Introduction to Rural Finance - Reaching more of Africa

November 2010

Diana Cazacu – COO

Banco Opportunidade de Mozambique

diana.cazacu@gmail.com

Opportunity International

Contents

- Opportunity International background
- The Rural Model approach and Opportunity banks' role
- Our IT systems (CRM)

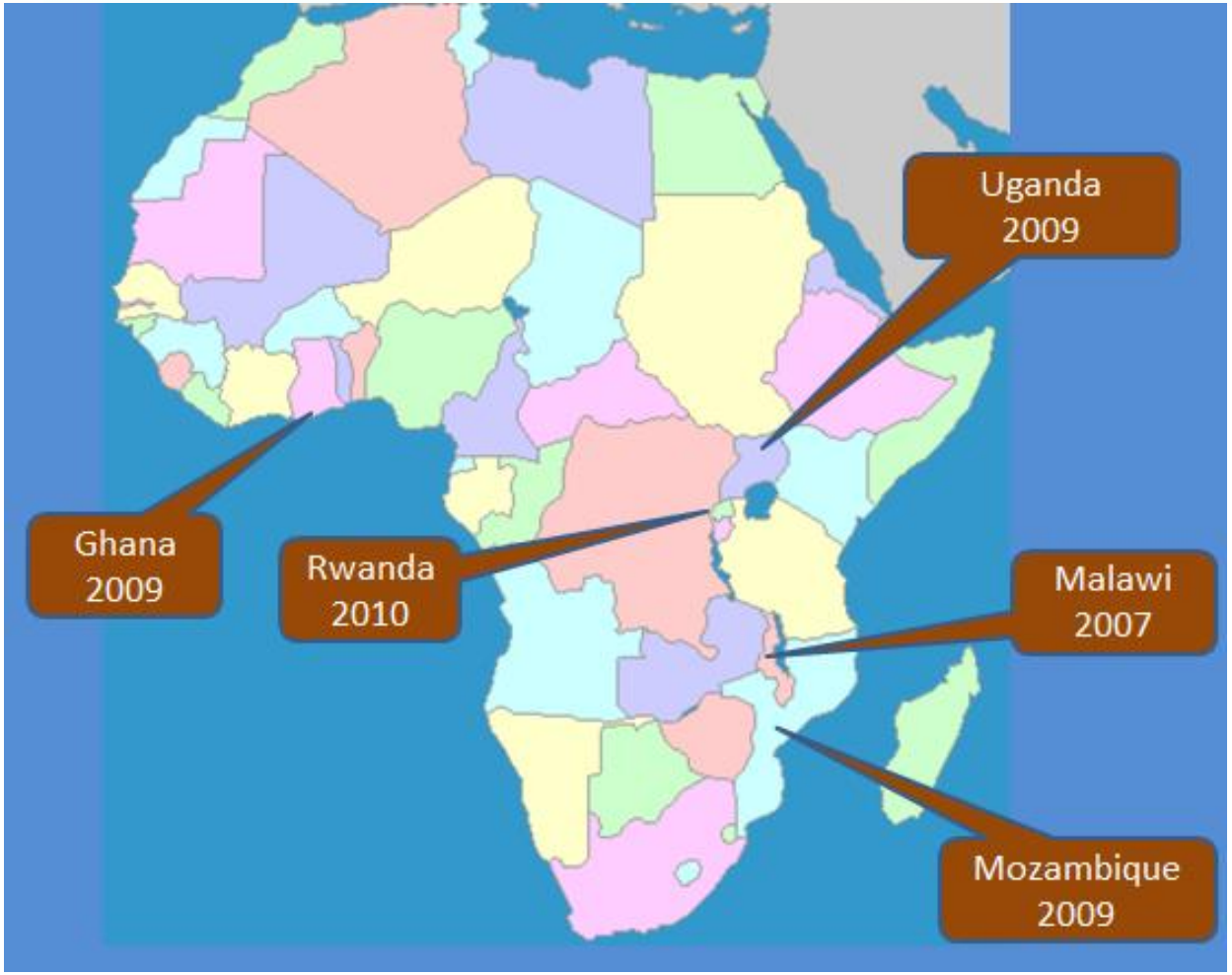
- Introduction to BOM and how it responds to Mozambique needs
- BOM's rural activities

Opportunity International Background

- Providing microfinance services to economically active poor since 1971
- 24 countries in Africa, Eastern Europe, Latin America and Asia
- Over 2 million customers; 564 million USD in loan assets
- Micro loans, savings, insurance, training
- 84% of our customers are women
- Average first loan size: USD 138

Africa Coverage – Rural Finance

"Opportunity have made a commitment to extend financial services to the rural population in Africa."



