



**7th November
Nairobi, Kenya**

**Financial Services: Finding Effective
Partnerships, Making it work for Smallholder
Farmers**

#ALE2023 #AgriFinALE2023

Session Agenda

Duration	Topic	Speaker/Facilitator
10:00-10:20 (10 Minutes)	Introduction to the session	Grace Njoroge
10:20-11:00 (40 Minutes)	Collaborative pilot on Warehouse Receipts financing solution. Rationale on why it's being done and impact	Jared Ochieng - FSDK
11:00-12:00 (One hour)	Panel Session with Financial Institutions on partnerships for financial inclusion	Jamie Anderson - CGAP
12:00-12:20 (20 Minutes)	Risk financing - Innovating and scaling risk reducing measures for livestock keepers and farmers in the drylands	Rupsha Banerjee - ILRI
12:20-12:30 (10 Minutes)	Session summary and Recap of way forward	Paul Kweheria

Pilot on Warehouse Receipts Financing Solution



Facilitator

Jared Ochieng

Senior Agriculture
Specialist, FSD Kenya

Panelists



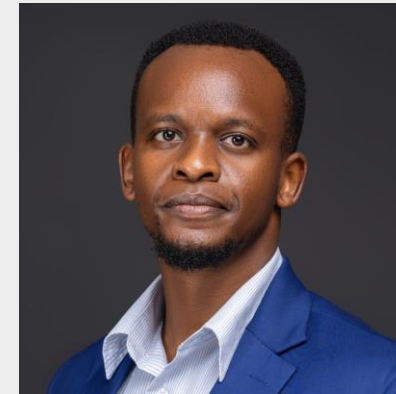
Jacqueline Odundo

Corporation Secretary &
Head of Legal Services,
Warehouse Receipt
System Council (WRSC)



John Mungai

Economist, Agricultural
Finance Corporation



Tito Gachuhi

Manager, Financial
Services Strategy (FSS),
Genesis

Financial Institutions- Experiences with Partnerships for Financial Inclusion for Smallholder Farmers



Facilitator

Jamie Anderson

Senior Financial Sector Specialist,
CGAP

Panelists



Anthony Mbithi

Head of Agribusiness,
Family Bank Ltd



Euster Seghete Gerald

Head of Ecosystem Business,
Loop DFS, NCBA Group



Paul Odong

Head of Projects
Equity Bank, Uganda

Risk financing – Innovating and scaling risk reducing measures for livestock keepers and farmers in the drylands



Rupsha R Banerjee
Senior Scientist, ILRI

A woman with dark hair, wearing a white short-sleeved shirt, is smiling as she harvests tea leaves in a lush green field. She is holding a large, woven wicker basket. The background is filled with dense green foliage and trees. The image is framed by a white border with green geometric shapes on the left side.

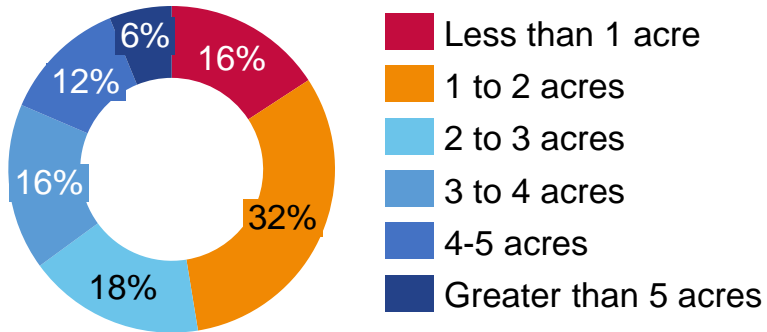
Collaborative pilot on Warehouse Receipts (WR) financing solution

