The financing of family farming in the context of liberalisation What can be the contribution of microfinance?

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1960 - 1999: From the failure of 'agricultural credit' to the limits of microfinance?

The development of rural financing has been marked in the past 40 years by a semantic and conceptual shift from 'agricultural credit' towards microfinance. After the independences, financing policies in the rural world were substantially based on the sole concept of targeted, subsidised 'agricultural credit' considered as an input in the production process and distributed by agricultural banks, development banks or projects. With the admission of the failure of these approaches and in a global context of the liberalisation of southern economies, the broader concept of 'rural financial market' has progressively taken over. The objective is no longer that of promoting sectorial credit but that of enhancing the development and the fluidity of a 'rural capital market' in which 'rural credit' is just one financial instrument among others, forming overall intermediary financing that is sustainable, less constraining and more widely developed, forming a link between households and the macroeconomic sphere.

In practice, this conceptual change has led on the one hand to the devoting of efforts to the creation of institutions capable of sustainably providing rural populations with funding meeting their real needs and constraints, and on the other to awareness by the beneficiary of funding services, in particular by giving him free choice of the subject of credit; he must in return pay for credit at a cost enabling the sustainability of the financial service. This was the basis of the development of microfinance. It now covers institutions of very varied kinds (credit unions, self-managed village credit intermediaries, financial service enterprises, banks, savings/loans projects), some of which are of significant size at the scale of development, with several million beneficiaries. The success of certain microfinance institutions (MFIs) and the logic of development of private initiative that they make it possible to promote have convinced donors and there has been broad approval of microfinance as a lever for development and for fighting poverty.

But microfinance is being called into question today in spite of its media and political 'aura'

Numerous studies have shown that microfinance—generally based on short-term credit involving moderate sums—can have a positive impact on household cash positions, improve the smoothing of household consumption and to a certain extent increase resistance to economic shocks. In contrast, many observers wonder about the real capacity of microfinance to stimulate household accumulation processes and contribute to productive investment. Furthermore, impact analyses show that FMIs succeed in financing the development of rural activities such as commerce, crafts and agrifood processing but respond less well to the requirements of agriculture. The rural activities financed generate regular, comparatively reliable income with rapid capital rotation cycles that reduce risks and allow high rates of profitability. Few agricultural activities display these characteristics. The profitability of agricultural activities is often limited and little compatible with the high interest rates that must be applied in microfinance to ensure its sustainability. The funding of farming has specific constraints in terms of the diversity of the services required (needs for cash, working capital, medium and long-term investment) and in terms of risk (production uncertainty, co-variant risks (climatic, sanitary, etc.) and economic risks). All this explains why on the one hand rural borrowers, and even farmers, often prefer to invest in rural activities rather than agriculture and on the other why MFIs are cautious with regard to this type of funding. In Africa in particular, after 15 years of growth of MFIs, the question of agricultural credit is a recurrent one and essential for the development of family farming.

The financing requirements of family type farming are immense ...

African family types of farming need to intensify, modernise and finance technical and organisational innovations, etc. Their financial service requirements concern credit (short-term credit for season requirements, fattening and the inter-season and long-term credit for heavy equipment, plantation, etc.) and also appropriate forms of saving and insurance. The characteristics of demand (type of services, amounts, rate of credit repayment, type of guarantee that can be used, etc.) are extremely varied according to the agro-ecological zone, the more or less diversified and intensified farming systems, the types of stakeholders (men, women, young farmers starting up, agricultural entrepreneurs, farmers' organisations), the degree of market insertion, etc. As a general rule, the farm budget is closely integrated in the household budget and the funding of agricultural and non-agricultural activities, consumption and family investments are strongly linked. However, a new category of stakeholder is emerging in family agriculture undergoing modernisation, especially in peri-urban zones of coastal countries, consisting of 'agricultural entrepreneurs' whose funding requirements are more individualistic and entrepreneurial. A response must therefore be made to this diversity and complexity.

