

## Focusing Philanthropy, New Country Expansion Update: Zambia

Farmers First

March 2017

### I. ONE ACRE FUND

#### OUR MODEL

Seventy percent of Africa’s poor are rural farm families, trapped in a permanent state of subsistence-level farming. They face shockingly low farm yields: everything they grow, they consume, and still they face an annual “hunger season” of meal-skipping and substitution. Without surplus to sell for income, they are unable to invest in the technologies they need to increase their yields—thus perpetuating a cycle of severe hunger and extreme poverty.

Founded in 2006, One Acre Fund has developed a solution that interrupts this oppressive cycle. Our powerful innovation enables our clients to climb out of hunger and extreme poverty, and unlock their full potential—as farmers and as providers for their family. We provide every farm family with our “market bundle” of services: 1) financing, 2) farm input distribution, 3) agricultural training, and 4) market facilitation. We deliver these services together, to within walking distance of our clients, providing a complete solution for poor farm families. On average, a One Acre Fund farmer increases her farm-related income by more than 50% within a single planting season—even after repaying her loan—thereby gaining the opportunity to rewrite her family’s future.



*Wilkister Nyongesa of Western Kenya eagerly examines a mature ear of maize in her field ahead of the season’s harvest*

#### ORGANIZATION-WIDE UPDATE

One Acre Fund is reaching exciting new levels of scale and impact in 2017, in large part due to the new country expansion activities that Focusing Philanthropy has supported. We are now serving 450,000+ core program clients across six countries, marking our third straight year of 40%+ annual growth. In May of 2016 we announced the formal launch of Malawi and Uganda as our fifth and sixth core countries of operation. We are deeply grateful for the catalytic support that Focusing Philanthropy has provided in the development of these programs, as well as your previous support for our Tanzania launch in 2013 and current support for our Zambia pilot. The total beneficiaries (i.e. household members) impacted through all of these programs in 2016 was 219,000. Your ‘first-in’ support for new country expansion has had a monumental impact on smallholder families in these countries, and remains crucial to our long-term scale and impact trajectory.

The table below illustrates the number of clients and beneficiaries that Focusing Philanthropy helped extend service to in 2016 through your new country support, along with (admittedly speculative) 2030 projections that provide a sense of what your early-stage support will mean when these new countries operate at scale.

	2016	2020 (p)	2030 (p)
Clients across all One Acre Fund programs	450,000	1.25M	5.5M
Clients in Focusing Philanthropy-supported programs	36,600	345,000	2.5M*
Beneficiaries in Focusing Philanthropy-supported programs	219,000	2M	15M

\*2030 estimate: Clients in programs that Focusing Philanthropy has supported since 2012, plus assumes two additional countries.

One Acre Fund remains a global advocate for smallholder farmers. In 2016 we co-founded [Propagate](#), a coalition of leading microfinance institutions in the agriculture space, who aim to increase financial inclusion for smallholders. We continue to seize public opportunities to highlight the key role that farmers play in ending extreme poverty—our work was highlighted in [The Economist](#) in a feature on Africa’s burgeoning green revolution, and our co-founder, Andrew Youn, gave a [TED talk](#) on why farmers must come first in the fight against extreme poverty. We also partnered with other development and agricultural organizations to advocate for the US government’s Global Food Security Act—a bill that was signed into law in late July.

Our efforts in 2017 reflect our new and expanded vision, in which every smallholder farmer “has the knowledge and means to achieve big harvests, support healthy families, and cultivate rich soils.” As part of this long-term vision, we are expanding our definition of impact beyond incremental profit to include categories such as soil health, educational attainment, and longitudinal food security—which provide a fuller picture of how we improve the lives of farmers and their families.

## II. NEW COUNTRY EXPANSION

Our ‘new country expansion’ platform is one of the most powerful tools we have for expanding our impact, as it enables us to trial and launch our program in new geographies. We estimate that there are 50 million farm households across sub-Saharan Africa that could permanently escape hunger and extreme poverty through our model. By 2020, we aim to help at least 1.25 million of these farm families make this a reality—by then, we anticipate that new clients in countries we are not yet serving will constitute 20% of our total client base and that by 2030 they could exceed 50%.

