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Enabling poor rural people  
to overcome poverty

## **President's report on a proposed grant under the global/regional grants window to a non-CGIAR-supported international centre – APRACA**

### **Note to Executive Board representatives**

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**For: Approval**

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## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to a non-CGIAR-supported international centre as contained in paragraph 7.

## **President's report on a proposed grant under the global/regional grants window to a non-CGIAR-supported international centre – APRACA**

I submit the following report and recommendation on a proposed grant for agricultural research and training to a non-Consultative Group on International Agricultural Research (CGIAR)-supported international centre in the amount of US\$1.1 million.

### **Part I – Introduction**

1. This report recommends the provision of IFAD support to the research and training programmes of the following non-CGIAR-supported international centre: Asia-Pacific Rural and Agricultural Credit Association (APRACA).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report:
 

Asia-Pacific Rural and Agricultural Credit Association: Enhancing the Access of Poor Rural People to Sustainable Financial Services through Policy Dialogue, Capacity-Building and Knowledge-Sharing in Rural Finance
3. The objectives and content of these applied research programmes are in line with the evolving strategic objectives of IFAD and the Fund's policy for grant financing.
4. The overarching strategic goal that drives the Revised IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2009, is to promote successful and/or innovative approaches and technologies, together with enabling policies and institutions, that will support agricultural and rural development, empowering poor rural women and men in developing countries to achieve higher incomes and improved food security.
5. The policy aims to achieve the following outputs: (a) innovative activities promoted and innovative technologies and approaches developed in support of IFAD's target group; (b) awareness, advocacy and policy dialogue on issues of importance to poor rural people promoted by, and on behalf of, this target group; (c) capacity of partner institutions strengthened to deliver a range of services in support of poor rural people; and (d) lesson learning, knowledge management and dissemination of information on issues related to rural poverty reduction promoted among stakeholders within and across regions.
6. The proposed programme is in line with the goal and outputs of the revised IFAD grant policy, which is to promote innovations that improve the effectiveness of institutions and policies and to build the capacity of key players for improved delivery of services, including rural finance.

## **Part II – Recommendation**

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the programme on Enhancing the Access of Poor Rural People to Sustainable Financial Services through Policy Dialogue, Capacity-Building and Knowledge-Sharing in Rural Finance, shall make a grant not exceeding one million and one hundred thousand United States dollars (US\$1,100,000) to the Asia-Pacific Rural and Agricultural Credit Association for a three-year programme upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze  
President

## **Asia-Pacific Rural and Agricultural Credit Association (APRACA): Enhancing the Access of Poor Rural People to Sustainable Financial Services through Policy Dialogue, Capacity-Building and Knowledge-Sharing in Rural Finance**

### **I. Background**

1. There is a general consensus that access to rural finance is crucial to farm and non-farm growth in rural areas of developing countries, where demand for financial services outstrips supply. In the past several decades, many rural finance policies and innovative approaches have been developed, replicated and shared to improve access to and sustainability of rural financial services in order to have greater impact on poor rural people. However, despite some success in increasing the outreach and impact of rural finance delivery, as well as in achieving the viability of rural financial institutions (RFIs), many challenges persist.
2. In recent years, poor rural people have faced additional challenges due to the rising prices of food and fuel, the effects of the global financial crisis and increased incidence and intensity of natural disasters resulting from climate change. On the other hand, the agricultural sector has undergone profound changes in the region, including technological improvement (e.g. using renewable energy), value-chain integration, changes in consumers' preferences, and increased demand for high-value, quality food. These changes have the potential to open up new opportunities for poor rural people, particularly smallholder farm households and agro-related entrepreneurs.
3. Increasing the access of poor rural people to sustainable financial services will be crucial to their being able to meet the challenges of the changing global context and to benefit from new opportunities. This requires formulating pro-poor and client-centred rural finance policies; replicating and scaling up best practices; building institutional and technical capacities; and establishing effective methodologies for documenting and sharing knowledge.
4. IFAD-supported grant projects implemented by APRACA in the past have built the capacities of rural finance institutions and IFAD-supported investment projects, shared knowledge across projects and countries and enhanced learning processes. This programme will build on experiences and lessons learned from past projects.