Situational Analysis

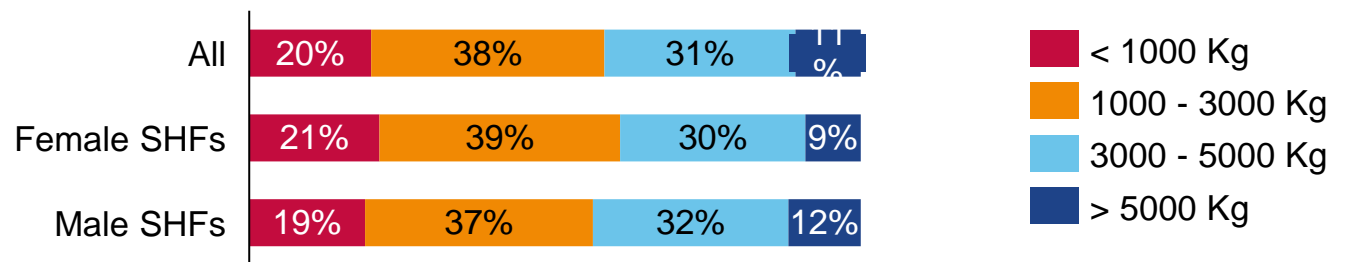


There are 7.5 million smallholder farmers (SHFs) in Kenya.¹ 94% cultivate farms smaller than 5 acres and have an annual median produce of 1,000 – 3,000 Kgs.²

Acreage of farms cultivated by smallholder farmers ²



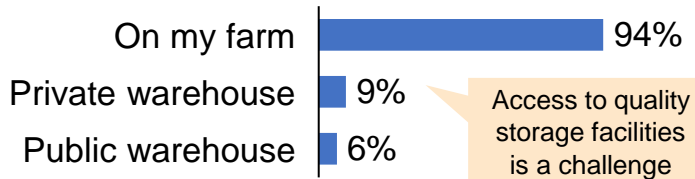
Annual produce of smallholder farmers ²



Among the key challenges faced by smallholder farmers is:

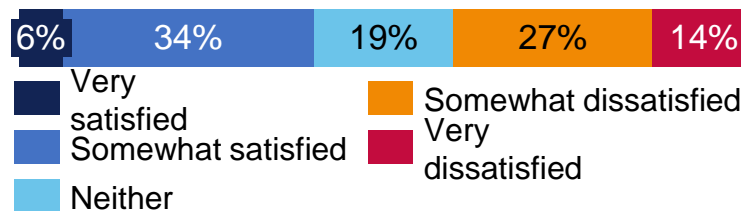
1 Post-harvest losses of up to 50% ³

Storage facilities used by SHFs ²



2 Exposure to high price volatility of produce

Satisfaction with selling price of produce ²



3 Inadequate access to finance

Barriers to credit ²



Pilot on Warehouse Receipts Financing Solution



Facilitator

Jared Ochieng

Senior Agriculture
Specialist, FSD Kenya

Panelists



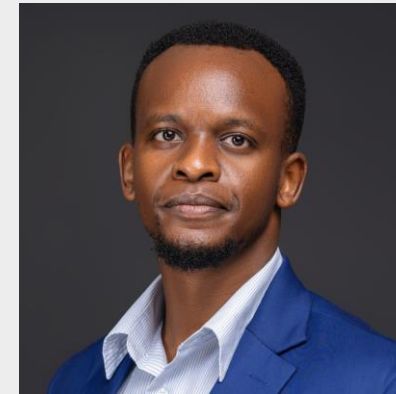
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Video

Financial Institutions- Experiences with Partnerships for Financial Inclusion for Smallholder Farmers



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A smiling man wearing a straw hat and a plaid shirt is talking on a mobile phone. He is standing in a field with a herd of brown cows in the background. The scene is set in a dryland area with mountains visible in the distance under a cloudy sky. The image is framed by green geometric shapes on the left side.

Risk financing - Innovating and scaling risk reducing measures for livestock keepers and farmers in the drylands



Risk Financing - Innovating and scaling risk reducing measures for livestock keepers and farmers in the drylands

*Dr. Rupsha R Banerjee – Senior Scientist, Institutions and Innovations
Team leader – Drought Risk Financing Solutions*



7th November 2023
Safari Park, Nairobi, Kenya



Challenges and Opportunities in livestock sector

- ❑ **More than 1 billion people** dependent on livestock face multiple climate hazards
- ❑ Major risks are related to **markets, climate, storage, inputs, pests and diseases**
- ❑ **A fraction of climate investment** is allocated to research or development for livestock-based systems
- ❑ **Provision of market-based financial solutions** that may positively influence household behaviour and welfare
- ❑ **Innovation through digital technologies** for collecting and sharing data, ground-truthing in fragile and complex environments
- ❑ **Context specific, climate informed agro-advisories** for tactical management scaled with ICT