... and the liberalisation of the main agricultural production sectors will increase them

In most West African countries, a large proportion of credit for agriculture has transited until now via the major agricultural sectors (cotton, coffee, cocoa, etc.). The MFIs that provide significant funding for agriculture (FECECAM in Benin, Kafojiginew in Mali, etc.) are themselves strongly linked to these sectors. Their liberalisation raises the question of the financing of agriculture with new sharpness.

The recent implementation of liberalisation processes is leading to many problems that are strongly destabilising the sectors with too brutal, rapid establishment involving numerous participants with no form of co-ordination, the rapid emergence of private monopolies instead of the old public monopolies, lack of maturity of the institutions that should take over functions (farmers' organisations, interprofessional bodies, etc.), political interventions that distort the situation, etc. The effects on agricultural financing are direct and indirect. By ending the monopoly of collection, liberalisation is dismantling the former credit security mechanisms based on the mastery of the product and leading to decreased availability of credit. It often leads to a decrease in sector performance—at least at first—that has a domino effect on household budgets, on the borrowers' ability to repay and on the confidence of financial services.

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The debate has now started. Is microfinance, with its diversity and the sustainability requirement, capable of responding to the magnitude of agricultural financing requirements in a context of liberalisation?

This article is aimed at shedding light on the question using the case of francophone West Africa. The data and analyses presented are drawn from different studies performed on the subject by CIRAD in partnership with microfinance operators in the north (CERISE Group, FERT) and the south since 1997. The present characteristics of the contribution of MFIs to the financing of agriculture in West Africa are presented in the first part of the article. The second part consists of discussion of the key points for the improvement of the contribution of MFIs to the financing of agriculture.

I – The financing of agriculture in West Africa: what is the contribution of microfinance?

Microfinance, a strongly developed sector in West Africa

All the countries in West Africa, including the poorest, have experienced substantial development of microfinance since the beginning of the 1990s. According to the PASMEC [1] at WAEMU regional level, the number of MFIs increased five-fold from 1993 to 1997 (188 listed in 1997) and the number of beneficiaries increased eight-fold over the same period, reaching 1.5 million in 1997. Their performances are spectacular in terms of savings and credit awarded at the regional scale. Saving increased five-fold in five years, reaching CFAF 60 thousand million in 1997; the awarding of credit increased four-fold to CFAF 66 thousand million in 1997. The microfinance sector is extremely concentrated in most countries. Three or four institutions—generally credit unions—handle at least 60% of the collection of savings and often over 75% of the awarding of credit. The MFIs first developed in rural areas but growth and the search for financial autonomy led them to becoming established in urban centres. In particular, the large credit unions have based a large proportion of their recent growth on the development of urban activities.

But the range is nevertheless limited for the moment

In spite of this strong development, FMI penetration is still weak in rural areas, with microfinance affecting from 5 to 20% of rural households depending on the country. Likewise, sector performances seem limited at the macroeconomic level.

Share in FMIs in the national economies of the WAEMU countries (except for Guinea Bissau)

1997 (thousand million CFAF)	Banking system			MFI		
	Counters	Savings collected	Credit awarded	Counters	Savings collected	Credit awarded
WAEMU	623	1237	2264	2 628	60	66

Source: PASMEC database, 1997

Nevertheless, the degree of decentralisation of the MFIs is already an essential comparative advantage that even the banks are attempting to exploit by initiating partnerships with them.

[1] PARMEC, *Projet d'Appui à la Réglementation sur les Mutuelles d'Epargne et de Crédit* (support project for regulations on savings and credit mutuals) within the framework of the implementation of the 'PARMEC Law' at the scale of the WAEMU. This project set up a measure for monitoring MFIs that feeds a database (1993; 1995; 1997; 1998); this is a valuable tool for monitoring the regional evolution of the sector although its data based on statements by MFIs are approximate, in particular because of the weakness of their information systems.

