Analysis of GIZ Approaches to Improve Access to Agricultural Finance

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Abbreviations

AbTF	Aid by Trade Foundation
ACE	Agricultural Commodity Exchange for Africa, Malawi
AGRUFIN	Agricultural and Rural Finance Programme (a GIZ programme in Uganda)
AISP	Agricultural Innovation Support Project (a GIZ programme in Zimbabwe)
CARI	Competitive African Rice Initiative (a regional GIZ programme)
CGAP	Consultative Group to Assist the Poor
COMPACI	Competitive Cotton Initiative (a regional GIZ programme)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
FBS	Farmer Business School
FI	Financial institution
FSP	Financial service provider
GAP	Good agricultural practices
GDP	Gross domestic product
GIC	Green innovation centres
Ha	Hectare
IAAA	Innovations pour l'Agriculture et Agro-Alimentaire (Green Innovation Centre for the Food and Agriculture Sector – a GIZ programme in Tunisia)
ICRM	Integrated Climate Risk Management Programme (a GIZ programme in Ghana)
ICT	Information and communication technology
iEWP/DPP	Integrated development partnership with the private sector
IPFA	Initiative pour la Promotion des Filières Agricoles (Initiative for the Promotion of Agricultural Value Chains – a GIZ programme in Tunisia)
KYC	Know your customer
MFI	Microfinance institution
MIERA	More Income and Employment in Rural Areas (a GIZ programme in Malawi)
MSME	Micro, small and medium-sized enterprises
NGO	Non-governmental organisation
MOU	Memorandum of understanding
ProCIV	Centres d'Innovations Vertes (green innovation centre for the food and agriculture sector – a GIZ programme in Burkina Faso)
ProCIVA	Centres d'Innovations Vertes (green innovation centre for the food and agriculture sector – a GIZ programme in Benin)
ProDRA	Programme pour le développement rural et l'agriculture (programme for rural and agricultural development – a GIZ programme in Togo)
ProFinA	Promotion du financement agricole (promotion of agricultural finance – a GIZ programme in Benin)
SNRD	Sector Network Rural Development
SPP	Social Protection for the Extreme Poor (a GIZ programme in Malawi)
SSA	Sub-Saharan Africa
SSAB	Sustainable Smallholder Agri-Business (a regional GIZ programme)
TOT	Training of trainers
UCFA	Uganda Coffee Farmers' Alliance
USD	United States dollar
VSLA	Village savings and loan associations
WRS	Warehouse receipt system
XOF	West African CFA franc(s)

Foreword

Agriculture remains the economic backbone of most developing countries in terms of gross domestic product, employment and rural livelihoods. This is especially true of many Sub-Saharan African countries where agriculture accounts for more than 50% of GDP output and employs around 70% of the population. Agriculture therefore plays a central role in poverty reduction and ending hunger, as it lays the foundations for economic transformation by functioning as a basis for the development of other economic activities, such as food processing and trading in rural areas.

Access to and the provision of demand-driven financial services is key if agriculture is to grow and is to play a central and decisive role in reducing poverty and hunger and generating much-needed jobs in rural areas. At the same time, it is also one of the main constraints holding back the development and professionalization of agriculture and the food sector. Access to financial services remains one of the key challenges for rural areas in general and for agriculture in particular. For example, the chronic low level of agricultural lending has resulted in low levels of agricultural investment, which, in turn, have impeded increases in productivity.

Against this backdrop, access to finance, financial literacy for farmers, agricultural literacy for bankers, and value chain financing were among the key topics discussed during the 2016 annual meeting of the GIZ Sector Network Rural Development's Africa (SNRD) Agribusiness and Food Security working group (ABFS), held in Lomé, Togo. The discussions highlighted the fact that financing agriculture, or more broadly speaking providing access to and offering financial services for agriculture, is complex and requires not only a deep understanding of agriculture, but also of financial institutions.

The participants noted that although access to financial services and in particular to finance itself is critical to the success of almost every project/initiative, so is information. Member projects lack information resources that provide an overview of their and their partners' and target groups' needs, challenges, success stories, tools and approaches. They also noted that such a resource would help projects to learn from others' experiences and thus to design a more effective and targeted approach. The members therefore requested that a survey be conducted to bridge this gap and gather information on the needs, challenges, lessons learned, good practices, strategies and instruments to consider when designing and implementing project components aimed at effectively improving access to financial services for agriculture.

Moritz Heldmann, as a former speaker of the working group, took up this idea, discussing it with the Sector Project Agricultural Trade and Value Chains, which is also very active in the field of agricultural finance. Claudia Huber, an external expert on agricultural finance, was subsequently tasked with carrying out the survey, interviewing selected projects, and enriching the results with specific technical aspects of access to financial services and agricultural finance.

The study aims to serve as a first step towards understanding where we stand and how complex the task is. We are confident that the study will help to facilitate the exchange of our experiences, approaches and different tools, and that it serves as a basis for further discussions. It is published and shared in the context of the **new SNRD Working Group Agribusiness and Inclusive Value Chain Development**, which has been founded in May 2017 based on the former Working Group ABFS.

On behalf of the working group and sector project, we would like to thank Claudia Huber for compiling this excellent study. We would also like to express our gratitude to Thomas Breuer, Heike Hoeffler and Ousmane Djibo, former Speaker and Michaela Braun as current speaker of the SNRD Africa, for providing financial resources for this study. In addition, we would like to acknowledge Gerd Fleischer, Frank Bertelmann, Armin Kloeckner, Lara Chhatwal and Anika Schmidt for their technical review of the study.

Last but not least, special thanks are due to all the programmes and people who participated in the survey, dedicating their time to the interviews and providing highly valuable and relevant contributions.

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Acknowledgement

The author would like to thank Waqas Malik of the Sector Project Agricultural Trade and Value Chains and Moritz Heldmann, spokesperson of the Sector Network Rural Development's Agribusiness and Food Security working group, for their ongoing support and advice on the development of this research and report. Also the author would like to thank Martina Wiedmaier-Pfister for her input and critical review. Furthermore, a big thank-you goes to all the GIZ staff who completed the survey questionnaire and especially those who gave their time participating in detailed telephone interviews or reviewing the case studies and overall report.

Executive Summary

Objective to improve knowledge management and share lessons learned

The objective of this study, which mainly focuses on the African continent, is to enhance the effectiveness and efficiency of GIZ programmes in promoting smallholders' access to financial services. To do this requires improving knowledge management as well as sharing good practice and lessons learned from successes and failures. This work is based on a stocktaking survey of the GIZ programmes that focus on improving agricultural actors' access to financial services and specifically on solutions that provide access to working capital and funds for investments (section 2.1).

A report based on desk research and telephone discussions

This study is based on desk research, a survey questionnaire completed by 22 GIZ programmes, and telephone interviews with a number of these programmes. Several limitations were encountered: the survey design, which centred on multiple-choice questions, only contained a few open questions and thus did not allow for the collection of much detail; the timing of the survey; and the limited amount of information gathered for the case studies from discussions, which were held with GIZ staff only (section 2.2).

Chapter 3 provides an overview of the characteristics of the GIZ programmes surveyed and their involvement in agricultural finance

Also some background on the contexts of the agricultural and financial sectors in which these programmes are active is provided. It also summarises findings from the survey and draws some initial conclusions.

The design of access to finance activities is mostly ad hoc and bolted on to existing programmes

Agricultural finance activities are mostly developed and implemented by or with the support of agricultural sector teams, but they benefit from only minor levels of involvement of staff with a specific financial systems development background. It appears that most of the activities identified in the survey were not included in the design of project proposals from the outset, but were developed on an ad-hoc basis when the need for access to finance arose. Interventions are therefore typically embedded at the activity level in programme components (80% of programmes) and are only rarely included as components in their own right (only 20%).

Agricultural finance is highly relevant for programmes

The study found that 21 programmes involve access to finance activities and 17 report to having financial institutions (FI) as one of their main partners. Of these programmes, 14 work with financial institutions to enable them to offer tailored financial products, and 16 link up farmers, off-takers and financial institutions. Also, 11 programmes report that they provide direct support to financial institutions and that more than half of this support involves assisting product development. The remaining programmes appear to have developed alternative approaches for meeting their objectives, such as delivering training or working with farmers and farmer organisations. However, due to the survey design, it has not been possible to gather comprehensive and detailed information on the interventions and the intensity of the support. The surveyed programmes are involved in 28 different value chains, with rice, soy bean and potato the most prominent.

Low levels of resource allocation in terms of human resources and funding

On average, less than one fifth of programme staff work on access to finance activities and around 4.5% of available programme funds are allocated to these activities. These figures seem at odds with the high number of programmes working with financial institutions to enable them to offer tailored financial products and the high number of programmes reporting to provide direct support to financial institutions that includes product development. Generally, the amount of FI capacity development required for these activities makes them fairly support-intensive. Higher levels of staff involvement and, in particular, of allocated funds for these activities would therefore be expected.

Most projects are still in the pilot stage

Many programmes have only recently started working on agricultural finance activities, and they report either some initial successes (about half of the programmes) or are somewhat reluctant to discuss successes before the pilot projects complete and are analysed. Only one of the surveyed projects is known to have continued beyond a second pilot round. It therefore follows that the majority of projects have yet to contribute to providing large numbers of agricultural actors with access to adequate financial products.

Agricultural finance in programme contexts

About half of the programmes surveyed report the existence of an agricultural finance policy. However, there is no information on the quality and status of implementation of these policies. Although programmes report that a variety of financial and non-financial actors offer financial services to actors along the agricultural value chain, only four programmes deem the existing products to be adequate and tailored to needs. In almost half of the countries where the surveyed programmes operate, other stakeholders (i.e. not the programmes themselves) implement financial education activities. In most programme contexts, governments provide both direct support (e.g. extension services and free or subsidised inputs) and indirect support (e.g. research and rural infrastructure). Land tenure systems are a challenge for most countries.

Key issues and challenges

Regarding agricultural finance, six main problem areas were identified (Chapter 4):

- **Programme set-up and management** – The incorporation of access to finance activities in programmes is, in most cases, not made explicit or planned from the outset, which results in a lack of dedicated staff and funding. In a similar vein, short programme durations and the even-shorter time frames adopted for access to finance activities do not make for realistic programming. Analyses of the specific programme-supported crops' access to profitable markets as well as cost–benefit analyses for farmers taking out loans are missing in many cases. Furthermore, setting up high-performing partnerships with financial institutions that define clear roles and responsibilities and make partner contributions explicit remains a challenge, especially when the business case for the financial institution is not clear and/or promising.
- **Programme interventions in training and follow-up** – Most of the programmes surveyed provide their target groups with comprehensive training options, which are to a large extent funded by GIZ. While the training is reported to be an important catalyst for promoting access to finance, its sustainability beyond GIZ's involvement and funding is also a challenge.
- **Internal issues within financial institution**s – Most financial institutions do not offer adequate and tailored financial products for agricultural actors for a variety of reasons, one of which being that their staff have a limited knowledge of agriculture. When collaborating on developing new financial products, the changes required in financial institutions' internal policies, procedures and processes tend to be insufficiently considered. Furthermore, cultural issues within institutions not used to serving the new customer segment can pose challenges. The transport costs associated with serving this market and the lack of alternative distribution and communication channels are two factors that contribute to the high operational costs involved in working with agricultural actors, and these high operational costs subsequently lead to high interest rates. Finally, a number of financial institutions lack the long-term refunding required to engage in financing investments in the agricultural sector.
- **(Financial) literacy of all stakeholder**s – The combination of limited general literacy and lacking financial literacy among rural populations in particular impedes the usage of financial products. Additionally, the need to provide other programme partners with financial education is frequently underestimated.
- **Analysis of the full range of farmers' needs** – Often, programmes have a narrow focus on lending and therefore fail to analyse farmers' overall needs, and the range of needs that a farming family has at any given point in time is often underestimated. Not understanding the full range of needs (including food- and health-related needs) may, however, lead to the diversion of loan funds, side-selling and repayment problems.
- **Macro-level issues: stable policies and enabling regulations** – Unstable and quickly changing sector or agricultural policies hamper private sector initiatives, and the lack of enabling financial sector policies and

regulations hinder the development of adequate products and their implementation. Also, it is commonly the case that financial education receives inadequate policy support.

Four case studies from West, East and Southern Africa
The report presents case studies on four projects:

- COMPACI in Benin, in collaboration with a large savings and loan cooperative, provided cotton farmers with loans for agricultural inputs.
- AGRUFIN in Uganda collaborated with several financial institutions on developing savings and loan products for different value chains. The study showcases a project involving a collaboration between a coffee farmer producer organisation and a financial institution. This project also focused heavily on the incorporation of new technologies to facilitate collateral requirements and access to finance for farmers.
- MIERA in Malawi is collaborating with the commodity exchange on the implementation of a warehouse receipt system. The programme also jointly works with an agro-processor for oil seeds to provide input loans to smallholder farmers.
- SSAB is a regional programme that collaborates with a financial institution on providing input financing to cocoa farmers in Côte d'Ivoire (Chapter 5).

Further research and recommendations
The surveyed programmes' agricultural finance work requires further research and support, such as the maintenance of a regularly updated list of key initiatives, tools developed and contact persons for each initiative. The systematic documentation of experiences, be they involving successes or failures, is deemed useful and necessary, and regular exchange at the regional and global levels is seen as critical. Information on further research topics and required tools has also been collected (section 6.1).

Initial recommendations for engaging in agricultural finance activities
These recommendations are presented under four different topics (section 6.2):

- **Programme design and implementation** – It is recommended to plan access to finance activities from the start of programmes and to provide these programmes with the dedicated staff and funding required to deliver such activities. Planning must be realistic and based on the agricultural calendar. Before developing and implementing a product, the market potential for the value chains involved should be analysed. The profitability calculations included in this analysis – performed for and with farmers – will help farmers to decide whether a loan product is favourable for them or not. A critical issue for farmers making their own decisions is adequate and impactful financial literacy training. Selecting the right partners, especially the right financial institution, needs time, as does building a business case for the FI. The partnership needs to be based on realistic but ambitious performance targets. An exit strategy for GIZ's withdrawal from the financing of project activities should be built into the project from the start. Finally, programmes should set up a simple but robust monitoring and evaluation system.
- **Demand-side research** – The basis for starting to develop a financial product is proper demand-side research to get clients' inputs and understand their needs. This ideally includes financial needs not immediately related to the specific crop, but to household needs. When developing solutions, the broad range of available financial services, including savings, leasing, payment, credit and insurance, should be considered.
- **Internal processes of financial institutions** – To be able to successfully develop and implement a new financial product, it is essential to get to know the internal processes of the partner financial service provider. Issues to be taken into consideration are adequate decision-making processes for a new target group, the alignment of new procedures and processes with the institution's overall policies, and adequate human resources. The loan appraisal process and credit risk management processes are of the utmost importance, as is the availability

of adequate distribution infrastructure or alternative distribution channels, which include innovative new technologies. At the back-end, IT and accounting are often underestimated. Overall, it is important to test and pilot products before scaling them up.

- **Macro-level topics** – Macro-level activity involving agriculture sector and financial sector policies and regulations does not usually provide an opportunity for quick wins and, indeed, might not even show results during a three-year project. However, once the activity is successfully implemented, it offers major potential for change and the ability to positively influence conditions on a national scale. What is important are stable and reliable policies that make innovation possible, especially in the financial sector space, without compromising consumer protection.

Frameworks for key interventions

To support decision-making on the most appropriate intervention strategy to adopt, two tabulated frameworks provide an overview of potential strategies. They are structured according to the micro, meso and macro levels and aim at supporting decision-making on the adequate intervention strategy. The frameworks are working documents, which means new approaches can be added and approaches can be evaluated and prioritised based on the time, staff and budget available (section 6.3).

2

INTRODUCTION

2.1 Background and objective of this report

2.1.1 Background of this report

This assignment was jointly commissioned by the Sector Network Rural Development's (SNRD) Agribusiness and Food Security working group and the Sector Project Agricultural Trade and Value Chains.

SNRD is a community of practice for national and international GIZ professionals working in rural development in Africa and serves as an important hub for knowledge and capacity development. The mission of its Agribusiness and Food Security working group is to improve the resilience of farm enterprises by enabling farmers to become sustainable entrepreneurs and make a decent living from agriculture. The working group focuses on three topics: improving linkages between agriculture, nutrition and health; enhancing the competitiveness of smallholders in diversified markets; and promoting inclusive and sustainable value chains for increased income, employment and livelihoods.

The Sector Project Agricultural Trade and Value Chains works on similar and related topics, such as agricultural trade, agricultural and food value chains, private sector cooperation, agricultural finance and risk management, and farmer organisations. The Sector Project also cooperates closely with the new Global Project on Agricultural Finance (GV AgFin), which is implemented by GIZ under BMZ's special initiative One World – No Hunger.

With approximately 70% of the African population working in agriculture, the sector has considerable potential to contribute to the continent's food security, reduce poverty and create employment. However, agricultural finance, and more specifically the lack of access to financial services for actors along the agricultural value chain (particularly smallholder farmers), is often identified as one of the most important bottlenecks for developing and growing successful agricultural businesses. This lack of access is due to a variety of factors occurring on both the supply and demand sides. For example, financial institutions are reluctant to lend to the agricultural sector because of real and perceived risks coupled with a lack of knowledge about the sector and its specificities. Looking at the demand side, production is scattered and many small actors lack access to markets, are not sufficiently financially literate and do not have the required collateral. Against this backdrop, the participants of an SNRD meeting, held in the Togolese capital Lomé in early 2016, realised that access to finance is a key challenge for many of its members. However, even though many programmes are tackling the issue, there is a lack of systematic and easily accessible learning and related challenges and successes from GIZ approaches.

2.1.2 Objective of this study

The objective of this study is to enhance the effectiveness and efficiency of GIZ programmes' work to promote smallholders' access to financial services by improving knowledge management in this area and sharing lessons learned from successes and failures, and good practices. To meet this objective, a stocktaking survey was conducted looking at those GIZ initiatives[1] focused on improving agricultural actors' access to financial services and specifically to solutions that provide access to working capital and funds for investments. The geographical focus of this work is the African continent.

2.2 Methodology and limitations

2.2.1 Methodology

To compile this report, a mix of instruments and methods was used:

- **Desk research** – The desk research sought to identify current approaches in agricultural finance. Additionally, it contributed to the development of case studies on the programmes and their initiatives as well as the drafting of key recommendations.

1 Herein the term 'initiatives' refers to all types of GIZ interventions: projects, programmes, components and single initiatives.

- **Survey** – A simple questionnaire drawn up in Microsoft Word was administered in either English or French to all members of the SNRD and to contacts in other programmes deemed to be relevant. The survey helped to provide an overview of existing initiatives and to select which programmes to examine in more detail.
- **Skype or telephone interviews** – Skype or telephone interviews were held to follow up with a few of the initiatives. The resulting discussions mainly focused on obtaining additional information and confirming details for the development of case studies.

2.2.2 Survey questionnaire

The survey questionnaire was developed in close coordination with staff based at GIZ headquarters and included the following sections:

- **Overall programme set-up (part I)** – Part I included questions aimed at determining the overall set-up of the intervention such as the type of programme, number of staff, volume, duration, existence of access to finance activities within the overall project, etc.
- **Access to finance intervention (part II)** – Part II included questions aimed at determining the set-up of specific access to finance interventions and activities (staff, duration, funds, etc.).
- **Target group(s), objective(s), partner(s) and intervention(s) (part III)** – This part included questions about the access to finance intervention's target groups, the value chains involved, the objective of the intervention, and its main partners and activities.
- **Country context (part IV)** – This part sought to determine the environment and framework conditions of the agricultural and financial sectors in which the project operates, the entities involved in these sectors, etc.
- **Learning, success factors and obstacles (part V)** – This part sought to identify the key success factors, obstacles, challenges, and learning and recommendations from the different projects.
- **Documents to share (part VI)** – Part VI requested that further information be provided on the project or country context.

For most of the survey questions, multiple answers were possible.

2.2.3 Limitation of the methodology

When applied, the methodology faced several limitations:

- **Questionnaire design** – The challenge when designing the questionnaire was to collect as much information as possible without making its completion cumbersome or time consuming, thus minimising the amount of GIZ staff time required. Open questions were therefore kept to a minimum and multiple-choice questions were preferred, leaving limited room for clarifications. Also, the questionnaire does not measure the intensity of an activity implemented by a programme. In other words, in some cases a programme may only have signed an MOU with a financial institution, but in others a whole support activity may have been designed and implemented. In the questionnaire, however, respondents describing these different cases would most probably have checked the same responses.
- **Conflicting responses** – Some questionnaires contained potentially conflicting responses. For example, financial institutions might be considered a main partner by some programmes, but working with them might not have been an objective of the programme and/or the programme does not implement specific activities that support financial institutions to develop or offer adequate products.
- **Timing of the survey** – The timing of the survey, coming just before and over the Christmas holiday period when many programme activities needed to be finalised and many staff were on leave, meant many respondents were unable to keep to the agreed timeline. Additionally, some programme staff mentioned that another survey on agricultural finance had been shared with programme staff during the same period.[2]

2 The other survey mentioned by respondents was a questionnaire analysing specific needs for loans in the agricultural sector, which was sent to green innovation centres in 12 African countries.

- **Limited data to develop case studies** – The case studies in Chapter 5 are based on information gathered from the questionnaires. Additionally, one or two telephone interviews were held with GIZ staff from the surveyed programmes. Documentation provided by the programmes and additional desk research complemented this information. Interviews with other actors and, in particular, with the partners involved in the activities described in the case studies could not be carried out within the scope of the study. Therefore, the case studies are primarily based on the insights, perspectives and opinions of GIZ staff and do not include the (potentially divergent) opinions of other (key) partners.
- **Reluctance to document challenges and failures** – The author sensed that GIZ programme staff were reluctant to document and share in written form the challenges and failures experienced when delivering their programmes, yet they were open to discussing these issues on the telephone.

3

OVERVIEW OF THE SURVEYED GIZ PROGRAMMES INVOLVED IN AGRICULTURAL FINANCE

Chapter 3 comprises four sections that summarise the data collected through the survey questionnaires. The first section talks about the overall characteristics of programmes; the second examines programmes' involvement in agricultural finance more in detail; the third provides a table that clusters by topic relevant items (e.g. toolkits and instruments) developed by programmes; and the fourth provides an overview of the agricultural and financial sectors in the programme contexts. The sections start with a description of the findings and then provide a short analysis of these findings.

3.1 Characteristics of the programmes surveyed

3.1.1 Main findings

GIZ departments driving design

Three different types of programmes participated in the survey: programmes designed and implemented by staff from the financial sector, programmes designed and implemented by staff from the agricultural sector, and programmes designed by social protection staff. Of the 22 programmes surveyed, four originated from the financial sector, 17 from the agricultural sector, and one from social protection.

