

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

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

WORKSHOP 5: UNDER WHAT CONDITIONS IS AGRICULTURAL MICROFINANCE FINANCIALLY VIABLE?

THE ISSUES

Agricultural activities present many particularities: considerable volumes of financing, seasonality that leads to cash flow problems, high production risks (due to climate) and sales risks (due to unstable prices and markets). The risk of borrower default is particularly high. In addition, financing agricultural activities engenders contextual constraints and costs: the inaccessibility of rural areas, insufficient infrastructure, low population density, etc.

At the same time, the low profitability of agricultural activities makes it difficult for financial institutions to apply sustainable interest rates that cover costs and mitigate the high risks of agricultural lending. And yet interest rates should not be a burden to microentrepreneurs nor erode profit margins excessively.

The microfinance sector's emphasis on sustainability challenges agricultural finance providers to adopt strategies that will ensure financial viability, so as not to pollute the financial sector with inefficient institutions.

EXPECTED OUTCOMES

This workshop will analyze the conditions necessary for microfinance institutions financing agriculture to achieve sustainability. Participants will present and analyze the strategies used to confront the various risks discussed. The different forms of financing adopted by "agricultural" microfinance institutions will be assessed.