



Investment in agriculture: What are impact investors looking for?

Catherine Ndirangu

Oikocredit

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Training in agricultural and rural finance



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□ 25th April 2024, Catherine Ndirangu

Who we are



Introduction

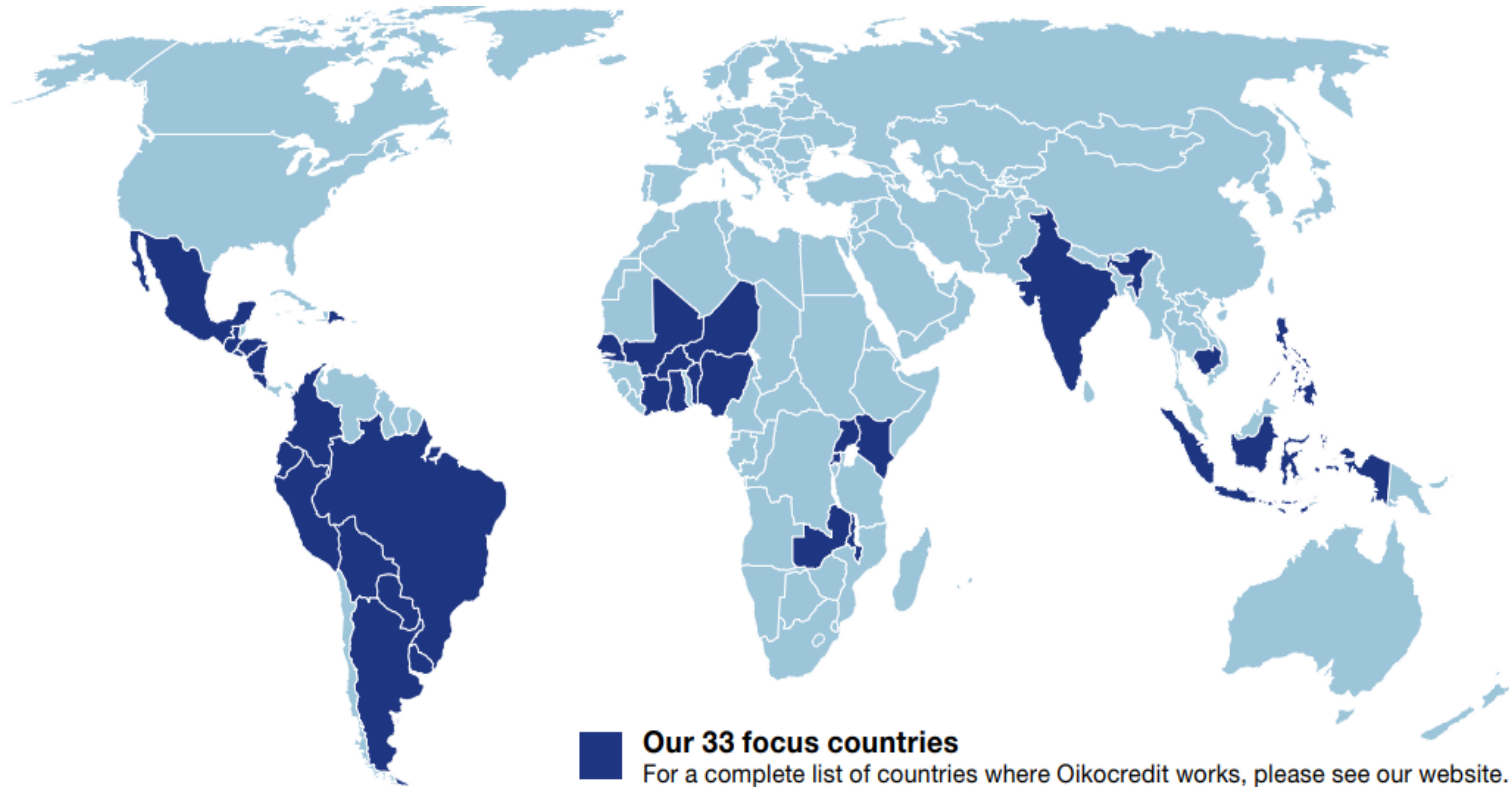


Oikocredit is a social impact investor and worldwide cooperative with over 45 years of experience in leading positive change through investments in financial inclusion, agriculture and renewable energy.

We are a partner for growth for organizations who are making a positive difference in the lives of people with low incomes.

Our ambition is to be a catalyst in the social impact investing sector. We seek new ways to bring partners together and help them learn from each other.

Where we work



- Oikocredit works through a network of offices across Africa, Asia, and Latin America and the Caribbean. We are in 33 focus countries.
- With our network of local offices and close proximity to our partners, we look to develop long-term partnerships where we can add the most value.

What we offer

Loans

Oikocredit provides loans from € 0.5 to € 20 million. We work with organizations who are aligned with our mission for social impact and are active in our focus sectors and countries.

Equity Investments


Oikocredit provides equity investments from € 2 million to € 10 million. We add value as active shareholders through board representation while supporting the growth and development of our equity partners.

Capacity Building


Through our capacity building support, partners have been able to access new technology, knowledge and skills to support them in their growth and development. We have also helped to strengthen governance and management capabilities.

