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SunCulture secures \$11m from SunFunder syndicate to expand solar irrigation in Africa

SunCulture, a solar irrigation company headquartered in Nairobi, Kenya, today received the first disbursement from a new \$11m syndicated debt facility to expand its operations in sub-Saharan Africa.

The new loan is groundbreaking for the “productive use” solar sector due to its size and its innovative combination of working capital and end-user financing.

Arranged by SunFunder, the co-investors in the facility are Nordic Development Fund; Triodos Investment Management, through its Hivos-Triodos Fund; SunFunder through its Solar Energy Transformation Fund; AlphaMundi through both its SocialAlpha and AlphaJiri Investment Funds; and the AfDB’s FEI OGEF managed by Lion’s Head.

This will enable SunCulture to scale up renewable energy installations at smallholder farms and households that will mitigate over 20,000 tons of CO2 annually – as farmers replace diesel pumps with solar ones – whilst facilitating income growth and job opportunities in rural communities.

SunCulture has pioneered a “Pay-As-You-Grow” business model to make solar-powered irrigation affordable for smallholder farmers in sub-Saharan Africa, combining end-user finance, value-added services, modern climate technology, and access to improve productivity. A recent report developed by Dalberg Research shows that irrigation systems and solar-powered water pumps can increase farmers’ production between 2 and 4 times, and their income between 2 and 6 times.¹

Samir Ibrahim, Chief Executive Officer at SunCulture, said, “The past year was devastating for the millions of smallholder farmers in Kenya; 87% are in a worse financial position due to the pandemic. 81% of SunCulture farmers, however, were able to *increase* their revenue from farming in 2020. Solar irrigation helps create food security and sovereignty, and it also helps lift people out of poverty. This facility further enables our efforts to support farmers by providing them with more of our solar solutions, and faster.”

¹ See “Achieving food security in Kenya through smart solar irrigation,” Dalberg, June 2020, available at: <https://dalberg.com/our-ideas/a-big-bet-on-irrigation-for-kenyas-smallholder-farmers/>

Jemimah Kwakye-Fosu, Investment Officer, who led the transaction for SunFunder, said: “We are delighted to have led this syndicate of proactive lenders who worked well together for a common goal: to help SunCulture reach many more farmers. It shows how working capital can be combined with end user financing, which is essential for making productive use technologies affordable.”

Surabhi Mathur Visser, Head of Investments at SunFunder, said: “This is a pioneering transaction that demonstrates how productive use technologies like solar irrigation can be scaled up. SunFunder arranged this facility with a similar-minded group of lenders to support an innovative product and business model. We look forward to seeing SunCulture grow in Kenya and new markets.”

Karin Isaksson, Managing Director at NDF, said: “This loan to SunCulture is the second extended to a company graduating from the EEP Trust Fund managed by NDF. It is a clear demonstration that we can deliver on the new NDF Strategy and its commitment to provide flexible and scalable financing as well as catalytic impact. It has all the ingredients that define NDF’s added value in the climate financing landscape. It demonstrates our capability to convene and mobilise additional financing, as well as our unique mix of financing instruments to match the needs of our partners, public or private. We are proud to be standing with our partners and supporting the emergence of a greener economy, precisely at this time of COVID-19.”

“Since our first investment in 2019, SunCulture has made huge strides to unlock the potential of smallholder agriculture through innovative products and consumer credit. FEI-OGEF is happy to be able to refinance our inventory loan into this new working capital facility and continue that growth alongside a committed and constructive group of lenders,” noted Harry Guinness from Lion’s Head.

Judith Santbergen, Senior Investment Manager at AlphaMundi, said: “Since 2018, AlphaMundi has successively provided support to SunCulture through a combination of technical assistance and debt investment. We are excited to continue and increase our investment in the company via this new, innovative working capital facility.”

Sjoerd Melsert, Senior Investment Manager at Triodos Investment Management, said: “SunCulture is a great example of an innovative company that is active on the nexus of renewable energy and agriculture, using solar energy to increase farmers’ incomes. Our facility supports the further growth of SunCulture’s pay-as-you-go solar portfolio, leading to a more sustainable and higher production for smallholder farmers, which is fully aligned with the mission, ambition and activities of Hivos-Triodos Fund.”

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