What is the contribution to the financing of agriculture? An approach to quantification

Quantification was performed by comparing PASMEC data with direct surveys of MFIs performed by CIRAD and its partners. The approach is indeed risky. The figures available in the sector area of poor quality and the fungibility of credit—a major methodological difficulty—makes the evaluation of use of credit uncertain. The results presented should therefore be treated with considerable caution and considered as indicators of trends rather than absolute figures [2]. However, given the scarcity of figures concerning the question, I felt it important to provide this estimate to show the scales of the financing of agriculture by the MFIs.

Estimation of the volume of financing of agriculture by MFIs in 1997

1997	VOLUME OF MFI CREDIT (thousand million CFAF)	ESTIMATE OF VOLUME OF AGRICULTURAL CREDIT (thousand million CFAF)	% OF OVERALL MFI CREDIT	CONTRIBUTION by type of MFI (%)*			
				SM	CV	PVC	CD
BENIN	14.5	5.5 - 5.7	36	99	-	1	-
TOGO	7.8	0.780	10	75	-	10	15
CÔTE D'IVOIRE	6.1	1.2	20	>90	-	5-6	2
SENEGAL	16	2.5 - 2.8	19	75	-	25	E
MALI	9.5	4.7 - 5	49	<75	>25	e	E
NIGER	4.5	1.3	29	26	-	48	26
BURKINA FASO	9.7	3	27	60	5	26	9
TOTAL	66.3	19 - 20	27	-	-	-	-

Source: Comparison of the PASMEC database with direct information collected from MFIs within the framework of CIRAD research programmes and missions devoted to the financing of agriculture.
*: PASMEC classification: SM = *système mutualiste* (credit union); CV=*Caisses villageoises* (village credit intermediaries); PVC =*Projets à volet crédit* (projects with a credit component); CD= *Crédit direct* (direct credit)

The total contribution of the MFIs to the awarding of credit in the WAEMU zone was some CFAF66 thousand million in 1997. Of this total sum loaned, about CFAF19 to 20 thousand million was devoted to the financing of agricultural activities, that is to say approximately a third

[2] Nevertheless, two factors strengthen the pertinence of the trends presented: the microfinance sector is a concentrated one and the three or four MFIs that award 50 to 80% of loans in each country are also those that make the greatest contribution in volume to the financing of agriculture. In addition, these MFIs generally have better information systems than the sector standard.

of the total MFI portfolio[3]. It is reminded that these figures are trends and not absolute values, but they show that the hypothesis that 'the MFIs do not finance agriculture' should therefore be strongly tempered in West Africa.

The absolute contribution of the MFIs to agriculture varies according to the country. It is high in Benin and Mali (CFAF4-6 thousand million per year), intermediate in Senegal and Burkina Faso (CFAF2.5 to 3 thousand million per year) and low in Togo, Niger and Côte d'Ivoire (of the order of CFAF 1 thousand million per year or less). These differences are related to the overall dynamics of the MFIs, which are developed to a greater or lesser extent according to the country, to the origin and nature of the main IMFs (credit union IMFs of agricultural origin in Mali and Benin) and to the presence of cash crops hitherto integrated in chains (cotton in Mali and Benin).

Differentiated contribution to agriculture according to the 'families' of MFIs

The analysis in figures shows the overwhelming contribution of the credit union systems (99% of the volumes of MFI contributions to agriculture in Benin, over 90% in Côte d'Ivoire, over 75% in Mali, etc.). Only Niger differs in this respect with a credit union contribution of only 26% and a dominant share accounted for by credit projects.