Sectors we support


Financial Inclusion



Financial inclusion financing
€ 767.9 million



Clients reached by our financial inclusion partners
42.2 million



Partner with (MFIs) and SME banks to support the development of services targeting the people who need their services most.

Agriculture

- Coffee
- Cocoa
- Grains
- Tea
- Palm Oil
- Fruits & vegetables
- Nuts
- Dairy



Agriculture financing
€ 175.7 million



Farmers reached by our partners
2.6 million




Farmers reached that are women
16%




We believe that investment in this sector is one of the most effective ways to reduce rural unemployment and poverty and contributes to local food security.

Renewable Energy


Households with access to clean energy
43,000



Households using clean energy for income-generating activities
74,000



Renewable energy financing
€ 56 million



Our financing enables the provision of renewable energy in underserved regions, helping Oikocredit's partners introduce clean energy access to low-income communities.

Eligibility criteria for Agri

- **Best Practice Conduct**
The SME should protect employees in terms of social security, risk and adequate labor environment and pay a fair wage and comply with best local practice in environmental care.
- **Financial accounts track record**
Should have a record of at least 3 years of audited annual accounts and 2 years of profits in the last three years.
- **Established legal entity**
Should be an established legal entity with at least three years of operations.
- **Collateral**
Stocks or physical assets.
- **Socially responsible owners**
owners should have a record of good treatment of employees.



- **Significant own investments**
owners of the SME should contribute significant amounts of equity and give personal guarantees.
- **Minimum solvency**
the owner's contribution to the project should not be less than 33.3%
- **Reinvestments**
The SME should agree to reinvest a substantial part of the profits into the company during the term of the loan.
- **Short loan periods**
Oikocredit prefers to start with small loans and with phased disbursement of a loan. Follow-up loans will then go hand in hand with successful repayment.
- **Loan amount**
From €500,000 to €5 million or the equivalent in US

General criteria

01

The enterprise supported must benefit financially disadvantaged people

05

Economically disadvantaged people should be able to participate directly in the operation and management of the business

02

Benefits must be widely distributed and not result in the enrichment of a few organizers or investors

06

Preference is given to enterprises in which women are direct beneficiaries and in which they participate in decision-making

03

The enterprise must contribute to the social and economic empowerment of the community in which it is located

07

The enterprise must be economically viable, with appropriate management and technical leadership. The enterprise must become self sustaining within reasonable period of time, thus allowing Oikocredit's participation to be phased out

04

should not endanger the lives of animals and plant species

08

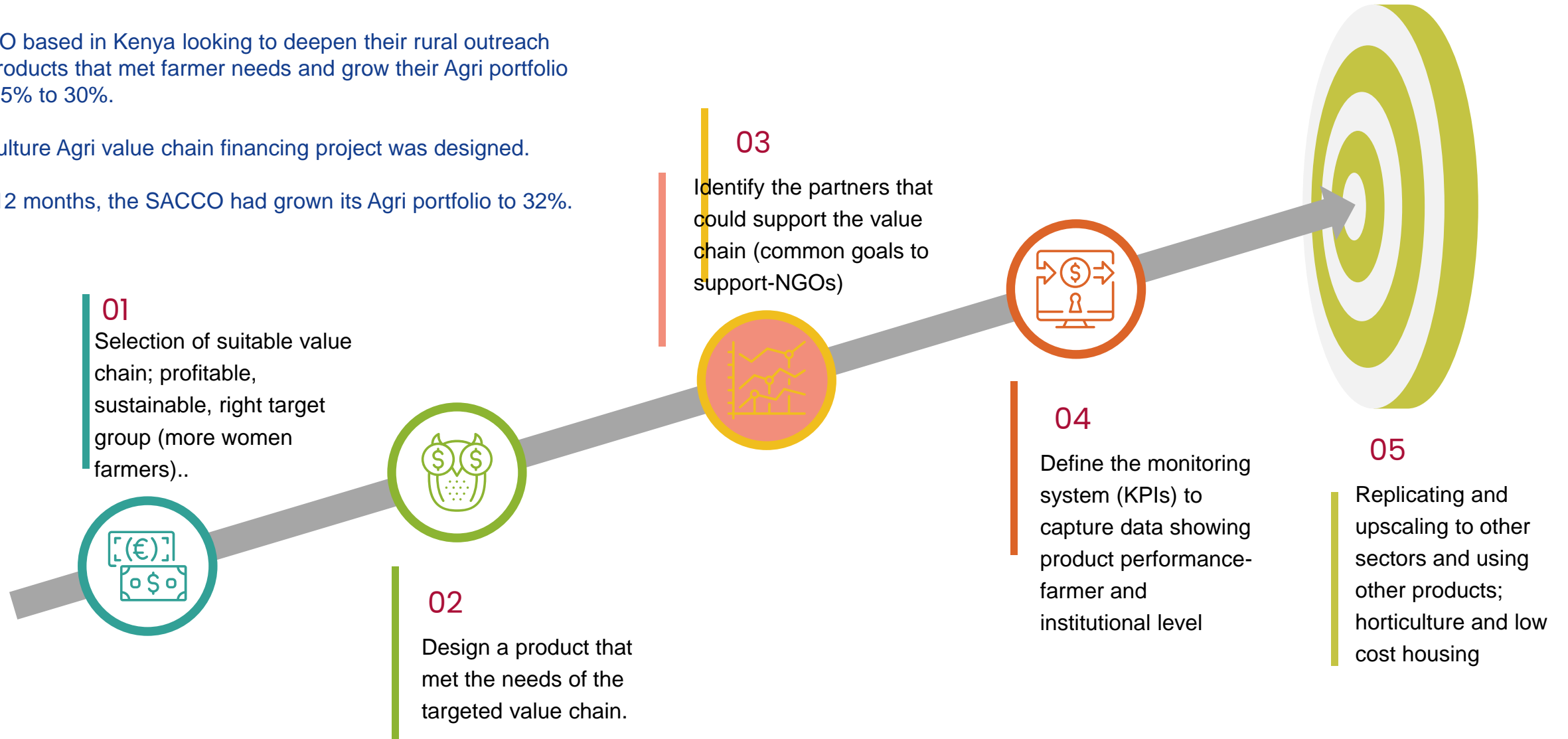
There must be a clear need for Oikocredit funding.

