



SAFIN Newsletter

ISSUE 13

March 2021

The first quarter of 2021 has seen SAFIN enter a new phase in its journey, with some adjustments in its membership, new focus areas, a more partner-led structure, and an intense work programme. A new partner connectivity tool has been designed to help discover opportunities for innovative collaborations across the network. Three important partnerships – respectively with Access Development Services, Convergence, and ISF Advisors – have yielded three high quality knowledge products that are generating substantial interest among different stakeholders in the agri-SME finance and investment landscape. An ambitious learning agenda has also been designed around three major themes. These are: how to deploy more green finance into agriculture – and how to do so better and with greater impact; how to identify and scale up the most promising digital innovations in agri-SME finance; and how to strengthen the investibility of farmer cooperative enterprises as “asset classes.” In the coming months, we will work through this agenda with some strategic learning partners, step up our efforts to nurture connections that may lead to transformative investments, and continue to articulate the importance of agri-SME finance to the agendas of sustainable food systems, climate action, post-pandemic resilience in relevant policy and industry forums. And in the spirit of one of this quarter’s key events – International Women’s Day – we will strive to strengthen our attention to gender issues across all of these themes.

Bettina Prato, Senior Coordinator, SAFIN

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Highlights from our workstreams

Leveraging the power of networks: SAFIN 2.0

January 2021 marked the beginning of the SAFIN post-pilot phase. After a three-year pilot, SAFIN Network members spent much of 2020 re-examining the value of the Network and charting the path for the next five years. Consensus was reached about five areas of focus for the Network to continue to pursue its vision of inclusive ecosystems for agri-SME finance. These are captured under the headings of “Convene, Track, Focus, Influence, and Co-create” and are described in detail [here](#).

This quarter, a new Steering Committee was elected to guide the activities of the Network for the next two years. The current composition of the Committee reflects the Network’s diversity, with representation from farmers organizations, development agencies as well as private investors. Former Steering Committee chair, Ayodeji Balogun of AFEX Commodities Exchange Ltd, was reconfirmed in this role for the next biennium.

SAFIN has also continued on its growth trajectory, welcoming three additional member institutions this quarter. These are AgDevCo- a social impact investor and project developer working in African agriculture with particular focus on agri-SMEs, ACDI/VOCA- an international nonprofit with expertise in agriculture, economic growth, resilience, finance, and equity and inclusion, and Setuka Partners- an investment advisory firm focused on emerging and frontier markets. The SAFIN post-pilot phase has started in high gear, confirming interest from members and external partners in agri-SME finance.

Generating new knowledge to improve practice in agri-SME finance

SAFIN's efforts to generate and broker knowledge to catalyse agri-SMEs' access to finance have yielded three new publications this quarter. Building on the increasing popularity of minor millets like proso, kodo and browntop millets in India and the recent declaration of 2023 as the International Year of Millets, SAFIN published an Investment Prospectus for the minor millets value chain in the country. Prepared in collaboration with ACCESS Development Services, the document presents financing and investment opportunities around three types of agribusinesses: farmer producer organizations; agri-SMEs that perform primary processing activities for local markets; and agri-SMEs that perform secondary processing for regional or national urban markets.

Blended finance continues to generate great interest in the development and financial communities, as recently confirmed at the [OECD Blended Finance and Impact Week](#). This has also been an important topic of research and dialogue for SAFIN over the last three years. In our new publication 'Deploying blended finance to mobilize investment at scale in food and agriculture', co-authored with experts at [Convergence](#), we explore ways to make the most effective use of blended structures to mobilize large volumes of commercial finance while also achieving large-scale impact on small-scale producers and agri-enterprises.

While agri-SMEs are recognized as key actors in the transformation of food systems, the absence of a widely shared definition and comprehensive taxonomy of these enterprises restricts our view of the

different roles they can play, and the varied support needed to unlock their growth. SAFIN and ISF Advisors recently partnered to support analytical work and propose a clear way to define and categorize agri-SMEs and their financial and non-financial needs.



Curating impactful conversations on agri-SME finance

During this quarter, the SAFIN Secretariat and a number of partners have been closely engaged in dialogue around the role of agri-SMEs in the agenda of the United Nations Food Systems Summit and have sought to contribute to the generation of innovative proposals for action in financing agri-SMEs that the Summit may help to champion. In January, SAFIN partners held an internal dialogue about possible "game-changers" for agri-SMEs to be empowered as food systems investors.

On 23 February, SAFIN curated an Independent Food Systems Dialogues on 'Catalyzing finance for young food entrepreneurs' co-convened with the Agripreneurship Alliance, the Alliance for a Green Revolution in Africa (AGRA), the Global Agribusiness Alliance, the International Agri-food Network, the International Fund for Agricultural Development (IFAD), Nourishing Africa and One Young World. The event generated practical ideas for action around access to information and skills development for young entrepreneurs, shared metrics to assess enterprise investibility, de-risking capital investments and coordination among lenders and investors. Read more about the outcomes [here](#).

