



APRACA Newsletter

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Delegates and participants in the 2nd Dissemination Workshop of IFAD regional project 'RuFBep' held in Lombok, Indonesia during 22-24 March 2017

Second Dissemination Workshop of IFAD supported Regional Project 'RuFBep' held in Lombok, Indonesia during 22-24 March 2017

The second dissemination workshop related to the IFAD regional grant project 'RuFBep' was organized by Bank Indonesia during 22-24 March 2017 in Lombok, Indonesia. The workshop was scheduled primarily to discuss the work progress and the initial results observed from the pilot testing of the identified good practices taken up by three target countries (China, Indonesia and Philippines), their impact and the challenges for scaling up. The workshop also discussed the possible collaborative efforts of RuFBep piloting with the IFAD Investment projects in the three target countries and other countries in the Asia-Pacific region. The workshop was attended by 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.

The broad objectives of the dissemination workshop were (a) To understand the process undertaken for piloting the rural finance best practices in 3 focused countries and relate these best practices under their unique operating environment and their relationship

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with the global best practices; (b) Generate inputs from the global experts to deepen the contents and strengthen the process documents; (c) Match the findings with the thematic focuses and issues of the selected countries for the phase-3 and 4 of the project; (d) Formulate the working framework for scaling up of good practices as accepted by the CWG during the Phase-2 of the project; (e) Finalize the focal point from the country team for scaling up of the identified best



Hon'ble Deputy Minister for Maritime and Natural Resources Dr. Gellwyn Jusuf, Ministry of National Development Planning (extreme right), Mr. Henning Pedersen, IFAD Country Director Vietnam (2nd from right), Mrs. Dyah Nastiti K, Assistant Governor, Bank Indonesia (in the middle) and Ms. Yunita Resmi Sari, Director, Bank Indonesia (2nd from left) were among the guest of honour during the inaugural session of the workshop



Rural finance expert Dr. S. L. Narayana (extreme right) delivering his view points on the rural finance best practices and the global perspective and Mr. Henning Pedersen and Dr. Prasun Kumar Das, APRACA Secretary General (extreme left) are the discussant



Mr. Sun Yinhong, CPO of IFAD China (extreme right) discussing on the rural finance best practices in East Asia while Mr. Ronald Hartman, CPM, IFAD Indonesia (2nd from right), Mr. S V Sardesai, General Manager, NABARD (2nd from left) and Ms. Yunita Resmi Sari, Director, Bank Indonesia (extreme left) are also participating in the discussion

practices after completion of pilot testing and (f) Forge strategic partnerships and synergy among project stakeholders at both country and regional levels to disseminate the results.

During the two days of the workshop, the best practices on rural finance were actively discussed along with the innovations in the areas of sustainable rural and agricultural finance from all over the world. The use of technology emerged as the game changer and one of the keys to improving people's access to financial services. During the workshop, the country working groups from China, Indonesia and Philippines presented the pilot testing initial results which are much encouraging. The workshop also attempted to formulate the working framework for scaling up of the documented best practices, and also build strategic partnership at the national and regional levels to implement the next phase of the project.

Activities of APRACA Secretariat

■ Exchange visit programme for the delegates from the Kingdom of Swaziland

APRACA Secretariat organized a study visit programme of the Micro Finance Unit, Kingdom of Swaziland to Thailand during 15-21 January 2017 which was led by Mr. David Mfanimphela Myeni, National Programme Director, Micro Finance Unit (MFU), Ministry of Agriculture and the delegates includes the Directors and Chief Executive officer of the State enterprises and government line department focused in agricultural and entrepreneurial development in the country. The objective of the study visit Programme was to provide exposure and capacity on the operation of the Agriculture Value Chain for the delegates and to internalize the current process to embrace the approach for the best practices related to agricultural development.



Delegates from Swaziland discussing future collaboration with APRACA during their visit to APRACA secretariat in Bangkok

The Micro Finance Unit (MFU) already visited Thailand during 18-24 September 2016 which was also organized by APRACA. Keeping in view the success of the last visit made by the delegates from Swaziland, they shown their interest to visit the agribusiness enterprises to understand the flow of products and flow of finance in the agricultural value chain development and the efficient use of the resources deployed for their development. The delegates were extremely pleased to meet the government officials, BAAC team and the cooperative dairy units in Thailand and were excited to replicate the same in Swaziland in collaboration with the Thai partners.

