



Nepal-Denmark Development Cooperation

**UNNATI**

INCLUSIVE GROWTH  
PROGRAMME IN NEPAL



# UNNATI

ACCESS TO FINANCE  
(A2F) PROJECT



## What is UNNATI-A2F?

Agriculture, the largest economic sector in Nepal, contributes to more than one third of the country's GDP (32-36%) and provides employment and livelihood opportunities to more than two thirds (76%) of its population. Despite the opportunities, commercializing the agricultural sector faces many challenges, as a result, the competitiveness of Nepalese agricultural products is low and in declining trend.

One of the major constraints is the limited or lack of access to financial services for rural smallholder farmers and Micro, Small and Medium enterprises (MSMEs). The following major factors limit the expansion of financial services:

- Lack of accessibility to financial services; only a few financial institutions (FIs) have their presence in rural areas.
- Insufficient collateral with smallholder farmers and MSMEs for amiable credit products.

- Insufficient investment in agriculture businesses by the financial sector.
- Lack of appropriate financial products and services suitable for agricultural value chain entrepreneurs.

The UN Capital Development Fund (UNCDF) together with Nepal Rastra Bank (NRB) are currently implementing the Support to Financial Inclusion in Nepal 2014-2018 through the "Access to Finance" (A2F) Project, abbreviated as **UNNATI-A2F**. This five-year project with a total budget of USD 9.4 million is funded by the Government of Denmark and UNCDF within the scope of a bigger inclusive growth programme called **UNNATI** which mainly targets towards entrepreneurs and smallholder farmers in the Eastern Development Region (EDR). UNNATI has three components namely;

- (i) Commercializing selected (orthodox tea, ginger, codamom, dairy products) value chains,
- (ii) Infrastructure development and
- (iii) Business enabling environment.

## ACCESS TO FINANCE (A2F) PROJECT

The purpose of the UNNATI-A2F project is to support financial service providers to more effectively serve the agricultural value chain actors with appropriate financial products. This is expected to enable smallholder farmers and MSMEs to invest in their value chain activities leading to the sustained improvement in competitiveness of selected value chains. The project is expected to create an inclusive financial system that will support private sector driven, pro – poor growth.



## WHERE DOES UNNATI-A2F WORK?

The project will be implemented in the EDR of Nepal, specifically in Ilam, Panchthar, Terhathum, Bhojpur Dhankuta, Taplejung and Sankhuwasabha districts along the Mechi and Koshi corridor.



## WHO ARE UNNATI-A2F PARTNERS?

UNNATI-A2F's funding partners include UNCDF and the Government of Denmark. While UNCDF is the lead organization, its key partner in A2F implementation is NRB. Other national partners through which the project aims to reach its targeted rural population include commercial banks, Micro Finance Institutions (MFIs), cooperatives, insurance companies, mobile service providers and technology providers that deal with financial products and services.

## FOR WHOM UNNATI-A2F WORKS ?

UNNATI-A2F's target groups are smallholder farmers and MSMEs focusing on women and vulnerable groups in rural areas.

## WHAT ARE UNNATI-A2F'S EXPECTED RESULTS?

The UNNATI-A2F project target is to reach 250,000 rural households and MSMEs with increased access to and use of a range of financial services.

- An additional 250,000 clients are reached where:
  - **150,000 smallholder farmers and MSMEs** (out of which at least 55% are women) actively use appropriate and affordable financial products to support their value chain activities on a national level. Out of these 150,000 clients - 100,000 are located in the EDR UNNATI districts;
  - **Additional 100,000 clients enroll in mobile and branchless banking service** out of which 45,000 are located in EDR. Out of 100,000 at least 25,000 are actively using mobile banking services. Out of 25,000 at least 15,000 are located in the EDR UNNATI districts;
  - **Out of 150,000 clients at least 75,000 vulnerable groups actively use financial services** and 50,000 are located in the EDR UNNATI districts;
  - **An additional 10 banks and/or microfinance branches** points are operational in the EDR UNNATI districts;
  - **An additional 15 branchless access points** (e.g. agents) are operational in EDR UNNATI districts;



- **150,000 smallholder farmers and MSMEs have improved financial competencies nationally**, and 80,000 are located in the EDR UNNATI districts;
- **The amount of agricultural portfolio** of financial service providers shows positive growth;
- **Five agricultural products** are developed and used;
- **The National Financial Inclusion Road Map is developed** and at least 3 recommendations are implemented by the NRB.

