



SPECIAL EDITION ON COVID-19

SAFIN Newsletter

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The past three months have seen agri-SMEs across the world face disruptions in their business models, due to COVID-19 or the containment measures taken to address it. As I write this, the epidemic is still expanding in some of the countries where network partners operate. Others have just recently started relaxing restrictions of movement and economic activities. Almost everywhere, disruptions in food supply chains, loss of jobs and incomes and changes in market demand have affected the financial assets and capabilities of farmers, agro-dealers, processors, traders, and other types of agri-SMEs. In turn, this has affected the assets and capabilities of financial service providers, from micro-finance institutions to banks, from value chain enterprises to private funds. All SAFIN partners during this period have made efforts both to understand the impacts of COVID-19 on agri-SMEs and on finance service providers and to respond to this impact in the short term, while also planning to “build back better” in the longer run. For our Secretariat, this has been an opportunity to amplify and connect these efforts through a curated space for mutual learning. This special issue of the newsletter offers some examples of this work.

Bettina Prato, Senior Coordinator, SAFIN

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Highlights from our workstreams

Fostering dialogue across the agri-finance ecosystem during times of crisis

In response to the COVID-19 crisis, the SAFIN Secretariat has organized several virtual convenings for network partners and other stakeholders in the agrifinance ecosystem to exchange insights and ideas on how the crisis is affecting agri-SMEs and possible approaches to respond to their financial needs in the short and long term. The first of these convenings took place on 17 April 2020, looking at how **Nourishing Africa** is supporting agri-SMEs to build resilience through regular virtual learning sessions, access to emergency funding opportunities and an ‘Ask an expert’ portal.



Photo: IFAD/ Fahad Abdullah Kaizer

The discussion during this session covered the importance of virtual technology and product affordability for agri-SME business model resilience, the importance of SMEs joining efforts to engage with governments on the enabling environment, and the need to develop new skillsets for the sector, including agronomic and business skills. **[Watch the webinar recording here.](#)**

The second webinar, organized in partnership with the World Bank Group's community of practice on Agriculture Finance (AgriFin), took place on 11 May 2020. The session started with a presentation of data and analysis conducted by FAO on the current impacts on agricultural supply chains and their possible consequences. The panellists addressed how the crisis is affecting farmers organizations, agro-dealers as well as African financial institutions operating in the sector and laid out some areas where opportunities to build back better can be identified. During the Q&A session, panellists underlined the need for greater collaboration in the agricultural finance ecosystem, the importance of measures to improve women's access to finance in agriculture, and the role of digitalization of market and financial transactions during the current crisis and recovery phase. [Watch the webinar recording here.](#)

On 02 June 2020, the third webinar in our Agri-finance and COVID-19 series took place with a focus on how venture capital providers, impact funds and development finance institutions are responding to the financing needs agri-SMEs during the global pandemic. Speakers discussed the different investment and financing strategies currently being used by investors with agricultural or rural MFI portfolios in response to the crisis and converged around a sense of urgency for better coordination between public and private financial institutions and the role of blended finance to sustain the engagement of private impact investors in the agri-SME space. [Watch the webinar recording here.](#)

AgriFin and SAFIN also co-organized a webinar on 16 June 2020, diving into the role of non-bank financial institutions (NBFIs) in serving entrepreneurs in the agri-food sector during the crisis. The webinar drew from the experiences of microfinance institutions and rural saving and credit cooperatives in Mexico, Ethiopia, and Bangladesh. During the discussion, speakers emphasized the importance of building stronger linkages between NBFIs operating at the last mile and larger financial institutions operating at national level. The need to involve NBFIs in government-led response strategies to COVID-19 in the rural and agricultural finance sector, and to address arising liquidity challenges through public financial institutions was also highlighted. [Watch the webinar recording here.](#)

Aligning value chain and food system investments

Despite travel limitations resulting from the global pandemic, several exciting developments occurred in the Alignment of Investment workstream over the second quarter of 2020. In India, analytical work for the Investment Prospectus (IP) commenced in late May, with a focus on the millets value chain. A range of local institutions from the public, private, financial and development sectors with expertise in this value chain joined the Steering Committee for this pilot, which met for a kick-off session in early June. In Colombia, consultations were held with local SAFIN partners, the Ministry of Agriculture and Rural Development, and members of the Latin America chapter of the Food Action Alliance (FAA)- led by CIAT and supported by IFAD, World Economic Forum and Rabobank. Through these discussions, the cocoa and dairy value chains have emerged as the likely focus of this country pilot.