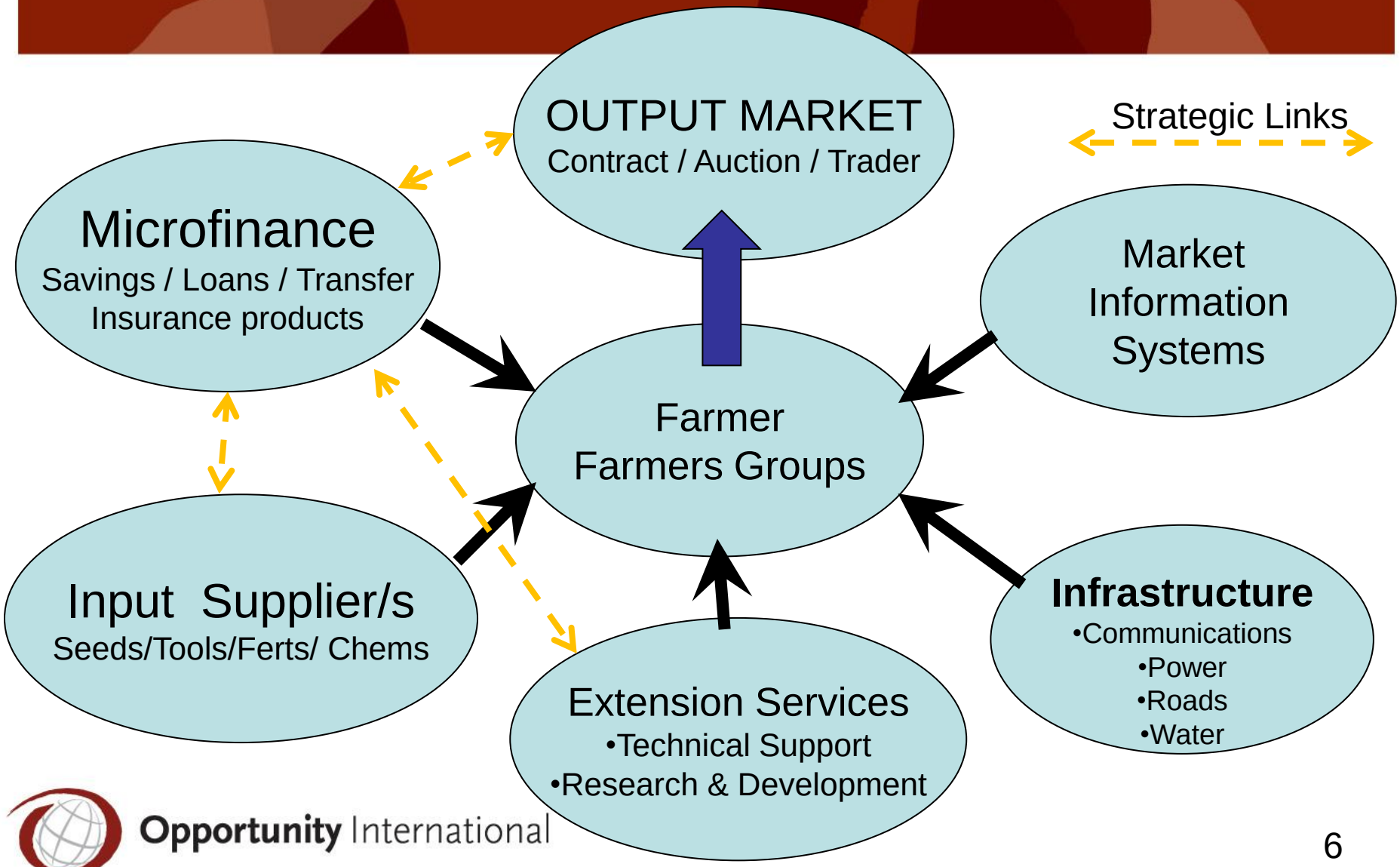
Opportunity International

Africa – Agricultural Finance

- **Poor reputation** over repayment & high level of default
- **High transaction cost** and monitoring cost
- **Long loan periods** with bullet repayments
- **Production risk** due Weather and Disease
- **Price risk** due to volatile and weak Output Markets
- **Household Food Security** v Loan Repayment
- **No regular monthly Income**
- **Need for Savings** to survive until the next harvest

This is a Risky Business!

The Rural Model



Opportunity International

OI Approach to Rural Ag Finance

- Recruit & Train Ag. Finance Officers
- Develop strategic partnerships with other stakeholders in the Rural Model in each country
- Support target smallholders through organized group structures with clear business models and output markets
- Provide added-value Banking, Savings and Insurance services and identity new financing opportunities in output markets and added-value processing
- Develop delivery mechanisms – mobile banks, ATMs, POS etc and Financial Literacy Training

Checklist for the Rural Model

Service or Stakeholder	Action
Market Information Service	Is there a National or Regional market information service?
Infrastructure	Do the target group have ease of access to market for inputs and sale of output? Roads / Transport.
Technical Services, Extension Service, Seed and Crop development	Dedicated Extension Services providing technical support, group/club formation, training on crop production, post harvest and storage?
Input Supply / Dealers	Where do the target group get their inputs? Can OI pay direct to the Input dealers?
Output Market	Where will the crop be sold? Do the producers have a contract with a minimum price? Can OI get a guarantee or contract that producer will be paid through OI?

Opportunity International

Loan Sizing

- The tradition approach to rural finance is designing a package for a single cash crop and provide it to all the borrowers.

- OI approach is based upon blending information on:-

  - Household Profile

  - Land Area

  - Crop mix

Know your Customer – KYC I

(extra info for rural clients)

- Size of Farm with ownership – Mapping (GPS coordinates)
- Range of Crops
- Household demographics (Numbers/Ages) - Profiling
- Current /other source of income / employment / remittances
- Asset base
- Contact details
- Market access – physical and contractual

Opportunity International

Household Profile

» Number of Family members

» Demographics of the Family

» Breakdown of the current Farm enterprises – crops / land used

» Other sources of income / activity

» Access to Water / Roads / Bank etc.

