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President's report on a proposed grant under the global grants window to the Food and Agriculture Organization of the United Nations for Harnessing Knowledge and Networks for Capacity-Building in Inclusive Rural Finance (CABFIN) for IFAD's Investment Portfolio

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 19.

President's report on a proposed grant under the global grants window to the Food and Agriculture Organization of the United Nations for Harnessing Knowledge and Networks for Capacity-Building in Inclusive Rural Finance (CABFIN) for IFAD's Investment Portfolio

I. Background and compliance with IFAD Policy for Grant Financing

1. The initiative called Capacity-Building in Inclusive Rural Finance (CABFIN) was the result of collaborative efforts, beginning in 2003, by IFAD, the Food and Agriculture Organization of the United Nations (FAO), the German Agency for International Cooperation (GIZ)/Federal Ministry for Economic Cooperation and Development (BMZ) and the World Bank. The United Nations Capital Development Fund (UNCDF) joined in 2010. These collective efforts explored ways the partners could jointly facilitate capacity development among relevant public and private stakeholders to increase the availability and effective use of a wide range of financial services in rural areas – and thus contribute to livelihood development and poverty reduction. The CABFIN initiative focused on creating a knowledge platform and user network that would disseminate the most relevant resource documents and capacity-building materials from around the world and would develop new training manuals, policy guides and online training material accessible worldwide in three languages. CABFIN partners also sought to facilitate dialogue among stakeholders to define priorities and undertake joint activities to address those obstacles limiting access to agricultural and rural finance. Positive results of the ongoing partnership programme focus on analyses of more inclusive recent innovations in rural and agricultural finance in order to draw lessons for scaling up public programmes and improving their development impact. These lessons have been compiled in a training format and delivered through global and regional training platforms, where CABFIN partners come together to develop practitioner capacities around the globe. This has been done in partnership with the Boulder Institute of Microfinance and regional rural credit associations. In addition, the Rural Finance Investment Learning Centre (RFILC), the joint knowledge management platform, has been enhanced with new user-friendly features. It has become one of the largest information gateways specialized in rural and agricultural finance and investment. It presently hosts over 3,000 documents, including online and ready-to-use training materials. The platform receives over 5,000 visits a month from 150 countries, with 3,700 people subscribing to the RFILC's monthly newsletter as of March 2015.
2. The proposed grant is in line with the goal and objectives of the IFAD Policy for Grant Financing (2015).¹ It is also fully in line with the corporate strategic grant priority areas for 2016, with a focus on identification and dissemination of innovations in funding and investments to promote inclusive and sustainable financial systems, including capacity-building for scaling up and sustainability, knowledge sharing among countries, and engaging in policy dialogue at country, regional and global levels as a public good.

¹ Document EB 2015/114/R.2/Rev.1.

3. There is evidence that the financial sector in developing countries is paying more attention to rising private-sector interest in rural and agricultural investments. The United Nations' Sustainable Development Goals also reveal how the public sector is placing more importance on the role of agriculture in the overall development process, and on promotion of public and private finance as a key enabler. In this context, the work by CABFIN members towards rural financial inclusion represents some of the most influential initiatives globally, and the CABFIN partnership, through its knowledge management efforts, has accumulated unique insights into what works and into knowledge gaps so as to effectively promote rural financial markets.
4. Given this, the present proposal focuses on leveraging the CABFIN partnership in tackling persistent information, knowledge and coordination constraints on rural financial inclusion, which are better addressed through partnerships than through the work of individual development organizations. These key constraints relate to the significant efforts required to merge knowledge from heterogeneous private and public actors that together hold critical supply-and-demand information on rural and agricultural financial markets and on where rural investment opportunities can be found. On the public side, these actors include policymakers shaping regulatory frameworks that define the enabling environments for the financial and agriculture sectors.
5. The previous CABFIN grant benefited IFAD operations directly: compiling CABFIN knowledge tools to support training activities in programmes in Nepal in 2015 (i.e. the IFAD/FAO initiative for better management of public investments in agriculture); formulating interventions in Pakistan in 2014; documenting results of IFAD agribusiness matching grant programmes in Viet Nam in 2014; documenting innovations in rural finance in the IFAD/Asia-Pacific Rural and Agricultural Credit Association (APRACA) regional project on rural finance; and developing a training course in agricultural insurance for the IFAD/World Food Programme Weather Risk Management Facility.
6. What is new in the proposed grant is that it will significantly scale up the dissemination of good policy practices and the delivery of capacity development interventions to key decision makers at the country level. This will be possible thanks to the renewed engagement of all CABFIN partners as a result of the success and visibility of activities under the previous grant-funded programme. This is reflected mainly through increased participation by CABFIN members in annual meetings and their direct contribution to and participation in joint policy research exercises and training events. The greater visibility and influence of CABFIN capacity development programmes within relevant professional networks has sparked significant partner commitment to scaling up. Compared with the previous CABFIN phase, improvements have been made in cost-effectiveness by increasing the direct participation of CABFIN partner technical officers (as an in-kind contribution) in the elaboration of policy publications and training materials, which reduces expenditures for consultants and local advisers given the greater scope of the work conducted.
7. Moreover, a number of countries in which IFAD has a regional presence have shown potential interest in the next generation of this grant, including Benin, China, Indonesia and Zimbabwe. Regional divisions support the CABFIN grant. The IFAD Country Office in Uganda is financing attendance of an interdisciplinary team from the Ministry of Finance and the central bank at the Boulder Rural and Agricultural Financial Program (RAFP) in Turin this year, as they want to create a core group to design a new strategy/policy for financial inclusion. Participants in the 2015 RAFP included the IFAD country programme officer for Ghana and representatives of IFAD's government counterparts (the Bank of Ghana, Ghana Ministry of Food and Agriculture, Kenya National Treasury and Rwanda Ministry of Agriculture and Animal Resources) as well as financial institutions participating in projects (the First

