre-launch target of 10 African lenders originating 50% of the 1,500 projected loans with international impact investors accounting for the balance). The Regional Advisor for Inclusive Economic Development at the Swiss Agency for Development Cooperation notes: *“In the current geopolitical landscape, one new frontier is for donors to leverage more local funding, and Aceli is doing exactly that by working with local financial institutions and mobilizing their investment for high-impact agri-SMEs.”*

Market Shift #2: Incentives have sparked broader changes in institutional mindset, strategy, and practice. From a status quo of lender risk aversion towards agriculture, Aceli's incentives – calibrated to the risk-return barriers quantified in our data – are generating a positive cycle of improved lender profitability, increased human resource and capital allocation, portfolio growth, and re-investment. In a survey of Aceli's lending partners, 88% report increased buy-in for agricultural

¹ ISF Advisors 2025: [The agricultural finance gap across Africa is estimated at \\$78 billion.](#)

² Benni, N. 2021. [Impact evaluation of credit guarantee schemes in agriculture. Methodology and guidelines.](#) Rome, FAO.

lending from senior leadership, 61% are allocating more capital to agriculture, and 71% of lenders are capturing more sector data to guide business decisions. The Head of Business Banking for Zambian National Commercial Bank (ZANACO) put it this way: *"Aceli's first loss cover and origination incentives address challenges that we'd observed with existing products in the market. Agri- and SME lending were kind of in the doldrums. Our partnership with Aceli is reinvigorating our efforts in agriculture to rethink what's possible."*

Market Shift #3: Beyond portfolio growth, commercial lenders are re-orienting to high-impact, underserved agri-SME market segments such as first-time borrowers in food crop value chains and women and youth entrepreneurs. For example, from a base of just three agri-SME loans in 2023, I&M Bank Kenya financed 194 agri-SMEs in 2025, with 95% of the loans going to first-time borrowers, 37% to women-owned businesses, and 32% to youth-owned businesses. I&M's Head of Client Services reports: *"Since meeting Aceli, we have stopped doing things conventionally...We are now using a specialized sales force to find new customers that meet the impact areas Aceli has defined: women, youth, food, and nutrition."*

Market Shift #4: Activating lenders with financial incentives has created a "pull" for capacity building that, in turn, motivates deeper investment in sustained agri-lending. Harmonizing incentives with capacity building for both lenders and SMEs is gaining traction, where many "push" strategies offering capacity building alone have struggled. Reflecting on what differentiates Aceli from other access to finance initiatives, the Chief Relationship Officer for Opportunity Bank in Uganda observes: *"We have had so many guarantees and capacity building activations, but the one with Aceli has never been matched because it co-created products with us. It walked the journey with us and helped us see the agriculture sector that we were taking for granted. And, most importantly, it motivated us."*

The shifts described above flow from the trust Aceli has garnered by co-creating with lenders at the design stage, accompanying their activation, and adjusting our offering to their evolving needs. Over the past year, Aceli has extended this co-creation approach to identify and begin addressing regulatory barriers to agri-lending (e.g., recognition of loan guarantees by the Central Bank) in collaboration with industry associations, policymakers, and other stakeholders at the country level. These efforts lay the groundwork for deeper integration into national development plans going forward.

Looking ahead

Over the next five years, Aceli will scale up in our five focus countries to mobilize **\$2B in financing for 20,000 SMEs** that, in turn, provide market access and employment for **5M farmers and workers**. Beyond scale, we will continue to extend our reach to underserved segments, particularly first-time borrowers, women and youth entrepreneurs, arid and remote regions, and nutrition and climate-adaptive investments. We will also actively disseminate data and learning to advance sector learning in the five countries where we work and beyond.

As individual lenders and entire market segments begin to mature and our pool of loan data expands, we are recalibrating incentives for lenders further up the learning curve and adjusting incentive design more broadly. Within five years, we expect that every **\$1 of incentives will lead to \$15 in lending** to high-impact agri-SMEs. From a value for money perspective, this represents a 50% increase from the past five years and is well above the 4x benchmark for blended finance models globally.³

Just as higher-income countries continue to subsidize lending to agriculture given the risk-return challenges and the sector's importance to national security, we expect that some ongoing incentives will be required in the emerging economies where Aceli works. However, donors cannot be expected to foot the bill indefinitely, so Aceli is engaging policymakers at the country level to align our private sector model with national development plans.

Our endgame is a competitive and inclusive local agri-finance market underpinned by strong enabling policies (both fiscal and regulatory) that progressively replace the need for donor funding. When capital flows at scale, the the agriculture sector can realize its full potential to generate prosperity and nourish a growing population.

³ In 2023, Convergence published a [brief](#) that found an average leverage ratio of 4x from a review of 340 blended finance transactions across all sectors globally.

CALL TO ACTION

To advance the next phase of building the agri-SME lending market, we call on:



LOCAL FINANCIAL INSTITUTIONS to embrace the business opportunities when agriculture is appropriately de-risked and elevate the sector as a strategic growth priority for both human and capital investment.



DONORS & DEVELOPMENT FINANCE INSTITUTIONS to support a phased transition to strong enabling policies (both regulatory reforms and fiscal allocations) at the country level through funding approaches that facilitates uptake by national governments.



AFRICAN POLICYMAKERS to accelerate the pace of change by addressing regulatory barriers and allocating resources to models that have a track record of mobilizing private capital to advance national objectives for livelihoods, inclusion, food systems, and economic growth.

Overview of results

Over the past five years, Aceli has demonstrated a data-driven model for mobilizing private capital and steering it to high-impact and underserved parts of the agri-SME market. Uptake by commercial lenders has far exceeded expectations for both the number of lending partners and the number of loans. Notably, African-domiciled lenders have driven the vast majority of this activity with a high share of loans going to first-time borrowers (63%) and SMEs operating in food crop value chains (71%). Lending to women- and youth-owned businesses, which are accessing first-time finance at even higher rates, has spiked over the past three years after we lowered our minimum loan size from \$25k to \$10k. With smaller loans requiring relatively higher incentives to overcome the risk-return barriers that have deterred agri-SME lending in the past, we have chosen to trade-off higher additionality for less capital mobilized and a lower capital leverage ratio than projected.

Notwithstanding these tradeoffs, Aceli's leverage ratio of 10x is more than double the global benchmark of 4x for blended finance models.⁴ Overall, SMEs accessing Aceli-supported loans have collectively purchased \$1.6B in crops from 2.3M smallholder farmers.

Figure 2. Aceli's pre-launch projections vs. year-end 2025 actuals

Metric	Projected	Actuals	Variance
Number of lenders	20	55	+35 lenders
Number of loans	1,500	5,576	+4,076 loans / 372% of projected
Average loan size	\$400k	\$79k	20% of projected
Capital mobilized	\$600M	\$440M	73% of projected
Leverage ratio (capital mobilized / incentives)	15x	10x	63% of projected
Total SME revenues	\$2B	\$3.2B	+\$1.2B
SME crop purchases from farmers	\$1B	\$1.6B	+\$600M
% of loans to first-time borrowers	35%	63%	+2,986 loans / 667% of projected
Farmers & workers (% women)	1.1M (40%)	2.3M (47%)	+1.2M farmers & workers (+660k women)

⁴ *Ibid*

Accompanying materials. This report is complemented by more in-depth pieces in the following areas:

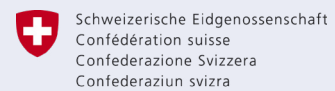
- ✦ The third installment in our [Gender Learning Brief](#) series on expanding economic opportunities for women entrepreneurs, farmers, and workers.
- ✦ A new [case study](#) by [Value for Women](#) on the results from Aceli-supported advisory for Family Bank in Kenya to design and launch its Queen Banking strategy targeting women entrepreneurs.
- ✦ [Technical Assistance Learning Brief](#) on building a more sustainable market for addressing capital demand-side challenges to SME finance.
- ✦ [SME Impact Report](#) with enterprise- and household-level findings from surveys conducted by our partner [60 Decibels](#) across 656 SMEs receiving Aceli-supported loans and 6,154 farmers affiliated with a subset of these SMEs.
- ✦ **Two videos** profiling how [Tanzania Commercial Bank](#) and the equipment leasing company [EFTA](#) have drawn upon Aceli incentives to extend their agriculture portfolios to new loan products serving youth entrepreneurs and food crops in remote regions.

Readers who are not already familiar with Aceli are also invited to read the overview of Aceli’s [approach](#) and previous learning and financial benchmarking [reports](#).

FUNDING PARTNERS

We would like to recognize our funders whose flexible support has enabled Aceli to evolve our product offering in response to changing market dynamics and to focus on the highest impact and hardest-to-reach market segments.

ANCHOR FUNDERS



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Market Shift #1: Mobilizing private capital from African banks

“In the current geopolitical landscape, one new frontier is for donors to leverage more local funding, and Aceli is doing exactly that by working with local financial institutions and mobilizing their investment for high-impact agri-SMEs.”

– Regional Advisor, Inclusive Economic Development, Swiss Agency for Development Cooperation

Aceli’s most significant achievement over the past five years has been to **activate a marketplace of locally domiciled financial institutions**, primarily commercial banks, that are increasingly competing to serve agricultural SMEs. This was not quite what we set out to do. Anchored in the experience of international lenders that are members of the [Council on Smallholder Agricultural Finance \(CSAF\)](#), Aceli originally planned to partner with 20 lenders and provide incentives for 1,500 loans totaling \$600M from 2020-25. Given African banks’ historic reluctance to finance agri-SMEs, we aimed for at least half of the lenders to be domiciled in Africa, but even getting to 10 felt like a stretch goal pre-launch. This section details how African banks have engaged in much higher numbers and greater depth than expected and the cascading effects on loan size, additionality, capital mobilized, leverage ratio, and enterprise reach.