Following the release of the Investment Prospectus for Maize, Soybean and Cassava value chains in Nigeria, a feasibility study on solutions to provide financial and technical support to Agro-Service Providers in the country commenced at the end of May. The study will be conducted by the Lagos Business School with the support of AFEX Commodities Exchange, the SAFIN country pilot anchor for Nigeria. A virtual launch event was held in mid-June where a diverse group of local SAFIN partners and relevant stakeholders shared inputs and contacts in support of the feasibility study and solution development. A consultancy firm has also been selected to perform a scoping analysis covering three countries in the Sahel region (Niger, Burkina Faso, and Senegal) starting mid-June.

The efforts made earlier this year to map and systematize the IP process have resulted in a concise **How-to Guide** that SAFIN partners and other relevant actors can use to implement the IP process. Two succinct **Investment Briefs** covering the Dominican Republic and Nigeria were also published in April and May. A Spanish translation of the Investment Brief for the Dominican Republic will be made available on the SAFIN website.

Read our recent releases



COVID-19 responses from across the network

Throughout this quarter, SAFIN partners have continued to develop and implement innovative initiatives to ensure inclusive access to finance for agri-SMEs and smallholder farmers during this global crisis. Some initiatives from across the network include:

Harvesting data from the front lines

- **CGAP** launched a [biweekly survey](#) of microfinance institutions to gather data related to the pandemic's impact on their demand, liquidity and solvency; response measures taken by these institutions; and the effects of public policy responses on them.
- **ITC Alliances for Action** programme published a [report](#) summarizing observations of how the crisis has impacted small farmers and producer communities, and responses that can be taken across value chains to respond to this impact.
- **APRACA** conducted a [survey](#) to assess the preparedness and responses of financial institutions in Asia and the Pacific to the global pandemic.
- The **Asian Farmers' Association** [documented](#) the impact of the pandemic on small farmers and fishers in the region, and [new initiatives](#) undertaken by farmers organisations support to their members.
- **AgriFin** launched a [survey](#) to assess the global situation in agriculture and agricultural finance during the early stages of the COVID-19 outbreak.



Photo: IFAD/Edward Echwalu

Producing recommendations and guidelines

- **FAO** established a [knowledge hub](#) with policy briefs, food policy warnings, crop calendars and databases with daily updates on the impact of the pandemic on food security across the globe.
- **ILO** released a [sectoral brief](#) with policy recommendations to ensure working conditions for agricultural workers that are in line with international labour standards.
- **AGRA** released a [position paper on COVID-19](#) and launched the [Food Security Monitor](#), which documents staple food prices, government interventions and the food security outlook in Africa.
- **AgriFin** issued a [flash note for agricultural finance providers](#) covering instruments to support short term and recovery strategies and a [flash note on the future of agricultural finance](#) after the current global crisis.
- **Technoserve** released [two reports](#) recommending digital training and other methods to help enterprises in developing countries weather the pandemic.

Mobilizing new resources to address COVID-19



Photo: IFAD/G.M.B. Akash

- **IFAD** launched the [Rural Poor Stimulus Facility](#) to accelerate the recovery of the rural poor by supporting production, access to finance and markets, employment and digitization, receiving a commitment of CAD 6 million from Canada for this initiative.
- **Mastercard Foundation** created the [COVID-19 Recovery and Resilience Program](#) to expand access to financial services for MSEs, enable e-learning and support adoption of digital solutions among vulnerable populations globally.
- **World Bank Group** announced the creation of the [Disaster Risk Financing and Insurance Program](#) to help transfer financial exposure related to natural disasters and health-related risks to insurance and capital markets.

Sharing food for thought

- **ISF Advisors, RAF Learning Lab and the Feed the Future initiative** initiated an [Emergency Briefing Series](#) to look deeply at how the current crisis will affect livelihoods, agricultural trade and food security in rural areas.

- **ITC** launched a [dashboard to track COVID-19](#) trade measures and offer free access to trade data to help micro and small enterprises (MSEs) and policymakers improve decision-making during the coronavirus emergency.

- **AFEX** published a [report describing the impact of COVID-19 on Nigeria's commodities market](#) and future outlook for the market.

- **ALIDE** established a [resource library](#) with regular updates on the responses to COVID-19 by development banks and international financial institutions in Latin America and the Caribbean.

