REPORT ON LOBBYING FOR ENHANCED ACCESS TO FINANCING IN FREETOWN

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1.0 Description and analysis of the process/methodology:

Access to credit and finance for urban agriculture is a major bottleneck for the development of urban agriculture in Freetown. One of the objectives of FUPAP 2010 work plan was to create access to funds for urban farmers, including linking them with financial institutions.

In order to achieve this objective several activities were implemented by stakeholder institutions and organizations. FUPAP, with support from RUAF and COOPI carried out a study on (i) the needs for credit and finance among urban farmers (producers, processors, marketers); (ii) current financing practices and available credit and finance opportunities including grants, self finance and opportunities with banking and micro–finance institutions; (iii) the identification of innovative mechanisms to bridge any gaps identified. Following up on recommendations put forward by the study, FUPAP in close collaboration with Concern and COOPI held workshops to inform farmers about the available financing and credit facilities, and jointly designed a financial scheme for adoption by farmers and existing possible financing institutions.

1.1 Credit and financing study and lobbying for enhanced access to financing:

1.1.1 Credit and financing study

In Freetown it was decided by FUPAP Facilitator Pamela and Marco the then COOPI country Representative that a study was to be coordinated by the FUPAP facilitator and implemented by a small FUPAP sub group. This was done for two main reasons:
- To put to good use FUPAP facilitator local knowledge of conditions and practices of families involved in UPA as well as her research and coordination abilities (the study was initiated late compared to the initial timeframe and there was a need to execute the work with no delays and to good standards)
- To involve FUPAP members in ad hoc committee linked to specific activities so that they put to good use their knowledge and strengths while increasing their ownership of FUPAP

This idea worked well when brought forward in a meeting in February 2010 as members present at the meeting unanimously agreed and a small study group of four members of FUPAP comprising FUPAP facilitator, Concern, NAFSL and MAFFS was set up to undertake the study. Terms of reference for the study were drafted by RUAF and then discussed, validated and adopted by the FUPAP working group. The study group was to plan and carry out an applied study on credit and finance. Several planning meetings were held in which the templates for the study were developed and adopted by the study group. Ten enumerators from MAFFS field staff, Association for Rural Development ARD, Technical farmers Association and NAFSL were engaged to carry out the study. The enumerators were trained by the FUPAP facilitator in administering the templates, made contacts with target groups by carrying out a preliminary survey of listing of farmers groups, processors and marketers of agricultural products. The templates were pretested and necessary adjustments were made. The actual field survey took place in March 2010 and was done in ten days. Data was collected from a sample size of 269 producers, processors and marketers so as to have a solid study with a good representation of all those involved in UPA activities in Freetown, and also to show all the financial institutions surveyed the numbers of potential customers (farmers, processors and marketers). The data collected was checked, systematized and analyzed by Tamba Banda Gbla of the Biometrician Sierra Leone Agricultural Research Institute SLARI. FUPAP facilitator produced a first draft of the report in April 2010.

On the finance supply side, Heads of Institutions (potentially) providing finance for urban agriculture were surveyed. These included local and national authorities as well as credit and micro finance institutions and
NGOs. The subcommittee members made contacts with the financial institutions by sending a letter of request (signed by FUPAP and COOPI) for audience to carry out the study with the respective institutions. The subcommittee members made follow up visits to the Institutions for confirmation of the appointed date for the study in each institution. Upon confirmation by the Institutions, meeting was held on the appointed dates with the heads of the Institutions in which interviews were conducted by the subcommittee members using the template to solicit information on the Institution.

As for the finance demand side, the field survey of the sampled population that is those involved in UPA were vegetable farmers, small scale pig farmers, ornamental producers, fish mongers, processors of cassava leaves, pepper and groundnuts in the market centers and vegetable sellers including long distance marketers of agricultural produce. The wide range of population sampled gave a clear picture of the situation of accessibility of credit and finance for UPA, credit demand and need of each category of the population for their various UPA activities.

