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| strategy consultants for
sustainable development



Food security in Sub-Saharan Africa: A Fresh Look on Agricultural Mechanisation

How adapted financial products can make a difference

Keynote presentation for F-SAMA Virtual Webinar No. 5:
Promoting innovative financing mechanisms for sustainable agricultural mechanization

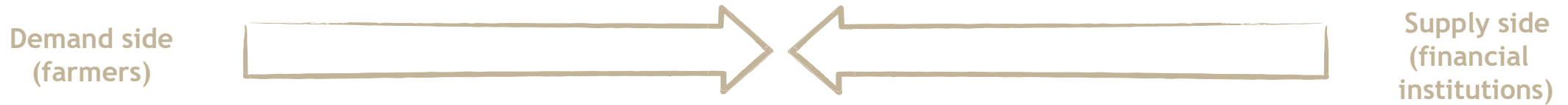
27.05.2021

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We consider mechanization of **different intensities** and along the whole value chain



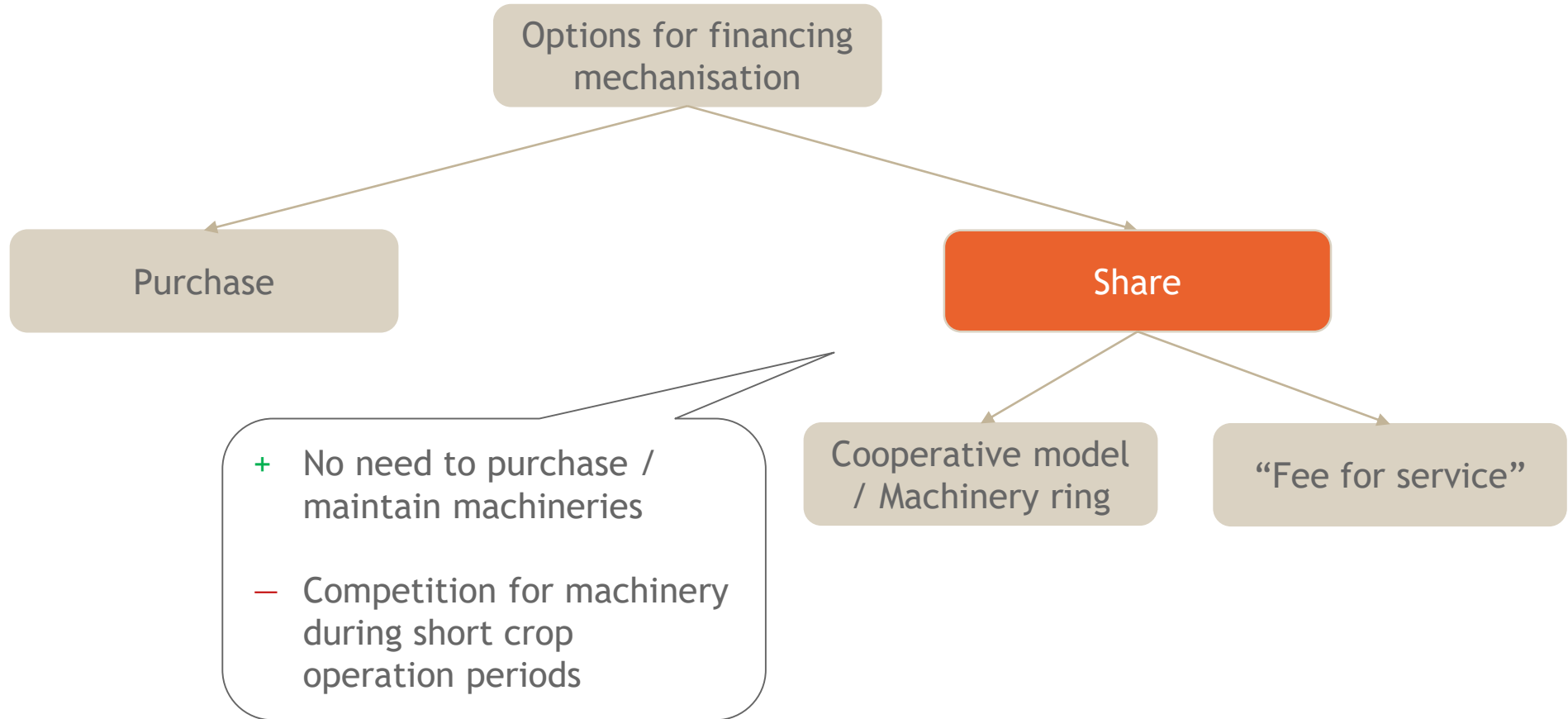
Challenges to financing agricultural mechanisation exist on both demand and supply side



- Lack of financial and business **literacy** of farmers
- Lack of **collateral**
- **Repayment schedules** too short and not well-adapted to the characteristics of farming
- Insufficient **communication** between supply and demand side
- Lack of **agroeconomic knowledge** at the level of financial institutions...
- ...often leading to **hesitance** to offer agricultural products

So what could be
solution approaches?





