



# **FINANCING THE WORKING CAPITAL OF AGRICULTURAL ENTERPRISES:**

**RCPB EXPERIENCE**

**March 27 – 30, 2012 o KAMPALA/UGANDA**



« Solidaires pour un mieux-être! »

# OUTLINE

- 1- Background
- 2- Agricultural enterprises in Burkina Faso
- 3- Financing requirements of enterprises
- 4- Constraints to financing for enterprises
- 5- RCPB financing strategy
- 6- A few figures



# 1- BACKGROUND (1/3)

## a- Burkina Faso ?

- ❖ Located in West Africa, measures 274,000 km<sup>2</sup>
- ❖ Population of 14,077,262 / 38.61% working
- ❖ Agricultural sector employs more than 81.20% of the working population
- ❖ Main agricultural subsectors: cotton, maize, rice, fruits and vegetables, sesame, soybeans, cashew nuts, shea butter
- ❖ Adoption of development programs, government economic development policy frameworks:
  - ✓ Organization of agricultural sector (creation of Unions/Federations of local organizations by subsector)
  - ✓ Professionalization (trade organization approach)
  - ✓ Subsector approach / value chains



# 1- BACKGROUND (2/3)

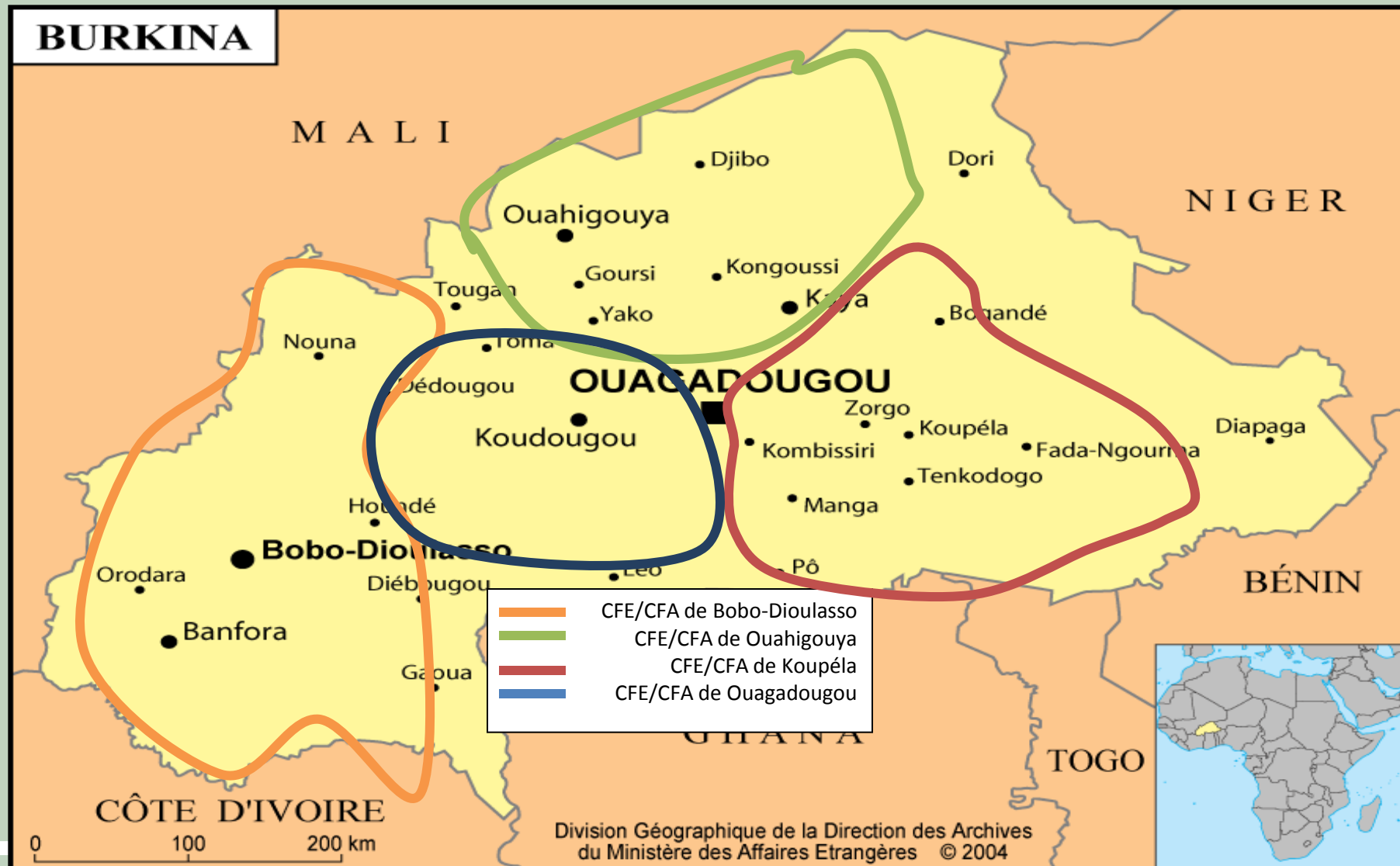
## b- RCPB: Network of financial cooperatives in Burkina Faso

