

**Banque Populaire du Rwanda Ltd –  
Financing of Agricultural Cooperatives**

**Financing Agriculture Forum 2012**

**28-30, March 2012  
Kampala, Uganda**





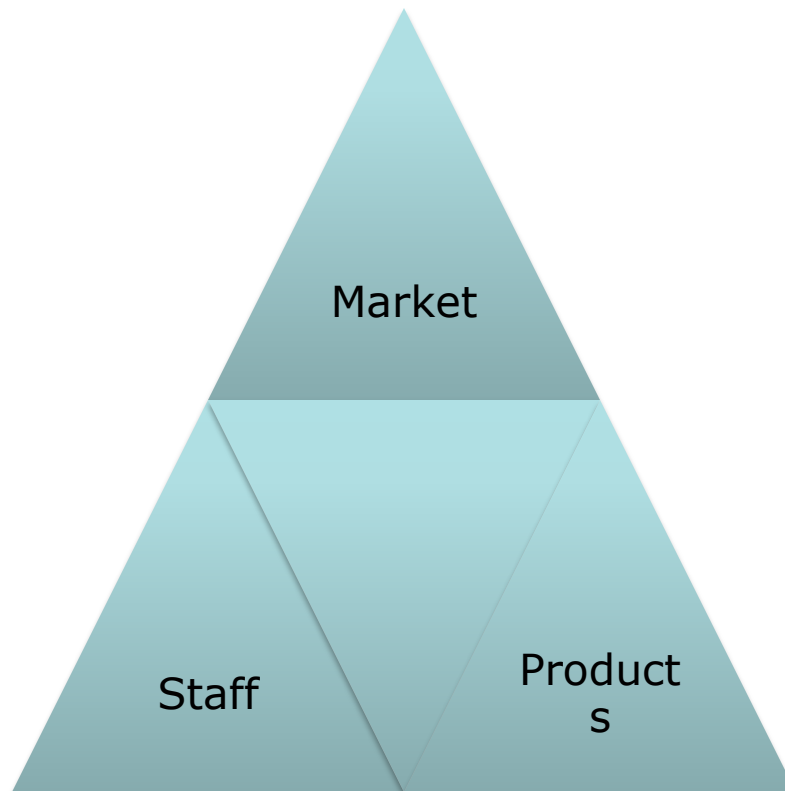
## About BPR

- ✓ **A bank that finds its origin from an association of rural cooperatives**
  - ✓ *First "Banque Populaire du Rwanda" established in the eastern province in 1975*
  - ✓ *After that many more banks were opened and they formed the "Union des Banques populaires du Rwanda" in 1981*
  - ✓ *The union of cooperatives (UBPR) turns into a commercial bank Ltd (BPR) in 2008*
- ✓ **Commitment towards rural / Agri financing**
  - ✓ *BPR has retained much of its cooperative roots*
  - ✓ *By mission and background, BPR gives special attention to farmers, agri-business enterprises, private individuals and MSME*
  - ✓ *BPR is and will continue to foster its position as "No 1 Food and Agri bank of Rwanda"*
- ✓ **Strategic partnership with the No. 1 Food and Agri bank in the world (Rabobank)**
  - ✓ *Rabobank has a 35% stake in BPR. This partnership is key for building a strong Agri – bank*
    - *technical expertise and transfer of knowledge and best practices in agri-financing*
    - *Transfer of experiences and best practices from Rabobank's regional partners banks*



# BPR'S AGRI STRATEGY & APPROACH

## STRATEGY



## APPROACH

- Focus on integrated sectors (coffee, tea, rice, etc)
- Identify key stakeholders
  - Form partnerships
- Capacity building of cooperatives
  - Value chain approach
- Optimize use of guarantee instruments



## BPR's AgriFinance 2011 Portfolio: Key Stats

- ✓ *Disbursed Loans:* 8187
- ✓ *Disbursed Volume:* USD 17.8 million
- ✓ *Outstanding :* USD13.6 million

