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An Example of Colloboration Between A Federation of Rural Grassroots Organizations and A Formal Financial Institution to Mobilize Rural Savings and to Facilitate Access to Credit to A Large Number of Rural Poor

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Federation of NGOs of Senegal
(FONGS)
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AN EXAMPLE OF COLLABORATION BETWEEN A FEDERATION OF
RURAL GRASSROOTS ORGANISATIONS AND A FORMAL FINANCIAL
INSTITUTION TO MOBILIZE RURAL SAVINGS AND TO FACILITATE
ACCESS TO CREDIT TO A LARGE NUMBER OF RURAL POOR.

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**MENTAL
ORGANISATIONS IN SENEGAL
(FONGS)**

I. INTRODUCTION

A. CREATION

FONGS was created in 1976 through the initiative of a number of farmer leaders. It was recognized officially by the Senegalese government on October 12, 1978, as a non-profit, socio-economic organisation.

B. OBJECTIVES

1. to bring authorized socio-economic and cultural NGOs together.
2. to ensure continuous cooperation between member organisations involved in development projects and programmes which help both rural and urban citizens of Senegal.
3. to work for better harmonisation of projects and programmes initiated by NGOs.
4. to participate in and provide for technical and administrative support to farmers' organisations, both private and public groups, whether local, regional, national or even international.
5. to serve as an information and training center for its members.

C. MEMBERSHIP

Today, FONGS consists of:

- 9 large regional-level organisations working with approximately 180,439 members;
- activities in a variety of projects including: agriculture, animal husbandry, training of young farmers, handicrafts, literacy, village water systems, labor-saving activities for women, health, hygiene, cereal banks, anti-salt dams, water catchment systems, and a variety of other forms of training in village technology.

activities.

D. The Unique Nature of FONGS

FONGS is a federation of farmers created and directed by farmers who realized that they had to form a national association in order to be heard.

This type of organisation is unusual if not unique in Africa, and is definitely one of the best ways for farmers to play an active role in the political and economic life of their country.

Elsewhere in Africa, if farmer initiatives exist at all they are often limited to a particular zone or region of the country. When a national organisation exists, it is usually one that has been created on government initiative. Such organisations are, therefore, artificial and their members tend to be passive rather than active. Member enthusiasm and motivation are low, and the movement becomes the affair of selected leaders who defend government interests. Such farmer organisations are no longer working tools for their members but rather political instruments of the government.

In the light of its own experience, the unique nature of which has provided real advantages for its members, FONGS is working within a group called ôS, to try to help associations of farmers' groups in countries like Mali and Burkina Faso to create national federations.

Since 1985, with the application of Senegal's new agricultural policy, the government has decided to reduce its involvement in rural activities, particularly in the area of the supply of agricultural inputs (seed, fertilizer, pesticides, etc.)

As a result, farmers now have to fend for themselves in identifying and satisfying their needs.

Nevertheless, the state has encouraged the creation of the National Agricultural Credit Fund (CNCAS), which is described as the farmers' bank.

After 2 years of operation, however, farmers have found that the bank's credit terms are such that they do not really have access to fair, flexible credit adapted to their realities.

Those farmers who are members of FONGS therefore decided to act by establishing a line of credit that will reinforce the ability of their bank to provide farmers with loans on better terms.

The farmers decided that the best way to implement their idea would be to involve their traditional partners (NGOs and Foundations) in this project.

After a critical examination of their own situation, the member associations of FONGS felt that it would be wiser for the donors to grant them the means of obtaining credit than to continue supporting them indefinitely through non-reimbursable grants. In other words, they want the donor's contributions to fund a line of credit from which they can benefit individually.

Aware of all the problems involved in credit management, the farmers decided to delegate responsibility for the management of funds collected for the line of credit; to their bank, the CNCAS, which would act in their interests.

Their objective is to combine funds provided by their financial partners with the expertise of the agricultural credit fund (CNCAS) in order to create a flexible and effective system of rural credit that will owe its existence to the dynamism of a highly motivated federation of farmers.

For the year 1988, the farmers of FONGS have estimated their credit needs for agricultural inputs at 600,000,000 francs.

Through its project, FONGS hopes to provide 110.000 families with access to timely loans that will allow them to meet their need for seed, fertilizer and pesticides. In other words, each farmer will have the possibility of obtaining an average individual loan of 60,000 francs cfa or less according to their activity.

FONGS is well aware that in order to create a successful rural credit fund, it is also essential to create the conditions necessary for joint efforts by all development partners involved.

Through this project, FONGS is endeavoring to bring together

- farmers
- appropriate government agencies, and
- the donor community

for a concerted effort, understood and agreed on by all concerned.

FONGS believes that rural credit is too important an issue to be addressed in a haphazard, uncoordinated manner.

The success of the project will depend mainly on two factors: the dynamism of farmer associations and the involvement of representatives of the bank in the process of training of farmer leaders.

A. The dynamism of farmer associations will be apparent in five areas:

1. The mobilisation or creation of savings by the members, based on the awareness that credit depends on the existence savings.

Each association will organise the gathering of local savings as it sees fit. They will deposit the savings in a limited access account that they will open in the name of the association at a local branch of the bank. These collective savings will serve as a partial guarantee for the individual loans granted to association members.

2. Needs Assessment

A needs assessment will also be organized by the association during a general assembly in order to avoid the declaration of unrealistic needs. Since the members know each other well, they are better qualified to evaluate the validity of the needs expressed.

3. The selection of projects that will be granted credit.

Project selection and the final granting of credit will take place at the regional level of the bank. Three farmer leaders will participate in the selection of projects and the granting of credit in collaboration with the representatives of the bank. In addition to the technical aspects of the project, farmers can thus provide the bankers with socio-cultural elements of each dossier that are often not available to them. This will allow them to better understand and evaluate the loan applicant.

4. Group solidarity in guaranteeing loan repayment

This factor will be the essential guarantee of loan repayment for the banker, in addition to the limited access account of collective savings already on deposit in the bank.

In case of default on a loan payment by a member, group pressure from the local association and the federation of associations will be sought. FONGS will apply sanctions to the federation of associations which will in turn put pressure on the local association to take action in the case of the association member concerned.

5. The collection of loan payments

Each association will organise the collection of loan repayments among its members at the time of the harvest and will pay its debts to the bank

B. The involvement of bank representatives in the training of those responsible for the accounting and organisation of savings and credit

An agreement between the bank and FONGS is currently being negotiated to promote the gradual training of farmer leaders in:

- banking procedures
- techniques for organising savings and credit
- accounting of savings and credit

The objective of this training is to help the farmer demystify the workings of the bank through a clear understanding of its functions so that it becomes a working tool rather than an enemy.