



KCB

Making the  
Difference

# WORLD BANK AGRICULTURAL FINANCE FORUM (AGRIFIN) 2015

Lending to Agribusiness: Financing Agricultural  
Value Chains

Istanbul, Turkey: May 11<sup>th</sup> -15<sup>th</sup> , 2015



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# SCALING UP AGRICULTURAL FINANCE

Can Small **Scale** farmers be financed on commercial basis by a Financial Institution?

The Case of KCB BANK RWANDA LTD



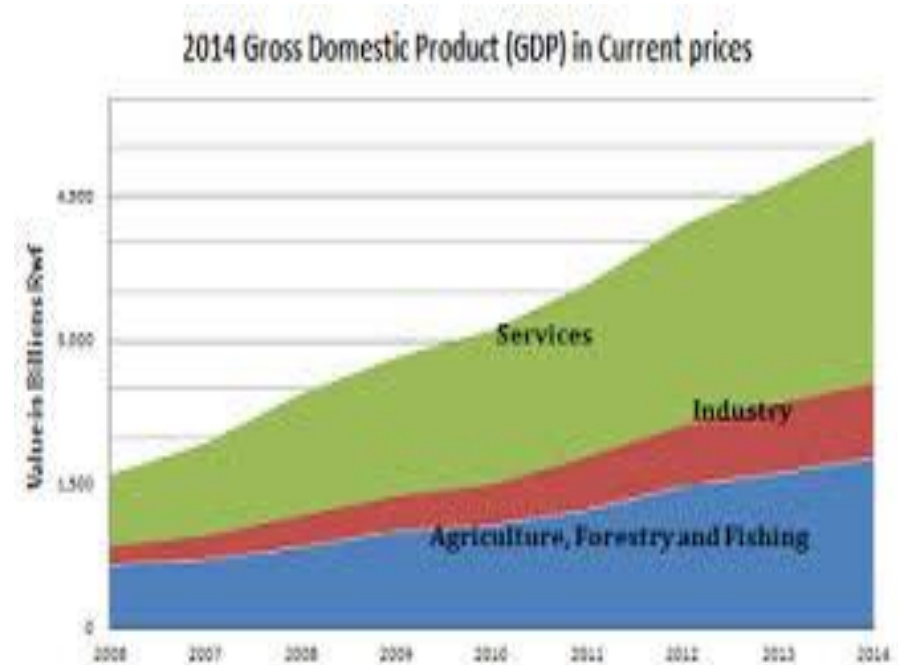
# Presentation profile

1. Rwanda's agricultural scene
2. Agricultural lending
3. Value chains as a business approach to finance
4. Addressing farmer issues
5. Success stories



# Rwanda's Agriculture Sector Highlights

- About 79% of land classified as Agricultural
- More than 80% population engaged in Agriculture
- Agriculture accounts for a third of Rwanda's GDP
- The sector meets 90% of the national food needs
- Sector generates more than 50% of the country's export revenues
- National average holding of 0.76ha: Small holder farms



# Sector Highlights: The future

- Agriculture is expected to grow from 5.8% to 8.5% p.a by 2018.
- People living under primarily agriculture sector expected to reduce from 34% to 25% with focus on agro processing
- Agricultural exports expected to increase in average from 19.2% to 28% p.a and imports to be maintained at 17% average growth



# Sector Highlights: Government Initiatives

## Agricultural Policy: Strategic Plan for Agricultural Transformation

Currently at Phase III (2013-2017) with 4 programs.

### Agriculture and Animal Resource Intensification

- Soil Erosion Control
- Irrigation and Water Management
- Agricultural Mechanization
- Soil Fertility and Management
- Agricultural Inputs Development
- Nutrition and Household Vulnerability

### Research and Technology Transfer, Advisory Services and professionalism of farming

- Research and Technology Transfer in Agricultural sector
- Extension and Proximity Services for Producers
- Farmer Cooperatives and Organizations

### Institutional Development & Agricultural Cross-Cutting Issues

- Institutional Capacity Building
- Agricultural Communication, Statistical Systems, M&E and Management Information Systems

### Value Chain Development and Private Sector Investment

- Private Sector Investment Promotion
- Development of Priority Value Chains
- Agriculture finance
- Market oriented infrastructure

# Some factors favoring agricultural lending in Rwanda

- **Government initiatives:**
  - Policy and Strategy on Agricultural Finance
  - Agricultural Guarantee Funds
  - Post Harvest Infrastructures
  - Irrigation and Mechanization Initiatives
- **New markets to explore**
  - Large % of population in Agriculture Sector