The profile of Aceli’s lending partners has skewed to African financial institutions. To date, 55 lenders have accessed incentives, with African-domiciled lenders accounting for 45 or 82% of Aceli’s partners by number and 96% by number of loans. Participation ranges from larger national and Pan-African banking groups to up-and-coming national banks and non-bank financial institutions offering specialized products such as equipment leasing. In mid-2025, Aceli began working with three Savings & Credit Cooperatives (SACCOs) that offer more flexible loan terms to a less-served customer base. Looking ahead, we expect to engage more SACCOs and are exploring other channels (e.g., fintechs, microfinance institutions, equipment distributors, and other value chain actors) to reach excluded parts of the agri-SME market.

Locally domiciled lenders are well-positioned to reach underserved market segments. With their access to deposits and growing branch networks, locally domiciled lenders have capital in local currency and the cost structure to serve the vast number of smaller SMEs operating in food

crop value chains far from capital cities. Aceli’s lending partners collectively have over 2,200 physical branches across our five focus countries; 14 local banks each have at least 50 branches in their country of operation. By comparison, international funds typically serve multiple countries from a single regional office and focus on larger loan sizes required for their operating economics, while digital lenders focus on smaller ticket sizes below Aceli’s range. Distance from the nearest branch is a leading driver of the elevated costs to serve agri-SMEs, and those costs are falling as lenders extend their footprint to smaller towns from which they can serve remote production zones. This reach by local lenders has translated into substantially higher loan volume (5,576 actual vs. 1,500 projected) at a much lower loan size (\$79k vs. \$400k) than projected. It has also meant a higher share of loans going to food crop value chains (71% actual vs. 50% targeted), even as Aceli continues to support export value chains such as coffee, macadamia, and tea, and larger loans up to \$1.75M.

Lenders are improving access to finance for first-time borrowers (i.e., high additionality). Lenders are serving a significantly higher share of SMEs accessing their first loan of \$25k or more (63%) than originally targeted (35%). The percentage of loans going to first-time borrowers has remained steady over the past few years, even as lenders have increased their overall number of loans – a lead indicator of continued portfolio growth. As discussed in the

Figure 3. Aceli-supported loans: Actual vs. Projected

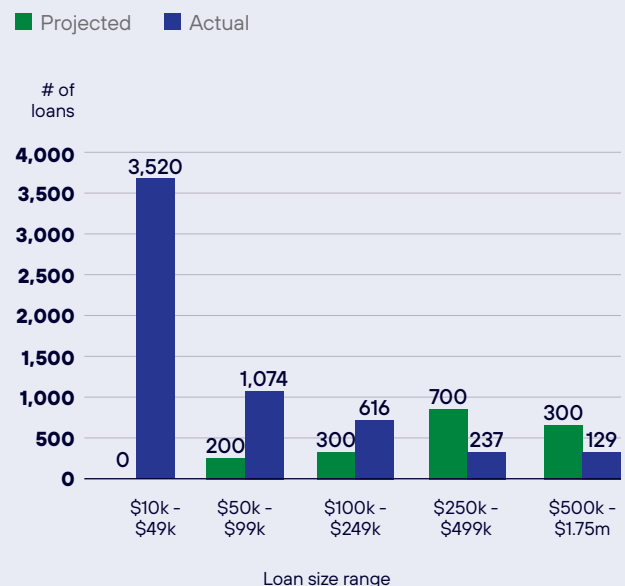
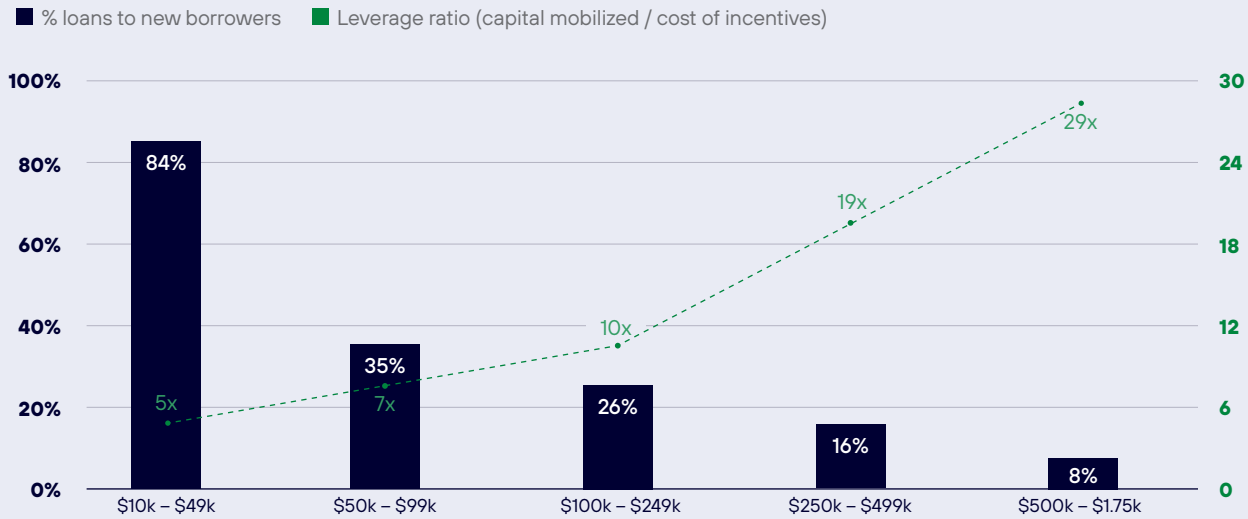


Figure 4. Percentage of loans to new borrowers and capital leverage ratio by loan size



next section and accompanying case studies, lenders are utilizing incentives to adapt their product offering, diversify to new value chains, extend to more remote geographies, and target more women- and youth-owned businesses. Notably, loans to new borrowers are performing almost as well as loans to returning borrowers (non-performing loans at 90 days of 5.1% vs. 4.6%, respectively). By offering higher incentives for loans to new borrowers, Aceli helps lenders overcome their perception that these SMEs are significantly higher risk to serve. Once SMEs access their first loan, they are both increasing topline revenues (+25% on average) and accessing larger loans in the second cycle (+21%). The [SME Impact Report](#) drawing on surveys of 656 SMEs indicates that businesses accessing Aceli-supported loans are increasing revenues (85% of SMEs), improving operations (94%), and employing more workers (75%).

Capital mobilized and leverage ratio are inversely related to additionality. As smaller loans to first-time borrowers receive relatively higher incentives, the total capital mobilized (\$440M actual vs. \$600M projected) and leverage ratio (10x v. 15x) are well below what we originally envisioned even as they are more than double the Convergence global benchmark of 4x (note: Aceli’s leverage ratio is calculated as capital mobilized / cost of incentives). These figures underscore the tradeoffs inherent in agri-SME lending and many other markets where both profitability and the capital leverage of blended finance approaches decline at smaller ticket sizes, where additionality tends to be higher (see Figure 4). Recognizing

this opportunity to extend our reach to less-served market segments where additionality is greatest, we decided to lower our minimum loan size from \$25k to \$15k in 2023 and further to \$10k in 2025. Crucially, Aceli’s funding partners endorsed this shift even though it meant falling short of our original capital mobilization and leverage projections.

The agri-SMEs accessing Aceli-supported loans are generating significant economic impact on farmers and workers. The average SME receiving an Aceli-supported loan employs 14 full-time workers, provides market access for 401 smallholder farmers, and has annual revenues of \$578k - *i.e.*, these are not micro-enterprises. Furthermore, **total crop purchases from farmers are in excess of \$1.6 billion.** Beyond these output metrics, results from a survey by 60 Decibels finds that, of 6,154 farmers affiliated with SMEs receiving Aceli-supported loans, 90% report improved farm practices and 75% report accessing services (e.g., markets, storage facilities, quality inputs) for the first time. From a smaller sample of 991 farmers, 69% report an increase in income.



THE CASE FOR INVESTING IN SMALLER AGRI-SMEs

Development economists often debate the merit of policies that focus on large versus small firms in terms of job creation and economic activity. While there is substantial unmet need across the full spectrum of loan sizes Aceli supports (\$10k-\$1.75M), we believe that more donor funding and enabling policies should be targeted to SMEs with revenues of \$25k-\$1M, typically requiring financing of \$10k-\$250k.

As an example, Aceli-supported loans in the \$10k-\$49k range go to SMEs with average annual revenues of \$262k that provide market access and employment for an average of 109 farmers and workers. Because lenders are issuing a much higher volume of smaller loans, SMEs in the \$10k-\$49k loan segment collectively generated more than twice as much revenue (\$921M vs. \$433M) and purchased 86% more crops from farmers (\$442M vs. \$237M) than SMEs receiving loans in the \$500k-\$1.75M range. Notably, the smaller loans are also performing better than the larger ones (non-performing loans of 3.7% vs. 4.6%, respectively), and SMEs in the smaller loan segment are growing topline revenues much faster (55% vs. 21%), albeit from a smaller base. These findings do not take away from the needs and opportunity for impact with larger SMEs but rather highlight the massive development impact of supporting smaller SMEs that are beyond the reach of international development finance institutions and impact investors.

