



# THE USAID CEREAL VALUE CHAINS PROJECT'S ACCESS TO FINANCE STRATEGY

## Accelerating Financial Intermediation in Mali's Agriculture Sector

The USAID Cereal Value Chains (CVC) Project made important accomplishments from its four years of implementation:

- Unlocked more than \$12,920,674 of financing to 59,253 farms and agribusinesses
- Supported 12 financial institutions to expand their agricultural portfolios
- Established a financial intermediation system formalized through the **Association of Professionals in Financial Intermediation of Mali (APIFIMA)**



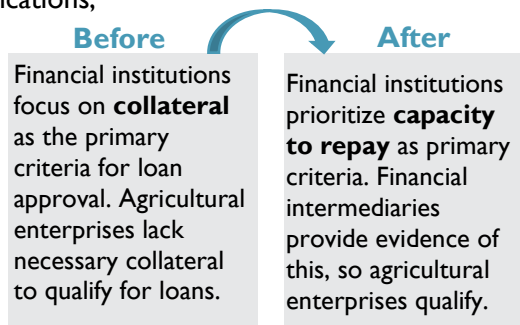
*BIM Mopti's branch manager with a financial intermediary*

### Context

Historically, finance was difficult for farms and agribusinesses to access in Mali. The gap is the result of (i) limited interest by financial institutions in the agricultural sector, (ii) inability of clients to meet standard criteria of commercial banks, and (iii) banks finding agricultural clients risky due to limited knowledge of the sector. Agribusinesses had high default rates and depended on loan guarantees, so financial institutions had little interest in increasing lending to the agriculture sector. Generally, capital constraints reduce productivity and market access throughout the value chain. Traders need funds to fulfill larger supply contracts. Farmers need working capital to adopt new inputs and technology.

### Finance Approach

The USAID CVC Project saw the need to promote a different lending approach that focused *less on collateral and more on the borrower's capacity to repay*. The project created a network of local financial intermediaries to become expert service providers in business planning, packaging of loan applications, and monitoring loan repayments on behalf of financial institutions. As independent agents, financial intermediaries operate beyond the limited branch networks of financial institutions at the grassroots level, giving them access to valuable information on prospective clients. The USAID CVC Project helped to reinforce confidence and trust in intermediaries through technical assistance to bank staff to better understand the agribusiness market and evaluate agricultural business cash flows.



## Evidence of Systemic Change

To date, the most noticeable impact of the financial intermediation system is lower default rates on agricultural loans. In 2015, prominent agricultural lending institutions faced default rates of up to 39 percent. Since the introduction of financial intermediaries, this rate has dropped to 7 percent for associated borrowers. Increased confidence has stimulated financial institutions to invest in their agricultural portfolios. Microfinance Institution SOROYIRIWASO, for example, created an agricultural lending unit and opened new branches to better serve agricultural clients. Other banks, such as Banque Malienne de Solidarité, Banque International pour le Mali (BIM), Ecobank, and Bank of Africa all increased their interest in the agricultural sector because they are better able to analyze risk and improved client reimbursement rates.

### Indicators of Systemic Change in Mali's Finance Sector

Relationships	Financial institutions' reliance on financial intermediaries in loan decision making
Resources	Development of agricultural lending units and new financial institution branches
Rules	Increase in lending without guarantees suggests new focus on capacity to repay
Roles	Establishment of APIFIMA signals long-term role for financial intermediaries

In 2017, financial intermediaries formed the **Association of Professionals in Financial Intermediation of Mali (APIFIMA)** to establish minimum standards for their profession and reinforce the credibility of their services. To date, the association established a toolkit that provides a systematic process for due diligence and loan application packaging. It also trained and recruited new members, expanding membership to 35 individuals. Though still a new organization, APIFIMA's position is to play an integral role in ensuring the sustainability of financial intermediaries. The association intends to partner with financial institutions to be their technical arm in agriculture. Services will include market research, management training, and continued facilitation of loan applications.

#### APIFIMA's Plans for the Future:

- 1) Develop cost structure for services—support POs and agribusinesses to incorporate cost of FI into their loan applications
- 2) Develop and promote tools—such as WhatsApp for sharing market information and immediate demands—and practices to increase market access for Malian farmers
- 3) Develop services for Malian Bank clients—provide loan analysis services and train bank staff to take on this role
- 4) Develop marketing plan and fee structure
- 5) Build relationships with other organizations promoting access to finance in Mali, such as FFSWE, USAID, APEJ

Increased access to finance has also had impacts at the borrower level. To better qualify for financing, many producer organizations formally registered under the regional, cooperative standards created by the Organization for the Harmonization of Business Law in Africa (OHADA). More than 280 producer organizations registered under OHADA, improving their ability to access credit. Financial intermediaries also worked with more than 120 traders and agribusinesses to improve their bookkeeping and prepare financial documents to submit to banks to support their loan applications and demonstrate improved financial management capacity.

In its final year, the USAID CVC Project is focusing on supporting APIFIMA to “institutionalize” the intermediation network to sustainably deliver services after the project ends.