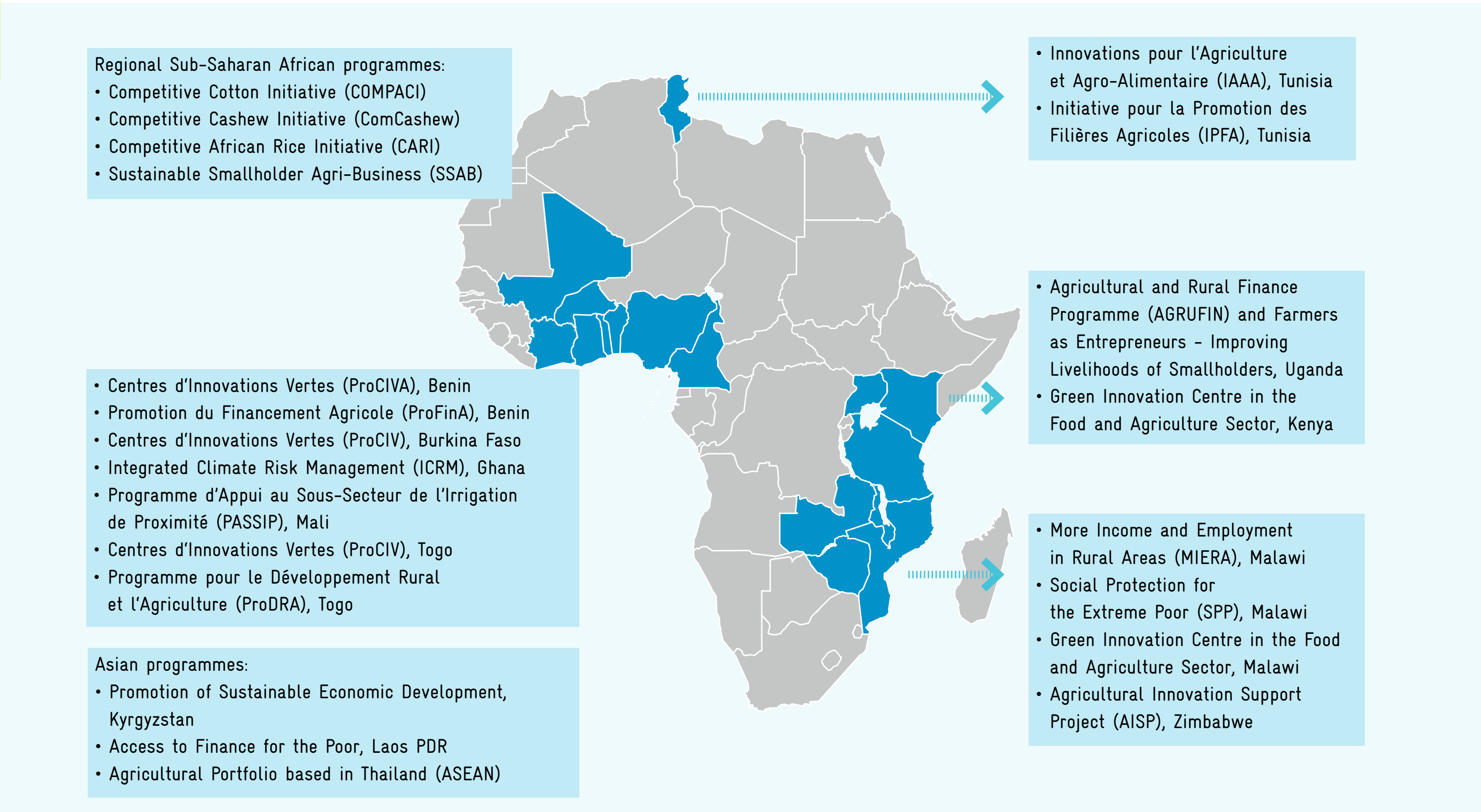
Regions and countries

Of the 22 programmes surveyed, 11 are active in West Africa, and four of these 11 operate in more than one West African country. As a result, West Africa is the most strongly represented sub-region in the survey. In addition, three East African countries, four Southern African countries, one MENA-region country and three Asian countries are represented (see Figure 1 and Annex 1 for an overview of the programmes surveyed).

Type of programmes

Most of the programmes surveyed are bilateral programmes (35%) or special initiatives (35%). 22% are regional programmes active in several countries, and only one of these regional programmes is active outside Africa. As Figure 2 shows, only a few programmes are set up as either a partnership with the private sector (develoPPP.de) or an integrated development partnership with the private sector (an iEWP).

Figure 1 | Programmes participating in the survey



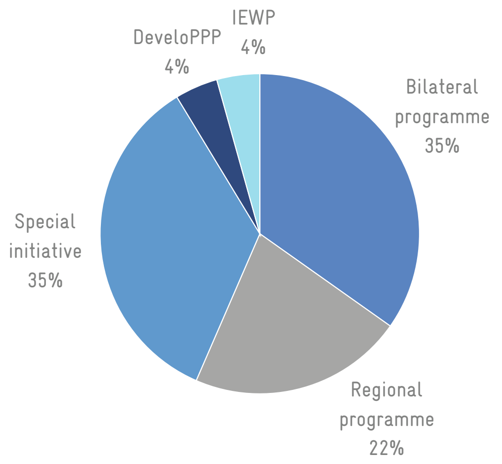


Figure 2 | Type of programme

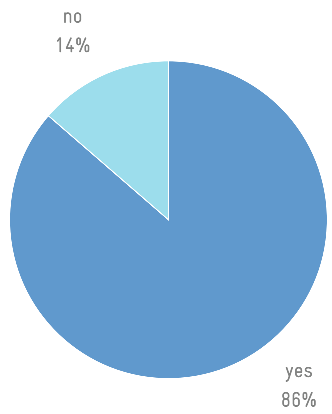


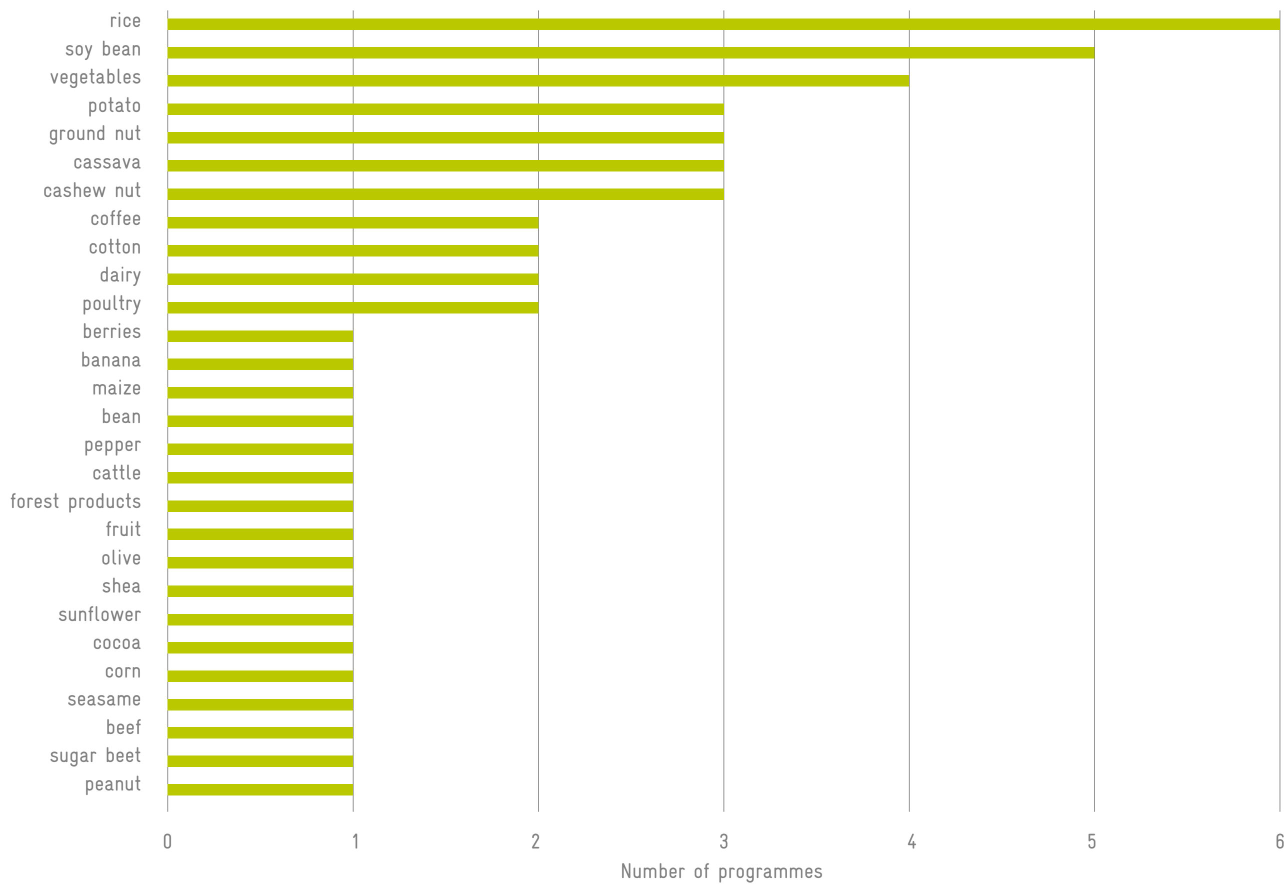
Figure 3 | Value chain focus of programmes

Focus on value chains

Figure 3 shows that 86% (or 19) of the programmes focus on specific value chains, whereas 14% (or two) of the programmes do not (namely the Access to Finance programme in the Lao People's Democratic Republic and the SPP programme in Malawi). The programmes work with one or more of a total number of 28 different crops (see Figure 4).

Five programmes (the regional programmes ComCashew, CARI, COMPACI, SSAB, and also the Togolese ProDRA) work with one specific target crop, which is predominantly a cash crop like cotton, rice, cocoa or cashew. Programmes active in a single country typically work with up to five different crops (see Annex 2 for an overview of value chains by programme).

Figure 4 | Types of value chains in programmes



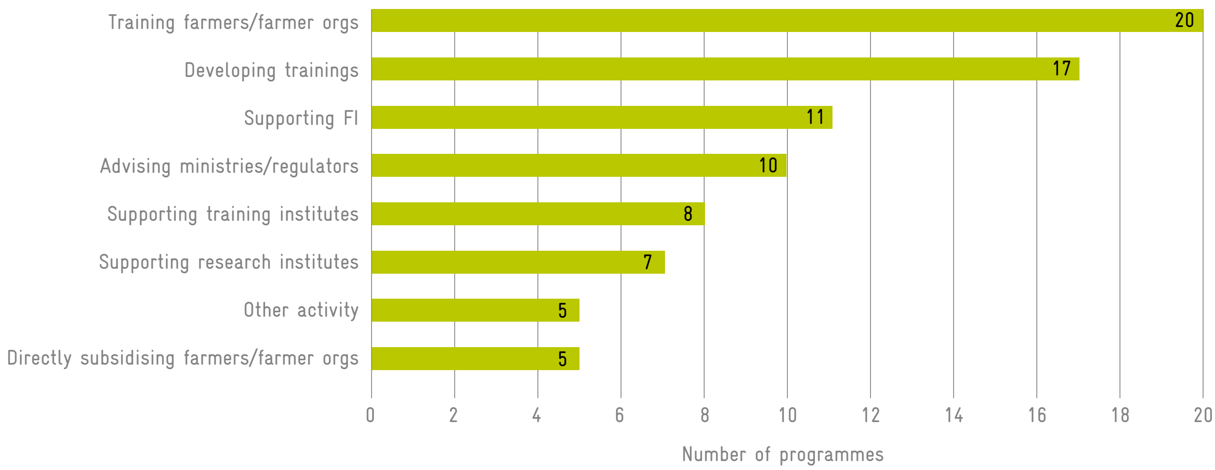


Figure 5 | Activities implemented

Overview of activities implemented

Most of the programmes train farmers and/or farmer organisations (20 programmes) and/or develop training that is made available to and implemented for the entire sector (17 programmes). Some report that they support financial institutions (11 programmes) or advise ministries or regulators (10 programmes). A limited number support training or research institutions and an even smaller number provide direct subsidies to farmers or farmer organisations (see Figure 5).

Training farmers and farmer organisations

Of the 20 programmes that reported being engaged in farmer/farmer organisation training, 15 provide this target group with training on good agricultural practices (GAP), 17 on financial literacy and 16 on business (see Figure 6).

Providing direct subsidies to farmers and farmer organisations

A relatively small number of five programmes reported that they provide direct subsidies to farmers or farmer organisations: two provide free inputs, two free planting material and four free assets (see Figure 7).

Figure 6 | Train farmers/farmer organisations in ...

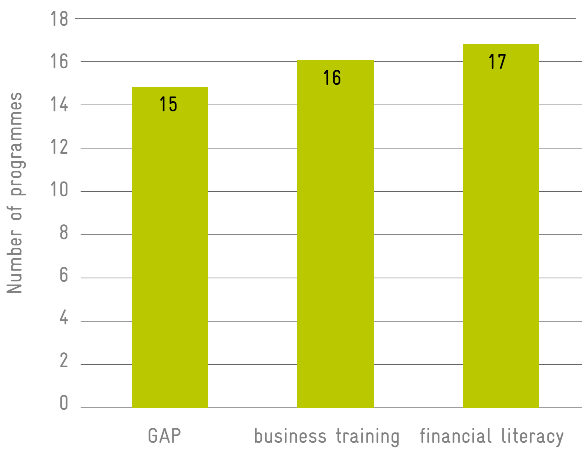
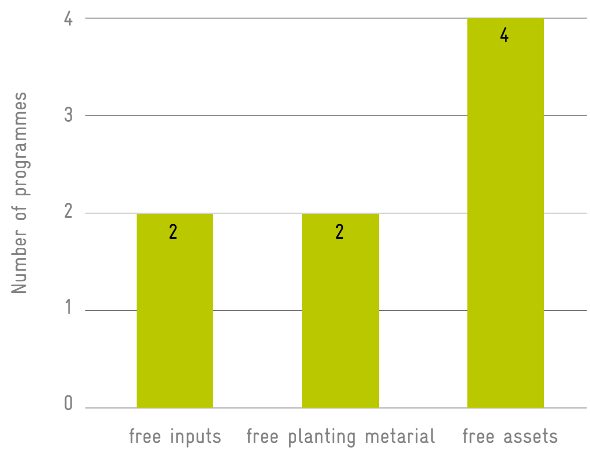


Figure 7 | Programmes providing direct subsidies



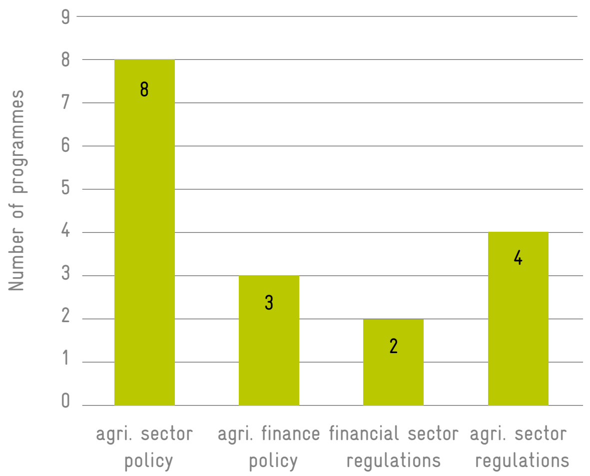


Figure 8 | Advice to ministries/regulators on developing …

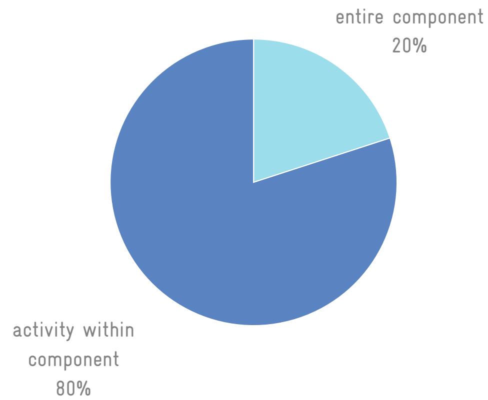


Figure 9 | Agfin activity: entire component or activitiy

Advising ministries and regulators

About half of all the programmes surveyed report that they provide advice to ministries and regulators (10 programmes). Most of these 10 programmes support the development of policies for the agricultural sector (eight programmes), four are involved in developing regulations for the agricultural sector and three in developing an agricultural finance policy. Only two programmes are involved in supporting the development of specific financial sector regulations (see Figure 8).

3.1.2 Summary and initial conclusions

This section provides an overview of findings and draws initial conclusions.

- Agricultural finance activities within GIZ mostly stem from programmes that are being developed and implemented by or with the support of agricultural sector teams.
- Little involvement was observed of staff with a specific financial systems development background in designing, setting up and implementing access to finance activities. Most activities do not appear to have been included in the project design from the outset and were therefore mostly developed ad hoc when the need for access to finance arose.
- Among the total of 22 programmes surveyed, West African programmes are strongly represented, as are African regional programmes, which are active in various countries.
- All but two of the surveyed programmes focus on specific value chains, which can partly be ascribed to the high number of agriculture-related programmes participating in the survey. Overall, the programmes are involved in 28 different value chains, with rice, soy bean and potato the most prominent value chains.
- 17 programmes deliver training on financial literacy and 16 on entrepreneurship, which shows that the importance of topics beyond training in good agricultural practices is recognised.

3.2 Programme involvement in agricultural finance

3.2.1 Main findings

Involvement in access to finance

Of the 22 surveyed programmes, 20 confirmed that they work on providing access to finance for agricultural actors. Only one programme, PASSIP in Mali, does not include any access to finance activities and has therefore not responded to questions on such activities. The Access to Finance for the Poor (AFP) project in Laos has reported 'no' because it has no targeted activities which focus specifically on access to finance for agricultural actors. However, AFP is a financial sector development program and as such working exclusively on financial inclusion in rural areas.[3] For the remaining analysis, AFP has therefore been included, making a total of 21 programmes involved in access to finance.

3 Many of its beneficiaries are farmers and use their local village bank to finance agricultural input and processing. Furthermore, the AFP project is currently assessing possibilities to support an international business company in enabling smallholder families to grow citrus on a commercial basis, using good practice technology.

Access to finance: a component or activity

Although all but one of the programmes are active in promoting access to financial services, only 20% have an entire component dedicated to the topic. For the remaining 80%, access to finance activities are integrated in other programme components (see Figure 9).

Staff working on access to finance activities

Of the 21 programmes working on agricultural finance, most responded that they have designated staff who are responsible for these activities. However, in most cases only a very small number of staff are working on the topic (see Figure 10). On average, 18% of programme staff are involved in access to finance activities.

Funds for access to finance activities

Eight programmes did not answer the question on whether they specifically allocate funds to access to finance activities and five stated that no specific amount is attributed to these activities. Only eight programmes report that they earmark specific funds for access to finance. However, these amount on average to a mere 4.5% of the available programme funds. In terms of volume, this is equivalent to an average of about EUR 450,000, with individual volumes ranging from EUR 40,000 to EUR 2,000,000 (the latter figure relates to programmes that contain entire access to finance components – see Figure 11).

Figure 10 | Access to finance staff [4]

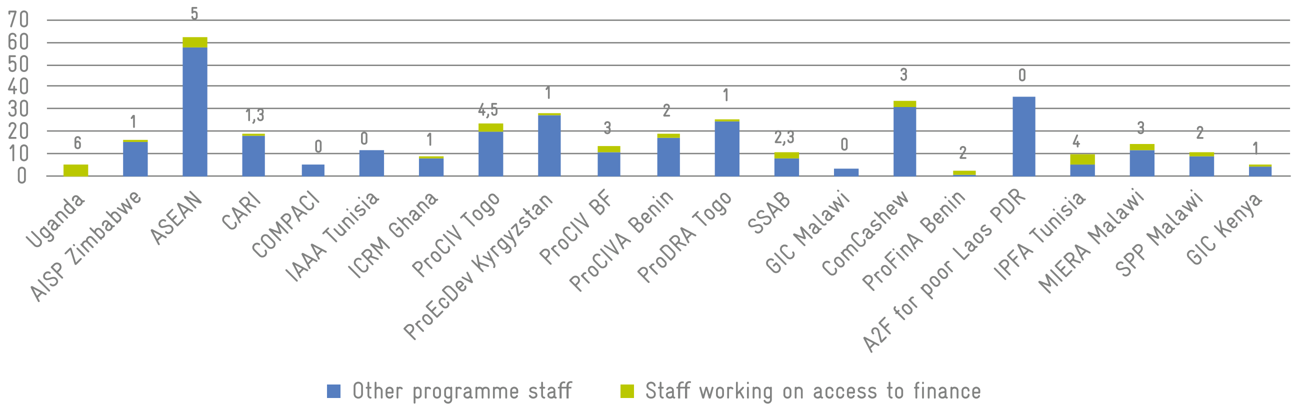
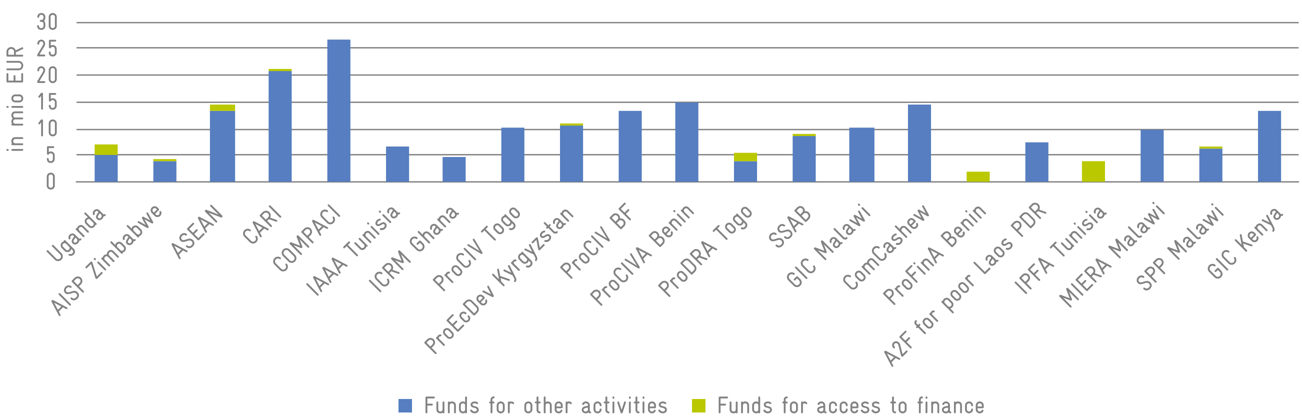


Figure 11 | Funds for access to finance activities [5]



4 Staff in the Lao PDR programme all work on access to finance issues, but no staff member is specifically responsible for agricultural finance. In Uganda only staff working for the new Strategic Alliance have been counted (based on the questionnaire responses). However, the AGRUFIN programme, which ended in May 2017, had about 25 staff, including development advisors, integrated experts and administration staff. It also worked with a number of external consultants, all of whom worked exclusively on access to finance.

5 Funds for access to finance activities are only given for the projects, which reported a specific part of the overall project budget exclusively earmarked for the access to finance activities. Other projects did not provide any specific information in this regard. In Uganda's case, the funds for the new Strategic Alliance have been taken into account.

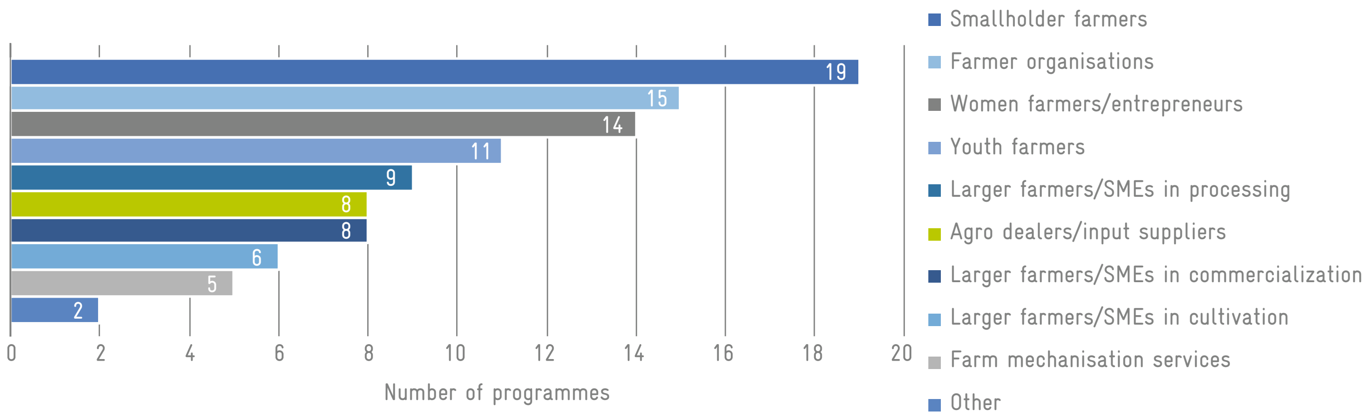


Figure 12 | Target groups of programmes

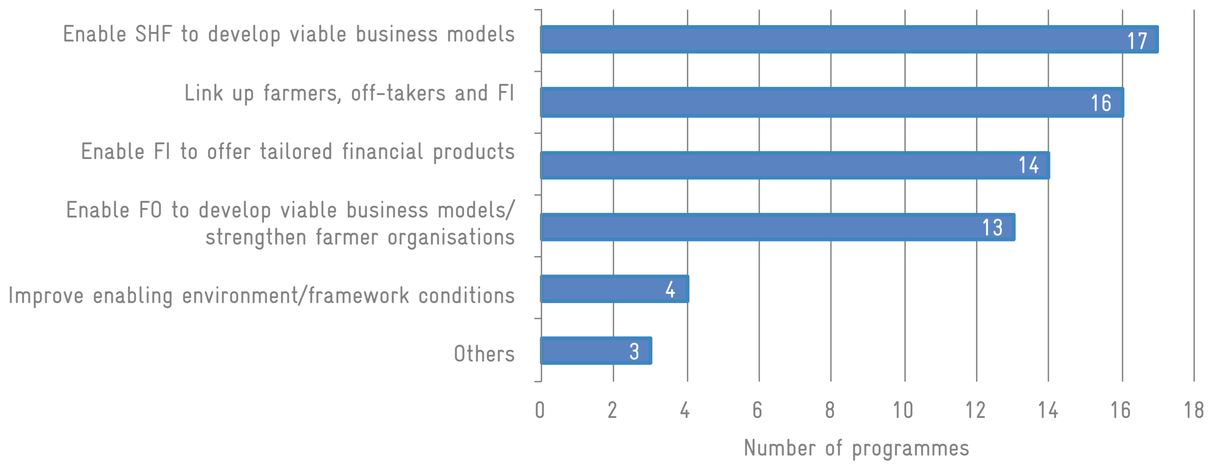


Figure 13 | Objective of access to finance activity

Main target groups

Most access to finance activities target individual smallholder farmers (19 programmes) and/or farmer organisations (15 programmes). A number of programmes also specifically target women farmers (11) or youth farmers (14). Larger farmers or agricultural small and medium-sized enterprises (SMEs), as well as farm service providers (agro dealers, input suppliers and farm mechanisation services) are targeted by a smaller number of programmes (between five and nine programmes – see Figure 12).

