



Zoom Microfinance 46

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Access to credit for family farms in Niger: What achievements? What prospects?

Background | 4 cases, 3 themes | agriculture financing needs reform | Conclusion





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The relative scarcity of financing for the rural and agricultural sector has not prevented the emergence of interesting experiments and initiatives.

Background

In the area governed by the regulations of the Central Bank of West African States¹, Niger is one of the countries where access to finance is the least developed. This phenomenon specifically affects rural areas, especially agriculture and livestock.

Two figures are revealing: only 7% of adults living in rural areas have access to a 'bank' account, whereas the average for Sub-Saharan Africa is 29.2%. And in 2014, only 1.4% of the population had taken out a loan, compared to 6.3% for Sub-Saharan Africa.²

At the end of 2014, Niger's decentralized financial systems served 413,902 members or clients, across 53 microfinance institutions and 158 service points. The volume of savings stood at €35,731,000 and the loan portfolio at €47,358,000.³

ASUSU, a public limited liability company, dominates the sector with 270,000 savers and 130,500 borrowers.⁴

BAGRI, a public agricultural bank undergoing privatization, also has a presence in rural areas and there has been some timid interest in agriculture from commercial banks.⁵

The relative scarcity of financing for the rural and agricultural sector has not prevented the emergence of interesting experiments and initiatives based on collective action by farmers' organizations and federations.

SOS Faim chose four cases for analysis and discussion at a workshop in Niamey, in October 2015. Around fifty participants attended, including public officials, elected representatives and staff of farmers' organizations (FOs), financial sector representatives as well as technical and financial partners.

The workshop also aimed to use the lessons learned to understand the constraints that hamper the credit management strategies of farmers' organizations, to identify more precisely their support requirements and discuss possible FO alliances with regard to relations and negotiations with financial institutions.

¹ For more on this subject, see *Zoom Microfinance* n°43: The effects of regulation on microfinance in West Africa. <https://www.sosfaim.be/en/publication/the-effects-of-regulation-on-microfinance-in-west-africa/>

² These figures are for 2014. The source is the Financial Index of the World Bank

³ Statistics online at www.lamicrofinance.org

⁴ www.mixmarket.org - data for 30/09/2015

⁵ Notably, ECOBANK and SONIBANK



1

Union des Fédérations de Producteurs du Niger (UFPN) – GATANCI



Identity card

- | A union of 8 farmers' federations, which has received FAO support.
- | Established in 2013
- | Represents 179,640 farmers
- | Wide geographical coverage: Dosso, Tillabery, Niamey, Tahoua, Maradi and Zinder
- | Sectors: multiple, in the agricultural, forestry and livestock industries (from production to marketing)



Funding overview

- | A Guarantee Fund (GF) of 335,714,000 CFA francs (511,793 euros), shared between the 8 FOs.
- | On deposit at ECOBANK (which can issue a guarantee in favour of another financial institution)
- | Credit at a cost of 10% per annum
- | GF coverage: 50%
- | Other guarantees required (mortgages, deposits)
- | The 8 FO members have not had a coherent strategy:
- | 3 loans granted totalling 175 million CFA francs - repayment delays.
- | 2 loan applications declined; 1 loan waiting
- | 2 FOs decided not to apply for credit

4 cases, 3 themes

Theme 1 helping farmers' organizations understand agricultural finance mechanisms and the challenges of negotiating with financial institutions. L'Union des Fédérations de Producteurs du Niger (UFPN) – GATANCI.

Even though this initiative is still in its early days (only two years since the union was set up), some lessons can be drawn:

- | The UFPN was established “in a hurry” to avoid losing external funding. Member FOs, that are required to take over the fund after seven years, have not had or taken the time to build a common and shared vision.
- | They deal individually with the selected bank, ECOBANK, with regard to the guarantee fund (ECOBANK): “As we had not met up, we did not benefit from the expertise of those who were further along in the process.”
- | Exchanges during the workshop reaffirmed the FOs' willingness to consult in advance and send loan applications to the union before filing with the financial institution.
- | Meanwhile, ECOBANK confirmed its openness to dialogue, insisting that meetings be held with the FOs; it also stressed the importance of a written record of these discussions.

