

Newsletter November 2023

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 Tweve. 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. «[MTM](#)» 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](#)» SCS 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 stabilise and improve farmers' income situation.

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Current News from Tanzania

Tele-Coaching: Without Elibariki Tweve and his accounting firm ELISEMA, our work in Tanzania would not be possible. *farip* has a service contract with him: Elibariki acts as our liaison on the ground, representing our interests. ELISEMA also acts as a coach, guiding the small businesswomen supported by *farip* in learning basic accounting, planning, and dealing with authorities. For this service, customers pay him 5% of their monthly profits.



In case of losses, he covers 5% of their monthly losses. It's an innovative and fair solution that is immediately accepted by all!

However, the major challenge lies in the vast distances: How can Eli effectively support the scattered small businesses hundreds of kilometers away without spending days on bus journeys? Eli has come up with a «tele-coaching» via mobile telephony, which he is now introducing step by step.



farip connects: Several women's groups in the Ifakara region are trying to raise the improved chicken breed «Kuku Kienyeji» under village conditions. They are supported by the local NGO «kv help». *farip* received a request for this from the R. Geigy Foundation.

farip now connects kv-help for marketing with Bahat Tweve and his sales points in the city. For end customers like Fatuma with her kitchen, chicken meat would be an important addition.



GRACOMA: The Mtunza Misitu, the forest steward, visits the area and takes photos as well as a sketch with area measurements, estimated number of trees, and their age. The sketch shows who the neighbors are. All neighbors sign to confirm that this area actually belongs to the farmer. The plan is then signed by the Village Executive Officer (community clerk). A copy of the document remains in the Village Executive Office (community administration).



Crop Loss - What Then?

Five farmers in the village of Msowero have found a way to compensate for the almost complete failure of the maize harvest due to drought: With a loan from *farip*, they each bought a lean cow from the neighboring Maasai and fattened them over several months with available greens. Eventually, they managed to sell them at a profit. This may be a way to circumvent climatic irregularities.

«Scouting» How does an interesting idea in rural Africa become a small business? It requires scouting! *farip* specializes in this “first mile”: *farip* is approached by initiators in Tanzania to accompany their innovation processes: Who takes on the idea, how does the ownership organize itself? What practical experiments can demonstrate feasibility? And where is the market for the products? Many ideas are discarded, only the best ones with development potential make it to be accompanied by *farip* as a venture. *farip* supports the ventures with loans and exchange of experiences, connects them with other innovative projects, and coaches them in the ongoing learning process of developing new ideas from failures.