

**International Conference on The
Most Important Reserves of
Implementing the Food Program
in Uzbekistan, June 6, 2014**



Sharing development knowledge
about Asia and the Pacific

Agricultural Financing in Asian Countries

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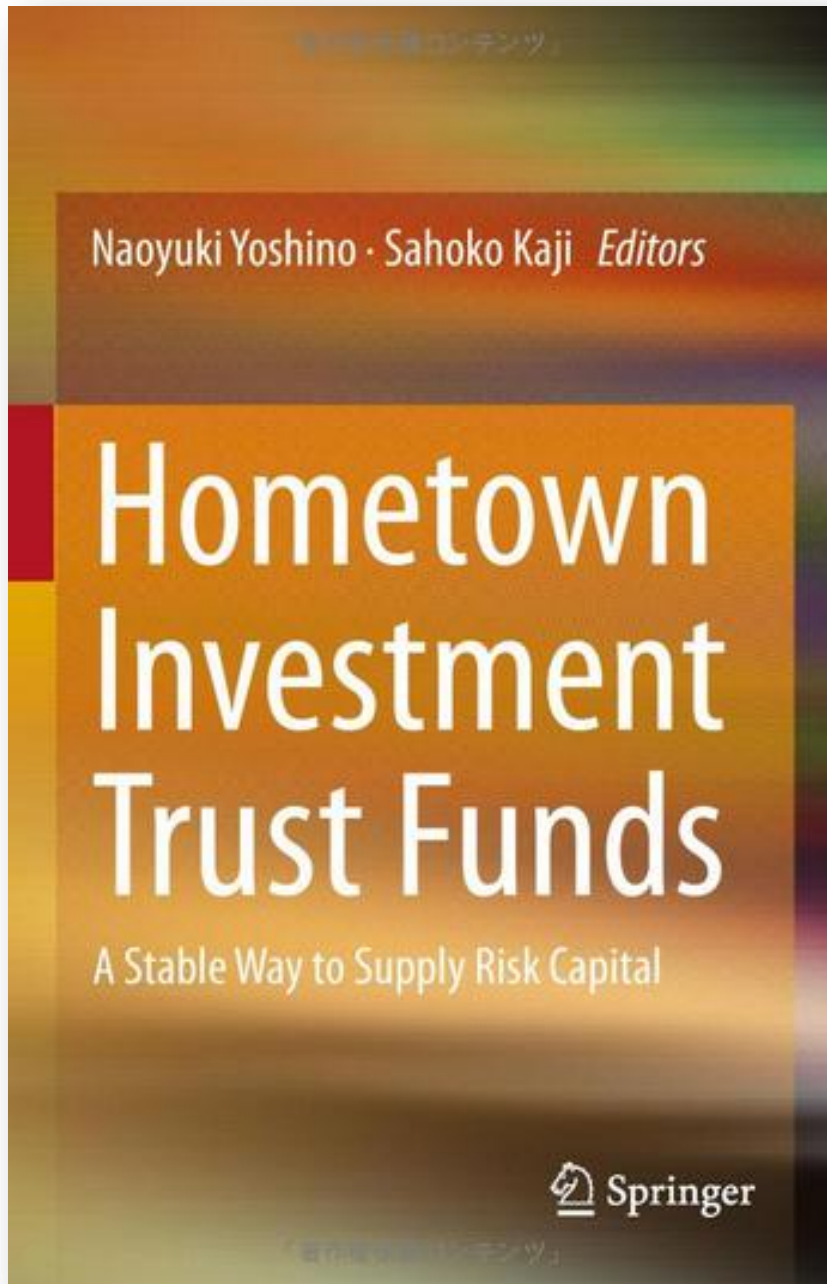
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Home town Investment Trust Funds

