



## Study on the cost structure and access to financing of the cooperatives of the project PRO-PLANTEURS

- global report-

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devImpact GmbH  
Hüöbli 7, 8808 Pfäffikon, Switzerland  
claudia.huber@dev-impact.com  
amoakonmian@yahoo.fr  
+41-78-8 96 85 60

PRO-PLANTEURS is a joint project of :



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## Abbreviations

ANADER	National Rural Development Agency
ARTCI	Telecommunication Regulatory Authority of Côte d'Ivoire
BCEAO	Central Bank of West African States (also known as CBWAS)
BMEL	German Federal Ministry for Food and Agriculture
BMZ	German Federal Ministry for Economic Cooperation and Development
CGAP	Consultative Group to Assist the Poor
CIF	Cost, Insurance, Freight
CNRA	National Center for Agricultural Research
DFS	Decentralised Financial System
DSRP	Strategy Paper for Développement Revival and Poverty Reduction
FCFA	CFA franc(s)
FEFISOL	Fonds Européen de Financement Solidaire pour l'Afrique
FIRCA	Inter-professional Agricultural Research and Advisory Fund
GAP	Good Agricultural Practice
GDP	Gross Domestic Product (GDP)
GISCO	German Initiative on Sustainable Cocoa
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GSMA	Groupe Special Mobile Association
ICCO	International Cocoa Organization
IDH	Sustainable Trade Initiative
IFC	International Finance Corporation
MEF	Ministry of Economy and Finance
MFI	Microfinance Institution
MINADER	Ministry of Agriculture and Rural Development
OHADA	Organisation for the Harmonisation in Africa of Business Law
OPA	Professional Agricultural Organisations
PDDA	Agricultural and Rural Development Plan
PNAI	National Programme for Agricultural Investment
SIB	Ivorian Bank Corporation
SIDI	Solidarité Internationale pour le Développement et l'Investissement
TCC	Technical Coordination Committee
UEMOA	Union Economique et Monétaire Ouest Africaine

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## 1 Executive Summary

### **Importance of cocoa in Côte d'Ivoire and the PRO-PLANTEURS project**

Côte d'Ivoire is an agricultural country and is the biggest producer of cocoa beans, with a market share of about 41% and an estimated production of 1.98 million tons in 2016-2017. In economic terms, Côte d'Ivoire has registered about 10% economic growth in the recent years. However, small cocoa producers do not benefit from this growth and 72% of them live below the poverty threshold.

The PRO-PLANTEURS project is a cooperation between the Coffee-Cocoa Council, the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Federal Ministry for Food and Agriculture (BMEL) and the members of the German Initiative on Sustainable Cocoa (GISCO). The goal of the project is to professionalise cooperatives that gather 20,000 small cocoa producers and their families in Côte d'Ivoire. In its initial phase, the project worked with 18 cooperatives. The project implementation has highlighted the urgent need for cocoa cooperatives to access financial services, in particular financing, to enable them to invest and thus make their enterprise grow.

### **Objective of the study and methodology**

The objective of this study was two-folded. On the one hand, the objective was to analyse the possibilities and conditions for cocoa cooperatives to access financing from the private sector. On the other hand, the study also sought to analyse the financial and operational structure of 10 selected cooperatives (selected amongst the 18 cooperatives of the initial phase) from the PRO-PLANTEURS project, including their financing needs. The objective of this was to assess their possibilities to access funding through financial institutions in the short and medium term, taking into account the potential offer in financial services, principally credits. The analysis also sought to identify the type of support needed by these 10 cooperatives to be eligible to funding.

A combination of several methods was used for the analysis to verify and triangulate the obtained information. An analysis of documents served as a base to elaborate the interview guides. Quantitative and qualitative data were collected through semi-structured interviews with different actors, including cooperatives, financial institutions, relevant public authorities and other industry and funder projects. 15 different types of financial institutions, commercial banks, micro-finance institutions, credit and savings cooperatives but also social investors were included in the analysis. The 10 cooperatives to be analysed were selected in collaboration with stakeholders and based on objective and pre-determined criteria. The limits to the study that were identified concern the credibility of information received by the cooperatives and the time constraint allocated to the analysis.

### **The cocoa sector and its recent developments**

In Côte d'Ivoire, 800,000 to 1.3 million small farmers run plantations of a size that averages 1.5 to 5 hectares and are supposed to feed 8 million people. Cocoa certification plays a considerable role in Côte d'Ivoire, with over 500,000 tons cocoa certified in 2015. However, a reduction of the demand in certified cocoa has been observed, depriving cooperatives (and producers) of an important source of income.

The Ministry of Agriculture and Rural Development (MINADER) is the line ministry for the coffee-cocoa sector. However, the cocoa sector falls within the competence of the Coffee-Cocoa Council, which was created during the reform of the sector in 2012. The Council is responsible for management, regulations, development and stabilisation of cocoa prices.

According to the institutional framework, the National Rural Development Agency (ANADER) provides agricultural extension services. Its programme for coffee and cocoa includes five components, which are good agricultural practices (BPA); provision of inputs to young cocoa farmers; support to cooperatives; and fight against “swollen shoot”. The National Centre for Agricultural Research (CNRA) is the main research institute in Côte d’Ivoire, whilst the Inter-professional Agricultural Research and Advisory Fund (FIRCA) is in charge of financing programmes related to agriculture. Nonetheless, the FIRCA does not levy any contribution in the coffee-cocoa sector, as this is the responsibility of the Coffee-Cocoa Council.

Since the reform of the sector in 2012, the price of cocoa has been defined by anticipated auction sales. The farmgate price has now been set at 60% of the CIF value. Whilst the farmgate price has been increasing continuously over the last years – a trend that was exacerbated by the problems experienced in the sector since the beginning of 2017 –, the farmgate price was fixed for the intermediate crop season period at 36% below the price of the previous crop season. This development has had negative impacts on cooperatives and their members and also potentially on the financial institutions, which have been financing the sector. Forecasts regarding future demand and cocoa prices are not unanimous, but they all only expect a slight increase of 10% in the next 12 months.

### **Cocoa cooperatives**

A major part of the approximately 2200 cooperatives in the cocoa sector does not operate according to cooperative principles. Only about one quarter of the farmers are organised in cooperatives. Those face the fierce competition of intermediaries. Cooperatives are regulated by the OHADA Uniform Act.

In nearly all cases, the volume of cocoa collected by PRO-PLANTEURS cooperatives has been decreasing for the past three years (by over 50%). At the same time, in seven out of the ten cooperatives, the number of members has been increasing considerably since their establishment. Only two cooperatives experienced a reduction in the number of their members. However, women and youths remain largely under-represented. In general, PRO-PLANTEURS cooperatives show a relatively high turnover, with half of those cooperatives’ turnover reaching CFA 1 to 2 billion. All cooperatives closed 2015 with a positive net result. Eight out of the ten analysed PRO-PLANTEURS cooperatives hold certification from at least one standard, either Fairtrade, UTZ or Rainforest Alliance. All cooperatives provide their members and communities with social benefits. Nonetheless, the extent of those social benefits depends substantially on the volume of activities within each cooperative and on the level of premiums they receive.

All cooperatives, except two, have benefited from pre-financing from a buyer for the latest crop season. This demonstrates the trust that the buyer places in the cooperative. Five out of ten PRO-PLANTEURS cooperatives have contracted a credit, from a few million CFA to several millions CFA, hence demonstrating a level of experience that is well above the average experience of cooperative societies.

### **The financial system in Côte d'Ivoire**

The financial system in Côte d'Ivoire does not play financial intermediary role as it should. Commercial banks own over three quarters of the financial sector assets and generally give only short-term loans. The decentralised financial system (DFS, microfinance institutions and mutuals) only accounts for 2% of the assets of the sector and therefore remains marginal, although it is significant in terms of account numbers as the institutions of the DFS concentrate one third of all accounts. With an average credit of approximately EUR 3100, it represents less than 5% of all total credits given by the financial sector in the country and shows bad portfolio quality, with mostly mutual and credit and savings cooperatives. Given that two-thirds of the institutions do not comply with standard regulations, the regulation authority has taken charge of restoring the soundness of the sector. In summary, the macroeconomic role of microfinance in Côte d'Ivoire remains limited but is a catalyser at the individual level, in particular for the poorest populations.

In Côte d'Ivoire, three operators accept the mobile money service. Acceptance of the service was slow in the beginning but has increased and continues to grow at a rate of 3% to 10% per quarter. The high mobile phone penetration – above 100% – and weak inclusion of formal finance make it favourable to expand digital services. Studies also point out a high interest of cocoa farmers in the mobile money service.

With regard to financing the agriculture, only 6% of bank credits are allocated to the agricultural sector. The main part of those credits is allocated to big processing groups and groups of exporters, except for some large credit and savings cooperatives. In the DFS, this rate is slightly higher, reaching 9.5% of the portfolio. Only 5% of small agricultural producers have contracted a credit with a financial institution or a provider.

### **Commercial banks and agricultural financing**

Banks in Côte d'Ivoire mostly offer classic products for retailers and large companies in the country, most generally through regular agencies that the banks are slowly opening in secondary cities in Côte d'Ivoire. Some of the banks have started developing partnerships with mobile phone companies, however this usually does not go beyond sales of phone units; in certain cases, this can include transfers between mobile wallet and bank accounts. The agricultural sector represents a non-negligible part of the Banks' portfolio, yet their client base is mainly limited to large exporters and in exceptional cases to very large exporting cooperatives. The financing offered generally corresponds to high amounts – several million EUR –, which are offered in the short term. These funds are focussed on financing crop seasons that are guaranteed by a contract with an international buyer.

### **The decentralised financial system and agricultural funding**

The three analysed institutions allocate 2% to 12% of their credit portfolio to the agricultural sector, with cocoa being the focus sector. Whilst the UNACOOPEC-CI finances individual producers, Advans and MicroCred currently focus on cooperatives. However, Advans is developing products to work with individual farmers. Products for cooperatives are currently centralised on short-term financing for crop seasons. Institutions show a high interest in developing (or are already doing so) products to finance investments as well.

### **Social investors/funds and the funding of cocoa**

Nine social investors are active in the cocoa sector in Côte d'Ivoire. The size of invested portfolios, their targets as well as their policies and conditions differ from one another. Most of them also focus on short-term financing for the purchase of beans during crop seasons. Four funds offer financing for the purchase of equipment, especially for trucks. Similar to banks, a number of funds require an international purchase certificate and an export licence to benefit from financing, which represents a significant obstacle for the majority of cooperatives in Côte d'Ivoire that wish to access financing. Aware of this limitation, a number of funds are thinking of developing collaboration models with national buyers and with subsidiaries of large multinational companies that are present in Côte d'Ivoire. However, three of the funds work with non-exporting cooperatives. These three investors are also institutions that offer smaller funding amounts (from EUR 50,000).

### **Projects of donors and of the industry**

Most buyers pre-finance cooperatives during crop seasons by advancing working capital for the purchase of beans. Even if those financings have been criticised for their lack of formalisation and transparency, they are often the only means for cooperative societies to fund cocoa harvest.

The industry, donors and financial institutions have developed several projects. The project Doni-Doni (Cargill, SIB, SFI) facilitates the acquisition of new trucks through leases spread over three years, which are repaid through a levy on the delivered beans. The Cocoa Challenge Fund (IDH, the Coffee-Cocoa Council) mobilised EUR 5 million over 5 years to improve the life and working conditions of cocoa producers and cooperatives. Amongst others, those funds shall improve the available financial services by offering technical assistance to financial institutions and cocoa. The Project Finance for Smallholder Cocoa R&R (Rainforest Alliance, Ecookim, Alterfin, ResponsAbility) aims at developing and testing a funding model for renovating and rehabilitating cocoa plantations.

### **The public sector and its implication**

Several public banks, as well as the Coffee-Cocoa Cooperative Guarantee Fund, had to close due to bankruptcy, which can be attributed to their bad management. Given the failures of past attempts to finance the agricultural sector in general, and specifically the cocoa sector, there is currently no direct (credit) financings of the agricultural sector. The government is rather trying to remove the obstacles that prevent financial institutions from funding the sector. An example is the re-funding programme coordinated through the collaboration between the MINADER and the German Development Bank KfW.

The public funds allocated to the agricultural sector are provided in the form of subsidies to agricultural seeds and phyto-sanitary products, which are provided free-of-charge to producers to combat the "swollen shoot" disease. However, the quantities of distributed seeds are insufficient and all producers do not benefit from them.

### **Conclusions and recommendations**

It can be concluded from this analysis that it remains difficult to access financial services in rural areas in Côte d'Ivoire. Few institutions enjoy a physical presence outside large or secondary cities. As for the access to payment and savings services, the most promising offerings for cooperatives, and



even more for individual producers, are digital funding services and informal saving groups. Regarding access to credits, the analysis of the study points out that in the medium to short term, social investors and microfinance institutions are in the best position to meet the financing needs.

#### **Conditions of financial institutions and opportunities on the supply side**

The main conditions to access financing for cooperative societies have been identified and include: registration of the cooperative society; export licence; turnover or minimum tonnage; partnership with buyers; accounting in place and reliable financial statements; and governance bodies in place.

Based on these criteria, two institutions seem highly likely to be able to provide financing for the cooperative societies of the project. Four institutions offer a medium possibility for PRO-PLANTEURS cooperatives (a large part of the project cooperatives will not be able to fulfil one or two basic criteria in the short-term). Finally, currently four institutions only demonstrate low likelihood to become potential partners for the PRO-PLANTEURS cooperative societies. At least two basic criteria that these institutions impose are unlikely to be fulfilled by the cooperative societies of the project (in the short and medium-term).

#### **Characteristics of cooperative societies and opportunities on the demand side**

The analysis conducted in the framework of this study shows that four of the cooperatives may be eligible to short-term financing. For three of the cooperatives, additional efforts must be made (management effort, good governance) before they may be eligible to funding. Finally, given the weaknesses identified in the three remaining cooperatives, this study reckons that those would only be eligible to financing after they make considerable efforts.

#### **Recommendations for the project PRO-PLANTEURS**

Some global recommendations can be derived from the analysis of this study and discussions with diverse stakeholders. A closer cooperation with other GIZ projects in Côte d'Ivoire, notably with the SSAB programme, could create synergies. The PRO-PLANTEURS project should also discuss and assess opportunities for collaboration with projects such as the Rainforest Alliance, Ekokim and Aterfin to analyse a potential replication of them by PRO-PLANTEURS. It should be considered to provide support to social investors who show a high interest in developing products or models which would allow them to fund cooperatives that do not own any export licence. Even though commercial banks only show a limited interest, it is recommended to stay in contact with those institutions to share with them any development and to promote the potential in the sector. In the longer term, a recommendation which would have an even higher impact would be to support the development of frameworks (of the financial and agricultural sector) that support initiatives aimed at funding cooperatives in Côte d'Ivoire. Furthermore, it remains necessary to continue supporting the professionalisation of cooperatives, even though this must be tailored to the development status of each cooperative. It is also proposed to include trainings in financial education in the technical assistance programme.

## 2 The cocoa sector and the PRO-PLANTEURS project

Chapter 2 summarises the importance of Côte d'Ivoire as an agricultural country and as the biggest producer of cocoa beans. It also demonstrates its positive development in economic terms with about 10% economic growth in the recent years, growth which however does not benefit small cocoa producers enough. In this context, the PRO-PLANTERS project aims at professionalising cooperative societies composed of 20,000 producers and their family and seeks to support them in getting access to funding.

### 2.1 Importance of agriculture and of the cocoa industry

**Côte d'Ivoire is an agricultural country.** On the total 23.3 million inhabitants, estimates of July 2015 show that there are 2.7 million agricultural producers in Côte d'Ivoire. This represents 32% of the working population and 22% of the Gross National Product (GNP). Agriculture constitutes 55% of the country's export earnings. The main crops in Côte d'Ivoire are cocoa, coffee and palm oil.

**Biggest producer of cocoa beans.** Côte d'Ivoire is the biggest producer and exporter of cocoa beans worldwide, with a share representing approximately 41% of the total production. During the 2015-2016 harvests, the country produced 1.65 million tons cocoa. According to experts estimates, cocoa contributed in 2015 to approximately 15% of the country's GDP. Cocoa represents approximately 37% of the country's exports, with a total value of FCFA 2,400 billion (EUR 3.7 billion)<sup>1</sup>. According to the latest figures of the International Cocoa Organization (ICCO), in 2016-2017 Côte d'Ivoire will produce 80,000 more tons than expected, reaching a production of 1.98 million tons<sup>2</sup>.

**Strong economic growth from which cocoa farmers do not benefit.** A recent report of the World Bank finds that Côte d'Ivoire's economy continues to grow at a pace of around 10%<sup>3</sup>. According to experts, the country's GDP has almost doubled since 2011 thanks to the good performance of the agricultural sector and the expansion of the service and manufacturing sectors. Nevertheless, this growth and the positive developments in the country do not yield benefits for all. A survey recently conducted by the CGAP on farmers' incomes shows that 72% small farmers<sup>4</sup> live below the poverty threshold (< USD 2,50/day) and that 34% of them even live with less that USD 1,25 USD/day<sup>5</sup>. The Cocoa Barometer 2015 that calculates the income of cocoa farmers in Côte d'Ivoire finds that the average income for farmers is USD 0,50 per person and per day<sup>6</sup>.

### 2.2 The PRO-PLANTEURS project

**The objective of the project is to professionalise cocoa cooperative societies.** The PRO-PLANTEURS project is a project, which was developed and funded through a collaboration between the Conseil du Café-Cacao (Coffee-Cocoa Council), the German Federal Ministry for Economic Cooperation and

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<sup>1</sup> Cf. Hütz-Adams, Friedel/Huber, Claudia (2016).

<sup>2</sup> Cf. Ecofin Agency (2017a).

<sup>3</sup> Cf. World Bank (2016).

<sup>4</sup> The definition of small farmers used in the study is the following : households owning land of maximum 5 hectares, 100 goats/sheep/pigs or 1000 chickens and for whom agriculture contributes significantly to their livelihood, to their income or to the household's consumption.

<sup>5</sup> Cf. CGAP (2017b).

<sup>6</sup> Cf. Voice Network (2015).

Development (BMZ), the German Federal Ministry for Food and Agriculture (BMEL) and the members of the German Initiative on Sustainable Cocoa (GISCO). It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and has the objective to professionalise cooperative societies in the Centre, South and East regions of Côte d'Ivoire. Through this, the project aims at reaching approximately 20,000 farmer families, which represents 100,000 individuals. Currently, the project is working with 18 cooperative societies in Aboisso, Agboville and Abengourou.



GRAPH 1: LOCATIONS OF PRO-PLANTEUR COOPERATIVE SOCIETIES

PRO-PLANTEURS consists in four main components:

- ▶ Professionalisation of cooperative societies;
- ▶ Productivity, quality, biodiversity;
- ▶ Diversification and nutrition ;
- ▶ Capitalisation of lessons learnt.

By putting an emphasis on food security and on improving nutrition through the diversification of production, the PRO-PLANTEURS project particularly targets women and young farmers. Moreover, the project is in line with the national development project of the coffee-cocoa industry – “Quality, Quantity, Growth (2QC)” – and with the CocoaAction strategy of the World Cocoa Foundation (WCF).

