Financial Products and Services
Developed by STARS in Burkina Faso
In 2020, 2,4 million USD was disbursed to farmers (122 USD average loan amount per farmer).

To date, loan products were developed for at least 5 value chains.

In 2020, 20,230 farmers received an agri-loan in Senegal.

In 2020, 9505 female farmers received a loan (46%).

Over 1,4 million USD supplied to MFIs by investors.

12 training sessions were organized for 137 MFI staff members on A-CAT, Risk Management and agricultural loan products.

STARS IN BURKINA FASO

In Burkina Faso, STARS is working to improve access to finance and markets for 49,500 smallholder farmers, impacting a total of 250,000 household members. To reach this direct and indirect target, STARS works with six microfinance institutions (MFIs).

At the end of 2019, STARS in Burkina Faso was well on track to reach its target, with 35,775 farmers already benefiting from crop-specific loans in the maize, soybean, potato, sesame and rice value chains.

STARS also works with key value chain actors (processors, service providers, cooperatives, and unions) to strengthen value chains and create access to markets, skills training, farm inputs and equipment.

ABOUT STARS

The Strengthening African Rural Smallholders (STARS) program is a five-year program (2017-2021) implemented by ICCO Cooperation in partnership with Mastercard Foundation. Adopting the market systems development approach, STARS improves access to finance and markets for over 200,000 smallholder farmers, with emphasis on women and youth, in Burkina Faso, Ethiopia, Rwanda and Senegal.

STARS’ THREE PILLARS

To make sure that markets work for the poor, especially for women and youth, STARS works on two main pillars:

- Access to finance
- Value chain development.

A third pillar - Program Embedded Reflection and Learning (PERL) - was introduced to measure and safeguard the interventions’ positive influence on the development of market systems.

FINANCIAL PARTNERS

STARS supports the following six microfinance institutions:

- RCPB
- GRAINE
- URC/NAZINON
- PAMF
- ASIENA
- UBTEC

STARS IN BURKINA FASO

The Strengthening African Rural Smallholders (STARS) program is a five-year program (2017-2021) implemented by ICCO Cooperation in partnership with Mastercard Foundation. Adopting the market systems development approach, STARS improves access to finance and markets for over 200,000 smallholder farmers, with emphasis on women and youth, in Burkina Faso, Ethiopia, Rwanda and Senegal.

STARS’ THREE PILLARS

To make sure that markets work for the poor, especially for women and youth, STARS works on two main pillars:

- Access to finance
- Value chain development.

A third pillar - Program Embedded Reflection and Learning (PERL) - was introduced to measure and safeguard the interventions’ positive influence on the development of market systems.

FINANCIAL PARTNERS

STARS supports the following six microfinance institutions:

- RCPB
- GRAINE
- URC/NAZINON
- PAMF
- ASIENA
- UBTEC
To develop tailor-made agricultural loan products, the STARS team invested a lot of time in really getting to know our farmers. Once we understood the cycle of their agricultural activities, costs, risks and benefits, we were better able to analyze their economic performance and predict their capacity to repay their loan. To help us do that, ICCO Terrafina Microfinance and ICCO Cooperation developed the Agri-Credit Assessment Tool (A-CAT).

With A-CAT, a loan officer estimates the expected loan amount needed to finance inputs and other costs, as well as the expected income from agricultural activities (using estimated crop yields). Based on this cash flow, MFIs can determine the ideal loan size for a particular farmer based on his crops and whether the client can repay the loan from the investment. The A-CAT tool further keeps track of the timing, if a loan disbursement is too late, the farmer misses the season, if it comes too early the farmer might use the money for other purposes. During the agri-cycle, farmers' spending and actual crop yields are monitored. An additional advantage of A-CAT is that the client builds up an agricultural performance and credit history.

Thanks to A-CAT, MFIs offer more agricultural loans to individual farmers because they have better knowledge, skills and more confidence in managing agricultural finance, reducing the risk of default. Financing agriculture is no longer a risk but becomes an opportunity for MFIs. At the origin of the project, STARS in Burkina Faso was planning to develop loan products for two value chains: sesame and shea butter. However, thanks to the various trainings and institutional support provided to loan officers, 4 partner MFIs were able to develop other financial products themselves, serving clients in the onion, banana, soybean and potato value chains. MFIs are now sufficiently equipped to develop products independently.

