

REVIEW OF IFAD EXPERIENCE WITH RURAL CREDIT IN BANGLADESH

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1. Introduction

This paper describes IFAD's policy and approach to rural credit, its experiences in Bangladesh and the impact of a series of recent projects. The paper outlines the performance of credit operations in these projects. Finally some of the challenges for future projects are described.

IFAD (the International Fund for Agricultural Development) was established as an agency of the UN in 1977. IFAD focuses exclusively on rural poverty reduction and, in particular, targets the poorest and most deprived sections of the rural community. IFAD's approach is flexible and participatory, and projects involve partnerships with a wide range organisations – other donors, government agencies, grass-roots organisations and NGOs.

Although the major part of IFAD's work is in supporting projects with loans to governments (total disbursements are in the order of US\$300 million per year), a small amount of grant funding is available for small research and training projects. In total IFAD activities have covered 115 countries and territories.

IFAD's approach involves enabling the rural poor to overcome their poverty by fostering social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance.

IFAD is concentrating its efforts on three strategic objectives:

- strengthening the capacity of the rural poor and their organizations (human and social assets);
- improving equitable access to productive natural resources and technology (productive assets and technology); and
- increasing access to financial services and markets (financial assets and markets).

In addition, and cutting across these three strategic objectives, IFAD aims to address gender inequalities and increase women's capabilities, and also to reduce the vulnerability of many groups of the poor.

For Asia and the Pacific, IFAD's regional strategy envisages focus on less favoured areas, and on women and marginalised minorities (indigenous people and other excluded groups).

2. IFAD's approach to Rural Finance

Increasing access to financial services (and markets) is one of IFAD's key objectives. In their efforts to raise agricultural productivity or to diversify incomes, the poor often need investment and working capital, but lack access to financial markets and sources of finance. IFAD projects strengthen the capacity of rural financial institutions to mobilize savings, provide credit, and make a profit to increase their saver and borrower outreach.

Creating rural finance systems is not a panacea. Nor is it without its challenges, among them:

- assuring the participation of all stakeholders;
- building rural financial infrastructures that are diversified according to local conditions;

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- enhancing institutional sustainability with outreach to the poor;
- and fostering a conducive policy and regulatory environment.

IFAD's policy is to support solutions to these challenges and promote a diversity of strategies, including:

- networking among microfinance institutions and establishing apex services;
- upgrading and mainstreaming informal finance;
- linking banks with local financial institutions and self-help groups; and
- transforming agricultural development banks (although in general IFAD is withdrawing from operations with state owned banks unless no alternatives exist).

As of December 1999, two thirds (156 out of 236) of IFAD on-going or recently approved projects had rural finance components, with about 21% of IFAD resources going to these components. Rural finance (largely micro-finance) is therefore a central element of IFAD activities.

3. IFAD's experience in Bangladesh

IFAD's first project in Bangladesh was the Pabna Irrigation and Rural Development Project. This was an ADB project with IFAD co-financing and commenced in 1979. Since then, IFAD has funded a total of 20 projects, of which 16 have had rural finance components (see Appendix I). The remaining four projects being in the water resources sector (like Pabna) or rural infrastructure. The 16 projects with rural credit components can be divided into five groups:

Group 1 (NCBs): where loans were disbursed to beneficiaries via the agricultural and nationalised commercial banks (NCB). The Fertiliser Sector Programme (1980-1985) and Small Farmer Agricultural Credit Programme (SFACP, 1981-1985) were typical supply side driven projects aiming to promote the use of fertiliser and irrigation equipment and to rehabilitate fish ponds. The performance of these projects was not good in so far as they did not effectively target smaller and poorer farmers and loan recovery was far below an acceptable level (48% in SFACP). Also falling into this category was the Special Assistance Project for Cyclone Affected Rural Households (1992-1999).

