Investing in rural people

TELL-TALE SIGNS FINANCE FARMING IS READY TO SCALE

DEMONSTRATED IMPACT OF PILOT PROJECTS IN CHINA, INDONESIA AND THE PHILIPPINES

Prasun Kumar Das
Michael Hamp

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Distribution For Copies write to: The Secretary General
Asia-Pacific Rural and Agricultural Credit Association (APRACA)
BAAC Building
469, Nakhonsawan Road, Dusit, Bangkok 10300, Thailand
Tel: +66 2 282 0693, Fax: +66 2 280 1524
E-mail: apraca@apraca.org / sofia@apraca.org
Website: www.apraca.org

Project Manager Prasun Kumar Das

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This report is published under the incumbencies of Mr. Senarath Bandara (APRACA Chairman), Dr. Harsh Kumar Bhanwala (APRACA Vice-Chairman) and Dr. Prasun Kumar Das (APRACA Secretary General and RuFBeP Project Manager).

Foreword

Promoting pro-poor rural finance system is one of the important ingredients for stimulating local economy under any context, which however is not the only answer to reduce rural poverty, but it is a key part of the response as per the mandates of the Rural Credit Associations like APRACA which aimed to support building capacity of its member institutions in Asia-Pacific region towards providing improve services to rural clientele. Encouraging innovative ways to improve the flow of finance to rural areas could support the entrepreneurship in agriculture and other rural industries which are otherwise not receiving much attention and financial opportunities.

APRACA since last 43 year of its existence is in the forefront to lead access to finance in the rural areas and engaged with its member institutions spread over 24 countries in the Asia-Pacific region by providing technical and knowledge support in building their capacity to deliver the financial services to the last mile supported by rigorous research and development. I believe that the good practices piloted in three countries (China, Indonesia and Philippines) were based on the commitment to support pro-poor sustainable rural finance service provision, recognizing that ongoing access to a wide range of financial services is needed in order to influence rural poverty reduction more effectively. I am confident that this document will be extremely useful to the countries in the Asia-Pacific region to draw lessons in evolving suitable strategies for the benefit of their people and will add value to global knowledge resources.

APRACA received generous funding from the International Fund for Agricultural Development (IFAD), the global leader in development finance and inclusive financial system development, for implementing the project to 'Document Global Best Practices on Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries (RuFBeP)'. The knowledge gathered will definitely help APRACA and its member institutions across the region in disseminating the information that promotes innovations, efficiency, inclusive growth, self-reliance, and welfare of the rural population in the region.

Due to the lack of documents which specifically focused on piloting and scaling up of good practices in rural finance, I am sure that this synthesis report on impact assessment and the previous publication on process undertaken to pilot test good practices of rural financial services in the select countries of Asia will fill in the knowledge gap in this particular area. The editors of this publication have extensive experiences of working in advancing rural finance in the region and global arena who did an excellent job of synthesizing all three country reports into this important document. The APRACA member financial institutions will be immensely benefitted from this document. This document also has the potential to serve as the source book for the government line departments and non-government agencies supporting innovative practices of rural finance. The process document may also support the bilateral and multilateral donor agencies implementing new and innovative financial products and services and support the objectives of sustainable development goals.

SENARATH BANDARA

Chief Executive Officer, Bank of Ceylon and Chairman, APRACA

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We also acknowledge the generous co-financing received from the International Fund for Agricultural Development (IFAD) to implement piloting of rural finance good practices across member countries of Asia-Pacific Rural and Agricultural Credit Association (APRACA) to help explore innovative and effective models and approaches to extend sustainable rural financial services to rural households and communities. This document on impact assessment constitutes the follow up of the process document published in 2018 and the final part of RuFBeP following deep dive country studies and a synthesis report already produced and disseminated during 2016 and 2017.

This synthesis report of assessing the impact of pilot project implementation in China, Indonesia and the Philippines comprises the impact on communities, agricultural value chain actors, financial institutions and policy makers on selected rural finance good practices (such as on cash-flow based lending, agricultural value chain finance, Islamic finance system etc.) that are relevant to both the APRACA member institutions and to IFAD partners and investments.

The work was carried out under the management of China Banking Regulatory Commission (CBRC), Bank Indonesia (BI) and Agricultural Credit Policy Council (ACPC), Philippines, who supervised the experts and members of the three country teams from Huainantongshang Rural Commercial Bank (HTRCB) and Nanjing Agricultural University in China, MICRA, Indonesia, Seeds and Fruits Multipurpose Cooperative in Benguet and Bukidnon Multipurpose Cooperative Bank in Philippines. We are thankful to the institutions supported this pilot testing process.

The editors would like to put in record special gratitude to those individuals who prepared the report and the colleagues of IFAD from Asia-Pacific Division who provided valuable information and shared their insights and experiences and supplied the requisite and appropriate information and data to synthesize this report on assessment of impacts on the pilot testing of good practices in advancing rural finance.

Further, we would like to extend our thanks for the active participation of the members of the Study Country Working Groups, particularly: Dr. Longyao Zhang of Nanjing Agricultural University and Dr. Enjiang Cheng of Ford Foundation, China; Ms. Yunita Resmi Sari of Bank Indonesia, Mr. M. Alfi Syahrin of MICRA-Indonesia and Mr. Joel Q. Matira and Ms. Cristina G. Lopez of Agricultural Credit Promotion Council, Philippines. Their feedback provided from the conceptualization to the completion of the final draft of this publication has been very useful to the study team. We are also thankful to Ms. Angela Orlando for helping in putting together the country reports.

Last but not least, this regional project has helped strengthening APRACA as knowledge hub on advancing rural finance in the Asia-Pacific region, building on the three phases of RuFBeP, and will continue beyond its completion.

Prasun Kumar Das (APRACA)
Michael Hamp (IFAD)

Abbreviations

ACPC	Agricultural Credit Policy Council
AGFP	Agricultural Guarantee Fund Pool
AHSTI	Asian Hybrid Seeds Technologies, Inc.
AVCF	Agricultural Value Chain Finance
APRACA	Asia-Pacific Rural and Agricultural Credit Association
APRACA-CENTRAB	APRACA Centre for Training and Research for Agricultural Banking
APRACA-CEREFA	APRACA Centre for Research in Financing Agriculture
AVC	Agricultural Value Chain
AVCF	Agricultural Value Chain Financing
BCB	*Bukidnon* Cooperative Bank
BMT	*Baitul Maalwat Tamwil* (Islamic Cooperative)
CBRC	China Banking Regulatory Commission
CCDP	Coastal Communities Development Project
CFI	Cooperative Financial Institution
CFPA Microfinance	China Foundation for Poverty Alleviation Microfinance
CWG	Country Working Group
DA	Department of Agriculture
FAO	Food and Agriculture Organization of the United Nations
GPS	Global Positioning System
HTRCB	Huainantongshang Rural Commercial Bank
IDR	Indonesian Rupiah (Indonesian currency)
IPC	Internationale Projekt Consult, GmbH
IFAD	International Fund for Agricultural Development
KSF	*Kartika Sockarno* Foundation
KSP	*Koperasi Simpan Pinjam* (Saving and Lending Cooperative)
KSU	*Koperasi Serba Usaha* (Multipurpose Cooperative)
KUD	*Koperasi Unit Desa* (Village Cooperative)
LKMA	*Lembaga Keuangan Mikro Agrbisnis* (Microfinance Institutions for Agribusiness)
MFI	Microfinance Institution
MICRA	Microfinance Innovation Center for Resources and Alternatives
NGO	Nongovernmental Organization
NLDC	National Livelihood Development Corporation
NPL	Non-performing loans
PCIC	Philippine Crop Insurance Corporation
PHP	Philippine Peso (Philippine currency)
READ	Rural Empowerment and Agricultural Development
RFI	Rural Finance Institution
RMB	Renminbi Yuan (Chinese currency)
RuFBeP	Rural Finance Best Practices
SFMPC	Seeds and Fruits Multi-Purpose Cooperative
UGT	*Usaha Gabungan Terpadu* (Integrated Joint Business)
USD	United States Dollar
USP	*Usaha Simpan Pinjam* (Savings and Loan Unit)

Conversions:

- Currencies: *USD 1= 6.28 RMB (Yuan); 51.25 PHP (Peso) and 13,390 IDR (Rupiah)* (As of 31 January 2018)
- Land Area: *1 Hectare = 15 Mu of Land in China; For Philippines and Indonesia they use the international measurement systems in Acre and Hectare.*

Executive Summary

The Project to Document Global Best Practices on Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries (RuFBeP) aimed to identify, document and test innovative and effective models and approaches to extend sustainable rural financial services in the Asia and the Pacific region. It was co-financed by the International Fund for Agricultural Development (IFAD) and implemented by Asia-Pacific Rural and Agricultural Credit Association (APRACA) between February 2014 and June 2019.

The project was carried out in five priority countries (China, India, Indonesia, the Philippines and Thailand) over four phases: (i) mapping and surveying select global best practices in the Asia-Pacific region; (ii) adapting and piloting selected best practices to test their effectiveness (in China, Indonesia and the Philippines); (iii) promoting best practices through awareness raising, advocating their implementation, and hosting policy dialogues; and (iv) knowledge sharing through workshops, conferences and the establishment of a knowledge hub.

The scoping study in five countries and a synthesis report were published in 2015 and 2016 for wider dissemination. A brief of the good practices documented are provided in *Appendix 1* of this document. The phase II (pilot testing of good practices) of the project was implemented in three selected countries and each of the country teams prepared the piloting framework and theory of change (provide in *Appendix 2*) and the process document was published in 2018[1].

This document summarizes the project achievements in six (6) key impacts areas of piloting innovative financial products and services that were designed and tested in the three countries namely China, Indonesia and Philippines. The phase II pilots were carried out in these selected countries in collaboration with the partner organizations during July 2015 to November 2017.

PROJECT CONTEXT AND FRAMEWORK

China

- In response to accelerated agricultural transformation in Anhui province in China, the China project team tested the microfinance downscaling scheme with loan products targeted toward agricultural value chain actors. The Huainantongshang Rural Commercial Bank (HTRCB) implemented the pilot in 6 villages spread over 4 districts in Central China's Huainan Prefecture, Anhui Province. Four (4) loan products were developed and tested they are: (a) cash-flow-based loans, (b) group guarantee, (c) insurance combined and (d) mixed guarantee and a total of 181 loans were extended to individual farmers, agricultural cooperatives, traders and agricultural processors.

Indonesia

- In two pilot locations in Eastern Indonesia, local microfinance institutions replicated three innovative financing schemes: (a) collateral-free loans, (b) group lending products and (c) sharia-based financing. They aimed to strengthen smallholder community groups, improve productivity, increase financial access and broaden market access for smallholder farmers and

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[1] *Reaching Rural Households and Communities by Advancing Inclusive Financial Practices a Synthesis of Pilot Project Implementation Processes in China, Indonesia and Philippines*; IFAD-APRACA RuFBeP Publication, Bangkok, Thailand (2018)

coastal communities. A total of 152 non-collateral-taking loans were made to farmers and fishers, many of whom would have been otherwise be ineligible for loans from most formal financial institutions.

Philippines

- Finally, the Philippines project team, led by the Agricultural Credit Policy Council, tested two financing approach in two locations (provinces): (a) agricultural value chain finance scheme and (b) financing adoption of agricultural technology. They were implemented with an aim to provide credit to agricultural producers and establish direct links between producers and institutional buyers and to encourage adoption of agricultural technology. The overall goal was to build a sustainable market and stabilized pricing for farmers' produce. Two local implementing partners extended a total of 180 loans to vegetable and corn farmers and successfully linked them with institutional or contract buyers.

PILOT PROJECT IMPACTS

The project contexts including specific financing needs, cultural, environmental and institutional circumstances varied considerably. Thus, the aim of this report is not to draw comparisons between the pilots, per se, but to describe what each pilot was able to achieve in six key impact areas:

1. **Improvement of business performance**

   Key indicators measured by all three country teams to evaluate improvement in the performance of borrowers' primary agriculture or fishery businesses included: increase in production, increase in revenues, business expansion and increased market competitiveness. Results point to some overall improvements in China, mixed results in Indonesia where there were increases in production but no real increases in revenue or business expansion, and positive increases in production and income in the Philippines and some business expansion in one pilot location.

2. **Increased access to financial services**

   All three projects significantly improved the access to financial services for beneficiaries of the pilots, many of whom did not previously have access to adequate sources of capital or the collateral required to obtain traditional loans. The lending products in China pilot helped the famers and the actors in the value chains to seamless access to finance. Significant gains in increasing women's access to financing were made in the Indonesia pilots where 35 percent of total beneficiaries were first-time women borrowers[2]. Vegetable growers in highlands of the Philippines could access to much required capital to buy the transports which helped them in reaching out to the markets.

3. **Increased function/diversification of rural financial services**

   In each of the three pilots, the new financial products offered to borrowers expanded the frontier of finance by eliminating collateral requirements, and including other features such as bundled savings and loan products, broader loan use and flexible repayment terms. The pilots also implemented key innovations in service delivery. China's microfinance downscaling radically changed how HTRCB evaluates the capacity and willingness of clients to repay loans, and the Philippines' value chain financing (with embedded risk mitigation strategies) helped bridge the gap between financing and market access. Indonesia's integration of financial services with

[2] Prior to the implementation of the pilot projects no women in either location had accessed financial services. As a result of the project there were 74 new women members inducted in the two cooperatives (as on July 2017).

product marketing and payment services for utilities (such as electricity, water and telephone bills) had mixed results.

4. **Impact on rural financial institutions**

   In China, HTRCB's shift toward cash-flow-based lending and AVC lending opened new avenues for further penetration in the rural market. Under the pilot, the bank increased its loans for agriculture and related industries under and those loans were generally more productive compared to the bank's other lending programme. Pilot products will be replicated in their other branches. Indonesia's financial implementation partners improved their credit analysis process as well as market analysis for financial products. They also experienced increased trust between clients and cooperatives and the development of new partnerships to support, extend and sustain clients' businesses. Both of the implementation partners in the Philippines expanded their outreach to new borrower-members and established institutional buyer arrangements which were highly beneficial for the lending institutions in terms of increases in number of loans made and extremely high collection rates. Both intend to continue with the AVC financing that was put in place by the pilot.

5. **Capacity building of rural community**

   Overall, financial implementation partners in all three countries benefited from pilot project capacity development programmes that allowed them to implement innovative financial schemes and products, improve and broaden their approach to clients, and apply new techniques in credit analysis. Borrowers in both Indonesia and the Philippines also participated in various capacity development initiatives focused on business improvement, the application of modern farming/fishing technologies, and entrepreneurship. The result in Indonesia translated into minor gains in production, income and business expansion. In both of the Philippines pilots, capacity development efforts resulted in increased volume of production, increased ability to understand and meet institutional buyers' quantity and quality requirements, and produce sales of almost twice what they previously sold for.

6. **Participation of stakeholders**

   The China pilot had mixed success extending value chain links in local areas through project loans, especially with large agricultural input supply companies. The bank also established strategic relationships with relevant government agencies that play important roles in revising rules on collateral requirements for loans in agriculture. These relationships allow the bank to contribute to favourable policy changes that would enable the expansion of pilot products. The Indonesia pilots successfully leveraged natural synergy with the several existing projects to increase government outreach and access to aid in the pilot's targeted farming and fishing communities. The encouraging results of the Philippines pilot helped ACPC to mobilize funds from development partners including the government departments.

There is overall visible enthusiasm among the APRACA member institutions in each of the three pilot countries to extend and expand the tested practices. Several initiatives for replication and scaling up are already being implemented. The premeditated dissemination process undertaken by APRACA through its member institutions across 24 member countries in the Asia-Pacific region is showing good results and eagerness among the member institutions to carry forward the good and tested practices as a business case for their inclusive rural financing strategies.

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INTRODUCTION

1.1 Project Background

The Project to Document Global Best Practices on Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries (RuFBeP) was designed in response to the calls from the member countries of Asia-Pacific Rural and Agricultural Credit Association (APRACA), particularly China and Indonesia, for IFAD to help explore innovative and effective models and approaches to extend sustainable rural financial services to IFAD target groups.

Improved access of rural households and communities to financial services continues to be crucial for agricultural development and poverty reduction in Asia. Despite numerous barriers that still exist, innovative ideas and good practices in rural finance are constantly being developed and tested that, nonetheless, have achieved success in many countries of the Asia-Pacific region.

The purpose of the project was to assist rural finance providers and governments in extending financial services on a sustainable basis, through the application of best practices suitable to their unique operating environments. More specifically, its immediate objectives were to identify, critically review and selectively pilot various best practices that could be replicated and successfully scaled up. Although the project was regional, five priority countries (China, India, Indonesia, the Philippines and Thailand) were selected for undertaking intensive investigations on best practices in rural financial services at the macro, meso and micro levels. IFAD projects and the APRACA member institutions in the five focus countries were expected to share knowledge and adapt emerging recommendations on best practices, with the research and piloting results aimed to benefit the whole region.

The Asia-Pacific Rural and Agricultural Credit Association was the lead implementing agency for the project. APRACA has a membership of 83 institutions cutting across 24 countries within the region and has implemented three regional grant projects for IFAD since 1995. This regional project was co-financed by an IFAD grant with contributions from APRACA and participating countries and financing institutions and ran between February 2014 and December 2018.

1.2 Project Overview

The project was carried out initially in five countries and later on piloted in three countries of the Asian continent[3] and its implementation was spread over four distinct phases (*Box 1*).

