



A woman forages for herbs to sell, Vyat Dzor Region, Armenia. Photo: Abbie Trayler-Smith, Oxfam

INFLUENCING FINANCIAL INCLUSION IN PROGRAMMES

Overcoming barriers to agriculture and enterprise finance

Barriers to agriculture and enterprise finance are the result of the risks that service providers and investors usually perceive when supporting smallholder farmers, particularly women.¹ Some of Oxfam's programmes have successfully increased access to financial and other services through building the capacity of communities and engaging with a network of stakeholders. By successfully influencing the stakeholders, these programmes have ensured inclusiveness in a wide range of contexts.

1 INTRODUCTION

Efforts are needed at both influencing and implementation levels in order to facilitate financial inclusion. To improve disadvantaged communities' access to credit, we need to influence national policies, create awareness among stakeholders and share risks to support poor women's enterprises.

Financial organizations such as micro-finance institutions (MFIs) and cooperative banks can leverage funds for cooperatives, unions or federations of cooperatives. New types of associations, such as social enterprises, can benefit from financing. Joint enterprises can be developed to generate employment and provide opportunities to youth in rural areas, as well as to support local production. In a fragile context, it is essential to find innovative solutions to financially support people in need.

2 ABOUT OXFAM'S PROGRAMME

There are a range of examples of Oxfam's programmes influencing financial inclusiveness in both long-term development and fragile contexts.

Armenia

In Armenia, Oxfam supported an MFI called Horizon Fund (HF). This MFI is part of the national Agricultural Alliance (AA), a multi-sector network actively involved in influencing national policies. Our partnership with HF supported vegetable and fruit production as well as processing enterprises for poor farmers. Loans, together with technical and business development support, helped the enterprises to improve their profits. Altogether, 970 loans were disbursed to farmers under the Austrian Development Agency-funded project from March 2013–March 2015. Disbursement was done twice per year, for spring and autumn agri-activities. The total value of the 970 loans was 58,200,000 Armenian drams – around €108,000 (£83,000). The average value of one circulated HF fund is about €22,000; the repayment rate was 100 percent.

As a result of the success of the pilot enterprises, other organizations also decided to support enterprise development in Armenia. For example: (i) The Orange Foundation, the French G2iA company (Armenian international inter-professional group) and the Rhône-Alpes region of France provided about \$25,000 to the Ayrum processing plant to purchase additional small equipment. These organizations plan to increase their investment up to \$80,000. (ii) The JOIN project implemented by CARE provided equipment with a total value of \$24,700 to the Lchkadzor Agricultural Consumer Cooperative's business entity, Mirg LLC.

Our work in Armenia to link smallholder farmers with insurance companies is still in its initial stages. However, a study conducted with support from the United Nations

Development Programme (UNDP) has created awareness and interest among stakeholders.

Georgia

In Georgia, we supported cooperative enterprises in the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) project through co-financing schemes. Enterprises are being strengthened around three value chains – minor forest produce, hazelnuts, and fruit and vegetables. The co-financing scheme introduced by the project mobilized communities; poor farmers in remote areas benefited from the co-financing and the increased livelihoods opportunities the scheme created.

So far, the total capital investment within the ENPARD project amounts to €1.5m, of which the beneficiary cash contribution is roughly 30 percent – almost €0.5m. So far, 33 cooperatives have been financed. These have around 340 members, of which 40 percent are women. The investment covered 250 households with 1,050 people (including cooperative members and their families). A cash co-financing requirement of at least 30 percent of capital investment is one of the key criteria for the selection of beneficiary groups. The money has been contributed directly from the pockets of beneficiaries.

Tajikistan

In Tajikistan, Oxfam supported producer groups and linked them with private extension service providers called Technical Assistance Groups (TAGs) and Agricultural Machinery Services (TAMs). As a result of this support, the community-based organizations have improved their capacity to influence financial service providers and establish linkages.