Objectives of access to finance activities

Almost all the access to finance activities implemented by the programmes (19 of the 21) focus on 'enabling smallholder farmers to develop viable business models'. They are also aimed at 'enabling financial institutions to offer tailor-made financial products' (14 programmes), 'enabling farmer organisations to develop viable business models/strengthen farmer organisations' (13 programmes), and 'linking up farmers, off-takers and financial institutions' (16 programmes). Four of the 21 programmes are aimed at 'improving the enabling environment/framework conditions' (see Figure 13).

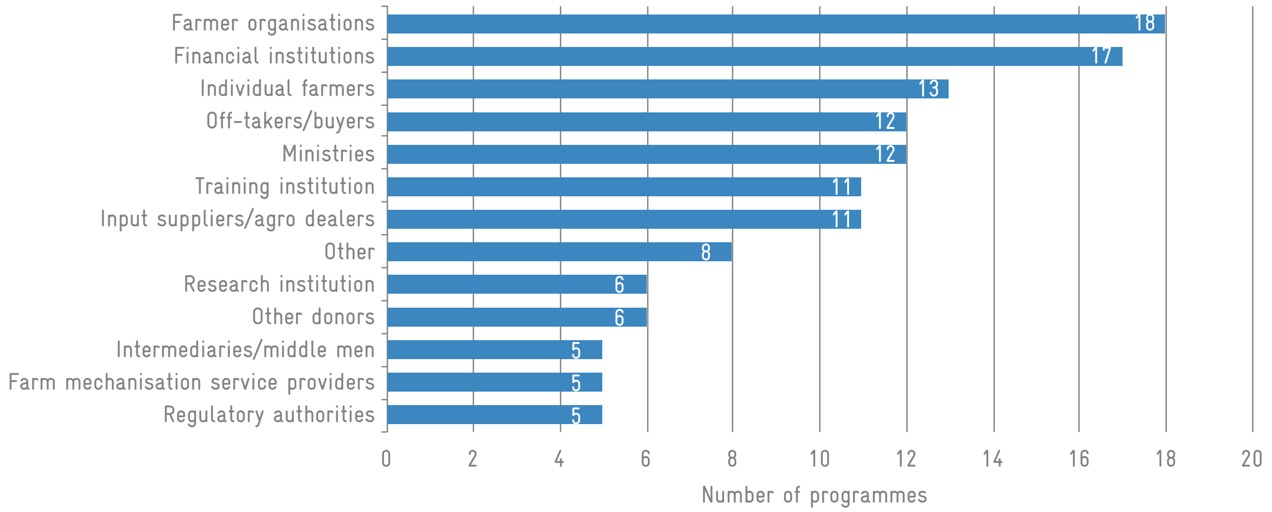


Figure 14 | Main partners of programmes

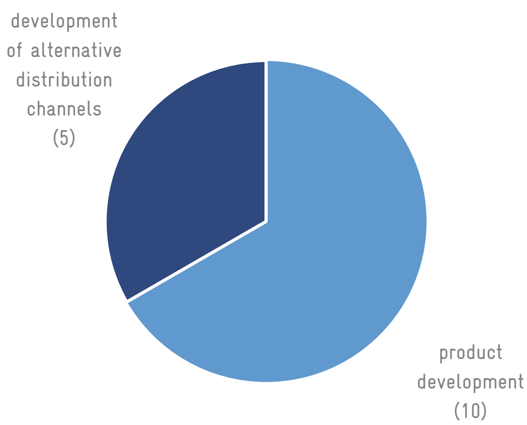


Figure 15 | Support to financial institutions

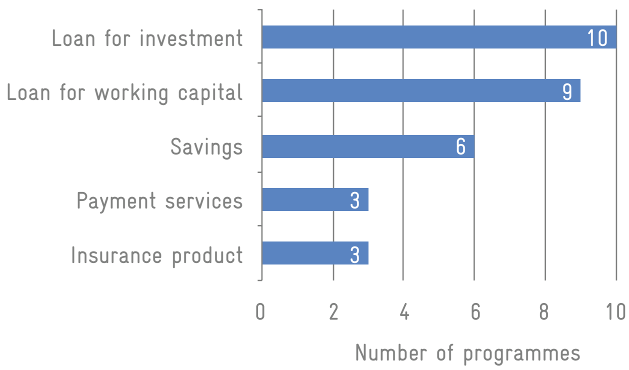


Figure 16 | Types of financial products supported

Main partners of access to finance activities

17 programmes report that financial institutions are one of their main partners, which is almost the same as the number of programmes that work with farmer organisations (18). 13 programmes work with individual farmers, 12 with both off-takers/buyers and ministries, and 11 with training institutions or input suppliers/agro dealers (see Figure 14).

Supporting financial institutions directly

Of the 11 programmes that report providing direct support to financial institutions, 10 provide support to product development, five support the development of alternative distribution channels, and some of them do both (see Figure 15).

Types of financial products supported

The programmes also reported on the types of financial services and products they support. Most programmes support loan products either for investments (10 programmes)

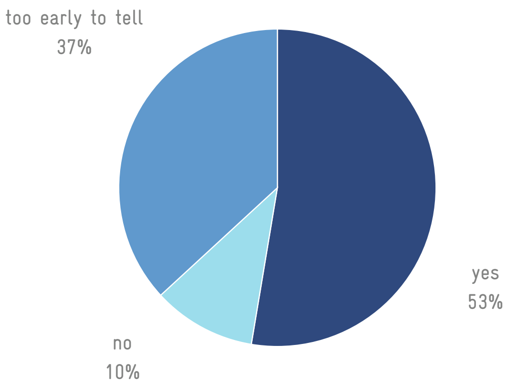


Figure 17 | Has access to finance activity been a success?

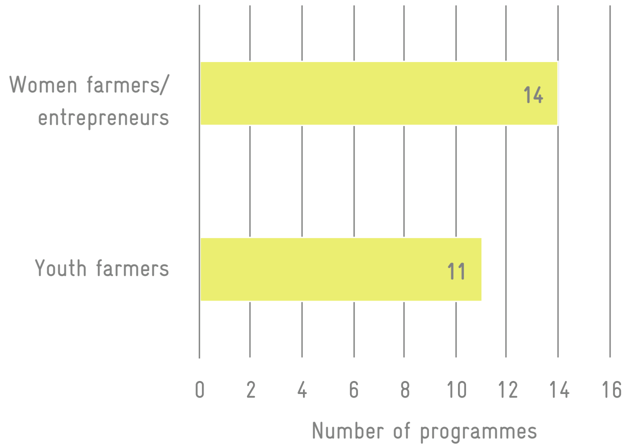


Figure 18 | Women and youth

or for working capital (nine programmes). Six programmes support savings and three support payment services and insurance products (see Figure 16).

Success of access to finance activities

Figure 17 shows programmes' responses regarding the perceived success of their access to finance activities. About half of all programmes consider their activities successful; only 10% consider they have failed. Meanwhile, 37% of programmes mention that their programmes are still in a pilot phase or that it is too early to judge their success. Evaluating the results of programmes' access to finance activities lies outside the scope of this work and would need to be integrated systematically either in the activity itself or in overall programme evaluations. However, since most of these activities are implemented ad hoc and are not integrated into the programme proposal, it is possible that they do not have proper indicators in the programme's monitoring system.

Women and youth

14 programmes specifically target women and 11 target youth farmers in their work (see Figure 18). Some programmes reported that their intention is for women to constitute between 20% and 35% of their programme beneficiaries or participants. Other programmes provided limited information about their specific activities tailored to women and young people. Interventions such as training young people in starting up ventures in value chains with shorter cycles (such as livestock) or in value addition and processing (AISP Zimbabwe) were reported. COMPACI supports the establishment of women's groups. A few programmes report that they provide training specifically tailored to women. However, only three programmes report activities specifically related to access to finance geared towards women (AISP Zimbabwe, Lao PDR, COMPACI) and none is reported for young people. The questionnaire does not allow for more detailed information to be collected about these activities and about half of the programmes reporting to work specifically with either one of these two target groups did not provide any further information.

3.2.2 Summary and initial conclusions

The following provides an overview of findings and draws initial conclusions:

- The access to finance activities of agricultural programmes are mostly embedded at the activity level in programme components (80% of programmes) and are only rarely included as separate components (20%). This is consistent with the fact that many programmes stem from the agricultural sector and that specific support activities for the promotion of access to finance were generally not included from the outset. Hence, for most programmes, access to finance is a side activity.
- On average, less than one fifth of staff work on access to

finance activities and approximately 4.5% of available funds are earmarked for these. This appears at odds with some facts shared about the main partners and the objectives for their access to finance activities. For example, 17 programmes report that financial institutions are one of their main partners, 12 aim to enable financial institutions to offer tailor-made financial products, 14 are working to link up farmers, off-takers and financial institutions, and 11 report that they provide direct support to financial institutions. However, the survey does not allow comprehensive information to be collected on the specific details of these interventions and the intensity of the support. Looking at the level of resources assigned, it can be assumed that the intensity of support, while at varying degrees, is on average rather low. With this level of commitment to promoting access to finance, a higher level of staff involvement and in particular of funds dedicated to these activities would normally be expected.

- Most programmes report that financial institutions are one of their main partners (17 programmes). Of these, 14 programmes aim to enable financial institutions to offer tailor-made financial products and 16 work to link up farmers, off-takers and financial institutions (objectives of access to finance activities). However, only 11 programmes report that they provide direct support to financial institutions (activities implemented). The remaining programmes appear to have developed alternative ways to meet their objectives, such as by developing training or working with farmers and farmer organisations.
- Of the 11 programmes providing direct support to FIs, more than half report that they support product development. Not surprisingly, loans are the financial product most supported, with 10 programmes reporting that they support the provision of loans to farmers for investments. These are usually longer-term loans and are therefore generally considered more difficult to implement than short-term loans for working capital. The high number of programmes supporting product development is to a certain extent contradictory, considering the low levels of funds attributed to access to finance activities. Generally, these activities are quite support-intensive in terms of the capacity development required at the level of the FI. However, the survey does not provide more detail on the type of support and the level of involvement.
- Four programmes aim to improve the enabling environment/framework conditions for access to finance and two programmes are supporting the development of specific financial sector regulations. These low figures are explained by the fact that most of the programmes were designed from the point of view of the agricultural sector.
- Whereas about half of the programmes report that they specifically target women (14 programmes) and/or young people (11 programmes), only three programmes report access to finance activities tailored to these target groups.
- Finally, many programmes have only recently started working on agricultural finance activities and either report some initial successes (about 50% of programmes) or are somewhat reluctant to discuss successes before the pilot projects complete and are analysed (37%). Only one of the surveyed projects has continued beyond a second pilot round. The projects cannot therefore be expected to have already delivered financial services to large numbers of agricultural actors.

3.3 Overview of toolkits and instruments developed by GIZ programmes

Many of the GIZ programmes participating in the survey have developed and shared toolkits, instruments and publications that might be useful for other programmes active in the sector. These are compiled and clustered by topic in Table 1 below. Annex 3 also provides an overview of the tools and instruments developed but clusters them by programme[6].

6 The tools and documents collected in this overview have not been reviewed by the consultant to see whether they constitute good practice examples.

Topic	Toolkit, instrument or publication and its source
Financial literacy	**Lao PDR** ▸ Assessing Financial Literacy in Rural Laos (www.giz.de/de/downloads/giz2015-en-assessing-financial-literacy-rural-areas-laos.pdf) **Uganda** ▸ National Financial Literacy Strategy (www.simplifymoney.co.ug/) ▸ Financial literacy manual for smallholder farmers (www.simplifymoney.co.ug/for-our-partners/resources/training-package/farmers-manual.html)
Agricultural finance training course	**Uganda** ▸ Agricultural financing training course in collaboration with the Uganda Institute of Banking and Financial Services (www.uibfs.or.ug/index.php/mcc-arl-02-agricultural-financing)
Collaboration with financial institutions/ product development	**Lao PDR** ▸ Handbook: Operating Village Banks (www.giz.de/de/downloads/giz2014-en-operating-village-banks-handbook-annexes.pdf) **SSAB Côte d'Ivoire** ▸ Savings campaign for cocoa farmers (radio) **Togo ProDRA** ▸ Manuel de procédures pour la gestion de micro-crédits agricoles à l'endroit de l'agent de crédit (procedural manual for agricultural micro loans, to be obtained from programme staff) **Uganda** ▸ Lessons learned about collaboration with financial institutions (currently being finalised)
Warehouse receipt system	**Malawi** ▸ Agricultural Commodity Exchange for Rural Africa (ACE) (www.aceafrica.org) ▸ Warehouse Receipt System in Malawi (www.aceafrica.org/media/1326/wrs_strategy_paper.pdf) ▸ ACE Marketing School Workbook (to be obtained from programme staff)
Technical analysis of value chains	**Benin (ProFinA)** ▸ Technical analysis of the productivity of value chains (rice, corn, cassava, soy bean) including mechanisation (to be obtained from programme staff) **Togo ProDRA** ▸ Faire de bonnes affaires avec le maïs en zone savane humide au Togo, Référentiel technico-économique pour les entrepreneurs agricoles bénéficiaires du Credit for Farm Business (technical guide for farming corn, to be obtained from programme staff)
Business/entrepreneurship training	**Benin (ProCIVA)** ▸ SME Business Training and Coaching Loop (to be obtained from programme staff); master trainers are available to implement the Loop, Benin ProCIVA team can provide technical backstopping **Zimbabwe** ▸ Farmer Business School Workbook – Zimbabwe, for Horticulture and Small Live-stock (to be obtained from programme staff) ▸ Farmer Business School Workbook – Zimbabwe (to be obtained from programme staff), also available in local languages (Shona and Shangani)
Other	**Uganda** ▸ Agricultural Finance Yearbook 2015 (www.giz.de/en/downloads/giz2016-en-agricultural-finance-yearbook.pdf)

Table 1 | Toolkits, instruments and publications produced by GIZ programmes

3.4 Agricultural and financial sector contexts of programmes

3.4.1 Main findings

The survey also asked programmes to report on both their agricultural and financial sector contexts specifically with regard to the financing of agriculture.[7] The questions in this area did not try to draw out details about the programme's involvement in any of the activities (those are summarised in section 3.2), rather they sought to develop an overview of the context and situations in which GIZ programmes are working.

Agricultural finance policy

Just under half of the programmes (45%) report that a specific agricultural finance policy exists in their country (see Figure 19). A range of different ministries or other regulatory bodies are responsible for the agricultural policy in different countries, from the country's central bank to the ministry of finance or ministry of agriculture. In two countries, the different programmes active in those countries provided different answers to the question on the presence of an agricultural finance policy. This suggests that, if a policy exists in these countries, it has not been disseminated properly and is not known to all actors and thus might not be properly implemented.

Adequate financial products for agricultural actors

At the same time, only four programmes (18%) confirm the existence of adequate financial services for agricultural actors in their country. The large majority (82%) of programmes state that no adequate financial services for agricultural actors exist (see Figure 20).

Financial service providers for agriculture

When asked about which actors in the programme's own context provide financial services for agricultural purposes, the responses show that in 18 programme contexts microfinance institutions (MFIs) provide financial services designed for the agricultural sector. About half as many programmes (11 in total) report that financial cooperatives, off-takers or buyers (10 programmes) or commercial banks (9 programmes) offer financial services (see Figure 21).

Policy and regulatory environment of the financial sector

Ten of the programmes surveyed stated that they are not involved in any financial sector policy or regulatory environment issues. This being the case, some of them might not be aware of the different regulations and provisions that exist. However, respondents stated that in nine programme contexts, financial literacy initiatives are being implemented. The same number of programmes state that, in their context, regulations on alternative delivery channels for financial services exist. Smaller numbers report conducive collateral regulations or simplified know-your-customer (KYC) regulations (see Figure 22).

Policy and regulatory environment of and government support to the agricultural sector

Eight programmes report that they are not directly involved in any issues around policy and regulation in the agricultural

Figure 19 | Existence of agricultural finance policy

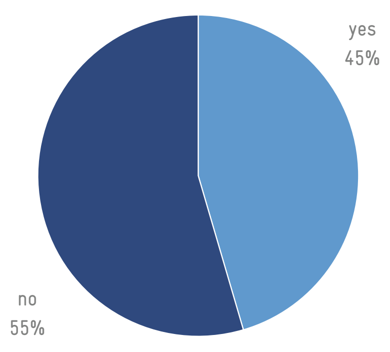
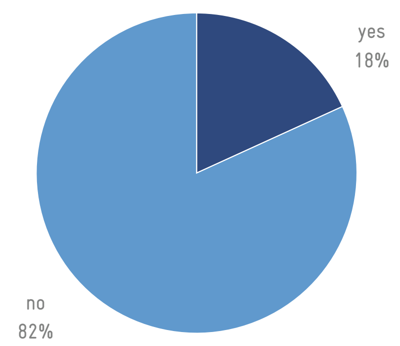


Figure 20 | Existence of adequate financial services



7 The notion of 'programme contexts' is not identical to that of 'countries' because in some countries more than one programme is active. Also, responses from regional programmes have to be considered carefully because they might be influenced by the situation the respondent faces in her/his programme country.

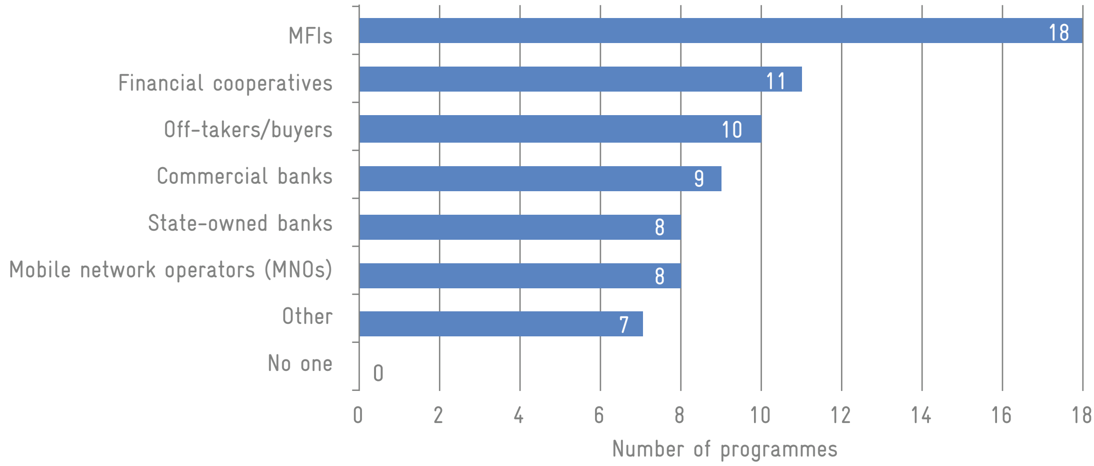


Figure 21 | Financial service providers[8]

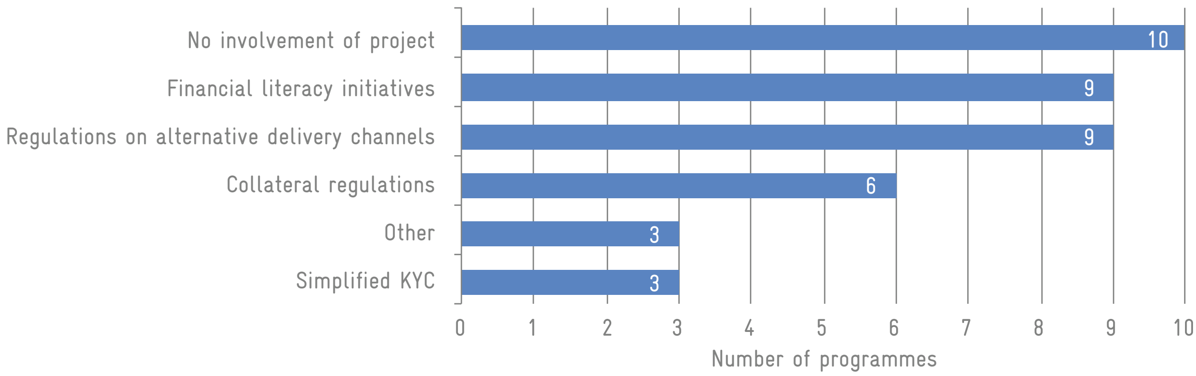


Figure 22 | Financial sector: policy/regulatory environment

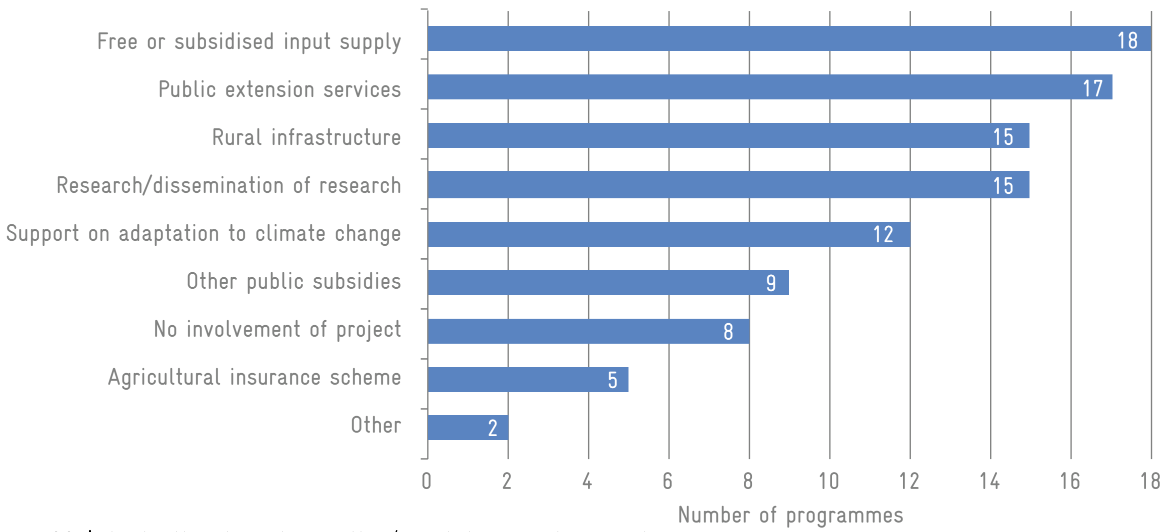


Figure 23 | Agricultural sector: policy/regulatory environment

8 'Other' includes processors, input providers, informal savings and lending groups, money lenders and public programmes. For the latter, it is not clear from the survey responses whether they provide subsidies/grants (distributed without the expectation of repayment) or financing in the private sector sense that is used in this survey.

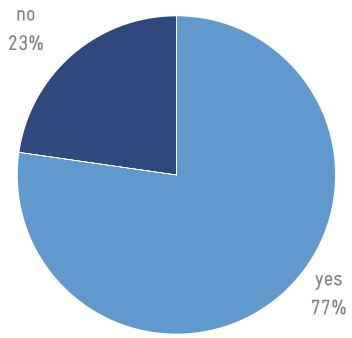


Figure 24 | Is the land tenure system an obstacle?

sector. However, a substantial number report that in their programme context, public extension services (17 programmes) and free or subsidised inputs (18 programmes) are provided. Also, 15 programmes report that the government undertakes and/or disseminates research and provides rural infrastructure (see Figure 23).

Land tenure system
For more than three quarters of the programmes, the land tenure system in their programme context is an obstacle to accessing financial services (see Figure 24). Issues raised are the lack of a land registry system, no access to land titles, and traditional inheritance laws, which often discriminate against women and leave land in the hands of older farmers.

One programme reports that in their country context (Kyrgyzstan) land is difficult to sell, which means financial service providers (FSPs) are not interested in taking land as collateral. Programmes working in Benin report that land titles are not a major problem, at least not for working capital loans, because FSPs prefer to take cash collateral or moveable assets as guarantees. In Malawi, a new land reform act has facilitated the titling of customary land, which will make accessing land titles and thus collateral-based financing easier.