After starting working with cocoa cooperative societies, a shortfall rapidly occurred with respect to the access to working and investment capital for cooperative societies. Without a large financing capacity, it is important for cooperative societies to have other funding sources to be able to grow and professionalise their business. Nevertheless, most of the financial institutions are reluctant to work with the agricultural sector, and specifically with cocoa cooperative societies and with small producers. Additionally, meetings with four relevant public authorities were organised for this study.

### 3 Objectives, methodology and work steps

Chapter 3 presents the objectives of the study with regard to the analysis of possibilities and conditions for cocoa cooperative societies to access financing from the private sector. This includes analysing the financial and operational structure of these cooperatives, with the aim to give an opinion on the possibility to access funding from the private sector in the short and medium term. This chapter outlines the work steps and the different methods used, which allow to verify and triangulate the obtained information. The credibility of the information received by cooperative societies as well as the time allotted to the study have constituted shortcomings for the analysis. 15 diverse financial institutions have been included in the analysis. The 10 cooperative societies that represent the demand side were selected in concertation with the stakeholders and based on pre-defined criteria.

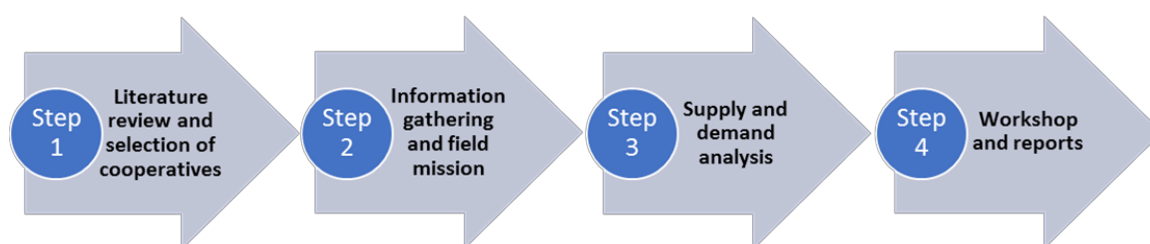
#### 3.1 Objectives of the study

The objective of the study is to:

- ▶ Analyse existing possibilities and conditions for cooperative societies in the cocoa sector to access financing from the private and public sector in Côte d'Ivoire (supply analysis).
- ▶ Analyse the financial and operational structure of 10 cooperative societies involved in the PRO-PLANTEURS project and their needs in financial services as well as in credit (demand analysis).
- ▶ Compare supply and demand in financial services and specifically in credit; and analyse the opportunities to access credit to implement determined development plans with the support of the project's technical assistance in each of the 10 cooperative societies.
- ▶ Identify the necessary support and required actions to make each of these cooperative societies eligible for financing possibilities.

#### 3.2 Work steps

Four work steps were proposed to implement this study :



GRAPH 2 : WORK STEPS

**Literature review.** The first step of the project focussed on building ownership and understanding of the PRO-PLANTEURS project by the consulting team. It also focussed on getting to know all concerned stakeholders and on refining the methodology that would be presented to the Technical Coordination Committee (TCC) in order to collect their recommendations. This step included a literature research of the project and of the actors and a literature research of the cocoa and finance sectors in Côte d'Ivoire. At the same time, this step was used to define, in collaboration with the partners, the selection criteria for the ten participating cooperative societies. The step was

concluded by a scoping meeting with the TCC, during which the Committee shared its remarks regarding the methodology used.

**Information collection.** Step 2 of the workplan included a detailed supply and demand analysis with regard to the financing of cocoa cooperative societies in Côte d'Ivoire. This required the preparation of a field mission; the refining of data collecting tools; as well as discussions with actors on both the side of supply and demand, with relevant public authorities and with technical partners in Côte d'Ivoire and beyond.

**Supply and demand analysis.** During Step 3 of the project, the consultants analysed the information gathered throughout the interviews conducted. The data and information of each cooperative society was analysed and a simulation of its profitability was undertaken. Additionally, the data and information obtained from financial institutions were analysed and classified in a database. An analysis of the possibility for each cooperative society to obtain financing was conducted based on the information gathered. When necessary, activities required to upgrade the technical and financial resources of cooperative societies were carried out.

**Workshop and reports.** The last Step (Step 4) will consist in preparing a workshop that will gather stakeholders, cooperative societies and financial institutions. The workshop will be organised during this phase. On the basis of the discussions and comments received, the consultants will finalise the outputs (reports and databases).

### 3.3 Methodology

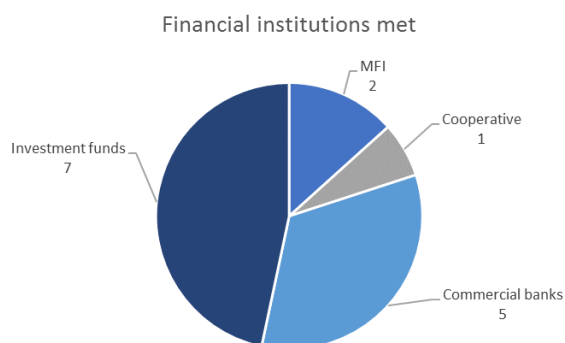
**Literature review to prepare the field mission.** The methodology used is a combination of several methods that allow to verify and triangulate the gathered information. Analysing documents allowed to become more familiar with the PRO-PLANTEURS project. The information received about cooperative societies before the field mission served as a basis to adapt each interview guides to the specific situation of the cooperative society. Information about the financial sector, and specifically about agricultural financing and financial institutions, were also considered in the interview guides. The consultants complemented their analysis of the documents provided by PRO-PLANTEURS with additional research. The literature review included reports about the financial sector, specifically on the financing of agriculture in Côte d'Ivoire; websites; profiles of financial institutions present in Côte d'Ivoire; as well as reports on refining funds and on international social investors who invest in the cocoa industry in Côte d'Ivoire (cf. Appendix 5).

**Data gathering through semi-structured interviews.** The quantitative and qualitative data were mostly collected thanks to collecting tools that were developed by the team. One part of the interviews was conducted with the team and the rest of the interviews were conducted by one of the consultants for better effectiveness. Some of the interviews were conducted individually and others in groups, for instance with the management groups of the cooperatives. Where actors did not have any on-site representative, the interviews were conducted per phone or Skype (c.f. Appendix 3). The interviews were conducted as semi-structured interviews. Those guides were elaborated by the consultant team and tailored to the cooperative societies, the financial institutions, the relevant public authorities and other industry and donor projects (c.f. Appendix 1).

**Interviews conducted with diverse types of financial institutions.** Discussions with 15 financial institutions were conducted. The institutions selected included commercial banks, microfinance institutions, financial cooperatives and social investors. Amongst those institutions, some are based in Côte d'Ivoire and others in Europe and in the USA (cf. Graph 3). The institutions were selected in collaboration with the PRO-PLANTEURS team based on the following criteria: current activities and

future interest in financing agriculture and specifically cooperative societies and small farmers; interest in financial inclusion in general; type of clients; presence in rural areas; etc.

Additionally, the consultant team exchanged views with funders about three main projects (see Chapter 7.2).



GRAPH 3 : FINANCIAL INSTITUTIONS MET

**Exchanges with relevant public authorities.** Meetings with four public authorities were organised in the framework of this study. These are public institutions which play a leading role in the agricultural sector, and specifically in the cocoa industry: the Ministry of Economy and Finance (MED); the Coffee-Cocoa Council; the Inter-professional Agricultural Research and Advisory Fund (FIRCA); and the National Rural Development Agency (ANADER).

### 3.4 Selection of cooperative societies

**Selection of the 10 cooperative societies of the project.** Although the results of the study must benefit all 18 cooperative societies with which the PRO-PLANTEURS project is currently working, only ten of them were chosen to participate in the study. This is due to constraints related to the time allotted to complete the study and to the allocated budget. For this reason, the selection process was conducted based on objective criteria to select 10 out of the 18 cooperative societies. Selection criteria included, amongst others: the number of members; the production of the last two harvests; the level of organisation and structure; the level of development; and the degree of motivation for the PRO-PLANTEURS project.

Following several discussions and considering the proposals made by the stakeholders (GISCO, TechnoServe, Le Coffee-Cocoa Council, les Consultants), the study selected the nine following cooperative societies and one cooperative union, amongst which are five cooperative societies from Abengourou/Agnibilékrou, two cooperative societies from Aboisso and three cooperative societies from Agboville:

Cooperative Society	Location
COOPERATIVE 1	Abengourou
COOPERATIVE 2	Agboville
COOPERATIVE 3	Abengourou
COOPERATIVE 4	Agboville
COOPERATIVE 5	Agboville

COOPERATIVE 6	Abengourou
COOPERATIVE 7	Abengourou
COOPERATIVE 8	Aboisso
COOPERATIVE 9	Aboisso
COOPERATIVE 10	Abengourou

TABLE 1 : LIST OF SELECTED COOPERATIVE SOCIETIES

### 3.5 Limitations of the study

**Reliability of the data on the supply side.** The low reliability of the finances in most of cooperative societies makes the analysis of financial data more complex. To compensate this, on-site and desk controls are necessary to get a more accurate idea of the cooperative societies' financial situation.

**Time allotted to the study.** To enable a deeper analysis of the situation of cooperative societies, it would have been necessary to spend more time with those societies.

## 4 The cocoa sector and recent developments in Côte d'Ivoire

Chapter 4 gives an overview of the actors of the cocoa industry, including the structure of the protagonists: the small producers. It also summarises the institutional framework of the sector, which includes the line ministry, the Ministry of Agriculture and Rural Development (MINADER); the Coffee-Cocoa Council that was created during the reform of the sector in 2012; and several bodies that are in charge of vulgarisation (ANADER), research (CNRA) and financing (FIRCA). Furthermore, this chapter sums up the setting of farmgate prices in Côte d'Ivoire after the sector reform in 2012. Finally, it also gives an overview of the recent development of global cocoa prices and their consequences on Côte d'Ivoire's stakeholders.

### 4.1 Sector's stakeholders

**Important role of cocoa.** Cocoa farms in Côte d'Ivoire have an average size of 1.5 to 5 hectares. 800,000 to 1.3 million small farmers produce cocoa and approximately 8 million people depend on this crop as a source of livelihood. The fermented and dried beans are either sold to cooperative societies or directly on the farm to intermediaries called "trackers" ("pisteurs" in French).

**The demand in certified cocoa is decreasing.** Cocoa certification plays a highly significant role in Côte d'Ivoire. According to the standardisation bodies' figures, in 2015 over 500,000 tons cocoa were certified by either Fairtrade, Organic, UTZ or Rainforest Alliance/SAN Standards. Around 300 cooperative societies (on a total of 2,100 to 2,400 cooperatives) obtained at least one certification; several of them obtained multiple certifications.

Nonetheless, experts of the cocoa sector have pointed out that the purchase volume of certified cocoa is decreasing, which is causing complications for cooperative societies. Moreover, certification projects of cooperative societies are often pre-financed by actors/exporters that in return keep the certificate to guarantee the repayment of the pre-financing with beans. However, there are cases where companies do not fulfil their commitments in terms of purchasing volume in certified cocoa. This has the consequence that cooperative societies receive lower incomes, often without any previous notification. To ensure that farmers are not affected by the lowering of incomes and thus stop selling to cooperative societies, some of these cooperatives pay the amount that was promised to farmers with their own financial resources, hence putting the financial health of cooperative societies at risk.



**Grinding mostly done abroad and under-utilised local capacity.** In Côte d'Ivoire, 12 companies process cocoa beans. However, the market is dominated by a handful of foreign grinders. The grinding capacity available on the national territory increased from 585,000 tons for the period 2012-2013 to 706,000 tons during 2013-2014, which corresponds to approximately 40% of the national production. Nevertheless, the capacity is not used due to the lack of market outlet.

## 4.2 Institutional Framework

**Line Ministry.** The Ministry for Agriculture and Rural Development (MINADER), the Ministry for Economy and Finance and the Budget Ministry are involved in financing aspects of the agricultural sector. However, all specific matters concerning the cocoa sector are the prerogative of the Coffee-Cocoa Council. The MINADER is in charge of agricultural policies in Côte d'Ivoire. It is the line Ministry of the coffee-cocoa industry and of agricultural and non-agricultural cooperative societies. The MINADER set up a National Programme for Agricultural Investment (PNAI), which started in 2010 and is currently in its second phase. The PNAI stems from the Agricultural and Rural Development Plan (in French PDDA, 1992-2015) and from the Strategy Paper for Développement Revival and Poverty Reduction (in French DSRP, 2009-2013). This gives Côte d'Ivoire a unique investment programme in the agricultural sector.

The PNAI focusses on six priority programmes covering the agro-sylvo-pastoral and fisheries sectors:

(1) Improvement of the productivity and competitiveness of agricultural production; (2) development of industries; (3) Improvement of the agricultural sector's governance; (4) Capacity building of stakeholders to develop agriculture; (5) Sustainable fisheries management; and (6) Forest restoration and revival of the wood industry. "The first phase of the PNAI, which amounts to CFA 2,040 billion, enabled Côte d'Ivoire to report record-breaking performance, both with regard to the growth in agricultural production and with regard to the increase in the income of producers. As a result, the world-leading cocoa producer has also become the world-leading cocoa grinder, the world-leading cashew producer and the world-leading cola nut producer. Revenues which were distributed to producers rose from CFA 3,368 billion in 2012 to CFA 5,652 billion in 2015".<sup>7</sup>

The second phase of the PNAI that covers the period of 2017-2022 "will have to consider production matters with a total control of water, agricultural mechanisation, vocational training, trade and valuation of on-site products, whilst following an architecture of agro-poles to the extent possible."<sup>8</sup>

« **Renationalisation of the cocoa sector with the 2012 reform.** After 20 years of liberalised market, the Ivorian Government reformed the cocoa sector in 2012 by creating a national cocoa council, the Coffee-Cocoa Council, which is in charge of management, regulations, development and stabilisation of cocoa prices. The mission of the Coffee Cocoa Council is to maintain Côte d'Ivoire as the world-leading cocoa producer; to improve cocoa quality; to pay a guaranteed price for production; to increase processing activities inside of the country by at least 50% by 2020; and to improve the general living conditions of cocoa farmers. Thanks to the reforms, cocoa quality has improved considerably. Currently, the Coffee-Cocoa Council is developing an Ivorian sustainability Standard. It should include a range of criteria on social and environmental aspects.

**Advice and public agriculture services.** The National Rural Development Agency (ANADER) provides agricultural extension services and deploys approx. 450 agents in charge of disseminating

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<sup>7</sup> Cf. Official Portal of the Government of Côte d'Ivoire ([www.gouv.ci](http://www.gouv.ci)).

<sup>8</sup> Cf. Ecofin Agency (2017b).



agricultural information on coffee and cocoa in coffee- and cocoa-producing regions. Result of the merging of three service providers, the ANADER was founded in 1993 in the framework of a World Bank project. The Government holds 40% of ANADER shares and funds its core operational budget. The ANADER programme for coffee and cocoa is composed of five pillars: good agricultural practices (BPA); revival of coffee farming; provision of inputs to young cocoa farmers; support to cooperative societies; and combat the “swollen shoot”.

**Agricultural research.** The National Centre for Agricultural Research (In French CNRA) is the main research institute in Côte d’Ivoire. As far as cocoa is concerned, the CNRA works on the extension of well-performing varieties; on new growing practices (techniques for replanting cocoa, which incorporate shrub legumes); integrated pest and disease management methods; and post-harvest techniques for ensuring good cocoa quality (fermentation, drying and storage techniques) and a high content of butter. Furthermore, the CNRA offers consultancy services to the industry and provides the cocoa plants.<sup>9</sup>

**Funding of the agricultural industry.** The Inter-Professional Agricultural Research and Advisory Fund (In French FIRCA) was established by decree in December 2002. It is an instrument which was inspired by the legislative provisions of the law N°2001-635 of 9 October 2001 instituting the Agricultural Development Funds (FDA). In the industries of crop, forest and animal production, the FIRCA is in charge of funding the programmes related to:

- ▶ agricultural and forestry research;
- ▶ the conduct of experiences and demonstration for knowledge transfer between research and exploitation;
- ▶ technology research for improving agricultural produce and products;
- ▶ knowledge transfer through sensitisation, demonstration, trainings and technical and economic consultancy;
- ▶ conduct of studies, experiences and examinations;
- ▶ support to the sustainable improvement of the economic profitability of plantations;
- ▶ strengthening of the abilities of OPA;
- ▶ vocational training of producers, OPA directors and their staff.

The FIRCA was created for a better management of levies in the agricultural industry. There are currently 24 industries in the FIRCA’s portfolio. The Fund was commissioned by the State of Côte d’Ivoire to mobilise funds from industries, the State and donors. Each industry contributes an amount for its own activities. The FIRCA negotiates with the industry to fix the contribution rate and the levy mechanism. After this, a presidential decree was issued, with implementing decrees, to give legal force to the levies. The FIRCA does not levy any contribution in the coffee and cocoa industries. This is the responsibility of the Coffee-Cocoa Council. However, the FIRCA implements the component “improvement of productivity” for the Coffee-Cocoa Council.

### 4.3 The price of cocoa in Côte d’Ivoire

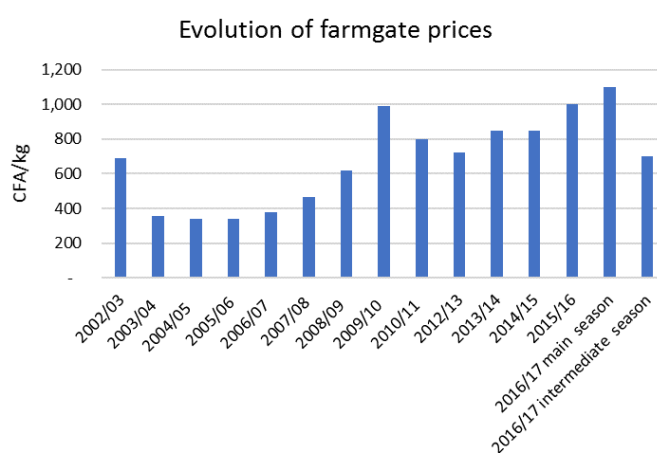
**Anticipated auction sales define the price all along the value chain.** With the 2012 reform, the Coffee-Cocoa Council introduced a mechanism for sale by anticipation of cocoa. The price scale published by the Coffee-Cocoa Council (the “scale”) at the beginning of each harvest sets the

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<sup>9</sup> Cf. site web du CNRA (<http://www.cnra.ci/images/imgcacaover.jpg>).

margins all along the value chain. The farmgate price is fixed at a minimum of 60% of the CIF price set during the anticipated auction sales. For each harvest, the Council Coffee-Cocoa prepares the scale which sets the margins of the different actors all along the value chain (including the producers, the cooperative societies, the exporters), including taxes and charges. Finally, a contingency fund at the Central Bank of West African States (BCEAO) was set up to safeguard from a significant decrease of the world market prices.

**Steady increase of cocoa prices since 2012.** Since the sector's reform in Côte d'Ivoire in 2012, the world cocoa prices have been increasing, which caused farmgate prices to rise for cocoa farmers (cf. Graph 4). For the harvest 2016-2017, the price reached CFA 1100/kg of dried beans.



