



# *OI Rural Finance Model*

*Update Nov 2011*

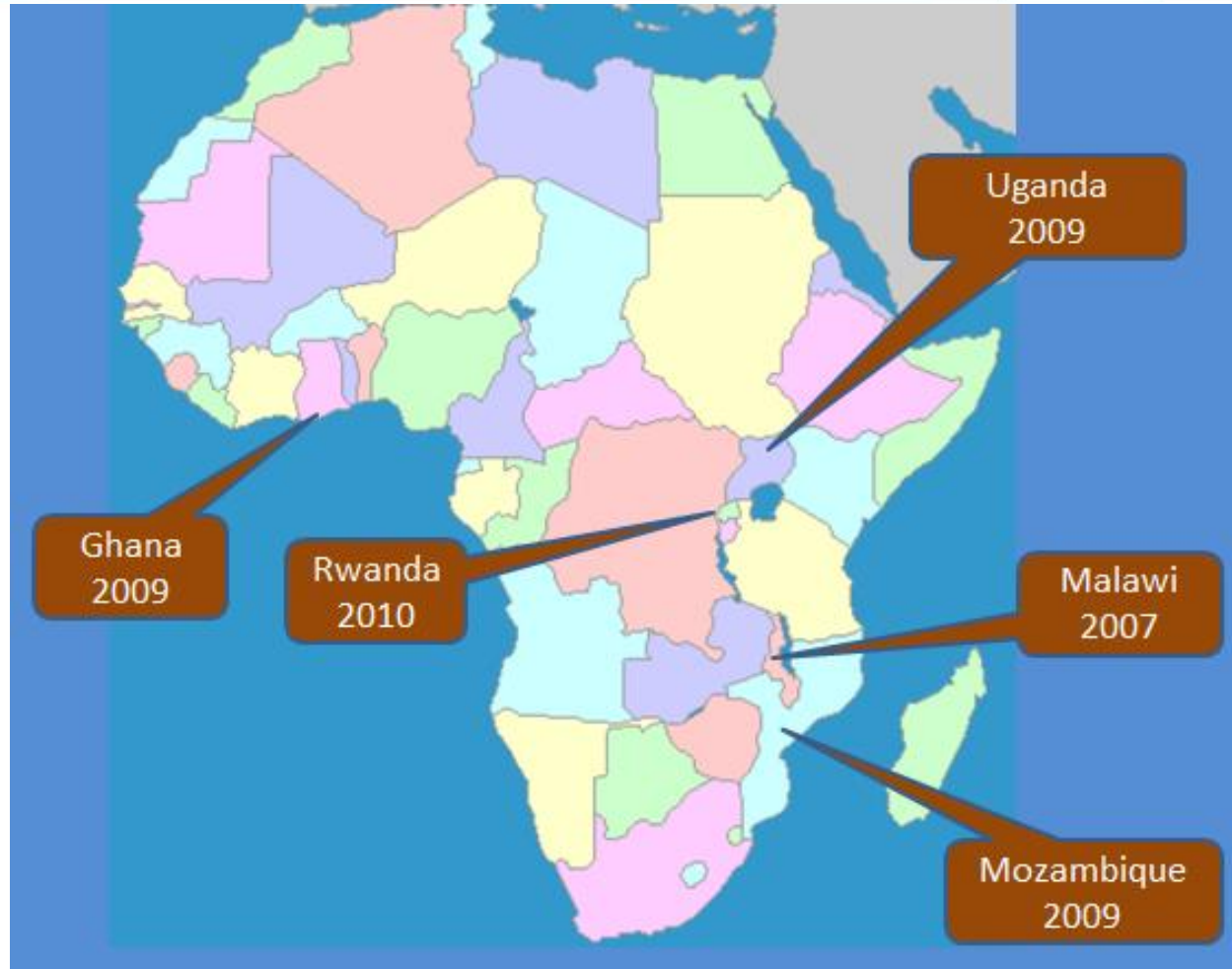
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Skype : johnkla