Figure 5. Aggregated impact metrics by loan size range (2020-25)

Loan range	\$10k – \$49k	\$50k – \$99k	\$100k – \$249k	\$250k – \$499k	\$500k – \$1.75M	Total
# of loans	3,520	1,074	616	237	129	5,576
Avg # of farmers & workers per SME	107	262	961	2,305	4,012	415
Total # of farmers	349k	265k	577k	537k	507k	2.2M
Total # of workers	28k	17k	15k	9k	10k	78k
Avg revenue per SME	\$262k	\$656k	\$1.1M	\$2.0M	\$3.4M	\$578k
Total revenue	\$921M	\$705M	\$695M	\$470M	\$433M	\$3.2B
Total purchases from farmer suppliers	\$442M	\$349M	\$331M	\$239M	\$237M	\$1.6B
% non-performing loans by value (5-year weighted avg)	3.7%	5.2%	6.4%	3.4%	4.6%	4.8%

Market Shift #2: Changing lender mindsets and behavior

“As a lender, you want to jump from the plane, but you don’t have a parachute. With Aceli, you jump because you have a parachute.”

– Head of Agri Retail, NMB Bank (Tanzania)

Financial incentives provide the impetus for African banks to lend more in agriculture. However, incentives can only be an effective catalyst when there is a threshold level of institutional commitment to agricultural lending. For this reason, Aceli expects lenders to take the first steps themselves; we target lenders that are already doing some amount of agri-SME lending and express an interest in doing more. Whether a lender has a nascent capacity level in agriculture or has already established an agriculture department and begun developing specialized expertise, incentives can accelerate the process of transitioning from agri-SME lending as a “negative feedback loop” to a “positive activation cycle.”

The negative loop is characterized by three reinforcing drivers:

- ✦ **Agri-lending has been less profitable both in perception and reality than alternatives.**
Lending profitability is a function of interest and

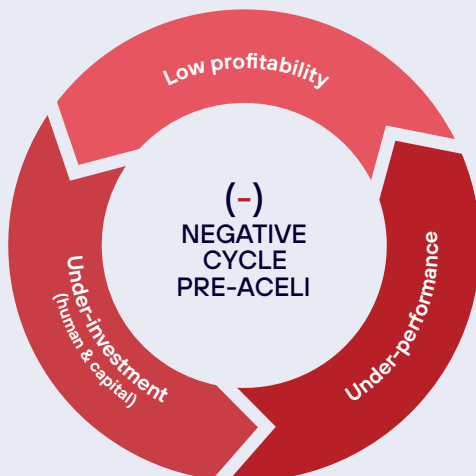
fee revenue minus cost of risk, operating costs, and cost of capital. Revenue for agri-SME loans is modest, especially for smaller loan amounts, while all three cost drivers are elevated for agriculture compared to other sectors. Aceli’s data confirms that agriculture is riskier than other sectors (though many lenders have an inflated perception of risk beyond the real level, partly because they have not previously classified and tracked agricultural loans). Transaction costs are also higher since the sector requires specialized expertise and products and also because of the travel time to remote rural areas. For commercial banks, agriculture does not attract the same level of deposits as other business lines (e.g., consumer lending), so agri-loans are internally charged a higher cost of capital.

- ✦ **Lenders, therefore, under-invest in agriculture both in terms of capital and expertise.** Treasury departments within commercial banks place low caps on funding for the sector, while the credit department imposes a conservative risk appetite. The majority of Aceli’s lending partners either had no dedicated agribusiness manager or a manager with few, if any, specialist staff when we first engaged them.
- ✦ **The absence of an agriculture strategy, financial products tailored to seasonal cash flows, and**

Figure 6. Addressing economic barriers to activate agri-SME lending

Pre-Aceli: Economic barriers to agri-SME lending

Elevated risk and high transaction costs deter agricultural lending



With Aceli’s financial incentives

Incentives absorb risk and defray costs so lenders invest in agriculture



specialized staff yields poor results. Prior to engaging Aceli, most lenders were either issuing only a few agricultural loans or operating within a narrow niche (e.g., 1-2 more formal value chains such as coffee, tea, or tobacco). Most lenders also required fixed assets as collateral, which can work in urban areas with titled land and financing for equipment, but is not well-suited to rural settings or working capital loans where traditional collateral may not be available.

Where there is at least some degree of senior-level commitment within an institution to do more agri-lending, incentives can shift this negative loop to a positive activation cycle where:

✦ **Aceli's incentives make agri-SME lending more profitable.** Aceli's portfolio first-loss cover absorbs incremental risk as lenders expand to new borrower segments. This, in turn, enables lenders to build larger and more diversified portfolios where they can understand and assess risk in a more nuanced way. Often, lenders see that they previously held an inflated understanding of risk that was blinding them to attractive opportunities. For example, the Head of Client Services of I&M Bank Kenya stated, *"Agriculture is now becoming a growth priority for the bank, because we have seen that despite the initial risk perception that we had, when the lending is done right, actually the impairment is contained."*

✦ **As the lending economics improve, lenders allocate more resources to serve agriculture.** In the past, many lenders offered an off-the-shelf SME loan product (i.e., 12-month loan with even monthly payments) that was not well-suited to seasonal cash flow cycle for many crops. Aceli's incentives and data on loan performance across the region are the impetus for lenders to allocate the staff resources to develop a sector-specific strategy, adapt their product offering, modify their policies to accept alternative forms of collateral (e.g., warehouse receipts), and target new value chains.

- These shifts in lenders' financial product offering and diversification to new value chains are encapsulated in this quote from the Chief Relationship Officer of Opportunity Bank Uganda: *"Origination incentives have allowed us to cover more geographic areas, look at cash flow rather than traditional collateral, and enter new value chains like vanilla."*

- Origination incentives defraying transaction costs are encouraging lenders to extend their geographic reach as well. A third case study details the experience of the Tanzanian non-bank equipment leasing company EFTA that responded to Aceli's incentives by more than doubling its footprint from 8 to 19 offices. EFTA previously only served customers within a two-hour radius from each office, but with origination incentives defraying travel costs, loan officers are now authorized to travel up to four hours into the countryside. In practical terms, **EFTA has increased its geographic coverage from 45% of the country to 80%**. One customer, a 27-year-old farmer located several hours from one of the new branches, is profiled in a [new video](#). Using a tractor financed by EFTA, he was able to increase production on his farm from 60 to 360 bags of rice. He also offers tractor services to his neighbors, and demand has been so high that he repaid his first loan in just two months and now owns three tractors.

✦ **Focused agri-lending strategies and outreach drive portfolio growth & re-investment.** The EFTA example above and BK and I&M examples below highlight how lenders are reinvesting their incentive earnings to add agri specialists at both head office and branch levels. Most lenders are also investing in training branch staff on priority value chains and how to identify new customers that are aligned with Aceli's incentives. In addition to these investments in human capital, several commercial banks have increased their capital allocation to agriculture.



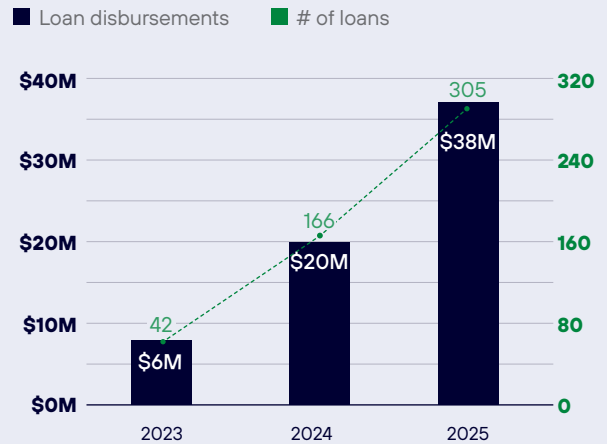
BANK OF KIGALI: AN ILLUSTRATION OF LENDER ACTIVATION



The experience of Bank of Kigali over a three-year period illustrates how lenders are growing their portfolios and re-investing in increased staff capacity and outreach to new geographies and value chains. Our Year 3 Learning Report featured Bank of Kigali (BK) at an emerging stage after it issued 42 agri-SME loans totaling \$6M in 2023, its first full year in the incentives program.

In 2024-25, BK issued 263 loans totaling \$32M while diversifying from almost exclusively financing coffee and tea to primarily financing food crops. BK's geographic expansion in its agri-lending from just 19% of the country to 97% was fueled by its decisions to reinvest origination incentives in growing its team of agri-specialists from 3 to 21 and purchasing two vehicles to reach remote areas.

