



SAFIN Newsletter

ISSUE 7

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As this issue of the SAFIN newsletter goes to print, preparations are in high-gear mode for some major events and heavy-lifting tasks awaiting us this Fall. This includes the third plenary meeting of SAFIN partners, two regional learning events on blended finance and agriculture, the development of action plans around SAFIN country investment prospectuses for Nigeria and Uganda, and the launch of two new country pilots. At such moments, it is hard to find the time to look back and reflect upon the past months. However, doing so gives me particular pleasure today, as this has been a promising summer for SAFIN. The new team in place since late June has brought new energy and focus to our communication and knowledge management efforts – including a revamping of the SAFIN website, at www.safinetwork.org, and a new look for our quarterly newsletter. The process around the country pilots of the SAFIN “Investment Prospectus Framework” has been re-energized, with many critical questions raised and a reconfirmation of strong interest across participants. All this bodes well for a productive Fall, and an even more productive future further down the road. Enjoy the read!

Bettina Prato, Senior Coordinator, SAFIN

Highlights from our workstreams

Building the knowledge base on blended finance and agriculture – highlights from the SAFIN-OECD “deep dive”

After the release of a landscape report on blended finance and agriculture prepared by Tanja Havemann of Clarmondial last Spring, during the summer the SAFIN Secretariat with Yuri Soares Dillon of the Inter-American Development Bank and the blended finance team at the OECD Development Cooperation Directorate worked on harvesting case studies for our joint “deep dive” on this theme. This yielded over a dozen case studies from Africa, Asia, and Latin America, which are currently undergoing

systematization for eventual publication in a report to be issued alongside the OECD Private Finance for Sustainable Development week in Paris next January.

The case studies we have collected cover different aspects of the use of blended instruments and approaches in the sector, with a prevalence of use of blending to address business model risks facing formal and informal financial institutions serving the smallholders and/or the agri-SME market. By far most case studies were contributed by SAFIN partners, demonstrating that blended finance is already quite an established reality for many of the institutions in the network – whether as sponsors, as funders, as technical service providers, or as implementers.

Both the case studies and the landscape report have informed the design of two regional learning events targeting national financial institutions members of the African and Asian Rural and Agricultural Credit Associations (AFRACA and APRACA, respectively).

The decision to take the conversation to the regional level stems from the major role that such institutions play in country-level financial ecosystems for agricultural finance, and the increasing significance that the agenda of mobilizing or complementing private finance has for these institutions.

As such, these institutions should be major interlocutors for international financial institutions and development partners involved in blended finance for this sector. Yet, a structured dialogue among international and national



Presenting our work on the SAFIN-OECD deep-dive on blended finance and agriculture in Paris, France in July 2019

(rural and agricultural) financial institutions around the potential and limitations of blending has yet to appear.

For SAFIN, directly facilitating such dialogue represents an important opportunity to make a difference on the ground and to promote learning as well as better practice across the different parts of the global financial ecosystem for agriculture. The two regional events are coming up in Nairobi (1-2 October) and Bangkok (14-15 October). Their results are expected to feed into a reflection about concrete actions that the network may nurture or jointly undertake to help build the capacity of both national and international financial institutions for better use of blended finance to address risk associated with the deployment of agri-SME finance.

Aligning partners' plans around strategic opportunities and financing gaps at country level – recent progress in the SAFIN country pilots

With a new team in place in the SAFIN Secretariat, the third trimester of the year has been a time of both stocktaking and acceleration of progress in the ongoing pilots of the SAFIN “Investment Prospectus Framework” – a tool designed to align major programmatic activities of network partners around untapped investment opportunities in agri-SME dense value chains and financing solutions around such opportunities.

In the Dominican Republic, an Investment Prospectus for Coconut Value Chains was developed by SAFIN partner Fundación Capital, which used it as the basis for a project involving the design of a new credit product tailored to the needs of coconut farmers facing production shortages. A pilot of the project is now in the making, linking a group of producers to processors via offtake agreements and to local financial institutions and potential investors who can design and fund the new credit product.

