



# 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***

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**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

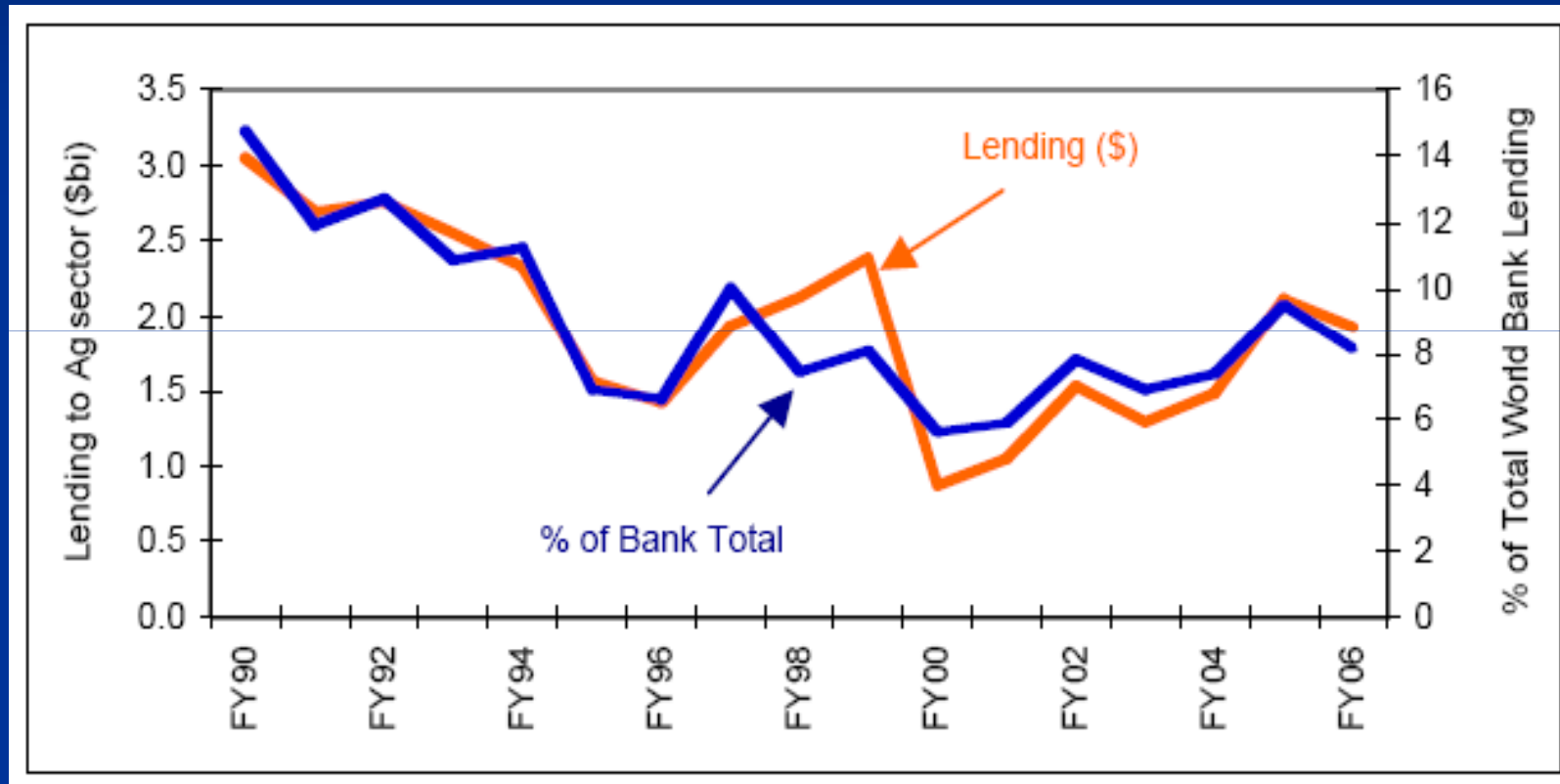


“New Agriculture”

