



WACOMP ACCESS TO FINANCE PANEL DISCUSSION

Report on Access to Finance Panel Discussions

SYNOPSIS

This Access to Finance Panel Discussion-- facilitated by Africa Institute for Development and Equity (AIDE-SL) --explores the access to finance challenges and opportunities facing farmers and agribusinesses in Sierra Leone. It further brings together stakeholders from the agriculture sector and support sectors--including researchers, financial institutions, development organizations, entrepreneurs, business development support practitioners, and government agencies. The goal was to discuss challenges, solutions, and innovative financing models--that can improve farmers' productivity, profitability, and resilience.

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Introduction and Background

Sierra Leone has a predominantly subsistence agricultural system with small-holder farmers producing for self-consumption and for sale in the local markets. Even though Sierra Leone has significant potential for commercial agriculture, it faces serious bottlenecks (with Access to finance being one of the most prevalent) that hinder the growth of commercializing Agriculture.

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In addition to this, Sierra Leone has also been affected by the emergence of COVID- 19 and global shocks, which had a significant impact on the country's agricultural sector--leading to a decline in agricultural production and disrupted supply chains. This led to food shortages and an acute increase in the prices of food.

This Access to Finance Panel Discussion explores the challenges and opportunities facing farmers and agribusinesses in Sierra Leone in respect to access to finance. It further brings together stakeholders from the agriculture sector--including researchers, financial institutions, development organizations, entrepreneurs, business development support practitioners, and government agencies to discuss challenges and innovative financing models--that can improve farmers' productivity, profitability, and resilience.

The panelists highlighted successful examples of financing and market interventions, as well as the challenges and potential solutions to scaling them up. The aim was to inspire action and collaboration among stakeholder--both in the agriculture sector and other sectors to contribute to a more sustainable and inclusive agricultural system in Sierra Leone. It concluded with recommendations, feedback's, and probing questions that could be further analyzed for future references and action.

The Government of Sierra Leone has played an enabling role to boosting agriculture and food security, through the Government's flagship Feed Salone Programme—which aims to transform the agricultural sector in Sierra Leone. This progressive strategy has a Strategic Pillar on Agricultural Finance that aims to improve access to finance for smallholder and large-scale farmers, and de-risk private sector participation in agricultural finance.

The holistic support of the Government agency Small and Medium Enterprises Development Agency (SMEDA), which has a legislative mandate to promote the development of MSMEs in Sierra Leone has

¹ Picture Source: <https://www.thesierraleonetelegraph.com/farming-offers-sierra-leone-a-long-term-solution-to-economic-recovery/>



also been pivotal in improving the business environment for MSMEs. As the SME 'OCTOPUS' SUPPORT CENTRE, SMEDA is currently:

- Facilitating financial inclusion in the MSME and Agriculture Value Chain Sectors in Sierra Leone through the MUNAFA Fund
- Collaborated with ITC to build the capacity of Financial Service Providers
- Promote awareness by doing things such as embed the link to the Financial Services Guide in its website also roll out the MSME Diagnostic Tool.

SMEDA's SME support has many tentacles, cutting across all MSME sectors in Technical Support, Business Development Support Services, Human Capital Development; MSME Promotion, and more. They do this by:

- Working with projects such as the Sierra Leone Economic Diversification Project which strengthened accelerators and incubators—through grants and technical assistance.
- Working with Sierra Leone Local Content Agency to ensure greater access to markets for local MSMEs whilst also building and promoting the local human capital needed for MSMEs to succeed in achieving and sustaining their gains.
- Working directly with MSMEs to democratize information—which in turn will reduce the cost to access information and increase awareness.

[Introduction to the West Africa Competitiveness Programme \(WACOMP\)](#)

[Access to Finance Intervention](#)



Contextual, research, and historical studies have illustrated that developed, organized, and competitive value chains is a crucial driver of the regional industrialization strategy—with specific goals of expanding production possibilities and enhancing cross-border utilization of the natural and human resources of selected countries.

- A critical success factor to this strategy is sustainable linkages of value chains at national, regional, and global levels--to the respective national, regional, and global markets.
- Consequently, vertical integration, the strengthening of regional value chains (RVCs) and taking positions in critical segments of global value chains (GVCs), constitute one of the major drivers of industrialization in ECOWAS.

On those premises, the European Union (EU) funded the West Africa Competitiveness Programme (WACOMP) and designed a program to improve productivity and support selected value chains at national and regional levels—with a goal to promote transformation and improve better access to regional and international markets--taking into consideration social and environmental issues.



