

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

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

## **PLENARY SESSION 3: WHAT PUBLIC POLICIES CAN EXPAND THE ROLE OF MICROFINANCE IN AGRICULTURE?**

### **OBJECTIVES**

This session will discuss the public policies necessary to developing efficient agricultural microfinance.

Three aspects will be addressed:

- 1) Public policies that enable the development of efficient financing for agriculture via microfinance.
- 2) The role of national and international public authorities and funds in reducing interest rates on agricultural loans, often poorly adapted to the real profitability of agricultural activities.
- 3) Regulatory frameworks that oversee microfinance activities and their evolution.

### **THE ISSUES**

The role of government has changed considerably since the paradigm of financial liberalization has emerged, accompanied by the growth of microfinance.

Public authorities are increasingly implementing programs designed to compensate for market failures in the name of "financial inclusion", by encourage private players—namely microfinance institutions—to broaden outreach (rural areas, family farming, etc.)

In some countries, redistribution policies are emerging to reduce inequality, appearing side by side with renewed priorities for selected sectors, such as agriculture. Subsidies used to establish new, specialized financial intermediaries that may reduce costs of providing financial access in the most isolated of rural areas, are justifiable in the name of more equitable sustainable development. Discounts and rebates for agricultural investment and management of such investments by microfinance institutions are reappearing among the agricultural policy tools, and in some developing countries, actors are calling for the mobilization of international development aid funds.

Sometimes, governments would like to go even further, establishing direct or indirect public intermediaries. But will this new generation of solidarity and agricultural development banks learn the lessons from the agricultural bank failures of the 1970-80s? Are public institutions capable of reforming their governance? What will be the consequences of these new intervention forms on the private (associative or cooperative) sector that has developed over time to meet demands for

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agricultural and rural finance? Will new public-private synergies and partnerships emerge, improving the effectiveness of public interventions?

These questions and a brief summary review of the issues will service as a basis for this round table, which aims to confront the perspectives of the variety of actors involved in the formulation, implementation and evaluation of public policies concerning agricultural microfinance: public authorities, multilateral organizations, representatives of professional farmers' organizations and specialized financial institutions as well as academics.

The issues to be addressed include the foundations and practices of agricultural and rural finance policies, as well as the variety of actors—public authorities, peasant organizations, donors, etc.—upon which these policies are formulated. Discussions will also focus on the process that accompanies the emergence and implementation of policies and the instruments used (support mechanisms, rebates and discounts, guarantee funds, etc.) Finally, we will examine how the results and coordination of these policies and instruments compare to overall agricultural and financial policies.

Participants are invited to comment on the questions introduced by the facilitators in a brief presentation prior to the debate.