Figure 7. Bank of Kigali agri-SME lending growth (cumulative figures)



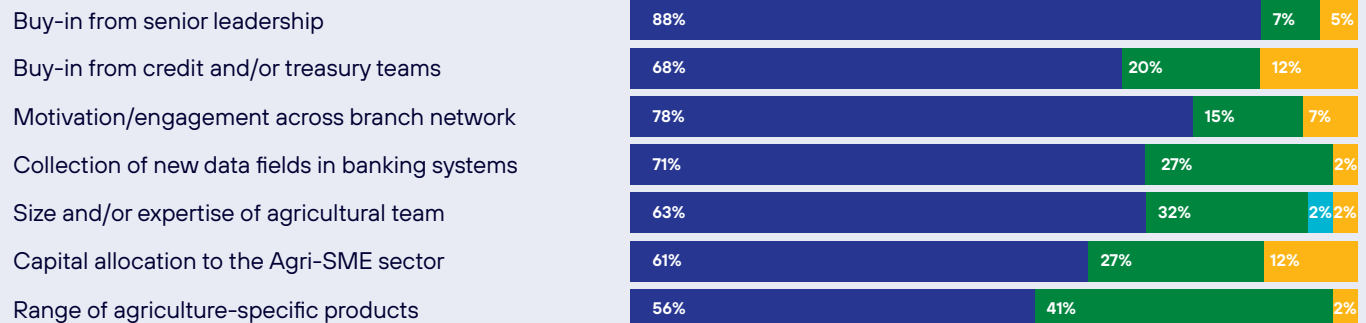
Year	Jan 2023	Dec 2025
Staff	3	21
Share of districts covered	19%	97%
Value chain diversification	Mostly coffee & tea	73% food crops

Figure 8 presents data across 41 lenders that have participated in Aceli's incentives program for at least one year. Buy-in from senior leadership, credit risk, and treasury teams are lead indicators for institutional changes that progressively flow through operations in the form of data gathering, product offering, staff expertise, capital allocation, and branch activation.

Figure 8. Changes in lender commitment and capacity to serve agriculture

How have the following dimensions changed in your organization since joining the Aceli program?

Legend: ■ Increased ■ Remained the same ■ Decreased ■ Not applicable



% of lenders; n=41 lenders that participated in the 2025 lender survey

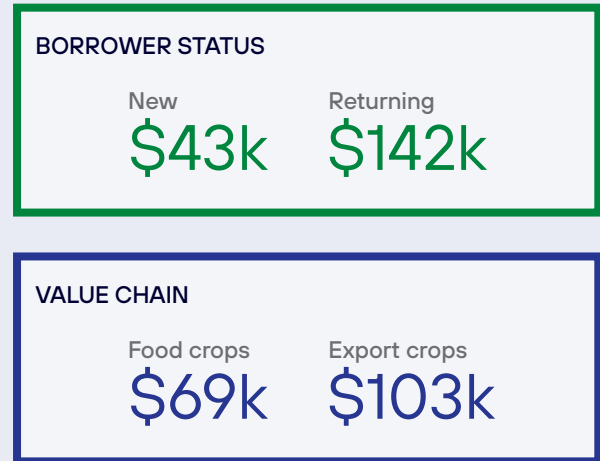
⁵ Note: Prior to joining Aceli's incentives program at the end of 2022, BK did not classify agricultural loans in ways that are directly comparable with the data shown in Figure 7

Market Shift #3: Re-orienting commercial lenders to high-impact, underserved market segments

The changes to lender commitment and capacity presented in the previous section translate into increased outreach to high-impact but underserved market segments, as highlighted in [Figure 10](#). We are also seeing both progress and opportunities to reinforce these trends further through capacity building to support more “impact-intentional” strategies.

Lender outreach to new borrowers headlines broader shifts towards underserved market segments. Aceli’s incentives are twice as high for loans to new borrowers⁶ as returning borrowers to motivate lenders to seek out underserved agri-SMEs. Lenders’ self-reported changes indicate that this weighting is achieving its intended result. At the top of the list, 88% of lenders are actively targeting new borrowers, demonstrating that lenders are willing to extend their reach when incentives mitigate the incremental cost and risk. Increased lender outreach to new borrowers – typically at smaller loan sizes and with fewer titled assets to pledge as collateral – is a recurring theme in the examples of geographic and

Figure 9. Average loan size by borrower profile

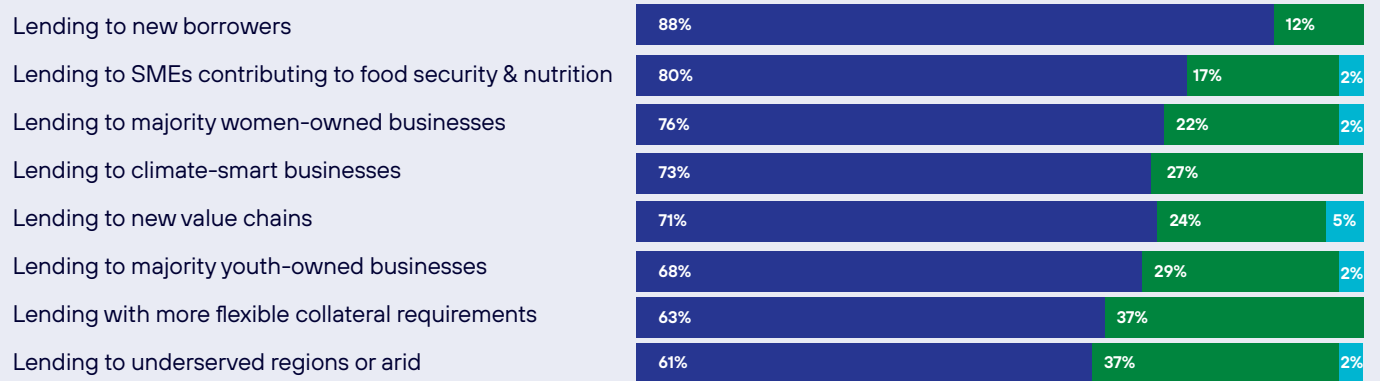


industry diversification presented in [Market Shift #2](#) (BK and EFTA). Lenders are also increasing their financing for both primary production and processing of nutritious foods and developing targeted strategies to serve women and youth entrepreneurs as described below.

Figure 10. Lender outreach to underserved market segments

How has your organization changed on the following dimensions over the past year?

■ Increased ■ Remained the same ■ Decreased ■ Not applicable



% of lenders; n=41 lenders that participated in the 2025 lender survey

⁶ Aceli defines a new borrower as an agri-SME receiving its first loan of \$25k or more from any formal source of financing in the past three years.

Figure 11.1. Food security loans

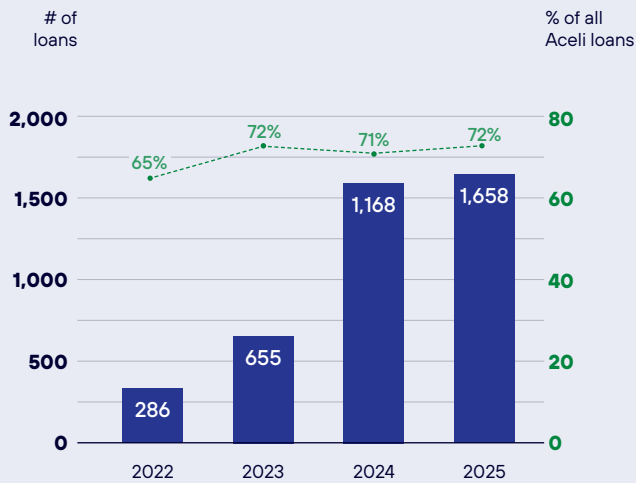
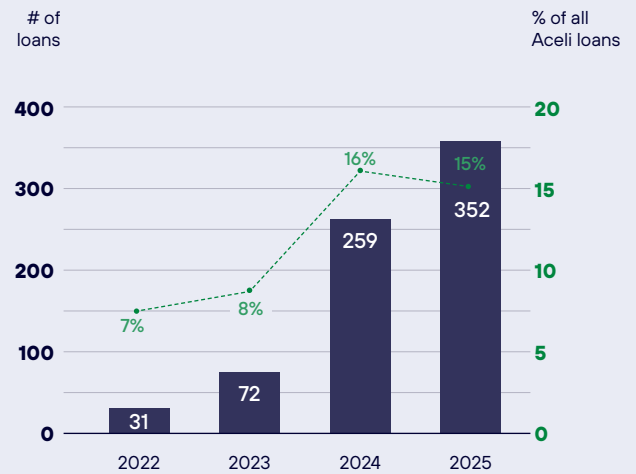


Figure 11.2. Nutrition loans



FOOD SECURITY & NUTRITION

Industry diversification is driving consistently high levels of lending for food crops and a growing share of lending for nutrition. As lenders diversify from export crops such as coffee and tea, they are targeting food crop value chains. The drivers of diversification vary by lender and country and include both business case reasons (large unmet demand for financing in food crops and resilience of these value chains during the COVID pandemic) and impact case (pressure from national governments to reduce reliance on food imports and finance the large number of farmers producing staples). [Figure 7](#) illustrates how Bank of Kigali shifted from almost entirely coffee and tea to 73% food crops while scaling up overall volume. Over the past five years, Family Bank in Kenya has had an even more extreme shift from 90% tea to 79% food crops while **quadrupling** their agri-lending portfolio overall (see more detail in the diversification case study. For the past four years, the share of all Aceli-supported loans qualifying for our food security impact bonus - which rewards inputs, production, post-harvest handling, and processing of food crops for human consumption in Africa - has consistently hovered around 70%, well above our target of 50%. (See criteria for Aceli’s impact bonuses here.)

Beyond lending to food crop SMEs, Aceli introduced an impact bonus specifically focused on nutrition, a subset of food crops defined as nutrient-dense, contributing

to a diverse and healthy diet for African consumers. Examples include legumes, leafy greens, dairy, poultry, and nutrient-fortified porridges (as opposed to unfortified maize or rice). Since then, the number of loans meeting the nutrition standard has increased 10x and more than doubled as a share of total loans, with some lenders explicitly responding to Aceli’s impact bonus (see I&M Kenya example below). At the same time, the increase in nutrition loans is largely a by-product of lenders’ diversification to value chains that meet nutrition criteria rather than lenders taking a “nutrition-intentional” strategy. In 2024-25, Aceli contributed to an industry initiative led by the Global Alliance for Improved Nutrition to define and disseminate nutrition investment standards that align with our nutrition impact bonus criteria. Growing awareness of these standards and learning from Aceli’s forthcoming nutrition impact brief will contribute to more focused lender strategies and increased activity going forward.

