FOOD SYSTEMS INVESTING IN EAST AFRICA

The roles of funds in financing food systems transformation

JULY 2023

TIFS | Transformational Investing in Food Systems

Commissioned by Transformational Investing in Food Systems (TIFS)

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DISCLAIMER
This work was commissioned by Transformational Investing in Food Systems (TIFS) to stimulate discussion about critical issues related to investing in food systems transformation and to inspire collective actions. TIFS has chosen to make it publicly available to contribute to the discussions about sustainable food systems reform. The report represents the views of TIFS and does not represent the views of affiliated organizations.

Suggestion for referencing: Transformational Investing in Food Systems. *Food Systems Investing in East Africa: The Roles of Funds in Financing Food Systems Transformation*. n.p.: Transformational Investing in Food Systems, 2023.

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OVERVIEW

To what extent are funds investing in food and agriculture in East Africa designed to contribute to transforming food systems? On behalf of Transformational Investing in Food Systems (TIFS), an Allied Initiative of the Global Alliance for the Future of Food, this white paper: 1) analyzes the food systems investing landscape in East Africa, including the assessment of 23 Funds; 2) identifies the current gaps and opportunities; and 3) explores use cases and suggests an initial set of best practices to strengthen the field of impact investing for food systems transformation.

BACKGROUND

Food systems should provide food security and nutrition for all, dignified livelihoods for food producers and workers, and functioning ecosystems. Current food systems fall far short of these goals. The Scientific Group of the UN Food Systems Summit in 2021[1] estimated the annual costs of environmental, health, and economic impacts of global food systems at around USD 29 trillion per year. Compared to the economic value of food sold at market prices of USD 9 trillion per year, the true cost of food is disproportionally high.

The external costs of food systems represent risks to investments in the private sector and to economic prosperity for all. Investors and governments recognize that business as usual is no longer sustainable. Holistic solutions to these complex, systemic challenges are available in regenerative approaches, agroecological innovations, and Indigenous foodways.[2, 3] Many agroecological, regenerative, and Indigenous businesses already exist, and, just like other businesses, they need access to capital, land, and markets; business assistance; know-how; processing; and infrastructure to grow their markets and connect to consumers. However, actors in global and national financial systems are struggling to identify approaches for allocating public and private capital to agroecological futures.

Transformational Investing in Food Systems (TIFS) is an impact network that aims to transform food systems through investing in businesses that are economically viable and deliver systemic impact. With this study, TIFS contributes to a future financial system that supports thriving economies.[4]

INVESTING IN AGROECOLOGICAL INNOVATION THROUGH IMPACT FUNDS

Impact investors need tools, strategies, information, and partners to contribute to agroecological and regenerative food systems. To engage impact investment funds active in East Africa, TIFS goals are to:

1. **Map the intended outcomes** of a sample of impact funds operating in a targeted region.
2. Use the mapping exercises to **show the outcome focus**, intended results, and potential gaps and externalities of investment funds (individually and in aggregate) on food systems.
3. Engage fund managers, investors, entrepreneurs, and service providers to **identify and prioritize actions aimed at enhancing funds' collective impacts in food systems**.
4. **Educate investors** on the opportunities to invest in values-aligned fund managers and their significant impact.

The project builds on important prerequisites for investing in sustainable and just food systems.

Information that provides systemic measures, analysis, and data. TIFS seeks to provide investors with more systemic/holistic information for use in their decision-making processes. As a first step, TIFS, Biovision Foundation, ISF Advisors, and SHONA have developed a set of investment screening tools: the Systems Investing Assessment (SIA, an impact investment fund assessment tool)[5] and the Agroecology Criteria Tool for Businesses (B-ACT, an enterprise-level assessment tool).[6] These tools offer a holistic view of the intended impacts of companies and funds. For this study, we used SIA to screen 23 funds in order to understand their roles in contributing – individually and collectively – to positive food systems outcomes, including transitions to regenerative approaches, agroecological innovations, and Indigenous foodways. We created a portfolio dashboard to aggregate and analyze SIA assessment results.

Integrated, diverse sources of financial and non-financial capital. This study focuses on investment funds that have an impact thesis. Many funds and other types of intermediaries are creating innovative approaches to meet the financing needs of underserved communities and sectors.[7] TIFS aims to increase awareness of funds that are creating relevant financing innovations; for instance, by incorporating the following elements.

- **Blending capital:** Blending grants, patient capital, and commercial capital enables new investors to engage in sectors they may have considered too risky.
- **Integrating multiple forms of capital:** Combining appropriate financial capital with technical and business assistance, networking, and other resources to allow customized approaches to meet target businesses' needs.
- **Redistributing risk, reducing the cost of capital, and creating scale:** Reducing risks and aggregating portfolio financial results to meet requirements of investors and communities.
- **Supporting community wealth creation:** Engaging deeply with intended partner communities and empowering businesses who share lived experience with communities.

Strategies that connect portfolios aimed at creating futures in which people and planet thrive. This paper describes a regional portfolio of investments that contributes to more just, resilient, and regenerative food systems. The regional approach ensures connection to local context and relevance to the regional agribusiness ecosystem. Our goal is to contribute to a growing ecosystem of business and financial services for agroecology in East Africa.

This study was led by TIFS and implemented in partnership with ISF Advisors to develop the SIA and portfolio dashboard, and with SHONA to conduct the assessments, analyze the portfolio, and draft this report.

BOX 1: SYNERGIES IN THE EAST AFRICAN ECOSYSTEM

Given the momentum and alignment of relevant activities in East Africa, TIFS aims to complement the important work of others, including (and not limited to):

- The Alliance for Food Sovereignty in Africa's ongoing research, convening, policy, and advocacy for agroecological entrepreneurship and territorial markets;
- Biovision Foundation and SHONA, who have launched the Neycha agroecology accelerator and revolving loan fund as part of a program to develop the business case for agroecology;
- Rootical Start-Up Studio, who aim to build regenerative agri-food start-ups in Uganda;
- The Agroecology Fund's initiative to create a regional fund in East Africa;
- The Capitals Coalition's TEEB for Business pilot project; and
- Various organizations working to integrate food systems into national plans for climate adaptation, food security, biodiversity protection, and economic development.

METHODOLOGY

The findings presented in this report are based on the SIA assessment of 23 funds, all actively financing agriculture and food companies in East Africa. Each fund manager provided their input via an in-depth questionnaire regarding the fund's design, structure, and policies. The fund provided supplementary information, such as the fund's memorandum, theory of change, governance policies, team bios, and/or the most recent impact report, to SHONA's team of independent reviewers, who input additional data into the assessment and scheduled a follow-up conversation to validate the results with the fund managers before extracting the final assessment.

The nature of the study comes with methodological limitations. The study was conducted on a relatively limited sample of 23 funds. Although the authors used criteria designed to ensure diversity in fund characteristics and relevance to food system impacts, the small sample may skew the results. Also, the study is focused on intended impacts; we did not assess the contribution or additionality of fund investments to specific outcomes.

FUNDS OVERVIEW

An overview of the main characteristics of the funds covered in this study is presented below. All of these funds are actively investing in relevant impact themes in East Africa. More details are provided in Appendix 1.

FUND NAME	TYPE OF CAPITAL	TICKET SIZE	IMPACT THEMES	WEBSITE
Acumen Resilience Agriculture Fund	Debt, equity	USD 300,000 to 4 million	Agriculture, education, energy, healthcare, water and sanitation, housing, financial inclusion	Link
Africa Eats	Debt, equity	n/a	Smallholder farmers, poverty, and hunger	Link
Balloon Ventures	Debt	USD 10,000 to 100,000	Women and youth, good jobs	Link
Climate Smart Food Systems Fund	Debt (CAPEX, working capital)	USD 3 to 10 million	Climate-smart agriculture	Link
Fairtrade Access Fund	Debt (Term loans, working capital)	USD 200,000 to 3 million	Sustainable agriculture, agro small and medium enterprises	Link
FINCA Ventures	Convertible debt, equity	USD 100,000 to 500,000	Agriculture, energy, WASH, education, health	Link
Grounded Investment Company	Debt, equity (via holding company model)	USD 200,000 to 2 million	Regenerative agriculture	Link
Jenga Capital	Debt	USD 50,000 to 300,000	Sustainable agriculture	Link
Kampani	Equity, quasi-equity	EUR 100,000 to 500,000	Smallholder farmers	Link
Kenya Climate Ventures	Convertible debt, equity	USD 50,000 to 1 million	Sustainable agribusiness, water, waste management, forestry, renewable energy	Link
Landscape Resilience Fund	Debt, grants	USD 500,000 to 2 million	Sustainable agriculture, climate resilience, smallholder farmers, landscape restoration	Link
Moringa Fund	Equity, quasi-equity	EUR 2.6 to 8 million	Agroforestry	Link
OVO Acceleration Fund	Debt	USD 10,000 to 50,000	Sustainable entrepreneurship, micro, small, and medium enterprises	Link
Rabo Rural Fund	Debt (Working capital, trade, and asset finance)	USD 200,000 to 2 million	Sustainable agriculture, smallholder farmers	Link
Root Capital	Debt	USD 200,000 to 2 million	Sustainable agriculture, smallholder farmers, climate resilience, women	Link

FUND NAME	TYPE OF CAPITAL	TICKET SIZE	IMPACT THEMES	WEBSITE
Rural Livelihood Investment Facility	Debt	USD 500,000 to 1.5 million	Agroecology, smallholder farmers, renewable energy, food security, climate change	Link
SABI Fund	Equity	USD 100,000 to 250,000	Regenerative agri-businesses	
Satgana Fund 1	Equity	EUR 250,000 to 300,000	Food and agriculture, renewable energy, nature-based solutions, circular economy	Link
Segal Family Foundation	Debt	USD 10,000 to 100,000	Sustainable agriculture, SME finance, manufacturing, renewable energy	Link
SHONA Capital	Debt	USD 5,000 to 50,000	Agriculture, healthcare, manufacturing, good jobs	Link
The Neycha Accelerator & Fund	Debt, equity	USD 10,000 to 50,000	Agroecological enterprises, smallholder farmers, food systems transition	Link
Truvalu	Debt, equity	EUR 250,000 to 500,000	Smallholder farmers, good jobs	Link
Yield Fund	Equity, quasi-equity, debt	USD 250,000 to 2 million	Agriculture, livelihoods, income, food security	Link

INVESTING IN AGROECOLOGICAL INNOVATIONS IN EAST AFRICA

Agroecological and regenerative companies in East Africa operate at all stages of the value chain, and include farmers that produce for the market using agroecological, organic, and traditional practices. These farmers and entrepreneurs favour natural processes, local knowledge, and seeds and crops, and pursue farming, aggregation, processing, food production, and nutrition underpinned by a commitment to ecology and food sovereignty.

An extensive study by the Alliance for Food Sovereignty in Africa (AFSA)[8] reports that 59% of agro-ecological businesses surveyed were generating revenues below USD 50,000 (59%), and a large majority (83%) below USD 200,000 per year. While one-third has been in business for more than 10 years, others have started more recently, with 38% between 0 and 5 years of operations, and 29% between 6 and 10 years. The study concludes that agroecological entrepreneurs typically face a "missing middle" or "innovator" finance gap between USD 5,000 and 200,000.[9]

Impact investors find it very difficult to invest in companies that require small ticket sizes, operate in markets that are unfamiliar to the investors, and have business models and motivations that may be considered unconventional. Investing in the sector through local intermediaries, including the impact funds highlighted in this study, offers a pathway for investors to allocate appropriate capital to an emerging asset class that delivers transformational impact returns. Some of the smaller funds included in this study (e.g., Neycha Fund, SHONA Capital, SABI Fund, OVO Acceleration Fund, Balloon Ventures) seem to be well placed to address the finance gap with smaller ticket sizes to catalyze agroecological businesses in East Africa. A challenge is to organize financing vehicles large enough to manage large investments while deploying small tickets.