3.4.2 Summary and initial conclusions

The following provides an overview of findings and draws initial conclusions:

- The relatively high number of programmes (45%) reporting the existence of agricultural finance policies in their country contexts comes as a surprise given that, overall, not many countries are known for having specific agricultural finance policies. However, sometimes responses from different programmes of the same country differ. The survey also does not gather the kind of information needed to discern whether a certain agricultural policy was widely disseminated, is enabling agricultural actors to access financial services, is being well implemented, and is thus truly supporting access to financial services for all types of agricultural actors, including smallholder farmers.
- Four programmes report the existence of adequate financial products for agricultural actors. However, most programmes do not think that adequate financial services are offered within their programme context. Once again, the analysis does not tell us which actors along the value chain are able to access which product (larger SMEs/agro dealers only or also smallholder farmers) and whether these actors are satisfied with the available products. Importantly, from a global perspective, the assessment by some programmes that adequate financial products are available comes as a surprise and would deserve a deeper analysis.
- At the same time, programmes report that in their contexts a variety of financial and non-financial institutions are providing financial services. They also report that these institutions offer their services to actors along the agricultural value chain. This may appear to contradict the previous findings somewhat but, given the survey does not detail which types of products are accessed by which target group, this contradiction may not necessarily hold. The types of institutions mentioned are traditional financial institutions, such as banks and especially MFIs and financial cooperatives, but also an increasing number of non-financial institutions, such as off-takers/buyers, processors of produce, and input suppliers.
- In almost half of the country contexts, financial education activities are implemented by other stakeholders. If these activities could be linked to or replicated in the programme activities, the country context would become favourable.
- In most programme contexts, governments provide direct support (e.g. extension services, free or subsidised input) and indirect support (e.g. research and rural infrastructure). Both forms of support can facilitate access to finance when they are properly linked to loan operations.
- As expected, the land tenure system is a challenge for most countries. This is a problem because deficient land tenure is a particularly important obstacle to lending, and one that can cause access to finance operations to fail.

4

ISSUES AND CHALLENGES

The following chapter highlights the issues and challenges that programmes encounter when designing and implementing agricultural finance activities. Its six sub-chapters cover the following topics: programme set-up and management; programme interventions in training, coaching and follow-up; internal issues within financial institutions; financial literacy of all stakeholders; analysis of farmers' comprehensive needs in terms of financial services; and macro-level issues.

4.1 Programme set-up and management

Incorporation of access to finance activities is not always timely or explicit

It appears that most of the programmes surveyed did not integrate access to finance activities in their design, programme proposal or planning. As a result, work to analyse how to tackle the issue begins when programmes are already well underway and only a limited amount of time is left in the programme phase.

Lack of dedicated staff and funding

In most cases, programmes do not have staff with a background in or experience of access to finance. Also, since access to finance activities are not planned from the outset, hardly any specific funds are earmarked for these activities, which leaves most programmes with very little funds to dedicate to this area. Given that access to finance activities suffer from limited funding, human capacity and available time, they often start out in less than ideal conditions.

Missing analysis of access to profitable markets for crops

Most agricultural sector programmes support specific value chains, which were usually selected during in-country programme design missions. It is sometimes the case that these value chains will not have been thoroughly analysed and that the market conditions will have changed since the missions were conducted. Furthermore, access to markets will often not have been analysed (the brevity of the appraisal mission makes performing such an analysis unrealistic), which means the selected crops' potential to provide smallholders with a decent living will also not have been analysed. Profitability calculations determining whether increased investment in a certain crop will result in increased productivity and thus increased income for farmers are rarely performed. Extending loans to farmers to invest in crops that do not result in adequate increases in productivity and, more importantly, income will leave farmers and their families worse off than they were before they took the loans out.

Setting up quality partnerships with financial institutions is a challenge

Most of the partnerships entered into with financial institutions are based on memoranda of understanding (MOUs) as well as good intentions to work together on both sides. However, they are hardly ever set up in ways that define the roles and responsibilities of both parties in detail. Often, programmes are under pressure to find a financial institution partner and the time available and choice of interested partners tends to be limited. This is particularly true in cases where the access to finance activity starts well after the project has got underway. In such pressured situations, face-to-face negotiations are often neglected and partner contributions are not spelled out in detail or are limited to vaguely defined in-kind contributions of staff time. If a financial institution does not have a strong stake in the project, its commitment will be low and the project will never be a priority for them.

Lack of a business case for the financial institution

For a financial institution to have a (long-term) stake in the joint project it is involved in, it needs to be convinced about the underlying business case. Ideally, the institution needs to have the clear intention to incorporate the financial product resulting from a successful pilot phase in its general business.

Short programme durations do not allow for realistic programming

Programme durations have been shortened over the years – an issue that is not unique to access to finance activities. Timing is particularly an issue in cases where the programme team is not aware of the country's financial sector context and where the activity starts well after the pro-

9 Not valid for dedicated financial sector development programmes, such as those of Uganda or Lao PDR.

gramme has got underway (a common feature of access to finance activities). Insufficient time results in precipitous planning and, as mentioned above, the overly hasty selection of a partner. Additionally, the access to finance activity can end up being designed to fit the programme time frame rather than put together with the actual time required to properly plan and implement it.

4.2 Programme interventions in training, coaching and follow-up

Extensive training provided and funded by GIZ

Most of the programmes offer extensive training and follow-up (coaching) support to different partners, although it is mainly aimed at farmers and farmer organisations. The training includes technical support (good agricultural practices), entrepreneurship or business training, and financial literacy training. In most cases, GIZ is funding these interventions.

Training is key factor for promoting access to finance, but its sustainability once GIZ withdraws is a challenge

Financial institutions serving agricultural actors and, in particular, smallholder farmers value the training they receive. Indeed, for some institutions it is an integral part of their risk management mechanism (though it does not, of course, replace loan appraisals). The provision by GIZ or any of its partners of continued training and follow-up is deemed to be particularly valuable. The more these interventions are key for ensuring financial service providers' (FSPs) engagement with agricultural actors, the more questionable the sustainability of the engagement becomes when GIZ reduces the training or closes their programme.

4.3 Internal issues within financial institutions

Financial institutions do not offer adequate products for agricultural actors

Most of the financial institutions that programmes partner with have no prior experience of working with agricultural actors and therefore do not have appropriate products in place for immediate roll-out. Those that do have a track record in agricultural finance have often worked with a different level of the value chain, mostly with larger SMEs or off-takers. Some FIs had already tried working with smallholder farmers, but did not have much success, which may possibly reflect a somewhat limited level of commitment. Often, product development processes are carried out without researching demand among potential new clients and without integrating the necessary agricultural knowledge. As a result, the most significant factor for developing successful products is often not taken into consideration: what smallholders and other value chain stakeholders need and want.

Financial institutions' knowledge of agriculture is limited

Many financial institutions do not have staff with farming know-how and/or experience. Products are often developed and implemented by staff who have little or no experience in working with the agriculture sector. Therefore, critical issues specific to agriculture and to particular value chains, such as the agricultural calendar, are often not integrated into product characteristics, processes and project planning.

Changes required in financial institutions' internal policies, procedures and processes are not sufficiently considered

Most programmes focus their support on designing the characteristics of a financial product – i.e. defining loan amounts, maturity, potential grace periods and repayment schedules. While these factors are important to the product's success, there are many more development and implementation steps within an FI that are extremely important for the success of a product. These include internal policies, procedures and processes that range from human resource management and risk management, through accounting and marketing, to IT and loan monitoring. Board approval, which is sometimes necessary for certain changes to be implemented, may take additional time and delay the entire process if it is not factored in at an early stage. Changes in staff incentives and training may also be required.

Cost of transport and lack of alternative distribution and communication channels

The way a product will be distributed to its clients is of critical importance, as are the communication channels maintained with clients. This is particularly true in cases where potential new clients are located far from the next branch and the cost of transport (e.g. procuring motorcycles or fuel) becomes an issue. As with any new product or business, effective processes for regular field visits and cost-effective solutions for follow-up visits or their digital substitution are often not put in place early on. However, if these solutions are not in place when a product is rolled-out, the distribution costs for the financial institution and for farmers the cost to access these products become prohibitively high. Dissatisfaction on both sides therefore grows, promoting mistrust and potentially leading to the failure of the project.

High operational costs lead to high interest rates

High operational costs are closely linked to a very prominent and much-debated issue: high interest rates for farming businesses. Interest rates are calculated by financial institutions based on operational expenses (e.g. staff, material, travel, systems), the cost of funds (e.g. interest for savings or a credit line), risk costs to cover for defaulting loans, and a profit margin for the institution. If any of these components is too high, this immediately influences the interest rate and/or the sustainability of the financial institution. In many cases – especially in situations where traditional processes have not been replaced by more cost-effective digital solutions – interest rates for smaller loans are disproportionately higher due to the higher operational cost of providing them. Programme staff who do not understand the challenge of cost-covering interest rates may fail to negotiate all the details of the pilot project with the FI.

Cultural issues

For some FIs it will be the first time they and their staff have got involved in financing agriculture. This can represent a major change for some staff who might have joined a financial institution expecting a white-collar job in an air-conditioned office. This is particularly true in situations where the FI is downscaling from serving mostly larger clients in (peri) urban settings to serving agricultural actors including smallholders. One programme reported facing challenges with staff members of the partner FI who treated farmer clients differently to their other clients by, for example, turning up late or even failing to show up at all for meetings with farmers who had travelled long distances to get there. Also, dealing with semi-literate or illiterate farmers, especially when it comes to filling in forms, is something that many FI staff have not had to do before. Many financial institutions also do not provide their forms, contract documents and information materials in local languages.

Lack of long-term refunding

Finally, many FIs lack long-term refinancing, which influences their ability to serve clients and offer specific products, especially longer-term loans for asset investments. A number of the institutions are mainly funded by their clients' savings, much of which tends to be short term. They do not have access to the longer-term funds required to match maturities on the assets and liabilities sides of their balance sheet. Often, sources for long-term refunding are not available, such as loans or subordinated debt or equity from development finance institutions or local banks.

4.4 Financial literacy of all stakeholders

The limited general and financial literacy of rural populations impedes the usage of financial products

Limited literacy in general and limited financial literacy in particular are the biggest obstacles to promoting access to financial services for smallholder farmers. In addition, while FIs often lack knowledge about agriculture, seasonality and planting techniques, most farmers have not had contact with (formal) FIs before (e.g. 70% of smallholder farmers in Uganda have never been inside a bank branch). Farmers are much more likely to be acquainted with informal financial services like money lenders or savings groups. They may not understand the underlying mechanisms, pitfalls and opportunities associated with informal financial services, let alone with the formal ones. Many commonly held notions around financial services are not shared or understood by members of certain rural communities.

The need to provide other partners with financial education is frequently underestimated

If a collaboration is to be a success, it is important to ensure that, beyond promoting the financial literacy of clients (i.e. smallholder farmers), the level of financial services knowledge held by other partners involved in a project or multi-party agreement is ascertained and, where necessary, improved. This knowledge might be lower than expected. Trainers and agricultural extension providers from both public and private agencies can all of a sudden be plunged into dealing with issues around financial services or face questions from farmers that they are unable to answer because they lack the relevant knowledge or personal experience of accessing financial services. Such situations can result in incorrect information being shared.

4.5 Analysis of farmers' comprehensive needs in terms of financial services

Narrow focus on lending instead of a full range of financial services

Farmers, rural entrepreneurs and other value chain actors as well as their households and family members may need a range of financial services including savings and payments, loans and insurance and potentially leasing. However, when talking about financial services for agricultural actors in partner countries, the discussion focuses most heavily on loans. In many cases, savings provide a useful introduction to financial services by teaching people to put money aside on a regular basis as well as by amassing funds that can serve as an equity contribution when taking out a loan. The lack of equity held by actors along the value chain and especially by smallholder farmers has been raised as an issue by many programmes.

Not understanding the full range of farmers' needs may lead to the diversion of loan funds, side selling and repayment problems

The financial needs of a farming household include not only the resources to buy planting material and fertilisers, but also a variety of even more fundamental needs at certain points in time. Depending on cash inflows and outflows, these fundamental needs include school fees, health expenses, social contributions to the community, and especially cash for food, which becomes increasingly important the further one is from the last harvest. If these needs are not included in the analysis and the focus is instead solely on requirements around the crop targeted by the programme, the financing needs of farming families will not be fully understood. Farmers have to find ways of meeting pressing fundamental needs and can therefore find themselves forced to divert part of the loan (even if given in-kind) to take care of emergency situations that are sometimes crucial to ensure the survival of their family. In such cases it is increasingly likely that farmers will side-sell at least part of their produce to cover their immediate cash requirements. Consequently, they will not be able to deliver the crop as agreed to the cooperative or buyer, which can create problems if the value of the crop delivered does not cover the loan amount to be reimbursed.

Advans Côte d'Ivoire, which launched its Crédit Cacao in March 2012, was one of the first financial institutions in the country to work with cocoa farmers. Since then, it has financed a total of 25,000 farmers from 150 cooperatives with a total volume of USD 9.9 million.

The 'Crédit Intrant Cacao Advans' (Advans cocoa input credit) loan package includes three pillars: (a) an input package including pesticides/insecticides, fertiliser, necessary tools and protection equipment, (b) training on how to apply pesticides and fertilisers and loan management, and (c) a financial pillar based on the agricultural calendar.

An average cocoa loan to a farmer amounts to approximately USD 215. The loans are, however, disbursed to cooperatives, which then channel them to individual farmers and also manage the reimbursements. Advans assesses the creditworthiness of the cooperative, not of the individual farmers, and trains cooperatives in managing loans and repayments. Reimbursements to Advans after the last season stood at 100% and at 98% at the cooperative level. In practice, therefore, the cooperatives carry the risk of individual farmers defaulting, whereas Advans carries the risk of the cooperatives defaulting.

At the beginning, repayments were only made through off-takers (exporters) who reimbursed directly to Advans (tripartite agreement). Those cooperatives that have successfully worked with Advans for a number of seasons can now also directly reimburse Advans, leaving themselves free to sell to any off-taker during harvest.

Advans has its own 'cocoa branch', which works as a for-profit centre and is operated by a dedicated team of six loan officers and four back-office staff. The loan officers are based in different regions of the country and all the staff involved in this branch have a cocoa background. The branch is based at the premises of an input supplier whom Advans partners with and who supplies the input package and training to farmers at market prices.

Currently, Advans is developing a new product aimed at financing equipment and trucks that will be piloted initially with four to five cooperatives. Additionally, Advans is developing a mobile money product in partnership with the telecommunications company MTN Côte d'Ivoire.

Box 1 | Advans Côte d'Ivoire's Cacao Credit Product

4.6 Macro-level issues: stable policies and enabling regulations

Unstable sector or agricultural policies challenge private sector initiatives

For farmers and indeed any other actor along the agricultural value chain, it is critically important to know as far as possible what is going to happen. Farmers must deal with a number of inherent risks like unforeseeable weather events, climate change impacts or disease outbreaks, and also with the risks of fluctuating market prices, the power held by traders and the lack of storage facilities. Unstable and frequently changing public policies in the agricultural sector (and/or a specific value chain) can add to this insecurity, and the higher the level of insecurity, the greater the reluctance of private sector actors, including farmers, to invest. A programme that supported young farmers to set up seedling nurseries reported just such a problem: having set up the enterprise and watched it flourish, the government decided to hand out millions of seedlings free of charge thus destroying the private business's entire market.

Lack of enabling financial sector policies and regulations

Inflexible or outdated financial sector regulations generate a number of issues. One example is strict know-your-customer regulations, which in many countries make it impossible for farmers in remote areas to open accounts with formal FIs as these farmers are unable to produce the required proof of identity. If no legal provisions are in place that, for example, allow farmers to use alternative identity documents to open a low-transaction-volume account, they will not be able to access the financial institution's services. In some countries, collateral regulations are very strict and the central bank does not permit movable assets (e.g. tools, tractors) to be taken as collateral. As a result, farmers without land titles are excluded from accessing loans. Furthermore, some financial regulators are reluctant to approve alternative distribution models, such as agent banking or mobile money, or take a long time to do so, despite the fact that these instruments are crucial if FSPs are to reach more-remote rural areas at a low cost.

Financial education lacks adequate policy support

When the provision of financial education and training is left to individual initiatives and no national strategy and commitment is in place, there is little chance of improving financial literacy in the country. Longer-term financial literacy initiatives that have the potential to deliver a lasting impact require government support and leadership.

5

CASE STUDIES FROM GIZ PROGRAMMES

Chapter 5 looks at examples from four different programmes implemented by GIZ in collaboration with a host of different partners in four different countries in West, East and Southern Africa.

5.1 Benin: providing credit to cotton farmers (COMPACI)

5.1.1 Agriculture and financial services for agriculture

Cotton in Sub-Saharan Africa is largely cultivated by millions of smallholder farmers

Approximately 10% of the world's cotton production is grown in Sub-Saharan Africa (SSA), making Africa the world's fifth largest cotton exporter after the USA, India, Australia and Brazil. Cotton exports in the Sahel states along the southern belt of the Sahara account, depending on the country, for between one third and three quarters of these states' agricultural export earnings. Alongside coffee and cocoa, cotton is therefore one of the most important agricultural exports on the African continent. Different to other regions of the world, in western and south-eastern Africa cotton is grown and harvested mostly by hand by around 2.2 million smallholder farmers. Up to 15.4 million people directly depend on the crop.

Cotton is Benin's most important cash crop

About 80% of Benin's 10.3 million inhabitants earn their living from agriculture. Most are small-scale subsistence farmers. However, poor infrastructure and flooding are just some of the challenges Benin's farmers are facing. Cotton is Benin's most important cash crop, contributing approximately 5% to GDP and 27% to exports and providing an income for around three million people. However, cotton productivity has declined in recent years from 400,000 tonnes in 2014/2015 to 300,000 tonnes in 2015/2016, which is due in part to poor management. At the same time, the profitability of cotton has declined.

Although improving, financial inclusion in Benin lags behind the average for Sub-Saharan Africa

The share of Benin's population holding a bank account with a financial institution (FI) has increased from 10.5% in 2011 to 16% in 2014 (compared to 28% for the whole of Sub-Saharan Africa). Only 7.1% of the population have saved with an FI and 7.6% have received a loan from an FI. Only 6% of the loan portfolio of commercial banks in Benin correspond to the agricultural sector. What is more, banks mostly extend credit to large enterprises (especially in the government-managed cotton sector). There are no reliable figures about the share of microfinance institutions' (MFI) loan portfolios that correspond to rural areas or agriculture.

Accessing credit is difficult for cotton farmers

In general, smallholder farmers in Benin find it very difficult to access credit, mainly because FIs are not present in rural areas, do not have products tailored to agricultural producers, and do not know enough about agriculture, which engenders an overly reluctant approach towards extending credit to agricultural actors. Within the cotton sector, the FIs earlier experiences with over-indebtedness in the sector mean that cotton growers now find it even more difficult to access credit.

5.1.2 The Competitive African Cotton Initiative (COMPACI)

The Competitive African Cotton Initiative (COMPACI) aimed to increase cotton farmers' productivity and income

COMPACI, which ran from 2009 to the end of 2016, was a partnership between the Bill and Melinda Gates Foundation, the German Federal Ministry for Economic Cooperation and Development (BMZ), the Gatsby Foundation, the Aid by Trade Foundation's (AbTF) Cotton Made in Africa initiative (which launched in 2005 and inspired the COMPACI initiative), DEG and GIZ. Whereas AbTF, DEG and GIZ were responsible for managing the initiative, private cotton companies operating in Africa were responsible for implementation. The main objective during the project's seven-year lifetime was to support around 650,000 smallholder farmers in nine countries in Sub-Saharan Africa to enhance the productivity of both cotton production and staple food production. By the end of the programme, it had increased people's income from agriculture by 35% and their staple food production by 15%.

COMPACI implemented its activities on all levels

The initiative's strategy is based on a mix of different activities at the micro, meso and macro levels, including the training of smallholder cotton farmers in sustainable and secure farming/cultivation techniques, business training,

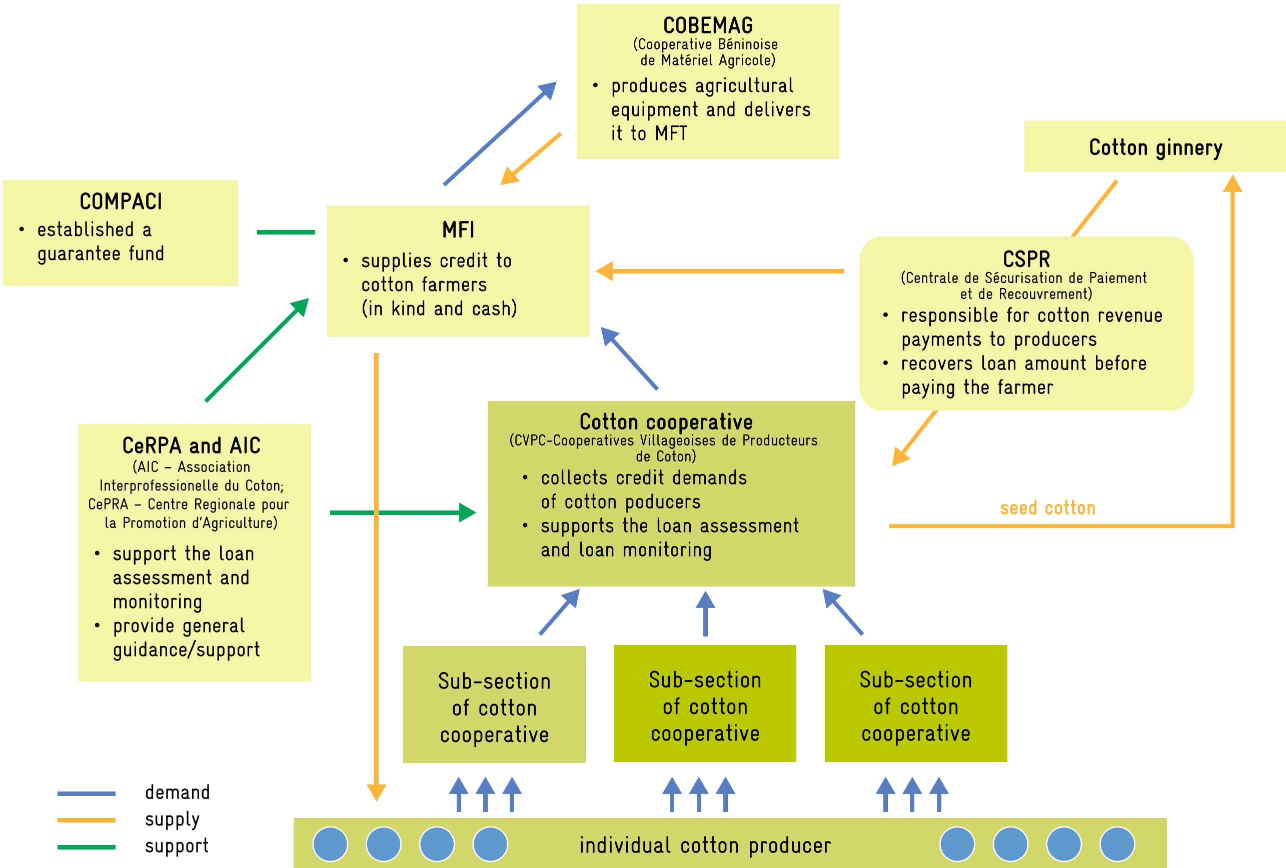


Figure 25 | COMPACI-supported loan process (information drawn from project documentation)

facilitation of access to microcredits (e.g. for draft animals or tractors), strengthening of producer groups, provision of advice to national governments on the development and implementation of national cotton sector strategies, cooperation with cotton associations in Africa, and the promotion of pan-African exchange between the African COMPACI partners.

COMPACI in Benin
In Benin COMPACI was implemented in the two departments of Atakora/Djougou and Donga located in the northern part of the country. The programme's objective in Benin was to sustainably increase cotton productivity, strengthen the organisational capacity of producer organisations, link actors along the value chain and implement a sustainable system to extend credit to producers.

5.1.3 Offering financial services to cotton farmers

Piloting COMPACI's credit scheme
Between 2009 and 2013 COMPACI introduced a complex multipartite credit scheme (see Figure 25), which involved an FI extending loans (in-kind and in cash) to cotton cooperatives. Public and private extension and service providers were heavily involved in supporting the cotton cooperatives with training and the FI partner with loan assessment and monitoring, including reimbursements through payments received by cotton ginneries. Repayment conditions included a grace period that extended until after the harvest. During this pilot phase, the FI provided 266 farmers with short- and medium-term loans (up to 24 months), none of whom defaulted.