Group 2 (BRDB): These projects were followed by two projects where the Bangladesh Rural Development Board (BRDB) was the main implementing agency and the project funded credit via the Sonali Bank to the two-tier cooperative system of upazila level TCCA and village level KSS, MBSS etc (Southwest Rural Development Project 1982-1990 and Northwest Rural Development Project 1983-1991). Although there were specific groups for the landless (BSS) and women (MBSS), overall project activities (largely irrigation) were still skewed in favour of members of KSS with larger land holdings. The performance of the cooperatives in terms of management and loan recovery was poor. Delays in project implementation, largely due delays in approval of the Banking Plan which set out procedures for the credit system, meant these loans were not fully disbursed.

Group 3 (Grameen Bank): The third group of projects provided capital to Grameen Bank. These were the Grameen Bank Project (1985-90) and Grameen Bank Phase III (1990-1995). A component of the earlier SFACP also funded Grameen Bank. By funding GB IFAD aimed to target the poor more effectively and create a financially sustainable credit system. These objectives were met, and demonstrated the potential and capacity of the MFI model.

Group 4 (linking banks to NGOs): The largest group of IFAD projects with credit components are the seven relatively recent projects (three are on-going) which used a range of lending mechanisms and, in particular, attempted to link banks to NGOs. For six of these

seven projects, the lead implementing agency were government technical departments responsible for agriculture (four projects), livestock (one project) and fisheries (two projects). NGOs played a key role in all these projects. In the first of these projects, Marginal and Small Farm Systems Development Crop Intensification Project (MSFSDCIP 1987-1996), NGOs acted as facilitators, forming farmer groups and preparing them to receive bank loans. Although this resulted in good loan recovery performance, it relied heavily on a GTZ funded technical assistance (TA) team who, to a degree, directly managed the credit system.

The next two projects, Oxbow Lakes Small Scale Fishermen Project (commonly known as OPL-2, 1989-1997) and Smallholder Livestock Development Project (SLDP, 1991-1999) had a credit arrangement whereby a bank lent wholesale funds to NGOs who then on-lent to beneficiaries. These have been followed by three further projects with Department of Agricultural Extension (DAE): (i) Netrakona Integrated Agricultural Production and Water Management Project (NIAPWMP, 1994-2001); (ii) Agricultural Development and Intensification Project (ADIP, 1997-2004); and (iii) Smallholder Agricultural Intensification Project (SAIP, 2000-06), and another fisheries project (Aquaculture Development Project (ADP, 1998-2005). These project continued with the system of banks wholesaling funds to NGOs, but the DAE projects also had Revolving Credit Funds which were directly disbursed by project management units to NGOs, while NIAPWMP, in addition, involved direct lending by a bank to farmers.

The remaining project in this group of seven was the Employment Generation Project for the Rural Poor (EGPRP, 1995-2002) which was implemented by Agrani Bank which lent funds for small enterprise development to both NGOs and directly to borrowers. The experience of these different lending mechanisms is discussed below.

Group 5 (SAPAP): the most recent IFAD funded project is the Sunamganj Community-Based Resource Management Project, which is at the start-up stage. This project is based on the UNDP South Asia Poverty Alleviation Programme (SAPAP), involving social mobilisation of self-help beneficiary groups who will operate their own credit funds using funds channelled from a bank under the overall supervision of a semi-autonomous project agency.

4. Impact of recent projects

As already described, the impact of the credit component of the earliest IFAD projects (Groups 1 and 2) was disappointing, both in terms of targeting the poor and in the recovery of loans. There is no doubt that Grameen Bank has had a very positive impact on poverty. This has been thoroughly researched, and there is no need to repeat evidence of the impact here.

The impact of the fourth group of more recent projects is interesting as a number of different approaches and mechanisms have been used and some useful lessons learned. In particular this paper draws on the experiences of OLP-2, SLDP, NIAPWMP and ADIP. In terms of meeting IFADs three principal strategic objectives and crosscutting gender concerns, the impact of these projects can be summarised as follows:

Access to financial services and markets

A key element of recent IFAD projects has been the provision of credit. Issues concerning credit delivery systems are in Section 5 below. This has enabled beneficiaries to borrow for a range of income generating activities, acquire assets, and reduce their need for loans from moneylenders. Although small and marginal farmers have been able to adopt improved agricultural technologies without access to bank or NGO credit, where farmers did get loans, there were significant benefits, with reduced recourse to moneylenders for consumption purposes or for crop inputs. Farmers have expanded the area cultivated by increasing cropping intensity or by renting in land, and diversified into other enterprises.