The main results of the study are that credit and finance are needed by the sampled population for the expansion and improvement of their business and therefore making finance and credit available through the improvement of terms and conditions of the financial products is necessary to facilitate small scale commercial agriculture.

In Freetown the study looked systematically at various categories of households engaged in UPA including processors and marketers. This influenced the way the results of the study came about as each category of the population has its own financial need in terms of amount required, some need less than the others depending on the type of activities they undertake.

1.1. 2 Validation Workshop (26th - 27th May 2010) and finalization of the report

A validation workshop was held in May to present and validate the report results and to agree on the recommendations. 56 participants 8 from farmers groups, 4 processors, 4 marketers, 1 bank, 1 staff from Ministry of Agriculture, 21 FUPAP members, 8 enumerators 2 representative from traders union, 1 representative from Research Into Use, 1 representative from UNDP and five media houses attended the workshop.

The main validated findings of the study were:
- Out of the 26 financial institutions that exist only 5 banks and 4 MFIs provide credit for UPA
- The informal sources of finance for UPA are self savings 54%, remittances from relatives 19%, rotating saving scheme (osusu) 16%, input providers and traders 4% and money lenders 7%.
- Only a few vegetable producers, processors and fisher-folks used credit from the formal financial institutions
- The reasons for not seeking credit were lack of information about credit opportunities and lack of required security.

The main recommendations were:
- Institutional cooperation should be promoted and strengthened.
- Interest rate charged by banks and MFIs be reduced to 20%.
- Active group savings should be accepted as collateral
- Guarantee required should be in the form of group solidarity.
- Financial institutions should encourage potential beneficiaries to open savings account with them and allow deposit of fifty thousand Leones.
- The local councils Freetown city and Western Area Rural district council should continue to finance UPA using the devolved funds for agriculture.
- NGOs should provide seed capital and training to urban farmers.
- The existing financial institutions should continue to provide credit assistance for UPA.

The findings on the study were validated and the recommendations were accepted by all. The draft report was then sent to RUAF for their comments in May. The feedback got from RUAF was addressed. One of the issue to be addressed was the development of a workable financial scheme which was done in a workshop in July by the FUPAP facilitator and FUPAP in active collaboration with COOPI. After the workshop in July the proposed designed scheme was incorporated into a second draft Report and the report finalized in November 2010.

### 1.1.3 Workshop to design a workable financial scheme held on 16th July 2010 attended by 53 participants.

In Freetown in order to identify and design a workable scheme the FUPAP facilitator decided to bring together the key players viz urban poor engaged in UPA, financial institutions, NGOs, Government Ministries and FUPAP to dialogue and come up with a scheme. The idea was accepted by FUPAP small study group and a workshop was proposed and COOPI was willing to provide the support.

The workshop was held in July and attended by farmers, processors, marketers, FUPAP members and financial institutions like Fist International Bank and Eco Bank, LUMA Micro – Finance Trust and Finance Salone.

The reason for having the different participants was that it was better to have views and ideas from various people so that consensus could be reached by all starting from the bottom (urban poor) to the top (financial institutions) and also that gave an opportunity for the financial institutions to meet with their clients (urban poor) and to market their products.

The small study group including FUPAP facilitator met and listed down all people to be invited to the workshop. This included all the 5 banks, 4 MFIs that provide credit for UPA, farmers, processors and marketers 10 from each group, NGOs, local council FCC and WARDC, Ministry of Agriculture and FUPAP members. At the workshop participants were divided in to working groups of three to brain storm and come up with a design and acceptable financial scheme using guidelines given by FUPAP facilitator.

During the first session of the group work participants shared their experiences in accessing credit, the desire need for such credit and how credit could be better accessed. In each group were farmers processors and marketers and at least one financial institution, local council. FUPAP members 2 NGOs and 1 MAFFS staff. The farmers processors and marketers were asked to explain their situation in getting finance for their activities including constraints and the financial institutions too explained their terms and conditions for their products. These were discussed lengthily and farmers and others participants appealed to the institutions for a review of their terms and conditions. The institutions responded that their conditions could possibly be reviewed.

