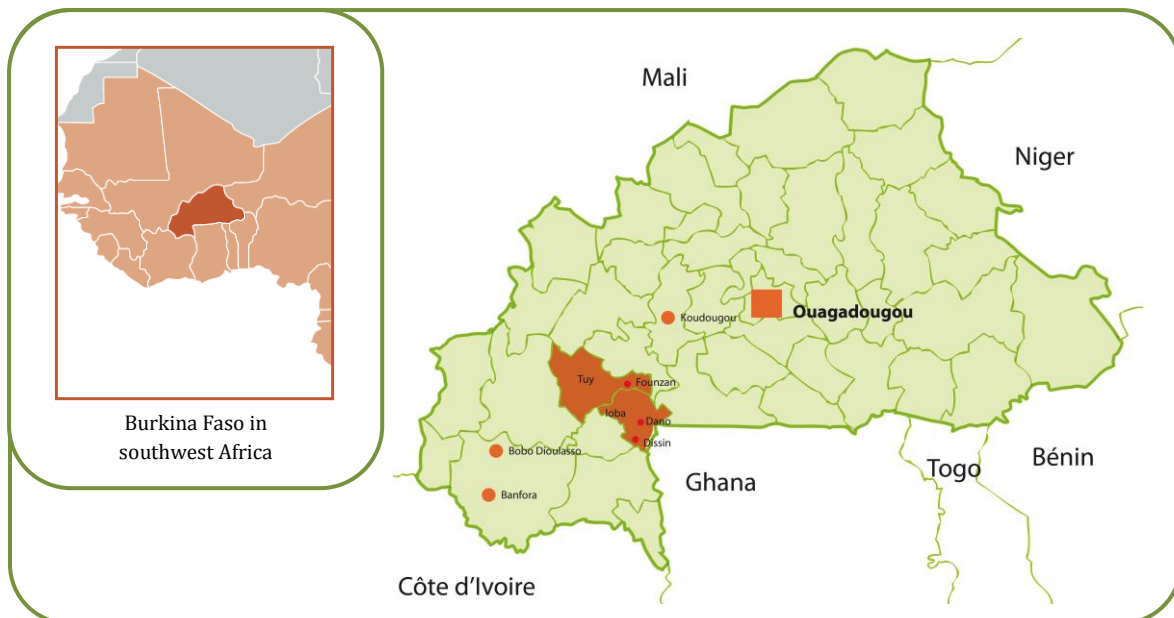


## Inventory credit managed by COPSA-C in southwest Burkina Faso

Authors: Fatouma Déla Sidi and Salmou Hassane

### Introduction

The Cooperative for the Provision of Agricultural Services (COPSA-C), also known as “Coobsa”, which means “it’s better to cultivate” in the Dagara language, is a producers’ organization (PO) based in Founzan. COPSA-C is active in four municipalities (Founzan, Koti, Oronkua, Dano) in the provinces of Tuy and Ioba, southwest Burkina Faso.



Southwest Burkina Faso is a region with strong agricultural potential and surplus cereal production. However, farmers experience significant difficulties in managing their harvests, and are forced to sell off a large share at very low prices. This leads to food shortages in the region during the lean season, resulting in households becoming indebted to money lenders.

To alleviate these problems, the cereal bank system was trialled in the region. But the widespread failure of the initiative prompted the chairs of the three Departmental Unions of Cereal Storage and Marketing Cooperatives (UDCSCC) in Founzan, Koti and Oronkua, together with their partners, to consider alternative solutions. In 2007, they had discussions with members of the Ten-Tietaa union in Dissin (UGTT) (province of Ioba), which had been practising inventory credit since 2005. The aim was to understand how reliable this system was, since it appeared extremely popular with both men and women farmers in the area.

Following the discussions, the three unions conducted an awareness-raising campaign in the villages, prior to launching an inventory credit trial season in 2007-2008, conducted together with three cereal banks (Kovio in Founzan, Dibien in Koti, and Gbangba-doeton in Oronkua); a second pilot was conducted in 2008-2009, together with 13 member cereal banks.

Following the encouraging results of these first trials with inventory credit, in March 2009 the three UDCSCCs set out to launch COPSA-C, teaming up with the five Departmental Unions of Rice Producers (UDPR)<sup>1</sup> of Tuy and Ioba, and with support from Italian NGO CISV (Comunità Impegno Servizio Volontariato), with a view to continuing this practice in the longer term.

COPSA-C's mission is to increase the agricultural revenues of its members, so as to improve their economic and food security status. Inventory credit is one of the flagship techniques promoted by COPSA-C to support rural communities in ensuring good management and the best possible returns on their agricultural production, in a region marked by the scattered and isolated location of its cultivable wetlands.

### Definition of inventory credit

Inventory credit, also known as warrantage, is a system of **rural credit** that enables a producers' organization and/or its members to obtain a loan against collateral in the form of non-perishable agricultural produce (millet, sorghum, rice, maize, sesame, gumbo, groundnuts etc.) that is likely to increase in value.

