

PRODUCER ORGANISATION ACCESS TO FINANCE

LESSONS FROM THE COCOA SECTOR IN CÔTE D'IVOIRE

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INTRODUCTION

Côte d'Ivoire is the world's largest producer of cocoa and most of its production is handled by cocoa cooperatives. Cocoa cooperatives have been the recipients of numerous training and development interventions from government, development partners and the private sector. However, most of the cocoa cooperatives cannot be considered professional businesses and experience poor management, a lack of resources and difficulty in member engagement. Modernising the Ivorian cocoa sector requires sustainable intensification, new technology, and traceability systems. This can only be realised on a larger scale if cooperatives are stronger and able to access (the right) finance.

AMEA commissioned a case study to understand if the technical assistance and Business Development Services (BDS) provided to producer organisations (POs) has enabled them to access finance. Additionally, this study highlights promising approaches to delivering segmented, targeted capacity development and explores the need for a database of cocoa POs

The following is a summary developed by AMEA based on the following documents:

Producer Organisation Access to Finance: Lessons from the Cocoa Sector in Côte d'Ivoire

**FULL REPORT BY ANN GORDON AND MATTHEW
CHELL, 2022**

**QUANTITATIVE ANALYSIS REPORT BY ANN GORDON
AND MATTHEW CHELL, 2022**

This summary is being used to support the development of BDS Roadmaps in West African countries with the aim of improving the cost-effectiveness and scalability of BDS. The summary is not intended to cover all of the findings and we therefore strongly recommend reading the full case study reports.



KEY FINDINGS

There are roughly 3500 cocoa cooperatives in Côte d'Ivoire, of which 700-900 handle 85-90% of the crop and receive considerably more attention from exporters

Conseil de Café et Cacao (Côte d'Ivoire's Development Authority for coffee and cocoa) works with roughly 2000 cooperatives (reviewed annually), with the remainder regarded as very weak

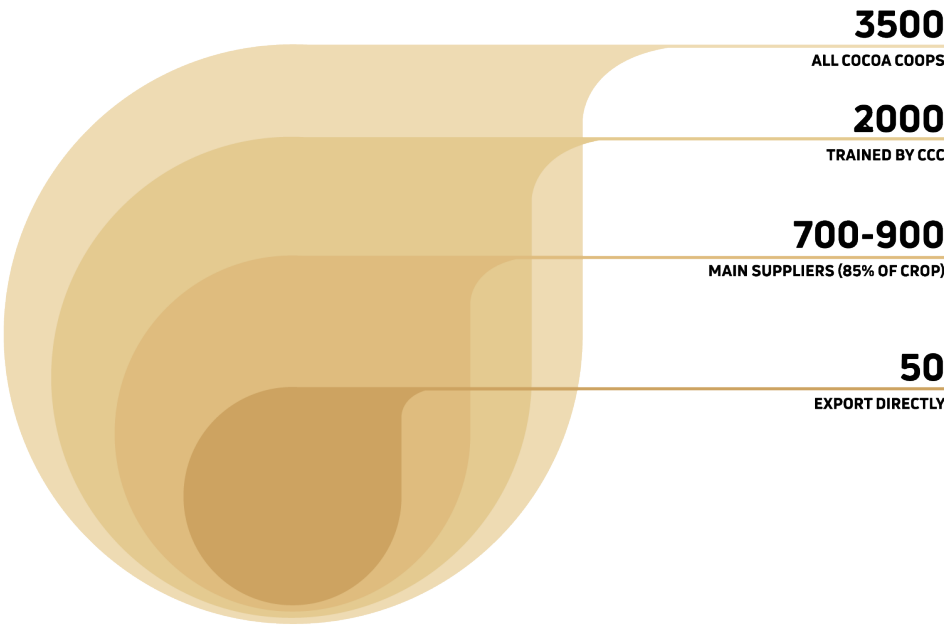
Many cooperatives (except for a few very large cocoa cooperative businesses) are relatively weak with a lifespan of approximately 3-8 years

The analysis confirms, in broad terms, that volume of business, internal management and financial management impact access to finance

Training has clearly contributed to cooperative access to finance, but other factors, including broad banking "due diligence" and repayment guarantee mechanisms are also important.

