Food and Agriculture Organization of the United Nations

private sector

FAO partnerships

working for the Sustainable Development Goals

ACCESS TO FINANCIAL INSTRUMENTS

Rabobank

In collaboration with Rabobank Foundation, a corporate foundation that supports cooperatives and member-based organizations through microfinance mechanisms. The Foundation assists smallholder farmers and their cooperatives in rural areas

Timeframe
2013–2019

Beneficiaries
Smallscale producers and producers' associations

Geographical coverage
Ethiopia and Tanzania

Contributing to:

2 ZERO HUNGER

Smallholder agriculture remains the main economic activity in sub-Saharan Africa and employs the majority of the people. It accounts for approximately 80 percent of all farms and directly employs about 175 million people (OECD/FAO, 2016). Smallholder farmers also play a key role in increasing food supplies.

CHALLENGE

Despite their overall socioeconomic importance and the role they play in food production and food security, smallholders tend to have little or no access to formal financial services. Less than 10 percent of Africa's 50 million smallholder farmers have their economic needs met by the financial sector (FarmDrive, 2019). The lack of collateral remains a significant barrier to obtaining financing for smallholders farmers, and non-collateral, cash-flow based lending remains limited given that rural financial institutions lack both agricultural sector expertise and the tools to properly assess farmers' and cooperatives' credit worthiness. This limits smallholder farmers' capacity to invest in the technologies and agricultural inputs they need to increase their yields and incomes and in turn, reduce hunger and poverty.

THE PARTNERSHIP

To tackle this issue, the Food and Agriculture Organization of the United Nations (FAO) and Rabobank Foundation engaged in a strategic collaboration on two projects in Ethiopia and Tanzania, both designed to improve smallholder farmers' incomes, access to financial tools and ability to invest in more efficient production of food crops.

The partnership is based on the complementarity of the two organizations, with FAO providing technical expertise related to producer cooperatives, rural financial markets and capacity building and training for smallholder farmers, and Rabobank Foundation focusing on providing unique, on-the-ground information on private agro-industrial markets as well as financing and risk-management instruments to help small-scale farmers. Rabobank Foundation also provides technical assistance

©FAO/Giulia Fanelli

and risk sharing facilities, allowing smallholders and cooperatives that are accessing financial services to develop a track record.

ACTIVITIES

In Tanzania, the project ran from 2014 to 2017. Project activities were designed to increase productivity levels and ensure stable incomes for smallholder paddy rice and cassava producers in the districts of Morogoro and Mkuranga, with a focus on women and rural youth. Activities included trainings in the System of Rice Intensification (SRI), water management and post-harvest management practices, the introduction of high-yield seed varieties and other inputs, and the use of labour-saving technologies. Rabobank provided financial and business skills training to producers and supported access to credit. The partnership also supported the development of a five-year rice production, processing and marketing business plan.

In Ethiopia, the project was launched in 2013 through a collaboration with ICCO-Terrafina Microfinance (TMF) – which works with seven Microfinance Institutions (MFIs) benefiting from partial credit guarantee schemes established by Rabobank Foundation, to support demand-driven and customer-centric rural and agricultural finance products and outreach strategies. In 2014, the project introduced the Cooperative Assessment Matrix (CAM) – a tool for institutional assessment of producer organizations (POs) that can help MFIs in the credit assessment process. Following a consultative process, three MFIs were selected to participate in pilot interventions with the POs. The project is ongoing; as of June 2019, the MFIs are working with six different cooperatives and the partnership is scaling up through a second phase of activities that includes the involvement of Agriterra, a recognized Dutch civil society organization with extensive experience in working with cooperatives and their unions in Ethiopia.

PRELIMINARY RESULTS

As a result of the project activities in Tanzania, collective efforts in the processing, storage and marketing of paddy are now practiced through an AMCOS (agricultural and marketing cooperatives societies), allowing registered farmers to participate in value-addition activities as sorting, grading and processing. Thanks to training in SRI, productivity levels have risen from an initial 0.5 tonnes of paddy per acre to between 4 and 5 tonnes per acre. Furthermore, a village community bank has enabled farmers to save and lend money within the community. The project also supported a feasibility study of cassava-processing potential and the construction of a storage facility. Commercial linkages were established with buyers from Morogoro and Dar es Salaam. In total, the project in Tanzania has benefitted approximately 200 cassava producers, 500 paddy producers and their respective organizations.

We need to feed 9 billion people by 2050 with nutritious food produced in a sustainable way. This will not only come from big producers but also from the small producers. It was very important that we started where we already had things that we could do together, especially our networks and expertise with small farmers. We want to make sure that the farmer has the right information to make the right decisions, as well as the right channels to become more self- sustainable in the long term, including access to strong local banks.

Berry Marttin, Rabobank Board Member

SUSTAINABILITY

In Tanzania, the project's sustainability is guaranteed through the development of local capacities. The national government has indicated in their strategy for agricultural development that cassava and paddy are priority crops, and the Mkuranga and Morogoro districts' prior plans and budgets for paddy and cassava production and processing improvements reflect this.

In Ethiopia, the sustainability of the joint intervention has been built into the various activities by focusing tailored interventions on those endemic knowledge and capacity constraints of the various actors – MFIs, cooperatives – that inhibit their fluid and commercially based interaction. Heightened attention has been placed on a credible, medium-term exit strategy through the FAO-supported Integrated Agro-Industrial Parks (IAIP) project that ensures that those financing models that reach proof of concept can be subsequently scaled and deployed into more structured and supportive markets.

References

OECD/FAO. 2016. *OECD-FAO Agricultural Outlook 2016-2025*. Paris. (Also available at www.fao.org/3/a-i5778e.pdf)
FarmDrive. 2019. Kenya. [Cited September 2019]. *farmdrive.co.ke.*

Some rights reserved. This work is available under a CC BY-NC-SA 3.0 IGO licence

CONTACT

FAO-Partnerships@fao.org

© FAO, 2019
CA6160EN/1/09.19