The scoping study undertaken during the phase I of the project attempted to identify present patterns of rural financing in the select countries and factors contributing to the success of financial support systems based on the country-specific studies conducted by APRACA. Best practices and systems prevailing in the rural financial markets were explored and documented with the aim of establishing their scope for replication and scaling up in wider contexts. The case studies covered a cross section of institutions and target groups in order to broaden the understanding of the scope of rural financing options and their levels of impact in a causation framework. Besides documenting best practices in

[3] The Phase I of the project was implemented in five project countries are China, India, Indonesia, Philippines and Thailand. The Phase II of the project was implemented three countries: China, Indonesia and Philippines

Box 1: Four phases of the RuFBeP project

Phase I: mapping and surveying select global best practices in identified themes and rating their appropriateness for the Asia-Pacific region

Phase II: adapting and piloting selected best practices to test their effectiveness

Phase III: promoting best practices through awareness raising, advocating their implementation, and hosting policy dialogues

Phase IV: sharing best practices through workshops, conferences and the establishment of a knowledge hub

each country *(Appendix 1*[4]*)* and the synthesis report[5] from phase I identified important areas for policy development including:

1. Enlarging the functions of rural financial services, diversifying financial services and providing tailor-made savings products with added features.
2. Promoting agricultural value chain (AVC) finance, which involves financing with the chain and from outside the chain but fit to the nature of the value chain and the actors involved.
3. Strengthening, expanding and replicating successful models of community/cooperative financial institutions (CFIs) and microfinance institutions (MFIs) in order to empower rural people to manage their own resources and reduce the burden on banking systems to open brick-and-mortar branches.
4. Developing and implementing a more strategic information/communication plan for financial institutions at the national level to maintain common standards for them.
5. Building capacity of financial institutions on financial management, information technology, monitoring and evaluation, and other related aspects to build a strong system and reduce failure to serve the rural population.

The implementation process of the RuFBeP project has been elaborated in *Figure 1*. The phase I scoping exercise was completed in 2016-2017 and laid the foundation for the development of phase II. The aim of phase II of the RuFBeP project was to test the effectiveness of a selection of high-impact best practices and to determine their suitability for scaling-up in projects sponsored by financial institutions, governments, the International Fund for Agriculture Development and/or other funders. Insights from the case studies and recommendations on policy thrusts documented in phase I shaped the selection of good practices and products for the phase II pilot testing in three countries: China, Indonesia and the Philippines. A list of the innovative rural financial services documented and piloted is provided in *Table 7* and *Table 8* of *Appendix 1*.

The phase II (pilot testing of good practices) of the project was implemented in three selected countries and each of the country teams prepared the piloting framework and theory of change as per the country context (*Appendix 2*). China project team selected piloting microfinance downscaling technique with loan products targeted toward agricultural value chain actors (*Figure 7*). In Indonesia, microfinance institutions replicated three innovative financing schemes in two pilot locations: collateral-free loans, group lending products and Sharia-based financing (*Figure 8*). In the Philippines, project team tested agricultural value chain finance scheme and financing agricultural technology in two provinces that aimed to organize and provide credit to agricultural producers and establish direct links between producers and institutional buyers (*Figure 9*). Phase II pilots were initiated from July 2015 and completed by November 2017.

[4] Table 8 in Appendix 1 contains a brief description of Phase I best practices documented in China, Indonesia and the Philippines and those selected for Phase II piloting.

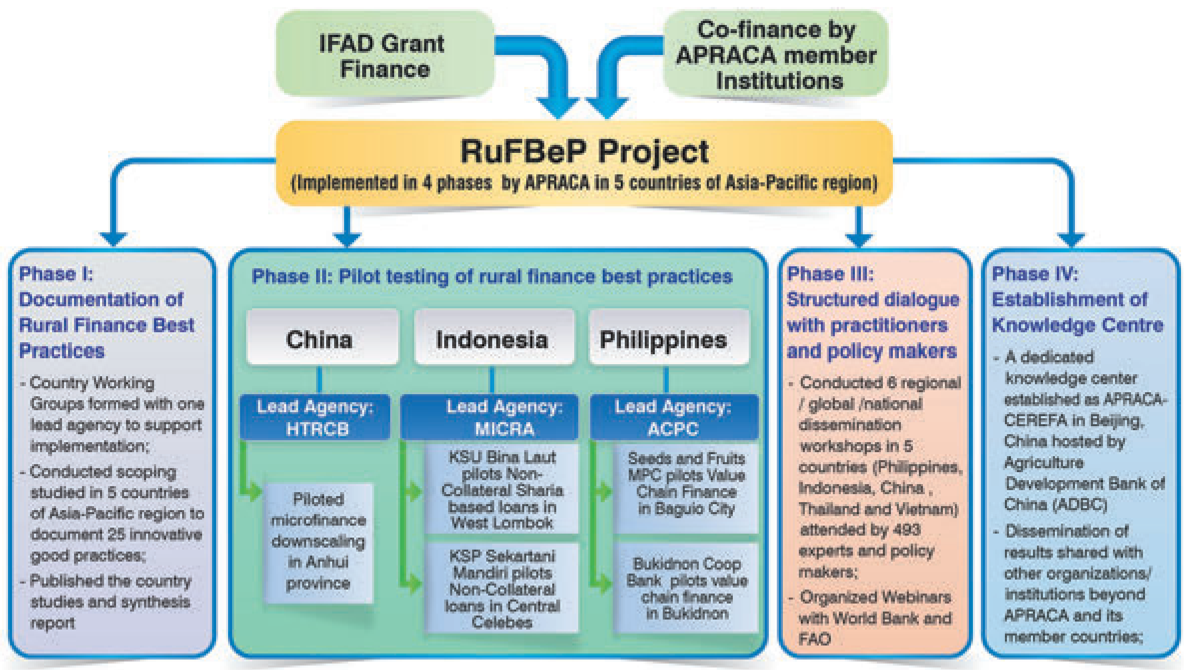
[5] *Bringing Inclusive Rural Financial Services in the Asia Region to Centre Stage: Cases of Good Practices from China, India, Indonesia, Philippines and Thailand*; Published jointly by APRACA; Bangkok 2016.

While phases I and II were focused on selected countries, phases III and IV are being executed in all APRACA member countries in the Asia-Pacific region through strategic dissemination process. Together, these phases focused on strengthening south-south cooperation to share and exchange knowledge, and build the confidence and capacity necessary to implement financial innovations at both the practitioner and policy levels.

Phase III, which took place from August 2016 until April 2018, aimed to create a systematic structure for dialogue amongst the various policy makers on promoting the best practices in providing financial services to the rural poor. Phase III dissemination workshops were conducted at the regional and national levels. APRACA also offered webinars on both project processes and impact and represented the project at policy forums. A list of RuFBeP knowledge sharing events is included in *Appendix 3*.

The phase IV activities happened between November 2017 and December 2018 and shared the learning of these best practices through workshops, conferences within and beyond the APRACA network. An integral part of phase IV was the establishment of a dedicated knowledge hub for agricultural finance in Beijing hosted by the Agricultural Development Bank of China (APRACA-CEREFA) as well as continued and improved support to the existing APRACA knowledge centres in Manila (APRACA-CENTRAB) and Jakarta (APRACA Consultancy Services). APRACA has upgraded its

Figure 1: Flow Chart for Implementation of RuFBeP project



website in order to host online training programmes on rural finance, cash-flow-based finance to agribusinesses, etc. As part of phase IV, the the project has also undertaken documentation on cases from digital marketing systems from China and India. Publications on those are forthcoming and will be shared via the knowledge hub.

1.3 Purpose and structure of this document

After completing the phase II pilots and phase III, pair of knowledge products was produced: one on project implementation processes[6], which describes in detail the coordinating mechanisms, processes, frameworks and plans that were designed and followed by each of the pilot projects, and this one on project *outcomes*.

This document shares what has been learned about the effectiveness of specific interventions piloted in phase II of the RuFBeP project with a view to improving inclusive rural financial services in Asian countries. It provides a summary of the finance schemes and innovative lending products designed and tested in China, Indonesia and the Philippines, and an analysis of the main impacts of each pilot project.

The particular circumstances, rural finance challenges and opportunities in each pilot project location were unique and varied considerably. For example, in China the pilot was implemented at a time of accelerated agricultural transformation resulting in an increase in the average farm size and more specialized farm production. As a consequence, the market for traditional rural microfinance loans [in the range RMB 3 000 to 5 000 (USD 500 to 800)] for mixed income generation activities had shrunk while markets for larger agricultural loans and loans for off-farm employment in rural townships and small cities were on the rise. Circumstances in both Indonesia and the Philippines were quite different. The specific contexts of each pilot project influenced decisions made by the country teams in selecting the financial schemes and adapting and designing products to fit the specific rural finance needs in each location. Therefore, our aim is not to draw comparisons between the pilots, per se, but to describe what each pilot was able to achieve in seven key impact areas:

1. Improvement of business performance
2. Increased access to financial services
3. Increased function/diversification of rural financial services
4. Impact on rural financial institutions
5. Capacity building of rural community
6. Participation of stakeholders
7. Gender mainstreaming

The documentation of these experiences is intended to support the development of other project and programme frameworks and to serve as guide for the potential replication of similar financing schemes that will help achieve a sustainable market for and stabilized pricing of farmers' agricultural products. This document is written for commercial and policy banks in agricultural and rural development, relevant government agencies, academics and rural finance practitioners.

The report is divided over four sections. Section 1, the introduction, provides some background and an overview on the RuFBeP project as a whole. Section 2 begins with a brief description of the phase II pilot projects including summaries of the best practices, information about pilot locations and implementation partners. Next, it provides an overview of each project framework, the project's expected outcomes, and details on the financial schemes and loan products that were tested. Section 3 is a discussion of the impact achievements of each pilot project in five main impact areas: improvement of business performance, increased access to financial services, increased function/ diversification of rural financial services, impact on rural financial institution, capacity building of

[6] *Reaching Rural Households and Communities by Advancing Inclusive Financial Practices: A Synthesis of Pilot Project Implementation Processes in China, Indonesia and the Philippines.* IFAD-APRACA Publication, Bangkok, 2018.

rural community, participation of stakeholders, and for the Indonesia pilot, the impact on gender. Finally, Section 4 highlights the main successes of the pilots, offers insights on the actual and potential additional scaling up of the projects, and concludes with ways in which APRACA is building and sharing knowledge about the RuFBeP's successes.

SECTION 2
PILOTING SELECTED BEST PRACTICES

2.1 Best practices, pilot locations and implementing partners

The phase II of RuFBeP project was focussed to implement selected best practices as pilot in three countries: China, Indonesia and Philippines. Each pilot project was led by the country working groups which were established during the country scoping studies in phase I. The country working group led by the lead institutions helped to select the pilot locations, the best practices most appropriate for testing, and the partners amongst the working group who will support to implement the pilot and deliver the products.

2.1.1 China

The second phase of the RuFBeP project was conducted in China at a time of accelerated agricultural transformation. Average farm size in Anhui province was increasing, farm production was becoming more specialized and the markets for larger agricultural loans and loans for off-farm employment in rural townships and small cities were on the rise. These new financial circumstances created an opportunity for formal rural financial institutions to fill the microfinance gap. While agricultural value chain financing was also gaining ground, many rural financial institutions in China had limited knowledge of these types of schemes and lacked training in good practices.

Given the presence of all of these factors, China's country working group and the China Banking Regulatory Commission (CBRC) selected the best practice of microfinance downscaling with loans targeted to agricultural value chain (AVC) actors in order to respond to the changing needs of China's agricultural sector. Originally based on a model introduced by IPC, microfinance downscaling by rural commercial banks increases access of micro and small enterprises to formal credit based on cash flow analysis. This process evaluates the capacity and willingness of clients to repay loans based on field visits by a credit officer who aims to understand the client's production, marketing, fund flows, purpose of the loan, assets and liabilities, income, profit and loss, credit history and reputation. Soft data is translated into financial statements upon which the bank can determine loan viability.

Huainantongshang Rural Commercial Bank (HTRCB) was selected as the implementing partner of the pilot. HTRCB is a leading rural financial institution in Huainan Prefecture of Anhui Province with its operation covering all four districts and one county in the prefecture. HTRCB is also the largest shareholder of another smaller rural commercial bank in the prefecture. *Huainan* Prefecture, in Central China's Anhui Province was selected as the pilot area. Huainan has a population of 3.8 million, of which 2.06 million live in rural areas and the area has been under the process of accelerated agricultural transformation for some time. There are five districts and two counties in the prefectures. The pilot **was implemented in 6 villages spread over 4 districts of Anhui province with an aim to scale up across the province**. A number of townships in the project areas were also selected for piloting. In the head office of the bank, a group was created to oversee the progress of the pilot. A number of bank branches in the pilot county/district were selected to participate in the pilot.

2.1.2 Indonesia

Poverty alleviation programme are considered critical for millions of Indonesian farmers and fishers in rural areas. However, low credit disbursement in these sectors is one of the indicators of the lack of financial access in rural areas. Therefore, improving access to the financial services for the agricultural and coastal communities in Indonesia was one of the key factors to support national growth. The first phase of RuFBeP in Indonesia successfully documented three case studies of membership-based cooperative financial institutions that promote inclusive rural financial services, thus one innovative product from each institution was chosen for phase II pilot testing.

Two villages in Eastern Indonesia were recommended as pilot project locations based on strategic discussions with the Indonesia country working group. The first village is a farming community in *Sausu Gandasari*, Central Celebes Province. Smallholders in this region rely on cocoa and copra as the major income-generating commodities. The second village is *West Sekotong*, West Nusa Tenggara Province, where fishing and tourism are the principle economic activities.

The Indonesia pilot was coordinated by MICRA and carried out by implementing partners from existing microfinance institutions in each project location. To inform the selection of those partners, MICRA conducted a simplified social assessment to analyse their institutional and operational capacity to serve the designated communities and to assess their potential for social impact and their level of social responsibility. Based on the results, MICRA proposed the following organizations as implementing partners:

1. *KSU Sekartani Mandiri* in Sausu Gandasari, Central Celebes. *KSU Sekartani* was initially a farmers' social group named "Sekarsari Farmers Group". *KSU Sekartani* was officially incorporated in 2009 as a savings and loan cooperative (a Koperasi Simpan Pinjam, or KSP). As on the date of reporting, the institution has grown to include three branches and one headquarters office with 370 active clients.
2. *KSU Bina Laut* in Sekotong, West Nusa. Since its establishment ten years ago, *KSU Bina Laut* has been serving the agriculture sector. It was originally a collection of four joint business groups with 40 initial members, all of whom were fishers. In 2005, this cooperative obtained legal status as a multipurpose cooperative (a *Koperasi Serba Usaha* or KSU).

Indonesia's geographic and regional diversity with its unique social, cultural and economic differences posed a unique challenge for replication and scaling-up of rural financial practices. To address this, MICRA carried out local economic potential analyses and baseline surveys in the target communities. This information, coupled with the analysis of MFI capacity, informed the selection of best practices in each of the pilot areas.

In Sausu Gandasari, *KSU Sekartani* piloted a non-collateral taking loan as the financial product innovation. Informal leaders, whose influence is still important in the mostly Hindu communities, would serve as the guarantee of the members' loan. Many of the smallholder farmers in this area are aware of the importance of savings and already set aside some of their income from the current harvest for future crop cycle needs. To support this, the loan product was embedded with saving accounts enabling members to save their money for future needs.

In Sekotong Village, *KSU Bina Laut* piloted a group lending programme to members of fishers' cooperatives. This loan product was recommended because the local culture revolves heavily around social gatherings that form strong bonds between the community members. These relationships functioned as a social guarantee when the loan product was disbursed in a group. Loan products were also embedded with saving accounts enabling members to save money for future needs including planned saving for education. Finally, *KSU Bina Laut* had some experience providing a Sharia financing product that has performed well. Since the majority of the communities in this village are Muslim, the available Sharia financial products were integrated into the group lending scheme to adapt them to clients' cultural requirements.

2.1.3 Philippines

The phase I case studies of best practices for the Philippines were chosen based on three criteria: accessibility for the poor, technical and financial feasibility and cost effectiveness and profitability. Based on the length and resources available to implement the pilot project, the country working group decided to focus on agricultural value chain finance patterned from the Kalasag Cooperative experience (a phase I case study) for pilot testing in two provinces: *Bukidnon* and *Benguet*.

The Philippines country working group was composed of the Agricultural Credit Policy Council (ACPC), which oversaw the pilot project, along with the following government institutions: National Livelihood Development Corporation (NLDC), Philippine Crop Insurance Corporation (PCIC) and the Agricultural Guarantee Fund Pool (AGFP). The Philippines pilot was coordinated by the Agricultural Credit Policy Council (ACPC) as the lead institution with MFI partners at the community level who implemented the pilot schemes and provided credit and guidance to the farmers. The implementing institutions were the *Bukidnon* Cooperative Bank (BCB) and the Seeds and Fruits Multi-Purpose Cooperative (SFMPC) in *Benguet*.

The *Bukidnon* Cooperative Bank (BCB) provided direct financing to individual corn farmer-producers of Sumilao, *Bukidnon* who were clustered into groups and later linked to institutional buyers of corn. BCB also provided counterpart funds to be loaned to any players identified in the value chain. For the pilot, the bank agreed to provide its own fund to finance the working capital of the institutional buyer of the corn produced by the farmer-borrowers. The Seeds and Fruits Multi-Purpose Cooperative has a defined membership (closed cooperative) whereby only those who belong to their clan (*Kankana-ey* and *Kalanguya* Tribes in Buguias, *Benguet*) can join. Members include vegetable farmers, small entrepreneurs and employees of the local government unit. The cooperative provides a variety of services such as financing, marketing and vegetable production training to members as well as to non-members who are willing to engage in vegetable production. The cooperative also provides hauling/transportation of vegetables and farm inputs. For the pilot, the Seeds and Fruits Multi-Purpose Cooperative provided loans to farmers for farm production and linked farmers directly with institutional buyers/users who could guarantee them better prices for their harvested crops.

A summary of the best practices chosen in each pilot project, the pilot locations and implementing partners is presented in *Table 8* in the *Appendix 1*.

2.2 Pilot project descriptions

The descriptions below provide a brief overview of each pilot project framework (a graphic representations of each project framework are included in *Appendix 2*) , theory of change and the intended outcomes of the project and a description of the piloted loan schemes and products.

2.2.1 China

Project framework and expected outcomes

The pilot project in China aimed to hit dual objectives of agricultural development and poverty reduction. The key change that the China pilot aimed for was to use microfinance downscaling to enhance the development of agricultural value chains in the project area and address the growing financial needs created by rapid urbanization and farm consolidation.

HTRCB piloted a microfinance downscaling scheme with loan products aimed at strengthening the actors within the agricultural value chain (AVC). The project framework consisted of the following three major components project processes, clients/beneficiaries and four innovative loan products: Project processes focused on capacity building product design, monitoring and supervision and impact assessment. Targeted clients/beneficiaries were farmers, cooperatives, traders and processors. The four loan products designed for the HTRCB pilot were cash-flow-based lending, group guarantee loans, insurance combined loans and mixed guarantee loans.