Dynamism in financial services – particularly mobile money and digital finance – is contributing to emerging sharp growth in access to finance by cooperatives and their members

Figure 1:
Approximate numbers of cocoa cooperatives of different sizes in Côte d'Ivoire



WHAT FINANCING DO COCOA FARMERS NEED?

TYPE	DESCRIPTION	PROVIDER	NOTES
Trade Finance	Short-term pre-finance (to buy farmers' crops)	Usually off-takers (potentially in arrangement with banks and creditors). Important quasi-guarantee of access to crops	The most plentiful type of finance but still difficult for weaker cooperatives to access, resulting in farmers taking lower prices from intermediary buyers
Input Finance	Seasonal finance for production inputs (fertiliser etc.)	Local outlets (input providers) or cooperatives	Tripartite arrangements may apply: seasonal loans to farmers are repaid via the off-taker, when the crop is sold
Logistics	Medium-term finance for transport and other value chain logistics (e.g. truck-leasing)	Larger cooperatives in partnership with off-takers.	Tripartite arrangements where repayments are made directly to a microfinance institution, from the off-taker, out of the money that would have been paid to the cooperative for produce
Plantation	Long-term finance for the improvement of farms	Very little financing available	Farmers tend to replant on a piecemeal basis
Social Finance	Cooperative member and community projects (school loans, emergency loans etc.)	Cooperatives (via loans or own resources). Some banks work with cooperatives to improve member access to digital finance	Builds member loyalty and prevents members from taking loans from intermediary traders

SUMMARY INFORMATION ON SELECTED COCOA PROJECTS

INTERVENTIONS AND ASSESSMENTS INCLUDED IN CASE STUDY

PROJECT/ INTERVENTION DESCRIPTION	MAIN PROJECT PARTNERS	MAIN FOCUS OF PROJECT(S)
Cargill (IFC) – Coop Academy, professionalise POs & link to finance (included IFC guarantee on truck leasing component)	Cargill	Professional POs + access to finance
FCIP (IDH) – promote bankable professional cooperative & entrepreneur farmers (included challenge fund to support product development by clients)	CCC, 7 FSP*s, 4 off-takers	Professional POs & farmers + access to finance
CNFA MOCA – broad-based focus on improving productivity, quality & expanding cocoa trade	SOCODEVI	
SCOPEinsight – data from 206 assessments conducted in 2020 (2 projects)	IFC, FCIP	Professional POs & access to finance
CCC (Cdi Government body for the stabilisation & development of cocoa & coffee value chains)	(various)v	Training, monitoring
OTHER		
ANADER (Cdi Government agricultural extension service)	(various)	Training
PROPLANTEURS – cocoa productivity, diversification, household nutrition, professional POs	CCC, GIZ, GISCO	Training – POs & farmers; finance access

Note: *FSP = Financial Service Provider

**indicates inclusion of other POs (not just cocoa).

BDS: table shows main types of BDS (there are often multiple interventions): training on PO Management (MT), finance (FT), Technical training, e.g., GAP (TT), facilitating links to finance & markets (FL, ML), PO assessments (A). PO numbers cannot be totalled as there is some overlap between the initiatives listed

Source: mostly based on authors' research for this study; additional sources noted in full report

MAIN BDS USED	# POS REACHED DIRECTLY	ASSESSMENT TOOL	TYPE OF PO
MT (ALP), FL, A	140	SCOPEinsight	Larger POs, Cargill suppliers
FL, FT, MT, A	400+	SCOPEinsight	Varied with client. e.g., one MFI requires min. annual 500t cocoa & record of sales to off-takers
MT, TT, FL, ML, A	24	SOCODEVI "Perform Coop"	Mostly larger POs, suppliers of main off-takers
A	(data relating to 202 POs)	SCOPEinsight	Larger POs, suppliers of main off-takers
MT, TT	2000		Excludes smallest POs
MT, TT, A	600**	Own tool	
MT, TT, FL	35+12	limited pilot use of SCOPEinsight	Various, including Certification (or almost)

Most of the quantitative data shared by AMEA members for this case study related to two large projects. A fuller picture of the broader PO "landscape" would be helpful in situating the analysis and drawing out wider recommendations.

FACTORS INFLUENCING ACCESS TO FINANCE

1

SCALE

The maximum loan amount that POs are able to obtain is linked to scale. Regression analysis indicates that the strongest determinant of the maximum amount a PO can borrow is the amount of land used for cocoa production – though this is not a metric used explicitly by any of the FSPs interviewed in the course of the study. Other relevant factors included volume of cocoa handled by a PO as well as the number of PO staff.

