

Banco Oportunidade de Mozambique (BOM)

Agriculture Finance Model

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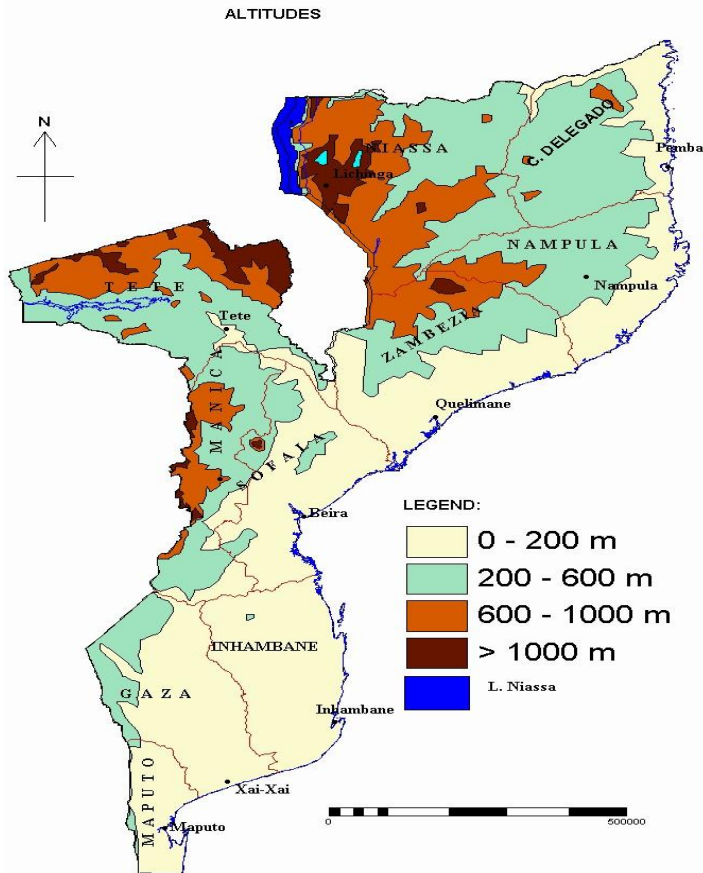
Content

- Who We Are
- The Agriculture Finance Market
- Our Agriculture /Rural Finance Model
- Products and Services
- Delivery Mechanisms
- Risk Management Systems and Approaches
- Lessons Learned
- Success Factors
- Plans for Scaling-up

Who we are

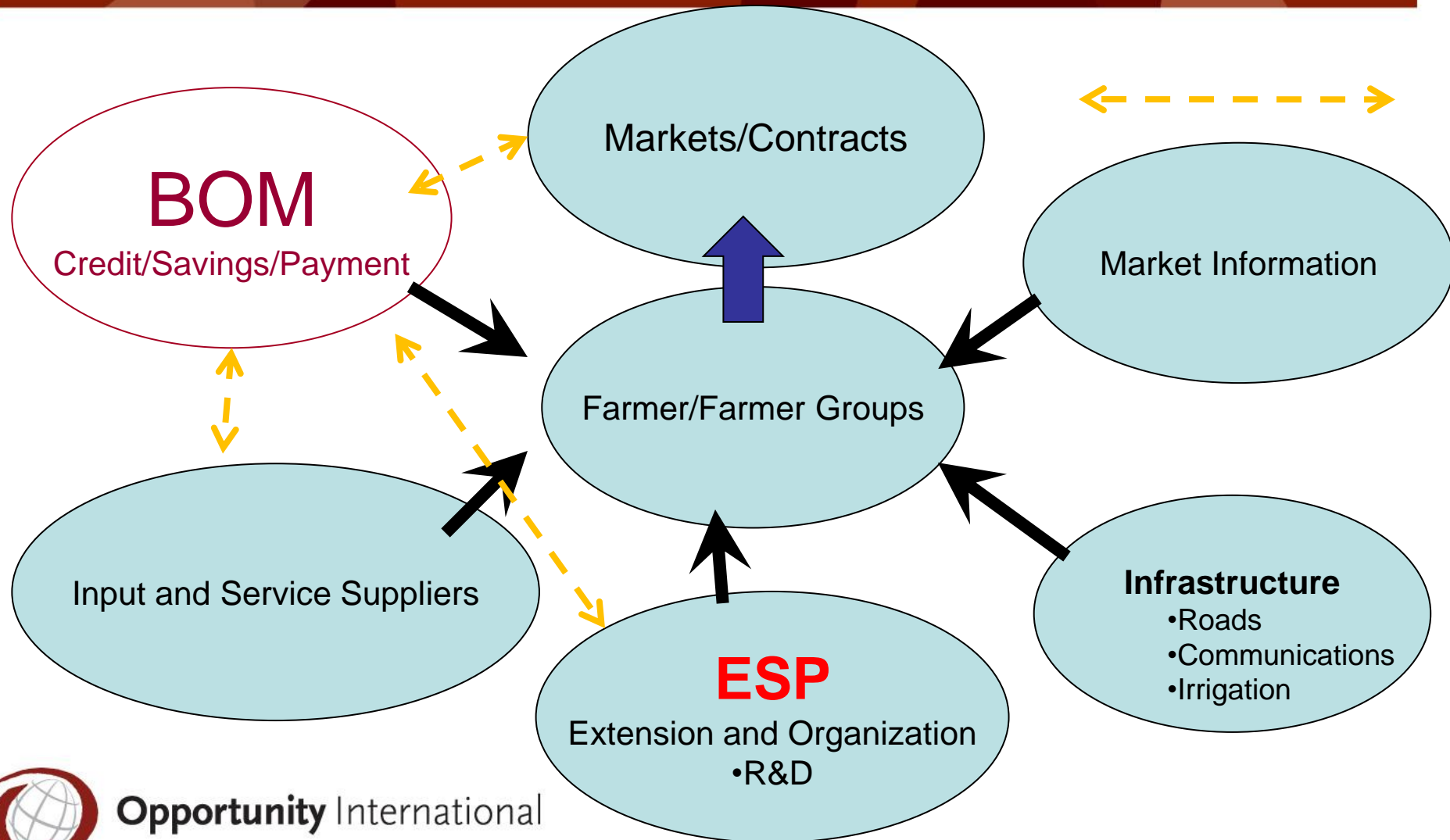
- Part of Opportunity International Network that provides financial services and training to over 2,5 million people in about 20 countries
- Opened in 2005, as commercial bank merging the portfolios of CARE, MEDA and World Vision
- BOM started with approximately 2 500 customers and serving now more than 45 000.
- Our products: group and individual loans, savings and transactions accounts, term deposits
- Financing agriculture started as a pilot project in 2010 in the central western part of country with 180 farmers.

