

Accelerated Adoption of Food Safety: Businesses Prioritizing Food Safety Win Investment Deals

Food Enterprise Solutions (FES) recognizes that a major constraint for small-medium food enterprises (SMEs) in Africa is the timely access to affordable financing. Many food SMEs are stymied in their ability to expand their operations, especially to improve their food processing, storage, and transport, because they have limited access to capital. Food Enterprise Solutions, through its USAID-funded Feed the Future Business Drivers for Food Safety (BD4FS) project, is successfully addressing this issue, and demonstrating that local food companies are good investment partners.

In Senegal, BD4FS accelerates food safety by partnering with local, dynamic food businesses, referred to as growing food businesses (GFBs), to co-design and implement improved food safety practices. However, a major roadblock to improving food safety and scaling up food processing is lack of capital investment partners and affordable financial services. To address this roadblock, FES partnered with Pangea Global Ventures through BD4FS to launch a strategic endeavor to build momentum around accelerating formal investment in GFBs. In a stepwise process, the GFB investment initiative partnered with select enterprises—those that met pre-defined criteria—to build their investment readiness; communicate to investors the opportunity to invest in Senegal GFBs; and finally, connect investors with GFBs to secure new investments for Senegalese enterprises that are leading a culture of food safety.

Growing Food Business Selection

BD4FS leadership identified and selected GFB investment candidates through the following process:

- *Financial landscape:* BD4FS conducted a landscape assessment of the current portfolio of GFBs supported by BD4FS as well as about various other institutions that constituted the relevant financial environment in Senegal. The latter included government enabling offices, commercial banks, local and international non-bank financial institutions, and other entrepreneur support organizations.
- *GFB selection:* From a pool of 150 GFBs, BD4FS selected 15 that had the highest potential to attract private impact investments. Selections were made by analyzing GFB business structure, production capacity, market share, innovation in their sector, quality management, and gender and youth participation. Of the 15, six (6) were prepared to commit to the more intense qualification process to make the final list of food enterprise investment candidates.

Building Investment Readiness

As part of a GFB partnership, BD4FS works with each business to improve food processing, handling, storage, and transportation practices. This training and capacity building is shown to increase market access and product sales as well as decrease consumer health risk, therefore building an important aspect of investment readiness. To further prepare the 6 selected GFBs to become investment ready, BD4FS took the following steps:

- *Standard business documentation:* As a first step, BD4FS reviewed the financials and business records of all finalists, including their business plans and capital needs.
- *Making the investment case:* BD4FS assisted GFBs in preparing standard documents for investors, particularly regarding markets and competition, financials, and business plans.
- *Gender Considerations:* Though gender of leadership was not a selection criterion, four of the six priority enterprises supported were led by women. Coaching was provided by a professional female coach with an emphasis on leadership in a context in which women may require support that differs from that of male leaders.
- *Additional documentation support:* When two or more investors began the screening and diligence process, the investment initiative complemented the nascent capacities of the GFBs to handle and respond to these requests in a timely fashion.

- *Communication between GFBs and investors:* BD4FS assisted GFBs in learning how to engage with investors so that they are better prepared for future engagements.

Results

- *Secured investments:* Four GFBs secured debt financing and equity investments ranging in size from **\$325,000** to USD **\$4.8 Million** to grow their businesses. In total, the investments amounted to USD **\$5.8 Million**.
- *Investments across enterprise level:* The GFBs that secured investments ranged in yearly revenue from \$167,000 to USD 1.7 Million, illustrating that SMEs in the food sector *are* good candidates for capital investment.

Benefits to the SME Financial Ecosystem

While efforts focused on assisting selected GFBs to qualify for and secure investment for improving their business operations, especially food handling and safety, there were overall benefits that accrued to the food system. Some of these include:

- *Increased attention to attracting impact investors to Senegal:* Many of the investors that BD4FS approached had never made an investment in Senegal. As a result of the activity, several investors have continued to request information and meetings with Senegalese GFBs, having seen the quality of entrepreneurship and the compelling business models presented by Senegalese business leaders.
- *Increased attention to GFBs that increase food safety and reduce food loss.* None of the 17 prioritized impact investors cite food safety as a component of their investment thesis. Yet today, these investors have studied numerous business models that place a high importance on food safety, supported by FES and the expertise offered by its team. Although expertise on food safety and its risks may remain limited among investors, future conversations with investors like MCE Social Finance, Elea, and Just Capital Quotient should address these risks to increase the odds of successful deal closure.



Employees with BD4FS staff inspecting product and handling procedures. Photo Credit: BrightHouse Consulting

Next Steps:

- *New GFB partnerships:* FES will reach out to additional GFBs, including GFBs that are part of the BD4FS program but were not ready to undergo intensive investment work in the prior round, and GFBs that are not currently part of the project but would be interested in joining for investment readiness.
- *Investor Outreach:* The BD4FS team will continue outreach to: institutions that are already financing agribusinesses, or that are already indicated their interest in collaborating; investors who have an investment capacity but who are not yet familiar with BD4FS or are averse to investing in the agri-food sector, especially the fresh produce sector; and public or private partners/investors, NGOs, or donors that could make grants or provide lines of credit for the BD4FS partner GFBs.