Rabobank was founded in the Netherlands more than a hundred years ago as a co-operative bank providing access to financial services for small farmers and offering a secure option for savings to the local community. Today, the Rabobank Group is comprised of approximately 280 independent local co-operative banks in the Netherlands, the central organisation of Rabobank Nederland, and various national and international subsidiaries. The Group operates as a full-fledged finance bank, which focuses on all potential retail and wholesale customers. The Rabobank Group has 9 million customers, of which 1.5 million are members, ranking among the 15 largest banks in the world, based on Tier-1 capital, and is the market leader in retail banking in the Netherlands. It also has the highest credit rating available (AAA), awarded by various international leading rating agencies.

Because of its roots in agriculture, Rabobank still has an 85% market share in this sector in the Netherlands. It is also the major player in financing SMEs (39%) and private savings (39%). In the international environment, Rabobank's goal is to be the best Food & Agribusiness bank, with a strong presence in the world's major food and agriculture countries. To this end, Rabobank capitalises on its decades of experience in agricultural and rural financing in the Netherlands.

The driving force behind the Rabobank Group has always been to create opportunities for individuals and organisations to participate fully and independently in economic activities. In the last decades Rabobank has pursued this goal outside the Netherlands through its numerous initiatives to stimulate development in developing countries. Rabobank's unique strength lies in combining financing in the form of donations, loans or equity participation; and in sharing knowledge and expertise with banks and co-operatives. Rabobank believes that establishing long-term relationships are essential for achieving development, and these relationships should be based on co-operation and partnership, instead of merely one-way assistance.

Based on its many years of experience, Rabobank has developed an integrated concept of sustainable rural financing in developing countries. Last year, it launched the Rabobank Development Program (RDP), which brings together the various activities of Rabobank in this field. While many of the activities in this programme have already been pursued by Rabobank for a long time, RDP's launch has consolidated the activities and introduced new initiatives. Besides the RDP, Rabobank International and Rabobank's subsidiary, Interpolis, are also active in developing countries in various fields.

In addition, Rabobank participates through its different departments in international platforms and partnerships concerning the challenge of economic development in developing countries. For instance in 2004, Rabobank signed an agreement with the Ministries of Foreign Affairs, Economic Affairs and Finance, other Dutch banks (ABN AMRO, ING, Fortis) and FMO (the Netherlands Development Finance Company) on the transfer of financial expertise to developing countries. In what is referred to as the Netherlands Financial Sector Development Exchange (NFX), members pool their expertise to encourage the financial sector in developing countries, since an efficient financial sector is very important.
for the economic development of those countries. This collaboration enables the Dutch financial sector and the government to apply their expertise with good results.

**Rabobank Development Program**

The RDP is based on the principle that people take responsibility for their lives and are motivated to find the right financial services that will fit their needs. The activities of the RDP are intended to provide access to financial services for farmers, small and medium-sized entrepreneurs in developing countries. Rabobank will share its knowledge and expertise with financial institutions in numerous developing countries. In doing so, Rabobank will make a direct contribution towards enhancing the economic independence and prosperity of these target groups. The RDP comprises three pillars:

- the Rabobank Foundation;
- Rabo International Advisory Services BV (RIAS) and;
- Rabo Financial Institutions Development BV (RFID).

**Rabobank Foundation**

In 2004 the Rabobank Foundation celebrated 30 years of enhancing rural welfare, empowerment and income by assisting recipient organisations to develop into sound financial institutions. The Foundation supports an average of a hundred projects per year spread over more than 50 countries throughout the world. The Rabobank Foundation pursues its objectives by supporting promising co-operatives or member-based organisations. It also offers support for the development of microfinance institutions. The Foundation can support foreign projects in a variety of ways, by providing grants for institutional development, loans in local currency for microcredit schemes, guarantees, and participations in risk-bearing capital. In addition, the Foundation makes its expertise in the field of co-operative banking available in the form of on-site technical assistance. Trade finance can also be provided, such as the financing of commodities.

The Rabobank Foundation is member of the Netherlands Microfinance Platform (NMP), in which 15 Dutch organisations are represented that are active in microfinance (a.o. Novib, Triodos Bank, Oikocredit and FMO). This platform aims to increase efficiency and effectiveness of the Dutch microfinance offer by joint financing, better internal co-ordination and knowledge-sharing between its members.

**Rabo International Advisory Services BV (RIAS)**

Since 1989, RIAS has offered management advice and technical assistance in rural banking, co-operative development and agricultural chain development. RIAS helps to improve the expertise and management quality of financial organisations in developing countries through technical twinning and assistance programmes. Using predominantly Rabobank staff to transfer knowledge, the initiative is now assisting organisations in more than 50 countries. Developmental financial institutions, multilateral institutions and governments support many of these programmes. The central objective is to increase access to financial services for small and medium-sized businesses and farmers in rural areas in a sustainable way in order to improve
corporate governance and to structure co-operatives operationally, institutionally and with appropriate capitalisation structures. RIAS projects include strategic advice as well as concrete product and services development for the Principal Bank for Development and Agricultural Credit (PBDAC) in Egypt, technical assistance to an Agricultural Finance Corporation in Kyrgyzstan, a feasibility study for rural financial services in Mozambique, and the restructuring of the largest coffee co-operative in Brazil. RIAS also provides management for banks that RFID invests in.