Among the credit union MFIs, the networks with national vocations (FECECAM in Benin, etc.) and the regional networks in strongly agricultural zones (Kafojiginew in Mali) award the largest credit volumes and are testing medium-term credit. However, the small local credit unions also play a significant role in this group (the former ADRK in Burkina Faso, fishermen's credit unions in Senegal, etc.). The *Caisses Villageoises d'Epargne et de Crédit* (CVECA) (village savings and credit institutions) are involved in agriculture to very varied degrees. Their contribution is directly related to the profitability of the activity in a given area. Thus, in Mali for example, the contribution is substantial for the *Office du Niger* (Niger Board) CVECAs (80 to 90% of their portfolio is devoted to irrigated farming and weak in the Dogon country Sahel zones. The MFIs built on very short term credit (for example rural finance service associations) involving very small sums (direct credit of the Grameen Bank type), or specifically targeting women, play a more limited role for agriculture. Finally, the microfinance sector still includes projects with credit components. Many of these were undertaken to support integrated projects or agricultural projects (e.g. the Tarka in Niger) without clear institutionalisation prospects and are now faced with high rates of outstanding payments.

Although it is significant, the involvement of MFIs in agriculture has important limits

A significant proportion of the credit portfolio of MFIs obviously goes to agriculture. However, the significance of the figures should be seen in the context:
- credit volumes are small in comparison with the financing requirements of agriculture. The example of Benin is sufficient to illustrate this: the contribution of MFIs to agriculture was some CFAF 6 thousand million in 1997 whereas the financing requirements for the cotton sector alone were some CFAF 30 to 40 thousand million, including about CFAF 10 thousand million for production alone;
- the MFIs maintain a strategy of extreme caution with regard to agriculture and limit the

[3] These figures represent the credit that the MFIs consider that they have awarded to agriculture but do not prejudge the volume of financing effectively devoted to agriculture by the borrower as the latter remains free to use loans as he wishes.

proportion of the credit portfolio devoted to it. With present perspectives, the increase in credit for agriculture is therefore related partly to the growth of MFIs, which is slow and dotted with crises, and partly to increased confidence between the agriculture and microfinance sectors;
- the financial services offered are limited to short-term credit and respond poorly to diversified demand (medium and long term credit, adapted saving, insurance, etc.).

II – How can the contribution of microfinance to agriculture be improved?

Let us try to analyse, on the basis of observation and statements by MFIs and agricultural stakeholders in West Africa, the blocking factors that limit the contribution of microfinance to agriculture and identify the pathways and technical, financial and institutional innovations that could lift these constraints.

Modernise and make secure the agricultural sector upstream

Financial services can only be used effectively and profitably in a favourable economic context. Now, in these times of liberalisation the agricultural sector is more than ever a high-risk sector that is weakly organised and poorly regulated. Modernisation and assurance of its safety are therefore major issues that must accompany any financing policy.

Strengthen the microfinance sector overall

The vitality of the development of microfinance in West Africa masks considerable fragility. Fewer than 10% of the MFIs in West Africa have now reached the stage of 'complete institutionalisation' based on sustainable financial equilibrium, strict conformity with the requirements of the legal framework and social appropriation combined with good governance. Management skills and tools are still considerably inadequate in the sector and governance remains a serious stumbling block and even when they exist the control and regulation frameworks have difficulty in functioning. The need for growth faced by the sector leads numerous MFIs into crisis situations that are always difficult to get through and that are sometimes fatal. For the sector to ensure the change in scale required for the financing of agriculture in a liberalised context, it is first necessary to strengthen its present capability, its professionalisation, safety and local adoption. These processes require financial support but above all need time. This strengthening has been undertaken in certain countries through sectorial support programmes whose implementation is still laborious.

Improve the matching of supply to agricultural demand

Credit that is often poorly suited to the characteristics of the agricultural sector

More than 90% of the volume of credit awarded to agriculture by MFIs consists of short-term loans used for inputs, labour, and fattening. A proportion of the failures observed in these loans is related to their weak diversification, their poor suitability to modes of agricultural production (in terms of calendar, amounts, repayment procedures, etc.), and their 'ragbag' character (they are used for season funding and also for consumption, the bridging time, extra-agricultural activities, etc.). Improving knowledge of agricultural activities, disseminating this in MFIs and applying it to the development of new financial products is therefore an important issue for agricultural credit. Current diversification experiences of diversification are difficult however (e.g. Crédit Mutuel du Sénégal with storage loans, warrants, overall farm credit, etc.), especially because the dissemination of multiple products is expensive in rural areas (the cost of training officers, client information, monitoring, etc.)

