

Activating the Agri-SME Finance Market: Learning from 2020–2025

EXECUTIVE SUMMARY



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. The full version of this report is available [here](#) and is complemented by more in-depth pieces in the following areas:

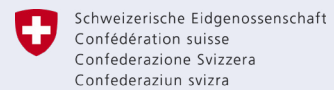
- ✦ The third installment in our [Gender Learning Brief](#) series on expanding economic opportunities for women entrepreneurs, farmers, and workers.
- ✦ A new [case study](#) by [Value for Women](#) on the results from Aceli-supported advisory for Family Bank in Kenya to design and launch its Queen 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



Swiss Agency for Development and Cooperation SDC



We also thank: Cartier Philanthropy, Ezrah Charitable Trust, Gates Foundation, GIZ, Mulago Foundation, Pilot House Philanthropy, and UNCDF.

For more information:

info@aceliafrica.org
aceliafrica.org

