Agriculture Finance Support Facility Lessons Learned

March 2016

WORLD BANK GROUP

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Acknowledgments

The *Agriculture Finance Support Facility Lessons Learned* report was prepared by the AgriFin team composed of Roy Parizat, Maria Pagura, Azeb Mekonnen, and Kilara Suit. Consultants Kuttalam Rajagopalan, Govindarajan Sreedhar, and Latha Chakravarthy provided quality inputs and insightful analysis of the lessons learned. Peer reviewers Makiko Toyoda, Samjhana Thapa, Rehana Vally, and Vimal Tripathi provided comments and suggestions that helped improve the quality of the report. Amy Gautam and Damian Milverton edited the report.

The AgriFin team would like to thank its 10 partner banks and financial institutions, all of which worked diligently to implement new agriculture lending products and services, and the AgriFin membership who so often freely shared their time and materials with the wider network to facilitate other lenders in expanding their services to smallholder farmers and agribusinesses.

Abbreviations and Acronyms

ABP	Agriculture Banking Program
AgriFin	Agriculture Finance Support Facility
FAO	Food and Agriculture Organization of the United Nations
FI	Financial Institution
IT	Information technology
K&N	Knowledge and Networks
MFI	Microfinance institution
MISs	Management information systems
NGO	Nongovernmental organization
NPL	Non-performing loan
SME	Small- and medium-sized enterprise
USAID	United States Agency for International Development
VCF	Value chain financing

Executive Summary

Many smallholder farmers in developing countries have limited access to financial services. This constrains their ability to make productivity-enhancing investments, to use new technology and services, and to reduce risks. Provision of financial services to agriculture, especially credit, is largely constrained by: the high transaction costs of serving clients located in remote, less densely populated areas with limited infrastructure; covariant risks in agriculture (including weather, price, pests, and diseases); smallholders' lack of collateral (such as land and other fixed assets); and inadequate information on smallholders' credit history. Given these constraints, many financial institutions are hardly present in remote agricultural areas and provide limited types of products, often requiring collateral.

As part of its strategy to improve smallholders' productivity, access to markets, and resilience to risk, the Agriculture Global Practice of the World Bank, with financial support from the Bill and Melinda Gates Foundation, established the Agriculture Finance Support Facility (AgriFin). AgriFin aims to provide technical assistance and knowledge support primarily to financial institutions to help them develop their business models for financing smallholder farmers. The Facility established a Technical Assistance program and a Knowledge and Networks (K&N) initiative. The Technical Assistance program provided capacity-building grants to 10 financial institutions in Africa and Asia to invest in product development, risk management systems, lending procedures, delivery channels, and staff training. The result was a dramatic expansion of agriculture sector lending by those enterprises. The K&N initiative facilitated sharing of knowledge and learning among agriculture finance practitioners through peer-to-peer events, development of tools, and operation of an online knowledge platform. This initiative demonstrated conclusively that sharing best practices has the potential to generate a substantial expansion in agriculture lending globally.

Overall, AgriFin has shown that capacity building and sharing best practice knowledge and information can unlock significant new financing to smallholders and enterprises operating in the agriculture sector. AgriFin's dual-track approach is a cost-effective way to catalyze new lending globally that draws on financial institutions' eagerness to tap new markets and exchange information as they learn what works and what does not. Development agencies, donors, and others hoping to encourage financial institutions to lend to developing countries' agriculture sectors—and unlock the vast potential of smallholder farmers the world over—will also hopefully benefit from the lessons learned. At the most concise level, AgriFin's experience has shown that increased lending to agriculture can be achieved by bridging the knowledge gap that often hinders banks from embracing a market segment often viewed as too risky or fragmented to be profitable.

The synergy between the two parts of AgriFin's program is critical. AgriFin's K&N program initially drew heavily on the large volume of technical material yielded by the technical assistance projects with AgriFin's 10 partner banks and financial institutions. As a result, other banks worldwide were able to access operations guides and manuals, credit policies and processes, and product designs that had been trialed and proven in other markets. The sharing of these data encouraged other financial institutions to share their own technical materials with the wider network, further increasing the value of the network and driving new users to the network. This peer-to-peer exchange of technical, practical information is all the more crucial given the scarcity of well-qualified, affordable technical consultants who might have been able to undertake projects with financial institutions looking to expand their rural financing activities.

Purpose and Organization of Report

The purpose of this report is to share these lessons in the hope of guiding future initiatives and programs aimed at expanding the provision of agriculture finance services in developing countries. The target audience includes development organizations with programs involved in similar agriculture finance technical assistance and knowledge management initiatives aimed at improving financial institutions' capacity in agriculture lending.

The report is organized into two main chapters: the first deals with lessons learned from the design and implementation of AgriFin's Technical Assistance program, while the second covers the lessons emerging from the design and implementation of the program.

Lessons Learned from AgriFin's Technical Assistance Program

AgriFin's Technical Assistance program resulted in significant volumes of new lending disbursed to over 150,000 new agricultural borrowers in areas that have long struggled to gain access to working capital and investment finance. The 10 partner banks and financial institutions drew on grant financing to procure technical assistance, gaining access to the expertise, experience, and resources necessary to shape their products and processes. Seven of them profitably expanded their agricultural loan portfolios. The three remaining financial institutions expanded lending, but experienced initial losses. Those issues are either now addressed, or are being addressed, however, and lending is either profitable or moving towards profitability. The key message learned from the 10 projects is that *lending to agriculture can be a lucrative business* if implemented in a thoughtful, considered, and structured manner. Seven specific lessons learned from this initiative are that:

Lesson 1.1 – **Diagnostic Studies Shape a Better Project Design:** Banks seeking to grow their customer base by expanding into agriculture finance can improve their prospects by performing a diagnostic study of the potential lending market and its main participants at the outset. This helps to clarify the project's scope of complexity, define its goals and set milestones, consider organizational readiness, and tailor products and services to the targeted agriculture value chains.

Lesson 1.2 – **Improved Selection of Partner Banks Could Yield Dividends:** The process of selecting a partner institution to expand smallholder farmers' access to credit and other financial services should be sufficiently flexible to accommodate financial institutions with the potential to do well while also identifying candidates with proven track records, scale of operations, management capacity, resources, and ambition. A phased approach, using a scoring model to ensure a balance between the numerous qualitative and quantitative selection criteria, may work best. Selection criteria should weight prospective partners' prior experience with serving the agriculture sector as much as their internal strengths and resources.

Lesson 1.3 – **Partner Capacity and Management Should Determine Project Complexity:** Management commitment to a complex project is as central to success as the institution's size or financial strength. Diagnostic assessments and improved MISs can influence management commitment by providing facts on business opportunities and institutional gaps. Complex projects have a greater chance of success in favorable enabling environments, with regulatory and market features that work with, not against, project goals. Access to appropriately experienced external advisers is essential for institutions confronting complex projects.

Lesson 1.4 – **Change Management Leadership and Capacity Need to be Assessed:** The best results are achieved when strong project managers (with change management capacity) lead a motivated and well-prepared staff, backed by clear support from senior leadership, standardized processes, and a robust MIS. Project partners should thus rigorously appraise financial institutions' change management and implementation capacity, and scale/adapt project scope and activities accordingly. Management commitment is essential but must be sustained and complemented by senior managers' capacity to oversee projects and anticipate or react to developments that require staff action.

Lesson 1.5 – **Scarce Technical Assistance Must be Tailored to Clients:** Many more appropriately qualified technical advisers are needed to help financial institutions grow their agriculture portfolios profitably and sustainably. Donors and other qualified groups need to direct their efforts to help bolster the ranks of technical assistance providers, and improve their effectiveness by training more of them in agriculture finance. Technical advisers must customize their recommendations and assistance to match the needs of each financial institution and the unique agricultural markets they target.

Lesson 1.6 – **Partner Banks Need Time to Prepare for Agriculture Lending:** Complex agriculture lending projects require sufficient time to implement effectively. Project sponsors should draw much more widely on industry knowledge at the outset to more realistically estimate the time each project step will take, and add in spare time for contingency purposes.

Lesson 1.7 – **The Importance of a Sound MIS Cannot be Overstated:** Financial institutions should perform an appraisal of their MIS capacities at the outset to determine management's attitude toward the purpose of an MIS, any deficiencies in their existing MIS, and any remedial actions needed to track performance of new financial activities targeting agriculture clients. An MIS upgrade is likely to be smoother and more effective if phased in over time, but the MIS needs to be functional and effective well before the institution embarks upon new business ventures.

Lessons Learned from AgriFin's K&N Program

Approximately 1,000 financial institutions to date have benefitted from AgriFin's K&N program, learning new ways of lending to agriculture clients by utilizing information shared by institutions with established track records in successfully lending to farmers and agricultural enterprises. AgriFin uses a combination of in-person events and an online library of technical documents focused on agriculture lending to bridge the information gap that was a major impediment to new agriculture lending. The key message learned from the K&N program is the peer knowledge exchange, particularly of specific technical material, can be an essential component in facilitating the expansion of agricultural sector lending for financial institutions that utilize that key material. Eight specific lessons from this initiative are that:

Lesson 2.1 – **Demand For Knowledge about Sustainable Agriculture Finance is Unmet:** AgriFin's online one-stop-shop for technical materials related to agriculture finance modalities ensures that materials are presented in a simple and clear manner, and makes these freely available. The highly technical and usable nature of AgriFin's materials has resulted in a dramatic rise in the number of users accessing them. AgriFin has so far reached only a relatively small cohort of bankers in developing countries. As such there remains the opportunity to dramatically increase the total number of bankers reached, and thereby the volume of additional agricultural finance provided.

Lesson 2.2 – **Banks are Willing to Share Knowledge:** AgriFin's K&N experience shows that bank staff are willing to share operational knowledge—even proprietary information—with other mid- and senior-level bankers believing that the benefits outweigh the risks. Advantages include the opportunity to network with other finance professionals, as well as the benefits to the bottom line that come from reviewing and revising lending models targeting the agriculture sector. Institutions that enable staff to engage with other professionals internationally gain critical human resource development. Global banks and bankers associations in developed markets value the engagement for its demonstration of corporate social responsibility.

Lesson 2.3 – **Knowledge Sharing is Driven by Individuals, Not Institutions:** Knowledge sharing among financial institutions is not a top-down affair rather it hinges on the engagement of key mid-level management and staff who become influencers and advocates for new ideas within their institutions, and across the field more broadly. For knowledge sharing and networking to be effective in promoting organizational change, resulting in greater lending to the agriculture sector, networks need to identify key influencers and understand how best to support them in exchanging information and driving change.

Lesson 2.4 – **Senior Management Support is Critical for Effecting Change:** Knowledge exchange can promote rapid and sizeable growth in agriculture lending, but only once a bank's senior management is informed and supports the thrust into a new business area. By facilitating knowledge sharing between banks with experience in agriculture finance and those looking to enter the field or expand their presence, AgriFin has helped to bridge this knowledge gap. Agriculture finance can be further expanded if AgriFin, or other agricultural finance knowledge providers, can deliver meaningful information to financial institution managers with the capacity and authority to transform knowledge into change.

Lesson 2.5 – **Estimating a Return on Knowledge Can Demonstrate Impact:** Evidence suggests that a single knowledge exchange event can generate as much as US$100 million in new agriculture sector lending after the initial implementation period. To better demonstrate such returns, AgriFin must better measure and evaluate the impact of its knowledge exchange activities, using more sophisticated tools and techniques for gathering results data. K&N professionals with knowledge and expertise in building and capturing impact data can help. More sophisticated survey instruments, including the use of social network feedback tools, can generate more specific data on client numbers and lending volumes.

Lesson 2.6 – **AgriFin's Unique Global Network Offers Practical Information:** AgriFin's K&N model is based on peer exchange of actionable business intelligence, augmenting the broader, more generalized material available elsewhere. AgriFin focuses almost exclusively on sharing technical information from peers, aiming to ensure that it provides specific technical requirements, as motivated financial institutions are more likely to act on detailed information than on more generic learning or overviews. Multiple communication channels complement the technical material, enabling financial institutions to access solutions from beyond domestic borders.

Lesson 2.7 – **Online Platforms Can be Leveraged to Maximize Knowledge Sharing:** AgriFin's online platform augments traditional networking to spur membership. Internet outreach is cost-effective, but it must establish its roots in traditional networking. An online platform offers value in material delivery, but wider promotion is still needed.

Lesson 2.8 – **AgriFin's Initial Promise Suggests a Path to a Viable Future:** While it is too early to suggest a shift to a fee-based membership structure, such a move might be possible in the future once AgriFin has a longer track record and additional tangible evidence of its effectiveness in helping banks generate new profitable lending operations.

CHAPTER 1

Lessons Learned from AgriFin's Technical Assistance Program

Improving financial institutions' capacity to design appropriate products and risk management systems and to develop staff skills and delivery channels is critical for increasing agriculture lending. Provision of targeted technical assistance has proven to be an effective way of improving such capacity in financial institutions. Working with 10 financial institutions in Asia and Africa, AgriFin's Technical Assistance program demonstrated that technical assistance can effectively increase financial institutions' capacity to increase lending to the agriculture sector, and more importantly, increase this lending in a sustainable, profitable manner. This process is complex, requiring commitment from across different departments and functions of an institution, both financial and human resources, often when outcomes are uncertain and unsure. Critical to a successful program are both senior management buy-in and ongoing support and dedicated and committed mid-management implementers.

Upon receiving technical support, the 10 participating financial institutions were able to: develop new and improved products tailored to the specific needs and requirements of agricultural clients; improve lending tools designed to specifically assess agriculture clients; establish lower cost delivery channels reflecting the challenges in reaching more remote clients; and improve staff skills in relation to agriculture lending. Table 1 includes detailed information on the projects, their activities, and results achieved). These capacity improvements led to increased lending to the agriculture sector, with more than 150,000 new clients receiving new lending approaching US$1 billion. Critically, the additional lending was achieved in a sustainable manner, with all participating financial institutions maintaining reasonable to good portfolio quality.

The results achieved to date demonstrate the effectiveness of well-directed capacity building in helping these banks lend more to agriculture clients and similarly highlight the technical capacity gap that prevented them (and other banks today) from more easily and effectively expanding their services and products. The lessons contained in this report relating to the project partners consider a range of factors related to delivering technical capacity building in agriculture lending to banks in developing countries.

