

**Opening Speech of Mr. Samuel Gayi,
Head of the Special Unit on Commodities of UNCTAD
at the Pacific Regional Capacity Building Workshop
on Enhancing Access to Finance for the Agricultural Sector**

Hexagon International Hotel in Nadi, Fiji, 20th October 2011

Mr. Permanent Secretary of the Ministry of Primary Industries of Fiji,
Mr. Director of the Land Resources Division of the Secretariat of the Pacific
Community,
Distinguished guests,
Ladies and gentlemen,

I am, indeed, very pleased to participate in this Pacific Regional Capacity Building Workshop today. Our objective is to deliberate on how to enhance access to finance for the agricultural sector in the region. Entailed in this broader objective, among others, are: How do we reduce the default risk of farmers? How can we improve their access to seasonal and short term credit? How do we address the issue of the lack of collateral?

I'm very happy that all of you found these objectives worthwhile enough to travel long distances to be here. In all, we have about 50 participants from seven Pacific Island Countries and many experts, some from as "far flung" places as the Caribbeans!.

The workshop is organized by the United Nations Conference on Trade and Development (UNCTAD) in partnership with the Secretariat of the Pacific Community (SPC) under the All ACP Agricultural Commodities Programme (AAACP). The overall objective of this programme is to improve incomes and livelihoods of producers of traditional or other agricultural commodities. A related objective is to reduce vulnerability at both producer and macro levels. The programme has adopted an innovative approach by tapping into the expertise of five international organizations active in the area of agricultural commodities.

As one of the five implementing agencies of the AAACP, UNCTAD actively promotes the development-friendly integration of developing countries into the world economy. Commodity-related trade and development issues have long been the priority of UNCTAD's work programme right from the inception of the institution. Through our core work areas under the AAACP – commodity finance, market information

service, market access and commodity exchanges, we have assisted commodity-dependent developing countries in their efforts to achieve sustainable development, and to reduce poverty. In the Pacific, UNCTAD has been working closely with relevant stakeholders and partners to improve market information, and to address market access constraints. It is our hope that this workshop will further enhance our presence in the Pacific region and contribute to the alleviation of agricultural financing constraints in the Pacific Island Countries.

Ladies and gentlemen,

Agriculture is fundamentally important not only for rural employment, income generation and poverty reduction, but also for food security in many Pacific Island Countries. In relatively large countries of Melanesia, such as Papua New Guinea and Solomon Islands, agriculture accounts for more than 30 per cent of GDP.¹ The agricultural sector provides 65 to 85 per cent of employment in Papua New Guinea, Solomon Islands, Fiji and Vanuatu.² In middle sized countries of Polynesia such as Tonga and Samoa, agricultural-led development has greatly contributed to the economic and social development. In recent years, the acceleration of urbanization, the growing tourism industry and the expansion of export markets for niche agricultural commodities have provided potential lucrative markets for traditional and non-traditional agricultural products.

However, to grasp the development opportunity provided by the sector, it is crucial to address the key bottlenecks, including the access to affordable financial services, which is one of the binding constraints for the growth of the sector. In the recently developed fruit and vegetable strategy in Samoa, a lack of access to finance was identified as one of the major constraints for the sector's development. High financing costs, lack of eligible collateral, lack of tailor-made financial products to meet specific needs of borrowers, inadequate access to information on available financing products are among the key obstacles to accessing agricultural credit, in particular for small producers.

To bridge the financing gap, it is important to create an enabling policy environment, including an appropriate legal and regulatory framework for secured transactions. It is also important to develop innovative and demand-oriented financial products to meet specific financing needs. Equally important is building the capacity of policy makers, financial institutions and value chain stakeholders in agricultural finance. In particular,

¹ 2010 estimates, Central Intelligence Agency (CIA) World Factbook

² Estimates of various years, CIA World Factbook

development banks and microfinance institutions may need to adopt a flexible and bottom-up approach if they are to better tailor their products and services to the needs of agricultural value chain stakeholders. I'm glad that we have in our midst the indefatigable Madam Soko, President of the Agricultural Society of Trinidad and Tobago, who will share with us some exciting experiences from her country.

This two-day workshop provides a good opportunity for policy makers, financial institutions and agricultural value chain stakeholders to exchange ideas and share best practice in the area of agricultural finance. Over these two days, participants will discuss financing bottlenecks in the agriculture sector, address the collateral constraints, discuss the role of microfinance in increasing access to finance in rural areas, and explore alternative ways to improving agricultural finance. We'll also benefit from the Caribbean experience in managing weather risks. I look forward to your active participation in the deliberations of each session in order to make this workshop a success.

However, I'd like to sound note of caution. No matter how useful these experiences might be, we don't need to copy them wholesale! Transferring them would require adaptation to the Pacific region's own social, economic and probably political, milieu – the social structure of these communities/countries. As such, we'll most probably need to be innovative in developing models that are consonant with local social mores, customs and economic behaviour, which are essentially different from a market and social democratic form of socio-economic and political organization. The challenge therefore will be how to make these innovative mechanisms functional within the larger multilateral trading system underpinned by increasing globalization anchored on WTO disciplines and, if you like, “western” notions of the market and social and political organization.

At this juncture, *Ladies and Gentlemen*, permit me to take this opportunity to thank the international and regional experts as well as the representatives of donor agencies who are here to share their precious experiences with all of us. I would also like to express my sincere gratitude to the European Union for their financial support of this workshop and the main AAACP, and to our regional partner – the Secretariat of the Pacific Community for their collaboration in the preparation of this regional workshop. To you all, I say big “thank you” for your invaluable support

I wish you all a fruitful meeting, and a pleasant stay in this scenic city - Nadi.

Thank you all very much for your kind attention.