

American University of Beirut

Environmental and Sustainable Development Unit (ESDU)

## **Applied Study on Local Finance and Credit for Poor Urban and Peri-Urban producers**



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## **EXECUTIVE SUMMARY**

The study aimed at revealing opportunities and challenges that face small scale urban agricultural producers in accessing credit and financial resources in San'a, with possible extrapolations and lessons learned for other urban dwellings across the Republic of Yemen

The study combined a number of tools including interviews, focus group discussions and semi-structured individual questionnaires to gather information at the micro and macro levels. A total of 35 individual farmers in the area of Bani Hareth were interviewed, in addition to 3 focus group discussions conducted Bani Hareth and in the Old City of Sana'a with male and female farmers. Also, 8 institutions, including governmental, financial and non-governmental, were interviewed.

In general, farmers do not contemplate taking loans from any financial institutions in Yemen due to the high interest rates and strict conditions and guarantees. On the other hand, institutions, especially financial ones, perceive agriculture including urban activities to be of high risk and so are discouraged from financing any related small scale projects. It was also deduced that there is a clear lack of coordination and collaboration between the various stakeholders. Most importantly the government does not distinctly support urban agricultural activities by providing resources and marketing outlets.

The major recommendation that came out from all participants in the field is resorting to microfinance banking. This method is thought to succeed in reaching out to more people, notably poor urban agricultural producers. In fact, microfinance would also increase women's opportunities to access loans, start-up their own urban agri-businesses and control resources. Other suggestions to develop this sector and support poor small urban producers include capacity building, awareness raising, organizing farmers into groups including women's exclusive groups and building harmony among the various organizations and institutions working in the field of agricultural development in Yemen.

## INTRODUCTION

### ***Urban Agriculture in Sana'a***

Sana'a, the capital of Yemen, is located at 2,200 m altitude above sea level, with a population of 1.7 million (2004 census). Despite the lack of water and arable land, occasional drought and tough terrain, agriculture in Yemen makes up 20% of the GDP ( Central Bank of Yemen statistics, 2005) and employs more than half (54.2%) of the working population.

It is estimated that 9,770 inhabitants of the Amana<sup>1</sup> area still work in agriculture on an approximate area of 9,300 hectares according to 2007 statistics. The main agricultural products from urban agriculture activity in Sana'a include various vegetables, fruits, qat<sup>2</sup> and other seasonal crops.

Old Sana'a, a UNESCO world heritage site, still contains 21 hectares of orchards and vegetable farms (also known as "*Almaqashim*" or mosque gardens) which supply the population with part of the local food needs. Most of these mosque gardens are private properties (85%), the rest is public and Waqf (religious community) properties.

The livestock population in the city comprises around 4,500 heads of cows and 110,000 heads of sheep and goat in addition to camels, donkeys, poultry and bees. The main source of irrigation is ground water (> 55%). Another water source specific for Sana'a is ablution water<sup>3</sup>, which is used to irrigate the mosque gardens in the old city.

These urban agricultural activities make up a vital part of urban livelihoods to supply food for consumption and income. The whole family is involved where women are usually responsible for animal farming as well as planting, harvesting and post-harvesting activities including marketing in the field or nearby markets. Indeed, women make up 27% of urban agricultural workers.

### ***Limitations to safe and sustainable urban agriculture in Sana'a***

1. Inadequate support services including infrastructural development, access to credit and extension services. Unfortunately, services that are extended to urban producers are originally designed to meet rural models and hence are ignorant to urban conditions and challenges. This in turn is leading to constant abandonment of urban and peri-urban agricultural activities.
2. Constraint access to productive resources and insecure land tenure. Since urban agriculture is mostly done on land that is not owned by the farmer, low productivity and investment by the farmer result in quicker soil degradation. Access to water in urban areas remains minimal as well.
3. Lack of organization of urban producers. Since more urban farmers are scattered and are not organized into groups or associations, decision making and capacity building tend to be weak and hence limit key marketing opportunities. This point also hinders development and access to resources such as credit and financial ones.
4. Low productivity and profitability. In general, urban agricultural production tends to be low compared to rural productions due to all the factors mentioned above.

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<sup>1</sup> The Arabic name for the Greater Sana'a Municipality

<sup>2</sup> Qat is a mild stimulant chewed by most Yemenis on a daily basis.

<sup>3</sup> It is a religious requirement for Muslims to wash themselves according to a specific ritual before prayer. There are 5 collective prayers a day.

A notable intervention is RUAF<sup>4</sup> Foundation's "From Seed to Table" (FStT) project which aims at facilitating the development of sustainable urban farming systems and to contribute to urban poverty alleviation and enhanced urban food security, social inclusion and empowerment of urban disadvantaged groups in Sana'a. Generally, the FStT project seeks to tackle some of the challenges of urban agriculture that were mentioned earlier. More importantly, the FStT project concentrates on achieving "multi-stakeholder policy making" by enhancing capacity building of all concerned parties on urban agriculture and lobbying at the macro-level to integrate urban agriculture into urban policies and programs. Annex 1 provides more information about FStT project.

### ***The Banking Sector in Yemen***

In the last ten years, the banking sector in Yemen has witnessed development and improvement in various sectors including an increase in the number of banks and financial institutions, the establishment of Islamic banks that follow the Sharia law and the introduction of automated teller machines.

The Central Bank of Yemen (CBY) tops the pyramid of the banking sector. Currently in Yemen, there are 16 banks and 152 branches all over the country. Among these banks, there are 9 national banks (100% national capital), 4 branches of foreign banks and 3 joint national/foreign capital banks.

Regarding their activity, there are 10 commercial banks and 3 specialized banks seeking to realize development objectives. Additionally, there are 3 Islamic banks.

The banking sector in Yemen has witnessed ongoing growth, as the assets of CBY rose at a rate of 41% between 1990 and 1999. Also, assets of commercial banks have recorded an annual growth rate of 39% in 1999.

The Central Bank of Yemen has impacted crediting through various means including fixing the interest rates on deposits at 20% for the Yemeni Riyal which has negatively impacted credit and lending operations

Yemen's economic policy aims at bolstering economic growth through the promotion of private investment including foreign investment. The role of the financial sector is vital to realizing such objective through mobilizing savings and allotting them according to objectives and priorities. This has called for putting in place a transparent organizational framework for the banking sector and professional management, which work according to cautionary criteria and competitive environment strengthening depositors' confidence and savings mobilization. The banking sector has surpassed difficulties and constraints of the first half of the 1990s that weakened its performance through the adoption and execution of the financial reform program. Preparations have been in full gear to establish a financial market now that the necessary relevant studies have been completed.

### ***Islamic Banks***

The activity of Islamic banks cover a number of conventional banking services like acceptance of demand and time deposits and savings, payment of transfers and letters of credit operations. Such banks have participated effectively in socio-economic development through direct investment in commercial, industrial, agricultural and real-estate activities. They also provide trade financing through profit sharing (Murabaha). The activity of Islamic banks expanded in a short period. Branches of Islamic banks number 13 spread nationwide.

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<sup>4</sup> Resource Centres on Urban Agriculture & Food Security

### *Specialized Banks*

Specialized banks were established as a necessary step towards accelerating socio-economic development in promising sectors through supporting infrastructure and private investment promotion.

1. The Industrial Bank of Yemen. The activities of the bank included the implementation of several industrial investment projects in the form of economic feasibility studies, soft loans, capital sharing and provision of financing guarantees;
2. The Housing Credit Bank. The bank provides public soft loans especially for the low income enabling them to build homes. It also financed several housing complexes to reduce the housing crisis in the city of Sana'a and some cities in the different governorates;
3. The Cooperatives and Agricultural Credit Bank. The activities of the bank included the provision of improved seeds, fertilizers and insecticides, modern production technology and soft financing for farmers, fishermen and those working in poultry and livestock. The bank provides credit facilities for productive families and small farmers. The network of the bank expanded to include 26 branches in governorate centers and some districts.

### **Study objectives**

1. Identify and assess current practices of institutions and programmes that finance urban agriculture or other productive activities in the city of Sana'a.
2. Identify existing difficulties and bottlenecks for financing small scale urban and peri-urban agricultural producers.
3. Identify needs and demands for finance from urban poor engaged in urban agriculture, agro-processing or marketing
4. Propose and recommend means to facilitate access of small scale urban producers to finance with emphasis on the region of YASAD and the group of farmers working on the FStT project.

## METHODOLOGY

For the purposes of this study, a number of data collection tools were used. In order to examine finance and credit opportunities at the micro level, semi-structured questionnaires were designed and disseminated to local farmers engaged in the FStT project and/or practicing UA in the city (Annex 2). Additionally, focus group discussions (FGDs) were conducted with male and female farmers to explore the collective perceptions of taking bank loans (Annex 3).

