GLOBAL CONFERENCE ON AGRICULTURE, FOOD SECURITY AND CLIMATE CHANGE
04 Nov 2010

Your Excellencies, Ladies and Gentlemen, at the opening of this event, my husband welcomed you to the Netherlands. I now have the honor to reflect on the many experiences you brought to The Hague. Overall, I have heard an optimistic message about how we can feed our children and also conserve our ecosystems for future generations.

At the same time, I have heard that to do this, we need to create the right enabling conditions. We need to engage citizens around the world. We need leadership. And, we need to leverage technologies that boost production in balance with sustainable land and water management.

One issue that has come up regularly this week is how do we finance all that needs to be done. To this end, we should think thoroughly what role financial services should play, given that inclusive financial systems underlie and accelerate sustained rural development and growth.

I always find it helpful to define financial inclusion. Financial inclusion is universal access to a broad range of financial services, at a reasonable cost, provided by a diversity of sound and sustainable institutions. This week, we heard about the need for more finance for agriculture. We also learned about promising new approaches, such as weather-based insurance for maize in Malawi, and creation of carbon markets using forestry and agriculture.

But, much more needs to be done to continue to develop models like these that meet small farmer and rural enterprise needs. In doing this, I would like to emphasize three points of focus.

First, small farmers and small and medium enterprises need access to a range of financial products. Credit and weather-based insurance are only part of the solution. Access to a safe place to save is incredibly important. Savings help people build assets to take advantage of opportunities and manage cash flow. It enables them to invest in seeds, fertilizer and moisture protection measures that increase crop yields and ultimately incomes. Savings is also a kind of self-insurance.

Financial services are a means to an end, and not an end in itself. Accordingly, we need to continue to develop the right financial products for local crops, traditions and cultures. Financial products should also support sustainable agriculture. So we need to match the right financial product with the type of crop and agriculture.

I am encouraged that agricultural credit products are increasingly matched to crop seasons, instead of weekly or monthly repayments. More of this is needed, as so many small farmers finance their activities informally, which can carry high costs. We also need even longer-term credit and investments to help combat climate change. Tree-crops, landscape restoration, minimum tillage and other soil conservation measures often take five to seven years to yield results. Examples from Sri Lanka and Mexico mentioned during this conference should be followed more extensively.

We also need more piloting in innovative financing schemes for climate-smart agriculture. In Rwanda, I visited a farmer who had installed a biogas digester. With dung from two cows, this tank now gives the farmer gas for cleaner, healthier cooking and lighting. His family no longer collects wood for fires, which also helps preserving the land. And, the waste of the tank is better fertilizer for his land, so his crops improve. What interested me was how the farmer could afford this. Well, up to a third came from his savings or construction materials that he provided, a third was subsidized and the remaining third was from a bank loan. This loan was designed so that the monthly payments equal what he saved on fuel expenses - so really paying attention to his cash flow. Similar examples have been seen in relation to water provision, fertilizer and other needs. Innovative financing schemes like these should be further encouraged.
My second message is that we need to make sure that there is access to finance across the whole value chain. So often, people talk about microenterprise in one silo, and SMEs in another. In reality, the borders between micro and small enterprises are blurry. Not every entrepreneur starts by being a mid-sized company, but often as a micro-business. And finding finance at these initial stages can be very hard.

As a micro-entrepreneur graduates to a larger one, her needs change. For example, the small farmer tends to need finance specific to production, such as savings commitment products and loans for fertilizer and seeds, as well as insurance.

A medium sized enterprise, in comparison, needs finance for marketing and distribution. Products like warehouse guarantees, equity investments, convenient payment services and lines of credit can all help increase productivity, manage cash flow and increase efficiency. Also, the success of an enterprise is linked to larger and smaller businesses around it. For example, an egg distributor will sell to supermarkets, while relying on local vendors for egg trays, and villagers for eggs.

What is available for each of these partners on the value chain? In order to make appropriate financial products available to them, some of the micro-suppliers and small enterprises will need to be served by MFIs through up-scaling. Others will be served by commercial banks that are reaching down the market. So, appropriate financial products need to be available to them at all stages of growth.

Here, I would like to underscore two points my husband made. It is important that financial services be available locally. And, especially for enterprises, they must be twinned with provision of technical assistance and capacity building.

My third point is financial services will only be really effective within a broader enabling environment. An inclusive financial system is like a well-developed transport system. It is a basic infrastructure that everyone depends on. It helps markets work, and reduces costs. It can also play a pivotal role in fostering partnerships among different stakeholders, like I have seen in my visits to Rabobank's operations. However, there is no one size fits all solution for how a given country can create an inclusive financial system. But, we do know a couple of common elements.

A first priority is a national payment system. This is a stepping-stone to the provision of all the other financial services. Payment systems also enable innovation, including agents and mobile phone banking, that are already bringing financial services to remote rural areas at low, sustainable costs. And, for example, in the discussion these last days about carbon credits, how are we going to bring these payments to the small farmers if there is no payment infrastructure? So this is essential.

A second element is national credit bureaus. By providing repayment and credit history for individuals and enterprises, credit bureaus take some of the risk out of making loans. So very importantly, they provide the needed information to help reduce the cost of credit, and prevent client over-indebtedness.

Ladies and gentlemen, this brings me to two final points. First, initiatives need to be scalable and sustainable. So after piloting innovative financial schemes, they NEED to be rolled out in a sustainable manner.

Second, rural finance is not just an issue for the Minister of Agriculture or a bank. The challenges that we face are multi-faceted. Our solutions must be too. In my travels, I have found that the countries that have been most successful in advancing financial inclusion are those that have strong leadership and subsequently good coordination. They involve a broad cross-section of government, private sector, donors and NGOs. This creates the strategic partnerships that can deliver the right financial product at the right place, at the right price, and without silos.

So, I encourage all of you Ministers of Agriculture present here today, to go to your colleagues at the Ministry of Finance and Investment, and also at the Central Bank, to open discussions of what more can be done to create a financial sector that is truly inclusive and that can help finance the necessities of the agricultural sector.
sustainably and equitably.

If we succeed in this, we will advance adaptation and mitigation to climate change. We will help communities produce more food to feed our growing population. And, we will also help poor families, who live mostly in rural areas.

I hope you have learned and shared a lot these last days. As a Princess of the Netherlands, I have to say I am very proud of what my country has organized and achieved with this conference together with other partners. And I hope that the conclusions drawn here will feed the future dialogue on this very important issue, in Cancun, Rio or wherever that might take us.

Thank you.