# Drivers of Change in Agri-Food Systems

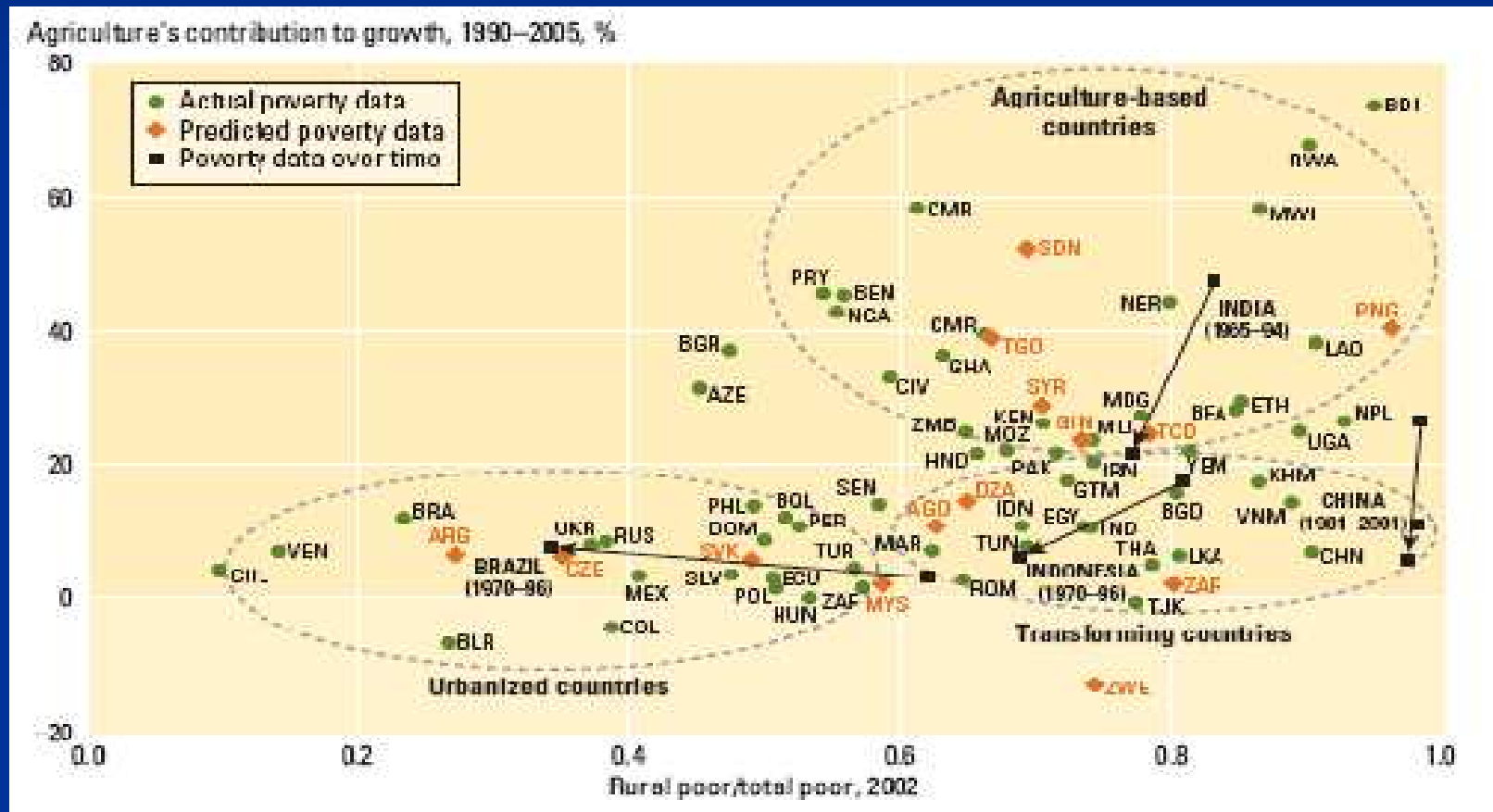
- *Rising incomes*
  - Diet diversification out of staples (Engels Law, Bennett Law)
- *Demographic Shifts*
  - Urbanization
  - Rising female employment
- *Technology*
  - ICT revolution
  - Chain management
  - Processing and transportation
  - Genetic engineering
- *“Globalization”*
  - Foreign direct investment (in retail and production)
  - Trade liberalization

