

# Réseau des Caisses Populaires du Burkina

## PROJECT RESULTS AND LESSONS



## Project Overview

**R**éseau des Caisses Populaires du Burkina (RCPB) is the biggest credit union network and microfinance institution in Burkina Faso. By December 2014, the network served 1.06 million clients directly, comprising 160,000 groups with 1.7 million indirect members, thus serving directly and indirectly about 2.7 million individuals. The network services are focused in rural areas with 120 out of 185 of its points of service being located there. RCPB offers targeted services to its diverse clientele, which includes farmers, food processors, micro entrepreneurs, small and medium enterprises, petty traders, and wage earners

In 2013, RCPB partnered with AgriFin with the objective of enhancing its capacity to provide financial services to the agriculture sector and developing profitable loan products for agricultural SMEs. Project activities focused on the following: 1) improving the overall systems of the network to increase its efficiency; 2) strengthening institutional capacity to better

serve agricultural clients through staff training and the development of new tools, manuals, and guidelines; and 3) developing new financial products targeting agricultural clients. The purpose of this note is to provide a short summary of the main results achieved by RCPB and outline some of the key lessons emerging from the project.

## Results

### **Strengthened the agricultural loan portfolio.**

During the AgriFin project, RCPB increased the number and value of agricultural loans as well as improved the portfolio at risk. Between 2011 and 2014, RCPB's loans to the agricultural sector increased by 22%, from \$US 42.5 million to \$US 52.0 million. The number of agricultural loans also increased by 21%, from 25,575 to 32,535. The portfolio-at-risk > 90 days in the agricultural sector was reduced from 4.4% to 2.5%.

**Improved the overall functioning of the network systems.** During the project design, RCPB emphasized the need to improve the overall functioning of the network in order to deliver agricultural financial services more effectively. A number of activities were undertaken including: i) the development of an agricultural finance strategy; ii) assessment of the potential for consortium finance in order to respond to the growing needs of larger clients which could not be met by the primary credit unions alone; iii) market opportunity studies

to identify crops and commodities that offered best potential to expand lending and introduce value chain finance; iv) developed a number of operational manuals and tools used by staff, improving the quality of lending processes; v) improved its management information system; and vi) electrified 15 remote branches of credit unions through solar panels and linked them to the IT-platform, to which they were previously not connected.

**Expanded the role of the four Centers for Enterprise Finance to include agriculture credit which increased the network's lending capacity.** As the demand for larger loans grew among SMEs and wealthier clients, the credit unions in the RCPB network did not have the capacity and expertise to respond to such a demand. To address this issue, in the early 2000s, RCPB established the Center for Enterprise Finance in Bobo Dioulasso, an agriculture dominated region in the South-West of Burkina Faso. The primary responsibility of



the Center was to handle the technical appraisal of all loans above US\$ 9,000. Given the success of the Center in significantly reducing loan losses, RCPB created three additional centers in Ouagadougou, Ouahigouya, and Koupela. Under the AgriFin project, the network hired five new agricultural portfolio advisors, one for each CEF and one to lead and inspire the process at the headquarters, and invested substantially in their further training. These advisors are now in charge of all technical assessments of agricultural loans above \$US 9,000. In addition, they provide training and coaching to their counterparts in the primary credit unions, and are engaged in the conceptual and practical development of agricultural lending. They also serve as relay stations for identifying new products, services, client groups and value chains to be supported by the network.

**Improved the management information system (MIS).** This enabled RCPB to more effectively monitor its agricultural loan portfolio. Instead of keeping all agricultural loans under one label, the improved system allows to distinguish between agricultural production, trade and processing, by crop, region, legal status, age, gender, length of experience and track records on previous loans. These improvements enable RCPB to identify and isolate factors contributing to relatively higher or lower repayment records.

**Developed commodity technical cards which strengthened the ability of loan officers to conduct loan appraisals more efficiently.** In order to enhance the institutional understanding of agricultural operations and improve client assessment, RCPB commissioned the production of technical cards<sup>1</sup>, covering six agricultural commodities: sesame, maize, onion, red meat, rice and cowpeas. The technical cards offer details on production systems and techniques, including quantities of inputs required, disease and price risks, costs, yields, and profitability

<sup>1</sup> Technical cards are available on AgriFin's website at: <http://agrifinfacility.org/credit-risk-assessment-tools>; See also the webinar on the related experience in Mali with similar tools.

for the respective agricultural commodity. The tech cards have substantially improved the ability of loan officers to conduct loan appraisal effectively.