# Some factors favoring agricultural lending in Rwanda (contd.)

- Private ownership of land
- Large % of Agricultural Land to total land
- Two seasons (A & B) per year for food crops and season C on irrigated land



# Some factors affecting agricultural lending in Rwanda

- Smallholder farmers implying low scale of production
- Weather related risks
- Quality constraints
- High transaction costs
- Lack of strong collateral for smallholder farmers
- Lack of succession plans
- Side selling culture
- Lack of storage facilities
- Lack of Technology for small scale farmers (Irrigation system)
- Price fluctuations
- Lack of records (Management issues): lack of financial information, no credit history

# KCB Business Model : Agricultural value chain financing

○ Partnering with different actors

within the value chain:

- ✓ Agricultural inputs suppliers,
- ✓ Agricultural Insurance Providers,
- ✓ Technical Support Providers (technical assistance, quality assessment),
- ✓ processors and buyers among others



# KCB Business Model : Agricultural value chain financing (cont'd)

- Promoting Innovation in Agricultural Finance: Agricultural Insurance Cover, Inventory Credit Facility among others
- Reducing Turn Around Time (TAT) to 24 hours decision.
- Applying Banking Standards: KYC, Credit files, reporting to Credit Reference Bureau (CRB), among others



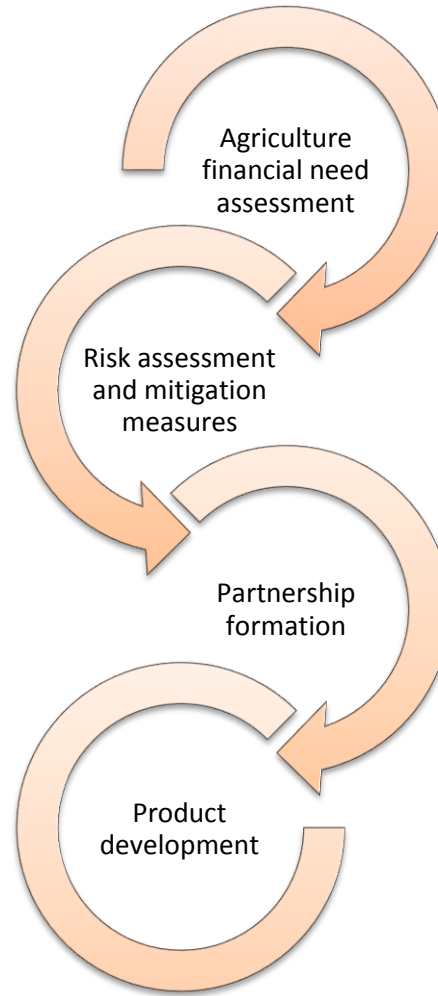
# KCB Business Model : Agricultural value chain financing (cont'd)

- Putting in place an Agribusiness Unit and recruiting staff with Agribusiness expertise
- Training of all staff involved in lending on Agricultural Lending model



