



SCOPEinsight

*The challenge and opportunity of the decade*

# ACCESS TO AGRICULTURAL FINANCE

*World Cocoa Conference  
12 June 2014*

SCOPEinsight is supported and funded by:



ABN-AMRO



Ministry of Foreign Affairs of the  
Netherlands

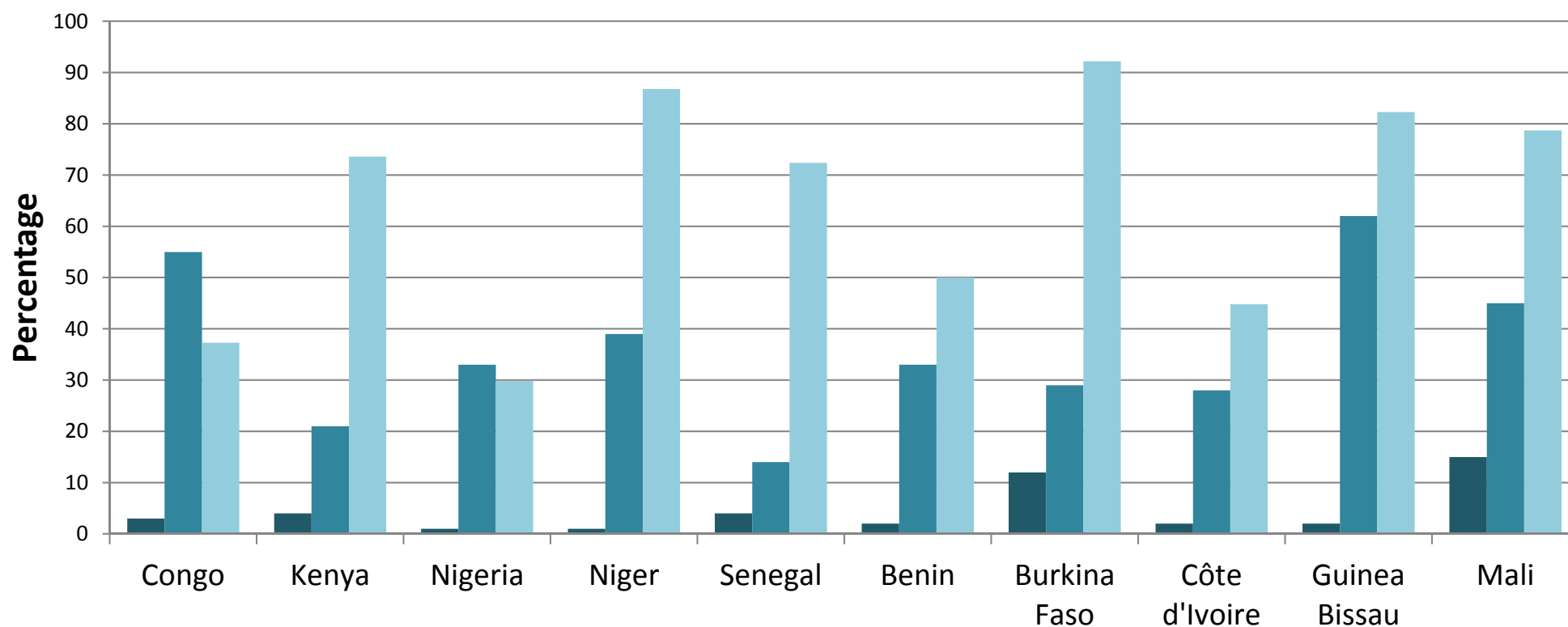


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Although agriculture forms the backbone of many countries' economies, the agricultural sector is heavily underfinanced



% Contribution of agriculture to employment

% Contribution of agriculture to total GDP

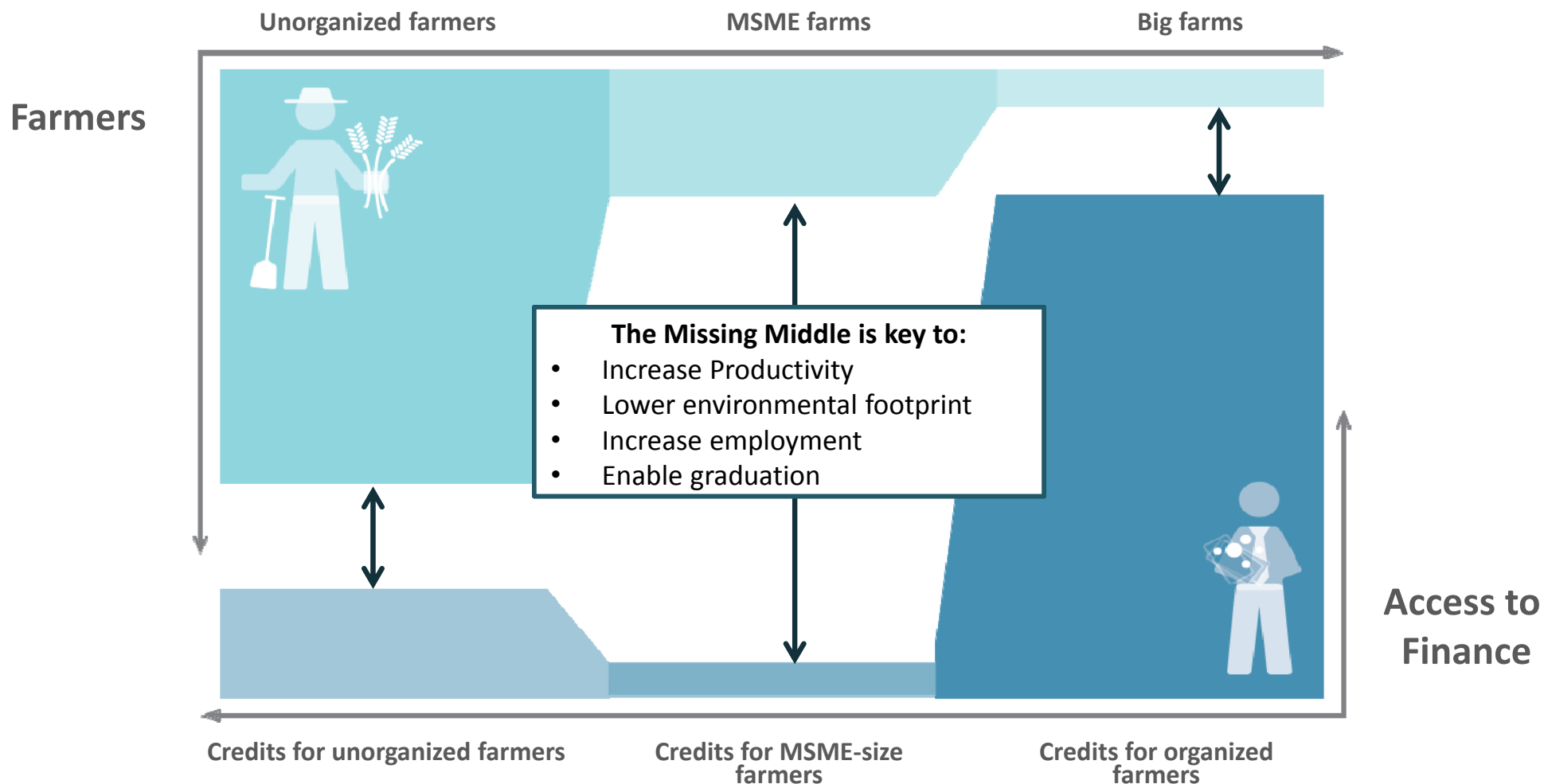
Outstanding loans to agriculture as % of total loans in country

