



Kingdom of the Netherlands

ACMA

Approche Communale pour le Marché Agricole



Access to Funding

A MECHANISM FOR SUPPLY MOBILIZATION AND ACCESS TO THE MARKET



Consortium members





Key Message

Facilitating access to finance for economic actors means increasing their production capacity for competitive offers in the market. It is to enable them to respond effectively to market demand in quantity and quality for a substantial improvement in their incomes. The credits prevent the actors from selling off their product and allow them to better organize themselves for group sales.



Challenges

The financing of agriculture has always been a real problem for financial institutions. They believe, in view of the vagaries of the climate, that the agricultural world is at risk, which is why they are reluctant. The actors of this world, namely producers, processors and traders, are struggling to find financing to better carry out their economic activities. They have local and regional markets to satisfy, but their production capacity is sometimes insufficient to satisfy this demand. The search for financing is therefore becoming a concern for them, and yet there is no shortage of financial institutions. They exist and offer different types of services even if the conditions of access are poor. But for the agricultural actors, only the rich have access to these financial services of financial institutions because they possess material guarantees. This state of affairs is due to the lack of information from both actors and financial institutions that have little knowledge over agriculture and agribusiness.

The ACMA program is market-oriented and does not overshadow this reality. It is for this reason that since its first phase it has placed particular emphasis on access to finance in order to break this myth, which causes both actors and financial institutions to lose opportunities. Financing is an important tool to boost the activities of Agricultural Business Clusters (ABCs) supported by the ACMA program in the production, processing, and marketing of agricultural products. Agricultural actors supported by the ACMA program organized into ABCs produce, transform, and market in local and Nigerian markets. They are within reach of Decentralized Financial Systems (DFS) that offer financial services. But the connection between these two actors is not easily made to boost economic activity. Before the ACMA program intervention, actors lacked the funds to run their activities. They had business opportunities but could not go to financial structures to apply for loans because they did not know how to proceed and were reluctant to approach these structures because they did not have any real guarantee.

Moreover, those who had been able to access it found that there was too much hassle, and sometimes the conditions offered were not adapted to their activities. They were offered monthly reimbursements when they applied for a storage credit and needed at least four to six months to remove stocks. The very unorganized actors evolved individually and therefore had no decision-making power in the market. They were forced to accept the prices offered by the buyers. As a result, they sold their products in times of abundance to satisfy their financing needs, which did not allow them to make a profit and to have consistent revenues. The ACMA program, in order to support them effectively, has, in its first phase, established a partnership with a financial structure, called ALIDé, with a view to facilitating access to credit for a large number of actors. Through this channel, several actors have been able to break the myth of the inaccessibility of microfinance institutions and have accessed various types of financing.



Approach Implemented for Facilitating Access to Funding by the ACMA Program

- ✓ **Partnership with ALIDé** (Establishment of a guarantee fund, negotiation of flexible terms, specific credit to agribusiness)

In order to allow a large number of actors, especially those without any real guarantee, to have access to financing, a partnership agreement has been signed with the financial institution ALIDé. The main reasons for signing this convention are to:

- Allow the actors that are producers, processors, and traders to satisfy the demand in quality and quantity of the market.
- Allow speed in the processing of credit application files.
- Facilitate relationships of trust between actors and DFS.
- Facilitate access to finance for a wide range of actors, including sensitive actors and women's groups.

As part of this partnership, a guarantee fund was set up to reassure this institution as to the profitability of this risk, and flexible credit terms specific to agribusiness were negotiated for the ABC actors. Among other flexible terms negotiated are:

- Credit interest rate: 12% per year.
- Pre-savings rate: 0%.
- Application fee: 1%.
- Real warranty not obligatory.
- Specific credit to agribusiness.

- ✓ **Development of financial services by ALIDé**

Within the partnership, several services were provided by ALIDé to the beneficiaries, namely:

- Awareness on financing and access conditions.
- Support for the expression of the application by the actors and examination of the files.
- Monitoring the disbursement of eligible clients.
- Monitoring and supervision of the actors financed.

