



FINANCIAL SERVICES SECTOR

SCOPE STATEMENT FOR EXPANSION OF MICROFINANCE SERVICES TO SMALLHOLDER FARMERS IN SOUTH KORDOFAN STATE, SUDAN.

Targeted localities in South Kordofan State: Kadugli, Aref AlShargi, Dilling and Habilla Localities.

Mercy Corps is seeking one Microfinance institution to partner with us in improving the livelihood opportunities and resilience of small-scale farmers and agribusinesses in the targeted areas of South Kordofan State through provision of and improved outreach with appropriate financial services.

1. Background:

Mercy Corps, in partnership with the Adventist Development and Relief Agency (ADRA), is implementing a SIDA-funded program called 'Strengthening Agricultural Markets and Food Security (SAFE) in South Kordofan and Blue Nile states.

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future. Mercy Corps is implementing the SAFE program in Kadugli, Aref El Shargi, Dilling and Habilla localities

ADRA is the global humanitarian organization of the Seventh-day Adventist Church. Through an international network, ADRA delivers relief and development assistance to individuals in more than 130 countries—regardless of their ethnicity, political affiliation, or religious association. By partnering with communities, organizations, and governments, ADRA is able to improve the quality of life of millions through 9 impact areas. ADRA is implementing the SAFE program in Damazine, Roseries and Tadamon localities.

2. Purpose / Project Description:

The SAFE program's overall goal is to reduce vulnerability and to increase income and food security of small-scale farmers in South Kordofan State. This program is not implemented through an approach which is based on buying and distributing goods and services to its beneficiaries. It is being implemented through an approach which seeks to improve the way the key companies and institutions in the agricultural value chain market operate and engage with their customers to ensure farmers are better served This approach aims to support these companies and institutions which buy from farmers or provide goods services to farmers to enable them expand their outreach to farmers and adapt the way they work farmers so that more farmers receive better services. In doing this, the program will facilitate long term development of the agricultural market systems which will bring more benefit to all



parties involved in the system. The program will seek partnership with private companies (those selling seeds to farmers or buying produce from farmers), financial institutions, farmers and their associations as well as the entities which make the rules and norms which govern market interactions with an aim of creating an environment that better enables success for farmers.

Specifically, the program aims to achieve the following objectives:

Objective 1: Male and female small-scale farmers have increased and more climate-resilient yields.

Objective 2: Male and female small-scale farmers increase sustainable natural resource management practices.

Objective 3: Male and female small-scale farmers have improved market linkages.

Objective 4: Increased gender equity and increased empowerment of men, women, boys and girls in farming and also access to finances and markets.

Objective 5: Increased preparedness and ability to respond to disasters.

3. Analysis of the status of access and utilization of financial services among farmers

Households in South Kordofan State depend primarily on agricultural production to meet food security and other livelihood needs. However, productivity levels remain low due to many factors such as, lack of access or ineffective utilization of appropriate financial products that are tailored to the needs of small-scale farmers and the agricultural seasonal needs in rural areas. Improved access aims to enable farmers to save and or take loans to support their economic activities such as buying high yielding seeds and carrying out timely mechanized tillage among others.

This can be attributed to factors such as:

- Insufficient outreach of financial institutions to rural areas where farmers are, thereby limiting them from opening saving accounts and maybe applying for credit.
- Limited access points to conduct transactions with financial institutions.
- Limited access to financial literacy training and knowledge to support them in making decisions around better farm investments.
- Long and untailored loan application processes for small-scale farmers.
- Lack of trust, confidence and understanding in the formal banking sector which deters the use of loans and other financial tools. Fear of defaulting on loans and the consequences.
- Female-led households, agribusinesses and farming plots have additional social or other barriers that prohibit or discourage their inclusion to financial tools including: safety in travel, literacy or ownership of assets.

4. Statement of Opportunity for microfinance institutions and farmers

This program aims to increase access and utilization of formal and non-formal financial products and services by both male and female small-scale farmers through:

- increasing access to MFI service points for farmers and small agribusinesses,
- increasing access to financial literacy training and knowledge of MFI products,



- improving the saving capacity of farmers and small agribusinesses,
- developing tailored loan products and terms appropriate for small-scale farmers, agribusinesses.