**Developed a product for medium-term financing of agricultural equipment.** Under the project, RCPB reviewed its term financing approaches for the agricultural sector. Clients have the option to choose either a term loan or a leasing agreement, depending on their preferences. The network signed agreements with three principal suppliers of equipment, in particular small scale tractors and water pumps, with special clauses for sale of repossessed equipment in case of default and the provision of spare parts to clients. Suppliers also provide training to borrowers on use and maintenance of equipment. Within the relatively short period of time since the product has been offered, the first loans have been disbursed. The network is satisfied that it is now in a position to widen the range of its products to SMEs.

**Implemented a structured and systematic approach to capacity building.** Upon finalization and validation of a product, tool, manual or guidelines, training materials were developed, followed by training of trainers who eventually took over staff training. This cascading training was partly accompanied and supervised by an external technical assistance provider. More than half of all staff have been involved in the training process, including all staff involved in the loan process, from the promoters of women groups in the villages to the heads of departments at the head office. The trainings focused on increasing understanding of agricultural commodities and the conditions under which these would be profitable for the client.

## Lessons

**Adjusting to the particularities of agricultural finance.** After decades of financing the cotton sector, with its high level of integration, and the slow exit from cotton, the AgriFin project helped the network to deepen its

knowledge of the agricultural sector, its specific client profiles and financing requirements. Loan officers now understand agronomic cycles and the related business settings and are able to read signs of weakness or emerging problems in other value chains. A regular approach to visiting clients and checking their performance has been established, with reporting formats geared at managing risks where possible. The network also learnt how to assess farmer organizations other than those in the cotton sector, and how to understand their risk profiles and financing requirements within each different value chain financed.

### **Responding to growing demand for larger loans required major institutional changes.**

In order to effectively respond to the demand for larger loans, a much higher level of expertise in agriculture finance was needed than what existed at the credit union level. As a result, RCPB widened the scope of intervention of the four Centers for Enterprise Finance<sup>2</sup> which brought the much needed expertise throughout the network. In addition to handling larger loans, the agricultural portfolio advisors hired by the CEFs were able to carry new products and assessment tools to the grassroots societies, and improve performance there as well. They opened space for fresh thinking about what to finance in the agricultural sector, and helped the primary societies to carry their messages to potential clients. This helped to go much further than traditional staff training would have permitted, in particular with regards to the depth of understanding on what to finance, and what not, and how. The approach has further deepened the usefulness of the CEFs for the benefit of the network given that the agricultural loan portfolio advisors quickly became familiar with the processes used to appraise other types of loans. Given the importance and potential of agriculture for the economy of Burkina Faso, the specialization on agriculture will remain relevant for quite some time for the network.

<sup>2</sup> Refer to the results section for more on CEFs.

### **When faced with a complex organizational structure, it makes more sense to prioritize operational improvements before launching new products.**

Although at the project design stage, RCPB had ambitious plans to develop new financial products for agricultural clients, the network realized that it was necessary to first focus on addressing the organizational and systemic issues, and to strengthen agricultural lending skills throughout the network before embarking on other complex activities. Given the institutional capacity that RCPB developed during the AgriFin project and with key institutional changes now in place, the network plans to carry out product development especially focusing on a) value chain finance, and b) agricultural SMEs, as described below:

- a. **Value chain finance.** RCPB has approved the principles and is actively searching for opportunities to test and refine its approach. In this process, the network realized the importance of developing a parallel set of risk management approaches and devices, including management of payment streams, projection of market prices, validity of pre-season sales agreements, and accuracy of profitability projections. The network further learned that credit officers, and the portfolio advisors in the CEFs, have a great potential to positively influence the behavior and performance of their clientele, by advising them on appropriate production strategies and innovations, market developments, etc.
- b. **Agricultural SMEs.** Similar lessons as above can be drawn with regard to agricultural SMEs. These had been identified at the start as a potential new customer segment given that they have been traditionally underserved by the financial sector; their requirements were often below what banks would conveniently finance, and above what smaller credit unions would agree to finance. RCPB sees agricultural SMEs as an opportunity for growth and plans to identify suitable potential clients and adjust the existing

working capital and other product requirements to their needs and potential.

**Building in-house capacity through an effective training of trainers (ToT) program allowed RCPB to deliver network-wide staff training in a cost-effective manner.** During the earlier stages of the AgriFin project, RCPB selected a number of professional trainers among its staff and organized a range of training sessions to enable them to deliver appropriate and participatory adult training programs and develop relevant training materials. This helped RCPB create a pool of trainers capable of communicating important messages to the staff and membership with higher levels

of effectiveness and consensus building than the traditional methods applied before. Training sessions are now always concluded with an evaluation process, which helps refine future training programs. Another advantage of the ToT approach is that it ensures the sustainability of the training program as the trainers are staff members who can conduct future staff training as necessary. A very positive impact has been achieved by broadly involving head office and field staff in the training development process, which deepened and perfected the final products, and allowed for broad based learning effects on staff, but also tended to reduce the pace in the program development process.

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