2

ASSESSMENT DATA INDICATORS

SCOPEinsight assessment scores are not explicitly used by lenders to determine eligibility for finance but several of the SCOPE indicators show a strong statistical relationship with POs receiving loans. These include total assessment scores and scores related to Internal Management and Financial Management. The documents most significantly related to whether POs obtained a loan were the Business Plan, the Cash Flow Forecast, Administrative Policy, Human Resources policy and Financial policy

3

GUARANTEE MECHANISMS

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4

DIGITAL FINANCE

There is a rapid growth in individual farmer access to (mobile) banking savings and loan products. Individual access to finance is often linked to cooperatives be it through (pilot) digital payment schemes of off-takers, or where cooperatives are a key source of information to MFIs on a member's ability to repay a loan (e.g. cocoa sales records)

Some of the common features of successful initiatives improving access to finance for cooperatives and their members include:

- Responding to a clear need (prefinance, transport, input credit, school loans)
- Developing a model whereby costs are not prohibitive
- Partnership approaches with clear roles for the private sector where there is a shared interest among all partners and where the partnership contributes to risk reduction and sharing
- Blended finance (particularly risk-sharing) has an important role in longer-term and larger-scale lending (e.g. IFC/Cargill/SIB truck-leasing programme)

There are nonetheless significant gaps in access to finance, including:

- Longer term needs or for more complex financial products or larger amounts
- Where there is insufficient collateral or no clear link to an off-taker
- Finance for the poorest farmers, particularly if mobile phone access is a constraining factor



HOW DO PRODUCER ORGANISATIONS RESPOND TO INTERVENTIONS?

Technical Assistance and BDS support to farmers and POs contribute to improved access to finance for cocoa cooperatives. Training helps cooperatives better understand the process and requirements in accessing financial services and contributes to improvements in business and financial management. Project staff and trainers comment that financial institutions regard the agricultural sector as risky, but are reassured if the cooperatives are receiving technical assistance and training. Examples of contributions of training include:

- IFC's [ALP programme](#) was a key component in the [2016 truck-leasing pilot](#) with Cargill and Société Ivoirienne de Banque (a local financial institution). SIB noted that completion of the training programme was one of the eligibility criteria
- For [UNACOOPEC-CI](#), In FCIP (Phase 1) financial management training to cooperatives was provided, as part of the process to build their portfolio of lending to cocoa cooperatives
- [Advans](#) provides informal training on finance to cooperatives and farmers via its network of field agents, as part of its rural lending activity portfolio

Overall, the case study findings suggest relatively strong PO engagement with training programmes focused on management and linked to off-taker purchasing programmes. On average, the SCOPE "professionalism" score of the POs improves between the first and second assessments. However, improvements (as measured by the assessments) seem to be less consistent when POs are assessed more than twice. There are a number of possible reasons for this including trained leaders leaving cooperatives or perceived benefits of engagements are less apparent over time or broader instability in the life of the POs.

