

Impact Investment Thesis #1: Developing a Resilience Buffer



In this pathway, the smallholder household continues to farm primarily for subsistence with little or no surplus, but is able to improve farming practices and build assets to strengthen its resilience to external shocks



Target Outcome Effects

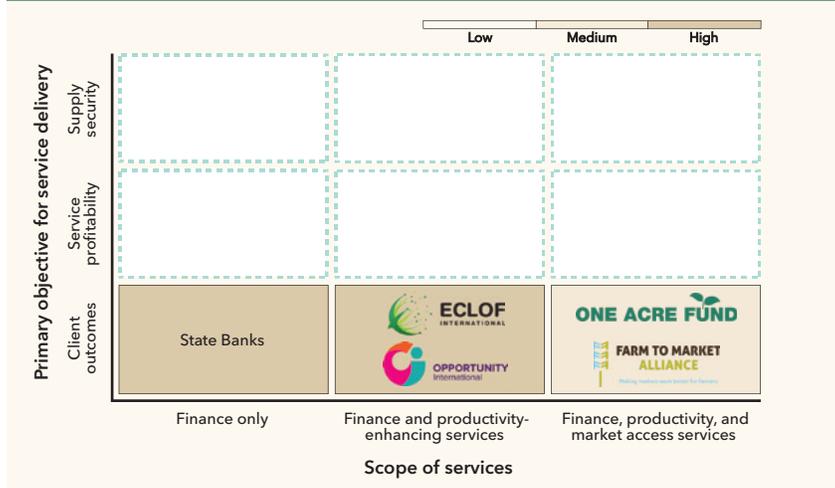
Production	Resilience	Nutrition	Gender	Climate	Youth
 Basic improvements in productivity and farm diversification	 Increased household food output for consumption and assets (including livestock)	 Increased food security and access to directly produced, nutritious food	 Increased control over household income and consumption decisions	 Adaptation to climate-related shocks and changes	 Improved perception of farming and increased engagement in household farming activities

Client Profile:

Smallholder farmer is in a subsistence state with little or no surplus for trade. These farmers typically do not see their farm as a business and farms are typically small (<1 ha). Farm income is typically supplemented with other non-farm sources, social networks, and government transfers. Many farmers do not wish to remain in farming and may have ambitions to generate increased income from farm, but lack the tools necessary to increase volume and production value. Farmer recognizes vulnerability of the farm to adverse events such as droughts and disease, but does not have access to tools to combat these risks.

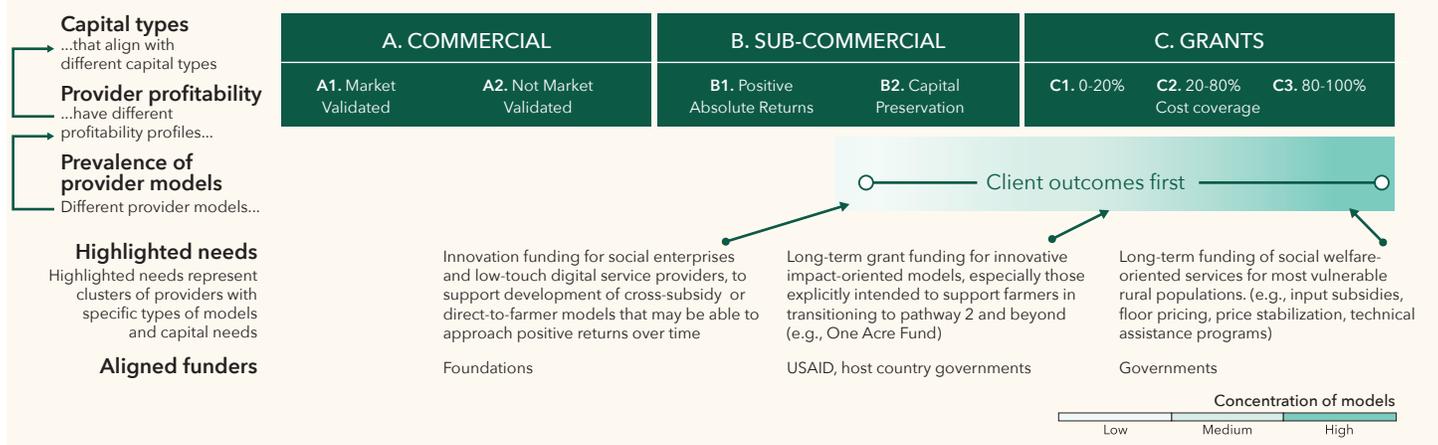
- ### Primary service needs
- Access to basic inputs including fertilizer and seeds (either subsidized or partially subsidized)
 - Training on agronomic practices focused on productivity and diversification
 - Simple farm technologies such as irrigation and on-farm-storage
 - Funeral and health insurance
- ### Secondary service needs
- Producer organization set-up and capacity-building
 - Access to local markets for emerging surplus

Financial Service Provider Landscape



- ### Observations
- Key needs of smallholder farmers in this pathway are **often not financial in nature**, thus many provider models exist outside of this framework. In particular, many NGOs, government-led, and supply-security providers offer services to pathway 1 smallholder farmers without financial services.
 - **Provision of finance alone is rarely seen** because 1) primary farmer needs are often not (directly) financial in nature; and 2) the high cost to serve and low willingness to pay for financial services.
 - Due to relatively high cost and high (touch) degree of support needed, client **outcome-oriented models are most prevalent** for this pathway, where the key objective is to enhance farmer resilience. Many of these models aim to move (or graduate) farmers to a state where they can access services from more commercially oriented models and are reliant on long-term subsidies to sustain service provision.
 - **In Asia and Latin America, governments have traditionally taken a stronger lead-provider and funding role through state banks and public extension programs than in sub-Saharan Africa.**

Capital Market Alignment



Enabling Environment Dependencies

- Rural infrastructure
- Rural input markets
- Government extension