WOMEN & YOUTH

Aided by Aceli’s incentive adjustments, lenders are increasingly targeting women and youth entrepreneurs.

In 2022, only 8% of Aceli-supported loans went to women-owned SMEs (though more than half met gender inclusion criteria on the basis of women’s employment and/or crop purchases from women farmers). An even lower share of loans, just 3%, went to youth-owned SMEs. To address these low levels of lending, which are indicative of deeply entrenched barriers across the East African market for women and youth entrepreneurs to access finance, Aceli made two adjustments to our incentive design. First, we developed an impact bonus to elevate youth inclusion alongside impact bonuses for women, food security & nutrition, and climate & environment. As we could not find an established benchmark in the market, we developed a [new standard](#) informed by the [2x criteria](#) for gender. Next, we lowered the minimum loan size from \$25k first to \$15k and then to \$10k specifically for businesses that are majority-owned by women or youth.



HELLO TRACTOR EXAMPLE

The regional tractor leasing company Hello Tractor has used incentives to waive down payments for women entrepreneurs as part of a targeted outreach strategy to increase its portfolio to 50% women. It is now applying the same approach to target youth, who often face similar challenges as women in making a cash down payment.

These changes have dramatically increased the share of Aceli-supported loans going to women and youth entrepreneurs to 26% and 22%, respectively, while the number of loans has skyrocketed 16x and 34x. This uptick is partly a result of meeting lenders where they are already active, but the expanded overlap with their target loan size range also encourages lenders to take proactive steps. As reflected in the lender responses in [Figure 10](#) and overall volume growth in Figure 12, the vast majority of lenders are increasing their lending to women- and youth-owned businesses, with many integrating Aceli’s impact bonuses into their outreach strategies and product offering. Complementary efforts, such as technical assistance for women-owned SMEs (discussed further in [Market Shift #4](#)) and gender-lens advisory from Aceli’s long-time partner, [Value for Women \(VfW\)](#), have also amplified lenders’ interest and helped them adapt their product, marketing,

and outreach strategies. A new [case study](#) by VfW details the results from its Aceli-funded advisory engagement with Family Bank to design and rollout a Queen Banking product, which has increased deposits from women customers by 39% and grown the bank’s lending to women entrepreneurs in the agriculture sector by 150% in two years.

Figure 12.1. Women-owned businesses

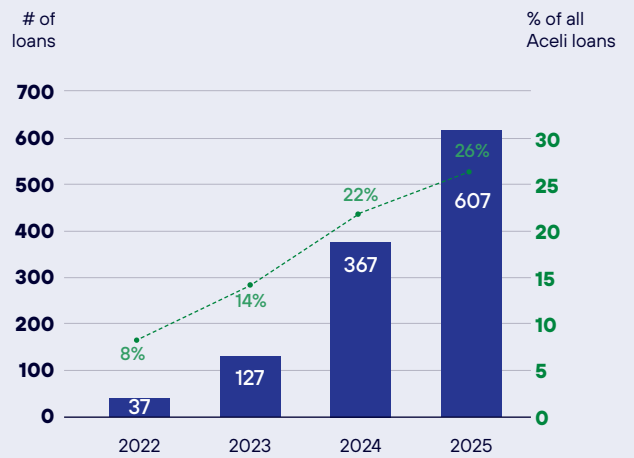
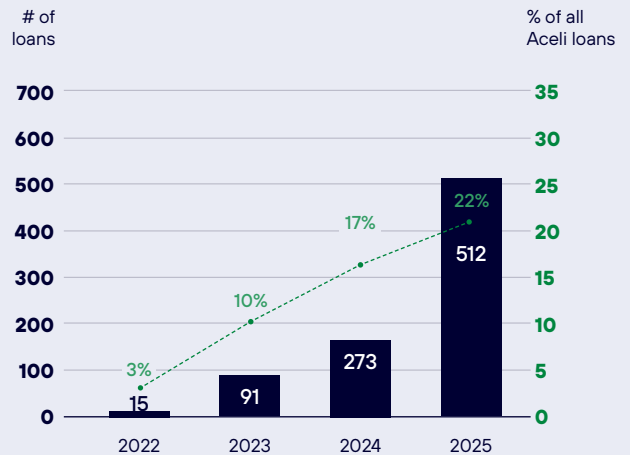


Figure 12.2. Youth-owned businesses





STEERING COMMERCIAL BANKS TO HIGH-IMPACT MARKET SEGMENTS



Two examples illustrate how commercial banks at different stages of activation are orienting towards impact in response to incentives:

Example 1. I&M Bank in Kenya is a 50-year-old institution that historically focused on corporate lending. Three years ago, it decided to target the SME segment as part of an ambitious growth strategy that included a focus on agriculture. The bank hired an agribusiness manager but did not have any other staff with agricultural expertise. Since then, the bank has issued 255 agri-SME loans totaling \$8M and re-invested the origination incentives it has earned into expanding its agri team to 13 people, including nine sales staff based at the branch level.

Most notably, I&M has reduced its collateral requirements and raised the ceiling for unsecured loans from KES 5M (~\$39k) to KES 10M (~\$78k). This flexibility has allowed it to reach a large number of new borrowers (an extraordinary 95% of the 194 loans issued in 2025), with the majority (72%) unsecured and a large share going to women and youth entrepreneurs (37% and 32%, respectively).

The bank’s average agri-SME loan size of \$25k in 2025 is indicative of how far it has come from its corporate roots. I&M’s Head of Client Services reports: *“Since meeting Aceli, we have stopped doing things conventionally... We are now using a specialized sales force to find new customers that meet the impact areas Aceli has defined: women, youth, food, and nutrition.”*

Example 2. NMB Bank is one of the two largest banks in Tanzania and it already had a sizable agricultural portfolio when it joined Aceli’s incentives program in 2022. However, much of its agri-lending was concentrated in the tobacco value chain (where Aceli has an exclusion) and at larger loan sizes. Because of NMB’s established portfolio, we limited our incentives with NMB only to new borrowers where additionality is greatest. Over the past three years, NMB’s share of loans going to women-owned businesses has increased from 18% to 28%, and to youth-owned businesses from 14% to 33%. The average loan size from a sample of 116 SMEs returning for their second loan increased by 38% while SME revenues grew 35% in the year following their first loan.

These results underscore the importance of incentives in facilitating first-time access and the growth opportunities available to SMEs that perform well. They are particularly notable since NMB did not receive incentives for the second round of loans. NMB’s experience highlights how a targeted application of incentives has achieved significant shifts in practice by a more established lender that did not require the full set of incentives offered to lenders at a nascent stage. Learning from NMB’s utilization of Aceli’s targeted incentives has informed the design of the incentive adjustments that will take effect for all of our lending partners in 2026 (discussed further in the [Looking Ahead section](#)).

Figure 13. Evolution of agri-SME lending by I&M Bank Kenya

Year	2023	2024	2025
# of loans	3	58	194
Total loan amount	\$269k	3.1M	\$4.7M
Average loan size	\$90k	\$53k	\$24k
% new borrowers	33%	66%	95%
% unsecured loans	0%	22%	72%
% loans to women-owned SMEs	0%	17%	37%
% loans to youth-owned SMEs	0%	24%	32%
# of agri staff	1	6	13

Figure 14. Comparing loan metrics by ownership

Ownership	Women	Youth	Men 35+	W & Y vs. M 35+
Average loan size	\$49k	\$36k	\$95k	Smaller loan size
% of new borrowers	77%	79%	56%	Higher additionality
Non-performing loans (overall)	3.3%	2.5%	4.6%	Lower risk
NPLs (\$10k - \$49k)	3.0%	2.9%	3.2%	Slight lower risk
Incentives leverage ratio	7.0	6.0	10.5	Lower leverage

By weighting incentives to first-time borrowers and offering additional impact bonuses, Aceli aims to motivate lenders to seek out and serve businesses that would not otherwise be attractive to them based on real and perceived costs and risks. In the case of lending to both women- and youth-owned businesses, perceived risk is elevated as these businesses are, on average, smaller and have fewer formal assets to pledge as collateral. Notwithstanding these common perceptions, **the average non-performing loan (NPL)⁷ rate across Aceli-supported loans over the past three years is lower for both women-owned businesses (3.3%) and youth-owned businesses (just 2.5%) compared to businesses owned by men aged 35+ (5.0%).** The differences narrow for loans in the same \$10k-\$49k range, but women and youth still perform slightly better than men 35+. While the sample size and time period are not yet sufficient to draw firm conclusions, this loan performance data suggests there may be a **compelling business case for lending to women- and youth-owned agri-SMEs** in addition to the well-recognized impact case.

Aceli's [2026 Gender Learning Brief](#) discusses in greater detail the emerging business case for serving women-owned agri-SMEs across risk, cost to serve, cost of capital, and portfolio growth opportunity. As shown in Figure 14, a significantly higher share of women and youth entrepreneurs accessing loans are first-time borrowers

compared to men aged 35+. At the same time, the smaller average loan size for both women- and youth-owned businesses means that origination incentives have a continued role to play in steering capital to these enterprises, and the capital leverage ratio for these loans is lower than for larger loans owned by men 35+. This is a good example of the direct tradeoff between additionality and cost, and where support from donors enabled Aceli to prioritize impact over higher leverage ratios.

