



CASE STUDY

Enhancing Agricultural Financing in Kayonza Introducing A-CAT, an Agriculture Credit Assessment Tool



BUILDING FLOURISHING COMMUNITIES



Investing in rural people



Ministry of Finance of the People's Republic of China





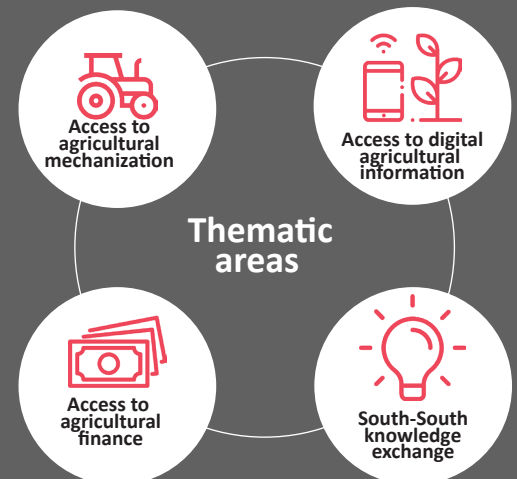
ABOUT STARLIT

STARLIT is a Cordaid project funded by the China-IFAD South-South and Triangular Cooperation (SSTC) Facility, implemented in Rwanda and Kenya from 2021 to 2023.

STARLIT aimed at enhancing the resilience of smallholder farmers in the face of prolonged disasters, including the COVID-19 pandemic and climate change. As part of this objective, the project worked closely with local financial institutions to introduce a number of innovative tools and solutions that reduce the risks associated with agricultural financing, creating a supportive environment that now facilitates the access of farmers to credit and loans.

STARLIT targets **2,800 smallholder farmers** in the maize value chain across both countries, with **45% of them being women**.

STARLIT THEMATIC FOCUS



CONTEXT

In Rwanda, Saving and Credit Cooperatives (SACCOs) are decentralized Microfinance Institutions (MFIs) operating at the grassroots level to provide community-based savings and credit services, promoting financial inclusion and fostering local economic development.

Previously, SACCOs' loan officers faced difficulties in accurately estimating the required investments for agricultural loans. They were in need of a special tool to overcome this challenge. Thus, STARLIT introduced the Agriculture Credit Assessment tool (A-CAT).

A-CAT is an excel based calculation table that provides a reference estimation for production of a specific crop, including production costs, cash flow and productivity estimates.



SOUTH-SOUTH KNOWLEDGE EXCHANGE

The introduction of A-CAT took place in 2018 through the STARS project, implemented by Cordaid (former ICCO Cooperation) in four countries: Senegal, Ethiopia, Burkina Faso, and Rwanda. The tool gained significant popularity among the financial institutions involved in the programme, showcasing its instrumental impact to agriculture financing.

Building on this success and its implementation across the African region, A-CAT was extended to the STARLIT project to benefit local MFIs in Rwanda, and as a result, local farmers now have improved access to financial services.

The tool has been widely spread throughout Rwanda, and across the region to Kenya where a study tour and a capacity building exchange was organised for its promotion and adoption.

KEY OUTCOMES

A-CAT implementation empowered SACCOs with enhanced knowledge, skills, and confidence in managing agricultural finance, resulting in increased agricultural loan offerings and reduced default risk. As a result, there is an increasing shift in the local perception of agricultural financing, from a risky venture to a favorable opportunity.

Some key results include:

- Scaling up to cover banana, potato and rice production in addition to the maize value chain.
- Adoption of the technology by 12 SACCOs in Rwanda.
- Significant increase of the agriculture share in the SACCOs loan portfolio.

"A-CAT is helping us to improve the quality of appraisals for agribusinesses and contribute a lot in derisking agriculture finance. Now, farmers can access loans promptly and timely."

Dushime Dieudonne,
UMUCYO RUKARA SACCO Manager

LESSONS LEARNED

The A-CAT tool facilitated productive discussions between loan officers and smallholders, resulting in faster loan disbursements and, in some cases, larger loan amounts with flexible collateral arrangements. This highlights the importance of utilizing effective tools to streamline loan processes and improve access to finance for smallholders.

Smallholders reported receiving appropriate finance for their production activities, leading to reduced diversion of funds for other purposes. The use of A-CAT tool helped to ensure that loans were utilized for their intended agricultural purposes, enhancing financial management practices.





For more information

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