» Use of Mobile phone

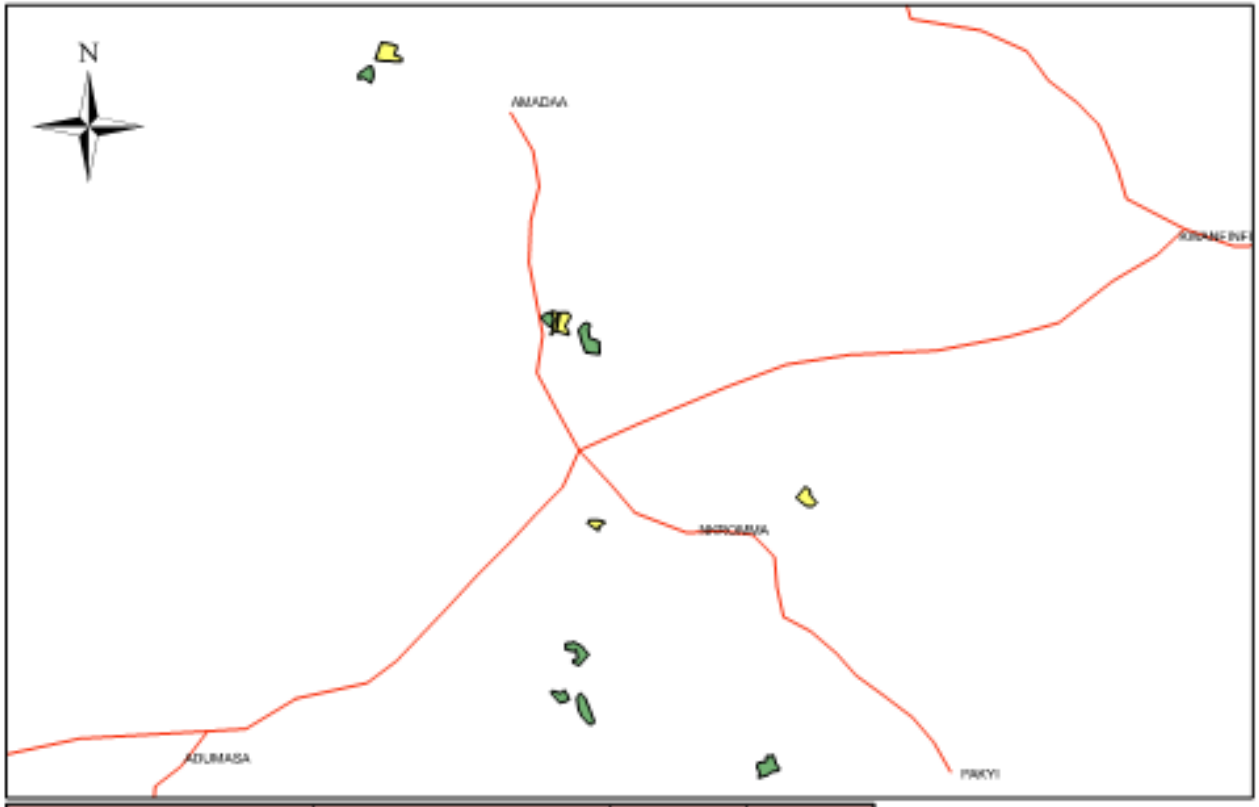
Opportunity International

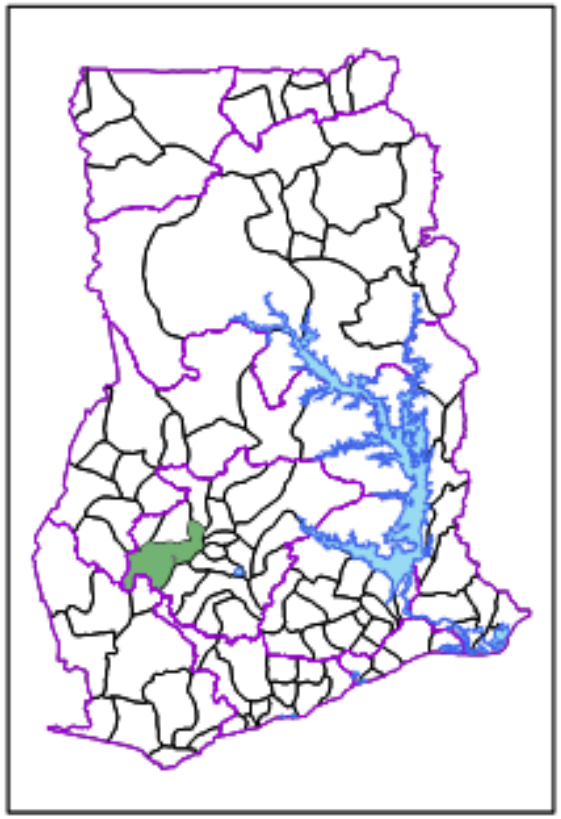
Mapping

- » Position of house
- » Plot boundaries
- » Altitude
- » Access to Water

Opportunity International

COCOA FARMS FINANCED BY OPPORTUNITY INTERNATIONAL IN GHANA





FarmerName	Farm Status	Acres	Hectares
Agnes Fosu Hene	OIC input Financed	3.45	1.40
Akwasi Boakye	OIC input Financed	1.55	0.63
Jonas Asilefy	OIC input Financed	2.12	0.86
Kwabena Wagya	OIC input Financed	5.07	2.05
Mary Dua	OIC input Financed	1.91	0.77
Mathew Boye	OIC input Financed	3.76	1.52
Samuel Yaw Osei	OIC input Financed	3.92	1.59
Akwasi Boakye	Other farms	1.22	0.49
Akwasi Boakye	Other farms	2.85	1.15
Jonas Asilefy	Other farms	4.64	1.88
Jonas Asilefy	Other farms	2.93	1.19
Mathew Boye	Other farms	1.38	0.56