Through this platform, One Acre Fund identifies potential countries for expansion through a rigorous, multi-phase scouting process:

- **Phase 1, Market Analysis/Initial Scouting:** First, we research promising countries from afar, analyzing key indicators including population density, rainfall levels, and crop distribution. We then send a scout to high-potential areas to complete our analysis with on-the-ground surveys.
- **Phase 2, Initial Pilot:** If all indicators are positive, our scout sets up a small-scale farmer trial, to determine actual customer demand and physically test our model’s impact.
- **Phase 3, Expanded Pilot:** Satisfactorily impactful trials are expanded from around 100 farmers to 1,000+ farmers.
- **Phase 4, Full-Scale Launch:** If the larger pilot confirms our ability to successfully achieve scale, impact, and sustainability with local farm families, we launch a full-scale country program.

### FOCUSING PHILANTHROPY’S CATALYTIC SUPPORT

Focusing Philanthropy has been such a vital partner in our new country expansion, an area that has been and remains difficult to gather other support for given the uncertainty involved in testing and adapting our model to new geographies. As a direct result of your catalytic funding, we are bringing our core model to tens of thousands of farmers across these new countries—and with a powerful upward trajectory, we are poised to serve hundreds of thousands more in the coming years. Below we have outlined the legacy of your support for our new country expansion:

#### Tanzania

We were first drawn to Tanzania by the incredible opportunity for large-scale impact, identifying a market size of at least 1.8M farm families who could immediately achieve a better life through our model. Focusing Philanthropy helped make the Tanzania program a reality by providing seed support for our scouting operations in 2012 and full-country program launch in 2013. We currently serve over 24,000 clients across five districts—farmers like Mwanaisha, pictured at the right.



*Tanzanian farmer Mwanaisha Banga atop her maize harvest*

As we expand our reach and impact in Tanzania, we are pioneering strategies to adapt our core model to the country’s unique operating context, where population density is much lower than in our other core countries. We have also been exploring innovative approaches to serve farmers outside of our core program; for example, in 2015 we opened a small agricultural shop in a part of Iringa beyond our core area, where local farmers can buy quality farm inputs with cash or via same-day loan approval. This season, we scaled up to four shops, and expect to serve between 500 and 1,000 farmers with each storefront.

The table below summarizes progress in Tanzania across our key metrics of scale, impact, and sustainability.

Metric	Measurement Point	2015 Actual	2016 Target	2016 Actual	2017 Target
Scale	# Farmers served in Tanzania (EOY enrollment)	17,400	25,000	24,000	35,000
Impact	Average new income per farmer	\$87	\$100	\$85*	\$96
Sustainability	% Field expenses covered by farmer repayment	89%	89%+	95%	90%+

\*2016 impact was below target because a) drought reduced total crop output, b) maize prices in local markets have been lower than anticipated, and c) the Tanzanian shilling has devalued relative to the US dollar since we made our original projection.

## Uganda

Focusing Philanthropy’s early support for our Uganda pilot played an important role in its evolution to full program launch in May of 2016. Together with our Malawi program, this launch represented a long-term commitment to an entirely new population of smallholder farmers in need.

During the 2015-16 season, One Acre Fund greatly expanded its services to Uganda’s hard-working farm families. We reached 3,769 clients across Kamuli and Jinja districts, exceeding our target of 3,500. While we surpassed last season’s impact, we fell significantly short of our \$125 target due to dry weather and the ongoing challenges of the parasitic weed striga (see below). Crucially, it was a very hard year for farmers across the region, yet it was twice as profitable to be with One Acre Fund. Clients in Uganda achieved 96% greater income than control farmers on supported activities—our highest ‘relative impact’ of any country. On financial sustainability: striga reduced loan repayment to 92%, driving down financial sustainability to 49%. This was slightly below our target of 60%, though represents an improvement from the prior season.