- ✓ **Provision of non-financial services to the actors**

In order to optimize the support provided to PEA actors by facilitating access to finance, the ACMA program in its first phase, as part of the partnership with ALIDé, offered non-financial services of two types:

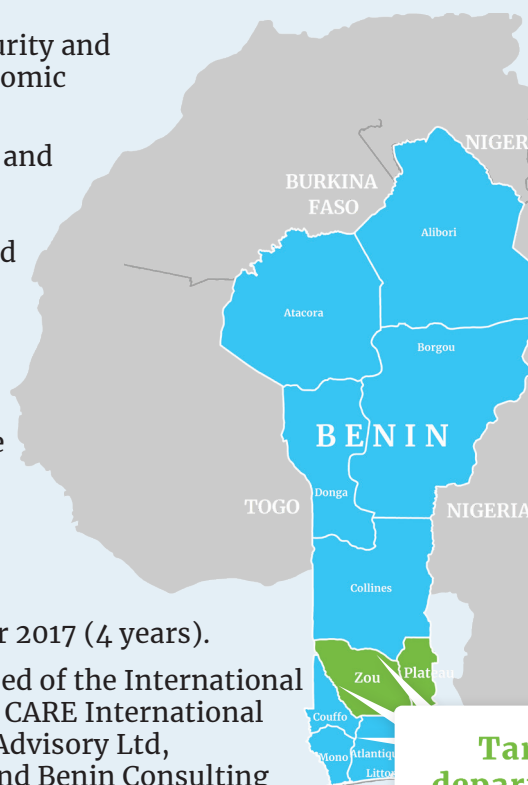
- Consulting support and monitoring
 - * Raising awareness of available funding opportunities.
 - * Support for the identification of financing needs.
 - * Preliminary study of funding requirements and advice on file compilation.
 - * Field visits: pre and post credit, coaching to beneficiaries for the management, and timely repayment of credit.



- Capacity building
 - * Business plan development training.
 - * Financial education training: at least one session per year.
 - * Design and provision of management tools and image boxes for beneficiaries to better conduct financial education training.

Box 1 | The ACMA Program (2013-2017)

- Overall objective: to improve food security and increase agricultural incomes for economic operators.
- Target groups: producers, processors, and traders, including 40% women, in the 22 communes of three departments bordering Nigeria: Ouémé, Plateau, and Zou.
- Target products: maize, pepper, peanut, soybean, cassava, palm nuts, palm oil, and fish.
- Donor: Embassy of the Kingdom of the Netherlands in Benin.
- Overall Budget: €10 million, of which 40% is for commercial infrastructure under municipal control.
- Duration: November 2013 to November 2017 (4 years).
- Implemented by a consortium composed of the International Fertilizer Development Center (IFDC), CARE International Benin/Togo, Sahel Capital Partners & Advisory Ltd, l'Institut Royal des Tropiques (KIT), and Benin Consulting Group International (BeCG). IFDC leads this consortium.



Results

In four years of partnership, during the first phase of the ACMA program, both quantitative and qualitative results were physically observed: a total of FCFA 922,040,0600 were released for the benefit of 2,077 actors, of which 1,212 were women and 865 were men. These disbursements have impacted sixteen communes of the Departments of Ouémé, Plateau, and Zou and concern Gari, palm oil, corn, pepper, fish or five of the seven speculations targeted by the ACMA program. Figures 1 and 2 give an overview of credits set up. Figures 3 and 4 give an idea of the distribution of the amounts by municipality.