SOURCE: **Compliments of AGRA:** CIA - world-fact book, Central bank of Congo, Central bank of Nigeria, Central bank of Kenya, Central bank of South Africa; BCEAO – Annual Report **2008**.

Complemented with SCOPEinsight analysis and research (**2011**)

In order to close the agricultural finance gap there needs to be a common language to link supply and demand

*“How to structurally and systemically create an efficient and effective mainstream agricultural finance market?”*



# This agricultural finance gap exists as a result from barriers on the demand and supply side

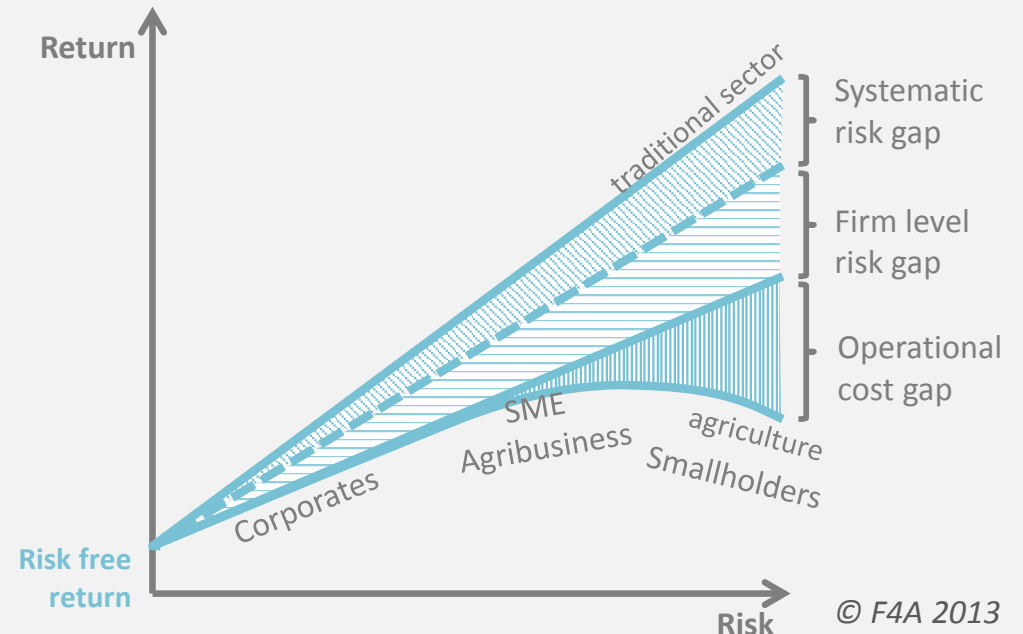
## Barriers on the demand side

- ✓ Many unprofessional POs
- ✓ Small loan sizes
- ✓ Lack of collateral
- ✓ Lack of access to inputs, labor, markets, finance, services
- ✓ Too much focus on the technical side of farming, too little on business side
- ✓ Insufficient and uncoordinated support in reaching professionalism

## Barriers on the supply side

- ✓ Profitable alternatives
- ✓ Bad past experiences
- ✓ Lack of knowledge
- ✓ Unfavorable regulations
- ✓ High systematic and firm-level risks\*
- ✓ High operational costs\*
- ✓ Lack of (risk management) tools

## Risk/return matrix for FIs



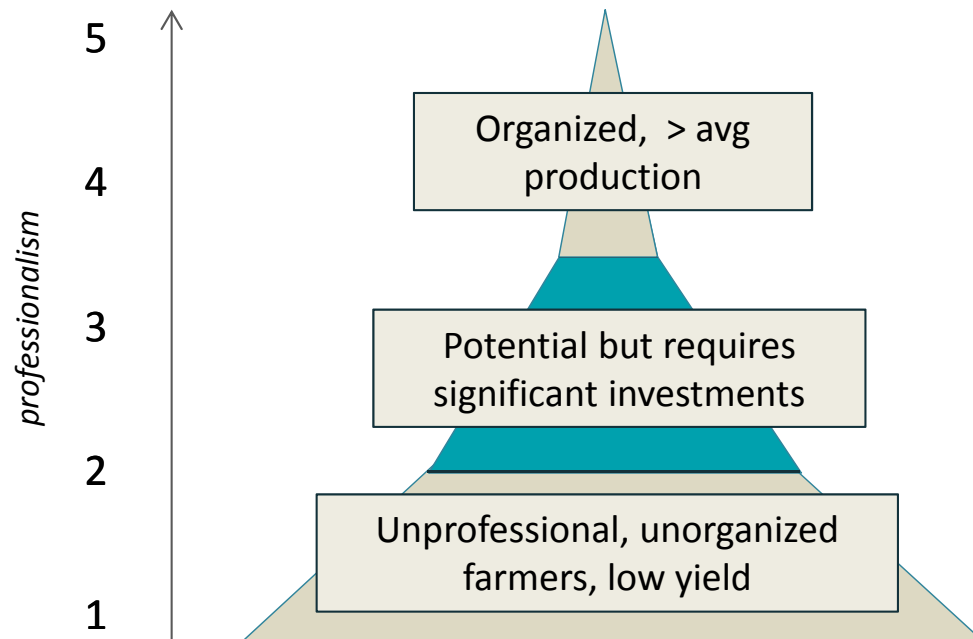
**Systematic risks** apply to every entity in a sector and are difficult to predict or prevent (weather, crop failures, etc.)

