

Root Capital

Critical transitions:



Innovation: Blended finance funds

Geographic focus: Latin America, East and West Africa, Indonesia

\$: \$1.4 billion loans disbursed



Founded in 1999, Root Capital is a non-profit providing loans to small, growing enterprises in the agricultural sector to improve the livelihoods of smallholder farmers. Root Capital fills the funding gap experienced for small and growing enterprises that are too large for microfinance but too small for conventional banks, which require collateral and a track record to receive credit.⁹⁷

Root Capital disburses loans ranging from \$200,000 to \$2 million, with repayments based on harvest and sales cycles. In sub-Saharan Africa, Root Capital focuses on coffee, tree nuts, and local food crops. In Latin America, it mainly engages in coffee and cocoa; while it mostly focuses on coffee and coconut sugar in Indonesia. Root Capital also provides capacity building that strengthens governance, financial management, and agronomic capacity and helps them build lasting relationships with international buyers. Loans are conditional upon passing environmental screens and must comply with sustainable best practices, to receive international certification. Based on a triangulation model, Root Capital pre-finances agricultural enterprises using purchase orders from international buyers, who will pay once the produce is exported. By using the purchase order as a form of collateral, Root Capital disburses the revenues to the enterprises, deducting the loan and interest rates.⁹⁸

Root Capital uses a blend of private and public capital to structure its operations. USAID provided a guarantee to the non-profit, while the money to disburse grants are provided from philanthropic sources (e.g. Ikea Foundation, Mastercard Foundation amongst others). Root Capital's subordinate debt is also served by philanthropic capital (e.g. Skoll Foundation, Silicon Valley Community Foundation) while its senior debt is provided by development finance institutions (e.g. IDB, MIF, OPIC – total: \$20 million), philanthropic capital (e.g. family foundations), impact investors and corporates (e.g. Starbucks, General mills and other).⁹⁹ To date, Root Capital has worked with more than 735 clients who represent 2.3 million farmers. In 2019, Root Capital disbursed \$121 million, financed 201 business, and trained 458 businesses.¹⁰⁰ Example investments include: more than \$5 million in cumulative financing to an Indonesian woman-owned, 2,000 farmers strong coffee cooperative;¹⁰¹ \$2.5 million in cumulative financing to a sustainable cocoa cooperative in the Peruvian Amazon, with 60 percent of its members being indigenous communities;¹⁰² and credit summing up to over \$1.8 million (in addition to \$20k in grants) to a Kenyan grain aggregator that includes a gender equity workstream.¹⁰³

Stakeholders:

USAID; Multiple Philanthropic agencies; DFIs; Impact Investors; Corporates

Status:

● Operational