- ❖ Date of creation of the first cooperative enterprise: 1972
- ❖ A two-tiered network: cooperatives, umbrella
- ❖ 39 local enterprises + 131 agencies,  $\frac{3}{4}$  of them in rural areas
- ❖ Presence in 44/45 provinces of Burkina Faso
- ❖ Number of members: 852,149 - and more than 1.8 million beneficiaries
- ❖ **CFAF 84 billion** (USD 168,000,000) in savings mobilized at the local level
- ❖ **CFAF 66 billion** (USD 132,000,000) of credit provided/**22%** focused on agricultural sector
- ❖ Specialized structures (mutual guarantee company, financial center for entrepreneurs)



# 1- BACKGROUND (3/3)

## c- Area of intervention



## **2-AGRICULTURAL ENTERPRISES IN BURKINA FASO (1/3)**

### **a- Types of agricultural enterprise**

- ❖ Individual: physical person who has achieved a certain level of development (equipped, diversified)
- ❖ Agricultural trade organizations (OPAs): producer organizations at the local, regional, and national levels
- ❖ Agrobusiness stakeholders: physical persons promoted at government instigation (individuals from privileged backgrounds, civil servants, or private sector workers)



## **2-AGRICULTURAL ENTERPRISES IN BURKINA FASO(2/3)**

### **b- Characteristics of agricultural enterprises (1/2)**

- ❖ Characteristic features
  - ✓ Legal status
  - ✓ Vision and objectives
  - ✓ Management team for rational decision making
  - ✓ More than 50% of output market-bound
  - ✓ Minimum level of equipment and technological inputs (improved seeds, chemical fertilizers, etc.)
  - ✓ Has an operating account



## **2-AGRICULTURAL ENTERPRISES IN BURKINA FASO (2/3)**

### **b- Characteristics of agricultural enterprises (2/2)**

- ❖ Areas of intervention
  - ✓ Physical persons (778 agricultural enterprises): supplying inputs, collecting grain surpluses, processing, and marketing
  - ✓ Local farmer organizations (more than 50,000 organizations): defending their members' interests in regard to the production, purchase (grouped), and sale of products (collective marketing) + providing services to members





## **2-AGRICULTURAL ENTERPRISES IN BURKINA FASO (3/3)**

### **c- Importance of agricultural enterprises**

- ❖ Dominant position in the challenges of food security
- ❖ Advocacy role for creating an environment and policies favorable to smallholders and family farms
- ❖ Participation in the formulation of development policies and strategies



# 3- WORKING CAPITAL FINANCING REQUIREMENTS

## Needs of producers



**Input suppliers**



**Production**



**Storage**



**Equipment purchase**

### Social needs

**Education**

**Health**

**Pre-harvest gap**

**Housing**

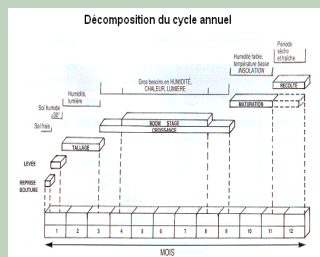


**Processing and marketing**



# 4- CONSTRAINTS TO FINANCING FOR AGRICULTURAL ENTERPRISES

## Cyclical or seasonal nature



Irregular financial flows, other income sources needed

## Substantial price volatility



*Selling off products*  
Variable income, high risk of financial incapacity

## Secteur often poorly organized



Weak group formation

## Weaknesses/ quality of guarantees



Infrastructure (quantity and quality)

## Market access



Inaccessibility, weak negotiating capacity

## Limited knowledge of sector

Complex sector/ Low level of training/  
Ignorance of the environment  
Necessity of partnership