The main goal of this was to promote regional integration and trade, WACOMP designed and implemented a regional component in collaboration with ECOWAS and executed various national components across several ECOWAS countries.

Access to Finance was one of the key pillars of the WACOMP. This is because resource constraints were highlighted as one of the key challenges and hindrances to growth and accessing markets.

Under this Pillar of the WACOMP Sierra Leone, a range of activities have been conducted for MSMEs, Cooperatives, Agribusinesses and Financial Advisers since 2021. Some of these include:

- Trainings in Financial Management and Literacy,
- MSME diagnostics
- Development of Business Plans for project beneficiaries.
- Knowledge Products such as the Financial Services Guide for Sierra Leone
- And the SME Diagnostic Tool—we will launch today--have been developed to support MSMEs, Cooperatives, Farmer Organizations, Agri-Based Enterprises and Financial Institutions—with the goal to improve formal access to Financial Services.

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ITC also created an online MSME Diagnostic and Benchmarking Platform to help boost the performance and competitiveness of MSMEs. Embedded in the platform is a Business Diagnostic Tool that identifies competences, capabilities, and processes of businesses; assess their maturity levels against each process; evaluate their competitiveness and facilitate the design of an improvement plan.



For WACOMP Sierra Leone, the tool has been customized and adapted to the local ecosystem--specifically financial resource management. The tool will assist financial service providers, financial management counsellors and MSMEs themselves. The tool can also identify specific gaps related to financial performance and prepare and help implement programs that close those identified gaps. During the presentation of the tool, it was brought to light that several of the tool's attributes were being utilized by Organizations like Africa Institute for Development and Equity (AIDE SL) and other organizations. This created a secondary objective for WACOMP and ITC to see how it could harmonize its online tool with these contextual and local tools.

² Picture source: www.itcbenchmarking.org



³Furthermore, and beyond the tool, to achieve its WACOMP Access to Finance Objectives in Sierra Leone, ITC collaborated with:

- Value Chain Actors comprising Farmers, Farmer Associations, Agriculture Cooperatives, Micro, Small and Medium Sized Enterprises, Agribusinesses;
- Value Chain Supporters comprising of Financial Services Providers, Business Support Organizations, BDS Providers and
- Value Chain Influencers, which are stakeholders from the public and private sectors that develop

policies, strategies, and the regulatory framework to enhance the business and trading environment.

The Access to Final Panel Discussion

The Access to Finance Panel discussion identified challenges, opportunities, and solutions to the binding constraints of access to finance in agriculture.

Panelists

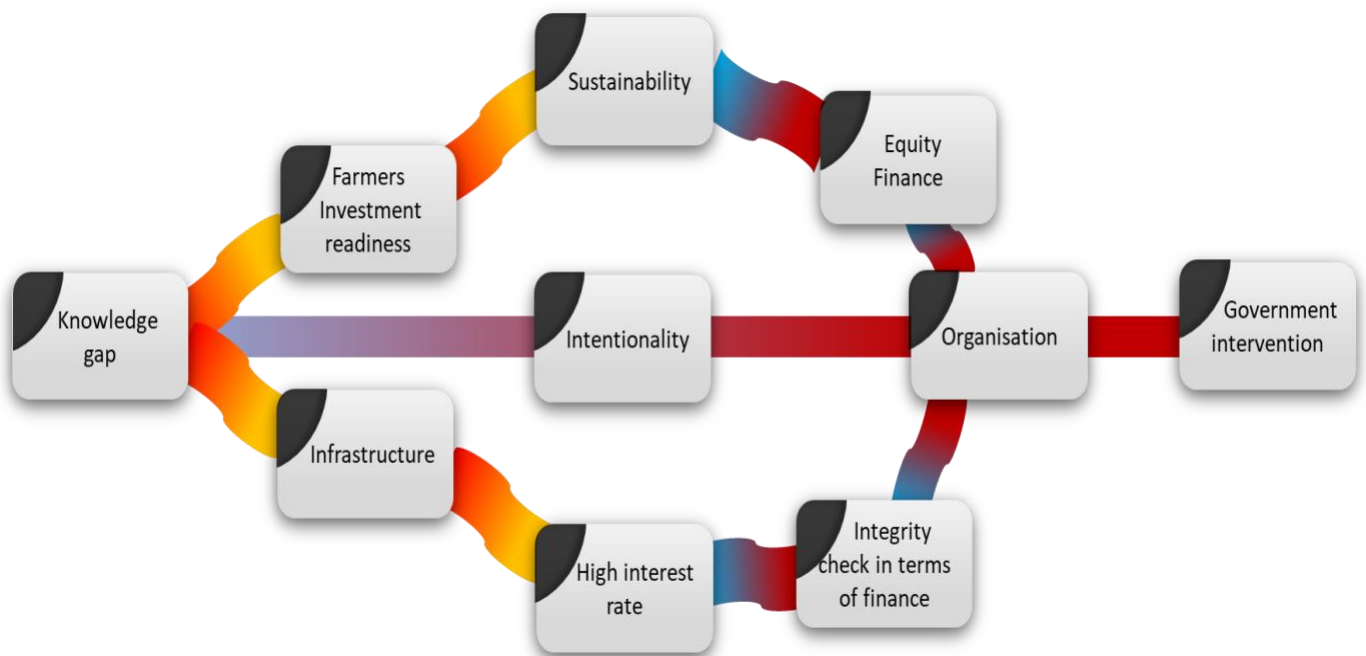
- ☞ **Panel Chair and Moderator:** Mohamed Sesay, Africa Institute for Development and Equity Sierra Leone (AIDE SL)
- ☞ **Panelist:** Dr. Isata Kamanda, Sierra Leone Agricultural Research Institute and Agricultural Lead for AIDE SL.
- ☞ **Panelist:** Mr. Melvin Foray, Sierra Leone Small and Medium Enterprises Development Agency
- ☞ **Panelist:** Mr. Edward Benya, JenMaa Data and Information Management Consultants
- ☞ **Panelist:** Mr. Kunle Oyewole, Bloom Bank Africa
- ☞ **Panelist:** Mr. Peter Dumbuya, Apex Bank



