

SUMMARY DOCUMENT

FFF/FAO VIRTUAL EXCHANGES

NOVEMBER 2024



ACCESS TO FINANCE

INSIGHTS, CASES AND LESSONS LEARNT





Content

Setting the scene 3

Insight 4

Shared experiences 5-8

Lessons 9

Executive Summary

- This document summarizes a series of thematic exchanges in the context of the Forest and Farm Facility (FFF/FAO) around “access to finance” in November 2024. The exchanges were organized by AgriCord.
- IIED research confirms that Forest and Farm Producers Organisations (FFPO) are one of the main financiers of agriculture and forestry. Producers invest also a large share of their income on sustainable climate adaptation practices while receiving little to no support for these efforts by current climate financing mechanisms.
- The presented cases from Cafe Global, Colombia, and Agronorte, Paraguay, demonstrate that FFPOs can successfully tap into credit opportunities and grow their businesses if their financial management and business planning capacities are strengthened.
- The cases from KENAFF, Kenya, and TUNADO, Uganda, show that FFPOs can, once strengthened and consolidated, develop innovative and inclusive services to their members, and become valuable partners for private and public stakeholders.

Setting the scene

Forest and Farm Producers Embodied resilience and untapped potential



*"When we ask farm and forest producer organizations what topics they propose for knowledge exchanges, one of the top three answers is always: **access to finance.**"*

Katja Vuori

CEO AgriCord

Forest and farm producer organisations are themselves the major investors in their agricultural and forestry activities. This is also true when it comes to financing innovative and adaptive measures needed in the face of climate change impacts. Farmers themselves are their biggest financiers.

However, when it comes to access to external financing in the forms of working capital or investment credit, grants or specific climate adaptation and mitigation financing bottlenecks and barriers persist.

The challenges are structural. There is a gap between what FFPOs and individual producers need and what financial institutions offer. Producer organizations often do not find products that fit their needs - interest rates are too high for farming where profit margins remain low. In many places, there are also no adequate de-risking mechanisms in place to encourage banks and financial institutions to provide low interest

loans to smallholders' agri-forestry businesses. For reducing risks at farm level, agricultural and forestry insurances either do not exist or are too expensive for smallholders. As regards climate financing, according to IFAD figures, smallholder farmers only receive 0.8% of climate finance while being among the most vulnerable.

Independent policy research institutes such as the International Institute for Environment and Development (IIED) provide us with evidence and clarity to properly identify the issues and potential solutions, as shared in this document.

In the following, our partner FFPOs provide examples and best practices on how - with the support of agri-agencies - they tackle the challenges related to access to finance. By professionalising their financial management, by improving their technical and economic services to members, by installing monitoring and

traceability systems to reduce risks, by strengthening their business planning skills and competencies and by building their capacities to analyse climate risks and priority actions for adaptation and mitigation.

Farmers are the embodiment of hard work, dedication, and resilience. There is lot of untapped potential in smallholder agricultural and forestry sector. Provided, that we empower smallholder farmers to achieve their full potential and make public and private financing accessible for them to create more resilient and equitable supply chains. Farmers and forest producers and their organisations should also receive fair compensated for the ecosystem services, they provide for the benefit of us all. Programmes such as the Forest and Farm Facility are needed to support FFPOs to further build capacities, competences, tools and resources to run profitable and sustainable businesses. ■

AGRICORD



AgriCord is a global alliance of 13 agri-agencies specialised in strengthening agriculture and forestry producers' organizations and cooperatives world-wide. AgriCord works with bilateral and international financial partners (FAO, EU, IFAD, AFD, GIZ, AECID, DGD) implementing FFPO support programmes. Together with IIED and IUCN, AgriCord is part of the Forest and Farm Facility (FFF) by FAO.

