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OPPORTUNITY AGRICULTURAL FINANCE: VALUE CHAIN PARTNERSHIPS IN PRACTICE

Opportunity International Savings and Loan Ghana
Opportunity Bank Uganda Limited

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On the Cover: Client Beatrice harvests cocoa in Ghana.
Above: Client Alice with her cattle in Uganda

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The author is wholly responsible for any mistakes or misrepresentations, which may have unintentionally occurred.

This research is dedicated to Anthony Ndora.

A regular consultant to Opportunity in Uganda, Anthony was an intelligent, wise, and dedicated leader in our field. He passed away due to sudden illness as he launched this research.

Along with so many others, we are grateful for his contribution to the development of Uganda, the advancement of our mission, and the knowledge he shared.

We pray for strength for his family, friends and community.

Mary Pat McVay
Research and Knowledge Manager, Opportunity International

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Acronyms

ANDE	Aspen Network of Development Entrepreneurs
CLP	Cocoa Livelihood Program
ESP	Extension Service Provider
JI	Joseph Initiative
LBA	Licensed Buying Agents
MSME	Micro, Small & Medium Enterprises
MIS	Market Information System
MoFA	Ministry of Food and Agriculture
MOU	Memorandum of Understanding
M4P	Making Markets Work for the Poor
NGO	Non-governmental Organization
OBUL	Opportunity Bank Uganda Limited
OISL	Opportunity International Savings and Loan Ltd. (Ghana)
POS	Point of Sales
SME	Small or Medium Enterprise
SWOT	Strengths, Weaknesses, Opportunities, Threats
UCFA	Uganda Coffee Farmers Alliance
VC	Value Chain
WFP	World Food Program

EXECUTIVE SUMMARY

1 Executive Summary

1.1 Purpose and Approach

Opportunity International's Agricultural Finance (AgFinance) model calls for Opportunity to reach scale and manage risk by targeting specific value chains and entering partnerships with businesses and organizations in these value chains. This research describes these value chain partnerships in practice and analyzes their effectiveness in order to improve performance and reduce risk while also generated lessons and recommendations for the agricultural finance community. While the research focused on Ghana and Uganda, it also combined qualitative information from multiple sources within Opportunity, including interviews with AgFinance leaders, participatory workshops with AgFinance staff and branch management, and a wide range of internal reports. In addition, independent researchers interviewed Opportunity's AgFinance partners and the analysis was informed by broad literature review.

1.2 Research Questions and Findings

The research findings address core questions to advance understanding of how AgFinance can expand with reduced risk to become more sustainable. These questions are as follows:

- **What's happening? Opportunity's AgFinance Model in Practice:** What does Opportunity's AgFinance model look like in practice? What types of value chain partnerships are implemented in what types of value chains?
- **What working? Sustaining Business Partnerships:** What are the drivers, needs, and barriers for value chain businesses to do business with smallholders in partnership with Opportunity? What works, what are the challenges, and what are some recommendations for improvement of these partnership arrangements?
- **What's practical? Partnership Tools:** What practical tools might help staff to select appropriate partners and match different types of partnership arrangements to specific kinds of partners in different types of value chains?

A set of lessons for funders and practitioners in smallholder finance emerges from the analysis.

1.2.1 What's Happening? Opportunity's AgFinance Model in Practice

In practice, the partnership arrangements in Opportunity's AgFinance model range from multiple partnerships throughout a value chain to no partnerships at all. The partnerships themselves range from light coordination to more intensive contractual arrangements that significantly spread risk. In most situations, Opportunity finances groups of smallholders, although individual and small or medium enterprises (SME) financing is also available. The five types of partnership that support these clients, as of 2016, are the following:



1. **Integrated:** Opportunity has one key partner which supplies inputs, trains farmers, and buys farmer product. In this ideal partnership, the buyer also channels payment to farmers through Opportunity, enabling loan repayment to be deducted when farmers are paid.
2. **Coordinated:** Opportunity has separate but coordinated partnerships with a buyer, an Extension Service Provider (ESP), and one or more input suppliers. Opportunity finances inputs recommended by the ESP and delivered by the input supplier. Ideally, the buyer also channels payment to farmers through Opportunity.
3. **Supply-Side:** Opportunity partners with an ESP and one or more input suppliers. The focus of the partners is helping farmers to gain access to input and then use them appropriately for increased productivity.
4. **Light:** Sometimes Opportunity has only one partnership – with an ESP or an input supplier. In some situations, Opportunity partners with an ESP but lends in cash rather than in-kind through a partnership with an input supplier, as is the case with the partnerships described so far. In other cases, an ESP’s project may have ended, leaving Opportunity with only the input supply partnership.
5. **No Partnership:** Opportunity also finances farmer groups and SMEs involved in agricultural sectors using its mainstream financial services without targeting a specific value chain and/or without engaging partners.

Opportunity is currently piloting engagement with other types of partners, specifically market information providers. However, as of mid-2015, these were the most typical partnership types, especially in Ghana and Uganda.

What drives Opportunity’s partnerships? This research into Opportunity’s practical experience questions some of the common understanding of AgFinance partnerships within Opportunity and more broadly recommends some revisions in “good practice” for AgFinance. The following are three common principles that may require refining:



Client Francine, a coffee farmer in Rwanda

1. Common Understanding – ESP is

paramount: In most situations, Opportunity engages in AgFinance on the invitation of an international ESP or value chain development agency, implementing an intense, short-term, donor-funded project. In the absence of such projects, Opportunity staff often partner with smaller non-governmental organization (NGO-ESPs). These partners are often critical for establishing private sector partnerships, as well as preparing farmers for market and for finance. Opportunity’s strong recommendation is that AgFinance be conducted only if farmers have access to extension services. As a result, Opportunity’s AgFinance operations are at this time driven by the presence (or absence) of short-term, donor-funded projects.

Finding: The type, strength, and duration of Opportunity’s partnerships with private sector input suppliers and buyers are not determined by short-term ESPs. Rather, the strength of the value chain and the business structure in the value chain drive the type and durability of Opportunity’s AgFinance partnerships. Although farmer organization and training is a key ingredient, donor-funded extension services are short-lived. **Private**



sector partnerships with input suppliers and buyers are just as or more critical, especially if they are willing and able to invest in extension services.

Recommendation: Although extension services are a critical input, AgFinance partnerships should be more private sector driven and less ESP/project driven.

2. **Common Understanding – Intensive/Extensive partnerships are ideal:** A common understanding is that more intensive partnerships are ideal. Opportunity typically strives for these more intensive arrangements regardless of the market environment.

Finding: The business structure in different value chains dictates partnership potential. Some markets are organized: smallholder farmers buy from and/or sell to large businesses that make ideal private partners. Other markets are more informal – dominated by micro, small and medium enterprises (MSME) – and there are few businesses that offer good partnership prospects. Some value chains offer partnership potential on the input supply side, but not on the marketing side. **The business structure in the value chain dictates potential for business partnerships.**

Recommendation: Align AgFinance partnerships with the structure in targeted value chains; do not push partnerships in situations/markets that will not support them.

3. **Common Understanding – Avoid unstructured markets with low partnership prospects:** Because partnerships are more possible in structured markets, some experts suggest that AgFinance should only be offered in structured markets.

Finding: Some markets – such as sugar in Uganda – are too structured. Monopolies, particularly in very weak or new markets, are very risky for both farmers and Opportunity. They do not offer good partnership prospects because companies with a monopoly do not need farmers nor Opportunity to maintain their position in the market. In addition, some unstructured, more informal markets may offer poor partnership prospects while seeming to offer high AgFinance growth with manageable risks for Opportunity. In these markets – such as vegetables in Ghana – returns to farmers are high, inputs and knowledge to produce crops are accessible, crops are low-risk, and markets are nearby and active. In such circumstances, it seems that Opportunity's



Client Alberto in his soya field in Mozambique



normal group lending methodologies may offer sufficient risk mitigation so that partnerships are not needed. **Partnerships may not be needed in all markets; some unstructured markets are strong enough to use Opportunity’s mainstream, group financing strategies without partnerships.**

Recommendation: Develop and apply a set of criteria for value chain characteristics that determine partnership and AgFinance strategy for particular value chains in particular locations. Avoid weak or monopolistic markets and offer financing in strong value chains—even when partnership prospects are weak.

Which type of partnership and value chain is better, and for which types of farmers? Data is not currently available to assess the performance of Opportunity’s portfolio under each type of partnership and in each kind of value chain. Deeper portfolio analysis is planned that may shed light on this critical question. This research will analyze the financial and social portfolio performance of specific crops and/or specific partnerships.

1.2.2 Sustaining Business Partnerships – What Works?

The next set of research questions focuses on how Opportunity can sustain business partnerships that help reach scale and reduce risk. What are the drivers, needs and barriers for value chain businesses to work with smallholders in partnership with Opportunity? What works, what are the challenges, and what are some recommendations for improvement of these partnership arrangements? To address these questions, Opportunity conducted a SWOT analysis focused on private partnerships while considering issues pertinent to critical ESP partnerships as well. **Table 1** presents a summary of the SWOT analysis.

Table 1: SWOT Analysis – Sustaining Business Partnerships in AgFinance

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. The AgFinance model 2. Visionary, well-connected, and talented AgFinance leadership; dedicated and talented staff 3. Expanding business opportunities 4. Opportunity’s credibility 5. Holistic package of financial services 6. Social performance and impact 	<ol style="list-style-type: none"> 1. Rigidity: especially of client-facing staff 2. Weak market information and infrastructure partnerships 3. Imbalance in risk-sharing: Opportunity partners share little risk with Opportunity 4. Misalignment between partnership expectations and market conditions 5. Inadequate partner selection and due diligence criteria, manifested in high risk situations (monopoly, weak market) 6. Weak ESP selection; over-reliance on ESPs for input supplier selection
Opportunities	Threats
<ol style="list-style-type: none"> 1. Enhanced input supplier and buyer role in ESP 2. Finance SME business across the value chain 3. Continue and deepen the range of financial services offered 	<ol style="list-style-type: none"> 1. Weather and weak or no crop insurance 2. Government policies/ macro-economic conditions 3. ESPs: Lack of sustainability strategy; subsidized services are a disincentive to private providers



4. Enhance attention to and the promotion of social performance	
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Several recommendations for Opportunity emerge from this SWOT analysis:

1. Shift partnership strategy to focus more on private sector partnerships while continuing to leverage donor-funded programs and ESPs;
2. Strengthen alignment among value chain structure, partnership type, loan conditions, and even marketing strategies. Do not “ban” AgFinance in unstructured markets.
3. Systematize and delegate the partnership process down the management chain; train and empower a wider range of staff to engage in value chain partnerships;
4. Enhance input supplier and buyer role in extension services, and/or otherwise find sustainable ESP solutions;
5. Explore more efficient input supply financing systems such as vouchers;
6. Continue to offer and intensify marketing of the wide range of Opportunity financial services to farmers and ag-related SMEs as well; and
7. Enhance attention to and promotion of social performance; Opportunity’s business partners value it.

1.2.3 What’s Practical: Partnership Tools

In the course of this research, Opportunity developed and tested the broad elements of a Value Chain Engagement tool that could be used to support implementation of AgFinance partnership strategies. The tool—which combined diagramming and rating value chains with AgFinance partnerships—was well received and well applied by staff in a workshop setting. These results indicate that a version of this simple, practical tool might help staff to enhance AgFinance partnership work. Staff reported, for example, that they would use the tools to better assess the risk of lending into a specific value chain, to identify which kinds of businesses in a value chain represent good AgFinance prospects, identify partners, and manage partnerships. Although this tool was well received, other tools may be a higher priority for Opportunity AgFinance staff at this time, such as a partner assessment tool and better training and use of crop profiling and crop budgeting tools.



Rosalia and Alikanjero in their corn field, Malawi

1.3 What Is Recommended? Suggestions for the Field



This research generated three recommendations for the AgFinance community related to critical gaps in AgFinance in general.

1. **Gap 1: Structured markets are few and far between in Africa.** There are a limited number of situations in which African farmers are engaged in structured markets. In addition, these value chains tend to be more economically stable farmers in production of commercial exports (e.g. cocoa, coffee, tobacco, and sugar) rather than staple food crops, which implies that the impact on the poor may be limited.

Recommendation 1A: Strengthen models and approaches that work in less structured markets; adapt lessons from the market system development and “making markets work for the poor” (M4P) communities.¹

An alternative recommendation, emerging from the same findings follows:

Recommendation 1B: Work with global corporations to improve the sustainability and social responsibility of their supply chains, working first with more established farmers and then supporting global firms to increasingly reach out to more marginalized farmers.

2. **Gap 2: ESP and Value Chain Facilitation.** Several strategies for sustainable extension service provision and value chain facilitation have been demonstrated on a significant scale. Guidelines for sustainable enterprise development services were approved by the Donor Committee on Enterprise Development in 2001. Yet the pattern of internationally-funded, short-term provision of these critical services remains pervasive and in many situations is undermining, rather than stimulating, private sector ESPs and local value chain leadership.

Recommendation: The smallholder finance community should collectively invest in identification, dissemination, and application of sustainable ESP and value chain facilitation methods. The smallholder finance community should also pressure the ESP and value chain/agricultural development community of practitioners and funders to adopt a more sustainable approach – the foundations of which were laid out in a donor-approved document in 2001 and promoted by the Donor Committee on Enterprise Development.²

3. **Gap: Capacity and Systems for AgFinance Partnership in Financial Institutions.** As Opportunity and a handful of other organizations scale up their AgFinance services, attention is paid to client marketing, policies and procedures, alternative delivery channels, IT systems, and related staff training. However, the same attention is not given to partnership development and management. On a limited scale, top leaders can form and manage partnerships with exponential growth. However, as initial ESP partnerships that supported private AgFinance partnerships end, additional capacity is needed close to the branch level for value chain and crop selection and to establish and manage AgFinance partnerships.

¹ www.beamexchange.org; www.enterprise-development.org/page/m4p

² See www.enterprise-development.org



MAIN REPORT

2.1 About Opportunity

Opportunity's vision is a world in which all people have the opportunity to achieve a life free from poverty with dignity and purpose. By providing financial solutions and training, Opportunity empowers people living in poverty to transform their lives, their children's futures, and their communities. Opportunity supports local microfinance organizations that provide innovative financial solutions to empower people, create jobs, and build vibrant communities. Opportunity engages in innovative partnerships and works to strengthen and influence value chains to benefit clients – connecting them to viable markets and driving economic progress.

Operationally, Opportunity is a non-profit 501(c) (3) organization that provides financial services and training to over 14 million people through a network of financial institutions in 28 low-income countries. In 2015, Opportunity extended more than \$1.4 million in loans to over four million clients, while maintaining a 98.9% repayment rate.

2.1.1 Opportunity Bank Uganda Limited (OBUL):

Opportunity Bank Uganda Limited (OBUL) is a leading credit institution with over 15 years of experience in targeting low-income, economically-active Ugandans. OBUL's corporate mission is to provide financial solutions and training, to empower and sustain underserved and financially excluded people throughout Uganda (especially in rural areas), and to transform their lives, their children's future and their communities. Licensed by Central Bank of Uganda in 2008



An Opportunity relationship officer meets with her clients in Uganda



as a savings and loan organization, OBUL offers individual and group loans for business, agriculture, and education as well as multiple savings products that provide incentives for customers to meet their goals. For example, when customers make regularly scheduled payments and meet their savings targets – such as for school fee payments or a housing investment – they receive higher interest rates than if they do not make regular payments and/or withdraw ahead of time. OBUL also offers a range of micro insurance products, often linked to specific savings and loan services along with cell phone banking, salary processing, school fees collection, and other money transfer services. The bank operates 19 bank branches, three mobile vans, four bank-owned ATMs, 97 shared ATMs, and mobile money services linked to MTN and Airtel through the mobile aggregator “Yo! Uganda.” As of the end 2015, OBUL serves 28,547 loan clients and 108,535 voluntary savings clients.

2.1.2 Opportunity International Savings and Loans (OISL) Ghana:

Opportunity International Savings and Loans Ltd (OISL) is a leading savings and loans company in Ghana, licensed by the Bank of Ghana in 2004. Opportunity focuses its key activities on the marginalized, the poor, and others who are often excluded from mainstream banking. OISL utilizes both individual and group approaches to lending and promotes a culture of savings by offering innovative deposit products. OISL offers over ten loan products including loans for agriculture, business, education, and housing. The company couples these services with sound financial education and support. OISL leverages technology combined with an expansive national branch network comprised of 40 brick and mortar outlets, four mobile vans, 14 ATMs, and several Point of Sales (POS) devices. E-zwich, MTN Mobile Money, Money Gram, and Western Union are also part of their technological arsenal, which assists clients and stakeholders in transferring money throughout Ghana. As of December 2015, OISL serves 57,787 loan clients and 447,308 voluntary savings clients. As one of the largest savings and loans companies in the country, OISL has won several awards including Best Social Performance Management, Commitment to Professionalism in Microfinance Industry, and a Pillars of Microfinance award.

The Mastercard Foundation Partnership

Since 2009, The Mastercard Foundation has partnered with Opportunity International to develop and scale-up financial access to seven million people in six under-served Sub-Saharan African countries. The Mastercard Foundation is supporting Opportunity International’s delivery of high impact financial services, including the deployment of innovative banking technologies and agricultural finance services. The partnership is increasing financial access through low-cost branches and mobile banking and improves smallholder farmers’ income and food security through cost-effective agricultural finance. In conjunction with this work, the Mastercard Foundation is supporting an extensive research agenda, which includes this study on Opportunity’s Agricultural Finance (AgFinance) and value chain partnerships.





2.2 Opportunity's Agricultural Finance Portfolio

Opportunity is a leader in extending agricultural finance to smallholders in Sub-Saharan Africa in both the size of the loan portfolio and the consistent presence in targeted communities. Opportunity's Agricultural Finance program (AgFinance) serves smallholders and agri-businesses in more than thirty value chains across seven African countries (Ghana, Malawi, Mozambique, Rwanda, Uganda, Tanzania, and Kenya). In order to reach into rural communities, Opportunity utilizes alternative delivery channels that include mobile staff using tablet-based technology, cell phone banking, mobile vans, and other channels adapted to the specific circumstances of each country and region. Opportunity offers agricultural and rural households a menu of financial services including financial education, bank accounts, a variety of savings and loan packages, electronic/mobile money transfer, and micro insurance. Through Opportunity's partnership-based business model – described in detail below – farmers access a broad range of services they need to sustainably improve their crop yield, cash flow, and quality of life. These partnerships also mitigate the risk of agricultural lending and reduce the costs of delivering rural financial services.



Relationship Officer Kennedy Boreeka meets with a trust group in front of one of OBUL's mobile money vans.

Figure 1.) In 2014, approximately 48% of these loans went to women, and roughly one third went to young people. Opportunity financed more than 30 different crops in an effort to diversify from the six major crops (tobacco, maize, cocoa, rice, coffee, and horticulture) that make up over 80% of the AgFinance portfolio. **(See Figure 2.)** Opportunity's African banks have also opened more than 825,000 accounts for clients in rural communities.

Opportunity's AgFinance portfolio was first piloted in 2009 in Malawi. As of 2015, seven Sub-Saharan African countries are included in the AgFinance loan portfolio, which has grown exponentially. In 2015, Opportunity extended over 128,200 agriculture loans valued at approximately \$17.6 million. By the end of 2015, Opportunity had disbursed over 357,000 cumulative agricultural loans since the start of the portfolio, valued at over \$66 million. **(See**

Multiple initiatives implemented by various organizations extend financing to farmers in the context of a donor-funded agricultural development program. However, Opportunity's work is unique, since it establishes a permanent presence in communities and long-term relationships with farmers and partners. As Opportunity's AgFinance model is adapted to the circumstances of target communities, the variety of methodologies and practices used reflects the high innovation capacity of Opportunity's staff and partners to respond to client and market demands.



At the same time, the significant differences in portfolio performance across countries and crops call for an analysis of these diverse methods and practices with a view toward improved performance as the portfolio continues to expand. This research focuses primarily on the variety and sustainability of Opportunity’s partnership arrangements with ESPs and other value chain partners. The analysis will contribute broadly to the body of knowledge on growth and risk management in mature agricultural finance portfolios.

