



**Agricultural Finance Corporation**

*"Our business is the farmers' development"*



## CONCEPT NOTE

### I. Introduction

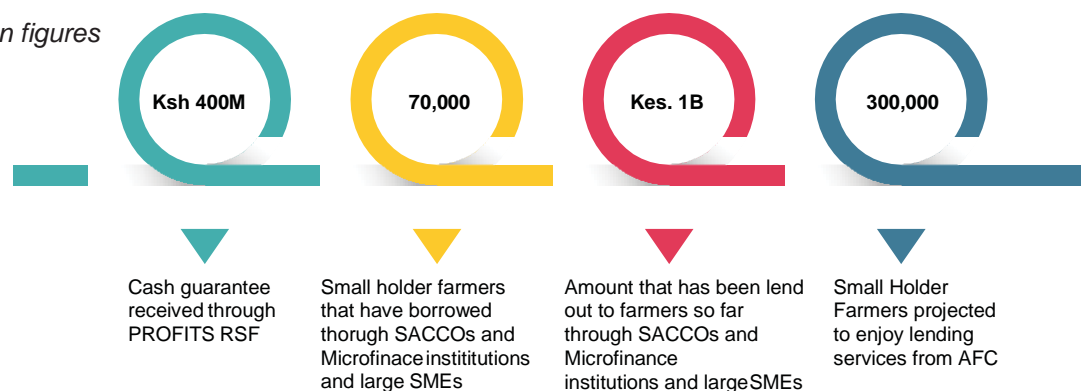
The Agricultural Finance Corporation (AFC) is a wholly owned Government Development Finance Institution (DFI) incorporated under the Agricultural Finance Corporation Act (Cap 323 of the Laws of Kenya). The Corporation has a special mandate of supporting the development of agriculture and agricultural industries by making loans, and providing managerial and technical assistance to the loan beneficiaries. This mandate covers agriculture, rural development and food security.

Through the years, AFC has been loaning using 'hard' collateral in an effort to safeguard the tax payers' investment. This has largely been using the Title deed as the accepted collateral. This among other reasons has gravitated loaning largely to men with less than 5% of total loaning going to women through the years. This data has troubled AFC and it's the basis upon the rethink of how better to include women in agri finance in Kenya. AFC is cognizant of the vital role that women play in the agricultural sector as key producers of country's food and important value chains actors in the rural economy, despite the challenges they face. This concept proposes a good practical beginning, of a long journey towards more lasting solutions in addressing the inadequate financing of women in agribusiness.

The design of the **Women Affirmative Action Window (WAAW)** for lending to women has been motivated by success of other successful innovative models developed notably the GoK-IFAD funded PROFIT program, implemented through AGRA. Through simple instruments of Risk

sharing Facility and Technical Assistance, AFC received a credit guarantee (guaranteeing only 50% of the booked portfolio) which gave leg room to the Board to be open to non-traditional collateral like bank guarantees, debentures, and non-Title assets among others. Through PROFITS RSF AFC received a **cash guarantee of about Ksh 400M (USD** and against this comfort Kshs **ONE BILLION to over 70,000 has been lend small holder farmers (SHF)** through SACCOS, Micro Finance Institutions, Large SMES and companies who deal directly with SHF. These models are projected to provide an opportunity for AFC to reach out to **more than 300,000 SHF** in the next three years lending well **over Kshs 3B**.

*in figures*



## II. Background to the Concept

While AFC has remained very central in playing a catalytic role in the economy and food safety of Kenya, this role has been amplified through the current strategic focus of the national Government towards the Big Four Agenda. In order to meet the demands of this amplified role AFC needs to re-engineer towards a more inclusive approach that assures a broader reach and higher impact.

The agricultural sector is vital to Kenya's economic development. In 2016, the sector contributed 29.4% to Kenya's GDP. The sector contributes a further 26% or more through linkages to other sectors. The sector is also important for foreign exchange earnings. It supplies the manufacturing sector with raw materials and generates foreign exchange that supports the rest of the economy. Further, the sector plays a crucial role in employment creation as it employs over 40% of the total population and over 70% of the rural population majority of who are women.

The focus of this initiative is to have more women included through adaptation to more innovative collaterals, more efficient delivery models and channels and reduction of the cost of credit and granting loans in amounts suited to women, many of who shall be micro borrowers.