A male sesame farmer showing his harvest. Photo: ICCO Cooperation

Sesame farmer Hamma Lankoande, who lives in the village of Tambiga (in eastern Burkina Faso) benefitted from a USD 200 loan this year, thanks to the usage of A-CAT by the MFI GRAINE. "I invested this amount in paying fertilizer, pesticides and labour. This is something I have never done before. This year, I decided to cultivate two hectares instead of one hectare."
Traditionally, shea nut harvesting and processing in Burkina Faso are rural women’s work. An estimated 400,000 women individually collect the nuts of the wild-growing shea tree and convert them into shea kernels and butter in a very labour-intensive and manual process. STARS supports producer organizations (POs) and PO unions such as the shea union UGF/CDN, to professionalize their operations, which restores trust from MFIs to invest in a sector with fast-growing potential.

Thanks to the increased demand for shea butter by the European cosmetics industry, the shea union has been developing an impressive, climate-smart processing facility that annually transforms 1500 tons of shea kernels into 500 tons of butter. Much of the work, which includes no less than 22 steps are done by machines at the facility. Buyers include the French cosmetics company Occitane and Savannah Fruits. “And thanks to a Business to Business event organized by STARS this year, we were connected to new buyers,“ president of the union, Nebie Eli Bationo explains.

One of the major issues the union faces is meeting the high-quality standards set by their buyers. This puts them in a weak position when they negotiate their prices. “In 2017, STARS started a series of Training of Trainer sessions on a wide variety of topics, including Quality Control and Butter Hygiene. Thanks to these trainings, we have been able to train all our members gradually, which has significantly increased the quality of our products. This has positioned us well with international buyers and allows us to take a slightly firmer position at the negotiation table,” Bahiome Bationo, the coordinator of UGF/CDN adds.

In total, thanks to the professionalization of POs and the union, 500 female farmers received a loan for 43,103 USD from 1 MFI (ASIENA). The average loan size was 86 USD per farmer.
In addition to developing tailor-made individual loans for farmers, STARS developed a sectoral risk management program for MFIs. The objective of this program is to assess the risk management measures already adopted by MFIs. Based on an assessment of the gaps in capacities and internal systems of the MFIs, STARS will design an agricultural credit risk management training manual for MFIs and provide continuous coaching throughout 2020. In addition, together with the MFIs, STARS will design strategies, tools and methodologies that help MFIs to better manage the quality of their agricultural lending portfolios and their liquidity. STARS aims for MFIs to internalize their risk management, which will allow them to better assess their loan risks on a monthly basis, taking into account new risks related to agri-credit, partnership, digitalization, cash flow and liquidity.

To kick off its risk management program, STARS brought together participants from the six partner institutions, government structures and other organizations active in finance in January 2020. With around fifty participants, discussions focused on already existing risk management tools and practices, which can be easily adopted by financial institutions in Burkina Faso. Participants were introduced to international risk management guidelines and tools such as ISO 31000 and the Basel Committee on Banking Supervision (BCBS).

By mid 2020, STARS also took into account risks related to the new Covid-19 reality and worked with the committees to develop a resilience plan to mitigate the effects of the pandemic. Because of the risk management trajectory implemented by STARS, MFIs are now able to better manage their cash flow in order to avoid lack of funds.

MFIs attracted over USD 1.4 million in 2019 from national and international investors.

CAPITAL MOBILIZATION

To support MFIs attract more capital from foreign and national investors, STARS has successfully linked its MFI partners with current and potential investors, both locally and internationally. As a result of these linkages, MFIs have attracted a total of USD 1,485,050 in 2019 and 2020 with government funds and and international funding institutions such as FONAFI and OIKOCREDIT.

The STARS team puts a special focus on making sure that MFIs develop more loan products and risk management training and Business Plan coaching to make MFIs more attractive for international funding institutions.

2. Institutional Strengthening
FOR MORE INFORMATION:

Lassina Sanou
Microfinance Advisor STARS Burkina Faso
l.sanou@icco.nl
Ouagadougou, Burkina Faso

https://www.icco-cooperation.org/en/project/stars/

A female shea nut collector. Photo: ICCO Cooperation