

SCHWEIZER AGRICULTURE'S ACCESS TO FINANCE ENTITY MOVES IN TO EMPOWER FARMERS THROUGH FINANCIAL INCLUSION USING INSURANCE.



Schweizer Agriculture Ltd's access to finance entity Kachi Agriculture Micro Finance Ltd (Kachi) is committed to the expansion and deepening of insurance coverage in rural Zambia among the small scale farmers. This is being done through Poverty Alleviation and Rural Development (PARD), using microinsurance in partnership with ZISC General Insurance.

Director-Marketing, Ms, Joan Kambe- Joan Kambe Musenda-Underwriter, Mr. Hilgard Sakeni-Assistant Manager FAE and further left is Mr. Leonard Militu-Branch Manager convened on 20th September, 2022 to discuss strategic partnership to providing agriculture insurance to rural farmers, microinsurance market developments supported by ZISC General Insurance in the year 2023 and beyond.

In the picture above: From right to left is the Branch Operations Director Mr. Mizinga Masinja, Mr. Joas M. Chihangu of Schweizer Agriculture, Ms. Malone Chanda-Economic Analyst of Kachi, Mr. Everisto Mwansa of Oasis Asset & Funder Managers, Ms. Rebecca Manda, Assistant Underwriter Zsic General, behind her and next to her is Mr. Kuda Ngoma-Assistant

The year has seen significant advances in the microinsurance sector, particularly in demand stimulation, sensitization, supply strengthening and enabling environment through setting up 200 agencies in ten (10) districts of Zambia to offer access to agriculture microinsurance.

Agricultural financing and access to insurance remain critical enablers to facilitate sector growth commensurate with achieving poverty reduction, food and nutrition security as well as employment creation through Small and Medium Enterprises (SMEs).

Yet access to agricultural insurance, agrifinancing and let alone commercial cash loans to the sector, remain poor in most developing countries like Zambia, especially the rural.

It is estimated that globally, only one percent of loans from commercial sources go to the agricultural sector.

A plethora of studies have been conducted in the past identifying some of the key constraints to financial inclusion in Zambia, especially in the agricultural space.

According to the 2020 FinScope report, only 20.7 percent of Zambia's adult population has access to banking services, and this translates to 1.9 million people.

Among the constraints is the absence of a credit registry that includes the unbanked, failure to recognize movable assets as of good quality by bank supervision guidelines in relation to immovable assets, failure to consider other farmer needs, sidetrading, and double contracting by farmers.

Others are high cost of using movable assets as collateral, low aggregate demand for finance from smallholders and the high cost of participation in guarantee schemes, among other disablement to financial inclusion.

