

Asian Productivity Organization

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PROJECT NOTIFICATION

20 July 2011

1. **Project Code** 11-AG-15-GE-WSP-B
2. **Title** Workshop on Risk Management in Agricultural and Rural Finance
3. **Duration** 24–28 October 2011(five days)
4. **Venue** Yogyakarta, Indonesia
5. **Implementing Organizations**
 - 1) Ministry of Agriculture, R.I.
Directorate General of Agricultural Infrastructure
Directorate of Agricultural Financing
Address: Jl. Harsono Room No. 3, Ragunan
Jakarta 12550, Indonesia
Phone and Fax: (62-21) 7816085
 - 2) Ministry of Manpower and Transmigration, R.I.
Directorate General of Training and Productivity Development
Directorate of Productivity and Entrepreneurship (NPO Indonesia)
Address: Jl. Jend. Gatot Subroto Kav. 51, Floor 6-B
Jakarta 12950, Indonesia
Phone and Fax: (62-21) 52963356
6. **Cosponsor** Colombo Plan Secretariat (CPS)
7. **Number of Overseas Participants** Up to 18 qualified participants from Bangladesh, Republic of China, Fiji, India, IR Iran, Lao PDR, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, and Vietnam
(See 13. Qualifications of Participants)
8. **Number of Local Participants** Up to six qualified participants
(See 13. Qualifications of Participants)
9. **Closing Date for Nominations** 2 September 2011

10. Objectives

- 1) To review the recent developments and assess the emerging trends and issues in agricultural and rural financial service delivery to small farmers and rural entrepreneurs;
- 2) To enhance participants' knowledge and understanding of the different risks and challenges faced by those organizations providing financial services to small farmers and rural entrepreneurs; and
- 3) To identify best practices and appropriate strategies in risk management which can be promoted and adopted by agricultural and rural financial institutions to enhance the efficiency and sustainability of their services.

11. Background

Agricultural and rural finance plays a vital role in enterprise development and in stimulating the economy in rural areas. It is crucial source of funds for small farmers who have very limited financial resources for farming operations, especially for investments in farm equipment, machinery, irrigation, and related infrastructure crucial to improving farm productivity. It is also an important source of capital for entrepreneurs to develop rural enterprises anchored on agricultural value-adding activities such as processing, storage, and trading which contribute to the generation and diversification of job opportunities in rural areas.

However, the operation of financial institutions catering to small farmers and entrepreneurs are very vulnerable to various risks. Such risks include financial and banking operation risks and client risks. The first group of risks is inherent in banking operations and include adequacy of capital, administration, and management. The second group of risks is associated with clients' behavior and their activities, which are subject to the vagaries of weather, commodity market prices, health and death of borrowers or borrowers' livestock, etc., which often translate into delinquencies and defaults in repayment. These risks, when not properly managed, could affect the sustainability of operations of financial institutions and could constrict the flow of funds to small farmers and entrepreneurs in rural areas to the detriment of the entire rural economy. Financial institutions therefore need to adopt appropriate credit risk management schemes to address these concerns.

There are several risk management methods and tools, but there is a need to identify which are suitable to the specific needs of agricultural and rural financial institutions in member countries. The effectiveness of a risk management scheme depends to a large extent on the legal, regulatory, and institutional setting in which a financial institution operates. This workshop will provide a venue for sharing information, knowledge, and best practices in risk management and the related issues and challenges faced by agricultural and rural financial institutions in the region.

12. Scope and Methodology

The workshop will consist of lead paper presentations, including case studies by resource persons, country presentations by participants, group discussions, and visits to selected sites

showcasing successful applications of risk management schemes. The tentative topics to be covered are:

- 1) Agricultural and rural financial service delivery for small farmers and rural entrepreneurs in Asia: Trends and challenges;
- 2) Type of risk in agriculture and rural finance: Essential features and key factors;
- 3) Concepts, principles, and approaches to risk management in agricultural and rural finance;
- 4) Role of agricultural insurance and credit guarantee schemes in mitigating risks;
- 5) Market-based price risk management instruments for mitigating risks of farmers and lenders;
- 6) Value chain finance as an approach to reducing lending risk to agricultural and rural enterprises;
- 7) Successful model of a risk management scheme of a financial institution in Indonesia; and
- 8) Capacity development needs of agricultural and rural financial institutions in risk management.