# Africa Coverage

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



# Production Finance within the Value Chain

## *Production Finance*

*can have the greatest impact on annual rural household income.*

*Most farmers are 40% productive*

• Input Dealer

• **Producer**

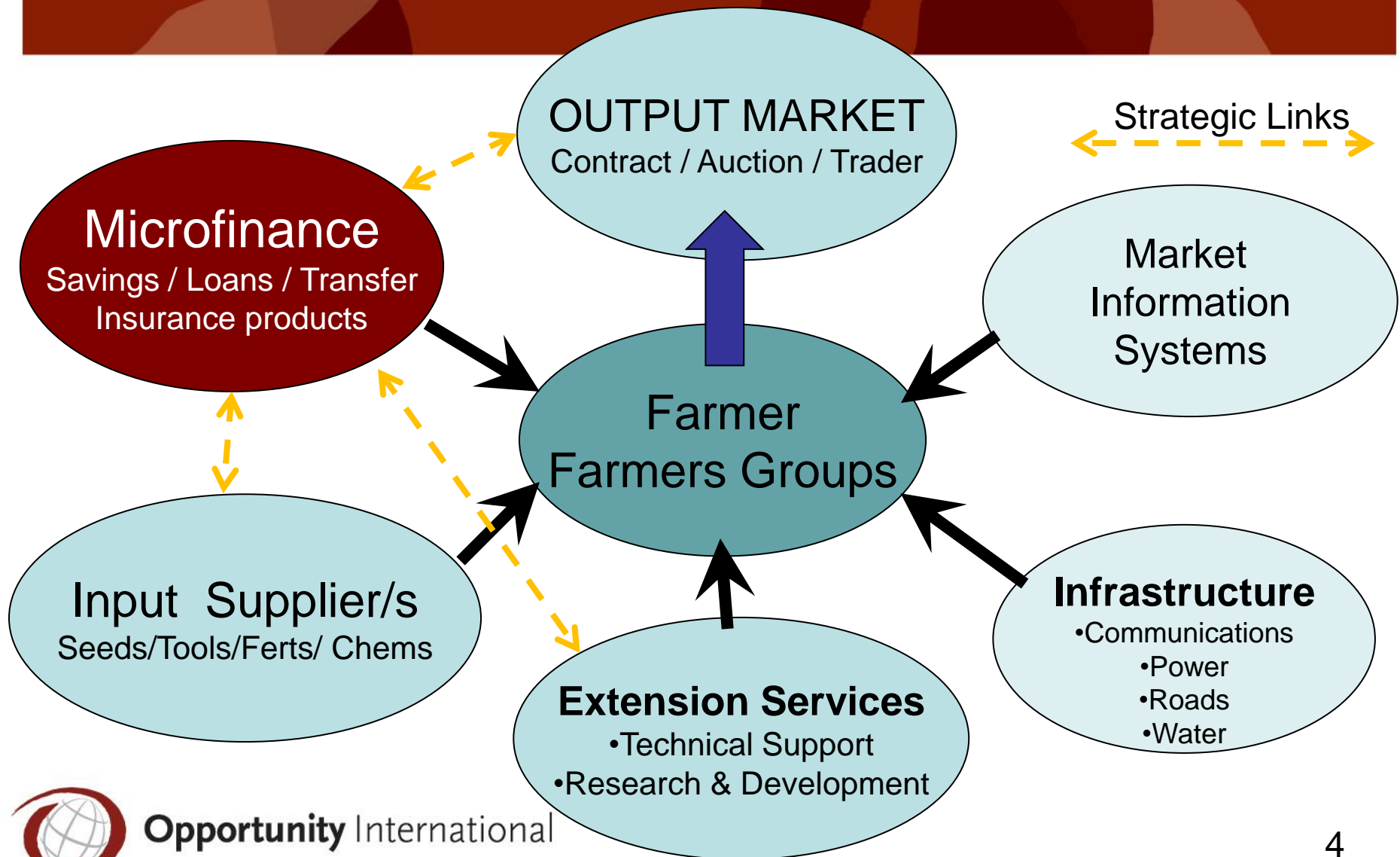
• Trader / Transporter

• Warehouse keeper

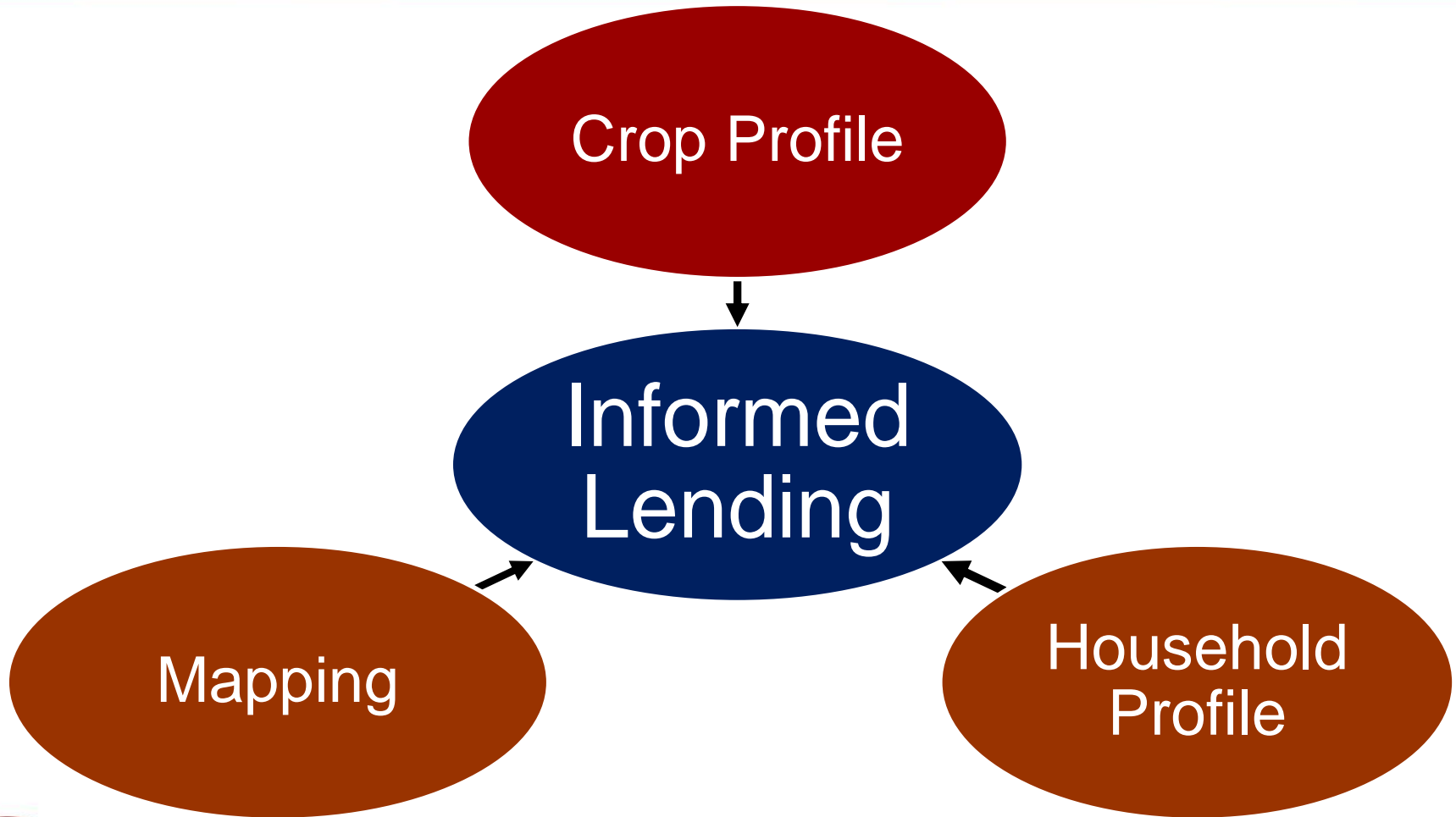
• Processor

• Exporter

# The Rural Model



# Production Finance – captured in CRM



# Cost of Production – Paddy Rice - Ghana

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

Financing Paddy Rice production in Ghana		PER ACRE COST OF RICE PRODUCTION			
SEASONS: major(Mar-Aug); minor(Sept-Nov)		Unit	Qty	Total	
Particulars	cost(GH¢)	needed	GH¢	(US\$)	
<b>INPUTS</b>					
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	
Outlasses	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*			-	-	
contingencies(5%)			27.35	21	
	<b>Total cost</b>		<b>574.35</b>	<b>435</b>	
	Expected interest rate(30% p.a) for5** months	14.36	5	71.79	54
			-	-	
<b>RETURNS</b>	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