Box 1: Use of credit for goat rearing

Shipra Rana of Sadar Upazila came from a poor family, and her husband was a wage labourer. With two sons, the family faced increasing hardship, especially during the rainy season when no work was available and the family often went hungry.

She joined an IGA credit group formed by VDS, one of the partner NGOs of NIAPWMP, in 1996. She has now had three loans for goat rearing, and has opened a grocery shop out of the profit from goats. Her husband runs the shop. The household now has 4 goats, one milk cow, 10 ducks and 16 chickens. Their thatched hut has been replaced by a tin shed house, and they have recently installed a tubewell for drinking water and a sanitary latrine. Although her husband is formally the head of the household, he does not take any important decisions without consulting her. They plan to expand their grocery shop and start a new trading business. VDS has given the group training on health, nutrition and family planning. Shipra has also had training on poultry and vegetable cultivation from the project.

source: Study into the Profitability of IGAs, EADS, 2000

The Employment Generation Project for the Rural Poor provided loans for micro-enterprise development. Although 21,975 enterprises were funded, the additional employment created was only 32,234 jobs. However the project was a successful demonstration to banks of the potential market for SME lending.

Human and social assets: strengthen capacity of the rural poor and their organisations

The combination of training can increase the capacity of a borrower to make productive use of a loan, and so directly result in increased income. However in most recent projects, loans are demand driven, with the use of the loan being decided by the borrower. This means loans are often used for a different purpose to the training and technical support from a line agency. For instance the Department of Agricultural Extension may provide training in vegetable gardening, while the loan is invested in purchase of a cow. Small enterprises like vegetable gardens and back-yard poultry make a valuable contribution to household food security, but need little investment. It is apparent that the delivery of training is much easier and more effective if given to an active micro-credit group – the credit acts as a focus for group activities. It also builds confidence and reduces vulnerability, so enabling households to adopt new methods and try new technologies.

In addition SLDP and ADIP have developed a support capacity at the community level through the training of beneficiaries (almost all women) as village level technicians - poultry workers and krishi shampadoks (agricultural experts) – who earn a living by vaccination of poultry and raising grafted fruit trees (or gain wage employment in nurseries). NGOs also provided additional non-technical training, further adding to the capacity of the poor. This included awareness raising, gender issues and legal rights, health and hygiene, and nutrition.

Box 2: Increased capacity of the rural poor: indirect benefits of ADIP

The mission found a number of examples of indirect benefits, where activities with project groups have led on to other, unplanned benefits. Although the project has not provided advice and support for field crops such as paddy, group members, through their improved contact with extension agents, have adopted new technologies, such as urea super granule (USG) fertiliser for rice. In addition, one member interviewed said she had invested in a fertiliser sales business, and was selling 30-35 bags of fertiliser (including USG) per year. Other group members have been investing some of their increased income in additional IGAs – for instance one woman purchased fish fingerlings to bring a disused fish pond into production.

Project training and opportunities for investment have opened up possibilities beyond those areas directly covered by the project. Not only are members now able to afford more education for their children, but contact with NGOs and DAE has increased their awareness of the need for education.

Source: 2002 IFAD Supervision Mission Report

Access to productive natural resources and technology

Access to credit has directly increased access to productive resources by enabling beneficiaries to use loans (or re-invest some of their increased income) in productive assets such as land (both purchased and rented), livestock and rickshaws.

In addition two fisheries projects, the Oxbow Lakes Small-Scale Fishermen Project (OLP-2) and Aquaculture Development Project, have transferred leases of lakes to groups of fishermen, who previously only received a wage (in the form of a share of the catch) from the leaseholder. Together with training on lake stocking and management, and credit for the purchase of fingerlings, this has enabled the formerly landless labourers and poor fishers to raise their incomes to the level of middle farmers in the community. In addition leases on fish ponds excavated on khas (public) land has been transferred to groups of poor women, which increased their income increase and enhanced their status within the family and society.