The bank had no prior experience with microfinance downscaling or agricultural value chain financing. Therefore, increasing the capacity of the bank employees in each of these areas was fundamental for implementation and one of the key means to achieve outcomes for the pilot project. After the inception of the project in September 2016, HTRCB first organized a survey in Wuwei Village Bank in Anhui Province to understand the bank's agricultural lending programme and its relevance. This study was requested HTRCB prior to the project implementation in order to increase their knowledge of AVC-based lending.

The project then engaged two international experts on AVC finance to provide an intensive, three-day capacity building programme on AVC finance.[7] The participants included the managers at the financial institutions (mainly HTRCB), lecturers and postgraduate students from Nanjing Agricultural University, rural finance specialists in China and practitioners of rural finance in China. Loan officers at HTRCB were also trained in cash-flow-based lending as part of microfinance downscaling.

HTRCB designed four loan products to target the AVC players in the pilot area based on learning from the intensive training programme and results of the baseline survey. The baseline survey, sampling forty farmers, was undertaken in December 2016. The results from the baseline survey indicated that about half of the operators sampled had access to formal loans, which was low considering many of them were large farm operators. Farmers in the sample reported having difficulty accessing loans from formal sources because they lacked the physical collateral needed to obtain them. Traditionally, RFIs in China have accepted mainly real estate assets as collateral for loans. From the survey, it appeared that only around 10 to 20 percent of the family operators in the sample had the physical assets required as collateral by formal financial institutions. This clearly indicated an opportunity for the development of loan products based on alternative forms of collateral.

In addition to the baseline study, the project carried out an economic potential analysis to determine what other forms of collateral might be introduced through the financing scheme. Accounts receivable was identified as one form of collateral for loan access as over 30 percent of the operators sampled had accounts receivable. Most of those with accounts receivable were suppliers of farm inputs. In addition, some mobile assets, such as inventory and farm machines were also to be used by HTRCB as loan collateral. Additionally, the bank agreed to use contractual relationships between the buyers and sellers of farm goods in designing loan products for agricultural value chain actors with the large operators providing a guarantee for small operators in the upstream or downstream of the value chain.

Loans were designed for individual farmers, agricultural cooperatives, traders and agricultural processors. Lending priority was given to those enterprises that have an important role in the processing, storage, branding and trading of agricultural products produced in the local areas so as to promote the development of agricultural value chains. Efforts were made to provide loans to those AVC clients who has sales contracts. Three departments of the bank were involved with the project implementation: the agricultural loans department, the credit department and the marketing department. Beginning in January 2017, the agricultural loan department became principally responsible for the pilot testing. Initially, the new products were introduced to 2 of the 14 branches and later to the remaining 12 branches of the bank.

7 Details on the AVC training are available in Appendix 4.

Loan products

In general, the demand for funds by the farmers was being driven by their needs regarding land rent, infrastructure construction and the purchase of agricultural products. In response to these needs, HTRCB designed four loan products to target the AVC players in the pilot area (*Table 1*).

Table 1: Loan products and features, China pilot

	Cash-flow-based	Group guarantee	Insurance combined	Mixed Guarantee
Target Population	• Farmers • Farmers' groups • Micro and small enterprises operated by farmers and migrant workers	• Individual households • Family farms • Agricultural cooperatives • Agrotraders and processors	• Small-scale farmers without collateral or guarantors	• Agro-enterprises • Cooperatives
Loan ceiling	RMB 1 000 000	RMB 1 000 000	RMB 1 000 000	RMB 1 000 000
Average loan size	RMB 188 095	RMB 550 000	N/A	RMB 440 303
Repayment	average capital plus interest; interest settlement monthly; repayment of principal at maturity; combination of repayment	According to business cycle	monthly payment of interest	average capital plus interest; interest settlement monthly; repayment of principal at maturity; combination of repayment
Guarantee	no collateral; loan officers assess borrower's day-to-day operations, calculate monthly disposable income and determine loan amount and length of maturity	no collateral; 3-5 guarantors required to provide symmetrical information in lieu of original vouchers and business data	no collateral or guarantors; insured by insurance company	mainly collateral plus secondary collateral plus guarantee, plus credit
Length of maturity	24 months	36 months	maximum 36 months	no more than 60 months

Source: Huainantongshang Rural Commercial Bank. 2018. Rural Finance Best Practice Project, Anhui China, PPT presentation.

Cash-flow-based loans were disbursed to 87 AVC players who did not have physical collateral for bank loans and did not comply with the current bank rules on collateral and guarantees. Cash-flow-based loans allowed the bank to assess the creditworthiness of a loan applicant based on the cash flows of the applicant and by crosschecking with other information obtained from peers and third parties. Priority was given to those enterprises with an important role in the processing, storage, branding and trading of agricultural products produced in the local areas so as to promote the development of agricultural value chains. The introduction of cash-flow-based lending into agricultural production and marketing meant that the bank's loan officials had to learn techniques for the assessment of net assets and cash flows for farmers.

Group guarantee loans were made to 42 borrowers who had no physical collateral for bank loans under the current bank rules on collateral and guarantees. Applicants provided two guarantors who were linked to the applicant through AVC, serving as the upstream and/or downstream players. In other words, three value chain players who were connected through the same AVC could provide group guarantees for each other. The group guarantee loans under the project targeted agricultural-related businesses. The ceilings for the pilot project loans were significantly higher (<=RMB 1 000 000) than the traditional group guarantee loans targeted to small rural households (usually less than RMB 10 000). While these larger group guarantee loans are exposed to more risks, it is clear that larger loans are required to boost agricultural development in the project areas.

Insurance combined loans were designed and launched with Guoquan Insurance Co. Ltd, a small insurance provider in the region. All the borrowers of the bank were required to buy insurance to cover the loan repayment in case the loans become non-performing. The insurance combined loan was not put into place because the insurance partner pulled out during the middle of the project. However, the design and business channels necessary to implement the loan have been completed and this type of loan can eventually be implemented. The bank believes that this loan can fill gaps that other loans cannot fill because the basic requirements are easily satisfied.

Mixed Guarantee loans were made to 52 borrowers. These loans were guaranteed by a mixture of mobile and immobile assets and third party guarantees. The loans could be used for farm production, trade, input supply and agro-processing. The key to the success of these loans depended on the varieties of collateral used to access loans. In China, farmland and farmhouses are not eligible as collaterals for loans. However, the government has recently encouraged the use of land operations rights as loan collateral. This new policy approach was tested under the pilot project.

2.2.2 Indonesia

Project framework and expected outcomes

The overall goal aimed for by Indonesia's pilot was to improve income and business transactions of smallholder farmers and coastal communities. Key outcomes to achieve the project goal included improved sector productivity, improved business linkages among business actors, increase in smallholders' production and improved financial access for smallholders resulting in adjusted financial schemes. Four strategic interventions contributed to the key project outcomes and the overall intended impact: group strengthening of smallholder community groups, improved smallholder productivity, increasing smallholder financial access and broadening their market access. The first three interventions included significant capacity development for both the MFI partners and the target population was a critical set of activities put in place to achieve project outcomes.

For smallholders, capacity development was incorporated into the first two of the project interventions. **Group strengthening** of smallholder community groups encouraged the formation of strong internal foundations to keep up their businesses and allow them to explore and develop their business potential. Workshops on entrepreneurship and programme management knowledge were offered to business groups as part of this component.

Improved productivity to meet the demand for increased quantity and higher quality standards was of critical importance. The project provided expert assistance in farming and fishing production processes to increase smallholders' knowledge about innovative products. It was also projected that improved quality would broaden opportunities for market access.

Pilot participants were also offered **financial literacy training** to promote understanding of the products offered by financial institutions, the importance of savings, and to improve their ability to maintain their finances. The curriculum was developed by MICRA and delivered by the local MFI partners.

The **financial access** intervention stream focused on strengthening the capacity of MFI partners to improve financial access to smallholders and linking them with organizations that could increase their impact. Additional support and training on topics like market analysis and financial product design, risk mitigation in agro-financing, technology in microfinance and project management were offered by MICRA through participation in their annual training programme. The project also linked MFIs with related organizations that could provide workshops on financing models and schemes as well as improve their financial products, for example, by mitigating risks. The long-term aim was to increase the likelihood that the piloted financial services and products would be continued after the project ended. Main activities of the financial access component included:

1. Introducing micro-insurance products and connecting MFIs with insurance providers to help the MFIs mitigate risks and provide convenience for their clients,
2. Connecting MFIs with available capacity building programme to improve their knowledge and support the advancement of the best practices,
3. Connecting MFIs to investor organizations to ensure the pilot's sustainability, and
4. Broadening market access by increasing the involvement of related stakeholders such as buyers, government and local NGOs.

The fourth intervention, **broadening market access,** involved brokering long-term buying contracts for smallholders. Smallholders with buying contracts tend to increase their revenue and improve their production systems and financial management. In addition, buying contracts prevent farmers and fishers from selling their products early for lower prices. The project carried out a market survey and encouraged active participation in national and international business group organizations.

Prior to project implementation and to inform the appropriate selection of best practices, the project carried out a baseline survey in the two locations selected for the pilot. The research activities aimed to map the local economic potential by identifying the current level of business management and financial schemes available to smallholder farmers and coastal communities in the targeted areas. Both primary data, gathered from questionnaires and in-depth-interviews conducted with the targeted population, and secondary data, from Statistics Indonesia and related agencies, were used. The following indicators comprised the baseline points:

- **Economic potential:** identified the smallholder farmers' and coastal community's financial competence level, financial services access, and business-management capability.
- **Financial access:** portrayed the available common mechanism of working-capital funding existing in the target areas and its performance quality.
- **Financial product availability:** identified the financial products available to smallholder farmers and coastal communities, the financial institutions' plan for and capacity in providing the products and the clients' expectations of the financial products.
- **Gender mainstreaming:** depicted the role of the minority gender (in this case, women) in the business chains and how they managed their household's finances and the available opportunities to increase support for women in business.
- **Stakeholder participation:** identified the current role of the formal or informal leaders and the related government agencies that support the development of agriculture and fisheries business sector. This indicator also depicted the role of local facilitators and applied policies for the business sectors.

Loan products and guarantee scheme

In the Indonesia, MICRA partnered with local MFIs who delivered the financial products to project beneficiaries. MICRA, acting as a grant manager, received USD 15 000 of seed capital from IFAD/APRACA then disbursed those funds to the selected MFI implementing partners under the guidance of the country working group. Each MFI received USD 7 500 deposited in their account as a loan guarantee in order to support the implementation of pilot programme.

The loan guarantee scheme ensured that each loan disbursed would be guaranteed by the deposited fund should loans become non-performing. The fund could then be used to cover the bad debt expense to the institution. The loan guarantee scheme allowed the MFIs to disburse loans to beneficiaries without requiring any collateral.

KSU Sekartani Mandiri piloted non-collateral taking loans to smallholder farmers. The loan term was approximately six months with one percent monthly interest and loan ceiling of IDR 4 000 000. The farmers were incorporated into farmers' groups and needed references from their group's leader to apply for a loan. The leader did not provide a guarantee for the member's loan, but gave references about the farmer's character and business performance upon which the MFI based its decision of whether or not to grant the loan. Upon approval, farmers could visit input shops to purchase what they needed for the new crop cycle. The farmer submitted receipts, or the input shops (that were partnering with the MFI) reported the farmer's purchases to the MFI. MFIs paid input providers directly and the farmer-borrower paid back their loan to the MFI.

KSU Bina Laut piloted a Sharia-based financing scheme in the form of non-collateral taking loans within a group lending model. Loans had a 12-month term, and maximum ceiling of IDR 4 000 000 with profit sharing of 80:20 based on the negotiation (80 percent for clients and 20 percent for cooperatives). Social guarantee was used to ensure that the loan was repaid, meaning that if one borrower from the group did not repay his/her loan, other members were liable and that member was suspended for the next loan cycle. In this village, each fisher was usually a member of one group consisting of up to ten fishers. Fisher groups had internal discussions about how to invest or spend working capital to best accommodate the group's needs. The group leader would then bring a proposal to the MFI. If the loan was accepted, the group leader then met with the lending institution to do the

Table 2: Loan product and features, Indonesia pilot

Features	***KSU Sekartani* Mandiri**	***KSU Bina Laut***
Total loans disbursed	142	70
Interest Rate	1% per month - flat	Profit sharing, default rate at 80 (clients): 20 (cooperative)
Channelling Pattern	executing	executing
Business Sector	Farming	Fishery
Beneficiaries	Productive smallholder farmers with land ownership less than 2 ha. Limited access to financial services and lack of assets for collateral.	Productive fisher groups which commonly face barriers to access formal financial services due to fisheries related business nature and lack of asset for collateral.
Loan term	3 to 6 months depending on the crops and harvest time	12 months for investment or capital financing
Loan ceiling	IDR 4 000 000	IDR 2 000 000 million to 4 000 000
Repayment method	Bullet payment; interest and saving are deposited each month, while the principal is paid post-harvest	Monthly instalment of both principal and profit sharing
Collateral	The client's business (farming products)	The client's business and the group's joint liability
Source of Fund	Seed capital provided by RuFBeP programme and savings deposits of the groups	Seed Capital provided by RuFBeP programme and savings deposits of the groups
Assistance	Farming input supplies, marketing channel, financial literacy training	Monitoring loan use, financial literacy training
Value chain scheme application	Partnership with input supplies store and sound networking with buyer or milling companies	Not yet

Source: Final Report, 2017d

akad (Sharia financing agreement). The financing went individually to group members and loan ceilings varied depending on each member's capability to repay the loan. *Table 2* above provides an overview of the features of the loan products offered by each MFI in the pilot.

Both MFIs also offered voluntary savings bundled with health and life insurance as part of the loan products. This was made possible through a cooperative agreement, brokered by MICRA, between the Social Trust Fund, the initiator of the savings and insurance product, and the MFIs. The fund managed the insurance fund and advised the MFIs on the savings product. MFIs managed the relationship with their clients, the savings fund and deposited the insurance premium to the Social Trust Fund.

2.2.3 Philippines

Project framework and expected outcomes

The ultimate goal of the Philippines project was to build a sustainable market and stabilized pricing for farmers' produce. The following specific outcomes, which aligned with specific phases of the value chain, were identified to support progress toward the achievement of the goal:

1. farmers form clusters that work with institutional buyers and establish favourable market arrangements
2. farmers find the right product to supply
3. farmers increase working capital
4. financing risks are lessened
5. risks brought about by calamities are mitigated
6. farmers have available markets for their produce
7. farmers hold bargaining power for their produce
8. farmers consolidate crops and meet the volume requirements of the target market
9. farmers meet buyers' expectation
10. farmers are able to bring their products to the market
11. farmers set up a joint marketing enterprise and sell their crops as a business entity

Activities designed to attain the above-mentioned outcomes were carried out within an agricultural value chain scheme and designed to impact various parts of the chain. The four components of the AVC scheme included:

1. **Capacity building** by organizing small farmers into small agro-enterprise clusters and providing ongoing capacity building activities based on the needs of the individual farmers and their organizations. This was a key component of the project. Small farmers organized into agro-enterprise clusters tat function as microfinance centres for pooling logistic requirements, consolidating product supply, linking to formal business entities and managing their own agro-enterprise. This clustering was a precondition for linking farmers with institutional markets and other buyers, establishing sustained demand for products and favourable market arrangements such as better prices for farmers' products.
2. **Financing** that was made available throughout all phases of the value chain; from pre-production to production to marketing
3. **Crop insurance and credit guarantee** which were incorporated based on another of the phase I best practices, to help mitigate the inherent risks in financing agriculture.
4. **Market linkage** activities that assisted farmers in finding institutional buyers and establishing contracts and agreements between the farmers' organizations and the buyers.

Prior to pilot testing, baseline surveys were carried out in both pilot locations to better understand farmers' profile, their on-farm and off-farm activities, assets, household income and expenses, sources of financing, volume of production, marketing of produce, average farm size and loan usage, among others.

Loan products and AVC scheme

The Agricultural Credit Policy Council (ACPC) was the lead institution overseeing pilot project, with the participation of the following government institutions: National Livelihood Development Corporation, Philippine Crop Insurance Corporation (PCIC) and the Agricultural Guarantee Fund Pool (AGFP).

The Agricultural Credit Policy Council initially provided each of the implementing partners, Seeds and Fruits Multi-Purpose Cooperative and the Cooperative Bank of *Bukidnon*, with PHP 5 000 000 (USD 104 500). This loan fund was used for relending to farmers in each of the pilot locations.

Loans were provided on a staggered basis to match the farmers' needs for a specific purpose in the chain which could include production loans and loans to support market linkage (e.g. buying fund for the consolidated produce, loans for storage fees, truck loan). Moreover, other services were provided such as savings mobilization, life insurance, farmers' forum and participation in training, among others.

The PCIC provided farmer-borrowers to reduce the production and weather-related risks resulting from natural calamities while the AGFP protected financial institutions by covering loan defaults owing to weather, pests and diseases and other unpredictable events. *Table 3* describes the main features of the loans offered by both of the rural financial partners.

Lastly, farmers were linked to institutional buyers through the practice of contract growing and continuous capacity building. The Seeds and Fruits Multi-Purpose Cooperative expanded its market outreach and successfully established supply contracts with five institutional buyers of vegetables. The Cooperative Bank of *Bukidnon* partnered with the Asian Hybrid Seed Technology Inc. (AHSTI), a hybrid seeds corporation that purchased corn seeds from its accredited corn growers/farmers. Under the pilot, AHSTI supplied the corn parent seed to the borrower-farmers and procured all of the famers' corn harvests (provided farmers met the requirements specified in their agreement). AHSTI also provided free technical assistance and supervision to ensure the standard cultural practices and packaging technology were followed.

Table 3: Loan product and features, Philippines pilot

Features	Seeds and Fruits Multi-Purpose Cooperative	Cooperative Bank of *Bukidnon*
Total no. loans disbursed	34	146
Loan Term	Short-term loan	Short-term loan
Eligible borrowers	Small farmers	Registered farmers endorsed by Asian Hybrid Seed Technology Incorporated
Eligible projects/activities	Vegetable production, farm equipment (hand tractor), consumption loan, truck loan	Corn production
Ceiling	PHP 350 000	PHP 350 000
Interest rate	12% per annum	15% per annum
Repayment	Production loan upon harvest; other loans amortized	Upon harvest
Security/Collateral	Promissory notes	Tripartite agreement, promissory notes, crop insurance, AGFP guarantee

Source: Evaluation Report, 2017e

SECTION 3
ASSESSING THE IMPACTS OF PILOT PROJECTS

The phase II of the RuFBeP project was designed not only to test the adaptation and explore the possibilities of replication of rural finance best practices in specific locations but also their scalability. Given these aims, the impacts considered in this report encompass the changes experienced by smallholder-borrowers (project beneficiaries) and the rural finance partners that delivered the financial products to those borrowers as well as an evaluation of the potential for their expansion.