MicroFinanceBank, Afghanistan and the Centenary Rural Development Bank Ltd of Uganda).

8. The proposed programme is motivated by recent achievements of the current CABFIN grant, which are deemed to warrant further IFAD support. Due to the new capacity development materials developed and the recent establishment of a highly visible global training platform (RAFP), CABFIN partners are showing unprecedented engagement in joint knowledge management activities. Senior technical units within every CABFIN partner are actively investing effort in the delivery of joint capacity development events and the formulation of policy research for programme design and implementation (e.g. the RAFP programme for 2016²). This scenario is complemented by the fact that all CABFIN partners are reporting a significant reduction in their official budgets for knowledge management at the global level, thus having to rely on piecemeal project funds with restrictions on their focus. Relative to any other CABFIN partner, IFAD is uniquely positioned to provide financial support to the programme. This support is considered highly catalytic, allowing CABFIN partners to contribute according to their specific comparative advantages and constraints: pooling information, local knowledge, networks, and human and financial resources in order to significantly scale up global knowledge management and capacity development, holistically, for inclusive rural finance.
9. Although CABFIN hasn't yet been excessively visible on the global rural finance scene, the phases of the grant have steadily paved the way for the establishment of its assets, especially the RFILC, which is now entering its consolidation and scaled up phase. The platform, which already shows extremely good results in terms of visibility, access and content, will play a key role in this edition of the grant in establishing CABFIN as an internationally recognized focal point in the fields of rural finance and investment. It is thus expected, as part of the new grant activities, that current partners and associate CABFIN organizations will increasingly promote the visibility of the partnership through an enhanced RFILC, with the objective of propagating a common vision of an organic, connected practitioner community.
10. The current RFILC platform has huge potential for consolidation and scaling up, and it is expected that the new phase of the grant will support the expansion of its reach to practitioner groups and actors currently isolated from their peers, effectively becoming the first choice of rural finance and investment specialists for connecting with fellow practitioners.

II. The proposed programme

11. The overall goal of the programme is that the application of good practices jointly defined by CABFIN and its partner networks will facilitate development of inclusive and sustainable rural and agricultural financial markets in developing countries.
12. The objectives are: (i) evidence-based policy guidelines and institutional approaches are consolidated that constitute good practices by mainstreaming knowledge from diverse professional networks; (ii) self-sustaining capacity development programmes at global and regional levels are in place for practitioners to effectively mainstream good practices in their daily activities; and (iii) a more cohesive community of practitioners promotes global knowledge through existing and new knowledge-sharing tools, platforms and operational guides.
13. The target group will be mid- to high-level executives in public and private organizations (i.e. government agencies and regulators, multilateral development agencies including IFAD, NGOs, producer organizations, financial institutions and agribusiness firms) engaged in public and private initiatives at the country level to deliver adequate financial services to poor rural people. It is estimated that 200 leading executives per year (men and women in equal shares) from the above

² www.bouldermicrofinance.org/boulder/EN/RURAL/program.

organizations will benefit throughout implementation of the programme. This target group will benefit from the series of participatory policy advocacy events, training programmes and knowledge products, which will be developed through the merger of expert networks linked to CABFIN partners. This will enhance target group capacity to find products and processes within their organizations that ensure application of good practices in their daily work.

14. The programme will be implemented over four years and will have the following components:

Component 1: Good practices for rural financial inclusion;

Component 2: Capacity development programmes; and

Component 3: Global knowledge-sharing and learning, policies and operational guides.

III. Expected outcomes/outputs

15. The programme is expected to have the following outcomes/outputs: (i) concerted good practices for rural financial inclusion are adopted by diverse professional networks composed of rural and agricultural finance specialists; (ii) capacities are developed among practitioners to more effectively mainstream good practices within public programmes (informed by IFAD's needs and portfolio, based on interactions with IFAD country programme management teams [CPMTs]), particularly through an annual capacity training programme in partnership with the Boulder Institute of Microfinance; (iii) a more cohesive practitioner community shares knowledge through an enhanced web platform and CABFIN-related events.