In the second session the groups discussed the need for credit for UPA and what possible system could be adopted using the guide lines of the facilitator and each came up with a proposed scheme.
Presentation on the design was made by each group at a plenary session. Deliberations were made and a scheme accepted by all was agreed.

Possibly one the main pitfalls in the process was not to link more decisively the study recommendation with the design of the scheme, which focus mainly on credit, although incorporating a strong elements of institutional cooperation and the study recommendations on guarantees and collaterals.

To concretize the scheme FUPAP facilitator and FUPAP member from technical farmers association visited nine banks viz. Access, First International, Sierra Leone Commercial Bank, Zenith, Ecobank, Union Trust Bank, Standard Chartered Bank, Guaranty and International Commercial Bank and four micro-finance institutions namely LUMA microfinance trust, Hope microfinance trust, Salone microfinance trust and Finance Salone LTD to further solicit and confirm their acceptance of the scheme. The banks could not give audience easily as such appointments were made with them before they finally accepted to have dialogue with us. In some of the banks the team spoke to the marketing managers as the General Manager of the banks was almost impossible to meet For the MFI’s discussions were held with the Managing Directors. This exercise lasted for a month as it was not easy to gain audience with the banks.

However out of the nine (9) banks visited only two First International and Access Bank have consented to support small urban poor farmers by providing loans to groups that are working with NGOs, MAFFS and traders union.

Also two Micro – Finance Institutions; LUMA Micro – Finance Trust and Salone Finance LTD have consented to support urban and peri-urban agricultural activities by giving loans to groups that are working with NGOs, MAFFS and traders union.

FUPAP stakeholder institutions / organizations are currently getting the farmers groups they are working with to know that, these institutions have agreed to provide financial assistance to them based on the proposed scheme that was jointly developed by all of them (urban poor in UPA, financial institutions)

The scheme therefore included loans and micro-credit amounts that are actually needed by the farmers, processors and marketers and what the institutions can offer different from their original products For instance from the study the minimum micro-credit loan is Le300,000 and the maximum is Le 4M offered by MFI’s that is LAPO the new scheme proposes Le500,00 minimum to Le2M maximum As for the banks they were offering minimum Le 500,000 Ecobank and maximum Le1.5B by Access bank.. These loan and micro-credit amounts are within the range originally offered by the institutions therefore easily accepted and also guided by the farmers, processors and marketers financial need that are requesting for. The issue of interest rate was deliberated upon lengthily until finally 24% per annum and 2% per month was proposed with the understanding that the farmers will repay the loans on time and also in the case of the MFI’s if funds could be remitted to them with very small interest or interest free for disbursement. Since the farmers are working with NGOs, MAFFS and traders union and are in groups it was agreed that this will serve as a guarantee (group solidarity) together with the group land allocated through the Freetown wetland and valleys land agreement for urban agriculture.

1.1.4 Follow up lobbying activities

FUPAP actually embarked on the following activities:
General information sharing to beneficiaries on financing options that exist by NGOs and MAFFS working groups.

Reviving the MAFFS support programme (grants and technical assistance) for urban farmers by FUPAP facilitator and MAFFS District Agricultural Officer Western Area

FUPAP land use committee headed by FUPAP facilitator working on land security through the land use proposal and getting the respective political heads of Ministry of Agriculture Lands Freetown City Council and Western Area Rural District Council to agree for zoning and allocation of wetlands to farming groups, but at the same time solving part of the problem of collateral

NGOs, MAFFS working with farmers are organizing them into functional groups and encouraging them to have savings through group contributions and savings account with the banks

Subcommittee to make follow up visits to the institutions, have dialogue with top Managers to further confirm their commitments to the scheme.