Innovative funds that provide appropriate financing solutions also create an opportunity for impact investors, funders, banks, and governments to learn about approaches that work well to grow the sector. Funders, banks, and governments are committing to achieving the Sustainable Development Goals (SDGs), as well as mitigating and adapting to climate change. These institutions should be giving special consideration to agroecological and regenerative companies. However, government programs tend to favour industrial agricultural development and traditional banks, and agriculture financiers tend to put their money out of reach with stringent credit scoring models, collateral requirements, and lack of distribution channels to reach SMEs at scale.[10]

The AFSA study explicitly calls for stronger support for agroecological entrepreneurs by assistance with business development models and access to finance, mentors, and peer networks to grow their businesses. The YALTA incubator program,[11] the Neycha Accelerator (associated with the fund in this SIA study), Fledge (the accelerator affiliated with AfricaEats), and the regenerative start-up studio model of Rootical[12] offer examples of models that create and strengthen an investable pipeline of agroecological and regenerative SMEs. Philanthropies, donors, and governments can support these programs with grant funding.

There are different and also critical challenges to the sector of agroecological and regenerative companies. One challenge is that some donors tend to launch pilots with donations or grants. This can be a critical support; however, it does not provide an opportunity for a business to prove they can repay investments, which can be a necessary precedent in order to secure later-stage investments. Another challenge is that only a few of the assessed funds support companies at growth stages, and those funds were generally larger in size.

In addition to investing in growth-stage companies, larger funds tend to have resources and capacity for post-investment support and provide substantial technical assistance (TA). For investments in growth-stage companies, funds such as Climate Smart Food Systems Fund, Moringa Fund, and Fair Trade Access could offer opportunities to investors to invest in funds that provide post-investment support to companies.

In many cases, TA is outsourced to global and local business development services. A recent study provides information on the efficiency and effectiveness of business development services.[13] The study indicates that TA service providers often focus on a particular impact theme rather than holistic approaches. Investors, fund managers, portfolio companies, donors, and governments should engage to explore strategies for amplifying the impact returns of their investments by strengthening the ability of global and local service providers to deliver TA for agroecology and regeneration. Funds such as Grounded Impact Company and Root Capital have deep topical expertise that could be leveraged for holistic, sector-wide innovations.

Agroecological and regenerative producers and companies face a multitude of challenges beyond access to appropriate financial and advisory services. For instance, they face competition from cheap imports, policy incoherence, and counterproductive subsidies; they lack processing and value-addition infrastructure; and they require market outlets for their identity-preserved products. Several funds and intermediaries are finding solutions for a missing middle of innovation and creating incentives for agroecological and regenerative producers. For instance, Grounded Investment Company invests in the long-term growth of companies by taking a place-based value chain approach, strengthening the business fundamentals, and incentivizing agroecological and regenerative practices from farm to consumer.

Finally, for all funds, the study highlights an important challenge: investors do not differentiate between agri-businesses that are agroecological or not. Investors and fund managers can use the Business-level Agroecology Criteria Tool in combination with SIA to consider multidimensional measures of success early in their investment process. These tools help investors move beyond oversimplified key performance indicators of yield or income increases to bring a more holistic set of metrics into the investment equation.

In the next section, we explore opportunities for the funds — and those interested in supporting the field of impact investing — to strengthen their investment approaches for agroecological and regenerative returns.

SIA ASSESSMENTS: QUALITY COHERENCE

The Systems Investing Assessment (SIA) first looks at the funds' design quality and potential for generating impact using the Global Impact Investing Network's (GIIN) four Core Characteristics of Impact Investing: 1) intentionality, 2) evidence, 3) management of impact performance, and 4) contribution to industry knowledge.[14] Assessing funds based on these core characteristics helps us determine if they were designed for purpose and can execute their stated impact thesis. Our assessment of 23 funds resulted in the identification of three key opportunities for funds to enhance their ability to deliver their intended impact.

OPPORTUNITY 1 IMPROVE THE IMPACT THESIS OR THEORY OF CHANGE

While most of the funds have a clearly developed Theory of Change (TOC) (see Box 2), it is usually not explicitly backed up with scientific evidence. In 65% of the cases, the assumptions underlying the TOCs are not made explicit nor are peer-reviewed or self-generated research results documented to justify the TOC.

BOX 2: BEST PRACTICE FOR A CONCISELY ARTICULATED THEORY OF CHANGE

Kampani provides an example of a TOC that is noteworthy for its conciseness:
Through investments and non-financial support (TA provided by our NGO shareholders) (= input), Kampani contributes to the growth of our investees. This may be in the form of diversification, vertical integration, and/or scaling (= output). This should in turn lead to reduced vulnerability of smallholder farmers, and higher and/or more stable net income (= outcome). This is expected to contribute positively to reduced poverty, improved food security, and an overall improvement of living standards (= impact).

Why is this important? Alongside a financial return, the funds intentionally finance solutions and opportunities for social and environmental challenges. A clear Theory of Change or Investment Thesis should be explicit about the financial and impact goals, and describe the evidence-based strategies that will be used to realize these goals.

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OPPORTUNITY 2 STRENGTHEN GOVERNANCE STRUCTURES

Most funds can strengthen their governance structures and policies. A large part of the sample are smaller funds (57%), with less than USD 10 million of assets under management. Nine of the 23 sampled funds are new (39%), with a fund vintage year after 2019. Six of them were established in 2022 or 2023. Many of the funds (43%) had not yet fully developed or written up their governance policies. For stakeholder engagement in particular, beyond the investment committee, only 43% of the funds have a formal stakeholder engagement plan and have well-defined mechanisms in place for incorporating and acting upon stakeholder feedback.

Why is this important? Well-designed governance structures and implemented policies such as impact-linked compensation structures could be an effective motivation tool to hold fund managers accountable for their stated impact goals (see Box 3).

BOX 3: BEST PRACTICES IN GOVERNANCE STRUCTURES AND COMPENSATION POLICIES

Aligning Governance Structures with Impact Objectives

To intentionally align the governance policies with their impact objectives, some funds in the sample designed a multilayered investment approval system. In addition to the due diligence and baseline collection, the fund manager used an internally developed **impact scorecard** that is updated and shared internally twice a year or (in some cases) on a quarterly basis.

After the assessment per the impact objectives by the investment committee, an additional layer of **independent verification** can be built in: Contracted by the oversight committee, an independent third party can assess the validity and verify the impact data and its alignment with the intended outcomes and impact as put forward in the fund's Theory of Change. However, this is an expensive step and may be out of reach for many smaller funds.

Compensation Policies to Incentivize Impact Returns

Fund managers are accustomed to tying their remuneration to their financial performance. They could also embed impact-related rewards and penalties in their compensation structures. One fund's governance policy uses an **impact hurdle rate** as a tool to align the fund managers' compensation with the impact performance of the investment portfolio. The impact hurdle rate sets a threshold below which the carried interest rate of the fund manager's compensation becomes lower. The number of smallholder farmers transitioning to agroecology is an example of a key performance indicator that could determine the threshold.

Other examples of impact-linked compensation models include incorporating **bonus carry** for achieving impact targets or reducing the share of profits if the fund didn't achieve its intended impact. A recent study of impact funds found that less than one-third of impact investors use some form of impact-linked compensation.[15]

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OPPORTUNITY 3 AVOID NEGATIVE IMPACTS

Just 48% of the funds have a due diligence process that includes well-defined methods for identifying *both* existing and potential negative impacts. Similarly, less than half of the funds (43%) have a robust system in place and require its portfolio companies to regularly track and report data on any potential negative impacts. A vast majority of the funds (83%) do not include metrics on the funds' negative impacts in their public impact reports. Investment funds that have to comply with European Union regulations regarding impact disclosures are required to meet a Do-No-Significant-Harm standard. While most funds implicitly manage an impact risk reduction strategy, the measurement and reporting on negative (potential) impacts should clearly be strengthened (see Box 4).

BOX 4: BEST PRACTICES IN AVOIDING HARM

Impact investors and fund managers take risks to create positive impacts by serving new markets, deploying new business models and technologies, or backing new businesses. Investors and asset managers routinely examine the risk of not achieving their financial objectives, but how do they consider the risks of causing harmful impacts? Some examples of accepted practices include the following.

1. **Apply negative screens.** Several organizations are developing a set of "red lines" that should not be crossed for companies to be considered agroecological or regenerative, including: introducing GMOs; promoting synthetic fertilizers and pesticides; promoting extensive single cash crop production; focusing exclusively on productivity at the expense of ecosystems and their services; hampering local and farmer-managed seed systems; intensive animal production; discriminating women and other marginalized groups; promoting highly processed foods (with low nutrient value); promoting extractive raw material production without local value addition; promoting approaches that violate rights; ignoring free prior and informed consent of affected local communities; and blocking participation of affected local communities.

2. **Implement an accountability mechanism.**[16] These mechanisms serve as a means to formally collect, evaluate, and resolve community complaints related to an investment. An accountability mechanism administers an independent process for addressing complaints and resolving disputes about the investment's negative environmental and social impacts. These mechanisms may be difficult or expensive to implement, especially by smaller or local funds. The sector needs innovations that are practical and effective, especially for small and local funds. For instance, funds could partner with farmers and other community-based organizations to validate the impact the fund is having on that community.

SIA ASSESSMENTS: PRINCIPLES ALIGNMENT

The SIA assesses to which extent the funds align with the High Level Panel of Experts on Food Security and Nutrition's (HLPE-FSN) 13 principles of agroecology[17] and TIFS' 7 principles.[18] These principles offer a holistic vision for sustainable, equitable, and resilient food systems. To apply these principles for investment decision-making, TIFS applied The Economics of Ecosystems and Biodiversity for Agriculture and Food (TEEBAgriFood)[19] model. In this report, we organized this scientifically rigorous but complex framework in five impact themes: 1) Environment; 2) Life & Biodiversity; 3) Livelihoods; 4) Human Health; and 5) System Sustainability. The sample of funds investing in food systems in East Africa are very actively investing in Livelihoods, System Sustainability, and Environment.

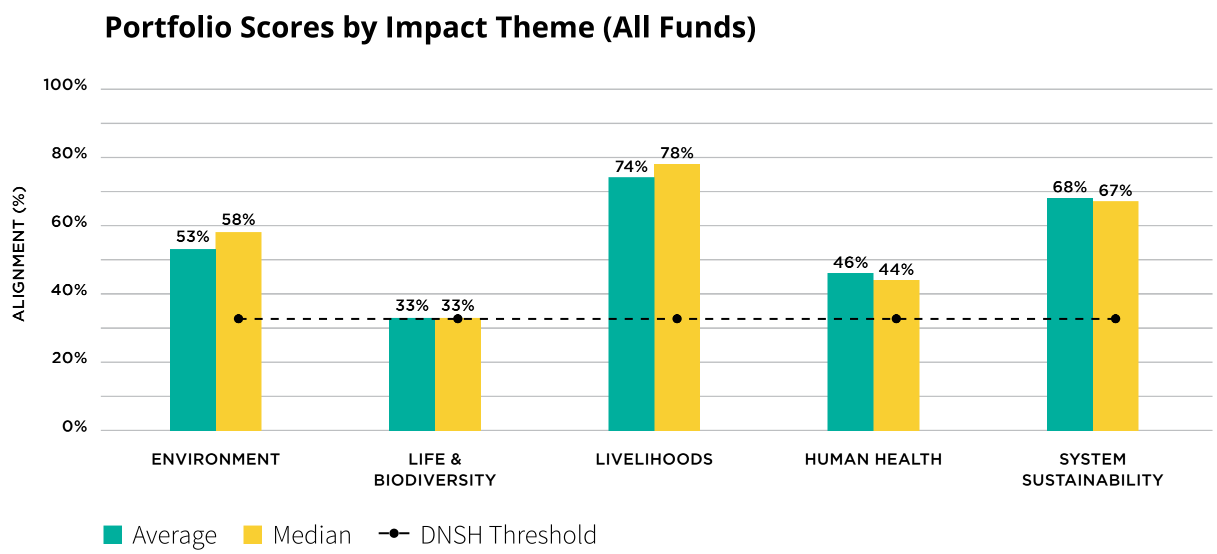

Figure 1. Aggregate Scores per Impact Theme

Looking more closely at the different components of the five impact themes, the Livelihoods impact driver of Fair Wages and Income clearly stands out as the most invested in, with 89% of the funds explicitly working on it throughout their investment lifecycle – from the TOC and investment strategy all the way to their due diligence process, impact assessment methods, and post-investment support. As can be seen in Figure 2, this is followed by Financial Inclusion (83%), Economic Empowerment (82%), and Social Inclusion (78%).