Figure 1: Opportunity International’s AgFinance Portfolio History and Cumulative Growth

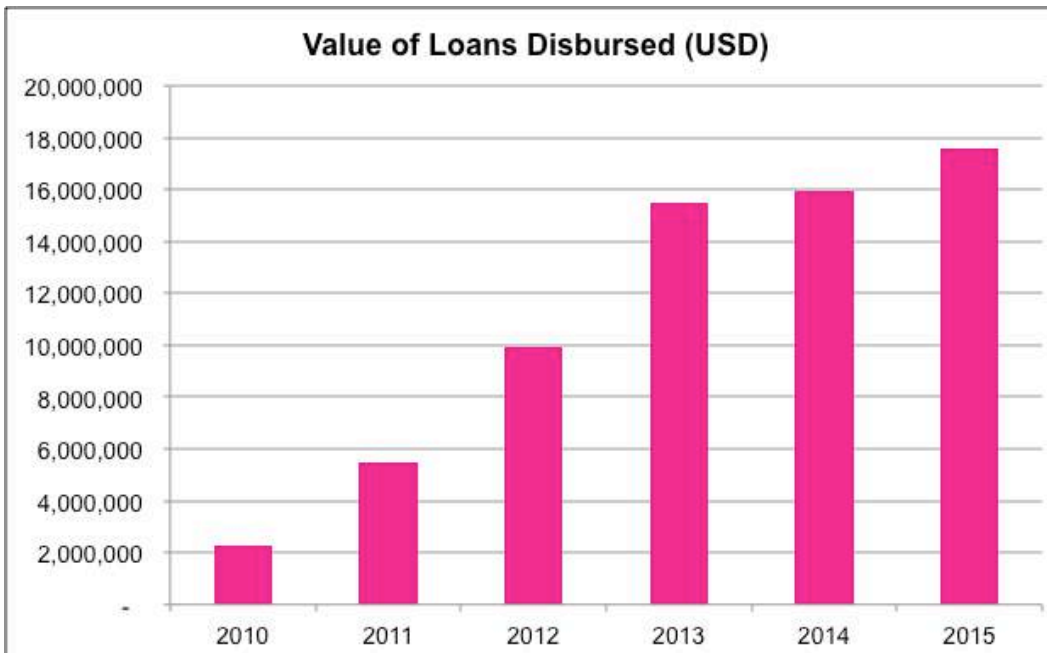
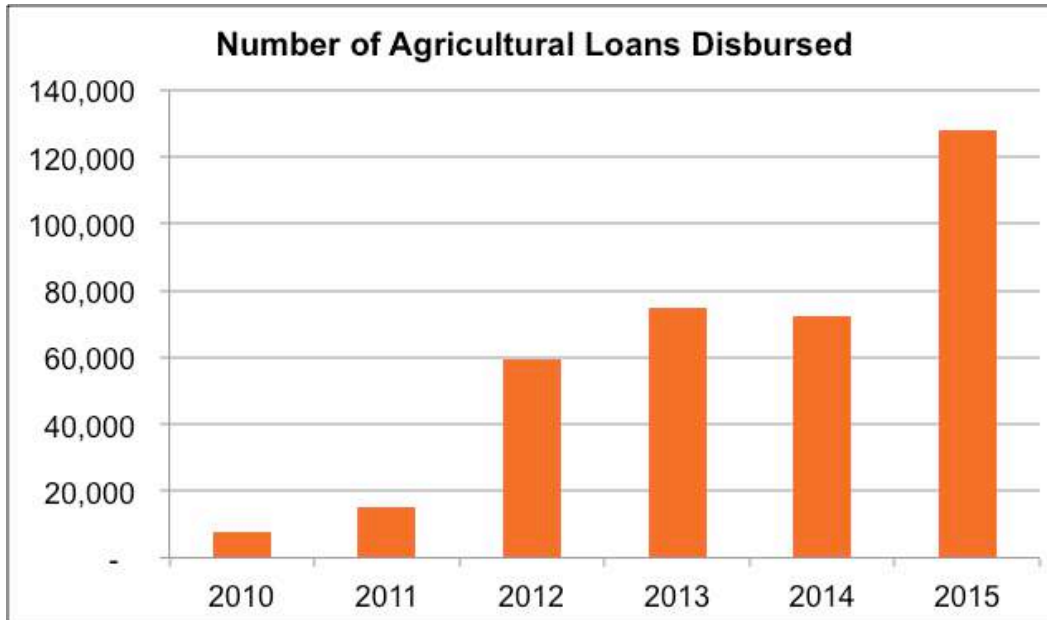
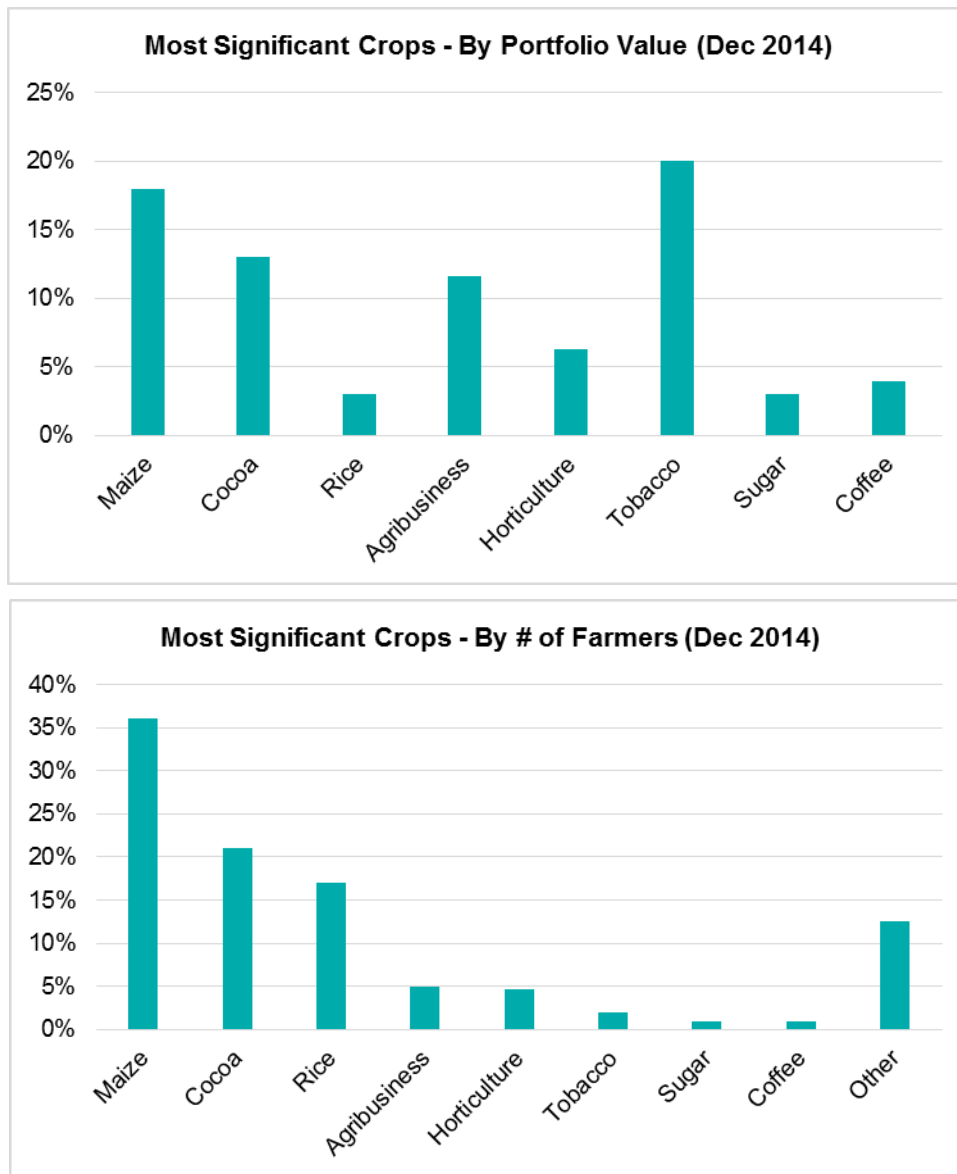




Figure 2: Crop Breakdown of the AgFinance Portfolio



AgFinance Portfolios in Uganda and Ghana

Ghana and Uganda were selected for this study because they are representative of Opportunity’s mature and diverse AgFinance portfolios. In 2015, Ghana disbursed 12,408 loans valued at \$3.02 million mainly for cocoa, horticulture, maize, and plantain crops. The portfolio is extended primarily using the Opportunity AgFinance model. Ghana has a staff of approximately 20 specialized AgFinance financial service officers, led by a team of three experienced senior AgFinance managers—one of whom was a founding leader of the AgFinance initiative at Opportunity. The portfolio in Ghana has been relatively stable with steady growth in volume annually, with the exception of 2015 when the volume declined slightly.

The portfolio in Uganda has been more volatile over the same period and includes larger loan sizes. In 2015, Uganda extended over 8,200 agricultural loans valued at \$3.5 million primarily



A Ugandan farm worker caring for client Aidah's dairy cow

for maize, coffee, rice, sugar cane, and banana crops. In 2015, the majority of Uganda's AgFinance portfolio was extended through mainstream financial instruments—trust groups and individual or SME loans—rather than through partnerships. There are, nevertheless, several important partnerships that support AgFinance in the coffee and maize value chains. In the coffee sector, Opportunity is pioneering a partnership with the Grameen Foundation in which community knowledge workers will play a significant outreach and

information service function. The portfolio in Uganda is led by two AgFinance experts with significant experience. Agricultural finance is extended—at the client level—by rural-based, financial service officers rather than agricultural finance specialists.

Taken together, the Uganda and Ghana portfolios are fairly representative of the diversity of agricultural finance extended by Opportunity in Africa.

3 Research Purpose, Methodology, Questions

3.1 Purpose

The AgFinance model calls for Opportunity to reach scale and manage risk by targeting specific value chains and entering partnerships with businesses and organizations in these value chains. The purpose of this research is to describe these value chain partnerships in practice and analyze their effectiveness in order to improve performance and reduce risk. The research also generated lessons and recommendations for the agricultural finance community.

3.2 Research Questions

The research was driven by three core questions:

- **What's happening? The AgFinance Model in Practice:** What does the AgFinance model look like in practice? What types of value chain partnerships are implemented in what types of value chains?
- **What works? Sustaining Business Partnerships:** What are the drivers, needs, and barriers for value chain businesses to do business with smallholders in partnership with Opportunity? What works, what are the challenges, and what are some recommendations for improvement of these partnership arrangements?
- **What's practical? Partnership Tools:** What practical tools might help staff to select appropriate partners, and match different types of partnership arrangements to specific types of partners in different types of value chains?



3.3 Methodology

The research involved mixed methods that leveraged existing AgFinance portfolio data and generated new qualitative data from AgFinance partners, managers and staff. The new data emerged from participatory workshops with key Opportunity staff involved in agricultural finance in Ghana and Uganda. In these workshops, staff tested tools for describing and assessing their value chain engagement and partnerships. The information was complimented by feedback from partners gathered by independent consultants, as well as analytical input from these consultants and Opportunity AgFinance managers and advisors. The findings are a synthesis of at least three and normally more sources. In each section, a table highlights the sources for the finding. The full list of sources are as follows:

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input checked="" type="checkbox"/>	Portfolio Analysis
<input checked="" type="checkbox"/>	Staff Workshops
<input checked="" type="checkbox"/>	Internal Reports
<input checked="" type="checkbox"/>	Manager Survey 2014
<input checked="" type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

The next section presents the research findings, structured according to the core questions. In each section, the key sources of information used are identified. The section begins with a description of Opportunity's AgFinance model, which is essential to understanding the research issues and findings. It concludes with practical partnership lessons based on experience in implementing the Opportunity AgFinance model.



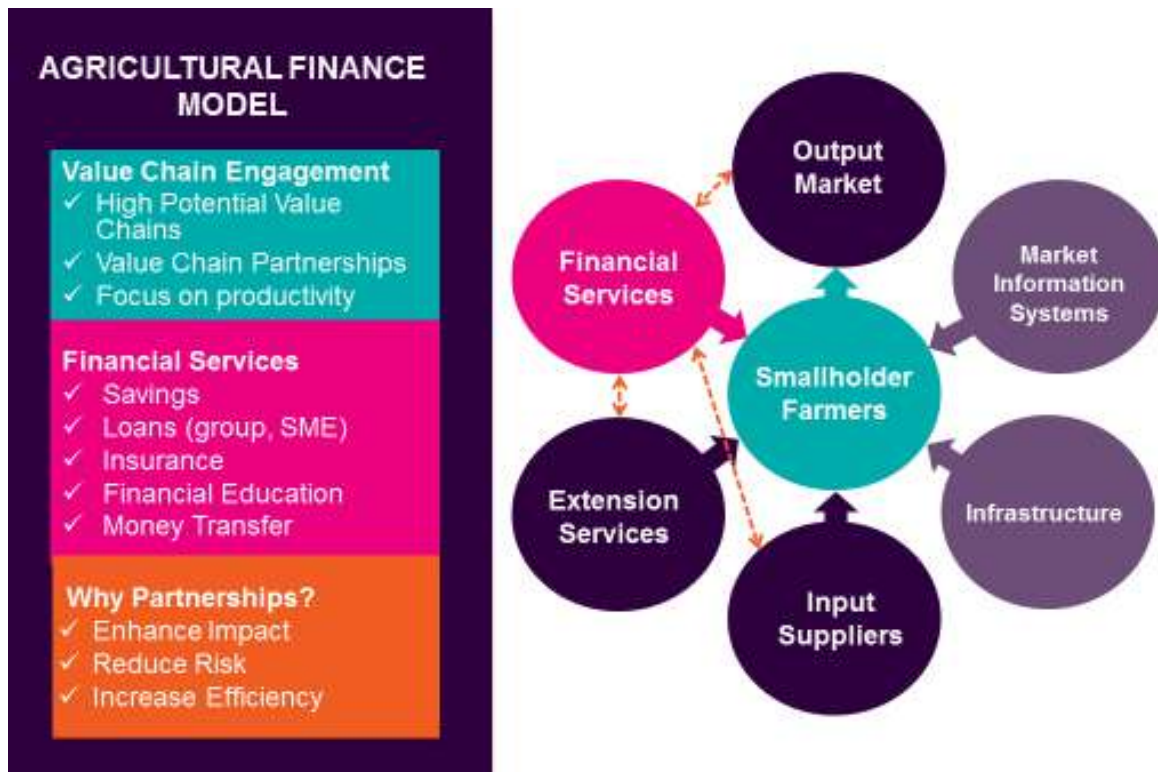
4 What’s Happening? Opportunity’s AgFinance Model in Practice

This section addresses the first set of research questions. What does Opportunity’s AgFinance model look like in practice? What types of value chain partnerships are implemented in what types of value chains? This section also examines why some kinds of value chains are more ideal for AgFinance partnerships.

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input type="checkbox"/>	Portfolio Analysis
<input type="checkbox"/>	Staff Workshops
<input checked="" type="checkbox"/>	Internal Reports
<input type="checkbox"/>	Manager Survey 2014
<input type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

4.1 Opportunity’s AgFinance Model

Figure 3: The Opportunity AgFinance Model



Opportunity employs a value chain partnership model to reach scale, achieve impact, and mitigate risk in AgFinance. Opportunity identifies crops with high potential to generate significant returns to smallholder farmers in which multiple organizations are involved in serving or doing business with smallholders. Opportunity then engages with key partners who support smallholders to access inputs, training, technology, information, infrastructure, and/or markets while Opportunity provides financial services that support farmers to better access and use these services. Together, this integrated package helps farmers to significantly increase their yields and income while enabling Opportunity to efficiently reach larger numbers of farmers with reduced risk for Opportunity lending. (See Figure 3.) Opportunity’s AgFinance model follows recommended practice in value chain and agricultural finance.



In an ideal partnership situation, Opportunity works closely with an ESP that facilitates value chain partnerships, organizes and trains farmer groups, and establishes packages of inputs, technology, and cash that farmers apply to significantly increase productivity of a specific crop (or animal) in a specific location. Opportunity can then work with organized farmer groups whose members guarantee one another's loans. Opportunity provides financial education and encourages farmers to open bank accounts and deposit savings. The ESP and farmers often work together to select input suppliers. In these situations, Opportunity works with farmer groups and the ESPs to place orders with agricultural input dealers recommended by the ESPs. Normally, the dealer delivers the inputs to farmer groups and the ESP and Opportunity witness delivery – in effect, providing farmers with an *in-kind* loan. The input dealer later invoices Opportunity directly for the payment. Farmers are then responsible for repaying to Opportunity the value of the inputs plus interests and fees. Payments are usually due when crops are expected to be harvested and sold. Farmers deposit a set percentage of the loan value as savings collateral. Applying these high-quality inputs and skills absorbed from the ESPs, farmers significantly increase yields. Ideally, the farmers then sell their harvest on contract to a reliable buyer, who purchases large volumes at a good price. The buyer then channels a bulk payment through Opportunity. With farmer permission, Opportunity automatically deducts the outstanding loan portion and then deposits the net balances into the appropriate farmer savings accounts. Farmers and other businesses in the market are also – ideally – supported by market information and infrastructure.

Opportunity is aware that this ideal is not always possible. The main driver of this research is to understand how the AgFinance model is implemented in practice and what lessons are being learned that support Opportunity's engagement in strong, sustainable value chains and partnerships.



Ugandan women sort coffee at a partner coffee processing plant.



4.2 Opportunity AgFinance Partnership Types (2014)

In practice, Opportunity’s AgFinance model varies in depth from having no partnership other than with client farmers and their groups, to having the ideal, full set of partnerships. (See Figure 4.)

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input type="checkbox"/>	Portfolio Analysis
<input checked="" type="checkbox"/>	Staff Workshops
<input checked="" type="checkbox"/>	Internal Reports
<input checked="" type="checkbox"/>	Manager Survey 2014
<input checked="" type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

Figure 4: Opportunity AgFinance Partnership Types (2014)





Thus, the partnerships in any AgFinance portfolio vary most according to the number and type of private business partnerships in the initiative. These partnerships can be categorized according to intensity and are described in more detail below with examples ranked from most to least intense.

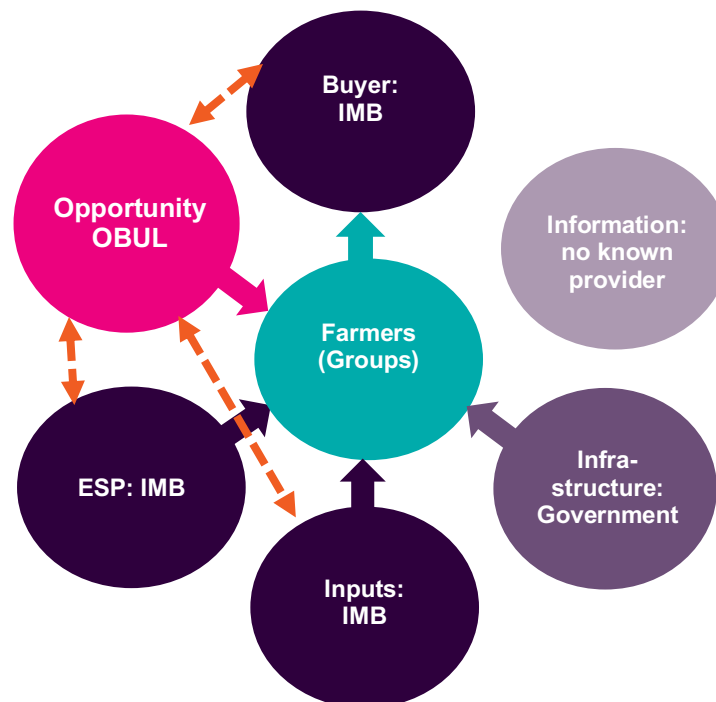
4.2.1 Intensive - Integrated Buyer, Input Supplier, and ESP

In a few situations, Opportunity partners with private businesses that provide farmers with an integrated package of inputs, extension services, and a guaranteed buyer for their harvest. With intensive partnerships, the main partner bears significant risk because they invest time and money into organizing and training the farmers, with Opportunity only financing farmer inputs.

Example: Maize in Uganda – Integrated Buyer

In Uganda Opportunity partners with an integrated maize buyer (let's call it "IMB"), a private company established in Uganda in 2013 by leveraging international social and venture capital. IMB has a contract to sell maize to a global relief organizations (let's call it GRO); in turn IMB contracts smallholder farmers, whom Opportunity finances. IMB provides farmers with an integrated package of inputs, technical advice, and access to finance through Opportunity. In addition to credit, Opportunity provides financial education, credit life insurance, access to bank accounts, and other financial services such as a variety of savings, money transfer, and credit products. When maize is harvested, IMB collects and purchases the maize from farmers, making payment through Opportunity. According to the agreement, Opportunity deducts farmer loan payments and then deposits the net balance into individual farmer accounts. (See Figure 5.)

**Figure 5: Intensive - Integrated Buyer, Input Supplier, ESP
Maize in Uganda, Integrated Maize Buyer (IMB)**



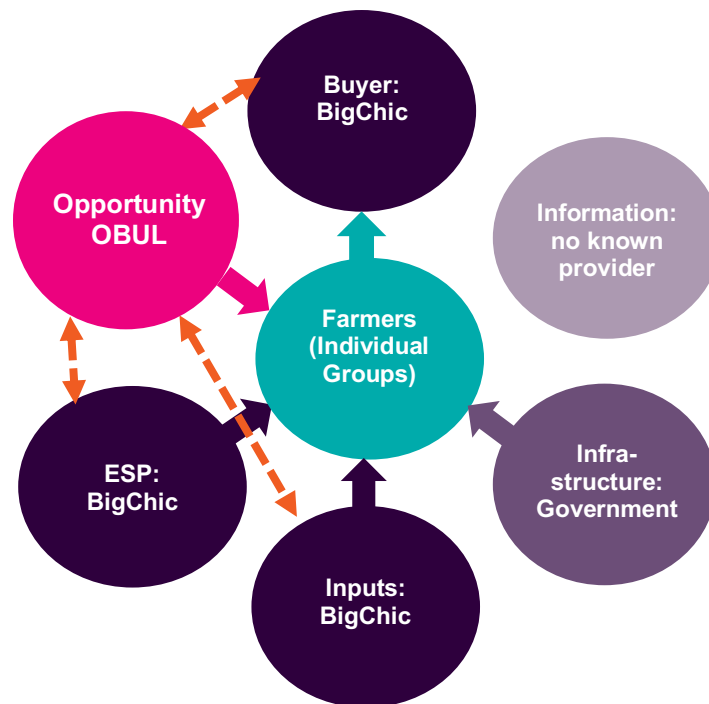


Example: Poultry in Uganda – Integrated Buyer

Also in Uganda, Opportunity partners with a major poultry processing company, let's call it "BigChic," a private poultry firm that offers smallholders (or any farmer), a range of products including inputs (day-old chicks to raise as broilers or layers, plus related medicine and equipment), advice and vet services, and a ready market for broilers. Farmers can avail themselves of one or all services, independently or as a package. Opportunity and BigChic refer clients to each other. Opportunity provides group organizing and financial literacy training, credit, and access to bank accounts and its suite of other financial services. In this partnership, farmers procure inputs on credit from BigChic, Opportunity pays BigChic based on invoices, and farmers repay Opportunity directly once they receive payment from BigChic or any other buyers. BigChic agrees, however, to purchase any and all chickens grown to proper size by farmers purchasing BigChics, and to provide services to these farmers (at a fee). As with inputs, farmers can purchase vet services and related inputs using credit from Opportunity. (See Figure 6.)



Figure 6: Intensive - Integrated Buyer, Input Supplier, ESP Poultry in Uganda, BigChic



4.2.2 Extensive – Separate Buyer, Input Supplier and ESP

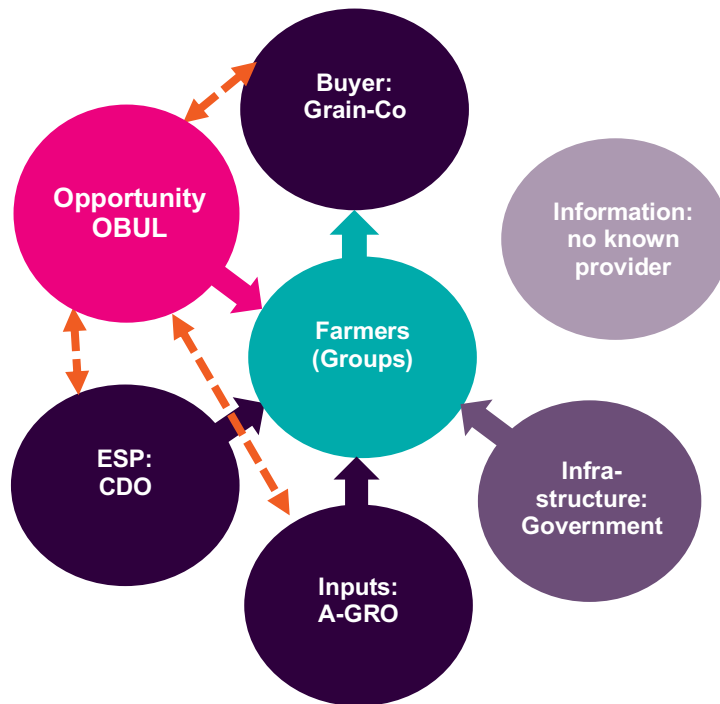
In many partnerships, Opportunity engages with a separate ESP, input supplier, and buyer. Although the diagram looks similar, the partnerships are much more complex to coordinate and manage. In extensive partnership arrangements, Opportunity and the farmers bear the risk of lending, although having reliable input suppliers and buyers reduces that risk.



Example: Maize in Ghana – Extensive Partnerships

In Ghana, Opportunity works closely with a community development NGO (let’s call it CDO). CDO organizes farmer groups, trains them in good agricultural practices, and recommends input suppliers and buyers. Opportunity provides financial literacy training, bank accounts, and access to its other financial services. Opportunity, CDO, and farmer groups agree on the type and quantity of inputs and the input supplier. They create a joint input supply order from an agro-supply wholesaler (let’s call it A-GRO). A-GRO delivers inputs to farmers with CDO and Opportunity as witnesses. Upon delivery, farmers sign loan agreements with Opportunity for the value of inputs. When invoiced, Opportunity checks the invoice against witnessed receipts, and pays A-GRO directly for the inputs. CDO and Opportunity monitor the progress of farmers’ crops. A medium-sized grain processor (Let’s say Grain-Co.) – who caters to a poultry feed company – has agreed to purchase the maize and channel payment through Opportunity. Opportunity then channels payment to farmer bank accounts, deducting their loan payments. (See Figure 7.)