**Firm-level risks** apply to individual organizations and can be mitigated at reasonable costs (poor governance, poor production capacities, etc.)

**High operational costs** are caused by poor quality and availability of information, costly credit analysis processes, high monitoring costs, etc.

In order to close the gap and increase access to finance, markets, inputs and services POs need to improve their level of professionalism

### The current agricultural sector



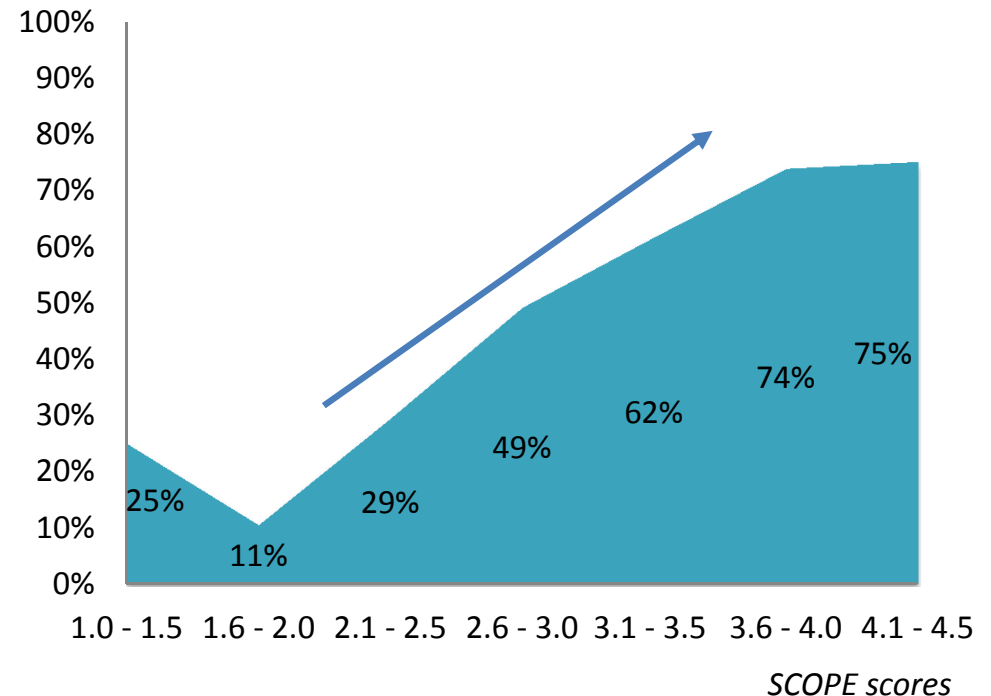
Majority of **unprofessional** and **unorganized farmers**

Small **MSME segment** that:

- Lacks access to finance, markets, inputs and services
- Lacks collateral
- Requires small loan sizes
- Is insufficiently supported in reaching professionalism

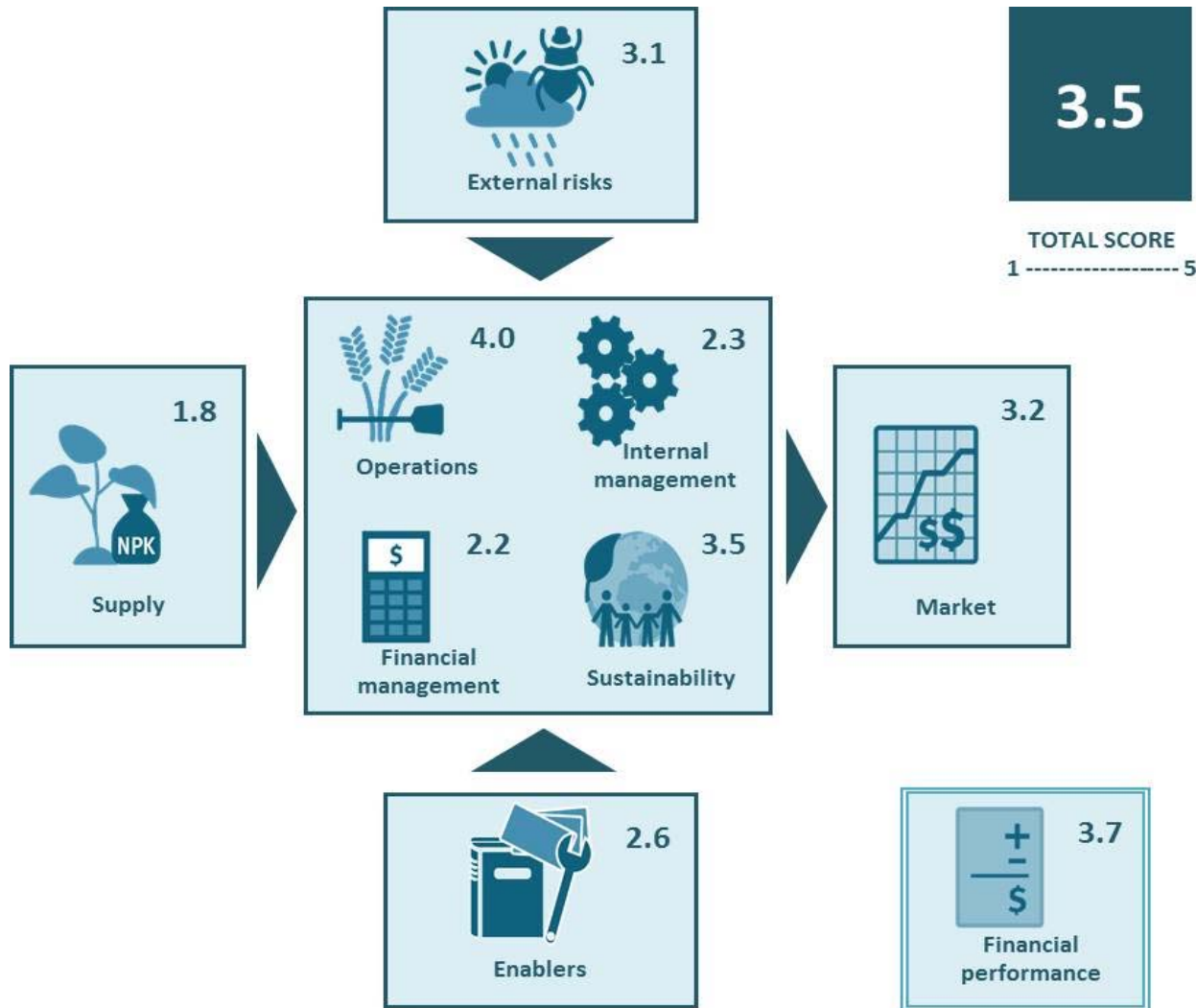
Only a few **organized farmers** with large production levels

