PrOpCom

Making Nigerian Agricultural Markets Work for the Poor

Rice Parboilers

PrOpCom (Promoting Pro-Poor Opportunities through Commodity and Service Markets) is an innovative market-driven programme that aims to reduce poverty in Nigeria. Funded by the United Kingdom's Department for International Development (DFID), the programme works with government institutions, businesses and individuals to enable agricultural markets to work better for the poor. PrOpCom started full implementation in 2008 and will be operational until April 2011.

The overall intention of the programme is to facilitate basic changes to market systems, to improve how markets operate, and to increase profits and revenue whilst providing benefits to the poor from these market interventions. PrOpCom facilitates and catalyses these changes – making them possible or making them happen faster – through active engagement with businesses, civil society and government, in order to address problems in selected commodity sectors. The programme works along the entire value chain, including production, processing and marketing of agricultural products.

Using this market-led, pro-poor development approach, PrOpCom works through market forces to support the poor to:

- enhance their incomes
- increase their job opportunities
- broaden their access to markets
- create more choices for them
- reduce the economic risks they face.

PrOpCom is currently facilitating activities in five markets within a framework of 12 interventions, in order to promote market development that is beneficial to poor people in Nigeria. PrOpCom anticipates that these interventions will positively impact some 412,000 poor households, generate ₦8.6 billion (£34.4 million) in additional income and create about 70,000 new jobs as they mature.

The First Ladies of Rice

The Dawanau rice and grains market in Kano is the largest in West Africa. Rice sold here comes from Kano and neighbouring states and is sold to consumers from all over the country and beyond. Parboiling is a critical part of the local rice value chain. If parboiling is not performed properly, the quality of milled rice suffers (resulting in breakages and blackened grains), lowering its market value. Improving the quality of 'Kano rice' can make it more competitive and hence improve its stakeholders' livelihoods.

Women Parboilers showing off their rice

Almost all (99%) of Kano's parboilers are women, who have traditionally performed the task as part of a cottage industry, parboiling rice for a fee within their compounds. As such, they have little recourse to financial support from the formal banking sector and limited access to the market.

The Bank of Agriculture (BOA) – formerly the Nigerian Agricultural Cooperatives and Rural Development Bank – was introduced to the idea of supporting the women's businesses through loans. To access such loans, the women needed to do three things: demonstrate the profitability of their operations, organise themselves into groups, and register with the Kano State Ministry of Commerce, Industry and Cooperatives.

The women's groups successfully repaid their bank loans – many within half the time due – proving that small businesses can meet their financial obligations.

Once they had formed groups of around 25 members each, the women were able to secure 18-month loans to invest in their parboiling businesses. In total, BOA extended loans worth ₦50 million (£200,000) to 547 women from 46 groups across six parboiling clusters in Kano State. Because many of the recipients shared their loans with other women in their groups, a total of over 1,400 women benefited from the scheme. The first batch of loans was awarded on 24th November 2008 to 56 women from six groups within the Tudun Wada cluster. With their new finance, the women invested in parboiling equipment and raw materials including paddy, which they parboiled, milled and sold for a profit. They were thus able to make their loan repayments each month.

The challenge

The issues faced by the women attracted the interest of the First Lady of Kano State, Hajia Amina Ibrahim Shekarau, who considered supporting them by donating new parboiling equipment for their businesses. However, convinced that such unconditional giving can work against systemic change and sustainable development, the First Lady decided to adopt a supporting

"I will cook this rice for my husband" – Hajia Shekarau, First Lady of Kano State

role rather than effectively treating the women as a charity case and simply donating equipment.

Hajia Shekarau sought to encourage loan repayments by challenging the groups to make their repayments in advance of the completion date and rewarding those that succeeded in this. Additional incentives were offered to groups that kept minutes of meetings and adequate records of group and individual repayments. The women rose to the challenge, diligently making their monthly repayments in excess of the minimum. The management of NACRDB noted that they had rarely experienced such high repayment rates.

The reward

On 27th October 2009, First Lady Shekarau rewarded those groups that had completed their loan repayments by 30th September 2009 (within half the time their loans were due). Leaders of each group received prizes, with the Tudun Wada Kofar Gabas Women's Rice Processing Group declared the overall winner. All members of this group received cash prizes and fabrics, and the group leader received a plaque acknowledging the accomplishment.

The First Lady acknowledged the quality of the rice processed by the women, buying ₦10,000 (£40) worth of rice from them. "I will cook this rice for my husband," she said when she saw the quality of the grain. She also suggested that the state's Ministry of Education should buy rice from the women to cook for school students.

Everyone's a winner

This case represents a departure from the norm of government officials responding to citizens' needs by giving cash and equipment – treating the symptoms – rather than addressing the root cause of the problem. The M4P (Making Markets Work for the Poor) approach has demonstrated that targeting systemic change is more successful than charity – giving for free – in the long term. The First Lady held back on 'handouts' and instead encouraged a market-driven solution in which private citizens borrowed money (albeit from a government-owned bank) and undertook to pay the loan back ahead of schedule. In adopting this strategy, she opened a new channel of government support that is more sustainable and not restricted by the availability of government funds.

Similarly, participants in this scheme have experienced a new social dynamic. They now have access to the formal financial sector, they have successfully used financial capital to grow and diversify their businesses, and they are more active contributors to their domestic budgets. The women have gained respect and are now seen as 'bankable bread-winning entrepreneurs' instead of 'unbankable housewives'.

Finally, BOA has tapped into a previously unknown market. At 65%, the average repayment rate by the women was beyond the bank's expectations. This experience has effectively proven to the bank that, with the right financial management, such micro and small businesses can meet their financial obligations.

To sum up: the bank has new viable clients while the women have access to capital and a new market focus. They have increased their incomes from as low as ₦1,000 (£4) to as much as ₦7,000 (£28) per month after loan repayments (studies on this are available at www.propcom.org). The First Lady has improved the lives of citizens of the state while setting an example for future administrations, showing that governments can help people to help themselves through business. Although much remains to be done in Nigeria's development, this initiative is a big step forward.

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