

Agri-SMEs exist in what is often referred to as a missing middle in agricultural financing. This missing middle is perpetuated by information gaps – and real and perceived risks – amongst both investors/lenders and agri-SMEs, which limits deal flow and size. In turn, this prevents the growth of private brokerage actors working to connect agri-SMEs with investors/lenders, thus reinforcing the information gaps. The Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme, funded by FCDO, has generated significant learning on supporting agribusinesses to leverage investment.

The CASA Programme has been conducting work in investment leveraging with agri-SMEs at both pre- and post-investment phases since its inception in 2019. CASA Component A works through a Market Systems Development (MSD) approach in Ethiopia, Malawi, Nepal, Rwanda, and formerly Uganda, to support some of the agri-SMEs in its pipeline to attract investment to support their growth and ability to better engage

with smallholder farmers (pre-investment) as well as with partners who have recently secured loans and are looking for technical assistance (TA) on how to best utilise that capital (post-investment) to create shared value. CASA Technical Assistance Facility (CASA TAF) works mainly at the post-investment phase, supporting the investees of Development Finance Institutions (DFI) and impact investors to ensure that DFI capital generates impact for smallholder farmers through inclusive business planning. CASA TAF has evolved to better meet the needs of different critical stakeholders. CASA Plus, with co-funding from BII and FMO, was established to drive broader transformation of agriculture TA.

Across both these components, CASA has leveraged a total of £17,915,051 since 2019. This has been made up of partner cost-share contributions to CASA interventions and third-party financing which CASA has supported its agribusiness partners to leverage (Figure 1).

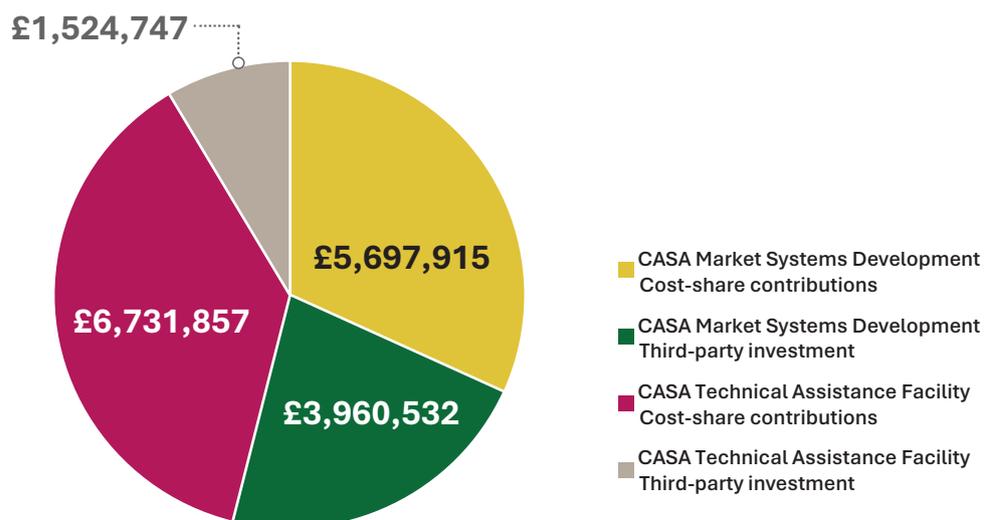


Figure 1: Distribution of investment leveraged on CASA

This learning brief provides a synthesis of the key messages from the full learning paper titled [Multiple Pathways for Leveraging Investment in Agribusinesses: Lessons from CASA](#). Specifically, it presents:

- Insights on the eight types of investment relevant for agribusinesses
- The nine forms of technical assistance CASA has provided to agribusinesses to support leveraging investment
- A decision tree to support agribusinesses and development programmes to identify the correct type of finance and relevant support to leverage, and
- Recommendations for development programme donors and practitioners on how best to design and implement agribusiness investment programmes.

### CASA's experience with different investment modalities for agribusinesses

Despite having predominantly seen success in leveraging shareholder capital and retained income towards cost-sharing and debt financing from commercial banks under third-party investments (76% of all third-party investment), CASA has supported agribusiness partners to leverage various forms of investment, depending on their needs. Table 1 highlights the perceived opportunities and challenges of the eight investment modalities deemed most relevant to the programme.

