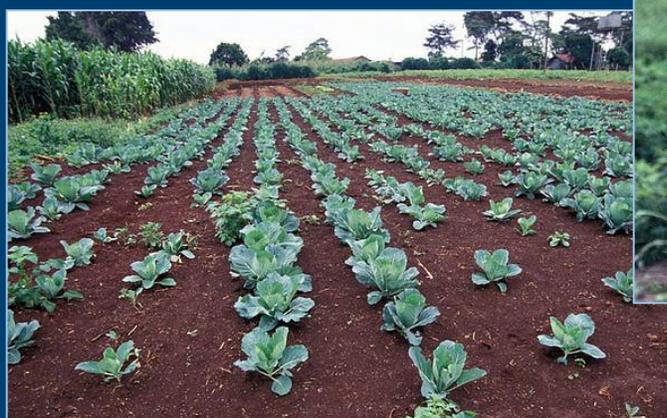


Workshop Report

Global Experts Workshop on Financial Inclusion of Agriculture Dependent Households

The Hague, Netherlands



June 23 – 24, 2015

I. Background

Financial inclusion has become a global priority in recent years and over 50 developing countries have set targets and commitments to improve access to financial services for individuals and enterprises. This has resulted in considerable progress. The [2014 Global Findex](#) showed an 11 percent point increase in the global banked population between 2011 and 2014, an increase from 51 percent to 62 percent.

Universal financial inclusion, however, cannot be achieved without including individuals in agricultural-dependent households (ADH)¹. Findex 2014 estimates that there are at least 1,037 million adults in developing countries in ADH.² The unique characteristics of agriculture make financial inclusion of ADH a harder challenge. These characteristics include the seasonality of income from agriculture, higher vulnerability of this income to natural and market risks, and dispersed and remote nature of a large proportion of the ADH. Findex 2014 shows that only 57 percent of those who report to be engaged in agriculture are banked.³ This translates to an estimated 440 million unbanked adults in ADH, i.e. nearly 23 percent of the total unbanked adults globally.

The “Knowledge Activity on Financial Inclusion” of ADH was initiated in 2014 with funding from the Financial Inclusion Support Framework (FISF), a World Bank Group (WBG) initiative funded by the [Government of Netherlands](#) and the [Bill and Melinda Gates Foundation](#). As part of this activity, a Global Experts Workshop was held in The Hague, Netherlands on June 23 – 24, 2015.

¹ Defined to include households of farmers and laborers that primarily rely on wages from agriculture and owners and workers in micro and small enterprises dependent on agriculture.

² Findex (2014) defines individuals as engaged in agricultural activities as adults (15+) who receive some payments – in cash, into an account, or through

The workshop was co-hosted by the [Ministry of Foreign Affairs, Netherlands](#) and the [Rabobank Group](#). This report describes the workshop objective and design, and summarizes the workshop proceedings.

II. Workshop Objective and Design

The objectives of the workshop were to:

1. Identify scalable business models and innovations that can help overcome obstacles to reach and serve ADH;
2. Identify key policy actions that catalyze access to financial services for under-banked and unbanked ADH; and
3. Gather ideas and insights to develop a potential research program to address key knowledge gaps in measures to improve access to financial services for ADH.

The workshop was designed around an opening session on financial needs of ADH and evidence on impact of access and usage of financial services on their welfare; five technical sessions – on data, products, financial infrastructure, financial capability, and women in ADH; and a closing round-table with FISF country participants to identify opportunities for policy actions. Annex 1 includes full the workshop agenda and links to presentations. .

Technical working papers were circulated prior to the workshop and provided the primary basis for technical session presentations and discussions. The working papers are available on request.

a mobile phone – for selling their or their family’s agricultural products, crops, produce, or livestock. This is a narrower definition than that used above, and hence sets the lower estimate for adults in ADH.

³ Including owning mobile money accounts

The workshop participants included financial sector and agriculture sector representatives from Pakistan, Mozambique, Ethiopia and Rwanda⁴; experts from multilateral organizations ([WBG](#), [IFAD](#), [ILO](#), and [FAO](#)); major foundations ([BMGF](#) and [MasterCard Foundation](#)); and bilateral donors; practitioners; and researchers. Annex 2 provides a full list of participants.

III. Workshop Proceedings

Day one “Laying the Foundation”

The opening session focused on assessment of *knowledge on the financial needs of ADH* and evidence on *impact of financial inclusion on welfare of ADH livelihoods*. The presentation by Jamie Anderson from CGAP made the point that little is understood about complex financial needs of ADH and how to best address them. Early insights from CGAP’s ongoing demand-side financial diaries project on smallholder families in Pakistan, Mozambique, and Tanzania suggest that recognizing the smallholder household as an economic unit with diverse sources of incomes (often with a larger proportion from outside agriculture) and expenses (both household and business) is critical for financial inclusion of ADH. The early insights also confirm that even the poorest smallholders want to and can save.