Livestock Insurance



1. Policies are purchased, either by pastoralists themselves or by Government on their behalf



2. During the season, satellites monitor the greenness of the ground („Normalized Difference Vegetation Index“, NDVI) and thus the availability of forage for livestock



3. If the greenness index falls below a pre-defined threshold, this indicates that no forage is available for livestock

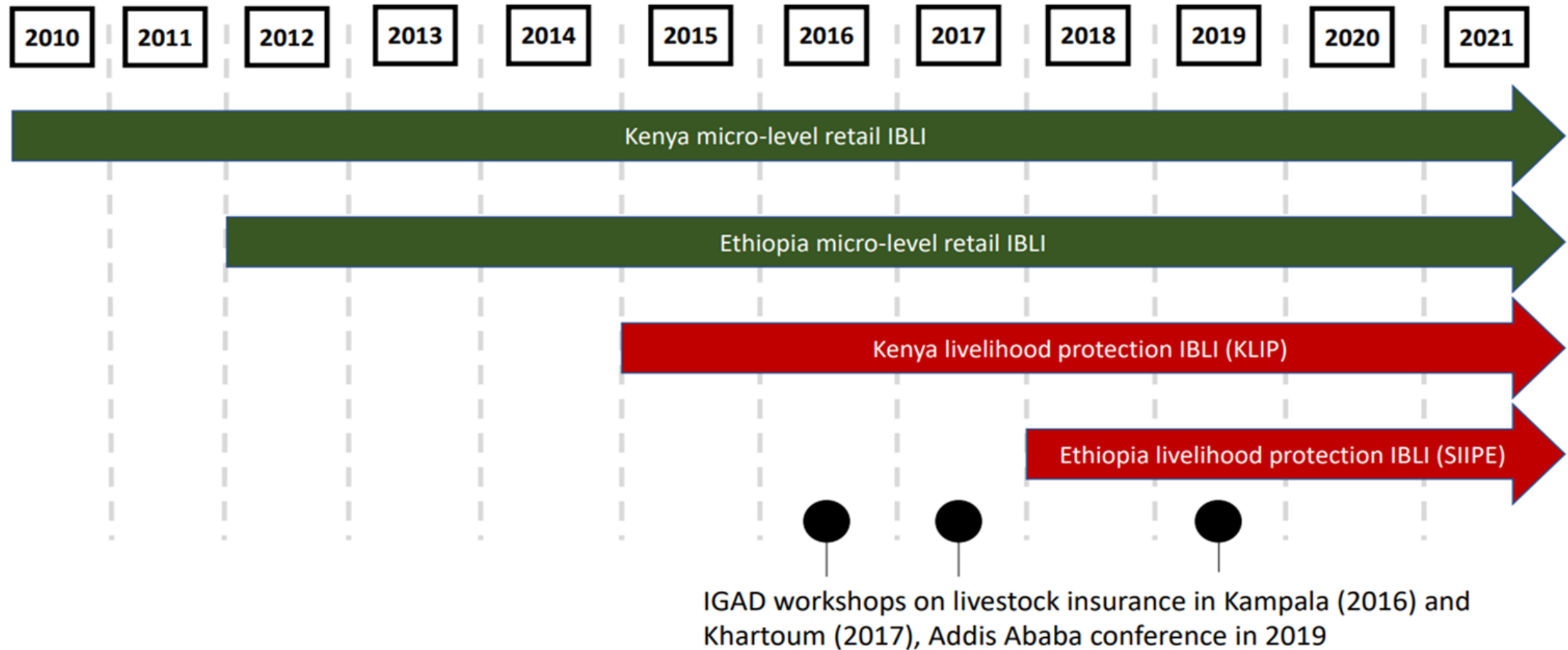


4. Using mobile payment systems, the insurance company issues a payout to the insured pastoralists in the area where the lack of forage was detected



5. As payouts are issued already during the season, pastoralists can purchase fodder and/or veterinary services, keeping their animals alive