# Underinvestment in Agriculture



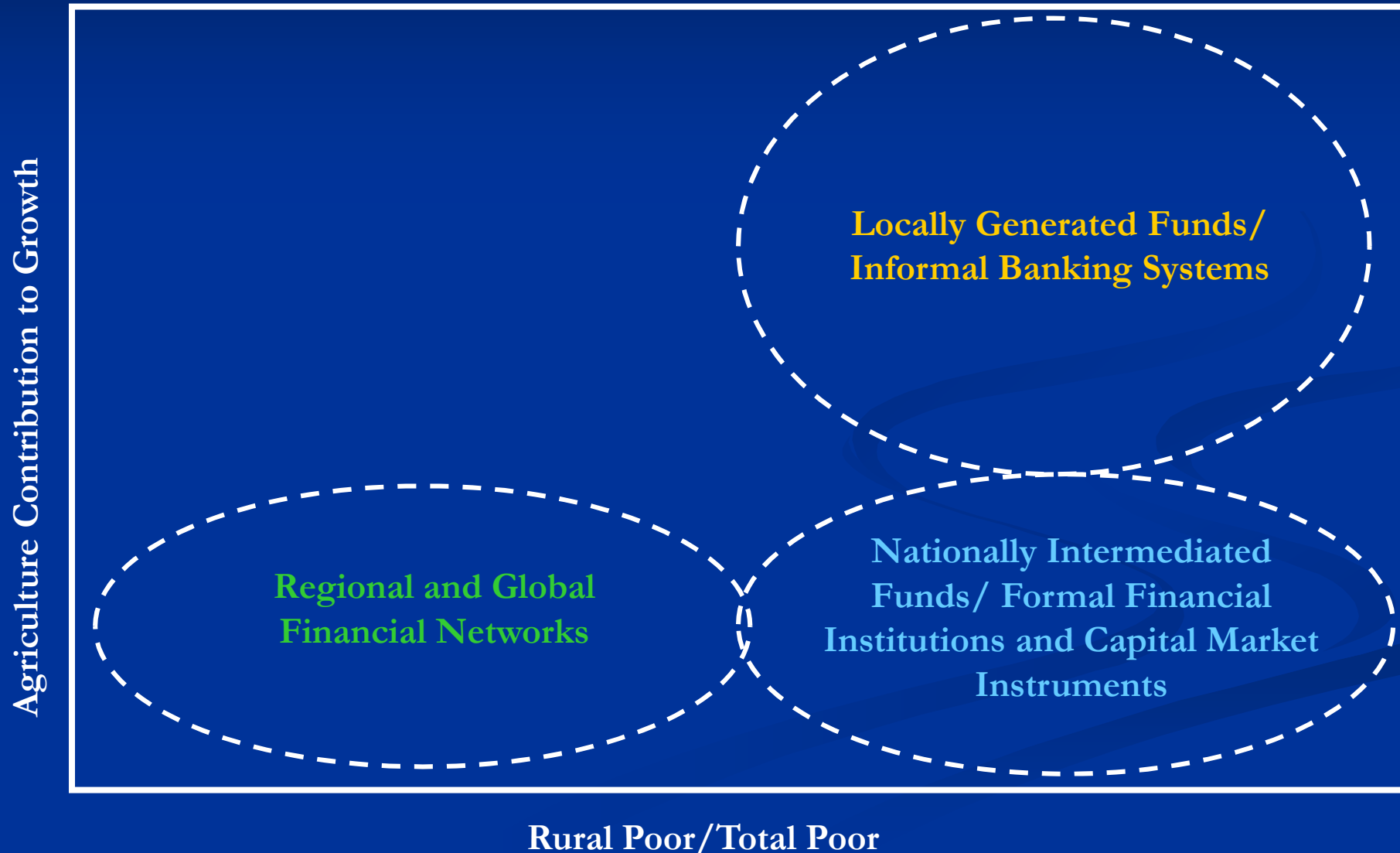
Source: World Development Report 2008

# Typologies of Agricultural Development



Source: World Development Report 2008

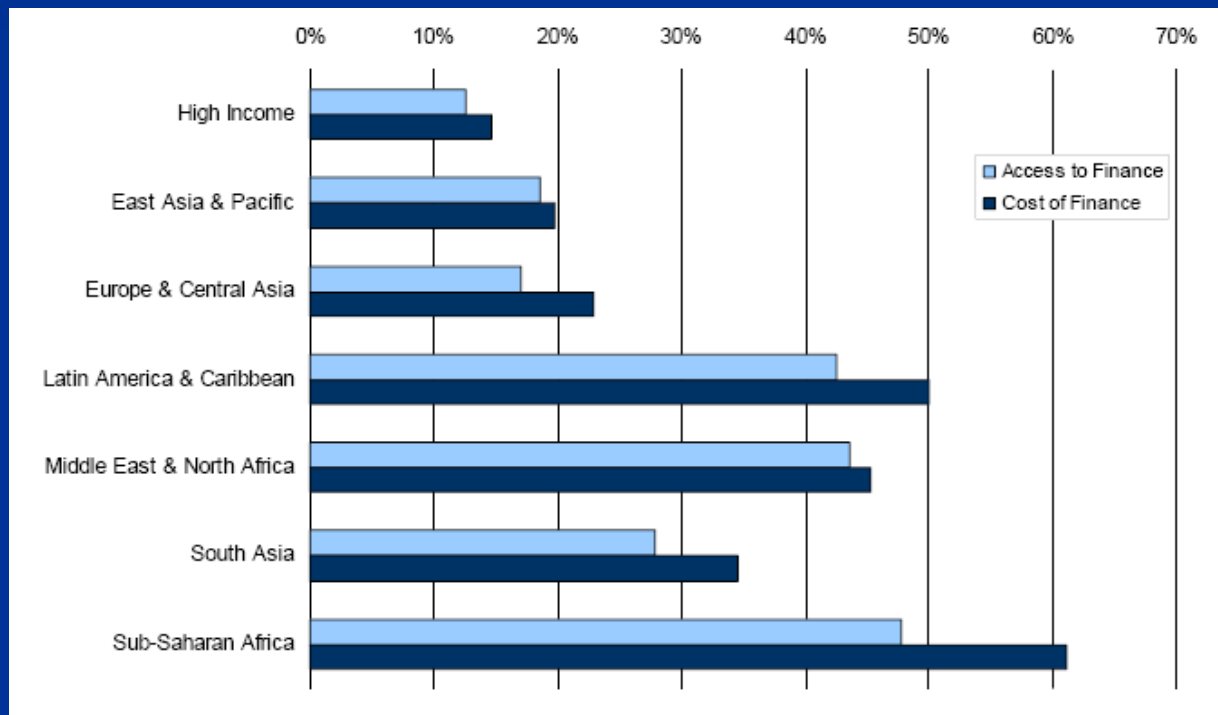
# Financial Markets and Development



# Food System Transformation: Key Country-level Factors

	<b>Traditional Agriculture</b>	<b>Modernizing Agriculture</b>	<b>Industrialized Agriculture</b>
<b>Share of Ag in GDP</b>	>30%	10%-30%	<10%
<b>Share of Ag labor in total</b>	>50%	15-50%	<15%
<b>Market Orientation</b>	Subsistence	National	International
<b>Output Mix</b>	Food Staples	Food Staples + Export Crops	Highly differentiated
<b>Scale Economies</b>	Not Important	Not Important	Important