TA/CB Agri examples in Africa

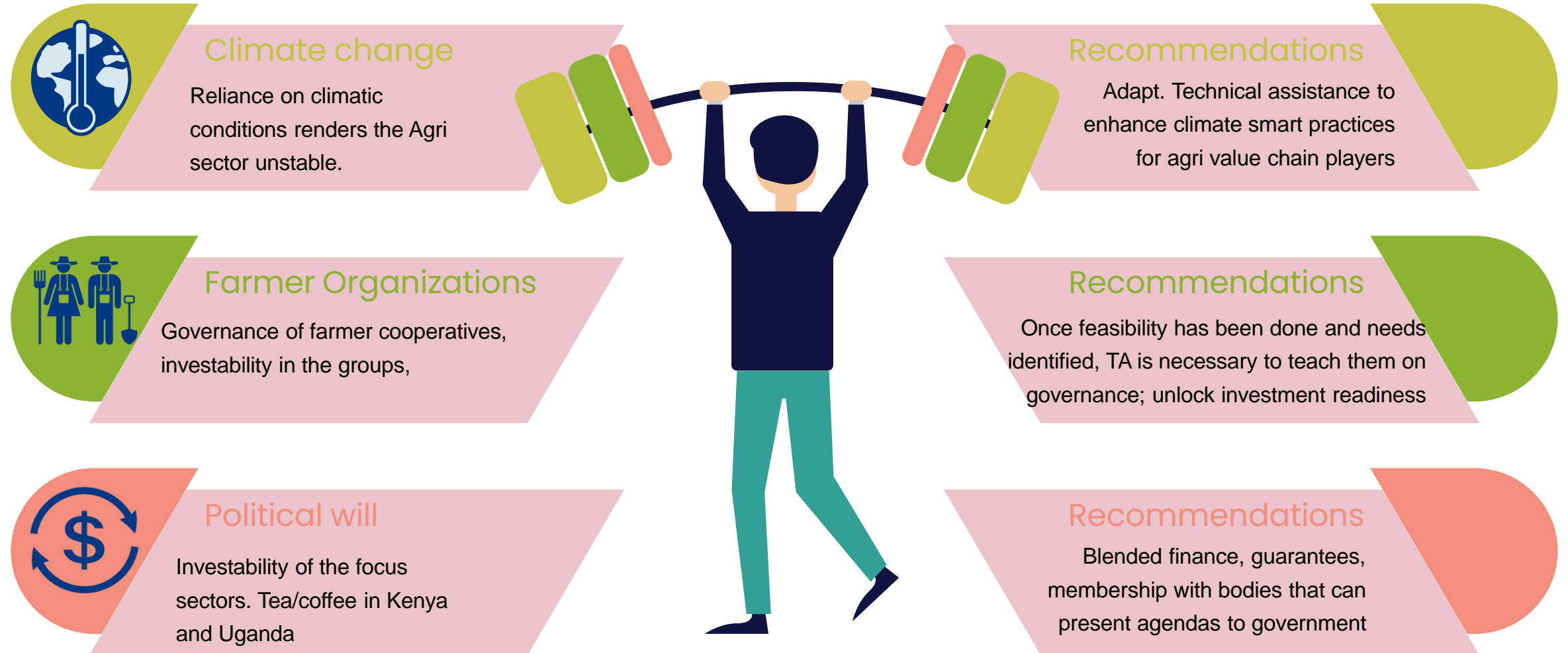
SACCO based in Kenya looking to deepen their rural outreach with products that met farmer needs and grow their Agri portfolio from 25% to 30%.

Horticulture Agri value chain financing project was designed.

Over 12 months, the SACCO had grown its Agri portfolio to 32%.



