

Capacity Building for Value Chain Financing

Lessons from SNV Rwanda

November 24,
2008

Straton HABYALIMANA

netherlands

development

organization

SNV

Connecting People's Capacities

Content



Background

SNV Netherlands Development Organisation is a Dutch NGO working in Rwanda since 1985

- **Our Mission:** SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. Our advisors contribute to this by strengthening the capacity of local organisations.

Background (cont'd)

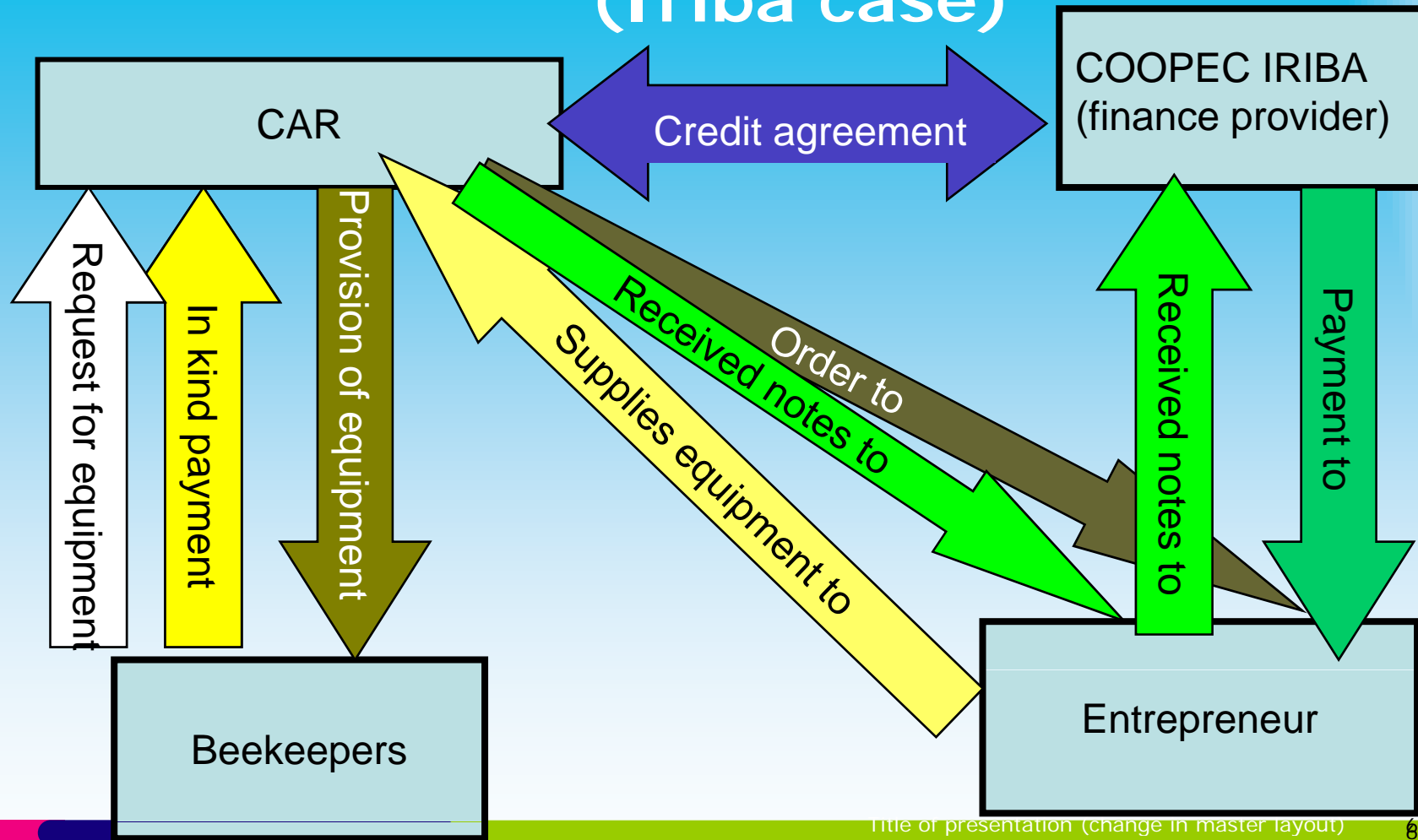
- Impact areas:
 1. Basic Services (water and sanitation, education, energy-biogas)
 2. Production, Income and Employment (Coffee, Honey, Tourism value chains)