### **Portfolio Profile (Loans Disbursed)**

- ✓ *Client Type:*
  - Individuals:* 77%
  - Cooperatives* 10%
  - Others (Groups, Firms):* 13%
- ✓ *Tenor:*
  - <1 year:* 20%
  - 2-3 year:* 44%
  - >3 year* 36%
- ✓ *Size:*
  - <RWF 500,000* 51%
  - 500,000-5 million* 45%
  - >5 million* 4%

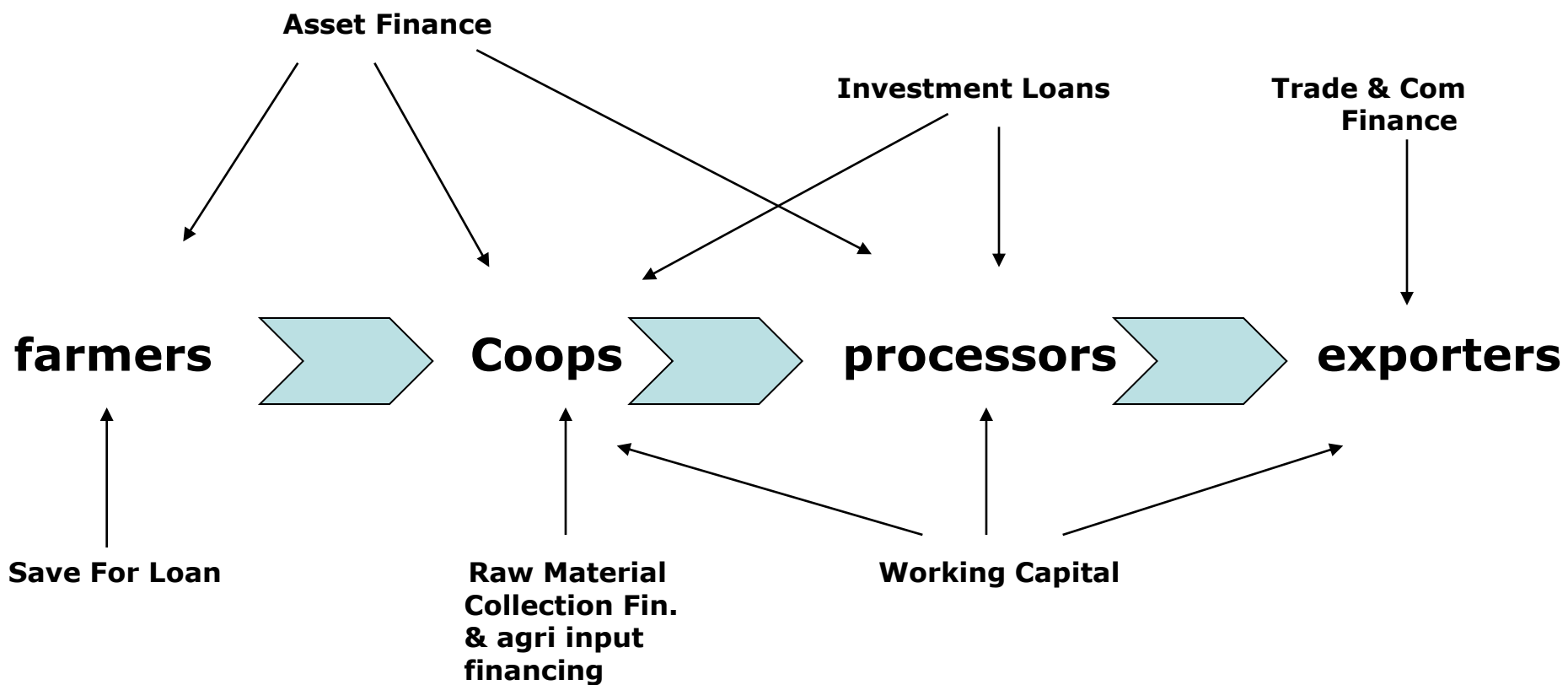


## Cooperatives in Rwanda

- ✓ *Key agricultural sectors are dominated by cooperatives (e.g. coffee, tea, rice, maize, beans and dairy).*
- ✓ *Supported by Government and other stakeholders (RSSP, Technoserve, Land'O Lakes, USAID, Rabobank Foundation)*
- ✓ *Key functions of coops are input supply, collection and marketing of crops*