13. Qualifications of Participants

The participants in this workshop are expected to possess the following qualifications:

- (a) Age : Preferably between 35 and 55 years.
- (b) Education : University degree or equivalent qualification from a recognized institution.
- (c) Present Position : CEOs, managers, and officers of agricultural, rural, and development banks, microlending organizations, agricultural insurance, and credit guarantee companies; senior officials of government agencies responsible for implementation, formulation, and review of agricultural credit policies and programs; or academics and researchers on agriculture and rural finance.
- (d) Experience : At least three years of experience in the position described in (c) above.
- (e) Language : All proceedings of the workshop are conducted in English, and participants are frequently required to make oral and written presentations. They must therefore be proficient in spoken and written English. Those who are not proficient in English need not apply.
- (f) Health : Physically and mentally fit to attend an intensive workshop requiring participants to complete a number of individual and group activities and strenuous fieldwork (it is therefore recommended that member countries refrain from nominating candidates likely to suffer from physical and mental strain).

- (g) Attendance : Participants must attend all five days of the workshop to qualify for the certificate of attendance.

14. Financial Arrangements

a) **To be borne by the APO:**

- i) All assignment costs of overseas resource persons.
- ii) Round-trip economy-class international airfare by the most direct route between the international airport nearest to the participant's place of work and Yogyakarta for all participants except for those from Colombo Plan developing members supported by the Colombo Plan Secretariat. As far as practicable, all participants are strongly encouraged to purchase and use discounted tickets (following IATA PEX or other applicable discount fares). Please note that the arrangements for the purchase of air tickets should be in accordance with the "Guide on Purchases of Air Tickets for APO Participants," which will be sent to the selected participants and is available on the APO website and from APO Liaison Officers in member countries.

b) **To be borne by participants or participating countries:**

For all participants

- 1) *Participants' insurance premiums:* All participants should be fully insured against accident and illness (including hospitalization and death) for a principal sum equivalent to US\$10,000.00 for the entire duration of the project and travel and must submit to the APO Secretariat a copy of the comprehensive travel insurance certificate before participation.

Such insurance should be valid in Indonesia. This insurance requirement is **in addition to** existing government insurance coverage in some member countries. If any participant is unable to insure himself/herself as stipulated above, he/she should secure this insurance in the host country at the commencement of the project and pay the premium himself/herself, if necessary, from the per diem allowance provided. Neither the APO nor the implementing organizations will be responsible for any eventuality arising from accident or illness.

- 2) All expenses related to visa fees and airport taxes.
- 3) Any expenses incurred by participants for stopovers on the way to and from the project venue as well as for extra stay at the project venue before and/or after the official project period on account of early arrival or late departure, for example, due to either limited available flights or any other reason whatsoever.

- c) **To be borne by the host country (Indonesia):**
 - i) Hotel accommodation for up to six days for up to 18 overseas participants, and per diem allowances for up to six days in Yogyakarta for overseas participants coming from countries other than Colombo Plan developing members.
 - ii) All local implementation costs.
- d) **To be borne by the Colombo Plan Secretariat:**
 - i) Round-trip economy class international airfare via the most direct route between the international airport nearest to the participant's place of work and Yogyakarta for participants from Colombo Plan developing members, and per diem allowances for up to six days in Yogyakarta for overseas participants from Colombo Plan developing members with total amount not exceeding USD20,000.-.

15. Actions by Member Countries

Nominations

- (a) Each selected country is requested to nominate two or more candidates for selection in the order of preference. Please ensure that candidates nominated meet the qualifications specified above.
- (b) Please note that when a candidate is nominated it does not follow that he/she is considered selected. Selection is at the discretion of the Screening Committee. A basic criterion for selection is the homogeneity of the participants in terms of qualifications and work experience. Nonselection therefore does not mean that the candidates concerned are not competent enough. Sometimes candidates are not selected because they are overqualified for the given project.
- (c) APO Liaison Officers/NPOs are reminded to make clear in their search for the most appropriate participants that only the APO Liaison Officer/NPO in their country may send nominations to the APO Secretariat. This should eliminate the mistake of various government/public institutions making nominations directly to the APO Secretariat.

Required Documents

- (d) Each nomination should be accompanied by the documents listed below. A nomination lacking any of these documents may not be considered:
 - i) Two copies of the candidate's biodata on the **APO biodata form** together with passport-sized photograph. The biodata form can be downloaded from the APO website. Downloading information is also available from www.apo-tokyo.org. We encourage submitting the biodata form to the APO Secretariat in electronic form as an attachment to a cover e-mail message from the APO Director, Alternate Director, or Liaison Officer. The nomination documents should be sent to the **Agriculture Department**, APO Secretariat (e-mail: agr@apo-tokyo.org, fax: 81-3-5226-3954).