GRAPH 4: EVOLUTION OF FARMGATE PRICES

**Fall of cocoa prices since the beginning of 2017.** However, given the problems that the sector has been experiencing since the beginning of 2017 (blocking of cocoa products in both ports due to the incapacity of some national exporters to honour their advance purchase commitments) and the considerable price falls on the world market that were provoked – amongst others – by cocoa overproduction, the Coffee-Cocoa Council set farmgate prices at CFA 700/kg for the intermediate season 2016-2017. This corresponds to a 36% decrease compared with the 2016-2017 main season. To fulfil the promise to give farmers 60% of the global price, the State had to give up the 5% registration fee to the tax authorities and reduced a part of the other taxes. This represents approximately CFA 43.4 billion losses for Côte d'Ivoire's budget. The budget deficit in Côte d'Ivoire should increase to reach 5% of the GDP this year, versus 3.9% in 2016.<sup>10</sup>

**Negative consequences on cooperative societies and their members.** The impact of the fall of global prices, and thereby of the farmgate price in Côte d'Ivoire has been quite significant. For farmers, this new price has caused a considerable loss in income, especially because many of them could not sell their beans during the main season due to issues in the Coffee-Cocoa Council and because some exporters were not able to honour their advance purchase commitments. Cooperative societies which have a large concentration of members and lower margins, or which have adopted an aggressive investment policy over the last months, could not to meet their

<sup>10</sup> Cf. Jeune Afrique (2017).

obligations. Many cooperative societies ceased their activities during the current intermediate crop season, majorly those located in the East, thereby consigning their employees to technical unemployment. Producers do not ship cocoa but prefer to sell it to direct sellers operating in Ghana. As for exporters, approximately 30% of them – in majority nationals who are less structured and have weaker financial support, and who have been overly speculating – risk to cease their activities, unless the government intervenes.

**Negative consequences on financial institutions.** When the consultants conducted their interviews, the risk indicators for the financial sector still hadn't indicated any deterioration of the situation. However, it is predicted that the financial institutions, which have given credits to exporters based on contracts in which the conditions – in particular the price – have not been clearly fixed will probably have to undertake important restructuring operations or write-offs.

**Forecasts of global price development.** It is difficult to forecast cocoa demand and the evolution of prices. However, the gap of almost one million tons cocoa between the supply and demand in cocoa that was expected for 2020, and which was often cited two or three years ago, no longer seems to be cited today. The calculation base was anyway unclear. The recent compilation by Bloomberg of the assessments of 18 industry analysts only predicts an approximate 10% increase of global prices in the next 12 months.<sup>11</sup>

## 5 Cocoa cooperative societies in Côte d'Ivoire: analysis on the demand side

Chapter 5 provides an overview of the cooperative societies landscape in Côte d'Ivoire. Furthermore, it summarises the characteristics of the PRO-PLANTEURS project's cooperative societies by comparing all ten cooperative societies with some figures and key information.

### 5.1 Development of cocoa cooperative societies

**Few cooperative societies operate on the base of cooperative principles.** In total, it is estimated that there are between 2,500 to 3,100 cooperative societies in Côte d'Ivoire, including 2,100 to 2,400 in the coffee-cocoa sector.<sup>12</sup> Only about 20% to 30% cocoa farmers are organised in cooperative societies. However, a large part of cooperative societies does not work and does not provide any services to their members. Cocoa farmers do not have any representation at the national level. Cocoa farmers face fierce competition from intermediaries who are designated as "trackers". Those trackers often have an edge over the cooperative societies, as the poor road conditions – especially in remote areas – often prevents cooperative societies from taking care of the shipping of their members' products. Moreover, trackers can often pay immediately the collected beans in cash, what is often not possible for cooperative societies, especially if these do not have access to financing from a buyer or a financial institution during the season<sup>13</sup>.

**Cooperative societies are regulated by the OHADA Uniform Act.** The OHADA Uniform Act (AU OHADA) defined the cooperative society (Art.4) as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a

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<sup>11</sup> Cf. Bloomberg (2017).

<sup>12</sup> Il n'y a pas d'informations fiables sur le nombre exact de sociétés coopératives. Les estimations proviennent du MINADER et du Conseil du Café-Cacao. Le Conseil du Café-Cacao planifie un recensement des producteurs du secteur café-cacao.

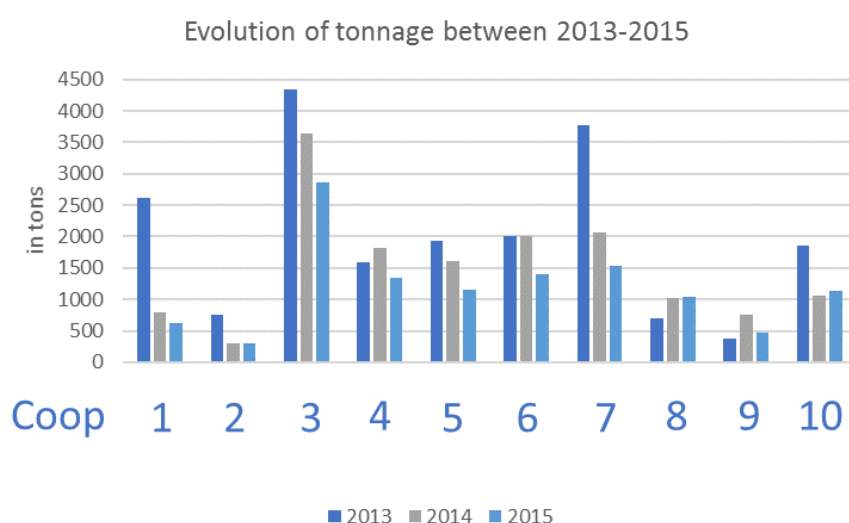
<sup>13</sup> Cf. Hütz-Adams, Friedel/Huber, Claudia (2016).

jointly owned and democratically controlled enterprise”<sup>14</sup>. The OHADA Uniform Act replaced the 1997 Ivorian law on cooperative societies. According to the MINADER, only 9% of cooperative societies comply entirely with the cooperative principles enshrined in the OHADA Uniform Act.

## 5.2 Global analysis of the PRO-PLANTEURS project’s cooperative societies

The situation of the cooperative societies, which were analysed in the framework of the PRO-PLANTEURS project can be summarised in the main following points:

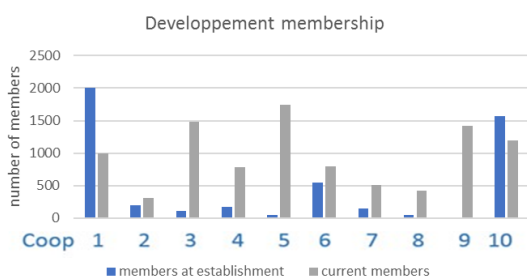
**Volume of collected cocoa.** In nearly all cases, the volume of cocoa collected by the cooperative societies declined during the three focus years of this study, except for COOPERATIVE 8 (cf. Graph 5). Such reductions reach 50% in some cooperative societies. This seems paradoxical as the total production in Côte d’Ivoire did not decline. The strong competition is the cause of this situation, a proof that PRO-PLANTEURS cooperative societies must find ways to be competitive.



GRAPH 5: DEVELOPMENT OF THE COLLECTED VOLUME

**Membership.** The current membership of cooperative societies is classified in three categories. Five cooperative societies have more than 1,000 members, three cooperative societies have between 500 and 1,000 members; and only two cooperative societies have less than 500 members. As Graph 6 shows it, in seven of the ten cooperative societies, the number of members has increased considerably since their establishment (by 676% in average). Only two cooperative societies have lost members. For COOPERATIVE 9, the number of individual members at their establishment is not available, but as the cooperative society lost three cooperative society members since its establishment, it is highly likely that it has also lost members.

<sup>14</sup> Cf. OHADA (2010)



GRAPH 6: EVOLUTION OF MEMBERSHIP



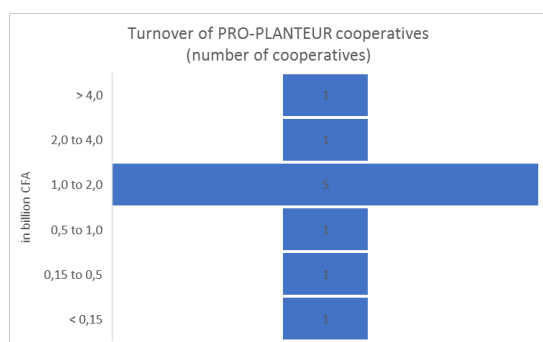
GRAPH 7: MEMBERS PER TYPE/GENDER

Regarding the proportion of women and youths (below 30 years old) in cooperative societies, both groups remain substantially under-represented. Three of the cooperative societies were not able to provide us with the number of young farmers affiliated to their cooperative society (Cf. Graph 7).

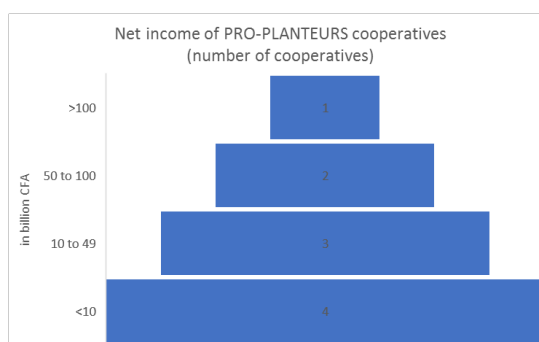
**Lack of loyalty of members.** One of the acute issues faced by the cooperative societies interrogated is the lack of loyalty of producers. As the consignment system is no longer profitable, producers sell their cocoa to the highest bidder, and especially to the buyers who can pay immediately. Trackers are often those who can offer the highest price and who are the fastest to pay. Also, as the farmgate price is guaranteed, producers do not see any interest in staying loyal to a cooperative society. A cooperative society must therefore make the difference by providing services to its members.

**Growing needs in working capital.** Given that farmers are no longer ready to accept deferred payments for the delivery of their cocoa beans, cooperative societies require additional working capital to be able to collect cocoa and face the competition of intermediaries, who pay cash.

**Turnover and net income.** In general, PRO-PLANTEURS cooperative societies show relatively high turnover (cf. Graph 8), with most of them (5 cooperative societies) having a turnover of CFA 1 to 2 billion (EUR 1.5 to 3.0 million).<sup>15</sup>



GRAPH 8: TURNOVER



GRAPH 9: NET INCOME

Moreover, net incomes were positive in all cooperative societies during the three years of the study, except in three cooperative societies, which have recorded negative results in 2014 and 2013.

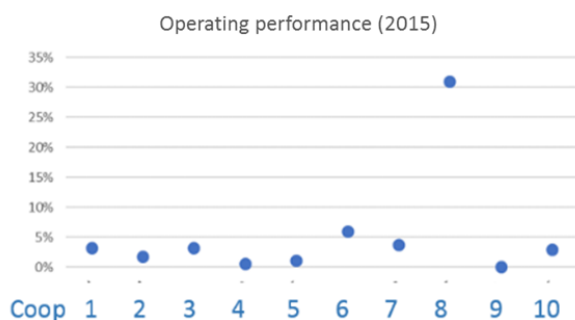
<sup>15</sup> One of the cooperative societies considers its gross profit as its turnover and therefore demonstrates a turnover which is much lower than the rest of the cooperatives (below CFA 150 million).

Nevertheless, in 2015, all cooperative societies showed positive net incomes. Amongst them, five cooperative societies recorded net incomes below CFA 10 million (EUR 15.245); three between CFA 10 and 46 million (from EUR 15 245 to 75 700); and only one above CFA 100 million (Cf. Graph 9).

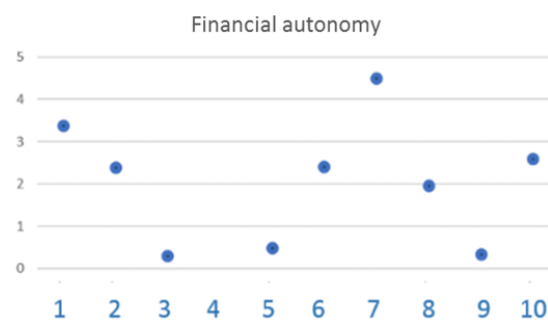
**Operating performance.** The operating performance ratio divides the gross operating surplus by the turnover. It indicates the percentage of turnover which was created. With only one exception (which will require a more in-depth analysis), operating performance ratios range from barely positive to 6% for the project's cooperative societies (Cf. Graph 10).

**Financial autonomy.** The financial autonomy is measured by the relation between the proportion of equity capital and the external debt of a cooperative society (equity ratio). The equity ratio is used to determine the level of dependence of a company to external funding, particularly to loans.

The ratio of PRO-PLANTEURS cooperative societies range between -0.48 to 4.50 (cf. Graph 11). Four cooperative societies have a ratio below 1. This means that the equity capital does not cover all the debts contracted with financial institutions and third parties. The company's financial health is therefore at risk as the cooperative society is too indebted. The other six cooperative societies show ratios above 2, which shows their good financial health.

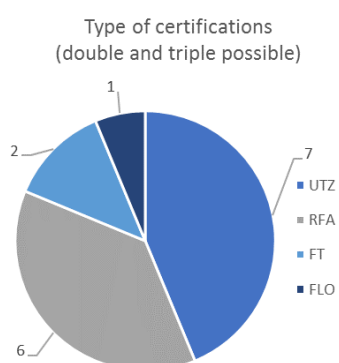


GRAPH 10: OPERATING PERFORMANCE

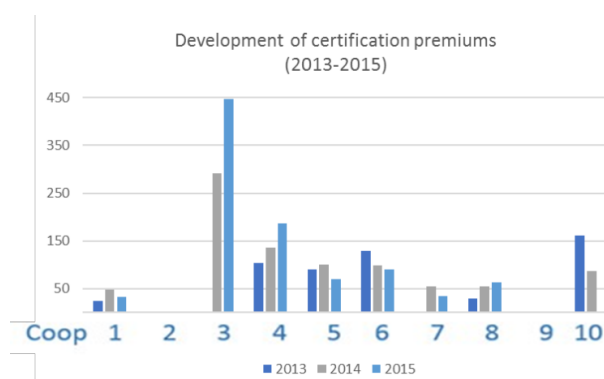


GRAPH 11: FINANCIAL AUTONOMY (EQUITY RATIO)

**Certification.** Eight out of the ten analysed PRO-PLANTEURS cooperatives have been certified by at least one Standard, either Fairtrade, UTZ or Rainforest Alliance. Two cooperative societies have been certified by three Standards; three cooperative societies have been respectively certified by two Standards and one Standard; and two cooperative societies have not been certified at all (Cf. Graph 12). The evolution of received premiums differ depending on the cooperative societies. Whilst for some of them a decrease is noticeable (mainly due to the decrease in the volume of certified cocoa exported), for others premiums have increased (cf. Graph 13).



GRAPHIQUE 12: TYPES OF CERTIFICATIONS



GRAPHIQUE 13: DEVELOPMENT OF CERTIFICATION PREMIUMS

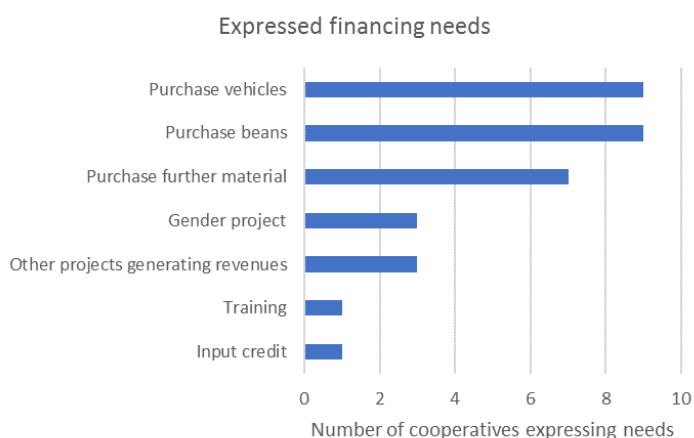
**Social benefits of the members.** All cooperative societies provide social benefits to their members and to the communities. However, the scale of social benefits depends on the volume of activity of each cooperative society's and the amount of premiums they receive. The higher the amount of premiums received by the cooperative society, the more benefits it will be entitled to.

**Access to inputs.** All PRO-PLANTEURS cooperative societies have access to input credits. Cooperative societies obtain crop-protection products on credit from suppliers after they have paid an initial contribution. Thereafter, they make those products available to members on credit. Those credits are then reimbursed by the members by delivering cocoa. According to the information received, only COOPERATIVE 4 provides producers with crop-protection products at no cost.

**Pre-financing from buyers.** Except two cooperative societies, all of them have benefited from pre-financing payments from buyers during the latest season. These pre-financing amounts range from CFA 40 million (approximately EUR 60,000) to CFA 300 million (approximately EUR 450,000) per week, with an average of CFA 125 million (approximately EUR 190,000). These amounts help determine the intensity of the cooperative society's activity and the trust that the buyer places in the society.

**Experience of credit with financial institutions.** Five out of the ten PRO-PLANTEURS cooperative societies have already contracted a credit, ranging from some millions CFA to several hundreds of million CFA (see details in Table 11). Two cooperative societies could benefit from the Doni-Doni project of Cargill and obtained a finance lease to purchase a truck. Two cooperative societies contracted or still have a credit from Advans Banque Côte d'Ivoire and two societies contracted or still have a credit from Shared Interest, including one which request is still pending. Compared to the figures for the whole industry, the level of experience is well above the average of cooperative societies.

**Financing needs expressed.** All analysed cooperative societies expressed financing needs. The most urgent need that was mentioned by the cooperative societies concern the need in working capital to purchase cocoa beans and diverse kinds of vehicles (cf. Graph 14 and Table 11 for details on each cooperative society). The amounts desired by some of the cooperative societies seem too high in relation to their activities and structure. The amounts vary from CFA 83.5 million (around EUR 127,000) and CFA 192 million (around EUR 292,000).



GRAPH 14: EXPRESSED FINANCING NEEDS<sup>16</sup>

## 6 The financial sector in Côte d’Ivoire

Chapter 6 provides a global overview of the financial sector in Côte d’Ivoire, including its different actors – notably commercial banks and the decentralised financial system – and their performance. The chapter also summarises the favourable trend in the sector of digital financial services. Finally, this chapter summarises the status of financial inclusion in the country, specifically with regard to financing agriculture.

### 6.1 General overview of the financial sector

**Underdeveloped financial sector.** A recent World Bank report concludes that the financial system in Côte d’Ivoire is under-developed. It does not play its role as a financial intermediary as it provides proportionally three to four times less credits than the South African and Moroccan system. In Côte d’Ivoire, the 75 % conversion rate of deposits into credit in the financial system is weak compared to other countries. Senegal, for instance, shows a 100% conversion rate. Banks often prefer to maintain their liquidity or to invest it in other investments (mainly in government bonds). Finally, the 21 insurance companies only own 17% of financial assets (2016).<sup>17</sup>

**Dominance of the banking sector.** The 26 commercial banks identified in 2016 are in majority foreign companies (from Morocco, Cameroon, Benin, Nigeria) and represent 80% of the financial sector’s assets. They serve their clients through approximately 570 service points. The sector is relatively concentrated, with three banks controlling 39% of all credits in 2013. Banks generally give short-term credits; only 3% of loans have a maturity term of more than five years and 61% of them have a maturity term of less than a year. Even though wholesale banks show a 18.5% return on equity (ROE), which is higher than in other countries in the region, their costs are high (inefficient management) and four banks do not comply with the prudential standards and are under-capitalised.<sup>18</sup>

<sup>16</sup> All cooperative societies expressed several needs. The expressed needs were brought together in the graph. For instance, “purchase of vehicle” includes all types of vehicles, trucks, motorbike, truck trailer, etc.

