

# The Smallholder and Agri-SME Finance and Investment Network

Vision, Activity Lines, Commitments and Governance (2018-2020)

The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is an inclusive partnership of actors operating in different parts of the ecosystem for agricultural and related rural small and medium enterprise (SME) investment, with a focus on access to finance and complementary services. Partners share the recognition that smallholder farmers and other rural SMEs are key investors in inclusive and sustainable rural economies and food systems. They further share an appreciation of the many challenges and gaps in the ecosystem around such investments, and an interest in joining forces to address these. The network provides partners with a pre-competitive space to align their efforts and to scale up and multiply their positive impact, via activities and tools for shared learning, peer support, frank and open dialogue, and the identification of opportunities for coordinated action.

## RATIONALE

Inclusive and sustainable rural transformation is key for the realization of the 2030 Agenda, particularly as it concerns ending hunger and malnutrition and promoting sustainable food systems. In many contexts, agri-SMEs – operating in primary production, input and technology provision and services, processing, and marketing – are the backbone of rural economies and local and national agricultural and food systems. The capacity of these enterprises to invest more effectively, profitably and sustainably is critical for the transformations that the 2030 Agenda requires.

Today, this large and diverse group of investors often operate in challenging conditions, due to unfavourable policy environments, poorly functioning or poorly accessible markets, institutional capacity gaps, limited adoption of inclusive business models across the ecosystem, and other factors. Poor access to financial products and services that effectively meet the diverse demands of this group of enterprises often stands out as a major stumbling block. Indeed, the importance of financial inclusion for SMEs in all sectors is well recognized in the 2030 Agenda and in the related Addis Ababa Action Agenda for Financing for Development. However, this is not only an agenda for traditional providers of development finance. Closing the investment gap for agri-SMEs requires a concerted, multi-stakeholder effort. Equally, closing the gap between demand and supply for agri-SME finance requires ecosystem-wide, multi-stakeholder efforts.

## **SAFIN VISION FOR THE AGRI-SME FINANCE ECOSYSTEM**

SAFIN partners share a vision of a more effective and inclusive ecosystem for agri-SME finance and investment, to which they actively contribute. This is an ecosystem marked by all of the following features:

- Inclusive and evidence-based policy and institutional environments;
- Higher volumes and more diverse sources of finance for SME investment;
- System-wide alignment around SME-inclusive narratives and practices;
- Greater investment in innovation and attention to scaling up good practices;
- An improved knowledge base informing both policy and practice.

## **KEY AREAS OF COLLABORATION AMONG SAFIN PARTNERS**

Partners have a shared interest in working together in five areas. These match the above key features of a more effective and inclusive ecosystem for agri-SME finance and investment and are also areas where some partners have a comparative advantage and ongoing engagement. These are:

- Coordinated engagement on selected policy issues;
- Mobilizing and aligning different sources of finance for the ecosystem;
- Aligning country-level investments and programmes through inclusive models;
- Pooling knowledge around challenges requiring innovation or for scaling up;
- Building bridges across research communities around a strategic knowledge agenda.

## **THE SAFIN “THEORY OF CHANGE”**

Since SAFIN aims to bring together a critical mass of actors playing a role in different parts of the ecosystem for agri-SME finance, its theory of change rests on these assumptions:

- Positive change across the five areas of work identified by partners can impact positively on the five key features of a more inclusive and effective ecosystem;
- Partners have a direct or indirect stake in all identified areas of work and stand to gain from working better with other partners in each area;
- Activity lines should inform each other to form a virtuous circle over time, with policy and learning-oriented activities feeding off and into collaborative practice and investment;
- Partners representing agri-SMEs and smallholder farmers have an especially important role in shaping an effective agenda for SAFIN and for the broader ecosystem.

## TIMELINE AND APPROACH

The partnership aims to accompany the timeline of the 2030 Agenda (including the Addis Ababa Action Agenda) with milestone moments of self-assessment at 2020 and 2025. The SAFIN pilot phase covers the period 2018-2020. The approach of SAFIN is:

**Ambitious:** Keeping a focus on the ultimate objective of closing the financing and investment gap for agri-SMEs by 2030.

**Pragmatic:** Building on the capabilities and assets of its partners at any given time, leveraging these capabilities and addressing questions of concrete relevance to partners.

**Inclusive:** Open to new like-minded partners committed to contributing to network activities, with special focus on the meaningful inclusion of organizations of agri-SMEs.