**Figure 7: Extensive - Separate Buyer, Input Supplier, ESP
Maize in Ghana**



4.2.3 Supply-Side - Input Supplier plus ESP

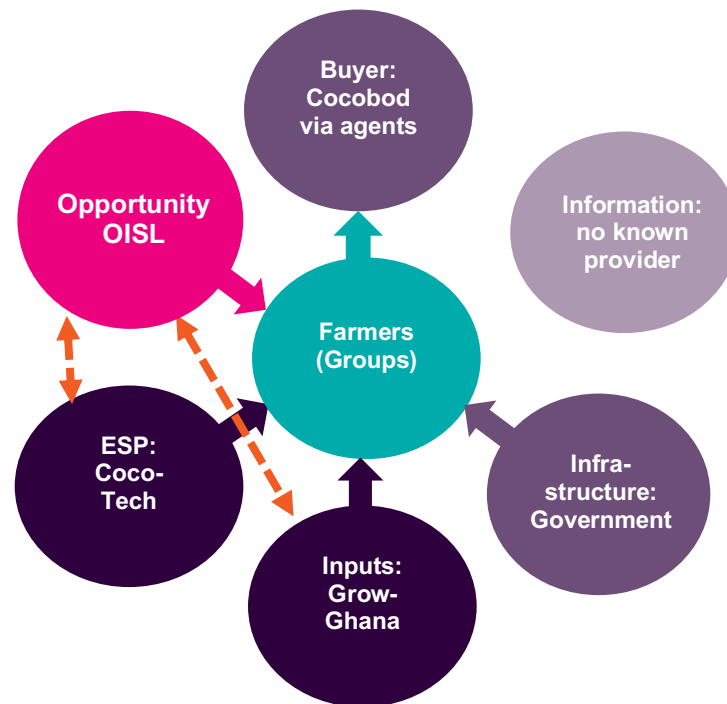
This is probably the most common arrangement in Opportunity AgFinance work. Often, when Opportunity partners only with an input supplier and an ESP, a solid buyer is identified, and while there are relationships among the parties, there is no official contract. In other cases, the market is vibrant and well-functioning, so farmers can readily market their crops. Regardless, in this kind of partnership arrangement, Opportunity and the farmers take the sole risk in lending.

Example: Cocoa in Ghana – International NGO and a Subsidiary of a Global Input Supplier



Under a donor-funded program, an international NGO (let's call it "Cocoa-Tech") was contracted by international donors to strengthen the cocoa value chain and increase smallholder cocoa production. Cocoa-Tech arranged a partnership between itself, Opportunity, and a subsidiary or a global input supplier "Grow-Ghana." Under the arrangement, formalized in an MOU agreement, Cocoa-Tech organized the farmers and provided agricultural extension services. Grow-Ghana provided the agro-chemicals and Opportunity provided the financing, financial education, credit life insurance, and access to bank accounts and its suite of other financial services. All parties – including farmer groups – agreed on input quantities required, timing, and locations, and all witnessed input delivery. Grow-Ghana invoiced Opportunity for the cost of inputs. Opportunity paid 95% immediately, and the balance of 5% when farmers repaid their loans. Although there was no buyer contract, the government-owned Cocobod purchased cocoa through local buying agents at established prices. Farmers repaid loans directly to Opportunity. (See Figure 8.)

**Figure 8: Supply-Side - Input Supplier and ESP
Cocoa in Ghana**



Example: Rice in Ghana – International Donor Program, MoFA, and SME input suppliers

Also in Ghana, an international donor agency (call it "IDA") supports a rice development program in partnership with the Ministry of Food and Agriculture (MoFA). Opportunity has a partnership with both in which IDA and MoFA organize farmer groups and provide agricultural training and advice. IDA and MoFA also recommend an input supply package and SME input dealers. As with other partnerships, the parties – including farmer groups – work together to determine input supply orders, which Opportunity then places with input suppliers. The parties witness input supply delivery and farmers sign loan agreements with Opportunity. Farmers sell to both formal and informal rice millers and repay Opportunity themselves.



4.2.4 Light: ESP or Input Supplier Only

Sometimes Opportunity has only one partnership with either an ESP or an input supplier. In some situations, Opportunity partners with an ESP, but lends in-cash rather than in-kind through a partnership with an input supplier. In other cases, an ESP's project may have ended, leaving Opportunity with only the input supply partnership.

Vegetables and other approved crops/animals (pigs, poultry)

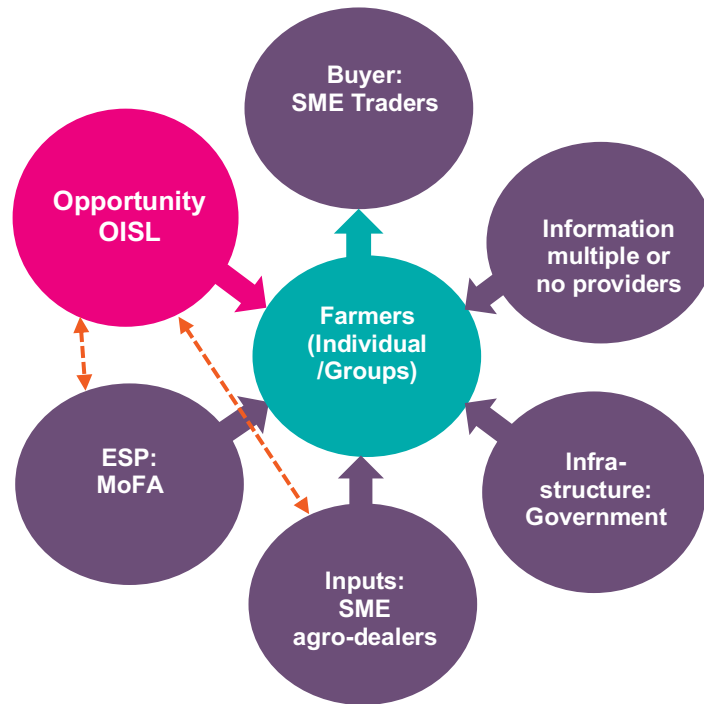


OISL's partnership and financing arrangements vary significantly in crop and animal value chains that represent a small portion of OISL's portfolio. When national or regional partnerships are not possible, the staff work to establish partnerships at the branch level. In some situations, OISL only has a partnership with an input supplier. This may occur if there was a donor-funded project in place, but the ESP became inactive when the project ended. It also may happen when OISL has a relationship with an input supplier due to another project focused on a

different crop. Opportunity leverages the relationship with the input supplier to also finance vegetable inputs. On paper, even these farmers are served by MoFA, but the level of engagement of MoFA varies significantly. In some situations, OISL motivates MoFA staff with a commission when they link organized farmer groups to OISL. In other instances, OISL offers cash financing rather than in-kind inputs and has no partnership with an input supplier. This may be for animal rearing when OISL doesn't have a relationship with feed suppliers or when a farmer group has a strong recommendation from an ESP in a location not served by an input supply partner. Often these situations are evolving. OISL may be financing a new product or operating in a new location and just establishing relationships or reorganizing partnerships due to the end of a donor-funded project. **(See Figure 9.)**



Figure 9: Light – ESP or Input Supply, Varies Per Location Vegetables in Ghana



4.2.5 No Value Chain Partnerships

Although the overall Opportunity guidance is to extend agricultural finance with the support of partnerships, Opportunity nevertheless extends agricultural finance to groups and individuals without the support of partnership. This occurs when demand for financing is high and when staff determines that risk is reasonable even without partnerships. In some countries, there is a pre-assessed set of crops that are approved for financing. In other situations, Opportunity finances common crops grown by farmers in the area. **(For a discussion of whether this is a viable AgFinance practice, see section 6.4.1 – text box.)**

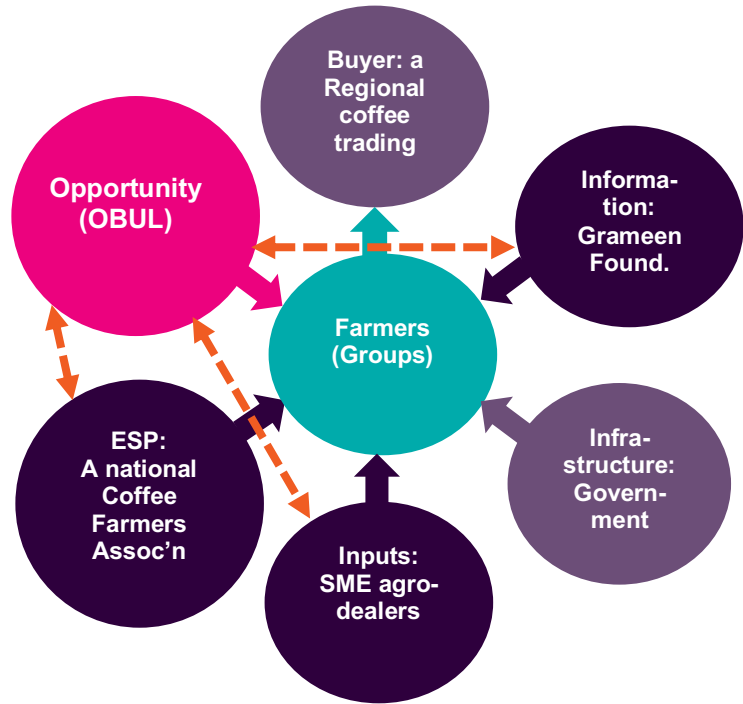
Example: General Agricultural Finance – Uganda and Ghana

In Uganda, significant agricultural finance is extended simply as group, individual, or SME financing without supporting partnerships or a specific focus on selected crops or value chains. In Ghana, although most financing is supported by partnerships, many smaller portfolios are also financed without value chain partnerships. In Ghana, the AgFinance senior staff assesses each crop and value chain, develops an expected crop budget, and approves crops for financing. In Uganda, a few crops are “banned” but there is currently no approved list. The situation is evolving.



Figure 10: Extensive – Input Supplier, ESP and Information Supplier, Coffee in Uganda

What about Information Services and Infrastructure?
 For the most part, Opportunity and its partners rely on the government to provide infrastructure, but Opportunity is exploring partnerships with market information providers. In Uganda, Opportunity partners with the Grameen Foundation, whose role is farmer mobilizing/marketing, client data collection and providing some agricultural and market information to farmers. (See Figure 10.)



4.3 Types of Value Chains and AgFinance Partnerships

This section looks at AgFinance partnerships in the context of different kinds of value chains, asking: why does Opportunity engage in intensive or extensive partnership in some situations, and only supply-side or no partnership in other situations? What market dynamics influence the potential for strong AgFinance partnerships? This research considered multiple value chain factors that might drive the type of AgFinance Partnership: economic prospects, type of end market, crop/investment characteristics, ESP-Donor engagement, and the value chain structure. (The value chain structure refers to the main power dynamics of different kinds of businesses in the market – whether there are monopolies, large numbers of informal enterprises competing with one another, or if there are several formal, well-organized businesses offering several options to smallholders.) As it turns out, the value chain structure is the prominent driving factor in the type of partnerships in Opportunity’s AgFinance portfolio. **Table 2** summarizes these findings by plotting the value chain structure against Opportunity’s partnership type, and then mapping other characteristics of the value chain. It is referred to throughout the analysis and explained in more detail below.

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input type="checkbox"/>	Portfolio Analysis
<input checked="" type="checkbox"/>	Staff Workshops
<input checked="" type="checkbox"/>	Internal Reports
<input type="checkbox"/>	Manager Survey 2014
<input checked="" type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

The following are the key value chain characteristics and their observed influence on Opportunity AgFinance partnerships:



1. **Economic prospects:** Opportunity and potential private partners only invest in value chains that are growing due to high, unmet demand and Opportunity only supports smallholders to engage in crops that are profitable for smallholders. This is not a strong determinant of AgFinance partnership because it is a constant.
2. **Value chain structure:** Value chain structure is a key driver in Opportunity’s AgFinance partnerships. AgFinance partnerships are best supported by organized or mixed value chain structures. In contrast, AgFinance partnerships do not thrive in overly centralized (monopolistic) value chains, on the one hand, or very informal, disorganized markets on the other.
3. **End Market Type:** More structured markets attract large businesses who export or who focus on significant import-substitution food crops. It is not the end market that is the driver, but there is a correlation.
4. **ESP-Donor activity:** Obviously the presence of a strong ESP determines whether an AgFinance partnership will include extension services, and most Opportunity partnerships do. But the presence or absence of a strong ESP doesn’t drive the extent to which Opportunity has a strong partnership with a private sector buyer.
5. **Crop/Investment characteristics:** The crops financed through Opportunity AgFinance tend to require some significant investment and/or a long-medium growth period. When crops require a longer timeframe and are more complex, both farmers and businesses are driven to seek extension services and partnerships. This allows farmers and businesses to share the investment costs and risks while ensuring a high enough return.

This section also notes an important point from the research: Opportunity aggressively lends into informal/unstructured markets using supply-side or light partnership models. Although these markets are less conducive to partnership, there is as yet insufficient evidence to say that they are riskier or more costly to finance. The choice to finance less structured partnerships emerges from market conditions, but the management preference remains strongly toward more structured partnerships.

Table 2: Determinants of Types of Value Chain Structure

		VALUE CHAIN STRUCTURE				
		Centralized	Organized	Mixed: Dual Channel/Function	Informal/Unstructured	Weak
Partnership Type	1. Intensive			Maize (Uganda) Poultry (Uganda)		
	2. Extensive		Coffee (Uganda)	Maize (Ghana)		
	3. Supply-side		Cocoa (Ghana)	Rice (Uganda, Ghana)	Chili (Ghana)	
	4. Light				Vegetables (Ghana)	
	5. None				General (Uganda, Ghana)	
Other Value Chain Characteristics	Economic Opportunities	✓	✓	✓	✓	✓
	Crop Market	Export	Export	Import Substitution (Food Commodity)	Domestic Production/Consumption	Any
	Crop Cycle/Investment	Any	Long/High	Medium/Low	Fast/Low	Any
	Donor-ESP Projects	Sometimes	Past, Export focus	Current, Food Security	Less common, smaller	Sometimes relief, small



4.3.1 Types of Value Chain Structure

What drives the partnership type in Opportunity’s AgFinance work? Opportunity is normally striving for the most intense partnership, but these are not always available. Rather, Opportunity’s AgFinance partnerships are determined by the potential for partnership in the value chain – specifically by the structure of the value chain. By structure, we mean how different sized businesses organize themselves to do business with one another and with smallholders. For example, are there organized businesses that supply inputs or buy products from smallholders? These can present efficient, reliable partners. Are there monopolies? These can be risky or may not be interested in farmers and Opportunity. Is there a highly active informal market of input suppliers, processors, and buyers? This kind of market can be a good prospect for expansion, but offers few partnership opportunities. Is the market a mix of these? The answers to these kinds of questions help determine if there are conditions that support strong partnerships with viable businesses.

The structure of a value chain, whether more centralized or more disorganized, can be broken down into the following types:

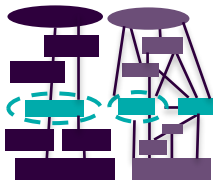


Centralized: markets with large monopolies on the input supply and buyer-side of small-scale farmers.

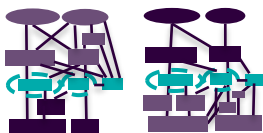


Organized: markets with several large firms that compete with each other to do business with smallholders, in input supply and in purchasing crops.

Mixed, two types:



Dual Channel: in one set of business relationships, informal enterprises perform most functions in the market – from input supply through production, processing, distribution, and retailing. This channel generally sells to low-moderate income consumers. Operating in parallel, larger, formal businesses perform the same functions but sell to high income consumers with higher value products and services.



Dual Function: some functions in the market – input supply, processing, distribution, storage, exporting, or retailing – are organized/centralized, while other functions are more competitive or informal.



Informal/ Unstructured: markets with multiple channels for input and output markets, with most functions being performed by informal businesses and/or SMEs.



Weak: new or remote markets with low levels of economic activity, with few channels, or with localized monopolies; weak markets can exist in particular geographic area of a country with an otherwise strong value chain.



Table 2 (above) categorizes the value chains profiled in this research according to business structure and illustrates the strong correlation between business structure and intensity of Opportunity partnership. Opportunity's AgFinance partnerships are primarily in type 2 (organized) or type 3 (mixed), so these are considered first.

4.3.2 Organized Value Chains – Support AgFinance Partnerships

Organized value chains are markets in which several large firms compete with each other to do business with smallholders both for input supply and purchasing crops. They are very conducive to AgFinance partnership. While they offer links to larger numbers of smallholders, they are also under pressure to perform, since they typically need smallholders (to purchase inputs and supply crops) and they need Opportunity (to finance these farmers). Examples from this research follow.

Example: Coffee in Uganda – organized business structure; extensive partnership type

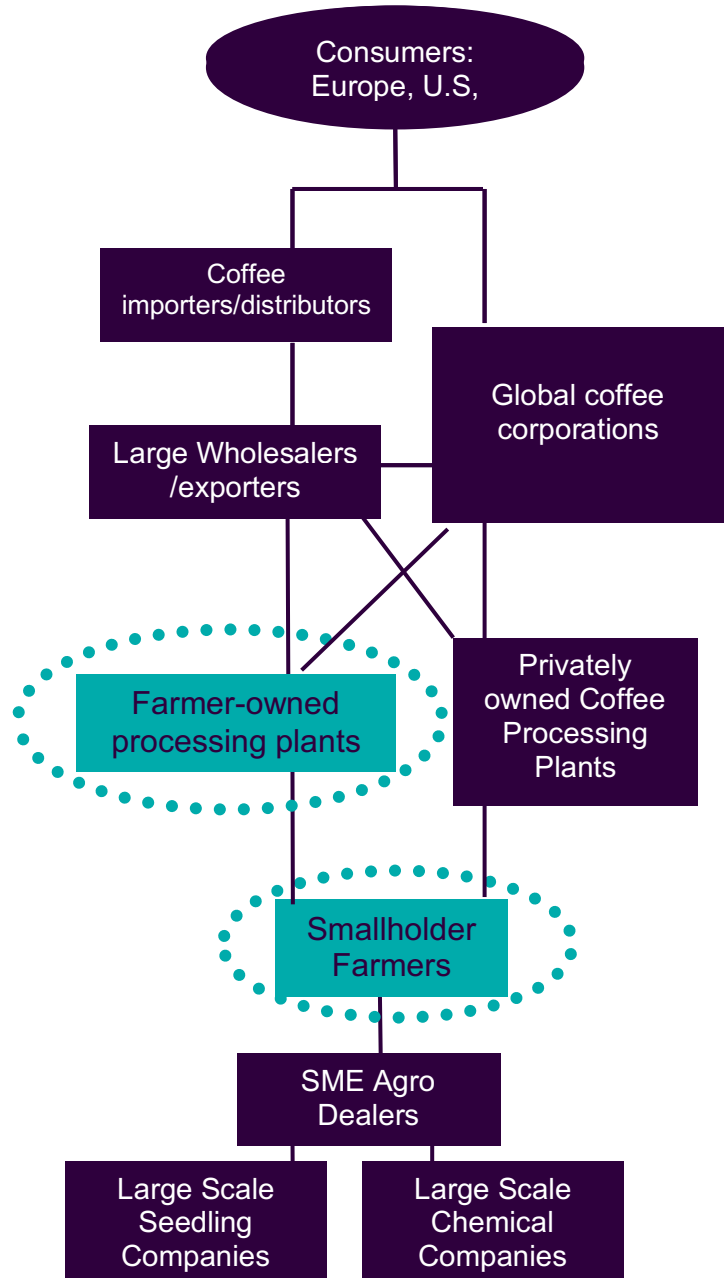
Coffee processing and export is organized and centralized into around 40 processing companies, mostly cooperatives. There are some 15-20 competing buyers active in Uganda. There are several large importers of agro-chemicals and a fairly extensive distribution network of SME agro-dealers who target farmers through their coffee associations. **(See Figure 11.)** Opportunity's strongest partnership is with a national association of farmer-owned processing companies or farmer associations (call it "CFA"). The CFA is a critical node and leader in the market. It organizes and trains farmers, advocates for a supportive enabling environment, and links farmers to partners – such as Opportunity – as well as buyers. Opportunity also partners with buyers, such as a prominent regional trading company, that commits to purchase coffee and make timely payments. An additional partner in some areas is the Grameen Foundation, who plays an important role in data collection, providing basic farming advice and market information. **(See Figure 10 in section 4.2.5.)**



Figure 11: Organized Value Chain, Coffee in Uganda



Client Rubina,
Ugandan coffee farmer.

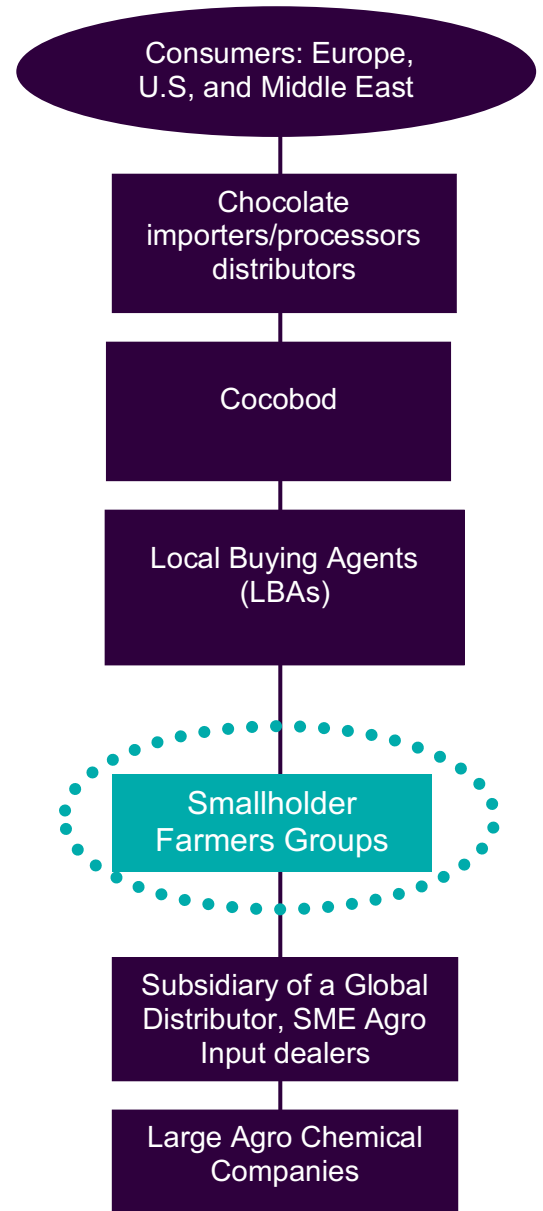




Example: Cocoa in Ghana (organized value chain structure; supply-side partnership type)

The cocoa value chain is dominated by the government-owned company, Cocobod, which is a guaranteed buyer for cocoa. Cocobod procures cocoa through an extensive network of licensed buying agents (LBAs). Cocobod also provides extension services, cocoa trees, and materials for tree grafting. On the agro-chemical supply-side there are a handful of large, corporate suppliers who market through a complex network of licensed and unlicensed SME dealers and microenterprise retailers. (See Figure 12.) Opportunity partners with a large input dealer “Grow-Ghana” and its SME agro-input dealers. “Cocoa-Tech” was Opportunity’s ESP in this sector until a donor project ended recently. Although this is an organized value chain, Opportunity’s partnership is only supply-side. There is no need for a partnership with a buyer because of Cocobod’s guarantee to buy, via the network of LBAs. (See Figure 8 in section 4.2.3.)