³ Picture source: www.itcbenchmarking.org

Recap: The Panel Discussion

The rich and valuable feedback from the panelists fell into one of the key binding constraints below. This diagram serves as a good foundational framework--which development partners, consultants, agripreneurs and agribusinesses, financial institutions, and governments can leverage on for greater access to finance outcomes.



Key Binding Constraints Highlighted from the Panel Discussion

- ☞ **Agripreneurs and Agribusinesses Investment Readiness:** Investment readiness is low for this target group and are not aware of the key attributes, skills, knowledge, and actions needed to instill greater confidence in investors.
- ☞ **Knowledge Gaps:** There are knowledge gaps on both sides. Financial institutions have competency challenges on how to assess and support agricultural firms. Alternatively, the firms are also not grounded in business development principles--that boost investment readiness.
- ☞ **Infrastructure:** Road networks limit access to markets—which is a driver of income. Infrastructure also limits financial institutions from going to last mile areas. Digitization promotion, which can fill the gaps where there aren't physical financial institutions is also affected where infrastructure is weak—causing companies to have high costs of operations in low-income demographic areas.



- ☞ **Intentionality:** All key stakeholders must be deliberate in their efforts to increase access to finance
- ☞ **Equity Finance:** There is a lack of equity finance—due to the legal environment in commercial law—where investors can confidently seek legal recourse and have legal protections.
- ☞ **Organization of Businesses:** The business structures do not always fit the requirements well. Their incorporation types and structures can create challenges to receive access to finance.
- ☞ **Integrity:** The financial institutions must build trust in businesses. Trust has been eroded because of the high non-performing loans in financial institution agricultural portfolios.
- ☞ **Interest Rates:** Interest rates are high. Where the interest rates are low, the institutions do not have enough liquidity capital to meet the loan demand.
- ☞ **Government Intervention:** Government should support with enabling policies and capital for existing financial institutions supporting smallholder farmers. They should also explore opportunities to motivate investors and donors to form an agricultural bank. Government can also support through tax incentives for agricultural firms.
- ☞ **Sustainability of Businesses:** Many of the constraints highlighted affect the sustainability of businesses—which in turn reduces investor confidence and decreases access to finance.

Panel Discussion Points: The Discussion was Guided by these Key Points

- ☞ **Challenges:** The panel moderator probed the experience and knowledge of the panelists to identify challenges—as well as identify root causes of these challenges.
- ☞ **Opportunities and Solutions:** This segment of the panel discussion took an inclusive approach. Seminar participants and panelists were asked to contribute and utilize their knowledge and experience to relay any information that could inform the public of opportunities, solutions which will be rolled out soon; and solutions currently in the market for the identified challenges.

