



Standard Bank

Farmforce Case Studies: Building Access to Finance in Malawi

15 co-ops with 3,400 farmers build digital economic identities to access loans and link to banks, reducing side-selling and connecting with formal export markets.

The Clinton Development Initiative (CDI), an initiative of the Clinton Foundation, empowers farming communities to identify and connect with business opportunities across Rwanda, Tanzania, and Malawi. By supporting the formation of new agricultural co-operatives (co-ops) to improve the quality, quantity and consistency of their crops, farmer groups unlock access to finance as well as new, more lucrative markets for their crops.

“At the Clinton Foundation, we often talk about the importance of ‘working ourselves out of a job.’ We facilitate partnerships and broker relationships between co-ops and banks, empowering farming communities through training. Over time, banks have confidence in the co-ops and the co-ops trust and know how to effectively engage with banks. When that’s achieved, we’ve helped create an inclusive financial ecosystem for empowered farming communities that are interacting directly with the banks.”

– Ariana Constant, Director, CDI

CDI has been operating in Malawi for more than a decade. Today, CDI is actively training over **32,000 smallholder farmers**, on how to grow high quality soya, a cash crop with strong domestic and regional market demand. In order to achieve long-term impact after the projects, CDI sought to establish farming communities and co-ops as bankable entities, able to eventually access credit without CDI’s direct support. **Farmforce became a central digital management tool for this aim**; and, through the web and a mobile platform, CDI and the co-ops *created a digital economic identity with robust credit histories both at farmer and co-op level – critical to mitigate risk between farmers and banks and to facilitate transparent access to the formal financial sector.*

Safely Reaching Farmers During COVID-19

1. **Mobile Communication:** SMS dispatched via Farmforce shared advice on COVID and extension.
2. **Working Remotely:** Field Agents conduct phone surveys, logging them in Farmforce mobile. When synced to the cloud, all staff saw the feedback online.
3. **Data-Driven Decision:** Remotely-collected data enabled the team to rapidly roll-out farmer support

Creating economic identities and digital credit histories for farmers

Access to formal credit for smallholder farmers and co-ops is often a catch-22; financial institutions require a credit history to disburse credit, a history that typical you can only create by having credit. The CDI team in Malawi saw this when planning and engaging communities in discussions around agribusiness development opportunities in 2017, realizing that to start they would need to first extend credit from the Clinton Foundation itself. **For the last three seasons, since 2017/2018, over USD 401,000 in input loans were issued to support farming communities, all tracked in Farmforce.** Through each loan being digitally linked to a specific farmer, representing a group in Farmforce, they built a digital financial history that could be recognized by banks. CDI uses *Farmforce to:*

- * *digitally build a clear farmer database with demographic, production and contact data, linked with GPS-mapped farmer plots;*
- * *build a credit history detailing farmer credit received through loans disbursed and repaid, understand individual and group repayment rates;*
- * *carry out 'needs assessments' to inform on the focus of new grant-funded projects; and*
- * *conduct impact assessment to track farmers (and co-ops) over time, understanding the most impactful interventions.*

Loan Transparency Enables Confidence

Oversight is critical to ensuring loan management. **Since loans are tracked in Farmforce, the Clinton Foundation has access to real time information on how every dollar is disbursed and the repayment status of these loans.** This transparency creates **greater confidence**, enabling straightforward audits and clear planning.

Figure 1: CDI's Farmforce web interface, showing repaid loans for transparent tracking and analysis

Date	Loan	Loanee	Repayment (Mw K)	Payment Type	Balance (Mw K)	Loan Officer
04.06.2020	LN24353.59.296		33,500.00		0.00	
04.06.2020	LN24353.59.287		33,500.00		0.00	
04.06.2020	LN24353.59.257		112,000.00		0.00	
04.06.2020	LN24353.59.274		33,500.00		0.00	
04.06.2020	LN24353.59.197		112,500.00		0.00	
04.06.2020	LN24353.59.280		33,500.00		0.00	
04.06.2020	LN24353.59.272		33,500.00		0.00	
04.06.2020	LN24353.59.292		33,500.00		0.00	
04.06.2020	LN24353.59.331		33,500.00		0.00	
04.06.2020	LN24353.59.309		33,500.00		0.00	
04.06.2020	LN24353.59.289		33,500.00		0.00	
04.06.2020	LN24353.59.389		112,000.00		0.00	

Co-ops as Businesses - Opening Credit with Farmforce Repayment History

CDI's focus is to enable farming communities to thrive after the team has moved to a new community in need. It is critical that farmer co-ops have a business relationship with local banks and establish their own credit ability to be recipients of credit, and access loans by themselves.