2.1 The financial scheme / product defined

Introduction
As revealed from the study, it is a well recognized fact that urban producers, a vast majority of whom are small scale farmers engaged in subsistence agriculture, generally do not have access to institutional finance. They use money to finance their activities mainly from self savings, relatives, and osusu. In some cases they borrow from pre-finance input providers and traders. Money sourced in this informal way though accessible is limited in size and therefore cannot meet the credit and financial needs for the expansion and improvement of urban agriculture. Credit sourced from the financial institutions are not or many times hard to obtain because of the lending terms and conditions reflected in high interest rates, lack of bank accounts of the potential borrowers, the short repayment and intimidation from harassment of the micro finance institutions during loan recovery.

Urban agriculture therefore continues to be a low input low output operations producing commodities of low quality getting low prices in the local market.
Recognizing the need of finance for the urban poor engaged in agricultural activities the lending institutions (banks and micro- finance) have been consulted to finance urban agricultural activities. Some institutions have been considered to pilot a scheme to provide credit and finance to the urban poor for production, agro-processing and marketing of agricultural commodities within the Freetown Area.

Proposed Title of the scheme: Urban Small holder Agricultural Credit and Finance Scheme

Participating Financial Institutions: First International Bank
- Access Bank
- Luma Micro Finance Trust Limited
- Salone Micro Finance Trust
The banks will offer the proposed loans of Le5M to Le10M to groups that need large amount of money for their business.
The MFIs will offer microcredit to groups that require small amount of money for their business.

Financial Products to be offered:

**Amount:**
- **Loan:** Minimum-Le 5,000,000
  - Maximum-Le 10,000,000
- **Micro credit**
  - Minimum-Le 500,000
  - Maximum-Le 2,000,000

**Target groups:**
Direct beneficiaries would be the urban producers of vegetables, livestock, ornamentals and fish producers, agro-processors and marketers of agricultural products. For large amounts of money needed for investing in the activities, the beneficiaries will access from the banks and for smaller amounts needed they can obtain a microcredit from the MFIs.

**Objective of the scheme:**
- Participatory process in creating credit and finance
- Opportunities for the urban poor engaged in production,
- Marketing and agro-processing for increased production and productivity that will address urban food security and reduce urban poverty.

**Specific objective:**
To provide short and medium term loans and microcredit through the banks and micro-finance institutions to producers, marketers and agro-processors of agricultural products.

**Expected Outcome:**
It is expected that the scheme will help the urban producers rise their incomes by increasing production, processing more of what is grown, marketing their products more effectively and developing supporting infrastructure including irrigation, processing plants, storage and preservation facilities.

**Conditions and Terms of financial assistance:**
- **Interest rate:** 2% per month and 24% per annum.
- **Repayment period:** Loan 1-2 years
  - Microcredit 6 months to 1 year

**Collateral/guarantee:**
- Group savings through contributions
- Active group account
- Group solidarity
- Group registration with MAFFS/NGOs
  - NAFFSL
  - S/L traders union
  - Local councils FCC &
WARDC
Secured land and farm
Proof of active business.

Process to access finance:
- Application for credit & finance
- Minutes of Last meeting.
- Attestation from all institutions registered with

Role of Stakeholders:

Beneficiaries:
- Use the loans for the intended purpose.
- Pay loans on time.

Financial institutions:
- Disbursement loans on time.
- Recover loans on time and effectively.
- Monitor the loans.
- sensitize beneficiaries in the procedure to access credit.

NGOs
- Provide technical support through sensitization,
- Training in good business financial planning and bookkeeping
  and supervision of beneficiary groups in implementing their business
- Organize potential beneficiaries into functional groups.

MAFFS
- Provide technical support through sensitization, training
  In production and marketing and supervision of beneficiary
  groups on their production activities.
- Organize potential beneficiaries into functional groups.

Local Council
- Help to secure land for UPA and through the signing of land zoning and allocation agreement and actual allocation of such lands to farming groups.