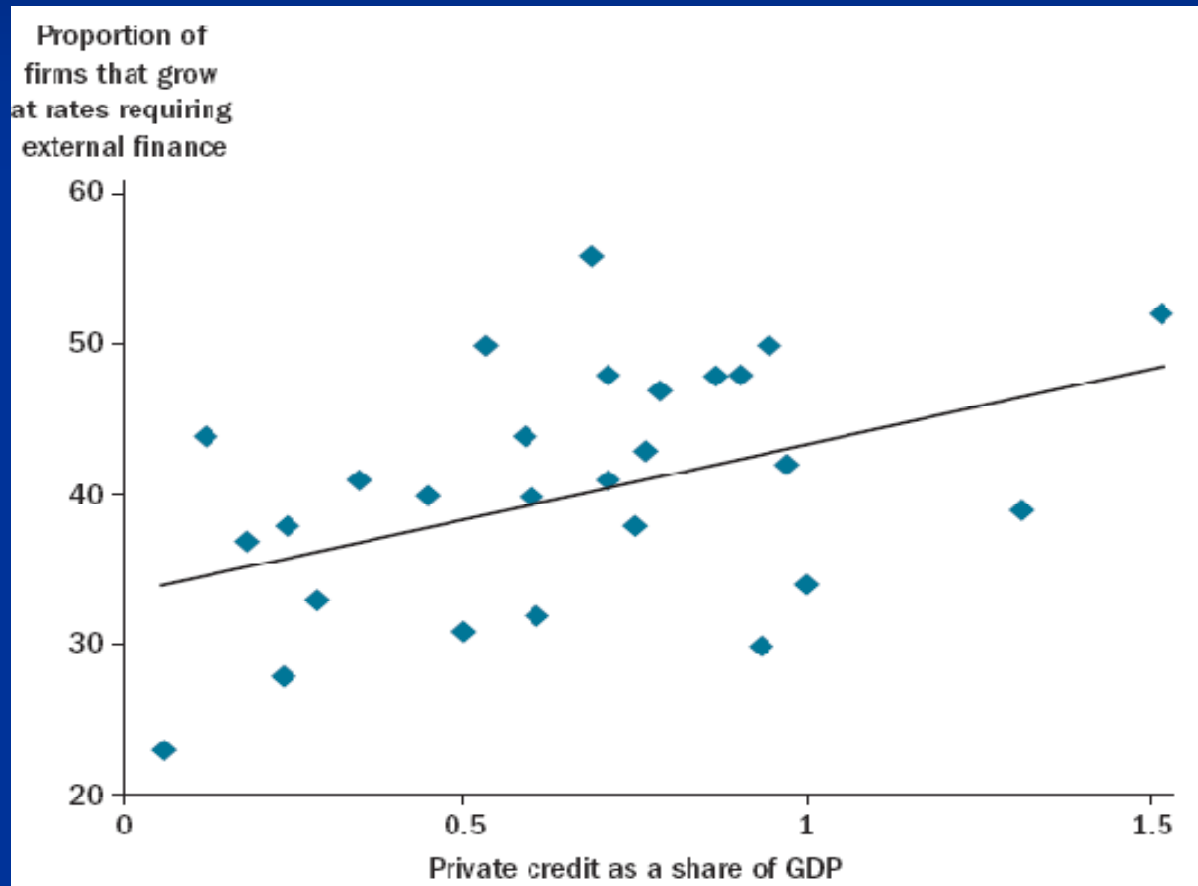
# Percent of Firms Reporting Finance as a Problem



Source: Demigüç-Kunt, Thorsten and Beck, 2008.