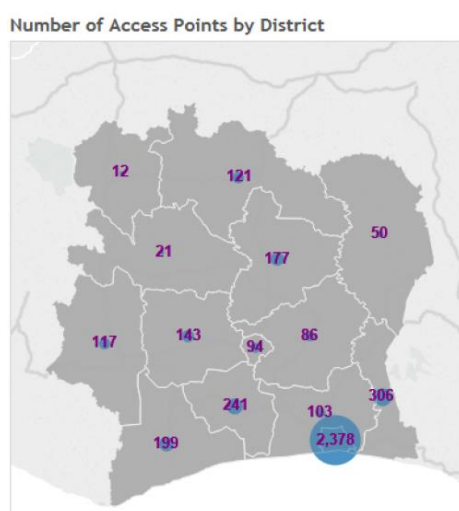
<sup>17</sup> Cf. Banque mondiale (2016).

<sup>18</sup> Cf. Banque mondiale (2016).



**A financial system largely decentralised in absolute numbers but not in volume.** Microfinance, or Decentralised Financial System (DFS), includes two types of institutions: public limited companies and cooperative societies or mutual societies. Those only account for 2% of the assets of the sector and therefore remain marginal, although in absolute numbers they concentrate one third of the accounts. At the end of 2014, 75 microfinance institutions operated in Côte d’Ivoire and served 850,000 clients through 322 service points. This number was reduced to 61 institutions in 2016. Two thirds of microfinance clients in Côte d’Ivoire are concentrated in one credit and savings cooperative society. At the end of 2014, the total of deposits in microfinance institutions amounted to CFA 152,372 million (EUR 232.3 million) and the outstanding credit amounted to CFA 107,639 million (EUR 164.1 million). This represents less than 5% of the total amount of credits disbursed in the country’s financial sector. The average amounts of credits disbursed by DFS reaches CFA 2.03 million (EUR approximately 3,100). DFS’s portfolio quality in Côte d’Ivoire in the first quarter of 2017 shows a quality ratio of 18.2% for PAR30<sup>19</sup>. Public limited companies contribute 5.2%, whilst cooperative or mutual societies show a ratio of 31.3% for PAR30. The macroeconomic role of microfinance remains limited but catalytic at the individual level, especially for poorest populations. Nevertheless, microfinance institutions which have recently entered the sector and that belong to international groups – such as Advans or MicroCred – are experiencing strong growth (doubling of the credit and deposit portfolio between 2014 and 2015).<sup>20</sup>

**Concentration of access points to financial services in the capital.** CGAP’s latest study identifies a total of 4048 access points to financial services in Côte d’Ivoire, including 3,102 for digital finance, 570 bank agencies, 251 microfinance agencies and 125 agencies of the postal network. However, 59% of these service points are concentrated in Abidjan (cf. Graph 15).<sup>21</sup>



GRAPH 15 : ACCESS POINTS TO FINANCIAL SERVICES

**Representation of financial institutions in the project’s districts.** Several financial institutions have agencies or access points in the project’s districts (cf. Table 2). However, a more detailed analysis of

<sup>19</sup> PAR30 is the Portfolio at Risk, which is calculated by dividing the loans overdue by 30 days or more by the outstanding gross portfolio.

<sup>20</sup> Cf. World Bank (2016), APSFD (2017).

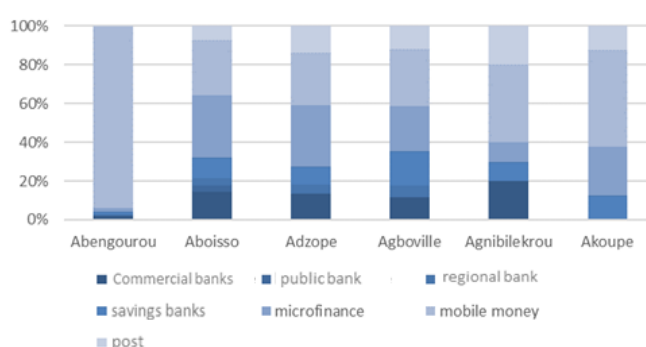
<sup>21</sup> Cf. CGAP (2017a).

the data shows that a large part of these “agencies” are access points for mobile money services (cf. Graph 16)<sup>22</sup> There are institutions at each location, however most of them do not serve the agricultural sector, nor small cocoa farmers or cooperative societies. For more details on individual institutions operating in those locations, see Appendix 5.<sup>23</sup>

The presence of an on-site institution can play a role in the provision of services. However, as of today, it is not often the on-site presence of an institution in one district that influences the provision of services in the agricultural sector. For instance, Advans does not have any agency in the project districts, but works through cocoa agencies in Abidjan, mobile credit agents and mobile money services.

Number of agencies/ access points	
Abengourou	229
Aboisso	28
Adzope	22
Agboville	17
Agnibilekrou	10
Akoupe	8
<b>Total</b>	<b>314</b>

TABLE 2 : PRESENCE IN THE PROJECT DISTRICTS



GRAPH 16 : PRESENCE OF AGENCIES PER TYPE OF FINANCIAL INSTITUTIONS

**Ongoing cleaning up of the microfinance sector.** A large majority of financial institutions must improve their performance. The sector’s return on assets was negative in 2016. Only 35% of institutions comply with the standards of portfolio quality (PAR>90 days). Over the last years, the regulatory authorities took measures aimed at strengthening the sector’s stability. For instance, in 2015, they withdrew operating licenses for 17 microfinance institutions.

## 6.2 Digital financial services

**Steady growth of the mobile money service.** In Côte d’Ivoire, three operators offer mobile money services: MTN, Orange and Moov. The Orange Money service was launched in 2008; MTN followed in 2009 and finally Moov launched its product – Flooz – in 2013. According to a GSMA report<sup>24</sup>, uptake of this service was slow in the beginning but has increased since mid-2012. Orange and MTN share the market and concentrate more than 90% of total subscribers. According to the Telecommunication Regulatory Authority of Côte d’Ivoire (ARTCI), the number of subscribers continue to increase by 3% to 10% each quarter.

<sup>22</sup> The data only include the mobile money services Flooz (moov), Celpay and Quash and don’t include either MTN nor Orange Money. As of today, MTN and Orange Money account for 90% of the mobile money market.

<sup>23</sup> Table 2, Graph 16 and Appendix 5 were created based on data from the Finclusion Lab (<http://finclusionlab.org/>), a Mixmarket service. However, the data show some inconsistencies, such as the one mentioned at the bottom of page 21.

<sup>24</sup> GSMA (2014)

**Favourable penetration results, even in rural areas.** According to the International Finance Corporation (IFC), the mobile phone penetration rate in Côte d'Ivoire is above 100% (109% in 2015), whilst formal financial inclusion is low. This situation is therefore favourable to the development of digital financial services. 53% of all financial operations in the WAEMU region are performed in Côte d'Ivoire.<sup>25</sup> According to GSMA, the activity rate of mobile money accounts (50%) in Côte d'Ivoire is much higher than the global average of 33%. Furthermore, according to the SFI, the penetration rate of mobile money in rural areas is even higher than in urban areas (26% vs. 22.6%); this is not surprising given the much higher number of mobile money agents proportionally to the number of financial institutions.

	MTN	Orange
Mobile phone subscribers, in million (12/2016)	9.06	12.41
mobile money subscribers, in million (12/2016)	1.73	5.19
active subscribers, in million, 30 days*)	0.87	2.60
mobile money agents	15,000	14,000 (active)
Level of activity of agents	50%	NA
Number of agents in rural areas	7,500 (3 500 active)	4600
Volume of transactions/month (in CFA)	9,000,000,000	300,000,000,000
Average transaction amount (in CFA)	50,000	20,000
Special pricing for farmers	free with Advans	500 CFA/txt with SIB
Services	<ul style="list-style-type: none"> <li>- mobile wallet</li> <li>- transfers from bank account to mobile wallet</li> <li>- national and international transfer (Mali, Senegal, Burkina Faso)</li> <li>- invoice payments</li> <li>- insurance subscription</li> </ul>	<ul style="list-style-type: none"> <li>- mobile money</li> <li>- bank account transfers</li> <li>- national and international transfer (Mali, Senegal)</li> <li>- invoice payments</li> <li>- payment school fees</li> <li>- insurance subscription</li> </ul>
*) Based on estimates of an average activity of 50% in Côte d'Ivoire (IFC). Sources: interviews and ARTCI website		

TABLE 3 : MOBILE MONEY PROVIDERS IN CÔTE D'IVOIRE

**Partnerships with financial institutions.** MTN formed a partnership with Advans Côte d'Ivoire to offer digital savings services. In July 2016, more than 7,000 cocoa farming members from 58 cooperative societies subscribed to this service, which is free of charge for farmers. As of Orange Money, the provider formed a partnership with the Ivorian Bank Corporation (SIB).

**Obstacles to the development of digital financial services.** For mobile operators, the biggest drawbacks to their activity stem from the legislation, which limits financial transfers to CFA 2,000,000 per day and CFA 10,000,000 per month. Other potential challenges faced by digital

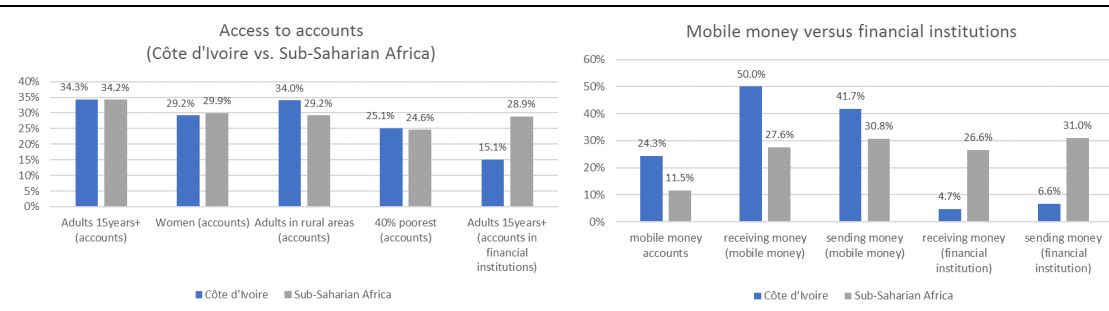
<sup>25</sup> Cf. IFCb.

financial services concern the lack of liquidity (“float”) in rural areas; the transportation costs in remote areas; and the problems of network coverage.

**High interest of cocoa farmers in mobile money.** IFC’s research on cocoa planters showed that 73% of them are ready to try digital financial services as an alternative to receiving cash payments from their cooperative society. Already during the research, 53% of farmers indicated that they use the mobile money service. 46% of them affirmed that they can reach a mobile money agent in less than 20 minutes by foot (83% of them in less than an hour). Moreover, 99% of cocoa farmers affirm that they have access to a mobile phone and 81% say they have good network close to where they live.<sup>26</sup>

### 6.3 State of financial inclusion

**Mobile money will be crucial for financial inclusion.** As Graph 6 shows it, Côte d’Ivoire is in the sub-Saharan average in terms of account numbers (all accounts included). However, the percentage of accounts owned in financial institutions corresponds to barely half of the average in Sub-Saharan Africa (15.1% vs. 28.9%). The number of adult individuals owning a mobile money account is over twice as high in Côte d’Ivoire as in the Sub-Saharan African region (24.3% versus 11.5%). Graph 7 compares the “mobile money” and “financial institution” distribution channels with regard to the receipt and sending of money. It appears that the use of mobile money in the country is well above the utilisation rate in the region, but that access to financial institutions is well-below the regional average. The preferred channel for receiving and sending money in Côte d’Ivoire is therefore mobile money. Whilst 24.3% Ivorians have a mobile money account, only 15.1% own a bank account. Nevertheless, it should not be forgotten that according to the World Bank study, one third of mobile money accounts in Côte d’Ivoire are not in use and that one third is mostly used to charge phone credit. In fact, Côte d’Ivoire has the fifth highest rate of adult individuals owning a mobile account, behind Kenya (58 %), Somalia (37 %), Uganda (35 %) and Tanzania (32 %). Nevertheless, the use of mobile money for savings or to obtain a credit remains low compared to other countries like Kenya or Tanzania. Based on data from the World Bank, the Telecommunication Regulatory Authority of Côte d’Ivoire (ARTCI) reckons that out of the 24 million mobile phone subscribers who were registered in June 2015, 7.2 million have mobile money accounts. During the first semester of 2015, revenues levied on withdrawals, transfers and invoice payments reached CFA 17 billion, approximately EUR 25.9 million.

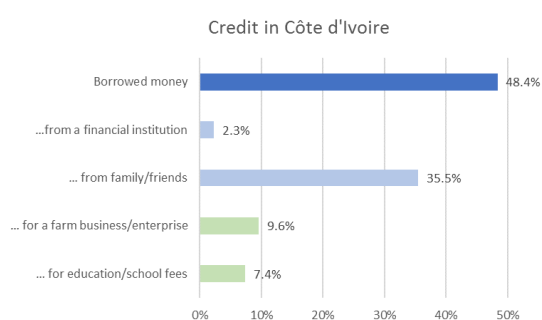


**GRAPH 17: ACCESS TO ACCOUNTS (GLOBAL FINDEX 2014)**

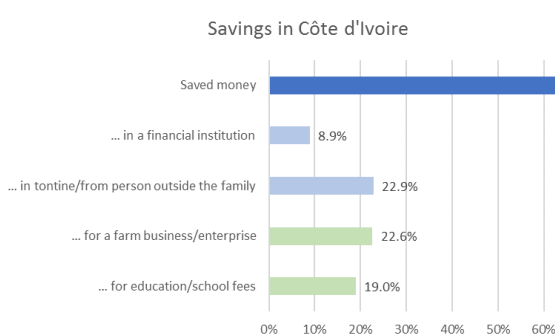
**GRAPH 18: MOBILE MONEY VERSUS FINANCIAL INSTITUTION (GLOBAL FINDEX 2014)**

<sup>26</sup> Cf. IFCa.

**High credit and savings activity, but outside of financial institutions.** According to the Global FinIndex 2014, 48.4% of the population in Côte d'Ivoire has borrowed money over the last 12 months. However, only 2.3% of them did it in a financial institution, whilst 35.5% of them contracted a credit with a family member or a friend. Almost 10% of Ivorians used a credit to invest in their farm or in a business (cf. Graph 19). With regard to savings, the picture is quite similar; high saving activity has been observed in Côte d'Ivoire over the last 12 months, with almost two-thirds of the population having saved money in that period. However, only 8.9% of them did this through a financial institution and 22.9% organised in groups to make savings ("tontine") or have their savings with a third person. This can be explained by the fact that transaction costs to deposit and withdraw money in a financial institution are relatively high (plus transportation costs, management fees, travel time and waiting time in the agencies, etc.) for a large part of the population, especially in semi-urban and rural areas, and that benefits are relatively low. Almost one quarter of the savings were used to invest in farms or in a business (cf. Graph 20).



**GRAPH 19: CREDIT IN CÔTE D'IVOIRE (GLOBAL FINDEX 2014)**



**GRAPH 20 : SAVINGS IN CÔTE D'IVOIRE (GLOBAL FINDEX 2014)**

**Financing Agriculture.** According to the CGAP study, only 6% of bank credit is disbursed to the benefit of the agricultural sector, and mostly to processing and export groups, except for some large cooperative societies. As for Decentralised Financial Systems (DFS), approximately 9.5% of their portfolio is dedicated to agriculture. Only 5% of small producers have an account in a bank, in a DFS of with an input provider. This proportion is the same for cocoa farmers. 3% of them receive funding from exporters or cooperative societies (2% for cocoa farmers). 74% of small farmers keep their savings at home in cash.<sup>27</sup>

<sup>27</sup> Cf. CGAP (2017b).

## 7 Funding possibilities of the cocoa sector

Chapter 7 analyses different types of financial institutions (commercial banks, institutions that are part of a decentralised financial system; and social investors) based on their engagement in the agricultural sector and/or more specifically in the cocoa sector. Moreover, this chapter outlines the funds coming from the industry; introduces collaboration projects between donors, public authorities and/or financial institutions; and elaborates on the implication of the public sector in the funding of the cocoa sector. Finally, the chapter summarises the main obstacles regarding the supply of financial services.

### 7.1 Financial institutions

#### 7.1.1 Commercial banks

**Selection of banks with the highest potential for the agriculture.** As mentioned above, there are 26 commercial banks in Côte d'Ivoire. For the purpose of the study, the Consultant and PRO-PLANTEURS teams chose to meet the institutions deemed to have the highest potential and/or interest to get involved in agricultural financing, specifically with cooperative societies and potentially with small cocoa farmers. The five banks which agreed to meet us are the following:

GENERAL INFORMATION	Banque Atlantique	Société Ivoirienne de Banque (SIB)	Diamond Banque	Coris Bank	Bank of Africa
Starting date	1978	1950	2011	2005	1998
Number of staff	556	750	150	120	325
Number of agencies	69 (including 34 outside Abidjan)	54 (including 15 outside Abidjan)	7 (including 2 outside Abidjan)	13 (including 6 outside Abidjan)	34 (including 8 outside Abidjan)
Credit portfolio (in million EUR)	783.1	923.1	non disponible	140.0	452.8
Deposit portfolio (en million EUR)	1,046.1	840.4 (2015)	184.6	non disponible	464.3 (2015)

TABLE 4 : CHARACTERISTICS OF COMMERCIAL BANKS

**Modest expansion beyond Abidjan and secondary cities.** Amongst commercial banks in Côte d'Ivoire, some are Ivorian and some are regional banks, with headquarters in another African country. Banks primarily offer classic bank products and serve retail clients and large national companies. With regard to their distribution channel, they have not yet engaged in the development of alternative distribution channels and operate through classic agencies. All banks have started to open some agencies outside of the economic capital Abidjan, however most of these agencies are located in secondary cities. Only Banque Atlantique has a significant number of agencies outside Abidjan. A large part of these agencies was opened in partnership with La Poste, which enabled the Banque Atlantique to open agencies outside of secondary cities.

**First partnerships with mobile operators.** Some banks have started developing partnerships with mobile phone companies, but in general these partnerships are limited to the sale of phone units and, in some cases (SIB, Diamond Banque) to transfers between wallet mobile and bank account. Savings or credit services through mobile phones still do not exist. Partnerships between financial institutions and mobile money services can facilitate repayments in remote areas. They save transportation costs and prevent hold-ups of cooperative societies' managers, who often have to move around with large amounts of money.

**Agriculture represents a substantial part in the banks' portfolio, but the client base is limited.** The financing dedicated to agriculture can represent up to 15% of commercial banks' total credit portfolio (in volume). Nevertheless, in most cases, banks mostly finance large exporters of agricultural products, including cocoa products. Each institution has a portfolio comprised of 15 to

30 clients. Few banks attempted to finance cooperative societies; and those that did it only funded very large cooperative societies or cooperative unions, which in most cases have an export licence. However, most institutions express interest in serving the agricultural sector, including cocoa; yet some banks have indicated having experienced mitigated success in the past, whilst in other cases the reason why banks still do not fund the sector is because they have not yet been able to develop an adapted product.