This system of **collective loans** made to groups, lasting between six and eight months, is based on the principle of pledging stocks of agricultural products as collateral. The security agreement that governs the credit arrangement between the two parties stipulates that in the event that the groups default on repayments, the funding partner will have the right to sell the products stored as collateral, in order to recover the debt. However, the value of the stock of agricultural products is likely to increase between the time at which it is secured and the moment it is withdrawn, during the lean season, when the household granaries are empty and market demand is very strong.

## Stakeholders in inventory credit

### The Cooperative for the Provision of Agricultural Services (COPSA-C) and its members

In 2012, COPSA-C grouped together the eight unions mentioned in the introduction, which were themselves made up of cereal banks, also known as groups, all of them mixed. These were:

- 23 village cereal banks grouped together under the umbrella of the three UDCCSs
- 25 groups of rice producers distributed among the five UDPRs.

In the case of COPSA-C, these groups were mostly former cereal banks, and have traditionally kept this name, even though, in actual fact, they no longer carried out the function of cereal banks – the buying and selling of cereals.

Together with the five UDPRs, COPSA-C also provides support to the Founzan Union of Women Parboilers (made up of groups of women rice parboilers, in Founzan and Bonzan Bwaba), as well as the Union of Seed Producers in Oronkua.

Together, these unions represent a total of about 2,500 small-scale men and women farmers, drawn from the four municipalities involved.

COPSA-C has a warehouse with a storage capacity of 100 tonnes.

---

<sup>1</sup> UDPR of Oronkua, Koti, Founzan, Dano, Pouleba and Zintio

➤ **Number of COPSA-C members practising inventory credit, distributed by village and gender (2011-2012)**

Village	Number of men	Number of women	Total
Batiéné	34	02	36
Kankani	43	16	59
Orpoune	32	09	51
Pana	48	01	49
Lollo	27	01	28
Gnétigba	28	01	29
Koti	23	15	38
Fafo	15	12	27
Oronkua	30	04	34
Saneba	32	02	34
Founzan	71	23	94
Nahi	18	03	21
Dahoré	10	05	108
Poulèba	41	03	282
Gbièlgane	27	19	132
Dibien	0	29	49
<b>TOTAL</b>	<b>489</b>	<b>145</b>	<b>634</b>

➤ **Number of members of Departmental Unions of Rice Producers (UDPR) practising inventory credit, distributed by village and gender (2011)**

UDPR	Number of men	Number of women	Total
Founzan	273	319	592
Koti	195	35	230
Oronkua	266	156	422
Gnotanouri	229	27	256
Dano	261	84	345
<b>TOTAL</b>	<b>1 224</b>	<b>621</b>	<b>1 845</b>

Source: Capitalization Project, based on data supplied by COPSA-C, 2011-2012

**COPSA-C focuses on providing:**

- Agricultural services suited to its members: input supply, technical support and advice and monitoring of the farming season, facilitating access to inventory credit, processing (paddy rice into white parboiled rice) and selling agricultural production on local and national markets.
- Institutional support to all organizations involved in inventory credit and their members, so they can manage their investments autonomously.

**COPSA-C is based on the following management structure:**

- A board of management, made up of one representative from each union and a chair, all elected at the general meeting.
- A technical team, made up of a manageress, a facilitator responsible for the rice sector and another – male or female – responsible for inventory credit, as well as a female accountant.

**Role of COPSA-C in the current inventory credit system**

- Central coordination of operations: collecting stocks of agricultural products, monthly monitoring of warehouses (carried out by inventory credit facilitators using motorbikes), monitoring of stock withdrawal.
- Representing unions and cereal banks at the Southwest Credit Unions Agency ( Délégation des Caisses Populaires du Sud-Ouest (DCPSO)), and negotiating (manageress) conditions for credit access.
- Ensuring group marketing of stocks sold by its members.
- Conducting awareness-raising and training for producers (especially relating to income-generating activities) and cereal bank officials.

### **Role of COPSA-C union members in inventory credit**

With the development of inventory credit, the unions mainly play the **role of intermediary** between the COPSA-C facilitators and the groups/cereal banks, involving:

- Collecting and transmitting information concerning volumes to be stored, periods of storage and stock withdrawal and monitoring of stocks.
- Participating in negotiations between COPSA-C and the credit union for the granting of loans.

### **Role of COPSA-C cereal bank members in inventory credit**

The unions experimented with the system of village cereal banks. This involved the direct purchase of agricultural production at what was often the highest market price, (since some cereal bank members were farmers and wanted to obtain the highest prices), then subsequently, the resale to producer bank members, at prices that were often lower than market price during the lean season.

This practice served personal rather than collective interests, resulting in bankruptcy, gradually eroding the working capital held by cereal banks throughout the area in 2006.

The cereal banks have taken on the institutional role previously played by the unions. They are run by their boards of management, made up of four members: a chair, treasurer, secretary and warehouse manager(ess), all of them elected by the members. Their role is to:

- Manage storage and stock withdrawal operations in their warehouses (made of stone and with capacities of 20 tonnes in the villages, and 40 to 80 tonnes in the department capitals of Founzan, Koti and Oronkua), as well as stock maintenance.
- Redistribute the loan negotiated with the credit union among members, according to the volumes stored.
- Collect loan repayments and transfer the funds to the COPSA-C unions.