Challenges/recommendations/lessons



Q&A



Thank you

Dank u

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Danke

Grazie

Merci



Catherine Ndirangu

Oikocredit

cndirangu@oikocredit.org

Obrigado

Gracias



Incofin Investment Management

Federica Malfa

Investment Manager Africa

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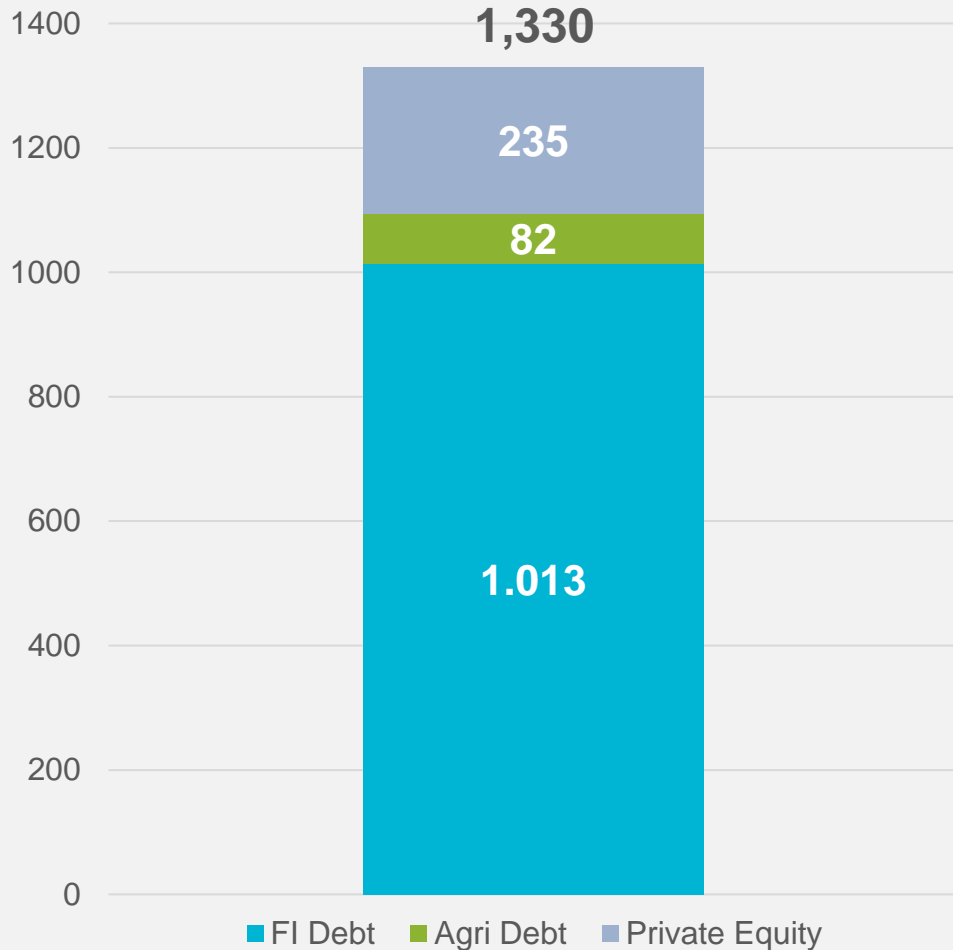
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We invest for impact to drive inclusive progress and sustainable transitions

European AIFM licensed asset manager, we have 20+ years of experience investing **emerging markets** for **impact**

Asset Under Management (Q4 2023, USD M)