As for the macro-level, semi-structured questionnaires and in-depth interviews were used to gain better understanding of the policies and opinions that financial, governmental and non-governmental institutions have with regards to financial and credit opportunities for small agricultural producers (Annex 4).

The table below displays the interviewed institutions. The major stakeholders within the government who are related to the agricultural sector in Yemen were interviewed. The two banks that were interviewed were chosen on the basis of their loaning activities that are currently or potentially could be related to agricultural activity. As for other institutions, including non-governmental, the choice was made based on their existing agricultural programs and expertise in the field. Institutions that had financial and agricultural programs were favored, especially those which implement some of their activities in urban and peri-urban areas. All institutions were probed to reveal their attitude towards working in urban areas, namely Sana'a city and its outskirts.

Table 1: Interviewed institutions in Sana'a.

<b>Institution</b>	<b>Type</b>
Cooperative and Agricultural Credit Bank	Bank/Financial
Agricultural Cooperative Union	Governmental/ Union
Agricultural and Fisheries Production Promotion Fund	Governmental / Financial
Social Fund for Development	Non-governmental/ Development
Amal Bank	Bank/Microcredit
Ministry of Agriculture and Irrigation	Governmental
The World Bank	International Multilateral Organization/Financial Institution
German Development Cooperation Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	International Cooperation Enterprise for Sustainable Development

## RESULTS AND ANALYSIS

### *At the micro level: local farmers and small producers*

A total of 35 individual farmers' questionnaires were completed with local farmers and small producers in the area of Bani Al Hareth (74% in Beit Handal and 26% in Maamar). Of the total number of correspondents, 11 were male (31%) and 24 female farmers (69%). All interviewed farmers were involved in the production of various agricultural products in addition to animal farming products such as local eggs and dairy.

Table 1 highlights some of the main aspects generated by the questionnaire. Clearly, the majority of female farmers did not do the marketing themselves, neither did they control the financial profit generated from sales. Moreover, 14% of female farmers required permission from a male figure in the family to access the land or animal farm for work versus 2% among male farmers. Thus, the results of this small sample reflect lack of women's empowerment in terms of control or access to resources and freedom of mobility. **Interestingly, none of the interviewed farmers (100%) has ever taken a loan from the bank before.**

Table 2: Farmers' questionnaires main results

Parameter	Male (T = 11)	Female (T=24)	Total (T=35)
Public land/property	5 (45%)	5 (21%)	10 (29%)
Private land/property	6 (56%)	19 (79%)	25 (71%)
Marketing products themselves	11 (100%)	11 (46%)	22 (63%)
Control profit	5 (45%)	11 (46%)	16 (46%)
Taking Bank loan	0 (0%)	0 (0%)	0 (0%)

Although some farmers stressed that the lack of water and increase in seed and diesel prices were some of the agricultural problems they face, many others chose to highlight other challenges that prevent farmers from considering taking bank loans including:

- Inadequate number of financial institutions in Yemen that support agriculture
- Lack of low interest loans in Yemen
- Presence of many conditions and restrictions on the existing financial loans
- Lack of cooperation between decision makers and local farmers

Suggestions made by questionnaire participants revolved around provision of governmental support to farmers through equipment, raw materials (seeds, seedlings, pesticides, animal vaccination, agricultural/animal farming advising). Further, some farmers asserted that banks should facilitate loan procedures and payback conditions for small producing farmers.

Three focus group discussions were conducted with local farmers. One involved 9 male farmers in Maamar village of Bani Al Hareth region. This group agreed with the reasons listed above for not taking bank loans as they thought that the demanding guarantees, high interest rates and short payback period were all hindering factors for poor farmers like themselves that prohibited them from taking bank loans.

An additional reason for not considering commercial bank loans is religious beliefs that forbid people from dealing with any business transactions that involved interest, which is also known as “*riba*” in Arabic<sup>5</sup>.

In fact, the method of financing that farmers adopt involves growing and selling huge amounts of animal feed, which generates adequate profit that allows farmers to finance the production of other agriculture and animal products throughout the year. Another source of finance includes goat sales profits.

Major challenges highlighted by this group of farmers focused on low market demand on their products which result in low profit and hence limited finances. The global increase in prices and extensive Chinese imports into Yemen were also mentioned as challenges facing small producers in the area of Bani Hareth. Lack of governmental support to the agricultural sector and low socio-economic status of farmers have led to the emergence of numerous animal and plant diseases that cannot be dealt with due to inadequate financial support and advising. The main suggestion that came out of this discussion was the provision of “white loans” which have 0% interest for small producing farmers through governmental and financial bodies.

The second FGD was held in Beit Handal village with a total of 11 female farmers. Similar to the first FGD, this group operates through the same system of producing and selling animal feed in large amounts to generate profit to finance other agricultural activities. As for bank loans, this group thought that the existing banking system is beneficial for those who do not have enough capital to finance their agricultural and animal farming activities. Nevertheless, none of them or their families has ever considered taking bank loans before mainly because they are satisfied with their income and are able to finance themselves without any additional help from the outside.

Female farmers answers cross checked with the results from the farmers’ questionnaires as they asserted that a male figure in the family (husband, brother, father or uncle) is responsible for marketing the products they generate from farming activities, including animal farming. Consequently, control of financial profit and resources remains in the hands of male figures in the family. Finally, it was mentioned that if the woman owns the property (land or animal farm), she is eligible to request a bank loan. However, since the male figures control financial resources, his permission is required before considering any type of loan request.

Another focus group discussion was completed with female farmers of the old city mosque garden. A total of 9 female farmers participated in the FGD. Generally, farmers of the old city of Sana’a produce a range of vegetable products like mint, onions, rocca, basil, parsley and others. Some also own animals such as goats and chicken. Once again, participants asserted that they finance their agricultural activities through profits generated from marketing and sales of agricultural products. However, since their profits are very limited, they do not consider taking loans from any bank or financial institution, mainly because they do not guarantee generating enough profit to pay the loan back.

Cross checking with input from financial institutions (below), female farmers declared that agriculture, and specifically urban agriculture in Sana’a, is a very risky business. This is mainly due to underlying factors that affect agriculture in general like lack of water in Sana’a, environmental changes, lack of adequate land space and plant and animal diseases. Indeed, the extreme scarcity of water especially in Sana’a has resulted in dried up mosque gardens which are originally owned by most of these farmers. Consequently, they are currently forced to rent out viable lands in peri-urban areas to continue their agricultural activity. Yet, this means that they are incurring additional costs to pay rent to land owners who are mainly tribesmen.

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<sup>5</sup> “*Riba*” or interest added on an original amount of money in savings or on loans and other banking transactions is forbidden in Islam through a clear Qura’nic verse 2:282.

Female farmers of the Old City asserted that women can access loans if they choose to even if married. However, in case of marriage, they will require consent from their male partners in order to take a loan. Overall, participants stated that women and men control resources in collaboration with each other and a woman taking a loan renders her in control of such resources.

Finally, all participants from the Old City farming community agreed that if the water scarcity problem is solved, many of them would actually consider taking loans from financial institutions in order to restore their dried up mosque gardens by hiring workers. In this scenario, paying back the loan would not be a problem since the profit from agriculture work in the mosque gardens was historically high enough to guarantee adequate capital to pay back any loan.

### ***At the macro level: financial institutions***

#### *Cooperative and Agricultural Credit Bank (CAC)*

Originally established to finance small agricultural producers, the CAC bank has recently transformed its business operations to become a totally commercial bank. Although CAC bank finances agricultural projects and activities in urban and peri-urban areas in Sana'a, the interest rate on loans goes up to 18%. Durations of short, mid and long term loans are 1 year, 2 to 3 years and 5 years respectively. Despite the fact that loans can be as small as \$300 and that there are no criteria for choosing clients including farmers, the bank still asks for a variety of guarantees. These include: an active bank account; a trade file in the Chamber of Commerce; real estate or project mortgage.

CAC bank was established by the government through the Ministry of Agriculture (MoA) and hence its services also include free agricultural advising for farmers through MoA engineers. CAC bank's general manager asserted that the percentage of rejection of loans applicants ranges between 20-25%, mainly due to absence of guarantees.

In principle, CAC bank serves any farmers applying for loans including urban and peri-urban ones. However, and as mentioned above, its transformation to a commercial bank make it less popular among farmers in general and small producers in specific.

#### *Amal Bank*

Established in 2002 by the Social Fund for Development (SFD), the private sector and the Arab Gulf Program for the United Nations Development Organization (AGFUND), Amal Bank is considered the first microfinance bank in Yemen.