IV. Implementation arrangements

16. Implementation of the proposed workplan relies heavily on complementing each partner's comparative advantage. CABFIN members have in-house transnational and interdisciplinary expertise, in addition to resources at field offices, to enable analysis of case studies to draw relevant policy and training materials. The private sector is also a key partner. The aim is to leverage the joint network of private actors engaged by CABFIN members, enabling them to showcase innovations they have developed to provide financial services to smallholder actors. By learning from their experiences and knowledge in rural finance and investment, it will be possible to greatly enhance the quality and scope of the activities envisaged. More generally, drawing on their insights will help develop more effective approaches that practitioners can transpose to the local level. Some existing CABFIN collaboration exists with Rabobank Group, the Banco Bilbao Vizcaya Argentaria Foundation (BBVA Foundation), MasterCard and medium-sized enterprises at the country level and in the context of specific projects.
17. There are no deviations from the standard procedures for financial reporting and audits.

V. Indicative programme costs and financing

18. The total cost of the programme is US\$1,424,000, of which 70 per cent is financed by IFAD and 30 per cent by FAO. The total amount of the IFAD grant is US\$1,000,000, with additional FAO cofinancing amounting to US\$424,000. This does not include monetary and in-kind contributions expected from other CABFIN partners. The FAO cofunding is expected to finance mainly personnel, travel, workshops, translations and editing.

Table 1
Costs by component and financier
 (Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>Cofinancier</i>	<i>Total</i>
1. Good practices for rural financial inclusion	295	150	445
2. Capacity development programmes	363	150	513
3. Global knowledge-sharing and learning, policies and operational guides	280	124	404
4. Management fees	62		62
Total	1 000	424	1 424

Table 2
Costs by expenditure category and financier
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Cofinancier</i>	<i>Total</i>
1. Salaries and allowances	53	145	198
2. Operating costs	24		24
3. Consultancies	447	144	591
4. Travel and allowances (including hotel)	54	55	109
5. Services	360	80	440
6. Management fees/overhead	62	0	62
Total	1 000	424	1 424

VI. Recommendation

19. 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, Harnessing Knowledge and Networks for Capacity-Building in Inclusive Rural Finance (CABFIN) for IFAD's Investment Portfolio, shall provide a grant of one million United States dollars (US\$1,000,000) to the Food and Agriculture Organization of the United Nations for a period of 48 months, 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

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	The application of good practices consolidated by CABFIN members and their networks supports developing inclusive and sustainable rural and agricultural financial markets in developing countries.			
Objective 1	Evidence-based policy guidelines and institutional approaches that constitute good practices by mainstreaming knowledge from diverse professional networks are consolidated			
Outputs	Concerted good practices for rural financial inclusion are adopted by diverse professional networks composed of rural and agricultural finance specialists.	<ul style="list-style-type: none"> • 1 good practices compendium published • At least 20 policy leaders reporting familiarity with the practices established • Degree of application of said practices among the network 	<ul style="list-style-type: none"> • Report of policy dialogues with recommendations • Survey with policy leaders • Network-wide application survey 	<ul style="list-style-type: none"> • Commitment of CABFIN partners to regular engagement
Objective 2	Self-sustaining capacity development programmes at the global and regional level are in place for practitioners to effectively mainstream good practices in their daily activities.			
Outputs	Capacities are developed among practitioners to more effectively mainstream good practices within public programmes (and also shaped around IFAD needs and portfolio based on interactions with IFAD CPMTs), particularly through an annual capacity training programme in partnership with the Boulder Institute of Microfinance.	<ul style="list-style-type: none"> • Ex-post assessment (e.g. after 6 months) of the degree to which trainings' content is effectively implemented by trained executives • At least 3 country initiatives reporting application of imparted knowledge • At least 20 senior managers of organizations at field-level reporting familiarity with the product • At least 2 conferences/symposiums per year organized on themes of importance to CABFIN • 6 regional trainings organized per year, including the RAFFP • At least 1 country assessment carried out per year according to CABFIN partners' country-level requirements 	<ul style="list-style-type: none"> • On- field survey • Country-level assessment 	Close coordination with CPMs and other CABFIN partners' operational units
Objective 3	A more cohesive community of practitioners promotes global knowledge through existing and new knowledge sharing tools, platforms, operations guides			
Outputs	A more cohesive practitioner community shares knowledge through an enhanced web platform and CABFIN related events.	<ul style="list-style-type: none"> • At least a 20% increase in monthly visits to the web platform • At least a 10% increase in registered members 	<ul style="list-style-type: none"> • Webhost statistics 	