The presentation by Xavier Gine from the WBG research group highlighted evidence of impact on welfare from access to payment services and savings services. Among the major studies cited, one found that users of phone-based payment service (M-PESA) in Kenya, a substantive portion of who are rural and likely to be in an ADH, are better able to protect themselves against income shocks. A second study found that farmers in Malawi

who are offered help with opening accounts and direct deposit of cash crop sales into accounts not only save more, but also use more inputs and have more revenue.

The participants supported the focus on ADH as a category while cautioning of the risks of treating the segment as homogenous or over-segmenting. There was also agreement on the need to focus on a broader set of financial services than credit, in particular on savings, including the need to develop a savings culture from a young age. However, participants also pointed out the challenge of formal savings in many contexts arising from inadequate safety and potential negative returns.

The first technical session aimed to identify *key financial infrastructures that are critical for cost-effective delivery of financial services for ADH*. The presentation by Ceu Periera from the WBG Payment System Development Group emphasized importance of access to payments for broader financial inclusion and pointed out that payment and credit infrastructures⁵ that capitalize on new technologies can potentially bring about choices and scale. Key actions, particular to ADH, that can help include: ensuring that individuals in ADHs can access identification systems at a reasonable cost and migrating government payments to ADHs from paper-based instruments to electronic general purpose payment instruments. Key areas for further research include gathering cross-country information on the extent to which microfinance institutions and savings and credit cooperatives (SACCOs) have access to Automatic Clearing Houses/switches and the type of data collected by credit bureaus that would enable creditors to assess creditworthiness of individuals in ADHs.

⁴ These countries have ongoing technical assistance programs on financial inclusion or have one in the pipeline.

⁵ Key payment infrastructures are inter-bank switches, automatic clearing house and large value

inter-bank settlement systems. Key credit infrastructures include credit reporting system and collateral databases.

Participants highlighted the importance of banking agents in expanding access to payments for ADH; agreed on the potential of SACCOs as a key institution that reaches ADH; and pointed out the potential of government payments to also provide information that can improve credit worthiness of ADH.

The second technical session reviewed cases of *delivering products at scale to ADH*. Ajai Nair from the WBG's Responsible Financial Access group presented three case studies - B-Kash, Bangladesh, a payments product; M-Shwari in Kenya, a savings cum credit product; and Tigo Family Care Insurance in Ghana – highlighting the estimated outreach and value proposition for ADH of these products. The presentation identified delivery of the products through mobile-phones and partnership between financial and non-financial institutions as key business model features and a regulatory framework that allows delivery of phone based financial products and simplified “Know Your Customer” as key policy enablers.

Participants highlighted the “blended” nature of products such as M-Shwari, which is both a savings and a credit product; opportunities to leverage government subsidies for insurance of poorer population by routing them through electronic / transaction accounts; need to strengthen consumer protection of financial products delivered digitally, in particular when they are blended and reach vulnerable segments such as the majority of ADHs.

Day 2 “Data, Reaching Women and Building Capacity”

The third technical session explored *availability and quality of data on financial inclusion and financial capability of ADH*.

⁶ WBG's Living Standards Measurements Study – Integrated Surveys on Agriculture ([LSMS-ISA](#)); The Financial Capability and Consumer Protection surveys ([FCCP](#)); and, the Global

Leora Klapper from the WBG Research Group presented findings from a review of major data sources.⁶ The review showed that none of the reviewed data sources provides comprehensive insights on financial inclusion for individuals engaged in agricultural activities. A key issue the review identified was the lack of a harmonized definition of ADHs, which is necessary to allow collection of data that is more precise, comparable across time and geographies, and hence, can provide better insights. The review also indicated the importance of collecting data at the individual-level since data collected at the household level masks important disparities within the household; the value of panel surveys that better captures changes over time; and the opportunity offered by computer-assisted personal interviewing (CAPI) for cost-effective but faster data collection and processing – which is particularly relevant given the remoteness of most ADHs.

Participants agreed on the need to measure inclusion of individuals rather than households, and benefits of using a consistent definition of individuals in ADH. Given challenges involved in collecting high-quality data and analyzing it, participants agreed that institutions need to be selective on the type of data collected; ensure that adequate resources are allocated to ensure data-quality, rigorous analysis, and effective use (including making data public); and, coordinate efforts to avoid duplication and ensure better use of resources.

