MID POINT REVIEW

In 2013 Shared Interest Foundation and Fairtrade Africa received funding for a two-year project on Access to Finance from Comic Relief in the UK. This project is being implemented in five countries and builds on previous work which was also supported by Comic Relief under the Special Initiatives grant. Producer organizations were trained on financial management and were mentored in finance by experts hired through the project.

During Year 1 we trained producer organisations across Kenya, Tanzania, Ghana, Uganda and Cote D’Ivoire, covering products such as cocoa, citrus fruits, coffee, handcrafts, tea and vanilla.

From our survey of Year 1 participants\(^1\) we discovered that 89% felt the training had filled a gap in their knowledge, 82% implemented something new in their co-operative as a result of the training and 62% have since applied for loan finance.

<table>
<thead>
<tr>
<th>90 businesses trained in financial management and sources of finance</th>
<th>29 businesses received 1-1 mentoring</th>
<th>£947,000 of loans disbursed</th>
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</thead>
</table>

Before the training I didn’t use any financial ratio analysis in my reporting as I didn’t know how to. After the training I was able to provide financial ratio with the reports to the management. I have introduced some of the formats in the financial management including a cash flow, balance sheet and income statement - Finance Officer, NIHACOFA, Uganda

Key Learning

1. Training needs are product specific. The best received training focused on practical examples of how finances worked for a specific product or commodity chain ensuring greater understanding by participants.
2. The most valued aspect of the training was the 1-1 business mentoring. The mentoring provided organizations with support specific to their producer organization and its own financial system.
3. Understanding local context is vital in recognising why some organisations struggle to access finance. In all areas finding new buyers was a key challenge to operations. In West Africa the other significant challenge was climate change and in East Africa it was market prices.

Access to Finance Prior to Training?

<table>
<thead>
<tr>
<th>YES (SOCIAL LENDERS)</th>
<th>YES (OTHER SOURCES)</th>
<th>NO</th>
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<tr>
<td>11%</td>
<td>22%</td>
<td>67%</td>
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\(^1\) We surveyed 30% of participants from across all 5 countries
## Common Barriers Producer Organizations face in Accessing Finance

### Information on lenders
- Producer organisations are unable to identify which are the trustworthy financiers or find adequate information about the organisations who lend.

### Organisational structure
- Producer Organizations need to have borrowing approved by the membership and general assemblies.
- Staff changes in the management and finance team result in lost knowledge and relationships.

### Production trends
- Trends can’t always be predicted well enough to assess the risk of borrowing.

### Bureaucracy and time
- The time and effort needed to complete the organization process for financial applications.
- The length of time between applying for and receiving funds can exceed the time frame in which the finance is actually needed.

### Repayment periods
- Repayment periods are too short.

### Lender requirements
- The varying requirements of the different lenders.

### Interest rates
- The rates charged by the varying lenders can be too high.

### Documentation
- The large range of documents needed (statements, business plans, etc.) by social lenders and the second point ‘the lack of documented financial history of producer organizations.
- The lack of documented financial history.

### Security
- An inadequate asset base to meet security or collateral requirements.

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## SOCIAL LENDERS

Participant knowledge of social lenders and level of trust is low but has improved since the training. Levels of awareness across all countries were extremely low, except in Ghana where participants had attended a Fairtrade breakfast with social lenders represented. For those who had heard of social lenders there was a sense of distrust around the terms and conditions, reliability and how genuine they are. Some organisations had received one-time visits from social lender staff with promises of great terms but had never been contacted again.

## SUGGESTIONS FOR SOCIAL LENDERS:

1. Improve overseas marketing
2. Increase the number of staff on the ground
3. Partner with trusted networks (such as Fairtrade networks) or government institutions who can promote social lenders on accredited websites and services that co-operatives can access easily
4. Include more capacity building work in programmes
5. Develop flexible funding terms and pool together to jointly fund the same co-operatives
6. Be transparent about lending processes particularly how interest calculations are made

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## IMPROVING THE TRAINING

Year 2 of the project will take into account the following suggested improvements for training delivery:
- Always have product specific training materials
- More focus on budgeting advice and creation of financial statements
- More practical approaches to financial statements and less theory
- Use simple language when explaining complicated financial terms
- Make sure the right staff attend the training (in co-operatives), Chairperson/CEO and accountant/treasurer