Metric	Measurement Point	2014-15 Actual	2015-16 Target	2015-16 Actual	2016-17 Target
Scale	# Farmers served in Uganda	1,043	3,500	3,769	7,400
Impact	Average new income per farmer	\$41+	\$125	\$58	\$55+
Sustainability	% Field expenses covered by farmer repayment	46%	60%	49%*	52%

\*2015-16 sustainability was slightly lower than projected in the September report, due to the impact of striga on loan repayments.

Striga remained a major challenge in the Eastern Region of Uganda over the past season. We will continue to monitor and mitigate against this threat to farmer yields, as it has diminished cereal crop production across much of the country. For now, we are not pursuing expansion in heavily affected areas, though we are investing in mitigation strategies, such as research on alternatives to maize (legumes and sorghum) and methods that protect maize from striga (desmodium and IR Maize). We hope to eventually introduce a special program package for farmers in striga-affected areas.

We are excited about the future for the Uganda program. In 2017 we are expanding within Eastern Region to serve farmers in Buikwe and Iganga while scouting other regions for expansion. Combined with client growth within our current areas of service, this will likely enable us to double in scale to around 7,400 farmers during the 2016-17 season. By increasing the number of clients each field officer serves, we expect to boost our program sustainability and catalyze a higher social return on investment for each donor dollar. And if we can minimize the threat of striga, we are confident that Uganda can achieve some of the best yields per acre of any of our country programs.



One Acre Fund farmer Moses Bazira, Namisambya, Uganda

## Malawi

Focusing Philanthropy’s support for One Acre Fund’s growth-stage pilot in Malawi during the 2015-16 season enabled us to impact the lives and livelihoods of 2,673 farm families amidst a challenging season. Low rainfall early in 2016 crippled maize crops across the country, but our core program helped farmers gain vital resilience (see below). Impact analysis from our M&E team reveals that our clients earned around \$77 in additional farm profits on supported activities—slightly below our goal of \$88, yet representing a 65% increase over control farmers. Financial sustainability also increased significantly relative to the 2015-16 season, but fell short of target, due to currency devaluation and weather-related expenses.<sup>1</sup>

Metric	Measurement Point	2014-15 (Actual)	2015-16 (Target)	2015-16 (Actual)	2016-17 (Target)
Scale	# Farmers served in Malawi	939	2,679	2,673	7,200
Impact	Average new income per farmer	\$21	\$88	\$77	\$82
Sustainability	% Field expenses covered by farmer repayment	27%	51%	40%	60%

The farmers we served across Malawi’s Zomba and Mulanje districts were able to progress because of the multiple support systems provided through our core program. They practiced improved farming through high-yield seed varieties and techniques. They made their farms more climate resilient through tree planting and composting. They diversified their fields with sweet potatoes, cassava, and pigeon peas—all of which benefited from the later rains in March and April. They also received weather assistance as part of One Acre Fund’s insurance policy—getting anywhere from a 10% to 27% discount on their maize loans.



*One Acre Fund field officer Ennock leads a training session for new clients in Malawi’s Mulanje District*

Early in the 2016/17 season, we are reaching around 7,200 farmers, including 600+ in a new operating area, Chiradzulu District. This expansion has been important because our support is needed in Malawi now more than ever before. Last year’s poor harvest left nearly half of the country in food crisis, causing hunger on a large scale. In the face of this dire situation, there is an even greater urgency to bring more clients into our program—the extra bags of maize we help each farmer grow means their children will be fed and nourished throughout the hunger season. Fortunately, early rains this season have been strong and crop growth is looking much better than in the previous two seasons, so we are optimistic for a stronger impact.

