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MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS



Can financial innovations be structured to address climate risk of smallholder farmers?

Approach by a financial institution: Rafiki Microfinance Bank

Friday 14th November, 2014
13h30-14h45

Zak Syengo,
Head of Marketing &
Corporate Affairs
Rafiki Bank



What climate change means to the smallholder farmers

- Exposure to unpredictable climatic conditions: long dry spells, changing weather patterns, etc.
- Huge losses: Diseases, drought, floods
- Food insecurity/Loss of income: Poverty, Poor Nutrition, etc.
- Increased rural-urban migration: stunting rural economic development

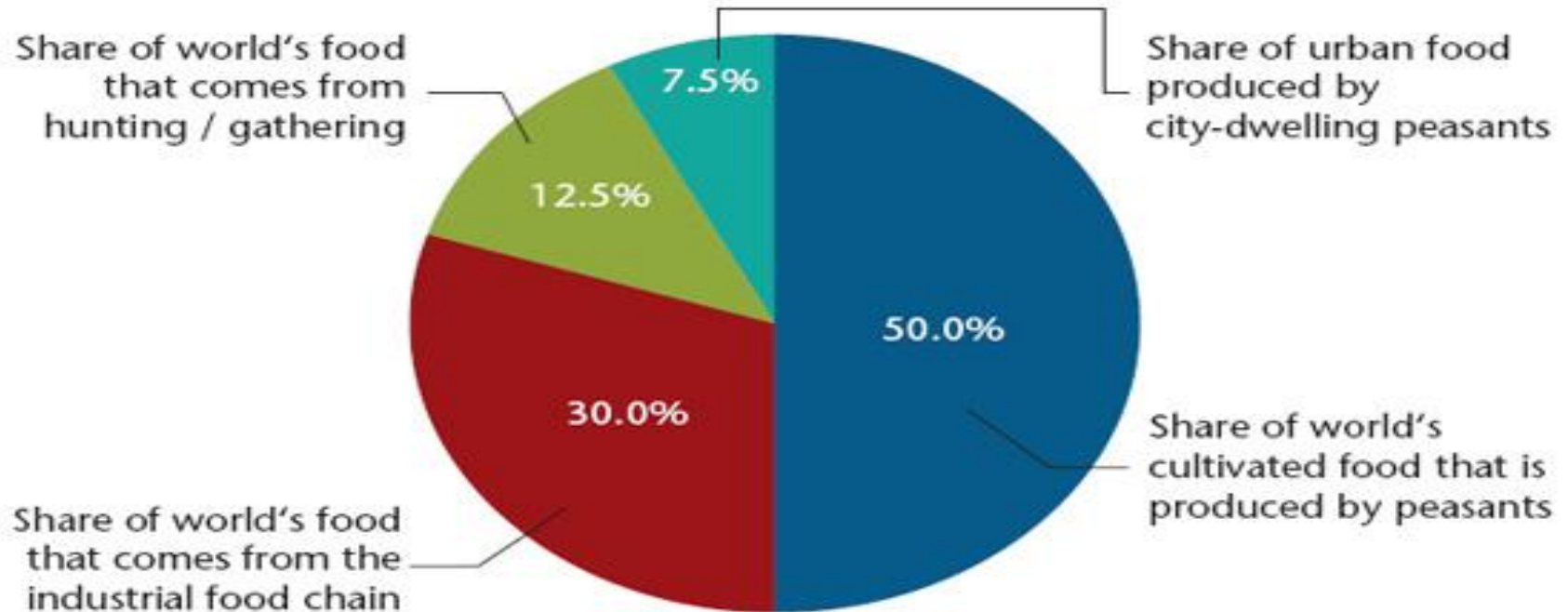


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Smallholder farmers contribution to food production

Where the world's food comes from



Source: ETC group

Profile of a typical smallholder farmer

- Average Age: 45 -60, male dominated
- Average Acreage: mainly <5
- Averse to change: Use of technology, adoption of new farming methods, better inputs (beyond cost barriers)
- Literacy levels are low: Inhibiting quicker delivery of emerging knowledge on farming
- Low income levels with little or no ongoing investment to improve their livelihoods.
- Mostly involved in mixed farming(IFAD 2011)



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Smallholder farmer acreage

Table 1.3 Mean Farm Sizes and Operational Holding Sizes Worldwide

| Region | Mean size (ha) | % < 2 ha | Gini coefficient |
|-------------------------------|----------------|----------|------------------|
| Central America | 10.7 | 63 | 0.75 |
| East Asia | 1 | 79 | 0.5 |
| Europe | 32.3 | 30 | 0.6 |
| South America | 111.7 | 36 | 0.9 |
| South Asia | 1.4 | 78 | 0.54 |
| Southeast Asia | 1.8 | 57 | 0.6 |
| Sub-Saharan Africa | 2.4 | 69 | 0.49 |
| United States | 178.4 | 4 | 0.78 |
| West Asia and North Africa | 4.9 | 65 | 0.7 |

Source: Based on Eastwood and others 2010.

