



Agribusiness Financing Facility

The Agribusiness Financing Facility (AFF) is embedded in the Sustainable Cocoa Production Program (SCPP) in Indonesia and improves access to finance (A2F) for smallholder cocoa farmers, traders, and farmer organizations. From 2014 – 2016 it was a stand-alone, four million CHF project subsequently integrated into SCPP until 2020, and funded by SECO. Other donors and private sector partners were added successively.

Historically, many donors consider access to loans as one of the most pressing needs of many target groups. Only 2% of cocoa farmers in Indonesia have access to formal loans, although up to ten times more are considered as creditworthy. Sector knowledge among banks is limited and some banks have had bad experiences lending to farmers. Half of farmers have no savings, while about 24% use saving accounts actively. Another 25% have in-kind savings. Farmer organizations are often weak and lack refinancing for trade and/or the provision of loans to their members. AFF tackled the underlying constraints through a number of activities that led to increased savings, +44% ownership of saving accounts and +1000% more formal loans to cocoa farmers.



Outcomes and outputs as of June 2018:

- 64 000 farmer households trained in financial literacy on the importance of savings, expectations of banks towards loan clients, cash flow planning, and record keeping. This has led to a 44% increase in bank account ownership, from 34% to 49%.
- 170 bank staff trained in the cocoa sector and cocoa financials, both in the classroom and in the field, meeting cocoa farmers and exercising some cocoa farming techniques. A cocoa sector training manual was developed.
- 200 farmers supported to get formal land titles for better collateral and certainty about land status; we assume this leads to higher investments, most importantly in the replanting of low-yield and aging cacao trees. The approach is currently scaled.
- A savings intervention with over 3000 farmers conducted to show how they can save. On average, savings increased by 9% within five months, while the median savings rate increased by 20%.
- +1000% in formal loans and 15+ million USD disbursed within 4 years (2014-2017).
- Farmers increased savings to 12+ million USD.
- Cocoa bean traders promoted as branchless banking agents to increase formal savings, building a cash flow history with banks and increasing the number of cashless transactions
- Bank staff invited as trainers to the financial literacy trainings to explain their saving and loan products
- Research conducted, e.g. updated AFF Baseline Report on access to finance for cocoa farmers in Indonesia
- User manuals, reports and brochures compiled on specific financial products and related topics, such as land financing for cocoa farmers, overdraft facility, cocoa bean traders as saving agents, collateral in cocoa farmer finance, and business models for cocoa farmer cooperatives.

Related Material

- **Brochures & Reports**

Swisscontact, Swiss Foundation for Technical Cooperation
Hardturmstrasse 123, 8005 Zurich