PD-AAY-970

ISN = 60224

COMMERCIAL BANKS AND RURAL CREDIT IN NIGER:

A CASE STUDY IN PRIVATE-SECTOR COOPERATIVE DEVELOPMENT

A Final Report prepared by:

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(683-0234)

Niamey, Niger
February 1987

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I. OBJECTIVES

The objective of this report is to examine the results of the first two years of operation of the Guarantee Fund Program, a part of the Cooperative Training Component of the National Cereals Program. The project is being executed in the context of USAID/NIGER's Agricultural Production Support Project, by the National Cooperative Business Association(CLUSA).

The project officially began in January 1985, and has a life of four years. Project activities began in March 1985, and loan activities began in October 1985. The time period covered in this report falls between March 1985 and February 1987.

The report will examine the initial goals of the project, as designed and presented in the first consultant's reports(Pattinson, 1984 and 1985). It will then look at the changes made in the field to the original project design and detail the activities undertaken in project implementation. The concrete results of project activities will be examined, done and the problems encountered along the way, and their solutions, will be discussed. Finally, conclusions will be drawn and recommendations for the future direction of guarantee fund and rural credit activities over the balance of project life will be presented. It is hoped that the recommendations will give some direction towards the steps to be taken to ensure continuance of the rural credit activities with cooperatives in Niger after the life of the project.

II. INTRODUCTION

The 1984 redesign of the USAID Agricultural Production Support Project(APS) included modified cooperative training and input supply components. The two components had as a goal "to improve the economic well being of the Niger small farmer through the revitalization of the cooperative movement, entailing the transfer of authority to this system including its input supply and marketing components to its members and their preparation and skill development to discharge this authority."(CLUSA Proposal, November 1984).

One of the initial objectives of the Input Supply Component, which provides technical assistance to the Centrale d'Approvisionnement(CA), was "...to develop a credit mechanism based on a bank guarantee fund that will enable cooperatives to

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pay cash for seasonal inputs."(ibid.) Other objectives concerned the training of cooperative leaders in the utilization of the credit system, and continued technical assistance to the cooperatives for the management of the credit system.

In 1984 an Implementation Plan for the Agricultural Input Supply Component was prepared by Ian Pattinson(Pattinson, 1984). The first of two major goals of that component was "to increase demand for seasonal inputs through the introduction of a funding mechanism at cooperative level, so relieving a major constraint to GM/farmer access to inputs."(Pattinson, 1984, p.2). Initially, then, the guarantee fund program was conceived to provide credit to cooperatives to enable them to buy inputs from the CA and thereby contribute to the financial viability of the CA. Attendant on this objective was the goal of convincing the cooperatives through their experience in the funding mechanism "to proceed to the mutual funding phase to capitalize cooperatives and thus provide the basis for the shareholding subscription capital to the Central Cooperative Supply Company."(Pattinson, 1984, p. 9).

In 1985, further revisions were made to the Input Supply Component by Pattinson. One of the terms of reference instructed him to "re-examine and make recommendations on the scope of the use of the cooperative funds guaranteed by the project."(Pattinson, 1985, p.1). This study went into greater detail concerning the actual structure and functioning of the guarantee fund program proposed as part of the Input Supply Component.

The initial goals of the guarantee fund program--to provide credit to farmers to buy agricultural inputs and to generate capital funds which would enable the cooperatives to purchase the stock of the CA--while laudable, were not economically feasible for a number of reasons. Given the environment and history of fertilizer usage and subsequent yields, it is not obvious that loans made to purchase inputs such as fertilizer can generate the cash flow needed to repay the loans. For a full discussion of the issues concerning the Input Supply Component and recommendations for redesign, see the Garvey Report, 1986.

When the technical assistance team arrived in the field, in March 1985, it was decided that the guarantee fund program's goals were not fully appropriate, and that the program should be geared towards the overall project goal of assisting the cooperatives in Niger to develop into viable business enterprises. Simply facilitating access to farm inputs was not the ideal formula. Rather, the credits made available under the blanket of the guarantee funds would serve to finance a variety of income-enhancing activities in the rural areas, some of which might be related to agricultural activities, and others, to economic activities that would generate profits for the

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cooperatives and enable them to develop a sound financial situation. The guarantee fund program was therefore attached to the cooperative training component.

A major part of the credit process, in the rural context, consists in providing adequate training to the users of those credits. The credit training would be incorporated into the general training activities of the component, making for a more coherent training program for cooperative members and enabling them to manage all aspects of their business activities.

These changes were formalized in a Project Authorization Amendment to the APS Project, signed in April 1986 by the USAID Mission Director. The document noted that the guarantee fund was originally part of the input supply component but that the change was made to enable "cooperative members to benefit from training and experience in development of loan requests, relationships with banks and management of credit."(USAID, 4/21/86, p.4). The document further defined the new goals of the guarantee fund program which are to" (a)provide a mechanism to supply credit to the cooperatives for the financing of economic activities; (b) to develop a rural credit system based on the private and commercial banking system; (c) provide a credit mechanism for purchase of agricultural inputs if the cooperatives determine that this is an optimal use of their credit capacity."(ibid.).

The activities of the guarantee fund program, as will be exposed below, are based on the above goals. In order for the cooperative movement to become viable, the cooperatives must have a raison d'etre. This is to provide services to its members. In order for it to be able to provide services, it must function as a viable business enterprise. The cooperative should be managed by its members and should engage in activities that generate profits which can be plowed back into the business or distributed as dividends to the members. Only if the cooperative can establish itself on a sound financial footing, with its own capital funds and reserves, and with a sound management, can it function adequately and maintain an interested and motivated membership.

/ allowing the cooperatives to choose the economic activities ich they deem appropriate for their own development, the oject ensured that the cooperatives would participate from the art in the conception of project activities. Rather than oving activities imposed from the exterior, such as the andoned requirement that credit be used to purchase farm outs, cooperative members chose the activities they felt uld work in their zone and were thereby the primary actors in e decision-making process. This gave them primary sponsibility for the choice made and subsequently, ponsibility for the functioning and outcome of their isions.

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The objectives of the activities chosen were to earn money for the cooperative and provide services to its members. The types of activities eventually chosen by the cooperatives ranged from grain and onion marketing, to cooperative stores, herd reconstitution and cattle and sheep raising. Other activities include village pharmacies, collective fields, seed multiplication and garlic and other garden products marketing. Some of these activities, such as grain marketing, are directly related to agricultural activities in the classic context, while others, such as cooperative stores, lie in other economic sectors. The common thread is that these activities are means of generating rural-sector income, drawing on the resources available, and serve as a development tool for the populations concerned.

One of the major problems encountered by the rural populations in Niger is the lack of credit to finance rural activities, whether agricultural or other. The official rural credit institution--the CNCA--ceased credit activities in 1984, due to its disastrous financial situation. If the GON accepts the repeated recommendations of the donor community, this institution will be closed. In the interim, the sources of credit to the rural sector are limited to the multiple and diverse interventions of different development projects in Niger.

In an effort to provide a more comprehensive solution to the credit issue, the credit component of USAID's APS Project was based on an innovative idea: to induce the private commercial banking system to participate in the financing of the rural sector. Since the rural sector is not a sector in which commercial banks normally intervene, some inducement had to be found, in order to convince the banks to participate. This inducement would be a guarantee fund, deposited with the participant banks, thereby eliminating the credit risk during the initial phase of the program. Though the guarantee fund program would not reach all the cooperatives in Niger, it would assist those benefitting from project intervention. It would be a contribution towards the solution of the problem of rural credit availability in Niger, and, if successful in Niger, the formula could easily be applied to other countries in the Sahel facing a similar credit problem.

At the same time that the guarantee fund program was structured to provide a partial solution to the credit problem, it would also be serving a valuable training function for cooperative members. This training would be part of the global training activities--the major thrust of the project--geared towards development a core of managers at the cooperative and GM level.

Working with a commercial bank requires a certain degree of sophistication: credit requests must be presented coherently.

with feasibility studies supporting the figures; bank accounts must be opened and efficiently operated; files must be maintained by the cooperative customers; and--most importantly--credits must be disbursed in a timely manner. All of these activities require intensive training, when dealing with rural farmers who have had little or no experience with commercial banking activities or management of business enterprises. The emergence of a trained population of cooperative leaders and members is one of the major development goals of the project, one which ensures survival of project activities beyond the funded life of the project. This goal is as important as that of actual availability of credit funds.

The operation of the guarantee fund is a simple procedure. The guarantee fund consists of monies physically deposited into a time deposit at the participant bank, and blocked in favor of that bank, according to the terms agreed upon and formalized in a financial agreement. These funds serve as a cash collateral guarantee to the bank and enable it to make loans without incurring any financial risk. In case of loan default, the bank can reimburse itself by debiting the guarantee fund account, according to the procedure established in the financial agreement. This is not an operational account, unless the guarantee is called, but an interest-earning time deposit.

Another formula would have been to use a letter of credit issued by USAID. No physical funds would be involved, only a letter of guarantee from USAID which would stipulate payment by USAID in case of loan default. The first formula was chosen because of the opportunity to earn interest on funds on deposit with the bank (a fuller discussion of the interest issue follows later).

According to the financial agreement negociated and presently in place (see attached appendix), the bank can indemnify itself only after a defined period of time and only after having gone through a process of loan recovery activities. The agreement stipulates that once a loan is declared by the bank to be in default, the bank can debit the guarantee fund six months later and place the amount into a reserve account for another six months. During these additional six months, the recovery process continues. If, at the end of that period, the loan has not been repaid, the bank can then indemnify itself. If the cooperative succeeds in making subsequent repayments, these amounts will be reintegrated into the guarantee fund account.

The guarantee fund account generates 6% annual interest on a quarterly basis. The interest proceeds are credited to a separate account, which is a calamity fund for the participant cooperatives. Use of the calamity funds are defined in an appendix to the financial agreement, and limited to needs arising from natural disasters, such as drought, pestilence, bush fires or other calamitous events.

The guarantee fund, as presently structured, provides the bank with 100% risk coverage. The ratio of cooperative loans to guarantee fund coverage is 89%, to take into account an interest provision of 11%(the annual debit interest rate charged to the cooperatives). This is an improvement over the 80% credit limit originally proposed in the 1983 Pattinson Report. This ratio takes into account interest accrued on loan capital, and is common procedure for commercial banks in a guarantee situation.

It should be noted at this point that the bank does not on-lend the guarantee funds on deposit. Such funds are completely fungible. The bank uses its own financial resources to lend; for example, its deposit base, borrowings from the Central Bank or interbank placings. Guarantee funds are not loan funds, but constitute a separate account to be used only in case of loan default.

III. GUARANTEE FUND PROGRAM ACTIVITIES

A. The cooperative loan advisor's first task upon arrival in country was to make contact with the commercial banks that had expressed interest in the guarantee fund program during the design stage of the project. Citibank, BICI and the BIAO had expressed a willingness to continue discussions concerning the program. Public banks(CNCA and BDRN)were not contacted initially in view of project design, which stipulated a program to be run through the private, versus public, commercial banking system. Initially it would not have been possible to work with those institutions, since the CNCA is technically bankrupt and has ceased all credit activities, and the BDRN is currently the subject of a GON/World Bank restructuring plan. It may, however, be possible to involve the BDRN at a later date. This issue will be discussed in another section of this report.

The major criteria involved in the initial selection of a participant bank for the initial stage of the program was that it have a branch system in the interior of the country, since the project has national coverage. Citibank and BICI are localized in Niamey, have no branches and have relatively small staffs. It was not feasible to choose a bank that could not make credit available in the major productive areas in the interior of the country. Only the BIAO and the BDRN have a branch system, therefore the logical choice for the first participant bank was the BIAO, due to the BDRN's restructuring program and the reluctance of that bank, when contacted, to participate in the guarantee fund program until they could examine the results of its first two years of operation. The general management of the BIAO displayed an enthusiasm and a committment to the program, as part of its long range goals of extending its rural sector involvement at a measured and well-structured pace.