Theme 2 support access to loans for creditworthy applicants with guaranteed markets.

- 2.1 The Fédération des Unions de Coopératives de Producteurs de Riz (FUCOPRI) (page 4) and
- 2.2 the Fédération des Coopératives Maraîchères du Niger (FCMN-Nyia) (page 5).

These two cases have occasioned the exchanges and conclusions below:

A guaranteed market constitutes a fundamental element of success: “Funding for an activity that sells.” In FUCOPRI's case, these are contracts with the Office des Produits Vivriers du Niger (OPVN) that ensure they have the means of repaying the loans. In addition, financial transactions are centralized, allowing the federation to collect the amounts that member cooperatives must pay back to the bank. At FUCOPRI, they adopted an integrated approach: that is, the whole chain is involved, from the farmer (who is supplied fertilizer on credit) to the marketing of the paddy. And the federation's member cooperatives must accept financial management and accounting support provided by the Centre de Prestation de Services - (CPS).

FUCOPRI's financing initiatives relating to the supply of fertilizers have grown (in tonnes)

Year	2012	2013	2014	Total
Fertilizer purchased by FUCOPRI (FUCOPRI takes a loan credit to buy the fertilizer)	2,200.5 T	1,744.5 T	2,392.3 T	6,337.3 T
Facilitating access to fertilizers (FUCOPRI works with CAIMA*)	816 T	1,036. T	290 T	2 142 T
Facilitating access to credit (FUCOPRI endorses the loan)	240 T	442 T	450 T	1,132 T
Total	3 256.5 T	3 222.5 T	3 132.3 T	9 611.3 T
% acquired using credit	74.9%	67.9%	90.7%	77.7%

*CAIMA: Supply of Plant Inputs and Agricultural Equipment.



2.1

Fédération des Unions de Coopératives de Producteurs de Riz (FUCOPRI)

Identity card

- | A federation of 9 unions of cooperatives and of 4 unions of women parboilers
- | Established in 2001 - Recognised in 2003
- | 37 cooperatives - 26,691 farmers
- | 31 groups of parboilers - 1,616 members
- | Geographical coverage: Niger River valley (Tillabery, Dosso, Niamey)
- | Want to work with upland rice farmers
- | Industry: Rice (production, processing, marketing)

Funding overview

- | A 12 year track record accessing finance
- | 2003-2006: an "inputs" agreement linked to a project (400 million CFA francs/annum)
- | 2006-2008: on their initiative established a guarantee fund - loan from the Banque Régionale de Solidarité - 300 million CFA francs/annum
- | Also, financial and accounting consultancy for cooperatives (Centre de Prestation de Services - CPS)
- | 2009-2015: Partnership with SONIBANK - 200m CFA francs campaign.
- | 2012-2014 results: more than 9,600 tonnes of fertilizer provided through FUCOPRI's input supply service.
- | Increasingly meeting the needs of more and more of its members.
- | With the positive knock on effect of mobilizing its own resources for the federation.



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From 2012 to 2014, FUCOPRI assisted the cooperatives in purchases amounting to 9,611.3 tonnes of fertilizer, 77.7% of which was bought through partnerships with banking institutions. The cooperatives and their federation have established credibility within the Nigerian banking system.

FUCOPRI's experience shows that the existence of guaranteed market is a key success factor.

The case of FCMN illustrates that timely provision of quality inputs (potato plants) is also a fundamental success factor. Key points: each cooperative pays a 30% deposit when ordering the seedlings and pays the remainder upon delivery. Yields have doubled since the start of this initiative.

