Financial Products and Services
Developed by STARS in Rwanda
STARS IN RWANDA

In Rwanda, ICCO Cooperation’s STARS is working to improve access to finance and markets for 49,500 smallholder farmers, impacting a total of 250,000 household members. To reach this direct and indirect target, STARS works with five microfinance institutions (MFIs) and two commercial banks to develop crop specific loans.

By mid 2020, STARS in Rwanda was well on track to reach its target, with 73,894 farmers already benefiting from crop-specific loans.

STARS also works with key value chain actors (processors, service providers, cooperatives, and unions) to strengthen value chains and create access to markets, skills training, farm inputs, and equipment.

ABOUT STARS

The Strengthening African Rural Smallholders (STARS) program is a five-year program (2017-2021) implemented by ICCO Cooperation in partnership with Mastercard Foundation. Adopting the market systems development approach, STARS improves access to finance and markets for over 200,000 smallholder farmers, with emphasis on women and youth, in Burkina Faso, Ethiopia, Rwanda and Senegal.

STARS’ THREE PILLARS

To make sure that markets work for the poor, especially for women and youth, STARS works on two main pillars:

- Access to finance
- Value chain development

A third pillar - Program Embedded Reflection and Learning (PERL) - was introduced to measure and safeguard the interventions’ positive influence on the development of market systems.

FINANCIAL PARTNERS

STARS supports the following eight microfinance institutions and two commercial banks: Duterimbere Microfinance, Umutanguha Finance Ltd, Clecam Ejoheza Ld, Inkunga Finance Ltd, Amasezerano Community Banking, AMIR-Association of Microfinance in Rwanda, Kenya Commercial Bank, Urwego Bank, Grameen Credit Agricole.

Famers saved more than 56,000 USD to date.

To date, 73,894 farmers received an agri-loan in Rwanda

7 new loan products were developed

Over 9.5 million USD disbursed to farmers (129 USD average loan amount)

More than 42,000 female farmers received a loan (57%)

Over 3.4 million USD was supplied to MFIs by investors

Famers saved more than 56,000 USD to date.
To develop tailor-made agricultural loan products for the vegetable, banana, maize and rice value chains, the STARS team invested a lot of time in really getting to know its farmers. Once we understood the cycle of their agricultural activities, costs, risks and benefits, we were better able to analyze their economic performance and predict their capacity to repay their loan. To help us do that, ICCO Cooperation developed the Agri-Credit Assessment Tool, or A-CAT.

With A-CAT, a loan officer estimates the expected loan amount needed to finance inputs and other costs, as well as the expected income from agricultural activities. Based on this cash flow, MFIs can determine the ideal loan size for a particular farmer and whether the client can repay the loan from the investment.

Thanks to A-CAT, MFIs offer more agricultural loans because they have better knowledge, skills and more confidence in managing agricultural finance, reducing the risk of default. Financing agriculture is no longer a risk but becomes an opportunity for MFIs.

The Dutch-based software solution corporation Simbuka and the ICCO STARS team in Rwanda have joined forces by signing a partnership agreement to further digitize A-CAT, helping more MFIs and banks to provide loans for clients in rural communities. The partnership between ICCO and Simbuka resulted in the integration of A-CAT into Simbuka’s loan origination software. By the end of 2020, loan officers from three MFIs will be able to do their loan assessments in an app, named Simbuka+. This app eases the efforts for the farmers and loan officers and gives MFIs better insight in the credit worthiness of their rural clients.

The multi-tenancy SaaS (Software-As-A-Service) architecture of Simbuka enables low-cost deployment, greatly decreasing the cost of supporting the install base. These cost savings are passed onto the three MFIs in Rwanda where the enhanced Simbuka system will be first deployed, and then to all future customers.
Warrantage, or the so-called warehouse loan, is a financial product that was refined by STARS in Rwanda for MFI Duterimbere. Their clients are offered a loan with a value of 60 percent of the existing stock in their warehouses. This loan enables farmers to also sell their products outside the harvesting period when the prices are right, and at the same time get ready to invest in farming inputs and equipment for next season. Convinced of the usefulness and profitability of this loan, farmers are motivated to increase their production by using the best quality of inputs such as seed and fertilizer.

“We have received a loan of 50,000 USD through this product which we used to collect the harvest from our members. This product even allowed us to buy it from other farmers too. We keep the harvest in storage and wait for the prices to rise and we sell it at a better price. This helps us to combat the side-selling too,” expressed Jean Bosco Simbavura, the president of KOIMA Maize farming PO.

Banana loans
The area of the Kivu belt is suitable for banana cultivation, but arable land is becoming increasingly scarce due to population pressure. In order to increase production to feed families and sell the surplus on the market, the STARS team in Rwanda developed this product to meet the needs of farmers who were looking to plant banana trees or regenerate existing banana plantations. The loan product finances the entire banana production cycle in order to increase production in the Kivu belt. To date, over 378 farmers took a loan, with an average loan size of 255 USD. The repayment period is 36 months.

Vegetable loans
Vegetables are crops that provide farmers with an important source of income, but farming activities involve resources that farmers cannot easily find without recourse to external financing. These include labor costs, and costs for inputs such as seeds, chemical fertilizers, pesticides. Based on farmer demand, STARS developed a loan product that gave farmers the opportunity to finance the entire vegetable production cycle, using A-CAT. A total of 119 farmers have made use of this loan, with an average loan size of 267 USD. The repayment period is 6 to 12 months, which was perceived by farmers as short, since they are used to much longer repayment cycles.

Rice loans
Rice farmers in Western Province tend to start their rice season late, as they face difficulties finding agricultural inputs in time. The STARS team in Rwanda developed a loan product specifically targeting rice cooperatives in Western Province. The loan product finances the entire rice production cycle in several installments. To date, over 768 rice farmers took a loan, with an average loan size of 65 USD per farmer. The duration of the loan is 8 months and farmers are required to do a single repayment, right after the sales of their harvest.
2. Institutional Strengthening

"Thanks to STARS training and awareness raising on savings, I realized that my farming income can be invested again to generate more income. So, I grouped the women in my PO into a savings group and we started saving 1 USD per week. From that savings, I was able to buy my tailoring machine and I am now a tailor in my village. My next target is having my own tailor shop so that other tailors can even rent the space from me."

Abeza Josée, maize farmer of producer organization Impabaruta.

As part of the savings mobilization strategy, STARS supported four cooperatives without clear savings plans and with high risks to better organize their savings activities. STARS supported the organization of 114 savings groups, totaling 2,490 farmers. To date, the 114 saving groups have already mobilized USD 56,000. Farmers have set specific savings goals for buying farming tools, inputs and small livestocks for producing organic fertilizer.

As a result, the cooperatives noticed an increased membership cohesion and a better liquidity position within the cooperatives. It is expected that the savings groups will also improve the MFIs’ trust in the cooperatives, which will help them and their members to increase their loan size.

A total of 114 savings groups were formed in 2019, totalling 2,490 farmers.

The savings groups have mobilized a total of USD 56,000.
In addition to developing tailor-made individual loans for farmers, STARS developed a sectoral risk management program for MFIs. The objective of this program is to assess the risk management measures already adopted by MFIs. Based on an assessment of the gaps in capacities and internal systems of the MFIs, STARS will design an agricultural credit risk management training manual for MFIs and provide continuous coaching throughout 2020.

Together with the MFIs, STARS will design strategies, tools and methodologies that help MFIs to better manage the quality of their agricultural lending portfolios and their liquidity.
IN PARTNERSHIP WITH:

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A female savings group member counting the cash collected. Photo: ICCO Cooperation