

# PRO-PLANTEURS factsheet: Access to Financing for Cocoa Farmer Organizations in Côte d'Ivoire

## Introduction

PRO-PLANTEURS is a joint project of the Ivorian Conseil du Café-Cacao (CCC), the German Initiative on Sustainable Cocoa (GISCO) and the German Government (Ministry for Food and Agriculture and Ministry for Economic Cooperation and Development). The project aims to professionalise 20,000 cocoa-producing family-owned businesses and their farmer organizations in the eastern, southern and south-eastern regions of Côte d'Ivoire within a five-year period (2015-2020). PRO-PLANTEURS cooperates with 35 farmer organizations and their members.

Farmer organizations are the link between cocoa farmers and buyers, such as cocoa grinders and exporters. On the one hand, farmer organizations collect cocoa beans from their members according to a deposit-sale system and buy cocoa beans from non-members at farm gate price and on the other hand resell them to buyers. Yet, they face competition from intermediaries called “trackers”, who do not shy away from picking up cocoa from members of farmer organizations in remote places reachable only by roads in bad conditions, pay cash immediately, and often pay a higher price than the guaranteed farmgate price. Consequently, a farmer organization has to offer services to its members according to the cooperative spirit and to be relevant to its members, however, they are often unable to invest and offer services due to limited financial resources. Therefore, access to financing is essential for the competitiveness and development of a farmer organization.

Within the PRO-PLANTEURS project, the first group of 18 farmer organizations completed a training and coaching phase for their professionalisation in 2018 (see PRO-PLANTEURS Factsheet Professionalizing Organizations of Cocoa Producers). During the implementation of the project activities, access to financing constituted a major constraint to the farmer organizations. Given these difficulties, **the project carried out several activities to facilitate access to financing for the PRO-PLANTEURS farmer organizations. As a result, access to financing of the farmer organizations improved considerably.**

## Financing situation for farmer organizations in the cocoa sector in Côte d'Ivoire

The most common type of financing found in cocoa farmer organizations is **pre-financing of the cocoa season**. Pre-financing is **done by buyers of a farmer organization, e.g. international cocoa grinders and traders**. Thus, the farmer organization is able to pay members in a short time frame and to pay non-member producers in cash and on the spot. The cost of this financing (interest rate) is not transparent because the farmer organizations do not repay in currency (FCFA) but in cocoa beans.

In addition, farmer organizations often obtain “**input credits**”, i.e. **crop-protection products on credit from suppliers after paying an initial payment**. Thereafter, the farmer organization sells the products to members on credit. Those credits are then reimbursed by the members by delivering cocoa.

In contrast, the **financial sector is underdeveloped in Côte d'Ivoire and financial institutions are not playing their role as financial intermediaries.**<sup>1</sup>

<sup>1</sup> World Bank (2016) : The race to emergence : why Côte d'Ivoire must adjust its financial system (available at: <http://documents.worldbank.org/curated/en/324141467904787703/La-Course-vers-lemergence-pourquoi-la-Côte-d'Ivoire-doit-ajuster-son-système-financier>)

### Supply of Financing by Financial Institutions

Commercial banks account for three quarters of financial assets but lend only short-term loans to the agricultural sector. In 2017, only 6% of bank loans were allocated to the agricultural sector. The majority is received by processing and export companies, except for a few large farmer organizations.

Microfinance institutions account for only 2% of financial assets and less than 5% of total loans dispersed in the financial sector. However, they serve one Third of all clients. 9,5% of their loans are dedicated to the agricultural sector and they are getting more involved in the cocoa sector.

### Demand by farmer organizations

Farmer organizations generally require three types of financing:

- **Pre-financing of the cocoa marketing season**, i.e. working capital for the purchase of cocoa from their members immediately and in cash;
- **Financing of investments** for the purchase of vehicles or equipment for the farmer organization;
- **Financing of inputs** (input credits) and **production activities**.