### **Technical and funding partners involved in inventory credit operations**

All the actors mentioned above have made a direct or indirect contribution to creating a favourable environment for the expansion of the inventory credit system in the southwest region.

- **The Fédération des Caisses Populaires du Burkina Faso (FCPBF)**, a savings and credit cooperative: this focuses on providing finance to the agriculture sector by granting loans through various mechanisms, including inventory credit, which does not involve the use of a guarantee fund.<sup>2</sup>

The FCPBF has five regional agencies, among them the Délégation des Caisses Populaires du Sud-Ouest (DCPSO)<sup>3</sup> based in Diébougou. This agency is itself part of a network of credit unions, present in most departments of the region. Since its launch in 2009, COPSA-C has managed inventory credit in partnership with DCPSO, through the credit unions of Dano, Koti and Founzan.

- **The Confédération Paysanne du Faso (CPF)**, national umbrella group for producers' organizations: the CPF has monitored and supported the entire setting up process for COPSA-C.
- **The FAO Capitalization of Good Practices in Support of Agricultural Production and Food Security project**. Since 2009, FAO has been developing, building on and highlighting the inventory credit practices of COPSA-C, and issuing proposals to improve the system's equity.
- **NGO Comunità Impegno Servizio Volontariato (CISV)**, active in the fields of agriculture, soil and water conservation, institutional development and strengthening grassroots organizations. It has been working in southwest Burkina Faso since 1997.

In the inventory credit sector, the CISV team in Dano played an important role of support and monitoring various phases (2007-2008 and 2008-2009) of inventory credit implementation in the

---

<sup>2</sup> FCPBF is part of the network of financial institutions in Burkina Faso, commonly known as microfinance institutions (MFI) or decentralized finance systems (DFS). According to the rules of the West African Economic and Monetary Union (UEMOA), a DFS is a microfinance institution, in the form of a Mutualist Institution or Cooperative of Savings and Credit (IM-CEC) – such as FCPBF.

<sup>3</sup> Formerly known as the Union Régionale de Caisses Populaires du Sud-Ouest (URCPZO), it was incorporated into FCPBF in 2011.

region; then in the setting up of COPSA-C in 2009. The NGO later gradually allowed the cooperative to manage inventory credit on an autonomous basis.

Since then, CISV has continued to offer support and advice to COPSA-C in developing and documenting its activities, organizing training, awareness-raising and exchange visits, as well as connecting it to new partners.

The experience of inventory credit in Founzan has also been developed as a result of support from various projects implemented by CISV and funded by the European Union:

- **European Union project NGO-PVD/2006/118-856** funded:
  - Training for men and women producers, as well as for UDCSCC managers;
  - Strategic planning for cereal, horticulture and rice producing unions;
  - Construction and equipping of warehouses (for rice producing union in Koti, the cereal union and COPSA-C in Founzan).
- **The Promotion of innovative financial instruments for the development of rural enterprises and microfinance (PROFINDER) project**, funded by the Italian Development Cooperation and implemented by IFAD, funded:
  - Setting up COPSA-C (drafting texts, general meeting, legal recognition).
  - Institutional support to the cooperative (budget planning, assistance in staging meetings and general assemblies, training in account management, roles and responsibilities of COPSA-C bodies, unions and grassroots groups).
  - Developing inventory credit, in particular by organizing several workshops on sharing and exchanges between producers and MFIs.
- **The European Union's Food Facility project** (2010-2011), launched to counter the negative impacts of soaring food prices on local communities, by increasing agricultural production and promoting access to staple cereals in Burkina Faso. In particular, this project funded:
  - Renovation of several warehouses belonging to cereal bank members of COPSA-C (Lollo, Pana); increasing the number of cereal banks in Bonzan-bwaba and Pouléba, in the department of Founzan; construction of two new warehouses (Dano and Dahoré).
  - An impact study of inventory credit on rural households in the provinces of Tuy and Ioba.

## Methodological approach

In the southwest region, inventory credit was launched as a result of lessons learned by the failure of the experience with cereal banks, which were run from 1999 to 2006, by POs and their partners. This system was supposed to resolve the core problem of farmers selling off their harvests at low prices, and the food insecurity that ensued as a result. The widespread collapse of these cereal banks in agricultural surplus areas in Burkina Faso and elsewhere was caused by two major problems:

- **An insufficient differential between the purchase price and the sales price of agricultural production**, which did not cover storage expenses: the purchasing system of cereals used by these cereal banks, with high prices at harvest time, meant that the same products were sold to their members at below market price during the lean season.
- **The practice of allowing farmers to buy on credit, which gave rise to unpaid debts.**

Over time, this practice served personal rather than collective interests, and exhausted the working capital of cereal banks.

## Origin, identifying groups and training in inventory credit

The first two inventory credit seasons (2007 to 2009), were implemented by the three cereal unions set up in 2004, and their 16 cereal bank members, which were now all mixed.

