



AgriPay - the ZANACO FARMERS' ACCOUNT

A digital banking platform for smallholder farmers

Lusaka, Zambia

August, 2019



AgriFin Program Introduction



- Mercy Corps' AgriFin programming (MCAF) represents **USD 35 million in innovation funding** from the MasterCard Foundation, Bill and Melinda Gates Foundation and the Swiss Development Corporation to support development, testing and scale of digitally-enabled services to more than **3 million smallholders by 2021**
- Our objective is to develop sustainable services that **increase farmer income and productivity by 50%**, with **50% outreach to women and youth**
- MCAF works as an innovation partner with **private sector** scale partners and such as banks, mobile network operators, agribusinesses, as well as **technology innovators and governments** committed to serving smallholders at scale
- We help our partners develop, prototype and scale bundles of **digitally-enabled financial and non-financial services** supporting **partnership development** between market actors that leverage their strengths
- We combine MCAF team expertise with strategic subsidy to jointly implement **iterative, fail-fast engagements** with partners on a cost-share basis, **sharing public learnings** to drive market ecosystem growth
- Since 2012, we have completed more than **150 engagements with over 70 partners**
- **Currently, our work reaches more than 2.8 million smallholders**



AFA introduction & project context

BACKGROUND

- Mercy Corps' AgriFin Accelerate Program (AFA) is a USD 25 million, six-year initiative supported by the Mastercard Foundation to support delivery of digitally-enabled services to more than **1 million smallholder farmers** across **Kenya, Tanzania and Zambia**
- Our objective is to support service development and scale that helps smallholders **increase income and productivity by 50%**, working to ensure **50% outreach to women**

PROGRAM APPROACH

- AgriFin is **leveraging the power, convenience, and prevalence of mobile phones** to help smallholder farmers boost their harvests and incomes
- AgriFin employs **a market facilitation model** to drive scalable, commercial product innovation for SHF with agricultural ecosystem partners who include mobile network operators, financial institutions, service providers, farmer networks, technology innovators, agriculture value chain players, government and other stakeholders.
- AFA works as an innovation partner with **private sectors scale partners** such as banks, mobile network operators, agribusinesses and technology companies committed to serving smallholders at scale
- We help our partners develop, prototype and scale bundles of **digitally-enabled financial and non-financial services**

SCOPE OF ENGAGEMENT

- The **Zambia National Commercial Bank (ZANACO) is the largest bank in Zambia** by customer size and the second largest in assets, with almost one million customers. ZANACO's focus cuts across government, food & agriculture, personal, and SME banking.
- Over the past 2 years, AFA has supported ZANACO to design and develop the **first digital financial services (DFS) product specifically designed for farmers in Zambia**
- This case study highlights learnings from this partnership, over multiple engagements leading up to the launch of the product.

ZANACO: Introduction



- The Zambia National Commercial Bank (ZANACO) is the largest bank in Zambia by customer size and the second largest in assets.
- ZANACO's focus cuts across government, food & agriculture, personal, and SME banking.

>1.1 million customers

184 ATMs nationwide
3,000 POS merchants

68 branches nationwide
3,500+ Xpress agents

- Over the past 2 years, AFA has supported ZANACO to design and develop the **first digital financial services (DFS) product specifically designed for farmers in Zambia**
- This case study highlights learnings from this partnership, over multiple engagements leading up to the launch of the product.

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Executive Summary

AgriPay is a mobile-based platform that provides a holistic customer value proposition for smallholder farmers, including account opening, access to markets, access to agronomic information, and suite of digital financial products

KEY LEARNINGS

The business case for smallholder financing:

- Mitigating the inherent risk in smallholder financing and realizing commercial value of DFS for smallholder farmers **lies in embracing a full value-chain approach** i.e., financing both farmers & buyers, as well as leveraging distributors/aggregator networks to **increase their rural agent footprint**
- There is a strong demand for digital financial solutions, with **goal-oriented savings having a stronger appeal than credit**.
- Although financial institutions see the value in reaching female clients, but may not have the capacity to target them as a standalone customer segment. The go-to-market for the ZANACO Farmers' Account includes **working with women-centric organizations to reach women farmers**

Go-to-market strategies:

- **Trusted & high-touch channels** such as farmer associations and outgrower schemes can play a significant role in drive product uptake e.g., in farmer organising, sensitisation, training and driving general product uptake.
- **Sensitisation is key** to ensure farmers are ready to adopt digital products.
- **Booster teams** can be a cost-effective way to building a digital ecosystem in order to drive use cases for digital financial services

Product design:

- **Customer-centric research** is important to inform the product design process, defining the business case, and selecting the right go-to-market strategy for products targeting smallholder farmers, a segment that is often de-prioritized by commercial entities

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Project background

- Agriculture contributes to only **6.5% of Zambia's GDP**, despite **54%** of the population of Zambia (1.4m households) being full-time smallholder farmers
- Smallholders in Zambia are unable to reach their full potential because they lack **access to credit, markets & information**:



Access to credit

- SHFs lack access to any formal financing in Zambia, relying instead on informal high-cost financing
- High interest rates and collateral requirements remain a challenge



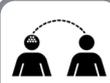
Access to market

- Zambian crop markets are highly influenced by a few, large organisations, e.g., the Food Reserve Agency (FRA)
- SHFs are further inhibited by high transportation costs



Access to quality, timely inputs

- Delays and inconsistencies in the Farmer Input Support Programme (FISP) suppresses farmer yields, leading farmers to recycle expired inputs from previous seasons