Each pilot project adapted, designed and delivered innovative, pro-poor rural financing schemes and products to contribute to an overall project goal. Long-term project impacts included: (a) Introducing microfinance downscaling to enhance the development of agricultural value chains in the project area and address the growing financial needs created by rapid urbanization and farm consolidation (China); (b) Providing culturally appropriate financial products to improve income and business transactions of smallholder farmers and coastal communities (Indonesia), and (c) Applying an agriculture value chain finance model in order to build a sustainable market and stabilized pricing for farmers' produce (Philippines)

Medium-term outcomes were also identified by each project with corresponding indicators for measurement. The indicators used by projects to measure both long- and medium-term impacts had multiple commonalities and can be organized under the following seven categories:

1. Improvement of business performance
2. Increased access to financial services
3. Increased function/diversification of rural financial services
4. Impact on rural financial institution
5. Capacity building of rural community
6. Participation of stakeholders
7. Gender mainstreaming

This section describes the methods for impact measurement and the achievements of each project under the abovementioned categories. While not every project defined and measured indicators for every category, there is overlap among all three projects in nearly every one. One other indicator measuring gender mainstreaming in the Indonesia is also discussed in this section.

3.1 Tools and methods used for impact measurement

All project teams used some combination of quantitative and qualitative methods to generate data on project impacts. Projects also compared impact data to baseline data gathered before implementation. The Key impact areas were analysed for each pilot project which however is not equally important to all country context as they varied in their perspectives.

China – important results on the pilot impact were gathered by surveying a sample of 30 borrowers, examining loan account records of pilot beneficiaries, conducting field visits and interviews with a sample of project participants, and interviewing HTRCB staff who were involved in the project.

Indonesia – conducted a survey of beneficiaries and non-beneficiaries in the pilot areas and compared against baseline results. Baseline data was gathered from structured questionnaires to both potential beneficiaries and non-beneficiaries as well as in-depth interviews with MFIs, community groups, local and informal leaders. Secondary data from Statistics Indonesia was also utilized to help complete the data on fishers' and farmers' livelihoods.

Philippines – data for the impact survey was gathered from both farmer cooperatives and farmers themselves. Primary data was generated through survey and focus group discussions. At the programme level, the heads of the farmer cooperatives and suppliers of finance (both internal and external) were interviewed to document their insights, roles and experiences in the AVC financing project. Documents on the organizations' operational performance (such as financial statements, marketing contracts, etc.) were also reviewed and analysed. A sample of farmer-borrowers participated in a survey. The data produced from this survey was compared with data from the baseline survey in order to measure change attributed to the pilot project.

3.2 Improvement of business performance

Project teams measured key indicators to learn if there was any improvement in the performance of borrowers' primary agriculture or fishery business that could be attributed to the pilot projects. Key indicators for this impact category include: increase in production, increase in revenues, business expansion and increased market competitiveness. Results point to some overall improvements in China, mixed results in Indonesia where there were increases in production but no real increases in revenue or business expansion, and positive increases in production and income in the Philippines and some business expansion in one pilot location.

China:

China's team reported that increases in production occurred mainly in cropping (50 percent), followed by agricultural marketing (23 percent) and animal production (15 percent). An increase of less than 10 percent was reported for those working in input related businesses. As stated above, the project team was not able to perform a full econometric analysis and data on incomes was obtained from a small sample of households. Nevertheless, those beneficiaries sampled managed to raise their sales revenues by 10 percent to 20 percent through increased loan access. Furthermore, nearly all borrowers under the pilot were able to expand their businesses by purchasing more fertilizers and chemicals, renting more land for cropping, and expanding processing and marketing activities (*Box 2*). These, in turn, have improved borrowers' business competiveness and farm efficiency. Loans enabled borrowers to increase the scale of farm operations, for example by renting more land or gaining access to more advanced farm machinery and processing equipment. Overall, results of the China pilot point to an improvement in the business performance for farmer-borrowers.

Box 2: Group guarantee example, China

Yanggong Family Farm has been in operation for the last six years and employs 10 workers. Its operation included fish production, tree and flower nurseries and organic egg production. Its annual sales revenue has been about RMB 2.5 million. The farm took a two-year group guarantee loan from HTRCB in the amount of RMB 800 000. The farmer stated that the bank loan, with its relatively low interest rate of 8.085 percent was very important for him to expand his fish production.

Indonesia:

The Indonesia projects had mixed results in this impact area. There were encouraging results with regard to *increases in production*. The impact survey showed that 68 percent of rice farmer-borrowers in *Parigi Moutong* had a harvest yield of more than 4.5 tonnes per hectare. This compares with only 32 percent from the baseline survey and 28.7 percent of non-beneficiaries whose yield was more than 4.5 tonnes of rice per hectare. Fishers in West Lombok, who practice capture fisheries as their main activity, indicated during the baseline survey that 27.8 percent of them caught more than 20 kg of fish on a daily basis. However, the impact survey showed an increase to 46.2 percent of those catching more than 20 kg of fish. Meanwhile, most respondents in the non-beneficiary group indicated that they caught 15 to 20 kg of fish. The increase in productivity experienced by fishers in West Lombok while positive, was not too significant probably because of the limited duration of the project. However, many beneficiaries reported being greatly helped by the funding from the pilot which increased their resources to repair tools such as boats and nets to maximize their catch.

The small increases in revenue experienced by some pilot beneficiaries were harder to attribute to the project itself. The majority of participants in *Parigi Moutong* reported that their income remained the same compared to the year before the pilot, while about 36 percent experienced some increase. Ninety-five percent of non-beneficiaries in the same area reported that their incomes remained the same. With regard to rice commodity, the project team observed two interconnected factors that influence the relationship between productivity and revenue. First, income most likely remained stable because the price of rice commodity tends to decline during harvest season, and second because the fluctuation of commodity prices, particularly for paddy rice, is highly complex. Regarding fishers in West Lombok, about 39 percent reported that their income remained constant while 61 percent experienced some increase. According to non-beneficiaries in the same area, 61 percent experienced stable income while 22 percent had some increase in revenues.

As an indicator of *business expansion*, the Indonesia team looked at whether and how project beneficiaries applied new technologies in their farming/fishing activities. The pilot project included training for beneficiaries in both locations on modern farming and fishing techniques and the application of technology pre- and post-production. There are a number of possible technologies that can be used in agriculture. For rice, these include the use of the latest and best varieties and harvesting machinery. Meanwhile, in the fisheries sector, the technologies include the use of fish finder and GPS. The results of the impact survey indicate that part of the pilot loan obtained by the rice farmer beneficiary group was used to rent a harvester combine machine. Not only did the loan provide access to harvesting machinery, but enabled borrowers to purchase quality fertilizer and additional agricultural land. The results among fishers in West Lombok were starkly different. Neither project beneficiaries nor non-beneficiaries reported using any of the latest technologies to expand their catch. However, there was a very high interest (98 percent) among project beneficiaries to develop a community fisheries business.

Assessing the *competitiveness* of beneficiaries' products proved difficult. One way to do this is to see how a particular product competes in a larger market that applies a set of quality standards. These standards could include the certification of commodities carried out by certain bodies that have been appointed by the government. However, at this time, there are no specific standard set out by the rice collectors in *Parigi Moutong* or by collectors for the fishery product in West Lombok district. Furthermore, the farming and fishery products produced by community in the pilot locations are generally part of the staple food which does not require processing.

Philippines:

The Philippines project surveyed 100 percent of the beneficiaries in *Benguet* and about 30 percent of the total beneficiaries in *Bukidnon*. To assess impact on improvement of business performance, beneficiaries were asked about changes in the productivity of major crops, diversification of farm and non-farm activities, major crop income, total farm income, total household income, and household assets.

These indicators also helped the project team to assess the effect on income and productivity of the project's staggered loan disbursement strategy in which financing to farmer-borrowers was distributed based on the farming timetable. The aim was to reduce farmers' tendency to divert loan funds for other use. Indeed, the majority of the sample did not diversify into other farm and non-farm activities. In *Benguet*, 44 percent of respondents said they diversified to other farming activities in while most in *Bukidnon* did not. And only 8 respondents out of 78 in both locations reported diversifying their non-farm activities.

This translated into improvement in farmers' productivity and income. Productivity of the major crop improved for 41 percent of farmers *Benguet* and for 59 percent in *Bukidnon*. With regard to income, the *majority of respondents in both pilot locations saw significant increases in all three types of income: major crop, total farm, total household.* On the other hand, only 22 percent said that they were able to increase their assets (see results in *Table 4* below).

Table 4: Improvement in business performance, Philippines target groups

Performance Indicators	*Benguet*		*Bukidnon*	
	No. Reporting (n=34)	% Share	No. Reporting (n=44)	% Share
A. Improvement in productivity of major crop				
Yes	14	41.2	26	59.1
No (decreased)	5	14.7	7	15.4
No change	15	44.1	11	33.3
B. Diversified to other farming activity				
Yes	15	44.1	12	27.3
No	19	55.9	32	72.7
C. Diversified to non-farm activity				
Yes	5	14.7	3	6.8
No	29	85.3	41	93.2
D. Improvement in major crop income				
Yes	21	61.8	33	75.0
No	13	38.2	11	25.0
E. Improvement in total farm income				
Yes	24	70.6	35	79.5
No	10	29.4	9	20.5
F. Improvement in total household income				
Yes	24	70.6	36	81.8
No	10	29.4	8	18.2
G. Increase in household assets				
Yes	8	23.5	9	20.5
No	26	76.5	35	79.5

Source: Evaluation Report, 2017e

In *Benguet*, some business expansion was also experienced. Part of the funds transferred to the Seeds and Fruits Multi-Purpose Cooperative were intended to purchase farm equipment such as a chiller/cold van used to transport produce to institutional buyers. After the purchase of the van, the cooperative realized they had surplus income and decided to expand its operations into livestock production as an additional income-generating farm activity. Because this activity is neither seasonal nor labour intensive it has potential to provide consistent, additional revenue to cooperative members. The cooperative purchased 20 sows and 2 dairy cows (from New Zealand). Litters or offspring of the pigs are distributed to the farmer-members for fattening (minimum 10 heads per recipient). To date, they have distributed 40 piglets to 4 farmer-members.

3.3 Improved access to financial services

All three projects successfully improved the access to financial services for beneficiaries of the pilots, many of whom did not previously have access to adequate sources of capital. Key indicators measured by most projects for this impact category include: increase in number of customers, amount/number of loans disbursed under the pilot, number of non-performing loans, variety of financial products, adoption of new products, percent of loans taken from non-formal institutions, number/amount of loans approved.

China:

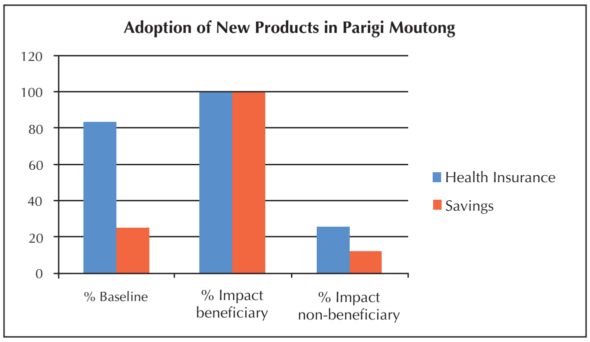
Under the microfinance downscaling pilot in China, HTRCB made 181 loans to actors in the agricultural value chain. The total amount of loans disbursed was RMB 50 million. More than half of the borrowers accessed loans that did not require collateral. This was a key innovation of the China pilot allowing HTRCB to reach roughly 90 new clients who do not meet the standard criteria for traditional bank loans applied by most commercial banks in China. The project team asserts that, to some extent, the pilot successfully reduced the loan constraints for larger farms in the Huainan prefecture. The impact in Anhui province was difficult to assess as replication is still ongoing. The pilot loans performed exceptionally well boasting **no non-performing loans**. This compares with HTRCB's overall non-performing rate of 1.79 percent. Four new loan products were developed by the pilot. Three of these were implemented by the bank and were utilized by customers who would not otherwise qualify for bank loans. In addition to new products, the targeting of loans within the agricultural value chain was also a new approach for HTRCB. About 23 percent of the loans made under the pilot were group guarantee loans that required at least two other individuals or organizations to provide a guarantee for the borrower. Most of these guarantors were within the agricultural value chain. The adoption of this loan and scheme by HTRCB was particularly beneficial to smallholders and traders who did not have sufficient collateral and also served to strengthen relationships and ties within the value chain.

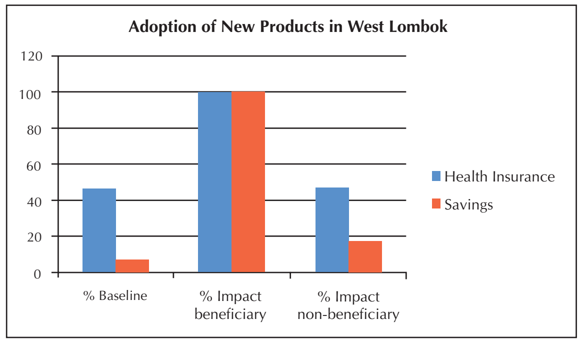
Indonesia:

In Indonesia, 95 percent of the total seed capital was disbursed during the pilot project. The cooperative in *Parigi Moutong* made 142 total loans while the cooperative in West Lombok made 70. The pilot project was very successful at increasing access to financial services in both pilot locations. The financial products introduced by the cooperatives (non-collateral-taking loans with payment terms adjusted to harvest patterns) specifically targeted those borrowers who would have been otherwise be ineligible for loans from most formal financial institutions. In total, 60 percent of the pilot beneficiaries fell into this category. The loan products also included new features bundled into the loans, specifically savings and health insurance which enhanced both available financial services and inclusion in the pilot locations. The bundling of these value-added features had a significant impact on borrowers, increasing those with savings accounts in *Parigi Moutong* by 75 percent compared with the baseline and in West Lombok by nearly 93 percent. Those with health insurance also increased by 16 percent and 54 percent in *Parigi Moutong* and West Lombok respectively. Comparisons with the non-beneficiary groups surveyed during the impact assessment showed stark differences. These are displayed in *Figure 2* below.

The loan performance in Indonesia was outstanding. The ratio of non-performing loans (NPL) is calculated by comparing the amount of non-performing loans for more than 90 days with the total number of loans disbursed. For both cooperative partners the value of the NPL ratio was *zero percent*. The general ratio of non-performing loans in each cooperative remains below five percent.

Figure 2: Adoption of new products, Indonesia

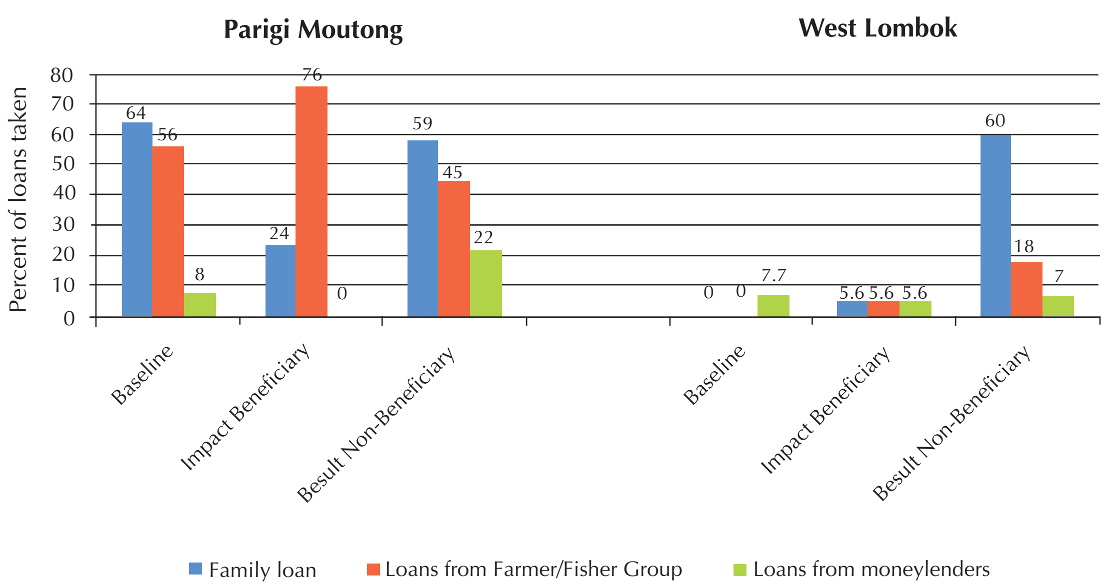




Source: Final Report, 2017d

Another extremely important result of the Indonesia pilot was the participants' reduced dependence on taking loans from non-formal sources including family members and especially money lenders[8]. The impact survey showed a significant decrease in borrowing from money lenders in *Parigi Moutong,* from 8 percent at baseline to zero percent at the time of the impact survey (*Figure 3*). A less dramatic drop in the dependence on money lenders was seen in West Lombok. Nevertheless, reliance on money lenders decreased in both locations compared to the non-beneficiary group.

