



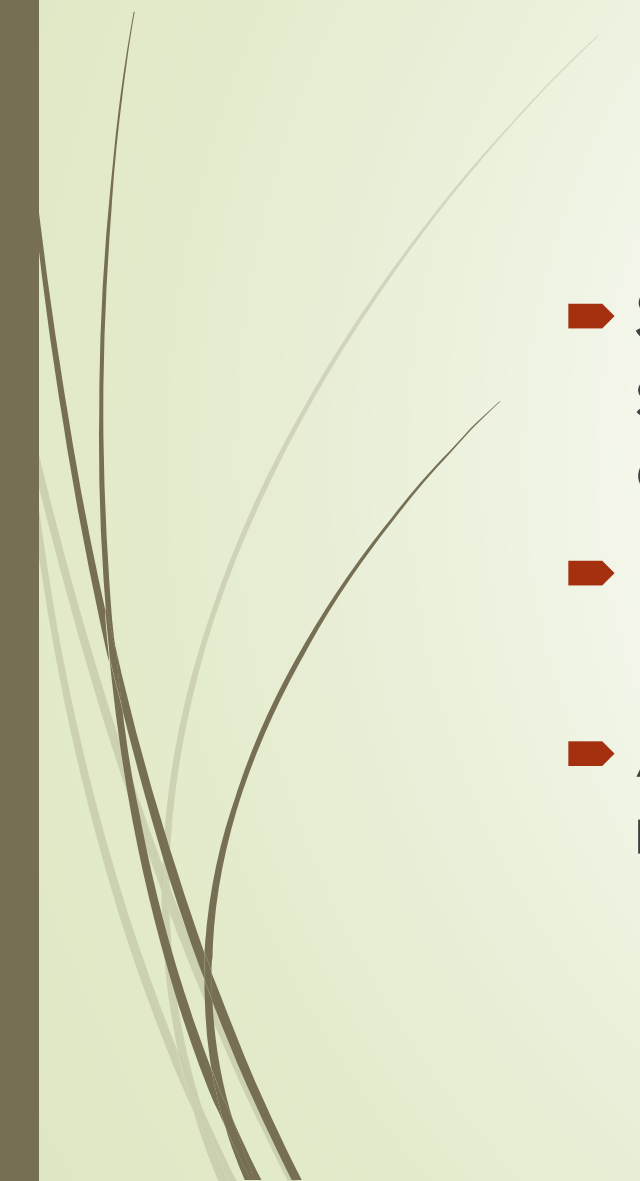
Agricultural Value Chain Finance

A Guide for Bankers

February 25, 2016



Why a Guide on Value Chain Finance?

- Some banks have shown VCF is one of the most sustainable and effective ways to reach large numbers of smallholders.
 - Lack of practical guidance materials for banks on the “how to” of value chain finance.
 - Ability to utilize network of bankers to develop this resource, unique to other information about VCF.
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Characteristics of AVCF

- Rather than a simple credit risk assessment of the borrower, **AVCF requires a comprehensive assessment and understanding of the value chain.**
- Leverages **aggregation of farmers** to diversify risk and reduce costs of delivery.
- Uses **tailored financial products and services** that meet the needs of the chain.
- Examines the **flow of goods, information and money** up and down the value chain.



Objectives of the VCF Guide

- To provide **practical, evidence-based guidance** to financial institutions engaging in AVCF.
 - To offer a comprehensive picture of agricultural value chains so as to enable financial institutions to **work with different segments of the value chain** and **adapt financial products to the specific demands of value chain participants**.
 - To provide examples of **field-tested AVCF products and procedures** that have shown value or promise.
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AVCF Guide Intended Audience

- **The Guide has been created by bankers for bankers.** The Guide has been developed by practitioners carrying out field experiments (in partnerships with AgriFin).
- The Guide documents “**peer-to-peer**” sharing on the “**how-to**” of value chain finance.
- Bankaool, Mexico; HBL, Pakistan; HDFC, India.
- Case examples from other banks active in VCF, e.g., Yapi Kredi, Turkey, Rabobank, Brazil

