



Food and Agriculture  
Organization of the  
United Nations

# Unlocking rural finance for inclusive agrifood systems



## Meeting the challenge

The provision of **financial services to rural smallholder** households, including savings, credit, insurance and payments, remains among the most difficult challenges in finance and development.

Despite progress in the extension of these services to rural areas, rural finance ecosystems in low- and middle-income countries remain fragmented due to **high transaction costs** associated with the uneven and disperse distribution of populations, inadequate infrastructures and unexpected threats to agricultural productivity. As a result, small-scale actors and most marginalized groups – such as women and youth – remain largely **excluded** from access to finance and investment.

Developing and scaling up inclusive financial solutions is key to improve the livelihoods and resilience of the most vulnerable people, reduce **inequalities** and poverty, end **food insecurity** and **malnutrition**, and promote the **sustainable use of natural resources** in order to build sustainable and inclusive agrifood systems that **leave no one behind**.

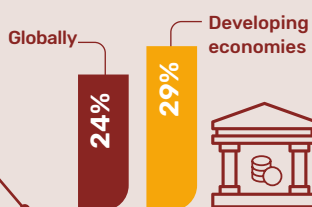
## In action

FAO provides technical assistance to country-level and global projects, which include **investment instruments** such as matching grants and revolving funds. This strengthens local capacities, rural economies and markets. FAO also supports **policy dialogue** on the key role of finance for development on agrifood systems transformation.

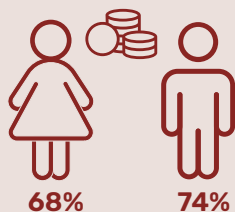
The Organization carries out countrywide **financial market assessments** and promotes **capacity development** of small-scale actors and rural finance organizations. This enables governments and rural finance stakeholders to develop adequate financial instruments and policies in order to improve the financial inclusion of vulnerable and excluded segments of the population.

## Looking at the evidence

**1.4 billion** people worldwide were **excluded** from formal financial services in 2021.<sup>1</sup>



**Ownership account** at a regulated financial institution in developing economies was higher for men in 2021.<sup>2</sup>



**10%** of adults worldwide had a **mobile** money account in 2021.<sup>3</sup>



Only **1.7%** of the total global **climate finance** supported **smallholder** farmers in low-income countries in 2017-2018.<sup>4</sup>



<sup>1,2,3</sup> Demirgüç-Kunt et al. (2022) <sup>4</sup> Chiriac et al. (2020)

# Comparative advantage

FAO identifies global good practices and **innovations** in the provision of conventional and digital financial services, insurance, and investments for the agrifood sector. When addressing the financing needs of the sector and its actors, FAO's comprehensive knowledge of **farmers' needs and strengths** (particularly those of women and youth), agricultural value-chain dynamics, agronomy and risk management in agriculture, provide the Organization with a considerable competitive edge. This is coupled with its solid field-level presence in the rural and agricultural areas in most low- and middle-income countries.

The work of FAO on **inclusive rural finance** is key for supporting **poverty reduction** and promoting inclusive and sustainable **economic growth**, which are goals included in the 2030 Agenda for Sustainable Development. FAO's work also supports the Better Life and Better Production priorities of the FAO Strategic Framework 2022–31 for the transformation to more efficient, resilient and sustainable agrifood systems.

“As a result of the training, we have introduced better assessment tools, pursued better geographic penetration and refocused on group-lending methodologies.”

**Virginia Sibanda**  
CEO of VIRL Financial Services, Zimbabwe

## Best practices and results

- 1 Since 2021, FAO has supported the design of over **40 projects** with rural and agriculture finance components in **more than 30 countries** – including support on feasibility assessments and monitoring indicators and approaches.
- 2 FAO produced studies on the state of financial inclusion of the rural youth in **Kenya, Guatemala and Uganda**, and a **methodological guidance** on how to assess the state of youth financial inclusion in developing contexts.
- 3 Between 2017–2021, **1 300 experts** in agricultural finance, agricultural value chain finance and agricultural loan analysis expanded their expertise as part of FAO capacity development activities.

## Expected results

- The **livelihoods** of rural and vulnerable people, including smallholder farmers, women and youth, become **more sustainable and resilient** in the face of climate change and natural disasters. This includes reaching states of better food security and nutrition, reduced inequalities and enhanced wellbeing (e.g. better health and education).
- Small-scale farmers and agribusinesses can **access financial services and instruments** (including digital financial solutions) and **investment models** that are more attuned to their specific needs, leading to more inclusive, productive and sustainable agrifood systems.
- **Sustainable agricultural practices and natural resource use** for land restoration and management, as well as **climate change mitigation and adaptation**, are adopted and promoted through improved access to green and sustainable financial solutions.
- A more cohesive **community of practitioners** is promoted to facilitate closer linkages between public and private actors as key enablers for the application of good practices, and for the achievement of the Sustainable Development Goals (SDGs).

### Contact

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## Contribution to the SDGs



## Partnerships to scale up impact

- government agencies for development cooperation;
- the United Nations system (IFAD, ILO);
- international financial institutions (the International Finance Corporation);
- foundations (the Rabobank Foundation);
- ministries of agriculture, rural development and economic development;
- non-governmental organizations (Appui au développement autonome [ADA], Boulder Institute of Microfinance); and
- networks and partnerships (NpM – Platform for Inclusive Finance, the Smallholder and Agri-SME Finance and Investment Network [SAFIN], and the Capacity Building in Rural Finance [CABFIN] Partnership).



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