APRACA Secretariat made presentation on the rural and agricultural finance best practices which has been documented in 5 countries of the Asia-Pacific region and



Dr. Prasun Kumar das, APRACA Secretary General handing over the APRACA Publications to Mr. David Mfanimphela Myeni, team leader of Swaziland delegation

are ready for circulation within and outside the member institutions for wider dissemination. These publications are expected to support the south-south cooperation in collaboration with the multilateral donor agencies. Both the MFU, Swaziland APRACA agreed to continue this close cooperation and future exchanges of knowledge and technology which will be beneficial to their country.

■ APRACA Secretary General Was Invited by ASIA LEDS

APRACA Secretary General was invited by the Asia Low Emission Development Strategies (LEDs) Partnership, United States Agency for International Development



APRACA Secretary General speaking on 'Financing climate smart agriculture' during the meeting convened by ASIA LEDS, USAID and FAO held in Bangkok, Thailand

(USAID), and Food and Agriculture Organization of the United Nations (FAO) who jointly convened a meeting in Bangkok, Thailand, on March 29, 2017 to promote the 'Private Sector Investment in Climate-Smart Commodity Production in Southeast Asia'. The Secretary General spoke on the Strategies for Financing Climate-Smart Commodities at Scale: Perspective from Financiers and Investors. The Panelists discussed innovative financial models and tools; methods for building a pipeline of bankable investments; challenges for scaling investment; and priority needs to accelerate investment aligned with national and global climate change targets (e.g., NDCs and SDGs).

■ Exchange Learning Programme for the Ministry of Agriculture, Government of Nepal (22-26 February, 2017)

High Value Agricultural Project in Hill and Mountain Areas (HVAP), Ministry of Agriculture, Government of Nepal requested APRACA to organize a Study Visit Programme to Thailand on Value Chain Financing and Insurance. APRACA secretariat responded to the request and organized a visit of the delegates from HVAP, Nepal during 22-25 February, 2017. The delegation was led by Mr. Rajendra Prasad Bhari, Project Manager and Joint Secretary to the Government of Nepal. The delegation was consists of inter-ministerial team from Ministry of



Delegates from HVAP, Ministry of Agriculture, Nepal visited the Head Office of Bank for Agriculture and Agricultural Cooperatives (BAAC) in Bangkok to understand the business models of BAAC in financing agricultural value chains

Agriculture, Ministry of Livestock development, International NGOs and experts who met the high officials of Ministry of Agriculture, BAAC and the Agricultural cooperatives of Thailand to understand the value chain development in this country, financing mechanism and the risk management systems by using the insurance as an instrument in value chain finance.



The delegates from Ministry of Agriculture, Nepal visited the Wangnamyen Dairy Cooperative in Sa Keo province of Thailand to understand the dairy cooperative movement in the country and the role of BAAC in its development

The learning visit programme was tremendously helpful to the HVAP delegates as they identified some key success factor to develop the tight value chains and the mechanisms of financing to the actors in the value chain through proper management of risks. APRACA provided the team with high level knowledge products and discussed the best practices to replicate the learnings in their own country and assured them intellectual and technical support as and when called for. HVAP also had shown their interest to send one more group of officials to visit the agricultural value chain development project in Thailand.

■ Japan Financial Corporation Officials paid visit to APRACA

Two high level officials from the Agriculture, Forestry, Fisheries and Food Business Unit of Japan Finance Corporation (JFC) visited APRACA on 8 February 2017 to

discuss and explore the possibilities future collaborative activities. The discussions were encouraging and APRACA management is glad to receive many suggestions from the JFC team on the future directions of APRACA's work.



High level delegates from Japan Finance Corporation (JFC) visited APRACA secretariat to explore future collaborative activities.

News from Member Institutions

➤ National Bank for Agricultural and Rural Development (NABARD), APRACA EXCOM member from India on the occasion of World Water Day (22nd March 2017) launched a major Water Campaign to cover around 1,00,000 villages in vulnerable/water stressed areas where the ground water is over exploited. Dr. H.K. Bhanwala, Chairman, NABARD launched the campaign in presence of Senior Officials from State Governments, Banks, NGOs and other stakeholders across the country who joined the launch ceremony through video conference. Major highlights of the campaign are emphasizing on community involvement in adopting efficient irrigation methods, ground water recharge and appropriate crop pattern for enhancing agricultural productivity. NABARD would identify Village Volunteers (*Krishi Jaldoots*) to run the campaign for a localized and more effective approach. These volunteers will increase awareness about various methods of rain water harvesting, efficient water use, recharging groundwater and integrated farming systems. The activities will be coordinated by NABARD's Regional Offices jointly with representatives of the State Govt., State Level Bankers' Committee (SLBC), Partner NGOs, Agricultural Universities, Water Experts and Farmers' Club Volunteers, etc.

