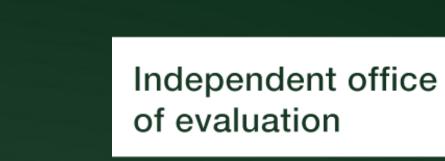
Lessons from the Evaluation Synthesis





on inclusive financial services for the rural poor

What works and what needs to be improved

What Works

Challenges and limitations

Matching grants, can leverage entrepreneurs' or groups' own capital resources, and are, when coupled with bank loans, a valid third element in financing.

Few project designs take the matching grants as one-off solution as an inherent approach. They usually do not design or implement it with sufficient diligence, but rather they try to achieve impact at once,

business development services is a Linking finance and key strength of components, when integration is carefully managed.

without attention to sustainability.

Linking finance and business

development services is very

logic and are often not easily

compatible.

work streams follow a different

challenging as the timelines of both

Community-based financial organizations, i.e. village banks, cooperative, credit unions, mutuals and microfinance-nongovernmental institutions are more poverty oriented by nature. They are instrumental for achieving gender results.



For the semi-formal or formal the community-based financial organizations, the longer-term strategy may comprise establishing



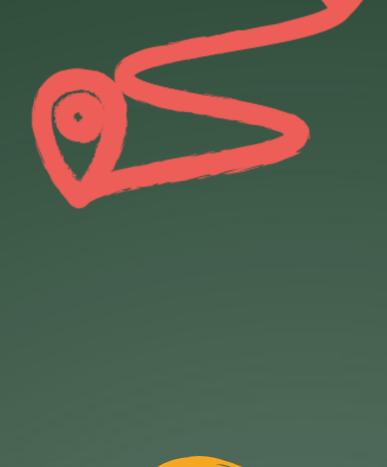
relationships with whole-sale lenders or commercial banks acting as such, to broaden their range of services and access external funding.



What Works

Challenges and limitations



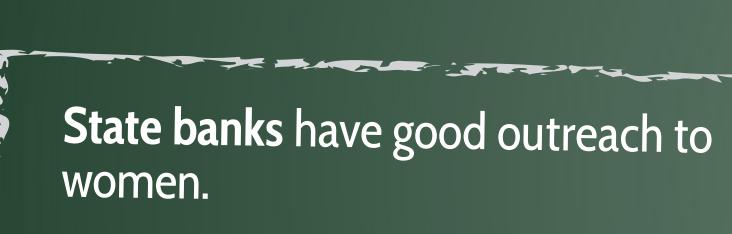


insufficient outreach to women and the very poor. They have no presence in remote and poor areas. They see the risks of lending to

smallholder farmers as too high.

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Commercial banks have





perform as partners. In some cases requirements and procedures were onerous and made it difficult for IFAD's target groups to benefit.

Institutional inefficiencies have

often prevented state banks to





time to perform. Project management office managed funds assuming meso function presented serious challenges.

Meso-level funds without links to

existing institutions take a long

The exit strategy must be clear regarding the final use of the funds when a micro-level institution is channeling them so as to be circulated in the sector beyond the project duration.



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Loan guarantee funds can motivate financial service providers to lend to the IFAD target group that receives business development support

What Works



Setting-up an loan guarantee funds requires a high level of technical knowhow. Sustainability is a key

Challenges and limitations



Credit lines can be effective in

is a constraint.

the few markets where liquidity



responsibilities and adequate capacities in place to be effective. They can be effective for outreach to special target groups (e.g. poor smallholders, women).

They should not be used to allocate

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cheap funding in a market with

significant liquidity.

Credit lines require clear institutional

challenge.

Graduation helps to move people

developing income-generating

activities and building assets.

out of extreme poverty by



Graduation focuses on very small loan sizes, or a certain industry or sector (tea farmers, cocoa production) or target group (women, youth, smallholders)

that is new to finance or lives in remote

areas, or cannot cover costs.



What Works

Value-chain finance can also offer



Challenges and limitations



financial solutions for the poorer. Linking financial institutions to the poor in the value chain, offering financial services to support the product flow and building on the established relationships is also beneficial for the productive poor in a value chain.





the small and medium-sized enterprises, which makes design more complex.

The diversity of segments in

value-chain finance requires

very different approaches to

serve the poorest but also

Digital finance allows reaching out to remoter populations with financial services at lower costs, and requires to strengthen literacy levels. New types of digital finance providers can be used to

leverage financial services in

remoter regions.



Trying to introduce innovations country-wide without involving other donors bears the risk of IFAD's limited resources being scattered geographically.

The increasing digitalization in the financial sector is challenging both supply and demand, as well as the regulatory environment.

Despite the availability of digitally provided financial services, low usage is a concern.

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of evaluation

