



INNOVATE

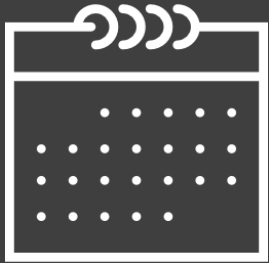
*Adoption of Agricultural Innovations through
Non-Traditional Finance*

Portfolio Status Report

March 2019



PROJECT SUMMARY



Project Length

3 years
2017 - 2020



Grant Portfolio

10 awards/projects
5 pilots, 5 case
studies



Key Themes

Hypothesis testing; customer
experience and journey; adoption;
smallholder finance

PROJECT PARTNERS



EAST AFRICA

- Malawi: Agronomy Technology Limited
- Kenya: Bidhaa Sasa
- Kenya: COIN22
- Rwanda: World Relief



SOUTH ASIA

- Bangladesh: CARE Bangladesh (Krishi Utsho)
- Nepal: iDE
- Pakistan: Pakistan Microfinance Network



SOUTH AMERICA

- Bolivia: CIDRE IFD
- Peru: Global Canopy
- Peru: I-DEV International

Project Summary

- Country: Malawi | Project Type: Case Study
- Project Title: "A case study of the Chithumba model, a non-traditional finance mechanism to improve access to farm inputs"
- Project Summary: ATL will field test an existing contract-based farming model called "Chithumba" based on: access to quality inputs (seeds and inoculant), access to quality extension services, and access to fair markets. The case study will capture lessons from past and current seasons to further analyze and understand how to maximize the impacts of the model.

Learnings to Date

- Key differences among adoption of the three sub-services offered
 - Inputs credit adopted by all clients and highly valued
 - Extension services/production trainings is highly valued by clients but practices and recommendations are not largely adopted
 - Marketing component, is not perceived as satisfactory by clients and as a result, adoption rate is very low although there is a strong demand.
- Stated preference vs. actual behavior:
 - 99% of the respondents indicated the trainings are useful and 96% claim that the recommended agricultural practices differ from the traditional management practices, but only 21% (15% of women and 28% of men) actually follow and implement those recommended practices.
 - Similarly, there is a strong demand for marketing assistance but very low adoption of marketing services offered by the Agricultural Commodity Exchange

BIDHAA SASA



Project Summary

- Country: Kenya | Project Type: Case Study
- Project Title: "Lessons learned from marketing and selling household goods on credit through a Tupperware-style distribution model centered on women groups' leaders in rural Kenya"
- Project Summary: Bidhaa Sasa will test whether its distribution and finance model works for the adoption of agricultural tools and goods, amongst rural women farmers. If successful, this project will assist Bidhaa Sasa to expand its current agricultural offering from canvases to dry grain to other goods such as water pumps, storage bags, wheelbarrows, chicken incubators.

Learnings to Date

- Product learning: When commercializing a new product we expect to learn some key client behaviours: if they value quality and services added over price; if there is enough demand so making a group of five is easy or not, if the time or money savings derived from the product usage makes paying the instalments easy or not
- Female/male split for the canvas and silo is slightly higher than other products (more than 75% of clients are women), a good indication that agricultural innovations are not just for men and that women are also risk takers. Both products seem to have a higher proportion of "second" purchases compared to stoves, solar and LPG.

Project Summary

- Country: Kenya | Project Type: Pilot Study
- Project Title: "Innovation Wallet Learning Project"
- Project Summary: COIN22, Dodore, and University of Nairobi will test if smallholder farmers in Kenya are interested to open a mobile Innovation-wallet account to save funds and borrow funds specifically restricted and earmarked for the purchase of innovation that will help them increase their agriculture production and income.