***A Stable Way to
Supply Risk
Capital
(i.e. knowledge
base companies)***

***Naoyuki YOSHINO
Sahoko KAJI***

Examples of Trust Funds by Internet in Japan; E-fund

1, Solar Power Panel

2, Forest trust fund

3, Music trust fund

4, Wind Power Generator

5, Green Finance

6, Agricultural Finance

2011 Tōhoku earthquake and Tsunami



Agricultural Funds



Donation and Investment to community

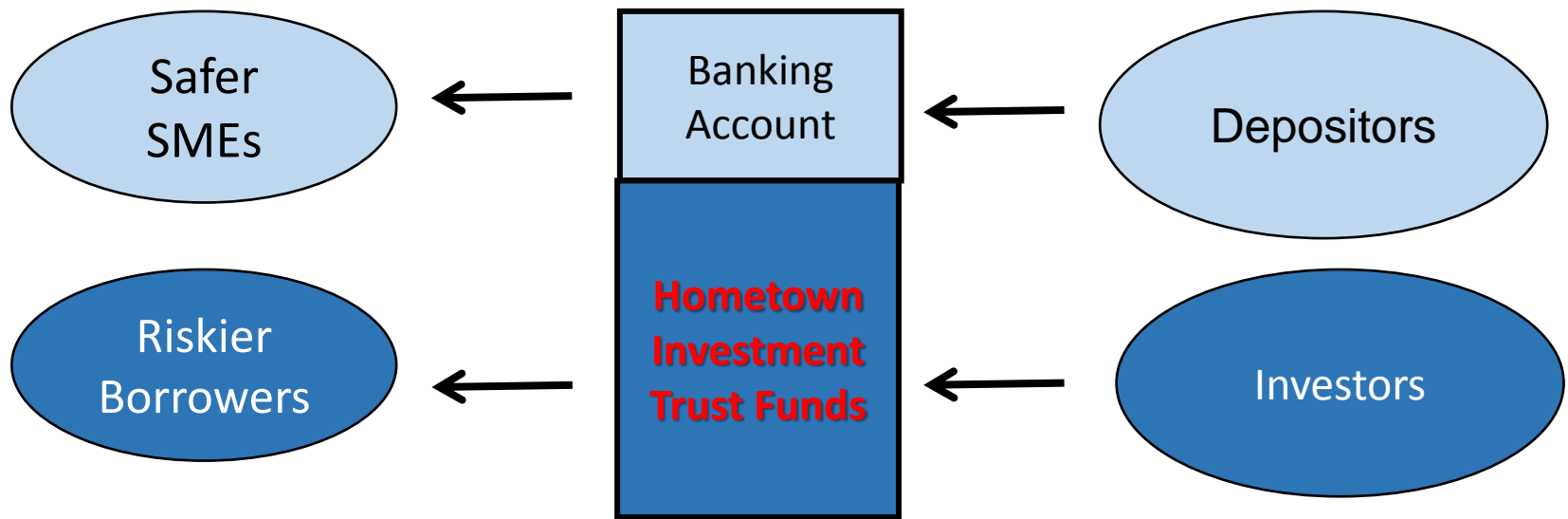




Bank based SME, Agriculture financing to Riskier Borrowers

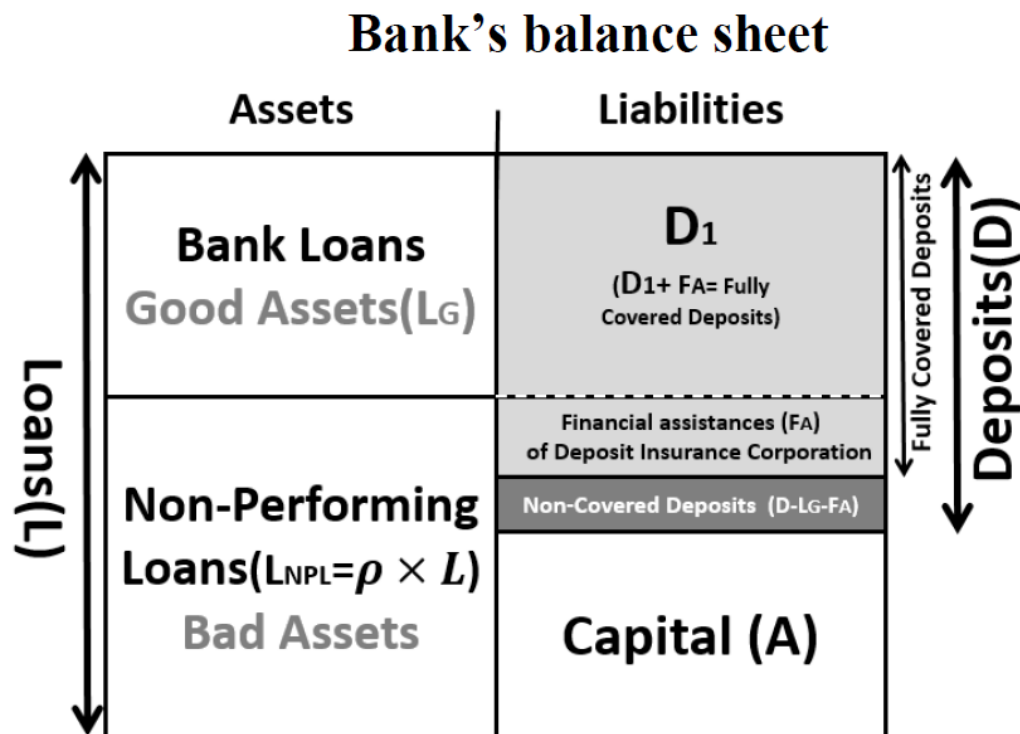
- 1, Bank Loans to relatively safer borrower
- 2, Hometown Investment Trust Funds to Riskier Borrowers

