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President's report on a proposed grant from the Global Agriculture and Food Security Program under the Missing Middle Initiative to the East Africa Farmers Federation for the e-Granary Innovative Mobile Platform to Deliver Economic Services to Farmers in East Africa

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation on the proposed grant to the East Africa Farmers Federation (EAFF), approved by the Steering Committee of the Global Agriculture and Food Security Program (GAFSP), for the e-Granary Innovative Mobile Platform to Deliver Economic Services to Farmers in East Africa, for which GAFSP has chosen IFAD as supervising entity, as contained in paragraph 14.

President's report on a proposed grant from the Global Agriculture and Food Security Program under the Missing Middle Initiative to the East Africa Farmers Federation for the e-Granary Innovative Mobile Platform to Deliver Economic Services to Farmers in East Africa

I. Background and compliance with IFAD Policy for Grant Financing

1. The project, presented by the East Africa Farmers Federation (EAFF) with IFAD support, was approved by the Steering Committee of the Global Agriculture and Food Security Program (GAFSP) on 6 July 2017 within the framework of the Missing Middle Initiative (MMI).
2. This project is directly aligned with four of the five grant priority areas for 2017: increased rights and access to the most vulnerable people to resources, innovative ICT for smallholders, decreasing food losses along the value chain and improved data collection and results management. E-Granary's innovative mobile technology will facilitate product aggregation, provide timely weather and extension advice, digitize and deliver different loan products to farmers and allow for close monitoring of agricultural campaigns.
3. The proposed project is in line with the goal and objectives of the IFAD Policy for Grant Financing (2015).¹ It holds great potential for scaling up, will strengthen the capacities of the recipient and sub-recipients and will lead to more effective advocacy for smallholders and increased incomes through aggregation.

II. The proposed project

4. E-Granary is an innovative solution based on the established concept of warehouse receipts systems to jointly tackle the challenge of countercyclical access to markets and credit provision. The innovation stems from: (a) use of mobile technology to gather information at farmer level; (b) use of a mobile platform to aggregate products in virtual form, to attract larger and more structured buyers who are able to pay higher premiums; (c) linkages to the business partner Mobile Decisioning Holdings Ltd (MODE) for the rolling-out of the credit systems (at both production and harvest times) to address liquidity constraints faced by farmers; and (d) concept development, ownership, and management of the initiative by existing FOs, going from ground level up to a regional network. In addition, the e-platform will also provide e-extension services through use of a system that is established and functioning in India.
5. The direct target group will be composed of smallholder e-Granary participants. At least 90,000 farmers will be using e-Granary services at the end of the three-year implementation period (50,000 in Uganda, 20,000 in Rwanda and 20,000 in United

¹ See EB 2015/114/R.2/Rev.1.

Republic of Tanzania). Based on gender-disaggregated data from the pilot phase, it is anticipated that the majority of participants will be women. Because the activities involve actors along the value chain, input dealers, large buyers and other service providers will also benefit.

6. The project will be implemented over three years, with the following components:

Component 1: Access to services, including the following activities: registration campaign; platform establishment; partnership development; roll-out of products for increased market access by smallholders; and access to financial services.

Component 2: Capacity-building and knowledge management, including the following activities: enhanced capacity of farmers for structured trade and financial literacy; increased public awareness; and management of knowledge on e-Granary success.