Return visits to OLP-2 lakes and ponds four years after the end of the project by Dev Nathan and Niaz Ahmed Apu, showed by that in most cases, beneficiary groups had been able to maintain their control. However there was continual pressure, especially on the women fish pond groups, to relinquish their leases. Two of six lakes revisited had fallen under the effective control of fingerling suppliers and fish traders, who were providing the capital for stocking, organising supply of fingerlings and marketing of fish. Two other lakes, although under the control of the fishing group, were relying on fingerling suppliers and other informal sources for capital. Ultimately these lakes may also fall under the control of external forces – especially as all six lakes had abandoned the practice of secret ballots to elect group leaders in favour of “selection” in open meetings (making it more difficult for ordinary members to remove leaders). This experience shows the need for continued credit and management support in the post-project period.

Table 1: Acquisition of assets by credit beneficiaries

	IGA Credit Groups			Agricultural Credit: direct			Agriculture Credit: indirect		
	no.	percent	Avg Tk	no.	percent	Avg Tk	no.	percent	avg Tk
Total sample	140	100%		116	100%		121	100%	
Households gaining									
Homestead land	112	80%	8625	0	0%		1	1%	2000
Crop land	52	37%	20781	13	11%	8038	23	19%	3039
House	111	79%	13577	11	9%	4127	28	23%	1330
Livestock	121	86%	5233	22	19%	2441	38	31%	1949
Equipment	0	0%	0	15	13%	1203	20	17%	1398
All			30889			10554			7282

Note: the greater acquisition of assets by the IGA groups (landless) reflects the larger number of loan cycles completed. Source: Impact Evaluation, Kranti Associates, 2001.

IFAD projects have also been successful in providing access to technology. Apart from technical training, agricultural projects such as NIAPWMP and ADIP have carried out demonstrations and field trials with new technologies – such as new types of vegetables, improved rice varieties and balanced use of fertiliser. New farm tools have been introduced such as rice weeders and treadle pumps. SLDP was based around a model of improved backyard poultry production, and an improved breed of bird suitable for the semi-scavenging system was introduced.

Addressing gender inequalities and increasing women’s capabilities

Recent IFAD projects have placed emphasis on enhancing the position of women at the household and community level. The vast majority of members of NGO organised credit groups have been female. SLDP supported backyard poultry, which being traditionally a women's responsibility, meant that this project focused exclusively on women.

There is a debate over whether such practical gains from micro-credit lead to a strategic gender impact through empowerment². In IFAD projects there is strong evidence that micro-credit and training lead to gains in empowerment and women's strategic agency. In ADIP a gender impact study³ observed the following impacts:

- the saving and credit groups (85% female) strengthen women's capabilities and confidence in dealing with external people such as DAE officials and NGO field organizers;
- increased functional literacy and basic accounting skills have shown women a path to becoming independent and has led to a demand for participation in local marketing;
- mobility to receive training in neighbouring towns and aspirations for exchange visits outside the country;
- solidarity among women members through regular weekly meetings where they discuss various social issues, reproductive problems, nutrition and health care;
- a beginning of asset acquisition in their own names (cows, poultry, trees and land). Some women have jointly leased for vegetable and crop production, sharing profits equally;
- men are beginning to realize the opportunity cost of women's labour and thus ready to share some of domestic tasks. Women view this as the only way of dealing with the time constraint/overload of productive and household work;
- a number of women interviewed claimed they had control over income use, and that they had focused spending on both family needs (food, schooling for children, health), and in addition, most notably on themselves (saris, jewellery, land in own name).

Table 2: Impact of micro-credit programme on status of women

Status elements	NIAPWMP IGA Credit Group	
	Before	After
Can move freely within the village	38	123
Can contribute to family income	30	128
Can save money	42	131
Participate in family decision making	58	132
Participate in village decision making	11	64
Participate in group discussion	4	129
Practice family planning	54	114
Total sample		132

Source: NIAPWMP PCR

² See N Kabeer, Conflicts over Credit, World Development Vol 29, 2001

³ G Kelkar and A Siddika, 2002

Box 3: Women's empowerment: quotations from ADIP gender study

"Situation is somewhat better now. Since I have access to money (credit), I can ask my husband to buy things for me.... Also, his attitude has changed. He no longer gets angry and shouts non-sense at simple, trivial matters.... We have developed group solidarity and identity as members of the *Samiti*, which we have used to prevent the taking of second wives by two men in this village. I am also raising this (membership of the *Samiti*) as a major point in negotiating the marriage of my daughter," Rashida, along with other members of the SCG.