CUMA is a cooperative model that purchases and shares machinery in Benin (machinery ring)



Farmers contribute proportionately to farm size



Money is used for purchase and maintain machinery



Machinery is jointly used

- ✓ Access to machinery which farmers could not purchase
- ✓ “Being a part of a Cuma means much more than simply sharing equipment, it is a means to working broadly for more solidarity in farming”
([FARM et al. 2015](#))
- ✓ 86 cooperations (CUMAs) with 500 members (2017)

Hello Tractor is a social enterprise which provides “fee-for service” tractor-hiring in Nigeria



Farmers request tractor from owner via app or from local partners...



... and pre-pay through mobile money



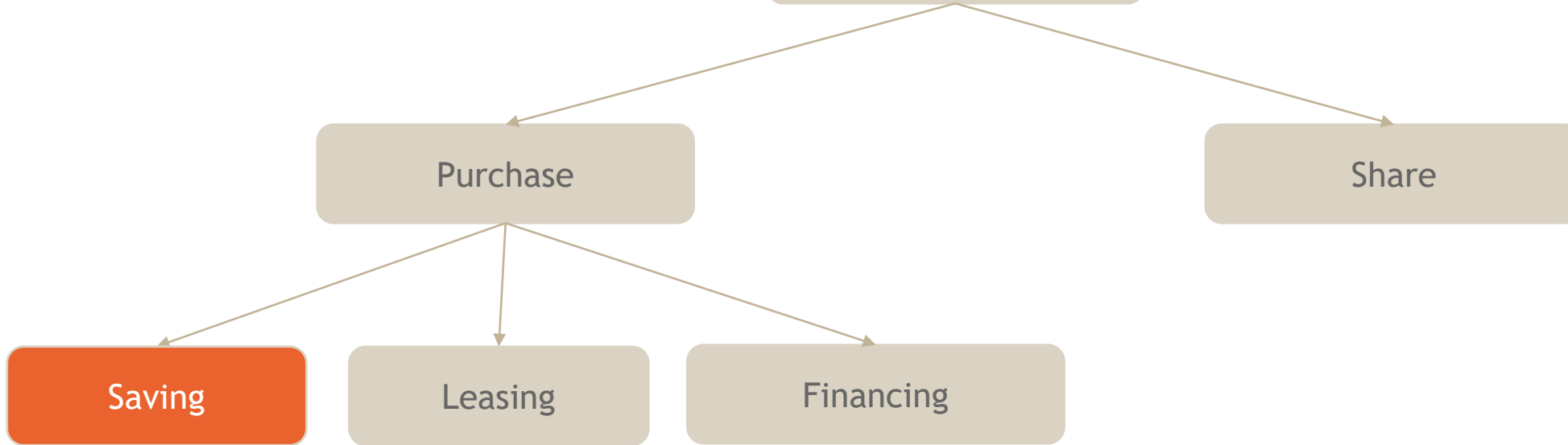
Machinery owner performs service



Money is released to machiners owner

- ✓ Brings together tractor owners and farmers w/o machinery
- ✓ Payment only according to needs

Options for financing mechanisation



- + Suitable financial instrument for lower-income or smaller farm enterprises
- + Low risk and low cost
- Not always suitable for large investments

myAgro provides saving products and sells agricultural products with „Scratchcards“ (layaway system)



Local vendors sell *scratch-cards* worth USD 1 - USD 50



By texting the code to an indicated number, money is laid away on myAgro (savings) account



myAgro delivers high quality seeds, fertilizer and (small) tools



The service includes financial training and transport

- ✓ Local and confidential way of saving
- ✓ Timely delivery
- ✓ High quality
- ✓ Correct application

Options for financing mechanisation

Purchase

Share

Saving

Leasing

- + Option for small businesses without credit history and collateral (lessors keep legal ownership)
- New concept in SSA, awareness and capacity-building required on demand and supply side
- Misuse/neglect of equipment depreciates value of asset, time-consuming on-site visits to ensure correct use and maintenance
- Often lack of secondary market to sell used agricultural equipment

EFTA provides leasing services in Tanzania



Leasing of equipment starts from TZS 20 million
(~ USD 8,600 USD)



