



## **Private sector engagement**

**Farm Africa supports smallholder farmers in improving their produce quality and increasing productivity so they can sell more high-value produce in domestic and international markets.**

The economy in eastern Africa is very heavily reliant on small-scale, private and low-input agriculture. By far the majority of agricultural production and earning is done at a family scale, with many rural communities depending on their crops and livestock for their livelihoods.

Economic growth in rural Africa depends on smallholders' ability to assure increased production and improved quality to secure higher prices for their produce. This depends to a large extent on their access to markets where they can buy affordable, quality inputs such as seeds, fertiliser and animal feed, and sell their produce for fair prices.

Farm Africa supports smallholder farmers in engaging with a wide range of private sector enterprises, ranging from sole traders to large-scale multinational companies, and supports the development of rural agricultural small and medium-sized enterprises that connect small-scale farming to wider markets.

### **Farm Africa's private sector engagement includes:**

- Providing technical and business development support to small and medium-sized enterprises (SMEs) so they can professionalise and expand their vital services to more smallholder farmers.
- Improving smallholder farmers and SMEs' access to finance so they can invest in the development of their businesses.
- Forming partnerships with large-scale companies and multinationals to help farmers access higher value markets and value chains.
- Creating permanent social enterprises that offer affordable, high-quality services such as livestock health services to smallholder farmers where these services are lacking.

### **Partnerships with large-scale companies:**



Large-scale companies can provide access to higher value markets and potentially higher and steadier incomes for farmers. But many large companies do not have experience of sourcing produce directly from smallholder farmers, and have concerns about the reliability of small-scale producers. Farm Africa helps smallholders to increase production, improve quality, develop their business skills and form co-operatives that can enter into collective agreements with large companies.

Farm Africa's Youth Empowerment in Sustainable Agriculture project in western Kenya helped youth groups to establish agri-businesses producing and marketing vegetables such as French beans, snow peas, cabbages and chillies for local and export markets.

Farm Africa has delivered training in agronomic practices to help the groups grow high quality produce. We've also supported the development of the businesses by offering training in financial literacy, credit management and business planning, and support in accessing commercial finance.

Finally, we've helped link the groups to markets and supported them in the negotiation of contract farming agreements with export buyers.



## Support of small and medium-sized enterprises (SMEs):

Rural agricultural small and medium-sized enterprises (SMEs) buy produce from smallholder farmers and supply goods and services, such as milling, cleaning, packaging, fuel, transport and equipment to them. We call these 'first mile' businesses, connecting small-scale farming to wider markets.

The first mile market is failing due to a lack of appropriate financial products for SMEs, who tend to be too big for small-scale loans offered by NGOs and others, but too small to be able to borrow money from commercial lenders. Without a healthy 'first mile', smallholder farmers cannot operate efficiently nor can they profitably sell the goods they produce.

The Maendeleo Agricultural Enterprise Fund (MAEF) is a venture philanthropy programme managed by Farm Africa that supports the first mile market by providing working capital and support in agronomy, business and marketing development to rural enterprises. Alongside short- and longer-term finance, the MAF model has at its heart the provision of training and capacity building for the businesses it works with. This intensive training will make the SMEs more robust, better managed, better prepared for growth and, most importantly, a safer prospect for commercial lending in the future, so they can expand their services to more smallholder farmers, helping them to improve their efficiency, modernise their practices and ultimately increase their incomes.



Photo: Farm Africa / Mwangi Kirubi

Through MAEF, Farm Africa strengthened the business skills and reach of HomeVeg, a company based in Arusha, Tanzania, which provides local farmers with inputs and improved production techniques and sells their produce to an assured international market. As a result of this, banks are now competing to offer loans to both HomeVeg and local farmers at competitive rates.

## Improving access to finance:



Farm Africa assists smallholder farmers and small and medium enterprises (SMEs) to access finance in a variety of ways:

- Supporting the development of community financing
- Innovative finance agreements with agribusinesses
- Challenge funds that provide finance/working capital directly
- Facilitating access to commercial finance through loan guarantees

## Creation of permanent social enterprises:

A social enterprise uses a market-based approach to achieve social goals. Rather than striving for substantial financial gain it aims to bring large-scale benefits for a targeted group or an often marginalised segment of society. Especially in areas where the private sector and government is currently under-investing, social enterprises offer a new and permanent addition to the value chain.

