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الاستثمار في السكان الريفيين

تقرير تقييم تجميعي عن الخدمات المالية الشمولية لفقراء الريف

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لجنة التقييم – الدورة الخامسة بعد المائة

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للاستعراض

المحتويات

شكر وامتنان

أعدّت هذا التقييم التجميعي Johanna Pennarz، الموظفة الرئيسية المسؤولة عن التقييم في مكتب التقييم المستقل في الصندوق، بالاشتراك مع Martina Wiedmaier-Pfister، الخبيرة الاستشارية في النظم المالية. وقام محللا البحوث Nick Bourguignon، و Valentina Di Marco Conte بإعداد التحليل الداعم بالاشتراك مع Antonio Cesare، المتدرب في مكتب التقييم المستقل في الصندوق. وقدم الدعم الإداري كل من Shaun Ryan، المساعد الإداري في مكتب التقييم المستقل في الصندوق، وManuela Gallitto، مساعدة التقييم في مكتب التقييم المستقل في الصندوق. وكان كبير المستشارين المستقلين لهذا التقييم التجميعي Calvin Miller، كبير خبراء التمويل الزراعي في منظمة الأغذية والزراعة للأمم المتحدة سابقا، والذي قدم تعليقات قيمة على ورقة النهج ومسودة التقرير.

واستفاد التقييم التجميعي من المعلومات الارتجاعية والمشورة التي قدمها العديد من الأقران والخبراء في مجال الخدمات المالية الشمولية. ونحن ممتنون قبل كل شيء للتبادلات البناءة مع الفريق السابق للتمويل الريفي في الصندوق: Michael Hemp، وJonathan Agwe، وFrancesco Rispoli، وKathy Zissimopoulos. كما أننا مدينون لـ Michael Marx، كبير أخصائيّ القطاع المالي في منظمة الأغذية والزراعة سابقا، لمشورته المفيدة بشأن تحليل البيانات. وأخيرا، نود أن نشكر استشاريّ الصندوق الذين قدموا المعلومات الارتجاعية والمقترحات بشأن نهج الصندوق تجاه الخدمات المالية الشمولية من خلال المسح الاستقصائي.

كما استفادت المسودة النهائية من استعراض الأقران في مكتب التقييم المستقل في الصندوق، والتعليقات المقدمة من قبل إدارة الصندوق.

تقرير تقييم تجميعي عن الخدمات المالية الشمولية لفقراء الريف

موجز تنفيذي

ألف- الخلفية

1- يشكل التمويل الريفي جزءا كبيرا من حافظة استثمارات الصندوق. ومنذ عام 1981، قام الصندوق بتمويل ما مجموعه 1 052 مشروعا استثماريا، شملت 506 منها أنشطة تمويل ريفي (48.1 في المائة)، وذلك بقيمة 3.4 مليار دولار أمريكي (من أصل ما مجموعه 19.2 مليار دولار أمريكي)، وبما يمثل 17.7 في المائة من استثمارات الصندوق في المشروعات. وبالإضافة إلى ذلك، قدم الصندوق منحا لأنشطة الخدمات المالية الريفية بقيمة 42.3 مليون دولار أمريكي (من أصل ما مجموعه 484.3 مليون دولار أمريكي)، وبما يمثل 9 في المائة من جميع أموال المنح.

2- لقد اعتمد الصندوق سياسة التمويل الريفي المنقحة (2009) وعزز بشكل نشط تنوعا أكبر في نُهج وأدوات التمويل الريفي في عملياته. وينظر الإطار الاستراتيجي الحالي للصندوق (2016-2025) إلى التمويل الريفي كجزء لا يتجزأ من جدول أعمال التحول الريفي الشمولي. وتضع البيئة المتغيرة وجدول الأعمال الإنمائي العالمي مطالب جديدة على القطاع المالي لتنويع الخدمات، مع التركيز بشكل واضح على العملاء، وزيادة الوصول إلى أولئك الذين يصعب الوصول إليهم.

3- **أهداف ونطاق هذا التقييم التجميعي.** مع مرور عشر سنوات على وجود سياسة التمويل الريفي، يوفر هذا التقييم التجميعي فرصة للتقييم والتعلم من التجربة. وهكذا فقد كانت أهداف هذا التقييم التجميعي كما يلي: (1) استعراض ملاءمة سياسات الصندوق، وتوجيهاته، ومعرفته بشأن الخدمات المالية الشمولية، ومدى مساهمة ذلك في الممارسات المبتكرة للخدمات المالية الشمولية في المشروعات والحوافظ التي قيمها مكتب التقييم المستقل في الصندوق؛ (2) استعراض ملاءمة، وفعالية، واستدامة، وأثر عمليات الخدمات المالية الشمولية التي قيمها مكتب التقييم المستقل في الصندوق؛ (3) تحديد الممارسات الجيدة والدروس المستفادة بشأن الخدمات المالية الشمولية التي ينبغي الاستنارة بها في وضع حافظة الخدمات المالية الشمولية للصندوق في إطار خطة عام 2030.

4- يمتدّ الإطار الزمني لتقرير التقييم التجميعي هذا من عام 2008 وحتى عام 2017، ابتداء من السنة التالية لنشر التقييم المؤسسي لسياسة التمويل الريفي في الصندوق. ويشمل التقرير تلك الحوافظ القطرية، ومشروعات القروض، والمنح التي قيّمها مكتب التقييم المستقل في الصندوق منذ عام 2008 وذات التركيز على التمويل الريفي أو الخدمات المالية الشمولية، كما تُحدَّد من الحصة النسبية لتلك المواضيع من التمويل في مرحلة التصميم. كما يشمل التقييم التجميعي أيضا – وإن يكن بشكل عام فقط – وضع السياسات، والتوجيهات، والنُهج المبتكرة في الصندوق منذ إدخال سياسة التمويل الريفي المنقحة في عام 2009.

باء- النتائج

5- أدخلت سياسة التمويل الريفي المنقحة (2009) تغييرا استراتيجيا، ألا وهو الانتقال من اعتبار الائتمان كجزء من إمدادات المدخلات، نحو نهج شامل يركز على المستويات الثلاثة للنظام المالي (الصغري، والأوسط، والكلي) من أجل تحقيق التقديم المستدام للخدمات المالية لفقراء الريف. وقد أدخلت السياسة نهجا لتنمية النظم المالية، والذي أوصى باستهداف جميع المستويات الثلاثة للنظام المالي: المستوى الصغري (الذي يركز على الأفراد واستدامة موفري الخدمات المالية)؛ والمستوى الأوسط (الذي يركز على بناء أسواق مالية فعالة، ومؤسسات ومنظمات رئيسية من المستوى الثاني)؛ والمستوى الكلي (الذي يتعامل مع الحكومات، والسياسات، وصياغة استراتيجية القطاع، بالإضافة إلى تنظيم والإشراف على موفري الخدمات المالية على المستوى الصغري، ومؤسسات المستوى الأوسط). وتسلط السياسة الضوء على أهمية: تقاسم المعرفة؛ والتعلم بشكل منهجي وجماعي من المشروعات؛ والممارسات الجيدة؛ والشركاء.

6- ساعدت شراكات التعلم مع الجهات الفاعلة الرئيسية العالمية أو الإقليمية على اختبار وتطوير نُهج مبتكرة، واستيعاب عملية تعلم أوسع. ولدى العديد من هذه الشراكات سجل حافل بالإنجازات، وقد ولدت جميعها معرفة حاسمة. كما كان للشراكات ومواردها دور أساسي في تقديم الدروس العالمية، وبالتالي تعزيز المعرفة المفاهيمية والتقنية في الصندوق. (وتشمل هذه الشراكات مركز تعليم الخدمات المالية والاستثمارات الريفية، المدعوم من قبل الصندوق، ومنظمة الأغذية والزراعة، والوكالة الألمانية للتعاون الدولي/الوزارة الاتحادية للتعاون والتنمية في المجال الاقتصادي، وصندوق الأمم المتحدة للمشاريع الإنتاجية، وبرنامج الأغذية العالمي، والبنك الدولي). ولكن ما لم يتحقق هو تحليل شامل للدروس والممارسات داخل الصندوق.

7- **المنح.** اعتمد توليد المعرفة بشكل حصري تقريبا على المنح. وتم استخدام المنح العالمية بشكل فعال لتعزيز المعرفة مع مراكز البحوث أو الوكالات الرائدة في مجال مواضيعي. وقد كان اختيار الشركاء صالحا للغاية، مع اختيار الوكالات ذات الشهرة العالمية التي تتصدر النقاش المواضيعي في مجالاتها المحددة. وعززت المنح الإقليمية التعلم وبناء القدرات عبر البلدان، استنادا إلى التعلم المجمّع من إقليم معين. كما أنها يسّرت منتجات مبتكرة في عدد من البلدان التي تواجه تحديات وفرصا مماثلة. وعالجت منح المعرفة القطرية الثغرات في القدرات والسياسات، ودعمت الابتكارات التي تم توسيع نطاقها فيما بعد من خلال البرامج القطرية للصندوق.

8- **القدرات الداخلية للصندوق.** ضمن الصندوق، لعب فريق التمويل الريفي (ضمن شعبة السياسات والمشورة التقنية سابقا) دورا رئيسيا في تيسير تنفيذ سياسة التمويل الريفي على مدى العقد الماضي. فقد كان يقوم بإدارة المنح العالمية، ويساهم في المنح الإقليمية، وينخرط في المنتديات الدولية، وينهض بالتعلم، وتوليد ونشر المعرفة بشكل عام. وعلى وجه العموم، كان هذا الفريق المؤهل تأهيلا عاليا والمتمتع بشبكة جيدة من الروابط عاملا حاسما في تعزيز صورة وسمعة الصندوق العالميتين في مجال الخدمات المالية الشمولية. وقد كان يعمل كمحفز للمعرفة والتعلم، ويدفع بالمنظمة إلى الأمام، ويربطها بالأقران العالميين والإقليميين.

9- وخلال الموجة الأولى من عملية تحقيق اللامركزية في الصندوق، تم في عام 2018 تفكيك فريق التمويل الريفي الأساسي على مستوى المقر. وفي حين أنه من المعقول وضع قدرات الدعم التقني في المراكز الإقليمية، على مسافة أقرب من عمليات الصندوق، إلا أن هذه الخطوة تركت فجوة في المقر، بالنظر إلى

الدور المحوري الذي كان فريق التمويل الريفي يقوم به في الماضي لضمان الاتساق في نهج الصندوق تجاه الخدمات المالية الشمولية، وإقامة شبكة من الروابط مع اللاعبين العالميين في مجال الخدمات المالية الشمولية، وإدخال أحدث الممارسات، واستقطاب المعرفة والدعم لمختلف الأقاليم.

10- وعلى المستوى التشغيلي، كان لمدراء البرامج القطرية دور محوري تلعبه عند ترجمة مبادئ سياسة التمويل الريفي إلى ممارسات على أرض الواقع. ومع تشكيل الخدمات المالية الشمولية مثل هذا الجزء الهام من حافظة الصندوق، كان من المتوقع أن يفهم مدراء البرامج القطرية المبادئ الأساسية للخدمات المالية الشمولية، بالإضافة إلى مجموعة الأدوات والخدمات المبتكرة التي يروج لها الصندوق. ولكن في الواقع، اعتمد مدراء البرامج القطرية في الغالب على الاستشاريين الخارجيين في تصميم المشروعات ودعم التنفيذ.

11- التوافر المحدود للقدرات الداخلية في مجال الخدمات المالية الشمولية، والاعتماد الكبير على الاستشاريين الخارجيين يفسر جزئيا الفجوات في تطبيق سياسة التمويل الريفي خلال التصميم والتنفيذ. ويتمثل عامل هام آخر في قدرة الصندوق المحدودة على متابعة نُهج الخدمات المالية الشمولية الأكثر تعقيدا والمبتكرة التي تروج لها سياسة التمويل الريفي. ويختلف أداء الصندوق كشريك في مجال الخدمات المالية الشمولية بشكل كبير بين الأقاليم؛ وهو أفضل بشكل عام حيث يكون للصندوق حافظة أكبر، ومدير برنامج قطري يكرس نفسه بالكامل للمتابعة.

12- يتم إنشاء عدد من قواعد البيانات، التي قد لا تساعد في ضمان اتباع نهج ثابت تجاه الخدمات المالية الشمولية وحسب، بل والتي يمكن تسخيرها أيضا لأغراض التعلم. غير أنها ما زالت تتطلب توفر المستوى المناسب من قدرات الخدمات المالية الشمولية الداخلية لضمان معايير عالية من الجودة، وتتبع الدروس المستفادة المهمة عبر الأقاليم، كما تنص عليه سياسة التمويل الريفي. وقد أظهر استعراض لقواعد البيانات والمصادر القائمة (نظام حفظ سجلات ضمان الجودة، وتقرير رئيس الصندوق عن وضع تنفيذ توصيات التقييم وتدابير الإدارة) أن التعليقات غالبا ما تكون غير جوهرية، ولا تتواءم بشكل كافٍ مع مبادئ سياسة التمويل الريفي. وبالإضافة إلى ذلك، فإن الصندوق ما زال لا يجري استعراضا منتظما لحافظة الخدمات المالية الشمولية لديه، كما تم اقتراحه من قبل تقرير SmartAid (2013).

13- **مبادئ سياسة التمويل الريفي.** يتم الاعتراف بالمبادئ الستة لسياسة التمويل الريفي لعام 2009 عالميا كممارسات جيدة وهي صالحة بشكل عام لتدخلات القطاع المالي: (1) تقديم طائفة متنوعة من الخدمات المالية؛ (2) استخدام مجموعة واسعة من موفري الخدمات المالية؛ (3) النُهج الموجهة بالطلب والمبتكرة؛ (4) النهُج القائمة على الأسواق، وتجنب التشوهات؛ (5) الاستراتيجيات طويلة الأجل، والاستدامة، والوصول إلى الفقراء؛ (6) حوار السياسات وبيئة تمكينية للتمويل الريفي المناصر للفقراء. ومع أن هذه المبادئ كانت مطبقة على نطاق واسع حتى قبل إدخال السياسة المنقحة، فقد تبين أن بعضها كان طموحا وصعبا في سياق عمليات الصندوق، ولا سيما تلك المبادئ المتعلقة بالطائفة المتنوعة من الخدمات المالية، واستخدام النهُج الموجهة بالطلب والمبتكرة، وطرق تحقيق التوازن بين الاستدامة والوصول إلى الفقراء.

14- **مزيج الأدوات المالية.** لم يتغير مزيج الأدوات المالية في الحافظة بشكل جذري مع مرور الوقت. ويتم تمثيل صناديق ضمان القروض، وخطوط الائتمان، والمنح المقابلة بشكل مفرط في هذا المزيج، ولكنها حققت نتائج مختلطة في العينة التي تم استعراضها. ولم يكن اختيار هذه الأدوات يستند بالضرورة إلى

تحليل سليم للطلب في السوق، وإمكانات الاندماج مع الدعم غير المالي، والبيئة المحلية. ويبدو أن عوامل أخرى توجه هذه القرارات، مثل: الطلب من قبل الحكومة؛ والافتراضات حول ما قد يفتقر إليه المستفيدون؛ والضغط للوصول إلى عدد كبير من المستفيدين في غضون فترة زمنية قصيرة؛ ومحدودية المعرفة بالبدائل الممكنة.

15- **المنتجات والخدمات المالية.** على الرغم من الإشارة الواضحة في سياسة التمويل الريفي إلى تنويع المنتجات والخدمات، وُجد أن المشروعات تميل بشكل عام تجاه الخدمات المالية التقليدية – بشكل رئيسي المدخرات والاقتراض على المستوى الصغري. أما الأنواع الجديدة من الخدمات التي روج لها الصندوق من خلال سياسة التمويل الريفي المنقحة – مثل التأجير، والتأمين، وإيصالات المستودعات، وتمويل سلاسل القيمة – فلم تستخدم إلا قليلا جدا. وعندما تم تضمينها في التصميم، غالبا ما وجد أنها أقل جدوى أثناء التنفيذ. والسبب الرئيسي لذلك هو أن الانتقال إلى أنواع جديدة من الخدمات المالية يتطلب استثمارات كبيرة في المساعدة التقنية، ودراسات السوق، والقدرات، والتي كانت الحكومات مترددة في استخدام أموال القروض من أجلها. وبالإضافة إلى ذلك، كان من الصعب في الغالب إيجاد موفري خدمات من أجل منتجات خاصة، مثل الإيجار، والتأمين، قادرين ومستعدين لخدمة المجموعة المستهدفة للصندوق.

16- **موفرو الخدمات المالية.** تم اختيار موفري الخدمات المالية على أساس قدرتهم وحضورهم في المناطق الريفية. وكانت مصارف الدولة هي في الغالب الشركاء الأصليون في المشروعات القديمة. ولكنها لم تؤد أداء جيدا بسبب عدم الكفاءة المؤسسية، والإجراءات والمصالح المتضاربة في بعض الأحيان (على سبيل المثال، في مصر واليمن). ومن جهة أخرى، فإن مشاركة المصارف التجارية – التي تم افتراضها في مرحلة التصميم – لم تحدث في الغالب كما كان مخططا لها (على سبيل المثال، في بليز، وإثيوبيا، وجورجيا، وغانا). وكنتيجة لذلك، تم استدعاء المنظمات المالية المجتمعية التي تعمل خارج القطاع المالي الرسمي لسد الفجوات التي خلفها موفرو الخدمات المالية الرسمية. وقد استخدمت نسبة اثنتين وخمسين في المائة من المشروعات التي تم استعراضها منظمات مالية مجتمعية. وقد كانت هذه في العادة قوية في الوصول إلى الفقراء، وفي كثير من الحالات إلى النساء، ولكنها غالبا ما واجهت مشاكل من حيث النمو، والاستدامة المؤسسية، مما تطلب دعما مستمرا من منظمة رئيسية.

17- **التوجه القائم على الطلب.** في كثير من الأحيان، كانت مصلحة الحكومة هي التي توجه "الطلب" نحو نهج معين. ونادرا ما أجريت دراسات بشأن الطلب في مرحلة التصميم. وقد تم تحديد عدم وجود تقييم واقعي لقدرات المستفيدين وطلبهم على الخدمات المالية كعامل يحد من فعالية المشروعات في عدد من الحالات. وبالإضافة إلى ذلك، لم يتم في الغالب تقييم الطلب على المنتجات والخدمات المبتكرة بشكل كافٍ، مما تطلب تعديل النهج خلال التنفيذ. وواجهت المشروعات متعددة القطاعات تحديات خاصة في تطبيق نهج موجه نحو الطلب، لأن استهدافها لمجموعات ومناطق معينة يتبع في المقام الأول أساسا منطقيا غير مالي.

18- **النُهج القائمة على السوق.** كانت النُهج القائمة على السوق صعبة التنفيذ في بعض الأسواق الفرعية، عادة بسبب التشوهات مثل القروض المدعومة، أو تمويل المنح من الحكومة. وقد كان من الصعب غالبا إيصال مفهوم أسعار الفائدة التي تغطي تكاليف الاستثمارات الزراعية إلى صناع السياسات، وتحقيقها في الواقع.

19- **النُهج المبتكرة** تم إدخالها ضمن سياق البرامج المدعومة من الصندوق. وقد كان بعضها ناجحا للغاية (مثل غانا، والهند)، بينما لم يتحقق بعضها الآخر كما كان مخططا له (مثل مولدوفا، وموزامبيق). وكان من الممكن أن يستفيد العديد من هذه الابتكارات من الاختبار التجريبي أو من تحليل استشرافي أكثر تفصيلا قبل توسيع نطاقها، الأمر الذي لم يتم تنفيذه بشكل كافٍ. وبالإضافة إلى ذلك، لم يكن هناك أبدا استعراض نقدي للدروس المستفادة من الابتكارات (الناجحة وغير الناجحة) التي أدخلها الصندوق. وكان أحد الابتكارات الواعدة الخروج المالي من قائمة أقل البلدان نموا، وهو نهج أُدخل مؤخرا واستهدف بنجاح الفقراء جدا والمستبعدين، على سبيل المثال في أفغانستان وكينيا.

20- **الاستدامة.** لقد كان تعزيز استمرارية تقديم الخدمات المالية واستدامتها على المدى الطويل هدفا واضحا لغالبية المشروعات، غير أنه لم يتم تحقيقه دائما. وفي حالات كثيرة، لم يتم ضمان استدامة موفري الخدمات المالية بسبب الافتقار إلى الدعم المستمر من خلال منظمات رئيسية، أو محدودية استثمارات المشروعات، أو نطاقها، أو مدتها. وكان يمكن لتمكين موفري الخدمات المالية من توفير طائفة أوسع من المنتجات المالية أن يكون مكونا هاما للاستدامة.

21- **الوصول إلى الفقراء.** يشكل استهداف عدد أكبر من السكان الفقراء جدا على مدى فترة أطول من الزمن – مع السعي لتحقيق الاستدامة المؤسسية – تحديا لصغار موفري الخدمات المالية. وغالبا ما كانت التكاليف التشغيلية للوصول إلى الفقراء مرتفعة، ولم تكن أسعار الفائدة جذابة بالنسبة لهم. ولهذه الأسباب بشكل أساسي، كان الوصول إلى الفقراء محدودا. وقد أبلغت نسبة خمسة وثلاثين في المائة من التقييمات عن فوائد من الخدمات المالية الشمولية، ولا سيما القروض المقدمة فيما يتصل بالمدخرات. ولم تظهر فوائد للفقراء جدا إلا في 9 في المائة فقط من المشروعات، بينما سجل 30 في المائة منها نتائج سلبية أو مختلطة. ولا بد من معالجة التوتر الكامن بين مبدأي الاستدامة والشمولية بصورة استراتيجية – على سبيل المثال، عن طريق تحديد الشروط التي ينبغي بموجبها تقديم القروض المدعومة لضمان الوصول إلى العملاء الفقراء جدا.

22- **الوصول إلى النساء.** بشكل إجمالي، وجد استعراض عينة المشروعات تركيزا جيدا على النساء الفقيرات. واعتمدت المشروعات ذات النتائج الإيجابية بالنسبة للتمايز بين الجنسين أكثر على المنظمات المالية المجتمعية من أجل إيصال الخدمات من تلك التي أحرزت نتائج سلبية أو مختلطة. ومن جهة أخرى، شملت المشروعات ذات النتائج السلبية أو الضعيفة بالنسبة للتمايز بين الجنسين إلى حد كبير المصارف التجارية، والاتحادات الائتمانية، أو جمعيات الادخار والائتمان التعاونية. وفي الغالب، لم تستهدف الاتحادات الائتمانية النساء على وجه التحديد. وكان العديد من المنظمات المالية المجتمعية الناجحة موجودا في جنوب آسيا.

23- **الآثار المؤسسية، والقطاعية، والسياساتية.** تعتمد الآثار الإيجابية عبر جميع المستويات المؤسسية، والقطاعية، والسياساتية فوق كل شيء على توافر التمويل وقدرة المشروع على العمل على جميع المستويات المؤسسية الثلاثة (الكلي، والأوسط، والصغري). وكانت مشروعات الخدمات المالية الشمولية القائمة بذاتها (بأكثر من 80 في المائة من تمويل الخدمات المالية الشمولية) بطبيعتها ذات موارد أفضل لتحقيق آثار أفضل على المستويات المؤسسية، والقطاعية، والسياساتية. وأبلغت نسبة أربعة وسبعين في المائة من

المشروعات عن تغييرات مؤسسية، و39 في المائة كان لها أثر على المستوى القطاعي، ولكن لم تكن سوى 22 في المائة قادرة على التأثير على السياسات. ومن الدروس الهامة المستفادة أنه حيثما استطاع الصندوق العمل مع شركاء أقوياء، فمن الأرجح أن تُحدث المشروعات آثارا مؤسسية، وقطاعية، وسياساتية. وتشمل الشراكات الناجحة في مجال التمويل الريفي على سبيل المثال تلك المقامة مع الرابطة الأيرلندية لاتحادات الائتمان (بليز، وإثيوبيا)، والمجلس العالمي للاتحادات الائتمانية (كينيا)، ومنظمات غير حكومية دولية (ليسوتو)، والبنك الدولي (إثيوبيا، وجورجيا، وغانا)، ووزارة التنمية الدولية في المملكة المتحدة (الهند).

جيم- الاستنتاجات

-24 لقد استعرض هذا التقرير التجميعي الإنجازات والنتائج على كل من المستويين المؤسسي والتشغيلي، استنادا إلى أدلة التقييم المتوفرة، بالإضافة إلى الدراسات والمعلومات الارتجاعية من أصحاب المصلحة الداخليين والخارجيين. ولقد قطع الصندوق شوطا طويلا منذ اعتماده لسياسة التمويل الريفي المنقحة في عام 2009، ولكن تنفيذها الكامل سوف يتطلب تعزيز الجهود. وقد حدد التقرير التجميعي كإحدى الاختناقات الرئيسية من جانب الصندوق القدرات التقنية المحدودة على تنفيذ النظم القائمة بشكل فعال فيما يتعلق بالمعرفة والتعلم، وضمان الجودة، ومتابعة التقييم. وتوجد اختناقات مماثلة على أرض الواقع، حيث يعيق السياق الواقعي، والقدرات المحدودة المتوفرة الطموحات التقنية لسياسة التمويل الريفي.

-25 على مر السنين، تزايدت تطلعات سياسة الخدمات المالية الشمولية، واستراتيجيتها، وتوجيهاتها بما يتماشى مع السياق العالمي المتغير. والوتيرة المتسارعة للتنمية في البلدان الشريكة تتطلب نُهجا معقدة بشكل متزايد، ورفع سوية المعرفة بشكل مستمر، وخبرة تقنية عالية المستوى. وقد أظهرت توجيهات الخدمات المالية الشمولية التي تم تطويرها مع مرور الوقت تقدما مستمرا وفهما عميقا لمفاهيم الخدمات المالية الشمولية. ولكن بينما بُذلت جهود كبيرة لاستيعاب أحدث المعارف الدولية، لم يهيئ ذلك موظفي الصندوق لمواجهة التحديات بشكل أفضل على أرض الواقع. فتركيز الصندوق على الخدمات المالية لفقراء الريف، والمجتمعات النائية، والمزارعين أصحاب الحيازات الصغيرة، والنساء، والشباب، والمشاريع الصغرى، والصغيرة، والمتوسطة يواجه تحديات خاصة جدا تختلف بعض الشيء عن التحديات التي تواجه معظم الوكالات الإنمائية الأخرى. ومع أن الجهود المبذولة لنقل الممارسات الجيدة الدولية إلى الصندوق تستحق الثناء، لم يتم إيلاء اهتمام كافٍ بالتحليل المنهجي وتوثيق الممارسات في المشروعات الخاصة بالصندوق. وتوجد ثغرات معرفية في المواضيع الحديثة أو المتخصصة، مثل التأجير، وتمويل سلاسل القيمة، حيث ليس لدى الصندوق سوى قدر ضئيل من التوجيهات التقنية لتقديمها، ولم يستخلص أي دروس من التنفيذ. ومن العقبات الرئيسية لتعلم الدروس أن ذلك التعلم غالبا ما يعتمد على المنح أو فرص التمويل المخصوص الأخرى، مما ينتج عنه مزيجا انتقائيا من منتجات المعرفة.

-26 لدى الصندوق النظم الكفيلة بتصميم مشروعات عالية الجودة، ولكن هذه النظم يجب أن تقابلها القدرات التقنية الكافية. فقد أنشأ الصندوق نظما لتتبع قضايا الجودة المنبثقة عن استعراض تصاميم المشروعات، ولمتابعة توصيات التقييمات المستمدة من استعراض المشروعات المنجزة. ويمكن استخدام كلا النظامين بشكل أكثر فعالية لضمان تماسك السياسة، والتعلم من الممارسات الجيدة (أو السيئة) – إذا كانت هناك قدرات تقنية كافية لتعزيز جودة الاستعراض. وقد وُجد أن عمق، وحجم، وجودة كل من تقرير رئيس

الصندوق عن وضع تنفيذ توصيات التقييم وتدابير الإدارة، وتعليقات ضمان الجودة متفاوتة، ونادرا ما تتم الإشارة إلى مبادئ سياسة التمويل الريفي. ومع ذلك، فإن هذه الأمور بالغة الأهمية بالنسبة لتغذية الدروس المستفادة من التنفيذ، وضمان اعتماد الممارسات الجيدة، والتعلم المؤسسي بشكل متسق في سائر أنحاء الصندوق. وبالإضافة إلى ذلك، لا يمكن تفويض قضايا الجودة وتصميم أحدث المشروعات فقط للاستشاريين الخارجيين. وفي هذا الصدد، هناك فجوة كبيرة من حيث الخبرة التقنية في المقر منذ تم حل فريق الأصول، والأسواق، والمؤسسات المالية كمركز للمعرفة والابتكار.

27- على الرغم من أن سياسة التمويل الريفي تتطلب ذلك، لا يشيع استخدام الخدمات المالية المبتكرة والأكثر تنوعا في مشروعات الصندوق. ففي مرحلة التصميم، توقع العديد من المشروعات استخدام نُهج، وخدمات، ومنتجات مبتكرة. إلا أنه تم إسقاطها لاحقا، أو في حالة تم تنفيذها، كان الأداء ضعيفا، كما يظهر من أمثلة التأجير، وصناديق الاستثمار، وصناديق الضمان. وفي الممارسة العملية، ما يزال استخدام خطوط الائتمان الأكثر شيوعا – ليس لأنها تحقق نتائج أفضل، ولكن لأنه من السهل نسبيا تصميمها وإدارتها، ولذلك فهي محل طلب من قبل الدول الأعضاء. أما النُهج المبتكرة والأكثر تعقيدا، من ناحية أخرى، فتتطلب دراية متخصصة، والتي يمكن ألا تكون متوفرة على أرض الواقع. ويمكن حل هذه القضية حيث تتمكن وحدات إدارة المشروعات من توظيف الخبرات المالية الريفية المحلية المؤهلة. غير أن القدرات المحدودة في الميدان تشكل في معظم الحالات تقييدا جديا للابتكار في القطاع المالي. وبالمثل، لم يتم في الغالب تطبيق النهج الشمولي (ذي المستويات الثلاثة) كما تنص عليه سياسة التمويل الريفي لأنه يتطلب الكثير من التفاني، والدراية، والتمويل، وهو ممكن فقط في مشروعات الخدمات المالية الشمولية الكبيرة القائمة بذاتها، والتي تحظى بشركاء تنفيذ أقوياء، ودعم تقني مكثف يقدمه الصندوق أو خبراؤه الاستشاريون.

28- كما يوجه نموذج عمل الصندوق الطلب على التمويل الريفي على المستوى الوطني. ويضع نموذج عمل الصندوق، الذي يستند إلى القروض السيادية، حوافز للحكومات لكي تحبّذ القروض وخطوط الائتمان. وعندما تصبح القروض أكثر تكلفة، من الأرجح أن تفضل الحكومة الاستثمارات في المجالات التي تولد عوائد بشكل مباشر لتسديد القرض. ويتجنب بعض البلدان حتى استخدام تمويل القروض للمساعدة التقنية أو المنح. وهذا أيضا يفسر التركيز القوي على خطوط الائتمان والقروض. ويمثل هذا معضلة أساسية في البلدان ذات القطاعات المالية الأكثر تطورا، وطلبا على منتجات مالية مبتكرة وأكثر تنوعا. وفي هذه البلدان، تتعرض المشروعات لضغوط شديدة من أجل توفير المساعدة التقنية وبناء القدرات الضرورية لنهج أكثر تعقيدا. وعلى الرغم من أن الشركاء في القطاع العام قد يدركون أهمية الخدمات المالية الشمولية، فهم يفتقرون في الغالب إلى المعرفة التقنية والنظم والقدرات الجاهزة لتعزيز الاستراتيجيات الكفؤة، وتنظيم القطاع المالي، وتنفيذ تدابير السياسات التي تترك أثرا دائما عليه. ولا يمكن للوصول إلى التمويل أن يتطور إلا في ظل بيئة سياساتية وتنظيمية مواتية، ولكن التغييرات غالبا ما تستغرق سنوات، وتتطلب أيضا من القطاع الخاص أن يستثمر ويكون حاضرا في المناطق الريفية.

29- ينبغي معالجة القدرات المحدودة لموفري الخدمات المالية على المستوى الأوسط. ففي حين تم استخدام منظمات المستوى الأوسط مرارا، إلا أن الصندوق لم يولِ اهتماما كافيا بالدور الاستراتيجي الذي يمكن للمنظمات الرئيسية أن تلعبه في ضمان وصول واستدامة موفري الخدمات المالية المحليين. ولم تكن جهود الصندوق المبذولة لمرافقة إضفاء الطابع الرسمي على موفري الخدمات المالية ناجحة (على سبيل المثال

في إثيوبيا، وموزامبيق)، وكان إنشاء المؤسسات من الصفر مخيبا للآمال بشكل عام (على سبيل المثال جورجيا، ونيبال). وكان متوسط مدة المشروعات (من أربع إلى ست سنوات) في غالب الأحيان أقصر من أن يحقق نتائج قوية، ولم يكن وصول مؤسسات المستوى الثانوي واستدامتها مضمونين بشكل كافٍ. وكانت المشروعات التي عملت مع منظمات المستوى الأوسط (المنظمات الرئيسية) أكثر نجاحا بشكل عام في تقديم نتائج مستدامة. غير أن أحد القيود الرئيسية تمثل في عدم وجود مؤسسات المستوى الأوسط القادرة والمستدامة التي يمكنها تقديم الدعم المالي والتقني لبناء موفري الخدمات المالية. إلا أن إنشاء منظمات رئيسية عادة ما يكون مكلفا، ويتطلب مساعدة تقنية كبيرة على مدى فترة أطول، وهو أمر يستدعي المزيد من التعاون مع شركاء إنمائيين آخرين.

30- في بيئة عالمية سريعة التغير، يتطلب الصندوق قدرات كافية على جميع المستويات من أجل الاحتفاظ بدوره الريادي في مجال الخدمات المالية الشمولية. وعلى الصعيد العالمي، فقد اختفى مصطلح "التمويل الريفي". وتقوم المؤسسات المالية الدولية بإعادة توجيه نُهجها نحو التمويل الزراعي والتمويل الشمولي. ومن غير الواضح كيف سيساهم الصندوق في هذا النقاش في المستقبل. وقد ترك تفكيك فريق التمويل الريفي فراغا من حيث الخبرات والقدرات التقنية في المقر. ومن غير الواضح ما إذا كان وكيف يمكن الإبقاء على انخراط الصندوق في الشبكات العالمية المختلفة في نفس المستوى من المدخلات التقنية والحضور كما كان في الماضي. وعلى الصندوق أن يعمل بسرعة لكي يبقى في قلب التنمية الريفية، يُلهم الآخرين ويستلهم منهم. وعليه أن يكيّف سياسته ونُهج اتصالاته للحفاظ على دوره القوي وحضوره المستمر في هذا المجال، ويواصل تسخير الشبكات العالمية من أجل استراتيجياته الإقليمية وتطوير معرفته. وستكون هناك حاجة أكبر لتعزيز القدرات على جميع المستويات والانخراط في العمليات السياساتية على أرض الواقع بطرق جديدة – وحاجة أقل لإقراض الأموال من خلال الحكومات.

دال–التوصيات

31- لقد وجد هذا التقرير التجميعي أن أهم قضيتين هما: (1) عدم أخذ الطلب المحدد في الاعتبار في تصميم الخدمات المالية؛ (2) القدرات غير الكافية للشركاء المنفذين. وتشدد مبادئ السياسة على الحاجة إلى الانتقال نحو النُهج التي توجهها السوق والموجهة نحو الطلب، والتي تقدم مجموعة متنوعة من الخدمات والمنتجات. وفي حين زاد تنوع الأدوات، والخدمات، والمنتجات، إلا أنه يبدو أنها قُدمت ضمن نُهج تقليدية يوجهها العرض، مما أدى إلى عدم وجود توجه نحو الطلب من طرف التدخلات القطرية. وقضية رئيسية ذات صلة هي ضعف قدرات التنفيذ على أرض الواقع. ويجب معالجة هذه القضايا حتى يبقى الصندوق ذا أهمية ومحل طلب كلاعب في مجال الخدمات المالية الشمولية. وفي هذا الصدد، يقدم التقرير التجميعي خمس توصيات:

32- **التوصية 1: إجراء تقييم للممارسات الحالية للخدمات المالية الشمولية على أرض الواقع.** ينبغي للصندوق أن يجري تقديرا شاملا للأدوات التي تم الترويج لها على مدى العقد المنصرم – مثل المنح المقابلة – لمعرفة على سبيل المثال: كيف تم تصميمها وإدماجها من الناحية المفاهيمية؛ وكيف تم استخدامها من قبل المتلقين؛ والتكاليف المتكبدة في إدارة المنح؛ وما هو الأثر طويل الأجل الذي تولده للمستفيدين؛ وإلى أي مدى يسّرت الوصول المستمر إلى التمويل. والمواضيع المهمة الأخرى التي تتطلب التعلم من الميدان هي

النُهج التي تم الترويج لها في الاستراتيجية الحالية للصندوق – مثل ربط خدمات تطوير الأعمال بالتمويل، أو دمج سلاسل القيمة والتمويل. ومثل هذا التقدير سوف يثري تنفيذ التوصيات التالية.

33- **التوصية 2: تحديث سياسة التمويل الريفي في الصندوق، وإعداد استراتيجية مؤسسية للخدمات المالية الشمولية، بهدف دعم التنفيذ المتسق للسياسة في سائر المنظمة.**

- ستعكس السياسة المنقحة الدروس المستفادة من عمليات الصندوق، بالإضافة إلى التطورات الجديدة في القطاع – على سبيل المثال الرقمنة. وسوف تعرض، من غير الإسهاب في التفاصيل، مبادئ ما يصلح.
- ستكون الاستراتيجية أكثر تعمقا، وصالحة لفترة زمنية محدودة، لثلاث سنوات على سبيل المثال. وسوف توفر توجيهات حول كيفية تعزيز التركيز على تنمية القطاع المالي في الحوافظ الإقليمية، استنادا إلى تحليل سياقي جيد.
- ستحدد الاستراتيجية المسؤوليات عن الدعم التقني للخدمات المالية الشمولية، وإدارة المعرفة، والتعلم على مستوى المقر، والمستوى الإقليمي، والمستوى القطري. كما ستصف الاستراتيجية بشكل واضح المجالات التي يتمتع فيها الصندوق بميزة نسبية، وتحدد مجالات التركيز الاستراتيجي – مثل الخروج من قائمة أقل البلدان نموا، أو تمويل سلاسل القيمة الزراعية – بالإضافة إلى المجالات التي تتطلب المزيد من الاهتمام، مثل استخدام المنح المقابلة، واستدامة موفري الخدمات المالية، واستراتيجيات الخروج. وستستنير الاستراتيجية بالدروس المستفادة من التنفيذ (انظر التوصية 1)، وتقوم بتجميع الرؤى المستخلصة بصورة استشرافية.
- ومن ثم ستشمل الاستراتيجية نهجا مؤسسيا تجاه بناء قدرات الخدمات المالية الشمولية. ولقد كان العمل مع شراكات التعلم ودعمها استثمارا إيجابيا، وينبغي أن يستمر. وسوف تثري مجالات التركيز التي يتم تحديدها في الاستراتيجية المزيد من تطوير توجيهات الخدمات المالية الشمولية، التي ينبغي أن تكون ذات منحى عملي وتستند إلى رؤى أعمق فيما يتعلق بطلب المجموعة المستهدفة. وفي حين ينبغي للتوجيهات أن تأخذ في الاعتبار الممارسات الدولية الجيدة، إلا أن التركيز ينبغي أن يكون على نقاط القوة لدى الصندوق – ومن بينها التركيز على المناطق النائية، والمزارعين الفقراء، بالنظر إلى المكانة الفريدة التي يتمتع بها الصندوق في هذا الشأن.
- وسيكون العنصر الأخير للاستراتيجية الرصد والتقييم، والذي ينبغي أن يساهم في التعلم المؤسسي وإدارة المعرفة: يجب تتبع استخدام الأدوات المالية؛ ويجب تقييم الفعالية بشكل منفصل بشأن الخدمات المالية الشمولية، وليس إلى جانب المكون العام؛ ويجب ضمان تغذية تعلم الدروس بالمعلومات بشكل منتظم وبصورة رشيقة.

34- **التوصية 3: تعزيز الآثار الاستراتيجية على المستويات المؤسسية، والقطاعية، والسياساتية من خلال تركيز أكبر على مؤسسات المستوى الأوسط، وشراكات أقوى مع الوكالات التي تعمل في القطاع.** ينبغي على الصندوق أن يتحرك في اتجاه كونه عاملا للتغيير الاستراتيجي، وميسّرا لتنمية التمويل الريفي والشمولي. في الماضي، وضع نطاق وأهداف مشروعات الصندوق الكثير من الضغوط على تحقيق نتائج سريعة على نطاق واسع على مستوى المستفيدين – ولكن ما يُحتاج إليه اليوم هو تركيز أكبر على النتائج طويلة الأجل على المستويات المؤسسية، والقطاعية، والسياساتية.

- يجب أن تكون شراكات الخدمات المالية الشمولية استراتيجية، محولة التركيز إلى ما هو أبعد من توليد المعرفة، وواضعة تركيزا أقوى على التنفيذ والنتائج على المستوى القطري. وينبغي إعطاء الأولوية للشركاء الذين يعززون ويكملون خبرات وقدرات الصندوق على الأرض – على سبيل المثال، المنظمات غير الحكومية الدولية، أو شبكات مؤسسات التمويل والتمويل الصغري الريفية التي تقدم دعم التنفيذ الفعال.
- ينبغي أن تشمل الشراكات التمويل المشترك، بالإضافة إلى شراكات المعرفة والتعلم مع المنظمات الدولية، والشركاء الإنمائيين العاملين في المجالات ذات الصلة (مثلا، تنمية سلاسل القيمة).
- لتعزيز شبكات المعرفة على المستويات الإقليمية والوطنية، ينبغي تخصيص جهود وموارد كافية (من الوقت والتمويل) لبناء قدرات الاستشاريين الوطنيين في مجال التمويل الريفي، والموظفين التقنيين ضمن المنظمات الشريكة (أيضا باستخدام المنح).
- على المستوى التشغيلي، ينبغي وضع تركيز أقل على الوصول إلى عدد كبير من العملاء، مع وضع تركيز أكبر على تيسير التغيير، وتعزيز قدرات مؤسسات المستوى الأوسط.
- توفر الاستراتيجيات الوطنية للشمول المالي منصة هامة لتنسيق الانخراط في السياسات والتنفيذ. وينبغي للصندوق أن يصبح جزءا من هذا وأن يعمل في شراكة وثيقة مع الوكالات الأخرى.
- لا ينبغي لزيادة الاهتمام بالشراكات الإقليمية والوطنية أن تقلل من أهمية الشراكات والمنصات العالمية، التي ستتطلب جهات اتصال متخصصة داخل الصندوق يتم تحديدها من خلال الاستراتيجية (انظر التوصية 2).

35- **التوصية 4: إجراء تحليل سليم في مرحلة التصميم، وإظهار مرونة في تكييفه خلال التنفيذ، لضمان أن المشروعات موجهة بالطلب، ومناسبة للسياق، وقادرة على استيعاب الدروس والخبرات الناشئة.**

- ينبغي أن تكون دراسات الطلب جزءا من التصميم، وأن تشمل تجزئة واضحة لجانب الطلب وقدرات المجموعة الكاملة لأصحاب المصلحة والعملاء. كما ينبغي إجراء تقدير إضافي للقطاع، يشمل تقييمات دقيقة وقياسية لموفري الخدمات المالية المحتملين، ومنظمات المستوى الأوسط المحتملة. ويمكن أن يكون ذلك على أساس نسق تشخيص قطري قياسي (الطلب، والعرض، والبيئة التمكينية) يتم وضعه، ليشمل العناية الواجبة الخفيفة للشركاء غير المعروفين.
- يجب تقدير القدرات على إدارة، وتنفيذ، واستيعاب أنشطة الخدمات المالية الشمولية بعناية. وبالنسبة للمشروعات المختلطة التي تشمل مكونات للخدمات المالية الشمولية، يجب الأخذ في الاعتبار قدرات الوكالات الرائدة – عادة وزارة الزراعة – بالإضافة إلى معرفتها المحدودة بتنمية القطاع المالي. وبالنسبة للنُهج متعددة المستويات المعقدة في عمليات الخدمات المالية الشمولية القائمة بذاتها، يجب على الصندوق أن يكون مستعدا إما لتقديم دعم تقني مكثف أو للعمل بشكل وثيق مع الشركاء الإنمائيين (على سبيل المثال، من خلال التمويل المشترك).
- يجب أن تتصف تصاميم البرامج بالمرونة بحيث تتفاعل بسرعة أكبر وتغير اختيار الشركاء الرئيسيين – أو حتى الأدوات – عند الحاجة. ويجب ربط مدة المشروع وأهداف الوصول بصورة واقعية لضمان عدم انقطاع العمليات الضرورية. ويجب أن تكون استدامة الخدمات المالية مبدأً توجيهياً من البداية.

- في حين أن معظم عمليات التصميم ستتم على المستويين القطري والإقليمي، سيكون للموظفين التقنيين في المقر دور حاسم يقومون به في ضمان ما يلي: معالجة المبادئ المهمة للسياسة (على سبيل المثال: النُهج المبتكرة والتي يوجهها الطلب، وتحقيق التوازن بين الوصول إلى الفقراء والاستدامة)؛ وتعلم الدروس باستمرار من التنفيذ ودمجها في تصميم المشروعات الجديدة (انظر التوصية 2).

36- **التوصية 5: مواصلة تجريب النُهج والخدمات المبتكرة محليا، مع استخلاص الدروس ونشر التعلم في سائر أنحاء الصندوق.**

- المبادرات الأخيرة لتعزيز الممارسات المبتكرة ضمن سياق إقليمي (على سبيل المثال، التمويل الرقمي في شرق أفريقيا، وتمويل سلاسل القيمة في آسيا) جديرة بالثناء، وينبغي مواصلتها. وينبغي تقييم إمكاناتها لتوسيع نطاقها في أقاليم أخرى.
- تشمل الممارسات المبتكرة الأخرى التي يجري اختبارها حاليا، والتي ينبغي تعزيزها أكثر، التأمين الشمولي والزراعي، والخدمات المصرفية عبر الهاتف المحمول. والاستفادة من الأنواع المبتكرة من جهات التجميع ذات الوصول الجيد إلى المناطق الريفية – مثل شبكات البريد الريفية، ومشغلي الهواتف المحمولة – وثيق الصلة للغاية، على سبيل المثال في أفريقيا.
- ينبغي إيلاء اهتمام أكبر بالممارسات المبتكرة في توسيع الخدمات المالية المناصرة للفقراء، مثل المدخرات الجماعية والمدعومة رقميا.
- ينبغي توثيق الممارسات المبتكرة وتقاسمها على المستوى الإقليمي والعالمي، وفي سائر أنحاء الصندوق، كجزء من استراتيجية تقاسم المعرفة (انظر التوصية 2).

رد إدارة الصندوق على تقرير التقييم التجميعي عن الخدمات المالية الشمولية لفقراء الريف

-1 ترحب الإدارة بتقرير التقييم التجميعي عن الخدمات المالية الشمولية لفقراء الريف في الصندوق. وتجد الإدارة أن التقرير مكتوب بشكل جيد، ومتوازن، وتعتقد أنه يوفر تجميعا شبه شامل لأنشطة التمويل الريفي في الصندوق على مدى الـ 10 سنوات الماضية (2008-2017). ويأتي هذا التقرير التجميعي في الوقت المناسب تماما بعد 10 سنوات من تصديق المجلس التنفيذي على سياسة التمويل الريفي المنقحة للصندوق.

-2 وتعتقد الإدارة أن التقييم والتوثيق المنهجي للدروس المستفادة اللذين اضطلع بهما هذا التقييم التجميعي سوف يساعدان على زيادة تعزيز جودة حافظة استثمارات التمويل الريفي في الصندوق ضمن نظام إيكولوجي سريع التطور. إن التمويل الريفي – أو "التمويل الريفي الشمولي" – هو نهج قوي للتحول الريفي المنهجي وسيبقى كذلك، ويستجيب للحاجة إلى الإدماج الاقتصادي للمجموعة المستهدفة للصندوق ضمن السياق الإنمائي العالمي الأوسع.

-3 وتقدر الإدارة التفاعلات التي جرت مع مكتب التقييم المستقل في الصندوق خلال عملية التقييم التجميعي، والجهود التي بُذلت لتعزيز الاستعراض من خلال المشاورات الداخلية ومسح استقصائي. كما ترحب الإدارة كذلك بتضمين تعليقاتها، بما في ذلك التعاريف العملية القياسية المستخدمة في تقرير التقييم التجميعي هذا للتفريق بشكل أفضل بين المنتج المالي، والأداة المالية، والخدمة المالية، والتمييز بين النهج وموضوع ما.

-4 وبالإضافة إلى استعراض الوثائق المؤسسية، والمقابلات الداخلية، ومناقشات الأفرقة المتخصصة، والمقابلات مع الممارسين، تم إجراء مسح استقصائي مع استشاريّي التمويل الريفي الذين كانوا قد عملوا مع الصندوق. وبما أن الاستشاريين يلعبون دورا هاما في عمليات الصندوق وفي تحليل وتوصيات تقرير التقييم التجميعي، كان من المفيد أن نرى تحليلا مفصلا لنتائج المسح الاستقصائي بحسب فئة المجيبين.

-5 النطاق: تعترف الإدارة بالنطاق الإحصائي القوي لتقرير التقييم التجميعي. غير أن تقارير التقييمات التجميعية تستند بطبيعتها إلى التقييمات الماضية التي أجراها مكتب التقييم المستقل في الصندوق (في هذه الحالة، 49 تقييما: 25 من تقييمات المشروعات، و24 من تقييمات الاستراتيجيات والبرامج القطرية أُجريت بين عامي 2008 و2017). وبالنظر إلى هذا، فإن هذا التقرير التجميعي لا يتناول التغييرات الناشئة في عمليات الخدمات المالية الشمولية.

التوصيات

-6 تحيط الإدارة علما بالتوصيات الخمس لتقرير التقييم التجميعي وتجدها ملائمة لتعزيز العمل الإنمائي للصندوق في الشمول المالي من أجل التحول الريفي، والأمن الغذائي، والحد من ضعف أسر أصحاب الحيازات الصغيرة الريفيين الفقراء. وتتفق الإدارة بشكل عام مع التوصيات. ويسرها أن تلاحظ أن عددا من الإجراءات والنُهج التي بادرت بها بالفعل وتستعد لوضعها موضع التنفيذ تتلاءم جيدا مع التوصيات. وفيما يلي رد الإدارة المفصل على كل توصية:

التوصية 1. إجراء تقييم للممارسات الحالية للخدمات المالية الشمولية على أرض الواقع.

- **متّفق عليها:** تحيط الإدارة علما بالتوصية وتتفق مع الحاجة لإجراء تقييم شامل لحافظة الخدمات المالية الشمولية، بما في ذلك تحليل مفصل بحسب الإقليم. وسوف يبني هذا التقييم، المزمع إجراؤه في عام 2020، على تعلم وتوثيق الممارسات الذي قام به تقرير التقييم التجميعي. وكجزء من التقييم المُوصى به، هناك حاجة لتقييم عدة أدوات مألوفة وتقليدية ولكنها معقدة (وأهمها خطوط الائتمان، وصناديق ضمان القروض، والمنح المقابلة، وآليات تقاسم المخاطر)، ونماذج ونُهج الأعمال الناشئة (وأهمها النظم المالية اللامركزية، وبرمجة الخروج من قائمة أقل البلدان نموا، ورقمنة الخدمات المالية التي يوجهها الطلب). وكنتيجة لعملية التقييم، سوف تكون الإدارة أفضل اطلاعا على إمكانات انخراط الصندوق في تطوير البنية الأساسية لدعم التمويل الريفي، وفي العمل المتعلق بالجيل القادم من السياسات.

التوصية 2. تحديث سياسة التمويل الريفي في الصندوق، وإعداد استراتيجية مؤسسية للخدمات المالية الشمولية، بهدف دعم التنفيذ المتسق للسياسة في سائر المنظمة.

- **متّفق عليها جزئيا:** سياسة التمويل الريفي الحالية عمرها 10 سنوات، ولكنها ما تزال ملائمة في أجزاء رئيسية منها (الأهداف، والمبادئ التوجيهية، والخطوط التوجيهية للتدخل، ومتطلبات التنفيذ) – كما يؤكد ذلك تقرير التقييم التجميعي – وتواصل لعب دور استراتيجي للصندوق ضمن قطاع مالي مرن، وديناميكي، ومبتكر باستمرار. ويعزز تقرير التقييم التجميعي بشكل متبادل السياسات والاستراتيجيات المؤسسية الأخرى للصندوق، وقد تم تعزيزه بوثائق التوجيهات التشغيلية بشأن القضايا التقنية (أدوات اتخاذ قرارات التمويل الريفي، وعدة مجموعات أدوات). وفي ذات الوقت، تدرك الإدارة التحديات والفرص الجديدة الكامنة في الابتكارات التكنولوجية في مجال الخدمات المالية الشمولية. وبالإضافة إلى ذلك، وبالنظر إلى إخفاقات السوق الحالية التي لا يمكن الالتفاف حولها، والافتقار إلى سوق مالية ريفية تنافسية حقيقية، فإن الدعوة إلى الخدمات المالية الشمولية التي توجهها السوق وبأسعار السوق للسكان الريفيين الفقراء تشكل تحديا. فالسكان الريفيون الفقراء هم في الغالب متلقون للأسعار ويعتمدون على الحد الأدنى من الهوامش، نظرا إلى أن الكثير من أنشطتهم الموجهة نحو السوق تتلقى دعما كبيرا. وبالتالي فإن الإدارة تتفق بشأن الحاجة إلى تحديث سياسة التمويل الريفي لمعالجة التحديات المذكورة أعلاه في السوق الريفية. وفي حين يبقى الاتجاه الاستراتيجي العام لسياسة التمويل الريفي ملائما وسيتم الحفاظ عليه، سيركز التحديث على تعزيز نظم مالية تستند بشكل أكبر على أعضائها – أولا لأسر أصحاب الحيازات الصغيرة الريفيين الفقراء، ويلي ذلك الروابط بالآليات المصرفية. وستستخدم عملية التقييم الذي سيتم إجراؤه كأساس يستنير به تحديث السياسة.

وتعتقد الإدارة أن جميع القضايا التي سُلط الضوء عليها في إطار الاستراتيجية المؤسسية الأقصر أجلا للخدمات المالية الشمولية هي تشغيلية وأقل استراتيجية بطبيعتها، وبالتالي سيكون من الملائم والعملي بشكل أكبر وضع خطة عمل لتنفيذ سياسة التمويل الريفي المحدثة. وسوف تغطي سياسة التمويل الريفي المحدثة الاتجاه الاستراتيجي لعمل الصندوق بشأن الخدمات المالية الشمولية. وعلاوة على ذلك، ستغطي عملية التقييم أيضا القضايا التي سُلط الضوء عليها والمتعلقة بالعمليات الإقليمية، والشراكات، والتعاون (بين بلدان الجنوب، والثلاثي)، بالإضافة إلى إدارة المعرفة، والتعلم، وبناء القدرات – في المقر، والمكاتب

القطرية، وخارجيا. وبالتالي، ستبني خطة العمل على التقييم المزمع، وستوفر توجيهات تشغيلية بشأن المسؤوليات عن الدعم التقني للخدمات المالية الشمولية، وإدارة المعرفة، والتعلم، وبناء القدرات، والرصد والتقييم. وسيكون الإطار الزمني لوضع خطة العمل متوائما مع تحديث سياسة التمويل الريفي.

التوصية 3. تعزيز الآثار الاستراتيجية على المستويات المؤسسية، والقطاعية، والسياساتية من خلال تركيز أكبر على مؤسسات المستوى الأوسط، وشراكات أقوى مع الوكالات التي تعمل في القطاع.

- **متّفق عليها:** الإدارة ملتزمة كليا بمتابعة مفهوم الشراكة، مع تركيز أكبر على النتائج طويلة الأجل على المستوى المؤسسي، ومستوى دعم القطاع، والبنية الأساسية، والسياسات. وفي ذات الوقت ومن أجل توفير نهج شمولي، تؤكد الإدارة بأنه ينبغي وضع تركيز بالتناسب على جميع المستويات الثلاثة للاقتصاد – الكلي، والأوسط، والصغري – مع التركيز في نفس الوقت على أسر أصحاب الحيازات الصغيرة الريفيين الفقراء كالمستفيد الرئيسي (بما يتماشى مع مهمة الصندوق). وكل واحد من هذه المستويات له دور مكمّل فريد لا غنى عنه يلعبه في تقديم مجموعة متنوعة من الخدمات المالية الشمولية لمجموعة متنوعة من شرائح الطلب ضمن مساحة السوق الريفية.