# Agricultural Lending to small farmers – KCB

## Business Model workflow



# The key is to identify the supply chains & integration with a large number of producers

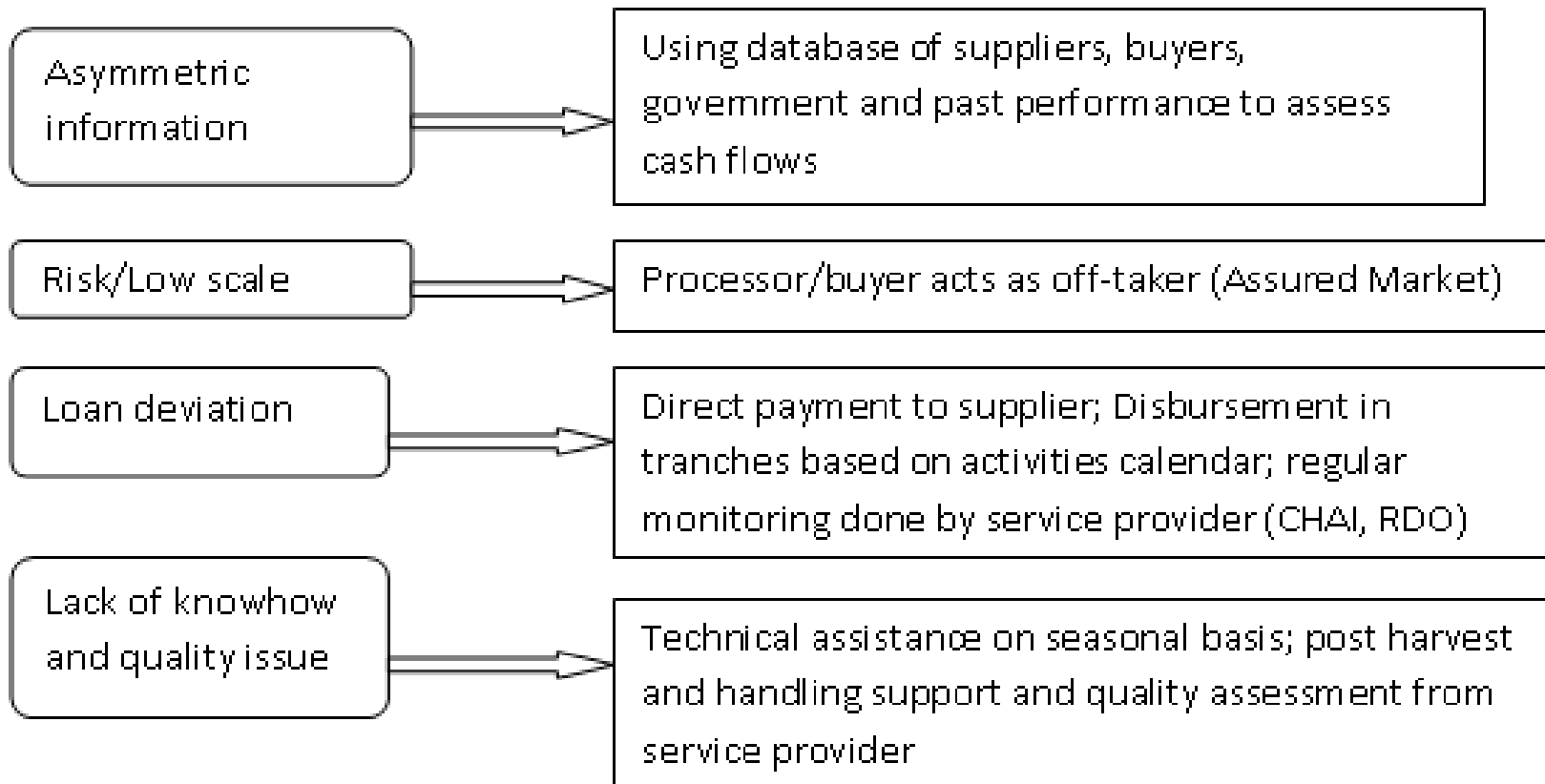
- **Agricultural inputs suppliers:** work with companies which supply seeds, fertilizers pesticides to farmers: the loan for purchasing these inputs are directly paid to the suppliers
- **Identifying farmers under cooperatives :** based on the level of management, crops, season, infrastructures available, experience

# The key is to identify the supply chains & integration with a large number of producers

- **Identifying services providers:** Insurance companies, technical support provider, quality assessor, among others
- **Identifying the buyers of the produce:** Specialized buyers at local level (Government, Private Processors, WFP, among others)