Figure 3: Loans taken from non-formal institutions, Indonesia



Philippines:

One the main positive outcomes of the Philippines pilot is the contribution the project made in increasing the incidence of borrowing from *formal* financial institutions. Prior to the implementation of the pilot, large numbers of farmers in both locations did take loans, however, the majority of them were taken from informal lenders such as relatives and friends, input suppliers and traders. With the introduction of the pilot scheme, the farmer participants were given the opportunity to borrow from

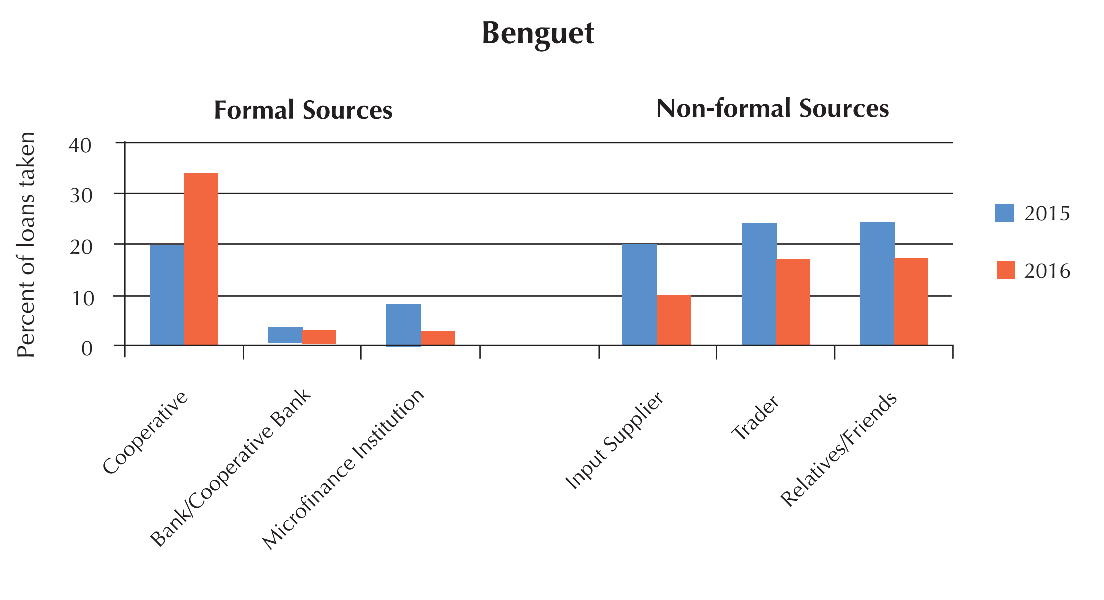
[8] According to Mr. Sahram (46 years old fisherman from West Lombok), "After receiving a loan from KBL, I can increase my income and avoid having debt from the money lender."

a formal lending institution that offered easier accessibility and better terms: lower interest rates, fewer requirements and flexible terms. Previous studies in the Philippines[9] have shown that even though many farmers are qualified to access loans from formal sources, particularly from banks, they tend to avoid banks because of the tedious application processes and stringent and overwhelming documentation requirements.

The number of borrowers who took loans from either informal or formal sources did not change very much from the baseline, however, the number of total borrowers taking loans from formal sources increased in both locations. In *Benguet*, there was a considerable increase of 28 percent of farmers who took loans from formal sources, mainly cooperatives. The rise in incidence of borrowing from the cooperatives may be attributed to the lending scheme, whereby multiple loans such as production loans, consumption loans and loans for farm equipment and transportation were available. Survey responses from *Bukidnon* show a 9 percent increase of those taking formal loans, mainly from a bank or microfinance institution. This shows that microfinance has been mainstreamed in the area where the poor members of the community can easily access financial services.

At the same time, participants' incidence of borrowing from *informal* sources decreased by 6.3 percent in *Benguet* and by 4 percent in *Bukidnon*. Borrowing from informal sources is still practiced mainly to address immediate household requirements such as medical, food or other urgent expenses. *Figures 4* and *5* show incidences of formal and non-formal borrowing in the pilot locations for 2015 and 2016 while *Table 5* contains more complete data on the incidence of borrowing and sources of loans in both pilot locations.

Figure 4: Formal and non-formal loans taken by pilot project participants, Benguet, Philippines, 2015-2016



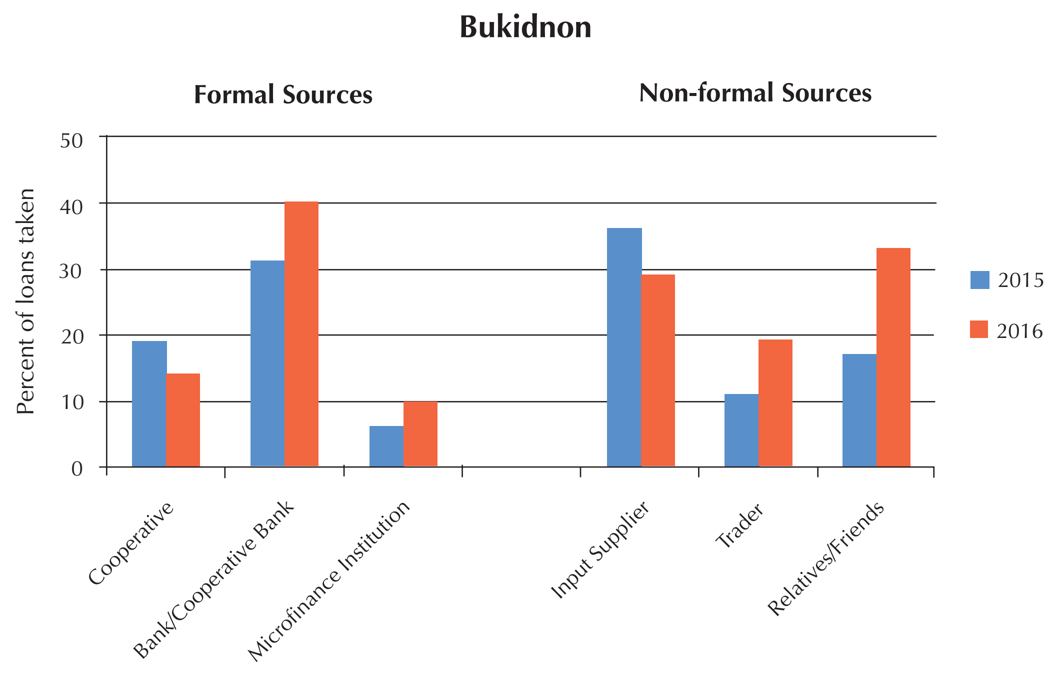
Source: Evaluation Report, 2017e

9 – Poliquit, Lolita Y. 2006. *Accessibility of Rural Credit Among Small Farmers in the Philippines*. Massey University, Palmerston North, New Zealand.

– ACPC. 2016. Small Farmers and Fisherfolk Indebtedness Survey 2014-15. Agricultural Credit Policy Council, Manila, Philippines

– Geron, Ma. Piedad S., Llanto, Gilbert M., Badiola, Jocelyn Alma R. 2016. *Comprehensive Study on Credit Programs to Smallholders*. Discussion Paper Series # 2016-48, Philippine Institute of Development Studies, Manila, Philippines.

Figure 5: Formal and non-formal loans taken by pilot project participants, Bukidnon, Philippines, 2015-2016



Source: Evaluation Report, 2017e

Table 5: Incidence of borrowing and loan sources, Philippines

Loan Sources	*Benguet*			*Bukidnon*		
	2015 (n=30)	**2016 (n=34)**	**% Change**	**2015 (n=38)**	**2016 (n=44)**	**% Change**
Availed of Loan (in %)	83	86	3.6	95	95	0.0
Formal (in %)	32	41	28.1	44	48	9.1
Cooperative	20	34	70.0	19	14	(26.3)
Bank/Cooperative Bank	4	3	(25.0)	31	40	29.0
Microfinance Institution	8	3	(62.5)	6	10	66.7
Informal (in %)	48	45	(6.3)	50	48	(4.0)
Input Supplier	20	10	(50.0)	36	29	(19.4)
Trader	24	17	(29.2)	11	19	72.7
Relatives/Friends	24	17	(29.2)	17	33	94.1
Both Formal and Informal (in %)	20	14	(30.0)	6	4	(33.3)
Formal						
Cooperative	4	3	(25.0)			
Bank/Cooperative Bank				6	5	(16.7)
Microfinance Institution	16	3	(81.3)	3	2	(33.3)
Informal						
Input Supplier	12	3	(75.0)	3	2	(33.3)
Trader	12	7	(41.7)			
Relatives/Friends	16	7	(56.3)	3	2	(33.3)

Source: Evaluation Report, 2017e

Both the Seeds and Fruits Multi-Purpose Cooperative and *Bukidnon* Cooperative Bank showed increases in the number of customers and in the amount and number of loans disbursed under the pilot.

The SFMPC opened its doors to new members to serve more farmers of *Benguet*. As of December 2016, its membership has grown considerably, by 86.5 percent. From a base of 37 members in 2015, they now have 69 members. The cooperative is cautious in recruiting and accepting members to the organization. Membership intake process is quite tedious. They conduct background and character investigation, referrals from an existing member of the cooperative. Aspirants had to be associate members first, attend pre-membership trainings and exhibit commitment to the mission and the desired values of the cooperative before they can be accepted as regular members. This careful vetting process is thought to have had a direct impact on the exceptional loan collection rate, which was 100 percent. As of December 2016, the number of loans provided had almost tripled since the start of the project. Correspondingly, the amount of loans also increased by 63 percent.

The pilot implemented by *Bukidnon* Cooperative Bank also showed progress on these two indicators. BCB expanded its outreach under the project. In 2016, it registered a 35 percent increase of new borrower-members. New members underwent bank screening and agreed to abide by the tri-partite agreement which included, among others, opening a savings account with the bank and going through the technical training and supervision of the Asian Hybrid Seed Technology Inc. (AHSTI). The BCB increased the number of loans disbursed by 35 percent, from 108 loans pre-pilot to 146 loans with the pilot, and the amount of loans by 15 percent. They also had an excellent collection rate under the pilot of 96 percent.

The increase in numbers and amount of loans along with the extraordinary collection rate indicate that, by far, implementing a tripartite agreement with a financing institution, farmers and institutional buyers, worked in favour of both the borrowers and the lender. Small farmers experienced easier access to bank loans, while the bank was assured of high loan collection rates as a result of the marketing arrangement with the buyer. In both locations, the financial institutions intend to continue to expand their membership, provided they have sufficient capital.

3.4 Increased function/diversification of rural financial services

The increased function and diversification of rural financial services is a principal component of the development of an inclusive financial system. Financial inclusion has been viewed as a critical condition for the simultaneous achievement of both economic growth and equity (inclusive growth) and is fundamental for poverty alleviation. Providing better access to financial markets by implementing inclusive financial policy would presumably allow the poor to escape the poverty that so many rural communities face. Financial inclusion involves not only the demand side of the credit market but also its supply side and hence requires numerous innovations in product design, service delivery and risk mitigation, especially for rural agricultural financing.

All three of the pilot projects designed and offered innovative financial products to borrowers. In each case, the piloted financial products were brand new to the financial institution. Nearly all aimed at reducing or eliminating collateral requirements, and some included other features such as bundled savings and loan products, broader loan use and flexible repayment terms. These features intended to expand the frontier of finance in each of the pilot locations by reaching groups previously without access to formal financing options. The impact of these product innovations has already been discussed in section 3.3 above.

The pilots also implemented key innovations in *service delivery*. China's microfinance downscaling, that radically changed how HTRCB evaluates the capacity and willingness of clients to repay loans, and the Philippines' value chain financing (with embedded risk mitigation strategies), that aimed at bridging the gap between financing and market access, are very clear examples of innovative service delivery that increased the function of financing. Indonesia's pilot aimed at adding value to their services by integrating product marketing and payment services for utilities (such as electricity, water and telephone bills). The impacts of these service and process innovations are discussed in this section.

China:

A key achievement in the China pilot is the application itself of a new and innovative financial services scheme: microfinance downscaling using cash-flow-based lending for agricultural production and marketing. Furthermore, HTRCB aimed at implementing a "mixed model" approach by combining the microfinance downscaling with lending that was targeted to agricultural value chain actors thereby strengthening the AVC in the region. This required intensive capacity development of bank staff in techniques for assessing net assets and cash flows of farmer-borrowers as well as training on agricultural value chain financing. The scheme was initially introduced in 2 of the bank's 14 branches and by the end of the pilot was being implemented in all 14 branches.

The implementation of the new scheme and products was economically viable for the bank. The project team reported that the productivity of the pilot project loans was generally higher compared to the bank's other lending programme because of the ability of the loan officials to use information generated from value chain links. Not only does the bank intend to continue with the scheme and develop additional products in Anhui province but HTRCB will also institute this scheme in its other branches and has begun sharing its knowledge and experience with other rural financial institutions in the province through workshops, study tours and publications shared with the People's Bank of China and the China Banking Regulation Commission.

The bank encountered both expected and unforeseen challenges during the pilot and has learned a great deal through the implementation process. The project team has enumerated a number lessons and strategic recommendations that will enable the bank to further penetrate the rural market. The pilot has clearly initiated a major shift in the bank's lending approach and has allowed the bank to learn about, experiment with and refine a new financial scheme that has the potential to significantly increase its function within the rural financial services sector.

Indonesia:

Implementation partners in Indonesia recognized the importance of embedding additional functions in the financial products they offered, particularly on market access for the clients' products. Marketing was identified as one area where the MFIs could provide some assistance. The baseline survey showed that the beneficiary group in *Parigi Moutong* was conducting 100 percent of their marketing by word of mouth, while in West Lombok the baseline showed that 100 percent beneficiaries were not conducting any marketing at all. However, progress on this indicator was mixed. Word of mouth remained the most common marketing strategy among project participants as most did not expand their customer base and continue to sell to either middlemen or in traditional markets.

A second area of diversification involved the MFIs establishing utility payment points in their offices where clients could pay for common utility bills. However, in both locations, the service was used by only a small proportion of the community. Most people continue to prefer paying for their utilities in the post office or payment counter because they are in more convenient locations.

The MFIs continue to develop and offer other non-financial services that provide added value to their clients. *KSU Sekartani Mandiri* established partnerships with input shops that worked directly with the MFI to report farmers' purchases and seek reimbursement for them. Farmers were not required to purchase from participating input shops but those that did were saved the administrative burden of obtaining and submitting invoices and bills to the MFI. *KSU Bina Laut* established a partnership with the Marine and Fisheries Agency to improve the sales of salt products of the fisher communities. Both MFIs also provided additional skills training in financial literacy and business development.

Philippines:

Both cooperative partners in the Philippines implemented an agriculture value chain scheme aimed at bridging the financing and marketing gaps faced by farmer-borrowers. The AVC model supported small farmers in developing sustainable agro-enterprises by clustering farmers into small groups and linking them to institutional buyers. Both pilots have successfully clustered farmers and established supply contracts with institutional buyers. The weekly volume and value of vegetables supply by SFMPC 12 given in *Table 6*.

The Seeds and Fruits Multi-Purpose Cooperative started with only one institutional buyer at the beginning of the pilot project. The cooperative has now brokered supply contracts with five institutional buyers namely: Miascor Catering Services, Shangri-La Restaurants Philippines, Boracay Resorts and Restaurants, Foresca Food Service and Tiger Resort, Leisure and Restaurant, Inc. (Okada Hotel Manila).

Table 6: Weekly volume and value of vegetables by client, SFMPC

Name of Client	Weekly Volume (kg)	Value (PHP)
Miascor Catering Services	500-600	10 000 – 14 000
Shangri-La Restaurants Philippines	200-250	31 000 – 50 000
Boracay Resorts and Restaurants	150-200	30 000 – 50 000
Foresca Food Service	300	70 000
Tiger Resort, Leisure and Restaurant, Inc. (Okada Hotel Manila)	75-100	40 000

Source: Evaluation Report, 2017e

The *Bukidnon* Cooperative Bank worked with corn farmers in Sumilao, *Bukidnon*. Farmers who participated in the pilot project clustered into groups and entered into a tripartite agreement with BCB and the Asian Hybrid Seeds and Technologies, Inc. (AHSTI) corporation. Previously, farmers sold their produce to traders from whom they also borrowed money for farm and household needs. Interest rates charged by money lenders range from 3 to 5 percent per month. Under the AVC finance scheme piloted by BCB, farmers accessed credit with an annual interest rate of 15 percent and received a better price for their corn.

AHSTI offered the seed, technical assistance during harvest and a fixed buying price to farmers. They procured all of the farmers' corn harvests and delivered payment directly to BCB within 15 days of product delivery. BCB then deducted/debited from the farmer-borrower's account the amount equivalent to the farmer's loan obligation. Part of the value of the scheme is measured by farmers' positive response to the project based on their request that the pilot arrangement continue and, if possible, be extended to other crops.

The arrangements between the five institutional buyers and the SFMPC continue to be active as of the date of this report and AHSTI expressed both a willingness to continue participating in the tripartite agreement and to expand operations with the farmers in *Bukidnon* through the BCB.

Both cooperatives also built risk mitigation strategies into the pilot design by adding crop insurance (to protect the borrowers) and loan guarantee mechanisms (to protect the lenders). The success of these additional features is mixed. In the case of the SFMPC, only 4 of 30 farmers interviewed for the impact survey had their crops insured. The project team discovered that most farmers did not understand the process or benefit of applying for coverage. The loan guarantee programme was not adopted, however this did not hamper its lending activity to the target group. On the contrary, as already described in Section 3.3.3, the cooperative has increased its loan exposure to the sector. Meanwhile, in *Bukidnon* 100 percent of loans were covered by crop insurance and loan guarantee.

3.5 Impact on Rural Financial Institutions

Considering the impact of the pilot experiences on the participating rural financial institutions is an important gauge of the sustainability of the product innovations and provides information about the suitability for scaling up. Some of the indicators considered by projects to assess the impact on the financial partners include: reported changes in client approach, partnerships with stakeholders, differences in credit analysis, improved trust between financial institution and clients, financial productivity of loans, willingness and ability to continue to develop/offer innovative loan products. Taken together, these indicators help develop a picture about whether and how rural financial institutions have derived benefits from participation in the pilot project.

China:

As described in the previous section, the pilot carried out by HTRCB had a significant positive impact on the bank. The shift toward cash-flow-based lending and AVC lending has opened new avenues for further penetration in the rural market. The bank achieved its aim of increasing its loans for agriculture and related industries under the pilot and those loans were generally more productive compared to the bank's other lending programmes. With regard to the microfinance downscaling, the cash-flow analysis used to cross validate the potential customer's real business situation proved to be a reliable basis for making loans, satisfactorily improving the level of risk control for the bank. At the same time, it also cultivated in farmer-borrowers a habit of manual accounting, thereby improving their business management skills. Likewise, relying on information provided by third party actors within the value chain (for the group guarantee loans) improved information symmetry and allowed the bank to provide larger loans to farmers who would otherwise not qualify.

Bank managers and branch heads have been impressed with the pilot programme. They are pleased with the progress made in terms of risk control and the positive impacts on farm producers and other value chain players. Bank officials in the participating branches reported being more engaged with their clients, conducting more loan monitoring, impact assessment and cultivating a closer relationship with their clients.

