“There is still a lot of work ahead”

Opportunity International has developed an agricultural finance model that is providing over 7,000 smallholder farmers in Malawi with access to secure savings, micro insurance, capital and technical training to help them improve yields and make a living, writes Deborah Foy.
Amosi Kasamira’s face lights up as he shares his plans for the next season. “My vision is to replace the grass roof of our home to better protect us from the sun and rain,” he explains, “and I intend to cultivate ten acres next season.”

Two years ago, Amosi, a smallholder farmer in Malawi, couldn’t afford fertiliser or much seed and was struggling to grow enough maize to feed his family. When he and his wife heard about Opportunity International Bank of Malawi’s (OIBM) agricultural programme in 2008, they were keen to take part. Since joining, they have seen a five-fold increase in their family income.

Having successfully repaid his first loan, Amosi took another and is reaping more maize than ever before. He used the loans to increase the size of his plot, initially to two acres and then to 3.5 acres, and to access fertiliser and seed. With hard work and determination, and training in best practice agricultural techniques from OIBM’s agricultural workers, his small farm has increased its yield from ten bags of maize to 150 bags (approx. 500 kgs to 7,500 kgs).

He has enough to feed his family and a surplus to sell. The increased income has enabled the family to afford clothes and school fees. With OIBM, he has also been able to open a secure savings account, so he no longer needs to hide cash at home but can keep it securely in an interest-bearing savings account.

Historically, most financial institutions have focused on urban areas, where clients can be more easily accessed and at lower cost. Yet, the need for finance in rural areas is great. With 65 percent of the Sub Saharan African labour force employed in agriculture, according to the World Bank, the importance of the sector to the economy is clear. Agriculture provides 32 percent of gross domestic product in the region. Opportunity International works in countries where the percentage of the labour force involved in agriculture is high. In Kenya, Malawi, Mozambique, Rwanda, Tanzania and Uganda, more than three quarters of workers are employed in agriculture. Yet, globally the agriculture industry receives only four percent of overseas development assistance, and just four percent of public spending in Africa goes to agriculture. Sub Saharan Africa imports food, despite having the potential to feed its population and to export food to other parts of the world.

Responding to challenges
Opportunity International has developed a strategy to manage the many risks inherent to providing financial products in rural areas with undeveloped markets and farming techniques, poor infrastructure, and little credit history.

This strategy combines the best of traditional microfinance with a rigorous understanding of the unique factors associated with smallholder agriculture in Africa. The key aspect is a deep understanding of the entire value chain, identification of all stakeholders in this chain and their specific role in supporting smallholder farmers.

To manage this process cost-effectively and to ensure the provision of long-term sustainable support to the poor in Malawi,
OIBM is developing strategic alliances with agribusinesses, farmer groups and associations and other partners. Throughout the process, farmers are provided with technical assistance in order to maximise output.

Across Africa, smallholder farmers struggle to balance regular spending needs with income tied to seasonal harvests. To address the pressures caused by annual or biannual income, OIBM gathers data to understand the cash flow of each client. GPS mapping is used to locate the farm. With this map and a short household questionnaire, OIBM can create a client profile that will provide information to assist the farmer in maximising production and to prevent vulnerable households from falling into additional difficulties.

In Malawi, weather volatility is the single most important risk faced by most farmers. Drought risk affects the poor as they typically have smaller land holdings and less access to irrigation. Therefore OIBM has worked with the World Bank to provide crop insurance to rural farmers.

Successfully piloted by OIBM during the 2005/06 growing season among 892 low-income groundnut farmers in famine-stricken areas, this innovative product is designed to pay out if crops receive insufficient rainfall for production. Currently taken up by over 2,000 farmers, this insurance has been extended to include other crops. Consequently, farmers become creditworthy and able to secure finances needed to purchase certified seed.

**Helping people live productively**

Rural Africa is home to the continent’s poorest families. Commercialising the agricultural economy by transforming farmers from subsistence growers to cash crop producers has potential to move families out of poverty and feed a continent. The goal of Opportunity International’s new agricultural finance model is to empower subsistence farmers to transform life for themselves and their families, and their countries.

Providing sustainable financial services to people living in poverty to help them unlock their potential and transform their own lives has been Opportunity International’s goal since it was first established in the 1970s.