An inadequate supply of medium and long-term credit

With the exception of several credit unions, very few MFIs propose medium-term loans (MTLs) for agriculture at a significant scale. There does not seem to be any experience of long-term credit in West Africa, where it would nevertheless be needed to finance the renewal of perennial crops (coffee, cocoa, palm, etc.) and the development of arboriculture. Likewise, MFIs provide only very marginal cover of the medium-term loan requirements of farmers' organisations. The few existing, significant MTL experiences (FECECAM in Benin, Kafo in Mali, etc.) have led to encouraging results in the well-mastered framework of cotton chains and may well be called into question with the liberalisation of the latter. The testing of 'leasing' in Madagascar has no equivalent in West Africa.

The strengthening of medium-term credit for agriculture requires work on a set of causes that contribute to its weak development:

- technical causes:
    * medium-term credit is in general risky. The large sums and repayments spread over several years make it an important risk factor for the financial equilibrium of an MFI; the risk is greater in the agricultural sector (co-variant agro-climatic risks, technical risks, economic risks, etc.);
    * the obtaining of guarantees for MTLs is even more difficult. The social guarantees generally used by MFIs (joint surety) do not work well for large sums. The material guarantees and real sureties corresponding to MTLs (land, plot, house) are difficult to sell in case of failure to repay;
    * the principle of increase in the sums loaned to a borrower, which is a fundamental component in the security of credit, is difficult to apply to medium-term loans;
- financial causes:
    medium-term credit requires long, stable resources that MFIs lack chronically: the savings collected are mainly short-term and volatile and the 'PARMEC Law' strongly limits their conversion to MTLs. MFI funds are still limited for the moment and external resources are often short-term resources;
- strategic causes:
    * the demand for short-term investment in reliable sectors (trade, transport, etc.) is often so strong that it diverts MFIs from medium-term credit in uncertain sectors;
    * for an MFI, investing in MTLs requires a clear view of the evolution of the institution, which is not yet the case for numerous MFIs that manage their future on a one to two-year basis.

Very meagre supply of savings and insurance suited to agriculture

Although the mobilisation of savings is an increasing preoccupation for MFIs, the products proposed are not very diverse or attractive for the moment. None of the savings services proposed is specifically designed according to the requirements and specific features of agriculture (attractive in comparison with savings in the form of livestock, adaptation to the pattern of agricultural activities and investments). Several MFIs (Crédit Rural de Guinée, RCPB, CMS, etc.) and networks of MFIs (CIF) are considering the testing of long savings products and savings linked with investment loans but this reflection does not seem to be focused on agriculture. However, this adaptation of saving to agriculture is an important issue since the self-financing capability of holdings is not negligible in a number of situations and could be enhanced by suitable savings products.

With the exception of experiments on personal health insurance and a few attempts at mortality insurance for livestock linked to fattening or draught oxen credit, practically no insurance is available for family agriculture. MACI in Côte d'Ivoire is one of the only examples of agricultural insurance in West Africa, but it addresses—with mixed results—an industrial farming sector that has a priori greater security.

Improve the security of credit for agriculture

Rendering agricultural credit secure obviously needs the security of credit itself. This is based on the professionalisation of stakeholders and tools, the setting up of a framework for the regulation and control of microfinance, etc.

In the face of agricultural risks, MFIs generally combine three types of strategy that are more defensive than offensive:

- they invest in the sector very cautiously, limiting the share of agriculture in the loan portfolio, choosing secure subsectors (integrated subsectors or irrigated farming, etc.) and withdraw at the slightest presumption of increase of risk;
- they diversify the activities and zones funded to spread and limit the risk;
- they take guarantees (integration in sectors, real surety and, in the last resort, joint and several surety , etc.)