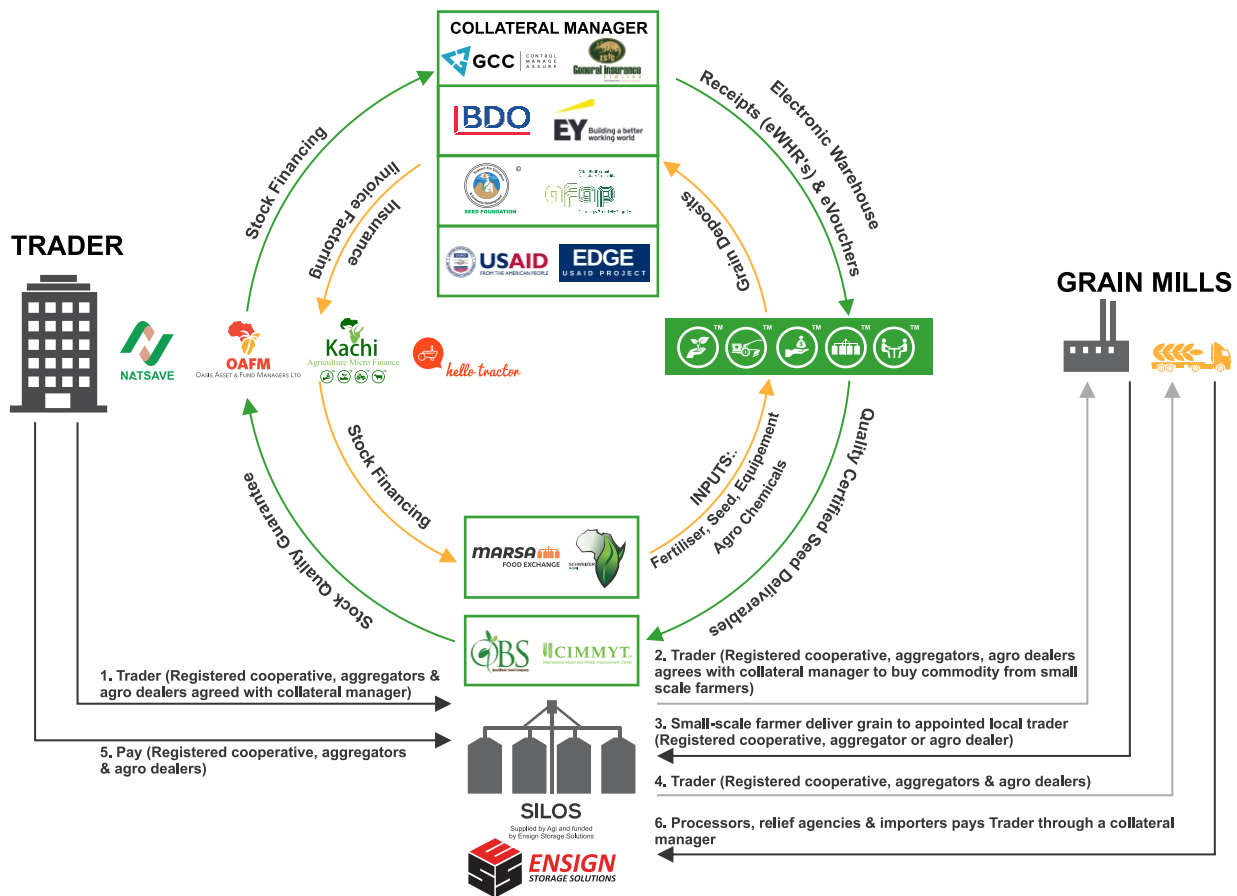
From the policy side, the Agricultural Credits Act, No. 35 of 2010 establishes the Warehouse Licensing Authority and provide for its functions and powers to facilitate the borrowing of money on the security of charges created on farming stock and other agricultural assets.

The Act provides for the registration of charges; provides for the certification of warehouses; provides for the issuance and negotiation of warehouse receipts and the rights conferred by warehouse receipts.

It further provides for the rights and obligations of warehouse operators; repeals and replace the Agricultural Credits Act, 1995; and provides for matters connected with, or incidental to, the foregoing.

This piece of legislation also provides with respect to a system of charge, lien or assignments on agricultural goods and warehouse receipts for credit, and for supervision and the registration and certification of warehouses.

Collateralized *Structured Inventory Products (SIP) linked to Credit Lines Via Aid for Trade & eWHR's (MARSA).



Under the Act, a farmer may, individually or in an association, create in favour of any person a charge on any farming stock, additional asset or other agricultural asset, security for- (a) inputs or other items required for cultivation; (b) sums advanced or to be advanced to the farmer; or (c) sums paid or to be paid on the farmer's behalf under any guarantee; and such security may cover any interest, commission or charge thereon.

All these well-intended measures are yet to push for an effective implementation for farmers to have easy access to finances, alas, the gaps still exist.

Nonetheless, these gaps in Zambia's agriculture financing now provide a wide window of opportunities for private sector players like Schweizer Agriculture, Kachi Agri Micro Finance and ZISC General Insurance to participate in the space and transform lives of

farmers through easy and affordable access to financing and agriculture insurance.