No collateral, incorporated company, audited accounts
required



10%-30% advance payment, 36-month repayment period



Monitoring visits are conducted every three months



EFTA directly resales used equipment which has not been
repaid

✓ Opportunity for
entrepreneurs
without collateral to
invest in machines



Equipment for Sale



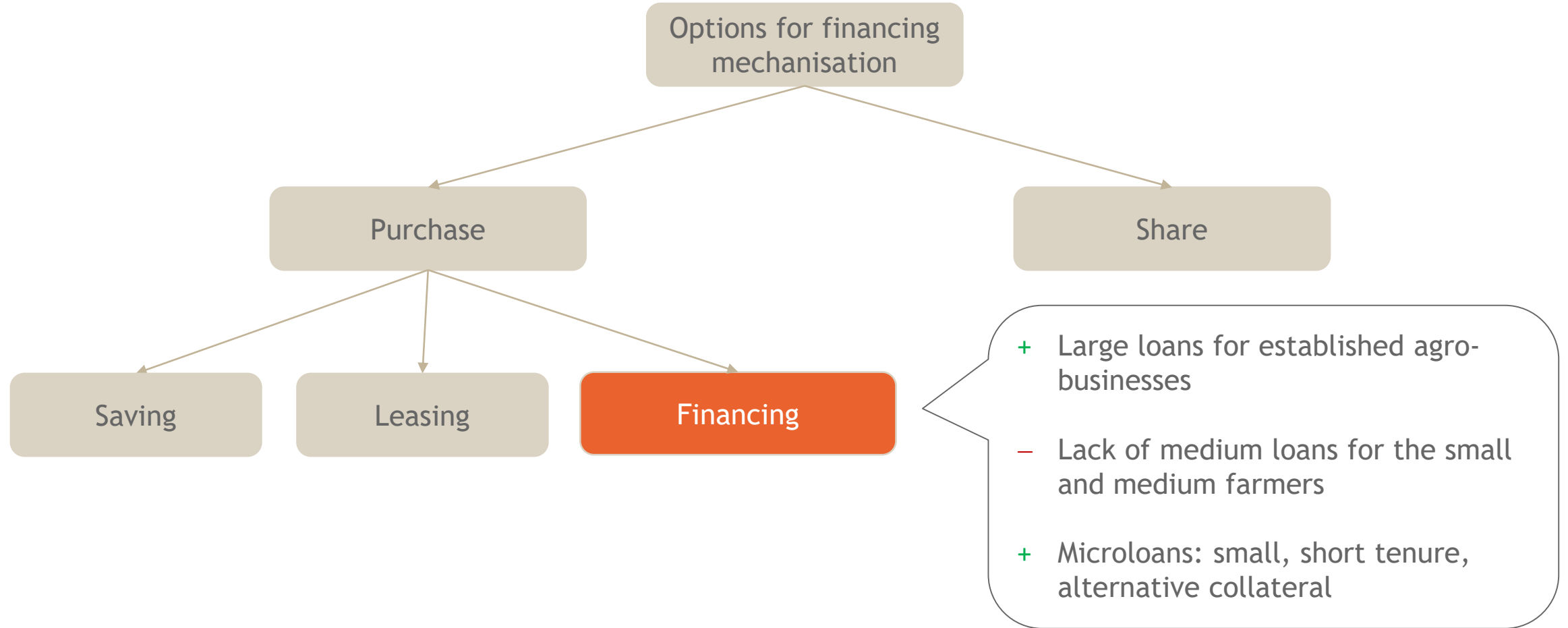
Tractors

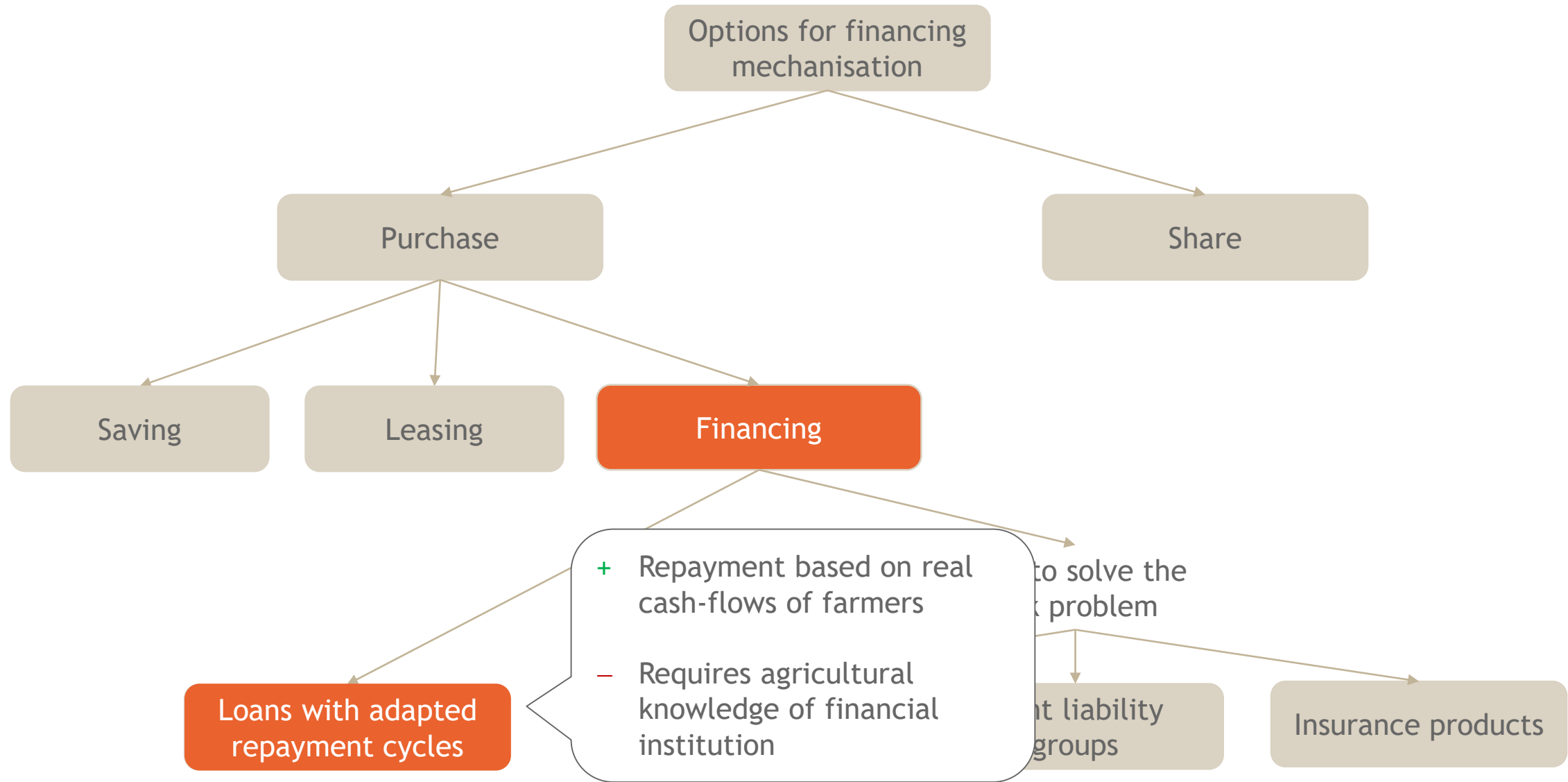


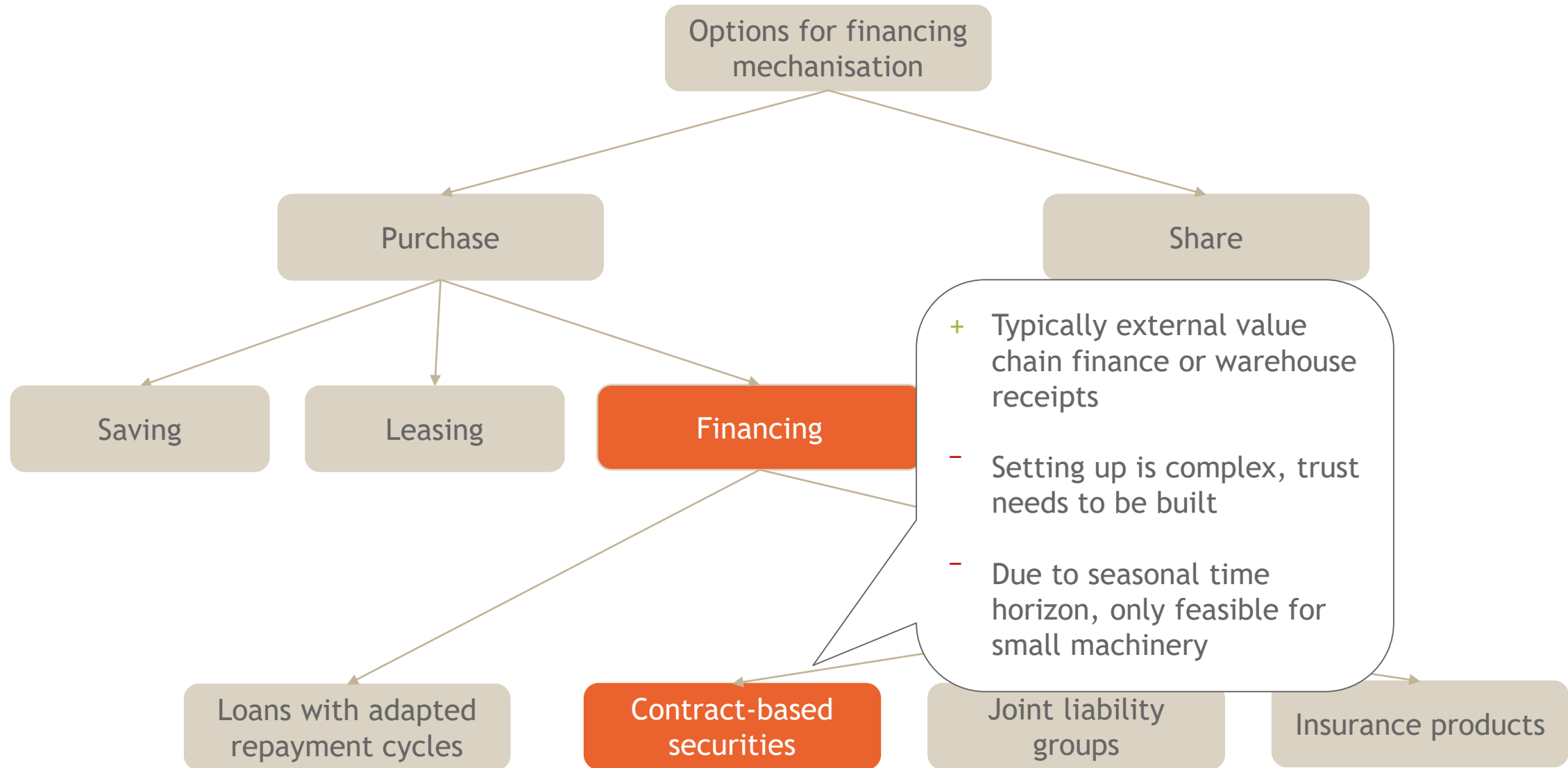
Harvesters

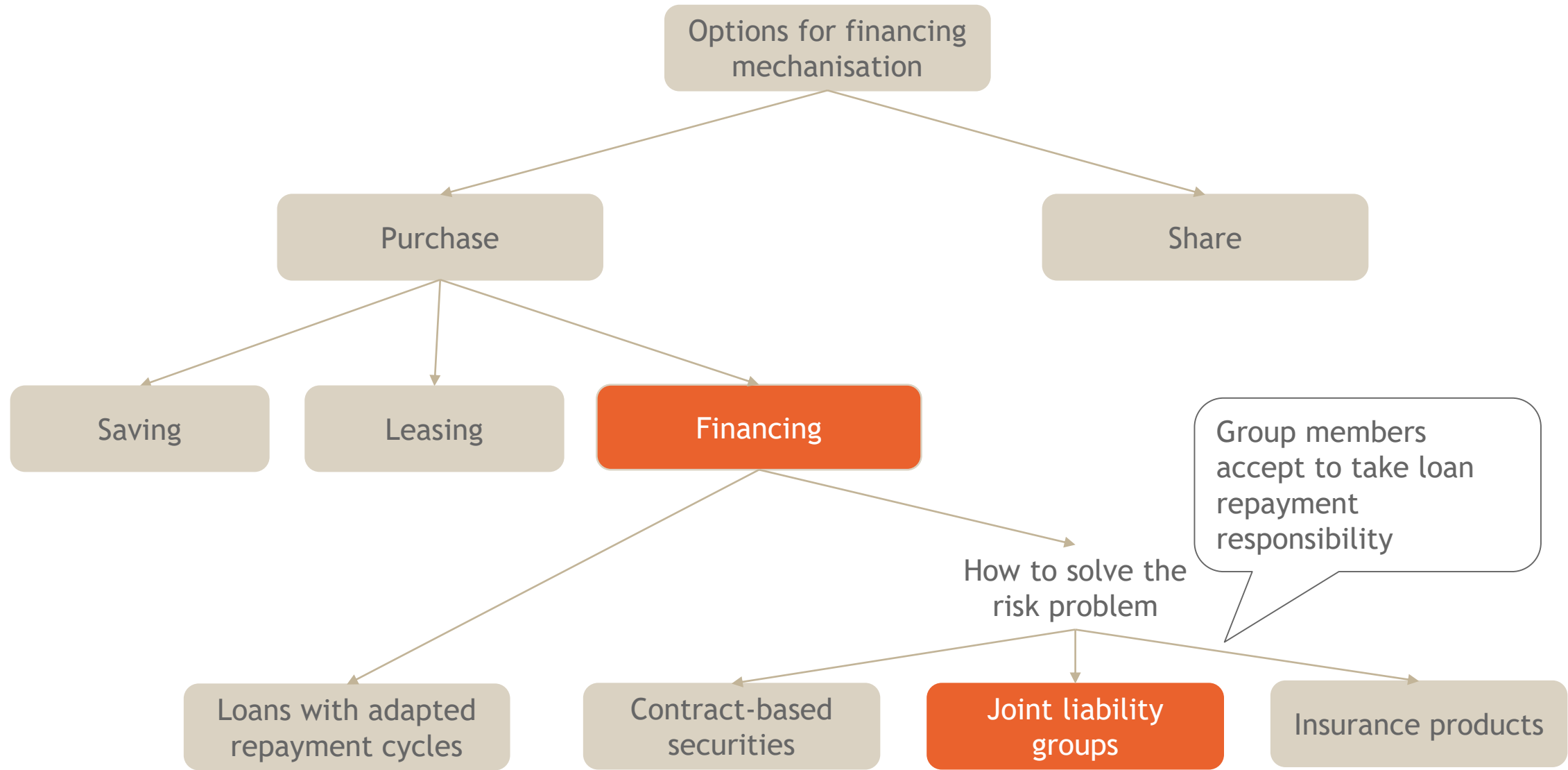