### Do more professional POs have better access to finance?



**“GOOD BUSINESSES WANT  
TO DO BUSINESS WITH OTHER  
GOOD BUSINESSES”**

# The SCOPE - How do you measure PO professionalism and robustness?



## The SCOPEinsight assessment methodology:

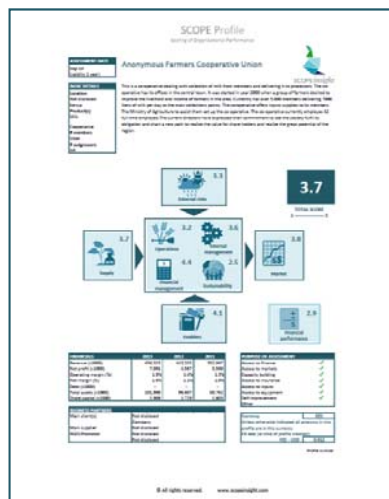
- 9 chapters
- 31 subchapters
- Over 200 control points

In a range of 1 to 5 the business potential, professionalism and bankability of producer organizations in agriculture, dairy/livestock, aquaculture and forestry are scored.

*The SCOPE tool measures professionalism and forms a common language between different actors*

# Our products target both the supply and demand side of the market

## PROFILE profile : Business decisions



Primarily aimed at access to finance, inputs and markets.

Data, information and benchmarking for (potential) business partners:

- **Financiers**
- **Value chain players**

Gives insight in professionalism and management maturity.

## ASSESSMENT report: Continuous improvement



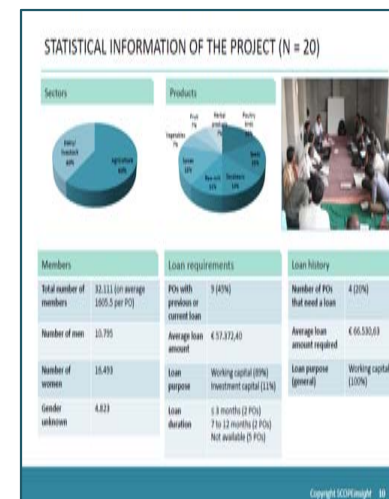
Primarily for business development services (BDS).

Insights and benchmarking for improvement and graduation for:

- **Producer organization internally**
- **Value chain players**

Gives insight in professionalism and management maturity.

## CONSOLIDATED report: Compare groups of POs



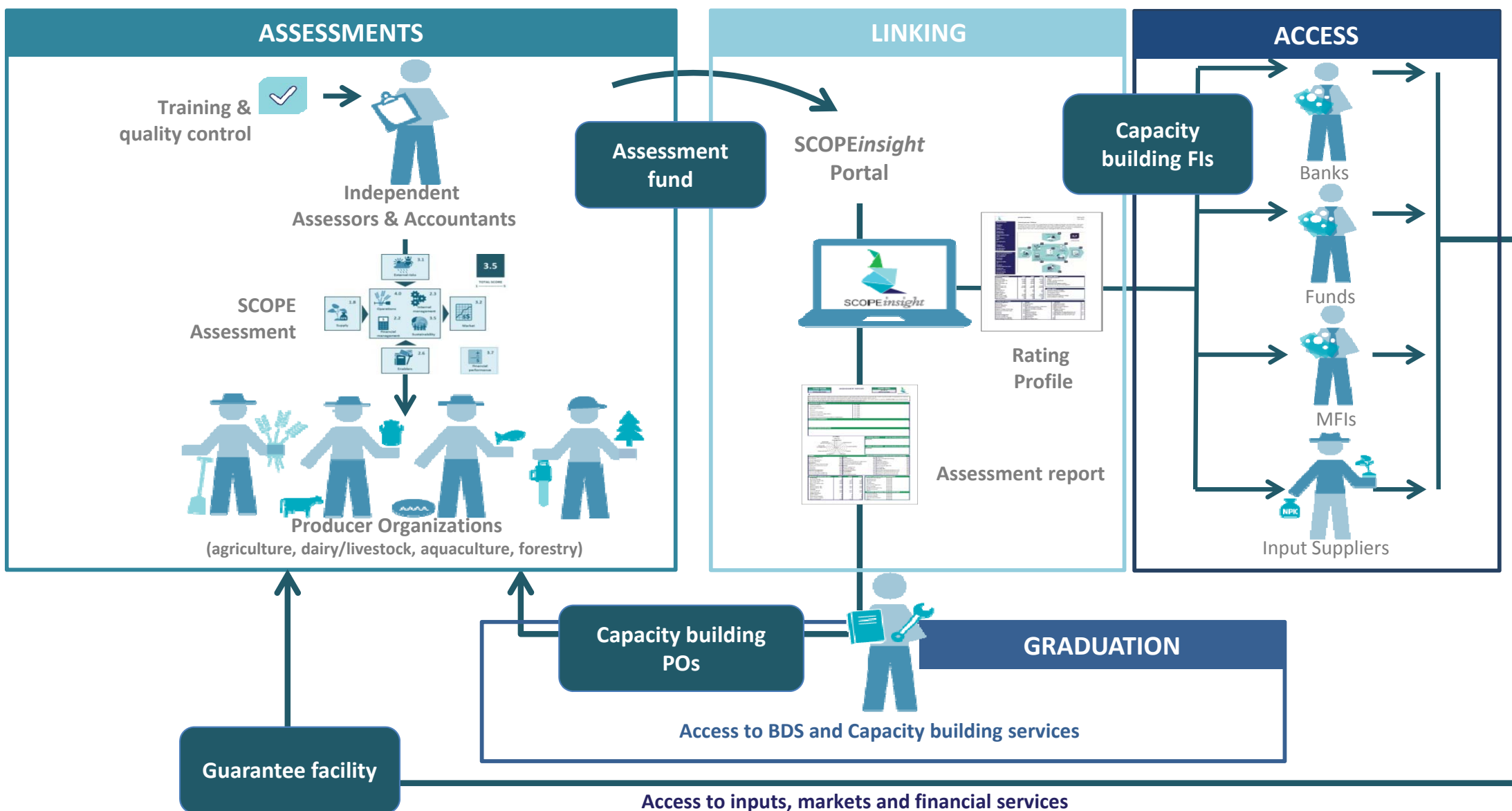
Primarily for business development purposes.