### A typology of technical assistance for agribusiness investment leveraging

Across CASA MSD and CASA TAF, there have been multiple TA offerings to support agribusiness partners to leverage and effectively utilise investment. The TA offered by CASA can be categorised as pre-investment (i.e., supporting businesses to leverage investment) or post-investment (i.e., supporting partners in

the utilisation of leveraged funds) and investment-specific (i.e., supporting businesses to scope possible investment options) or core business development services (BDS) support (i.e., providing the business fundamentals needed to be investment ready, e.g., a costed business plan and financial management systems). Across these four categories, CASA has deployed TA on nine key thematic areas, lessons from which are in Table 2.

### Deciding on the correct type of support for agribusinesses

Drawing on lessons regarding both the modalities of investment available to agribusinesses and the forms of TA that agribusiness may benefit from when seeking to leverage investment, CASA has produced a decision tree to support both agribusiness owners and development programme practitioners to identify the most suitable type of investment and what support might be required to leverage it (Figure 2).

### Recommendations for future programmes

CASA's experience across a range of macroeconomic, agribusiness, and investment modality contexts provides the basis for a series of recommendations to both donors and programme implementers looking to leverage investment with agri-SMEs. The recommendations span programme design, the delivery of technical assistance on investment leveraging, modalities of investment, and insights on programme evaluation (Table 3).



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Table 1: Modalities of investment for agribusinesses

