

## **Master thesis**

Improving rural and agriculture finance in the region of Louga through networking and strategic alliance building between Union Financière Mutualiste (UFM) and Producer Organizations (POs)

### **Executive summary**

Louga is the third biggest region of Senegal a West African country. Being mainly rural, the population of Louga's livelihoods activities are closely related to the primary sector: farming, agricultural products processing, livestock and trade (agricultural products, livestock, manufactured products...). Although active in the primary sector, CSLP-MEF (2008) indicated that 65% of the population of Louga live in poverty.

Various MFIs (including the three biggest in the country) are providing the financial services there, but they remain hesitant to expand their outreach into rural areas. It is not surprising that by the end of 2006, AT/CPEC/MEF, a governmental service in charge of MFIs, indicated that only 7% of the population of Louga were served by MFIs. Indeed, financial services in the rural area of Louga are mainly provided by isolated MFIs set up by rural population and Producer Organizations (POs) through supports of development partners such as NGOs. In order to strengthen the activities and growth of these MFIs so that they could provide adapted rural and agricultural financial services, CNCR ("*Cadre Regional de Concertation des Ruraux*"), an umbrella POs has promoted the creation of UFM (Union Financière Mutualiste de Louga), a network of isolated MFIs.

Hence, set-up in 2008, UFM is a network that gathers 16 MFIs and 22 POs with different histories and provides financial services in the region of Louga. It mainly targets rural population that remains underserved by large financial services providers.

In regard of the different backgrounds of stakeholders within the network and the link to POs, the cohesion and healthy growth of the network require strategic alliance building. Therefore, the aim of this field research was to examine the relevant strategic alliance to be built between the stakeholders involved in order to improve rural and agricultural finance in the region of Louga.

Using qualitative methodology, this research identified the internal and external factors of the stakeholders involved in the networking that could be valued for

strategic alliances building; these stakeholders are: i) UFM, the network of MFIs, ii) two (2) MFIs namely MECBAS and MECZOP located in different agro-ecological sites and iii) seven (7) POs operating in these sites.

The main results point out: i) the importance of long term financial resources mobilization by UFM for its MFIs members and of support in liquidity risk management; ii) in the zone of Potou, the necessity to develop warehouse receipt for onion commercialization through existing POs warehouses and storages spaces, refinement and formalization of irrigation kit loan into a leasing product; iii) in the agro-sylvo pastoralist zone, there is an opportunity to develop warehouse receipt loan through the existing network of 17 POs warehouses; iv) the climatic risk as the main risk threatening both MFIs and POs in these two zones; to this end, the partnership between UFM and national agricultural insurance company should be valued as a channel to develop appropriate products.

**Keywords:** Senegal, network UFM, MECBAS, MECZOP, Producer Organizations (POs), strategic alliance building, rural and agricultural finance.