

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

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

## **PLENARY SESSION 1: HOW CAN MICROFINANCE RESPOND TO THE NEEDS OF FARMERS?**

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### **THE ISSUES**

Three out of four poor people live in rural areas, and the majority of rural inhabitants depend on agriculture. Access to appropriate financial services is a critical factor for agricultural development in the South. Yet, due to the specific constraints that come with financing agriculture (reaching isolated rural areas, working with highly seasonal activities, agro-climatic risks, price variations, etc.), developing an adequate supply of appropriate financial services remains a challenge in most southern countries.

In the wake of post-colonial independences, many southern countries adopted an agricultural finance paradigm based on government intervention in the form of state development banks and highly subsidized credit, considered an "input" to production. By the 1980's, the failure of subsidized credit and bankruptcy was sufficiently widespread to justify the closure of public banks, financial sector liberalization and the development of microfinance. Some twenty years later, despite considerable progress made in rural areas, microfinance institutions (MFIs) are still most present in urban zones. Moreover, when they do have rural outreach, focus is primarily on non-agricultural rural activities. Indeed, the specific needs of agricultural activities were barely considered until recently (Dakar seminar, 2002).

A recent report by the World Bank emphasized the relevance of financing agriculture. The lessons learned from past errors (from "100% government-led" to "100% market-led") have led to more pragmatic approaches that focus on innovation and encourage the financial sector to seek out complementarities with the private sector, civil society and governments. The financial sector seeks to increase impact on agricultural finance by adapting microfinance "models" (cooperatives, village banks, self-help groups and solidarity guarantees) to the specificities of agriculture, by developing innovative products and methodologies that help reduce vulnerability of rural households, improve the management of agricultural risks and encourage agricultural investment. New synergies among a variety of actors (microfinance, banks, professional agricultural organizations, donors and public policies, etc.) appear promising for developing rural finance.

**EXPECTED OUTCOMES**

The plenary session will provide an overview of agriculture microfinance (main characteristics, actors, recent innovations in products and services, emerging synergies and partnerships, etc.). Regional examples will illustrate how farmers in the South currently access finance for their agricultural activities and will explore recent advances in agricultural finance. These presentations are designed to encourage reflection on the conditions needed to develop innovative microfinance that will meet the needs of agriculture.