Among the major lessons learned is the need for, and the value added by, thorough diagnostic reviews at the start of the process with the banks. Such reviews are invaluable in guiding project planning, ensuring a fully informed and supportive senior management, ensuring that project complexity is matched to the capacities and resources of the institution, and that the timeline developed appropriately reflects institutional readiness and experience with change management. In short, the process is essential at the outset to determine a financial institution's readiness for expanding into agricultural finance, describe the particular features of the target market, define the scope of the work necessary to make this happen, examine the degree of internal expertise available, and establish whether external technical advisers should be retained to help guide this expansion. While diagnostic studies are time-consuming and expensive, and can appear to delay implementation, the value that they add in ensuring an appropriately tailored and designed project is incalculable.

TABLE 1: Summary of AgriFin's Technical Assistance Projects and Results

Project Partners, Countries	Project Activities	Results
ABM, Madagascar	• Increase rural outreach through establishing new delivery channels • Develop new agriculture products • Improve staff capacity through training and knowledge exchange	• Established 6 new delivery channels • Developed three products • Delivered three learning exchange events to ag lending staff
AMRET, Cambodia	• Develop new agriculture products • Establish agriculture lending unit and train staff • Develop mobile financial serves for agriculture customers	• Developed four ag products • Established lending unit and enabled existing lending staff to manage ag clients through specialized training • Piloted a mobile banking services to rural customers
BNDA, Mali	• Strengthen operational management of agriculture SME Finance • Reinforce BNDA's risk management system • Improve staff capacity through training • Increase outreach through setting up ATMs in rural branches	• Improved ag lending policy for SME • Developed four new ag products • Developed ag lending tools – crop sheets, credit procedure and product sheets • Trained staff and clients
BOM, Mozambique	• Develop new products • Train staff • Strengthen MIS • Provide financial literacy training to farmers	• Develop two saving products • Delivered financial literacy to 6,000 farmers • Piloted GPs mapping and registration of agriculture clients
BPR, Rwanda	• Set up agriculture lending unit • Provide staff training • Develop new agriculture products • Develop and improve lending policies • Improve rural outreach through setting up ATMs	• Established agriculture finance department • Set up 41 new ATMs in rural areas • Trained staff and clients • Conducted 13 commodity studies • Developed four products
CMS, Senegal	• Develop new products • Improve underwriting and risk management capacity • Strengthen portfolio management capacity • Improve outreach through rural delivery channels	• Established agriculture finance center • Developed four new products • Established ag credit scoring system • Trained staff and management on ag lending
Centenary, Uganda	• Strengthen operational lending capacity and skills • Strengthen delivery channels by setting up satellite branches	• Established an agriculture finance department • Developed four new agriculture products • Developed five new delivery channels • Developed business mapping and credit scoring tools • Improved internal training capacity
FCPB, Burkina Faso	• Improve underwriting skills • Develop new products • Improve portfolio management capacity • Improve IT capacity in rural branches through computerization • Train staff	• Developed training tools and delivering comprehensive staff training • Developed agriculture lending strategy • Developed equipment financing product • Developed commodity technical cards for use in credit assessment by loan officers • Improved MIS
HNB, Sri Lanka	• Improve agriculture client capacity through training • Training staff • Improve operational policies and guidelines	• Developed an agriculture lending operational manual • Trained 2,500 clients on good agricultural practices and financial management • Provided local and international training to staff
NUBL, Nepal	• Establish agriculture lending unit • Train staff • Develop new products • Improve MIS	• Created agriculture lending unit • Developed four agricultural products • Strengthened agriculture lending skills of loan officers • Enhanced MIS for ag portfolio monitoring and reporting

The learning most difficult to assess, but perhaps most costly to ignore, is the need to accurately assess the real level of senior management commitment at a financial institution, regarding the expansion of agriculture financing. AgriFin's experience demonstrated conclusively that the active and ongoing support of a bank's leadership throughout the project period is critical. Should senior management fail to regard agriculture lending as core to their institution's activities, or should they become distracted by other operational challenges that arise, then the move to expand agricultural lending will struggle to be achieved effectively. The projects that had the greatest success in terms of new lending, and effectiveness of implementation, were those where senior management exhibited full support and involvement throughout the entire project period and provided active support when challenges and difficulties were encountered.

A significant benefit of undertaking an institutional diagnostic prior to proceeding with an agricultural finance project is identifying the change management capacity of the financial institution and as such its ability to adequately manage its expansion of this business line. This is critical bearing in mind the wide range of business and operational areas that will be impacted: adaptation of lending policies, product design and distribution, customer service, and risk management. Understanding upfront the institutions capacity enables projects to be designed in a realistic manner. While previous performance in implementing complicated change programs is an indicator of future success, AgriFin also noted that younger financial institutions appeared much more willing and able to enter new areas and confront the demands of pushing into a new business line.

The lessons contained within the report, while specific to the experiences of AgriFin and its 10 partner banks, contain lessons for any entity aiming to expand the agriculture lending activities of a financial institution.

Lesson 1.1 Diagnostic Studies Shape a Better Project Design

Summary

The diagnostic process is an essential first step for any financial institution (FI) seeking to expand its agriculture lending portfolio. A rigorous upfront assessment helps ensure that subsequent project design properly addresses market conditions, client needs, product range, and the institutional readiness and capacity of the implementing institution. Diagnostic assessments help the institution to plan an expansion that plays to its strengths and to bridge capacity gaps so as to help it move most effectively from design to implementation and subsequently maximize impact.

A diagnostic study can take one of several forms, ranging from a rigorous in-depth due diligence of the detailed operations and finances of the FI, to a less rigorous rapid assessment. The study might be conducted by one, or more, individual consultants or by an external consulting firm, both options require the contracted agent to have detailed expertize in both financial institutions and agricultural finance. AgriFin's review of the projects undertaken found that regardless of the form, the diagnostic exercise helped the institution in setting clear goals, objectives and expectations for its expansion; adapting and preparing organizational structures for the new activities to be implemented; assisting in securing management support for the initiative; selecting appropriate implementation partners and agencies; and putting in place appropriate monitoring and evaluation systems and procedures.

In essence, the diagnostic study is a critical process to be undertaken prior to a financial institution implementing an entry, or an expansion into agricultural financing. The study helps the institution to much better understand the current operating environment of the bank and relate it to the external environment. This ensures that the project is designed so as to play to the institutions strengths and the actual market opportunity. As such, AgriFin concludes that any significant agricultural finance expansion by a financial institution should commence with an appropriate diagnostic process.

Experience with Diagnostic Studies

AgriFin worked with banks and financial institutions of varying types and sizes. Common amongst participants was a focus on expanding their agriculture financing via the implementation of a range of initiatives. The engagements began with the undertaking of diagnostic studies as a precursor to project design and project preparation. Banks used internal technical experts and/or outside technical consultants to perform the diagnostic studies, which evaluated their respective institutional strengths and weaknesses and examined the external operating environment, with regards to agricultural financing. The banks and financial institutions subsequently produced detailed diagnostics which also proposed specific approaches, actions and initiatives which would improve the institutions capacity for expanding their lending to agriculture. These diagnostic studies directly informed the subsequent design of the agricultural financing projects that were produced and delivered.

The requirement for outside technical support was directly influenced by the complexity of the financial institution and the scale/ambition of their expansion of agricultural lending. Third-party / external technical assistance for the diagnostic process was found to be particularly important where a bank was confronting a complex internal set of processes, where the operating environment in the country was particularly complicated or challenging, and when a bank was aiming to dramatically expand its lending to the agricultural sector. Such complexity often requires external technical know-how, which can best understand what internal and external challenges need to be addressed, to facilitate the expansion of agricultural financing. The more challenging a program or an institution the less likely an institution is to have the internal resources able to adequately address the questions needing to be answered. For banks considering substantially altering their organizational design (e.g. perhaps developing a dedicated agricultural team) or product set (e.g. developing new products tailored specifically for agricultural clients) external assistance was seen as critical, bringing in experts with an existing knowledge of the subject area thereby resulting in more valuable analysis, which ultimately led to well-designed projects utilizing best practices.

Three of AgriFin's partner banks had especially complex challenges to address (both internally and externally) based on their agricultural lending ambitions, in these cases teams of independent consultants worked with all three banks to address these and other issues as they sought to broaden or deepen their lending to smallholder farmers in their respective agriculture value chains. These teams helped the banks address these challenges through diagnostic studies that directly shaped their project designs, in particular by showing the need for improved internal systems, structures, products, and training aligned with the goal of better serving agriculture clients. The diagnostic process helped shed light on the degree of complexity needed for each design as well as the measures to address it.

Interestingly, the diagnostics in each case were significantly different based on the internal dynamics of the respective banks and their operating environments/ their national agricultural systems. As such the diagnostics resulted in very different project designs and approaches—specifically tailored to the local context. In one case the diagnostic study led to an African bank creating a new agriculture lending department, and, by highlighting the challenge of customer acquisition in rural areas, resulted in the use of a village-mapping tool and credit rating system that ensured staff productivity and avoided excessive transaction costs. In another diagnostic study, an Asian bank identified clearly the challenge of finding "bankable" farmers. Due to business literacy constraints within the farming population, this bank felt they could not make loans. To address this problem, the bank developed a technical assistance program to build the ability of farmers to apply for, and access, bank services. In both cases external technical consultants identified significant challenges that were, as a result, specifically tackled in the subsequent project design.

Where partner banks faced less complexity in terms of their internal structures and their operating environments, they tended to utilize internal resources to conduct the diagnosis with significant support and input from the AgriFin team. For example AgriFin helped one African bank to undertake a study which identified their existing constraints for expanding agricultural lending and subsequently guided an overhaul of their agriculture lending practices, staff training practices, and loan products for small and medium sized agriculture enterprises. In one situation which was a little more complex, but not so complex as to justify the involvement and cost of a full external team, AgriFin, the partner bank and an external technical advisory firm collaborated on conducting a rapid diagnosis which identified constraints and also reviewed critical agricultural value chains to determine how existing processes were preventing these chains being serviced effectively. This resulted in a program designed to target lending to specific value chains with the development of a tailored credit scoring tool alongside internal operational changes to facilitate such new lending.

While all projects undertook diagnostic processes upfront, one example serves as a caution regarding the need to ensure the quality of the exercise, whether completed by in-house team or external actors. In one case the diagnostic process was conducted primarily by the local entity with support from the AgriFin team.

However the diagnostic was insufficiently rigorous and resulted in a relatively weak assessment of the institution, which failed to clearly identify all the major constraints to expanding agricultural lending, and also failed to adequately note the internal capacity constraints of the institution and the existing level of organizational challenges requiring management time and effort. Subsequently the design of the project failed to match the capacity of the institution to deliver such a program, and was over-ambitious in its prescription of solutions to expand lending to the agricultural sector. In retrospect a much more rigorous diagnostic would have identified that the institution was already facing significant demands on its staff and would have opted for a simpler program of change. In addition, a stronger diagnostic would have identified that the targeted smallholder population needed much simpler lending products and, as such, would have designed much more basic financial products. While the overall project still achieved significant outcomes, a final review of the project demonstrates that a simpler project, with a simpler set of components would have been more effective. The challenge for any development actor working with new financial institution partners to implement new products and services, is to understand just how rigorous of an up-front assessment is required, to both avoid too shallow a review (leading to project mis-design), and to avoid too rigorous a review, which takes too much time and resources. Ultimately the development actor must use their judgement of both the operating environment and the partner financial institution when determining the scale of the diagnostic effort.

Lessons Learned

The overarching lesson from AgriFin's experience is the very significant value that is achieved by taking the time and effort to conduct a situationally appropriate diagnostic study up-front—in advance of project design and development. Such an exercise yields significant benefits by ensuring that the project is appropriately tailored to both the bank undertaking the project and the environment where the bank operates. It assists in the identification of potential partnerships, clarifying the specifics of the relevant operating environment, and the hurdles and opportunities that exist in the targeted agriculture finance market.

The bank or agency funding the work should determine the complexity of the situation prior to determining the means for conducting the diagnostic. Where the expansion into agricultural financing will be highly complicated, resulting in significant adaption of products, organizational design, lending modalities and processes, external support to conduct the diagnostic may often be the most appropriate option. The same will be true when the operating environment is challenging—there providing financing in a sustainable manner will be complex. The scope of diagnostic work should include not only the current and future scope of the bank's agriculture finance operations and its operational structures, but also a detailed consideration of the relevant operating environment, the resources and management buy-in at the bank in question, and the amount of organizational restructuring likely to be required. Banks should also be prepared to accept that the diagnostic studies may present uncomfortable truths, such as the discovery that some markets might not be viable for proposed business expansion.

In conclusion, those banks seeking to grow their customer base by expanding into agriculture finance can improve their prospects at the outset by performing a diagnostic study of their enterprise and the potential lending market. The review can be conducted or assisted by a technically competent and experienced partner, or, capacity allowing, undertaken internally. The diagnostics will help to clarify the project's scope of complexity, define its goals and set milestones, consider organizational readiness, and tailor products and services to the targeted agriculture value chains.

Lesson 1.2 Improved Selection of Partner Banks Could Yield Dividends

Summary

AgriFin partnered with a diverse range of banks from across Africa and Asia. Each partner was located in a different country, and as such faced environments that presented a varied range of constraints and challenges with regards to expanding agricultural lending. AgriFin specifically aimed for a wide range of financial institutions and country environments, so as to maximize learning about the sustainability of expanding lending to agriculture. To facilitate this approach AgriFin utilized a targeted selection process whereby specific banks and financial institutions in specific countries were approached regarding participation in the program—ensuring a diverse selection of institution size, type and country of location.

By partnering with a range of banks, in a range of countries, all of whom were striving to expand their lending to clients in the agriculture sector, AgriFin gained a wide insight into both the challenges and opportunities for expanding agricultural lending, which it could share with a global external audience. Having multiple partners across multiple countries, it demonstrated clearly that even in challenging environments it is possible for banks, of multiple sizes, to sustainably expand lending to agricultural clients.

While the targeted selection process succeeded in selecting a diverse range of banks, and subsequently generated significant learning on approaches to expanding agricultural lending, one consideration for the program is to have a more "open" selection process. This would have potentially attracted a more diverse range of potential partner banks, and enabled an even stronger selection of institutions able to more efficiently introduce significant changes to their operations. If that had been the case AgriFin could arguably have demonstrated an even wider range of potential approaches for financing agriculture clients, and done so in a speedier and more efficient manner.