Livestock insurance over time



Current partners and ongoing projects



- ❑ **Kenya:** Family Insurance with women's savings groups, sentinel zones, insurance and conflict
- ❑ **Ethiopia:** Scaling beyond Borena region - insurance and conflict, insurance and resilience building, sentinel zones, encouragement designs for IBLI diffusion.
- ❑ **Sudan – Feasibility and proof of concept**
- ❑ **Somalia:** Product design, stakeholder engagement, policy advocacy
- ❑ **Senegal – scoping for DRF solutions and sentinel zone**



Behavioral change and welfare benefits

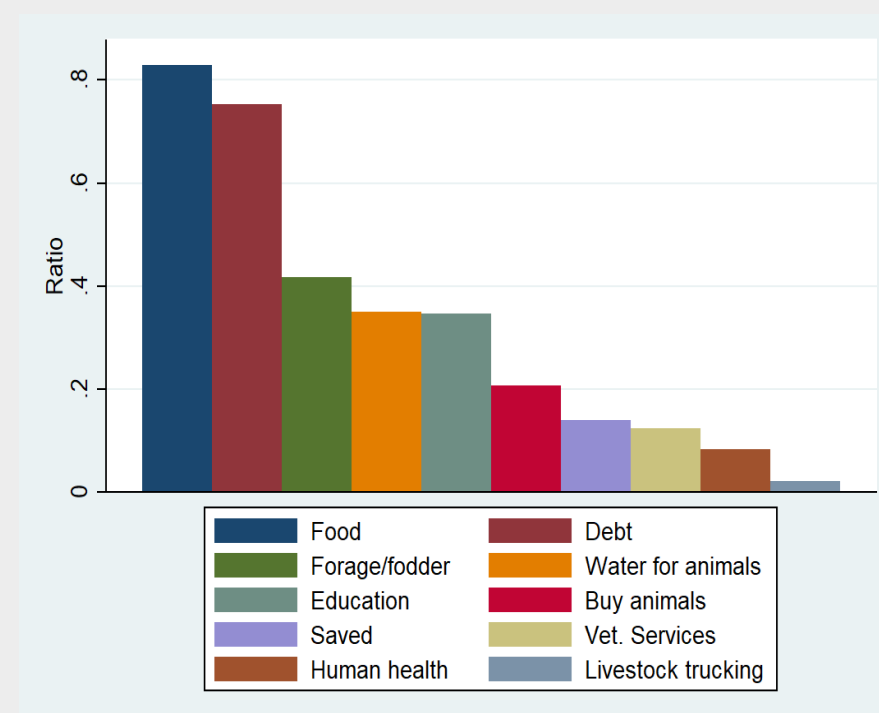
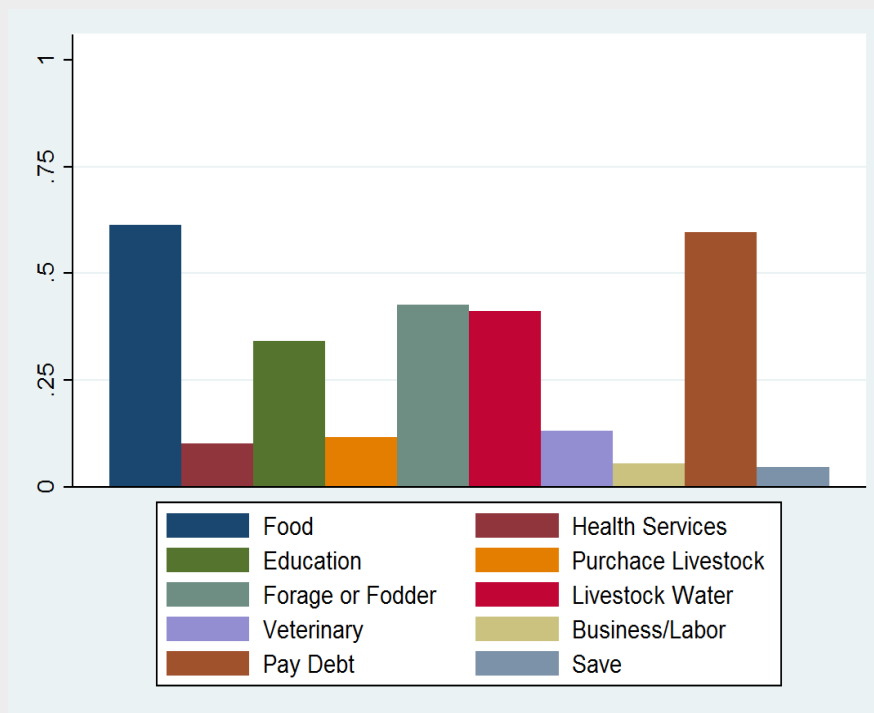
- ❑ 75,000+ policies sold in Kenya and Ethiopia –scaling in Somalia, Sudan with demand in West Africa
- ❑ >100,000 people covered under livelihood protection livestock insurance programs
- ❑ Women account for 43% of the policy holders
- ❑ 36% reduction in likelihood of distress livestock sales
- ❑ 25% reduction in likelihood of reducing meals as a coping strategy, especially (43%) among those with small herds
- ❑ Major payouts in 2011/12, 2014/15, 2016/17, 2018/19 and 2021-23 – US\$ 11 million