## Limited stable financial resources



Limited equipment financing



## 5- FINANCING STRATEGIES (1/8)

### a- Types of credit

<b>Types of credit</b>	<b>Credit nature</b>	<b>Credit purpose</b>
Working capital	• Production	• Inputs (fertilizers, pesticides, seeds) MO etc.
	• Processing and marketing	• To purchase goods
	• Fattening credit	• Cattle, sheep, swine fattening
	Market prefinancing	Guarantees and credit/supply contracts



## 5- FINANCING STRATEGIES (2/8)

### b- Guarantees

- ❖ Material guarantees
- ❖ Financial guarantees
- ❖ Credit provision scheme (life insurance)
- ❖ Joint and several guarantee
- ❖ Warrant



## 5- FINANCING STRATEGIES (4/8)

### c- Method of financing (1/3)

#### ❖ Direct financing for producers

**Individual mango  
drying  
enterprise**



**BANK**

**Borrower in a direct relationship with the bank**

#### **Example: Mango processor**

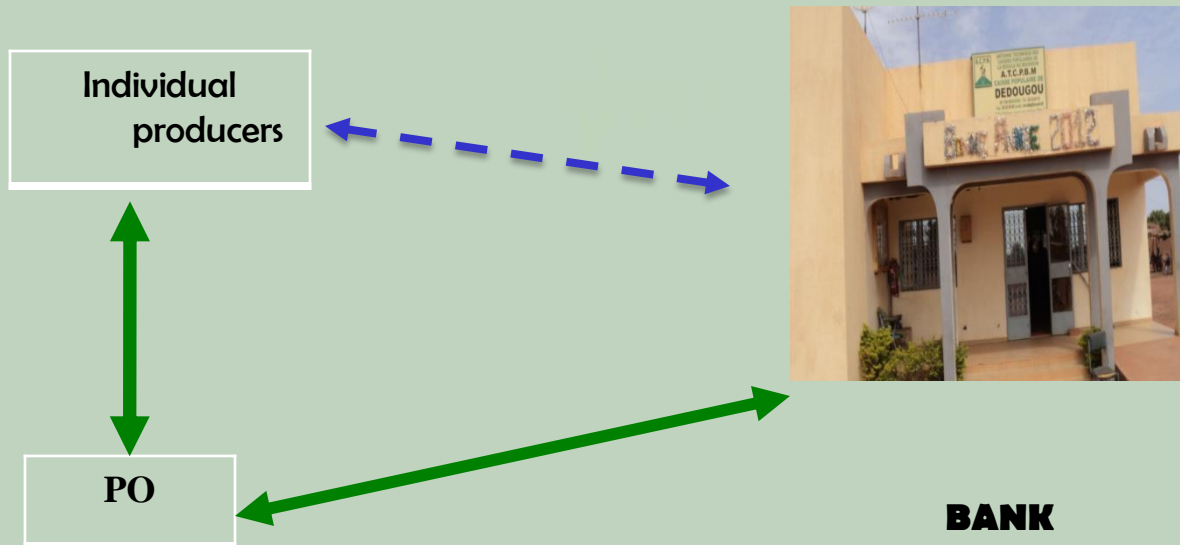
- Member: individual producer
- Working capital requirements: USD 60,000
- Term: 10-month season
- 7-month grace period
- Frequency: 3 repayments max
- Guarantee: Mortgage + purchase contract + equipment



## 5- FINANCING STRATEGIES (5/8)

### c- Method of financing (2/3)

#### ❖ Financing through a Producer Organization (PO)



#### Example: UGPA

- Members: 1,000+ producers
- Area: grains
- Working capital requirements: USD 1,000,000
- Term: 10-month season
- Frequency: based on sales
- Released gradually
- Guarantee: Joint and several guarantee + purchase contract + guarantee fund
- System of grouped sales
- Bankarization prospects

