



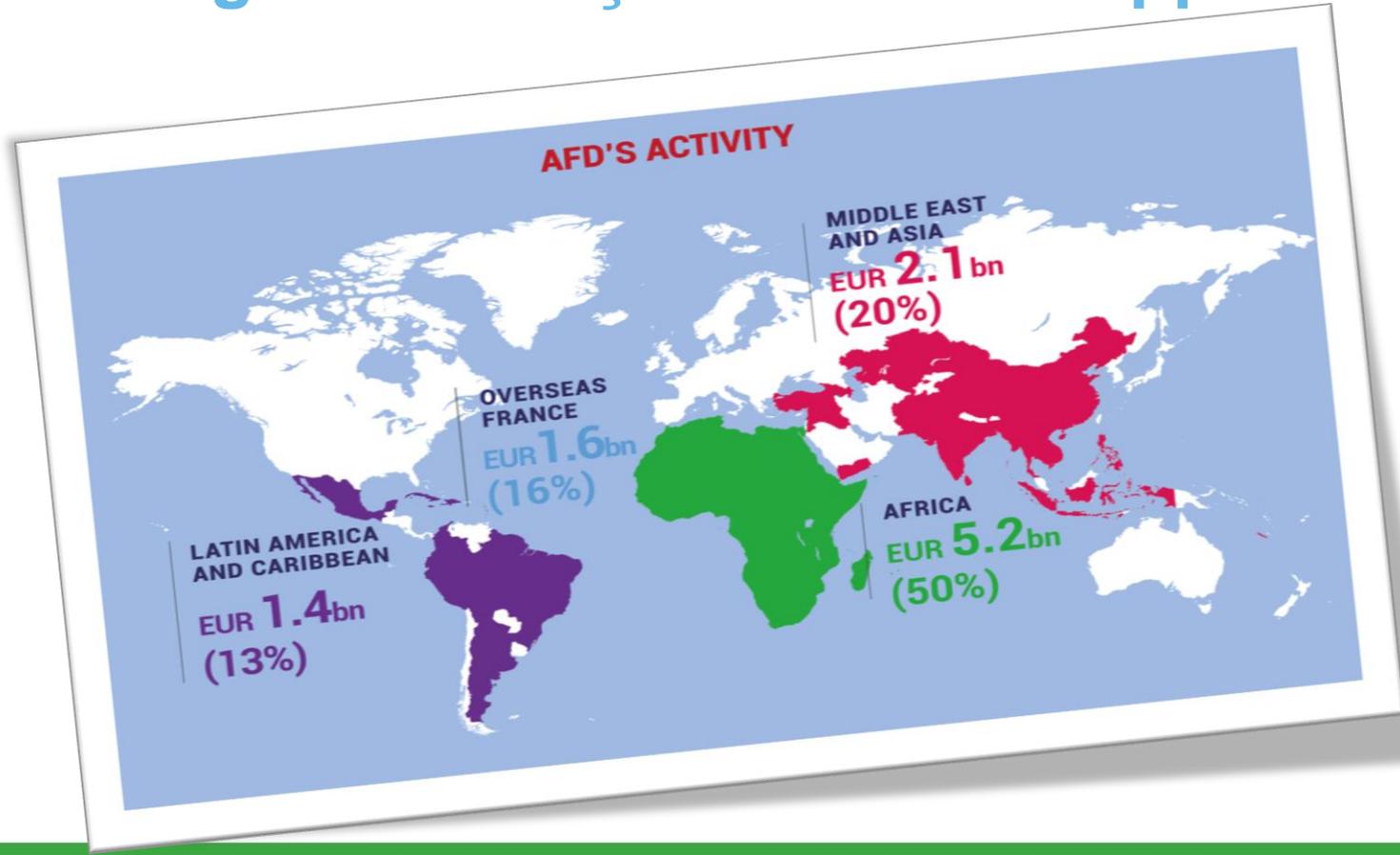
Access to finance and FPOs

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AGENCE FRANCAISE DE DEVELOPPEMENT



AFD / Agence Française de Développement



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Loans to States

38%



Loans to companies and local authorities

41%

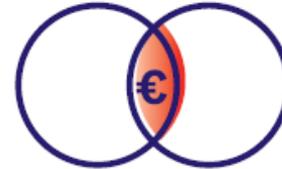
**EUR
1.5bn**



Grants (grants to NGOs, C2D, delegation of funds from other donors)

15%

EUR 0.6bn



Guarantees and equity investments

6%



AGREENFI

AGREENFI is AFD group's agricultural and rural finance label

AGREENFI encourages local financial institutions to provide tailored financial services to support the actors of the rural world.

AGREENFI promotes access to financial resources (dedicated credit lines) and technical assistance adapted to the needs of the financial actors (technical assistance to local financial institutions as well as to farmers / FPOs).

FPOs : an important focus for AFD in the projects for agriculture development, based on experience and on history of French agriculture development.

AGREENFI



A complete ecosystem:

Agricultural development requires building up an ecosystem that combines public and private stakeholders, among which FPOs have a key role to play

Agri-finance:

Is provided by public or private financial institutions and stands as one of the key components of this ecosystem.