The Agriculture Finance Market



- Population: 22,894,000
- 70.2% is Rural Population: over 50% are women
- 65% of Rural Population below the Poverty Line
- Estimated Number of Rural Microenterprises: 791,000
- 1% - 3% of Rural Microenterprises have Access to Credit
- 3mil farming enterprises, 80% cultivate less than 2 hectares.
- Access and use of technology and input the lowest
- High transaction cost
- Most FI s are in urban areas

The Rural/Agri Finance Model



The ESP in our Rural/Agric Finance Model

■ NGOs:

- promotion of **farmers structures**
- training in **Good Agricultural Practices**
- logistical support; create **market linkages** for production output
- supporting **finance links to target groups**
- Ex: CLUSA, ADRA, World Vision, Technoserve

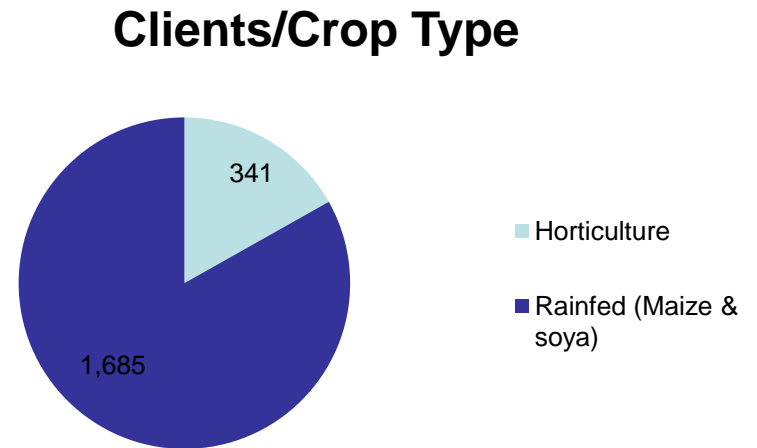
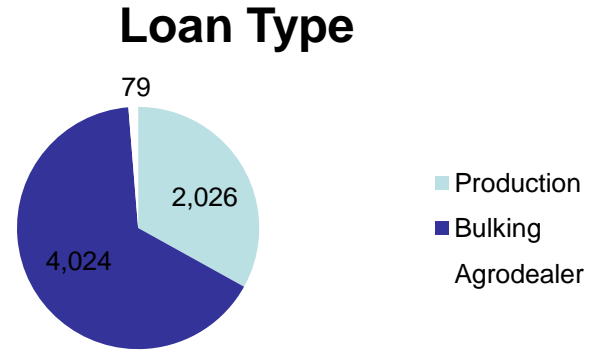
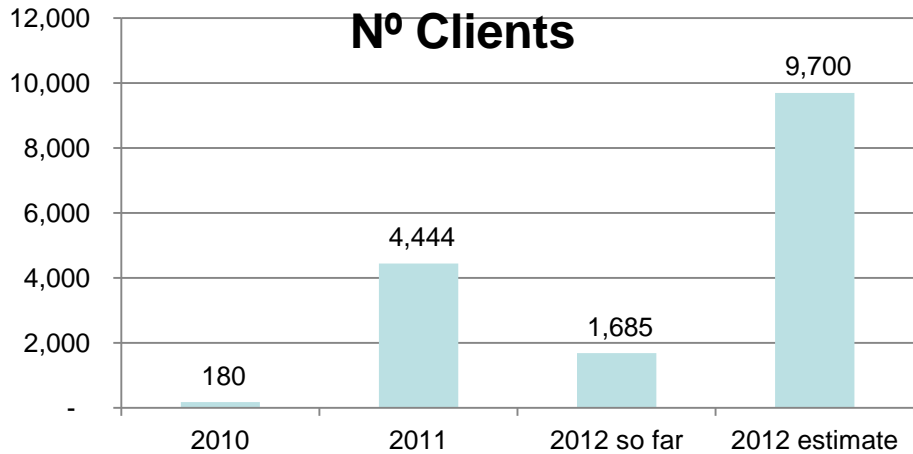
■ Private: Processers, Traders, Buyers...

