

Policy Note

**Catalyzing Agricultural Growth in Benin: Towards Inclusive Financing for
Smallholder Producers**



Mr. PADONOU Guigonou Freddy Pierre

Msc Agricultural Economist, Independent Consultant

Specialist in the promotion of agricultural clusters, Market access and interprofessional governance

+229 01 96 14 76 88/padonouffreddy@gmail.com

May 2025


Summary

SUMMARY	1
SUMMARY	2
KEY MESSAGES	2
1. PROBLEM IDENTIFIED.....	2
2. DESIGN OF THE PG PROFINA FUNDING MECHANISM	2
3. RESULTS.....	3
❖ AT THE DEMAND LEVEL (OPAs AND THEIR MEMBERS).....	3
❖ AT THE SUPPLY LEVEL (SFD).....	4
4. KEY CHALLENGES	4
❖ THE ABILITY OF OPAs TO RETAIN AGRICULTURAL ADVISORS	4
❖ THE ABILITY OF AGRICULTURAL ADVISORS TO CREATE A SUSTAINABLE BUSINESS.....	5
5. RECOMMENDATIONS.....	5

Summary

In Africa in general and in Benin in particular, agriculture is perceived by the Financial Sector as a risky sector, limiting the possibilities for Professional Agricultural Organizations (OPAs) to identify sources of financing to support their member producers to access credit services. In this context, there are a number of initiatives facilitating access to credit for OPA members. Among these is GIZ's Global Project for the Promotion of Agricultural Finance (PG ProFinA), which is active in Benin.

This policy brief highlights the achievements, lessons learned and perspectives related to the experience of PG ProFinA in facilitating access to credit in Benin. The development of the policy brief is supported by the Agribusiness Market Ecosystem Alliance (AMEA) network, in collaboration with GIZ.



Key messages

- The Beninese agricultural sector is not served well by the financial service providers whose products are generally inadequate to the needs of the actors.
- PG ProFinA has demonstrated, through a structured methodology, that it is possible to finance the agricultural sector, while reducing the risks associated with the non-recovery of debts.
- Approaches should be adopted to ensure the sustainability of such a mechanism, including the certification of agricultural advisors who provide a bridge between supply and demand for financial services.

1. Problem Identified

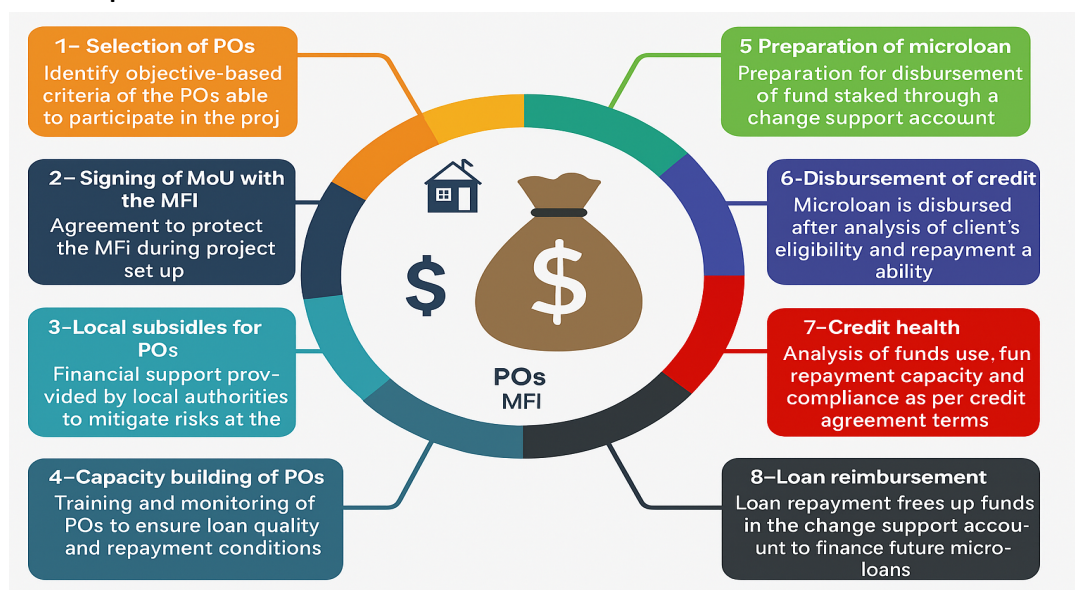
In Benin, access to finance for small-scale agricultural producers is a crucial issue for the development of the sector and food security. In order to access innovations, increase production and improve incomes, small agricultural producers need access to financial products adapted to their seasonal needs. However, despite the efforts made by both public and private actors, small agricultural producers and their organizations continue for the most part to lack adequate financial resources. There are several reasons for this situation, such as: (i) the poor mastery of the realities of the agricultural sector by financial service providers demonstrated by the lack of appropriate financial products and the perception that agriculture is a high risk sector; and (ii) the lack of training/support for small agricultural producers in the management of agricultural credit.