التوصية 4. إجراء تحليل سليم في مرحلة التصميم، وإظهار مرونة في تكييفه خلال التنفيذ، لضمان أن المشروعات موجهة بالطلب، ومناسبة للسياق، وقادرة على استيعاب الدروس والخبرات الناشئة.

- **متّفق عليها:** تركز سياسة الاستهداف في الصندوق على السكان الريفيين الفقراء الذين يشكلون جانب الطلب بالنسبة للخدمات المالية الشمولية. وهناك تركيز غير متناسب في الخدمات المالية الشمولية على موفري الخدمات المالية الذين يشكلون جانب العرض فيها. وهناك حاجة لوضع التركيز على عرض الخدمات المالية الشمولية الذي يوجهه الطلب. وتلتزم الإدارة بالقيام بالمزيد من عمليات التشخيص للقطاع – ولا سيما بالنسبة لتحليل تجزئة الطلب – في أقرب وقت ممكن كجزء من تصميم المشروع، ومن ثم تقديم النتائج إلى موفري الخدمات المالية.

التوصية 5. مواصلة تجريب النُهج والخدمات المبتكرة محليا، مع استخلاص الدروس ونشر التعلم في سائر أنحاء الصندوق.

- **متّفق عليها:** تتفق الإدارة مع التوصية، نظرا إلى أنها تعترف بمركزية الحلول التكنولوجية المبتكرة بالنسبة لتحقيق رؤيتها الطموحة للتنمية المستدامة والتحول الريفي الشمولي في بلدانها الشريكة. كما أنها متوائمة بالكامل مع التزام التجديد الحادي عشر لموارد الصندوق بوضع استراتيجيتها المؤسسية الأولية لتكنولوجيا المعلومات والاتصالات لأغراض التنمية، وذلك للاستفادة بشكل أفضل وأكثر منهجية من التكنولوجيا المبتكرة من أجل التحول الريفي. إلا أن الإدارة تشير إلى أن مثل هذا التجريب يأتي أحيانا بتكلفة، بما في ذلك الآثار السلبية غير المتوقعة على المستفيدين المستهدفين للصندوق، مثل المديونية المفرطة. ويجب أن تحتوي جميع التجارب على النهج المبتكرة على آلية حوافز مضمّنة لتعويض أو تخفيف أي خسائر أو تأثيرات سلبية قد تترتب على المستهدف كنتيجة لذلك.

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Currency equivalent, weights and measures

Currency equivalent

Currency unit = Kenyan Shilling (Ksh)
1 US$ = 101.820 Ksh*
Currency unit = Egyptian Pound (EGP)
1 US$ = 17.922 EGP*
*according to https://icsc.un.org as of January 2019

Weights and measures

Metric system

Abbreviations and acronyms

APR	Asia and Pacific Division of IFAD
ASCA	Association for Savings and Credit
CABFIN	Capacity Building in Rural Finance
CACB	Cooperative and Agriculture Credit Bank
CBFO	Community-based financial organization
CDA	Community Development Association
CGAP	Consultative Group to Assist the Poor
CLE	Corporate-level evaluation
CPE	Country programme evaluation
CPM	Country programme manager
CSPE	Country strategy and programme evaluation
ESA	East and Southern Africa Division of IFAD
ESR	Evaluation Synthesis Report
FAME	Financial Assets, Markets and Enterprises
FAO	Food and Agriculture Organization of the United Nations
FS	Financial services
FSD	Financial sector development
FSP	Financial service provider
GPFI	Global Platform for Financial Inclusion
GSMA	2017 State of the Industry Report on Mobile Money
GYIN	Global Youth Innovation Network
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFS	Inclusive financial services
IOE	Independent Office of Evaluation of IFAD
LFUG	Leasehold forest user group
LGF	Loan guarantee fund
MFI	Microfinance institution
MSME	micro, small and medium-sized enterprise
NEN	Near East, North Africa and Europe region
NFIS	National financial inclusion strategy
PARM	Platform for Agricultural Risk Management
PMO	Project management office
PMU	Project management unit
PPA	Project performance assessment
PPE	Project performance evaluation
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
QA	Quality assurance
RCC	Rural Credit Cooperative

RFF	Rural finance facility
RFILC	Rural Finance and Investment Learning Centre
RFP	Rural Finance Policy
RUSACCO	Rural Savings and Credit Cooperatives
SACCO	Savings and Credit Cooperatives
SAFIN	Agri-SME Finance and Investment Network
SCA	Savings and Credit Association
SDG	Sustainable development goal
SFD	Social Fund for Development
SIDBI	Small Industries Development Bank of India
SME	Small and medium enterprise
UNSGSA	United Nations Secretary–General's Special Advocate for Inclusive Finance for Development
VC	Value chain
VCF	Value chain financing
VSLA	Village Savings and Loan Association
WCA	West and Central Africa Division of IFAD

IFAD Management's response[1]

1. Management welcomes the evaluation synthesis report (ESR) on IFAD's inclusive financial services (IFS) for the rural poor. Management finds the report well written and balanced and believes that it provides a near-comprehensive compilation of rural finance activities at IFAD over the last 10 years (2008 to 2017). This synthesis report is timely, coming as it does exactly 10 years after Executive Board endorsement of the revised IFAD Rural Finance Policy (RFP).

2. Management believes that the stock-taking and systematic documentation of lessons undertaken by this evaluation synthesis will help to further enhance the quality of IFAD's rural finance investment portfolio within a fast-evolving ecosystem. Rural finance – or "inclusive rural finance" – is and will continue to be a powerful approach to systemic rural transformation, and responds to the need for the economic inclusion of IFAD's target group within the broader global development context.

3. Management appreciates the interactions that took place with the Independent Office of Evaluation of IFAD (IOE) during the evaluation synthesis process and the efforts made to augment the review with in-house consultations and a survey. Management also welcomes the incorporation of its comments, including the standard working definitions used in this ESR to better differentiate a financial product, a financial instrument and a financial service, and to distinguish an approach as opposed to a theme.

4. In addition to the review of corporate documents, in-house interviews, focus group discussions and interviews with practitioners, a survey was conducted with rural finance consultants who had worked for IFAD. Since consultants play an important part in IFAD operations and in the ESR analysis and recommendations, it would have been useful to see a disaggregated analysis of the survey results by respondent category.

5. Scope: Management acknowledges the robust statistical scope of the ESR. However, ESRs are inherently based on past evaluations done by IOE (in this case, 49 evaluations: 25 project evaluations and 24 country strategy and programme evaluations carried out between 2008 and 2017). Given this, the evolving changes in IFS operations are not captured in this ESR.

Recommendations

6. Management takes note of the five recommendations of the ESR and finds them to be relevant for enhancing IFAD's development work in financial inclusion for rural transformation, food security and reduced vulnerability of rural poor smallholder households. Management is in broad agreement with the recommendations. It is pleased to note that a number of actions and approaches that it has already initiated and is preparing to put into practice are well aligned with the recommendations. Management's detailed response to each recommendation follows:

Recommendation 1. Conduct a stock-taking of current IFS practices on the ground.

- Agreed: Management takes note of the recommendation and agrees with the need to conduct a thorough assessment of the IFS portfolio, including a disaggregated analysis by region. This stock-taking, planned for 2020, will build on the learning and documentation of practices that this ESR has done. As part of the recommended assessment, there is a need to evaluate several instruments that are familiar and traditional but complex (notably lines of

[1] The Programme Management Department sent the final Management's response to the Independent Office of Evaluation of IFAD on 23 April 2019.

credit, credit guarantee funds, matching grants and risk-sharing mechanisms) and emerging business models and approaches (notably decentralized financial systems, graduation programming and digitalization of demand-driven financial services). As an outcome of the stock-taking exercise, Management will be better informed as to the potential for IFAD's engagement in rural finance support infrastructure development and in next-generation policy work.

Recommendation 2. Update the IFAD Rural Finance Policy and prepare a corporate IFS strategy, with the aim of supporting consistent implementation of the Policy throughout the organization.

- **Partially agreed**: The current RFP is 10 years old, but is still relevant in major parts (objectives, guiding principles, intervention guidelines and implementation requirements) – as confirmed by the ESR – and continues to play a strategic role for IFAD within a financial sector that is flexible, dynamic and constantly innovating. The RFP is mutually reinforcing with IFAD's other corporate policies and strategies, and has been augmented with operational guidance documents on technical issues (IFAD Decision Tools for Rural Finance and several toolkits). At the same time, Management acknowledges the new challenges and opportunities inherent in technological innovations within IFS. In addition, given the existing market failures that cannot be circumvented, and the lack of a real competitive rural financial market, advocating for market-driven and market-priced IFS for poor rural people constitutes a challenge. Poor rural people are mostly price takers and depend on minimal margins, as many of their market-oriented activities are heavily subsidized. Management therefore concurs with the need to update the RFP to address the above-mentioned challenges in the rural market. While the overall strategic direction of the RFP remains relevant and will be maintained, the update will focus on promoting more member-based financial systems – first for poor rural smallholder households, followed by linkages to banking mechanisms. The stock-taking exercise to be undertaken will be used as a basis to inform the policy update.

  Management believes that all of the issues highlighted under the recommended shorter-term corporate IFS strategy are operational and less strategic in nature, and that it would therefore be more relevant and practical to develop an action plan for implementing the updated RFP. The strategic direction of IFAD's work on IFS will be covered by the updated RFP. Furthermore, the stock-taking exercise will also cover issues that have been highlighted related to regional operations, partnerships and collaboration (e.g. South-South and Triangular Cooperation), plus knowledge management, learning and capacity-building – at headquarters, IFAD Country Offices and externally. The action plan will therefore build on the planned stock-taking and will provide operational guidance on responsibilities for IFS technical support, knowledge management, learning, capacity-building and monitoring and evaluation. The time frame for development of the action plan would be aligned with the updating of the RFP.

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

- **Agreed**: Management is fully committed to pursuing the partnership concept, with a greater focus on longer-term results at institutional, sector-support, infrastructure and policy levels. At the same time, in order to provide a holistic approach, Management affirms that focus should be put proportionately on all three levels of the economy – macro, meso and micro – while focusing on poor rural smallholder households as the primary beneficiary (in line with IFAD's mandate). Each one of these levels has its own unique, indispensable and complementary role to play in the delivery of a diverse set of IFS to a diverse set of demand segments within the rural market space.

Recommendation 4. Conduct sound analysis at the design stage and be flexible in adapting it during implementation, to ensure that projects are demand-led, appropriate for the context and able to absorb emerging lessons and experiences.

- Agreed: The IFAD Policy on Targeting focuses on the poor rural people who make up the demand side for IFS. There is a disproportionate focus in IFS on the financial service providers (FSPs) that make up their supply side. There is a need to put the emphasis on a demand-led supply of IFS. Management commits to undertaking more sector diagnostics – particularly for demand segmentation analyses – as far upstream as possible as part of the project design, the results of which are then presented to FSPs.

Recommendation 5. Continue experimenting with innovative approaches and services locally, while extracting lessons and disseminating learning across the whole of IFAD.

Agreed: Management agrees with the recommendation, since it recognizes the centrality of innovative technology solutions for achievement of its ambitious vision of sustainable development and inclusive rural transformation in its partner countries. It is also fully aligned with the Eleventh Replenishment of IFAD's Resources commitment to developing its initial corporate strategy for information and communications technology for development, so as to better and more systematically leverage innovative technology for rural transformation. However, Management notes that at times such experimentation comes at a cost, including in unexpected adverse impacts on IFAD's target beneficiaries, such as over-indebtedness. All experimentation with innovative approaches should contain a built-in incentive mechanism to compensate or mitigate any losses or adverse effects that may accrue to the target as a consequence.

Inclusive financial services for the rural poor Evaluation Synthesis

I. Introduction, objectives and methodology

A. Introduction

1. The Independent Office of Evaluation (IOE) of the International Fund for Agricultural Development (IFAD) produces evaluation syntheses on selected topics every year, in compliance with IFAD Evaluation Policy. The main aim of such syntheses is to facilitate learning and the use of evaluation findings by identifying and capturing accumulated knowledge and findings across a variety of common themes. This synthesis presents accumulated knowledge from existing evaluative, and other credible, evidence on how inclusive rural finance can enhance IFAD's development effectiveness on the ground.

2. Rural finance constitutes a significant part of IFAD's investment portfolio. Since 1981, IFAD has financed a total of 1,052 investment projects, out of which 506 correspond to rural finance activities (48.1 per cent), worth US$ 3.4 billion (out of a total of 19.2 billion) representing 17.7 per cent of IFAD's project investments.[2] In addition, IFAD had provided grants on rural financial service activities worth US$ 42.3 million (out of a total of US$ 484.3 million), representing 9 per cent of all grants money.[3] The average amount of funding committed to rural finance annually has been around 120 million since 1996; however the number of newly approved standalone rural finance projects declined from more than 30 in 2000 to only 5 in 2016.

Box 1
Overview of terminology

Rural finance. Financial services that focus on households and businesses in rural areas, encompassing both agricultural and non-agricultural activities, and targeting poor and non-poor women and men.

Agricultural finance. Financial services that focus on on-farm activities and agricultural businesses, without necessarily targeting poor people.

Rural microfinance. Financial services that focus on relatively small-scale producers and services targeted to poor clients in rural areas.

Value chain finance. Financial products and services that flow to or through any point in a value chain in order to increase the returns on investment, growth and competitiveness of that value chain.

Source: IFAD Rural Finance Decision Tools, 2010.

3. IFAD's approach to rural finance has come a long way since IOE has conducted the last corporate level evaluation (CLE) of the first rural finance policy 2007. A revised rural finance policy was adopted in 2009. Since then, IFAD has been striving to expand the range of rural finance approaches and instruments in its operations. After ten years, this synthesis provides an opportunity to take stock and learn from experience.

4. In its current Strategic Framework (2016–2025) IFAD recognises the need to diversify its toolbox and introduce innovative financing instruments. The framework also envisages that rural finance is intrinsically linked with the inclusive rural transformation agenda. The changing environment and the global development agenda place new demands on the financial sector, to diversify services with an explicit focus on client and increased outreach to those hard to reach. Several international development agencies active in the sector are therefore currently

[2] As of January 2019. Data derived from rural finance dashboard.
[3] All DSF grants have been considered as investment projects.

reviewing their strategies in the sector.[4] It is expected that funding for access to finance will continue to grow because it has been increasingly recognized as an important enabler of other development objectives, apart from financial systems development.

5. Conceptual clarification. The topic for this synthesis report has been set as 'rural finance', in line with the terminology used by IFAD since its inception. This synthesis report uses the term 'inclusive financial services (IFS) for the rural poor' (sometimes also called inclusive rural finance or inclusive financial services) to highlight the emphasis on 'inclusion' in line with IFAD's evolving corporate strategy.

   (i) IFAD has a strong focus on inclusive development in its policies and strategies, as for example emphasised in the policies on targeting (2008), gender (2012) and indigenous peoples (2012).
   (ii) IFAD's current Strategic Framework (2016–2025) has 'inclusive financial services' as an area of thematic focus, and highlights that "inadequate access to appropriate financial services is a key factor underlying rural poverty; it perpetuates rural people's economic and social exclusion and greatly curtails their ability to expand their assets and sustainably engage in productive activities" (p. 23).
   (iii) The 2017 high-level conference on inclusive rural transformation specifically addressed the nexus of rural investment and rural transformation, and financial inclusion.
   (iv) Focus on 'rural financial inclusion' also features in IFAD11 documents.[5]

6. In the last decades, the terms used for this field have changed considerably, in line with important changes of the underlying concept (see Table 1 below). More recently, there has been an increasing focus on financial inclusion globally.

[4] According to the 2016 CGAP survey at least eight major funders representing 30 per cent of all commitments.
[5] For example Leaving no one behind: IFAD's role in the 2030 Agenda. December 2017.

Table 1
Evolution of terminology and concepts over time

Time	*Terminology*	*Definition*	*Difference to prior*
Ca. 1970 - 1990	Microcredit	**Small loans that are mostly privately provided**: Fostering enterprise development by providing access to small productive loans	From directed and subsidised agricultural credit as promotional instrument to cost-covering services provided by Microcredit organisations, often NGOs.
Ca. 1990	Microfinance	**Low-income**: "Microfinance is the provision of financial services to low-income people" (CGAP)[6] **Small loans, savings**, other financial services slowly emerging like remittances, payments and micro-insurance	Recognizing that poor households need access to the full range of financial services to generate income, build assets, smooth consumption, and manage risks—financial services that a more limited microcredit model cannot provide. Provided by the range of different MFIs, which could include formal MFIs, banks and even government-MFIs.
2000 onwards	Access to finance	"Access to financial services—financial inclusion" is generally used as a synonym for financial inclusion.[7] See below. The un- and underserved.	Going beyond "microfinance": new product and services, a wider range of populations (upmarket and downmarket of the populations reached by microfinance), a broader range of FSPs including FinTechs or sales platforms, facilitated by a range of polices (beyond financial sector policy) and new actors offering financial services in rural areas (e.g. the mobile money providers).[8]
2000 onwards	Financial inclusion	**Financial inclusion** efforts seek to ensure that all households and businesses, regardless of income level, have **access to *and* effectively use** the appropriate financial services they need to improve their lives.[9] (CGAP)	The more recent financial inclusion debate refers to the quality of financial inclusion. It recognises that simple access is not sufficient, as people may have access but do not use the services. Therefore, emphasis is now put on "usage".

Source: ESR compilation

7. Access to finance highly relevant as a catalytic tool. Access to financial services has long been seen as an important strategy to lift people out of poverty by allowing them to seize economic opportunities and increase their welfare. The United Nations Secretary–General's Special Advocate for Inclusive Finance for Development (UNSGSA)[10] has highlighted financial inclusion as a catalytic tool to unlock development opportunity and improve the lives especially of the poor. Financial services are key to leveraging investment opportunities, transforming ideas into productive ventures, scaling up projects and making value chains sustainable, thereby improving the social and economic well-being of smallholders, the vulnerable and remotely living, and finally, contributing to economic growth.

8. Financial inclusion is seen as crucial for achieving many of the 2030 Sustainable Development Goals (SDGs).[11] Access to finance is recognized as contributing directly to goals on good health (SDG 3), quality education (SDG 4), gender equality (SDG 5), access to clean water (SDG 6) and energy (SDG 7), and industry and innovation (SDG 9 – "providing small enterprises with access to finance" [12]), while it is said to have an indirect role in achieving broader goals such as no poverty (SDG 1), reduced inequality (SDG 10 – "reduce transaction cost of migrant remittances"), and peaceful solutions (SDG 16). Other important references are made to no hunger (SDG 2 – "access to financial services for small-scale food producers to double agricultural productivity"), decent work (SDG 8 - "encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services" and "strengthen the capacity of domestic financial institutions to .. expand access to banking, insurance

[6] CGAP, FAQ http://www.cgap.org/about/faq
[7] World Bank Finance for All, 2008
[8] Adapted from https://cfi-blog.org/2013/02/27/microfinance-vs-financial-inclusion-whats-the-difference/
[9] CGAP, FAQ http://www.cgap.org/about/faq
[10] https://www.unsgsa.org/
[11] Achieving the Sustainable Development Goals, The Role of Financial Inclusion, CGAP and UNSGSA (April 2016)
[12] Remittances, investments and the Sustainable Development Goals, IFAD 2017

and financial services for all") and climate action (SDG 13 – "improve climate change mitigation … and impact reduction"), for example under the topic of inclusive insurance.[13]

B. Synthesis objectives and scope

9. IOE's evaluation synthesis reports in general focus on learning more than on accountability. They derive their lessons primarily from existing evaluative evidence. The specific scope and objectives of each evaluation synthesis are tailored to the specific topic it is covering, to make it a relevant learning product. In the case of this synthesis the scope and the methodology has been expanded, compared to previous syntheses, to address the need to also cover more recent developments and changes in the sector and within IFAD.

10. The objectives of this evaluation synthesis are thus to:

(i) review the relevance of IFAD's policies, guidance and knowledge on IFS and the extent to which this has contributed to innovative IFS practices in the projects and portfolio's evaluated by IOE;
(ii) review the relevance, effectiveness, sustainability and impact of the IFS models evaluated by IOE; and
(iii) identify good practices and lessons on IFS that should inform the development of IFAD's IFS portfolio under the Agenda 2030.

11. The time frame covered by this evaluation synthesis report goes from 2008, the year after the CLE had been concluded, until 2017. The synthesis report covers the country portfolios, loan projects and grants evaluated by IOE since 2008, that had a focus on rural finance or IFS, as defined by the relative share of funding for these topics at design. In addition the synthesis covers, although in broader terms only, the development of policies, guidance and innovative approaches in IFAD since the revised Rural Finance Policy has been introduced in 2009.

12. The synthesis will seek to answer the following main review questions:[14]

- Policy relevance: How well were projects aligned with IFAD RFP and the respective national country policy/policies or strategies and regulatory frameworks? Do IFAD rural finance approaches reflect current good practices and lessons learned? Were the issues raised by the CLE (2007) followed up and has the performance of rural finance projects improved since then?
- Strategic relevance. Were strategic approaches chosen appropriate and in line with the needs of the country and the target groups? How relevant and appropriate was the choice of implementing partners?
- IFAD knowledge management: To what extent did the revised 2009 Rural Finance Policy (RFP) and the knowledge generated at IFAD headquarter level enable innovative IFS practices within the projects and portfolios evaluated by IOE?
- Effectiveness: What were the results achieved? How effective were the intervention models chosen? What were the factors explaining high or low effectiveness?
- Impact: Which project types and intervention models have been most inclusive and successful in addressing rural poverty issues? To what extent did IFAD supported interventions contribute to changes at institutional/ sector/ policy levels?
- Sustainability: How sustainable were the financial institutions supported by IFAD (at macro, micro and meso level)? What are the factors enabling or hindering sustainability at the different levels?
- Good practices and lessons learned: What are the lessons learned from this synthesis backwards looking, but also for the way forward? What are the

[13] Inclusive Insurance and the Sustainable Development Goals, GIZ 2017
[14] The detailed evaluation framework is included in Annex I.

lessons that could be learned from other international organisations? Which IFS practices worked well and which didn't? Which subset of IFS is performing well, where are the flaws?
- Opportunities and limitations of IFS for rural transformation and poverty eradication. Under which circumstances were IFS beneficial for the rural poor and small enterprises and which financial services have made a tangible contribution to poverty reduction?

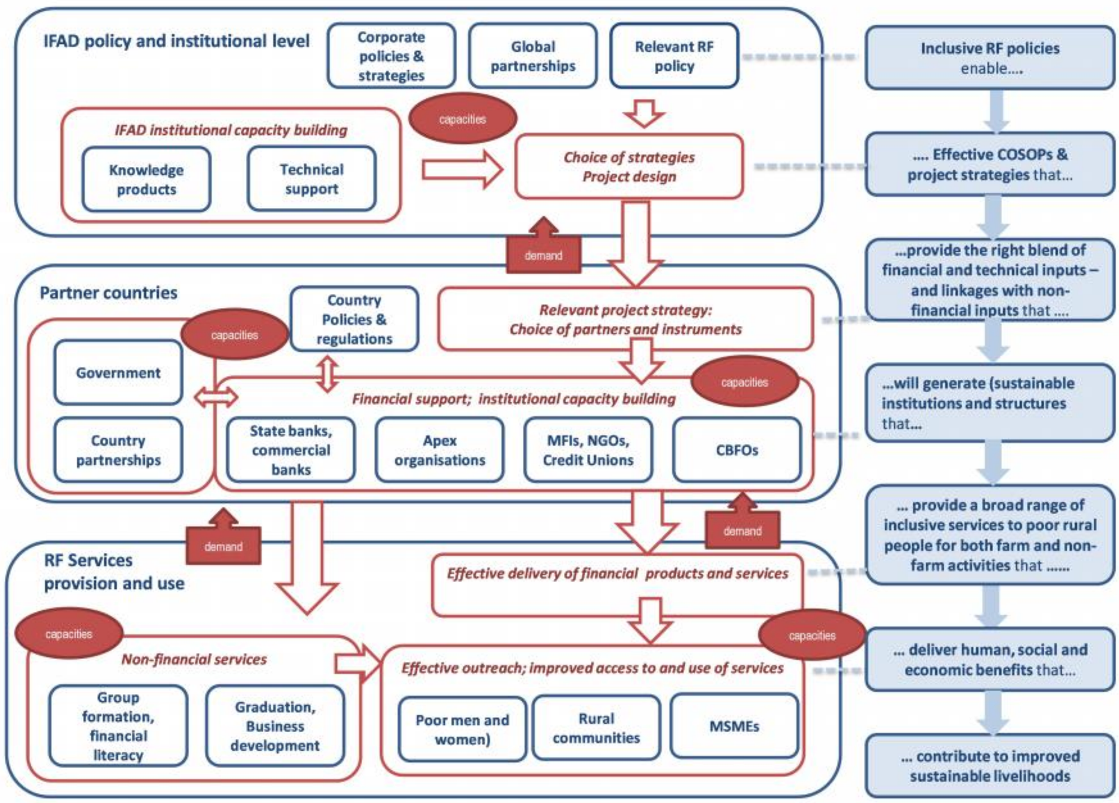
C. Analytical framework

13. The analytical framework for this synthesis report includes a theory of change and a classification of IFS strategic elements.

14. The Theory of Change is used to track the assumed pathway of results, from financial service provision towards inclusive development outcomes. The theory of change developed for this synthesis report flows from IFAD's policy and institutional level, which contains the rural finance policy, knowledge products and technical support provided at headquarters level, through and with the country, the regulatory framework and the relevant Government and financial service providers, down to the level of financial service provision. The theory of change (see Figure 1) states that: Inclusive rural finance policies enable effective project strategies, that provide the right blend of financial and technical inputs and linkages with non-financial inputs, that will generate sustainable institutions and structures, that provide a broad range of inclusive services to poor rural people for both farm and non-farm activities in support of sustainable livelihoods. Access to financial services is expected to create a wide range of economic, social and human benefits, such as increased incomes and assets, investments in health and education and employment through enterprise creation or growth.

15. As the synthesis report will explain often the assumed capacities and demand (in dark red boxes) were too weak for the theory of change to become effective. Gaps in terms of capacities were in particular weakening the delivery of effective project strategies and the building of sustainable institutions and structures. Gaps are also evident between supply and demand at various levels. These issues are discussed in detail in Chapters III and IV.

Figure 1
Analytical framework and theory of change



Source: Evaluation Synthesis Report (ESR).

16. Classification of IFS strategic elements. IFS strategies combine different elements, depending on the project objective, structure, opportunities and priority of the rural finance project or component. The combination and final choice of several instruments depend on the size (share of project funds) of the rural finance focus.

17. IFS strategies typically include the following elements:

- The level of the financial system to which interventions are directed at: micro, meso or macro
- Input, which differentiates two main types: financial (e.g. funding a line of credit, seed funding for a guarantee mechanisms, equity contribution or grant) or technical assistance (e.g. advisory services, coaching, market review). The latter includes institution building support for the financial service providers, meso- or macro-level institution they support, which is more commonly found with stand-alone rural finance projects.
- Channel, which can be a public or private institution and which is derived from the intervention levels: a retail financial service provider (FSP), or a community organization; an apex organization,[15] association or training institute; or a government organization (or project).
- Thematic focus, which means the approach taken, i.e. lending or guarantee schemes, digital finance, financial literacy, linking, graduation, matching grant, market review, or value chain financing.

[15] An apex institution is a second-tier or wholesale organization that channels funding (grants, loans, guarantees) to multiple MFIs in a single country or region. Funding may be provided with or without supporting technical service (CGAP, 2002).

- Service provider type, which is the organization that finally provides the financial services to clients: a Bank, Microfinance Institution (MFI), Community-based financial organization (CBFO) which includes Credit Union/Savings and Credit Cooperatives (SACCO) or Village Savings and Loans Group, government scheme, project scheme, or private company (insurer, payment service provider or FinTech).
- The financial product or service that is delivered to the rural client (farmer, household, or other value-chain stakeholder) such as savings, loans, leasing, insurance, payments, remittances, equity, or (agricultural) value-chain finance instruments[16] (including bank loans, risk mitigation products, product financing, receivable financing, physical-asset collateralization and financial enhancements).
- Additional (non-financial) services are often provided in a complementary way, usually by another component. Among these services are business development services, graduation approaches (which include some of the above financial inputs), group formation or financial literacy.

Box 2
Standard Working Definitions used by this ESR

Financial products and financial services are used by the end consumer, the financial service user (poor household, farmer, or MSMS or a group of such. The offering includes a broad set of financial services tailored to fit the needs of the poor individuals and small firms. Among these are mainly savings and deposits, life- and non-life insurance, different forms of loans, leasing contracts, and payment services, including digitally supported financial services. The term financial services is often used generally for the range of offerings or financial service providers, and is also used interexchange-ably for financial products.

A financial instrument is a financing vehicle. It is defined by the International Accounting Standard (IAS 32) as follows: “a financial instrument is any contract that gives rise to a financial asset (cash, or equity) of one entity and a financial liability or equity instrument of another entity”.[17] Financial instruments are classified into financial assets, financial liabilities and equity instruments.[18] The EU further defines innovative financial instruments as participation in equity (risk capital) funds, guarantees to local banks lending to a large number of final beneficiaries, for instance small and medium-sized enterprises (SMEs)…, or risk-sharing with financial institutions to boost investment.[19] For the purpose of this study, and as such most used in IFAD’s IFRS interventions, the pertinent financial instruments are LOC, LGF, the various types of funds, equity participations and matching grants.

D. Methodology

18. Review of IFAD policy, guidance and knowledge documents. IFAD has generated a substantial number of knowledge products on IFS. The synthesis report examines the extent to which the knowledge available at headquarter level has informed the design and implementation of IFS interventions since 2009, as evaluated by IOE. The review also explores the extent to which IOE evaluations of IFS interventions have contributed to portfolio quality and learning on IFS.

[16] Miller and Jones (2010) classified the value chain financing instruments for the IFAD Note “Agricultural value chain finance strategy and design (2012)”. Some are provided by a formal FSP (e.g. bank credit or insurance), however, most of the 16 instruments are value-chain internal products, or approaches (e.g. financial enhancements)
[17] https://www.ifrs.org/issued-standards/list-of-standards/ias-32-financial-instruments-presentation/
[18] http://www.businessdictionary.com/definition/financial-instrument.html
[19] https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/innovative-financial-instruments_en Financial instruments are classified into financial assets, financial liabilities and equity instruments. This can be an asset or bundle of assets that can be traded, such as a check, draft, bond, share, bill of exchange, futures or options contract that has a monetary value or represents a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money. The European Union further defines innovative financial instruments as participation in equity (risk capital) funds, guarantees to local banks lending to a large number of final beneficiaries, for instance small and medium-sized enterprises (SMEs)…, or risk-sharing with financial institutions to boost investment.

19. **Review of recent developments in IFAD.** The former Financial Assets, Markets and Enterprises team (FAME) has been mapping IFS project components for ongoing and (to some extent) closed projects. For the ESR the data has been used to identify changes in IFS intervention models, in particular since the adoption of the revised Rural Finance Policy (2009) and the following guidance, and to identify recent projects with innovative IFS practices. Furthermore the IFAD quality assurance (QESAR) database has been used to review the QA comments on newly designed rural finance projects.

20. **Feedback from practitioners.** In addition to the review of corporate-level documents, the synthesis report team has also conducted interviews and focus group discussions. In addition, a survey among RF consultants has provided perspectives from practitioners on the relevance of IFAD's rural finance policy as well as on IFAD's strengths and weaknesses on the ground. The survey was sent to 275 rural finance consultants who had contracts with IFAD since 2009; 86 responded (31 per cent).

21. **Systematic review of IOE evaluations.** The synthesis report systematically reviewed two samples of IOE evaluations, conducted between 2008 and 2017. The first was a sample of country strategy and programme evaluations (CSPEs). The second was a sample of project performance evaluations (PPEs) and impact evaluations (IEs). The samples were used to assess the performance of rural finance projects according to IOE evaluation criteria (relevance, effectiveness, sustainability and impact). In addition, analysis of outliers (based on IOE ratings) helped to identify good and poor practices.

22. **CSPE sample.** A total of 36 CSPEs had been conducted and 24 were selected for the review. The sample is broken down into three types based on the proportion of IFS financing. Group A includes portfolios with more than 50 per cent IFS financing (three countries): Egypt, Ethiopia and Moldova. Group B includes portfolios with 10 to 50 per cent IFS financing (21 countries).[20] Both groups were included in the systematic review. Group C are portfolios with less than 10 per cent IFS financing (nine countries)[21] that were not included in the systematic review.

23. **PPE/IE sample.** The total number of project evaluations was 179 (PPEs, project completion report validations, and impact evaluations).[22] The principal criterion for selecting from the remaining evaluations was the presence of IFS financing in a project.[23] A total of 49 project evaluations had IFS funding and 25 were selected for the review. To establish the degree of IFS focus, the sample has been broken down into four types:

(i) Projects with an IFS focus include 'Type A' standalone IFS projects with more than 60 per cent IFS financing (9 projects).
(ii) 'Type B' are projects with a dedicated IFS component (12 projects). Both types were included in the systematic review.
(iii) Projects without an IFS focus, but with still significant IFS funding include 'Type C' that are neither A or B, but with IFS financing of more than 20 per cent, but less 60 per cent (four projects). They were also included in the systematic review.[24]
(iv) 'Type D' have less than 20 per cent IFS financing (20 projects) are therefore not included in the systematic review.

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[20] Georgia, India 2009 & 2015, Ghana, Kenya, Mozambique 2008 & 2016, Cameroon, Vietnam, Indonesia, Zambia, Argentina, Cambodia, Niger, Yemen, Tanzania, Mali, Ecuador, Brazil, China, Turkey, Bangladesh, Bolivia, Nepal.
[21] Uganda, Madagascar, Nicaragua, Rwanda, Philippines, Nigeria, Jordan, Gambia, Senegal.
[22] Project completion report validations were excluded because they usually do not provide the technical analysis that would be required or this synthesis report.
[23] Based on data derived from GRIPS and clarified by former PTA-FAME.
[24] Two projects (#15 Zambia, #23 Georgia) failed to implement their RF component and were later excluded from the effectiveness review.

24. All project evaluations had been numbered for easy reference. The unique reference numbers (marked with #) for the sampled projects are used throughout the report and in the annexes. Please refer to Table 2 for a complete list of project evaluations sampled.

25. Qualitative data analysis. The synthesis report has used a qualitative research software (NVIVO) to review the sample, and to analyse and record observations and findings. The samples for review had been classified and coded using structure derived from the typology, the theory of change, and from the evaluation research questions. Each code had a working definition to ensure a consistent interpretation of qualitative evidence across the samples. In order to arrive at higher level findings, the review used interpretative analysis to each source. This has been done with the software, by linking the interpretation (analysis) of a large body of data to a matrix approach derived from the evaluation research questions.

26. Documentation of project results. Following the review, qualitative data was extracted and the prevalence and intensity of rural finance results were recorded for the project sample (25 projects), using the following criteria: no reported results (0); IFS outputs reported (+); IFS outputs and outcomes reported (++); negative IFS results reported (-); and mixed IFS results (-/+). These data provided the basis for the effectiveness analysis in Chapter IV.

27. Correlation analysis. In order to establish the effectiveness of the IFS approach, the analysis established the correlation coefficient[25] between the recorded results and the financial instruments and FSPs used. A similar analysis was done for the full sample (25 projects, 24 CSPEs) using IOE rating on relevance, effectiveness, efficiency and sustainability; however, correlations were less clear as many project and portfolio ratings also included non-IFS activities.

28. Case studies. The case studies explored in further depth the factors enabling or hindering effective IFS, such as the country policy and institutional framework, through review of a wider range of project documents or country analysis that can shed a light on relevant contextual issues. The case studies involved interviews with the concerned country programme managers (CPMs) to understand why certain interventions have been effective or not. Five case studies[26] have been selected considering regional balance and different IFS models. In addition, three case studies were derived from ongoing evaluations to cover more recent practices and experiences.[27]

29. Review of good practices and lessons from IFAD and other international organisations. Recent evaluations from IFIs (World Bank, AfDB) examine practices and lessons learned in IFS from both a partner and regional perspective. In addition, findings from some bilateral (e.g. GIZ, ADA) and multilateral agencies (the Food and Agriculture Organization of the United Nations, FAO) provide valuable insights on latest knowledge and practices from other agencies.

30. Peer review and external review. The draft ESR report has been subject to a rigorous peer review process within IOE. It has also been reviewed and commented by a Senior Rural Finance Expert (see Annex XII).

E. Limitations

31. Evaluations as main source. The most important limitation is related to the depth of the analysis in IOE evaluations on how and why certain IFS models succeeded or not. Since this is a very technical subject, the relative importance of IFS interventions and the presence of an IFS specialist in the evaluation team are

[25] Correlation coefficients measure the strength of association between two variables and their sign and absolute value describe the direction and the magnitude of their relationship. The greater the absolute value of a correlation coefficient, the stronger the linear relationship.
[26] Case studies on Lesotho, Mozambique, Philippines, China and Dominican Republic.
[27] Case studies derived from ongoing or recently completed evaluations that were not yet included in the sample were: Kenya (2018 CSPE), Georgia (2017 CSPE) and Moldova (2018 PPE).

likely to be the key factors determining the scope and quality of the analysis of IFS interventions. For the same reason, the project completion report validations were excluded from this review because they are primarily desk-based reviews conducted by non-IFS specialists.

32. Another major limitation is linked to the time lag between implementation and evaluation. IOE only evaluates closed projects and the number of evaluations that has been designed after the revised RFP (2009) was introduced, is small. Evidence will primarily come from the evaluation of ongoing projects as part of the CSPEs and recent initiatives promoted at headquarter level (e.g. the Platform for Agricultural Risk Management, PARM and index-based insurance). Furthermore, many of the recent instruments promoted will not have been implemented yet in the closed operations evaluated by IOE.

33. Terminology. The rural finance terminology used in IFAD documents (evaluations, project documents) is not standardized and can cause confusion. For example, the term “equity” is both used for equity investments in FSPs (as is the case in India), but also for equity support to enterprises by a matching grant from the project, or channelled by a specialised fund. The term “fund” is used in many different ways, often not clearly referring to the nature of the fund (licensed, private or public, purposed are grant, loans, equity or business development services, often used in combination).[28] The inconsistent use of the technical terms has made the comparative analysis of the information more challenging and time consuming.

34. Some new financial instruments are difficult to trace even in the FAME reporting. For example, although value-chain financing has become a very significant part of IFAD’s portfolio, it is not included as instrument in the 2018 Rural Finance Dash Board. Therefore the synthesis can only refer to the value chain financing found in sample evaluation reports.

35. Availability and accuracy of data. Some studies go rather deep, and provide very specific data, for example the Georgia CSPE (2018), the Lesotho PPE#46 or the India PPE#18, reporting about performance data of the MFIs. The CSPE working papers on rural finance are a great source of information, but they are not always available and seem to have become fewer in the recent CSPEs.[29] The analysis contained in IOE evaluations appeared shallow in some cases and lacked hard performance data in the provision of finance of projects and their partners. In other cases, results were not appropriately reported.[30]

36. Availability of data has also determined the assessment of IOE evaluation criteria. For effectiveness and impact, the systematic review meticulously recorded the documented results and impact stemming from IFS interventions. For sustainability IOE evaluations are primarily focussed on sustainability of benefit; only very few reported data on institutional sustainability. Data were too inconsistent and too limited to permit a comparative assessment of the efficiency of IFS interventions.

Table 2
Sample of project evaluations reviewed by this ESR

	Project evaluation	*Project name*	*ESR reference number (#)*
Type A:	Ghana PPA (2012)	Rural Finance Services Project	8

[28] For example, the Uruguay PPE #25 has three funds: the “Microcapital Fund” which is a grant fund in the productive component, for the poorest; and a “Strategic Investments Fund” (p. 30.) for grants to machinery groups, and a “Revolving Reserve Fund” in the RF finance component.
[29] Working papers on rural finance were available from the following CSPEs: Argentina (2009), Ghana (2010), Yemen (2010), Nepal (2013), India (2010), Vietnam (2012, Moldova (2014) and Georgia (2017)
[30] For example in the case of Uruguay, a project with one of the lowest percentages of RF funding (23.5 per cent), reported a full range of positive indicators, although data to support these claims were lacking (PPE 36. – 39. page 10-11).

	Moldova PPA (2012)	Rural Business Development Programme	13
	India PPA (2013)	National Microfinance Support Programme	18
	China PPA (2013)	Rural Finance Sector Programme	19
	Georgia PPA (2014a)	Rural Development Project	22
	Bangladesh PPA (2016)	Finance for Enterprise Development and Employment Creation Project (FEDEC)	40
	Philippines PPE (2016)	Rural Microenterprise Promotion Programme(RuMEPP)	41
	Cameroon PPE (2017)	Rural Microfinance Development Support Project	45
	Lesotho PPE (2017)	Rural Financial Intermediation Programme	46
Type B: Rural finance component projects	Belize CE (2008)	Community-Initiated Agriculture and Resource Management Project (CARD)	1
	Argentina CE (2009)	Rural Development Project for the North-Eastern Provinces (PRODERNEA)	4
	China CE (2010)	West Guangxi Poverty Alleviation Project	6
	Dominican Republic CE (2011)	South Western Region Small Farmers Project - Phase II	9
	Armenia PPA (2012)	Rural Areas Economic Development Programme	14
	Mongolia PPA (2013)	Rural Poverty Reduction Programme	20
	Sudan PPA (2014)	Gash Sustainable Livelihoods Regeneration Project	24
	Uruguay PPA (2013)	Uruguay Rural	25
	Pakistan PPA (2015)	Community Development Programme	32
	Albania PPA (2015)	Programme for Sustainable Development in Rural Mountain Areas	33
	Malawi PPE (2017)	Rural Livelihoods Support Programme (RLSP)	43
	Georgia IE (2017)	Agricultural Support Project	47
Type C projects: >20% IFS	Zambia PPA (2012)	Forestry Management Project	15
	Georgia PPA (2014b)	Rural Development Programme for Mountainous and Highland Areas	23
	India PPA (2015)	Livelihood Improvement Project for the Himalayas	31
	Egypt PPE (2017)	West Noubaria Rural Development Project	42

Source: ESR

Key points

- Since 1981, IFAD has financed rural finance activities in 495 of 1,052 investment projects (47.1 per cent), worth US$ 3.3 billion out of 18.1 billion (18.2 per cent).
- In addition, IFAD had provided grants on rural financial service activities worth US$ 69.1 million out of US$ 1.2 billion (6 per cent).
- This synthesis report uses the term ’inclusive financial services (IFS) for the rural poor’ (sometimes also called inclusive rural finance or inclusive financial services) to highlight the emphasis on ’inclusion’ in line with IFAD’s evolving corporate strategy.
- The time frame covered by this synthesis report goes from 2008, when the CLE was concluded, until 2017.
- The systematic review focuses on a sample of 25 project evaluations and 24 country strategy and programme evaluations that featured allocated rural finance funding. Data were documented in NVIVO. Analysis was done through qualitative methods (including case study methodology) and quantitative methods (correlation analysis).
- In addition to IOE evaluations, the data used for this synthesis report included review of IFAD rural finance policy, guidance and knowledge documents, review of QASAR[31] and FAME databases, focus groups, interviews and a survey among rural finance consultants.
- Major limitations were the lack of a standardised rural finance terminology used in IFAD documents (evaluations, project documents), gaps in tracking new rural finance instruments (e.g. value chain financing), the varying quality of reporting and the fact that some evaluation criteria used for IOE project evaluations do not contain specific performance criteria for financial institutions (e.g. efficiency, sustainability).

[31] The Quality Assurance Archiving System an online platform used to manage the QA review of all project designs and soon, of all grants, concept notes and COSOPs, e.g. QAS.

II. Context and Background

A. Global challenges and demands on the rural finance sector

37. Poverty relevance. The impact of the traditional financial services for the poor, namely credit, savings and payments services to the overarching SDG 1 "End poverty in all its forms" has been highlighted by numerous studies. Access to bank accounts and payment services has been shown to have a measurable impact on poverty reduction by improving the ability of poor people to draw on wide social networks in times of trouble, significantly improving their resilience to shocks, and reducing the chances that they fall deeper into poverty. Regarding newer financial services and financial support strategies such as insurance, agricultural leasing and digital finance, evidence needs to be built about the impact these new solutions have on poor people and businesses.

38. Access gap. Despite the efforts of funders and policymakers, and the progress of 700 million people having access to formal financial services, still more than 2 billion adults in the poorest households are unbanked. According to the World Bank's Universal Financial Access by 2020 goal, between 2011 and 2014, the percentage of people across the globe that own a transaction account with a bank, another financial institution or a mobile money provider has increased from 42 per cent to 54 per cent, whereas this figure varies a lot between world regions (e.g. sub-Saharan Africa has increased from 24 per cent to 34 per cent).[32] However, the 2017 State of the Industry Report on Mobile Money (GSMA) confirms that many of the accounts people have opened with mobile money providers are dormant. The situation is worse for the poorest, of which 3 billion are living in rural areas.[33] Among those living below US$ 2 per day, 77 per cent lack a formal account.[34] Access for agricultural investments and value-chain stakeholders also remains a huge challenge.

39. Rural situation. In four of six main regions of the word, living in "rural" areas is a synonym with the least financially served group among the financially excluded: in rural areas, between 56 per cent and 72 per cent are still financially excluded, a figure which is only topped by being female in some regions.[35] There is a large finance gap in many rural markets, with a focus on the lower-developed countries and remoter rural regions. Access to finance in rural areas is much weaker compared to financial services available in urban areas, especially in the lesser-developed and less densely populated regions. Challenges are lying at the different levels of the financial system, while other overall factors hindering development in rural areas are negatively impacting access to finance, such as weak infrastructure and education levels. A recent World Bank evaluation highlights that by 2020, one billion may still lack access to finance, whereas the financially excluded can be expected to live predominantly in rural areas.[36]

40. The microfinance debate. In the past, much emphasis has been laid on microfinance. The international debate about microfinance and its value for the poor came to its height in 2010. Microfinance was accused of contributing to indebtedness, thus causing numerous suicides in India.[37] The severe crisis that led to an overhaul of some concepts related to what microfinance as a development tool can realistically achieve, and what should be done – or avoided - in future. In the aftermath of this debate a new body of evidence was generated, putting emphasis on understanding the impact of microfinance at the different levels, and the different financial products (see Annex III).

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[32] http://ufa.worldbank.org/global-progress.
[33] IFAD Scaling-up note 2015.
[34] http://www.cgap.org/blog/measuring-financial-exclusion-how-many-people-are-unbanked.
[35] McKinsey Global Institute. 2016. Digital finance for all. Powering inclusive growth in emerging economies.
[36] IEG, Financial Inclusion—A Foothold on the Ladder toward Prosperity? 2015.
[37] http://www.cgap.org/blog/learning-indian-microfinance-crisis.

41. Agricultural finance as an "engine for rural transformation". According to the G20-Global Platform for Financial Inclusion (GPFI), there is a heavy demand for investment capital and sustainable financial services for rural areas and agricultural activities necessary for global growth and food security, in line with SDG2 "End hunger, achieve food security and improved nutrition and promote sustainable agriculture". The FAO estimates that many of the 500 million family farms, most of them with less than 2 hectares, are not able to obtain the financing needed.[38] The situation is not much better for value-chain financing in rural areas, which includes larger enterprises and farms, also important for rural livelihood development. Agricultural finance in its different forms[39] is recognised as key element for rural transformation.[40] The diversity of the target group is a major challenge in the implementation of agricultural finance. The stakeholders involved in agricultural finance comprise farming households and businesses from poor women, smallholder family farms to youth entrepreneurs, and middle-sized farms or larger factories in a value chain from which smallholders depend. All these stakeholders have different potentials, and require very different kinds of financial services among the full range from village-based savings, external capital in different forms or insurance. Even some non-agribusinesses are involved. This diversity provides challenges for project design and implementation. It is, however, an opportunity for FSPs to diversify their portfolio.

42. Beyond basic accounts and the potential of access. Despite the significant global and national commitments, and many years of lessons learned and continuously improving approaches in promoting financial inclusion, much remains to be done to make universal access a reality. The World Bank's 'Universal Financial Access by 2020' goal envisions that worldwide women and men alike will be able to have access to a transaction account or an electronic instrument to store money, send payments and receive deposits as a basic building block to manage their financial lives.[41] Considering that poor women account for 1.1 billion of unbanked adults, or most of the financially excluded, Increasing account ownership also would promote gender equality (SDG 5).[42] Notably, the consultative group to assist the poor (CGAP) emphasises that enabling access for the poor does not mean they are using this service, and hence the more recent focus on customer centricity to foster usage.

43. A focus on financial inclusion. The members of the Alliance for Financial Inclusion, a global network of 114 central banks and other financial regulators of 95 developing and emerging countries, have signed the Maya Declaration as of 2017, a commitment to pursue and measure national financial inclusion targets.[43] For the G20, several years after their initial commitment in 2010, financial inclusion remains a priority as it is recognized to be "capable of bolstering sustainable, balanced, inclusive economic growth at the macro level and promoting economic and social inclusion at the household and enterprise level especially among financially excluded and underserved populations."[44] The global visibility of the topic is helping national policymakers and regulators to pursue the goal of financial inclusion in their policies and strategies. Global guidance for both countries and donors is available for measuring financial inclusion with a variety of data sets being tracked at the supply and demand side.[45]

[38] New Tends in Agricultural Finance, GPFI 2015.
[39] Agricultural finance means financial services that support on-farm activities and agricultural businesses, without necessarily targeting mainly or only poor people.
[40] BMZ 2018 identifies five global megatrends: demographic change, scarceness or resources, climate change, digitalisation and interdependency, flight and migration.
[41] http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020.
[42] https://www.cgap.org/blog/financial-inclusion-has-big-role-play-reaching-sdgs
[43] AFI, Maya Declaration quick guide to formulating measurable targets (August 2017).
[44] Global Partnership for Financial Inclusion (GPFI), 2017 progress report to the G20 Leaders.
[45] How to measure financial Inclusion. http://documents.worldbank.org/curated/en/350551468130200423/pdf/953850BRI0Box30Inclusion0Strategies.pdf.

44. Recent trends. According to the G20/GPFI, the following four key trends will set the stage for continuing the progress in achieving financial inclusion over the coming years:

- the 2030 Agenda for Sustainable Development puts financial inclusion in the spotlight of inclusive and sustainable development;
- the rapid development and penetration of digital innovations provides an unprecedented opportunity to accelerate financial inclusion;
- increased attention to the importance of responsible access and usage of financial services for the poor means strengthening the focus on underserved and vulnerable groups; and
- the mainstreaming of financial inclusion alongside the other financial sector development goals of stability, integrity and consumer protection reinforces the notion that the goal of financial inclusion and other financial sector goals can be mutually supportive.

45. As global thought leader in financial inclusion, CGAP in its "Vision 2025" has identified trends shaping emerging economies, such as a more urban and youthful population, labour markets with fewer opportunities to move up, and increasing migration streams. According to CGAP, "the role of financial services as an enabler to improve poor people's lives will continue to be central". Box highlights major challenges for support strategies:

Box 3
CGAP's Vision 2025 - full financial inclusion challenges

Lack of customer orientation of existing products or offerings

More people having access but only a few uses them

Diversification of providers and business models

Population is more urban and young

Rising inequalities

Risk of digital divide[46]

Increasing vulnerability due to climate change

Polarised labour market with most poor employed in agriculture (2016: 65 per cent of the poor, ILO[47])

Role of government remaining critical.

Source: CGAP: The Vision of the Future: Financial Inclusion 2025, June 2017.

The global trends on microfinance and financial inclusion and the emerging wealth of good practices from other development partners and from international leading think-tanks has influenced the development of IFAD's Rural Finance Policies and strategic frameworks, presented in the following section.

B. Evolution of IFAD's Rural Finance Policy

46. First Rural Finance Policy (2000). The central role played by rural finance in achieving sustainable poverty alleviation led to the first Rural Finance Policy (RFP) in May 2000. The Policy was designed to provide an overall framework for IFAD's work in rural finance, which represented a huge change for IFAD interventions, acknowledging the inefficiency of the rural finance tools that had been used during the previous years. In particular, the Policy stated the unsustainability and inefficiency of projects based on subsidized credit covered by government

[46] Digital divide is a term that refers to the gap between demographics and regions that have access to modern information and communications technology, and those that don't or have restricted access. This technology can include the telephone, television, personal computers and the Internet. https://whatis.techtarget.com/definition/digital-divide.
[47] International Labor Organization (ILO).

guarantees and credit channelling through agricultural development banks that distorted rural financial markets and resulted in poor outreach. Rural finance being one the essential tools to be used in combating rural poverty, the purpose of the RFP was set as "to increase the productivity, income and food security of the rural poor by promoting access to sustainable financial services… strengthen the capacity of rural financial institutions to mobilize savings, have their costs covered and loans repaid, and make a profit to increase their saver and borrower outreach… bridging gaps in equity or loanable funds until institutions are fully self-sustained".[48] The first RFP 2000 called for a focus on strengthening sustainable rural financial institutions, and in IFAD engagements, addressing challenges such as stakeholder participation, the rural financial infrastructure, institutional sustainability with outreach to the rural poor, and a conducive policy and regulatory environment.

47. The CLE 2007 prepared the ground for a new and much more detailed RFP (2009) with a strategic change in the centre, from considering credit as input-supply, towards a comprehensive approach at the three levels of the financial system (macro, meso and micro), to achieve a sustainable provision of financial services for the rural poor. The recommendations emphasised the need to clarify the norms set out in the RFP (at that time RFP 2000). The CLE also looked at systemic aspects, i.e. processes, reforms undertaken on procedural factors such as staff capacity building, performance measurement or quality assurance processes. Recommendations referred to an integrate quality check to ensure compliance with the RFP and building greater in-house capacity.

48. Another internal reference was the IFAD Strategic Framework 2007-2010 as major corporate policy, emphasising "the importance of developing inclusive financial systems and fostering innovations to increase rural poor people's access to a wide variety of financial services, including savings, investment and working capital loans, insurance and remittances." The revised RFP was expected to respond to emerging challenges at global level, such as such as a widening financial crisis, volatile food and agricultural commodity prices, and the perils of climate change. The results of the independent appraisal of IFAD's aid effectiveness in rural finance (2009) were used as the main external source.[49]

49. New focus of RFP 2009. Notably, apart from the stand-alone goal of improving access to finance for unbanked rural populations, rural finance was now being conceived as a tool to achieve multiple other development goals. IFAD's approach in rural finance was also recognised to tackle cross-cutting themes such as women's empowerment and natural resource management.

50. The policy introduced a financial systems development approach, which was recommending to target all three levels of the financial system: the micro level (focusing on individuals and sustainability of FSPs), the meso-level (focusing on the building of effective financial markets, second-tier institutions and apexes); and the macro-level (dealing with governments, policy and sector strategy formulation, as well as regulation and supervision of micro-level FSPs and meso-level institutions).

51. New challenges. IFAD is addressing new challenges and helping to set-up new vehicles, related to innovations in agricultural finance (see Chapter V). IFAD puts agricultural finance and agricultural value-chain finance at the centre of attention. The Rural Development Report (2016) recognizes that a diverse target group (i.e. smallholder farmers, on- and off-farm micro and small businesses, female entrepreneurs, young business start-ups and wage labourers) requires a broad outlook at the financial services they require, including structured finance

[48] IFAD Rural Finance for the poor, from unsustainable projects to sustainable institutions (April 2001).
[49] CGAP Smart Aid 2009.

transactions such as value-chain financing,[50] linking formal and informal channels, financial education, and how subsides can be "smart".[51]

C. Lessons learned from other IFIs

52. The Internal Evaluation Group of the World Bank Group[52] concluded that financial services other than credit are proving to have equal if not higher benefits for the poor. Though the majority of technical assistance focused on credit, a significant—and slightly increasing—share focused on payments, savings and insurance. However, it also found that the Bank Group's approach to identify and tackle constraints to financial inclusion at the country level is not sufficiently comprehensive. This is of particular concern for areas that are not subject to prudential regulations, such as mobile money and rural savings and credit cooperatives. The main recommendations were to:

(i) clarify the World Bank Group's approach on financial inclusion by making it evidence-based and comprehensive, focused on enabling access to a range of financial services with benefits for the poor in a sustainable manner and specifying when and how to use subsidies;
(ii) find and replicate innovative delivery models through sequenced and evidence-based approach to innovation;
(iii) strengthen partnerships by advocating clear strategies, results frameworks, and monitoring and evaluation arrangements; and
(iv) implement new diagnostic tools for country-level diagnostics and strategies to guide financial inclusion work.

