



## Farmer Friendly Finance (FFF)

Unlocking Financing for Smart Agriculture Through a Community-Based Youth Farming Approach



**SEED**

promoting entrepreneurship  
for sustainable development



### Background

Access to finance remains difficult for smallholder farmers in Ghana as their business is seen generally as risky by financial institutions (FIs). This perception is caused by multiple factors:

- Financial illiteracy and little business focus of farmers, leading to the assumption that farmers are unable to maintain the business well
- High-risk perception in the agriculture sector including diseases and pest infestation, low yield due to inefficient farming practices and extreme weather induced harvest losses, aggravated by climate change

Due to these high-risk perceptions, farmers and especially rural youth aspiring to set up an agricultural business are trapped in a lack of adequate funding to start up their own enterprise. They often are forced to rely on informal and risky loans such as relatives, friends or frauds. Many young graduates have lost faith in the agriculture sector and tend to migrate to Ghana's urban center where youth unemployment is a significant issue while innovative business ideas in rural areas are missing. A mechanism is needed that de-risks farmers and small and growing agribusinesses to enable farmerpreneurs to start a farming business that employs climate-smart agricultural practice.

### Solution Overview

Farmer Friendly Finance (FFF) offers climate finance solutions to farmers, and especially young graduates, who want to set up a farming business as aspiring farmerpreneurs in the context of climate-smart agriculture. FFF bundles services to de-risk farmerpreneurs, offers access to finance and cooperates with rural communities to provide land to farmerpreneurs with the aim to address the challenge of climate change and youth migration which Ghana's agriculture sector is facing.

**Focus:**

**Ecosystem Impact:**

**Lab Cycle:**

**Challenge Hosted by:**

Climate Change Adaptation

Access to Finance, Entrepreneurial Mind-Set, Available Skills & Talent

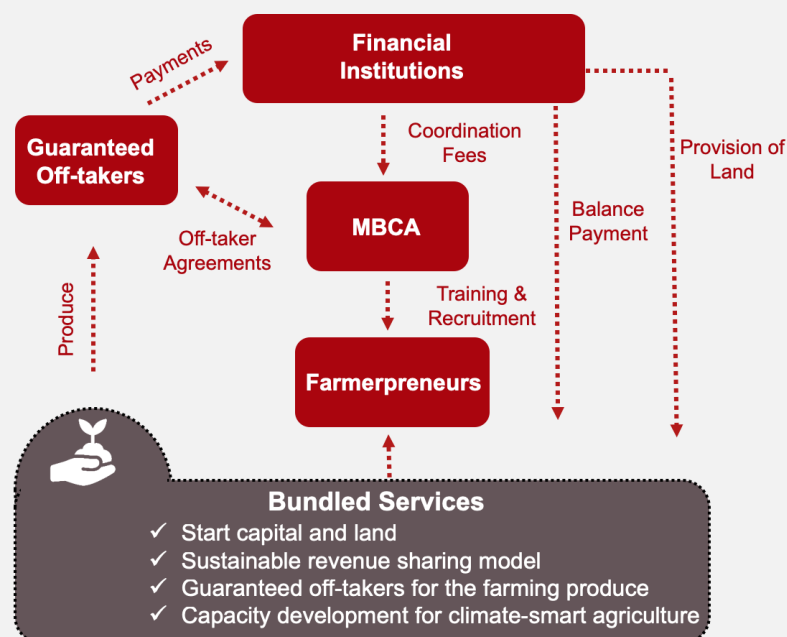
Climate Finance, Ghana 2019

MBC Africa

### Key Features

Farmer Friendly Finance offers wide-ranging services to accompany farmerpreneurs on their journey to set up a sustainable business under the principle of climate-smart agriculture within the first three years.

1. **Community-based approach:** Communities lease land to farmerpreneurs to start-up their farming enterprise. A revenue sharing model ensures financial sustainability for the communities as they will participate in the revenues achieved through farming. A good relationship with communities is essential since they are the providers of land.
2. **Access to financial services:** Bundled services include value-chain financing of inputs, land from communities, access to the mechanization of farming activities, extension services and agricultural insurance. These services help farmers to set up a business and to lower or eliminate multiple risks associated with farming. Farmers consequently are more successful in obtaining financing from financial institutions.
3. **Capacity developing services:** Farmerpreneurs receive capacity building including both business practices as well as good agricultural practices to empower them to set up a financially and environmentally sustainable enterprise within the first three years.
4. **Guaranteed off-takers for the farming produce** contribute further to de-risking of the farmers to support access to financial services. Agreements with off-takers including buying prices are made before agricultural production is commenced. Thereby uncertainty of business operations and cost calculations are reduced.



## Innovative Characteristics

- Unlocking financing to farmers to invest in climate-smart agriculture through a community-based approach
- Using guarantees and insurance to safeguard against risks in the agriculture sector
- Strengthening impacts of the agriculture sector through a mind-shift in the perception of farming towards a socially inclusive and climate-resilient business approach

- Creating a mindset shift towards an innovative, profitable and sustainable agriculture sector and offering rural youth business possibilities with the aim to lower urban migration and youth unemployment
- Combining state-of-art climate-smart agriculture with local practices as a foundation for a transition towards a competitive and climate-resilient agriculture sector

## Solution Developer



### Contact Person:

Fred Yaw Asem: [fyasem@gmail.com](mailto:fyasem@gmail.com)

## Target Market

The target group are young unemployed and non-youth graduates who want to become farmerpreneurs who live and want to stay in their communities (aged between 18 and 40).

The pilot phase will be rolled out with the following specifications:

- **Three regions:** Volta Region (North Dayi District), Eastern Region (Afram Plains District), Northern Region (district tbd)
- **Communities:** Up to 40 farmerpreneurs per region summing up to 120 farmers for all three pilot regions. For example, a group of six farmerpreneurs will be responsible for ten plots of lands given by the community on land areas between 200-500+ acres per region
- **Climate-smart value chains:** Maize, rice, sorghum
- **Off-takers:** Large food corporations such as OKLAW have already confirmed interest

## Impact Potential

- Empowering local communities by spreading sustainable business models and creating jobs and improved livelihoods, as well as enhancing food security

**SEED Practitioner Labs Climate Finance** empower participants during the hands-on and collaborative Labs process to turn major financing challenges into robust prototypes. SEED Practitioner Labs Climate Finance are part of the implementation of "Financing and capacity building for micro and small climate-smart enterprises: Filling the gap of the missing middle", a project supported by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.