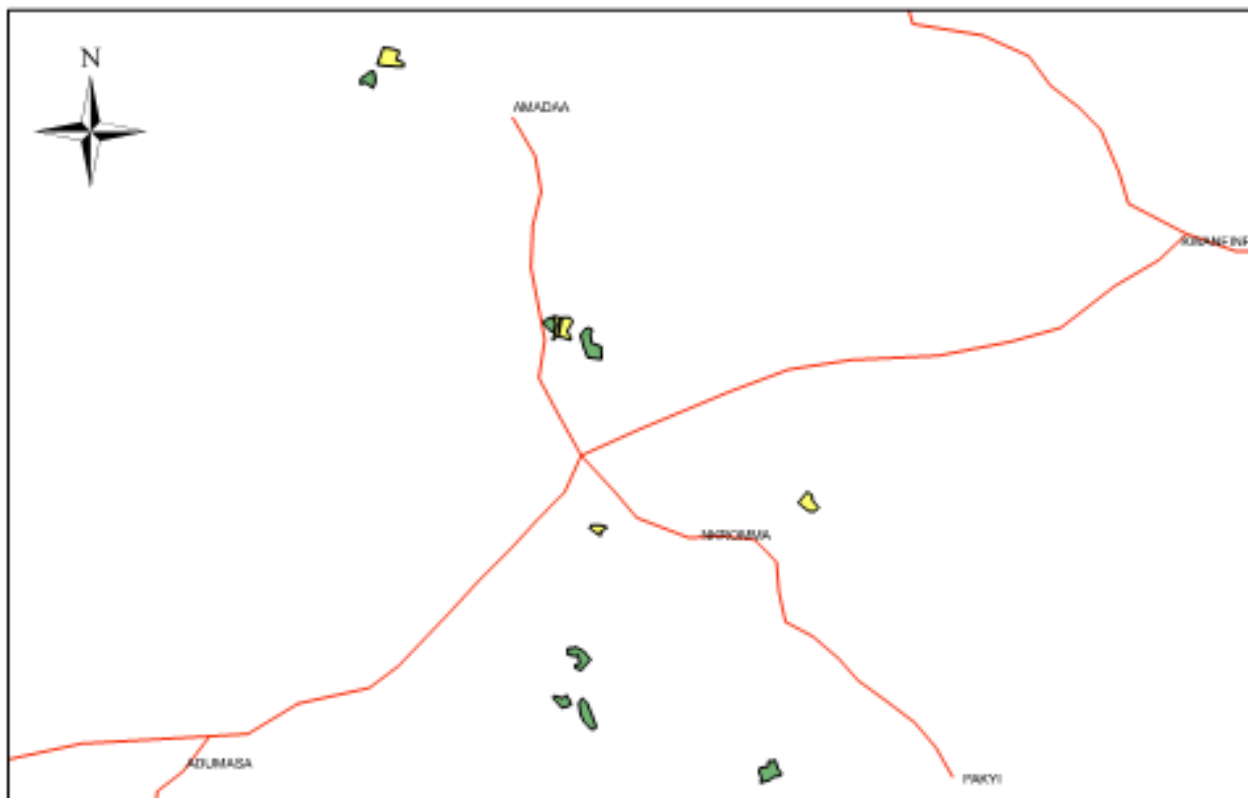
\*\* : it will take farmers this period from production to market for loan repayment.

