



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



## Finance Matters to Global Food Security – Links to EBA

### Session 1

*Photo: Fintrac Inc.*



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## SESSION 1 LEARNING OBJECTIVES



*Photo: Fintrac Inc.*

- Understand the importance of finance to agricultural growth
- Cite how EBA Finance data supports the Global Food Security Strategy





## FINANCE ESSENTIAL TO AGRICULTURAL DEVELOPMENT AND POVERTY REDUCTION

### Farmers' financing needs:

- Working capital loans
- Seasonal loans
- Medium- to long-term credit
- Payment services

To finance

### Farm Process:

- Production
- Harvest
- Storage
- Transport
- Marketing

Resulting in

### Results:

- Reduction in rural poverty
- Increases of total per capita output





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## U.S. GLOBAL FOOD SECURITY RESULTS FRAMEWORK

**Goal:** Sustainably reduce global hunger, malnutrition, and poverty

### Objective 1

Inclusive and sustainable agricultural-led economic growth

### Objective 2

Strengthened resilience among people and systems

### Objective 3

A well-nourished population, especially among women and children

#### IR 1

Strengthened inclusive agriculture systems that are productive and profitable

#### IR 2

Strengthened and expanded access to markets and trade

#### IR 3

Increased employment and entrepreneurship

#### IR 4

Increased sustainable productivity, particularly through climate-smart approaches

#### IR 5

Improved proactive risk reduction, mitigation, and management

#### IR 6

Improved adaptation to and recovery from shocks and stresses

#### IR 7

Increased consumption of nutritious and safe diets

#### IR 8

Increased use of direct nutrition interventions and services

#### IR 9

More hygienic household and community environments

### Cross-Cutting Intermediate Results (IR)

**CC IR 1** Strengthened global commitment to investing in food security

**CC IR 2** Improved climate risk, land, marine, and other natural resource management

**CC IR 3** Increased gender equality and female empowerment

**CC IR 4** Increased youth empowerment and livelihoods

**CC IR 5** More effective governance, policy, and institutions

**CC IR 6** Improved human, organizational, and system performance



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## CHALLENGES THAT LIMIT ACCESS TO AGRICULTURAL FINANCE

### Agricultural characteristics:

- Seasonal
  - Weather-dependent
  - Spatially dispersed
- =
- ↑ Risk
  - ↑ Cost

### Rural challenges:

- Formal financial institutions limited reach in rural areas
- Inadequate collateral – moveable assets (machinery, equipment, receivables)





## POSSIBLE SOLUTIONS TO EXPAND ACCESS TO AGRICULTURAL FINANCE

### Challenges

- Agricultural risk
- Limited collateral
- High cost to reach rural areas

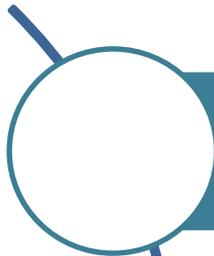
### Solutions

- Strong legal framework necessary to increase access to financial services by:
- Supporting innovation of financial services
  - Supporting use of moveable collateral

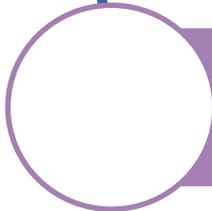




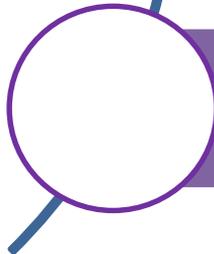
## EXAMPLES OF INNOVATION IN AGRICULTURAL FINANCE



GADCO, a West African rice processor, makes immediate e-money payments to smallholder farmers for rice purchase enabled through Tigo, a mobile operator.



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Monthly account statements issued by GADCO improves farmers' ability to monitor their accounts.





## WORLD BANK'S EBA FINANCE INDICATOR



- Measures laws and regulations that affect access to financial services for farmers and agribusinesses
- Focus on areas that are particularly relevant for potential customers in rural areas:
  - Non-bank lending institutions
  - Branchless banking
  - Moveable collateral