Figure 12: Organized Value Chain, Cocoa in Ghana



Opportunity Agriculture Finance Officer Abena and cocoa farmer Beatrice with a newly-planted cocoa tree in Ghana.



4.3.3 Mixed Structures Can Support AgFinance Partnerships

Mixed value chains may have some components that are sufficiently organized to offer good partnership prospects. In a **dual channel** value chain, there is normally one set of business relationships that are organized to produce higher value products and market them to middle-upper income consumers. These businesses operate simultaneously but quite separately from smaller, often informal businesses, which usually produce lower price, lower quality products for mid-lower income consumers. The partnership opportunities are in the formal, organized part of the value chain, and one mutual goal among partners is often to bring larger numbers of farmers into the formal, more lucrative channel in the value chain. In a **dual function** value chain, certain tasks in the value chain – input supply, processing, buying/marketing – are organized and some are not and large, formal businesses engage with smaller, less formal businesses. The partnership opportunities are with the large, formal businesses that compete with one other for smallholders business. Often, these businesses need capital and/or Opportunity's expertise in smallholder finance. They also seek and value partnerships that organize farmers and/or bring training and technical assistance to farmers.

Example: Maize in Uganda and Ghana (Mixed, dual channel value chain structure; intensive partnership type in Uganda; extensive in Ghana)

Maize is a dual channel market structure in both Uganda and Ghana. On the one hand, farmers can reuse harvested seed for planting and can both procure inputs and sell maize on the open market. On the other hand, higher yields and better quality maize can be grown with improved seed varieties, certified inputs, and good agricultural practices. Better income can be obtained by selling to larger buyers who reward for good quality and reliable, large-scale delivery. These buyers ultimately sell to institutional relief buyers like “GRO,” large-scale maize mills, poultry feed companies, and other formal sector buyers. (See **Figure 13.**) In western Uganda, Opportunity has a partnership with an integrated grain company that supplies inputs and technical services to farmers and purchases maize for on-marketing to GRO. In Ghana, Opportunity partnered with a smaller, less formal maize buyer that sells to poultry farmers and SME maize

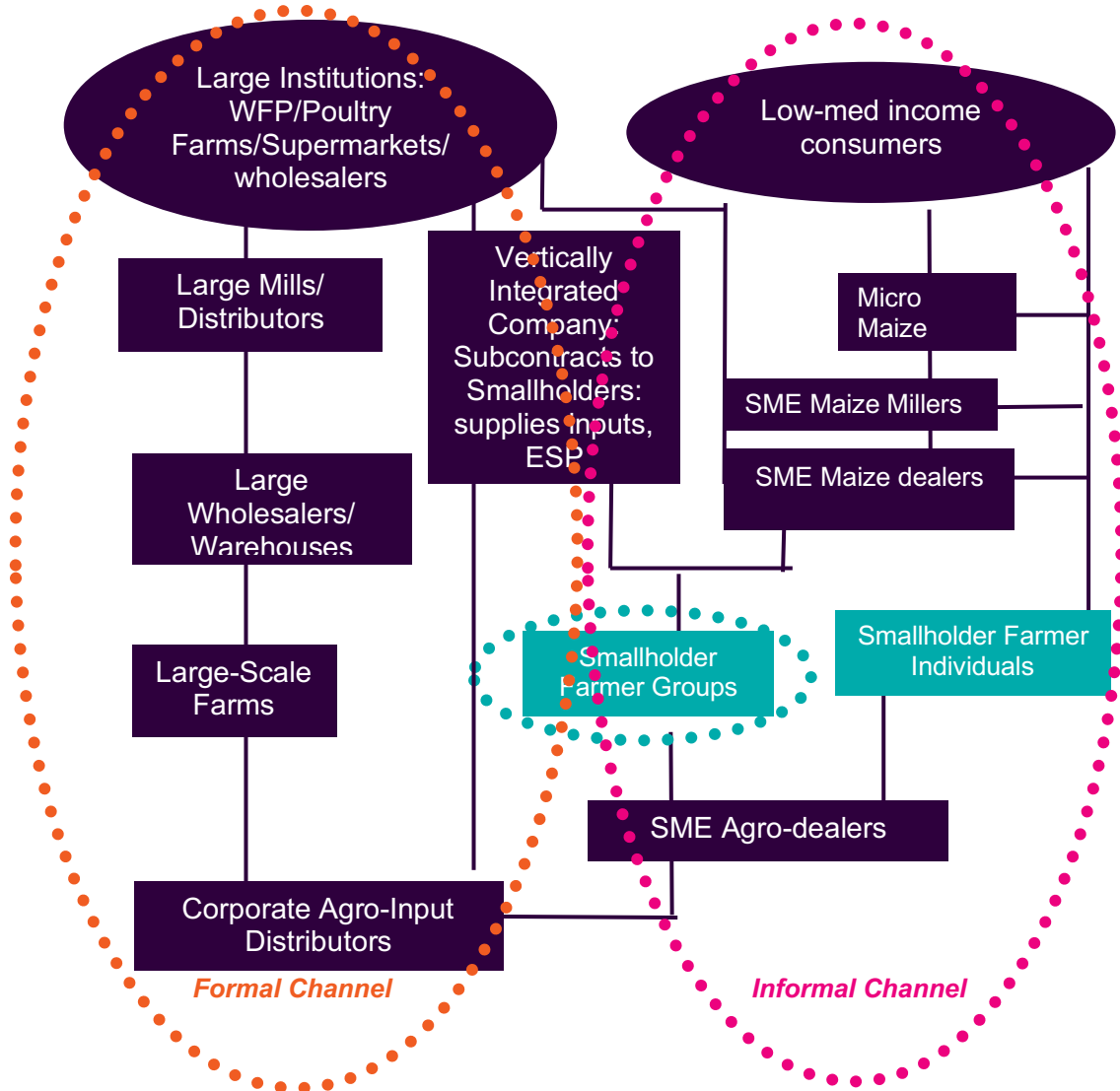


Client Mary, a maize wholesaler in Ghana

and maize flour wholesalers. The partnership also includes an SME input supplier and a community development NGO. In both countries, the buyer partnership is threatened by competition, either from informal buyers attempting to purchase from farmers (Uganda) or from other farmers closer to the buyer (Ghana). Only very reliable buyers and farmers will maintain a strong partnership in these settings. (See **Figure 6 in section 4.2.1 (Uganda)** and **Figure 8 in section 4.2.2 (Ghana).**)



**Figure 13: Mixed Value Chain – Dual Channel
Maize in Uganda and Ghana**





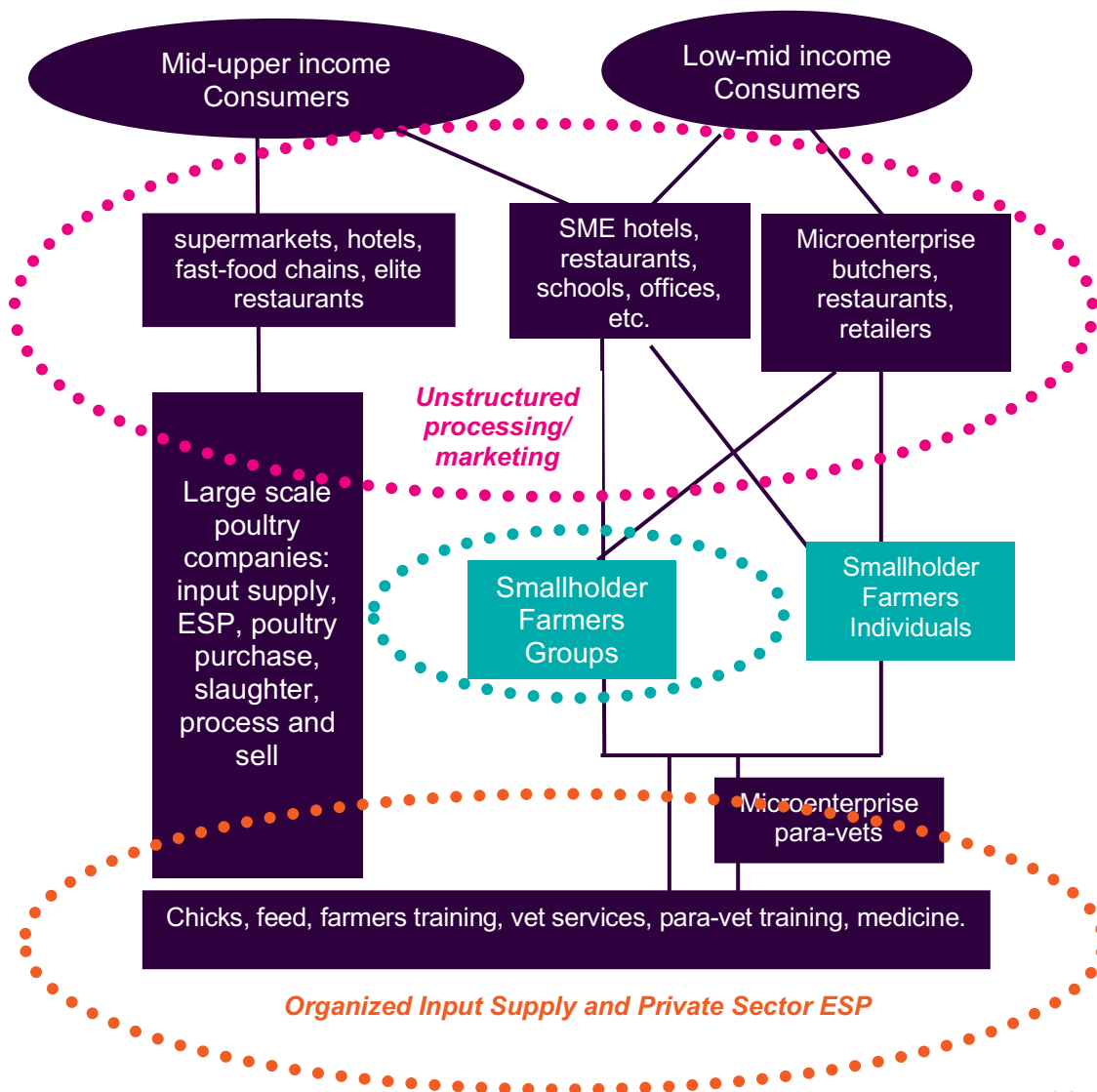
Example: Poultry in Uganda (Mixed, dual function value chain structure; intensive partnership type)

The modern poultry sector is mixed with a dual channel output market. It is dominated by a few large companies that are the root sources of chicks, feed, medical supplies, and technical advice or vet services. These companies also agree to buy back any broilers that farmer customers can produce, although farmers are not under contract to do so. Farmers who do not sell to their input suppliers can easily sell chickens or eggs to nearby wholesalers in open, informal markets, hotels and restaurants, schools, or other small, nearby institutions. These chickens are either purchased live or slaughtered by the farmer. (See Figure 14.) Opportunity has a partnership with Big-Chic, under which farmers can take advantage of a variety of service packages. (See Figure 6 in section 4.2.1.)



Client Kizza, a poultry farmer in Uganda.

Figure 14: Mixed Value Chain – Dual Function Poultry in Uganda





4.3.4 Informal/Unstructured Value Chains – Do Not Support AgFinance Partnerships

The majority of African farmers and enterprises are engaged in informal or unstructured markets. In these markets, farming households, individuals, microenterprises, and small businesses produce and trade products and services, subject to few formal regulations. Informal and unstructured value chains tend to be easy entry to produce low quality goods and services at low price points and to sell to low-moderate income customers. Some markets are vibrant and competitive, while others are low-growth and saturated.

Informal, unstructured value chains do not offer promising partnership opportunities for AgFinance. In these markets, most potential partners are under-capitalized SMEs facing stiff competition from other SMEs attempting to capture as much of the smallholder farmer market as possible. They are hungry for capital and smallholder business, but they also typically operate on a cash basis under intense market pressure, making it hard for them to stick to the partnership arrangements typically expected when doing business with Opportunity: planning business well in advance, using formal invoices, channeling payments through the Opportunity Bank, waiting one to two weeks for payments to be processed, and being patient with the learning curve of client smallholders and Opportunity staff as systems are established. This is true on both the input supply and buyer-side.

Unstructured and informal value chains are normally not supported by extension services providers therefore farmers often do not have access to high quality inputs and good agricultural practices. Unlike informal trading, informal farming is quite risky and usually not very profitable. The concern among Opportunity AgFinance leaders is that lending to informal farmers will lead to over-indebtedness for farmers and high risk for Opportunity. In addition, the costs of advancing credit in rural areas without a partner are deemed to be very high. In such a context, it is hard to identify reliable partners offering linkages and services to farmers. At the same time, these markets offer a livelihood for millions of Africans. Most of Opportunity's mainstream clients and many AgFinance clients function in informal and unstructured value chains.

Example: Vegetables in Ghana (Informal/Unstructured Value Chain; light or no value chain partnership)

In Ghana, OISL extends financing to farmers to grow around eight types of vegetables, including cabbage, tomatoes, onions, chili peppers, and carrots. Seeds and other inputs are readily available, and knowledge for growing these crops is common and/or easily transferred. Often grown by women and youth, farmers grow vegetables on small plots that are typically irrigated by hand with buckets, small pumps, and/or gravity. The demand for

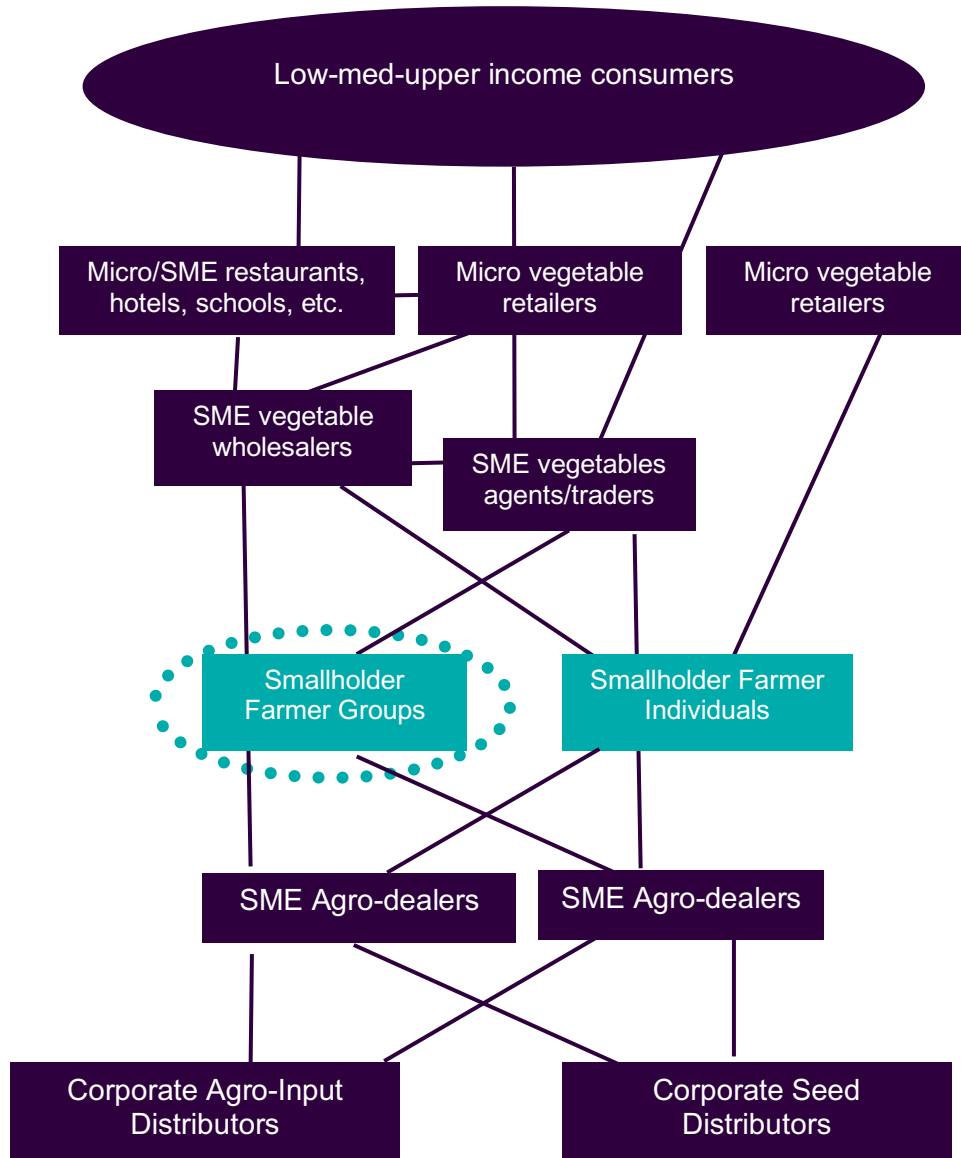


Client Maarifa selling vegetables in Tanzania.



these vegetables among the fast-growing urban population is high, although prices vary significantly according to the season. Microenterprise traders and wholesalers abound. They pick up vegetables, consolidate them, and redistribute them to both local and distant markets. Consumers purchase them in plentiful informal markets. **(See Figure 15.)** As described above, Opportunity sometimes partners with an ESP or input supplier in reaching vegetable farmers, and other times finances farmers with no significant partnerships. The same is true for Opportunity with vegetables in Uganda. **(See Figure 9 in section 4.2.4.)**

Figure 15: Informal/Unstructured Value Chain Vegetables in Ghana





Should Opportunity Finance Informal/Unstructured Value Chains?

Despite the lack of partnership opportunities, in both Ghana and Uganda, Opportunity is lending to farmers operating in unstructured value chains and many on-the-ground AgFinance staff are keen to continue. Why?

1. **Characteristics of Some Markets Support AgFinance:** First, there are several significant portfolios that seem to be performing well in spite of having weaker partnerships. Vegetables in Ghana is such a case. Staff-reported characteristics of the vegetable value chain that make it viable for lending include the following:
 - High profit crops
 - Short season crops which are less vulnerable to risk and grown on small plots that are easy to irrigate – even by hand if need be
 - Readily available inputs
 - Skills needed to grow are fairly common
 - Commercial culture of growers: no historic subsidies, many young men renting land and growing for quick cash

In Uganda, staff are financing a few other value chains or agribusinesses – such as livestock fattening – that have similar characteristics.

2. **Partnerships Can Be Risky, Too:** Secondly, Opportunity staff have witnessed and experienced losses when significant partnerships fail. Observing these risks, not all staff perceive partnership-based financing to be less risky. In addition, partnership formation and management can be labor intensive. Thus, some staff are also not convinced of the efficiency of partnerships for reaching large numbers of farmers quickly.

Thus, there is internal debate on whether Opportunity should continue to lend to farmers operating in “unstructured” value chains, although there is consensus that the partnership opportunities in many agricultural value chains are scarce.

4.3.5 Partnership Prospects in Centralized or Weak Value Chains



Client Ruth, selling vegetables in a market in Kampala, Uganda.

Opportunity typically avoids engaging in value chains with centralized or weak business structures for a number of reasons, including the generally low prospects for smallholders in such markets. Although ESPs often approach Opportunity to establish partnerships to serve vulnerable smallholders in these kinds of markets, the prospects for private sector partnerships are limited. Centralized markets are not conducive to strong AgFinance partnerships. If there is only one large buyer and/or input supplier, they are normally not “hungry” enough for



smallholder or Opportunity business. They can often earn sufficiently high profits operating on a small scale, focusing on large-scale farmers or simply acting as the “guaranteed” buyer or supplier without a contract or MOU. They may form a partnership with Opportunity, but they often do not follow through because there is insufficient market pressure for them to do so. Weak markets are also not conducive to partnership. First, they are normally small and expensive to reach and do not offer opportunities for scale and efficiency. Secondly, input suppliers and buyers are often unreliable partners because of their high stress from trying to stay afloat or just to get a foothold. Alternatively, these businesses may function as local monopolies and be just as disinterested in partnership as large monopolies.

4.3.6 Buyer Partnerships vs. Input Supply Partnerships

In this research, in both Uganda and Ghana, **buyer partnerships are more critical to forming intensive or extensive partnerships**. In some cases, such as the cocoa value chain in Ghana, the buyer is guaranteed. In other case, such as the vegetables market, there are multiple, competing and accessible buyers. In each case, a buyer-partnership was not formed, but also not needed. In the situations in which Opportunity partnerships failed or functioned poorly, most were with buyers in value chain structures that were not conducive to partnership. They include:

- **Sugar in Uganda:** Sugar value chains typically operate as local monopolies. Medium-larger sized companies claim a territory in which they contract a significant quantity of farmers for at least the two-year growing period, and often longer. In any case, there is rarely another sugar company in the vicinity, so farmers have little choice but to cooperate with these monopolies. Opportunity partnered with a new company in a new region: thus it was a weak market with a controlled value chain structure.
- **Maize in Ghana:** The maize value chain is a mixed, dual channel value chain. In Ghana, Opportunity entered an extensive partnership in which the buyer – a medium sized, informal miller and distributor – did not honor the partnership agreement. Bowing to significant opportunities to purchase maize in the informal sector, the partner under-purchased and paid Opportunity clients late. In contrast, in Uganda, Opportunity entered an intensive partnership in which the larger, more formal buyer bore significant risk by providing extension services to farmers. With “skin in the game,” the buyer is motivated to retrieve their investment by purchasing maize from farmers as agreed.

In these situations, better consideration of the value chain structure and better alignment between the value chain structure and the partnership type may have reduced risk.

In this research, the **input supply side** of the market is less of a challenge than the buyer-side, due to the business structure in the input supply markets. The main issue in input supply in both Uganda and Ghana is quality. Input distribution channels are well-developed; larger input supply companies that import, mix and package the product, and drive distribution through a network of SME dealers – often to very small towns. The challenge is that inputs are often adulterated along the supply chain, and the Government certification and inspection system is unable to keep up with the vast SME distribution network. In order to ensure input quality for farmers and simultaneously reduce risk for Opportunity, Opportunity works with ESPs and farmers to identify mutually acceptable suppliers and implements a distribution process in which all parties sign off on the quantities supplied.

For the most part, when dealing in fairly standard fertilizers and agro-chemicals, this works well. There are challenges, however, when it comes to quality assurance with more specialized inputs. For example, in the banana value chain in Uganda, the staff at an ESP partner colluded



with an input supplier who delivered low quality planting material that produced low yields for farmers. In this situation, neither the ESP nor the input supplier had “skin in the game,” implying that their motivation to deliver was insufficient. This failure is not related to the structure of the value chain, but rather reflects the nature of the partnership.