Issues to be addressed:
Production - cash for production inputs
  Irrigation equipments/machines
  Labour cost for land development
  Preservation facilities (oven)

Agro-processing
  Processing machines
  Cash for expansion of business
  Shed construction
Eligibility Criteria:
- Beneficiaries apply for financial assistance must be in a group or farmer/trader based organization.
  - The group must be working or registered with Ministry of Agriculture, Forestry & Food security, National Farmers Federation Sierra Leone, Sierra Leone Traders Union, and Local Councils, Freetown City Council, and Western Area Rural District Council
  - The group must operate an active Bank account
  - Has a membership of at least 15 people of which at least 75% are small holders
  - Has a constitution or bye laws
  - Has an elected executive including a chairperson or madam/master farmers, secretary and treasurer.
  - Hold regular meetings and keeps minutes of such meetings which are confirmed at its next meeting and signed by its authorized signatories
  - Has a book of finance disbursed to and recovered from groups members.

Sustainability: The main feature of the scheme is the involvement of different actors in the loaning process. In this regard, sustainability guaranteed. The short & medium term loans and micro credit given out will be recovered. The recovered loans and micro credits will be revolved to cater for more beneficiaries and expansion of the business.

The scheme will be periodically reviewed to integrate emerging issues & modify implementation plans

Monitoring & Evaluation - The involvement of different actors including institutions & organization will enable a thorough M&E of the scheme at all stages. The number of people benefiting, default rates, loan amounts applied for, disbursed and recovered. Impacts will be monitored on the actual use of the credit in their production, processing and marketing activities.

- Progress on implementation of the scheme will be determined, constraints identified and appropriate actions taken to keep the implementation of the scheme on track
- The Freetown Urban and Peri-urban Agriculture Platform (FUPAP) will have the overall responsibility of tracking process & assessing the scheme.
### 2.2 Credit and Financing Organizations involved in financing Urban Agriculture.

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<tr>
<th>Names of organizations</th>
<th>Initial situation</th>
<th>Current situation</th>
<th>Concrete examples and proof of Interest / Financial documents</th>
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<tbody>
<tr>
<td></td>
<td>Description on Initial practices</td>
<td>Description of Current Practices</td>
<td>Le’000</td>
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<tr>
<td><strong>Credit and financing organizations are connecting to Urban producers to jointly design proved and more accessible financial producers</strong></td>
<td>-maximum loan given is Le 500m -up to 7yrs repayment period -interest rate 15%-47%</td>
<td>- proposed to charge 24% interest rate per year</td>
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<td>-First International Bank</td>
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<td>-Access Bank</td>
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<tr>
<td>-Luma Micro Finance Trust</td>
<td>-Maximum micro-credit Le 2m -up to 4mths repayment period</td>
<td>- Proposed to charge 2% interest rate per month.</td>
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<tr>
<td>-Salone Finance Micro finance trust</td>
<td>-Maximum micro-credit Le 2M. up to 10 mths repayment period</td>
<td>- Proposed to charge 2% interest rate per month.</td>
<td></td>
</tr>
<tr>
<td>-MAFFS</td>
<td>tied grant Le 100m maximum for WARDC and Le 132m For FCC</td>
<td>same Actual grants allocated quarterly being discussed at MAFFS staff meetings and activity plan drawn up and implemented based on the grants</td>
<td></td>
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Credit and financing organization that have increased their annual level of financing and credit for UA

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<tr>
<th>-RPSDP</th>
<th>Matching grant between $5000 to 25,000 for Micro-projects on processing and marketing of agriculture produce</th>
<th>Matching grant now up to $40,000. Availability of grants being published at the council notice board. Reports on grants given out.</th>
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**Credit and financing organisations that are changing/have changed their conditions or practices of lending/financing for UA**

1. **First International Bank**
   - Maximum loan given is Le 500m
   - up to 7yrs repayment period
   - interest rate 15%-47%
   - Proposed Le5M to Le 10M loan 1 to 2 year repayment. 24% interest rate per annum to be implemented.

