NMB Tanzania – The Case of Agriculture Financing by a Transformed Public Bank

Experiences shared by Rabobank

Gerard van Empel

April 14 2011
Rabobank’s share into the partnership

- Board representation
- Management services
- Technical assistance
- Study tours
- Hardware support

geared towards transforming NMB into a leading bank for Tanzania with a rural orientation
Technical Assistance Provided ...

- Some 75 Rabo consultants have visited NMB
- Clear trend from generic organizational support to more content driven knowledge transfer
- Most prominent support in product development, credit and branch management
Study tours

- Approximately 12 study tours organized;
- Hosting the visit of 75 staff, executive management and the Board of Directors to Rabobank;
- Tours lasting one week each;
- Involving more than 15 local Rabobanks;
- and dozens of Rabobank staff
163 Rabobank ATMs shipped to NMB since 2007
Technical assistance: overview of volumes

Total technical assistance provided by Rabo Development on a 12 month moving average basis
NMB 2005 versus NMB 2010, some key non-financials

• 600,000 customers
• few products

• appr. 100 branches
• 1500 staff
• IT: decentral Easybank

• 1,400,000 customers
• Almost full product range for various market segments, strong entrance into agri markets and corporate banking

• appr. 140 branches
380 ATMs
mobile banking
internet banking
truck banking (pilot)

• 2800 staff
• IT: towards central FlexCube platform
NMB Innovation and Milestones

- NMB Personal Account: ATM Roll-Out Begins
- NMB SMS Salary Alerts
- NMB Business Account
- NMB Bonus Account
- NMB Wisdom Account (pensioners)
- Vodacom Airtime via ATMs
- Internet Banking for Corporates
- Tanesco Luku Payment via ATMs
- IPO: NMB Welcomes 27,000 new Shareholders!
- NMB TPDF Account
- 85,000 SMS Salary Alerts Users
- ATM Transfer
- 100 ATMs within 1 Year
- 200 ATMs within 2 Years

2006
2007
2008
2009
Private Individuals

42% of overall growth of individuals reached since 2008

% Growth in ‘unique’ districts is larger (R 46% vs. 33%; U 47% vs. 41%)

Majority of customers in urban districts

Source: NMB
Corporate banking activities at NMB started in 2008. Steep increase in the number of corporate clients.

Source: NMB
Cooperatives | Agro dealers

Number of cooperatives and Agro dealers financed by NMB

<table>
<thead>
<tr>
<th>Year</th>
<th>Agro-dealers</th>
<th>Farmer cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>2009</td>
<td>250</td>
<td>200</td>
</tr>
<tr>
<td>2010</td>
<td>500</td>
<td>600</td>
</tr>
</tbody>
</table>

Source: NMB

Increasing number of primary cooperatives financed
Increasing number of agro dealers (farm inputs) financed
Individual Farmers

**Individual farmers (OGS)**

- 2008: 2,000
- 2009: 1,500
- 2010: 1,500

**Cooperative members reached indirectly**

- 2008: 150,000
- 2009: 280,000
- 2010: 300,000

Source: NMB

1500 farmers financed directly (outgrowers)
280,000 farmers reached via cooperatives
NBFIs: SACCOs and MFIs

>30 SACCOs financed by NMB and 4 MFIs
Approximately 30,000 individuals indirectly reached via non-bank financial Institutions (NBFIs)

Source: NMB
Steep growth in both deposits and credit
Funding is not a problem
L/D ratio is low and decreasing
Cards, mobile subscriptions, ATMs and branches

Usage of technology increases
# Branches relatively stable as of 2009

Source: NMB
The total number of transactions per account increased >35% in all areas.

On average:
- 2009: 2.7 per month per account
- 2010: 4.0 per month per account

- The number of Teller transactions decreased overall.
- ‘Technological’ transactions show a significant increase.

Increased usage of the payment network

Source: NMB
Transactions per account

Total transaction volume decreased 6% over all.