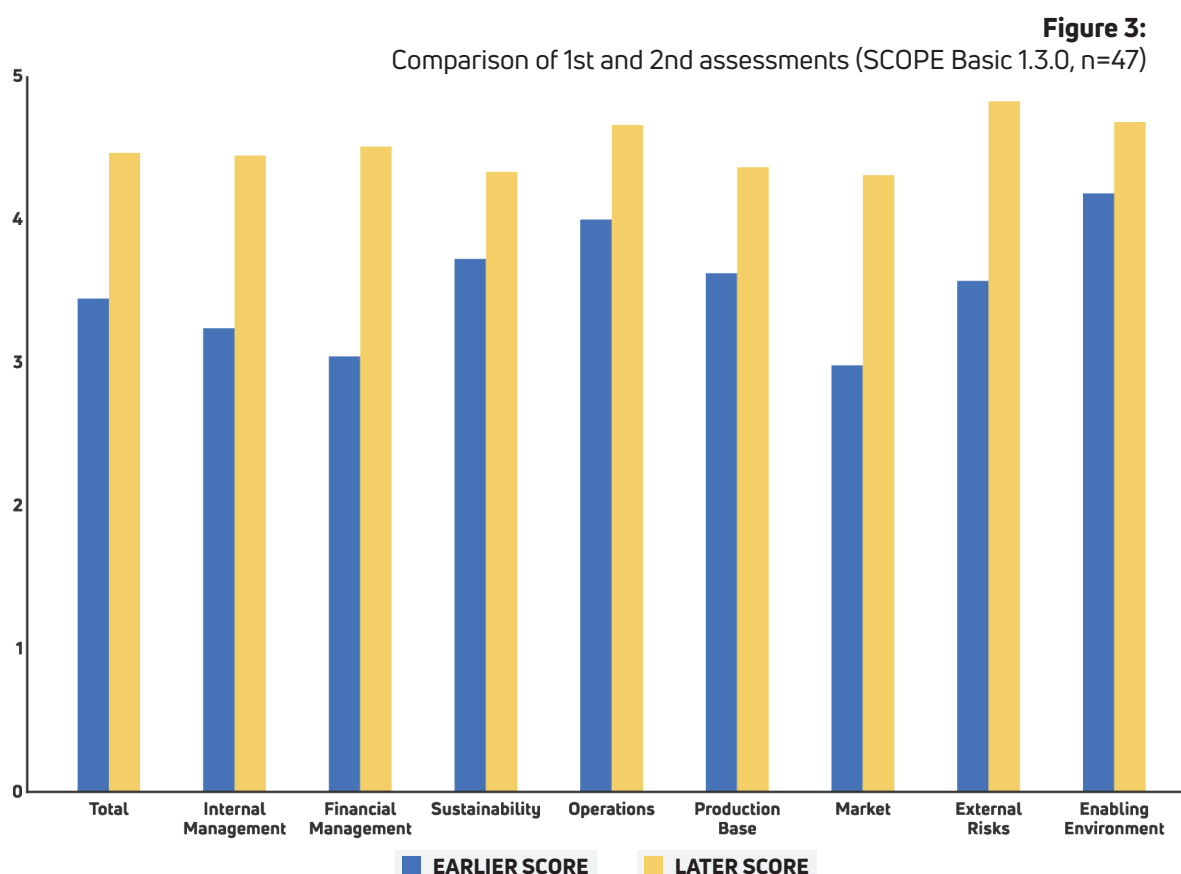
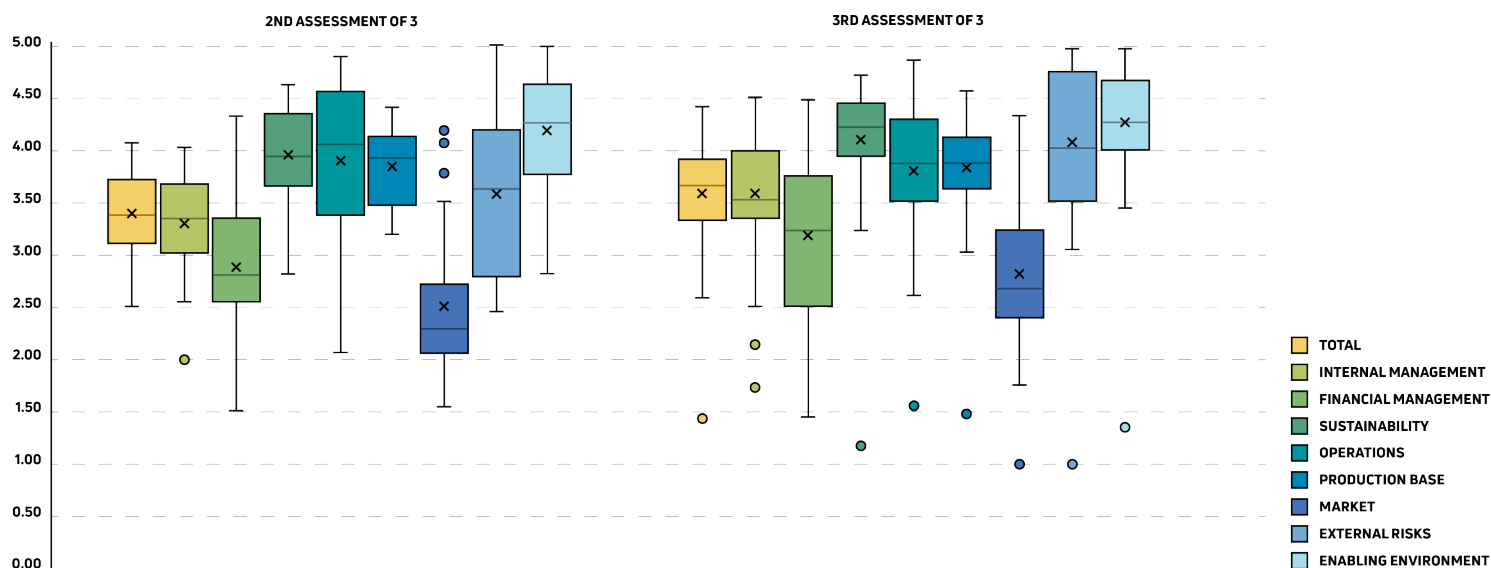