The fourth technical session explored challenges and opportunities to reaching women in ADHs. Panos Varangis from the WBG Agrifinance group shared key messages from a paper on the topic prepared for the

Financial Inclusion database ([Global Findex](#)); and, the Bill and Melinda Gates Foundation's Financial Inclusion Insights database ([FII](#))

G20. The paper identified lower levels of asset ownership and lower access to education, extension services, training, and networks as key drivers leading to women being more financially excluded, while also highlighting the opportunity if the market can design better products and offer them through channels that are more likely to reach women. Participants pointed out that the convenience value of electronic payments for women, for example, not having to miss work days to pay school fees; the large opportunity for financially including women in ADH if remittances can be channeled to bank accounts; and the need to increase diversity in decision making (from loan officers to senior management) in financial institutions.

The fifth technical session focused on the challenge of *building financial capabilities of ADH*. Xavier Gine from the WBG Research Group shared key findings from research in this area. The evidence suggests that altering financial behaviors is challenging and robust evidence of positive impact of interventions is limited, and hence, governments must be selective in implementing financial education programs. Nonetheless, the likelihood of impact is higher when targeting vulnerable groups and some design features can increase the likelihood of a positive impact. These include customization to needs and interests of the target group; use of “teachable moments” i.e. key life or business events that make behavioral change more likely; reaching out to not just individuals but their social networks; and offering monetary incentives to cover for “losses of productive time”. Lastly, the presentation also pointed out that effective financial consumer protection – ensuring transparency, clarity and comparability of information – is as much or perhaps even more important than financial education in the goal of increasing financial inclusion of ADH.

Participants validated some of the research findings, such as need to combine financial education for farmers with other business topics of interest to them, but challenged the desirability and feasibility of offering monetary incentives. They also cited effectiveness of farmer-to-farmer training; need to use region-specific campaigns in local languages when mass-media is used for awareness building; and the need to differentiate between financial education and marketing.

IV. Conclusions and Next Steps

There was consensus among the participants on the importance of financial inclusion of ADH. Policy opportunities identified included: a) improving quality of data on access to financial services for ADH; b) facilitating increased use of bank / transaction accounts to send government payments and remittances to ADH; c) improving access for savings and credit cooperatives and microfinance institutions to payment and credit infrastructures; d) improving effectiveness of financial education programs targeting ADH; and, e) stimulating a stronger private sector response in terms of innovation and investment to address financial services needs of ADH.

As an immediate next step, the WBG is initiating a global mapping of the potential to convert government payments in agriculture from cash to transaction accounts and preparing a guidance note on improving the quality of financial inclusion data in national household surveys.

The proceedings were prepared by Ewa Sierzynska, Oxana Shmidt, and Ajai Nair. For additional information or to request workshop working papers, please write to Ajai Nair (anair@worldbank.org)

Annex 1: Agenda

Day 1: Laying the Foundations

8.30 – 9.00 Registration

9.00 - 9.30 **Opening session: What do we know on financial needs of ADH and how increased financial inclusion impacts their livelihoods**

Chair: Peer Stein, Director, World Bank Group (WBG)

Opening remarks: Peter Le Poole Senior Policy Advisor, MoFA; Frank Nagel, Director, Rabo Development

9.30 - 10.00 Presentations: [Jamie Anderson, CGAP](#); [Xavier Gine, WBG](#)

10.00 - 10.30 Discussants: Aaltje De Roos, MoFA; Michael Hamp, IFAD; Calvin Miller, FAO

10.30 - 11.00 Q&A, Open Discussion

11.00 - 11.30 Coffee Break

Technical Session 1: Financial infrastructure – What features of key financial infrastructure are critical for cost-effective delivery financial services for agriculture-dependent households

Moderator: Panos Varangis, WBG

11.30 - 11.55 Presentation: [Ceú Pereira, WBG](#)

11.55 – 12.15 Discussants: Raphael Francisco, Central Bank, Mozambique; David Gerbrand, Rabo Development; Dr. Saeed Ahmed, State Bank of Pakistan

12.15 - 1.00 Q&A, Open Discussion

1.00 - 2.00 Lunch

Technical Session 2: Delivering Products – What policies and business models enable delivery of broad range of financial products at scale to ADH?

Moderator: Rewa Mishra, The Mastercard Foundation

2.00 - 2.25 Presentation: [Ajai Nair, WBG](#)

2.25 - 2.45 Discussants: Pranav Prashad, ILO; John Ndunguru, BMGF, Adriaan Loeff, Managing Director, Enclude

2.45 - 3.30 Q&A, Open discussion

3.30 - 4.00 Coffee Break

4.00-4.30 **Day 1 wrap-up**

Moderator: Douglas Pearce

7.00- 9.00 Reception

Day 2: Data, Reaching Women, and Building Capacity

Technical Session 3: Financial inclusion of agriculture-dependent households – Data on financial capability and financial inclusion of ADH – what do we know?

Moderator: Douglas Pearce, WBG

8.30 - 8.55 Presentation: [Leora Klapper, WBG](#)

8.55 – 9.15 Discussants: Jamie Anderson, CGAP; Robert Lensink, University of Groningen, the Netherlands

9.15 – 10.00 Open Discussion

10.00 – 10.30 Coffee- break

Technical Session 4: Reaching women in ADH – What do we know on policies and business models that help address the gender access to financial services in ADH?

