

# CoP Youth Agripreneurship & CoP Finance

## Improving Access to Finance for Young Agripreneurs in Africa's Food Systems

**Webinar Report 3 December 2024**

On December 3rd 2024, the Netherlands Food Partnership (NFP) Communities of Practice (CoPs) on [Youth Agripreneurship](#) and [Food Systems Finance](#) co-hosted an online learning event to address a critical challenge for young agripreneurs: access to finance. Bringing together youth representatives, professionals and financial service providers from the Netherlands and LMICs, the session explored the **main challenges for young agripreneurs in LMICs** to access finance, successful strategies for **youth-friendly financing options and collaboration opportunities** between financial service providers and youth agripreneurship initiatives and programmes.

Co-organized by CoP members **SNV, CABI, and Policy Action Initiative**, the webinar responds to priorities identified by the members of the CoP Youth Agripreneurship. Complemented by the CoP Food Systems Finance's focus on the role of finance in transforming food systems, the event aimed to explore innovative financial models and success stories by youth agripreneurs and financial institutions.

### ***Strategies and stories from young agripreneurs and experts***

Experts and young agripreneurs shared insights on financing challenges and opportunities for young agripreneurs. Mariël Mensink, Rural Finance Expert at Fair & Sustainable Consulting, outlined key barriers and innovative strategies from a literature review (Box 1). **Key barriers include low savings and asset building, low financial literacy amongst youth and stringent collateral requirements. Successful innovative strategies are adopting alternative collateral approaches like leasing equipment or warehouse receipt lending, value chain finance models and tapping into impact investment and crowd-funding models.** Irene Njoki, CEO of 'Chakula Afya Nyumbani (Nutritious Food at Home)', recognized multiple of these challenges and shared her experience and lessons learned about accessing finance to start her business and mentioned **savings and lending groups** as part of the solution (Box 2).

Edson Mpyisi Rurangwa (African Development Bank (AfDB), Box 3) and Cloffas Nyagumbo (SNV Zambia/Zimbabwe, Box 4) shared success stories from youth-focused initiatives to improve access to finance for young agripreneurs. While youth face obstacles like low savings and limited credit history,

solutions such as **value chain integration, alternative collateral methods, and programs like the ENABLE Youth Programme and AgriPitch competition** (AfDB) offer promising paths forward.

***Box 1. Challenges and opportunities for young agripreneurs to access finance - by Mariël Mensink, Rural Finance Expert at Fair and Sustainable***

Demand-side challenges for youth to access finance:

- High unemployment rates hinder access to regular income
- Low savings & assets building and limited access to assets or physical collateral
- Low credit history and experience with formal financial services
- Low financial literacy

Supply-side challenges for Financial Service Providers (FSPs)

- Youth is seen as a risk group as they often have no track record yet
- Data on youth is scarce which makes it difficult to design financial products for youth
- There is a need for alternative forms of collateral and identification methods as youth often cannot comply with the traditional form of collateral and identification

Success models for financing youth in agriculture

- **Finance model in value chains:** integrating youth farmers into agricultural value chains by linking them with markets, providing inputs through contracts, and securing market access to reduce risks and enhance productivity.
- **Using alternative collateral:** e.g. leasing easing equipment or securing loans with stored produce (warehouse receipt lending)
- **Include derisking strategies:** e.g. link to non-financial services and insurance schemes
- **Stimulate impact investment models and crowd-funding options**

Suggested strategies for youth in finance

- Combine training, mentorship and technical assistance in financial services to overcome financial illiteracy
- Create linkages with companies in the agri-value chain for market access
- Stimulate blended finance and public-private partnerships

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**Box 2. Personal journey of a successful young agripreneur - experience and lessons about accessing finance - by Irene Njoki, young agripreneur and CEO of 'Chakula Afya Nyumbani (Nutritious Food at Home)'**

The main challenges Irene Njoki experienced in accessing finance

- Lack of knowledge & skills
  - In financial management
  - Finding available youth funds
  - How to attract donors and grants
- High interest rates at commercial banks

Most helpful strategies

- Joining saving and lending groups with better interest rates
- Mentorship to raise financial literacy

**Box 3. AfDB ENABLE Youth Programme and the AgriPitch Competition - by Edson Mpyisi  
Rurangwa - Coordinator of ENABLE Youth at African Development Bank**

The ENABLE Youth Programme and AgriPitch Competition of the African Development Bank aim to support young entrepreneurs in the agricultural sector.