The immediate consequences on the local economy, food security and the development of Benin's agricultural sector include the following: (i) low agricultural productivity; (ii) low employment opportunities in the sector; (iii) fluctuating food prices increasing the risk of food insecurity; and (iii) low competitiveness of small-scale producers' products on national and international markets. This locks small producers in poverty leading to emigration of young people from rural areas.

2. Design of the PG ProFinA funding mechanism

To address the challenges of financing smallholder farmers, the Global Project for the Promotion of Agricultural Finance (PG ProFinA), implemented since 2016 by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), offers an innovative approach aimed at improving smallholder farmers' access to financial services. The mechanism for facilitating access to credit for Producer Unions (OPAs) and their member Cooperatives can be broadly summarized as follows:

Operational steps of the mechanism to facilitate access to tender offer credit for their members

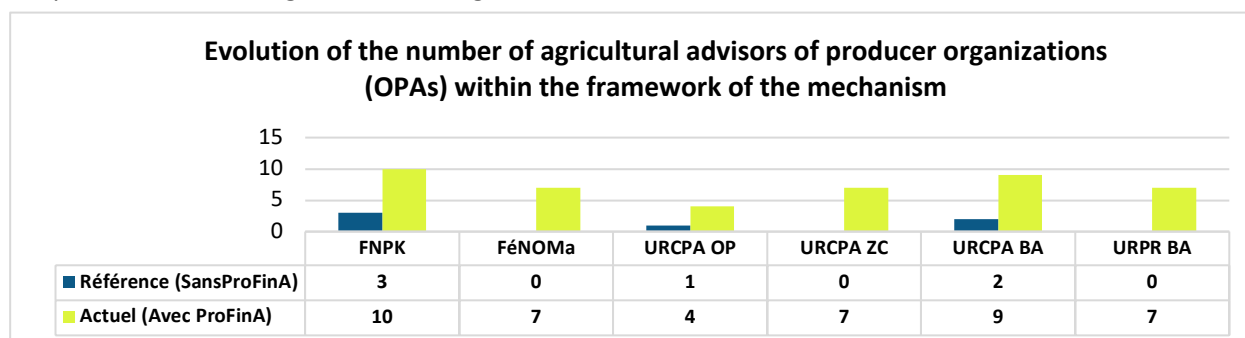


Agricultural advisors are a bridge between the Financial Service Providers (FSPs) and OPAs, as well as their member cooperatives. They are present throughout the process and provide a package of ongoing support and advice. In addition to facilitating financing, this support covers the technical aspects of production and market access. This enables the Advisors to have a good control over the internal functioning of the OPAs and Cooperatives, all of which contributes to reassuring the Financial Service Providers of the ability of the OPAs to repay the credit granted.

