

INTERNATIONAL CONFERENCE: "WHAT MICROFINANCE FOR DEVELOPING COUNTRIES' AGRICULTURE?"

December 4, 5 and 6, 2007, PARIS (FRANCE)

WORKSHOP 1: HOW CAN MICROFINANCE SERVICES BE BETTER ORGANIZED TO RESPOND TO THE SPECIFICITIES OF AGRICULTURE?

THE ISSUES

The growth of microfinance has emerged out of the failure of development financial institutions and national commercial banks to sustainably meet the needs of poor rural populations in developing countries.

Conventional banks have thus far proven unable to finance agriculture and rural activities due to difficult business environments where small transaction size combined with insufficient institutional and physical infrastructure increase transaction costs. While all microfinance institutions share the characteristic of small-scale transactions, their organizational structures and level of formality widely vary: from *mutualiste* models, saving and credit cooperatives, Self-Help Groups and CVECAs (self-manage village savings and credit banks) to village banks and non-government organizations that have transformed into formal financial institutions.

Each of these approaches has strengths and weaknesses in terms of targeting the poorest, offering adequate products and covering operational costs. Hence financial cooperatives and *mutualiste* entities often federate to offer a wider range of services and reduce costs, so as to better reach more isolated populations.

In light of such diversity, is it possible that one particular institutional model is better adapted to financing agricultural activities than another? For example, does the concentration of *mutualiste* systems in agricultural contexts offer a key for better understanding the specificities of financing agriculture and overcoming the difficulties inherent to this sector?

Nevertheless is the institutional focus really relevant? Isn't it better to enlarge the focus towards to the adopted approach (agribusiness, faire trade, etc) or according to developed interactions with others actors in agriculture (such as farmers organizations) as well as according to financial products's quality?

EXPECTED OUTCOMES

During this workshop, speakers will present different categories of institutional models and will demonstrate the relevance of each model (its strengths and weaknesses) in designing services that are adapted to farmers.