Learnings to Date

- Financial solutions should be tailored to rural needs and context: conditions in Keringet different from those in Kibwezi and with potato farming, the initial investment amounts have been fairly low, whereas with tomatoes the initial investment proved high.
- Critical to understand transaction dynamics and build trust across the value chains; understanding the entire value chain and provide not only financing needs but also market linkage and technical assistance needs
- Managing Risks:
 - i) Technology and process modifications can be used to reduce risks associated with rural and agricultural finance;
 - ii) Savings (especially when combined with financial education) is an important risk mitigation tool for rural lending. This is because as farmers save the level of exposure is reduced

Project Summary

- Country: Rwanda | Project Type: Case Study
- Project Title: "Agriculture for Life"
- Project Summary: World Relief will develop a case study to investigate the Village Savings and Loans Associations (VSLA) model and linkage to adoption of improved agriculture inputs and agricultural innovation by smallholder farmers (mostly women) engaged in nutrition-sensitive Farmer Field Schools.

Learning Goal: how farmer engagement with both VSLAs and agricultural training impacts agriculture input investments, innovations, and production.

Learnings to Date

- Preliminary findings indicate increasing agricultural investment is an important factor if farmers are interested in a higher crop production.
- This findings suggests that a Savings for Life (via VSLAs) program implemented alongside Agriculture for Life (via Farmer Field Schools) could potentially allow individuals to increase their agricultural investment, and thus increase their crop production

CARE BANGLADESH & KRISHI UTSHO



Project Summary

- Country: Bangladesh | Project Type: Pilot Study
- Project Title: "Engagement of Financial Institutions for Farmers"
- Project Summary: CARE Bangladesh and Krishi Utsho seek to increase the capacity of last mile farmers and women who are often excluded from formal market systems to improve and sustain their farm productivity while protecting their productive assets (i.e., livestock) through access to timely credit, savings and insurance. In opting for a non-traditional financing mechanism for these most disadvantaged farmers, Krishi Utsho will extend its business model to resolve demand side financing issues to improve the lives of its target customer while bolstering its business viability.

Findings/learnings:

- Receiving loans from multiple MFIs is a barrier for farmers to overcome the credit cycle
- While women have extra priority for loans, their male house member utilizes the loan
- Farmers are not willing to share their loan information and there are no check and balance tools to measure their loans

Progress to Date

- Selected two different regions (Sadar Upazila of Jessore district in the Southwest region and Shibganj upazila of Bogra district in the Northwest region); ten input shops selected to act as sub-agents during inception period of project
- Project is undergoing negotiations with Bank Asia Limited and Green Delta Insurance Company Limited to develop a "Agro Based Non-Traditional Financing Package" for rural farmer clients

Project Summary

- Country: Nepal | Project Type: Pilot Study
- Project Title: “Community Managed Access to Finance”
- Project Summary: iDE Nepal in partnership with Muktinath Bank will pilot a new model of finance to reach rural farmers by utilizing an extensive network of community aggregation centres, technical support, and product sales agents who will manage and distribute agricultural loans. In order to appropriately support uptake and security of agricultural loans, this initiative will be partnered with a pilot crop insurance program to protect the farmer’s investments and finance.

Progress to Date

- Last quarter, 75% females received an agriculture loan and 22% were from disadvantaged communities
- Farmers are adopting new innovative technologies after taking new agriculture loan product like plastic house, micro irrigation technologies, IPM technologies - about 390 technologies adopted by the HHs
- Stakeholder cohesion: conducting trainings in presence of Bank staff and iDE project staff, has created uniformity in understanding and cohesion between stakeholders involved
- iDE provided training to farmers who grow Cole crops (cauliflower, cabbage, and broccoli) to realize financial returns in time to repay the loans. Trainings support farmers to maximize the benefits of utilization of new loan product.
- The Marketing and Planning Committees (MPC) in Syangja and Kaski district were strengthened as well as provided with fund support so that they can smoothly operate the program.

PAKISTAN MICROFINANCE NETWORK

Project Summary

- Country: Pakistan
- Project Type: Case Study
- Project Title: “Warehouse Receipt Financing: Tackling the Financial Needs of Small holder Farmers”
- Project Summary: PMN will study a Warehouse Receipt Financing (WRF) pilot introduced by the State Bank of Pakistan to address credit issues in agriculture with medium and large farmers. PMN will identify opportunities and challenges to implement the WRF model for women and men smallholder farmers in Pakistan.

