

Enhancing access of poor rural people to sustainable financial services through policy dialogue, capacity-building and knowledge-sharing in rural finance



Pineapple cultivation, Bangladesh

GRANT RESULTS SHEET

The grant enhanced the capacity of regional financial institutions in value-chain and renewable-energy financing, risk-management strategies, and microfinance for agriculture.

Introduction

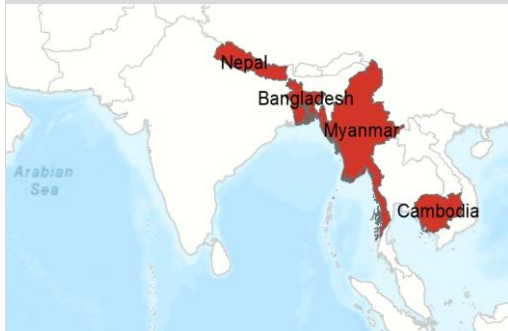
There is a consensus that access to rural finance is crucial to farm and non-farm growth in rural areas of developing countries. However, despite some success in increasing the outreach and impact of rural finance delivery, demand for rural financial services remains largely unmet. In recent years, poor rural people have faced additional challenges due to rising food and fuel prices, the global financial crisis, and the increased incidence and intensity of natural disasters resulting from climate change. At the same time, the agriculture sector has undergone profound changes in the Asia and the Pacific region, due to technological improvement, value-chain integration, changes in consumer preferences, and increased demand for high-value, quality food.

This programme, also known as FinServAccess, aimed to enhance access to sustainable rural financial services for smallholder producers and agroentrepreneurs, so they are better equipped to face emerging challenges and benefit from new opportunities. It focused on the major rural finance themes of value-chain and renewable-energy financing, risk-management strategies and tools, and microfinance for agriculture, while promoting policy dialogue, scaling up, knowledge-sharing, and South–South cooperation. It helped enhance the capacity of APRACA members to provide rural financial services and improve value-chain finance and agricultural insurance for some IFAD investments projects.

Goals and objectives

The grant was designed to enhance access to sustainable financial services for poor rural people, particularly smallholder farmers and agroentrepreneurs, including women and youth. The programme aimed to:





Facts at a glance

Grant-implementing agency

Asia-Pacific Rural and Agricultural Credit Association (APRACA)

Theme

Policy development and rural finance

Benefiting countries

Bangladesh, Cambodia, Myanmar and Nepal

Total Programme cost

IFAD: US\$1.1 million

APRACA: US\$1.0 million (in-kind)

Effectiveness and duration

2013-2016

Linkages to IFAD investment project

Promoting Agricultural Commercialization and Enterprises (PACE), Bangladesh

High Value Agriculture Project in Hill and Mountain Areas (HVAP), Nepal

(i) provide avenues for enhanced policy dialogue among stakeholders in the target countries, on thematic areas such as value-chain financing, risk-management strategies, renewable-energy financing, and microfinance for agriculture; (ii) promote replication of rural finance best practices by IFAD-supported investment projects and selected rural finance institutions (RFIs), while strengthening their capacity to provide sustainable rural financial services; and (iii) enhance knowledge- and experience-sharing among APRACA members, IFAD projects and a wider audience.

Beneficiaries

The programme benefited APRACA network members at two levels – central banks and RFIs, which are now better equipped to provide rural financial services. To a more limited extent, the grant also helped build capacity in value-chain finance and agricultural insurance for some IFAD investments projects, especially the ongoing Promoting Agricultural Commercialization and Enterprises (PACE) in Bangladesh, and the High Value Agriculture Project in Hill and Mountain Areas (HVAP) in Nepal. The ultimate beneficiaries from enhanced rural financial services are smallholder farming households, agroentrepreneurs and other poor rural people, particularly women and youth.

Main activities

Project activities¹ were articulated around four components:

Policy development and advocacy. Analytical studies were produced to analyse the enabling conditions for rural finance in the target countries. The performance of IFAD-supported projects and the management of the APRACA Secretariat were also assessed as a basis for identifying measures to improve their responsiveness to rural and agricultural finance trends and better serve smallholder producers. National and regional fora were held to identify key policy interventions and improve the formulation and development of financial policies, strategies, products and services. The fora also provided an opportunity for exchange of best practices and lessons learned, particularly in the areas of policy, training and capacity-building, and in linking poor rural people to formal financial institutions.

Replication of rural finance best practices and approaches. Existing best practices and successful approaches were identified, tested, shared and applied through exposure study visits, evaluation and documentation. For example, the Agricultural Value Chain Finance (AVCF) Smallholder Integrated Goat Management approach, implemented under the IMGoats and MPOWER projects,² was replicated and pilot-tested under HVAP in Nepal. Additionally, regional exposure study visits were organized for

¹ The institutional situation constrained implementation of some activities in Myanmar.

² IFAD developed and pilot-tested a sustainable and replicable organizational and technical model to strengthen pro-poor goat value chains under the IFAD/EC-funded grant for Small Ruminant Value Chains as Platforms for Reducing Poverty and Increasing Food Security in Dryland Areas of India and Mozambique (IMGoats). IMGoats was implemented from January 2011 to June 2013 by CARE in Mozambique and by the Bharatiya Agro Industry Foundation (BAIF) in India, in close coordination with state/provincial livestock services. IMGoats also informed other IFAD projects in India (MPOWER) and Mozambique (PROSUL).