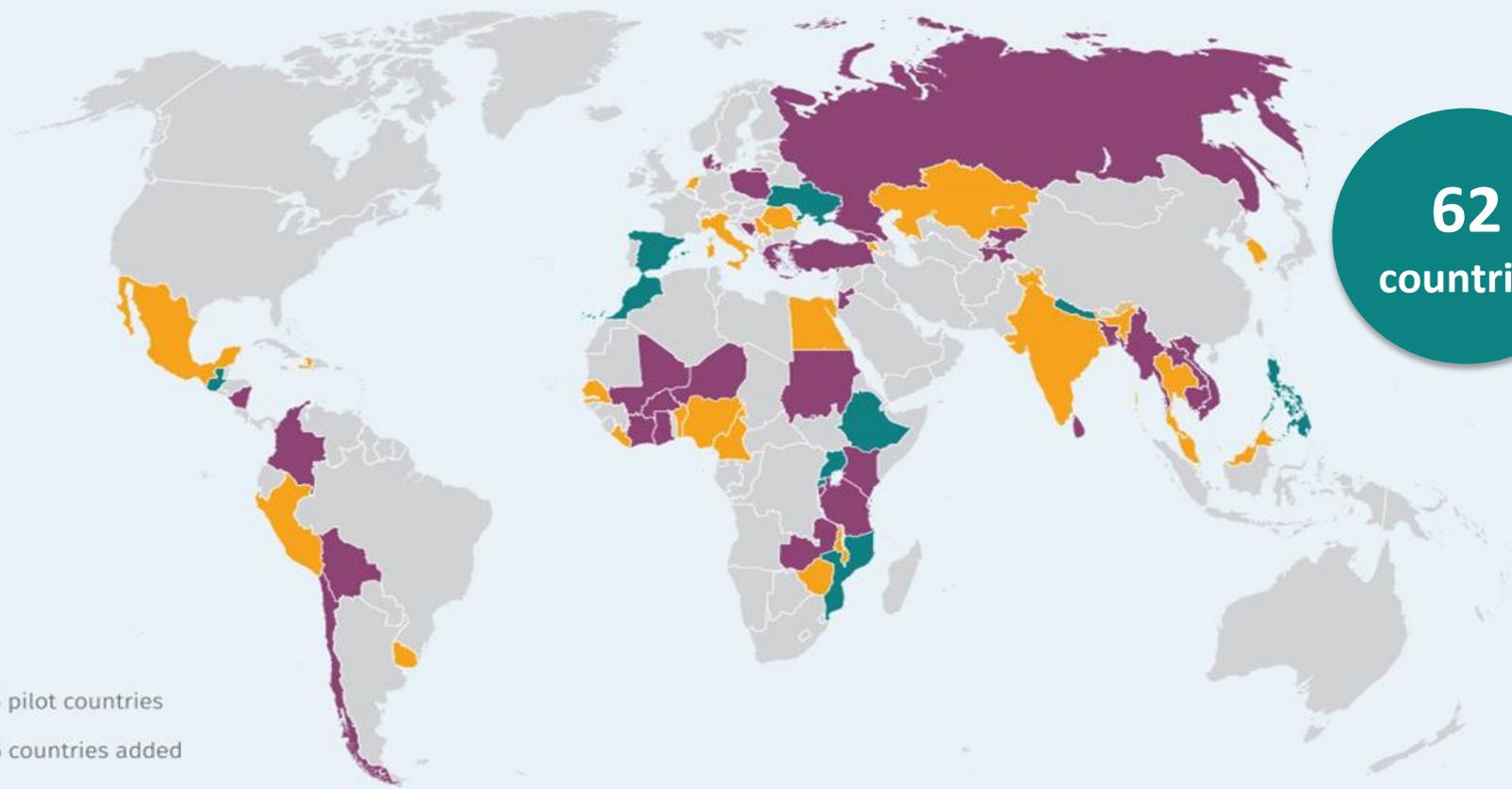




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## Geographical coverage of *Enabling the Business of Agriculture* 2017