Experience in Partnering with Financial Institutions to Boost Agriculture Finance

Partner selection and criteria: AgriFin opted for a project design based on a venture capital approach, as it expected a small pool of potential partners and wanted to ensure a diverse group of financial institution. The approach involved: a) targeted marketing rather than a public call for proposals; b) a proposal pipeline with rolling approvals rather than annual bidding rounds and approvals; c) an emphasis on organizations with the potential to significantly scale up rural finance operations; d) risks commensurate with the social and business returns expected; e) expectation of some failures; f) the requirement that partners make significant investments from their own resources; and g) considerable "handholding" for sub-project development and implementation.

Selection criteria included a minimum of three years' experience of lending to agriculture clients, a track record of sustainable lending to smallholder farmers using diverse products and sound risk management, operations regulated by a national financial authority, high quality management, and a willingness to invest further in growing the institution's agriculture finance portfolio. The AgriFin team visited several countries (including Uganda, Senegal, Rwanda, Uganda, Mali, Burkina Faso, Sri Lanka, and Nepal) to identify and shortlist potential partners that met the eligibility criteria. Ten institutions were selected; seven from Sub-Saharan Africa and three from Asia. The group included commercial banks, non-bank financial institutions, and cooperatives, with agriculture loan portfolios ranging from US$140,000 to US$100 million.

Performance of selected partners: All 10 projects were judged to have satisfactory outcomes in an initial review; however, by completion of the ten individual projects, three showed only moderately satisfactory progress, which was attributed to a range of factors including project management constraints, a lack of senior management buy-in and support, and other organizational constraints that made focusing on agriculture finance difficult. These challenges limited these three partners' ability to implement change as effectively as required. The number of agriculture-based borrowers climbed for all but one of the 10 institutions, while seven saw gains in their agriculture lending portfolios ranging from just over 2 percent to nearly 500 percent. Two partners initially reduced their agriculture lending business—in terms of both number of clients and value of lending—due to major changes in the institutions and overall business strategy. While both institutions implemented most of the project activities, their impact was affected by factors outside the project scope. This reaffirms the need to select institutions that demonstrate organizational readiness and strategic focus to grow the agriculture business line. Arguably a more effective due diligence effort during the selection process could have highlighted the weaknesses that emerged with the poorest performers, including weak project implementation capacity, the lack of sustained commitment of senior management to project goals and processes, and questionable financial strength and procurement experience.

Conversely, the use of a targeted approach to selection did attract a diverse group of interested parties: commercial banks, non-bank financial institutions, agriculture development banks, and financial cooperatives. All were of varying size and were drawn from different countries and each expressed an eagerness to target growth in agriculture lending over the longer term. As such, the diversity of the selection ensured a range of different approaches to boosting agriculture lending, increasing the opportunity to learn which approaches would be most successful.

Challenges identified during implementation: Medium to large institutions with significant existing exposure to the agriculture sector performed better at project implementation than their smaller counterparts. Indeed, those institutions with smaller asset bases, more limited distribution capacity and management bandwidth, and limited agriculture experience found the project significantly more challenging. A screening process that established minimum size or experience criteria might well have enhanced the likelihood of selecting partners that would be able to reach a greater number of new agriculture clients more effectively and efficiently.

Additionally, senior management at some of the financial institutions were unable to give their full attention to the agriculture lending project due to other factors, such as organizational or structural transitions that should arguably during partner screening have warranted exclusion. For example, one of the partner institutions was in the process of transforming itself from a federation of cooperatives to a commercial bank, a process that naturally diverted management attention from the AgriFin project. An agricultural finance expansion would have been much timelier following the completion of the transformation of the institution into commercial bank.

However, even the larger and better-prepared institutions confronted difficulties with the project that might have been more clearly identified during partner selection, in particular management commitment to the goal of acquiring new agriculture clients. Agriculture represented a small proportion of some of the larger institutions' overall activities, so efforts to grow their exposure at times yielded only minor gains, lessening their motivation for following through with the AgriFin project.

Range of partners: Many of the selected partners brought with them a mix of project implementation experience, a sizeable scale of operations, and well-reasoned agriculture lending strategies to underpin their growth ambitions. While AgriFin largely adhered to its selection criteria in reviewing these institutions, it did make some exceptions in deserving cases, accepting loss-making institutions and those with significant NPLs. It was considered likely that these institutions would see improvement in their performance, or that they offered considerable potential given their depth of experience in agriculture credit or scope of operations with smallholder farmers. Ultimately, this reliance on both quantitative and qualitative selection criteria—including an additional number of conditions applied at grant approval—contributed to the participation of institutions that largely brought the necessary mix of experience, resources, performance, and product diversity.

Lessons Learned

AgriFin's decision to target candidate institutions, rather than conduct an open recruitment process, had advantages in securing the participation of institutions with diverse geographical and organizational backgrounds and a range of financing methodologies. However, this approach also excluded a number of institutions that might have been even better suited to the complex project requirements and led to the selection of some partners that lacked the size, experience, and commitment to pursue the project as successfully as other institutions might.

Size should not be a sole exclusionary factor, but should be considered along with the institution's exposure to and experience with the agriculture sector; large banks with a small agriculture finance portfolio struggled to add new rural clients as much as smaller institutions wrestled with the demands of expanding their outreach or investing in technology. The optimal partner institution therefore is likely to be one with significant scale and resources plus deep experience in the agriculture sector, whether a commercial bank or a non-bank financial institution with a track record in rural microfinance, for example.

The process of selecting a partner institution to expand smallholder farmers' access to credit and other financial services might benefit from a phased approach in which a very limited selection of 'best bet' allies would serve as a pilot program. Showcasing the success of these early efforts would assist in the next phase of conducting an open invitation selection that would identify the next group of partners, including promising institutions that might require some assistance to be able to fully participate.

As such, the selection process should be sufficiently flexible to accommodate financial institutions with the potential to do well while also identifying the strongest candidates with proven track records, scale of operations, management capacity, resources, and ambition. A scoring model most likely would best serve this approach, helping to ensure a balance between the numerous qualitative and quantitative selection criteria. In particular, these criteria should place an emphasis on the prospective partner's prior experience with serving the agriculture sector as much as its internal strengths and resources.

Lesson 1.3 Partner Capacity and Management Support Should Determine Project Complexity

Summary

Projects designed to boost agriculture lending often need to address several aspects of bank operations—from staff training to product design—but program complexity should reflect both the technical and operational capacities of the partner financial institutions as well as the degree of management buy-in for the initiative. Multidimensional projects should be reserved for the strongest, most capable, and motivated financial institutions while more simplified projects stand a better chance of success with partners with less capacity for dealing with organizational change or lacking project management expertise or access to appropriate outside technical assistance.

Management buy-in, in particular, is an essential element for the introduction or scaling up of programs to expand a financial institution's lending to the smallholder agriculture sector, and its importance can outweigh an institution's size and financial strength as a key success factor. Senior management need to explicitly demonstrate both their understanding of the program, and clearly evidence their support for the belief that lending to smallholder farmers can be a viable and profitable business line, given the range and number of activities necessary in preparing the financial institution to scale up its activities in this area. Without this buy-in from bank leadership, effective change is unlikely to happen.

Successful expansion of agriculture lending requires significant capacity building—particularly staff training—as well as product development, appropriate delivery channels, and sound MISs. Some organizations might be able to take on a project incorporating all these elements while other financial institutions would be more successful in having these components of capacity building unbundled into more streamlined, separate activities.

Experience with Project Complexity

AgriFin supported 10 projects with a different types of financial institutions in Sub Saharan Africa and South Asia that were interested in increasing their lending to agriculture clients. The projects typically comprised four components to help financial institutions. Prepare their processes, products, staff, and delivery channels for successful lending to the agriculture sector.

The first component generally focused on **capacity building** of staff at the banks and financial institutions themselves, with the goal of strengthening their human resources to meet the demands of delivering credit to agriculture clients and retaining them through sound loan management. Activities included: sharpening the underwriting skills of agriculture loan officers; streamlining credit systems and processes to speed the turnaround of credit applications; putting in place the right tools for staff training and risk monitoring; positioning or hiring appropriately skilled staff to address organizational needs; shaping the agribusiness lending structure at head office; and providing strategic inputs for growing the agriculture loan portfolio. A small number of projects also trained smallholder farmers in improved farming techniques and/or financial literacy to improve their creditworthiness.

The second aspect of the AgriFin projects was **product development**. Given the nature of the agriculture sector, this component focused largely on providing farmers with the kind of working capital and investment loans best suited to their cash flows and repayment capacity. Some products of this kind were designed and trialed with customers before wider rollout, while some banks chose to consider or craft products aligned with the value chain financing approach through which the financial institution shared risks, costs, and product distribution duties with a lead partner in the chain: one African bank provided short-term production credit to its agriculture clients that had off-taker contracts with large buyers and agribusiness. It also provided bulk loans to farmers' associations for on-lending to their members.

Eight of the 10 of the AgriFin-backed projects included a component that sought to improve the financial institutions' **delivery channels** to ensure they successfully reached smallholder and small agribusiness clients in a cost-effective manner. Some institutions chose to focus on mobile technology systems while others looked to boost their physical presence in these markets through small branches / retail outlets or an enhanced spread of automatic teller machines or mobile tellers.

Attention to **management information systems** (MISs) was the final component in half of the projects. The increased emphasis on the agriculture portfolio in some cases required greater effort to monitor, assess, and report on performance to management, and some banks took the option to upgrade their banking systems accordingly to improve their portfolio administration quality. While some banks were very ambitious and revamped their core MIS to account for detailed lending amounts, client numbers, portfolio composition by segment, and portfolio quality, most opted for a simpler approach using off-the-shelf database software.

The most successful projects were able to draw on their inherent financial strength, existing agriculture experience, and knowledgeable staff to drive project success, and they also showed the advantages of having strong management buy-in and competent external technical advisers to help them cope with the demands of a complex project environment.

Size was not a perquisite for success. Some of the smallest partner banks (by size/scale) enjoying significant success in implementing complex projects, again highlighting the central importance of strong management support and staff capacities as well as the help of external technical advisers.

One critical learning was the need for a bank to have strong and committed project management for implementation to proceed smoothly. A lack of management focus and commitment was evident in three partner institutions and was reflected in delays in project implementation and delivery. Management focus was especially problematic when the institution was experiencing organizational, operational and/or regulatory challenges. This directly resulted in a lack of management focus on the agricultural finance projects which significantly delayed progress. One partner bank was unable to focus on agriculture finance due to a significant reorganization undertaken during the life of the project. This activity created a great deal of organizational uncertainty, which dramatically reduced their ability to focus on agriculture finance, as staff focused on implementing the project focused their attention elsewhere.

The experience of one African project demonstrated another important factor: the ability of smaller institutions, often with less organizational capacity, to deal with highly complex and complicated projects. The specific project involved a complex project design that included product development, technological improvement related to the bank's MIS, and the use of mobile technology for registering remote clients. Adding to this complexity, nationwide financial literacy, development of staff learning systems, and expansion of delivery channels were elements of the project. At the time of engaging with AgriFin, the client faced critical financial challenges and its agriculture portfolio was seriously affected by a major drought at the start of the initiative.

As one of the smallest project partners they had relatively little "spare" technical and managerial capacity to execute such a highly complex project, especially when other more critical issues arose. As a result of the overly ambitious project, some activities failed to be implemented in a timely manner and when delivered even with delayed timescales, outputs and results were not as great as planned.

Lessons Learned

The central lesson to emerge from the experiences of all 10 financial institutions is that management commitment to a complex project is central to success, even more than the size or financial strength of the institution, although significant advantages still arise from size and scale. Diagnostic assessments and improved MISs can influence management commitment by providing facts on business opportunities and institutional gaps. An additional related lesson is that even where management commence the program with commitment, changes to the regulatory or institutional environment can detract focus and prevent change from occurring in the manner desired. Matching project complexity with the technical and operational ability of project partners to execute such projects and ensure quality of deliverables is vital.

As such, those partnering with financial institutions with the aim of expanding agriculture lending should review and assess management support, project management capacity, technical ability of project management staff, agriculture exposure, and staff preparedness to determine whether staff will be able to implement the kind of multidimensional program needed to unlock the viability of the smallholder market segment. Diagnostics assessments and an effective MIS are instrumental to generate data and facts to support this process.

Smaller banks and financial institutions might benefit from focusing on managing a series of smaller, more streamlined projects to build the necessary organizational capacity, product range, human resources, and delivery channels necessary to serve the smallholder farming sector. With larger and more complex projects reserved for those financial institutions in which management is clear in its understanding of and commitment to the project's goals, and where it is likely that the institution's financial, human, and management resources will be sufficient and fully committed to project implementation.

AgriFin's experience showed that, in addition to management commitment, complex projects have a greater chance of success in those instances where there is a favorable enabling environment, with regulatory and market features that work with, not against, the project's goals. This includes regulatory and legal frameworks that promote the use of nontraditional delivery channels as well as financing instruments to serve farmers. In all cases it is critical to ensure that there is sufficient access to appropriately experienced external advisers for those institutions confronting complex projects, where internal expertise and resources may not be sufficient to meet all project implementation requirements.

Ultimately, due diligence in project preparation and diagnostics assessment should confirm management support, identify project leadership and management capacity as well as a duly prepared implementation team, and determine whether—and to what extent—a complex project might be unbundled or streamlined to enhance its prospects for success.

Lesson 1.4 Change Management Leadership and Capacity Need to be Assessed

Summary

To be successful in embarking upon new ventures, such as lending to the agriculture sector, financial institutions need to have a track record of successfully managing change that combines effective leadership with experienced and appropriate staff and support systems. Development agencies and technical assistance firms working with banks seeking to grow their agriculture lending portfolios must also assess the specific change management abilities of these financial institutions to better understand how and when to provide additional support to ensure success.

AgriFin's experience in 10 projects that aimed to boost lending by financial institutions to the agriculture sector found that the best results were achieved when there were standardized processes, a robust MIS (i.e., the capacity to implement), and strong project management (change management capacity) leading a motivated and well-prepared staff and backed by clear support from senior leadership.