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1. GAP ANALYSIS

Life & Biodiversity and **Human Health** emerged as the main gaps among the impact themes, as shown in Figure 2. If we zoom in on the different elements within each of the five key impact themes, we see that Life & Biodiversity ranks the lowest, as Animal Welfare is out of scope for most of the funds. For an assessment of funds investing in food and agriculture, the score for Biodiversity & Ecosystems is surprisingly low. We expect that this impact theme is relatively underinvested because animal husbandry, the livestock industry, and pastoralism are often deliberately excluded from the scope. We also expect that investing in ecosystems and the conservation or regeneration of biodiversity beyond the field and farm level is considered highly complex and difficult to attribute to the investments of a fund. We assume that incentives from public or private investors for investing in biodiversity and animal welfare are lacking and, therefore, are responsible for part of this gap. We believe further research could test this assumption.

The underinvestment in the Human Health impact theme is linked to the fact that negative externalities are not properly incorporated in investment decisions. The failures of the food system leave 149 million children under the age of five stunted, 45 million wasted, and hundreds of millions deficient in essential vitamins and minerals. More than one billion people worldwide are living with obesity – 650 million adults, 340 million adolescents and 39 million children. The costs related to these failures remain externalized and not reflected in market prices. In addition, nutrition metrics are not fully developed for impact investing. Groups such as the Access to Nutrition Initiative (ATNI) are working on nutrition metrics for impact investing.

We found very few examples of funds that target **sustainable marine resources**. Further research should clarify the reasons why this impact theme does not attract greater attention from private capital in East Africa.

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SCORE ACHIEVED	AVERAGE	MEDIAN	DNSH THRESHOLD
Environment	**53%**	**58%**	**33%**
Clean Air	38%	0%	33%
Clean Water	59%	83%	33%
Net GHG Emissions	70%	83%	33%
Sustainable Land Use	64%	83%	33%
Improved Soil Health	62%	83%	33%
Sustainable Marine Resources Use	17%	0%	33%
Reduced Pollution	60%	67%	33%
Input Reduction	54%	67%	33%
Life & Biodiversity	**33%**	**33%**	**33%**
Biodiversity & Ecosystem	44%	33%	33%
Animal Welfare	21%	0%	33%
Livelihoods	**74%**	**78%**	**33%**
Education & Training	75%	100%	33%
Fair Wages & Income	89%	100%	33%
Economic Diversification	59%	83%	33%
Human Health	**46%**	**44%**	**33%**
Improved Health & Nutrition	43%	50%	33%
Improved Safety	37%	0%	33%
Working Conditions	59%	83%	33%
System Sustainability	**68%**	**67%**	**33%**
Social Inclusion	78%	100%	33%
Financial Inclusion	83%	100%	33%
Resilience	63%	83%	33%
Interconnectedness	66%	100%	33%
Underserved Communities	76%	100%	33%
Economic Empowerment	82%	100%	33%
Respect for Human Rights	27%	0%	33%
Composite Score	**58%**	**60%**	**33%**

Figure 2. Principle Alignment Results per Impact Principle (All Funds)[20, 21]

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Respect for human rights is not reflected explicitly in many of the funds' documents and strategies. The UN's Principles for Responsible Investment (PRI) project on respecting human rights in investment activities articulates best practices for investors to meet their responsibility to respect human rights by: 1) publishing a policy commitment; 2) having due diligence processes to identify and mitigate negative outcomes for people; and 3) enabling or providing access to remedy.[22] Agroecology is, at its core, a rights-based approach. We find that the Respect for Human Rights element is the main area where the Do-No-Significant-Harm (DNSH) threshold in the SIA dashboard is not met. Funds should tie their decision-making, policies, and strategy documents more explicitly to Respect for Human Rights. Integrating notions of food sovereignty, access to land, the right to food, and food justice would help the funds better align with food systems investing.

2. OPPORTUNITIES TO AMPLIFY IMPACT

As we assessed funds, the following five opportunities to grow the non-financial returns of their investments or to adopt best practices to strengthen the impact funds emerged. These opportunities should be explored further.[23]

i. Environment: Agroecology and regenerative approaches build on Indigenous holistic approaches and seek to mimic ecological structures and functions in agricultural landscapes in order to maximize provisioning, regulating, supporting, and cultural services for sustainable agriculture and livelihoods. Practices such as reducing chemical inputs, improving soil health, intercropping, and crop diversity are elemental parts of agroecological innovations that result in environmental benefits. The funds' scores for input reduction, reduced pollution, and clean air were relatively low. Many farmers in the region face challenges related to training and access for chemical fertilizers and responsible use of pesticides. Integrated pest management, intercropping, composting, biological fertilizers, and other solutions are available and could be scaled through innovative approaches. Several funds have deep expertise in agroecology (e.g., The Neycha Accelerator & Fund and SHONA Capital), regenerative approaches (e.g., Grounded Investment Company), and climate adaptation (e.g., Climate Smart Food Systems Fund, Root Capital, and Acumen Resilience Agriculture Fund). Funds could explore approaches to share relevant best practices or engage technical assistance providers with relevant expertise.

ii. Life & Biodiversity: We expect that investing in ecosystems and the conservation or regeneration of biodiversity beyond the field and farm level is complex and challenging to investment funds. Global stakeholders are raising ambition to drive private sector action on nature and biodiversity protection. Some innovative funds may inform investment approaches that support biodiversity (see Box 5). Further research is needed on the appropriate roles, resources, and incentives for private capital.

BOX 5: BEST PRACTICES IN ENVIRONMENT AND LIFE & BIODIVERSITY

The Case of Satgana

Satgana is leading the principle alignment rankings in the impact domains of Environment and Life & Biodiversity, meaning that these are fully covered throughout their investment lifecycle. As a climate-tech oriented venture capital firm, Satgana invests in a wide range of themes, ranging from energy and transport to buildings, carbon removal, the circular economy, and food and agriculture. They score very high because they have a solid TOC and coherent fund set-up, with a diverse team and resources to deploy for technical assistance and impact assessment, all mainly focused on positive impacts on the Environment and Life & Biodiversity domains. Satgana's one-page format is a comprehensive way of presenting a TOC, and provides both a clear overview and good level of detail. Please find it here.

The Case of The Neycha Accelerator & Fund

The Neycha Accelerator & Fund is East Africa's first private sector fund exclusively focused on agroecology. Its innovative business model supports and promotes food systems innovators and entrepreneurs committed to regenerative and agroecological food production. With a holistic fund design that emphasizes principles such as Environment and Life & Biodiversity, the fund attains a perfect alignment score of 100% in these areas using the SIA tool. Notably, the fund's investment strategy aims to direct capital prioritized to accelerating agroecological businesses.

To identify and assess agroecological enterprises, the fund utilizes the Business-level Agroecology Criteria Tool (B-ACT) developed by Biovision.[24] The B-ACT evaluates both the direct positive and negative impact that a business creates during the investment period, assessed through the lens of the 13 principles of agroecology. The tool tracks criteria such as agroforestry, intercropping, the adaptation of local seed varieties, natural pollinators, improved animal welfare, and health. Businesses that score low or show little intentionality to align with agroecology do not qualify for funding.

The Neycha Accelerator & Fund's investment strategy is intentionally designed to support more regenerative and agroecological food production while contributing to a more holistic food system in East Africa.

iii. Livelihoods: Most funds have a strong focus on improving the livelihoods of smallholder farmers by increasing their incomes. In many cases, their strategies focus on high margin export crops. Other strategies are being explored. For instance, one of the funds in the sample is strongly focused on decent jobs and fair pay. However, they have found that upholding living wage standards and urging its investees to pay the internationally defined living wage standards would double payroll costs and price them out of the market in Uganda. If living wage standards are not achievable in the short run, what other steps can a fund and their investees take to build wealth among workers, suppliers, and community stakeholders? What is practically feasible for funds that invest in smaller SMEs and small ticket sizes (e.g., loan size USD 10,000 to 30,000)? Would it be possible, for instance, to implement profit-sharing mechanisms? Grounded Investment Company and one of its investees (Trianon Spices) have created a profit-sharing mechanism with the smallholder farmers who supply organic produce to Trianon. Going beyond profit sharing, could funds and their investees promote steward ownership models? Rootical is incorporating steward ownership principles in its start-up studio design in Uganda. The steward ownership model has proven highly successful for Organically Grown Company in the USA.[25] Or, could other creative structures increase benefit sharing across local businesses? For instance, AfricaEats is using a holding company model to aggregate business success with each portfolio company owning shares in the holding company. TIFS hypothesizes that funds and their investees – by sharing best practices and sharing the risk of innovation – can scale business model innovations that build community wealth.

iv. System Sustainability: Agroecological innovations and regenerative approaches are systems-based, transdisciplinary, participatory, and action-oriented. They may be connected to social and political movements that seek to transform the dominant food model toward socially just, economically fair, and ecologically resilient models. Stakeholder empowerment, co-creation of knowledge, and collaboration are characteristic of these approaches. The funds that participated in the research project score well on systemic issues, including: social inclusion; financial inclusion; resilience; interconnectedness; underserved communities; and economic empowerment. However, few funds are connecting to social movements (with the exception of Neycha) and the development of good practices for stakeholder engagement (e.g., to avoid harm and measure positive impacts) by fund managers deserves more attention.

v. Human Health: Mounting scientific evidence supports the connection between soil health and gut and human health.[26] Strong correlations are found between regenerative practices, life in the soil, and bionutrient density of crops produced regeneratively. Companies are starting to capitalize on these co-benefits; for instance, through incorporating nutritional quality in their brand or by accessing health subsidies. Companies will benefit from technologies that cheaply and accurately measure the bionutrient density of fresh produce. Funds have the potential to apply these scientific developments to build portfolios or support their portfolio companies in exploring relevant commercial opportunities.[27]

BOX 6: BEST PRACTICES IN HUMAN HEALTH

A case of FINCA Ventures

FINCA Ventures is deeply committed to advancing access to health, food nutrition, and safe working conditions as a catalyst for positive change in food systems. Its investment strategy reflects this commitment, as evidenced by its intentional capital allocation, due diligence process, impact metrics, and technical assistance. This focus is validated by the fund's perfect alignment score of 100% for the Human Health principle in the SIA.

The fund's impact measurement system collects and analyzes custom metrics tailored to specific investee businesses, measured against targets relevant to the Global Impact Investing Network (GIIN) IRIS+ metrics and Sustainable Development Goals (SDGs) to obtain measurable indicators on social performance, in this case in the area of Human Health.

Currently, its investment portfolio includes four investments whose business models align with human health and nutrition, providing compelling evidence of its intentionality. Semi-annually, the fund tracks key metrics customized for these businesses, including:

- Number of patients served;
- Number of female patients;
- Units/volume sold of nutritional meals; and
- Employee turnover rate, which serves as an indicator of working conditions.

This data provides a deeper understanding of how each business contributes toward social impact and yields meaningful insights for stakeholders on the impact achieved.