Growth at FCMN since the start of operations					
Campaign	Quantity of seeds ordered	Credit amount in CFA francs	Credit term	Financial charges (interest)	Financial Tool
2009-2010	50 tonnes	36 million	4 months	2,500,000	Documentary credit
2010-2011	50 tonnes	36 million	4 months	2,500,000	Documentary credit
2011-2012	75 tonnes	55 million	4 months	3,800,000	Documentary credit
2012-2013	100 tonnes	72 million	4 months	4,500,000	Documentary credit
2013-2014	120 tonnes	86 million	4 months	2,700,000	Direct payment to provider
2014-2015	200 tonnes	144 million	4 months	1,400,000	Direct payment to provider
2015-2016	450 tonnes	323 million	4 months	In progress	Direct payment to provider Backed bill

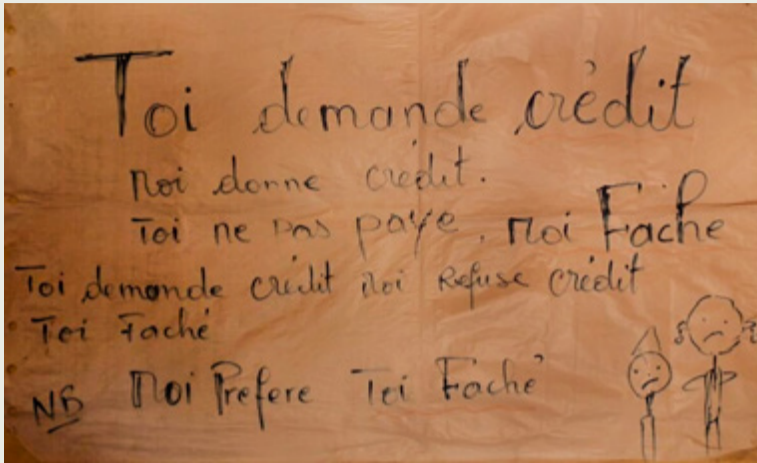




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2.2

Fédération des Coopératives Maraîchères du Niger (FCMN-Nyia)

Identity card

- | A federation of 815 cooperatives
- | Established and recognised in 1996
- | 35,000 members (42% women)
- | Geographical coverage: National
- | Sector: Market gardening

Funding overview

- | 11 year track record accessing funding
- | 2004-2006: the FCMN opt not to establish own funding system
- | 2006-2008: first experience with Banque Régionale de Solidarité - mixed results; attempts at collective marketing.
- | 2009-2012: business relationship with Bank of Africa, documentary credit for potato crops (onerous administration - high overheads)
- | 2013-2015: direct funding from ECOBANK and SIDI for potato plants - lower costs and rising market power (450 tonnes forecast for 2015-2016)
- | Positive impact on yields obtained (doubled) and the Federation's funding.

The seventh loan is in progress. Volumes have increased, which allowed the FCMN to establish a better position in the potato plant sector, while diversifying suppliers. Documentary credit, considered onerous and costly, has been abandoned in favour of a direct payment system, thanks in particular to a funding partnership established with SIDI.⁶ As a result, the 2014-2015 transaction concluded in a shorter time than expected, which meant interest payments were avoided. They returned a net profit of 23 million CFA francs (€35,063). This prompted the FCMN to scale up for 2015-2016, combining a renewed partnership with SIDI (250 tonnes) and a backed bill system⁷ with ECOBANK for 200 tonnes.

In both cases, the activities that were financed were structural, involving strong collective organization and they highlight the importance of the management team, collectively and individually.