These two factors for success—**change management capacity and implementation capacity**—comprise a number of other elements that contribute to overall project outcomes:

- Active sponsorship of the agriculture lending project by senior bank executives who sought to generate the necessary staff buy-in among those most affected by any changes;
- Senior management engagement throughout the project to guarantee timely interventions when needed and to signal ongoing management support;
- Selection and involvement of appropriate staff to define, design, and implement new procedures and technologies essential to project success;
- Periodic monitoring of performance and course corrections; and
- Proactive internal communication to inform and prepare relevant staff for the project, which includes appropriate staff training or retraining and other support.

Experience with Change Management

Naturally, some institutions fared better at achieving project goals—such as increasing the number of agriculture clients or the value of their agriculture portfolios—but AgriFin's experience pointed to important roles played by each institution's readiness, experience, and comfort with change management.

Notable factors that influenced outcomes in change management included the presence of strong, dynamic, and influential senior managers who put their support behind the agriculture lending programs and who were able to focus on these initiatives without being distracted by broader institutional changes.

Institutional size did play a role, however, as larger institutions were less inclined to devote senior management time and effort to focus on relatively small-scale projects, whereas smaller institutions faced the opposite dilemma of being inexperienced in project management. However, some of the smaller, more newly established financial institutions displayed greater readiness and comfort with the demands of change management, having had considerable recent experience at establishing and growing new operations.

Management commitment and enthusiasm for taking on the project are essential elements for success, but at least five of the 10 projects showed that this support must translate into active management engagement throughout the project lifetime to provide oversight and to direct remedial action in response to challenges or setbacks. The absence of this kind of engaged change management was notable in certain cases and directly affected project outcomes.

In some cases, AgriFin or external technical experts were able to provide inputs that helped overcome short-term implementation problems in the absence of direct intervention by a project manager or senior management, ensuring that the banks still met some of the project goals. Regardless, financial institutions had better results with the presence of both committed and sound project leadership and staff that were well-prepared, appropriately trained, and fully informed about the needs and goals of the agriculture finance projects.

These experiences highlighted the need for banks to have a sound MIS to inform staff and management of project progress or setbacks, triggering necessary course corrections. However, an effective MIS takes time and resources to develop; in some cases where a suitable MIS was absent, results might have been achieved more quickly if the expectations for a sophisticated MIS had been scaled back to reflect partner experience and capacity.

Another factor influencing project outcomes in terms of implementation capacity was the presence of standardized processes at the partner banks that ensured, for example, swift and smooth loan application processing, and appropriate loan monitoring and restructuring. Additionally, those institutions that had experience with handling and utilizing grants from international financial institutions had the procedures and understanding to implement projects more easily than those banks that had little or no exposure to such activities. The same was true of those institutions that had ongoing partnerships with external technical assistance providers that could augment their internal change implementation capacity.

Lessons Learned

Of the 10 agriculture lending projects, all partner banks made satisfactory progress toward project goals, although some performed far better than others, emphasizing the critical roles played by change management capacity and implementation capacity at each individual bank.

Among the more important lessons learned from AgriFin's experience with these partner banks is that management commitment is essential but must be sustained and complemented by a capacity among senior managers to oversee projects and anticipate or react to developments that require staff action. Properly trained and motivated staff and a rigorous MIS can ensure effective project implementation and quick responses to changing circumstances, and organizations seeking to partner with financial institutions in new projects should strive to assess the abilities of the institution in each of these elements.

In particular, a track record should point to previous success in change programs, as well as the existence of a project manager or otherwise clearly defined project leadership. Smaller institutions might in fact be better positioned than larger counterparts to cope with the demands of change management, given that their senior leadership is more likely to focus on the project and provide oversight and proactive leadership as needed.

Regardless of size, each institution will need staff with the knowledge and skills to comprehend and undertake project activities, supported by the presence of established and sound standardized processes and an effective and easy-to-use MIS.

Project partners should make rigorous appraisals of the change management capacity and implementation capacity of financial institutions, and scale or adapt their project scope and activities to reflect the realities at each individual institution.

Lesson 1.5 Scarce Technical Assistance Must be Tailored to Clients

Summary

Adapting bank operations to focus on agriculture lending, particularly to smallholder farmers, requires a range of specific interventions that shape new processes, boost capacity, improve staff skills, and create or adapt products for the market. Many financial institutions lack the in-house expertise to manage these changes and must rely on outside technical guidance, which is often in short supply, particularly in domestic markets.

Banks that aim to boost their agriculture lending operations often may require technical advisers with expertise in both finance and agriculture, and advisory/consultancy firms that offer this combination are rare and comparatively expensive.

Technical advisers must have specific knowledge about local contexts in addition to solid experience in adapting core financial activities—from market analysis to monitoring and evaluation—necessary for these kinds of project. International technical consultants should ideally include at least one representative with local knowledge and experience on their project team to ensure the change process reflects domestic market conditions and customer preferences.

AgriFin, through its experience in supporting 10 financial institutions in Asia and Sub-Saharan Africa, learned that the shortage of qualified technical advisers—and the complex demands asked of them—can hamper project implementation. The donor community could help by identifying technical advisers from the agriculture and banking fields and by providing them with training in agriculture finance, thereby broadening the pool of available experts.

In addition, technical advisers need to appreciate the need to tailor their assistance to each partner institution, recognizing that each one faces unique local circumstances and has a different capacity to undertake the range of activities needed to successfully drive its expansion in agriculture finance.

Experience with Technical Assistance for Complex, Unfamiliar Initiatives

The continuing neglect of the smallholder farmer market by commercial banks and financial institutions stems from a host of perceived barriers to entry, some of which can be successfully overcome to open a potentially profitable market segment. However, most institutions require help in identifying these challenges and making changes to their policies, processes, and products to serve the smallholder market.

Technical advisers are needed to assist in this effort and in particular, to help bank management and staff better understand the agriculture sector and the specific needs and challenges of farmers and other actors in agriculture value chains. A technical adviser's work can impact a broad range of bank departments and processes, from human resources to finance, information technology, client assessment, internal audit, MISs, risk management, and product design and delivery channels.

Technical advisers themselves take many forms, from international consulting firms to individual consultants experienced in these fields through to academic institutions and even MFIs with a background in rural markets. Regardless of their type, technical advisers are expected to effectively and swiftly graft their own experiences and knowledge to the activities of the client financial institution.

The agriculture lending projects proposed by AgriFin and supported by its grants were complex endeavors proposed on comparatively tight time horizons, and finding and hiring appropriate technical advisers presented a significant challenge for a number of the financial institutions that participated in this initiative.

This reflects the reality that the pool of technical advisers with agriculture finance experience or the necessary blend of banking and agriculture expertise is relatively shallow. AgriFin found a group of around 20 such advisory firms, of which approximately 8-10 have experience providing support to donor-funded agriculture development programs such as the AgriFin projects. Given this scarcity, technical assistance is often expensive and can represent a significant cost to project participants. This issue was demonstrated by the AgriFin partner projects, where a large share of project expenditure was on consulting services and technical advice. Whilst these advisory services were generally of high quality, the cost can prohibit banks wishing to implement agriculture finance programs when relying on their own resources instead of donor support.

The cost of the advisory services of the AgriFin partner projects partly reflected their complexity, as they included components that called for extensive staff training, more sophisticated MISs, new risk management tools and procedures, and new products tailored to the needs of smallholder farmers and agribusinesses. Technical assistance was therefore a critical input for all projects, including those with existing exposure to the agriculture sector. Some institutions required help to adjust to less structured value chains, while others hoped to translate their experience in lending to urban small- and medium-sized enterprises (SMEs) into similar success in rural markets, which required additional training and capacity building.

In several cases, technical experts were able to quickly draft core recommendations for review and feedback and were able to move forward with operationalizing these steps. The technical assistance providers were then able to provide varying levels of support to the financial institutions during project implementation. Naturally, the amount of time and staff resources required of each technical assistance provider varied according to the capacities, resources, and goals of each institution. In this regard, project performance lagged in a number of instances where the technical assistance providers misjudged the existing capacities of their client financial institutions in understanding and adopting their recommendations and in not better tailoring support to local loan officers' needs.

This and other experiences highlight the need for technical experts to better assess the capacities of their clients in undertaking proposed changes, and also for consultants to recognize that "off-the-shelf" approaches will likely be less effective than support that is closely tailored to the circumstances and needs of the institution. In particular, assistance providers should pay close attention to the demands and feedback of bank personnel in the field who are usually best placed to judge whether new techniques or products will meet with success.

Lessons Learned

Growth in lending to smallholder farmers who traditionally have been excluded from formal financial services will often require considerable support from technical assistance providers to those institutions that decide to enter this market. If an increasing number of banks are to enter the sector, or expand into the sector, an increase in the number of appropriately qualified technical advisers will be needed to help financial institutions navigate the demands of growing their agriculture portfolios profitably and sustainably. Bearing in mind the shortage of experience and skills in this area, this is currently unlikely.

Donors and other qualified groups might consider directing their efforts to help bolster the ranks of technical assistance providers, and improve their effectiveness. This may be achieved by ensuring that donor projects and programs that include an agriculture finance element share technical materials developed by the projects more widely, so that others may benefit from these experiences. This could be done on an individual basis or through dissemination via AgriFin or other networks.

Additionally, technical advisers could benefit from greater recognition about the need for detailed customization of their recommendations and assistance to match the needs of each financial institution as well as the unique agriculture markets they target. Given the general lack of domestic technical assistance providers, this is particularly important, as projects are often reliant on foreign technical experts who need to be able to incorporate local knowledge into their services to translate their international experience into appropriate local solutions. This could be encouraged by donors amending their procurement practices to ensure sufficient local expertise is included in proposals received.

By building the capacity of technical assistance providers to support the expansion of agriculture finance, international agencies and donor groups will not only increase the number of qualified experts, they will also improve the quality, effectiveness, and efficiency of their support to financial institutions in almost any market globally.

Lesson 1.6 Partner Banks Need Time to Prepare for Agriculture Lending

Summary

New initiatives require significant time to plan, prepare, implement, and evaluate. This was certainly the case when AgriFin set out to work with financial institutions across Asia and Sub-Saharan Africa to boost their lending to agriculture, particularly smallholder farmers. The AgriFin projects were generally built around a 2-year timeframe, and this failed to adequately reflect the complexity of the project requirements, prompting haste in change processes that would have benefited from additional implementation time. Ultimately while, all of the projects achieved their primary objectives

many of the projects took longer to deliver than originally anticipated.

For institutions with little or no experience in lending to the agriculture sector, these projects required behavioral and cultural change within their organizations. Even those banks or institutions with experience in this field required more time to plan, identify, and hire technical advisers and train staff, design new products, and develop or refine their channels for marketing and product delivery.

While the total amount of time to develop an agricultural lending program will vary by institution, project complexity and the operating environments, it may be the case that financial institutions require as much as three years to work through the stages of such an ambitious project, and another two years to build capacity and hone performance to guarantee success in profitable lending to the agriculture sector. Where timeframes cannot be expanded projects may have a better chance of achieving full success if they contain a more streamlined set of objectives.

Experience with Time Requirements for Project Preparation

At the outset, AgriFin expected the 10 agriculture lending projects to take around two years to develop before the financial institutions would be able to provide greater volume and value in lending to the agriculture sector. However, this timeframe was overly ambitious, as it required on average 12 months simply to set up the project for implementation. In AgriFin's experience, the fastest project establishment (moving from partner identification to the start of implementation) was eight months while the longest time was two years.

Overall, the implementing institutions required an average of 2¼ to 3 years to close their projects after grant agreements were put in place and implementation was ready to start. Additional time was needed to show evidence of change in the level of lending volume and outreach, bearing in mind the lag between product and service launches and client take-up.

AgriFin's experience demonstrated that partner institutions required significant time to address several important stages in project management, beginning with project design and including identification of suitable project managers, support staff, and technical experts to provide assistance throughout the process. Rushing this initial stage can prove to be detrimental to the project, given that first impressions carry significant weight with staff who are being asked to either undertake or support a change process. Cementing the commitment of senior management to the project, identifying or hiring appropriate staff, and beginning the process of behavior change within an organization central to the shift in focus to agriculture lending all takes considerable time, and an urgency to meet set timescales for implementation significantly reduces the project team's ability to spend time building more solid management and staff buy-in and support.

Some financial institutions, particularly those with scant exposure to the agriculture sector, struggled to quickly locate and hire appropriately skilled technical assistance providers, further slowing project implementation. Such assistance was particularly important given the scope of the project required significant organizational change, including in some cases, the creation of new agriculture lending departments within the broader bank structure. With short project timescales, the extra time taken to find suitable technical assistance providers ate into the remaining time for implementation.

In some cases, the financial institutions needed to hire new staff while all had to undertake some degree of training to support those who were tasked with the new agriculture lending activities, and this kind of capacity building requires a considerable amount of time to manage effectively. Such a step usually requires a training needs analysis and training plan as well as capable and appropriately skilled staff to conduct the training itself. It took one bank nearly eight months to work through this project stage alone.

Another time-draining project component is product development, which involves market assessment to identify the level and nature of demand, followed by design exercise, approval process, testing, system change to introduce the product internally, and extensive promotion and marketing. It is important for institutions to have sufficient time to conduct a market analysis to determine demand, price sensitivity, competing products, etc. before embarking upon product design. The 10 institutions that participated in the AgriFin initiatives developed 33 products in all, of which 24 were ultimately offered to their agriculture clients. The short-term financing products were relatively straightforward given the need to only cover one crop cycle. Some institutions went further to design products based on a value chain approach that considers risks to and opportunities for on the production chain as a whole, and which channels lending through a lead partner, such as an aggregator. Several of the banks needed time for pilot testing the new products, and some were introduced in a phased rollout to balance the risks and costs of introduction.

The partner institutions needed considerable time to adjust or adapt their risk management approaches, developing or reinforcing analytical tools or credit score models to reflect the expansion into agriculture finance. This can be a lengthy process in itself, as the adoption of a new system requires a period of back testing to establish its efficacy; this testing can take between six months to a year.

Several of the banks and financial institutions struggled to meet the project requirements for improved MISs, enhanced information technology (IT), and the extension of IT-enabled services, such as mobile or electronic banking, and electronic learning platforms. Indeed, the challenge of developing a sophisticated MIS as part of the AgriFin project was beyond all but two of the institutions, which instead fell back on alternative simpler programs to perform this function.

