How a Belgian Loan to a Single Tanzanian Entrepreneur Made Thousands of Farmers a Quarter Wealthier

Loans and business deals: Western politicians increasingly see them as the future of development aid. This investment-oriented approach helped Tanzanian entrepreneur Elia Timotheo create 500 jobs. "This can work, but you have to set boundaries."

When Elia Timotheo (35) was in his twenties and doing study work for the Tanzanian Ministry of Agriculture, he spoke with dozens of farmers. Five hundred to a thousand kilometres of sweltering roads separated them and their tomatoes from the consumer in the city. "They always had to sell their harvest to middlemen at poor prices, because the tomatoes would rot otherwise," he tells *De Standaard*.

"They depended on three to five intermediaries per transaction, each taking their share of the profit. What the wholesaler ultimately charged for that tomato at the market in Dar es Salaam—they had no idea. I realised I could help them by offering transparency and a guaranteed market. By cutting out links in the chain, I could raise the purchase price I paid them."

Using real-time data about prices at the stalls in the city, Timotheo can also inform farmers about the best moment to sell. "If the price in the city is a bit higher, we send an SMS saying that we will buy a larger volume of vegetables. If the price is lower, we advise them to supply less."

This is how EA Foods was born—a professional, data-driven distribution channel that "relieves" smallholder farmers. Today, EA Foods works with around 10,000 suppliers and employs at least 500 Tanzanians – from salespeople and truck drivers to data managers, half of them part-time. Expansion into neighbouring Kenya is the next goal.

Elia Timotheo, ceo of EA Foods. © rr

Without foreign support, EA Foods would never have come into existence. “Banks in Tanzania don’t dare take risks,” says Timotheo. “They only lend to large foreign companies. They charge high interest rates and demand that you already have all the collateral. You might get a two-year loan with an interest-free period of three months. If I have to build depots with cooling facilities in small villages, that alone takes nearly a year. During that start-up phase I can’t make repayments.”

Financiers in Belgium offered relief. “It started with an investment of 65,000 euros through the NGO Entrepreneurs for Entrepreneurs.” Thirteen years later, Timotheo obtained a 3-million-euro loan from BIO, the Belgian Investment Company for Developing Countries. “To be repaid over eight years. Conditions like that would have been impossible to get at home.”

Shrinking solidarity

Lending money to businesses instead of giving money away: that is the model Western politicians are increasingly pushing forward. “In line with the European Global Gateway initiative, we now see development cooperation more as a lever for other forms of cooperation and financing, including through the private sector,” says the spokesperson for federal Foreign Affairs minister Maxime Prévot (Les Engagés). That initiative, worth 300 billion euros, replaces classic European aid.

“We must approach the Global South from a position of enlightened self-interest, in coordination with our own companies,” says a European source. “If we don’t take a more strategic approach, we will be outcompeted by the Chinese, the Turks or the Gulf states.”

Critics call this new model an easy way to profit from disadvantage. Since 2001, investments with a development component have yielded Belgium an average of 6 million euros per year—money that has largely been reinvested in new development projects.

Tea fields in Tanzania. © Getty

The shift is also closely tied to a radical cost-cutting operation. According to the OECD, financial solidarity from the Global North is shrinking by 9 to 15 percent, due in part to unprecedented budget cuts at the U.S. development agency. But the United Kingdom, Germany and other major donors are also making deep cuts. Belgium is reducing its budget by 636 million euros between now and 2027 (from an original budget of 1.2 billion euros per year). According to the Barcelona Institute for Global Health, this collective austerity measure by the Global North could result in up to 22.6 million avoidable deaths in the Global South by 2030.

“Leaving development aid partly to entrepreneurs can have advantages,” argues Joris Totté nonetheless. He is the CEO of BIO, which has been lending Belgian taxpayers’ money to poor countries since 2001. “In the case of the Tanzanian farmers, for example, an NGO might primarily focus on increasing production. But what is the point if you cannot get that additional yield to the market?”

Women and children pick tomatoes in Karatu province. © Godong/Universal Images Group

Just like an NGO, EA Foods also trains its suppliers in the use of fertiliser, the selection of the best varieties, and the optimal moment to harvest. “On average, a Tanzanian farmer produces 4 tons of potatoes from 0.4 hectares,” says Timotheo. “Our farmers achieve 11 tons. They also earn 25 percent more for their harvest than before — and that’s without taking the effect of higher productivity into account.”

Runaway lending machine

An important criterion for BIO is that entrepreneurs invest their own money, so that they have what Totté calls “skin in the game.” “As an investor, I would not want to lend money to a CEO who has no personal stake in the success of his business,” he says. “I still too often see entrepreneurs with an interesting plan *and* family capital who nevertheless want development funds.”

He also points to other risks. “Every year, BIO receives up to 900 project applications, of which only 20 to 28 lead to an investment,” he says. Many urgently needed support initiatives in severely distressed countries simply cannot be financed. The return on investment just isn’t there.

The banana harvest in Mbeya, Tanzania. © Xinhua/Emmanuel Herman

Projects that look promising on paper can also disappoint in practice. For example, until 2018 BIO invested in microcredit in Cambodia. It later turned out that these loans burdened poor families with unbearable debts, forcing them to give up their land and plunging them even deeper into misery.

Finally, there is the risk that European companies may hijack the agenda. In Global Gateway, the Business Advisory Group — made up of 59 major European companies — is far more influential than entrepreneurs like Timotheo. This raises the question: are we truly helping the “partner countries,” or mainly our own European businesses?

“That Europe puts investment first is positive, but we must safeguard boundaries,” Totté warns. “I assess investment files based on their social impact *and* their profitability. If development funds also have to serve European companies, the assessment quickly becomes vague. Which companies qualify and which don’t? And does their product really benefit the partner country? I would very much like to work with the first African builder of large-scale wind farms, incidentally. Unfortunately, that company does not yet exist.”