



Intrants Project – FAO (GCP/NER/041/BEL)

Conference

Microfinance for agriculture in developing countries

Paris, December 2007

Workshop 2

***Innovative products and procedures :
appropriate responses to agricultural financial needs?***

WARRANTAGE IN NIGER

Presentation by Sani Boubacar

BP: 11 246 Niamey-Niger; Tel: (+227) 20 37 32 36; Mobile: (+227) 96 98 89 22; Email: sani_car@yahoo.fr

Plan of presentation

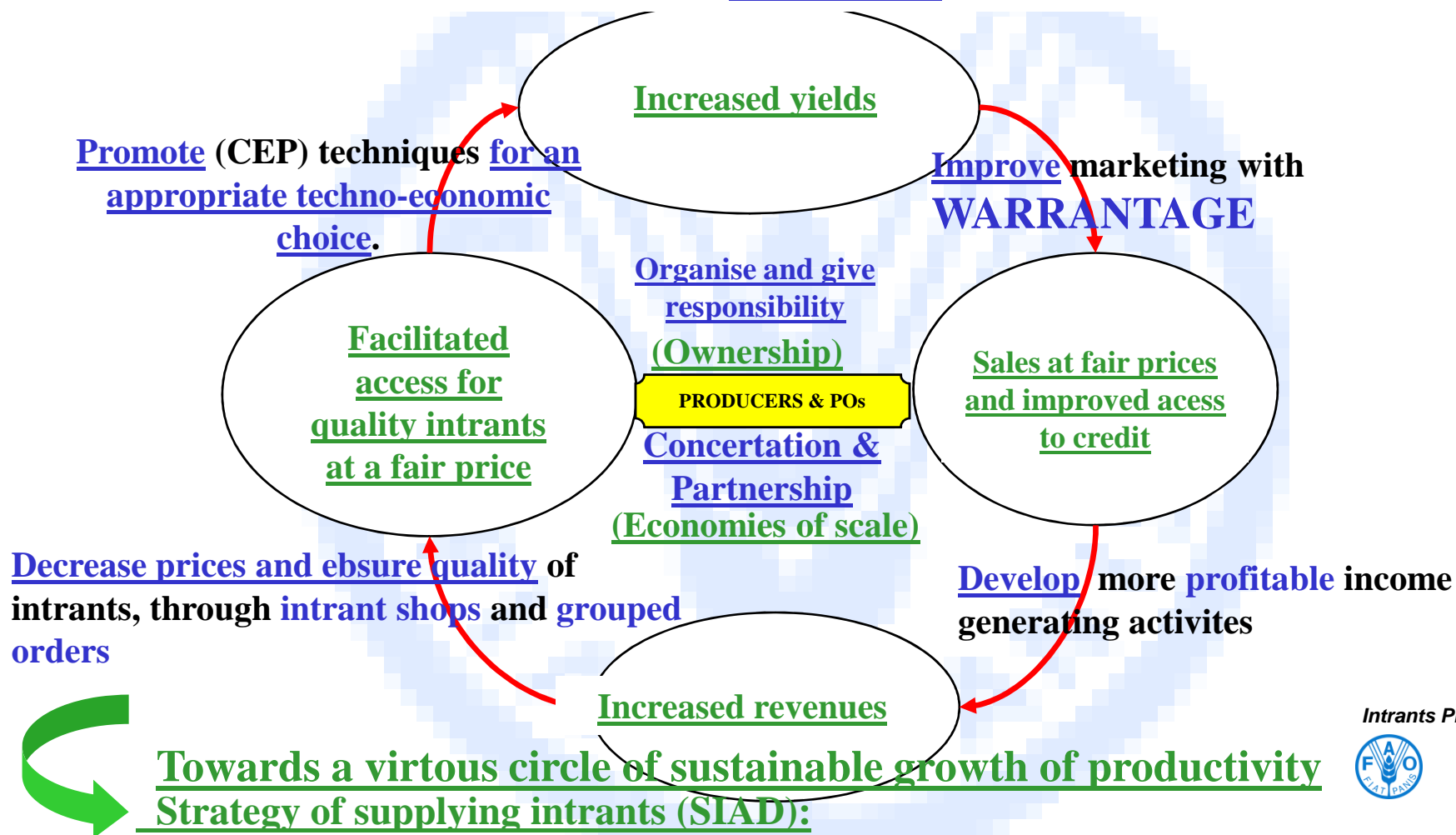
- ▶ **Introduction:** Problem of financing agriculture and the justification of the introduction of warrantage in Niger
- ▶ **1st part:** Definition and adaptation of warrantage in Niger
- ▶ **2nd part:** Effectiveness, viability and limitations of warrantage in Niger
- ▶ **3rd part:** Role of stakeholders in the development of warrantage
- ▶ **4th part:** Lessons learned from the warrantage approach in Niger
- ▶ **Conclusion:** Perspectives and conditions for success to develop warrantage in Niger

