



Deutscher Tropentag, October 11-13, 2005, Hohenheim

“The Global Food & Product Chain—
Dynamics, Innovations, Conflicts, Strategies”

How Can Microfinance Contribute to the Promotion of Agricultural Value Chains? Experiences of a GTZ Programme in Burkina Faso

DJIBO OUSMANE¹, MICHAEL KIRK², HANS H. MÜNKNER²

¹*Philipps-Universität Marburg, Economics, Germany*

²*Philipps-Universität Marburg, Institute for Co-operation in Developing Countries, Germany*

Abstract

From the 80s to the late 90s unnumeral development projects surfaced in microfinance to facilitate access to credit. The idea was to either help finance capital formation and agricultural inputs or carry out new income generating activities.

Regrettably, most of these projects failed as the approach adopted was neither viable nor sustainable.

Learning lessons from these experiences, the GTZ's Agricultural Development Programme (PDA), intervening in the East and South East of Burkina Faso and working towards the promotion of agricultural value chains, has come up with a new approach to increase farmers' income.

This approach consists in establishing sustainable links between farmers and microfinance institutions (MFIs) and concerns actually four profitable commodities: banana, bee-keeping, poultry farming, and cattle fattening. Protocols specific to each of the four product chains have been developed between the Programme and the MFI. The major role of the programme is to provide, through limited intervention, the technical assistance needed for the activities to be successful. Overall, the Programme covers 30 % of the risks, as opposed to 70 % for the MFI which funds farmers from its own resources. In the coming three years, the risks borne by the Programme will be progressively reduced to zero (0).

This partnership made it possible to implement, for the first time ever in the sub region, a leasing credit with an MFI (motor-pump for banana production).

To guarantee the security of the lands to be farmed and the credits, local arrangements have been made between landlords, farmers, and local authorities. Similarly, local communities have organised themselves building on their social capital and using peer pressure for credit payment.

It is hoped that this experience, after a couple of years, leads to increased collaboration between farmers and MFIs as a result of a better knowledge of risks associated with agricultural activities and the PDA's phasing out from the system

Keywords: Burkina Faso, case study, local arrangements, microfinance, PDA, protocols