



AGRF 2016 – PRE - EVENT REPORT TWGs

Day 2 - Tuesday, September 6

11:30- 13:00

TWG: Finance

TITLE: Harnessing Lending, Access to Insurance and Investment in Africa's Agricultural Sector

SESSION BRIEF

Context: According to recent research, over 270 million smallholder farmers in Latin America, sub-Saharan Africa, and South and Southeast Asia require over USD 200 billion in financing to grow their businesses and improve their livelihoods. Formal financial institutions and value chain actors meet less than a sixth of this need today. At the same time, the smallholder finance industry is now marked by a more diverse set of actors – financial service providers, funders, market and research platforms, and technical assistance providers. There is a clear need for better coordination and focus between providers around scaling up customer-centric solutions in order to accelerate the availability of finance to smallholder farmers.

Session Objectives: This session aimed to provide an overview of the current evolving landscape for smallholder financing. It also presented selected areas of innovation - with concrete examples of each - which could be successfully scaled up for discussion and validation with a view to catalyzing partnerships and projects that will continue beyond the 2016 AGRF.

Key Issues/ Questions:

- Who are some of the new stakeholders actively involved in financing small hold farmers?
- How has technology impacted upon finance in the agricultural sector?
- How can you build capacity to aid smallholder farmers to access capital?
- What can be done to better map existing sources of debt, insurance and equity capital for small hold farmers?

Outcome Desired: The session also sought to provide insight related to the following:

- the right financial instruments are being deployed in the various interventions necessary to realize the agricultural transformation agenda;
- seekers and facilitators of smallholder finance are more aware of how to access the diverse funding sources that are increasingly available;
- financial sector actors have the possibility to allocate his/her resources in the agricultural sector at the desired risk and return profile; selected innovations in smallholder finance are validated and supported so that they can be scaled up following AGRF

Organizers: Syngenta Foundation, GROW Africa



AGRF 2016 – PRE - EVENT REPORT TWGS

<p style="text-align: center;">Day 2 - Tuesday, September 6 11:30- 13:00 TWG: Finance TITLE: Harnessing Lending, Access to Insurance and Investment in Africa's Agricultural Sector</p>		
Name	Picture	Discussion
<p>Dr. Wilson Songa, MBS, Senior Advisor, Syngenta Foundation</p> <p>Role: Moderator</p>		<p>Dr. Songa started by providing an introduction of himself and the Syngenta Foundation. He said that the mandate of the Syngenta Foundation was to create value for resource-poor small farmers in developing countries through innovation in sustainable agriculture and the activation of value chains.</p> <p>He then introduced the other speakers.</p>
<p>Mr. William Asiko, Executive Director, GROW AFRICA</p> <p>Role: Setting the Stage</p>		<p>Mr. Asiko was the first presenter and was charged with the task of “Setting the Stage” for the discussion. He provided insight to the various experiences that he has had throughout his career. This included his experience as CEO of the Investment Climate Facility for Africa (ICF) which included supporting dialogue between businesses and governments, his tenure as the President of The Coca-Cola Africa Foundation and as head of Public Affairs & Communications for Africa for The Coca-Cola Company, where he developed partnerships on sustainable agricultural value chains among other initiatives.</p> <p>He went on to introduce his present role as Executive Director at Grow Africa, an African-owned, country-led and market based partnership tool which seeks to help make agriculture the engine for African economic growth. Grow Africa is set to foster investments that are inclusive and responsible, investments where the net value creation</p>



AGRF 2016 – PRE - EVENT REPORT TWGS

		<p>benefits stakeholders throughout the value chain, and in particular farmers through effective business models.</p> <p>In his remarks, he emphasized the need for funding for small holder farmers across Africa to be scaled up, and the need for innovative and purpose fitting finance to be mobilized.</p> <p>He encouraged those with mainstream commercial financial interests in Africa to strongly consider opportunities to put their financial resources (debt and equity capital) to work in the continent’s growing agriculture and agribusiness sectors.</p> <p>While he also acknowledged the perception that funding farmers can be risky, he urged that this perception persists due in part to the lack of understanding of farming among particularly commercial lenders. Understanding the types of financing that could and should be provided to farmers, such as lease financing, and encouraging farmers to take out insurance policies, is one of the ways that agriculture can be de-risked.</p>
<p>Panelists</p>		
<p>Mr. John Riggan, CEO, Innovare Finance</p>		<p>Mr. Riggan started by providing an introduction to his company Innovare. Innovare manages investments within the global alternative agribusiness sector. Mr. Riggan then went on to talk about Innovare’s leasing facility.</p> <p>The leasing facility is for agribusinesses in Africa, who need support with their machinery acquisitions. He shed more light into related transactions, and said for proposed transactions, the client is required to make a 25% down payment. He emphasized that lease facility finance is an effective way to mobilize investment interest into Africa’s agricultural sector.</p>