# Mapping

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



# 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

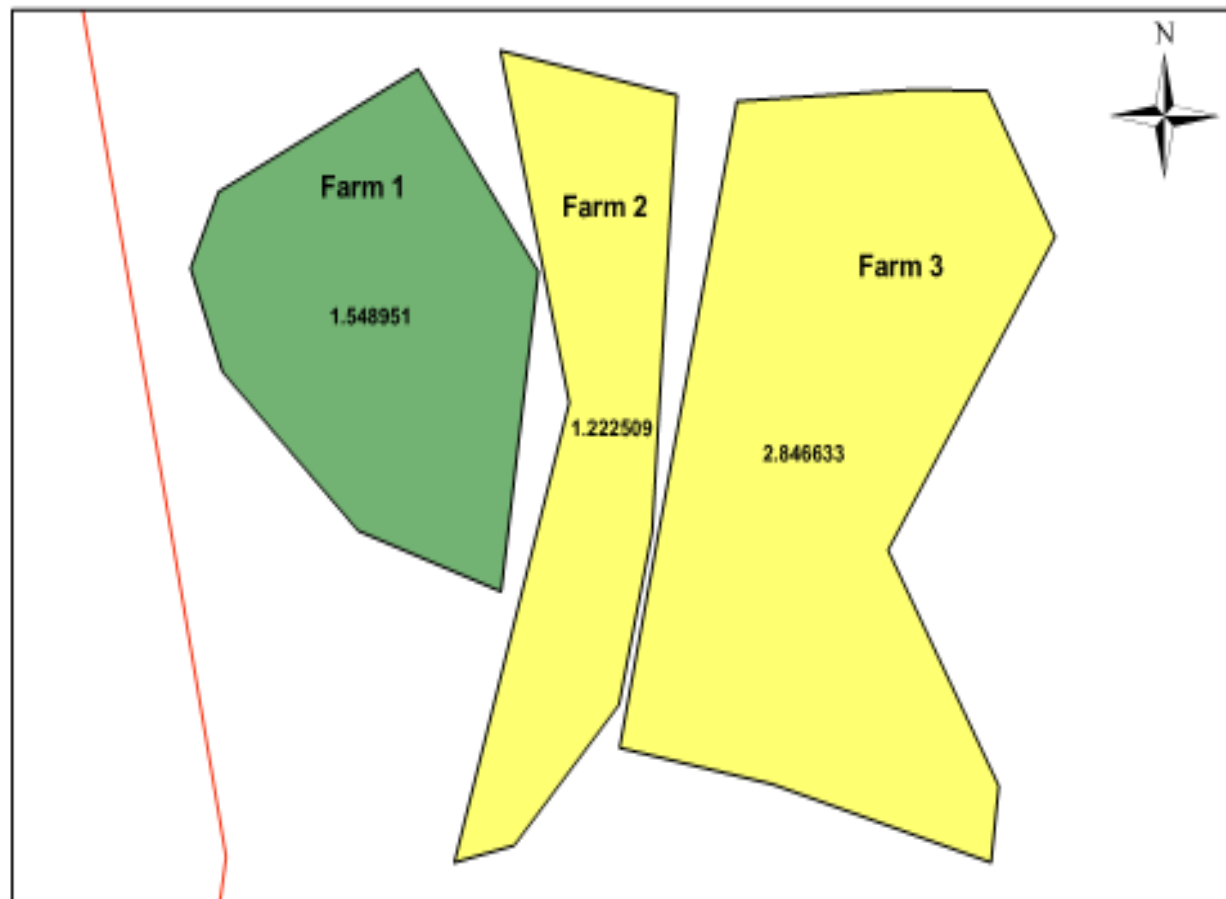
### Farm status

- OIC input financed
- Other farms
- Roads

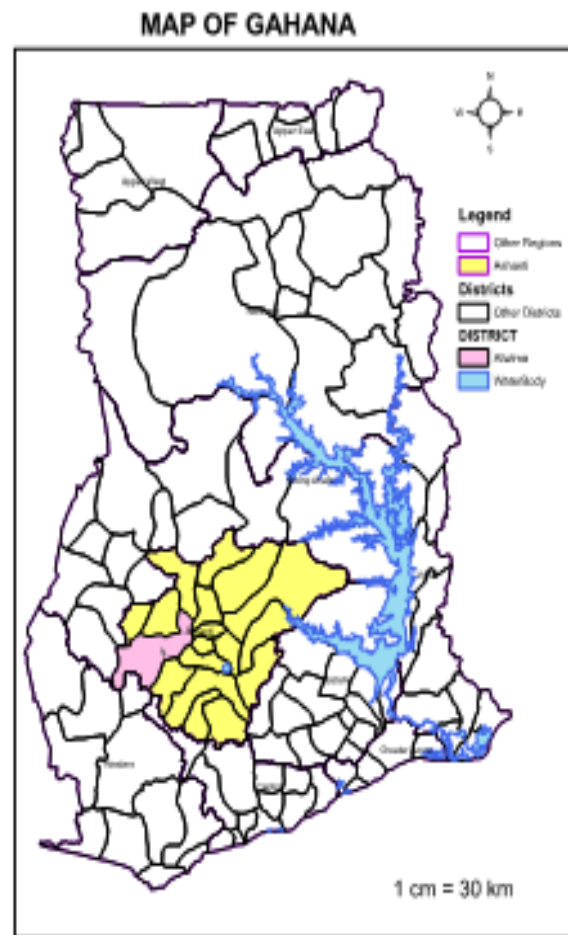
1 cm = 0.36 km



# COCOA FARMS FINANCED BY OPPORTUNITY INTERNATIONAL IN GHANA



1 cm = 0.01 km



**Association: Nkrumah Farmers Association**

FarmerName	Community	Farm Location	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