- **IFAD** commenced the [Farmers on the Frontline live talk series](#) and established a [knowledge hub](#) detailing how the crisis is affecting smallholder farmers and food security globally.

- **IFC** hosted a [webinar](#) on responses to disruptions in agribusiness supply chains in Vietnam, and a [webinar](#) on how digital payment systems have contributed to mitigating disruptions in Ethiopia and Kenya.

- **Oikocredit** hosted [two webinars](#) on scenario building for microfinance institutions and cash flow stress testing for agribusinesses to enable them to better navigate the impacts of the COVID-19 crisis.

- **GAFSP** commenced a [COVID Conversations](#) series describing how its investees are adapting to disruptions in supply chains, domestic operations and sales.

- **GDPRD** established a [knowledge repository](#) of the regional and thematic responses of member donors to the COVID 19 crisis.

- **GFRAS** and **YPARD** launched a [COVID-19 Stories](#) competition to draw greater attention to innovative local solutions that enable the agricultural sector to operate under partial or full lock-down.

- **Heifer International** started the [#HeiferTogether](#) Live Chat series to highlight the effects of COVID-19 on sustainable development and agriculture in preparation for a post-pandemic world.



Perspective: "Now is the time to reflect on the past and future of rural finance," Gerhard Coetzee, Customer Value Lead at CGAP

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, Gerhard Coetzee, Customer Value Lead at CGAP, reflects on the evolution of the knowledge base in rural and agricultural finance, and shares insights for the way forward in a post COVID world.



Photo: IFAD/Barbara Gravelli

Please tell us about yourself and your role at CGAP.

I joined CGAP in November 2013, responsible for our customer-focused work. I lead the customer value team at CGAP, and our work spans customer segments and insights, protection and value, and evidence and insights. I am also responsible for Gateway Academy, a digital learning platform. I support the development finance unit at the University of Stellenbosch Business School as an Extraordinary Professor. Before CGAP, I was Head of Inclusive Banking at Absa Bank (South Africa) responsible for its branchless banking proposition, founder and Director of the Centre for Inclusive Banking in Africa, Professor in Agricultural Economics at the University of Pretoria, technical lead and CEO of a consulting firm (owned by DAI). I had several senior roles at the Development Bank of Southern Africa. My specialization areas are development finance broadly, financial inclusion, and rural and agricultural finance.

How has the research agenda of CGAP evolved in recent times, and where do you see it likely to focus in the near future?

I see the work of CGAP in three phases. CGAP started in 1995, focusing on building the microfinance sector. Our work contributed to all aspects that would drive access to financial services through MFIs [microfinance institutions] and spanned strategy, governance, business models, and much more. In the 2005 book, *Access for All*, we asked two critical strategic questions. How can we decrease the cost to serve poor customers, and how can we scale outreach to the excluded and vulnerable? In the second phase, we turned our attention to technology and specific digital finance services in our quest to solve these two challenges. We contributed work on innovative business models focused on digital finance, on how to create an enabling digital finance infrastructure, and the regulatory enablers required to make digital finance work better. Also, we focused on why and how customer-centric business models can play a role in the process anchoring DFS [digital financial services] in customer-centric approaches. We asked ourselves recently where to now, or in short, *finance for what?* Since we have seen much progress on access to financial services internationally, *is it not the right time to again turn to the reason for using financial services?* In this third phase, we are continuing with our work on business models, digital infrastructure, and enabling policy and regulation. Still, now we filter our work in what it could mean for the customer. We argue that it could contribute to three areas of importance for poor people, namely income generation, access to essential services, and protecting standards of living. Our quest is to find ways in which we can contribute to the ability of poor people to capture opportunities and build resilience, using and leveraging financial services.

Is COVID-19 changing narratives and practices in rural finance and what can we expect as the crisis continues to unfold?

It brought food insecurity into the limelight, which will help with addressing it. COVID-19 shined a light on both sides of the food security coin, the production of food as well as the ability to obtain it. On the production side, it questioned the resilience of the food system. Some argue that we have a resilient and innovative food system across the globe. Still, this argument is weak at the disaggregated level. I alluded to the food insecurity situation in the Sahel, and the same is true where transport services have faltered, where input supplies have broken down, and especially where people's income dried up overnight. These realities must drive our dedicated focus on those that are most vulnerable in rural areas, and I do believe that is happening. Lastly, COVID-19 is but one of many challenges faced by poor people in rural areas. We have to leverage the attention to also address these other challenges, including desert locusts, climate change and much more.