In addition, bank officials have learned that value chain actors have a wealth of valuable information about their upstream and downstream partners and that engaging with and developing long-term relationships with them is critical to strengthen AVC lending.

The bank is committed to incorporating the piloted products into their portfolio, replicating them in their other branches and looking for additional opportunities to extend AVC lending where possible.

Indonesia:

MICRA noted a number of positive impacts on the pilot's local implementing partners in both locations. For both cooperatives, the non-collateral-taking loan scheme implemented under the RuFBeP project was a new experience. The implementation of pilot programme required the development of new skills and approaches on the part of the cooperative lenders in order to effectively carry out the pilot. The pilot experience has had positive impacts that have prompted both cooperatives to redefine their role, resulting in improved credit analysis, better market analysis for financial products and increased trust between clients and cooperatives and the development of new partnerships to support, extend and sustain clients' businesses. These are regarded as significant improvements in the cooperatives' operations and the potential positive impacts reach far beyond the pilot project.

- **Redefining the cooperative's role:** Prior to the pilot, cooperatives approached their potential clients mainly based on the clients' asset ownership and their capacity to repay loans. However, the implementation of the pilot highlighted the fact that the cooperatives' future wealth and clients' business sustainability are fundamentally linked. This shifted how cooperatives understand their overall role, from simply enabling access to finance, to being engaged in supporting the growth of their clients' businesses by providing additional non-financial services and brokering partnerships with related stakeholders that could provide added benefits and opportunities to improve clients' revenue and business production.

- **Improved Market Research for Financial Products:** Before initiating the pilot programme, MICRA provided training to the cooperatives on basic principles of project management, including market research to initiate a project or product. The cooperatives gained needed understanding of the importance of analysing the type of financial products that fit the needs of their clients or communities. Cooperatives insisted on carrying this forward and continue to practice this in the future.

- **Credit Analysis:** For the pilot programme, the cooperatives were required to know more about beneficiaries' income and spending routines. They utilized detailed questionnaires to better understand their clients' potential. This tool will now be incorporated in performing credit analysis of future clients.

- **Improved Trust:** In cooperatives' expanded role of supporting business improvement and sustainability, they provided clients with access to input (for agriculture financing) and business assistance (for fisheries). The cooperatives also encouraged clients to use their loans only for productive means and to save in order to prepare for future emergency expenditures. These, combined by the financial services provided, have increased the clients' trust in cooperative and their desire to belong to the cooperative. The obvious major outcome of this is an increase in the number and satisfaction of the cooperative's clients.

- **Partnerships with the stakeholders:** Related to the cooperatives' expanded role of supporting business improvement and sustainability, the MFIs made efforts to establish productive and mutually beneficial partnerships with related stakeholders; including government agencies, input providers, market, processing or packaging houses, insurance companies, NGOs, etc. By doing so, the cooperatives have been able to provide their clients with additional benefits such education and market access. One example is the continuous partnerships established by *KSU Sekartani Mandiri* in *Parigi Moutong* with farming input shops and milling owners, which reduced the administrative burden of farmer-borrowers. *KSU Bina Laut* initiated a partnership with iodised salt buyers to increase and stabilize the market for salt producers within the cooperative. Both of the cooperatives are also linked with a micro insurance provider that has embedded insurance with their saving product (*Bungkesmas*). Both cooperatives intend to sustain and develop the partnerships that were forged during the pilot project.

Philippines:

Both of the implementation partners in the Philippines experienced positive benefits from participation in the pilot project in a number of areas. First, the Seeds and Fruits Multi-Purpose Cooperative had a significant increase in its membership, which allowed the SFMPC to increase production volume and increase the number of contracts with institutional buyers. Prior to the project implementation, the SFMPC had a defined membership (closed cooperative) whereby only those who belonged to their clan (*Kankana-ey* and *Kalanguya* Tribes in Buguias, *Benguet*) could join. As such, they started with only 25 members, 80 percent of whom were vegetable farmers while the rest were small entrepreneurs and employees of the local government unit. At the time of the impact survey (January 2016) the cooperative had expanded its membership to 69 farmer members. Prospective new members were carefully screened by the officers before they were accepted as regular members of the cooperative. Because of the inclusion of more vegetable producers/growers to the project, the cooperative was able to sustain the volume of produce required by its five institutional buyers.

Second, the cooperative increased its base working capital. When the pilot began, the SFMPC had a total share capital of PHP 1 500 000 (USD 31 200). During the pilot, SFMPC provided a total of PHP 4 000 000 (USD 83 200). After one year of the project implementation, SFMPC was able to avail itself of a loan fund from the Agricultural Credit Policy Council in the total amount of PHP 20 000 000 (USD 416 700). This fund was utilized by the SFMPC for relending to farmers for farm production and procurement of farmers' produce to be traded directly to institutional buyers/users, with the goal of providing more accessible and affordable credit to small farmers in the community and for them to get better prices for their harvested crops.

Finally, the SFMPC increased its institutional buyers from one buyer at the start of the pilot to five buyers by project end, purchased transport equipment to allow members to deliver quality produce to their buyers and expanded its business activities by engaging in livestock production (these benefits have already been discussed in detail in the sections above).

The *Bukidnon* cooperative bank had similar gains. The BCB expanded its outreach under the pilot. In 2016, it registered a 35 percent increase in new borrower-members, 35 percent increase in number of loans disbursed and a 15 percent increase in the amount of loans disbursed. The collection rate remained constant at 96 percent. New entrant farmers underwent bank screening and agreed to abide by the tripartite agreement with the Asian Hybrid Seed Technology Inc., corporation (described in Section 3.4.3). The increase in the numbers and amount of loans indicate that the tripartite agreement has worked in favour of both the borrowers and the lending institution.

The implementation strategies of the AVC financing schemes for both of the financial institutions entailed a significant investment of time and costs. The change in mind set required on behalf of the farmer-borrowers was substantial and led the financial partners to focus on building the capacity of farmers to shift from a traditional to more entrepreneurial farming approach. The institutions also learned and documented important lessons on the key pitfalls to avoid as well as strategic steps to take in order to design a successful AVC model.

These lessons will have a considerable positive influence on each of the financing institutions as they both intend to continue with the AVC financing that has been put in place by the pilot.

3.6 Capacity Building of Rural Community

All three projects incorporated different forms of capacity development in their projects and the benefits were undisputed. In the China pilot, the capacity development was mainly focused on increasing the knowledge and skills of the bank officers to enable them to implement the new financial scheme. In the Philippines, capacity building was mainly targeted toward the borrowers to improve their ability to participate in the scheme. While in Indonesia, capacity development was aimed at both the community-based financial institutions and the farmer/fisher-borrowers.

China:

A central component of China's pilot project was the building of the bank staff's knowledge of and capacity to apply the model of microfinance downscaling and to shift from more traditional lending methods to agricultural value chain lending. As emerging financial instruments in China, it was essential for the project to conduct training programme for the implementing partner on both of these techniques prior to project design and implementation. The project engaged two international experts on AVC finance to provide a three-day capacity building programme on AVC finance in Huainan Prefecture.

The participants included the managers at the financial institutions (mainly HTRCB), lecturers and postgraduate students from Nanjing Agricultural University, rural finance specialists in China and practitioners of rural finance in China. Loan officers at HTRCB were also trained in cash-flow-based lending as part of microfinance downscaling. Their understanding of the downscaling project procedures, techniques in AVC finance and management capacities following the project implementation were analysed.

Particular gains were noted in bank officers' understanding of the risks inherent in AVC financing and their ability to successfully employ strategies to deter those risks. They also generated a number of strategic risk-reduction recommendations that would allow the bank to extend and scale-up these lending technologies.

Indonesia:

In Indonesia, capacity building for clients' business improvement, which included financial literacy, entrepreneurship and skills training, was seen and an essential intervention aimed at empowering the borrower community to strengthen its businesses, improve skills and potentially contribute to job creation to bolster the local economy. Smallholders were also trained in specific technologies for modernizing their farming and fishing techniques and on the application of technology both pre- and post-production. Assistance provided to the farmer-borrowers by the MFI included mentoring and monitoring assistance on crop production systems, fertilization systems, best crop practices, cultivation systems and supply chain stabilization. Fisher-borrowers were offered assistance on fish harvesting methods and strategies, post-harvest processing and financial management. The assistance from the MFIs was offered for the duration of the loan.

Evidence of the impact of these trainings was expected to translate into gains in production, income and business expansion for smallholders. There were minor gains in both production and income and some evidence of business expansion, though none were very significant. In part, this may be a result of the short project duration. The training provided to small holders may have increased their interest in and awareness of business development as high percentages of beneficiaries reported the desire to develop a business plan or community businesses. Although not all of the pilot's capacity development interventions have resulted in measureable impacts, the project team strongly recommends continuing efforts to strengthen entrepreneurship and increase financial literacy in order to enhance the impact of the pilot and extend its reach to additional recipients.

Financial cooperatives were also provided with training as they needed to expand their capacity and readiness to handle more clients and reach more rural areas. A three-day training on each of the following topics was offered to 15 staff in each MFI: leadership skills, risk management, product development, business planning, agricultural and fishery credit, and good governance. Many changes were seen in the cooperatives approach to clients, their awareness of fitting financial products to clients' needs, increased skills in credit analysis, and improved relationship between the cooperative officers and clients. These were detailed in Section 3.5.2 above. Some gaps in capacity still remain, notably the MFIs' capacity in financial and organizational management. MICRA recommended that MFIs take advantage of training programme offered by the Ministry of Cooperatives to improve these essential skills.

Philippines:

One of the main goals of the Philippines pilot was to enable small farmers to hold the bargaining power in market or price negotiation. However, many obstacles to the achievement of this goal were identified during the project development phase. For example, farmers had been using traditional farming practices and needed training to help shift toward a more entrepreneurial mind set. Many believed that partnering with big corporate partners was nearly impossible, especially for those who didn't even issue receipts for their sales. This led the project to focus on equipping farmers to be able to meet the requirements of their respective institutional clients. To achieve this, farmers were clustered into small groups and took part in an iterative developmental capacity building process in which they acquired knowledge in basic marketing, awareness of alternative market chains for their crops, and information on buyers' preferences as to quality, volume and price. A five-day training for all farmer-borrowers helped farmers develop a better understanding of their crop supply conditions, production costs and practices, and ways to improve product quality, post-harvest handling and marketing.

One outcome of the training was an increased understanding among both the farmers and the MFI officers, of the value chain itself and their roles within it. Training on basic marketing skills enabled farmers to identify several market chains for the identified products, understand their own position in the value chain and select potential buyers that could offer them the most benefits. This same training, offered to MFI partners, helped loan officers devise strategies to foster farmers' participation in the value chain with specific consideration for the costs and margins of their participation. Each of the MFIs identified institutional buyers and established buying contracts/agreements with them.

The indicators used to measure small farmers' ability to hold the bargaining power in market or price negotiation showed significant achievement of the goal:

- **Volume of production** – vegetable farmers in *Benguet* and corn farmers in *Bukidnon* both experienced increases in the volume of their production. The project team believes that the training on good agricultural practices that encouraged the adoption of more modern technologies may have contributed to the increased yield.
- **Ability to meet buyers' requirements** – farmer clusters pooled their supply capacities to achieve the volume requirements of commercial buyers in both of the pilot locations. In order to sustain the business relationship between the SFMPC and their five institutional buyers, the cooperative set up hubs in metro Manila and on Boracay Island where cooperative members could store and prepare (sort, package, etc.) the vegetables in time for delivery.
- **Actual selling price of produce** – in both locations farmer-borrowers reported the actual selling price of their produce to be almost two time more than what they sold it for previously.

3.7 Participation of Stakeholders

Each of the pilot projects was designed to include the participation of relevant stakeholders. Stakeholders participated to varying degrees in the pilots: as part of the country working groups, participants in policy forums, providers of capacity development efforts, and as active partners in the financial schemes being tested. Project teams sought to collaborate with relevant government agencies, micro insurance providers, NGOs, other rural financial institutions, and existing development initiatives in the pilot locations to strengthen the initial project and to establish long-term relationships that could ensure the continuation of successful financial interventions.

China:

The China project focused largely on identifying and involving important actors in the value chain that could improve efficiency of the value chain. Extending value chain links in local areas through project loans enabled processing and marketing of farm goods by local and small processors and wholesalers. The credit guarantee provided by upstream and/or downstream value chain players, a financial instrument used commonly in value chain finance, was difficult to apply in the project area. In general, large agricultural input supply companies in the upstream of the value chain were unwilling to provide credit guarantee for farm producers. However, some were willing provided that (a) the traders/processors had a long-term training relationship with the producers or (b) the traders/processors had difficulties in guaranteeing the farm supply during the harvest seasons.

The players of agricultural value chains in China have also used a "companies plus household" model to link farm production and markets where households are engaged in farm production while companies are responsible for the supply of farm inputs and marketing of farm products. HTRCB found that the companies in the "company plus household" model (company + household) are more willing to provide credit guarantee for households as the companies have a contract with the households and they also have more information about the repayment capacities of the households in the model. However, because few cases of the company + household model were identified in the local areas, the bank has not done in depth research to design lending products for this model in the project area. The bank intends to explore products related to the "company and household" model in the future.

Another critical link for the HTRCB pilot was with relevant government departments, especially the Provincial Rural Credit Cooperative Federation in Anhui and China Bank Regulatory Commission, which play important roles in revising rules on collateral requirements for loans in agriculture. HTRCB has hoped to use farm machines and equipment as loan collateral, however, the policy conditions to do this are not yet in place since the registration and certification of farm machines and equipment have not been done in the prefecture. HTRCB's outreach in agricultural lending can be greatly improved by broadening what can be used as collateral, from real estate to forestry rights, farm land operation rights, warehouse receipts, and agricultural insurance. The bank will continue to look for opportunities to broaden collateral once rules are revised.

Indonesia:

The two pilot locations in Indonesia were strategically selected Indonesia's country working group in order to capitalize on development initiatives that were already in place in those areas. Establishing linkages with existing programme and services in both West Lombok and *Parigi Moutong* provided additional support for the pilot projects. Sekotong, in West Lombok, was selected based on the location of Coastal Communities Development Project (CCDP) being implemented by the Ministry of Marine and Fisheries. Meanwhile, *Parigi Moutong* was selected based on the location of Rural Empowerment and Agricultural Development (READ) implemented by the Ministry of Agriculture. In each location, the pilot project teams assessed the perception towards the pilot, the potential for linkages with existing programme and potential additional sources of funding.

The participation of stakeholders in this project was expected to empower the targeted groups and increase sustainably of the project in the long run. The project used two variables to indicate the level of participation of the stakeholders (e.g. local government, agencies, marketplace, NGOs, input providers, etc.). The first variable measured the involvement of related stakeholders in farming and fishing sectors in the beneficiaries' business and the MFIs by analyzing their supporting programme and existing policies for both sectors. The second variable measured the increased role of farming and fishing facilitators in the smallholders' production activities to indicate the effectiveness of local facilitators in supporting the development of farming and fishing business.

♦ ***The Involvement of Related Stakeholders in the Farming or Fishing Sectors:***

The progress of agriculture and fisheries sectors requires support from stakeholders and related government agencies, either in the form of policies or in the form of technical assistance and material. In supporting their respective agricultural and fisheries sectors, the government creates several programme in the form of assistance such as the provision of tools, skills and business capital. The pilot's successful linkages with existing programme significantly increased the number of smallholders who availed themselves of some form of government assistance.

Results from the baseline survey in *Parigi Moutong* showed that 92 percent of the beneficiary group had never received any government aid. However, in the impact survey, 97 percent of the beneficiary group claimed to have received aid from the government. A large number of non-beneficiaries also received government assistance (about 94 percent) mainly because they were participating in either CCDP and READ. The enormous increase in aid experienced by the pilot project community was mainly in the form of agricultural input units or raw materials. This assistance was generally disbursed through farmer groups to be distributed further to the farmers.

In West Lombok, 81 percent of the targeted pilot beneficiaries reported receiving government assistance in the baseline survey. However, an increase still occurred at the time of impact survey, where 98 percent of the beneficiary group reported obtaining government aid. Meanwhile, 83 percent of the respondents from the non-beneficiary group stated that they received government assistance. Again, this is because those fishers were involved with the Coastal Communities Development Project. Most forms of aid received by fishing community were in the form of fishing vessels or assistance for tool repair. These were distributed through the CCDP programme.

The project leveraged natural synergy with the several existing projects to successfully increase government outreach and access to aid in the pilot's targeted farming and fishing communities. The project worked with the line department, two existing IFAD investment projects (CCDP and READ), a FAO project and in collaboration with local civil society organizations.

♦ ***The Increased Role of Farming and Fishing Facilitators in the Production Activities***

Extension services aims at encouraging behavioural change of farmers and fishermen and their families to enable them to break the bottleneck of its business independently, and to raise awareness to improve business results and their lives. While extension services already existed in both pilot locations, pilot project implementation partners worked with existing extension services to strengthen the scheduling and consistency of service delivery. In addition, MICRA partnered with extension workers to conduct financial literacy training.

The results of the baseline and impact surveys in *Parigi Moutong* indicated that most of the beneficiary and non-beneficiary groups had received agricultural extension services (over 88 percent). The agricultural extension workers were usually present in the process of planting seed, fertilizing and harvesting as well as providing information related to the planting season. Outreach activities were carried out in the form of open discussion with the farmers. Similarly, in West Lombok the majority of the respondents had received assistance by fishing counsellors (over 70 percent). The counsellors generally provided mentoring on the management of the fishery such as providing added value by producing fish balls or shredded fish.

Philippines:

The Agricultural Credit Policy Council established several key partnerships between various actors including public agencies and private companies or buyers. In addition to the two main financial implementation partners, other key collaborators were crucial in assisting and getting farmers involved in the complex mechanism of value chain financing.

The Philippine Crop Insurance Corporation (PCIC) is mandated to provide insurance protection to the country's agricultural producers, particularly the subsistence farmers, against loss of crops and/or non-crop agricultural assets on account of natural calamities such as typhoons, floods, droughts, earthquakes, volcanic eruptions, plant pests and diseases, and other perils. Initial capitalization and additional capital infusions as needed, as well as premium subsidies for rice and corn are provided by the national government. PCIC provided crop insurance to farmer-borrowers to reduce the production and weather-related risks faced by farmers in Bukidnon.