We remain deeply grateful for Focusing Philanthropy’s recent support for Malawi and Uganda. You helped us build the systems needed to prepare for long-term growth and impact. Importantly, your support helped provide a vital “proof point” for the viability of our work that has attracted other major investments for these new country programs; we are currently negotiating the final details for a USAID investment in our Malawi and Uganda programs and received a program investment of €500,000 from a consortium of Dutch funders for our Malawi program. These larger-scale funding commitments provide strong evidence that Focusing Philanthropy’s theory of investment is bearing true: by injecting funding at the riskiest, early-stages of a new program, you help us adapt and prove our model—leading to larger investments at the next stage.

<sup>1</sup> **Sustainability** is an area where we will continue to seek improvement. While the 40% sustainability achieved in 2015-16 was an improvement over 2014-15—and a promising figure for such a young program—we see room for further improvement. Our margins have been lower due to a crop assistance payouts to all clients and a strong devaluation of the Malawi Kwacha—which makes our prices look much higher compared to last year, even though they are actually lower in terms of US dollars. If the weather continues to cooperate, we are predicting sustainability to reach 60% for the current season.

## ON THE HORIZON

In the coming year, our new country expansion team will be advancing projects at various stages:

- **India, Market Analysis and Initial Scouting:** We will continue to research India for potential program models. We have completed a high-level scan of the entire country, and an in-depth look at seven states. After scouting these areas, we may investigate additional areas in greater detail. We plan to place a full-time staff member there for up to a year to assess the viability of a small pilot.
- **Nigeria, Initial Scouting:** We also plan to place a full-time staff member in Nigeria for up to a year to assess the viability of a small pilot there.
- **Myanmar, Initial Pilot:** Our early pilot remains at a small scale and is focused on proving the impact potential of monsoon rice and black gram, two crops that are new to One Acre Fund. Because of our operational partnership with the country’s largest farm input distributor and retailer, our model has the potential to operate at a lower cost per farmer over time.
- **Zambia, Expanded Pilot:** Due to very strong year-one results, we are investing heavily in an extended pilot to see if it is possible to maintain a growth trajectory that exceeds previous pilots.

### III. REPORT: ZAMBIA PILOT PERFORMANCE

In late 2015, One Acre Fund established a small pilot project in Zambia’s Central Province to test the viability of our program model in the country’s unique operating environment—unlike most areas we serve, this part of Zambia has a lower population density and larger average farm sizes. We made the decision to launch a pilot in Zambia with the knowledge that if we could help a greater share of the country’s 700,000 smallholder families boost maize output per acre *and* bring a larger portion of their land under cultivation, we could greatly improve incomes, nutrition, and regional food security.



Potential Zambian clients review 1AF’s crop package options

In August 2016, One Acre Fund completed our first full season of operations in Zambia, marking the largest ever enrollment for a first-year pilot. We served 429 clients through an average loan package of around \$300—nearly four times our org-wide average. As a result, farmers were able to earn \$167 in incremental profits, marking the greatest impact for any first-year pilot (the appendix tells the story of Patrick Kalenda, a farmer in Chowa who cultivated 300% more maize during the 2015-16 season). The Zambia pilot was also record-shattering in that farmer repayment exceeded core field expenses, with sustainability reaching 126%. This is the first time we’ve demonstrated so early in a pilot that a country can operate without donor support needed for field expenses. Over time, Zambia has the opportunity to subsidize country programs with higher-need farmers and lower average land size, where it is much more difficult to achieve breakeven.

The table below summarizes results for the 2015-16 season and projected progress for the 2016-17 season.

Metric	Measurement Point	2015-2016 (Target)	2015-2016 (Actual)	2016-2017 (Target)
Scale	# Farmers served in Zambia	300	429	1,749
Impact	Average new income per farmer	n/a	\$167	\$190
Sustainability	% Field expenses covered by farmer repayment	65%	126%*	104%
	% Farmer loan repayment	90%	99.5%	99%+

\*Sustainability was higher than expected in 2015-16 due to larger loan sizes and lower costs related to crop insurance, transport, storage, and interest. Sustainability will decline slightly in coming years as we make important investments in long-term growth.