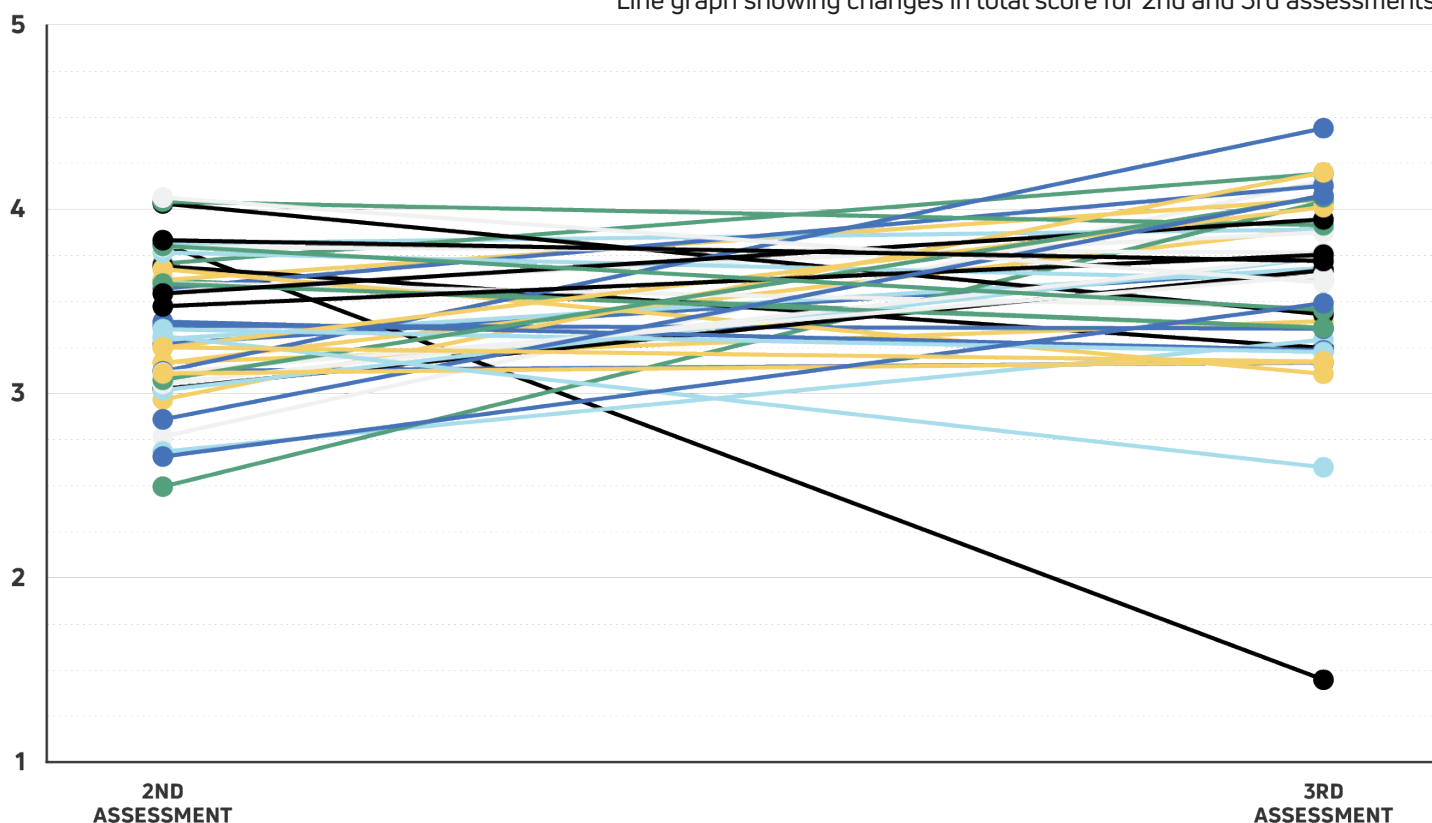