"Yes, women's workload has increased.... Men can and should do some of this work. For example, they can take care of school going children, fetch water for the house, dry paddy and cook too If you live in the family, then it is necessary to share all the work that is done in the family. Men did do such housework in earlier times too," Nurul Islam with the support of other male members of the SCG.

"As we have access to some money, men seem to care for us and get us more *sarees* and of our preferred colours. They have begun to consult us in day-to-day matters. Our sons obey us and treat us with some respect," Heena, with five members of the SCG.

5. Performance of credit operations

Recent IFAD projects have had success in linking credit to technical support. However a most projects have not achieved their full potential due to problems with credit systems. In NIAPWMP and ADIP the credit component was divided into two elements: (i) a revolving loan fund (RLF) provided by the project to NGOs for lending to landless people (and also marginal farmers in ADIP); and (ii) an agricultural credit programme for small farmers, with funds being lent by Agrani Bank.

The RLF operation has been successful. In NIAPWMP credit reached over 15,000 households (compared with an original target of 10,000). In ADIP, up to March 2002, a total of Tk253.3 million has been disbursed by partner NGOs as credit (63,070 loans to 34,986 borrowers). Although the RLF system has worked well, in both NIAPWMP and ADIP it relied heavily on a single consultant employed by the PIU to monitor and manage the credit system. There has been no staff to make the detailed visits to the NGOs (nine in NIAP and 22 in ADIP) on the pattern of PKSF. Monitoring has largely relied on report forms completed by NGOs. Moreover once the project is completed, there is no provision for continued management and monitoring of the RLF nor for its eventual return to government.

OPL-2 and SLDP disbursed credit by linking NGOs with bank funding with banks lending on a wholesale basis to NGOs (BRAC, Proshika, Swanivar) who then on-lent to farmers. In both projects there were delays while the modalities of this lending were agreed. Although SLDP reached 400,000 beneficiaries, loan recovery seems to have been below par – partly because of the top-down nature of the standardised credit packages. In OLP-2, the NGO withdrew after the project ended, leaving fishing groups with no source of funds.

As well as having RLF's, both NIAPWMP and ADIP have attempted to follow this model of bank wholesaling funds to NGOs, but have come across major difficulties in getting Agrani Bank (AB) to lend to small NGOs. In NIAPWMP this agricultural credit sub-component only reached a small fraction (@ 13,000) of the original target of 80,000 farmers. The NGOs found it difficult to qualify for AB loans. Confusion over loan terms, collateral, and further revision of the subsidiary loan agreement (SLA), led to delay and limited the amount that NGOs could borrow for on-lending. Problems of matching the schedule of repayment from NGO to AB with that from farmer to NGO, resulted in substantial overdue repayments. Two of the six NGOs involved had dropped out of the programme before the end of the project.

NIAPWMP also tried direct lending by AB to farmers, but this was also unsatisfactory. Not having many field staff, AB has found it difficult to disburse loans and recover amounts due.

EGPRP, which also involved AB, worked relatively well, both with direct lending and wholesaling funds to NGOs. However loan recovery for direct lending was only 89%, the interest rate charged was below the full cost recovery level, recovered funds were not fully recycled. Nevertheless AB rated the project as its most successful programme.