Evidence of Impact and Value

Pastoralists' access and use of indemnity payouts

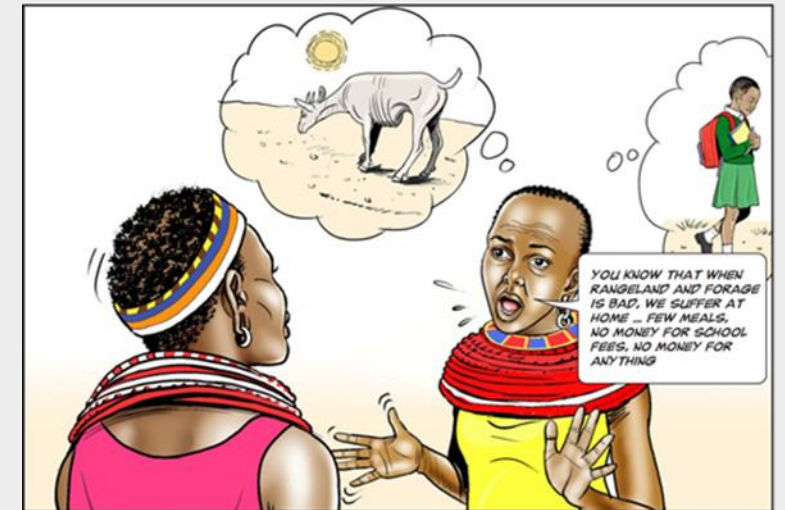
Is there anything that you spent money on because of the payout that you could not have done so without it?



Chelanga et al., 2018

The BOMA graduation program in Northern Kenya

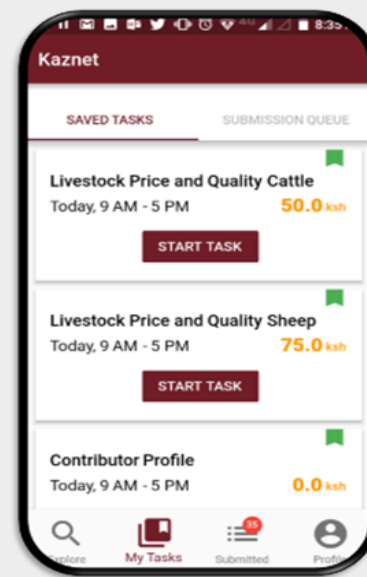
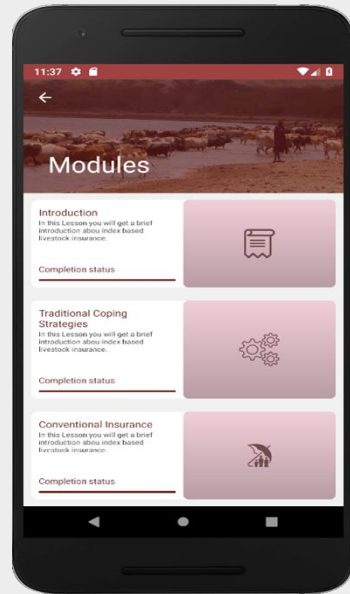
- BOMA's REAP program builds tangible material assets and intangible psychological assets for deeply poor women in Kenya's ASAL counties
- Impacts evaluation of REAP after 4 years shows:
 - 320% increase in women's productive assets
 - 32% increase in family cash income
 - 510% increase in women's savings



Livestock insurance as a complement to BOMA's asset building

- ❑ Can these impressive gains for women survive the next climate shock
- ❑ Although there is a strong case for coupling asset building with insurance-based asset protection, can this potential be realized with the livestock insurance
- ❑ First level problem: economic activity that can be directly indexed (forage availability on the open rangelands) is tied to what is constructed as a male activity
- ❑ Is rangeland relevant to women's responsibilities and can it be made salient to them?