Schweizer Agriculture is rolling out 200 banking booths worth US\$400,000 to enhance financial inclusion for farmers in rural areas to access digital financial solutions, macroinsurance and mobile money services.



The project is designed to empower small-scale farmers in rural Zambia because the agricultural economy is a vital contributor to the country's gross domestic product (GDP) and a cornerstone for many farmer's improved livelihoods.

"This initiative is a way of empowering young people with jobs, linking small-scale and emerging farmers with working capital, matching grants, guaranteed markets, and value addition interventions," Mr Chihangu says.

Schweizer Agriculture executive director Joas Chihangu shares that the banking booths are set to provide employment for many youths as 5,000 young entrepreneurs are being targeted to be trained in digital banking, crop insurance, record keeping, booking keeping, invoicing and processing of pre-loan financing documents.

He says the youth will further be assisted to graduate to small and medium enterprises. The digital banking booths, expected to be rolled out in the next three to five years, will initially be in five provinces.

The earliest beneficially provinces will include Central, Southern, Copperbelt, Eastern, North-Western, Luapula, Lusaka and Western.

Mr Chihangu says the programme is in tandem with the organisation's commitment to ensuring improved agricultural productivity among small-scale farmers.

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Aid for Trade is a smallholder agricultural loan on a USSD digital financial solution. Instead of plastic Visa or MasterCard service, Schweizer Agriculture, managed by Kachi Agri Micro Finance Limited in partnership with financial institutions, ZISC General Insurance firms, and relief organization or

agencies will use this innovation.

A USSD sms will come pre-loaded with points that can be redeemed at certain hubs for inputs such as seed, organic fertiliser, plant or crop protection chemicals, irrigation kits, small tractors or supplies, as well as livestock.

The intention is to allow a co-operative of around 20 members, including women and youths, to start transitioning from small-scale to mechanised farming of up to 30 hectares.

"The goal is to deploy, on average 11,900 to 15,500 HP low-cost hand-held tractors easily operated by women," Mr Chihangu says.





In the picture are officials from Zambia Credit Guarantee Scheme (ZCGS), NATSAVE, Kachi Agriculture Micro Finance, Oasis Asset & Fund Managers Pty Ltd, ZISC General Insurance and Schweizer Agriculture Ltd at ZCGS offices in Kabulonga, Lusaka.

The entities met to network, collaborate, leverage, facilitate through a first ever Table Top Meeting (TTM) a right step in the right direction intended by Schweizer Agriculture Ltd to bring brilliant solutions around inputs, agri-tech, access to finance, commodities and markets and capacity building for the small scale farmers in rural areas through a programme dubbed

Poverty Alleviation and Rural Development (PARD). The programme is piloting ten (10) commodities in 10 districts of Zambia to drive production amongst producer groups and link them first to local markets through Schweizer Agriculture' marketing arm called Oasis Asset and Fund Managers Pty Ltd and later to the regional markets. COMESA and the SADC market alone is over \$800 billion combined and is greater and bigger than the European union market in scope. Schweizer and its partners are excited by the opportunities Zambia has currently provided for PAR D.

And at an Aid for Trade™'s recent event Schweizer Agri presented a e-warehouse receipt concept to NATSAVE, Mr Chihangu said Schweizer is developing digital solutions for unbanked small-scale farmers, such as electronic Warehouse Receipts (eWHRs).

He said eWHRs is linked to a collateral manager to support financial inclusion and empower farmers with advanced working capital and payment technology.

"This will result in less dependency on aid or subsidies from Government. It guarantees more national economic growth," he says. The initiative will increase cooperating partners, farm input suppliers and financial service providers' presence and take digital financial services to rural areas.

Kachi Agri Micro Finance, an agriculture entity promoting digital

financial inclusion for PAR D, has moved into the agriculture sector to also contribute to the enhancement of financial inclusion.