More information on www.agricord.org

Insights

Forest and Farm Producer Organizations contribute significantly to the financing of Climate Change Adaptation



"When external sources of credit are not accessible, [...] smallholders can struggle to acquire enough capital to finance or improve their businesses. Some FFPOs have demonstrated that it is possible to tackle this challenge by mobilising their own finances." p.9

Isabela Núñez del Prado Nieto

Researcher IIED, Forest Finance & Natural Resources

A recent study (2024) conducted by IIED on FFPOs in Brazil, Bolivia, Ghana, Ecuador, India and Zambia revealed interesting insights on their overall importance to the financing of the agricultural sector:

The study found that FFPOs across geographical areas effectively leverage internal resources to create and offer financial services to their members. This form of financing ranges from small informal savings groups to large formalised financial cooperatives. Often these financing mechanisms have a trust and relational lending style. Names for these groups differ in every country but the smallest types of Group Savings and Loan Associations consist of ten to twenty individuals who meet periodically to save collectively into a common fund that is accessible to its members. Debts are repaid with interest and the fund grows.

These models are quite heterogeneous and so are the additional benefits they bring. Some groups maintain credit records for members, offer diversification of income sources, and provide financial inclusion for underprivileged groups, such as youth and women.

The relevance of these mechanisms in the smallholder sector is often underestimated. Internally mobilised resources in varying forms of formality account for 25% of all smallholder financing world-wide (p.67) with individual loan portfolios ranging from a few dollars up to thousands of US-Dollars. Due to farmers' self-reliance for the mobilisation of resources and its resulting relevance to the continuity of farming in those communities, it is necessary to support producer organisations to strengthen their financing mechanisms with capacity-building and enabling investment.

While producers increasingly face changing environmental conditions, existing climate financing mechanisms do not reach them. Less than a percent of available funds reach small producers. At the same time is estimated that producers invest between 20 and 40% of their own income in adaptation strategies which finance sustainable practices and the protection of biodiversity (IIED, 2023).

The recent IIED research reminds that there are already existing and important financial capacities among FFPOs. They mobilize their own resources and provide a viable channel for climate financing where it is needed.

The research report was conducted and presented by Isabela Núñez del Prado Nieto, who researches financing for forest and farm producers and their organizations.



1 Núñez del Prado Nieto, I. (2024). *Mobilising internal finance: how forest and farm producer organisations upscale financial access*. IIED, London. Available at <https://www.iied.org/22326iied>

2 <https://www.iied.org/smallholder-farmers-worldwide-spending-368bn-annually-adapting-climate-change-nature-loss>



The International Institute for Environment and Development is one of the world's leading independent policy and action research organisations promoting evidence-based policies for sustainable development. IIED is one of the implementing partners of the Forest and Farm Facility (FFF) together with FAO, IUCN and AgriCord.

More information on IIED under: <https://www.iied.org/about>

Global Cafes

Colombia

Meeting working capital needs in a competitive sector



“A key factor for producer organizations to access financing domestically is an elevated volume of business. For foreign investments, there need to be prospects for continuous exportation, that is to say, commitments to supply buyers.”

Rafael Lesmes
Coordinator for Acodea in Colombia

In this case, we would like to put the spotlight on Global Cafés, a young cooperative which established between 2011 and 2013. The members live in Huila, in the southwestern part of Colombia where the conditions for coffee are favourable. The abundance of beans and producers, as well as middlemen and exporters has created a competitive sector in the region.

To differentiate and grow their business, Global Cafes started to follow a quality-based pricing strategy that rewards producers for quality produce that meets the standards of internationally recognized certification schemes.

However, the new strategy did not come without its challenges. Producers are accustomed to being paid when they deliver their produce, but international sales of coffee are linked to delayed payments – usually 90 to 120 days. In this case the cooperative had to bridge the gap. The main challenge for the cooperative was availability of working

capital to pay producers without delays. With the support of Acodea, Global Cafes managed to obtain enough working capital to follow through with their plans to become an exporter of quality products.

While consolidating their logistical and managerial capacities, Global Cafes conducted a study tour allowing them to tap into the experiences of other successful cooperatives. Then Global Cafes established direct contact with their national export promotion agency Procolombia. After acquiring enough knowledge, a strategic plan was developed that put particular emphasis on the development of services to members and associates.

Producers can still sell their conventional coffee but today, a growing share of producers aims for consistently improved quality to earn a premium. The new business strategy allowed Global Cafes to solidify their footing in a competitive market.



GLOBAL CAFES



80 core members and 1500 associated suppliers

Certification schemes:
FairTrade, Rainforest Alliance

Are many members always good?