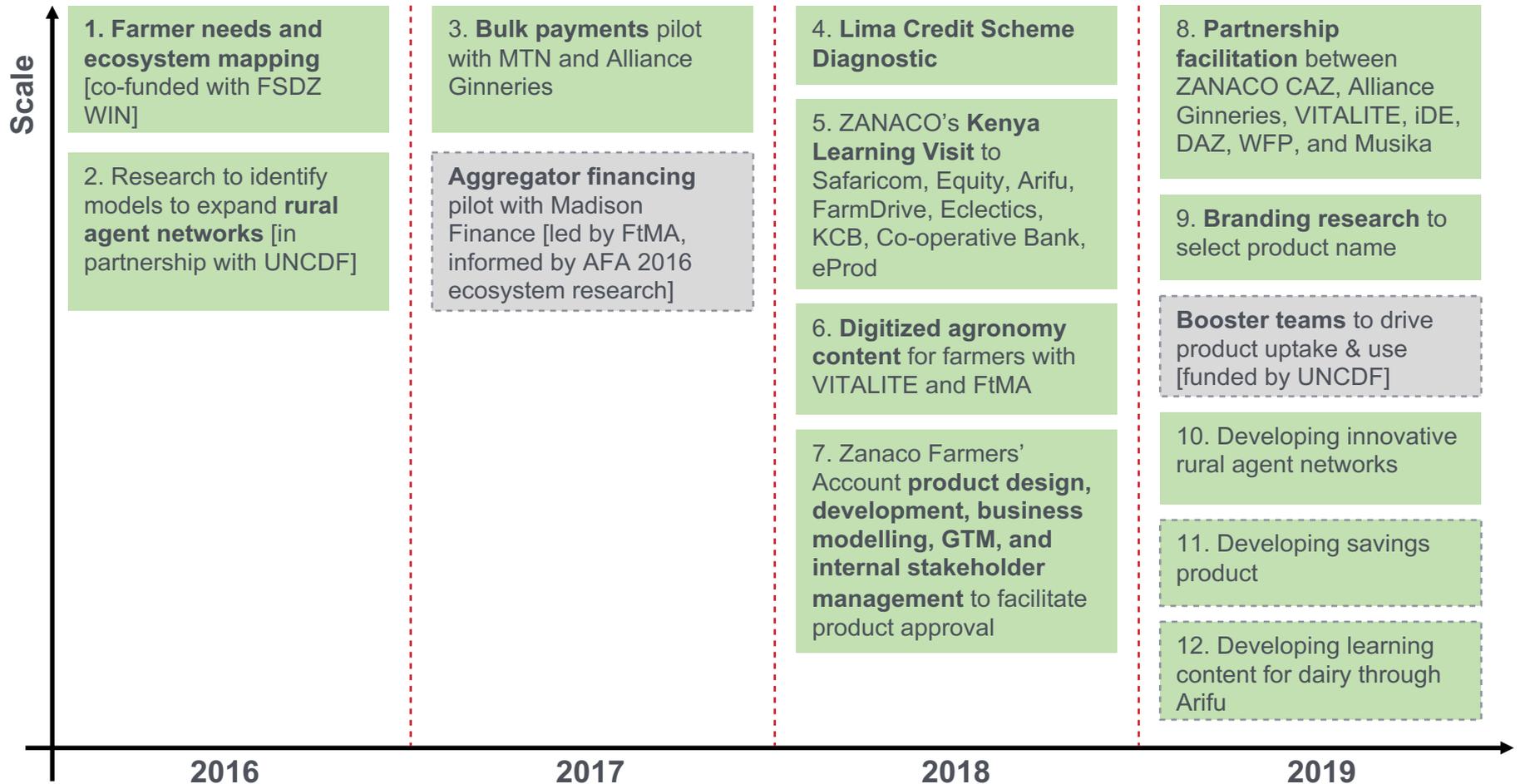
Access to knowledge & networks

- Many SHFs lack basic agronomic understanding
- Furthermore, extension service networks are often not able to reach remote farmers

Until 2008, there was no comprehensive solution that aimed to provide a full ecosystem of support to SHFs in Zambia at scale



AFA and other partners have provided product innovation support in a phased-approach across more than 10 engagements and multiple partners over the past two years, leading up to the design and launch of AgriPay



FSDZ WIN: Financial Sector Deepening Zambia, Women's Financial Inclusion Programme

UNCDF MM4P: United Nations' Capital Development Fund, Making Markets Work for the Poor

WFP: World Food Program **FtMA:** Farm to Market Alliance **CAZ:** Cotton Association of Zambia

GTM: Go to Market Strategy

DAZ: Dairy Association of Zambia



zanaco



AGRIFIN

Through human-centered design (HCD) research, AFA conducted a diagnostic of ZANACO's Lima Credit Scheme to develop prototypes, a business case, and go-to-market strategy for a new value proposition for smallholder farmers

- Zanaco's agricultural banking division launched Lima with several partners
- ZNFU was a natural distribution partner for Zanaco, given its credibility and its geographic reach
- European donors provided grants that enhanced ZNFU's operating capabilities
- The scheme was open to Zambia National Farmers' Union (ZNFU) members only, that were peer-reviewed for trust and reputation

Stakeholders and value chains



Value chain: Maize



Implementing partner: Zambian National Farmers Union (ZNFU)



Offtaker: Multiple, but primarily the Food Reserve Agency (FRA)



Input providers: e.g. SeedCo, Zambian Fertilizers, Pannar, Zamseed, Omnia, and Zdenakie