With its vision to provide "inclusive financial services for all Yemenis", Amal Bank finances small projects and individuals coming from poor families who cannot provide guarantees that typical commercial banks would ask for when providing loans. The bank also provides loans that range from \$50 to \$10,000 and it focuses, thus encourages, youth and women in urban and rural areas of the country. Despite its relatively new establishment, Amal bank is considered the fastest growing financial institution in Yemen with 7,000 active borrowers, 8,000 savers and 10 branches around Yemen. Additionally, Amal bank is considered the largest bank in the banking sector in terms of clients.

Although Amal Bank did not engage in financing agricultural projects yet, it was worth exploring its services since it serves the Yemeni population at large. The bank offers 2 main services: loans/credit and savings.

The loans and credit program encompasses collective and individual credit services. The "Collective Solidarity Credit" program finances micro projects for women's groups which live in the same area and own a micro project that requires financing. Group members serve as guarantors for each other and

hence ensure commitment to pay back the loan. Currently, this program accounts for 43% of the bank’s active clients, with a credit size of \$50-\$500 and a duration of 4-12 months.

On the other hand, the individual credit program includes a number of services listed in table 3 below.

Table 3: Amal bank’s individual credit services.

<b>Title</b>	<b>Description</b>
Amal Individual	Targets micro entrepreneurs and accounts for 35% of client base. Size: \$50-\$250 Duration: 4-18 months
“Masharia” (Project)	Targets micro entrepreneurs in all sectors, including agriculture, and accounts for 13% of client base. Size: \$250-\$1,000 Duration: 4-18 months
“Sharakat” (Partnership)	Targets public and private entities’ employees who have a fixed income. The bank signs an MoU with the employer which serves as a guarantor for the employee. This service account for 6% of client base. Size: \$100-\$2,500 Duration: 4-24 months
“Estithmari” (Investment)	Targets small entrepreneurs in all sectors and accounts for 3% of client base. Size: \$1,000- \$4,000 Duration: 4-24 months

In addition, Amal bank offers a savings program that allows its clients to open savings accounts with as little as \$2.5 initial installment. This allows small producers who get their income on a daily basis to start-up savings accounts and receive the account’s benefits.

Amal bank has established a partnership with the French Agency for Development (AFD) to finance agricultural projects in rural areas of Yemen. Another partnership agreement is to be signed in the near future with the International Fund for Agricultural Development (IFAD) to support agricultural activities in Yemen.

The main problems and challenges highlighted by Amal bank’s general manager with regards to the agricultural sector in Yemen revolve around the lack of sustainability of this sector. More precisely, the agricultural sector is known for its high risks (climate changes; lack of water etc) and hence financial institutions are generally discouraged from financing this sector. Also, inadequate non-financial services in Yemen, such as capacity building, result in low quality agricultural products. For example, farmers are well aware of how to produce but are not able to package their products properly which in turn leads to less marketing and consumers’ demand. Moreover, farmers in Yemen lack a sound infrastructure to sustain their products, such as electricity, transportation and markets.

**At the macro level: other institutions**

*Agricultural Cooperative Union*

Although this institution does not offer loans per say, it does support urban and rural agricultural producers by establishing production associations that are specialized in various products (e.g. dairy, eggs and poultry). These created associations contribute to farmers’ capacity building and advising efforts to guarantee better production and quality. Also, the Union seeks loans form financial institutions and facilitates access to such loans by farmers.

Each section at the Agricultural Cooperative Union has its own criteria for choosing its beneficiaries. When asked about female farmers, it was asserted that women make up 70% of the multi-tasked

cooperative associations that the Union creates in various parts of the country. Additionally, the Union established and supports women's associations that are also specialized in certain agricultural and animal farming aspects. So far, 9 women's associations have been established in different areas, including peri-urban ones like Saawan. It is worthy to mention that the Union works closely with YASAD in awareness activities that target urban and peri-urban areas. Thus, the Union is open to working in urban and peri-urban agricultural projects.

#### *Agriculture and Fisheries Production Promotion Fund*

The fund targets small producers, mainly in rural areas, through cooperative associations. Peri-urban farmers are also targeted, yet their regions are considered rural by the fund.

The fund provides grants and credit under the following categories:

- a. Full grants (100% coverage): for public projects via the Ministry of Agriculture and Fisheries. An example is the establishment of water dams.
- b. Semi grants (varying percentage coverage): depends on agricultural activity and this is done through the various offices of the fund in the different governorates of Yemen. These grants are mainly provided to support fish production and processing, but were also involved in honey production and palm trees projects.
- c. Credit provision: through the CAC bank with the same conditions mentioned above. Credit is given to support agricultural markets. The fund usually covers 50% of CAC bank's interest rate and the farmer covers the other 50%. In fact, the fund owns 40% of CAC bank's capital and hence credit is facilitated through this bank.
- d. Facility: provision of inputs for production through existing institutions such as the Agricultural Cooperative Union. An example is the production of chicken feed from recycled fish leftovers. The project was asserted to be successful and it provided input for farmers in various areas including Sana'a Amana area<sup>6</sup>.

Some farmers are also supported by offering them loans to buy agricultural equipment and establish irrigation networks and markets. Moreover, the fund has experience in giving out in-kind loans such as animals to rural producers in the governorate of Shabwa. However, the fund does not engage in poultry raising and production.

With its good reputation, the fund is well known all over the country. With goal of "increasing production", the fund's main criteria for choosing its beneficiaries are sound reputation of producer; high level of activity and land ownership or rental. On the other hand, the main reasons to reject an applicant include: lack of adequate data on project or site; unrealistic projects and incompatibility with fund's objectives and principles.

The fund contemplates supporting urban agriculture via advocating for home gardening in big cities like Sana'a. The main challenge mentioned by the fund's general manager, is the lack of research and studies or its low quality if found. Consequently, many projects are started without adequate data and hence many are doomed to fail.

#### *The Social Fund for Development (SFD)*

The Agricultural Unit at the SFD was founded in 2006 to help poor farmers increase their economic income, especially those in rural and remote areas. The Unit targets rain-fed areas exclusively. With strict criteria on choosing beneficiaries, such as active production, having agriculture as the main source of

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<sup>6</sup> Amana area covers the city and outskirts supervised by the municipality of Sana'a capital.

income, family head and rain-fed land area of 2 hectares and more, the SFD manages to support production in many rural and marginalized areas around Yemen. Since SFD regards agricultural activities within Sana'a city as heritage, the Agricultural Unit does not support urban agriculture and relays this role to Microfinance and Heritage Unit. This in turn referred the study to Amal bank (above).

Some of the challenges mentioned by the SFD:

- Community resistance to new interventions due to many failed attempts by other organizations
- Slow funding process for development projects
- Lack of agricultural experience among new generations
- Increased levels of illiteracy among women specifically in rural areas

Other general difficulties included the fact that financial institutions in Yemen are becoming more and more commercial with no development perspective and hence are weak when it comes to the agricultural sector. Furthermore, international organizations working in the field of agricultural development are not effective anymore in the sense that their projects are not based on feasibility studies and research. Farmers themselves generally choose to go for trade projects instead of agricultural ones due to high risk in agriculture that does not guarantee paying back any loans/debt.

Finally, the Agricultural Unit remains uncertain whether its activities would stretch out to include urban agricultural producers since it all depends on the SFD's overall strategic plan.

#### *The Ministry of Agriculture (MoA)*

A group interview was conducted with a number of key personnel of the MoA, in order to find out where the government stands when it comes to financing and supporting small farmers in urban and peri-urban areas. A total of 6 senior general managers of various units in the ministry were present.

All participants agreed that the government affiliated bank, CAC bank, has become more commercial and hence is not supporting small producers anymore as it did when it was first established. As a result, the government is looking into establishing a micro-finance system to finance small producers and increase their access to credit. Indeed, it was asserted that the government received approval from the Yemeni Central Bank to on a new law to encourage microfinance access by small producers<sup>7</sup>.

The main general difficulties highlighted by participants in this interview:

- The MoA lacks adequate capital to have actual profit and efficient use to resources
- Inadequate awareness and advising among farmers and hence low quality production.
- The government lacks capacities to provide advanced technical assistance to farmers to increase production efficiency.
- Lack of efficient water harvesting and recycling for agricultural production
- Female farmers face difficulties in terms of mobility and they usually assign a male family member to receive loans.

Suggestions focused on microfinance as an option for small producers and female farmers especially to access credit and run their own projects. Additionally, awareness programs for farmers should target illiterate communities so they are also aware of the microfinance concept.

Regarding urban and peri-urban agriculture, it is essential to advocate for these two fields of agriculture at the ministerial level since it was apparent that knowledge of the UA sector, its benefits and challenges

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<sup>7</sup> Microfinance banking law No. 15 for 2009, issued April 2009; with the support of a Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) project.

were lacking. Advocating at the policy level would put urban and peri-urban agriculture on the ministry's strategic plan and hence its development and support actions in the near future which could include finance and credit options for small producers.