Digital technology to support risk reducing measures



BANISA
LONG RAINS LONG DRY

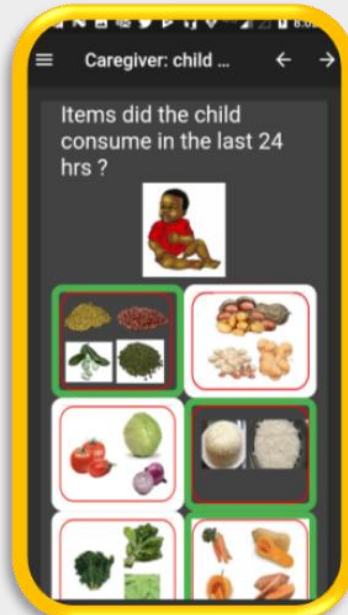
2015

COPY VALUES TO INPUT

Enter NDVI Values for Each Dekad

Mar 1-10	0.24	0.24
Mar 11-20	0.25	0.25
Mar 21-31	0.29	0.29
Apr 1-10	0.32	0.32
Apr 11-20	0.37	0.37
Apr 21-30	0.41	0.41

IBLI Unit Calculate



ILRI

My Courses > Index Based Livestock Insurance for Sub-Saharan Africa (Ethiopia)

MODULE 4: Index-Based Livestock Insurance and Takaful

Step 5 (of 10) Vegetation as an Index

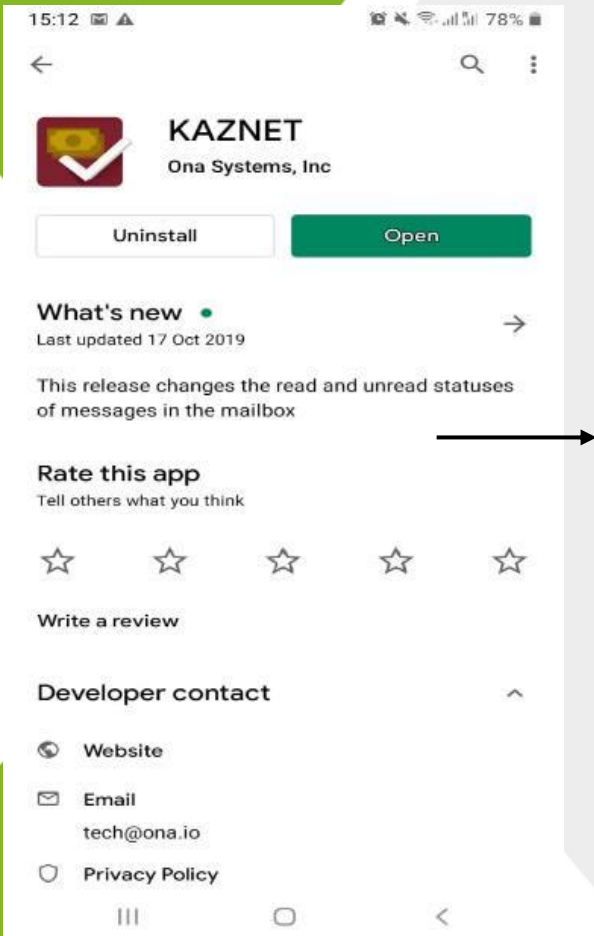
IBLI/T Key Concepts

- Payment based on drop in vegetation index, **not** livestock deaths
- Payments made to **all** policyholders / participants in affected areas
- Payment automatic if index drops below a certain point
- No need to submit paperwork or prove losses