A financial agreement was drafted and negociated between the BIAO and the National Cooperative Business Association(CLUSA). This document defined the functioning of the guarantee fund mechanism, detailed the responsibilities of both parties and made provisions for other issues. The agreement was finalized and signed on October 7, 1985, by the two parties. An initial deposit of $100,000.00,was made to open the guarantee fund and converted at the rate of the day to 44,300,000 F.CFA. This sum had been placed into the first year's operating budget of NCBA by USAID/Washington to facilitate rapid start-up of the project, realizing that if funds had to be requested in the field for start-up purposes, that administrative delays would retard project activities. For that reason, NCBA was the signator of the first financial agreement with the BIAO, and not USAID/Niger or a host country institution.

The actual budgeted amount for guarantee funds over the life of the project $2.87 million. The first seventeen months of loan activity have used less than 50,000,000 F.CFA of cumulative guarantee funds, and to date, the loan outstandings have been just below the amount of the original guarantee fund deposit. The initial estimation, then, made by USAID/Niger of a $200,000.00 limit on guarantee funding for the first two years of project life was reasonable, but would have been exceeded had the cooperatives continued to choose grain marketing as an activity as did the first three cooperatives to take out loans. Marketing activities require a higher funding level than other short term activities, with grain marketing loans averaging 3,000,000 F.CFA per cooperative.

Based on an early set of projections, a request was prepared and submitted to the Ministry of Plan for 356,700,000 F.CFA(less than $1 million at the time the request was made) to be drawn from counterpart funds and deposited into the guarantee fund account. This request was made in November 1985 subsequent to a decision by USAID/Niger not to fund the guarantee fund account directly, but to draw the monies from local counterpart funds. This would enable the project to skirt the risk coverage issue, which will be discussed below. The counterpart funds were deposited by the Ministry of Plan at the BIAO on February 5, 1987. However, for the sake of this report, only the borrowing activities covered by the initial guarantee fund deposit($100,000.00)will be examined.

B. Concurrent with the negociation of the financial agreement, several issues emerged concerning U.S. Treasury Department restrictions on use of government funds. The first concerned the earning of interest on government funds, and the second concerned the 100% coverage of loans by the guarantee fund.

U.S. Treasury regulation TFRM6-8050.30 requires that all interest earned on U.S. government funds be returned to USAID. REDSO

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legal counsel was consulted upon two occasions concerning this matter. The eventual ruling was that since guarantee funds were [illegible] to the GON and were not destined to revert to USAID, and since the funds were immediately converted into local currency, that the above-referenced ruling did not apply in this case. Memos from Alex Newton and Wayne King, REDSO legal counsel, exist to that effect in ADO/USAID/Niger files. Resolution of this question made it possible for physical monies to be disbursed and deposited, thereby earning the interest payments to constitute the Calamity Fund account for the cooperatives.

C. The second issue concerned the level of guarantee coverage of loans to be made. One of the three recommendations, inserted in last minute discussions at USAID/Washington concerning the guarantee fund program, in the Action Memorandum prepared for the signature of the Assistant Administrator for Africa specified that USAID project funds not be used to guarantee 100 % of the loans to cooperatives participating in the progam. The reasoning behind this stipulation was based on the erroneous premise that if local commercial banks did not share in the risk, they would not be really committed to the program and would simply rely on the guarantee fund to make them whole in the event of loan loss.

However, it had been pointed out in the original project document prepared by Ian Pattinson(1985), that though local commercial banks were interested in the project, they were not prepared to take any risk in the early stages of this untried program of lending to cooperative farmers in high risk, rain-fed agricultural regions. Standard commercial banking principles stress the mitigation of risk as much as possible. Commercial banks are financial intermediaries and not risk takers. In start-up situations of any kind, commercial banks are not willing to accept any risk, regardless of the financial surface of the customer. Fully guaranteed lending is preferred even if the customer is on the Fortune 500 list. If future projects of this type are to be run through commercial banks, donors should clearly understand that full garantees will be required in all start-up situations.

In the case in point, the BIAO agreed to consider accepting 70% of the credit risk after the first two years of program life. Therefore, it could be argued that project funds were not being used to guarantee 100% of project loans, but only over a two year period, and the final two years would see loans only partially guaranteed. Again REDSO legal counsel was consulted in July 1985, and he decided that a modification of the recommendations was in order. After concurring with the parties responsible for the addition of the recommentation in Washington, he concluded that "a deletion of the requirement for two years only constitutes a non-substantive amendment to the project, and that DCA 140, Revised, empowers him[USAID/NIAMEY Mission Director]

to make such ammendments without AA/AFR approval." He drafted an action memorandum for the signature of the Mission Director amending the project authorization to permit 100% guarantee funding up to a limit of $200,000.00 over the first two years of project life.

Since continued funding for the guarantee fund account will come from local counterpart funds, this issue will not emerge again.

D. Once the major issues were resolved, project training activities proceeded, and the initial cooperatives were chosen for participation in the program. The technical assistance team did not and does not choose the cooperatives which participate in the program. They are chosen by Regional Coordinating Committees(CRC), which the project has established at the departmental level. These committees are comprised of members of the technical services from the Ministry of Agriculture and other ministries, as well as the regional cooperative unions. These committees were provided with a set of criteria drawn up by the consultant, and cooperatives were chosen in light of the criteria.

The four major criteria, out of a total of twelve, are: 1) existence of economic potential in the micro-region covered by the cooperative; 2) a good credit history and an acceptable leverage situation; 3) no major conflicts internal to the cooperative; and 4) to be situated in a zone with other cooperatives in close proximity so as to facilitate program expansion.

Once the cooperatives were chosen, economic activities were selected by cooperative members, feasibility studies were undertaken, bank credit requests prepared and comprehensive training programs provided to cooperative members designated by the cooperative to manage and/or supervise the activities.

Full details of training activities will be found in the report prepared by Papa Sene(1986), and will not be discussed here, except to the extent that they relate directly to the activities of the guarantee fund program. To summarize, the project hired an initial twelve trainers, former agents of the defunct cooperative service of the GON. These trainers, later supplemented by an additional fourteen members, were given intensive theoretical training in the approach and methodology utilized by the project. Another part of their training was in-field, living in the cooperatives. This training consisted of laying out the project approach and bringing the cooperative to the point of choosing, organizing and implementing an economic activity. This consultant's role in the training activities included theoretical training sessions in bank account management, bank operations, the elaboration of feasibility studies and pro-forma profit and loss statements, and the

composition of bank credit requests. All of these elements were followed by in-field supervision and continual revision. Several periodic training sessions for perfection of skills were held [illegible] the two year period, and fine tuning was done to various aspects of the program.

These trainers were responsible for guiding the cooperative members in their banking and credit activities, transfering their skills to the cooperative members and serving as consultants to the original cooperative once they had moved on to another nearby cooperative. The trainers usually accompanied cooperative officials to the bank for account opening procedures, for receiving loan funds, and for the very first reimbursements or deposits to the bank. They rapidly shed this function, however, as cooperative officials acquired the necessary skills themselves. This will be discussed in depth further on.

E. Once the cooperatives had received functional training in management and accounting, and the preparations had been made to begin the activity chosen, bank lines were negociated with the BIAO. The cooperatives prepared bank credit dossiers which contained information on the amount, type and tenor of the loan, general background on the cooperative, including its credit history and details of its former economic activities, a description of the proposed investment, a presentation of the feasibility study and the pro-forma profit and loss statement, and a conclusion. These dossiers were examined by the Cooperative Loan Advisor, discussed with the trainers, who made several revisions to the documents, and finally presented to the BIAO. Final responsibility for acceptance of credit requests lies with the BIAO. The role of the project is to introduce the dossiers and certify that the cooperative requesting the loan was working with the Cooperative Training Component. Once the bank had approved the request, funds were made available to the cooperative, which sent in its delagates to collect the monies and make whatever purchases were necessary. For a credit to be effectively put into place, the bank requires a letter signed by the Cooperative Loan Advisor stating the purpose of the credit, the amount and repayment date. This is one of the stipulations of the financial agreement signed between NCBA and the BIAO.

This procedure was followed in all the branches of the BIAO in the interior of the country. Several of the branch managers and the general manager, the manager of the credit department and the manager of the operations department visited a number of the cooperatives prior to making loans.

F. Training given to project trainers and later, to cooperative members for opening and managing bank accounts. Bank account opening procedures entail filling out a number of forms and presenting the required documents. The cooperatives were required to present their statutes, which are on file in the

offices of the regional cooperative union. They had to also notify the bank of the authorized signatures required to operate the account. The cooperatives, in general assembly, choose two, sometimes three, persons mandated to have full powers for bank account and credit operations. A form was prepared which was signed by the signators and by the members of the cooperative board of directors, who authorized the designated persons to act. This document was then legalized, or notarized, at the local "sous-prefecture." Once these two documents were available, the account was opened and to loan put into place.

The schedule of cooperative account openings is as follows:

COOPERATIVE	DEPARTMENT	BIAO BRANCH	DATE
Birni Kolondia	Niamey	Niamey	10/85
Goube	Niamey	Niamey	10/85
Wagou	Niamey	Niamey	10/85
Chadakori	Maradi	Maradi	5/86
Debi	Maradi	Maradi	5/86
Dan Keri	Maradi	Maradi	5/86
Droum	Zinder	Zinder	5/86
Dan Barto	Zinder	Zinder	5/86
Tibiri	Niamey	Niamey	5/86
Roukouzoum	Tahoua	Tahoua	3/86
Albuhounou	Tahoua	Tahoua	4/86
Tidani	Niamey	Niamey	6/86
Baban Anne	Maradi	Maradi	10/86
Guesselbodi	Niamey	Niamey	8/86
Famale	Niamey	Niamey	1/87
Tamroro	Maradi	Maradi	1/87
Hamdallaye	Niamey	Niamey	2/87
Tamasle	Tahoua	Tahoua	
Gamri	Niamey	Niamey	1/87
Dargol	Niamey	Niamey	

(The cooperatives with no dates have not yet opened their accounts, but will do so shortly, once training at the village level has been completed.)

The cooperatives executed a number of different types of economic activities, not all of which required bank financing. Activities such as seed multiplication, collective fields, the sale of agricultural inputs, did not utilize bank financing, but rather on resources already found within or without the cooperative. Other activities, such as onion marketing and herd reconstitution, did not benefit from guarantee fund credits, but received loan funds directly from the project investment fund. These project loans were, however, structured as if they were loans from the BIAO and the beneficiaries were not aware of the

true source of funding. This report will examine only those activities which were financed by loans extended under the coverage of the guarantee fund.

Ten different types of activities during the first phase of project life. can be identified. In order of importance of frequence they are: 1) coopérative store, 2) collective fields, 3) sale of agricultural inputs, 4) millet marketing, 5) cowpea marketing, 6) seed multiplication, 7) onion marketing, 8) herd fattening, 9) herd reconstitution, and 10) firewood marketing. These activities were undertaken either singly or jointly by the first fifteen cooperatives benefitting from project intervention through the end of 1986. Those cooperatives were Birni Kolondia, Wagou, Goube, Tidani, Guesselbodi, Kone-Beri, Tibiri, Roulouzoum, Akoubounou, Chadakori, Debi, Dan Keri, Droum, Dan Barto and Baban Anne.

Loan activity can be summarized as follows:

MILLET MARKETING:

Birni Kolondia:	7.463.800 F.CFA
Wagou:	2.724.800 F.CFA
Goube:	4.976.000 F.CFA
Roulouzoum:	1.500.000 F.CFA
Total:	16.664.600 F.CFA

HERD FATTENING:

Dan Barto:	3.265.000 F.CFA

COOPERATIVE STORES:

Birni Kolondia:	900.000 F.CFA
Wagou:	800.000 F.CFA
Tidani:	650.000 F.CFA
Droum:	1.000.000 F.CFA
Chadakori:	1.000.000 F.CFA
Debi:	265.000 F.CFA
Dan Keri:	505.000 F.CFA
Goube:	1.200.000 F.CFA
Tibiri:	1.681.000 F.CFA
Roulouzoum:	1.000.000 F.CFA
Total:	9.001.000 F.CFA

RICE MARKETING:

Famale:	3.800.000 F.CFA

COWPEA MARKETING:

Dan Barto:	4.000.000 F.CFA
Droum:	4.000.000 F.CFA
Dan Keri:	4.000.000 F.CFA
Baban Anne:	3.200.000 F.CFA
Total:	15.200.000 F.CFA
GRAND TOTAL:	47.930.600 F.CFA

The global mass of credits made under coverage of the guarantee fund exceeded the total amount of the guarantee fund, which was 44.300.000 F.CFA. However, at no point in time has the total amount of credits outstanding exceeded the amount available for coverage by the guarantee fund. This is due to the incoming reimbursements on those activities financed by a line of credit and subsequently reimbursed in full, such as the cowpea marketing, herd fattening and millet marketing(partial repayment).