In Uganda, after the validation of the Investment Prospectuses for Coffee and Oil-seeds Value Chains work is underway to involve more closely different parts of the local private sector and to sharpen the relevance of prospectus findings and proposals to private companies and financiers, informing an action plan to be finalized in the Fall. Meanwhile, findings from the Investment Prospectus for Oil-seed Value Chains have already informed the design of the new IFAD-supported National Oil Seed Project (NOSP).

As of mid-September, investment prospectuses for the maize, soybean and cassava value chains in Nigeria are under review by local partners and a validation workshop is planned, to be followed by the design of actions (possibly in the form of a new project supported by multiple SAFIN partners active in the country) to address the identified investment opportunities. The main target of such a project are likely to be intermediary institutions providing a bundle of

market linkage, technical advisory, and financial services to smallholder farmers.

Finally, the India pilot is in the process of selection of target value chains and geographies, led by the pilot anchor ACCESS Development Services and the local Steering Committee. The value chains under consideration include spices or millet along with non-timber forest products.

News from across the network

Agribusiness Deal Room at AGRF 2019 secures over \$200 Million in agribusiness venture capital

At the 2019 African Green Revolution Forum (AGRF) in Accra, Ghana, heads of state and government, ministers, civil society, and business leaders explored ways to hasten Africa's agricultural revolution through digitalization. As in previous editions, the event drew a large and diverse crowd of about 2800 delegates from all over the world, drawn by a rich programme of high profile panels, informal meetings, business-to-business conversations, and much more.

Highlights included the launch of the 2019 Africa Agricultural Status Report by AGRA, documenting inter alia the existence of a vibrant small and medium-sized enterprise market in Africa's food systems. Also among the key outcomes was the mobilization of more than \$500 million to develop opportunities for young Africans in agriculture.



AGRA VP of Country Support, Delivery and Partnerships and partners launch the Deal Room at AGRF2019

Building on the pilot experience of 2018, AGRA and Forum organizing partners presented a revamped and expanded "Agribusiness Deal Room" this year, which drew around 580 businesses, 37 financial investors, 17 African banks, and three Development Finance Institutions. This is a space intensely curated by AGRA and partners to nurture productive, ideally long-term business and investment partnerships in the African agri-food ecosystem, responding to the large mismatch between capital and project availability holding back progress in this sector.

More than 117 African SMEs made fruitful connections with high profile investors in 350 meetings through the Deal Room, which SAFIN contributed to design and populate. Financial commitments facilitated by this space amounted to about \$200 million in new investments, in addition to a commitment to support the digital infrastructure needed to power innovative farmer-oriented services, climate change adaptation, and the launch of a major food trade coalition.

AFEX launches learning platform for Nigeria's agricultural commodities market

In July 2019, AFEX Commodities Exchange Limited introduced EdEx - a learning platform aiming to educate the public about investing in agricultural commodities in Nigeria, with an ambition to helping to solve the need for more capital from both retail and institutional sources for this sector of strategic importance for the country.



Participants at the first EdEX workshop

EdEx includes online and in person training, and it is designed to reach various audiences with different learning needs. Key target groups include institutional and retail investors, brokers and smallholder farmers. To investors and brokers, the platform offers content about membership procedure, market access, trading strategies and community engagement.

For smallholder farmers, a "train the trainer" model has been developed around good agricultural practices. A workshop has been conducted and one is planned before the end of the year, and an e-learning video library is being rolled out with content developed by in-house experts and partners from around the globe.

EdEx aims to direct financing for Nigerian agriculture towards smallholder farmers and other value chain actors by enhancing the understanding of portfolio managers, fund managers, analysts, traders, brokers and risk managers of the commodities market, and fostering the development of innovative financing structures for Nigerian agriculture. At the same time, content designed for smallholder farmers is expected to contribute to raising productivity and efficiency in the agriculture sector in Nigeria, thereby increasing its appeal to financial investors.