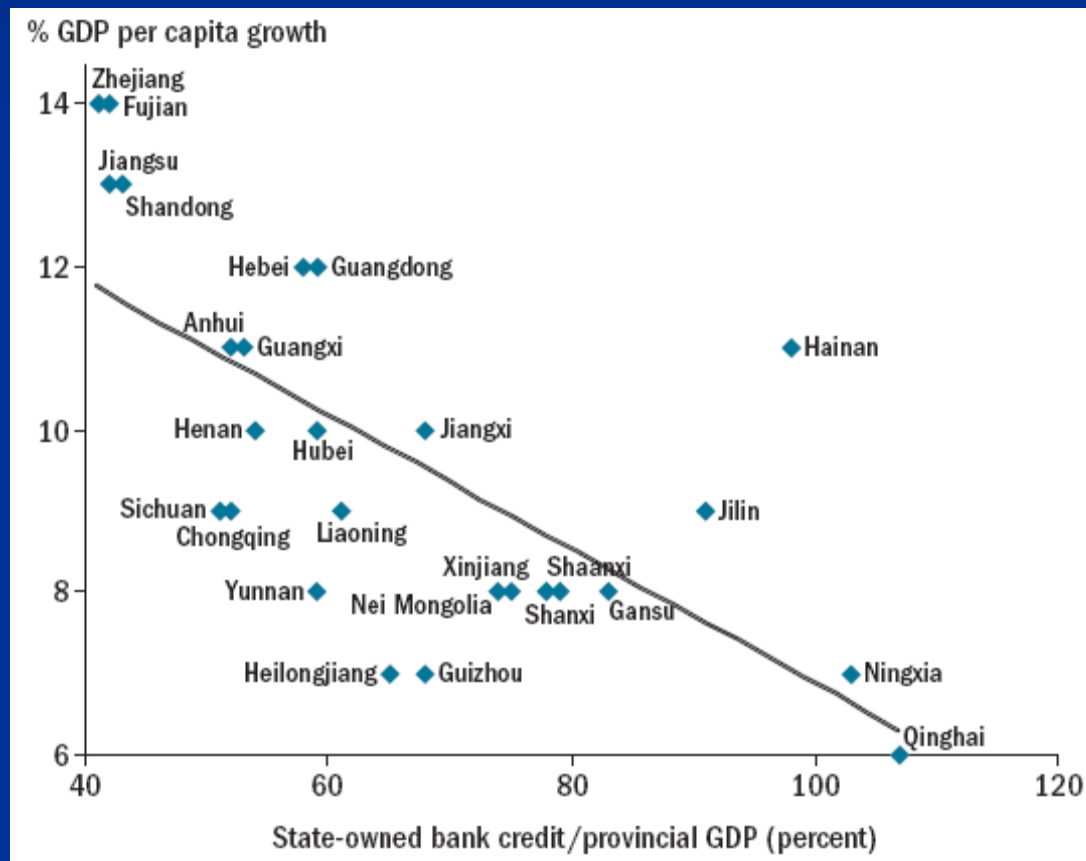


# Finance Helps Firms Grow Faster



Source: Demirgüç-Kunt and Maksimovic (1998).

# But Not Always....



Source: Boyreau – Debray (2003)

# Finance and Agriculture

Chart 2

## From finance to the farm

As private credit increases so does fertilizer use.

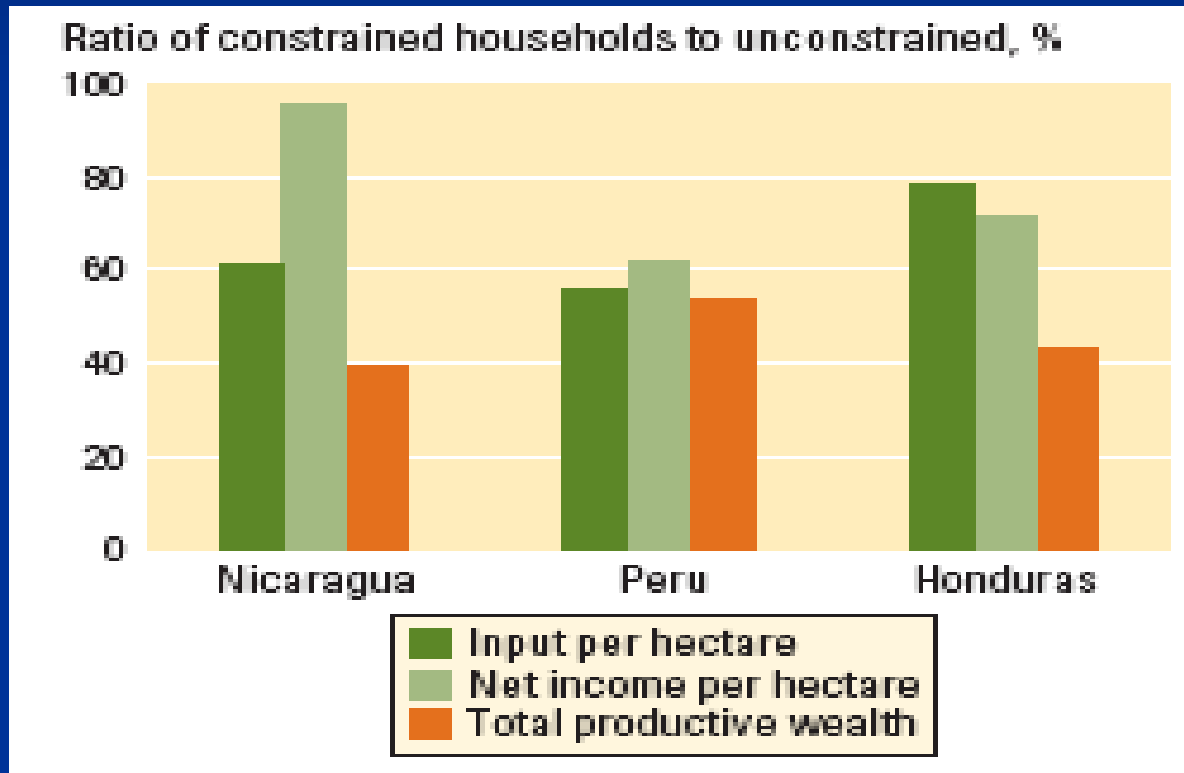
(fertilizer use per hectare of arable land, in 100 grams)