Summary and overview of key findings of an assessment project of five or more producer organizations from one customer.

Internal and external benchmarking.

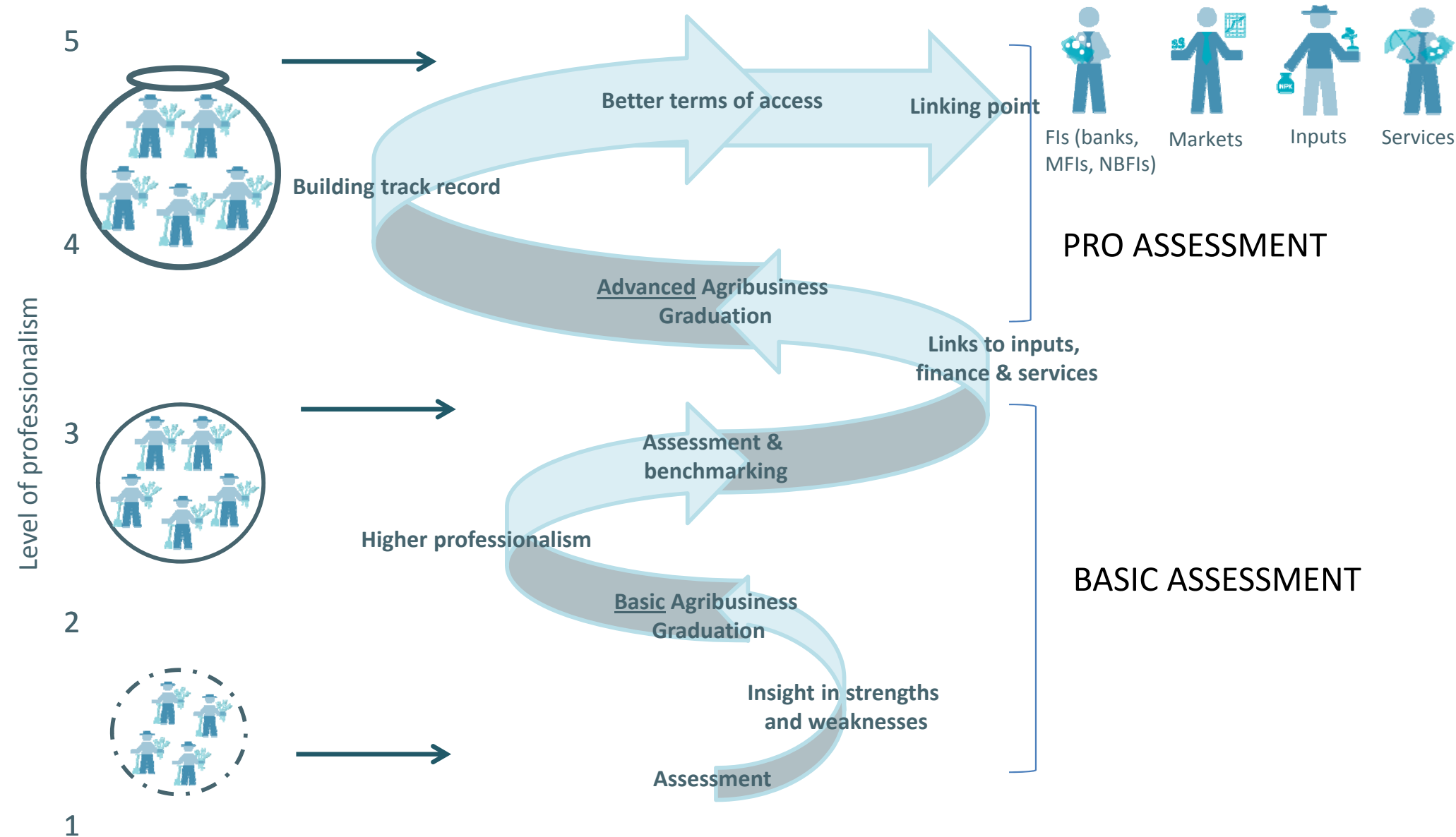


Through the SCOPE assessment, SCOPEinsight can provide market linkages and enable more efficient and effective business development services