Lessons learned from the pilot phase

The provision of extensive external support by actors such as industry organisations and extension providers benefited the project because, by reducing the FI's related operational costs, a lower interest rate could be charged to farmers. In effect, the interest rate was subsidised by the other actors. It is, however, not possible to scale up this kind of mechanism because doing so would exceed the capacities and funding available in the organisations providing the extension and support services. Also, the necessary level of commitment to the project was not shown by all the actors involved. Based on these lessons learned and on the re-nationalisation of the cotton value chain, COMPACI partnered in its second phase with ProAgri[10] with the aim of developing a concept to extend credit to cotton farmers or farmers operating in one of the value chains in which ProAgri is involved.[11] This pilot phase was implemented between January 2014 and June 2015.

Set-up of the second phase

ProAgri and COMPACI-II partnered with a financial cooperative and its member institutions in rural areas of the regions where the projects were active. Additionally, a technical partner specialised in microcredit and local development was contracted, as were external consultants, one for each of the geographical areas where the project was active.

ProAgri/COMPACI-II, the financial institution and the technical partner signed an agreement that defined the different roles and responsibilities of all the actors involved (consultants, FI staff, management of producer organisations). These actors also received training on understanding the credit mechanism and its implementation. Each consultant was instructed to promote the credit initiative to farmers who had participated in farmer business school training in her or his specific region. The consultants collected in loan requests and verified if farmers were applying the learning from the training and especially whether they were keeping their books as instructed. Farmers identified as eligible were invited to present their loan request at the nearest FI branch and fill in the credit application. FI staff assessed credits based on their own requirements and with the support of an agricultural expert from the project. COMPACI-II consultants followed up with and coached farmers throughout the season until their produce was harvested and sold to make sure the training content was being applied and that the productivity and profitability of the small farming enterprises were both increasing. At the same time, consultants monitored credit reimbursements at the end of the season. Clients were also encouraged to save.

Although more farmers were reached, the set-up did not turn out to be sustainable

More than 7,500 farmers (roughly a third of whom were women) were informed about the opportunity to access credit, and around 1,800 of them opened an account with the FI. Additionally, about 1,500 already had an account. Almost 3,500 loan requests were presented to the FI branches involved, some 20% of which were made by women. Close to 3,000 requests were approved (600 of which were from women), making a total loan portfolio of approximately XOF 664 million (roughly EUR 1 million) and thus an average loan amount of around EUR 330. Additionally, more than 2,000 FI clients saved approximately EUR 1 million.

Repayments turned out to be a major obstacle because most of the cotton producers did not receive the proceeds from the sale of their cotton due to the politicisation of the sector and thus were unable to reimburse their loans. Also, the longer-term financing of the pilot remains unresolved. For the pilot phase, COMPACI bore the costs of the consultants responsible for selecting farmers and undertaking follow-up and monitoring as well as the costs associated with the training, training materials and implementation of the mechanism. It was not clear who would be able to bear these costs once GIZ withdrew its support.

5.1.4 Lessons learned and questions as yet unanswered

Lessons learned

The largest obstacle to the sustainability of the mechanism was the fact that a large number of the actors involved in the mechanism were recruited and paid for using project funds, especially the consultants who trained farmers and undertook follow-up and monitoring. The initial idea had been to integrate these consultants as credit officers into the financial institution they had been working with. However,

10 ProAgri is GIZ's Promotion of Agriculture in Benin programme.
11 ProAgri concentrates on supporting cashew, rice, shea nut and soya production chains.

a lack of available funds and the institution's inflexible recruiting procedures meant that this was not possible. As for the FI staff themselves, they did not have the capacity to analyse agricultural loans. This shows how crucial it is to think about the internal structures and processes of the partner (financial) institution at the outset and to build processes in such a way that the FI is able to take ownership of them from the beginning or immediately take them on when required. Furthermore, the sustainability of the longer-term funding of investments in materials and training is also an issue that needs to be considered from the outset.

Questions as yet unanswered

The second phase of the intervention has not been evaluated so lessons cannot be drawn with regard to its impact, or even to whether it had any unintended positive or negative effects. Farmers might, for example, have learned enough about access to credit and might have started appreciating the mechanism to the point that they went on to seek loans with other FIs during the next season. The FI might have continued without external support to work with cotton farmers at a more limited scale.

5.2 Uganda: promoting access to financial services for farmers (AGRUFIN)

5.2.1 Agriculture and financial services for agriculture

Three quarters of Uganda's population earn their living from agriculture

More than 80% of Uganda's population and 95% of the country's poor live in rural areas. Absolute poverty rates show strong regional differences, with development in the north and east lagging behind that achieved in western Uganda. Uganda's agricultural sector is characterised by low productivity and low growth rates, and comprises mainly smallholdings, which produce 94% of the country's total agricultural production. About 80% of farmers are subsistence farmers. Agriculture contributed approximately 25% to GDP in 2014, and 85% of exports mainly comprise non-processed crops (18% of which is coffee).

Most smallholder farmers in Uganda do not have access to financial services

In 2014, 28.7% of Uganda's rural population held an account at a formal or informal financial institution. Only 17.3% had saved in a financial institution and 16.1% had obtained a loan. 35.5% of the rural population had a mobile money account and had used it in the past 12 months to pay bills or send or receive money, which shows the increasing importance of alternative delivery channels. A mere 9.8% of loans to the private sector were extended to the agricultural sector and approximately 70% of smallholder farmers in Uganda have never been inside a bank branch.

Coffee farmers' access to markets and finance is very limited

With one million small-scale coffee farming families in Uganda, the country is one of Africa's largest coffee-exporting nations. However, the country's limited rural infrastructure restricts these families' access to markets. Consequently, to cover immediate cash needs outside the harvest seasons, many farmers are forced to pre-sell their goods to intermediaries before harvest time at a significantly lower price. GIZ calculated that in some regions the price difference can amount to the equivalent of a monthly interest of up to 139% and can expose farmers to theft and undue pressure and control by intermediaries. Additionally, because these farmers are hard to reach, most of them lack access to formal financial services, lack any of the documentation required to prove their production level and income, and lack collateral. Most financial institutions therefore consider these farmers to be high risk clients.

5.2.2 Agricultural and Rural Finance Programme (AGRUFIN) in Uganda

Long-term involvement in the sector

GIZ has been involved in the financial sector in Uganda for 18 years. The predecessors of the Agricultural and Rural Finance (AGRUFIN) programme initially took a pure financial systems development approach but, over the course of various phases, they evolved towards a focus on agricultural finance.

AGRUFIN works at all levels of the financial system

At the policy or macro level, AGRUFIN works with the country's central bank on improving the legal and regulatory framework for financial intermediaries in rural areas. Over the years, it has contributed to developing and implementing various microfinance regulations, which have been key in increasing access to financial services for poor, economically active populations. For example, the 2016 Financial Institutions Amendment Act provides for new delivery channels, such as agent or mobile banking. Both delivery channels greatly facilitate access to finance for those in remote areas and thus for actors in agricultural value chains, especially smallholder farmers. Another example is the work in 2011 on Uganda's Financial Consumer Protection Guidelines, which led to the introduction of the Key Fact Documents in 2015. These pre-structured documents contain a standard set of information on financial services (including the total cost of products) that each financial institution is obliged to present and explain to each client in the local language. The programme and its predecessors also supported the Bank of Uganda in developing the National Financial Literacy Strategy. Since the implementation of the strategy began in 2013, around 900 people from different organisations have been trained as financial literacy trainers. Additionally, a specific financial literacy manual for farmers was developed and over 400 lead farmers were trained to become financial literacy trainers. These trainers then passed on their knowledge to fellow communities and farmers.

Sector-wide training course on agricultural finance

At the meso level, the programme collaborated with the Uganda Institute of Banking and Financial Services (UIBFS) to develop an agricultural value chain finance course to be offered to the whole sector. The first round of this training has now completed and was considered a success. The Agricultural Finance Yearbook, which has been published since 2007 with GIZ support, is now in its eighth edition and provides aggregated data on agricultural finance and analysis of a wide range of related topics. Besides providing valuable analysis for the programme itself, it is considered by stakeholders to be one of the main publications for the sector in Uganda.

Several projects with financial institutions

The programme worked with a number of different financial institutions, including banks (tier 1 and tier 2) and MFIs, on developing and implementing a variety of tailored financial products for farming businesses and households. The products range from savings products to loans for working capital and cover actors in different value chains (coffee, sunflower seeds, rice, maize, sesame and sugarcane). Furthermore, the programme has managed to set up several cooperation projects with the private sector (development partnerships with the private sector or DPPs). These projects have mostly focused on using digital applications in agricultural value chains and developing targeted financial services to foster access to finance for smallholder farmers and rural households. One of the financial products developed was taken up by 5,000 new savers. A linkage product between village savings and loan associations (VSLAs) and two partner banks mobilised 21,000 new savers. In another DPP, a loan product was developed in collaboration with farmer associations and financial institutions – see the following case study for more details.

5.2.3 Case study: improving access to market and financial services for coffee farmers

Background: improved market access through producer organisations

To improve access to markets, in 2005 some 54,000 small-scale farmers formed the Uganda Coffee Farmers Alliance (UCFA). With the support of development partners, the UCFA trains farmers in improved production techniques that enable them to boost their yields. Additionally, it functions as a marketing board and has set up collection points for its members' coffee. As the UCFA trades with larger quantities, it can secure better prices, but ensuring the commercial sustainability of the Alliance is a challenge.

Smart-phone based application to record the quality and quantity of produce delivered

In 2013 SAP and GIZ joined forces with UCFA to launch a DPP that was implemented by AGRUFIN on behalf of BMZ under its develoPPP.de programme. The DPP's aim was to use software to increase efficiency and transparency along the value chain and reduce the UCFA's administrative load and costs. Together they developed a smartphone-based application (SAP® Rural Sourcing Management) that records the quantity and quality of coffee supplied to bulking stations, logs the payments made to farmers, and tracks transportation from the producer to the buyer. All financial transactions such as cash advances and final payments are also captured digitally and are synchronised with the central database as soon as mobile network coverage is available. The path of both the produce and money is traced throughout the entire value chain.

Digital track record provides transparency

As part of the pilot project, the partners trained marketing managers at UCFA's collection points in using smartphones to keep records for the 500 or so farmers they each deal with. As a result, the quantity of coffee supplied to the UCFA increased, as did transparency, which means the UCFA can now plan logistics and training more efficiently, and farmers benefit from a price calculation and payment track record. The UCFA's administration costs have also fallen. In addition, other private sector partners in the Ugandan coffee and cotton sector tested SAP® Rural Sourcing Management for their respective farmer associations.

The IT-based solution was identified as a potential entry point to financial services

Firstly, the SAP® Rural Sourcing Management system can be used to introduce mobile payments to farmers, reducing the risk of cash payments in the field. Secondly, it generates a track record of the deliveries and income of individual smallholder farmers. This systematic and digital transaction history could be used by financial institutions to evaluate risk, support a more efficient loan assessment process, and reduce collateral requirements. It therefore has the potential to bridge the information gap between smallholder farmers and financial institutions that is currently preventing many institutions from providing financial services to this target group.

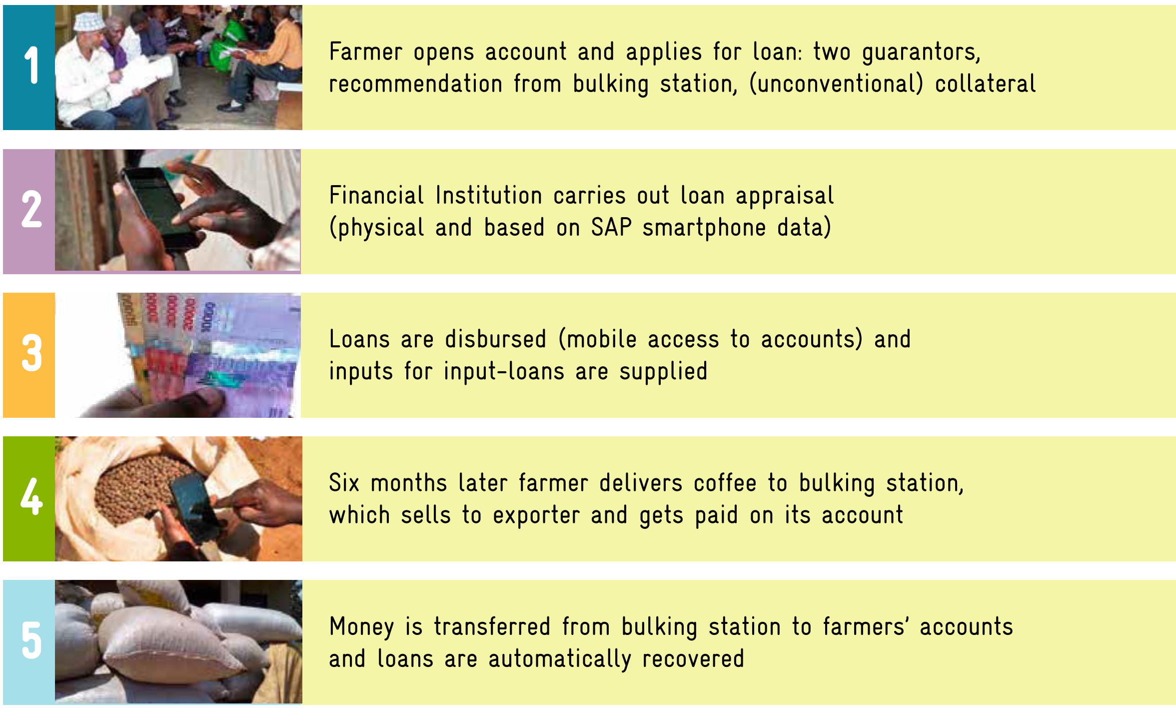
Cofinancing agreement to put the idea into practice

AGRUFIN partnered with Financial Sector Deepening Africa (FSDA), a non-profit company funded by the UK's Department for International Development, to develop a project that used the data collected on coffee farmers' production to facilitate their access to financial services. Through an open tender process, AGRUFIN selected financial institutions to partner with on developing and implementing the corresponding services.
The following loan process was developed in collaboration with the FIs:

The project was partly successful

A total of around 24,000 smallholder farmers were digitally registered, which enabled them to establish a track record

Figure 26 | Loan process (from a 2016 presentation by AGRUFIN)



and access training. Of the 24,000, GIZ trained 400 lead farmers in financial literacy using a train-the-trainer (ToT) approach. These lead farmers then cascaded their knowledge to approximately 19,500 fellow farmers in their producer groups. After a successful initial pilot in 2015 (when 76 loans were disbursed and repayment rates of 98% were recorded) and before the project ended in 2016, more than 950 new bank accounts were opened and over 800 loans were disbursed to smallholder coffee farmers.

The loan process that was initially designed was not fully implemented

The FIs never fully implemented the loan process that was originally developed in concert with GIZ. This was due to ongoing technical issues with their mobile banking solutions, as well as their loan officers' reluctance to fully rely on the digital track records provided for the loan assessments. As a result, the FIs did not reduce their demands for collateral and thus had to conduct the same cost-intensive on-site visits that they undertake for their traditional loan business. Loan uptake therefore failed to reach the targets that the FIs had set themselves at the beginning of the project. Moreover, the FIs' understanding of agricultural and in particular seasonal financial requirements was limited, despite the upfront training on value-chain finance provided to bank staff. This led to late fertiliser deliveries, to communication and transparency issues between the FIs and farmers and, consequently, to frustration among a number of unserved smallholder farmers who had hoped that they were finally about to gain access to adequate financial products on their doorstep. Extension staff from the farmer organisations played a key role in facilitating the interactions.

Lessons learned

- Lending to smallholders is profitable for FIs only through scale and over time. Trust needs to be built up at all levels before this critical scale can be achieved.
- Smallholders' and financial service providers' previous experiences influence their uptake of new initiatives.
- Upfront investments (e.g. for logistics or technology) and the adaptation of financial products to the target group are necessary and must be planned for at the outset by the FI. The traditional lending approach does not work for smallholder farmers.
- IT solutions are essential to bridge geographical and communication gaps and to make scalability possible. These solutions include, among others, mobile banking, mobile money, and on-site account opening and loan applications. Without IT solutions, processes are slow and costly.
- The product needs to be owned by the implementing FI branch and, at the same time, fully supported by management. Buy-in and support for a project at all levels of the FI's hierarchy is required.
- If FI staff are to understand the cash flow and financing needs of farmers, they must be armed with knowledge on farming and crop seasonality.
- To gain farmers' trust and to enable them to fully extract benefit from the different financial services, it is vital to ensure transparency on fees, charges and procedures and to deliver financial literacy training.
- Making use of farmer organisational structures and lead farmers for communication, mobilisation, and smooth implementation is a precondition for reaching scale and building reliable customer relationships.

5.2.4 The way forward

Analysis of the lessons learned to be fed into the new programme

The AGRUFIN programme closed in May 2017. Currently, AGRUFIN is working on analysing the lessons learned from all their projects with several different financial institutions. This learning will feed into the new programme on rural economic development, which is about to start in northern Uganda. The programme focuses on three complementary fields of action: (1) building the capacity of public institutions, civil society organisations and the private sector for local, agriculture-based economic development, (2) improving the market- and business-orientation of agricultural producers, companies and service providers along the value chain and (3) improving access to demand-oriented financial services for agricultural enterprises and companies along value chains.

Uganda's new Strategic Alliance combines interventions in agriculture, finance and digital solutions

Learning from the DPPs and the bilateral project is being fed into the Strategic Alliance entitled Farmers as Entrepreneurs – Improving Livelihoods of Smallholder Farmers in Uganda. This Alliance, which only recently got underway

(December 2016), comes under the develoPPP.de programme. Within the framework of the Alliance, AGRUFIN is working with five private sector partners from the agricultural, financial and IT sectors with the aim of increasing the production and incomes of 33,000 smallholders across Uganda. In previous projects AGRUFIN identified the challenges experienced by smallholders as interdependent. Financial services need to reflect agricultural realities, and providing farmers with training on good agricultural practices (GAP) is as important as providing them with comprehensive training on financial literacy. At the same time, if large numbers of farmers are to be effectively and successfully reached, the use of digital solutions is essential. The focus of the Strategic Alliance is therefore threefold: agriculture, finance and digital solutions.

Testing of different approaches

Alongside a new training approach that integrates GAP and financial topics in line with the farming calendar, the project will test different approaches for facilitating access to finance for coffee-, cotton- and banana-growing smallholders. With some partners, the focus will largely be on building village savings and loan associations (VSLAs) and linking these VSLAs to the formal financial system. With other partners, the project will develop buyer-led input or asset finance schemes while maintaining the independence of farmer associations. Different to a traditional contract-farming model, the aim is to make smallholder farmers independent of their buyers and, by leveraging their farmer associations, to enhance their bargaining power. Repayments will therefore be possible in the form of either cash via mobile money or deliveries of produce. All the interventions rely heavily on digital solutions to build up track records, conduct loan applications, monitor payments and enable payments via mobile money. Questions of data security and ownership will therefore play an important role.

5.3 Malawi: input finance and warehouse receipt system (MIERA)

5.3.1 Agriculture in Malawi and financial services for agriculture

The agricultural development challenge in Malawi

Malawi's economy is highly dependent on agriculture with the vast majority of rural people engaged in micro, small or medium-sized enterprises (MSME) as casual workers or smallholder farmers. The agricultural sector contributes 80% to exports and 32% to GDP. 89% of adults are involved in farming or fishing. Low levels of market integration, limited use of quality inputs and lack of capacities reduce the chances of improving productivity or engaging in agro-processing, and thus of growing smallholders' earnings. The Government of Malawi is aiming to increase the country's agricultural productivity.

Access to finance, while essential, is deficient, hindering value chain engagements

MSMEs and farmers lack affordable and accessible financial services: loan interest rates, both formal and informal, are too high compared to the risks and returns of agricultural investments.[12] Banks are generally reluctant to lend for agricultural purposes. Financial products, where available at all, are typically not suitable for agricultural actors, especially smallholder farmers. Payments are mostly made in cash. Only 17% of MSMEs have access to formal credit. In 2010 only 8.5% of outstanding credit to the private sector was given to the agricultural sector.

Agricultural finance is a policy priority within social support and financial inclusion

The Government of Malawi sees inclusive finance as an essential instrument for increasing agricultural productivity and production, starting or expanding MSMEs, creating employment, increasing household income and smoothing consumption.

Financial sector reforms are underway, but more challenges lie ahead

Policy and regulatory reforms such as the MSME bill and the land bills, as well as the warehouse receipt bill and the commodity exchange directive are underway, all of which can be expected to positively impact the agricultural sector. The credit reference bureau could play a role in reducing

12 Intererst rates for micro loans in Malawi range at 40% to 100% per annum.

the cost of sourcing information on borrowers, but the fact that many farmers lack national identity cards is another impediment.

5.3.2 The More Income and Employment in Rural Areas (MIERA) programme

The MIERA project

The More Income and Employment in Rural Areas (MIERA) programme (2015–19) is a bilateral GIZ programme that promotes inclusive business and innovative marketing models which aim to better integrate small-scale producers and enterprises into value chains. The programme seeks to build capacities at three intervention levels: MSMEs, smallholders and their organisations; service providers and lead companies; and industry networks and stakeholder platforms. The programme's strategic interventions currently focus on six value chains: the oilseeds of soya, sunflower and groundnut, and cassava, tourism, and eco-friendly construction materials. MIERA has its own funds of EUR 10 million and, in addition, expects co-funding from the European Union to scale up its interventions and support two or three additional value chains.

MIERA's access to finance activities support agricultural finance

MIERA has been promoting agricultural finance indirectly because pursuing the topic directly has not been integrated into its programme set-up. Agricultural finance is therefore included as one of several support services offered by its implementing partners, together with business and marketing training and extension services. In leveraging access to finance, MIERA follows two strategic approaches: (a) supporting the Agricultural Commodity Exchange for Africa (ACE), which links farmers, farmer organisations and MSMEs to banks via the warehouse receipt system (WRS), and (b) providing input financing through contract farming schemes.

MIERA's finance approach is embedded in 'improved services'

The programme's access to finance activities are embedded in the promotion of inclusive business models and new marketing models. Funds are not specifically earmarked for access to finance activities. Finance is part of the advisory services provided to key partners, namely lead companies, the commodity exchange and other private sector players. The lead companies/off-takers receive technical advice on how to facilitate their contracted farmers' access to better services. This includes building the capacity of their extension staff, developing new training, services and products, and improving their distribution and sustainability. These services include the financing of inputs or technologies as part of the contract farming schemes' input loans. The focus is on the sustainability and commercial viability of these service packages.

5.3.3 Supporting the Agricultural Commodity Exchange for Africa (ACE)

ACE as a key partner facilitating access to finance along the value chain

ACE is an established structure and a national reference point. The commodity exchange links farmers to structured markets and its core focus is on providing trade and financial services to value chain participants. ACE's three main services are trade facilitation, market information and the warehouse receipt system. In addition to its core services, ACE offers transport services, training (mainly to smallholders and small traders) and input provision on a loan basis with repayments made in grain delivered to an ACE-certified warehouse.

A key element of ACE is the warehouse receipt system (WRS)

ACE has certified 57 warehouses in Malawi and operates a nationwide rural network of 23 certified warehouses owned by partner farmer organisations or private sector partners. The WRS has two core functions: access to secure storage and access to collateral finance. These services enable depositors or producers (regardless of their scale) to take advantage of the seasonal changes in market prices and the value added through aggregation. Finance is key to the service package, allowing depositors to meet their immediate cash needs while they wait for optimal market prices.
ACE services are geared to all value chain participants Looking at 2016 as a whole, 32.1% of all warehouse receipt depositors were smallholder farmers, with the remaining 67.9% being SMEs, large traders and agri-businesses. In terms of volume, smallholder farmers only deposited 1.5% of the almost 47,000 tonnes deposited. With regard to finance, in the same year 18.6% of all warehouse receipt

loans were issued to smallholder farmers, with the remaining 81.4% being SMEs, large traders and agri-businesses. Smallholder farmers only received 2.9% of the finance disbursed. Therefore, in terms of volumes and values, it is the SMEs, large traders and agri-businesses that dominate.

The MIERA and ACE partnership focuses on two main areas:

- Improving the adoption of ACE services in rural areas, which includes strengthening ACE's outreach strategy, building the capacity of its rural marketing advisor network, and training farmers, farmer organisations and MSMEs on ACE's services.
- Supporting ACE to become a commercially viable institution. With the overall aim of ensuring ACE's commercial viability, MIERA has installed an integrated expert within the enterprise as the commercial manager responsible for service development and delivery.

The ACE Marketing School is a comprehensive training course for smallholders

This participatory training course on agricultural marketing, founded on the principles of the farmer business school, has the WRS as a core focus. It was developed in 2016 with MIERA's support and features five modules: (1) an introduction to ACE, (2) market information, (3) trade facilitation, (4) collective marketing, and (5) the warehouse receipt system. To ensure maximum impact, the training course is delivered over four mornings by the ACE rural marketing advisor (producers' first point of contact for ACE services). Module 5 on the WRS has a dedicated section on accessing finance.