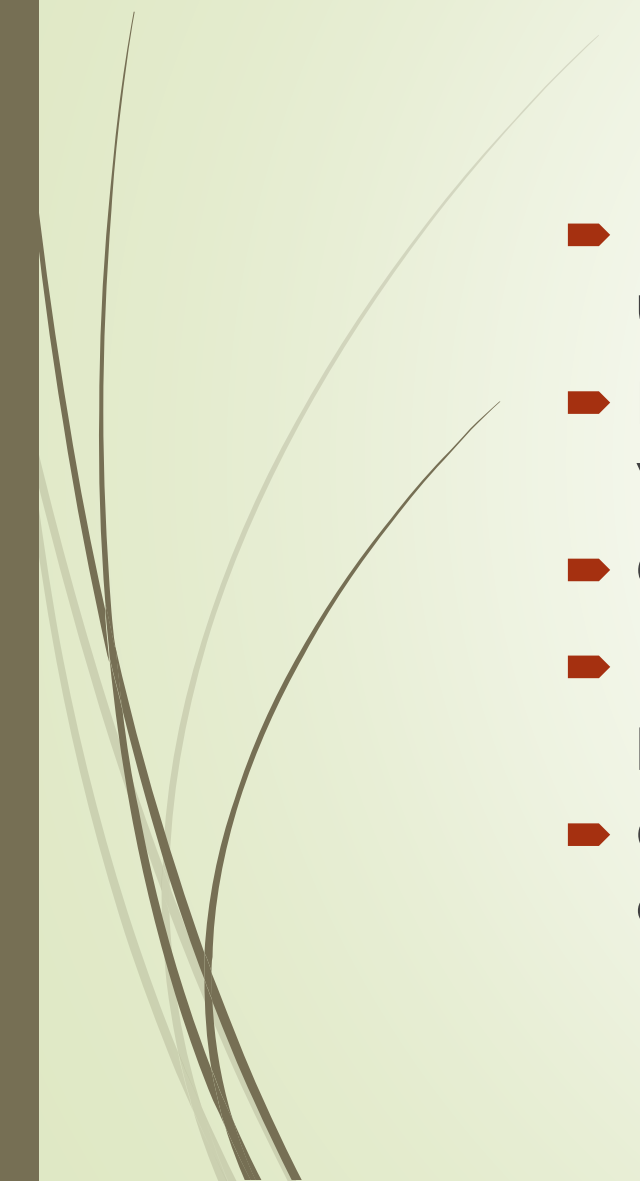


AVCF Guide Overview

- **Step-wise framework – walks reader through the following:**
 - **Making the Business Case for Value Chain Finance**
 - **Identifying a Target Value Chain**
 - **Mapping the Value Chain - Market Intelligence**
 - **Entry Points for a Financial Institution**
 - **Value Chain Financial Products**
 - **Risk Management, Costs and Returns**
 - **Adapting Bank Structure and Operations**
 - **From Pilot Project to Value Chain Finance Launch**

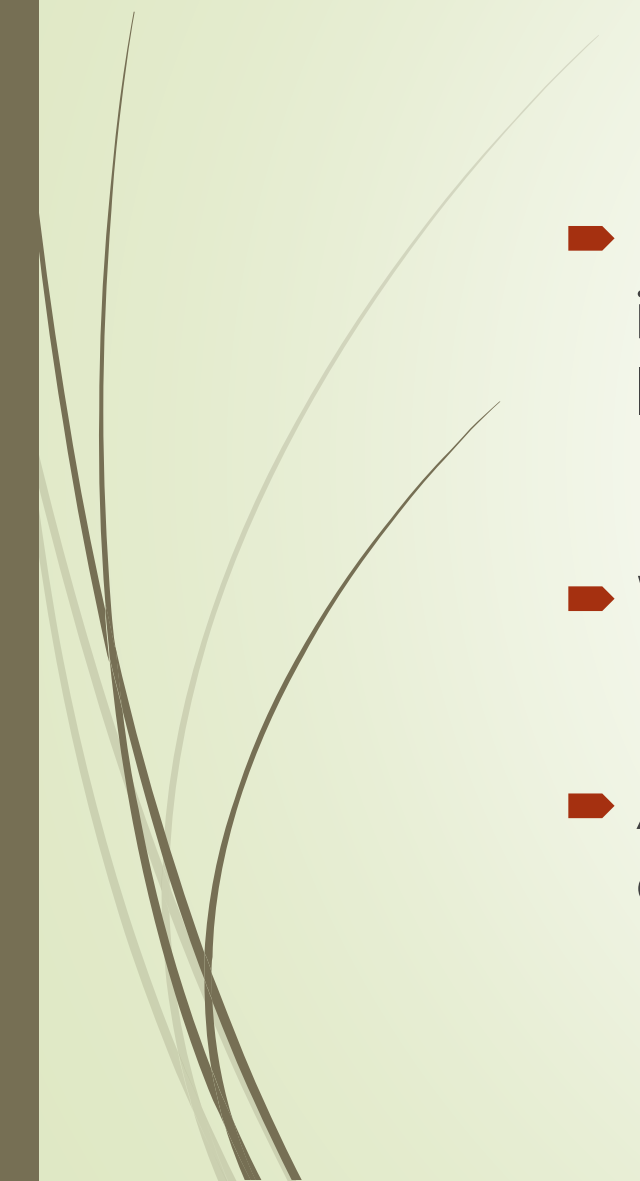


AVCF Guide can be used by:

- Financial institutions' staff including senior management to understand the strategic benefits of value chain finance
 - Heads of lending departments and their teams to implement value chain finance
 - Other bank staff for training and self-study
 - Development professionals supporting agricultural finance projects.
 - Guide comes in two formats: Full pdf version and an online overview version
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Questions for HDFC

- ▶ How does HDFC employ VCF approach and why important to HDFC's business model for agricultural lending?
 - ▶ Why did you partner with AgriFin on this activity?
 - ▶ Advice for banks wanting to get started/employ VCF approach?
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AVCF Guide + Online Overview