Microfinance and Agricultural Development

Maria Pagura, Rural Finance Officer, Food and Agriculture Organization (FAO) of the United Nations

FARM Conference: What Microfinance for Developing Countries’ Agriculture
4-6 December 2007
Paris, France
Globalization and Agriculture

- Increased international flow of
  - information
  - goods
  - financial capital
  - technology

- Realignment of roles
  - private sector
  - the state
  - civil society

- Technological and institutional innovations

“New Agriculture”
Drivers of Change in Agri-Food Systems

- **Rising incomes**
  - Diet diversification out of staples (Engels Law, Bennett Law)

- **Demographic Shifts**
  - Urbanization
  - Rising female employment

- **Technology**
  - ICT revolution
  - Chain management
  - Processing and transportation
  - Genetic engineering

- **"Globalization"**
  - Foreign direct investment (in retail and production)
  - Trade liberalization
Underinvestment in Agriculture

Typologies of Agricultural Development

# Food System Transformation: Key Country-level Factors

<table>
<thead>
<tr>
<th></th>
<th>Traditional Agriculture</th>
<th>Modernizing Agriculture</th>
<th>Industrialized Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share of Ag in GDP</strong></td>
<td>&gt;30%</td>
<td>10%-30%</td>
<td>&lt;10%</td>
</tr>
<tr>
<td><strong>Share of Ag labor</strong></td>
<td>&gt;50%</td>
<td>15-50%</td>
<td>&lt;15%</td>
</tr>
<tr>
<td><strong>Market Orientation</strong></td>
<td>Subsistence</td>
<td>National</td>
<td>International</td>
</tr>
<tr>
<td><strong>Output Mix</strong></td>
<td>Food Staples</td>
<td>Food Staples + Export Crops</td>
<td>Highly differentiated</td>
</tr>
<tr>
<td><strong>Scale Economies</strong></td>
<td>Not Important</td>
<td>Not Important</td>
<td>Important</td>
</tr>
</tbody>
</table>
Percent of Firms Reporting Finance as a Problem

Source: Demirgüç-Kunt, Thorsten and Beck, 2008.
Finance Helps Firms Grow Faster

But Not Always....

Finance and Agriculture

Chart 2

From finance to the farm
As private credit increases so does fertilizer use.
(fertilizer use per hectare of arable land, in 100 grams)

Sources: World Bank, World Development Indicators (2005); author’s analysis.
Note: Variables are in logarithms and are averaged over the period 1980–2003.
Finance and Input Use and Income

Microfinance and Agricultural Development
FAO Rural Finance

- Support to member governments through normative work and technical assistance
- Building capacity through the Rural Finance Learning Centre
- Financial sector linkages
- Value chain finance
- MicroBanking System for financial institutions
- Risk management and insurance
- Inventory credit, leasing, contract farming projects
Normative Work

- Agriculture Finance Revisited series
- Contract Farming: Partnerships for Growth
- Livestock and Aquaculture Insurance in Developing Countries
- Expanding the Frontier in Rural Finance: Financial Linkages and Strategic Alliances
- Talking about Money series

www.fao.org/ag/ags/index_en.html
# Opportunities de formation

L’objet de cette section est de lister les cours de formation et d’ateliers qui sont offerts aux réseaux national et international dans le domaine de la micro-finance et de la finance rurale, le développement d’entreprises, de systèmes bancaires et autres thématiques pertinents.

Les cours peuvent être des programmes universitaires et instituts de formation qui conduisent à des qualifications, ainsi qu’à des ateliers de formation intensifs de sensibilisation ou bien des formations interne. Des tableaux d’échanges et des opportunités de formation à distance seront également répertoriées.

## Tableau des opportunités de formation

<table>
<thead>
<tr>
<th>Cours de formation</th>
<th>Organisation</th>
<th>Programme pour les utilisateurs</th>
<th>Type de formation</th>
<th>Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Financial Systems for the Poor: How Donors Can Make a Difference</td>
<td></td>
<td></td>
<td>Cours intensif</td>
<td>Jordan (IL)</td>
</tr>
<tr>
<td>Atelier de Formation sur le Calcul des coûts et tarification des produits</td>
<td></td>
<td></td>
<td>Atelier</td>
<td>Peru</td>
</tr>
<tr>
<td>Atelier de Formation sur le Test pilote de produit de microfinance</td>
<td></td>
<td></td>
<td>Atelier</td>
<td>Benin (BS) ; COUNTRIES-AFRICA</td>
</tr>
<tr>
<td>Atelier de Formation Etude de Marché pour la Microfinance</td>
<td></td>
<td></td>
<td>Atelier</td>
<td>Senegal (SF) ; COUNTRIES-AFRICA</td>
</tr>
<tr>
<td>Training of Trainers for Delinquency Management Course</td>
<td></td>
<td></td>
<td>Atelier</td>
<td>Bénin (BB)</td>
</tr>
<tr>
<td>Business Planning and Financial Projections with Microfin</td>
<td></td>
<td></td>
<td>Atelier</td>
<td>Etats-Unis</td>
</tr>
<tr>
<td>Diplomado en Microfinanzas</td>
<td></td>
<td></td>
<td>Université</td>
<td>Design (US)</td>
</tr>
<tr>
<td>An International Training Programme en Managing Micro-enterprise and Micro-finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Installation and Use of the FAO-ODTA Microbanking System</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II Program Latinoamericano de Liderazgo en Microfinanzas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curso de Identificación de Negocios y Proyecciones Financieras utilizando el Microf</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curso Avanzado de &quot;Microfin&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third International Programme on 'The Art of Up scaling Microfinance'</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microenterprise Development Certificates 2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sommer Intensive Program (2006-2007) - international Master of Science degree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pôlelet University</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valor Church Program Design: Promoting Commercially Viable Solutions for MSEs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreación de Grénotis en Micro</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning Customer Service in the Microfinance Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Financial Sector Linkages

- Global review of financial sector linkages
- Financial linkages trainings
- Financial linkage facilitation guide
Value Chain Finance

- Regional workshops to survey field experiences
- Review of selected value-chain finance models
- Development of appropriate financial services and products for small and medium agri-business sectors
The FAO/GTZ MicroBanking System for Windows

- Software to manage your financial institution’s transactions in a comprehensive manner, maintain your general ledger, and monitor all operations.
Conclusions

- “New Agriculture” is transforming demand for rural financial services.
- Innovations – new products, partnerships and delivery mechanisms – promising.
- Challenges remain – building sustainable partnerships, developing enabling environments, capacity building needs remain high.
- Focus on well-organized and studied experiments and pilots important.