In value chains with different structures in the input supply market, the strength and nature of input supply partnerships are different. In Uganda, for example, in poultry, inputs are only available through the businesses that also purchase chickens. This works to Opportunity’s advantage and Opportunity is able to have an integrated partnership. In Mozambique, in contrast, the input distribution system is very weak, and only a few input suppliers are even making earnest efforts to improve distribution to smallholders. In the past, ESPs have often distributed inputs themselves, resulting in heavy subsidies for some areas. At the local level, there are very few partnership opportunities for input supply. Instead, Opportunity is partnering with (i.e. subsidizing) large input suppliers and other partners to strengthen their SME input distribution system. Opportunity is financing both farmers and SME input suppliers. Thus, the value chain structure on the input supply-side is equally as important in driving partnership type as the structure on the buyer-side of the value chain.



Client Bertha, selling eggs in Accra, Ghana.

4.3.7 Donor-Funded ESPs and Partnership Type

Opportunity AgFinance staff report the availability of a good ESP partner as an essential element to any value chain partnership and any AgFinance portfolio. Indeed, all AgFinance partnership types include an ESP. The importance of ESPs in reaching scale, operating efficiently, and reducing risk have already been outlined in this report. Operationally, ESPs are often Opportunity’s entry point to a value chain, farmer-clients, and other partners in the value chain. In many of Opportunity’s AgFinance portfolios, the “ESP” is more than a service provider; they are actually a value chain or agricultural market developer. Often, the ESP is an international NGO implementing a short-term, donor-funded program. In addition to the “service” of farmer outreach, group organizing, and agricultural training, the partner may facilitate and coordinate partnerships, convene stakeholder engagement, and liaise with the government and other leaders. While such programs are ongoing, Opportunity benefits from more than just extension services to farmers; and, when such programs end, the gap is not only in extension services but also in value chain leadership unless these services and leadership roles have been successful passed on to sustainable entities in the local value chain. In many cases, that entity is a government ministry.

These donor-funded programs and ESPs often drive Opportunity’s engagement in specific value chains and locations. However, they do not necessarily drive the type or strength of partnership that Opportunity has with private businesses. There is a correlation between more structured value chains and large, donor-funded projects. **(See Table 2.)** Larger, international donors and governments tend to fund significant crops with large, growing markets, which also attract larger businesses and have more structured value chains. In the past, international funding focused on export crops, but more recently, donor funding is focused on import substitution for significant food commodity crops. Smaller NGO ESPs sometimes focus on more economically marginal



locations where markets are very weak; Opportunity partnerships with these NGOs have sometimes resulted in high cost and/or high risk.

4.3.8 Other Value Chain Factors and Partnership Type

There are other value chain factors critical to successful AgFinance, or important in determining AgFinance products and services, but they are not drivers of AgFinance partnership type. (See **Table 2, section 4.3.**) First there are critical economic factors to selecting value chains for smallholder finance. These include:

- **Economic opportunity:** high growth rate and high unmet demand in markets where smallholders can compete;
- **Scale and profitability for smallholders:** larger numbers of smallholders engaged in profitable production with good agricultural practices and inputs available to support high productivity; and
- **Supportive enabling environment:** policy and informal cultural practices – including gender norms – should support high growth and smallholder opportunity as well as some measure of equity.

These economic factors are prerequisites for value chain engagement for both Opportunity and most of Opportunity's potential partners.

Second, there are characteristics of crops and crop markets that tend to correlate with business structures in value chains. They are often drivers for business structures that support AgFinance partnership.

- **Crop market:** export crops (usually cash crops) and import substitution crops (often food commodity crops) are common in more organized or dual channel value chains. With domestically produced and consumed crops (often food crops and animal products) business structures are more often informal and/or disorganized. Monopolies can exist in either crop type. Thus, while there is a correlation between crop type and value chain structure, it is the structure of the market that drives partnership potential and type.
- **Timeframe of crop cycle/investment:** In the value chains researched for this study, crops in more structured value chains (cocoa, coffee) tended to have a long crop cycle and require long-term investment. Crops in more informal, competitive value chains had short crop cycles and required less permanent investment. Poultry and maize – import substitution products – have medium crops cycles and poultry required investment in coops and equipment. These crop and investment dynamics potentially influence the value chain structure, but it is unclear from this research how they might influence AgFinance partnerships in and of themselves.

4.4 What's Happening – Summary

This section describes Opportunity's AgFinance partnerships and analyzes factors in the value chain that drive the type of partnerships that emerge in different situations. This analysis concludes that there is a strong link between the value chain structure and the potential for strong AgFinance partnerships. AgFinance partnerships are stronger in a more structured value chains when there are several medium-large sized, formal businesses supplying farmers with



inputs and/or purchasing crops (or animal products). Monopoly markets leave farmers and Opportunity in a weak bargaining position. Informal markets offer little benefit in terms of scale, and most partners are not strong enough to be reliable partners – they are more like clients themselves. Although informal markets offer weak partnership prospects, in some dynamic, growing markets, AgFinance seems viable without partnerships. The analysis of the links between value chain dynamics and AgFinance partnership underscore the importance of AgFinance initiatives being driven by the private sector, rather than by donor-funded projects and the large ESPs that they fund. The next section considers the AgFinance partnership from the opposite perspective: why these value chain businesses want to partner with Opportunity, in order to do business with smallholders.



Client Beatrice displaying vegetables and cattle on her farm in Uganda.

5 What Works? Doing Business with Opportunity: Partners’ Perspectives

This section examines the second set of research questions: What are the drivers, needs, and barriers for value chain businesses to do business with smallholders in partnership with Opportunity? What works, what are the challenges, and what are some recommendations for improvement of these partnership arrangements?

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input type="checkbox"/>	Portfolio Analysis
<input checked="" type="checkbox"/>	Staff Workshops
<input checked="" type="checkbox"/>	Internal Reports
<input type="checkbox"/>	Manager Survey 2014
<input checked="" type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

Opportunity partners primarily with two types of private businesses (in addition to farmers and their direct membership groups): input suppliers and output buyers, although some businesses do both. Fundamentally, input suppliers are interested in increasing sales to smallholders and buyers are interested in accessing a reliable supply of good quality agricultural produce at reasonable prices. Financial services help smallholders to procure more inputs, benefitting input suppliers. When smallholders purchase and use more inputs, experience higher productivity and yields, and sell more and higher quality produce – it also benefits buyers. This research delves into the following question: Why, specifically, do Opportunity’s business partners value their relationship with Opportunity? What challenges are arising, and what might be done about them? Because farmers and extension services are critical to partnerships with input suppliers and buyers, observations about these partnerships are included in the analysis. Information from different sources, including independent consultations with Opportunity’s key partners, is synthesized into a SWOT analysis of Opportunity’s value chain partnerships. (See Table 3.) It concludes with recommendations for how Opportunity can enhance its AgFinance business partnerships.

5.1.1 Strengths

The SWOT analysis helps to emphasize the following critical drivers for private businesses to partner with Opportunity:



- **The AgFinance model itself:** the multiple partnerships help input suppliers and buyers to coordinate distribution and procurement, increasing scale, efficiency and quality, and reducing risk for all parties.
- **Expanding business:** input suppliers initially benefit from accelerated business growth with direct financing; then, buyers benefit as farmers increase yield and production, and input suppliers benefit further the following seasons as sales to farmers continue to expand.
- **Credibility:** Input suppliers and buyers have confidence in Opportunity because Opportunity works with credible business and ESP partners.
- **Holistic package of financial services:** Input suppliers and buyers value Opportunity's partnership because Opportunity offers financing and banking services to all stakeholders; in addition, Opportunity offers a wide range of services, through traditional and alternative delivery channels.
- **Social performance:** Opportunity's business partners value the positive impact the partnerships have on smallholder farmers and on communities.

The value that Opportunity brings is partly related to its own diverse services, partly related to the other organizations and businesses in the partnership, and partly due to the impact the AgFinance model generates as a whole.

5.1.2 Weaknesses

While Opportunity does not always exhibit all of these strengths, (hence repetition of topics under both strengths and weaknesses), there are also a few fundamental weaknesses in Opportunity's AgFinance program that further reflect the needs/interests of businesses and other stakeholders in the partnership model. These include:

- **Rigidity:** once partnership terms and/or loan packages are established, client-facing Opportunity staff have little authority and/or skill to customize, adjust or to troubleshoot issues arising in partnerships and/or loan packages;
- **Weak market information and/or infrastructure providers in the partnerships:** although these appear as items in the model, in practice market information has been limited and infrastructure providers absent despite being critical to the model; government policy is also important, but is a missing element in the model itself;
- **Imbalance in risk-sharing:** Opportunity takes significantly more risk in all partnerships than any partner except the farmers themselves. ESPs in particular, hold significant influence while taking little if any risk.

These are not make-or-break issues in business relationships, however. The research in Ghana and Uganda did shed some light on what has undermined a few of Opportunity's partnerships with buyers. Key issues included:

- **Misalignment between partnership expectations and market conditions** (between partnership "type" established and the business structure in the value chain): expecting an SME buyer to adhere to a purchasing agreement when the SME buyer is under cash-flow pressure while farmers, ESPs and/or Opportunity are under-performing in terms of timeliness, quality, and communication;
- **Weak buyer selection in a high-risk situation:** facilitating contracts between farmers and a start-up buyer for a crop in which there are no other buyers in the area.



- **Weak ESP and input supplier selection:** Overreliance on ESPs for input supplier selection; depending on a new ESP to identify an input supplier who delivered poor quality inputs, resulting in crop failure.

These issues represent lessons from experience as Opportunity's AgFinance portfolio matures and expands beyond the somewhat protected setting of donor-funded ESP-driven partnerships.

5.1.3 Opportunities

There are significant opportunities for deepening, strengthening, and expanding Opportunity's private sector AgFinance partnerships. Some are more direct than others.

- **Enhance input supplier and buyer role in extension services:** The two situations in which Opportunity and its partners have access to sustainable extension services are when an input supplier and buyer built extension services into their business model. Some other input suppliers and buyers have expressed an interest in adding it to their business model.
- **Finance SME businesses across the value chain:** Opportunity should finance SME input suppliers, buyers, processors, and ESPs, farmer organizations themselves, warehouse receipts lending, mechanization, irrigation, etc. SME partners requested it, but corporate input suppliers and buyers also see SMEs as critical linkages between their businesses and farmers.
- **Continue and deepen the range of financial services:** financial literacy supports marketing and greater outreach, which benefits input suppliers and buyers; farmers and families benefit from savings, which enhance financial security and support overall value chain sustainability.
- **Enhance attention to and promotion around social performance:** Opportunity's business partners value this.



An agriculture savings advertisement in Uganda

5.1.4 Threats

The key threats identified can be grouped into weather, government/macro-economic, and sustainability of extension services provision once a key donor project has ended. A description of each threat follows:

- **Weather:** Crop insurance is unavailable in most areas, primarily due to the lack of weather stations in Africa. Opportunity requires clients to take credit life insurance that covers the loan balance and a small donation to the family in case of a borrower's death or incapacitation. It protects the family and groups members from having to pay the loan.



- **Government policy/macroeconomic conditions:** In some countries – such as in Ghana over the last year and (more dramatically) in Malawi in 2013 – government policies and/or macroeconomic conditions can significantly undermine farmer capacity to earn enough to repay loans. In Ghana, due to a 30% depreciation during the study year, the price of imported products – including agricultural inputs – have skyrocketed. In addition, changes in government fertilizer subsidies and delays in announcing these changes have created uncertainty and delays in the input supply chain. Both factors are challenging farmers and Opportunity finance, which is provided primarily in-kind.
- **ESPs:** Opportunity, its farmer-clients, and business partners are dependent on limited, unsustainable sources of extension services: short-term, donor-funded partners; over-stretched government agencies; or small NGOs. In Ghana, donor-funded partners are moving to other geographic regions and from export to food security crops. In addition, in situations where Opportunity has no partnerships, one challenge is the lack of credible, pro-active extension service providers.



Ugandan client Mary with her maize harvest.

The first two are well-known risks in AgFinance, which Opportunity is taking steps to mitigate. For example, Opportunity is involved in several pilot initiatives to address key barriers to crop insurance in Africa. The third issue – sustainable extension service provision – is a recurring theme for Opportunity and in this analysis.

5.1.5 Summary and Recommendations for What Works in Opportunity’s Business Partnerships

The SWOT analysis attempted to address the question: Why, specifically, do Opportunity’s business partners value their relationship with Opportunity? What challenges are arising, and what might be done about them? Opportunity’s business partners value the increased business generated by their partnership with Opportunity and the social benefits they see among their customers and in farming communities. They value the AgFinance model overall, the credible partners Opportunity brings to the partnership, and the holistic set of financial services Opportunity offers farmers and private businesses. The challenges with Opportunity’s business partnerships in this context arise as Opportunity expands beyond the somewhat protected setting of donor-funded, ESP-driven projects. In existing partnerships, a gap arises in coordination and troubleshooting. In new situations, selecting partners and aligning expectations with market conditions are challenges. Such challenges simultaneously bring opportunities and generate recommendations, including the following:

1. Shift partnership strategy to focus more on private sector partnerships rather than short-term, subsidized projects;
2. Strengthen alignment among value chain structure, partnership type, loan conditions, and marketing strategies. For example, Opportunity should not “ban” AgFinance without partnerships or in unstructured markets. Instead, there should be objective criteria for crops and value chains that are strong enough for AgFinance without partnerships; loan



- conditions should be more stringent in these value chains; and marketing strategies should be adjusted to advance scale outside of the context of large ESPs.
3. Systematize and delegate the partnership process down the management chain; develop more staff capacity to troubleshoot partnerships and add flexibility to Opportunity's strengths; incorporate key strategies such as improved alignment among value chain structure, partnership type, and loan conditions as well as marketing strategy.
 4. Enhance input supplier and buyer role in ESPs, otherwise find sustainable extension service solutions;
 5. Explore alternative, more efficient input supply financing systems, including vouchers;
 6. Continue to offer and intensify marketing of the wide range of Opportunity financial services; expand finance to SME businesses across the value chain; consider strategies of expanding the AgFinance model to include more information services, infrastructure, policy advocacy, and value chain leadership.
 7. Enhance attention to and promotion of social performance: Opportunity's business partners value it;

Recommendations from this SWOT analysis are combined with findings from other sections of this report, and elaborated in the final section with overall recommendations for the industry. (See Section 5.)



Table 3: SWOT Analysis of Opportunity AgFinance Business Partnerships

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Visionary AgFinance leadership with clout, courage, dedication, and expertise to establish and facilitate quality partnerships; 2. Obvious and significant impact: farmers increasing productivity, yields, volumes marketed and incomes. 3. The “Opportunity” guarantee: Opportunity partners with credible organizations, farmers, and businesses 4. Farmers access reliable, quality inputs at better prices 5. Increased business for input suppliers, buyers 6. The AgFinance model itself increases coordination among businesses and farmers while increasing the reliability and predictability of doing business with smallholders 7. Combined financial services – when offered – are effective, i.e. loans for ag and school fees, money transfer, insurance, financial literacy 8. Opportunity financing multiple levels of the value chain (i.e. input suppliers or buyers) 9. Alternative delivery channels 	<ol style="list-style-type: none"> 1. “Fixed” packages, provided in the form of inputs from preselected dealers limit farmer choice of input type, amount, and dealer 2. Opportunity’s role in input supply prevents input dealers from getting to know farmers directly 3. Inability (lack of skill and authority) of partner-facing or client-facing staff to solve problems with customized solutions 4. Roles and processes for efficient, well-timed input supply or loan process sometimes fall short 5. Imbalance in risk sharing: Opportunity and farmers risk more 6. Partner selection criteria and quality control standards and processes 7. Poor/no coordination of the value chain after donor projects end 8. Under-emphasis on multiple financial services: financial literacy, savings, crop insurance, and SME lending to inputs suppliers, traders, processors, vet, or other private ESPs 9. Weak marketing information and/or infrastructure
Opportunities	Threats
<ol style="list-style-type: none"> 1. As donor-funded projects phase out, there is a gap in provision of farmer organizing and training services, which could represent a business opportunity to support buyers, input suppliers, and/or Opportunity entrepreneurs/businesses to fill that role 2. Some ESPs are emerging: some buyers and input suppliers, some farmer groups as well as independent ESPs staffed by farmer staff of larger, donor-funded projects 3. Finance more business across the value chain – SME input suppliers, buyers, and private ESPs 4. More direct financing for farmer organizations engaged in agri-business 5. Increase investment in financial literacy: it may pay off in portfolio growth and reduced risk 6. Promote savings products; innovate VSLA-Bank linkages; innovate crop insurance 7. Finance farming households, not just the farm 8. Warehouse receipts lending; mechanization, irrigation financing 	<ol style="list-style-type: none"> 1. Lack of sustainability strategy for farmer organizing and extension services in major donor-funded agricultural development projects; provision of free services distorting any private sector initiative to do so 2. Competition from other microfinance institutions 3. Government agricultural policies (especially in Ghana regarding fertilizer and other agro-chemicals). Full regulation/control of cocoa industry; gradual withdrawal of subsidies etc. 4. Inflation, recession; political instability during elections 5. Weather



6 What’s Practical? Testing a Value Chain Engagement Tool

This section addresses the third set of research questions: What practical tools might help staff to select appropriate partners, and match different types of partnership arrangements and loan conditions to specific types of partners in different types of value chains? This research tested a Value Chain Engagement Tool and also identified additional tools and training that would likely help systematize and/or improve the implementation of Opportunity’s AgFinance model. The Value Chain Engagement Tool was useful in soliciting details about value chain partnership from staff as part of the research. Staff responded well to the tool, reporting that it is clear and easy to use, and that they would use it in their work. The main applications they envisioned were to reduce risk and grow the portfolio, to identify and manage partners, to identify new clients, and to improve loan structure and condition. In the course of using the tool and through staff dialogue, it was apparent that other tools—such as partner assessment and monitoring—may be more important, along with partnership policies, systems and training that help delegate the responsibility for partnership down the management chain.

Sources	
<input checked="" type="checkbox"/>	Leadership Interviews
<input type="checkbox"/>	Portfolio Analysis
<input checked="" type="checkbox"/>	Staff Workshops
<input type="checkbox"/>	Internal Reports
<input type="checkbox"/>	Manager Survey 2014
<input type="checkbox"/>	Partner Interviews
<input checked="" type="checkbox"/>	External Literature Review

6.1.1 Purpose of the Value Chain Engagement Tool

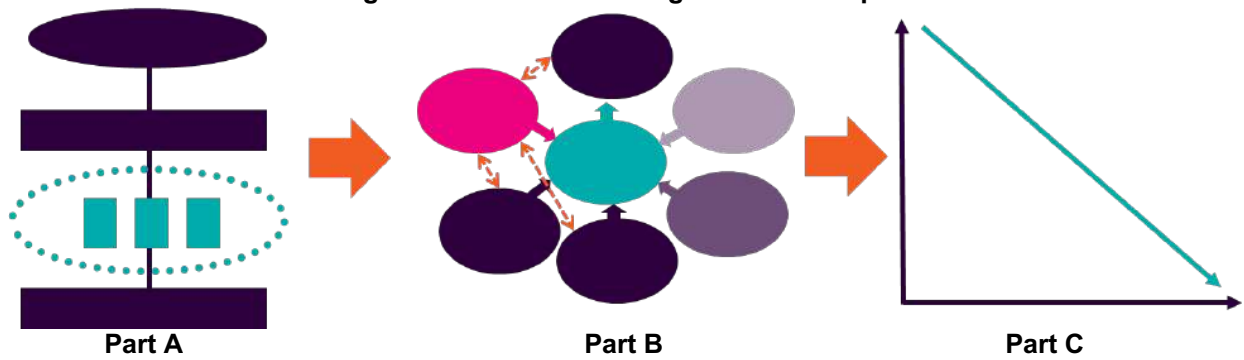
The purpose of the Value Chain Engagement Tool is to facilitate understanding, analysis, and alignment among three critical elements of AgFinance: the value chains surrounding target crops and farmers, the partnerships that support agricultural finance delivery, and the loan conditions for farmers. The assumptions and logic behind the tool are as follows:

1. The value chain context – particularly the structural type of value chain – significantly determines the potential partners and kinds of partnerships available to AgFinance providers like Opportunity. Different market structures create different levels of interdependency; in markets with high interdependency there is more potential for strong AgFinance partnerships.
2. Strong AgFinance partnerships offer significant risk mitigation and facilitate more efficient and larger-scale credit delivery.
3. When AgFinance partnerships are strong, loan conditions can become less stringent (higher efficiency and scale targets are appropriate); when AgFinance partnerships are weak, loan conditions should be more stringent (lower efficiency and scale targets are appropriate).

The overarching recommendation assumed in the tools is that a good understanding of the value chain – especially structure – should drive appropriate AgFinance partners and expectations, which in turn should be aligned with appropriate loan conditions and efficiency and scale expectations.



Figure 16: Value Chain Alignment Assumption



As depicted in Figure 16, the tool involves diagramming and assessing the value chain (Part A); drawing the current and/or proposed AgFinance partnerships and then analyzing whether the partnerships are appropriate to the value chain (Part B); and finally, assessing whether partnership strength should drive adjustments to the loan conditions (Part C).³ An example is presented in the accompanying text box.

³ In the graph depicted in Part C, the vertical axis represents partnership strength, and the horizontal axis stringency of loan conditions. Stronger partnerships should drive less stringent loan conditions.



Example: Use of the Value Chain Engagement Tool

OISL staff in Ghana used the Value Chain Engagement Tool to describe and assess Opportunity's AgFinance partnership in the rice value chain. The photos illustrate the application of the tool in a workshop setting over the course of a day, using information staff knew off the top of their head. The value chain was described as a mixed value chain. In general, the value chain is informal and unstructured. There is a centralized function in medium sized rice mills, although they experience competition from small and microenterprise rice processing. The rice sector produces lower quality rice, serving a low-moderate income population with a high demand for affordable food. (See Figure 17.) Participants rated the value chain as relatively strong. The market and enabling environment were seen as strong, and participants noted strong availability of ESPs. The business linkages and overall business and farmer performance were rated moderately strong. (See Figure 17.)

In this context, Opportunity engages in a light partnership with input suppliers only. Farmer clients receive training from ESPs JICA and MoFA, and sell to medium-sized millers. (See Figure 18.) This partnership was rated as weak by participants. Using the graph (See Figure 18) they compared the current partnership (weak) with a potential partnership (strong) in which Opportunity would have formal agreements with the ESPs and millers. They assessed that the currently strict loan conditions are appropriate for Opportunity's current partnership, but that loan conditions could be relaxed if stronger partnerships were negotiated.