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



Source: Boucher, Carter and Guirkingner 2006.

# 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](http://www.fao.org/ag/ags/index_en.html)

# Rural Finance Learning Centre

English | Español | Français | Русский

## Finance Rurale

CENTRE D'APPRENTISSAGE

Formation | **Ressources** | Actualités | Discussions | Contacts | Chercher

aide page d'accueil / Formation / Opportunités de formation recherche avancée indices de recherche

**Se connecter**

Nom de l'utilisateur

Mot de passe

Est ce que vous avez oublié votre mot de passe?  
Enregistrez-vous dès à présent!

**Thèmes**

- Ateliers précédents
- Les guides de formation
- Matériel pour étudier en toute autonomie
- Opportunités de formation**
- Vidéos

**Vue d'ensemble du Thème**  
id: 5572  
Visites : 13194

**Opportunités de formation**

L'objectif de cette section est de lister les cours de formation et d'ateliers qui sont offerts aux niveaux national et international dans le domaine de la micro-finance et de la finance rurale, du développement d'entreprises, de systèmes bancaires et autres thèmes pertinents.

Les cours peuvent inclure des programmes universitaires et d'instituts de formation qui conduisent à des qualifications, ainsi qu'à des cours ad hoc de formation intensive de sensibilisation ou bien des formations internes. Des visites d'échanges et des opportunités de formation à distance seront également répertoriées lorsque disponibles.

Cours de formation	Organisation	Programme pour les visiteurs	
<b>Titre</b> ↑ ↓			<b>Type de formation</b> ↑ ↓
			<b>Pays</b> ↑ ↓
Building Financial Systems for the Poor: How Donors Can Make a Difference			Cours intensif
Atelier de Formation sur le Calcul des coûts et tarification des produits			Atelier
Atelier de Formation sur le Test pilote de produit de microfinance			Atelier
Atelier de Formation Etude de Marché pour la Microfinance			Atelier
Training of Trainers for Delinquency Management Course			Atelier
Business Planning and Financial Projections with Microfin			Atelier
Diplomado en Microfinanzas			Université
An International Training Programme on Managing Micro-enterprise and Micro-finance Development			Cours intensif
Installation and Use of the FAO-GTZ Microbanking System			Cours intensif
III Programa Latinoamericano de Liderazgo en Microfinanzas			Cours intensif
Curso de Planificación de Negocios y Proyecciones Financieras utilizando el Microfin			Atelier
Curso Avanzado de "Microfin"			Atelier
Third International Programme on 'The Art of Upscaling Microfinance'			Cours intensif
Microenterprise Development Certificate 2006			Cours intensif
Summer Intensive Program (2006-2007) - international Master of Science degree			Université
PlaNet University			Cours à distance
Value Chain Program Design: Promoting Commercially Viable Solutions for MSMEs			Atelier
Recuperación de Créditos en Mora			Cours à distance
Improving Customer Service in the Microfinance Industry			Cours à distance

[www.ruralfinance.org](http://www.ruralfinance.org)



# 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 MicroBankingSystem 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.