## AGREED WORKSTREAMS AND LINES OF ACTIVITY FOR 2018-2020

### MOBILIZING NEW AND DIVERSE FINANCIAL RESOURCES

- Strengthening the knowledge base on opportunities and risks in diversifying sources of development finance for agriculture, with a focus on “blending”
- Dialogue with development finance providers in selected international forums to inform better use of development finance to strengthen financial institutions serving agri-SMEs

### ALIGNMENT OF INVESTMENTS AROUND INCLUSIVE MODELS

- Developing and piloting a framework for country-level analysis of investment and financing gaps and opportunities for agri-SMEs
- Developing collaborative financing, technical assistance and investment programmes on the basis of the shared diagnostic framework
- Reporting on commitments, achievements and learning from collaborative programmes

### SUPPORTING INNOVATION AND SCALING UP OF SUCCESSFUL INITIATIVES AND MODELS

- Pooling expertise and knowledge around new initiatives, instruments and products to be launched by individual partners in 2018-2020
- Enhancing knowledge on innovative models of delivery of finance and technical assistance to agri-SMEs, focused on scale, inclusiveness and sustainability

## POLICY ENGAGEMENT

- Developing and taking forward a policy-oriented narrative on the imperative of bridging the gap in access to finance for agri-SMEs as key to enhancing their investment capacity
- Coordinated participation in selected regional and global policy forums
- Coordinated preparation and dissemination of targeted policy briefs

## FACILITATING THE PURSUIT OF A STRATEGIC KNOWLEDGE AGENDA

- Holding an annual/biennial conference diving into themes of interest to network members and to the broader ecosystem
- Facilitating dialogue between academic and non-academic research communities on the top research questions to advance practice, policy and market development in the ecosystem

### Effective impact depends on effective interconnections across workstreams, so that:

- Knowledge and policy-oriented activities on mobilizing finance for the ecosystem draw upon partners' knowledge and practice, feed into improved practice, and broaden policy space for more and better financing to flow into the ecosystem
- Knowledge-sharing activities on innovation inform new practice, notably collaborative programming and new investment
- Country-level collaboration is informed by shared diagnostic activities
- Improved coordination in research and knowledge building draws upon SAFIN partners' practice and aims to solve critical challenges for partners and for the broader ecosystem

## THE COMMITMENTS OF SAFIN PARTNERS

All partners are in the first instance committed to the realization of the 2030 Agenda and to its underlying principles. In that framework, they are committed to actively contributing to the ecosystem vision outlined above, based on their different capabilities, mandates and functions. Related to SAFIN activities, all partners commit to:

- Participate in SAFIN virtual and in-person meetings, including one annual plenary meeting;
- Co-lead or actively contribute to at least one line of activity, based on mandate/capacity;
- Share relevant learning across the network;
- Proactively seek opportunities for alignment of investments and activities;
- Track and share information on their commitments, actions and results.

## ENGAGEMENT OF OTHER ACTORS IN THE ECOSYSTEM IN SAFIN ACTIVITIES

Besides engaging a specific and well-defined set of partners as core elements of the network, SAFIN aims to involve a much wider set of actors in its activities in a three-tier approach. The first tier includes institutions that have formally joined the network, or “partners” proper. The second includes the wider set of actors that are invited to participate in network-wide learning and knowledge-sharing activities. The third tier includes actors that are invited to participate in country-level activities. In this context, particular focus is placed on engaging and complementing the efforts of country-based and local institutions including relevant government institutions, farmers’ and agri-SME organizations, agri-business platforms and/or individual companies, service providers, financial institutions, intermediaries, and research institutions. A gender and age-inclusive approach to engaging country-level actors and institutions will be consistently applied.