53. The internal evaluation of the African Development Bank's Microfinance Policy, Strategy and Operations (2000-2013)[53] was looking at its 94 projects, 21 of which were still active in May 2013. These were the main findings and conclusions among others: (i) the approach was relevant but the strategy was very ambitious and unfocused (2006 Microfinance Policy and Strategy); and (ii) portfolio performance was weak, with inadequate design preventing efficient implementation, along with inadequate market analysis and unsustainable partners on the ground. Some of the lessons and recommendations seem to be relevant and for IFAD to consider:

(i) "Unless credit components are designed as stand-alone projects, they produce weak results. The Bank should avoid including microfinance components in larger non-financial sector projects.
(ii) The lack of a well-designed and functioning information system prevents the Bank from adequately learning from its operations or from taking part in the knowledge sharing and partnership initiatives launched by other cross-border funders to learn and improve their financial inclusion operations.
(iii) The Bank should consider stopping indirect financing to retailers through government and state-owned apexes. The creation of national state-owned apexes, notably by transforming government project units, should be discouraged, as existing apexes have not demonstrated their efficiency and effectiveness."

D. Lessons from other development agencies

54. The Rural and Agricultural Finance Learning Lab (2018) elaborated on various themes, among others on "how to influence decision makers in agricultural finance".[54] In 2016, the Initiative for Smallholder Finance[55] and others are calling

[50] IFAD Value Chain Financing Strategy
[51] IFAD Rural Development Report 2016
[52] World Bank Group: Financial Inclusion, A Foothold on the Ladder toward Prosperity? (2015).
[53] AfDB, Fostering Inclusive Finance in Africa, An Evaluation of the Bank's Microfinance Policy, Strategy and Operations (2014).
[54] Master Card Foundation and Dalberg. 2018. Rural Finance Learning Lab. LEARNING BRIEF 4, How to influence decision makers in agricultural finance
[55] Initiative for smallholder Finance, Master Card Foundation, USAID and Dalberg Global Development Advisors. 2016. Inflection point. Unlocking growth in the ear of farmer finance.

for concerted action to serve 450 million smallholder farmers across the developing world. As they are a very diverse group, CGAP has categorized them into three high-level segments: non-commercial, commercial in loose value chains, and commercial in tight value chains. The study emphasises that “quantifying the need for agricultural financing assumes (estimated at US$ 200 billion) that farmers can convert financing into income increases (cash or in-kind) that justify the cost of such financing.” It also stresses that, in addition to credit, many smallholder households stand to benefit significantly from access to savings accounts, insurance, and mobile transactions. As for the current supply of smallholder finance, out of US$ 56 billion lending the study identifies for South and Southeast Asia, Sub-Saharan Africa and Latin America, that 14 billion is provided by formal FSPs, and approximately US$ 17 billion by value chain actors, while informal and community-based FSPs provide US$ 24 billion.

55. The Agricultural Finance Position Paper of the German Development Cooperation/BMZ (2017) proposes principles on how to address the agricultural finance challenges, some of them also relevant for IFAD, for example:[56]

(i) better policy coordination between finance and agriculture;
(ii) a greater focus on local resources and savings, which also applies there where many rural finance interventions are still credit-driven;
(iii) smart subsidies: for IFAD there is no information to which extent matching grants are applied in a smart way and contribute to sustainable access to and provision of finance; and
(iv) an integrated approach to disaster risk management e.g. by considering the financial and non- financial instruments that work complementarily.

56. The following lessons were drawn from the implementation experiences of several agricultural support projects supported by the German Development Cooperation, which have an agricultural finance component or activities.[57]

(i) Partnership with FSPs. Setting up high-performing partnerships with financial institutions that define clear roles and responsibilities and make partner contributions explicit remains a challenge, especially when the business case for the financial institution is not clear and/or promising.
(ii) Financial products. Most financial institutions do not offer adequate financial products for agricultural actors for a variety of reasons, one of which being that their staff have a limited knowledge of agriculture. When supporting them to develop new financial products, the changes required in the FSP’s policies, procedures and processes tend to be insufficiently considered; cultural issues within an FSP not used to serving the new customer segment can also pose challenges. The transaction costs associated with serving this market and the lack of alternative distribution and communication channels are two factors that contribute to the high operational costs involved in working with agricultural actors, and these high operational costs subsequently lead to high interest rates.
(iii) Long-term funding. Often, local FSPs lack the long-term funding required to engage in financing investments in the agricultural sector. This hinders their ability to serve clients and offer specific products, especially longer-term loans for asset investments. Local FSPs are mainly funded by their clients’ savings, most of them being of a short-term nature. Often, sources for long-term funding are not available, such as loans or subordinated debt or equity from development finance institutions or local banks.

[56] Source: BMZ Positionspapier Agrarfinanzierung (2017).
[57] GIZ Analysis of GIZ Approaches to Improve Access to Agricultural Finance (2017).

Key points

- The impact of the traditional financial services for the poor, namely credit, savings and payments services to the overarching SDG 1 on poverty has been highlighted by numerous studies.
- Access to bank accounts and payment services has a measurable impact on poverty reduction by improving the ability of poor people to draw on wide social networks in times of trouble, significantly improving their resilience to shocks, and reducing the chances that they fall deeper into poverty.
- Despite the efforts of funders and policymakers, and the progress of 700 million people having access to formal financial services, still more than 2 billion adults in the poorest households are unbanked.
- In rural areas, between 56 per cent and 72 per cent are still financially excluded, a figure which is only topped by being female in some regions.
- The central role of rural finance in achieving sustainable poverty alleviation led to IFAD's RFP in May 2000. The first RFP 2000 called for a focus on strengthening sustainable rural financial institutions, and in IFAD engagements, addressing challenges such as stakeholder participation, the rural financial infrastructure, institutional sustainability with outreach to the rural poor, and a conducive policy and regulatory environment.
- The CLE 2007 prepared the ground for a new and much more detailed RFP (2009) with a strategic change in the centre, namely, the evolution from considering credit as input-supply, towards focusing on the varied aspects of a comprehensive approach at the three levels of the financial system, to achieve the offering of financial services for the rural poor in a sustainable way.
- The revised RFP (2009) focused on improving access to finance for unbanked rural populations. It envisaged rural finance to become a tool for poverty alleviation. The current Strategic Framework emphasises the crucial role of finance for rural transformation.
- The World Bank recognises the need to focus on sustainable access to a range of pro-poor financial services; to specify when and how to use subsidies; on innovative delivery models; stronger partnerships; and new country diagnostic tools and strategies.
- The AFDB recommends focusing on stand-along financial projects, to develop effective information systems and to refrain from channelling finance to retailers through government and state-owned apexes.

III. IFAD rural finance policy, knowledge and learning

A. Relevance of rural finance policy

57. Rural finance 2000. The main thrust of the first RFP 2000 focused on sustainable rural financial institutions. Table 3 below sets out what the first RFP focused on, and how major topics have evolved in the revised RFP 2009. The two major changes of RFP 2009 are the guidelines for a holistic approach at the three levels of the financial system, and the six guiding principles.

Table 3
Main topics of RFP 2000 and RFP 2009

Rural Finance Policy 2000	*Rural Finance Policy 2009*
Focus on strengthening sustainable rural financial institutions · Encouraging stakeholder participation · Building a rural financial infrastructure · Enhancing institutional sustainability with outreach to the rural poor · Promoting a conducive policy and regulatory environment	Guidelines: **Holistic approach** at three levels of the financial system (micro, meso, macro). **Six guiding principles:** · Variety of financial services · Wide range of FSPs · Demand-driven and innovative approaches · Market-based approaches, avoiding distortions · Long-term strategies, sustainability and poverty outreach · Policy dialogues and enabling environment for pro-poor rural finance

Source: RFP 2000 and RFP 2009.

58. The RFP 2000 with its focus on sustainable rural financial institutions does not make a specific distinction between interventions for different country types and focuses on the sustainability of institutions more generally. Moreover, the policy is not explicit about differences between country environments and it rather addresses tailored interventions depending on the context. One of the statements within the RFP 2000 specifically refers to “only those MFIs that have demonstrated their capacity for resource mobilization, cost coverage, profitability and dynamic growth deserve assistance. Such institutions may be found in all financial sectors”.

59. RFP 2009. The revised RFP (2009) is designed as a principle-based and comprehensive paper. The policy elaborates on challenges and opportunities in the sector, defines “rural finance” and its stakeholders, sets out the objectives, approaches and references to major corporate policies, defines guiding principles, sets out guidelines for implementation at the various level, and finally, provides orientation for implementation. It provides guidance for solutions of different country contexts and for all levels of the financial system including informal finance approaches. Annex VII provides detailed comments on the RFP 2009.

60. The 2009 RFP also recommends the assessment of the demand-side, i.e. the realities the population in these areas is facing, as well as the FSP landscape and the gaps between both.[58] It also recognizes that “partner countries in conflict and post-conflict situations, and areas recovering from natural disasters, also require workable responses to re-establishing and strengthening rural finance institutions, bridging the gap between emergency relief, rehabilitation and sustainable development.”

61. Multilevel approach. The guideline on “holistic financial sector development (FSD)” recommends engagement at three levels – macro, meso and micro. Promoting financial service provision with a financial sector perspective was a modern and well-researched approach at the time of developing the revised RFP,

[58] “Assess the demand for financial services, the supply from existing financial institutions, and the gaps between demand and supply. Consider the variety of possible financial and non-financial services that could improve the livelihoods of the targeted clientele, without assuming that credit is always a binding constraint for rural households. Savings, income transfers and graduation models, or welfare activities, may be better suited to their needs” (‘RFP 2009).

and still is today. This multilevel approach focuses on the approach to strengthen the capacity of actors at all levels of the financial system, to ultimately expand the frontiers of financial access and improve the stability and crisis-resilience of the financial sector as a whole.

62. However, the holistic approach of the RFP often provides a challenge within the context that IFAD projects are working in. For example, in Ethiopia, Ghana and India, important preconditions for a holistic approach are being met, such as a committed and engaged government to financial sector development, other development partners in the financial system working along similar lines and on these aspects, and a range of FSPs that are present in the project regions and willing to serve the selected target groups. For many projects and country contexts, however, the holistic approach seems rather ambitious, and, as shown in the review sample (Chapter IV) only a small number of projects were able to implement a multi-level approach.

63. IFAD's corporate strategies. The series of IFAD's corporate strategies are a reflection of the global challenges and they show how the topic of rural finance/IFS has evolved, both within and outside IFAD:

(i) IFAD Strategy 2007-2010: In line with the RFP, the Strategy briefly delineated rural finance as one of six strategic objectives and suggested access to "a broad range of financial services" provided by a diversity of sustainable financial institutions, based on a systemic FSD approach (which means, to focus on sustainability at all levels of the financial system).

(ii) IFAD Strategy 2011-2015 followed the same line as the previous one and added the perspective of "financial services that can support the development of small rural enterprises within and around agriculture – particularly beyond the very small scale that may be served by microfinance". This means expanding the target group beyond the "poor rural people or households (and their organisations)" as was the focus in the RFP 2009. Including the term "beyond the very small scale" notes this expansion of the target group.

(iii) IFAD Strategy (2016-2025) finally introduced some new concepts, e.g. the term "Inclusive Financial Services (IFS)", a change of wording that was not rooted in the RFP, which reflects the evolution that took place in the global debate. As a consequence, many of IFAD's following documents referred to IFS, and not rural finance. The Strategy also refers to the Remittance Facility, and to PARM.[59] Finally, the Strategy also uses the term "innovative financing instruments", however, without explaining what is meant. [60]

64. Recent issues. The current RFP is wide and generic enough and encompasses many pertinent themes. However, changes in the global environment also require more recent issues to be addressed, such as: (i) the changing climate – calling for innovative resilience building strategies in all projects; (ii) the fact that women are among the poorest and most vulnerable – calling for a clear gender focus; and (iii) the global trend to increased urbanisation and megacities. While the IFAD's recent Strategy (2016 – 2025) has tried to incorporate such changes, the policy, by its nature and date of 2009, does not cover new priorities or themes, such as rural transformation or value chains. Furthermore the policy, as a general and principle-based document, can neither reflect lessons from IFAD implementation of the last decade, nor can it consider the strategic changes in the overall direction and new organization changes of IFAD in the last decade.

[59] PARM is an outcome of the G8 and G20 discussions on food security and agricultural growth. As a multi-donor partnership between developing nations and development partners to make risk management an integral part of policy planning and implementation in the agricultural sector. IFAD is a major strategic partner. http://p4arm.org/.

[60] The IFAD 2017 Conference Report provides some details about "innovative approaches to finance agrifood investments by smallholder farms and other SMEs".

65. IFAD has tried to address the tension between a static policy and the rapidly changing context by issuing a series of documents dealing with emerging strategic issues of IFS. The RFP 2009 was complemented by a series of additional documents providing strategic orientation, including new terminologies, concepts and priorities after its adoption, among them IFAD Strategies, and thematic studies on classical (matching grants, postal savings) or innovative financing mechanisms. Some documents, such as the Scaling-up note (2015), or the latest IFAD Strategy (2016-2025) have added some new aspects, such as digital finance, climate finance, weather index-based insurance or value-chain financing. The inclusion of new key topics that are important for financial sector development and for non-financial support programmes provide an appropriate support to IFAD's future strategies.

B. IFS knowledge and learning

66. Learning and knowledge in the rural finance policy. The revised Rural Finance Policy (2009) highlights the importance of knowledge sharing, learning systematically and collectively from projects, good practices and partners. Strengthening and documenting IFAD's rural finance capacities and knowledge would be done by learning systematically and collectively from its own projects, good practices and the experience of its partners. In addition, engagement with strategic partners would help IFAD improve the quality and impact of its projects and strengthen its capacity to promote learning, knowledge sharing and innovation.

67. The Rural Finance Policy identifies the Rural Finance Thematic Group that includes the three Rome-based agencies, e.g. IFAD, FAO and the World Food Programme as conduit for disseminating knowledge within IFAD and sharing information and experience within and beyond IFAD's boundaries. The group has been active in the past years, however, in recent years, according to interviews, the level of engagement has decreased.[61]

68. Guidance instruments. Under the revised RFP (2009) guidance instruments on IFS were developed in the form of toolkits, notes and manuals since 2010 (Table 4) There are also some other guidance instruments that are not focused on but refer to IFS, such as the Toolkits on the 4P approach, which refers to private funding e.g. through value chain finance arrangements; the Toolkit on Smallholders (2016) that refers to linking farmer groups with financial institutions; or the Toolkit on Pastoralism (2018), that refers to climate finance mechanisms and insurance (2016) and to "basic services such as credit, savings and insurance". The actual usage and impact of the guidance documents is unknown, in particular to what extent they actually supported the integration of new and complex topics into design and implementation (see section D below).

[61] IFAD, 2017 Joint Update on RBA Collaboration.

Table 4
Overview of IFAD technical guidance on IFS/rural finance

Year	Title	Type of guidance document
2010	IFAD Decision Tools for Rural Finance	Manual: Knowledge-management tool for decision-making support for project development and implementation
2011	Weather-index insurance Guide	Technical Guide (by the Weather Risk Management Facility
2012	Agricultural value chain finance strategy and design	Technical Note (suggestions and guidelines for the design and implementation)
2012	Matching Grants	Technical Note
2014	Community-based financial organizations	Toolkit (TK) series: Inclusive rural financial services toolkits on key issues faced in addressing rural finance in rural development programmes; each thematic toolkit comprises three documents: “teaser”, “how to”, “lessons”
2014	Key performance indicators and performance-based agreements in rural finance	
2014	Lines of credit	
2014	Loan guarantee funds	
2014	Linking matching grants with loans: Experiences and lessons learned from Ghana	Technical Note
2015	Scaling-up note: Inclusive Rural Financial Services	Technical Note
2015	Youth access to rural finance	Toolkit
2016	Digital financial services for smallholder households	Toolkit
2016	Formalising community-based MFIs	Toolkit
2018	Access to finance for renewable energy	Toolkit
2019	*Climate-smart agriculture /investments*	*Toolkit (up-coming)*

Source: ESR.

69. The RFP and supporting guidance provide comprehensive orientation and detailed input for design and implementation covering many pertinent themes arising in such processes. Emerging from knowledge grants/ partnerships or IFAD or partner studies, new themes were continuously added over time in the form of additional technical guidance: i.e. decision tools, toolkits and technical notes. They provide orientation on how to proceed on many topics – those already covered by the RFP but also, going much deeper or further. They focus more on certain themes, target groups or approaches, where the RFP does not explore extensively, such as digitalisation, or youth.

70. Guidance formats. The purpose and format of these documents vary, and it is not clear why a certain format has been chosen for a given product. The material comes in different formats, including manuals, technical notes and toolkits (each comprising of three notes). The eight Toolkits are clearly technical documents, while the three Technical Notes – Agricultural Value Chain Finance, Matching Grants, and Scaling-up Note - tend to also have a strategic focus, providing more information on the rationale of an approach (the” why”) and less on technical guidance (the “how”).

71. Generally, the existing guidance instruments are of high quality, in-depth documents. They are based on field experience and pilot testing, many of which resulting from projects and receiving additional input from grant projects, and therefore, considering both own and other international practitioners’ lessons. However, the results from applying this guidance are not systematically collected, analysed and fed back into the system. This would allow to test and integrate feedback on implementing these tools and develop tailor-made guidance for IFAD’s context of projects and partners, while also ensuring a learning curve and follow-up on the topic.

72. Thematic areas. The printed knowledge products on IFS as presented above have been developed since 2010 as a series of 14 guidance documents. Generally, the selection of topics is derived from the RFP and they go deeper into the technical subjects; however, the selection of topics seems slightly random and there seems to be no clearly defined structure that would have guided the development of the series. The topics can be clustered into the following IFS thematic areas:

(i) approaches (community-based financial organisations, formalising community-based MFIs, value-chain financing);
(ii) financing instruments (credit lines, guarantee funds, matching grants);
(iii) financial delivery mechanisms (digital finance);
(iv) financial products (payments, remittances, insurance);
(v) target-group specific financing approaches (youth access, smallholder finance); and
(vi) financing in other development contexts (finance for renewable energy and up-coming: climate-smart agriculture).

73. The strong focus on printed knowledge products has been a constraint for a speedy institutional learning process. Also there were no supported by special transmission belts such as direct support and systematic sharing of insights. Thus the accumulated knowledge remained rather static. Individual topics were not up-dated e.g. with insights from implementation or new global learning, for example in a series or through follow-up documents on the same topics. Instead there was a constant flow of new topics being taken up. Limited funding available to update these knowledge products is one of the reasons for this.

74. The technical level may be overambitious in some instances. Furthermore the question on how knowledge products can be more systematically integrated into an institutional learning process remains unresolved. For example, continued knowledge could be offered about “what works in practice”, adding knowledge from implementation over time in an organised way. Finally, knowledge from global fora, knowledge partnerships and conferences is available and has a high technical level. However, transferring this to a broad and diverse audience in IFAD, and integrating it into the processes of design, implementation and evaluation remains a challenge both in IFAD headquarters and in the regions (CPM, PMUs/country counterparts). Ensuring that the comprehensive and up-to-date institutional knowledge is also used by the consultants is another challenge.

75. While the knowledge products generally reflect the latest knowledge in the sector[62] and are informative, well edited and attractively presented, little can be said about the extent to which they have been used. The CPMs interviewed during this synthesis report confirmed that they are aware of these products and refer to them at the time of project design. However, they generally prefer not to go deeper into what are perceived as being very technical and complex issues and rather rely on specialist consultants to address IFS issues during design or supervision as they present themselves in the specific circumstances. To which extent consultants rely on these documents in practice cannot be assessed either.

76. Thematic studies (see Box 4 below) were used to analyse what happened in the environment and in IFAD. They also added new themes and set the strategic focus in a clearer way based on lessons generated in the meantime (i.e. “more holistic policy advice is necessary to manage rural finance within rural transformation”). A main limitation for these studies is that they heavily depend on global and regional grants which were their main source of funding. Other sources of funding are hardly available.[63]

[62] Apart from the old ones dating back to 2010 which may have the potential to be updated.
[63] While in the early years of 2000, grants were not clearly linked to implementation, in more recent times, the approach was to clearly and strategically link grant activities with country portfolios and projects; and use them to fill knowledge

77. With the exception of matching grants (Ghana), there are no systematic reviews of practices and lessons from implementation. A thematic and cross-country stock-take on frequent instruments and topics, such as guarantee fund design and implementation, credit line good and bad practices, working with state banks, supporting apex structure's, or success factors from Village Savings and Loan Association (VSLA) implementation would have been important to inform further practice.

Box 4
Selected thematic IFAD studies contributing to IFS learning

Linking Matching grants with loans (2014): Experiences and lessons learned from Ghana, looking at the approaches, lessons and impacts on beneficiaries, and the role of banks.

Appropriate Warehousing and Collateral Management Systems in Sub-Saharan Africa (2014): Four types of alternative finance instruments or collateral such as inventory credit, public or private warehouses, to facilitate the access to warehouse receipt finance in favour of smallholder farmers based on nine sub-Saharan countries.

Country-level policy engagements (2016), exploring on lessons from 23 policy engagements in the financial sector; the study provides examples how policy engagement in certain countries (Djibouti and Uganda) or contexts can look like.

Sending money home. Contributing to the SDGs, one family at a time (2017): Data and analysis of remittances and migration trends with a view on the SDGs, e.g. because 40 per cent of all remittances flows go to rural areas

The African Postal Financial Services Initiative (3-2018) presents lessons from 11 African countries of a regional programme supporting remittance systems of postal financial services.

Remote sensing for index insurance. Findings and lessons learned for smallholder agriculture (2018): Bottlenecks in providing index insurance to this target group, results from test cases, and information on the feasibility of remote sensing technologies.

Source: ESR.

C. Learning partnerships

78. Learning partnerships with global or regional key actors have helped to support the testing and developing of innovative approaches and to digest learning. Most of these partnerships have a long record of accomplishment, and all have generated crucial knowledge. IFAD has joined key partnerships on CGAP, the CABFIN and its Rural Finance and Investment Learning Centre (RFILC), the MIX Market, FundaK, the Canadian Cooperative Association, the regional networks African Rural and Agricultural Credit Association (AFRACA,) and APRACA, or the Participatory Microfinance Group for Africa (PAMIGA). More recently, the Microinsurance Centre at Milliman, the Eastern Africa Farmers 'Federation (EAFF) and the SAFIN Network were added.[64] The list of implementation partners is long and includesdevelopment agencies such as the United Nations Capital Development Fund, the International Labour Organization, GIZ/BMZ[65] and the Swiss Economic Cooperation and Development, global foundations and microfinance practitioners that participate in a regional network, for example PAMIGA.

79. An important strategic partner was the CABFIN. The partnership generated to following results as of 2016: [66]

- three regional studies about smallholder finance, for which 32 innovative finance and investment ventures were analysed;

gaps or address emerging knowledge needs. For example, in relation to the micro insurance grants, three country operations in Georgia, Kenya and China were included from the outset.
[64] https://www.safinetwork.org/who-we-are.
[65] Federal Ministry for Economic Cooperation and Development (BMZ) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
[66] IFAD Grant Result Sheet CABFIN (2017)

- re-design of the web-platform of the RFILC, which led to an 86 per cent increase in average monthly user visits, and indication of the greater value perceived by users;
- seven new or improved training courses were developed on key topics, and delivered in 25 regional and global training programmes, including the renown Boulder Institute of Microfinance's annual three-week Rural and Agricultural Finance Program (RAFP); and
- lessons from implementation refer to the fragmented nature of agricultural finance specialists, the high demand for technical inputs and need for documenting good practices.

80. With the availability of CABFIN and the RFILC[67] and its resources, and many other international publications, concepts and technical knowledge in agricultural financing seem not to be the bottleneck. What is missing, however, is the analysis of lessons and the comparison of theory and practice. An exercise to extract lessons from implementation in IFAD would greatly enhance this knowledge.

D. IFS Grants

81. Global grants. Global grants were effectively used to foster knowledge partnerships. The grant recipients were often think-tanks or lead agencies within a regional context (e.g. AFRACA[68] or APRACA[69]) or thematic area (e.g. the Participatory Microfinance Group for Africa, PAMIGA[70] or the Consortium for Entrepreneurship and Employment for Youth Access to Financial Services). Overall, the choice of partners is highly valid, picking on internationally renowned agencies that are at the forefront of the thematic debate in their specific field. Several partnerships were running over several phases, such as CGAP, Fundación Capital (FundaK), the Canadian Cooperative Association or CABFIN. The financial inclusion data platform MIX Market received three consecutive grants from 2007 – 2015 to introduce performance monitoring on rural financial services. Cooperation with the MIX was ended after three phases and numerous training courses for FSPs and other practitioners on performance reporting, despite the priority which the topic of transparency of FSP operations is having. Notably, the partnerships and grant projects have provided the key inputs for many of the IFS knowledge products in the past.

82. The choice of topics has emerged over time, and is broad and highly relevant, responding to global trends and knowledge gaps that were identified during implementation over and over again, such as "what works in rural finance", "reaching out to the poorest or priority target groups" or "how can digital finance be implemented in the rural context". The following main themes are in the centre of the knowledge partnerships (for details on grants, see Annex VII).

- Building sustainable rural finance institutions with outreach to the rural poor (PAMIGA)
- Increase the transparency IFAD's FSP partners, measuring the performance of MFIs (MIX-Market)
- Agricultural finance innovations and inclusive investments for agriculture (CABFIN/RFILC)
- Scaling-up innovative financial inclusion and graduation approaches in Africa outreach (FundaK)
- Awareness of financial service's needs, research and dissemination of lessons CGAP 3 (2014-2016)
- Financial inclusion for vulnerable groups and digital finance (CGAP 4)

[67] http://www.ruralfinanceandinvestment.org/.
[68] African Rural &Credit Association http://afraca.org/
[69] Asia-Pacific Rural and Agricultural Credit Association http://www.apraca.org/
[70] http://www.pamiga.org/pamiga.php?lg=fr&rub=2&srub=8, PAMIGA is an MFI Network active in 10 African Countries.

- Product innovation, outreach and digital financial services, linking MFIs and remittance providers; creating second-tier organizations (Canadian Cooperative Association)
- Inclusive insurance (Micro insurance Centre at Milliman)
- Eastern Africa Farmers 'Federation (EAFF)[71]

83. Box 5 summarizes major results, outputs and lessons of the outreach grants of FundaK.

Box 5
The Outreach project (FundaK) implemented in three African countries reports that most people benefiting were women

The project leveraged additional funding in some of the three countries, and new such opportunities are being prepared.

An innovative "minimum viable product app" was developed based on which FundaK developed a table-based basic skills training course for beneficiaries.

Ten blogs were published and an interactive website, meetings with CPMs held, two international workshops organised, and at the end, FundaK held a presentation at IFAD headquarters in a knowledge event organised by former PTA, with the aim to spread awareness of graduation approaches, and integrate more of these components in future rural programmes.

An important lesson from implementation was to involve government staff in co-creating effective approaches, and encourage them to actively participate in aspects of project implementation.

Source: IFAD Grant Results Sheet FundaK (2018).

84. Regional grants. Regional grants promoted cross-country learning and capacity building, based on synthesised learning from a region. They also facilitated innovative products across a number of countries, facing similar challenges, for example by motivating providers, product pilots, country diagnostics, or capacity building measures. For example, one regional grant[72] promoted a VSLA model to specifically target youth in several countries. In Egypt (2016 CSPE) that grant supported a commercial bank to contribute to market diagnostics for an ongoing project at the time (ADP), and the dialogue to encourage commercial banks to enter microfinance sector, and engage in a market review diagnostic. The grant enabled youth to access savings and loan services through VSLAs. In addition, dialogue motivated two of nine commercial banks to enter the microfinance sector.

85. A major shortcoming of regional grants is the often very limited link with the country portfolio. The Zambia country programme evaluation reports the example of two regional grants[73] where the assistance provided to the Zambian rural finance sector came in the form of technical assistance and training via workshops and visits to other countries in the region, including Kenya, Malawi and Uganda. Although they did not directly benefit the lending portfolio, they were still perceived as being relevant to the advancement of knowledge in the field. A similar experience was reported from Georgia (2017 CSPE), where relevant exchange and innovations in the financial sector were supported by IFAD grants, but they were never scaled up through the lending portfolio.

86. Country-specific knowledge grants[74] addressed the challenge of weak performance by government and other in-country partners by strengthening

[71] Eastern Africa Farmers'Federation (EAFF) as the lead recipient with legal capacity: Latin American Youth Center (LAYC) as the financial administrator & manager, Columbia Business School (CBS), Susterra Inc., Believe Green (BG), Arizona State University (ASU), Ashoka, Enactus, International Labor Organization (ILO), Jain Irrigation Systems, National Implementing Partners (NIPs).
[72] Engaging Commercial Banks in Rural Finance in Algeria, Egypt, Jordan and Morocco 2005-2007.
[73] African Rural and Agricultural Credit Association (AFRACA) Development Programme (US$1,100,000) and to support the second phase of the Rural Finance Knowledge Management (US$1,300,000).
[74] Out of 13 CSPEs reviewed whose grants portfolio included identifiable rural finance grants, only 3 had grants that complemented the loan portfolio (Moldova, Zambia and Bangladesh). 4 CSPEs had rural finance grants that clearly did

institutional, implementation and policy capacities, particularly in fragile contexts. They also allow for innovating in thematic areas, or for using approaches that can subsequently be scaled up through IFAD's country programme, as reported from Moldova.[75] In Kenya, the Kenya Women's Finance Trust, a long standing grant recipient of IFAD, provides credit through groups to rural women forming small-scale businesses. They have played an important role in supporting women beneficiaries' access rural financial services for on- and off farm income generation activities (Kenya CSPE 2018).

E. Learning from IOE evaluations

87. IOE has conducted three evaluations with a thematic focus on rural finance since 2001, which, in principle, have contributed to IFAD's learning since 2001.

88. Thematic Evaluation China on rural finance (2001). The study was an important milestone, recommending that IFAD should end credit lines managed by project management offices (PMOs) and move towards a systemic institution-building approach. The idea was to stop working through PMOs, which had delivered credit in four projects, and explore a more effective approach by establishing a reform programme for the Rural Credit Cooperatives (RCCs). The study concluded that sustainability would be enhanced if project credit was to be channelled through the existing rural financial infrastructure, i.e. shifting credit delivery, recovery and associated risk to RCCs. This would imply strengthening their capacity to sustainably operate on their own.[76]

89. Thematic evaluation of Rural Financial Services in Central and Eastern Europe and the Newly Independent States (2005). The study looked at IFAD's approach to rural financial services in the region, assessing the main features of the implementation experience of four projects, analysing the achievements in reaching the rural poor through rural finance, while also identifying cross-cutting issues and looking for replicable upscaling models; so as to identify options for improvement with respect to ongoing operations and future strategies of rural finance in the region; and extract lessons learnt for project design and implementation. The most important insights were:

(i) as an organisation without direct country presence and with loans to governments as its principal instrument, IFAD would enhance complementarity and impact by partnering with other donors on the ground;
(ii) the study showed that the quality of rural finance recommendations at appraisal stage in general require improvements, and specifically, the assessment of financial institutions as partnering institutions for IFAD in particular;
(iii) in a rapidly changing rural and macroeconomic environment, the appraisal of financing components should be shifted to the implementation phase. Budgets would need to be amended in tune with this approach; and
(iv) for newly established institutions, considerable grant funding and international technical assistance will be required to ensure a proper start and longer-term sustainability.

90. The 2007 CLE on Rural Finance Policy took stock of interventions financed since 1996 and identified the following issues as the reasons for the weak performance of rural finance in IFAD[77]:

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not complement the loan portfolio (India 2010, Indonesia, Kenya and Egypt). The remaining 6 CSPEs did not analyse the rural finance grants, or not to the level of detail that would allow for a judgement to be made.

[75] The Moldova CPE reported capacity building for business service providers and participating financial institutions (on site monitoring and follow-up services) for newly created enterprises. The particular grants are not named.

[76] The study also considered design considerations for the new approach emerging from the study, some of which were particular to China, such as IFAD loan use procedures and funds needed to be passed through local governments, and the case for changed Ministry of Finance regulations for the transfer of funds, or getting RCCs interested.

[77] In 2009, approximately 20 % of IFAD's investment were focused on rural finance.

(i) design process of rural finance components is long and comes late in the process;
(ii) implementation managed by units and partner institutions without the adequate technical expertise;
(iii) insufficient resource allocations, in particular from the administrative budget, to ensure an adequate amount of technical in-house expertise in rural finance;
(iv) reporting lines allow that political interests rather than technical considerations are decisive, which threatens sustainability;
(v) lack of sector analysis, rather supply-led directed credit with over-defined targeting; and
(vi) more sophisticated design in recent projects comes with technical challenges during implementation.

F. IFAD in-house capacities as critical factor

91. In the follow up of the CLE on rural finance (2007) and the CGAP SMART Aid reviews (2009, 2013) [78] IFAD has gone a long way strengthening the institutional capacities to ensure a consistent implementation of its Rural Finance Policy (2009). The section focuses on the human resources, institutional processes and data systems that had been put into place to enable learning and capacity building on IFS within IFAD. The section argues that within a decentralised structure it will become even more important that IFAD provides the human resources and data systems working across HQ, regional and country levels.

Human resources

92. The CGAP's SMART Aid reviews (2009, 2013) [79] highlighted the rather limited human resources dedicated to IFS at HQ level as a major challenge for enhancing the quality of the IFS portfolio in IFAD.

93. Technical support team. Within IFAD, the specialised Rural Finance Team FAME/former Policy and Technical Advisory Division (PTA) has played a major role facilitating the implementation of the RF Policy in the past decade. It has been managing global and contributing to regional grants, engagement in international fora, and generally, advancing learning, knowledge generation and dissemination. As such, the former PTA Team has been engaged in the preparation of knowledge products and organisation of trainings and learning events in Rome or elsewhere. The Team, as the custodians of the RF Policy, also had a responsibility for quality enhancement in design and implementation of IFS operations. Finally, the Team was also engaged in international expert fora, partnerships and networks such as the Capacity Building in Rural Finance (CABFIN) Partnership[80], the Microfinance Network, the Smallholder and Agri-SME[81] Finance and Investment Network (SAFIN), CGAP, the Financing Facility for Remittance, and PARM. Developing and managing global and regional grants and extracting lessons has been a major task for the former PTA Team.[82] Overall, this highly qualified and well-networked Team has been a decisive factor in increasing IFAD's global visibility and reputation in the

[78] IFAD participated in the SMART AID reviews in 2009 and 2013. The review is an external assessment of microfinance funders conducted with the view on improving institutional effectiveness. Its indicators assess five areas agreed by all funders as critical for effective microfinance: strategic clarity, staff capacity, accountability for results, knowledge management, and appropriate instruments.
[79] IFAD participated in the SMART AID reviews in 2009 and 2013. The review is an external assessment of microfinance funders conducted with the view on improving institutional effectiveness. Its indicators assess five areas agreed by all funders as critical for effective microfinance: strategic clarity, staff capacity, accountability for results, knowledge management, and appropriate instruments.
[80] The "Improving Capacity Building in Rural Finance" (CABFIN) project is a knowledge collaboration with FAO, GIZ/BMZ, UNCDF, WFP and the World Bank. It runs the Rural Finance Investment and Learning Centre (RFILC) knowledge platform managed by the FAO and funded the CABFIN partners to disseminate resource documents and capacity development material from around the world. The RFILC is a jointly supported Web Platform managed by the FAO to disseminating knowledge.
[81] Small and medium enterprises (SME).
[82] Annex VII contains a list of 8 large grants under FAME management.

field of IFS. It has been acting as catalyser of knowledge and learning, moving the organisation forward and linking it to global and regional peers.

94. IFAD has invested in capacity building, organising a total of 23 rural finance thematic workshops, events and training courses since 2008. Through partnerships with CGAP and MIX IFAD has been able to train staff, particularly in performance monitoring, and capacity building of non-specialists. IFAD's partnership with the MIX had a specific objective to "Support IFAD and its partners to improve their capacity in performance monitoring". By the time the last MIX grant "Improving Monitoring and Effectiveness in Rural Finance" (2011 – 2014) had been completed the e-learning course had attracted participations from HQ and from the field, the majority coming from Africa. The review of the MIX grant (2014) concluded that although uptake of the three e-learning courses was good it would require a more systematic approach to generate the capacity for producing and managing robust performance information in projects and partners.

95. The first wave of IFAD's decentralisation in 2018 left a gap in expertise in Rome. IFAD has dismantled the core Rural Finance Team at HQ level. While it is reasonable to place technical support capacity in regional hubs where they are closer to IFAD's operations, this move has left a vacuum in IFAD Rome, given the central role that the Rural Finance Team had been playing in the past in ensuring the consistency of IFAD's approach to IFS, networking with global IFS players, introducing state-of-the art practices and leveraging knowledge and support into the different regions. If the system that has been established over the past years is expected to continue functioning this would require a well-staffed knowledge unit in Rome for IFS that has the capacity to provide advisory services to projects. Otherwise there is a risk that performance may further diverge between regions and countries, as described in the following parts.

96. Programme management. At the operational level, the CPMs had a pivotal role to play when it came to translating RF Policy principles into practices on a ground. With IFS constituting such an important part of the IFAD portfolio the CPMs were expected to understand the basic IFS principles as well as the range of innovative instruments and services promoted by IFAD. But overall investments into human resources were limited though and CPMs and project staff were not systematically introduced to IFS knowhow. Also the CPMs usually have limited time to participate in the events and trainings or familiarise themselves with the host of knowledge products available. Considering the strong influence governments have on project designs, staff would require better guidance on what IFAD should or should not support in terms of approaches, instruments and practices.

97. In practice the CPMs mostly relied on external consultants for project design and implementation support. A shortcoming of this approach was that it did not support the consistent implementation of the Rural Finance Policy and guidance across projects, regions and IFAD. As noted by several respondents to the survey, the consultants often did not refer to the policy and guidance, but relied on their broader experience and knowledge instead. Also consultants often worked in isolation within their area of specialisation (regional or technical) and rarely had opportunity to share knowledge across IFAD.[83] Several respondents also referred to the "overuse of the same consultants", often within the same projects, as an important reason for the lack of innovation and the same mistakes being repeated again and again. IFAD would need to adopt a much more systematic approach to strengthen consultants' understanding of IFAD's approach to IFS, for example by integrating them into knowledge networks at regional and national levels. At the same time IFAD could benefit more systematically from the knowledge and experience available from consultants.

[83] The majority of the survey respondents (64 per cent) indicated that they frequently or regularly work for IFAD, but only 12 per cent said that they work for IFAD both at project and HQ levels.

98. It is therefore not surprising that IFAD's performance on IFS programme design and management remained uneven. The review of the IFS projects[84] shows that IOE ratings of IFAD's performance as partner differed significantly between regions.[85] Furthermore IFAD performed better in countries where it had larger portfolios and a fully-dedicated CPM covering one country only (e.g. China, India, Peru, Sudan, Bangladesh). For 10 IFS projects IFAD performance was unsatisfactory; those were often part of small country portfolios managed by a CPM covering several countries (e.g. Zambia, Haiti, Belize, Albania). Seven out of these 10 countries had less than 30 percent of IFS funding. On the other hand, for projects that had a clear focus on IFS it was more likely that IFAD fielded the IFS expertise required for project design and supervision. A similar observation can be drawn with regard to the diversity of financial instruments used: the range of IFS instruments and services seems to be larger in APR, but more limited in the other regions (figures 8 and 9 in Annex V).

99. Where IFAD performed poorly as a partner the evaluations usually referred to the quality of supervision (in particular earlier projects supervised by UNOPS), the quality of M&E, and failure to address shortcomings in design in a timely manner. The poor quality of the technical design was specifically commented on, for example, in the project evaluations of Eswatini,[86] Lesotho (#46) and Mozambique.[87] Pre-design studies were not conducted or not used, risks were not assessed and global lessons not considered. Frequent turnover of CPMs was a recurrent issue. For Georgia, another small country portfolio, the IE comments on the lack of active consultation with donors during the design and at the early stages of implementation meant that the envisaged co-financing or the project did not materialize.

Box 6
PROFIT – a case for massive technical assistance

The PROFIT in Kenya was classified as a "Problem Programme" at the time of the MTR (2014 MTR) PROFIT. The design was highly ambitious and included a number of innovative instruments, such as a risk-sharing facility, a credit facility, an innovation facility, a business support service facility and a financial graduation facility. PROFIT was managed by a programme coordination unit at the Ministry of Finance, which was expected to procure a number of technical support providers. The MTR concluded that the design under-estimated the challenges linked to a PCU fully embedded in the systems and procedures of GOK, including the layers of decision making required for the implementation of planned activities, the lengthy communication processes, the management of procurement processes including the recruitment of staff and hiring of service providers. Only after massive technical inputs by HQ IFS experts and international consultants during and after the MTR, which amongst others led to the cancellation of the innovation facility, the project started to deliver.

Sources: Kenya CSPE (2018), PROFIT MTR (2014)

Institutional processes and data systems

100. The institutional processes for programme designing and monitoring are currently being revised. Recognising the need for IFS expertise to be present at HQ level as well as regional and country levels this seems of utmost importance. In addition a number of data bases are being put into place which may not only help to ensure a coherent approach to IFS, but can also be harnessed for learning purposes.

101. Quality assurance. In the follow up to the Independent Evaluation of IFAD (2004) IFAD has established a system for quality assurance, which included the Quality Enhancement (QE) function to provide upfront guidance during project design and

[84] These are those classified as Type a, B C (p. 7), all with more than 20 percent of IFS funding.
[85] Among all IFS projects where IFAD performance was rated fully satisfactory (5) or better (27), APR had the largest share (37%), while there was only 1 project with satisfactory performance for IFAD in ESA (4%).This is out of the total number of 79 IFS projects rated in PPAs/PPEs and PCRVs database (ARRI database 2018).
[86] PPE 2019: Rural Finance and Enterprise Development Programme.
[87] PCRV 2015: Rural Finance Support Programme (PAFIR)

the Quality Association (QA) function to add an independent, external quality review process in the final stages of project design. For IFS projects the QE function had been performed by the Rural Finance Team, who provided specific technical comments on new project designs. With the restricting of the technical divisions in IFAD in 2018 the QE function ceased to exist. The QA function is now performed by a unit of the Corporate Services Support Group (CSSG) that reports to the Vice-President.

102. The QAG has now created an online database (QASAR), which documents the key issues flagged by the QA. A review of the information available on the QASAR database shows that the comments are very varied in terms of quantity and quality.[88] The comments for example fail to question the rationale for designing a revolving fund, despite the well-known criticisms of this instrument, or the interest rate debate at wholesale and retail level, or the assessment of the capacity of the target group or the FSPs. The main constraint seems to be the availability of rural finance expertise to provide QA comments. For greater consistency, the system would require a standard for QASAR commenting regarding compliance with the Rural Finance Policy and its principles and guidance to be used consistently by the different reviewers

103. In principle the database is an appropriate supervision and feedback tool. It could be used more effectively for checking compliance with the RFP, tracing quality issues and improving design. It has the potential to become an effective steering instrument if used in a standardised but also accessible way, by providing clearer guidance on the required conceptual and technical inputs and a regular rural finance technical screening of the content. The lessons from QA could then be used for feedback into operations and for institutional learning. The participation of a rural finance expert is critical however, to avoid the rather light observations and recommendations made in a number of cases.

104. Portfolio review. The Smart Aid (2013) report highlighted the insufficient tracking of IFS projects in the portfolio. While IFAD conducts an annual corporate portfolio review, this does not have a specific focus on rural finance. Yet learning from the IFS would help to understand diverse challenges and exceptional opportunities that IFAD had been facing in the field, to inform future operations, improve alignment with the new strategic framework and develop strategic reorientations. In 2018 IFAD launched the Thematic Dashboards, which include the Rural Finance Dashboard, presenting live financial data from IFAD operations and some basic analytical tools. This excellent tool needs to be matched by performance data on IFS operations, which should be reported and reviewed on a regular base. While project-level data are available in the ORMS additional analysis will be required to identify the specific performance trends and challenges for IFS projects as well as key lessons from design and implementation.

105. PRISMA. Follow-up on IOE recommendations is traced in the President's Report on the Implementation, Status of Evaluation Recommendations and Management Actions (PRISMA). The 2018 PRISMA reported on six CSPEs and project evaluations that contained relevant IFS recommendations.[89] This includes two project evaluations that required IFAD to broaden their approach to rural finance, to include a diversified range of products and approaches, which were followed up in a satisfactory manner: in both cases the CPMs have followed up through studies to explore innovative services and approaches (Philippines, Egypt). However in

[88] Sometimes the comments are clear and consistent, for example in Armenia (2014), Bangladesh (2014), Egypt (2011) or Mozambique (2017). However, often only marginal details regarding rural finance are tracked, for example #08 Ghana (2011) observes that "*only about 25% of enterprises to be created and supported by the project are likely to secure loans from the financial sector, even though the financial analysis of model enterprises assumes all of them will be able to secure such loans*".

[89] Bangladesh CPE, India CPE, Philippines PPE (#41) , Egypt PPE (#42), Malawi PPE (#43) and Mozambique IE,

another two cases follow-up was inadequate.[90] In the remaining two cases the recommendations themselves were rather general.[91] These examples show that the PRISMA has the potential to ensure consistent follow up on areas of low performance, in line with the Rural Finance Policy. However this requires a certain level of IFS knowledge and expertise for the recommendations to be specific enough and for the responses to be adequate.

106. A review of the PRISMA database, maintained by OPR, conveys a broader picture of the quality of both the recommendations and the follow up.[92] The recent version of the PRISMA database (2017) that had been available for review by this ESR traces the follow-up on 87 IFS related recommendations (out of 11 recommendations) from evaluations conducted since 2006. The majority of the recommendations (57) were more of a general nature while 30 recommendations were quite specific with regard to the approaches, services, products and FSPs they suggested. Only in 20 cases the CPMs provided a specific and well informed response with regard to IFS; the other responses were either rather broad (50)[93] or did not even address the recommendation (17).

107. Even more striking is the fact that the core principles of the Rural Finance Policy are not consistently applied. With regard to the policy principle "to support access to a variety of financial services", only 10 recommendations called for a diversification of the IFS portfolio and the services provided; 13 recommendations suggested a focus on microfinance only instead of suggesting a wider range of services and products.

108. Explaining the policy disconnect. This section points to the need for IFAD to ensure that sufficient technical capacity for support of IFS operations is available at HQ, regional and country levels, to ensure a consistent implementation of the Rural Finance Policy. It is beyond the scope of this synthesis to evaluate the implementation of the Rural Finance Policy. However, the important capacity issues flagged above are important to understand the disconnect between the important guidance principles promoted by Rural Finance Policy and the implementation of IFS operations on the ground, that will be further explored in the following chapter.

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[90] The sub-recommendations from the India CPE (2015) that the "rural finance sub-sector needs more attention given the so far limited responsiveness in financing village groups" was not responded to; the recommendation (no. 2) from the Bangladesh CPE (2014) that "access to credit should remain a priority for the IFAD portfolio in Bangladesh" further specified in sub-recommendation that "new project designs should include specialised credit products and services" was responded to in a rather generic manner, including reference to a project "organising micro-enterprises in clusters and around value chains using micro-credit".

[91] The recommendations from the Malawi PPE and the Mozambique IE only suggested continuation of traditional IFS approaches (micro-credit, women's credit groups) and thus did not trigger a specific response.

[92] For example, the 2015 CPE for Moldova contains a clear and excellent recommendation to "Diversify from the approach of channeling the bulk of (IFAD) loans to lines of credit… IFAD needs to strategize more effectively concerning its role; develop exit strategies in some areas and expand its coverage in others…IFAD and the Government need to consider ways to encourage the banks to increase the use of their own resources …".

[93] For example, for Belize (#01) there is a recommendation that "*reflows from the Rural Credit Fund need to be quarantined for continued support to the two participating credit unions*". The response (PRISMA Database 2017) does not explain what happens to the reflows of the credit line. Apparently, there is no transparency on the final ownership of the fund. For Egypt (country programme evaluation, CPE 2006) some rather broad observations are noted, such as "*project performance should be reviewed and results disseminated*", or "*to identify innovative financial instruments relevant to the needs of the unserved*" while the response should have focused on the need for exploring commercial lending and policy dialogue, technically going much deeper.

Key points

- The 2009 RFP is designed as a principle-based and comprehensive paper. It provides a range of options for tailoring solutions to the specific country and regional contexts.
- The 2009 RFP also recommends the assessment of the demand-side, i.e. the realities the population in these areas is facing, as well as the FSP landscape and the gaps between both. The IFAD target group identified in the RFP is too narrow, focusing on the poor and low-income; for example it does not mention the wider range of VC actors.
- Promoting financial service provision with a financial sector perspective was a modern and well-researched approach at the time of developing the revised RFP, and still is until today.
- Recent developments and concepts in rural finance are reflected in IFAD's corporate strategies and various papers and guidance.
- A number of thematic studies have been prepared, mainly reflecting international practices. They provide deep technical and state-of the art insights. The technical quality is high, but may be too demanding for non-technical staff.
- The variety of knowledge products, guidance and toolkit follows different formats, without an obvious reason on why a certain format was chosen.
- Overall, there is a strong focus on printed knowledge products and the knowledge once presented is rather static. Follow-on work on a topic is rare, in most cases non-existent.
- Learning partnerships with global or regional key actors have helped to support the testing and developing of innovative approaches and to digest learning. Partnerships such as the Rural Finance and Investment Learning Centre (RFILC), supported by IFAD, FAO, GIZ/BMZ, UNCDF, WFP and the World Bank,, and their resources were instrumental for introducing global lessons and thereby strengthening the conceptual and technical knowledge in IFAD.
- Within IFAD, the Rural Finance Team (in the former Policy and Technical Advisory Division) has played a major role facilitating the implementation of the rural finance policy in the past decade. This highly qualified and well-networked team has been a decisive factor in increasing IFAD's global visibility and reputation in the field of IFS.
- During the first wave of IFAD's decentralisation in 2018, IFAD has dismantled the core Rural Finance Team at HQ level. This move has left a vacuum in IFAD Rome in terms of ensuring the consistency of IFAD's approach to IFS, networking with global IFS players, introducing state-of-the art practices and leveraging knowledge and support into the different regions.
- A number of data bases are being put into place which may not only help to ensure a coherent approach to IFS, but can also be harnessed for learning purposes. They would however still require an appropriate level of IFS capacity to be available in house to ensure that high standards of quality, as stipulated by the Rural Finance Policy, are ensured and important lessons are tracked across regions.
- The review of the existing data bases (QASAR, PRISMA) has shown that comments are often not substantial and insufficiently aligned with the Rural Finance Policy principles. Furthermore, IFAD still does not conduct a regular review of its IFS portfolio, as suggested by Smart Aid report (2013).

IV. Findings on IFS implementation

109. The following section reviews the achievements, issues and challenges that IFS operations have met at implementation level, using evidence from IOE evaluations. The section argues that although IFAD IFS policy principles are generally valid, meeting the ambitions of the policy has been challenging in practice. The review shows that achievements were mixed; while proven and relatively straightforward IFS approaches have yielded good results reaching out to IFAD target groups, implementation of innovative and more complex approaches has clearly met its limitations.

110. The analysis of the IFS sample starts with a review according to IFAD rural finance policy principles before moving to a review along selected IOE evaluation criteria. The rural finance policy principles are reviewed separately because, although some operations covered by this synthesis report were designed before the introduction of the rural finance policy in 2009, the project examples can yield important lessons for policy implementation. After this the review follows standard IOE evaluation criteria: relevance, effectiveness, impact and sustainability. Outreach, usually treated as part of effectiveness in IOE evaluations, will be discussed separately because it is an important criterion to judge inclusiveness. The IOE criterion of efficiency is not covered because data was too scarce to permit a comparative assessment.

A. IFAD rural finance policy principles in practice

111. The six principles of the 2009 RFP are internationally recognised as good practice, and generally valid for financial sector interventions. They were applied in many of the projects reviewed by this synthesis report even before the introduction of the revised policy. The following section tackles some of the issues in relation to the RFP principles that have emerged from the review of sample operations.

Rural finance policy principle 1: Support access to a variety of financial services, including savings, credit, remittances and insurance, recognizing that rural poor people require a wide range of financial services

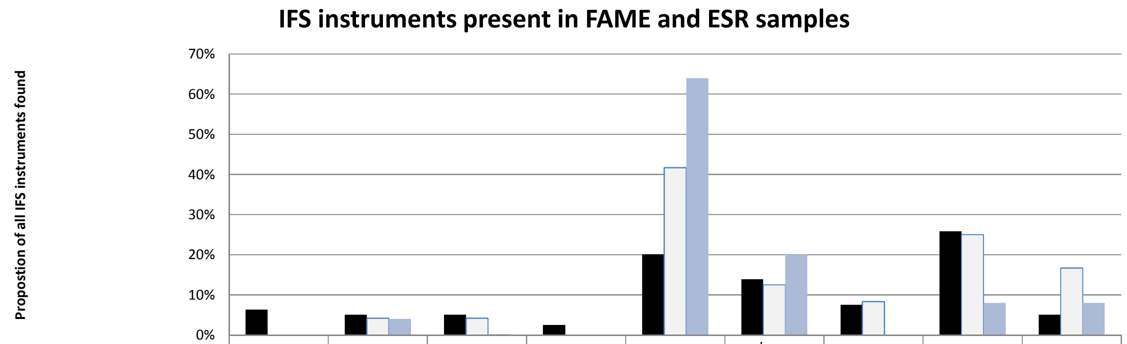
112. The mix of financial instruments in the portfolio shows that the traditional support instruments are still widespread. This is particularly valid for the older generation projects reviewed by this synthesis report. Loan Guarantee Funds, Lines of Credit and matching grants are overly represented in the mix. The choice of these instruments was not necessarily based on a sound analysis of the market demand, the potential to integrate in non-financial support, and the local environment. Other factors appear to be driving the decision such as demand from government, assumptions on what the beneficiaries may lack, pressure to reach out to a large number of beneficiaries within a short time, and limited knowledge of feasible alternatives. Among the financial instruments, these three seem to offer the “low having fruits”.

113. Generally speaking interventions in the financial sector should primarily rely on existing local funds and establish specific lines of credit in very specific circumstances only. Lines of credit may still be required in those instances where local credit markets are constrained in terms of funding, but in most countries this is no longer the case as it was a decade ago. In some contexts it might be more efficient, and effective, to provide a smaller number of larger loans in a carefully targeted manner, for example in value-chain arrangements, instead of reaching out to a large number of small borrowers. However the secondary (spill over) effects would need to be carefully monitored.

114. The mapping of recent operations conducted by the former PTA team indicates a gradual widening of the range of financial instruments and services used since the introduction of the revised RFP (2009). As of March 2018, the 159 IFS interventions approved since 2009 show a shift towards newer approaches and a

focus on innovative financial services such as digital finance (10) and insurance (8). However, most of the 159 projects (i.e. 60 per cent) still focussed on credit lines (32), LGF (22) and matching grants (41).

Figure 2
Financial instruments used before and after 2009 RFP*



	Digital Finance	Graduation	Insurance	Islamic finance	Line of credit	Loan Guarantee Funds	Market review	Matching grants	Remittances
■ FAME Mapping (159 projects)	6.3%	5.0%	5.0%	2.5%	20.1%	13.8%	7.5%	25.8%	5.0%
□ ESR CSPE sample (24 CSPE)	0.0%	4.2%	4.2%	0.0%	41.7%	12.5%	8.3%	25.0%	16.7%
■ ESR PPE sample (25 PPEs)	0.0%	4.0%	0.2%	0.0%	64.0%	20.0%	0.0%	8.0%	8.0%

** Note: In the FAME sample Technical Assistance was listed as IFS instrument, taking up the remaining share.*
Source: IOE evaluation samples; FAME IFS Mapping Database.

115. Figure 2 above compares the total of 159 operations approved after the 2009 revised Policy and mapped by former PTA and the sample reviewed by this synthesis report (25 project evaluations and 24 CSPEs).[94] It is notable that the use of credit lines has been significantly reduced (from 42 per cent in the PPE sample to 20 per cent in the PTA sample). On the other hand the use of other instruments did not significantly change between the "older" sample of projects reviewed by the synthesis report and the recent operations covered by the PTA sample. Insurance was mentioned in a number of CSPEs, but was not represented in the PPE and PTA samples. Islamic finance and digital finance were absent from the review sample. There has been little use of digital technology in IFAD's portfolio to date.

116. Despite the clear indication of the RFP, projects were generally found to be leaning towards traditional financial services, mainly savings and borrowing at the micro level. Thinking of rural finance as predominantly credit seems generally widespread.[95] New types of services that were promoted by IFAD through the revised rural finance policy, such as leasing, insurance, warehouse receipts, value chain financing, were hardly used; when included in design, they were often found less feasible during implementation.[96] Within the IOE project sample leasing was only used in one project (#47 Georgia) as was insurance (#4 Argentina). The recent CPEs however report more instances of new financial products being used, specifically insurance in India (2016 CPE), Mozambique (2016 CSPE) and Peru (2017).