Midway through our second pilot season, we are currently serving 1,749 farm families across 13 sites, representing a single-season growth rate of around 400%. We are cautiously optimistic for an impact of \$190, as rainfall has been abundant and our clients have planted larger areas of their land with One Acre Fund inputs (an unprecedented transaction size of over \$450). Yet there is a high degree of uncertainty involved in early pilots, and farmers in the region have been dealing with armyworms, which have ravaged maize crops. Luckily our clients have been unaffected, though we remain vigilant in the face of this national agricultural crisis.



To maximize program impact, in the coming months our field officers will provide clients with important trainings in areas such as post-harvest storage (April), mulching (May), annual financial planning (June), and market access (June)—see *season calendar below*. Farmers will also have sessions on problem solving through teamwork, effective group meetings, and women’s empowerment. Another promising area of impact is our soya trial; participants have been enthusiastic about healthy crop growth and the potential to enrich their soil, so if impact from this product is strong, we will likely pursue an expanded trial next season.

#### Zambia Program Calendar

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>Agricultural Season</b>		Delivery	Planting	Top dress delivery	Top dress application	Weeding			Harvest			Harvest Measurement
<b>Program Activities</b>	Enrollment / Prepayment		Repayment									Repayment Due

#### ON THE HORIZON

Looking ahead to the coming years, we are confident that we will be able to scale up our operations in Zambia faster than any other new country program to date, reaching an unprecedented number of the country’s hardworking smallholder families. The table below highlights Zambia’s strong early trajectory relative to other pilots:

Country	Pilot start	Initial loan size per farmer	Year-1 scale	Year-2 scale	Year-3 scale
Zambia	2016	\$300	429	1,749	10,000
Uganda	2014	\$40	151	1,043	3,500
Malawi	2014	\$25	70	939	2,679
Tanzania	2012	\$63	200	1,000	4,300

One Acre Fund's robust expansion in Zambia presents the opportunity for key long-term outcomes:

- **Better ability to serve low-density countries:** Zambia's smallholder population is dispersed across much larger farm sizes (10-20 acres) than found in other country programs. Large swaths of Africa share a similar farmer distribution; adapting our model to thrive in this context will be a testing ground for serving other low-density countries like Mali, Niger, Zimbabwe, and Mozambique.
- **Improved food security for Zambia and neighbors:** While Zambia is already an important grain producer in Southern Africa, it has the potential to dramatically boost production. Many farmers leave large tracks of arable land fallow because they cannot afford sufficient inputs. By connecting smallholders to financing, farm input distribution, agricultural training, and market facilitation our model will enable clients to double—or even triple—their yields. Implemented at scale, this increase will generate grain surpluses and food security for Zambia and its neighbors—including Malawi, which is still recovering from a major food crisis.
- **Support for higher-need farmers:** As farmers in Zambia take program loans that are so much larger than in other country programs, we are starting to generate margins that could cross-subsidize countries where levels of client need are higher and land sizes are smaller.

## MARKET ACCESS

There is an exciting opportunity to steadily increase the income of Zambian farmers by helping them to plant a larger share of their land. Zambian farmers typically only cultivate 5 acres of their 10- to 20-acre farms. While our program can provide the necessary financing, inputs, and training to facilitate expanded production, the best way to incentivize this expansion is to ensure a stable, fair market for their surplus.

Market access is therefore crucial to our program success in Zambia, as it will help drive farmers to increase the number of acres they cultivate each year. While farmers in Zambia have multiple buyers to choose from, the national government recently scaled back its role as a primary maize buyer. Last year over half of our clients were selling to the government buy-back program—the National Food Reserve Agency—though this year, virtually no farmers did since government prices were lower than "briefcase buyers." This underscores the importance of connecting farmers with reliable private-sector buyers who can guarantee product demand and pay farmers a fair price.

Cargill is an important ally in our service to farmers in Zambia, as they are the key buyer of our farmers' surplus. We have learned there is little we can do to improve Cargill's service in the short term: the majority of our clients already sell to them because they have a transparent purchasing policy, typically pay on time, and operate depots near all of our current operating sites.