In 2009-2010, COPSA-C supplied facilitators of its eight member unions (UDCSCC and UDPR) with a fact sheet, so as to identify new groups suitable for practising inventory credit: five other cereal banks were selected: one in the village of Lolio (department of Founzan), one in Pouleba Zintio (department of Oronkua), one in Sarba and two in Dano (department of Dano). In all, six out of seven warehouses were renovated.

In November 2010, the two COPSA-C facilitators organized **training** for board of management members of several cereal banks<sup>4</sup>, on the inventory credit system, the role and responsibility of the board of management, keeping accounts, stock-taking and storage techniques.

## Secured products

Since the first seasons, the products accepted for inventory credit have been maize – the most widely grown crop in the province of Tuy – followed by sorghum, the main crop in the province of Ioba, millet, rice, cowpeas, groundnuts, tubers and cotton.

## The inventory credit operation

Based on experience, COPSA-C has drawn up an operating schedule for inventory credit:

1. **Organization of an information and awareness-raising campaign** on the launch of the operation for the councillor of each village, as well as for men and women farmers.
2. **Setting up an inventory credit committee** in each cereal bank.
3. **Training of inventory credit committee members** and union facilitators and drawing up a stocking calendar.
4. **Collection and inventory** by COPSA-C facilitators and union members, stocking plans of cereal banks and estimated quantities. This information is transferred to the offices of DCPSO.
5. **Preparation, cleaning warehouses and storing cereals** throughout the harvest period (October - December).
6. **Joint setting** – by the inventory credit committee, COPSA-C and the credit union – of the price of each product, by identifying current market prices in the area; and signing of an agreement which itemizes the prices set, the number of sacks and the financial value of the total stock (October).
7. **Preparation of inventory credit file** by COPSA-C, using various information collected, and transmission of file to credit union. COPSA-C negotiates the collective loan in its name, and signs the memorandum of collaboration. The cereal banks then redistribute the loans to producers, once they have presented stock receipts made out in their name.
8. **Continuous support to producers after they have secured their first stocks.** The inventory credit committees and COPSA-C facilitators offer:
  - i) joint visits to the warehouses, at least once a month, to check the state of stocks;
  - ii) support to income-generating activities, which members are encouraged to develop.
9. **Presentation and analysis of annual balance sheet for the previous season** by the COPSA-C technical team, before its members (early November).
10. **Conclusion of operation:** when the deadline falls due (June), members repay the sums owed (the loan plus interest agreed and storage fees) to the cereal bank, mainly using revenues from their income-generating activities. Once all the producers have made their repayments, the warehouses are opened and the sacks returned to their owners.

---

<sup>4</sup> The cereal banks that have benefited from this training grouped together a total of 39 producers in: Orpoune, Oronkua, Founzan, Dibien, Koti, Sarba, Pontieba, Batiene, Dano, Gniteba, Gbanbadouotéo, Fafo, Kankani, Pouleba and Nahi

The date of withdrawal of sacks is established by general agreement of all producers, so as to avoid problems of unpaid loans.

### Some rules at COPSA-C for inventory credit

- **Restriction of the number of sacks:** each producer can store a **maximum of 10 sacks** per cycle, with a **maximum 30 sacks per season**.
- **Building stocks:** the producers can store their harvest in three periods - October, November, December – depending on crop maturity or the crop calendar of products to be stored. In this case, the loans are disbursed by COPSA-C as storage takes place, or on one single occasion when the last products are secured. However, securing stock is only permitted during one week in every month, and the warehouses are closed with two padlocks after the last stocking period, on December 31. In addition, all producers can opt to carry out a “savings storage”<sup>\*\*</sup>.
- **Storage fees:** these are fixed at **100 FCFA per sack secured, per month**. COPSA-C also fixes the length of storage at six months, so as to safeguard producers against unfavourable fluctuation of market prices, especially those linked to peak periods of certain products in the region (for example, early maturing products in Ghana).
- **Credit amount:** the loan is fixed on a pro rata basis, according to the volume and financial value of the products stored, generally at 80% of the lowest price at harvest. Since 2010, the memorandum of understanding signed between DCPSO and COPSA-C has stipulated that the loan is granted for 80% of stock value at harvest, at an annual interest rate of 9.75% (instead of 15%).

\* A technique that involves storing a small share of total production, with no loan in exchange, and which can be recovered at any time. This option is most popular with producers during the third phase of storage, at the end of December, with the aim of ensuring household food security in the months to come. However, it accounts for a small part of total storage.

## Validation

Validation of this experience of inventory credit can be inferred from the annual decision to repeat this practice, which has occurred each year since the first season in 2007-2008, representing growing enthusiasm on the part of both men and women farmers.

### ➤ Development of inventory credit at COPSA-C from 2007 to 2012

Season	No. sacks stored	No. CBs and unions involved	No. beneficiaries	Amount of credit in FCFA
2007-2008	419	3	113	3 196 800
2008-2009	3 662	13	730	22 060 350
2009-2010	3 112	9	510	19 127 990
2010-2011	3 667	14	524	21 709 760
2011-2012	3 910	16	634	22 367 520

The above table shows that between the first and second inventory credit trial seasons (2007-2009), COPSA-C recorded a clear increase in the number of producers using the system (from 113 to 730), and in the total amount of loans disbursed (from 3,196,800 to 22,060,350 FCFA).