PORTFOLIO FOR AGRICULTURE	Banque Atlantique	Société Ivoirienne de Banque (SIB)	Diamond Banque	Coris Bank	Bank of Africa
Credit portfolio for agriculture (in million EUR)	32.3	NA	53.0	NA	69.2
% of the overall portfolio	4.1%	NA	NA	NA	15.3%
Number of clients in the agricultural sector	approx. 45	35 exporters (including 11 cooperatives), 142 cooperatives for harvest	approx. 15	approx. 10	30
Number of clients in the cocoa sector	15	NA	15	NA	15
Credit portfolio for cocoa (in million EUR)	NA	145.0 (for main crop season)	NA	NA	55.4
% of the overall portfolio	NA	15.7%	NA	NA	12.2%
Types of clients	exporters	exporters large exporting cooperatives (for 2 years)	exporters	exporters	exporters large exporting cooperatives
Specific projects	Mastercard Foundation (mobile money, microsaving and credit, micro insurance)	Doni-Doni Project with Cargill (financing of trucks)	NA	USAID (portfolio guarantee for the agricultural sector, but not yet active)	NA

TABLE 5 : PORTFOLIO OF COMMERCIAL BANK DEDICATED TO AGRICULTURE

**Short-term funding focussed on crop seasons and guaranteed by contract.** Almost all banks focus on financing working capital for crop seasons.<sup>28</sup> These funds are in general disbursed with a maturity term of 3 to 12 months, depending on whether they cover one or two crop seasons. The product used for this financing is called “Advance on Guaranteed Product” (In French ASPG). An exporter (or an exporting cooperative society) presents an export contract to the bank that sets the tonnage and the price. In general, the bank finances up to 80% of the contract value. The disbursement is aligned with the delivery of the product at the port storage (owned by a third party), once the delivery and the product quality have been confirmed. The credit is in general repaid on an account in the same bank, on which the buyer transfers the funds and that is then debited by the bank.

**Minimum lending amount around EUR 500,000.** Besides limitations defined by the legislation, most institutions still have not defined a minimum credit amount. In practice, banking institutions that only give loans to exporters require a minimum amount of around EUR 500,000, or even higher. Loan rates vary from 5% to 15% depending on the amount, on the client credit-worthiness and on guarantees. 5% rates only apply to large exporters.

**Small agricultural teams with limited specialisation.** In general, banks have small teams composed of one to four people to manage their agriculture portfolio. In most banks, specialisation or specific

<sup>28</sup> The only bank met that finances investments for cooperative societies is the SIB, in collaboration with Cargill (Doni-Doni project). See chapter 6.52 for details.



knowledge acquisition generally occurs overtime and “on the job” rather than thanks to trainings or recruitment of workers with specific agricultural experience.

**Regulations create small obstacles.** In terms of regulations, the documentation required as part of the KYC (“know your customer”) is constraining. Another significant obstacle mentioned by banks is the 15% cap on interest rates, especially if banks want to offer services to clients outside of large cities. Furthermore, the lack of a regulatory framework that would be favourable to the development of banking agents limits the supply in services. The Credit Information Bureau (IOC) that was established in 2016 is welcome, however some complain of the lack of reliability of its information.

CONDITIONS	Banque Atlantique	Société Ivoirienne de Banque (SIB)	Diamond Banque	Coris Bank	Bank of Africa
Minimum credit amount (in EUR)	800,000.00	no minimum	NA	NA	300,000
Maximum credit amount (in million EUR)	63.1	no minimum	NA	NA	NA
Average amount (in EUR)	NA	800,000	NA	5 mio	NA
Interest rate (annual)	7 to 15%	4 to 11%	7 to 10%	9 to 10%	5.5 to 15%
Maturity	12 months (crop period)	24-36 months for a truck, until 7 years for large investments	3-9 months (crop period)	3-9 months (crop period)	6-12 months (crop period)

TABLE 6 : CONDITIONS OF COMMERCIAL BANKS

**Multiple internal constraints.** Banks face challenges in financing their growing portfolio. Other banks see the need to enhance their risk-analysis mechanism as well as to train their agents to assess agricultural credits.

**Political influence on some value chains.** With regard to specific obstacles in the agricultural sector, some respondents pointed out the political influence in some important value chains, including in setting the price of cocoa beans. Others appreciate the minimum guaranteed price. Furthermore, banks struggle with assessing the credibility of the information received by clients from the agricultural sector and with the lack of guarantee of more informal markets.

### 7.1.2 Microfinance institutions (MFI) and credit and saving cooperatives

**Significant Decentralised Financial System (DFS) in terms of client numbers.** As mentioned above, the DFS only accounts for 2% of the financial sector’s assets in Côte d’Ivoire. However, it serves one third of all clients. Out of the approximately 60 institutions in the country, three have been analysed more closely: two “greenfield” type institutions (public limited companies) belonging to international networks, and one credit and saving cooperative.

**Two « greenfields » serve approximately 175,000 clients.** Advans Banque Côte d’Ivoire belongs to the Advans network, which headquarters are based in France. Advans SA is an Investment Company in Risk Capital which was created in August 2005 by Advans International (former Horus Development Finance), a French consulting company specialised in microfinance in emerging and developing countries and operating with the support of financial institutions working in development. Advans SA has invested in 10 microfinance institutions, including seven in Africa and three in Asia. Advans Banque Côte d’Ivoire started in 2012 and owns today 13 agencies, including two outside Abidjan and one specialised in cocoa. Advans has around 70,000 clients in Côte d’Ivoire. MicroCred Côte d’Ivoire forms part of the MicroCred Group network with 11 subsidiaries, including



two in China. The institution started its operations in 2011 and serves 102,000 clients through 14 agencies, including six outside Abidjan. Advans and MicroCred serve the same target markets of micro, small and medium-sized businesses with an average credit of around EUR 4,600.

**Financial cooperatives with a high number of access points but financially instable.** The largest institution of the decentralised financial system is UNACOOPEC-CI, a credit and savings cooperative that was created in 1976. The cooperative has around 635,000 members, which it serves through 134 service points, including 70% in peri-urban or rural areas. It is the financial institution with the most own access points. Whilst for the other two institutions, the credit portfolio is almost twice as big as the collected deposits, UNACOOPEC-CI has a deposit portfolio of more than EUR 133.9 million, more than twice as much as its credit portfolio. The institution faces financial losses and has been placed under temporary administration since 2013 with an urgent need for restructuring.

GENERAL INFORMATION	Advans Banque Côte d'Ivoire	Micro Cred Côte d'Ivoire	UNACOOPEC-CI
Starting date	2012	2011	1976
Number of staff	503	495	1 100 - 1 200
Number of agencies	13 (2 outside Abidjan)	14 (6 outside Abidjan)	134 (70% peri-urban/rural)
Credit portfolio (in million EUR)	61	102	55.8
Average credit amount (EUR)	4 600	4 600	640
Deposit portfolio (in million EUR)	37	59	133.9
Products	- credit - accounts (current, savings, Term deposit) - cards - mobile money (MTN, Orange) - international transfers - Western Union - SMS info services - insurance	- credit - savings - transfers - insurance	- credit - savings/term deposit - card - national transfer

TABLE 7 : GENERAL INFORMATION ON THE DFS

**Agriculture or cocoa portfolio.** The share of agriculture in their credit portfolio ranges from 2% to 12%. For two of the institutions, the agriculture portfolio equals the cocoa portfolio, as it is the industry they focus on. UNACOOPEC-CI started to take more interest in cooperative societies and cocoa farmers in 2012 when GIZ's project Sustainable Smallholder Agribusiness (SSAB) sought a partner to refund cocoa farmers. However, the first credits were disbursed in 2015. Advans started to work with cocoa farmers in 2012 and with around twenty cooperative societies. MicroCred also started entering the cooperative societies/cocoa farmers segment in 2015.

AGRICULTURE PORTOFLIO	Advans Banque Côte d'Ivoire	Micro Cred Côte d'Ivoire	UNACOOPEC-CI
Credit portfolio for cocoa (in million EUR) *	2.7 (4.5 disbursed in 2016/17)	2	6.9
% of total portfolio *	4.5%	2.0%	12.4%
Number of clients in the cocoa sector *	20,000 cocoa farmers organised in 115 cooperatives	50 cooperatives	12,300
Types of clients	cooperatives of farmers	cooperatives	cooperatives of farmers
Specific projects	- input credits for cocoa - credit for truck	- seasonal credit	- credits for agricultural inputs - equipment credit for cooperatives or farmers - working capital credit (crop season) - advance payment ahead of delivery, to replace "trackers" (side-selling)
* For UNACOOPEC-CI, the figure refers to the agriculture portfolio, including cocoa			

TABLE 8 : AGRICULTURE PORTFOLIO OF THE DFS

**Specialised products in two of the institutions.** Whilst Advans and UNACOOPEC-CI developed products tailored to the cocoa sector, MicroCred decided to mainly use its standard products, with the least possible exceptions (see details of the UNACOOPEC-Ci and Advans products in Frame 1 and Frame 2).

**Results of the UNACOOPEC-CI product.** UNACOOPEC-CI started in 2015 with a pilot phase that was implemented only in three agencies of the institution. Approximately CFA 450 million (around EUR 686,000) were disbursed in credits to around 1,000 cocoa farmers. The quality of the cocoa portfolio was very good, even better than the quality for other sectors such as trade. For this, the following year, UNACOOPEC-CI disbursed around CFA 1 billion (around EUR 1.5) to 3,225 farmers in the framework of the project. UNACOOPEC-CI also works with cooperative societies by granting them funding for agrochemical products and for their own operations. The objective for 2017 is to increase exposure to CFA 9 billion.

#### Frame 1: Development of the credit product for cocoa farmers – a collaboration between GIZ and UNACOOPEC-CI

**Joint development of a product tailored to the characteristics and needs of cocoa.** SSAB and UNACOOPEC-CI developed a financial product tailored to the needs of farmers and based on the seasonal cycles of cocoa. For this, an analysis and comparison was conducted between on one hand the profitability of the application of good agricultural practice (GAP) before credit financing (i.e. only with equity capital), and the profitability involving the costs of a credit (interests, fees, commissions, insurance, etc.) on the other hand. Information collected during GAP trainings were used for those calculations. The costs of technical trainings on monitoring and parcel geo-tracking were included in the calculation. Based on a cost-and-profit calculation, the SSAB programme – in collaboration with credit agents from the financial and management institution of the cooperative society – supportS farmers in understanding the impact of credit financing on the profitability of their farm. The SSAB programme trains its financial partners' credit agents on the main aspects of

cocoa and as well as on cash flow and the associated risks.

**Importance of savings.** The collaboration also includes a component on awareness-raising regarding savings for cocoa farmers and their families. For this, both partners have developed short radio programmes that they notably broadcast during the crop season (from September to January), when farmers receive the money from their cocoa sales. Furthermore, the partners conduct sensitisation activities with farmers when they visit the villages. These initiatives have shown satisfactory results.

**Conditions to access credit.** To have access to credit, a farmer must be a member of the savings and credit cooperative society. He may not be in arrears and must have settled in the area of an agency from the institution. Furthermore, he must have successfully participated in the trainings of the Farmer Business School that was developed by GIZ. The farmer must also make a deposit corresponding to 20-25% of the requested credit amount as a guarantee.

**Credit costs.** The credit interest rates for farmers are approximately 11%. The UNACOOPEC-CI also charges 2% disbursement fees and CFA 5,000 administrative fees (around EUR 7.60).

**Monitoring and evaluation approach.** A farmer must fill out a credit request that will then be evaluated by the financial institution, an evaluation which also includes a visit at the farmer's farm. Thereafter, the credit is approved (or not). The credit amount is disbursed to the agro-dealer, who delivers the inputs to the farmer. The credit is repaid by the farmers, who open an account at the financial institution. Following the cocoa sales, the revenues from the sales are deposited by the buyer on the account that the cooperative society opened at the financial institution. Based on a list of producers who delivered to the cooperative society, revenues are then transferred to the farmers' accounts after deduction of the repayment of the credit. During the entire process, farmers are closely accompanied by field officers (in French "planteurs relais"). The financial institution monitors farmers.

**Product adaptation.** Whilst during the pilot phase in 2015, repayments were made directly after the main crop season, this system was adapted and split in two repayment dates: a minimum of 70% of the credit must be repaid after the main crop season and the rest must be reimbursed after the intermediate crop season.

#### FRAME 1 : THE UNACOOPEC-CI PRODUCT

**Development of the « Cocoa Credit » product of Advans Côte d'Ivoire.** Thanks to their "Cocoa credit" product, which they launched in March 2012, Advans Côte d'Ivoire was one the first institutions in the country to work with cocoa farmers. Since then, it has financed a total of 25,000 farmers from 150 cooperative societies with a total volume of USD 9.9 million. Advans has also developed a new credit product for equipment and trucks. This product is experimented with four to five pilot cooperative societies. Advans cooperates with MTN on mobile money.

**« Cocoa Credit » Agency works as a profit centre.** Advans has a « cocoa agency », which is based in the offices of the input providers with whom they partner. The agency is composed of a team of six credit agents and four back-office employees. The credit agents are based in the regions. All employees who work on the cocoa credit have experience in the cocoa sector.

#### Frame 2: the « Advans cocoa input credit » product

the « Advans cocoa input credit » product is comprised of three components: 1) inputs, including pesticides/insecticides, fertiliser, the necessary tools and the protective equipment; 2) trainings in the application of pesticides and fertiliser and in credit management; and 3) the financial pillar based on the seasonal aspect of cocoa. farmers receive an average credit of USD 215. credits are disbursed to the cooperative society, which is then in charge of channelling them to the individual farmers. the cooperative society is also responsible for repayments.

Advans conducts a credit evaluation of the cooperative society, it does not assess individual farmers. it trains cooperative societies in managing credits and repayments. however, the credit risk associated to individual farmers is borne by the cooperative society and not by the financial institution. for its part, Advans bears the risk of bankruptcy of the cooperative society. for the latest crop season, Advans reports a 100% repayment rate at its own level and a 98% rate regarding repayments of farmers to the cooperative society.

whilst, at the beginning, reimbursements were only made through exporters (buyers), who repaid Advans directly (“tripartite project”), over time and based on the experience, Advans now accepts direct repayments from the cooperative society, in particular for cooperative societies that have demonstrated good credit history over several crop seasons. the advantage of this is that it enables the cooperative society to sell to any buyer.

#### FRAME 2: THE « ADVANS COCOA INPUT CREDIT » PRODUCT

**Conditions to obtain a loan.** With regard to conditions to obtain a loan, UNACOOPEC-CI defined criteria for individual farmers because the institution gives a loan directly to the farmer. Farmers must be members of a credit and savings cooperative and must be recommended by their cocoa cooperative society. In the case of Advans, the criteria are defined at the cooperative society level: registration of the cooperative society; certification (ongoing certification process at the minimum); at least two years of activity; at least four employees dedicated to the management of the cooperative society; one professional organisation; and reliable accounting.

**Amounts, rate and maturity.** The amounts disbursed by UNACOOPEC-CI for each farmer are comprised between approx. 280 and 770 EUR, with a 12 to 18-month maturity. For Advans, the amounts are tailored to each cooperative society and range from EUR 7,600 to 230,000 with a 3 to 9-month maturity (one crop season). With regard to MicroCred, not all information is available.

CONDITIONS	Advans Banque Côte d'Ivoire	Micro Cred Côte d'Ivoire	UNACOOPEC-CI
<b>Minimum credit amount (en CFA/EUR)</b>	CFA 5 million/EUR 7,600	NA	EUR 280
<b>Maximum credit amount (in CFA/EUR)</b>	CFA 150 million/EUR 230,000	not specified	EUR 770
<b>Conditions</b>	<ul style="list-style-type: none"> <li>- registered cooperative</li> <li>- having been in activity for at least 2 years</li> <li>- holding UTZ, Fairtrade or/and Rainforest Alliance certification (or certification in process)</li> <li>- organised, reliable accounting</li> <li>- having at least 4 employees dedicated to managing the cooperative</li> <li>- credits for phyto-sanitary products: at least 1 ha cocoa</li> <li>- credit for fertiliser t: at least 3 ha cocoa</li> </ul>	NA	<ul style="list-style-type: none"> <li>- farmers must be members of the cooperative if they want a credit</li> <li>- must be recommended by the cooperative</li> </ul>
<b>Interest rate</b>	approx. 12% (1.33%/month)	NA	approx 11% plus commissions
<b>Maturity</b>	3-10 months (crop season)	6 months	until 18 months (usually max 12 months)

TABLE 9 : CONDITIONS TO ACCESS AGRICULTURAL FINANCING

**Lack of credible information as the biggest challenge.** According to the institutions, the biggest challenge is the lack of credible information from cooperative societies, including professionally-audited financial statements. Internally, institutions recognise a lack of capacity to develop products.

### 7.1.3 Social investors/refinancing fund

**Social investors working on cocoa in Côte d'Ivoire.** The consultant team collected information on nine refinancing funds that are working in Côte d'Ivoire, which are specialised in the financing of the agriculture and which have a cocoa portfolio. Those social investors have slightly different targets, but all focus on cooperative societies. All the funds have their headquarters in Europe or in the United States (only Root Capital is based in the US). Three of the funds have offices in the region, either in Ghana or in Côte d'Ivoire. Amongst the investors, some have diverse funds specialising in sectors (mostly microfinance and agriculture), and others invest their equity raised from individuals or institutions. The size of invested portfolio as well as their policies and conditions vary. Like banks, funds require a purchase contract from their client and finance 60% to 80% of the contract value.

**Focus on the short-term financing of crop seasons.** Most of the funds focus on rather short-term investments of 9 to 12 months to finance the purchase of cocoa beans during the crop season. Often, the funds can be used following as “revolving” funds in case further contracts are made.

**Four funds also finance investments in the sector.** Either independently or combined with a seasonal credit, those funds propose financing for equipment purchases, especially trucks. A collaboration project of a fund with a certification body proposes funding for the rehabilitation or renovation of cocoa farms (see Chapter 6.5.4).

**Preference for exporting cooperative societies as the biggest obstacle.** Social investors work with cooperative societies, SME or cooperative unions. Nevertheless, for most of them the investment targets are organisations holding export licences, i.e. cooperative societies which hold a licence and sell directly to a foreign buyer (e.g. instead of selling to a local subsidiary of an international buyer). This represents the biggest obstacle for most cooperative societies in Côte d'Ivoire to access funding from a social investor. However, most of the funds recognise the drawback that these conditions represent for their potential clients, and thereby the cap that they put on their own portfolio growth. Furthermore, this condition leads investors to invest only in a handful of institutions that receive financing from almost all investors (e.g. ECOOKIM<sup>29</sup>). Several funds with which the Consultants discussed are aware of this restriction (and risk) and are thinking of collaboration models with national buyers as well as with Ivorian subsidiaries of large multinationals.

**Three funds work with non-exporting cooperative societies.** However, the good news is that three of the funds already work with non-exporting cooperative societies. These three investors are also institutions that offer smaller financing amounts.

**Minimum investment amounts vary depending on the target clients.** The two biggest investors work with minimum amounts of EUR 500,000 or even EUR 1 million. For other funds, these amounts can go down to EUR 100,000 or even EUR 50,000. Regarding those that provide financing based on export contracts, the amount is based on a percentage (in general 60-80%) of the contract value. For the others, the amount depends on the cooperative societies' turnover. In general, they define a maximum percentage of the turnover that can be financed.

