



EFFECTIVE PARTNERSHIPS TO DIRECT GREEN FINANCE TOWARDS AGRI-SMES

SMALLHOLDER
AND AGRI-SME FINANCE
AND INVESTMENT NETWORK



The use of green finance in the agri-SME space is still at a nascent stage in terms of volume, standardization of use cases and financing models, metrics and impact verification approaches. In this context, partnerships are key to bring together different actors, assets and capabilities to accelerate progress on both the demand and supply sides of finance.

Introduction

This Learning Note is the first in a series of documents that aim to present key learnings acquired through activities carried out in 2021, to advance SAFIN's learning agenda. It focuses on the learning theme of "effective partnerships," namely how to identify key potential partners and align efforts with them to mobilize and deploy green finance for small and medium-sized enterprises active in food and agriculture (agri-SMEs). The note summarizes the main learning points on this theme, as well as points requiring further exploration. The objective is to offer concrete and actionable recommendations for industry practitioners – funders, project originators, collaboration brokers and others – who want to improve their ability to collaborate with others to increase the availability of green finance solutions to agri-SMEs, both directly and by strengthening the capacity of financial intermediaries serving SMEs.

Key Learnings

The critical role that effective partnerships play in connecting green finance and agri-SME finance has been a common theme across SAFIN's learning activities this year. Partnerships in this space appear both essential and often challenging and complex for various reasons, including:

- the relative disconnect between actors and institutions specialized in green finance (particularly at the global level) and those focused on agricultural finance (particularly at the local level) in terms of objectives, institutional cultures and ways of operating, which requires conscious efforts to build bridges and find common ground;
- the often complex access (e.g. accreditation), deployment and impact reporting requirements of official sources of green finance, which can exceed the capabilities of agri-SME finance institutions and may require collaborations to complement these capabilities;
- the lack of widely agreed definitions of "green" assets and impact in agricultural and agri-SME finance, replicable use cases for project design or financing structures, and gold standard monitoring and verification approaches, all of which require regulators, funders, scientists and others to work together to create robust and replicable models;
- the scarcity of investable projects and transactions for green finance in the agri-SME space, which requires working simultaneously on the demand and supply sides of finance.

¹ The learning agenda prioritized by SAFIN partners for 2021-2022 includes green finance for agriculture, digital innovations in agri-SME finance, and finance for farmers' organizations. Activities related to green finance this year have included: a *Landscape Note* covering existing knowledge by SAFIN partners and other prominent actors (24 May); a *workshop* on green finance for sustainable agriculture co-organized with CABFIN (26/27 May); a *webinar* on a partnerships in green finance for agri-SMEs, featuring Rabobank and Samunnati (2 September); a *workshop* on effective partnership models in green finance co-organized with CGIAR (6 October).

As is true in any sector, effective partnerships are characterized by a **shared language and understanding** of issues of common interest, **clear mutual expectations**, **trust** that each partner will deliver on these expectations, and **shared benefits**. Given the range of types of expertise and capabilities that are required to effectively connect green finance and agri-SME investment (from climate and environmental expertise to financial and agrifood sector expertise), and the fact that green finance often flows across international and local actors, it is often challenging to develop trust, a shared language and realistic mutual expectations.

In this process, experience shows the importance of investing time, resources and facilitation efforts particularly in two areas, namely: 1) strategic and focused partner selection, and 2) alignment around shared tools and metrics for impact.

Strategic and focused partner selection

Successful partnerships appear to emerge particularly among actors that have clearly distinct, but complementary, capabilities that each one can deploy to get a complex initiative off the ground. In this context, difference in capabilities is an asset to the partnership, so long as the skill and asset mix brought to the table by partners has a strategic fit with the mandate of the joint initiative. The presence of such a fit is not, however, a guarantee of success. Full alignment between each partner's role in a joint initiative and its institutional goals and ambitions (which may vary over time) is important to assess and reconfirm as a partnership unfolds.

Different capabilities may also come with different perspectives, incentive structures and values, particularly when multiple actors are involved. In such cases, long-term engagements and dedicated resources may be required to build and refine a clear common terrain for action. In this process, personal capital and trust are often critical to success, and continuity of engagement by specific individuals over time is thus also important. Finally, experience shows the need to ensure that partnerships link actors on the demand and supply sides of finance – including upstream/wholesale and retail financial service providers, as well as project developers and/or value chain actors, avoiding the creation of new financial vehicles or programmes, in the absence of clear mechanisms to generate investable projects.

USAID, Rabobank and Samunnati: An enduring partnership resting on institutional complementarities

For the launch of their recent US\$15 million [green finance initiative](#) in India, Rabobank and USAID selected Samunnati, a financial intermediary specialized in servicing agri-SMEs and farmer producer organizations, as the local implementing partner. This decision was based on Samunnati's unique mandate, knowledge and local network. Samunnati was motivated by customer demand to engage in green finance but lacked the expertise to do so, which has since been addressed over time through training from Rabobank and USAID. Today, Samunnati has developed a specialized in-house team for green finance initiatives, and the partnership recently launched a larger US\$55 million [guarantee fund](#) with new actors involved.

Alignment of partners around shared tools and metrics

Alignment around shared tools and impact metrics can be important for partnerships that deliver on partners' expectations, while also facilitating alignment among others in the green and agri-SME finance space. In particular, lessons learned from SAFIN's learning activities around this theme include the importance of partners sharing not just a general appreciation of the value of "green" impact alongside financial returns, but also a specific understanding of what that means in a sector where widely shared impact taxonomies remain work in progress. In this regard, clear, science-based metrics and measuring systems that strike an appropriate balance between feasibility and rigour are particularly important when seeking green impact in the agri-SME space. Accordingly, there is scope and need to invest more in partnerships between the scientific community and investors, or to involve scientists in partnerships that can push the agenda forward in terms of connecting green and agri-SME finance.

CGIAR and responsAbility: Bringing science to bear on investment decisions

A new partnership between CGIAR and responsAbility in the past couple of years has brought a science-based approach to determine the right metrics by which "green" projects can be assessed pre- and post-investment in a jointly designed fund to be managed by responsAbility. CGIAR has leveraged its datasets to develop new tools, methodologies and standards with the expressed intention from both partners that these should not only serve their fund, but be accessible also to new entrants in the field, with a view to helping mainstream green finance in agricultural and food system investments.

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Replay our events related to green finance for agri-SME investment



About

The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is a partnership of over 50 institutions committed to scaling up access to financial services for agri-SMEs and small farmers.

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