### 1) The Role of Women in Agriculture

According to FAO, women produce more than 50 percent of the food grown worldwide. Women play multiple roles in agricultural production and food security. In sub-Saharan Africa; women contribute 60 to 80 percent of the labor in both food productions for household consumption and for sale. In Kenya, a sizeable proportion of the rural labor force (over 51%) is engaged in small-scale agriculture and women are the majority in this sector hence their crucial role in translating agricultural production to food and nutrition security.

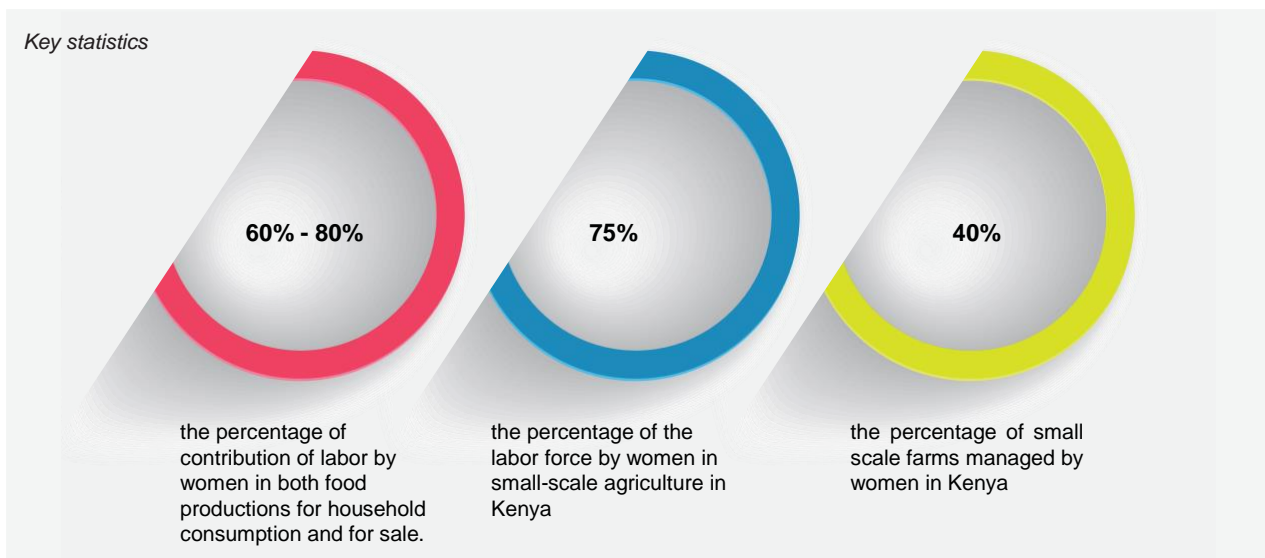
The significant involvement in small scale agriculture is an important factor among measures to improve agricultural performance. Women provide 75% of the labor force in small-scale agriculture and manage 40% of the small scale farms in Kenya. The role of women in the



overall development of the agricultural sector cannot therefore be overemphasized. Promoting women entrepreneurship in agriculture can unleash dynamism of women through ownership and control of productive assets including land and financial resources.

WAAW will be steadily steered to serve salaried women in the public sector, organized women in producer cooperatives, the salaried women in private companies and SMEs, the micro traders who have evidence of knowledge in their craft, the more risky non business producers but who alleviate the risk of food security among others.

To facilitate a successful deployment, the Corporation is looking for partners, to assist through financial concessional credit lines, guarantee mechanisms, Risk sharing Facilities, Innovation funds, grants for Technical assistance and even grants for enabling environment and infrastructures like post harvest handling at communal levels to generate confidence in warehouse receipts systems. This could benefit many SHF most of who are women.



## 2) Challenges facing women in accessing agricultural Credit

Despite women's significant contribution to agriculture, they face a number of constraints that limit their access to agricultural finance. **While the greatest challenge remains the use of land as collaterals and cost of accessing credit**, the following are the other most prominent ones:

- Inadequate land ownership, accessibility and use.
- Inadequate access to agricultural inputs and technology
- Inadequate access to business development and extension services
- Inadequate access to markets for agricultural produce

## 3) Proposed solutions to the Challenges

In addition to providing loans for purchase and lease of land, AFC is supporting agribusinesses that are not necessarily linked to land ownership like mechanization, post harvest management, value addition, aggregation and market access.

