

# Cooperative reform and Outgrower Schemes in the Cotton Sector of Burkina Faso\*

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## Abstract

Cotton production has tripled in Burkina Faso after the country began a sectoral reform in late nineties. The first step of the reform consisted of setting up a new institutional design giving rights to farmers to create their own cooperatives and helping them to organize into a more influential cotton union.

This paper presents a theoretical framework to deal with the role of cooperatives in the performance of outgrower schemes applied to the Burkinabè cotton sector. Moral hazard for credit repayment between jointly-liable farmers give rise to collective action problems that can be partially solved by peer monitoring. We show that the reform enabled farmers to better service their credit, and increased their production incentives.

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