ENVI-Y001

Introduction to Rural Development

1st + 2nd semester EMP 2012-13

Prof. Marijke D’HAESE, Prof. Johan BASTIAENSEN,
Peter MARCHETTI (FDL, Nicaragua)

Planning

Part 1: Prof. Marijke D’HAESE

Part 2: Prof. Johan BASTIAENSEN & Peter MARCHETTI (FDL, Nicaragua)

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<tr>
<th>Date</th>
<th>Time</th>
<th>Lecturer</th>
<th>Guest speaker</th>
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<td>22/11/2012</td>
<td>6 pm – 9 pm</td>
<td>Prof. M. D’Haese</td>
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Part 1: Prof Marijke D’HAESE

Objectives of the course

The objective of this course is to introduce, discuss and frame aspects of rural development and to relate these to rural livelihoods and borrower perspectives of (micro)finance.

We start with analyzing the perseverance and determinants of rural poverty and food insecurity. We discuss the particularities of rural areas, and discuss issues of rural poverty with regards to risk, saving and lending. Next we discuss the specificities for (micro)finance of agriculture as the main employer sector in many rural areas. Again particular attention will be on risk and lending.

Three sets of key questions will be debated: (1) Why are rural areas different from urban areas in terms of potential clientele for a microfinance institution? (2) How does poverty relate to risk and finance? Are the poor more risk averse or risk takers? How do the poor react to risk? How do the poor save and borrow? (3) Why are farmers a difficult group to reach for a microfinance institution?

Topics covered

1) Introduction to rural development
   - Defining rural development
   - Rural poverty and food insecurity
   - Rural livelihoods – concepts, characteristics, constraints
   - Rural versus urban development

2) Poverty traps
   - Rural poverty dynamics: development and policy implications: transitory and chronic poverty, rural poverty dynamics, uncovering poverty traps and threshold effects, development policy implications
   - Poverty and risk
   - Poverty and saving
   - Poverty and lending

3) Agriculture
   - Current trends in farming
   - Agriculture and risk
   - Agriculture and need for finance

Evaluation

Group work (debate + report). Modalities to be discussed in class.

Readings

- Chapters 1 & 2 from Rural Poverty Report (2011) IFAD, Rome
Part 2: Prof Johan BASTIAENSEN

Topics covered

1) Understanding ‘MF for rural development’ in local institutional context
   - Making rural microfinance work: transaction costs and social embeddedness
   - Reconceptualizing the impact of financial services as (a contribution to) broader socio-institutional transformation
   - Analysis of the Nicaraguan microfinance crisis and its relation to mainstream microfinance policies
   - Examples from the FDL: some history of the FDL in recreating and maintaining ‘credit culture’ in the rather adverse Nicaraguan environment; credit technologies and local social networks; interaction with local institutions: ‘market’ vs ‘patron-client’ norms; analysis of the ‘No Pago’ Movement

2) The ‘Finance Plus’ approach
   - Concept: finance for development, link with rural development transformation, the need for ‘high quality’ human capital (beyond merely financial skills)
   - Finance Plus: developmental financial products & complementary non-financial services (illustration of approach & examples from practice)
   - Articulating financial and non-financial services

3) The financial management of an MFI in an evolving context
   - The Microfinance Revolution in the current era of commercialization and Crisis
     - How to avoid both Mission Drift and Betrayal of its lasting contributions?
   - The management challenges of the ‘double bottom line’: How to reconcile profitability and development impact: complementarities and tensions?
   - Case-study: the Fondo de Desarrollo Local in Nicaragua

Evaluation

Written assignment.

Readings