A daily update is kept on loan outstandings against guarantee fund deposits in order to ensure that the limit is not exceeded. A documents is down in appendix which details the movements in the guarantee fund account. A summary of that statement shows that, as of date of writing of this report, guarantee fund availability is 7.418.556 F.CFA(this does not take into account the 356.700.000 F.CFA in counterpart funds received on February 6, 1987, in augmentation of the guarantee fund account).

The current situation of the guarantee fund account follows(February 4, 1987):

TOTAL GUARANTEE FUNDS:	44.300.000 F.CFA
TOTAL LOANS MADE:	(47.930.600(F.CFA)
AMOUNT RESERVED FOR INTEREST COVERAGE:	(4.873.000 F.CFA)
AMOUNT DEBITED TO COVER MILLET LOANS OUTSTANDING:	(10.619.304 F.CFA)
BOULOUZOUM REPAYMENT:	1.500.000 F.CFA
DAN BARTO REPAYMENT:	3.265.000 F.CFA
BIRNI KOLONDIA REPAYMENT(PARTIAL):	4.194.300 F.CFA
WAGOU REPAYMENT(PARTIAL):	1.322.085 F.CFA

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GOUNE REPAYMENT (PARTIAL):	1.297.000 F.CFA
DAN BARTO REPAYMENT:	4.000.000 F.CFA
DROUN REPAYMENT:	4.000.000 F.CFA
DAN KERI REPAYMENT:	4.000.000 F.CFA
BABAN ANNE REPAYMENT:	3.200.000 F.CFA
TOTAL REPAYMENTS:	26.541.460 F.CFA
NET AMOUNT OF GUARANTEE FUND AVAILABLE:	7.655.481 F.CFA

These figures show that over the first sixteen months of lending activity, 55.1% of total loans made have already been repaid. However, total loans includes 9.001.000 F.CFA in overdraft facilities, which are permanent and revolving facilities with no repayment date. Of the total lines of credit with definite repayment dates, 38.929.600 F.CFA, 26.541.460 F.CFA, or 68.2%, has been reimbursed, with only 12.388.140 F.CFA, remaining outstanding. These outstandings are mostly due to the first three loans for millet commercialization in the Niamey department.

MILLET MARKETING

The cooperatives chose this activity since the preceeding year had seen drought-induced prices up to 18,000 F.CFA per sack of 100 kilos of millet. The cooperatives not only wanted to assure a supply of millet at the cooperative level to avoid the disastrous situation they had recently experienced, but also to make a profit on the sale of the millet. The feasibility studies carried out indicated a floor price of about 10,000 F.CFA per 100 kilo sack; this seemed reasonable in light of the prior year's situation. However, no one had expected the bountiful harvest of 1985 and the subsequent crash of millet prices on the local markets, in some regions as low as 2,000 F.CFA per 100 kilo sack. In the Niamey region, the price stabilized at about 5,000 F.CFA. The effect on the cooperatives' marketing effort was disastrous, since the grain they had stored became prohibitively expensive. Nevertheless, cooperative members decided to repurchase the sacks they had sold to the cooperative regardless of the price. Each member had, prior to the sale, marked his name on the sack; therefore, it was easy to identify one's sack and repurchase it in order to allow the cooperative to repay the bank loan.

This effort on the part of the villagers is an indication that the project is achieving its goals. Cooperative members have made concentrated efforts to repay a bank credit, even if it was

to their financial disadvantage. The cooperative members in the three cooperatives concerned, independently of project intervention, took measures to ensure sale of the millet. For [illegible], those who did not have enough money to repurchase the entire sack at one time, could come with partial payments and open their sack and take a corresponding volume of millet. Others used the profits they made from seed multiplication activities in 1986 to repurchase their sacks. And all three cooperatives, on their own initiative, negociated repayment delays with the BIAO to give them more time to collect funds.

The current situation of reimbursement of these loans, the only loans made that have experienced any problems to this point, is as follows:

BIRNI KOLONDIA:

Initial loan: 7.463.800 F.CFA

Repayments: 4.079.400 F.CFA

Balance due: 3.384.400 F.CFA

Repayment ratio: 54.7%

GOUBE:

Initial loan: 4.976.000 F.CFA

Repayments: 1.200.060 F.CFA

Balance due: 3.775.940 F.CFA

Repayment ratio: 24.1%

WAGOU:

Initial loan: 2.724.800 F.CFA

Repayments: 1.297.000 F.CFA

Balance due: 1.427.800 F.CFA

Repayment ratio: 47.6%

TOTAL MILLET LOAN PRINCIPLE DUE: 8.588.140 F.CFA

With the exception of Goube, whose repayment rate is low, the other two cooperatives have paid over, or just about, 50% of their initial loans(these figures do not include accrued interest on the loans. On December 15, 1986, the guarantee fund account

was debited for 10.619.304 F.CFA, the amount outstanding on these three loans, including interest accrued to that date. The reason for this action was to stop further interest accruals, since, in light of the cooperatives' efforts to repay, they would only be paying interest and the principal would not reduce. In order to alleviate the burden on the cooperatives, the bank agreed to stop interest accrual by this means. The cooperatives were not informed of this, and they continue to repay on a regular weekly basis. All repayments are applied directly to the guarantee fund account, where they are reintegrated into the account.)

Not all grain marketing loans encountered difficulties. The cooperative of Roukouzoum in the Tahoua department(chronically deficient in millet)executed a grain marketing transaction that was successful. The cooperative took out a 45 day loan for 1.500.000 F.CFA from the bank to purchase 563 sacks of millet of 65 kilograms each. The millet was resold on local markets for a total of 1.688.000 F.CFA, leaving the cooperative a profit of 188.000 F.CFA. This operation was successful because it did not involve long storage of grain stocks, as did the above-mentioned loans. The cooperative perceived an immediate need for millet, they purchased the grain from another cooperative in the Maradi Department, transported it home, where it was sold immediately, thereby allowing the cooperative to repay the bank in less than one month, two weeks before the payment limit.

Using its own funds(profits generated from onion marketing) the cooperative repeated this operation three more times(Sene, 1986, p. 26), increasing the final profit from the grain marketing activity.

SHEEP FATTENING

Another activity which encountered some difficulty, though final repayment was made in a timely manner, was sheep fattening. This activity was chosen by the cooperative of Dan Barto, in the Zinder department. The cooperative hoped to profit from the up-coming Muslim holiday of Tabaski, when all families must kill and consume a, or several, sheep. The cooperative, situated on the Nigerian border, planned to sell their sheep at a significant profit in Nigeria, profiting from the Naira/CFA exchange rate.

The cooperative, after having prepared a feasibility study and submitted the request to the bank, received a loan of 3.265.000 F.CFA, reimbursable in six months, just after the Muslim holiday. They purchased 200 sheep and distributed them to participating cooperative members who kept them and fed them until they were plump and time had come to sell. The cooperative sold all the sheep, minus one, for 3.267.180 F.CFA, for a profit of 2,180 F.CFA, after reimbursing the bank. The cooperative did not realize a significant profit on the operation because the sheep were sold in Nigeria. Since they went via official channels to

sell the sheep, having obtained an export permit from the local authorities, they were obliged to exchange the naira at the official rate, rather than the usual unofficial rate practiced on the border. This, plus the fact that the exchange rates had moved unfavorably against the F.CFA, eliminated all potential profit. The bank was reimbursed, however, thus maintaining the reputation of the cooperative with bank management.

It should be noted that in all cases discussed herein, sale price of products such as sheep or millet included all cost elements in the price. These elements are calculated for inclusion in the bank dossier; what remains in most cases for the cooperative after bank repayment is really a net profit.

COOPERATIVE STORES

The cooperative general stores, or boutiques, have proven to be successful operations. They have, with several exceptions, generated significant profits for the cooperatives involved, enabling them to reduce dependance on bank lines.

The boutiques were all financed with overdraft facilities. The overdraft is a semi-permanent, revolving facility with no fixed repayment date. The criteria for proper management of this facility is frequency of deposits and account movement. The bank can judge the functioning of the boutique by the frequency of deposit of sales proceeds and the corresponding withdrawals for purchase of other products to restock the store. Ideally, as the store generates profits, dependance on the bank credit facility will decrease, and working capital will be internally generated.

Over half of the boutiques put into place are operating on their own funds now, having generated profits well over the amount of the initial overdraft line. Other cooperatives have reduced their dependance on the overdraft lines, thereby reducing their interest charges and increasing their profit margins.

The following table gives an indication of overdraft line usage by the cooperatives with boutiques. Actual profit and loss statements are prepared on a quarterly basis by the cooperatives and show net profits. These will be shown up to October 1986.

COOPERATIVE	OVERDRAFT AMOUNT	TOTAL DEPOSITS	SALES/LOANS(%)
Birni Kolondia	900.000	1.447.450	161%
Goube	1.200.000	2.209.000	184%
Wagou	800.000	1.304.500	163%

Chadalori	1.000.000	1.981.455	198%
Debi	265.000	503.500	190%
[illegible]	505.000	1.423.000	282%
Droum	1.000.000	1.688.000	169%
Tibiri	1.681.000	691.000	41%
Tidani	650.000	275.000	42%
Roukouzoum	1.000.000	693.000	69%

As is evident from the above figures, in all but three cases, the sales proceeds generated by the cooperative stores surpassed the amount of working capital funds borrowed from the bank. The sales price of all articles in the stores contain all the cost elements and the profit margin of the cooperative, so in all but three cases, the activities have been profitable. Three cooperatives--Tibiri, Tidani and Roukouzoum--have experienced difficulties. This has been due to improper management(the case of Tibiri), distance from the bank and difficulty in obtaining transportation to come and deposit sales proceeds(the case of Tidani) and lack of demand(the case of Roukouzoum, where the articles stocked by the boutique are to be easily obtained on the local markets. The emphasis in Roukouzoum has been on the other extremely profitable activities, such as onion marketing.

The following table will give an indication of the net profits generated by the boutiques. These figures, drawn from Papa Sene report(October 1986), show the profit situation from the beginning of boutique activity(usually around May 1986) to October 1986, when the calculations were received.. (An update should be prepared and will be available shortly.)

COOPERATIVE	SALES PROCEEDS	NET PROFIT	RETURN ON SALES
Birni Kolondia	2.131.335	315.180	14.8%
Goube	3.003.743	266.075	7.53%
Wagou	1.448.175	290.330	20.0%
Chadalori	3.572.110	423.999	11.9%

Debi	512.863	26.885	5.24%
Dan Heri	1.015.658	86.665	8.53%
Broum	3.148.808	166.925	5.30%
Tibiri	1.803.700	67.116*	3.72%
Tidani	1.011.515*	127.515	12.7%
Roukouzoum	1.300.470*	195.710	15.0%

*The figures are understated, due to an accounting anomaly(Tibiri) or non-deposit of sales proceeds in the bank account on a regular basis. Those cooperatives with the highest sales levels are those closest to urban centers and with ease of access to the bank. More frequent deposits make for reduced interest charges.

The experience with cooperative stores has been a favorable one. In the past many cooperatives had boutiques, but they were badly managed and, while goods were sold and inventories were restocked, it was impossible to determine the profitability of the undertaking. The accounting system put into place by the Cooperative Training Component has clarified the situation. The store managers have a set of ten accounting documents in local language. These documents were elaborated by the cooperative members themselves, with the assistance of project trainers and local Literacy Service agents in intensive training sessions. These documents are updated on a daily basis by the store manager and profit and loss statements are prepared on a monthly or quarterly basis.