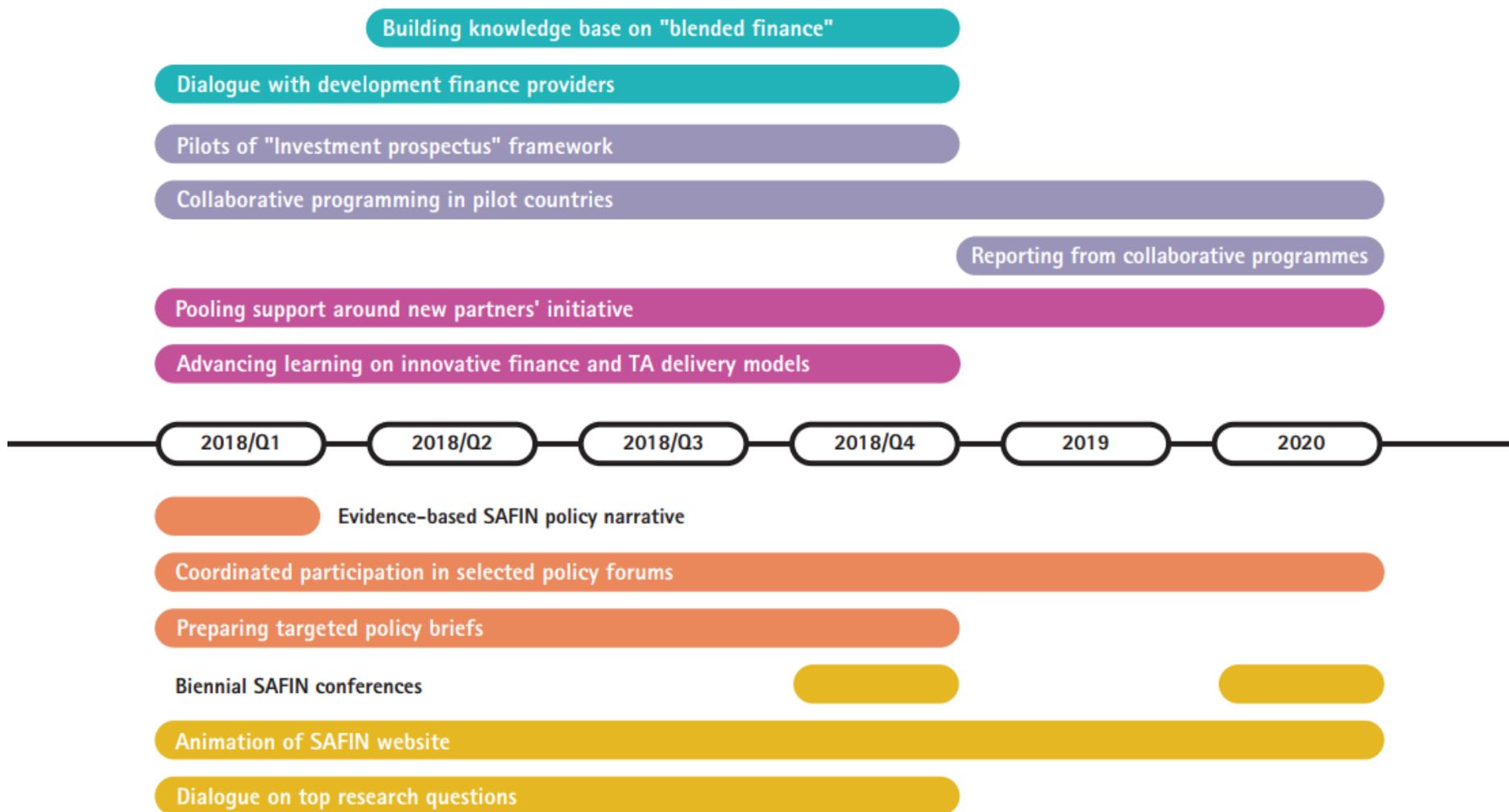
## GOVERNANCE STRUCTURE

**Steering Committee:** This group has responsibility for reviewing progress on an annual action plan agreed at each year’s SAFIN plenary meeting, discussing and deciding on new activity proposals that may emerge in line with that plan, review progress in the use of funds made available by donors for Secretariat costs and for activities in the annual plan, support the mobilization of resources for unplanned activities approved by the group, and review knowledge products and advocacy pieces produced under the umbrella of the network as a whole. It convenes via conference call every quarter and meets in person every year alongside SAFIN plenary meetings and, if needed, a second time on the margins of another meeting of partners outside Rome. The Committee has a membership of six representatives from the diverse spectrum of institutions represented in the network (with a larger numerical representation for organizations representing agri-SMEs and smallholders). The composition of the Steering Committee is validated by partners on a no-objection basis.

**Workstream leads:** Up to three volunteer co-leads are envisioned to shape and support the implementation of each workstream.

**Secretariat/Coordination team:** A small unit including a Senior Coordinator, a Technical Specialist, a Knowledge Management Specialist and a Team Assistant plays a convening and facilitating role for the network, administers a budget covering operational costs for the network, and undertakes selected activities from the annual work plan in support of the full set of partners. The possibility of including a second technical specialist or liaison officer with specific background and close engagement with or within farmers’ organizations/cooperatives will be actively considered, to be possibly located in one of the developing regions of interest to SAFIN.

Timeline of SAFIN activities to 2020



■ Mobilizing finance  
 ■ Alignment of investments  
 ■ Innovation  
 ■ Advocacy and policy engagement  
 ■ Knowledge agenda coordination