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## Matching grant programmes: An effective approach to channel remittances into sustainable investment in agribusiness?

### About this online consultation

This document summarizes the online consultation *Matching grant programmes: An effective approach to channel remittances into sustainable investment in agribusiness?* held on the FAO Global Forum on Food Security and Nutrition (FSN Forum) from 18 February to 15 May 2022. The consultation was facilitated by Mauricio Rosales from the Agrifood Economics Division (ESA) of FAO.

This consultation was organized in the context of FAO's work on supporting countries in developing evidence-based policies and programmes to support migrants and returnees, and their families, in investing remittances in agribusiness – one example being the pilot project “[Promoting Inclusive Economic Growth through Matching Grants](#)”, conducted by ESA in Tajikistan. The consultation's aim was to help further refine the design of such policies and programmes by gathering input from a wide range of stakeholders on the potential of matching grant programmes<sup>1</sup> (MGPs) to stimulate the investment of remittances in the agricultural sector.

During the consultation, participants first discussed whether governments and other stakeholders should actively promote the investment of remittances in agribusiness. Next, they reflected on the benefits and challenges of MGPs in this regard, and shared ideas on complementary and alternative approaches. Last, participants provided information on existing MGPs and other relevant experiences. All feedback received will inform recommendations to countries that are interested in implementing the matching grants approach.

During the consultation, participants from 17 countries shared 23 contributions. The topic introduction and the guiding questions, as well as the contributions received, are available on the consultation page: [www.fao.org/fsnforum/activities/consultations/matching\\_grant\\_programmes](http://www.fao.org/fsnforum/activities/consultations/matching_grant_programmes)

<sup>1</sup> A matching grant is a one-off, non-reimbursable transfer to project beneficiaries, paid in proportion to the amount of remittance used by the beneficiary (the migrant) for a productive investment.

## 1. The role of governments and other stakeholders in promoting the investment of remittances in agribusiness development

Multiple participants believed that governments of countries with high rural out-migration rates should promote the investment of remittances in the domestic agricultural sector. They stressed that migration does not provide permanent income and employment (Eugene Ryazanov, Bolot Dyikanov), and that inadequate knowledge and skills (Eugene Ryazanov, Bolot Dyikanov) and a lack of reliable market information (Bolot Dyikanov) hamper the productive investment of remittances by migrants and their families. Therefore, governments and other relevant stakeholders – including development organizations and business associations (Eugene Ryazanov) – should facilitate such investments through

capacity development in terms of financial literacy, technical and business skills, and application of advanced agricultural technologies (Yuldashali Hasanov).

Various stakeholders should be involved throughout the process of designing and implementing projects that aim to stimulate the productive investment of remittances in agriculture. For instance, academic institutions, civil society and international development organizations could advise governments on the potential multiplier effect of such projects on rural development (Pedro Prado). Furthermore, local governments should identify the scope of such projects and ensure alignment with national and local priorities; local companies could then develop corresponding business plans to be used by project beneficiaries (Bolot Dyikanov). Last, for effective project implementation, the institutional presence of the state and other relevant actors, such as international development organizations, is crucial (Pedro Prado).

While consultation participants generally recognized the importance of governments promoting the productive investment of remittances in agribusiness development, one participant pointed out that such efforts would only be desirable in places where well-functioning agricultural value chains do already exist (Shirega Minuye). In addition, another participant noted that government priorities may actually lie in other sectors (Kameswararao Chiruvolu).



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## 2. Matching grant programmes: benefits, challenges, and issues for consideration

Participants highlighted a number of positive aspects of MGPs, a major one being that beneficiaries gain access to financial resources (Severin Rurihafi) and technical support (Shirega Minuye, Yuldashali Hasanov) at a reasonable cost, which encourages farmers to invest their own resources and engage in agribusiness development (Eugene Ryazanov, Yuldashali Hasanov). Furthermore, participants pointed to the broader positive impacts of MGPs, such as: a) promotion of agricultural development in general; b) a potential reduction in migration; c) more active social roles for migrant families – i.e. moving from dependency to entrepreneurship; d) emergence of new livelihood strategies; e) increased availability of agricultural products in local markets; and f) enhanced well-being due to improved incomes and nutrition (Bolot Dyikanov).

At the same time, contributors also discussed challenges that would be associated with MGPs. Some pointed to people's negative perception of agriculture, stressing that

migrants' willingness to invest in agribusiness should not be taken for granted (Lal Manavado, Shirega Minuye). In fact, migrants may prefer to engage in the services sector due to a (perceived) better return on investment (Shirega Minuye). Furthermore, their familiarity with agriculture and the extent to which they are culturally anchored in their (rural) areas of origin would be important determinants of their interest in engaging in agribusiness. Migrants' current demographic characteristics – i.e. a substantial share of migrants come from urban areas – and external cultural influences imply the need for a huge promotional campaign in order to ensure a significant number of them participate in MGPs (Lal Manavado).