## WHAT DOES UNNATI-A2F AIM TO DO?

UNNATI-A2F's strategies and interventions are organized around delivering three major outputs.

### 1. Deepened Financial Services for Smallholder farmers and MSMEs

This output aims at bridging the traditional mismatch among financial products that service providers have on offer and needs of smallholders and MSMEs. Demand side activities are designed to improve demand as well as to make financial services sustainable. Supply side activities are designed to better meet the agricultural finance needs of smallholders and MSMEs such as leasing, warehouse receipts, insurance, savings and credit through capacity building activities for financial and non-financial institutions.

- Improvement of procedures within agricultural finance.
- Expanding financial services through branch-led, branchless, mobile, or agent-based banking platforms.
- Training and exposure on value chain to improve understanding of client needs.

### 3. Broadened Financial Services for Smallholder farmers and MSMEs

The activities under this output will focus on the establishment of branches and agent networks needed to take new products to market. This will be done through a competitive fund in the form of direct grants to enable financial institutions to expand their financial services.

### 2. Improved Capacity of Financial Institutions

This output focuses on strengthening the management systems and skills needed by financial institutions to introduce new products and to manage banking operations sustainably.

The activities under this output will mainly benefit MFIs and other FIs through

- Grant support and technical assistance to purchase and operationalize Management Information Systems.

**Results Measurement:**  
A2F will comply with the Donor Committee for Enterprise Development Standards (DCED) for measuring achievements in private sector development.



The activities under this output benefit:

- a) Banks, MFIs, cooperatives, mobile operators and other financial and relevant non-financial institutions through the establishment of the Expanding Financial Frontiers Fund to increase portfolio size in agriculture and the number of access points.
- b) NRB, through capacity building in areas related catering to agricultural finance needs, and to increase financial access points resulting in creation of more enabling conditions for the financial institutions.
- c) Potential investors in agricultural finance and retail financial institutions by acting as an intermediary to improve the investment climate in Nepal.

**Sustainability:**

A2F will work through national institutions and individuals with capacity to replicate interventions at a national level. The project will widely disseminate all the materials and knowledge products and will support relevant bodies in their efforts to expand financial inclusion in Nepal.





### **Inclusion of disadvantaged groups:**

Special emphasis will be given to understand the specific barriers of these groups, and ways of eliminating them such as developing products and services that meet the constraints of these specific groups.

### **Gender Equality:**

With the ultimate aim to promote a gender balanced, diversified financial sector in Nepal, UNCDF will specifically focus on issues that restrict women from accessing agricultural financiers moving direct and indirect discrimination in the design, promotion and delivery of financial services.

## **WHAT ARE A2F – UNNATI OTHER CONTRIBUTIONS**

### **Good Governance:**

UNCDF will focus on creating a transparent and responsible financial system and will concentrate on client protection vis a vis embedding client protection principles within all technical assistance training initiatives; demanding transparent pricing mechanisms; ensuring all partners abide to transparent pricing; monitoring financial arrangement on fairness, and requesting all financial institutions to adopt client protection principles within their bylaws and link its fund distribution.

### **Green Growth:**

UNCDF will selectively support financial institutions with clear green growth mandates with trainings and technical advice on financing products development for renewable energy and green growth, facilitate knowledge exchange collaborating with UNCDF “CleanStart” Program’s partners, create awareness among consumers through financial literacy and share information on available financing for renewable energy technologies through “CleanStart”.



## WHO WE ARE

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their small businesses by increasing access to microfinance and investment capital. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

*For more information:*

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