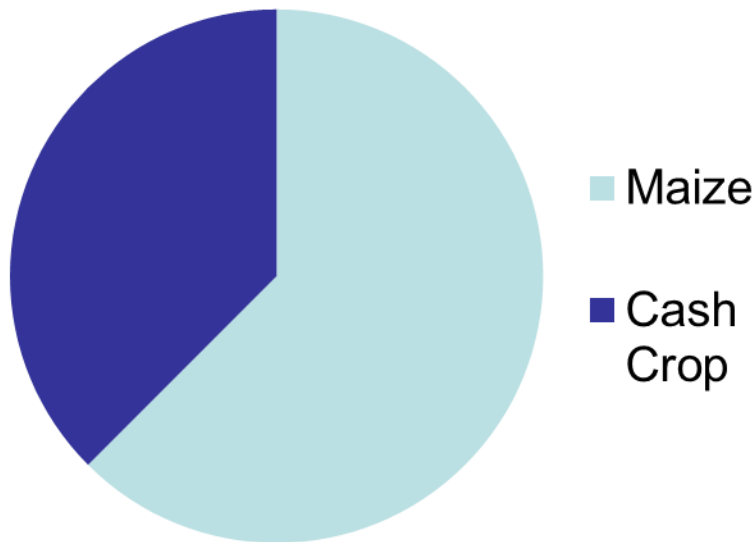


# Household Profile – KYC plus

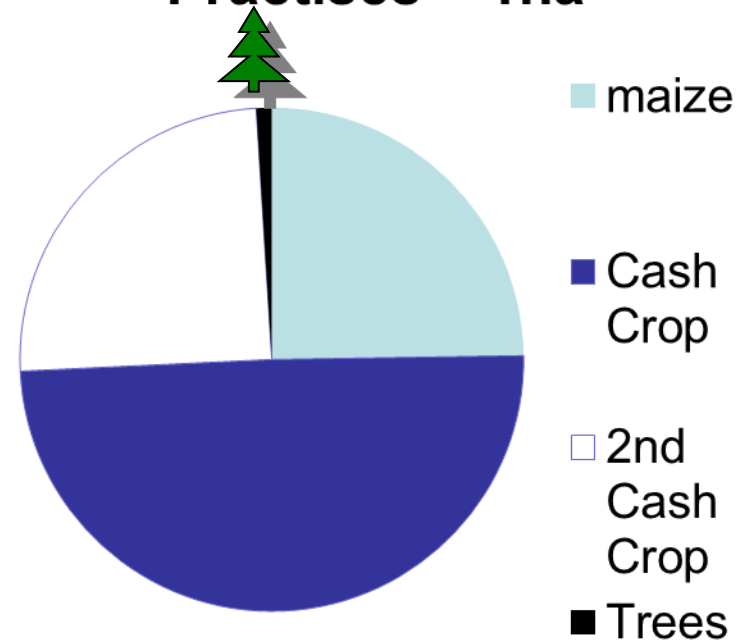
- » Number of Family members
- » Demographics of the Family
- » Breakdown of the current Farm enterprises  
– crops / land used
- » Other sources of income / activity
- » Access to Water / Roads / Bank etc.
- » Use of Mobile phone