Pilot numbers

Number farmers approved for loans: 600

Number groups: 2

Loans approved: ZMW 2,000,000

Loans utilized: ZMW 309,000

Repayment rate: 100% until 2013

Loan product

Cash collateral: 50% cash cover of loan value

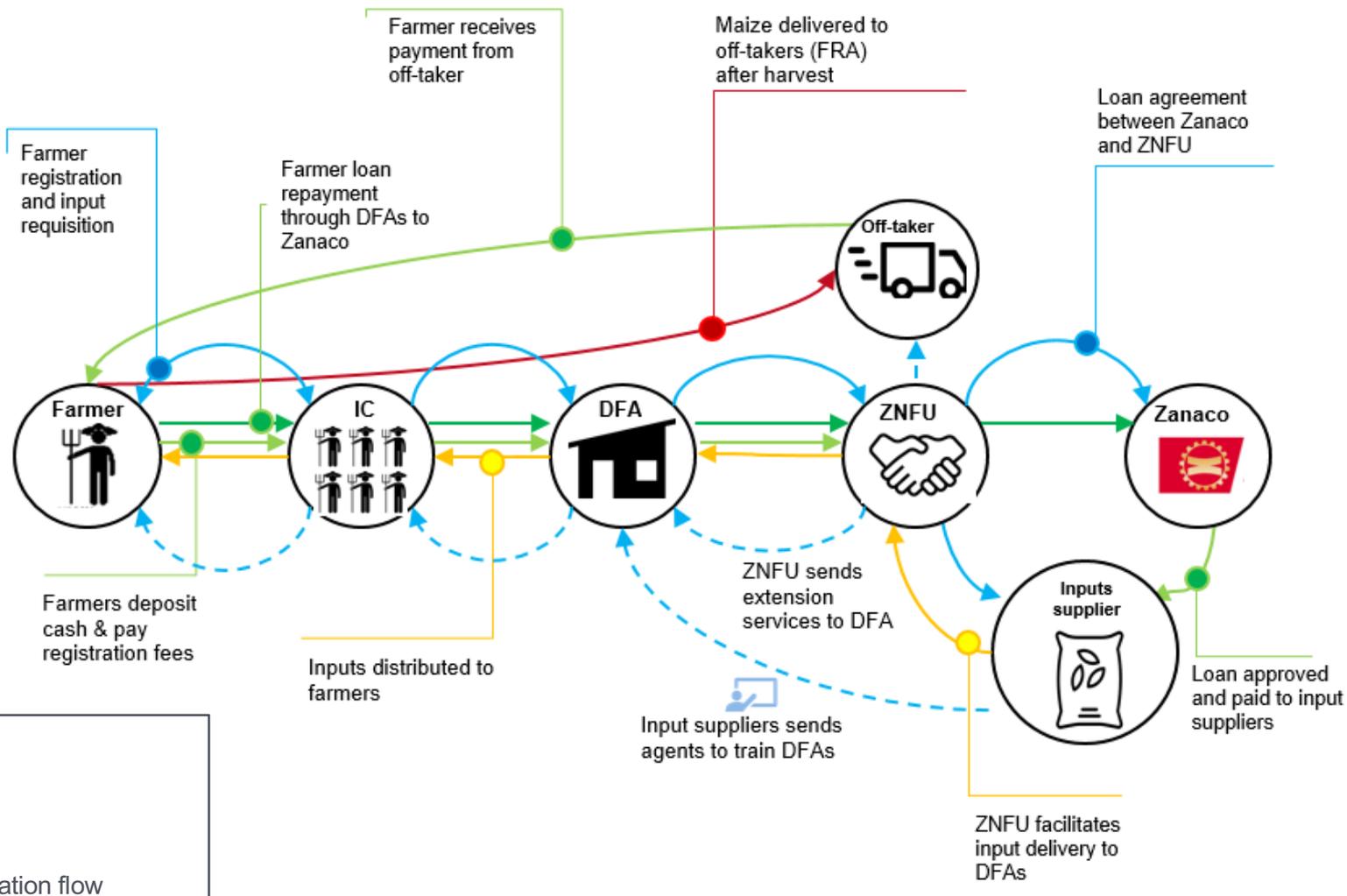
Partial guarantee from USAID: Up to 50% on first loss of principal

Tenure: ~ 1 year with bullet payment

Interest rate: ~5-7% above prime lending rate

Crop insurance: 4% of loan amount

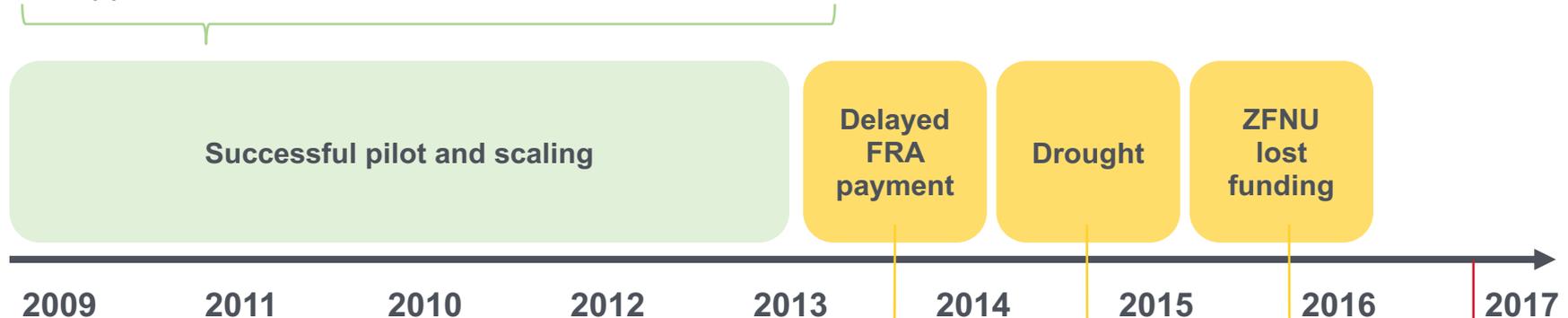
The Lima Credit Scheme brought together input suppliers, ZNFU, off-takers and SHFs to deliver a compelling value proposition



Source: Dalberg stakeholder interviews;

Lima grew to reach over 16,000 farmers by 2013, after which it experienced three successive years of challenges

- **Successful pilot and scaling** – from a pilot reaching 600 farmers with ZMW 2m approved, Lima grew to reach more than 16,000 farmers with over ZMW 100m approved, and ZMW 69m utilized



- **Delayed FRA payments** – resulting in only 20% of farmers being paid by October, undermining DFA ability to repay loans
 - **Drought** – lower output from farmers reduced ability to pay, with insurance not covering enough of the shortfall
 - **ZNFU lost funding** – withdrawal of donor funding reduces ZNFU's ability as an operational partner, dropping repayment
- **Lima pulled from the market** – with 29 DFAs in default¹, Lima is pulled from the market, with the loan book moving to Special Assets Management

¹ As of May 2017

Source: Company documents; Dalberg stakeholder interviews;

The AgriFin Accelerate Program worked with the ZANACO team to identify the opportunities to drive transactional volumes and long term client acquisition for its digital customers in smallholder farming

3

innovation opportunities for ZANACO

1. Offering a holistic suite of financial services – full value chain financing

How can Zanaco leverage its digital platform to extend digital financial services (DFS: credit, savings, insurance, and payments) to smallholder & emerging farmers?

Includes both farmer accounts (digital banking dept.) and corporate accounts (commercial and agriculture banking dept.)