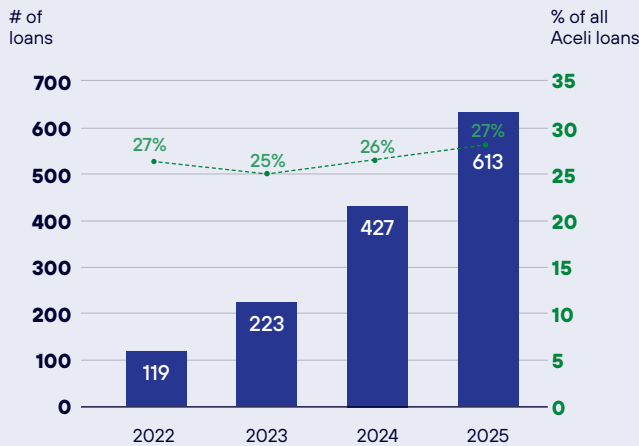


SECTOR EVIDENCE PRIORITY

Although there is substantial data on higher loan repayment rates by women compared to men in the microfinance sector, we are not aware of any other loan performance data globally for any sector that is either sex- or age-disaggregated for the SME range targeted by Aceli. We call on practitioners and researchers to build upon this evidence base for loan performance at the SME level by ownership type and to translate these insights into concrete strategies for proactively serving women and youth entrepreneurs.

⁷ Aceli tracks NPLs at 30, 60, 90, 180, and 360 days. Given the seasonal nature of agriculture and sensitivities to weather-related factors (e.g., delays in the rainy season), we reference NPLs at 90 days as the most relevant metric (though the findings do not materially change at 30 days).

Figure 15. Loans to SMEs with climate-resilient practices (2022-25)



CLIMATE & ENVIRONMENT

Lenders are just beginning to develop capabilities related to managing and mitigating climate risk.

Whereas most lenders are now approaching women and increasingly youth entrepreneurs as opportunities to grow their portfolios, shifting and more extreme weather lead to elevated risk and cost. Many lenders struggle to assess environmental-related risks of non-performance (e.g., exposure to extreme weather) and negative externalities (e.g., deforestation, pollution). Managing these risks requires developing and implementing enhanced due diligence and loan monitoring. Aceli is working with many of our lending partners to build this capacity, but it will take time for lender economics and capacity to change given the business case is either nascent or highly technical for many technologies and practices.

On the incentives side, Aceli’s impact bonus for Climate & Environment rewards loans for agronomic practices that regenerate degraded soils, conserve water, protect forests and biodiversity, and convert animal waste into organic fertilizer or food by-products into animal feed. A broader set of practices that strengthen resilience to extreme weather include use of drought-resistant seed, solar-powered irrigation or processing equipment, and crop insurance. Figure 15 shows that there is a growing number and consistent share of loans to agri-SMEs with climate-resilient practices. As discussed further below, climate resilience is an area where further capacity building is needed for both lenders and SMEs.

Aceli has been sensitizing lenders to climate and environment-related risks and impact through our impact bonus and related training since our launch. In 2025, we partnered with Frankfurt School of Finance & Management and KPMG on a pilot to support Ugandan lenders in incorporating climate into both their loan underwriting practices and risk management practices. In 2026, we are extending this offering to other countries with the goal of increasing financing for climate-adaptive technologies, such as solar-powered irrigation and cold chain storage.

We are encouraged that lending to agri-SMEs with climate-resilient practices is the metric where lenders reported the largest improvement from 2024 (53% of the 30 lenders reporting) to 2025 (73% of the 41 lenders reporting). Following the climate advisory pilot in Uganda, it is notable that 100% of Ugandan lenders reported an increase compared to 65% of lenders across the other four countries.

As illustrated by the examples above from across the various impact areas, there has been tangible progress in orienting commercial lenders to high-impact and underserved market segments. In aggregate across the market, lenders are farthest along in embracing the business case for serving women-owned businesses. Given similarities in business size and asset ownership, many of the same strategies for serving women entrepreneurs can also be applied to youth. Alongside continued incentives, expanded capacity building for lenders and broader awareness about risk and loan performance from Aceli’s market-level data are needed to strengthen the business case for sustained financing across youth, nutrition, and climate and environment.

Market Shift #4: Creating a “pull” for capacity building

“We have had so many initiatives, guarantees, and advisory activations, but the one with Aceli has never been matched because it co-created products with us. It walked the journey with us and helped us see the agriculture sector that we were taking for granted. And, most importantly, it motivated us.”

– Chief Relationship Officer, Opportunity Bank Uganda

The changes to lender commitment and capacity presented in the previous section translate into increased outreach to high-impact but underserved market segments, as highlighted in [Figure 9](#). We are also seeing both progress and opportunities to reinforce these trends further through capacity building to support more “impact-intentional” strategies.

It will not be possible to bridge the agri-SME financing gap without addressing capacity needs on both capital supply- and demand-sides of the market. We have discussed above how lenders are adapting their product offering and expertise to agriculture in general and high-impact, underserved segments specifically. On the demand side, SMEs must have the capacity to prepare loan documentation, project their cash flows, and manage increasing size and complexity in their businesses. While both sets of needs have been long-recognized, efforts to address them in ways that successfully bridge capital supply and demand have had limited success.

Over the past five years, there have been dramatic differences in how lenders engage with capacity building that are linked to their overall level of activation in agriculture. This comes back to the activation cycle presented in [Figure 6](#): when the real and perceived economic barriers to agri-lending are addressed, financial institutions are motivated to engage. Complementary solutions like capacity building that previously were of little interest can be much more effective in this context. However, if the underlying economic barriers to profitable lending (whether for agri-SMEs or other sectors) are not addressed, lenders often respond to capacity building with indifference, and the results are limited. While some progress is possible by offering financial incentives alone or in combination with TA on either the capital supply or

demand sides, bridging the financing gap will happen fastest and at the greatest scale by harmonizing all three.

Thus, incentives are serving as the entry point for much deeper engagement with lenders in a multi-faceted transformation journey.⁸

From “push” to “pull” in capacity building for SMEs.

Aceli’s experience with technical assistance for SMEs is illustrative of how incentives have positively shifted the enabling conditions for demand-side interventions. In retrospect, we can distinguish three phases of our TA offering that track lender activation:

- ✦ **2020-22: Resorting to a push strategy.** During the design stage, we recognized the importance of expanding addressable demand in parallel with stimulating capital supply through the incentives. At launch, Aceli offered pre-investment TA focused on business planning and financial management to cohorts of 30-40 agri-SMEs. We aimed to fill most of the TA slots with enterprises referred by lenders on the assumption that lenders had a pipeline of prospective borrowers that required additional support before they could qualify for a loan. But lenders simply were not interested in engaging so we resorted to a “push” strategy. We recruited SMEs through industry associations like the Kenya Private Sector Alliance, Tanzania Horticultural Association, and Uganda Women Entrepreneurs Association Limited. When SMEs graduated from the six-month program, the vast majority reported improvements in business planning and financial management, but only a few succeeded in accessing finance. Like so many other TA programs, we struggled to generate a pull from lenders.
- ✦ **2023-24: Matchmaking (“many to many”).** By the third full year of offering incentives, some of the more activated lenders began making referrals to the TA program and attended graduation events where SMEs gave their financing pitches. This led to several matches with loans going to first-time borrowers, such as a woman-owned maize processor in Kenya that, with access to finance, was able to expand production volume and add new product lines, including nutrient-fortified porridges. However, matches from this “many to many” model remained limited as graduating SMEs did not necessarily align with the strategy or risk appetite of any one lender and, when they did, they had to begin the loan documentation process from scratch. In short, the TA program helped lenders identify some

⁸ Note: As context for the order of magnitude of Aceli’s capacity building program relative to incentives, we allocated ~\$15M to incentives in 2025 compared to \$1.5M for technical assistance overall, with this budget split roughly evenly between TA for SMEs and for lenders.



GROWING DEMAND FOR LENDER CAPACITY BUILDING

On the capital supply side, Aceli’s lender capacity building is delivered in partnership with specialist service providers and calibrated to each lender’s development stage. Lenders that are newer to agricultural lending and/or newer to Aceli are invited to participate in cohort-based training designed as an introduction to impact areas such as gender or climate. As lenders demonstrate their motivation to expand their agricultural portfolios, they become eligible for more comprehensive capacity building on a cost-share basis.

Lender-specific engagements, typically structured over a 12-24 month period, are often when lenders accelerate through the activation cycle and emerge with the capabilities to scale up their agri-lending. The process typically entails first developing a sector-specific strategy for agriculture, including priority value chains, and building a core team of agri specialists at head office. With this foundation in place, lenders develop tailored loan products (e.g., warehouse receipts, cash-flow based lending) and strengthen origination capacity at the branch level. Amidst competing institutional interests, lender buy-in to capacity building across key departments, particularly credit risk alongside the business banking, is significantly enhanced by Aceli’s quarterly incentive payments.

prospective borrowers, but then SMEs still needed to go through the full loan underwriting process.