The cooperative stores are able to sell their products at prices that are competitive with local market prices. In this way, they have been able to build up a solid customer base. The following table shows the prices of items sold in the store at Chadakori, compared with the local market prices. The cooperatives were able to calculate floor prices, and then raise them slightly in accordance with market prices, thereby increasing their profit margins.

(in F.CFA)

PRODUCT	COOP UNIT PRICE	MARKET UNIT PRICE	DIFFERENCE
Rice	168	225	57

Salt	99	125	26
Flour	137	200	68
Oil	594	600	6
Sugar	228	300	72

One problem has been the tendency of store managers to use sales proceeds to restock, instead of depositing the proceeds directly to the bank. Further training has helped diminish this tendency. It is important that all sales proceeds be deposited directly to the bank on a frequent basis. This allows the bank to evaluate the performance of the store and also gives the cooperative managers the experience of frequent working relations with the bank staff.

Because of this problem, some of the above sales figures may be slightly underestimated, since the figures reflect sales proceeds deposited directly to the cooperative's operating bank account.

COWPEA MARKETING

One of the results of the national campaign to revive cowpea production and marketing was increased production in the eastern region of Niger in 1986. The departments of Maradi and Zinder achieved abundant harvests, and many of the cooperatives in those departments decided to market their production. They decided to buy cowpeas from their members prior to the official price fixing, and before local merchants had a chance to buy the crop at a low price. The cooperatives would buy the product from their members at a price higher than that offered by the merchants, but lower than the official price to be fixed by the SONARA, the official marketing body. Once the cooperative had assembled the crop at the cooperative headquarters, SONARA would collect it there, pay the official price and the cooperative would repay the loan, retaining the profit, after paying associated expenses.

Four cooperatives in the two departments took out loans for cowpea marketing:

COOPERATIVE	LOAN AMOUNT	DATE	DATE REPAID
Dan Barto	4.000.000	10/10/86	2/1/87
Droum	4.000.000	10/10/86	27/11/86

Dan Keri	4.000.000	24/10/86	19/11/86
Baban Anne	3.200.000	24/10/86	19/11/86

With the exception of Dan Barto, which experienced a delay in selling due to problems with local authorities of the SONARA, the cooperatives were able to rapidly conclude the operation, thus minimizing interest expenses and reimbursing the bank within a month or more. This short term operation, well structured and organized by the cooperatives, was very profitable, providing the cooperatives with funds that they used to open savings accounts. (The savings accounts will be discussed in a later section.)

The profitability picture of the cowpea operation is shown in the following table:

COOPERATIVE	SALES	NET PROFIT	RETURN ON SALES
Dan Barto	3.783.300	287.365	7.60%
Droum	4.860.567	667.733	13.7%
Dan Keri	3.360.000	212.665	6.33%
Baban Anne	3.000.000	247.555	8.25%

In three cases, the amount of sales proceeds was less than the loan taken out. In all of these cases, the cooperative revised the tonnage to be purchased at the beginning of the operation, after having already taken the money from the bank. The cooperatives deposited excess loans funds in their account prior to completion of the operation. The loans were reimbursed as soon as the SONARA paid the cooperatives for their cowpeas.

This type of short term marketing operation is an ideal vehicle for rapid capitalization of cooperatives. Long storage periods, with the risk of destruction of stocks by insects, etc., are not necessary, and the product comes into and out of the cooperative rapidly. The sales risk is minimized because the cooperative is able to identify firm customers prior to engaging in the operation. In the case in point, all the cooperatives concluded agreements with the SONARA prior to taking out the bank loan, since having a market for the produce was the main factor in the success of the operation.

OTHER ECONOMIC ACTIVITIES

All of the cooperatives participating in the project have carried out economic activities financed via means other than bank loan funds. These activities have generated profits which have either been reinvested in other activities or placed into savings accounts. This is the case for activities such as onion marketing, collective fields, seed multiplication, and sale of agricultural inputs. The results of these activities have been examined in full in Sene, 1986. See that report for details. The important factor is that all the activities, whether financed under the umbrella of the guarantee fund via the BIAO or executed using other funds, have contributed to the economic well-being of the cooperative and have served as vehicles to enhance the managerial capacities of cooperative leaders and members.

One activity, which was particularly successful and which will be financed in the future by bank loans, should be mentioned. That activity is onion marketing. This activity was chosen by the cooperative of Roukouzoum in the Tahoua Department. This region is a major onion producing area, and the production is, in great part, exported to coastal countries, such as the Ivory Coast, Togo and Benin. Since the strategy chosen by the cooperative was a new one which was considered too risky to be financed by the loan program, the project financed the operation with its investment funds(venture capital); however, the funds were channeled through the local BIAO branch and the cooperative was told that the funds were a loan from the bank. They prepared bank dossiers and followed the procedures normally in place for loans under the guarantee fund program.

The cooperative decided capitalize on the significant rise in prices of onions that traditionally occurs several months after the harvest period. Usually, the producers sell their harvest to local middlemen, who then sell them to merchants from the coastal countries. Storage facilities are in the hands of middlemen, who reap the profits, having purchased the onions at low prices from the producers. The cooperative decided to build onion storage facilities and store their own onions. They decided to sell only when the price had doubled, thus retaining the profits for themselves.

Seven storage hangars were built and at harvest time the cooperative purchased a total of 939 sacks of onions from its members(120 kilos each), for a total of $7,030.42. The onions were stored for almost two months, and then resold over a two month period of time, as prices doubled on the local market. At the end of the operation, 885 sacks had been sold for a total of $15,316.27, leaving the cooperative with a bottom-line profit, after reimbursing the initial loan and covering all expenses and salaries, of $7,767.24. The cooperative's return on sales was a

full 50.7%, and its return on funds used was 110%. With this profit, the cooperative was able to finance a cooperative store, and did not have to use the $3,000.00 overdraft line offered them by the bank.

This operation will be replicated in five other cooperatives in the region, as well as in Roukouzoum, and will be financed under the guarantee fund program.

G. FIELD VISITS AND FOLLOW-UP ACTIVITIES

An integral part of the cooperative loan advisor's duties consisted of field visits to the cooperatives for supervision and follow-up of banking activities. This consisted of data collection on banking transactions. It was necessary to obtain details of all deposits of sales proceeds, and withdrawals for draw-downs on credits and purchases for on-going economic activities. Details of financial results were gathered and accounting documents were verified. Visits were indispensable in order to clear up problemes encountered in the field concerning banking activities and relations with branches of the BIAO in the interior. The cooperative loan advisor assisted at the majority of new account openings both in Niamey and in Maradi and Zinder. This provided an opportunity for training the project trainers the cooperative leaders involved, to ensure that they would be able to carry on independently thereafter.

These visits were an occasion to initiate relations with the bank branch managers in the interior. It was necessary to meet with them on a formal and informal basis in order to brief them fully on the goals and orientation of the project, so that they would understand the role the banking institution has to play. The bankers were implicated from the inception of activities, and field visits were made on several occasions by the bankers to the cooperatives. This was a positive step, as it impressed on the cooperative leaders and members the interest shown in their activities by the bank that would soon become their partner.

One of the goals of the project is to leave the cooperatives with developed banking relations. As banking relations are based on familiarity and trust, as well as the customer having a sound financial situation, it is important that the cooperatives and the bankers become familiar with each other, understand each others' operations and develop easy working relationships. Independance of action for the cooperatives is essential; the presence of intermediaries negates the type of relationship that the project is trying to promote. One has only to look at the results of the former agricultural credit system, which relied on intermediaries between the customer and the banking institution. Neither party felt fully responsible for the actions of the other, and accountability was limited.

H. COOPERATIVE SAVINGS ACCOUNTS

Maximization of the profitability picture of the cooperatives is one of the important project goals. The activities that the cooperatives have engaged in up to the present have been, in general, profit-generating. In order to be able to pinpoint the level of profitability of the cooperatives at any given time, is important to separate the profits from the operating funds. The easiest way to do this is by opening savings accounts to which profits, as calculated on a quarterly or monthly basis, will be credited. Thus the cooperatives can point to the savings accounts as the repository of the profits earned by their activities. And their profits will earn money at a rate of 6.5% per annum(the official rate paid on all savings accounts in the West African banking system).

As the cooperatives began earning money on their first ventures, village training emphasized the necessity to open savings accounts as a means of keeping money in a secure place, be able to clearly identify what they had earned, and to earn interest on their savings. The cooperative had to designate one of the two or more autorized signing authorities on their operating account to open the savings account, since the bank can only open savings accounts for individuals. However, the person opening the account signed an affidavit with the bank indicating that the account was for the use of the cooperative, and that withdrawals could only be made against the two or more authorized signers on the operating account.

At this point, all the cooperatives have not yet opened their accounts, due to occasional difficulties in procuring transport or out of a lack of a sense of urgency to do this. The following accounts have been opened so far:

COOPERATIVE	DEPARTMENT	DATE OPENED	INITIAL DEPOSIT	BALANCE
Chadakori	Maradi	14/11/86	470.000	670.920
Droum	Zinder	27/11/86	600.000	800.720
Dan Keri	Maradi	10/11/86	50.000	407.500
Baban Anne	Maradi	19/11/86	270.000	270.000

One of the possible uses of the savings accounts, which will be more fully developed in a later section, might be to serve as a guarantee fund for the individual cooperative. The cooperative could block the account in favor of the bank, and use the

immobilised funds as guarantee for loans(this would be appropriate for post-project financing activities).

The savings account can also serve as the basis for legal capitalization for the cooperatives. The amount in the account could be legally declared capital stock, thus giving the cooperative the capital base it needs to become an economically viable enterprise. This process must be more fully explored in the second phase of project life(see conclusions and recommendations).

I. NEGOCIATION OF NEW FINANCIAL AGREEMENT BETWEEN THE NATIONAL CEREALS PROGRAM AND THE BIAO NIGER

The APS project experienced several years of delay in start-up. In order to avoid further delays in start-up of the Cooperative Training and Agricultural Input components, USAID included $100,000.00 in NCBA/CLUSA's budget, to be used for opening the guarantee fund account. This procedure allowed the technical assistance team to quickly negociate a financial agreement with the BIAO and deposit funds directly, without incurring additional administrative delays.

However, it was not fully appropriate that the agreement with the bank be with a technical assistance organization, responsible for project implementation, but destined eventually to withdraw from the country after project life. It is necessary to ensure an institutional home for the guarantee fund program and its management(based on the supposition that the cooperatives will not be able to borrow on an unsecured basis from the bank after the four years of project life. This supposition will be developed more fully in the conclusions.)

Ideally, the financial agreement with the BIAO should have been signed by USAID/Niger and not by NCBA. ADO/USAID/Niger decided not to involve itself, arguing that the funds involved were no longer their own, but a grant to the GON. No physical monies should have been used; rather, USAID/Niger should have issued a letter of credit or letter of guarantee, guaranteeing to make the BIAO whole in the case of loan loss during program execution. This would have eliminated a number of problems which developed concerning who should have authority over management of the guarantee fund account. The formula used was chosen in order to be able to earn interest on guarantee monies in order to constitute a calamity fund for the cooperatives. (This has been done and the current amount in that fund is 3.218.761 F.CFA, or $10,622.97).

Also, the original project intent was that all the guarantee fund monies should come from USAID direct funding; however, ADO decided that the funds would instead be drawn from counterpart funds. One of the local conclusions then, was that authority

over the funds should be vested in a GON ministry or service, thereby turning the guarantee fund program into a government-managed program and no longer a private sector initiative. This is what has now happened.

Since counterpart funding had to be requested by the National Cereals Program from the Ministry of Plan, the PCN decided that the financial agreement in force should be annulled and a new one signed between the PCN and the BIAO, to ensure an institutional home for the guarantee fund program post-project intervention. Though the draft financial agreement was drawn up by the cooperative loan advisor early in 1986, it was only on January 26, 1987, that the agreement was finally signed by the PCN and the BIAO, and subsequently approved by the Ministry of Plan. The Ministry opened an account at the BIAO Niger on February 13, 1987, for the deposit of 356.700.000 F.CFA, drawn from counterpart funds to constitute the new guarantee fund account. Management of the guarantee fund program will remain with the credit section of the cooperative training component, which includes the cooperative loan advisor and a Nigerien counterpart. However, official authority lies at the level of the Ministry of Plan, since the Minister's delegate for external financing has signing authority over the guarantee fund account as well as the financial agreement.