Figure 17: Value Chain Diagram and Assessment

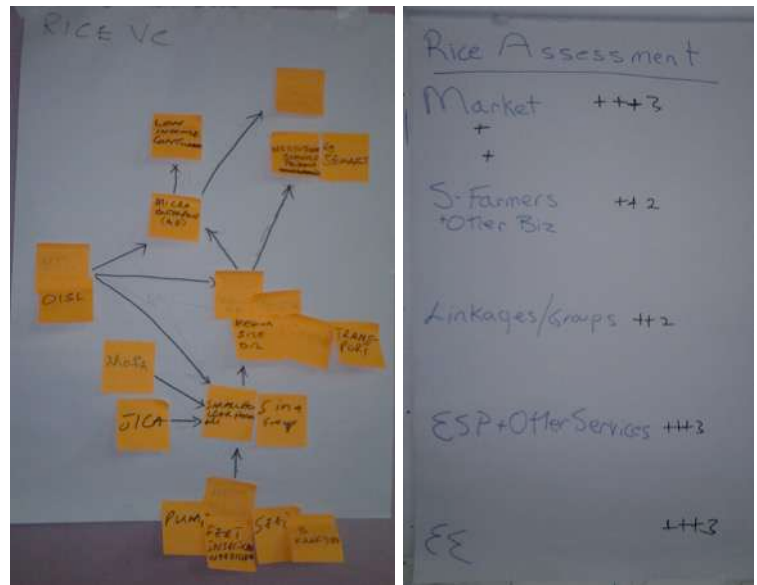
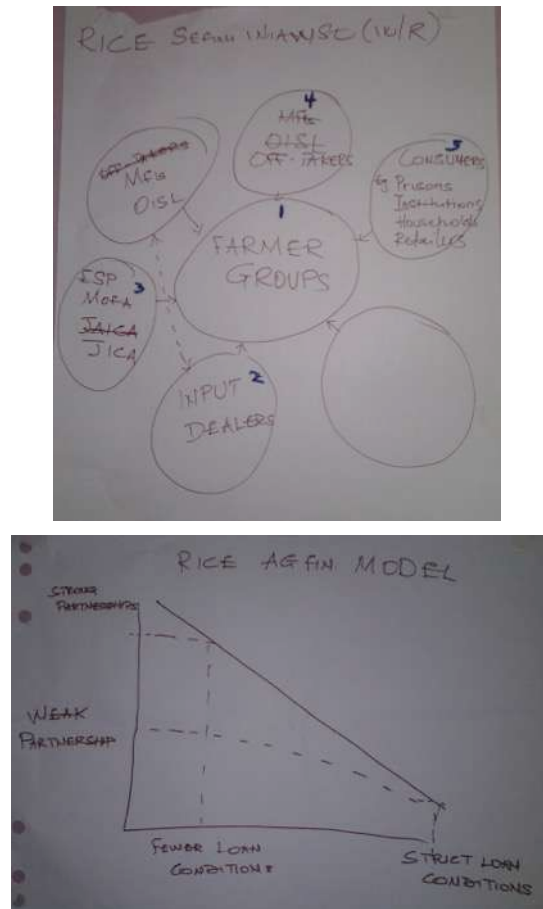


Figure 18: Partnership Diagram and Assessment Graph

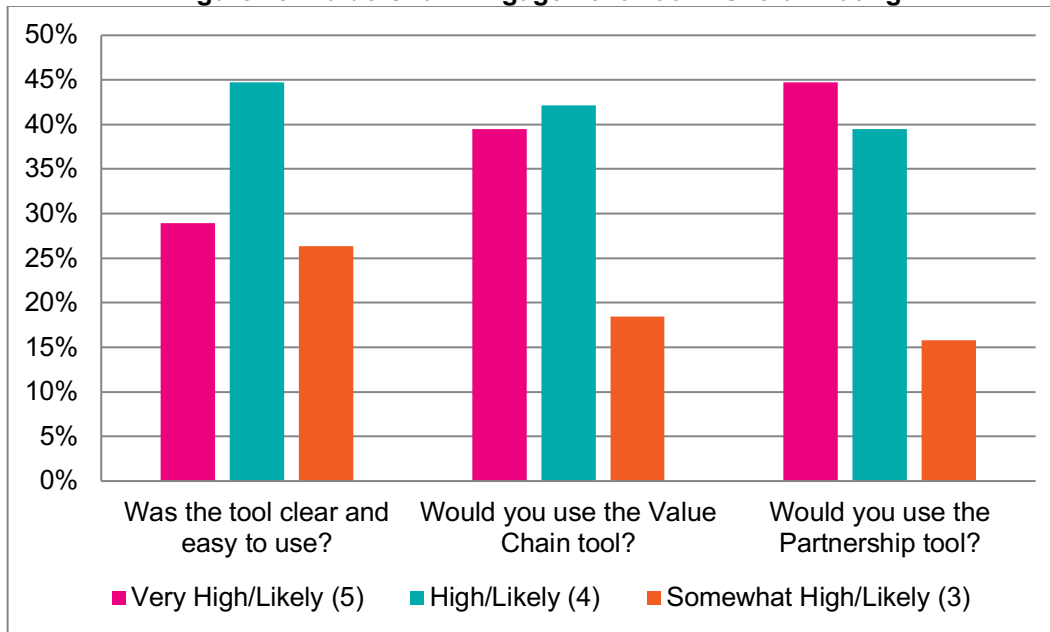




6.1.2 Tool Rating by Opportunity Staff

When tested with Opportunity AgFinance staff, the Value Chain Engagement Tool was highly rated as clear and easy to use and relevant to staff work. In all of the ratings, participants gave the tools a score of three out of five or above. A large majority (75%) rated the tool clear and easy to use, with 29% giving clarity and ease a five out of five rating. An even higher majority (82% rating four or five) reported that they would use the tool, with 39% rating the likelihood very high. A similar majority (84%) reported that they would use the partnership element of the tool (with a rating of four or five), with 45% reporting that it is very likely they will use this tool. (See Figure 19.)

Figure 19: Value Chain Engagement Tool – Overall Rating



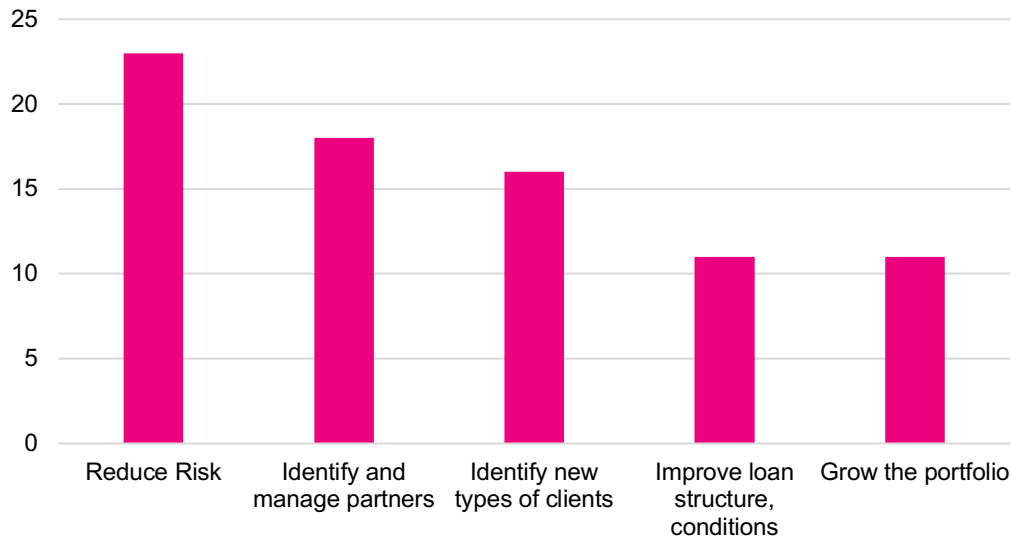
Staff reported that they would use the tool to help them select crops or value chains, identify off-farm businesses to target, identify partners, improve partnership management, expand the portfolio, and reduce risk.



Opportunity employees at the Value Chain Engagement and Partnership Tool workshops at OISL (left) and OBUL (center and right).



Figure 20: How Would You Use this Tool? Top Responses - Ghana and Uganda



These staff members were not given a list of tools to prioritize, however. Information from other aspects of the research indicate that a few additional tools or management elements may be of higher importance:

- Partner assessment and quality monitoring tools
- Policies, systems, and training to support delegation of partnership responsibilities down the management chain



OISL staff members at the AgFinance workshop in Ghana with researcher Kwame Aduako Aboagye-Atta (center-left) and Mary Pat McVay, Research and Knowledge Manager (center-front)



7 Lessons and Recommendations for the Smallholder Finance Community

As with much development work in Africa, the implementation of value chain financing using models such as the Opportunity AgFinance model is hampered by institutional gaps. There are three critical gaps identified in this research that are relevant to other organizations supporting and implementing value chain finance or smallholder finance, particularly in Africa. The gaps are in markets themselves in the dearth of strong, private sector partners that are driven to and capable of doing business with smallholders in the weak sustainability of extension service provision, value chain leadership, and financial institutions themselves.

7.1 Market Gap: Structured Markets are Few and Far Between

The first institutional gap in implementing value chain finance in partnerships, as the Opportunity AgFinance model calls for them, is the gap in viable business partners operating in an organized value chain. Opportunity's AgFinance model is characteristic of recommended good practice in value chain and agricultural finance. When appropriate partner selection is implemented and strong ESP and value chain facilitators are in place in structured value chains, AgFinance increases efficiency, helps to reach scale quickly, and reduces risk by surrounding smallholder farmers with effective support from input supply through production and marketing. However, the situations in which such ideal conditions exist are uncommon and potentially temporary. Most agricultural markets in Africa do not benefit from strong, established, formal companies driven and capable of doing business with smallholders. Rather, either input supply, marketing, or both are characterized by less organized markets comprised of SMEs doing business with smallholders, but wavering in and out of stability because they themselves seeking financing and technical assistance.

Further, the markets that are well organized and businesses that are stronger tend to operate in more accessible areas with more established, economically-stable smallholders, and a higher percentage of male farmers. This has two implications. First, as these businesses expand, they will run out of easier-to-reach smallholders and will need to develop skills and systems to reach more marginal farmers. Second, the social impact of such partnerships is lower, an important concern for organizations with a poverty-eradication mission like Opportunity.

Recommendation: Strengthen models and approaches to AgFinance that work better in less structured markets, and/or work with partners who strengthen businesses and organize markets to work better for the poor. The community of practice with more experience in strengthening sustainable market systems is the "M4P" or "Market Facilitation Community," whose expertise



Women drying their cocoa crop in Ghana



should be brought to bear more in developing sustainable agricultural and value chain finance.⁴ This is an approach that focuses on the poor and seeks to strengthen market systems around them.

Alternative Recommendation: The opposite approach would be to leverage large, global corporations and their drive for sustainable supply chains. In this approach, AgFinance suppliers like Opportunity would partner with global corporations seeking to expand their presence in Africa. Along with global ESPs, Opportunity would first strengthen the productivity and sustainability of smallholder farmers currently in the supply chain and then guide large companies to increase outreach to ever more marginal farmers. In this approach, AgFinance supply would be more private sector driven and would seek to strengthen global supply chains to work better for the poor. One community of practice with documented experiences and guidance on this approach is the United Nations Business for Social Responsibility group.⁵

7.2 Extension Services and Value Chain Facilitation Gap

In value chain finance, extension services and value chain facilitation is typically provided by short-term, donor-funded agricultural development project. Only a portion of these projects have included a mandate to improve or strengthen private sector extension services or value chain leadership. A few projects have succeeded, which are documented in communities of practice such as “market facilitation” and “making markets work for the poor.” Typical options and strategies for improving private sector delivery of extension services and value chain leadership include the following:

- Large companies (buyers) providing an integrated package of services to smallholders, which includes outreach, group organizing, agricultural training, and advice – occasionally accompanied by value-add services such as tree grafting, documentation of agro-chemical application, and vet services. In Uganda, Opportunity partners with a younger, formal maize company providing integrated service package to maize farmers. Opportunity also partners with a larger, more established firm – called here “BigChic,” which supplies an integrated package of inputs, advice, and services and offers a guaranteed market for chickens produced from its chicks.
- Networks of SME input suppliers, buyers, or agro-service companies like vets or “agro-vets,” sometimes organize as a franchise, association or informal network. In Uganda, Opportunity’s poultry farmer clients use Opportunity finance to pay for vet services and medical supplies delivered through a network of poultry vets trained by companies like “BigChic.”
- Farmer associations and networks, and/or other agricultural associations/networks are well organized and have the capacity to either deliver services or manage initiatives that certify and recommend other service providers. In Uganda, Opportunity works with the national coffee farmer association, whose capacity has been developed over many years through a variety of partnerships.
- Specialized entrepreneurial service providers – often leveraging IT – deliver specific services such as market information, market linkage software, farmer outreach, and data collection. These are often “small growth businesses” launched by social entrepreneurs

⁴ <http://www.enterprise-development.org/page/m4p>; <http://beamexchange.org/en/>

⁵ www.unglobalcompact.org; <http://businessfightspoverty.org/>; <http://sharedvalue.businessfightspoverty.org>



or social enterprise oriented foundations on a small-scale but intending to grow larger, with some succeeding. In Uganda, Opportunity has partnerships with the Grameen Foundation's Community Knowledge Worker initiative, whose farmers in Ghana take advantage of some private sector market information services. The ANDE network supports such endeavors and gathers interested stakeholders.

- In terms of value chain leadership, best practice is for short-term projects to establish stakeholder platforms at the local level early on in the project, for more effective short-term outcomes, and to establish and build capacity for leadership and coordination after the project ends. Practical Action and SNV have integrated such processes into their methodology and developed training materials for system-wide implementation, as well as sharing with other organizations. The newly formed Initiative for Smallholder Finance also has expertise in stakeholder engagement that is more specific to agricultural finance.

Recommendation: The smallholder finance community should collectively invest in the identification, dissemination, and application of sustainable extension services and value chain facilitation methods; the smallholder finance community should pressure the extension services and value chain/agricultural development community of practitioners and funders to adopt a more sustainable approach, the foundations of which were laid out in a donor-approved document in 2001 and promoted by the Donor Committee on Enterprise Development. These have since been elaborated based on experience into a set of guidance illustrated by practical, best practice cases.⁶

7.3 Capacity and Systems Gap in Financial Institutions

Opportunity is one of the few institutions with mature portfolios in agricultural finance in Africa. As Opportunity moves from its demonstration phase to its scale-up phase, some gaps in institutional capacity are becoming apparent. Opportunity's first AgFinance partnerships were established with large companies and their networks of distributors or agents. Opportunity's senior agricultural finance advisors and managers were naturally involved, as were high level leaders in significant ESPs who were leading value chain development projects. These partnerships have been implemented and navigated operationally by teams of high caliber AgFinance managers with a multi-dimensional skillset and deep on-the-ground knowledge. As Opportunity expands, technology and alternative delivery channels are supporting efficient delivery of rural financial services. However, with expansion and the ending of many original ESP/value chain leadership projects, Opportunity is experiencing a gap in partnership capacity. Opportunity has gaps in policy systems and human resource capacity to establish and manage more partnerships, often with smaller partners and in a wider variety of value chains.

Recommendation: The smallholder finance community should support operational innovations and systems requirements tailored to the needs of mature agricultural finance portfolios, particularly around the issue of partnership origination and management. Institutions with mature portfolios should share experience and develop approaches/tools for challenges such as:

- Alignment among value chain structure, partnership type and loan conditions as well as marketing strategies

⁶ <http://beamexchange.org/en/guidance/>



- Internal policies, structures, and work organization
- AgFinance partner selection and due diligence for buyers, input suppliers and ESPs
- AgFinance partnership establishment, management, and reporting
- Skill requirements focused training materials and training

7.4 Closing Remarks

In closing, this research is an in-depth analysis of Opportunity's mature AgFinance partnerships in Ghana and Uganda – two representative portfolio countries – with the purpose of internal and external sharing of practical lessons and recommendations. **What's happening?** Opportunity implements more and less intensive value chain partnerships, and also extends AgFinance without value chain partnerships. Although more intensive partnerships are preferred for enhancing efficiency, reaching larger numbers of clients, and reducing risk, the business relationships and structure in the value chain are not always conducive. More structured value chains support more intensive partnerships.

What works in sustaining private business partnerships? Business partners value the predictability and efficiency offered by value chain partnerships and appreciate the comprehensive services that farmers access through intensive partnerships. Input suppliers and buyers acknowledge that when farmers access multiple services, farmers are better business partners. Opportunity's business partners also value the quality of partners and services that Opportunity attracts, as well as Opportunity's efficient alternative delivery channels. They also appreciate the social value that Opportunity brings to private businesses, enhancing their social responsibility and positive role in the communities where they do business. Opportunity's partners would also appreciate enhanced flexibility, the ability for operational staff to troubleshoot on-the-ground challenges, and the addition of private businesses to join Opportunity in prioritizing the need for sustainable extension service to farmers.

What's practical? In this part of the research, Opportunity tested a basic value chain engagement tool, which was well received. The tool is designed to help staff better understand the value chains around them, identify partnerships, establish fundamental elements of partnerships, and align loan terms with the level of risk in partnership situations. Additional practical tools like this are needed in mature AgFinance initiatives to empower operational staff to establish and manage effective AgFinance partnerships.

Most case studies of AgFinance focus on young initiatives, implemented in the context of a short-term, subsidized value chain development project. Opportunity is pleased to offer this case from two of our most mature AgFinance portfolios. The successes as well as the challenges and recommendations are presented in hopes that key stakeholders in extending financial inclusion to the rural poor will join us in collaborative improvement of sustainable and high impact AgFinance work.

ANNEXES

Annexes - Included

1. VC Engagement Tool Description
2. VC Engagement Tool Participant Feedback
3. AgFinance Workshop Agendas

Annexes - Additional

To request access to these additional annexes, please contact:
knowledgemanagement@opportunity.org

1. VC Engagement Tool Findings - Ghana
2. VC Engagement Tool Findings- Uganda
3. AgFinance Manager Survey
4. Partner Feedback

ANNEX 1: VC ENGAGEMENT TOOL DESCRIPTION

Opportunity Agricultural Finance: Value Chain Partnerships Annex 1: Value Chain Engagement Tool – Description

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List of Acronyms

CKW	Community Knowledge Worker
ESP	Extension Service Provider
JI	Joseph Initiative
MIS	Market Information System
MOU	Memorandum of Understanding
NGO	Non-governmental Organization
OBUL	Opportunity Bank Uganda, Ltd.
OISL	Opportunity International Savings & Loans, Ltd. (Ghana)
SME	Small or Medium Enterprise
USAID	United States Agency for International Development
VC	Value Chain
WFP	World Food Program



Annex 1 – Value Chain Engagement Tool Description

At workshops in Ghana and Uganda, researchers used a rough draft value chain and AgFin Partnership Tool to gather more detailed descriptions of the current value chains and partnerships, to solicit staff assessment of these partnerships, and to explore the relevance of these tools for research and AgFin portfolio management. This annex describes these tools and the situation in which they were used, the research content generated, and the staff assessment of the tools. It concludes with an assessment of the performance of the tools and suggestions for next steps.

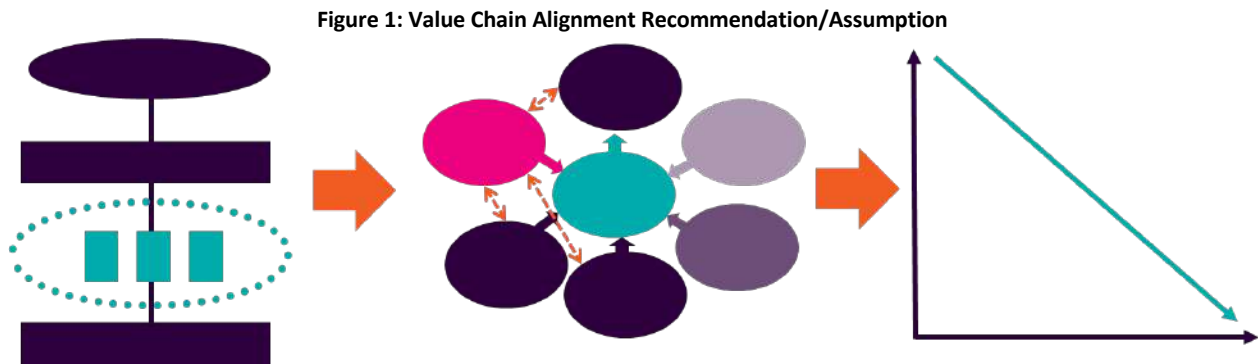
A 1.1 Description of the Tool and How It Was Applied – Ghana and Uganda

The following is an amalgamation of the Tool as applied in Ghana and Uganda. A few modifications were made between the Ghana and Uganda workshop, specifically calling for more elaboration of the partnerships in Uganda and a specific rating of the partnership. Other than these elements, the tools were the same in both workshops. In Uganda, however, there was not time to use Tool 3.0 Alignment.

The purpose of the Value Chain and AgFin Partnership Tool is to facilitate, analysis, and alignment among three critical elements of AgFin: the value chains surrounding target crops and farmers, the partnerships that support agricultural finance delivery, and the loan conditions for farmers. The assumptions and logic behind the tool are as follows:

4. The value chain context – particularly the structural type of value chain – significantly determines the potential partners and kinds of partnerships available to AgFin providers like Opportunity. Different market structures create different levels of interdependency; in markets with high interdependency there is more potential for strong AgFin partnerships.
5. Strong AgFin partnerships offer significant risk mitigation and facilitate efficient and larger-scale credit delivery.
6. When AgFin partnerships are strong, loan conditions can be less stringent (and higher efficiency and scale targets are appropriate); when AgFin partnerships are weak, loan conditions should be more stringent (and lower efficiency and scale targets are appropriate).

The overarching recommendation assumed in the tools is that a good understanding of the value chain – especially structure – should drive appropriate AgFin partners and expectations. These in turn should be aligned with appropriate loan conditions and efficient and scale expectations. See Figure 1.



A 1.2 ELEMENT 1: VALUE CHAIN ASSESSMENT

The first element of the tool is the value chain assessment. This is a simple adaptation from value chain analysis using standard framework (USAID). The value chain assessment has three elements:

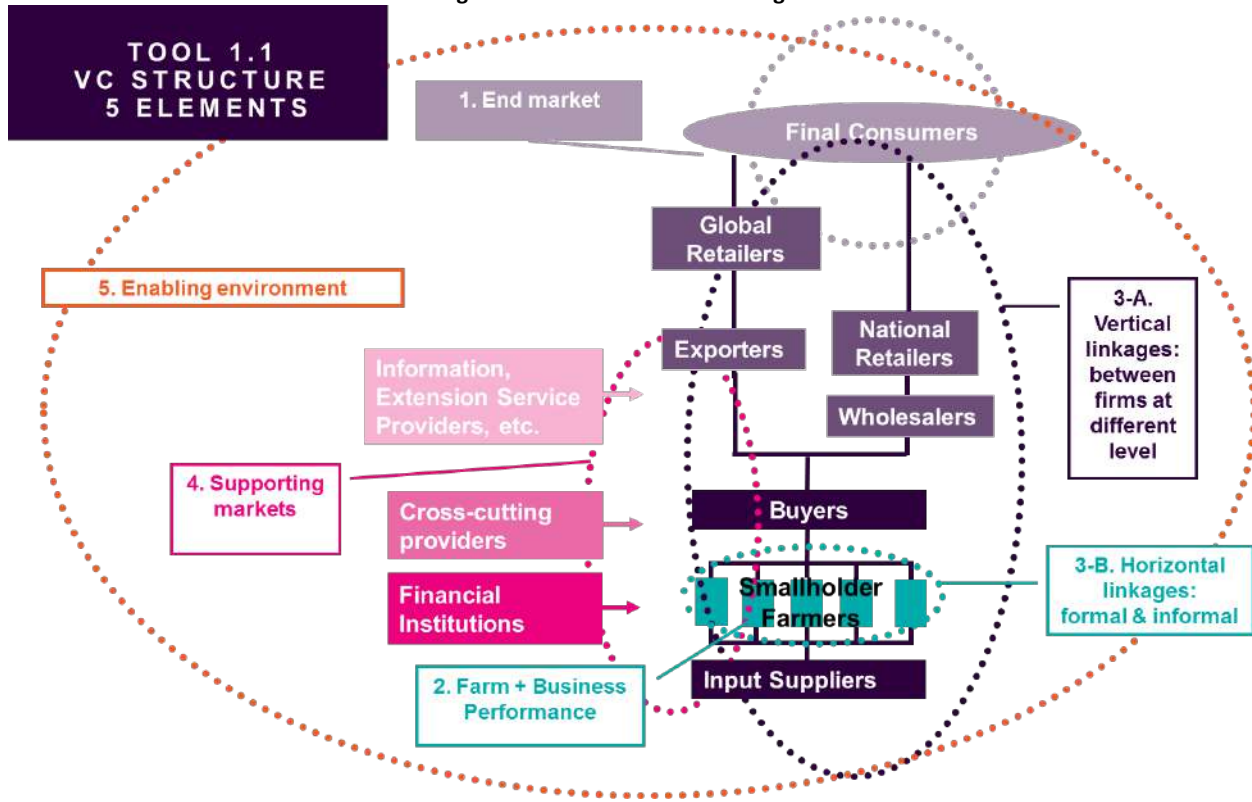
1. Diagramming or mapping the value chain
2. Categorizing the value chain based on the structure and relationships of businesses in the value chain--which was identified as a critical factor in determining potential of the value chain to support viable value chain finance partnerships
3. Rating the value chain in terms of strength and risk

Tool 1.1: Value Chain Diagram The first step in the tool is to create a simple value chain diagram using a fairly standard value chain “map” with five key elements illustrated in **Figure 2**, these are:

1. End Market: final consumers of the product, including different groups of consumers that have preferences and price points
2. Business Performance: productivity, quality, and customer-responsiveness of target smallholder farmers and other businesses in the value chain
3. Business Linkages: relationships among businesses that buy from and sell to one another (vertical) and the groups of similar enterprises (horizontal linkages like farmers groups and associations).
4. Business Services: services that support farmers and other businesses in the value chain including financial services, agricultural extension, veterinary services accounting services, etc.
5. The Enabling Environment: formal regulations and policies as well as informal business and cultural practices, which influence the market as a whole.



Figure 2: Tool 1.1 Value Chain Diagram



Tool 1.2: Value Chain Type The next step is to categorize the value chain structure based on five general categories ranging from more monopolistic to more competitive and including simply very weak value chains. The categories are as follows:

1. **Centralized/captured:** large monopolies, sub-contracted farmers in groups
2. **Organized/controlled:** several larger firms, some sub-contracting, most farmers in groups
3. **Mixed:**
 - **Dual Channel:** in one set of business relationships, a set of formal, larger businesses performing all functions in the value chain from input supply through retailing, selling top high income consumers and, operating in parallel, a set of information enterprises performing all functions, selling to low-moderate income consumers;
 - **Dual Function:** Some functions in the market dominated by larger formal businesses, while others are performance typically by many informal or SME enterprises.
4. **Competitive/Informal:** Multiple channels for input and output market, dominated by SMEs and informal businesses with few formal, large-scale businesses
5. **Weak:** markets with little economic activity for any number of reasons;

Tool 1.3 Value Chain Rating The next step is to rate the value chain’s strength and risk level, which together attest generally to sustainability. For the most part, farmers, businesses, and therefore Opportunity Banks should seek value chains that offer potential for growth without too high of a risk factor. While “sustainability” itself could be understood as stability, in order to offer sufficiently high returns to businesses and banks a market must offer growth as well as stability, which necessarily implies some volatility. The ranking proposed intends to balance these



factors. One could also include into the ranking a consideration of potential for the value chain to offer social benefits to the bank, but this was not included at this stage. **Tables 1&2: Tool 1.3 - Value Chain Rating Table A and B** are used to rate a value chain. Based on somewhat more systematic rating tools used in value chain development, this rating table offers an opportunity to note key information about each value chain element and to rate that element as weak/risky (1), strong/safe (3) or in between. A consolidated rating from 1-3 is then generated. This simple tool is intended as a “quick glance” based on existing knowledge, but more sophisticated versions can be used for deeper analysis, as is common in value chain selection exercises. **Table 1** presents the typical types of information relevant for that element. **Table 2** is an example with the ratings overlain on top of the information.

Table 1: Tool 1.3 Value Chain Rating A

RATING VC ELEMENT	WEAK/RISKY	MED	STRONG/SAFER
END (OUTPUT) MARKET (DEMAND, STRUCTURE)	Volatile price Small value chain		Steading increasing price and volume of sales
SMALLHOLDER FARMERS + OTHER BUSINESS PERFORMANCE	Low farmer experience Crop complex to grow.		Lots of experience By farmers, processors
BUSINESS LINKAGES / VC STRUCTURE (ASSOCIATIONS; INPUT SUPPLY; TRADING PRACTICES)	Centralized/Captured Weak associations Input distribution is weak or non-existent. Buyers are monopolies who set prices and conditions and do not have wide outreach.	Mixed – Other Some input distributions networks and some buyer networks exist. Potentially there are local monopolies, shortages.	Mixed – Dual channel Organized/controlled Strong associations/groups Inputs available; buyer linkages strong.
EXTENSION/BUSINESS SERVICES (INFO)	Few project, government or NGO	Active government, project, NGOs	Active private sector + Value chain project + different services
BUSINESS ENVMT (POLICY; CLIMATE; CULTURE; PROGRAMS)	No/negative policy, High gender/social conflict Insecurity Drought		Strong Agri-business and farmer associations Active/appropriate Pol Low conflict



Table 2: Tool 1.3 Value Chain Rating B

2+
Medium-Strong/Safe

RATING VC ELEMENT	WEAK/RISKY	MED	STRONG/SAFER
END (OUTPUT) MARKET (DEMAND, STRUCTURE)			Steading increasing price and sales volume 3
SMALLHOLDER FARMERS + OTHER BUSINESS PERFORMANCE		Experienced farmers, but crop is risky, susceptible to disease. 2	
BUSINESS LINKAGES / VC STRUCTURE (ASSOCIATIONS; INPUT SUPPLY; TRADING PRACTICES)			Organized/controlled Inputs available, government guarantees a market – both have private agent networks. 3
EXTENSION/BUSINESS SERVICES (INFO)	Somewhat active government; NGO projects ending. 1		
BUSINESS ENVMT (POLICY; CLIMATE; CULTURE; PROGRAMS)		Active government policy –sometimes too interfering 2	

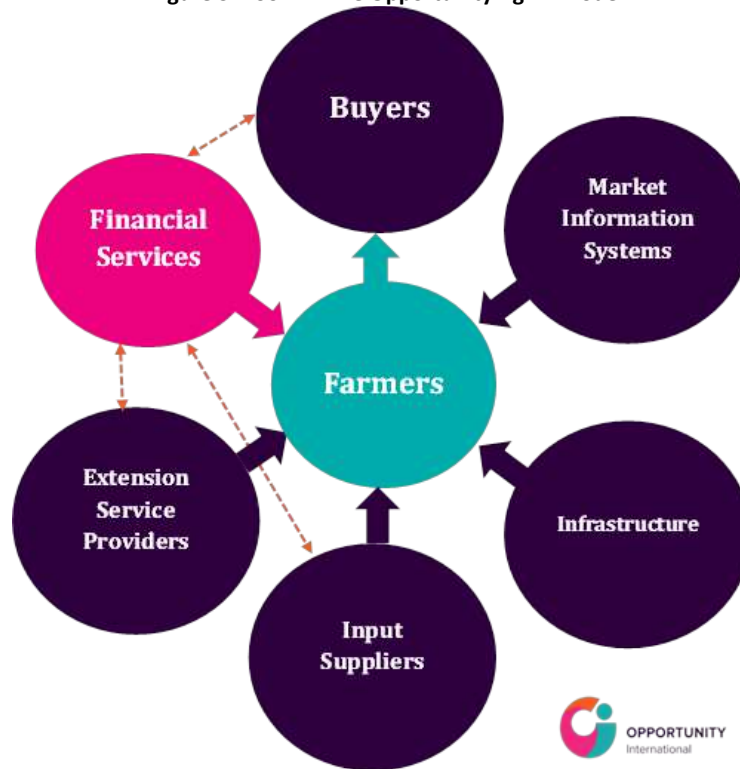
A 1.3 ELEMENT 2: PARTNERSHIP ASSESSMENT

The second element of the Value Chain Engagement Tool is the Partnership Assessment, designed to both describe and rate the quality of partnerships. It was intended to assess current partnerships, but participants in the workshop in Uganda also used it to devise potential partnerships. To be clear, this is not a *partner* assessment tool, although it is clear that such a tool would be useful to the AgFin teams. Rather, the tool is intended to describe expected roles, types of agreements and assess whether this partnership is helping Opportunity to grow and maintain a healthy portfolio that also supports good social performance.

Tool 2.1 The Opportunity AgFin Partnership Model The first step in partnership assessment is to diagram the specific “AgFin model” through which Opportunity engages with that particular value chain. The process is to draw the diagram depicting the AgFin model, fill in relevant circles with suppliers and partners, and draw lines among these stakeholders – solid for services delivered to smallholder farmers or other target businesses, and dotted lines for Opportunity’s partnership(s). **Figure 3** depicts the Opportunity AgFin partnership model.



Figure 3: Tool 2.1 The Opportunity AgFin Model



Tool 2.2: Partnership Description and Assessment The next step is to describe and assess the partnership(s). One challenge in practice is to usefully define a partnership. Ideally, Opportunity’s AgFin model involves the Opportunity Bank, the farmer (in farmer groups), and the partners—including an extension provider, an input supplier, and a buyer (off-taker). Both the AgFin model as a whole and each individual partnership can be assessed in each particular situation. In the workshop in Ghana, researchers encountered the challenge of different groups understanding the definition of the “partnership” differently. In the second workshop in Uganda, researchers directed participants to consider the “partnership” to mean the AgFin model as a whole, all the parties working together, whether with formal or informal agreements. There was still latitude, however, to describe aspects of the partnership that were stronger and aspects that were weaker. This broader definition was more useful.

Thus, the partnership description and assessment involves the following five steps:

1. Partnership Agreements (verbal, MOU, contract): If all parties are subject to the same kind of agreement, then only one is noted. Otherwise, different kinds of agreements between different parties are noted.
2. Partnership Description Table: The name and role of the partner is listed in the column labeled “Partner.” Sometimes there are additional types of partners, and sometimes one business plays multiple roles.



Table 3: Tool 2.2: Partnership Description and Assessment

Partner	Activities/Role	Payment: pays and receives	Risk: what partner loses if deal falls apart
Input Supplier			
ESP			
Farmer/Group			
Buyer			

3. Analysis: the strengths and weaknesses of the partnership are assessed. The potential for reaching large numbers of clients; mitigating/reducing risk, and reaching social performance objectives is considered. Each characteristic of the partnership is rated on a scale of 1-3 with 3 being strong or good.
4. Partnership Rating (1-3): $(\text{Growth} + \text{Risk} + \text{Social Performance})/3 = \text{Overall Rating}$

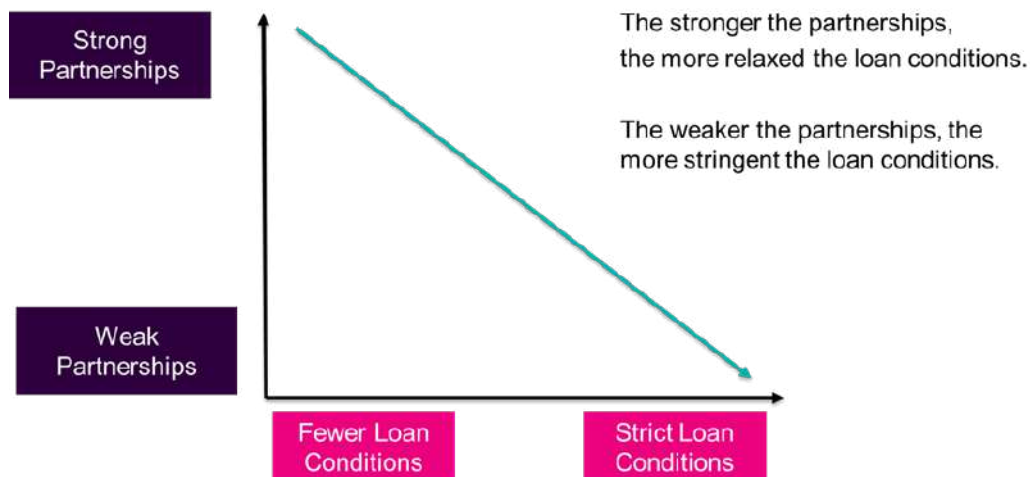
A 1.4 ELEMENT 3: ALIGNMENT

Because these partnerships are designed to reduce risk, the logic is that with strong partnerships, loan conditions should be less stringent. However with weaker partnerships, loan conditions should be more stringent. Further, the value chain structure and other elements of the value chain influence the type and potential strength of partnerships. One element considered later, after the workshops, is that partnerships are also intended to help Opportunity efficiently reach larger numbers of clients. Thus, weaker partnerships also call for more intense marketing strategies.

Tool 3.0 Partnership-Loan Conditions Alignment With this in mind, the third element of the Value Chain Engagement Tool is Alignment. The process is merely to consider the issue of alignment and rate the partnership:

1. Consider VC description/rating and partnership description/rating: are the partnership expectations well aligned with the VC type/rating? Rate (1-3) Why or why not?
2. Describe loan conditions
3. Consider Partnership Rating and Loan Conditions. Use the Graph **Figure 5: Tool 3.0 Partnership-Loan Conditions Alignment**. What level of loan conditions would be correctly aligned with the partnerships? Are the current loan conditions correctly

Figure 4: Tool 3.0 Partnership-Loan Conditions Alignment aligned? (Rate 1-3) Why or why not?



**Opportunity Agricultural Finance: Value Chain Partnerships
Annex 2: Value Chain Engagement Tool – Participant feedback**

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List of Acronyms

EE	Enabling Environment
ESP	Extension Service Provider
FAO	Food and Agriculture Association of the United Nations
MIS	Market Information System
MoFA	Ministry of Food and Agriculture
MOU	Memorandum of Understanding
OBUL	Opportunity Bank Uganda Limited
OISL	Opportunity International Savings & Loan Ltd. (Ghana)
SME	Small or Medium Enterprise
UCFA	Uganda Coffee Farmers Alliance
VC	Value Chain



Annex 2 – Value Chain Engagement Tool Partner feedback

At workshops in Ghana and Uganda researchers used a Value Chain Engagement Tool to gather more detailed descriptions of the current value chains and partnerships, to solicit staff assessment of these partnerships, and to explore the relevance of this tool for research and AgFin portfolio management. (See Annex 1 for a detailed description of the tool.) This annex reports on staff and researcher assessment of the tool. It concludes with an analysis of the performance of the tool and suggestions for improvement in the explanation and of the tool itself along with recommendations for other potential tools that may be of equal or higher relevance to the AgFin team.

A 2.1 Participant Tool Assessment – Ghana and Uganda

The researcher administered a quick survey of workshop participants about the VC Engagement Tool. Overall, participants rated the tool highly and reported specific uses for the tool in their work. They were asked the following:

1. Was the tool clear and easy to use? (Rate between 1 and 5, 5 is highest)
2. Would you use the tool in your work, specifically (Rate between 1 and 5, 5 is highest):
 - a. The Value Chain Diagram and Rating
 - b. The AgFin Model and Partnership Assessment
3. If you would use the tool for your work, how would you use it?

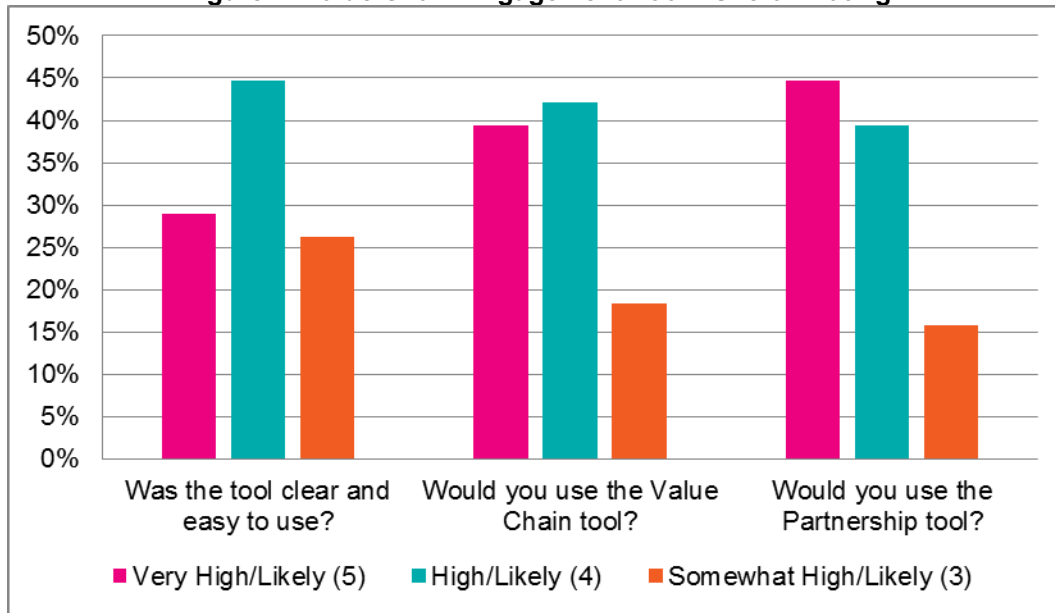
The following is an analysis of responses received.

A 2.1.1 VC Engagement Tool - Participant Ratings

Participants rated both elements of the tool positively. In all of the ratings, participants gave the tool a score of 3 or above. A large majority (75%) rated the tool clear and easy to use, with 29% giving clarity and ease a 5 out of 5 rating and 49% rating the tool a 4 out of 5 for clarity and ease. (See Figure 1.) The average score was 4.0. An even higher majority (82% rating 4 or 5) reported that they would use element a –the value chain diagram and rating—with 39% rating the likelihood as very high (5). The average score was 4.2. A similar majority (84%) reported that they would use element b - the AgFin model and partnership assessment with 45% reporting that it is very likely they will use this tool (a rating of 5). The average score was 4.3. These scores speak to the positive reception for value chain engagement tool, and indicate that this particular tool is a good foundation for a tool that would be used by these staff. The tool would need to be improved in terms of clarity and ease of use. Also, staff would need to be given options because—however high this tool is rated—there may be other tools that address more urgent or significant needs. This question was not addressed in the research.



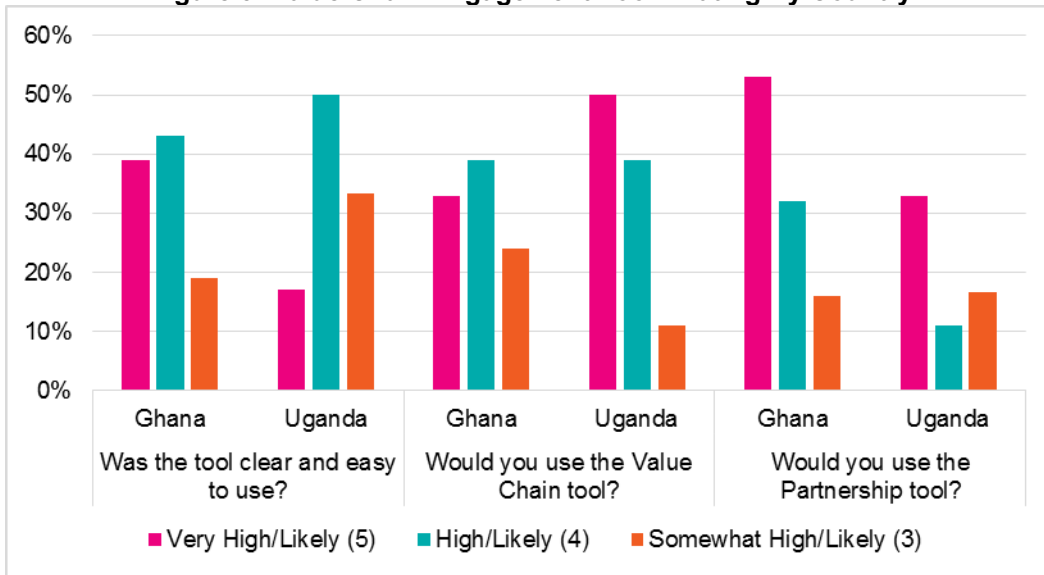
Figure 2: Value Chain Engagement Tool - Overall Rating



Staff in Uganda and Ghana rated the tools somewhat differently, which probably reflected both the different staff profile and situation. The staff in Ghana rated the tool as clearer and easier to use (4.0) than the staff in Uganda (3.8). In Uganda, the participants are not specialized in AgFin and do not have training in agriculture or agri-business; whereas the staff in Ghana are specialized in AgFin and many have agricultural or agri-business training. In Uganda, most staff are not operating in the context of an active value chain partnership; whereas in Ghana, all staff operate in the context of value chain partnerships. In the Ghana workshop, staff drew value chains quickly and were able to respond immediately to prompts for the elaboration of particular elements. In one case, staff innovated by combining the AgFin partnership diagram with the value chain diagram. In Uganda, on the other hand, staff not regularly engaged in value chain partnerships struggled to diagram markets they were somewhat familiar with but did not know in depth. Staff in Ghana readily recognized and explained the Opportunity AgFin model, whereas the AgFin model seemed new to almost all staff members in Uganda--at least in diagram form. Even though the version of the tools presented in Uganda was slightly more structured to provide more clarity on issues that were murky in the Ghana workshop; staff in Uganda still rated the tool as less clear and less easy to use. **(See Figure 2.)**



Figure 3: Value Chain Engagement Tool - Rating By Country



There were also slight differences in which element of the tool staff in each country anticipated they would be more likely to use. The Uganda team reported that they were more likely to use the value chain tool (4.4) than the partnership tool (4.2). In contrast, the Ghana team said they were more likely to use the partnership tool (4.1) than the value chain tool (4.4). (See Figure 2.) This reflects the current challenges each team is facing. In Ghana, the central staff provide branch-level staff with a list of approved crops and a cost of production/profitability budget for each. Staff in Ghana are challenged with the end of significant partnerships, the weak fulfilment of partnership agreements, and the corresponding need to improve their own partnership origination and management work. Conversely, in Uganda branch-level staff are newer to the value chain financing approach and therefore more focused on step one: understanding the potential and risks in value chains and identifying potential partnerships.

A 2.1.2 VC Engagement Tool - Participant Comments

Participants were also asked how they would use the tool if they responded that they would indeed utilize it. For both countries, reducing risk and identifying/reaching new types of clients were among the top five ways participants would use the tool. In Ghana, improving loan structuring/conditions and identifying/ managing partnerships were the other top two ways participants would use the tool. In Uganda, growing the portfolio, improving social performance, improving client impact, and generally improving their understanding of the markets, partners and clients were the other top three ways participants they would use the tool. (See Figures 3, 4, and 5.) These priorities generally reflected staff priorities as reflected in discussions. It is also worth noting that in Uganda there was not time to discuss alignment, which is when the issue of loan conditions arose. Therefore, participants were less aware that the tool could be used in this manner.