Gerhard Coetzee
Customer Value Lead,
CGAP

Gerhard leads the customer value team at CGAP, including customer segments and insights, protection and value, and is also responsible for Gateway Academy, a digital learning platform. He is an Extraordinary Professor at the University of Stellenbosch Business School. Before CGAP, Mr. Coetzee was Head of Inclusive Banking at Absa Bank (South Africa) responsible for its branchless banking proposition.

Partner in the spotlight: Mario Ixcoy of FEDECOCAGUA



Mario Ixcoy, Finance Manager,
FEDECOCAGUA

Can you tell us about FEDECOCAGUA and its history?

FEDECOCAGUA, R.L. is the Federation of Agricultural Cooperatives of Coffee Producers of Guatemala and was founded in 1969 by 19 coffee cooperatives in order to export without intermediaries. Today, FEDECOCAGUA, R.L. is composed of 72 cooperatives and works with 150 organizations nation-wide that represent more than 23,000 small producers. Each individual cooperative organizes production and collection, while the federation manages processing from parchment to green coffee in the dry mill and then exports the coffee worldwide.

FEDECOCAGUA, R.L. does business based on certified processes, including FLOCert, Fairtrade standards, Coffee and Farmer Equity (C.A.F.E.) Practices for Starbucks, Rainforest Alliance, UTZ Certified, Nespresso AAA as well as organic coffee. Today, FEDECOCAGUA, R.L. and its cooperatives are proud to be the first producer- exporter and second-largest coffee exporter in Guatemala.

Please tell us about yourself and your role in the federation.

I have been the Finance Manager of FEDECOCAGUA, R.L. since 1999. I am in charge of obtaining and managing the funds that our member cooperatives need for all coffee production activities. It is difficult for cooperatives to obtain credit, though they have great need it, and not only at harvesting time but all year long.

When it is not harvest time, our members need to invest in fertilizers, fungicides or infrastructure, and they also need money for their subsistence. It is only when cooperatives deliver their harvest that they earn income, and it's a long period to survive with only a one-time payment. FEDECOCAGUA, R.L. borrows funds and offers advance payments to cooperatives, in order to enable them to fund their coffee production cycle.

How have the members of FEDECOCAGUA adapted to the challenges caused by the COVID-19 crisis? What innovations have emerged within the federation in this context?

FEDECOCAGUA, R.L. has been using its financial resources to address the situation and seeking alliances to help its cooperatives. For example, the federation used funds from its USAID Feed the Future project to help cooperatives from a specific area.

The impact of COVID-19 has been relatively low on the organization so far, apart from increased sanitary measures and some shipment delays, which imply delayed payments. As part of the changes in this context, we have seen digitalization taking place among our members such as working from home and holding virtual rather than in-person trainings. This is still challenging as there is little access to internet among the cooperatives.

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We put producers at the centre of discussions about agri-finance within the SAFIN network.

Why did FEDECOCAGUA join SAFIN?

The interest in SAFIN for FEDECOCAGUA, R.L. is two-fold: First, we wanted to benefit from the experience of other stakeholders to learn about new trends in agribusiness or other insightful experiences. And second, we wanted to stay informed about financing opportunities for our cooperatives, as local interest rates are about 10%. Finding alternative sources of finance would enable the federation to pay back small producers earlier.

How is FEDECOCAGUA contributing to SAFIN?

FEDECOCAGUA reminds the network that financing smallholders and agri-SMEs is more about the small producers than about financial models. We put the producers at the centre of these discussions.

In the coffee sector, the burden of financing is carried by the producers who finance the whole agricultural cycle and receive payment only when their coffee reaches the customer. It is important to remind other value chain actors of this.

What we're reading

Read the latest publications in our resource library



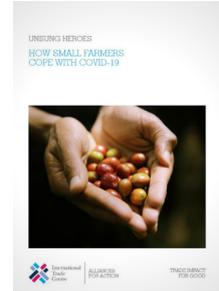
Research Note: Impact of COVID-19 on Agriculture SMEs

Dalberg | KfW



Agricultural value chain finance innovations and lessons

FAO | AFRACA



Unsung heroes: How small farmers cope with COVID-19

International Trade Centre

Where we're going

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

02-11 Sep 2020

AGRF Summit
2020

Kigali, Rwanda

05-09 Oct 2020

SAFIN Annual Plenary
Meeting

Online

12-16 Oct 2020

47th Committee on
World Food Security

Rome, Italy

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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 small commercial farms.