### **II. Rationale and relevance to IFAD**

5. The grant programme aims to improve access of smallholder farmers and agriculture-related entrepreneurs to sustainable rural financial services, so they may face emerging challenges and benefit from the new opportunities described above. The focus will be on four major rural finance themes: value-chain financing, risk-management strategies/tools, renewable energy financing and microfinance for agriculture. The major programme activities of policy dialogue, replication of best practices, capacity-building of key stakeholders and knowledge-sharing will contribute to improved access by poor rural people to sustainable financial services.
6. The programme goal and objectives are consistent with the thematic focus of the IFAD Strategic Framework 2011-2015 to increase the capacity of rural financial institutions and other partners to provide a broad range of financial services for both agricultural and related non-farm activities. The programme focus is also in line with the goal of the IFAD Rural Finance Policy (2009) of developing inclusive rural financial systems and fostering innovations to increase the access of poor and marginalized women and men to a wide range of financial services.
7. The key focus areas relate well to the priority area identified in IFAD's Research Grant Strategy: Asia and the Pacific, which is to promote innovations that improve the effectiveness of institutions and policies and to build the capacity of key players

for improved delivery of rural finance. The grant programme is similarly linked to the Revised IFAD Policy for Grant Financing (2009) to promote successful and/or innovative approaches, together with enabling policies and institutions that will empower poor rural women and men to achieve higher incomes and improved food security.

### III. The proposed programme

8. The overall goal of the programme is to enhance the access of poor rural people – particularly smallholder farm households and agro-related rural entrepreneurs, including women and rural youth – to sustainable financial services through policy dialogue, replication of best practices, capacity-building of diverse stakeholders and knowledge-sharing in rural finance. The programme's objectives are to: (a) provide avenues for enhanced policy dialogue among diverse stakeholders in Bangladesh, Cambodia, Myanmar and Nepal (the programme countries) on thematic areas, including value-chain financing, risk-management strategies, renewable energy financing and microfinance for agriculture; (b) promote replication of rural finance best practices by IFAD-supported investment projects and selected RFIs; (c) strengthen capacities of IFAD-supported investment projects and selected RFIs for the provision of sustainable rural financial services; and (d) strengthen knowledge-sourcing and sharing among APRACA members, IFAD-supported investment projects and a wider audience.
9. The ultimate target group is smallholder farm households, agro-related entrepreneurs and other poor rural people in programme countries, particularly women and rural youth. The direct target group is IFAD-supported investment projects and APRACA member institutions at two levels – central banks and RFIs in programme countries. Knowledge-sharing activities at the regional level will benefit all APRACA member institutions from the region and a wider audience.
10. The three-year programme will comprise four main components:
  - (a) **Policy development and advocacy.** Major activities include:
    - Assess progress in the rural finance sector in programme countries using the indicators from IFAD's PBAS/Rural Sector Performance;
    - Conduct country studies in programme countries, in relation to existing country strategic opportunities programmes (COSOPs), to identify constraints and opportunities for policy reform, rural finance infrastructure and public/private partnership;
    - Organize national policy dialogue forums among key stakeholders to discuss findings of country studies and identify areas for policy reform and actions on rural finance;
    - Organize regional policy forums on rural finance and emerging thematic areas.
  - (b) **Replication of rural finance best practices and approaches.** Major activities include:
    - Identify rural finance best practices, especially on the emerging thematic areas from a review of activities of more-mature RFIs for eventual replication by IFAD-supported investment projects;
    - Pilot test/replicate best practices using sustainable replication methodologies;
    - Assess pilot-testing/replication results to identify appropriate learning and offer recommendations for future projects;
    - Organize exposure visits in order to promote experience-sharing among institutions/projects.

**(c) Capacity-building of rural finance institutions and projects.** Major activities include:

- Produce training guides on selected thematic areas such as value-chain financing, risk-management strategies/tools, renewable energy financing and microfinance for agriculture;
- Organize regional and national training courses (mainly training of trainers) for staff of IFAD-supported investment projects and RFIs, focusing on technical skills development;
- Organize capacity-building workshops at national and regional levels focusing on managerial skills and competencies;
- Assess results of training programmes to identify appropriate lessons learned and offer recommendations for future projects;
- Assess and develop a long-term action plan to strengthen APRACA and its affiliates in order to ensure more-sustainable delivery of APRACA services.