In October 2009, the government of Burkina Faso, through the offices of SONAGESS, purchased cereals at attractive prices at harvest time (12,000 FCFA per 100 kg sack), so as to rebuild the “national food security reserves”. As a result, some producers chose to sell directly to the government at this remunerative price, which caused a slowdown in activities for the 2009-2010 season.

However, from the year that COPSA-C was launched in 2009, up until 2012, the cooperative witnessed a constant rise in the number of beneficiaries, as well as in the total value of loans granted, with a 100% repayment rate. In 2010-2011, COPSA-C saw the encouraging results of 2009 repeated, a sign that the practice was sustainable.

Validation of inventory credit can also be seen from a resurgence of community participation in cereal banks, due to the confidence that the practice has inspired in their members: they maintain ownership and control of their harvest, which can be recovered at any time, so long as they repay the loan within the given deadline; at the same time, they generate revenue each year.

## Impact

Five years after inventory credit was introduced, various studies carried out in the Founzan area revealed changes, especially on two levels<sup>5</sup>:

### 1. Economic level

Inventory credit facilitates access for farmers to loans that are not provided by money lenders, making their agricultural production more profitable. The Laura Pala study highlights the fact that 63% of producers in the area had their first experience of a formal loan through inventory credit<sup>6</sup>.

Invested in other off-season income-generating activities, the proceeds of inventory credit or warrantage enable men and women farmers to generate additional revenues. This cash can, for example, be used to pay for animals or vaccines to develop livestock breeding or fattening, pipes or racks for horticulture crops, millet to make products (such as dolo<sup>7</sup>, which accounts for 31.58% of investments made by women), or to hire labour for the cotton harvest.

This diversification of income source is partly the result of the system's sustainable nature: 80% of producers who have invested in developing a parallel activity are able to repay the loan without difficulty. Some 67.7% of producers invest more than 50% of their storage loan in income-generating activities.

#### Case studies highlighting changes brought by income-generating activities

- *“These activities are more or less linked to households’ main activity, which is agriculture in the case of 90% of households.”*
- *“It is better to manage with your income-generating activity, so you can become your own boss!”*
- *“Since starting inventory credit, I no longer borrow from dealers. I avoid them!”*
- *“Since the winter or farming season lasts six months, inventory credit offers an occupation to households when the season ends. Experience has shown that when you are busy, with a loan behind you, you spend less.”*

\* FAO Capitalization project, Action-research report on gender relations in inventory credit following a study visit by the FAO Niger team to Founzan in November 2011, December 2012

Inventory credit also contributes to stabilizing prices at local level, by increasing prices at harvest time and lowering them during the lean season.

These resources, coupled with those from income-generating activities, encourage agricultural investment (inputs) for the following season.

<sup>5</sup> All quantitative data used in this section on “Impact” is drawn from the following study: Pala, Laura, Impact of inventory credit: attempt to evaluate socio-economic welfare of beneficiary households in the provinces of Tuy and Ioba in Burkina Faso, August 2012

<sup>6</sup> Data collection for this study, jointly conducted with a COPSA-C facilitator, was carried out through a questionnaire distributed to 63 rural producers (including 24 women farmers) who had been practising inventory credit for at least two years and were replying on behalf of their household, drawn from ten villages/cereal banks identified in the sample. This sample is the equivalent of a little more than 10% of the total number of people who have practised inventory credit during the past two agricultural seasons.

<sup>7</sup> Dolo is a local beer made from sorghum.



## 2. Social level

Inventory credit leads to improved food security due to an adequate supply of cereals recovered during the lean season, once loans have been repaid. By extension, it also results in lower levels of malnutrition for families in the area covered. The study by Laura Pala<sup>8</sup> confirms this: more than 50% of producers, and almost 60% of the most vulnerable households, use the sacks withdrawn from storage to cover the food needs of their family during the lean season. This produces the effect of a “second harvest”.

This phenomenon is also due to improved stock management through inventory credit, particularly as a result of: i) planning storage (evaluation of household needs during information/awareness-raising sessions); ii) conserving stocks in a reliable and regularly checked warehouse (protected from parasites and theft).

Securing agricultural production also helps to reduce money lending practices, recognized as one of the major causes of household debt, to cover the purchase of food during the lean season or other household expenses (funerals, weddings, rural expenses, etc.). In this regard the Laura Pala study reveals that revenues from inventory credit enable households to cover 25% of the costs of schooling.

In a general sense, inventory credit can help the poorest, who are normally excluded from the traditional banking system: of the sample questioned, 39% of farmers practising inventory credit for at least two years are considered “small-scale producers” (a category of farmer who has a maximum of five hectares of cultivable land and very low levels of agricultural mechanization and literacy). This mechanism for financial inclusion is particularly effective for women, in a quantitative sense: 486 women used inventory credit during the 2012-2013 season, compared with 161 women in 2012, and 64 women in 2010-2011. Women account for 40% of small-scale producers directly involved in inventory credit, and for 80% of them, inventory credit offered them the first opportunity ever to have access to credit. In a qualitative sense, inventory credit gives women greater autonomy and legitimacy within their household.