Sidai is a social enterprise set up by Farm Africa that has a network of centres providing high-quality animal husbandry and livestock health services to farmers and pastoralists in rural Kenya. Sidai is unique in that many of its centres are located where they are most needed: remote rural areas where they serve pastoralist communities whose herds have been neglected by commercial suppliers of livestock services. By filling the gap in available goods and services, Sidai helps pastoralist communities to keep their livestock healthy, which in turn is increasing their incomes and household security.

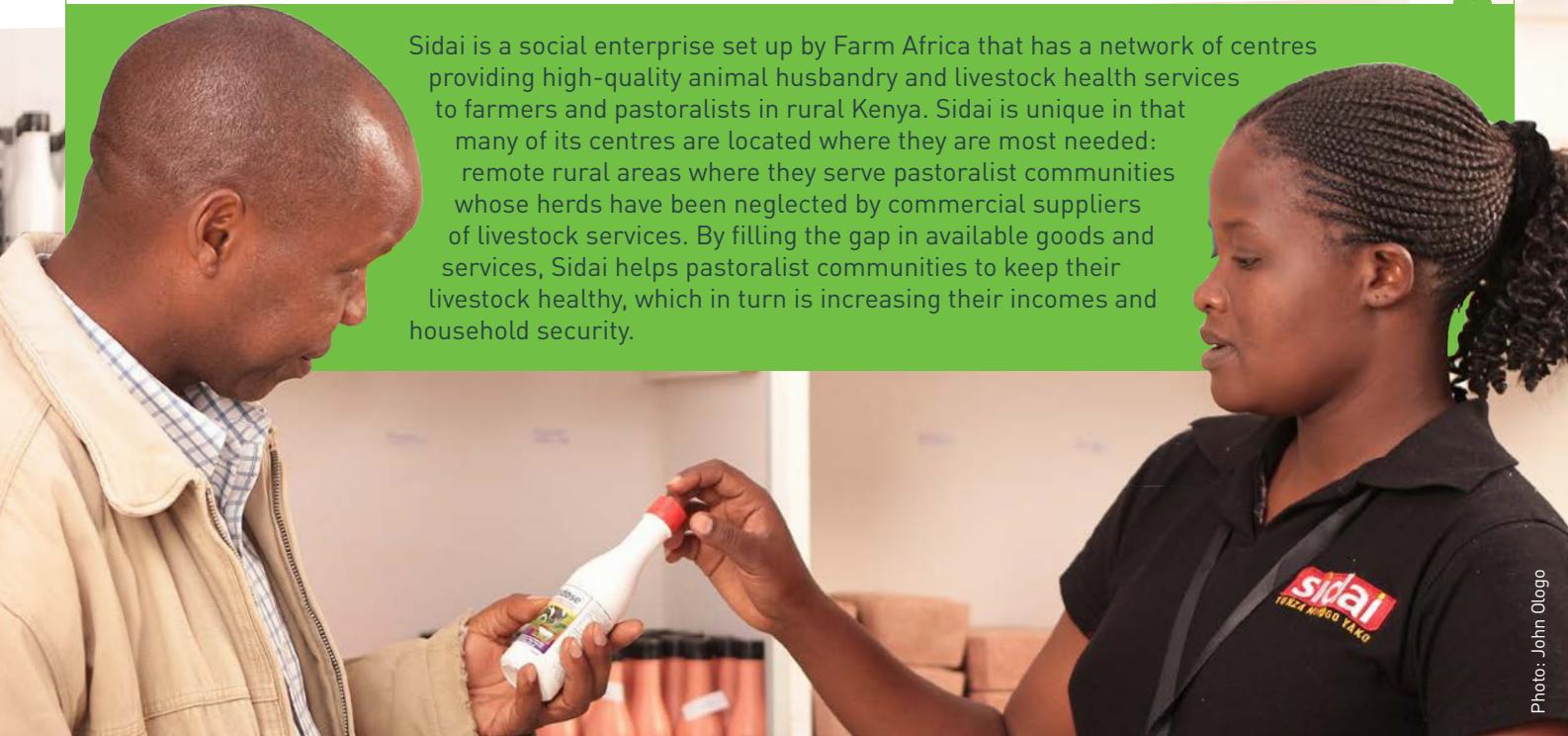


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