

21 January 2022

Improved Food Safety to Increase Investment Readiness Among Growing Food Businesses

#FES #BD4FS #AgFinance #FoodSafety #Investment #GFB #SME #USAID #feedthefuture

Small and medium-sized food enterprises in emerging economies face many barriers toward gaining investment for technologies to improve the safety, quality, and value of the perishable foods they produce and transport. Feed the Future Business Drivers for Food Safety (BD4FS), funded by USAID and implemented by Food Enterprise Solutions, partners with businesses that are motivated to improve their food safety practices – referred to as Growing Food Businesses (GFBs) - to co-create tools and training activities that can build their capacity to provide safer foods. When GFBs take steps toward improving food safety and therefore product quality, they become more attractive to investors.



Woman Packing Beets

BD4FS' approach begins with a regional food safety situational analysis within certain perishable food sectors. The analysis identifies risks and opportunities within markets, from which the BD4FS team develops mitigation and innovation strategies. BD4FS research in Senegal found that many GFBs lack adequate hygiene practices and cooling technologies for the safe handling, transport, and storage of foods.¹ This increases the risk of foodborne pathogen transmission and negatively impacts product quality and shelf life, which is harmful to consumers and for business bottom lines. This study revealed that GFBs need proper training in order to implement safer food handling and processing practices and they also require financing, particularly for the purchase and adoption of cold chain technologies.

To better understand barriers to financing and to learn where opportunities and synergies exist for food businesses and investors, BD4FS undertook a financial landscape assessment in Senegal.² This assessment identified several underlying factors that limit investment in GFBs. For one, many investors find investing in the perishable food sector too risky and have concerns that loans will not be repaid. This is due, in part, to the lack of regulatory enforcement and the poor product quality and safety as a result. Further, laws surrounding banking and finance are highly rigid, and although the Senegalese government has many support funds for small businesses, few target GFBs. This adds to the difficulty of accessing formal lending. Due to these challenges, many food professionals have more ease accessing informal financing methods or lines of government credit, which are oftentimes less reliable and predictable than formal financial services. The BD4FS landscape analysis indicates, however, that access to financing may be improving due to a shift in the lending industry – there is a recent growth of finance technology that provides funding through loans and grants that is opening up lending opportunities for viable GFBs. Hopefully, this trend will continue making it easier for local businesses to finance food safety improvements in their operations.

Research conducted for the USAID Feed the Future Senegal Naatal Mbay Project, prepared by RTI International, shows women and youth particularly can face greater constraints in accessing financing.³ The study found that Senegalese women in agriculture, on average, own fewer productive assets than men and borrow mainly from informal lenders (friends, relatives, savings groups) while their male counterparts are more likely to borrow money from formal lenders. Without the ease of accessing credit or leveraging assets, women in agriculture are less able to invest in proper safety management practices. Additionally, both women and youth populations are often under-represented in agricultural decision-making bodies, which underscores the importance of equitable capacity building among GFB financing efforts. To engage under-represented groups in food business and improve investment

¹ Vilata, J. (2021). Food Safety Situational Analysis of the Artisanal Seafood Sector in Senegal. <https://agrilinks.org/sites/default/files/media/file/BD4FS-FSSA-Senegal-Tech-Report-May2021.pdf>

To access the FSSA and additional BD4FS technical reports, visit the FES Knowledge Center, <https://www.foodsolutions.global/knowledge-center>

² Thiam, M. & Lamine, A. (2021). *Financial Landscape Analysis for Senegal* (Gravitas Communications, Trans.; Food Enterprise Solutions, Ed.), <https://agrilinks.org/sites/default/files/media/file/BD4FS-Senegal-FLA-EN-FINAL-20210804.pdf>

³ RTI International. (2018). *Women's Empowerment in Agriculture Study*. Prepared by IPAR under RTI contract for Feed the Future Senegal Naatal Mbay Project. https://pdf.usaid.gov/pdf_docs/PA00T8KB.pdf

readiness, BD4FS holds food safety trainings, workshops, public-private dialogues, and technology development competitions targeted toward women and youth. To date, over half (62%) of all BD4FS training participants in Senegal were women and 9% were youth.

When food safety practices improve, product quality and functional capability advance as well, resulting in a higher likelihood for GFBs to receive formal financing through lenders. BD4FS has developed a spectrum of training tools and strategies to improve food safety standards on a GFB level, which increases investment readiness for underfinanced groups. Using standards laid out by Prerequisite Programs, which define hygiene and sanitation conditions necessary for food safety operations, BD4FS works to implement best practices and build institutional knowledge on a business level. As GFBs align with internationally recognized safety standards, they become more appealing to appropriate lenders for infrastructure and production investment.

As GFBs gain capital investment and financing, additional improvements in food safety become feasible. Technologies including cold chain handling, certified production facilities, and sanitation equipment allow for the option to scale up distribution regionally or globally. In turn, this signals to other actors in the market that food safety practices have a positive return on investment. BD4FS works to spread this message by showcasing success and educating public audiences to create a culture of food safety.

Learn more about FES and BD4FS activities at <https://www.foodsolutions.global/> and <https://agrilinks.org/activities/business-drivers-food-safety>; and follow us at:

