Africa's Food Systems Financing Newsletter

FINAS DIALOGUES

DISPATCH - 008

AUGUST 2026

Financing Agrifood SMEs:
Unlocking the Businesses Feeding Africa

Farayi Zimudzi, FAO Representative in Kenya, addresses participants during a FAO-led side event on Financing Agrifood SMEs for nutrition. *Photo credits: FINAS 2026 Summit .*

Behind every loaf of bread, packet of milk and a packet of maize flour is a business that keeps Africa fed. Yet while farmers often take centre stage in discussions about agriculture, the enterprises that process, transport and market food remain among the least financed parts of Africa's food systems.

Every day, thousands of agrifood micro, small and medium-sized enterprises (MSMEs) buy produce from farmers, process and package food, transport it to markets and supply consumers across the continent. Yet many struggle to secure the financing

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Financing Resilience:
How Climate Investment is strengthening Africa's food systems

A close-up image of a solar-powered water system.
Photo credits: African Development Bank

When droughts dry up rivers or floods wash away crops, the headlines focus on the disaster. Far less attention is given to the investments that could have prevented some of the damage in the first place. Across Africa, climate finance is increasingly becoming an investment in protecting both livelihoods and food systems.

As climate shocks become more frequent, governments and development partners are shifting from responding to disasters to investing in resilience before crises occur. The goal is not only to protect agricultural production but also to ensure that communities have the water, knowledge and infrastructure needed to withstand an increasingly unpredictable climate.

This shift is reflected in the African Development Fund's approval of a US$ 9.3 million Climate Proof Water4Food Project for Ethiopia and South Sudan. The initiative will strengthen water security, expand climate-smart agriculture and equip more than 100,000 farmers with the skills and technologies needed to adapt to changing weather patterns. It will also train approximately 19,300 young people in agriculture, entrepreneurship and climate-resilient value chains, helping to build the next generation of agrifood leaders.

"Climate change does not recognize borders, and neither should our solutions," said Mecuria Assefaw, the African Development Bank Group's East Africa Regional Manager for Water Security and Sanitation. He noted that investing in sustainable water systems, climate-resilient agriculture and stronger local institutions creates healthier families, more productive farms and stronger local economies.

The project reflects a growing shift in agrifood financing across Africa, one that recognizes climate resilience, water security and food production as interconnected investments rather than separate priorities.

As climate risks continue to intensify, financing resilience will be just as important as financing production. Investing in climate-smart food systems today is an investment in Africa's food security, stronger rural economies and a more resilient future.

Factory workers processing tea leaves.*Photo credits: ©FAO /Jean Baptiste Nkurunziza.*

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they need to grow, limiting their ability to strengthen Africa's food systems.

This financing gap was at the heart of discussions during the United Nations Food and Agriculture Organization (FAO) -led side event, Financing Agrifood SMEs for Nutrition: Country Approaches to Align Policy and Investment, at the Financing Agri-food Systems Sustainably (FINAS) 2026 Summit. Policymakers, financial institutions and development partners agreed that many agrifood enterprises remain underserved because conventional financial products rarely reflect the realities and risks of agricultural businesses.

Speakers also emphasized that financing should do more than increase access to credit; it should help build healthier and more resilient food systems. Farayi Zimudzi, FAO Representative in Kenya, underscored this point, noting that "nutrition-sensitive financing must be embedded into agrifood systems at country level." Her remarks reflected a growing recognition that investment should improve livelihoods, nutrition and long-term food security.

Encouraging examples are already emerging. In Kenya, the TERRA Programme, implemented through Equity Bank Kenya with support from the FAO Investment Centre, is expanding access to finance for agrifood SMEs through a EUR 30 million credit facility while helping financial institutions better understand agricultural risk.

If Africa is to build resilient food systems, finance must reach beyond the farm to the businesses that process, transport and deliver food to consumers. Investing in agrifood MSMEs is ultimately an investment in the value chains that keep Africa fed.

Beyond Credit: Why Africa must Finance better Food Systems

Every day, millions of Africans make choices about the food they can afford, the meals they prepare and the nutrition their families receive. Behind those choices lies a much bigger question: Are Africa's food systems being financed to produce not just more food, but better food?

Across the continent, investment in agriculture has helped increase production and strengthen value chains. Yet persistent malnutrition, climate shocks and rising food costs reveal that producing more food alone is not enough. Increasingly, governments, financial institutions and development partners are recognizing that agrifood finance must also improve nutrition, build resilience and create opportunities for those who grow, process and distribute food.

The challenge, therefore, is no longer simply how to finance agriculture, but how to finance food systems that deliver better outcomes for people, communities and the environment.