III. Expected outputs/outcomes

7. The overall goal of the project is to improve the income and living standards of participating e-Granary smallholder farmers in Rwanda, the United Republic of Tanzania and Uganda. The project development objective is to increase the productivity and profitability of participating e-Granary farmers. Anticipated outcomes include: (i) the platform working with 90,000 smallholder farmers registered on e-Granary; (ii) smallholders with increased market access (72,600 metric tons of product worth over US\$24 million sold on the market); (iii) smallholders with increased access to financial services (26,900 smallholder farmers receiving credit on their mobile phones); (iv) smallholders with increased access to extension services (8,300 smallholder farmers accessing agriculture extension services via mobile phones); (v) enhanced capacity of farmers regarding structured trade, and their enhanced financial literacy (12,800 farmers directly trained); and (vi) increased public awareness through 30 knowledge products developed and disseminated.
8. The above results will be achieved by developing a communication and payment platform (e-Granary) in the three countries, to create a virtual space for the brokering of commercial partnerships and contracts between farmers, off-takers and input dealers. This space will also provide financial services with low transaction costs. Access to these two key marketing and financial services will be closely interlinked, thus creating synergies in overcoming failures and constraints in the different markets. Furthermore, the platform will host "plug-and-play" applications for the provision of additional services to farmers, such as e-extension targeted by crop, stage of growth and agroecological zone.

IV. Implementation arrangements

9. The selection of the EAFF as recipient of the grant was approved by the GAFSP Steering Committee. The EAFF will be fully responsible for coordinating and managing project implementation. Given its nature as a regional farmers' organization network in East Africa, the EAFF will be responsible for e-Granary concept roll-out, management of memorandums of understanding with business partners and market intelligence. The EAFF's national farmers' organization (NFO) platform members – Uganda Co-operative Alliance and Uganda National Farmers Federation; Tanzania Federation of Co-operatives and National Network of Farmers Groups Tanzania; and National Co-operative Confederation of Rwanda and Rwanda Farmers' Federation – will be in charge of country-level activities. Detailed contracts will be developed between the EAFF and the NFOs specifying the roles and responsibilities of the parties in terms of technical, administrative and financial management.

10. The project will be subject to an annual external audit of financial statements as required by the IFAD guidelines. This audit will be performed in accordance with international auditing standards and following IFAD audit guidelines.
11. The grant will be monitored at several levels. Operational monitoring will be coordinated by the EAFF monitoring and evaluation (M&E) officer, in close collaboration with the M&E focal points in each country. Programmatic monitoring will be overseen by the CEO of EAFF. Strategic monitoring will be conducted by the project steering committee.

V. Indicative project costs and financing

12. The overall project budget, including cofinancing by the EAFF in the amount of US\$370,777, is US\$2,980,777. The amount allocated to the EAFF through the GAFSP grant is US\$2,610,000.
13. It should be noted that the change in cofinancing since the concept note relates to a reduction in the budget for the first three years. In addition, during year three the EAFF will explore further cofinancing in order to achieve full sustainability upon completion of year five. It is anticipated that this would then reach the total in the concept note of US\$6,450,000.

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>GAFSP</i>	<i>EAFF</i>	<i>Total</i>
1. Access to services	1 408	182	1590
2. Capacity-building and knowledge management	277	87	364
Project management	777	89	866
Administration costs	148	13	162
Total	2 610	371	2 981

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>GAFSP</i>	<i>EAFF</i>	<i>Total</i>
1. Consultancies	389	61	450
2. Workshops	509	-	509
3. Equipment and materials	54	4	58
4. Salaries and allowances	1 066	164	1 230
5. Training	246	100	346
6. Operating costs	198	29	227
Indirect (administrative) costs (5.7%)	148	13	162
Total	2 610	371	2 981

VI. Recommendation

14. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in its capacity as supervising entity of the Global Agriculture and Food Security Program (GAFSP) under the Missing Middle Initiative (MMI), shall provide a grant to the East Africa Farmers Federation (EAFF) in the amount of two million, six hundred and ten thousand United States dollars (US\$2,610,000) for a period of 36 months to finance in part the project of the e-Granary Innovative Mobile Platform to Deliver Economic Services to Farmers in East Africa, upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Gilbert F. Hougbo
President