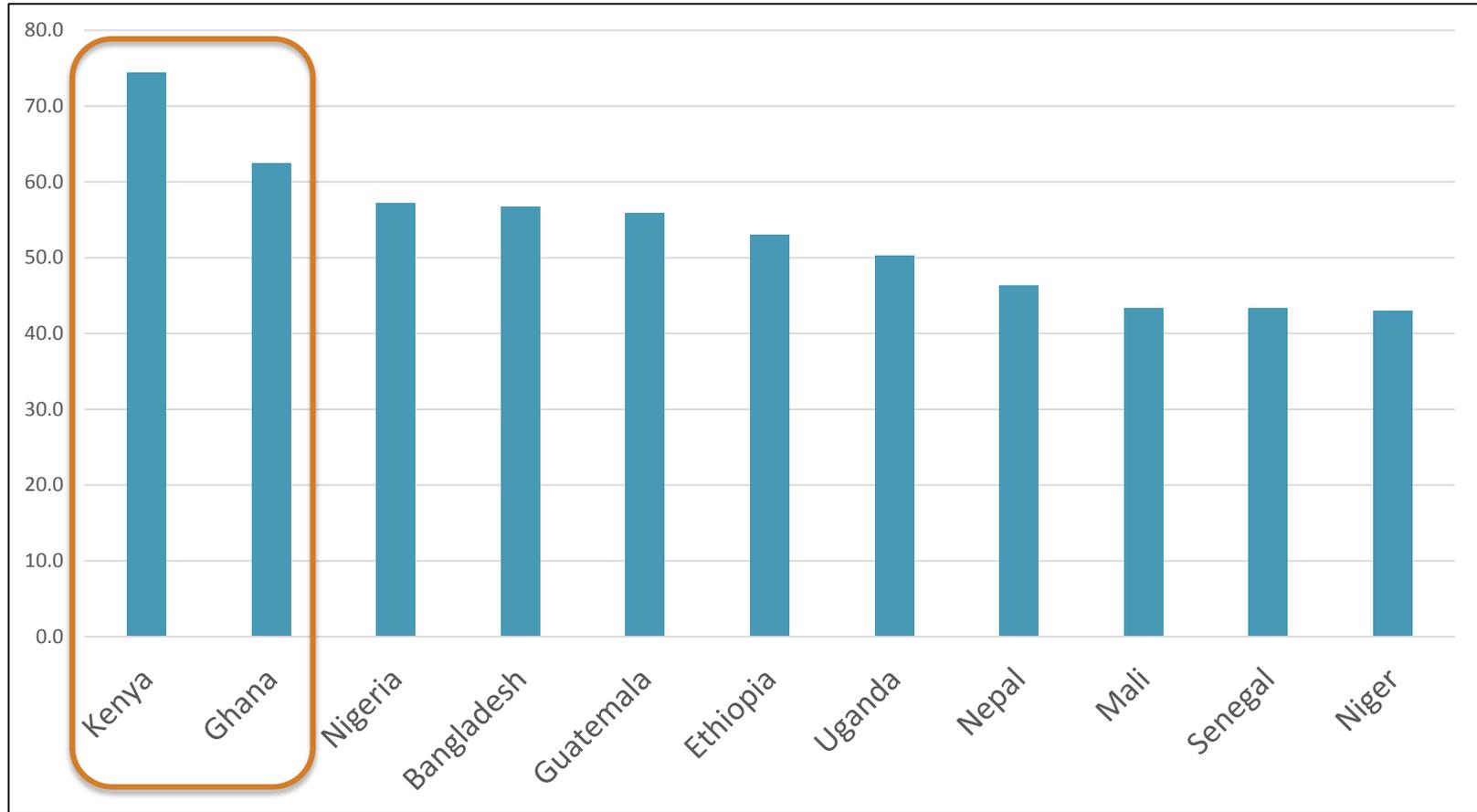
-  EBA15 pilot countries
-  EBA16 countries added
-  EBA17 countries added

**62**  
countries

*Note:* The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgement on the legal status of any territory, or any endorsement or acceptance of such boundaries. Going forward, in the second phase of the EBA program, it is envisaged that the criteria for selecting countries and determining whether to deepen the analysis at a sub-national level for select countries will build on the current process and be refined appropriately in consultation with experts.



## FINANCE PERFORMANCE OF FEED THE FUTURE FOCUS COUNTRIES





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## RECAP WHAT WE HAVE LEARNED



*Photo: Fintrac Inc.*

Importance of finance to agricultural growth

How EBA Finance data supports the GFSS and Feed the Future strategy



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## LET'S CHECK WHAT WE'VE LEARNED



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## QUESTION 1

1. Which farm processes require financing?
  - a. Labor for land preparation, seed planting and harvesting
  - b. Transportation of harvest to market
  - c. Investment in new equipment and agricultural inputs such as seed, fertilizer
  - d. Storage services
  - e. All of the above





## QUESTION 1 - ANSWER

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## QUESTION 2

2. Which of these topics is *not* measured by the Finance indicator?

- a. Moveable collateral
- b. Mezzanine financing
- c. Non-bank lending institutions
- d. Branchless banking





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## QUESTION 2 - ANSWER

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## QUESTION 3

3. Given challenges to the agricultural sector in accessing finance such as climate and market risks, limited collateral and high costs to serve rural clients, how can the legal and regulatory framework facilitate greater access to financial services for agricultural businesses?
- a. Support innovation of financial services
  - b. Support the use of moveable collateral
  - c. Create burdensome regulations for non-banking institutions (e.g. e-money services)
  - d. All of the above





## QUESTION 3 - ANSWER

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## YOUR FEEDBACK IS WELCOME!

- ✓ Was this learning resource helpful?
- ✓ Do you have questions or suggestions for improvements on the EBA methodology?
- ✓ Other feedback?

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**Proceed to the next session in the Finance Module**



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