# Combination of Extension Services & Access to Finance

## Traditional Farming System 1ha



## Good Agricultural Practises – 1ha



# Maize

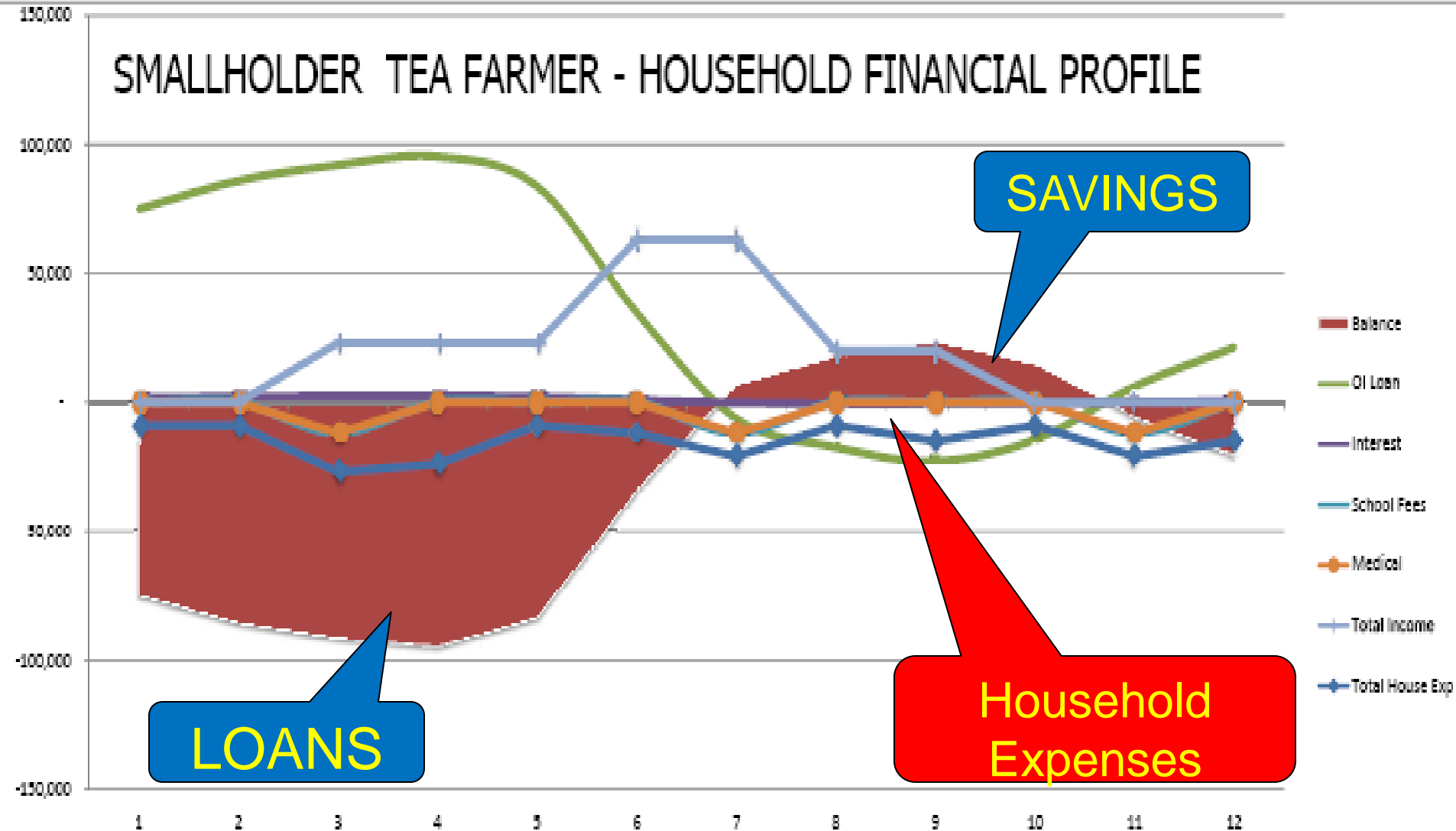


This is the impact !



# Draft Tea Graph - Malawi

## SMALLHOLDER TEA FARMER - HOUSEHOLD FINANCIAL PROFILE



# Client Access in Rural Areas

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



# ESPs

1. Two main types
  - Donor / Govt Funded – normally termed-life
  - Linked to an Output Market buyer
2. Aligning Aims & Objectives of ESP – MFI
  - Targets set by Donors
  - Targets set by Private Companies
3. Sharing Data and Access to Clients reduces cost and strengthens the commitment to the Group and Loan



# Output Markets

## 1. Ease of Recovery of Finance through the Output Buyer

- Tobacco Auction floors in Malawi
- Contract crop production – chillies in Malawi
- Zonal buyers – cotton in Uganda
- Regulated buyers – cocoa in Ghana
- Maize Markets

## 2. Side Selling

- Avoid MFI repayment
- Access to Advance cash
- Repay money lending

# Govt / Donor Intervention

1. Free inputs
2. Free credit
3. Regulated output markets
4. Minimum prices without ability to intervene
5. Reduction of commercial buyer activity

# Multi Crop Finance

1. Identified in Malawi as important to avoid diversion of inputs from cash crop and release land from household food security.
2. Benefits recognised in other programmes and countries, however will take several loan cycles to identify the viability of the cash crop financing to support the non-cash crop finance.

