



# TAKE-OFF FACILITY FOR AGRICULTURAL AND RURAL MICROFINANCE IN AFRICA

**The Grameen Crédit Agricole Foundation targets primarily Sub-Saharan Africa within the framework of its action for promoting improved access to financial services for the most underprivileged. It is indeed the region where inclusive financial services are most needed and least developed. In order to support a larger number of rural microfinance institutions, the Foundation has implemented in two regions of Sub-Saharan Africa, and with the support of the French Development Agency (AFD), a pilot project: “The take-off Facility for agricultural and rural microfinance in Africa”, which has two components: funding and technical assistance.**

## GOAL

The goal of this project is to strengthen twenty or so microfinance institutions in Sub-Saharan Africa through loans and technical assistance services, so as to enable them to grow in a healthy way and provide appropriate sustainable financial services in rural areas.

The implementation of the African Facility will strengthen the work of the Foundation and the AFD in support of medium-sized MFIs having an agricultural and rural orientation and a strong growth potential. It will pave the way to partnerships with these MFIs during a consolidation phase of their growth. Ultimately, beneficiary MFIs should be strong enough to be able to meet the conventional financial criteria of the Foundation and become long-term partners.

## INVESTMENT AND CAPACITY BUILDING APPROACH

The African Facility allows the Foundation to select the beneficiary MFIs and provide them with funding according to more flexible criteria and procedures, especially in terms of portfolio size, risk (PAR), level of debt (D/E) and operational self-sufficiency (OSS).

In addition to financial criteria, the quality of institutions' governance is a key element of assessment, as is their social performance, in particular their commitment to women and small farmers. This positioning will be assessed by means of the following indicators:

- The average loan granted by the MFI
- The proportion of female customers
- The proportion of women living in rural areas
- The proportion of farmer customers

Criteria	African Facility	Conventional GCAF
Minimum gross loan portfolio (EUR)	400 000	650 000
Maximum gross loan portfolio (EUR)	10 000 000	NA
Maximum PAR 30 limit	10%	5%
Minimum level of OSS	60%	100%
Maximum level of ratio D/E*	X7	X5

\*Within the limits of the solvency threshold defined by the regulations in force in the country concerned

The selection of MFIs will first be analysed on the basis of remote exchanges of information and then checked on-site by a due diligence mission. During this process, the difficulties faced by the institution, its institutional weaknesses and its capacity building needs will be analysed. Counselling and training measures required to strengthen the institution and bring its development within a perspective of sustainable self-sufficiency will lead to recommendations.





At the end of this process, and after requesting and obtaining a non-objection notification from the AFD, funding and TA proposals will be developed and submitted to the Projects Committee of the Foundation.

**Financing:** the loan amounts available within the framework of the African Facility will vary from €50,000 to €500,000 equivalent and will be offered wherever possible in local currency. The loan term could vary from 12 to 36 months with repayments that may be at maturity or semi-annual.

**Technical assistance:** the objective is to strengthen the competences of the partner institution, in particular its risk management skills. It may include, depending on the needs of the institution, the following topics:

- Development of business plans
- Human resources management
- Improvement of the institution's Governance
- Institutional diagnosis
- Training
- Financial and social rating
- Green Microfinance
- Agricultural financing
- Social Performance measurement and management
- Design of credit and savings products for improving risk management
- Methodology for the analysis and/or monitoring of risk
- Implementation or adaptation of an Information and management system

## OPERATIONAL MODEL

The Take-off Facility for Microfinance in Africa will have access to a technical assistance fund co-financed by the Foundation and the AFD. It will also rely on three locally based investment advisors, each covering an area of intervention, to ensure close monitoring of the targeted institutions: Dakar (Senegal) for West Africa and Kigali (Rwanda) and Nairobi (Kenya) for East and Southern Africa. Investment advisors have both a coordination and a representation role in the area, and will be in charge of designing technical assistance programmes, selecting the operators in charge of their implementation and following up the TA missions. The consultants will work closely with the Foundation team based in Paris.

## RESULTS

Since its implementation, several institutions have already received funding from the Foundation and benefited from technical assistance missions

Since the implementation of this scheme, the Foundation has carried out over twenty funding operations, in particular in Uganda, Kenya, Senegal, Burkina Faso, Benin, Togo and Mali. It has also performed over 100 technical assistance missions for the benefit of these institutions. These missions were mainly related to risk management, strengthening of internal audit, analysis of information systems, governance, institutional transformation, business plan development, etc.

### COOPEC SIFA (TOGO)



The Foundation decided to fund the Togolese institution Coopec Sifa with a loan in local currency equivalent to EUR 153,000 over a two and a half-year period.

Coopec Sifa emerged out of the project implemented by the JARC (Mouvement des Jeunes et Adultes Ruraux et Catholiques) in order to provide small loans to poor women living in northern Togo. During the project phase, the micro-credit activities of the institution have been characterised by a strong social orientation and a degree of caution that limited the operational development of the institution.

Coopec Sifa has already benefited from several technical assistance missions within the framework of the African Facility, particularly in the areas of developing an action plan for network expansion and strengthening of internal control.

### JUHUDI KILIMO (KENYA)



The Foundation decided to fund the Kenyan institution Juhudi Kilimo with a loan in local currency equivalent to EUR 482,000 over a two-year period.

Juhudi Kilimo is a microfinance institution whose mission is to elevate the quality of life for rural smallholder farmers and enterprises by providing wealth creating financial solutions for agribusiness. Unlike traditional microfinance, Juhudi Kilimo finances specific agricultural assets that offer immediate and sustainable income for farmers. As a way of promoting more innovation, the institution also provides start-up capital for new agribusinesses.

Juhudi Kilimo has already benefited from several technical assistance missions within the framework of the African Facility, particularly in the areas of risk management or portfolio audit.

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