E-Finance, E-Fund



Source: Authors

Credit Guarantee → Reduce Risk of SME loans



Source: Authors

Revankar N. and Yoshino, N., (2008) “An Empirical Analysis of Japanese Banking Behavior in a Period of Financial Instability,” *Keio Economic Studies*, Vol.45 No.1.

Yoshino, Naoyuki and Tomohiro Hirano (2011) “Pro-cyclicality of the Basel Capital Requirement Ratio and Its Impact on Banks ” (*Asian Economic Papers, MIT Press, Vol.10, No.2*)).

Yoshino, N., Taghizadeh Hesary, F. and Nili, F. (2013), "Optimal Premiums for the Deposit Insurance System : An empirical work on the deposit insurance system of Japan", *Keio Economic Studies, Discussion Paper*, KESDP No. 13-1.

Investors

1. **Community Type Infrastructure**
2. **Wind power Generator Funds**
3. **SME Hometown Trust Fund**
4. **Large Projects and Professional Investors**
5. **Pension Funds**
6. **Insurance companies**
7. **Mutual Funds**

Separate Accounts of SME financing

1, Traditional Bank finance

Private banks

2, SME fund, Regional mutual funds, **E-Finance**

Sell these mutual funds through

banks' branch offices

3, Separating two accounts

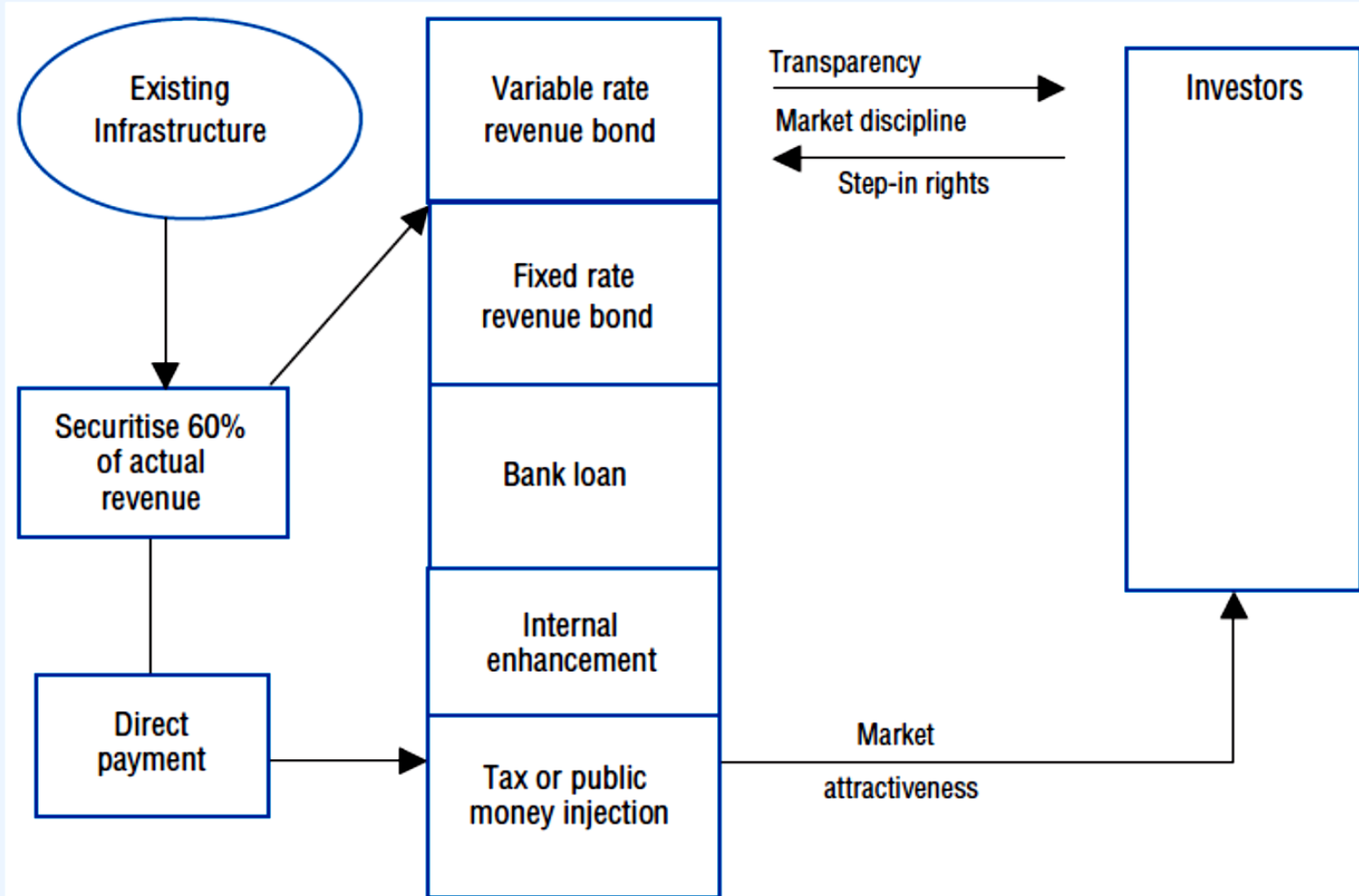
(i) Banking accounts (**Guarantee by FDIC**)

(ii) SME funds, Regional mutual fund

(non-guarantee)

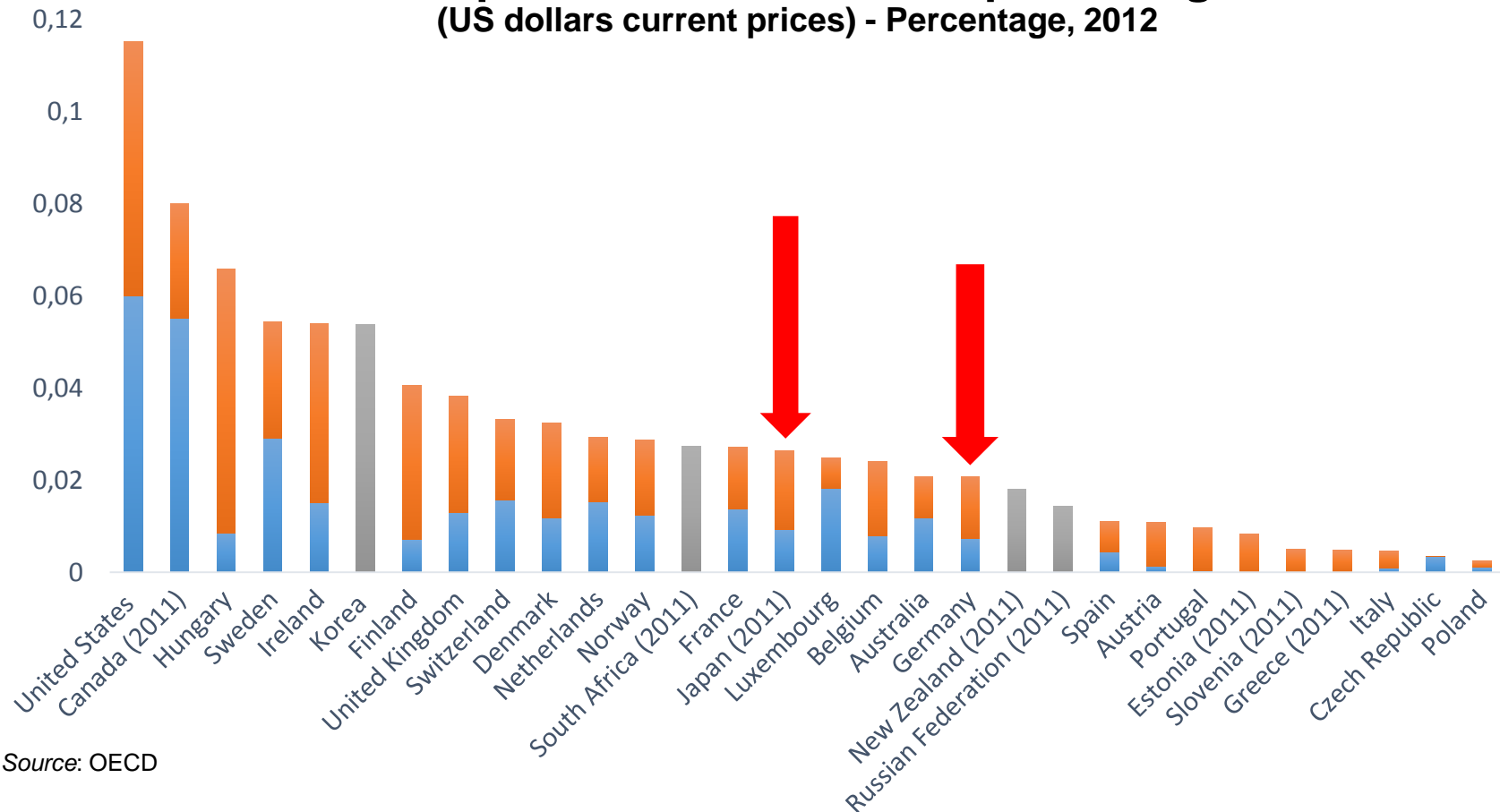
Box 2. Proposal for the development of a revenue bond scheme

