




Working group Innovation for rural Outreach
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Enhancing partnership between Farmer Organisations and MFIs. A knowledge building process


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Farmer organisations, a key role in agriculture development and access to financial services (1)

- Food crisis has increased the difficulty of development of agriculture
- But, in the same time, it creates new opportunities for this development, in specific value chains : milk, fruits, cereals, ...
- Access to appropriate financial services remains one of the major constraint for this development
- There is now a consensus to consider that Farmer Organisations (FO) have a key role to play in agricultural development and even in access to financial services



Farmer organisations, a key role in agriculture development and access to financial services (2)

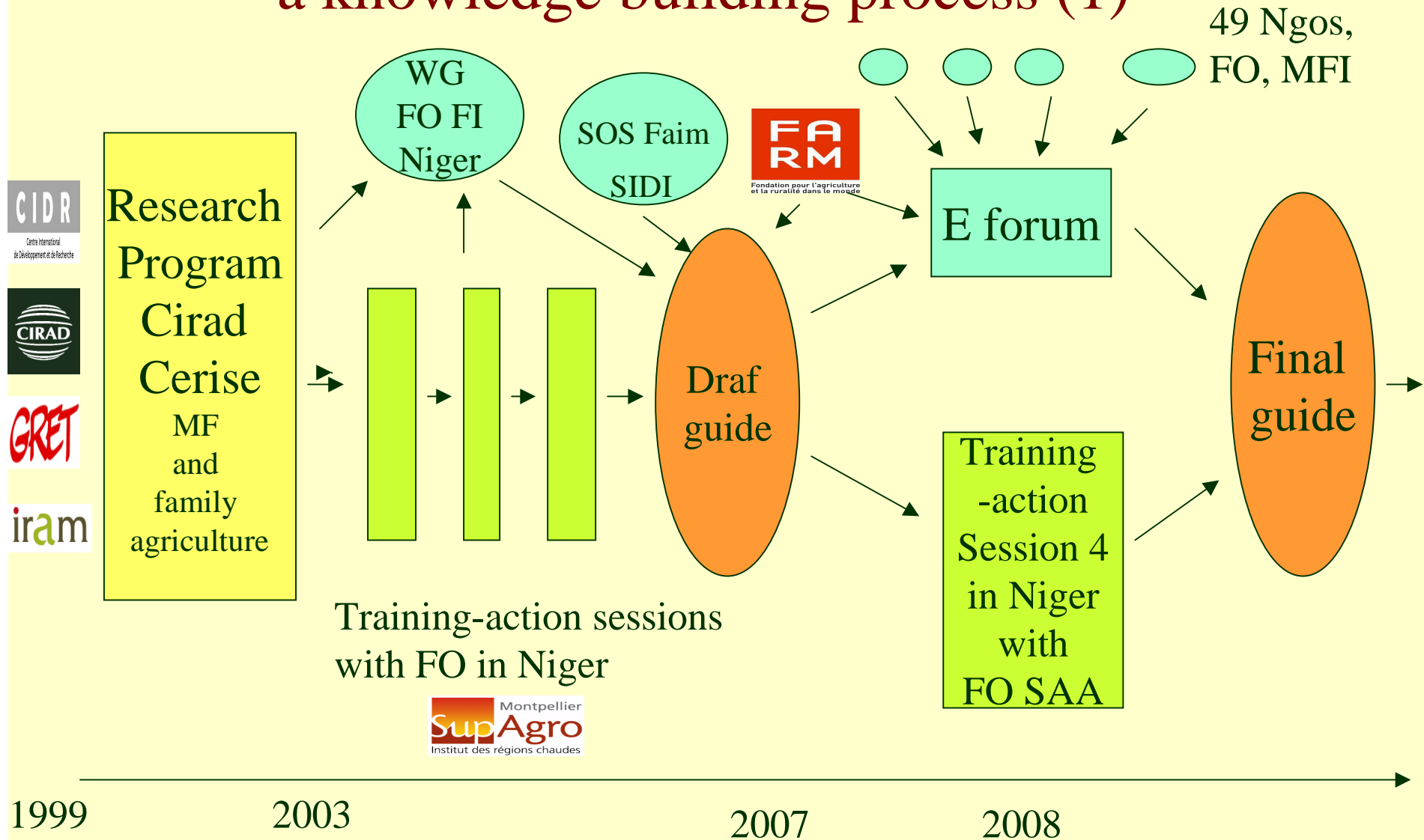
- FO need access to credit
 - for themselves : to finance their economical activities, their investments
 - for their members : to finance production, investment, innovation...
- The three main strategies for FO to get access to financial services, are now well knowed (on an international level) :
 - Internal credit service : dangerous, not often sustainable
 - Creating a sister FO specialised in finance : long, expensive, needs technical skills
 - Building a partnership with existing MFI : difficult, but probably the most sustainable way




Farmer organisations, a key role in agriculture development and access to financial services (3)

- Even strategies are well knowed on an international level, it remains a process bad mastered by the majority of FO
- FO in West Africa, in Madagascar : various situations of development
- A general need to enhance the skills in matter of rural finance and capacity to build partnership with financial institutions (MF but also banks)
- Cerise and its members involved in a long time knowledge building process