Our role: Advisory services, BDS, change facilitation, knowledge brokering

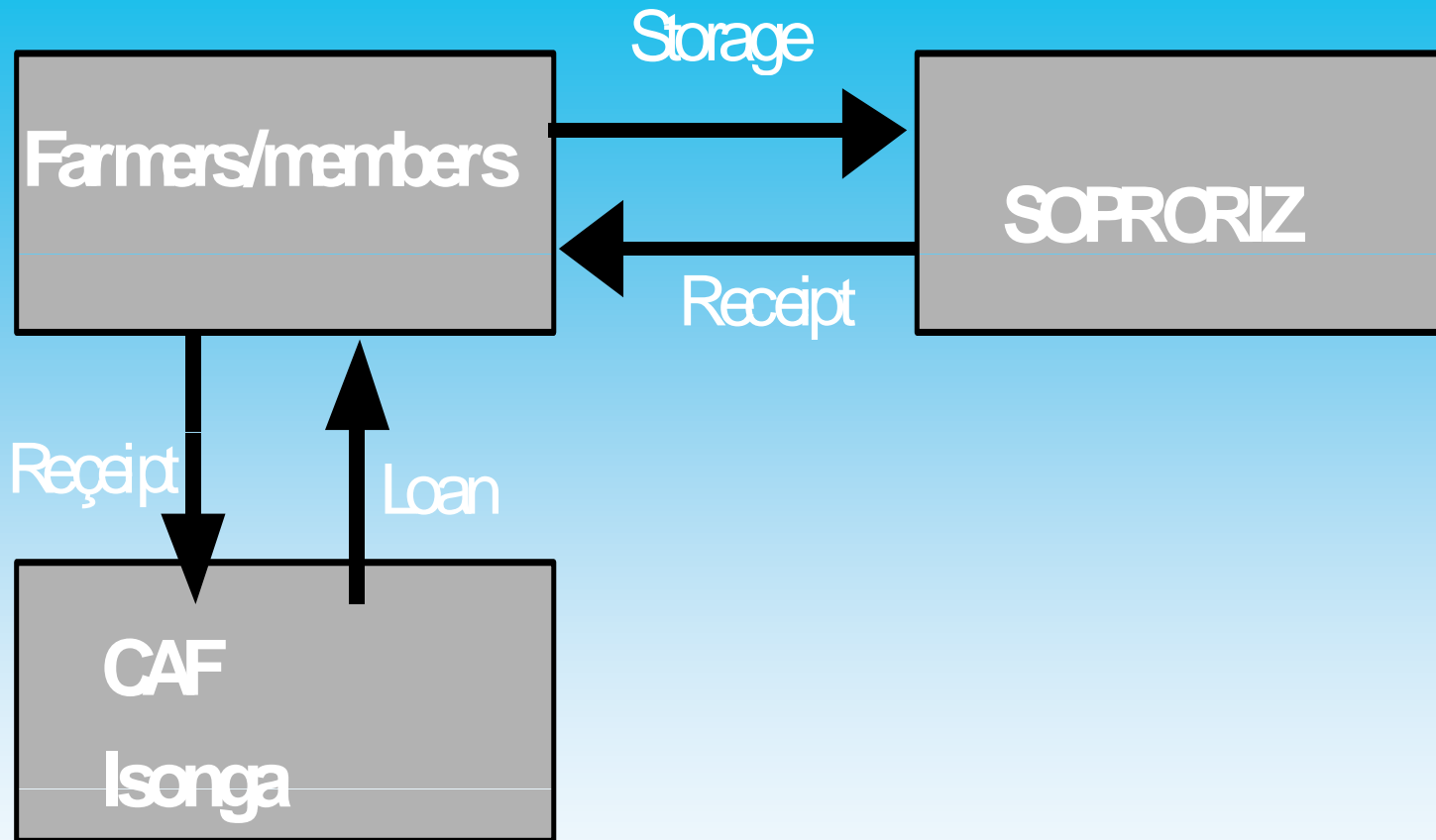
Background (cont'd)



The process: Finance for beekeeping equipments (Iriba case)



The process: finance for rice production



The results

- 4000 rice producers have accessed loans without any other form of guarantee (2007 & 1st semester 2008)
- Rice bulking has resulted in increase in price 200%
- 400 beekeepers access loan from Iriba in 2007
- Farm gate increased from RWF 400 to RWF 1200/kg (€0.5 - €1.6/kg): >200% increase; as a result of bulking

What we did...

- The role of SNV Rwanda was:
 - To advise financial institutions involved, in the process of products development
 - Coaching the managers of MFIs in the piloting phase
 - Awareness raising: multistakeholder workshops to discuss collateral substitutes
 - Facilitate negotiations between MFIs and farmer-producer groups
 - Organisational development for farmer/producer organisations

The challenges

- Difficult to strike a balance visibility and neutrality...
- Requires strong farmers groups...
- Market should be ensured...(rapid harvest cashing...)
- Loan terms uncertain: when critical quantity will be reached?
- Missed opportunity of processing (chain integration)

The challenges (cont'd)

- Sustainability of capacity building: who should bear the costs incurred by supporting organisation in the future? How long should the support last?
- Monitoring impact of such linkages (to prove, to improve): who does it?
- Risks: what if the production is lower than expected?

Lessons

- Assess that there is a real need for financial services: don't assume it, and avoid create an artificial need
- Improving farmers organisation « readiness » to negotiate with MFIs, and to manage the scheme is necessary to ensure success
- Support to MFIs in developing appropriate products ensures effective access
- There is a need to develop mechanisms to prevent or mitigate production risks for the scheme to be effective

Thank you