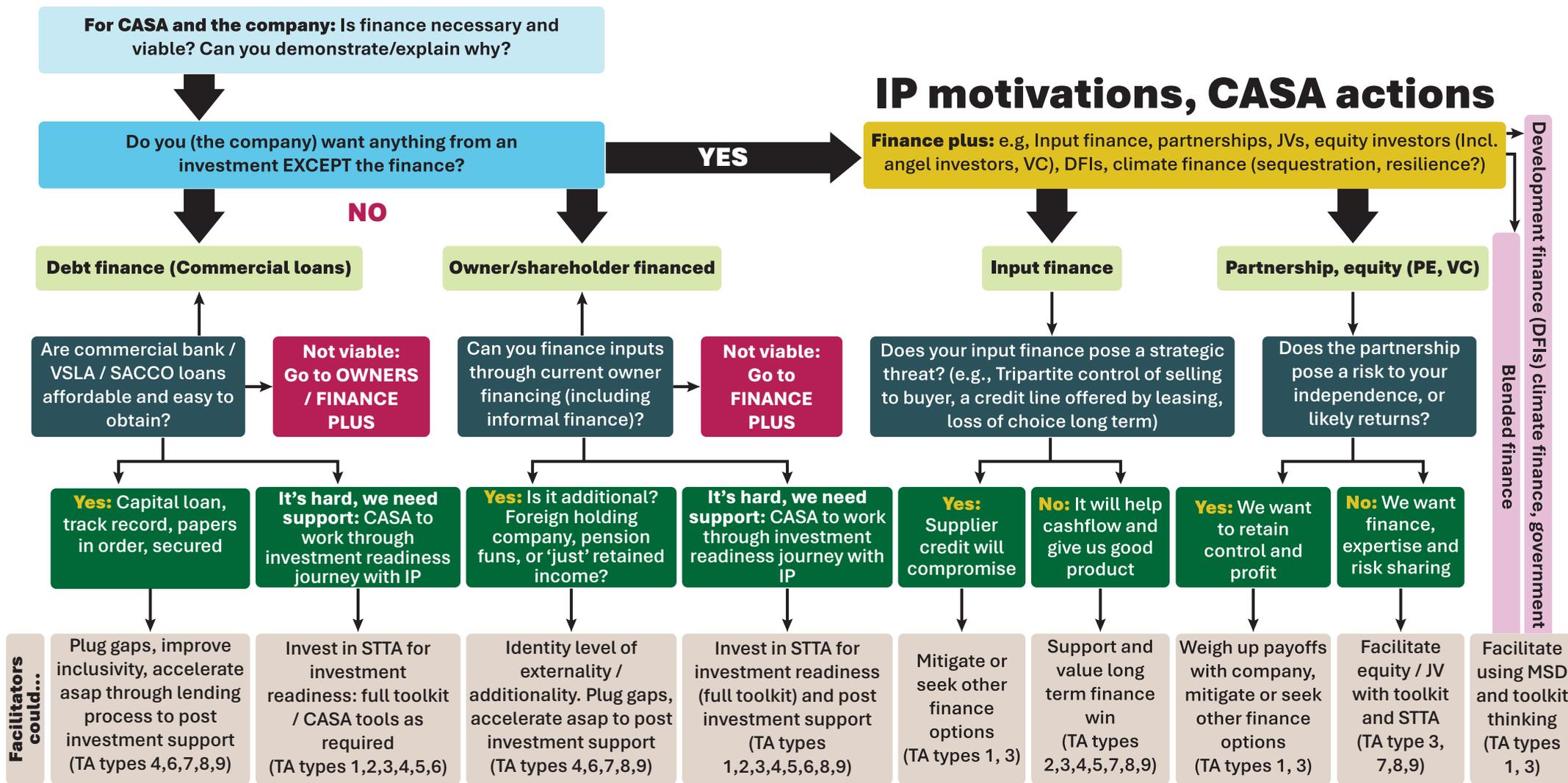
MODALITY	DESCRIPTION	PROS	CONS	LESSONS LEARNED
<b>Debt finance (from banks)</b>	Capital loans from the mainstream banking sector for equipment or working capital, with fixed term or specified terms.	Allows a company to expand without losing equity/control. Can encourage rigour in terms of business and financial planning and ensure legal compliance through due diligence. Where concessional rates are in place, debt can be an attractive source of capital.	Debt financing process can be tedious, and agri-SMEs often lack the capacity to comply. Service offering highly dependent on external factors like liquidity crises, central bank regulations and competition in the banking sector.	An attractive option for many agribusinesses with adequate record keeping. Development programmes can play a role in supporting companies applying for their first debt financing in scoping the best offer and completing the necessary due diligence.
<b>Equity investment</b>	Investment is leveraged through the sale of a proportion of the company in the form of shares.	Beneficial for companies that have reached a limit in the amount of debt they are willing to shoulder but still require additional finance. Can also be associated with an injection of expertise and/or networking opportunities.	Equity investors are often much more prescriptive with companies, which can lead to challenges on the vision for the path forward. This can be a trade-off for any potential benefits arising from additional skills that can be mobilised through the investor. Private equity in agriculture is nascent in many of the markets CASA works in but showing signs of growth.	For companies looking to move beyond debt financing. In CASA's experience, this has often required support in matchmaking investors and agribusinesses, providing support to investors who often have less experience in the agriculture sector.
<b>Tripartite</b>	An investment/lending deal among three parties. For example, seasonal input financing whereby a financier provides loans for smallholders to purchase inputs and then recoups payment from the agri-SME.	Providing finance to the smallholder is derided because there is evidence of an established offtaker/market. Payment is easy through deductions from the agri-SME rather than seeking payment from hundreds of farmers.	Interest rates can be high in seasonal financing – however, the loan is short-term, and this mitigates the high nominal annual figure.	Particularly effective in partnership with microfinance institutions, who can act as a conduit between agribusinesses and smallholder farmers to improve the flow of capital and goods.
<b>Village Savings and Loans Associations (VSLA)</b>	VSLAs are community savings institutions that provide affordable small loans to members, with lower formal compliance requirements. They can also act as a source of capital for agri-SMEs.	Working through VSLAs can create strong local benefit, and local presence and knowledge can have positive monitoring effects. Can be a source of capital when formal markets and services are absent.	Possibly limited pooling of risk through a larger financial system – business failure could have wider negative ripple effects locally.	Often an important source of funding for smaller agribusinesses working with less commercialised smallholder farmers. Development programmes can play a role in piloting such arrangements.
<b>Owner / shareholder</b>	Where owners or shareholders mobilise their own capital to cover the capital expenditure of the company.	Avoids high cost of borrowing and encourages spend only on essentials.	Can increase personal exposure to risk and does not come with any benefits, e.g., injection of expertise. Vulnerable to currency devaluation if no external savings exist.	Development programmes can lend support to agribusinesses on how to best mobilise owner/shareholder capital and TA to ensure this is done effectively.
<b>Public / DFI</b>	Most countries will have either governmental or DFI schemes to support SME investment in targeted sectors or geographies.	DFIs see the potential of the agriculture sector to drive economic growth, especially when paired with targeted TA. Can help de-risk emergent national financial sectors/services.	There can be a risk of crowding out of private finance options or favouring one cohort of SMEs or market actors against others. Reporting requirements can be demanding.	As evidenced by CASA TAF, development programmes can play a key role in improving the inclusivity involved with DFI investments.
<b>Informal finance</b>	In countries with poorly functioning formal financial sectors, informal financing commonly takes place. For example, cross-financing from other ventures, or raising finances through friends, family, community.	Often allows businesses who are not compliant with the requirements for commercial/formal financing to access capital.	Unregulated environment highly contingent on trust and social ties, which can be both a challenge and a strength. Currently, informal financing is poorly understood by donors and is often kept private by the stakeholders involved.	Unexplored on CASA. Opportunities for future programmes to explore further.
<b>Climate finance</b>	Local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.	Concessional finance which can improve the resilience of their businesses and create additional benefits of resilience, adaptation and, where possible, mitigation for smallholder farmers in their supply chains.	Climate finance mechanisms in agriculture are lacking in maturity and there is low awareness amongst agri-SMEs. Additionally, there is a significant gap between needs and flows of climate finance to small-scale agri-food systems. Climate finance can require long-term commitments regarding land use which may not favour smallholders.	Unexplored on CASA. Opportunities for future programmes to explore further.