The Agriculture and Fishery Guarantee Fund Pool facilitates the provision of credit in agriculture by mitigating the risks involved in lending to the sector. The objective is to encourage banks, cooperatives, and other lending institutions to increase their loans to small agricultural borrowers, particularly new borrowers, and/or expand their lending to existing borrowers. This is also expected to enhance food production activities by lowering the lenders' risks in agricultural non-collateralized lending. The Fund provided guarantee cover of up to 85 percent of the unsecured loans extended by partner financial institutions to small farmer-borrowers engaged in rice and/or other food production activities.

The Asian Hybrid Seeds Technologies, Inc. is a Bukidnon-based company that works in partnership with the farmers by educating them with the latest farming techniques to optimize the use of our seeds and reward the farmers with a yield that they truly deserve. AHSTI was the key institutional buyer for corn in the Bukidnon pilot and also provided technical training to farmers.

3.8 Gender Mainstreaming

While all three pilots counted how many men and women were participants in the pilot projects, only the Indonesia project disaggregated data to determine how many women took loans and to measure how that affected women's participation in economic activity and financial decision-making at the household level.

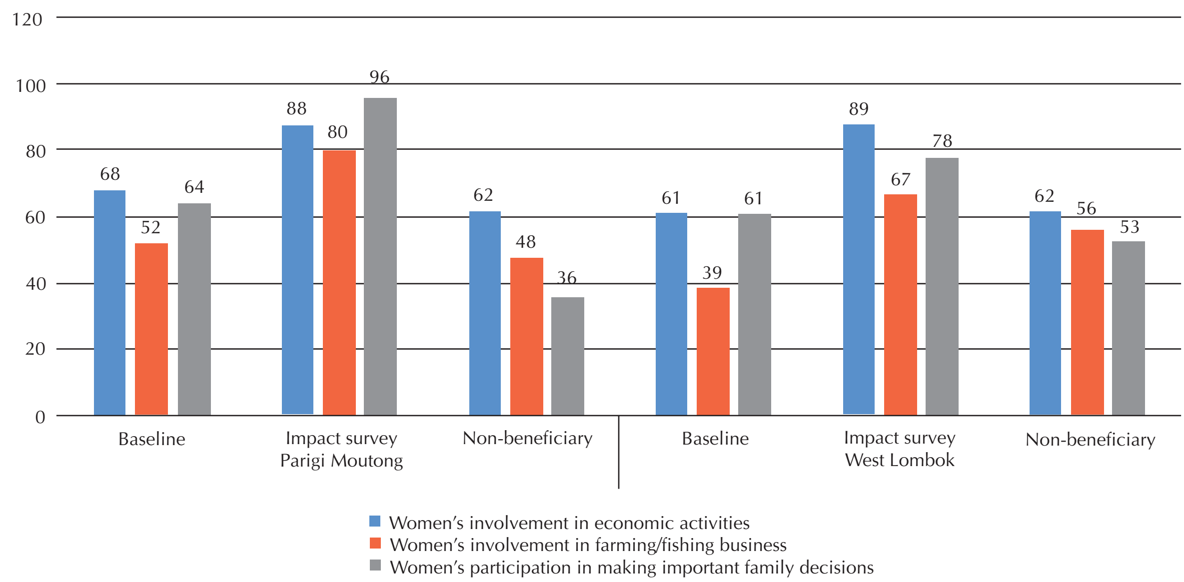
Women's participation in economic activities was the main indicator used to measure the pilot projects' impact on gender. The variables used to measure this included women's involvement in economic activities, women' involvement in farming and fishing activities and the roles of women in making important family decisions. Men, generally husbands, are considered heads of household and main bread winners in both pilot locations. Nevertheless, women make significant contributions to household income and play important, although traditional, roles in the processing of farming and fishing products. In both of Indonesia's pilot locations, cooperatives were encouraged to provide loans to support women's traditional economic activities. In the farming communities of *Parigi Moutong* women participate mainly in post-harvest activities such as drying grain, clearing land and setting up capitalization. In the fishing communities of West Lombok such women's roles include cleaning fish, capitalization and sale of fish to collectors or middlemen.

One of the successes of the Indonesia project is the fact that **35 percent of total beneficiaries in the two pilot locations were new women clients.** Prior to the implementation of the pilot projects no women in either location had accessed financial services. As a result of the project there were 50 new women members of the cooperative in Parigi Moutong, who took loans to finance their farm processing business and 24 in West Lombok, most of whom produced salt as their main source of livelihood.

Increases in women's contributions to household income as a result of the pilot was most noticeable in West Lombok. Here there appeared to be a shift in men's and women's contribution to household income from baseline to impact. Men's contributions at baseline were just over 50 percent and women's were nearly 50 percent. But at impact evaluation men's had slipped to only 11 percent and women's climbed to nearly 90 percent. Nevertheless, these changes are not so different from those seen in the non-beneficiary group where men contributed about 7 percent to household income while women contributed 93 percent.

In both pilot locations, the numbers between baseline and impact and compared to non-beneficiaries showed increases in women's involvement in economic activities, traditional farming and fishing activities and the roles of women in making important family decisions. Nevertheless, it is difficult to accurately assess how much these can be attributed to the pilot given the short duration of the project. Details are provided in *Figure 6* below.

Figure 6: Gender mainstreaming, Indonesia



Source: Final Report, 2017d

SECTION 4 DISTINCTIVENESS AND SCALABILITY OF THE PROJECT

RuFBeP project was designed with the very consideration of fostering innovation and learning and particularly, for replication and scaling-up of relevant rural finance approaches. Positive outcomes in nearly all of the six impact categories among the three pilot projects has spurned an interest in and commitment to both scaling and replicating the projects. Built into the RuFBeP project was a knowledge sharing component to disseminate and discuss important learnings, processes and outcomes with other APRACA members not directly involved in the pilot projects (see Appendix 3 for details). This component included: (a) regional and national-level dissemination workshops as well as webinars and presentations at policy forums, (b) establishment of a dedicated knowledge hub, the ADBC-APRACA Centre for Research in Agricultural Finance, hosted by the Agricultural Development Bank of China (ADBC) in Beijing, and the ongoing support of existing APRACA knowledge centres in Manila and Jakarta; and (c) an upgraded APRACA website to host on-line training programme on rural finance, cash flow based finance to agribusiness etc.

The project also documented 25 best practices in 5 focus countries and generated country-specific reports on 'Rural Finance Best Practices' which are available on the websites of APRACA, IFAD-Asia and Rural Finance Investment and Learning Centre (CABFIN). A synthesis report was also published to support the relevant institutions working in this area of development intervention.[10] The During the implementation of pilot of best practices in three countries, it was observed that they will not be able follow a common template of implementation procedures due to the unique features of each countries and development stages are also different. Keeping this in view, the unique process of implementation of the undertaken during the implementation was documented and published[11]. These knowledge products have promoted wide discussion of the innovative project design, key components of the best practices (including both the creation and delivery of financial products) and significant learnings from the pilot project implementation and lay a solid foundation for scaling up and replication of the projects and products.

4.1 Implementation Design of the Project

4.1.1 Establishment of institutional groups

The project established two institutional groups which are unique in nature and contributed to successful implementation of the project:

1. Country Working Groups (CWGs) engaged relevant institutions in the country to:
    - Identify criteria to recognize best practices
    - Direct the implementation of the project
    - Determine of locations of pilot testing

[10] 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. IFAD-APRACA RuFBeP Publication, Bangkok, Thailand

[11] APRACA. 2018. Reaching Rural Households and Communities by Advancing Inclusive Financial Practices a Synthesis of Pilot Project Implementation Processes in China, Indonesia and Philippines; IFAD-APRACA RuFBeP Publication, Bangkok, Thailand

- Develop key success indicator
- Formulate recommendations

2. The Project Steering Committee (PSC) consists of the members from APRACA Executive Committee which includes APRACA Chairman and 2 members from the committee. This group advised project management unit at the APRACA Secretariat and its partners on implementation strategies and approaches, establishment of project monitoring systems, providing support at the country level, and ways to ensure ethical management of multicultural project implementation team.

4.1.2 Exclusive implementation process

Three processes contributed to the development of a unique implementation process designed to include all relevant stakeholders, and to build the confidence and capacity necessary for success:

1. Conducting stakeholder forums in order to bring together key project stakeholders to share the present and discuss best practices in rural financial services and receive critical inputs for the formulation of pilot project framework

2. Development of Key Success Factors (KSFs) for conducting assessment studies:
   KSF 1: Improvement of business performance
   KSF 2: Increased access to financial services
   KSF 3: Increased function/diversification of rural financial services
   KSF 4: Impact on rural financial institution
   KSF 5: Capacity building of rural community
   KSF 6: Participation of stakeholders
   KSF 7: Gender mainstreaming

3. Capacity building of implementing institutions was a fundamental component of the project design. Various modalities were utilized among the different pilot projects including organized study tours on relevant themes, in-house training programmes on product/scheme design and delivery, and expert group discussion on indicators and reporting formats.

4.1.3 Piloting innovative and scalable financial products

All the three country pilots were implemented based on the innovative products and services to test the applicability and importance to extend financial services:

1. China (*4 new products were piloted)*:
   - Cash-flow-based loans: unsecured loans based on cash flow of farm families
   - Family Union Guarantee loans: mutual guarantee of family farms, cooperative etc. to obtain loans
   - Mixed Guarantee loans: including movable property, real estate, guarantee and so on
   - Insurance Policy loans: engaged with insurance company to guarantee the loan with insurance cover

2. Indonesia *(2 products piloted in 2 locations*):
   - LKMA Pincuran Bonjo (agricultural financing) implemented in Parigi Moutong, Central Sulawesi by KSP Sekartani Mandiri (KSM), a local MFI Partner
   - BMT UGT Sidogiri (Financing Coastal Communities) implemented in West Nusa Tenggara, Lombok by KSU Bina Laut (KBL), a local MFI Partner

3. Philippines *(2 products piloted in 2 locations):*

   - Producer-driven agricultural value chain finance by Seeds and Fruits Multi-Purpose Cooperative, implemented in Benguet.
   - Agri-tech driven value chain finance by Bukidnon Cooperative Bank, implemented in Bukidnon.

4.2 Initiatives for Scaling Up and Replication

Thorough understanding and discussion of the pilot process was critical to help institutions assess the possibility for replication/scaling and to identify areas to strengthen for project continuation. After the dissemination workshops conducted in the countries, there is a visible enthusiasm among the APRACA member institutions to replicate the good practices. The initiatives for replication and scaling up undertaken by the countries are as follows:

1. China:

- Use the bank (HTRCB) outlets at the grass-roots level and combine with the village committee organization for each of the village committees to establish a financial service grid, each financial service grid will be formed by one bank staff and one village committee of the party member. This structure will help the replication of the products developed by the bank.
- The Bank is actively exploring the possibility of participating in government floated risk funds. The local government set up the risk compensation fund, the bank loan risk fund amplifies five times and establishes a loan fusing mechanism. Lending will be suspended to villages with a 3 percent non-performing rate and incorporated into the government performance evaluation.

2. Indonesia:

- Both MFIs that participated in the pilot testing are continuing the implementation of the new financing and savings schemes. The impact of the implementation increased their membership base and the total corpus fund but also helped the MFI's to add their own funds to broaden the scope of the financing implemented in the project.
- Several adjustments to the financing scheme such as interest rate, maximum limit of the financing product, etc. have allowed other MFIs to adopt similar schemes that are being implemented in the country.

3. Philippines

- Spearheaded by the Department of Agriculture (DA) and Agricultural Credit Policy Council (ACPC), the government has allocated a substantial amount of money to support loans for agri-fishery production, working capital, and the acquisition of farm/fishery machinery and equipment. As a result, three new loan programme were developed:
  a. Production loans (farmer level),
  b. Working capital (institutional level), and
  c. Farm mechanization loans (farmer & institution).
- Implementation areas will also be expanded to cover more farmer/fisher organizations. The assisted organizations will be mainstreamed to government financial institutions (e.g., Land Bank of the Philippines, Development Bank, etc.).
- This programme increased the inclusion of disenfranchised farmers/fishers in the Registry System for Basic Sectors in Agriculture.

4.3 Initiatives for conducting studies in related areas

The country working groups in China and India requested for conducting studies on the related areas and identified IT platforms as one of the drivers for linking rural small producers with the national markets. Accordingly, RuFBeP project undertaken the documentation of four cases on the efficacy of e-platforms for linking small producers with the markets in China and India. This is a completely innovative idea to enhance the outreach of rural financial services through the e-platforms which is highly efficient and transparent. More importantly, all the researched best practices were selected aiming at transferring good practices to other contexts and/or countries that may consider them innovative and/or more effective.

4.4 Scoping studies in non-focused countries

After implementation of phase I of the project in documenting the rural finance best practices in five countries and phase II of piloting the innovative and pro-poor rural financial services in three countries, APRACA received requests from other member countries to conduct similar type of studies so that the document could be used as an important knowledge product for engagement with the policy makers and development sectors. Keeping these requests in view with the concurrence of IFAD, APRACA commissioned two more country studies in Myanmar and Vietnam. The Myanmar country study will review and analyze the various types and methodologies of providing rural financial services to the rural poor in the country while the Vietnam study will focus on documenting the best Practices and innovations in financing Agri-SMEs and rural cooperatives with special references agricultural value chain development in the country.

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APPENDIX 1: Best Practices documented and piloted

Table 7: Phase I best practices and phase II pilot project selections by country

Country	Phase I: Documented Best Practices	Phase II: Identified Piloted Practices
CHINA	The first phase of the RuFBeP project in China identified three best practices by rural commercial banks and microfinance institutions: 1. mobile banking for the poor by Chongqing Rural Commercial Bank; 2. microfinance programme for the rural poor by the China Foundation for Poverty Alleviation Microfinance (CFPA Microfinance); and 3. microfinance downscaling by city and rural commercial banks in China, in which a bank or other formal financial institution expands its services to work with clients traditionally served by microfinance institutions. In addition to these practices, strong recommendations to invest in efforts to promote agricultural value chain (AVC) finance also emerged from the phase I case studies in China.	1. Microfinance downscaling with loan products targeted toward AVC actors. 2. Capacity development in both microfinance downscaling and in AVC constituted an essential component of the project framework.
INDONESIA	The first phase of RuFBeP in Indonesia documented key features, innovative services and products of three membership-based cooperative financial institutions that promote inclusive rural financial services. 1. ***LKMA Pincuran Bonjo*** is a community-initiated rural financial service scheme operating in West Sumatra Province. *Pincuran Bonjo* uses an integrated rural financial framework by providing financial and non-financial services to the clients and the community. 2. **USP Grameen Pesisir** is a business unit of the *KUD Mina Samudera* cooperative. Its products include loans and savings. The phase I study documented their group lending approach. The loan target is poor families, especially women who have a potential business or will develop a business or need additional money to support their husband in running household business activities. There is no physical collateral but each loan is a joint liability of the group members. If the members show good performance in repayment and obey the rules, they can apply for a second loan and the value can be doubled.	One innovative product from each institution was chosen for pilot testing as outlined below: 1. *LKMA Pincuran Bonjo*: collateral-free loan was selected for pilot testing in both of the pilot locations, Sekotong Village and Sausu Gandasari. 2. Grameen Pesisir: a group lending scheme was developed for members of fishers' cooperatives in Sekotong Village. 3. *BMT UGT Sidogiri*: Sharia financing for unbanked micro and small enterprises in Sekotong Village.

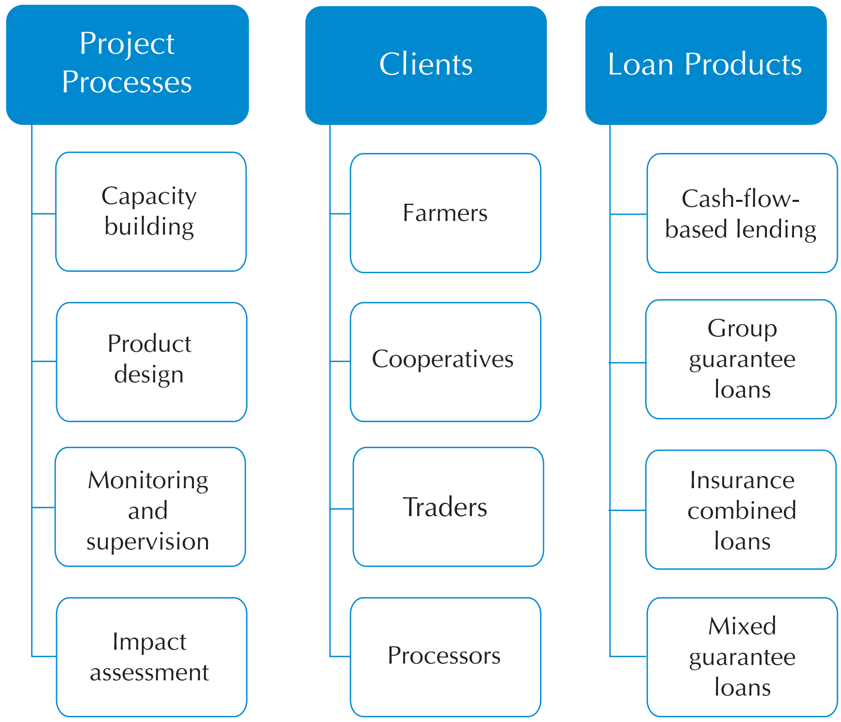
Country	Phase I: Documented Best Practices	Phase II: Identified Piloted Practices
	3. ***BMT UGT Sidogiri*** is an Islamic financial services cooperative based on the Islamic/sharia system. As a general principle in Islamic finance, interest is prohibited. Therefore, *BMT UGT Sidogiri* uses an *aqad,* or contract, called sharia contract/agreement. Based on the *aqad*/sharia contract agreement, the returns can be in the form of trading margin, profit sharing, rental fee, guarantee fee and others.	
PHILIPPINES	1. Establishment of microbanking offices and other banking offices by CARD Bank enabling it to significantly expand its outreach even in hard-to-reach areas. 2. Utilisation by GM Bank of the government's loan guarantee scheme to lend to small farmers who cannot provide collateral. The guarantee scheme lowers the bank's risk and cost allowing GM Bank to successfully expand its financial services lending to small farmers who are perceived as high-risk borrowers. 3. Value chain financing project in which the Kalasag Farmers' Cooperative, a cooperative of onion farmers in *Nueva Ecija,* organized and successfully linked with Jollibee Foods Corporation, a Filipino multinational chain of fast food restaurants. 4. Growth and development of microfinance under a conducive policy and regulatory environment created by the government with donor assistance.	1. Agricultural value chain financing patterned from the Kalasag Cooperative experience; 2. Financing adoption of agricultural technologies.