The table below illustrates all recommendations and suggestions made by institutions to all stakeholders.

#### *The World Bank*

As an international financial institution, the World Bank's country assistance strategy in Yemen is derived from the government's strategic plans for development in various sectors (up to the year 2013). In addition, the World Bank also supports the Social Fund for Development (SFD) by covering 40% of the SFD's annual budget. Lately, the World Bank has initiated a new program, that is to be officially launched mid July 2010, to combat Qat farming in Yemen. This new scheme includes a variety of activities like conducting research, women's empowerment, establishing income generation activities (IGAs) and looking at Qat substitutes for farmers. This program can also be considered a new step for the World Bank to be engaged in urban and peri-urban agriculture.

Within the Qat combating program, the World Bank intends to collaborate with the Yemeni Women's Union (YWU) to economically support and empower families affected by Qat cultivation. Additionally, the same focus will be pursued in the annual small grants program as the World Bank will distribute a total of \$7,000 for 6 local NGOs for them to work on one year awareness raising activities about the negative consequences of Qat consumption.

As for prioritizing working in the field of urban agriculture, the World Bank does not usually make the choice of the sectors of its intervention. As mentioned above, the World Bank follows the government's strategy and priorities and hence does not dictate the sectors of development interventions in the country. However, it does advise the government on some targets and issues and hence it has the capacity to reshape the government's strategies if needed.

One of the main challenges facing agriculture in Yemen and including urban agriculture is that agricultural NGOs and CSOs are not as active as they should be and the government is not properly monitoring and evaluating their work. In fact, the Ministry of Social Affairs does not have clear terms of reference to follow-up with the associations and NGOs that are licensed in the country. In addition, lack of funds for the ministry creates more obstacles towards a better monitoring mechanism.

As for farmers, it was mentioned that even in groups or association, they lack adequate guidance, experience and funds. Even small active farmers' organizations receive direct contracts from the government, and hence their work is resembling the private sector rather than the NGO one. This is a result of personal ties and contacts with government personnel. Moreover, small farmers fear that bigger farmers would take their share in any association or organization so they avoid such gatherings.

#### *German Development Cooperation (Gesellschaft für Technische Zusammenarbeit – GTZ)*

An in-depth interview with GTZ microfinance team was conducted to learn more about their microfinance capacity building program for the banking sector in Yemen.

The main aim of the program is to build the capacities of the Central Bank of Yemen (CBY) to form a team to supervise microfinance banking in Yemen. Starting in 2008, the program drafted and lobbied to pass the microfinance law that was passed in the Yemeni parliament in April 2009. Further, the initial stages of the project included capacity building for CBY and setting regulations to license microfinance banks in Yemen.

Nowadays, the main players in the microfinance scene in Yemen are:

- Al Amal Bank: also received some capacity building activities on risk management and auditing from GTZ. Supervised by CBY
- NGOs: which do not offer a savings service and hence are not supervised by CBY. A total of 20 NGOs all over the country that are supervised by the SFD.
- Al Kuraimi Exchange Company: recently received a license to open a new microfinance bank in Yemen. Supervised by CBY

It was also mentioned that CAC bank is considering to open a small window for microfinance. The microfinance project at GTZ will launch a new phase with CBY in September 2010.

**Challenges with microfinance in Yemen:**

Same we with other loans, the interest rate with microfinance loans (that ranges between 2-2.5% per month) prevent people from considering this type of loan. This is mainly due to religious reasons related with the concept of *Reba* mentioned earlier in the report. However, Al Amal Bank is now adopting the Islamic approach that can be divided to:

- “Murabaha”: the institution buys the product that is needed by the borrower who in turn should pay back the price of the product to the institution plus the transaction expenses.
- “Mudarabah”: the institution gives out loan to start up a certain business and claims a certain percentage of the labor profit for itself.
- “Partnership”: same as “mudarabah”, yet here the borrower contributes to the capital and hence partners with the institution to start his/her business.

Another major challenge with microfinance lending is the absence of guarantees as the only guarantees in the system are official identification papers that the borrower should present to proof his/her identity. However, proper records and identification papers in Yemen remain lacking and in accessible to the whole population. Indeed, in some cases an individual might have inconsistent identification papers, which poses more obstacles towards requesting a microfinance loan. This is especially the case with the poor and remote population.

Other challenges include illiteracy and lack of awareness as people in Yemen do not understand the concept of paying back a loan plus an extra amount of money in all cases. Also, no institution in Yemen specializes in targeting small poor producers and thus big rich farmers receive and control most of the funds. Additionally, urban producers are said to prefer to sell their lands for more profit rather than investing in small agricultural activities that do not even guarantee income or profit.

GTZ is currently running a project that support female victims of SGBV to access microfinance loans and credit and to utilize those loans in income generating activities depending on their skills including agricultural activities. However, GTZ believes that for UA, loans are very minimal as compared with rural agricultural, where bee hiving, animal farming and other agricultural activities are financed. This is mainly because urban farmers are seen as traders of agricultural products and not farmers.

Institution	Supporting Stakeholders				Suggestions to create an enabling environment to support small producers in urban and per-urban areas
	Government	Farmers	Financial institutions	Other bodies	
<b>CAC Bank</b>	Support farmers by covering loans' interest rates so the bank can finance agri. projects according to governmental policies	Contribute to project to guarantee its success	Facilitate services and serve responsible and competitive clients	Big capitalists with financial resources should contribute by supporting agricultural products from small farmers	<ol style="list-style-type: none"> <li>1. Provide financial opportunities to give out loans to reduce unemployment</li> <li>2. Support marketing associations</li> <li>3. Support establishing markets to sell products and prevent their accumulation</li> <li>4. Establish factories to manufacture food products</li> </ol>
<b>Amal Bank</b>	Support local associations and create outlets for farmers to sell their products.	Create a new line of business to receive funding (ensure creativity)	Start with 1 pilot community and spread to others with services. Focus on financing agri. products (like eggs/jam)	NGOs and CSOs should build farmers' capacities on good and sustainable agricultural practices	<ol style="list-style-type: none"> <li>1. Expand capacity building and awareness raising opportunities for farmers to become more aware of their financial opportunities.</li> <li>2. Encourage and support farmers by providing sustainable agricultural methods such as green houses.</li> </ol>
<b>Agricultural Cooperative Union</b>	Adopt clear policies to support farmers, the Union and other stakeholders. Facilitate and coordinate projects via collaboration with the Union and financial institutions	Form groups and associations to establish group work that will aid in saving.		NGOs and others like the World Bank should work through existing bodies like the Union instead of spending 70% of projects budgets on creating new bodies; they should also vary in their targeted areas.	<ol style="list-style-type: none"> <li>1. Create income generating activities for farmers, especially women, to access loans and grants.</li> <li>2. Producers require trainings on food production</li> </ol>
<b>Agriculture and Fisheries Production Promotion Fund</b>	Adopt clear policies and programs to support the production of certain products such as almonds. Develop practical methods to harvest rain water for additional irrigation	Formulate associations to facilitate their access to loans, credit and grants.	NA	NA	In general, the government should put clear agricultural and fisheries policies and then develop programs and strategic plans to fulfill such policies accordingly.
<b>Social Fund for Development (SFD)</b>	A clear vision and policy should be formulated by the government based on the real needs of poor farmers in order to facilitate their access to loans and credit.	Utilize loans efficiently and effectively in agriculture only. This should be preceded by a feasibility study for the type of project the farmer intends to implement	Ease and facilitate access to loans by farmers by having lesser conditions and guarantees	NGOs and other organizations should base their projects on accurate feasibility studies	<ol style="list-style-type: none"> <li>1. Create mobile and village banks</li> <li>2. Create savings groups among poor producers</li> <li>3. Conduct more research to reveal actual needs in terms of finance</li> </ol>

		with the loan			
German Development Cooperation Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	NA	NA	Create a fixed database of borrowers from commercial and other banks in Yemen to track their profiles and build people's profiles as well.	i-NGOs and other development organizations should create specialized programs and projects to target specific segments like small UA producers. Any program will require a proper M & E system.	<ol style="list-style-type: none"> <li>1. Specialized program to target this segment of farmers</li> <li>2. Raise awareness and advocate at governmental and institutional levels on the importance of UA</li> <li>3. Build the government's capacity to monitor local associations properly to build trust and partnerships among the various stakeholders.</li> </ol>

## CONCLUSIONS AND RECOMMENDATIONS

This small scale study was conducted in Sana'a city and its outskirts to investigate to what extent small urban and peri-urban agricultural producers can access loans and credit from financial institutions and other. At the micro-level, 35 farmers were asked to express their opinions regarding taking loans from financial institutions, in addition to the challenges and difficulties they face in this regard. At the macro-level, 6 institutions from various sectors were asked to illustrate how their services, financial and other, support urban agriculture and their own institutional recommendations in order to create an enabling environment to allow small producers to access financial opportunities.