Perspective: "Inclusive fintech can drive real impact among smallholder farmers and agri-SMEs," Blaine Stephens, MIX

Perspectives is a new series that highlights emerging issues in the area of agri-SME and smallholder finance from the perspective of practitioners and thought leaders from within and outside the SAFIN network. In this inaugural interview, Blaine Stephens, Chief Operating Officer at MIX describes how harmonizing data standards and closing information gaps surrounding fintechs that contribute to financial inclusion can drive real impact among smallholder farmers and agri-SMEs.



Smallholder farmer in IFAD-supported project in Rwanda ©IFAD/Simona Siad

Why is MIX sharpening its focus on new areas of inclusive finance like fintech?

Fintech is an emerging area that holds great promise. Over **USD 100 billion was invested in fintech in 2018**, but investors seeking to spur financial inclusion and financial health for underserved segments, including smallholder farmers, tell us they don't have a way to assess how fintechs are set up to address financial inclusion challenges. They are also building their deal pipeline from existing networks because they lack a full view of the landscape and methods for identifying new, promising fintechs.

MIX recently implemented Inclusive Fintech 50. What did you learn from this effort and why does it matter?

The response to the initiative - funded by MetLife Foundation and Visa with support from Accion and the International Finance Corporation - tells us there are large numbers of fintechs that want to share how they are contributing to financial inclusion (we received interest from over 1,000 fintechs with nearly 600 completed applications).

The data collected from applicants tells us even more. For example, fintechs headquartered in Sub-Saharan Africa raised an average annual funding of USD 260,000 compared to USD 626,000 for East and Southeast Asia. Yet, the African fintechs reached just as many clients as those in other regions. Imagine what we could do in terms of outreach with just a little more investment capital!

But capital is also concentrated within regions. In Africa, the vast majority of funding went to only a few countries. Further, out of 110 applicants based in Africa, 7 fintechs captured 70 percent of total funding.

What is MIX doing to tackle these challenges? How can SAFIN partners get involved?

We found that the heterogeneity of fintechs presents challenges, so we are building a common language for assessing fintechs, including a framework for understanding how business solutions address inclusion, and how they are performing through benchmarks.

SAFIN partners can review the data standards and encourage fintechs to participate in the benchmarks. Through these related efforts, and with your participation, we can ensure that financial technology and innovation can be harnessed for real impact.



Blaine Stephens,
Chief Operating
Officer, MIX

Blaine leads operations and products for MIX, a global organization dedicated to full financial inclusion. Since the launch of MIX's first online platform-MIX Market-in 2002, Blaine has worked to further inclusive finance through reporting standards, benchmarks, rankings and other information products. His recent work has covered international funding for financial inclusion, agri-SMEs and smallholder farmers, as well as developing a framework for analyzing inclusive fintech.

Partner in the spotlight: Bruno Vindel and AFD



Bruno Vindel, Team Leader, Financial Systems Division at Agence Française de Développement

What is AFD and what does it do in the domain of agricultural and rural finance?

The AFD group (comprising Agence Française de Développement, PROPARCO and Expertise France) is France's bilateral development policy platform. Its financial commitment in 2018 has been worth 11.4 bn Euros, in loans, grants, guarantees and equity. Fight against climate change is a major driver of our actions, and all projects funded must be 100 % Paris Agreement compliant. The AFD Group has a recognized experience in agricultural and rural finance, particularly in the smallholder and rural SME sectors. It is one of the few donors to support, along with public policies of the States, the development of financial institutions for the rural world. Over the last ten years, AFD has financed 52 programs run by some 50 financial institutions in more than 20 countries in the form of agricultural and rural lines of credit, and technical assistance grants.