FINCA Ventures work may inspire metrics and data that focus on nutrition outcomes.

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3. RETURN PROFILES

We found that funds across all sizes – including larger funds that invest in growth – seek a wide range of impact returns required for sustainable, just, and resilient food systems. However, half of the funds (52%) are focused on capital preservation. We expect that this is related to both the supply and demand side of capital. On the supply side, concessional capital is available for investments that address social and environmental issues. And Fund Managers recognize that generating positive food system impacts in East Africa demands concessional capital to improve access to capital for underserved communities and sectors.

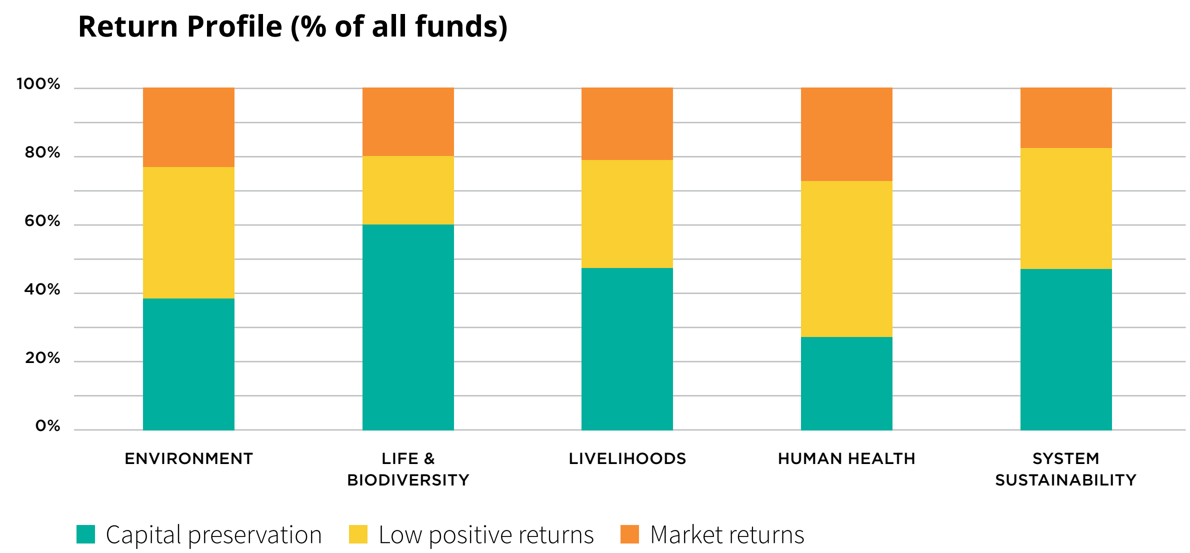

Figure 3. Return Profiles per Impact Area

As can be seen in Figure 3, Life & Biodiversity is the only area where the majority of funds are targeting capital preservation. This is an area where private capital finds it difficult to create financial returns.

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4. FUND SIZE (ASSETS UNDER MANAGEMENT)

In terms of the total Assets Under Management (AUM), the majority of the sampled funds (57%) are below USD 10 million of AUM. While this is partly a result of the sample, this is also considered a good reflection of the reality in the market, with relatively more new and smaller funds entering a market segment aimed at food systems change. Figure 4 shows the size of the funds and number of funds assessed active in each impact area. Impact investors can find funds in each major size category. We found that all impact themes were covered by funds regardless of their size. However, none of the included funds had AUM above USD 100 million. Different types of investment (debt, equity, or both) can be found in a range of impact themes. A mix of these instruments can be found across different fund sizes.

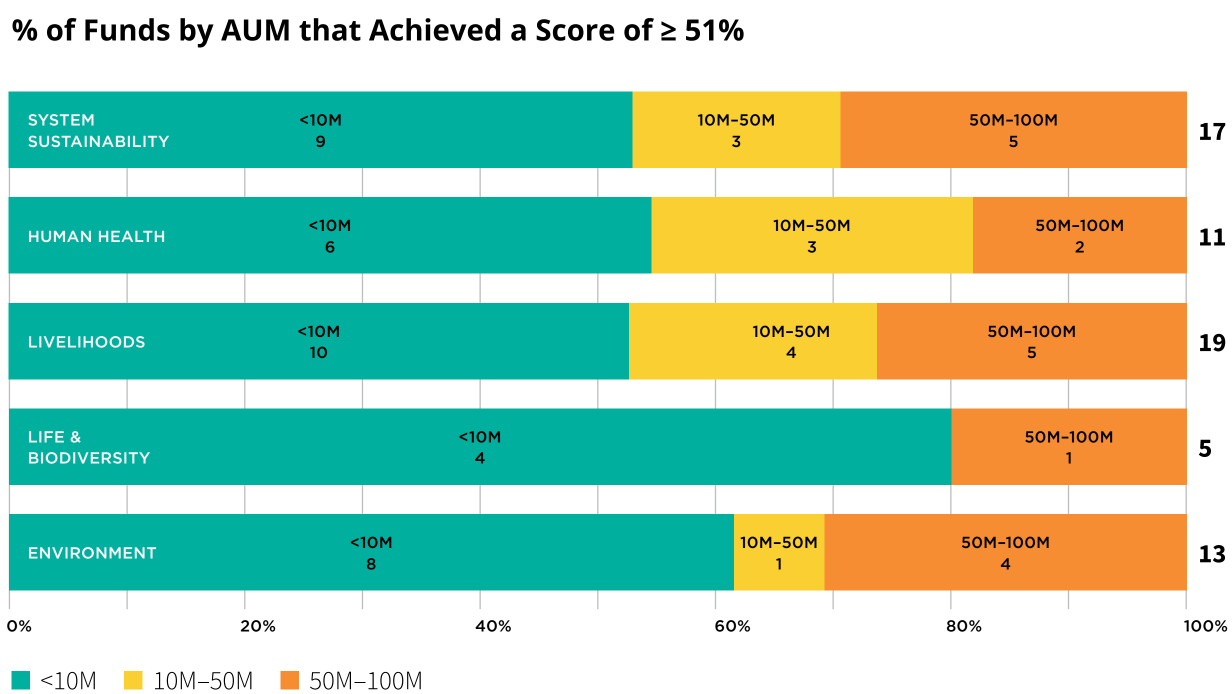

Figure 4. Fund Size per Impact Area (All Funds)

SCORE ACHIEVED	SMALL FUNDS 0>1M	MEDIUM FUNDS 1M<10M	LARGE FUNDS 10M<100M+	DNSH THRESHOLD
Environment	**42%**	**56%**	**53%**	**33%**
Clean Air	50%	44%	28%	33%
Clean Water	55%	58%	61%	33%
Net GHG Emissions	50%	70%	78%	33%
Sustainable Land Use	33%	64%	74%	33%
Improved Soil Health	61%	62%	61%	33%
Sustainable Marine Resources Use	0%	30%	6%	33%
Reduced Pollution	56%	59%	63%	33%
Input Reduction	33%	61%	54%	33%
Life & Biodiversity	**33%**	**35%**	**30%**	**33%**
Biodiversity & Ecosystem	33%	44%	48%	33%
Animal Welfare	33%	26%	11%	33%
Livelihoods	**65%**	**75%**	**77%**	**33%**
Education & Training	67%	67%	89%	33%
Fair Wages & Income	94%	85%	93%	33%
Economic Diversification	33%	73%	50%	33%
Human Health	**30%**	**52%**	**45%**	**33%**
Improved Health & Nutrition	28%	45%	46%	33%
Improved Safety	28%	45%	30%	33%
Working Conditions	33%	65%	59%	33%
System Sustainability	**51%**	**68%**	**72%**	**33%**
Social Inclusion	67%	76%	83%	33%
Financial Inclusion	67%	86%	83%	33%
Resilience	33%	62%	74%	33%
Interconnectedness	33%	74%	67%	33%
Underserved Communities	55%	79%	80%	33%
Economic Empowerment	72%	88%	78%	33%
Respect for Human Rights	28%	14%	43%	33%
Composite Score	**58%**	**75%**	**60%**	**33%**

Figure 5. Principle Alignment Results per Sub-Impact Theme (Based on AUM)

Figure 5 shows a comparative analysis of a number of small (3), medium (11), and large (9) funds, with the AUM ranges identified in the table.[28] The comparison does not show any distinctive differences. The small funds (AUM < USD 1 million) seem to perform lower in the areas of Human Health and System Sustainability. This might be explained by the fact that these small funds are new and do not have the resources and capacity (yet) to fully integrate the complexity of these topics in their investment lifecycle – particularly in the later stages of impact assessment and technical assistance and post-investment support.

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5. TERM STRUCTURE

The majority of funds (61%) are open-ended. This may not be a remarkable finding since an evergreen fund focusing on long-term investments, consistent cash flows, and a lower return profile aligns more with agricultural investing. The more common private equity fund structure of a short-term fund with a 7- to 10-year time horizon and goal of achieving double-digit returns can be problematic with agricultural and food investing.

6. TECHNICAL ASSISTANCE FACILITY

A large majority of funds have a well-defined strategy (74%) and dedicated resources (78%) for providing technical support to investees that aligns with the fund's Theory of Change. Those resources can include staff, dedicated budget, or a complementary TA fund, for instance. This finding highlights another special feature of funds investing in food systems, which recognizes that investment (grant capital) in additional technical assistance, training, or consulting services is required to have impact in the complexity of a given landscape, watershed, or food web.

CONCLUSIONS

Based on these preliminary results we can conclude that the Systems Investing Assessment (SIA) tool is providing value for fund managers by fostering:

- **Self-reflection on key questions.** Many of the participating fund managers reported the SIA questionnaire being useful because the questions and criteria suggested important topics to work on. Some fund managers mentioned that they find value in using SIA during fund construction to increase the chances that they address the varied interests of investors prior to investor engagement.
- **Comparison to other funds.** The findings published in this report, as well as a detailed dashboard provided to each participating fund, allowed for a comparison of each fund's strengths and opportunities for improvement. This regional comparison can become a benchmark that could be useful to investors, fund managers, and entrepreneurs.
- **Visibility to potential Limited Partners (LPs).** By participating in the SIA, any given fund can receive additional exposure to potential investors via this kind of publication, using the SIA results and graphics in their own communication, and/or joining webinars and meetings to present the findings of this ecosystem study or for a fund individually (e.g., the TIFS April 11, 2023, webinar showcasing Grounded Investment Company's approach).

Conversations with investors indicate that the assessments can also be helpful to **impact investors** (foundations, family offices, high net-worth/wealth individuals), **pension funds, donors, and development finance institutions.** The SIA results per fund (including the spider charts and a benchmarked scoreline as pre-due diligence input) allow potential LPs to identify the funds that best match their own investment hypothesis, priority areas, and quality criteria. They can use the tools to create a systems (SDG-aligned) approach to pre-screening potential investments as well as a tool involved in benchmarking the impact performance of the fund.

Ultimately, **business service providers** (start-up studios, incubators, accelerators) can use systems tools to build and accelerate ventures, identify enterprises for their programs, strengthen and align the ecosystem of support services, and improve matchmaking between enterprises and investors. And **companies** can use the tools to seek investment from values-aligned investors.

In this contribution, key gaps and opportunities have been discussed. The gaps refer to potential impact areas that are underinvested – namely Life & Biodiversity, and Human Rights. Key opportunities include strengthening the evidence behind the investment thesis for agroecology and regenerative approaches, developing and sharing knowledge about best practices in the field of food systems investing, and organizing the food systems impact investing community for actions that increase the flow of capital.

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TIFS is committed to utilizing these findings to enhance its support for impact investors, fund managers, and other stakeholders in the ecosystem. As a network dedicated to advancing food systems change through funding and investment, TIFS will concentrate on expanding and strengthening the community of investors who share a keen interest in our investment thesis. Additionally, we will actively seek partnerships with companies and other ecosystem actors to foster growth within the field of food systems investing.