Sector Focus



Financial Inclusion



Agri & Food



Access to water

Highlights

1992/2001

Founded

14%

AUM CAGR in the last decade

\$ 4.5 bn

2k

\$ 15 M

170

Invested since inception

Number of transactions

TA projects investments

TA projects completed

186

Active investees

65

Active Countries

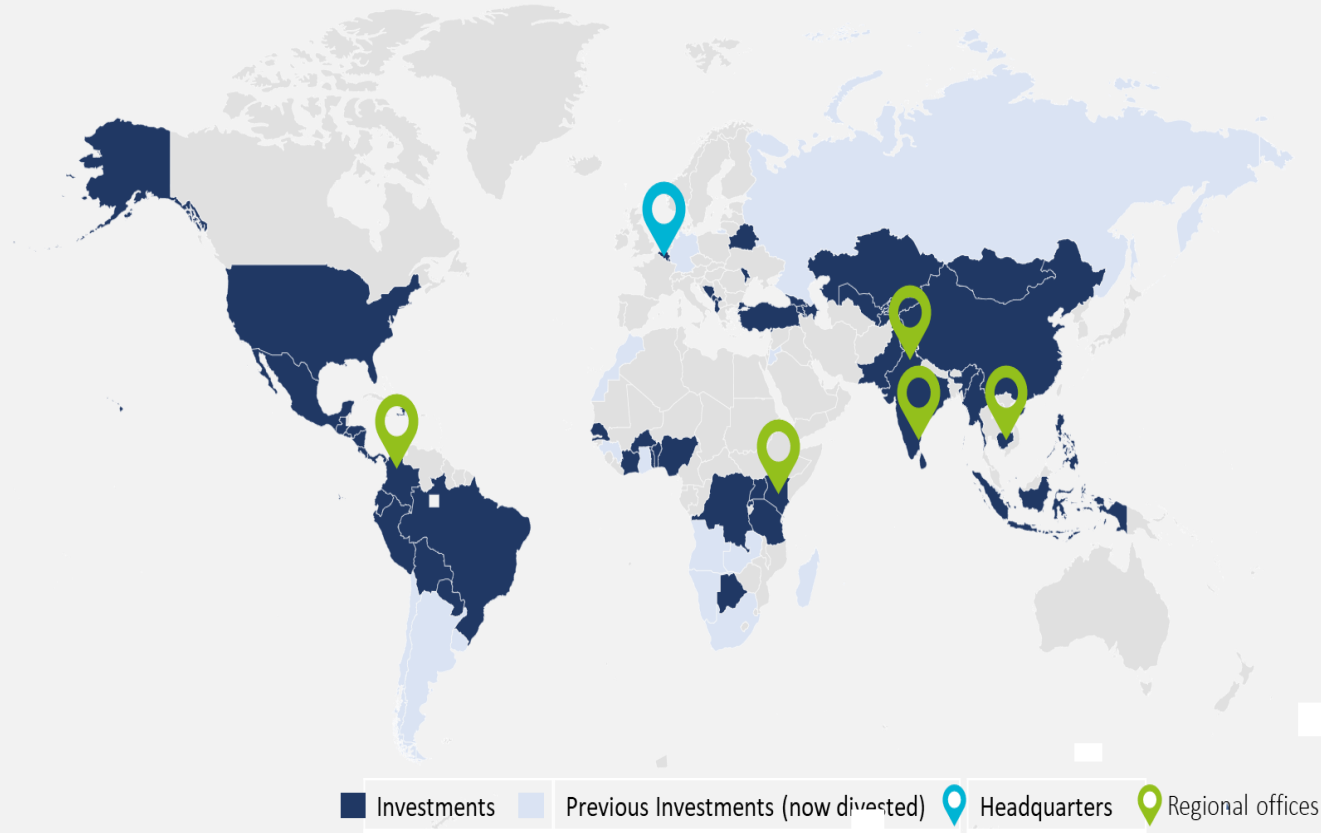
90

Employees

5

Offices

Our global presence



Offices across **Cambodia, Colombia, Kenya, India and Belgium**



90 global staff
50 investment professionals
25 nationalities



Gender balanced
50% female senior managers
55% female staff



Full-service configuration
in-house legal, finance, and risk functions

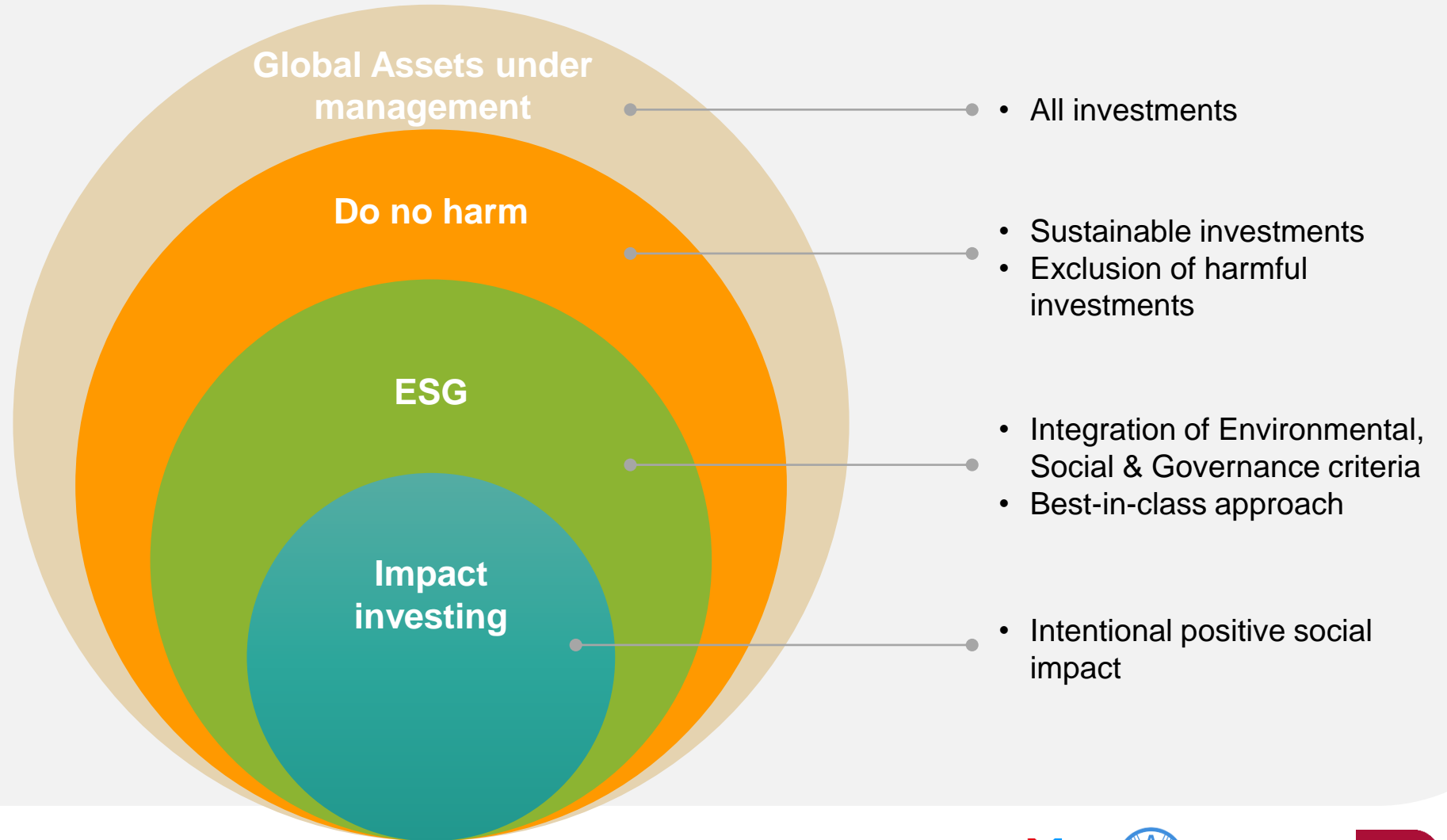


USD 96M outstanding portfolio
10 countries
51 active partners (financial intermediaries and agri-focused SMEs)
Main crops: coffee, cocoa, macadamia nuts, tea, cashew nuts

The concept of impact investing

Impact investments


Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.