2. Empowering farmers to grow

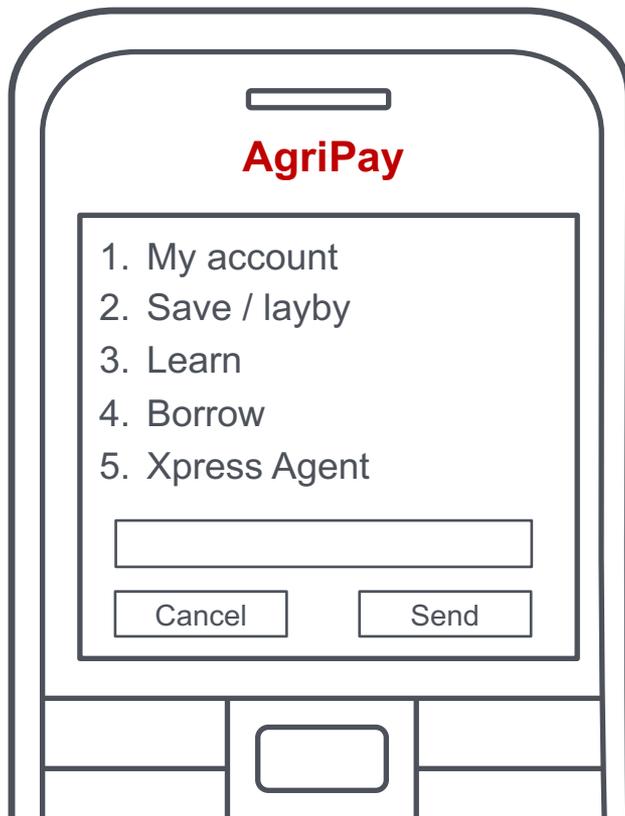
How can Zanaco work with partners to extend access to information and markets in order to enable smallholder and emerging farmers to improve their overall income and productivity? This increases customer “stickiness” to Zanaco

3. Expanding Zanaco’s agent footprint

How can Zanaco leverage the agrodealer network in to deepen its reach in peri-urban and rural Zambia?

AgriPay is a holistic customer value proposition that includes account opening, access to markets, access to agronomic information , and suite of digital financial products for farmers

Minimum Viable Product (MVP)

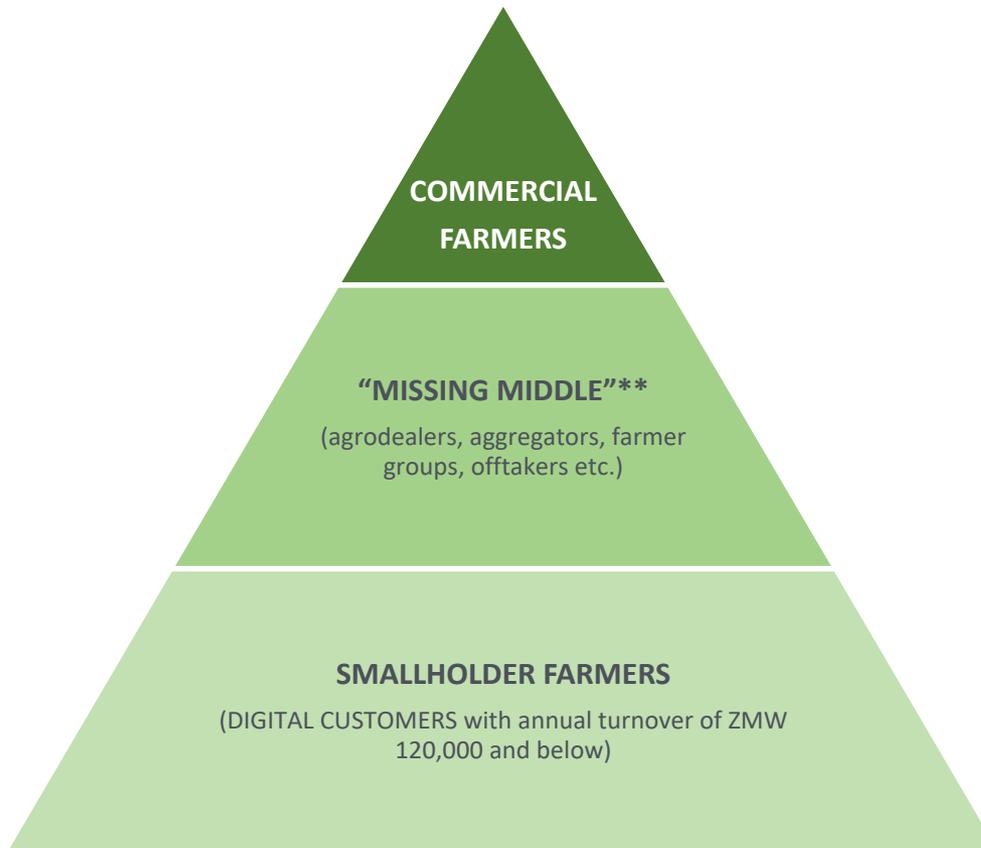


Brief description of MVP Features

- 1. My account**
This is a zero-cost transactional account that allows offtakers to pay farmers; there is no maintenance fee
- 2. Save / layby**
This is an interest-earning account that allows farmers to save towards an identified goal (inputs, school fees, asset purchase etc.)
- 3. Learn**
Zanaco will partner with Arifu to provide easy access to educational informational content for smallholder farmers, via SMS.
- 4. Borrow**
Based on transactional history with the bank and other partners, ZANACO will be able to extend general micro-credit to smallholder farmers.
- 5. Xpress Agent**
ZANACO is recruiting agribusinesses, aggregators, cooperatives, agrodealers, distributors, savings groups and farmer groups as agents to expand rural footprint. Growing the agent network is critical for successful uptake and use of the product

To drive product uptake and sustainability, AgriPay will take a comprehensive approach to financing farmers by targeting both farmers themselves and value chain players

ZANACO CUSTOMER SEGMENT



MINIMUM VIABLE PRODUCT (MVP) FEATURES

Product offering(s): Bulk payments to farmers in outgrower schemes

Bank revenue stream(s): transaction fees

Digital platform: internet banking, Mobile App

Product offering(s): supplier and distributor financing, Xpress Agency, QR merchant code