Finally, financial institutions should have sufficient time to conduct a project evaluation to gauge progress and determine the need for and type of mid-course corrections. Such an evaluation should ideally be conducted after 9–12 months of project implementation, to allow time for the resulting fixes to take effect. Such a process can be further drawn out by the need for the institution to consult outside technical experts or project partners who could provide analysis and feedback on the necessary adjustments.

Lessons Learned

Even with these demands and given the constraints and circumstances of a diverse group of financial institutions, projects were completed on average in around 2½ to 3 years versus the expected timeline of two years and achieved their overall objectives and goals. However all projects could have benefited from additional time, enabling more reflection, testing, and correction throughout. As such, a major lesson is that additional time, especially for more complex projects and in more challenging environments is required.

To provide the necessary leeway for financial institutions to undertake project design, implementation, monitoring, and evaluation without undue haste, project sponsors should at the outset draw much more widely on industry knowledge to better estimate the time that each project step will realistically take, and add in additional time for contingency purposes. AgriFin's experience showed that a five-year time horizon is likely the most appropriate for an agriculture lending program with multiple components, although this timeframe could be shortened if the program's components are reduced or streamlined to make it less complex.

Lesson 1.7 The Importance of a Sound MIS Cannot be Overstated

Summary

Expansion into a new area of business requires close monitoring of risk and performance, and as such, a bank's MIS plays a key role in helping obtain critical information for business decision making. However, many banks find it too challenging to upgrade their MIS to ensure it has the capacity and coverage to adequately track and report on a complex project such as expanding agriculture finance.

AgriFin worked with 10 financial institutions in Asia and Sub-Saharan Africa to boost lending to their respective agriculture sectors—particularly smallholder farmers—and provided technical assistance grants for these institutions to improve their MIS as a part of the broader project.

All partner institutions struggled with the complexity of improving their MIS, with some institutions falling back on far simpler data management options—such as Excel spreadsheets—while others opted out of this component altogether due to its technical sophistication, cost, and the time required to make changes.

These experiences offered several lessons for AgriFin, beginning with the need to give partner institutions the option of relying on existing core banking systems or simpler MISs for an initial period to allow them time to plan and implement system upgrades in support of their expansion into agriculture finance.

Additionally, the projects yielded differing attitudes at the partner banks toward the role of MIS itself, with some seeing it as part of back office functions to process data for regulatory and reporting purposes, and others viewing MIS as an essential, value-adding tool for unlocking the potential of new business activities and mitigating risk from a sector they knew little about.

Overall, financial institutions and the agencies seeking to work with them on agriculture finance should perform an appraisal of MIS capacities at the outset to provide a realistic picture of what role MIS should play and what enhancements might be necessary—and practical—to match the growth of this new business line.

Experience with MIS Development

AgriFin recognized that the MIS at all of the 10 financial institutions would be insufficient to track multiple new lines of information resulting from their engagement with smallholder farmers or to provide the necessary oversight and risk management and control functions. Accordingly, after assessing the MIS status and needs of partner institutions, AgriFin made project financing available for an MIS component within the overall agriculture lending projects to assist with MIS improvements.

Of the 10 institutions, eight had a core banking solution in place that served their needs for data gathering and reporting on core financial operations. However, in nearly all cases these were unable to provide the kind of granularity needed to robustly support an expansion into agriculture lending. Information required but not available included the kind of agriculture activity the client performed—whether production, processing, marketing, etc.—and measures of the bank's exposure to agriculture by commodity type, loan size, pricing, and maturity. AgriFin hoped the project participants would also be able to identify agriculture clients by gender and provide a solid basis for portfolio-at-risk analysis by different product and commodity segments.

Six of the 10 financial institutions included an MIS component within their respective AgriFin projects, while two had already planned to upgrade their MIS to allow for the necessary customization and adaptation to agriculture finance. Of the remaining two, one had developed an in-house MIS relying on Excel and the final institution was in the process of establishing its first core banking system.

When the projects closed with AgriFin, most of the financial institutions were able to generate the basic information necessary for agriculture portfolio tracking, primarily using manual systems for performance monitoring. The upgrade process was notably smoother for those institutions that had existing exposure to agriculture borrowers as they already had the relevant markers and fields in their systems, allowing agriculture clients to be identified and monitored more simply than those starting from scratch.

Ultimately, however, the MIS component proved to be highly challenging to all the financial institutions and project progress reviews by AgriFin found that most were able to provide only higher-level data on agricultural borrowers and performance, while most were unable to generate any detailed data on their agriculture lending activities. For instance while all could provide the number of borrowers and new loans, by the end of the projects none were able to provide detailed statistics on lending by agricultural commodity or agriculture lending by gender. Even those institutions with a sophisticated MIS in place ultimately saw too little value in generating these data to justify the costs of extensively upgrading or modifying their systems. In part this was due to agriculture being a relatively small segment of their overall lending business and an inability to understand the value that generating such granular data would provide. As such there was clearly a mismatch between the value that the AgriFin program team at the World Bank placed on getting disaggregated lending data and the value placed on such data by the lending institutions.

In some cases, the MIS component was revised in the wake of these difficulties, while in two cases the financial institutions canceled project activities all together related to MIS.

Lessons Learned

This experience provided valuable insights into the ways MISs could be upgraded or modified to match a push into agriculture financing. In particular, due diligence at the beginning of such an initiative should determine management's attitude toward the purpose of MIS. Unless management views MIS as a key business enabler rather than merely a back office function, any attempt to upgrade or improve the system is likely to struggle. This necessitates a better understanding by both donors and banks on what data are critical for monitoring agriculture lending performance, what data a lender requires for monitoring portfolio performance, and what data are critical for future expansion of agriculture lending activities.

Additionally, due diligence should reveal any deficiencies in the financial institution's existing MIS and remedial actions should be considered a priority before the next phase of upgrading the system to meet the demands of tracking the performance of new financial activities targeting agriculture clients.

Third-party donors funding agriculture lending activities need to better tailor their requirements for data with the needs of the parties receiving funding. Commercial lending institutions are unable, or rather unwilling, to spend time, money, and other resources on capturing and reporting data that are not critical to their day-to-day lending operations.

An MIS upgrade is likely to be smoother and more effective if phased in, beginning with simpler credit scoring, risk management, and portfolio-tracking components and progressing to far more sophisticated and granular client assessment and transaction tracking and management features.

Overall, the demands of upgrading the MIS in any institution require adequate planning and preparation, determined and active management support, and realistic goals matched to the institution's capacity and objectives. A solid MIS is essential to any banking operation and it plays a critical function in driving and supporting expansion into new business areas, but the MIS needs to be functional and effective well before the institution embarks upon new business ventures, rather than during this expansion.

CHAPTER 2

Lessons Learned from AgriFin's K&N Initiative

Early on AgriFin identified that a major barrier to expanding lending to smallholders and agribusinesses in developing countries is a lack of technical knowhow and expertise related to proven methods for lending to the agriculture sector. Combined with preconceived ideas relating to the riskiness and costliness of lending to agricultural actors, bankers and other financial institutions are often wary of entering, or of expanding, into the agriculture sector. To overcome these barriers and help demonstrate that agriculture lending can be a profitable and value-adding activity, AgriFin made it a priority to bridge the agriculture finance knowledge gap. Results to date have exceeded expectations in terms of the engagement of users and the impacts imparted by such knowledge sharing. This chapter details the lessons learned from the development of the AgriFin network.

In a relatively short time, AgriFin created a free-to-access online and offline knowledge base for banks seeking to grow their agriculture lending business. The network is premised on a peer-to-peer modality with knowledge coming from financial institutions with proven track records in the field. While the majority of network activity takes place online, a significant part of the network's activities have been delivered in person at face-to-face events that include boot camps, study tours, and workshops. AgriFin's experience with its network clearly demonstrates the keen, and to date unmet, interest among bankers to expand lending to agriculture if provided with sufficiently technical and practical information that can readily be transformed into action in their own markets.

Since inception more than 1,300 individuals from a variety of financial institutions (and other technical agencies) have joined the AgriFin network, registering for membership. In addition, approximately 5,000 people are now participating in the network, registering to receive and/or share information, primarily through electronic means. The AgriFin network website attracts around 30,000 unique visitors a year, and this traffic is translating into thousands of downloads of the many technical documents posted on the site. The network continues to grow rapidly, finding that as more individuals from financial institutions join the network, utilize and share materials, more individuals are attracted to the network. AgriFin is of the opinion that this level of interest and demand indicates clearly that bankers in developing countries have a significant appetite for agriculture finance information.

In addition, the types of materials that are most accessed and utilized on the network demonstrate the importance of the knowledge provided being sufficiently technical and practical. Previous efforts to provide financial institutions with the technical assistance they required to boost their lending to agriculture sectors have featured material that was generally broader in scope and more theoretical in nature, this seemed to both limit utilization and subsequent implementation and impact. AgriFin's Knowledge and Network (K&N) program aimed to address these shortcomings by sourcing expert knowledge from those who had succeeded in expanding their lending to rural clients and sharing that information with peers.

A critical lesson that has been fundamental to the operating modality of the AgriFin network is how quickly representatives from financial institutions warmed to the idea of peer knowledge exchange, in some cases sharing proprietary lending information through the AgriFin network's website or at in-person learning events. The motivation to share appears to have stemmed from the belief that by sharing with others, they would benefit through access to information regarding new methods and products from others engaged in agriculture lending, serving to improve their own performance and that of their institution. The repeated sharing of information by many institutions, reinforced by feedback received, appears to affirm that this is indeed the case.

As noted, financiers' willingness to share materials has been critical to the network's growth. AgriFin's nascent information exchange program benefitted incalculably from access to highly practical and tested lending knowledge, sourced from those who had already used it to good effect, and also from the eagerness of participants and members to share and learn from each other to improve their own prospects of success. To facilitate this process, AgriFin strived to ensure that only relevant, detailed, and proven knowledge materials were provided through its events or website, and that those accessing this information were primarily bankers already engaged in the field or those with a strong interest in entering the agriculture finance market or helping those who did, such as technical assistance providers and bankers associations.

Exact figures on impacts from the network (e.g., in terms of new agriculture lending disbursed and new agriculture customers reached) have been extremely difficult to gather. Feedback from surveys, interviews, and *ad hoc* data collection exercises suggest dramatic progress/leverage in terms of expanding finance to developing countries' agriculture sectors. As an illustration, feedback received six months after the first AgriFin value chain finance boot camp indicated that six of the seven participating banks had either launched, or were in the process of launching, new value chain financing products for agricultural clients. With the cost of delivering a network in comparison to individual technical assistance projects within individual banks an order of magnitude lower, these results illustrate a very high potential for driving a significant expansion of lending to agriculture clients in developing countries in an affordable and scalable manner.

These kinds of results highlight the reach and depth of AgriFin's K&N program, a cost-effective online knowledge resource center augmented by in-person events. AgriFin's experience has shown that there is a great appetite for learning about how best to lend to agriculture clients in the developing world, and that this can be addressed successfully and without dramatic expense by simply providing means for bankers to learn from each other and share their experiences and knowledge easily and openly.

Lesson 2.1 Demand For Knowledge about Sustainable Agriculture Finance is Unmet

Summary and Lessons Learned

Knowledge gaps have constrained the expansion of agriculture lending—but when information is made available the reception is very positive. The AgriFin program commenced operations with a focus on directly assisting a small number of financial institutions in expanding their lending to agriculture sectors. The goal of these partnerships was to provide evidence that agriculture sector lending in developing countries could be a profitable business stream for financial institutions.

All partner projects relied on financial institutions developing new products and services and implementing revised procedures and processes to enable lending to agriculture to take place (taking account of increased transaction costs and agriculture sector-specific risks). Even institutions that already had experience in lending to the sector were required to significantly adapt operating modalities.

All projects began with work to identify supporting knowhow that could facilitate their expansion into agriculture lending. It was immediately clear that almost publicly (freely) available technical materials, either domestically or globally, were not available to serve this purpose. Domestic banks lending to agriculture were reluctant to share technical information with their marketplace competitors. Even when global publications on lending to agriculture were available, the materials were often not technical enough in nature to be fully utilized.

With a significant shortage of publicly available technical knowledge, partners were required to either hire consultancy services to produce the materials required or utilize internal resources to design, test, and implement appropriate solutions. Generally the approach taken was a hybrid of the two, whereby consultants were hired to bring existing knowledge of agriculture lending techniques to the institution, and a team of staff was established to tailor and implement these solutions. The costs of such programs, in relation to the initial returns, were generally high, and in a number of cases this work only proceeded due to grant funding provided by AgriFin. This demonstrated clearly the challenge facing financial institutions wishing to expand their agriculture lending—the potential returns are limited (especially in early years when testing and refining products) but the upfront costs are relatively high, requiring the contracting of expensive international consultants. Accordingly, AgriFin set out to learn how financial institutions experienced in agriculture finance could be encouraged to share technical information with banks wishing to develop similar services. It held a series of seminars and sponsored a study to India in 2011 for AgriFin's partners to encourage this kind of knowledge exchange. It quickly emerged that banks that received such knowledge often utilized it to dramatically reduce the cost and time of new agriculture lending. Participants from Burkina Faso, Cambodia, Mali, Mozambique, Nepal, Senegal, Sri Lanka, and Uganda proved eager to learn how institutions like Andhra Bank, BASIX, and HDFC Bank developed loan products tailored to commodities as diverse as tea, rubber, poultry, tamarind, dairy, sugar cane, soya, and beef. Subsequently, AgriFin learned that the participating banks went on to implement many of the lessons from these events in their own operations, with significant results.

Demand is demonstrated by the high number of users/downloads when materials are published. After knowledge gathering, a second pillar of the AgriFin program was knowledge dissemination, initially sharing the knowledge generated by the partner projects with the wider community so as to demonstrate the sustainability of lending to agriculture. Feedback from project partners at AgriFin seminars and from the study tour regarding the lack of technically relevant information prompted a move to gather additional technical information that could be shared globally. The eager reception of these knowledge products and learning events provides evidence of the unfulfilled demand for technical information.