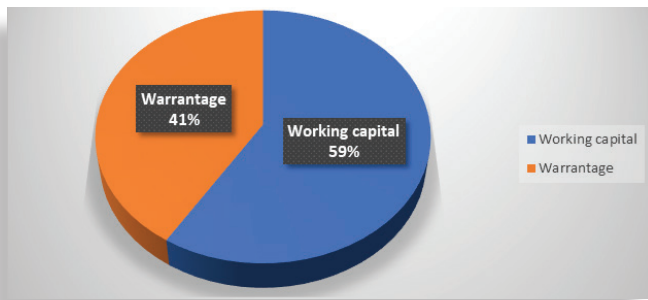


Figure 1 | Distribution of Credit Facilitated per Type

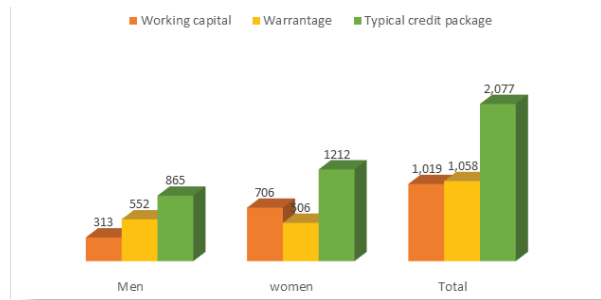


Figure 2 | Recipient by Credit Type and Gender

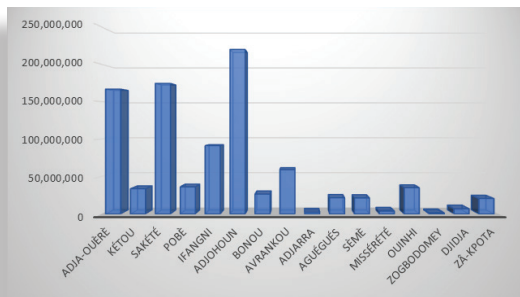


Figure 3 | Amount Facilitated per Commune

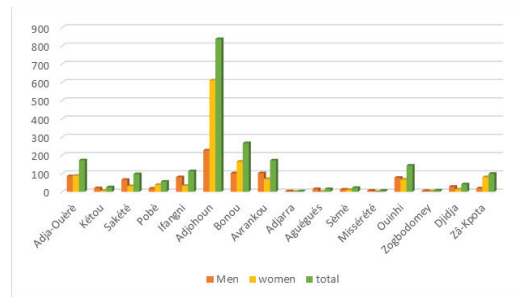


Figure 4 | Beneficiaries by Commune



Different Types of Financing and Value Chains Financed

Types of Financing

Two types of credit were granted. These are the working capital and storage credits and warrantage credit.

Credit for working capital and storage

These credits were facilitated in the three intervention departments of the program for an amount of FCFA 543,300,000 and represent 59% of the total credits released. They were set up for the benefit of 1,019 actors, including 706 women and 313 men. Sixteen municipalities were impacted in the 22 municipalities targeted by the program.

The gender analysis shows that more women were impacted. This is due to the fact that the program has placed particular emphasis on the inclusion of small actors who are for the majority of women. These actors benefit from loans through the groups to which they belong and have no guarantee other than the solidarity bond. The various actions undertaken to take into account the Village Savings and Loan Associations (VSLAs) have also been successful. However, in terms of amount, women received smaller amounts of credit with an average of FCFA 201,000 per woman beneficiary,



Access to credit has helped actors have more working capital and storage options



while men received an average of FCFA 784,000 per capita. Figures 5 and 6 provide an overview of these proportions.

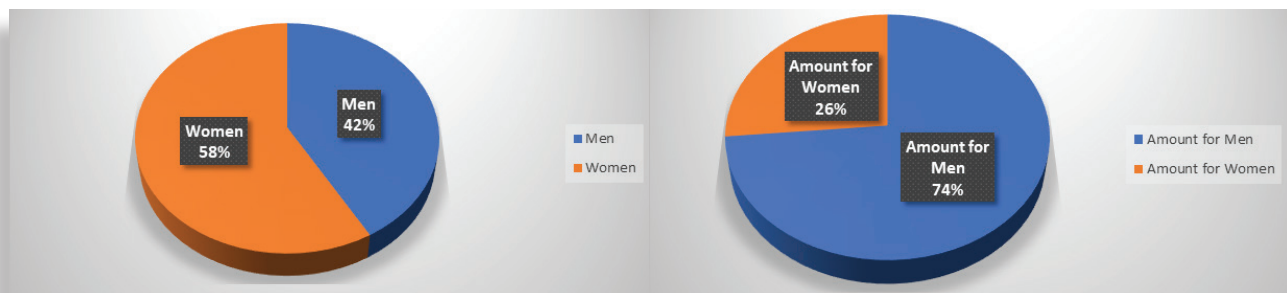


Figure 5 | Distribution of Beneficiaries According to Gender

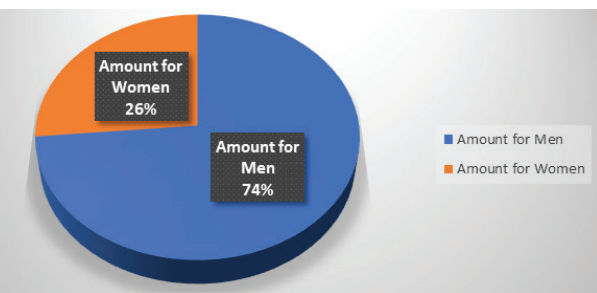


Figure 6 | Credit Allocation Facilitated by Gender

As agricultural credit is a seasonal activity, the actors received loans adapted to their financing needs and taking into account the production cycle. The repayment schedules, which are often quarterly and half-yearly, allowed the actors to avoid repayment constraints the month following the month in which the credit was granted. This improves their repayment capabilities.

