

Community-based finance and Climate-Smart Agriculture

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Background

It is well known that constraints in saving services, availability and access to credit limit additional investment in Climate-Smart Agriculture (CSA) practices, and therefore hamper the adoption and subsequent upscaling. Some sub-groups of farmers, particularly women farmers or marginalised farmers, that are outside the current reach of main financial institutions, can be stimulated to adopt CSA practices by means of community-based finance.

Objective

The objective of the study is to determine the effect of community-based finance on the adoption and impact of CSA in three pilot areas in East Africa.

Interventions

Within on-going projects alternative forms of community-based finance are established or strengthened, being either Village Savings and Loan Associations (VSLAs) in Burundi and Tanzania or table banking in Kenya. Moreover, extension services are included and linked with finance, to simultaneously address constraints in access to agricultural knowledge and access to finance.

Pilot areas

The three pilot areas are diverse and spread across three countries, with different socio-economic characteristics and physical conditions (population density, rainfall, soil quality, temperature).

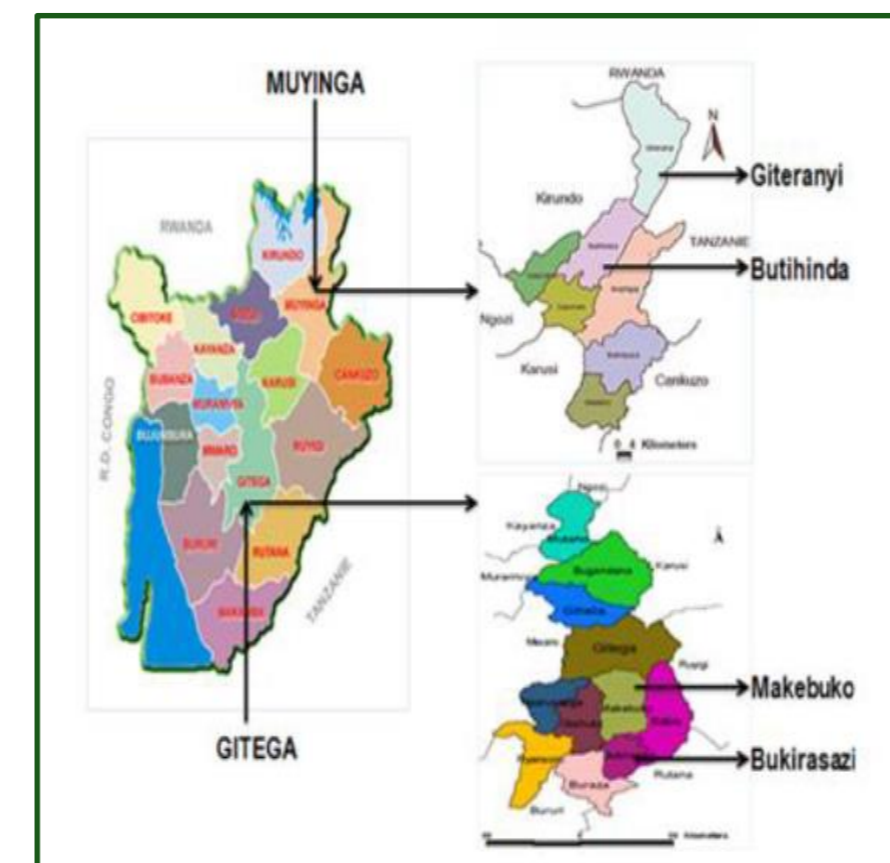


Figure 1. Pilot area VLSAs in Burundi.