### Obstacles for matching supply of financial institutions and demand by farmer organizations

- **Lack of offers adapted to actual needs in the agricultural context:** So far, the amounts disbursed by financial institutions remain low as they consider the agricultural sector to be risky. As a result, access conditions are sometimes restrictive and procedures long and sometimes non-transparent.
- **Credibility crisis:** Farmer organizations face difficulties in accessing financing because of their shortcomings in financial management. Financial institutions struggle to assess the credibility of the information given by farmer organizations. In addition, they struggle with the lack of guarantees in the informal agricultural sector. Limited success in the past caused financial institutions to disengage from the cocoa sector. The lack of trust in the agricultural sector follows only short-term credit offers.
- **Dependence on exporters:** In general, buyers, such as international grinders and exporters, finance farmer organizations. They cover parts of the costs of certification, pre-finance the cocoa marketing season, which creates a strong dependence on buyers and inhibits the development of responsible organizations.

**Source:** Study of Access to Financing, PRO-PLANTEURS, 2017

## Activities by PRO-PLANTEURS to facilitate access to financing

### 1. Study on Access to Financing

In 2017, the project commissioned a study on the cost structure and access to financing for farmer organizations.

The study revealed that **financial products from financial institutions exist for farmer organizations** (leasing, pre-financing and financing of the agricultural season, such as input credits...):

- microfinance **institutions** (mainly Advans and UNACOOPEC-CI) **are active in financing the sector and are also venturing into financing individual farmers**. Some created adapted products for the cocoa sector, such as loans for equipment and trucks and working capital loans for the crop season, which facilitates distribution of the products to farmers and farmer organizations;
- yet, **few banks** have ventured into financing of farmer organizations and when they do, they focus on farmer organizations that have an export license; banks have not yet found an adapted product for the sector;
- among **social investors**, some of the institutions aim to grant amounts that are too high and (still) have very strict criteria.

As microfinance institutions start to be in competition in the farmer organization's financing market, social investment funds, such as Shared Interest and SIDI, also offer farmer organizations financing solutions. Nonetheless, those are not yet sufficiently captured by farmer organizations, due to the conditions imposed on farmer organizations or the still limited scope of financing by the social investment funds. In comparison, requirements and amounts disbursed by micro-finance institutions are more achievable and better adapted to the needs of the farmer organizations. In particular, export licenses and minimum turnover are requirements often imposed by social investors but not by micro-finance institutions. In addition, financing conditions are not transparent and repayment processing can be difficult because it is not yet standardised.

## 2. Training of Farmer Organizations

**Some PRO-PLANTEURS farmer organizations received loans from financial institutions in the past. However, access to financing from financial institutions is still weak.**

The financing situation for loans for the agricultural season (i.e. pre-financing of the marketing season, financing of the cocoa season or financing of investments) from a financial institution before training began:

- 2016: No loans for the 18 farmer organizations already part of the project (group 1)
- 2018: No loans for the 17 farmer organizations included in the project in 2018 (group 2)

The professionalization of farmer organizations by PRO-PLANTEURS is oriented towards improving management and organization of farmer organizations. The approach **COOP ACADEMY** includes **theoretical training and on-site coaching over a period of ten to 15 months**. Access to loans and financial management of farmer organizations are part of the program (see PRO-PLANTEURS Factsheet Professionalizing Organizations of Cocoa Producers). Until the end of 2018, the first 18 farmer organizations of the project were trained by the NGO TechnoServe. In 2018, 17 additional farmer organizations were integrated into the project. Training of the second group of farmer organizations started mid-2019.

The training approach on access to financing within the program includes seven modules. Through them farmer organizations learn

- how to apply for financing on the financial market and how to meet the conditions of the most promising financial institutions;
- how to contact financial institutions for direct exchanges on financing opportunities and subsequent conditions.



## 3. Meetings with Micro-Finance Institutions

Following the training, PRO-PLANTEURS organized meetings of financial institutions with farmer organizations in the three project zones in 2018 and 2019. The objective was to facilitate contact and explain as well as exchange on products and the requirements to obtain financing of the respective financial institutions. The meetings achieved a better understanding of both sides, as well as of the financing products and their needs of the farmer organizations (e.g. timing of disbursement and repayment of credits). The meetings also allowed the financial institutions to better understand the cocoa sector and the functioning of farmer organizations. The direct results were better access to financing of the participating farmer organizations, especially with products of the participating financial institutions.

