THE “MISSING MIDDLE” ARE THE BUSINESSES THAT ARE TOO LARGE TO ACCESS CREDIT FROM MICROFINANCE INSTITUTIONS BUT CONSIDERED TOO SMALL TO SECURE FINANCING FROM COMMERCIAL BANKS.

Founded in 1999, Root Capital, Inc. is a nonprofit development financier that provides loans and financial training to farmer aggregators, cooperatives and agricultural SMEs in Africa and Latin America to address the funding needs of the “missing middle”.

IFC has provided an investment consisting of a senior loan package of $10 million to Root Capital. The funding will help the company achieve greater economies of scale, continue its progress toward becoming a self-sustaining financial institution, and enable it to reach more underserved farmers and businesses.

IFC’s knowledge and experience in corporate governance and environmental and social standards will play a key role in helping Root Capital spread its corporate governance and E&S standards, thereby supporting long-term sustainability.

EXPECTED RESULTS:

IFC’s investment in Root Capital is expected to reach approximately two million more farmers over the next five years. By significantly expanding Root Capital’s lending, the project will positively impact the gap between microfinance and commercial banking, especially in rural areas in Africa. The project aims to make a case for sustainable and climate friendly agriculture in difficult markets and catalyze private sector funding to support Root Capital as it gradually transitions itself to become a more financially sustainable institution.

IFC’s investment will support an innovative financial intermediation business model that targets underserved market segments including bottom-of-the-pyramid clients and small scale rural farmers. This is expected to have strong demonstration effect and the potential for other institutions serving this market segment to replicate their business model.