**Borrower connected to the bank through a producer organization**

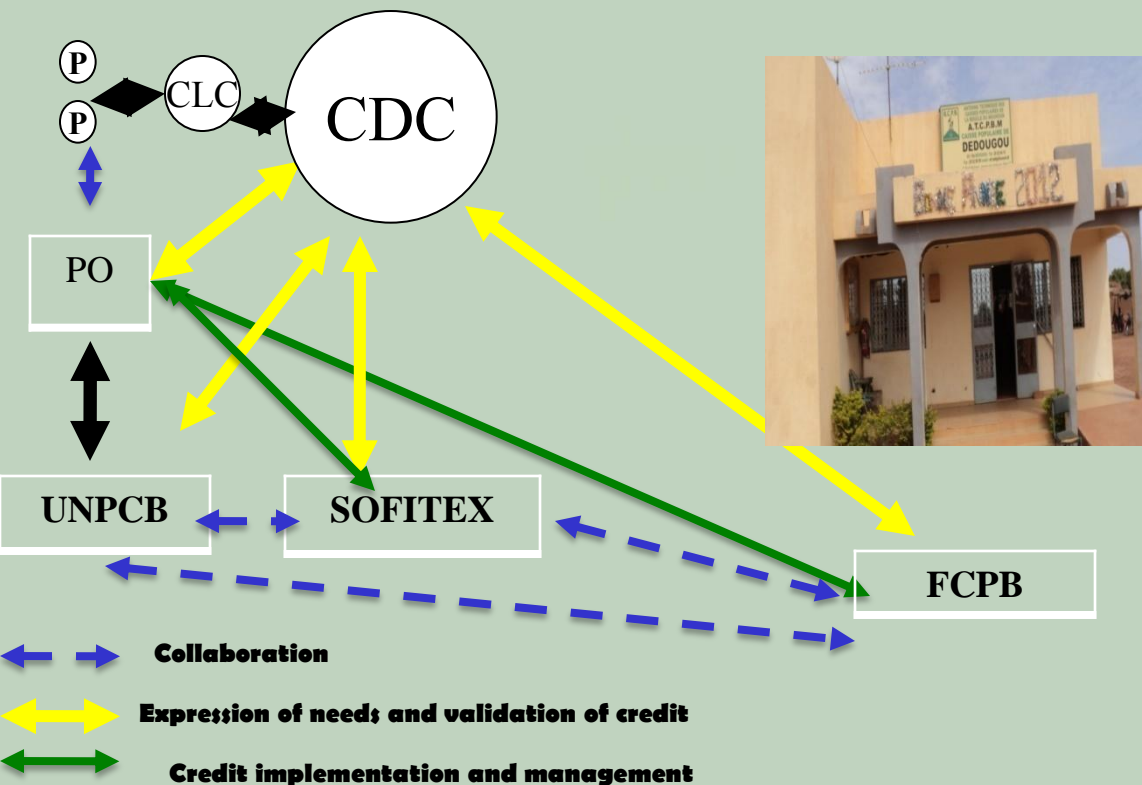




## 5- FINANCING STRATEGIES (6/8)

### c- Method of financing (3/3)

#### ❖ Program financing



**In agreement with partners (to facilitate the distribution of financial services)**

#### Example: FC

- Members: 50,000+
- Area: cotton and grain inputs
- PO: 10-30 producers
- UNPCB: National and subregional position
- SOFITEX: purchaser
- Working capital requirements: USD 6,000,000
- Term: 10-month season
- Frequency: based on sales
- Released gradually
- Guarantee: Joint and several guarantee + purchase contract
- Mechanisms:
  - Credit committee: UNPCB-SOFITEX-FCPB
  - Facilitate credit distribution and reduce distribution costs, provide technical and business advice
  - Concerted follow-up (to professionalize the sector)
  - Training provided
  - Integrated development approach
  - System of grouped sales
- Bankarization prospects