Revenue Bond Scheme in Asia



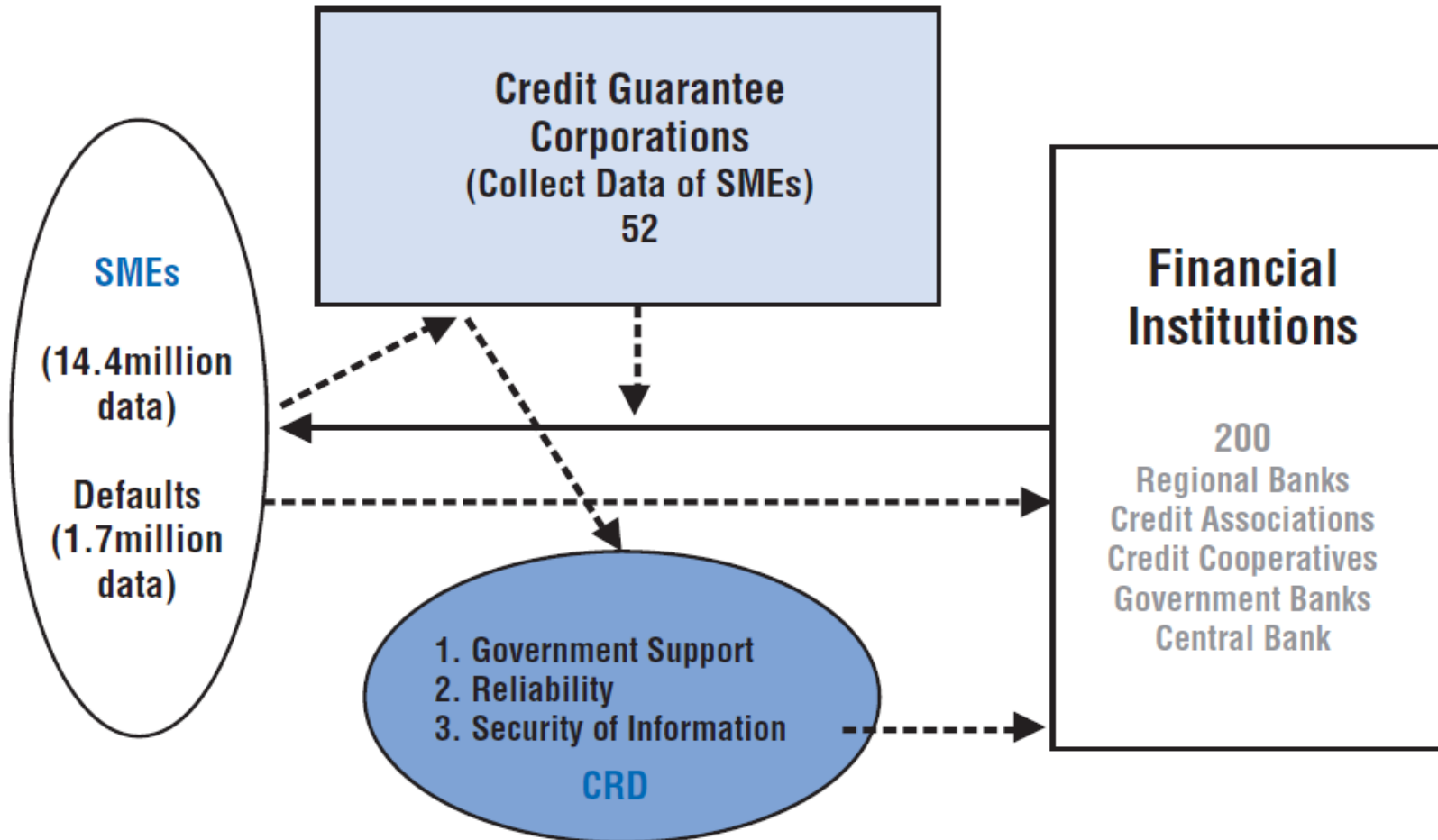
SMEs and venture businesses who will provide long term funds ?