Global Cafes has a long waiting list of associates that would like to become full members. It is part of their strategy to expand membership carefully ensuring that new members are motivated, aligned and capable to follow the philosophy and vision of the organization. They choose sustainable membership growth over rapid expansion.

Find them online:
<https://globalcafes.org/>
<https://acodea.es/>

acodea
AGRIAGENCIA DE ESPAÑA



Agronorte

Paraguay

On the importance of sound financial accounting practices



Agronorte is a recently (2015) established cooperative in northeastern Paraguay. Agronorte and its members produce mainly sesame, chia, beans and peanuts organically and follow agroecological principles. A market existed for these products, but as many young organisations, Agronorte's advancement was limited by their own financial management capacities.

With the support of the Spanish agri-agency Acodea, an organizational analysis was conducted. The result - an insufficient degree of strategic or financial planning, improvable accounting methodologies and causally related - a low volume of working capital to buy and consolidate produce from members and associates. Even if Agronorte was able to buy all produce, the capacity to store, process and market the products was low at the time.

The partners agreed to start with the restructuring of their financial department and introduction of appropriate accounting software. This increased greatly Agronorte's capacity to monitor financial processes and make projections. Financial reporting improved greatly and Agronorte secured financing through three different savings and credit cooperatives. At the same time, storage and processing

capacities were enlarged from 930 to 2500 tons, resulting in larger contracts. Beans from Agronorte are now available in supermarkets across Paraguay. The certification of 934 hectares of organic chia production allowed Agronorte to increase their price by USD 300 per ton. Reputational gains and improvements in accounting management allowed for the preparation of budgets and cash flow projections which prevented previous encountered liquidity issues. From 2021 to 2023, sales increase by 60%, generating 24 new jobs in the organization.

As a needs-oriented organisation, Agronorte introduced a centralised purchasing unit which purchases common consumer products in large volumes, making them available to members at favourable prices. These services reward members and contribute greatly to affordable and safe nutrition in local communities.



Acodea is a Spanish agri-agency and one of thirteen (13) members of the AgriCord alliance. Acodea supports Agronorte and other cooperatives to become financially sound organisations with profitable businesses. ■



Growth of associated producers; from 470 in 2021 to 710 in 2024

Increased storage capacity; from 930 to 2500 tons

Improved prices for producers - up to USD 300 per ton through organic certification



Find them online:
<https://www.agronorte.coop.py/>
<https://acodea.es/>

KENAFF
Kenya

Connected producers with digital identities



“Through the platform farmers are able to access better quality inputs, connect to markets and also access financial services.”

Magdeline Alukhava

ICT Officer Kenya National Farmers' Federation



The Kenyan National Farmers' Federation (KENAFF) is the apex organization representing 1.6 million farmers in Kenya. The here presented project relates to a core part of KENAFF's organizational strategy (2022): to be part of a data-driven and sustainable agricultural transformation in Kenya.

In collaboration with Mastercard, KENAFF currently implements a project that bundles digital services for producers in Kenya - the FarmPass. How did this partnership emerge? Because objectives aligned: Mastercard had already launched a project for more financial inclusion with the Community Pass, while KENAFF was eager to open more financial and digital services to its members.

There are some core challenges that the project addresses: informal and invisible transactions, limited market visibility, and the resulting perception of financial institutions that producers are high-risk clients. The FarmPass offers a digital profile for producers, tracing transactions and histories as well as production data, making visible what was previously opaque to cooperatives and credit providers. For this, Mastercard provides the platform and technical expertise, and KENAFF onboards farmers, input providers, buyers and FIs, and provides necessary capacity building. Essential to this process are the Digital Agricultural Champions - currently 500 trained

extensionists who are also cooperative staff members. They raise awareness among farmers, register them, aggregate input demand of farmers, and project harvests. They collect produce, facilitate orders, support with digital payments and credit applications. By 2024, the champions registered 700.000 users, and 50% were active in 2025, amassing to about USD 9 million of revenue in the early stages of the project. Once the digital identities of producers and records are established, producers will receive physical cards that contain their transaction and business histories. This wallet will enable them to reliably access financial services. With time, more services will be integrated to the system.

KENAFF follows a 5-year plan to scale this initiative and onboard 10 million farmers - an ambitious goal. Challenges remain: digital literacy is limited and cooperatives do not always have the skills to work with the platform. Some political goodwill at different levels is needed and data privacy concerns from farmers need to be taken seriously.