Indeed, inventory credit has enabled a great many rural households in the region to lift themselves out of the condition of dependency they faced with respect to food and money.

### Key success factors and innovations

The methodological approach adopted by COPSA-C, and then renewed and adjusted in the years following the launch of inventory credit activities, has emerged as a major contribution to the success of the experience.

This approach is also the result of other **key success factors**, which have had a decisive impact, such as:

- **The productive potential of the area**, as a way of putting surplus output to profitable use, justifying the adoption and adaptation of inventory credit in the setting of southwest Burkina Faso: *“Inventory credit in this area is like a fish in water. It’s in its natural element,”* declares the chair of a union member of COPSA-C<sup>9</sup>.
- **Supporting complementary actors and joint workshops:** CISV, together with the productive links it has forged with various technical and financial partners (The European Union, Swiss Development Cooperation, DCPSO, CPF, the FAO Capitalization project).

<sup>8</sup> Pala, Laura, *op.cit.*

<sup>9</sup> FAO Capitalization project, *op.cit.*

These actors have given crucial support to the launch and impact of inventory credit activities, while seeking to increase empowerment for COPSA-C and continued involvement of its groups.

- **The existence of infrastructures inherited from cereal banks:** originally, the aim was to improve the management system passed on by the cereal banks (warehouses, partnerships, structures). Demonstrations facilitated the promotion and successful launch of inventory credit in the area. Both men and women farmers learned to organize and manage the storage of their products more effectively than if they kept them in traditional granaries.
- **Fixing warehouse fees for stored sacks, thereby generating a common fund and participating in the system's financial viability**<sup>10</sup>. This fund is shared equally between: i) the cereal banks, to pay for the incentives offered to members of the boards of management, handling stocks and renovating warehouses); ii) COPSA-C, to cover the costs of monitoring stocks and the salaries of facilitators.

To these success factors should be added the **innovations** developed over seasons. Highlighting a real will on the part of various stakeholders to take a more professional approach to inventory credit and ensure its access to the poorest farmers, there is a strong case for capitalizing on this technique:

### 1. Technical and financial innovations for inventory credit

In 2009, DCPSO carried out self-evaluation of its inventory credit activities, so as to draw lessons from two years of experience with partners in southwest Burkina Faso (Dissin and Founzan). As a result of this evaluation exercise, DCPSO produced a fact sheet containing rules applicable to all credit unions operating in the area<sup>11</sup>. However, ongoing dialogue between COPSA-C and the credit unions of Dano, Koti and Founzan, which continued during the workshops, prompted DCPSO to adopt, in 2010, a new memorandum of understanding on inventory credit with COPSA-C. This agreement, renewed in 2011 and 2012, approved more flexible technical rules that were better suited to the conditions of producer members of COPSA-C, such as:

- **Stocking and granting of loans in cycles, according to the products to be secured.** This process enables producers with different types of produce (early maturing crops such as maize), to be independent of other members for storage and obtaining loans.
- **The provision of double padlocks to inventory credit warehouses, for the benefit of COPSA-C.** This rule has enabled the warehouse monitoring system to be improved, including in remote villages. In addition, this innovation bestows an important role on COPSA-C in terms of monthly checks on the quality of stored products, without depriving the credit union of the right to carry out its own regular checks on warehouses.
- **A reduction in the financial requirements of DCPSO** concerning the personal contribution of producers, falling from 25% in the case of normal loans to 5% for inventory credit.

These measures were documented in internal regulations, which were validated by all representatives of unions and cereal banks that are members of COPSA-C.

### 2. Innovations for equitable inventory credit

COPSA-C has undertaken several institutional commitments so as to strengthen the participation of the poorest – young and small-scale producers, especially women. These include:

- **Restricting the number of sacks that each producer can store per season.** This rule was jointly agreed upon by the unions and COPSA-C, so as to avoid the risk that only wealthier farmers would benefit from inventory credit, given that storage capacities are still insufficient.

---

<sup>10</sup> in 2008-2009, 3,662 sacks stored for an average six months, generated approximately 2,200,000 FCFA (3,662 x 100 x 6), the equivalent of about 10% of total loans.

<sup>11</sup> In 2012, DCPSO decided to formalize application of the amortizing interest rate, raising it from a 10% annual rate to 15%, applicable for all credit unions in the area in 2013.

Research by Gauthier Malnoury<sup>12</sup> in the Founzan area confirmed the application of this rule aimed at equitable use of inventory credit. Most producers secured modest quantities of stock: 67% of them only stored nine sacks; 25% stored between 10 and 19 sacks, and only 9% stored more than 20 sacks. A study conducted by Andrea Veronelli in March 2012<sup>13</sup> confirms this trend in the same area, observing a tendency to store fewer than six sacks, with a marked preference for storing one or two sacks (41% of stocks). These figures prove that inventory credit as practised by COPSA-C helps to satisfy some of the needs of poor small-scale producers, entrusting their food security to the system; and to maintaining the participation of women, who only have small volumes of stock available.