FIELD-BUILDING RECOMMENDATIONS

While providing key insights and some answers, this study also gives rise to new questions regarding how to build the field of food systems investing in East Africa. To address these questions, TIFS makes several recommendations for supporting agroecological and regenerative investments, which will be explored with regional and international partners.

» DEVELOP AN INVESTMENT THESIS FOR AGROECOLOGY, REGENERATIVE APPROACHES, AND INDIGENOUS FOODWAYS.

The work of several fund managers as well as field-building organizations including Biovision Foundation (conducting a survey of agroecological enterprises in Kenya and Uganda) and AFSA (convening national dialogues of agroecological enterprises in five countries in Africa) highlights local companies that can be considered agroecological or regenerative or that are transitioning toward holistic positive outcomes. When working with fund managers who are interested in investing in agroecological and regenerative innovations, we recommend creating an overarching investment thesis that leverages existing studies to articulate the financing needs, the financing gap, and the economic opportunity of investing in agroecological, regenerative, and Indigenous business sectors.

The investment thesis should compile evidence supporting the financial viability and the social and environmental impact of values-aligned companies. Applying impact investing best practices, the thesis would compile layers of evidence that support financial and impact intentions of investment funds, including:

- **Leveraging multiple scientific studies** and other sources of evidence (e.g., case studies, feasibility studies, traditional knowledge) from a wide variety of established and respected players (i.e., NGOs, research organizations, impact funds).
- **Commissioning third-party feasibility studies** and/or conducting a pilot program to fill gaps in evidence.
- **Analyzing self-reported data** that has been verified or shared publicly with the impact investing community.

We take inspiration from "Politics of Knowledge: Understanding the Evidence for Agroecology, Regenerative Approaches, and Indigenous Foodways," a compendium of evidence that showcases the holistic, transdisciplinary, and inclusive research and action required for food systems transformation. A similar document could be developed to make the investment case for investors and assist fund managers in incorporating relevant evidence in their theories of change.

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» ORGANIZE A COMMUNITY OF FOOD SYSTEMS–INVESTING FUND MANAGERS.

Many funds highlighted the need to share best practices from high-scoring funds in any given area. Fund managers are interested in sharing insights about realistic steps they can take with their investees to improve impact performance and increase the pipeline of values-aligned businesses. An East African community of mission-driven fund managers could act as an informal “coalition of the willing.” Over time, the community could tackle broader topics, such as identifying opportunities for enabling policy and regulatory conditions, and exchanging information with other stakeholders, including government authorities, banks, and traditional finance providers, companies, and impact investors. Several existing organizations may be well placed to convene these food systems change-oriented fund managers and LPs in East Africa (e.g., Council on Smallholder Agricultural Finance, Netherlands Food Partnership, Aspen Network of Development Entrepreneurs, or SHONA). We take inspiration from the Council on Smallholder Agricultural Finance and Funders for Regenerative Agriculture, each of which have built dynamic communities of funders, investors, and financial innovators. They started with informal gatherings of mission-driven practitioners to share information and address common challenges, and are now working together to develop innovative solutions for investing in systems change.

» CATALYZE COLLABORATIVE ACTIONS TO INCREASE INVESTING IN FOOD SYSTEMS.

Balancing impact performance and financial returns is a challenge for food systems impact funds. These funds are venturing to serve new markets, finance new business models and technologies, and back new businesses. They are implementing and testing innovations to better serve their target markets and generate both financial and non-financial returns.

The impact investing community is often not mobilized to engage with other stakeholder groups that could help create more favourable investment conditions. As impact investors, fund managers, and companies build the evidence for the financial viability of their impact solutions, they could engage governments, international donors, insurance companies, and institutional investors (e.g., pension funds) who can build on that evidence to create solutions for reducing the cost of capital, redistributing risk and increasing the flow of capital to viable solutions.

TIFS has been co-hosting a series of dialogues on the “Missing Middle of Food Systems Investing,” a unique conversation among stakeholders from the finance, philanthropic, government, and food sectors to identify actions that increase investment opportunities for sustainable, just, and resilient food systems. The workshops build on the evidence being generated by financial innovators who are designing financing solutions for underserved communities, markets, and value chains. The workshops are helping to identify new opportunities for public–private partnerships to direct capital to innovative finance for fair, just, and resilient food systems. TIFS will explore opportunities for a process of engaging fund managers and other ecosystem actors, such as public capital providers, who can be the drivers of new, collaborative actions to increase the flow of capital to agroecological innovations and regenerative approaches.

APPENDIX: FUND DESCRIPTIONS

We are grateful to the funds that participated in this study. The following descriptions are based on publicly available information. Additional information can be found on each organization's website.

We note that investment funds are dynamic organizations that evolve and adapt to changes in the market. TIFS aims to generate information and services that support the continued improvement for positive food systems returns. We anticipate that the descriptions and assessments of the funds will require periodic updating.

ACUMEN RESILIENCE AGRICULTURE FUND

Type of capital: Debt, Equity
Ticket size: USD 300,000 to 4 million
Link: https://arafund.com/

Description: Acumen Resilience Agriculture Fund (ARAF) is a USD 58 million impact fund. ARAF is an equity fund designed to build the climate resilience of smallholder farmers. Although smallholder farmers produce a third of the world's food, climate change is threatening their lives and livelihoods with devastating impacts. ARAF supports smallholder farmers in Africa by investing in early and early-growth stage agri-businesses that enable them to anticipate, weather, and bounce back from climate events, resulting in increased yields and incomes. These agri-businesses are backed by passionate founders committed to building profitable and scalable enterprises that prioritize the needs of smallholder farmers.

ARAF is sponsored by Acumen, anchored by the Green Climate Fund, and supported by FMO, the Soros Economic Development Fund, PROPARCO, the Children's Investment Fund Foundation, Global Social Impact, IKEA Foundation, and others. It is managed by Acumen Capital Partners, a wholly owned subsidiary of Acumen.

AFRICA EATS

Type of capital: Debt, Equity
Ticket size: n/a
Link: www.africaeats.com

Description: Africa Eats has a unique structure that blends elements of a venture capital fund, a business accelerator, and Berkshire Hathaway to create an investment holding company optimized to support fast-growing, mission-driven, for-profit African companies. Africa Eats focuses on funding and growing for-profit solutions to hunger and poverty across Africa. Africa Eats focuses on the tens of thousands of solutions that already exist across the continent, created by homegrown African entrepreneurs, most of which are suffering from lack of capital as they are too small for institutional investors, too risky for banks, too large for grantors to fund, etc.

The Fledge network of business accelerators found, trained, and invested in dozens of food/agricultural companies in Africa. In 2020, Fledge took all of its African food/ag investees and moved that portfolio to a then newly created Mauritius-domiciled holding company, Africa Eats. That portfolio has grown dozens of companies, based in 8 countries, exporting food to 15 countries in Africa plus elsewhere on other continents. Similar to a venture capital fund, Africa Eats owns a minority stake in each of these companies. Each company has its founding team in place, and Africa Eats helps them grow and succeed, letting them run their companies as founders who know their markets far better than investors ever will.

Africa Eats tracks the total of all the revenues earned from customers across all of the companies. At the close of 2022, aggregate revenues totalled USD 24 million, up more than ten-fold in the last 5 years. A handful of companies are still small, earning under USD 100,000 per year. All but one were that small 5 years ago. After a few years of rapid growth, many of these companies now earn over USD 1 million per year, and the largest earns over USD 10 million.

BALLOON VENTURES
Type of capital: Debt
Ticket size: USD 10,000 to 100,000
Link: https://balloonventures.com/

Description: Balloon Ventures invests in high-potential small businesses in Kenya and Uganda to create safe, secure, and fairly paid work. Balloon Ventures aims to create millions of good jobs in emerging markets by combining investment with highly efficient business support to create viable investments.

Balloon Ventures estimates that there are over 2 million exceptional informal sector entrepreneurs in Sub-Saharan Africa with the potential to create 40 million good jobs. Currently, these entrepreneurs are excluded from investment and support to grow. As a result, they start small and stay small.

Balloon Ventures invests USD 10,000 to 100,000 in small and growing businesses from poverty-reducing sectors that have the potential to create a lot of good jobs. They provide 6 months of business support and partner with investees to introduce systems, technology, and behaviours that build good management practices and good jobs. Balloon Ventures scale investees by reinvesting in the best performers, and supporting them through every stage of growth. We learn what works and replicate.

CLIMATE SMART FOOD SYSTEMS FUND

Type of capital: Debt (CAPEX, working capital)
Ticket size: 3 to 10 million
Link: www.cgiar.org/news-events/news/responsability-launches-climate-smart-food-systems-investment-solution-with-kfw-as-anchor-investor-and-in-partnership-with-the-cgiar/

Description: responsAbility and CGIAR have partnered to launch a science-based impact investing solution targeting food systems transformation. The Climate Smart Food Systems Fund aims to provide long-term expansion debt to innovative businesses operating in the food value chain in Asia Pacific, Latin America, and Africa with the goal of mitigating climate change, reducing food loss, and promoting the climate change resilience of smallholder farmers. The fund's strategy is to finance agri-businesses that are experiencing growth opportunities to meet the increasing demand for healthier, more equitable, and more sustainable food but lack access to adequate long-term financing and strategic support to mainstream climate change in their growth plans.

To apply scientific rigour in the climate impact rationale, responsAbility collaborated with CGIAR experts from the Alliance of Bioversity International and CIAT in the concept design, which was commissioned by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The anchor investor is the German development bank KfW, acting on behalf of BMZ. The fund estimates that the strategy could potentially transform 300,000 hectares to climate-smart practices and reduce about 8 million tons of greenhouse gas emissions.

FAIRTRADE ACCESS FUND

Type of capital: Debt (Term loans, working capital)
Ticket size: USD 200,000 to 3 million
Link: https://incofinfaf.com

Description: The Fairtrade Access Fund (FAF) is a regulated evergreen fund that operates in Latin America, the Caribbean, and Africa, offering lending products for agricultural exporters who work primarily with smallholder farms and have a strong commitment to sustainable development.

The FAF has three types of clients: producer organizations, small and medium enterprises, and agricultural-focused microfinance institutions. The FAF provides short- and long-term financing for working capital (working capital loans), export sales (trade finance loans), and investments that enable clients to grow, renew, innovate, and protect against climate change (long-term loans).

The FAF endeavours to achieve social and environmental sustainability with the organizations it invests in, and a comprehensive set of impact measurement indicators has been developed in alignment with the UN Sustainable Development Goals.

Incofin Investment Management (IM) is the Investment Advisor of the FAF. FAF is sponsored by Incofin, Fairtrade International, Grameen Foundation, KFW, EDFI Management Company, and BIO.

FINCA VENTURES

Type of capital: Convertible debt, equity
Ticket size: USD 100,000 to 500,000
Link: https://fincaventures.com

Description: FINCA Ventures is an impact investing initiative of FINCA International, which builds on over 35 years of experience creating a global microfinance network that delivers financial access at scale. FINCA Ventures actively partners with entrepreneurs who create solutions that meaningfully grow income and social resilience for families and small businesses.

FINCA Ventures invests in inclusive growth pathways as Africa matures into a global economic player by supporting companies that provide basic services – in agriculture, education, energy, financial inclusion, health, and WASH – to enable the productivity and resilience of household and micro, small, and medium enterprises.

FINCA Ventures invests in early-stage companies with business models where social impact grows with revenue. They back founders who show commitment to their communities and focus on responsible but ambitious growth. FINCA Ventures provides equity, or convertible notes, at the seed or series A stage in the range of USD 100 to 500,000, with additional capital reserved for follow-on.