The AgriFin team gradually discovered that the demand for this kind of field-tested operational guidance extends far beyond its partner banks. Its first "Financing Agriculture Forum" in Uganda in 2012 drew 110 participants from 60 organizations in 30 countries, including many commercial banks and MFIs, bank and credit union associations, consulting firms, donors, academic institutions, and government agencies. Feedback from each of these groups overwhelmingly highlighted the need for more practical information on agriculture finance, banker-to-banker exchanges, and opportunities to network with other finance practitioners. Feedback also determined a preference for even more technical information in future conferences.

Knowledge materials emphasized the importance of practical experience. Subsequent to these learning events, AgriFin began to bolster its approach to gathering suitably experienced technical experts to share their knowledge with the wider stakeholder network. AgriFin almost exclusively focused on securing and sharing knowledge from practitioners operating in developing countries; primarily technical staff and managers working in agriculture lending for banks, MFIs, alternative lending institutions, or related fields (collateral management, leasing, etc.).

AgriFin prioritized dissemination via its website, hosting e-events and providing technical materials to maximize reach while minimizing costs (both to recipients and the program). In addition, AgriFin continued to offer conferences, forums, and study tours. AgriFin's materials included: a series of knowledge products that it drafted and prepared itself; webinars enabling presenters to interact directly with their audiences; an online library of technical materials provided by financial institutions for use by other banks; and face-to-face study tours and conferences.

The growth of AgriFin's network and the popularity of its knowledge assets (reflected by the number of website visits, as displayed in Figure 1) are indicators of the demand for these resources, as is the encouraging feedback from the organizations utilizing them. AgriFin also looks to the number of people coming back for more content and interaction, as well as the ballooning number of agriculture finance professionals participating in knowledge generation and transfer, as other quantifiable indicators of the demand for its resources.

MAIN POINTS

- Financial institutions that wish to expand lending to the agriculture sector are usually constrained by a lack of technical knowledge
- Banks and others are often reluctant to spend the time and money needed to gain this information, particularly given uncertainty as to the viability of smallholder farmers as customers
- By facilitating knowledge sharing by those banks experienced in agriculture finance with those looking to enter the field or expand their presence, AgriFin has helped to bridge this knowledge gap
- The response from banks has been very positive, demonstrating that considerable demand exists for this kind of technical, practical information, and that it can spur increased lending to the agriculture sector

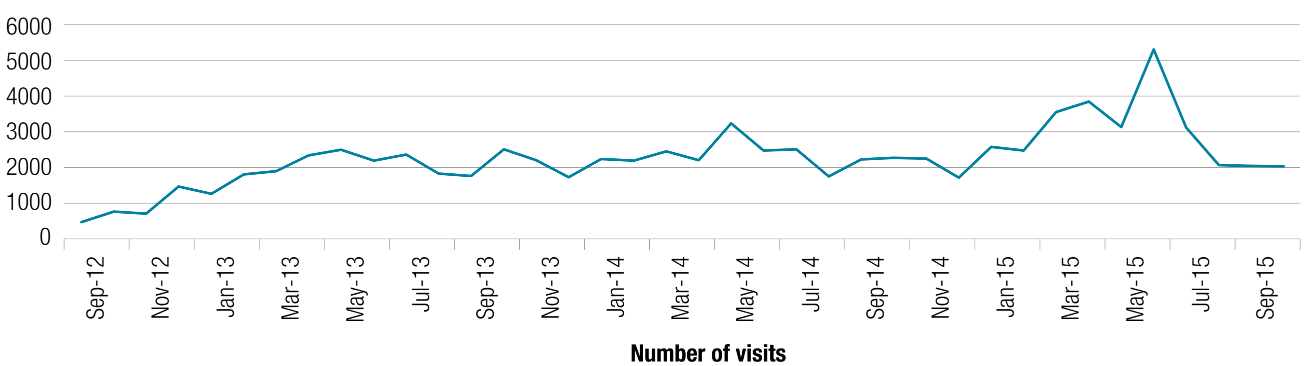
Conclusions and Implications

Small enterprises within agriculture value chains in developing countries consistently describe a lack of finance as a key constraint. Small farmers alone are reported to need around US$450 billion in working capital and investment finance each year, yet only a fraction actually reaches them. Given their capacity for productivity growth, smallholders are likely to become a more vital component of global markets, as a growing population will likely demand 50 percent more food by 2050.

As such, the incentives to invest in agriculture finance knowledge exist and are likely to grow more robust. AgriFin's experience suggests that commercial financial institutions are willing to experiment with sustainable solutions to these common constraints but are stymied by the high costs of innovation relative to uncertain outcomes.

Some pioneering banks are successfully experimenting with better ways to lend to smaller-scale producers, processors, traders, and marketers across different agriculture value chains. By tapping these innovators, building on their knowledge, and making it accessible through materials and network events,

FIGURE 1: Early Growth and Steady Pace of Visits to agrifin.org



AgriFin has uncovered significant demand for experience-based information about how to profitably lend to small-scale agriculture.

AgriFin provides a one-stop-shop for technical materials related to agriculture finance modalities, ensuring the materials are presented in a simple and clear manner, and making these freely available. The materials are highly technical and as such usable. This has resulted in a dramatic rise in the number of users accessing AgriFin materials on a month-by-month basis. However, AgriFin has only touched a relatively small cohort of bankers in developing countries, suggesting that further significant growth is possible.

Lesson 2.2 Banks are Willing to Share Knowledge

Summary and Lessons Learned

Knowledgeable professionals need to be recruited to a network to enable sharing of best practices. AgriFin established a knowledge and network program when it realized that there was significant demand from bankers in emerging markets for practical information and resources around agriculture lending. Little information was available in formats bankers could use to build their agriculture lending expertise, as few banking institutes or training centers offered courses in agriculture lending. AgriFin understood that agriculture lending knowledge and expertise primarily exists within individual banks, and that this knowledge can be leveraged to help other banks build their capacity. The challenge lay in convincing commercial banks to share proprietary information with other financial institutions. However, initial successes in having bankers share practical and often highly operational information showed tangible benefits for the sharing institutions as well.

Absorbing this lesson, AgriFin refocused its knowledge management strategy to promote knowledge exchange around agriculture lending business models across a wide network of interested financial institutions. It moved quickly to establish a global network of agricultural bankers to facilitate knowledge sharing and sourced and curated relevant information and materials from bankers to share through this network and other channels. AgriFin also organized webinars, study tours, conferences, and training events so as to foster peer-to-peer exchange and encourage networking, and went on to build an enhanced, online platform within its website to house resources and support the development of the global network.

AgriFin sustained a close focus on its core mission of catalyzing peer learning for bankers. AgriFin gave priority attendance at its conferences to practitioners, banking associations, and advisory firms. To ensure quality and relevance of the meetings, AgriFin had a guiding principle that at least 70 percent of the attendees should be practitioners. AgriFin also strived to match its study tours to the needs of attending bankers. For example, its last study tour was hosted in India through a bank with deep experience in value chain financing. AgriFin gave priority to members who were piloting new value chain financing models in their own markets.

AgriFin sought to ensure that knowledge exchange was conducted in formats most suitable and practical for banks, even though this sometimes required encouraging contributors to provide more operational detail that would allow others to implement similar practices.

Benefits of knowledge sharing include networking and the refining of agriculture lending practices. Practitioners prefer practical knowledge that is developed and delivered by other practitioners. This kind of content is the most well received at knowledge events, and both survey results and web traffic are further evidence of its appeal. This approach allows for continual learning; not a one-shot approach to technical assistance or training. The progression of learning allows participants to try new products and methods and return to contribute and gain greater insight and guidance. Practitioners gain access to one another and engage regularly.

In implementing its knowledge strategy, AgriFin learned many lessons about the motivations and incentives of bankers to share information, even of a proprietary nature, with a wider community, such as:

1. Practitioners are willing to share their agriculture lending procedures and practices among peers as they value the access it provides to other similar financial institutions. Few other opportunities exist for mid- to senior-level bankers to engage on the specificities of agriculture finance at this level.

   "It became a two-way process in terms of what I had to learn and what I had to share. When you share your practices, intelligent questions get asked; there is valuable reflection."

   "AgriFin has published several notes and I gave a webinar about our bank. You don't want to give all the information, but the spirit was to learn about each other. With some detailed figures, we are careful. We get a lot out of the exchange. To get new ideas and see how things are working somewhere else."

2. Sharing and answering questions from other practitioners is an effective way to learn and improve their practices. Staff at commercial institutions who share with AgriFin's network through webinars, literature, or live presentations go through a process of systematically reviewing, refining, and crystallizing their own strategies and methods. Ultimately, financial institutions are willing to invest staff time to prepare and present knowledge materials through AgriFin as it enhances their profitability through different channels.

   "Each time I present our value chain financing model during an AgriFin boot camp, I see areas where we can improve our approach. In the end, this has helped us contain costs and operate more efficiently."

3. Institutions that enable staff to engage with other professionals internationally see significant benefits in terms of human resource development. In addition:

   "There is no question that any of our staff that engages in this kind of work greatly benefits. They feel enriched, have sharper skills, and gain a better appreciation for their own work. It creates happier employees, with better job satisfaction. These rewards to the individual ultimately are reaped by institution as well."

   "I've enjoyed so much the opportunity to present our credit scoring model during the Forum. For me it was a new and exhilarating experience to present to my peers. I've never had such an opportunity to do this before. Thank you."

4. AgriFin found that banks are willing to share and exchange with others in the same country or market, especially where there is little competition for agriculture finance.

   "We're not worried about competitors; we remain the first [non-bank financial institution] in the country devoted exclusively to agriculture. We have a very unique model.

MAIN POINTS

- AgriFin's knowledge and network program has shown great promise, thanks to its recruiting of knowledgeable bank professionals with success in lending to agriculture, specifically by having them share their agriculture lending business practices and lessons with their peers through face-to-face events or online
- The network's experience to date has shown that bank staff are willing to share operational knowledge—even proprietary information—with other mid- and senior-level bankers in the belief that the benefits of engaging in such a network outweigh the risks
- Advantages provided to banks that share include the opportunity to network with other finance professionals working in this field, as well as the benefits to the bottom line that can come from reviewing and revising lending models targeting this sector

It is nice to exchange with others engaged in the same line of business, and learning how they dealt with challenges we all face."

"Agricultural financing is a non-conventional business that bankers shy away from so the competition is very low. That said, we have very few opportunities to exchange with peers in our industry. AgriFin affords us that opportunity but on a global scale."

5. AgriFin learned that banks and bank associations in developed markets are willing to share their knowledge and expertise. They value the engagement as it demonstrates concrete actions in corporate social responsibility, which in the end impacts their bottom line. Rabobank, Wells Fargo, Barclays, and the American Bankers Association have contributed to AgriFin's organized events, training, and content. Additionally, an American Bankers Association representative volunteered time to become an active member of AgriFin's steering committee.

Conclusions and Implications

Building a global network of agricultural bankers and motivating them to contribute on a regular basis is challenging. The lessons described above provide some insights on how banks can be encouraged to contribute their knowledge. AgriFin continues to directly target leading actors in agricultural financing encouraging them to share content with the wider network.

In addition to keeping the network relevant continuous effort is required to recruit new actors to provide new material. As such AgriFin continues to recruit new members so they can share their know-how, and as the network grows this serves to attract additional members, who also contribute their knowledge. This creates a virtuous cycle of attracting new members who in turn contribute, increasing the volume and value of knowledge. Additionally, AgriFin should further explore mechanisms to increase interaction and sharing among existing members, both through virtual and face-to-face channels.

Lesson 2.3 Knowledge Sharing is Driven by Individuals, Not Institutions

Summary and Lessons Learned

Key influencers are critical in transforming knowledge exchange into meaningful action. AgriFin created its "Knowledge and Network" (K&N) program believing that banks wishing to lend to agriculture for the first time, or wishing to expand on their existing agriculture lending activities, are best able to learn about innovative approaches and best practices from banks already successfully lending to the sector. This premise stemmed from lessons that emerged during the implementation of the 10 AgriFin partner projects, which aimed at expanding the agriculture lending of the relevant institutions. These projects identified the inherent challenges of relying solely on technical advisors or consultancy firms for implementing new products and services; they were perceived to be too expensive, time-consuming and labor-intensive, and often unable to secure and maintain the support of senior bank management. By contrast, peer learning, which AgriFin facilitated initially through study tour programs, allowed bank staff to learn from others already lending sustainably to agriculture and to share this knowledge with senior management to secure its buy-in to facilitate more rapid and less costly adoption of these lessons.

Accordingly, AgriFin's K&N work has focused on encouraging banks, MFIs, non-bank financial institutions, and others to share their experiences in agriculture lending with the wider AgriFin network so that others can see how they have developed appropriate products, services, and programs. Success in this regard obviously requires enlisting financial institutions that are successfully lending to agriculture and that are willing to share their information with the wider network. This note explains what lessons emerged from its experience with this K&N approach, in particular identifying and supporting those individuals within a financial institution who are responsible for the decision to share its knowledge and experience with others, and understanding their motivation for doing so. This learning is critical both for expanding the AgriFin network (which is fully reliant on ensuring continued and growing knowledge sharing by financial institutions with their peers) and for any other network aiming to utilize peer-to-peer sharing as part of its strategy.

Wide interest in knowledge sharing, driven by an enthusiastic core of advocates, is key. As it established its K&N program, AgriFin quickly learned two key points: a large number of financial institutions were willing to share data with a wider network, and this attitude was usually most prevalent among mid-level staff—rather than senior managers—who either worked in agriculture finance or had a strong interest in this field. They effectively became the advocates within their organization for sharing this information, and they worked diligently to win management approval to engage in knowledge exchange. Discussions with such key influencers quickly demonstrated that they often had to push senior management to agree to share such knowledge, given concerns about potentially eroding a competitive edge. It was encouraging to learn, particularly in terms of growing a peer-to-peer network that these individuals were willing to take on these additional challenges and commit time and effort to secure internal support and collate and provide the information, delivering it online or in person.

A second lesson about key influencers was their continued involvement on an ongoing basis, and the fact that a subset of these influencers actually became serial contributors, providing frequent updates for sharing with the wider network. In the majority of cases, financial institutions that participated in an initial knowledge exchange went on to share at least one further set of information or to participate in additional events with the network. And in a smaller number of cases, the institution went on to share many more sets of information and/or participate in additional events with the network. This demonstrates that once they have joined the network, a number of actors continue to participate and share more widely, and a smaller subset go even further in their participation. In many cases the actors that share information and materials share multiple items over a continued period of time.