**Requirements in terms of professionalism of cooperative societies.** The basic conditions that all investors consider when deciding on a potential financing include the professionalism in managing the cooperative society and the qualifications of the management team; the registration of the cooperative society; and whether the cooperative society has the governance bodies required by the law. Moreover, investors consider whether the financial statements give a good image of the operational and financial status of the cooperative society. Most of the funds prefer that the financial statements are audited, and that the audit is done by a known audit firm. For most investors, it is an asset for the cooperative society to be certified and to abide by environmental and social criteria.

**Refinancing done mostly in USD and EUR at more or less equal rates.** Investors refinance at annual interest rates which range from 7 to 12%. The final rate depends on the creditworthiness and soundness of the society for repaying and on the associated risk as well.

**List of exclusions.** The refinancing fund as well as the other types of financial institutions generally follow the list of exclusions of the International Finance Corporation (IFC). In a nutshell, this list forbids the financing of illegal activities, such as for instance the production or trade of weapons, but also the production and trade of alcoholic drinks, tobacco, gambling activities, casinos, etc. The list also refers to the Convention on International Trade in Endangered Species of Wild Fauna and Flora

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<sup>29</sup> ECOOKIM is a cooperative union in Côte d'Ivoire. It was created in 2004 and has held an export licence since 2005. ECOOKIM gathers 23 cooperative societies members of over 12,500 producers.

(CITES). The specific theme that is most frequently mentioned by financial institutions is certification. However, only two institutions have defined certification or sustainability as absolute criteria. Shared Interest requires its clients to hold Fairtrade certification. Triodos reports that the institution works with certification Standards but that certification itself is not enough. The institution wants to see the positive impact on farmers and ask cooperative societies to have a vision regarding the reduction of their negative impact on the environment. It also assesses specifically the social aspects of cooperation between the cooperative society and its members. The other institutions consider potential certification to be “a plus”. No institution link certification to the conditions of the credit they offer to a cooperative society. The analysis shows that the market seems to be insufficiently developed for such a differentiation.

Study on costs and access to financing for the cooperative societies of the project PRO-PLANTEURS

GENERAL INFORMATION	ResponsAbility	OlkoCredit	Shared Interest	Triodos	Root Capital	Alterfin	FEFISOL	SIDI	Incofin
Headquarters	Switzerland	Netherlands	UK	Netherlands	USA	Belgium	co-management by partnership between Alterfin, SIDI, Etimos	France	Belgium
Regional office	NA	office in Côte d'Ivoire	office in Ghana	NA	office in Côte d'Ivoire	NA	NA	NA	NA
Funds	Fair Agriculture Fund (FAF)	no specific funds	no specific funds	Triodos Sustainable Trade Fund	no specific funds	Alterfin equity	Two funds: - SIDI equity	Two funds: - SIDI equity	Fairtrade Access Fund
credit portfolio (In million EUR)	190	1 053.0	17	30	702.20	59.0 (Alterfin)	18.0 (2014)	17	21
Investment sectors	agriculture, dont 13% cacao	IMF, entreprises sociales (agriculture)	production, agriculture, artisanat	agriculture, dont 26% cacao, 23% en Afrique (6 730 planteurs en CDI)	agriculture	IMF, agriculture	IMF, agriculture	IMF, agriculture	IMF, agriculture
Products (offered in Côte d'Ivoire)	seasonal credit	seasonal credit - investment credit (for equipment and potentially for replanting)	working capital credit (truck, vehicles, stores)	seasonal credit	seasonal credit	seasonal credit	crop season financing (only the main crop season) - investment credit (machines) after 2 year partnership - possibility to add an investment loan to the working capital (e.g. purchase of truck)	seasonal credit (only for the main crop season) - investment credit (machines) after 2 year partnership - possibility to add an investment loan to the working capital (e.g. purchase of truck)	credit for working capital
Conditions	- export contract - critical size (minimum 5k tons/crop season) - financial statements audited by a large known audit firm - professional management of the cooperative (including credit given to members) - debt level of the cooperative	- export contract - Fair Trade certification (must be known by the Fair Trade Network in Côte d'Ivoire) - at least 3 years documentation/financial statements (if possible audited) - known buyer as partner	- export contract (international exporter) - 3 years experience as an exporter - 1M USD/ an minimum turnover - critères strictes en ce qui concerne la durabilité (au-delà de la certification) - profitabilité (au minimum break even) - audited financial statements	- export contract (international exporter) - 3 years financial statements - environmental and social impact - no minimum tonnage, but average of 10K t/year	- export contract (first experience with a local exporter this year) - EUR 450K minimum turnover - financing of max. 30% of the turnover - états financiers audités - capacité de l'équipe de gestion de la coop	- export contract (first experience with a local exporter this year) - EUR 450K minimum turnover - financing of max. 30% of the turnover - états financiers audités - capacité de l'équipe de gestion de la coop	- registration of cooperative - minimum 2 years experience - financial statements on at least 2 years (better on 3 years), if possible audited - solid management team, with director and accountant - minimum tonnage of approx. 800 tons/turnover: minimum EUR 200-300 M	- registration of cooperative - minimum 2 years experience - financial statements on at least 2 years (better on 3 years), if possible audited - solid management team, with director and accountant - minimum tonnage of approx. 800 tons	- export cooperative - minimum revenues of EUR 2000, but preferably EUR 5-10M (or 5,000 tons) minor cocoa - audited financial statements (3 years)
Minimum credit amount (in EUR)	1.0 M	500,000	50,000	250,000	300,000 (50,000 in theory)	150,000 (Alterfin)	100,000	100,000	200,000
Maximum credit amount (in million EUR)	NA	NA	1.0 M	2.5 M	3.0 M	1-1.5 M	1.0 M	1.0 M	1.0 M
Average amount(en EUR)	2.0 M	1.0 M	200P000	1.0 M	NA	NA	200000	200000	500,000
Interest rate (annual)	8-9%	9-10%	9-12%	8-10%	10-12%	7-8%	7-9%	7-9%	7-10%
Maturity	9-12 months	10 to 12 months (crop season)/24-48 months (investment)	12 months (working capital)/until 5 years (investment)	6-15 months (crop season)/3-5 year (investment)	12 months maximum	12 months	on main crop season	on main crop season	12 months maximum

TABLE 10 : SOCIAL INVESTORS



## 7.2 Buyer and donors involved in agricultural financing

### 7.2.1 Crop season financing by buyers

**The financing of crop seasons by buyers is a relatively widespread phenomenon.** Almost all local subsidiaries of large multinational buyers/grinders pre-finance cooperative societies during crop seasons, mostly during the main crop season. They support the cooperative societies at the base of their work, by advancing working capital that enables them to buy their beans to their members. Those financings are usually little formalised and the conditions not strictly defined. There are usually no officially-agreed interest rates, and repayments are done through a levy on the beans delivered to the buyer.

**Often the only means to finance cocoa harvests.** Frequently, those financings represent the only access of cooperative societies to credits, and thereby the only way for them to do their job, i.e. to harvest cocoa. Without these financings, many cooperative societies would not be able to buy the beans due to a lack of funds and their members would have to wait long before they could be paid for the beans delivered. This may be a reason that causes side-selling, the sale of beans by members of a cooperative societies to intermediaries or trackers, who generally pay cash.

**A criticised lack of transparency.** Criticism towards these financings concern the lack of transparency in the conditions and prices of the different parts of the project (interest, purchase price, transportation costs, etc.). Criticism is also directed to the dependence of a cooperative society vis-à-vis the buyer, who uses the financing as an instrument to ensure the loyalty of cooperative societies and to ensure the reliability of their partners. Often, conditions are not well defined or changed unilaterally; this is particularly the case for the purchased volume of certified cocoa.

Over the course of the last years, a growing number of buyers have developed collaboration projects with financial institutions so as not to be directly involved in the financing of cooperative societies.

### 7.2.2 Doni-Doni Project<sup>30</sup>

**Financing of new trucks.** The Doni-Doni project is an initiative, which is being conducted in the framework of Cargill's Cocoa Promise programme. The goal of Doni-Doni – which means “step by step” in Dioula language – is to support cooperative societies in managing their logistics parks and in purchasing new trucks that will no longer generate repair costs. The project is being implemented in collaboration with the Société Ivoirienne de Banque (Ivorian Bank Corporation – SIB) and the International Finance Corporation (IFC). Whilst Cargill selects cooperative societies, the SIB is in charge of the disbursement process and the credit repayment. The IFC provides refinancing funds.

**Compulsory training to access the project.** The cooperative societies which can participate in the Doni-Doni project generally participated in the Cargill Coop Academy in the past. This training consists in 28 days of classroom training and one year of coaching on aspects of financial management and professionalisation of the cooperative society. Cooperative society directors who have completed this training can participate in the Doni-Doni project. The other selection criteria do not differ from the criteria used by the other actors involved in the financing of cooperative societies; they include criteria on the stability of the cooperative society, the cocoa volume history, the

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<sup>30</sup> Cf. web page Cargill.

organisation and professionalism of its different bodies and on the cooperative society's level of sales to Cargill.

**Three-year financing with levy on delivered beans.** Doni-Doni offers three-year leasing for the purchase of a new truck, with an insurance included. Every cooperative society must pay a contribution in equity corresponding to 10% of the truck price. The repayment is done by levying CFA 10 on each kilogramme of beans delivered to Cargill. The SIB, the banking partner, charges an interest rate ranging from 8% to 12% for financing the truck.

**Impacts on transportation.** In 2015, the first year of the project, 78 vehicles were financed for 41 cooperative societies. Those figures increased during the second year to reach 153 vehicles for 56 cooperative societies. In terms of impact, partners highlight that transportation problems for cooperative societies have been reduced and that costs to repair old vehicles have diminished.

### 7.2.3 Cocoa Challenge Fund

**Programme to improve producers' living conditions.** The Cocoa Challenge Fund (CCF) is a joint initiative of the Sustainable Trade Initiative (IDH) and the Coffee-Cocoa Council that was set up in the framework of IDH's Farm & Co-op Investment Programme. Both organisations mobilised EUR 5 million (more than CFA 3.2 billion) for a 5 year-period. This programme seeks to enhance living and working conditions of producers and cooperative societies in rural areas and aims at:

- ▶ Developing and/or promoting financial products for professional cooperatives and cooperative entrepreneurs;
- ▶ Building the capacity of professional cooperatives and/or producers-entrepreneurs to manage financial products and investment in their activities; and
- ▶ Creating a financial and regulatory environment that will foster the emergence of professional and bankable cooperative enterprises and producers-entrepreneurs.

**Four pillars of the programme.** To reach these objectives, activities focus on four fundamental pillars:

- ▶ The Cocoa Challenge Fund (CCF);
- ▶ The creation of an enabling environment for the CCF;
- ▶ Monitoring and Evaluation;
- ▶ Learning, communication and fund mobilisation.

**Goal of improving available financial services.** The CCF specifically supports farmers and cooperative societies by providing them with technical assistance in managing their business and using credit effectively. It also seeks to improve the financial services that are available for cooperative societies and their cocoa farmer members by supporting qualified financial institutions that provide financial products and services that are affordable, responsible and adapted.

**Technical assistance for financial institutions and cooperative societies.** Therefore, CCF does not itself offer loans, equity and other types of financing. However, it offers two types of co-financing to projects proposed by the private sector:

- ▶ Co-financing of the operating costs of financial institutions that are involved in the provision of financial services to cocoa farmers and cooperative societies (banks, microfinance institutions (MIF), social investors or agribusinesses). This co-financing concerns for instance the development of financial products and software, operating costs and market analysis;
- ▶ Co-financing technical assistance directed to farmers and cooperative societies to prepare them to receive financing to manage this funding (e.g. financial education; development of trainings

and trainings of trainers; development of a monitoring and evaluation system, investments in credit administration systems).

**Co-financing of private sector projects at a rate of 30%.** There are two types of criteria for participation in the CCF. There are general criteria, such as for instance whether an (non) financial institution is involved in the cocoa sector and is ready to finance cooperative societies by applying responsible practices. Moreover, there are selection criteria for the investment proposals that are amongst others based on impact and scalability. The CCF contributes between EUR 150,000 and EUR 750,000 to the proposals, an amount which must be limited to a maximum of 30% (until 50% in exceptional cases) of the total amount of the project. Proposals must come from private sector institutions.

#### 7.2.4 Finance for Smallholder Cocoa R&R

**Financing for renovating and rehabilitating farms.** The Finance for Smallholder Cocoa Renovation and Rehabilitation (R&R) project is jointly implemented by Rainforest Alliance, Ecookim, Alterfin and ResponsAbility. The objective of this initiative is to develop and test a financing model for renovating and rehabilitating cocoa farms, which could be replicated by financial institutions. Three of the cooperative societies, which are Ecookim members, selected a hundred cocoa farmers, each of them basing their selection on the following selection criteria: Rainforest Alliance certification; regular participation in the trainings; and good credit history with its cooperative society. In the framework of this collaboration, Alterfin provides one third of the capital, whilst Ecookim provides the remaining two thirds and selects the cooperative societies that will participate in the project. Ecookim also disburses the funds to cooperative societies and is responsible for repayments. ResponsAbility provides technical assistance funds, whilst Rainforest Alliance is involved in the structuring of the project and in monitoring and evaluation. The project is expected to last four years (2016-2019).

**Three credit options which depend on the needs and options.** The selected farmers were assisted to define their needs in terms of renovation/rehabilitation and to choose one of the three proposed options (rehabilitation without fertiliser; rehabilitation with fertiliser; or renovation). Based on this, they received a credit covering the inputs and other needs identified to implement the selected option. Repayments are done according to the selected loan: repayment from year one in the case of rehabilitation; and in the case of renovation, repayment must be finalised 18 months after disbursement and must be repaid online in five instalments using the farm cashflow.<sup>31</sup>

#### 7.2.5 Other projects

**Several other donors are involved in the cocoa sector.** Whilst those projects do not directly deal with access to financing for cocoa farmers and cooperative societies, they often include a component related to the financing aspect:

- ▶ Agence Française de Développement (AFD). The “Cacao Ami des Forêts” project aims at developing new outlets in cocoa farming to produce more on smaller surfaces, thereby preserving the environment and biodiversity. For 2018-2019, a pillar on the capacity-building of cooperative societies includes an activity entitled “Supplying financial credit to targeted producers to help rehabilitate plots”. Furthermore, in collaboration with Barry Callebaut, the

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<sup>31</sup> Cf. Rainforest Alliance (2016), Rainforest Alliance (2017).

AFD conducted a study on the cultural practices and the cocoa farmers' revenues in Côte d'Ivoire.<sup>32</sup>

- ▶ International Finance Corporation (IFC). Further to the collaboration in the framework of the Doni-Doni project, the IFC financed and implemented the results of several studies regarding access to financing in Côte d'Ivoire, including one study on the opportunities of digital financial services for the cocoa value chain (cf. Appendix 5).
- ▶ World Cocoa Foundation (WCF). Regarding the aspect of access to financing for cocoa planters, WCF collaborated with several actors on several projects. For instance, it collaborated with Advans on developing the e-wallet and a guarantee fund to encourage the financing of small producers. The WCF also supported Advans in developing financial products tailored to individual farmers.
- ▶ CGAP/World Bank. The Consultative Group to Assist the Poor (CGAP) and the World Bank, in collaboration with the Finance Ministry, conducted an analysis of agricultural finance in Côte d'Ivoire, which aimed to the development of an action plan. They also conducted a national survey amongst small farmer households. As part of their activities linked to the development of digital finance in Côte d'Ivoire, they are also conducting a national survey on the status of demand in financial services.

### 7.3 The public sector and its involvement in financing cocoa

#### 7.3.1 Past experiences of the public sector

**Bad experiences of public banks in financing agriculture.** The National Bank for Agricultural Development (BNDA) closed in 1991 following its bankruptcy, which was caused by poor management. Thereafter, the Guarantee Fund of Coffee-Cocoa Cooperative Societies (FGCCC) was created. It gave agricultural cooperative societies and individual producers a guarantee to allow them to be financed by commercial banks during the various agricultural seasons.

Following delinquencies, it also went bankrupt. Finally, Côte d'Ivoire's Banque pour le Financement de l'Agriculture (BFA – Bank for Financing Agriculture) closed down in 2015. Due to the failures of past experiences in financing the agricultural sector, and specifically the cocoa sector, there is today no direct financing of the agricultural sector.

Nevertheless, some experiences show encouraging results. For instance, the Extension and Renewal Fund for the development of oil palm crops (FER) enabled the creation of oil palm crops (provision of plants and inputs, opening of access roads to farms and of plot runways). Whilst certainly repayment difficulties have been pointed out, the Phase 1 and 2 of the project have been implemented.

#### 7.3.2 Financing for subsidies

As far as cocoa is concerned, all subsidy policies are in the jurisdiction of the Coffee-Cocoa Council. In the other sectors, subsidies are granted in the framework of projects or programmes. Under the supervision of the Ministry of Agriculture and Rural Development (MINADER), those projects/programmes are coordinated by the MINADER, the Ministry of Economic and Finance and the Ministry of Budget.

**Currently available subsidies.** Subsidies are currently available in the cocoa sector for seeds and crop-protection products, which are made available free-of-charge to producers. The cooperative

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<sup>32</sup> Cf. AFD (2017).

societies and producers that have registered in projects have priority in receiving seeds, as this allow to better monitor impacts. Other subsidies are also granted in partnership with the FIRCA and the Coffee-Cocoa Council to combat the “swollen shoot” disease; this includes the provision of seeds (cocoa, banana discards, corn), crop protection products and support in uprooting diseased plants.

**Level of distributed subsidies.** 50,000 hectares of improved seeds are distributed every year. Each cocoa producer is entitled to 1 hectare every year. However, because the amount of seeds that are distributed is too low, not all producers benefit from it. The FIRCA holds a portfolio of CFA 5.8 billion, including CFA 4.7 billion coming from the Coffee-Cocoa Council. Of this amount dedicated to cocoa projects, 42% is used to combat the “swollen shoot” disease, 12% is dedicated to research and 46% for the Agricultural Council.

### 7.3.3 Measures taken by the government for financing via credit

The Coffee-Cocoa Council is currently working on a finance mechanism for cooperative societies. Because of the failure of financing models previously implemented, there is an increasing governmental disengagement with regard to credit in the cocoa sector. The government is first attempting to remove the obstacles that prevent financial institutions from financing the agricultural sector. Because, in the past, involvement of the government in the provision of credit – in Côte d’Ivoire and in other countries – was mostly unsuccessful, the focus of the Ivorian Government in ensuring an enabling environment for agricultural financing is deemed very appropriate.

**Focus of the government on creating an enabling environment.** The Government seeks to remove the obstacles that prevent financial institutions from getting involved in the agricultural sector. It seeks to create more favourable conditions by removing the constraints. These measures include supporting a better structuration of agricultural industries; strengthening governance in these industries; and implementing projects or programmes. Moreover, the Government has learnt from the failures of the past and is using them to change strategy. The current objective is to encourage financial institutions to serve clients from the agricultural sector.