# Solving the small scale farmer's issues

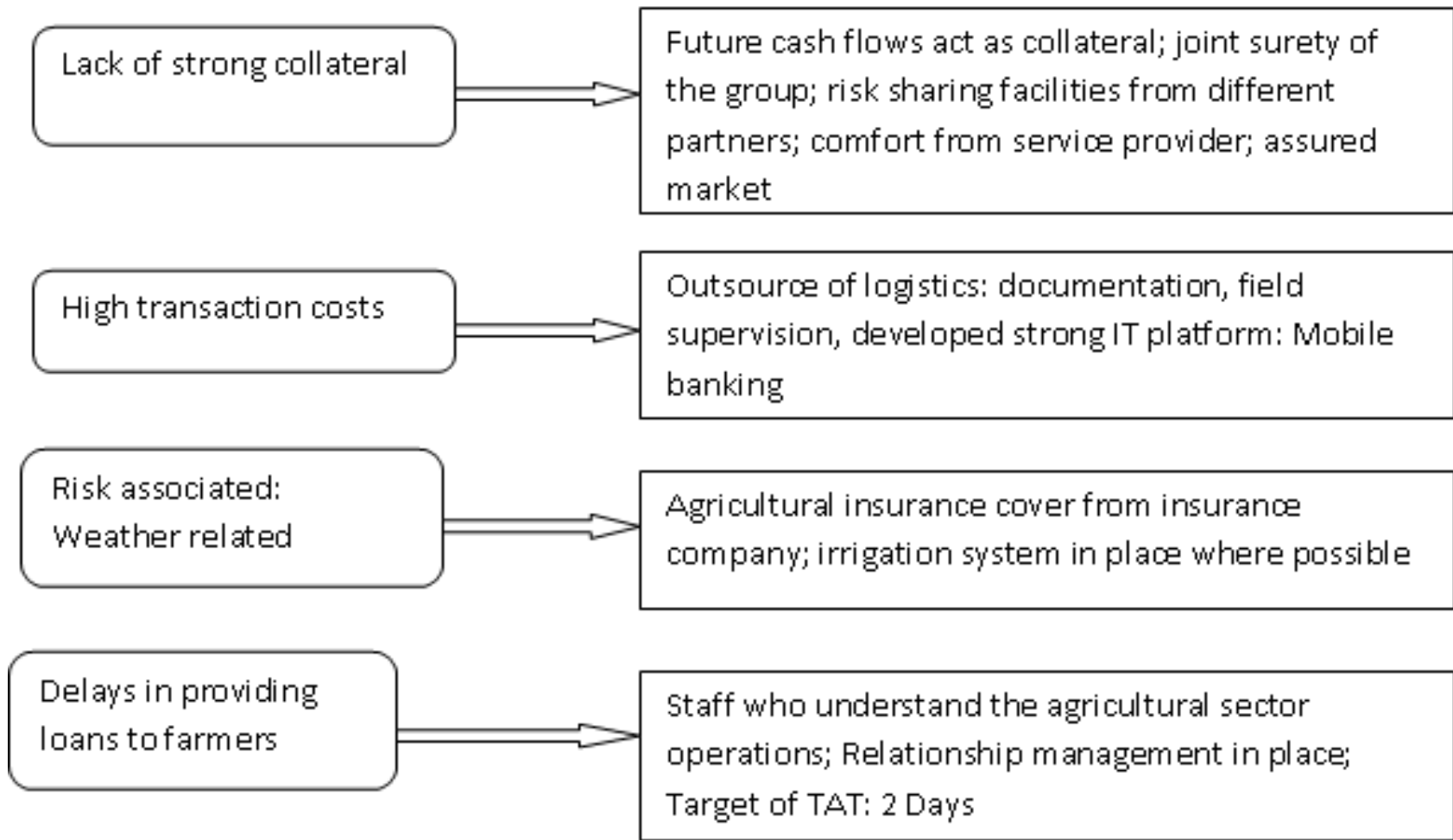
## SOLUTION





# Solving farmers' issues (contd.)

## SOLUTION



## KCB Bank Rwanda success stories

- **28,263 smallholder farmers** have received loans from KCB under the model in Maize, beans, rice, soybeans, Irish potatoes value chains.
- **10 partnerships** in place: IFC, AFR, IFDC, RDO, BDF, RWARRI, SPARK RWANDA, CHAI, MINAGRI, UAP Insurance.
- **5 Loans products designed:** agricultural inputs financing, Inventory credit facility, Contract finance, Invoice discounting and investment loan facility

## KCB Bank Rwanda success stories

- KCBR is the first commercial bank to introduce **Inventory credit facility** on Rwandan market.
- KCB is the first commercial bank to introduce **agricultural insurance** on the Rwandan market



# The Model creates value to all stakeholders

- KCBR smallholder farmers loans increased from Rwf 200 Million to **Rwf 1.5 Billion** per season in 2014 (1 USD / 700 Rwf).
- The side selling has reduced and farmers are now **supplying harvest to cooperatives.**
- Cooperatives started building their own storage facilities due to the **increase of sales and profit.**

# The Model creates value to all stakeholders (contd.)

- Farmers are assured of access to markets: MINAGRI, WFP, local specialized buyers
- Farmers start doing agriculture as business on commercial basis
- Farmers gained more knowledge from service providers: Quality of harvest improved, post harvest losses reduced
- The financial records are available to the users
- Farmers are now insured

**YES! SMALL SCALE FARMERS CAN BE FINANCED  
ON COMMERCIAL BASIS BY A FINANCIAL  
INSTITUTION?**

**George Odhiambo**

Head of Business Development & Client Services

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**THANK YOU**





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