AGRF 2016 – PRE - EVENT REPORT TWGS

<p>Mr. Sheikh Noorullah, Global Agriculture Lead, Acumen</p>		<p>Mr. Sheik Noorullah, Global Agricultural Lead at Acumen was the next speaker. He began by describing Acumen as an organization with a global presence that invests in initiatives that help alleviate poverty.</p> <p>Mr. Sheik then gave an overview of their work, and further discussed some of their investments in Pakistan, and in other countries around the world including in Africa. As an “impact investor”, Acumen is keen to reduce the cost of lending for farmers and domestic agribusinesses.</p> <p>Lastly, he spoke about the need for more digital finance solutions in Africa, in addition to the use of more blended finance for agriculture.</p>
<p>Ms. Rahab Kariuki, Managing Director, ACRE Africa</p>		<p>Ms. Rehab Kariuki was the next presenter and in her remarks she introduced her company, ACRE Africa.</p> <p>ACRE is a provider of agricultural index insurance products. Acre Africa is not an insurance company, but rather a service provider working with local insurers and other stakeholders in the agricultural insurance value chain.</p> <p>She went on to explain how digital technology is vital to their operations. She explained the process of how their service is used, which included the use of vouchers of which farmers receive in seeds, the farmer then use these vouchers, and based on how often and when the farmer uses his/ her voucher, ACRE is able to determine more about the farmer. This includes their number, name, and their location – of which they can assess any weather related risk to that farmer.</p> <p>She stressed that their main challenge as an organization is raising awareness of their service, and getting more farmers to use the service.</p>



AGRF 2016 – PRE - EVENT REPORT TWGS

<p>Mr. Matthew Shakhovskoy, Executive Director, Initiative for Smallholder Farmer Finance</p>		<p>The next presenter, Mr. Shakhovskoy, introduced his organization The Initiative for Smallholder Finance (ISF) as a multi-donor and investor platform for the development of financial services for the smallholder farmer market. It was launched in May 2013 with the intention of making marked progress toward closing the gap between the over \$200 billion in smallholder financing need and the current \$50 billion supply in Latin America, sub-Saharan Africa, and South and Southeast Asia.</p> <p>In his comments he stressed the great need for more blended finance for small holder farmers. He gave further insight into blended finance saying blended finance was the complementary use of grants (or grant-equivalent instruments) and non-grant financing from private and/or public sources to provide financing on terms that would make agriculture projects financially viable and/or financially sustainable.</p>
<p>Mr. Jason Wendle, Director, Rural and Agriculture Finance Learning Lab</p>		<p>Mr. Wendle was the last speaker and in his comments he introduced the Rural Agricultural Finance Lab. RAFL is an institution that fosters knowledge - creation, sharing and collaboration - that leads to the development of better financial solutions for smallholder farmers and other rural clients.</p> <p>From their research they estimated that the current market for lending through financial services for agribusinesses across the value chain is currently at US \$7billion, but the need is at \$33 billion.</p> <p>He also stated that the agricultural sector is growing at 7 percent per year, but the market is yet to meet the demand.</p> <p>He spoke about challenges, and there being a mismatch of capital. He elaborated on this comment and stated that often small holders do not meet the criteria to access the types of credit currently available, sometimes due to their having unsustainable projects, and at other times due to insufficient training/ knowledge/ capacity.</p>



AGRF 2016 – PRE - EVENT REPORT TWGS

		<p>Mr. Wendle further emphasized the need for public private partnerships. Such partnerships can help to secure/guarantee allocations of finance for small holders.</p> <p>He also said that in addition to this there is a need to reduce the cost of lending.</p> <p>Lastly, he spoke about some of the financing options available and the needs for small holder farmers for example lease financing. However, generally speaking he believes that Africa is ripe for growth and there is significant interest globally. He also believes that digital forms of distributing finance are essential for this growth.</p>
<p>Summary / Key Remarks</p> <p>The event was an engaging one of which allowed for interaction between the delegates. The event discussed the importance of finance. The need for investment in agriculture is increasing due to the rising global population and the changing dietary preferences of the growing middle class in emerging markets toward higher value foods. The key learning points were:</p> <p>Agricultural finance needs to focus on the following five areas:</p> <ol style="list-style-type: none"> 1. There is a need to segment smallholder farmers and identify their financial needs; 2. We need to find ways to de-risk agricultural finance by addressing idiosyncratic (i.e. individual related) risks as well as important systemic (i.e. environment) risks; 3. We need to identify appropriate institutions and delivery channels that can reduce the costs of serving agricultural clients; 4. We need new technologies and advancements in mobile banking solutions as well as to increase the integration of farmers into better organized value chains and to promote solutions and delivery channels that reduce the cost of serving dispersed populations in rural areas; and 5. We must address issues in the enabling environment and specific government policies that limit the flow of financial services to small holders. Government policies can at times restrict lending, but it also can crowd in private sector. 		