

Standard Bank earmarks \$100m loan for small scale farmers on African continent

Dorothy Nakaweesi
Kampala

In bid to catalyse growth, the Alliance for a Green Revolution in Africa (AGRA) and Standard Bank have announced \$100 million (Shs200 billion) fund in affordable loans, to boost agricultural value chains.

The fund will operate in Uganda, Ghana, Mozambique and Tanzania, opening loan opportunities to smallholder farmers and small and medium sized agricultural businesses previously considered too risky for lending.

A communication to Business Power dated March 18, said, AGRA and other partners are providing a \$10 million (Shs20 billion) loan guarantee fund, and in turn, Standard Bank is making \$100 million (Shs200 billion) available for lending over three years.

AGRA's chairman Kofi A Annan, speaking at the signing ceremony, said; "Our action today recognises that the global food crisis is exerting major problems in Africa. Inflation, food shortages, and trade imbalances all pose huge social, economic, and political risks. But while credit is frozen worldwide, Africa cannot wait for a thaw".

Mr Annan, who is also, former Secretary-General of the United Nations added; "Programmes such as this, which increase the productivity of smallholder farmers. They too, help catalyze an African Green Revolution, would ultimately enable Africa to achieve food security and stability, and thus improve the entire global outlook."

Lack of access to finance is a major obstacle to investment to farmers especially in basic inputs, such as good seeds, fertilizers and small-scale irrigation needed to raise farm productivity and generate profit.

As a result, yields remain one-quarter the global average, leading to persistent hunger and poverty across Africa. Similarly, little or no commercial financing has been available to entrepreneurs seeking to build businesses that could boost Africa's food production and enable farmers to earn a profit.

Experts say, most African food producers are smallholder farmers who cultivate on tiny plots of land. Working with low-yielding seeds in depleted soil, their crop productivity has remained stagnant for 30 years.

To sustainably increase yield and begin generating a surplus, they need access to good seeds, appropriate fertilisers, improved land and water management systems, and better market access. But to initiate these changes, they also need access to finance.

However, African financial institutions have typically avoided lending to smallholder farmers and to the agriculture sector for a number of reasons, including high perceived risks by banks, farmers' lack

of usable collateral; the high costs associated with servicing remote clients; and interrelated production risks such as unreliable rainfall, lack of irrigation, pests and diseases, and price volatility.

Mr Annan said; “This loan programme combines the power of partnerships with an innovative financing mechanism designed by AGRA and its partners to mitigate the risks facing commercial banks in lending to the agricultural sector in Africa, which is dominated by women farmers.

“As the world’s leaders respond to the global financial crisis with bail-out measures, we should recognise the power of local financial innovations to create change on the ground,” he said.

AGRA’s innovative financing programmes have so far helped to leverage \$ 50 million (Shs100 billion) in financing from commercial banks for small farmers and agricultural value chains in Kenya and Tanzania.

The \$100 million (Shs200 billion) AGRA-Standard Bank partnership is expected to create a largest single financing facility targeting smallholder agriculture by a bank in Africa—a milestone of confidence in the capacity and entrepreneurship of African farmers.