Nkrumah Farmers Association

Nkrumah, Ashanti Region

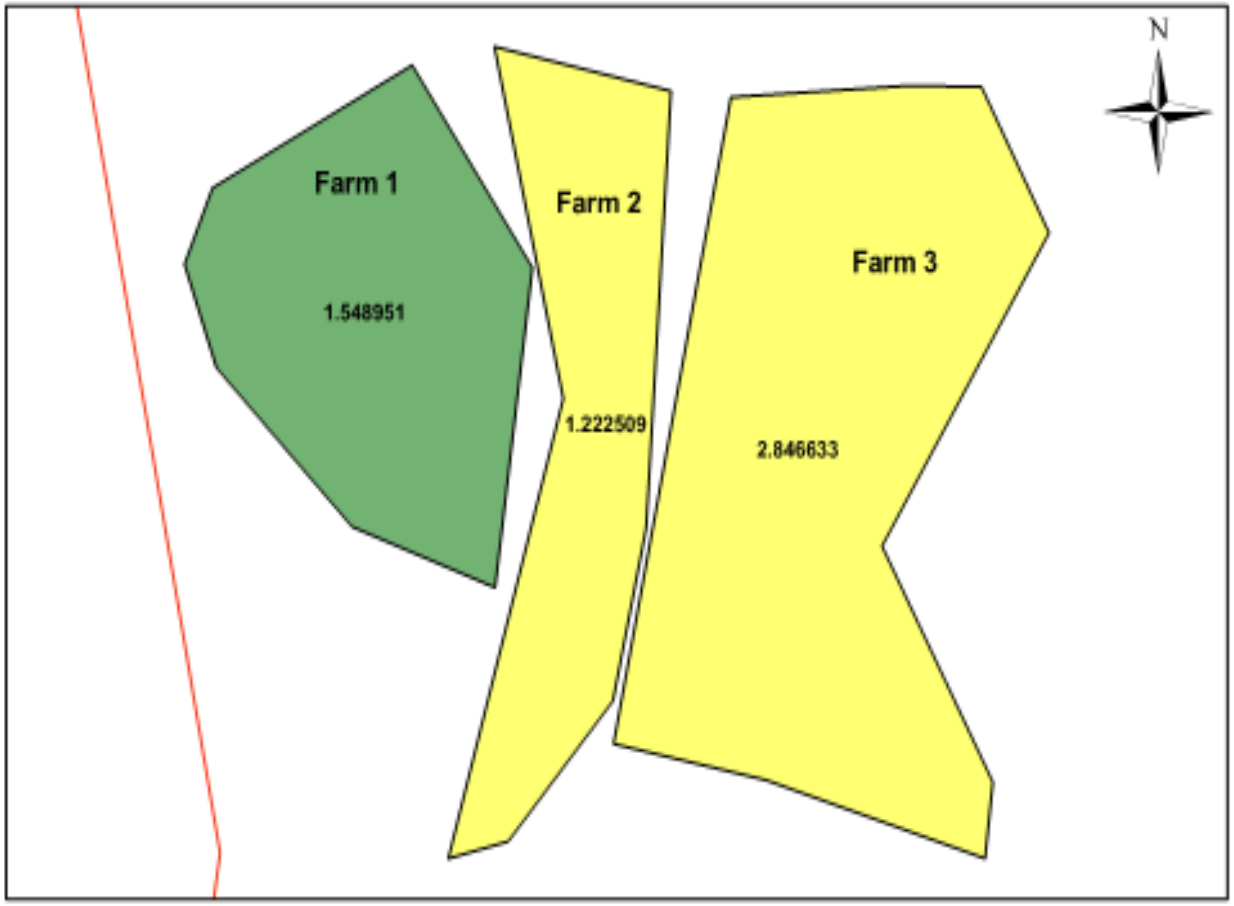
Legend

Farm status

- OIC input financed
- Other farms
- Roads

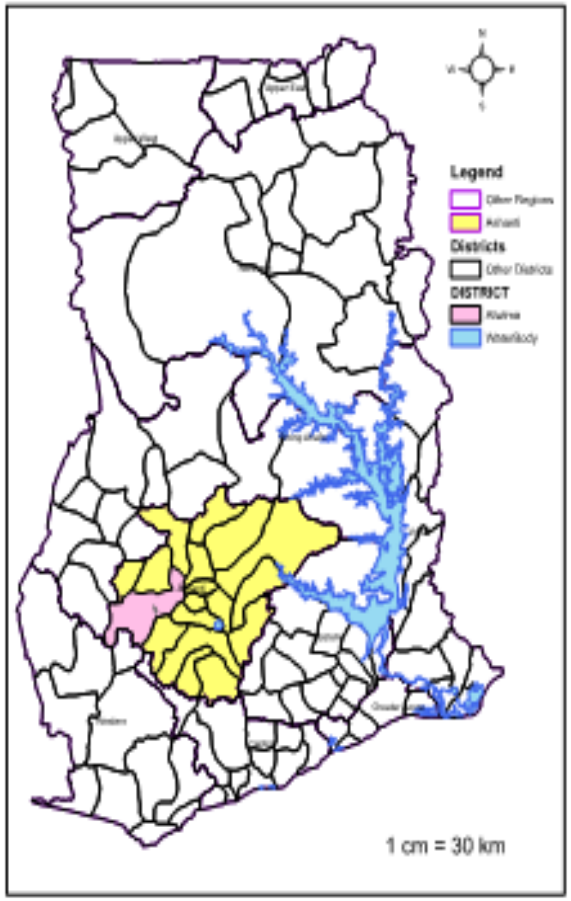
1 cm = 0.36 km

COCOA FARMS FINANCED BY OPPORTUNITY INTERNATIONAL IN GHANA



1 cm = 0.01 km

MAP OF GAHANA



Association: Nkrumah Farmers Association

FarmerName	Community	Farm Locaton	Farm No.	Farm Status	Acres	Hectares
Akwasi Boakye	Nkrumah	Amadaa	Farm 1	OIC input Financed	1.55	0.63
Akwasi Boakye	Nkrumah	Amadaa	Farm 2	Other farms	1.22	0.49
Akwasi Boakye	Nkrumah	Amadaa	Farm 3	Other farms	2.85	1.15

Legend

Farm status

- OIC input financed
- Other farms
- Roads

Advantages of Mapping & Household Profiling

» Identify Vulnerable Households

» Develop Total Farm plan for optimum food security and income

» Balance Inputs and Cropping Plan with Loan Size

» Monitor Yields and Extension Services success

Know your Crop – KYC II

- Develop “in house” Crop Profiles and Cost of Production
- Identify the Cash-flow – in / out / net
- Identify the Strengths & Weaknesses of Crop and Markets
- Weather Risk
- Consult with other stakeholders to verify potential production & yield to independently verify clients information.
- Collect Market Information – monitor trends

Cost of Production – Paddy Rice - Ghana

» In-house details that form the basis of objective financing decisions

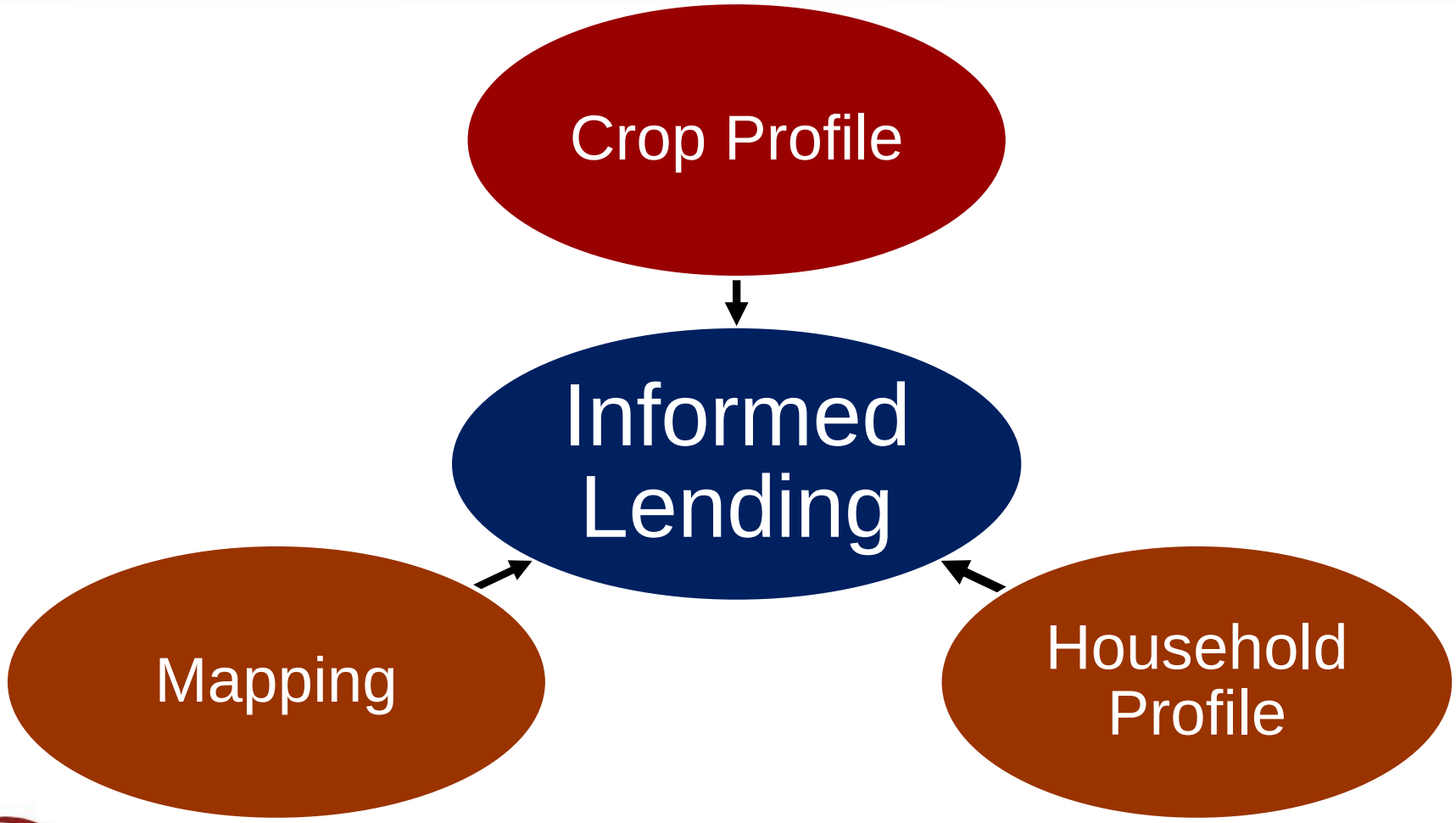
	Financing Paddy Rice production in Ghana SEASONS: major(Mar-Aug); minor(Sept-Nov) Particulars	PER ACRE COST OF RICE PRODUCTION Unit cost(GH¢)	Qty needed	Total GH¢	(US$)
INPUTS	Land hiring*			-	-
	Land clearing*			-	-
	ploughing	45.00	1	45.00	34
	stumping*			-	-
	garden line*			-	-
	50kg of NPK-15-15-15	36.00	3	108.00	82
	50 kg of seeds	80.00	1	80.00	61
	Bird control*			-	-
	Wellington boots	12.00	1	12.00	9
	Cutlasses	5.00	2	10.00	8
	Planting/sowing*			-	-
	1st weeding	80.00	1	80.00	61
	2nd weeding	80.00	1	80.00	61
	Harvesting, threshing and winnowing*			-	-
	transport*			-	-
	bags for storage	2.00	16	32.00	24
	tarpaulin for drying and threshing	50.00	2	100.00	76
	milling and bagging*			-	-
	contigencies(5%)			27.35	21
	Total cost			**574.35**	435
	Expected interest rate(30% p.a) for5** months	**14.36**	5	71.79	54
				-	-
RETURNS	Revenue(50kg of rice) per acre	57.00	16	912.00	691
	Post-harvest losses(5%)			91.20	69
	Profit including farmers' effort			174.66	132
	Return on investment			27%	30%