**(d) Knowledge documentation and sharing.** Major activities include:

- Undertake studies at the regional level to document rural financial innovations and best practices;
- Organize regional and national dissemination forums to synthesize and share knowledge;
- Publish major findings in various formats, including translation into local languages to benefit the ultimate target group;
- Further strengthen APRACA's capacity for knowledge-sharing and upgrade its website, linking it with the IFAD/Asia portal;
- Promote electronic discussions on important thematic areas among APRACA members and IFAD-supported investment projects and other partners;
- Complete the unfinished task of enhancing the APRACA e-library.

## **IV. Expected outputs and benefits**

11. The expected outputs are the following:

- Strengthened platform for policy dialogue on rural finance involving central banks and other key stakeholders;
- Annually updated rural-finance-sector narratives and scores for IFAD's PBAS/Rural Sector Performance indicators in programme countries, based on research and consultation among various stakeholders;
- Greater replication and sharing of rural finance best practices under twinning arrangements between more-mature and weaker rural finance institutions and projects;
- Strengthened managerial capacities of officers and technical capacities of staff of IFAD-supported investment projects and selected RFIs through increased opportunities for training, exchange and exposure visits;
- Strengthened training and capacity of training centres of selected APRACA member institutions;
- Publication of studies, notes, papers and compendiums;
- Increased capacity of APRACA and affiliates for knowledge-sharing through an improved website, capacity-building and development of a knowledge-sharing system;

- Formulation of a long-term plan for sustainable functioning of APRACA and its affiliates.
12. These outputs are expected to lead to enhanced access of poor rural people to sustainable financial services as a result of: strengthened capacity of the staff of IFAD-supported investment projects and RFIs; replication and scaling up of rural finance best practices; improved access to new knowledge; and policy reform. The enhanced access to financial services will contribute to increased incomes and strengthening of the resilience of poor rural people, particularly smallholder farmers and agricultural entrepreneurs.

## **V. Implementation arrangements**

13. APRACA will serve as the implementing agency of the programme. A programme management unit (PMU) will be established, consisting of the APRACA Secretary General and an externally recruited programme manager, who will work under the overall guidance of the APRACA Secretary General. The APRACA secretariat will provide administrative and secretarial support.
14. Programme activities will be organized in close collaboration with APRACA centres of excellence, which include India's National Bank for Agriculture and Rural Development (NABARD), Indonesia's Bank Indonesia and Bank Rakyat Indonesia, and Thailand's Bank for Agriculture and Agricultural Cooperatives. Various training and capacity-building programmes will be organized in collaboration with NABARD's Bankers Institute of Rural Development. The facilities available with APRACA's agencies – the APRACA Center for Training and Research for Agricultural Banking and APRACA Consultancy Services – will also be used and their capacity strengthened.
15. In addition, the programme will seek close collaboration with other international organizations – the Food and Agriculture Organization of the United Nations (FAO), German Agency for International Cooperation, Consultative Group to Assist the Poor (CGAP) and Alliance for Financial Inclusion (AFI) – in sharing experiences and jointly hosting some events.
16. A programme advisory committee (PAC), composed of the APRACA chairperson, IFAD grant supervisor, representative country programme managers, APRACA Secretary General, programme manager and external experts – will oversee and provide advice to the programme. IFAD will undertake annual supervision. APRACA will be accountable to IFAD for ensuring that grant resources are used in accordance with the provisions of the grant agreement and are fully accounted for and audited. Within six months after the end of each fiscal year of the recipient, APRACA shall deliver to the Fund a copy of the consolidated audited financial statements, which shall include specific reference to the grant. The recipient shall ensure that, within its audited financial statements or separately, an audit opinion letter on statements of expenditure submitted to the Fund during the fiscal year is duly completed by its independent auditors.
17. APRACA member institutions are both hosts and cofinanciers of the activities. In these roles, their prospective self-financing participation and voluntary cost-sharing will provide broader financial leeway to increase coverage of activities and participation from programme countries.