Generally, this study aimed at displaying all possible challenges, bottlenecks and scenarios to resolve these issues in order to eventually support development projects in the agricultural sector, like FSTT project, and ensure their sustainability.

Overall, small producers in and around Sana'a are generally discouraged to consider taking loans from the available financial institutions due to the numerous guarantees that are required by those institutions and high interest rates. Further difficulties are faced by female farmers who either have restricted mobility, inadequate participation in decision making with regards to household and agricultural financial issues or lack of awareness of their rights and opportunities. In parallel, the banking sector is also discouraged to finance agricultural projects due to high risks associated with this sector and again, lack of guarantees and transparency between them and the farmers.

On the other hand, most institutions agreed that microfinance is the only way by which small and poor urban and rural agricultural producers can access loans and finance small projects. It was also seen as the means by which individual female farmers and women's groups or associations can access funding for their income generating agricultural and food processing activities. As illustrated in the study, the government has this vision in mind and has received approval from the Central Bank of Yemen on the microfinance banking law. So far, the most successful example of providing microfinance loans to poor Yemenis is Amal Bank, established by the SFD. However, Amal Bank is yet to engage in financing agricultural projects.

Another conclusion that can be drawn from interviews with institutions is the clear lack of collaboration and coordination between government, financial and non-governmental organizations.

Despite the fact that probably all of these institutions are interested in benefiting as many small scale agricultural producers (urban and rural) as possible, yet they clearly do not share information among each other or collaborate in establishing and supporting projects. This was clear from the interviews and from the reality that organizations are continuously duplicating each other's development work in the agricultural sector.

Recommendations that can be drawn are the following:

### **1. Capacity building at the governmental and institutional levels to enhance the microfinance concept, planning and implementation**

As mentioned on the website of the Central Bank of Yemen, banking sector staff requires intensive capacity building on microfinance banking and its related topics and techniques. This was completed once by GTZ, but it needs to be followed up and monitored until actual planning, implementation and evaluation of law No. 15 on microfinance banking are executed. Government employees, and more specifically MoA, should be trained on the microfinance concept in order to facilitate planning and implementation in the field.

## **2. Awareness raising and capacity building at the micro level**

Farmers, male and female, must be exposed to more rigorous training and advising on better agricultural practices. They should also be made aware of the existing financial opportunities for them to consider in order financing their agricultural projects or needs. This would eventually lead to better product quality, risk reduction and hence more confidence to take loans and provide any required guarantees to the financial institutions. Capacity building on a variety of topics like food processing, marketing, negotiations, management and accounting would also allow farmers diversify their produce and retrieve profit while utilizing their existing resources efficiently.

This definitely applies to FStT farmers who face high risks since chickens are sensitive animals and so require strict care protocols to ensure maximum local egg production under all conditions.

## **3. Build partnerships**

Agricultural development local association, like YASAD, and other international bodies that work in the agricultural sector may consider building partnerships with financial institutions like Amal Bank. Collateral benefit will result as farmers benefiting from development projects would be exposed to a microfinance institution and hence access financial resources; the financial institution will engage in a new sector and will be exposed to urban agriculture through a guaranteed and safe route (i.e. through an association and/or organization).

## **4. Form farmer's groups and "Self-Help Groups" for female farmers**

It is obvious that financial institutions feel more comfortable financing farmers' groups and/or associations/cooperative within the specific context of Yemen. Therefore, it is recommended that farmers get together as a group specialized in a specific agricultural practice (such as poultry raising and care; egg production etc). Examples from India and Bangladesh proved that women engaged in any type of business in poor communities benefit from banks and financial institutions if they are in a group. Such groups are called "Self-Help Groups" in Southeast Asia and are very popular among women in poor communities of India and Bangladesh. Again, institutions would facilitate loan access to farmers in groups. Women in these groups can then take turns in accessing the loan, establishing their individual or group income generating projects and then pay back the debt. In this case, female farmers working in the FStT project can access loans to establish poultry and egg production related activities. This would eventually lead to women's empowerment at the levels of access and control to resources and decision making at the household and community levels.

## **5. Carry out more research, enhance exchange of information and collaboration**

More aggressive and thorough research is strongly required to reveal the exact and practical issues that small scale producers face when it comes to credit and loan access. Data should be consolidated and presented to all decision making bodies at the governmental and non-governmental levels to enhance lobbying to adapt clear-cut policies to support farmers financially. This would also result in pressure on financial institutions to reconsider their interest rates and conditions when it comes to small scale poor farmers in urban and peri-urban areas.

Additionally, all concerned bodies should collaborate with each other in order to strengthen their approach to develop agriculture in Yemen whether in urban or rural areas. Collaboration would lead to more transparency, accountability, sound approaches, better production, efficient utilization of resources and hence sustainability.

Exchange of expertise between different countries in the region and across regions is also advised.

**6. Adopt alternative financing strategies – The Revolving Fund**

Associations, such as YASAD, can start proposing and adopting alternative funding options to supporting their beneficiaries, encourage savings and ensure development projects' sustainability. Annex 5 illustrates the "Revolving Fund Proposal" made by YASAD. It displays a model by which farmers in the association within the FStT project can save and finance their egg production activities through donating a small part of their profit to the fund which can then be drawn by a farmer to finance his/her project provided they fulfill certain guarantees and conditions. The annexed proposal is still under revision by YASAD members and local farmers.

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## **ANNEXES**

Annex 1: From Seed to Table (FStT) Project Description

Annex 2 : Farmer's Questionnaire

Annex 3: Focus Group Discussion Guide

Annex 4: Institutions' Questionnaire

Annex 5: Institutions Contact Sheet

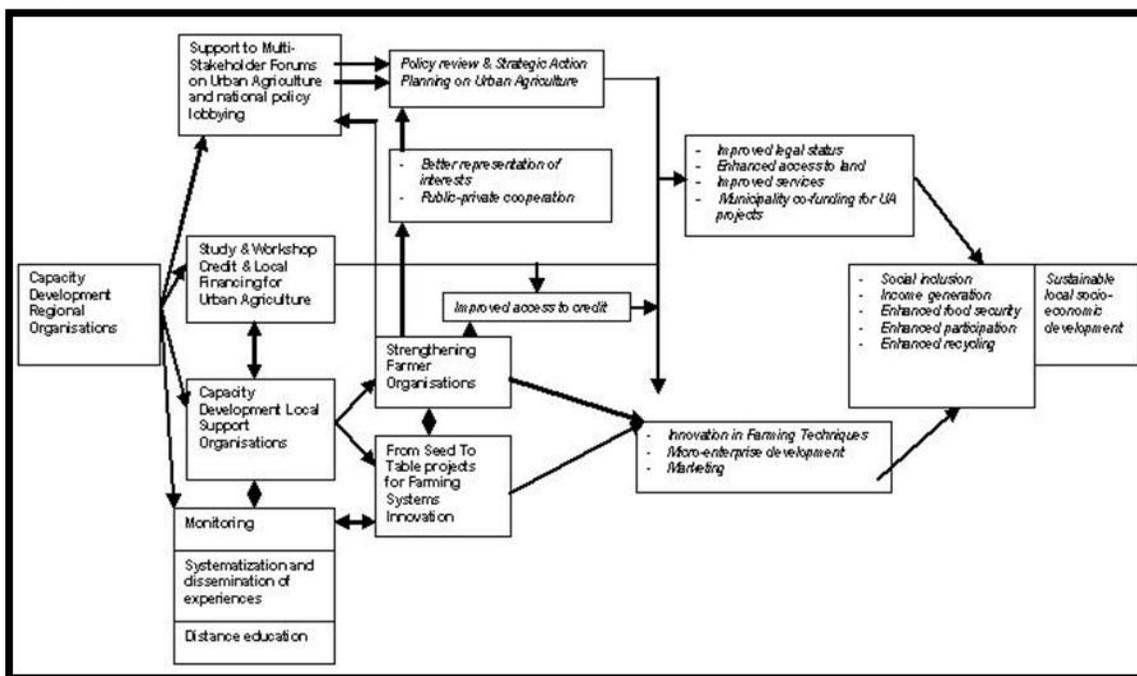
Annex 6: The Revolving Fund Proposal - YASAD

## Annex 1 From Seed to Table (FStT) Project Description

As part of RUAF<sup>8</sup> foundation’s urban agriculture development schemes, “From Seed to Table” is a project that aims to “facilitate the development of sustainable urban farming systems and to contribute to urban poverty alleviation and enhanced urban food security, social inclusion and empowerment of urban disadvantaged groups in 18 partner cities around the world”.