Therefore we believe that a formal partnership with Cargill is not required at this time—simply having them as an available buyer will likely be enough to ensure that our farmers have a market to sell their surplus harvest. Additionally, we do not think that an exclusivity agreement would be desirable; we would like to avoid any situation in which we—or our farmers—are "captive" to a single company. But we are open to collaborating more deeply with Cargill on future expansion; for instance, as our client base grows, we might attempt to influence them to set up depots in new places where we operate or to coordinate pick-up of maize surplus in remote locations. We will keep you informed of this evolving relationship.

## IV. CONCLUSION

One Acre Fund warmly thanks Focusing Philanthropy for your ongoing support for our new country expansion platform. Your multi-year, multi-country commitment has already had a profound impact on African smallholder families, with 219,000 total beneficiaries within the countries you have supported. You are also enabling us to pursue exciting new opportunities for expansion that will pay dividends for Africa's smallholders for decades to come. Our Zambia pilot is a great example of the power this platform has to accelerate real solutions for smallholder farm families, while enabling us to hone a model for reaching new populations of farmers in other low-density areas across sub-Saharan Africa.

### **APPENDIX – Farmer Spotlight: Patrick Kalenda**

Patrick Kalenda is a Zambian One Acre Fund farmer who lives in Chowa in Central Province. He is 60 years old, and is married with seven children and several dependents.

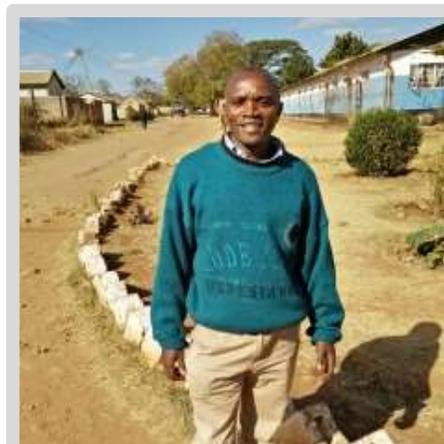
Patrick learned about One Acre Fund from a gathering of community members. “I stopped and listened to what was being discussed and I was interested when I heard that a new organization called One Acre Fund had come into our community to help small scale farmers to improve their farming through provision of farming inputs on loan. I attended the rest of the meeting and when I got home, I shared the program model with my wife Astridah; she was interested and she encouraged me to join,” he said. Patrick enrolled in September 2015 and became the group leader for his One Acre Fund farmer group.

Before he joined One Acre Fund, his harvest was below average; he only produced thirty 50kg bags of maize from his one hectare of land because he could not afford to buy enough inputs to guarantee a good harvest. He also lacked information on modern planting and harvesting techniques. This created a number of problems, since he could not make enough money to send his children to school and also have enough food at home.

As a One Acre Fund client during the 2015-16 season, Patrick managed to harvest one hundred 50kg bags of maize. “My harvest this year has greatly increased because of the proper planting and harvesting techniques that I learned from One Acre Fund,” he said. He also credited his good harvest to the timely delivery of inputs by One Acre Fund, despite difficult weather this season.

Patrick finished repaying his One Acre Fund loan well before the repayment deadline of August 14, storing enough maize for consumption over the following year as well as some to sell for his children’s school fees. Having completed his loan on time, he hopes to increase his loan size to two hectares next season so that he can increase his earnings. Patrick praised One Acre Fund’s program model, stating that the sustainable model suits the needs of his and surrounding communities and will help uplift the life of many smallholder farmers. He is encouraging many smallholder farmers in his area and other surrounding villages to join the program as the organization begins to enroll for the 2016-2017 season.

Patrick enjoyed working with One Acre Fund so much that he was recently hired as a new Field Officer to support One Acre Fund’s growth in Chowa next season, one of the many employees among One Acre Fund’s 4,000 total staff who first started as a client.



*One Acre Fund enabled Patrick Kalenda, a Zambian farmer in Chowa, to triple his family’s maize harvest*