Financial Products and Services
Developed by STARS in Senegal
STARS IN SENEGAL

In Senegal, STARS is working to improve access to finance and markets for 49,500 smallholder farmers. STARS works with four MFIs to develop crop specific loans.

Examples of these loans include solidarity loans, individual loans, warehouse financing and loans that are developed to match the cost of production and seasonal needs of smallholder farmers working in the cowpea and onion value chain.

STARS also works with 10 producer organizations in the cowpea and onion value chain as well as with various other stakeholders such as input suppliers, agricultural platform providers and equipment suppliers to develop and strengthen the value chain to allow farmers to access finance, markets, inputs and agricultural skills training.

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 IN SENEGAL

STARS supports the following four microfinance institutions:
- Caurie Microfinance
- U-IMCEC
- MEC FADEC NDIAMBUR
- UFM/MECZOP

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"To develop tailor-made loan products, the STARS team invested time in really getting to know its 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," Khary Cisse, STARS Microfinance Advisor in Senegal explains. "To help us do that, ICCO Cooperation/Terrafina 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. Based on this cash flow, MFIs can determine the ideal loan size for a particular farmer and whether the client can repay the loan from the investment.

A-CAT was used to develop several loan products for farmers in the cowpea, onion, cereals and horticulture value chains. Thanks to A-CAT, MFIs offer more agricultural loans 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.

"Our MFI gives me more confidence now to increase my onion production. They even give us advice on production best practices. We are also more informed on budgeting and financial management, thanks to the information we receive from our Credit Officers. Thus we have been able to increase our productivity and market, which also increases our food security," Mame Ndoumbe Ciss explains, client of U-IMCEC in Pout.

All 4 MFIs use the A-CAT tool, providing loans to over 35000 clients in the onion, cowpea, cereals and horticulture value chains.

2019, 7108 onion farmers received a loan, with an average loan size of 555 USD.

In 2019, 2646 cowpea farmers received a loan, with an average loan size of 308 USD.

STARS helped MFIs to institutionalize A-CAT by developing manuals and video tutorials on product usage.
As rural women in Senegal often lack control over economic resources, they tend not to use high-quality inputs or tools on their lands. The risks? To remain stuck in this endless cycle of backbreaking work, without making significant financial profits.

This is why STARS supported four MFIs to develop agri-loan products, to ensure that farmers without collateral (mostly women) can still access a loan. Solidarity lending lowers the costs for the MFIs related to assessing, managing and collecting loans. More importantly, it eliminates the need for collateral, which has always been a barrier for women to access a loan.

STARS assisted the MFIs to set up more than 950 village groups to date, helping them to get professionally organized. STARS provides both financial and non-financial capacity building to the groups by training them on financial literacy and management, women’s rights and advocacy, agricultural best practices and linking them to input producers. As a result of these bundled efforts, over 26,000 farmers have accessed a seasonal loan to buy inputs or to finance other agricultural activities. Over 21,000 of these farmers are women.

The groups have also started to develop savings activities, which improves their financial performance towards the MFIs (See Capital Mobilization).
WARRANTAGE

STARS, together with three MFIs, introduced the warrantage product, or warehouse receipt lending, to farmers in the cowpea, onion, maize and millet value chain. Warrantage describes the inventory credit system which allows farmers to access credit with their harvest as collateral in secure warehouses. STARS trained three producer organizations in warehouse management and storage best practices and linked them to the MFIs.

Thanks to this product, producers get higher profits for their crops, because they can store them longer in the warehouses managed by the producer organizations, while they wait for a better price. In 2019 for example, cowpea was stored when its value was less than 300 FCFA per kg. Women sold the products after a few months of storage for a market price of 800 FCFA per kg. A profit margin of more than 200%! Women who don’t have time to sell their product in the cities during harvest time, have now been able to find a market closer to home thanks to the warehouses.
STARS supported the MFI UFM Louga to develop a pilot business model together with the cooperative “Producers of Bayakh” in Potou, and with African Technology Company, an equipment supplier specialized in solar energy. Together, they developed a new business model to install a solar power plant with 113 solar panels, which will heavily reduce farmer's production costs. Compared to fuel, solar as an energy source significantly reduces production costs and allows producers to make much bigger profits. It is also much more eco-friendly.

The MFI provided a large part of the installation costs to the supplier, which will be reimbursed by the farmers in the form of a loan. The supplier provided the other 30 percent. A crucial element of the business model is that the supplier has contractually committed to provide maintenance services to the installation in case of need. The solar energy loan allowed 357 farmers (30 percent youth, and 50 percent women) to access solar pumps for the irrigation of their fields.

