



FACILITATING ACCESS TO FINANCIAL SERVICES FOR SMALLHOLDERS AND AGRICULTURAL SMES IN ETHIOPIA

In Ethiopia, smallholder farming households account for an estimated 95 percent of agricultural production and are a determining factor for the country's food security. However, they have difficulties accessing the financial services they need to purchase inputs and capital to invest in their agricultural operations. This limits their ability to improve production and move away from subsistence farming. To a limited extent, Producer Organizations (POs) support the sector by providing inputs, collection, storage and marketing services to smallholders. However, they lack the resources to become more market and business-oriented, and significant demand for financial services at the POs and union level remains unmet. To respond to the demand of POs' members for input and output finance, both microfinance institutions (MFIs) and POs required further institutional capacity strengthening, and improved business and managerial skills to respond and relate to their clients and members. Against this background, the overall goal of the project was to address the constraints in the demand for and access to financial services faced by POs and their members, and scale up sustainable financial linkages between the MFIs and the POs in West Arsi, Oromia, Ethiopia.



WHAT DID THE PROJECT DO?

The professional skills of six beneficiary POs were significantly enhanced, as a result of the hiring of additional human capacity, strengthening of existing capacities through targeted training courses, and the formation of Solidarity Groups (SGs). The POs showed a remarkable improvement in communicating with their cooperative unions and members, and became more confident in preparing business plans, thanks to the training provided during the project. They also became better able to develop purchasing and marketing strategies, following training in this area, leading to the reduction of unnecessary costs and better linkages with their unions, and the achievement of twelve formal agreements with them for output marketing and input distribution. The POs also enhanced their capacity to acquire updated market information, as well as creating a new and more efficient output marketing modality that allowed them to buy output from their members more efficiently. All of the above resulted in improved trust towards POs, and as a consequence an increase in membership, including youth and women. Two POs piloted new input loan products, and reported that these had stimulated an increase in the supply of produce. In addition, linkages were formalized between the participating MFI and two POs, and facilitation for the provision of loans took place through coaching sessions in the field and the development of Memoranda of Understanding between them.

KEY FACTS

Latest Approved Budget
USD 151 534

Duration
February 2020 – February 2022

Resource Partner
Rabobank Foundation

Partners
Agriterro and Interchurch Coordination
Committee Development Aid (ICCO)

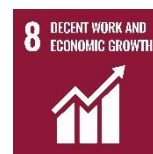
Beneficiaries
Six Producer Organizations (POs),
and their membership, composed of
approximately 4 292 farmers, with
a particular focus on women; and
Buusaa Gonofaa MFI

IMPACT

The strengthened capacities and enhanced professionalization of the POs, and increased access to input and output finance have contributed to reducing cash mismanagement, and to increasing wheat production, and in some cases production areas. This will contribute to improving wheat smallholder farmers' livelihoods, income and nutrition security, by facilitating their access to finance, marketing and other services through their POs.

ACTIVITIES

- 13 formal agreements signed by the six POs for input distribution and output marketing, of which twelve with cooperative unions.
- Wheat value-chain-finance analysis conducted in project area, to inform design of project activities.
- Accountants or managers hired by participating POs at beginning of project.
- Business plan training course delivered to board members of POs, accountants and managers of POs, and staff from cooperative unions; and business plans developed.
- Purchasing and marketing training course carried out for PO committee members, accountants, and managers of POs, etc., and six POs' purchasing and marketing strategies developed.
- New input loan, tailored to needs of POs organized in SGs, developed and piloted; 21 business plans for input loan prepared by SGs, and new input loan accessed by 137 SG members from two POs, organized in 21 SGs.
- New output loan product developed and piloted, tailored to needs of POs.
- New training toolkit on financial literacy produced, and training of trainers on financial literacy delivered to SG members, frontline staff of POs, cooperative unions, participating MFI, and Cooperative Promotion Agency.



SUSTAINABLE DEVELOPMENT GOALS



Project Code

FAO: MTF/GLO/069/RBK

Project Title

Facilitating Access to Financial Services for Smallholders and Agricultural SMEs

Contact

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Partnerships and Outreach

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