## 5- FINANCING STRATEGIES (7/8)

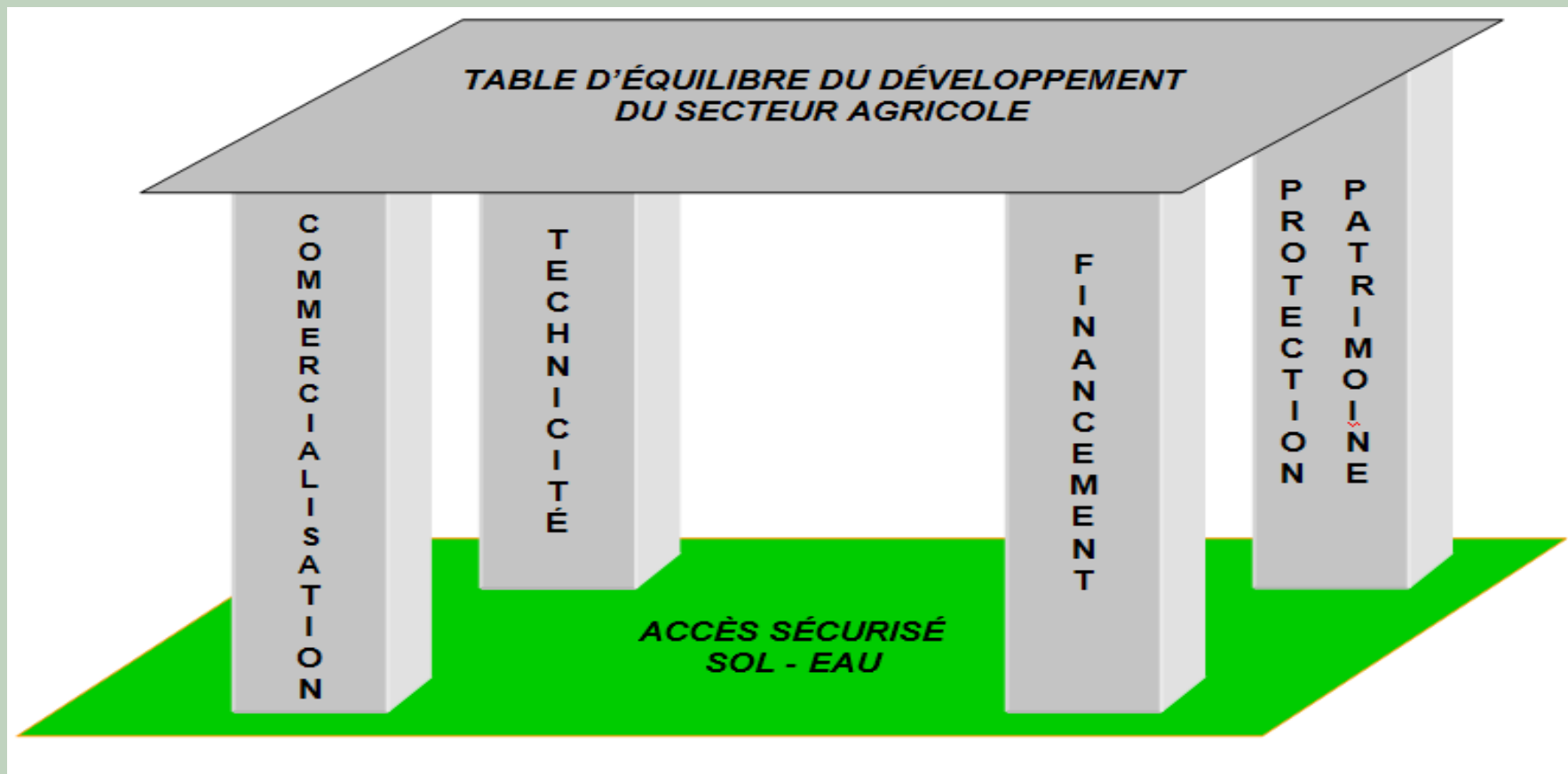
### d- Internal provisions

- ❖ Contingency fund
- ❖ Portfolio diversification strategy (amount, sector of activity, subsector)
- ❖ Development of partnerships



## 5- FINANCING STRATEGIES (8/8)

### d- Development model



## 5- A FEW FIGURES, DECEMBER 31, 2011

<b>FINANCED ACTIVITIES</b>	<b>Amount (USD)</b>	<b>%</b>
Agricultural production	4,568,544	15.77%
Stockraising and fattening	8,327,161	28.74%
Fruit and vegetable trade	902,920	3.12%
Grain storage and marketing	7,180,061	24.78%
Processing of agricultural products	1,204,986	4.16%
Investment (agricultural equipment, automotive equipment, improved operations, renewed plantations)	963,645	3.33%
Agricultural market prefinancing	54,217	0.19%
Cotton industry contribution	5,772,486	19.92%
Total outstanding agricultural credit	<b>28,974,019</b>	<b>100.0%</b>
Total outstanding RCPB credit	<b>132,530,000</b>	
% agricultural credit		<b>22.00%</b>



# CONCLUSION

- ❖ Agricultural financing leads to:
  - ✓ Delivery of financial products in rural areas
  - ✓ Support for rural populations from professionals
  - ✓ Achievement of social mission
- ❖ Agricultural financing entails risks:
  - ✓ Risky sector (contingencies, unsuitable guarantees, unconfirmed expertise, level of organization, etc.)
- ❖ Efforts to make necessary adjustments:
  - ✓ Develop human resource capacities (sector knowledge, adaptation of repayment methods and products)
  - ✓ Develop quality agricultural credit – work time, contact/information networking (validation of product quality, pricing), necessity of working with producer organizations (good knowledge of the area and lower service delivery costs)





THANK YOU FOR YOUR KIND  
ATTENTION