Need for Post-Harvest Loans

Often credit focuses on the start of the season, when farmers receive loans to purchase vital inputs like seed and fertilizer for a productive, high-yielding season. However, the CDI team and the co-ops they work alongside realized that **post-harvest credit**, released from banks as soon as the harvest is coming in, is critical for farmers to make a sustainable return, build long-term relationships with buyers, and generate greater buy-in at the cooperative level to the value of being a member of that entity.

"Giving co-ops access to the post-harvest loans, that Farmforce has helped create the credit history for, means our co-ops can buy at harvest and hold to sell when prices are higher, sharing the benefits with their farmer members. This is different from what traditionally happens, where traders show up in farming areas with non-standard scales, offering low prices. Farmers sell because they are desperate for cash – they need to buy food and often run out of stored grain close to the new harvest. Traders often pay half the market price, but then sell to same market that CDI is connecting cooperatives. Post-harvest loans will definitely change farmers' role on the market as it will empower them to have control over their products and become competitive, opening doors to new markets and marketing opportunities."

- Kettie Kamoza, Finance Director

With the post-harvest loan, co-ops will be able to purchase grain at fair market prices and aggregate it for sale on contract to buyers offering premium prices for quality crops across Africa. CDI built market connections with African Improved Foods Ltd (AIF), a Rwandan company that buys raw soybeans for their fortified maize-soy blend produced in Kigali. In the 2018-2019 season, they **contracted and purchased nearly 1,000 metric tons from CDI supported co-ops** and during the 2019-2020 season the **co-ops sold nearly 1,800 MT on contract, with agreed premium grain prices**, about double from the previous season. In order to secure these needed loans, CDI is working with local banks, acting as an intermediary with the co-ops to negotiate favorable terms, fostering a strong start to the banking relationship.

Accessing Co-op Business Loans

To receive a loan, co-ops in Malawi need:

- corporative governance reporting (trainings done by CDI);
- transparent record keeping (digital in Farmforce);
- credit history (loan history in Farmforce); and
- off-taker sales agreement (negotiated by CDI with Rwandan buyers)

In the past, the credit history was impossible, but because co-ops have been using Farmforce for several years, they already have a robust, digital, detail loan repayment history for all the members of the co-op – precisely what the banks need to see. Banks request a 2-3 years of credit history, with repayment rates of at least 75%. 15 of the co-ops that CDI works with

Co-op Loan Access

**2020 Plans: 15 co-ops,
\$75,000 total loans,
3,750 farmers reached**

2019 Season: 1 co-op with
post-harvest credit

Outreach: 372 farmers

Loans issued: USD 13,423 to
one co-op

Total Credit: USD 13,423 in
the first season

Grain Purchased: 12MT

have farmers that received in-kind input loans through CDI in the 2018/2019 and the 2019/2020 season, *with Farmforce precisely showing how much was given to each farmer and the repayment*. Since it is a digital system, the banks see this as a trustworthy, and therefore creditworthy engagement.

Developing Formal Banking Relationships - the Standard Bank Partnership

In their role to facilitate relationships with banks and microfinance institutions (MFIs), CDI spent considerable time with several banks operating in Malawi who wanted to increase lending to smallholder farmers. Standard Bank came to the forefront as a strong, co-op focused bank that saw expanding their rural lending portfolio as key to their future growth and was willing to work closely with farmers, conducting trainings on entrepreneurship skills during on-farm visits.

“Standard Bank Plc’s purpose statement is ‘Malawi is our home we drive her growth.’ We will not achieve this alone, but through building strategic partnerships. We believe CDI’s initiative to empower farming communities with market opportunities will not only support livelihood of small-scale farmers, but also contribute to the economy of Malawi at large. Our partnership with CDI is critical to us as it is in line with our core purpose of existence as a bank.”