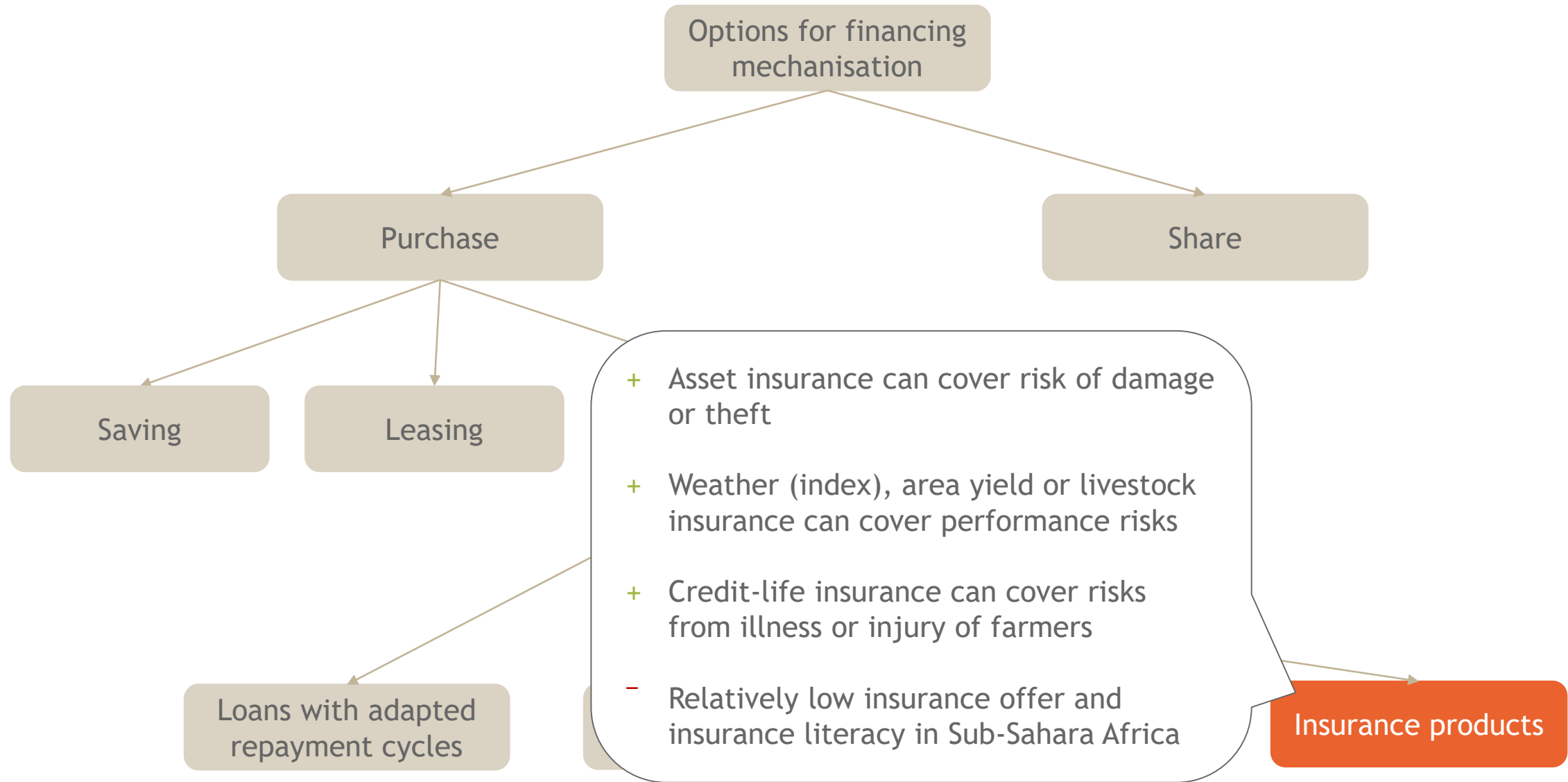
Planters



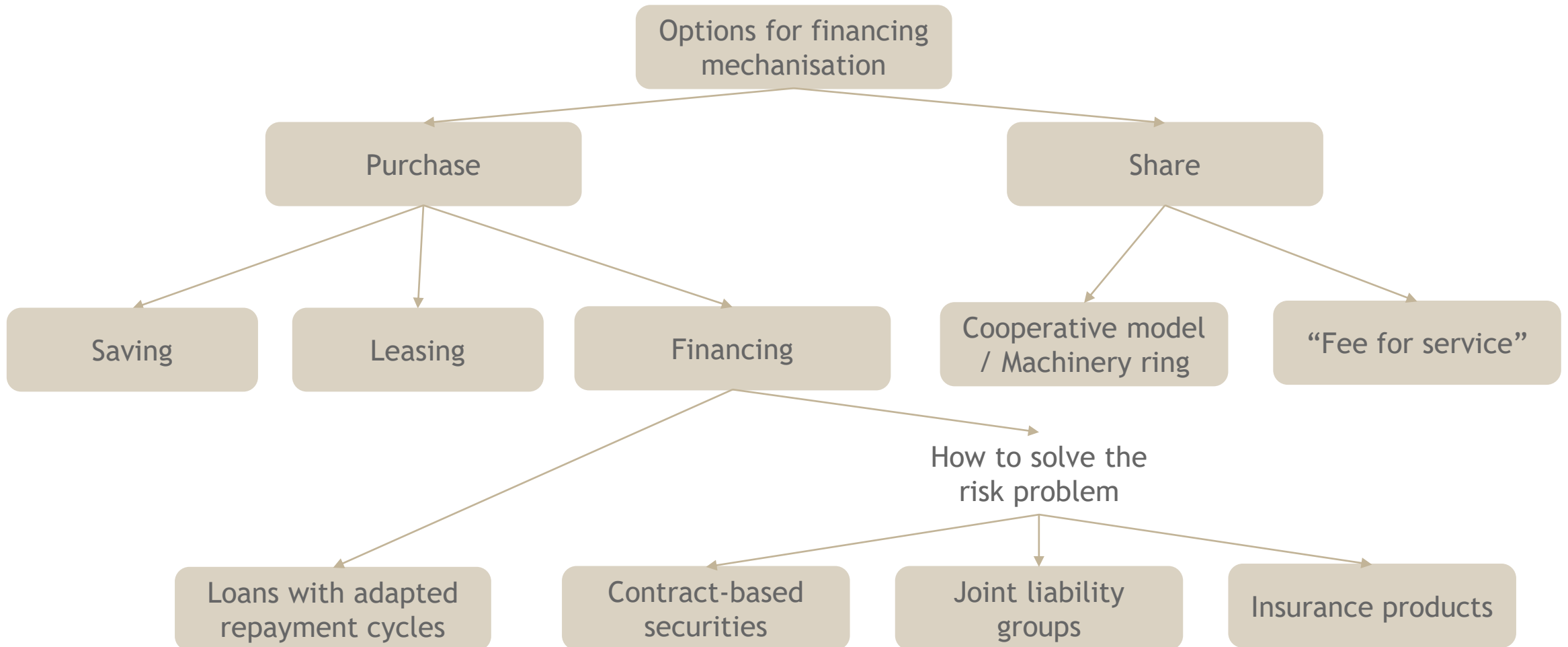








There is a **variety of options** for financing agricultural mechanisation. A