

The Context and Results

Attracting finance to agriculture is like trying to pour water into a bucket full of holes during a storm; the risks, weak systems, and thin margins make it hard for investors to believe the water will stay long enough to matter. For many investors, agri-SME finance resembles a high-maintenance, low-liquidity asset, with small ticket sizes, unpredictable performance, and limited downside protection. It can feel like running many small transactions through a system built for large deals: the overhead erodes the returns. So, if there's high risk and uncertainty, weak financial and market infrastructure – and low and uneven returns at small scale – how do we make it more attractive?

We tackled this head-on with our recently-closed Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme in Ethiopia, Malawi, Nepal and Rwanda (and earlier in Uganda), and have demonstrated that investing in climate-resilient agri-food systems is a solid business case that can boost smallholder incomes while delivering real returns.

With nearly £8.70 million in 3rd party investment and £6.44 million in private co-finance cost-share leveraged in agri-SMEs, we have proven that inclusive models can be both profitable and impactful. We have enhanced the readiness of 67 agri-SMEs with smallholder supply chains, helped investors maximize impact with technical support and grants, amplified smallholder voices (especially women), and closed information gaps that hold back investment.

From Leaks to Flows

CASA achieved these results across five countries using a Market Systems Development (MSD) approach because we didn't want short-term fixes. Putting on our MSD glasses meant we could select and patch the right holes and strengthen the bucket so that investment could flow more reliably and markets could grow, without ongoing handholding. It helped to unlock investment by getting firms ready to invest, connecting them with both support services and financiers, and sometimes bringing in new tools or intermediaries to make the market work better. The MSD approach was key to CASA's success, shaping support around each country's unique market challenges and opportunities.

This is because every market has its own rules, players, and barriers: what works in one system won't necessarily work in another. Systems practice means we dig into local realities and design interventions that actually fit the ecosystem, not just copy-paste solutions.

We adopted a distinct approach in each country shaped by its local financial ecosystem and the maturity of its agri-SMEs. Every bucket leaks differently, so we studied the cracks and plugged them where it mattered most, such as strengthening agri-SMEs, leveraging policy windows, and introducing creative financing models.

Unlocking Private Capital through Demonstration in Nepal

As one of the first countries of engagement, Nepal achieved the highest volume of leveraged investments, primarily through government-subsidised bank debt financing, owing to a favourable lending environment and relatively mature agri-SMEs. The focus was on leveraging a favourable policy environment with subsidised agricultural loans, and enabling widespread uptake of commercial bank debt, complemented by pioneering equity deals through engagement with venture capital firms. We also concentrated on strengthening agri-SMEs' internal capacities, such as financial management and business planning, while brokering relationships with commercial banks and private equity firms to capitalise on a favourable lending environment. For example, CASA supported Mangalam Dairy to develop a bankable business plan and financial projections, then brokered connections with commercial banks offering subsidised loans. This enabled the company to secure over £326,000 in debt financing to expand its processing capacity (leveraging additional debt as it scaled up operations, culminating in a total debt injection of over £900,000 to expand processing capacity). We also supported Paicho Pasal, a vegetable aggregator, to develop a compelling pitch deck and financial documentation, enabling it to approach eight private equity firms. Ultimately the company raised equity from its own shareholders, demonstrating how investor readiness can unlock internal capital.

STRENGTHENING THE INVESTMENT ECOSYSTEM IN NEPAL

Success in enabling concessional loans and trailblazing equity investment has begun to shift how financial institutions perceive agri-SMEs. For example, after CASA supported Mangalam Dairy to secure debt financing, other banks began showing increased interest in lending to agribusinesses; and the equity deals brokered with venture capital firms like True North Associates have also helped seed a nascent agri-venture-capital market. These early wins have been used by CASA and its partners to advocate for broader replication, signalling a shift from isolated transactions to a more enabling investment ecosystem for agri-SMEs. The pathways to change are diverse, with the possibility of banks expanding their agri-lending portfolios, venture capital firms developing agri-specific investment products or funds, business development services (BDS) providers offering investment-readiness support as a paid service and policymakers maintaining or expanding subsidised lending schemes, recognising their catalytic role in agri-SME growth. Nepal's journey continues.

New Financial Pathways in Malawi

Malawi leveraged comparatively small amounts but pioneered innovative financing models to catalyse capital in high-risk conditions. Facing high interest rates and limited formal finance, we enabled the design and piloting of new models like tripartite lending and community-based investment through village savings and loan associations (VSLA), directly addressing systemic gaps in financial intermediation. For example, in this constrained credit market, CASA facilitated a tripartite financing model linking Viphya Chambo (a fish farm), a microfinance institution, and smallholder farmers. This de-risked lending and demonstrated a viable model for financing input supply in aquaculture. We also supported Amazon Poultry to secure a £200,000 commercial bank loan by aligning it with a matching grant from the Malawi Innovation Challenge Fund. This blended finance model de-risked the loan and showcased how public and private capital can be combined to enable investment in high-risk environments.