This changing perspective shaped discussions during the Financing Agri-food Systems Sustainably (FINAS) 2026 Summit, where speakers called for a broader approach to agrifood financing. They argued that investment decisions should be measured not only by higher yields, but also by healthier diets, stronger livelihoods and more resilient communities.

"The world is experiencing significant uncertainty. Economic pressures, climate emergencies and declining development assistance are reshaping the financing landscape," said Ruth Okowa, Country Director, GAIN Kenya. "These realities compel us to ask a fundamental question: How do we build food systems that are productive, profitable, resilient, inclusive, nutritious and sustainable?"

Ruth Okowa, Country Director, GAIN Kenya, addresses participants during a FINAS 2026 Summit on financing better food systems. *Photo credits: FINAS 2026 Summit*

The discussions highlighted that achieving this vision will require financing that reaches every part of the food system, from farmers and agrifood SMEs to nutrition-sensitive agriculture, food safety and climate-resilient value chains. It also means ensuring that women, youth and smallholder farmers have equitable access to finance, markets and the support needed to drive Africa's agrifood transformation.

As Africa reimagines the future of its food systems, success will not be measured simply by the amount of finance mobilized, but by whether those investments create healthier diets, stronger livelihoods and food systems that can nourish future generations.

When Better Loans matter more than Bigger Loans

Panelists share insights during the Aceli Africa-convened session, "Evidence to Action: Strengthening Agri-SME Finance through Policy and Prudential Reforms," at the FINAS 2026 Summit. *Photo credits: FINAS 2026 Summit*

Imagine taking out a business loan that requires monthly repayments, even though your income only comes after harvest. For many agrifood enterprises across Africa, the biggest challenge isn't simply accessing finance; it's accessing finance designed for the realities of agriculture.

This question shaped discussions during the Aceli Africa-convened side event, "Evidence to Action: Strengthening Agri-SME Finance through Policy and Prudential Reforms," at the FINAS 2026 Summit. The session explored how smarter financial products, supportive policies and prudent regulation can unlock more sustainable financing for agrifood SMEs.

The discussion reflected a growing shift across Africa's agrifood finance landscape. Recent learning from Aceli Africa shows that agriculture requires financing solutions tailored to the realities of the sector. Traditional lending models assume businesses generate steady cash flow throughout the year. Agriculture rarely works that way. Seasonal production, climate risks and longer investment cycles mean that many farmers and agrifood SMEs need financial products that reflect the realities of their businesses, not those of other sectors.

Across East Africa, financial institutions are already demonstrating what finance designed for agriculture looks like in practice. In Uganda, Centenary Bank introduced