While there is no expectation for every network participant to share information, a peer learning network clearly needs sharing by a sufficient proportion of the network to be viable, and this exchange should remain stable (in percentage terms) as the network grows. If the proportion of network members providing content dwindles, the network fails: institutions that are sharing will start to believe that they are sharing without reciprocity and will likely exhaust their knowledge and innovations. As such it is critical for AgriFin not just to acknowledge this as a potential issue but to understand how sharing occurs, so as to facilitate and support the process.

Participants cite meaningfulness and career benefits as incentives for them to share. As noted, individuals have provided the content, interactions, word-of-mouth, and dynamism that have propelled the AgriFin knowledge network to nearly 5,000 people over a few short years.

In many ways, AgriFin is capitalizing on what research indicates are universal motivators for people in their work life: believing that what they do matters, and using their cognitive and creative faculties to solve problems.[1] As one regular AgriFin participant said, speaking of his institution's willingness to mentor staff at another institution in the AgriFin network:

> *"I am very positively inclined to lend a hand. We've had similar experiences and feel empathy; we have gone through the phases and can share our experience and help them. Beyond the 9 to 5 work we do, this [collaboration] is the 'plus' that makes me feel good."*

Participants are also drawn to opportunities to learn and meet people with different experiences.

> *"Getting that exposure, meeting people, really adds value to your knowledge. I wouldn't even know that the American Bankers Association national conference was going on, let alone have gone to the US to meet those rural bankers personally."*

The individual members that drive AgriFin's knowledge network are not only motivated by the opportunity to engage with a global network or by altruistic factors. AgriFin empowers participants with information they need to do their jobs better. As an AgriFin member who participated and presented at several events noted:

> *"Professionally you are able to learn, execute, get results for your institution; these good results help you grow in your career, keeps you ahead of the game in terms of knowhow…I wouldn't participate if there wasn't a solid business case for it."*

The knowledge network must be strengthened and broadened through support and recruitment. Merely receiving information holds little value unless AgriFin can identify how this learning can support the expansion of the network, and grow and maintain shared resources. Bearing in mind the lessons learned to date, the AgriFin team is focusing on the following priorities:

MAIN POINTS

- Knowledge sharing among financial institutions is not a top-down affair; it hinges on the engagement of key mid-level management and staff who become influencers and advocates for new ideas within their institutions, and across the field more broadly
- For knowledge sharing and networking to be effective in promoting organizational change, networks like AgriFin need to identify key influencers and understand how best to support them in exchanging information

- Identify key influencers—those participants who regularly contribute—and build a relationship with the goal of encouraging them to maintain their activities.
- Encourage and support key influencers- offer to contact senior people within their organization to explain the role of the network and request continued support.
- Recruit potential key influencers by providing a mechanism for engaged actors to bring their colleagues (both internal and wider) into the network to contribute to the discussion. This may also include targeting other professional channels they utilize, including banking associations and other networks.

Conclusions and Implications

AgriFin has provided a spark that ignites the professional passions of practitioners by tapping into a range of incentives that motivate individuals to participate. These individuals drive the network by contributing content, engaging in online and offline discussions, and advocating among their colleagues to expand the reach of AgriFin. These individuals are critical in both maintaining network dynamism—through the provision of new materials—and in motivating others to share and contribute by leading through example.

[1] See, for example: http://guides.wsj.com/management/managing-your-people/how-to-motivate-employees/ and http://www.forbes.com/sites/kensundheim/2013/11/26/what-really-motivates-employees/

Network management needs to identify and manage these key influencers, providing continued support to nurture their continued engagement.

Lesson 2.4 Senior Management Support is Critical for Effecting Change

Summary and Lessons Learned

Knowledge dissemination is only impactful when senior management provide support. The AgriFin K&N program has had significant success in building a network of professionals at financial institutions in developing countries who have an interest in expanding the reach of services to agriculture clients. AgriFin saw its membership grow by more 1,000 in its first year and more than 5,000 individuals now participate in the network through subscription to newsletters and updates. The AgriFin.org website garners over 30,000 unique visitors a year who access a wide range of practical, technical information in support of agriculture finance. Given this evolution, AgriFin can confidently claim to be meeting its goal of promoting the expansion of agriculture finance in developing countries through a knowledge exchange among financial institutions. The network has tapped those institutions that are lending to agriculture using effective and often innovative products, processes, and procedures and encouraged them to share their expertise with other interested and motivated institutions.

While satisfied with the growing reach and utilization of its K&N program, and with the increasing range of quality resources it has made available, AgriFin understands the need to determine the further impacts of this knowledge exchange. In particular, it should seek to show how many organizations that access materials and knowledge via the network subsequently use these resources to develop new products and services for agriculture clients and grow their agriculture lending portfolios. This knowledge can itself aid those staff at financial institutions who want to secure management support for their own efforts in expanding agriculture finance.

This note focuses upon a key lesson related to implementing change in financial institutions identified through discussions with network participants and members. AgriFin found that the staff at financial institutions who accessed AgriFin resources—whether online or at AgriFin events—often faced significant challenges in convincing their own managers and senior executives of the potential opportunities this information presented.

Staff enthusiasm for change is no guarantee of senior management buy-in. AgriFin has a large and growing membership and participant network, comprising a diverse group of actors by both institution type and level of seniority. Around half of members and network participants come from financial institutions, including public and private sector banks, MFIs, financial cooperatives, and credit unions. Members and participants range from credit officers working with agricultural borrowers to chief executives of large banks. The majority of active members are middle or senior management, often with an existing interest in agriculture finance and a desire to grow this business line, based on a belief that it would benefit both their institution and clients in the farming sector. However, their enthusiasm and access to relevant knowledge are not enough to guarantee that senior management will share their view on the potential in expanding agriculture lending. Even senior management can struggle to effect change when experiencing reluctance from other members of their executive committees.

Those that have succeeded in catalyzing change have generally had very strong relationships with the most senior management at their organizations and often a positive and direct relationship with a key institutional leader, such as the chief executive. In short, knowledge exchange alone is not sufficient to guarantee increased lending to agriculture at banks and other financial institutions and more attention should be given to organizational decision making to assist AgriFin members and participants in driving change.

AgriFin's own experience in promoting agriculture lending at 10 project partner banks by providing technical assistance and grant resources confirmed the challenge in securing senior management support. Analysis showed that senior management needed additional information to understand the potential benefits of expanding agriculture lending and that, without this, the work of the K&N program would not generate the desired impact.

To test how management support for expanding agricultural financing can be secured, AgriFin developed a pilot initiative—the Agricultural Banking Program—that, among other things, set out to generate senior management buy-in and to clarify the additional impact that might be generated by proactively securing senior management support.

Box 1: AgriFin Agricultural Banking Program Spurs Rapid New Ag Lending

AgriFin developed the Agricultural Banking Program (ABP) to pilot an alternative approach premised on intensive peer-to-peer knowledge transfer. The ABP relied exclusively on volunteer bankers from around the world to deliver training to participating banks. One critical aspect of the program was to secure senior management support for expansion of agriculture lending after completion of the training component. Senior management were brought into the program through a dedicated workshop in which other senior bank leaders shared their experiences of lending to the agriculture sector. The results of the ABP pilot have been promising, with six of the seven participating banks either launching, or in the process of launching, new agricultural value chain financing products within six months of participating in the program. As such, the pilot clearly demonstrated the potential for knowledge exchange to deliver real growth in agriculture finance when supported by early and effective engagement of senior management.

MAIN POINTS

- The AgriFin K&N program grew quickly and has delivered a range of practical materials in support of agriculture finance to more than 5,000 network participants
- Experience has shown that this knowledge exchange can promote rapid and sizeable growth in agriculture lending, but only once a bank's senior management has been informed and has thrown its support behind such an expansion
- AgriFin is looking at ways to help mobilize senior management engagement & support

Conclusions and Implications

The challenge for AgriFin's K&N program now is to help network members and participants secure management support to generate this kind of impact. A few ideas that will be tested by the network, based upon experience to date, include the distribution of short and compelling documented evidence as to the sustainability and profitability of lending to the agriculture sector. If senior management receives credible evidence as to the value of investing in an expansion into agriculture lending, it is more likely to support such a step.

AgriFin needs to identify a mechanism for reaching the most senior levels of financial institutions so that it can share insights and knowledge related to agriculture finance directly. One promising avenue is to work with national and regional banking associations to share this kind of information with the leadership of banks.

AgriFin needs to work directly with senior leadership from member banks, so that they might share their experiences of expanding into agriculture finance with the leadership of other banks. Tremendous potential exists to expand agriculture financing if AgriFin and its K&N participants deliver meaningful information to the right managers at financial institutions who have the capacity and authority to transform this knowledge into change.

Lesson 2.5 Calculating Impact from Knowledge Dissemination is Challenging

Summary and Lessons Learned

Utilization rates for AgriFin online and its face-to-face resources have grown rapidly. To date AgriFin's Knowledge and Network (K&N) program has been highly successful in encouraging agriculture finance practitioners to share their innovative products, processes, and procedures with other banks and institutions eager to learn how to expand their agriculture lending. The materials shared are sourced almost exclusively from private sector financial institutions in developing countries and are highly technical, enabling other lending institutions to understand clearly the mechanisms, processes, and procedures required to emulate those who have grown and succeeded in their agriculture lending. In short, AgriFin has ensured a strong supply of material and resources to share within the network.

On the demand side, the number of attendees at AgriFin events has climbed significantly over the life of the K&N program, matched by growth in the ranks of network members and participants (non-members who use AgriFin's online resources) visiting the website to access and download knowledge products. The significant and continuing demand for the range of knowledge on offer through AgriFin is clearly evident, with all face-to-face events (conferences, study tours, and boot camps) heavily over-subscribed and with continued growth in the number of attendees joining online events (webinars). Similarly, downloads of technical materials from AgriFin's online library numbered in the tens of thousands in the past year. Utilization rates continue to grow along with the number of events and online materials.

Showcasing the impact of knowledge exchange remains a challenge. Despite this growth in user activity, AgriFin has so far been unable to accurately and fully assess the impact of its knowledge exchange activities on the operations of its members and participants. This presents obvious problems as AgriFin seeks to understand and maximize its impact as a knowledge network: it cannot determine which technical materials, events, and delivery channels have the greatest impact in terms of generating new lending for agricultural actors in developing countries. This also hampers AgriFin's ability to report on the impact of its work to the development and donor communities, this could deter donors and development partners who are less likely to invest in a program that cannot evidence full impact.

Despite the absence of clear evidence and causality on the ultimate return on investment for AgriFin K&N activities, some success has been made in capturing data on impact from the K&N activities. Specifically, the annual AgriFin K&N survey yields useful information from network participants about their perceptions of utilization (although not actual figures relating to exact amounts of new lending and new clients). Additionally, feedback from face-to-face AgriFin events yield more detailed data due to the stronger relationships between participants and the AgriFin team and the nature of post-event assessments. For example, following the AgriFin Boot Camp in Johannesburg, participants were asked about their progress on developing and implementing new value chain lending programs and six of the seven banks provided relevant data. For other events, such as study tours and conferences, surveys yielded high ratings for usefulness (92 percent were rated useful or extremely useful), as well as for anticipated utilization and implementation on return to office (83 percent reported action on utilization). However, questions remain as to the return on investment for other online knowledge products and activities. Evidence from AgriFin's annual survey suggests that 60 percent of respondents claimed to have implemented new lending programs as a result of the materials. However, no detailed breakdown is available on the scope of the work catalyzed by the online information or the impact that resulted.

Data collection efforts are limited by concerns for confidentiality. It must be recognized that the institutions accessing AgriFin materials are private sector commercial banks and financial institutions that may be reluctant to share information about their strategic activities and results. In addition data, on impact is more challenging to collect due to the open nature of the AgriFin network, which offers materials freely and publicly to any interested parties, and as such does not require a commitment from users to share their experiences of utilizing the data. In addition, even if data on loan volumes was available, there is a question of causality: understanding whether and how much the access to knowledge was responsible for any new lending activities.

Conclusions and Implications

Some significant opportunities exist to gather data on impact from K&N activities, both for in-person activities and, most importantly, from online services. AgriFin needs to access expert advice and direction from K&N professionals who have knowledge and expertise in building and capturing impact data. More sophisticated survey instruments could generate more specific data, including client numbers and volumes of lending, while a range of survey tools could attract a larger volume of inputs from the growing network. The AgriFin team could refine its social network feedback tools to ask for data from those participating in discussions and forums. Even so, data on impact will always be somewhat imperfect and work is required to identify alternate indicators that could direct AgriFin to invest in those areas with the greatest promise for results.

MAIN POINTS

- The AgriFin Knowledge and Network program has attracted members and participants through its range of online materials and in-person events that together deliver a wealth of practical knowledge to those seeking to break into or expand lending to the agriculture sector
- The actual impact (new lending especially) of the knowledge shared is very difficult to calculate
- AgriFin needs to focus more attention on measuring and evaluating the impact of its knowledge exchange activities to further cement its value to stakeholders and donors more broadly, perhaps tapping networking experts to develop more sophisticated tools and techniques for gathering results data

Lesson 2.6 AgriFin's Unique Global Network Offers Practical Information

Summary and Lessons Learned

AgriFin's K&N program and its technical assistance projects have targeted the "how" aspect of lending to agriculture. This is the same rationale found in a number of initiatives to expand bank capacity for agriculture finance, including the Institute of Smallholder Finance, the Food and Agriculture Organization's (FAO) Rural Finance Learning Centre, and AgriLinks (Finance) at the U.S. Agency for International Development (USAID). All seek to bridge the knowledge gap by providing institutions with information and knowhow required to lend to the agriculture sector and so increase the flow of finance to agriculture in developing countries.