## Progress until December 2019

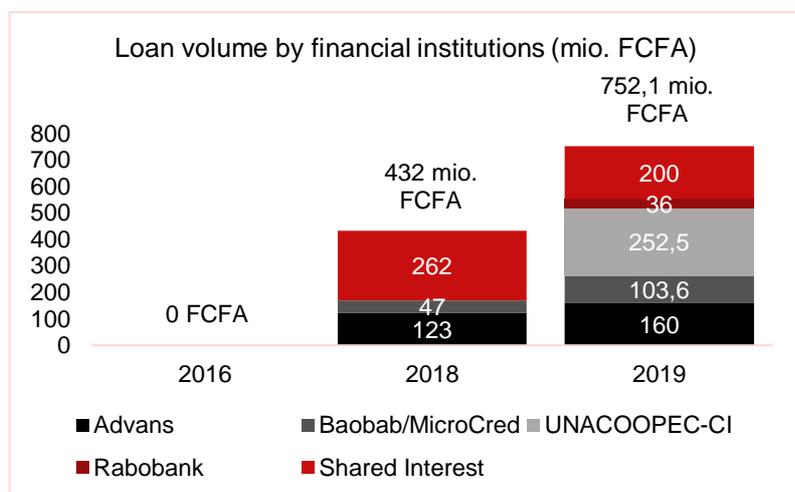
Since the beginning of the project activities, a **positive development** has been observed that is linked to a **growing interest from financial institutions**. There is a consensus on the existence of commercial potential of financial products for agricultural farmer organizations. However, risk management and therefore loan conditions and preparation periods sometimes remain problematic. Nevertheless, micro-finance institutions are becoming increasingly involved in agricultural financing by diversifying products, providing packages and multiplying approaches

**Table 1: Loans from Financial Institutions for PRO-PLANTEURS farmer organizations, 2016-2019**

Year	2016	2018	2019
Number of farmer organizations having obtained loans group 1	0	7	10
Number of farmer organizations having obtained loans group 2	0	0	6
Financial institutions dispersing loans	-	Advans (5) Baobab/MicroCred (3) Shared Interest (1)	Advans (4) Baobab/MicroCred (5) UNACOOPEC-CI (7) Rabobank (1) Shared Interest (1)
Global volume FCFA	0	432 million	752,1 million
Global volume EUR	0	659,000	1,147,000

Note: Input credits are not included, neither are financing through buyers. In 2018 and 2019 respectively, two farmer organizations obtained two loans from two different financial institutions. The loans from 2018 were fully paid back.

**Development of the financing situation of the PRO-PLANTEURS farmer organizations, 2016-2019**



With the intervention of PRO-PLANTEURS, more farmer organizations had access to loans. In addition, the average loan volume for the farmer organizations by micro-finance institutions (Advans, Bobab/MicorCred, UNACOOPEC-CI) increased from 21 Mio. FCFA or 32,000 EUR in 2018 to 29 Mio. FCFA or 44,000 EUR in 2019. These developments could be a result of **increased trust in the sector and organizations.**

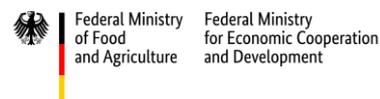
**TESTIMONY**

*"The networking of farmer organizations with microfinance institutions through PRO-PLANTEURS has been a great success for our farmer organization. For the 2018/2019 campaign, we obtained a loan for the pre-financing of the marketing season to purchase cocoa of 20 million FCFA from a microfinance institution. This increased our purchasing portfolio for the campaign to 40 million FCFA. In addition, we could mobilize the sum of 10 million FCFA internally from some of our member producers, which has enabled the farmer organization to run smoothly."*

M. AMOI Heinand Cyriaque Didier, Director of SCOOPACA COOP CA, Amélékia



PRO-PLANTEURS is a joint project of



**Published by:**  
Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

HQ of the organization  
Bonn and Eschborn, Germany

GIZ Abidjan  
01 BP 7172 Abidjan 01, Côte d'Ivoire  
T +225 22 43 43 92  
F +225 22 43 43 95  
E info@giz.de  
I www.giz.de

**Head of project :**  
Judith Steffens, Abidjan

**Photo credits:**  
GIZ/PRO-PLANTEURS

GIZ is responsible for the content of this publication.  
Abidjan 2020