Development Initiative Spotlight: UNCDF

United Nations Capital Development Fund (UNCDF) Agricultural Access to Finance Initiatives for 2024 and beyond

- ☞ Increasing Access to Finance and unleashing the potential of the Agricultural sector—which holds 55% of GDP but only holds 1% of financing portfolios in Sierra Leone.
- ☞ A focus on agricultural insurance, utilizing digital finance in a way that smallholder farmers, large institutions, and financial institutions can all win.
- ☞ Support with the development of more robust and efficient monitoring systems.
- ☞ Improving quality of products and services in the agricultural sector
- ☞ Boosting regional integration
- ☞ Researching and understanding different theories of change and flipping them to create several layers of solutions to unlock the agricultural sector and improve access to finance in the sector.

The Key Agricultural Finance Challenges Identified from the Panel Discussion are Listed Below:

- ☞ Sector policies do not always enable the sector to grow—even through there is a strong government commitment to boosting agricultural productivity.
- ☞ Interagency lack of Collaboration: There isn't enough awareness of the challenges, and the challenges are not addressed in a holistic way. Example: A seemingly simple issue of non-registered businesses who cannot get access to finance can only be resolved with the engagement of several key stakeholders—such as local councils, Ministry of Agriculture, Business Development Support Organizations, Community Organizations, and more robust awareness channels by the Ministry of Communications.
- ☞ Disease and loss prevention policies and frameworks.
- ☞ Financing businesses in multiple value chains.
- ☞ Capital constraints by rural banks.
- ☞ Costing (Interest rate and fees) for agricultural loan products by financial institutions
- ☞ Collateral constraints for small holder farmers—farmers who are outgrowers and supply larger firms.
- ☞ Loan diversion by agricultural firms. i.e., buying a car or building a house when the loan was intended for farming operations.
- ☞ Very little agriculture specific loan portfolios.
- ☞ High risk and low Return on Investment (RoI) for agricultural loans at traditional commercial banks.
- ☞ No agricultural insurance products that help banks and agricultural firms de-risk.
- ☞ Need for more robust data that can help financial institutions and agricultural firms make better decisions.
- ☞ Need stronger local content initiatives with enforcement power—but there must be a mechanism to prevent the enforcement from being protectionist in nature.
- ☞ Environmental factors affecting production.
- ☞ Child labor preventing investments from reputable investors.
- ☞ ICT companies do not focus on partnering and/or delivering innovative products to the agricultural sector.



Key Opportunities and Solutions to the Challenges Highlighted are Listed Below:

- ☞ Global Index Insurance Facility: GIIF supports the expansion of index-based agricultural insurance to protect poor and vulnerable people against extreme weather events. It facilitates

access to finance for smallholder farmers, micro-entrepreneurs, and microfinance institutions through the provision of disaster risk transfer solutions and index-based insurance. Visit <https://www.bmz.de/en/issues/climate-change-and-development/climate-risk-insurance/global-index-insurance-facility-59556> for more information.

- ☞ Creating policies for disease control.
- ☞ Utilizing group collateral schemes for outgrowers and small holder farmers
- ☞ Creation of bullet loans and other loan products for agribusinesses
- ☞ Cross Cropping agricultural products to improve farm and harvest productivity.
- ☞ Financial institutions should work with donors and investors to create certain product portfolios for agricultural products in the upstream (production) and downstream (marketing).
- ☞ Roll out more financial institutions like MUNAFA, Ecobank Microfinance, and APEX Banks to increase access to financial institutions.



- ☞ Government needs to build long term agricultural strategies and polices. These strategies and policies should catalyze and motivate financial institutions to invest in the agricultural sector.
- ☞ Assess former initiatives such as warehousing and revive the warehousing system to support agribusinesses with structural support.
- ☞ Development Organizations should push for policy reforms and work on critical areas such as quality assurance and lowering interest rates. Ex. GIZ worked with MFIs to reduce interest rates and worked with farmers on quality

insurance—which in turn improved access to finance opportunities.

- ☞ Credit guarantees to financial institutions.
- ☞ Greater coordination by government agencies.
- ☞ Support to strengthen Accelerators and Incubators that deliver Business Development Support to Agribusinesses and Agripreneurs. Ex: SMEDA and Sierra Leone Economic Diversification Project supporting Africa Institute for Development and Equity (AIDE-SL) with a grant to expand their scope of services and geographic reach of services to businesses—with a focus on critical firm-level and sector-level constraints including
 - (i) low access to information (ii) poor last mile infrastructure
 - (ii) limited access to finance,
 - (iii) weak capacity to scale businesses. Specific activities in this component to address these challenges include public goods investment, SME and start-up acceleration, and early-stage financing.

--END OF PANEL DISCUSSION REPORT--



ANNEX: PICTURES

