



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

Remarks

Closing Remarks and Next Steps

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Introduction

- ☑ As we begin to bring the conference to a close, I would like to thank all of you for coming and participating so actively and with such enthusiasm. Over the past three days, you have had the opportunity to hear from practitioners, experts and donors, who have discussed the innovative practices and challenges that surround access to finance in rural areas. The way forward may still have a steeper slope than we would like, but its beginning kilometers are paved with some new ideas.
- ☑ I am sure you would agree this conference has been timely and an important step in moving all of our thinking forward on how to support rural financial deepening.
- ☑ While the presentations have all been top-notch, some of the networking and side conversations that have taken place during the breaks have been just as important. There have even been some side-deals negotiated—you are clearly an activist group!
Examples:
 - Uganda – the possible floating of a bond issue coupled with a guarantee to allow an exporter to convert from donor support to full private ownership.
 - Southern Africa – the start-up of a finance company to support the expansion of the contract farming system that involves over 500,000 rural residents in Southern Africa.
 - The use of debit cards in Latin America to facilitate remittances and forex transactions.

What we have heard over the past three days:

1. Macroeconomics & Political Economy of Rural Finance

☑ Key Ideas

- Systemic perspective on rural finance—central reliance on the private sector with the state taking on regulatory roles.
- Rural financial deepening follows and does not lead rural development.
- Frame role of state not as implementer, but as enabler.

2. Legal & Regulatory Requirements for Effective Rural Finance

☑ Key Ideas

- Legal reforms can be key to opening the door to a range of transactions.
- Collateral and the laws that regulate it are key.

3. Risk Management Challenges in Rural Financial Markets

☑ Key Ideas

- Reducing agricultural risk is the key to private sector involvement in rural financial deepening.
- Strategies for dealing with correlated risk need to be field-tested and applied;
- Flexible savings, emergency loans and other strategies for dealing with idiosyncratic risk will help rural household shift from in-kind to financially-based savings.
- De-couple management of financial institutions from government guarantees that introduce moral hazard; use risk sharing.

4. Rural Financial Institutions and Systems

☑ Key Ideas

- Rural finance investments must take a systems perspective not the more limited stand alone institutional focus the donors often pursue.
- Unique characteristics of rural markets, such as seasonality, risk, geographical dispersion will continue to pose challenges.
- A diversity of institutions that creates competition and choice will be key for robust rural financial markets.

5. Innovations in Rural Finance

☑ Key Ideas

- Innovations in technologies and institutions are useful when they create value or reduce the cost of rural financial delivery.
- Don't pursue innovation for the sake of innovation itself. It takes time requires careful research and planning, institutional buy-in, and must be consistent with client needs.
- The role of the state is not to innovate, but to create the incentives for useful innovations.
- Donors should develop flexible financing mechanisms to encourage innovation and support the development of innovations that promise high return relative to risk.

6. Outreach and Sustainability

☑ Key Ideas

- The triangle of financial sustainability, welfare impact and outreach are the “pillars” of rural financial system development. However, these pillars need to stand on a solid foundation of transparency and productive incentives.
- There is a socially useful role for failure, and we should embrace open learning from these experiences.
- Growth of sustainable rural finance requires long-term commitment, continuity and collaboration.

Next Steps

- ☑ We will be producing a white paper that synthesizes the lessons learned and best practices from what has been presented here. We will package that together with a (new) CD that has all the papers and discussion comments made at the conference. Will send to all participants and others not able to attend.

- ☑ I have been most encouraged by the degree of donor enthusiasm and cooperation that has emerged during the conference. Most encouraging has been the agreement amongst the donors to move forward in five key areas:
 1. To move forward on the development of the donor guidelines which we have been discussion today.
 2. To formalize support of a Rural Finance internet gateway so that we all have access to the information and tools we will need to move forward and operational our commitment to rural financial development
 3. To support the development of a broad set of case studies that documents what works and what doesn't work. This will be invaluable as we move from discussion to investments on the ground.
 4. To develop a common training materials and toolkits for use in program design and implementation to promote application of agreed-to programming principles. To encourage on-going learning through peer review and external evaluation.
 5. To continue the design dialogue on how to maximize the synergies between financial service and business development service interventions.

- ☑ I am also encouraged by the commitment of CGAP to coordinate donor involvement in developing these areas further and to sharing draft results with the broader donor community who were unable to participate in this conference.

- ☑ Finally, to assure USAID's continued involvement in this process, I will be recommending that USAID set aside some central funds here in Washington over the next three years to:
 - move the above donor initiatives to closure,
 - initiate research and pilot programs to test some of the important ideas that have been discussed here at the conference, and
 - promote the expansion of Agency investments in rural financial deepening through our 60 plus field missions.

In Closing ...

- ☑ I am so pleased so many of you were able to come and attend the conference. This conference was meant to be a forum for you to exchange your experiences and draw on the knowledge of the other conference participants. I hope after you leave today, you will continue to participate in this dialogue we have started here and contribute to the continuing expansion of rural finance.

- ☑ Also, I would like to take a few minutes to thank everyone who has contributed to the last three days to make it a success.
- I would like to thank the BASIS Collaborative Research Support Project and the Council of Credit Unions for helping to organize the conference. Specifically **Michael Carter** and **Danielle Hartman** from BASIS and **Lucy Ito** and **Brian Branch** from WOCCU. I would especially like to thank **Catherine Ford** from WOCCU who for the past eight months has been at the center of the conference, living and breathing every last detail that has gone into these past three days.
- I would also like to thank **Lena Heron** and **Marty Hanratty**, from USAID Economic Growth and Trade, Offices of Agriculture and Poverty Reduction, respectively. Lena and Marty have been the guiding forces from USAID behind this process.
- I would like to thank the donor community for coming and supporting USAID in its process shaping a new direction for the Agency. A special thanks is due to **David Stanton** and DFID for their financial support of the conference.
- Finally, I would also like to thank all of the panelists and discussants who provided so much of the substance to the conference. Thank you for sharing your knowledge, experiences, and case studies. As we move forward this information will be the framework that USAID will continue to build on.