



After decades of neglect, the global community is increasingly recognizing that investment in agriculture and rural development can drive broader development and economic growth. There is broad agreement that growth in agriculture generates the greatest improvements for the poorest people – particularly in poor, agriculture-based economies.² In the aftermath of the 2007-08 food price surge, agriculture and food and nutrition security have moved toward the top of the global policy agenda.

Agricultural and rural economic growth depend heavily on the need to expand and deepen financial services, institutions, and instruments in rural areas, where poverty is concentrated.

reach out into agriculture and rural areas, but more efforts are needed to design products and methodologies to meet the need of farming communities. 4

A variety of strategies – both informal and formal – can be employed to manage the risk inherent in financing for agriculture and rural enterprise that undermines the creditworthiness of prospective clients. Different strategies can be employed at different levels, as outlined in Figure 1.⁵



From Expert Meeting on Managing Risk in Financing Agriculture

⁴ Meyer, Richard L. (2011), Subsidies as an Instrument in Agriculture Finance: A review, Joint Discussion Paper, The World Bank

To date, a number of interventions have been attempted to kick-start private sector activity in support of financial services:

! *Microinsurance and weather-index-based insurance*

Inclusive rural financial services

Millions of women and men in rural areas who were formerly excluded from the financial sector have gained access to financial services on an on-going basis, particularly access to small loans and credit. Innovations in financial services, especially in microfinance, contributed not only to poverty reduction and financial sustainability, but also to economic empowerment, increased well-being and social and political empowerment of women.⁸

Many poor clients, in particular women, value microfinances as coping tools. The observed behaviour of hundreds of millions of clients demonstrates how important microfinance is for them, as described below.

When providers make microfinance available to new clients there is hardly ever a need to advertise. Customers arrive in droves, propelled by word of mouth.

Women not only take out loans, but they repay them with high reliability; In especially tough times, it seems that low-income borrowers are particularly anxious to preserve their continued access to microcredit and other financial services they might need to cope with anticipated shocks.

Clients find microfinance services so valuable that they are typically willing to pay high interest rates on loans, and accept minimal or no return on savings.¹¹

Increased rural microfinance services need to go hand in hand with business development services so that rural women do not become over indebted or use microfinance as a simple coping tool. Specific “add on” programmes can help microcredit clients, in particular women, to escape the vicious cycle of poverty and debt. The experience of the Bangladesh Rural Advancement Committee (BRAC) shows how to reach extremely poor people by combining access to financial services with a variety of non-financial services, such as livelihoods training. Based on this approach, a Graduation Program sponsored by the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation introduced a successful model that targets the poorest and provides consumption support, either as cash or directly as food, to ensure food security for participants and their families and thus creates peace of mind.

Facilities for savings can be critical. Regular savings help poor people manage risks, build resilience, and reduce the likelihood of having to sell assets when faced with a shock. Savings also contribute to building financial discipline and familiarity with financial service providers. Savings make possible asset transfer to jump-start a sustainable economic activity, matching the right activity to the interest and skills sets of participants, including seedlings and other agricultural inputs, sewing machines, or a stock of commodities to start small shops. The last building block is skills training and regular coaching, business planning advice, social support, promoting health and nutrition, and encouraging positive attitudinal changes along the way.¹²

Despite all efforts, serious challenges remain in establishing microfinance and banking in rural areas due to lack of infrastructure, transport and skilled personnel. On average, only 26 per cent of all bank branches are in rural areas, compared with 45 per cent for cooperatives, 38 per cent for specialized state financial institutions, and 42 per cent for microfinance institutions. Even though a smaller share of commercial bank branches is located in rural areas, they still provide the bulk of rural coverage.¹³ Additional barriers may arise from institutional culture and staff attitudes in interacting with rural women and men that can alienate prospective clients. "

¹¹ Consultative Group to Assist the Poor – CGAP (2010), Does Microcredit Really Help Poor People? Focus Note Jan 2010, prepared by Richard Rosenberg

¹² Consultative Group to Assist the Poor – CGAP (2011) Reaching the Poorest: Lessons from the Graduation Model, Focus Note March 2010; prepared by Syed M. Hashemi and Aude de Montesquiou

¹³ Consultative Group to Assist the Poor/The World Bank Group (2010), Financial Access 2010, The State of Financial Inclusion Through the Crisis.

Rural women and remittances

Remittances -- the money migrant workers send home to their families -- provide crucial financial support for millions of people in developing countries. Many rural women leave their villages and migrate to urban areas or abroad to find better employment opportunities and support their families back home through savings and remittances. It is estimated that migrant workers are sending more than 300 billion dollars in remittances to their families every year. These remittances provide the food, clothing and shelter for millions of people around the world. If remittance savings are deposited in a bank or microfinance institution, instead of being kept 'under the mattress', the money can be mobilized to benefit other entrepreneurs. In this way, remittances can become a

A gender-sensitive approach to value chain analysis makes it possible to examine the access to productive activities for men and women individually and in groups, identify differential gender-based opportunities for upgrading within the chain and the gender-based division of acti

land and take the main decisions regarding production, but provide little labour input. The project brought about significant changes in gender relations, particularly with regards to land ownership and the gender division of labour. There has also been an improvement of the quality of coffee, which in turn has led to increased income and improved trust between different value-chain actors.²⁰

Farmers' organizations improve producers' bargaining power, enable them to bulk produce and lower transaction costs. Other support mechanisms include on-farm storage (e.g. warehouse receipts) for farmers to benefit from seasonal price fluctuations, contract farming, and out-grower schemes. Many women are involved value-added processing but often face difficulties in meeting certification and quality standards.²¹

Few women farmer and producers reach the international market. By increasing women's participation in smallholder sourcing and support programs, many international food companies can improve crop productivity and quality, grow the smallholder supply base, and improve access to high-value markets.²² Fewer women are members of company contract farming schemes than men. Many companies source from established producer groups and women are typically underrepresented in both the membership and governance of these groups. Sustainability certification schemes are also less likely to benefit women than men. Women are typically underrepresented even in Fairtrade supply chains.

To improve the role of women in value chain development, a number of practical steps are suggested to improve opportunities for women smallholders:

- Increase women's membership and participation in smallholder sourcing schemes
- Ensure that more women benefit from technical training, extension services, and production inputs provided by the private sector

women face. To do so it is necessary to change the power relations within the value chains, create greater awareness about gender roles and capture a greater share of the value at farm gate.