Progress and Learnings to Date



- The concept of warehouse financing is relatively new in Pakistan and has not yet come to fruition because of delays in issuance of guidelines, lack of infrastructure, lack of awareness among smallholder farmers, augmented role of the middleman (Aarthi), and an overall reluctance of private sector to invest in agriculture related activities.
- PMN completed research and first draft of the case study which outlines the benefits of WRF by evaluating the pilot project that has been implemented in Pakistan and develops an understanding of how MFIs can enter this landscape and provide financing to small farmers through this system. A regulatory framework for MFIs to enter the landscape of WRF for small holder farmers is proposed for implementation.
- Regulatory support: a missing link is the lack of regulatory support for warehouse standards and quality assurance measures
- Target customer: smallholders with typical land size of 5-12 acres

Project Summary

- Country: Bolivia | Project Type: Pilot Study
- Project Title: “A scheme for registration and management of non-conventional collaterals to promote access to financial services for small farmers”
- Project Summary: CIDRE in partnership with BDP will pilot an innovative scheme for the registration and management of non-conventional collateral and develop a nationwide registration system. If successful, this project will enable over \$500 million in new capital lending operations become available through new financial services for smallholder farmers in Bolivia.

Progress to Date

- Conducted desk research and produced brief paper on learnings from past successful experiences using non-conventional collateral to support credit operations
- Completed development of Minimum Viable Product (MVP) version 2 of the registry system

Learnings to Date

- Empirical evidence supports positive effect collateral registration has on non-conventional guarantees and financial inclusion – direct impact on interest rates, loan terms, and access to formal credit
- However, Bolivian legal reforms, implemented through the Law 393, seems to be limited in what respects to some important aspects: registration and collateral recovery for lenders. Moreover, from previous experiences, we can infer that legal reforms must consider a broader set of legal tools and procedures to increase the probability to succeed.
- A multidisciplinary team is needed for the MVP development process; taking into account different team members (loan officers and IT developers) in the development process is challenging but necessary.

Project Summary

- Country: Peru | Project Type: Case Study
- Project Title: "Green Agricultural Credit in Peru: Early stage lessons"
- Project Summary: Global Canopy seeks to build capacity and understanding of financial institutions that provide rural credit to smallholders on viable conditions of finance to incentivize the uptake of credit by smallholders for sustainable agriculture. The case study will enable financial institutions to design green credit products that are appropriate and attractive to smallholders.

Progress to Date

- Final stages of completing case study on research findings and interviews with smallholders
- Held stakeholder roundtable with MFIs/cooperatives; social impact lenders; government entities (Ministry of Environment and Ministry of Production) to initiate discussion on sustainable credit for smallholders agenda

Expected Learning

- What are existing conditions of green credit in Peru?
- What are the credit needs of women and men smallholders in Peru?
- What are the pain points of financial service providers in Peru who have potential to offer green credit to smallholders in the focus value chains? Is it feasible for them to meet the credit needs of smallholders?

I-DEV INTERNATIONAL



Project Summary

- Country: Peru | Project Type: Pilot Study
- Project Title: “Mobile Money and PAYG Innovation to Scale AgTech Adoption in Smallholder Value Chains”**
- Project Summary: I-DEV International will execute the project in alliance with the Cooperative of Tara Producers of the North (APT-N) to pilot possible solutions to scale the adoption of affordable precision irrigation technologies among smallholder tara farmers.

**project scope change – title requires revision*

Learnings to Date

- Initial project focus was to test mobile-integrated PAYG using BIM to pay for solar drip irrigation systems for smallholders, initial analysis found that BIM integration into the devices would be extremely expensive and solar drip irrigation systems difficult to source and harder to distribute, integrate and pay for. Full pilot integrating BIM and solar irrigation systems would require a significant increase in project budget and time
- Modified objectives and scope:
 - Identify key lessons learned in designing future INNOVATE or similar projects,
 - design a methodology for assessing the feasibility of an innovative financing mechanism to allow smallholder farmers to purchase agriculture-improving technologies,
 - and pilot and test identified innovative financial mechanisms that will enable smallholder tara producers to afford agriculture improving technologies.

Contact



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