



SAFIN Newsletter

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As this newsletter goes to print, a different summer lies ahead than one year ago, as vaccinations are proceeding and economies are slowly “reopening for business” in many countries, while others remain heavily affected by the pandemic. As we released our Annual Report 2020 in April, we reflected on how much we do not yet know about the impact of COVID-19 on agri-SMEs, financial institutions and investors across the world. The effort to understand this impact will remain on our learning agenda for the rest of the year, along with our other priority learning themes – notably green finance, where we covered new ground this quarter. Agri-SME finance in the context of the pandemic has also been a theme in several international processes where SAFIN partners have actively engaged this quarter. These include the United Nations Food Systems Summit process and related initiatives on “food system finance”, the Europe Africa Foundation working group on agribusiness and agri-SME finance, the Good Food Finance Initiative, and others. As customary, the newsletter provides an overview of some of these engagements.

Bettina Prato, Senior Coordinator, SAFIN

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Highlights from our work

Supporting learning and knowledge sharing on blended finance and sustainable investment products

In the past three months, the network has been planning activities for the three themes of SAFIN’s learning agenda prioritized by partners in the first quarter, namely green finance for agriculture, digital innovations in agri-SME finance, and financing farmer cooperatives. In addition, we started rolling out activities related to the first theme with a stocktaking of existing knowledge sources on green finance in agriculture and for agri-SME investments and a 2-day workshop co-organized with CABFIN.

The workshop was held on 26-27 May and drew over 120 participants – including experts and practitioners in green and agricultural finance and a number of private investors. It was kicked off by a presentation of a new landscape study of green finance for food and agriculture commissioned by CABFIN and developed by APRACA, laying out gaps and challenges in expanding the use of green finance in the sector and connecting it to the agenda of inclusive finance. Innovative approaches and solutions were also explored around the design of green financial products in the sector, project and pipeline development, and the enabling environment –

including policy, regulations, and innovation finance. Key takeaways include the importance of widely shared taxonomies, the major role of policy and regulatory frameworks in driving the expansion of green finance, and the need to accelerate institutional and product innovations to connect capital markets to intermediaries and investors in the inclusive finance space. Following the workshop, SAFIN partners held a closed session to consider a Secretariat-led overview of the knowledge landscape on green finance for agriculture, to identify key gaps that SAFIN may be well placed to address, and to plan future activities on that basis. Partners agreed to focus on exploring good practices in aligning

different actors within and beyond finance to design and implement inclusive green finance projects in food and agriculture, distilling key lessons for transformative partnerships and multi-stakeholder platforms, and expanding on SAFIN’s blended finance case study repository to include more examples of blending to de-risk inclusive green finance. As regards the other two themes in our learning agenda, in June the Secretariat began to work on a landscape note on knowledge resources

and partner-led initiatives around digital innovations in agri-SME finance, while continuing to liaise with IFAD and European Commission colleagues to support a survey of farmers’ organizations and their financial needs, whose results will inform SAFIN partner activities on this theme in the next months.

Raising agri-SME visibility in discussions on the global architecture for food system finance

This quarter has seen an acceleration of the pace of conversations about whether the current financial architecture around food and agriculture is “fit for purpose” for the agenda of sustainable food systems, which is central to the upcoming United Nations Food Systems Summit. Besides convening three dialogues on the role of finance for agri-SMEs – notably youth and women-led SMEs – between January and April, with a number of partners from the private sector and civil society, SAFIN has been closely involved in various strands of the Summit process, recognizing its potential to drive new commitments and innovative actions in the agri-SME finance space, both globally and in participating countries.

An informal knowledge-sharing and coordination group of partners has been in place since the first quarter to share news and plans concerning Summit preparations, and to bring partners’ knowledge and priorities to bear upon selected proposals for action that have emerged from the process. Among these, a proposal for a regional de-risking facility for financial intermediaries serving African agri-SMEs has benefitted from SAFIN partners’ inputs, and so has a proposal for a knowledge sharing and technical assistance platform of Public Development Banks (PDBs) with rural and agricultural mandates.¹ The SAFIN Senior Coordinator has continued to serve as finance lead for one of the Summit Action Tracks,

promoting the agenda of agri-SME finance and the priorities emerging from the network in that context. Starting in May, a global programme of consultations and a competition for innovative SME business models in the food system has been in place, informed by the agri-SME taxonomy developed by ISF Advisors for SAFIN earlier this year.

