Inclusive Finance

Promoting Financial Inclusion for Agricultural SMEs and Smallholder Farmers
Why does AGRA need Financial Inclusion?

Doubling of yields requires financing of:

- Inputs (production, trade and usage of seeds and fertilizers)
- Mechanization (purchase of equipment or payment for usage)
- Crop insurance

Doubling of income requires financing of:

- ‘Hunger period’ to prevent sales of standing crop
- Value addition (grading, shelling, drying equipment)
- Storage assets (warehouse, PICS bag, cocoon,..)
- Working capital for trading (supply chain finance)
- Pre-financing storage (warehouse receipt financing)
Inclusive finance, the **missing jigsaw pieces** in AGRA

**Build capacity** of farmers, value chain actors and financial institutions in the area of agricultural finance using grants

**Mobilize funds** like credit lines, equity and guarantee resources for financial services provision
What are we doing in Inclusive Finance?

AGRA seeks to bridge the gap between:

1. Farmers and agricultural SMEs that want access to finance

2. Providers of financial services (banks, FBOs, SMEs, ...)


Country support

Aim: Improved use of public funds to grow the agricultural finance sector

How: Support government in designing and deploying blended finance tools for agriculture

Examples:

- Advise Government of Malawi on the input subsidy scheme. Subsidies could be used to make farmers bankable if linked to credit.

- Design of Incentive-based Risk Sharing system for Agricultural Lending (IRSAL), where public funds are used for credit guarantees, technical assistance and incentives to get banks involved in agricultural finance.

Agricultural SMEs

Aim: Make agro-SMEs investable for growth and increase available funding for agro-SMEs

How:
1. Provide **Business development services** that make SMEs investable
2. Provide **Technical assistance** for providers of financial services and promote **de-risking mechanisms** such as value chain finance, guarantee mechanisms and challenge funds for providers of financial services.

Examples:
- All BDS provided by AGRA, should lead to investability/growth of SMEs and FBOs
- AECF agribusiness windows
- PROFIT’s and FISFAP’s technical assistance for financial solution providers
Smallholder Farmers

Aim: Make farmers more resilient to shocks

How: Provide grants to organizations to develop and scale their (financial) solutions to farmers’ problems using digital channels

Examples: