

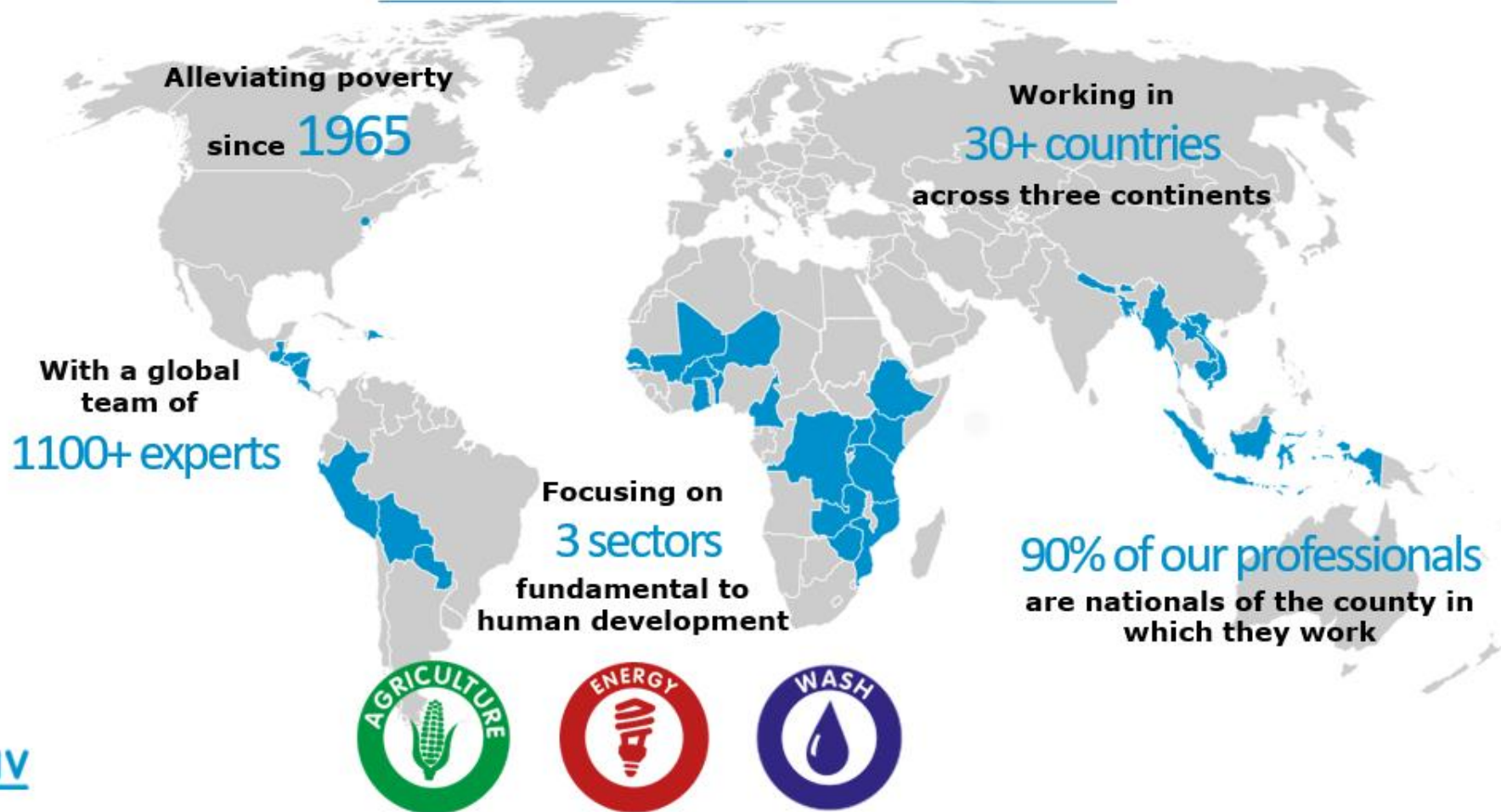


SNV's contribution to Farmer-Led Irrigation Development

Presentation during AIAP's National
Webinar
Dec 10, 2021



About SNV



**Facilitates linkages
between players eg
FIs and tech suppliers**

**Supports start up
businesses and
supports existing
SMEs**

**Directly works with
farmers to support FLI**



SNV Contribution to FLI

FLID in Kenya

FAO Reports



33% of land in Kenya is used for agriculture and is largely under rainfed agriculture



2.7 million people in Kenya are experiencing food insecurity due to increasingly frequent droughts



Kenya has 353,000 ha. of potential irrigable land with irrigated area having reached only 165,900 ha.



53% of total irrigation potential in Kenya remains untapped

FLID Research



The current trend in farmer irrigation development is that it benefits a limited set of farmers...particularly those who are relatively younger, better off and male (SAFI, 2018).



Systemic and Market Barriers hinder smallholder irrigation growth in Kenya



FLI is defined as farmers, alone or as a collective, driving irrigation development by acquiring technologies for agricultural water use and by developing associated input and output linkages

Drivers of FLID



FLIA at a glance



Project: FLIA was an adaptive research project that aimed to document business models that could address key constraints for smallholder irrigators in Kenya to access innovative, affordable, and cost-effective climate-smart irrigation solutions.

Duration: January 2020-May 2021

Location: Kwale, Embu, Murang'a, Kiambu, Trans-Nzoia, Migori Counties

Development Investor



HOSTED BY
WORLD BANK GROUP
Water

Implementing Partners



WAGENINGEN
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FLIA Objective

Contribute to the increased adoption of climate smart irrigation solutions by

- Carrying out an assessment of farmer-led irrigation development
- Addressing key constraints faced by small-holder farmers
- Document existing business models and formulate new ones that provide a viable solution for FLID

**Increased access to
climate-smart
irrigation solutions for
10 NARIGP farmer
groups**

**Business models to
accelerate the uptake
of irrigation solutions
identified**

**Documentation of
experiences of
business model
implementation within
the 10 farmer groups**



Expected Results



Photos



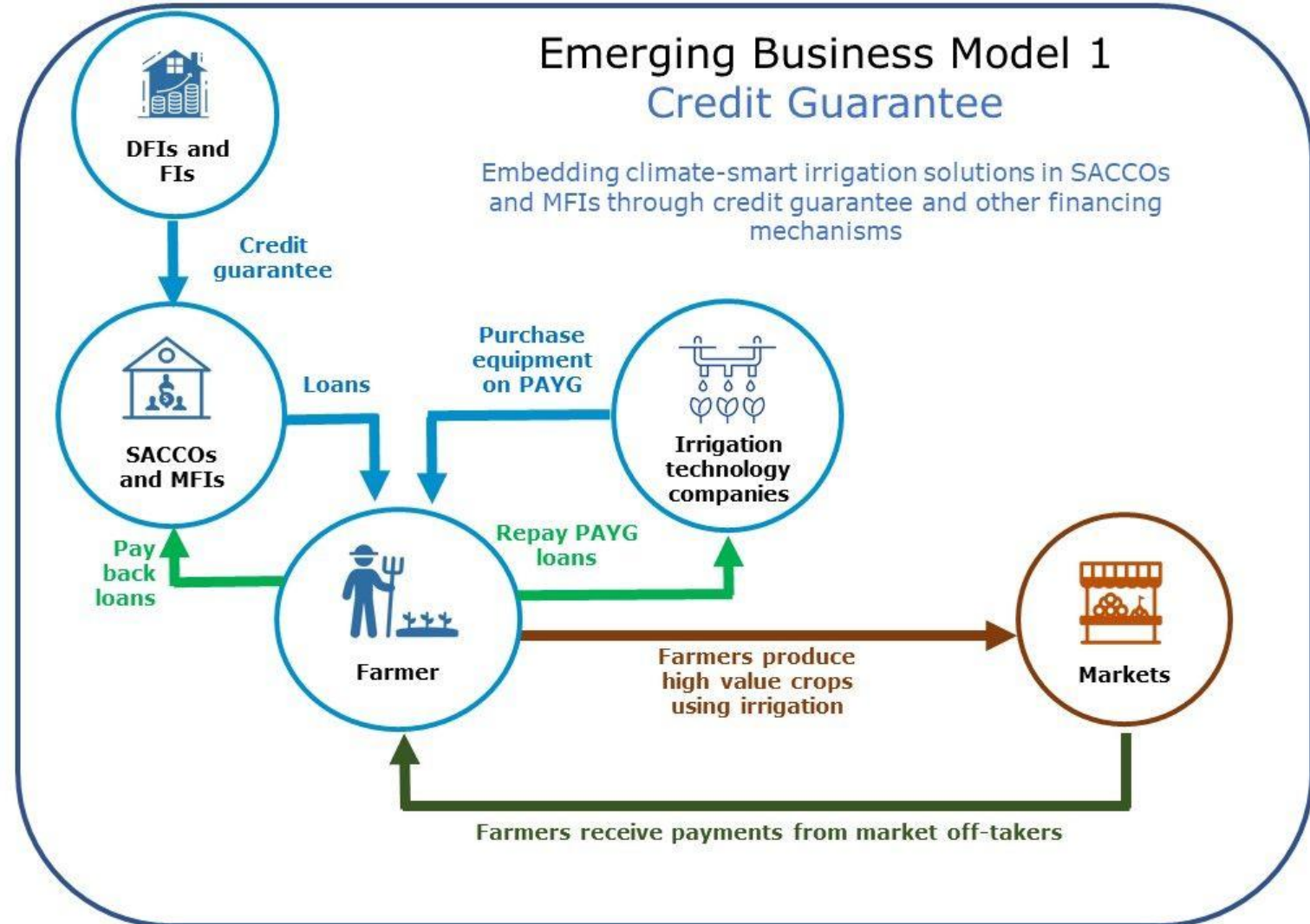
Emerging Business Models



Emerging Business Model 1

Credit Guarantee

Embedding climate-smart irrigation solutions in SACCOs and MFIs through credit guarantee and other financing mechanisms



BM1: Credit Guarantees to SACCOs and MFIs

- **SACCOs and MFIs are widespread** - 176 licensed DT-SACCOs and 13 licensed MFIs in Kenya as per CBK
- **Comparatively lower interest rates and more flexible loan products**
- **Conducive internal structures for credit guarantees and revolving funds**
- **Favorable policy environment** – though only deposit taking SACCOs and MFIs are currently regulated
- **Working capital requirements are high for undertaking farmer credit assessments, trainings etc.**
- **Local agribusinesses are onboarded as sales agents** for financial products designed for providing irrigation equipment. Eg: “Friends of Musoni”

Pre-requisites for the model to work: Trust and social cohesion between farmers; functional value chains / markets; aligned incentives across stakeholders; access to cheap credit for working capital



Lending through
financing facility

SMEs repay
loans



Irrigation technologies
on credit

Farmers repay
local SMEs



Farmers produce
high value crops
using irrigation



Farmers receive payments from market off-takers

Emerging Business Model 2

Creation of a financing facility operated
by the Government or Third Parties

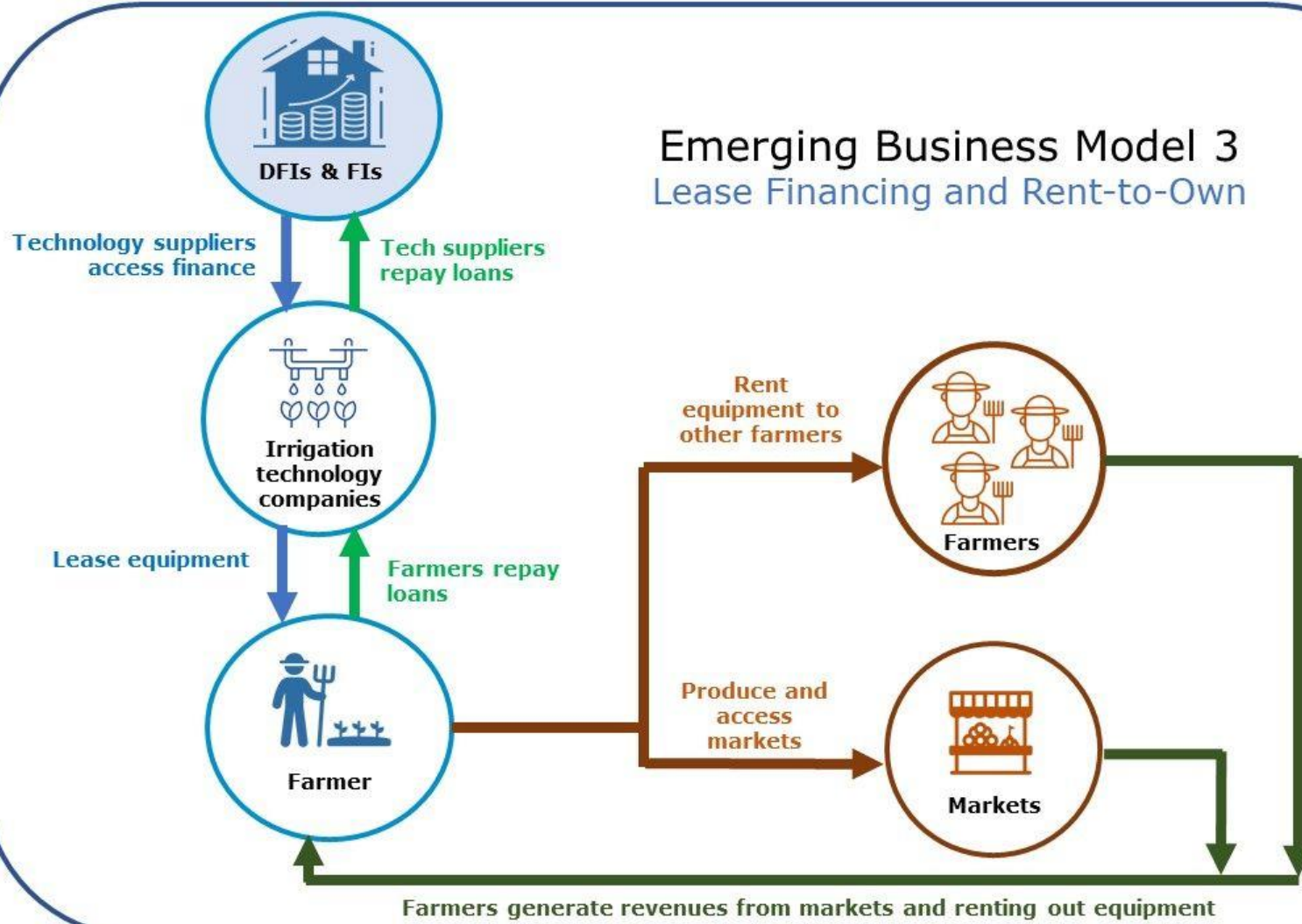
BM2: Setting up a credit facility by Govt. or Third Party

- **Farmers want a one-stop shop for irrigation equipment and finance.** They do not want to fill many forms for accessing credit & do not want to be constrained in group structures.
- **Local agribusinesses are always approached by farmers for accessing equipment on credit,** but do not provide the service.
- **Local agribusinesses fall under the “missing middle” in SME finance** and lack technical, financial and marketing capacities
- **A financing facility set up by DFIs, govt. or third parties** would reduce risks associated with credit provision to smallholders
- **Inclusion** – The model can help reach enterprises set up by women and youth, and semi-commercial farmers in remote locations

Pre-requisites for the model to work: Policy and legal framework necessary for setting up and managing funds by government and third parties; Internal capacities within the organizations to manage the funds; Coordination between multiple stakeholders; Funds for setting up the facility and safeguards against frauds/corruption etc.

Emerging Business Model 3

Lease Financing and Rent-to-Own



BM3: Lease financing

- **Helps farmers access credit even when they do not have a lengthy credit history or a significant asset base for collateral.** Increases access for women and youth.
- **Lower up-front, down payment costs compared to upfront cash purchasing**
- **Spreads risk by restricting the risk solely to the repossession of irrigation equipment,** rather than including additional assets
- **Many lease financing companies active in Kenya.** Mostly in agriculture machinery.
- **Buying back irrigation equipment is expensive and time consuming**

Pre-requisites for the model to work: Ability to track the irrigation equipment; Large-scale demand for the equipment and availability of a second-hand market; strong partnerships between FIs, lease financing companies, and technology providers; Concessionary finance

Food for thought

- **Informal irrigation equipment sharing is quite prevalent among smallholders in Kenya** – usually among farmers with less than 1acre of land
- **Sharing of equipment may or may not involve payment of fees for the service** – it usually depends on the nature of arrangement and the existing social cohesion and capital between the parties.
- **Portability is a key factor in sharing equipment**
- **Possibility for informal sharing of equipment for becoming a formal service arrangement**
- **Agriworks has piloted “Irrigation as a service” in Uganda**
- **Potential to scale the model in Kenya through CIGs, farmer cooperatives etc.**



Thank you!