Network partners have also been championing this process, which aims to bring the voices of SMEs in different countries to the table, as national pathways for food system transformation are shaped. SAFIN’s work on blended finance – including a report co-authored with Convergence that was released in April – was recalled in a number of Summit-related dialogues and the Senior Coordinator was entrusted with leading a discussion group on blended finance and food system transformation at the Summit Global Dialogue on Finance on 14 June.

News from across the network

AGRA’s continental programme creates a unique platform for women agri-preneurs

VALUE4HER is AGRA’s continental initiative, with an aim of strengthening women-led agribusiness enterprises across Africa. The programme was initially developed under CTA - the Technical Centre for Agriculture and Rural Cooperation, then transferred to AGRA. The VALUE4HER initiative is powered by VALUE4HERConnect, Africa’s first women in agribusiness digital marketplace, offering integrated business solutions to women-led companies to enable them to build visibility, form business networks, and connect more easily with buyers, financiers and other service providers. VALUE4HERConnect leverages the power of digital tools to bridge structural and gendered gaps in access to business resources, deliver real time information, offer relevant knowledge, and amplify women’s voices.



¹This proposal builds on the food and agriculture PDB working group facilitated by the International Fund for Agricultural Development and supported by Agence Française de Développement (AFD) since last year’s Finance in Common Summit.

At a high-level webinar on International Women’s Day, Sabdiyo Dido, Head of Gender and Inclusiveness at AGRA, laid out three areas of focus for the empowerment of African women agribusiness entrepreneurs. These are: i) supporting women’s voices to call for a more enabling environment for productivity growth, ii) agency and decision-making power, and iii) access to a range of sources of capital.

Since its relaunch under AGRA’s leadership, the VALUE4HER platform has doubled its membership, reaching a total of 1200 members.

The TalkCorner initiative has been launched, aiming to boost the visibility of women-led agri-enterprises, reaching a total of 676 participants. An assessment of the impact of COVID-19 on women agri-enterprises was also conducted and, based on its outcomes, a post COVID-19 recovery and resilience programme - African Resilience Investment Series for Women Executives (ARISE) was developed and implemented with RENEW LLC. Through ARISE, a series of executive leadership and investment seminars have been held reaching 2000 women business leaders. Recently, to bring the VALUE4HER initiative to the country level, AGRA held consultations and launch events in 11 countries, reaching approximately 2300 participants.

On 23 June, AGRA in collaboration with IFPRI, SAFIN and other partners co-hosted an Independent African Dialogue of the UN Food Systems Summit on women’s agripreneurship and food trade.

Asia-Pacific Farmers’ Organization Food Systems Independent Dialogue Series

On 7-11 June, AFA co-organized the Asia-Pacific Farmers’ Organizations Food Systems Summit Independent Dialogue Series with the Intercontinental Network of Organic Farmers’ Organizations (INOFO), World Farmers’ Organization (WFO), and Pacific Island Farmers Organization Network (PIFON), supported by ComDev Asia. This series of events was organized to raise farmers’ awareness and foster discussion on food system transformation as a key tool to achieve the Sustainable Development Goals, to highlight what solutions farmers and their organizations can offer in climate change adaptation, agro-ecology and organic agriculture, sustainable fishing and family farmers’ market power. An additional goal was generating commitment from various stakeholders to support family farmers and their organizations.

Day 4, convened by AFA, focused on the theme of Participation in Agriculture Value Chain Development: Increasing Market Power of Family Farmers.

The dialogue underscored the many challenges that farmers and fishers face in the region, including insecure land rights, low product prices and rising input prices, market volatility, poor access to production technology, competition for scarce land and water resources, the impact of climate change, and policy neglect of agriculture.

It also presented a Market System Development Approach that aims to address these challenges by stressing the importance of cooperatives and participation of cooperatives in value chains and the need to transform farmers’ and farmers organizations’ mindsets to engage more effectively in agro-enterprise development, complemented by a more conducive policy environment. Participants underlined the role of cooperatives particularly in value addition, development of agri-enterprises and facilitated access to finance and services for farmers, and the need to empower cooperatives to be more effective market actors. They also addressed issues related to technology in relation to rural youth empowerment, and the potential benefits of increasing their access to modern technologies for smart agriculture and for digitally-enabled access to inputs, markets and government schemes.



Finally, the dialogue emphasized that it is critical to understand and address farmers’ strengths and weaknesses, including their capacity to meet market demand, and the role that agricultural cooperatives can play in that regard. The dialogue outcomes are expected to be published in the [AFA website](#).

Perspective: “Climate finance provides new opportunities to build back greener in agriculture”, Yossef Zahar, Stockholm Environment Institute

Perspectives is a series that highlights emerging issues in agri-SME finance from the perspective of practitioners and thought leaders within and outside the SAFIN network. In this interview, Yossef Zahar, a Stockholm Environment Institute (SEI) Affiliated Researcher and entrepreneur, speaks about how climate finance can be used to unlock opportunities to “build back greener” in agriculture in the context of the COVID-19 pandemic, the role of local financial intermediaries in channelling finance to “green” food and agriculture, and the need to mainstream this agenda in the agricultural finance ecosystem.

Please tell us about the focus of your work at SEI.

As an Affiliated Researcher with the Stockholm Environment Institute, I focus on catalysing private sector international climate finance for rural communities in developing countries in Asia and the Pacific, to support small-scale adaptation and mitigation strategies for resilient growth. Together with partners, we are looking at practical ways in which international climate finance can make its way through financial institutions to reach end-borrowers such as smallholders, communities, and MSMEs, while safeguarding gender and social equity.

To what extent does COVID-19 recovery provide opportunities to “build back greener” in agriculture and for agri-SMEs?

A consensus is mounting across the board that building back needs to be green. In particular, this should be the case for developing Asian rural communities, who are amongst the most vulnerable to climate change and require resilient growth agriculture practices, covering both adaptation and mitigation. The extent of asset depletion due to COVID-19 is not yet clear, and the ability of smallholders and agri-SMEs to commit to this agenda in the short run may be limited. In addition, government resources in developing Asia are now even more limited with budget pressures as they respond to COVID-19, including first line government support to the health sector and the official sectors suffering from unemployment and other implications of the pandemic. Building back greener in the agricultural sector requires private sector finance on a large scale, which can be catalyzed either through government or through private donor co-financing.

What is the role of local financial intermediaries in channelling more finance to “green” food and agriculture? How can they be empowered to play this role more effectively?

Financial intermediaries have a key role to play for several reasons. Mostly through smaller financial service providers, there can be good access to smallholders, MSMEs and the most vulnerable to climate change in rural areas. Financial institutions’ credit and other risks are measurable and quantifiable, unlike risks affecting many of their end borrowers, allowing them to attract private international and local climate finance at scale. New lending programmes need to be supported through an enabling regulatory environment, embedding thinking about climate risks and opportunities in the financial sector as well as dedicated tools such as local guarantee schemes in collaboration with local governments and foundations, allowing institutions to take up substantially more risks in lending to the agri-sector to transition to the green. Being ‘on the ground’ and understanding first-hand the challenges affecting operators in the sector allows financial intermediaries to be closely involved in designing the solutions and looking for new ways of doing business. Technical assistance efforts directed at intermediaries, therefore, should encourage the active and long-term participation of these institutions in finding solutions for “building back greener”, providing a clear outline of the benefits of this approach and also tangible incentives to management teams and shareholders.



Yossef Zahar, Stockholm Environment Institute

Yossef is an Affiliated Researcher for Stockholm Environment Institute (SEI); he is leading the climate finance strategy and implementation for Asia Pacific. In this capacity, he has been working on the development of innovative, regional, green financial structures, integrating blended finance, to support the transition of rural and vulnerable communities to sustainable, green practices.

What are the main frontier issues in terms of innovation to mainstream green agricultural finance in your view?

Financing for a green transition in the agricultural sector can benefit from tapping the financial depth and liquidity of capital markets. However, the risk-return proposition for international institutional investors often discourages their participation. Therefore, it is imperative to design financing mechanisms while allowing private sector leadership, something that we have not seen much of yet.

Otherwise, green technology advances in the agri-field are becoming very popular for smart funds, which is indicative of the vast opportunity ahead. New, reliable products and services, should become a driving force for regional scale-up which then needs to be supported by climate finance schemes, making the risk/return equation work for investors due to scale and geography risk spreading.