The long range implications of this arrangements seem, at first glance, to be contrary to the initial goals of the guarantee fund program. These goals, in accord with the official development policy of the GON, are to develop independence of action of the cooperatives, self-management and the development of banking relations completely independant of third-party interference. This type of interference, or intermediation, was one of the key factors that perturbed the former rural credit system with the CNCA. Measures should be taken to ensure that the cooperatives will be able to enjoy continued autonomy in their financial activities despite the current situation. The conclusions and recommendations will suggest steps to be taken, including the development of individual cooperative guarantee funds, to facilitate autonomous banking relationships for the cooperatives.

J. INCREASE IN GUARANTEE FUNDING AND PROJECT EXPANSION

The initial guarantee fund deposit was $100,000.00, made on October 7, 1985, and coverted at the rate of the date into 44.300.000 F.CFA. This amount has covered all loans made during the first seventeen months of guarantee fund activity. The amount has sufficied, since the number of cooperatives actually receiving financing from the BIAO under the program has been limited. Only 13 cooperatives have had bank-financed economic activities. However, with the current project expansion in the departments in which it is currently working and the expansion to the departments of Agadez and Diffa, currently underway, the

number of cooperatives requiring financing will increase exponentially. Not only will the experienced cooperative be multiplying their actvities, but newly-identified cooperatives will be initiating a series of economic activities within the next two months.

Projections of guarantee fund usage were made in November 1985 and requests for an increase in guarantee funding were submitted at that time. The amount requested, 356.700.000 F.CFA, was received by the BIAO Niger on February 6, 1987. The initial projections of guarantee fund usasge were made based on the following assumptions:

Number of cooperatives: 21

Average loan amount per cooperative for activities to be financed:

Grain commercialisation:	10.000.000 F.CFA
Cooperative stores:	2.000.000 F.CFA
Agrcultural inputs:	6.000.000 F.CFA
Other activities:	3.000.000 F.CFA

GLOBAL FINANCING NEED(1985-87):

Grain marketing:	210.000.000 F.CFA
Cooperative stores:	42.000.000 F.CFA
Agricultural inputs:	126.000.000 F.CFA
Other activities:	63.000.000 F.CFA
TOTAL	441.000.000 F.CFA

At that time, the tranches of guarantee funding were broken down as follows:

Actual guarantee fund:	44.300.000 F.CFA
Second tranche:	40.000.000 F.CFA
Third tranche:	356.700.000 F.CFA
TOTAL	441.000.000 F.CFA

Funding, though projected over a two year period, was requested in 1985, in order to be able to earn interest on the funds on deposit with the bank. The interest payments would go towards the creation of the calamity account funds.

The second tranche, requested in November 1985, was never received. The third tranche has now arrived.

Subsequent to this request, project objectives were further refined, and experience in the field indicated that the projections made were not necessarily valid for several

activities; namely, grain marketing and agricultural inputs.

Initially, it appeared that all the cooperatives would choose grain marketing as a major activity. In anticipation of project expansion to regions of high productions(such as Dosso and the eastern regions), and considering the high level of financing normally required for marketing activities, the average of 10.000.000 F.CFA per cooperative was arrived at.

Also, since one of the early project goals at that time was the promotion of agricultural inputs, it was felt that the cooperatives would be doing some purchase of inputs.

As the project progressed it became clear that 1) the number of cooperatives(21)projected was underestimated and that the actual number of cooperatives entering the program was expanding at a rapid rate in the various departments, and 2) that the types of activities requiring financing under the guarantee fund umbrella were changing, as the local situation changed from one of grain defecit to grain sufficiency and, in some regions, grain surplus.

New projections indicate that at the end of the first three years of project life there will be 130 cooperatives in the program, and 210 at the end of the first four years, according to the following plan:

YEAR:	ONE	TWO	THREE	FOUR	TOTAL
COOPERATIVES:	20	40	70	80	210

If one assumes an average cumulative loan amount of 3.000.000 F.CFA per cooperative, and considers THE 130 cooperatives, all of which will soon be functioning within the project, there emerges a cummulative financing need at least through the third year of 390.000.000 F.CFA. It should be pointed out that not all loans will be outstanding at the same time. Many of the loans are short term and will be repaid in short periods of time, thereby freeing the guarantee fund amount reserved to cover them. At no time should the entire 390.000.000 F.CFA be outstanding. The current guarantee fund contains 44.300.000 F.CFA, and the funding increase of 356.700.000 F.CFA is now in place, bringing total guarantee funds available to 401.000.000 F.CFA. This is more than sufficient to cover the cooperatives' borrowing needs through the end of the third year of project life.

Further calculations depend on 1)when and if and to what degree the BIAO agrees to accept a portion of the credit risk on the

loans, 2) when and to what degree the cooperatives are able to constitute their own guarantee funds using their savings accounts and 3) the actual rate of project expansion in the seven departments of Niger.

A further increase of 100.000.000 F.CFA may later be necessary as the project moves into its fourth year and 1)the number of cooperatives continues to increase more rapidly than planned and 2)the guarantee fund program is expanded to cover the borrowing needs of the regional cooperative unions. The unions may have borrowing needs to finance the marketing of agricultural produce such as tomatoes, potatoes, garlic and onions. The unions are more appropriately positioned to control these marketing activities, and the project plans eventually to begin training and financing activities with the regional unions in pursuit of this goal.

IV. BENEFITS OF THE GUARANTEE FUND PROGRAM

The benefits of the guarantee fund program's activities accrue not only to the cooperatives involved in the project, but also to the bank, or banks, involved, and to host country institutions. All parties stand to profit from the strengthened organizational, managerial and financial situation of rural cooperatives. Over eighty percent of the population in Niger is rural, thus the rural areas hold any future promises for development.

One of the primary benefits to the participating cooperatives is the training they receive during the course of the program. At this point, over 406 cooperative members have been trained to conceive and manage economic activities, manage banking relationships, to master the techniques of group dynamics and holding of meetings; this has considerably aided in raising the consciousness of cooperative leaders and members as to the value of their roles. The conceptualization and implementation of economic activities creates a working forum for cooperative members. It provides them with an opportunity for frequent meetings and problem solving, and in short, infuses life and vitality into the cooperative structure.

The, independance given cooperative members in choosing and organizing their activities and the seriousness with which the banking program is presented has impressed on the participants the importance of the program and the extent of their own responsibilities. Once this awareness has become widespread, it becomes easy for the cooperative to assume full managerial tasks and begin to take initiatives.

Aside from the training activities which strengthen the administrative and managerial structure of the cooperative, the economic activities contribute to the economic well-being of the cooperative and provide incentive to its members to participate

in the life of the cooperative. Once the cooperative begins to make money, to generate profits from the activities which have been correctly organized and managed, it can begin to function in a truly independent manner. It can initiate other activities with its own funds and assume a role of importance in the life of the village or group of villages comprising the cooperative.

The serious attitude taken in general by the participating cooperatives is most clearly evident in the assiduity the cooperatives have displayed in reimbursement of their loans. To date the guarantee fund program has not experienced a single loan default. The first three loans for millet marketing are late in being fully repaid; however, the bank has granted the cooperatives concerned grace periods, in light of the fact that repayments are made on a weekly basis(monies are collected at the cooperative level each market day, when the inhabitants of the cooperative member villages come to market).
The cooperatives have taken their role as partner with the bank seriously, as can be seen by the frequency of banking transactions, and a good history of account management.

Not only does the program benefit the cooperatives, but it also benefits the bank involved. The initial benefit is not financial, since the BIAO does not make a great deal of money on the program. The administrative costs are too high for a program of this size, with an average loan size of 1.000.000 F.CFA at present. The spread on the loans made is only 5%, which generates a profit, though a small one. Over the first 17 months of borrowing activity, the bank is estimated to have earned about 7.000.000 F.CFA($23.117.81) on the loan program, before administrative costs. However, the bank is gaining valuable experience in the field of rural financing which will enable it to position itself for future expansion in that field. It is building up a customer base among the better cooperatives in the country without taking a risk position, and will have been able to develop mutual relations of trust and partnership with these cooperatives. Participation in the program also enhances the BIAO's image with the Central Bank and the GON, since it is one of the stated policies of the BCEAO that commercial banks participate in the financing of the rural sector.

Finally, GON agencies and non-governmental bodies, such as the regional and sub-regional cooperative unions, have profited from the activities of the program. The training program and its credit activities put into place follow the development objectives laid out in the 1982 Zinder Seminar. As such, the project activities contribute to the realization of GON rural development objectives, which are based on the development of the cooperatives as autonomous and viable entities. The regional and sub-regional cooperative unions have benefited from project training activities. Special training sessions have been held for the directors of the sub-regional and regional cooperative

unions and those unions have received limited financial assistance to facilitate their participation in project activities in their respective regions.

The project formed regional coordinating committees at the start of project intervention in order to ensure post-project continutity from the start. These committees were composed of directors or their delegates, of the technical services of the Ministries of Agriculture, Animal Resources and Plan, at the regional level, as well as the regional cooperative union director, who usually serves as coordinator of the committee. These committees have as responsibilities the selection of cooperatives which will participate in the project, and the follow-up of project activities. They are supposed to assimilate the techniques used by the project and assure continuance of project activities once funding has ceased.. Though initial involvement was sometimes sporadic, increasing evidence of the success of the project(see the November 1986 Evaluation Report prepared by GON officials on the Cooperative Training Component)has resulted in more active participation by regional GON officials and in a supportive attitude.

V. SPECIFIC PROBLEMS AND THEIR RESOLUTIONS

A. One of the problems to be dealt with in the long run concerns program expansion and access to credit. The guarantee fund program works through commercial banks. The branch banking system in Niger is not greatly developed; branches are found only in major urban centers. The BIAO has branches in Niamey, Tahoua, Maradi, Zinder and Arlit; the BDRN has branches in Niamey, Dosso, Tahoua, Arlit, Maradi, Zinder, Agadez, Birni N'Konni, and Diffa. Though this seems extensive, the majority of the coopertives involved are often far from urban centers, and located in regions where transport is difficult to obtain, thus creating difficulties for access to the bank, whether it be the BIAO or, eventually, the BDRN. This limits the types of financing vehicles that can be used, limits the operation of bank accounts and impedes familiarity with the bank and vice versa. It is by frequent contact between customer and banker that a banking relationship is built. The cooperatives, being high-risk customers in a high-risk and relatively unfamiliar terrain for the banks--need to make special efforts to build their banking relationships. This is essential, in order to ensure continuance of banking relations after project life.

For the moment, this problem does not have a ready solution. Until the economy has expanded sufficiently to justify the banks' setting up mobile banking units to serve remote rural areas, access will remain difficult for those customers in remote areas. And often the areas that are remote, are among the most productive agriculturally.

This poses limits to project intervention in its full phase. In some regions project activities may have to be limited to training activities, and the financing of activities will have to be drawn from other sources, such as other donors or other projects that agree to collaborate with the National Cereals Program. A case in point is the Agadez department, where most of the most productive gardening cooperatives are located in regions that are extremely difficult to access. In this region banking activities will be limited, but financing is available from other donors, who have projects already established in the department.

B. A second problem is finding an appropriate institutional home for the guarantee fund. At the moment, the National Cereals Program is the institutional home; however, that program's life is limited, and a long-range solution must be found. One possibility is to eliminate the global guarantee fund, covering all project loans. Instead, guarantee funds could be constituted by each cooperative borrowing under the program. This assumes that the cooperative has already participated in the program and has generated sufficient capital funds to allocate towards a guarantee fund. The cooperative would simply place capital funds in a savings or time deposit blocked in favor of the bank. On the basis of this guarantee the bank would extend credit to the cooperative customer. The degree of guarantee, whether 100% or less, would depend on the nature of the relationship between the bank and the cooperative and the degree to which the bank judged the cooperative to be creditworthy.