Bank revenue stream(s): interest income, increased agent footprint

Digital platform: USSD (Xapit platform), Mobile App

Product offering(s): transaction account, savings, learning platform, Xpress Banking, micro-credit (ph. II)

Bank revenue stream(s): transaction fees, capital gain from deposits, interest income

Digital platform: USSD (Xapit platform)

**The missing middle is not an actual customer segment within the bank, whoever these are identified rural touchpoints that might fall under Agency Banking and can be recruited as Xpress agent as well as ZANACO merchants

Business model overview

<p>PROBLEM</p> <ul style="list-style-type: none"> • Unlocking smallholder farmers potential to grow 	<p>SOLUTION</p> <ul style="list-style-type: none"> • Financial inclusion • Access to market • Access to information to improve productivity • Vetted valued partnerships / bundled approach 	<p>CHANNELS</p> <p>Customers are acquired through:</p> <ul style="list-style-type: none"> • Xpress agents / internal DSAs, Booster teams • SMS Blasts for customers who opt in – database from identified partners 	<p>UNIQUE VALUE PROPOSITION</p> <ul style="list-style-type: none"> • Comprehensive customer value proposition focused on a full value chain agriculture strategy • Tailor-made solution for smallholder farmers • Bundled, value chain 	<p>CUSTOMER SEGMENT(S)</p> <ul style="list-style-type: none"> • Smallholder farmers below 120,000 annual turnover • Smallholder farmers connected to offtakers/buyers & farmer organizations
<p>KEY METRICS</p> <ul style="list-style-type: none"> • Transaction volumes • Number of customers • Number of Agents onboarded • No of micro merchant's onboarded 	<p>KEY PARTNERS & ACTIVITIES</p> <ul style="list-style-type: none"> • ZANACO: provide financial services, technical capacity to build platform, and onboard farmers • Arifu: digitize and disseminate educational content on farming, financial services • Farmer groups (CAZ, DAZ, VITALITE etc.): facilitate farmer aggregation 		<p>POSITIONING ADVANTAGE</p> <ul style="list-style-type: none"> • Strong brand • Extensive branch network (footprint) • Largest local bank • Strategic partnerships (govt., Rabo Bank, Musika) 	
<p>COST DRIVERS</p> <p>CapEx: platform setup, system development and integration with partners, staff training, SIT, UAT</p> <p>OpEx: system maintenance, agent variable costs, SMS cost</p> <p>Customer acquisition: education, sales activations</p> <p>Marketing and communications: marketing materials, SMS messaging costs</p>		<p>REVENUE STREAMS</p> <ul style="list-style-type: none"> • Non-funded income: transaction fees at merchants (input credit redeemed through Xapit), other account transactions • Interest income from input credit and general microloans • Revenue share from insurance premiums (Phase II) • E-commerce platform access fee (phase III) • Increased liquidity from balances held in accounts – cheap deposits for interest income from on-lending 		

Go-to-market strategy

The go-to-market strategy for the new farmers' banking solution was focused on addressing three key strategic challenges:

1

How might ZANACO effectively target smallholder farmers with a digital banking solution?

2

How might ZANACO effectively ensure women smallholder farmers (the most financially excluded in Zambia) access the digital banking solution?

3

How might ZANACO deliver a digital banking solution to the last mile, in a cost-effective manner that drives adoption and utility?

1

How might ZANACO effectively target smallholder farmers with a digital banking solution?

ZANACO is taking a full value chain strategy to minimize risk associated with a digital banking solution. AgriPay has a customer value proposition for smallholder farmers & offtakers, and drives stronger coordination across ecosystem players.

<i>Unmet market needs & lessons from Lima Diagnostic</i>	<i>Structure of partners under the ZANACO Farmers' Account (offtakers, outgrower schemes, farmer associations etc.)</i>				<i>Customer value proposition (CVP)</i>
	CAZ	DAZ	iDE	VITALITE	
<ul style="list-style-type: none"> High cost of cash payments to farmers Need for ZANACO to work with organizations with closer link to farmers Concentration risk of working on one value chain 	<div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> HQ </div>				<ul style="list-style-type: none"> Bulk payments solution Savings account to reduce cash-out needs/liquidity pressure Solution is value-chain agnostic
<ul style="list-style-type: none"> Limited financial access points in rural areas 	<div style="border: 1px solid black; padding: 5px; background-color: #f0f0f0;"> Cotton Association Saving and Loans Associations (CASALAS) </div>	<div style="border: 1px solid black; padding: 5px; background-color: #f0f0f0;"> Milk Collection Centers (MCCs) </div>	<div style="border: 1px solid black; padding: 5px; background-color: #f0f0f0;"> Farm Business Advisors (FBAs) </div>	<div style="border: 1px solid black; padding: 5px; background-color: #f0f0f0;"> VITALITE Shops / Agents </div>	<ul style="list-style-type: none"> Acquired as Xpress agents for the bank with ability to open account, receive depots, and cash out
<ul style="list-style-type: none"> Timely payments for produce sold to offtakers Safe storage for their funds Access to affordable credit Poor agronomic practices Access to stable markets 	<div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> Farmers </div>	<div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> Farmers </div>	<div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> Farmers </div>	<div style="border: 1px solid black; padding: 10px; background-color: #f0f0f0;"> Farmers </div>	<ul style="list-style-type: none"> Zero-cost transactional account Interest-earning savings account SMS-based learning Micro-credit (ph. II) Linkage to buyers/offtakers

ZANACO pilot partners: Cotton Association of Zambia (CAZ), Dairy Association of Zambia (DAZ), VITALITE, International Development Enterprise (iDE) Zambia, Alliance Ginners, World Food Programme

Partner profiles: ZANACO has partnered with offtakers/buyers and farmer organizations as part of its go-to-market strategy to reach smallholder farmers



The **Cotton Association of Zambia (CAZ)** is a membership-based organization that serves as a link between farmers and other stakeholders in the cotton sector. CAZ represents the farmers voice in negotiating deals with out-growers, prices with input suppliers and payment terms with buyers. CAZ also offers extension services to famers enabling through organizing them into study circles that meet weekly. To-date they have a membership of 49,000 farmers.