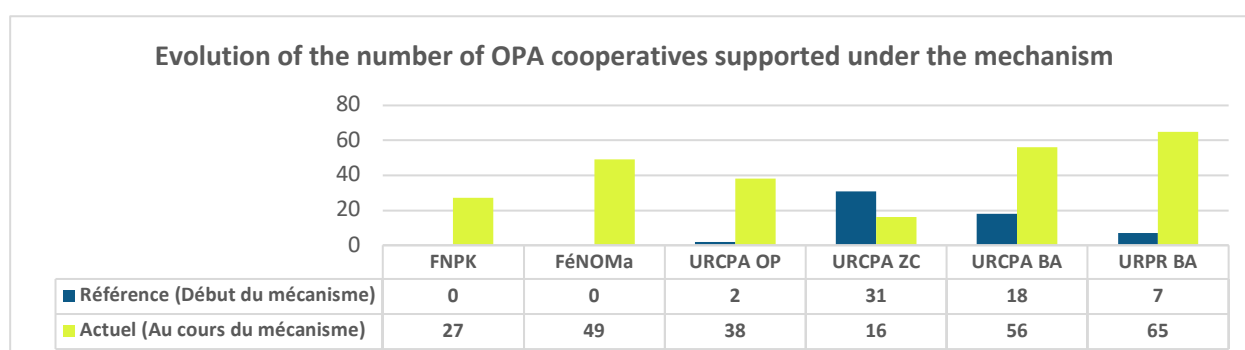
3. Results

❖ *At the demand level (OPAs and their members)*

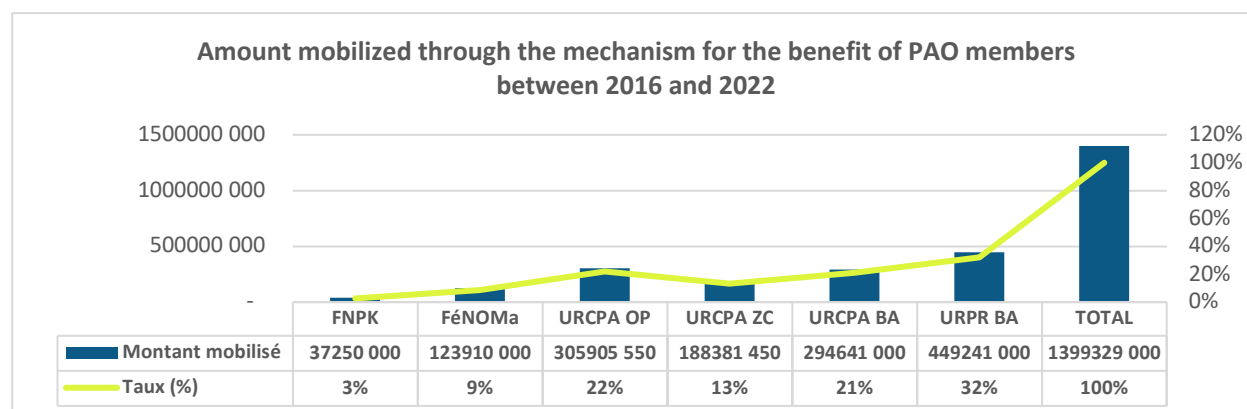
First of all, the OPAs have recruited agricultural advisors to provide professional support to their member cooperatives, increasing from an average of 1 to 7 advisors.



Also, there is an increase in the number of cooperatives that are members of the OPAs benefiting from the mechanism in all the sectors targeted by the PG ProFinA



As a result more than 2 billion CFA francs was mobilized between 2016 and 2022 from the Financial Service Providers by the OPAs, without the implementation of any financial guarantee by the project. For this amount mobilized, the loan repayment rate of around 95% is generally satisfactory.



This growth in access to credit is due to the technical support of agricultural advisors which enabled OPAs and Cooperatives to aggregate more produce and limit side selling. In addition, the Solidarity Savings and Loan Groups (GSEC) enabled cooperatives to mobilize an average of 700 million CFA francs and develop new habits in terms of savings culture and management of financial resources within them.