- James Chiumia, Business Relationship Manager

As the bank is getting more confident in Farmforce’s digital financial history for each farmer, it is also keen to introduce more digital banking tools on its own platform, supporting digital banking transactions. Standard Bank is using these initial experiences in Malawi to learn and expand its agricultural lending across Africa. With the type of data gathered in Farmforce, the bank is seeing the value of using such data to support digital lending process and then empower farming communities to have access to competitive financial solutions to expand their operations.

*“It’s been a struggle to get banks to work with farmers, they tend to distrust if there is no credit history. Since they prefer farmers to be in a co-op to access loans, CDI focused on forming farmer marketing groups and training them on entrepreneurship and finance record keeping. **Working with Farmforce enables us to create a digital financial history for each farmer, a history that the banks trust, so co-ops can start to access credit.**”*

- Dyna Kuthyola, Manager Metrics, Communication and Development

CDI negotiated competitive interest rates with Standard Bank and continues talking with other banks with the aim of creating an open and competitive marketplace among financial institutions in Malawi. This would generate better terms and improved service for farmers – with all approved banks having access to the loan repayment history and credit worthiness data recorded in Farmforce. Confidence and trust between farmers, co-ops, and banks will take time, but efforts to date are building a solid foundation.

Global Ways Forward, Farmforce and the Clinton Foundation

The Clinton Foundation has already implemented Farmforce at their projects across Africa and Latin America, making Farmforce standard for all agribusiness ventures. It provides a professional operations management tool at the ground level as well as transparent oversight for the Clinton Foundation.

In 2021, the CDI team plans to pilot mobile money for harvest payments to farmers. Many Farmforce clients already use this functionality, uploading payment requests from the system into a local mobile network operator's mobile money portal so payments are transferred after the client's finance team has reviewed the proposed outgoings. Farmforce will continue to support the Malawi team to leverage the platform's functionality to better engage and empower the farmers and co-ops they serve.

LEARN MORE - CDI Leveraging Farmforce for Data-Driven Decisions

Analyzing Loan Repayment to Improve Farmer Support

Through managing loans in Farmforce, CDI has a rich dataset to analyze the factors influencing repayment. On average, CDI has achieved 88% repayment rate across farming communities, with 100% repayment in 2020. This improvement is attributed to sustained contact with farmers when carrying out extension and financial capacity building. Farmers understand that to receive a loan next season, they need to repay the current season. Season-on-season credit and the awareness of building a credit history is changing farming communities' view of credit, preparing them to engage directly with banks.

Digital Data for Soybean Contract Volumes, Update Yield Estimates During Season

For security on the co-op's loan, banks require proof of a market. Through the partnership with African Improved Foods, the farming co-ops have access to a large market – but how do they make sure they can satisfy the market demands and contract terms?

With clear digital database of all farmers in a co-op, GPS-mapped plots under production and historic data on yield, co-ops can project how much they are able to produce. As the growing season progresses, field staff record crop sampling data in Farmforce to forecast if the yield is on track. This ability to accurately project yields, and confirm in real time during the season, gives banks and buyers confidence in the co-op's ability to deliver on the contract and repay the loan.

Farmforce strives to build trust and transparency in the agricultural first mile. We deliver digital solutions to secure sustainable sourcing, improve farmer quality of life and protect the environment. Through a bush-proof web and mobile platform, refined over 8 years, clients have visibility at the field level while building a fully-traceable supply chain. Farmforce is used by clients in 33 countries in Africa, Asia, Europe and Latin America, managing 520,000+ farmers in 45 crop value chains. The Farmforce platform is available in 15 languages. Visit us at www.farmforce.com or contact info@farmforce.com.

***About the Clinton Foundation** - Building on a lifetime of public service, President Clinton established the Clinton Foundation on the simple belief that everyone deserves a chance to succeed, everyone has a responsibility to act, and we all do better when we work together. For nearly two decades, that premise has energized the work of the Foundation in overcoming complex challenges and improving the lives of people across the United States and around the world.*

As an operating foundation, we work on issues directly or with strategic partners from the business, government, and nonprofit sectors to create economic opportunity, improve public health, and inspire civic engagement and service. Our programs are designed to make a real difference today while serving as proven models for tomorrow. The goal of every effort is to use available resources to get better results faster – at the lowest possible cost.

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