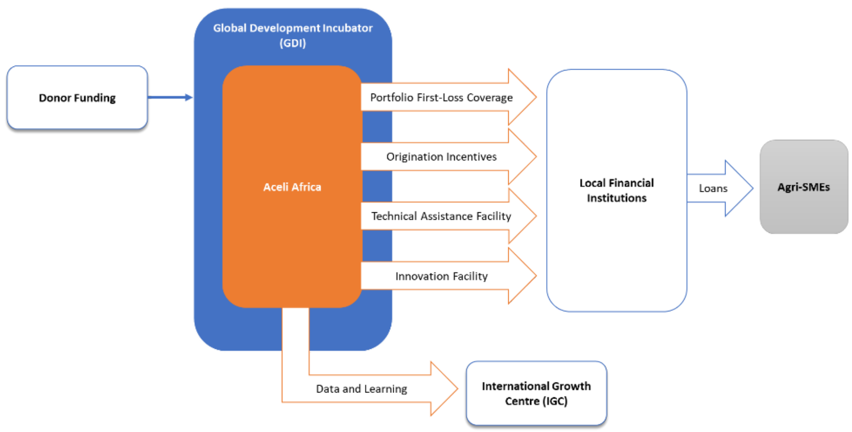
ADAPTATION
BLENDED

Project Name	**Aceli Africa**[1]
Country/Region	Sub-Saharan Africa (priority countries Kenya, Rwanda, Tanzania, Uganda)
Sector	Agriculture, Small and Medium Enterprises (SMEs)
Project/Investment Amount	$75 million (2020-2025)
Development Partner(s)/Stakeholders	USAID, IKEA Foundation, Swiss Agency for Development and Cooperation (SDC)
Beneficiary Ministry/ Institution	N/A
Investor(s) and Funders	USAID, IKEA Foundation, Swiss Agency for Development and Cooperation (SDC), Ceniarth, Convergence, CSAF, Dalberg, UK FCDO, Global Development Incubator, Good Energies Foundation, MacArthur Foundation, MasterCard Foundation, Mulago Foundation, Omidyar Network, Open Society Foundation, Propel Capital, Rabobank Foundation, Small Foundation
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Philanthropy and Impact Investors Multilateral, Bilateral and DFIs
Project Overall Goal	Bridge the supply and demand of capital for agri-SMEs by: ● Increasing capital supply through provision of financial incentives to lenders ● Providing technical assistance to agri-SMEs to improve their ability to qualify for financing ● Build evidence base through data and learning to inform policymaking that promotes market development on a larger scale
Project Outcomes	Mobilize $700 million in private sector lending for African agri-SMEs, with each dollar to generate at least three dollars of incremental income for smallholder farmers and enterprise workers
Alignment with Country Identified Climate Strategies, NDCs, etc. (if applicable)	Agriculture development is a key adaptation goal in many Sub-Saharan African countries' NDCs. Aceli supports this goal by providing agri-SMEs with capital.
Contribution of the Project to the UN SDGs	SDG 1: No Poverty SDG2: Zero Hunger SDG8: Decent Work and Economic Growth SDG13: Climate Action SDG 15: Life on Land
Socioeconomic Impact	Each Aceli dollar is expected to mobilize at least three dollars of incremental income for smallholder farmers and enterprise workers
Environmental Impact (on climate mitigation and/or adaptation)	Increasing their access to finance can allow agri-SMEs to invest in climate-smart agriculture and other adaptation-focused improvements. Agriculture in Africa is also key to reducing poverty, and thus increasing the overall climate resilience of African populations.
Enabling Environment (Supporting Policies)	Aceli was founded based on the experience of social lending institutions that are members of the Council on Smallholder Agricultural Finance (CSAF). CSAF have a lending portfolio in the target countries and recognized the risk-return mismatch driving the supply-demand mismatch between loans and agri-SMEs. Data collection on CSAF member transactions and local banks was crucial to ensuring Aceli was matched to market.