❖ *At the supply level (SFD)*

The Financial Service Providers also benefited from generating interest income of 304,987,597 CFA francs for loans granted of 1,752,542,993 CFA francs in the cashew, rice, shea and market gardening sectors. On average this is an interest rate of 17%.

4. Key challenges

Based on the experience of the PG ProFinA, several challenges continue to limit access to financing for small agricultural producers. These challenges strongly challenge the sustainability of the mechanism to improve smallholder farmers' access to financial services tailored to their specific needs. These are:

❖ *The ability of OPAs to retain Agricultural Advisors*

Agricultural advisors play a central role in enabling access to finance for smallholder producers. The question is how to sustain this advisory role. There appears to be four options.

The first option is that OPAs will pay for agricultural advisors through their own resources. However, these resources are often insufficient to cover the costs associated with agricultural advisors.

The second option stipulates that the Financial Service Providers will enable OPAs to access services of agricultural advisors, possibly through integrating the cost into their loan agreements. However, few FSPs are willing to recruit agricultural advisors as staff and even if this was possible the remuneration offered is often considered insufficient to motivate them and guarantee their long-term commitment.

The third option would involve co-financing the cost between FSPs and OPAs. However no practical options were suggested for this mechanism.

The fourth option, which the project invested in during its' exit phase, was to train key producers within the OPAs to take on the role of the agricultural advisors. However, this strategy faced the following challenges: (i) the low education level of key producers compared to the majority of agricultural advisors have an agricultural license or equivalent; and (ii) the lack of time that key producers could invest in this additional role, This has meant that the key producers who have taken on this role of agricultural advisor are often not considered to be legitimate and credible Advisors.

❖ ***The ability of Agricultural Advisors to create a sustainable business***

The agricultural advisors involved in the implementation of the mechanism have followed a variety of training courses (contract farming, coaching, business management, value chains, solidarity savings, financial education, etc.) which have equipped them with specific skills allowing them to effectively monitor the operationalization of the mechanism to facilitate access to OPA credit for their member cooperatives, from the application to the collection, including the implementation of the credit and its follow-up. These skills are valuable and could be used to create a business for themselves by advising various clients.

In order to create a sustainable business it was considered important that their skills were officially recognized, through certification, and they had a platform to promote their services. PG ProFinA has therefore started an initiative to certify agricultural advisors following a highly participatory approach of all institutional actors involved in agricultural advice at the national level (ATDA¹, DCAIFE², DDAEP³, FNDA⁴, etc.) as well as OPAs. However, the sustainability of such a system depends on the system's ability to integrate agricultural advisors into a stable institutional framework, which remains uncertain to date.

5. Recommendations

To improve the sustainability of the PG ProFinA mechanism and ensure continued financial access to producers, this note outlines some specific recommendations. At the strategic level, the challenge is to ensure the institutionalization of the mechanism as well as the tools/methods it uses to facilitate access to agricultural credit for small producers. In other words, it is the generalization of the mechanism in the type of agricultural advice to be delivered by the APRM at the national level, by finding a positioning in the types of advice included in the national strategy of agricultural advice.

The operational recommendations are directed to all categories of actors involved in facilitating access to credit for small agricultural producers and are recorded in the following table.

Operational recommendations	Turnaround time
The certification of agricultural advisors	Short-term
Support to OPAs and FSPs to mobilize financial resources to finance the Council for the Facilitation of Access to Credit.	Medium term
Establish a system for the continuous recycling of producers who are members of the cooperatives benefiting from the mechanism to take ownership of the process as a whole	Medium term
The strengthening of the relations of producers who are members of the OPAs with actors such as ATDAs, SFDs for strategic reflections with a view to pursuing the achievements of the mechanism.	Long-term

¹ Territorial Agricultural Development Agencies

² Department of Agricultural Advice, Innovation and Entrepreneurial Training

³ Departmental Directorate of Agriculture and Fisheries

⁴ National Agricultural Development Fund