Fostering the role of FPOs

Family farming is the focus of AFD as regards agriculture development / **FPOs = legitimate organizations representing family farmers**

Different in size, geographical dimension and scope : from basic village organizations with simple functions to national APEX bodies specialized in advocacy for the agricultural sector.

Two main phases in the history of support provided by AFD to FPOs (in Africa) : from support to creation and structuration (empowerment objective) to strengthening capacities for performing technical and economical functions.

However, collaboration among farmers is not always easy, and cooperatives, marketing associations, and related groups undergo the **risk to collapse** due to lack of solidarity and/or poor governance, or too much dependance on external support.

Agri-financing : lessons learned at AFD

Experience shows that farmers, and **smallholder farmers in particular, have much to gain by collaborating** through associations and cooperatives : joining forces in obtaining fair prices for farm inputs, fair prices in selling products, and in negotiating credit.

It is also in the **interest of agro-processors and agro-traders** to work with farmers groups rather than farmers individually : economies of scale, reliability of the group, easiness to convey technical messages concerning quality of produce or certification for instance.

From the point of view of a **financial institution (bank or MFI)** dealing with groups has great advantages as well because of self-selection within the groups.

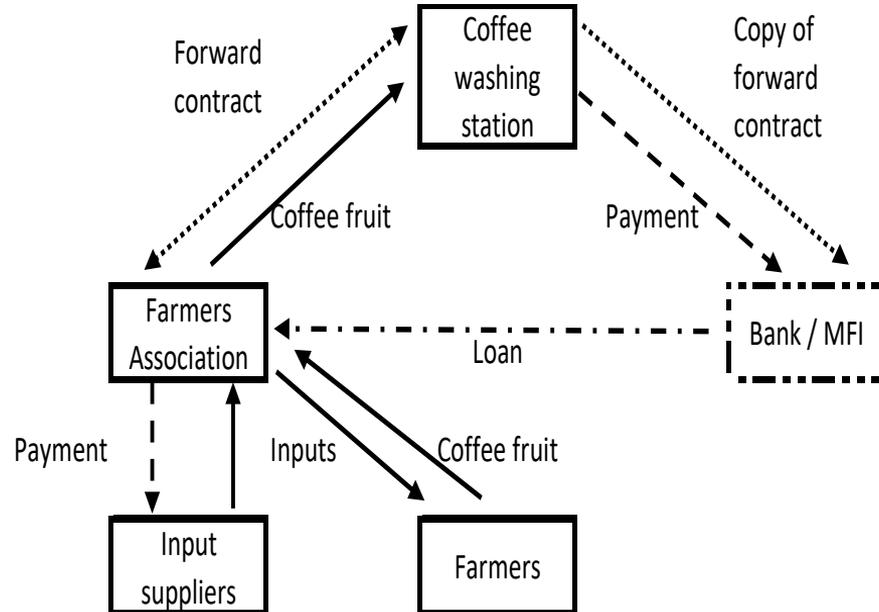
Contract farming

Among the several innovative schemes in agricultural finance, **contract farming (a form of value chain financing)** involves traders and/or processors who provide or facilitate credit to farmers willing to sell their crop forward.

Buyers are motivated to secure product supply and farmers are motivated by market and secured prices.

However, these schemes do not eliminate risks such as partner non compliance and harvest failure. A need for guarantee schemes?

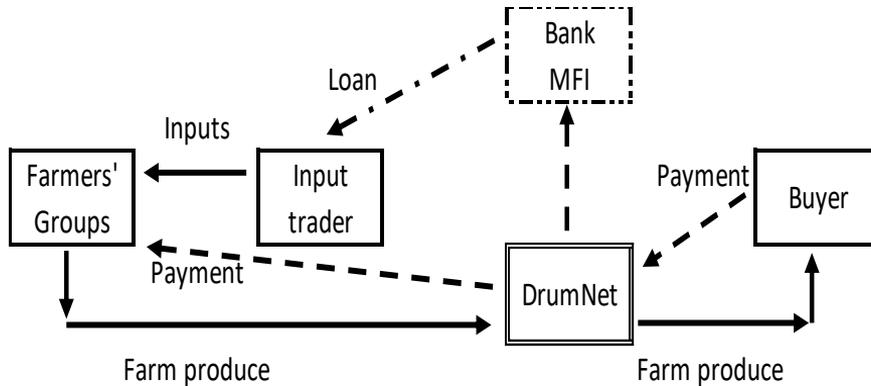
Contract farming



Example in Central Africa : coffee farmers organized in associations or cooperatives receive credit from banks, and this is done through the coffee-washing stations to which they agree to deliver the crop; credit repayment (with interest) is deducted from the value of the coffee fruit delivered.

Example in Mali and Senegal : cotton production, where farmers associations receive credit in kind (inputs) through farmers unions; in addition they receive cash advances that can be used for other crops.

Value chain intermediation



Source: Campaigne, Rausch, 2010

Value chain intermediation is another example of access to credit facilitated through farmers groups.

In the example, a « platform » (independent party) sits in the middle and manages the process through a master contract.

Thank you for your attention !

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