If KENAFF succeeds, the impact would be significant - creditworthy and connected farmers which would result in a scaling of agricultural production in Kenya. For now, KENAFF continues to build capacities and expand digital advisory services. In the future, they want to monetize data and create evidence for policy makers and partners. ■



FarmPass

offers digital identity;
establishes track records;
connects producers

KENAFF investment

10 persons at HQ
500 Digital Agricultural
Champions

Ownership

Data is owned by
cooperatives;
Farmers are informed about
data transmissions

Roles

KENAFF - onboarding,
training, data input
Mastercard - infrastructure,
technical expertise

Expansion

Potential for additional
services and elements (e.g.
geolocation & compliance)

Find them online:

<https://www.kenaff.org/index.php>



AHA is an AgriCord member agri-agency and one of the strategic partners of KENAFF. <https://www.andreas-hermes-akademie.de/en/topic/international-cooperation/>

TUNADO
Uganda

Creating opportunities and services for young beekeepers



“We link young people to champions, upgrade their skills and registers them digitally before we can finance them.”

Dickson Biryomumaisho
CEO TUNADO



The Uganda National Apiculture Development Organisation (TUNADO) is a recognized apex body defending the interests of beekeepers in the country since 2004. Its membership includes producers, processors, packers and service providers along the value chain. Their mission is to advocate, ensure the sustainability of the sector, create a healthy environment and foster inclusion.

TUNADO owns World of Bees, a company marketing their members branded products. The organization started an Apiculture Business Fund which targets specifically young people and vulnerable people groups, and invests in their apiculture enterprises, effectively stimulating job creation and small enterprise creation.

The financing mechanism is part of TUNADO’s business model characterized by Rural Transformation Centres which train producers, add value to products, and link producers with local and foreign markets. The use of FinTech and traceability apps (Farmerlink, Bantu system) are systematized and integral part

of TUNADO’s value chain development approach.

The Apiculture Business Fund works as a revolving fund that was set up with seed capital originating from membership subscriptions, business revenue from World of Bees, and contributions from development partners. Credits are repaid in full at an affordable interest rate.

The impact of the fund is significant, 1500 – 1600 youth (including 1100 young women) received support through the Apiculture Business Fund. Combined with the other services provided through the rural transformation centres, the average annual revenue from bee products has increased by 368% from USD 63 to USD 232.

One of the key drivers for TUNADO to work on this fund was the Covid-19 pandemic when liquidity became a huge challenge. Today, the fund, membership and business are expanding with World of Bees selling a wide range of products in Kampala and through [their online shop](#). ■



Approach for inclusion of youth and vulnerable people

Apiculture Business Fund & Rural Transformation Centres

1500 - 1600 beneficiaries

Increased average annual revenue of target group by 368%

Find them online:

<https://tunadobees.org/>
<https://worldofbees.shop/en/>



TUNADO was supported in building the Apiculture Business Fund by their long-term partner Trias and Woord en Daad.



Lessons

Our
Take-Aways

1

Channeling funds through FFPOs bears a **huge potential for an effective use of climate financing** if accompanied with the right support and capacity building.



2

The **holistic institutional strengthening of FFPOs is a pre-condition to become (and stay) fit for credit**. Many support programmes have a thematic focus these days, financing only specific activities. This is not a problem (on the contrary) as long as there remains sufficient financial support for staff support, building of financial management practices, governance trainings and so on. Experience shows that FFPOs are only then truly able to embrace their role to provide sustainable and durable services to their members.

3

Strong FFPOs are valuable partners for structural changes in their countries. National and sub-national producer organizations can be attractive partners to private and public stakeholder because they effectively reach a large number of dispersed people across their countries. But all stakeholders must understand that this is **only possible due to significant infrastructural investments and labour power** by those organizations. Any external party leveraging this infrastructure must fairly compensate FFPOs.

Images: AgriCord, IIED, Acodea, Cafe Global, Agronorte, KENAFF, TUNADO

Disclaimer: The here presented opinions do not necessarily reflect the official positions of the other institutional partners of the Forest and Farm Facility (FFF).

For more information:
www.agricord.org/en/resources

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