These strategies strongly limit the ability of MFIs to respond to the scale of demand for agricultural financing, in a liberalised context to boot. Some MFIs that are close to agriculture through their history or others that gradually see that in spite of its risks the sector is an important market source, are beginning to consider innovation aimed at making credit secure. Three lines of reflection are taking shape:

- *adapting the modes of evaluation of lender quality and of risks*:
even though it is still the most commonly used tool, joint and several surety, a social guarantee at the heart of microfinance practices, shows its limits in agriculture (it is inoperative in the face of co-variant risks, suffers erosion in time, is difficult to apply to medium-term loans, etc.). Reflection is becoming directed at selection modes that would combine criteria of the borrower's capital and analysis of the quality of his economic project; these approaches are obviously better suited to a fringe of family farming in course of rapid modernisation—the 'agricultural entrepreneurs' that are emerging in particular in peri-urban zones and are outlined in relation with the management consultancy procedures undertaken in several countries in West Africa for a number of years. Their extension raises the problem of the training of MFI agents and elected officials.

- *testing new forms of guarantee:*
leasing, agricultural warrants, delegation of debt, joint guarantee fund, mutual guarantee system, etc.

- *using new forms of organisation and contract-based solutions:*
contract-based partnerships between MFIs and agricultural support services, intermediate involvement of farmers' organisations, contract-based arrangements between MFIs, farmers' organisation and economic operators to attempt to recreate on a private basis the credit security procedures of the former integrated sectors.

These innovations—most of which are still in the initial stages of reflection rather than the testing stage—can only really develop in a secure institutional and legal environment in which contracts would be respected and violations sanctioned.

Decompartmentalise the microfinance sector and strengthen its incorporation in the financial market

The microfinance sector is still extremely compartmentalised in all the countries in West Africa and, even if professional associations are beginning to be structured, MFIs have few contacts between each other. Decompartmentalising the sector would have a positive effect on the financing of agriculture in the following ways:

- by improving risk mastery (by better transmission of information, more effective concertation and by more rapid professionalisation of MFIs);
- by the better use of resources that might result from contacts between MFIs with excess resources and those in search of capital;
- by the broader access to financing in deeply rural areas enabled by the hinging of MFIs with different degrees of decentralisation and financing potential (e.g. refinancing arrangements between a credit union MFI in a rural town and a more strongly decentralised MFI (direct credit or rural financial service association).

MFIs will have to mobilise capital on the financial marker in order to respond to the financing requirements of agriculture. The possibility of direct access to this market is rare among MFIs. Some will have to develop their links with the banking sector. Links between MFIs and commercial banks are rare, and even more so for financing the rural world and agriculture. In the few experiences observed, the bank only awards loans with the assurance of a guarantee fund covering at least 80 or 90% of the risk and the clauses concerning the progressive taking of the risk by the bank are rarely respected.

In contrast, these links are strongly developed with agricultural banks in the countries in which the latter still exist (Burkina Faso, Senegal, Mali, etc.). Forms of collaboration vary from the simple depositing of savings and cash surpluses by MFIs to more or less involved forms of refinancing of FMIs by the bank. This collaboration can only develop when there is clear reciprocal interest. It enables the bank to mobilise resources from rural savings and also to extend its credit portfolio to rural areas while minimising its costs and risk. For an MFI, collaboration enables integration in the financial market and provides access to specialised banking skills that it often does not possess. These reciprocal advantages can be evaluated in fairly concrete terms using several financial indicators: the volumes and interest rate of refinancing resources, the price of services, the degree of risk accepted by the bank, etc. As an example, CNCA in Senegal refinanced MFIs in 1997 to the tune of CFAF 860 million, of which CFAF 200 million was from its own funds and CFAF 660 million was a guarantee fund lodged with the bank. Although the banks are 'agricultural' in this type of approach, the financing of agriculture is often not an end in itself. The bank refinances all the rural and/or agricultural activities of the MFI.

