

Summary outcome of expert meetings in Rwanda, Burundi and Ethiopia

Abbreviations

MFI: Microfinance Institutions

PO: Producer Organizations

1. Introduction

In the course of 2014, the NpM rural finance working group in cooperation with AgriProFocus commissioned a study on financing smallholders, particularly on the topic of risk management of financing smallholders while linking financial institutions to producer organizations (PO). The study was highly appreciated and highlighted important lessons learned. Over the course of 2015, workshops were organized in Rwanda, Burundi and Ethiopia to disseminate the results of the study. The workshops were organized for an audience of financial institutions, PO, NGOs that work with PO, government agencies and donors. This report provides a brief summary of the outcomes of the workshops in those three countries.

2. Outline of the seminars

In all three countries, the seminars were organized with a similar set up:

1. The study was briefly introduced by the “hosting party”, which was either AgriProFocus or the Platform for Inclusive Finance (NpM), or jointly.
2. A quick round of participants’ presentation was given.
3. The results of the study were presented by one of the involved study experts (that PowerPoint Presentation is now available).
4. After questions and answers, the audience was split up into three groups: a group for financial service providers; a combined group for PO and NGOs; and a combined group for donors and government agencies.
5. The groups were asked to elaborate on what they would expect from others, and to recommend actions that could assist to improving access to finance for smallholder farmers.
6. Afterwards, these ideas were brought together to compile a follow-up plan for that particular country.

Considering the seminars followed a similar pattern, outcomes of the meetings overall highlighted similar issues. Below, a short summary of the expectations of the different groups towards one another is addressed, along with the overall recommendations coming up.

3. Contributions and insights per actor group

3.1 Combined group of PO/NGOs

A. Expectations towards financial service providers

Across the board, PO mentioned that they expect financial institutions to provide appropriate and timely loans for agriculture. Furthermore, they would like to see loan conditions become flexible and with less importance placed on physical collateral, especially on land. Alternative and innovative collateral forms were requested and PO would like to have lower interest rates on loans. It was also mentioned several times that financial institutions do not provide proper and clear information on their loan products. Some PO groups would ask for long term and investment loans. Also, Microfinance Institutions (MFI) were asked to train their credit clients on financial and other types of education.

B. Expectations towards donors and government

According to PO and NGOs, the donors and government should support innovations and facilitate collaboration between PO and private sector actors. Also, governments should put favorable legal frameworks in place to support finance to farmers. Other requests to governments were to support financial education and to facilitate refinancing or guarantee funds to the sector. Donors and government should not disturb the market or provide free services all the time. Moreover, donors should stimulate collaboration between stakeholders. Furthermore, PO were also looking towards donors for support in capacity building and market information.

3.2. Group of financial service providers

A. Expectations towards PO and NGOs

The financial service providers stressed again that they expect to lend to strong and well managed PO that are able to solve internal conflicts. Furthermore, they see that farmers are still employing traditional farming systems with low productivity. PO should assist their members in modern agriculture. They also expect a professional role of NGOs to support PO, and from NGOs to exchange relevant information amongst one another. NGOs should specialize in certain expertise and not all conduct similar interventions following the donor trends in an opportunistic manner. They expect the NGOs and PO to have a long term sustainability vision and not distort the market with grants.

B. Expectations on donors and government

The financial service providers stressed the need for governments to provide a proper legal framework and not interfere too much in the day-to-day operations. Governments could also stimulate financial education and support the setup of agricultural processing units in terms of favorable legislation. According to the financial service providers, donors should support capacity building of PO and MFI,

support linkages among actors, create platforms and provide a guaranteed system as a backup for lending. Donors and government should not promote free services in the market. Donors can also play a role in sharing best practices and stimulate innovations, and stimulate public-private partnerships.

3.3 Combined group of donors and government

In most countries, the group of government and donor organizations was even more diverse than the other two groups of smaller and bigger donors together, some of which being more NGO type donors. Also, a number of different Ministries were participating in one group.

Overall, the representatives of this group felt that low capacities and lack of business orientation of PO was a big constraint. Furthermore, they observed a lack of focus and professionalism within NGOs and warned NGOs not to distort the market.

They also observed a lack of knowledge on agriculture at the MFI level and recommended specialized staff on agriculture. According to government and donors, financial service providers could also promote a savings culture in rural areas.

The donor and government representatives also supported the setup of a national stakeholder forum on the subject.

4. Final remarks on meetings and group work outcomes

In all three countries, the presentations of the study and the group discussions were very well received. It was also apparent that there were remarkably similar observations from the different stakeholders in the countries. The most important issues raised were:

1. The need for appropriate financial service for agriculture and with it, the need for financial institutions to understand agriculture and have in-house agricultural expertise.
2. The lack of capacity and business orientation of PO, hence the need for capacity building interventions.
3. The need for a long term sustainability vision of NGOs and PO.
4. Notice of market distortion by NGOs and sometimes donors and government.
5. The need for an appropriate legal and supervisory framework (this was a higher priority in some countries such as Burundi).
6. The need for information and communication between actors, such as through a stakeholder platform.

The participants from the different meetings all wanted to continue communication between stakeholders in some form or another. The platforms of AgriProFocus and the microfinance networks could play a role in this as well. It was noticed that mutual expectations were high and that there are also expectations of donors to play a facilitating role in communication, facilitation and capacity



building. In the closing remarks, participants mentioned they would appreciate feedback from expert meetings in other countries. To facilitate this and optimize mutual learning, the responses and input from participants of the upcoming meetings in Uganda, Tanzania and Kenya will be shared via the AgriProFocus online platform and direct mailing.