- **Integrating women into the community fabric of groups practising inventory credit and into decision-making circles**, so as to promote female leadership. Clear examples of COPSA-C's awareness of the issue of women's participation are reflected in the fact that the management team is made up of three women – the manageress, the treasurer and a female facilitator – and two men.
- **Support to the union of women rice parboilers in Founzan** reflects a will to expand the cooperative base to attract wider participation of women.
- **Awareness-raising through missions to the villages.** COPSA-C played an important role in mediating between men and women in Dibien in 2011. The cooperative allowed women from the village to take over inventory credit activities by themselves for the 2011-2012 season, in the wake of an arbitrary decision by the men to abandon the fields and cease practising inventory credit in 2010-2011, following the discovery of gold prospecting and mining sites in the area. In 2012, COPSA-C continued with this type of mediation, which has proved crucial in promoting use of warehouses by village women.

## Constraints

COPSA-C is limited in the degree to which it can pursue inventory credit activities, due to:

- **Insufficient storage infrastructures** given the growing interest shown by both men and women producers in the area in joining COPSA-C with a view to becoming involved in inventory credit. However, support from the Italian Development Cooperation enabled five new infrastructures to be built in 2013.
- **Limited access to inputs remains a problem for producers in the area**, especially due to inadequate supplies of inputs on markets or unaffordable prices.
- **The problem of insurance for inventory credit:** COPSA-C is seeking to set up a system to insure stock, in the event of fire or natural disaster.
- **Difficulties in group marketing deferred stock**, and on lucrative markets.

## Lessons learned

Experience gained by COPSA-C has helped to identify the importance of meeting **two major challenges** so that inventory credit can be an effective tool in combating the vicious circle of poverty for rural communities. These are:

- **Reducing the waiting time between the moment that products are secured and the disbursement of loans to producers:** this period has been reduced to a maximum of one week after checking stock (compared with two or three weeks previously), beyond which the inventory credit operation can become detrimental to households. A key improvement in the system, this has helped to put an end to the practice of selling off harvests for low prices to meet urgent cash needs by cooperative members, and enabled them to undertake seasonal activities at the appropriate time.

---

<sup>12</sup> Malnoury, Gauthier, Analysis of an inventory credit system and its impact on rural households in Burkina Faso, Provinces of Tuy and Ioba, 2010-11 (available in French only).

<sup>13</sup> Veronelli, Andréa, Profile study of inventory credit beneficiaries, of the approach taken in engaging in the activity and any constraints to accessing it in southwest Burkina Faso, Burkina Faso, January–March 2012 (available in French only).

Smooth functioning of the inventory credit mechanism depends on the quality of the PO-MFI partnership and of the quality and suitability of the service provided by the MFI: the relationship of trust gradually woven between the two stakeholders has enabled the inventory credit system in Founzan to develop rapidly, producing warranty conditions based on secured loans and a win-win situation.

- **Maintaining a dynamic and autonomous organization**, in line with COPSA-C's style: this organization offers constant technical support to its members through well trained facilitators and management staff and a management structure that is well suited to handling inventory credit operations. The clearly defined role of intermediary structures and the transparency seen in the handling of grassroots members enables the cooperative to conduct valuable outreach and coordination work in the villages, and in so doing to maintain the trust of farming households.

## Sustainability

The sustainability of an experience such as inventory credit depends on the professionalism of COPSA-C and its members, specifically by:

- **Conducting an analysis of the results of each inventory credit season during an annual assessment meeting** (November), to improve preparations for the following year; and computerizing these analyses in the form of databases.
- **Ensuring optimal credit management by members**, so as to encourage socio-economic capacity strengthening of households. It is critical to integrate the practice of inventory credit into a permanent process of "credit education" for beneficiaries, with information/awareness-raising to improve understanding of costs and advice about the use and management of loans (especially for income-generating activities and their implementation).
- **Embedding the principles of equality in the implementation of inventory credit**. Given the even lower participation levels of the poorest, especially women, it is recommended in future to: i) use gender-disaggregated information, as introduced by COPSA-C in 2011; ii) launch research on other products suited to storage by women; iii) raise awareness among village communities to promote women's participation in inventory credit.
- **Constantly adapting the methodological approach to the needs of beneficiaries**, as a result of their repeated engagement in inventory credit activities and the maintenance of a relationship built on trust with the MFI. As an example, COPSA-C recently relaxed the rule on joint surety by introducing stock withdrawal in cycles: from April onwards, then in May and June, according to dates planned by common agreement between the cereal banks and COPSA-C, members now have the right to make repayments and recover all or part of their stock without having to wait for the entire group to make its repayments. This system was introduced during the 2011 season, so as to reduce reluctance by households facing difficulties to take part in inventory credit.
- **Linking COPSA-C inventory credit activities with input shops** being set up in the area, with the aim of taking on the specific role of supplying inputs: input shops will supply quality inputs at good prices to members involved in inventory credit. This will help to prevent small-scale producers from using cotton fertilizer for all their crops, which is more easily available and can be bought on credit. In addition, this will be a good way of ensuring more effective monitoring of the use of loans or revenues from the sale of sacks during the lean season. Indeed, with better access to inputs, members – and especially women – will be better placed to engage in off-season activities, such as horticulture.