Partner in the spotlight: Amanda Fernandez, Director, Economic Growth, Palladium

How does Palladium work in the space of agri-SME finance, and what are the priorities of the organization in this area?

Palladium is a global, international development company that designs, manages, and evaluates programmes across a broad range of capabilities and portfolios, such as impact investment, market systems and inclusive growth, information systems, green economy, education, health, supply chain management, and youth and workforce development. We have an asset management arm via our strategic partnership with Bamboo Capital, provide technical assistance to deliver capital solutions through Palladium Impact Capital, and provide strategic consulting services to private sector actors. Across these areas and activities, Palladium supports a wide range of work in agri-SME finance, from deal sourcing to transaction assistance and deal closure, fund design and management, donor, government, and private company technical assistance, guarantee design and other risk mitigation support, as well as policy solutions to improve the enabling environment to expand financing to agri-SMEs. Our corporate vision is to engage in agri-SME finance in ways that lead to creating positive impact, or the enduring generation of social, environmental, and economic impacts, and promoting inclusive growth principles into the core business of clients. Our priorities now are to focus our energies on designing agri-SME solutions in impactful and scalable ways to generate this positive impact and support global objectives in nature-based solutions and regenerative agriculture.

What is your role at Palladium and what was your professional journey before this?

My current position is the Executive Director/Chief of Party of CATALYZE, an 8-year, US\$250M programme funded by the United States Agency for International Development (USAID) to mobilize significant private capital for development purposes. CATALYZE is a portfolio of USAID projects across dozens of countries, regions and subject areas, including social protection in Asia, women's economic empowerment globally, market transformation in Ethiopia, education financing in Africa and Latin America, financing expansion in Peru's Amazon, the Sahel, and Western Balkans, and SME competitiveness in Sri Lanka. Before this, I led Palladium's work to create finance facilities for nature-based ends, I ran Palladium's practice for finance and investment, and spent almost 20 years overseas designing, managing, and evaluating development programmes for consulting firms, USAID, international non-profits, and foundations. I found my home in Palladium after walking into one of our field project offices in Ecuador and offering my services, and the rest is history!



Amanda Fernandez, Director,
Economic Growth, Palladium

What do you see as the main potential game-changers in agri-SME finance today and in the coming years?

A few that keep me up at night are the challenges of end-to-end digital systems that support production transparency, incentivize regenerative agriculture, and are linked to digital financing that contributes to business growth. Another game-changer is innovation in fund design and in developing the pipeline of structured financing deals that deliver financing at scale and to vulnerable populations far beyond existing models. Risk mitigation innovation is also sorely needed to promote scale in financing, especially for the upstream agri-SMEs. Also, at the top of my mind are agri-SME financing solutions that serve women and youth agri-SME business owners at scale.

Why did Palladium join SAFIN and what are your priorities in engaging in the network?

Palladium joined SAFIN because it was a great opportunity to be surrounded by dozens of leaders in agri-SME financing in one place, and to participate in field-building and continued innovation. We bring a lot to the table in terms of our global footprint and more than 50 years of experience in agricultural development, so are happy to contribute to SAFIN's learning agenda, hopefully contributing to the achievement of expanded impact for those agribusiness owners in need of support. We also learn a great deal from every interaction we have with members.

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I really enjoy interacting with the “best in the business” in agri-SME finance, always pushing the envelope on innovation and results.”

What we're reading

Read the latest publications in our resource library



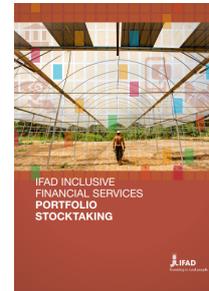
Fintech and Financial Inclusion
A funders' guide to greater impact

CGAP



Developing Bankable Business Plans
A learning guide for forest producers & their organisations

FAO



IFAD Inclusive Financial Services
Portfolio stocktaking

IFAD



Where we're going

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

26-28 July 2021

UN Food Systems Summit
Pre-Summit Events

Rome, Italy | Online

7-10 September 2021

African Green Revolution
Forum (AGRF)
Virtual Summit 2021

Nairobi, Kenya | Online

5-7 October 2021

SAFIN Annual Plenary

Online

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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.