The ACE training includes elements of financial literacy related to bank lending

The course trains farmers on what a loan is, what the benefits of taking out a loan are, what collateral is, what paying interest means, what banks finance and what other lending options may exist (e.g. village savings and loan associations and microfinance institutions). They also receive training on the requirements, process and risks related to ACE collateral finance loans and on how the ACE loan allows them to take advantage of price seasonality.

ACE facilitates two types of financial products for commodity depositors and off-takers

ACE cooperates with several financial institutions and facilitates two types of financial products:

- **The haircut finance facility** – A facility that offers the depositor a loan using the commodity as collateral. Traditionally, the depositor is able to access a loan of up to 70% of the value of the commodity on the date of deposit. In the 2016–17 marketing season, this facility only represented 5.4% of the total finance disbursed.
- **The forward contract facility** – A facility that is only accessible to bank-approved off-takers. Forward contracts help off-takers to secure and finance their supply throughout the season and potentially offer a price premium to the seller if they wait until the contract matures to be paid. In the 2016–17 marketing season, this facility represented over 94% of the total finance disbursed.

In the 2016–17 marketing season (April to March), ACE used these two facilities to disburse a total of USD 11.7 million.

A number of changes in the operating environment may increase the appetite for WRS financing in the near future

In 2014 Malawi embarked on the development of the regulatory framework for commodity exchanges and warehouse receipt systems. Firstly, the cabinet drew up and approved the Warehouse Receipt Bill, which treats the ultimate ownership rights of the commodity and is expected to be tabled in parliament in June 2017 and subsequently enacted. The changes the bill effects will, in the case of default, collateralise the defaulting party's commodity and enable banks to access this collateralised commodity. As a result, banks should be more eager to lend against commodities. Secondly, other development partners (such as USAID) are planning to support banks' capacity development (i.e. offer training on commodity trade finance). Finally, USAID and ACE are planning to establish a risk-buffer fund to mitigate price and market risks for financial institutions. All these changes are expected to occur over the next 6 to 18 months.

ACE's collateral finance operations performed using the haircut finance facility

Collateral finance provided through the haircut finance facility makes it possible for depositors to take advantage of seasonal trends in market prices by providing the depositors with cash when their needs are highest (at the time of harvest/point of deposit at an ACE-certified warehouse) and enabling them to monitor the market for optimal prices.

When a depositor opts for finance on a warehouse receipt, ACE facilitates their access to a loan, which currently stands at 70% of the value of the commodity on the day of deposit. The ACE head office issues the finance to depositors (be they individuals or a group) in the form of a cheque or via a bank transfer. When the depositor sells the commodity, ACE deducts the loan and also the accumulated interest and storage fee automatically through the ACE settlement account.

The total value of finance disbursed using the haircut finance facility during the period from April 2016 to March 2017 was approximately USD 567,000. During this period, ACE provided 211 loans (with an average loan value of USD 2,656).

The loan interest rate for haircut finance is 35% per annum. The ACE Marketing School emphasises that, compared to other loans such as those provided by village savings and loan associations (VSLAs) or microfinance institutions (MFIs), ACE collateral finance has a competitive annual interest rate. However, the loan amounts issued by MFIs and VSLAs are usually much smaller. Considering that inflation stands at over 20%, a 35% interest rate is competitive in the Malawian context.

A major challenge in terms of scaling the haircut finance facility is the fact that financial institutions are not familiar with collateralising commodities and are therefore not familiar with the associated risks (market and price risks).

Box 2 | Challenges arising in ACE's collateral finance operations

5.3.4 Supporting agro-processors to provide input loans to farmers

MIERA supports agro-processing companies' contract farming schemes, including input financing

Over the last two years, one of MIERA's main contract farming partners has been a soya and sunflower processing company. MIERA has been supporting the company to strengthen its relationship with out-growers by building the company's capacity to provide extension support and other services and building farmers' and farmer organisations' capacities to be strong business partners. The company has been providing input loans from their own working capital.

Farmers lack funds to buy inputs while the agro-processing company in Malawi struggles to source oilseeds

Oilseed (soya, sunflower, groundnut) farmers often lack sufficient funds to buy quality inputs ahead of the planting season. When the marketing season starts, the same farmers sell their produce to informal traders. However, it is in the interests of the oilseed company to have a steady supply of raw material to crush into oil and especially so for one company in particular that has invested in a new state-of-the-art factory. To be sure it can offset this investment, this company needs a guaranteed supply of oilseed so that it can operate at a higher capacity. The company must therefore build a loyal relationship with suppliers that will guarantee the quantity and quality of the produce required. If farmers struggle to access quality inputs and market their products in an unstructured fashion, the raw material supply for the oil company will, however, be compromised. Over recent years, the agro-processor has been experiencing shortages in supply and has been unable to operate at full capacity.

Agro-processing company decides to set up a contract farming scheme to address challenges.

It therefore decided to design and pilot a contract farming scheme centred on the provision of services (including input loans and extension services) to pre-identified farmer groups interested in growing oilseeds. In the first phase of their project, they had an ambitious plan to work in 10 districts and to partner with NGOs that had been active in these districts and that were able help with the selection of farmer groups. Various implementation challenges emerged:

- **Field presence and logistics** – In each district an extension officer was put in place to act as the interface between the company and the farmers it was funding. The cooperation itself involved farmers aggregating their produce at technical support centres, where the company would collect the produce once it had reached a certain volume. Logistical challenges experienced by both the company and the farmer groups increased farmers' propensity to side-sell, which made it difficult for these farmers to make their repayments. Overall, the targets set by the company in terms of geographical spread and numbers of farmers to be reached during the first pilot phase were too ambitious.

- **Weak farmer groups** – Farmer groups exist in various shapes and sizes and there is no strong cooperative movement in Malawi. Among the 100 or so groups registered, only seven were found to be sufficiently large and reliable. The management capacity of these groups is generally very low. Additionally, the formation of a lot of the groups has not been self-driven but has in fact been undertaken by NGOs mostly for the purpose of administering hand-outs. Once the NGOs withdraw, these groups no longer have a common bond and objective and are therefore prone to collapse.
- **Low repayment rates and contract fulfilment** – In the 2015–16 season, 17 contract farming agreements were signed with 17 farmer organisations, integrating about 3,000 smallholder farmers into the company's supply chain. Through these agreements, farmers received input loans, training and other advisory services. Due to the challenges mentioned above, only 300 farmers in four farmer organisations fully respected the contract and repaid their loans as stipulated. In fact, some 2,300 farmers repaid less than 30% of the loan value.

MIERA supports the agro-processor to scale down and be more targeted and effective

The contract farming scheme's geographical coverage was reduced to five districts and the company's field presence was increased, with two field officers installed in each district instead of one. In collaboration with MIERA, the targeting strategy and selection of groups in the following season was improved. Targeting is now based on a more solid analysis of group capacity, business drive and commitment. A tablet-based tracking and monitoring system was set up, with MIERA financing the tablets as well as training on how to use an open-source tool that supports data management, farmer group assessments, classification and targeting of groups, monitoring, and accountability.

Better performance is anticipated this season

In December 2016 input packages were disbursed as in-kind credit to 10 different groups selected from five districts as part of the contract farming scheme. The input packages are relatively small: soya farmers receive on average 20 kg of seeds and the corresponding inoculant. The average value of the input package per farmer amounts to approximately USD 20. However, to increase farmers' commitment to the partnership, 15% of that sum must be provided by farmers as upfront payment at the beginning of the season.

A contract is set up with farmer organisations to increase transparency and build trust

To ensure that the roles and responsibilities within the contract farming partnership are clear, the company uses a paper-based system of contracts, which farmers sign in order to confirm their agreement with the input loan and conditions. The contract details the input loan's contents and costs and sets a minimum price for the grain. If prices are higher, farmers benefit from a premium. Despite the intention to be transparent, the company has experienced challenges explaining deductions due to transport costs and price seasonality. Also, contrary to common practice in Malawi, the loan repayment is made in monetary value and not in kind.

MIERA provided a risk-sharing facility to the company

The company had traditionally financed the inputs from their own working capital, which was in any case limited. However, repayment challenges in the last season have made the company more reluctant to engage in the provision of input loans. GIZ has supported the company to embrace this risk by providing technical support on managing the loans and the contract farming scheme more broadly. An agreement reached between GIZ and the company commits GIZ to covering the loss if farmers' repayments fall below 50%. The loans are provided in kind, and they are repaid by deducting their monetary value from the grain sales to the company. Farmers are encouraged to sell their produce beyond the required repayment amount. GIZ works closely with the company's contract farming team to follow-up on the loans.

Financing is one of the biggest challenges for the company

To be able to expand and reach scale when still cash-constrained, the company requires sustainable means to source and distribute inputs on credit. During the second phase of the partnership, GIZ has supported the company to set up and pilot a seed multiplication scheme operated by smallholder farmers under contract. Multiplying its own seeds has allowed the company to produce part of the inputs to be given out on loan, while providing more employment opportunities to its partner farmer organisations. Another option under development is the establishment of a broader revolving loan fund.

5.3.5 Challenges and lessons learned

Seeking to develop finance innovations at the point where various players intersect

The programme is starting to develop concepts for addressing how to set up revolving funds for inputs and how to better integrate informal agro-dealers into sustainable business ventures. One of the agro-dealers' key gaps is access to finance for stock. Larger suppliers struggle to give inputs on consignment to small agro-dealers. The programme is seeking to identify a financing mechanism that would bring input suppliers, agro-dealers and targeted clients (farmers and their organisations) closer together. Another component of the programme is further exploring the deployment of the SME Coaching Loop as a training and coaching methodology for MSMEs. Finance is an important element of this methodology.

Efficient payment and disbursement mechanisms

Having access to an appropriate cash delivery mechanism is one of the main bottlenecks faced by MIERA partners. The time it takes for a borrower or contracted farmer to receive the cash is crucial, because loans are either disbursed in the form of a cheque or through a bank transfer. It is key for both ACE and the processing companies engaged in contract farming to develop faster payment modalities for rural target groups by exploring the potential of mobile money and/or partnering with financial institutions with a strong rural presence.

With regard to ACE's warehouse receipt system in particular, challenges and lessons have been identified in the following areas:

- **Building the capacities of all financial institution staff** – Banks are reluctant to enter into strategic co-operations with ACE at a larger scale when it involves smallholders and also WRS. The main barrier is their credit staff's lack of capacity to assess and deal with agricultural businesses and the related risks. The bank staff's capacities in assessing risks and loans associated with commodity trade finance need to be built in order to improve their willingness and ability to engage in such operations.
- **ACE faces challenges integrating smallholders** – Smallholders are not a large client group for ACE. In both number and volume, the traders and off-takers dominate. In general, farmers are most concerned about getting cash quickly and conveniently.
- **Understanding diverse clients' needs** – The content of the access to finance module's training material, especially the lending guidance, may not be well suited to the diversity of smallholders and of their financing concerns. For MIERA and ACE, understanding and considering the client profiles and the financing patterns and needs is important.

5.4 Côte d'Ivoire: collaborating with a financial institution to fund cocoa farmers (SSAB)

5.4.1 Agriculture and financial services in agriculture

Cocoa is the most important crop in Côte d'Ivoire

Côte d'Ivoire is heavily dependent on agriculture, which engages roughly two-thirds of its population and contributes about 20% to its GDP. The country is the world's largest producer and exporter of cocoa beans, with a market share of approximately 41%. It is also a significant producer and exporter of coffee and palm oil. In 2015 cocoa contributed an estimated 15% to the country's GDP and approximately 37% to Côte d'Ivoire's exports. Up to 1.3 million farming households are involved in cocoa production and an estimated eight million people live off the crop, which is mostly grown and harvested by smallholders on plots with an average size between 1.5 and 5 hectares.

Cocoa does not provide farming families with a decent livelihood

Yields for cocoa are, however, low. On average, small-scale cocoa farmers' earnings leave their families to live on less than USD 2 per person per day. Many cocoa producers lack the financial resources, the technical knowledge and, in particular, the entrepreneurial skills to use modern technologies and expand agricultural markets to boost their income. The high dependence on cocoa production as a source of income coupled with highly fluctuating prices on the world market lead to impoverishment, malnutrition and social problems such as child labour.

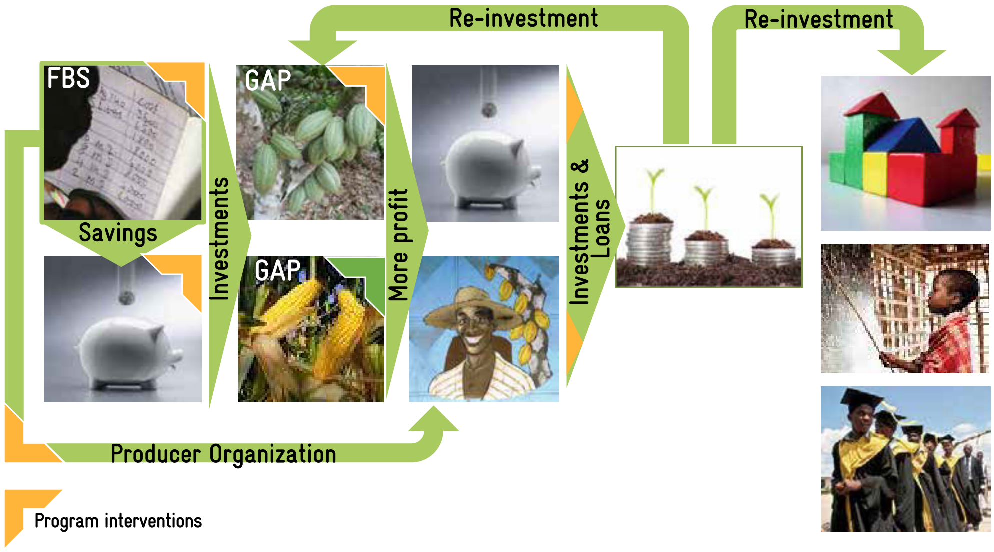


Figure 27 | Links between the interventions of the SSAB programme (from programme documentation)

Smallholder farmers' access to financial services in Côte d'Ivoire is low

In 2014, 15.1% of Côte d'Ivoire's population held an account with a financial institution. Only 8.9% saved in a financial institution and as little as 2.3% had obtained a loan. Two thirds of Ivorian enterprises report that access to credit is one of the major constraints holding back their businesses. Furthermore, 61% of the credit extended in Côte d'Ivoire has a maturity of less than a year and only 3% of more than five years. 24.3% of the population have a mobile money account and have used it in the past 12 months to either pay bills, or send or receive money, which shows the increasing importance of alternative delivery channels.

The chances of a smallholder farmer in Côte d'Ivoire having access to a loan are even lower

Smallholders are commonly perceived to be weak and difficult-to-reach customers. As they tend to live in far-flung areas, transaction costs for both banks and farmers are high. FIs consider that lending to farmers presents a high default risk because, for example, climatic conditions can lead to crop failure, and smallholders may use expensive inputs without employing good agricultural practices (GAP), resulting in low yields and low income. Furthermore, there is a lack of tailor-made financial services and products for agriculture. The conditions of loans are therefore frequently ill-adapted to agricultural investments and production cycles. Many FIs do not know enough about agriculture, do not consider it to be a business, do not have the processes in place to assess the risks involved, and are obviously not interested in these client groups.

5.4.2 The Sustainable Smallholder Agribusiness in Western and Central Africa programme (SSAB)

SSAB supports cocoa farmers with business training

The SSAB, which is being delivered over 2014–18, is a regional programme active in five countries: Cameroon, Côte d'Ivoire, Ghana, Nigeria and Togo. Its objective is to support more than 400,000 West and Central African smallholders to sustainably increase their income and food supply from diversified production. SSAB is organised around the following intervention areas: (a) the scaling-up and sustainable delivery of business skills training (farmer business schools – FBS), (b) partnerships to enhance smallholders' access to inputs, (c) financial and technical services and markets, (d) improving the cost-effectiveness of extension for cocoa and food products, stocktaking on innovative approaches and support to partners and platforms, and (e) establishing an advisory facility to promote the expansion and sustainability of the FBS approach (see Figure 27).

The Farmer Business School (FBS) approach: farming as an enterprise

On an FBS training course, farmers learn how to better plan cocoa and food production, and they learn about the

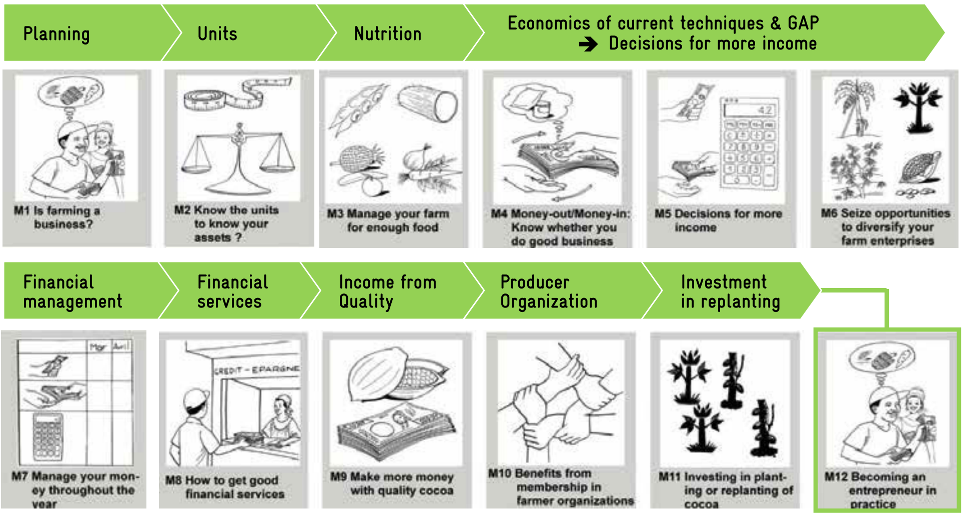


Figure 28 | Different modules of the farmer business school approach (from programme documentation)

costs associated with improved production techniques, how to increase yields and incomes through targeted investments, and how to diversify their agricultural production. The training covers one lead crop and two further crops, is structured in 11 or 12 modules, one of which is financial services, and is taught in the mornings of five continuous days. The different modules are depicted in Figure 28 above.

Access to financial services

The programme cooperates with financial institutions (mostly microfinance institutions), which provide the farmers with financial services. The programme is keen to emphasise that financial services does not just mean loans and that savings are equally important. Indeed, it promotes savings as an instrument before advocating access to credit. The FI also provides other financial services like payments and funeral and life insurance.

5.4.3 Promoting access to financial services for cocoa farmers in Côte d'Ivoire

Initial interest in working with the agricultural sector is very low

When SSAB started working in Côte d'Ivoire on promoting access to financial services for smallholder farmers, it contacted a large number of the financial institutions active in the country. However, at that time, only one large financial cooperative, UNACOOPEC-CI, expressed an interest in engaging in the agricultural sector. UNACOOPEC-CI is the largest cooperative in Côte d'Ivoire, with 124 branches throughout the country that serve about 75% of all microfinance clients in the country.

Financial product developed jointly and based on the crop's specific characteristics and needs

SSAB in concert with its FI partner developed a financial product adjusted to farmers' needs and based on the seasonality of the farmed crop (i.e. cocoa). To develop this kind of product, an assessment is undertaken of (a) the profitability of good agricultural and post-harvest practice (GAP/GPHP) before financing (i.e. farm level with own capital) and (b) the profitability including the cost of lending (i.e. interest, fees, commissions and insurance). Producer references on GAP/GPHP provide the technical and economic data, as all input requirements are captured in these extension tools. To reduce default risk, the implementation of technical training or backstopping and plot measurement (GPS) is also factored into the loan product as an evidence-based unit cost. In this way, the ex-ante profitability of a farm can be assessed taking into account the loans they are to receive and their specific lending conditions. The programme works together with MFI staff and cooperative leaders to promote an understanding among farmers of the impact loan financing will have on their farm's profitability. It does this by providing calculations that show expected

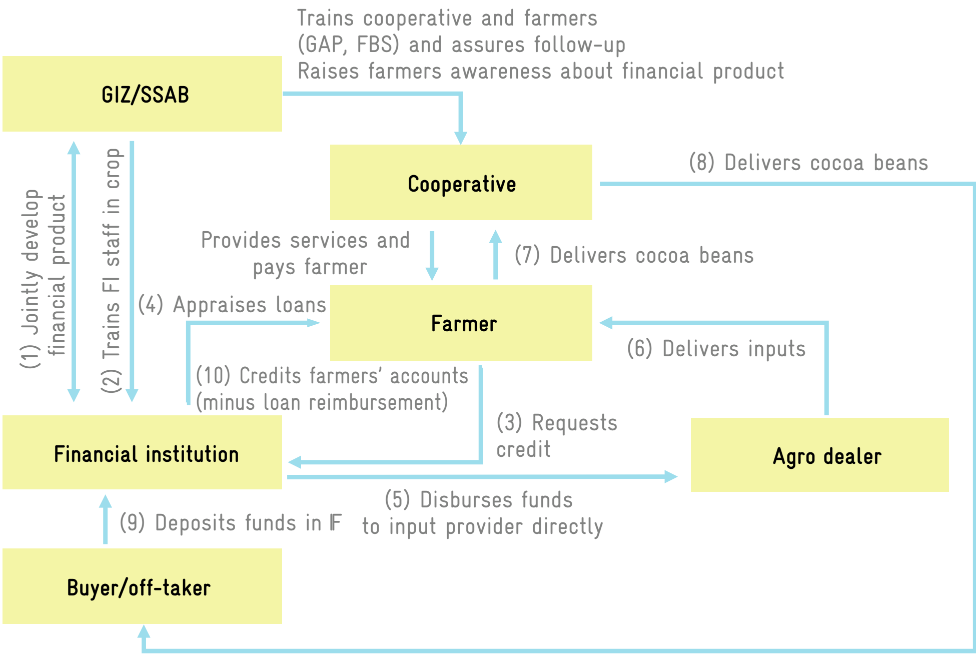


Figure 29 | SSAB-supported loan product (author's own depiction)

profits and the costs of financing. SSAB trains loan officers in its partner financial institution on the main aspects of cocoa planting, associated cash inflows and outflows, and the potential risks. The loans are standardised with regard to farm size and available loan components to keep the transaction costs for the financial institution low.

Importance of savings

The project also works to raise the awareness of cocoa farmers and their families about the importance of savings. To this end, together with the FI partner, it developed radio spots that were broadcast in particular during the harvest season (from September to January) when farmers have cash inflows. In tandem with the campaign, which has shown satisfactory results so far, the programme's financial institution partner offers relevant savings products and the partners (the MFI, GIZ, cocoa cooperatives) jointly mobilise staff who raise cooperative members' awareness about the importance of saving during village visits.

Pre-conditions for accessing a loan

To be able to access a loan, farmers need to be a member of the financial cooperative, are not allowed to be in arrears, need to live in the catchment area of one of the FI's branches and need to have completed the Farmer Business School training. Besides the annual interest rate of 18% on a declining balance, the FI charges a 2% upfront fee on the loan amount and XOF 5,000 (approximately EUR 7.6) per loan request. Each farmer needs to provide cash collateral of 20% to 25% of the requested loan amount.

Appraisal process carried out by the financial institution

The farmer completes the loan request with the financial institution, which then assesses the request (a process that includes an in-person inspection of the farmer's field) and approves (or not) the loan. Funds are subsequently disbursed to the agro-dealer who supplies the inputs to the farmer. If parts of the loan are targeted at paying for labour, they are disbursed in cash to the farmer. Reimbursements are made by the farmer who opens a bank account at the financial institution. After the farmer's cocoa is sold, the proceeds are deposited with the financial institution. The cooperative gives the financial institution a list of all the producers who supplied cocoa beans to the cooperative. Then, the proceeds minus the respective loan repayments are transferred from the cooperative's account to the accounts of the individual producers.

Rigrous coaching and monitoring of farmers

During the entire process, the farmers are rigorously coached by lead farmers trained in GAP related to the crop targeted by the programme. Periodically, the partners (GIZ, cooperative staff, MFI, input dealers and lead farmers) undertake joint field visits and subsequently meet to evaluate the entire process and give recommendations. The FI's credit officers also carry out their regular monitoring of credits. During the pilot phase in 2015, reimbursements were supposed to take place directly after the major harvesting season. These have since been adapted to two repayment dates; with a minimum of 70% being repaid after the major harvest and the remainder after the minor harvest a few months later (see Figure 29).

