

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

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

## **WORKSHOP 4: WHAT ROLE FOR PROFESSIONAL AGRICULTURAL ORGANIZATIONS IN MICROFINANCE?**

The gradual reduction of state intervention over the last twenty years has considerably diminished support services for agriculture (input provision, commercialization, advisory, financing, information, etc.). Consequently, professional agricultural organizations (PAOs) have emerged in force in most southern countries with a dual mission: to defend the interests of agriculture and provide the support services farmers need to develop and modernize their operations.

Access to adequate financial services continues to be a major problem for most PAOs. The demand for such services is particularly complex as it is twofold: PAOs are not only confronted with the financial needs of their members, but their own (financing input stocks, working capital for commercialization activities, equipment, buildings, etc.).

Despite twenty years of "rural financial market" development, the agricultural sector in general and agricultural organizations in particular have yet to be integrated fully into these markets. In absence of adequate financial supply, PAOs are taking matters into their own hands, experimenting with different strategies to improve access to finance: internal credit in multi-purpose professional agricultural organizations, external credit in PAOs created specifically for this purpose, partnerships between PAOs and the financial sector (banks and microfinance institutions) and efforts to create a more favorable macroeconomic and policy environment (Dakar seminar, 2002).

Five years after the Dakar seminar that first documented these evolutions, where are we now? Have the financial service needs and constraints voiced by PAOs changed? How have the four aforementioned strategies evolved since 2002? Are there any sustainable success stories using any of these strategies? If so, what factors have contributed to success? What obstacles had to be overcome? Have PAOs improved their capacity to analyze their needs and constraints in terms of financing? Have they improved their capacity to manage risk? Have they improved their ability to negotiate?

What about the financial sector? Has it opened up to the agricultural sector and PAOs? How do formal financial intermediaries currently assess this demand? Has the gradual consolidation of rural microfinance finance institutions, the increasing interest of commercial banks in the rural sector and the "rebirth" of development and solidarity banks created a new forum for partnerships with PAOs? What sort of criteria does the financial sector use to create these partnerships? And is the financial

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sector ready to share the risks inherent in financing agriculture and to innovate in terms of risk management tools?

What kind of support is needed to consolidate these new approaches? Are there approaches and tools that can improve PAOs' financial access while increasing their insertion into rural financial markets? Do the recent innovations within agricultural value chains such as fair trade and contractual farming schemes offer PAOs new perspectives in terms of access to finance?

Finally, will the renewed interest in public policies for agriculture create space for PAOs to build new alliances in the financial sector?

These questions will guide the interventions and debates in this Workshop. The facilitators will reserve time for debate. Workshop participants are invited to share their own analysis of how PAOs can facilitate financial access and to comment on the tools presented.