

# Financial Literacy Toolbox for Sustainable Coffee Producers

In collaboration between



## Solidaridad

Eastern & Central Africa Expertise Centre



## Project Abstract

This project aims to strengthen the financial management capacity of sustainable coffee small and medium sized enterprises (SMEs) of Tanzania and Kenya. Strengthening the financial and accounting management capability of these SMEs will improve their capacity to access finance and sustainable and fair markets.

The project consists of developing the Financial Literacy Toolbox (FLTBX) for sustainable coffee SMEs in Tanzania and Kenya in coordination with Finance Alliance for Sustainable Trade (FAST), Sustainable Commodity Assistance Network (SCAN) and Solidaridad East and Central Africa (SECAEC). In Tanzania, the training materials are being developed with a sample of sustainable coffee SMEs of the Kilimanjaro region of Tanzania, and in Kenya with a sample of Solidaridad's coffee SMEs. The process of development of the training materials will include active involvement and ownership of the SMEs and producers, from the needs assessment to the monitoring and evaluation. The tool will include a set of essential training materials that will cover basic financial and accounting management, and will be a direct response to the financial training needs of coffee SMEs in this region. The training materials will be presented to the local trainers working specifically with the producers and SMEs associated with member and partners of SCAN, SECAEC and FAST. Once the toolbox is developed and implemented, it will be available for a wide range of trainers and sustainable coffee SMEs in Africa.

## Project Introduction

Markets for global sustainable production have grown rapidly in recent years. This market growth has had positive effects in removing many individual producers across the developing world from positions of extreme poverty, and in the improvement of environmental conditions through the increased adoption of

environmentally responsible methods of production. Thus, as markets for sustainable products have grown, finance has demonstrated itself as a key factor in determining the overall sustainability of producers' ability to participate in such systems.

Sustainable SME access to finance is always relevant for pre-harvest, pre-production, export, and infrastructure investment, which contribute to the scope of production and trade. In most cases, the absence of adequate financial accounting practices and strategic planning in individual producers and their organizations prevents them from accessing finance, undermining their potential capacity for growth and access to sustainable and fair markets.

Studies also reveal that SMEs in Africa face significant barriers that prevent them from furthering their business development, including low levels of education, limited access to finance, insufficient and poor infrastructures, as well as limited access to resources and narrow domestic markets<sup>1</sup>.

## Beneficiaries

The project will initially be implemented in Tanzania and Kenya, in partnership with SCAN through its Tanzanian Platform and SECAEC through its Kenyan network. .

The initial beneficiaries of the project will be the trainers from various local organizations, members and partners of SCAN and FAST. These trainers work directly with local coffee producers and SMEs to strengthen their business capacities.

The resulting direct beneficiaries will be coffee SMEs from the G32 Kilimanjaro Coffee Co-op Societies which currently market the coffee of 22 SMEs from the Kilimanjaro region in Tanzania and SMEs from Kenya, supported by Solidaridad's Regional Expertise Centre.

## Project Background

### **A Starting Point for Overcoming Financial Illiteracy**

The basic approach adopted by the Financial Literacy Toolbox project is to build the financial and accounting management skills of sustainable coffee SMEs in Tanzania and Kenya by providing access to a comprehensive, modular package of financial literacy training materials adapted specifically to their needs.

### **Building on Existing Knowledge**

A core part of the FLTBX strategy is to build from the knowledge and expertise already found in other publicly available materials, which will provide a more complete and widely accessible set of financial training tools responding to the specific needs of the various coffee producers.

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<sup>1</sup> Small and Medium Enterprises in Africa, Particular Analysis through three selected African countries: Algeria, Ethiopia and South Africa, Florie Thielin, Julien de Benedettis, Master 1 International Business, Reutlingen University, February 2009 in [www.slideshare.net/floriethielin/smes-in-africa](http://www.slideshare.net/floriethielin/smes-in-africa)

The combined knowledge of FAST and SCAN of the rural financial needs in Tanzania and Kenya, will be a valuable source of information that can be used to identify the financial training needs of the target beneficiaries and will contribute to the elaboration of the training materials.

## Objectives

The overall objective of the project is **to increase access to finance for sustainable coffee SMEs**, initially in Tanzania and Kenya by improving producer and SME financial and accounting management capacity. The specific objective of the proposed work is the development of an initial set of training tools presented in workshops addressed at the trainers that work directly with those sustainable coffee SMEs in need.

The main components of the project are:

- a) Development of an initial Financial Literacy Toolbox ("Lite Edition") for SMEs business development and financial management. A previous survey of the need with the SMEs will be done to define the content of the FLTBX
- b) Implementation of the FLTBX through a Training of Trainers session, with trainers working directly with SMEs in the sustainable coffee sector in Tanzania and Kenya
- c) Validation and improvement of the training materials through their implementation with a select sample of producers and SMEs in Tanzania and Kenya
- d) Launch of the FLTBX
- e) Follow up trainings with SMEs (coaching of SMEs)
- f) The coffee SMEs that have received training will be potential candidates to participate in the FAST Financial Fairs to be held in February 2013
- g) Monitoring and Evaluation

The primarily overarching modules which have already been identified are the following:

### **Basic Financial Management**

This module will provide training and tools for basic organizational and financial management including the preparation of financial forecasts.

### **Basic Accounting Principles**

This module will explain the purpose and function of accounting systems while preparing users for the preparation of financial statements.

### **Basic Credit Concepts**

This module will provide an introduction to the use and management of credit within a larger business strategy. It will introduce basic credit concepts such as interest, capital, equity, collateral, and opportunity costs and provide instructions on how to apply for credit.

### **Basic Risk Management**

This module will provide an introduction to the importance of, and instruments available for, managing risk in the context of the business and investment plans of the SMEs.

### **Basic Criteria and Requirements for SMEs to Access Finance**

This module will provide a fundamental introduction to what are the key criteria and requirements that SMEs need to develop and fulfill in order to improve access to finance from lending institutions and other local and international financial service providers.

### **Monitoring and Evaluation**

In order to extract maximum benefit and learning from the process, the project will be complemented by a continual monitoring and evaluation process. The basic elements of the monitoring and evaluation can be summarized as follows:

- Feedback surveys and interviews with participants in both the trainers workshop and the SME workshop

- A review process of the draft FLTBX tools with a "trainer" focus group

- Number of SMEs that receive training

- Number of SMEs that successfully are able to prepare "FAST compliant" financial profiles

- Number of SMEs that successfully secure finance within the following year

- \$ value of finance delivered to SMEs in the project within the following year

The results of the monitoring and evaluation process will be used to revised and strengthen the FLTBX tools following the pilot phase of the project.