# Products for Coops





# Cooperative financing – Key Stats and Projects

## ***BPR's Cooperative Portfolio 2011***

- *Disbursed : USD 1.8 million*
- *Outstanding: USD 1.4 million*

## ***Select Cooperative Financing Projects***

- ✓ *CFC Coffee project (20 coops assessed)*
- ✓ *RSSP Rice project (fertilizer financing of 10+ coops)*
- ✓ *WFP raw material collection finance (maize/beans)*
- ✓ *USAID post-harvest financing*
- ✓ *Tea cooperative financing*
- ✓ *Dairy financing / Technoserve and Land 'O Lakes*



## Revenue Model Cooperatives

- ✓ **No Risk Adjusted Pricing is in place yet. Pricing is standard**
- ✓ **Interest rate: Rwanda Franc: 17% - 19%; USD: 8 – 10%**  
(Deposit Rates: Rwanda Franc: 8% - 9%, USD: 4 – 5%)
- ✓ **Other Non Funded Income Sources are:**
  - Cash management (mobile banking (accounts) payments)
  - Fees (arrangement, management, commitment)
  - FX transfers and conversion
  - Trade finance services (import/exp L/C's, guarantees)
  - Employee benefits: staff loans/insurance.





## Lending to Coops: Challenges & Opportunities

- *Weak management and organization*
- *Lack of contract discipline (side selling)*
- *Knowledge gap between coops and banks about what information is needed to obtain a loan.*
- *Lack of trust between the members and the board.*
- *No reliable financial figures available*
- *Limited infrastructure and collateral available for banks*
- *Fraud and corruption*
- + *A good way to reach small farmers*
- + *Value Chain finance is possible (input financing, raw material collection finance). Link with off-takers.*
- + *Cooperatives can be involved in monitoring or recommending farmers to the bank.*
- + *Good opportunities for inventory financing if warehousing is available.*



## Credit Monitoring Cooperatives

### **Monitoring of repayment risk:**

- ✓ *is done on (sub) branch level itself*
- ✓ *often financial figures are not available or not reliable.*
- ✓ *assessment is based on account turn over, site visits and monitoring of principals and interest repayments*
- ✓ *Overall warning signals can be provided and disseminated to the Agri Commercial Officers based on regional developments (diseases, price developments, other market information)*

### **Early Warning Signals:**

- *Account Turn Over is not in line with the forecasts*
- *Principals and/or interest payments are overdue*
- *Market signals: for example International Coffee Prices have collapsed.*
- *Bad financial figures/performance (if available)*



## Key Success factors Cooperative Lending

1. Gain knowledge about Agriculture in order to assess the related risks properly.
2. Link the Cooperatives to off takers through tripartite agreements which mitigates the market risk.
3. Assess new Cooperatives through stakeholders/off takers and other related parties.
4. Work with other stakeholders in partnerships (e.g. RSSP, Rice millers, Coffee traders, etc)

A wide-angle landscape photograph showing a valley with green fields, a forested area, and a road. The text "THANK YOU FOR YOUR ATTENTION!" is overlaid in yellow. The scene is captured from an elevated position, looking down into the valley. The foreground shows some green foliage and a wooden post. The middle ground features a large green field with a dirt road and a forested area. The background shows rolling hills and a valley with some buildings and a road. The sky is blue with some clouds.

**THANK YOU FOR YOUR ATTENTION!**