Enhancing partnership between FO and MF : a knowledge building process (1)





An operational guide to enhance capacities of farmer organisation to build partnership with rural finance

Objectives :

- To enhance capacities of FO and financial institutions (FI) to analyse the needs and constraints of financing FO and their members
- To enhance FO's capacities to choose an appropriate, sustainable way to access to financial services
- To give to FO and FI appropriate tools to build a partnership



7 steps / chapters

1. History and principles :
From agriculture credit to financial markets

2. How to analyse FO's
financial needs and constraints

3. For FO, how to choose
an appropriate strategie
to access to finance ?

4. How to build a partnership
for access to finance
for the FO's members

5. How to build a partnership
for FO access to finance


6. For FI, how to design products
and procedures adapted to agriculture

7. How to improve the macro economic and policy environment
for agriculture finance. The role of FO and FI



A forum to discuss and improve the guide

- 49 participants (NGOs, FO, MFI, donors...), 1371 consultations
- Lessons :
 - Partnership between FO and FI is a highly topical question / numerous on-going experimentations world around, with many difficulties
 - Partnership is seldom spontaneous, needs to be build
 - Quality of partnership depends on good knowledge on the financial needs and constraints, good balance FO-FI, capacity/ will of FI to propose adapted services
 - Policy framework plays a key role in Agriculture finance



Next step :A training-action session in Niger
with SAA, FO of the « souchet » value chain

- Two objectives:
 - Training : giving tools to build partnership FO – FI
 - Development action : helping FO to elaborate an appropriate strategie /access to finance
- Niger 2008 :
 - with FO SA'A
 - 17 participants (from SA'A, FO Niger, professionnalmaster students SupAgro)
 - Lenght : 3 weeks



SA'A, a major actor of the souchet value chain

- A FO created in 2002, 10 Unions, 75 local org., 3500 farmers
- Souchet :
 - kind of bean, consumed as aperitif and in pastries, with a broad demand in Nigeria (more recent market in Spain)
 - Significant source of income for farmers in Maradi Area, and currency income for Niger
- Needs /Finance
 - Souchet's production demands a high level of fertilization, leads to high farmer's demand for finance
 - SA'A wants to improve the position of producers in the value chain, organising commercialisation, seeds and fertilizer supply, needs funds for this activities
- Access to credit :
 - Farmer's has weak accès to credit
 - SA'A has no accès to credit = serious limitation for its activities



The training –action process (1)

1st step : analysis of financial needs of # types of producers

- Why ? to better understand the different needs of the different types of producers / To be able to discuss with FI and to choose the most appropriate credit
- How ? by a field survey, taking in account the souchet production, but also the other agricultural and non ag. Activities and family needs
- Results ? For the different types of producers, financial needs (amounts, period, repayment capacities...), but also specific risks / activities



The training –action process (2)

2nd step : Analysis of locally existing financial supply

- Why ? To better understand specificities each of them, to get a good knowledge/specific services, to discuss with them their interest for SA'A
- How ? After a cours, with an analysis guide, participants meet the main financial institutions of Maradi (2 MFIs, 3 banks)
- Results ?
 - The 2 MFIs are interested to finance producers, but haven't funds enough to do it on a large scale, cannot finance SA'As activities for same reason
 - Among the 3 banks, the oldest one is not interested to finance SA'A because of ag.risk and has a lot of other opportunities ;
 - the 2 more recent banks could be interested, but have no experience with agriculture, ask for collateral SA'A haven't, have have high cost of procedure, but « every thing can be discussed »



The training –action process (3)

3th step : Organisationnal Analysis of SA'A

- Why ? To identify strengths and weaknesses of the FO / financial process
- How ? Self analysis with SA'A (or, if more time, survey/SA'A and local FO)
- Results ?
 - A quite strong head, a more weaker base
 - Lack of capital and assets



The training –action process (4)

4th step : Reflexion / the most appropriate strategie to access to appropriate financial services

- Identification of priorities / credit demand
- Analysis of the different opportunities of partnership / and services
- Choice of potential partners
- Analysis of the role of SA'A in each case of potential partnership
- Design of « next steps »



The training –action process (5)

- Evaluation of the process with SA'A :
 - A high implication of SA'A the process : contribution to fund the session, full participation of all SA'A participants until the end of the session (in june, while agricultural season begins....)
 - Confrontation with the basic principles of rural finance (appropriation ?)
 - Contacts with the main local financial institutions
 - Discussion process of the strategie / access to finance
- An on going partnership between SA'A and us



And now, how to extend this knowledge building process ?

- Finalization of the guide (End of 2008)
 - Draft version enriched by forum and training action session in Niger
 - We looking for co –editor
- On going Training – Action sessions
 - Annual, include in an professionnel master Supagro
 - Go on the training effort in one country
 - Need to evaluate the impact of training action
 - Extend the training effort by working with national and regional FO, value chains, MFI professionnel associations, ministries, ...
- We (Cerise / SupAgro) are open to partnership ...