- ii) **The APO Medical and Insurance Declaration/Certification Form.** Every candidate must complete and submit a copy of the APO Medical and Insurance Declaration/Certification Form with his/her biodata at the time of nomination. Please note that self-declaration is sufficient for candidates without any of health conditions or illnesses enumerated on the reverse side of the medical form. However, for all others, medical certification by a recognized physician on the reverse side of the medical form is required.

- (e) For reasons of expediency or because of time constraints due to approaching nomination deadlines, participating countries sometimes send their candidates' biodata forms and medical certificates by fax to the APO Secretariat. While this action is very much appreciated, participating countries are requested to mail the originals of the documents to the APO Secretariat as well. They are needed for making clear, clean copies for the host country, especially with regard to the candidates' photos. If the documents are submitted electronically as mentioned in d)-i), there is no need to send the original by postal mail. If a digital photograph of a nominee is not attached to the electronic biodata form, a hard-copy photograph should be sent to the APO Secretariat by postal mail. Please specify the candidate's name and the project code on the reverse side of the photograph.

Nomination Deadline

- (f) Member countries are requested to abide by the ***nomination deadline of 2 September 2011***. The APO Secretariat may not consider late nominations as they have in the past resulted in considerable difficulties to the implementing organization in its preparatory work for the project.

- (g) For member countries where nominations are required to be approved by higher government authorities and hence require a longer time, the APO Liaison Officers/NPOs are urged to send the names of nominees on or before the deadline, indicating that government approval will follow.

Others

- (h) Should some candidates fail to qualify or be unable to participate after selection, or should some member countries fail to nominate any candidate, their slots may be filled by alternates from the same or another member country on a merit basis.

- (i) Member countries are requested to inform the selected participants that they are not to bring family members or to engage in any private business activities during the entire duration of the project. Further, if they become unable to attend the project, they should be requested to inform the APO promptly of their inability to participate and the reason for last-minute withdrawal through the APO Liaison Officer/NPOs in member countries.

- (j) Each selected candidate is required to arrive at the venue one day before the start of the official project. Also, all candidates are expected to return home upon completion of the official project because they are visiting the host country for the specific purpose of attending this APO project.

16. Country Paper Preparation

The participants are required to prepare a country paper prior to departure for the project venue for presentation during the workshop. In preparing the papers, they are expected to follow the attached "Guidelines for Preparation of Country Papers."

17. Other Conditions

Other conditions for participation are given in the *APO Guide for Participants*, which is available from APO Liaison Officers/NPOs in member countries and on the APO homepage (URL: www.apo-tokyo.org) and will also be sent to the selected participants.



Ryuichiro Yamazaki
Secretary-General

Workshop on Risk Management in Agricultural and Rural Finance

Guidelines for Preparation of Country Papers

Each participant in the workshop is required to submit a **country paper**. The paper should be typewritten, single-spaced on standard A4-size bond paper, and be between 5 and 7 pages in length, excluding tables/figures. A copy of the paper should reach the APO Secretariat, Ministry of Agriculture, R.I., and Ministry of Manpower and Transmigration, R.I. Indonesia, no later than **15 October 2011**.

The paper may be written in the personal capacity of the participant but must be substantiated and should reflect an accurate account of the current status of agricultural and rural finance in the participant's country. It must be supported by statistical data/information wherever appropriate.

Participants are also required to prepare a **summary or abstract of their country papers not exceeding 300 words**. It should contain only the salient points of the country paper. Participants are strongly advised to use PowerPoint for the presentation of their papers.

The following topical outline is suggested as a guide. It is not meant to restrict the preparation of the country paper but rather to encourage the inclusion of the most relevant information so as to render it more substantial and meaningful.

TOPICAL OUTLINE

1. Please provide a brief overview of the current developments and trends in the agricultural and rural financial services in your country, highlighting the following: a) the number (or percentage) of farmers and rural entrepreneurs serviced by agricultural and rural financial institutions; b) the major institutional players; c) brief description of their types of services/programs for small farmers and rural entrepreneurs; and d) number of farmers and rural entrepreneurs served per year.
2. Please describe the major issues and challenges, particularly the various risks, faced by agricultural and rural financial institutions in your country (or you may focus on your institution if you are working in a financial institution)
3. Please discuss the successful risk management approaches practiced by agricultural and rural financial institutions in your country (or you may focus on your institution if you are working in a financial institution).