Two of the current IFAD projects (SAIP and AqDP) are attempting to avoid some of these problems by working with Sonali Bank's micro-finance unit. Sonali Bank (one of the NCBs) is prepared to lend to NGOs without physical collateral, avoiding one of the major obstacles in earlier projects. Subsidiary lending agreements have been agreed that provide NGOs with a viable repayment system (similar to that operated by PKSf) and an adequate interest rate margin. It is planned that this lending should continue after the end of the project period in order to provide beneficiaries with continuing access to financial services. Credit is only just beginning to be disbursed, and it is too early to say how well the system will work. One weakness is that SB lacks the capacity and resources for detailed monitoring of NGO performance on the pattern of that carried out by PKSf. AqDP is attempting to get around this problem by using one NGO as a "lead NGO" who borrows from SB and on-lends to "Associate NGOs" who in turn lend to final beneficiaries. The lead NGO will monitor the Associate NGOs following the system used by PKSf. However there still remains the question of who will monitor the lead NGO, especially after the end of the project and the closure of the PIU.

6. Summary of lessons learned

Combining credit with technical support has proven to be an effective way of reducing poverty and meeting IFAD's strategic objectives. Credit has been most successful when disbursed by NGOs and when borrowers have complete freedom to decide how to invest their loans. However there have been significant problems the wholesaling of credit by banks to NGOs, and neither banks nor technical project agencies are equipped to monitor and supervise the operations of NGOs at the field level. It is also apparent that NGO operations need to continue to provide support in the post project period.

7. Future challenges for IFAD in Bangladesh

1. Reaching the poorest: IFAD credit programmes, like other micro-credit, have by and large failed to reach the very poor, although lending for back-yard poultry in SLDP does seem to have reached a poorer than average group of clients. The very poor (hard-core, ultra hard core and destitute) comprise around 24% of the rural population (see Table 3). Within this group, the upper quartile (say 6% of rural population) may get into existing NGO micro-credit programmes (although many may drop-out), while the bottom destitute (3%-5% of rural population) are unlikely to be able to take up any form of employment. This leaves around 14% of the rural population who may benefit from employment and enterprise development, but are now excluded from micro-credit for a range of causes relating to their low capacity, low self-esteem, and vulnerability.

Table 3: Categories of the Poor

Typology	Poverty level, indicators and causes	Coping actions
Destitute 3% - 5% of rural population	<u>Desperate</u> Disabled, chronically sick, elderly Abandoned children	Begging Informal social safety nets Charitable relief
Ultra-hardcore poor 10% of rural population	<u>Extreme</u> – under 1600 kcals/head/day no assets, no homestead or land, floating population, disaster victims, long-term illness, few able-bodied household members	Informal social safety nets Scavenging, Unpaid domestic service, Sell possessions to buy food. Share harvesting Little access to credit, even moneylenders.
Hardcore poor 10% of rural households	<u>Severe</u> : under 1805 kcals/head/day Land ownership: less than 0.1 acre, or live on other’s land. Poultry and goats Debt burden	Casual wage labour, seasonal migration VGD programme support Sharecropping and share harvesting Shared livestock Some able to join NGO micro-credit groups
Moderate poor 28% of rural households	<u>Moderate</u> : under 2,112 kcals/head/day Land ownership: less than 0.5 acre Livestock	Wage labour, migrate to cities Limited agriculture and sharecropping Self-employment supported by NGO credit
Neo-poor 20% of rural households	<u>Just above poverty line</u> Land ownership: 0.5 to 1.5 acre Vulnerable to falling into poverty	Agriculture, livestock, small trade May not qualify for NGO micro-credit Access to moneylenders

Source: MFTSP Sustainable Livelihoods Analysis

2. Providing credit and financial services for small and marginal farmers. These are the main client group for crop-based agricultural development, and play a major role in ensuring there are adequate supplies of rice for those who lack land to grow their own. There are strong linkages between agricultural growth and the non-farm rural sector that creates employment opportunities for the landless poor (apart from employment directly on farms). Although marginal farmers are, by and large, not as poor as the landless, they have been described as “tomorrow’s poor”. These households, with between 0.5 and 1.5 acres of land, face a similar level of vulnerability as moderately poor households. Particular problems faced by this “neo-poor” group include:

- lack of access to either formal bank credit or NGO micro-credit
- reliance on agriculture as the principal source of income
- greater vulnerability of crop agriculture to natural disasters
- seasonal pattern of cash flow, making the typical weekly repayment loan model less appropriate.
- declining real prices for staple crops
- poor access to technical support services relative to larger farmers
- declining farm size as land is fragmented between children on the death of the owner.

