IFC’s Agricultural Finance Program

Supporting Global Efforts to Enhance Access to Finance in the Agriculture Sector

Development of the agriculture sector is critical to address widespread poverty and advance the MDG goal of halving poverty and hunger by 2015. To target the large rural population in developing countries living in poverty, agriculture investments are required to improve on-farm productivity, post harvest practices, trade and marketing of agricultural commodities. Despite the significant financing needs of farmers and agri-businesses, the financial sector strongly lacks the appetite, incentives and skills to target and service the agricultural sector and its supply chain, leading to severe financing constraints. Lack of broader access to financial services limits opportunities for agri-enterprises and small holders to adopt efficient technologies and allocate resources efficiently.

IFC has set forth a number of initiatives to increase the supply of finance to the agriculture sector and its supply chain. IFC’s Access to Finance Agrifinance Advisory Program primarily supports:

- **Banks, Financial Institutions, and Non-Bank Financial Institutions (NBFIs)** to develop products, build necessary skills and develop incentives to better mitigate and manage risks related to lending to the agri-sector.
- **Farmers, farmer-based organizations, and agri-businesses along supply chains** to build capacity through targeted financial training, supply chain analysis, linkages to financial institutions and markets, and innovative financial products.

**IFC’s ROLE**

IFC is uniquely positioned to have a strong systemic impact through the provision of advisory services and IFC investments in the agrifinance sector and across its value chain:

- **IFC’s network of 700+ Financial Institution clients** across emerging and frontier markets that have the appetite but lack the capacity to effectively meet the needs of the agri-finance value chain;
- **Existing expertise in financial markets** and agriculture finance sector that enable IFC to effectively support the entire value chain from agri-producers to financiers;
- **Structuring capabilities** and ability to design holistic programs that combine IFC equity, debt, and risk sharing facilities with advisory services;
- **Regional implementation capacity** through advisory services facilities that are on the ground in all six global regions in which the World Bank Group operates.

**NEEDS OF THE AGRICULTURE SECTOR**

- 75% of poor people in developing countries live in rural areas.
- 2.4 billion people live on less than $2 a day and 1.3 billion live on less than $1 a day – and most depend on agriculture economically.
- Of the 5.5 billion people living in the developing world, 3 billion are in rural areas and 2.5 billion are in households involved in agriculture.
- Agriculture is a source of livelihood for 86% of rural people and provides jobs to 1.3 billion smallholders and landless workers.
PROGRAM DESCRIPTION

Financial Institution Capacity Building

IFC’s approach is to help financial institutions to establish and/or further develop their agri-lending activities. The amount and nature of this advisory service is tailored extensively to the needs and strategy of each participating client bank. The advisory provided addresses specific risk management, credit process, sales channel development, and new product development unique to agri-lending.

Supply Chain Analysis & Borrower Needs Assessment

IFC can help an institution undertake systematic market-research in selected target countries, regions, or agriculture sectors. Such an analysis includes a general SWOT assessment, a mapping of key priority segments in the agriculture supply-chain around selected commodities, a quantification of the potential market for financial offerings, and a needs assessment of borrowers. The advisory also includes the design of training programs for a financial institution, as well as targeted financial product development for the sector, which may include a supply chain finance program implemented through value chain actors.

Borrower Support

IFC also assists agribusinesses, farmers, and farmer-based organizations with financial training programs directly related to the preparation of business plans and loan applications. The focus of this component is building capacity of service providers to intermediate between financial institutions and agribusinesses.

Joint Incentive Schemes

Given the unique and challenging risks, in addition to agrifinance advisory services, financial institutions may be incentivized through lines of credit from IFC or risk sharing facilities that would partially guarantee agriculture portfolios based on pre-agreed and pre-established criteria. IFC’s Global Warehouse Finance Program is a program focused specifically on increasing post-harvest finance. IFC’s initiative focused on developing weather index-insurance products (GIIF) can support the development of macro risk mitigation tools to make farming investment risks acceptable.

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