Results-based logical framework

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Year 1	Year 2	Year 3	Cumulative	Source	Frequency	Responsibility	
Goal: Improve the incomes and living standards of participating E-Granary farmers in Tanzania, Uganda and Rwanda	<ul style="list-style-type: none"> Revenues of participating farmers* increase by at least 40% 	5%	10%	25%	40%	EAFF			<ul style="list-style-type: none"> Existence of favourable and stable policy environment (A)
Project Development Objective: Increased productivity and profitability of participating E-Granary farmers	<ul style="list-style-type: none"> 20% increase in yields of targeted crops 	3%	5%	12%	20%	EAFF database		FOs	<ul style="list-style-type: none"> Weather related incidents impact harvests (R); Participants have access to services, certified seed and fertilizer (A)
	<ul style="list-style-type: none"> Prices achieved by participants* 30% greater than those of non-participants 	5%	10%	15%	30%	EAFF database and market analyses	Quarterly	EAFF and FOs	
	<ul style="list-style-type: none"> Percentage of supported rural producers' organization members reporting new or improved services provided by their organization 	0%	35%	80%	80%	seasonal surveys	seasonally		
Outcomes/ Components: Outcome 1: Increased share of participants' marketed surpluses aggregated prior to sale;	<ul style="list-style-type: none"> Value of forward/supply contracts executed between farmers, warehouse operators and offtakers 	\$4.5M	\$5.9M	\$13.6M	\$24M	Signed contracts	Quarterly	EAFF/FOs	<ul style="list-style-type: none"> Farmers able to meet quality and quantity buyer specifications;(A) Availability of aggregation centers fulfilling requirements (A) ; Buyers willing to offer floor prices (A); Cost of storage acceptable (A); Farmers able to meet quality and quantity offtaker specifications (A)
	<ul style="list-style-type: none"> Number of forward/supply contracts executed between farmers and service providers i.e., warehouse operators, input providers, financial services and offtakers 	14	13	23	50	Signed contracts	Quarterly	EAFF/FOs	
	<ul style="list-style-type: none"> Volume of traded product on e-Granary platform 	13,500MT	18,000MT	41,100MT	72.600MT	e-Granary records		EAFF/FOs	

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Year 1	Year 2	Year 3	Cumulative	Source	Frequency	Responsibility	
Outputs: 1.1 e-Granary platform developed and deployed according to technology roadmap.	<ul style="list-style-type: none"> Number of new farmers* registered on platform 80% of registered users actively using platform services disaggregated by product and user profile 	10,000	20,000	60,000	90,000	e-Granary records	Quarterly	EAFF	<ul style="list-style-type: none"> E-Granary sensitization campaigns successfully implemented;(A) Farmers have access to mobile phones and airtime (A)
Outcome 2: Increased use of financial services/credit by participating farmers	<ul style="list-style-type: none"> Number of EAFF farmers* applying for credit through platform; 	5,000	6,700	15,200	26,900				<ul style="list-style-type: none"> MODE secures credit lines (A) Farmers demand E-Granary loans (A)
	<ul style="list-style-type: none"> Number of loans extended by amount 	\$1M	\$1.3M	\$3.8M	\$6.2M	E-Granary records	Monthly	EAFF/FOs	<ul style="list-style-type: none"> Financial products appropriate to each commodity.(A)
	<ul style="list-style-type: none"> Loan repayment rates 	90%	90%	93%	91%	E-Granary records	Monthly	EAFF	
	<ul style="list-style-type: none"> % of Portfolio at Risk at 90 days 	2.3%	2.3%	1.75%					
Outputs: 2.1 Lines of credit established	<ul style="list-style-type: none"> Amount of credit secured; 	1.02M\$	1.30M\$	1.10M\$	3.42M\$				
Outcome 3: Participating farmers adopt improved sustainable production and post-harvest practices;	<ul style="list-style-type: none"> 100% of product delivered to aggregation centers sold as premium grade; 	13,500MT	18,000MT	41,100	72,600 MT				<ul style="list-style-type: none"> Harvest and Post-harvest equipment available (A); Farmers willing and able to use Interactive voice response services (A)
Outputs: 3.1 Virtual extension modules operable	<ul style="list-style-type: none"> Number of farmers* accessing e-extension services 		2300	6000	8,300				<ul style="list-style-type: none"> Farmers willing to pay for bundled services that include e-extension services.(A)

(*) All indicators marked with * will be disaggregated by gender