BIDS survey data⁴ show that almost as many non-poor households declined into poverty as poor households graduated out of poverty. This two-way movement largely obscures the relative small decline in overall poverty. Measures to prevent downward movement of the non-poor are therefore as important in reducing poverty as measures to lift the poor out of poverty.

3. New financial products: to date, IFAD projects have mainly provided straightforward micro-credit loans . To meet the needs of both the very poor and farmers, new financial products may be needed. All groups of the poor are likely to need deeper financial services in terms of savings and insurance as well as credit. However the design of financial products will need to account of viability and risk for providing organisations as well as the needs of clients.

⁴ Rahman, Hossain Zillur: Dynamics of Rural Poverty: An Overview, BIDS Dhaka 1996

4. Supporting financial institutions: recent IFAD projects have largely taken financial institutions (banks, NGOs) for granted and have not provided support beyond a limited amount of training and staff costs. The challenge is to provide appropriate support to build organisations that are financially viable and sustainable, and also independent from external pressures to compromise these principals. Given IFAD's past problems with channeling funds to NGOs, there is a need for improvement at the wholesale level, and to give financial organisations a leading role in projects with credit components. PKSF is a very good option (a new project – MFTSP - is now being planned with PKSF as the implementing agency), but there may be other possibilities such as a new micro-finance off-shoot of Sonali Bank, private sector banks such as BRAC bank, or a new Rural Finance Foundation.
5. Technical and other support services: there is potential to develop new approaches to the provision of technical services to build the capacity of the poor and provide them with appropriate technology and market access. The draft PRSP speaks of an increasing role for the private sector in service provision. IFAD is interested in financial, management and technical innovations which are pro-poor. Although additional financial support would be needed to expand the coverage to the very poor and to farmers, there is potential to provide the means to allow existing groups of micro-finance clients to access technical and other support. MFTSP plans to build a sustainable capacity within small and medium NGOs to provide livestock technical support to both existing and new groups of clients.
6. Participation by the poor is a key concern of IFAD. Involving the poor (micro-finance clients) as stakeholders helps ensure that programmes meet their needs, builds trust and responsibility, and may make the provision of services more efficient. Demand driven credit and, where possible, support services as well, is inherently participatory as it involves giving the poor maximum choice and control over their own livelihoods. Participation may also be involvement of the poor in project design – market research for micro-finance. Planning the proposed MFTSP involved extensive PRA sessions with groups of the poor to identify their needs and develop ideas for project activities.

8. Conclusions

Inclusion of a credit component in most IFAD project has enabled the poor to get access to financial services. In addition micro-finance has supported IFAD's other strategic objectives – building the capacity of the poor and improving access to productive resources and to technology, while a strategic gender impact flows from the enhanced economic role of woman as micro-credit borrowers.

However there is a need to improve credit operations, especially at the wholesale level, and new challenges are emerging: – to reach down to the poorest and up to almost-poor marginal and small farmers, provide a wider range of financial products, support financial institutions, and finding new ways of combining credit with technical services. Finally there is a need to invite participation by the poor themselves by giving them the greatest possible control over their own livelihoods and consulting them in the design of financial and technical support services.

