Inclusive Finance for Food Security and Rural Development: Challenges and Opportunities

The shared perspective of the UN Rome based agencies (FAO, IFAD, WFP) and the UNSGSA

Rome, 21 March 2013

Poverty remains largely a rural problem. Globally, about 1.2 billion people live on less than US$1.25 a day. About 870 million people suffer from hunger. And 76 per cent of the world’s very poor people live in rural areas. Most of them are excluded from the formal financial system.

An inclusive financial system is part of the essential infrastructure in any country. A cross cutting issue, it is an enabler and accelerator of food security, nutrition, and rural development. An inclusive financial system is an integral part of any sustainable solution to these challenges.

Promoting “inclusive finance” means intensifying outreach to the poorer strata of clients, especially women, reaching beyond conventional microcredit to provide tailored savings, insurance, payments, remittances, credit and other financial services to people and small and medium-sized enterprises at the bottom of the economic ladder.

Financial services are critical for rural people to meet their basic needs, invest in their farms, enterprises, and lift them out of poverty, permanently. When they have access to resources, rural people can:

- increase their food production and consumption
- contribute to greater food security for all
- adopt practices and technologies that help them adapt to changing climate, protect the environment and use resources in a sustainable way
- protect themselves from risks and unforeseen events
- create new rural livelihoods, businesses and off-farm employment, including for youth
- enjoy equitable and resilient growth
- safeguard their futures

With access to diverse financial services, all people and business can strengthen their asset base to invest in income-generating opportunities and help to create “buffer capital” for times of crisis. Access is especially needed for smallholder farmers, women entrepreneurs and young people. Complementary programs that integrate financial, social and business development support can help beneficiaries graduate from extreme poverty and sustain themselves beyond the horizon of any particular programme.

In order to accelerate action to promote universal access to inclusive finance, the Rome-based agencies of the United Nations need to strengthen their joint work, identify innovative solutions and take concrete actions to integrate access to finance for smallholders and entrepreneurs into their work, thereby helping them realize their full potential. In particular, they agree to focus on:

- Supporting access to a wide variety of financial services, especially savings, as well as short term credit, long-term finance, remittances, insurance and electronic payments, and more.
• Promoting a wide range of financial institutions, models and delivery channels
• Pioneering innovative models and delivery channels
• Ensure inclusive finance mechanisms go hand in hand with the development of inclusive food systems and business practices
• Supporting demand-driven, market-based approaches with governments, development agencies, the private sector and other stakeholders.
• Developing and supporting long-term strategies focusing on sustainability and poverty outreach
• Promoting an enabling regulatory and legal environment for food security and rural finance
• Drawing farmers and rural entrepreneurs, especially women and youth, into the formal financial system
• Enhancing financial service providers’ viability and transparent information on financial and social performance
• Developing financial infrastructure, including credit bureaus, payment systems, movable collateral registries, etc., to support universal access to affordable financial services in rural areas.
• Creating the enabling conditions for a range of financial services to reach out to poor rural people and to protect their savings.

For more information, please contact:
- **Food and Agricultural Organization (FAO):** Rob Vos, Director, Gender, Equity and Rural Employment Division (rob.vos@fao.org)
- **International Fund for Agricultural Development (IFAD):** Stefania Lenoci, Partnership Officer (s.lenoci@ifad.org) and Zak Bleicher, Partnership Officer (z.bleicher@ifad.org)
- **Office of the UN Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA):** Joep Roest, Program Specialist (joep.roest@unsgsa.org)
- **World Food Programme (WFP):** Caroline Legros, External Relations (caroline.legros@wfp.org)