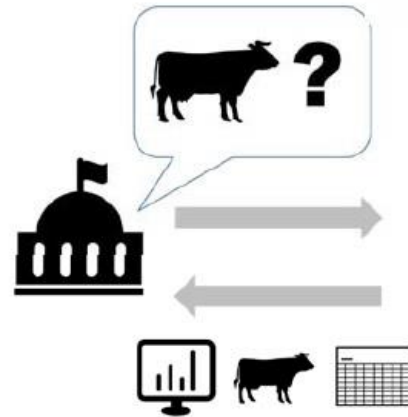
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Crowdsourcing of Information from the drylands - KAZNET

System Schematic - The system has the capacity to transform client information demand into observational tasks for contributors and generate insightful analytic outputs from the resulting observations

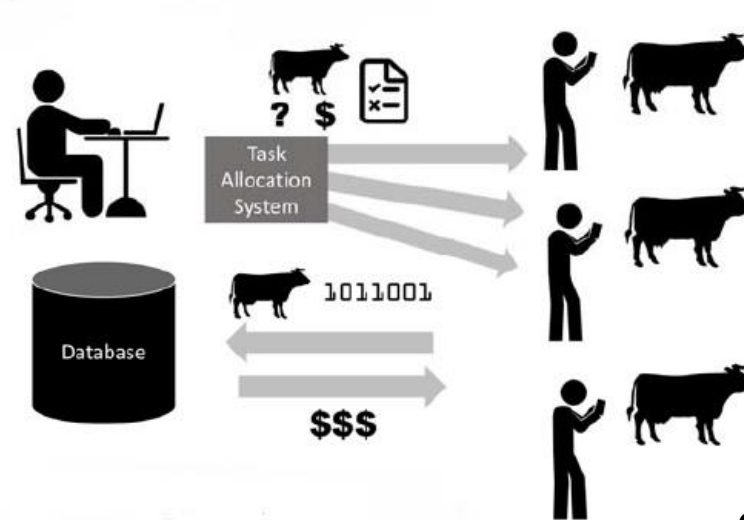


1. Client with information needs.



6.1 Processed data are disseminated to clients

2. System administrator develops tasks with rewards (\$) and controls to ensure data quality.



5. Data is validated and processed according to clients' needs

3. KAZNET pushes tasks to contributors in the field.

4. Contributors see a menu of available tasks with related rewards and complete them at will.

6.2 Processed data and appropriate rewards are disseminated to contributors.

KAZNET reach so far

- 80 contributors in Ethiopia and 28 in Kenya have signed up on KAZNET
- Contributors are now collecting and submitting weekly data from 464 and 156 households in Ethiopia and Kenya respectively
- Presence in 31 livestock markets in Kenya and Ethiopia
- 200 livestock producer and marketing groups signed up for KAZNET in Kenya for using information

