



Financing for rural transformation

2025
Rural Development
Report



RDR 2025: Financing for Rural Transformation Key Messages

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GDPRD, November 2024.

Key messages



There is a large gap in financing rural transformation.



Rural transformation represents an opportunity to turn challenges into solutions:

- **Low stranded assets:** An opportunity for patterns of growth that are **decarbonized but also just**.
- **Fragmentation:** Build **e-scale economies** through leveraging technology
- **Low levels of investments and high focus on climate and nature: Opportunity for bankable pipelines** that are climate resilient and low emission while still being financially remunerative.



RDR 2025 presents the vision for this to happen – policies and instruments that can:

- **Reduce risk,**
- **Equate returns**
- **Amplify impact.**

Rural transformation – P.E.R.C



Rural transformation –

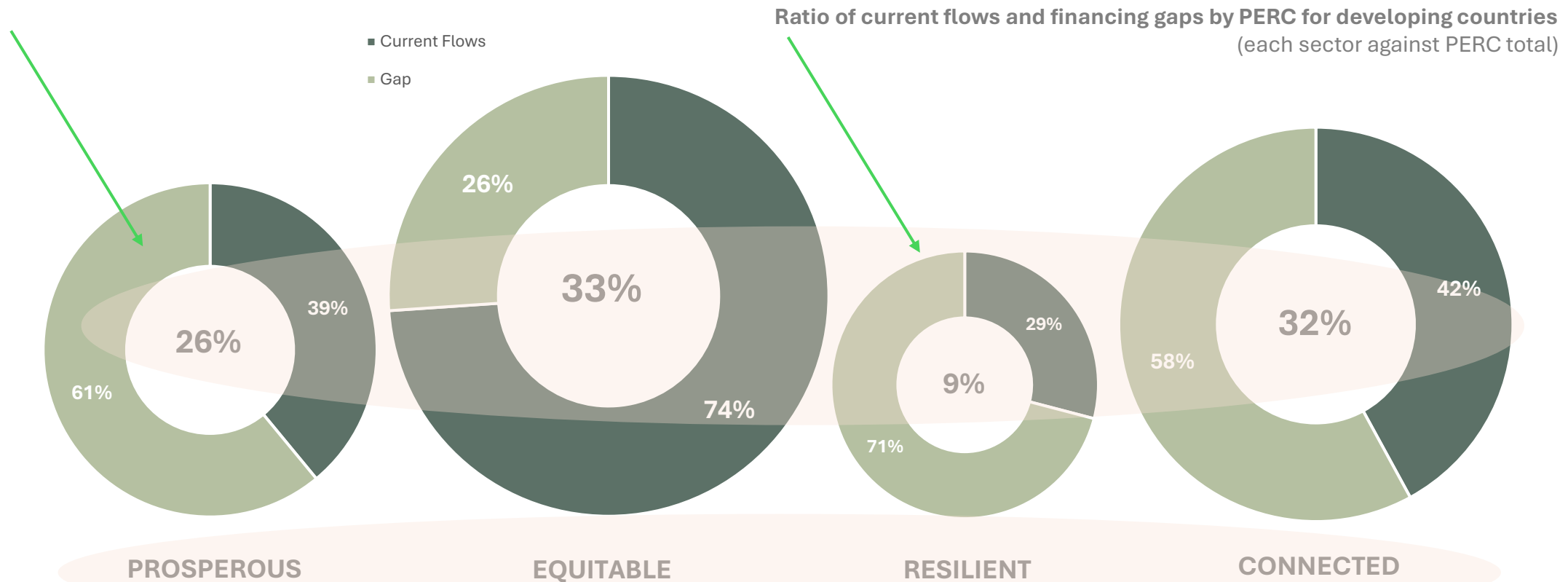


1. Different definitions of rural – A convergence
2. Different definitions of transformation:

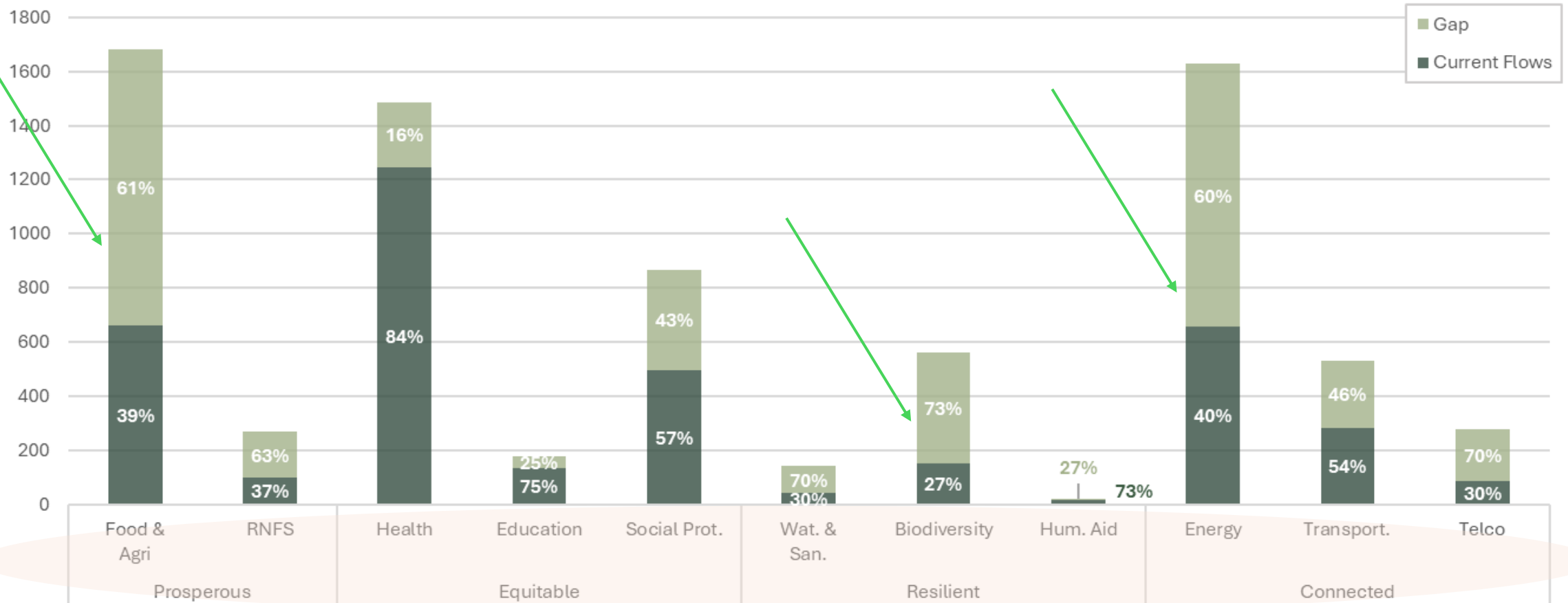
PERC:

- a) Prosperous
- b) Equitable
- c) Resilient
- d) Connected

The financing gap: largest for resilience and prosperity.



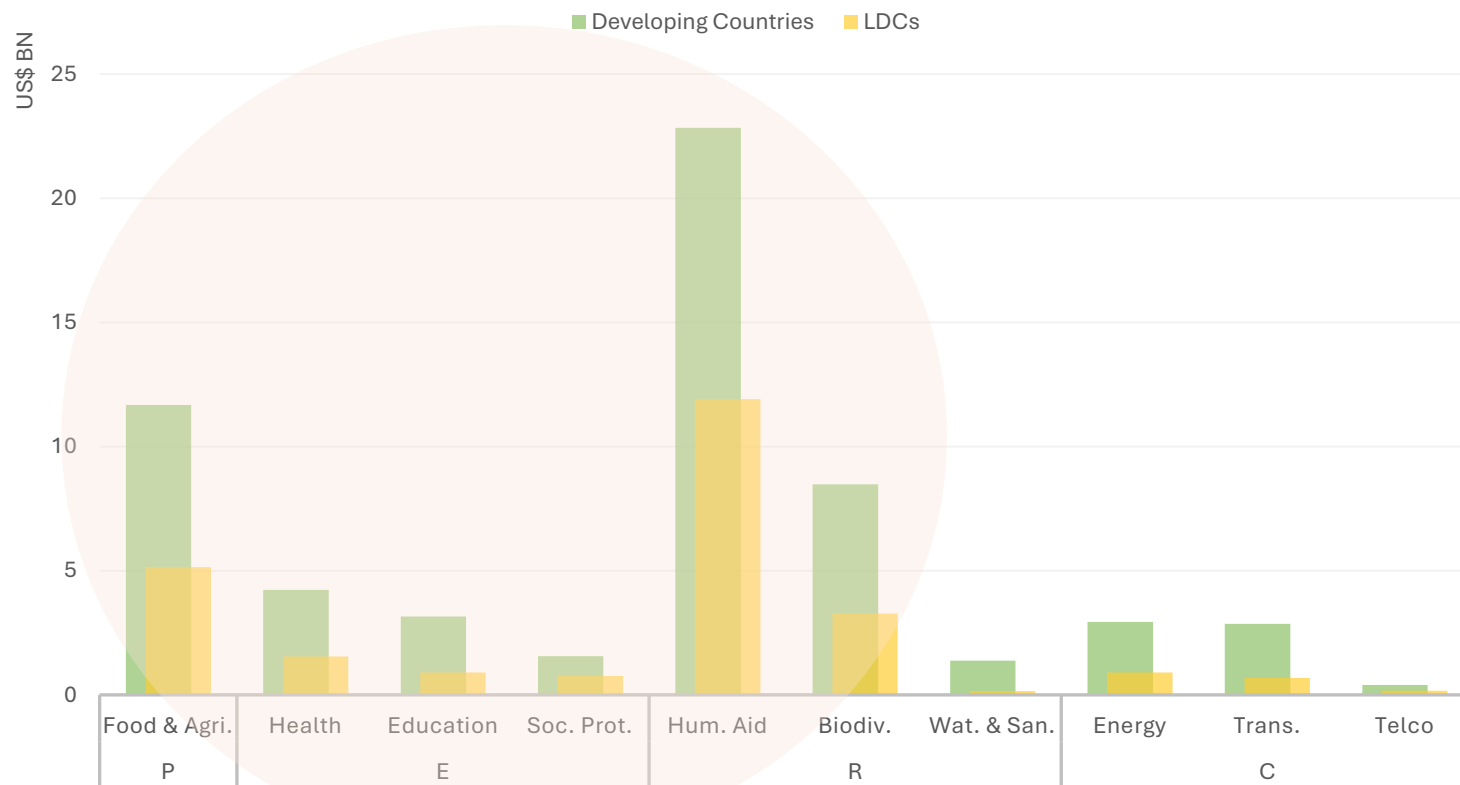
The financing gaps: largest in agri-food, biodiversity and energy.