The **Dairy Association of Zambia (DAZ)** is an organization whose membership comprises of smallholder farmers, milk processors and input suppliers. DAZ runs community-level milk collection centers which double as cooperatives, aggregating milk collection from farmers and enabling bulk payments from processors once or twice a month. DAZ also offers extension services and facilitates industry linkages for SHFs. Membership stands at 7,000 farmers.



VITALITE offers solutions on a pay-as-you-go platform, aimed at peri-urban and rural populations. Their most popular product is their solar power home system, but their range has expanded to include a variety of products including cellphones, cook stoves and agricultural inputs. Vitalite has also developed a lay-away solution that allows farmers to gradually save for quality inputs.



The International Development Enterprise (**iDE**) supports **Zambia's smallholder farmers** through agricultural advice, smart water management, and mobile technology solutions to increase market access and, ultimately, farm household incomes. iDE works through a network of Farm Business Advisors who oversee a number of farmers providing services on both the input and output end. iDE currently has a network of about 400 FBAs who serve approximately 90,000 smallholder farmers.



The **World Food Programme (WFP)** runs a number of initiatives aimed at empowering smallholder farmers. Their Smallholder Farmer Support Unit seeks to unlock SHF access to markets, knowledge and financial solutions including savings, credit and insurance. The SSU works at different points in the agricultural value chain through farmer ambassadors, micro-aggregators, agrodealers, offtakers and processors, to facilitate market access for smallholder farmers.



Musika is a Zambian non-profit company supported by the Swedish Embassy in Zambia and the UK Government's DFID to stimulate private investment in the Zambian agricultural market with a specific focus on the smallholder and emerging farmer sectors. One of Musika's core investment areas is around facilitating the integration of a range of financial services into commercial relationships between agribusinesses and their SHF suppliers, customers and clients to add value to both corporate and smallholder sectors.

How might ZANACO effectively ensure women smallholder farmers (the most financially excluded in Zambia) access the digital banking solution?

- **Women contribute to over 70% of the agriculture labor force in Zambia**, hence there is a business case for serving women. However, women still remain the most financial excluded group in Zambia (77%, FinScope 2016).
- Rather than create “pink” products targeting only women, AFA worked with ZANACO to design the ZANACO Farmer’s product to work for both men and women. We took a **gender-inclusive design approach**

BEYOND VALUE-CHAIN APPROACHES

- AgriFin research shows that most value chains that began as female-dominant have become or are gradually becoming gender neutral, hence a **value-chain approach may not guarantee reaching women**

PRODUCT DESIGN

- During the product design phase, **AFA conducted human centered design research** with women farmers and women groups to understand their needs and incorporated these into the product design
- For example, **women tend to be more risk averse**, hence the solutions includes savings as an alternative to use of credit to meet needs in the household

GO-TO-MARKET STRATEGY

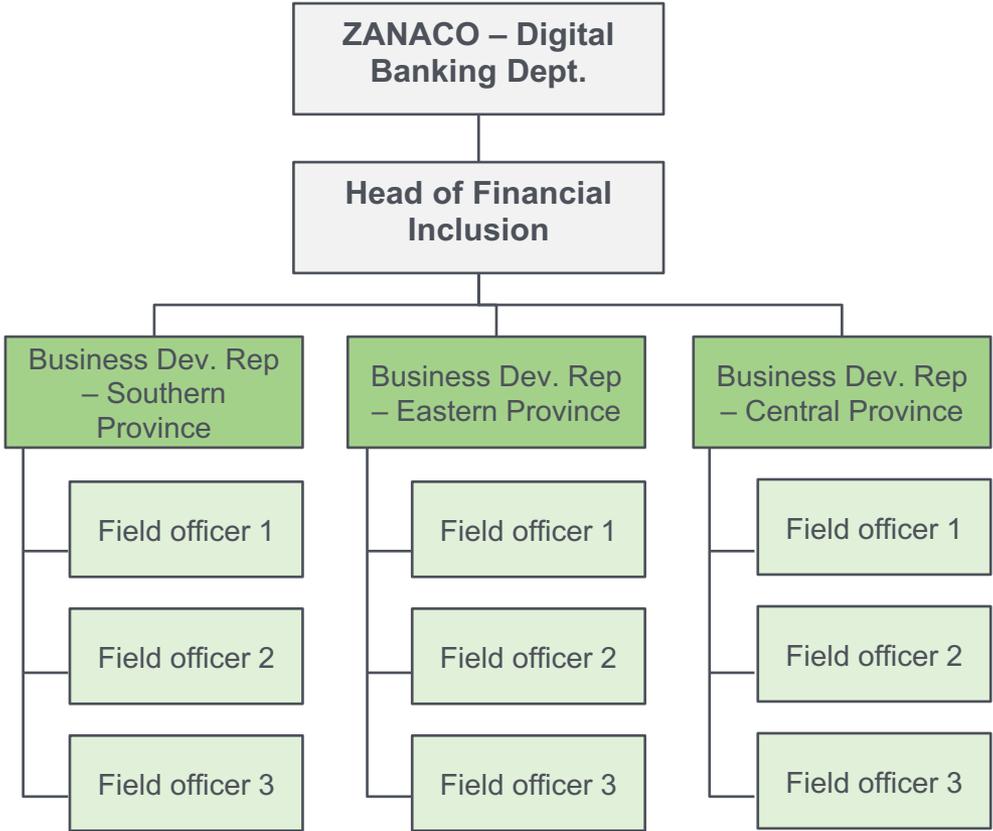
- Private sector stakeholders see the value in reaching female clients, but may not have the capacity to target them as a standalone customer segment
- The go-to-market for the ZANACO Farmers’ Account includes **working with women-centric organizations to reach women farmers** e.g.,
 - CAZ (70% out of 49,000)
 - DAZ (35% out of 8,000)
 - VITALITE (37% out of 59,814)
 - iDE (65 %out of 90,000)
 - WFP (43% out of 40,851)

3

How might ZANACO deliver a digital banking solution to the last mile, in a cost-effective manner that drives adoption and utility?