Trends in goat prices, by market

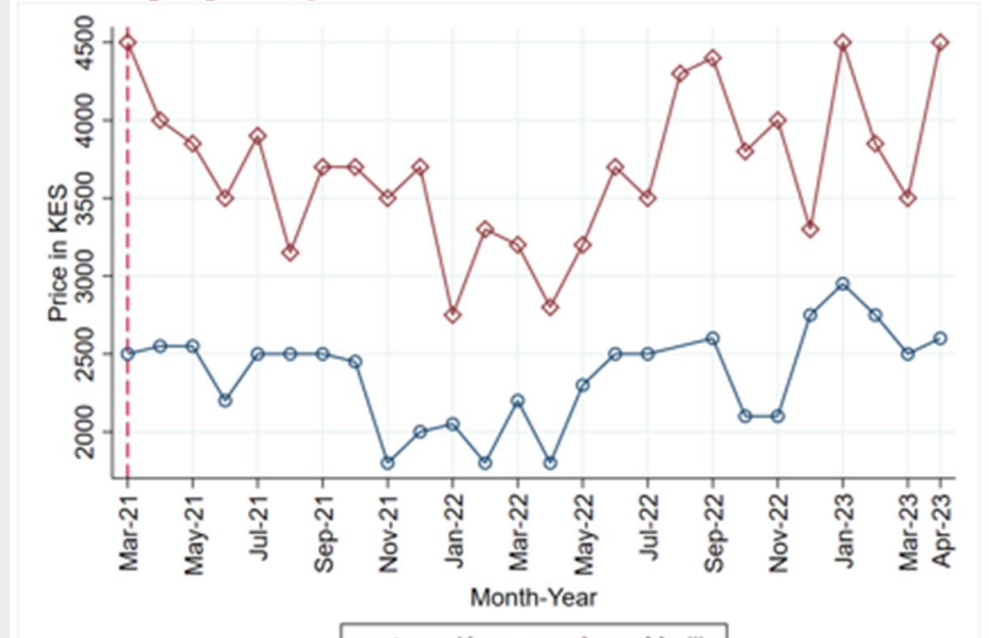
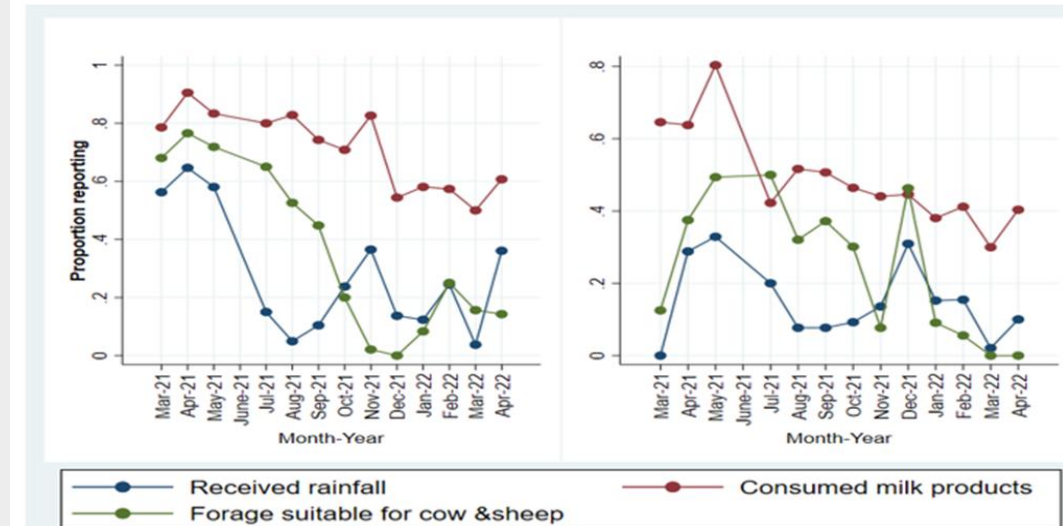


Fig 1: Trend in household milk consumption, forage suitability and rainfall availability-Ethiopia (Left) Kenya (Right)



Food for thought- risk financing solutions through resilient market systems

- ❑ **Livestock systems are central to a resilient, equitable, and habitable future in the drylands of East Africa**
- ❑ **Main areas of expenditure** - (i) consumables like food and firewood, school expenses, ceremonies and emergencies and (ii) input during dry seasons (e.g., water and feed), livestock medicine and veterinary services
- ❑ **Designing financial services which speaks to the context and environments of the drylands** – requires provision of complementary services and linking to the broader livestock value chain
- ❑ **Acknowledging that challenges/barriers just do not exist on the demand side but also on the supply side** – do financial service providers really want to go with innovations which are fitting the drylands and not just look for the ‘quick - wins’



Enablers and Constraints to Risk Financing solutions

- ❑ Understanding what needs to be in place to achieve the desired outcomes
- ❑ Actors play different roles in the domains based on their individual interests and comparative advantage
- ❑ Broader goal is achieving development outcomes - food security, inclusivity, reduced poverty and resilience



Areas of investment for scaling risk reducing solutions

□ **Strengthening of institutional mechanisms**

- Innovations around credit scoring, finding alternatives to bank accounts
- Requirement of investments for intensive market research, extension and education for demand driven products
- Need for investment in offering complementary services, development and understanding of inputs and services markets – access and availability

□ **Investing in innovative digitally-enabled decision support tools**

- Capacity development and assessment of the service delivery mechanisms to enable better early warnings and advisories
- Capacity enhancement of the private sector - enabling market development in the extensive dryland systems

□ **Better understanding of gender and youth dynamics in decision making**

- Ensure greater social inclusion and strengthening of existing structures rather than eroding them through interventions

□ **Policy and institutional infrastructure**

- Creating an environment for a conducive PPP arrangement – attracting more private players with government support



*Thank
You!*