Moderator: Calvin Miller, FAO

10.30 – 10.55 Presentation: [Panos Varangis, WBG](#)

10.55-11.25 Discussants: Leora Klapper, WBG; Herbert Asiiimwe, MoF, Rwanda, Asfaw Abera Olana, National Bank of Ethiopia

11.25-12.00 Q&A, Open Discussion

12.00 - 1.00 Lunch

Technical Session 5: Building Financial Capability – What are emerging lessons on effective policies and business models to build financial capability of agriculture-dependent households

Moderator: Michael Hamp, IFAD

1.00 - 1.25 Presentation: [Xavier Gine, WBG](#)

1.25 - 1.55 Discussants: Jolly Dusabe, Ministry of Agriculture and Animal Resources, Rwanda; Jose Manuel Elija Guamba, Ministry of Land, Environment and Rural Development; John Ndunguru, BMGF

1.55 - 2.30 Q&A, Open Discussion

From discussion to Action – A Round-table with FISF country participants

2.30 – 3.45 Moderator: Douglas Pearce, WBG

Closing Remarks:

3.45 – 4.15 Douglas Pearce, Ajai Nair, WBG

Annex 2: Participant List

External Experts				
#		Name	Title	Organization
1.	Ms.	Aaltje-de Roos	Senior Policy Advisor	MoFA
2.	Mr.	Adriaan Loeff	Enclude	Managing Director
3.	Mr.	Bruno Molijn	Policy Advisor, Markets and Finance Knowledge and Programme Management	Oxfam Novib
4.	Mr.	Calvin Miller	Senior Officer and Group Leader, Agribusiness and Finance Group, AGS Division	FAO
5.	Mr.	David Gerbrands	Head, Banking Advisory	Rabo Development
6.	Ms.	Eliane Augareils	Investment Officer, Emerging Markets	Triodos Bank
7.	Mr.	Frank Nagel	Director Advisory	Rabo Development
8.	Mr.	John Ndunguru	Program Officer	BMGF
9.	Mr.	Joost de la Rive Box	Consultant	Nedworc Foundation
10.	Mrs.	Josien Sluijs	Chairperson	Netherlands Microfinance Platform
11.	Mrs.	Mariel Mensink	Regional Coordinator East Africa	ICCO Terrafina Microfinance
12.	Mr.	Michael Hamp	Lead Technical Specialist	IFAD
13.	Mr.	Peter Le Poole	Senior Policy Advisor	MoFA
14.	Mr.	Pranav Prashad	Technical Officer, Impact Insurance Facility	ILO
15.	Ms.	Rewa S. Misra	Program Manager, Financial Inclusion	The MasterCard Foundation
16.	Mr.	Robert Lensink	Professor	University of Groningen
17.	Mr.	Roel Snelder	Director of Programmes	Agri ProFocus
18.	Mr.	Roy Budjhawan	Director Microfinance	ING

Country Participants					
#		Name	Title	Organization	Country
19.	Mr.	Asfaw Abera Olana	Principal Supervisor, Microfinance Institutions Supervision Directorate	National Bank of Ethiopia	Ethiopia
20.	Ms.	Jolly Dusabe	Agricultural Development Expert, Rural Sector Support Project and the Land Husbandry, Water Harvesting and Hillside Irrigation Project	Ministry of Agriculture and Animal Resources	Rwanda
21.	Mr.	Jose Manuel Elija Guamba	National Director	Ministry of Land, Environment and Rural Development	Mozambique
22.	Mr.	Rafael Francisco	Assistant Director, Payment Systems Department	Banco de Moçambique	Mozambique
23.	Mr.	Dr. Saeed Ahmed	Director, Agricultural Credit & Microfinance Department	State Bank of Pakistan	Pakistan

World Bank Group Participants				
		Name	Title	Division
24.	Mr.	Ajai Nair	Program Coordinator, FISF	F&M
25.	Ms.	Ceu Pereira	Senior Payment Systems Specialist	F&M
26.	Mr.	Douglas Pearce	Global Lead, Payment & Market Infrastructures and Responsible Financial Access	F&M
27.	Ms.	Ewa Sierzynska	Consultant	F&M
28.	Ms.	Jamie Anderson	Financial Sector Specialist	CGAP
29.	Ms.	Leora Klapper	Lead Economist	DEC
30.	Ms.	Oxana Shmidt	Program Assistant	F&M
31.	Mr.	Panos Varangis	Global Lead, Agrifinance and Disaster Risk Finance	F&M
32.	Mr.	Peer Stein	Director, Finance and Markets Global Practice	F&M
33.	Mr.	Xavier Gine	Lead Economist	DEC