Investing with impact: delivering a double bottom line


Incofin IM seeks to invest in companies that are not only financially sustainable, but also contribute to solving a socio-economic problem

Financial Institutions (2023)


 **32 Million** Number of end beneficiaries in the current portfolio


 **52%** Rural end-borrowers

 **67%** Female end-borrowers


 **41%** Female staff in portfolio companies
Management staff in portfolio companies

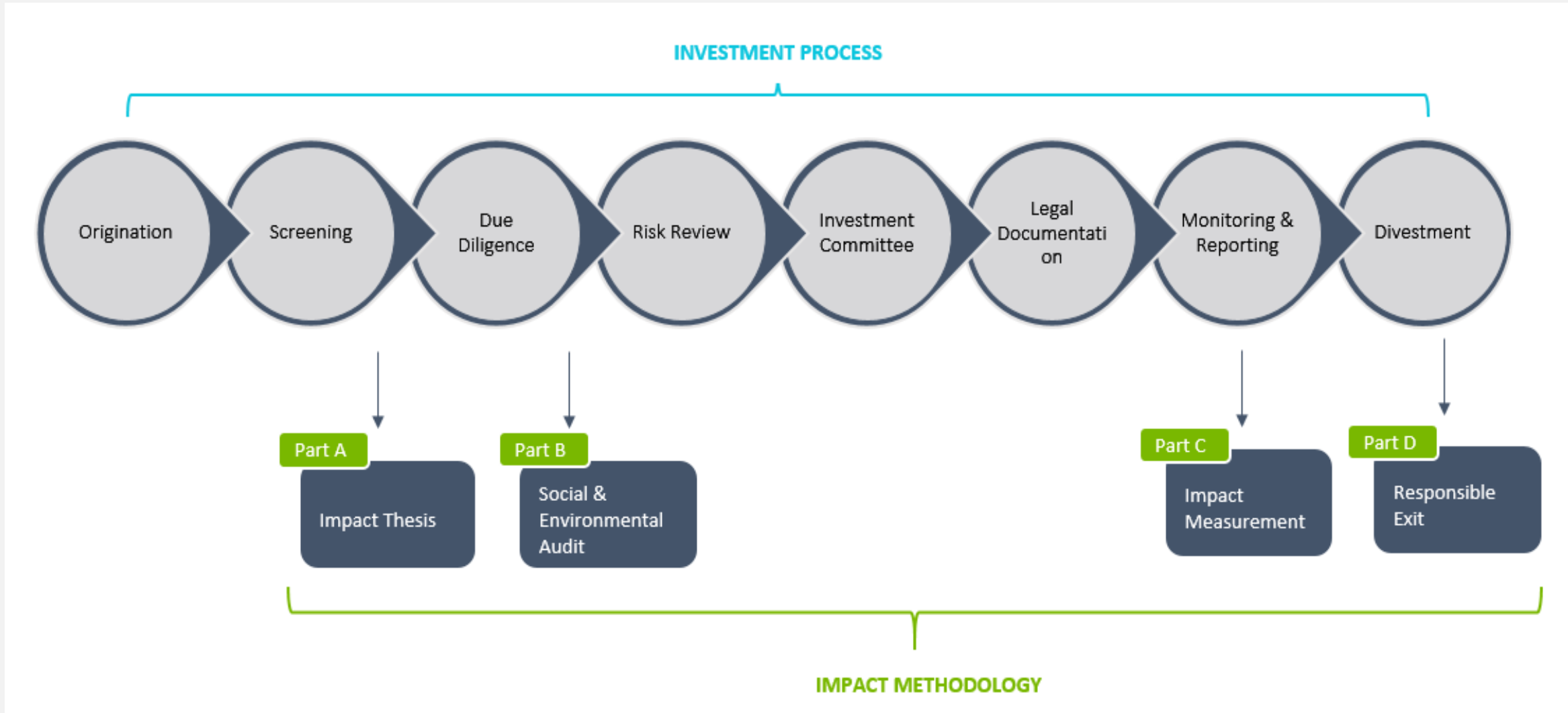
Food and agriculture (2023)