GROUNDED INVESTMENT COMPANY B.V

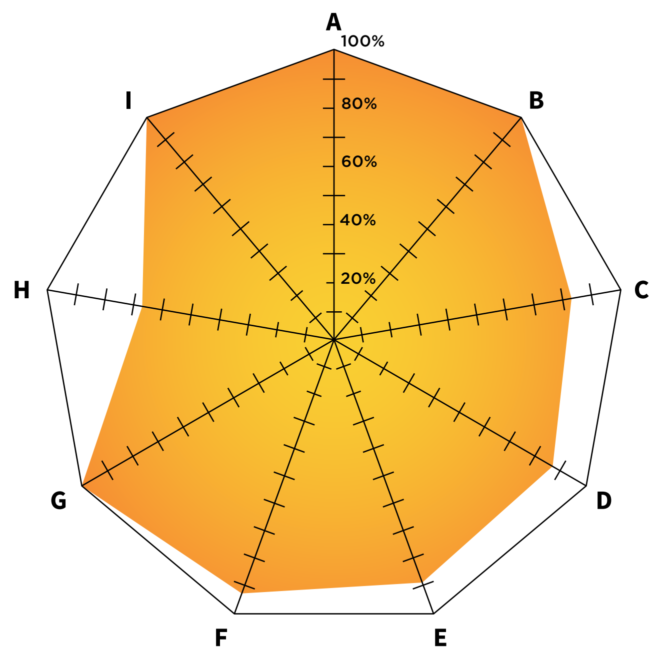
Type of capital: Debt, equity (via holding company model)
Ticket size: n/a
Link: https://grounded.co.za/grounded-investment-company-gic-launch/

Description: Grounded Investment Company (GIC) is a highly specialized, permanent investment company committed to improving and developing the agricultural sector in Africa. GIC invests in locally embedded agricultural entrepreneurs and farmers to build, scale, and improve their businesses. Since 2013, the GIC team has built three agri-businesses from scratch in Zambia and South Africa — this gives deep operational and entrepreneurial experience. The GIC has made its first investment in Tanzania in 2021 and is preparing a second investment in Kenya. They have a strong focus on and experience in regenerative agriculture as a sustainable driver of economic growth on the continent in the long run. GIC leverages its partnership with the Regen Ag Facility (for regenerative agriculture expertise and technical support) and Grounded Ingredients (for premium marketing direct to brands).

Impact goals:

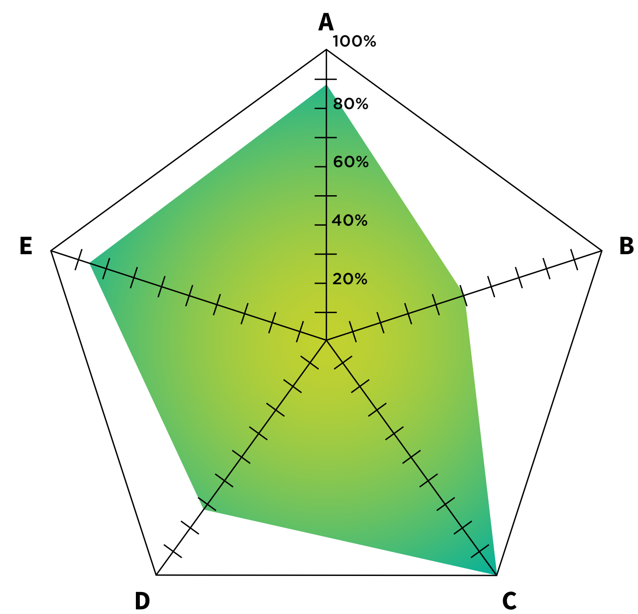
- *Enable African entrepreneurs to scale their businesses:* 1) capture and create more value by producing higher-quality ingredients and integrating post-farmgate processing; and 2) improve local economic conditions, especially in rural/peri-urban settings, creating direct and indirect job opportunities.
- *Embed regenerative agriculture within a sustainable business environment:* 1) create the economic underpinning needed to drive/incentivize the adoption of regenerative agriculture and de-risk the transition period for the farmer; and 2) improve farm profitability (regenerative production leads to improved product quality and reduced input costs, positively affecting farmer incomes and market access).
- *Support farmers' transition to regenerative agriculture:* Improve soil and water quality (when managed regeneratively, agricultural lands sequester carbon, retain more water, mitigate climate change, and halt biodiversity loss).

System Investing Assessment Outputs



A: TOC & IMPACT OBJECTIVES
B: INVESTMENT STRATEGY
C: TEAM
D: GOVERNANCE
E: DUE DILIGENCE
F: IA & METRICS
G: TA & SUPPORT
H: PUBLIC REPORTING
I: INDUSTRY INVOLVEMENT

Quality coherence: Assesses the fund's design and potential for generating impact based on four categories: 1) intentionality, 2) evidence, 3) management of impact performance, and 4)contribution to industry knowledge.



A: ENVIRONMENT
B: LIFE & BIODIVERSITY
C: LIVELIHOODS
D: HUMAN HEALTH
E: SYSTEM SUSTAINABILITY

Principles alignment: Assesses how well the fund aligns with the tool's five key principles and how well its design considers the Environment, Life & Biodiversity, Livelihoods, Human Health, and System Sustainability.

JENGA CAPITAL
Type of capital: Debt
Ticket size: USD 50,000 to 300,000
Link: www.jengacapital.com

Description: Jenga Capital invests in the food security value chain to enable sustainable agriculture in East Africa. Jenga Capital is initially focusing on Kenyan investments, with a vision to expand across East Africa over time. They invest in companies that are working on market linkages and infrastructure, agriculture and food production, and value-added processing, and who serve domestic and international consumers.

Jenga looks to create long-term and mutually beneficial partnerships with their portfolio companies. Jenga provides flexible investment structures, ranging across debt, royalties, and equity investments. Jenga expects to be involved and included in decision-making, and supports businesses in various ways, but they do not provide any technical assistance at this time.

Jenga provides between USD 50,000 to 300,000 in debt capital. They can provide equity at later stages. Loans are repayable between 1 to 4 years, but Jenga can offer grace periods and flexible repayment structures.

KAMPANI
Type of capital: Equity, quasi-equity
Ticket size: EUR 100,000 to 500,000
Link: www.kampani.org

Description: Kampani invests in businesses of producer organizations of smallholder farmers in the South. The investment targets include businesses or cooperatives that produce, process, trade, and/or market agro supply, farming products, and their derivatives. Kampani has made the following strategic investment choices:

- Investing directly and strengthening the balance sheet of the investee through the use of equity or quasi-equity;
- Applying a long investment horizon of up to 10 years;
- Investing only in the agro-food value chain;
- Playing an active role in the governance of the investee; and
- Investing small investment amounts (EUR 100,000 to 500,000); add-on investments for successful partnerships can lead to a total investment of up to EUR 1 million.

By targeting this part of the missing middle, Kampani aims to increase farmers' income; improve farmers' position in agricultural product chains; and contribute to the development of farming communities.

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The social impact is a crucial part of investment decision-making. Kampani gives equal weight to the social impact on smallholder farmers and the financial return on investment.

KENYA CLIMATE VENTURES
Type of capital: Convertible debt, debt, equity
Ticket size: USD 50,000 to 1 million
Link: https://kcv.co.ke

Description: Kenya Climate Ventures Limited (KCV) is an investment management company that seeks to accelerate the development of climate-smart solutions by providing tailored and targeted financial and managerial assistance support to innovative early- and growth-stage businesses.

KCV invests in businesses in agribusiness, water, commercial forestry, renewable energy, and waste management. They work with small and medium-size enterprises whose growing commercial success will have a positive impact on target markets and communities in Kenya.

KCV provides funding and technical assistance. They invest in early- and growth-stage businesses that provide climate-smart solutions and demonstrate sustainable competitive advantage, good management, and ethical business practices. For early-stage businesses, KCV provides USD 50,000 to 200,000 in debt, convertible debt, and/or equity with a maximum of 7 years' tenure. For growth-stage businesses, they provide USD 100,000 to 1 million. To fast track commercial and operational success, KCV offers technical and business development support, including technology improvements; governance; business planning; financial management; energy efficiency; investor readiness and fundraising; marketing; mainstreaming environmental and social governance; and mainstreaming gender-lens investing and disability inclusion.

LANDSCAPE RESILIENCE FUND
Type of capital: Debt, grants
Ticket size: USD 500,000 to 2 million
Link: https://landscaperesiliencefund.org

Description: The Landscape Resilience Fund (LRF) is a public–private partnership that aims to mobilize USD 100 million by 2026 for climate adaptation projects that support sustainable agricultural and forestry supply chains and that improve the resilience of smallholder farmers in developing countries.

The LRF uses a blended finance approach, combining public, philanthropic, and private funding to create scalable ways to finance sustainable adaptation solutions.

The fund works across three funding pillars: 1) strengthening an integrated landscape approach; 2) delivering technical assistance for small and medium-sized enterprises (SMEs) toward investment readiness; and 3) providing concessional loans to SMEs. By supporting small businesses and entrepreneurs that train local farmers and buy products from them, the fund promotes adaptation to climate change, which helps protect the most vulnerable people – and also makes good business sense. Adapting farming practices in developing countries will also improve the resilience of global food supply chains.

LRF is an independent Swiss foundation, co-developed by South Pole (acting as fund manager) and the World Wide Fund for Nature (acting as advisor and service provider). Anchor investor CHANEL is committing USD 25 million to complement finance from the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund.

MORINGA FUND
Type of capital: Equity, quasi-equity
Ticket size: EUR 2.6 to 8 million
Link: www.moringapartnership.com

Description: Moringa is a EUR 84 million investment fund (composed of Moringa SCA SICAR and Moringa Mauritius Africa) that targets profitable large-scale agroforestry projects with high environmental and social impacts located in Latin America and Sub-Saharan Africa. The fund is managed by Moringa Partnership and makes equity and quasi-equity investments of EUR 4 to 10 million.

The fund manager adds value through its technical skills, environmental and social know-how, and global network. The fund uses the fact that agroforestry is inherently/fundamentally a sustainable practice to distinguish itself from other land-based investment approaches and to ensure that its projects are sustainable.

The Agroforestry Technical Assistance Facility (ATAF) was created by Moringa Partnership to provide technical assistance in relation to investments of the Fund with the goal to amplify and upscale positive environmental and social impacts triggered through Moringa investments. ATAF is a grant-based mechanism parallel to the investment of the Moringa Fund.

By providing farmers with access to training, by supporting innovative research and development programs, and by assisting commercial initiatives, ATAF will create an enabling environment to increase the resilience of farmers and landscapes in Latin America and Sub-Saharan Africa.

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OVO ACCELERATION FUND

Type of capital: Debt
Ticket size: USD 10,000 to 50,000
Link: https://ondernemersvoorondernemers.be/en/projects/ovo-acceleration-fund

Description: The OVO Acceleration Fund (OVO) provides affordable, tailor-made loans to African start-ups with a sustainable impact. Through the OVO Acceleration Fund, entrepreneurs can quickly borrow a limited amount of money. When the social loan is paid off, the sum ends up back in the fund for new projects of new enterprises.

Companies with African projects can take out a loan of up to EUR 25,000 from the fund with an interest rate of 7 to 9% and a term of 3 to 5 years. OVO only invests in companies with acceptable risk. Control and follow-up is in the hands of employees and partners of the organization.

The OVO Acceleration Fund manages donations from individuals and companies in Belgium. Belgian companies and individuals who invest money receive a tax certificate that allows a 45% tax deduction for their donation.

RABO RURAL FUND

Type of capital: Debt (Working capital, trade and asset finance)
Ticket size: USD 200,000 to 2 million
Link: www.rabobank.com/about-us/rabo-rural-fund

Description: Rabo Rural Fund is one of the funds of Rabo Foundation. The Rabo Rural Fund invests in agricultural companies such as producer organizations and farmers' organizations that are crucial in producing food for the growing world population. The challenge for many of these farming organizations is that they experience difficulties in securing commercial investment. They have outgrown grants, micro-credit, and soft loans but do not qualify for a standard bank loan. They are trapped in the "missing middle."