INSTITUTIONALISING ALTERNATIVE FINANCE MODELS IN MALAWI

The tripartite financing model demonstrated a viable structure for input financing in high-risk sectors.

Similarly, the creation of a community-owned Special Purpose Vehicle (SPV) with a village savings group to co-invest in a poultry business has sparked interest among local stakeholders. These innovative models are replicable in other value chains and are starting to reshape how finance can be channelled to underserved agri-SMEs. This sets a base for longer-term change as we see banks beginning to reassess their risk perceptions of agri-SMEs, especially as CASA's pilot deals demonstrate strong repayment and impact, alongside the opportunity for local advisory firms to support agri-SMEs with structuring innovative finance deals, filling a current market gap. Malawi's journey continues.

Laying the Groundwork for Growth in Rwanda

As one of our newer countries to the CASA table, Rwanda emphasised partnering with local financial service providers to ready agri-SMEs for debt investment. We capitalised on a concessional lending scheme and partnered with a local consulting firm (BDO East Africa) to deliver investment readiness support, embedding financial advisory services within the local market system, thereby building sustainable, market-based capacity to prepare agri-SMEs for loans under the scheme. For example, partnering with BDO East Africa delivered investment-readiness support to agri-SMEs such as Platinum Agribusiness to secure a preferential loan and provided post-investment technical assistance (TA), thus showcasing how local service providers can sustainably support agri-SME financing. Through the partnership with BDO East Africa, we also supported Fine Fish in preparing for a working capital loan from the Development Bank of Rwanda. BDO provided tailored technical assistance, including financial planning and governance improvements, demonstrating further how investment facilitation can be embedded within local service markets.

MARKET-BASED INVESTMENT FACILITATION IN RWANDA

Demonstrating that local service providers can sustainably prepare agri-SMEs for concessional loans under the Commercialization and De-risking for Agricultural Transformation (CDAT) scheme underpins irreversible change. BDO's success in supporting firms has led to increased demand for their services from both agri-SMEs and banks. This signals a shift from donor-led facilitation to a market-based model where investment support is embedded in the local ecosystem, laying the groundwork for a self-sustaining pipeline of bankable agri-SMEs. The vision is that BDO's success will inspire other consulting firms to enter the agri-SME investment-readiness space, creating a competitive local market for these services, and that banks and DFIs will formally partner with such firms to build pipelines of bankable agri-SMEs. Investment facilitation may just become a more recognised service line within Rwanda's enterprise support ecosystem, reducing reliance on donor-led matchmaking. Rwanda's journey continues.

Building the Foundations for Future Finance in Ethiopia

Ethiopia, constrained by macroeconomic instability and limited access to foreign exchange, concentrated on preparing agri-SMEs for investment through intensive technical assistance, business model development and business planning, while facilitating early-stage engagement with banks and equity investors in anticipation of improved macroeconomic conditions. For example, we partnered with LEOS Edible Oil to craft a robust business case for a £400,000 working capital loan, including financial modelling and contract farming design. This positioned LEOS to approach banks and equity investors despite Ethiopia's adverse market conditions. We also worked with Kunifira Agro-Processing to develop a business plan and financial model for a soybean seed multiplication and offtake venture. By catalysing early investor interest, we ensured Kunifira positioned itself to secure over £600,000 in investment, exemplifying how to build investment readiness in challenging macroeconomic contexts.

ENABLING FINANCIAL INNOVATION IN ETHIOPIA

Intensive technical assistance has helped firms develop credible business plans and financial models, positioning them for future investment. These firms are now actively engaging with banks and equity investors. CASA's work is also informing discussions with government and donors about how to operationalise the country's concessional lending scheme for agri-SMEs. As macroeconomic conditions improve, these moves are expected to catalyse broader shifts in how finance flows into the agriculture sector. Indeed, banks may begin to lend more confidently to agri-SMEs that have been prepared through CASA's TA; and the concept of investment readiness might gain traction among local BDS providers, leading to more structured agri-SME support services. Ethiopia's journey continues.

Turning Risk into Returns

CASA helped make agri-investment more attractive. We facilitated demand side (agri-SME capacity) and supply side (financial sector innovation) initiatives – we combined technical assistance and targeted co-investment to leverage private finance – but most importantly we took an ecosystem approach where financiers, enterprises, and facilitators converged. We shaped context-specific interventions to speak directly to system-level change such as the importance of catalytic capital (use of matching grants to de-risk bank loans), the evolving role of local banks (partnering with banks under de-risked schemes), and the growing involvement of impact investors (facilitating equity deals for agri-SMEs). We drove both investment results and systemic improvements, providing tangible proof that aligning finance with MSD principles yields both immediate investments and longer-term market capacity.