(Source: https://www.nabard.org/auth/writereaddata/WhatsNew2203175335Whats_New%20.pdf)

➤ Recently, the Agricultural Development Bank of China (ADBC) and the Jiangxi Provincial People's Government in Nanchang signed a "strategic

cooperation agreement" and "create a provincial policy of financial poverty alleviation experimental demonstration zone cooperation agreement." Agricultural Development Bank Chairman Li Xuezhi and Jiangxi Provincial Governor Liu Qi attended the signing ceremony, Vice President of Agricultural Development Bank Bao Jianan and Jiangxi Province Deputy Governor Mao Weiming on behalf of both sides signed. According to the "strategic cooperation agreement", the two sides will focus on the Yangtze River Economic Zone, Ganjiang New Area, Chang nine, Chang Fu integration and the construction of the Poyang Lake Ecological Economic Zone, Gannan and other Central Soviet Area and Luo Xiao Shan (Jinggangshan) contiguous poverty Regional poverty alleviation and other strategic planning, in the food security, poverty alleviation and development, shantytowns transformation, water conservancy construction, investment in agribusiness and other 12 key areas of cooperation to jointly promote Jiangxi Province, agricultural and rural economic development and urban and rural integration to win the fight against poverty.

(Source: <http://www.adbc.com.cn/n5/n15/c18973/content.html>)

➤ Vietnam Bank for Agriculture and Rural Development (VBARD) in short called as 'Agribank' received the "Vietnam Strong Brand 2016" Award. The award was presented at the ceremony of organized by the Golden Dragon Enterprise and the strong brand name of Vietnam in Hanoi. The Golden Dragon Business

and Branding Awards are an annual event honouring those companies that have excelled in business and have made a worthy contribution to the State Budget, led by the Economic Times, Vietnam. The others honoured in this program are the enterprises with outstanding achievements in production and business activities, efforts for the development of the community and the specialty. Agribank has been recognized as a pioneer in approach to the development trend of the industrial revolution. The Bank continues to maintain the leading position of commercial banks in Vietnam's 500 largest enterprises in 2016 (VNR 500). Agribank is pioneering the supply of over 200 modern and convenient banking products and services, contributing to actively promoting non-cash payment activities in Vietnam. Agribank is a profitable entity and continue to contribute at an incremental rate to the State budget. In addition to business activities, Agribank has always shown the responsibility of a business to the community, spending more than VND 400 billion each year on social security, focusing on poverty reduction., Gratitude, educational funding, health care, rural transport, sharing and support for the poor, remote and ethnic minorities are still difficult. For many years continuously, Agribank was voted as Enterprise for the community and always proud to be the 'Bank of Farmer'.

(Source: <http://www.agribank.com.vn/31/820/tin-tuc/hoat-dong-agribank/2017/04/11748/agribank-nhan-giai-thuong-%E2%80%9CThuong-hieu-manh-viet-nam-2016%E2%80%9D-09-4-2017-.aspx>).

➤ The Federal Government of Pakistan has appointed Mr. Jameel Ahmad presently working as Executive Director, State Bank of Pakistan as Deputy Governor, SBP for a period of three years with effect from 11th April, 2017. Mr. Jameel Ahmad's illustrious career as an accomplished central banker spans over 26 years working at senior positions at the State Bank of Pakistan and the Saudi Arabian Monetary Agency (SAMA). Prior to his appointment as Deputy Governor, he was serving as Executive Director, Banking Supervision Group and Financial Stability. He has also served as Group Head, the Operations, Banking Policy & Regulations, Development Finance, and Financial Resource Management. Mr. Ahmad is a member of SBP's Monetary Policy Committee and various other management committees of the Bank. He also represents SBP on two international committees including Financial Stability Board (FSB)'s Correspondent Banking Coordination Group and the Basel Committee on Banking Supervision (BCBS)'s Task Force on Prudential Treatment of Assets. Mr. Jameel Ahmad did his MBA from University of Punjab at Lahore and is a Fellow Member of the Institute of Cost & Management Accountants of Pakistan (FCMA), an Associate Member of the Institute of Bankers Pakistan and a Fellow Member of the Institute of Corporate Secretaries of Pakistan (FCIS).

