

Digital Savings for Re-investments in an Agro-inputs Model for SHFs



1. Pioneer partnership

Agri-wallet

This replicable practice was first introduced in Kenya in 2017/2018 under the sorghum partnership between Shalem Investment Limited (woman led) agro-commodity aggregation company and 2SCALE. One of the main ambitions in the partnership was to support sorghum smallholder producers/farmers (SHFs) access quality inputs for improved produce and incomes. This was made possible by identifying and customizing a digital layaway platform – Agri-wallet, to enable sorghum farmers access finances to purchase quality inputs to produce sorghum for the Shalem market.

Agri-wallet is working in Kenya to improve food security and reduce poverty by providing trade and input finance to under-served smallholder farmers, buyers, and input providers. It provides a blockchain-based digital wallet account in which savings and credit are ‘earmarked’ specifically for spend on income-generating activities i.e., agriculture payments. The ‘earmarking’ (restricted purpose) element offers SHFs an opportunity to put money aside from their income sources for use in the next production cycle. The credit component is in the form of an online overdraft that addresses obstacles faced by SHFs such as lack of collateral, lack of access to banking services which is common in remote/semi-arid farming areas. The process of onboarding clients in Agri-wallet platform is a very easy and affordable process, therefore, this addresses some of the reasons behind low access of finance particularly the low credit uptake by SHFs and especially women and youth.

Through collaboration with Agri-wallet, 2SCALE commissioned a pilot to test savings and input purchase ability of smallholder farmer under Shalem sorghum contract farming arrangement. The goal of the pilot was to earmark funds for timely purchase of inputs. To achieve this, at least 10% of the monetized value of produce was automatically set aside in a digitized account (wallet) and earmarked for farm inputs only. 100% of the input payments is cashless, and transacted through the farmer’s mobile phone, while input distribution is accessed through an array of registered input outlets (merchants) at the proximity of the Agri-wallet registered SHFs locality.

Doni – Doni

A similar replicable practice was introduced in Mali in 2017/2018 under the yellow maize/corn partnership championed by SONAF (Nama and Sons Corporation), a local Agri-commodity aggregation company. The main ambitions in the partnership was to support yellow maize smallholder producers/farmers (SHFs) access quality inputs for improved produce and incomes. This was made possible by identifying and customizing a financial product for SONAF SHFs input purchase by leveraging on digital platform called “Doni-Doni” (which means little by little in Bambara) developed by Doun Ka Fa, a Malian improved seed production, and distribution company and Orange Money, a Paris-based telecom company. The basis for this digital financial product was to provide access for agricultural inputs finance using digital money in a way that farmers savings are digitally redeemed in time for an input package. The package consists of improved maize seeds, fertilizers, plant protection products and support/advisory services for a crop cycle/season. In this financial arrangement a SHF is supposed to subscribe for one or more packages of inputs (e.g. ¼ ha, ½ ha, 1 ha or more) through Doni-Doni platform. The amounts gradually saved are guided by the package reserved by the subscriber (SHF) which ranges from 100 to 1.5 million CFA francs. After every saving entry, the SHFs receives a text messages (SMS) confirming the saved amount and the balance payable to qualify for the subscribed input package(s).

After customization of the platform, a pilot was commissioned within the SONAF partnership to test and reassure SHFs of the credibility of this fintech which involved creation of a bank account in a local bank in the name of SONAF and an Orange Money mobile account also in the name of SONAF. The mobile money account is credited with the saved money

by SHFs and at some point, and/or on request of SONAF, Orange Money transfers the money to the SONAF bank account for disbursement to the input supplier (Doun Ka Fa) after inputs are supplied and acknowledgement made by the SHFs. The pilot results confirmed better competitiveness for SONAF, Doun Ka Fa and SHFs since previously the planning and access to inputs at the beginning of an agricultural season in Mali was challenging due to lack or low access of quality inputs, low production advisory services, lack of access to input finance for SHFs due to lack of tailor made formal financial products in Malian financial market. The delivery of input is done in this digitized process before the beginning of an agricultural season allowing the SHFs to practice early planting associated with better yields which provides the market (SONAF) to access targeted volumes meeting its market demand and Doun Ka Fa enjoying the economies of scale with zero risks.

SONAF and 2SCALE decided to introduce Doni-Doni fintech; a progressive digital platform for low-income communities to encourage saving through mobile phone aided technology for purchasing quality agro-inputs by SHFs. This platform was launched and piloted in Sikasso within the SONAF corn aggregation regions in March 2017 with 468 SHFs with gender disaggregation as follows: 29 senior women, 37 young women and 135 young men all involved during the pilot phase. The awareness of importance of quality inputs and saving for re-investing to aid corn production was facilitated by 10 coaches, and 2 booth managers who also provided support on onboarding farmers and including assisting in the distribution of inputs. The pilot was considered a success and resulted in developing input packages for more than 1 hectare, opening 10 more input distribution kiosks in the yellow corn belt.