Rabo Rural Fund invests in the growth of agricultural enterprises that work with smallholder farmers in Africa, Asia, and Latin America. Rabo Rural Fund provides trade financing to better finance the purchase and processing of their products, which enables them to sell at better prices and under better conditions. They typically provide loans ranging from about USD 200,000 to 3 million. In addition, the Rabo Rural Fund shares relevant market information and networks, enabling the organizations and farmers to learn how to work more sustainably and efficiently. A guarantee enables an organization to obtain a loan elsewhere, often with commercial banks. The Rural Fund shares the credit risk with a local bank by granting a part of the loan itself or by (partially) acting as a guarantor for the loan of the bank.

Rabo Rural Fund aims to contribute to environmentally sustainable economic development, food security, and a better income for smallholder farmers by creating jobs in rural communities. Rabo Rural Fund lends to agricultural SMEs and producer organizations, who, in turn, serve thousands of smallholder farmers.

ROOT CAPITAL

Type of capital: Debt
Ticket size: USD 200,000 to 2 million
Link: https://rootcapital.org

Description: Root Capital provides credit and capacity-building to small and growing agricultural businesses in Africa, Latin America, and Southeast Asia. Root Capital partners with the most underserved small and growing agricultural enterprises with critical credit and capacity-building.

Many small and growing agricultural enterprises are stuck in the "missing middle" – considered too big for microfinance and too small and risky for commercial banks. Root Capital provides businesses with reliable financing — tailored to their unique needs and harvest cycles — and training in critical business skills to access and manage credit. Root Capital also provides training to level the playing field for women farmers, employees, and entrepreneurs, and to harness the untapped power of the rural youth to build long-term resilience.

Root Capital pilots blended financing models to reach early-stage, riskier businesses and demonstrates proven models to strengthen the agricultural finance sector.

Root Capital is supported by grants and donations to create appropriate financing solutions and to deliver its donor-funded advisory services. Root Capital uses investments in its loan fund to provide credit that supports the growth of agricultural businesses.

RURAL LIVELIHOOD INVESTMENT FACILITY

Type of capital: Debt
Ticket size: USD 500,000 to 1.5 million
Link: https://en.heks.ch/medien/hekseper-and-igravity-announce-successful-launch-rural-livelihoods-investment-window

Description: The Rural Livelihoods Investment Window is a private debt facility that provides financing and business support to enterprises in Sub-Saharan Africa to promote sustainable employment and income opportunities for communities in rural areas. The focus of the initial phase is on Uganda and Senegal.

The Rural Livelihoods Investment Window invests in local enterprises that generate employment and income opportunities for rural households or provide access to relevant goods and services, such as water and sanitation solutions or renewable energy.

The Rural Livelihoods Investment Window has started building a portfolio of long-term private debt investments in 10 to 15 enterprises, balancing tangible social and environmental impact with financial returns. The Rural Livelihoods Investment Window provides long-term and flexible capital to local enterprises that struggle to access bank financing and are still too small for many other impact investors.

The facility is managed by HEKS/EPER and Swiss-based impact investment firm iGravity.

SABI FUND
Type of capital: Equity
Ticket size: USD 100,000 to 250,000
Link: n/a

Description: SABI Fund backs regenerative agrifood businesses with a gender-lens in emerging markets, leveraging the partner's experience of having invested and coached 100+ companies in the industry in Africa and Latin America.

SATGANA FUND 1 (SCSp)
Type of capital: Equity
Ticket size: EUR 250,000 to 300,000
Link: www.satgana.com

Description: Satgana Fund 1 (SCSp) invests in start-up companies working on technology solutions across the following themes: transportation; energy; food and agriculture (alternative proteins, regenerative agriculture, reducing food waste); industry and buildings; carbon removal; and circular economy.

SCSp invests in pre-seed and seed-stage climate tech start-ups with tickets from EUR 30,000 to 300,000. SCSp offers strategic and operational help (impact management, technology, fundraising, etc.), as well as partner-driven discounts on services.

SEGAL FAMILY FOUNDATION
Type of capital: Debt
Ticket size: USD 10,000 to 100,000
Link: www.segalfamilyfoundation.org

Description: Beyond grantmaking, Segal Family Foundation has made a number of debt or equity investments in social enterprises in East Africa. These organizations are often similar to the NGOs they support with grant funding: early-stage entrepreneurs who are creating innovative, scalable models to address Africa's most pressing social and environmental challenges.

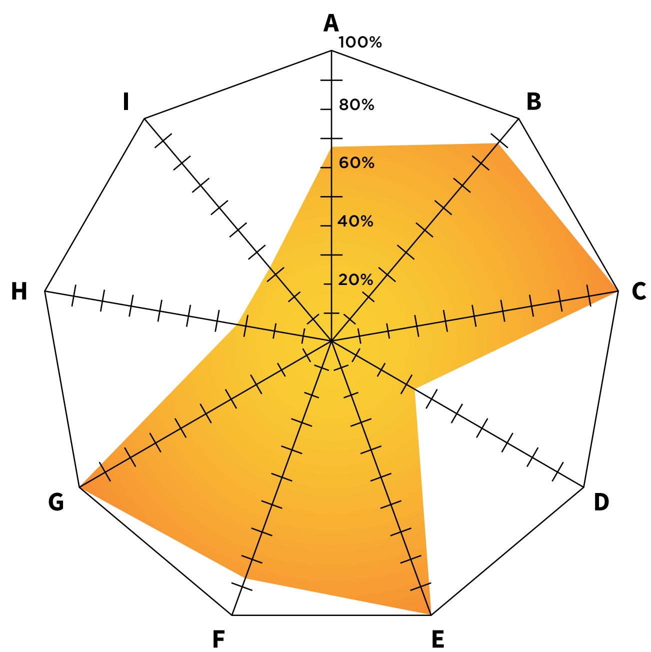
SHONA CAPITAL
Type of capital: Debt
Ticket size: USD 5,000 to 50,000
Link: https://shona.co/shona-capital

Description: SHONA Capital provides SMEs in East Africa with affordable and flexible loans to help them grow and achieve their full potential. Their financing is combined with hands-on management support from their team and preselected industry experts, experienced entrepreneurs, and other relevant subject matter experts.

SHONA offers flexible business loans to finance immediate growth opportunities, validate an enterprise's business model, and develop a concrete plan to achieve medium- to long-term business goals. Loan amounts range from USD 5,000 to 50,000.

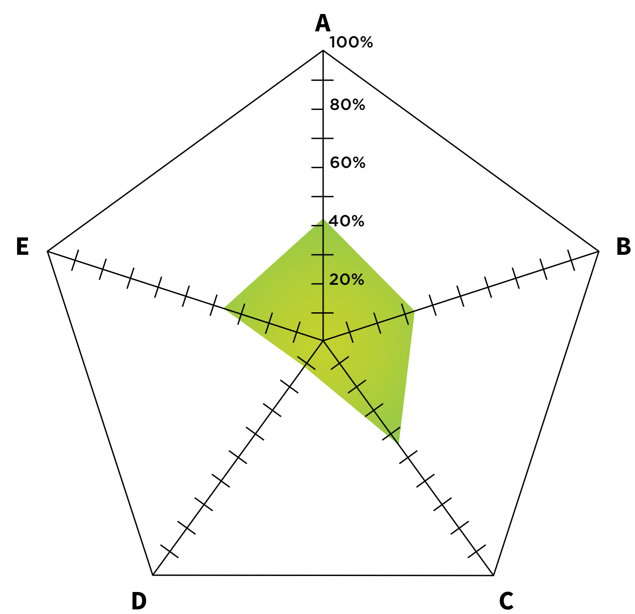
SHONA's skilled staff and team of preselected experts support entrepreneurs to solve critical bottlenecks in finance, sales, and operations to optimize growth and profitability. They curate strong relationships and peer learning among their portfolio businesses to develop solutions to each other's challenges, share opportunities, refer clients, collaborate through partnerships, and support each other emotionally.

System Investing Assessment Outputs



A: TOC & IMPACT OBJECTIVES
B: INVESTMENT STRATEGY
C: TEAM
D: GOVERNANCE
E: DUE DILIGENCE
F: IA & METRICS
G: TA & SUPPORT
H: PUBLIC REPORTING
I: INDUSTRY INVOLVEMENT

Quality coherence: Assesses the fund's design and potential for generating impact based on four categories: 1) intentionality, 2) evidence, 3) management of impact performance, and 4)contribution to industry knowledge.



A: ENVIRONMENT
B: LIFE & BIODIVERSITY
C: LIVELIHOODS
D: HUMAN HEALTH
E: SYSTEM SUSTAINABILITY

Principles alignment: Assesses how well the fund aligns with the tool's five key principles and how well its design considers the Environment, Life & Biodiversity, Livelihoods, Human Health, and System Sustainability.

THE NEYCHA ACCELERATOR & FUND
Type of capital: Debt, mezzanine debt
Ticket size: USD 10,000 to 50,000
Link: https://neychaaccelerator.co

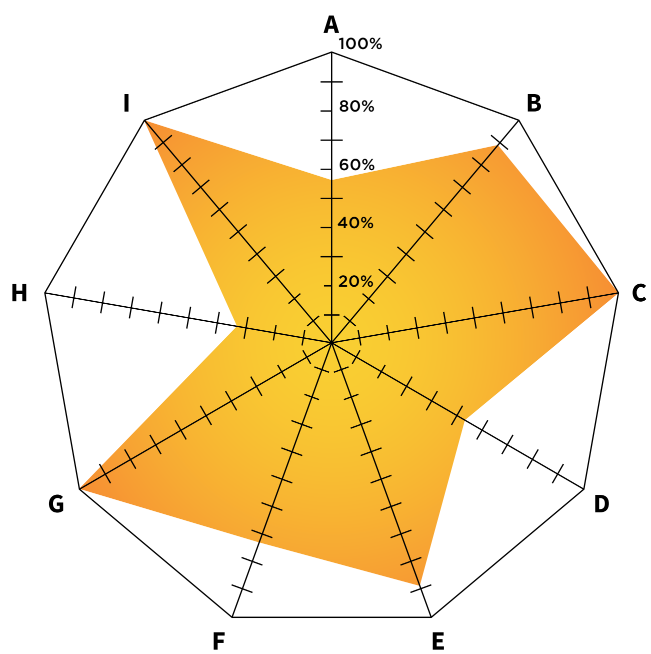
Description: Neycha identifies and partners with growth-oriented agroecological enterprises (AEEs) in Uganda and Kenya, providing them with the capacity, capital, and connections they need to grow their impact and businesses.

Neycha provides business loans and revenue based financing of between USD 10,000 and 50,000 for working capital, asset financing, and more, tailored to your business needs. Growing AEEs will be supported to raise additional capital beyond USD 50,000.

Neycha provides business growth support, agroecology support, and investment readiness through best-in-class practical business training, mentorship, consulting, and technical assistance.

Neycha will build synergies by connecting AEEs in Uganda and Kenya, introducing potential partners, investors, and stakeholders, connecting to the agroecology movement, and linking to new markets.

