



2nd PAFO Continental Briefing Nairobi, 13-14 July 2014

Summary of e-Discussion



- Education of farmers and the FOs in the management and use of credit
- Farming is a business, markets before finance. How do we attract farmers into safe SHF financial ecosystems
- Farmers should work in groups to overcome the challenges of logistics but the management and governance must be clear



- Most governments' budget allocation to agriculture still small and below the Maputo declaration.
- The small budget allocation not fully utilized due to lack of capacity. Poor public support to SHF.
- Financial products are not well tailored for the smallholder farmers.
- SHF face high interest rates and high cost of guarantees due to lack of MFIs, agricultural banks, etc.



- Organisations such as PROPAC, ROPPA, SACAU, AFRACA, UMAGRI, etc. should support the smallholder farmers and small organization to develop required capacity.
- Revive discussion on finance to SHF and value chain approach. Should be country specific, find ways to share experiences, improve and innovate.



- Seek alternative ways of finance; Crowd funding as a solution.
- FOs need to play a more active role; time for action. Be involved at all stages of decision-making and value chains.
 - Farmers and FOs are participating in several workshops but the situation remains the same.



- Group lending could be the solution but this comes with its own challenges.
 - APEX Farmer Organizations should play the crucial role of coordination, management and safe guarding the borrowed resources/providing collateral.
 - Input and output markets have to function efficiently.



- Farmers must be well organized with a clear and shared business vision. The farmer organization must know its primary and secondary customers leading to an appropriate business model.
- There is big rift between financiers and farmers due to a limited understanding of how SHF operate in the agricultural space.
- SHF and FOs need to explain and prove how they act in different value chains.



- FOs have to play an active role in influencing the policy environment in which they operate.
- Revitalising agricultural insurance and the creation of agricultural insurance markets.



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Key issues discussed



- Smallholder farmers biggest financiers of agriculture.
- Take stock of what is working
- How do we upscale?
- Build a collective action plan
 - Split under RFOs
 - Keep it simple
 - Achieved goal for replication



- Financing landscape is changing.
- Financial resources not the limiting constraint
 - Present a track record (management, financial records).
 - Break the old perception.
- CAADP focus on three pillars
 - Institutions, policy and leaders
 - Financing agriculture
 - Knowledge and learning support



- The case studies showed FO achievements.
 - FOs already in business.
 - We are not starting from Zero, areas to build on exist.
 - Need to create the Plan and implement
 - How do FOs continue to link into business and AU (CAADP/NEPAD).
 - Influence policy(Africa, regional and National)
- Relevancy of data in all areas of the value chain.



- Productivity still remains the biggest problem but how do we address this from a complete value chain perspective.
 - Support to farmers should be in line with level of productivity.
- Risk mitigation
 - Traditional insurance
 - MicroEnsure solution approach
 - FO role and the benefit of aggregation
 - Efficient distribution



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Action Plan



Expanding Smallholder Farmer Access to Financial Services

Objectives:

- Increase farmer access to financial services
- Increase affordability of financial services among the farmers.
- Increase the share of the value chain directly influenced or controlled by the smallholder farmers.



Goal

Train and equip the FO with capacity to increase access to financial services to their members.

Key Activities

- Identify at least three pilot initiatives with RFOs.
 - Affiliated/member of RFO
 - Existing business operations (Active in Value chain)
 - Access to finance a limitation.
 - Room for Capacity building.
 - Value chain partnerships



Programme Design

- Policy (Africa, Regional and National)
 - Advocacy
 - AU
 - ECOWAS, COMESA, ACTESA, IGAD, EAC
 - National government
- Business (FOs under national members)
 - Define what will be achieved
 - Develop a farmer led training programme (Farmers do the training in scaling up phase).
 - Secure funding for technical support and basic infrastructure.



Expected Outcome

- Increased access to financial services among smallholder farmers.
- Improve farming profitability per household
- Improve relevance of smallholder farmers in the rural economy
- Support structure for financial services within the RFO and National FO.
- Share lessons learnt within FOs and RFOs



Time Frame

- Under PAFO finalize proposal (at least 3 weeks).
- Identify and implement initiative within 3 months.
- FO and value chain partners take full responsibility after 12 months.
- Evaluate scaling up potential/opportunity between 9 and 12 months.
 - Recommend scaling up plan or redesign of pilot approach.
- Report results at 3rd PAFO Continental Briefing.
- Present scaling up plan at 3rd PAFO Continental Briefing