On 03 March 2021, SAFIN and CABFIN hosted a closed roundtable discussion for Network members about the recently published [bankability metrics](#) developed by SCOPEinsight and the Centre for Financial Inclusion. The metrics, which were developed in collaboration with AGRA, aim to foster a common language between lenders and investees to unlock access to finance.

During the roundtable, participants discussed how they may apply these metrics to assess potential investees at the pre-due diligence stage and agreed on the need for technical assistance to better equip agri-SMEs to provide reliable data for such metrics.

News from across the network

AGRF's Agribusiness Deal Room launches the SME Resource Bank for investment readiness

The Agribusiness Deal Room recently launched a Small and Medium Enterprise (SME) Resource Bank that will support in bridging the gap between agri-SMEs and investors. The Resource Bank was developed in response to a gap identified by investors, who indicated that an average 20% of transactions did not progress due to a limited understanding of the investment process and requirements on the part of SMEs.

The Resource Bank is a virtual depository offering a wide range of guiding materials for fundraising, including comprehensive investment memos, robust financial models and market analysis information. The Bank will be an evolving open source repository and is open to other contributors committed to developing the African Agribusiness sector.



Photo: Shutterstock

"African SMEs drive the continent's agricultural transformation. They handle 80% of the food consumed across the continent. The Resource Bank will go a long way in improving their investor preparedness, enabling them access the required capital investment for growth. This will unleash their full potential to create jobs for the youth, feed the continent's growing population and spur inclusive economic growth."

Vanessa Adams, VP Strategic Partnerships, AGRA

The Resource Bank is a compilation of resources contributed by the German Agency for International Cooperation (GIZ), International Finance Corporation (IFC), Foreign, Commonwealth & Development Office of the UK (UKFCDO), the United States Agency for International Development (USAID) and U.S. Development Finance Corporation. Access the Resource Bank [here](#).

AFRACA holds its 21st General Assembly

The African Rural and Agricultural Credit Association (AFRACA) convened its 21st General Assembly virtually from 24th-25th February 2021. The Assembly brought together all AFRACA member institutions to usher in a new leadership and discuss the strategic direction of the Association in the next phase of its operations (2021-2025).

The first session, titled 'Are we on track towards COVID-19 Recovery?', identified best practices and innovations among member institutions as they have sought to cope with the prolonged effects of the pandemic. Growing demand and application of digital financial services was a major point of convergence in this discussion.

Other key highlights included the ratification by members of the newly established North Africa sub-region, represented by Credit Agricole du Maroc (GCAM) and the election of AFRACA's new Chairperson, Dr. Jesimen Chipika. Dr. Chipika is the Deputy Governor of the Reserve Bank of Zimbabwe who will lead the Association in implementing the new Strategic plan (2021-2025), also launched during the Assembly.



Dr. Jesimen Chipika, AFRACA's new Chairperson and Deputy Governor of the Reserve Bank of Zimbabwe, leading proceedings during the General Assembly

Perspective: "Agri-SMEs are the engine of the coffee industry," Tommaso Ferretti, McGill University and ITC Alliances for Action

Perspectives is a series that highlights emerging issues in the area of agri-SME and smallholder finance from the perspective of practitioners and thought leaders within and outside the SAFIN network. In this interview, Tommaso Ferretti, PhD Candidate at McGill University and Special Advisor at the International Trade Centre's Alliances for Action programme, speaks about the role of agri-SMEs in the global coffee value chain and the key risks and opportunities affecting investment in coffee agri-SMEs as highlighted in the upcoming ITC Coffee Exporter's Guide.



Photo: IFAD/Irshad Khan

Please tell us about the upcoming ITC Coffee Exporter's Guide and your role in developing it.

The International Trade Centre Coffee Exporter's Guide is the ultimate compass for policymakers, investors, development practitioners, and any private sector operators approaching the world of coffee. The previous edition was published in 2012, and it was time to update its contents with the latest trade, financing, sustainability, and consumption trends. I was very excited when the Alliances for Action team at ITC asked me to contribute as a member of the core group of authors. I brought in my research expertise on impact investments and innovation in agri-commodities global value chains (GVCs). I focused on tracking critical innovations that connect finance to more sustainable forms of coffee production. However, I cannot emphasise enough that the new Guide is the outcome of a participatory effort. We had a constant iteration with industry stakeholders, including agri-SMEs.

How would you describe the role of agri-SMEs in the global coffee value chain? How has it evolved since the last Coffee Exporter's Guide was published almost 10 years ago?

I believe that the role of agri-SMEs has not changed. What has changed is the industry's recognition of such role. Agri-SMEs are the engine of the coffee industry. They struggle daily to overcome countless risks, bring coffee to the world, improve its quality, confront the hardships of climate change, and create better livelihoods for their communities. Compared to when the last Guide was published, the industry is today more aware about this crucial role. Any meaningful change geared towards securing long-term productivity and greener, more just coffee production involves infrastructural investments at agri-SME level. This means moving beyond mere compliance and trade promotion. The new Guide highlights this evolution and shows how the social and environmental sustainability of agri-SMEs' operations is interlinked with the profitability of the coffee industry.

