Introduction to Rural Finance
- Reaching more of Africa

November 2010

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

OUTPUT MARKET
Contract / Auction / Trader

Microfinance
Savings / Loans / Transfer
Insurance products

Market Information Systems

Input Supplier/s
Seeds/Tools/Ferts/ Chems

Farmer Farmers Groups

Extension Services
• Technical Support
• Research & Development

Infrastructure
• Communications
• Power
• Roads
• Water

Strategic Links
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

<table>
<thead>
<tr>
<th>Service or Stakeholder</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Information Service</strong></td>
<td>Is there a National or Regional market information service?</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Do the target group have ease of access to market for inputs and sale of output? Roads / Transport.</td>
</tr>
<tr>
<td><strong>Technical Services, Extension Service, Seed and Crop development</strong></td>
<td>Dedicated Extension Services providing technical support, group/club formation, training on crop production, post harvest and storage?</td>
</tr>
<tr>
<td><strong>Input Supply / Dealers</strong></td>
<td>Where do the target group get their inputs? Can OI pay direct to the Input dealers?</td>
</tr>
<tr>
<td><strong>Output Market</strong></td>
<td>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?</td>
</tr>
</tbody>
</table>
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
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
» Position of house
» Plot boundaries
» Altitude
» Access to Water
## Cocoa Farms Financed by Opportunity International in Ghana

### Nkrumah Farmers Association
Nkrumah, Ashanti Region

### Table: Farm Details

<table>
<thead>
<tr>
<th>Farmer Name</th>
<th>Farm Status</th>
<th>Acres</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agnes Fosu Hene</td>
<td>OIC input financed</td>
<td>3.45</td>
<td>1.40</td>
</tr>
<tr>
<td>Akwasi Boakye</td>
<td>OIC input financed</td>
<td>1.55</td>
<td>0.63</td>
</tr>
<tr>
<td>Jonas Asilefy</td>
<td>OIC input financed</td>
<td>2.12</td>
<td>0.86</td>
</tr>
<tr>
<td>Kwabena Wagya</td>
<td>OIC input financed</td>
<td>5.07</td>
<td>2.05</td>
</tr>
<tr>
<td>Mary Dua</td>
<td>OIC input financed</td>
<td>1.91</td>
<td>0.77</td>
</tr>
<tr>
<td>Mathew Boye</td>
<td>OIC input financed</td>
<td>3.76</td>
<td>1.52</td>
</tr>
<tr>
<td>Samuel Yaw Osei</td>
<td>OIC input financed</td>
<td>3.92</td>
<td>1.59</td>
</tr>
<tr>
<td>Akwasi Boakye</td>
<td>Other farms</td>
<td>1.22</td>
<td>0.49</td>
</tr>
<tr>
<td>Akwasi Boakye</td>
<td>Other farms</td>
<td>2.85</td>
<td>1.15</td>
</tr>
<tr>
<td>Jonas Asilefy</td>
<td>Other farms</td>
<td>4.64</td>
<td>1.88</td>
</tr>
<tr>
<td>Jonas Asilefy</td>
<td>Other farms</td>
<td>2.93</td>
<td>1.19</td>
</tr>
<tr>
<td>Mathew Boye</td>
<td>Other farms</td>
<td>1.38</td>
<td>0.56</td>
</tr>
</tbody>
</table>