Figure 4: How Would You Use the Tool? Top Responses - Ghana and Uganda

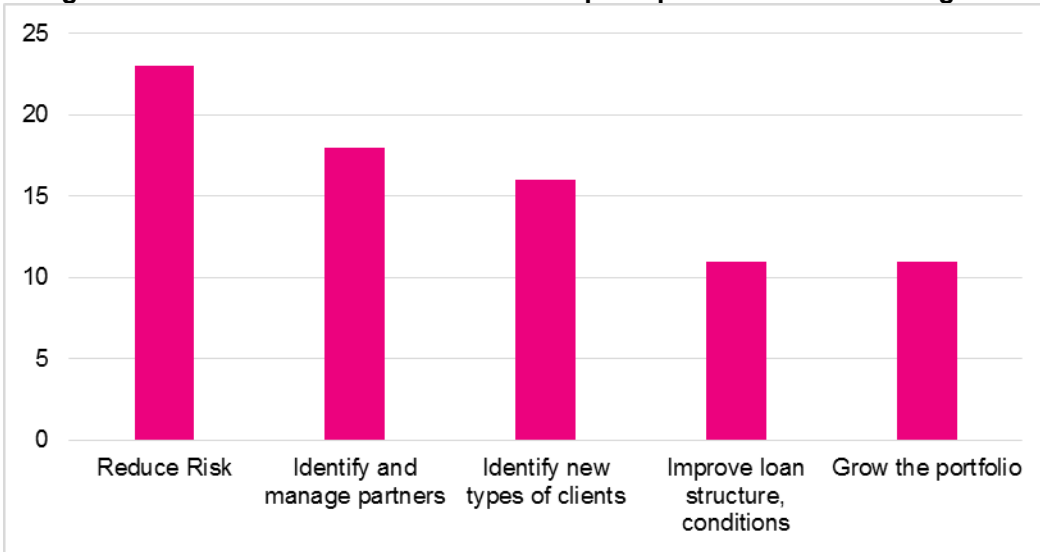


Figure 5: How Would You Use the Tool? Top Responses – Ghana

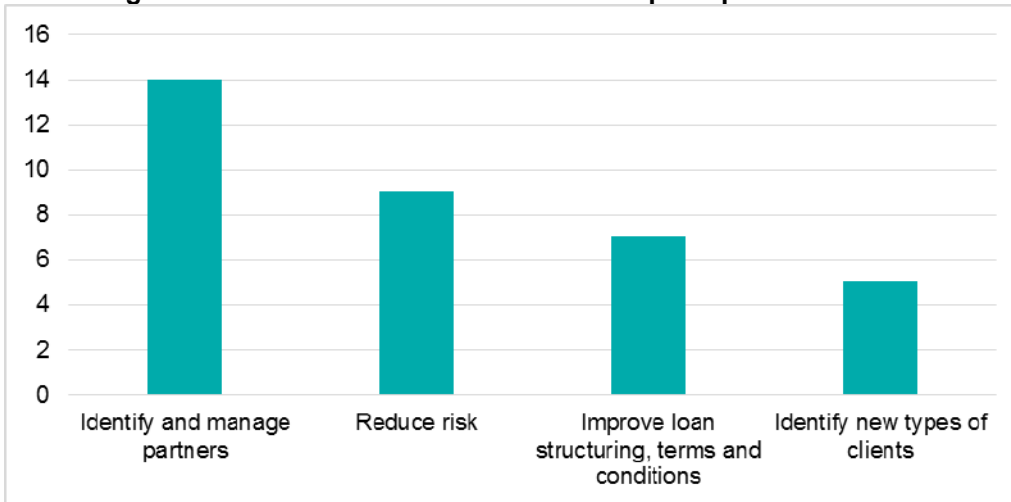


Figure 6: How Would You Use the Tool? Top Responses - Uganda





What Participants Said:

Ghana:

“It helps me to know the gaps in the value chain and Ag Finance model so as to think critically how to identify a potential partner to fill in the gap. It will also help to embark on how to form strong partnerships.”

“It helps to identify the various actors involved in the chain to be able to strengthen, because if one actor fails the remaining will not perform well. It also helps to make agric finance participants active and well performing.”

“It helps me to identify other areas I can finance apart from the producers. It helps me to identify crops that we can finance without much risk.”

“... these tools will help me to interact with the input suppliers, ESPs, etc. These tools will also guide me in convincing the input suppliers and output buyers to come for our loan facility.”

Uganda:

“Reduce the risk of default as farmers have improved methods of doing work; increase outreach (target many players).”

“It helps to in mitigating risks and risk sharing with partners, and reducing fund diversion.”

“Grow the portfolio because they (the tools) would have helped me realise the various stakeholders to finance; the tools would help me know the different cycles and at what stage to finance the stakeholders involved in the agric value chain.”

“Identifying potential partners to work with in Agric financing; financing strong value chain players; understanding value chain of a particular crop for easy risk mitigation.”

“It would help me to reduce the cost of monitoring.”

“These are very relevant in implementing the value chain approach and are highly rated. We need to improve the availability of the tools to enhance growth and mitigate risk.”



A 2.2 Researcher Tool Assessment

While participants used the tool, the researcher observed how quickly and adeptly participants applied the tool as intended, along with useful adaptations or interpretations that participants made. Overall, participants worked well with the tool given their time and information constraints. Participants in Ghana were able to more quickly adopt and use the tool, for reasons above (**See Section A 2.1.1 – Participant Ratings**). Participant application of the tool enhanced it, but there were also limitations that suggest necessary improvements to the tool if it is to be used in practice. As a research method, the tool was effective at both soliciting basic information concerning Opportunity’s value chain engagement along with assessing the knowledge and skill level of Opportunity’s AgFin staff surrounding value chain engagement. The workshop served as an effective initial test drive of the tool for implementation by staff. (**See Section A 2.4 “Detailed Assessment of the Tool”** for more specific comments on how participant used the tool.)

The following are recommendations for improving the tool, if it is used again:

1. More training for staff who lack agricultural or agri-business backgrounds and/or staff not focused and trained in AgFin.
2. Clarifications needed:
 - VC Diagram:
 - Understanding and diagramming different “channels” and not just levels in the value chain
 - How to diagram situations in which the buyer is also the input-dealer and/or ESP; also when the input supplier is the ESP.
 - The value of a separate VC and AgFin diagrams
 - The value of identifying current and potential SME clients on the VC map
 - The importance of identifying the size and formality level of businesses
 - The importance of elaborating the input supply part of the market, since this is how Opportunity finances farmers
 - Where transportation belongs
 - The importance of elaborating support markets– especially highlighting private sector suppliers
 - VC Rating:
 - More explanation of how to rate value chains; more use of research and data rather than just existing knowledge
 - Integration of import and export parity values into the end market analysis
 - AgFin Model Diagram:
 - How to diagram partnerships in which the off-taker is also the input supplier and ESP and/or the input supplier is the ESP – clarifying that the provided tables are an example and that specific partner names should be substituted
 - Clarification of the “Market information” function vs an MIS function for client tracking
 - Partnership Description and Rating:
 - How to define partnerships and use the table to assess them; the difference between a risk factor (what causes the risk), risk level (likelihood it will happen) and what a partner risks (the loss for the partner if the deal falls through)
 - How to use a table for partnerships in which the off-taker is also the input supplier and ESP and/or the input supplier is the ESP – clarifying that the



provided tables are an example and that specific partner names should be substituted

- Alignment:
 - Test the alignment instructions proposed but not used in Uganda, plus finding a way to use the drawing/diagram more.
 - How to rate partnerships and place on the alignment graph
- 3. Enhancements/Changes:
 - Diagram: this is a well-established protocol that may require further explanation but should not really be changed as it is standard for many organizations.
 - Value chain rating table: place sticky note on the table to rate the element; write on the sticky note the reason for that rating; OR, write in market in the boxes and then summarize with a score using the sticky note (Done in Uganda, worked well.)
 - AgFin Model: This is an established protocol within Opportunity. It may require further explanation but should not be modified as it is standardized and it works. The only adaptation to consider would be how it might work for SMEs in value chains, not just smallholder farmers.
 - Partnership Rating Table: This is not working well. The Uganda instructions were an improvement and the explanation will help; but an adaptation should attempt to change the table to an AgFin Model assessment tool that identifies all the stakeholders in the AgFin model and then assesses the model overall, rather than individual partnerships; participants also used the tool to rate individual partnerships with individual institutions, rather than a partnership with multiple stakeholders. So the adapted tool might identify each stakeholder, describe their roles (who does, who pays, at what risks) along with who their key partners are and what is the nature of the agreement. The tool would then have staff rate each partnership separately; then in its position in the AgFin model as a whole. Unfortunately, staff seemed more eager to use a tool to assess a particular partner along with guidance on how to establish and manage individual partnerships. This rating tool could be part of that broader more direct tool.
 - Eliminate ranking the partnerships according to importance (Done in Uganda, worked well)
 - Ask how mature the partner and partnership is in the country and in that location
 - Ask about trust, efficiency, and other similar intangibles– not just the key structure of the partnership
 - Alignment: This was a key hypothesis of the research and well understood in Ghana, although it was not introduced in Uganda. The concept of alignment between value chain conditions and partnerships was understood and accepted. A challenge arose around varying loan conditions according to strength in the partnerships. Although staff understood the principle, the banks also need to adhere to a fairly standard set of conditions in order to manage the scale of loans on offer. Also, without a more rigorous and objective partnership assessment tool, one cannot base loan conditions on this tool.



A 2.3 Conclusions

Despite the positive reception the tool received, the question of whether Opportunity will begin to use the tool in practice still remains. Three key issues that must be addressed in order to make this decision include:

- 1) What other AgFin (or different) tools are a priority for the staff and Opportunity? Are crop production budgets, partner appraisals, or other tools a higher priority?
- 2) Who should use the tool and for what purpose, when, and how? Who has the right skill base? Who has authority to make decisions emanating from the tool? How could the tool help to improve efficiency – delegating analysis or decisions to the branch level – while also improving quality? Do branch-level staff have additional time to dedicate to this kind of work?
- 3) If the tool is a priority and it becomes clear who would use it, when and how, then who would adapt the tool and how would these staff be trained to use it?

As one element of this research into Opportunity's value chain engagement, the tool and the workshop were effective in soliciting significant information about numerous ways in which the AgFin model is being implemented in practice.

Suggestions for other tools arising from the workshop:

- Partner assessment tool: for assessing prospective partners and the performance of current partners. The level of due diligence is high for individual and SME lending along with clients in general, but low or weak for value chain partners. Opportunity developed a somewhat complex rating tool for ESP's that was considered for further testing for this research, but rejected due to the focus and complexity. One issue is the lack of clarity about what kind of partner the tool is assessing. As is the case with many Opportunity staff, the tool confuses "ESP" with other partners and with a value chain development partner. The other issue is the complexity of the tool. This may in fact be merited, but an element of "initial screening" could be added to help Opportunity staff cross some categories of partners off the list (i.e. organizations who will be operating for under 1 year.)
- A guide for roles and work management for value chain partnerships: whose role is it to identify or approve crops, value chains, and partners--and on what basis? Whose role is it to negotiate partnerships? To maintain them? To determine an end-point or a point when the partnership is up for "rebidding?" What work organization, processes and training could help delegate some of these decisions and/or workload to the branch level in order to increase efficiency? (Currently the AgFin staff members are a bottleneck because of the significant increase in partnerships and other work as the portfolios almost double in size.)
- Tools that Ghana has that Uganda might consider: a list of approved crops assessed by the central AgFin team, established cost of production budgets for these crops which are used by relationship officers as a template for income statements for loan applicants, and pre-determined loan packages for established packages of input for farmers in a particular partnership--in which the ESP and the farmers have determined the input package and supplier.



A 2.4 Detailed Assessment of the Tool as Used by Each Value Chain Group

Maize - Ghana

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Well diagrammed (given the timeframe) correctly reflected the Techiman market.	Input supply not well elaborated; researcher did not take a clear photograph.
Value Chain Category	Clear from the diagram	Not mentioned
Value Chain Rating	Rated the 5 elements in a table and mentioned reasons on sticky notes; overall, value chain is rated as fairly weak.	Researcher did not take a clear photograph.
AgFin Model	Diagrammed the model clearly with specific names for each partner.	Relationship between OISL and the input dealer was unclear; positioned Concern (ESP) at the top.
Partnership description and rating	Defined a “partnership” as several parties, not just OISL + one party; clear analysis that OISL takes most of the risk.	Unclear relationship between OISL and input dealers; unclear whether it is an MOU, a contract, or sometimes both.
Alignment	Solid conclusion that the partnership is weak. OISL is taking too much of the risk and either contracts or more stringent loan conditions on farmers are needed.	Diagram was drawn and understood, but the partnership was not placed on the graph.
Other comments	Tool enhancements: <ul style="list-style-type: none"> Value chain rating table Defining the partnership as one with several parties 	Value chain was rates as fairly weak, yet OISL is and will be ever more engaged. Is this a concern? Is this a call for more stringent loan conditions? Different partnerships? There is no real opportunity in the tools to check alignment of VC and partnership/expectations.



Cabbage - Ghana

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Well diagrammed, given the timeframe. Correctly reflected the market and included the AgFin model	Input supply was not well elaborated.
Value Chain Category	Clear from the diagram	Not mentioned
Value Chain Rating	Missing; based on other sources, the value chain is strong	Missing
AgFin Model	Appropriately understood and incorporated it into the value chain diagram	Diagrammed in the value chain diagram.
Partnership description and rating	Described all parties, type of partnership, who does what, who pays, and who risks.	Defined a “partnership” from the farmer point of view, which was limited in understanding the interaction among input supplier, OISL, MoFA, etc.
Alignment	Drew and understood the diagram; seems that farmers and OISL take most risks, with input suppliers taking some – so seems balanced.	Diagram was drawn and understood, but the partnership was not placed on the graph. So conclusions are unclear.
Other comments	Tool enhancements: <ul style="list-style-type: none"> • Clarify (or get the picture of) how to rate value chains • Clarify how to define partnerships • Clarify how to rate partnerships and place on graph 	From conversations it seems that vegetables are strong despite a lack of structure and partnerships because the value chain – market demand, crop viability, farmer knowledge, linkages, EE – is strong. This outweighs the need for strong partnerships.



Rice - Ghana

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Clear diagram was produced with coaching; participants desired the <i>function</i> of businesses to be defined.	Clustered all input suppliers into one business.
Value Chain Category	Clear from the diagram and discussions.	Not written down
Value Chain Rating	Rated the 5 elements	Did not write down the reasons and characteristics
AgFin Model	Clear	Left out infrastructure and information.
Partnership description and rating	Clear; considered OISL's partnerships and other partnerships.	There was no written rating of the quality of the partnerships; no note that there is an absence of partnership with the buyer.
Alignment	Understood and used the graph.	Information from the discussion regarding the time element was not written on the graph.
Other comments	Enhancement: <ul style="list-style-type: none"> • Considering how the partnerships might change over time – the prospects 	Missing – need to clarify: <ul style="list-style-type: none"> • Qualitative rating of partnerships • Existence of other elements in the model, even if there is no partnership • Note absence of a partnership that should be there • Prompting on market differentiation and input supply needed • Prompting on value chain category



Chili - Ghana

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	The key elements of the VC were included; boxes and flows were correct.	Did not clarify the size of businesses or indicate different channels. They mapped the AgFin model in the same diagram, which reduced the clarity of both.
Value Chain Category	Presented as both competitive and informal verbally and in the diagram.	Not written down.
Value Chain Rating	Rated the 5 elements.	Did not write down the reasons/characteristics
AgFin Model		Attempted to combine this with the VC diagram, but not effectively.
Partnership description and rating	OISL and farmer roles were made clear.	Partner roles were unclear – specifically what the buyer and MOFA were doing.
Alignment	Understood and written in words	Graph not used.
Other comments		Missing – need to clarify: <ul style="list-style-type: none"> • Need and purpose of the VC diagram vs the AgFin model • Prompting on market differentiation and input supply needed



Coffee Uganda

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Well diagrammed given the timeframe. Correctly reflected the diversity of the market.	Input supply was not well elaborated. Prompting was needed regarding “channels” – vertical linkages could be more specific.
Value Chain Category	Clear and there were notes in the diagram.	Needed prompting.
Value Chain Rating	Clear rating in a table with comments.	
AgFin Model	Diagrammed the model clearly with specific partner names.	Type/size of buyer unclear; role of the input supplier was unclear.
Partnership description and rating	Looked at OBUL’s partnership with each entity and rated separately.	The input supply channel was unclear among OBUL, UCFA and farmers. Relationship/agreement with the buyer unclear.
Alignment	Not addressed	Not addressed
Other comments	Tool enhancements: <ul style="list-style-type: none"> • A way to describe the AgFin model as a whole, then each partnership separately? 	Role of Grameen is unclear to staff: information provider or information collector?



Maize – Uganda

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Participants drew the different levels of the chain well and identified the key businesses.	Prompting was needed regarding channels. Significant attention was given to the support services which detracted visually from the main chain – due in part because transport was placed on the side.
Value Chain Category		Unclear in the diagram and assessment.
Value Chain Rating	Clear rating in a table with comments.	Moderate understanding of the different value chain elements.
AgFin Model	Diagrammed the model with specific partner names and found a way to use the model to illustrate that the off-taker procures and delivers the inputs and extension services.	It was unclear who delivers market information; “MIS” was in that circle.
Partnership description and rating	Well assessed, able to express the roles and shared risk in the partnership.	The table didn’t lend itself to a partnership in which the buyer is also the input supplier and ESP.
Identification of current or potential SME clients	Discussed but not written	Not noted in the diagram.
Alignment	Not addressed	Not addressed
Other comments	Tool enhancements: <ul style="list-style-type: none"> Way to use the diagram and table for partnerships in which the off-taker is also the input supplier and/or ESP. 	



Poultry – Uganda

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Participants drew the different levels of the chain and identified the key businesses well.	Prompting was needed regarding channels, with more attention needed towards the end market.
Value Chain Category	Clear	Required prompting.
Value Chain Rating	Clear rating in a table with comments.	More attention needed on end market demand dynamics – i.e. if prices are steady is the market getting saturated? Recognition of private support services needed. Enabling environment too general; no social issues.
AgFin Model	Excellent – used the diagram to clearly depict a current and a proposed partnership.	Role of Grameen was unclear – information gatherer, information provider, or both?
Partnership description and rating	Well assessed; able to express the roles and shared risk in the partnership.	The table didn't lend itself to a partnership in which the buyer is also the input supplier and ESP.
Identification of current or potential SME clients	Yes – current and potential.	No different noted between current and potential.
Alignment	Not addressed	Not addressed
Other comments	Tool enhancements: <ul style="list-style-type: none"> • Way to use the diagram and table for partnerships in which the off-taker is also the input supplier and/or ESP. 	



Livestock – Uganda

Bear in mind that OBUL has no partnerships in this value chain.

Appropriately Used, Enhancements	Inappropriately Used	Appropriately Used, Enhancements
Value Chain Diagram	Participants drew the different levels of the chain and identified the key businesses. It nicely depicted the aspect of vets – an ESP – also providing the inputs. Combines VC diagram and AgFin model (proposed).	The processing aspect of the chain was not well understood or depicted; prompting was needed regarding channels, which were not clear in the diagram; the marketing end of the value chain was weak. Integrating the 2 diagrams doesn't work well, especially with a proposed model.
Value Chain Category	Clear	Required prompting.
Value Chain Rating	Clear rating in a table with comments.	Skipped business linkages at first; focused only on vet services and not on other support services like finance
AgFin Model	Integrated into VC diagram – the model as a basic concept is strong	It doesn't address a key risk in the value chain – corruption along trading routes – although potentially, if larger businesses were involved, they could influence the situation.
Partnership description and rating	The verbal description of the partnership was strong, along with the concept overall – support private vets who deliver services and input to cattle farmers; lend to multiple levels of the value chain.	The table was not well understood overall; it was not able to convey the intention of the partnership; there was confusion in the role of the Vet and where to place this on the table.
Identification of current or potential SME clients	Yes – current and potential.	No difference noted between current and potential.
Alignment	Not addressed	Not addressed
Other comments	Tool enhancements: <ul style="list-style-type: none"> • Way to use the diagram and table for partnerships in which the input supplier is also the ESP • Clarify the purpose of the VC diagram vs. AgFin model • Instructions for using the tool to plan/devise partnerships 	



Rice – Uganda

Tool Element	Appropriately Used, Enhancements	Inappropriately Used
Value Chain Diagram	Clear, dual channel diagram.	Required significant prompting; service aspect is weak. At first, this group drew a diagram with OBUL in the center, and so it was hard to start over.
Value Chain Category	Clear	Required prompting.
Value Chain Rating	Not completed	Not completed
AgFin Model	Partners identified and linked the model.	The flow of inputs is unclear – FAO’s relationship and OBUL’s relationship with input suppliers; the relationship with the buyer is also unclear.
Partnership description and rating	Clear for the OBUL-FAO-farmer relationship.	The table focuses on the relationship with FAO, leaving the other partnership relationships hard to understand.
Identification of current or potential SME clients	Yes – current and potential.	No difference noted between current and potential; noted on a separate paper to the side of the VC diagram.
Alignment	Not addressed	Not addressed
Other comments	Tool enhancements: <ul style="list-style-type: none"> • Way to use the diagram and table for partnerships in which the input supplier is also the ESP • Clarify purpose of VC diagram vs. AgFin model • Instructions for using the tool to plan/devise partnerships 	

Opportunity Agricultural Finance: Value Chain Partnerships Annex 3: AgFin Workshop Agendas

Ghana Workshop

Purpose:

To Strengthen the Quality of OISL's AgFin Portfolio

1. Enhance AgFin loan origination and management skills
2. Generate recommendations to improve portfolio management
3. Contribute to the MasterCard Foundation research
4. Motivate the AgFin staff

Methodology:

Participatory engagement,
informed by stakeholder and portfolio reports,
tools, and our knowledge and experience.

Agenda



Day 1: OISL's AgFin Portfolio and VC Partnerships

- What's happening?
 - Overview of AgFin Portfolio
 - Describe Portfolio:VC Engagement Tool
- What's working? What's not?

Day 2:

- AgFin Training, i.e.:
 - Agricultural Credit Cycle
 - Ag-Enterprise Financial Statements & Ratios
 - Client Interview, Data Collection and Checking
 - Ag-Enterprise Analysis
- Field Visit

Day 3:

- Field Visit Report – Ag Enterprise Analysis
- What to do? Recommendations to Improve AgFin Portfolio
- The AgFin Team and Role of AgFin Ambassadors





Uganda Workshop

Purpose:

To Expand OBUL's AgFin Portfolio and Improve Quality

1. Enhance AgFin loan origination skills
2. Generate recommendations to improve portfolio management
3. Build AgFin Team - Strengthen Skills as AgFin "Ambassadors"
4. Contribute to the MasterCard Foundation AgFin Research

Methodology:

Participatory engagement,
informed by stakeholder and portfolio reports,
tools, and our knowledge and experience.

Agenda



Day 1: OISL's AgFin Portfolio and VC Partnerships

- What's happening?
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 - Describe Portfolio: VC Engagement Tool
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- Field Visit

Day 3:

- Field Visit Report – Ag Enterprise Analysis
- What to do? Recommendations to Improve AgFin Portfolio
- The AgFin Team and Role of AgFin Ambassadors



