Enabling poor rural people to overcome poverty

The total number of borrowers advised by the eight consulting companies was 1,323, for a total disbursed loan amount of €7.4 million.

One year after taking a loan, advised processors and rural traders increased their value of sales by 35 per cent. Two years after taking a loan, advised borrowers increased their primary production family business income by an average of 56 per cent.

Country: Macedonia

Direct Beneficiaries: Rural unemployed, family farms, rural entrepreneurs

Results:
- The total number of borrowers advised by the eight consulting companies was 1,323, for a total disbursed loan amount of €7.4 million.
- One year after taking a loan, advised processors and rural traders increased the value of their production/trade by an average of 50 per cent, and the value of sales by 35 per cent.
- Two years after taking a loan, advised borrowers increased their primary production family business income by an average of 56 per cent.

Main Lessons:
- With appropriate, commercially driven support measures in place, confidence of financial institutions in rural-based lending can be generated.
- Smallholders and small-scale entrepreneurs can invest successfully on the basis of commercial borrowing and payment for advisory services and markedly improve their incomes.

Supporting Private Agricultural Consulting

In Macedonia, IFAD trained individuals to become agricultural advisors and assisted them in establishing private companies that today operate in the market for agricultural development services.

This is why IFAD complemented its refinancing activities in Macedonia with the development of key agricultural advisory services. And it did so in a very innovative way: rather than helping the government finance and deliver advisory services as a “public good”, an IFAD project supported the establishment of privately owned, market-oriented consulting companies. The Agricultural Investment Centre (AIC) was set up, which selected a set of potential advisors and trained them on technical and managerial topics. Trainee advisors were then required to develop their own service enterprises on a cost-sharing basis with the project. Farmers turned to these advisors to receive support in preparing business plans and loan applications, and to receive follow-up advice related to their investments. The project was gradually phased out and some advisors set up fully independent businesses.

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Main Lessons:
- With appropriate, commercially driven support measures in place, confidence of financial institutions in rural-based lending can be generated.
- Smallholders and small-scale entrepreneurs can invest successfully on the basis of commercial borrowing and payment for advisory services and markedly improve their incomes.
Increase financial support for agricultural services, such as information on specific technical matters of production, or information on prices, market opportunities or sources of raw material or agro-inputs.

Trainee advisors were contracted to the project on a cost-sharing basis, i.e. while they may have been trainees they were also independent businessmen and businesswomen. By the time the initiative ended on 30 April 2008, after some 12 months of operation, eight fully independent, private-sector, client-financed consulting companies had been formally established: Kocev, M.A., Neda, Paskov, Plus, Pro, Tim and Viva.

The project assisted these companies to select locations for their offices and helped them promote their services. However, they were required to finance themselves for the physical establishment of their premises.

Replication and Scaling Up

The total number of borrowers advised by the eight consulting companies was 1,323, for a total disbursed loan amount of €7.4 million. Within months of being established, these companies had already broadened their client base well beyond the number of borrowers. They are now contributing to growth in rural economic activity by enabling an increasing number of farmers and small entrepreneurs to access necessary financial and technical support. The approach as a whole is a viable one for replication, particularly in other dynamic market economies.

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