## **VI. Indicative programme costs and financing**

18. The estimated cost of the programme is US\$2.1 million, with proposed grant financing from IFAD of US\$1.1 million and with APRACA and its membership contributing US\$1.0 million, mostly in kind. The APRACA contribution includes activity hosting by strong APRACA members when an activity is held in their respective countries, as well as self-financed participation in programme activities (at no cost coverage by the programme). APRACA members also provide experts



during forums and facilitation of grass-roots dialogue and during practicum. IFAD will cover the costs of IFAD-staff participation in programme-sponsored events. The grant fund will cover selected activity participants from RFIs and IFAD-supported investment projects in programme countries on an equitable and per need basis, to be determined by the PAC. The component breakdown of the total estimated budget is as follows: component 1 (17 per cent), component 2 (19 per cent), component 3 (20 per cent), component 4 (20 per cent) and PMU/overhead (24 per cent).

**Summary of budget and financing plan<sup>a</sup>**  
(in thousands of United States dollars)

<i>Number</i>	<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing APRACA</i>	<i>Total</i>
1	Personnel (programme facilitation)	187	127	314
2	Pilot-testing/studies/exposure visit (regional/national)	321	133	454
3	Policy and dissemination forums	248	458	706
4	Training/capacity-building	200	255	455
5	Publications/other multimedia	66	15	81
6	Overhead (7 per cent)	78	12	90
	<b>Total</b>	<b>1 100</b>	<b>1 000</b>	<b>2 100</b>

<sup>a</sup> The travel-related cost represents 43 per cent of the total grant. It represents 61 per cent of the programme component on policy dialogue, 69 per cent of the component on replication of rural finance best practices, 39 per cent of the component on capacity-building/training, 47 per cent of the component on knowledge documentation and sharing and 8 per cent of staff costs and overhead.