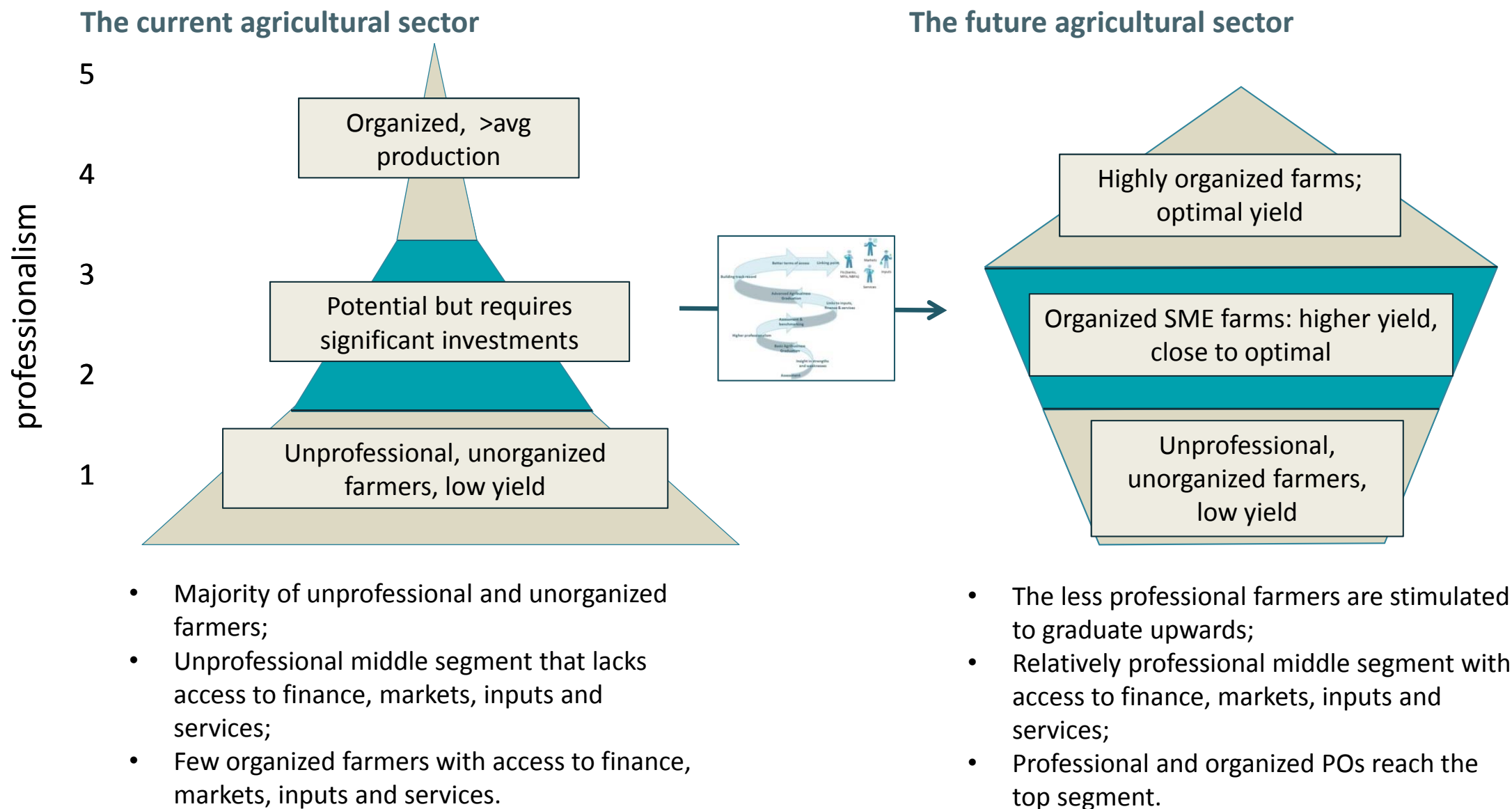




Through the assessments, we can build an ecosystem that graduates POs towards professionalization and links them to finance, markets, inputs or services



The ecosystem transforms the agricultural sector to a more profitable and sustainable sector where POs reach their full potential and have access to finance, markets, inputs and services



# SCOPE scores can be used for single analyses as well as for local, regional and global benchmarking

## SCORES RANGE FROM 1 - 5

(5 highest level of professionalism)

The Total Score is a weighted average of the scores of the nine key SCOPE chapters



Only **15%** of POs has **complete documentation** available and presented for assessment

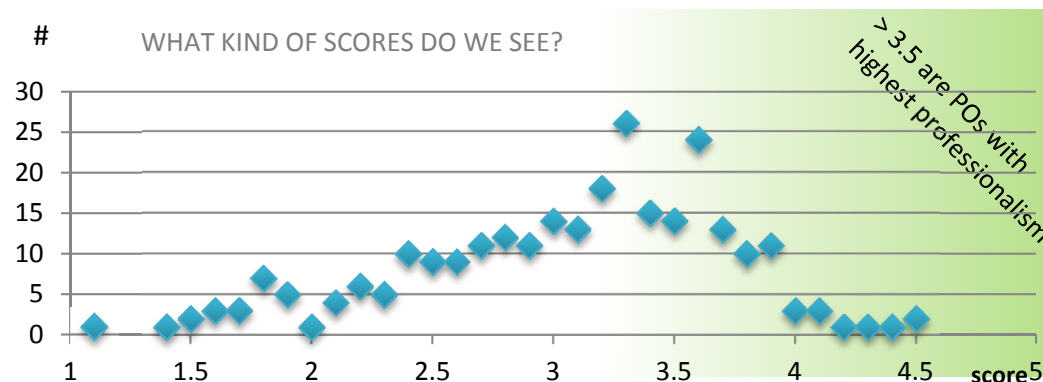
More professional POs have more documentation available

Half of assessed POs have part of the required documentation available



The lowest scoring POs (< 2.0) have no financial statements

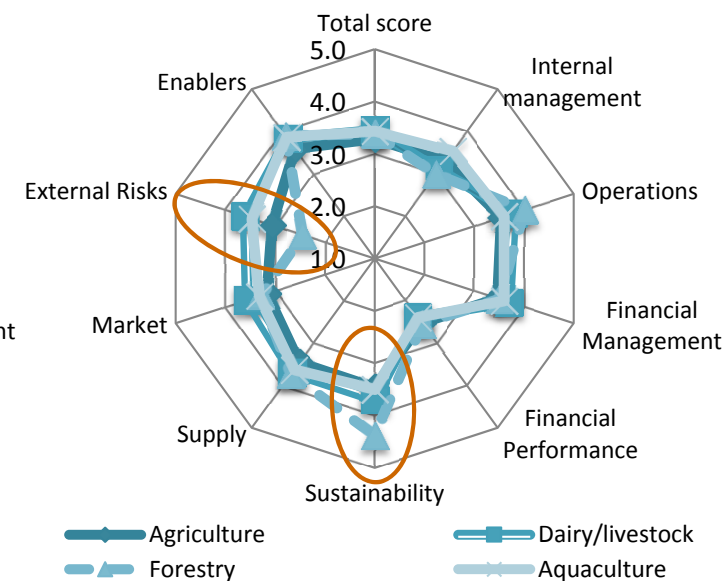
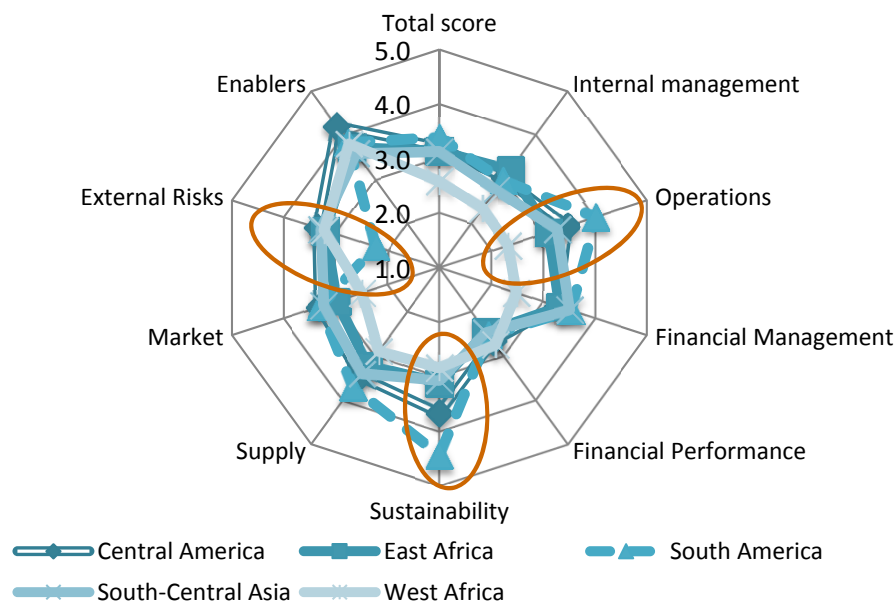
There is a clear relation between financial management and professionalism



Scores show a lot of producer organizations with good levels of professionalism

HOW DO SCORES COMPARE PER REGION?