*: farmers' efforts are needed for these activities unless recommended by agric specialist

**: it will take farmers this period from production to market for loan repayment.

Opportunity Inte

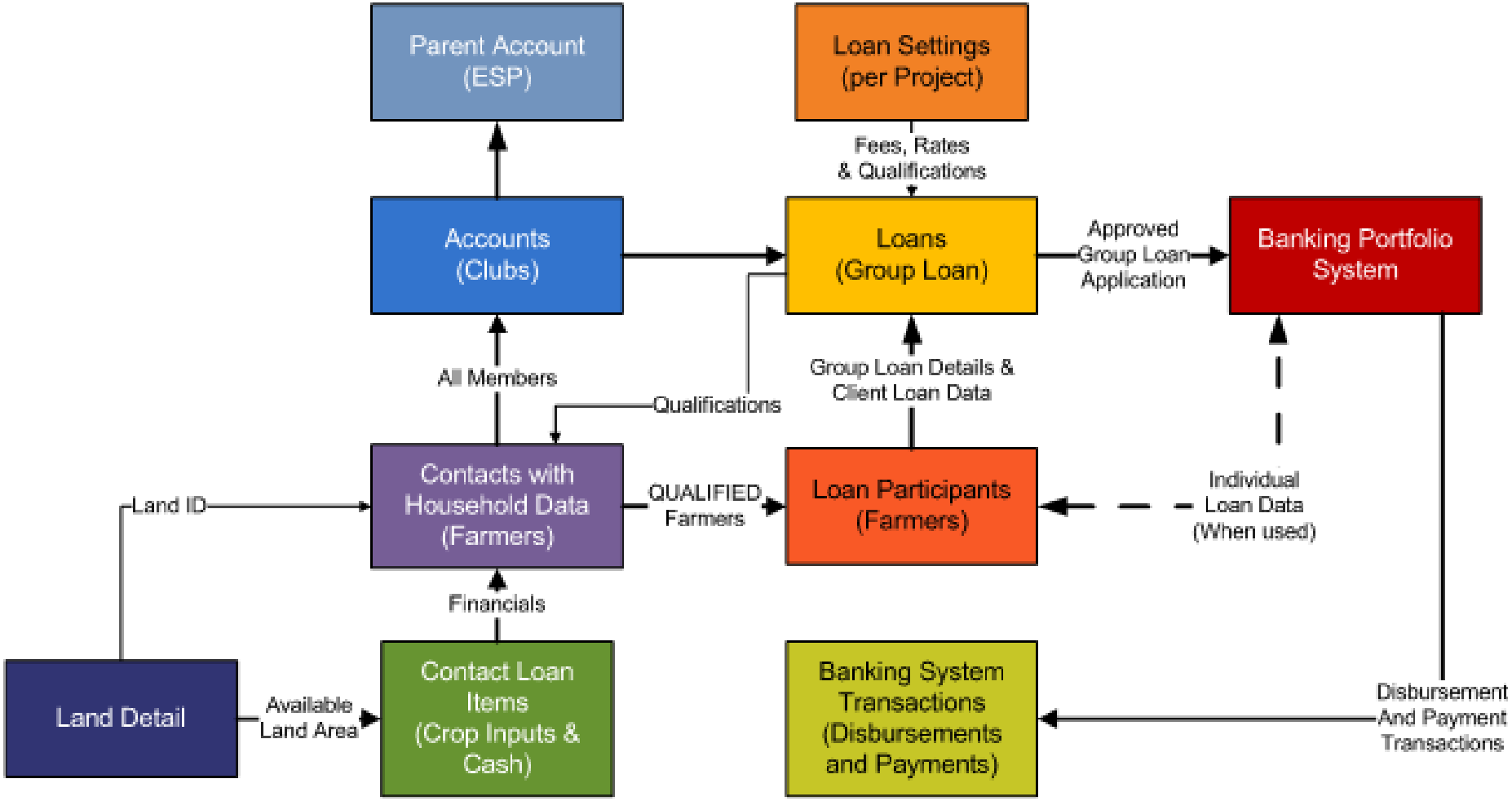
Production Finance – captured in CRM



Opportunity International

OI Customer Relationship Manager

Opportunity CRM Information Flow



CRM Contact Record - Top

Opportunity International
GIVING THE POOR A WORKING CHANCE

Ron Jenkins | Help & Training | Agricutural Finance

Home | Accounts | Loans | Contacts | Land Details | Contact Loan Items | Loan Participants | Banking System Transactions | Reports | Loan Settings | Dashboards | Documents | +

Contact
Pedro Sixpence

Customize Page | Edit Layout | Printable View

Land Details [1] | Contact Loan Items [3] | Loan Participants [0] | Banking System Transactions [0] | Open Activities [0] | Activity History [0] | Notes & Attachments [0]

Contact Detail

Edit | Delete | Clone | Sharing | Request Update

Contact Information

Account Name	Batana 1	Contact Owner	Mean Sarmiento [Change]
Contact Record Type	Farmer [Change]	Phone	
Name	Pedro Sixpence	Mobile	
Middle Name	Joao-Joao	Country	MZ
Preferred Name	Pedro	Identification Type	BI Card
Alternate Contact Name	Juliana	Identification Number	0600000 N
Other Phone	823566676	ID Expiration Date	10/20/2014
Primary Language	Shona		
Z_Converted Contact ID Type	1		
Address	Povoado Chazuca	Region/Province/State	Manica
City/Town/Village	Posto de Machipanda	District	Manica
Address Notes	Perto de EPC de Chazuca de pois de passar rio Nhatsatse		
GPS Location			

Demographic Information

Gender	Male	Birthdate	4/16/1967
Marital Status	Married	Age	43
Education Level	Secondary	Age Category	36-45

Bank Information

Bank	BOM	Banking System Customer ID	
Branch	Agência de Manuta		

Done | Trusted sites | 100%

CRM Contact Record - Bottom

Number Male Under 18 Not Your Own	2	Number of Female Under 18 Not Your Own	
Access to Drinking Water	Well	Total Number of Dependants	13

Alternate Income Information

Other Sources of Income	Crop Trading; Irrigation Farming	Annual Income From Alternative Sources	MZN 12,000.00 (USD 333.36)

Farmer Qualification - Next Loan

Loan Name	Batana 1-2010	Qualification Status	QUALIFIED
Current Project Name	MLT 2010-11	Disqualify Reason	
Relationship Status	Good Standing		

Next Harvest Financials

Total Crop Land Area (Ha)	2.0	Total Forecast Earnings	MZN 47,000.00 (USD 1,305.66)
Total Input Costs	MZN 26,850.00 (USD 745.90)	Percent Return on Cost of Inputs	75.05%
		Weather Index Insurance Premium	MZN 0.00 (USD 0.00)

System Information

Created By	Mean Sarmiento, 10/28/2010 7:30 AM	Last Modified By	Mean Sarmiento, 10/28/2010 8:07 AM
Custom Links	Weather		Google Maps

Edit | Delete | Clone | Sharing | Request Update

Land Details

New Land Detail

Action	Land Detail Number	Land Area (ha)	Land Area is Estimated	Survey Reference ID	Land Ownership	Weather Index Insurance Qualified
Edit | Del	2010-10-00451	2.0	☐		Traditional Ownership / Long-Term Lease	☐