### Legend
- OIC input financed
- Other farms
- Roads

1 cm = 0.36 km
Association: Nkrumah Farmers Association

<table>
<thead>
<tr>
<th>Farmer Name</th>
<th>Community</th>
<th>Farm Location</th>
<th>Farm No.</th>
<th>Farm Status</th>
<th>Acres</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akwasi Boakye</td>
<td>Nkrumah</td>
<td>Amadaa</td>
<td>Farm 1</td>
<td>OIC input Financed</td>
<td>1.55</td>
<td>0.63</td>
</tr>
<tr>
<td>Akwasi Boakye</td>
<td>Nkrumah</td>
<td>Amadaa</td>
<td>Farm 2</td>
<td>Other farms</td>
<td>1.22</td>
<td>0.49</td>
</tr>
<tr>
<td>Akwasi Boakye</td>
<td>Nkrumah</td>
<td>Amadaa</td>
<td>Farm 3</td>
<td>Other farms</td>
<td>2.85</td>
<td>1.15</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Unit cost (GHC)</th>
<th>Qty needed</th>
<th>Total GH¢ (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land hiring*</td>
<td>12.00</td>
<td>1</td>
<td>12.00</td>
</tr>
<tr>
<td>Land clearing*</td>
<td>5.00</td>
<td>2</td>
<td>10.00</td>
</tr>
<tr>
<td>ploughing</td>
<td>45.00</td>
<td>1</td>
<td>45.00</td>
</tr>
<tr>
<td>stumping*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>garden line*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>50kg of NPK-15-15-15</td>
<td>36.00</td>
<td>3</td>
<td>108.00</td>
</tr>
<tr>
<td>50 kg of seeds</td>
<td>80.00</td>
<td>1</td>
<td>80.00</td>
</tr>
<tr>
<td>Bird control*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wellington boots</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cutlasses</td>
<td>12.00</td>
<td>1</td>
<td>12.00</td>
</tr>
<tr>
<td>Planting/sowing*</td>
<td>5.00</td>
<td>2</td>
<td>10.00</td>
</tr>
<tr>
<td>1st weeding</td>
<td>80.00</td>
<td>1</td>
<td>80.00</td>
</tr>
<tr>
<td>2nd weeding</td>
<td>80.00</td>
<td>1</td>
<td>80.00</td>
</tr>
<tr>
<td>Harvesting, threshing and winnowing*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>transport*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>bags for storage</td>
<td>2.00</td>
<td>16</td>
<td>32.00</td>
</tr>
<tr>
<td>tarpaulin for drying and threshing</td>
<td>50.00</td>
<td>2</td>
<td>100.00</td>
</tr>
<tr>
<td>milling and bagging*</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>contingencies (5%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>27.35</td>
<td></td>
<td>574.35</td>
</tr>
<tr>
<td>Expected interest rate (30% p.a.) for 5** months</td>
<td>14.36</td>
<td>5</td>
<td>71.79</td>
</tr>
<tr>
<td><strong>RETURNS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue (50kg of rice) per acre</td>
<td>57.00</td>
<td>16</td>
<td>912.00</td>
</tr>
<tr>
<td>Post-harvest losses (5%)</td>
<td></td>
<td></td>
<td>91.20</td>
</tr>
<tr>
<td>Profit including farmers' effort</td>
<td></td>
<td></td>
<td>174.66</td>
</tr>
<tr>
<td>Return on investment</td>
<td></td>
<td></td>
<td>27%</td>
</tr>
</tbody>
</table>

*: 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.
Production Finance – captured in CRM

Crop Profile

Informed Lending

Mapping

Household Profile
OI Customer Relationship Manager

Opportunity CRM Information Flow

- Parent Account (ESP)
- Loan Settings (per Project)
- Accounts (Clubs)
- Fees, Rates & Qualifications
- All Members
- Group Loan Details & Client Loan Data
- Loan Participants (Farmers)
- Loans (Group Loan)
- Approved Group Loan Application
- Banking Portfolio System
- Individual Loan Data (When used)
- Disbursement And Payment Transactions

- Contacts with Household Data (Farmers)
- Land ID
- Financials
- QUALIFIED Farmers
- Qualified Loan Items (Crop Inputs & Cash)
- Land Detail
- Available Land Area
- Banking System Transactions (Disbursements and Payments)
CRM Contact Record - Top

Pedro Sixpence

Contact Information
- Account Name: Patricia
- Contact Record Type: Farmer
- Name: Pedro Sixpence
- Middle Name: Joao-Joao
- Preferred Name: Pedro
- Alternate Contact Name: Juliana
- Other Phone: 823568675
- Primary Language: Shona
- Address: Povoado Chazuka
- City/Town/Village: Posto de Mochipanda
- Address Notes: Forno de EPC de Chazuka de pois de passarrio Nhatsabe
- Z_Created Contact ID Type: 1
- Contact Owner: Mean Sarmiento (Chande)
- Contact Owner Phone: 823568675
- Country: MZ
- Identification Type: Bi Card
- Identification Number: 06000000 N
- ID Expiration Date: 10/20/2014
- Region/Province/State: Manica
- District: Manica

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

Bank Information
- Bank: BOM
- Branch: Avisado de Venda
- Banking System Customer ID:

Done

Trusted sites
100%
### Alternate Income Information

Other Sources of Income: Crop Trading, Irrigation Farming
Annual Income From Alternative Sources: MZN 12,000.00 (USD 333.35)

### Farmer Qualification - Next Loan

- **Loan Name:** Patana 1-2010
- **Qualification Status:** QUALIFIED
- **Disqualify Reason:**