What are the key risks and opportunities affecting investment in coffee agri-SMEs particularly in a post-COVID perspective, according to the Guide?

Agri-SMEs find it increasingly difficult to cope with rising temperatures and humidity, extreme weather events, and ageing plantations. Addressing these risks at the enterprise and the systemic levels can unlock interesting investment opportunities. For example, agri-SMEs often seek long-term funding to finance crop renovation. The renewal of coffee plantations combined with the introduction of agroforestry systems and environmental best practices can secure long term productivity, enable access to niche markets, and minimize the negative impact of climate change. This type of financing is less risky when associated with broader investments in research and infrastructure. For instance, most producing countries lack funding to develop new coffee varieties, establish nurseries, and deliver technical assistance. Investments of this nature are long-term and require coordination, but market demand for coffee is also going to be there for the long term.



Tommaso Ferretti
PhD Candidate, McGill
University
Special Advisor, ITC
Alliances for Action

Tommaso is a Ph.D. Candidate in Strategy at McGill University. His research focuses on how finance and investments shape innovation and sustainability in agricultural global value chains (GVCs). Before joining McGill, Tommaso was a global value chain development consultant at the International Trade Centre (ITC), where he led project implementation in Ghana, Zimbabwe, and the Caribbean Region. Tommaso is a law graduate from the University of Pisa and holds an MPA from LUISS University in Rome, Italy.

Partner in the spotlight: Marco Antonio Aldana, President of BFA El Salvador



Marco Antonio Aldana, President,
Banco de Fomento Agropecuario

Can you please tell us about BFA and its history?

Banco de Fomento Agropecuario (Agricultural Development Bank) was founded in 1973 as a public bank to provide financial services to small farmers in El Salvador. Although we are public, we do not receive funding from the Government of El Salvador, which means that we need to be financially sustainable. Nevertheless, BFA works closely with the Government, acting as the financial arm of different programs, such as subsidy programs for the elderly, youth, disable people etc.

We work in coordination with national entities such as the Ministries of Economy, Finance and Foreign Affairs of El Salvador, with international non-profits like Catholic Relief Services (CRS) and Oxfam, and with United Nations Agencies like the International Fund for Agricultural Development (IFAD), Food and Agriculture Organization (FAO) and the UN Environment Programme Finance Initiative (UNEP FI) to provide better services to our clients and to accomplish the Sustainable Development Goals.

Since its foundation, BFA has been the only bank in El Salvador that offers loans to small producers of basic grains, with notable expertise in agricultural credit. We also have national coverage, which allows us to remain close to our clients in rural areas. This makes us different from other banks.

Please tell us about yourself and your role at the bank.

Since June 2019, I have been the President of BFA. As part of this work, I led the development of the Bank's new strategic plan for the next 4 years. I am an Economist and Agronomist, with a Master's degree in Community Economic Development.

Before working at the BFA, I worked for 37 years in agricultural finance applying a value chain approach and using individual, group and corporate lending methodologies. I have working experience in Latin America, Africa (Uganda) and Asia (China, India).

What are the most important developments in rural finance in El Salvador since the beginning of the COVID crisis?

Like in other countries, a quick response from national supervision and regulation entities was necessary to maintain the stability of the financial system. At the same time, financial entities had to become creative in order to keep providing services and taking care of our employees. The pandemic compelled us to promote the use of online services and ATMs.

This was an important wake-up call for financial service providers targeting rural clients. It showed us that we were not using different technologies to provide our services and because of that, we had not prepared our clients to use such technologies. The crisis made us think about refreshing our services technologically speaking.

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We believe that the lessons we have learned from our 47 years of existence can help other SAFIN partners.

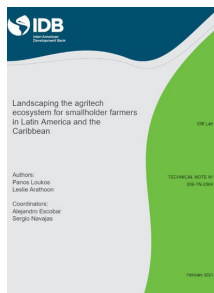
Why did BFA join SAFIN?

We see ourselves as a sustainable and specialized rural bank, providing financial and non-financial services to rural clients. Over our 47 years of existence, we have learned about financing farmers and Small and Medium-sized Enterprises (SMEs) in rural areas.

We joined SAFIN because it aims to collect experiences from different places and to promote the development of financial and non-financial solutions for rural SMEs. We believe that our experience can help other entities.

What we're reading

Read the latest publications in our resource library



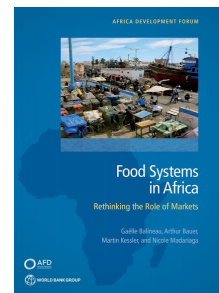
Landscaping the Agritech Ecosystem
for Smallholder Farmers in Latin
America and the Caribbean

IDB | GSMA



Deploying blended finance to
mobilize investment at scale in
food and agriculture

SAFIN | Convergence



Food Systems in Africa :
Rethinking the Role of Markets

World Bank Group | AFD

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Where we're going

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

17-20 May 2021

Global Private Equity
Conference

Online

15-16 June 2021

European Development
Days

Online

16 to 18 June 2021

Global Forum on
Remittances, Investment
and Development

Nairobi, Kenya

Our work is possible thanks to the generous support of our donors.



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