Figure 4:
Sources of variability between 2nd and 3rd assessments (SCOPE Basic 2.0, n=45)



(In Figure 4, the boxes cover the 2nd and 3rd quartiles, with the median and average shown in the box as a line and a cross respectively; the "whiskers" show the overall range, excluding outliers, shown as dots).

Figure 5:
Line graph showing changes in total score for 2nd and 3rd assessments



For the off-takers, training is perceived to strengthen the cooperatives from whom they buy (with associated effects on membership, volumes and quality). PO loyalty is an additional benefit of the training programmes.

POTENTIAL FOR SCALE

A common feature of the initiatives that seem to have achieved the most growth, innovation and scale is that they are partnerships with shared interests, working with cooperatives, the financial sector and off-takers or input suppliers. A Government partner is often involved too (for example CCC or ANADER). Potentially scalable interventions also respond to a very clear financial need, at a cost that is not prohibitive. In combination, they are able to both reduce and share risk, and leverage resources.

Key considerations for scaling interventions:

- ANADER and CCC are important players. Both ANADER and CCC have training programmes which reach over 2000 cocoa cooperatives which could provide a platform for scaling interventions.
- FCIP Phase 1 acted as a catalyst, with seed funds to support innovation and pilots. It exceeded its relatively high target of 300 cooperatives. This approach could be useful for scaling further.
- Some of the larger off-takers provide training, pre-finance and facilitate other financial services) to relatively large numbers of cooperatives (+/- 100). Approaches such as the Cargill Coop Academy could therefore also contribute to scaling interventions.
- Advans (an MFI) has rapidly expanded its reach (300 cooperatives with over 90 000 farmers), strongly targeting the rural sector, using automated application and approvals processes for some products, and providing very basic informal financial management training with a small team of rural agents. This approach with access to finance as the focus could also be one that enables scaling.

Scaling also requires cost-effectiveness and cost-effectiveness can be achieved through collaboration and leveraging, which most of the approaches above use. These partnerships also help reduce and share risk; and provide more opportunities for an exit strategy for donor financed projects. The exit strategy should also consider the need for on-going follow-up (beyond the initial phase of training), so delivery models must factor that in – both in terms of cost and responsibility.

WOULD A DATABASE OF PRODUCER ORGANISATION CAPACITIES IMPROVE ACCESS TO FINANCE?

All programmes have recruitment criteria and a PO assessment process, even if informal. Not all make repeated assessments. Assessments are variably used including selecting cooperatives, tailoring training, assessing programme performance and collecting information. Given this apparent shared need for information on the POs, it has been suggested that there may be value in the development of a shared database and/or in creating a digital platform on POs.

There is relatively widespread use of SCOPEinsight's SCOPE Basic assessment tool (480+ POs). This could therefore offer an opportunity for scaling an assessment system. In this scenario it is likely that a database could be useful for all stakeholders. This assumption was examined in this case study.

Stakeholders identified such a database as "nice to have" rather than "need to have". There are concerns around privacy and ownership of a PO database. Some organisations link their own data on POs to their supply chain management and digital finance tools which contributes to their competitive edge. ANADER (the main provider of public extension services in Côte d'Ivoire) also includes information on POs on its website.

This being said, there is potential for a space that provides information on available training materials, training providers and assessment tools which is in line with AMEA's Toolbox efforts.

RECOMMENDATIONS

Given the prevalence of poverty in the cocoa sector, it is important to view the POs and cooperatives as potential harbingers of change in rural communities and plan initiatives that include strengthening cooperatives' reach and the services they offer members. Whilst this may seem obvious and an almost exact fit with what cooperatives are supposed to do, it merits emphasis because (a) many of the cooperatives have very weak member services and (b) very high rates of poverty persist among cocoa farmers, and (c) the cooperatives present one of very few channels through which this might be addressed. Moreover, potentially, the POs can effect change that is felt more broadly within rural communities, beyond their membership.

