



## PALM-TREES

### A Pan African and Transdisciplinary Lens on the Margins: Tackling the Risks of Extreme Events (PALM-TREES)

# ENHANCING RURAL INSTITUTIONS, COOPERATIVES AND FINANCIAL INCLUSION FOR CLIMATE RESILIENCE IN KWARA STATE

POLICY BRIEF

NO. 5, JUNE, 2026, ISSN 0189-4668

#### EXECUTIVE SUMMARY

Rural institutions and financial systems are critical enablers of climate resilience. In Kwara State, however, these systems remain underdeveloped, limiting communities' ability to respond to climate risks. Evidence from the PALM-TREES study shows that 58.4% of households are not members of any cooperative, while 66.2% lack access to microfinance services. This institutional and financial exclusion constrains access to credit, markets, and information, thereby reducing

households' capacity to invest in adaptive technologies and diversify livelihoods. The absence of strong collective structures further weakens the effectiveness of government and development interventions. Without strong institutional and financial systems, public investments in agriculture and resilience will continue to yield limited results. This policy brief draws on PALM-TREE's findings and relevant literature to propose a shift toward institutionally driven, financially inclusive resilience systems, in which cooperatives,

financial services, and social networks play a central role in climate adaptation. This brief calls for a systemic strengthening of rural institutions and financial inclusion systems, including:

- Expansion of cooperative systems
- Scaled access to rural finance and insurance
- Integration of financial services into climate adaptation programmes
- Strengthening institutional coordination

#### Methodology

This policy brief is based on findings from the PALM-TREES (Pan-African and Transdisciplinary Lens on the Margins) project conducted in Kwara State, which applied a mixed-methods and transdisciplinary approach to understanding climate vulnerability and resilience. The study combined physical climate analysis with social and institutional assessments. Physical analysis included satellite data (Sentinel-1, Landsat, MODIS), climate datasets (CHIRPS, ERA5), and drought indices (SPI, SPEI, SMI) to assess environmental risks. The social science component engaged over 900 respondents across more than 500 communities, using surveys, focus group discussions, and participatory assessments. This provided detailed insights into institutional participation, access to financial services, and livelihood systems. The study also applied integrated data analysis, linking climate risks with institutional and financial factors to

understand how these influence vulnerability and adaptive capacity. This approach highlights the importance of rural institutions and financial inclusion in shaping resilience outcomes. This policy brief synthesizes these findings and complements them with national and global literature to generate policy-relevant recommendations.



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## Policy Context

Rural institutions such as cooperatives, farmer associations, savings groups, and community-based organizations are widely recognized as critical components of resilient agricultural and livelihood systems. These institutions enable collective action, improve access to resources, and facilitate



knowledge sharing among members (FAO, 2013). In Nigeria, policy frameworks have emphasized the role of cooperatives and financial inclusion in agricultural development and poverty reduction. However, implementation at the state level remains uneven. In Kwara State, rural institutional systems remain weak, with limited support for cooperative development and poor integration into agricultural and rural

## Key Issues and Evidence

The PALM-TREES study highlights significant gaps in rural institutional participation and financial inclusion in Kwara State. Approximately 58.4% of respondents reported not belonging to any cooperative group, while 66.2% indicated a lack of access to microfinance services. These gaps have important implications for climate resilience. Without access to cooperatives or financial services, households are unable to pool resources, access credit, or benefit from collective action. This limits their ability to invest in adaptive technologies such as irrigation, improved seeds, or soil conservation measures.

The study also indicates that only about 48% of respondents reported access to social networks that could provide information or resources. This suggests that social capital, an important determinant of

development strategies. Financial inclusion is particularly low in rural areas due to limited access to financial institutions, high transaction costs, and low financial literacy.

Institutionally, responsibilities are fragmented across the Agriculture, Commerce, Finance, and Rural Development ministries; coordination mechanisms are weak; and budgetary allocation for rural institutional development is limited. These constraints reduce the effectiveness of interventions and limit resilience outcomes. Financial inclusion remains a significant challenge, particularly in rural areas where access to formal banking services is limited. Many households rely on informal financial systems, which are often insufficient to support investment in climate adaptation. Access to credit, savings, and insurance is critical for enabling farmers to adopt new technologies and manage risks (World Bank, 2021). Institutionally, responsibilities for rural development, cooperatives, and financial inclusion are spread across multiple ministries and agencies, including the Ministries of Agriculture, Commerce, and Rural Development. This fragmentation limits coordination and reduces the effectiveness of interventions. The PALM-TREES findings reinforce these challenges, showing that rural communities in Kwara State lack strong institutional support systems and access to financial services. To build resilience, policy must shift toward a systems-based approach that strengthens both economic and social institutions, enabling communities to act collectively and access financial resources.

resilience, is relatively weak in many communities. Where group-based interventions were implemented, improvements in knowledge sharing, access to resources, and the adoption of adaptive practices were observed. This demonstrates the potential of strong institutions to enhance resilience. The lack of financial inclusion further constrains adaptation. Without access to credit or savings mechanisms, households are unable to recover from shocks or invest in long-term resilience. This increases vulnerability and reinforces poverty cycles. These findings are consistent with broader evidence showing that financial inclusion and strong institutions are critical for climate adaptation and rural development (World Bank, 2021; FAO, 2013).