Venture capital investments as a percentage of GDP
(US dollars current prices) - Percentage, 2012



Source: OECD

SME Database (CRD Database)



Trade diversification into Agricultural Products Beneficial

- Greater product differentiation, both horizontally (number of products) and vertically (quality of products), would increase trade ties with major economic centers at the higher end of economic development and expand Central Asia's market destinations
- Central Asia also needs to increase production and exports in its area of comparative advantage, taking into account the fixed costs and increasing returns in such core sectors as oil, gas, and mineral extraction, as well as manufacturing sectors that require high capital intensity and entry barriers

Enhancing FDI Flows and Technology Transfers into the Agricultural Sector

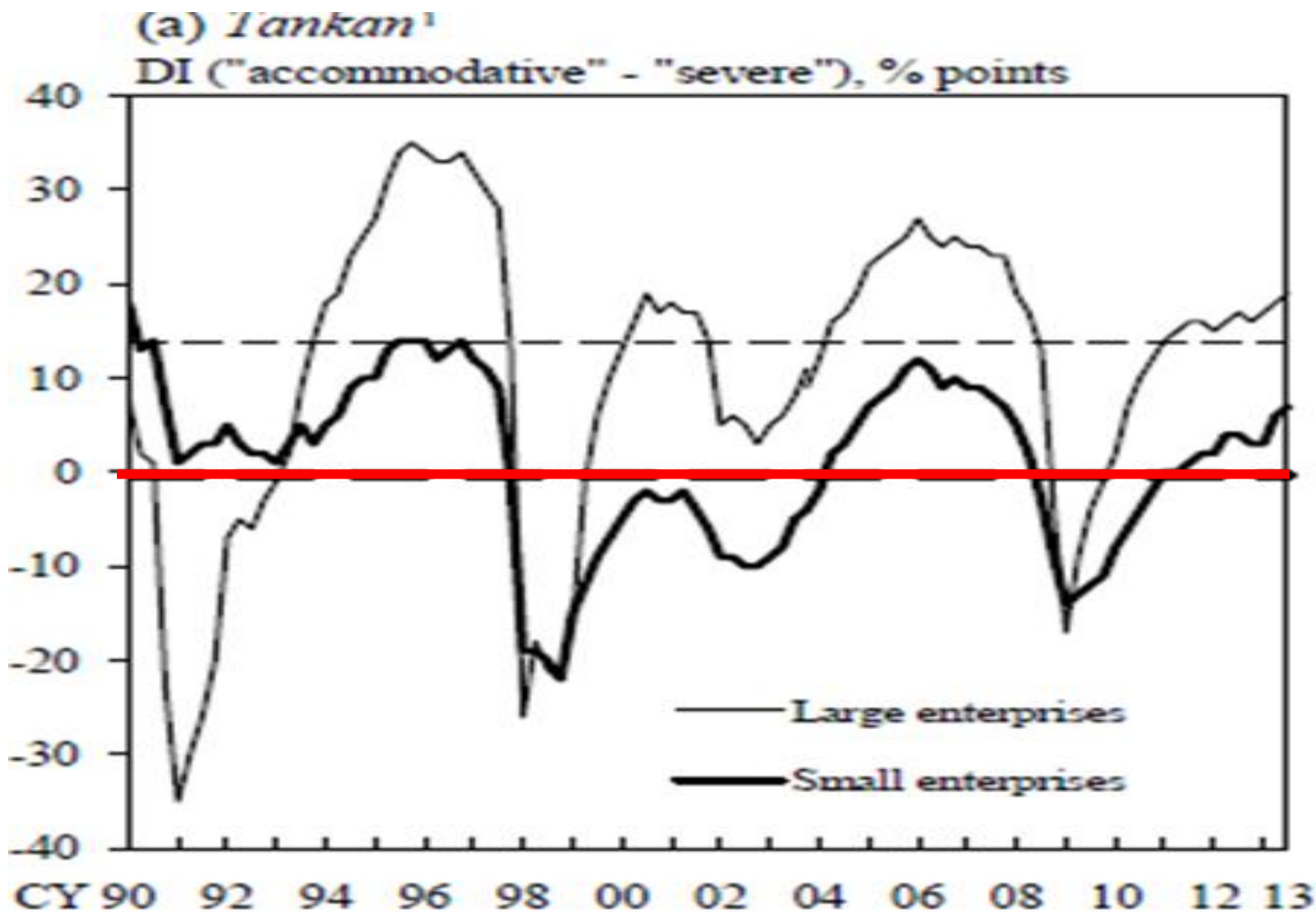
- Energy-rich countries with favorable regimes for foreign investments have attracted substantial FDI and are one of the top investment destinations in Asia and the world
- Main motives for FDI to come to Central Asia are to seek natural resources and new markets in non-tradable sectors (e.g., real estate development and retail)
- Many Central Asian countries have substantial national savings, so their motive in attracting FDI is primarily to benefit from investors' technologies and expertise.
- FDI has enabled the expansion of extraction industries and non-tradable services, and export growth, all of which are a major source of government revenue
- However, technology transfer has been limited so far
- Agricultural sector receive relatively smaller investment than other sectors