Problem of financing agriculture and the justification for the introduction of warrantage in Niger

- ▶ 1960 to 1990: Failure of formal agricultural financial institutions (BDRN and CNCA);
- ▶ 1980 to present: Failure of agricultural credit by development projects not adequately supported by MFIs;
- ▶ Agricultural policies have not been able to mitigate food insecurity nor the increase in poverty in rural areas;
- ▶ Persistence in the difficulty to access FIs, increase in moneylender debts and the vicious cycle of poverty for agricultural producers;
- ▶ Reticence of financial operators vis-à-vis rural people (problem of loan guarantees for rural finance);
- ▶ 1999 to present: Experience has shown that the introduction of warrantage is highly appreciated by those involved. It contributes to reducing poverty in rural areas through the development of AGR, improves revenues and food security, as well as increasing confidence in relations with POs-MFIs-Banks;
- ▶ However, the development of warrantage does not only depend on the willingness of stakeholders, it must be seen in the context of poverty, reliance on external donors (need for training, finance and storage infrastructures etc.).

Problem of financing agriculture and the justification for the introduction of warrantage in Niger

Alternative solutions put forward by the Intrants Project:



Nigerien definition and adaptation of warrantage

- ▶ Definition: Warrantage is a CT credit technique, adapted to the needs of finance and capacity of guarantees of a certain socio-professional category (agricultural producers etc.), guaranteed by a stock of agricultural products "warrantables" (products that can be stored and that are not too bulky and that are likely to increase in value) stored and pledged in an appropriate and secure place.
- ▶ Quality of the guarantee and limitation of risk: 100% cover, tangible, able to be liquidated, speculative and divisible, source of multiplied repayment.
- ▶ Adaptation: It is implemented according to country context and in countries where conditions are favourable for one or more forms of guarantee detention: "**bank holding**", "**third party holding**", "**home warrant**" or "**community holding**".
- ▶ Particularities in Niger: Shared risk by community holding or third party holding, strengthening of the guarantee and multiplication of repayment possibilities in a context of multiple risk.
- ▶ Beneficiaries: Producers, POs, exporters, transformers, MFIs, Banks, the State.

Respect of principles of tangibility of the guarantee, warrantability of stored products and the professional detention of the guarantee in the Nigerien technique of warrantage

Principles	Orthodox warrantage technique	Warrantage technique in Niger
Tangibility of the guarantee	Deposit certificate issued by certified warehouse	“Double lock principle” + signed “collateral agreement”
“Warrantability” of agricultural products	Norms for stored products fixed and verified by a specialist: certified warehouse	Better defined norms, verified and accepted by better trained POs and MFIs.
Professional holding of the guarantee	Specialised and certified warehouse for third party holding	Appropriate and secure PO shop (well trained) responsible for the management and security of the stock

Respect of appropriateness of credit amount/ guarantee value/risks, inflexibility of the period/length of the loan, confidence in the client and guaranteed source of repayment in the Nigerien technique of warrantage

Principles	Orthodox Warrantage Technique	Warrantage Technique in Niger
Confidence in the project	Deposit certificate issued certified warehouse + insurance	Joint sureties of the PO, certified + signed "collateral agreement"
Appropriateness of credit amount / guarantee / risks	Credit \geq guaranteed value because risks are limited with deposit certificate and insurance	Risk limited with "double lock" + joint sureties + CT credit < vl guarantee + 2 sources of rbs.
Inflexibility of the length and period of loan	Calibration and credit period with increased length with increase in price of agricultural products	Calibration and credit period with increased price of agricultural products used as guarantee
Safety of the source(s) of repayment	2 sources of rbs: Sale of guarantee stock and/or insurance	3 sources of rbs: Vente AGR sale and/or sale of guarantee stock and/or PO joint sureties.

Effectiveness, viability and limitations of warrantage

- ▶ For agricultural households, warrantage effectively contributes to food security and agriculture, the value of agricultural products, diversification of AGR, increased revenues, joining a cooperative network for a better access to credit and knowledge of techniques for intrants;
- ▶ Warrantage has proved to be a useful and viable financial tool for high yield crops and/or those that only have one production season (peppers, onions, truncheon, sesame etc.), where there is national, regional and international demand, resulting in a positive evolution in the price between the harvest season and the sowing season and/or a good profit margin on the price for the producer, tradesman and exporter;
- ▶ Warrantage has allowed the development of several AGRs: stocking of intrants shops, market gardening, fattening, extraction of peanut oil, artisanal activities (forging agricultural tools etc.), value of gathered products (gum arabic, palms, etc.) and extraction products – salts - etc.)
- ▶ But warrantage has its limitations: natural hazards (droughts etc.), lack of professional in POs and MFIs, lack of storage infrastructures, lack of finance, lack of legal framework.