Based on learnings from Uganda, UNCDF MM4P program is supporting ZANACO to deploy Booster teams that onboard the entire community and are focused on building a digital ecosystem in order to drive use cases for digital financial services

BOOSTER TEAM ORGANOGRAM



ROLES

- Customer registration
- Education of customers on usage and benefits of DFS and accounts.
- Agent acquisition and management
- Focus on “radiation” registrations for rest of the community

BRANDING AND MARKETING RESEARCH



"I choose Farmer's Pride Account because we are farmers and we earn our living from farming" CAZ farmer, Mumbwa



"I chose AgroMoney because farming is a business hence when we have accounts, we will be able to do fish farming, chicken rearing, and piggeries." VITALITE farmer, Chongwe



"I chose this [account] name because when I make money I don't have to keep my money in my home, but keep it same in my account." CAZ farmer, Mumbwa

To ensure product-market-fit, it was imperative to conduct branding and marketing research for AgriPay

AFA partnered with EnviroDynamics Consulting to conduct research through in-depth discussions with six (6) groups of farmers across Lusaka and Central provinces. The research identified the key value proposition farmer's perceived regarding the digital banking product and how different names represented this value.

KEY FINDINGS:



Farmers identified most with names that associated the product strongly with farming. Names such as "Farmer's Pride Account, Balimi Pride Account, Tilime Bonse (let's all farm)". This **gave farmers a sense of ownership** regarding the product, and made it clear that the bank designed it with them in mind



Names such as "AgroMoney", were seen as **aspirational** and communicated to farmers that they were doing well and stood to grow in their enterprise if they adopted the product.



Other names like "e-Chikwaama Account (wallet)" and "Kolola Account (gather harvest)" appealed to the **farmers' motivation to save money** in the account and become a more prosperous farmer.

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- Key learnings
- Recommendations

Reach to-date

The farmers' banking solution was launched on February 27th and farmers are being onboarded through offtakers and farmer associations

5 partners onboarded
(agribusinesses & farmer associations)

3,560 accounts opened

57% women farmers

30% youth farmers

300 Agribusinesses signed up as Xpress agents



Pilot partners: Cotton Association of Zambia (CAZ), Dairy Association of Zambia (DAZ), VITALITE, iDE Zambia, Alliance Ginneries
Geographies: Lusaka Province (Chongwe), Central Province (Mumbwa), Southern Province (Choma), Eastern Province (Chipata, Lundazi)

Pilot areas



Kasama

Mansa

Lundazi

Kalulushi

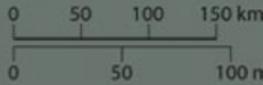
Mpongwe

Chipata

Mumbwa

Chongwe

Choma



Preliminary farmer insights

Strongest value proposition of the ZANACO Farmers' Account (AgriPay) is safe storage

"I opened this account because it's a better and safe way to save for future use, times of emergencies, and future expenses."

"In the past savings were difficult because the accounts that were there you needed to have a lot of income to use. This account is favorable for use because it doesn't require to have a lot of money."

"I can save the revenue I get from my produce for use of future farming activities....purchasing inputs, paying for school fees, and external labor."

- Farmers in Lundazi

Preliminary farmer insights

*Farmers report increased financial discipline ,
realized or anticipated*

“I used to spend a lot of money on alcohol,
but now that I have an account, I feel I can
manage my finances better.”

“Because the money is kept with the agent,
I don't have easy access to my money.”

“My savings methods and ability have
change. I lacked proper ways to keep track
of my spending.”

- Farmers in Lundazi

Preliminary farmer insights

Derived benefits for the account include increased reduced expenditures & operational costs

“Because of the account, we’ve agreed that we won’t spend much on transport costs because we can pay for inputs here and then send someone to go and pick up the inputs from town.”

“I think having the account will reduce transport cost of use because input suppliers might be drawn to make deliveries to the farmers if there’s large number of farmers purchasing and paying directly to the supplier.”

- Farmers in Lundazi

Preliminary farmer insights

Rural access points remain a challenge

“I would like more people to sign up to the account so that an agent moves closer to my location; I think the more people who sign up then closer the agent will come to us.”

– Farmer in Lundazi

“We really need agents within our own community. Right now we put money together and give it to the field facilitator to deposit for us in town.”

– Farmer in Mumbwa

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- Key learnings
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Through all our engagements with various partners, AFA seeks to address the following learning questions (LQs):

IMPACT	<ol style="list-style-type: none">1. What impact have AFA partners had on SHF income, productivity and resilience to shocks?
CONSUMER LEVEL	<ol style="list-style-type: none">2. What financial and value-added products and services do SHFs, including women and youth, value most and why?3. How does bundling of products or services impact uptake and usage of DFS?4. What capability building tools have the highest impact on SHFs willingness and ability to use DFS?5. What distribution channels are the most effective for delivery of DFS to SHFs?
INSTITUTION LEVEL	<ol style="list-style-type: none">6. How and to what extent have AFA supported partners been successful in achieving scale and commercial sustainability?7. What are the main drivers of success and failure of different partnerships and bundled approaches?
ECOSYSTEM LEVEL	<ol style="list-style-type: none">8. What ecosystem features are most important for success and expansion of digital solutions for Agriculture?9. How can market intelligence, convening, dissemination, and partnerships help to shape these ecosystem features and “crowd in” activity in the space?

Lessons learnt

ZANACO's journey in building an innovative digital platform for smallholder farmers in a digitally nascent environment like Zambia provides key learnings on product design, go-to-market strategy, and business case for smallholder financing

SUCCESS FACTORS

PRODUCT DESIGN PROCESS:

- **Designing with the farmer through use of customer-centric research** to inform the product design process, defining the business case, and selecting the right go-to-market strategy
- **Close collaboration between the bank's agriculture division and ZANACO's digital division** enabled the bank to design a product that meets farmers needs, but is fully delivered on a digital platform
- **Kenya Benchmarking visit** played a role in building wire frames and understanding the business case for a bundled product offering for farmers

PRODUCT DEVELOPMENT:

- **The bank's Digital Development team was robust and agile** enough to address needs as they emerged e.g., developing an offline solution for farmer onboarding given connectivity challenges in the field

PRODUCT UPTAKE:

- Zanco brand is well known and **trusted** across the Zambian market
- **Identifying key value chain stakeholders** for scale and commercial viability of the farmers' baking solution was critical
- **First-mover advantage:** ZANACO is the first financial institution to design a digitally-enabled solution, specifically targeting smallholder farmers