Contact Loan Items

New Contact Loan Item

Action	Contact Loan Item: Contact Loan Item ID	Active	Crop	Loan Name	Planned Crop Input Costs	Expected Sale Date	Weather Index Insurance	Weather Insurance Premium	Land Area (Ha)	Contact Loan Iter
Edit | Del	2010-10-28-1277	✓	Maize	Batana 1-2010	MZN 10,850.00	9/1/2011	☐	MZN 0.00	1.0	10/28/2010
Edit | Del	2010-10-28-1278	✓	Potatoes	Batana 1-2010	MZN 15,000.00	8/15/2011	☐	MZN 0.00	0.5	10/28/2010
Edit | Del	2010-10-28-1276	✓	Cabbage	Batana 1-2010	MZN 1,000.00	3/12/2011	☐	MZN 0.00	0.5	10/28/2010

Trusted sites 100%

CRM - Dashboard

Opportunity International
GIVING THE POOR A WORKING CHANCE

Ron Jenkins | Help & Training | Agricutural Finance

Home | Accounts | Loans | Contacts | Land Details | Contact Loan Items | Loan Participants | Banking System Transactions | Reports | Loan Settings | Dashboards | Documents | +

Messages and Alerts

Ron Jenkins at Opportunity International

Friday October 29, 2010

Prepare for Chatter

Search
Search All
Go!
Limit to items I own
Advanced Search...

Create New...

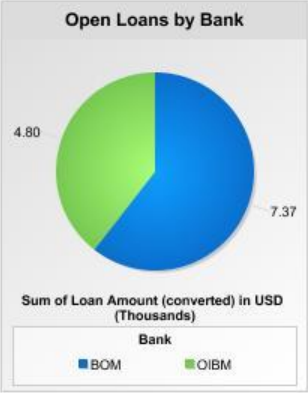
Recent Items
- 2010-07-00410
- 2010-07-00412
- Farmer Club 3
- farmer Club 2
- Farmer Club 1
- Mean Sarmiento
- Saint Mart
- Manuel Amadeu
- Jacob Matenguembe
- Ivaldo Obete Mudzekenhedze

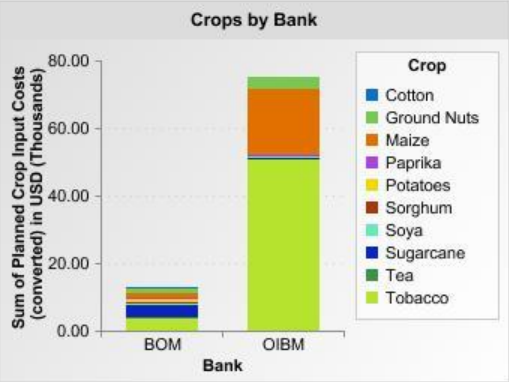
Recycle Bin

Dashboard

Refresh | Customize Page

Last refreshed at 10/11/2010 8:34 AM. Displaying data as Ron Jenkins.





My Tasks

New | All Open

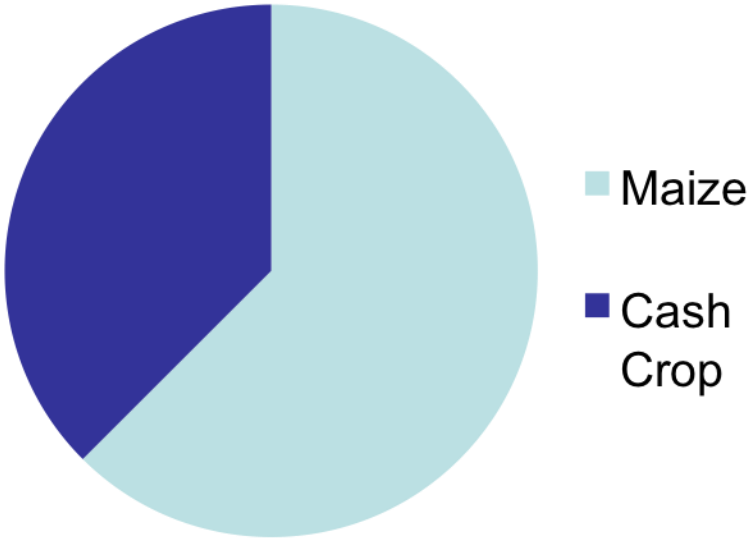
You have no open tasks scheduled for this period.

Copyright © 2000-2010 salesforce.com, inc. All rights reserved. | Privacy Statement | Security Statement | Terms of Use | 508 Compliance