(Source: <http://www.sbp.org.pk/press/2017/Pr-DG-11-Apr-17.pdf>)

Knowledge Series 5: *Financing Climate Smart Agriculture for Sustainable Development*¹

■ Introduction:

Climatic aberration multiplies and alters the challenges of achieving sustainable agricultural growth for food security, and this has important implications for investment strategies. The necessity of adapting to and mitigating climate change mandates reconsideration of growth strategies and investment priorities. Most of the models assessing climate change impacts on agriculture indicate that major impacts on temperature and rainfall patterns and thus agricultural production will occur after 2050. In the intervening years, however, increased frequency and intensity of climate shocks such as drought, flooding and extreme temperatures are expected and are already occurring. The critical importance of achieving mitigation in the near term to avoid future and larger costs of climate change compels planners to incorporate low emission considerations into large capital investment plans that have the

potential to generate significant new emissions, as is the case with widespread agricultural growth strategies in developing countries.

■ Context of Investment in Agriculture:

The effects of climate change on agricultural growth and investment strategies are also important to consider within the larger context and challenges of sustainable agricultural development. Major drivers of change — such as rapidly evolving food systems and food markets, increasing population land ratios in rural areas and increasing resource scarcity and costs in some areas — mandate the need for different agricultural development models. Strategies have been articulated in the sustainable agricultural development and intensification literature, which forms an important basis for building climate smart agriculture (CSA) strategies and investments for specific contexts.

¹ Contributed by Dr. Prasun Kumar Das, Secretary General, APRACA

■ Investment need in agriculture and effect of climate change:

In order to understand how climate change affects agricultural investment needs in developing countries, it is necessary to first obtain an understanding of investment needs to support development and the current deficit in meeting these needs (this is referred to as the “development deficit”). This then must be complimented with an analysis of how climate change alters what is needed to achieve development – e.g. to “keep development on track”. Accounting for the costs of failing to adequately adapt to climate risks is defined as the “adaptation deficit” which essentially adds to the development deficit. A final, but equally important issue to consider is how mitigation may affect agricultural investment requirements, and the implications for financing – e.g. a “mitigation deficit”. In this section we present information on the current state of understanding on these three dimensions of investment requirements for agriculture, concluding with a discussion of the overall implications for financing flows and instruments to support CSA.

In 2009, FAO estimated that average annual investment flows amounting to US\$ 209 billion would be needed to meet the projected growth in demand for agricultural products in 2050 in 93 developing countries. This estimate was derived under a set of assumptions about population and consumption growth and focussed on investment to meet global food demand which implies some reduction in food insecurity but not total eradication of hunger.

■ Sources of Investment in Agriculture:

Farmers (as well as herders, fishers and foresters) are by far the largest source of agricultural investment finance. However, they face significant barriers and disincentives to invest in activities that support sustainable agricultural growth, particularly smallholders. One key barrier is gender; on average, women comprise 43 percent of the agricultural labour force in developing countries, ranging from just over 20 percent in Latin America to almost 50 percent in Eastern Asia and sub-Saharan Africa, yet they have considerably less access to the land, financing, inputs and knowledge needed to support investments. Other important barriers include poorly functioning systems of rights to land and water, thin or non-existent credit and insurance markets, lack of effective extension services and the technical packages for agricultural productivity growth adapted to specific contexts, as well as poor agricultural value chains. Thus, a key role of public sector finance is to create the conditions and incentives for farmers to make needed investments. However, recent research indicates that public sector investments in agriculture are lagging in areas where growth is essential for poverty reduction

(e.g. South Asia and sub-Saharan Africa). Furthermore, the composition of public sector spending on agriculture does not favour investments with the highest returns to long-term agricultural growth.