Cooperatives could also give the bank other types of guarantees, such as liens on inventory, in the case of a cooperative store or for commodity marketing activities. The inventory would serve as possessory collateral for the bank and the bank would retain title to the goods in the store or warehouse until they had been sold and the proceeds deposited into the cooperative account. Another possibility is having wealthy cooperative members guarantee the cooperative, based upon their own bank accounts. This assumes the presence of wealthy individuals at the cooperative level, not always a reliable assumption to make.

In short, what is being suggested is that, rather than institutionalize the guarantee fund program, it should remain a private-sector initiative(which it is not now, since the Ministry of Plan remains the ultimate signator on the financial agreement with the bank and controls all funding). It should remain at the level of the individual cooperative.

There will be a problem, however, with those cooperatives entering the program, or, post-project life, wishing to initiate economic activities. Following the methodological approach of the project, expansion of the cooperative network will continue, as cooperative leaders and members already trained during project

intervention serve as trainers in neighboring cooperatives. Support will be provided by the regional coordinating committees and/or possible regional coordinators. But the new cooperatives will most likely be devoid of any substantial financial surface, and therefore will require guarantee backing in order to borrow from a commercial bank. These cases will require an outside guarantee fund. Who should manage this fund?

One suggestion is that USAID continue the credit component of the project after the current project has expired. It will not need to actually put out funds, but it can provide a letter of guarantee to the bank for cooperatives working with the regional coordinating committees and wishing to initiate activities following the system set up by the project. Only if loans go into default, will USAID funds be called upon to indemnify the bank.

As far as the issue of risk acceptance is concerned, 100% guarantee will be required for all new cooperatives entering the program. The program cannot be looked at in a global sense, since each cooperative will present a different profile to the bank. The determination of the degree of guarantee required to finance an individual cooperative depends on the history of relations established between the bank and that cooperative. For this reason, it is difficult to mandate that after a certain point in time, the percentage of guarantee coverage be reduced to any given amount. It should be done on a cooperative by cooperative basis, taking into account the suggestions discussed above concerning the continuity of the guarantee fund.

C. For the moment, only the BIAO has agreed to participate in the guarantee fund program, though the majority of commercial banks in Niger were initially informed. The BDRN, the only other bank with a branch system, is still undergoing a GON/World Bank restructuring program and prefers to see the results of the initial phase of the program before making a decision. At this point, in view of the problems with access to credit and in light of the project's expansion into the departments of Agadez and Diffa(where there are no BIAO branches), as well as Dosso(no BIAO), the BDRN will be approached again. Hopefully, it can participate in a limited manner in those departments or localities where the BIAO is not present.

The bank Dar al Mal al Islami, an Islamic banking institution, has recently opened a branch in Maradi and has expressed interest in the guarantee fund program. This will be pursued further, to the extent to which that bank can provide alternate sources of financing.

D. In the original project papers(Pattinson, 1984,1985), a procedure for mutual capitalisation was laid out. By this process matching funds would be given to cooperatives to

participate in their capitalisation process. Several criteria are defined; namely, "...to what extent have participating cooperatives observed the financial discipline imposed bythe conditions of the CBA facility offered by the private bank(s), to what extent has the cooperative management capability been improved to the point of self sufficiency, to what extent has the cooperative been able tovoluntarily accumulate reserves to constitute their seed capital contribution to the CMF."(Pattinson, 1985, p. 34).

It was agreed that the guarantee fund could be drawn upon to provide capital funds for the cooperatives on a matching basis. "It is proposed that the limits to which the DGF[donor guarantee fund]can be drawn upon to capitalise a particular cooperative would be set as a function of normal seasonal input funding requirements."(ibid., p. 35). The budgeted amount of guarantee fund to be drawn upon is $2.87 million.

The procedure for capitalization, as then envisaged, involved submitting audited financial statements to a national committee formed to supervise cooperative financial assistance. This committee, as described in the report, was never formed. Its existence would have again made the cooperatives tributary of the government. For this reason, the process described by Pattinson is not feasible, and a new system must be designed, assuming that the idea of mutual contribution to cooperative capitalization is retained.

Working on that assumption, the following suggestions for proper structuring of the procedures are proposed:

1) mutual funding, that is, funds drawn from the guarantee fund budget, or any other so-designated USAID budgetary source, will be given on a matching basis to any cooperative in the program which legally capitalizes its savings into capital stock. For example, if a cooperative has amassed 1.000.000 F.CFA and decides to capitalize that amount, the mutual capitalization process will provide the cooperative with an additional 1.000.000 F.CFA, so that in effect the cooperative will find itself with 2.000.000 F.CFA in capital stock.

2) requests for mutual funding should be submitted, along with financial statements drawn up by the cooperative in national languages, to a committee consisting of the BIAO, or other banks involved, the Cooperative Loan Advisor and counterpart, and the Cooperative Training Specialist and counterpart. They are best placed to evaluate the financial situation of the cooperative and decide if the criteria have been met.

3) once a request has been approved, it will be submitted to USAID for funding. If funds are to be drawn from counterpart funds, USAID will submit a request to the Ministry of Plan for

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funds to be debited the guarantee fund account and credited to the cooperative's capital account at the bank.

4) This capital stock can serve as an individual guarantee fund for the cooperative, thus freeing a corresponding amount from the global guarantee fund on deposit at the bank. Eventually, it is envisaged that all the cooperatives will have their own guarantee funds and will operate autonomously. The global guarantee fund will remain only to the extent that it is required to cover the loans of new cooperatives entering into banking relationships with the participating banks.

VI. CONCLUSIONS AND RECOMMENDATIONS

The objective of the guarantee fund program is to facilitate commercial bank financing of the economic activities of rural cooperatives in order that those cooperatives can develop into viable business enterprises. This objective is part of the global goal to revitalize the Nigerien cooperative movement.

In light of the material presented in this report, the first conclusion to be made is that the program is achieving its objectives. The BIAO is building satisfactory customer relationships with the cooperatives, the cooperatives are conducting profitable economic activities and are generating funds for capitalisation and reinvestment, cooperative management is developing expertise in business management and the cooperative as an institution has become more attractive to its members.

The program was meant to provide a solution to the problem of availablity of rural credit in Niger. Though the project does not, and will not, touch all the 1,176 cooperatives in Niger, and consequently will not provide a global solution to the credit shortage, it has made an important step towards opening up new channels for acces to credit: the commercial banking system. Thus, the project has provided a partial solution to the problem; there can be no one solution, as is evident from past experience in the matter.

Inherent in the nature of the new source of credit is the assumption that all cooperatives will not be affected, due to the nature of commercial banking operations. Commercial banks choose their customers on the basis of a set of criteria concerning the customers' creditworthiness. Not all the cooperatives in Niger, regardless of the level of training received, will qualify, from a financial viewpoint, for credit. Not all of them are situated in zones with any feasibile potential for economic exploitation, and not all of them can or would initiate activities that are bankable.

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However, the cooperatives with access to bank financing as well as those regional and sub-regional cooperative unions which have economically feasible activites and have access to bank financing, will constitute a significant network of functioning, viable business enterprises, contributing in a major way to rural development of the Nigerien peasantry.

The cooperative loan program has been successful to date, with no loan defaults. This is remarkable for a rural credit program in the Sahel, where past experiences in rural and/or agricultural credit have produced less than brilliant results, except in isolated instances. The factors that made for the success of the present program should be studied carefully for possible future application to other countries, where similar programs can be developed. Though modifications will be made to structure of the program as it exists in Niger, the basic framework can remain the same. It has proven its viability.

The following recommendations are made for action over the future life of the project and for the post-project period:

1. USAID should extend the guarantee fund program beyond its current life. Funding should be found to ensure continuity after 1989. Though a global guarantee fund covering all the cooperatives may not be necessary, but will reduce proportionately as cooperatives constitute their own guarantee funds, a certain level of guarantee funding should remain in order to finance other cooperatives following along the lines of development laid down by the project. This continued guarantee fund can be provided in the form of a letter of credit by USAID, thereby eliminating the need to commit funds fully.

2. The cooperatives should be urged to develop their own guarantee funds from the profits generated by their economic activities. USAID should contribute to the cooperatives' capital funding on a matching basis, as the cooperatives constitute their capital stock. These funds can either be contributed directly by USAID, drawn from counterpart funds, or drawn from the guarantee fund account monies. This will be possible, since the proportion of guarantee coverage required will diminish as cooperatives constitute their own guarantees, or as the bank accepts a certain degree of risk for selected cooperative customers.

3. The number of cooperatives involved in the guarantee fund program of the cooperative training component should continue to be expanded. The program activities, which have been successful so far, should be expanded to allow more cooperatives to benefit from training activities and the development of viable economic activities.

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4. Other banks, namely the BDRN and the Dar al Mal Islami should be invited to participate in the expanded guarantee fund program. This is necessary, in light of the national coverage of the project, its rapid expansion, and its presence in areas not served by the BIAO. This will also allow some diversification in the sources of financing, and permit cooperatives to choose the bank they wish to work with.

3. The banks should be encouraged to devote personnel resources towards the creation of rural, or agricultural, lending departments to manage the cooperative credit program. This is necesssary in order to ensure continuity of interest and participation on the part of the banks. Ideally, the cooperative loan advisor's function should disappear and his duties taken over by bank personnel, working in the banks rural lending department, and trained in rural development techniques, as well as finance and banking. This is a necessary step to ensure the continuity of direct relations between the banks and the cooperatives, without the need for any intermediaries.

4. Cooperatives should be encouraged to give the bank real guarantees, in addition to or in conjunction with their individual guarantee funds. Liens on inventory is one possibility. As a banking customer, this should be required of the cooperatives as it is required of any other customer. The extent of real guarantees required will be a function of the amount of guarantee funding available, either at the cooperative or global level, the level of cooperative capital, and the bank's appreciation of the cooperative's creditworthiness.

7. The cooperatives should begin the legal process of capitalization as soon as possible. They should continue to open savings accounts and, as their capital base increases, time deposits. All forms of savings schemes at the cooperative level should be encouraged to maximize the financial resources that exist in the rural areas.

ANNEX.I

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VOLET FORMATION COOPERATIVE
PROGRAMME CEREALIER NATIONAL
SERVICE APPUI A L'ACTION COOPERATIVE
MINISTERE DE L'AGRICULTURE
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PORTFEUILLE DES CREDITS COOPERATIFS DANS LE CADRE DU PROGRAMME DU FONDS DE GARANTIE DES COOPERATIVES/BIAO NIGER/PAPA 683-0234 USAID

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1. BIRNI KOLONDIA

Department: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.191/B
Date d'ouverture: 21 Octobre 1985
Signataires autorises: Saidou Sanda
Amadou Mamoudou

CREDITS:	Commercialisation du Mil	Boutique
Montant:	7.463.800 F.CFA	900.000 F.CFA
Date d'octroi:	21 Octobre 1985	27 Mai 1986
Forme:	Ligne court terme	Decouvert
Echeance:	30 Aout 1986	Renouvellable

Remboursements sur credit du mil:

27/5/86: 52.500 F.CFA
29/8/86: 980.500 F.CFA
12/9/86: 1.252.750 F.CFA
23/9/86: 642.250 F.CFA
3/10/86: 338.700 F.CFA
7/10/86: 100.000 F.CFA
20/10/86: 30.000 F.CFA
31/10/86: 143.000 F.CFA
11/11/86: 70.500 F.CFA
1/12/86: 364.700 F.CFA
11/12/86: 54.000 F.CFA
15/12/86: 50.500 F.CFA
29/12/86: 16.900 F.CFA
20/1/87: 42.000 F.CFA
2/2/87: 56.000 F.CFA

Versements:

5/6/86: 61.335 F.CFA
10/6/86: 132.250 F.CFA
14/7/86: 31.380 F.CFA
29/7/86: 106.000 F.CFA
1/8/86: 127.335 F.CFA
26/8/86: 140.000 F.CFA
29/8/86: 45.450 F.CFA
12/9/86: 58.000 F.CFA
3/10/86: 182.000 F.CFA
8/10/86: 100.000 F.CFA
20/10/86: 100.705 F.CFA
31/10/86: 12.460 F.CFA
31/10/86: 55.760 F.CFA
10/11/86: 61.500 F.CFA
1/12/86: 30.500 F.CFA
11/12/86: 85.500 F.CFA
29/12/86: 67.275 F.CFA
19/1/87: 80.500 F.CFA