Under the SAFE program, Mercy Corps will partner with interested microfinance institutions which share a similar vision and also have the capacity and tools to provide these services to small-scale farmers and small businesses. This program intends for the financial institution to expand its reach and profitability with quality clients, loans and services. It is foreseen that the partnership will lead to an increase in (1) the number of MFI customers, (2) the amount of savings mobilized, (3) the number and amount of loans disbursed and paid back and (4) profits for microfinance through better serving male and female small-scale farmers and their agribusinesses.

5. Proposed activities to be carried out by a microfinance institution which will partner with Mercy Corps

1. Develop a network of agents, facilitators or related service points in 20 villages which will promote MFI products and act as access points for farmers with microfinance institutions. Sub activities may include:
 - 1.1 selecting 20 MFI agents,
 - 1.2 training 20 MFI agents for at least 5 days on bank products and how to promote them
 - 1.3 development and printing product educational materials
 - 1.4 incentivising 20 MFI agents to reach out to targeted potential customers.
2. Develop and implement/operationalise a strategy to promote access to financial service products and knowledge to female farmers and female-owned agribusiness. Efforts should focus on promoting successes or case studies of women in similar circumstances and the deliberate engagement of female MFI agents or female owned contact points.

The sub activities may include:

 - 2.1 Meeting with female MFI agents to champion the development of a strategy for targeting females as customers,
 - 2.2 Training 10 female agents on outreach methods
 - 2.3 Incentivising 20 male and female agents to reach out to more female customers;
3. Conduct promotional activities to popularize tailored MFI products and services to male and female small-scale farmers and agribusinesses.

The sub activities may include:

 - 3.1 Hold 2 radio talk shows for one hour to promote MFI products and services
 - 3.2 40 Radio adverts aired to promote MFI products and services
 - 3.3. 60 A-1 posters promoting MFI products and services placed in 20 communities
 - 3.4 20 Product promotional road drives held, one per community
 - 3.5. 750 MFI accounts opened for groups, individuals and agribusinesses



4. Form 160 New VSLA saving groups comprising small-scale farmers formed and train them in the full VSLA curriculum
 - 4.1 Select and train 40 VSLA trainers and equip them with VSLA manuals
 - 4.2 Deploy VSLA trainers to train 160 VSLA groups, each at least 8 times

The microfinance institution can propose additional activities or contextualize the above listed activities to fit their terminologies, strategy and plans with a justification as long as they will improve the chances of achieving the program/partnership objectives.

6. Outputs expected from activities carried out by financial institutions

1. A network of 40 MFI agents, facilitators or related service points in villages developed by April 30, 2022.
 - 1.1 20 MFI product sales agents selected.
 - 1.2 20 MFI product sales agents trained for about 5 days on MFI products and conducting promotions
 - 1.3 Product educational materials provided for 40 agents
2. Strategy developed and deployed to better target women by April 30, 2022. :
 - 2.1 10 female MFI agents given additional training in mobilization and sensitization skills, sales approach, confidence etc.
 - 2.2 Meeting held with 10 female MFI agents to discuss ways of reaching more women
 - 2.3 20 MFI agents incentivised for every 50 female customers they reach
3. Promotional activities conducted to popularize tailored MFI products and services to male and female small-scale farmers and agribusinesses by July, 15, 2022.
 - 3.1 2 Radio talk shows held for one hour to promote MFI products and services
 - 3.2 40 spot adverts aired on radio to promote MFI products and services
 - 3.3 60 A-1 posters promoting MFI products and services placed in 20 communities
 - 3.4 20 Product promotional road drives held, one per community
 - 3.5 At least 750 MFI accounts opened for groups, individuals and agribusinesses
4. 160 new Village saving and loans associations comprising about 4,000 small-scale farmers formed and trained in the full VSLA by October 15, 2022.
 - 4.1 40 VSLA trainers selected, trained and given VSLA manuals
 - 4.2 VSLA trainers train 160 VSLA groups at least 8 times

7. Complementary activities

Mercy Corps intends to partner with seed companies, information service companies and Agricultural produce buying/contract farming companies to promote modern farming practices and access to markets among smallholder farmers in the same areas where this partnership will take place. It is assumed that these partnerships will complement each other and improve the rate of success of all. Mercy Corps encourages coordination among these different companies.