Results during the pilot phase and subsequent year

The pilot phase started in 2015 with 450 farmers and was limited to only three FI branches. Approximately XOF 450 million (approximately EUR 686,000) in loans were disbursed to some 1,000 cocoa farmers. The portfolio quality (reimbursements) of the FI's loans to cocoa farmers presented a more successful picture than did the portfolio quality of other sectors, notably loans to traders, which incentivised the FI to continue and to scale up its activities. Subsequently, in 2016 more than XOF 1 billion (approximately EUR 1.5 million) were disbursed to 3,225 cocoa farmers belonging to 12 cocoa cooperatives and one cooperative union, which includes several cooperatives in the west and centre-west of Côte d'Ivoire. For 2017 the partner financial institution is envisaging extending its loan portfolio to up to XOF 9 billion (approximately EUR 13.7 million).

5.4.4 Challenges and lessons learned

SSAB's close follow-up and coaching of farmers

The programme's FBS training partners are closely involved in following up with and coaching farmers eligible for the financial product, and to qualify for a loan farmers must have completed SSAB's farmer business school training. However, it is not yet clear who will fund this training and the subsequent follow-up when the GIZ programme withdraws. SSAB is implementing similar approaches in its other intervention countries in the region and has managed to convince its FI partner in Cameroon, for example, to take over the FBS training. Some start-up funding for motorcycles and a train-the-trainer programme was provided for this purpose.

It is necessary to calculate expected productivity and income

As mentioned before, SSAB calculated the expected increase in cocoa farmers' profitability once they take out a loan, taking into consideration different scenarios in terms of applying GAP and other measures taught during the training. These calculations help farmers understand what the impact of the loan is and under what circumstances it can achieve its full potential (i.e. generate additional income). The programme carried out similar calculations using maize. Based on the results, it was decided not to go ahead with work to promote access to loans for maize farmers because the expected margin was not clear and did not seem high enough to offset the risks involved.

Risk of non-repayment is covered by the cocoa cooperative

As with many set-ups where loans to farmers are channelled through the agricultural cooperative, it is ultimately the cocoa cooperative that assumes the credit risk of farmers not reimbursing their loans. This can put cooperatives themselves at risk as, to be able to access loans during the next season, they will do their utmost to reimburse the financial institution involved. Only in a situation where many farmers default might there be a risk of a cooperative not reimbursing, and this might put its collateral at risk.

Finding an FI partner with a substantial reach

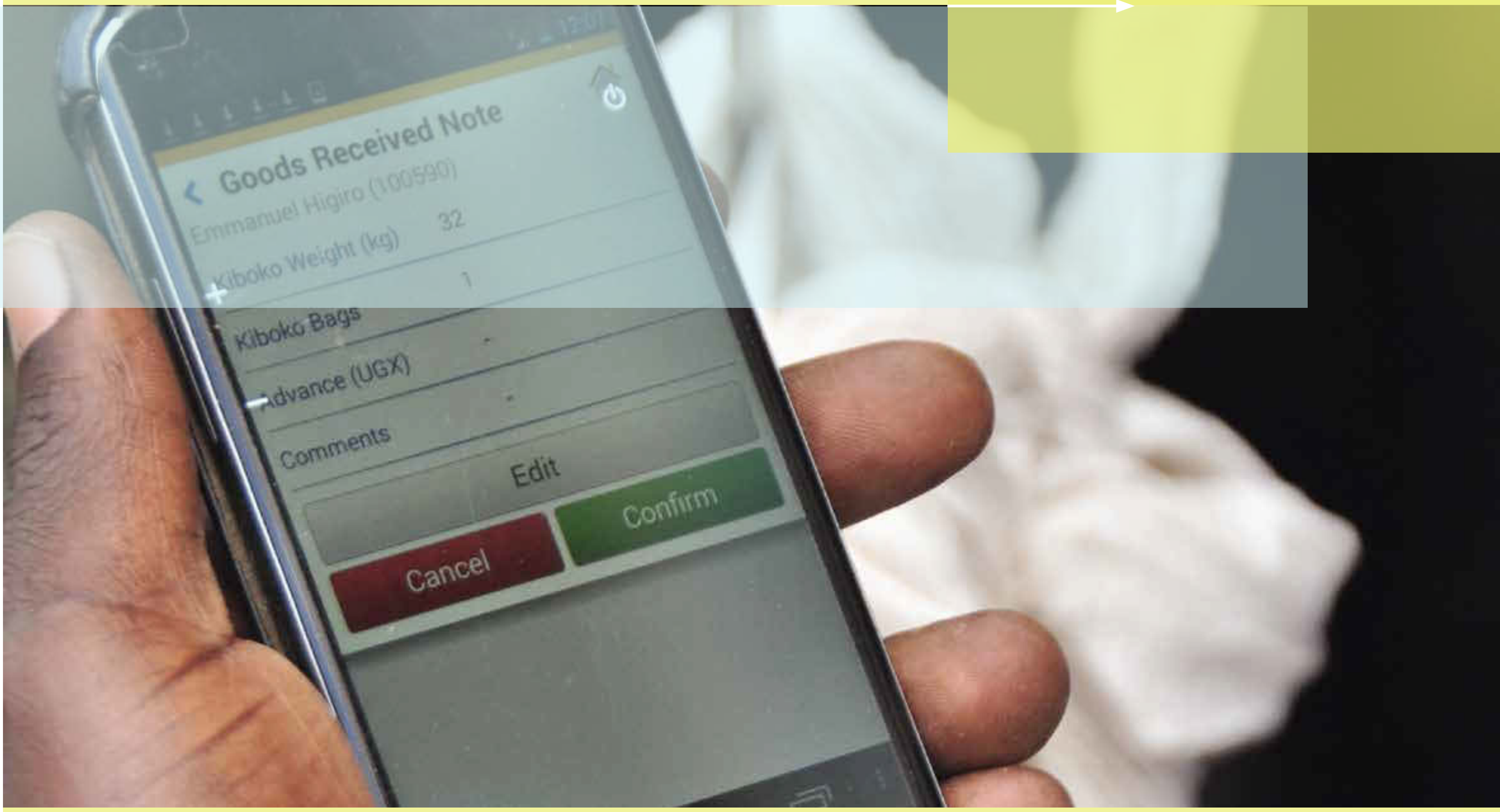
One of the factors that makes the roll-out of a loan product to smallholder farmers successful, particularly when those farmers are located in rural areas, is finding an FI partner with a considerable reach. A good example is SSAB's partnership with the largest financial cooperative in Côte d'Ivoire which has 124 service points and is therefore accessible to rural clients not only in geographic terms, but also in cultural terms.

Dependence on the world market price influences reimbursements

Because the world market price for cocoa declined sharply during the first few months of 2017 and the stabilisation mechanisms put in place by the Ivorian government have yet to kick in, the programme and FI anticipate reimbursement challenges for the currently outstanding portfolio. The programme has planned a monitoring meeting and envisages a potential need to restructure loans. Also, GAP training related to cocoa production is planned in May to help farmers who find they cannot buy fertiliser due to the price decline to increase their yield and income in other ways.

6

FURTHER RESEARCH AND INITIAL RECOM-MENDATIONS



This chapter summarises the programmes' needs and requests for further research and support. Additionally, it provides initial recommendations for engaging in agricultural finance activities, structured under four different headings: programme design and implementation, demand-side research, internal processes of financial institutions, and support at the macro level. Depending on the type of engagement involved, some of the key recommendations will be more or less relevant for different programmes. Further, the chapter provides two frameworks as tools to help programmes get an overview of and decide on potential intervention strategies.

6.1 Demand for further research and support

Maintaining an updated list of key initiatives, tools developed and contact persons

Sometimes all that is needed to promote peer exchange is knowing who would be the right contact person in a specific programme working on agricultural finance or even knowing which programmes in which countries implement what kind of initiative. Keeping a simple, regularly updated list of key initiatives around access to finance for agricultural actors that includes the tools and instruments developed and the name and contact details of key contact persons can make a difference. This information can be shared using GIZ's collaboration tools.

Systematic documentation of experiences

It is important for each programme to develop ways to document and share their experiences. These processes should be coordinated and managed by a permanent central organisational unit, such as the Sector Network's working group or the Sector Project Agricultural Trade and Value Chains. Additionally, it is crucial that the documentation of lessons learned includes challenges and, in particular, failures. Only if the whole organisation genuinely adopts an open culture that emphasises learning, as opposed to 'marketing success', will this become a useful exercise. One option is for GIZ to develop incentives, such as prize giving, that acknowledge not only the most successful initiatives (as already happens), but also the largest failures and toughest lessons learned. Not getting things right from the outset needs to be made acceptable and the learning extracted from failures must become a focal point of any initiative. It takes time to put good practices in place. In the meantime, the objective must be to develop effective learning loops, rather than have perfect strategies in place from day one.

Supporting exchange at the regional and global levels

Besides sharing documented lessons learned, holding regular exchange events at the regional and global levels is a useful way for staff working on similar topics in the different countries and regions to get acquainted and exchange their experiences. To make these events as effective as possible and to encourage people to share their experiences openly and discuss things that did not work out as planned, meetings should be kept small and informal.

Selecting suitable (financial institution) partners

Provided under each of the following key themes are sample questions, which should be answered in concert with the potential (financial institution) partner. The questions seek to determine the candidate's general perspectives on the collaboration.

- **Commitment and ownership:** Why are they interested in the cooperation? Is financing agricultural actors already a strategic priority or will it become a priority in the near future? Do they consider this project to be a corporate social responsibility (CSR) activity or something with the potential to develop into a profitable market segment?
- **Board approval:** Is top-level management involved in the decision about the cooperation? Are they convinced about the project? If possible, be present when the project is presented before the highest decision-making body (management or board).
- **Experience and flexibility:** Is there a willingness to try new approaches and a preparedness to fail and adjust? What type of support would they need?
- **Reputation and track record:** What have they done in the past? Check with other stakeholders in the financial sector (e.g. the supervisors or development partners that the financial institution is engaged with) to see if the candidates are reliable and considered a good partner. Do they stick to what has been agreed? What have they achieved?
- **Institutional strengthening needs:** What support do they need? If the FI has never dealt with this sector before, build in more technical support.
- **Financial soundness:** Is the institution covering its costs? Does the institution have positive equity capital? Does it fully comply with central bank regulations?

Box 3 | Sample questions for selecting a suitable (financial institution) partner

Further research and tools needed

A need for further research and/or the development of guidelines, checklists and simple tools and instruments was identified:

- **Simple due diligence tool for FI partners** – As identified above, choosing the right partner is a challenge for programmes. The Financial Systems Development (FSD) staff, based in GIZ's head office, recently developed a simplified due diligence tool for financial institutions that could potentially be adjusted (and simplified) for use in selecting which financial institution partners to engage in lending to the agricultural sector. Box 3 above provides a non-exhaustive list of sample questions to guide partner selection.
- **Performance-based contract template** – Develop a performance-based contract template for programmes to be used instead of a general MOU when negotiating partnerships with financial institutions and non-financial institutions.
- **Finance through non-financial institutions** – More and more projects are thinking of collaborating with non-financial actors, such as off-takers, to provide input finance. An analysis of existing schemes set up by GIZ programmes and/or those supported by other organisations would be useful. This should include assessing benefits and challenges, developing guidelines for setting schemes up, and linking schemes to FI to offer a broad range of financial services to the target group.
- **Setting up small credit guarantees** – Guidelines for setting up proper and sustainable loan guarantee funds exist. However, GIZ programmes are involved in small-scale, project-linked credit guarantees that are generally implemented within the framework of a specific GIZ programme. Analysing existing projects, assessing their set-up and performance with the aim of developing simple guiding principles, would be useful for programmes.
- **Developing a simple tool on financial product development** – A simple tool listing the different steps to consider when developing, piloting and introducing a new financial product would be helpful for programmes. This could include advice on quick- and easy-to-apply demand-side research.

6.2 Key recommendations for engaging in agricultural finance activities

6.2.1 Programme design and implementation

Plan access to finance activities from the start and equip the programme with dedicated staff and funding

For a considerable number of the programmes participating in this survey, promoting access to finance has not been a key activity or a programme component from the beginning. In most cases these activities have been bolted on later. This leads to various challenges in implementation, especially with regard to staff capacity and funding. For this reason, the need to include activities for promoting access to financial services should be considered during the project appraisal and planning stages.

Make sure the chosen value chains have a market

One of the most critical issues that financial institutions look at when carrying out a loan evaluation, be it for a service sector, production or agricultural enterprise, is whether there is a market for their products or produce. No training, coaching or optimum financial product will prove useful if, at the end of the season, the produce cannot be sold or has to be sold at a reduced price. Of course, markets and prices can only be assured to a certain degree. For some cash crops, if world market prices suddenly plunge, little can be done if sales have not been assured (and/or hedged) beforehand. However, in remote regions, more basic challenges make access to markets difficult, such as transport infrastructure (e.g. bad or non-existent roads that make routes impassable during the rainy season). For some food crops, competition from cheap imports makes sales more difficult. Therefore, analysing chosen value chains and their realistic potential is key.

Take enough time to choose the right FI partner

Developing a successful financial product that provides value to farmers is to a large extent dependent on the (financial) institution that delivers the product to its clients. For this reason, it is essential to build in sufficient time for selecting the right FI partner and to base such decisions on well-defined criteria. These choices can be difficult and can be hindered by administrative burdens, such as timing and disbursement pressures. Also, sometimes very few FIs operate in the business area in question or are willing to engage, which could mean that, in the end, only a 'second choice' partner remains.

Build a business case for the financial service provider and base the partnership on performance targets

Ensuring the partner is committed to (profitably) scaling the project after the initial pilot phase is key if it is to be sustainable once the GIZ funding and intervention ends This is important as access to financial services is only useful for the target group if it is not a one-off activity. Furthermore, partnership agreements/MOUs with the FI (or any other kind of partner) should set out the specific roles and responsibilities of all the partners involved. In any case, the FI partner should also contribute funding to the project besides in-kind staff contributions (the most common case in agreements). If the FI partner is serious about using the pilot project to develop an area of business, they should be prepared to contribute a significant share of the financial resources required for the project. The MOU should be performance-based, with grant disbursements linked to milestones and the monitoring of achievements. It is therefore important to spend time on defining and negotiating a project that benefits both the target group and the financial institution. This should include open discussions on the costs and benefits associated with developing and implementing the product. Programmes should not shy away from engaging in these discussions with their partners, especially if GIZ is contributing substantial funding.

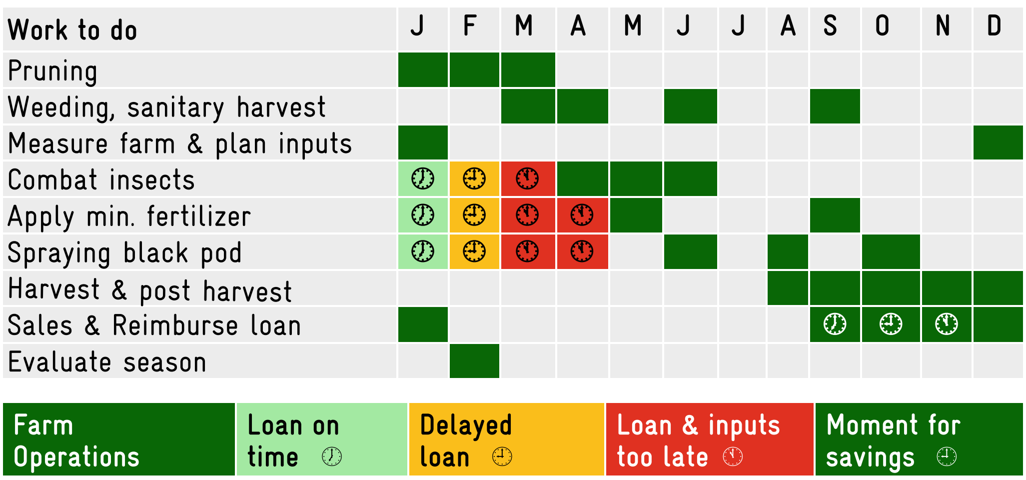
Involve the right partners and plan an exit strategy for project-financed activities from the start

Training in good agricultural practices and entrepreneurship training are often catalysts for getting financial institutions (or any other provider of financial services) to engage with a certain target group. However, in many cases these training packages (i.e. the material, trainers, logistics and sometimes even participant transport) are funded by GIZ programmes. It is therefore important to think about who will implement and in particular who will fund these services once the GIZ programme comes to an end. With this in mind, it is useful to get partners to commit to ensuring certain funding at the outset, as this will limit dependence on subsidies. It is also important to avoid a situation where programme staff or extensionists end up taking on tasks that normally should be carried out by the financial institution's staff, such as filling out loan requests, monitoring repayments or, in extreme cases, collecting and depositing farmers' repayments.

Carry out profitability calculations for and with farmers

Using market information on farmers' products and prices, profitability calculations should be performed for and with farmers. These calculations must include the costs and benefits of the potential loan. Analysing different scenarios and discussing them with farmers will promote an understanding of the assumptions informing their request for a loan and of the circumstances under which it makes sense to apply for one.

Figure 30 | Work processes and timeline in cocoa planting (from SSAB programme documentation)



Implement realistic planning based on the agricultural calendar

Timing is essential for agricultural loans. Depending on the crop and the specific target of the loan, the window for loan disbursement is limited. If the loan is disbursed too late and, as a result, the farmer applies fertiliser or sows seeds too late, her production and productivity will suffer, with knock-on effects on her income and loan repayments. Realistic planning is therefore key to the success of a project and potentially to a farming family's survival. The FI partner needs to be made well aware of such key factors and must respond accordingly.

The sample crop calendar in Figure 30 shows how a loan issued to a cocoa farmer to finance fertilisers and insecticides only makes sense if it is disbursed in a specific month. If the loan is disbursed later, the farmer faces considerable consequences. Waiting for the loan to come, the farmer will not have tried to find other solutions to get hold of the required inputs, which will most probably lead to a reduced harvest and subsequent negative consequences for the farmer and his family's livelihood.

Make sure farmers are trained in agriculture-relevant financial literacy

It is of the utmost importance that farmers properly understand what they are buying into when they request a loan. Farmers need to be able to make an informed decision about whether a certain financial product is beneficial to them and about the rights and responsibilities it entails. Financial literacy training is more effective when farmers can relate the content to their own life as a farmer. The content should therefore be embedded in agricultural training and be as practical and specific as possible. Additionally, in some countries, (rural) populations have had negative experiences with (mostly unregulated) financial service providers that have run off with people's savings. This has left affected communities with a deep mistrust of formal financial institutions.

Set up a simple but robust monitoring and evaluation system

To be able to determine the impact an activity has ultimately had on the target group, it is essential to design and implement simple yet meaningful monitoring and evaluation tools. Monitoring should be integrated with the financial service provider's work and potentially into any mobile IT applications used. Monitoring financial results as the FSP does (loan volume and numbers of loans, portfolio quality, etc.) is important, but it is not enough to determine impact. Simple data on farmers' livelihoods linked to the final objective of increasing farmers' income should be collected (potentially for a sample of farmers). This data needs to be adapted to the farmers' cultural and geographical contexts and can cover areas ranging from further business investments or home improvement, to better nutrition or increases in the number of children attending school.[13] Whenever feasible, an independent evaluator's perspective on a project can be useful, ideally not only at the end of the project, but also during its implementation.

6.2.2 Demand-side research to understand clients' needs

Carry out demand-side research to get clients' input

Concrete demand-side information on farmers' financial needs is often not available. First-hand, recent and comprehensive information about the needs of farmers and their families is essential to avoid a situation where product proposals are based on assumptions and are sometimes driven by the perspectives of a particular programme or financial institution. Setting up a large research project is not necessary as even a handful of focus group discussions can provide very useful insights. To ensure the FI staff also benefit, the research should be carried out in collaboration with the FI. A range of tools is readily available, such as the so-called human-centred design (HCD) or financial diaries research approaches (see Annex 4 for more information).

Factor in financial needs not immediately related to the specific crop

It is recommended to consider from the outset broader household financing needs, rather than concentrating narrowly on needs related to a single crop. To do this requires understanding all household-related cash inflows and outflows. These are most easily determined by applying

13 When monitoring increases in income and related improvements in livelihood, some programmes have discovered that increased income, instead of being used for productive purposes or improving the livelihoods of the whole family, have been spent on non-productive assets such as alcohol or extended polygamy. The Hanns. R. Neumann Stiftung in Uganda made this observation and developed a specific approach working with men and women in coffee-growing communities. The approach promotes agricultural production as a family business, which means that all family members benefit equally from the proceeds and that decisions about how to increase and invest farm income are made jointly (www.hrnstiftung.org/gender).

demand-side research. A project working with coffee farmers in East Africa has, for example, developed a loan, the funds of which are earmarked in two different ways: About two thirds of the loan is earmarked for fertiliser and the remainder goes to cover the farming family's additional outgoings, such as school fees or food, that are needed before they begin receiving the proceeds from their harvest.

Consider a broad range of financial services, including savings, leasing, payments, credit and insurance

Discussions with the target group on their needs might reveal that credit, which may seem to be the most urgent need, is in fact only one of the financial products they require. Other financial products are sometimes better suited to serve important needs, or even to finance value chain investments. Savings are therefore often considered very useful by the target group. Frequently demand-side research shows that people do not have any means to store money safely for future projects. Being able to put aside small sums in a safe place is therefore a useful service for many people. Savings is also a good way to develop the habit of putting aside money regularly, which will be useful when it comes to repaying a loan. Also, in some cases FSPs require a certain level of equity (personal savings) from borrowers as a cash collateral for a loan. As with credits, there is usually a specific period that works well for promoting savings products. SSAB, for example, launched a savings campaign during the cocoa harvest in Côte d'Ivoire, which involved extensive radio spots featuring cocoa farmers talking about storing their money safely.

Another financial instrument to consider is leasing, which is particularly suited to larger farmers or farming SMEs. Safe payments are useful financial services for all types of rural clients who need to travel long distances with large sums of money. For example, recently in Côte d'Ivoire there have been several reports of cooperative managers being paid in cash by an off-taker and then robbed as they return home. In some cases, these robberies have resulted in the loss of the cooperative's proceeds for a whole harvesting season. Finally, insurance services might be useful in certain circumstances and for certain crops or assets like machinery.

6.2.3 Internal processes of financial institutions and support requirements

The following recommendations are geared towards financial institutions. However, many of the issues mentioned can also be adapted and applied to non-financial institutions providing finance, such as off-takers or input providers. Whereas for financial institutions the focus will be on adapting processes and procedures to a specific new product and target group, for non-financial institutions many of the issues will most probably be new and solutions will need to be developed from scratch.

Get to know the internal processes of financial service providers

Focusing on developing product characteristics (such as fees, amounts, maturity, conditions) is not enough. Processes and procedures within the partner institution are the factors that will determine whether a product gets delivered in a timely and efficient way to a large number of rural customers. Implementation processes – i.e. the whole 'journey' from a loan request to disbursement and reimbursement – within a financial institution need to be planned just as well as the product characteristics themselves. Product features are what the customer sees. Procedures and processes, on the other hand, are the things that, although we do not see them, have the potential to make product development and implementation quite challenging and time consuming.

Adequate decision-making processes for the new target group

It is important that financial institutions review their credit approval processes, particularly when the FI in question is downscaling to serve new customers. Some institutions serving larger SME clients might require head-office approval for every single loan. However, if small loans are to be disbursed to large numbers of people, these approval structures will need to be adjusted to the level of risk each single loan bears. In most institutions, a decentralisation of approval processes is necessary. However, such a decision cannot usually be taken at the working level, but mostly needs board approval.

Procedures and processes documented and fitting with overall policies

The procedures and processes for a loan request need to be developed in detail and documented. This includes defining the roles and responsibilities of different staff. Additionally, this means comparing the procedures for the new product with the institution's overarching policies and existing credit procedures. Serving a new client group might require significant changes to a number of internal processes and procedures, which need to be identified and put in place before the institution can reach out to clients (e.g. remote account opening, simplified KYC procedures). Another important topic is collateral requirements: smallholders will not be able to provide the same type of collateral as larger SMEs and often will not be able to provide land titles for mortgages. It is important to clarify if a partner institution is ready and willing to adjust its policies. Overall, it must ensure that all the procedures for the new sector and target group do not conflict with existing policies.

Adequate human resources and internal culture

As with any business, the most crucial factor is the human factor. Financial institutions need to have staff with the relevant agricultural background and knowledge to work successfully with farmers. Additionally, it is important that staff know the local language and culture of the target group in more remote areas. Staff need to be trained on how to work with semi-illiterate people. If appropriate staff are not available in the institution and training them on these work practices is not an option, human resource procedures should allow staff with the relevant background and knowledge to be hired. Furthermore, the internal incentive structures of financial institutions should be adapted for staff working with agricultural clients. If bonuses are linked to portfolio size, there is no incentive for staff to work with clients asking for small loans in remote areas. For many institutions, working with smallholder farmers is different to servicing their traditional clients. Changing the usual working space for a motorcycle, heat and dust is no small thing. The cultural gap that might appear when an FI moves into this new target segment needs to be considered and bridged.