This is critical in increasing production, guaranteeing household incomes and scaling down poverty levels especially among farming communities.

Under the PAR D programme, Kachi Agri Micro Finance is targeting small scale farmers, the youth, women, the retrenched, retirees in rural areas by linking them to electronic Warehouse Receipts (eWHRs) for financing inputs, mechanization and agro processing.

In return Kachi Agri Micro Finance accepts repayments of its loans in form of agricultural produce, that is grain from its clients once they have harvested at a prior agreed price.

Thereafter, farmers are free to sell what remains on the open market. The programme supports a wide range of beneficiaries, including individual farmers (mainly youths and women), co-operatives of women (involving 60 percent women and 40 percent youth), Small and Medium Entrepreneurs (SMEs), Non-Governmental Organisations (NGOs), Churches, Educational Institutions, Research Institutions, Relief agencies mainly in refugee camps and Orphanages.

In this project, Kachi Agri Micro Finance has approached NATSAVE and PrimeNet to provide access to Digital Financial Solutions, POS, Mobile Money Apps for disbursements and payments to the beneficiaries (excluded rural small holders or cooperatives), that will be used to access funds through access to finance and crop insurance.

Kachi Agri believes micro financing remains a vital source of capital for agricultural production.

Initiatives such as out growers Input Support Schemes, a Kachi Agri Micro Finance risk-sharing programme in Zambia, has leveraged technology to develop new ways to provide loans to farmers such as through the Aid for TradeTM platform linked to commercial banks and markets.

The micro finance organisation also provides financial inclusion through one of the products under the Aid

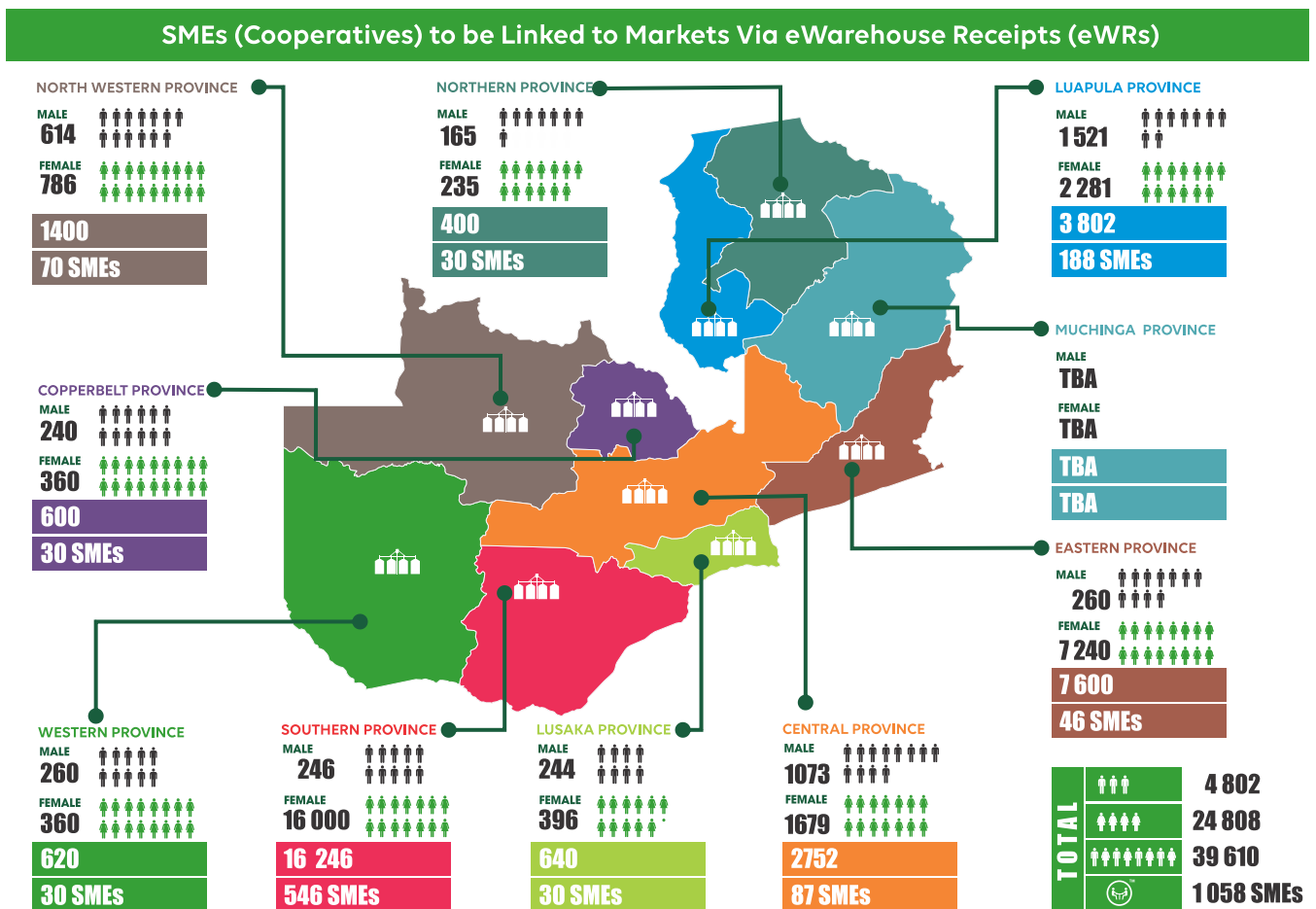
for TradeTM whereby smallholder agriculture loans are accessible to small scale farmers using digital financial services in partnership with NGOs, financial institutions, insurance firms, pension and commercial banks.

