

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

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

## **PLENARY SESSION 2: HOW TO IMPROVE THE ECONOMIC IMPACT OF MICROFINANCE ON AGRICULTURAL DEVELOPMENT?**

### **OBJECTIVES**

The objective of this session is to understand the economic impact of microfinance and identify conditions that will enable agricultural and agro-food sector growth. The following aspects will be addressed:

- 1) Results of impact studies that specifically assess of economic effects.
- 2) The organization of agricultural value chains and the characteristics that facilitate investment in value chains.
- 3) The business model used by agro-food chains and ways microcredit can be linked to commercialization elements in value chains.

### **THE ISSUES**

Access to finance is a necessity when it comes to investing in economic activities so as to ensure production and growth. At the macroeconomic level, the relationship between finance and economic growth is at the heart of much controversy and the attention given to the role of the financial sector on global economic growth is a relatively recent phenomenon. At the microeconomic level, the real impact of credit on production levels is nonetheless hard to evaluate.

There are many obstacles impeding the quantification of microfinance's contributions to agricultural production such as the fungibility of credit, attributing observed effects to credit access, inadequate management information systems and difficulties comparing impact studies that vary widely in terms of concepts and methods applied.

Within this context, there is limited knowledge about the conditions necessary for microfinance to achieve positive impacts on agricultural production. Nonetheless, new approaches to value chains and innovative economic models of socially responsible companies, such as Grameen Food, offer new perspectives.

The session will not address methodological aspect of ex-post evaluations; rather, it will focus on identifying approaches, partnerships and linkages to improve impact of financial tools.

**EXPECTED OUTCOMES**

Participants are invited to reflect on the following questions:

- Can agricultural microfinance jump-start genuine economic development of the agricultural sector?
- Under what conditions can microfinance boost development of agricultural activities including downstream activities such as upgrading and processing primary commodities?
- How can we use microfinance systems and methodologies to help farmers make medium and long-term investments, even where other financial systems and methodologies are failing?