Rural finance policy principle 2: Promote a wide range of financial institutions, models and delivery channels, tailoring each intervention to the given location and target group.

117. IFAD's business model is driven by government demand for loans, as they generate returns and allow reinvesting the funds while maintaining the capital if well managed. In the earlier projects as documented in CSPEs, government has

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[94] It should be noted though that the three samples cover projects at different stages. The PPE sample refers to completed projects only, the majority designed before the 2009 RF Policy. The CSPE sample covers completed and ongoing loan projects at different stages of implementation as well as grants. The FAME sample covers only projects designed after 2009.
[95] This is also notable in the knowledge documents other non-RF thematic areas in IFAD are publishing.
[96] Financial products found in project review sample: Credit: 24 projects; savings: 14 projects; grants: 8 projects.

been the main channel.[97] Meanwhile the range of financial channels used for rural finance has broadened and includes apexes.[98] The transition to new types of financial services if often hindered by governments' unwillingness to invest significant shares of project funds (based on loans) in technical assistance, market studies or capacity building. Furthermore, service providers for special products such as leasing and insurance able and willing to serve IFAD target group, are difficult to find in-country, and may be even more difficult to find in rural areas.

118. A major challenge for rural finance-projects was to identify FSPs that are interested in collaboration, located in or close to their project regions and willing to serve the target group identified for the intervention. IFAD projects were often engaged in remote rural areas where no (formal) FSPs, or only small and weak ones, such as SACCOs were present. Notably, FSPs with a rural outreach, such as the Rural Banks in the Philippines or in Ghana, were often weaker and smaller institutions than their urban peers.

119. Recently, linking village savings and loans groups or other microfinance or microcredit groups with formal banks has become a commonly applied approach. Having good service providers in place, and linking them to a long-term structure were identified as good practices.[99]

Rural finance policy principle 3: Support demand-driven and innovative approaches with the potential to expand the frontiers of rural finance.

120. Demand driven approaches. The RFP clearly calls for the assessment of demand for financial services under the section "guidance for micro-level interventions". In practice, it was often the project concept and government's interest that ultimately steered the "demand". Demand studies were rarely conducted at design stage. In particular projects with multi-sectoral approaches targeting of certain groups and regions followed the rationale for non-financial interventions while financial services were used as supporting instrument to achieve the project objectives.

121. Innovative approaches, as presented in the following paras, were introduced in the context of IFAD-supported programmes, some have been highly successful (e.g. Ghana, India), others did not materialise as planned (e.g. Moldova, Mozambique).[100] An innovative approach was for example graduation, an approach to target the very poor specifically.[101]

122. The Ghana CPE (2010) reports innovations such as the traditional Susu savings system,[102] group lending for Medium small and micro enterprises and money transfer services, including international money transfer services. #18 India has successfully introduced new, improved financial products. The component of policy advocacy and action research promoted a forum to discuss key issues in microfinance, to examine innovations, and to compare Indian achievements to state-of-the-art practices elsewhere.

[97] For example in India (2010 CPE), Mozambique (2016 CPE), Nepal (2012 CPE), Vietnam (2010 CPE) and Yemen (2010 CPE).
[98] E.g. in Bangladesh (2014) CPE and India (2015 CPE), and in #45 Cameroon, #04 Argentina, #18 India, #08 Dominican Republic and #01 Belize.
[99] Peru (2017 CSPE), Ghana (2012 CSPE), Niger (2009 CPE), Yemen (2012 CPE), Mozambique (2010 CPE), Mozambique (2016 CSPE), Argentina (2009 CPE), Vietnam (2012 CPE) and Yemen (2012 CPE).
[100]. Sometimes, what was reported as "innovation" did not seem to be a great success or breakthrough. For example, in #25 Uruguay, the project evaluation reports that it established 36 small "rotating funds" and generated 14,000 small loans. It remains unclear if the model based on "local credit committees" and the "local credit analyst" are really a good thing. The model is based on social control, which is lauded as an innovation. However, the model is using "cold" money" from IFAD and is a very costly system, with costs of 40 cent for a dollar lent. Other weaknesses of the approach include lack of sustainability perspective, provision of very rudimentary credit services, the lack of deposit services, and credit recovery.
[101] Graduation was found in IFAD programmes in #04 Argentina and also reported for Ecuador (2014 CPE) and Nepal (2014 CPE). Also see Kenya case study below.
[102] This involves collectors charging a small fee to visit individual businesses every day to collect savings over a whole month, was adopted by was adopted by more than 15 per cent of the rural banks.

123. Unsuccessful innovations introduced in Moldova (2014 CPE) include a deposit insurance scheme to promote savings mobilization in the SCAs; this was never implemented, mainly because insufficient project fund funding and problems of using the Consolidated Programme Implementation Unit and the participating financial institutions as brokers to create forward and backward linkages within the value chain. In Mozambique (2017 CPE) there were several examples of innovations that were introduced at design but never implemented, for example equity support for MFIs, warehouse receipts and inventory credit.

124. Many of these innovations might have benefited from pilot testing or a more detailed foresight analysis prior to being scaled up, which was not done sufficiently. In terms of expanding the frontiers, trying to introduce innovations country-wide without involving other donors bears the risk of IFAD's limited resources being scattered geographically too thinly.

125. Furthermore, what has been missing is the critical review of innovations (successful and failed) for lessons learning. In terms of matching grants, Ghana experience was reviewed, as an exception, leading to a Technical Note (2014), recommending among others that a balance is needed between grant funds and loan funds as part of the financing package available to project clients to avoid distortion.

Rural finance policy principle 4: In collaboration with private-sector partners, encourage market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources.

126. In the last decade under RFP 2009, many projects have shifted to market-based approaches. At the beginning, and still designed under RFP 2000, some "old-fashioned" approaches were found such as credit provided through project schemes, or subsidized loans provided through government schemes. The shift from these unsustainable approaches towards privately driven approaches with sustainability in mind can be observed in many projects, documents and expert fora and is generally accepted as a principle and state-of-the art within IFAD and its partners.

127. Low interest rates often signal to borrowers that "only" government i.e. "cold" money is at stake, repayment rates, and hence, the sustainability of the fund will suffer. In Yemen (CPE 2012), the cooperating agency for early projects, the Cooperative and Agriculture Credit Bank (CACB) offered subsidized interest rates for borrowers between 9 and 11 per cent. It was evident that such low rates could not meet the costs of delivery. Furthermore, CACB was also losing money because of the low repayment rates of its loans. The total nominal amount of funds lost by CACB in three IFAD projects was US$ 1.87 million or close to 47 per cent of the funds, which were provided as loans to Government. In #8 Ghana the Government set up a new institution under the Office of the President in 2006: the MASLOC[103] to channel subsidised credit at 10 per cent while commercial rates were on average 24 per cent.

128. "Market-based approaches" however were difficult to implement in some sub-markets, often due to distortions such as targeted cheap loans or grant funding from government. IFAD project areas are characterised by low population densities, increasing the costs for financial service provision for a formal FSP. Furthermore market-based approaches, which apply charging cost-covering interest rates for agricultural investments as a key element, are much more difficult to convey to policymakers and to realise in practice. In some instances, interest rates of 10 per cent per annum can be perceived as high by PMUs, government, project partners from the technical side and clients; even when the

[103] Management of Microfinance and Small Loans Centre (MASLOC).

cost-covering interest rate would need to be 20 per cent or higher (depending also on the amount of loan) despite effective administration by the FSP.[104]

129. Market-based approaches above all require a proper understanding of the market. In #47 Georgia, IFAD introduced agricultural leasing, which has met limited interest among financial institutions at that time. There were formidable sources of competing interventions, such as rental subsidies on farm equipment through government centres and through programmes of donor agencies that also provided subsidies for the purchase or lease of machinery. A business case analysis at project design would have brought these issues to the fore.

Rural finance policy principle 5: Develop and support long-term strategies focusing on sustainability and poverty outreach, given that rural finance institutions need to be competitive and cost-effective to reach scale and responsibly serve their clients.

130. Sustainability. Many projects have embedded this principle, especially from the younger generation. Strengthening the longer-term viability and sustainability of financial service provision has been an explicit aim of the majority of projects. Successful projects are, for example, the Rural Banks in Ghana, or the Rural Credit Unions in China. In #8 Ghana the ARB Apex Bank was working closely with many unprofitable rural banks and was exploring various strategies to catalyse the upward movement towards profitability. One such strategy was the promotion of mergers of smaller banks operating within the same geographical zones, which appears reasonable from outside, but which was met by fierce resistance of the local bank owners.

131. Strategies that support the sustainability of FSPs include apex organisations that promote mergers of smaller FSPs operating within the same geographical zones, supporting MFIs to keep their operational and transaction costs low so they are able to carry out self-sustaining operations; ensuring that financial institutions have the internal capacity to design and roll out new products/invest while building their capacities; having an exit strategy in place for technical support to MFIs after the project.

132. The weak sustainability of FSPs was noted in a number of cases, for example #01 Belize, #45 Cameroon and #46 Lesotho. Focusing on very small loan sizes, or a certain industry or sector (tea farmers, cocoa production) or target group (women, youth, smallholders) can create a host of challenges for an FSP. For example, if the credit portfolio is too concentrated in that sector this can pose a portfolio risk if prices go down. As per the IFAD Decision Tools (2009), portfolio diversification is key for the sustainability of a FSP, but may be difficult to achieve in practice. A narrow definition of the target group (e.g. small farmers with up to 2 hectares land) may exclude potential clients who do not fulfil those criteria and hence may not be eligible to access for example matching grants or certain bank loans. Prioritising the sustainability of the FSP over focus on poor and excluded groups remains a difficult choice for a project. Narrow definition of the target group[105] can therefore compromise the goal of financial sustainability for an FSP.

133. However achieving sustainable rural finance institutions requires interventions at all levels of the sector (macro, meso and micro) and considerable investments in technical support. This can be too ambitious especially for mixed projects with IFS components only. For those reasons some IFS interventions were not able to achieve full sustainability of FSPs or apexes, because of limited investments, scope of interventions or project duration – or because of priority given to reaching very poor or hard-to-reach clients.

[104] For example due to high refinancing cost, inflation and administration cost in remote areas
[105] See IFAD CLE 2007.

134. Poverty outreach. Targeting a larger number of very poor people over a longer period of time may not permit smaller FSPs to become financially self-sustaining. Subsidised entities, such as state banks, on the other hand may be able to absorb some of the costs for serving hard-to-reach segments of the population, as shown below (see Chapter IV D). Other types of FSPs have in principle the potential to both address the poorer segments and operate sustainably, but they often focus on other clients, such as urban consumers, the better-off among the poor, the productive poor, the middle-income segment or formal MSMEs. This is the case for larger cooperative banks or formalised MFIs.

135. Wholesale funds are often used to support inclusive financial sector institutions within a broader poverty reduction approach. In fact, providing wholesale funds to inclusive financial institutions serving the rural poor has often been an effective approach. However use of this type of funds would raise also raise issues of sustainability. They usually cannot provide the equity capital that most inclusive financial institutions would require for longer-term sustainability and growth; instead they would provide long-term debt capital at low interest rates. Also decision making processes are often slow or cumbersome, and they might have too many or too few restrictions to encourage the kind of financial discipline that contributes to sustainable financial institutions.[106]

136. In practice it is often difficult to get the right balance between a focus on the very poorest and hard-to-reach people while keeping the sustainability of the financial services in mind. Therefore for regions where low population density and weak infrastructure make a sustainable financial service provision even more challenging, these factors need to be clearly addressed from the outset. A simple approach to IFS, such as community-based financial services, may make more sense in this situation because it is more likely to be sustained after the project exit.

Box 7
Sustainable financial services for the poorest? Considerations for the World Bank

IEG, in their recent evaluation of IFS at the World Bank, discussed a broader range of options for how to “make outreach to low-income and rural population commercial viable”. IEG calls for more "effective credit allocation" instead of a “democratization of credit”. (p. 17). This is also in response to concerns over high levels of indebtedness in some thriving microfinance markets, such as Tamil Nadu. Digital finance is seen as a promising approach to reducing cost of delivery and overcoming delivery barriers or distances and offices. This may also involve going back to considering interest rate subsidies “when they are transparent, targeted and capped, explicitly budged, fiscally sustainable, equitably distributed and economically justified” (p. 20). Lastly, the WBG-IEG also recognises that facilitating access to savings products on a broad scale seems more desirable to ensure that the poor will benefit from financial sector interventions.

Source: World Bank IEG, 2015.

Rural finance policy principle 6: Participate in policy dialogues that promote an enabling environment for rural finance, recognizing the role of governments in promoting a conducive environment for pro-poor rural finance.

137. An “enabling environment” for rural finance generally comprises the three dimensions: policy, regulation and supervision. In terms of policy, “IFAD Principles of policy engagement for IFAD-supported rural finance projects"[107] provide an excellent framework. This guidance calls for engagement aligned with government strategies and to “design projects with a long-term approach to building financial systems to avoid any kind of market distortion through subsidized lines of credit, generous matching grants to fix externalities, confusion of short-term with

[106] Findings drawn from the Evaluation Synthesis Report on Smallholder Access To Market (2016).
[107] IFAD Scaling-up Note 2015.

medium-term financing issues, additional risks for FSPs through injections of "cold" money (refinancing sources such as external loans or grants)...".

138. The support to policy interventions is challenging. For example, "pro-poor rural finance" may be a policy goal of the government, however, the ideas of an agricultural ministry about the way to achieve this may not be aligned with sound financial sector development criteria. Conflicting strategies pertaining to agricultural development or rural development and financial sector development are a common challenge. In other cases, where there is agreement in principle, the practical conditions are not fulfilled. For example, expertise in the PMUs may be insufficient and external expertise too costly, policy goals can be conflicting and so on. Even when there is wider agreement among policy makers on state-of-the art approaches to financial inclusions, such as graduation or digital finance, the rural realities with weak internet or mobile connections may be a hindering factor.

139. As a consequence there are only very few cases where IFAD has been able to make a contribution to pro-poor rural finance policy development. #8 Ghana was credited for stimulating the debates of a national Micro Finance Forum, which led to the preparation of a Microfinance Policy in 2006. The India 2010 CPE found policy contribution has been particularly important in promoting self-help groups and micro-finance as vehicles for reducing rural poverty. The National Micro Finance Support Programme supported by IFAD has provided a platform for engagement with the Reserve Bank of India when it started lending to commercial banks for on-lending to MFIs. Another positive case is Mozambique (CSPE 2010) where IFAD supported the establishment of a Rural Finance Unit within the National Directorate for the Promotion of Rural Development in the Ministry of State Administration. The unit played a key role in the drafting and approval of the 2011 National Rural Finance Strategy and later in the preparation of the 2016-2022 National Strategy for Financial Inclusion.

140. The list of countries where evaluations highlighted the missed opportunities for IFAD to engage with rural finance policy issues is far longer. #42 Egypt noted that IFAD had not participated in the national policy dialogue on rural finance in Egypt and had not addressed the policy obstacles to sustainable rural finance, as intended. In #13 Moldova the programme did not have a defined approach to leveraging programme experiences in policy analysis and dialogue. Very limited use was made of the Rural Business Development Programme experience in financial sector analysis and policy dialogue and reform, which prevented the dissemination of IFAD‘s experience in supporting longer-term loans and stabilizing the rural financial system.

141. The Yemen CPE (2010) commented that in relation to credit delivery and institutional reform, IFAD's association with CACB has done little to influence the policies of CACB or place it in a position to leverage government policy regarding micro-finance in Yemen. The project modality did not provide IFAD with an effective mechanism for influencing policy change in this sector.[108]

142. Engagements in regulation and supervision for the financial sector had been less successful. In the two cases (#19 China, #46 Lesotho) were IFAD had planned to become involved, the respective components had to be cancelled. Despite the challenges, there has been some success in the reform of the postal bank, as shown by the case study below.

[108] Furthermore, IFAD's canvassing to restructure CACB was found at odds with its own agenda of using CACB as its main implementing partner in the sector. IFAD expected that restructuring would somehow lead to CACB being more responsible to providing services in rural areas whereas CACB's plans for restructuring are driven mainly by the need to make its operations more commercially viable.

Box 8
Lesotho Case Study: Rural Financial Intermediation

In its Poverty Reduction Strategy, the Government of Lesotho also identified improved access to financial services as one of the priorities for poverty alleviation. The Central Bank of Lesotho (CBL) the need to develop the policy, legal and regulatory framework for microfinance and rural financial institutions in order to supervise and regulate non-banking institutions which are carrying out banking functions. The legislation gap was highlighted in the field of cooperatives, where reporting was not compulsory, low performance and defaulters were common issues among these FIs.

The programme objective and main design thrusts were broadly relevant and covered the key areas in supporting rural finance and microfinance in Lesotho. However, the programme was overambitious as it did not sufficiently consider the complexities of establishing an appropriate policy, regulatory and supervisory framework in the programme context. Low capacity of governmental implementing agencies and the absence of the financial sector foundations in Lesotho, lack of sufficient MBFI activity for development, strongly rural-led approach and lack of functioning national inclusive finance association were the reasons for the programme's underperformance.

However, against major delays and obstacles, the project has succeeded in building two solid institutional pillars of inclusive financial intermediation with rural outreach: private sector MBFIs under the guidance of NGOs and a government-owned postal bank, Lesotho Post Bank. The Lesotho Post Bank, at inception a loss-making postal savings bank, transformed into a self-reliant and sustainable financial intermediary with expanding rural savings and credit outreach. In 2014, only ten years after its operational take-off in 2005 and seven years after the start of RUFIP, Lesotho Post Bank attained profitability. In 2014 and during the two years after completion, 2015-2016, Lesotho Post Bank substantially increased its savings and credit outreach to rural and urban areas.

Source: ESR case study based on #46 Lesotho.

143. In Ethiopia (2015 CPE), although the COSOP (2008) committed to address gaps within the policy and regulatory framework, engagement with policy makers only happened in the context of IFAD supervisions and, although issues were often highlighted as needing resolution, this did not result in any conclusive action by the Government to resolve in particular the critical issue of a missing framework for sustainable longer-term financing of MFIs, such as the establishment of an apex institution.

144. An important lesson is that where IFAD can capitalize strong partners, projects are more likely to create institutional, sectoral and policy impacts. Successful partnerships in rural finance include for example those with the Irish Union League (Belize and Ethiopia), the World Council of Credit Unions (Kenya), international NGOs (Lesotho), World Bank (Ethiopia, Georgia and Ghana) and DFID[109] (India).

B. Relevance of IFS interventions

Alignment with national policies

145. Within the sample reviewed the majority of projects (13) responded to overall opportunities and challenges within the national policy frameworks, but did not necessarily refer to specific financial sector policies. For seven projects, evaluations only state positive alignment with government national development policies but do not discuss in which way alignment was given with national sector policies and strategic frameworks. For example, in #08 Ghana and the national strategies, rural financial institutions were seen as primary vehicles for financial services to the rural poor in order to start or expand on and/or off farm enterprise activities.

146. Insufficient alignment with existing framework conditions was noted in several of the earlier CPEs. For example, the Vietnam CPE (2010) commented that the projects do not take account of on-the-ground realities in terms of demand, institutional capacity and the prevailing regulatory framework, particularly with

[109] UK Department for International Development.

regard to group lending and the legal status of Savings and Credit Groups (SCGs). For Argentina the CPE (2009) noted that the Government of Argentina did not buy into IFAD's approach to link-up family farmers to commercial banking.[110]

147. Financial inclusion strategies. National financial inclusion strategies have emerged relatively recently as a platform to align initiatives within the financial sector. (see box below). Within the review sample, reference to financial inclusion strategies has been made by the more recent CPEs only. For example, the 2017 CSPE for Mozambique referred to the Strategy for Financial Inclusion (2016-2022), which provides policy and regulatory measures as well as priority actions across all levels and sub-sectors for building a financially inclusive society in Mozambique. The 2014 CPE for Tanzania referred to the National Financial Inclusion Framework of Tanzania (2014-2016), which amongst others recognises the potential of mobile technology for delivering financial services in the remotest parts of the country.

Box 9
National Financial Inclusion Strategies

A national financial inclusion strategy (NFIS) is a comprehensive public document that presents a strategy developed at national level to systematically increase the level of financial inclusion. Typically, a NFIS will include an analysis of the current status of, and constraints on, financial inclusion in a country, a measurable financial inclusion goal, how a country proposes to reach this goal and by when, and how it would measure the progress and achievements of the NFIS. The Maya Declaration of 2011 contributed significantly to this heightened interest in national strategies. Of the 57 institutions that had made commitments under the Maya Declaration by the end of September 2015, 35 have committed to formulating and implementing an NFIS and of these 35 countries, 16 have already formulated one.

In 2012, The World Bank launched its Financial Inclusion Support Framework to provide assistance to countries to formulate and implement national strategies systematically. A recent review of the current state of Practice on NFIS (AFI 2015) concludes that better knowledge of national financial inclusion strategies has contributed to the adoption of good practices across countries.

A NFIS also comes with an implementation structure such as a Coordination Committee and Secretariat. Stakeholder-based development and implementation of a NFIS is an important indicator for government and policy support for financial inclusion. According to the 2018 Global Microscope the strategies in Colombia and Peru stand out because they are backed by commissions with members from a number of government entities, as well as specific inclusion goals. Peru's strategy includes a goal to provide financial services coverage in all districts by 2021. India has yet to issue a financial inclusion strategy, although the country is following a coordinated, three-level approach and publication of a strategy is expected during 2018–2019.

Source: National financial inclusion strategies: Current state of practice. 2015 (Alliance for financial inclusion).

Enabling policy and institutional framework

148. Microfinance sector enabling frameworks. The legal and institutional frameworks regulating the growth of microfinance had been dating back for some time and were therefore referred to in evaluations, for example #01 Belize, #18 India and #22 Georgia. The introduction of microfinance regulation usually aimed at fostering organised growth in the sector and setting clear rules for MFIs. For example in #01 Belize the Government removed the ceiling for interest rates, and placed credit unions under the supervision of the Belize Central Bank. The new policy required supervision of credit unions by the Belize Central Bank, bringing greater financial discipline and transparency in the affairs of the credit unions. The legal and institutional framework for microfinance has been a critical contextual factor for many IFAD supported operations. In Egypt (2016 CSPE) Presidential

[110] For this reason the CPE found that although the creation of rural financial institution has been a key objective of IFAD since in 1984 and all IFAD projects in Argentina have had an important component of financial services, this has been the least-effective component in all IFAD interventions in the country and has therefore not left any impact Institutional in the rural financial sector.

Decree no. 141 established microfinance as a non-banking financial instrument in 2014 and it required operations to adapt to the new regulations. Microfinance could only be implemented by companies licensed under the law, as well as by non-governmental societies and organizations whose purposes (in accordance with their articles of association) include providing finance. Regulations set a limit on the amount that can be lent for economic, service-oriented, or commercial purposes, and sets responsibilities, requirements and limits for companies or NGOs engaged in microfinance.[111]

149. Changing framework conditions had a fundamental impact on project performance in a number of cases. In Latin America, it was the severe economic recession (1998–1999) that had negatively affected the performance of the rural finance institutions. In Argentina (CPE, #04) hyperinflation together with low interest rates had nourished a culture of low loan repayments. Declining interest rates in financial markets also undermined the competitiveness of wholesale lending in the #41 Philippines.

150. In other cases changes in the political framework had affected project performance. For example in #47 Georgia project performance was negatively impacted by shifting political priorities as well as frequent changes in the implementation arrangements that created uncertainty and delays and required amendments to the financing agreement. In Egypt (CSPE) the new legal requirements for Community Development Associations (CDAs) have significantly delayed the micro lending component.

151. In #46 Lesotho the opposite has been the case. Uptake of legislative reforms was slower than expected and the limited financial linkages between micro- and meso-level institutions continued to hamper project performance.

152. Flexibility to respond to changing framework conditions was therefore critical, for example, in #18 India IFAD has carefully avoided a rigid approach to micro-finance and supported both the self-help group/commercial bank linkage and the micro-finance institution model. In #19 China, IFAD showed flexibility in adjusting its assistance and financial allocation to cope with the changing environment given the nationwide reform process of the rural finance system that contributed to the positive assessment.[112]

Box 10
Change of framework conditions – brought about by the microfinance crisis in India

While the microfinance sector was growing, there was limited focus on client protection and effective implementation of MFIs" codes of conduct, and regulatory and supervisory systems were not fully developed. This led to „overheating", particularly in the state of Andhra Pradesh, and MFIs were alleged to have been involved in multiple lending, charging high rates of interest and to have engaged in unethical loan recovery practices. Around the same time, one of the largest for-profit MFI, Microfinance Limited (later renamed Bharat Financial Inclusion Ltd., India), mobilized funds from the market through the first of its kind initial public offering which was considered highly successful

The crisis resulted in the drying up of loan funds for MFIs from the Formal financial institutions, including the Small Industries Development Bank of India (SIDBI). This led to a nearly 16 per cent reduction in client outreach and a 3 per cent reduction in loan outstanding; without the crisis there should have been a 15 per cent to 20 per cent increase going by the trends from previous years.

Only in 2009, towards the end of the project, was there a realization in SIDBI to follow a „client-centric" approach as there were clear indications of neglect of client protection by the MFIs. The lack of client protection in the sector during those years was among the

[111] Microfinance falls under the jurisdiction of the Egyptian Financial Supervisory Authority (EFSA) created in 2009.
[112] At MTR, the Fund addressed the lack of appropriate institutional arrangements to implement a policy reform project by reallocating resources to more practical components such as line of credit and guided the development of innovative and pro-poor financial products.

reasons leading to the microfinance crisis in 2010 (see Annex III). In fact, back in 2005, the first microfinance crisis occurred when 52 MFI branches in one district of Andhra Pradesh were closed down by the district administration citing allegations of certain unfair practices by MFIs, such as multiple lending and following coercive loan recovery practices. Though all the sector players, including the SIDBI Foundation for Micro Credit, were involved in managing the crisis, the real problems were not addressed.

Source: PPE #18 India.

Demand orientation

153. Demand for financial services and absorptive capacity of beneficiaries. The lack of a realistic assessment of beneficiaries' capacity and demand for financial services has often been named as a factor limiting project effectiveness. For example in #42 Egypt the duration of the loans did not match with poor people's capabilities. In #13 Moldova people were reluctant to deposit long-term savings with the bank from where they borrowed. In #04 Argentina the project did not address the issues of savings although commercial banks' savings accounts were too expensive, for the poorest. In Ethiopia (CSPE) the on-lending credit market was underestimated, and capacity of partner institutions (Development Bank of Ethiopia) to deliver credit was inadequate. A good practice was found in #01 Belize where the project carried out a study after hurricane Iris struck the project area in 2001. The study confirmed that there was still credit demand despite the disaster. It also reported that borrowers in the project area preferred individual loans to group loans.

154. In #18 India a shortcoming of the design was the fairly limited approach regarding the needs of the target group in the design phase. Even though the poor were included in the targeting, none of the project components was specifically designed to look at the needs of the poor and how to effectively reach out to them through MFIs. All components were focused on the institutional changes or policy reforms of the microfinance sector.

155. Demand for innovative products and services was generally insufficiently assessed. In #47 Georgia agricultural leasing as a financial sector instrument was relatively little known at the time of design. The legal framework for agricultural leasing in Georgia was found adequate but not perfect, particularly due to the concerns on the value added tax in leasing contracts of both the leasing companies and MFIs (WP1 in Design Report, para.39). The design has over-estimated the demand of the sides of commercial leasing companies and MFIs and out of the three Georgian leasing companies that had indicated their interest during design only one participated in the end; none of the MFIs had joined the project. In Moldova (2013 CPE) the project intended to introduce equity for rural investments and had hoped that Business Service Providers would be able to act as the link between external investment capital and rural entrepreneurs. This proved to be too ambitious at the time; there was no concrete interest for equity participation on either the demand or the supply side.

Box 11
Moldova Case Study Equity Fund

IFAD has played a pivotal role in developing the rural finance sector in Moldova. Lending is channelled through the Credit Line Directorate of the Ministry of Finance which on lends to local partners. Attempts to introduce an Equity Fund were abandoned and funds reallocated to the credit lines. With this approach IFAD provided subsidized financing, which in the long-run creates over-dependencies and market distortions. IFAD's intervention limited only by providing liquidity cannot guarantee sustainability. Technical support provided has been limited to awareness raising. There is a potential for IFAD to become more pro-active in policy engagement and facilitate a long-term strategy for financial sector development.

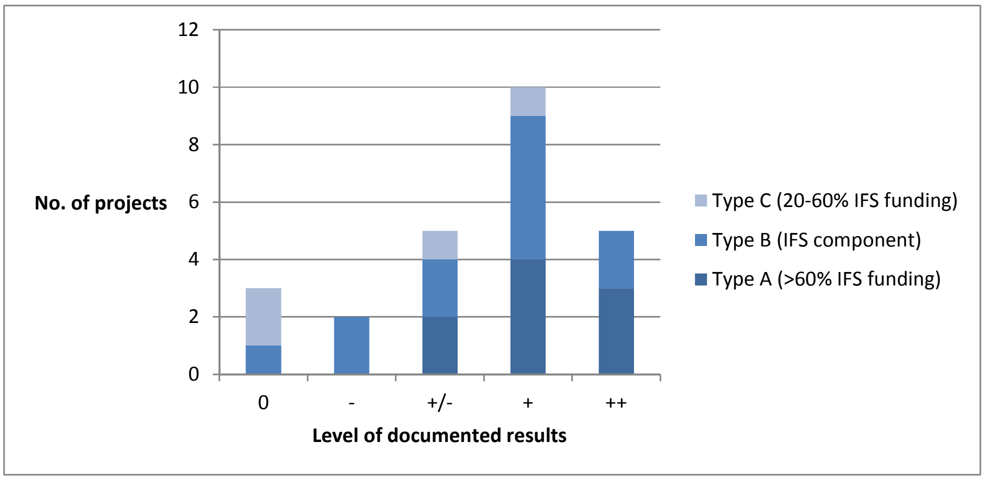
Source: ESR case study Moldova, based on Moldova PPE (2019).

C. Effectiveness of IFS interventions

156. Results in terms of documented rural finance outputs and outcomes were found in five projects.[113] Outcomes included linkages between formal and informal microfinance institutions, enhanced financial portfolio and service provision, improved loan recovery and reduced operational costs for FSPs. Another ten projects had positive outputs recorded, such as new services and products offered, increased membership in member-governed FSPs, new business services offered to enterprises receiving loans and FSP staff trained. (See Annex V figures 4 ff. for a detailed representation of the results.) The overall project achievement correlates positively with the amount of rural finance funding and the financial instruments and FSPs chosen, as discussed in the following.

157. The figure below illustrates the extent to which IFS results were documented in the review sample (25 projects). It shows that positive results occurred for all Type A projects (standalone IFS projects with more than 60 per cent of IFS funding). Results were mixed for Type B projects (with an IFS component).

Figure 3
Level of results* documented for different types of projects

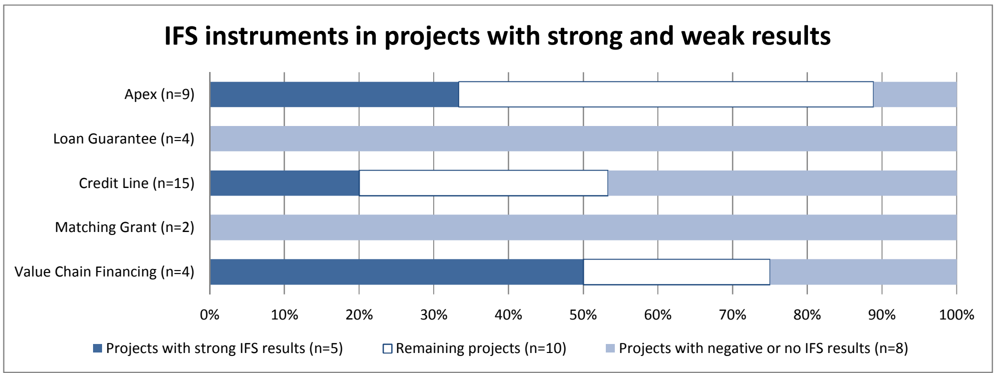


* Legend: 0 = no reported results; + = IFS outputs reported; ++ = IFS outputs and outcomes reported; - = negative IFS results reported; -/+ = mixed IFS results reported.
Source: ESR PPE sample review.

Effectiveness of financial instruments

158. Meso-level funds managed by apex organisations correlate positively with project effectiveness. On the other hand, loan guarantee funds, and matching grants correlated with low project achievements (see Annex VI). The figure below compares the use of financial instruments between projects with strong IFS results (++) and those with negative or no IFS results (- or 0).

Figure 4
Presence of financial instruments in projects with strong or weak results



113 #8 Ghana, #14 Armenia, #18 India, #25 Uruguay, and #41 Philippines

Source: ESR PPE sample analysis.

159. Lines of credit. The most common instrument were lines of credit, found in 15 (out of 23) projects. However, the effectiveness of credit lines was mixed. Results were positive in three projects that have used credit lines, but were poor or negative in the seven projects. 67 per cent of the projects with low effectiveness ratings (2 or 3) had used a line of credit as financial instrument.

160. Lines of credit worked well with clear institutional responsibilities and adequate institutional capacities in place. For example the line of credit was handled effectively by IFAD's main partner Ministry of Finance in China in two projects (#19, #6) and in Moldova (case study). In the less effective projects, managing multiple lines of credit was often time-consuming and led to implementation delays, for example in Argentina (CPE) and #01 Belize.

161. Apex institutions usually provide funding to FSPs. They may also provide technical assistance to strengthen the capacity of the FSPs, in some cases also their client base.[114] Apexes or meso-level funds became an interesting entry point for IFAD support in Egypt and Yemen where the commercial banking sector was still underdeveloped or underrepresented in rural areas. In Yemen (2010 CPE WP), SFD was established in 1997 as one of the measures to cushion the effects of government's reform programs on vulnerable groups, especially the poor. The SFD has supported the establishment of 12 MFIs in both rural and urban areas through the support of various donor agencies.[115]

162. Apex institutions were present in nine (out of 23) projects, for example #14 Armenia, #18 India, and #41 Philippines. The choice of an existing apex institution was an important factor of success, for example in #08 Ghana where working through the apex bodies reduced recruiting time and ensured access of training to large groups, and in #18 India and #40 Bangladesh.

163. Meso-level funds without links to existing institutions came with serious challenges, for example in #01 Belize, #04 Argentina, #09 Dominican Republic and #45 Cameroon. Setting up a new apex fund usually took too long to become effective during the project life, for example in #01 Belize, #45 Cameroon. Importantly, the project must have a clear exit strategy regarding the final use of the funds to be circulated in the sector beyond the project duration.

164. Guarantee funds. Loan Guarantee Funds are set up to eliminate information asymmetries and encourage banks to lend to MSMEs. The usual weakness that Loan Guarantee Funds are trying to overcome is the lack of collateral and credit history. Setting-up a Loan Guarantee Funds– also called credit guarantee scheme - requires a high level of technical know-how.[116] The sustainability of Loan Guarantee Funds is a major challenge as it will depend on a sound system, comprehensive funding and a long-term perspective; this require a cautious approach in the design, for example by starting with simple guarantee systems.[117] Key factors for long-term success are regulation and supervision, governance and management, and risk management.[118] Furthermore, as the Asian Development Bank also points out, a loan guarantee fund in a difficult business environment will have minimal lasting impact without reforms.[119]

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[114] The apex-function "funding", "wholesale-credit" or "refinancing" can be implemented by a Commercial Bank, a State Bank, a private or government or mixed fund; a Central Bank Scheme, the Ministry of Finance or the Ministry of Agriculture.

[115] In Egypt a similar fund was established and became implementing partner in later projects (UERDP, PRIME).

[116] OECD, Facilitating Access to Finance, Discussion Paper on Credit Guarantee Schemes (2010).

[117] FAO, Credit Guarantee Systems for Agriculture and Rural Enterprise Development, Zander, Miller and Mhlanga (2013).

[118] ADB, Credit Guarantees, Challenging their role in improving access to Finance in the Pacific Region (2016).

[119] According to the OECD, as of 2003, there were over 2,250 such schemes in almost 100 countries, OECD, Evaluation Publicly Supported Credit Guarantee Programmes for SMEs (2017). OECD suggests that rigorous evaluations of loan guarantee funds should be undertaken regularly and has developed a respective manual.

165. Loan guarantee funds were found in four (out of 23) projects; only one project has effectively implemented a guarantee fund (#18 India, managed by SIBDI). Notably IFAD had planned guarantee funds in country where it has neither the technical capacity nor the partnerships on the ground to deliver strong technical support (e.g. Lesotho, Dominican Republic, Argentina, Moldova). In Moldova the guarantee fund has yet to be set up (case study). In Kenya (case study) it had required massive technical assistance to initiate such a fund (see box 6).

166. Matching grants. A matching grant is a one-off, non-reimbursable transfer to project beneficiaries. As one-off transfers, matching grants differ from permanent public transfers, such as subsidies for inputs and services (e.g. fertilizer or interest rate subsidies) or safety nets (e.g. cash transfers, food for work).[120] In principle, the matching grant intends to allow poor smallholders and small businesses to slowly become creditworthy without resorting to subsidized interest rates, which distort the market for credit.

167. Although initially confined to investments with clear public good characteristics, their use has increased in IFAD.[121] They finance a broad array of assets and productivity-enhancing technologies for groups, companies and individuals, directly benefiting the private sector with clear private goods characteristics. Despite their appeal as a relatively simple instrument to address access to finance constraints in the short run, they can distort and crowd out private and public investments.[122]

168. Very few project designs took matching grants as one-off solution. Rather than designing or implementing it with sufficient diligence they were often trying to achieve impact at once, without attention to sustainability. The justification for matching grants was patchy at the best, meaning that they were provided to finance parts of the investment. The call to “avoid distortions” may not always be understood by the PMU, or the government counterparts, with all its implication. Therefore, subsidised interest rates or matching grants seem to be adopted by IFS projects due to pressure to disburse and generate sources of funding for investments, as a key input to facilitate the productive parts of the project.

169. Within the review sample, two projects used matching grants (#1 Belize, #33 Albania). For #33 Albania, the PPE concluded that the matching grant and lending sub-components have not been poverty-focussed, and there has been little evidence of replication. The presence of matching grants in the CPEs is much more common.

170. Good practices for matching grants have been reported from Ghana.[123] IFAD-supported interventions have been relying on matching grants, where rural finance components were part of four projects[124] geared toward business and market development. In each, matching grants were to be used to help finance investment costs in addition to an equity contribution by end clients and a bank loan, based on an acceptable business plan. The innovation regarding matching grants in Ghana was the link with rural banks, which funded 50-60 per cent of the investments, while the matching grant was covering 30-40 per cent and 10 per cent came from equity. This has also allowed many relatively poor people to expand their business.[125]

171. Value chain financing (VCF) in different forms was implemented in #4 Argentina, #9 Dominican Republic, #14 Armenia and #20 Mongolia. In addition, some projects provided “value chain development” without explicitly

[120] IFAD and FAO 2012, p. 8.
[121] From 8 per cent in the PPE sample to 26 per cent in the FAME sample (see figure 2 above)
[122] IFAD website.
[123] Not included in PPA review sample.
[124] REP-II, RTIMP, NRGP, and RAFIP.
[125] IFAD stud on matching grants. Hollinger and Marx, 2014.

mentioning VCF, which are #40 Bangladesh and #41 Philippines as they were working on value chains on the one hand, and on IFS or microfinance on the other.

172. These cases documented efforts to explicitly link value chain development and finance, although they are rarely called VCF in the project documents. No evidence was found of a sophisticated and systematic application or development of "value chain financing"; it seemed rather a light touch approach of linking financial and non-financial support. In #4 Argentina VCF for groups generated 528 loans. A problem was that groups were created for the sole purpose of obtaining credit and they later collapsed. Groups were constituted to also have a loan guarantee clause, though this was never used in the project. In the #9 Dominican Republic (CE 2011) the performance of the credit component was rather weak. The termination report (PRODERNEA 2008) reports a delinquency of 18 per cent and a portfolio at risk of 50 per cent. In the Province of Chaco as of June 30, 2008, delinquencies reached 27 per cent and 80 per cent of the capital in the loan portfolio was at risk."

173. In other cases the practice was to have a microfinance or rural finance component or activity stream on the one hand, and on the other side value chain development component. In #40 Bangladesh, one component is microfinance services and another one value chain development. The approach was to link VC actors to the MFIs, and to some extent, sensitive the apex Palli Karma-Sahayak Foundation on value chain development. In #41 Philippines, value chains are being promoted by the non-financial component, and the microfinance component is implementing financing of the VC.

174. The establishment of the Rural Finance Facility in#14 Armenia has been more systematic and also more successful approach. According to the PPE, it increased the appetite among financial institutions to involve in rural banking operations and integrated the rural producers and enterprises into the mainstream of the banking system. The facility also provided a platform for other donors to invest in the rural sector in Armenia.[126] The PPE concluded that the establishment of the rural finance facility (RFF) has clearly improved the access of rural small and medium entrepreneurs to short, medium and longer-term investment loans.[127] A shortcoming was that technical assistance to rural entrepreneurs was not offered as planned and that the project did not sufficiently disseminate the information about available services and results to potential clients.

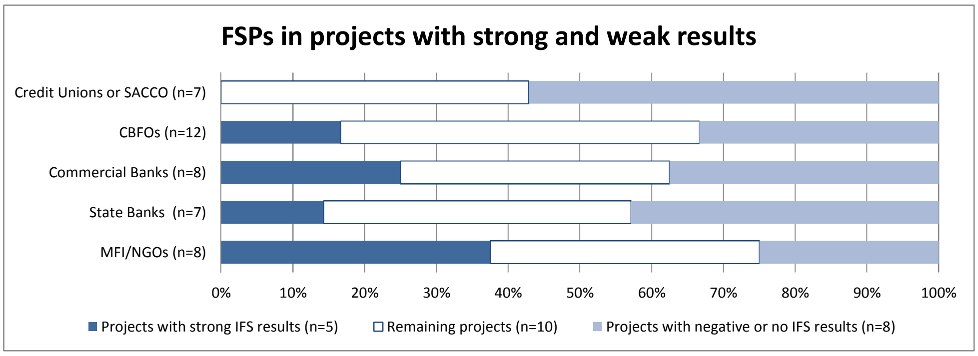
Effectiveness of FSPs

175. The most common FSPs within the project samples are CBFOs (present in 12 projects). Less common as FSPs were credit unions or SACCOs, MFIs or NGOs, commercial banks and state banks. Only one project used a leasing company. Insurance companies were not reported. Project achievements correlate positively with the use of MFIs or NGOs; and it correlates negatively with the use of state banks and credit unions or SACCOs. Figure 5 below compares the presence of FSPs in projects with strong IFS results (++) and projects with negative or no IFS results.

[126] RFF attracted additional funding from the Millennium Challenge Corporation (MCA), the World Bank and the Government of Armenia, tripling the original IFAD loan amount). The banks increased their portfolios in rural activities, while some opened several new branches in the targeted areas.

[127] The loans offered through the RFF scheme were longer in duration (up to 7 years) and larger in size (up to US$150,000).According to the PPE, RFF allowed financial institutions adequate discretion concerning collateral and interest rate decisions in loan provision so as not to distort the basic rules of the commercial lending market.

Figure 5
Presence of FSPs in more effective or less effective projects



Source: ESR PPE sample analysis.

176. State banks. State banks were often default partners for IFAD despite their institutional inefficiencies. State banks were selected as partners mainly because of their outreach to rural areas (i.e. India, Ghana, Egypt, Vietnam). In some cases IFAD was left with no choice, but to partner with the government banks. For example in Yemen (2010 CPE) the CACB has been IFAD's main partner in five of its eight projects with a rural finance component, although it did not have an effective mechanism for disbursing credit cost-effectively to rural areas, and whenever it has disbursed rural credit, it has not been able to recover its outstanding loans. In Egypt (2016 CPE) the Principal Bank for Development and Agriculture Credit was the only option with any proximity to the beneficiaries, but its outreach to smallholders was limited, and its financial and social performance was poor, partly due to political pressure on preferential interest rates and loan waivers, but also due to its sole focus on agricultural loans rather than rural finance in the wider sense.

177. Partnership with state banks encountered problems because of conflicting procedures and interests.[128] Collateral requirements of State Banks were often rigid and in some cases prevented IFAD's target groups from benefitting. For example in Egypt (2016 CSP) collateral requirements of the Principal Bank for Development and Agriculture Credit had been a limiting factor and its refusal to on-lend to CDAs due to banking regulations had limited outreach. The performance of the Principal Bank for Development and Agriculture Credit was characterized by onerous requirements, delays, and poor follow-up on repayment. The Vietnam CPE (2010) reported that the programme has not addressed the problem of the State Bank requiring full collateral cover for its loans, including loans funded through the IFAD-supported programme. In Yemen (2010 CPE) poor households were said to be reluctant to apply for CACB credit due to their inability to meet the collateral requirements, the high transaction costs, lengthy approval procedures and the inherent reluctance to deal with any institution that is perceived to charge “interest rates“. Women had little access to CACB credit due to the low ceiling for collateral free loans and the requirement of land collateral for larger loans. Women could not fulfil this requirement without the approval of their husbands or other male household members. The same applied to sharecroppers who could qualify for a loan only if the landowner was willing to offer his land as collateral.

178. At times IFAD support was used to subsidise poorly performing state banks, for example in Zambia (2013 CPE) where the evaluation found that support was largely for rehabilitation of a government owned non-bank financial institution, whose services were focused on its clientele and not necessarily the rural poor. In Yemen (2010 CPE), IFAD helped to build several of CACB branches where none existed previously, but these were not located near the commercial centres and as such had limited utility.

[128] Issues reported for Ghana (2010 CPE) and #24 Sudan.

179. Commercial banks. Commercial banks participated as retail FSPs in eight projects, but their involvement has been successful in #19 China and #13 Moldova only. In #01 Belize, #08 Ghana and #22 Georgia commercial banks were not interested in the agricultural sector or in serving small rural clients. In #22 Albania and #46 Lesotho the turning of previously state-owned banks into commercial banks (Mountain Areas Finance Fund, Post Bank) was a slow process and not completed within the project's lifetime.

180. Participation of commercial banks, assumed at project design, often did not happen as planned. For example, in Ethiopia (CPE) expectations at design were that there would be commercial bank partners participating as wholesale lender, but on-lending rates for banks were higher than for MFIs, which became a disincentive for them to participate, and there was no guarantee schemes backing up these operations.

181. Commercial banks often had no presence in remote and poor areas and were reluctant to lend to smallholder farmers due to the risks related to lack of infrastructures (access roads, electricity, telecommunications), a dispersed clientele, the vulnerability of the agricultural activities and the length of production cycles. For example in Mozambique (CPE 2016), 70 of the 151 districts in the country had no bank presence. In Egypt (2016 CPE), commercial banks were not able to address the high demand for credit in rural areas because they do not lend to the landless and smallholders. In #04 Argentina commercial banks were the only choice available to engage within the project areas though these were hesitant to lend to the rural poor due to poor repayment histories.[129]

182. In some countries with more sophisticated and larger financial sector stakeholders, such as Armenia, Moldova and Azerbaijan, commercial banks had been successful in providing smallholders access to financial services, as noted by the Evaluation Synthesis Report on Smallholder Access to Markets (2016).

183. NGO-type microfinance institutions - CBFOs, VSLA or credit groups and SACCOs or Credit Unions - that are not part of the formal financial sector were often called in to fill in gaps left by formal FSPs such as banks or regulated MFIs. While overall their performance was mixed, they were strong in reaching out to the poor and to women in many cases (Chapter IV D).

184. CBFOs as small member-based and self-governed type of MFI can be clustered according to their focus and level of formality. Among the most prevalent types are the informal ones: small community-based savings groups and credit groups such as ROSCAs (rotating savings and credit associations), Village savings and loan associations and village banks. A more formal type are the SACCOs or credit unions and the financial services associations, where each member purchases shares and has one vote (for example in Kenya, Sierra Leone and Benin). Generally, these CBFOs live on the funds they mobilise from members as shares and deposits. However, especially for the semi-formal or formal[130] ones, the longer-term strategy may comprise establishing relationships with wholesale lenders or commercial banks, to broaden their range of services and access external funding.

185. CBFOs were widely used to provide financial services (in 12 projects out of 25). Their presence is positively correlated to project effectiveness and poverty impact, but their sustainability is often not assured. CBFOs cover a variety of entities that provide a range of financial products and services to a small target market in a limited geographical zone, such as Village Savings and Loan Groups, SACCOs or RUSACCOS, or credit unions. CBFOs often operate in remote areas that lack access

[129] In #04 Argentina loan requirements were found exclusive because they required groups to be set up(which were difficult to create in the project area)l youth were excluded from taking credit.
[130] CUs or SACCOs can be a formal and large type of FSP (like in Ghana or Bolivia), and even be fully integrated into financial sector or banking laws (Bolivia). In other markets, they are not under the supervision of the central bank or banking supervisor (e.g. RUSACCOs Ethiopia).

to formal financial products and services. Their legal status can be informal without any government regulations, or regulated under the cooperative law. CBFOs are self-governing, they rely partially or wholly on volunteers and, therefore, as a participatory financial approach, they are well-suited to achieving the inclusiveness goal set in IFAD's mission. Apart from the credit unions, which are credit driven, CBFOs are primarily savings-driven, while both are relying on funds from their members. However, the fact that CBFOs' generally have no access to external funding limits their outreach and growth opportunities, while at the same time protecting their internal funds as they are only circulated among members, often limits their prospect for sustainability.

186. The following case from Nepal illustrates the challenges that CBFOs often face in terms of effectiveness and sustainability (see Box 12 below).

Box 12
Village Finance Associations in Nepal

In Nepal, the Leasehold Forestry and Livestock Programme created 36 village finance associations, which have mobilized capital from member contributions of about US$ 310,000. Results, however, remain unsatisfactory in terms of the quality of financial services and institutional performance. The management committees, account committees and loan committees have modest capacity. The accounting and financial records are rudimentary, uneven, difficult to reconcile and do not allow easy assessment of financial performance of the Village finance Association. Members lack understanding of the basic principles of savings and credit operations. The training for member provided was only nominal (2-3 day seminars) and clearly inadequate. Many members were already part of other project-created savings and credit schemes, and their motivation to join the Leasehold forest user group (LFUG) savings and credit scheme seems more related to the benefits they expect from other components of the project (e.g. goat distribution). The efforts to federate LFUGs into Village finance Associations or cooperatives did not produce satisfactory outcomes, mainly because of shortcomings in the capacity of the selected service provider whose contract was terminated following the 2010 supervision mission. A recent LFUG categorization study carried out by FAO found that only 16.7 per cent of LFUGs are financially active and that the average member deposits were only NR[131] 12.6 per month (~US$ 0.15).

Source: Nepal CPE (2012).

187. Eight projects have reported the presence of credit unions or SACCOs or Rural Savings and Credit Cooperatives (RUSACCOs). Credit unions performed well where they had a history and were linked to a support structure. For example in #06 and #19 China, IFAD has used the existing credit cooperatives network. Also in #08 Ghana the cooperation with credit unions has worked well. Both the number of credit unions and service delivery improved as a result.

188. In other cases, the use of cooperatives correlated with poor effectiveness (#01 Belize, #46 Lesotho). In #9 Dominican Republic design assumed that a second-tier institution would be in charge of managing the fund and channelling the resources to local NGOs and SACCOs in the project area that were chosen as FSPs. However, as a consequence of the 2003/2004 financial crisis, commercial banks went through a recapitalization process and limited its operations to wealthier clients. Therefore, MFI-NGOs were selected as the project expected that they were more willing to provide small loans to poor households. A similar case was observed in Georgia (see 2017 CSPE WP).[132]

[131] Nepali Rupee
[132] In Georgia IFAD (in cooperation with World Bank) promoted the rapid expansion of CUs (under ADP); there was little emphasis on savings mobilization or sustainability. Some of the CUs emerged primarily from local money lending operations to take advantage of the legal protection offered by the cooperative law. Out of more than 160 CUs established from scratch, only 32 received a license from the central bank, in many cases in spite of them not fulfilling some of the criteria at the time of licensing. (IOE thematic evaluation 2007). According to the latest information, only two CUs had survived by 2017 (CSPE 2018).

189. However often the growth of these informal or semi-formal MFIs (NGO-MFIs, SACCOs) [133] was limited by the lack of an adequate support structure, for example in India, Ethiopia, Mozambique and Uruguay. Often, they were not effective and sustainable because of capacity and funding constraints and the lack of a supporting apex structure. For example, in Ethiopia (CPE), the rural financial sector (MFIs and RUSACCOs) has evolved rapidly over the last 15 years when it became an explicit focus of Government policy and began receiving support from IFAD and other support agencies. The clients of MFIs increased from less than 500,000 in 2001 to about 4.2 million in 2014 and members of RUSACCOs from near negligible to about 945,000.[134] However, despite this growth, there was no realistic assessment of the RUSACCO system and, without an apex providing support, the capacities at grassroots level have been hugely overestimated. The RUSACCOs in Ethiopia are often very small organisations, and little more organised than savings and loan groups.

Box 13
Savings and Credit Cooperatives Organizations SACCOs in Kenya

The SACCOs have played an important role in Kenya. There are 5,122 registered SACCOs to date, servicing 3.3 million members with a loan and share size of Ksh 100 billion (US$0.982 million) and deposits of Ksh 165 billion (US$1.620 million). About 180 SACCOs have front office services that offer basic banking services. Poor governance, weak management and supervision, and lack of equity have limited their potential for growth. Their share of provision of financial services declined from 13.1 per cent in 2006 to 9 per cent in 2009, likely as a result of increased competition from banks and MFIs, and product offerings not being sufficiently flexible for potential users. In November 2008, Kenya became the first African country to develop a law specifically designed to regulate SACCOs. They are registered, regulated and supervised by the 2008 SACCO societies Act, part of the Cooperative Societies Act by the Ministry of Cooperative Development and Marketing. The regulatory authority is the SACCO Societies Regulatory Authority, which has a mandate to license, regulate and supervise SACCOs as well as develop regulations to be issued under the Act to operationalise it.

Source: ESR Kenya case study, based on CSPE Kenya (2019).

Country capacity as critical factor for project performance

190. Evaluations quoted the limited analysis of the institutional and political context as the most frequent reason for poor performance. This was highlighted as factor for low effectiveness in nine projects[135] and three CPEs[136]. The evaluations noted a favourable enabling environment for rural finance in four countries only: Armenia (#14), China (#19), Uruguay (#25) and India (2011 CPE).The choice of an appropriate IFS strategy including approaches and partners was cited as element for success in seven cases. A successful project strategy included funding modalities, for example in China (#6 and 19#), and the choice of the right partners, for examplein India #18 and in Bangladesh #40. On the other hand, inappropriate strategies, were named as factors undermining effectiveness for seven projects.[137] Insufficient funding was a constraint in three projects ((#24 Sudan, #41 Philippines, #45 Cameroon). The evaluations found the choice of financial products inappropriate in another three cases (#04 Argentina, #41 Philippines, #42 Egypt).

[133] "Semi-formal" means not under a financial sector law or regulation, e.g. when cooperatives are regulated under the cooperative law but not with regard to their financial intermediation activities, and hence, are not benefitting from prudential supervision.
[134] As at September 30, 2014, the sector had estimated 4,064,399 MFI-clients and RUSACCO members, representing 59 per cent growth from a 2012 base of 2,727,889 and 60 per cent of programme development objective. However, the capacity of RUSACCOs and their savings mobilization remained limited. IFAD has been working with the Federal Cooperatives Agency (FCA) but it lacked a realistic approach to achieve the ambitious targets to support an effective federation structure for RUSACCOs.
[135] #09 Dominican Republic; #15 Zambia; #19 China; #32 Pakistan; #33 Albania; #47 Georgia.
[136] Argentina CPE; Bangladesh CPE; Ecuador CPE.
[137] (#01 Belize, #04 Argentina, #09 Dominican Republic, #32 Pakistan, #33 Albania, #45 Cameroon, #47 Georgia.

191. Limited capacity in Government and PMU. Weak capacities of government partners to manage a rural finance project (or component) often caused projects to perform weakly. In some case (#15 Zambia, #23 Georgia), the projects failed to reach agreement on the implementation approach and the rural finance components were never implemented. In other cases (e.g. #Argentina) the government took over the role of the lender, with poor results.[138] In Ethiopia (CPE) the PMU was effective in providing finance to MFIs (under RUFIP-I and II). It had a well-developed system of assessing the business plans and disbursing funds in a timely manner. But its cooperation with financial sector partners[139] was difficult and capacity building had been delayed because of procedural issues. The insufficient cooperation with other national agencies, including those overseeing the SACCOs, has negatively affected the work with RUSACCOs and their Unions in the field, for example because of insufficient field-level staff.