Apart from the difficulty in finding migrants who are interested in engaging in MGPs, there is also the fact that some migrants would necessarily be excluded from participation due to the requirement that they themselves



contribute financially to the investment concerned. In fact, eligibility would be mainly restricted to (first-degree relatives of) migrants who have a reasonable and – at least to some extent – stable income (Kameswararao Chiruvolu).

Last, participants discussed other issues for consideration in the deployment of MGPs, including:

- ▶ **Direct funding of organizations.** Donors should transfer funding to organizations that are directly involved in development activities, such as non-governmental organizations (NGOs), rather than to central governments. This would avoid excessive bureaucracy (James Mawanda, Shirega Minuye) and increase the chance that funds are directed to activities that serve socioeconomic rather than political purposes. In some developing countries, however, the government hampers such organizations from receiving funding from external actors (James Mawanda).
- ▶ **Project stakeholders.** One should carefully define who, apart from migrants and their first-degree relatives, should be included in an MGP and on what terms. This is very important in order to optimize the benefits of migrants and their dependents, as in all "competitive" food systems intermediaries derive inordinate profits at the expense of food producers and consumers (Lal Manavado).

▶ **Target group.** MGPs should also specifically target the following actors:

- **Migrants of urban origin.** A substantial number of migrants originate from towns and cities, making it difficult for them to secure arable land and engage in food production. These migrants could still participate in an MGP by selling fresh or preserved produce, or by running small restaurants or cash and carry places. In this way, they would support food producers by ensuring continuous demand for their output. Those selling food products should do so in the context of a joint venture, as single actors may not have the capacities needed to undertake this alone. To support these ventures, FAO and local authorities should work together on: a) improvement or procurement of suitable locales; b) sales training; and c) setting up a common purchase mechanism for all sales outlets of the MGP (Lal Manavado).
- **Youth.** As it is crucial to promote youth engagement in agriculture and rural transformation, youth should be involved in MGPs as well (Kameswararao Chiruvolu, Muhammad Subhan Qureshi).
- **Women.** In particular, women's self-help groups that are involved in agribusiness should receive support in



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the implementation of adequate product labelling in order to take their business to the international level (Sarada Prasad Mohapatra).

- ▶ **Financial support.** An MGP offering a larger grant-matching proportion (for instance, 1:2 – i.e. each United States dollar invested by the project beneficiary complemented by a grant of 2 dollars) would be more effective (Bolot Dyikanov).
- ▶ **Resilience and sustainability.** MGPs should be based on sustainable approaches (Brandon Eisler) that support the Sustainable Development Goals (Rogerio Mauricio) and, according to multiple participants, should be based on agroecology as well (Claudio Schuftan, Rogerio Mauricio, Sarada Prasad Mohapatra). However, other participants stressed that agroecology should not become politicized and that the focus should rather be on promoting smallholder resilience through the provision of insurance, microfinance, and technical support (Samuel Adunreke). Furthermore, climate change (Rogerio Mauricio, Yuldashali Hasanov) and climate-smart agriculture deserve particular attention (Samuel Adunreke, Sarada Prasad Mohapatra).
- ▶ **Value chain development and target markets.** There is a need to a) carefully plan the type and volume of agricultural crops for domestic/regional production; and b) establish adequate domestic and international value chains, including long-term storage methods and certification of products for export promotion (Yuldashali Hasanov). One participant believed that MGPs should focus on markets in migrants' host countries (Kameswararao Chiruvolu).
- ▶ **Farmers' cooperatives.** One participant stressed that association with already practicing farmers in the area concerned is indispensable to avoid the need for long



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agricultural training programmes. FAO and local extension services could, *inter alia*, support the establishment of: a) cooperatives with a suitable mix of farmers and MGP participants; b) a mechanism for technical support; and c) a joint purchase mechanism for seed and machinery (Lal Manavado). However, regarding the latter, one participant stressed that promoting asset creation among groups of people rather than individuals could lead to inadequate maintenance and failure to achieve satisfactory levels of profit (Perez Lionel Kemeni Kambiet).

- ▶ **Digitalization.** Government extension and other services to farmers should be scaled up and digitalized (Sarada Prasad Mohapatra), while digitalization of MGPs would support the collection of relevant data (James Mawanda).
- ▶ **Monitoring.** Adequate frameworks and mechanisms are needed to track the use of funds upon their allocation and to adequately address challenges in sustainable project implementation (Justin Langtar).

## Box 1. Harnessing the development potential of return migration in Kyrgyzstan

Labour migration is a prominent feature of Kyrgyz society. An estimated above 900 thousand Kyrgyz citizens work abroad, with majority of them employed in the Russian Federation. The remittances that Kyrgyzstan receives make up to 30 percent of its GDP. However, it is predicted that more migrants will return to Kyrgyzstan that would significantly affect the amount of remittances received. While this may be accompanied by challenges, return migration should at the same time be seen as an opportunity for social and economic reintegration of Kyrgyz migrants, who bring home knowledge, skills and (social) capital. Against this background, MGPs could

promote investment in the agricultural sector among returnees, focusing specifically on modern and climate-smart agricultural technologies.