Credit banks

A total of FCFA 378,740,600 was made available to 1,058 actors, including 558 men and 506 women, to finance three years. Eight municipalities have done this experiment.

Value Chains Financed

Six value chains were funded. These are palm oil, corn, soy, gari, fish and pepper. For all loans combined in the three departments, the financing facility for the six value chains amounts to FCFA 922,940,600. Figures 7 and 8 show that palm oil is the most financed value chain (77%). This is mainly due to the dynamism of the actors, their organization and innovation in warrantage operations. Palm oil also registered more beneficiaries because of the inclusion of sensitive actors. It is followed by corn with 11%. Several Nigerian markets have been found for corn ABC actors from Ouinhi, Kétou, and Pobè who, in order to mobilize quality supply and satisfy the strong demand of Nigerian buyers, requested working capital credit. This explains the high proportions of these two speculations. Pepper comes in last place with 2% of financing; on the other hand, in terms of beneficiaries, it comes second because of the women's groups that make pepper and obtained 15,900,000 CFA francs for a staff of 445.

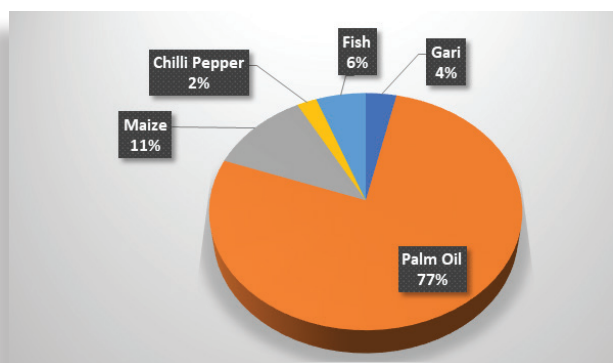


Figure 7 | Amount of Credit Facilitated by Product

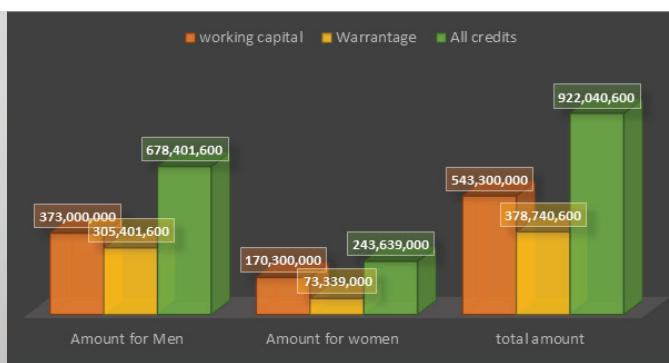


Figure 8 | Amount per Type of Credit According to Gender



Inclusion of Small Actors

As part of inclusive financing, a workshop brought together VSLA groups, which are groups with the most sensitive actors. Consideration has therefore given to defining a strategy for financing this target without breaking the existing harmony. Twenty groups were financed for a total amount of FCFA 15,900,000 for 445 beneficiaries, including 436 women, an average credit of FCFA 35,730 per beneficiary.



Financial education workshops assisted VSLA groups in their operations

The design of an image box to better convey the messages in the context of financial education has achieved the expected results of capturing the attention of the non-literate target. The images were well interpreted and met the target's expectations. The various modules developed have been well assimilated at the end of the various training sessions.

The photos below show some pictures of this effort.