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## Policy Implications

The findings suggest that rural institutions and financial systems must be repositioned as central pillars of climate resilience policy. First, strengthening cooperatives and farmer organizations will enable collective action, improving access to resources, markets, and information.

Second, expanding financial inclusion is essential for enabling households to invest in adaptation and manage risks. Access to credit, savings, and insurance mechanisms will provide the financial tools needed to support resilience.

Third, policy must move beyond short-term interventions toward long-term institutional

development, ensuring sustainability and scalability of resilience efforts.

Fourth, integrating financial inclusion into climate and agricultural policies will enhance the effectiveness of interventions and create synergies across sectors.

Fifth, strengthening rural institutions will improve the delivery and impact of other programmes, including extension services, water infrastructure, and social protection.

Finally, addressing gender and social inclusion is critical. Women and vulnerable groups often face additional barriers to accessing institutions and financial services, and targeted interventions will be required to ensure equitable outcomes.

## Priority Policy Recommendations

### 1. Strengthen Cooperative Development Systems

#### a. Support Formation and Formalization of Farmer Cooperatives

Kwara State should prioritize the formation, registration, and strengthening of farmer cooperatives and producer organizations as foundational institutions for resilience.

Key actions include:

- Facilitating group formation at community level (crop-based, livestock, women/youth groups)
- Simplifying registration processes through the Ministry of Commerce/Cooperatives
- Providing legal recognition to enable access to credit, inputs, and markets

#### b. Provide Training on Governance, Management, and Financial Literacy

Many cooperatives fail due to weak internal systems. The State should implement structured capacity-building programmes covering:

- Cooperative governance (leadership roles, decision-making processes)
- Financial management (record keeping, budgeting, accountability)
- Business development and entrepreneurship

#### c. Link Cooperatives to Markets and Value Chains

To ensure sustainability, cooperatives must be integrated into functional value chains.

This involves:

- Facilitating partnerships with off-takers, processors, and aggregators
- Supporting bulk marketing and aggregation systems
- Providing access to market information and logistics support

### 2. Expand Rural Financial Inclusion

#### a. Promote Microfinance and Cooperative Banking Systems

Kwara State should expand access to affordable financial services by:

- Partnering with microfinance banks and cooperative societies
- Encouraging the establishment of community-based savings and credit schemes
- Providing regulatory and technical support for cooperative banking

#### b. Facilitate Mobile Banking and Digital Financial Services

Digital financial services can overcome rural access barriers. The State should:

- Promote mobile money platforms for payments and savings
- Partner with telecom providers to expand rural coverage
- Support agent banking networks in underserved communities

### 3. Integrate Financial Services into Climate Adaptation Programmes

#### a. Provide Targeted Credit for Climate-Smart Investments

Access to finance is critical for adopting climate-smart technologies. The State should:

- Establish dedicated climate adaptation credit schemes
- Provide low-interest loans for irrigation, improved seeds, and equipment
- Use cooperatives as channels for credit delivery

#### b. Link Financial Services with Extension and Input Delivery Systems

Financial services should be integrated with existing

agricultural systems:

- Extension agents can serve as financial access facilitators
- Input suppliers can be linked to credit schemes
- Bundled services (credit + inputs + advisory) can be developed

This creates a holistic support system for farmers.

#### 4. Strengthen Institutional Coordination

##### a. Align Ministries Responsible for Agriculture, Finance, and Rural Development

Fragmentation across ministries reduces effectiveness. The State should:

- Establish clear coordination mechanisms between Agriculture, Finance, Commerce, and Rural Development
- Align programmes and budgets to avoid duplication
- Develop joint implementation plans

##### b. Establish Platforms for Coordination and Collaboration

A **Rural Finance and Institutional Development Platform** should be created to bring together:

- Government agencies
- Financial institutions
- Development partners
- Civil society

##### c. Improve Policy Coherence

Policies on agriculture, finance, and climate should be harmonized to ensure:

- Consistency in objectives and implementation
- Alignment with national frameworks
- Efficient use of resources

#### 5. Promote Inclusive Institutional Development

##### a. Target Women and Vulnerable Groups for Cooperative Membership

The State should ensure that cooperatives are inclusive by:

- Supporting women-only or youth-focused groups where necessary
- Setting inclusion targets for cooperative membership
- Providing targeted outreach to marginalised communities

##### b. Support Gender-Responsive Financial Products

Financial services should be tailored to the needs of women and vulnerable groups:

- Flexible loan conditions
- Smaller loan sizes
- Group-based lending models

##### c. Address Barriers to Participation

Barriers such as literacy, cultural norms, and mobility constraints should be addressed through:

- Local-language training programmes
- Flexible meeting schedules
- Community sensitisation

#### 6. Build Capacity of Rural Institutions

##### a. Provide Training and Technical Support

Continuous capacity building is essential for institutional sustainability. The State should:

- Provide technical assistance to cooperatives
- Support organisational development
- Facilitate mentorship programmes

##### b. Promote Sustainability of Institutions

To ensure long-term viability, the State should:

- Encourage income-generating activities within cooperatives
- Reduce dependence on external support
- Build internal capacity for self-management

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