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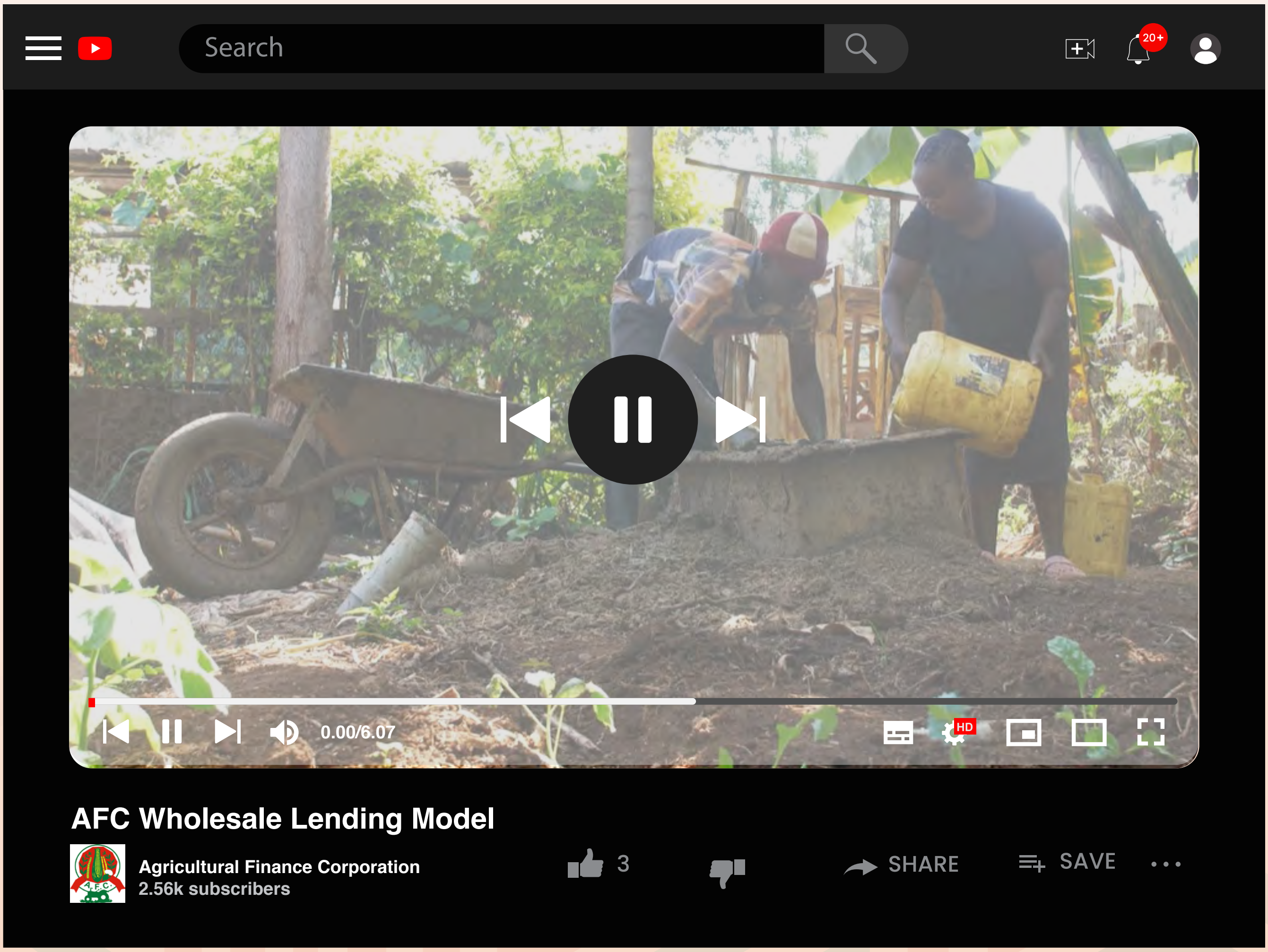
preferential terms for Aceli-qualified loans, reducing collateral requirements from 120% to 80%, a change that increases the potential loan amount by up to 50% for the same collateral. In Kenya, I&M Bank increased its ceiling for unsecured loans for agrifood SMEs from KES 5 million to KES 10 million. Family Bank also adopted partnership models that reduce lending risk and improve access to working capital for agrifood SMEs. Aligning repayment schedules with harvest cycles further gives agrifood businesses the flexibility they need while maintaining sound lending practices.

The lesson is clear: closing Africa's agrifood financing gap is not simply about making more capital available. It is about understanding how agriculture works and designing finance that works with it. As Africa transforms its food systems, the most impactful innovation may not be a bigger loan, but a smarter one.

The AFC Wholesale Lending mechanism explained

CLICK ON THE VIDEO BELOW TO FIND OUT MORE.



Where will Africa's next Agrifood Investment come from?

A multi-vane farm windmill. *Photo credits: Rabobank*

Africa's food systems need far more investment than governments and development partners can provide on their own. As public budgets tighten and development finance becomes increasingly constrained, a new question is emerging: where will the next generation of capital for agriculture come from?

One answer may be found in a groundbreaking transaction completed in Kenya in July 2026. The country's first private sector, local-currency securitization in the smallholder agriculture sector mobilized KES 276 million by transforming thousands of agricultural loans into an investable asset. The transaction, facilitated by Kaleidofin in partnership with Apollo Agriculture and supported by the IDH Farmfit Fund, demonstrates how private capital can be channeled into agrifood systems through financial innovation.

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A woman picking tea. *Photo credits: Apollo Agriculture*

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At its heart, the idea is simple. Instead of allowing agricultural loans to remain on lenders' books, they can be packaged into investment products that attract institutional investors. This releases capital for new lending while expanding financing for farmers and agrifood enterprises. The Kenyan portfolio reached 23,839 smallholder farmers, with 51% of borrowers being women and 22% accessing agricultural credit for the first time.

The transaction reflects a broader shift in thinking that echoed throughout the FINAS 2026 Summit: transforming Africa's food systems will require not only more finance, but also new ways of mobilizing it. As governments, financial institutions and development partners look beyond traditional funding models, innovative approaches that connect private capital with agriculture will become increasingly important.

If Africa is to build resilient, inclusive and sustainable food systems, attracting private investment will be just as important as mobilizing public finance. Kenya's pioneering transaction suggests that the future of agrifood finance may lie not only in new sources of capital, but also in new ways of connecting investors with the farmers and businesses driving Africa's food systems.

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