Theme 3 a farmers' organization is developing its strategy and internal organization in order to improve its own and its members' access to financial services. Mooriben (Page 6)

A number of elements were highlighted during an exchange of views about the MOORIBEN federation's experience:

- | The federation evolved, driven by strong demand from grass roots members for access to credit, as well as experience of several unsustainable initiatives and pressure from legislative changes, meant to professionalize the financial services sector.
- | The federation was able to develop due to external support for strategic thinking, which took place while in-house finance and credit capacity was being set up.
- | Clear and transparent credit management rules were established and made known to the members, contributing to a culture of repayment and allowing for the use of sanctions in case of default.
- | The role, the will and the political courage of the leaders of the farmers' organization played a key role in facilitating the choice of partnering with a FI.

In addition, several points arose that were common to more than one farmers' organization:

- | A permanent culture of searching for the best system for the organization: this is an ongoing journey of continual learning;
- | The need for better mutual understanding and dialogue between actors (FOs and FIs), but also a better grasp of their members' actual issues;
- | When outcomes are positive, the work on access to financial services serves as an opportunity to enter a virtuous circle of improvement in governance and financial management.

⁶ Solidarité Internationale pour le Développement et l'Investissement.

⁷ The backed bill is a bill of exchange which ensures that the supplier will be paid by ECOBANK, if the buyer, FCMN, is not capable of doing so.



3

Mooriben



Identity card

- | Federation of 30 unions (1,541 groups)
- | Established and recognised in 1993
- | 58,526 members (63% women)
- | Geographical coverage: Western region of the country (Tillabery, Dosso, Niamey)
- | Sectors: multiple - a system of integrated support services for members (cereal banks, input shops, advisory support, communication, access to credit and so on.)



Funding overview

- | A track record of almost 20 years, a range of initiatives taken and analytical capacity developed
- | In the beginning: self-managed credit
- | As of 2000, credit lines set up with partner MFIs
- | As of 2002, alongside these: credit houses established within certain unions
- | As of 2009: complete overhaul: diagnosis of existing set up; major strategic review
- | 2011: deciding to work with financial institutions (FIs)
- | 2012: negotiations concluded with BAGRI.
- | Legal support; internal organization review (transparency, accountability, subsidiarity)

Agriculture financing's much needed reform process

Despite some promising initiatives such as those described below, a consensus exists that agro-forestry-pastoral activities have not developed in Niger in particular because of an insufficient and inadequate supply of financial services.

Financial institutions, such as BAGRI, other banks and the MFIs, have difficulty offering agricultural credit because of high service costs and the remoteness of service points, the lack of suitable banking practices, the lack of guarantees farmers are able to provide (problem of land tenure and guarantees), production and market risks (weather, price volatility, unpredictable repayment capacity) and the lack of measures to mitigate these risks and to reduce costs.

All these elements have led the High Commissioner to the 3N Initiative⁸ (Nigeriens Nourish Nigeriens) and its partners to engage in an agricultural finance reform process and launch the Food and Nutritional Security Investment Fund (FISAN).

FISAN is a framework for drawing together:

- | Funding
- | Linkages between different funding stakeholders (financial institutions, public institutions, projects and programmes, farmers' organizations, and others)
- | Alignment of the various tools and forms of financing: grants, credit, public initiatives, private initiatives, public - private partnerships, and more.

FISAN offers 3 facilities, one of which is agricultural financing.

This facility involves public support for lending. It is intended for private developers, individual farmers, or groups or cooperatives, and small and medium enterprises. It relies on the financing mechanisms of banks and microfinance institutions.

For recipients, it offers interest subsidies and credit-backed grants. For financial institutions, it provides guarantees (via the Société Sahélienne de Financement - SAHFI) and credit lines at concessional rates. This facility respects the FI's autonomy of decision-making and management.

practical impact of subsidy-backed credit

	Without FISAN	FCFA	With the FISAN	FCFA
Credit requirement		1,000,000		1,000,000
Bank Contribution	80%	800,000	50%	500,000
Grant	0%	0	40%	400,000
Personal contribution	20%	200,000	10%	100,000
Principal repayable	80%	800,000	50%	500,000
Annual interest	15%	120,000	12%	60,000
Total		920,000		560,000





These organizations have been able to develop thanks to sufficient support, the capacity to strategically review their own and their members' access to financial services.