192. Limited FSP capacity was the main reason for poor delivery in 8 cases,[140] In #01 Belize, the lack of qualified FSPs was a challenge. Negotiations with the two CUs identified during appraisal failed; two local CUs were then accredited under relaxed selection criteria.[141] In #22 Georgia, one of the five MFI partners selected for on-lending was not able to fully use the funds allocated. In #14 Armenia, the know-how/technical assistance (RBIS) component did not materialize as intended due to withdrawal of partner co-financing. In #15 Zambia, project design also included overly optimistic assumptions about the capacity of partner organizations. In fact, the project was unable to identify a contractor for implementing the Rural Financial Services Development subcomponent and as a result this subcomponent was not implemented. The CLE 2007 already states that “Project implementation is managed by units and cooperating institutions that do not have the technical expertise to manage the rural finance component with the level of competence required for this sector” and there is no evidence that this situation has changed notably.

193. The limited technical capacities of FSPs would require institution building measures over a longer period of time, to be delivered by a local providers either associations or commercial service providers (e.g. a banking training institute, or consulting firms). The limited available of such meso-level providers is a common constraint. Often, local funding sources and instruments for their capitalisation are also limited. This however is often not a preferred option by government, as these institutions are in private or community ownership and governments are reluctant to provide funds for such purposes. In addition, support instruments such as equity funds are often not available locally, and mobilizing investments from international impact investors is out of reach for the smaller FSPs.

194. Lack of meso-level institutions. A common design assumption was that a state bank would assume a meso-level role and act as the implementing agency to oversee components at the micro level, which later did not happen. Or when a commercial bank was chosen as participating financial institutions that had little experience in financing small agricultural producers arrangements often broke down during implementation. In some cases, new FSPs were built, with mixed results).[142] The performance review highlighted that getting state or commercial banks to assume meso-level functions, or new FSPs to be built from scratch, takes a long time and requires significant investment.

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[138] Regional government’s management of the funds was found poor: 18% default and 50% of loans at risk. Credit funds were not placed in institutions or agencies that would oversee a long-term recovery and delivery model. Only two regional governments decided to create a fund to rotate project credit (as stated in the loan agreement).
[139] National Bank of Ethiopia (NBE), Association of Ethiopian Microfinance Institutions and FCA
[140] #01 Belize, #14 Armenia, #15 Zambia, #22 Georgia, #22 Georgia, #23 Georgia, #31 India, #43 Malawi.
[141] Their performance was not satisfactory as a result. Both CUs managed to approve 1056 loans, however, loan delinquency remained high as the CUs claimed to have lent out too fast and too soon.
[142] #18 India with the NGO-based MFIs worked well; In the case of #25 Uruguay or the MFIs by FARE in CPE Mozambique it did not work well.

195. In Argentina (CPE 2009), agreements with the provincial banks (most privatized in the decade of the '90s) sought to clearly dissociate the roles of the financial institution responsible for providing credit from the institution providing technical support or business development services. A similar development was noted for Egypt (2016 CSPE), where recently two channels had been used, a first one through the SFD to the National Bank of Egypt, a large commercial bank, and a second one through ADP, a parastatal organization with multiple functions, which lends funds to the Commercial International Bank, which then acts as fund manager for on-lending to 12 selected participating financial institutions.

196. Rural FSPs often had no effective apex-structures in place, as has been the case of the RUSACCOs in Ethiopia, or the MFIs in rural Mozambique. Where inputs to apex structures were provided (#41 Philippines), results were very mixed. Where apex organisation were already well established (SIDBI India, Palli Karma-Sahayak Foundation Bangladesh or ARB Apex Bank Ghana) the input and the project has led to good results.

197. Building on institutions and structures, where they existed, was therefore a factor for success. For example, in #40 Bangladesh microfinance services development design and strategy based upon existing networks. In #18 India a key design strength of the project was the choice of SIDBI, an apex development bank, as implementing partner, and through that process enabling the MFIs to obtain linkages with formal FIs. SIDBI has been one of the major actors in microfinance development in India. In recognition of the need for a vibrant pro-poor credit delivery system and of its mandate to serve small-scale industries including the microenterprise sector, SIDBI launched its microcredit programme in 1994 to provide soft loan assistance to accredited NGOs for on-lending to the poor, particularly women. But in #08 Ghana high competition between formal and informal institutions made supporting a collaboration strategy a wrong approach.

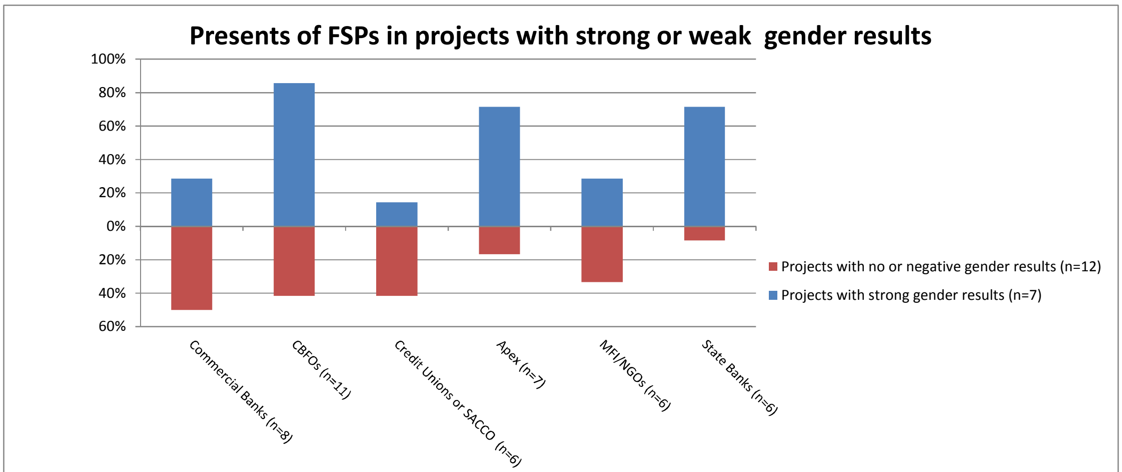
D. Outreach of IFS interventions

Outreach to women

198. Within the sample, seven projects reported positive gender results; 12 projects reported negative or mixed results. Projects with positive gender results relied more on CBFOs for service delivery than those with negative or mixed results (86 per cent as compared to 42 per cent). On the other hand, those with negative or poor gender results involved commercial banks and credit unions or SACCOs to a larger extent.

199. Figure 6 below compares the presence of FSPs in projects with strong gender results with projects that had no or negative gender results.

Figure 6
Presence of FSPs in projects with strong or no/negative gender results



Source: ESR PPE sample analysis.

200. MFIs were successful in reaching out to women in #22 Georgia; about 50 per cent of microfinance lending was extended to women borrowers. MFIs or NGOs were also instrumental in achieving good gender results in #40 Bangladesh and #41 Philippines. In #8 Ghana gender equality was not an initial focus area of the project. Yet, microfinance services of rural banks are now better accessible to both women and men. Rural banks' women clientele is about 42 per cent, while at credit unions 35 per cent.

201. Credit unions often did not target women in particular. An exception is #09 Dominican Republic, were targets on women were overachieved with 59 per cent of the clients being women (target of 50 per cent). In #19 China, women opened savings accounts and used loans, although male members of the families still play a large role in securing loans. In #4 Argentina, the type of services and products offered by credit unions meant that women were less attracted.

202. The ESR on GEWE (2017) found that in most of the projects reviewed large number of women beneficiaries reported did not result from deliberate targeting, but often from self-targeting, e.g. by offering smaller loans sizes. But it also found some good practices, for example promoting savings and credit associations as a first point of entry for financial services for women. The ESR highlighted the importance of targeting FSPs that had a strong female client base.

203. Many of the successful cases of CBFOs were located in South Asia, for example #31 India, #32 Pakistan and #40 Bangladesh. For example #31 India, implemented in Meghalaya and Uttarakhand and States, was immensely successful in its sequencing of activities for the engagement of women: firstly reducing drudgery, then providing empowerment activities through group formation (social and financial), and then building their social capital to engage in livelihood activities. This sequencing should be viewed as a "critical pathway for development".

204. Women clearly benefited from the organizational activities that often accompanied the provision of rural financial services. Some MFIs put in place a social mobilizer in addition to finance specialist, and this was seen to promote the process of empowerment. These activities have often helped women to build their social capital, for example by strengthening their mutual bonds as well as links with local banks.[143] However the potential of women as managers or leaders of FSPs, staff of the various types of FSPs or CBFOs was either not reported or not clearly addressed (e.g. in #06 China, #14 Armenia, #33 Albania).

Outreach to the poorest

205. In many cases IFS projects found it challenging to reach very poor groups because: (i) FSP face high transportation costs if they have to go to remote areas; (ii) there are diseconomies of scale in managing small loans for an FSP; (iii) there is a problem of information asymmetry (the FSP do not know whether the very poor are credit-worthy and tend to be conservative); (iv) Poor and very poor clients are often discouraged by the lending terms (e.g. interest rates, repayment period and other conditions).[144]

206. These constraints can be addressed, for example if FSPs provide products that are suited to the cash flow of very poor borrowers. Some clients may prefer savings over lending, or access to grants or in-kind support for once, or not be willing or able to borrow (e.g. due to the lack of a credit history, lack of collateral). Also very poor borrowers need to be aware about financial services available and helped to negotiate with FSP (see box below). This requires additional efforts which many of

[143] Reported for example by the impact evaluation in Sri Lanka.
[144] The majority of the respondents to the ESR survey quoted the pro-poor focus of IFAD's IFS operations as an area of strength. However, some cautioned that a narrow focus on specific target groups, for example the poor and poorest, women, or remote farmers, may exclude others, such as farmers or enterprises that could serve as models and pull along the poorer parts of the population.

the mixed projects are not able to undertake unless they have a specific objective on financial inclusion.

Box 24
Village counsellors in Georgia

A case of successful targeting of poor people in remote mountain regions was found in Georgia (2018 CSPE), where IFAD provided training and capacity building to MFIs (under RDP). Through the successful lending activities, MFIs increased their portfolios and were able to establish additional branches. One of them, Credo, has established a system of village counsellors. Acting as an MFI agent, counsellors identify potential clients, disseminate information in the community, and carry out the initial paperwork for the loan application without the farmer having to go to a branch. Dealing mostly with a rural population with no banking experience, counsellors provide training in repayment planning, as well as facilitate special trainings in those aspects of farming where financing is provided. It is considered one of the main keys to success in reaching out to rural clients. Credo's village counsellor system allows detailed technical agricultural knowledge and contextual understanding that will help in the long run to identify the most suitable financial services (e.g. loan products with the longer tenure), develop guarantee systems that are as effective as possible, and identify any potential for systemic failure.

Source: Georgia CSPE Working Paper (2018).

207. It is mainly for these reasons that outreach to the very poor has been limited. Positive results for the very poor were shown for two projects (only), both with positive overall achievements while seven projects registered negative or mixed results. #19 China has been successful in targeting the poor through credit lines provided to rural credit cooperatives. #43 Malawi, which was not a successful project, used a group-based approach (savings and loans) to target women and poor people.

208. The evaluations reported that in particular for small financial institutions the operating costs for reaching out to the poor would have been high and therefore interest rates had been too high to be attractive for the poor; for example in #18 India MFIs have generally served relatively poor clientele but the 'very poor' clients have still not been reached, for example with other financial services than loans. In #33 Albania, First Albanian Finance Development Company did not reach poor people directly as its terms of credit and interest rates were prohibitive for them. Interest rates in 2013/14 amounted to 17.5 per cent for loans up to five years and up to 21 per cent for loans of more than seven years duration. The inflation rate in the region was 2 per cent.

209. Graduation is an approach to address the issue of financial exclusion in a targeted manner. In the context of IFAD graduation pilots are implemented alongside more systemic approaches to strengthen financial service provision. Graduation supports income-generating activities and building assets that would enable people to move out of extreme poverty, thereby creating the prerequisites to access financial services in the following. Graduation approaches use the targeting and transfer elements of safety net programmes, but also introduce entrepreneurial activities through training, asset grants and also, credit. Graduation has been successfully implemented in one project within the reviewed sample (#4 Argentina). [145] #04 Argentina is also the only project reporting successful outreach to indigenous people (through the graduation project).

210. The graduation approach now has been implemented in a number of programmes, such as the PROFIT in Kenya. A successful case of graduation has been reported for the Rural Microfinance and Livestock Support Programme in Afghanistan (see below).

[145] But also reported as ongoing for Bolivia (CPE) and Bangladesh(CPE).

Box 15
Rural Microfinance and Livestock Support Programme (Afghanistan)

The project included a USD 7.5 million Innovation Fund which, amongst others, was used to test the Targeting the Ultra-Poor (TUP) model, initially developed by BRAC in Bangladesh, in two provinces. The model was used to link the ultra-poor with self-help groups and cooperatives to better access finance. The approach was to conduct skills training in financial services, livestock production, practices and technologies in addition to providing productive assets to the targeted 1,200 ultra-poor in the pilot-test model. In the end managed to reach 1,760 ultra-poor female-headed households in Bamyan and Badakhstan.

At the end of the project the impact assessment showed that, while the main Microfinance component had low participation of women, 100% of the TUP beneficiaries were women, mainly widows or those whose husbands were disabled. The assessment also showed that after the TUP had been implemented 100% of the beneficiaries were able to access microfinance compared to only 6% at before. By the end of the project the beneficiaries felt that their income was sufficient to meet their household needs and that they were now food secure. Through the TUP intervention, beneficiaries were also provided with health services, treatment and health subsidy so that those living in remote areas could meet health needs in emergency.

Participants in the final stakeholder workshops agreed that the combination of in-kind and financial support to the ultra-poor households was highly effective as it promotes the livelihood means, income, food security through livestock production. Successful implementation of the piloting attracted further international funding from the World Bank and Italian Development Cooperation to the tune of US$15 million and US$3.4 million respectively to scale-up the TUP model in another seven provinces

Sources: RLMSP PCR (2017; RLMSP PCRV (2018); RMLSP Impact evaluation Report, commissioned by the Ministry of Agriculture, Irrigation and Livestock 2017

Outreach to MSMEs

211. Some projects reported that they had successfully targeted MSMEs (#14 Armenia, #33 Albania, #40 Bangladesh). #14 Armenia with its RFF was targeting the households based on-farm and off-farm microenterprises (loans up to US$ 5,000); and the rural Small and Medium Enterprises (loans up to US$ 150,000), which finally provided 474 loans amounting to US$ 17.5 million between US$ 3,000 and US$ 100,000.

212. Finding the right instrument for funding MSMEs often has been challenging. Some projects were able to channel funds through Apex organisations (e.g. #40 Bangladesh and #41 Philippines). Others had to use wholesale funds managed by Government (e.g. #13 Moldova, #14 Armenia). A problem with the non-private sector financial funds (i.e. state banks, state-managed funds and programme-managed funds) is that the desire to support beneficiary businesses or simply poor credit management often results in granting loans to borrowers whose businesses are not ready for credit.[146]

213. The approach of linking finance and business development services (in some instances also called business support services) has been a standard approach for two decades or more in IFAD.[147] Business training is to prepare the enterprises technically and for accessing credit. At the same time, financial services provide investment capital for productive investments and many other financial services for firms and households. Both strategies are supposed to work hand in hand.

214. Projects often had difficulties linking both types of services. Therefore, some projects provided training to businesses without linking it to rural finance (e.g. #01 Belize, #06 China, #20 Mongolia). Other projects have delegated implementation to one single technical service provider, that oversees service providers for both

[146] As noted by the Evaluation Synthesis Report on Smallholder Access to Markets.
[147] Notably, in the early ears of microfinance, many NGOs provided both services in one organisation. Today its good practice to offer these services under two different organisational and legal settings.

entrepreneurs, business development services and financial institutions/FSPs (e.g. Kenya PROFIT). However, since entrepreneurial support providers are by nature very different from service providers that are advising FSPs, this approach is questionable. In #41 Philippines, business development service was provided by about 76 contracted service providers in a vast area of expertise, such as starting a business, technical skills, enterprise development and management techniques, organizational strengthening, product development, market research, market linkages, packaging and labelling, costing and pricing, record keeping and accounting, and relevant food safety standards.

215. Within the review sample, business development service was provided by three standalone rural finance projects (#13 Moldova, #40 Bangladesh and #41 Philippines).Besides the challenges of synchronising the two tracks of rural finance and business development service, there were challenges with regard to targeting and monitoring in all three projects.

Box 16
Lessons learned on business support from the Philippines:

Based on the appreciation that running business operations require a certain set of aptitude that not everyone has, it is necessary to actively motivate start-up microenterprise candidates and identify those with interest and more potential before providing a series of training on various skills, while establishing an acceptable attrition rate.

Business development services should be designed according to the needs of different types/maturity levels of micro and small enterprises. The support services should be targeted and consistent. Ways to charge at least part of business development service costs (set at a realistic level depending on the level of enterprise development) should be considered for confirming interest and commitments and enhancing sustainability.

A systematic approach to post-training impact assessment should measure the actual adoption rates. Beyond the obvious aspect of monitoring, this may produce deeper insights into what elements of the training were more or less effective, economical and feasible for microenterprises of different levels or types, and subsequent adjustments in approaches and curricula.

Attention to the environment and natural resource management should be systematically incorporated in non-financial services to microenterprises. This could be in terms of monitoring and managing any potential negative impact on the environment, as well as encouraging microenterprises engaged in a more efficient use of resource.

Microenterprises, especially start-ups or new ones, require more than one-off training and follow-up support.

The issue of recovering business development services' costs requires more attention at design.

Source: PPE #41 Philippines

216. Linking finance and business development services is very challenging as the timelines of both work streams follow a different logic and are often not easily compatible. Starting a finance component depends to a large extent on available partner capacities at all levels: FSPs, apexes or the enabling environment. It may take a long time for the "financial system" in the project region to start working, especially when partners at micro and meso level are not available or weak. For example, it takes time to establish a fund, so as it takes time to select and partner with FSPs; if their capacities have to be built, that takes even longer. In practice, projects often reported that they had the technical side of their productive support in place but that the finance activities had been delayed.

E. Impact of IFS interventions

217. Benefits from financial services. Impacts on target groups are expected to flow from the (economic and social) benefits arising from the provision of financial

services.[148] For example, small businesses benefit from access to credit, while the impact on the borrower's household's broader welfare might be more limited. Savings help households manage cash flow spikes, smooth consumption, as well as build working capital. Access to formal savings options can boost household welfare. Insurance can help poor households mitigate risk and manage shocks. New types of payment services can reduce transaction costs and seem to improve households' ability to manage shocks by sharing risks.[149]

218. Within the sample reviewed, eight (out of 23) project evaluations stated that benefits have occurred for smallholder households. Benefits from savings offered to smallholder farmers in combination with loans were noted in five evaluations (#6, #14, #25, #31, #42). Two projects offered loans only with positive effects on the poor (#19 China and #46 Lesotho). One projects offered grants only (#18 India), successfully reaching the poor. In addition capacity building, training (including financial literacy training) were instrumental for achieving those benefits.

219. Four (out of 23) project evaluations found positive effects on MSMS or rural enterprises. [150] Benefits from loans offered to MSMEs were noted in three evaluations (#9, #14, #40); in Moldova (#13) loans were offered to larger enterprises, with indirect benefits, such as employment, expected to be flowing from there.

220. Indirect benefits. Evaluations noted the ambiguity in relation to MSME targeting. For example in #41 Philippines it was not entirely clear whether the focus was on: (i) lower-end of microenterprises themselves as the main target group and direct beneficiaries; (ii) helping "larger-scale microenterprises" with more potential to generate job opportunities for poor rural people, even if they themselves may also be part of the target group; or (iii) both. This also relates to the question of whether job creation was expected from self-employment through new microenterprises, or increased employment opportunities coming from growing businesses, or both in a balanced manner.

221. In the case of #47 Georgia the IOE impact evaluation examined the backward linkages from leased equipment provided to agro-processors from IFAD financed loans. The analysis showed that there were indirect benefits derived from increased employment (in lessee-run operations) and increased supply of inputs (primary products). The minimum increase of incomes in real terms was 10 per cent. At the same time the evaluation showed that the project did not have any significant impact on non-agricultural incomes, as envisaged in the project design.

222. Limited evidence on impact. A major limitation for attributing impact to inclusive financial services however is the lack of credible data and measurements. This is a broader methodological problem, not limited to IFAD, which up to now has prevented general conclusions on inclusive financial services as a means to overcome poverty. A new meta study on financial inclusion highlights the limited contribution that impact evaluations have been able to make to this debate. However, as the same study concludes, that the alternative to financial inclusion is not to do 'nothing', but rather it is necessary to uncover what kinds of interventions work best for whom and where, and how best to deliver them.

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[148] At the household level, such benefits include: (i) increase and/or diversify their income through higher agricultural productivity, expansion of productive activities or enterprise creation; (ii) accumulate assets including productive (land, equipment, livestock), non-productive (housing, appliances, consumption goods) and human assets (investment in health and education); and (iii) smooth consumption and maintain their asset base in the case of shocks (resilience). IFAD. 2015. Economic and Financial Analysis of rural investment projects.

[149] Robert Cull, Tilman Ehrbeck and Nina Holle. 2014. Financial Inclusion and Development: Recent Impact Evidence. CGAP Focus Note No. 92.

[150] For rural enterprises access to finance level may lead to benefits such as (i) higher financial performance, including higher revenues and fixed assets; and (ii) job creation. IFAD. 2015. Economic and Financial Analysis of rural investment projects.

Box 17
Limited evidence on the impact of financial inclusion

A new meta study on financial inclusion cautions against a possible hype around the idea of financial inclusion. On average, financial services may not even have a meaningful net positive effect on poor or low-income users, although some services have some positive effects for some people. Accessing savings opportunities, according to the study, appears to have small but much more consistently positive effects for poor people, and bears fewer downside risks for clients than credit. The study noted as a glaring omission that impact studies generally did not assess debt levels or indebtedness patterns in depth as an outcome of financial inclusion. The study calls for a clear-sighted discussion on the many valid alternatives to financial inclusion programming and on how best to gain the necessary evidence to inform that discussion.

(a) *Source:* Duvendack, Maren and Philip Mader. 2019. Impact of financial inclusion in low- and middle income countries: a systematic review of reviews. Campbell Collaboration, 3IE.

(b) Impact at household level

223. Household incomes. Changes in income were often broadly attributed to the project without any evidence on causal linkages (e.g. #06 China, #18 India). The evaluation of #43 Malawi illustrates some of the methodological challenges. The PPE found there was not much difference between the income and asset distribution between target and control areas and across time periods. It is unclear if such lack of difference could be a result of the methodology, sampling, selection bias in the survey, etc. The increase in income of target households is also found to have not undergone a significant positive change in real terms, which might be attributable to the high rates of inflation experienced in Malawi in recent years.

224. The #46 Lesotho PPE comments on attribution problems due to the absence of control groups, lack of random sampling, inconsistencies in data and analysis, varying indicators and sampling frameworks, and missing raw data. Additional impediments to valid impact information comprise time spans that are far too short for significant impact effects on end-users, distortions of results at household level due to fungibility of money, lack of adjustment for inflation, and a preoccupation with a narrow focus on end-user impact. The evaluation notes that impact requires more than financial services – a conducive and receptive economy together with broad processes of economic growth and development – and may take decades, not years, to yield measurable impact. This may also require supporting inputs over time spans far beyond the duration of projects.

225. The PPE of #42 Egypt tried to establish some causal linkages between credit provided by the project and rising household incomes by looking at credit use. It establishes that credits (EGP168 million/ US$9.38 million) were used to finance 8,300 large ruminants and 13,900 small ruminants and productive capital assets including orchards, tractors, pumps, sprayers and vehicles.

226. Over-indebtedness was not identified as an issue in the evaluation sample reviewed. It seems that with the general focus on credit and assuming positive effects of lending, this issue is generally overlooked in IFAD. In line with the proposal to focus on the diversity of financial services and especially savings, the fact of over-indebtedness should be considered in demand studies, and caution applied towards the absorptive capacity of smallholders.

227. Food security. A similar methodological problem exists when trying to attribute impact on food security to rural finance. Evaluations often argue that impact seem plausible whenever productivity has increased, for example in #22 Georgia. The evaluation argues it is reasonable to expect significant production and food security impact as a result of the disbursement of US$9.4 million rural credit to farmers under the project that were mainly invested in livestock and agricultural activities. However, as no impact assessment on yields or food security was conducted at project completion, there are no data to support this claim.

228. For #18 India the evaluation has used project impact data showing that client households improved their food security after participation in the programme, whereby the proportion of households with 1 or 2 meals per day declined, and the number of households that had three meals increased from 62 per cent at baseline to 79 per cent at end line. However, a similar change was also observed in the non-client households, though end line proportion of non-client households having three meals per day was lower than client households. Obviously, these claims are made despite the absence of data on agricultural productivity increases.

229. Social capital. The PPE of #46 Lesotho is one of the rare cases providing rich information on how IFAD has built social capital through IFS. The evaluation emphasised that in line with the IFAD Rural Finance Policy the project had effectively built the capacity of two types of FSPs as providers of financial services to the target group: private MBFIs and the state-owned Lesotho Post Bank.[151] In both cases, the contribution of the project had been essential to develop the FSPs into self-reliant financial intermediaries. The village agents trained by local NGOs have been instrumental for establishing and promoting groups and for developing an institutionalised system of group facilitation. Members had been developing savings and borrowing together with investment and repayment habits. By institutionalizing practices of members and group management, including supervision and reporting, the human capital of the members was converted into group-based social capital. This process was greatly aided by the predominance of women among group members as well as group management, with very high literacy rates.

Impact at institutional, sector and policy levels

230. Institutional-level impact. 17 project evaluations (74 percent) found positive changes on institutions. #06 China impact on institutional level is given by the strengthening of the RCC network. #40 Bangladesh shows a positive impact at institutional level only, with institutionalization of microenterprise financing mechanism through MFI partner organizations. The Yemen CPE is a clear example of the negative impact on institutional changes. Due to the state-owned Cooperative and Agriculture Credit Bank's (CACB) lack of interest, this model was particularly exclusionary to the rural poor. The poor experience of CACB in the projects has effectively convinced it to eventually exit the agricultural lending sector.

231. Sector-level impact. Nine project evaluations (39 percent) found positive changes at sector level. Sector-level results were better reported in the CSPEs. For example, in Ethiopia (2015 CPE) RUFIP helped to establish a well-conceived and functioning system of microfinance, and as a results of its positive impact, the Central Bank created a new Regulation and Supervision Department for MFIs and a new Financial Services Department focused only on RUSACCOs was put into place. Notably, in Ethiopia, RUFIP worked along-side with other donors such as the World Bank and under clear guidance of the Central Bank, while the sector could also rely on a strong national microfinance association. In Niger (2009 CPE) the PDSFR contributed to the development of the National Microfinance Strategy adopted in March 2004 and supported the establishment of the national consultation framework. In Mozambique (2010 CPE), changes at institutional level are shown by GAPI's engagement in PAMA, which helped improve its business development service, specializing in developing the capacity of rural producers, traders and small-scale agro-processers, supporting their ability to borrow.

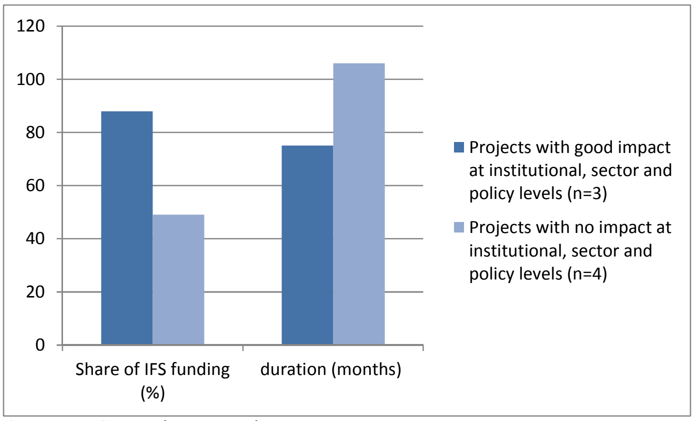
232. Policy-level impact. Five project evaluations (22 percent) reported changes at the policy level. For example in #08 Ghana, the project, in partnership with the World Bank, contributed to the preparation of the Microfinance Policy of Ghana in

[151] VSLAs and SILCs in cooperation with CARE and CRS; and Lesotho Post Bank with partial support from UNDP/UNCDF for Support to Financial Inclusion in Lesotho.

2006. In #13 Moldova the project contributed to evidence-based knowledge and experience for policymaking in the rural economy was provided, together with USAID. #46 Lesotho contributed to a more enabling policy and regulatory framework for institutions in rural finance, by passing of non-bank financial institution policy and regulatory framework and contributing to capacity building of Central Bank's supervisory function.

233. Positive impacts across all institutional, sector and policy level above all depend on the availability of funding and the ability of the project to work across all three institutional levels (macro, meso and micro). Within the sample reviewed, the three projects that had good impacts on institutional, sector and policy levels all belonged to the Type A (standalone IFS projects)[152] while two out of the four projects that had neither impact were IFS component projects. The figure below also shows that the poorly performing projects took longer to implement.

Figure 7
Comparison of share of IFS funding and project duration for projects with high or low impact



Source: ESR project sample

Intervention levels and impact

234. Overall the ESR found that projects that had worked with (existing) meso-level organisations (Apex or Apex funds) had better impacts at all levels. Projects that recorded impacts at multiple levels included #18 India, #40 Bangladesh, #14 Armenia, #13 Moldova and #08 Ghana. All of them worked at multiple intervention levels, as required by the 2009 Rural Finance Policy. On the other hand, projects that have recorded least impact (#33 Albania, #42 Malawi, #47 Georgia) worked with FSPs at micro-level only. #45 Cameroon set out to work at macro, meso and micro levels, but its newly established apex fund failed to deliver results within the project's lifetime.

Table 5
IFS models used by projects with documented impacts at different levels

IFS Model	Intervention level			Impact level				Projects with impact
	Macro level	Meso level	Micro level	Policy Level	Sector Level	Institutional	Target groups	
Member-governed FSPs	o	O	√	o	o	√	√	#06 China
Linking MFI-NGOs and CBFOs	o	√	o	√	√	√	√	#18 India
Apex + MFI-NGOs	o	√	√	o	o	√	√	#40 Bangladesh
Apex fund + Banks	o	√	√	o	√	√	√	#14 Armenia
Meso level institutions + MFI-NGOs and CBFOs	o	√	√	√	√	√	√	#13 Moldova
Apex + Rural banks + MFI-NGOs and CBFOs	√	√	√	√	√	√	No data	#8 Ghana

Source: ESR project sample

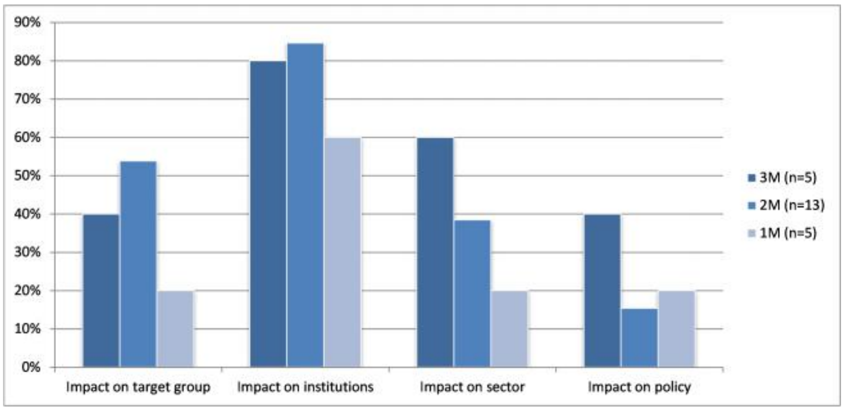
Note: √- present; o = not present

[152] #25 Uruguay (Type C) was excluded from this group because the reported impacts were not supported by evidence.

235. The findings are supported by the correlation analysis (see Annex) that shows that intervention models that worked at meso-level had a positive impact on institutions, while models that worked at micro-level only did not. The ability to work at different levels above all depends on the available funding. Stand-alone projects with sizeable RF funding were more likely to make an impact at policy levels than those working at meso- and micro- levels only.

236. The figure below shows that interventions working at meso-levels (2 M and 3 M) have achieved better impacts not only on policies and sectors, but also on institutions and target groups.

Figure 8
Proportion of intervention types achieving impacts at different levels*



Source: ESR project sample

* *Note:* 1M = Micro level; 2M = Micro-Meso Level; 3 M = Micro-Meso-Macro Level.

F. Sustainability

237. The assessment of sustainability of financial sector interventions provides a number of challenges, above all the period of time required for FSPs to become financially sustainable. In the case of IFAD projects the assessment is further complicated because IOE evaluation are focussed on the sustainability of benefits. Hence the sustainability of financial sector institutions is not systematically assessed.

238. The basis for sustainability assessments is often shallow, e.g. assuming that with good loan repayments, sustainability is guaranteed. However, institutional sustainability is much more. More reliable sources would be MFI or CBFO performance data or audited annual financial statements, or central bank reports. For example #40 Bangladesh explores very briefly on “the high recovery rate of microenterprise loans, it is very likely that the Palli Karma-Sahayak Foundation and partner organizations will continue providing the service”. #20 Mongolia reports on sustainability of lending in two places, intermingled with the productive side, and also in a superficial way, e.g. “the sustainability of micro-credit institutions created by the project largely depends on appropriate arrangements for repayment of loans and for subsequent rounds of lending”. This is a rather simplistic viewpoint, as governance, capacity and funding issues, and lack of supervision often threaten the sustainability of a FSP, especially when newly created.

239. Hence the availability of data on the financial performance of FSPs varies a lot, with most projects informing about sustainability without supporting financial data. For example in #25 Uruguay, the “sustainability” concept is treated in a very limited way, simply stating that the local credit committees continue to operate and the

other stakeholders have also committed themselves to continue to provide financial services to the rural poor.[153]

240. Detailed datasets, as available for Georgia and India, on the other hand can provide meaningful information about the level of sustainability. For example in India, the project (#18) has used the CGAP sustainability indicators to track the progress of the partner MFIs.[154] In Georgia analysis conducted during the CSPE (2018)[155] years after the project (#22) [156] has closed made it possible to see changes in MFIs portfolio growth and performance. The institutional health of MFIs has improved and operating and administrative costs have been reduced.[157]

241. Offering a broader range of financial products has been an important factor for sustainability. For example products such as risk coverage for enterprises and insurance for smallholders were important #13 Moldova because they helped to ensure repayment, thereby leading to a healthier loan portfolio. The outstanding portfolio of loans-at-risk is less than 2 per cent. Furthermore, it enabled the banks to expand their lending portfolio in rural areas.

242. In other cases, sustainability has been assessed as low. For example in #1 Belize high loan delinquency has led to financial losses and may have forced the IFIs to stop their microcredit operations. Here the support of new structures without an apex institution that provides organisational and funding support means building an unsustainable structure from the outset. The lack of an apex institution has also been named as a factor preventing sustainability in #46 Lesotho. In #45 Cameroon it turned out that the apexes were not functioning to ensure sustainability of the FSPs and the capacities of the cooperating Ministry of Finance were too weak to address issues of budget, staffing and regulatory framework.

[153] In the case of Uruguay the rating of 5 in sustainability must be seen as an indication for over reporting, at least can RF not be traced separately.
[154] The target, as set at design, was that out of the 90 partner MFIs, at least 3 per cent of the targeted MFIs should have reached Level 4 sustainability; at least 28 per cent of the targeted MFIs should be at Level 3 sustainability. At completion, the project had exceeded its targets, with 15 per cent out of the 131 partner MFIs at Level 4 sustainability, and 28 per cent of them at Level 3 sustainability.
[155] The analysis draws from a WP prepared for the 2018 CSPE WP.
[156] It should be noted that the PPA (#22) had rated sustainability moderately satisfactory (only).
[157] Operating and administrative costs, the biggest expense item for four MFIs, declined by 3.3 per cent points over loans outstanding, over the period during which MFIs participated in RDP, from an average of 16.9 per cent in 2009 to 13.6 per cent in 2016. Average cost of funds for lending declined marginally by 0.3 per cent. The loan portfolio growth of these MFIs thus helped them to become more efficient, but these gains were not considered (yet) to be sufficient to pass these on to clients.

Key points

- The projects reviewed by this ESR were designed under the 2000 Rural Finance Policy, but many of them already reflected the thinking of the 2009 RFP as state-of the art at that time.
- The policy principles, although valid, were found to be too ambitious for many of the situations where IFAD works, in particular with regard to the variety of financial services, the use of demand-driven and innovative approaches and ways of balancing sustainability and poverty outreach.
- Projects responded well to overall opportunities and challenges of national policy frameworks, but not necessarily financial sector policies. IFAD's programmes are yet to align with National Financial Inclusion Strategies.
- Projects often performed better where they involved meso-level funds managed by apex organisations. Lines of credit are the most common financial instrument, but their effectiveness was mixed. Loan guarantee funds were found in less effective projects.
- The most common FSPs were CBFOs and although their performance varied, they were usually associated with positive gender results.
- Credit unions performed well where they had a history and received political support, but they were less effective in the outreach to women.
- Small financial institutions often met challenges in reaching out to the poorest. Very few projects managed to put into place mechanisms to make financial services accessible to the very poor.
- A major factor limiting the growth of credit groups, SACCOs and NGO-MFIs was the lack of an adequate support, e.g. through apex structures.
- State banks have suffered from institutional inefficiencies, conflict of interest or conflicting programmes, but they often had good outreach to IFAD's target groups (women, poor smallholders). Commercial banks on the other hand were not successful in reaching out to poor smallholders.
- Supporting finance for MSMEs requires a clear segmentation of this very differing group. Having business development services and support to FSPs in one component can come with challenges as the approach and type of service providers differ considerably.
- Evidence on poverty impact is hard to come by. A general observation from the sample review is that the combination of financial and non-financial services, such as institutional capacity building, training (including financial literacy), contributed to positive poverty impact. Savings evidently had a positive poverty impact, as also shown by other impact studies.
- Standalone IFS project that have worked on micro-meso and macro levels were able to achieve better impacts at institutional, sector and policy levels. Yet, only very few projects have contributed to policy-level changes, and those that did often worked in close partnership with other development partners.
- Institutional sustainability is difficult to assess because it requires time for FSPs to become financially sustainable beyond the project closure. Important factors influencing the institutional sustainability of FSPs are the presence of a supporting policy and regulatory framework as well as functioning apex structure.

V. Lessons, opportunities and limitations

243. The lessons from this ESR are presented in three parts. The first part (A) presents the operational lessons, challenges and limitations arising from the review of IFAD operations. The second part (B) presents wider lessons on IFS financial instruments, including those coming from other studies. The third part (C) presents lessons from innovative approaches, exploring future directions in agricultural finance.

A. Operational lessons, challenges and limitations

244. This section presents lessons learned from the review. The main lessons can be summarised as follows:

- The three-level approach can work for stand-alone financial service projects.
- Simple approaches work better: IFAD's strength in supporting IFS on the ground lies in working at the micro level with smaller FSPs such as CBFOs and MFIs
- Market–based approaches are key for sustainable financial service provision, but cost-covering interest rates can be difficult to implement in government-led projects.
- Matching grants are a one-time support instrument. Yet there has been no evidence reported that matching grant approaches are facilitating links with the formal financial for sustainable access to finance beyond project support.
- Loan guarantee funds can motivate financial service providers to lend to target groups receiving business development support. However, setting-up a loan guarantee fund requires a high level of technical knowhow and their sustainability of is a key challenge, as it requires a sound system, full funding and a long-term perspective.
- Value chain finance can offer financial solutions for small and very small producers that are part of a value chain. The diversity of segments in value-chain finance however requires very different approaches to serving the poorest as well as the SMEs, thus adding to the complexity of the design.

245. The detailed lessons are listed in the following table 6.

Table 6
Operational lessons, challenges and limitations

Lessons on what works	*Challenges and limitations*
Holistic FSD approach at three levels can work well for stand-alone IFS projects.	Much more difficult to implement for components that are designed for a targeted region, with a specific group of beneficiaries and selected value chains. For most IFAD projects with a rural finance component, the engagement at the three levels of the financial system is very difficult or even not implementable.
FS other than credit are demanded by the target group, and important for the growth of formal FSPs.	The transition to **new types of financial services** if often hindered by Governments' unwillingness to invest significant shares of project funds (based on loans) in technical assistance, market studies or capacity building.
A market-based approach - among which charging cost-covering interest rates for agricultural investments, is a key element for sustainable financial service provision.	Much more difficult to convey to policymakers from the agricultural sector. Loans for agricultural investments are difficult to realise in practice, e.g. to find a FSP interested and able to offer such products.
Simple approaches work better. IFAD's strength in supporting IFS on the ground lies in working at the micro level with smaller FSPs such as CBFOs and MFIs. These types of FSPs are generally more open to serving the poorer among the IFAD target group, and they often the only FSP found in remote and rural areas.	Often, the type of FSPs willing and able to serve the target group in the region are not allowed to provide such services, nor are they capably to do so. Significant investments in organisational development would be required prior to such services being feasible from the supply side. Ensuring that a range of innovative financial services and a diversity of financial products is available is not feasible with the

Lessons on what works	*Challenges and limitations*
	simple and often unregulated type of FSP.
Matching grants can leverage entrepreneurs' or groups' own capital resources, and are, when coupled with bank loans a valid third element in financing. As a one-off support mechanisms (that can be applied in one or two rounds) they can integrate a capital accumulation approach that focuses on setting aside parts of the income from the outset to replace the funding gap.	MG are a much used element, and very few project designs take MGs as one-off solution as an inherent approach, and do not prove they have designed or implemented it with sufficient diligence, but rather trying to achieve impact at once, without attention to sustainability.
Linking Finance and business development services is a key strength of components, when integration is carefully managed, e.g. focusing on timing and accepting a certain independence of both approaches (i.e. not all who are technically supported can receive external financing).	Linking finance and business development services is very challenging as the timelines of both work streams follow a different logic and are often not easily compatible. To establish a fund takes a long time, to select and partner with FSPs also has a long lead time.
Micro-level FSPs	
CBFO: The various types of CBFO, i.e. village banks, cooperative-type organisations (cooperative, credit unions, mutuals) and MFI-NGOs are clearly more poverty oriented by nature. CBFOs are widely used to provide financial services. They were instrumental for achieving gender results.	For the semi-formal or formal CBFOs, the longer-term strategy may comprise establishing relationships with wholesale lenders or commercial banks acting as such, to broaden their range of services and access external funding. Credit unions or SACCOs performed well where they have a history and are linked to an adequate apex support structure.
Commercial banks can act as partners for linkages and for wholesale operations.	Commercial banks had poor outreach to women and the very poor. Commercial banks often had no presence in remote and poor areas. For them, the risks for lending to smallholder farmers were seen as too high.
State Banks: Outreach to women was positive where IFAD has worked with state banks.	Institutional inefficiencies have prevented state banks to perform as partners in many cases. In some cases requirements and procedures were onerous and made it difficult for IFAD's target groups to benefit. In others IFAD's support was used to subsidise their services instead of servicing the poor.
Meso-level organisations	
Apexes including meso-level funds are an interesting entry point for IFAD support where the commercial banking sector is underdeveloped or underrepresented in rural areas. Well-established apex organisations can provide effective services and funding to FSPs.	Meso-level funds without links to existing institutions PMO managed funds assuming this function come with serious challenges. Importantly, the exit strategy must be clear for this approach regarding the final use of the funds when a micro-level institution is channelling funds that were intended for a meso-level institution so as to be circulated in the sector beyond the project duration.
Loan guarantee funds (LGF) can be an important element to motivate FSPs to lend to the IFAD target group that by another component or project receives business development support related to productive investments and other non-financial support.	Setting-up an LGF requires a high level of technical knowhow. Sustainability of LGFs is a key challenge, as it requires a sound system, full funding and a long-term perspective.
Credit lines can be effective in the few markets where liquidity in the local market is constraint.	Require clear institutional responsibilities and adequate capacities in place to be effective. They can be effective for outreach to special target groups (e.g. poor smallholders, women). An exit strategy should be in place. They should not be used to allocate cheap funding in a market with significant liquidity.
Pro-poor targeting and inclusion	

Lessons on what works	Challenges and limitations
Graduation helps to move people out of extreme poverty by developing income-generating activities and building assets.	Non-financial interventions of the project are usually targeted to certain groups and regions, which makes a demand-led approach for rural finance difficult. The project concept and government's interest ultimately drive "demand".
	Focusing on very small loan sizes, or a certain industry or sector (tea farmers, cocoa production) or target group (women, youth, smallholders) that is new to finance or lives in remote areas, or cannot pay for cost-covering can create several challenges for a FSP who needs to focus on covering its costs.
Value chain finance can also offer financial solutions for the poorer. Linking financial institutions to the poor in the value chain, offering financial services to support the product flow and building on the established relationships in the chain is also beneficial for the productive poor in a value chain.	The diversity of segments in value-chain finance requires very different approaches to serve the poorest but also the SMEs, which makes design more complex.
Innovations	
At the demand side, digital finance allows reaching out to remoter populations with financial services at lower cost, and requires strengthening literacy levels. At the supply side, new types of digital finance providers are emerging that can be used to leverage FS to remoter regions.	Trying to introduce innovations country-wide without involving other donors bears the risk of IFAD's limited resources being scattered geographically. The increasing digitalization in the financial sector is challenging both supply and demand, as well as the regulatory environment. However, despite the availability of digitally provided financial services, low usage is a concern.
Sustainability	
The shift towards privately driven and approaches with sustainability in mind can be observed in many projects, documents and expert fora and is generally accepted as a principle and state-of-the art within IFAD and its partners.	The long-term sustainability of a FSP in a rural area may not be secured if project interventions are limited and not continued by permanently available apex structures and services such as training, funding and controls.
Strategies that support the sustainability of FSPs include apex organisations that promote mergers of smaller FSPs operating within the same geographical zones, supporting MFIs to keep their operational and transaction costs under control so they are able to carry out self-sustaining operations. This helps to ensure that financial institutions have the internal capacity to design and roll out new products/invest while building their capacities; having an exit strategy in place for technical support to MFIs after the project.	Establishing apexes is costly and can usually not be shouldered by an IFAD project alone, or several ones (as they and their project strategies may not be compatible, or government counterparts may not agree to do so). Collaborating with other development agencies would be necessary. Investments in institution building of apexes may not be a funding priority of governments.
Sector and policy impacts	
There were several cases where IFAD has worked in partnership with other international development partners and has been able to generate impacts at policy levels, e.g. with DFID in India and with the World Bank in Ethiopia, Georgia and Ghana.	Effective engagement of IFAD in policy dialogue requires appropriate capacity in place. To be effective local expert presence is needed, confidence needs to be established with policymakers, the project/advisers must be seen as being able to understand the constraints and contribute to solutions and not be dogmatic, and manage sensitive policy areas such as goals that can be conflicting (e.g. charging cost-covering interest rate for agricultural lending).

Source: ESR.

B. Lessons for IFS policy and strategy

246. The ESR has highlighted the variable performance of IFS instruments and the limited use of innovative instruments and approaches. As discussed in Chapter III IFAD has promoted a wide range of instruments and approaches over the past 20 years, but results and lessons from implementation have not yet been systematically assessed. This limits the ability to draw wider lessons on the future focus and direction if rural finance in IFAD.

247. Furthermore, broader issues within IFAD's approach to IFS, are mainly addressed in the context of individual project designs, but not resolved at corporate level. For example, the debate about stand-alone IFS projects versus IFS components or IFS in value chain projects that require an integrated approach between finance and non-financial support. These issues call for a systematic assessment on how finance and non-finance support should be linked in IFAD operations.

Lessons yet to be learned on financing instruments

248. Credit lines. IFAD technical guidance of 2009 and 2014 provides orientation when and how the use of credit lines is appropriate, and what to avoid, for example, government directly managing the credit line, a practice that IFAD abolished in the past decade. Credit lines are recommended under specific circumstances, for example when liquidity is clearly lacking and professional fund managers can be hired or are in place. This policy position of IFAD is clearly based on international good practice, in which the emphasis has shifted from providing credit as in the 90's, to an inclusive finance perspective that looks at the full picture regarding what clients may need, can absorb as well as what the market may require.

249. An AfDB evaluation synthesis also cautions that credit lines, although often efficient, may be biased against smaller FSPs, thereby reducing the potential for additionality.

Box 18
Lessons on Credit Lines from AfDB

Line of credits (LOCs) positively contribute to the performance of IFIs' portfolios by increasing their margins and reducing risk, which also creates strong internal incentives in favour of LOCs. LOCs can be more cost-effective than other instruments because they allow the packaging of a large amount of financial aid into a limited number of operations that are then channelled through existing institutions that do not require the setting-up of separate administrative systems. However, there is a trade-off between LOCs efficiency, and the rigour of eligibility criteria and oversight requirements. Disbursement of LOCs is more rapid when eligibility criteria are broader. The selection of client FIs is driven by a need for fiduciary integrity, due diligence, and credit-risk considerations. This has typically led to the prioritizing of top banks and more developed financial systems, thereby reducing the potential for LOCs additionality. The tightening-up of eligibility criteria and controls can significantly slow down the delivery of LOCs.

Source: AfDB/IDEV. 2018. Do Lines of Credit attain their development objectives? An evaluation synthesis 2010 – 2017.

250. Purpose-oriented funds. There has been a proliferation of purpose-oriented funds in many operations and countries. Especially the huge variety of national funds calls for a deeper analysis of what works. In a similar vein, a topic also emerging within IFAD is the issue of special funds that operate as "development financing instrument". That means global or regional funds that provide financing for a specific purpose or certain client groups, for example SMEs, and are professionally managed and set-up under a national legal framework and with clear governance structures. For example, the new EUR12-million-worth Agro Equity Impact Fund for Uganda launched by IFAD and jointly funded by several agencies;[158] or the newly set up ABC Fund (Agribusiness Capital) expected to provide support for 270 million smallholder farmers and SME. Participation in these undertakings (also called blended finance) will generate important lessons for IFAD in future.

251. Blended finance for financial inclusion.[159] The new ABC Fund (see Section C below) has been created in IFAD to address the enormous demand for finance in the private sector. A debate is required about the role of this instrument, and possible national, regional or global engagements for IFAD. "Blended finance" is a

[158] https://www.ifad.org/en/web/latest/news-detail/asset/39260810
[159] https://www.cgap.org/research/publication/navigating-next-wave-blended-finance-financial-inclusion

mechanism to attract private investors from local and international sources. The background is that for implementing the SDGs, and closing the huge financing gap globally, new mechanisms were called for. As CGAP states, donors and development finance institutions are encouraged to use their funding to crowd in private capital, but also, to continue to address the underlying constraints financial services markets or certain populations are facing. CGAP suggests how development finance institutions can optimize their impact, for example, to leverage existing funds and facilities and avoid reinventing the wheel (by using existing apex funds, perhaps with capacity building measures), or to promote and implement responsible investing, also called impact investments[160] (by means of special funds that are based on social and environmental performance criteria, or fund climate-sensitive investments). Funders have been increasingly considering this approach to fill the huge funding gap identified for SDGs implementation, e.g. 5.2 trillion, said to be as much as 1.4 times the current level of MSME lending.[161]

252. Matching grants are increasingly used to co-finance productive assets and investments; in fact there seems to be a tendency to over-use this instrument. A key question is whether matching grants merely bridge immediate funding gaps or instead, as stated, they generate sustainable access to finance. While guidance is available, and some evaluative insights have been generated, there is little evidence on the way matching grants are used in practice and what lessons were learned in implementing them in the past few years.

253. In 2012, a joint IFAD and FAO study conducted a review of 14 matching grant projects (seven were from IFAD and seven from World Bank). It clearly states that matching grants are acceptable as “an interim solution to co-finance productive investments if they can play a complementary or triggering role in opening financial institutions”. But it also found that matching grant schemes are not properly designed and that the implementation arrangements need fine tuning.

254. In 2016, the World Bank has implemented a study considering the lessons learned from 106 projects (see box below).[162]

Box 19
Lessons from World Bank study on matching grants

A matching grant should target specific investments and types of beneficiaries, particularly those with limited access to finance; by the end of the project, however, banks and financial institutions should be familiar with these investments and types of beneficiaries and should continue providing financial services to them.

Beneficiaries’ contribution must be set high enough to ensure ownership and to crowd in commercial credit.

Matching grants should aim to finance longer term investments, particularly with sufficient environmental and social externalities, and capacity building/advisory services for farmers and agricultural SMEs that require longer-term funds.

Source: World Bank 2016. How to make grants a better match for private sector development.

(c) Rural finance as standalone project or project component

255. The ESR has shown that stand-alone rural finance projects active on all three levels of the financial system have led to better institutional, sector and policy impacts. In some regards, lasting structures and offerings in the financial sector have been created with IFAD support, such as the contribution to rapid growth of clients in the

[160] According to the Global Impact investing Network (GIIN) “impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.” CGAP Blog, Where Do Impact Investing and Microfinance Meet?
June 2013
[161] https://www.smefinanceforum.org/data-sites/msme-finance-gap.
[162] The study reviewed 106 projects with matching grants across sectors, mostly focusing on projects that sought to promote development of SMEs development and that used the matching grants mainly to provide advisory services to targeted SMEs. To understand the role of matching grants in agricultural projects, 21 projects, were considered.

MFI sector in Ethiopia (RUFIP, CPE 2015), or the creation of the Apex Bank and rural bank regulation in Ghana.

256. The review of the IFS sample showed that both the absolute and the relative size of rural finance funding were the most significant determinants for good projects and results and impacts; on the other hand, the review found that project with a rural finance components do not perform better than other projects. Positive impacts at institutional, sector and policy levels were only found in standalone rural finance projects (#18 India, #08 Ghana, #13 Moldova, and #19 China). Among the rural finance component projects, only #25 Uruguay reported similar impacts, albeit with limited evidence to support these claims.

257. Global trend to have combined projects. There is a trend in IFAD to have IFS as a project component. At global level, despite overall increasing funding amounts, this trend can also be observed at global level. The number of projects that include financial inclusion as a component has increased from 10 per cent in 2012 to 33 per cent in 2016, confirming the expectation that financial inclusion drives development. Global data about how much of FSD support are stand-alone projects and how much are run as component is not available, however, other development agencies such as the German Development Cooperation also have much less stand-alone FSD projects compared to some years ago. According to CGAP and its Funders Survey 2017, many funders view financial inclusion as an enabler of the SDGs, and not as a standalone goal itself. They are increasingly integrating financial inclusion objectives into projects that focus on economic growth, women's empowerment, agriculture and other development objectives. Apparently, for many funders, the approach is to go back to a combined approach of projects with finance and other non-financial support services.

258. Advantages of standalone rural finance projects. Stand-alone rural finance project have a series of advantages, mainly related to: the focused strategic approach on finance; the counterparts that are concentrated on the financial sector; the visibility vis-a-vis government and private partners; the potential for collaboration with other development programmes partners; the PMU with fully dedicated financial experts; and their significant role and contribution at sector level.

259. Stand-alone projects

(i) are well suited to implement a systemic approach, i.e. they have a better potential to support macro- and meso-level interventions, as it is usually not designed for a certain region and can therefore concentrate on overall sector issues such as a national strategy, regulatory issues, wholesale or apex-institutions, which helps to create lasting structures in a financial system;
(ii) can collaborate with other donors engaged in the financial sector and co-finance such activities, which will give both interventions more weight and potential for creating lasting impact (as in India, Ethiopia);
(iii) are more flexible in addressing sector-wide bottlenecks that hinder financial service provision more generally, and not only for a targeted group in a certain project area;
(iv) can be used for advancing knowledge creation in the country and for IFAD more generally, collecting lessons from various projects or even other countries, and documenting lessons; and
(v) can finally be expected to push the overall financial inclusion agenda further in a market by contributing to the NFIS or another financial sector agenda.

260. The stand-alone approach can also create new challenges. For example, it can be more difficult to achieve measurable results in terms of changes at household or enterprise level, as shown in this synthesis report (see impact section). Another challenge can be the coordination between ministries, e.g. between the Ministry of Finance and the Ministry of Agriculture; conflicting agendas can be difficult to

manage for example regarding interest rates for wholesale or retail loans, or new institutions or schemes that would need to be established. Importantly, stand-alone RF projects often do not interact with other projects and hence the expected synergies are not being realised.[163]

261. In a country where several IFAD projects are engaged in the financial sector, e.g. India, Kenya or Mozambique, a systemic approach supported through a stand-alone rural finance project can effectively address the structural issues affecting all projects and create sector benefits such as a digital finance regulation, a nation-wide credit bureau or credit guarantee organisation. This would however also mean that the other projects use, or at least closely coordinate with the dedicated IFS project, and not implement a parallel and potentially uncoordinated or even, conflicting structure.

