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**Paving the Way Forward for Rural Finance  
An International Conference on Best Practices**

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**Remarks**

**Opening Remarks for Rural Finance Conference**  
Presented on June 2, 2003

By **Andrew S. Natsios**  
(Administrator, United States Agency for International Development)

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1. Two-thirds of the people in the developing world live in the rural regions of their countries. Most depend on agriculture and livestock herding for their livelihoods, and many of them are desperately poor.
2. Two decades ago, USAID had a large and very competent staff of agricultural economists. Unfortunately, it was cut back considerably during the intervening years. And as is often the case, other donors followed our lead. The result has been disastrous for agriculture and rural economies, particularly in Africa.
3. We are now engaged in a major effort to revitalize our agricultural programs and develop a new and more effective agricultural strategy. It consists of four broad goals:
  - Develop domestic and international trade opportunities;
  - Bridge the knowledge divide through training, outreach and adaptive research;
  - Mobilize science and technology and foster capacity for innovation to reduce poverty and hunger; and
  - Promote sustainable agricultural and sound environmental management.
4. As you know, the lack of finance is a serious impediment to agricultural and rural development. Services are few, costs are high, and the proper incentives that would encourage the private sector to enter this field are generally lacking.
5. We must find ways to address these problems. Identifying the right policies and investing in the right structures is integral to the success of our agricultural strategy and USAID's mission to promote economic growth and development.
6. That is the purpose of this conference. We have gathered some of the best minds and most experienced people in the world of rural finance here today -- scholars, researchers, development experts, bankers, representatives from the NGO community and other donor agencies. So I can assure you that there is a lot of interest in this subject and this conference in USAID.
7. One thing is sure: we are not going to return to era of subsidized agricultural credit. That ended more than 20 years ago. But there are many questions and issues to be discussed.
  - What approaches to rural financing are the most promising?
  - What role should developing country governments play?
  - How can we structure incentives into our programs that encourage private sector investment in rural financing?
  - How do we manage and fund risk?
  - Fifty-three percent of our microfinance loans support rural development – some \$56 million every year. We need to learn more about these programs and how they might be altered to expand their client base and serve rural markets more effectively.
  - Another question involves how non-bank sources might be used to increase rural credit. Free-standing financial institutions are often not commercially viable in rural areas where the population is quite scattered. One way around that is to

work with various food processors, marketing agents, and suppliers, who often provide credit to farmers and herders.

8. The answers to these questions and more will have important consequences for USAID agriculture and finance programs. We intend to use the ideas expressed at this conference to help guide our activities in this field -- whether pilot projects, small investments, or additional research – both here in Washington and in the field where it matters most.

9. Further, we expect this account to grow. Our Office of Agriculture alone expects to devote \$1 million to these efforts in fiscal year 2004 and another \$1.5 million in FY '05. So the experiences and insights that are discussed here can play an important role in the evolution of USAID policy.

10. We have asked the conference organizers to collect the recommendations you make into a white paper that will be available on our web site. So let me conclude by thanking them for their assistance – and by thanking you for coming here and sharing your knowledge and expertise with us.