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2. GOUBE

Department: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.190/J
Date d'ouverture: 21 Octobre 1985
Signataires autorises: Moumouni Bonberi
Hassane Alkali

CREDITS:	Commercialisation du mil	Boutique
Montant:	4.976.000 F.CFA	1.200.000 F.CFA
Date d'octroi:	21 Octobre 1985	24 May 1986
Forme:	Ligne court terme	Decouvert
Echeance:	30 Septembre 1986	Renouvellable

Remboursements sur credit du mil:		Versements:	
21/5/86:	70.750 F.CFA	23/6/86:	75.000 F.CFA
21/7/86:	74.750 F.CFA	16/7/86:	200.000 F.CFA
17/9/86:	170.500 F.CFA	21/7/86:	125.000 F.CFA
28/8/86:	45.000 F.CFA	17/8/86:	257.000 F.CFA
17/9/86:	225.500 F.CFA	28/8/86:	141.500 F.CFA
1/10/86:	505.435 F.CFA	12/9/86:	230.000 F.CFA
14/10/86:	50.000 F.CFA	1/10/86:	270.000 F.CFA
12/11/86:	50.125 F.CFA	14/10/86:	150.000 F.CFA
30/12/86:	24.525 F.CFA	27/10/86:	150.000 F.CFA
19/1/87:	51.500 F.CFA	20/11/86:	100.000 F.CFA
6/2/87:	53.000 F.CFA	9/12/86:	280.000 F.CFA
		30/12/86:	160.500 F.CFA

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3. WAGOU

Department: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.192/D
Date d'ouverture: 21 Octobre 1985
Signataires autorises: Amadou Dan-Baba
Alassane Amadou

CREDITS:	Commercialisation du mil	Boutique
Montant:	2.724.800 F.CFA	800.000 F.CFA
Date d'octroi:	21 Octobre 1985	10/6/86

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Forme: Ligne court terme — Decouvert
Echeance: 30 Septembre 1986 — Renouvellable

Remboursements sur credit du mil:		Versements:	
23/7/86:	250.000 F.CFA	23/7/86:	584.000 F.CFA
14/8/86:	250.000 F.CFA	14/8/86:	100.000 F.CFA
2/9/86:	171.000 F.CFA	2/9/86:	66.000 F.CFA
30/9/86:	520.000 F.CFA	30/9/86:	226.500 F.CFA
16/10/86:	52.000 F.CFA	4/11/86:	70.000 F.CFA
25/11/86:	54.000 F.CFA	26/11/86:	98.000 F.CFA
31/12/86:	26.625 F.CFA	23/12/86:	160.000 F.CFA
		19/1/87:	50.000 F.CFA

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4. CHADAKORI

Departement: Maradi
Banque: BIAO Maradi
Numero de compte: 76.031.230/B
Date d'ouverture: 2 Mai 1986
Signataires autorises: Malam Salka Laouali
Dan-Sorko Ali-Malle

CREDITS:	Bonifique
Montant:	1.000.000 F.CFA
Date d'octroi:	2 Mai 1986
Forme:	Decouvert
Echeance:	Renouvelable

Versements:

2/5/86:	106.500 F.CFA
13/5/86:	164.500 F.CFA
17/6/86:	84.100 F.CFA
25/6/86:	150.000 F.CFA
11/7/86:	200.000 F.CFA
18/7/86:	153.000 F.CFA
25/7/86:	115.000 F.CFA
1/8/86:	100.000 F.CFA
15/8/86:	109.000 F.CFA
10/9/86:	100.000 F.CFA
25/9/86:	137.795 F.CFA
30/9/86:	47.500 F.CFA
6/10/86:	86.400 F.CFA
15/10/86:	88.000 F.CFA
30/10/86:	66.000 F.CFA
3/11/86:	57.660 F.CFA
24/11/86:	102.000 F.CFA

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5/12/86: 104.000 F.CFA
22/12/86: 82.600 F.CFA
29/12/86: 46.000 F.CFA

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5. DROUM

Department: Zinder
Banque: BIAO Zinder
Numero de compte: 36.290.038/F
Date d'ouverture: 5 Mai 1986
Signataires autorises: Ibrah Almou
Moussas Ilia

CREDITS:	Commercialisation du niebe	Boutique
Montant:	4.080.000 F.CFA	1.000.000 F.CFA
Date d'octroi:	10/10/86	5 Mai 1986
Forme:	ligne court terme	Decouvert
Echeance:	4/1/87	Renouvelable

Remboursements sur credit niebe:

6/11/86: 960.000 F.CFA
13/11/86: 40.000 F.CFA
27/11/86: 3.080.000 F.CFA
27/11/86: 52.567 F.CFA

Versements:

16/6/86: 200.000 F.CFA
18/7/86: 300.000 F.CFA
7/8/86: 150.000 F.CFA
14/8/86: 80.000 F.CFA
21/8/86: 120.000 F.CFA
28/8/86: 120.000 F.CFA
11/9/86: 130.000 F.CFA
25/9/86: 150.000 F.CFA
2/10/86: 90.000 F.CFA
14/10/86: 110.000 F.CFA
27/10/86: 120.000 F.CFA
13/11/86: 80.000 F.CFA
20/11/86: 59.000 F.CFA
9/12/86: 50.000 F.CFA
17/12/86: 79.000 F.CFA

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6. DAN BARTO

Department: Zinder
Banque: BIAO Zinder
Numero de compte: 36.290.077/U
Date d'ouverture: 5 Mai 1986
Signataires autorises: El H. Ibrah Galadima
Garba Manzo

BEST AVAILABLE

CREDITS:	Commercialisation de niebe	Embouche ovine
Montant:	4.000.000 F.CFA	3.265.000 F.CFA
Date d'octroi:	10/10/86	8 Mai 1986
Forme:	Ligne court terme	Ligne court term
Echeance:	10/1/87	1 Septembre 1986

Remboursements sur credit niebe:		R. sur credit d'embouche:	
31/12/86:	4.000.000 F.CFA	18/8/86:	2.502.000 F.CFA
		2/9/86:	635.000 F.CFA
		11/9/86:	130.180 F.CFA

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7. DAN KERI

Department: Maradi
Banque: BIAO Maradi
Numero de compte: 36.031.228//
Date d'ouverture: 2 Mai 1986
Signataires autorises: Tchibao Jaa
Barao Guimba

CREDITS:	Commercialisation du niebe	Boutique
Montant:	4.000.000 F.CFA	505.000 F.CFA
Date d'octroi:	24 Octobre 1986	23 Mai 1986
Forme:	Ligne court terme	Decouvert
Echeance:		Renouvelable

Remboursements sur credit niebe:		Versements:	
4/11/86:	664.000	20/5/86:	52.000 F.CFA
10/11/86:	3.336.000	26/5/86:	40.000 F.CFA
		6/6/86:	100.000 F.CFA
		18/6/86:	140.000 F.CFA
		18/6/86:	43.000 F.CFA
		7/7/86:	160.000 F.CFA
		28/7/86:	126.000 F.CFA
		21/8/86:	100.000 F.CFA
		1/9/86:	30.000 F.CFA
		8/9/86:	77.000 F.CFA
		7/10/86:	180.000 F.CFA
		4/11/86:	158.000 F.CFA
		12/11/86:	117.000 F.CFA
		9/12/86:	100.000 F.CFA

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8. DEBI

Department: Maradi
Banque: BIAO Maradi
Numero de compte: 36.031.229/Z
Date d'ouverture: 2 Mai 1986
Signataires autorises: Oumarou Baloye
Maty Ingui
Ali Ayouba

CREDITS: Commercialisation du mil	Boutique
Montant: 1.743.000 F.CFA	265.000 F.CFA
Date d'octroi: 9 Fevrier 1987	23 Mai 1986
Forme: ligne court terme	Decouvert
Echeance: 8 Mai 1987	Renouvelable

Versements:

Versements:

26/5/86: 50.000 F.CFA
18/6/86: 40.000 F.CFA
19/6/86: 30.000 F.CFA
7/7/86: 70.000 F.CFA
23/7/86: 30.000 F.CFA
29/8/86: 53.000 F.CFA
8/9/86: 80.000 F.CFA
10/11/86: 54.000 F.CFA
14/11/86: 96.500 F.CFA
11/12/86: 74.500 F.CFA

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9. TIBIRI

Department: Dosso
Banque: BIAO Niamey
Numero de compte: 36.400.264/P
Date d'ouverture: 29 Mai 1984
Signataires autorises: Boube Barmou
Guero Arzika

CREDITS: Commercialisation du mil	Boutique
Montant:	1.681.000 F.CFA
Date d'octroi:	30 Mai 1986
Forme:	Decouvert
Echeance:	Renouvelable

Remboursements sur credit du mil:

Versements:

3/7/86: 180.000 F.CFA

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3/7/86:	87.000 F.CFA
14/7/86:	140.000 F.CFA
8/8/86:	20.000 F.CFA
12/8/86:	17.000 F.CFA
19/8/86:	80.000 F.CFA
12/8/86:	39.000 F.CFA
28/11/86:	20.000 F.CFA
28/11/86:	63.000 F.CFA
29/12/86:	45.000 F.CFA

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10. ROUKOUZOUM

Department: Tahoua
Banque: BIAO Tahoua
Numero de compte: 36.070.396/H
Date d'ouverture: 4 Mars 1986
Signataires autorises: Issoufou Fouja
Assoumane Alale

CREDITS:	Commercialisation du mil	Boutique
Montant:	1.500.000 F.CFA	1.000.000 F.CFA
Date d'octroi:	9 Mai 1986	12 Mai 1986
Forme:	Ligne court terme	Decouvert
Echeance:	23 Juin 1988	Renouvellable

Remboursements sur credit du mil:		Versements:	
6/6/86:	800.000 F.CFA	27/6/86:	115.000 F.CFA
20/6/86:	715.500 F.CFA	11/7/86:	278.000 F.CFA
		25/8/86:	300.000 F.CFA

SOLDE: 0

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11. TIDANI

Department: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.206/K
Date d'ouverture: 11 Juin 1986
Signataires autorises: Mahamane Doubou
Assoumana Boubou

CREDITS:	Commercialisation du mil	Boutique
Montant:		650.000 F.CFA

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Date d'octroi: 11 Juin 1986
Forme: Decouvert
Echeance: Renouvellable

Remboursements sur credit du mil: Versements:

7/8/86: 150.000 F.CFA
16/10/86: 125.000 F.CFA

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12. BABAN ANNE

Department: Maradi
Banque: BIAO Maradi
Numero de compte: 36.071.047/M
Date d'ouverture: 24/10/86
Signataires autorises: Sale Alidou
Dokt Maikaka

CREDITS: Commercialisation du niebe Boutique

Montant: 3.200.000 F.CFA
Date d'octroi: 24 October 1986
Forme: Ligne court terme
Echeance:

Remboursements sur credit niebe:

19/11/86: 3.200.000 F.CFA

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13. FAMALE

Department: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.219/B
Date d'ouverture: 13/1/87
Signataires autorisees: Amadou Harounde
Soumana Hamani

CREDITS: Commercialisation du ri

Montant: 3.800.000 F.CFA
Date d'octroi: 17 Janvier 1987
Forme: Ligne court terme
Echeance:

Remboursements sur credit riz:

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II [illegible]

Departement: Niamey
Banque: BIAO Niamey
Numero de compte: 36.400.2274
Date d'ouverture: 9 Fevrier 1987
Signataires autorises: Hassimi Issa
Mounkaila Hassimi
Mamoudou Yayo

CREDITS: Boutique

Montant: 1.200.000 F.CFA
Date d'[illegible]:
Forme: Decouvert
Echeance:

Versements:

9/2/87: 10.000 F.CFA

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ANNEX II

FINANCIAL AGREEMENT BETWEEN
THE COOPERATIVE LEAGUE OF THE USA AND
BIAO-NIGER

INTRODUCTION

USAID signed, on January 11, 1985, PIL No. 12 with the Government of the Republic of Niger concerning the Agricultural Production Support Project. In this PIL, USAID gave their approval to put into place a mechanism for financing agricultural inputs, small agricultural equipment and other economic activities that could contribute to the economic development of the cooperatives.