Table 2: Typology of technical assistance for supporting agribusinesses to leverage and best utilise investment

TYPE OF TA	PROS	CONS	KEY LESSONS
<b>1. Investor engagement and profiling for agri-SMEs</b> <i>(Pre-investment; Investment-specific)</i>	<ul style="list-style-type: none"> <li>• Events are effective in generating visibility for the programme and agribusinesses, supporting future engagement with FIs.</li> <li>• The more face time the SMEs get with FIs, the more likely they are to get investment as this helps expose FIs to agribusiness needs and vice versa.</li> <li>• Profiling TA eases the process of matchmaking and allows evaluation of taking on investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Events may not result in direct investment if not underpinned by prior discussions.</li> <li>• The need for agri-SMEs to respond to the specificity in requirements can create challenges for programmes delivering TA to agri-SMEs who may wish to engage with and profile a range of investors (all with different requirements).</li> </ul>	<ul style="list-style-type: none"> <li>• Can only be successful with mature and investment-ready SMEs; the TA is predicated on the understanding that other forms of TA are not relevant as the SME is investment ready.</li> <li>• Engagement work is most effective when done from agri-SME and FI entry points.</li> </ul>
<b>2. Capacity development of core business operations</b> <i>(Pre-investment; Core BDS)</i>	<ul style="list-style-type: none"> <li>• This is relevant across all investors and can ensure all the correct management/governance aspects are in place from the ground up.</li> <li>• This TA is relatively easy to identify as practices are standardised across sectors; therefore, services are also more common (e.g., as compared to supply chain, production and marketing expertise).</li> </ul>	<ul style="list-style-type: none"> <li>• High demands on time and finances – governance changes often require SMEs to engage new people with relevant skills (often resisted because of associated cost – need to better articulate why worth investing in).</li> <li>• Companies are often resistant to change.</li> </ul>	<ul style="list-style-type: none"> <li>• This does not guarantee investment.</li> <li>• CASA’s due diligence process helps to identify these needs at an early stage.</li> <li>• If going beyond debt financing (e.g., to Private Equity, Venture Capital, or foreign investors), the nature of this TA changes and more engagement and higher quality TA is needed – looking for more innovation.</li> </ul>
<b>3. Direct facilitation of deal-making and co-creation of new investment arrangements</b> <i>(Pre-investment; Investment-specific)</i>	<ul style="list-style-type: none"> <li>• Break constraints of macro-economic situation (e.g., Malawi – high cost of borrowing; Nepal – limitations of debt financing to deliver scale).</li> <li>• Development programmes can de-risk innovations that can later be taken on and scaled independently by system actors.</li> </ul>	<ul style="list-style-type: none"> <li>• Need to encourage TA and implementation teams to think outside the box, which is not always easy.</li> <li>• Risk for programme as takes on a level of accountability to the donor and the business – programmes need to maintain a risk appetite to approve these activities.</li> </ul>	<ul style="list-style-type: none"> <li>• As programmes mature, they can move away from direct facilitation towards new arrangements among market actors.</li> <li>• Programmes must balance the value ascribed to total amount leveraged versus the innovation seen in financial instruments and potential for scale.</li> <li>• Starting small is important to mitigate some of the risks for programme and stakeholders.</li> </ul>
<b>4. Preparation and modification of business plans</b> <i>(Pre-investment; Core BDS)</i>	<ul style="list-style-type: none"> <li>• Opportunity to open new channels of cash flow, which again improves attractiveness to investors.</li> <li>• Allows financial projections which can support firms to make an informed decision on the affordability/ROI of investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Resistance to change amongst owners.</li> <li>• Risk of passive agri-SME partners being overly influenced by TA – mitigate through close relationship with partner and reviewing alterations to the business plan with the partner.</li> </ul>	<ul style="list-style-type: none"> <li>• In Nepal and Malawi, it has been necessary to improve business model and plan prior to investment leveraging. Business plans are often poorly structured or non-existent.</li> <li>• Business plan done with all CASA partners, regardless of if they are looking for investment as it aids intervention design and is good business practice.</li> </ul>
<b>5. Preparation for investor/lender due diligence</b> <i>(Pre-investment; Investment-specific)</i>	<ul style="list-style-type: none"> <li>• Improves chances of success and reduces number of errors.</li> <li>• Provides confidence to agri-SMEs, improving willingness to apply.</li> </ul>	<ul style="list-style-type: none"> <li>• May undermine the sustainability (i.e., do the businesses learn or will they still require support the next time they apply?).</li> </ul>	<ul style="list-style-type: none"> <li>• Imperative to work with the business, not do it for them – programmes need to resist the pressure of delivering investment results to be mindful of building capacity within the firm.</li> </ul>