In this example, the interest rate comes down as the bank's risk comes down (a smaller share of the investment and the existence of a guarantee fund (GF) left with SAHFI). The FG is a portfolio guarantee to call after exhausting all other means of redress.

As banks found that farm credit is too risky and farmers say it is too expensive, what FISAN offers, *"is a carrot to stimulate lending by banks and the decentralized financial system."* This mechanism is not meant to exist indefinitely. To perpetuate the mechanism, the idea is that FIs can, at a later stage, access concessional rates from international institutions or development banks.

Conclusion

The workshop confirmed how important a subject matter agricultural finance in Niger is, and, in particular, the issue of family farmer and their organizations' access to appropriate financial services.

Having four well known farmers' organizations from Niger present their experiences demonstrated that there has been improvement and, above all, that these organizations have been able to develop thanks to sufficient support, the capacity to strategically review their own and their members' access to financial services. Beyond these still very modest results, in quantitative terms, it is the trajectory that these organizations are on that is encouraging.

The challenge now is to consolidate these gains, to extend them and to scale up so that the volume and quality of financial services offered are accessible and tailored to the needs of Niger's farmers. The current climate is favourable, with the establishment of the FISAN mechanism, overseen by the HCI3N, and around which the technical and financial partners will align and standardize their agricultural credit procedures. At the same time, FOs, clearly, need better knowledge and understanding of the mechanism.

In order to take advantage of the opportunities that will be opening up, building FO capacity **in agricultural finance is essential** (training, technical assistance and sharing of experiences), as is providing training to financial institutions regarding agricultural credit and their access to appropriate resources.

This issue of needing to improve "technical" competence in agricultural finance is closely linked to one that is crucial to FOs, the construction of a common strategic vision and improved negotiating capacity. Indeed, in order for Niger's FOs to contribute effectively to the dialogue on the issues that affect investment in agriculture, both public and private, they must develop strong analytical skills, the ability to collaborate amongst themselves and make proposals and to negotiate. Only then will the state, the financial institutions and donors be able to build efficient and responsive mechanisms for agricultural financing, together with the FOs.

This touches on the complex issue of the structure of Niger's FOs and their ability to collectively build a strong long-term position on numerous issues integral to the future of Niger's agriculture and its food security. It is up to the FOs to decide the type of lasting framework they want for reflection, dialogue and building alliances around access to financial services, the opportunities promoted by FISAN, and, developing the supply of agricultural credit in Niger.



SOS Faim

Marc Mees and Nedjma Bennegouch wrote this issue of *Zoom Microfinance* based on the report of the Niamey workshop, organized by SOS Faim in October 2015, and, the contributions by UFPN-GATANCI, FUCOPRI, FCMN and MOORIBEN for this occasion.

SOS Faim Belgium and SOS Faim Luxembourg are two development NGOs active in the fight against hunger and poverty in Africa and Latin America. In favouring an approach based on partnership with local stakeholders, the two SOS Faim entities support family farming by providing farmers in the south with technical, organizational and financial support, and by raising the awareness of and mobilising people from the North around issues relating to poverty and food security.

Apart from *Zoom Microfinance*, SOS Faim publishes *Farming Dynamics*, which provides analysis on the aims, models and implementation conditions of aid to microfinance institutions. This publication is available for download in French, English and Spanish on SOS Faim's website: www.sosfaim.org.

The most recent issues of *Zoom Microfinance* have dealt with the following topics

-  n° 45 Social performance: just window dressing?
-  n° 44 Guarantee funds - a response to agricultural credit risk
-  n° 43 The effects of regulation on microfinance in West Africa
-  n° 42 An ever greener microfinance industry: trend or fad?
-  n° 41 Paidek: 20 years to build a strong and appropriate response to financing needs in Kivu.

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