After the pilot, SONAF on its own replicated a kiosk within each yellow corn producing region with SHFs successfully saving for an input package and delivery done in time by Doun Ka Fa. The efficiency on delivery with continued purchase continues up to date.

To summarize, this practice is addressing constraints in terms of:

<p>Inclusion</p>	<ul style="list-style-type: none"> • Availability: The digital layaway platforms contribute to food nutrition security by enabling SHFs have adequate access to quality advisory/extension services, including timely savings and/or credit and access of quality inputs without much hassle, and consequently improved quality yields and incomes. • Acceptability: The activities done by the SONAF coaches and/ booth managers (micro-franchise) combined with the Doun Ka Fa input sales and distribution with extension services. This improves acceptability of input packages and production of high-quality corn. This is like Agri-wallet which the different functionalities provide farmers with opportunity to save for inputs, and access quick input credit. It is also an advantage for Shalem to access the pre-payments which mitigate side selling because farmers could receive prompt payments. • Voice: The SONAF coaches and/or booth managers were trained on business skills, including basic financial accounting principles. This helped them get more control over their activities, and to express desires and intentions about their business with the SONAF-Doun Ka Fa digital input distribution model. • Rewards: The ability to access the different accounts on the Agri-wallet platform provides farmers with transparency and they can plan for farming activities well. The booth managers (coaches) make a margin from distribution of inputs. This is a transparent process through the right subscription of appropriate input packages and accounting process done by Doun Ka Fa and verified by SONAF.
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3. Preconditions for replication

Ensuring a steady SHFs input supply and income generation

The input booth operators are normally not directly employed by the company and make an income from margins on the sales and distribution of the inputs. As the input distributor would only subscribe inputs through the input booth (micro Franchisee), this limits the base for income generation. A solution could be to engage more (non-competing) companies to the booth network that would also sell their products, allowing for more products to make margins on. Also, additional income-generating activities could be organized through the network, such as soil testing, safe use of agro-chemicals or more general eco-production activities for which the micro-franchisees are paid for. Also, a typical gap we see in the development of input both networks is the lack of mobile phones (unlike in Kenya where mobile penetrations is about 95%) for the individual farmers to use for saving wallet and subscription for inputs. Ideally the business champion plays a pro-active role in brokering access to mobile phone on credit with mobile phone providers on a check-off financial arrangement.

Piggybacking on existing structures

Recruiting, onboarding, and training of booth operators can be a resource-intensive job which can be too much for many (smaller) SMEs. Alternatively, the business champion could piggy-back on existing structures to lower the burden. For instance, coaches/extension workers could double as booth operators, considering that operating an input booth can be a good addition to their extension work. In Kenya, under the sorghum partnership with Shalem we have seen possibilities for engaging agribusiness agents (micro-aggregators) as inputs merchants/booth operators. It is good to keep in mind that it is important (when using agribusiness agents) to carefully coordinate with the SHFs groups and local government. Also, this approach will increase the level of control the business champion has on its aggregations, and coordination of the supply chain.

Demand-generating activities

For the input booth/merchants to be successful, SHFs will need to become aware of the inputs, especially when there are some new inputs to them. The booth operators are expected to create this awareness themselves, but it helps if more general demand creation activities are organized, i.e., extension service and/or training and coaching. Think about field days, demonstrations, soil testing sessions, crop spraying programs etc.

Management of the network

Especially when input networks grow to a certain level it is very important to closely manage the network for coordination with input distributors, to arrange logistics, organize training, etc. If this is not organized by the business champion or another entity, it is likely that the network will face a high level of dropouts and potentially collapse.

Ownership by the business champion

Especially in the start-up phase of an input network, it is important that the business champion shows pro-active ownership of the network and invests in its growth itself. It should not be “carried” by the project. At the same time, over time it would be good if the business champion can coordinate the ownership of the network with other input distribution company (see also section on income generation for input networks).

4. Results Achieved

In the pilot year 2017/2018:

- Over 3500 farmers accessed inputs through their own savings.
- 345 farmers accessed overdrafts offered through Agri-wallet with a value of 22,500 USD.
- Over 10 SONAF input booth managers were recruited, onboarded, and trained.
- A total of 125,000 USD payments were done over the Agri-wallet platform.

Want to know more?

If you want to know more about this practice, please reach either to Peter Kirimi, on pkirimi@2scale.org; or N'tcha Gnamou on ngnamou@2scale.org.

Furthermore, you can also read more on the case through the following resources:

- 2SCALE insights paper 2: https://www.2scale.org/upload/650938_2SCALE_paper11.pdf; (2017)
- Thematic paper on https://www.2scale.org/upload/74a225_A2F_paper_final_050518_s.pdf; (2019)



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