C. Lessons on innovation and future directions in agri-finance

262. Focus on value chains and private sector. The Global Partnership for Financial Inclusion (GPFI) stresses the importance of value chains as a key ingredient for growth and scale in agricultural finance[164]. IFAD's growing focus on value chains is reflected in the strategic documents and its portfolio. In 2010, VCF has moved to the core of IFAD's thinking with a significant portfolio in VCF.[165] The IFAD Technical Note "Agricultural value chain finance strategy and design (2012)" provides important insights on VCF.[166] Engagement with a wide range of stakeholders in value chains, including private sector, has caused a critical reflection on financing instruments.[167]

263. The increasing importance of value chains is also reflected in IFAD's move toward strategic partnerships, such as the global SAFIN Network, and innovative instruments, such as the newly established Agribusiness Capital Fund (ABC Fund, formerly SIF[168]), which has an explicit focus on smallholders and youth, the missing middle and on impact investing.

264. The ABC Fund, as an IFAD driven and global impact fund for smallholder and SME finance, aims to target the "missing middle", and other key actors within the agriculture value chain with potential for growth, with a focus on young entrepreneurs and Africa. The initial aim is raising US$60 million in grant funding to be structured as first-loss equity. Anchor investors are the European Union (US$45 million), the Government of Luxembourg and the Alliance for the Green Revolution in Africa (AGRA), that have committed €5 million and €4.3 million respectively. The Fund is expected to attract senior and mezzanine debt of US$180 million. Its mission to address the large gap that remains between supply and demand for investment in smallholder agriculture and rural finance.

Box 20
The IFAD ABC Fund design

[163] See, for example CSPE Kenya (2019) which comments on the missing linkages between PROFIT, as standalone IFS project, and the value-chain projects..
[164] Synthesis Report New Trends in Agricultural Finance, G20 and GPFI, by BMZ, GIZ, SME Finance Forum and IFC (2015)
[165] Scaling-up, Brookings report 2010
[166] The guidance points out the various categories of financial instruments commonly used in agricultural VCF, such as product financing, receivables financial or risk mitigation products or financial enhancements and describes 16 AVCF instruments of which generally, several are used in an intervention.
[167] The self-assessment included in the VC guidance highlights challenges in implementing state-of-the-art financing instruments, for example the absence of appropriate guidance and monitoring tools and limited staff capacities.
[168] Small and Medium-Sized Enterprise Investment Finance *Fund*" (*SIF*).

> In coordination with the ABC Fund manager (Bamboo Capital Partners /Luxembourg, and Injaro Investments/Ghana and Ivory Coase), IFAD will provide the ABC Fund with investment opportunities that leverage IFAD's presence on the ground, sector expertise, and experience in building multi-stakeholder partnerships. It operates in three pillars. In pillar 1, The ABC Fund will target farmers' organizations and SMEs that require investments in the range of US$25,000 to US$1 million, based on direct debt financing and financial intermediation. Equity investments can be made later in the process, subject to investees' track record. Pillar 2 is a first-loss equity operation to de-risk portfolio investments and leverage additional non-concessional or commercial funds amounting to about three times the size of the initial funding. Pillar 3 is a Technical Assistance Facility that will provide pre- and post-investment assistance to existing and potential investees, advisory services that will allow farmers' organizations and SMEs to access new opportunities for business development and incubation of prospective creditworthy clients. [169].

(d) Source: IFAD Up-date on the Agribusiness Capital Fund (2018) and Agra[170]

265. These are recent undertakings, and lessons from implementation are still to be learned. New national instruments are also being conceptualised and implemented, for example the Impact Investment Fund in Uganda that is to provide funding to agriculture-related businesses across all value chains.[171]

266. Regional initiatives. The ESR found an increasing wealth of lessons emerging from innovative practices that are still being processes. The Asia region has been at the forefront of introducing innovative practices, such as insurance, remittances and Islamic Finance (see regional dashboard included in Annex V). The ongoing studies on good practices are therefore timely (see box 21 below).

267. The IFAD-APRACA Learning project on documentation of best-practices in rural finance in five Asian Countries Pro Poor Rural Financial Services in Developing Countries (Rural Finance Best Practice, RuFBeP) has been generating knowledge on agricultural innovation and agricultural value chain finance. A first study in five Asian countries (2016)[172] highlights "that more efforts should be given to promoting agricultural chain finance, which involves financing within the chain and from outside the value chain but fitted to the nature of the value chain and actors involved." The Asian case studies have generated recent knowledge based on implementation experiences or rural and agricultural finance pilots. Notably, the study also highlights that scaling-up these experiences in others environments, adjustment and adaptation to the local political, economic, social and environmental circumstances of the areas where they are intended to be introduced or replicated. Geographic and regional diversity with its unique cultural, social and economic values should be considered while thinking about any scaling-up exercises.

[169] CLE IFAD's financial architecture: 2018 Monitorable action 6 for IFAD11 focuses on developing a strategy for private-sector engagement and developing the Smallholder and Small- and Medium-Sized Enterprise Investment Finance Fund (now Agri-Business Capital Fund [ABC Fund]). Recognizing that working with the private sector may require greater appetite for risk, the Financial Operations Department is working with the Programme Management Department on the introduction of ABC in order to support considerations that improve its financial sustainability, while Management is taking steps to mitigate risks with the vehicle's design, governance and recruitment of professional fund managers, currently under way. It is estimated that, at least initially, roughly half of the resources may be invested through financial intermediation for the smallest deals.

[170] https://agra.org/news/ifad-welcomes-the-european-unions-commitment-to-a-new-impact-fund-targeting-small-agribusinesses-across-emerging-markets/

[171] https://www.ifad.org/en/web/latest/news-detail/asset/39260810

[172] IFAD and APRACA. 2016. Bringing Inclusive Rural Financial Services in the Asia Region to Centre Stage: Cases of Good Practices from China, India, Indonesia, Philippines and Thailand

Box 21
Insights from APRACA-IFAD pilots in agricultural and rural finance in three Asian countries (2018 study)

In China, challenges included establishing buy-in and commitment to the pilot from the bank partners, devising strategies to include small operators in value chain finance and sustainability beyond project. Four new products were designed by a rural commercial bank to target these clients: cash-flow-based lending, a group guarantee loan, an insurance combined loan and a mixed guarantee loan.

In Indonesia, anticipated challenges centred on the capacity of MFIs to implement new lending products, farmers' capacity to modify farming techniques in order to increase production, farmers' gaps in financial literacy and adjusting to unpredictable market fluctuations. Project implementation revealed additional challenges including limited capital of MFIs resulting in an inability to expand outreach to other beneficiaries, restrictions of a cooperative's activities based on its legal entity status and some operational challenges related to outdated administrative procedures used by the MFIs.

In the Philippines, key challenges included the need to strengthen the business, management and accounting systems of the MFI partners, need for additional capital to extend loan terms, sustainability and expansion of piloted practices beyond the project and poor road conditions making transport of good difficult. An agreement between corn farmers, the local cooperative bank and a hybrid seed corporation was key for guaranteeing the market for the farmers' produce and a better price, all of which ensuring loan repayment. The Philippines chose to pilot agricultural value chain financing modelled after onion farmers' experience. The scheme was piloted in two provinces with local implementing partners: a Cooperative Bank, and the Seeds and Fruits Multi-Purpose Cooperative. The project was structured around four main components: capacity building for small farmers, financing, crop insurance and credit guarantee schemes and market linkage.

Notably, the study emphasises that unlike in earlier generations of rural finance programming, the implementing institutions are directly providing financial services.

(e) *Source*: IFAD 2018. Reaching rural households and communities by advancing inclusive financial practices (2018): A synthesis of pilot project implementation processes in China, Indonesia and Philippines.

D. Strengths, weaknesses, opportunities and limitations

268. The feedback obtained through the ESR survey raised many observations and lessons that are in line with the findings from the synthesis. They highlight the importance for IFAD to critically review some of the current practices and strengthen cooperation with capable partners. The strengths, weaknesses, opportunities and limitations (SWOL) for IFAD, as expressed in the survey, are summarised in the table below.

Table 7
IFAD's SWOLs (according to feedback from survey respondents)

IFADs strengths	**IFAD's weaknesses**
Outreach to remote rural areas	Targeting often not effective
Supporting CBFOs and MFIs	Trickle-down effects often not happening
Capacity building for FSPs	Weak capacities of PMUs
Capacity building for smallholder farmers	Limited ability to adapt to changes in local context
Promoting good practices	Limited partnerships
Projects as learning spaces	Country politics influencing project designs
Flexibility during implementation	Over-ambitious timeframes
Micro-finance	Lack of attention to due diligence
	Consultants not knowing the local context
	Having agricultural ministries as main partner
	Complexity of design
	Insufficient attention to sustainability issues
What IFAD should do more (Opportunities)	**What IFAD should do less (Limitations)**

Promote savings culture and insurance schemes Value chain approaches, in cooperation with other partners Performance-based agreements with FSPs and meso-level institutions Leveraging existing rural postal networks Financial literacy and use of digital instruments Support MFIs and cooperatives Linking agricultural loans with non-agricultural activities in the rural sector Mobile banking Strengthen governance at institutional and national levels in partnership with global and regional networks	Technical assistance for direct beneficiaries Pressure to lend money Unrealistic assumptions about government decision making Support to policy and regulatory frameworks Having finance and non-financial support in one component Support to state-owned banks Supporting community financial services without a perspective of linking them to formal institutions Creating financial funds operated by private institutions or the social sector Matching grants Blended finance Guarantees or risk sharing facilities without first providing TA Building standalone MFIs or FSPs Credit funds for specific groups Policy development Government running finance and lending institutions

Source: ESR Survey

269. Many of the observations voiced by the respondents to the survey are confirmed by the findings from this ESR. We would be more cautious mentioning capacity building for FSPs as a "strength" though since often those interventions are not well documented and assessed. Availability of meso-level institutions that would be able to multiply IFAD’s support to capacity building is however noted as a gap in many regions. Promoting good practices is an important aspect, but this would also require more efforts to go into building the evidence base on IFAD’s own god practices.

270. Opportunities named by the respondents that were also found important by the ESR include increased attention, in particular promoting a savings culture, insurance schemes and value chain approaches. Also the limitations are valid. One needs to acknowledge though that blended finance approaches are still new in IFAD; this will require further analysis on how to integrate that instrument into operations as well capacity building within IFAD. Credit funds for specific groups may come with caveats, as the review of the sample has shown.

Key points

- Stand-alone rural finance projects active on all three levels of the financial system have led to better institutional, sector and policy impacts.
- The absolute and the relative size of rural finance funding were the most significant determinants for strong projects results and impacts
- Market–based approaches are key for sustainable financial service provision, but challenging to implement in government-led projects.
- Matching grants can be part of an exit strategy if they integrate the accumulating part of the income from the outset in order to compensate for the funding gap.
- Setting-up loan guarantee funds requires technical knowhow and sustainability of is a challenge as it requires sound systems and longer-term funding.
- The diversity of value-chain actors requires differentiated approaches to servicing for example both the poorest and SMEs, thus adding to the complexity of the design.
- Credit lines are still the most common instrument in IFAD operations, but lessons from the ground are not documented.
- The great variety of national funds calls for a deeper analysis of what works.
- Matching grants are commonly used to bridge immediate funding gaps rather than to generate sustainable access to finance.
- The ABC Fund is an innovative instrument to target the “missing middle”, and other key actors within the agriculture value chain with potential for growth.
- New instruments and approaches are being tested in the regions. However, the unique cultural, social and economic values should be considered when thinking about scaling up.

VI. Conclusions and recommendations

A. Conclusions

271. Inclusive financial services are seen as instrumental for achieving IFAD's agenda on rural poverty reduction. Since 1981, IFAD has committed US$ 3.4 billion (17.7 per cent of its total commitments) to inclusive financial services within 506 projects. In 2007, IOE conducted a CLE which identified major shortcomings in the implementation of IFS projects. The following IOE thematic evaluations of rural finance (on Eastern Europe and China) brought up important insights from implementation. The CGAP Smart Aid assessment (2009) identified further institutional and operational bottlenecks and opportunities. In response to these evaluations and assessments, and to global trends and lessons, IFAD prepared a revised rural finance policy (2009) and adjusted its systems to enhance design, quality assurance as well as monitoring and evaluation of IFS projects. A strong focus on knowledge and learning, internally and through partnerships with other international players, was intended to strengthen innovation and performance in IFS operations

272. This synthesis report has reviewed the achievements and results at both institutional and operational levels, based on the existing evaluation evidence plus studies and feedback from internal and external stakeholders. IFAD has gone a long way since it adopted its revised Rural Finance Policy in 2009, but its full implementation will require enhanced efforts. The synthesis report has identified as a key bottleneck on IFAD's side the limited technical capacities to effectively implement the existing systems with regard to knowledge and learning, quality assurance and evaluation follow-up. Similar bottlenecks exist on the ground, where the technical ambitions of the Rural Finance Policy are hindered by the contextual realities and the limited capacities in place.

273. Over the years, the aspirations in IFS policy, strategy and guidance have been rising in line with the changing global context. The accelerating pace of development in partner countries requires increasingly complex approaches, a constant upgrading of knowledge and highly technical expertise. The IFS guidance developed over time has shown continuous progress and a deepening understanding of IFS concepts. However, while considerable efforts were made to absorb international state-of-the-art knowledge, this has not equipped IFAD staff to better address the challenges on the ground. IFAD's focus on financial services for the rural poor, remote communities, smallholder farmers, women, youth, and MSMEs comes with very particular challenges that differ somewhat from those of most other development agencies. While efforts to bring international good practices to IFAD were commendable, there was insufficient attention paid to systematic analysis and documentation of practices in IFAD's own projects. Knowledge gaps exist in recent or niche topics, such as leasing and value chain finance, where IFAD has little technical guidance to provide and has drawn virtually no lessons from implementation. A major obstacle to the learning of lessons is that such learning often relies on grants or other niche financing opportunities, resulting in an eclectic mix of knowledge products.

274. IFAD has the systems in place to ensure high-quality project design, but these have to be matched with adequate technical capacities. IFAD has established systems for tracking quality issues arising from the review of project designs and for following up on evaluation recommendations derived from the review of completed projects. Both systems could be more effectively used to ensure policy coherence and learning from good (or bad) practices – if there were sufficient technical capacity to enhance the quality of the review. The depth, quantity and quality of both the PRISMA and QA comments was found to be variable, and reference was rarely made to the principles of the Rural Finance Policy. Yet these would be critical for feeding back lessons from implementation

and ensuring that good practices and institutional learning are consistently adopted across the whole of IFAD. In addition, quality and state-of-the art project design cannot be delegated solely to external consultants. In this respect, there is a yawning gap in terms of technical expertise at HQ since dissolution of the Financial Assets, Markets and Enterprises (FAME) team as a knowledge and innovation hub.

275. Although required by the Rural Finance Policy, innovative and more diverse financial services are not commonly used in IFAD projects. At design stage, many projects envisaged the use of innovative approaches, services or products. However, these were later dropped or, if they were implemented, performed poorly, as shown in the examples of leasing, equity funds and guarantee funds. In practice, credit lines are still the most commonly used – not because they deliver better results, but because they are relatively straightforward to design and manage, hence being in demand by IFAD member countries. Innovative and more complex approaches, on the other hand, require specialized know-how, which may not be available on the ground. This issue may be resolved where project management units (PMUs) are able to hire competent local rural finance expertise. However, in most cases the limited capacity on the ground constitutes a serious constraint on innovation in the financial sector. Similarly, the holistic (three-level) approach as stipulated in the Rural Finance Policy has not often been applied, because it requires a lot of dedication, know-how and funding, and is only feasible in large stand-alone IFS projects with strong implementing partners and intensive technical backstopping provided by IFAD or its consultants.

276. IFAD's business model also guides demand for rural finance at national level. IFAD's business model, based on sovereign loans, establishes incentives for governments to favour loans and credit lines. When loans become more expensive, government is likely to favour investments in areas that directly generate returns for repayment of the loan. Some countries even avoid using loan funding for technical assistance or grants. This also explains the strong focus on credit lines and loans. This represents a fundamental dilemma in countries with more developed financial sectors and a demand for more diverse and innovative financial products. In these countries, projects are hard-pressed to provide the technical assistance and capacity-building needed for a more sophisticated approach. Although public sector partners may recognize the significance of inclusive financial services, they often have neither the technical knowledge nor the systems and capacities in place to promote efficient strategies, regulate the financial sector and implement policy measures that would make a lasting impact on it. Access to finance can only evolve within an enabling policy and regulatory environment, but changes often take years, and also require the private sector to invest and be present in rural areas.

277. The limited capacities of FSPs need to be addressed at the meso level. While meso-level organizations have frequently been used, IFAD has paid insufficient attention to the strategic role that apexes can play in ensuring the outreach and sustainability of local FSPs. IFAD's efforts to accompany the formalization of FSPs (for example in Ethiopia and Mozambique) have not been successful, and creating institutions from scratch has generally been disappointing (e.g. Nepal and Georgia). The average duration of projects (from four to six years) was often too short to achieve solid results, and both the outreach and sustainability of the secondary-level institutions were insufficiently secured. Projects that have worked with existing meso-level organizations (apexes) were generally more successful in delivering sustainable results. One major constraint, however, is the lack of capable and sustainable meso-level institutions that can provide financial and technical support to the building of FSPs. However, establishing apexes is usually costly, requiring substantial technical assistance over a longer period, which is something that would call for further collaboration with other development partners.

278. Within a rapidly changing global environment, IFAD requires adequate capacities at all levels in order to retain its leading role in IFS. Globally, the term "rural finance" has disappeared. The IFIs are redirecting their approaches to agricultural finance and inclusive finance. It is unclear how IFAD will contribute to this debate in the future. Dismantling the rural finance team has left a vacuum in terms of technical expertise and capacity at HQ. It is unclear if and how IFAD's engagement in the various global networks can be maintained at the same level of technical input and visibility as in the past. IFAD has to act fast to remain at the centre of rural development, to inspire others and be inspired by others. It has to adapt its policy and communication approaches to maintain its strong role and continued presence in the field, and to continue harnessing global networks for its regional strategies and knowledge development. There will be a greater need to enhance capacity at all levels and engage with policy processes on the ground in new ways – and less need to lend funds through governments.

B. Recommendations

1. This synthesis report has found that the two most important issues are: (i) a lack of consideration of specific demand in the design of the financial services; and (ii) the insufficient capacity of implementing partners. The principles of the Policy emphasize the need to move towards market-led and demand-oriented approaches, offering a diverse set of services and products. While the diversity of instruments, services and products has increased, they seem to have been offered within traditional supply-led approaches, leading to a lack of demand orientation on the part of country interventions. A key related issue is in the weak implementation capacity on the ground. These issues must be addressed for IFAD to remain relevant and to be in demand as an IFS player. In this respect, the synthesis report offers five recommendations:

2. Recommendation 1. Conduct a stock-taking of current IFS practices on the ground. For instruments that have been promoted over the past decade – such as matching grants – IFAD should conduct a comprehensive assessment, for example as to: how they were designed and conceptually integrated; how they have been used by recipients; the costs involved in administering the grants; what longer-term impact they generate for beneficiaries; and to what extent they facilitated continued access to finance. Other important topics that call for learning from the field are the approaches promoted in IFAD's current strategy – such as linking business development services and finance, or integrating value chains and finance. Such an assessment would inform implementation of the recommendations that follow.

3. Recommendation 2. Update IFAD's Rural Finance Policy and prepare a corporate IFS strategy, with the aim of supporting consistent implementation of the Policy throughout the organization.

   - The revised Policy would reflect lessons from IFAD's operations, as well as the new developments in the sector – for example digitalization. Without being overly detailed, it would present the principles of what works.
   - The strategy would go deeper and would be valid for a limited timespan, for example for three years. It would provide guidance on how to strengthen the focus on financial sector development in regional portfolios, based on a good contextual analysis.
   - The strategy would identify responsibilities for IFS technical support, knowledge management, and learning at HQ, regional and country levels. The strategy would clearly describe the areas where IFAD has a comparative advantage and determine areas of strategic focus – such as graduation or agricultural value chain financing – as well as areas that require further attention, such as the use of matching grants, the sustainability of FSPs and exit strategies. The strategy would be informed by lessons from

implementation (see recommendation 1), and would synthesize insights in a forward-looking manner.

- Hence the strategy would include a corporate approach to IFS capacity-building. Working with and supporting learning partnerships has been a positive investment, and should continue. The areas of focus identified in the strategy will inform further development of the IFS guidance, which should be practice-oriented and based on deeper insights regarding demand by the target group. While the guidance has to take into account international good practices, the focus should be on IFAD's strengths – among them a focus on remote areas and poor farmers, considering the unique position that IFAD has in this respect.
- The final element of the strategy will be monitoring and evaluation, which should contribute to corporate learning and knowledge management: the use of financial instruments needs to be tracked; effectiveness needs to be assessed separately on IFS, not together with the overall component; and regular feedback into lesson-learning needs to be secured in an agile manner.

4. **Recommendation 3. Enhance strategic impacts at institutional, sector and policy levels, through a greater focus on meso-level institutions and stronger partnerships with agencies working in the sector.** IFAD should move in the direction of being a strategic change agent and facilitator of rural and inclusive finance development. In the past, the scope and targets for IFAD projects have placed a lot of pressure on delivering quick results on a large scale at beneficiary level – but what would be needed today is greater focus on longer-term results at institutional, sector and policy levels.

- IFS partnerships need to be strategic, shifting the focus beyond knowledge generation and putting a stronger focus on country-level implementation and results. Priority should be given to partners that advance and complement IFAD's expertise and capacities on the ground – for example, international NGOs or rural finance and MFI networks offering effective implementation support.
- Partnerships should include cofinancing, as well as partnerships for knowledge and learning with international organizations and development partners working in related areas (e.g. value chain development).
- To enhance knowledge networks at regional and national levels, sufficient efforts and resources should be allocated (in time and finance) to building of the capacities of national rural finance consultants and technical staff within partner organizations (also using grants).
- At operational level, less emphasis should be placed on reaching out to a large number of clients, with more emphasis on facilitating change and strengthening the capacities of meso-level institutions.
- National financial inclusion strategies provide an important platform for coordinated policy engagement and implementation. IFAD should become part of this and work in close partnership with other agencies.
- Increased attention to regional and national partnerships should not diminish the importance of global partnerships and platforms, which will require dedicated focal points within IFAD to be identified through the strategy (see recommendation 2).

5. **Recommendation 4. Conduct sound analysis at the design stage and be flexible in adapting it during implementation**, to ensure that projects are demand-led, appropriate for the context and able to absorb emerging lessons and experiences.

- Demand studies should be part of the design and should include a clear segmentation of the demand side and the capacities of the full range of stakeholders and clients. An additional sector assessment should also be carried out, including thorough and standardized evaluations of potential FSPs and meso-level organizations. This could be based on a standard country diagnostic format (demand, supply and enabling environment) to be developed, to include a light due diligence for partners that are not known.
- Capacities to manage, implement and absorb IFS activities need to be carefully assessed. For mixed projects that include IFS components, the capacities have to be taken into account of the lead agencies – usually the Ministry of Agriculture – along with their limited knowledge of financial sector development. For complex multi-level approaches in stand-alone IFS operations, IFAD must be prepared either to provide intensive technical support or to work closely with other development partners (for example through cofinancing).
- Programme designs have to build in flexibility so as to react more quickly and change the selection of key partners – or even instruments – where needed. Project duration and outreach goals need to be linked in a realistic manner, to ensure that necessary processes are not cut short. The sustainability of financial services needs to be a guiding principle from the beginning.
- While most of the design processes will take place at country and regional level, HQ technical staff will have a critical role to play in ensuring that: important policy principles are addressed (for example: demand-led and innovative approaches, and balancing poverty outreach with sustainability); and lessons are consistently learned from implementation and integrated into the design of new projects (see recommendation 2).

6. Recommendation 5. Continue experimenting with innovative approaches and services locally, while extracting lessons and disseminating learning across the whole of IFAD.

- Recent initiatives to promote innovative practices within a regional context (e.g. digital finance in East Africa and value chain financing in Asia) are commendable, and should be continued. Their potential should be assessed for scaling up in other regions.
- Other innovative practices that are being tested at present, and that should be promoted further, include inclusive and agricultural insurance and mobile banking. Leveraging innovative types of aggregators with good outreach to rural areas – such as rural postal networks and mobile telephone operators – is highly relevant, for example in Africa.
- More attention should be paid to innovative practices in expanding pro-poor financial services, such as group and digitally supported savings.
- Innovative practices should be documented and shared at regional and global level and across the whole of IFAD, as part of the knowledge-sharing strategy (see recommendation 2).

Evaluation framework

Review Questions	Review method
A. IFAD IFS framework documents review	
1. Policy relevance:	Documents review
1.1. Are the new rural finance policy (2009) and the rural finance Instruments relevant within all the different contexts/ different country types reviewed (MICs/LICS/FS), and in what ways are they relevant or not? What country contexts fit best for IFAD's work on IFS?	
1.2. Is the rural finance policy - and the related strategic documents - still relevant under the Agenda 2030 and given the existing global challenges?	
1.3. Did the approaches, products and services (e.g. microfinance) promoted contribute to the achievements of IFAD's goals on poverty reduction?	
2. Policy coherence:	Documents review
2.1. How coherent is IFAD strategic and policy framework?	
2.2. Do IFAD IFS instruments and the IFS products promoted reflect current good practices and lessons learned?	
2.3. Were the IFS products promoted by IFAD particularly suited for the agricultural sector?	
3. IOE Performance Ratings:	Documents review
3.1. How did rural finance projects perform in comparison with the rest of the IOE evaluated portfolio?	
3.2. Have ratings for IFS focus projects improved over the years?	
4. IFS knowledge management	Documents review
4.1. To what extent did the revised rural finance policy (2009) and the knowledge generated at HQ level lead to a greater diversity of IFS services and products and/or innovative IFS services and products in rural finance focus projects and portfolios evaluated by IOE?	Interviews rural finance dashboard SmartAid reports
4.2. To what extent did the knowledge generated through IFS grants or global platforms (e.g. PARM, CABFIN) enable innovative IFS practices within IFAD supported operations?	
5. IOE evaluations	
5.1. To what extent were findings and recommendations used to improve the quality of the IFS portfolio?	Documents review IOE database
5.2. To what extent and how were IOE findings and recommendations used to improve the quality of new operations?	QESAR database
5.3. What other effects (e.g. learning) did IOE evaluations generate?	PRISMA reports Focus group discussions / CPM survey
B. Questions for systematic review	
1. Relevance	
1.1. Policy relevance: How well were projects aligned with the IFAD rural finance policy and the respective national country policy/policies or strategies and regulatory frameworks?	NVIVO
1.2. Strategic relevance. Were the models (or: strategic approaches) chosen appropriate and in line with the needs of the country and the target groups?	NVIVO
1.3. How relevant and appropriate was the choice of implementing partners?	NVIVO
1.4. Relevance of intervention areas and the services and products provided	NVIVO
2. Effectiveness	
2.1. What were the results achieved?	NVIVO
2.2. How effective were the intervention models chosen?	Case studies
2.3. Effectiveness of IFS grants	

3. Efficiency	
3.1. Cost efficiency/cost-benefits/value for money	Case studies
4. Impact	
4.1. Which project types (A-D) and intervention models had been most inclusive and successful in addressing rural poverty issues?	NVIVO
4.2. How important were rural finance interventions for achieving rural poverty impact?	NVIVO
4.3. Impact on institutions and policies. To what extent did IFAD supported interventions contribute to changes at institutional / sector/ policy levels?	NVIVO
5. Sustainability	
5.1. How sustainable were the institutions supported by IFAD (macro, micro and meso level)?	NVIVO
5.2. How sustainable was support at macro level (policies, legislation)? Within the countries reviewed, were there policies enacted? Were they implemented and are they continuing in force (even after some time)?	
5.3. What are the factors enabling or hindering sustainability at the different levels?	
C. Good practices and lessons review	
6. Good practices	
6.1. What worked well and what didn't? Under which circumstances?	Case studies
6.2. What are good practices on IFS?	
6.3. Where are good practices not applied or lacking?	
7. Lessons learned	
7.1. What are the lessons learned from this synthesis?	
7.2. What are the lessons that could be learned from other international organisations?	Extracting lessons from other organisations (IFIs, UN, bilateral)
8. Opportunities of IFS for rural transformation and poverty eradication.	Relevant studies on IFS/microfinance etc.
9. Limitations of IFS for rural transformation and poverty eradication.	Relevant studies on IFS/microfinance etc.

ESR Review sample (PPEs, IEs and CSPEs)

Project sample

ESR Number	Project ID	Country	Project Namge	Loan amount (million)	Cooperating Organisation	Approval date	Effectiveness date	Completion date	Closing date	Proportion of IFS funding	ESR project type
1	1100001067	Belize	Community-Innitiated Agriculture and Resource Management Project (CARD)	2.293	Caribean Development Bank	23/04/1998	30/06/1999	31/12/2005	01/08/2008	21.3%	B
4	1100000506	Argentina	Rural Development Project for the North-Eastern Provinces (PRODERNEA)	16.5	CAF	18/04/1996	15/10/1998	30/06/2007	15/03/2010	37.7%	B
6	1100001153	China	West Guangxi Poverty Alleviation Project	30.4	IFAD, WFP, UNOPS	07/12/2000	21/03/2002	31/03/2008	06/11/2009	22.0%	B
8	1100001134	Ghana	Rural Finance Services Project	11	World Bank IDA	03/05/2000	29/01/2002	30/06/2008	08/02/2010	92.9%	A
9	1100001068	Dominican Republic	South Western Region Small Farmers Project - Phase II	12	IFAD Pilot, UNOPS	03/12/1998	05/04/2000	31/12/2007	20/05/2009	58.4%	B
13	1100001340	Moldova	Rural Business Development Programme	13	IFAD, UNOPS	13/12/2005	10/07/2006	30/09/2011	15/10/2012	73.0%	A
14	1100001307	Armenia	Rural Areas Economic Development Programme	15.3	IFAD, UNOPS	02/12/2004	19/07/2005	30/09/2009	31/12/2013	50.4%	B
15	1100001039	Zambia	Forestry Management Project	12.6	UNOPS	09/12/1999	26/06/2002	30/06/2007	10/12/2009	24.6%	C
18	1100001121	India	National Microfinance Support Programme	22	IFAD, UNOPS	04/05/2000	01/04/2002	30/06/2009	13/12/2011	97.6%	A
19	1100001227	China	Rural Finance Sector Programme	14.7	IFAD, UNOPS	21/04/2004	13/09/2005	31/03/2010	27/01/2012	68.7%	A
20	1100001205	Mongolia	Rural Poverty Reduction Programme	14.8	IFAD	05/09/2002	09/07/2003	31/03/2011	24/10/2011	25.9%	B
22	1100001325	Georgia	Rural Development Project	9.2	World Bank	19/04/2005	22/05/2006	31/12/2011	16/10/2012	74.2%	A
23	1100001147	Georgia	Rural Development Programme for Mountainous and Highland Areas	8	IFAD	13/09/2000	04/09/2001	30/09/2011	16/10/2012	34.4%	C
24	1100001263	Sudan	Gash Sustainable Livelihoods Regeneration Project	24.9	IFAD	18/12/2003	12/08/2004	30/09/2012	14/10/2013	23.7%	C
25	1100001161	Uruguay	Uruguay Rural	14	IFAD	07/12/2000	04/09/2001	31/03/2011	11/03/2013	23.5%	C
31	1100001226	India	Livelihood Improvement Project for the Himalayas	39.92	IFAD\PR: UNOPS	18/12/2003	01/10/2004	31/12/2012	17/12/2013	58.4%	C
32	1100001245	Pakistan	Community Development Programme	21.77	UNOPS	18/12/2003	02/09/2004	30/09/2012	30/06/2014	54.2%	C
33	1100001339	Albania	Programme for Sustainable Development in Rural Mountain Areas	8	UNOPS	13/12/2005	14/02/2007	31/03/2013	30/01/2015	22.0%	C
40	1100001402	Bangladesh	Finance for Enterprise Development and Employment Creation Project (FEDEC)	35	IFAD	11/09/2007	08/01/2008	31/03/2014	30/09/2014	93.3%	A
41	1100001253	Philippines	Rural Microenterprise Promotion Programme(RuMEPP)	21.2	Asia Development Bank	19/04/2005	31/10/2006	31/12/2013	30/06/2014	89.1%	A
42	1100001204	Egypt	West Noubaria Rural Development Project	18.48	UNOPS	23/04/2002	09/04/2003	30/06/2014	31/12/2014	54.5%	C
43	1100001164	Malawi	Rural Livelihoods Support Programme (RLSP)	13.47	UNOPS	12/09/2001	30/08/2004	30/09/2013	31/03/2014	38.0%	C
45	1100001362	Cameroon	Rural Microfinance Development Support Project	16.7	IFAD	11/09/2008	07/05/2009	30/06/2016	31/12/2016	80.2%	A
46	1100001371	Lesotho	Rural Financial Intermediation Programme			12/09/2007		31/03/2015		69.5%	A
47	1100001507	Georgia	Agricultural Support Project	13.7	IFAD	17/12/2009	08/07/2010	30/09/2015	31/03/2016	28.0%	B

Source: ESR compilation based on GRIPS.

CSPE sample

ESR assigned ID	Country	Region	CPE Evaluation year	Country classification at time of evaluation	CSPE Coverage	Total Projects Evaluated	Portfolio total (US$)	Portfolio sum of rural finance activities (US$)*	Proportion of rural financial activities in total project funding
1	Mozambique	ESA	2008	L	1993-2009	7	201 435 257	64 090 583	31.8%
2	Argentina	LAC	2009	UM	1988-2008	5	135 208 816	27 894 700	20.6%
3	India	APR	2009	L	1987-2009	18	1 263 469 771	551 657 037	43.7%
4	Niger	WCA	2009	L	1997-2009	7	198 117 954	38 312 516	19.3%
5	Ghana	WCA	2010	LM	1998-2010	6	284 915 963	101 251 288	35.5%
6	Kenya	ESA	2010	L	2000-2011	7	242 036 865	85 499 898	35.3%
7	Vietnam	APR	2010	LM	2000-2010	11	351 799 426	106 373 749	30.2%
8	Yemen	NEN	2010	LM	2000-2010	10	259 376 674	49 468 469	19.1%
9	Ecuador	LAC	2012	UM	1997-2012	4	157 230 056	27 596 566	17.6%
10	Indonesia	APR	2012	LM	2004-2012	7	351 420 000	102 984 001	29.3%
11	Mali	WCA	2012	L	2007-2012	5	318 835 856	57 988 773	18.2%
12	Nepal	APR	2012	L	1992-2012	6	215 052 770	21 143 619	9.8%
13	Bolivia	LAC	2013	LM	2005-2012	5	128 519 724	13 898 296	10.8%
15	Moldova	NEN	2013	LM	1992-2012	5	111 774 220	89 890 719	80.4%
16	Zambia	ESA	2013	LM	2003-2013	7	157 635 862	37 738 309	23.9%
17	Bangladesh	APR	2014	LM	2004-2014	10	782 267 319	99 998 493	12.8%
18	Tanzania	ESA	2014	L	2004-2014	7	443 846 368	83 319 959	18.8%
19	Brazil	LAC	2015	UM	2008-2015	8	606 668 620	102 888 542	17.0%
20	Ethiopia	ESA	2015	L	2008-2015	8	878 967 534	463 266 013	52.7%
21	India	APR	2015	LM	2010-2015	13	1 528 597 357	433 888 250	28.4%
22	Turkey	NEN	2015	UM	2003-2015	4	131 855 460	18 140 041	13.8%
23	Egypt	NEN	2016	LM	2005-2016	9	594 056 606	295 333 023	49.7%
24	Mozambique	ESA	2016	L	2010-2016	6	271 831 621	61 218 374	22.5%
27	Cambodia	APR	2017	LM*	2007-2016	7	316 064 048	62 987 722	19.9%
28	Peru	LAC		UM*	2002-2016	6	217 215 947	33 805 238	15.6%

Source: ESR compilation based on GRIPS.

Background – The microfinance debate

The contribution of microfinance to poverty alleviation and the Microfinance Crisis (2010 – 2015)[173 174]

After about two decades of supporting microcredit and later, microfinance, harsh criticism emerged in the international debate identifying such support as “the microcredit lie” at around 2010. The criticism referred to the idea that microcredit can lift people out of poverty, as the Grameen Bank Founder Mohammad Yunus had promulgated. The debate referred to the limitations of microcredit as development tool. I had appeared that borrowers often used microcredit for other purposes than for productive ones. The so-called “power of microcredit” generating additional income was recognized to be limited. Other criticisms were that microcredit is helping to over-indebt people. Impact studies were pointing to a negative impact of microcredit on poverty levels.

As the Grameen type of microcredit provision had often been indirectly subsidised, the commercial model emerging embarked on cost-covering interest rates that had to be charged to sustain the business. The commercial way of a financially self-sustainable for-profit model that does not need subsidies had made headway until this model was severely criticized when several large MFIs went public (e.g. in Mexico 2007). At this point, the accusation came up that severe profiteering took place in the industry from owners, investors and advisors. The reference to the “neo-liberalisation of microcredit” was said to have backfired in a harsh way.

Studies (as of 2014[175]) have shown that despite the fact that impact of microcredit on poverty alleviation was overestimated, it has some positive effects on consumption and investment behaviour of those having microcredit.[176] Evidence on the impact on microcredit was mixed but overall positive: some programmes reported no evidence on household welfare, while others reported positive changes on consumption smoothening and businesses. Regarding savings, the impact is reported to be more consistently positive, as it helps households manage cash flow spikes and smooth consumption, as well as build working capital. Concerning insurance, impact was also assessed to be positive, however, serious demand-side barriers such as lack of trust and liquidity constraints hamper up-take. The impact of “newer” financial services such as payments and mobile money is less clearly researched. However, for example, the positive impacts of reduced transaction costs of remittances was measurable, e.g. a reduction by 42% was measured in the cost of sending remittances via post offices in 4 pilot countries.[177]

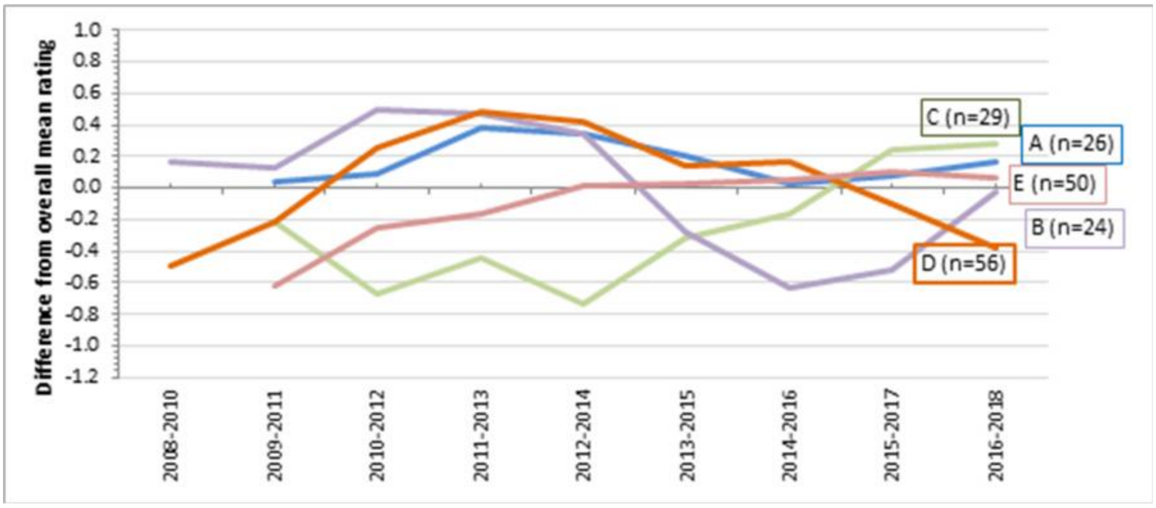
Still growing numbers in formal microfinance. Nevertheless, formal microfinance was continuing to expand after the crisis. For example, the aggregate number of borrowers served by 821 MFIs reporting to the global data platform MIX Market from 91 countries grew 21 per cent per year between 2003 and 2008, and the loan portfolio 34 per cent.[178] As per 2015, 116 million active borrowers were served by 1,033 MFIs in 201 developing markets that report to the MIX, as well as 98 million depositors. Regarding mobile money, the GSMA 2017 reports mobile money as the leading platform, with 690 million registered accounts, of which 247 million are actives users (90 days). However, in fact, the total number of people served by all providers together must be considerably higher as those reported by the MIX and by GSMA because those served by banks, CBFOs and insurance companies are not captured by these databases. Micro insurance alone reports over 500 million coverages.

173 Adapted from: CGAP Blog, Richard Rosenberg 2009 http://www.cgap.org/blog/does-microcredit-really-help-poor-people
174 International Development Studies Working Paper Series, 001, January 2014, Milford Bateman
175 http://www.cgap.org/sites/default/files/FocusNote-Financial-Inclusion-and-Development-April-2014.pdf
176 The miracle of microfinance? Evidence from a randomized evaluation (Banerjee, Esther Duflo, Glennerster, Kinnan, March, 2014)
177 IFAD Postal Financial Services Africa, March 2018
178 MIX Data Brief No.5, June 2010

Detailed performance review with project cases

The review of IOE project ratings indicate that projects that included FS interventions have outperformed projects without any IFS interventions (Type E) until 2015/2016 when the trend has flattened. Projects with substantial IFS financings (>60 per cent), but without a dedicated IFS component, (Type A) performed above average throughout the period. Projects with IFS financing between 20 and 60 per cent (Type C) register a positive trend starting 2015/2017, while D Type projects (IFS financing below 20%) have been on a downward trend since 2012/2014.

Figure 1
Distance from overall mean of project types A-E project performance ratings in the PPE/IE/PCRV sample by moving averages of 3 years (2008-2018)

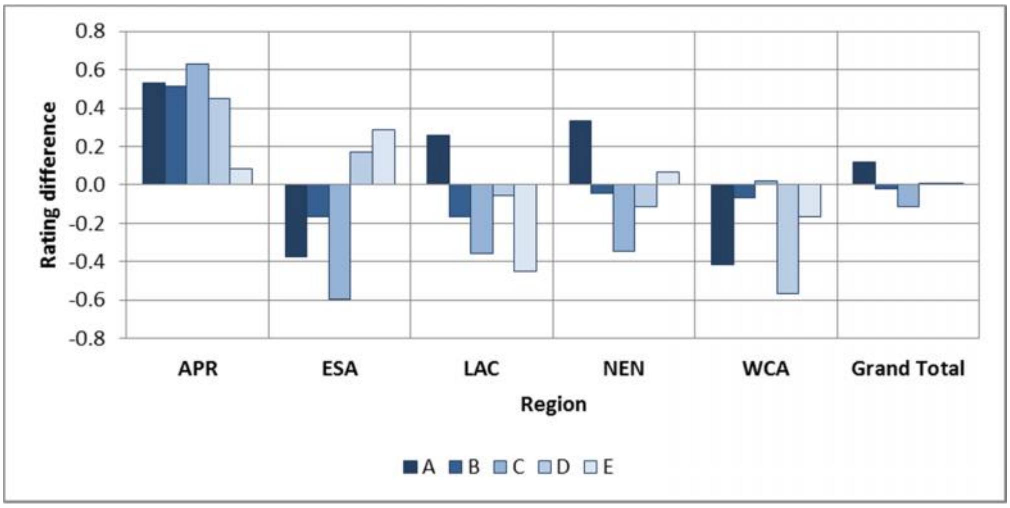


Source: IOE ratings database.

Projects with IFS financing between 20 and 60 per cent (Type C) have followed a different trend. They showed wide variance in performance between 1998 and 2001, with overall average project being low. This improved from 2002 onwards, with no negative outliers and the overall average improving. On average this type of projects continued to perform worse than most other project types until 2014/2016 when they started outperforming all other types of projects.

The performance of IFS projects varies widely between regions. All types of projects, but particularly projects with dedicated IFS components (Type B) performed above the regional average in APR. IFS projects performed below regional averages in ESA. Projects with significant IFS funding (Type A) performed better than other project types in NEN and LAC. Type C projects with IFS financing between 20 and 60 per cent show a significant above the average performance in APR.

Figure 2
Distance from regional mean of project types A-E project performance ratings in the PPE/IE/PCRV sample (2008-2018)



Source: IOE ratings database.

Projects with high relevance ratings. Projects with a high share of rural finance funding that responded well to the institutional context were found highly relevant. Within the PPE sample, five projects were rated fully satisfactory (5). The average share of funding allocated to fully satisfactory (relevance) projects was 44.6%. Only 1 full rural finance Project (#18 India, with 97% of rural finance funding) was rated fully satisfactory on relevance. In China (#6: high relevance and effectiveness) the choice of credit lines by member-governed FSPs (Rural Credit Cooperatives, RCCs) responded to the need of more access to rural financial services through participatory approaches. Also, by providing more resources for RCCs, lending for investments and to women was induced. In Yemen (CPE) the choice of the SFD (Social Fund for Development) as meso-level partner was found highly appropriate: it evolved into a highly effective and efficient organization, with particular strengths in the social aspects of poverty reduction and community development, participating in the implementation of the national poverty reduction strategies. In India, (#18) the focus on providing grants to MFIs in order to allow expansion of operations and managerial, administrative, operational costs coverage was found relevant.

Projects with low relevance ratings. On the other hand, projects that were based on poor institutional choices were found less relevant. The share of funding allocated to rural finance tends to be lower in less relevant projects. Seven projects have received less than satisfactory ratings (3 and 2) on relevance. Allocations of funding were less than 30% for Albania, Sudan and Zambia, but more than 60% for Lesotho and Cameroon. In Zambia, the most relevant strategies were based on credit facilities, designed in a time of liquidity shortage, and Community-Based Financial Institutions, by provision to rural villages with focus on female participation. The choice of NSCB (National Savings and Credit Bank) as a partner was not appropriate because of its ongoing focus not on rural poor rather on their previous and higher-segment clientele. In Albania, a successful strategy was strengthening and consequent transformation of MADA (Mountain Areas Development Agency) into a regional development agency. However, the decision to transform the Mountain Areas Finance Fund into a rural commercial bank was not successful.

Effectiveness ratings. Overall, 70% of projects reviewed (18 in absolute terms) register an effectiveness rating between 2 and 4 and only the remaining 30% (7) goes beyond 4.5. Effectiveness ratings were fully satisfactory (5) for three projects in APR (#18 India, #19 China, #40 Bangladesh), and one project each in NEN (#14 Armenia), LAC (#25 Uruguay), and WCA (#08 Ghana). Only #06 China was rated highly effective (6). In general, high effectiveness (5 or 6) ratings are aligned with positive outputs and outcomes ().[179] However, in two cases the fully satisfactory ratings (5) do not correspond with the documented results (#40 Bangladesh, and #19 China).[180]

[179] #14 Armenia, #25 Uruguay, #8 Ghana, #18 India, #06 China
[180] Also there are three projects: where positive outputs are accompanied by unsatisfactory ratings (#24 Sudan, #45 Cameroon, #43 Malawi). In one single case (#09 Dominican Republic) a moderately satisfactory rating (4) is not associated with positive achievements in rural finance.

High effectiveness ratings correlate positively with the amount of funding. Projects with more than 60 per cent of funding allocated to rural finance (Type A) report a positive output and outcomes. Four (out of nine) Type A projects have fully satisfactory ratings. The average proportion of funding allocated to rural finance is 82.1 per cent. The highest percentage of funding is noticed in India #18 (97.6 per cent, effectiveness rating 5). Projects with a high proportion of rural finance funding tend to perform better because they are can dedicate financial resources and qualified staff to the implementation of rural finance activities.

On the other hand, projects with a dedicated rural finance component (Type B) manage rural finance activities among others. The average proportion of funding for Type B projects in the sample is 33.8 per cent; funding ranges from a low 21.3 per cent to a high 58 per cent. Hence project ratings reflect the performance of the overall set of activities, not only the rural finance component. However, five (out of 12) Type B projects have received moderately unsatisfactory (3) ratings.

Major results reported. The most common positive outputs in effective projects are: (i) good loan provision; (ii) FSP staff training; (iii) expanded loan portfolio and new products/services; and (iv) capacity building. The less common outputs showing a positive outcome and high effectiveness are identified with: (i) strengthening of CBFOs; (ii) expanded loan portfolio; (iii) establishment of credit cooperatives and creation of credit committees; (iv) inputs into regulatory framework; (v) introduction of group lending services; (vi) increase of MSMS borrowers; and (vii) creation of rotating funds.

Outcomes with regard to the improved performance of FSPs are reported in five highly effective projects. Operational efficiency was improved in #08 Ghana (Effectiveness rating 5). The cheque clearing intervention has resulted in related cost savings of 75 per cent for the RCBs. Savings mobilized by rural and community banks increased by GHS 275 million (from 39 million in 2001 to 315 million in 2008), compared to a target of 300 million, although this change cannot be attributed to the IFAD project only. The cost per dollar lent in the case of rural banks decreased significantly from 0.49 cents to 0.12 cents.

In # 19 China (Effectiveness rating 6) the operating self-sufficiency (OSS) of the RCCs networks increased, confirmed by the improvement in operational efficiency given by loan officer productivity ratio. Extended credit services, with low operating cost at grassroots level, through the creation of a network of farmer credit agents (intermediaries) that acted as intermediaries between lenders and borrowers, enabled the provision of loan products to farmers in remote villages.

Institutional change/transformation occurred in #18 India. NMSP strongly supported the institutional development of MFIs through innovative approaches to facilitate transformation of not-for-profit MFIs into for-profit non-banking finance companies (NBFCs), in some cases following the route of an NGO transforming into an NBFC. Including the strategy of the Small Industries Development Bank of India (SIDBI) Foundation for Micro Credit, inter alia, development of local MFIs, inducing successful microfinance operators in well-served states to expand operation in underserved states, incubating start-up MFIs, and providing a portfolio risk fund facility. At project completion, out of 131 MFIs supported by the project, 73 MFIs were in underserved states. All these measures have had a positive impact on the majority of the MFIs with regard to governance, management and client protection. The geographical coverage of the microfinance sector has increased significantly and there has been a much wider range of methodologies, products and institutions involved in the delivery of microfinance in India (when comparing the end of the programme to the beginning).

Regulatory outcomes were also reported in #18 India. The Small Industries Development Bank of India (SIDBI) Foundation for Micro Credit contributed in various ways to the formulation of RBI regulations for NBFC MFIs. It also played an important role in supporting the MFI associations in establishing common codes of conduct, developing credit bureaus, and promoting a lenders" forum to ensure a common set of terms and conditions that the lenders incorporate in the agreements with MFIs.

Of 25 PPEs reviewed two projects (#15 Zambia, #23 Georgia) did not implement IFS activities. Of the 23 remaining projects reported, 4 (#08 Ghana, #20 Mongolia, #22 Georgia, #43 Malawi) did not have data to make a judgement on the impact of IFS activities on overall target groups, though #20 Mongolia and #22 Georgia were able to discern impacts for women (see outreach chapter).

Over half of the reviewed PPEs (11 out of the 19) reported positive impacts for their intended target groups. Within this group, five projects were Type A (with more than 60 per cent rural finance funding). Four projects had a dedicated rural finance component (Type B). Nine projects (Type A, B and C) had more than 50 per cent funding. The remaining two projects had less than a quarter of their funding allocated to rural finance (#06 China, #25) and it is therefore likely that the positive impact are attributable to non-rural finance interventions as well.

Negative results were reported for four projects, which includes three projects with a dedicated rural finance component (Type B), but only one Type A project, #45 Cameroon, that had more than 80 per cent rural finance funding but failed to achieve any positive impacts.

High poverty impact projects. Projects that were rated high (5) on poverty impact included the following:

a. In #04 Argentina the choice of the indigenous people graduation model generated one CBFO-type FSP (SACCO), to be considered appropriate, given the high poverty rates, proposed grant process to finance income generating activities via the vehicle producer or multi-purpose cooperatives, and the function the cooperatives assumed that was linked to finance. These organizations assumed the functions of selecting the beneficiaries of credit, preparing projects and investment plans, supervising the execution of projects and / or plans, collecting individual payments, among others. In addition, the funds from the SACCO gave the cooperatives the possibility of buying crops from the members and paying them in cash, to then make a large-volume sale at a better price. One main bottleneck, however, was the lack of additional capital to buy larger volumes.

b. In #13 Moldova, the positive impact was determined by Banks developing appropriate loans for MSMEs, despite being somehow reluctant in wanting to apply their own loanable resources to farmers because urban clients are given higher priority in the hierarchy of clients.

c. In #18 India, microfinance services proved to be an important component in the efforts towards poverty alleviation and women's empowerment.

d. In #19 China, positive impact was determined by the line of credit, which enables rural poor to increase their access to financial services.

e. In #14 Armenia, improvement of living conditions was noticed through increasing the level of financial inclusion in rural areas.

The lowest poverty rating (3) was given to #22 Georgia: The project's impact to be realized through changes in the pro-poor orientation of private sector organizations, mainly through creating a leasing sector directed to sustainable rural economic growth and poverty reduction, was not successful. In terms of private sector organizations, although ASP intended on creating a market for leasing products for MFIs, this clearly did not work out. The project had no or little influence on food security. No sustained improvement of household income attributable to interventions can be noticed and the community development component does not show any impact on human and social capital and empowerment. The only positive aspect has been the improvement of accessibility to education and health.

Institutional-level impact. 38 evaluations reported changes at the institutional level (23 PPEs and 15 CSPEs). 27 of 37 evaluations found positive changes on institutions. #06 China impact on institutional level is given by the strengthening of the RCC network. #40 Bangladesh shows a positive impact at institutional level only, with institutionalization of microenterprise financing mechanism through partner organizations. Yemen CPE is a clear example of the negative impact on institutional changes. Due to the state-owned Cooperative and Agriculture Credit Bank's (CACB) lack of interest, this model was particularly exclusionary to the rural poor. The poor experience of CACB in the projects has effectively convinced it to eventually exit the agricultural lending sector.

Sector-level impact. 17 of 24 evaluations found positive changes on the sector. Mixed results were reported in three evaluations (#22 Georgia, Nepal CPE, Peru CSPE), while four found negatively reported impacts (#40 Bangladesh, #45 Cameroon, #47 Georgia, Egypt CSPE). In Ethiopia (2015 CPE) RUFIP helped to establish a well-conceived and functioning system of microfinance, and as a result of its positive impact, the Central Bank created a new Regulation and Supervision Department for MFIs and a new Financial Services Department focused only on RUSACCOs was put into place. Notably, in Ethiopia, RUFIP worked along-side with other donors such as the World Bank and under clear guidance of the Central Bank, while the sector could also rely on a strong national microfinance association.

Niger (2009 CPE) shows positive changes at sector level, since the PDSFR contributed to the development of the National Microfinance Strategy adopted in March 2004 and supported the establishment of the national consultation framework. In Mozambique (2010 CPE), changes at institutional level are shown by GAPI's engagement in PAMA, which helped improve its business development service, specializing in developing the capacity of rural producers, traders and small-scale agro-processers, supporting their ability to borrow.

Policy-level impact. 18 evaluations reported changes at the policy level (6 PPEs and 12 CSPEs). 13 of 18 evaluations found positive changes on policies and/or regulatory frameworks.

High impact projects

#18 India can be considered a best practice in term of overall achievement, effectiveness and positive impact on rural poverty, as well as on changes at institutional, sector and policy level. Only mixed results are reported in terms of poverty focus, as the very poor have not been reached by the project. Main factors that contributed to positive impact can be found: (i) at institutional level: Introduction of code of conduct assessments of the MFIs in most of the institutions involved; (ii) at sector level: establishment of credit bureaus; (iii) at policy level: Proactive role in the formulation and revision of the Microfinance Regulation and Development Bill. High funding and presence of NGO interested and able to convert to an MFI, can be considered successful drivers for this project.

In **#08 Ghana**, all levels have been positively impacted. At institutional level, the contribution to the creation of the ARB Apex Bank improved access to capital and training for rural banks. At sector level, thanks to policy dialogue initiatives, a microfinance sector forum was established. Moreover, the Government set up a new institution under the Office of the President, called MASLOC, and an improved inspection of rural banks by the Bank of Ghana, with supervision at least once a year. A contribution at policy level is proven by the support to the preparation of the Microfinance Policy of Ghana in 2006.

#13 Moldova has positive impacts across all levels: (i) at institutional level, financing mechanisms for rural enterprises were created; (ii) at sector level: a revolving fund managed by the Ministry of Finance for continually refinancing commercial bank's rural lending and a network of capable business services providers were established; and (iii) at policy level: evidence-based knowledge and experience for policymaking in the rural economy was provided (together with USAID).

In **#19 China**, the establishment of the Chinese Banking Regulatory Commission (CBRC) as regulatory body overseeing the RCCs and banks instead of directly managing them drove a positive impact at institutional level. In terms of sector level, since 2005, the reform accelerated and selective RCCs were restructured into rural commercial banks, rural cooperative banks, and rural credit cooperatives. In addition, in the period 2007/2008, new types of smaller rural financial institutions were licensed: village and township banks (VTB), microcredit companies, rural mutual fund associations. Policy level changes results are mixed: the RCC network reform, providing clarity on structure and ownership, could be unlikely be attributed to the project.

