

# CHANGE, IMPACT, SUSTAINABLE DEVELOPMENT

HOW THE ISLAMIC DEVELOPMENT  
BANK GROUP IS IMPROVING  
PEOPLE'S LIVES



# AGRICULTURE

TRANSFORMING COTTON  
FARMERS' LIVELIHOODS  
IN BURKINA FASO



2020

# INTRODUCTION

Cotton is a major contributor to the Burkina Faso economy, providing export earnings, employment, and physical and social infrastructures. Realizing this, “the Government brings a whole package of support to the sector, boosting revenues from exports and improving the lives of many families,” says former Minister of Economy and Finance Hadizatou Rosine Coulibali Sori. The International Islamic Trade Finance Corporation (ITFC), part of IsDB Group, supports the national cotton company, Société Burkinabè des Fibres Textiles, known as SOFITEX, which is the main operator in the sector, by providing finance and capacity building to help achieve wider country development goals.

# THE CHALLENGE

Burkina Faso’s income per capita has more than doubled since the 1990s, to US\$670 in 2018, but there were still an estimated 7.2 million people living in poverty in 2015 (40% of the population), with more than 90% of those people living in rural areas. Cotton is the second highest source of export revenue for Burkina Faso. Crucially, it is also a significant source of income for farmers and their families, so the Government views cotton production and trade as an essential instrument to alleviate poverty. The cotton sector employs around 15% to 20% of the active labor force, supporting between 1.5 million and 2 million people. SOFITEX is responsible for the purchase, processing and trade of 85% of the cotton produced in the country, but financing used to be problematic, leading to lengthy delays in paying farmers, and problems expanding export markets.



# THE PROJECT

The overall objective of the project was to increase farmer incomes in the Hauts-Bassins region of Burkina Faso by supporting the purchase and trade of cotton, and thereby increasing national export revenues. Through a long-term relationship between ITFC and SOFITEX, the IsDB Group is now the largest supporter of the cotton sector in Burkina Faso. Via ITFC, funding goes through a financing facility to SOFITEX, and this is used to purchase raw cotton from farmers and to provide technical assistance.

ITFC and IsDB have built a strong relationship with SOFITEX since 2006, when the first operation was approved under structured trade finance. Since 2008, ITFC has approved a total of US\$748 million to SOFITEX, under nine operations and from three principle sources – direct funding from ITFC capital, IsDB Mudaraba Fund, and syndication with other financial institutions. The different sovereign financing facilities have been provided in favor of the Government of Burkina Faso, with SOFITEX as executing agency.

SOFITEX is a public company that employs more than 5,000 staff, of which 75% are seasonal workers. The mission and objectives of the company are to purchase, transport and 'gin' raw cotton; to market the cotton fibre; finance research and development; and to supply agricultural inputs, technical support and other services to farmers.

Cotton has become 'white gold' to many hundreds of thousands of rural people in Burkina Faso, thanks to the increasing financial support that guarantees sizable timely payments to farmers.

# RESULTS

In the 2018/2019 season, SOFITEX collected about 405,000 tons of cotton, for which ITFC disbursed US\$85 million. This directly benefited around 4,000 cooperatives representing about 80,000 cotton producers. Assuming an average of 5 people per farming family, the related revenues may be estimated to have improved the livelihoods (food, health, school and capital expenditures) of 400,000 people. By providing timely payment to producers, ITFC operations have contributed to supporting their incomes, and to maintaining their interest in cotton cultivation. In acknowledgement of its positive impact, ITFC was honored in 2018 with the Islamic Finance News 'Deal of the Year – Social Impact' award in Dubai, United Arab Emirates.

**ITFC SUPPORT FOR SOFITEX IN THE  
2018/2019 SEASON DIRECTLY BENEFITED**

**4,000  
COOPERATIVES**

**80,000  
PRODUCERS**

**400,000  
PEOPLE**





## LESSONS LEARNED

Focusing on such an important sector was clearly important to success. A distinguishing national policy feature was the guaranteed cotton price, which protects smallholder producers from risk. This is likely to have been a major factor in the widespread adoption of cotton production. The cotton policy is dictated primarily by SOFITEX and the Government, although producer groups are gaining more influence in the sector.

Over the years, ITFC has also established itself as the most preferred financial partner of SOFITEX, and is today its leading financier, representing 37% of SOFITEX's total needs in 2018. SOFITEX has achieved solid financial performance during recent years, showing an increase in revenues, profits and equity as well as substantially reducing debt.

Financial support to SOFITEX in Burkina Faso is part of a broader program supporting the cotton sector in West Africa, with lessons learned in 21 sustainable financing operations and investments totaling more than US\$1.4 billion in 2019, in Benin, Burkina Faso, Cameroon and Côte d'Ivoire.



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RURAL PEOPLE IN HAUTS-BASSINS REGION  
OF BURKINA FASO THANKS TO INCREASING  
FINANCIAL SUPPORT THAT GUARANTEES  
SIZABLE TIMELY PAYMENTS TO FARMERS

IsDB MEMBERSHIP COVERS

57

COUNTRIES SPREAD  
OVER 4 CONTINENTS



TOTAL PROJECT COST

US\$ 748M

(2008–2019)

FULLY FUNDED BY

INTERNATIONAL ISLAMIC FINANCE  
CORPORATION (PART OF IsDB GROUP)



**DISCLAIMER** THE MAP IS FOR ILLUSTRATIVE PURPOSES ONLY

"There were years when even after all the cotton was sent to the factory and processed, we waited one to two months for payment. But now there is a big difference and we are paid in seven to ten days."

Kakuy Ouanko, cotton producer.

"ITFC financing enables SOFITEX to be effective and efficient in the purchase and transfer of cotton and its ginning into cotton fibre. Due to the improvements in efficiency of operations with ITFC, cotton producers and other partners are getting paid on time, which directly impacts the socio-economic well-being of our society."

Wilfried Yameogo, SOFITEX CEO.



**COTTON IS THE SECOND HIGHEST  
SOURCE OF EXPORT REVENUE  
FOR BURKINA FASO**

IN THE 2018/2019 SEASON:

**405,000  
TONS**

OF COTTON COLLECTED  
BY SOFITEX WITH

**US\$85M**

DISBURSED BY ITFC  
TO SOFITEX



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