Image boxes used in financial education



Effect of Financing on Volumes Produced

According to a survey carried out by the ACMA program on the beneficiaries of loans, the various working capital and storage credit financing arrangements resulted in a primary production surplus of 69.35 tons of the three products: palm nuts, corn and pepper, an increase of some 39% in the production level of the producers surveyed. The analysis carried out on each speculation studied shows that at the pepper level, the level of increase is very high (144%). This means that it is thanks to the credit that most of the surveyed pepper producers have planted larger areas of pepper and/or have significantly improved their yields. The level of increase in the production of palm nuts is also not negligible, 25% increase in the volume produced with credit.

The direct effect of the credit on the volume of production is justified by the use of the financing obtained by the respondents. Of those surveyed, 78% admitted to using the credit to:

- Purchase of agricultural inputs.
- Payment of labor.
- Land rental for production.
- Maintenance of palm groves.

Credit therefore facilitates access to the factors of production (land, labor, and inputs) that guarantee good performance and production.

For processed products, the only processing product taken into account at the time of the investigation is palm oil. The results of the survey show that a surplus of 48,535 tons of oil was recorded at the level of the ABC members surveyed. This represents a 67% increase in product at the processor level. The credit granted to ALIDé thus enabled the surveyed processors to increase the volumes processed.

Finally, the volumes marketed concern the surveyed actors who are in storage and purchase-sale. The market volume situation suggests a surplus of 877.22 tons of marketed products attributable to credit. Analysis of the table shows that the level of increase is greater at the pepper level (620% increase). That is to say, without credit, the pepper traders surveyed would mobilize only a tiny amount of pepper to meet the market needs. In the case of corn and, especially palm oil, the level of volume increase also remains high, at 44% and 77% respectively.



Effect of Credit on Product Quality

The survey results presented above suggest that credit facilitates access to production factors (raw materials, labor, small processing equipment, etc.) for beneficiaries. Moreover, at the time of the survey, some actors admitted to having used credit for farms maintenance of and the development of processing spaces. Thus, with the financing, the actors could have access to quality inputs (raw materials, seeds, fertilizers, etc.), have the skilled workforce, the tools required and make the



necessary adjustments to their processing unit. Anything that will affect the quality of the product. The survey shows that the financing facilitated by the ACMA program in the first half of 2016 from ALIDé has had a direct effect in mobilizing the supply of targeted value chains, including palm nuts, palm oil, corn, and pepper. These results show that it had a surplus of nearly 1207.895 tons of mobilized supply (Table 9). These results support the survey carried out for the first half of 2016, which showed a similar situation.

The value chains financed in the second half of 2016 (corn, palm oil, fish, gari, and soybeans) are not exactly the same as those evaluated (palm oil, pepper, and corn). Nevertheless, the financing facilitated in the second half of 2016 had positive effects on the mobilization of supply and the marketing of products.

The consequence of these effects is the improvement of the living conditions of the beneficiaries, who now manage to better satisfy their basic needs. They are happy to testify to this.

Testimonials



“I was really not storing palm oil. I bought and resold the same day in the border markets of Sèmè... With the credit, I was able to make the storage, it also allowed me to strengthen the systematic sale since I have regular customers at the border of Sèmè to whom I make deliveries of oil.”

– *Statement of an oil merchant member of the oil Agricultural Business Clusters of Adjohoun.*

• • •

“The credit in one week, it's extraordinary...I reinvested my profit in renting a field to plant cassava...this credit allowed me to restart my activities which were really at a standstill.”

– *An actor member of the gari Agricultural Business Clusters of the gari Agricultural Business Clusters of Adja Ouèrè.*

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“It was a long time ago that we did not sell the Big Basin of gari to FCFA 10,000. This is because the credit allowed us to store the gari... we avoided the sale and today the price of the gari is better.”

– *A member of the gari Agricultural Business Clusters of Adja Ouèrè*



Lessons Learned

- ✓ Apart from the risks associated with climate hazards, market risk must be taken seriously in agricultural financing. These are mainly the price fluctuations in the market and the fluctuation of the price of naira, the main currency of exchange between the Nigerian actors and customers. The instability of these prices affects credit repayment rates.
- ✓ Funding improves actors' incomes and consequently their living conditions. Funding received



and invested in income-generating activities generates income that can be reinvested in the activity or used to meet the vital needs of beneficiaries.