Going beyond applied research to gather and share practical solutions from peers is essential. AgriFin is focused almost exclusively on sharing technical information from peers, whereas other programs are often focused on applied research related to agriculture finance. Both are useful but the approaches vary. AgriFin's proposition is that a shortage of technical 'knowhow' among lending institutions poses a major constraint for financiers expanding their lending services to agriculture clients; as such, a prerequisite for expanding lending is to build technical understanding. AgriFin has spent a significant amount of time, effort, and resources securing technical information on lending to agriculture so that it may be shared with institutions that can best utilize it. This has led to hundreds of technical materials, presentations, documents, and research being collated and disseminated both online and at events. Knowledge has been gathered from banks and non-bank financial institutions that are already lending to agriculture so as to share their innovative and tested mechanisms for lending to agriculture clients, including processes, procedures, products, and practices.

AgriFin emphasizes technical knowledge to guide and drive lending growth. Since establishing its K&N program, AgriFin has strived to ensure that the materials it shares—whether online (including lending manuals, operational process guides, due diligence or credit risk assessment scorecards, etc.) or at its events—are of a highly technical nature; i.e., knowledge related to agriculture lending that includes specifics on product features and designs, detailed process flows and procedures, and marketing and delivery channels. The aim is to ensure that AgriFin moves beyond raising awareness of opportunities to actually providing technical materials that motivated institutions might utilize.

This approach was borne out of identification that banks relying on broad or general information were less likely to actually boost lending to agriculture if they subsequently had to undertake the vast majority of design of products and services themselves. As such, AgriFin seeks to go beyond generating and sharing opportunities for expanding lending to agriculture and provide elements of the technical material required for actual implementation.

Multiple communication channels complement the range of material and ensure broad reach. AgriFin has developed and utilized a range of channels for delivering knowledge and services. Face-to-face channels include study tours, conferences, panels (including webinars), and workshops. AgriFin uses its website to post research, manuals, videos, webinar recordings, and online training platforms. This is a full multi-channel approach that is aimed at maximizing both reach and impact. An individual or a financial institution that finds AgriFin via one of its channels is often likely to access additional AgriFin material through another of the channels. The channels also complement each other by offering a range of materials at a range of levels. Those that get value from the webinars may subsequently use the online library to find technical materials related to the webinar topic and might then participate in a study tour to deepen their knowledge. As such, this range of channels enables AgriFin to share more comprehensive information with relevant and targeted audiences.

AgriFin's global reach allows financial institutions to access solutions from beyond their borders. AgriFin is a global program with thousands of network participants from over 160 countries. As such, its K&N program boasts a large participant base with an incredibly broad range of experience, and lessons from one region can often catalyze innovations in another, greatly expanding the pool of possible solutions well beyond national and regional borders. AgriFin's members and participants have been attracted by the value of its new materials, which are themselves a reflection of the strength and dynamism of the network. Those initially attracted to AgriFin by the range and practicality of its products often take a further step by contributing material themselves, ensuring a steady flow of knowledge that will in turn inspire others to participate.

Conclusions and Implications

Measuring the impact of K&N programs in terms of impacts is difficult but AgriFin's members and participants report positive results in their efforts to expand agriculture lending thanks at least in part to the rich, detailed, and unique information it provides through its range of channels.

AgriFin's particular K&N model, based on peer exchange of actionable business intelligence through multiple channels, essentially augments the broader, more generalized material available elsewhere from local or international agencies. As such, the value of the material and its ease of access is attracting yet more participants and members to AgriFin's K&N program, further enriching it and adding to its value as a resource for those seeking to lend—sustainability and profitably—to the large and largely untapped smallholder farming sector.

Lesson 2.7 Online Platforms Can be Leveraged to Maximize Knowledge Sharing

Summary and Lessons Learned

AgriFin's online platform augments traditional networking to spur membership. In just 2–3 years, AgriFin has created a large global knowledge network for sharing best practices around agriculture finance, thanks largely to the immediacy and reach of the Internet. The network's rapid growth (over 4,700 individuals on LISTSERV) in a short time indicates the massive potential of the Internet to recruit other individuals and institutions involved in agriculture finance, thereby increasing the overall value and potential impact of the network globally.

Internet outreach is cost-effective. For a little less than US$50,000, AgriFin developed a knowledge platform to share information and drive membership. This platform allowed AgriFin to regularly reach thousands of practitioners through newsletters, webinars, surveys, and the sharing of peer-sourced technical material, ensuring impact as well as broad reach.

Online outreach is essential, but it has been shown that it must establish its roots in traditional networking. AgriFin began its K&N program or initiative by promoting its activities to individuals actively engaged in agriculture finance, with the aim of encouraging them to support the concept of knowledge sharing with their peers. This exchange takes place through AgriFin's online platform and at face-to-face events, including forums and study tours, and more recently in trainings. Using the World Bank Group's global network of finance professionals, AgriFin was able to quickly recruit several leading bankers to contribute materials and make presentations on their agriculture finance practices. These early contributors backed AgriFin's promotional efforts to enlist others to the network; in

MAIN POINTS

- Rather than simply generating applied research, AgriFin's approach to knowledge exchange is characterized by its emphasis on gathering and sharing technically detailed, practical information, drawn from its members
- This approach was drawn from the lesson that financial institutions are more likely to act on detailed information than on more generic learning
- AgriFin complements its diverse range of detailed knowledge products by using multiple communications channels, including online platforms and in-person events
- Thanks to the scope and strength of its network of thousands of participants in over 160 countries, AgriFin can offer solutions from many parts of the world that can be tailored to local conditions

MAIN POINTS

- AgriFin has developed an online platform that has proven itself as a cost-effective means to share quality, peer-sourced technical material on agriculture finance, leading to rapid growth in AgriFin's membership base
- Drawing on the experience and enthusiasm of network members, AgriFin has augmented its in-person knowledge and networking events with a range of online tools and resources, from in-depth manuals through to "bite-sized" informational videos on essential components of agriculture finance
- The combination of compelling content and multiple delivery options has attracted more than 2,000 visits a month, on average, to the AgriFin site, and spurred over 1,600 downloads per month
- AgriFin will explore online social networking, among other options, as it seeks to extend the success of its web-based outreach and knowledge sharing in the most cost-effective ways

two years, AgriFin built a practitioner's network of 4,700 individuals from a range of banks, bankers associations, central banks, advisory firms, and agribusinesses.

In addition to initial volunteer contributions by individuals, mainly via webinar presentations, AgriFin proactively sought out technical materials for dissemination through the knowledge platform. For example, USAID disseminated its newly developed agriculture lending toolkit. The American Bankers Association provided material from its archives, including agriculture lending tools in use for more than six decades. Other material came freely from private institutions that embraced the spirit of peer-to-peer learning and south-south exchange. In many cases, AgriFin reshaped documents to make them more accessible and practical for the target audience of bankers in developing and emerging markets. Additional agriculture lending material was generated by AgriFin's 10 technical assistance projects with financial institutions in Africa and Asia. The outputs from these projects resulted in over 100 new lending resources, including product sheets, credit assessments and lending guides, training modules, and technical manuals regarding specific crops.

AgriFin worked with leading banks to identify and address priority knowledge gaps. For example, AgriFin created an agriculture finance video series covering 15 key topics for lenders. In addition, AgriFin worked with three banks to develop an agriculture value chain financing toolkit for other bankers interested in employing a value chain approach.

An online platform offers value in material delivery, but wider promotion is still needed. AgriFin's reach has grown beyond banks alone through its online activities. As the peer network has grown and the material available through the online library has similarly expanded, AgriFin has broadened its targeting beyond financial institutions to reach agribusinesses, technical assistance firms, donors, NGOs, researchers, and many other parties interested in agriculture finance.

The quality and practicality of the online material is compelling, as revealed by website traffic data, as well as the growing number of AgriFin members. Currently, AgriFin receives over 2,000 unique visits per month on average. Returning visitors represent 41 percent of the more than 37,000 total website visits, and visitors download technical materials from the site at a rate of roughly 1,600 per month. Of the 4,700 members in the AgriFin LISTSERV, roughly 1,200 individuals have opted to receive advanced copies of new materials.

While face-to-face events have a higher rate of subsequent implementation, Internet delivery of technical information arguably represents a much better value. AgriFin has delivered materials to 30,000 unique individuals from well over 1,000 financial institutions at the same cost of providing technical assistance via a consultancy firm to a single bank. Through user surveys, AgriFin found that members accessing information online (e.g., via webinars or the resource library) made changes in their agriculture finance practices:

> *"Through engagement with AgriFin resources, we were able to work with a food processing company that was interested in establishing a tomato processing factory. With a deeper understanding of value chain finance, the bank developed a strategy to eliminate non-performing loan rates, reduce resources needed to distribute more loans, and improve financial inclusion strategy and access to finance."*

Quality information drives online traffic and downloads. However, website promotion is essential to raise its profile beyond initial users, requiring use of a variety of media to generate interest and maximize dissemination. Both live and recorded webinars have been effective, and "bite-sized" content, such as agriculture lending video clips that can be accessed through smart devices, have helped AgriFin expand its reach beyond traditional channels.

Conclusions and Implications

A positive reinforcement effect occurs with an online network. As more information is shared, more people become interested in the network and become members. A rising membership ensures that more institutions and individuals share information, thereby attracting more members and so on in a virtuous circle. To build further on the advantages of web-based knowledge exchange as outlined here, AgriFin should explore the opportunities for promoting peer-to-peer sharing through online social networking. More work and research are needed into the most effective means and capabilities possible for using such an approach.

Significant potential exists to use online tools to enhance or broaden the reach of in-person activities. For example, AgriFin could make its Agricultural Banking Program available online as a cost-effective, impactful means to transfer knowledge and capacity at scale. The initial cost in developing an online bank training course (particularly in hiring an appropriately experienced third-party training firm) would be significant, but the per unit cost of such training to participating banks would decrease over time.

As with many of the other lessons that have emerged, AgriFin should continue to examine best practices as it seeks to develop online knowledge sharing through peer groups. Study into new approaches and lessons would help AgriFin improve its online presence and its interactive delivery of knowledge and training. In the end, this would greatly enhance the membership experience, value, and reach of the AgriFin network.

Lesson 2.8 AgriFin's Initial Promise Suggests a Path to a Viable Future

Summary and Lessons Learned

The emergence and evolution of AgriFin as a peer-based knowledge exchange is informative. The

AgriFin K&N program evolved iteratively, starting life as a means primarily of sharing results and lessons from AgriFin partner projects, both with peer institutions focused on providing financial services to agriculture clients, and to a broader audience beyond this core. Experience has shown that peer institutions embraced this opportunity to learn from each other and discovered real value in the activities and knowledge shared by the AgriFin network, with some citing tangible impacts on their lending operations. Many also valued the opportunity to share their knowledge and experiences with the rest of the network. This initial success raises inevitable and obvious questions about its evolution and ongoing sustainability. It will soon be time to address the future of the AgriFin network. At the very least, its nascent and growing membership will need a voice to express its views and interests.

To date, the direction of this donor-funded network has been determined by the World Bank team (within the Agricultural Global Practice) managing the AgriFin program and the AgriFin Steering Committee, which comprises the program donor and other actors with relevant experience. Decisions taken regarding services, delivery channels, reports, and events are ultimately at the discretion of the AgriFin team under the guidance of the Steering Committee and the donor. Going forward, it should be determined if a better means exists for directing a network that has both an active membership and a growing number of participants, whether network members should "own" or direct its activities, and indeed what value this would add and how this approach might work. If banking associations are used as a model, these are most often controlled by their members, who pay annual dues and have the right to elect their leadership and provide direction on activities and focus.

At the present time, no mechanism is in place for the AgriFin network to select a management team or to formally recommend services and deliverables. That said, the AgriFin team has often spoken informally with members and participants about their needs and its annual survey gathers inputs that have been used to direct its operations. However, the present structure puts control and direction with the AgriFin team and the AgriFin Steering Committee. This is also arguably a response to the network's financing, which is currently derived from donors rather than the membership or network participants.

A hybrid donor/membership fee model might be appropriate while building a track record. To date, the donor has met all costs of the AgriFin network; AgriFin has not levied any fees on network members and participants for its services and materials. This support enabled AgriFin to generate a significant amount of interest from banks and non-bank financial institutions through well-attended events and popular written materials that together have helped spur dramatic increases in agriculture lending and a broader array of loan products. In this sense, the donor financing has been money well spent. The question now is whether it might be feasible for AgriFin to charge fees to cover the costs of its activities and materials.
To date, no detailed analysis has assessed the willingness of network participants to pay, although the AgriFin team believes scope exists to charge based on the perceived value in its work as reported by users. Even so, it is likely that donor or third-party financial support would be required for several years to ensure financial sustainability, even with a move to a fee-based structure. The membership base would need to grow significantly before costs could be met through a fee-based structure, and it would be prohibitively expensive to use a hybrid model that recouped costs from only a subset of the membership.

The imposition of membership fees might deter new members and hamper the move to financial sustainability. Accordingly, AgriFin suggests that a fee-based membership approach could be introduced within five years. Charging US$100 across 5,000 members would cover a significant share of the online services and management costs of the network. Additional charges could be proposed for high-value events, particularly the AgriFin boot camps, study tours, and annual forums. Further work and analysis, utilizing the experiences of other networks and associations, is required to design an appropriate path to financial sustainability, and avoid pitfalls that may reduce the growth and impact of the network.

Conclusions and Implications

AgriFin's success hinges upon recruiting actors (both individuals and institutions) to participate in a network whose value is derived from peer knowledge exchange. At this stage, the focus is on proving the AgriFin concept and showing the impact and potential of its network, rather than on establishing financial sustainability, as it is essential to build membership and a track record of success. When membership has grown to a sufficient scale—as reflected not only in the number of participants but also the dynamism of their activity within the network—it will be time to confront issues of ownership, management, and financial self-sufficiency.

Given the still early stages of the AgriFin concept, there is as yet little hard evidence to prove its value in fostering the flow of credit and financial services to agriculture. At this stage of its evolution, AgriFin is attracting individuals based on the promise of delivering real value, rather than on its record of results, and it will take time to solidify its activities, market its resources, and gather data in support of its value as a knowledge base.

MAIN POINTS

- AgriFin began as a donor-funded, World Bank-administered knowledge exchange platform to foster growth of financing to the agriculture sector; feedback from members and participants confirms that they have not only valued the resources made available through AgriFin but have seen results in increased lending
- This initial progress suggests a promising outlook for AgriFin but also raises the question as to whether the initiative can become financially self-sufficient and also offer its members a voice in the direction and management of the network
- It is too early to suggest a shift to a fee-based membership structure but such a move might be possible over time

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