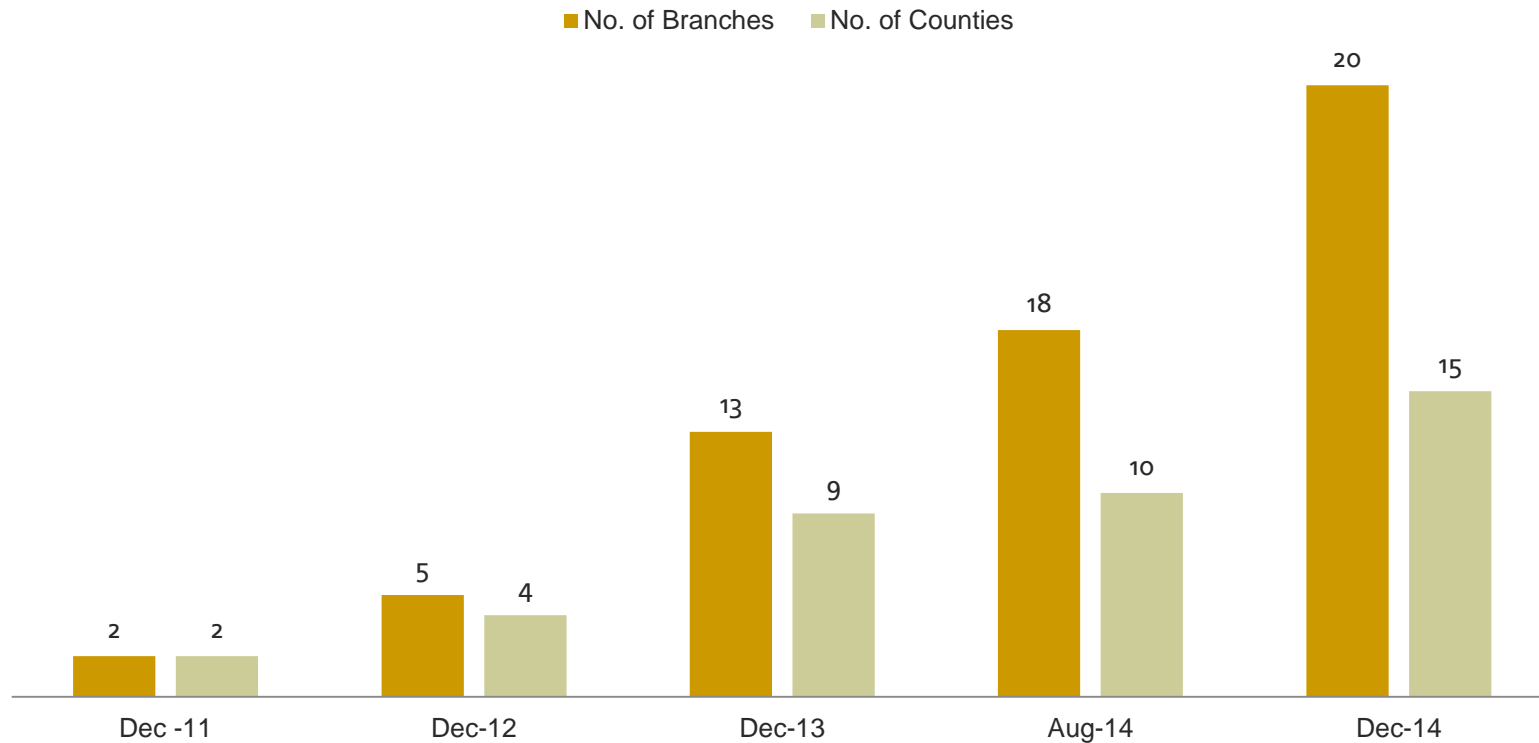
Profile of a typical smallholder farmer

- Rafiki Microfinance Bank unique mandate of focusing on the youth
- Started operations in 2011:scope cutting cross the urban, peri-urban and rural
- Part of Chase Group, licensed by Central Bank as a microfinance bank
- Has a fully pledged bancassurance subsidiary, Rafiki Assurance Agency



