



Agribusiness

# Inclusive Agricultural Value Chain Financing

## Overview

Smallholder farmers in developing countries face substantial obstacles that limit their ability to reach their production potential. This includes access to credit to invest in new crops or technologies, or how to deal with risks and shocks.

New technologies, markets and government priorities in Indonesia, Myanmar and Vietnam point to new opportunities to overcome long-standing challenges to agricultural finance. In all three countries, expanded mobile telephone networks and smartphone technology could provide new distribution channels for financial products at lower cost that address the unique needs of agriculture.

New technology will neither fully eliminate barriers to increased production nor improve resilience against shocks if farmers lack markets for additional output, or if financial providers lack enough information to assess potential clients, supervise loans and address risks.

By working throughout the value chain, information, relationships, institutions and market connections can be leveraged to maximise the efficiency and impact of financial services, also potentially minimizing risks to individual smallholders and small and medium enterprises. This approach dovetails with renewed government commitments to implement regulatory frameworks and create incentives to expand access to financial services, promoting financial inclusion and reducing poverty.



## KEY FACTS

**ACIAR Project No.** AGB/2016/163

**Duration:** June 2018 to May 2022 (4 years)

**Target areas:** Indonesia, Myanmar and Vietnam

**Budget:** A\$1,970,250

### Project Leader

Dr Alan de Brauw, International Food Policy Research Institute (IFPRI)

### Key partners

- University of Sydney
- Indonesian Center for Agriculture Socio Economic and Policy Studies (ICASEPS)
- Myanmar Economic Association
- Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD)

### ACIAR Research Program Manager

Dr Howard Hall

## Objective

### The project's specific objectives are to:

- ◆ Increase understanding about the context and potential for agricultural value chain financing models and approaches.
- ◆ Develop a rigorous impact evaluation design for agricultural value chain financing models that will be implemented by partners.
- ◆ Increase knowledge about how to design and implement innovative and inclusive agricultural value chain financing models in target countries.
- ◆ Enhance awareness and adoption of agricultural value chain financing models.

## Expected scientific results

- ◆ Demonstration of the efficacy of value chain finance models in improving outcomes for smallholders in South-East Asia. Contributions published in research papers in leading international academic journals and potentially guiding policy-makers towards regulatory reform or creating enabling institutions to further enhance impact or scalability for agricultural value chain finance.
- ◆ Country studies producing contextualised knowledge about the applied scientific evidence contributing to a small body of evidence that exists on agricultural value chain finance.
- ◆ Applied evidence on the potential for agricultural value chain finance to have impacts on outcomes such as agricultural productivity and household well-being in developing countries, particularly among vulnerable groups.
- ◆ Evidence related to increased income and/or reduced variability of income provided through randomised control trials (RCTs).
- ◆ Phase 2 research providing some of the first RCT evidence on impacts of agricultural finance projects on agricultural productivity in South-East Asia.

## Expected outcomes

- ◆ Households in targeted communities using newly available financial products able to either grow higher-value products or intensify their production.
- ◆ Participating farmers able to access markets for their products, contributing to increased incomes or reduced income variability.
- ◆ Farmers and agribusiness entrepreneurs with increased access to value chain finance.
- ◆ Increased awareness and knowledge among policy-makers and value chain practitioners on the opportunities and constraints for agricultural value chain finance. In order to enhance access to financial services and increase productivity and incomes, influencing policy design and leading to policy changes that further enhance access to agricultural value chain finance.
- ◆ Greater capacity among researchers in each national research partner organisations to conduct impact evaluation research at international standards, and among key leaders in each national research partner organisation to disseminate and communicate the results of impact evaluation research for policy.