Role of stakeholders in the development of warrantage

- ▶ **Intrants Project:** a) Technical assistance (training) and methodology (monitoring and evaluation); b) Contact with POs and FIs; c) Raise awareness of development projects to mobilise financial aid (promotion/reduction) and contribute to strategic cooperation (formulation of agricultural policies, production /dissemination of best practice manuals).

- ▶ **PO:** a) Train members and produce/adopt an RI respecting the norms and principles of warrantage as well as the credit policies of local FIs; b) Fit out a shop and stock with agricultural products according to rules; c) obtain credit from an FI and distribute it to members; d) ensure professional management of stock and credit; e) recover credit from members, repayment from FI, produce a report.

- ▶ **FI:** a) Adapt credit policy to warrantage procedures/requirements; b) Look for and mobilise the necessary resources to finance warranted credit; c) Participate in supervising stock and make Ops responsible for sub-distribution/recuperation of credit from members.

- ▶ **Development projects:** Ensure the promotion/reduction of warrantage by supporting POs and MFIs to become more professional, improve warehousing infrastructures, through FI financial resources if necessary.

- ▶ **For the State:** a) include warrantage in agricultural and microfinance policies and strategies; b) promote interventionism; c) put in place a favourable legal framework.

Monitoring and evaluation



Step 1: Training partners on the warrantage technique sur la base modules primaires et formation sur la collecte de données, constitution d'une bd for monitoring and evaluation

Step 2: To monitor warrantage, each partner collects data (with or without the participation of the Intrants Projet) and feeds this into a database.

Partner 1

	col 1	col 2	col 3	col 4	col 5	col 6	col 7	col 8	col 9	col 10	col 11
Ligne1											
Ligne2											
Ligne3											
Ligne4											
Ligne5											

matrice commune (green cells) and *matrice propre au partenaire* (yellow cells) are overlaid on the table.

Partner 1

	col 1	col 2	col 3	col 4	col 5	col 6	col 7	col 8	col 9
Ligne1									
Ligne2									
Ligne3									

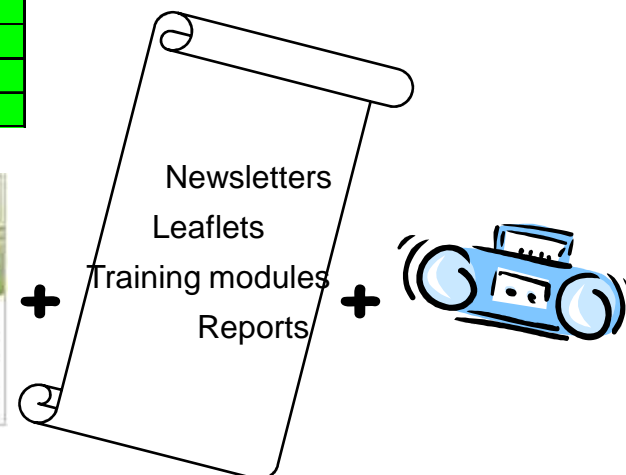
Step 3: Aggregation by Intrants project data in common areas of the databases provided by each partner.

	col 1	col 2	col 3	col 4	col 5
Ligne1					
Ligne2					
Ligne3					
Ligne4					
Ligne5					
Ligne6					
Ligne7					

Step 4:

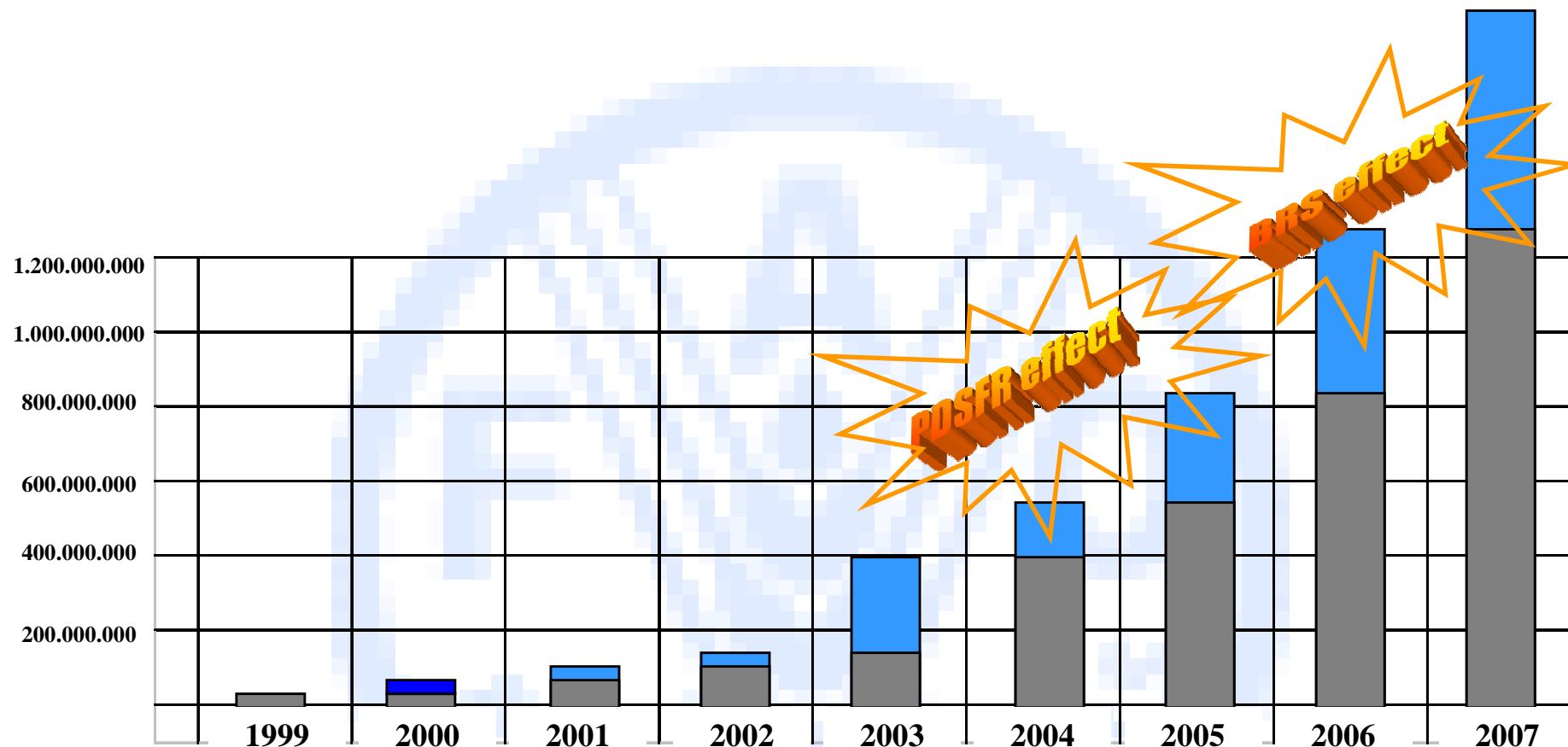
Data processing: production and dissemination of aggregated data by Intrants Projects at partnership, regional and national levels.

If derivatives are observed, new rules will put in place to prevent this and training modules will be amended



Step 5: Impact study and production/dissemination of best practice manuals.

Roles of partners in the evolution of mounts of credit warranted from 1999 to 2007 and contribution to the fight against food insecurity and poverty



- In 2006, around 500 million CFA of loans were granted to OP by MFIs;
- The beneficiaries of activities are around 30%, ± 150 million CFA ;
- 12% of loans were used to by intrants, 60 million CFA ;
- 20% of the gross margin was used to acquire intrants, ± 30 million CFA.

Lessons learned from the Niger approach to the development of warrantage

- ▶ Enthusiasm of certain POs: Many Pos have developed economic and commercial companies by adopting/integrating warrantage. Many Pos have been set up implement warrantage which will be used as leverage for other socio-economic activities. The demand for warrantage doubles the offer for credit from FIs.
- ▶ Commercial banks have more confidence in MFIs which now present a portfolio incorporating warranted loans
- ▶ Certain MFIs integrate warrantage into their strategic development
- ▶ Development projects and NGOs are integrating warrantage more and more in their approach to structuring agricultural producers, food security, facilitating access to rural credit, adding value to agro-sylvo-pastoral and artisanal products, improvement and diversification of sources of revenue.
- ▶ The Government integrated warrantage into its strategy of supplying intrants (SIAD), in the implementation of the Rural Development Strategy (SDR) and is planning to include microfinance in the next revisions (SNMF).
- ▶ In view of these needs, FAO and FIDA supported Niger in making and disseminating a best practice manual and a film on warrantage in Niger, the fruit of 8 years of experience.

Conditions for success and sustainability in Niger

- ▶ Professional training over refinancing: training leads to and attracts refinancing;
- ▶ Culture of confidence: Above any physical guarantee that an MFI can demand what really counts is the confidence it has in its client. In the same way, the client only has confidence in an MFI if they have understood its conditions and motivations;
- ▶ Deposit financial resources (guarantee fund etc.) for warrantage in banks and ensure that MFIs situated in target group zones are capable (eligible) of receiving credit or refinancing. Professional support for MFIs should result in their eligibility for bank refinance;
- ▶ The State and donors should take an approach based on education and progressive training on warrantage best practice, the facilitation of relationships between POs/MFIs/Banks, establishing norms and laws, securing warehouses and finance to develop warrantage.

Thank you
for your
attention