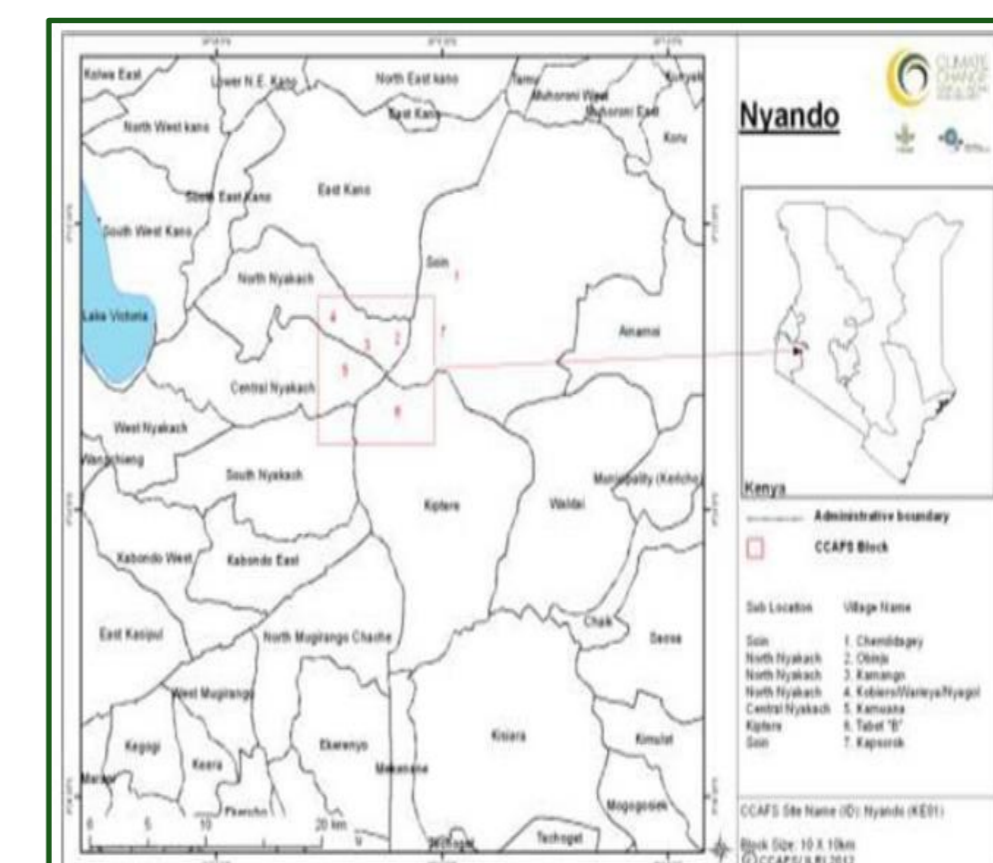


Figure 2. Pilot area Table Banking in Kenya.