## RESULTS-BASED LOGICAL FRAMEWORK

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	<ul style="list-style-type: none"> <li>- To enhance the access of the rural poor- particularly smallholder farm households and agri-related rural entrepreneurs, including women and rural youth- to sustainable financial services through policy dialogues, replication of best practices, capacity building of different stakeholders and knowledge sharing in rural finance.</li> </ul>	<ul style="list-style-type: none"> <li>- Notable increase in access of project beneficiaries to rural financial services from IFAD-supported investment projects and other rural financial institutions in 4 project countries</li> </ul>	<ul style="list-style-type: none"> <li>- Base line data, reports of RFIs and IFAD-supported investment projects, progress and impact assessment, mid-term and final supervision reports</li> </ul>	<ul style="list-style-type: none"> <li>- Political commitment of senior policy makers for policy reform</li> <li>- Functional relationship among different stakeholders</li> <li>- Satisfactory annual percentage increase agreed at project start</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>- To provide avenues for critical assessment of rural finance sector and enhanced policy dialogue among different stakeholders in the four project countries.</li> <li>- To promote replication of rural finance best practices and approaches in the four project countries.</li> <li>- To strengthen capacities of IFAD-supported investment projects and selected RFIs in the four project countries for the provision of sustainable rural financial services.</li> <li>- To strengthen knowledge sourcing and sharing among APRACA members, IFAD-supported investment projects and a wider audience through a range of communication tools and instruments.</li> </ul>	<ul style="list-style-type: none"> <li>- Improved system developed for assessment of progress in rural finance sector indicators in four project countries based on research and stakeholder consultation</li> <li>- Rural finance best practices identified and replicated in four project countries</li> <li>- Capacity of staff of RFIs and IFAD projects strengthened in rural finance thematic areas</li> <li>- Capacity of APRACA affiliates strengthened to provide training on RF thematic areas</li> <li>- Active use of APRACA webportal and linkage to the IFADAsia portal, e-library materials</li> </ul>	<ul style="list-style-type: none"> <li>- Assessment report, rural finance sector performance assessment, mid-term/final supervision reports</li> <li>- Replication reports, mid-term and final supervision reports</li> <li>- Survey and assessment reports</li> <li>- Annual report, records and documentation on file, publications</li> </ul>	<ul style="list-style-type: none"> <li>- Enthusiasm and positive attitude of national authorities toward RF policy reforms</li> <li>- Applicability of rural finance best practices and approaches</li> <li>- Stakeholders' willingness to innovate</li> <li>- Active participation of RFIs and IFAD projects in the Region</li> <li>- Willingness of direct project target group to share (not clear?)</li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>- Strengthened platform for policy dialogue on rural finance involving representatives of key stakeholders.</li> <li>- Annually updated rural finance sector narratives and scores for IFAD's PBAS/Rural Sector Performance</li> <li>- Greater replication and sharing of rural finance best practices under twinning arrangements</li> <li>- Strengthened technical capacities of staff of IFAD-supported investment projects and selected RFIs</li> <li>- Strengthened training and capacity building systems in training centres of selected APRACA member institutions</li> <li>- Publication of studies, papers, notes and compendiums.</li> <li>- Increased capacity of APRACA Secretariat and subsidiaries for knowledge documentation and sharing.</li> <li>- Formulation of a long-term plan for sustainable functioning of APRACA and its affiliates.</li> </ul>	<ul style="list-style-type: none"> <li>- 700 smallholders/entrepreneurs benefit directly from training, replication of best practices &amp; exposure visits</li> <li>- 7,200 smallholders/entrepreneurs benefit indirectly from knowledge sharing activities</li> <li>- 435 project staff (incl.151IFAD projects) benefit from training, exposure visits, policy/knowledge forums</li> <li>- Year-on-year increase in rating of rural finance sector performance in 4 project countries</li> <li>- At least two rural finance best practices identified and replicated in each project country</li> <li>- Replication methodology and guide and compendium of best practices published</li> <li>- Upgraded technical guides &amp; training curricula.</li> <li>- APRACA's capacity for knowledge documentation and sharing strengthened</li> <li>- A long-term plan for sustainable functioning of APRACA and its subsidiaries prepared.</li> </ul>	<ul style="list-style-type: none"> <li>- Performance report, mid-term and final supervision missions</li> <li>- Annual reports, performance and impact assessment report</li> <li>- Activity reports, annual reports,</li> <li>- Publications, performance report</li> <li>- Publications, reports</li> <li>- Publications, reports</li> <li>- Assessment report</li> </ul>	<ul style="list-style-type: none"> <li>- Willingness of RFIs and IFAD projects to join assessment</li> <li>- Willingness of RFIs and IFAD projects for twinning arrangements.</li> <li>- Active participation in regional and national forums</li> <li>- Functional links between RFIs and IFAD projects are established.</li> <li>- Active participation of key stakeholders in uploading/downloading materials.</li> </ul>
<b>Key Activities</b>	<ul style="list-style-type: none"> <li>- To assess progress in rural finance sector in four project countries using the indicators from IFAD PBAS/RSP; conduct country studies on rural finance.</li> <li>- To organize national policy forums to share country study findings &amp; identify areas for policy and programmatic actions.</li> <li>- To organize a regional policy forum to share experiences and lessons learned on rural finance policies and best practices.</li> <li>- To replicate best practices on rural finance using sustainable replication methodologies.</li> <li>- To organize training courses and capacity building workshops at the regional and national level.</li> <li>- To assess and develop a long-term action plan to strengthen APRACA, its affiliates and agencies.</li> <li>- To organize regional and national dissemination forums to synthesize and share knowledge.</li> <li>- To publish findings in various formats, also in local language; to link APRACA webportal with IFADAsia portal.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual assessment of the progress in rural finance sector indicators in four project countries</li> <li>- One regional and three national policy dialogue forums organized</li> <li>- Replication of two rural finance best practices in each country</li> <li>- Two reg. and three nat. training courses/capacity building workshops organized</li> <li>- Strategic framework and action plan of APRACA formulated</li> <li>- Two regional and three national dissemination forums organized</li> <li>- At least twenty materials each year uploaded; at least ten into local language</li> <li>- At least 100 per cent increase in hits per year on APRACA website</li> </ul>	<ul style="list-style-type: none"> <li>- Progress/impact assessment report</li> <li>- Documentation and reports</li> <li>- Documentation and reports</li> <li>- Documentation and reports</li> <li>- Action plan report</li> <li>- Documentation and reports.</li> <li>- Electronic indicator of downloading hits at webportal, record of materials uploaded, reports, publications</li> </ul>	<ul style="list-style-type: none"> <li>- Willingness of national authorities to join studies.</li> <li>- Availability of RFIs and ISIPs to participate in activities.</li> <li>- Willingness of more mature RFIs to provide expertise.</li> <li>- Availability of direct target group in four project countries to participate in project activities.</li> </ul>