- ✓ The design of image boxes for the benefit of non-literate actors in the context of financial education improves the understanding of different concepts of credit management.
- ✓ Rigorous pre-and post-credit monitoring contributes to the reduction of default rates. Making site visits before and after any set-up of credit significantly inhibits ideas of credit diversion to other activities. The financial institution that has the final say on the amount to be disbursed and the systematic reminder of late payments constitute a good means of exerting pressure on the actors who do not manage to sustain the delays, and they settle within more or less reasonable time limits.
- ✓ Resources adapted to the real needs of the applicant contribute to the mobilization of the supply of products in quantity and quality.
- ✓ Facilitating access to finance enables actors to contribute effectively to the mobilization of supply in the market.
- ✓ The pooling of products requires compliance with certain quality standards in order to improve the conservation of products and hence the improvement of products sold.
- ✓ The introduction of credits adapted to the needs of the actors and flexible schedules improve repayment rates. Agricultural credit is one example.
- ✓ The good maintenance of the management records shows a traceability of activities and facilitates the establishment of credit.
- ✓ The low coverage of the territory by the partner financial institution forces the actors to transport cash from one commune to another for reimbursements or at the time of disbursements. This hinders the financial inclusion of actors and does not guarantee security.

Perspectives

Many challenges remain to be addressed. These include, among others:

✓ **Strengthen measures to minimize the risk of default**

Among other actions in this direction are:

- The physical guarantee requirement for working capital loans exceeding FCFA 500,000 to beneficiaries, if only as a deterrent.
- The requirement of insurance and material security for input credits.
- Rigor in the selection of files.

In general, the strengthening of post-credit monitoring actions is essential not only for the recovery of outstanding credits but also to prevent possible new cases of non-payment.

In addition, the search for additional funds is essential in view of the operationalization of the stores and infrastructures and commercial equipment (IEM) built by the ACMA 2 program, including those of Kétou, Pobè, and Ifangni to name but a few. Their operation requires a great deal of funding that must be covered.



✓ The search for new financial institutions

In the context of store management, a serious perspective is the search for other financial institutions that can offer advantageous conditions to the actors especially in the context of the Collective Marketing System (SCMM) and the commissioning of other infrastructures whose profitability will depend in part on the financial costs generated by the various financial contribution. Therefore, it should be stressed that for the actors (entrepreneurs) whose financing needs exceed the ceiling of FCFA 10,000,000 set by ALIDé, access to larger loans from other institutions such as banks becomes necessary. To this end, ABC actors will need to have formal guarantees, and support for the development of bankable business plans is essential in connection with facilitating access to finance.

✓ Improving the financial inclusion rate

It is essential to think about improving the financial inclusion rate of actors by analyzing with financial structures the creation of innovative products such as mobile banking. It is therefore important that agencies be set up in all the municipalities where the program operates. This will allow actors to easily make their withdrawals and deposits without too much hassle and in complete safety.

✓ Extension of the scope of financing in the Zou Department

Given the low level of funding in the Zou department, it is necessary to raise awareness in order to obtain massive support from actors for ACMA program activities, including the warrantage mechanism. Other speculations such as groundnut oil and peppers should also be explored in order to take them into account in the financing to be facilitated.

✓ Finance the entire agricultural value chain

A value chain is characterized by market-oriented collaboration. To this end, different commercial enterprises or actors collaborate to develop and market products and services efficiently and effectively. Value chains enable businesses to respond to market needs by matching production, processing, and marketing activities with consumer demands. In order to facilitate the increase of income at the level of a larger number of actors, it is necessary to take into account the production link in the facilitated financing. Financing all the components of the Agricultural Value Chain provides an opportunity to expand the financial space for agriculture, improve efficiency, ensure repayments, and strengthen relationships among the actors in the Agricultural Value Chain.

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financed by the Embassy of the Netherlands and implemented by a consortium of five institutions - International Fertilizer Development Center (IFDC - Lead Partner), the Royal Tropical Institute (KIT), CARE International, Sahel Capital Partners & Advisory Ltd, and Benin Consulting Group International (BeCG). It has been developed (from november 2013 to 31 december 2017) in three Nigerian border departments with high agricultural potential - Ouémé, Plateau and Zou through seven value chains (VC) initially: palm oil, maize, gari, chilli and fish, then peanuts and soya. The overall objective of the ACMA programme is "the improvement of food security and the increase of agricultural incomes of the direct actors".

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