1

PARTNERSHIPS

Developing the right partnerships is important. Projects that partner with the key players who co-invest such as government, private sector and organisations targeting rural markets and/or projects that work as catalysts are likely to be most successful (in terms of necessary innovation, scale, cost effectiveness and sustainability). Key considerations include:

- shared interest
- scale (and depth) of reach (see points above on which players have the widest reach)
- sector knowledge (if the focus is finance, work with FSPs active in rural or poor markets)
- reducing and sharing risk (by sharing knowledge and information, and by coordination)
- leveraging resources.

2

INCLUSION

If inclusion of the poor, women and/or youth is a key consideration, working with cooperatives to strengthen outreach will contribute, but nonetheless it will still be important to:

- adopt an "inclusion lens" to critically review and, if necessary, modify plans
- monitor results and collect the right data. One quick-win entry point would be to record information on (for example) the percentage share in cooperative crop volumes of, say, the top 5 members.

3

SEGMENTATION

Much of the assessment of cooperatives (for participation in programmes or targeting training) is tailored to very specific needs of the implementing party. Considerations that seem most relevant to AMEA and its partners include:

- Chief among these must be some measure of scale, below which it would make better sense to encourage cooperatives to merge with larger entities, better able to service their rural constituencies (potentially a worthwhile intervention, per se).
- Where the objective is to improve cooperative and farmer access to finance, aligning segmentation approaches with those of the more progressive financial partners would seem appropriate. This might inform a more graduated approach, beyond looking broadly at issues of scale (eliminating the smallest and the largest, focusing on the large "middle").
- A cooperative's potential reach is also important, to inform both the selection of cooperatives for a programme and its emphasis or content (though realistically this may be no different from a consideration of scale, including size of membership).

DATA PLATFORM

From the data gathered in this case study, it appears that stakeholders do not seem to have a strong interest in a PO shared database or platform. However, if AMEA and its partners wanted to probe this issue further through a survey or workshop, the following considerations are important:

- clarity on the purpose of and audience for such a platform or database
- a sharp focus on balancing its utility (what would be its value added?) with the practicality of collecting and maintaining the necessary information (strictly minimal necessary data, that can be accurately collected and updated)
- whether it should serve stakeholders in Côte d'Ivoire alone
- identification of a cost-effective means to develop and maintain the initiative
- a decision on who should manage it and who should have access to it
- consideration of how it would align with the relevant data-protection laws
- a road-map, including responsibilities for the next steps

DATA ANALYSIS

The value of data and its analysis is increasingly obvious in today's digitally connected world. Much of the information that would be useful is already being collected within the cocoa sector, but commercial sensitivity and privacy concerns limit the extent to which it is shared. These considerations need to be explored at an early stage where shared data is a key input to an intervention or study.

AMEA would like to exploit the potential of existing data rather than direct resources to formal surveys; nonetheless, where existing data only covers a limited portion of the PO landscape, findings derived from its analysis can only be contextualised if there is more information about all the POs. That might be possible if organisations with overview data (e.g., Government) make such information available; alternatively, tools such as the **"SCOPE Rapid"** assessment- or similar - might contribute to understanding that broader picture.

This case study has highlighted challenges in the use of quantitative analysis to explore and attribute the results of BDS programmes. It has also highlighted some interesting findings with respect to variability in assessment scores beyond the 2nd assessment (using the same assessment tools), possibly related to the reportedly relatively short life-span of cooperatives in Côte d'Ivoire. Both findings should

be tested more widely.

The findings also demonstrate the importance of looking beyond averages to understand results better. The amount of variance in reported change should be considered. Only then can the statistical significance of an average improvement in a group of POs be established. For example, the earlier analysis considered 45 pairs of 2nd and 3rd assessments where, on average, the group improved, but only just. There was considerable variance in response and for 42% of the POs, there was a decline in overall score, when assessed for the 3rd time compared to the 2nd.

The importance of controlling for key factors has also been highlighted, as this can have a significant effect on the findings. However, this creates additional challenges, as it is harder to generate robust findings, where smaller subsets of data are analysed.

A good understanding of distributional issues within cooperatives remains a gap in our understanding. This could be addressed in a number of ways but data on (for example) the share of production contributed by the largest 5 - 10 members would be a helpful start.