loan is not necessarily the best solution!

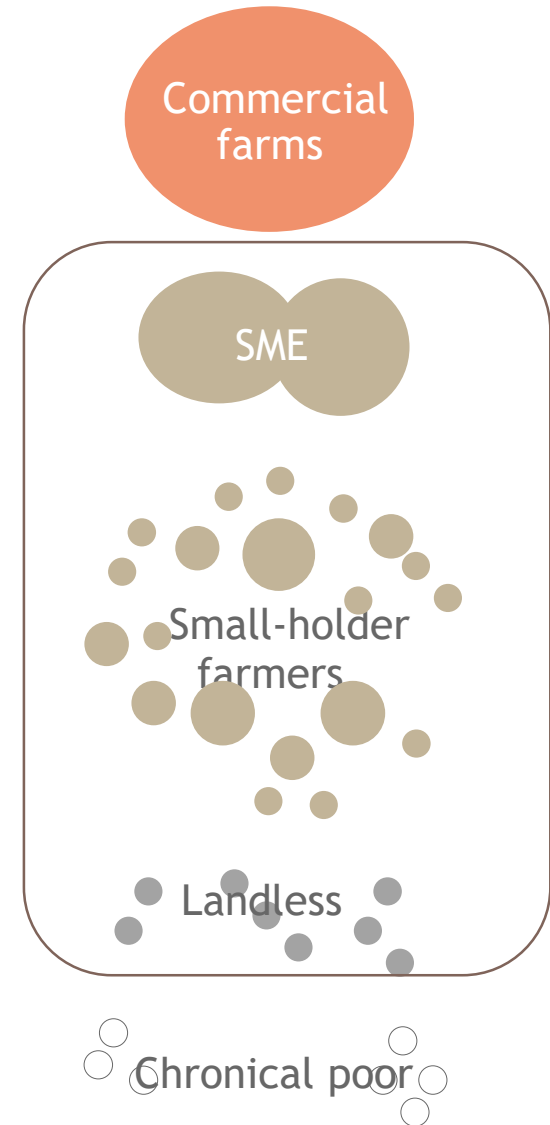


Financing solutions for mechanisation

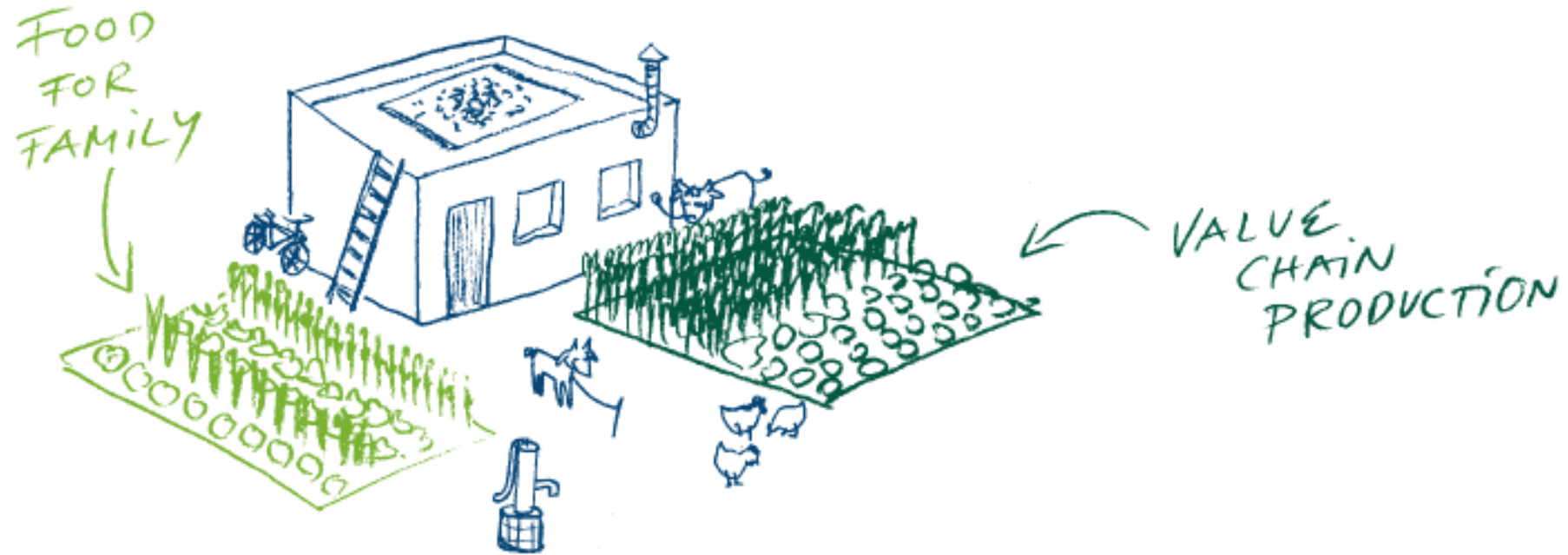
- so what?