This would generate important environmental, economic and social benefits, and, in particular, could help reduce rural out-migration. MGPs would also help facilitate new partnerships between local authorities and returning migrants. However, given that returnees may feel alienated from their communities and local authorities, trust-building activities would be a crucial aspect in this context (Marlen Tynaliev).



## Box 2. MGPs as a tool for agribusiness infrastructure development in Africa

The lack of adequate, basic infrastructure along with financial limitations often hamper investment in African agribusiness. MGPs would be a good tool to help address these obstacles, considering the fact that governments generally do not have the financial capacity to do this by themselves, while under an MGP programme the investment costs would be shared. In particular, MGPs should focus on the development of agribusiness infrastructure – including warehouses, cold storage and

processing units – while taking into account global market trends to help improve farmers' incomes. In order to maximize the sustainability and effectiveness of investments, a multistakeholder taskforce that includes academia and NGOs should be established. These actors would be able to gain an adequate understanding of local realities and bring these to the attention of donors and relevant international organizations (Perez Lionel Kemeni Kambiet).

### 3. Additional, alternative ways to promote the investment of remittances in agribusiness



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Some participants discussed complementary or alternative ways to attract investment of remittances in the agribusiness sector, including:

► **Complementing grants with other financial resources.**

In addition to the provision of grants, beneficiaries could be provided with bank loans under, for instance, a state programme of preferential lending to agricultural producers. This would promote adequate planning and efficient use of resources (Bolot Dyikanov). Furthermore, governments could support migrants with additional subsidies (Yuldashali Hasanov).

- **Substituting grants with low-rate loans for small businesses** (Eugene Ryazanov, Severin Rurihafi). In coordination with credit institutions, migrants could be provided with ready-made business plans that would be adapted to their context. Based on these plans, they would be eligible for certain loans that would complement their own financial resources (Eugene Ryazanov).
- **Channelling funds into reorganization of financial, extension and other support services.** In particular, it would be important for financial institutions to create new financial products and loans for capital investment and asset accumulation. This would, in turn, make clients eligible for larger loans in the future, allowing them to further expand their business. Financial institutions could select those business proposals with the highest potential impact, while (returning) migrants could partner with each other to facilitate business development and reintegration in their home country (Perez Lionel Kemeni Kambiet).
- **Investing in "Information Practice".** Rather than providing grants, one should promote the adoption of best practices in the cultivation of high-value agricultural crops and in value addition in the agricultural sector to increase incomes of migrant households (Kameswararao Chiruvolu).

## 4. Examples of existing MGPs and other relevant programmes

### Ethiopia

In Ethiopia, an MGP funded by the World Bank was implemented ten years ago to support export-oriented companies in the textile sector ([Shirega Minuye](#)).

### Georgia

In the context of the European Neighbourhood Programme for Agriculture and Rural Development, the European Union and FAO have implemented an MGP of USD 6.7 million that co-funds capital investments from Georgian smallholders, and small and medium-sized enterprises and cooperatives in the agricultural sector. The aim is to increase farmers' competitiveness, create additional jobs, and ensure stability in food supplies, while making businesses more sustainable. Matching grant amounts range from USD 1 000 up to USD 150 000, and co-funding up to 60 percent of the investment costs. An online grant management platform



serves as the main interface between the applicant, the donor, FAO and ad hoc stakeholders, allowing for transparent and efficient management of applications. The approach has high potential for replicability ([Matthieu Rouviere](#)).

### Ghana

IFAD's Rural Enterprises Programme in Ghana, which integrates matching grants and bank loans, has been very successful ([Perez Lionel Kameni Kambiet](#)).

### Rwanda

The Second Rural Investment Facility is a grant programme under the Rwandan Ministry of Agriculture and Animal Resources, which was originally administered by the National Bank of Rwanda and later transferred to a specialized fund manager. In 2011, fund management was transferred to a subsidiary of a government-owned development bank ([Perez Lionel Kameni Kambiet](#)).

### South Africa

In South Africa, a pilot project on blending streams of finance into smallholder agriculture is being implemented that could also include remittances. The pilot involves the creation of a transparent platform of agricultural service providers, and the provision of ring-fenced credit for farmers to procure services from those registered providers. The current focus is on extension support, business mentorship and soil/sap analysis services across five pilot sites, but in the future other services could be considered as well. Each transaction is traceable, and farmers' accounts can be topped up by different actors, international family members included ([Luke Metelerkamp](#)).

### Tajikistan

The Tajik Government has implemented agricultural subsidy programmes that support in particular potato producers, but inadequate selection and evaluation of clients and farms have limited their success. Indeed, it is crucial to involve competent actors – such as agronomists and financial institutions – with extensive experience in rural areas in such programmes ([Yuldashali Hasanov](#)).

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