When considering projects with a dedicated rural finance component (and at least 50 per cent rural finance funding), **#14 Armenia** is the most successful. Impactful changes at institutional level are linked to: (i) local banks becoming more active in the rural areas of the project, with an increase on the level of offerings, portfolios and number of branches; and (ii) introduction of a new three-pronged risk-sharing mechanism[181] for rural loans. At sector level, increased access to investment capitals in rural areas and establishment of the RFF, as the institution responsible for facilitating access to financial services in rural areas (acting as a revolving fund as well), contributed to positive changes at sector level.

Low impact projects

In **#32 Pakistan**, negative impact at institutional level is due to a low level of saving activities (approx. US$ 14 per group member) because savings were just deposited to obtain matching funds. This, and the fact that there was no strategy for the long-term **sustainabilit**y of the groups, considering a network of apex and which finally compromised the sustainability of the established community organizations. Results were models because of insufficient strategic thinking and needs assessment.

[181] The new risk-sharing mechanism provided rural investment incentives for both banks and clients with various innovative features by a combination of three strategic elements: i) the establishment of the RFF, as a vehicle for leveraging private-sector capital in support of poverty reduction; ii) a mechanism that unlocks the door to long-term loans for agricultural and rural development enterprises; and iii) a package including finance, knowhow transfer and an awarding mechanism of grants for investments in public infrastructure based on commercially justifiable criteria.

In **#33 Albania** impact of the finance component on the poor remained doubtful. The envisaged transformation of MAF Fund – later renamed to First Albanian Finance Development Company - into a formal rural finance institution proved to be unfeasible as early as 2007. Government decided to refrain from that plan as commercial banks were increasingly available throughout the country. The state-owned First Albanian Finance Development Company has remained a non-banking financial institution, unable to mobilize deposits. With is 27 branches (out of 40 planned), it covers more than 1,300 villages, provided 8,770 loans, 76 per cent of which have been for less than US$ 5,000. However, it 95 per cent of loans were for SMEs, and its original mandate to service the poor is on paper only. Worse, its sustainability is questionable.

#23 Georgia is a highly ineffective project overall and did not succeed in implementing changes at any level analysed. Among others, there was the lack of agreement with government on the operational format for delivery of credit, which made the component inactive. The initial idea was that the Ministry of Finance be in charge of contracting commercial banks to provide credit services for small and medium enterprises (design and implementation challenge) in phase 1. Later, government support for the proposed rural finance provision thought CUs, MFIS and commercial banks was not provided.

In **#42 Egypt,** although positive poverty impact had been recorded due the establishment of CDAs, WUAs, FMAs there had been no impacts at institutional, sector and policy levels in the area of finance. The project's approaches to support self-sustaining mechanisms for rural finance. Channelling loans to small farmers worked initially, however, the Principal Bank for Development and Agriculture Credit which is going through restructuring and hence, underperforming (onerous requirements, delays and poor follow-up on repayment) leading to very few second loans being issued to clients. The IDS revolving fund operates outside of the financial system raising issues of **institutional sustainability.**

Within the PPE sample (25 projects), 28% can be considered successful (7 projects: China #6, Ghana #8, Armenia #14, India #18, China #19, Uruguay #25, Bangladesh #40). These projects have the following features:

<table>
<tr><td>High effectiveness (between 5 and 6)</td><td>Relevance, sustainability and rural poverty impact between 4 and 5</td><td>Capacity building as a common enabling factor</td><td>Training as a common non-financial support</td><td>42% of the successful projects show the presence of Apex funds</td></tr>
<tr><td>29% of projects report credit unions as financial service providers, CBFOs and commercial banks</td><td>57% register Line of credit as financial instrument.
42% of projects are Type B (dedicated IFS component and 58% are Type A (funding between 20 and 60 %).</td><td>Only 42% present positive gender results, determined by increased women empowerment, outreach to women and CBFO/ enterprise development</td><td colspan="2">71% of the successful projects as amongst the most inclusive in rural finance, due to: (i) increase incomes among microenterprises' families; (ii) increased involvement of women in microenterprises; (iii) improved children's nutritional status; (iv) expansion of MFIs networks; (v) Improved policy network</td></tr>
<tr><td colspan="5">Main Impact factors for successful projects were: (i) Strengthening IFIs (credit unions) to lend to established groups with increased access to market information formed under a marketing federation for better marketing (China #6); (ii) Constitution of ASCAs to provide community-based financial credit and savings services complemented with Micro-level support to retail FSPs, Meso-level support from MFI promoter associations, and Macro-level support to the central bank to provide better oversight of MFIs and policy dialogue (Ghana #8); (iii) Increase private bank outreach to rural SMEs and producers (Armenia #14); (iv) Expansion of MFIs networks and Improved policy network (India #18); (v) Reform of policy government and strengthening of local FSs to increase outreach to rural poor (China #19); (vi) Demand-based beneficiary-selected investments for social and economic local development, and Credit Fund for increased rural finance access for investments in production, plus CBFOs and enterprise development (Uruguay #25); (vii) Increased income of microenterprises, increased women empowerment, Increased profit of SMEs and long term sustainability (Bangladesh #40).</td></tr>
</table>

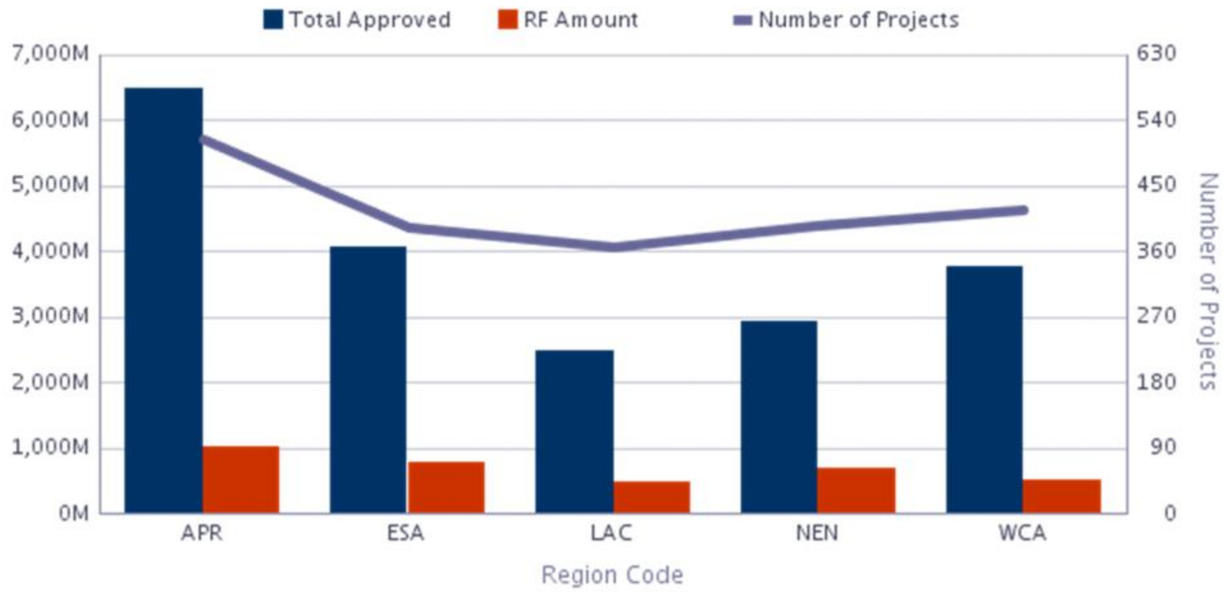
36% of the projects within the PPE sample can be considered unsuccessful, with effectiveness ratings between 2 and 3 (9 projects: Belize #1, Zambia #15, Georgia #23, Sudan #24, Albania #33, Malawi #43, Cameroon #45, Lesotho #46, Georgia #47). These projects show the following features:

<table>
<tr><td>Low effectiveness (between 2 and 3)</td><td>67% of projects have relevance ratings between 2 and 3; 55% have sustainability rating between 2 and 3; 44% show unsatisfactory ratings for rural poverty impact</td><td>Inappropriate strategy, lack of contextual understanding, government support and insufficient funding amount are hindering factors</td><td>100% of projects show loans as type of financial service provided.

22% of projects are Type C, another 22 % are Type A and the remaining 55% of unsuccessful projects are Type B.</td><td>Common approaches for unsuccessful projects are capacity building and retail financing.</td></tr>
<tr><td>67% of projects report line of credit as financial instrument. Only 3 out of 9 projects show credit unions as FSPs and none of them show the choice of matching grants.</td><td colspan="4">33% of the unsuccessful projects are listed among the least inclusive in rural finance and in particular: (i) Albania #33, where the outreach was very low (loan recipients were not poor – only 5 per cent - and relatively well off). Jobs generated did not show if they were taken up by the poor. Only 18.6% of loan recipients were women. Poverty reduction as a consequence of interventions had little evidence and in addition the very limited number reached; (ii) Cameroon #45, reporting limited improvement of agricultural productivity and causing the Increase of the already existing income gap between beneficiaries and non-beneficiaries; and (iii) Georgia #47, where several negative results were reported such as: a. not reaching the initial target groups, rather large-scale enterprises that exploited leasing finance for limited operations; b. no effect on food security; c. no change in the orientation of private sector toward pro-poor focus as expected; and d. missed creation of leasing products market among MFIs.</td></tr>
</table>

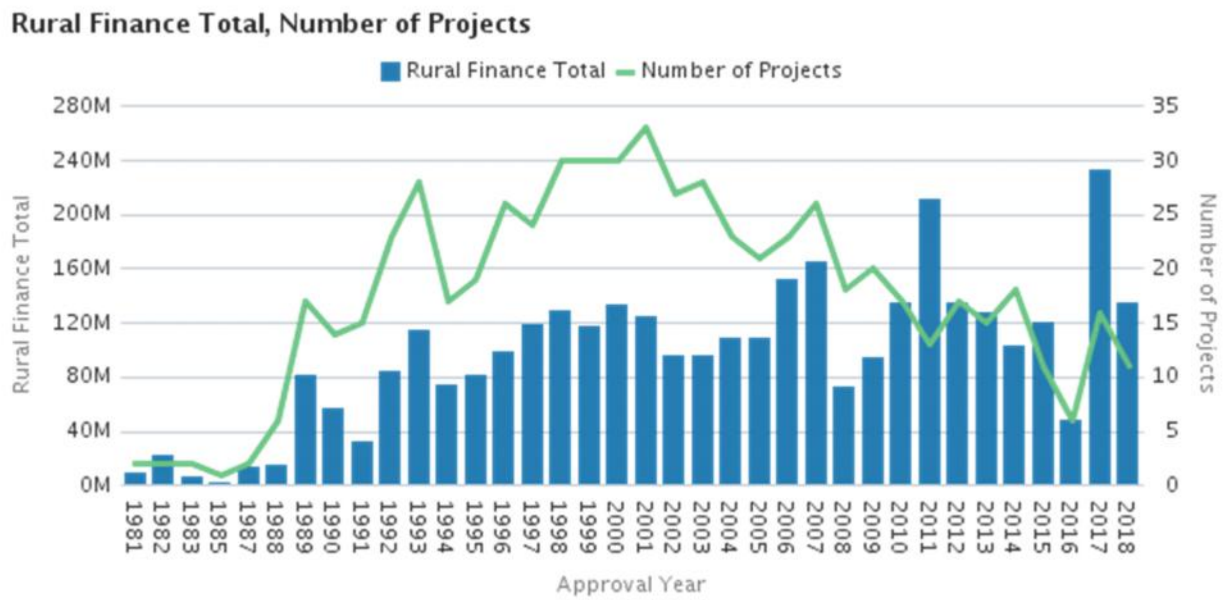
Additional supporting tables and figures for Chapter IV

Figure 1
Total IFS funding and number of projects approved in IFAD



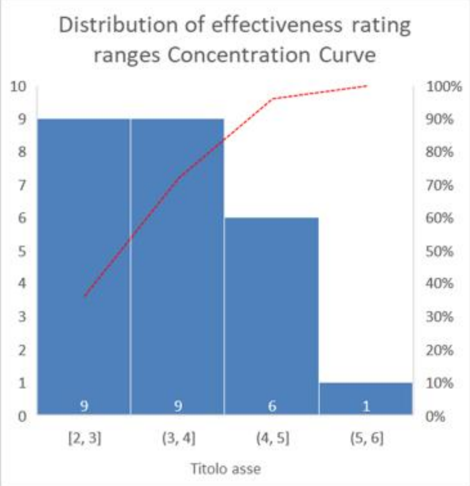
Source: Rural finance dashboard, accessed January 2019.

Figure 2
Total IFS funding and number of projects according to years



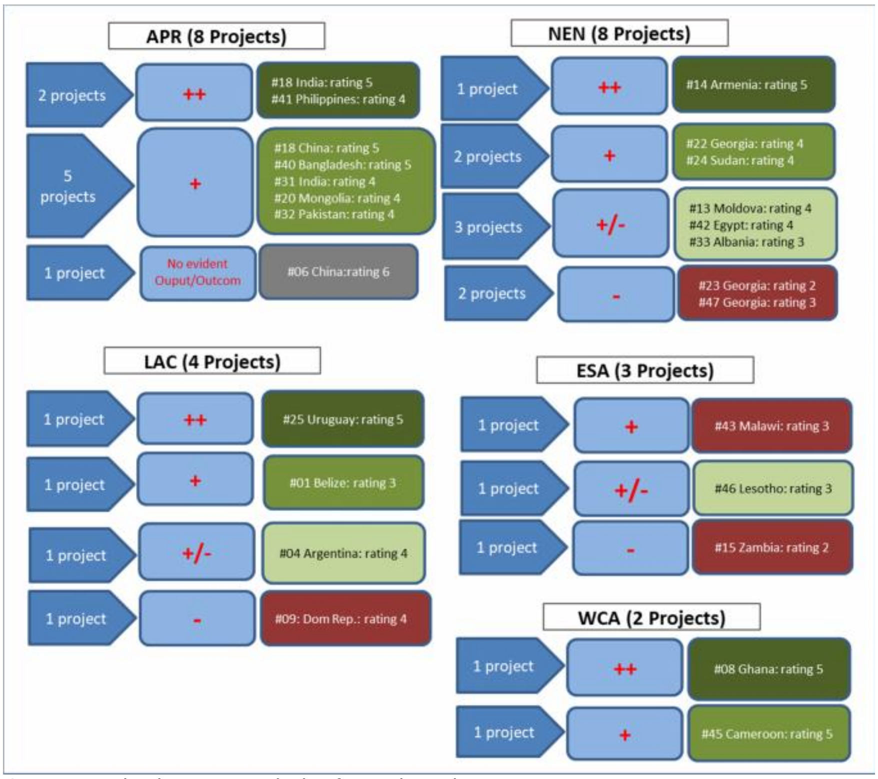
Sources: Rural finance dashboard, accesses January 2019.

Figure 3
Distribution of Ratings in project sample



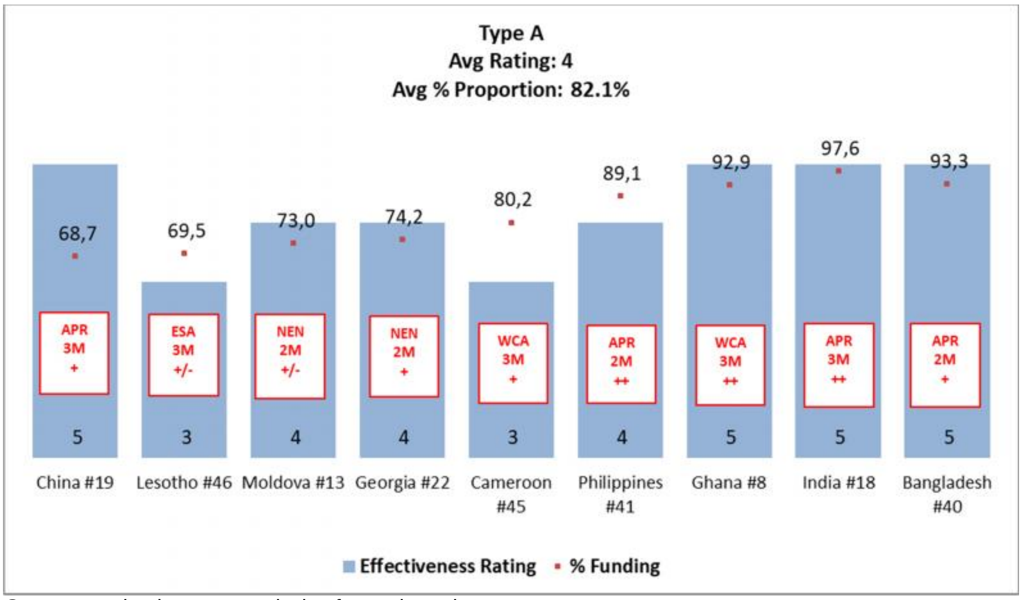
Source: synthesis report analysis of sample projects.

Figure 4
Achievement of IFS results according to projects and regional divisions



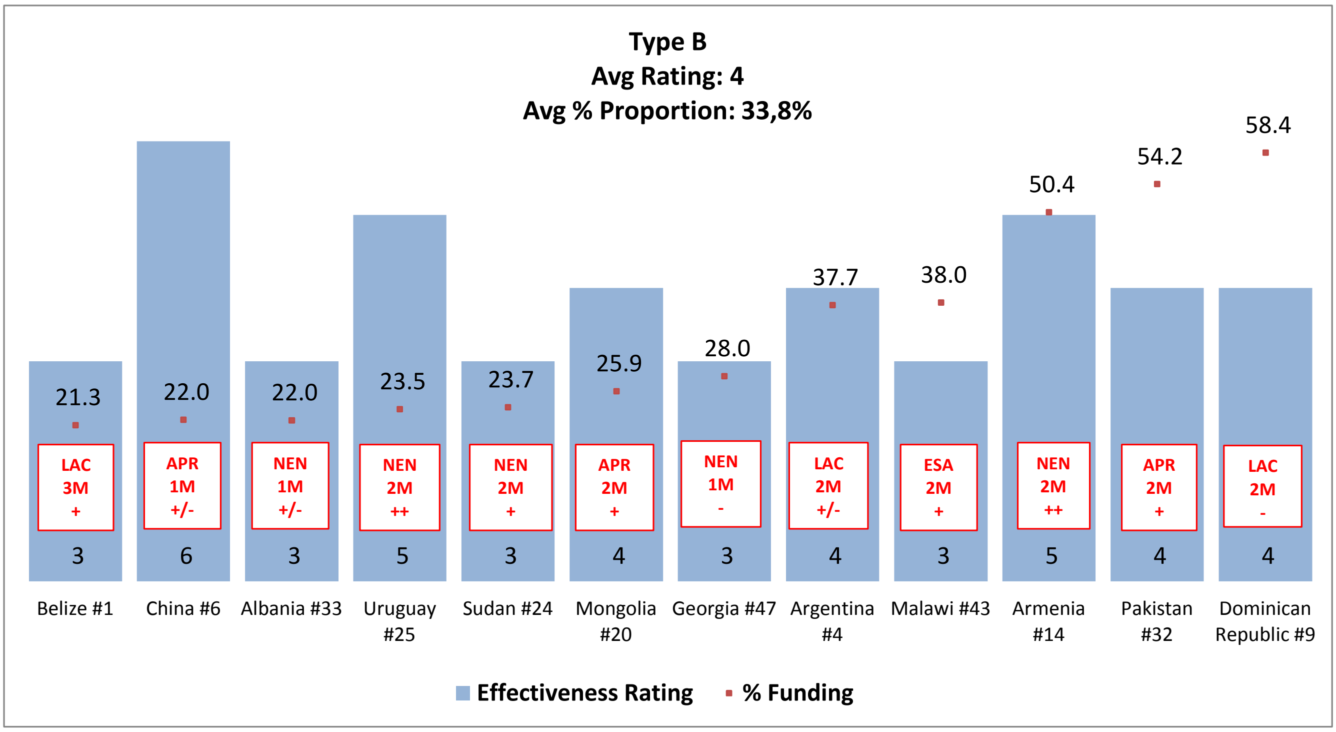
Source: synthesis report analysis of sample projects.

Figure 5
Type A projects – Effectiveness Ratings, funding and IFS results



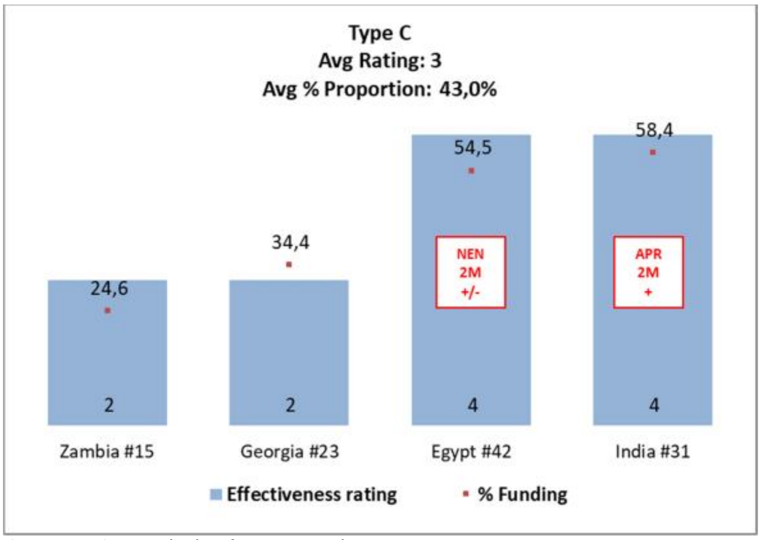
Source: synthesis report analysis of sample projects.

Figure 6
Type B projects – Effectiveness Ratings, funding and IFS results



Source: synthesis report analysis of sample projects.

Figure 7
Type C – Effectiveness Ratings, funding and IFS results



Source: ESR analysis of PPE sample.

Table 1
Documented IFS outputs and outcomes

	More effective projects		Less effective projects	
More Common	Improved loan provision	*High repayment rates*	Intended reforms not carried out/intended new	
		High repayment rates/improve profitability	Poor/underachievement of targeting	*Lack of transformation to fully functioning bank*
		New financial products and services	Bad Loan provisions	
	Staff Training	*Better loan recovery*		
		Bank-CBFO linkage through access to institutional credit facilities		
		Increased share of banks' portfolios in rural activities and increased focus on		
	Expanded Loan portfolio/New products and	*Linkages between informal-formal rural micro finance organizations*		
	Credit access to clients improved through credit			
	Favourable loan terms used for investments	*Funds raised from interest payments handed to producer groups*		
	Establishment and strengthening of MSMEs	*FS for microenterprises*		
Less Common	CBFO Strenghtened	*Better meso-level assistance to micro-level institutions*	Legislation and regulation changes delayed	*Financial health of Member-governed FSPs uncertain*
	Credit cooperatives established		Low performance of financial instruments	
	Expanded Loan portfolio	*High repayment rates*	IFS activities cancelled	
	Inputs into regulatory frameworks	*MFI programmes broadened*		
	Introduction group lending services	*Better loan recovery (60-88)*		
	Large Number of MSME Borrowers			
	Local credit committees created	*Associating in groups increased beneficiary networking with other*		
	Rotating funds created			

Source: ESR analysis of PPE sample

Table 2
Documented Gender Results (synthesis report project sample)

Positive gender results	Gender rating	Overall achievements	Effectiveness rating
#09 Dominican Republic	N/A	-	4
#22 Georgia	5	+	4
#24 Sudan	5	+	3
#25 Uruguay	5	++	5
#31 India	5	+	4
#32 Pakistan	5	+	4
#40 Bangladesh	4	+	5
#41 Philippines	5	++	4
Negative gender results	Gender rating	Overall achievements	Effectiveness rating
#04 Argentina	N/A	+/-	4
#06 China	N/A	0	6
#13 Moldova	3	+/-	4
#14 Armenia	3	++	5
#19 China	4	+	5
#33 Albania	4	+/-	3
#42 Egypt	4	+/-	4
#43 Malawi	3	+	3
#47 Georgia	2	-	3
Mixed gender results	Gender rating	Overall achievement	Effectiveness rating
#08 Ghana	4	++	5
#20 Mongolia	5	+	4

Source: ESR analysis of PPE sample

Table 3
Documented results for the very poor (synthesis report project sample)

Positive results for the very poor	Overall achievements	Effectiveness rating	Rural Poverty Impact rating
#19 China	+	5	5
#43 Malawi	+	3	4
Negative results for the vey poor	Overall achievements	Effectiveness rating	Rural Poverty Impact rating
#04 Argentina	+/-	4	4,6
#33 Albania	+/-	3	4
#40 Bangladesh	+	5	4
#45 Cameroon	N/A	3	3
Mixed Results for the very poor	Overall achievements	Effectiveness rating	Rural Poverty Impact rating
#18 India	++	5	5
#20 Mongolia	+	4	4
#31 India	+	4	4

Source: ESR analysis of PPE sample

Table 4
Documented results on Impact (synthesis report project sample)

Positive results on Impact	Type	% Funding	Overall Achievements	Effectiveness rating	Rural poverty rating	IFS Target	Results for target groups	Model
#06 China	B	22	o	6	5	Poor smallholders	+	1M
#25 Uruguay	B	23,5	++	5	5	Smallholders	+	2M
#14 Armenia	B	50,4	++	5	5	MSMEs	+	2M
#09 Dom. Rep	B	58,4	-	4	4	Smallholders and MSMEs	+	2M
#19 China	A	68,7	+	5	5	Poor	+	3M
#46 Lesotho	A	69,5	+/-	3	4	Small-scale producers, poor, landless, women-led households, youth	+	3M
#13 Moldova	A	73	+/-	4	5	Larger enterprises	+	2M
#40 Bangladesh	A	93,3	+	5	4	Hard core poor, women and MSMEs	+	2M
#18 India	A	97,6	++	5	5	Poor	+	3M
#42 Egypt	C	54,5	+/-	4	5	Settlers, youth, smallholders, women	+	2M
#31 India	C	58,4	+	4	4	CBFO members	+	2M

Negative results on Impact	Type	% Funding	Overall Achievements	Effectiveness rating	Rural poverty rating	IFS Target	Results for target groups	Model
#33 Albania	B	22	+/-	3	4	Rural poor, MSMEs, landholders	-	1M
#47 Georgia	B	28	-	3	3	Economically active poor	-	2M
#32 Pakistan	B	54,2	+	4	4	Smallholders, landless, women	-	2M
#45 Cameroon	A	80,2		3	3	Smallholders, women and youth	-	3M

Mixed results on Impact	Type	% Funding	Overall Achievements	Effectiveness rating	Rural poverty rating	IFS Target	Results for target groups	Model
#01 Belize	B	21,3	+	3	4	Poor smallholder producers, women and youth (including indigenous peoples	o	1M
#24 Sudan	B	23,7	+	3	4	Women	o	2M
#04 Argentina	B	37,7	+/-	4	4,6	Agricultural groups, cooperatives, poor smallholders, women, youth, indigenous peoples	o	2M;1M
#41 Philippines	A	89,1	++	4	4	MSMEs	o	2M

Source: synthesis report project sample.

Table 5
Documented impact at institutional, sector, policy level for Type A projects (ranked by % funding)

Impact on changes	% Funding	Type	Effectiveness rating	Overall Achievements	Rural poverty rating	Institutional Level	Sector Level	Policy Level	Model	Sub-Model
#18 India	97,6	A	5	++	5	+	+	+	3M	3M MFI-NGOs and CBFOs
#40 Bangladesh	93,3	A	5	+	4	+	-		2M	2MesoMicro MFI-NGOs
#08 Ghana	92,9	A	5	++	4	+	+	+	3M	3M Banks, MFI-NGOs, Member-governed FSPs and CBFOs
#41 Philippines	89,1	A	4	++	4	+	+		2M	2MesoMicro MFI-NGOs
#45 Cameroon	80,2	A	3		3	o	-		3M	3M Banks, MFI-NGOs and CBFOs
#22 Georgia	74,2	A	4	+	4	+	o		2M	2MesoMicro Banks and MFI-NGOs
#13 Moldova	73	A	4	+/-	5	+	+	+	2M	2MesoMicro Banks and MFI-NGOs
#46 Lesotho	69,5	A	3	+/-	4	+			3M	3M State banks and Member-governed FSPs
#19 China	68,7	A	5	+	5	+	+	**Maybe**	3M	3M Member-governed FSP

Source: synthesis report project sample.

Table 6
Documented Impact at institutional, sector, policy level for Type B projects (ranked by % funding)

Impact on changes	% Funding	Type	Effectiveness rating	Overall Achievements	Rural poverty rating	Institutional Level	Sector Level	Policy Level	Model	Sub-Model	
#09 Dominican Repu	58,4	B	4	-	4	+			2M	2MesoMicro Member-governed FSPs	Matching grants
#32 Pakistan	54,2	B	4	+	4	-			2M	2MesoMicro CBFOs	
#14 Armenia	50,4	B	5	++	5	+	+		2M	2MesoMicro Banks	
#04 Argentina	37,7	B	4	+/-	4,6	**1M+; 2M-**			2M; 1M	1Micro Banks	2MesoMicro Member-governed
#47 Georgia	28	B	3	-	3	+			1M	1Micro MFI-NGOs and Leasing companies	
#20 Mongolia	25,9	B	4	+	4	+	+		2M	2MesoMicro Banks, Member-governed FSPs and CBFOs	
#24 Sudan	23,7	B	3	+	4	+			2M	2MesoMicro CBFOs	
#25 Uruguay	23,5	B	5	++	5	+	+	+	2M	2MesoMicro CBFOs	
#06 China	22	B	6	o	5	+			1M	1Micro Banks	2MesoMicro Member-governed
#33 Albania	22	B	3	+/-	4	-	+		1M	1Micro Banks	
#01 Belize	21,3	B	3	+	4	+		+	1M	1Micro Member-governed FSPs	

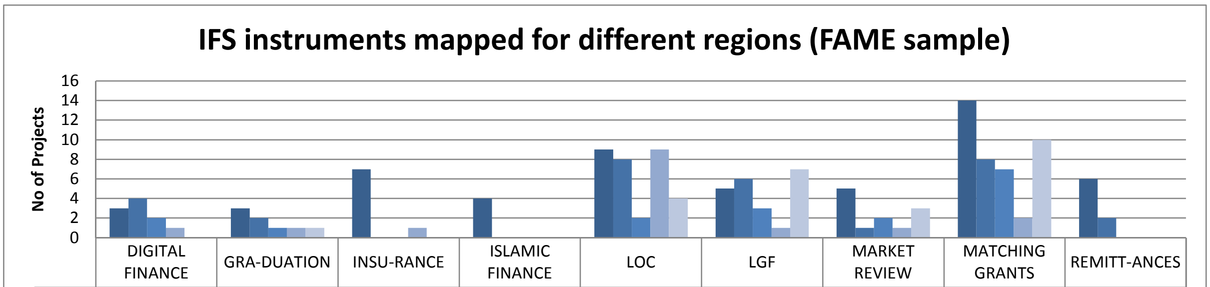
Source: synthesis report project sample.

Table 7
Documented impact at institutional, sector, policy level for Type C projects (ranked by % funding)

Impact on changes	% Funding	Type	Effectiveness rating	Overall Achievements	Rural poverty rating	Institutional Level	Sector Level	Policy Level	Model	Sub-Model
#23 Georgia	34,4	C	2	-	2	-			1M	1Micro Banks and Member-governed FSPs
#42 Egypt	54,5	C	4	+/-	5	o			2M	2MesoMicro Member-governed FSPs and CBFOs
#31 India	58,4	C	4	+	4	+			2M	2MesoMicro CBFOs

Source: synthesis report project sample.

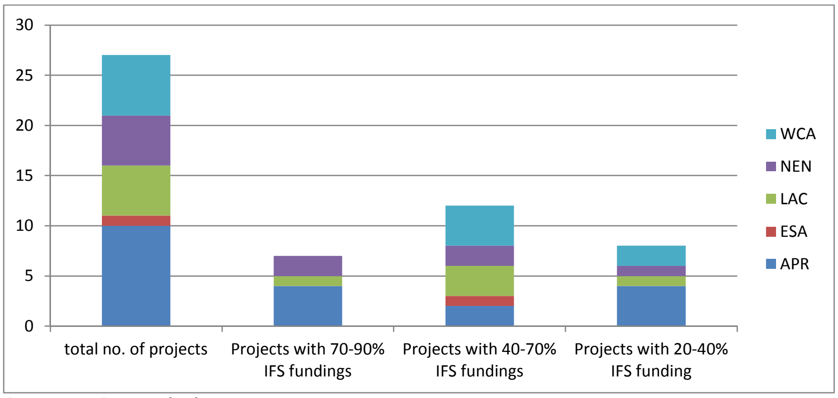
Figure 8
IFS instruments mapped in the FAME dashboard according to regions



	DIGITAL FINANCE	GRA-DUATION	INSU-RANCE	ISLAMIC FINANCE	LOC	LGF	MARKET REVIEW	MATCHING GRANTS	REMITT-ANCES
APR	3	3	7	4	9	5	5	14	6
ESA	4	2			8	6	1	8	2
LAC	2	1			2	3	2	7	
NEN	1	1	1		9	1	1	2	
WCA		1			4	7	3	10	

Source: FAME dashboard (2018)

Figure 9
IFS Projects with IFAD performance rated fully satisfactory (5) or better



Source: ESR analysis

Correlation analysis

Correlation coefficients measure the strength of association between two variables and their sign and absolute value describe the direction and the magnitude of their relationship. The greater the absolute value of a correlation coefficient, the stronger the linear relationship. Correlation coefficients have a value of between -1 and 1 and the closer the value is to +1, the stronger the linear relationship. A “0” means there is no relationship between the variables at all, while -1 or 1 means that there is a perfect negative or positive correlation.

The following analysis is based on the information available on the sample of 23 projects selected for the synthesis report on IFS for the rural poor. It correlates the documented IFS results with the financial instruments and FSPs used.

	Documented results in PPE sample (n=23)							Financial instruments documented in PPE sample (n=23)							
	Overall achievements (n=23)	Gender results (n=23)	Outreach to the very poor (n=23)	Impact on target groups (n=23)	Institutional Level impacts (n=23)	Sector Level impacts (n=23)	Policy Level impacts (n=23)	Institutional Capacity Building (n=15)	Equity (n=9)	Retail Financing (Banks) (n-12)	Linkage (n=2)	Fomalisation (n=3)	Value Chain Financing (n=4)	Matching Grant (n=2)	Credit Line (n=15)
Overall achievements	1.00														
Gender results	0.14	1.00													
Outreach to the very poor	0.15	0.10	1.00												
Impact on target groups	0.09	-0.09	0.18	1.00											
Institutional Level impacts	0.10	-0.26	0.18	0.57	1.00										
Sector Level impacts	0.42	-0.13	0.26	-0.01	0.10	1.00									
Policy Level impacts	0.37	-0.20	0.09	0.24	0.29	0.43	1.00								
Institutional Capacity Building	0.23	0.16	-0.13	0.01	-0.40	-0.20	-0.28	1.00							
Equity	0.20	0.37	0.14	0.32	-0.12	0.14	0.01	0.21	1.00						
Retail Financing	-0.04	0.61	-0.17	-0.02	0.02	-0.34	-0.13	-0.15	0.23	1.00					
Linkage	0.25	-0.31	-0.25	-0.11	-0.07	0.08	-0.16	0.23	0.07	-0.32	1.00				
Fomalisation	0.10	-0.10	0.07	-0.14	-0.40	0.22	0.11	0.01	-0.05	-0.40	-0.12	1.00			
Value Chain Financing	0.24	-0.47	-0.15	-0.01	0.25	0.33	0.04	-0.15	0.10	-0.02	0.27	-0.18	1.00		
Matching grant	-0.45	0.25	-0.25	-0.11	-0.32	0.08	-0.16	-0.10	0.07	-0.01	-0.10	0.34	-0.14	1.00	
Credit line	-0.28	-0.18	0.06	0.13	0.32	-0.04	-0.06	-0.15	-0.54	-0.15	-0.10	0.01	-0.15	0.23	1.00

	Documented results in PPE sample (n=23)							Financial service providers								
	Overall achievements (n=23)	Gender results (n=23)	Outreach to the very poor (n=23)	Impact on target groups (n=23)	Institutional Level (n=23)	Sector Level (n=23)	Policy Level (n=23)	*Commercial Banks (n=8)*	*CBFOs (n=12)*	*Credit Unions or SACCO (n=7)*	*Apex (n=9)*	*Government Scheme (n=3)*	*MFI/NGOs (n=8)*	*Project Scheme (n=2)*	*State Bank (n=7)*	*Loan Guarantee (n=4)*
Overall achievements	1.00															
Gender results	0.14	1.00														
Outreach to the very poor	0.15	0.10	1.00													
Impact on target groups	0.09	-0.09	0.18	1.00												
Institutional Level	0.10	-0.26	0.18	0.57	1.00											
Sector Level	0.42	-0.13	0.26	-0.01	0.10	1.00										
Policy Level	0.37	-0.20	0.09	0.24	0.29	0.43	1.00									
Commercial Banks	-0.03	-0.32	-0.24	-0.01	0.26	0.20	0.06	1.00								
CBFOs	-0.04	0.29	-0.17	-0.02	-0.11	-0.03	0.08	0.52	1.00							
Credit Unions or SACCO	-0.37	-0.28	0.11	0.15	0.36	-0.07	-0.12	0.11	-0.12	1.00						
Apex	0.40	0.53	-0.22	-0.04	-0.26	-0.18	0.01	-0.21	0.41	-0.53	1.00					
Government Scheme	-0.20	-0.22	-0.19	0.21	0.21	-0.01	-0.20	0.53	0.11	0.30	-0.31	1.00				
MFI/NGOs	0.18	0.01	0.13	-0.01	0.40	0.20	0.28	0.04	-0.21	-0.28	-0.02	-0.28	1.00			
Project Scheme	0.08	-0.03	-0.25	0.10	0.17	0.08	0.21	0.10	0.30	0.13	0.07	0.34	-0.23	1.00		
State Bank	-0.16	0.58	0.11	0.28	-0.23	-0.24	-0.12	-0.28	0.44	-0.03	0.44	0.02	-0.48	0.13	1.00	
Loan Guarantee	-0.54	-0.26	-0.15	0.31	0.25	-0.08	0.04	0.39	0.21	0.44	-0.37	0.50	-0.09	0.27	0.20	1.00

	impact on target group	Impact on institutions	Impact on sector	Impact on policy	3M (n=5)	2M (n=13	1M (n=5)	RF amount (n=23)	Share of funding (n=23)
impact on target group	1.00								
Impact on institutions	0.51	1.00							
Impact on sector	0.21	0.07	1.00						
Impact on policy	0.24	0.26	0.42	1.00					
3M (n=5)	-0.04	0.06	0.11	0.23	1.00				
2M (n=13	0.31	0.23	0.08	-0.18	-0.60	1.00			
1M (n=5)	-0.19	-0.34	-0.05	-0.02	-0.28	-0.39	1.00		
RF amount (n=23)	0.36	0.15	0.06	0.25	0.33	-0.05	-0.24	1.00	
Share of funding (n=23)	0.20	0.18	0.03	0.14	0.56	0.02	-0.54	0.58	1.00

IFS Grants, knowledge and lessons learned

Table 1
Global and regional grants and partnerships and results

Type and Duration	*Recipient and Partners, Goal*	*Themes, Components, Main Activities*	*Beneficiaries and Region*	*Comments during synthesis report*
Small Grant (2009 – 2011)	**Improving Capacity Building in Rural Finance (CABFIN)[182] - the Rural Finance and Investment Learning Centre (RFILC) implemented by FAO**	- Enhanced agricultural finance innovations and knowledge management, which includes position papers and other thematic documents and learning tools by the CABFIN partnership. - Improved and increased access to materials, thematic papers in an organised, searchable on-line database. - Increased interactive online learning facilities, including ready-to-use courses and training information. - Increased uptake and use of materials through projects, training institutions, e-mail lists, networks and associations concerned with rural and agricultural finance.	Individuals and organisations, financial institutions, development practitioners, academic institutions, policy-makers and donors who seek to improve their own knowledge and that of others in the field of agricultural and rural finance. Global.	Among others, RFILC platform was established
Small Grant (2013-2016)	**CABFIN (and RFILC)[183] implemented by FAO** in collaboration with APRACA, AFRACA and FOROLACRF "The goal was to train development practitioners to improve interventions aimed at increasing access to finance"	Inclusive Rural Finance with three components: 1) Develop or strengthen evidence-based approaches to policy making that promote access to rural and agricultural finance. 2) Translate policy guidance into practical recommendations for development practitioners to apply in programmes through training and capacity-building projects and programmes. 3) Develop an easily accessible, user-friendly web platform – the Rural Finance and Investment Learning Centre (RFILC) – where knowledge generated through the project is made publicly available.	Dto. Global	Three regional studies about smallholder finance, analysis of 32 innovative finance and investment ventures Re-designing of web-platform of the RFILC Training courses
Large Grant (2006 -2011)	**PAMIGA - Participatory Microfinance Group for Africa:** RuralFin, Swiss Development Cooperation (SDC), other donors,	(i) Build sustainable rural finance institutions with outreach to the rural poor; and, (ii) Foster stakeholder participation in the development of effective rural finance strategies.	Mali, Burkina Faso, Cameroon, Benin, Senegal and Madagascar in 2006. In 2007 the focus will be on East Africa (e.g., Ethiopia,	

[182] The CABFIN Partnership, as a working group of donors and development agencies – FAO, GTZ/BMZ, IFAD, World Bank – on rural and agricultural finance aiming to promote and facilitate capacity building and knowledge management in rural financial systems, supports the idea to develop a "third paradigm shift" in agricultural finance (from Grant Document 2008). Notably, as of 2018, UNCDF is also a partner.
[183] IFAD, Grant Results Sheet Enhancing the CABFIN partnership's delivery of policy guidance, capacity development and global learning to foster financial innovations and inclusive investments for agricultural and rural development (2017)

Type and Duration	*Recipient and Partners, Goal*	*Themes, Components, Main Activities*	*Beneficiaries and Region*	*Comments during synthesis report*
	MFIs		Kenya, Tanzania)	
Large Grants **2007 -2010** **2011 - 2014**	**MIX Market**[184] **Three consecutive grants**	Increase the transparency of information in the microfinance sector (IFAD's FSP partners) - Ensure that IFAD's rural finance partners have the capacity to generate and use performance indicators - Improve aid effectiveness, responding to the recommendations - of the CLE, RFP, CGAP Microfinance Donor Peer Reviews in 2002 and 2005, and Independent External Evaluation in 2005	MFIs 250 PMUs	Increased the number of FSPs with available data on MIX Market by 500 to 2,500. Expansion of reporting on the MIX Market filled a data gap in rural finance market information, and IFAD monitoring and evaluation Training to 20 national associations, regional and thematic analysis publications *Note: The MIX Market partnership was not renewed in 2015, capacity building in performance measurement in partner FSPs was not continued due to a high-level decision in IFAD*
Small Grant (2015-2017)	**Fundación Capital (FundaK)**[185] Implemented with Skoll Foundation, Gates Foundation, Swift Foundation, Irish Aid "To enhance operational and policy dialogue effectiveness in financial inclusion and livelihoods improvement strategies in selected African countries for the benefit of the rural poor who are IFAD's main target group"	Expanding and scaling-up innovative financial inclusion and graduation strategies and tools in Africa Knowledge management to raise awareness among CPMs, policymakers etc. and dissemination.	Farmers and indigenous people in East and West Africa (Tanzania, Mozambique, and The Gambia)	See Box
Large grant **(2017- 2020)**	**Canadian Cooperatives Association** in Africa in partnership with African Confederation of Co-operative Savings and Credit Association and Irish League of Credit Unions Foundation	Types of innovations envisaged are products e.g. agricultural credit, youth savings; outreach and services e.g. digital financial services; linkages with MFIs and remittances providers; operating model e.g. linkages with/creation of second-tier organizations		New grant
Large grant (2017-2020)	**Microinsurance Centre**	Managing risks for rural development: promoting microinsurance innovations	China, Georgia, Ethiopia	New grant

184 IFAD, Grant Results Sheet Improving performance monitoring and effectiveness in rural finance (2017)
185 IFAD Grant Results Fact Sheet The Outreach Project (2018)

Type and Duration	*Recipient and Partners, Goal*	*Themes, Components, Main Activities*	*Beneficiaries and Region*	*Comments during synthesis report*
		Component 1. Mapping and diagnostics to develop insurance markets for low income people in rural areas • Map and assess existing insurance market for poor people in rural areas • Assess feasibility of developing insurance markets • Diagnose challenges and capacity gaps Component 2. Innovations to increase access to insurance (informed by Component 1) • Develop or scale-up innovations e.g. bundling of insurance with other financial and non-financial services (credit, remittances, inputs; healthcare services; inputs); delivery of MFI loan-portfolio insurance; package within the value chain (buyers, processors); use of mobile phone technology; product innovations where relevant ◦ M&E: collect and report on data on access client feedback etc. to inform Component 3 Component 3. Knowledge management and capacity building (informed by Components 1 and 2) • Offer capacity building and sensitization (e.g. for governments, IFAD partner institutions); • Deliver more specific knowledge products and capacity building to fill identified gaps or improve long-term sustainability • Share knowledge between countries/regions targeted (workshops and/or exchange visits) • Share lessons amongst IFAD-managers, other donors and decision makers Identify public-good lessons to inform the global insurance sector and governments		
Large Grant **(2014-2016)**	**3rd CGAP** The project will be closely linked with ongoing and planned former PTA grant funded projects for synergy effects on a number of topics (e.g. CABFIN, MIX, PAMIGA, Fundación Capital).	Developing inclusive financial systems for improved access to financial services in rural areas • Increasing the awareness of the broad array of financial services needs of smallholder and other rural families in order to improve the delivery, outreach, and sustainability of such services. • Researching and disseminating related lessons on how best to serve the extreme poor in rural areas (graduation) • Fostering a supportive policy framework for rural finance. • Supporting linkages with centers of excellence in rural finance, including CGAP regional hubs.	All countries with IFAD portfolio interventions in rural finance	
Large grant **2017 – 2022**	**4th CGAP** **(follow-on grant)**	Three pillars: I. Financial inclusion focusing on vulnerable groups, such as migrants, refugees and Internal Displaced People	Africa, Asia	*New grant*

Type and Duration	*Recipient and Partners, Goal*	*Themes, Components, Main Activities*	*Beneficiaries and Region*	*Comments during synthesis report*
(5 years)		(IDP), women, and youth, particularly in sub-Saharan Africa. II. Digital financial solutions for smallholder families (farming and rural enterprising). III. Guidance, strategic inputs, and capacity building support to IFAD's in-country operations. IFAD operational teams as well as the Thematic Group of Rural Finance will directly benefit from this grant as they make strategic investment decisions with partners and FSPs to implement high-quality country portfolios.		
Large Grant **2017 – 2019**	**Consortium for Entrepreneurship and Employment for Youth Access to Financial Services (CEEYAFS) comprised of** • Global Youth Innovation Network (GYIN) as the lead recipient with legal capacity • Latin American Youth Center (LAYC) as the financial administrator & manager • Columbia Business School (CBS) • Susterra Inc. • Believe Green (BG) • Arizona State University (ASU) • Ashoka • Enactus • International Labor Organization (ILO) • Jain Irrigation Systems • National Implementing Partners (NIPs)	Scaling-up rural youth access to inclusive financial services for entrepreneurship and employment in East Africa Zo enhance the current process of raising start-up/scale up capital for rural youth enterprises by mitigating financial institutions risks, increasing interactions with industry experts, acquiring new knowledge and sharing success stories. ● Objective 1: To build the capacity of youth organizations to design and deliver entrepreneurship training, mentorship, business development services, and partnership services to support youth entrepreneurs in rural areas of East Africa. ● Objective 2: To build the capacity of local financial institutions to provide alternative start up and scale up capitals through risk assessment and mitigation, and to develop and deliver youth-inclusive financial tools to rural youth in Burundi, Kenya, Rwanda and Uganda. ● Objective 3: To consolidate and share learning from the project through practical knowledge products, communities of practice, and events that will support the scaling up and replication of successful youth-led venture creation and business development for rural youth ages 21-35 years in Kenya, Burundi, Rwanda, and Uganda.	Burundi, Kenya, Rwanda, and Uganda	*New grant*

Source: ESR compilation of grants documents.

Table 2
Rural finance trainings and other events since 2012

	Event
1.	Sep 2012: KfW and Blue Orchard presentation of MIFA Debt Fund: Microfinance Initiative for Asia and Asian Rural Biogas Initiative
2.	Nov 2012: Weather index-based insurance: What is it and how to use it?
3.	19-20 Dec 2012: Two day rural finance learning event - Triodos Facet (see agenda attached)
4.	January 2013 Weather index insurance (contribution to Malawi Week in IFAD HQ)
5.	Feb 2013: Two day rural finance learning event - Triodos Facet (repeat of above event)
6.	February 2013 Satellite imagery and GIS mapping for IFAD projects: Learning event
7.	January 2014 - e-learning facilitated course: Performance Monitoring and Analysis of Financial Service Providers with the MiX (in English)
8.	February 2014 - Index insurance learning event as part of the Global Staff Meeting
9.	July 2014 Brown bag: financial inclusion interactive maps and data
10.	November 2014 - e-learning facilitated course: Performance Monitoring and Analysis of Financial Service Providers. With the MiX (in English and French)
11.	November 2014 - e-learning facilitated course: Understanding the Market for Financial Inclusion Projects. With the MiX.
12.	December 2014 - Remote sensing for index insurance. Evaluation Committee workshop
13.	March 2015 - training on Performance Monitoring and Analysis of Financial Service Providers with the MIX for IFAD project staff and partners (Sierra Leone – 200 participants)
14.	Oct 2015: Financial Graduation - Graduation Models for Rural Financial Inclusion/ IFAD's experience to-date in financial graduation/Promoting financial inclusion of the rural poor at large scale/ Strengthening the New Generation of Social Protection Policies
15.	Oct 2015: Appropriate warehousing and collateral management systems in Sub-Saharan Africa
16.	December 2015 Technical workshop on remote sensing and index insurance in Senegal
17.	February 2016 Walking the tightrope: risk management and insurance for smallholders
18.	June 2016 Webinar with FAO - Agricultural index insurance: overcoming challenges for scale and sustainability
19.	June 2017: Webinar with FAO and GIZ – Risk transfer and Insurance for Rural Resilience
20.	June 2017 Financial cooperatives: lessons from IFAD's portfolio

Source: Data from FAME.

Tables 3: CGAP – IFAD Smart Aid Assessments 2009 and 2013

Table 3.1
Smart AID indicators

SmartAid for Microfinance Index Indicators			
Strategic Clarity	**1**	Funder has a policy and strategy that addresses microfinance, is in line with good practice, and is based on its capabilities and constraints	15%
Staff Capacity	**2**	Funder has designated microfinance specialist(s) who are responsible for technical quality assurance throughout the project/investment cycle	15%
	3	Funder invests in microfinance/access to finance human resources	10%
Accountability for Results	**4**	Funder has a system in place that flags all microfinance programs and components	10%
	5	Funder tracks and reports on performance indicators for microfinance programs and components	10%
	6	Funder uses performance-based contracts in its microfinance programs and components	10%
	7	Funder regularly conducts portfolio reviews	10%
Knowledge Management	**8**	Funder has systems and resources for active knowledge management for microfinance	10%
Appropriate Instruments	**9**	Funder has appropriate instrument(s) to support the development of local financial markets	10%

Source: CGAP Smart Aid of IFAD 2009.

Table 3.2
CGAP – IFAD Smart Aid Results 2009 and 2013

	Indicator	2009	2013
Strategic Clarity	1. Policy and Strategy in line with good practices	+ New rural finance policy and up-coming decision tools + Regional strategies: MENA, West Africa setting benchmarks/ following good practices + Quality assurance of project design + By promising FIs implemented	**3.9/5. Strategic framework** is based on the corporate evaluation (2007) and the Rural Finance Policy (2009), both of which capture lessons, key principles and good practices in microfinance. **- good at central level – but weaker at regional/national level**
Staff Capacity	2. Dedicated micro-finance specialists	HQ - **Overstretched and understaffed focal point (former PTA, FAME)** - Little expertise outside focal point - Too few for very large portfolio (4) Regions: lacking	**3.1/5. Quality assurance:** more former PTA involvement, earlier, quality enhancement process, project diary - **Still very overstretched IFS staff compared to portfolio** - Carry out 15 rural finance thematic workshops p.a. - CGAP, MIX to train staff
	3. Invests in HR on A2f	Several CPMs and project staff training programmes, CABFIN, partnerships with others	Little evidence of efforts to introduce CPMs and project staff regularly to a2f knowhow (decentralised structure) Implementation support weak (project partners in charge)
Accountability	4. System that flags all programs and components		
	5. Performance indicators for all programmes and components	+ Performance indicators for retail FIs but: - Performance reporting weak (MIX limited, no M+E system) - Many FSPs not captured by MIX - No performance indicators for meso and macro - RIMS weak	
	6. Perf.-based contracts	- Not used for government of MFIs	
	7. Regular portfolio reviews	Regular reviews: CLE 2007, regional reviews	
Knowledge Management	8. Systems and resources for knowledge-management	Project and Portfolio Management System Rural Finance Thematic Group (FAO, WFP, other Rome-agencies) - **Few opportunities for sharing knowledge between Rome and project staff**	

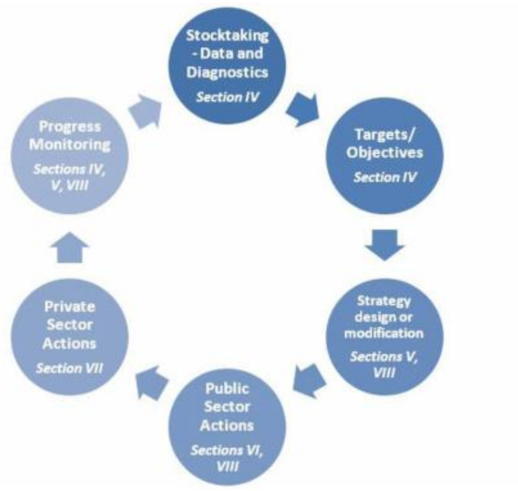
	Indicator	2009	2013
Appropriate Instruments	9. Instruments to support dev. of local fin. markets	- rural finance components – manually filtered, different criteria? - Performance reporting	- Policy support requires more attention/guidance
OVERALL		- **Grave mismatch between rural finance Team and volume of portfolio (4 persons)** - **Very strong focus on credit components**	IFAD's strengths in supporting retail FSPs! (not other levels)

Source: IFAD SMART AID reports 2009 and 2013.

Table 4

International Good Practice – chronological and institutional

Year	*Source*	*Title*	*Key content, highlights from the content*
2006	CGAP	Good practice Guidelines for Funders of Microfinance (pink book)	- **11 Key principles** - Engagements at three levels - Performance indicators for retail FIs - Frontier issues: remote rural poor, delivery technology, domestic funding, graduating the poorest (after that became all mainstream since 2006) - Lessons for donors to be effective (page 78)
2010	GPFI Action Plan (revised 2017 and 2017)	G20 Financial Inclusion Action Plan	- **9 principles of Innovative Financial Inclusion** - National Financial Inclusion strategies - National policies should set concrete financial inclusion targets - Targets based on sound analysis of client level
2010	Alliance for Financial Inclusion (AFI)		Thematic working group along the financial inclusion policy areas AFI promotes (groups as of 2018): • Consumer Empowerment and Market Conduct (CEMC) Working Group • Financial Inclusion Strategy (FIS) Peer Learning Group; • Financial Inclusion Data (FID) Working Group; • Proportionate Application of Global Standards (GSP) Working Group; • Digital Financial Services (DFS) Working Group; • SME Finance (SMEF) Working Group
2010	FAO	Agricultural Value Chain Finance	Tools and Lessons: - Understanding Agricultural VCF - Business Models - Instruments - Innovations - Lessons and recommendations
2010	FAO	Agricultural Investment Funds	Approach of a targeted fund
2011	GPFI, IFC	Scaling Up Access to Finance for Agricultural SMEs	**Key conclusions:** - Developing Country Specific Diagnostics and Strategies

Year	*Source*	*Title*	*Key content, highlights from the content*
		Policy Review and Recommendations	- Developing a Supportive Legal and Regulatory Framework - Designing Effective Government Support Mechanisms - Strengthening the Financial Infrastructure - Building Consistent and Reliable Data Sources - Building Capacity of Financial Institutions and Their Clients
2012	World Bank	National Financial Inclusion Strategies – Reference Framework (and other docs)[186]	
2013	World Bank Group (IEG)	Financial Inclusion: A Foothold on the Ladder toward Prosperity?	Do financial services help fight poverty? - Financial services other than credit are proving to have equal if not higher benefits for the poor (p.20) Criticism (p. 20) - Too many components and sub-components - Low usage rate of indicators in M+E - Subsidies (investments, even interest rates) Positive - Increasing share of World Bank?-finance goes to other financial products

[186] http://www.worldbank.org/en/topic/financialinclusion/brief/financial-inclusion-strategies-resource-center.