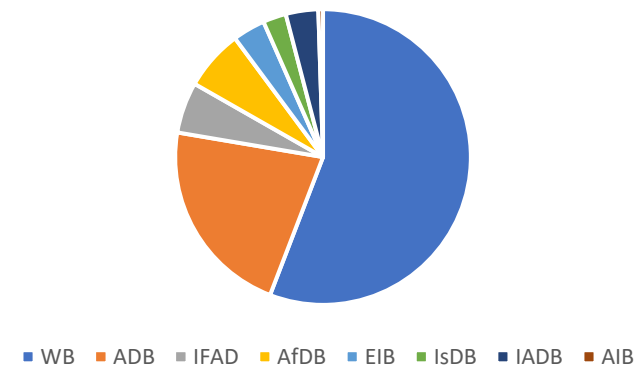
Role for ODA in PERC sectors: Currently at US\$ 60 Billion (for rural areas)



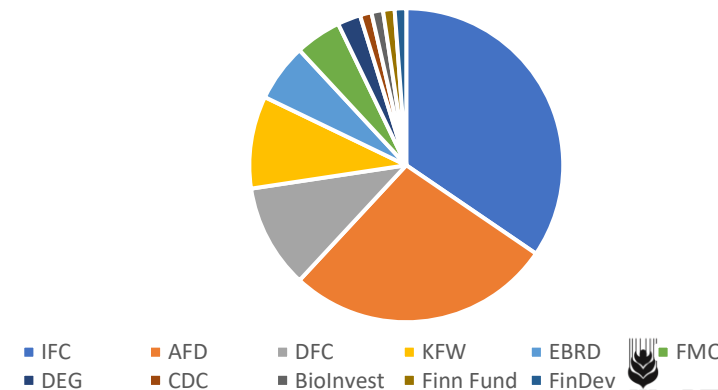
ODA for Rural development in Dev. Countries and LDCs (US\$bn)



IFIs lending to agriculture and rural dev. (US\$bn)



DFIs lending to agriculture (US\$bn)



Instrument analyses

Key criteria that we are investigating:

1. Leverage ratios
2. Additionality
3. Impact (on income or GDP)
4. Return on Investment



What financing instruments can change the landscape? An Analyses

Instruments emerging to be most effective:

Agrarian	Hybrid	Diversified
Microfinance	Commercial loans	Commercial loans
Partial credit guarantees	Partial credit guarantees	Value chain financing
Savings	Value chain financing	Currency swaps
	Currency swaps	Savings
	Savings	

*Blended finance cuts across all instruments.

Policy analyses

- **Risk and Capital Adequacy frameworks:** IFRS9 and Basel IV have big role to play for incentives.
- **Digital collateral registries:**
 - Reforms introduced over the past 20 years
 - Where moveable collateral registries were introduced the number of firms with access to finance increased by 8%, with stronger benefits for small firms (WB)
- **Subsidies – where?**
 - Agriculture, rural healthcare, education, and social services.
 - Key areas of project preparation – feasibility studies, transaction support, legal aspects.
 - Income/consumption.
- **True accounting and pricing** (negative and positive externalities; materiality).
 - Development impact in financing frameworks.





Thank you!

■ Developing Countries ■ LDCs

