The Independent Office of Evaluation of IFAD

Inclusive financial services for the rural poor

105th Session of the Evaluation Committee – Wednesday, 19 June 2019
Objectives and scope

• The synthesis reviewed
  - Relevance of IFAD's policies, guidance and knowledge on inclusive rural finance;
  - The relevance, effectiveness, sustainability and impact of inclusive rural finance models.

• Scope:
  - Evaluations conducted since 2008
  - Policies and guidance adopted since 2008.
    - Interventions at macro, meso and micro levels
    - Diverse instruments, products and services
Rural finance prominent in IFAD’s portfolio

- Average amount around 120 million since 1996
- Fewer standalone rural finance projects; more ‘mixed’ projects
Financial instruments remain traditional

- Line of Credit still common; matching grants most frequently used

Source: PMD FAME database
IFAD’s performance varies

• IFAD performance better in full rural finance projects.

Source: ARRI database
Achievement of results

• Better results achieved by full rural finance projects

Source: ESR analysis
Intervention levels

- Interventions at meso and micro levels most common in sample
- Reflects IFAD’s focus on institutional capacity building

![Intervention levels chart]

<table>
<thead>
<tr>
<th>Intervention levels</th>
<th>No of projects reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro, meso, micro</td>
<td>5</td>
</tr>
<tr>
<td>Meso, micro</td>
<td>13</td>
</tr>
<tr>
<td>Micro</td>
<td>5</td>
</tr>
</tbody>
</table>
Intervention levels and impacts achieved

- Interventions at all levels achieve better impact on sector and policy

Source: ESR analysis
Lessons

• Multi-level approach can work in standalone IFS projects
• But: Simple approaches work better for IFAD
• Micro-finance or community-based organisations more poverty oriented
• Financial graduation targets the very poor
• Innovative aggregators (postal networks, mobile operators) support outreach to remote rural areas
• Engagement in financial sector policy dialogue requires broader partnerships
Conclusions

• Aspirations in IFS policy, strategy and guidance have been rising
• They have to be matched with adequate technical capacities within IFAD
• IFAD's business model steers demand for instruments, services and products
• Innovative and more diverse financial services are not commonly used
• Capacity of financial service provider as major constraint; to be addressed through the meso level
1. Conduct **stocktake** of current IFS practices on the ground (e.g. on matching grants)

2. Update **IFAD's Rural Finance Policy** and prepare a **corporate IFS strategy**

3. Enhance strategic impacts at institutional, sector and policy levels through **greater focus on meso-level institutions** and **stronger partnerships** with agencies working in the sector

4. Conduct sound **analysis** at the design stage and be flexible to adapt during implementation

5. Continue experimenting with innovative approaches and services locally