



Africa Finance & Investment Forum

Gerard van Empel | Amsterdam, 14 December 2009



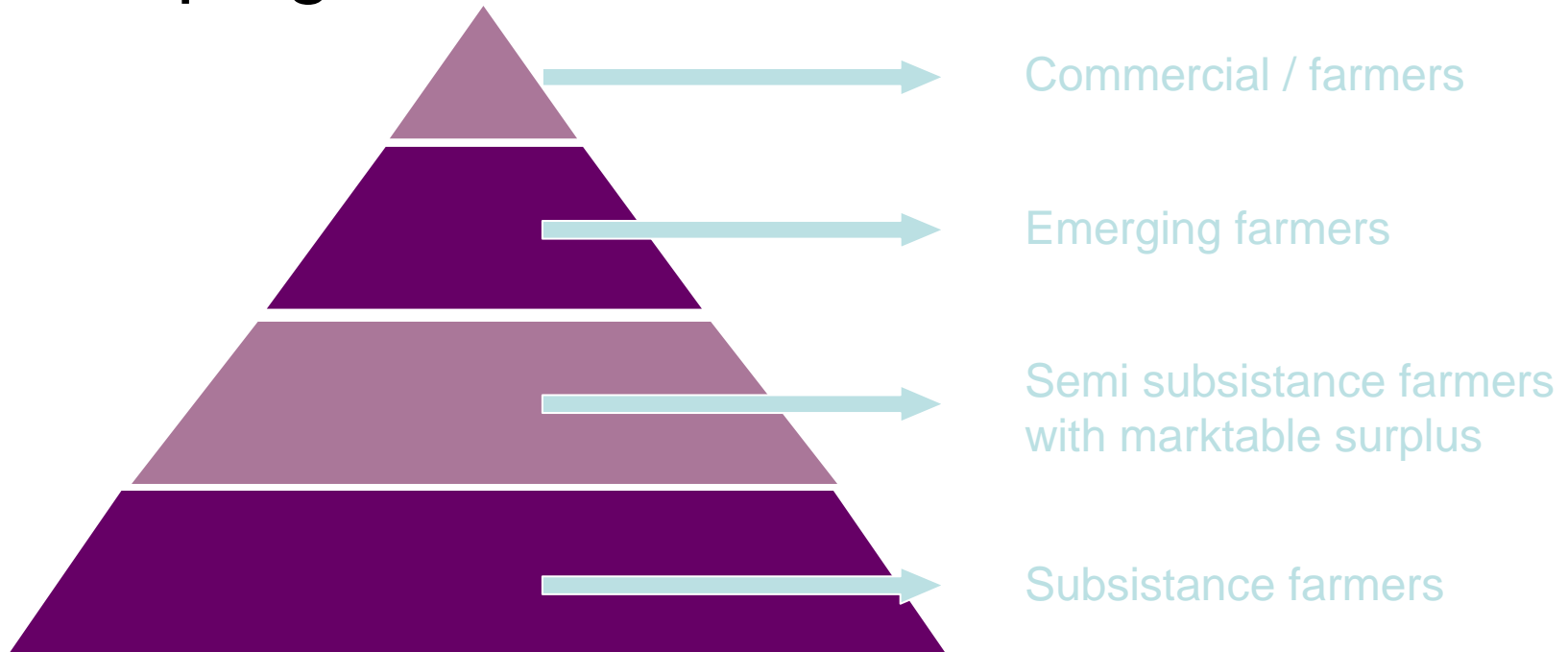


Introduction

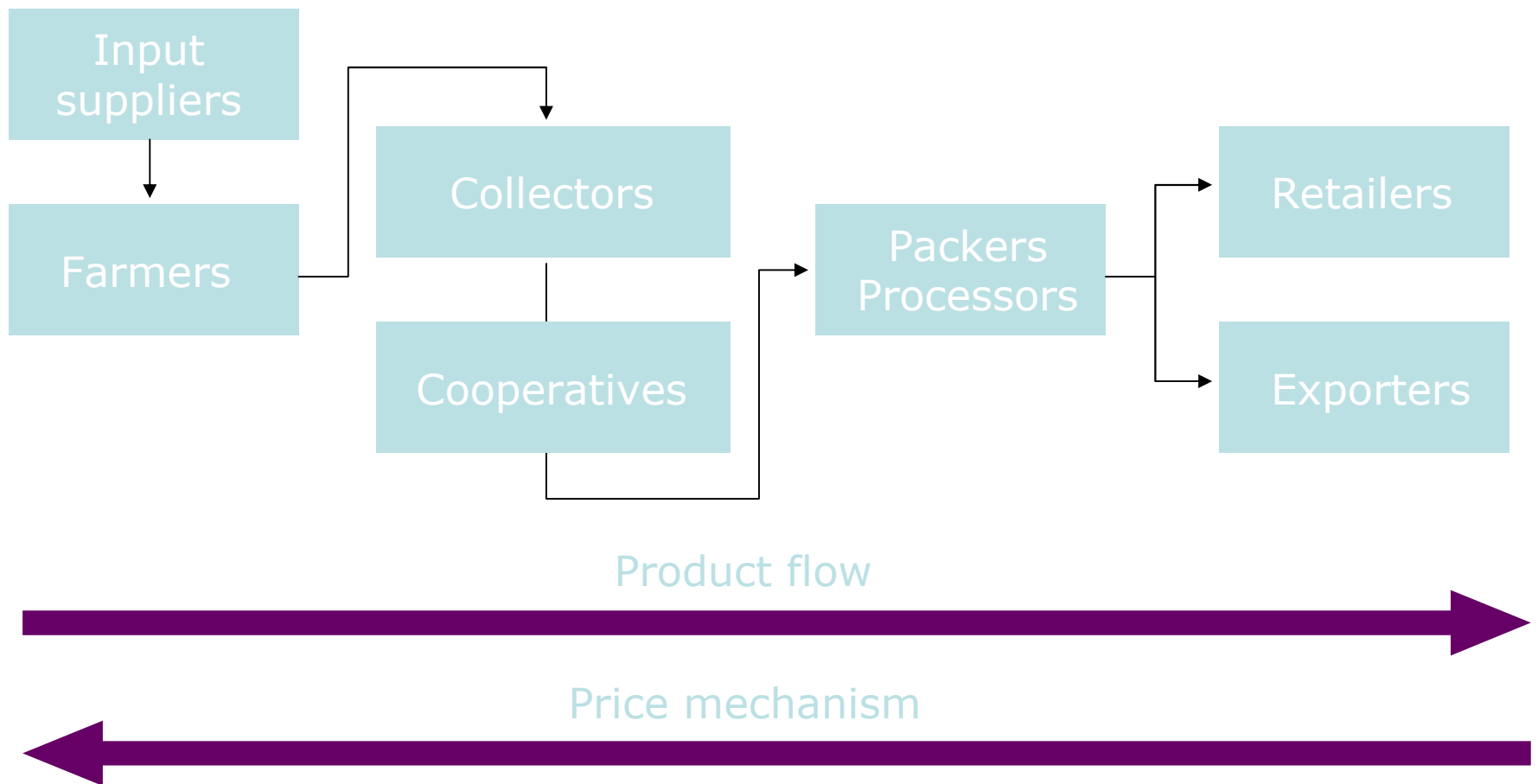
- Agricultural Finance
- Main lessons learned in international, institutional, distribution channels
- The Rabobank approach

Primary production

- Agriculture in emerging markets and developing countries



Agricultural supply chain





Agricultural Finance

- Segmentation of farmers
- Small farmers with marketable surplusses mainly:
 - * Supply chain finance structures
 - * out grower scheme
- Finance is product based
- Emerging Farmers - supply chain finance
 - direct farm finance mainly farm finance
 - mainly short-term limited medium term
- Commercial Farmers full range of financial products short, medium long term and leasing

International lessons learned in Rural Finance

- Specialized institutions like agricultural banks have shown limited sustainability and continuity , high risk concentration, inefficient use of network
- Rural Banks need also an urban presence
- Purely Commercial based Banks (optimum return on equity) show little
Inclination for rural finance (mostly lipservices)
- Sufficient scale and market share is essential for banks with a rural orientation
- Client linkage also in corporate governance can positively influence performance





International lessons learned

- Both direct and channels and branch network need to be used
- Strong IT in combination with direct channels (like mobile telephone) ATM's P.O.S are essential for effective product delivery