TYPE OF TA	PROS	CONS	KEY LESSONS
<b>6. Developing technical specifications for effective utilisation of sought capital or newly acquired asset</b> <i>(Pre- or post-investment; Core BDS)</i>	<ul style="list-style-type: none"> <li>• Allows better ROI projections.</li> <li>• Gives confidence to the SMEs to look for more investment.</li> <li>• Investors often do not cover these services or costs and in agribusiness there is often a capacity gap here.</li> <li>• Brings benefits to the investor and the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Must take care not to undermine sustainability of operations post-partnership.</li> </ul>	<ul style="list-style-type: none"> <li>• Applies where we are confident that partners can realise debt investment – this is about making sure that the investment is well utilised (i.e., not over-exposing to unnecessary borrowing).</li> <li>• Soft skills on operationalisation of new infrastructure are often not considered but imperative to ROI.</li> </ul>
<b>7. Improving inclusivity of investments</b> <i>(Pre- and post-investment; Investment-specific)</i>	<ul style="list-style-type: none"> <li>• Beyond the programme needs, this is valuable for SMEs as it can directly facilitate the ability of the firm to service markets, enhancing growth potential and ability to realise it. This is critical in making firms investment ready.</li> <li>• Aids ROI, which is often predicated on increased production quality or quantity.</li> </ul>	<ul style="list-style-type: none"> <li>• Fear of risk associated with further engaging smallholders among agri-SME owners can deter this.</li> <li>• Aggregation can increase processing costs (e.g., cold chain).</li> <li>• Success often predicated on existing state of smallholders, i.e., need to identify farmers who are ready to commercialise.</li> </ul>	<ul style="list-style-type: none"> <li>• From an investor perspective, agriculture is investable; the real question is if smallholder supply-chain agribusiness is investable.</li> <li>• Programmes can act as de-risking partners to show the value of these smallholder supply models – to maintain confidence in this, the TA needs to be high quality and connect partners to the right farmers (the wrong ones could undermine the whole model).</li> </ul>
<b>8. Managing the relationship with an investor</b>	<ul style="list-style-type: none"> <li>• Helps to bridge the information gaps and language differences between FIs and agribusinesses.</li> <li>• Can help show FIs the value of TA delivery alongside investment, encouraging them to invest in it.</li> </ul>	<ul style="list-style-type: none"> <li>• Is often not listed as a discrete or core deliverable and takes up a significant amount of implementation time.</li> <li>• Risk that actors on either side of the transaction become reliant on a broker.</li> </ul>	<ul style="list-style-type: none"> <li>• Programmes should allocate sufficient time to such activities, which require significant investment but often escape recognition in activity planning.</li> </ul>
<b>9. Monitoring and evaluating success and return on investment</b>	<ul style="list-style-type: none"> <li>• Helps concretely further the impact and commercial case (ROI) for inclusive agribusiness models, mobilising support from agribusinesses and FIs.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be different ideas on what success looks like and therefore varying pressures on what is measured.</li> </ul>	<ul style="list-style-type: none"> <li>• Pressures for rigour in ROI calculations often varies depending on firm maturity and decision-making processes.</li> </ul>

