LENDING TO AGRIBUSINESS: FINANCING AGRICULTURAL VALUE CHAINS
Presentation profile

1. Background of KCB;
2. KCB RWANDA Services Involve in the Agribusiness Value Chain “From Farm to Fork;
3. The themes that drive our agribusiness finance agenda;
4. Collaborating with other stakeholders for risk mitigation and risk sharing measures;
5. Collaboration case: KCB-CHAI-IFC Program;
6. Factors favoring/ affecting the agri lending;
7. Key lessons learned;
### KCB BACKGROUND

**Purpose:** Simplifying your world to enable your progress  
**Values:** Inspiring, simple and Friendly

<table>
<thead>
<tr>
<th>Experience in Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Established in 1896 along the East African Coastline; KCB Bank Rwanda is a subsidiary of KCB Group and started only in 2008</td>
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<tr>
<td>▪ Regional presence in Rwanda, Kenya, Tanzania, South Sudan, Uganda and Burundi</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Channels</th>
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<tbody>
<tr>
<td>▪ Widest branch network of over 235 outlets across the region;</td>
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<tr>
<td>▪ Backed by over 950 automated teller machine outlets. With a wide network of correspondent relationships totaling over 200 banks across the globe</td>
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<tr>
<td>▪ KCB BANK RWANDA has grown from not having any business at all in Rwanda to having 11 branches, 260 agents and 27 ATMs</td>
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<table>
<thead>
<tr>
<th>Clients</th>
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<tbody>
<tr>
<td>▪ Close to 3 million customers spread across the region in the six markets in which we operate (Corporate, SME, Micro customers and individuals)</td>
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<table>
<thead>
<tr>
<th>Departments</th>
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<tbody>
<tr>
<td>▪ KCB BANK RWANDA has 10 departments: Business Development and Client Services, Credit, Legal services, Treasury, Operation and logistics, IT, Finance, Audit, Risk and compliance, HR departments and MD office</td>
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<table>
<thead>
<tr>
<th>Products/Services</th>
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<tbody>
<tr>
<td>▪ Corporate services, SMEs and Micro services, Agribusiness Finance, Mortgage finance, Personal Banking, Branchless banking (Alternative channels and innovation), Institutional Banking, Custody services</td>
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KCB RWANDA Services Involve in the Agribusiness Value Chain

“From Farm to Fork”

Our Interventions

Corporate level

Agricultural Input supply
Agricultural inputs import finance
Working capital in:
Staple crops: Rice, beans, maize, Irish potatoes, soya beans,
Horticulture finance;
Poultry finance,

SME level

Agricultural Input supply
Agricultural inputs distribution finance/ working capital

Micro level

Agricultural Input supply
Agricultural inputs distribution finance/ working capital

Production

Collection/ Aggregation

Agricultural inputs
Distribution finance/working capital

Agricultural inputs
Distribution finance/working capital

Working capital for production operations

Stock finance;
Asset Based finance
Asset based finance
Inventory Credit facility,
Contract finance,
Invoice discount

Processing

Stock finance;
Asset Based finance,
Investment and Working capital finance

Working capital for production operations

Asset Based Finance,
Investment finance

Working capital for production operations

Asset Based Finance,
Investment finance

Working capital for production operations

Asset Based Finance

Distribution/ Wholesale

Retailers

Working capital

Asset Based Finance

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Worki...
The themes that drive our agribusiness finance agenda

KCB Agribusiness strategic interventions across the value chain

**Corporate level**

*Animal Protein* by supporting dairy production and processing

**SME level**

Support the availability of the Produce by financing agricultural production and innovation at farm/Cooperative level (Irrigation, Greenhouse technology, use of certified seeds and fertilizers)

**Micro level**

Nutrition & Innovation
Food ingredients
Fortified foods
IFC-CHAI-KCB Partnership

Reducing Rwanda’s reliance on Imported edible Oil

**Aggregation**

Safe harvest collection and linkage to market support.

Food accessibility.
Collaborating with other stakeholders for risk mitigation and risk sharing measures

Risks associated/issue to resolve

- Deviation of fund
  - Direct payment to supplier

- Low yield, bad quality of harvest, side selling
  - Extension support, quality checking and postharvest management, monitoring

- Deviation of payment
  - Forward contract, assignment of payment

- Lack of enough collateral
  - Enough collateral to access loans

- Weather related risks, diseases
  - Agricultural Insurance cover

Mitigation

- Input suppliers
  - Technical assistance provider
- Off takers
  - Technical support provider
- Risk sharing provider
  - Risk sharing provider
- Agricultural insurance provider
  - Agricultural insurance provider
Collaboration case: KCB-CHAI-IFC Program

SHOWCASE: RWANDA FARMER FINANCING FACILITY

Farmer financing facility with KCB Rwanda in support of local farmer cooperatives that will supply maize and soybeans to the DSM plant through Off-take arrangements.

1. Origination
   KCB Rwanda Partner Bank
   IFC Portfolio Client

2. Risk Sharing Facility
   Credit Line

3. Direct Payment
   UAP Rwanda
   Crop Insurance
   IFC Portfolio Client

4. Input (Seeds, Fertilizer)
   Input Suppliers

5. Technical Assistance
   Advisory Services
   Clinton Health Access Initiative
   Sponsor

6. Maize, Soy Beans

7. Maize, Soy Beans

8. Payment
   Final Buyers
   WFP
   Government of Rwanda

9. Repayment
   Selected 11 Farmer Cooperatives

World Bank
   Advisory Services

RCA
   Rwanda Cooperative Agency

Rwanda Development Organization

Harvest Plus
   International Finance Corporation
   World Bank Group

GAFSP
   International Finance Corporation
   World Bank Group
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
Summary of key lessons learned

- Developing new products and services that better meet farmers needs is important:
  - The Bank needs to have specific products targeting agricultural value chain operators as agriculture related businesses have their own specificity

- Having services and products for agricultural clients is important, but not sufficient to acquire new clients:
  - Adequate training of staff is critical to enable them to sell loan products to agricultural clients effectively;
  - Address issues quickly to meet customer expectation (Dealing with seasonal business);
Summary of key lessons learned

- Lending to smallholder farmers needs intervention and support from different stakeholders:
  - The bank has not enough technical and financial capacity to mitigate all involved risks in smallholders farmers financing and the support from stakeholders as risk mitigation service providers are critical.

- Bank senior level commitment is key of agricultural finance success:
  - Having agricultural lending strategy, policy and Budget allocation is key for agricultural lending initiative success;

- Government intervention and commitment to support agricultural sector is very important:
  - Government willing to promote agricultural value chain finance and the investments done in agricultural somehow reduced the risks to lend to the farmers.
THANK YOU
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