In addition to the loan, all farmers received agricultural coaching from STARS on responsible use of quality inputs (seeds, fertilizers). With the right skills and equipment, horticulture provides profitable business opportunities, since farmers can plant year-round.

Thanks to this successful pilot, STARS decided to support all four MFIs to develop similar solar loan products, targeting women and youth. Besides African Technology Company, other equipment suppliers have expressed interest in joining forces with these MFIs.
2. Institutional Strengthening

**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 capital with government funds, as well as national and international funding institutions such as Sen’Finances, GCA-Foundation, Oikocredit, KIWA, Rabobank and Kuwaiti Fund.

The STARS team puts a special focus on making sure that MFIs develop more loan products specifically including women and youth, which make MFIs more attractive for international funding institutions.

MFIs attracted over USD 12.2 million in 2019 from national and international investors.

U-IMCEC has better performances (PAR from 21% to 12%) and received new refinancing contracts from OIKOCREDIT, RABOBANK and African Development Bank.

**RISK MANAGEMENT**

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 has designed an agricultural credit risk management training manual for MFIs and provides continuous coaching throughout 2020, helping 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.

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.
STARS supported Caurie Microfinance to digitize some of their financial services. The first phase consisted of digitizing the collection of savings and group loan repayments. All operations are now done with an application called Caurie Mobile: loan officers meet with the women groups monthly and record all credit operations (reimbursement, disbursement), savings (deposit, withdrawal) and customer membership details. Even though loan officers still meet with the groups, the duration of these meetings have become much shorter. Thanks to this time reduction, women are more motivated to save.

STARS also introduced the Bank to Wallet feature, which allows customers to make transactions at distance. The feature functions as a deposit and withdrawal service between their Caurie savings account and their Wallet account from their mobile money provider on their phone. The feature enables the customer to transfer money between the accounts whenever they want, giving clients more freedom over their credit payments, savings withdrawals or deposits.

Marème Wade, member of a solidarity group says: "With the Caurie Mobile application, we go from 3 hours to 1 hour of meeting time. That’s a huge time win, which we can use for other activities. Before, women complained about the lengthy meetings and gave up on savings. Now, women gain more time and are more motivated to save."

According to Andre Youm, Director of Operations at Caurie Microfinance: "Going digital has enabled the reduction of operating costs (paper, ink, etc.) and the reduction of service costs. In addition, there is the strengthening of operational performance, officers are more productive and can hold up to three village meeting per day."

Women saved 82 USD per person on average.

over 85,000 women collectively saved USD 7 million in 2019.

A female farmer in Tivaouane prepares cowpea harvest for storage. Photo: ICCO Cooperation
3. Lessons Learned

STARS continuously seeks to know and show what works/doesn’t work by understanding program results and by generating deeper insights in the challenges/opportunities faced by farmers, client satisfaction, value for money and program sustainability. By doing so, STARS aims to improve its interventions and share the lessons learned along the way.

Understanding program results
The agri-finance products developed in Senegal were assessed through surveys, product evaluation workshops with all stakeholders and (external) assessments. For example, a client satisfaction survey done in 2019 with 390 farmers, revealed that farmers were not satisfied with the timing of disbursements, due to a low level of liquidity within the MFIs. The study also revealed that clients have a strong need for more training on financial education as well as better access to agricultural insurance products.

Improving interventions
Based on this continuous feedback gathering, the STARS team in Senegal is able to refine the agricultural finance products and services that were developed. For example, based on the client satisfaction survey, STARS supported MFIs to set up more financial education training activities for farmers and their cooperatives. STARS also strengthened its activities related to capital mobilization for MFIs. Making sure that MFIs attract external funding is an important pillar of STARS’ strategy, as it helps farmers to get quicker access to their loans, which is crucial in the agricultural cycle they work in. For example, based on feedback gathered during a workshop, the STARS team improved storage management to prevent quality risks and product losses linked to warehouse lending. Such improvements contribute to more income for farmers and reduce the risk to MFIs of non-payment of loans. Other examples include feedback gathered from the client satisfaction survey where farmers expressed the need to have the MFI closer to their village. As a result, STARS supported two MFIs to develop a digital credit application process, including a bank-to-wallet service.

Sharing lessons learned
STARS combines different communication channels to share experiences and knowledge gathered during project implementation. They include newspapers, radio and TV, the ICCO website, and social media such as Facebook and Whatsapp. Dissemination is also done through national and international conferences. The ICCO STARS team is regularly interviewed by local media such as Sud FM (private radio) to comment on news in the agri-sector; in particular in the cowpea and onion value chains.