[1] This case was provided by Convergence as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

Technical Assistance (If Provided)	Technical Assistance Facility: pre and post-investment technical assistance that enables more SMEs to be qualified to access and manage credit. Grants range from $2,000 to $20,000. Aceli is also developing capacity building services for its lending partners. Innovation Facility (in development): this facility will support local financing companies that support agri-SMEs through grants and capacity building (e.g. systems, processes, IT, staff development) to prepare market actors for investment and scale. Target investees will include local agri-SME finance companies, fintech companies that offer agri-SME lending, and fintech companies that improve operational efficiency for other lenders.
Financing model/approach (ex: Blended finance)	Downstream blended finance
Rationale for financing model/approach	Lenders serving agri-SMEs traditionally face high risk and high transaction costs given challenges at enterprise and market level. These small loans are not profitable for most lenders because of high risk and high operating costs relative low interest income, making lending below the $1 million mark (let alone the $25,000-$250,000 range where demand is greatest) not feasible for most lenders.
Financial instrument(s) (loans (commercial/ concessional), equity, guarantee)	Guarantees, origination incentives, TA grants

Diagram of the financing structure



Executive Summary

Aceli is a catalytic market facility offering financial incentives to commercial lenders working with agri-SMEs in Sub-Saharan Africa. Aceli addresses the risk-return mismatch lenders face in providing small-ticket loans to higher-risk, lower-capacity agri-SMEs. It was designed based on an extensive data analysis and market sounding task. Aceli is housed at the Global Development Incubator (GDI) and launched in 2020 in Kenya, Rwanda, Tanzania and Uganda in partnership with 25 accredited financial lenders. It intends to mobilize $700 million in private sector lending.

Aceli is a grant-funded facility that provides concessional financing to lenders that provide commercial financing to agri-SMEs. Aceli's concessional finance is blended with lender finance to lower the risk and increase the return in lending small tickets to SMEs. Aceli has two funding workstreams and an impact bonus that applies to both:

- Portfolio First-Loss Coverage for qualifying loans ranging from $25,000-$1.5 million. A participating lender has a reserve account with Aceli that increases in size with each qualifying loan the lender makes. This structure incentivizes lenders to make more loans that meet Aceli's criteria.
- Origination Incentives in the form of cash payment targeting higher-impact loans, such as smaller ticket sizes ($25,000-$500,000), and loans for food crops that would not otherwise be profitable. Incentives vary from $1,000 to $14,000 depending on loan size, additionality, and alignment with impact areas.
- Impact bonuses on both first-loss coverage and origination incentives for loans that meet a higher standard in the areas of food security and nutrition, gender inclusion, and climate-smart and resilient agriculture.

Aceli also offers technical assistance.

Analysis

What made this project successful?	• Extensive data collection on local lending markets to ensure the instrument is market-driven and industry-led

	● Buy-in by local lenders at the start of the project ● Attractive donor value proposition due to industry buy-in, well-researched market thesis, track record, and private sector focus
To what extent is this model scalable?	Aceli launched in 2020 as a sub-facility under GDI, for a demonstration period of 5 years. In future, Aceli plans to migrate to a more permanent structure to take advantage of greater economies of scale.
What are the necessary conditions to make it replicable in other countries/regions?	Deep knowledge of the agri-SME lending markets in target countries. Local lender buy-in and existing capacity to work with agri-SMEs and blended donor instruments.
Constraints/Drawbacks of Financing Model	High-risk nature of projects (small tickets, agriculture SMEs in developing countries) means it is difficult to attract upstream commercial capital.
Lessons Learnt	● Data collection is a powerful tool for right-sizing concessional capital when designing blended finance interventions, particularly in nascent markets. ● Blended finance practitioners must balance tailoring custom-fit solutions and reducing complexity. ● Technical assistance can be useful for addressing both demand and supply constraints. ● Blended finance can be used to support the development of local markets.