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[Home](#) > [News](#) > [World Bank Group Establishes Agriculture...](#)

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- 中文
- Français
- Русский

World Bank Group Establishes Agriculture Finance Support Facility

\$20 Million from the Bill & Melinda Gates Foundation Will Help Improve Financial Access for Smallholder Farmers and Rural Entrepreneurs

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Washington, DC, June 8, 2009— In recognition of the financial crisis hitting the poorest the hardest, the World Bank Group announced today a new venture to support the expansion of rural finance in the developing world.

Through a \$20 million Bill & Melinda Gates Foundation contribution, the World Bank will establish the Agriculture Finance Support Facility. In a time of tight credit, the Facility will support grants to bank and non-bank institutions for activities to increase access to financial services, such as savings, credit, payments and insurance, in rural areas in developing countries as profitable business lines.

“We need to ensure sustainable access to financial services as a fundamental way to reduce poverty,” said Renate Kloeppinger-Todd, Rural Finance Adviser at the World Bank, “The Facility will enable financial institutions to provide new opportunities for smallholder farmers to make productivity enhancing investments and to use new technology and services.”

Even before the financial crisis, most of the over 1 billion smallholder farmers worldwide and many of the rural entrepreneurs of the developing world had little to no access to financial services. Since the financial crisis, access to these needed services has become even more strained.

Financial cooperatives and cooperative banks, a major source for financial services in rural areas in developed countries, have not emerged as significant service providers in most developing countries.

In India, a country with relatively high rural banking outreach, 45 percent of smallholder farmers did not have a savings account, and 69 percent did not have a credit account with formal financial institutions. Survey data from Honduras, Nicaragua, and Peru show that nearly 40 percent of agricultural producers are credit-constrained. The level of access in Africa is much lower. Less than 1 percent of farmers in Zambia and less than 2 percent of the rural population in Nigeria have access to credit from formal institutions.

“There is a great need among smallholder farmers, who make up the bulk of the world’s poor, for ways to save and manage their money,” said Carlos Cuevas, Deputy Director of Financial Services for the Poor for the Bill & Melinda Gates Foundation. “Having access to safe and reliable financial services such as savings, credit and insurance, allows poor farmers to safeguard cash, which they often receive only once a year during harvest. In this way, they can better provide for their families, prepare for emergencies, and build long term financial security.”

The World Bank provides ongoing support to many countries to improve the enabling environment for financial sector development. It also makes direct investments in rural finance. In fiscal year 2008, the World Bank committed \$613 million for twenty-eight rural finance projects.

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