System Investing Assessment Outputs



A: TOC & IMPACT OBJECTIVES
B: INVESTMENT STRATEGY
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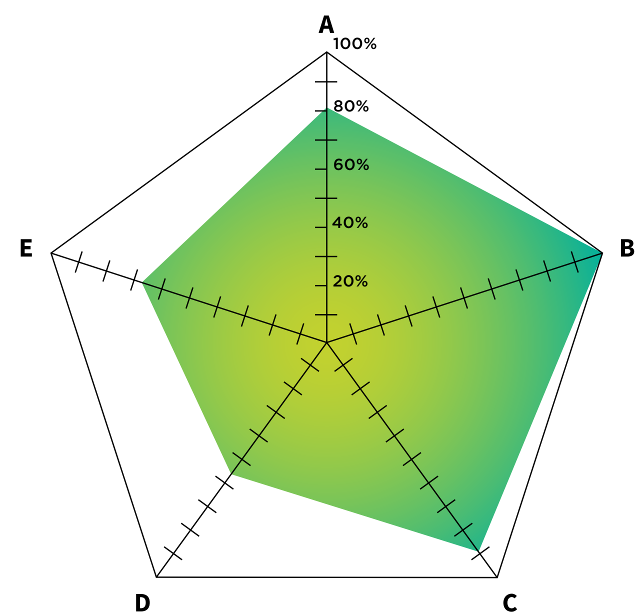
G: TA & SUPPORT
H: PUBLIC REPORTING
I: INDUSTRY INVOLVEMENT

Quality coherence: Assesses the fund's design and potential for generating impact based on four categories: 1) intentionality, 2) evidence, 3) management of impact performance, and 4)contribution to industry knowledge.



A: ENVIRONMENT
B: LIFE & BIODIVERSITY
C: LIVELIHOODS
D: HUMAN HEALTH
E: SYSTEM SUSTAINABILITY

Principles alignment: Assesses how well the fund aligns with the tool's five key principles and how well its design considers the Environment, Life & Biodiversity, Livelihoods, Human Health, and System Sustainability.

TRUVALU
Type of capital: Debt, equity
Ticket size: EUR 250,000 to 500,000
Link: https://truvalu-group.com

Description: Truvalu invests in small and medium enterprises (SMEs) in emerging economies. They offer SMEs (their investees) private equity and loans, useful connections, concrete business advice, trade support, knowledge, and access to technology. Truvalu acts as a co-entrepreneur for entrepreneurs with a "growth equity and social impact" investment strategy targeted to established, growing SMEs. Truvalu works with agri-businesses to build stronger, better connected, and fair value chains to grow their top-line and EBITDA, and to contribute to the economic, social, and environmental sustainability of their communities.

Truvalu is a minority shareholder and invests for at least 7 years. They aim for a profitable exit but can also provide follow-up investments.

YIELD FUND
Type of capital: Equity, quasi-equity, debt
Ticket size: USD 250,000 to 2 million
Link: https://site.pearlcapital.net

Description: The Yield Uganda Investment Fund is a partnership between public and private investors that offers innovative and tailored financial solutions, using equity, semi-equity, and debt, to small and medium enterprises having the potential to generate both strong financial returns and significant social impact. Deloitte Uganda and Pearl Capital Partners Uganda (PCP) established the fund, currently managed by PCP Uganda, with the mandate to make investments in the range of EUR 250,000 to 2 million. To date, the Yield Fund has made 13 investments in Uganda worth over EUR 12.9 million.

Yield Fund investees have access to a business development support facility that is funded by a grant provided by the EU and is implemented by the International Fund for Agricultural Development. The facility is designed to help investee enterprises toward successful business growth and expansion. Investee businesses have access to high-quality services, particularly in the areas of improving business administration (policies, procedures, internal controls) and financial management systems.

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ADDITIONAL FUNDS

Based on the selection criteria described in the "Methodology" section, the project team identified almost 50 relevant investment funds. In addition to the funds that participated in the study, we identified the following funds that are actively investing in food and agricultural systems in East Africa:

ABC Fund
Acumen Capital Partners
Africa Agriculture and Trade Investment Fund (AATIF)
  Note: AATIF completed their assessment, but the research team was unable to conduct a review in time for inclusion in this report.
AgDevco
AlphaJiri Fund
FCA Investments
Good Food Innovation Fund
Goodwell Investments
Grassroots Business Fund
Heifer Impact Capital
Hiinga
Inua Capital
Iungo Capital
KASI Agriventures Program
Mango Fund
MCE Social Capital
Nature+ Accelerator Fund
Nutritious Foods Financing (N3F)
Opes Impact Fund
Organic Development Finance
SME Impact Fund
Social Enterprise Fund for Agriculture in Africa
Uncapped
Women's Livelihood Bonds
Yunus Social Business

ENDNOTES

1 Von Braun, J., Afsana, K., Fresco, L.O., and Hassan, M. 2021. "Science and Innovations for Food Systems Transformation and Summit Actions." Papers by the Scientific Group and its partners in support of the UN Food Systems Summit. Accessed at: https://sc-fss2021.org/

2 Astone, J., Olweni, C.M., Bukenya, S. 2021. "Supporting African Agroecological Enterprises: Enabling Environment for Agroecological Enterprises in Africa. Findings from Survey on Entrepreneurs." Accessed at: https://afsafrica.org/agroecological-entrepreneurs/

3 The Global Alliance for the Future of Food. 2021. "The Politics of Knowledge: Understanding the Evidence for Agroecology, Regenerative Approaches, and Indigenous Foodways." Accessed at: https://futureoffood.org/insights/the-politics-of-knowledge-compendium/

4 Waddell, S. 2021. "An Investigation into Financing Transformation. A project of Catalyst 2030 – Working Groups 5 & 11." Accessed at: https://catalyst2030.net/resources/an-investigation-into-financing-transformation/

5 See https://www.tifsinitiative.org/investing/

6 See https://www.agroecology-pool.org/b-act/

7 "Private capital" is the umbrella term for investment, typically through funds or direct investments, in assets not available on public markets. For the purposes of the TIFS approach, we define private capital as private investments encompassing the following asset classes: private equity, venture capital, private debt, real estate, infrastructure, and natural resources. Private capital funds can be structured as separately managed accounts, commingled funds, or fund of funds. Compared to public markets, private capital fund managers typically take a more active role in the management of the companies and assets in which they invest. Impact funds have the intention to generate a measurable, beneficial social, or environmental impact alongside a financial return.

8 The study is based on interviews with 160 agroecological entrepreneurs, 60 service providers, and 19 policy makers from 19 African countries, and highlights 6 ways forward that focus on the importance of developing: 1) territorial markets; 2) local procurement for school feeding programs; 3) cooperatives to scale aggregation and processing; 4) organizing convenings to discuss strategies and partnerships to support agroecological entrepreneurs; 5) business associations for advocacy; and 6) the need for more business development support for technical assistance and access to finance.

9 Astone, J., Olweni, C.M., Bukenya, S. 2021. "Supporting African Agroecological Entrepreneurs: Results of Phase One Joint Action Research Project" by The Agroecology Fund & AFSA. Accessed at: https://afsafrica.org/agroecological-entrepreneurs/

10 The Agroecology Fund & AFSA. 2021. "Regional Study on the Existence of Agroecological Enterprises and their Service Providers in East Africa." Accessed at https://afsafrica.org/agroecological-entrepreneurs/

11 See https://www.yalta-finalpublication.com/

12 See https://www.rootical.org/

13 ISF Advisors. 2023. "Effectiveness & Efficiency of Business Development Services (BDS) for Agri-SMEs." Accessed at: https://isfadvisors.org/effectiveness-efficiency-of-business-development-services-bds-for-agri-smes/

14 The Core Characteristics of Impact Investing are impact investing best practices that define the baseline expectations of what it means to practice impact investing. The core characteristics are available at https://thegiin.org/characteristics/.

15 BlueMark. 2023. "Making the Mark: Benchmarking Impact Management Practice." Accessed at bluemarktideline.com/making-the-mark-2023

16 The Accountability Counsel. 2019. "Accountability Mechanisms: Benefits and Best Practices for Impact Investors." Accessed at: https://www.accountabilitycounsel.org/wp-content/uploads/2019/05/5-22-19-impact-investing-ams-benefits-w-best-practice-examples.pdf

17 See https://www.fao.org/family-farming/detail/en/c/1238860/ (page 40 of the report linked here)

18 See https://futureoffood.org/our-approach/principles/

19 The TEEBAgriFood Evaluation Framework, developed through collaboration with over 150 scholars from 33 countries representing a wide range of disciplines, backgrounds and perspectives, has been designed to guide the evaluation of food systems and their complex linkages to the environment, society, and human health. See https://teebweb.org/our-work/agrifood/

20 For clarity, a Principles Alignment score of 67% on Social Inclusion, for instance, implies that the average score for alignment among all the funds in that subset was such that they covered Social Inclusion in 67% of their investment lifecycle. It does not imply that 67% of the funds in that subset cover Social Inclusion (and the others don't).

21 Two areas that score low are Improved Safety and Clean Air. The low scores are in part due to methodological issues that will be corrected in the next iteration of the SIA. The criteria for Improved Safety overlap with the criteria for Working Conditions. The criteria for Clean Air overlap with the criteria for Net GHG Emissions. The research also shows the need for deep knowledge about food systems by the persons conducting the assessment.

22 See https://www.unpri.org/human-rights/why-and-how-investors-should-act-on-human-rights/6636.article

23 The Systems Investing Assessment (SIA) focuses on the intentionality of funds – allowing for the assessment of both new funds (or even funds that are still being designed) and fundraising. The SIA does not factor in the financial performance of the fund. In future iterations of the SIA tool, we will explore modules that include this important balancing exercise between impact and financial returns. As the SIA does not assess actual impacts nor cost-effectiveness, we are not (yet) able to recommend a hypothesis and actions.

24 See https://www.agroecology-pool.org/b-act/ and https://www.biovision.ch/en/

25 See Organically Grown Company case study in: Global Alliance for the Future of Food and Transformational Investing in Food Systems. 2022. "Mobilizing Money and Movements: Creative Finance for Food Systems Transformation." Accessed at: https://www.tifsinitiative.org/investing/

26 Montgomery, D.R., Biklé, A., Archuleta, R., Brown, P., and Jordan, J. 2022. "Soil Health and Nutrient Density: Preliminary Comparison of Regenerative and Conventional Farming." *PeerJ* 10:e12848.

27 iSelect Fund has created a Food is Health portfolio: https://www.iselectfund.com/food-is-health-2/

28 To determine the correlation between fund size and principles alignment, we categorized the funds into small, medium, and large groups. Specifically, we assigned funds with assets under management (AUM) less than USD 1 million to the small category, and funds with AUM ranging from USD 1 to 10 million to the medium category. This categorization allows us to separately analyze the results of smaller funds. Please refer to Figure 5 for a visual representation of the allocation.

ACKNOWLEDGEMENTS

We deeply appreciate the work of Ivan Mandela, Salome Akite (Shona), and Hannes van den Eeckhout (Rootical). Their work with fund managers to conduct assessments, and their thoughtful analysis of the assessment results in the context of their knowledge of the support ecosystem for agroecological innovations in East Africa shaped the report.

We equally appreciate the work of Dan Zook, Matthew Newman, and Ana Raviña Eirín (ISF Advisors). Their knowledge of financial innovation for food and agriculture, and their expert design of the SIA and the portfolio dashboard, created the framework for our analysis.

This process has been a pleasure due to their professionalism and expertise.

This project would not have been possible without the willingness of 23 fund managers that participated in a Systems Investing Assessment. We extend deep gratitude to these fund managers.

An additional thanks to Songbae Lee (USAID), Dan da Silva (Biovision Foundation), Brian Milder (Council on Smallholder Agricultural Finance), Greg Garrett (Access to Nutrition Initiative), Minhaj Ameen (Agroecology Fund), and Tim Crosby (Thread Fund) for their input.

ABOUT TIFS

Transformational Investing in Food Systems (TIFS), is an impact network dedicated to increasing investments in regenerative and agroecological food systems. We support investments that are economically viable and deliver transformative impact. Our holistic approach recognizes the full value of food production for consumers, communities, biodiversity, and nature. TIFS is an Allied Initiative of the Global Alliance for the Future of Food and partners with the Agroecology Fund and other aligned initiatives to advance food systems transformation.

www.tifsinitiative.org