Another goal of the project is to increase the committment of the various participants in the agricultural sector, particularly the cooperatives, the mutuals and the peasants--the principal beneficiaries of this project.

With this in mind, it was decided to establish a credit system of short term loans for financing agricultural inputs, reimbursable at the end of each agricultural season; and medium term loans of up to three years for financing small agricultural equipment and other economic activities financed by the bank, with pre-determined reimbursement schedules.

Finally, in order to reinforce this policy of increasing committment, CLUSA has decided to begin its work based on a system of pilot cooperatives, which would be the first to open bank accounts at the BIAO-NIGER.

The objective of the present agreement is to define the roles and responsibilities of CLUSA, on the one hand, and BIAO-NIGER on the other.

ARTICLE I - GUARANTEE FUND

A. CONSTITUTION

1. Since the sole objective of BIAO NIGER's participation is to permit access to credit by the cooperatives, and that without any risk initially for the bank, prior to the commencement of any transactions, CLUSA will make a deposit at BIAO NIGER into an account intitled "USAID GUARANTEE FUND." USAID will address a letter to BIAO NIGER indicating that the Guarantee Fund is to be used to guarantee transactions carried out by the BIAO NIGER under the financial agreement which it has signed with CLUSA.

2. The amount of the deposit will be determined by CLUSA according to the volume of loans which it intends to distribute. This amount, therefore can evolve over time, continually maintaining an 85% ratio of loan to guarantee fund for possible interest and account commission overruns.

3. The guarantee fund account can earn interest at a rate negociated by

the two parties and based on the established rates and taking into account the debit interest rate on the loans. This will be determined beforehand by CLUSA with allowance for a profit margin for the BIAO NIGER. The BIAO NIGER considers a normal profit margin to be about %. Determination of this rate will be addressed later in an annex to the present agreement. It will be calculated based on the amount of the deposit and the debit interest rate applied by the bank to the lines of credit made available to the cooperatives.

4. Credit interest earned on the Guarantee Fund deposit will be credited to a special account entitled "COOPERATIVE RESERVE ACCOUNT," whose functioning and use remain to be defined in an annex to the present agreement.

5. Since BIAO NIGER can only make loans in F.CFA, CLUSA's deposit of guarantee funds must consist of F.CFA.

6. If the BIAO NIGER were to receive foreign currency. CLUSA authorizes it to convert those funds on the foreign exchange market. The counter-value in F.CFA obtained by that transaction will be credited to the guarantee fund account and will represent the amount of the USAID GUARANTEE FUND which will be used in determining the volume of loans which can be made by BIAO NIGER.

7. At the end of the project, BIAO NIGER must reimburse to CLUSA the amount of unused F.CFA. If the deposit of funds was originally made in US dollars and converted by BIAO NIGER, then the bank must, at each deposit of guarantee funds, take the necessary measures which will permit the reconversion of F.CFA into US dollars at the end of the project. This reconversion will be done according to the US dollar exchange rate on the day of reconversion, it being understood that the BIAO NIGER will not incurr any exchange risk.

B. CONDITIONS FOR CALLING THE GUARANTEE

1. The guarantee fund's purpose is to enable the bank to indemnify itself in case of loss on credit transactions. Activation of the guarantee must not occur until after an intensive recovery action undertaken by the representative of CLUSA as well as the appropriate departments of the BIAO NIGER.

2. In order to obtain the best results from the recovery process, a maximum delay of six months should be observed from the moment when a loan is declared doubtful before the guarantee can be called.

3. A loan is declared doubtful if, in the case of short term loans for agricultural inputs, the loan is not reimbursed in full one year after it was made. In the case of medium term loans with precise reimbursement schedules, a loan can be declared doubtful if the cooperative has missed six consecutive repayments(if the repayment is monthly) or two consecutive repayments(if the repayment is quarterly).

4. If a doubtful loan has exceeded the six month limit mentioned above, the bank can indemnify itself by debiting the guarantee fund account. The bank must inform CLUSA of its intention of doing so by registered mail three weeks before the intended action. CLUSA must give its written agreement to the bank upon reception of the bank's letter.

5. The bank must maintain the funds obtained from the guarantee fund in a special reserve or provisions account for another six months, in order to permit further recovery actions. If during this period the recovery is successful and reimbursement is obtained, then the amounts taken from the guarantee fund and held in reserve by the bank should be reintegrated to the guarantee fund. If reimbursement is not obtained or is only partial, then the bank is free, after having advised CLUSA, to indemnify itself and the doubtful loan account closed.

6. In case the bank has definitively indemnified itself on a doubtful loan after the complete recovery process and subsequently the debtor manages to pay all or a part of the debt, the amounts received will be reintegrated into the guarantee fund and the debtor authorized to borrow again under the same guarantee fund.

ARTICLE II - CLUSA's RESPONSIBILITIES

CLUSA is responsible for the initiation of the project, its management and its conclusion. As such, it has the following responsibilities:

1. To indicate to the BIAO NIGER the cooperatives(sole customers of the bank)that will participate in the program and receive credit.

2. To determine the amount of credit to be accorded to each cooperative, the global volume of credit depending on the amount of the guarantee fund and the above-indicated ratio of loans to guarantee fund.

3. To establish, at the end of each agricultural season financed, a report, which should be submitted to BIAO NIGER. This report should indicate, based on the conclusions arrived at, the cooperatives which have not fulfilled the reimbursement requirements and which, consequently, will not be allowed further credit.

4. To authorize the BIAO NIGER, at the end of each agricultural season, at the end of the experimental phase detailed below and at any time that a loan is declared doubtful following the procedures established in Article I above, to indemnify itself by debiting the USAID GUARANTEE FUND for the full amount of amounts not reimbursed by the cooperatives, including interest and commissions generated by the credit operations.

5. Any instructions given to the BIAO NIGER should be in writing and should refer to the present agreement and its annexes.

ARTICLE III - RESPONSIBILITIES OF THE BIAO NIGER

BIAO NIGER will extend short and medium term credit facilities to cooperatives under the project. In doing so it will not accept any financial risk on loans made during the two-year experimental phase of the program, except in the case of medium term loans whose reimbursement period exceeds two years. Beginning in Year III, BIAO NIGER agrees to accept 30% of the financial risk, thus freeing a corresponding part of the guarantee fund which will be used to contribute to the capitalization of the cooperatives. This process will be dealt with in an annex to the present agreement.

BIAO NIGER's responsibilities during the first two years are limited to making available the full range of banking structures necessary for putting into place a credit program.

In order to do this, the BIAO NIGER must:

1. Open an account in the name of each cooperative indicated by CLUSA. There can be short term accounts for seasonal input loans and other loans reimbursable within one year, as well as medium term accounts. Medium term loans must not exceed three years in tenor.

2. Place at the disposition of the cooperatives the amount of the loans agreed upon.

3. Deliver funds requested by each cooperative, in liason with the CLUSA representative, within the limits allocated to each. Delivery of funds can be done by the use of checks signed by at least two authorized cooperative signators. Other details concerning delivery of funds can be detailed in an annex to the present agreement if necessary.

4. Establish a file for each cooperative containing the loan agreement signed between the cooperative and the BIAO NIGER, a loan card indicating the authorized loan limit, the amounts lent, interest and account commissions, and repayments made and the balance remaining after each repayment. An account statement must be sent to the cooperatives on a quarterly basis and the bank must make available to the authorized cooperative signators interim account statements when requested.

5. Make the above files available to the CLUSA representative at any time in an office placed at the disposition of the representative on the bank's premises.

6. Send copies of all correspondence between the bank and the cooperatives to the representative of CLUSA.

ARTICLE IV - TERMINATION

At the end of the two-year experimental phase, CLUSA AND BIAO NIGER agree to:

- either terminate the operation if it proves unsuccessful.
- or to continue: in this case a new financial agreement can be drawn up.

ARTICLE V - CONCLUSION

Other specific issues and problems will be dealt with in annexes to the present agreement.

COOPERATIVE LEAGUE OF THE USA

BIAO NIGER

ANNEX III

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NOM DE COMPTE FONDS DE GARANTIE

BANQUE : BIAO NIAMEY
NUMERO COMPTE : 38.120.209/H
DATE OUVERTURE : 07/10/85

DESIGNATION	MONTANT	DATE	OBSERVATIONS
Depot initial FDG	44,200,000	07/10/85	Ouverture de compte
Credit sil Birni Kolondia	(7,467,800)	21/10/85	
Credit sil Goube	(4,676,000)	21/10/85	
Credit sil Wagou	(2,724,800)	21/10/85	
Credit embouche Dan Barto	(3,265,000)	05/05/86	
Credit boutique Birni Kolon.	(900,000)	05/86	
Credit boutique Wagou	(900,000)	06/86	
Credit boutique Tidani	(550,000)	06/86	
Credit boutique Droua	(1,000,000)	05/05/86	
Credit boutique Chadakori	(1,000,000)	02/05/86	
Credit boutique Debi	(265,000)	05/86	
Credit boutique Dan Keri	(505,000)	05/86	
Credit boutique Goube	(1,290,000)	25/05/86	
Credit boutique Tibiri	(1,281,000)	30/05/86	
Credit boutique Boulkassoum	(1,000,000)	06/86	
Credit sil Boulkassoum	(1,500,000)	09/05/86	
Credit niebe Dan Barto	(4,000,000)	10/11/85	
Credit niebe Droua	(4,000,000)	10/11/85	
Credit niebe Dan Keri	(4,000,000)	24/11/85	
Credit niebe Kabar Anne	(2,200,000)	24/10/85	
Remboursement sil Birni K.	52,500	27/09/86	
Remboursement sil Birni K.	990,500	29/09/86	
Remboursement sil Birni K.	1,252,750	12/09/86	
Remboursement sil Birni K.	642,250	22/09/86	
Remboursement sil Birni K.	328,700	07/10/86	
Remboursement sil Birni K.	100,000	07/11/85	
Remboursement sil Birni K.	30,000	20/10/86	
Remboursement sil Birni K.	143,000	31/10/85	
Remboursement sil Birni K.	70,500	11/11/86	
Remboursement sil Birni K.	364,750	11/11/86	
Remboursement sil Birni K.	54,000	11/10/86	
Remboursement sil Birni K.	50,500	18/11/85	
Remboursement sil Goube	78,750	22/05/86	
Remboursement sil Goube	74,750	31/07/86	
Remboursement sil Goube	170,500	17/09/86	

Remboursement mil Goube	45,000	29/08/86
Remboursement mil Goube	225,500	17/09/86
Remboursement mil Goube	505,435	01/10/86
Remboursement mil Goube	50,000	14/10/86
Remboursement mil Goube	56,125	12/11/86
Remboursement mil Wagou	250,000	27/07/86
Remboursement mil Wagou	250,000	14/08/86
Remboursement mil Wagou	171,000	01/09/86
Remboursement mil Wagou	520,000	30/09/86
Remboursement mil Wagou	52,000	16/10/86
Remboursement mil Wagou	54,000	25/11/86
Remboursement embouche Dan E	2,502,000	13/09/86
Remboursement embouche Dan B	535,000	02/09/86
Remboursement embouche Dan B	130,000	11/09/86
Remboursement mil Roukouzoum	1,500,000	20/06/86
Remboursement niebe Droum	4,000,000	27/11/86
Remboursement niebe Dan Keri	564,000	04/11/86
Remboursement niebe Dan Keri	3,376,000	19/11/86
Remboursement niebe Baban A	2,200,000	19/11/86
Couverture interet mil	110,619,704	15/12/86
Couverture 11% global	14,972,000	
Credit riz Famale	12,300,000	17/01/87
Remboursement mil Birni	15,900	29/12/86
Remboursement mil Birni	42,000	20/01/87
Remboursement mil Birni	56,000	02/02/87
Remboursement mil Goube	26,525	30/12/86
Remboursement mil Goube	51,500	19/01/87
Remboursement mil Goube	52,000	16/02/87
Remboursement niebe Dan Bart	4,000,000	31/12/86
	7,655,491	

BEST AVAILABLE