...AND HOW PER SECTOR?



Financial performance is an issue in all countries in all sectors  
Most variations can be observed in sustainability, operations, external risks

# The data can for example show the relation between access to finance and professionalism...

POs that had some kind of **loan** in the past

**56%**



**Loan needs average (median) (EUR)**

1.0-1.5:	15,000	(15,000)
1.5-2.0:	46,000	(26,000)
2.0-2.5:	23,000	(9,000)
2.5-3.0:	260,000	(51,000)
3.0-3.5:	396,000	(117,000)
3.5-4.0:	542,000	(187,000)
4.0-4.5:	4,200,000	(744,000)

**Financial and internal management seem strongest indicators.**

Financial performance is weak across the board.

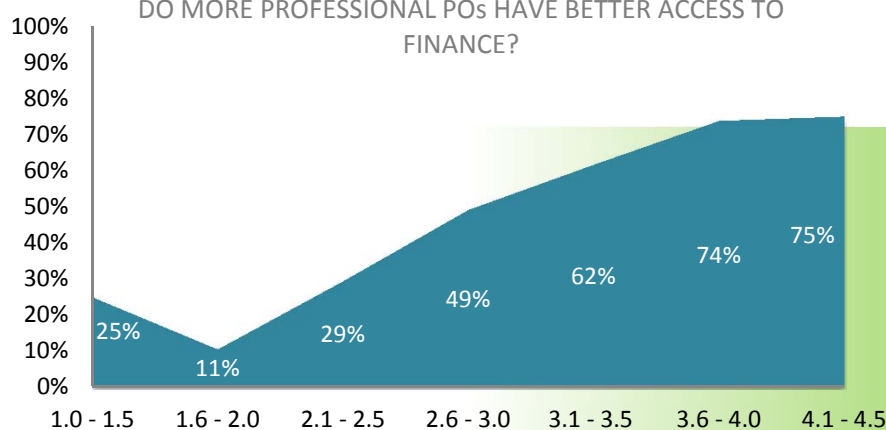


Most POs have a **long term loan need** irrespective of their level of professionalism

ARE POs THAT HAD ACCESS TO FINANCE MORE PROFESSIONAL?

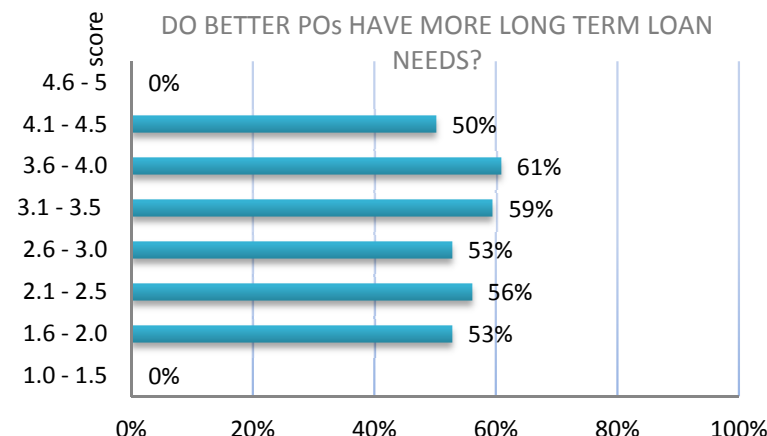


DO MORE PROFESSIONAL POs HAVE BETTER ACCESS TO FINANCE?



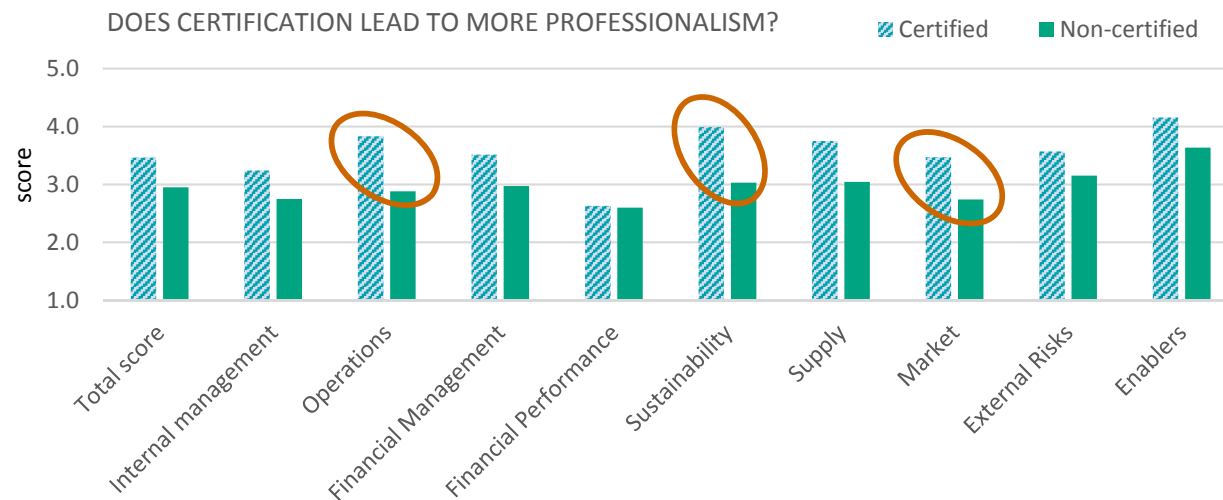
**There is a clear relationship between access to finance and professionalism (as expressed in SCOPE scores)**

DO BETTER POs HAVE MORE LONG TERM LOAN NEEDS?