**Rabo Financial Institutions Development BV (RFID)**

The next, recently launched, logical step in the RDP is to participate with equity in a rural bank and take joint corporate responsibility in order to create long term continuity. Technical assistance and management support will be provided to these so-called partner banks. RFID aims at creating leading rural banks in about 10 to 15 countries, among them China, Tanzania, Peru, India and Mozambique. Selection criteria are the following:

- A stable social and political environment in the countries concerned;
- Financial intermediaries need to have (in potential) sufficient scale, i.e. national coverage or (in large countries) regional coverage by means of an extensive branch network;
- Their mission should include a focus on urban perimeters and rural finance;
- Institutions should preferably have some co-operative characteristics, meaning they focus on client value and, whenever possible, a substantial amount of the equity is owned by its clients;
- The bank should have the potential to grow into a modern financial service provider.

Rabobank will support these rural banks with capital, management and knowledge. Typically, Rabobank seeks a minority share, while the remaining shares are mainly domestically owned, preferably by clients of the bank.

**Rabobank International**

Rabobank International is, within the Rabobank Group, responsible for wholesale banking and international retail banking operations. For its projects in developing countries, Rabobank International works closely in partnership with Multilateral Development Banks (MDBs). These include the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and other development institutions around the world which provide financial support and professional advice for economic and social activities in developing countries. In 2004, Rabobank International played a leading role in arranging multilateral co-financing, which is used to provide liquid resources on a viable commercial basis for agribusiness in emerging markets.

Rabobank International also participates in the International Task Force on Commodity Risk Management (ITF), a public-private partnership exploring new, market-based approaches to assist small producers in developing countries to better manage their vulnerability to commodity price fluctuations. The ITF is led by the World Bank, and Rabobank has adopted a key role as the
Rabobank in developing countries

Lead commercial bank involved. Rabobank, through the ITF programme, aims to increase the capacity of farming producer organisations to access commodity risk management products that can benefit their members. Rabobank International supports the ITF through sponsorship and has been one of the few international price providing financial institutions committed to providing regular pricing for risk management products to clients that have been selected and trained by the World Bank.

Additionally, Rabobank International and the Rabobank Foundation are in the process of setting up the Sustainable Coffee Credit Guarantee Fund (SCF), together with DGIS (Netherlands Ministry of Foreign Affairs) and the Dutch NGO Solidaridad. This fund intends to enhance the access of small- to medium-scale coffee producers to credit for production, processing and marketing of their products on commercial and sustainable terms. The SCF proposes to provide a risk-mitigating financial instrument to (financial and trade) intermediaries. This instrument should then allow the intermediaries to offer commercial credit to farmers’ organisations for the production and export of coffee at better terms (i.e. lower interest rates) than would be possible without the SCF.

Case study: Co-operative banking in the Netherlands

In the last quarter of the nineteenth century, there were hardly any banks in the rural areas of the Netherlands. Farmers were also unable to obtain credit from the banks in towns, because banks assumed that the risks were too great. The banks were mainly engaged in the financing of trade, and the needs of the rural community were basically an unknown entity. Quite often, farmers were solvent but simply did not have enough easily accessible liquid assets. What capital they had was tied up in the business. To address their growing need of business loans and to bridge the discrepancy between one harvest season and the financial needs of the entire year, farmers had to appeal to traders or shopkeepers out of sheer necessity. They were often compelled to pay extortionate interest rates. Moreover they often found themselves unwillingly dependent on these external sources of credit.

To combat these difficulties, the first local co-operative banks were established in 1896 and within 4 years the number of banks had grown to 1,100. The five main principles of these banks were: the unlimited liability of the members, management by unpaid volunteers, the reserve of profits, the geographically limited working area, and, finally, local autonomy, but with a simultaneous affiliation to a co-operative central bank. At first, two central banks were established, but in 1972 these organisations together with their respective member banks merged into one co-operative bank: Rabobank.

Possibly the most important step in the development of the Rabobank has been the recognition that, for some issues, scale is required, and that a network is essential for developing the institution. Another essential element has been that from the start the cooperatives were able to operate as banks, which enabled Rabobank to develop along with its clients and adapt its products based on client needs. Knowing and growing with the client have been important factors in the very high loan recovery rates the organisation has always achieved. This, in turn, resulted in competitive interest rates, which greatly benefited the client.

For the first 70 years of its existence, Rabobank was, for a large part, the only bank in rural areas. Because of its focus on rural clients, Rabobank has greatly contributed to the diverse rural economy in the Netherlands.
Interpolis

Rabobank's insurance subsidiary Interpolis is actively involved in micro-insurance in developing countries. Together with Rabobank Foundation and other Dutch development organisations, Interpolis shares its knowledge about insurance in these countries. Microinsurance enables small entrepreneurs to insure their income and livelihood in, for instance, small (mutual) insurance companies, the same way Interpolis originally started its business in the Netherlands. Another possibility is that, by means of microinsurance structures, people in rural areas are given access to mainstream insurance companies. Approximately one hundred Interpolis employees are now enlisted as volunteers for the development of microinsurance. In 2003, they established the Micro Insurance Association Netherlands (MIAN), a network of experts from financial intermediaries and relief organisations. Membership of MIAN is also open for employees of other co-operative insurance companies in the Netherlands.

To conclude

As a co-operative bank, it is a natural mission for Rabobank to support rural economies in developing countries, by improving access to affordable financial services. True to its roots, Rabobank will continue to do what it has been established for, in another part of the world.