- Central Asia's participation in global value chains is mostly limited to supplies of natural resources and, in Uzbekistan, the automobile sector
- With agricultural sector, the employment impacts of FDI should be more significant

Access to Credit by SMEs Challenging

Country	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
# of firms surveyed	544	505	360	366
Proportion (%) of output:				
Domestic sales	98.2	92.0	95.6	96.1
Indirect exports	0.8	2.2	0.6	1.9
Direct exports	1.0	5.7	3.6	2.0
Main reason for not applying for new loans or lines of credit (%):				
No need for a loan - establishment has sufficient capital	61.7	50.6	60.6	51.5
Application procedures for loans or line of credit are complex	4.3	11.6	5.3	16.0
Interest rates are not favorable	25.4	23.2	20.4	11.6
Collateral requirements for loans or line of credit are unattainable	2.0	7.9	6.2	6.7
Size of loan and maturity are insufficient	0.9	3.1	4.9	5.6
Did not think it would be approved	..	1.2	0.9	1.1

- A majority of firms producing for domestic sales.
- More access to credit for small and medium size (SMEs) firms can encourage new firms to export and join production networks.

SMEs are difficult to borrow money from Banks



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2. **Yoshino, Suzuki, Maehara and Abe (2009)** Development of Corporate Credit Information Database and Credit Guarantee System, ASEAN Secretariat, Feb. 2009.
3. **Yoshino, N. (2010)** "Financing Transport Infrastructure Development in Southeast Asia" *OECD, Southeast Asian Economic Outlook*, 2010, Nov., Chapter 6, OECD, Paris.
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