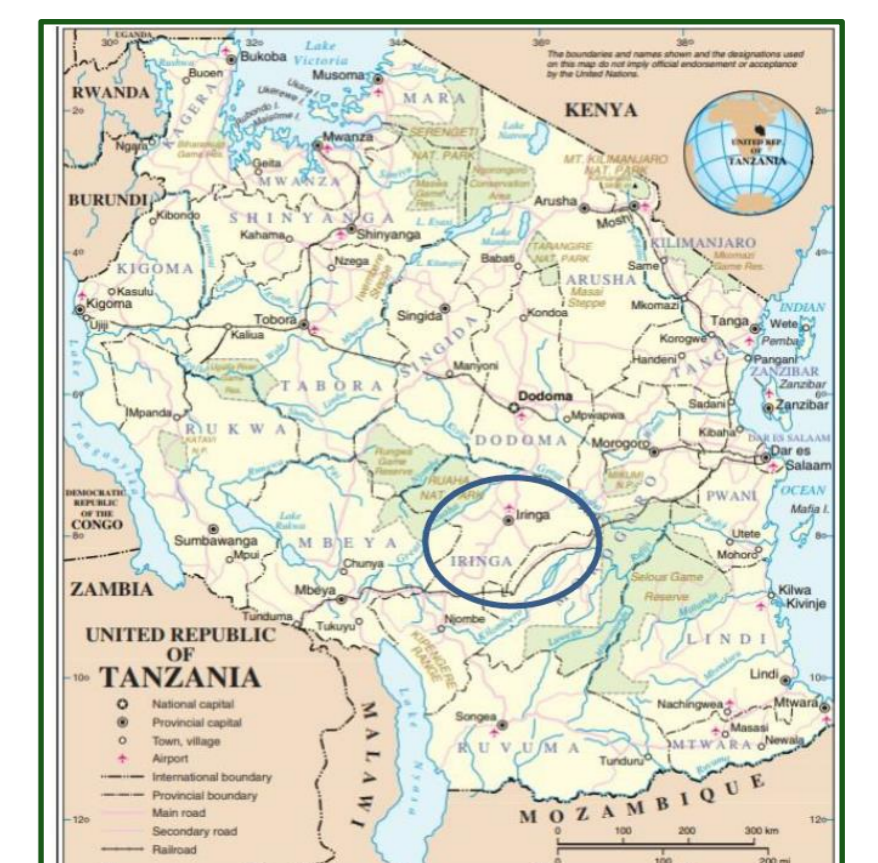


Figure 3. Pilot area VLSAs in Tanzania.

- In Burundi the research was carried out in the framework of the Solidarité Communautaire pour l'Auto-Développement (SCAD) project in eight collines, located in four different communes: Bukirasazi and Makebuko (in Gitega province) and Giteranyi and Butihinda (in Muyinga province).
- In Kenya the pilot area comprised Climate-Smart Villages AR4D in the Nyando River Basin in Western Kenya.
- In Tanzania the investigation is based on Kukuia ni Kujifunza (KnK), an agriculture project of CARE-Tanzania which has introduced a soya value chain through existing Farmer Field and Business Schools (FFBSs) in Iringa.

Results

Table 1. Main characteristics community-based finance and Climate-Smart Agriculture practices adopted in pilot areas.

	Burundi VSLA	Kenya Table Banking	Tanzania VSLA
Number of Community Based Organisations (CBO)/ Village Savings and Loan Associations (VSLA)	34	3 CBO platforms with 58 affiliated groups	15
Number of households	257	1675	600
Average credit per farm (US\$)	70	50-291 ¹	118
Key CSA practices	Anti-erosion contour lines	Improved breeds Galla goats Red Masai sheep	Adoption of early maturing soybeans
	Composting	Improved varieties Maize, Sorghum, Pigeon pea, Beans, Green Grams	Intercropping soybean with maize
	Mulching	Intercropping Sorghum+Pigeon pea, Beans+Maize	Crop rotation of soybean with maize
	Manure	Tree planting Casuarina, Grevillea	Plant spacing
		Water harvesting	

¹ Farm investment – Total household loan.

- Small scale farmers tend to limit their cash outlays for CSA investments. Financing needs are resolved mainly within the villages or groups.
- Financial institutions are rare in the farming areas. Beside community-based organizations under study, financial institutions work through value-chain actors as intermediaries.
- Preliminary results in Burundi indicate that the treated group compared to the control group has on average improved knowledge in crop management and adopted more land management practices.

Conclusions

Under certain contextual conditions, with organization upgrading, formalization and linked with formal financial organizations, these community-based finance platforms can potentially develop into an investable CSA business proposition, and crowd in financiers (blending finance) as well as agribusinesses (bundling services).

Authors

John Recha¹, Maren Radeny¹, Marcien Ndagijimana², Aad Kessler², Karl Deering³, Evan Girvetz⁴, Joseph Hella⁵, Stanley Karanja⁴, Thabit Masoud³, Jamleck Osiemo⁴, Lia van Wesenbeeck⁶, Remco Oostendorp⁶, John Gathiaka⁷, Richard Mulwa⁷, Cor Wattel⁸, Haki Pamuk⁸, Ruerd Ruben⁸, Marcel van Asseldonk⁸

¹CCAFS East Africa, ²Soil Physics and Land Management group, Wageningen University and Research, ³CARE International, ⁴International Center for Tropical Agriculture, ⁵Department of Food and Natural Resources, Sokoine University, ⁶Amsterdam Centre for World Food Studies, ⁷School of Economics, University of Nairobi, ⁸Wageningen Economic Research, Wageningen University and Research. **Email contact: j.recha@cgiar.org**