PREVIOUS IFAD FINANCING TO BANGLADESH

Project Name	Initiating Institution	External cofinancing institution	Lead implementing agency	Other agencies	On-lending institution	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Project Cost (million)	Approved Loan (million)	Disbursed loan
Pabna Irrigation and Rural Development Project	AsDB	AsDB	BWDB	DAE, DOF		11 Dec 78	28 May 79	31 Dec 92	I - 9 - BAN	USD 85.00	USD 30.00	100%
Fertilizer Sector Programme	IFAD		BADC		BKB, NCB	19 Dec 79	12 Feb 80	30 Jun 85	I - 31 - BA	USD 34.01	SDR 19.45	91.6%
Small Farmer Agricultural Credit Project	IFAD		BB/BKB	GB	RACUB	16 Sep 80	13 Jan 81	31 Dec 85	I - 41 - BA	USD 30.04	SDR 17.20	100%
Southwest Rural Development Project	IFAD		BRDB	DAE, DoF	Sonali Bank	08 Sep 81	18 May 82	31 Dec 90	I - 73 - BA	USD 21.73	SDR 20.45	61.8%
North West Rural Development Project	AsDB	AsDB	BRDB		Sonali Bank	09 Dec 82	12 Oct 83	31 Dec 91	I - 110 - BA	USD 44.03	SDR 13.70	21.9%
Small Scale Flood Control, Drainage and Irrigation Project	IFAD		BWDB			13 Dec 83	27 Jun 84	30 Jun 93	I - 137 - BA	USD 9.86	SDR 10.40	60.5%
Grameen Bank Project	IFAD	SIDA, NORAD, Ford Found.	GB		GB	12 Dec 84	24 Sep 85	31 Dec 90	I - 161 - BA	USD 51.10	SDR 23.60	100.0%
Marginal and Small Farm Systems Development Crop Intensification Project	IFAD	GTZ	DAE	BRDB	RAKUB, NCBs	02 Dec 86	28 Aug 87	30 Jun 96	I - 194 - BA	USD 12.57	SDR 8.95	52.9%
Oxbow Lakes Small-Scale Fishermen Project	IFAD	Danida	DOF	LGED	BKB	01 Dec 88	20 Oct 89	31 Dec 97	I - 237 - BA	USD 11.12	SDR 5.60	60.0%
Grameen Bank Phase III Project	IFAD	SIDA, NORAD, Ford, Kfw, CIDA, GT	GB		GB	25 Apr 89	08 Mar 90	30 Jun 95	I - 239 - BA	USD 105.74	SDR 6.20	100.0%
Smallholder Livestock Development Project	IFAD	Danida	DLS		BKB	04 Apr 91	14 Dec 91	31 Dec 99	I - 280 - BA	USD 25.73	SDR 7.65	78.7%
Special Assistance Project for Cyclone Affected Rural Households	IFAD	Danida, EC	Cabinet Division		BKB, NCBs	04 Sep 91	24 Jan 92	31 Dec 99	I - 287 - BA	USD 20.73	SDR 11.55	98.9%
Netrakona Integrated Agricultural Production and Water Management Project (NIAPWMP)	IFAD	WFP	DAE	BWDB, LGED	Agrani Bank	02 Dec 93	08 Jul 94	30 Jun 01	I - 343 - BD	USD 13.72	SDR 6.40	98.2%
Employment-Generation Project for the Rural Poor (EGPRP)	IFAD		Agrani Bank		Agrani Bank	12 Apr 95	24 Oct 95	30 Jun 02	I - 378 - BD	USD 21.90	SDR 9.95	98.6%
Small-scale Water Resources Development Sector Project (SSWRDP)	AsDB	AsDB, Holland	LGED			06 Dec 95	10 Jun 96	31 Dec 02	I - 391 - BD	USD 65.97	SDR 7.00	81.7%
Agricultural Diversification and Intensification Project (ADIP)	IFAD	WFP	DAE	LGED	Agrani Bank	29 Apr 97	04 Dec 97	31 Dec 04	I - 443 - BD	USD 32.36	SDR 13.65	69.5%
Third Rural Infrastructure Dev. Project	AsDB	AsDB	LGED			04 Dec 97	01 Jul 98	30 Jun 05	I - 457 - BD	USD 178.77	SDR 8.50	55.3%
Aquaculture Development Project (AqDP)	IFAD	WFP	DOF	LGED	Sonali Bank	23 Apr 98	08 Dec 98	31 Dec 05	I - 472 - BD	USD 23.77	SDR 15.00	31.5%
Smallholder Agricultural Improvement Project (SAIP)	IFAD	WFP	DAE	LGED	Sonali Bank	29 Apr 99	17 Mar 00	30 Sep 06	I - 505 - BD	USD 25.73	SDR 13.65	29.5%
Sunamganj Community-Based Resource Management Project	IFAD		LGED		BKB	12 Sep 01	15 Dec 02		I - 567 - BD	USD 34.29	SDR 17.55	