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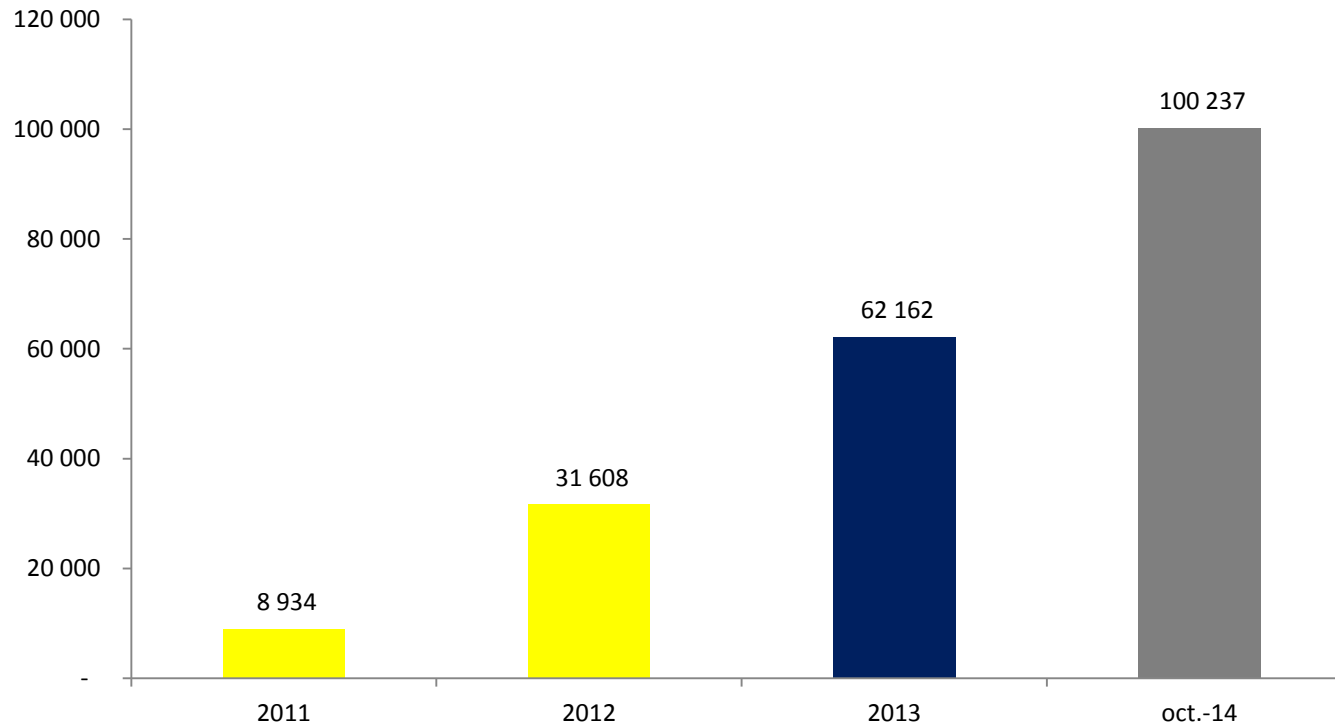
Branch Network



Rafiki Bank: Interventions to Minimize the risk

- Strategic Partners with organizations that deliver (a) technical knowhow (b) buy down risk (c) provide market linkages e.g.
 - SNV Kenya/Syngenta Foundation et al in dairy/horticulture
 - Amiran on modern small holder farming technology and inputs
- Insurance: (a) Livestock and (b) Crop insurance – though cost is still a great barrier.

Number of Customers



Rafiki Bank: Interesting Partnership

- Seedco/Agroviet-avail seeds with a coupon
- Safaricom-technology provider
- UAP-Crop Insurance
- Rafiki Bank-financier and distribution channel for product information
- Training and information sharing-Tharaka Nithi and Narok-about to launch Mobile Academy

What insurance means to smallholder farmers

- Able to start all over again
- Comfort and faith in farming
- Stop gap, considering the low affinity to modern technology

Minimizing risk through technology

- Our project team is working on a Mobile App to give real time information to farmers(Why duplicate?)
- Other mobile apps in the market: M-Shamba, M-farm, I-cow
- Rising population of young farmers: Wendy Farms, Mkulima Young, Eden Farms, all who have embraced use of technology



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Strategic Partners



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Thank you!

