



RURAL AND AGRICULTURAL FINANCE AND INVESTMENT

MAIN TOPICS

- Financial inclusion and innovation
- Value chain financing
- Risk mitigation
- Public-private partnerships
- Inclusive investment promotion

CURRENT ISSUES

Persistent underinvestment in agriculture in developing countries can be attributed to many issues including: climate risks, fragmented input and service markets, seasonal and long-term financing requirements, weak property rights, and market-distorting political interventions. However, the rapid rise in world demand for agricultural products provides incentives for local actors to develop innovative financial and risk management mechanisms.

Commercial investors are starting to recognize agribusiness as a promising sector because of the upwards trend in food markets. As most commercial investors focus solely on financial returns, public incentives and support are required to make investments more inclusive and to create business linkages between local farmers and small and medium enterprises (SMEs).

ACTION AND PLANS

- ▶ **Gathering field evidence** on innovative financial products, risk management strategies and inclusive investment models.
- ▶ **Developing policy recommendations** for promoting and scaling up finance and risk management mechanisms for inclusive investments.
- ▶ **Supporting the development of tools** for building capacities of the public and private sectors in good practices for promoting broad-based access to rural finance and investments that engage smallholders and small and medium agro-enterprises (SMAEs).
- ▶ **Building a network** of influential international investors such as investment funds and financial institutions specializing in development to identify inclusive investment opportunities in the sector.
- ▶ **Facilitating closer linkages** between private and public investors to enhance their development impacts.
- ▶ **Managing and disseminating knowledge** for more effective interventions through Web platforms, international fora and technical events.



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Adapting warehouse receipt systems to smallholder clients (2014–2015)

Local actors in agriculture and financial systems are brought together and mentored to facilitate the development of financial services adapted to the diversified income-generating activities of smallholder families. Core partners are regulated and non-regulated financial institutions, producer organizations, technical assistance providers, government policy-makers, and actors in the value chain including input providers, traders, warehouse managers and processors. In the United Republic of Tanzania, FAO supports paddy producer organizations in achieving scale and bargaining power by providing technical assistance to increase productivity and building the organizations' capacity to manage loans and participate in the country's warehouse receipt system.

Enhancing the cost-effectiveness of national agricultural insurance programmes in reaching smallholders (2014–2015)

FAO provides member countries with advice on how to increase the adoption of agricultural insurance by different value chain stakeholders thereby mitigating risks and facilitating the delivery of a wider range of financial services to enable greater and more inclusive agricultural investments. Agricultural insurance products are assessed and adapted to local contexts. Ongoing studies in Ethiopia and Mexico will provide policy recommendations on the development and use of more effective tools for mitigating financial risks.



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African Agribusiness and Agro-industry Development Initiative Technical Assistance Facility (3ADI TAF) (2014–2015)

A partnership with the African Development Bank and the United Nations Industrial Development Organization (UNIDO) provides targeted technical assistance and policy support to enhance the development impact of agribusiness investment projects in Africa. 3ADI TAF is structured as a grant fund to facilitate closer linkages between public and private investments. FAO conducts investment support and capacity development activities in African countries through partnerships with selected investment funds, financial partners and networks and specialized government agencies dealing with agribusiness and investment.

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