2. **Access Bank**
   - Maximum loan Le 1.5m
   - up to 18months repayment period
   - interest rate 30%
   - Proposed Le5M to Le 10M loan 1 to 2 year repayment. 24% interest rate per annum is yet to be implemented.

3. **Luma Micro Finance Trust**
   - Maximum micro-credit Le 2m
   - up to 4mths repayment period
   - Maximum micro-credit Le 2m, up to 10 mths repayment period
   - Proposed Le 500,000 to Le2M, 6 months to 1 year repayment period. 2% interest rate per month is yet to be implemented.

4. **Salone Finance Micro finance trust**
   - Proposed Le 500,000 to Le2M, 6 months to 1 year repayment period. 2% interest rate per month is yet to be implemented.
Results:

So far, the process achieved the following important results:

i. The Ministry of Agriculture with funding in the Local Councils Freetown City Council and Western Area Rural District Council have increased their financial support for urban producers initiatives and disclosed budgets within FUPAP.

ii. The Rural and Private Sector Development Project funded by World Bank has also increased its marketing grant funding for Micro – Projects in post productions, processing and marketing activities along the value chain in the Peri – Urban Area of Freetown now up to $40,000

iii. The two banks First International and Access Bank and two Micro- Finance Institutions LUMA Micro-Finance Trust and Salone Finance LTD at a workshop in July organized by FUPAP jointly with urban and Peri-Urban producers, marketers and processors designed more accessible financial products which is yet to be implemented given the fact that allocation of lands to farmers will be secured and farmers working as a group with some savings and account.

As at now the scheme is yet to be implemented. Further lobbying through follow up visits will be done by the subcommittee to further confirm the commitments of the institutions that have consented to provide credit. The implementation of the land zoning and allocation exercise for farmers to have secured land that will serve as collateral currently under way is a key milestone in the process.

3. Main Lessons Leant and Recommendations

- It is important to consider the full spectrum of institutions providing finance, not only credit. The major gains were obtained so far through the re-activation of the Ministry of Agriculture devolved budget.
- Accessing the banks for support in agriculture was not easy as most of them do not have interest in financing agriculture due to risk envisaged. However the design of the scheme which brought in other players like MAFFS, NGOs and the councils committing themselves to working with the farmers and supervising their UPA activities and further monitoring the use of the loans including FUPAP overall role of monitoring has helped the institutions lower their perception of risk.
- The Micro – Finance Institutions offering Micro-Credit may want to expand but because of inadequate funds and the rate of loan recovery cannot do so. This foresees a role for NGOs, extension services and support organizations in ensuring farmers capacity building to lower this risk.
- Institutions are reluctant to give out their financial statements on disbursed and recovered loans. It is therefore necessary that those institutions that have consented to provide credit for UPA be member of FUPAP as is at now, so that they in turn will give up dates to FUPAP meeting on their financial transactions with the beneficiaries and also be free to work with FUPAP subcommittee. The FUPAP subcommittee has planned to make more visits to these institutions to confirm their committee.
- Mixed savings and credit scheme should be encouraged. The establishment of a savings scheme by the farmers groups initially on their own and then with the banks on fixed and recurrent deposits will be an added advantage for them to increase their income since the banks will be giving interest on the money deposited. It also train farmers to repay loans.
• Momentum is key and should not be lost once new stakeholders are engaged.

The main recommendations for continuation of FUPAP lobbying on credit and finance are:

i. Continue monitoring the devolving budgets and ensure their accountability and transparency

ii. Continue informing farmers of existing opportunities

iii. Work with farmers systematically through NGOs, extension and support organization in order to set up saving schemes, if possible in collaboration with micro-finance institutions and banks, in a gradual and progressive approach which starts with group savings, continues with micro finance and progress into commercial credit where needed, while maintaining an element of (decreasing) subsidies and grants.

iv. Establish one or two pilots of the agreed financial scheme to be implemented and monitored for learning and demonstration purposes and aim at up scaling as loans are repaid, more land is allocated and perception of risk lowers.