 **2.5 Million** Number of smallholders reached

 **1.0 Million** Total agricultural production

 **31%** Female smallholders

 **38%** Female staff

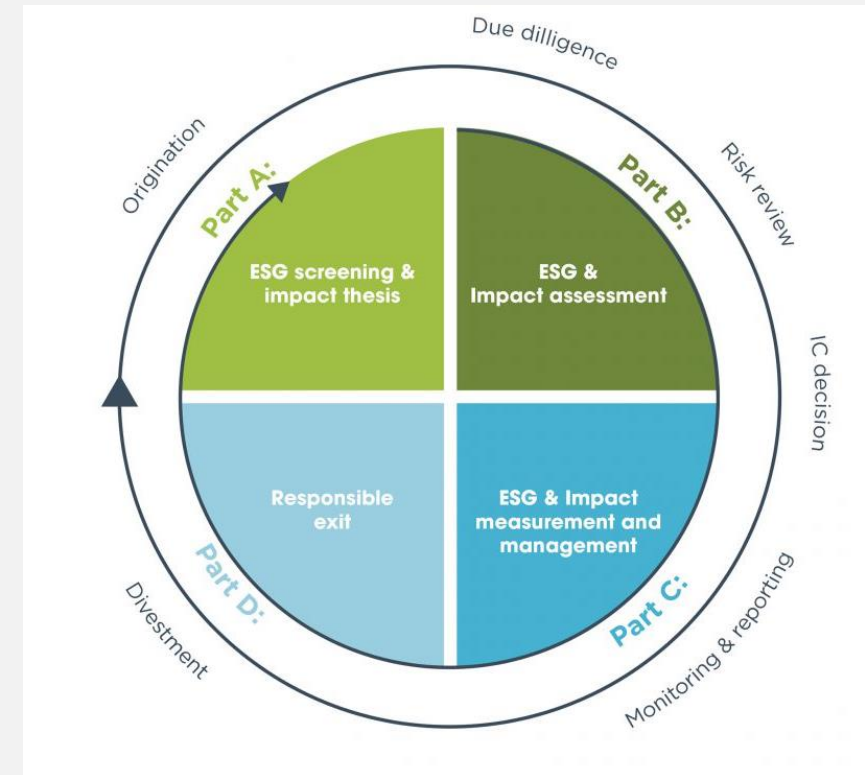


Our ABC of Impact

We embed impact methodically throughout our investment cycle, from start to end

Sustainability Risk Management

Impact Performance Management



Our Main SDG Focus



Our proud affiliations and associations



Eligibility guidelines – Financial intermediaries

- ❑ **Financial intermediaries:** commercial banks, microfinance banks, non-bank financial institutions, NGOs, leasing / asset-finance companies, fintechs
- ❑ Funds have **different mandates:** agri-financing, gender equality, climate adaptation and mitigation, MSMEs → Each fund has its own specific eligibility criteria
- ❑ **Basic eligibility criteria:**
 1. GLP ≥ USD 10M, or slightly lower but with strong growth potential
 2. 3 years of audited financial statements
 3. Demonstrated financial and operational sustainability
 4. Compliance with prudential ratios (if applicable)
 5. Agriculture and rural focus: > 20% of GLP to agriculture OR Rural Exposure Score > 30%
 6. Client Protection Pathway (SPTF-Cerise) and Environmental & Social Management Systems
- ❑ **Ticket size**
 1. Minimum: USD 1M
 2. Maximum: ~10% of GLP
 3. LCY or HCY
- ❑ **Tenor:** 12-48 months

- ❑ Established in 2004 with the mission to **empower rural based smallholder farmers and micro-entrepreneurs through wealth-creating financial solutions.**
- ❑ GLP of USD 16M, 70% in agriculture
- ❑ 90,000 active borrowers, 70% women. Rural-based branch network.
- ❑ **Incofin outstanding investments:**
 - Equity: USD 2.3M
 - Senior debt: USD 1.5M
- ❑ **Products & Services Offered:**
 - **Crop and animal Farming:** Farm Input, Horticulture, Coffee, Tea, Banana, Sugarcane, animal feed, dairy, poultry
 - **Farming Equipment:** Irrigation, Green House, Milling, Motorcycles, Vehicles
 - **Working Capital:** Traders, Input Suppliers, Transporters, Groceries and other value chain players
 - **Clean Energy Solutions:** Solar panels, Solar lanterns, Bio Gas, Solar pumps, Solar home systems, Improved cook stoves, Solar batteries
 - **Non-financial services:** trainings on agri best-practices, financial literacy, weather information



JUHUDI KILIMO
Investing in farmers. Transforming lives

Incofin's Technical Assistance

- ❑ Digitalizing the full loan application process to increase financial inclusion in Kenya
- ❑ Developing a mobile application to provide quick and easy access to emergency loans for farmers
- ❑ Product development for the youth in agriculture
- ❑ Strengthening of agri risk-management practices
- ❑ Leadership training for middle management

