



Fund for African Rural Innovation Promotion



TCRD TREE SECURED CREDITS FOR RURAL DEVELOPMENT

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**"We could double our production,
if we got fair loans."**



No microcredits for cropping

Tanzanian smallholder farming families could significantly increase their production if they had access to money at the right time for labor in the fields, for seeds, and fertilizers. However, money is always tight in the village. Loans?

A master thesis from the University of St. Gallen has recently shown that there are no loans smallholder farming families can afford. The interest rates are too high, and the risk of losing land and houses, which must be used as collateral, is too great.

The study showed that these farmers de facto never get microcredits for cropping. Banks say: All these small microcredits, they're a headache. The transaction costs are crazy. And trees as security? Trees can suddenly disappear. Besides, we know nothing about trees, we don't know how to validate them.

Tree-secured Credits for Rural Development

“We are rich, just look at all the growing trees we have planted on our land. Almost every family here grows their own plot of trees on their own land, Pinus and Eucalyptus, but also indigenous trees such as the Mikusu. But we have to wait too long until we can sell the logs” says Bahat Tweve.

Suzanna Mfikwa is a farmer in Magunguli village. She and her colleagues in the Magunguli Tree Grower Association came up with an idea and said: “We could double our production, if we could get loans. When we need cash we cut some trees we had planted and sell the timber. But instead of cutting the trees, can we give our trees as security to get a bank loan to grow more beans? If we can pay back, the trees are still there and growing, and we can take out a next loan for again growing more beans”.

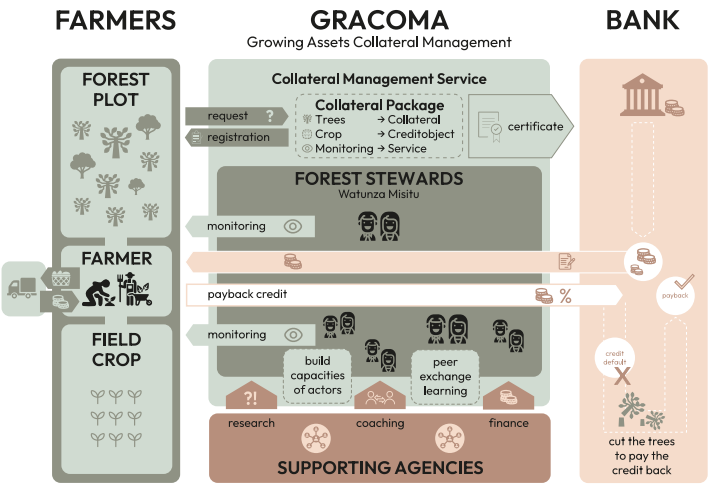
A group of smallholder farmers in Magunguli refined this great idea: Offer growing trees as collateral for loans? This idea started the TCRD-mechanism a couple of years ago – Tree-secured Credits for Rural Development, using the still growing trees as security for loans to increase agricultural production.

The Magunguli Tree Grower Association then asked farip for support.



Growing Assets Collateral Management

Lenders, of course, want to be sure the trees are protected until the credit is repaid. The farmers soon realised that this would require an independent organization for supervision, monitoring and control of the forest plots on behalf of the lenders. This led to the idea of setting up a company called “Growing Assets Collateral Management” GRACOMA. This company at village-level will train people from the village to inspect the registered forest plots, and also empower the farmers to make the most of their forests in a sustainable way. They call such forest stewards “Watunza Misitū”.



In October 2024 TCRD reached a milestone: The Ministry and universities are listening to farmers! After years of experimentation TCRD has gained public recognition. Key figures from universities, forestry research and government came together in a forum, spearheaded by Tanzania’s Institute for Development Studies IDS, a partner of the University of St. Gallen. TCRD earned recognition also from the Ministry of Natural Resources, represented by Dr. Siima Salome Bakengesa: “Native tree species must be prompted; they are an important part of future forest policy”, she emphasized.

Proof of concept on the Village Level

In spring 2023, ten farmers received tree-secured credits for the first time to pay for seeds and the labour of their neighbours. Each cultivated one acre (just under half a hectare) of beans. With this small-scale test run, farip has tested the viability of the TCRD-idea, which had been developed by the farmers themselves. farip played the bank. In 2024, ten farmers successfully repeated the prototype and now a third TCRD-cycle is on its way. This time there are five families growing beans and ten growing potatoes on two acres each. The interest in southern Tanzania is growing, as farmer families discover that their TCRD-idea has worked for them.

Scaling up from village to regional level

We believe the model can scale up within five years. GRACOMA needs to be established as a commercially viable company that offers an independent and comprehensive forest monitoring service. We must first launch the forest monitoring service, and then scale up the test-runs from ten to 100 families. Government agencies must be involved, so they can put their full support behind TCRD. Banks must be involved to test the model and discover the potential of TCRD. External supporting agencies are invited to provide access to 500'000 CHF for funding the scaling up until we reach self sustaining operations by 2030.

Key activities

- Establish GRACOMA as a company
- Build competency and capacity of actors
- Scale up peer exchange learning among farmers
- Get banks on board
- Involve the government
- Get access to funding for scaling up



farip – who we are

Fund for African Rural Innovation Promotion

Vision

East Africa is rich in biodiversity, agriculture, forestry, and human resources. The vision of farip is to allow farming families and small businesses to use such assets for their innovative ventures and projects. This improves their income, allows sustained village development, and provides affordable food for low-income city residents.

Mission

- farip supports innovative Africans who want to explore their own ideas for development.
- farip offers continuous and sustained support for funding, including donations or investments, eg. loans.
- Such loans support innovation through stages: idea, trials, prototyping, and market readiness for products and services.
- farip also offers sustained coaching and business management to ensure long-term success in the innovation process.

Donations

Donations Postfinance (Schweiz)
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Contact

Stiftung farip
Ueli Scheuermeier, CEO
Stettlerstrasse 11
CH-3006 Bern

farip@farip.ch



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