On average:
• 2009: TZS 1,379,950 per month per account
• 2010: TZS 1,303,522 per month per account (-6%)

Decreased volume of teller transactions per account
Increased volume in ATM and mobile transactions per account

Source: NMB
Agriculture Finance Achievements
Agribusiness potential in TZ

- 44Mn Hectares – Arable land (25% being utilized)
- Contributes over 30% to GDP
- 75% of the population earn leaving from agriculture
- 10.3% current commercial banks lending in Agriculture
- 1% out of 29.4 hectares suitable for irrigation is being irrigated
Agri finance achievements 2009...
Lending volume by sector

- 2007: TZS 43Bn, SME – 28Bn
- 2008: TZS 86.8Bn, SME – 45.8Bn
- 2009: TZS 91.1Bn, SME – 60.1Bn
Agri finance achievements 2009...

39.4% Agriculture Production – out grower schemes
21.0% Agriculture Marketing – Warehouse Receipt
39.6% Inputs Importation and Processing – LC/Credits

492,000 Farmers financed (Tobacco, Coffee, Cashew, Paddy, Tea, Barley & Sunflower)
472 AMCOs & Primary Cooperative Societies

NMB partnered with
- Alliance for Green Revolution in Africa
- Financial Services Deepening Trust
- Private Agriculture Sector Support
- Techno Serve
- Rabobank Foundation
Outgrower schemes...

1. Purchase contract
2. Loan Application
3. Loan Approval
4. Input supplied
5. Cash Payments on receipt of cheque
6. Green tea delivered
7. Payment to out growers account

TOTAL PORTFOLIO – TZS 35.96Bn (Tea, Tobacco, Barley & Sugar cane)
Outgrower schemes KSFs

- Reliable Buyer
- Contract Farming

Farmers/ Farmer Groups

Tri-partite agreement
Outgrower schemes lessons learned

- Buyers must be financially stable
- Farmers must provide some collateral
- Contract farming mandatory
Warehouse Receipt Financing

1. Farmer
2. Receipts
3. Farmer sells commodity
4. Credit
5. Commodity Released

TOTAL PORTFOLIO WRS – TZS 19.4BN (Cashew, Coffee, Paddy, Sunflower)
Objectives 2010

Products tailored to agri-value chain

- Farmers Saving A/C
- Out grower schemes
- Agro - Dealer loans
- Warehouse Receipt
- Marketing
- Processing
- L/Term loans
- Export/Import
- W/Capital/LC

Inputs

Agro - Dealers

Marketing

Processing

Export/Import
Economic Impact Assessment

NMB has:
• 34% of all commercial bank branches
• 43% of all ATMs countrywide
• 44% of all depository accounts in Tanzania
• 21% of all Tanzanian depositories in terms of volume
• 14% of all credit provided in Tanzania in terms of volume

NMB has impact ....

NMB contributed positively to the economic wellbeing of:
• 1.4 million individuals
• 50,000 entrepreneurs
• 280,000 farmers
• Average household size of 5.7
  → 8 million people benefit (18% of population)
→ All in a financially healthy and sustainable manner!

Significant large share of NMB in:
• commercial bank activities
• formal financial services
• rural outreach in terms of numbers
Volumes relatively low in rural areas, but growing
NMB’s strengths: # customers, deposits and financial infra-structure

Unique customers, no other banks:
• More than 450,000 (+115,000 since 2008) customers in unique areas: 2.5 mln individuals (h.h. size of 5.7)
• 9,700 MSME financed in unique areas

NMB has impact on:
• Family’s financial resilience
• Security
• Financial literacy
• Income and business growth
• Employment
• Productivity
• Access to Education
• Access to Healthcare
• Economic activity and growth
Challenges going forward...

- Agri-specialist LO
- Partners for financing irrigation schemes
- Partners for financing storage facilities
- Lack of reliable commodity markets
- No adequate agriculture risk management instruments
- Unsurveyed land

28
Key priorities going forward

- Improve processing & delivery of agri loans
- Market the current products & roll out to other crops
- Innovative products for financing storage & irrigation infrastructure
- Increase Partnerships both local & Outside
- Train AMCOS/PCS’s/Farmer Groups
- Recruit & train Agri-specialist LO