Generally, the FStT project seeks to tackle some of the challenges of urban agriculture that were mentioned earlier. More importantly, the FStT project concentrates on achieving “multi-stakeholder policy making” by enhancing capacity building of all concerned parties on urban agriculture and lobbying at the macro-level to integrate urban agriculture into urban policies and programs. The figure below illustrates the logic behind the FStT project.

Figure 1



In Yemen, the FStT project, implemented by the Yemeni Association for Sustainable Agricultural Development (YASAD) with the support of RUAF and ESDU, took the poultry farming and egg production theme. The main reason behind choosing this

<sup>8</sup> Resource Centres on Urban Agriculture & Food Security

theme is the fact that raising local chicken and using traditional methods to produce free-range eggs have always been an integral part of animal farmers that have moved to the city and its outskirts from rural regions. In addition, egg consumption among the Yemeni population is high and eggs, especially free-range ones that are produced from free grazing chickens, are rich in nutrients and essential amino acids that contribute to health and food security of poor families that produce them. In fact, the initial assessment that was conducted prior to the initiation of the FStT project in Yemen revealed that chicken farming for consumption and marketing remains a core activity of urban farmers in Sana'a Amara area<sup>9</sup>.

The objectives of FStT in Yemen are as follows:

1. Revive chicken raising and farming using traditional means to enhance local egg production
2. Intervene in production series to enhance quality and quantity of eggs
3. Build capacities of local farmers on chicken raising, quality improvement, marketing and sales
4. Improve income of chicken farmers by introducing new clean and fresh methods to serve the product
5. Preserve and enhance local chicken breed
6. Encourage local, safe and natural egg production

Since the project's inception, YASAD has been using a participatory approach with all target farmers in all 2 target areas: Maeen, Sana and Bani Hareth (Beit Handal and Maamar). With a total number of beneficiaries of 50-70 families, the project intends to increase egg production from 150-180 eggs monthly to 1000 eggs daily with a parallel increase in the number of beneficiaries to 100 families.

In addition to chicken raising advising and monitoring, the FStT project team in Yemen is also working on developing appropriate packaging design for the local eggs, developing marketing and sales techniques and innovating financial and credit lending schemes for the target farmers. It should be mentioned that the project in Yemen is working through women's associations in Bani Hareth target area.

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<sup>9</sup> Area covered by the municipality of Sana'a.

## Annex 2 Farmers' Questionnaire

**American University of Beirut**  
**Environmental and Sustainable Development Unit (ESDU)**  
**Credit and Finance Study for Urban Agriculture**  
**April/May 2010**  
**Farmer's questionnaire**

No.:

Date: \_\_\_\_\_

Area: \_\_\_\_\_

The following questions are part of a research study on credit and financial options for small UA producers in and around Sana'a city. The information obtained will only be used for research purposes.

If you have any questions regarding this study, please contact:

**Dr. Amin Al Hakimi**

**Yemeni Association for Sustainable Agricultural Development (YASAD)**

**Tel: 711 658 330**

**Email: [aminalhakimi@yahoo.com](mailto:aminalhakimi@yahoo.com)**

**Sana'a, Yemen**

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**Sex:        Male                    Female**

1. How long have you been engaged in urban agriculture (months/years)?

\_\_\_\_\_

2. What is the range of plant and/or animal products that you produce within UA?

3. Do you own the land and/or animal farm in which you currently work?

- a. Yes
- b. No

4. If no, who owns the land/animal farm?

- a. Public ownership
- b. Another family member (please specify) \_\_\_\_\_

5. Do you have full access to the land/animal farm?

- a. Yes
- b. No

6. If no, what are the hindering factors?

- a. You need permission from the land owner
- b. You need permission from a male figure in the household
- c. Burden of household chores and family responsibilities
- d. Other: \_\_\_\_\_

7. Do you market your own products from UA?

- a. Yes
- b. No

8. If no, who markets them?

---

9. How often do you market your products?

- a. Daily
- b. Weekly
- c. Monthly
- d. Never

10. How many markets do you target with your products?

- a. 1
- b. 2
- c. 3
- d. > 3

- e. I market through  
associations (like YASAD)
11. Please estimate the  
profit you make from marketing and selling your products:  
\_\_\_\_\_ (YR) / day / month
12. Do you control the  
financial profit from your sales?  
a. Yes  
b. No
13. If no, then who  
controls the financial profit (access and spending)?  
\_\_\_\_\_
14. Have you ever  
taken a loan from a bank/institution to finance your urban agricultural activity?  
a. Yes  
b. No
15. If yes, please  
specify the bank/institution name, year and amount of loan:  
a. Bank/Institution  
name:  
b. Year:  
c. Amount (YR):
16. What, in your  
opinion, are the financial challenges facing urban agricultural farmers like yourself?  
a. Lack of low  
interest loaning institutions in Yemen  
b. Various existing  
restrictions and conditions to take loans  
c. High interest rates  
on loans  
d. Lack of financial  
bodies interested in funding urban agriculture  
e. Other:  
\_\_\_\_\_  
\_\_\_\_\_

- 
17. Do you have any suggestions regarding increasing financial support and marketing of small scale urban agriculture producers in and around Sana’a? Please list them.

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Thank you.

### **Annex 3 Focus Group Discussion Guide**

**American University of Beirut**

**Environmental and Sustainable Development Unit (ESDU)**

**Credit and Finance Study for Urban Agriculture**

**April/May 2010**

**Focus Group Discussion Guide**

The focus group discussion (FGD) is intended to target farmers within the FSTT project in the areas of Sana’a city, Bani Hareth and Sanah.

Each FGD is to involve 8-12 farmers to discuss their opinions regarding taking loans to finance their urban agricultural (UA) work involving egg production and other activities within UA.

After introducing the aim of the study, location, number and sex of participants will be noted down.

Participants should be told that the discussion can take from 40-60 minutes.

---

**FGD no.:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Location:** \_\_\_\_\_

**No. of participants:** \_\_\_\_\_

**Sex:** Female \_\_\_\_ Male \_\_\_\_

1. Please list the range of urban agricultural products that you produce other than raising free chickens for producing local eggs.
2. How do you finance your work in UA? (loans/ grants from local/international institutions).
3. What is your opinion of the existing financial institutions in Yemen (like CAC Bank/ Amal Bank or others). What are their advantages/ disadvantages?
4. If you have never taken a loan before, would you take one now to finance your UA work? Why?
5. What are the challenges/ difficulties facing small scale UA producers like yourselves when it comes to taking credit to finance their UA projects?
6. What do you suggest as solutions to the challenges that you've mentioned to facilitate UA farmers' access to credit?

**Specific questions for female farmers:**

- In order to take a loan from any source, do you need permission from a male figure in the household? Does that imply that you will access the money or the male figure?
- If you request and obtain a loan, will you be able to control the money (in terms of deciding how and when to spend it and to invest in what)?
- What are the additional burdens/ challenges that you face as female farmers when it comes to access and control of financial resources related to urban agriculture?
- Please list any suggestions you have to resolve those challenges and facilitate female farmers' access and control of credit and loans to finance UA projects.

## **Annex 4 Institutions' Questionnaire**

**American University of Beirut**

**Environmental and Sustainable Development Unit (ESDU)**

**Credit and Finance Study for Urban Agriculture**

**April/May 2010**

The following questions will be targeted at responsible individuals in institutions that support UA in and around Sana'a in various ways/methods that may or may not involve financial loans/grants.

The information obtained will be used for research purposes solely. The questionnaire will be disseminated in Arabic.

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Date:

- Institutional details:

- Name: \_\_\_\_\_
- Institution: \_\_\_\_\_
- Address: \_\_\_\_\_  
\_\_\_\_\_
- Telephone number: \_\_\_\_\_
- Fax number: \_\_\_\_\_

o Email: \_\_\_\_\_

1. Does your institution support urban agriculture in and around Sana'a city?
  - a. Yes
  - b. No (go to question 14)
  
2. If yes, what kind of support do you offer UA farmers (machines/trainings/supervision)?  
\_\_\_\_\_  
\_\_\_\_\_
  
3. Does your support consist of financial loans/grants to small scale producers in UA?
  - a. Yes
  - b. No
  
4. If yes, what are the financing services that you currently offer to farmers?
  - a. Short-term:
  - b. Long-term:
  
5. What are the criteria of choosing your beneficiaries?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
6. What is the minimum and maximum amount of loans/grants that are accessible to urban and peri-urban producers?
  
7. What is the minimum and maximum time period within which a beneficiary is allowed to pay back their debt?
  
8. What are the general conditions for loans/financing with regards to farmers?
  - a. Needed guarantees:
  - b. Minimum amount of money required for pay back:
  - c. Previous savings or no?
  - d. Interest rate on loans / financing services:
  - e. Insurance or rate of payments to get the loan:
  
9. What is the percentage of applications from producers that have been rejected? What is the general reason for rejection?