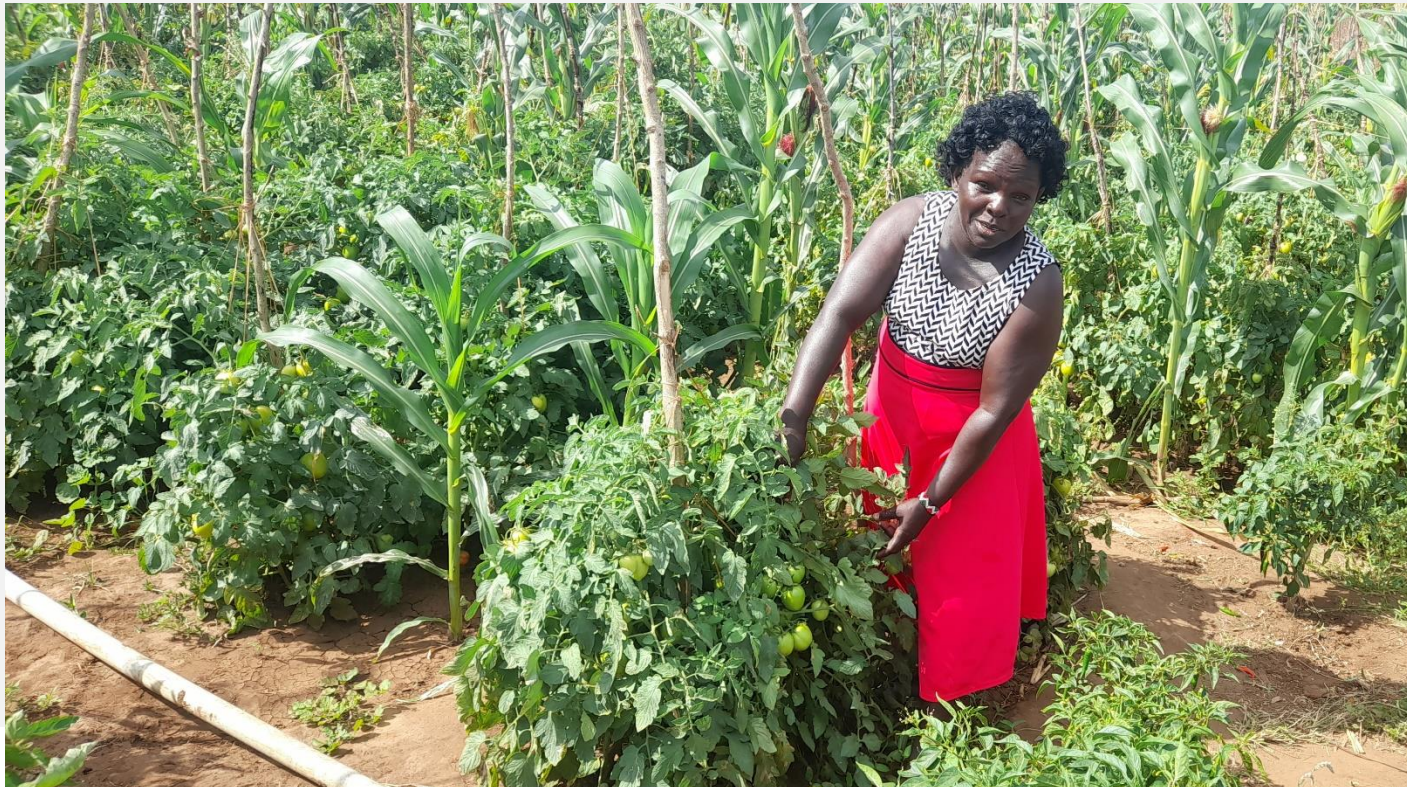


- ❑ Established in 1998 to **empower rural communities through access to innovative, affordable and sustainable financial solutions in a socially responsible manner.**
- ❑ GLP of USD 8M financing activities primarily linked with agriculture
- ❑ 35,000 active borrowers, 75% women. Rural-based branch network.
- ❑ **Incofin outstanding investments: USD 1M**
- ❑ **Products & Services Offered:**
 - **Business loan:** working capital, purchase of business assets
 - **Poultry loan:** working capital to purchase chicks, feeding equipment
 - **Dairy farming loan:** purchase of good breed cow, cow shed / pen construction, seeds for pasture
 - **Green energy loan:** clean energy gas cookers, solar equipment, energy jikos
 - **Water loan:** water storage tanks, water harvesting pans, water piping, plumbing works
 - **Mabati loan:** improvement works of roofing of houses
 - **Non-financial services:** trainings on agri best-practices, financial literacy, weather information



Incofin's Technical Assistance

- ❑ Strengthening of risk management and audit frameworks
- ❑ Implementation of the agri finance strategy through:
 - Commercial offer review and product development / adaptation to better suit agri clients' needs
 - Enhancing agri financing tools, policies and processes
 - Trainings to staff in agri financing and risk management



Risks & Challenges

- ❑ Exposure to **production and market risks**
 - Smallholder agriculture is largely concentrated in production with low productivity levels
 - Vulnerability to climate change and risk of pest and diseases
 - Volatility in agricultural commodity prices
 - Inadequate instruments available to manage these risks
- ❑ High **operational costs**
 - Sparse geographical distribution of clients and high rurality
 - Lower average ticket size

Mitigants and Opportunities

- ❑ Appropriate **product design**
 - Products should be tailored according to the activity being financed
 - This should incorporate cyclicity in cashflows and options for financing bulky investments
- ❑ Building of products with **appropriate risk-mitigation**
 - Technical training on production and market risk mitigation
 - Insurance (credit life, yield/weather index etc.)
 - Diversification of risk by lending to client with more than one agricultural/livestock activity
- ❑ **Cost-reduction strategies**
 - Adoption of technology in customer acquisition and monitoring
 - Partnerships with aggregators in the delivery of services

Thank you

Dank u

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Danke

Grazie

Merci



Obrigado

Federica Malfa

Investment Manager Africa at Incofin IM

federica.malfa@incofin.com

Gracias