Year	Source	Title	Key content, highlights from the content
			Main recommendations: • Clarify the World Bank Group's approach on financial inclusion by making it evidence-based and comprehensive, focused on enabling access to a range of financial services with benefits for the poor in a sustainable manner and specifying when and how to use subsidies. • Find and replicate innovative delivery models through a sequenced and evidence-based approach to innovation. • Strengthen partnerships by advocating clear strategies, results frameworks, and monitoring and evaluation arrangements. • Implement new tools in country-level diagnostics and strategy to guide financial inclusion work.
2015	CGAP	Funders Guidelines[187] (updated)	A market systems approach: • E.g. In a market systems approach, diagnostics seek to go beyond symptoms to identify the root causes of the problem: the market dynamics that prevent the poor and low-income people from accessing and using financial services.
2015	G20-GPFI	Synthesis Report New Trends in Agricultural Finance[188]	**Policy Recommendations:** A. Understanding market dynamics and implications. B. Importance of value chains – a key ingredient for growth and scale. C. Digital technology as a potential game changer. D. Public support and subsidies can be helpful, at many levels – but be SMART with them! E. Build technical and human capacity at all levels. F. Supporting dialogue and partnership of all actors (including PPPs). G. Invest in better data. H. Good governance/good overall legal framework is essential. I. Support the mainstreaming of women and minorities.

[187] CGAP (Consultative Group to Assist the Poor). 2015. A market systems approach to financial inclusion. Guidelines for funders. Washington, D.C., CGAP.
[188] G20 and GPFI, by BMZ, GIZ, SME Finance Forum and IFC. 2015.

Year	Source	Title	Key content, highlights from the content
			Annex 1 - Key lessons from Research and Roundtable Discussions: Understanding demand, financing for women, digital technology, Agri VCF, Agric. Insurance
2016	Initiative for Small-holder Finance [189]	Inflection Point: unlocking growth in the era of farmer finance	Chapter 5: increased capital needs to come with absorptive capacity among FSPs "require that the smallholder finance industry move toward a future in which FSPs engage closely with customers to design and offer appropriate, desirable products through integrated and innovative partnerships supported by more and smarter subsidy" Kea areas to unlock progress: customer centric product design, progressive partnerships, and smart subsidy to unlock capital
2017	BMZ	Positionspapier Agrarfinanzierung	The German Ministry's strategy for agricultural finance (German only)
2017	FAO / CABFIN	Innovative risk management in rural and agricultural Finance – Asian experience	• Combine finance, risk management and access to markets • Diversify menu of financial services offered • Diversify rural client base served
2017	GPFI	G20 Financial Inclusion Action Plan	Four action areas: - Small and medium-sized enterprise (SME) Finance - Regulation and standard-setting bodies - Financial consumer protection and financial literacy - Markets and payment systems Cross-cutting themes: - G20 High-Level Principles of **Digital Financial Inclusion** to promote the expansion of innovative solutions to increase digitization of financial services while ensuring customer protection and promoting financial literacy and capability; - Engagement with the **private sector and collaboration across sectors**–the private sector, governments, and relevant global bodies considering challenges / opportunities presented by digitization; - Support for efforts for **data** harmonization and the use of data for policy-making; - Expansion of financial services among the hard-to-reach segments of the population, particularly targeting underserved and vulnerable groups; and - Advance **women'**s economic empowerment -
2018	CGAP	CGAP Strategy VI[190]	CGAP places effort and resources in the following areas: • Shift **emphasis from financial access toward well-being** - Expand consumer protection initiatives to encompass an approach that

[189] Initiative for Smallholder Finance (Dalberg, Master Card Foundation, R& Agri Learning Lab, USAID).
[190] https://www.cgap.org/news/cgap-launches-new-five-year-strategy.

Year	*Source*	*Title*	*Key content, highlights from the content*
			requires financial services providers and policy makers to consider product suitability and fair treatment of customers. • Focus on **excluded segments** - Identify and help groups most affected by the increasing digital divide, including rural women, smallholders, youth and migrants. • Explore connected **market infrastructure** - Determine ways market infrastructure can be opened through interoperability and Open Application Program Interfaces, enabling more businesses to deliver services and innovative products to the poor. • Understand the **role of data** - Explore how the digital collection of data presents opportunities for inclusive business models and develop new consumer-focused approaches for managing data protection and privacy risks. • Recognize the **role of Big Techs** - Deepen the understanding, including regulatory implications, of new technologies and business models as global players such as Google Inc, Facebook and Alibaba enter the financial services space.

Source: ESR compilation.

Table 5
Detailed assessment of IFAD's rural finance policy

Citation, or theme	**Comment**
Chapter 1: New Challenges and opportunities	
Reference to global trends: globalization of financial markets, trade liberalization, the volatility of food and agricultural commodity prices, the continuing transformation of the agricultural and rural sector, and greater climatic uncertainty	Generally, the trends still valid but fragility of states not mentioned
Mentioning of digitalisation in finance: cell phones, and changing landscape of rural finance – with new types of FSPs and innovative technologies	Digitalisation of finance business not covered as a revolutionary development Is important for reaching the rural poor, remote and smallholders, and VCF Threat of a digital divide, "digital finance" came only up later
Rural finance sector has matured - Financial market may be distorted from subsided targeted lending - But financial institutions may be hesitant to serve the agricultural sector	**In which ways has rural finance matured in past decade?** All is written (citation from interview) Targeted lending is less common, but lending to agricultural sector is still a huge challenge
The contemporary approach to rural finance focuses on building the sustainability of financial service providers, thinking beyond the short life cycle of donor-driven projects.	
Strong rural institutions and models present promising partnerships and business opportunities for commercial banks to become more involved in rural finance, thereby scaling down their services with products tailored to poor and marginalized households, often through a partnership with a community-based institution.	
Opportunities: IRFS central of INFDS mandate	Relevance of rural finance confirmed Focus on knowledge sharing in rural finance
Chapter 2: Defining rural finance	
rural finance: target group • for agricultural and non-agricultural activities among HHs and institutions • full range of financial series that farmers and rural HHS require • Small-scale business operators • Women, young people, indigenous peoples and very poor HH FSPs = traders and agro processing companies	**Focus on "poor rural households – poor rural men and women":** Where are the firms (only small scale)? Mentioned as FSPs. - Those which create employment and market opportunities? - Segmentation of target group - No mentioning of VC stakeholders
Chapter 3: Objectives of the RFP	
Target group: Focus on small-scale producers	New IFAD Strategic Framework – now outdated
Rural poor and smallholder farmers	New policies: • Rural Transformation Report
New approach "diverse range of responsive and relevant FS" is derived from the IFAD Strategic Framework 2007 - 2010	
Reference to several major corporate policies:	

Citation, or theme	**Comment**
• IFAD Strategic Framework 2007-2010 • IFAD Strategy for Knowledge Management 2007 • IFAD Innovation Strategy 2007 • IFAD's Private-Sector Development and Partnership Strategy 2005 • IFAD Policy on Targeting 2006 Interventions at different levels /multi-level approach: • Micro – FSPs • Meso – support organisations • Macro – policy and regulation	
Chapter 4: Guiding principles	
Six overarching guiding principles for all levels: • Support access to a variety of financial services, including savings, credit, remittances and insurance, recognizing that rural poor people require a wide range of financial services; • Promote a wide range of financial institutions, models and delivery channels, tailoring each intervention to the given location and target group; • Support demand-driven and innovative approaches with the potential to expand the frontiers of rural finance; • Encourage – in collaboration with private-sector partners – market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources; • Develop and support long-term strategies focusing on sustainability and poverty outreach, given that rural finance institutions need to be competitive and cost-effective to reach scale and responsibly serve their clients; and • Participate in policy dialogues that promote an enabling environment for rural finance, recognizing the role of governments in promoting a conducive environment for pro-poor rural finance. The application of these **principles is binding** on IFAD country programme managers, project staff and consultants in IFAD-supported projects working in rural finance. Any deviation from these principles will require clear justification and approval by Management.	Focus on rural poor Principles are correct, but rather broad This last sentence is obsolete!
Chapter 5: Guidelines	
Micro Level: - Demand: Credit is not always the answer, assess demand, participation - Supply: institutional sustainability, limited scope for lines of credit to retail institutions, measure performance - Customer education and protection are critical - Revolving loan funds often leads to poor repayment rates and the collapse of the fund - Credit guarantee are only effective when fully integrated into the existing financial market and managed by finance professionals. - Do not subsidise interest rates at client level	Is **participation** really that important, feasible today Still many interventions are **credit focused**. **Uruguay, Egypt**: institutional sustainability, Share of **lines of credit to retail MFIs in portfolio**? **Credit Guarantees** – projects managing them? Full cost assessed? Interest rates are still a huge debate!

Citation, or theme	**Comment**
Meso Level: - strengthen a broad range of market players, including networks, associations and apex organizations of rural finance institutions, domestic rating agencies, credit information bureaux, payment systems, training and technical service providers, and professional certification institutes. - Requirements for credit lines and credit guarantee schemes - Long-term commitment, coordination with other development agencies Macro Level: - National microfinance or rural finance policy - Prudential regulation and supervision - Unregulated FSPS when they are making progress towards sustainability - Support regulatory authorities and transparency in sector	Not all larger MFIs (not CBFO) contributing to the MIX? How many in IFAD projects? Not **really much meso level** support. Good experiences at macro level limited very limited Very broad and comprehensive
Chapter 6: Implementing the RFP	
Monitoring for results - Performance of participating FSPs along indicators - MIX and RIMS (IFAD) - Exit strategy if targets are not achieved - Client level – beneficiaries to define targets for success and impact measurement **Strengthening and documenting IFAD's rural finance capacities and knowledge** - IFAD's corporate quest for **quality enhancement and quality assurance** includes rural and agricultural finance operations as a key area. This particular competence and sector knowledge requires systematic documentation, synthesis and dissemination. The **Rural Finance Thematic Group** (RFTG) plays an active role as a conduit for disseminating knowledge within IFAD and sharing information and experience within and beyond the Fund's boundaries. The RFTG assisted in updating the RFP and will also be actively involved in disseminating the policy through adequate communication plans that include decentralized staff and external partners. **Experimenting with innovative finance instruments** - New instruments and funding modalities: targeted facilities and funds - Risk management products - Value-chain development and actors - Leasing, insurance, warehouse receipts **Options:** - Amendment to IFAD's founding documents to enable the Fund to engage directly with RFIs and private sector, equity investments - Increase share of grant funding allocated to rural finance **Reference to Guidance:** Decision Tools for rural finance – for project design and implementation.	MIX not so relevant for the full range of FSPs, some are much smaller, not all are reporting Targets and exit strategy – is that implemented? RFTG not very active New facility under preparation! These approaches are still a very minor thing!

Source: ESR compilation.

Good practices in project design

Good practice	*What can go wrong?*
Asses demand for Financial Services: - Assessment of demand for financial services (type, amounts) and absorptive capacity of beneficiaries - Segmentation of future clients - Collection of baseline data before project	- People may need other FS; e.g. savings rather than loans - Interest rate question for loans is only solved late in process
Good FSP choice Assessment of potential participating FSPs in project region **along standard minimum criteria**	- Overestimation of existing FSPs - No/too few partners can be identified - Planning of graduation/formalisation does not work
Realistic outreach targets as financial instruments require time to become effective; components requiring financing (e.g. business development services) need to be synchronised with the delivery of IFS.	- Expectations to reach large numbers of project recipients in project implementation can short-cut the due process of development and drive the design and implementation to achieve the project numbers.
Cautious targeting as target group may not qualify for loans	- FSPs have their own criteria, other than the project for serving the target group (charging interest, requesting collateral) - Only other borrowers can qualify for a loan (not project - Too narrow – or too wide targeting
Linking finance and other support approaches - “Light” but clear linking productive and financing component - -Plan finance always as a separate component	- The instruments used for finance only work during the project time - No real sustainability strategy of the finance approach after project (instrumentalist view)
Involvement of government partners, based on a careful assessment of capacity - - plan capacity building measures in finance - - involvement of MoF - - embedding actions, synergies, transparency of contributions via a National Financial Inclusion Strategy	- Governments pressure to serve certain target groups, with not cost-covering financial products - Min of Agric or other ministries run their own and different approaches despite being active in a financial sector context which would have a long-term and coordinated vision/approach
Establish qualified PMU - - hire experts very early in process - - continuously train and coach them	- Hire finance expert in time / not late in process - Build capacities of good rural finance principles of partners
Apply flexibility in design - - Anticipate that changes occur in the environment, with partner’s roles and capacities; in environment, or even gov. priorities. - - some design approaches are not feasible, overestimated, assumptions not fulfilled - - Consider to formulate options - - Identify threats in advance/during design (risks)	- - supervision mission has no finance expert - - required change in approach or of partners is recognized only late and finance is lacking as key input - - is little anticipated that things change!
Assess time for preparation before FS are available more realistically - establishing sound concepts for guarantee funds, preparing tenders for hiring international consultants takes time (sometimes a year or more) - national staff often not qualified sufficiently	- Shallow analysis of financial and institutional capacity of potential partners
Assess investments for new proposals more serious (know-how, sound approaches with realistic amount of inputs)	- Innovations are under-estimated with regard to making them understood and work - New finance themes such as leasing, VCF, insurance, digital finance, are implemented in a different sub-system that is not considered sufficiently (recommendation is made but the wide range of the implementation consequences are not clear)
Delegation of key functions to partners at meso level through wholesale-lending/funding by project	- - Project itself assumes meso level functions, e.g. lends to village groups

Source: ESR compilation

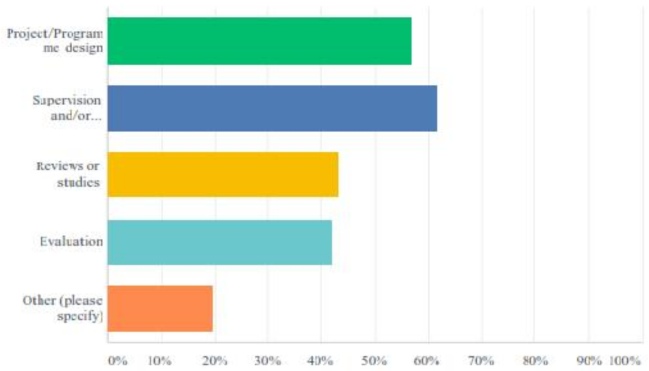
Results of survey on rural finance policy implementation

The survey was open for responses from 17 December 2018 – 6 January 2019. 86 people responded (31 per cent).

Survey of the Independent Office of Evaluation on IFAD Rural Finance Policy implementation

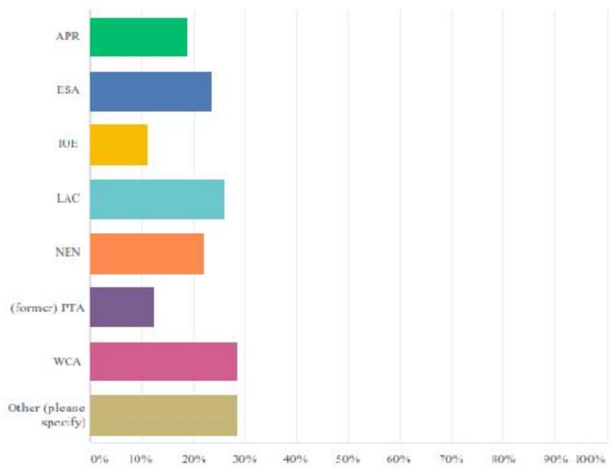
Q1 Please indicate the type of engagement on rural finance

Answered: 86 Skipped: 5



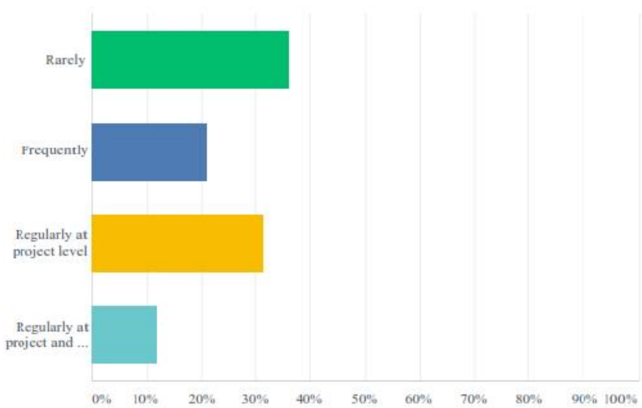
Q2 Please indicate the division you worked for in IFAD on rural finance

Answered: 81 Skipped: 10



Q3 How would you characterise your engagement with IFAD on rural finance since 2009?

Answered: 86 Skipped: 5



Q4 What are your views on RFP 2009: Did it help to improve IFAD's operation on rural finance and is it still for purpose? How could it be improved? (answered 61)

Selected responses - Feedback on RFP 2009:

The RFP 2009 did improve IFAD's operation on rural finance in many countries where the regulatory and legislative environments proved to be enabling to promote performing MFIs in a competitive market. The areas of improvement of the 2009 RFP relates to a better inclusive rural finance sector, consolidation through graduation to provide saving products, capacity building and partnerships with commercial banks.

RFP 2009 together with the rural finance Decision Tools to my knowledge have been useful. They have continued to steer IFAD away from a focus on rural and micro credit towards institution building. The focus on strengthening the sustainability and self-reliance of RFIs, particularly through deposit mobilization, portfolio diversification, a balanced inclusion of high potential areas of operation and profitability, should be intensified.

Yes it helps but it would be better if more concrete actions are taken especially in terms of training and development of agricultural value chains; to help developing countries to develop their potential and reduce their dependence on food

The 6 principles that guided the IFAD RFP are still for purpose; however it usually falls short when relating projects duration (max 8 years) and macro level interventions (usually related to long term expected results).

Good approach in principle, but compliance has not been sufficiently high as interests of CPMs prevail over principles. All consultants should receive a complete set of relevant documents when starting their assignment. All consultants should receive, upon expression of interest, receive relevant documents, such as RFP.

The RFP and the decision tools reflected best practices at the time and it has served IFAD well in providing support to consultants while articulating design issues, implementation support and supervision of IFAD supported Programme/projects. There is need for the RFP to keep pace with the new innovations and changes that we are experiencing now either in digital and mobile finance innovations as well as innovations that incorporate climate change issues. There are more actors in rural finance unlike in 2009 when IFAD was the only one. There is need to capture experiences from these new actors.

The RFP has been very useful. But my observation is that communication about it should be improved - many project level staff are not aware of it, and even some IFAD staff and consultants

Marginally effective. It doesn't really focus on what is the role of rural finance and how a good rural finance programme should function. No discussion of target market and the need to understand the credit culture of the people in the programme area.

The RFP 2009 did improve IFAD's operation on rural finance in many countries where the regulatory and legislative environments proved to be enabling to promote performing MFIs in a competitive market. The areas of improvement of the 2009 RFP relates to a better inclusive rural finance sector, consolidation through graduation to provide saving products, capacity building and partnerships with commercial banks.

The RFP and the decision tools reflected best practices at the time and it has served IFAD well in providing support to consultants while articulating design issues, implementation support and supervision of IFAD supported Programme/projects. There is need for the RFP to keep pace with the new innovations and changes that we are experiencing now either in digital and mobile finance innovations as well as innovations that incorporate climate change issues. There are more actors in rural finance unlike in 2009 when IFAD was the only one. There is need to capture experiences from these new actors.

It was appropriate and articulated the most advanced good practice at the time. Not as forward looking as it might have been.

The well-structured and comprehensive rural finance policy framework with its guidelines and criteria in designing programs oriented to rural poor could be considered as IFAD's potential strength. The practical realization of this potential in terms of supporting rural poor is successful in those cases when (1) the program design was relevant, (2) the implementation modalities chosen correctly based on the well elaborated market study and (3) the local implementation capacity at PMU was adequate. If all these 3 factors are in place the IFAD program demonstrates strength and is successful in reaching the rural financial policy objectives.

RFP is there, but is not often used or consulted. Not following its own RFP in project designs (e.g. including into design interventions or features that are not considered best practices - such as interest rate caps, activities that require very high technical expertise that is often lacking, activities that are out of context - like setting ROSCAs in highly developed financial sectors, including implementing partners into design without proper due diligence, etc.).

The RFP policy document by itself is not sufficient to enable innovation and inclusiveness in rural financial practices. It certainly sets the enabling framework but, eventually in practice, the implementation is focusing more on outputs than on outcomes, and more on quantity than on quality.

Suggestions for improvement:

Make is less complex, and more focuses on competitive advantage of IFAD

Incorporate a more systemic analysis of the political and cultural aspects

It could be improved by enhancing definitions and incentives for innovations. Also the process for evaluating good lessons and subsequent scaling up should be expounded

Could be updated to include technological advances.

Flexibility is a must in order to take into account the specificities of each country and each project as well as each target beneficiary.

SME finance should be included in a big way. Digital finance should be explored

General suggestions on IFAD's IFS approach

Monitoring of results at the client level could be improved. Project beneficiaries are not sufficiently involved in defining targets of success. Outcome level Indicators are not updated regularly, impact measurement is also a weak area. Although these areas are covered in the Policy document on recommendation level, they could be better addressed in the Decision Tool for better implementation guidance.

Rural finance should be the subject of a project itself and not just a project component and, if possible, IFAD could support governments in defining and strengthening specific financing policies for small rural businesses.

IFAD should make emphasis on micro-finances and guarantee systems. The goal should be reducing the service delivery cost by improving technology and investing in human capital for micro- finances.

The IFAD's operation could be improved with more simple lines of action and listening more the local partners

One way I believe could improve this situation is to include from design the ways to incorporate the rural people who would access to finance services or the rural organizations that merge from the projects implementation to the finance system prevailing in the country.

Considerably more innovation needs to be added in view of the impact on the supply chain and rural economic development, and therefore calling for a change in relatively classic models of microfinance and community banking.

However let the driver be local reputable financial institutions rather than competing with them or coming to experiment new ideas drawn from other places without having any good reasons to reject what is at hand. Innovation is good when it is needed, but not absolute necessity.

It is very important that IFAD: i) is including in project designs actions to improve access to financial services because poor people in rural areas do not have these services; ii) support the development or implementation of innovative strategies in the field of financial services specific to rural communities; iii) apply and share lessons learned in rural finances in countries with similar peasant economies; iv) support the capacity building and the generation of rural finance policies

Q5 In your experience what has worked well in IFAD operations? (answered 59)

Selected responses:

Outreach: overall, in remote rural areas, IFAD rural finance operations managed « cut the ground from under money lenders' feet » and reduced their tendency to « exploit smallholders ». IFAD operations have expanded micro-lending to clients not eligible for formal lending.

IFAD operations have enabled governments to validate methodologies that seek to support the rural poor to overcome technical, financial and social weaknesses. Many of the lessons learned in the implementation of IFAD projects are incorporated by the State Entities and Local Governments. The transversal themes that are IFAD policies have served to make visible and increase the participation of women and young people in projects financed by IFAD. The strategies to include in the different stages of the projects, participatory processes have served to demonstrate that transparent allocation and management of public resources is possible.

The projects were learning spaces that took into account that peasant and indigenous groups and their families participate energetically in the competitive allocation mechanisms rooted in cultural traditions. This approach promotes the empowerment of the target groups of the project and the associative capacities to develop their own initiatives. This is because part of the identification and recognition of environmental, cultural and economic assets (including their knowledge and skills), which encourages the population to co-finance and invest in their own initiatives.

Q6 What has not worked well in IFAD operations? (answered 59)

Selected responses:

Country managers who felt the need to succumb to country desires for funding their priorities, even when they were not the better practices.

The demand-driven approach to capacity-building – leaving the initiative for training up to the sector - has had the effect that the focus on rural and agricultural finance has gradually given way to microfinance in general.

meso-level support linking finance and non-finance not always (different rationale behind the two) modern approach to value-chain financing going away from credit as the main financial services targeting makes rural finance challenging measuring/proof if impact

Some of the operations need much longer timespan to ensure sustainability. The programme approach needs to be improved to ensure greater leverage.

The establishment of general policies for the development of the agricultural sector; awareness and Implementation of real reforms aimed at developing local agriculture, including the processing of products to adapt them to the needs of the market.

In some cases, the fact that IFAD, due its targeting policy towards the most vulnerable, impose rules that become contradictory: financial profitability of the operations to sustain RFI sector versus distribution of soft credit/grants to the target.

Trying to tackle the status quo existing at the policy level, because of different reasons: fear among the members of the finance institutions when they believe their markets would be “taken” by other local institutions (farmers ran); the fear of the rural people because they think they will not be able to participate at the level due to the lack of skills; the rural finance established system has difficulties understanding the prevalence of a free market with a wide range of services available and institutions providing them.

There are various problems at the level of project cycle, nevertheless two of them have a negative multiplying effect, one of them is that at formulation stages too many and excessively ambitious goals are included for a very limited timeframe, not considering weaknesses both at institutional and beneficiaries levels. Also a logical framework with too many and sometimes not relevant indicators. Consequently, the review and evaluation missions are forced to modify goals, indicators, budgets, etc. Regrettably, at project level, it seems that not enough attention is paid to the design and implementation of an appropriate monitoring and evaluation system. Project implementation units should pay as much importance to the goals as to the development and implementation of a proper monitoring and evaluation system.

Social exclusion (the backside of social inclusion): a focus on the poor and poorest, women, remote areas and "missions impossible" - a tendency, or perhaps rather a claim, to exclude men, the non-poor, SMEs, and high-potential areas with successful operations that could serve as lighthouse examples and pull along the poorer areas and segments of the population. Perhaps I should also mention the pronounced tendency of staffing project management with employees the government feels it could spare (instead of hiring the best on the market, perhaps financed through grants rather than loans to the government)

Monitoring systems for financial data are weak; corrective measures are slow to impossible to implement either because the weak capacity of the financial institution or the absence of political will or the absence or other rural financing options

Use of same consultants to design and supervise projects. Each CPM has a group of consultants they use and after some time there is no innovativeness and no critical analysis. 2. Limited former PTA support given the number of staff covering all rural finance in IFAD only three technical staff.

Lack of flexibility in proposed activities especially at design or final design stage.

The attempts to change Central Banks and financial institutions policies.

I also think that sometimes there is too much emphasis on credit lines before making sure that funding is indeed a bottleneck. I also think IFAD should invest more in participating financial institutions /implementing partner due diligence, like the World Bank? Does, to avoid partnering with weak participating financial institutions or otherwise ineligible partners

Q7 According to your experience, what are the most important reasons for success or failure of rural finance operations? (answered 59)

Selected responses:

IFAD project rural finance operations tend to be overambitious. They often mix different levels of objectives (micro, meso and macro), with limited technical capacities. They should focus on one objective at a time. The lack of clear guidance regarding sources of funding of FSP. The sequencing of activities should also be reviewed. For instance, the exit strategy of rural finance operations (and the handover to governmental bodies) should be formulated and implemented along the implementation life of the project not at mid-term review or at the last year of the projects.

The higher was the ambition level of interventions in the design (demonstrated in overly optimistic targets for key performance indicators) the higher is the probability of lower effectiveness and significant adjusted after MTR. The most important is to set objective targets right, based on the thorough market research, take the local context into consideration when determining indicators and make this process more participatory, which will help in defining the practically attainable limits for the targets.

Strong goal setting helps tremendously, good coordination between the head office and the field and finally, good evaluation.

IFAD has a will to impact the poor during a short period of time; - IFAD does not understand that there is a need for a long time investment in RFI and change its approach too soon

For success: that rural people are able to identify the need for economic independence and the undergoing projects must develop and implement strategies directed to create the adequate environment for people so that their fears are managed; projects design that tackle from the very beginning the beliefs of the finance system prevailing at the time . For all that an accurate diagnose is necessary.

Success Factors 1. IFADs ability to contain attempted political interference 2. IFADs commitment to projects and funding support 3. Regular supervision missions

Risks to Success 1. Controversy among Government agencies over control of resources. 2. Activities not getting value for money spent. 3. Government counterpart funds not provided as agreed.

Engaging with new, private, actors in rural finance markets, and pursuing market oriented interventions to widen and deepen access to financial services. This has been a good contribution from IFAD rural finance operations. The bad news is that this contribution has not had the scale, or the adequate priority to positively impact these operations. The reluctance, or little political will, from Government implementing agencies to decisively promote these market oriented interventions, has been followed by IFAD reducing its emphasis in RFP recommendations. The result, so far, is very little success to report in this area.

Understanding the actual financial needs of the target group is a challenge. Research based interventions - be it in the demand side or the supply side ensures success of rural finance operations. Assumptions made without proper research in regards to product design or delivery model may lead to failures. Moreover, political interventions may also impede progress towards rural finance operations.

The critical factor for designing an effective credit system (rural or otherwise) is to employ people who have had actual practical banking experience in making loans. Hiring people who have only worked for country foreign aid programmes and lack the personal experience and training with financial institutions do not understand the full credit cycle and often confuse making loans with income redistribution. This leads to poor loan repayment over the medium term. Finally, success often is measured by the amount of loans disbursed, not by the loan recovery rate, which is much more important for sustainability.

The two most important factors of failure or underperformance that come to mind are: (1) a mistaken focus on women, the poor and remote areas (these are goals, rather than means, which cannot be attained by direct intervention - take China as the most prominent example for a different policy, namely "export-led growth", see also Taiwan and Korea). (2) Reliance on the government rather than resources to be found on the market and market mechanisms.

Failure: 1. Too rigid planning with insufficient flexibility 2. Local staff not sufficiently competent 3. M&E systems too complex, beyond the capacity of local staff and not detailed enough for in depth analysis 4. Partnering with the wrong partner 5. Unrealistic funding principles

Success: 1. Efforts to adjust design elements to realities 2. Realistic targets and plans 3. Full agreement over approaches, targets, funding.

Working through borrower governments especially in the procurement of private sectors partners such as commercial banks and technical support services had been the greatest impediment 2. Staffing the PCU with non-rural finance technical staff to support private sector partners 3. Complicated M&E requirements that private sector don't have time or resources to collect and analyse. There is conflict between private sector approach and social impact data requirements.

Rural finance operations are often standardized, focusing mainly on supply side access to finance and not holistic financial inclusion. Successful interventions focus mainly on the demand side and adopt coaching and mentoring approaches that lead to graduation of beneficiaries.

Q8 Where do you see IFAD's demonstrated strengths in rural finance?

Selected responses:

Outreach: IFAD is the only donor/IFI that can give the opportunity to people living in remote rural areas access formal financial services.

Supporting CBFOs, working with MFIs Being the rural finance hub globally which is really on the ground Publications on smallholder finance

Capacity building for informal and formal financing institutions particularly for governance

When IFAD can partner with a recognized and established RFI; ii. When IFAD lead or contribute to the definition of a national policy insuring sustainable access to finance to the segmented rural sector

Improving smallholder farmers in their financial management, including risk and seasonal fluctuation, access to finance, financial education, training and promoting transparency and consumer protection, and enabling the linkages with migrant remittances and using remittances as a source of finance.

Linking local financial services providers with IFAD targeted clients leads to financial inclusion in the medium to long run.

Promoting good practice, selecting good financial institutions, keeping government at arm's length from operationalizing finance programmes

A well design and elaborated Rural Finance Projects coupled with flexibility that are result oriented - Consistency and timely provision of Funding to cover both staff capacity building and infrastructures - improvement of feeder roads leading to such RFPs. -Qualified and vast experienced personnel (at

HQs) and also a pool of consultants that understands the countries' context - In-depth supervision missions conducted

Micro-finance has been mainstreamed in the past few years. IFAD's experience in this sector is a strength but not unique to IFAD anymore. IFAD should explore more innovative approaches given it is probably the only of the development agencies that focuses at small scale.

IFAD has a strong value proposition in rural finance and should invest more in knowledge management and learning. This goes beyond documentation, can ensure a strong amplifying effect.

Q9 Where do you see IFAD's demonstrated weaknesses in rural finance? (answered 59)

Selected responses:

Targeting strategy: reaching the rural people does not necessary mean reaching the rural poor.

The trickle-down approach adopted by some IFAD projects (cf. value chain financing) should be validated by impact evaluations in terms of targeting. 2. Sustainability, institutional capacity and inclusiveness of financial institutions at grass-root levels.

I believe that IFAD should promote the strengthening of the capacities of project execution teams in rural finance issues because the implementation of the financial services component is slow or not carried out correctly. In addition, this strengthening must take into account the capacity- building in public and private entities that provide financial services, to bring the supply and demand of financial services closer to the specific segment of poor rural communities.

Ability of IFAD to change views and technical views to match changes in the local contexts of the projects that are supported. Ability to "let go" of a project or institution, based on criteria of success or failure. Indicators that would inform IFAD of timing and performance, and will to make appropriate decisions.

When IFAD plays alone imposing its own rules whether softer or harder than the national context; ii. When IFAD functions with the time of the project cycle that impact negatively on the link with clients and RFI (whether disbursement obligations at the beginning or lack of monitoring at the end) IFAD then builds a strange reputation of lack of constancy.

The issue of country politics driving some of the IFAD lending project designs

Integrated, innovative concepts across different lines of finance and financial products & channels, and across different sectors (trade & logistics) in view of the acceleration in digitization.

Over optimistic time frameworks, and lack of realistic about petty corruption by unethical Board members.

Mismatching project objectives with the reality due to time gap between project design and project implementation, Project life (5-7years) is short for project initiated organisations to start, grow and mature into sustainable institutions capable of carrying out activities beyond the life of the project.

The time involved in the process of approval and implementation of projects (one or two years), as well as too ambitious project goals as explained, creating a multiplying effect of various problems.

Lack of knowledge and understanding by some consultants of local conditions. 2. The distinction between the Ministry of Agriculture which is responsible for agricultural policy, production and marketing and that of Ministry of Finance/Central Banks needs to be clearly defined.

Lack of systematic approach in building partnership with field-level operational implementing partners or service providers

The mother of all weaknesses: IFAD operations married exclusively to ministries of agriculture and or institutions for social assistance. Rural finance operations should necessarily be associated to Government institutions with a better financial understanding of their markets, AND with strong participation of representatives from Credit Unions, S&L Cooperatives and or Microfinance Institutions. Consultation / participation of other Development agencies from the international financial community should also be a must.

Poor selection of partners. Not understanding local credit conditions. Over-optimistic assumptions. Hiring inexperienced people with limited actual banking experience to design and run rural finance programmes. Not enough emphasis on developing effective credit approval and loan monitoring systems.

Fallacy that the complexity of design elements would be useful in the implementation process - Insufficient care for specific sustainability requirements, and instead doing too many nice things that derail or do not sufficiently support the overall goals of sustainability and outreach

Not having ability to help financial institutions with equity, inability to easily provide soft asset development. Expecting strong linkages with non-financial programming.

Q10 What rural finance approaches, support instruments and financial services should IFAD support more in future?

Selected responses:

Mainly, I believe that IFAD projects should i) continue to promote savings culture strategies, self-managed funds and specific insurance schemes, even when the mechanisms must be improved; ii) support the adequate establishment of cooperatives as a means of rural financing; iii) strengthen the approach of supply and demand of rural financial services; iv) commit governments to the construction of specific policies; v) Projects with greater follow-up and constant evaluation should be included in the progress of implementation of these strategies that demonstrate that it is being effective In general: i) territorial commitment and local authorities must be encouraged; ii) direct the actions especially to the commercialization and opening of markets; iii) generate synergies among the different institutions of the governments so as not to repeat actions and more fully support the communities; iv) generate strategic strengthening spaces for technicians, authorities and institutions committed to rural development of the projects they are supporting.

The Value Chain approach (including contract farming and out-grower schemes) has not been a focus area of the RFP and is not sufficiently addressed. It is understandable that VC approach is covered by other donor institutions and development organizations like FAO, USAID who have more expertise in this subject. Better coordination from the design phase with other stakeholders focusing on VC and incorporating this approach in the project designs would be a direct step in addressing rural poverty.

Savings, payments and insurance, also for VCs and in agricultural finance Qualifying PMUs in rural finance Stand-alone rural finance projects in larger markets Working on the intersection of agricultural policy, disaster risk management policy and financial sector policy.

Performance based agreements with financial services providers and meso level institutions (TA, capacity building, policy reform, etc. Organize a consortium role in financial sector policy to inform decisions in country projects, and also to inform knowledge/learning within IFAD.

In my opinion, IFAD will have to focus much more on supporting the structuring, development and financing of CVAs, with support for market promotion and local consumption; urge states to put in place policies to protect production and local processing at the expense of imports ... encourage the financing of CVAs by banks and MFIs; to help the States to set up the infrastructures of accompaniment (control of the water, opening up, local and regional market).

Support the establishment of national policies with appropriate tools according to the segmented clientele (in collaboration with Social affairs department if it exists) ii. design long term programmes with RFI, with regular M/E support to guide the necessary flexibility and to guarantee a sustainable access to finance.

IFAD would be warmly recommended to include (a) leveraging existing rural postal networks as part of the physical basis supporting rural development both in financial inclusion and as part of the supply chain (transport, logistics, warehousing) and in combination with the (global) digital platforms for finance, logistics and small trade and linked with e.g. diaspora. More support is also needed in enhancing financial literacy and usage of digital instruments for which post offices could be instrumental for communications, training and information. In a broader context linkage needs to consider with personal ID (registrations, issuance and checking) and geolocation of rural operations. IFAD should also support more regional programmes promoting international cooperation, exchanges and integration in international systems.

Micro-finance institutions (community banks, rural banks, financial services associations serve rural economic activities better and should be supported. 2. The focus on agriculture is very relevant but the portfolio should be diversified enough to cover other rural economic and social activities to give a well-integrated rural finance for rural development. Diversification mitigates risk of default and promotes sustainability. 3. The cooperative type of micro-finance arrangements (financial services associations) should be supported more. It provides a more participatory platform for rural actors. 4. Activities include: a. primarily agriculture (production, transportation, marketing, processing etc.), but also b. commercial activities (these sell to and buy from farmers), c. educational loans (ensures more children go to school) d. salary loans - (teachers and other workers who serve the farming communities) 5. The facilities must be tailored to the activity cycles 6. Support should extend to commercial off-takers linked to farmers.

Market oriented interventions to strengthen rural financial markets: working with local financial institutions keen to risk their own resources to finance rural credit. Promoting Savings more than Credit, among project beneficiaries, bringing the most of these beneficiaries into the formal banking system. Promoting mobile banking in rural areas as one of the most powerful mechanism to widen and deepen access to financial services in these areas.

More governance, policy dev., capacity dev. at institutional and national level. Some of this is best done in coordination with networks such as the Rural and Agr Finance Associations (RACAS), CGAP, CABFIN, etc. Support to advancing new technologies is also important. A VC finance approach has been useful for many types of projects, but should be broader than a contract farming view of VCF.

IFAD should focus on interventions that help mainstream beneficiaries into formal financial system, not isolating them, and thus should focus on working with formal, eligible, private sector, and sustainable financial institutions as implementing partners for the provision of financial services as opposed to government or community-based organisations that are often weak and incapable of delivering quality services.

Future direction: Improve and expand work with established banks or regulated financial services providers to take a step further into the bankable frontier. Don't neglect to start or expand these private and innovative (but higher risk) models that have sound consumer research supporting them, (like digital finance for agriculture). Support consumer financial education as a necessary and important component of any project.

Q11 What rural finance approaches, support instruments and financial services should IFAD support less in future? (answered 49)

Selected responses:

"Plain vanilla" Technical assistance should be avoided (e.g. awareness raising, literacy improvement or technical capacity building) for direct beneficiaries (rural poor) not combined or- followed with other intervention mechanisms (directly or indirectly) leading to access to financial resources by the rural poor and putting these resources directed to the productive activity. The factors that are not in IFAD's direct control and are depending on the government decisions should not be simply assumed, better mitigation strategy should be put in place. For example: launching a refinancing facility for the RMFIs that IFAD-supported informal village groups are expected to have access to.

Policy and regulatory support (only in stand-alone rural finance projects) Having finance and non-financial support in ONE component Matching Grants (only in specific situation/very poor target groups or graduation models).

State owned banks. --Community financial services that are not linked to some broader organization for compliance, accountability and financial intermediation at a higher level. -- Community or cooperative organizations that do not follow a proven model of success, safety and governance.

The rural finance approaches, support instruments and financial services that IFAD should support less in the future are: 1. - Contributions of seed capital for the CRACs that are in operation. 2. - Indiscriminate contribution of Working Capital to Poor Rural Producer Organizations. 3. - IFAD resources devoted to strengthen and modernize the private, governmental and social sector financial institutions that operate in the geographic area of IFAD projects. To create Financial Funds operated by private institutions and the social sector, to finance organizations of poor rural producers supported by business plans, since they charge high commissions and never get to operate efficiently and have demonstrated a low capacity of credit operation.

Blended finance is over popular at present and should be reviewed and likely reduced somewhat to since much of it is not sustainable.

Guarantees - Risk sharing facilities without first providing TA.

Building stand-alone, small micro-finance institutions or other local rural finance only entities. In view of digitization priorities need a reset, requiring integration into the digital, global economy.

The present structure of 'Apex Bank' for rural finance banks is cumbersome, costly and needs review. Otherwise the Central Banks should be impressed upon to assume their traditional roles of supervision and monitoring.

No funding for specific credit funds directed to specific groups. Promote and support, instead, private finance for these groups, via local banking or not-banking institutions. No funding for unconditional transferees, and only very well designed, targeted, well assessed and of temporary nature conditional transferences should be funded with Project resources.

Policy development as this can be done better by others, and also Training because it is challenging to attribute financial inclusion directly.

Avoid government run finance and lending institutions. Institutions that have no experience in rural lending. Do not design programmes where government agencies have the right to identify where the programme will operate- often called a public/private joint venture.

Less pressure to lend money, more policy and governance emphasis and more capacity building.

Q12 Please provide any other comments you would like to make on IFAD's performance and future direction in rural finance (answered 47)

Selected responses:

IFADs performance for rural finance is above average. The area that needs improvement is effective linkage with agriculture (the whole value chain). The Agricultural Ministries should focus on providing policy and support to farmers to make them credit worthy to access finance from financial institutions. The Agricultural Ministries should not be direct channels for finance delivery to farmers.

Two emphasis for rural finance projects a. Projects should necessarily be designed within the Government strategic priorities framework, one of which should necessarily be the Financial Inclusion Strategy, as a condition to be considered and highly appreciated in IFAD´s Project assessment and approval b. IFAD should better identify implementing agencies engaged with and committed to their Government's Financial Inclusion Strategy, in each country. IFAD should also promote participation of local private actors in Projects implementation.

Having worked for IFAD over a seventeen year period my main criticism is the reluctance to acknowledge mistakes and the tendency to talk up successes, however faint or fleeting. Accepting mistakes and rectifying them is a key component of any learning exercise. I don't recall any programme that I looked at in IFAD where a programme was acknowledged as a failure (particularly by the area department) and cancelled. In private sector finance the need to cancel a loan or a programme that is failing is identified as a key management attribute.

There should be better transparency and accountability for rural finance component designs and supervision mission recommendations. If something is not working well, it should be documented in a way that is accessible beyond just one particular project. But it is not enough to say it is not working - it is necessary to understand the reasons - where the mistake has been made, either at design or implementation, or due to design modification etc. Also, the new supervision report format is not always helpful in identifying issues as it is no longer organised by components and issues relevant to rural finance components can be scattered around in different sections.

Inclusive Financial Services Glossary

Name	Description	Source[191]
1. Intervention level	Explains the level of the financial system to which interventions are directed at	
Macro	Improving the enabling environment of the financial systems by supporting the strengthening of legal, regulatory and supervisory frameworks	
Meso	Locally available market infrastructure and service providers for the financial sector (second-tier institutions and technical service providers), such as wholesale lending institutions, credit guarantee institutions, credit reference bureaux, collateral registries, mobile payment platforms, training institutes, certification institutes for financial service providers, remittance and transfer payments systems, and technical service providers for capacity building of FSPs (see also Apex definition below)	
Micro	Financial service providers (retail service providers): commercial state and other banks, microfinance institutions (regulated in the financial sector, and NGO-type), insurance companies, money transfer operators, cellular phone companies, and leasing and equity companies or funds. FSPs are the supply side, clients are demand side	
2. Channel	Can be a public or private institution and which is derived from the intervention levels, can channel retail or wholesale financing, or even non-financial services	
Apex	Literally 'top institution'. An apex institution is a second-tier or meso-level organization that channels funding (grants, loans) or services (credit guarantees, technical assistance) to multiple /diverse or specific types of FSPs in a single country or region. Funding may be provided with or without supporting technical service. Can also be a head-institute of FSPs (banks MFIs, credit unions, SACCOs, VSLAs) such as an association. "An apex institution is a second-tier or wholesale organization that channels funding (grants, loans, guarantees) to multiple MFIs in a single country or region. Funding may be provided with or without supporting technical service".	CGAP 2002
Community-based financial organization	The term 'community-based financial organization'(CBFO) covers a wide variety of entities that provide a range of financial products and services. CBFOs typically operate in remote areas that lack access to formal financial services, and often without government regulation and oversight. Most CBFOs are self-governing, often relying on volunteers. Range from formal (CUs, SACCOS) to informal (VSLA, savings groups)	
Government scheme	Providing financial services or second-tier functions by a government organisation or programme. Government scheme, programme or project for supporting and/or financing (e.g. rural transformation, poverty alleviation)	
Retail FSP	Directly serving clients; as opposed to wholesale FSP which is on-lending funds to finance lending business of retail FSPs	
3. Financial instrument		
Line of credit	A loan to a FSP for on-lending to their customers. Repaid funds	

[191] Where no information on the source is provided, IFAD documents are the source (see Bibliography)

Name	Description	Source[191]
	can be revolved until the LOC becomes due for repayment to the funder. Since the borrowing FSP assumes the credit risk, the loan from the LOC is a liability for the FSP. LOC funds obtained by a government through an IFAD programme are usually managed by wholesale funders that lend to retail-level institutions /FSPs. Channelled by a fund, a commercial bank, a meso-level institution of government agency.	
Loan guarantee	A non-bank financial instrument aimed at facilitating the access of micro, small and medium-sized enterprises (MSMEs) to formal lending through the provision of credit guarantees that mitigate the risk of non-repayment. Essentially, a loan guarantee is a commitment by a third party to cover all or some of the risks associated with a loan to its client, who does not have sufficient bank worthy collateral. The LGF removes barriers to financing for the borrower and permits credit financing in general, or on more favourable terms.	
Matching grant	A matching grant is a one-off, non-reimbursable transfer to project beneficiaries. It is based on a specific project rationale for particular purposes and on condition that the recipient makes a specified contribution for the same purpose or subproject. Grants and matching contributions can be either in cash or in kind, or a combination of both. They may or may not be provided together with other financial services, such as loans, or linked to them. As one-off transfers, matching grants differ from permanent public transfers, such as subsidies for inputs and services (e.g. fertilizer or interest rate subsidies) or safety nets (e.g. cash transfers, food for work)	
4. Approach or thematic focus	Thematic focus, which means the approach taken	
Consumer protection scheme	The aim of this intervention is to protect microfinance clients from predatory financial service provision (of any kind of service). Can include interventions such as ensuring the transparency of financial disclosure (show true costs of product/service) by way of regulation, or standards providing, guidance on lending practices, mechanisms for handling complaints and disputes, and consumer education/financial literacy.	
Digital finance	Financial services provided with the support of technology in the form of digital devices, platforms, data generation or storage etc. This includes mobile money services, mobile or weather-index, insurance products, mobile weather services, or credit scoring.	
Equity	Equity is the value of an asset less the amount of all liabilities on that asset (=own capital). Equity can refer to any kind of equity-holder: Wholesale organisations, FSPs (Banks, MFIs or CBFO), or the final beneficiaries/clients such as small-holders, MSMEs, or households.	
Financial literacy	Financial literacy is the set of skills and knowledge that allows an individual to make informed and effective decisions with regards to their financial resources, financial concepts, as well as products and providers. Sometimes it goes farther, by mentioning “financial capability” i.e. the ability to use financial services.	
Graduation	The graduation approach focuses on developing sustainable livelihoods for the poorest, increase incomes, and move out of extreme poverty. It is a carefully sequenced, multi-sectoral intervention comprising social assistance to ensure basic consumption, skills training, seed capital, and employment opportunities to jump-start an economic activity, financial education and access to savings, and mentoring. The desired	

Name	Description	Source[191]
	impact is increased income and asset building. Have to distinguish between financial and economic graduation.	
Linking	Linking is a methodology used in various ways to create synergies between stakeholders, programmes and approaches. It aims to increase outreach and offer a broad product mix to clients. Examples include encouraging linkages between formal and informal financial institutions; between financial institutions and non-financial service providers, such as retailers and agricultural input suppliers; microfinance and safety net programmes; electronic payments and social cash transfers; or linking FSPs to commercial capital.	
Market review	Diagnostic exercise that explores the demand and supply side of a market, as well as the enabling environment. It looks at both barriers and opportunities in a given market, e.g. how poor people use financial services; identifying the factors that constrain their uptake of financial services; their demand; understanding why FSPs are not meeting the demand of low-income clients; and identifies what are the drivers of change; the leverage points for catalysing change; and which incentives could be efficient and strategies effective.	
Value chain financing	Financial products and services that flow to or through any point in a value chain in order to increase the returns on investment, growth and competitiveness of that value chain. Can be formally provided by a formal financial institution, or by a value chain stakeholder.	
5. Financial service provider	The organization that finally provides the financial services to clients.	
Bank	Generally a private entity (can also be a state bank or cooperative bank), legally registered and supervised under the banking law.	
Credit unions or SACCOs (also RUSACCOs)	Member-based financial institution. Often regulated by a supervisory authority or government agency, some also under the central bank or banking authority. Provide savings and loan services to members, and sometimes also allowed to provide services to non-members (usually the larger/stronger ones having a license for services to the general public). RUSACCOs are rural SACCOs.	
Government scheme	Publicly funded and managed organization or programme. Can provide retail or wholesale financial services (or other services such as grants).	
6. Non-financial services	Often provided in a complementary way, usually by another component.	
Agricultural risk management	Assessment and identification of risks and risk management gaps. Includes analysis of risk exposure and its economic, social and financial implications. Risk studies then include assessment of the main risks and policy gaps identified, and the prioritization of risks and tools that should be the focus of the country's ARM initiatives.	
Business development services	Provision of technical and managerial skills, information and market access for MSMEs.	
Institution building	For formal and informal FSPs, or for meso-level organisations or government organisations.	
Capacity building	For FSPs or meso- or macro-level organisations (organisational support)	JOHANNA?

Name	Description	Source[191]
Training	Can be directed at beneficiaries, or at organisations.	
7. Financial product or service	Financial product or service that is delivered to the client (farmer, household, women etc., or other value-chain stakeholder): savings, loans, payment service, remittance, leasing	
Crowd-funding	Innovative way of mobilising funding. A small amount of funds are raised from large numbers of individuals or legal entities to fund businesses, specific projects, individual consumption, or other needs. It involves bypassing traditional financial service providers and using online web-based platforms to connect users of funds with retail funders. Crowdfunding typically means (i) raising funds in small amounts, (ii) from many to many, (iii) using digital technology	
Insurance	**Insurance is financial risk protection by a policy** Index-based Insurance – A special form of insurance that can be used to compensate for losses related to extremes in weather that often plague agricultural enterprises and increase the level of risk involved in agricultural endeavours. Unlike traditional insurance, which is most useful in compensating for losses from idiosyncratic events, such as house fires or car wrecks, index-based insurance works best where there is correlated risk, i.e., risk of an event that causes consistent damage or losses across a geographical area or sector, such as drought, flooding or price volatility. More recently, some insurers are also piloting innovative index-based livestock insurance products.	
Leasing	Lease – Contract for use of an asset for a set term in exchange for fixed regular payments between two parties. Leasing is a method of financing the acquisition or use of a fixed asset, predicated on the concept that the value of the asset is in its business use rather than through ownership.	CGAP glossary*
Loans	Credit, external capital provided by a FSP, informal provider like a money or a lender in the value-chain like a trader, can be in kind or in cash	
Payments and transfers, national payments, digital payments, remittances	Cash-less transactions of finance (remittance are transfers from abroad)	
Savings and deposits	Money deposited at and entrusted to a group, or a FSP	
Warehouse receipt financing	(or inventory credit) – The use of securely stored goods as loan collateral. A document is issued by a warehouse listing the goods or commodities deposited in the warehouse. The depositor can then use that receipt as a pledge to secure a loan from a bank or other lender. The lender places a lien on the commodity, so that it cannot be sold without the proceeds first being used to repay the outstanding loan.	CGAP glossary*

* *Source:* http://www.findevgateway.org/rural-and-agricultural-finance-glossar.

Senior independent adviser's report

Reviewer's comments

Calvin Miller

Inclusive financial services for the rural poor: Evaluation Synthesis Report undertaken by IFAD extracts learning from its vast experience and investment in making finance work for the poor. Financial services are core to the mission of IFAD and it is important to get it right. The work of IFAD is spread across many diverse contexts, operating environments and needs and interests of the agricultural and non-agricultural rural households. The report works to accommodate this challenge to evaluate and synthesize lessons and recommendations that apply across this wide spectrum.

The evaluation strives to extract cross-cutting lessons across the broad stratum of diverse projects and financial services work of IFAD. The synthesis of it is limited in how deep it can delve into the lessons due to this diversity as well as the insufficient data from some project reports. However, the evaluators have been able to look across the varied context and strategies to find cross-cutting lessons as well as make comparisons among projects using similar strategies, such as those using stand-alone rural finance projects vs. ones in which finance was a component, the use of a value chain finance approaches with financing, etc. It is also able to make some comparisons between financial products such as use of guarantee funds, matching grants, credit lines and newer technologies such as mobile money. This is not an easy task and the evaluation team is commended for its work in extracting the learning and recommendations for implementation in IFAD's strategy and practice.

A constraining factor highlighted throughout the evaluation and report is the inconsistency in quantity and quality of the information available in the project reports. The evaluation contains much information and examples but the fact that some projects field documents were not robust weakens the overall depth of the learning from them and cross-comparing. Hence, the recommendations made on improving not only the reporting but also on how the information can be more effectively shared across IFAD are important to be implemented.

In order to facilitate IFAD design and practice in its current and future projects, the need to capture more consistent information is noted. There is also a need to conduct assessments on some of the widely used financing instruments applied in field projects. For example, as was evidenced in the Synthesis, and noted in Recommendation 1, although an instrument like a matching grant has been widely applied by IFAD, there has not been a comprehensive assessment of how they were designed and conceptually integrated, how they have been used by recipients, what the costs of administering grants were, what longer-term impact they generate for beneficiaries and to what extent they facilitated or not continued access to finance." In the same vein, linking BDS and finance, or integrating value chains and finance are topics of great relevance that similarly call for increased tracking and reporting of such data which facilitates more robust assessment and learning from the ground.

The two most important issues according to the evaluation are noted as (i) a lack of consideration of demand in the design of the financial services and, (ii) for the capacity of the implementing partners. It would be important to dig deeper into the causes of these weaknesses. On demand, is it because of insufficient assessment, or due to governmental interests in the design and placement of the projects, is it because the broad scope of the projects with uneven and distinct demand needs and etc. Regarding capacity, a question to be raised is on the selection of partners; more guidance should be given to those designing IFAD projects on the criteria for selection, guidance for assessing and inclusion of mentoring support for those implementing partners selected.

The emphasis of the evaluation was on assessing and learning from IFAD's field projects, mention was made of the contribution of the organization to global learning platforms and partnerships. Yet, is important to highlight the strong contribution IFAD has made to supporting global initiatives and learning and also to note the benefits from it, especially in guidance and learning that IFAD has itself received as a result. In fact, the Recommendation 3 to “Strengthen engagement with IFS partners at regional and country level,” should also include global as well as regional and country level engagement.

IFAD partners with governments in its field projects. A design issue that is not able to be fully captured from project evaluations is how governmental interests and approaches mesh with recommendations of IFAD’s technical leaders. Documentation of key issues during the design discussions and how they were resolved would be useful for others facing similar issues and also would provide a background insight to future evaluators of the projects.

While the Evaluation Synthesis report is aimed to enhance IFAD’s development effectiveness, the lessons are useful for a broader audience of development agencies, governments and practitioners working with financial services for the rural poor. The Synthesis document could not contain the depth of information contained in the evaluation cases. While the Annexes contain much rich information, the case information used in the evaluation and synthesis report should also be made available, especially for managers and implementers of IFAD projects using similar approaches.

As reviewer, I would like to express appreciation for the professionalism and integrity of the evaluation and review process. It was a pleasure to contribute to the evaluation and trust that the IFAD board and management will follow through on the recommendations.

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