With this in mind, in 2012 FAO funded an input shop in Founzan. It remains the property of COPSA-C, but is managed by the union of Founzan. In this sense, the existence of an input shop is an opportunity for the union to regain momentum and take on significant responsibilities.

This combination of features should lead to a strengthening of capacities for the COPSA-C structure (management of the organization, finances, production and marketing activities) and its members.

## Scaling-up

Inspired by the experience in Niger, inventory credit has already been recognized and adopted by two main actors in the region of southwest Burkina Faso: the Ten-Tietaa union in Dissin, which launched an initiative in 2005 in the municipalities of Dissin, Ouessa and Zambo, in the Province of Ioba; and, since 2007, COPSA-C, with the number of participants, quantity of products stored, and volume of loans disbursed all having increased by 2012.

This growth in demand is proof of a clear demand by rural communities to invest in the practice of inventory credit, as well as evidence of the strong potential for scaling up such initiatives.

However, developing inventory credit is a gradual process and requires certain conditions in any rural area that is likely to adopt it. These include:

- sufficient numbers of secure storage infrastructures
- an increase in product price at the time of stock withdrawal
- the presence of key actors – structured POs and viable MFIs – interested in becoming involved in the inventory credit system.

As a result of the partnership with the Swiss Development Cooperation, FAO and CISV, COPSA-C has set up an in-training centre on inventory credit, called the “inventory credit school”. In 2012, this centre welcomed ten missions from partners in West African countries (Burkina Faso, Guinea, Niger) wanting to share information and develop this system in their own area. A fee is charged for visits to the centre and warehouses, and this contributes to COPSA-C’s finances. COPSA-C and partners inaugurated the centre in December 2012 in the form of a knowledge fair on good practices for inventory credit.



## Conclusion

To conclude, we present the account of a woman farmer who is a member of a group in Founzan. She talks about her experiences and describes how successful inventory credit can be in helping the poorest farmers:

- Sabine Somé has been practising inventory credit since the 2008-2009 season.

Secretary for the Association for the Disabled in Founzan, Sabine is a hairdresser and does not grow many crops. However, she buys certain products that she stores using inventory credit: in her first season, she secured three sacks of maize and one sack of millet, in exchange for a loan of 20,000 FCFA. This money enabled her to set up a pig breeding enterprise: in November 2009, she bought a pregnant sow for 15,000 FCFA – feeding it with a mix of rice bran, maize, millet grain and salt – which produced seven piglets two months later, and so on. With the revenue from selling her piglets and her sow (which she sold for 30,000 FCFA) she was able to buy a pigsty (at a cost of 50,000 FCFA), which would last 15 years. The net profit from this enterprise was 9,117 FCFA.

In 2012, Sabine continued these activities and is now one of a growing number of women who have taken up the challenge of using inventory credit to buy and resell products, leveraging profits as a result.

## References

- Interviews and surveys with the Capitalization teams in Niger and Burkina Faso, COPSA-C and the Comunità Impegno Servizio Volontariato (CISV), Founzan and Ouagadougou (2009-12) (available in French only)
- COPSA-C documentation, gender-specific data and presentations on inventory credit (2011-12) (available in French only)
- Malnoury, Gauthier. Analysis of inventory credit and its impact on rural households in Burkina Faso, Provinces of Tuy and Ioba, 2010-11 (available in French only)
- Pala, Laura. Impact of inventory credit: attempt to evaluate socio-economic welfare of beneficiary households in the provinces of Tuy and Ioba in Burkina Faso, August 2012 (available in French only)
- Veronelli, Andrea. Profile study of inventory credit beneficiaries, of the approach taken in engaging in the activity and any constraints to accessing it in southwest Burkina Faso, Burkina Faso, January–March 2012 (available in French only)
- FAO Knowledge Management and Gender Programme - [www.fao.org/knowledge/km-gender](http://www.fao.org/knowledge/km-gender)
- FAO Capitalization project, Action-research report on gender relations in inventory credit following a study visit by the FAO Niger team to Founzan in November 2011, December 2012
- FAO Capitalization project, Good practice fact sheet (in French) Fiche de bonne pratique : Le warrantage dans le Sud-Ouest du Burkina Faso, Décembre 2012 - [www.fao.org/knowledge/km-gender/ressources/fiches/fr/](http://www.fao.org/knowledge/km-gender/ressources/fiches/fr/)
- FAO Capitalization project, fact sheet (in French): Le warrantage de l'UGTT dans le Sud-Ouest du Burkina Faso, Novembre 2012 - [www.fao.org/knowledge/km-gender/ressources/fiches/fr/](http://www.fao.org/knowledge/km-gender/ressources/fiches/fr/)



Capitalisation

FAO Burkina Faso  
01 BP 2540 Ouagadougou  
Tel + 226 50 30 60 57 – Fax +226 50 31 00 84  
[goodpractices@fao.org](mailto:goodpractices@fao.org)



Cooperative for the Provision of  
Agricultural Services (COPSA-C)  
Founzan – Burkina Faso  
Tel +226 2090 7677  
+226 7600 9899  
+226 7462 0464  
[coobsa@yahoo.fr](mailto:coobsa@yahoo.fr)