**Collaboration with the German Development Bank KfW.** MINADER’s EUR 9 million refinancing project, implemented in collaboration with the German Development Bank KfW, will enable financial institutions to better understand the agricultural sector in order to fully provide the necessary financing. The proposed project is a Refinancing Fund for Contract Farming Schemes and has three main components: a) a Fund dedicated to providing mid-term and long-term credits to agricultural farmers and agricultural businesses; b) support to financial institutions aimed at building their capacity to analyse risks related to investments in the agricultural sector; and c) support in terms of project monitoring and evaluation. The project is expected to start in 2017.

## 7.4 Main obstacles on the side of the supply of financial services

In sum, some characteristics and conditions are found to be obstacles to the provision of services to the agricultural sector, specifically to small actors such as cooperative societies of producers and farmers. The obstacles identified include the following:

**Lack of key parameters necessary to guarantee a favourable regulatory framework.** The lack of regulatory framework that would be favourable to the development of correspondent banks makes it difficult as well as more expensive for actors from the finance sector to reach clients outside large cities – and particularly in rural areas. This is particularly the case for actors in the agricultural sector.

**Interest rate ceiling.** The regulations of the Central Bank of West African States (BCEAO) defines a “wear rate”, an interest rate ceiling for commercial banks and institutions of the decentralised financial system. The rate is specified for each type of institution: since January 1<sup>st</sup>, 2014 the rate stands at 15% per year for banks (formerly 18%) whilst it stands at 24% for the DFS (formerly 27%).<sup>33</sup> The combined lack of favourable regulation for correspondent banks with the interest rate ceiling make it difficult for financial institutions to offer services beyond large cities as they are neither in the position to reduce their operational costs nor to increase their revenues.

**Lack of guarantees, particularly in rural areas.** Currently in Côte d’Ivoire, only 30% of plots are regulated by tenure arrangements. According to a CGAP study, 64% of small farmers own their property under customary law and only 8% have a property or lease title. Consequently, their use as a guarantee is limited. Some cooperative societies own goods, but those are registered under the name of a director rather than under the name of the organisation. It must however be said that a movable guarantee registry was only developed recently (2012) and only registered 2,500 guarantees in 2015. In addition of this, the judiciary does not facilitate the recovery of guarantees, or otherwise after a long and costly process.<sup>34</sup>

**Lack of mid-term and long-term refinancing possibilities.** As discussed above, the major part of credits in the financial sector in Côte d’Ivoire consists of short-term credits, even more in the agricultural sector than in other sectors. This is due to the lack of trust (and understanding) in the sector. Nonetheless, an important reason for this is also the lack of medium- and long-term refinancing resources.

**Insufficient knowledge on the agricultural sector and the specialised staff.** Finally, an important obstacle to financing the agricultural sector – and particularly smaller actors – is the lack of knowledge of financial institutions regarding agriculture as well as the specificities of the sector’s value chains. As interviews with institutions show it, most of them – in particular on-site commercial banks – do not have any specialised staff, nor staff who was trained on aspects of agriculture. Due to this lack of information and knowledge, the products offered to the agricultural sector are often not distinct from those offered in other sectors, although requirements in terms of maturity, repayment, etc. are very different.

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<sup>33</sup> Cf. BCEAO (2013).

<sup>34</sup> Cf. World Bank (2016).

## 8 Conclusions and recommendations

Chapter 8 summarises the possibilities of access to financial services in rural areas. Thereafter, it analyses and summarises the basic requirements defined by the financial institutions that are the most likely to provide financing to the cooperative societies of the PRO-PLANTEURS project. These criteria are then applied to all ten analysed cooperative societies to draw a conclusion for each cooperative society. Finally, the Chapter proposes general recommendations for the PRO-PLANTEURS project.

### 8.1 Access to financial services in rural areas

**Limited possibilities of access to financial services in rural areas.** The analysis shows that, in Côte d'Ivoire, it remains difficult to access financial services in rural areas. In terms of financial institutions, only few institutions have a physical presence outside of large cities. Amongst the analysed financial institutions, those that have physical presence are mostly the Banque Atlantique and its service points managed in collaboration with La Poste, and the credit and savings cooperative society UNACOOPEC-CI. The rest of the institutions have no or little physical presence outside of large or secondary cities. Social investors often do not even have any physical presence nor infrastructure in Côte d'Ivoire. They can only offer credits.

**Access to payment and saving services.** Regarding access to payment services, the most promising offers for cooperative societies, and particularly for individual producers, are digital financial services. The major part of payments is currently made in cash, particularly amongst farmers, leading to enhanced hold-up risks. Moreover, according to surveys, producers are highly interested in using those instruments. With regard to savings, those digital services and informal savings groups can represent solutions in areas where no financial institution is present.

**Limited opportunities provided by commercial banks for short- and medium-term financing.** With regard to credits, the current analysis shows that in the medium- and short term, social investors and microfinance institutions are in the best position to meet the needs in financing. Almost all commercial banks in Côte d'Ivoire finance some large buyers. However, they have no experience nor concrete ideas on how to downscale their activities to reach producer cooperative societies and even cocoa producers themselves. The major part of those commercial banks seems to show only an overall interest in the sector.

**DFS and social investors show more potential in the short- and medium- term.** With regard to access to short- and medium-term financing, the financial system institutions (credit and savings cooperative societies and microfinance societies) and social investors offer the best possibility for cooperative societies to access credit, whilst DFS offer the best opportunities for individual farmers.

### 8.2 Analysis of the most promising institutions' requirements

**Main access requirements.** The main conditions for cooperative societies to access funding have been identified:

- ▶ *Registration of the cooperative society:* All financial institutions require cooperative societies to be registered according to the existing legislation (AUSCOOP).
- ▶ *Export licence:* Out of the ten institutions identified as the most likely to finance PRO-PLANTEURS cooperative societies, four do not require any export licence. The other institutions require cooperative societies to export themselves directly, which represents a significant obstacle for most cooperative societies in Côte d'Ivoire. Indeed, exporting cocoa beans requires

knowledge and experience that are different from those required for collecting and selling cocoa. Furthermore, the export licence is not easy to obtain and is not likely to become easier due to the recent developments in the sector. However, three institutions have showed interest in developing a collaboration model with local buyers.

- ▶ *Turnover and minimum tonnage:* Most institutions require cooperative societies to justify either a certain turnover or a minimum tonnage. In most cases, those figures are not fixed but are rather aimed at giving an indication of activity volume. This requirement should be considered together with the other requirements, particularly the minimum amount of financing.
- ▶ *Partnership with a buyer:* A partnership with a buyer is already included for institutions that require an export licence and a cocoa beans purchase contract as guarantee. For those that do not require any export licence, a partnership with a known buyer is generally asked for. Some institutions conduct interviews or perform some due diligence with buyers they do not yet know.
- ▶ *Appropriate accountability/reliable financial statements:* All institutions require cooperative societies to demonstrate solid and reliable accountability. Furthermore, audited financial statements are sometimes required (this was the case for some institutions over the last three years). Even though this is not a strict requirement for many institutions, they all prefer the statements to be audited by a known firm rather than by a small audit firm.
- ▶ *Governance bodies:* All institutions also require cooperative societies to have different governance bodies that are in place and operational and that clear roles and responsibilities are distributed amongst these different bodies to ensure their functionality. This includes at the minimum the presence of a director and an accountant who would be adequately trained and benefit from a solid experience. It is also important that the roles of the different bodies are well defined to ensure a good control of the activities. Defining the roles and responsibilities amongst management and the Advisory Board is in that sense particularly important.
- ▶ *Training/donor project:* The support that cooperative societies receive through trainings of farmers, support services and donor projects is perceived by almost all institutions as an asset. Nonetheless, this does not replace the other requirements, nor does it make them less important. This is also the case for certification projects.
- ▶ *Other requirement(s):* Two institutions defined additional requirements. For Shared Interest, holding a Fairtrade certification is a basic requirement. The cooperative society must be known in the Fairtrade network. As for Triodos, the sustainability of the cooperative society is highly important and Triodos sets requirements which may go beyond a simple certification.
- ▶ *Minimum amount of financing:* Almost all institutions defined a minimum amount of financing that ensures the profitability of their own operations. This amount ranges from EUR 15,000 for Advans to EUR 50,000 for Shared Interest and even to EUR 1 million for ResponsAbility.

Those requirements are summarised in Table 11 below. Based on these criteria, two institutions show a high likelihood to be able to serve the project cooperative societies:<sup>35</sup>

- ▶ *Advans Banque Côte d'Ivoire:* The Institution is physically present and already finances many cooperative societies similar to those of the project. No basic requirement set by the institution seems to prevent the analysed cooperative societies from accessing financing.
- ▶ *Solidarité Internationale pour le Développement et l'Investissement, SIDI (through its own funds and through funds of the Fonds Européen de Financement Solidaire pour l'Afrique, FEFISOL):* the

<sup>35</sup> This refers to the cooperatives that have been analysed and considered ready and able to receive financing. It does not refer to the cooperative societies that are considered to have weak capacity to qualify for such financing.



second institution that is of high interest for PRO-PLANTEURS cooperative societies is SIDI. No basic requirement represents an obstacle to cooperative societies and the minimum amount of financing is relatively low. Moreover, SIDI has two refinancing possibilities: either through its own funds or through the FEFISOL funds.

It is assessed that five institutions on the list offer a medium possibility for PRO PLANTEURS cooperative societies. Medium possibility is defined by the fact that a large part of cooperative societies will not be able to meet one or two basic criteria in the short term:

- ▶ *MicroCred*: The MicroCred society is listed amongst these institutions because not enough information was shared to truly assess the possibility to access its financing. The reason for this can be that the FMI is relatively new in the financing of these cooperative societies and that it may not yet have any specific product nor (probably) specific conditions. However, it is recommended to approach the institution with a concrete request to test and understand its willingness to get involved in the sector.
- ▶ *UNACOOPEC-CI*: The institution works primarily with cocoa farmers directly, but also works with some cooperative societies. The financing requirements for cooperative societies are not fixed, but depend on the circumstances. Nevertheless, the institution confirmed its high interest in financing cooperative societies.
- ▶ *Alterfin*: Alterfin has basic requirements which are achievable for most cooperative societies of the project and a minimum amount that could be absorbed by many cooperative societies. However, there remains a deadlock regarding export licences. The Institution has conducted a first experience this year with a local exporter. Depending on the results, it will decide on whether it continues working through this model.
- ▶ *Triodos*: The institution has a minimum amount that is accessible for some cooperative societies of the project and basic conditions that do not raise any obstacles, except for export licences. This is a critical requirement, yet because some institutions have an interest in developing new models with unlicensed cooperative societies, Triodos could follow these institutions. However, it needs to be precised that Triodos would probably not be the leading institution in that development.
- ▶ *Shared Interest*: This institution has already (or is currently) working with the two cooperative societies of the project that hold a Fairtrade certification, a criterion that the other cooperative societies do not fulfil. If cooperative societies considered to be “ready for financing” would hold Fairtrade certification, they would meet all basic requirements of Shared Interest.

Finally, four institutions in the list only represent a low possibility to become potential partners for PRO-PLANTEURS cooperative societies. Those institutions require at least two basic criteria that the project’s cooperative societies are unlikely to be able to meet (in the short- and medium-term):

- ▶ *Incofin*: Incofin is certainly the most likely institution to be moved to the “medium” category. Even though Incofin requires three criteria that are currently too difficult to meet for the project’s cooperative societies, those criteria are the most likely to be met in the medium-term. These requirements concern export licences (and the interest of the institution to change this), the minimum collected volume and the minimum amount to be refinanced.
- ▶ *Root Capital*: the institution also requires an export licence (with possibility and interest in changing this criteria). The average volume of cocoa collected by the cooperative societies that are refinanced by the institutions approximates 10,000 tons per year, which is four to five time as much as the volumes collected by the most active cooperative societies of the project. The

minimum refinancing amount, which corresponds to EUR 300,000 is currently too high for cooperative societies.

- ▶ *Oikocredit*: Similar to Root Capital, Oikocredit requires an export licence and does not show any explicit intention to change this requirement. The minimum amount of EUR 500,000 is much higher than the needs and the absorption capacity of the analysed cooperative societies.
- ▶ *ResponsAbility*: ResponsAbility's minimum refinancing amount of EUR 1 million seems to be far from the absorption capacity of the project's cooperative societies. Moreover, the institution requires an export licence and has not shared any plans to change this.

Main criteria	Advans	MicroCred	UNACOOPEC-CI	ResponsAbility	Oikocredit	Shared Interest	Triodos	Root Capital	Alterfin	Incofin	SIDI
	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Registration of cooperative	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Export licence	no	no	no	yes	yes	no	yes, and with 3 year experience	yes*	yes*	yes*	no
Minimum turnover/tonnage	--	--	NA	5,000 t/crop season	--	--	EUR 1 million	10,000 t/year in average	EUR 450,000	EUR 5-10 million/5,000 t	EUR 300,000/800 t
Partnership with buyer	interview	--	interview	international	international	preferred if known	international	international	international/kn own	international	--
Accounting in place/weak financial statements	yes	yes	yes	audited by a large audit firm	yes	yes	yes	yes	yes	yes	yes
Governance bodies	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Training/donor project	yes	--	FBS	a plus	--	a plus	a plus	a plus	a plus	a plus	a plus
Other criteria	NA	NA	NA	NA	NA	Fairtrade certification	profitability, sustainability vision	NA	NA	NA	NA
Minimum financing amount (in EUR)	15,000	--	NA	1,000,000	500,000	50,000	250,000	300,000	150,000	200,000	100,000
Access possibilities for PRO-PLANTEURS cooperatives	high	medium	medium	low	low	medium	medium	low	medium	low	high

\* The organisations have already attempted/are interested in developing a work model with cooperatives that do not hold any export licence.

TABLE 11 : SUMMARY OF CRITERIA REQUIRED BY DFS AND SOCIAL INVESTORS

### 8.3 Analysis of the cooperative societies and their possibilities to access financing

Based on the analysis conducted in the framework of this study, four of the cooperative societies can be eligible to short-term financing<sup>36</sup> :

- ▶ *COOPERATIVE 3*: the cooperative society has already credit experience due to its experience with Advans. It provides many services to its members and to the community and collects a large cocoa volume (more than 2,800 tons). The President of its Board has a good reputation and is widely recognised, whilst its director is experienced and has the appropriate training to support the person in charge of accounting. The cooperative society recorded a net income of CFA 116 million in 2015.
- ▶ *COOPERATIVE 6*: this cooperative society also provides many services to its members and to the community. The volume of collected cocoa (more than 1.3 tons) is good, with sales values above CFA 1.5 billion. The cooperative society benefits from a good equity ratio and demonstrates that it is not dependent on foreign assets. The director has a good vision of the cooperative society in rural area as a development tool.
- ▶ *COOPERATIVE 10*: The cooperative society regularly collected more than 1,000 tons cocoa over the last three years, with sales values of around 1,500 million CFA. It shows a good activity volume, with revolving credits ranging from CFA 100,000 to 150,000M every week during peak periods. The cooperative society also owns significant property assets that can be used as guarantee; this includes four new buildings, including a shop with a 5,000 tons capacity. The director is experienced and can support the person in charge of accounting if needed. *COOPERATIVE 10* showed positive results during the last three fiscal years. It has credit experience thanks to its experience with the SIB in the framework of the Doni-Doni project.
- ▶ *COOPERATIVE 8*: The cooperative society collected more than 1,000 tons over the last two years and its turnover and net income have been increasing. Its equity ratio has been above 1 for the last three years. It has credit experience thanks to experience with the SIB in the framework of the Doni-Doni project. However, the financing amount that *COOPERATIVE 8* asks for seems to be very high.

For the three following cooperative societies, additional efforts need to be made (particularly in terms of management and good governance) before they can be eligible for financing:

- ▶ *COOPERATIVE 5*: The volume of collected cocoa has been decreasing continuously, mostly because of the side-selling its members engage in. The cooperative society's vehicle fleet is aging and makes cocoa harvest difficult. Furthermore, the cooperative society employs too many workers proportionally to its activity volume (39 employees for approximately 1,000 tons) and its personal costs are therefore high. The cooperative experienced a drastic fall of its net income in 2015 (-87%). Its turnover and gross margin have also been declining over the past three years. Its equity ratio has been below 1 over the past three years, which is a sign that the financial health of the cooperative society is at risk.
- ▶ *COOPERATIVE 7*: The volume of cocoa collected by the cooperative society has been declining by more than half between 2013 and 2015 (from 3,500 tons to 1,500 tons). Its property assets only have little value and do not include real estate that are registered under the name of the

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<sup>36</sup> The propositions are based on the analysis conducted by the consultants. This analysis was conducted based on documents shared by the cooperative societies and in a limited period of time. Therefore, they cannot replace the due diligence of a financial institution.

cooperative society. The cooperative does not have any bank accounts at the name of the cooperative society.

- ▶ *COOPERATIVE 1:* The cooperative society's volume of collected cocoa fell drastically by 76% between 2013 and 2015, and is currently below 700 tons. This is due to the side-selling its members have been engaging on, mostly in Ghana. Because of this, its turnover and its net income have been decreasing since 2013. The number of its members has decreased by 50% since its creation, a sign that the cooperative society is in decline and that it provides few social benefits to its members and the rest of the community. The cooperative society's vehicle fleet is aging.

Finally, for the remaining three cooperative societies, certain identified weaknesses have led to the conclusion that they will not be eligible to financing until they make considerable efforts:

- ▶ *COOPERATIVE 4:* the cooperative society has had negative equity over the past three years, and potentially for even longer. It has CFA 50 million receivables with members and over CFA 460 million debts to repay to CEMOI and Shared Interest. The cooperative society's financial statements are not reliable.
- ▶ *COOPERATIVE 2:* The cooperative society shows a low volume of cocoa collected, that has been declining (less than 500 tons over the last two years). Cocoa is delivered through another cooperative society, which is a sign of structural weakness. The cooperative society does not have any certification project and has therefore no possibility to access premiums, which has a negative influence on the result of the cooperative society. The director has never taken any steps towards exporters in the perspective of trade or projects. There are doubts on the reliability of the financial statements that were audited by an audit firm as the cooperative society could not deliver some balance sheets. Finally, the number of members of the cooperative society is low (315 producers) and could only grow moderately since the establishment of the cooperative society.
- ▶ *COOPERATIVE 9:* The volume of cocoa sold is low in comparison with the number of cooperative societies' members. Currently, the volume is lower than 1,000 tons for 5 cooperative society members, which is insufficient to make the society viable. The number of producer members is also low and has been decreasing since its creation due to the low level of services provided. The Union does not have any property assets in its name, which strongly limits its operations. The analysis of its cash flow indicators (working capital, needs in working capital, net cash and equity) shows that COOPERATIVE 9 does not show sound financial balance. Nevertheless, the Union model deserves to be encouraged.

#### 8.4 Recommendations for the PRO-PLANTEURS project

Some global recommendations can be drawn from the analysis and the discussions with the different stakeholders. These recommendations concern diverse aspects (on both the supply and demand sides) and diverse perspectives.

**Closer cooperation with other GIZ projects in Côte d'Ivoire.** Besides the PRO-PLANTEURS project, GIZ implements other projects in the cocoa sector in Côte d'Ivoire. For instance, the regional programme Sustainable Smallholder Agri-business (SSAB) has been collaborating since 2015 with the UNACOOPEC-CI in Côte d'Ivoire to offer savings and credit services to farmers. Recently, the programme has conducted an external evaluation of its initiative aimed at supporting access to finance for farmers, which will certainly draw interesting conclusions and findings that can also be

interesting for the PRO-PLANTEURS project. Moreover, if both programmes combine the available resources, they might be able to support a financial institution in developing an adapted financial product.