Table 8: Best practices piloted in phase II

Pilot Product/Services	Brief Description of Product	Pilot Location	Implementing Partner	Implementing Agency
INDONESIA				
Sharia-based financing in the *form of non-collateral-taking loans within a group lending model.*	Collateral-free lending system for small farmers based on the phase I case study of LKMA Pincuran Bonjo. Non-interest bearing loans based on a profit-sharing agreement. Loans were targeted at non-banked small and medium enterprises based on the model from the phase I case study of BMT UGT Sidogiri. Group lending to members of fishers' cooperatives based on the phase I case study of USP Grameen Pesisir	Village: Setkong Barat District: Setkong, Province: West Lombok	KSU Bina Laut, an MFI based in Lombok Island	MICRA Indonesia under the supervision of Bank Indonesia
Non-collateral lending to smallholder farmers	Collateral-free lending system for small holders based on the phase I case study of LKMA Pincuran Bonjo. Farmers were incorporated into farmers' groups and needed references from their group's leader to apply for a loan.	Village: Sausu Gandasari District: Piragi Moutong Province: Central Celebes	KSP Sekartani Mandiri, an MFI based in Central Celebes Province	
PHILIPPINES				
Value chain finance	Financing the value chain of highland vegetables	Benguet; La Trinidad; Baguio City	Fruits & Seeds MPC in Benguet Province	Agricultural Credit Promotion Council, Philippines
		Malaybalay Municipality, Bukidnon Province	Bukidnon Cooperative Bank	
CHINA				
Microfinance lending downscaling	The adoption by a rural commercial bank of advanced lending technology to downscale microfinance to lower-end clients on cash flow basis in order to expand outreach. Building capacity of bank staff to adopt this technology and to shift from traditional lending to value chain lending was a central part of the project framework.	Huainan Prefecture, Anhui Province	Huainantongshang Rural Commercial Bank	Huainantongshang RCB under the supervision of the China Banking Regulatory Commission

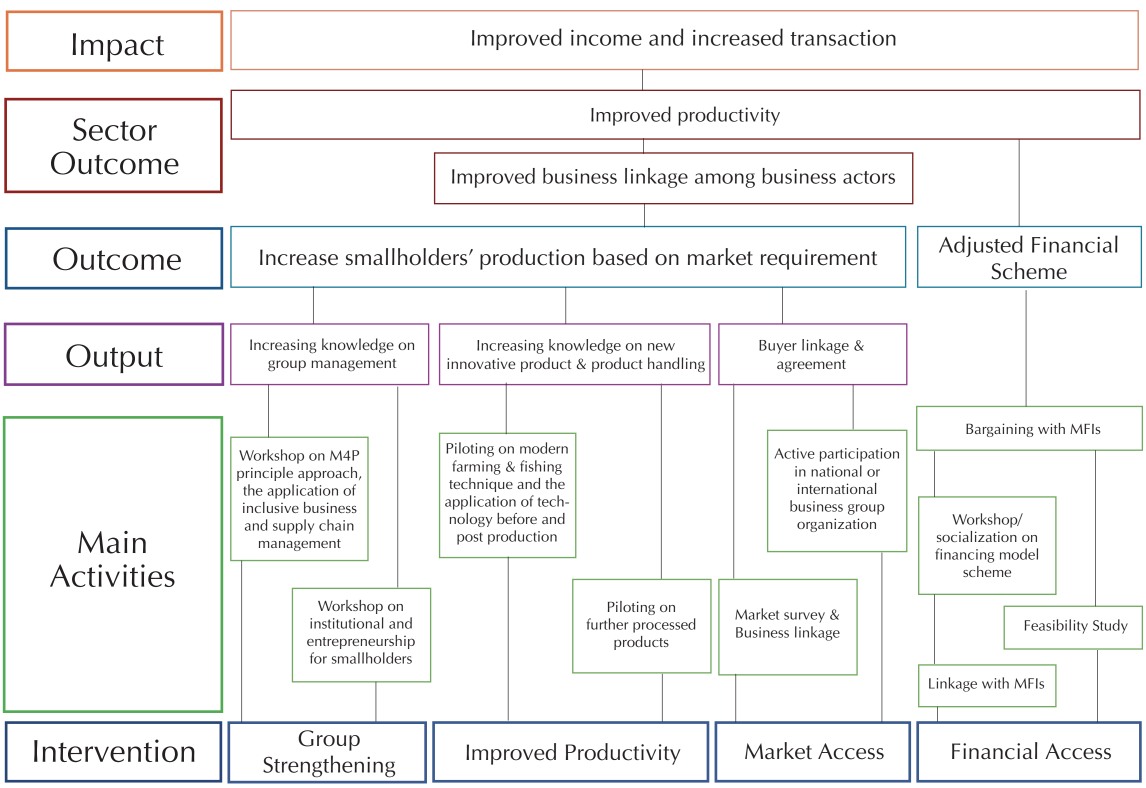
APPENDIX 2: Pilot Project Frameworks

Figure 7: Project framework of HTRCB pilot



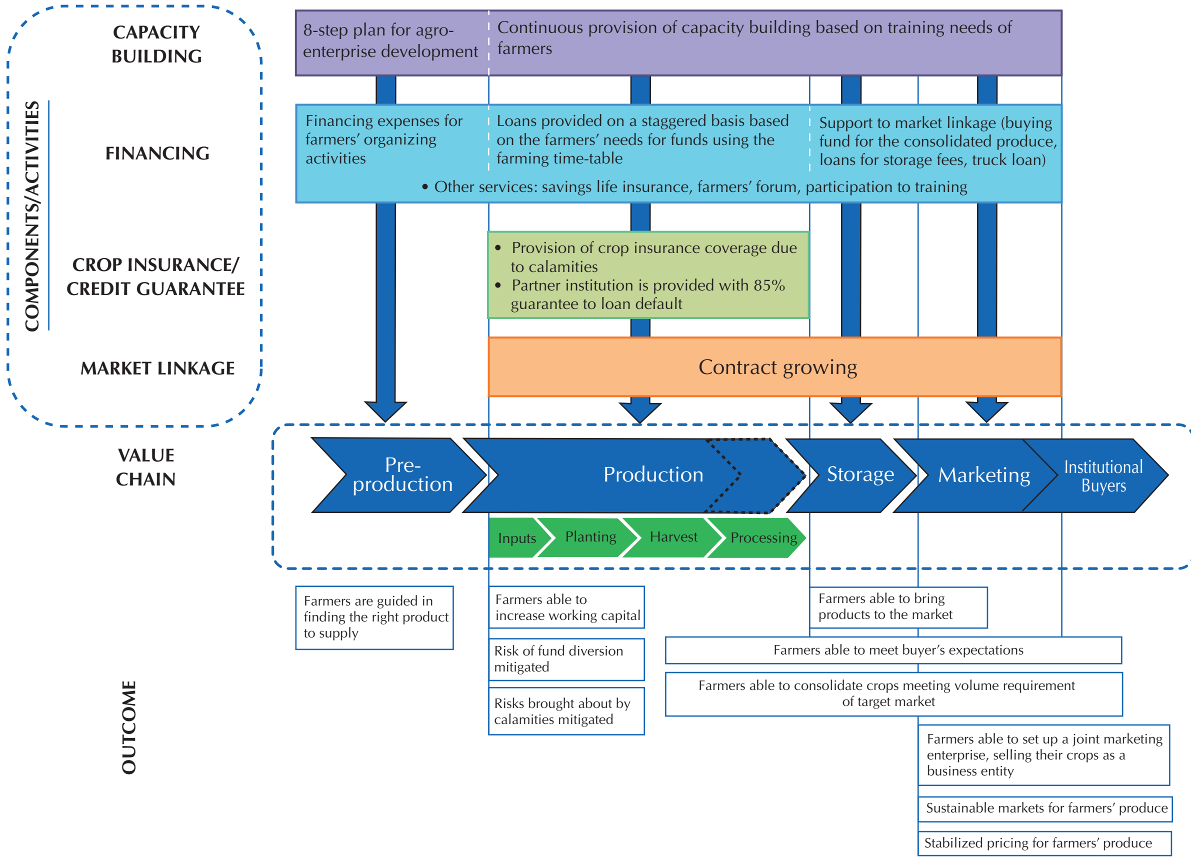
Source: Country Process Document, 2017c

Figure 8: MICRA Project Framework, Indonesia Pilot



Source: Country Process Document, 2017a

Figure 9: AVC pilot project flowchart, Philippines



Source: Country Process Document, 2017b

APPENDIX 3: Knowledge Sharing Events, under RuFBeP Project

1. Regional and Global level dissemination workshops and forums

A. ***First Dissemination Workshop***, organized by the Agricultural Credit Policy Council, Philippines, held in Manila, Philippines during 4-6 March 2015:

Attendees:	75 delegates from 9 countries consists of the representatives of IFAD, Food and Agriculture Organization of the United Nations (FAO), National Government Departments/Agencies engaged rural finance policies, Central Banks, Regulatory Agencies, Development Banks, Commercial Banks, and other partner organizations of APRACA from People's Republic of China, India, Indonesia, Philippines, Thailand, Sri Lanka, Bangladesh and Cambodia.
Key Outcomes:	Key outcomes of the workshop included a) Report on five (5) country studies which provided resourceful information and analysis on the current status of rural financial service in the countries, existing critical rural finance issues and gaps within the national rural finance condition. b) Country studies documented 25 existing good practices in the countries in promoting inclusive financial services. The workshop also finalized the modalities of the implementation of the phase II of the project.

B. ***Second Dissemination Workshop,*** organized by Bank Indonesia, held in Lombok Island, Indonesia during 22-24 March 2017:

Attendees:	67 high level delegations from 11 countries and delegates represented the National ministries, IFAD Head Quarter, Sub-Regional Office and Country offices, APRACA member institutions, government line departments and civil society.
Key Outcomes:	a) All three focus countries (Indonesia, China and Philippines) presented detailed description of the process of piloting process the identified good best practices under their unique operating environment and typical relationship with the global best practices b) Formulated the working framework for scaling up of good practices as accepted by the Country Working Group during the phase II of the project c) Forged strategic partnerships and synergy among policy and project stakeholders at both country and regional levels to disseminate project results

C. ***Third Dissemination Workshop,*** organized jointly by Huainantongshang Rural Commercial Bank (HTRCB) and IFAD China Office in Beijing, China, held on 28-29 March 2018:

Attendees:	94 Participants from 15 countries of the Asia-Pacific region and other parts of the globe
Key Outcomes:	a) The experts and the delegates discussed the final results of piloting of identified good practices in three focus countries (Indonesia, China and Philippines), their impact, challenges to scale up and policy implications on adaptation. b) Participants also discussed the possible collaborative efforts that could be made by APRACA member institutions at the country level to scaling up of the encouraging results.

	c) It was agreed that few national level dissemination and validation workshop would be held in selected countries and one consolidated global workshop would be held at the conclusion of the project.

D. Fouth Dissemination Workshop, organized by Asia-Pacific Rural and Agricultural Credit Association (APRACA) in Bangkok Thailand during 27-28 January 2019:

Attendees:	71 delegates from 19 countries consists of the representatives of World Bank, UNCDF, IFAD, National Government Departments/Agencies engaged rural finance policies, Central Banks, Regulatory Agencies, Development Banks, Commercial Banks, and other partner organizations of APRACA.
Key Outcomes:	a) The key element for successful agricultural development of the region is participation of youth and rural finance programme needs to be attractive and targeted by removing the variability in the cropping systems, establishing sufficient storage and warehousing capacities to strengthen the bargaining power of the farmers. b) It was also agreed that in this context the role of central bank and the government becomes crucial. c) It was concluded that agriculture should be like any other forms of business, with the rural sector being an economy in itself with agriculture being one of the many streams in the process of diversification. d) It was suggested that close cooperation with the government is primary requirement for social risk sharing model through the cooperation of banks, governments and guarantee institutions.

2. National level dissemination workshops:

A. First National-level Dissemination Workshop, hosted jointly by Agricultural Credit Policy Council (ACPC) in collaboration with IFAD Philippines Office, held in Manila, Philippines on 14 June 2018:

Attendees:	55 high level delegations from the ministries of agriculture and finance, Central Bank (*Bangko Sentral ng Pilipinas*), IFAD Philippines, APRACA member institutions, regional farmers' organizations (Asian Farmer's Association) and civil society.
Key Outcomes:	a) Participants discussed the final results of piloting of identified good practices in the Philippines, its impact, challenges for scaling up and policy implications on adaptation; b) The possible collaborative efforts of RuFBeP piloting with other IFAD Investment projects in Philippines were also discussed in details and road map was prepared.

B. Second National-level Dissemination Workshop, hosted by Vietnam Bank for Social Policies, in collaboration with State Bank of Vietnam, IFAD Vietnam Country office, held in Hanoi, Vietnam during 5-6 September 2018:

Attendees:	131 high level participants from 87 organizations in Vietnam and other parts of the Asia-Pacific region which includes the government agencies, civil society organizations and financial institutions involved in agricultural and rural finance as well as embassies and international organizations.

Key Outcomes:	a) Role of APRACA was emphasized and the long term relationship between APRACA and IFAD was very much successful to develop inclusive rural financial services for the benefit of smallholder agriculture and the rural poor in the region; b) Vietnam and its neighbouring countries have been struggling in improving sustainably the poor's access to financial services and this dissemination forum is extremely helpful to show the pathways; c) There is need to promote the successful factors of each financial institution in providing rural agriculture finance and serving for the poor; d) Collaboration between these financial institutions and others encouraged by the government to provide financial services to rural agriculture; e) Liaison with socio-political organizations to provide rural finance in more sustainable and effective manner;

3. Dissemination of RuFBeP project through Webinars and member institutions

3.1 Over an above the Regional/global and National level dissemination workshops, APRACA was invited to participate in 2 webinars:

a. Organized by **AgriFin facilities of the World Bank** on 17 July 2017 which was attended by 65 interested members across the region;

b. Organized by **Food and Agriculture Organization of the United Nations** on 12 October 2018 which was attended by 39 participants.

3.2 APRACA also presented the RuFBeP Project results in the regional forums held in New Delhi on 16 December 2017 and Colombo on 8 October 2018 as a part of its dissemination strategy.

APPENDIX 4: Agricultural Value Chain Training for HTRCB, China

Introduction

The training programme was targeted primarily for the banking officials working in and/or expected to be involved in the Rural Finance Best Practices (RuFBeP) project of IFAD/APRACA with the Huainantongshang Rural Commercial Bank (HTRCB). It was also to provide capacity building for students and professors of the Nanjing Agricultural University and the development organizations working on facilitating linkages of the value chain actors with the financial systems in China.

Purpose of Training

The international training programme was designed to support the Huainantongshang Rural Commercial Bank (HTRCB) and other stakeholders to implement the pilot testing study on phase II of the "**Documenting Global Best Practices on Sustainable Models of Pro-Poor Rural Financial Services in Developing Countries" (RuFBeP Project)** from 29 October 2016 to 07 November 2016.

Delivery of the Training

After an introduction to rural and agricultural finance in general, the training was focused on providing the participants with a general understanding of agricultural value chain finance (AVCF). Given the newness of the topic, it was also important to impart an understanding of agricultural value chains, their assessment and dynamics, as well as their growing important in commercial agriculture. The training covered the value chains, AVCF approaches, business models, financial tools that may be used in AVCF, and lessons using case studies from numerous countries as well as China.

The training was organized according to 10 thematic modules. These follow from more general themes and then more technical discussions of financial instruments. Given the short time frame of only three days of training and the introductory level of a majority of the trainee participants, the training did not try to convey the information from all of the modules and topics. Instead, the training concentrated on building a basic foundation for understanding the approach, the key principles, business models and selected financing instruments used in AVCF.

Collaboration with Nanjing Agriculture University

A visit was made to Nanjing Agriculture University to meet with University officials and professors working with rural finance and risk management as well as to deliver a brief overview on AVCF to the students in Graduate Programme (both Master's and Ph.D level). The discussions were focused the importance of the AVCF and presented an overview of the training programme to help them in understanding how this course could fit in to their mainstream course curriculum.

Following the lecture, a meeting was held with the leading professors in finance to discuss how the university could implement the agricultural value chain finance course within their Master's programme curriculum. Earlier the University had expressed interest in doing this as well as their interest in being the lead university and knowledge centre for rural and agricultural finance in China. The result of the discussions was an agreement to move forward where APRACA will provide guidance and as possible support such as Training of Trainers on the subject.

The meeting also included a discussion of the research programme of the RuFBeP project. The university is interested and several professors have expressed interest in being involved. The project manager will send them the needed information and guide them in the process.

Recommendations and Follow-up

In summary, the rapid-paced programme of training and meetings was very fruitful as all of the activities were met with much enthusiasm by those involved. The HTRCB bankers and others were very positive about the training and want to follow with Training of Trainers as well as to get access to more materials, especially in Chinese. There is a clear interest in the topic by the professors at the Nanjing Agricultural University in developing an agricultural value chain finance programme and in being involved in carrying out research on the topic. As well, the MFI is interested in developing a partnership with APRACA to develop its internal capacity in rural and agricultural finance and serve as a learning resource centre for others. The follow-up activities from this training and networking include: (a) Through the RuFBeP project, APRACA will help the HTRCB further build the capacity of key staff on AVCF including follow-up training, exchange visits in coordination with APRACA and support for participation in key workshops and events; (b) APRACA and the consultant will each share documents and links for additional training and research documents, as well as case studies, to both HTRCB and the Nanjing Agricultural University and (c) APRACA to send the Nanjing University the requirements to participate in the research.

Asia-Pacific Rural and Agricultural Credit Association (APRACA)
BAAC Building
469, Nakhonsawan Road, Dusit, Bangkok 10300, Thailand
Tel: +66 2 282 0693, Fax: +66 2 280 1524
E-mail: apraca@apraca.org / sofia@apraca.org
Website: www.apraca.org