10. What are the activities that have been undertaken to ensure that farmers and producers are aware of your funding services?
  11. What are the available opportunities that are there to finance urban and peri-urban farmers?
  12. What are the challenges that you face in financing small scale agricultural projects in urban and peri-urban areas?
  13. What are the bottlenecks (hindering factors) that stand in your way while financing small scale projects in urban and peri-urban agricultural producers?
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14. If No, what type of farmers do you support?

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15. What are the criteria of choosing your beneficiaries?

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16. Do your services support male and female farmers?

- a. Yes
- b. No

17. If Yes, please give examples of how you benefit female farmers as well as male famers?

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18. Would you consider expanding your existing support services to reach out to UA farmers?

- a. Yes
- b. No (go to question 9)

19. If yes, how do you think you would support UA farmers?

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20. If no, what are the reasons that would hinder your involvement in supporting UA farmers in and around Sana'a?

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21. In your opinion, what are the major challenges facing UA small producers in and around Sana'a city?

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22. What are the major challenges and bottlenecks that face your institution in supporting agricultural activities?

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23. Do you have any suggestions as to what should and could be done to increase financial and other types of support for small scale UA producers in and around Sana'a?

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Thank you.

الجامعة الأمريكية في بيروت  
وحدة البيئة والتنمية المستدامة  
دراسة الائتمان والمالية للزراعة الحضرية  
أبريل/مايو 2010  
استثمار المؤسسات المالية والغير مالية

إن الغاية الرئيسية من هذه الأسئلة هي التعرف على الجهات والمؤسسات التي تدعم الزراعة الحضرية في مدينة صنعاء وضواحيها وتقييم برامجها التمويلية والخدمية. تهدف الأسئلة أيضا إلى تحديد العقبات والتحديات التي تواجه هذه المؤسسات خلال دعم المنتجين الصغار في الزراعة الحضرية.

المعلومات التي سيتم أخذها في هذه الاستمارة لن تستعمل إلا لأغراض البحث فقط.

إذا كان لديك أي استفسارات عن هذا البحث، الرجاء الاتصال بـ:

الدكتور أمين الحكي

الجمعية اليمنية لتنمية الزراعة المستدامة

تلفون: 711658330

البريد الإلكتروني: [com.yahoo@aminalhakimi](mailto:com.yahoo@aminalhakimi)

صنعاء، اليمن

التاريخ:

تفاصيل المؤسسة:

الاسم: \_\_\_\_\_

المنصب: \_\_\_\_\_

اسم المؤسسة: \_\_\_\_\_

العنوان: \_\_\_\_\_

التلفون: \_\_\_\_\_

فاكس: \_\_\_\_\_

البريد الإلكتروني: \_\_\_\_\_

هل تقوم مؤسستكم بدعم الزراعة الحضرية في مدينة صنعاء وضواحيها؟

نعم

لا (سؤال 15)

إذا كان الجواب نعم، فما طبيعة هذا الدعم (تدريبات/ معدات/ إرشاد)؟

هل يتضمن دعمكم منح القروض لمنتجاتي الزراعة الحضرية؟

نعم

لا

إذا كان الجواب نعم، ما هي الخدمات التمويلية التي تقدم حالياً للمزارعين؟

قصيرة الأمد (أسابيع/أشهر): \_\_\_\_\_

طويلة الأمد (أشهر/ سنوات): \_\_\_\_\_

ما هي الخدمات التي يمكن أن تكون مناسبة للمنتجين في المناطق الحضرية وشبه الحضرية والأسر المشاركة في تجهيز المنتجات الزراعية وتسويقها؟

ما هي المعايير المستخدمة لاختيار الأشخاص الذين سيستفيدون من الخدمات التمويلية لديكم؟

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ما هي قيمة الحد الأدنى من القروض/ التمويل التي يسمح بالوصول إليها من قبل المنتجين في المناطق الحضرية؟

---

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ما هو الحد الأدنى والحد الأقصى لفترة السداد المسموح بها؟

---

---

ما هي الشروط العامة للقروض/ التمويل التي تتعلق بالخدمات التمويلية التي تقدمونها لمزارعين:  
الضمان أو الضمانات المطلوبة:

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أقل دفعة مطلوبة للتسديد:

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ادخار سابق أم لا؟

---

---

سعر الفائدة على القروض / الخدمات التمويلية:

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التأمين أو معدل أقساط الحصول على هذه القروض:

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ما هي الخدمات الحالية للقروض/ التمويل الصادرة لهؤلاء المنتجين في المناطق الحضرية في 2-3 سنوات الماضية؟

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ما هي نسبة المعاملات التي تم رفضها للمنتجين في المناطق الحضرية؟ وما هو السبب بشكل عام؟

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ما هي التدابير المتعمدة التي وضعت لجعل المزارعين على علم بالخدمات التمويلية التي تقدمونها؟

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ما هي الفرص المتاحة لتمويل المنتجين الزراعيين في المناطق الحضرية وشبه الحضرية؟

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ما هي الصعوبات التي تواجهك في توفير تمويل للمشاريع الصغيرة للمنتجين الزراعيين في المناطق الحضرية وشبه الحضرية؟

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ما هي فئات المزارعين المستهدفة لديكم؟

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ما هي المعايير المستخدمة لاختيار المستفيدين؟

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هل تستهدف خدماتكم المزارعين والمزارعات؟

نعم

لا

إذا كان الجواب نعم، الرجاء إعطاء أمثلة عن كيفية استهداف النساء والرجال؟

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هل يمكن أن تأخذ بعين الاعتبار توسيع استهداف خدماتكم ليشمل مزارعي ومنتجي الزراعة الحضرية؟

نعم

لا

إذا كان الجواب نعم، كيف يمكن أن تدعم مزارعي الزراعة الحضرية؟

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إذا كان الجواب لا، ما هي الأسباب التي يمكن أن تمنع تدخلك لدعم الزراعة الحضرية في مدينة صنعاء وضواحيها؟

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ما هي الصعوبات التي تواجهك في دعم الأنشطة الزراعية؟

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ما هي التدابير التي برأيك يمكن اتخاذها من قبل أصحاب العلاقة الرئيسيين التاليين لتسهيل حصول المنتجين الزراعيين على تمويل في المناطق الحضرية وشبه الحضرية؟

الحكومة: \_\_\_\_\_

المزارعون: \_\_\_\_\_

المؤسسات التمويلية: \_\_\_\_\_

أي جهة أخرى: \_\_\_\_\_

ما هي اقتراحاتكم لخلق بيئة مواتية لتمويل صغار المنتجين في المناطق الحضرية وشبه الحضرية؟

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شكرا.

### Annex 5 Institutions Contact Sheet

Institution	Name	Position	Address	Telephone	Fax	Email
Cooperative and Agricultural Credit Bank	Yahya Ahmed Al Sabri	General Manager	Dai'ri St. Sana'a	01 220111	01 220093	Y_alsabri@cacbank.com
Agricultural Cooperative Union	Mohammed Basher	Chairman	Horia St. Sana'a	01 233992	01 233992	acu@y.net.ye
Agricultural and Fisheries Production Promotion Fund	Isam Luqman	General Director	Kuwait St. Sana'a	01 291193	01 291194	NA
Social Fund for Development	Mahmoud Salam	Director of Agricultural Unit	Fij Attan Sana'a	01 449669	01 449670	sfd@sfd-yemen.org
Amal Bank	Mohammed Al Laai	General Manager	Baghdad St. Sana'a	01 449731	01 449721	NA
Ministry of Agriculture and Irrigation	Mohammed Hareth	Deputy Minister Office Manager	Zira'a St. Sana'a	01 276872	01 277343	mkhareth@hotmail.com
The World Bank	Samra Shaibani	Senior Communications Officer	Hadda Sana'a	01 413708 ext. 242	01 413709	sshaibani@worldbank.org
German Development Cooperation	Basmah Al-Iriani	Micro-credit Officer	Hadda, Sana'a	01 414110	01 412539	Basmah.al-iriani@gtz.de

(GTZ)						
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## **Annex 6 The Revolving Fund Proposal**

### **The Revolving Fund Proposal**

**For the “From Seed to Table” Project - Production of Local Eggs Using Traditional Means**

**Yemeni Association for Sustainable Agricultural Development (YASAD)**

**Sana’a - Yemen**

#### **Definitions:**

Project name: Urban Agricultural Project in Urban and peri- Urban areas in Sana’a (Amana area) – Producing local eggs

Fund: The Revolving Fund for the Yemeni Association for Sustainable Agricultural Development

Association: Yemeni Association for Sustainable Agricultural Development (YASAD)

Committee: Revolving Fund Management Committee that belongs to the Egg Production Unit

**Background:**

The implementation of the project “From Seed to Table” comes as one of the activities that have followed the formulation of the strategy to develop urban agriculture in the capital (the Amana area), which focused on working with and enhancing the skills of urban farmers.