CHALLENGES

POOR INFRASTRUCTURE / "RAILS":

- **Poor connectivity** in peri-urban and rural Zambia
- **Low digital literacy levels** and **mobile phone access** by SHF
- **Low population density** in Zambia poses a challenge to providing farmer training/onboarding and agent access points
- Given nascent DFS environment, **farmer onboarding has to happen through Direct Sales Agents or Xpress Agents** as opposed to self-registration which would be faster & cheaper

CHALLENGING REGULATORY ENVIRONMENT:

- **Stringent requirements for onboarding of bank agents** poses a challenge to onboarding rural agents e.g., minimum ZMW 10,000 float, PACRA registration, TPIN, and bank statements. The bank has since revised the float requirement

LIMITED USED CASES FOR DFS:

- **Zambia is still predominantly a cash economy** and farmers have a strong preference to handle cash. For DFS targeting smallholder farmers in nascent markets, consistent and deliberate effort is imperative to **develop a digital ecosystem** in order to create a customer value proposition that is commercially viable for all partners involved

PRODUCT DESIGN PROCESS:

- **Competing priorities with the partners** and **high turnover** impedes the design and roll out process
- **Product innovation is not a linear process;** it requires an agile approach to product design and development, as well as leveraging strategic partnerships

[LQ 1] What impact have AFA partners had on SHF income, productivity and resilience to shocks?

**See note below*

- With increased savings enabled through the product, we envision that this will translate to increased investment in agriculture and consequently result in increased income and resiliency to shocks.

“I used to spend a lot of money on alcohol, but now that I have an account, I feel I can manage my finances better.”

CAZ Farmer, Lundazi

[LQ 2] What financial and value-added products and services do SHFs, including women and youth, value most and why?

- Although demand for various bundle features on the ZANACO Farmers' Account may vary slightly depending on the value chain, level of education, and level of commercialization in the farm, **the most valued financial product was the savings account**
 - Farmers, especially women were excited to have a **safe place to store their funds**
 - The **interest** earned on the savings account was a significant incentive

“In most cases before the farming season starts, we are normally broke, but if we have this account, it will help us to save money to buy seed for the coming farming season.”

VITALITE Farmer, Chongwe

- Farmers have a high demand for credit, but would prefer borrowing from a village banking association which charges higher interest rates; but has relaxed collateral requirements and flexible repayment terms.

[LQ 3] How does bundling of products or services impact uptake and usage of DFS?

- Farmers identified the provision of agronomy content on the ZANACO Farmer Account as a **distinguishing factor** and thus a reason they would take up the ZANACO product as opposed to a regular mobile money wallet.
- The Lima Diagnostic study revealed that access to finance coupled with the provision of extension services resulted in **more productive farmers applying for larger loans**.



[LQ 4] What capability building tools have the highest impact on SHFs willingness and ability to use DFS?

**See note below*

- Farmers rely on trusted, high-touch channels to drive DFS uptake and use. They rely on recommendations from **more successful farmers within their community (lead farmers)** and other physical touchpoints like **Booster Teams** to provide in-person engagement in order to facilitate product understanding and build trust

[LQ 5] What distribution channels are the most effective for delivery of DFS to SHFs?

- Given the low population density in Zambia, AFA identified **partnerships with buyers and farmer associations** as an important channel for farmer sensitization, onboarding and activation. These partnerships provide for a more assured and active customer base, as it links financial transactions to proceeds from farming. Partnerships also enhance credibility of the DFS provider to farmers
- **Technology is an enabler but human interface is key to farmer onboarding and account utilization;** as such ZANACO engaged “Booster Teams” whose KPIs were linked to both account opening and account activity to improve farmer experience at the onboarding stage and reduce account dormancy
- To increase the number of access points for rural farmers, **ZANACO is onboarding agribusinesses and registered farmer associations as Xpress agents**

[LQ 6] How and to what extent have AFA supported partners been successful in achieving scale and commercial sustainability?

- Through human centered design (HCD) research, AFA has supported **ZANACO to design with the farmers in mind**, a process that was essential to the product design process
- **AFA facilitated partnerships with offtakers & farmer associations** that are key to ensuring product scale and commercial sustainability.
- AFA technical support also included building the **business case for AgriPay** and **developing a go-to-market strategy** anchored on partnerships

*AgriPay is still in its infancy stage; AFA will support the bank to conduct impact studies over the next 18 months to answer this question

[LQ 7] What are the main drivers of success and failure of different partnerships and bundled approaches?

- **Quick onboarding process** for partners is important to manage partner experience and ensure product is relevant for agriculture season
- **Alignment in strategy** to empower and improve the livelihoods of SHF
- Business modeling to ensure each partner realizes **commercial value in the partnership**
- **Agreement on an ‘anchor’ partner / platform** through whom the bundle will be delivered
- **Regulation considerations** including adherence to consumer protection and data sharing policies
- **Onboarding buyers from the onset** to given access to markets is a key unmet need for smallholder farmers

[LQ 8] What ecosystem features are the most important for success and the expansion of digital solutions for agriculture?

Borrowing from the Bill and Melinda Gates Foundation (BMGF) framework*:

- **RAILS:** good connectivity/mobile telephony, mobile phone ownership and/or access, robust agent network, high levels of digital and financial literacy / farmer sensitization
- **RULES:** an enabling regulatory environment is required e.g., ZANACO designed a KYC-lite account to facilitate account opening with farmers who might not have proof of residence
- **ACCOUNTS:** a bundled solution is important to meet farmers needs holistically, but also ensure commercial viability of the platform e.g., transactional account & savings account
- **APP:** there is a need to build more technology solutions in the value chains with regard to record keeping, payments and learning, to create a digital ecosystem

[LQ 9] How can market intelligence, convening, dissemination and partnerships help to shape these ecosystem features and “crowd in” activity in the space?

- **Customer-centric research** is important to inform the product design process, defining the business case, and selecting the right go-to-market strategy for products targeting smallholder farmers, a segment that is often de-prioritized by commercial entities
- **Local, regional, and global convening can drive innovation.** Learnings from partners in Kenya (Safaricom, Equity, Arifu, FarmDrive, Eclectics, KCB, eProd) were critical in informing the business case and range of opportunities for the Zanaco Farmers’ account



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