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# New Approach to Rural and Agriculture Finance

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The experience of CIDR in Tanzania

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# Constraints and Risks

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Rural and Agriculture financing is commonly considered as costly and very risky for commercial financial intermediaries: Banks, MFIs...

- ➔ Costly, because we see the investments need... but not necessarily the opportunities
- ➔ Risky, because we see the results of traditional Agriculture Development Banks where repayment records are very poor...but not all the causes that led to that situation

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# The New Approach

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- It consists in exploring the opportunities in terms of market
- It consists in defining for each segment of clientele, the risk mitigating mechanism that can work
- It consists in developing adapted products and delivery methodologies, adopting a diversification strategy, to cover all the segments of the rural market

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# The experience in Tanzania

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- CIDR partners with a leading MFI, PRIDE Tanzania to develop its Rural Finance Window that is integrated into PRIDE Tz's branches
- An overall market study is made in the surrounding rural area to identify all the segments of the rural clientele, from the low end clients to the higher end clients of rural entrepreneurs
- In the agriculture market, a similar mapping is done by systematically look into existing Value Chains and all the actors involved, from producers to processors, wholesalers, service providers, industries and exporters

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# The experience in Tanzania

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## The Rural Finance Window of PRIDE in Iringa has two products

A community based range of products: farming, small business, small irrigation, that are designed in a participatory manner with the rural poor households and are delivered using solidarity as collateral

An agribusiness product to finance producers that are involved in a Value Chain targeting the more entrepreneurial farmers

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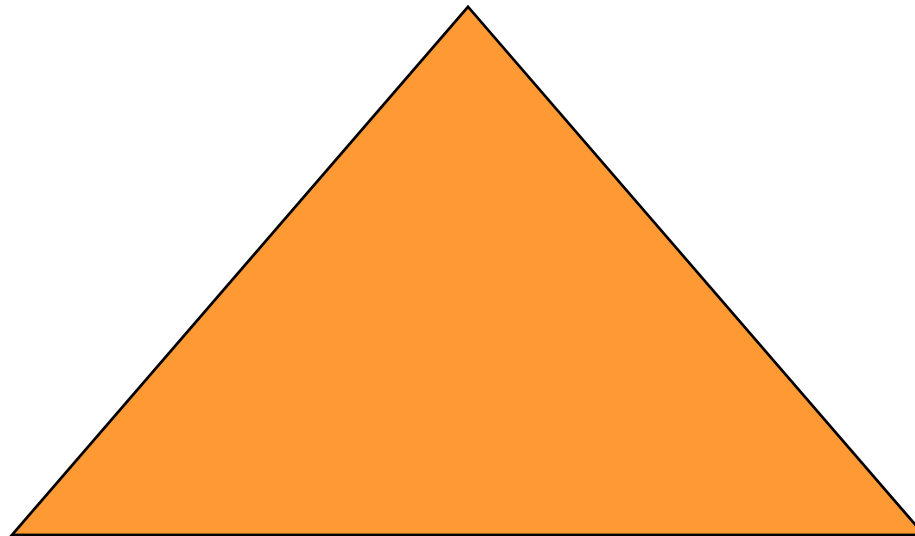
# Value Chain Finance in Tanzania: the example of the Paprika Value Chain

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## Actors of the Value Chain:

A private sector firm, Tanzania Spice (joint venture with a Spanish firm) that is providing Technical Assistance to the farmers to ensure quality and access to market, thru export to Europe

Producers organised  
in groups



Pride Rural Finance Window,  
that is financing the producers  
through a triangular contract  
involving the producers' groups  
and the firm that guarantees  
technically the production  
and guarantees the market

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# Results and Impact

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- The pilot in Iringa has proved to be an efficient way to expand financial services in the rural areas by covering all the segments of the rural market, including the most promising business opportunities
- After Paprika, other Value Chains are now being financed: dairy products, sunflower...

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# Expansion in Tanzania

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- After Iringa, PRIDE has now created a Rural Finance Department at headquarters to systematically expand the product into its country-wide branch network
- CIDR and PRIDE are now working in developing the product in 10 branches where good Value Chain opportunities exist



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# Lessons learnt

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Explore and transform opportunities into profitable financial products

- Analyse all actors involved in a value chain and develop products for each segment of clientele considering a) its characteristics (not one size fits all approach), b) adequate delivery mechanisms and c) adapted risk mitigating measures
- Make food crisis and price raise an opportunity for african farmers instead of a threat: enhance entrepreneurial behaviours in the rural areas

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# The Way Forward

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CIDR is now disseminating this approach in

- ➔ Eastern Africa: Kenya, Ethiopia
- ➔ West Africa: Burkina Faso, Togo and Mali
- ➔ Central Africa: Cameroon

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# Thank you

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