With this expertise, the AFD Group has developed an approach dedicated to the sustainable financing of family farms, producer organizations, cooperatives and even small and medium-sized businesses in rural areas, called AGREENFI. AGREENFI aims to encourage local financial institutions (public and private banks, non-bank financial institutions, micro-finance institutions, leasing institutions, and others) to mobilize for the development of a productive and sustainable agriculture, the reduction of territorial inequalities and shared and sustainable growth, as well as transforming their practices to promote a more sustainable development model.

The approach consists of support adapted to the contexts of each country and partner, including 4 potential components: i) financing of credit lines, generally at soft conditions; (ii) capacity building of partner financial institutions, but also, where appropriate, final beneficiaries (rural farmers and SMEs) to facilitate the meeting of supply and demand for agricultural and rural finance; (iii) risk sharing if appropriate; (iv) possible investment grants for the promotion of innovative projects.

Are development agencies and development finance institutions changing the way they work in agricultural and rural finance? If so, what are the main elements of novelty and the main challenges that you see?

I am unfortunately not aware all the practices of all agencies and development finance institutions. What I see, is that projects nowadays try to adapt to the contexts of each country and partner, which is a good thing. Rural and agriculture credit-lines are implemented together with technical assistance encompassing the reinforcement of staff skills, optimization and organization of information systems, adaptation of procedures and implementation of the beneficiary finance institutions. The aim is to accompany the transformation of the partner financial institution.

Now, efforts certainly need to be strengthened regarding the environment and climate dimension (adaptation of agricultural practices) of the finance projects, which adds to the complexity. In any case, one has to remain modest when implementing a rural and agriculture finance project, as financing is only an element (albeit a key element) of the comprehensive ecosystem of rural development.

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We believe SAFIN has the potential to help its partners to do better and do more.

Why did AFD join SAFIN?

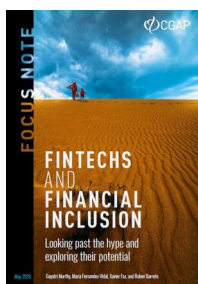
Like for every network, we appreciated the aspect of communicating experiences and good practices, and coordinating knowledge activities particularly in innovations (the example of blended finance). In a nutshell, collaborating for better impact. When Bettina came to Paris and presented SAFIN to us, she was very convincing of course, but we already felt that “something” needed to be done in the landscape of rural development financing, in the broader framework of the MDGs. We believe SAFIN has the potential of helping its members to do better and more.

How is AFD contributing to SAFIN?

For the time being, I confess we could contribute more in terms of ideas and experience sharing. Our participation in the 2018 SAFIN plenary meeting was a very good step for us. We are in the process of contributing financially to SAFIN budget, with a 3-year grant at present under appraisal.

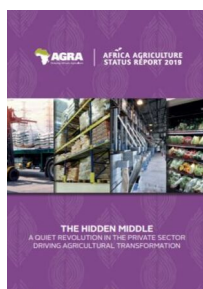
What we're reading

Read the latest publications in our resource library



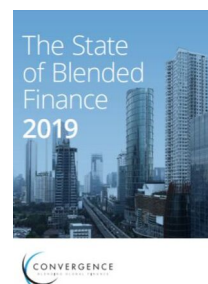
Fintechs and Financial Inclusion

CGAP



Africa Agriculture Status Report 2019

AGRA



The State of Blended Finance 2019

Convergence

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Where we're going

Join us at these upcoming events to exchange knowledge with our partners

01-02 Oct 2019

Blended Finance and
Agriculture: Experiences
from Africa

Nairobi, Kenya

14-15 Oct 2019

Blended Finance and
Agriculture: Experiences
from Asia

Bangkok, Thailand

10-11 Nov 2019

SAFIN Annual Plenary
Meeting

New Delhi, India



Hosted at IFAD
Via Paolo di Dono, 44
00142 Rome, Italy
safincoordinationteam@ifad.org
www.safinetwork.org

The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is a partnership of actors that are committed to aligning their efforts to scale up access to financial services for agri-SMEs and for commercial small farms.