Through the FStT project and via the mechanism used to select a product came the final decision to target the development of the traditional method of producing local eggs safely to ensure sustainability of this initiative. Consequently, organizational, marketing and financial plans were put together, which included the revolving fund, as a way to encourage local producers to save money and work together cooperatively.

Based on a previously formulated marketing study, raising awareness among the beneficiaries (i.e. farmers) and building their capacities about enhancing production, packaging and marketing through a committee formulated by them would result in more tangible and sustainable positive outcomes for them and for their families.

Producer (farmer) → Egg collection → Packaging → Marketing

The figure above ensures that production is monitored on a daily basis through documentation and recording by a rural/area leader who would also be responsible for packing and dating the produce according to the exact production date to be marketed according to the marketing plan.

The idea of the revolving fund would not only reduce costs and expenses that farmers incur during production but also encourage group collaborative work and exchange of ideas and expertise.

**Egg cost:**

Producer → Egg collection → Packaging → Marketing → Revolving Fund → Buyer = Consumer						
33 YR	3 YR	3 YR	4 YR	4 YR	3 YR	50 YR

\*YR: Yemeni Riyals

**Objectives of Revolving Fund:**

- Ensuring FStT project sustainability after end of project duration
- Providing farmers with loans according to procedures and criteria put in this document, provided that these loans do not hold any interest and these loans will be under close monitoring and collaborative guarantee, which substitute for traditional guarantees.

**Mechanism of Revolving Fund:**

The location of the revolving fund will be YASAD offices in Sana'a city/Egg production project. The following committee is to be formulated:

➤ Management committee

The committee's principal role is to manage the fund and its reference will be the general assembly for the project participants. The committee will have the following positions:

- Revolving Fund President
  - Financial Officer
  - One representative from each production unit<sup>10</sup> who will have a 1 year duration for his/her membership.
- The committee's roles:
- Put together the criteria related to projects that can be funded by the revolving fund and the mechanism of applying, acceptance/rejection conditions and payback mechanism in addition to the duration of each loan.
  - Decide on maximum loans (40,000 YR), provided that its within the projects that can be financed and that are mentioned in the document.
  - Prepare annual reports to present them to the general assembly of the revolving fund.

**Financial sources for revolving fund:**

- Contributions based on egg sales throughout project implementation period
- Donations/grants from governmental and non-governmental sources given to the revolving fund through official channels.
- Any other contributions accepted by the management committee.

**Internal System of the Revolving Fund:**

The internal system includes criteria and characteristics related to projects that can be financed by the fund, in addition to the conditions of acceptance/rejection of a request for loan and payback mechanism.

Projects that can be financed (additional projects can be added depending on the recommendations of the general assembly for the revolving fund):

- Establishing local egg production projects and expanding small related projects.

**Loan requests and conditions of acceptance:**

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<sup>10</sup> Production units are parallel to FStT's target areas, i.e. Beit Handal, Maeen, Sanah and Maamar.

1. The management committee shall annually set the limits for individual loans for each type of the projects listed above. The committee shall also set a maximum amount for the total funding amount per year.
2. The project beneficiaries shall be divided into groups of 10 each, depending on their personal wishes. Each group shall select 1 of its members to give him/her a loan, while other members are eligible to receive loans after the first loan taker has paid back at least the first 3 installments of the loan.
3. Each farmer should submit a loan request form for their specific purpose.
4. The loan taker (farmer) should be 18 years old and above when submitting the request
5. The management committee shall review the request and make appropriate decisions accordingly
6. The priority to take loans will be given for the farmer with the highest saving account in the association.

#### **Conditions of rejection:**

1. If the type of loan is not listed above
2. Inaccurate information in the loan request form
3. If the committee remains unconvinced that the farmer will utilize the requested money as mentioned in the loan request form.
4. If the farmer requesting the loan has bad reputation
5. If the management committee decides that the loan will be utilized in a project that is not economically viable.

#### **Needed documents – to be submitted with loan request:**

##### **Loan guarantees**

1. All borrowers should sign a legal contract that clarifies their obligation to pay back the loan according to specific conditions
2. One sponsor should be responsible to pay back the loan in case the borrower is not able to fulfill the whole amount. It is preferred that the sponsor is someone who has not received a loan from the association before or someone who has already paid back their loan amount (if any). The sponsor is totally responsible to fulfill the contract conditions in case the borrower is not able or is not willing to fulfill it.
3. A draft authorization should be signed for the management committee to have the right to sell the borrower's produce or deduct the due installment amounts and marketing value from the profit and pay the rest back to the borrower.

##### **Loan Costs**

1. The borrower must pay 4% of the loan cost which will be kept in the “Emergency and reserve Fund” at the association after sales are completed. The “Emergency and Reserve Fund” will cover accident insurance, debts and finance improved financing activities for the benefit of the member, his/her skills, education, capacity building and investment chances. Also, this fund will improve the capacities of the revolving fund.
2. The borrower must agree to a 2% deduction from his/her total sales that will take place via the association. This amount is “forced” savings that will be kept in the “Emergency and Reserve Fund” under the borrower’s name in order to encourage him/her to save and to control unwanted and haphazard spending. Forced savings are different from voluntary savings since the former cannot be withdrawn before the overall loan amount is paid back since it is not considered a guarantee for the loan.

### **Loan Conditions (Loan duration)**

1. Short-term loans are granted to finance capital expenses for the worker for a period ranging from 3 – 12 months.
2. Installments can be accessed seasonally or according to production periods.

### **Loan Payment**

1. The borrower should be given a 1 month notice before the loan payment deadline. A copy of the notice should be sent to the sponsor.
2. In case the loan is not paid back on the due date, the sponsor should be informed and in this case the full payment should be made by the sponsor 1 month after the due date.
3. In case the payment is not made, the borrower should pay a 1% late charge from the total loan amount with every additional month.
4. In case neither the borrower nor the sponsor pays back the loan, the amount will be deducted from the borrower’s savings in the reserve fund or from his/her capital amount at the association. If the savings and/or the capital amounts are not enough to fulfill the due payments, the remaining amount will be deducted from the savings and shares of the sponsor.
5. In case there was a delay in paying back the due amount, neither the borrower nor the sponsor will be allowed to request any more loans from the revolving fund unless the management committee accepts reasons for the delay.

### **Revolving Fund Management**

In order to guarantee maximum sustainability and stability, the management of the revolving fund should be developed to have maximum transparency, accuracy and comprehensiveness. The committee is responsible for monitoring and evaluation and it

also contributes to planning and close monitoring activities that are built on scientific basis. Additionally, the committee must give feedback about the revolving fund and financed projects to the general assembly to give a clear picture of the financial status of the revolving fund that includes:

- Accounting system: a framework that monitors financial processes to measure growth and/or loss levels in the fund’s capital. This also ensures monitoring accounting procedures and conditions to avoid mistakes.
- Information database: a system to set up and extract data.
- Accounting criteria that are related with delays and nonpayment.

#### **A. Accounting and auditing**

1. A compulsory accounting plan to track changes in provisions, demand, profit and expenses.
2. Opening accounting books (records) within YASAD’s accounts.
3. The documents should be signed and the request should be submitted to the association’s president
4. The requested amount is to be granted via bank cheque with the care of the head of the requesting production unit
5. The accounting section is to keep financial records and should prepare annual account statements at the end of every financial year, including profiting and loosing accounts and the overall budget.
6. Account auditing should be done at least once a year
7. The auditor should make sure that employees and group representatives are present during the auditing process
8. A copy of the annual budget, the revolving fund account and any related invoices should be given to the association’s auditor. Further, he/she should have a list of all financial books that are kept with the management committee.
9. The audited financial list should be available for the association’s members within 2 months of the end of the financial year.

#### **B. IT system**

There is a need to establish an IT system that includes monitoring and evaluation for all activities, in addition to data extraction and management. This can be done manually provided there are experienced employees, since it is cheaper in case loan availability is limited.

Information is necessary for the following activities:

1. Database: retrieval, mainstreaming and analysis.
2. Borrower’s account management: managing paid installments
3. Accounting for the expenses and payment schedule
4. Extracting basic documents (like forms, contracts etc..)

Monitoring and evaluation are considered tools for project management that guarantee efficient and effective implementation and good planning; these tools are also important to ensure effective utilization of zero interest loans. Reasons for establishing a monitoring system are:

1. Monitoring project development
2. Retrieving feedback about project management
3. Serve as a warning mechanism for the project
4. Aid in problem solving during project implementation

**NB. This proposal is to be discussed and approved by YASAD's establishing members.**