**Potential replication of the “Finance for Smallholder Cocoa R&R” project.** The PRO-PLANTEURS project should also discuss and analyse collaboration possibilities with projects such as the joint initiative between Rainforest Alliance, Ecookim and Alterfin (see chapter 7.2.4). Once the results of this pilot initiative are available, those should be analysed to assess whether this initiative could be replicated by PRO-PLANTEURS.

**Development of a model “without export licence”.** During the discussions with the consultants, a group of social investors showed a high interest in developing a product or model, which would enable them to finance cooperative societies that do not hold export licences. Those institutions realise that their market and growth potential are limited if they keep their current requirements. Expanding their market and their portfolio is one of their objectives. Given that these institutions have already identified such a need and that some of them have started testing new models, the possibility seems feasible in the short- and mid-term. Several social investors included in the report organised themselves under the Council on Smallholder Agricultural Finance (CSAF), an alliance which goal is to build financial markets that will serve the needs of small agricultural entrepreneurs. Those institutions, which are also competitors in the market, are used to collaborate to develop new approaches.

**Supporting downscaling.** Even though the discussions conducted during this study showed that commercial banks are not totally convinced or do not express a high degree of interest, it is advised to maintain contact with the institutions to share with them the developments and the potential of the sector. As mentioned above, joining forces with another project, even a collaboration with a, on-site financial institution could be considered. Such an initiative could concern the development of an adapted financial product. The in-depth knowledge of PRO-PLANTEURS regarding the functioning of the cocoa sector, the operations of cooperative societies and the needs of farmers would be an added value to such a cooperation. However, this recommendation will bear its fruits in the medium- or long- term, considering the time that will be necessary to develop an adequate financial product.<sup>37</sup>

**Lobbying for an enabling environment.** A recommendation to consider in the longer term, and which could have a significant impact, is to support the setting up of an enabling environment for initiatives aimed at financing cooperative societies in Côte d’Ivoire. On the side of the financial sector, this refers to regulation initiatives that facilitate access to finance for the population in rural areas. Simplifications in the regulation regarding the “know your customer (KYC)” rules can facilitate access to financial services for actors in rural – and agricultural in particular – areas who do not own any traditional identity document. The experience in Uganda is an example of this. Moreover, a regulation that would facilitate the development and expansion of alternative distribution channels, such as correspondent banks or mobile money, could also help financial institutions lower their operational costs considerably and therefore allow them to target market segments that would normally be too costly to serve. A long list of recommendations could be outlined on the side of the agricultural sector to stabilise the sector and facilitate market access for the actors of the sector.<sup>38</sup>

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<sup>37</sup> Huber, Claudia (2017).

<sup>38</sup> Cf. Hütz-Adams, F./Huber, C. (2016).

**Continue to support cooperative societies.** As mentioned in the individual reports of the PRO-PLANTEURS cooperative societies, a continuous support to professionalise cooperative societies is always necessary. The cooperative societies are in different stages of development and need support that would be tailored to their needs. This means that one uniformed support programme cannot be adapted to all cooperative societies. The support that all cooperative societies need – basic to advanced support depending on their situation – must be focussed operational management of activities (most of all management of costs) and bookkeeping.

**Work on financial education with farmers.** Even if not all cooperative societies can access financial services immediately (and their members even less), it is suggested to include trainings in financial education in the technical assistance programme. For more efficiency, instead of training members directly, it can be considered to train trainers, such as executive directors in cooperative society, who will then be able to train their members. These trainings should not only focus on credit, but should also include all financial products and services available, especially savings. Sensitisation regarding savings – in particular during the crop season when farmers receive their revenues – can prepare farmers for credit repayments and can also help them build up a security deposit, which is required by several institutions.

## Appendix 1: Semi-structured guides for interviews with different stakeholders

### Semi-structured interview guides for cooperative societies

#### ▶ **General presentation**

- Date of establishment
- RCS Number
- Headquarters
- Number of sections
- Number of members at establishment
- Number (and development) of current members
- Number of female members
- Number of young members (under 30 years)
- Subscribed capital
- Paid-up capital
- Tonnages collected over the past three fiscal years and sales values in FCFA
- Total plot surface owned by members
- Main buyers in order of importance

#### ▶ **Human resources**

- Number of Board members
- Number of members on the Supervisory Board
- Number of permanent workers
- Number of occasional workers
- Director's study level of and years of experience
- Accountant's study level and years of experience

#### ▶ **Administration/governance and financial management**

- Has the cooperative society ever experienced cases of embezzlements?
- Does the cooperative society have a manual of administrative and accounting procedures?
- Does the cooperative society have an Organisational Development Plan?
- Are there reports of the meetings conducted by the governance bodies?
- What is the procedure for the disbursement of funds in the cooperative society?

#### ▶ **Finance**

- History of the cooperative society with regard to financing requests
  - Did your cooperative society request financing from a financial institution?
  - If not, why?
  - What was the result of this request?
  - What amount was requested?
  - What were the conditions imposed by the financial institution?
  - How did the cooperative society use these funds?
  - What concrete benefits did the cooperative society derive from this financing?
  - Could your cooperative society repay the financing entirely, partially, or not at all?
  - If the financing request was refused by the financial institution, what are the reasons for this refusal?
- Does the cooperative society often receive pre-financing from buyers and does it pay back on time with cocoa delivery? How much? What are the conditions?
- Did you request a lease?



- If not, why?
- If yes, to what institution did you apply? And for which material?
- What were the results?
- If the results were negative, what were the reasons?
- If you obtained the material, did you repay the lease within the agreed period?
- What are the current financing needs of your cooperative society?
- What is the interest for the cooperative society to obtain financing? For what purposes to you express such financing needs?
- What is the current debt of your cooperative society?
- Does the cooperative society give credits to producers?
- For what needs does the cooperative society give credits to producers?
- How does it finance these credits?
- What other services does the cooperative society provide its producers with?
- How important are services in fostering membership to cooperative societies?
- Does the cooperative society encourage its members to open bank accounts in micro-credit institutions? Why?
- Do producers show interest in certain instruments: saving accounts? Mobile money payment? Input credits?
- ▶ **Projects and partnerships**
  - Do you collaborate with other projects besides GISCO's PRO-PLANTEURS project? Which ones?
  - Does your cooperative society hold one or several certifications? Which ones?
  - What were the amounts of certification premiums over the past three crop seasons?
  - Did you make any investments with these premiums? Which ones?
  - Does the cooperative society implement specific projects for women and youths? If yes, what are they?
  - Do you have partnerships regarding input access for producers?
  - What is the nature of your contribution in these partnerships?
- ▶ **Main challenges in the cooperative society**
  - What are the main difficulties/challenges you experience in the cooperative society?
- ▶ **Documents to collect**
  - Financial statements for the past 3 fiscal years, to calculate:
    - Profitability ratio
    - Solvency ratio
    - Equity ratio
    - Gross margin on sales
    - Total operating expenses
    - Total debts
    - Total revenues
    - Surplus or loss
    - Loan losses

Given the low level of reliability of the financial statements in most cooperative societies, on-the-spot inspections will be conducted to get a more accurate idea of the cooperative societies' financial situation. It will be necessary to check the regularity, honesty and the accuracy of the financial statements provided by the cooperative societies. This will require to: check the main components of the cooperative society's balance sheet – results, income statement and the accompanying

statements –; compare the results to the balance to identify discrepancies; and assess the impact of these discrepancies with regard to access to finance.

- Statutory auditors' report for the past three fiscal years (to identify shortcomings and recommendations)
- Budget monitoring document, if applicable
- Certification of fiscal regularity, to know whether the cooperative society complies with the tax authority regulations
- Delegation of authority for the current fiscal year
- Statements and internal rules of procedures
- Forecast operating and cash budgets for the 3 past fiscal years
- Administrative and accounting procedure manuals
- Reports of the last 3 meetings conducted by the governance bodies
- Development plan of the cooperative society (if existing)
- Contingency plans of the last 3 fiscal years with forecast operating and cash budgets
- Collected tonnage that was sold over the last 3 fiscal years

## Semi-structures interview guides for financial institutions

- ▶ **Characteristics of the financial institution**
  - What is the type of your institution (bank, MFI, cooperative, fund, etc.)? When was it established?
  - How many workers do you have?
  - How many agencies and service points do you have (including outside the capital/in rural areas)?
  - What is the size of your institution's credit portfolio (in volume and in numbers of clients)? What is the average credit amount?
  - What is the quality of the credit portfolio (PAR30)?
  - What is the size of your institution's saving portfolio (in volume and in number of clients)?
  - What products do you offer to your clients?
  - Do you use alternative distribution channels (mobile money, banking agents)?
- ▶ **Experience/activity about agriculture**
  - Do you work with farmers?
  - What proportion of your (credit) portfolio is dedicated to agriculture?
  - What is the quality of this specific portfolio (PAR30)?
  - With what type of farmers do you work (small farmers, cooperative societies, SME, production/processing/trade)?
  - What products do you offer to farmers (savings, input credit, investment credit)?
  - Are these products different from your "usual" products?
  - How do you assess credits? What is the procedure for disbursement and repayment?
  - Do you have employees who are specialised in agricultural credits?
  - Do you work with specific value chains?
  - Do you work in specific regions?
  - What is your general strategy to finance agricultural finance?
  - Do you work in (tripartite) cooperation with buyers /other stakeholders?
- ▶ **Conditions to finance agriculture**
  - What amounts do you offer?
  - What is the maturity of your credits?
  - Which conditions do your (potential) clients have to fulfil to access financing?
  - Do you have an exclusion list, e.g. on environmental and social aspects?
  - What guarantees do you require from your clients?
  - What are the conditions of your credits (interest rates, commissions, etc.)?
- ▶ **Perceived obstacles to agriculture financing**
  - Do you perceive any obstacles to financing agriculture in Côte d'Ivoire...:
    - with regard to of regulations?
    - with regard to the market?
  - Are there any internal obstacles in your institution?
- ▶ **Others**
  - Do you collaborate with donors? on which projects?
  - What is your interest in the cocoa sector?
  - Are you interested in cooperating with the GISCO project?

## Semi-structured interview guide for public service actors

### Financing by a financial institution (credit)

- ▶ **Responsibilities**
  - Which governmental bodies are involved on as the issue of agricultural financing, specifically for the cocoa sector?
  - Who has the lead responsibility?
  - Does a coordination mechanism exist?
- ▶ **Regulatory framework**
  - Are there specific policies for agricultural financing in Côte d'Ivoire, is there a specific policy for the cocoa industry?
  - Are there other regulatory texts that support the financing of farmers, in particular in the cocoa industry?
- ▶ **Situation and potential obstacles**
  - How do you assess the financing situation in the agricultural sector (cocoa specifically) by financial institutions?
  - What are in your opinion the potential obstacles faced by financial institutions to enter the agricultural sector, and specifically the cocoa industry?
  - What is the history of agricultural sector financing in Côte d'Ivoire, and specifically the cocoa industry?
    - Are there past experiences?
    - What were the results of these experiences and what lessons did you draw from them?

### Financing through subsidies

- **Responsibilities**
  - Which governmental bodies are involved on as the issue of agricultural subsidies, in particular in the cocoa sector?
  - Who has the lead responsibility?
  - Does a coordination mechanism exist?
  - What subsidies are available?
  - How are subsidies “distributed”? who is in charge of the operations?
  - Who can benefit from these subsidies?
  - What is the volume of subsidies available for the cocoa sector?

## Semi-structured interview guide for other stakeholders/ potential technical partners

### ▶ Programme

- Who are the partners in your project?
- What are the main components of your project? What is its objective?
- With which actors do you work in the cocoa sector?
- In which regions do you work?
- With which financial institutions do you collaborate?
- How does the collaboration work?
- What is the scope and duration of your project?

### ▶ Progress

- What is the current progress of your project?
- Could you identify any lessons learnt?
- Where do you see obstacles in financing cocoa farmers/cooperative societies?

### ▶ Interest

- Are you interested in collaborating with GISCO's PRO-PLANTEURS project?
- Where do you perceive potential collaboration possibilities?

## Appendix 2: Criteria for the selection of cooperative societies

The criteria used to select cooperative societies for the project are outlined below:

1. Regularity of attendance/participation in training sessions, coaching activities and in the PRO-PLANTEURS project in general (eliminary criterion)
  - a. Out of the 4 participant directors expected at each training session, at least 2 participant directors must have been present;
  - b. Cooperative societies must at least have participated in 2 training sessions out of the 4 planned sessions;
  - c. Cooperative societies had to be available for at least one coaching session monthly over the last 5 months of the project.
2. The different governing bodies must be filled: Board, Supervisory Board, Management, Accounting (the absence of Accountant is an eliminary criterion as it would be impossible to obtain financial and accounting documents)
3. Level of qualification of the staff, primarily the Director and the Accountant (at least BAC [A-levels])
4. Availability of the financial statements for the fiscal year 2015
5. At least one cooperative society per region implementing the PRO-PLANTEURS project (for a regional diversity of cooperative societies to select)
6. Average mark obtained at the Self-assessment rankings carried out in Yamoussoukro (see Appendix 3).

## Appendix 3: List of interviews

### Financial Institutions Mission, 3 - 7 April 2017

<b>Monday, 3 April 2017 – 2 Plateaux</b>
MicroCred Barnabé François, DG Manovosoa Toavinjaka Rakotonirainy (M.)
Coris Bank Adamou Nikiema, Responsable du Département Financement Structuré, Agriculture et Microfinance
Oikocredit Yves Komaclou, Regional Manager West Africa Cedrick Montetcho, Project Officer Côte d'Ivoire
<b>Tuesday, 4 April 2017 – Plateau</b>
MTN Etienne Ardon, Mobile Money General Manager Joel Amoakon, Dominique Tagba
Doni-Doni Gildas Loukou, Programme Evaluation Manager Blandine Konan, Responsable Qualité et Evaluation Programme Nazaire Anoma, Responsable des Achats Ahmed Ossene, East Area Commercial Manager
Diamond Banque Alexandre Oro, Head Corporate Banking
<b>Wednesday, 5 April 2017 – Zone 4</b>
Advans Audrey Joubert, Chef Projet Activité Cacao Grégoire Danel-Fédou, DG
Société Ivoirienne de Banque (SIB) Bakary Yeo, Directeur
Bank of Africa Abo Marc, Responsable marketing/communication Charles Désiré Niambault, Directeur du Centre d'Affaires Joel Fian, Charé de Comptes

<b>Thursday, 6 April 2017 – Zone 2 Plateaux/Cocody</b>
IDH Côte d'Ivoire Renske Aarnoudse, Country Manager Jonas MvaMva, Program Director Cocoa
Orange Money Agnes Aka Marius NN, GM mobile money
Atlantic Business International Madoussou Diallo Responsable Développement offre retail Direction Retail
Debriefing GIZ

<b>Interviews avec les autorités publiques</b>
Conseil du Café-Cacao (CCC) Département de la durabilité, des projets et des partenariats Diby Félicien, point focal du projet PRO-PLANTEURS Mé Kouakou, Chargé de l'unité de coordination du programme d'appui à la professionnalisation des sociétés coopératives
Fonds Interprofessionnel pour la Recherche et le Conseil Agricole (FIRCA) Issiaka Yameogo, Chargé de Programmes Mireille Kramo, Chargée de Programmes
Ministère Economie & Finance (MEF) Edmond Coulibaly, Conseiller Technique du Ministre
Agence Nationale d'Appui au Développement Rural (ANADER) Unité de Coordination du secteur café-cacao Vincent Ehougan Robert Kouakou Djé Alla Okou, Division d'appui aux OPAs

### Phone/Skype Interviews

<b>Nom</b>	<b>Titre/position</b>	<b>Institution</b>
Gaelle Bonnieux	Head Agriculture Debt Financing	ResponsAbility
Rim Azirar	Investment Officer Côte d'Ivoire	ResponsAbility
Samuel Komissa		UNACCOPEC-CI
John Dossou	Investment Officer, Accra Office	Shared Interest
Eliane Augareils	Senior Investment Officer	Triodos
Thierry Koffi	Portfolio Manager Francophone West Africa	Root Capital
Johann Fourgeaud	Investment Officer	Incofin
Joan Penche	Investment Manager Africa	Alterfin
Hélène Roy	Senior Manager, Sustainable Finance	Rainforest Alliance
Justine Maytraud	Chargée de Partenariats/Investment Officer	SIDI
Suzanne Ngo-Eyok	Country Manager	World Cocoa Foundation
Corné de Louw		Rabobank



## Appendix 4: Presence of financial institutions in the project areas

Localisation/nom de l'institution	Nombre d'agences
<b>Abengourou</b>	
Banque Internationale pour l'Afrique Occidentale (BIAO)	1
Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire (BICICI)	1
Banque Nationale d'Investissement (BNI)	1
Caisse Nationale des Caisses D'Epargne	3
Celpaid	6
Ecobank - CI	1
FIDRA	1
Flooz	205
Poste	1
Qash Services	3
RCMEC	1
Société Générale de Banques en Côte d'Ivoire (SGBCI)	1
Société Ivoirienne de Banque (SIB)	1
UNACOOPEC-CI	3
<b>Abengourou Total</b>	<b>229</b>
<b>Aboisso</b>	
Banque Atlantique (BACI)	1
Banque Internationale pour l'Afrique Occidentale (BIAO)	1
Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire (BICICI)	1
Banque Nationale d'Investissement (BNI)	1
Caisse Nationale des Caisses D'Epargne	3
Celpaid	7
Ecobank - CI	1
Poste	2
Qash Services	1
RCMEC	5
REMUCI	1
Société Générale de Banques en Côte d'Ivoire (SGBCI)	1
UNACOOPEC-CI	3
<b>Aboisso Total</b>	<b>28</b>
<b>Adzope</b>	
Banque Atlantique (BACI)	1
Banque Internationale pour l'Afrique Occidentale (BIAO)	1
Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire (BICICI)	1
Caisse Nationale des Caisses D'Epargne	2
Celpaid	5
Ecobank - CI	1
FIDRA	1
Poste	3
Qash Services	1
RCMEC	2
REMUCI	1
UNACOOPEC-CI	3
<b>Adzope Total</b>	<b>22</b>
<b>Agboville</b>	
Banque Atlantique (BACI)	1
Banque Internationale pour l'Afrique Occidentale (BIAO)	1
Caisse Nationale des Caisses D'Epargne	3
Celpaid	4
Poste	2
Qash Services	1
REMUCI	1
Société Générale de Banques en Côte d'Ivoire (SGBCI)	1
UNACOOPEC-CI	3
<b>Agboville Total</b>	<b>17</b>
<b>Agnibilekrou</b>	
Banque Atlantique (BACI)	1
Caisse Nationale des Caisses D'Epargne	1
Celpaid	3
Poste	2
Qash Services	1
Société Ivoirienne de Banque (SIB)	1
UNACOOPEC-CI	1
<b>Agnibilekrou Total</b>	<b>10</b>
<b>Akoupe</b>	
Caisse Nationale des Caisses D'Epargne	1
Celpaid	3
Poste	1
Qash Services	1
UNACOOPEC-CI	2
<b>Akoupe Total</b>	<b>8</b>
<b>Grand Total</b>	<b>314</b>

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