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Innovative Loan Mechanism: Trees as Collateral

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's thesis from the University of St. Gallen has recently shown that there are no loans that 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. «But we are rich, just look at all the growing trees we have planted on our land. We just have to wait too long until we can sell the logs,» says Bahat Twawe. Why not offer their growing trees as collateral for loans? Bahat developed «GRACOMA» from this idea. After careful consideration of how credit security could be organized with trees, farip financed a small-scale pilot project for the first time in 2023: 10 families registered their trees and received a loan from farip to plant beans



and potatoes on 1/3 hectare each. Secured by the registration, farip, in the role of a «bank,» granted loans for potatoes worth 715 CHF each and beans worth 305 CHF each. It worked: The loans were repaid with interest after a successful harvest, and thanks to the marketing by the trading company TBM, which operates with the fair TSS trading mechanism, the families also earned decent money. With the first successful attempt in the fields, a crucial milestone has now been achieved: On a village level, GRACOMA is practicable! Now farip must demonstrate to local credit institutions in Tanzania how they can make their loans with GRACOMA collateral acceptable for smallholder farming families. In the next agricultural cycle, starting in December, the initiators plan to: Extend new loans to the 10 existing farming families, but at twice the amount. Expand the recipient group from 10 to 100 smallholder farming families.

farip promotes innovative business ideas: Among them are women who want to run a business on their own, like Fatuma with her **cookshop**, or Lucy who turns 50kg bags of **beans** into small packages for family consumption. **AMINA** uses waste biomass from harvested fields to produce charcoal dust. This is processed into briquettes as a charcoal substitute, reducing the consumption of solid wood. **GRACOMA** is an experiment to test how private forest ownership can be used as collateral for bank loans. This complex project encompasses a wide range of areas such as fire protection, forest maintenance, tree nursery and monitoring and evaluation of the growing trees. **Scheduled Cargo Service**: SES wants to provide agricultural producers with reliable transport to markets. **TSS**: A fair trading model, distributing surplus to producers. farip aims to sustainably strengthen the agricultural production chain in the countryside and to stabilize and improve farmers' income situation.