- Client segmentation linked to products and distribution channels important for effective product delivery
- Economies of scale, standardization of products and systems
- Rural Banks need to focus on both side of the balance sheet, lack of well operating financial markets, provide a need for self financing (loan to deposit ratio < 90%)



International lessons learned

- Smart distribution can lower transaction costs
- For high risk emerging entrepreneurs/farmers risk mitigation instruments (guarantees) can be effective
- A “simple” credit risk scoring system is effective
- Banks need specialized knowledge bases departments (Agriculture, SME) in order to serve these targets groups
- Adequate rural infrastructural (roads, electricity, internet) essential for rural banks and development of rural economy



Rabobank Approach

- Minority state in banks in Africa. Currently Tanzania, Zambia, Rwanda and Mozambique
- Banks remain local incorporated financial institutions
- Mission is access to finance and a rural focus
- Banks should have the capacity to become one of the largest banks in the country
- Besides capital, Rabobank provides management services and technical assistance



Rabobank Approach

- Agree on strategy, business plan and restructuring plan with all shareholders
- We consider them as partner banks that can benefit long term from Rabobank expertise and network
- No exit strategy

Example NMB Tanzania

	2005	2009
	Number	Number
Clients Agriculture	0	350.000
Private Individuals	800.000	1.100.000
SME's	50	4000
Number Branches	104	130
ATM's	0	280
Mobile banking clients	0	120.000
	MLN Euro	MLN Euro
Loans and Advances	52	320
Customer Deposits	400	680