Today, Opportunity International, a not-for-profit organisation, provides access to secure savings accounts, micro loans, micro insurance, training and financial education to over 1.8 million people in 25 countries globally. These services are designed to empower people who do not have access to mainstream banking to develop their businesses, save their earnings and guard against risks.

Microfinance, the provision of financial services to the poor, has emerged as one of the promising pathways out of poverty. Yet, providing financial services to poor communities living in remote and rural areas across Africa remains a challenging goal.

Opportunity International is pioneering a variety of ways to offer basic financial services and financial education to people in communities where such services are in short supply. In response to research, OIBM’s approach is to put main branch ‘hubs’ into a district and to complement them with smaller operations that radiate from this centre. These include small kiosks in local markets and mobile units which literally take financial services to the people.

OIBM has introduced seven mobile units to take banking to rural communities. These are bullet-proof, all-terrain 4x4 vehicles, which offer a range of banking services. No longer having to travel to towns saves clients time and money, and they can save more often when they have cash available.

The European Commission (EC) helped fund the OIBM ‘hub’ branch in Mzuzu in Malawi’s northern region. “The project is going very well. People are now more able to access banking facilities, particularly the rural poor. This bank is meeting their needs,” says Kelvin Banda of the EC Delegation in Malawi.

**What Opportunity International achieves is banking in its purest, most valuable form – helping to change lives where it’s needed most**

Demand for access to secure savings accounts is high in Malawi. Since opening in 2003, over 240,000 people have opened an account at OIBM branches across the country. The use of smart cards and biometric technology, and a low minimum balance requirement, means that anyone can open an account regardless of literacy levels and ownership of personal identification – something which is simply unaffordable for many.

Because OIBM is a regulated microfinance bank, it can on-lend a proportion of these deposits to support and grow local businesses, to help boost the local economy. Consequently, money which used to lie dormant under mattresses or in the ground is brought into circulation.

OIBM currently has over 45,000 loan clients. “Microfinance loans harness entrepreneurial ability and are transforming the economic and social life of African people. Through the provision of financial services, we are letting clients take care of their own future,” says Francis Pelekmamoyo, OIBM Chairman and Former Governor of Malawi’s Central Reserve Bank.

After six years of steady growth from start up, OIBM is tried, tested and sustainable, and is serving as a leader of innovative best practice for Opportunity International operations in seven countries in Sub Saharan Africa. Other Opportunity International partners in Africa are now using the cutting-edge technologies designed and piloted by OIBM – examples include mobile banks in Mozambique and fingerprint technology in Rwanda.

**Support for opportunity**

Opportunity International follows a market-led approach that aims for sustainability for its operations and relies on philanthropy to start new operations, to expand to meet client demand and to explore innovative delivery approaches. Supporters include the European Union, DfID’s Financial Education Fund, the Scottish Government, private individuals and corporates such as Lloyds Banking Group, among others.

Not only have staff at Lloyds raised money to fund a new Opportunity branch in Ghana and launch a mobile bank in Malawi, they have run training courses at OIBM as part of a ‘skills sharing’ programme. Catriona McLean, Associate Director Credit Sanctioning, and David Taylor, Head of Credit Sanctioning, have made four weeklong trips to Malawi to provide invaluable support and training exercises.

“It is hard work, but incredible fun because there is such enthusiasm and desire to learn among the Opportunity International staff,” says Catriona McLean of Bank of Scotland Corporate, which is now part of the Lloyds Banking Group. “The commitment and professionalism on display in Malawi is something I’d like to bottle up and bring home.”

“What Opportunity International achieves is banking in its purest, most valuable form – helping to change lives and communities where it’s needed most. We are extremely proud to work with Opportunity and are passionate about sharing our people, skills and experience to help the organisation grow,” said Truett Tate, Group Executive Director of Wholesale, Lloyds Banking Group.

“There is still a lot of work ahead of us,” said Edward Fox, CEO Opportunity International, “Our goal is to make basic financial services and training available to over 1 million people – including smallholder farmers like Amosi – in Sub Saharan Africa by 2013.”

Deborah Foy is director of International Programmes, Opportunity International UK

For more information tel: +44 (0)7789748481; email: mlargey@opportunity.org.uk; www.opportunity.org.uk

154

World Finance | Jul - Aug 2010