# Strength of Groups

1. ESPs will often develop structured groups with constitutions and Aims and Objective.
2. Members are happy to work together for training and marketing
3. Groups less than 10 may not be large enough for a Trust group / cross-guarantee
4. Groups greater than 20-25 often loose Trust group cohesiveness

# Strength of Markets

1. Key to income is Yield and Price, failure in either will effect viability of the loan portfolio.
2. Most African markets do not have strong output markets. We look at:-
  - Export Crops
  - Import Substitution
  - Contract grown crops including Seed

# Data Management

1. OI had to develop the CRM to manage the data collected outside the Accounting system (Emerge).
2. Importance of managing outside Accounting system is loan approval process and staff / client relationship.
3. Ability to capture data electronically is being tested in Malawi to link to the CRM

# example Device

touch screen

Android operating system

GPS enabled

over the air data transfer (GPRS)

image capture (network dependant)



# Salesforce.com Integration



```
VBScript - [VBScript.vbs]
File Edit View Project Windows Help
strTargetUser
' in the strUserList array.
' If the target user is not found, return -1.
Function intFindUser (strUserList(), strTargetUser)
.....
Dim i ' loop counter.
Dim binFound ' Target found flag
intFindUser = -1
i = 0 ' Initialize loop counter
Do While i <= Ubound(strUserList) And Not binFound
  If strUserList(i) = strTargetUser Then
    binFound = True ' Set flag to True
    intFindUser = i ' Set return value to loop count
  End If
  i = i + 1 ' Increment loop counter
Loop
VBScript.vbs
Ready
```





# CRM - Dashboard

Messages and Alerts

## Ron Jenkins at Opportunity International

Friday October 29, 2010

[Prepare for Chatter](#)

Search

Search All ▾


Go!


Limit to items I own


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 [Farmer Club 1](#)


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 [Manuel Amadeu](#)

 [Jacob Matenquembe](#)

 [Ivaldo Obete Mudzekenhedze](#)

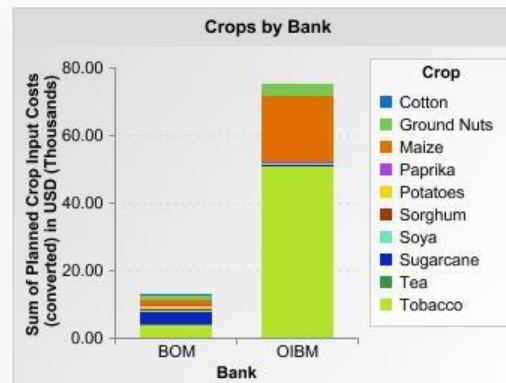
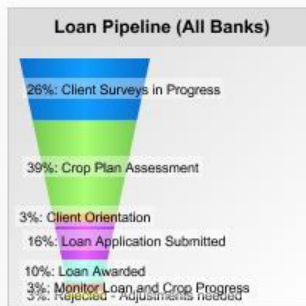
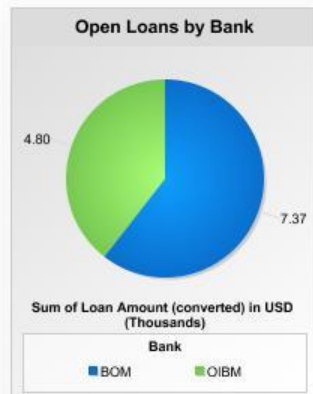
 [Recycle Bin](#)

### 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.

# Mapping

1. Most farmers are taught how to measure which works if plots are square. However errors in relatively small land areas are dramatic.
2. Value of Mapping land is clear
  - Sizing loan
  - Monitoring productivity / yield
  - Identifying labour needs
  - Location of group members

However the information can effect Strength & Cohesiveness of groups


# Weather Index / Crop Insurance

1. Weather Index Insurance is available in Malawi and Rwanda
2. Protection is more for OI rather than client
3. Expensive and low perceived benefit to client
  - Malawi
    - Not widely used despite up to 65% Ag area coverage
  - Rwanda
    - COMESA paid premium in 2011 – no client perception of cost and benefit

# 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.
- FTL will be an important part of our Rural Programme

# Financial Literacy Training – DVD / Multi media

 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**



**Play All**



# Targets – Loans 2011

<b>COUNTRY</b>	<b>Ghana</b>	<b>Malawi</b>	<b>Moz</b>	<b>Rwanda</b>	<b>Uganda</b>	<b>Total</b>
<b>YEAR</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
Target at year end	2,279	27,281	3,978	1,547	5,965	41,050
Ag loans disbursed Current	3,291	3,338	4,120	1,059	812	12,620
% Target	144%	12%	104%	68%	14%	31%
New prospects 2011	1,000	17,483	3,170	1,632	676	23,961
Expected	405	12,139	2,002	950	634	16,130
Av Probability	41%	69%	63%	58%	94%	67%
End of year 2011 best estimate	3,696	15,477	6,122	2,009	1,446	28,750
% of TARGET	162%	57%	154%	130%	24%	70%

# Rural Finance in Africa

*It's Our Opportunity*