Loan appraisal process and credit risk management

FIs must develop thorough loan appraisal processes based on an analysis of the cash inflows and outflows of a farming household. Ideally, an FI takes all cash flows of an agricultural household into account, including proceeds from a specific crop as well as other income streams. Several research studies confirm that practically no household engaged in agriculture earns its entire disposable income from agriculture.[14]

Availability of adequate distribution infrastructure or alternative channels

The distribution channel of a product is as important as the product itself. It is also well known that distribution to remote areas can be one of the most important cost drivers of a financial product aimed at agricultural actors. For some FIs already anchored in rural areas, a traditional distribution channel might work out (e.g. large cooperatives in West Africa). However, for most institutions the development and implementation of alternative delivery channels, such as banking agents and mobile banking systems, will be necessary to serve clients. Considering how to manage this aspect is a key aspect of the partnership.

IT and accounting

Back-office processes, such as core banking and MIS systems and accounting systems, are usually not factors that immediately spring to mind when thinking about agricultural finance. A product's characteristics, appraisal procedures and distribution channels are, of course, important for launching a successful product, but no more so than the need to integrate the new product into the FI's systems. Only if systems allow for non-traditional disbursement and reimbursement structures (bullet payments, grace periods, unequal reimbursement amounts, etc.) will a product be implemented without problems.

Test and pilot, but not in the most difficult area

Once a product has been developed, it is important to test it (i.e. test the concept with farmers by, for example, using mock-ups and prototypes to reconfirm certain characteristics). For the pilot project, it is better not to opt for the most remote area, but to agree on a region where access and transportation are relatively easy and which lies within a reasonable distance from the FI's next branch office. It is important that the pilot project can be accompanied and controlled easily so that flaws can be quickly spotted in the product or processes and remedied right away. If the FI fails at this stage and leaves farmers disappointed by the service

14 See the data produced by the Kenya Financial Diaries research programme: For example, an average Kenyan household mainly engaged in agriculture derives 61% of its income from this activity.

they have received, there will be long-lasting negative repercussions for both sides and a diminished desire on both sides to continue the collaboration.

6.2.4 Macro-level topics

Involvement at the macro level is not usually an opportunity for quick wins and might not even show results during a three-year programme. Laws and regulations are embedded in long and sometimes very tedious political processes. However, once they are successful, they have major potential to change the situation and have a positive, nationwide influence.

Agricultural sector policies and regulation
A large number of GIZ programmes support the public authorities relevant for the agricultural sector, helping them to develop conducive policies for actors along the value chain. For private sector actors (be they financial institutions, farmers, input suppliers or off-takers) to invest or get involved in agriculture, it is critically important to be able to rely on policies. Instability discourages investment. Supporting ministries and regulatory authorities to develop a long-term vision for the agricultural sector or a specific important value chain is key.

Financial sector policies and regulations
Since many of the GIZ programmes involved in agricultural finance originate from the agricultural sector, there is little involvement in supporting financial sector policy-making or the development of regulations. However, even if programmes are not equipped to be deeply involved in these issues, it is important that they understand their implications with regard to offering financial services to rural and remote (farming) populations. If possible, programmes can engage, alongside other donors and/or through the line ministry they work with, in lobbying for some of the regulatory changes required.

Some important regulatory issues, which have been mentioned throughout this report, permit and facilitate work to reach out to remote populations. These aspects may not be a central feature of future project designs, but they are examples of what needs to be understood by the programme staff and what could be leveraged by engaging in lobbying:

- **Know-your-customer (KYC) regulations** – Developed to combat money laundering, corruption and the financing of terrorism, KYC is the process whereby a financial institution verifies the identity of its clients. However, people living in rural areas in particular find it very difficult to provide national identification documents as they can often only be obtained in the capital city, far away from where people live, and they also tend to be very costly. That said, certain central banks and financial sector regulators have recently started to simplify these regulations for small transaction amounts and have achieved promising results in improving access for target groups like smallholder farmers.
- **Movable collateral regulations** – Movable assets often account for most of the capital stock of MSMEs. As such, they are the main type of collateral that these businesses can pledge in order to obtain a loan, especially if land rights issues and land titles are a challenge. A well-functioning registry for movable assets supports enforcement and therefore encourages financial institutions to work with target groups.
- **Allowing innovation in delivery channels** – The effort and costs involved in reaching customers in remote areas are two of the main obstacles for the financial institutions extending their services to rural areas. Some central banks have been open to allowing financial institutions to innovate with alternative delivery channels such as agent banking or mobile banking, balancing their mandate to protect customers with the need to support market development.

Agricultural finance
The Kampala Principles were developed at the Making Finance Work for Africa conference held in Kampala, Uganda, in June 2011. The Principles are specific policy-level measures of prime importance for increasing access to agricultural finance in Africa and, although six years old, still summarise the key issues.[15]

6.3 Overview of key intervention strategies for promoting agricultural finance

The following two tables list key intervention strategies from the perspective of the financial sector (see Table 2) and the agricultural sector (see Table 3). Both tables cluster the interventions according to the different levels they fall

15 For more information visit: http://www.mfw4a.org/zippingfinance/kampala-principles.html.

under and provide an overview of the various possibilities that exist for promoting agricultural finance. These tables are not exhaustive; they are working documents where approaches can be evaluated and prioritised based on available time, staff and budget, and where new approaches can be added.

Support strategies from a financial sector perspective
This table sets out the support levels, the target groups relevant to these levels, and the potential strategic options for GIZ programmes from a financial sector perspective.

Table 2 | Financial systems support strategies

Level	Target group(s)	Potential strategic options for support
Clients and their groups	▸ Smallholder farmers ▸ Farmer organisations ▸ Larger farmers ▸ Agricultural enterprises (SMEs) in crop cultivation, processing or commercialisation ▸ Agro-dealers/input suppliers ▸ Women/youth farmers	▸ Developing and providing training on financial education and other training related to (household) cash flow management ▸ Coaching and monitoring to ensure the uptake of training ▸ Implementing demand-side research
Broad range of (financial) institutions (micro level)	▸ Financial institutions (all types) ▸ Off-takers/buyers	▸ Supporting the development and implementation of tailored financial products (customising already existing products) with an FI, including: - training FI staff - developing/implementing distribution channels - adapting internal processes and procedures - etc. ▸ Supporting innovative financing models with financial institutions: - linking informal savings groups to FIs - implementing public-private partnerships with an FI - warehouse receipt systems - etc. ▸ Supporting non-FIs: - setting up input loan schemes with buyers/off-takers - etc.
Financial sector infrastructure and support services (meso level)	▸ FI associations ▸ Auditing firms ▸ Training institutions ▸ Research institutions ▸ Loan guarantee funds ▸ Institutional investors	Providing services (public goods) for the overall sector through specific sector-level organisations ▸ Developing specific training courses in collaboration with sector-level associations on relevant topics, such as agro lending, value chain financing, product development, etc. ▸ Supporting research and data collection on certain topics or markets, such as demand, over-indebtedness or value chains ▸ Establishing a challenge fund for technical assistance for rural lending ▸ Setting-up or supporting a credit guarantee scheme ▸ Supporting the establishment of a credit reference bureau ▸ Facilitating adapted refinancing (long-term debt, quasi-equity and equity) ▸ Etc.
Policy, regulation and supervision in the financial sector (macro level)	▸ Ministry of Finance ▸ Financial sector regulator (central bank, banking supervisor) ▸ Other supervisors/regulatory authorities: cooperative authority, insurance supervisor, telecommunications supervisor, etc. ▸ Ministry of Agriculture	▸ Facilitating coordination among relevant line ministries ▸ Supporting enabling financial sector policies: - promoting smart subsidies for the financial sector - supporting national strategies for financial inclusion, consumer protection and financial education ▸ Supporting regulation and supervision: - non-traditional collateral regulations - simplified KYC regulations - credit reference bureau/alternative credit references - payment system regulations - agent banking regulations - mobile money regulations ▸ Etc.

Support strategies from an agricultural sector perspective

This table sets out the kinds of support provided to specific target groups as well as the potential strategic options for GIZ programmes from an agricultural sector perspective.

Table 3 | Agricultural sector support strategies

Level	Target group(s)	Potential strategic options for support
Agricultural actors (in groups or as individuals)	▸ Smallholder farmers ▸ Farmer organisations ▸ Larger farmers ▸ Agricultural enterprises (SMEs) in crop cultivation, processing or commercialisation ▸ Agro-dealers, input suppliers ▸ Women/youth farmers	▸ Training in good agricultural practices (GAP) and in entrepreneurship/business ▸ Training in leadership and governance ▸ Supporting the diversification of farmers' income ▸ Etc.
Support infrastructure	▸ Trader associations ▸ Certification bodies ▸ Service providers ▸ Audit firms ▸ Private extension services	▸ Supporting the set-up of contract farming/out-grower schemes ▸ Facilitating access to information, such as through commodity exchange or price transparency ▸ Supporting the establishment and sustainability of networks, groups and associations ▸ Supporting the establishment of storage facilities/warehouses ▸ Supporting agro-dealers in remote regions ▸ Providing research and data, and maintaining up-to-date databases on the agricultural sector ▸ Etc.
Policy and regulation	Government authorities and agencies: ministry of agriculture and other relevant ministries	▸ Facilitating coordination among relevant line ministries ▸ Facilitating sustainable strategies for government and donor interventions ('smart subsidies') ▸ Contributing to a stable policy framework ▸ Supporting land rights issues ▸ Developing/maintaining rural infrastructure to provide farmers with market access ▸ Supporting the establishment of well-functioning and timely public extension services ▸ Developing a legal framework for warehouse receipt systems ▸ Coordinating donor and development partner interventions ▸ Etc.
Regional/ global	▸ Government authorities ▸ Development partners ▸ Other actors	▸ Supporting global and regional dialogue for knowledge transfer ▸ Establishing an exchange platform at the regional/global level (for specific crops) ▸ Coordinating and exchanging research on crops, specifically on diseases, climate change adaptation, and fertiliser and input approvals ▸ Etc.

Annex 1: List of programmes surveyed

Country	Programme
Benin	Centres d'Innovations Vertes (ProCIVA)
Benin	Promotion du Financement Agricole (ProFinA), part of the new Global Project "Promotion of Agricultural Finance for agri-based Enterprises in Rural Areas" (GV AgFin)
Burkina Faso	Centres d'Innovations Vertes (ProCIV)
Ghana	Integrated Climate Risk Management (ICRM)
Kenya	Green Innovation Centre in the Food and Agriculture Sector
Kyrgyzstan	Promotion of Sustainable Economic Development
Lao PDR	Access to Finance for the Poor
Malawi	More Income and Employment in Rural Areas (MIERA)
Malawi	Social Protection for the Extreme Poor (SPP)
Malawi	Green Innovation Centre in the Food and Agriculture Sector
Mali	Programme d'Appui au Sous-Secteur de l'Irrigation de Proximité (PASSIP)
Regional (Benin, Côte d'Ivoire, Cameroon, Malawi, Mozambique, Zambia, Uganda, Tanzania)	Competitive Cotton Initiative (COMPACI)
Regional (ASEAN)	Agricultural Portfolio based in Thailand (ASEAN)
Regional (Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mozambique)	Competitive Cashew Initiative (ComCashew)
Regional (Burkina Faso, Ghana, Nigeria, Tanzania)	Competitive African Rice Initiative (CARI)
Regional (Nigeria, Togo, Ghana, Côte d'Ivoire, Cameroon)	Sustainable Smallholder Agri-Business (SSAB)
Togo	Centres d'Innovations Vertes (ProCIV)
Togo	Programme pour le Developpement Rural et l'Agriculture (ProDRA)
Tunisia	Innovations pour l'Agriculture et Agro-Alimentaire (IAAA)
Tunisia	Initiative pour la Promotion des Filières Agricoles (IPFA)
Uganda	Agricultural and Rural Finance Program (AGRUFIN) and Farmers as Entrepreneurs – Improving Livelihoods of Smallholders
Zimbabwe	Agricultural Innovation Support Project (AISP)

Annex 2: Programmes and value chains

Programme	Country	Value chain(s)
Farmers as Entrepreneurs – Improving Livelihoods of Smallholders	Uganda	coffee, cotton, maize, banana
Agricultural Innovation Support Project (AISP)	Zimbabwe	bean, potato
Agricultural Portfolio based in Thailand (ASEAN)	Thailand	rice, coffee, pepper, palm oil (in preparation)
Competitive African Rice Initiative (CARI)	Nigeria, Ghana, Burkina Faso, Tanzania	rice
Competitive Cotton Initiative (COMPACI)	Benin, Côte d'Ivoire, Cameroon, Malawi, Mozambique, Zambia, Uganda, Tanzania	cotton
Innovations pour l'Agriculture et Agro-Alimentaire (IAAA)	Tunisia	milk, vegetables (tomato), potato
Integrated Climate Risk Management (ICRM)	Ghana	rice, cassava
Centres d'Innovations Vertes (ProCIV)	Togo	soy bean, cashew, peanut
Promotion of Sustainable Eeconomic Development	Kyrgyzstan	sugar beet, beef, fruits, berries, vegetables
Centres d'Innovations Vertes (ProCIV)	Burkina Faso	sesame, rice, vegetables
Centres d'Innovations Vertes (ProCIVA)	Benin	poultry, rice, soy bean
Programme pour le Developpement Rural et l'Agriculture (ProDRA)	Togo	corn
Sustainable Smallholder Agri-Business (SSAB)	Ghana, Nigeria, Côte d'Ivoire, Togo, Cameroon	cocoa
Green Innovation Centres for the Agriculture and Food Sector	Malawi	cassava, groundnut, soy bean, sunflower
Competitive Cashew Initiative (ComCashew)	Ghana, Côte d'Ivoire, Burkina Faso, Benin, Mozambique	cashew
Promotion du Financement Agricole (ProFinA)	Benin	rice, soy bean, cashew, shea, poultry
Access to Finance for the Poor	Lao PDR	NA
Initiative pour la Promotion des Filières Agricoles (IPFA)	Tunisia	olive oil, fruits and vegetables, forest products (no wood), breeding
More Income and Employment in Rural Areas (MIERA)	Malawi	oilseeds (soy bean, sunflower, groundnuts), cassava
Social Protection for the Extreme Poor (SPP)	Malawi	NA
Green Innovation Centre in the Food and Agriculture Sector	Kenya	sweet potato, dairy

Annex 3: Programmes and toolkits/instruments

Programme	Country	Toolkit/source
Agricultural and Rural Finance programme (AGRUFIN)	Uganda	▸ Fact sheets (to be obtained by the program) ▸ Lessons learned about collaboration with financial institutions (currently being finalized) ▸ Agricultural Finance Yearbook (www.giz.de/en/downloads/giz2016-en-agricultural-finance-yearbook.pdf) ▸ Agricultural financing training course in collaboration with the Uganda Institute of Banking and Financial Services (www.uibfs.or.ug/index.php/mcc-arl-02-agricultural-financing) ▸ National Financial Literacy strategy (www.simplifymoney.co.ug/) ▸ Financial literacy manual for smallholder farmers (www.simplifymoney.co.ug/for-our-partners/resources/training-package/farmers-manual.html)
Sustainable Smallholder Agribusiness in Western and Central Africa (SSAB)	Regional ▸ Cameroon ▸ Côte d'Ivoire ▸ Ghana ▸ Nigeria ▸ Togo	▸ Savings campaign (radio), Côte d'Ivoire ▸ Evaluation of access to finance activities (currently underway) ▸ Farmer Business School documentation
More Income and Employment in Rural Areas (MIERA)	Malawi	▸ Agricultural Commodity Exchange for Rural Africa (ACE) (www.aceafrica.org) ▸ Warehouse Receipt System in Malawi (www.aceafrica.org/media/1326/wrs_strategy_paper.pdf) ▸ ACE Marketing School Workbook (to be obtained from programme staff)
Social Protection for the Extreme Poor (SPP)	Malawi	▸ Savings and Loan Group Best Practice Guidelines for Malawi (currently being finalized and to be obtained from programme staff from August 2017)
Centres d'Innovations Vertes (ProCIVA)	Benin	▸ SME Business Training and Coaching Loop (to be obtained from programme staff, master coaches are available to implement the Loop, the Benin team may ensure technical backstopping)
Promotion du Financement Agricole (ProFinA)	Benin	▸ Technical analysis of productivity of value chains (rice, corn, cassava, soy bean) including mechanisation (to be obtained from programme staff)
Integrated Climate Risk Management (ICRM)	Ghana	▸ Programme web page: https://www.giz.de/en/worldwide/44071.html
Access to Finance for the Poor	Laos	▸ Programme Fact Sheet: Microfinance in Rural Areas – Access to Finance for the Poor (AFP), Fostering local economic development through financial inclusion in rural Laos ▸ Further Programme Resources: www.giz.de/de/weltweit/17492.html ▸ Demand Assessment: Rural Finance in Laos, GIZ experience in remote rural areas, 2012 (www.giz.de/de/downloads/giz2014-en-rural-finance-loas.pdf) ▸ Handbook: Operating Village Banks (www.giz.de/de/downloads/giz2014-en-operating-village-banks-handbook-annexes.pdf) ▸ Assessing Financial Literacy in Rural Laos (www.giz.de/de/downloads/giz2015-en-assessing-financial-literacy-rural-areas-laos.pdf)

Programme	Country	Toolkit/source
Competitive Cotton Initiative (COMPACI)	Regional ▸ Benin ▸ Côte d'Ivoire ▸ Cameroon ▸ Malawi ▸ Mozambique ▸ Tanzania ▸ Uganda ▸ Zambia	▸ Programme webpage: www.compaci.org/en
ASEAN	Thailand	▸ Programme webpages: www.asean-agrifood.org and www.better-rice-initiative-asia.org
Competitive Cashew Initiative	Regional ▸ Benin ▸ Burkina Faso ▸ Côte d'Ivoire, ▸ Ghana ▸ Mozambique	▸ Programme webpage: www.africancashewinitiative.org
Competitive African Rice Initiative (CARI)	Regional ▸ Burkina Faso ▸ Ghana ▸ Nigeria ▸ Tanzania	▸ Programme webpage: http://cari-project.org/
Programme pour le développement rural et l'agriculture (ProDRA)	Togo	▸ Manuel de procédures pour la gestion de micro-crédits agricoles à l'endroit de l'agent de crédit (procedure for agricultural micro loans, to be obtained from programme staff) ▸ Faire de bonnes affaires avec le maïs en zone savane humide au Togo, Référentiel technico-économique pour les entrepreneurs agricoles bénéficiaires du Credit for Farm Business (technical guide for farming corn, to be obtained from programme staff)
Agricultural Innovation Support Project (AISP)	Zimbabwe	▸ Farmer Business School Workbook – Zimbabwe, For Horticulture and Small Livestock (to be obtained from programme staff) ▸ Farmer Business School Workbook – Zimbabwe (to be obtained from programme staff), also available in local languages (Shona and Shangani)

Annex 4: Examples of existing demand-side research

Human-centred design (HCD). HCD is a practical process built on learning directly from customers in their own environments. The process challenges financial service providers to understand, create, evolve, and test possible solutions and repeat the cycle for as many times as it takes. More information can be found on http://www.designkit.org/.

CGAP provides an overview and examples of how HCD can be used to develop client-centred financial services: http://www.cgap.org/sites/default/files/publications/multi-media/Insights_Into_Action/index.html.

Financial Diaries. Financial Diaries are a research methodological tool that aims to capture fine-grained information on the financial lives of households. All cash flows pertaining to each household are captured over a period of several months. Although the information is self-reported, since it is collected frequently (twice per month) by trained interviewers, it is more accurate than a one-off survey. This quantitative financial information is supplemented by demographic data on the respondents, qualitative responses about well-being, information on major occurrences, and interviewers' observations.

Resources:

- Financial diaries with smallholder families in Mozambique, Tanzania and Pakistan (CGAP, 2016): http://www.cgap.org/publications/financial-diaries-smallholder-families
- Digital financial services for cocoa farmers in Côte d'Ivoire (CGAP, 2016): https://de.slideshare.net/CGAP/digital-financial-services-for-cocoa-farmers-in-cte-divoire
- Smallholder Household Survey Côte d'Ivoire (CGAP, 2016): http://microdata.worldbank.org/index.php/catalog/2789
- Kenya Financial Diaries (FSD Africa, 2015): http://fsdkenya.org/financial-diaries/
- Financial diaries in India, Kenya, Mexico, Mozambique, Pakistan, Rwanda, South Africa, Tanzania (BFA, 2012-2015): http://financialdiaries.com/countries-of-study

Annex 5: Bibliography and international experience

Overall research

- Policy Brief on Agricultural Finance in Africa, Making Finance Work for Africa (MFW4A), 2012, available at: www.mfw4a.org/nc/knowledge-center/resources/documents/documents-details/file/policy-brief-on-agricultural-finance-in-africa.html

- Access to Finance for Smallholder Farmers, Learning from the Experiences of Microfinance Institutions in Latin America, International Finance Corporation, 2014, available at: https://openknowledge.worldbank.org/handle/10986/21679

- Innovative Agricultural SME Finance Models, Global Partnership for Financial Inclusion, International Finance Corporation, 2012, available at: www.gpfi.org/publications/innovative-agricultural-sme-finance-models

- Agricultural Value Chain Finance, Tools and Lessons, Food and Agriculture Organisation, Calvin Miller, Linda Jones, 2010, available at: www.fao.org/docrep/017/i0846e/i0846e.pdf

- New Trends in Agricultural Finance, Synthesis report, G20 Global Partnership for Financial Inclusion (GPFI), SME Finance Sub-Group, 2015, available at: www.gpfi.org/publications/synthesis-report-new-trends-agricultural-finance

- From Smallholder to Small Business, Private sector insights on service delivery models that boost profitability and improve farmer livelihood, The Sustainable trade initiative (IDH), 2015, available at: www.idhsustainabletrade.com/resource/smallholder-small-business/

- Strengthening the competitiveness of cocoa production and improving the income of cocoa producers in West and Central Africa, Südwind, Friedel Hütz-Adams, Claudia Huber, 2017, available at: www.suedwind-institut.de/aktuelles-hauptspalte-details/datum////strengthening-the-competitiveness-of-cocoa-production-and-improving-the-income-of-cocoa-producers-in-1

- BMZ Positionspapier Agrarfinanzierung, Nachhaltige Finanzsystementwicklung für ländliche Entwicklung und Ernährungssicherung (unpublished draft)

- How to do Loan Guarantee Funds, IFAD, 2014, available at: www.ifad.org/topic/resource/toolkit/tags/knowledge_notes

- Subsidies as an Instrument in Agriculture Finance: A Review, World Bank, BMZ, FAO, GIZ, IFAD, UNCDF, 2010, available at: https://openknowledge.worldbank.org/handle/10986/12696

Resources case study Benin

- COMPACI homepage (www.compaci.org)

- Fact sheet “Mise en place d’un mécanisme pour faciliter l’accès au crédit au profit des producteurs/trices et transformatrices des zones d’intervention ProAgri/COMPACI-II

- Procédure “Manuel de procédures de mise en place de crédits culture attelée à titre pilote »

- Presentation “Integrating access to finance in contract farming facilitation – what’s needed, what work”, SNRD ABFS, March 2016, Fabian Zegowitz, ProAgri Benin

- FAO homepage: http://www.fao.org/agriculture/ippm/projects/benin/en/

- World Bank: https://www.worldbank.org/en/country/benin/overview

- World Bank, Global Findex, available at: http://datatopics.worldbank.org/financialinclusion/

Resources case study Uganda

- Various presentations and fact sheets developed by the AGRUFIN team, as well as internal report on lessons learned
- World Bank, Global Findex, available at: http://datatopics.worldbank.org/financialinclusion/country/uganda
- National Survey and Segmentation of Smallholder Households in Uganda, CGAP, 2016, available at: www.cgap.org/publications/national-survey-and-segmentation-smallholder-households-uganda

Resources case study Malawi

- ACE Website: www.aceafrica.org
- ACE Rural Strategy 2020
- Enabling the business of agriculture, World Bank Group (2017)
- ACE Marketing School, Training Workbook (January 2017)

Resources case study Côte d'Ivoire

- Presentations provided by the team
- SNRD/GIZ, Experiences with the Farmer Business School (FBS) approach in Africa, 2014
- Situation économique en Côte d'Ivoire, La course vers l'émergence, Pourquoi la Côte d'Ivoire doit ajuster son système financier, World Bank, 2016
- FAO web page: http://www.fao.org/ag/agp/agpc/doc/counprof/ivorycoast/ivorycoast.htm
- CIA World Fact Book Côte d'Ivoire, available at: https://www.cia.gov/library/publications/the-world-factbook/geos/iv.html
- GIZ web page: https://www.giz.de/en/worldwide/16002.html

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