

## **Input for the A+FS Newsletter September 2018**

Short report on a study: Implementation strategy 2018-2022 of the National Fund for Agricultural Development (FNDA) in Benin

**The Beninese Government newly created the National Fund for Agricultural Development (FNDA). How to start the implementation of such a Fund? Which priorities shall there be regarding regions, value chain, financial instruments (subsidies, credit, savings, guarantees, insurances)? To support the definition of such an implementation strategy, SDC mandated a consortium of IFD-Services and AGRIDEA. Here a short summary of the process and the results.**

### **Context: Paris and Maputo Declaration**

The Beninese Government gives a central priority to the development of agriculture as a means to alleviate poverty and achieve food security. As part of its reform of the agricultural sector for greater effectiveness and efficiency, the Government of Benin has retained the National Fund for Agricultural Development (FNDA) as a powerful instrument to finance the sector. In the spirit of the Paris Declaration on Aid Effectiveness, the bilateral and multilateral donors are invited to feed the Fund and in this way to support the efforts of the Beninese Government in a coordinated way.

The implementation strategy (or development) plan was elaborated during the period January - May 2018 by the consortium of IFD-Services (Benin) with AGRIDEA (Switzerland). It was a mandate from SDC in Benin, under a steering committee directed by the Ministry of Agriculture. The approach used to define this development plan was participatory and mainly qualitative. The strategic directions were identified through local workshops and many interviews with the stakeholders, funders and implementing partners.

### **Methodology**

Consultation workshop with the direct actors (men/women) of the value chains were held at the level of each seven agricultural development regions. They brought together a total of 280 representatives of input and equipment suppliers, veterinarians, producers, processors and traders, for the two to four value chains pre-identified by region. The surveys carried out among the structures and resource persons included the Ministry of Agriculture, the board of National Fund for Agricultural Development, financial institutions (banks, SFD and insurance), non-financial service providers, technical and financial partners, farmers' organisations and interprofessional organisations.

The diagnosis included a rapid analysis of similar experiences in other countries, mainly Niger and Morocco. The Swiss support scheme was also taken into consideration. The tax and import control systems of other African states showed that is necessary and possible to protect the local production against unfair competition.

### **Results of the SWOT analysis**

The FNDA faces three major challenges, namely: (1) mobilization of adequate resources for sustainable financing of the agricultural sector; (2) FNDA's capacity to intervene for greater visibility; and (3) professionalization of actors in the sector.

From these challenges and issues, three strategic orientations emerge for the FNDA:

- promoting inclusive agricultural finance;
- strengthening the response capacity and credibility of the FNDA; and
- support for the modernisation of the agricultural sector.

The study identified the main risks, such as corruption, competition from existing funds and export difficulties with Nigeria - and proposed mitigations measures.

### **Launching phase**

A launching phase of approximately 5 years (2018-2022) is suggested to test the institutional and operational mechanism presented in this development plan, in a recently profoundly modified Beninese institutional context. This will allow for a paradigm shift from financing micro-projects to facilitating sustainable sector financing mechanisms. An evaluation after 2.5 years is recommended to make adjustments and to provide adequate support for dialogue with stakeholders.

All financial services supported by the FNDA are relevant and highly complementary: subsidies for investments, research and advisory services; guaranty-schemes for increased and adequate credit and saving products; agricultural

insurances, etc. They should therefore all be operational at the start. To develop and improve insurance products, it is recommended that the FNDA subsidizes the Beninese organization for agricultural insurance (AMAB).

The choice of the eligible value chains in each region will be based on the priority value chains already identified by the existing agricultural development strategies.

As foreseen in the legal funding act of the FNDA, it shall never be directly active, but support existing financial services providing institutions. Furthermore, the FNDA's intervention shall apply the subsidiarity approach and the result oriented management.

### **Feeding the Fund**

As proposed by the study, the strategy to endow the FNDA will focus on three options: the budget support approach, the skills transfer approach and the mixed strategy that combines the first two. Not surprisingly, the planned contributions for the FNDA in the first years is very low compared to the enormous needs of the sector.

Taking into account the sources of financing provided for by the 2017 decree and the declarations of potential funders, a total amount of CFA 60 billion (110 million USD) is proposed to be mobilized over the five starting years.

### **A general strategy –implementing tools required**

The development plan is a quite general strategy for the Board and the staff of the FNDA. For the successful implementation, additional tools and strategies are necessary, such as monitoring and backstopping.

Among many required factors, the implementation requires risk oriented funders, an optimal trust-building communication on successes and failures and a positive political economical context.

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Picture:

In Pobé, actors of local value chains analyse their previous financing experiences and suggest new mechanisms