The programme helped enhance the capacity of RFIs to provide rural financial services to poor rural people and to develop a conducive policy environment.

APRACA members and IFAD-supported projects on: risk management (Thailand); microfinance in agriculture (India); and agricultural value-chain finance, financial risk management and agricultural insurance (Philippines).

Capacity-building of RFIs and projects. Training courses or workshops were held for APRACA members on agricultural value-chain finance, microfinance in agriculture, financial risk-management and agricultural insurance, and innovative finance and green financing. Training modules on the AVCF approach and risk management were published, and the manual on microfinance in agriculture revised.

Knowledge documentation and sharing. Regional and national fora were organized to synthesize and share knowledge. These included regional dissemination fora on microfinance in agriculture in Bangladesh and Cambodia, and integration workshops conducted in the same countries and Nepal to consolidate project lessons learned and scaling-up strategies and best practices in rural finance and community development.

Main results

Enhanced capacity of RFIs. Regional and in-country institutions and partners, such as APRACA members and other financial institutions, have strengthened their capacity to provide rural financial services to poor rural people. Results were achieved for IFAD-funded investment projects, but to a lesser extent due to unclear linkage mechanisms defined at design. Except for Myanmar, the target countries improved access to systematic and responsive finance for rural people. While these achievements cannot be fully attributed to the grant, Bangladesh, Cambodia and Nepal have recognized the programme's contribution. In 2014-2015, Cambodian RFIs and banks increased service provision to unserved and marginalized people by 39 per cent and 10 per cent, respectively. In Nepal, the increase was about 4 per cent and is still improving.

A more conducive environment for rural finance. The project helped identify and propose policy interventions to improve the institutional environment. For example, Nepal Rastra Bank (Nepal's central bank) led the development of a policy directive for a 5 per cent increase in the allocation of financial support to agriculture from the national government budget, and the inclusion of a 10 per cent fund portfolio for agriculture and related activities by different banks.

Mechanisms in place to promote uptake and replication. A replication framework was developed to scale up financial innovations, strategies and practices in target countries, APRACA members and IFAD investment projects. Guidelines were reviewed and are being used/tested by project sites of the IFAD-APRACA grant, and by projects in China, Indonesia and Philippines. The project also developed a feedback mechanism to enhance and monitor technical and financial strategy adoption and application. The mechanism is operational at APRACA level, particularly for programme implementation, including monitoring and evaluation.

Partner

Asia-Pacific Rural and
Agricultural Credit
Association (APRACA)

Partner contact

Prasun Kumar Das
APRACA Secretary General
Bangkok, Thailand
Email: prasun@apraca.org

IFAD contacts

Henning Pedersen
Country Programme Manager
IFAD, Rome, Italy

Fabrizio Bresciani
Regional Economist
IFAD, Rome, Italy
Email: f.bresciani@ifad.org



International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
Email: ifad@ifad.org
www.ifad.org

 ifad-un.blogspot.com

 www.facebook.com/ifad

 [instagram.com/ifadnews](https://www.instagram.com/ifadnews)

 www.twitter.com/ifadnews

 www.youtube.com/user/ifadTV

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Identified and replicated rural finance strategies and best practices.

Various strategies and practices were pilot-tested and scaled up, also in IFAD projects. For example, in Bangladesh, risk-management tools in agricultural lending (first developed by Thailand's Bank for Agriculture and Agricultural Cooperatives) were positively evaluated by local RFIs and IFAD-supported investment projects, integrating them into the development of new financial products and services. In Cambodia, strategies and tools using ICTs to deliver financial services offered by MicroSave Technical Solutions in India have been replicated. Nepal, including HVAP, has adopted and improved the goat value-chain finance approach tested and validated through IMGoats and MPower.

Lessons learned

More time than the project timeframe may be required to fully appreciate project impact *vis-à-vis* the objectives, particularly sustainability, policy change, and outcome-level results. The target countries stressed that they would build on the project's support and results to develop accountable, responsive and client-oriented rural financial services.

A comprehensive programme management framework and action plan with clear monitoring indicators, milestones and realistic targets should be developed early on, and shared and adopted by all implementing partners and stakeholders. This should also include specific arrangements to establish linkages with IFAD's investment projects.

Enhancing provision of financial products and services for smallholder producers may not on its own be sufficient to achieve the overall objective of rural poverty reduction and enterprise development. It should be complemented by other interventions, particularly the development and adoption of appropriate technologies, which can act as incentives for farmers to engage.

Knowledge generated/disseminated

Programme-organized policy fora, workshops and exchange visits facilitated the preparation of analytical papers and case studies that were instrumental in generating and sharing knowledge to inform in-country policy development. A number of best practices were also identified and replicated, which have been disseminated in the countries and among the RFIs and APRACA network. The programme published several knowledge products, with ISBNs, including case studies from 11 countries in Asia on value-chain finance in agriculture, and a study on microfinance in agriculture. Training toolkits on agriculture value-chain finance and risk management in agriculture were also developed, and these are now widely used by APRACA member institutions to train their staff.