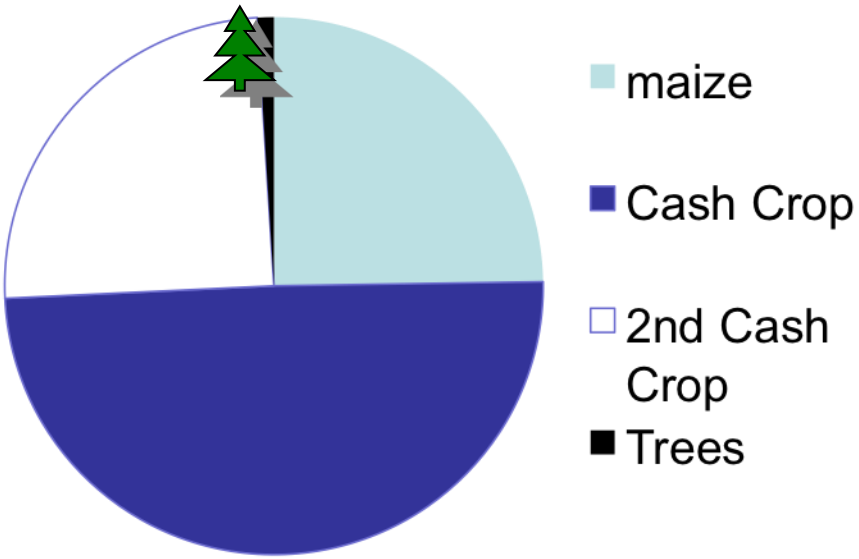
Done | Trusted sites | 100%

Combination of Extension Services & Access to Finance

Traditional Farming System 1ha



Good Agricultural Practices – 1ha



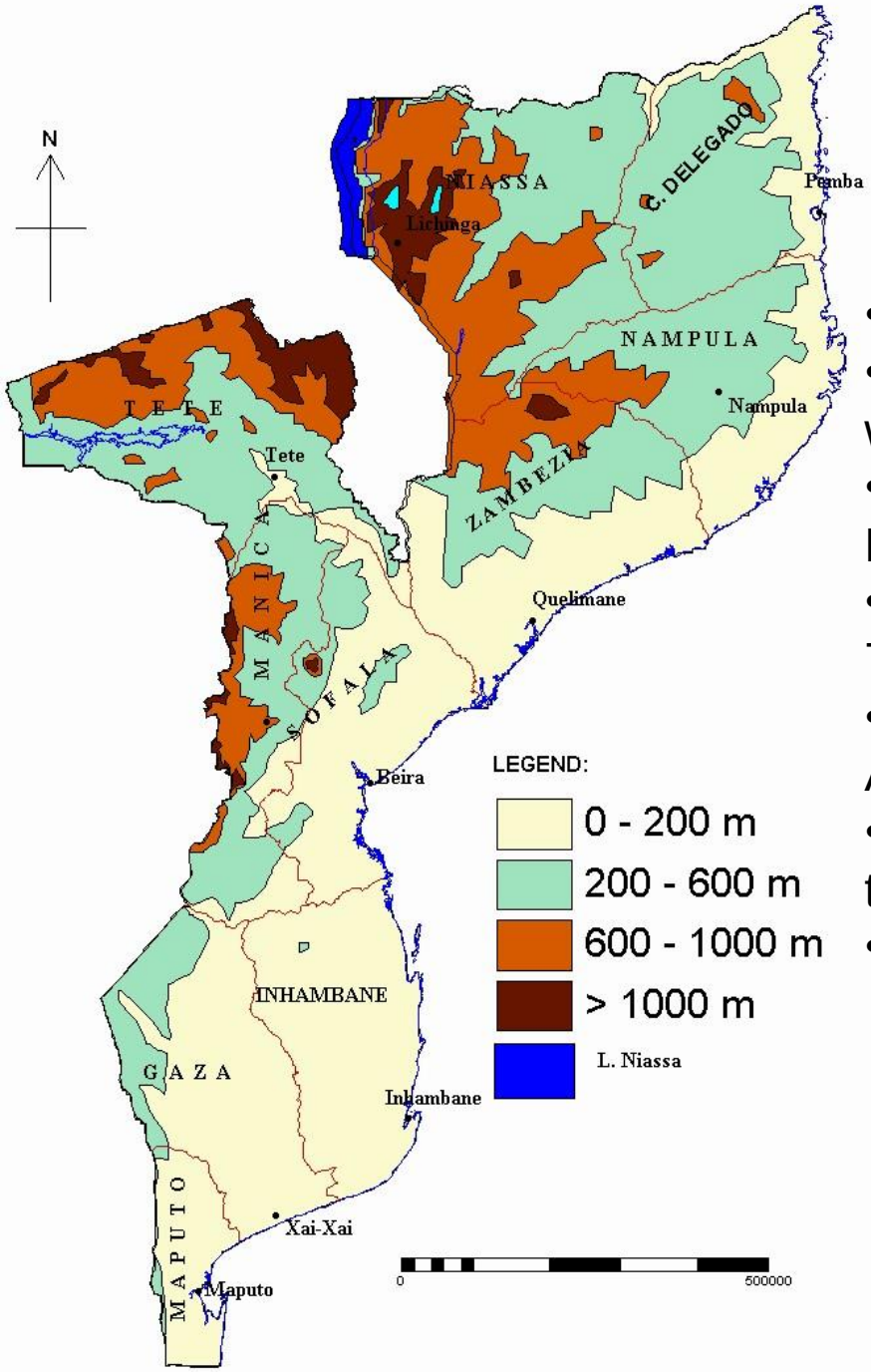
Opportunity International

Maize

This is the impact !

Ideal Lending Opportunity

1. **Well organised farmers** in group who have been and are receiving **training and extension services**
2. **GIS Mapped and Household profiles** to have better knowledge of the household requirements and pressures
3. **Total Farm plan** with a range of food and cash crops – the package
4. **Access to inputs and output market**
5. **Household safety nets** with Weather Index Insurance and Credit insurance
6. **Price Risk mechanisms** – contract production and marketing
7. **Strategic partnerships** supporting the target group



Mozambique

- 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 hectars.
- 60% have access to safe water

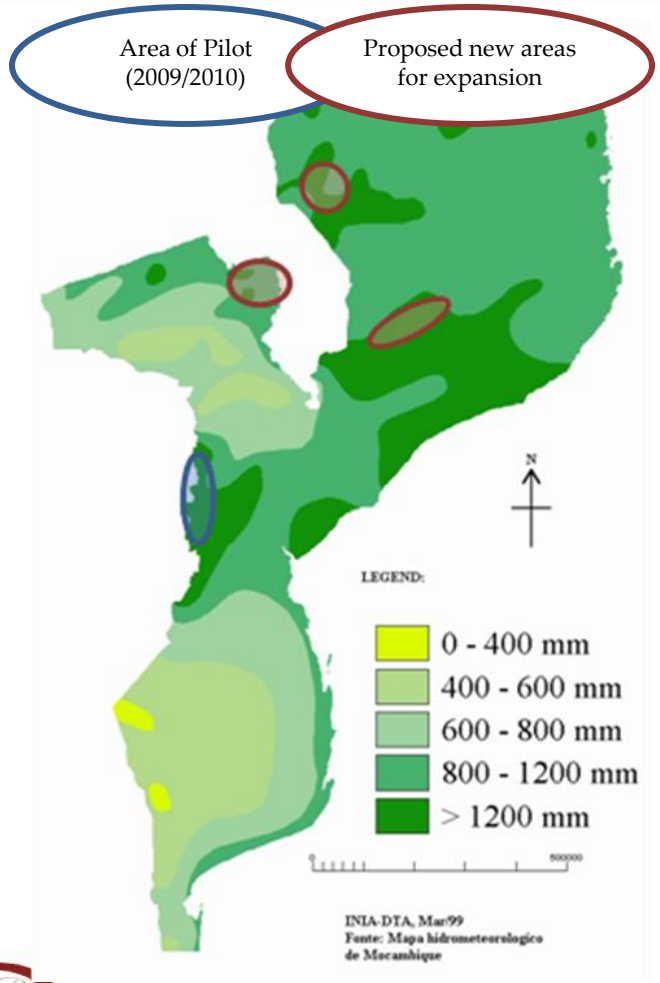
Background - BOM

- Opened in 2005, as commercial bank
- Merged 3 existing programs: Care, World Vision and MEDA
- Started with less than 1,000 customers
- 2010: 36,000 savings customers, 9,000 loan customers
- Our products: group and individual loans, savings and transactions accounts, term deposits
- Average loan size is approx 280 USD

BOM footprint

- 7 hub branches
- 6 satellite branches
- 1 container
- 3 mobile banks (vans): 13 stops/locations
- 6 mobile vans by Q1 2011: 32 locations