- Buying and or growing under out grower contracts with farmers.
- THE IDEAL CASE; offer guaranteed output market, guaranteed price. Mitigating credit, market and price risks.
- Ex: Trading company; Poultry Farmers; High end vegetable exporter.

Products and Services for Smallholder Farmers

- 1. Production Group Loans** : in the form of inputs and cash for organized groups of farmers with technical assistance and linkage to output markets.
 - Rain fed annual crops (Maize, Soya, Sesame)
 - Irrigated Horticulture
- 2. Bulking Group Loans:** finance short term crop aggregation by farmer unions under contract with and off-taker (WFP). Association pays in real time up front to farmers.
 - Maize; Soya; Beans
- 3. Loans to Agro Dealers:** Finance small traders in rural areas retailing quality inputs to small farmers.
- 4. Rural Savings Products:** Basic savings account with high interest rates. Developing farmer specific saving products with AgriFin.
- 5. Business Planning:** Support unions and farmers in market and price structure analysis.

Current Outreach



Delivery Mechanisms

- **Branches and satellites** in 7 of 10 Mozambican provinces, 14 fixed branches and satellites
- **Mobile banking** in rural areas; selection of areas in according to Agriculture prospects.
- **Container Branches**
- **Loan officer network** allocated in rural areas. (4 LO and one Ag Supervisor in two provinces)
- **Twining loan officers** with ESPs

Delivery Mechanisms



Credit Risk Management Systems And Approaches

- **Knowing the Region**
 - Climate patterns
 - Traditional crops and market flows
 - Demographics
 - Communications and infrastructures
- **Knowing the Crop**
 - Crop profiling (cost, yield, price)
 - Market analysis
- **Knowing the Farmer**
 - House hold profiling
 - House hold cashflow
 - Mapping
 - Social relations to form solidarity groups
- **CRM** (Customer Relationship Management)
- **Credit Guaranties**
 - Ex DCA facility
- **Specificity of loans adapted to each business model of each business partner**
- **Loan officers embedded** in rural areas with personal knowledge of clients

Lessons Learned

1. Geographical dispersion and low population density difficult to manage and Expensive Delivery Cost. Innovative Delivery Infrastructures help.
2. NGO and government extension services are not commercially motivated and therefore, less effective. Extension service and loans tailored/linked to the market work better. NGO, government services Vs private have different objectives and indicators of success.
3. Better assessment of input quality (seed) ensures good production and repayment .
4. Private businesses ESP lead to organized and guaranteed output markets.
5. Inefficiency in the supply chain creates operational/credit risk. Eg: delay in payments to farmers, collection of produce .
6. Financial literacy crucial to build demand. Esp. in countries with low national literacy rates.
7. Bulking loans an effective way to access potential individual clients for production loans.
9. Simple loan application procedures and processes ensures outreach.
10. Linkage with ESPs and businesses for loan origination is the most effective

Scaling Up

- Expand the Agriculture Finance Program to other Potential regions of the country
 - Expansion to Northern areas of Mozambique, searching adequate ESP's to start with.

- Extrapolate the success cases to new business partners
 - Establish partnerships with other rural development institutions and companies; new ESPs

- Develop new businesses in new value chains
 - Soya
 - Poultry
 - Livestock
 - Sugarcane
 - Fruits