### Next Harvest Financials

- **Total Crop Land Area (Ha):** 2.0
- **Total Input Costs:** MZN 25,850.00 (USD 745.90)
- **Total Forecast Earnings:** MZN 47,000.00 (USD 1,305.65)
- **Percent Return on Cost of Inputs:** 75.05%
- **Weather Index Insurance Premium:** MZN 0.00 (USD 0.00)

### System Information

- **Created By:** Mean Sarmiento 10/29/2010 7:30 AM
- **Last Modified By:** Mean Sarmiento 10/29/2010 6:07 AM

### Land Details

<table>
<thead>
<tr>
<th>Action</th>
<th>Land Detail Number</th>
<th>Land Area (Ha)</th>
<th>Land Area is Estimated</th>
<th>Survey Reference ID</th>
<th>Land Ownership</th>
<th>Weather Index Insurance Qualified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edit</td>
<td>2010-10-00451</td>
<td>2.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Contact Loan Items

<table>
<thead>
<tr>
<th>Action</th>
<th>Contact Loan Item ID</th>
<th>Active</th>
<th>Crop</th>
<th>Loan Name</th>
<th>Planned Crop Input Costs</th>
<th>Expected Sale Date</th>
<th>Weather Index Insurance</th>
<th>Weather Insurance Premium</th>
<th>Land Area (Ha)</th>
<th>Contact Loan Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edit</td>
<td>2010-10-28-1277</td>
<td></td>
<td>Maize</td>
<td>Batana 1-2010</td>
<td>MZN 10,850.00</td>
<td>3/11/2011</td>
<td></td>
<td>MZN 0.00</td>
<td>0.0</td>
<td>10/28/2010</td>
</tr>
<tr>
<td>Edit</td>
<td>2010-10-28-1278</td>
<td></td>
<td>Potatoes</td>
<td>Batana 1-2010</td>
<td>MZN 15,000.00</td>
<td>8/15/2011</td>
<td></td>
<td>MZN 0.00</td>
<td>0.5</td>
<td>10/28/2010</td>
</tr>
<tr>
<td>Edit</td>
<td>2010-10-28-1279</td>
<td></td>
<td>Cabbage</td>
<td>Batana 1-2010</td>
<td>MZN 1,000.00</td>
<td>3/12/2011</td>
<td></td>
<td>MZN 0.00</td>
<td>0.5</td>
<td>10/28/2010</td>
</tr>
</tbody>
</table>
CRM - Dashboard

Ron Jenkins at Opportunity International
Friday October 29, 2010

Dashboard

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

- Open Loans by Bank
  - Sum of Loan Amount (converted) in USD (Thousands)
  - 4.60
  - 7.37

- Loan Pipeline (All Banks)
  - 28% Client Surveys in Progress
  - 30% Crop Plan Assessment
  - 3% Client Orientation
  - 16% Loan Application Submitted
  - 10% Loan Awarded
  - 3% Motion Loan and Crop Progress

- Crops by Bank
  - Sum of Planned Crop Awarded (converted in USD (Thousands))
  - BOM
  - GIBM

My Tasks

You have no open tasks scheduled for this period.
Combination of Extension Services & Access to Finance

Traditional Farming System 1ha
- Maize
- Cash Crop

Good Agricultural Practices – 1ha
- Maize
- Cash Crop
- 2nd Cash Crop
- Trees

Opportunity International
Maize
This is the impact!
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
• 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.
• 60% have access to safe water
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

Area of Pilot (2009/2010)

Proposed new areas for expansion
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

OUTPUT MARKET
MLT, UN WFP

Microfinance
BOM

Input Supplier/s
Mozambique Fertilizer Company

Farmers Groups
5-10 farmers per group
Trained in GAP

Extension Services
AgriFuturo
Technoserve – Farmer Org

Market Information Systems

Infrastructure

Strategic Links
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

- Opportunity Uganda Limited
- Your Final Destination
- Where Am I?
- Budget Checkpoint
- Understanding Loans
- Multiple Borrowing
- Wise Borrowing
- Understanding Savings Products
- Saving Successfully
- Cover for the Unexpected
Client Experience

Having multiple loans puts you under pressure and also suffocates your business because you are always paying off loans.
The Financial Journey Guide

and schedules for payment ... and understand the true (total) cost...
Client Concerns

I am not sure if the coming season will be kind to us farmers. I will not be able to start making repayments.
Structured Multi Media Training

An Opportunity for All
Financial Education in Africa

and it looks like we are reconnecting with the other route – the financial security track...

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
3-4 Staff
3 Teller windows
Toilet / Kitchenette
Electronics / Office / Safe etc.
Development of the Rural Programme in Chimoio / Manica in Central Mozambique
Rural Finance in Africa

It’s Our Opportunity