Key Components of the ENABLE Youth Programme Competition

- **Creating an enabling environment** for young agripreneurs, focused on access to land and skills development
- **Agribusiness incubation hubs:** supporting youth through training along the agricultural value chain and business development skills
- **Access to finance:** focus on local institutions that provide financing for youth that join the training

AgriPitch Competition

- An annual competition in 18 countries where youth can pitch their business case and win prize money to start their business.
- Selected youth will join a boot camp to increase their financial literacy and business management skills
- Post-AgriPitch support offers youth the opportunity to continue learning

The main success factors of the programme are:

- Tailored financial products for youth
- Capacity building and financial literacy building
- Partnerships with financial institutions

The main challenges for ENABLE programme and AgriPitch competition are:

- High attrition rates at the AgriPitch programme
- High perceived risks by lenders
- High costs of financing

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**Box 4. SNV - Technical Assistance to youth-led Agricultural SMEs to access finance - by Cloffas Nyagumbo - Agricultural Sector Lead and Multicountry Programme manager OYE (Opportunities for Youth Employment) SNV Zimbabwe and Zambia**

Barriers:

- FSPs prefer financing SMEs that scale up, rather than financing pilots or start-ups

Success stories:

- Use a market scan to identify the barriers and opportunities on both the demand and supply side to better understand the context
  - This can help to make barriers for youth in accessing finance clear to FSPs that want to create more youth-friendly financial products
- Youth saving & lending groups: they build a culture of saving and trust and allow youth to build a track record
- Matching grant products: requires recipients to match the grant with cash, assets, or equipment. It targets businesses with limited track records and supports technological upgrades or scaling up operations.
- Credit Guarantee facility: This facility provides a guarantee to lenders (like banks) that, if the borrower defaults, the guarantee will cover a portion of the loan or credit risk, reducing the risk for lenders.
- Innovative loan product: offering affordable, flexible funding with a focus on both asset and working capital, offering lower interest rates and flexible repayment terms compared to traditional financial institutions.

Lessons learned:

- Preparing youth to get ready to access finance is a long and winding road.
- Youth Savings and Lending Groups have good potential and can create linkages between informal and formal financing systems.
- It is key to tailor financial products to different youth groups (considering characteristics like gender, age, etc.).

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Participants identified key challenges and learning questions for youth in accessing finance during breakout discussions. These included stringent collateral requirements, limited awareness of funding opportunities and complex processes with financial institutions. To overcome these barriers, increasing financial literacy among young agripreneurs could be a first step, together with training in developing

strong business cases, clear pitches, and streamlining administrative processes. Leveraging group-based approaches, such as saving and lending groups can be more effective than individual loan applications. Digitising these informal groups can also encourage financial institutions to provide loans.

### ***Key takeaways and recommendations for improving access to finance for young agripreneurs***

1. **Develop youth-focused financial instruments:** Financial service providers (FSPs) should create youth-friendly financing options, including alternative collateral mechanisms and developing youth-specific de-risking strategies.
2. **Develop tailored approaches for diverse youth groups:** Youth are not a homogeneous group; rural and urban youth differ in skills and education needs, while young women face additional barriers due to gender.
3. **Increase awareness of financial opportunities:** Many young agripreneurs are unaware of where to turn for access to finance. Both NGOs and FSPs can play a crucial role in addressing this gap by actively disclosing and promoting available funding opportunities, as well as providing guidance on how to access them.
4. **Encourage youth engagement in savings and lending groups:** Participation in savings and lending groups allows youth to build financial track records, enabling future access to loans from commercial banks.
5. **Digitize saving and lending groups:** Digitizing youth saving and lending groups can enhance their credibility with financial institutions.
6. **Integrate informal and formal financing models:** Linking savings groups to cooperative banks, which in turn can access loans from larger financial institutions, creates a bridge between informal and formal financing systems.
7. **Enhance financial literacy:** Financial services should be paired with efforts to improve youth financial literacy, including education on financing options, application processes, and business case development. Financial literacy is also a de-risking measure in which youth support programmes can partner with financial service providers.
8. **Leverage mentorship:** Mentorship programs can guide young agripreneurs in navigating financial systems, including application procedures for loans or grants, improving business skills, and building confidence in securing funding.

9. **Seek multi-stakeholder collaboration:** Improving access to finance requires collaboration among financial institutions, civil society organizations (CSOs), and educational entities. Solutions should be context-specific to address rural-urban disparities effectively.

On January 30th, FAO will host an online event to present a forthcoming study on the policy environment and legal barriers affecting young agripreneurs' access to finance, featuring a panel discussion with experts from development agencies, governments, and banks on creating an enabling environment for youth finance.

We extend our thanks to all contributors and participants for their insights and thoughtful discussions!