

# AGRA's Innovative Finance Strategy



# What is AGRA?



The Alliance for a Green Revolution in Africa (AGRA) is an African-led non-governmental organization that works with partners to catalyze agricultural transformation in Africa.

It has interventions in **11 countries** to improve:

- Soil health and access to fertilizers for smallholder farmers
- Seed varieties and their availability to smallholder farmers
- Smallholder farmers' access to knowledge, markets and finance
- Policies impacting agricultural productivity of smallholders

In Ghana >95 projects worth 59 million USD have been implemented through > 30 partners.

# Why the need for agricultural finance initiatives?

Improvement of food security through increased agricultural productivity requires financing of:

- Mechanization and labor
- Inputs (seeds and fertilizers)
- Crop insurance

Improvement of income requires financing of:

- 'Hunger period' to prevent sales of standing crop
- Processing equipment (grading, shelling)
- Storage facilities (warehouse, PICS bags,...)
- Supply chain (cash on delivery)
- Storage (warehouse receipt financing)

# AGRA's Innovative Finance Strategy;

## **1. Risk Sharing/Credit guarantee instruments to leverage private capital into agricultural value chains.**

- Mobilize and structure funds (risk sharing/guarantee resources, credit lines, equity etc) for financial service providers.
- Build capacity of farmers, value chain actors and financial institutions in agricultural finance, using grants.

# AGRA's Innovative Finance strategy;

## 2. Use of digital channels to enhance financial Inclusion

Reduce risks and costs by:

- Promoting use of digital channels
- Building on AGRA's existing partners and networks
- Cost sharing of new product development
- Cost sharing of capacity building of actors

# Which problems do Innovative Finance solve?



## High risks and costs

Default

Cost of branch

Weather

Bad infrastructure

Lack Agricultural knowledge

Better opportunities

Side selling

# AGRA's Innovative Finance Initiatives

- AGRA/DANIDA AVCF project (credit guarantee and risk sharing instruments).
  - **\$9.5 Million** in credit guarantees to leverage **\$95 Million** in credit over a five year period.
- Support the design and implementation of comprehensive risk sharing initiatives. Eg. Nigeria Incentive Based Risk Sharing for Agricultural Lending (NIRSAL).
  - Support GoG to develop GIRSAL.

NIRSAL has five pillars:

- Risk Sharing Fund (\$300 million to leverage \$3 billion in lending)
  - Technical Assistance Fund (\$60 million)
  - Insurance Facility (\$30 million)
  - Bank Rating (\$10 million)
  - Bank Incentive Mechanism (\$100 million)
- ❖ \$334 million in loans have been extended as at February 2015

# AGRA's Innovative Finance Initiatives

MCF/Financial Inclusion for Smallholder Farmers in Africa Project (FISFAP);

- Support FIs to develop networks of non-exclusive agents including agribusiness SMEs.
- Support ICT companies/FinTechs/Telcos to develop mobile savings wallet to enable farmers save up for agro inputs purchase.
- Technical Assistance in Financial Capacity Building
  - Build capacity of farmers, value chain actors and financial institutions in agricultural finance using grants.