AFC has partnered with suitable organizations to provide capacity building for women in all thematic areas identified as having capacity gaps, including Good Farm Management Practices (GFMP), Good Agricultural Practices (GAPS), Good Post Harvest Practices (GPHP) and financial literacy.

## The WAAW Initiative

Gender specific constraints that Kenyan women in agriculture face have not dampened their spirits. Instead the women agripreneurs emerge with stronger resolve to be innovative, resilient and determined to overcome these challenges. Yet women account for less than 10% of AFC current portfolio. To address this situation, the Alliance for Green Revolution in Africa (AGRA) contracted BDO Consulting under the PROFIT program of The National Treasury to assist AFC to develop and improve capacities to increase the volume, efficiency, quality and diversity of Agri-lending.

The Corporation through the PROFIT program and in working with BDO Consulting developed a window that will enhance agricultural finance to women. The model referred to as the **Women Affirmative Access Window (WAAW)**, will see the Corporation extend finance to all women in agriculture at production, mechanization, post harvest management, value addition and access to local and export markets.

Rural women will be able to take advantage of emerging green economic opportunities in new crops, technologies including digital finance and markets while employed women will also be able to venture in commercial agriculture as they transition to retirement and whilst working through creation of employment to other non-employed women or youth due to their capacity to mobilize capital geared towards agriculture.

This initiative has brought renewed attention to the important role of women in agricultural value chains and is designed to facilitate outreach to women, enhance food security, improve the economic, social development of Kenyan households and hasten the realization of the Big Four Agenda with women playing a significant role. The model envisions aggressive promotion of alternative collaterals like use of contracts, third party guarantee mechanisms, provision of affordable credit, more inclusive cash flow aligned credit products, long term products to buy assets, grow tree crops capacity building, and access to markets.

The Corporation through this model will utilize alternative collaterals including market contract, check-off system, character based- relationships, credit guarantees among others to replace/compliment hard collateral as is traditionally used. This will further enhance financial inclusion of the previously financially excluded segments mainly women and youth. AFC has practical extensive knowledge base and experience in agri-finance with established decentralized delivery model.

Enjoying an unparalleled understanding of the Kenyan Agri-lending space, a robust ICT framework and goodwill of key stakeholders, the Corporation is uniquely positioned to champion the successful deployment of this initiative.

### III. Proposed Methodology & Implementation Plan

This concept proposes a six (6) step implementation plan as outlined below. Some of the steps can run concurrently:

**Step 1:** Mobilize resources for both lending and capacity building including Good agricultural practices (GAP).

**Step 2:** Launch the women product (WAAW) specifically for women by AFC.

**Step 3:** Through feedback during the piloting stage - refine and repackage areas that may not address the challenges limiting women's access to credit.

**Step 4:** Identify suitable partners to enable smooth roll out in additional credit lines, market linkages, policy issues among others to amplify the impact of WAAW.

**Step 5:** Extend credit through the delivery model and carry out a monitoring and evaluation to ensure successful uptake.

**Step 6:** Document and share knowledge and lessons learnt through this process

#### IV. Conclusion & Way Forward

The role of women in the agricultural sector cannot be overemphasized; they provide the largest proportion of agricultural labor and are active in food and cash crop production.

For women to play their rightful role in agriculture, critical stakeholders including AFC and other partners must put in concerted efforts to provide solutions to the constraints faced by women. This Concept, suggests the support of a suitable window (WAAW) that provide solutions to the challenges identified as hindering women from accessing credit.

AFC is able to give the lowest cost of credit at 10% or less to the women. The wide branch network and the new found partnerships with SACCOS and MFIS, THE TECHNOLOGICAL PLATFORMS OF digital lending and information sharing as delivery models puts AFC right in the middle of the game and most suited to drive the new inclusive agenda for women in agrifinance in this country.

The Corporation invites likeminded partners to support the WAAW initiative, particularly in enhancing access to ideas, resources, guarantee mechanisms to reduce the burden of lack of collaterals, technology, markets and appropriate products. We feel well aligned to the governments 'Big Four agenda' and we believe that if more women can be included through agri-finance, more development shall be realized, much faster. Please let us know how you may support the women of this country, through AFC or any consortia which includes AFC and guide us on how we could kick-start discussions to achieve this both urgent and important agenda.

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