However, this type of partnership between agricultural banks and MFIs also has serious limits. The solidity and sustainability of MFIs is sometimes uncertain, there is a need for long-term support to consolidate FMIs and this is not very compatible with the bank's strategies, great caution is displayed by the bank, resulting in limited risk-taking and considerable use of guarantee funds, the poor effectiveness of guarantee funds—incitation to laziness that can encourage lax management both by the bank and by the IMFs and borrowers, and is thus rapidly exhausted.

Strengthen links between the agricultural and microfinance sectors

The need for clear separation of the financing function (assigned to financing institutions—banks, MFIs, etc.) from the other functions in support for agricultural development is gradually becoming the subject of a consensus. However, it also seems clear that microfinance can only respond to the scale of the financing requirements of agriculture if links of mutual knowledge and confidence between the two sectors are increased. Although MFIs have made a significant contribution to agriculture, these links are relatively slight today both in the field and at the institutional level (the 'PARMEC Law' entrusted the supervision of MFIs to Ministries of Finance).

The management advice methods used with farmers and also with farmers' organisations can be effective tools for improving the production of information on the specific needs and constraints of agriculture and enhance confidence between the two sectors

Farmers' organisations (FOs) are a key link in co-operation between the two sectors. In the face of the weakness of agricultural financing alternatives, a good many FOs are tempted to become directly involved in the implementation of financial systems. Many sometimes resounding failures prove the difficulty of this approach. Other pathways are being explored: the creation by FOs of autonomous MFIs (generally credit unions) that are linked to the FOs, holdings by FOs in existing MFIs, the development of forms of intermediary financing by FOs between farms and existing MFIs. FOs also seek to influence the macroeconomic and political framework through shareholdings in the agricultural banks (in Senegal for example and ongoing discussions in Côte d'Ivoire), by negotiating state participation in agricultural financing (recent interest subsidies for agricultural credit in Senegal). This positioning of the FOs on the question of financing is the subject of discussion and many questions have not been answered. How can MFIs linked to FOs be managed effectively? Given the present institutional and economic weakness of the MFIs, the amplitude of the functions assigned to them by liberalisation and also the substantial indebtedness that often makes them fragile, under what conditions will they be able to master their involvement in the financing of agriculture? Under what conditions will both the FOs and the MFIs be able to free themselves of politics, which often tries to use them to establish power in rural areas?

Developing ability for strategic reflection and concrete tools for co-operation at the crossroads between the two sectors requires long concertation between stakeholders at the local, regional and national levels. Such work could be undertaken effectively at the level of the sectorial programmes providing support for microfinance and for the FOs that are becoming established in most countries in West Africa.

CONCLUSION. Microfinance is opening up prospects for agriculture but a key question remains:

Microfinance can improve its contribution to agriculture by means of long, in-depth work on the consolidation of the two sectors, the adaptation of services and products, making credit secure by means of technical and institutional innovations and strengthening links of mutual knowledge and trust. However, it seems obvious that the road to be followed to achieve the full meeting of the amplitude and diversity in agriculture is a long one.

Furthermore, the entire analysis above is based on the hypothesis that agriculture can pay the cost of the services of microfinance.

This cost is particularly high in West Africa because it combines transactions costs, the cost of risk and high resource costs. Is the economic performance of family agricultural activities compatible with this cost? Can family agriculture become modernised on the basis of its accumulation capacity alone? African farmers' organisations often make the reminder that most of the northern agricultures became modernised thanks to substantial public transfers. Is the modernisation of African agricultures possible without these transfers? To what extent should states handle the financing of development and innovation? And if so, with what resources? These questions must be asked, even in the present context of a forced march towards the liberalisation of the agricultural sector.