- ✦ **Beginning in 2025: An emerging pull from lenders (“one-to-many”).** At the end of the fourth year of accessing incentives, one of the more active lenders, Family Bank in Kenya, requested that Aceli design a TA program exclusively for agri-SMEs in its pipeline. The bank identified 25 women-owned SMEs that had been customers of the bank but were not yet borrowers. Aceli and our TA partner, [Ronalds LLP](#), then offered a four-month program with Family Bank, guiding the content to ensure SMEs would be prepared to meet the bank’s loan requirements. By the end of the program, 19 of the SMEs had compiled the documentation required to qualify for a loan, the bank had already approved \$434k in financing for seven SMEs (relative to TA delivery costs of \$89k), and it was reviewing proposals of \$1.5M from an additional eight. This “one to many” approach involved the lender at every stage to ensure that the SMEs selected and the content delivery were aligned to the target outcome (see [2026 Technical Assistance Learning Brief](#) for more detail on this example and learning from Aceli’s TA offering more broadly).

also generates an offshoot cycle of increased lender engagement in pre-investment TA programs for SMEs that converts to expanded addressable demand. It is worth noting that capital additionality and impact are high when TA programs are successful in increasing access to finance, but the relatively smaller loans to first-time borrowers mean that capital leverage is lower on top of the upfront cost of the TA (*i.e.*, expanding addressable demand implies tradeoffs).



In late 2025, we replicated this one-to-many, lender-engaged approach with TA cohorts for banks in Tanzania and Zambia; several other lenders across the region are requesting similar models. Thus, we are beginning to see how the positive lender activation cycle described earlier

Figure 16. Aceli's offerings generate positively reinforcing cycles of lender activation and expanded addressable demand

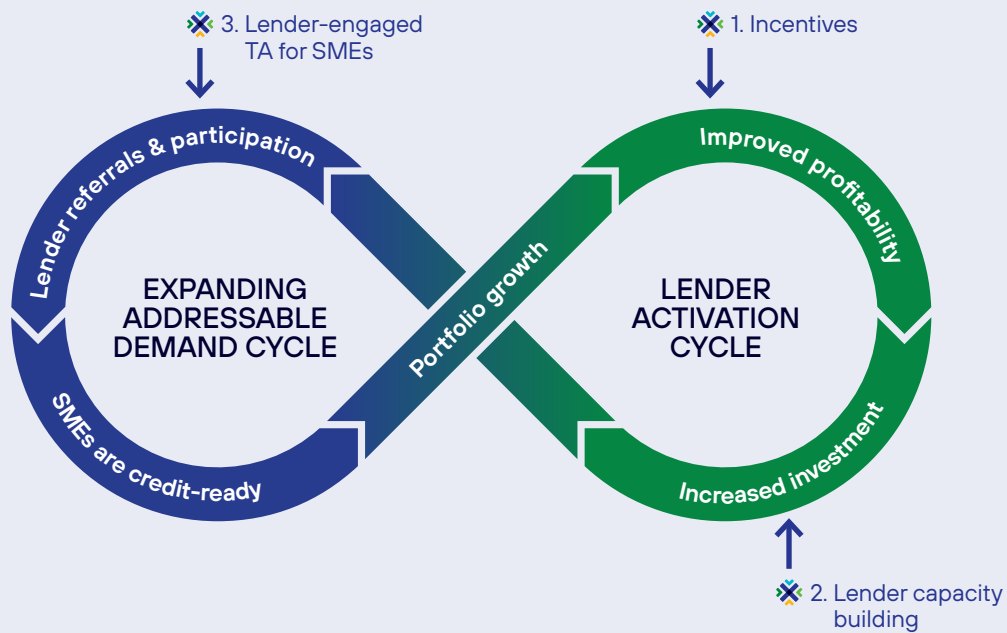


Figure 16 depicts the relationship between the lender activation cycle and an offshoot cycle that expands the addressable demand. Lenders that were previously not looking for new borrowers become more interested in the agri-SME market as they earn incentives, understand the market better, and develop the tools to serve it effectively. In addition to the lender-engaged TA cohorts described above, we are also seeing some lenders directly invest their origination incentives in building the addressable demand. As the origination incentives are issued to the lenders on an unrestricted basis, this discretionary resource utilization is a strong indication of growing lender interest in the agri-SME market.

“Origination Incentives have helped us...go further in training farmers and SMEs to come up with bankable projects. These incentives have also allowed us to recruit more staff who are dedicated to particular value chains.”
– Director, Social Impact Investments, Equity Bank Rwanda



Strengthening the enabling environment

“Agriculture has previously been perceived as risky. And, therefore, the financial sector was reluctant to go into certain spaces, particularly supporting primary production. In working with Aceli, the different offers that they bring to the table—financial incentives, capacity building, and now policy development to address regulatory barriers—these have all helped the banking industry see agriculture differently and therefore increase appetite.”

– Executive Director, Uganda Bankers Association

As we engaged lenders pre- and post-launch, we repeatedly encountered barriers in the financial regulatory environment that went beyond our incentives. After documenting these barriers in a [2022 policy brief](#), Aceli convened national Bankers Associations and other key actors (e.g., AGRA, Financial Sector Deepening, and GIZ alongside Kenya Bankers Association in Kenya) to form policy working groups in each country. The working group structure leverages the expertise and influence of each member to advance a market-level reform agenda. For example, Bankers Associations have a mandate to promote financial sector development and economic growth by engaging their respective government, particularly the Central Bank. The emerging policy priorities vary to some degree by country and include:

- ✦ Revisions to the Sector Industrial Classification codes to account for lending across the full range of agricultural value chains as the figures drawn from these codes guide national budgets, which have historically under-allocated to agriculture.
- ✦ Treatment of credit guarantees so that risk-sharing by 3rd parties is reflected in how regulated banks provision for their net exposure, thereby increasing their risk appetite.
- ✦ A review of loan performance by sector to align loan provisioning requirements with both historic data and national development priorities.

The working groups in each country are progressing from policy analysis to dialogue with their respective Central Bank regarding specific regulations. Advancing these policy reforms through collective action will both remove barriers to agri-SME finance and facilitate deeper engagement to align with national development plans going forward.



UGANDA NATIONAL DEVELOPMENT PLAN

Uganda presents a concrete example of how Aceli is partnering to strengthen the enabling environment. In 2025, the Ugandan Ministry of Finance, Planning and Economic Development released the country's [Tenfold Growth Strategy](#) to expand the country's economy to \$500 billion and achieve upper middle income status by 2040. The plan identifies four sector pillars (“ATMS”) that are crucial for achieving this goal: i) **A**gro-Industrial Development; ii) **T**ourism Development; iii) **M**ineral-based Development plus Oil and Gas; and iv) **S**cience, Technology, ICT, and Innovation.

To support the Tenfold Growth Strategy, the Ugandan Bankers Association (UBA) has coordinated across its 34 financial institution members to make a set of commitments and submit policy requests from the banking industry to the Bank of Uganda. The policy requests for the Agro-Industrial Development pillar match those that UBA and Aceli have developed together based on our analysis of the Ugandan financial regulatory environment.

Looking ahead

Aceli has three interrelated objectives from 2026–2030:

- ✦ **Scale.** We will activate a growing range of lenders, adding more commercial banks as well as Savings and Credit Cooperatives, Microfinance Institutions, Fintechs, equipment distributors, and other specialized actors to drive competition and extend reach across the full market. We will continue focusing on agri-SMEs and periodically review our loan size parameters and other criteria to optimize additionality and impact relative to cost. While we have not ruled out the possibility of expanding to other countries eventually, we plan to focus over the next few years on the five countries where we currently operate to reach a tipping point of market coverage. **Specifically, from 2026-2030 we aim to mobilize \$2B in lending to 20,000 SMEs providing market access and employment for 5M farmers and workers.**

- ✦ **Reach & impact.** Building upon learning to date, we will push further to high-impact and underserved market segments, including women and youth entrepreneurs, SMEs located in arid, semi-arid, and remote regions, enterprises producing and processing nutritious foods for African consumers, and investments in technologies and practices for climate resilience and adaptation. We will explore partnerships and product offerings that support our scale and impact objectives. We will share our learning and amplify our impact by supporting initiatives beyond our focus on agri-SMEs five countries.
- ✦ **Policy integration.** We will continue to develop the evidence base on the most effective and cost-efficient strategies for catalyzing competitive and inclusive capital markets for agriculture. Through the country-level policy working groups described above, we will engage Central Banks to address regulatory barriers and government ministries to align with national development plans. In the medium-term, we plan to evolve how Aceli's risk-sharing product is structured so that it can be funded by sovereign borrowing (e.g., from multilateral development institutions) while origination incentives transition into national budgets based on demonstrated contribution to development objectives. In this way, financial sector development policies at the country level will progressively replace the role of donors in sustaining market growth and impact.

Optimizing value for money

Over the past five years, Aceli has periodically adjusted our incentives by adding impact bonuses for youth, nutrition, and underserved geographies (e.g., arid and semi-arid regions in Kenya and Uganda) and by widening the loan size range eligible for incentives to include loans as small as \$10k. In 2026, we are **reducing our origination incentives for the first time in two ways**:

1. Narrowing the range for which loans receive origination incentives by lowering the ceiling from \$500k to \$200k; and
2. Tiering lenders by level of activation and reducing the number of loans to returning borrowers that will be eligible for origination incentives in order to focus resources where they are most needed and additional.