BOM Agriculture Finance Strategy



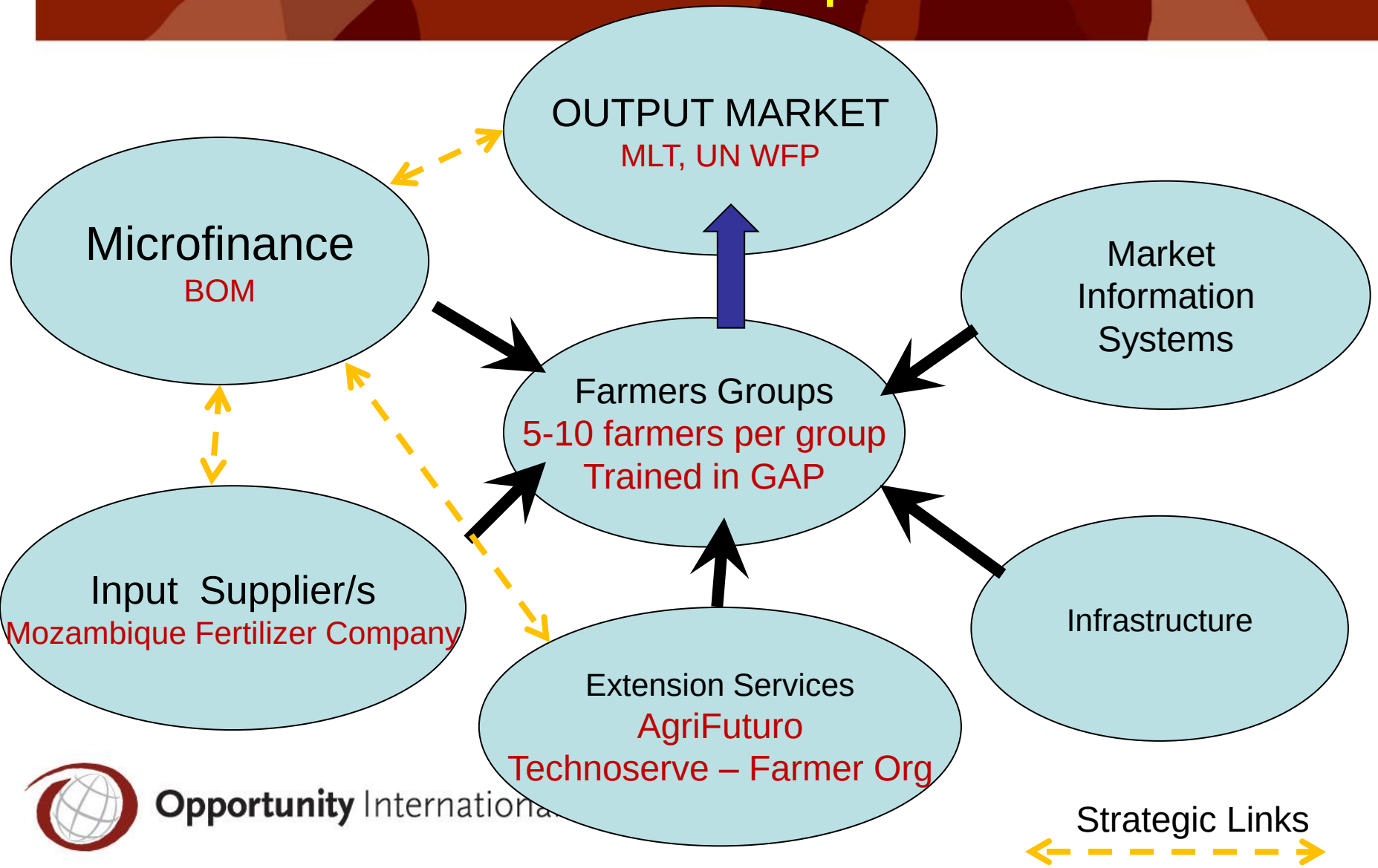
- Micro loans
- Savings
- Insurance
- Training

Opportunity International

Agriculture Programme in Mozambique

- Cash crop financing – MLT farmers
  - Tobacco + other crops
  - 1,000 customers to pilot in Manica area
  - USD 275 average loan size per farmer
  - Special savings account with no min or opening balance requirements
- Food crop financing – relationship with UN WFP
  - 100 customers to pilot
- Savings – IFDC program – 50% bonus + interest from BOM
- Special Savings account for farmers
  - Help them to better manage their cash flow
  - Pay out during lean months and replicate a regular monthly “payment”
- Credit life insurance and funeral insurance
- Training of farmers – extension services hired and financial literacy training provided by BOM

The Rural Model Mozambique



Opportunity International

Financial Literacy Training

- OI recognise that the majority of rural clients have had no experience of banks and banking services.

- Rural clients, to a varying degree across the region, have low levels of reading and writing skills.

- OI is developing a series of multi-media training products for Financial Literacy including methods to deliver the DVDs and training in the villages.

Financial Literacy Training - DVD

Client Experience

The Financial Journey Guide

Client Concerns

Structured Multi Media Training

An Opportunity for All
Financial Education in Africa

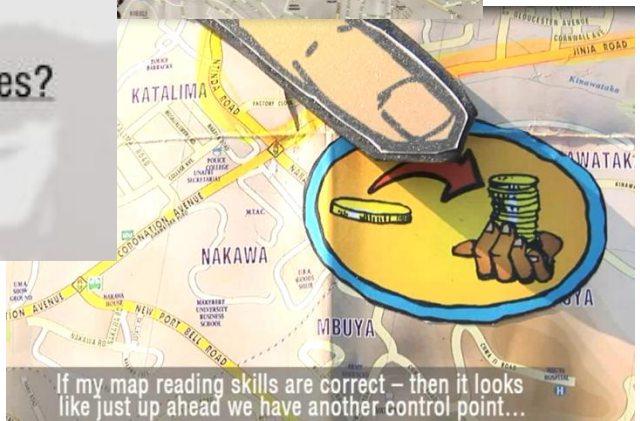
Where Am I?

Guide: Do you have a map?

Vox: Why would you avoid knowing what's happening with your finances?

Teach: Knowing the true state of your finances?

Story: Overcoming the 'denial' obstacles…



Opportunity International

Client Access in Rural Areas

- » Branches
- » Kiosk Banks
- » Container Banks
- » ATMs
- » Point of Sales
- » Mobile Banks
- » Mobile Phone
- » Village Mobilisers

Opportunity International

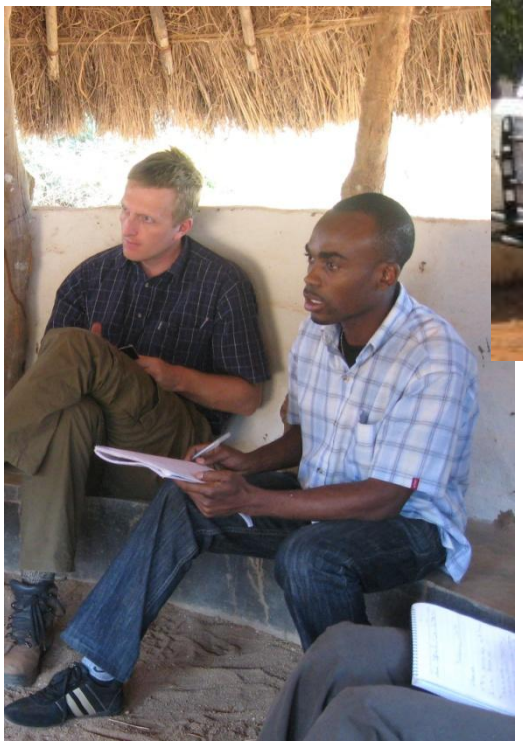
CONTAINER BANK - MOZ

- 3-4 Staff
- 3 Teller windows
- Toilet / Kitchenette
- Electronics / Office / Safe etc.

Opportunity International

Mozambique pilot

Development of the Rural Programme in Chimoio / Manica in Central Mozambique



Opportunity International

Rural Finance in Africa

It's Our Opportunity

Opportunity International