■ Investments for adaptation:

The need to adapt to climate change in the near, medium and long term implies changes in agricultural investment needs ranging from the farm scale up to the national and international levels. There is more than one way of categorizing adaptation actions in agriculture. For example, in the fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC), the nature of the changes required for adaptation was divided into two main categories: spontaneous and planned. It was estimated that the negative impacts of climate change on crop productivity and then on child malnutrition. Their model’s results indicate that approximately US\$ 7.1 billion is needed annually in additional productivity enhancing investments to counteract the negative impacts of climate change and maintain a baseline level of welfare, of which US\$ 3 billion would be for sub-Saharan Africa, and US\$ 1.5 billion for South Asia.

Another important issue to consider is the potential costs of maladaptation (e.g. agricultural investments that increase vulnerability to climate change or increase risks of economic losses associated with unsustainable and unprofitable investments). Investments, particularly large fixed capital investments with significant lifetimes, are particularly vulnerable to being maladaptive if climate risks are not considered. An example that is likely to be maladaptive and essentially add to the adaptation deficit is a case where major capital expenditures on irrigation systems use outdated estimates of water demand and supply in areas where climate change is predicted to have major impacts. Screening agricultural investment plans for their degree of “climate smartness” is a simple first step that can be taken to identify the potential overlap between adaptation and development investments, as well as potential maladaptive agricultural investments.

■ Risk Management while practicing climate smart agriculture

Climate change is already having effects on the risks and uncertainty that farmers face, and this has important implications for their decisions on agricultural investment. Managing risk and uncertainty at the farm level is thus essential in creating an enabling environment for farmers to invest in CSA practices. This in turn has implications for the development of public sector investment strategies. We need to understand what the public sector needs to invest in to provide the enabling environment for managing risk and

uncertainty under climate change. It is argued that there are three ways to increase resilience² in agricultural systems to address climate change risks: 1) reduce exposure; 2) reduce the sensitivity of systems to shocks; and 3) increase adaptive capacity. Measures can be taken ex-ante, ex-poste or during shocks and they comprise actions aimed at increasing resilience in ecosystems as well as in social and economic systems. The measure that will be most effective in increasing resilience in any specific context will depend on the main sources of vulnerability.

■ Strategies for investment planning in climate smart agriculture

The followings are the important strategies for increasing resilience in agricultural systems under climate change and their implications for investment planning:

- (a) *Information generation and dissemination:* Generating, disseminating and translating information into a useful form is the key response to uncertainty generated by climate change. Much effort has been invested in helping farmers to make more effective climate-sensitive decisions (e.g. planting times and livestock shelter) via improved access to timely, meaningful and trustworthy climate information and knowledge.
- (b) *Insurance:* Agricultural insurance has expanded rapidly in recent years, with global agricultural premium value expanding from US\$ 8 billion in 2004 to over US\$ 20 billion in 2008. However in low-income countries the penetration rates (measured by ratio between agricultural

insurance premium value and agricultural gross domestic product) are still very low. Both the private and public sector could have a role in expanding insurance coverage in low-income countries vulnerable to climate risk.

- (c) *Safety nets* are a form of social protection comprised of programmes supported by the public sector or nongovernmental organizations that provide transfers to the poor to address risks, vulnerability and social exclusion. There is a broad range of activities that can fall into this category: conditional and non-conditional cash transfers, food vouchers and subsidies, seed and tool distribution, input subsidies and employment-based programmes such as food-for-work.
- (d) *Diversification* within and external to agricultural sources of income is widely regarded as a potential adaptation strategy under climate change. However, the ultimate impacts of diversification on farm level returns, food security and adaptation depend very much on the options selected for diversification.
- (e) *Enhancing/restoring ecosystem services* within agricultural production systems. Increasing the resilience of agricultural production systems to withstand and maintain productivity under extreme events such as drought and climate change is an important feature of CSA.

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Agricultural Development Bank of China (ADBC)
is hosting the Regional Policy Forum on
"Financial Services and Poverty Alleviation"
in conjunction with the
68th Executive Committee Meeting (EXCOM) of APRACA.

Dates: 5-8 June 2017
Venue: Beijing, China



**Asia-Pacific Rural and
Agricultural Credit Association**

Acknowledged leader in rural and agricultural finance

Room A303, Bank for Agriculture and
Agricultural Cooperatives (BAAC)
469 Nakhonsawan Rd., Bangkok 10300, Thailand
Tel: (662) 282-0693, 282-1365 Fax: (662) 280-1524
E-mail: apraca@apraca.org, sofia@apraca.org

WWW.apraca.org