Bosnia and Herzegovina

About 1,100 beneficiaries directly benefited from the procurement of 'starter packages' for producing raspberries (at a cost of about €1,000 per package). We had three major funding options: (i) 50 percent beneficiaries: 50 percent grant (provided by the Ministry of Agriculture and the municipality in some cases) or 50 percent in-kind loan from the processor; (ii) 30 percent beneficiaries: 50 percent grant, 20 percent own funds (savings or community groups), 30 percent in-kind loan; and (iii) 20 percent beneficiaries: 50 percent grant, 50 percent own funds (savings or community groups).

Member cooperative loans were provided by the International Fund for Agricultural Development (IFAD), which had an impact on the interest rate (the effective interest rate was only 7.9 percent – i.e. much lower than average). In the end, 20 percent of beneficiaries took a community loan (to cover the required 20–50 percent of the starter-package price).

Occupied Palestinian Territory (OPT): West Bank

The national smallholder influencing network in OPT (for the olive sector) includes stakeholders from financial institutions and the private sector who took part in advocating for inclusive finance of the value chains.

Fresh fruit and vegetable producers in the West Bank (under the Swiss Development Corporation project) developed a social enterprise called Arduna Agricultural Company. Oxfam guaranteed \$50,000 to leverage \$360,000 through Al-Reef Finance at the rate of four percent for five years: this was an inclusive model that enabled smallholder farmers and social enterprises to benefit from finance, rather than confining such support to the usual family-based cooperatives.

Ethiopia

In Ethiopia, Oxfam acted as guarantor for financial institutions' collateral deposit to leverage funds for cooperatives, unions or federations of cooperatives. For example, in the Comic Relief project for women beekeepers in Ethiopia, we ensured the cooperative bank of Oromia leveraged £200,000 for poor women. We also guaranteed funds to support sesame farmers in Ethiopia.

INCLUSIVE FINANCING IN FRAGILE CONTEXTS: AN EXAMPLE FROM GAZA

The joint World Food Programme (WFP) and Oxfam Electronic Value-Based Voucher (EVBV) Programme is a humanitarian social protection programme which currently provides food assistance to 12,483 vulnerable non-refugee households (70,902 individuals). Since it started in 2009, it has grown in scale and evolved in terms of its mechanisms and linkages with the local economy and other programmes.

In the initial stages of the intervention, vouchers were issued in paper form to a total of 2,335 non-refugee food-insecure beneficiaries, as a safety net. In 2011, an electronic voucher providing a magnetic swipe card was introduced, in an effort to strengthen the efficiency, transparency and monitoring of the programme.

Conclusions of the EVBV Programme Mid-Term Review carried out in February 2011 and the voucher review mission carried out in May 2012 recommended scaling up the voucher programme. Accordingly, in January 2013 the caseload was expanded to reach around 10,000 households or 60,000 individuals. Finally, in 2015 it moved to another advanced e-system, through a company under the Bank of Palestine, whereby shops are paid directly each day through the bank. Beneficiaries are selected through a proxy means test formula (PMTF) based on assets, complemented with the Food Consumption Score for better targeting to determine those most in need.

The overall objective of the programme is to meet immediate food needs and enhance the food consumption and dietary diversity of the most vulnerable and food-insecure non-refugee populations. Exceptionally, emergency vouchers are given to refugee and non-refugee populations, in coordination with the United Nations Relief and Works Agency (UNRWA). During and immediately after the 2014 war on Gaza, the project scaled up to reach an additional 50,000 IDP households (300,000 individuals) from across the Gaza Strip.

The programme offers a dignified means of assistance through an electronic voucher which is redeemed at local shops across the Gaza Strip on a weekly basis, with different values based on household size (the value of the voucher is identified by WFP). Currently, 75 local shops participate in the voucher programme, all of which are selected based on their proximity to beneficiaries as well as their quality and capacity. At shop level, beneficiaries get to make their own choices about how to spend their vouchers in-store within a list of 17 food products cleared by the WFP, most of which are locally produced.

