A Dry Zone Programme to reflect LIFT's new Strategy

FINANCIAL SERVICES WORKING GROUP

Outcome 1: Increased Incomes of Rural Households

1) Increased sustainable access to finance promotes alternative livelihoods

2) Increased sustainable access to finance supports agriculture value chain development

3) New or improved demand-driven loan products

Access to rural finance will provide a gateway to alternative livelihoods and "support" economic growth. Refer back to McKinnon and Shaw and the role of finance in economic growth, and the lack of "evidence" to statistically support the hypothesis that access to microfinance is significant in explaining changes in income (but the fact that so much money is invested in microfinance because the hypothesis is assumed true, it must be true).[1]

Outputs/Performance Indicators

1) Total value (cumulative) of loans disbursed to agriculturally linked enterprises. An agriculturally-linked enterprise is defined as any enterprise (informal or formal) involved in income-generating activities in any of the following areas: marketing, transformation, transportation, etc. of agricultural products. This indicator will be disaggregated by gender and sector of activity (particular value chain).
2) Cumulative number of loans disbursed disaggregated by gender.
3) Portfolio at Risk (PAR) > 30 days / Gross Loan Portfolio. PAR ratio is used to determine a rural financial institution's portfolio quality, and is equal to the value of all loans outstanding that have one or more installments of principal past due more than 30 days divided by the Gross Loan Portfolio.
4) Loan Loss Ratio. Loan loss ratio represents the percentage of a rural financial institution's loans that have been removed from the balance of the gross loan portfolio because they are unlikely to be repaid.
5) Number of new or improved demand-driven loan products. Designing and offering new and/or improved demand-driven financial services (currently, this is not the case

[1] The theoretical importance of finance, showing its key role in resource allocation, is highlighted in the below two seminal books. The use of domestic capital markets to stimulate economic growth should take precedent over other development measures, e.g. encouragement of foreign capital investment. A repressed financial sector that discourages both saving and investment do not permit financial intermediaries from functioning at full capacity and fail to allocate saving into investment efficiently, thereby impeding economic development.
McKinnon, Ronald. *Money and Capital in Economic Development*. Brookings Institute. 1973.
Shaw, Edward. *Financial Deepening in Economic Development.* New York: Oxford Press. 1973.

as lending technologies are supply-driven and based on existing technologies imported by microfinance providers) allow rural financial institutions to improve client retention, diversify portfolios and expand volume of services. This indicator will count the number of new or improved products offered.

6) Cumulative total of the number of depositors by LIFT supported rural financial institutions that have accumulated deposits as savings disaggregated by gender.
7) Cumulative value of deposits mobilized by LIFT supported rural financial institutions disaggregated by gender.
8) Number of rural financial institutions.
9) Number of points of service.
10) Number of rural financial institutions achieving operational self-sufficiency.
11) Incorporation of LIFT supported community revolving loan funds into rural financial institutions.
12) Client outreach to new rural borrowers and savers.
13) Innovative access to rural finance between value chain "actors", private sector and rural financial institutions, e.g. LIFT Private Sector Partnership Program with Prime Agri, B4MD/Pepsico, Nestle's and Seed Asia, in the form of equity financing on behalf of smallholder farmers, working capital for agriculture cooperatives and other types of community based organizations, agricultural infrastructure investment (drip irrigation), and agricultural equipment leasing (small scale mechanization). Note that investments in agriculture infrastructure, in particular irrigation, increase risk-adjusted income by minimizing the negative impact of drought and untimely rain fall, and therefore could fall under the resilience outcome.

Outcome 3: Improved Nutrition of Women, Men and Children

1) Increased access to finance for women, including pregnant and lactating women and mothers of young children

2) Sustainable financial services product development and release that links savings and credit with education (SCWE), e.g. family nutrition education, and nutrition sensitive income-generating investments

3) Improved household food security and better nutritional status for children of mothers participating in the SCWE

Outputs/Performance Indicators

1) Access to financial services (see above) already disaggregated by gender.
2) Further disaggregation by a savings and credit with education financial service.
3) Incidence and duration of the hungry season.
4) Maternal nutritional status as measured by BMI, dietary quality, iron deficiency.

5) Children nutritional status as measured by height-for-age, weight-for-age, weight-for-height.
6) [SC is to provide additional performance indicators for a SCWE financial service]

Outcome 4: Improved Policies and Public Expenditure for Pro-Poor Rural Development

1) Fostering a Conducive Policy Environment and Ensuring the Appropriate Role of Government in Rural Financial Market Development

Outputs/Performance Indicators

1) Trainings, roundtables, conferences, stakeholders' meetings, etc., at which rural finance policy, rural finance institution licensing, supervision, regulation, and best practices for an enabling environment are discussed.