

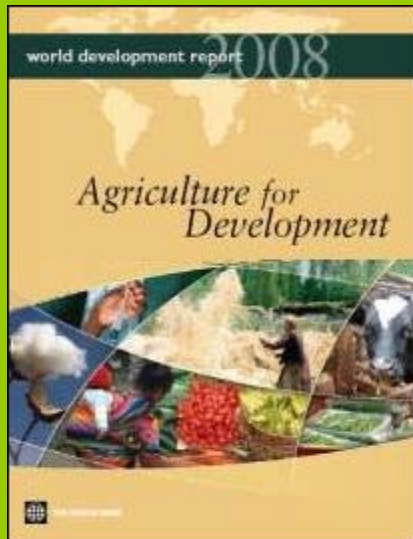
The World Bank and Rural Finance

Main Messages of the 2008 WDR on Agriculture



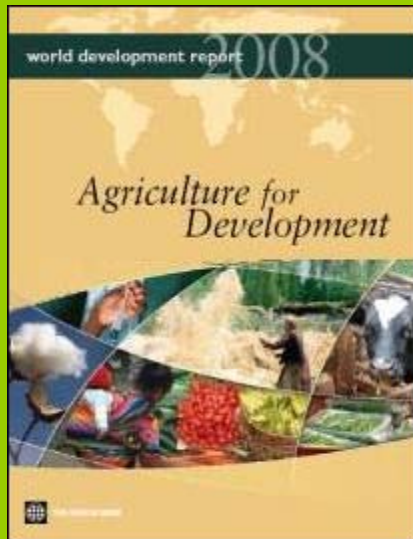
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Main Messages of the 2008 WDR on Agriculture

- Financial services can be effective tools for poverty reduction in rural areas
- The lack of financial services in rural areas is a major obstacle to the growth of profitable agriculture and related activities
- Building on innovations of local institutions in developing countries, rural financial services can be provided to smallholder farmers
- There is a need for non-financial support measures in order to finance agriculture



What does the WDR propose to increase financing for agriculture?

- Working through supply chains
- Working with public and recently-privatized agriculture development banks
- Financial leasing for investment finance
- Establish credit reporting bureaus
- Explore and pilot-test technological innovations
- Support to institution-building and proper product development

Past and ongoing World Bank programs



- Support to “good” policies and an enabling environment
 - Interest rate policies
 - Laws on land and other property rights
 - Establishment of registries
- Development of risk management instruments
 - Index-based weather insurance
 - Hedging instruments for commodity price risks

.....continued

Past and ongoing World Bank programs continued



- Determination and dissemination of good practices for different delivery channels
 - Leasing
 - Financial cooperatives
 - Community-based organizations
 - Commercial banks and agricultural banks
- New initiative on Financing for Agriculture
 - Credit risk management
 - Use of innovations
 - Collateralized lending
 - Commodity exchanges

Strategy for ECA Region for lending to agriculture



- Support on the policy level
 - **Macro-economic policy**
- Enabling environment
 - **Laws and regulations on various issues (leasing, collateral laws, capital market development, etc.)**
- New product development and risk management strategies
 - **Collateral strategies such as warehouse receipts, factoring**
 - **Partial risk-sharing mechanisms such as guarantee funds**
 - **Insurance (index-based agricultural, life, health**
 - **Commodity exchanges, publication of commodity pricing**
 - **Development of agricultural lending skills in financial institutions**
 - **Comprehensive approach (extension, access to markets)**