These changes are guided by loan profitability data and will allow us to redirect 15–20% of our incentive budget from

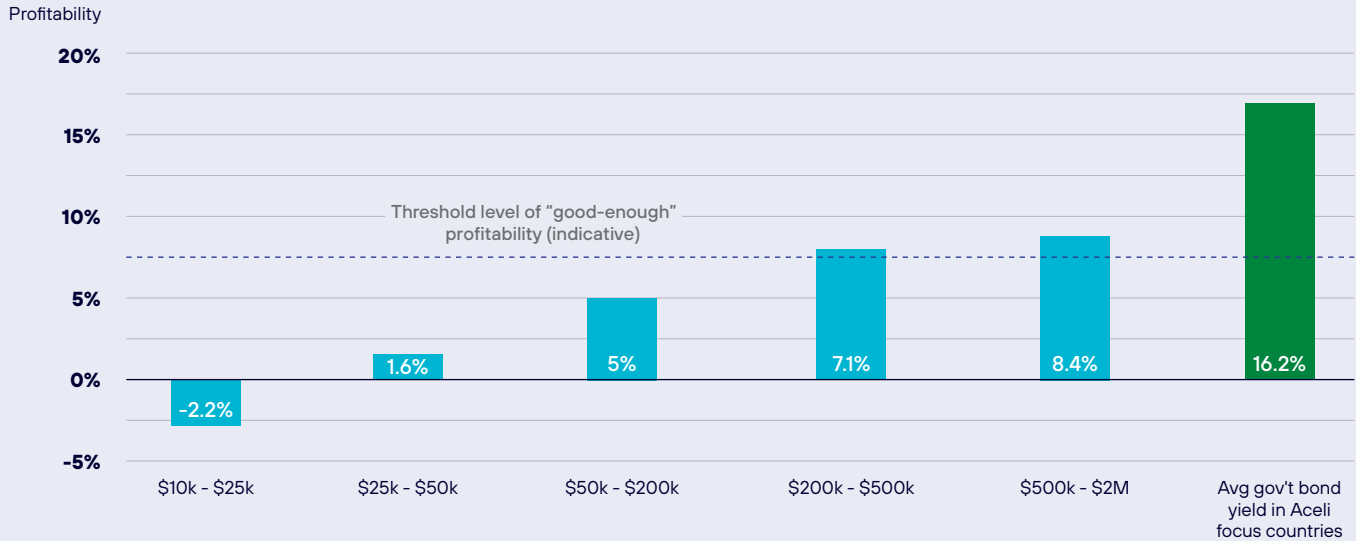
more activated lenders to new borrowers and lenders at an earlier stage of development. We are also considering changes to our portfolio first-loss risk-sharing product to make it more financially sustainable. While lenders have provided extensive input into these incentive adjustment decisions, there is an outstanding question as to how they will respond to lowered incentives. More fundamentally: **How profitable does agri-lending need to be for lenders to grow their portfolios consistently through the inevitable fluctuations in performance?**

Across the region, banks allocate 20–30% of their capital to government treasuries; for some Aceli partners, the earnings from government bonds account for the majority of their operating income. With treasury bonds in Aceli's five countries of operation yielding an average return of 16%, Aceli would need to dramatically increase incentive levels to fully bridge the return gap for agri-SME lending. However, we believe this is not necessary for a few reasons:

- ✦ First, banks are aware that they need to diversify their exposure beyond government bonds, especially if they want to position for growth relative to their competitors.
- ✦ Many lenders see the agricultural sector and the SME segment across all sectors as leading drivers of economic growth and are jockeying for position in these markets.
- ✦ As lenders expand their branch network beyond urban centers, lending to agricultural SMEs raises their profiles in smaller towns and outlying areas, attracts more deposits, and positions them to sell higher-return services to new customers. For example, one Tanzanian bank found that deposits tripled at a branch in a small town following the growing season when the bank scaled up its agri-lending at the branch. These deposits, in addition to the loans performing well, convinced the bank of the business case to allocate more capital to the branch for agri-lending in the next growing season.

In this context, we believe that agri-SME lending needs to reach a **threshold level of profitability** (~7–8% for commercial banks) to activate the positive cycle described in [Market Shift #2](#). We calibrate our incentives to this profitability threshold, rather than to matching the returns from government treasuries or corporate lending. This profitability threshold hypothesis has guided our decision to phase out origination incentives for loans in the \$200k–500k range, where returns are already 7%+, so we can allocate more resources to the \$10k–50k range, where lending hovers around break-even.

Figure 17. Profitability by loan size and threshold required to activate increased lending (commercial bank data only)



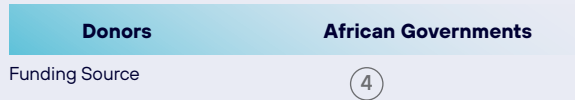
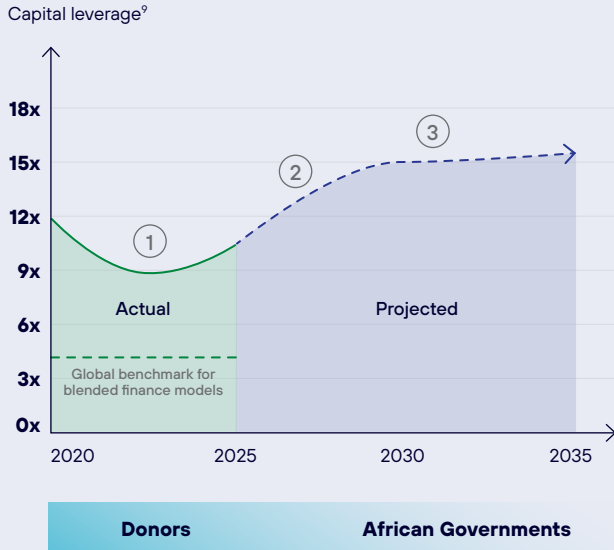
Building a sustainable capital market

Transforming a capital market takes time. To be clear, the envisioned future state is not a fully commercial capital market. After all, high-income countries continue to subsidize capital flows to their agriculture sector, and we should expect the same in emerging economies. Rather, we aim to leverage data and market insights to deploy incentives for optimal additionality and impact while creating a pathway for African governments to integrate Aceli’s private sector model into their national development plans and budgets so donors can exit.

[Figure 18](#) depicts this transition from a donor-funded model that activates a nascent market towards a more competitive market where leverage increases and funding progressively transitions to country governments. In Aceli’s first few years (2020–23), the incentive leverage ratio declined as we chose to lower our minimum loan size to expand reach to more women- and youth-owned SMEs (*i.e.*, we traded off lower leverage for higher capital additionality and impact as discussed in [Market Shift #3](#)). Our leverage ratio flattened and then slightly increased in 2024–25 and we expect it to increase further to 11.5x in 2026 based on the incentive adjustments described in the previous section.

After offering incentives in a country for ten years, we expect the leverage ratio to plateau around 15x as most lenders have reached the higher activation levels and the majority of incentives are used for i) risk-sharing to cover the ongoing systemic risk in the market; and ii) origination incentives for loans to first-time borrowers in underserved market segments. Meanwhile, the share of funding will shift as country-level enabling policies begin to phase in around Year 8. We expect that funding from African governments will be modest in size initially and grow over time within any given country, and also as first movers inspire their neighbors to adopt similar policies. Aceli is now engaging partners and policymakers to test, iterate, and accelerate this transition process in the coming years.

Figure 18. Capital leverage increases as the market develops while funding transitions to the country level



1. Leverage declines after Aceli lowers minimum loan size to focus on smaller loans with higher additionality
2. Leverage increases as Aceli adjusts incentives in response to lender activation and market development
3. Leverage plateaus with on-going incentives targeted to i) absorbing systemic risk in agri-lending and ii) defraying transaction costs to reach new borrowers in underserved market segments
4. Funding for incentives transitions from donors to become embedded in the enabling policies for African governments

⁹ Leverage ratio is calculated as capital mobilized / cost of incentives

CALL TO ACTION

As we look ahead to the next phase of activating a more competitive and inclusive agri-SME lending market, we call on:

 **FINANCIAL INSTITUTIONS**

Financial institutions to embrace the business opportunities when agriculture is appropriately de-risked and elevate the sector as a strategic growth priority for both human and capital investment.

 **DONORS & DEVELOPMENT FINANCE INSTITUTION**

Donors and development finance institutions to support a phased transition to strong enabling policies (both regulatory reforms and fiscal allocations) at the country level through tranching funding that rewards uptake by national governments.

 **AFRICAN POLICYMAKERS**

African Policymakers to accelerate the pace of change by addressing regulatory barriers and allocating resources to models that have a track record of mobilizing private capital to advance national objectives for livelihoods, inclusion, food systems, and economic growth.



Appendix

Figure 19. Indicative timeline and outcomes for lender- and market-level activation

Activation	Time Horizon	Outcome
Lender level	Short-term (2-3 years)	<p>Address lender perception bias, which inflates the actual risk in agri-lending relative to other sectors.</p> <p>Reduce the very real opportunity cost of lending to agriculture relative to other options.</p>
	Medium-term (3-5 years)	<p>Activate a positive cycle of portfolio growth, increased capacity and specialization, and improved lender performance to narrow the return gap between agriculture and other sectors and thereby lower – but not necessarily eliminate – the level of incentives required over time.</p>
Market level	Medium-term (5-7 years)	<p>Demonstrate a cost-effective model that delivers value for money to donors and that can be integrated into the country policy environment.</p> <p>Generate a more competitive and inclusive market where cost-to-serve agri-SMEs comes down, and actors offer tailored financial products serving an expanding share of the unmet demand.</p>
	Long-term (8-12 years)	<p>Partner with country governments to integrate a holistic set of solutions – including incentives, capacity building, regulatory reforms, and financial sector development policies – to progressively replace donor funding and sustain market growth.</p>

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