

Breakout 4: **Agricultural Lending Practices: Non-Financial Services with Financial Products**

“Kyrgyz Agricultural Finance Corporation (KAFC)”

Author

Baktygul Jeenbaeva (KAFC)

Summary and Key Findings

This case study examines the Kyrgyz Agricultural Finance Corporation (KAFC), a project designed to assist in recovering the rural and agriculture financial market after the failure of economic reform programs incepted after the disintegration of the Soviet Union. A well-developed strategy business plan, regulated legislative environment, trained staff, and branch locations convenient to farmers, are the necessary tools for a successful MFI. The Kyrgyz experience exemplifies that development of sustainable financial institutions is feasible, provided the local authorities and donors cooperate to achieve this (p.12).

“Moldovan Savings and Credit Associations’ Experience”

Author

Victor Chiriac (BIZPRO)

Summary and Key Findings

This case study looks at how to access the resources needed by private farmers and newly emerging rural enterprises in Moldova. Barriers to success are: weak donor coordination, boundary restriction to the extension of SCA activity, local commercial banks not willing to acquire knowledge and technologies to lend small amounts to clients, and state agencies lacking knowledge of their mission and attempting to interfere into MFIs daily activities. (p. 6)

“El Comercio Finance Company in Paraguay”

Author

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Summary and Key Findings

El Comercio Finance Company has been providing rural and agricultural micro credit since 1990. To overcome barriers and challenges in this country it is necessary to have the producers be well connected to those who have not yet reached the same production level (p.5). Successful project development managers need to be aware of market developments and the evolution of agricultural products in international markets, and need to be able to offer sound advice to clients on investment matters.

Breakout Session # 4

Moderator: Renate Kloepinger Todd

Cases: Kyrgyzstan, Moldova, Paraguay

Q&A

- Q. For KAFC, FINCA has had difficulty retaining clients in KR, has KAFC had the same experience, if so, why?
- A. NO, different mkts – work with farmers with different term (longer) loans. 70% repeated clients, but lose about 20% due to low mgnt, skills, and poor projects
- Q. Borrowers were supposed to come from peasant association in 5 oblasts (jurisdictions) has this continued?
- A. No, because this wasn't successful
- Q. KAFC 20% of loan goes to ag, but is repayment for ag sector good? What is performance of Ag loans?
- A. No, rate is 80 % to ag. KAFC receives from its donors on credit good recovery from ag loans, but ag sector is diverse
- Q. Moldova, what is exp. w/ matching grants? Sustainability
- A. Repayment rate about 95%. Donors provide support for training and education Rural Investment and Support Project to one example of matching grant – started 1 ½ years ago and already showing some success.
- Q. Recovery rate, profitability – how to stay in business for so long with only 90% recovery rate?
- A. Economy in Paraguay is difficult right now, but is defiantly covering the costs of operation. The org is struggling slightly, but the indices demonstrate stability changing from commercial to ag phase. Ag phase to string, but commercial sector is dragging.
- Q. Do you supply credit to the suppliers or only to the producers?
- A. Changed the nature of the business by creating the market to work directly with producers/small farmers.
- Q. Non-collateral loans – approx breakdown of short-term and long term loans
- A. 10% are w/ collateral.
- of those 2.5-2.6 months
- 40% of those are 1 year
- Q. Lend to owners or renters and what type of collateral is used

- A. Mostly to those that do not have land, collateral is future harvest or storehouses (smaller than 60 acres) change from cattle grazers to agricultural production provide shelter price producers, have a lien on harvest.