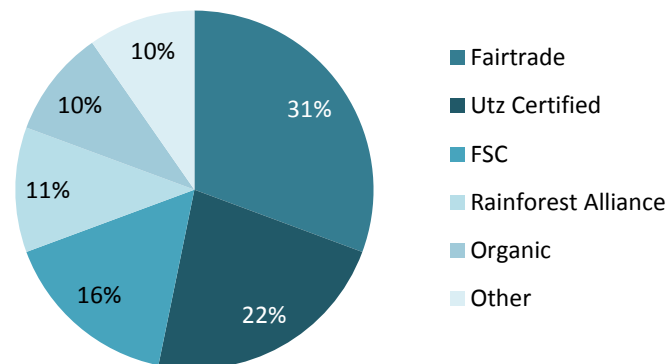
**A significant part of POs across all levels indicate to have a long term loan need**

## ... Or the relationship between certification and professionalism

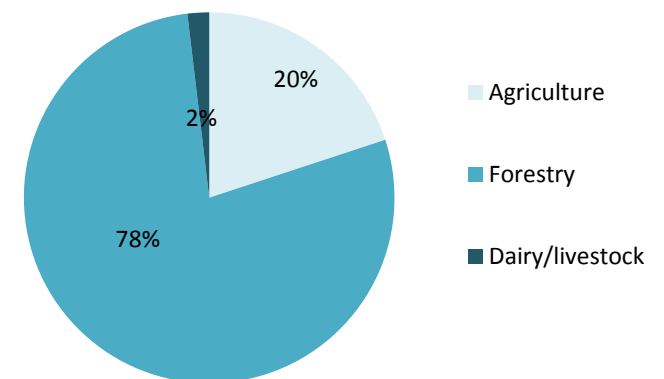


Across the board certified POs score higher than non-certified POs, most notably on Sustainability, Operations and Market. Financial Performance shows no difference and is a weak area

WHAT CERTIFICATIONS ARE MOST COMMON?



IS CERTIFICATION MORE PREVALENT IN SOME SECTORS?



**Most forestry organizations are certified**  
 Certification in other sectors in our portfolio is relatively low, except in coffee

Producer organizations with **ACCESS TO FINANCE** of the ones

**CERTIFIED: 50%**

of the ones

**NON-CERTIFIED: 58%**



### MOST USED CERTIFICATIONS

- Fairtrade
- Utz Certified
- FSC
- Rainforest Alliance



Of assessed POs

**16% is certified**

(n=44)

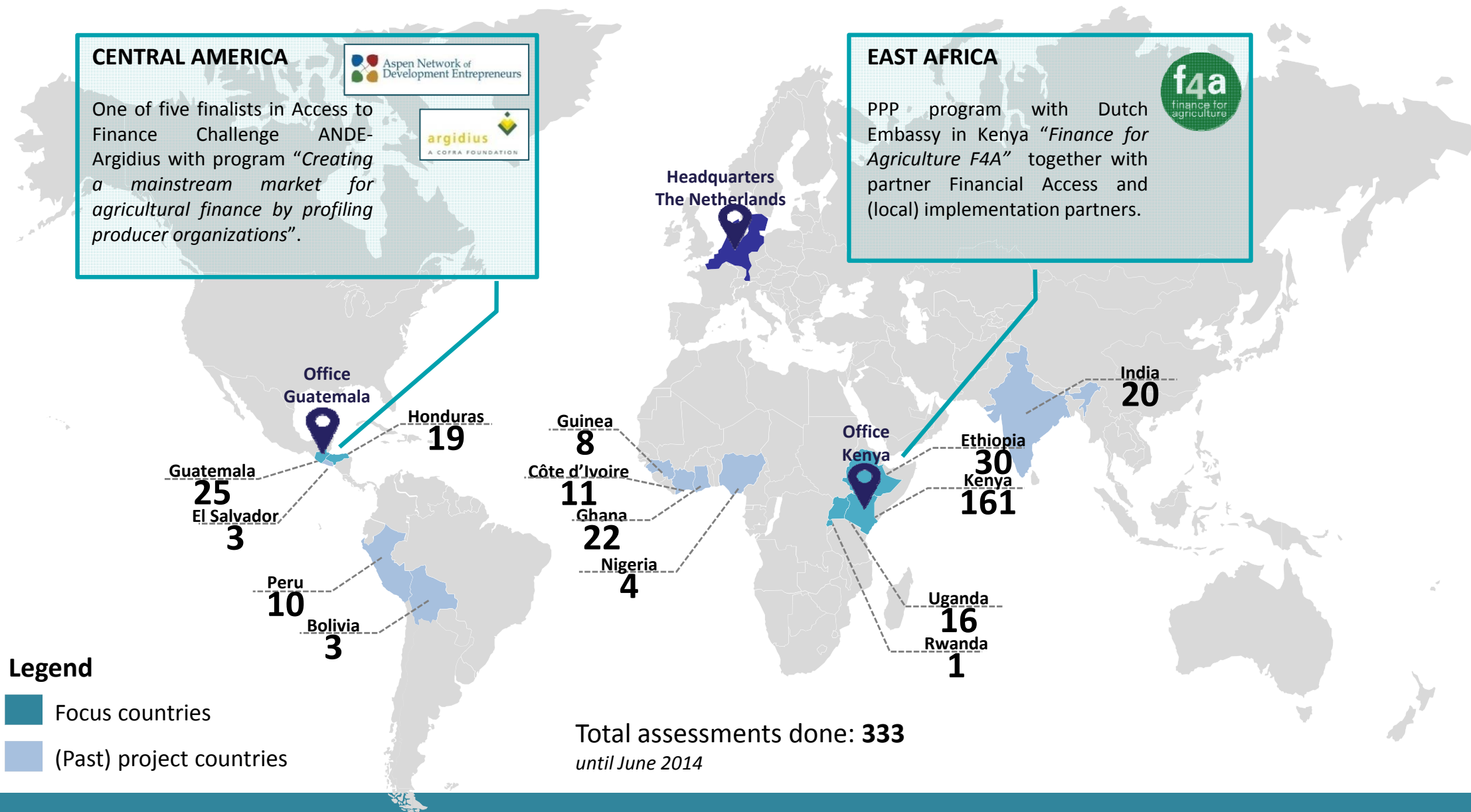


**46%** of certified POs has multiple certifications





## SCOPEinsight's regions of Operation



# Thank you for your attention

## Any Questions?

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Please do not hesitate to contact us for more information:

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