! A good solution does not just ensure money flow but strengthens the farm business.

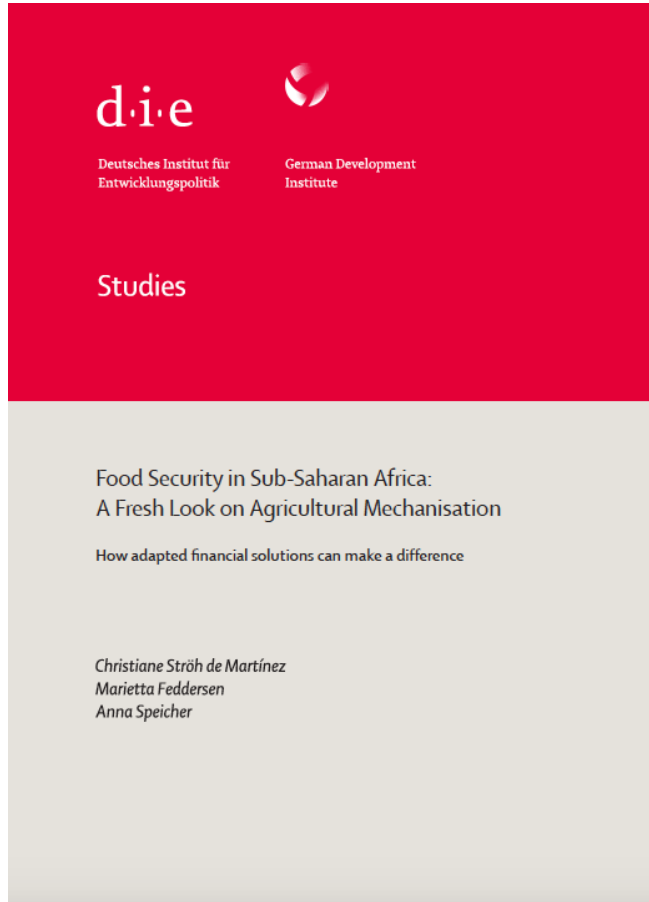
! Consequences of mechanization are very different among target groups (see five rural worlds).



For **smallholder farmers** mechanization changes the production and risk management patterns



The study **combines perspectives** from both agricultural and financial sector actors and studies



More than **200**
theoretical and
empirical studies

About **40**
qualitative
interviews with
experts worldwide

Numerous **case**
studies

Intense
revision
process and
feedback loops with
experts

About **joyn-coop** - Strategy Consultants for Sustainable Development



Founded **2011**
in Munich



220 Client
engagements



Global network
of (local) consultants



Supported
projects with
a total volume
of **2 bn USD**



Team of
15 Staff



Diverse Client Base:
Development partners,
Foundations & NGOs,
Companies with
sustainability agenda

What we do

Strategies & Conceptual studies: We develop solutions for current development challenges. Employing methods for co-creation we continuously seek to provide new ideas and approaches

Programme Design & Evaluation: We design, and pilot approaches based on our feasibility studies and enable learning and improvement of programming designs by conducting evidence-based evaluations

Organizational development & Process facilitation: We help organizations develop new routines for more aid effectiveness. We organize collaborative learning events and serve as facilitators to jointly develop the new way forward

How we work

Cross-sectoral approach: We combine expertise in development cooperation with the methods and quality standards of management consulting and are guided in our approach by academic research

Listening to local voices: Our analysis is guided by the needs and lived realities of our target groups which we continuously incorporate through diverse participatory methods - both in person and remotely

Jointly creating value: We develop customized solutions through regular peer review and interactive workshops; our agile working culture and combination of diverse perspectives create a fertile ground for innovation



Grateful for your attention

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