Prices are fixed based on market price, and are monitored through field monitors. Some of the local products are provided by small-scale food processors supported by Danida's Economic Recovery and Development Programme. Reviews show some positive impact on retailers and producers at different scales. Also, new local products have been developed because of the voucher, such as small packages of wheat flour.

Funding for the EVBV Programme per year is around \$9m (£6.3m) depending on the exact beneficiary/dependant lists. During the emergency response in 2014, the project budget was increased by \$10m (£7m), which was spent in three months. Complaint boxes were provided in each of the participating shops to enable the collection of feedback; new applications for voucher assistance are also received through these boxes, and then lists of applicants are provided to WFP for the next PMTF exercise. A free public hotline number was made available after the 2014 conflict, and advertised through the shops and across Oxfam projects; this is managed by a designated staff member who responds to enquiries and manages complaints.

3 WHAT HAS OXFAM LEARNED?

These examples demonstrate that it is possible to improve the inclusiveness of finance, even in fragile contexts. It can be achieved in different and innovative ways; in particular, by influencing service providers and strengthening community capacity. Networking with MFIs and developing alliances are useful approaches. Understanding the problems faced by service providers, influencing policies to make businesses run better and facilitating community-level organizations to link with MFIs, have also proved helpful. Some key learning points are as follows:

- One of the ways to make agriculture profitable is by adding value to local production, supporting processing, and financing small and medium enterprises (SMEs). Supporting enterprise development was found to be useful in creating demand for finance, and also helped to engage youth and increase employment.
- Some communities needed support to kick-start their SMEs. Initial support to such ventures motivated a large number of communities and gave them hope of changing their situation.
- Women's access to finance is particularly limited. Supporting savings groups empowered women and enabled them to meet the costs of household needs, social obligations and emergencies.
- Providing different financing options enabled producer groups to make choices and

decide what best suits their needs. This has empowered farmers and has also improved their ability to negotiate with service providers.

- Financial services remained a key issue, requiring support and coordination in the value chain forums.
- Insurance remains a crucial financial service, and poor farmers' access to insurance is still a major barrier in developing resilient livelihoods. Increased awareness among stakeholders created hope that this situation will improve.
- In emergency responses, cash transfers and innovative cash voucher programmes benefited people in an inclusive manner and helped them to recover; they also influenced the market to cater to people's needs.

4 CONCLUSIONS AND NEXT STEPS

The case studies summarized above are not isolated examples; they provide a snapshot of the wide range of ways in which inclusive financing reaps long-term results, and are evidence of why it needs to become more widespread. Networking for the inclusiveness of financial policies is a crucial aspect of designing long-term and emergency-response programmes. Policies are required to build resilience among communities and to support enterprises and self-employment. It is also necessary to create awareness among stakeholders. Further research on various options for inclusive financing can provide evidence to programmes.

NOTES

¹ Oxfam (December 2009). *The Missing Middle in Agricultural Finance: Relieving the capital constraint on smallholder groups and other agricultural SMEs*

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This case study was written by Shekhar Anand, Regional Livelihood Development Lead. The examples in this paper were contributed by: Vadim Uzunyan, Agriculture and Food Security Policy Programme Manager, Armenia; Levan Dadiani, Agriculture and Food Security Policy Programme Manager, Georgia; Mohammed Sawafta, Economic Development Programme Manager, West Bank; Mustafa Ismael, Programme Manager, Fresh Fruits and Vegetables Project, West Bank; Diana Qatamesh, Programme Policy Officer, West Bank; Najla Shawa, Food Security and Livelihoods Manager, Gaza; Rahel Bekele, Economic Justice Programme Coordinator, Ethiopia; Fedja Begovic, Value Chain Expert, Oxfam, Bosnia and Herzegovina; Farhod Khalikov, Economic Justice Deputy Programme Manager, Tajikistan; and Seyed Faiz Hayat, Economic Justice Programme Manager, Tajikistan.

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