



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

Opening Remarks and Synthesis of Day 1

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The Macroeconomics & Political Economy of Rural Finance

- *Systemic perspective on rural finance—state retreat to regulatory roles will*
 - Crowd-in private actors
 - Close efficiency & insufficiency gaps
- *But will this work (ever or fast enough)?*
 - Political question of time horizons & expectations gap
 - Economic question of private sector response, especially in some regions (Africa) & for some economic activities (agriculture)
- *Infrastructure requirements for rural economic viability undercut by fiscal austerity*
- *So how to frame role of state in rural finance?*



Legal & Regulatory Requirements for Effective Rural Finance

- *Legal reforms can be key to opening the door to a range of transactions that currently stunted*
 - Contract enforcement
 - Arbitration
 - Petty claims courts
 - Civil & commercial registries
- *Especially key are rules on secured transactions which permit movable and immovable assets to become collateral*
 - Simplify land titling into tenure security policy
 - Open the door to those who rent, not own
- *Care not to overstate power of collateral & secured transactions for poorer rural households*
 - Greater attention to unleashing the power of the collateral substitutes used by MFIs via proper regulation
 - Credit bureaus and graduation of MFI clients



Risk Management Challenges in Rural Financial Markets

- *Solving agricultural risk problem key to unlocking economic potential for both agricultural & diversified households*
 - Permits more productive use of existing resources
 - Underwrites accumulation of ‘entrepreneurial portfolios over time
- *Insurance that pays off based easily observable weather events can solve the conundrum of traditional crop insurance*
- *However, only solves part of the puzzle*
 - Does not work well for uncorrelated or idiosyncratic risks
 - Locally based, mutual insurance or MFI-ish loan schemes may be needed to close this gap
 - Implies a distinctive blend of institutions for distinct risk environments
- *Simple in principal, but still complex in practice*