Aid for TradeTM will be linked to kiosks with mobile banking and payments features designed to manage or drastically cut transaction costs, facilitate access to financial services such as insurance, savings and credit.

In addition, Aid for TradeTM digital

financial services will generate data to help investors and lenders de-risk their offering by better understanding small scale farmers and the rural economy.

Ultimately this will improve information about a borrower's intentions and ability to repay their loans, psychometric technology and biometric technology will be used in various communities as a cost-effective way of applying the Know Your Customer (KYC) requirements when enrolling rural clients who often do not have identification documentation.



Proposed scope of market outreach for Schweizer Agriculture for inputs and outputs distribution linked to markets.

Furthermore, Kachi Agri Micro Finance plan to do outreaches to farmers through implementation of a shared risk guarantee with gov. The primary goal of the credit guarantee is to increase competitiveness of farmers' access to finance in order to upsurge production and market opportunities.

The programme which is being implemented in Central, Eastern and Lusaka provinces targets to support 1,500 SMEs, out of which 75 percent have already been identified to reach out to 40,000 small holder farmers, including approximately 25,000 women farmers and an additional 5,000 male farmers.



Schweizer Agriculture Ltd and ZISC General Insurance are working together in Mongu to provide access through macroinsurance for dairy cattle, legumes and aquaculture in order to help farmers access crop insurance and help with pre-financing documentation to commercial banks in Western Province.

The PARD initiative also provides farmers with inputs (hybrid seed, fertilizer and agro chemicals), agric tech in forms of small mini tractors or tillers. The programme works with both public and private sector players such as the Zambia Development Agency (ZDA) and commercial banks like NATSAVE in providing investment solutions and asset finance of inputs, respectively.

In accessing finances through compact loans facility, recipients are required to demonstrate the viability of

their project structure, what problem they are trying to solve and show sustainability of their respective projects.

With these initiatives by Scheweizer Agriculture, Kachi Agri Micro Finance and other partners, financial inclusion among farming communities will certainly be a reality and help boost agriculture production, guaranteeing household and national food security.

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