



## TELLING OUR STORY

# Spurring Agro-business through Credit in Senegal

A USAID loan guarantee helped Van Oers, a fruit and vegetable producer and exporter in Senegal, receive a loan from a commercial bank in Senegal. The loan allowed the company to increase their exports by 108 percent and employment by 800 percent. There have been no defaults on loans made with the guarantee, allowing USAID to spur development purely with local private capital.



Photo Faly Badji

The Development Credit Authority is a tool that USAID uses to provide partial credit guarantees on loans or bonds, thereby mitigating risk to lenders. The use of credit guarantees enables financial institutions to make financing available to credit worthy but underserved sectors such as medium-sized enterprises.

Van Oers, a green bean processing company in Senegal, flourished on the foresight that exporting produce to Europe during the winter when northern farmers are stymied by the cold is profitable.

Despite the company's success, Van Oers wanted to expand further but found that commercial banks in Senegal would not provide it with loans because of the perceived risk of agribusiness. In 2009, a USAID loan guarantee shifted the possibilities for Van Oers and 41 other small and medium sized enterprises that were granted commercial loans to fulfill their business goals.

Faly Badji, General Manager of Van Oers, has long insisted to commercial banks in Senegal that agribusiness is a manageable risk and should therefore qualify for loans. However, it was not until USAID formed a partnership with commercial banks in Senegal that Faly won his argument.

With access to credit, Van Oers purchased vehicles to transport produce to its processing plant and then to shipping containers for export. The new fleet helped the company increase its production from 1200 tons of green beans in 2007 to 2500 tons in 2010. The company, which employed less than 250 workers in 2007, had 2000 employees on its payroll two years after the loan. Through employment opportunities, Van Oers helped improve lives locally while helping the Senegalese economy on a larger scale. "Agriculture is the lever for development," Faly said, "and credit is the key to agriculture. What is most important is access to financing."

Loan guarantees are sustainable because they allow commercial banks to become comfortable with new sectors. After fully utilizing the guarantee agreement with USAID, the Head of Assets at Ecobank told USAID, "The guarantee permitted us to go into a new sector considered high risk by commercial banks. Thanks to USAID we will be able to work with some of these new clients now even without the guarantee."

The financial sustainability of Van Oers and thousands of other businesses throughout the developing world are made possible in part due to USAID partnerships that exist at the intersection of development and commercial viability.