Figure 2: Decision tree for identifying the most appropriate investment modality for an agribusiness and type of support that development programmes can provide to leverage investment better, faster, or at lower risk



- TA types:**
- 1:** Investor engagement and profiling for agri-SMEs
  - 4:** Preparation and modification of business plans
  - 7:** Improving inclusivity of investments
  - 2:** Capacity development of core business operations
  - 5:** Preparation for investor/lender due diligence
  - 8:** Managing the relationship with an investor
  - 3:** Direct facilitation of deal-making and creation of new investment arrangements
  - 6:** Developing technical specifications for effective utilisation of sought capital or newly acquired asset
  - 9:** Monitoring and evaluating success and return on investment

Table 3: Recommendations for development programme donors and practitioners on how best to design, implement, and monitor agribusiness investment programmes

ELEMENT OF PROGRAMME DELIVERY	RECOMMENDATION	RELEVANT STAKEHOLDERS
<b>TA delivery for investment leveraging with agri-SMEs</b>	Understand and be adaptable to the macro-economic environment.	Implementers
	Utilise a diagnostic process to determine investment modality and TA type.	Implementers
	Work through both agri-SME and investor entry points to fill information gaps.	Implementers
	Secure specialist support and tools where needed to fill gaps in programme team expertise to support businesses.	Implementers
	Programmatic learnings and best practice should be codified in tools for implementing staff, to use when designing and/or quality assuring external provision of TA for investment leveraging (e.g., CASA Investment Leveraging Toolkit).	Implementers
	Prioritise building a diverse roster of TA providers across pre- and post-investment phases and targeting core business development and investment-specific services.	Implementers
	Prioritise using existing market actors as TA providers for future sustainability.	Implementers
	Encourage partner agri-SMEs to engage with suitable investors as early as possible so that investment leveraging support can be tailored to investor needs.	Implementers
	Investor engagement helps build the relationships necessary for possible partnership but does not guarantee the emergence of any deals.	Implementers
	Whilst there is value in providing more general TA for systems which are common across agri-SMEs in different value chains, it is essential to complement this with specific expertise related to the company's product/market.	Implementers
	TA programmes should be open-minded to innovation with partner agri-SMEs to unlock commercial opportunities within or connected to the initial core business.	Implementers
	TA design must ensure enough time is afforded for agri-SMEs to learn by doing. The value in TA is not just in the service, but in building the agri-SME's capacity to self-replicate in the future, including on borrowing/investment applications.	Implementers
	Post-investment TA, especially on debt transactions, can ensure the efficient procurement and installation of any expansion infrastructure, reducing risk and improving utilisation of the investment.	Implementers
	Partner contributions to intervention cost-share can represent a significant mobilisation of private investment into agribusinesses if the correct incentives are well understood by the project and matched with a quality service offering.	Implementers
<b>Modalities of investment</b>	Work is needed to better understand a) the impact of climate change risks on investment risks/decisions and b) the possibilities/viable options for climate finance in the agri-SME market. To be ascertained through a scoping exercise.	Implementers
	Programmes should be wary of advising partners to take on debt investment, if conditions represent an over-exposure of risk (e.g., exorbitant interest rates, high collateral, unfair terms).	Implementers
	Equity deals are possible with smaller agribusinesses and development programmes can play a valuable brokerage role between PEVCs and the agribusiness, de-risking both sides through quality TA if necessary.	Implementers
	DFI concessional interest rates increase agri-SME willingness to borrow. Programmes like CASA can increase uptake and deepen impact by supporting investment readiness and business plan delivery at agri-SME level.	Donors
<b>Programme design</b>	Agri-SMEs often need more than just the money – investment should be fit for purpose and offer intellectual and organisational capital too. CASA has shown that development programmes can fill this role by providing TA, which ultimately should pass on to FIs once scaling of the agri-SME market makes it viable.	Donors
	Programmes should be designed to ensure all varieties of TA (pre- and post-investment; core BDS; investment-specific) are within scope to match diverse agri-SME needs.	Donors
<b>Evaluation and results</b>	When embracing more innovative forms of finance, impact may be better measured by piloting and scaling of new models rather than through total amount mobilised. For example, the trialling of a new model that is sustained within the market may have greater long-term impact than a series of debt financing successes which raise a larger amount of capital. Donors should remain open to embracing the value of innovation alongside targets on total amount of finance mobilised.	Donors