



The Smallholder and Agri-SME Finance and Investment Network

PHASE 2

SAFIN is the only global multi-stakeholder network in the domain of finance for investment by small and medium-sized enterprises in agricultural supply chains – or agri-SMEs.

It allows different actors in this domain to learn from each other, address strategic knowledge gaps and identify opportunities to work together on transformative initiatives in agri-SME finance.

Our vision

SAFIN partners share a vision of inclusive and effective agri-SME finance ecosystems, consisting in more inclusive, effective, and better-connected financial and non-financial institutions and initiatives across the demand and supply sides of finance. Achieving this vision is critical to empower hundreds of millions of SMEs and the small-scale farmers they work with to realize the promise of the 2030 Agenda. Better functioning financial ecosystems in the sector are key to nurture entrepreneurship and create quality jobs, helping to eradicate poverty and foster inclusive prosperity. They are also essential to sustain investment in sustainable food systems, which can deliver on the eradication of hunger, nutrition, and resilience to climate change.

SAFIN's mission is to draw on the capabilities of its diverse partners to realize this vision and helping each partner have greater impact on closing the financing gap for agri-SMEs.

Our commitment under SAFIN 2.0

SAFIN is entering a new phase (SAFIN 2.0) in 2021-2025, following on the success of a three-year pilot. It is urgent that in the next few years the world make much greater progress toward realizing the 2030 Agenda. There are thousands of agri-SMEs that need capital to grow their businesses so they can deliver a larger contribution to eradicating poverty, improving nutrition, and fostering resilience to shocks such as the recent COVID-19 pandemic. These SMEs need access to a range of financial services and products, including innovative products that enable them to invest in "greening" their business practices, addressing nutrition and stepping up their contribution to sustainable agri-food systems.

During SAFIN 2.0, partners will seek to increase the volume of agri-SME finance they collectively deploy or mobilize, grow the pool of initiatives they undertake jointly or in a coordinated fashion, and continuously share knowledge and learning to improve their respective offerings to SMEs to support their journeys towards growth, sustainability and inclusion.



We believe that connecting different actors in the agriculture ecosystem is fundamental for us to learn from each other. Connections are an underprovided asset and SAFIN addresses that.

Yuri Soarez Dillon
Unit Chief, Inter-American
Development Bank
Innovation Lab

What is so important about agri-SME finance?

SMEs are engines of economic growth across sectors, and food and agriculture are no exception¹. In primary production, input supply, processing, transport and logistics, marketing, and services, agri-SMEs are vibrant and diverse. Research shows that SMEs are driving the transformation of agricultural supply chains in many parts of Asia and Africa.

Many SMEs are innovators and providers of innovative solutions. Innovative technology and service providers targeting small-scale operators in food and agriculture – including agtech and fintech companies – are often small or medium-sized, with business models based on close proximity to their rural clients and solid understanding of local markets.

Finally, **agri-SMEs are critical investors** in agricultural supply chains. They create economic value for themselves, and jobs and opportunities for many others – starting from small-scale farmers. Different types of agri-SMEs are also providers or facilitators of access to services, markets and finance for farmers.

Access to finance is a critical obstacle to the success of agri-SMEs in emerging markets – indeed, it often tops the list of obstacles to investment for these enterprises. The familiar term “missing middle” refers to the gap in financial offerings well suited to SMEs, whose needs go beyond the smaller scale of microfinance institutions (MFIs) and the larger products of commercial banks.

Estimates of the funding gap for agri-SMEs globally run in the hundreds of billions of dollars, based on the unmet need for finance that agri-SMEs seek to grow their businesses in response to existing market signals. If we take into account the need of agri-SMEs to integrate environmental sustainability, resilience or climate change adaptation in their business models (and the related costs), the funding gap is actually even larger.

The **COVID-19 crisis has exposed both the vulnerabilities and the capacity for innovation** of agri-SMEs across the world². Many of them have faced cash flow challenges and disruptions in their supply chains, but the crisis has also prompted them to adapt, develop solutions to the disruptions, accelerate the use of digital tools in their operations and form new partnerships.

The crisis has also **exposed vulnerabilities among financial service providers (FSPs) serving agri-SMEs**. Many have suffered problems of liquidity and non-performing loan exposure. But they also have striven to adapt through different risk management approaches and by reducing transaction costs, often through the use of digital technologies. Such adaptation efforts can be seen among different types of actors facilitating access to finance for small-scale agricultural enterprises, from agro-dealers to farmers’ cooperatives.

These various challenges and the efforts towards solutions underscore the continued relevance of SAFIN’s aim of addressing agri-SME finance from an ecosystem standpoint.

¹ Definitions of SMEs vary across countries and across sectors, with some variation in reference size by financial asset base, labour force, or volume of output. SAFIN does not take a universal quantitative definition of these features of agri-SMEs but rather acknowledges that this will vary across countries. Agri-SMEs may include commercial small farms and farmer cooperative-owned enterprises.

² The impact of COVID-19 on the agri-SME finance landscape was explored in a number of webinars held under the SAFIN umbrella, alone or in partnership with AgriFin, in the Spring of 2020. Webinar summaries and recordings can be found at <https://www.safinetwork.org/webinars>.

AGRI-SME FINANCE: FACTS AND FIGURES

80%



About **80%** of the midstream of the value chains comprises SMEs. [AGRA 2019](#)

Recent technological innovations and startup activities have the potential to boost the value chain and impact the agri-food industry. **Agtech SMEs have a growing potential**, and have shown no signs of slowing in succeeding years. [Oliveros 2020](#)

US\$ 70 BILLION



Financial service providers are currently only supplying **US\$70 billion of the US\$240 billion in agricultural and non-agricultural finance demand required by smallholder farming households** in South and Southeast Asia, Sub-Saharan Africa and Latin America. [Colina, Höök and Shakhovskoy 2019](#)



FEDECOCAGUA joined SAFIN to benefit from the experience of other stakeholders to learn about new trends in agribusiness and other insightful experiences.

Mario Ixcoy
Finance Manager,
FEDECOCAGUA

US\$ 65 BILLION



There is a **financing gap of roughly \$65 billion across Sub-Saharan Africa** for agri-SME financing needs in the range of \$25k - \$1.5m. [Aceli Africa and Dalberg Advisors 2020](#)

Lack of access to financing means **agri-SMEs are particularly exposed to changes in demand or operations resulting from the COVID-19 pandemic**. [Learning Lab, ISF Advisors and The Feed the Future Initiative 2020](#)

The power of networks

Networks like SAFIN can connect different individuals and organizations to improve mutual understanding, build trust and create opportunities for aligned action. As such, in the words of [Converge for Impact](#), networks are living systems that “use deliberate processes to create emergent outcomes,” inspired by a common purpose and supported by trust.

In agri-SME finance, there is often fragmentation of initiatives, resources and institutions both on the demand and on the supply side, whether at the country level or globally. This constrains information flows, leading to high risks and transaction costs both for enterprises and for FSPs. It also leads to lack of clarity among different actors about their respective objectives, roles and mutual expectations, which can feed mistrust. Finally, fragmentation complicates the process of building partnerships even when the contribution of different types of actors is critical for success – blended finance structures and transactions being one example.

Building trust and fostering connection, coordination and eventually collaboration across diverse constituencies are critical to develop a functioning ecosystem in agri-SME finance, and this in turn is important to bridge the financing gap for agri-SMEs to deliver on the 2030 Agenda.

SAFIN as a network

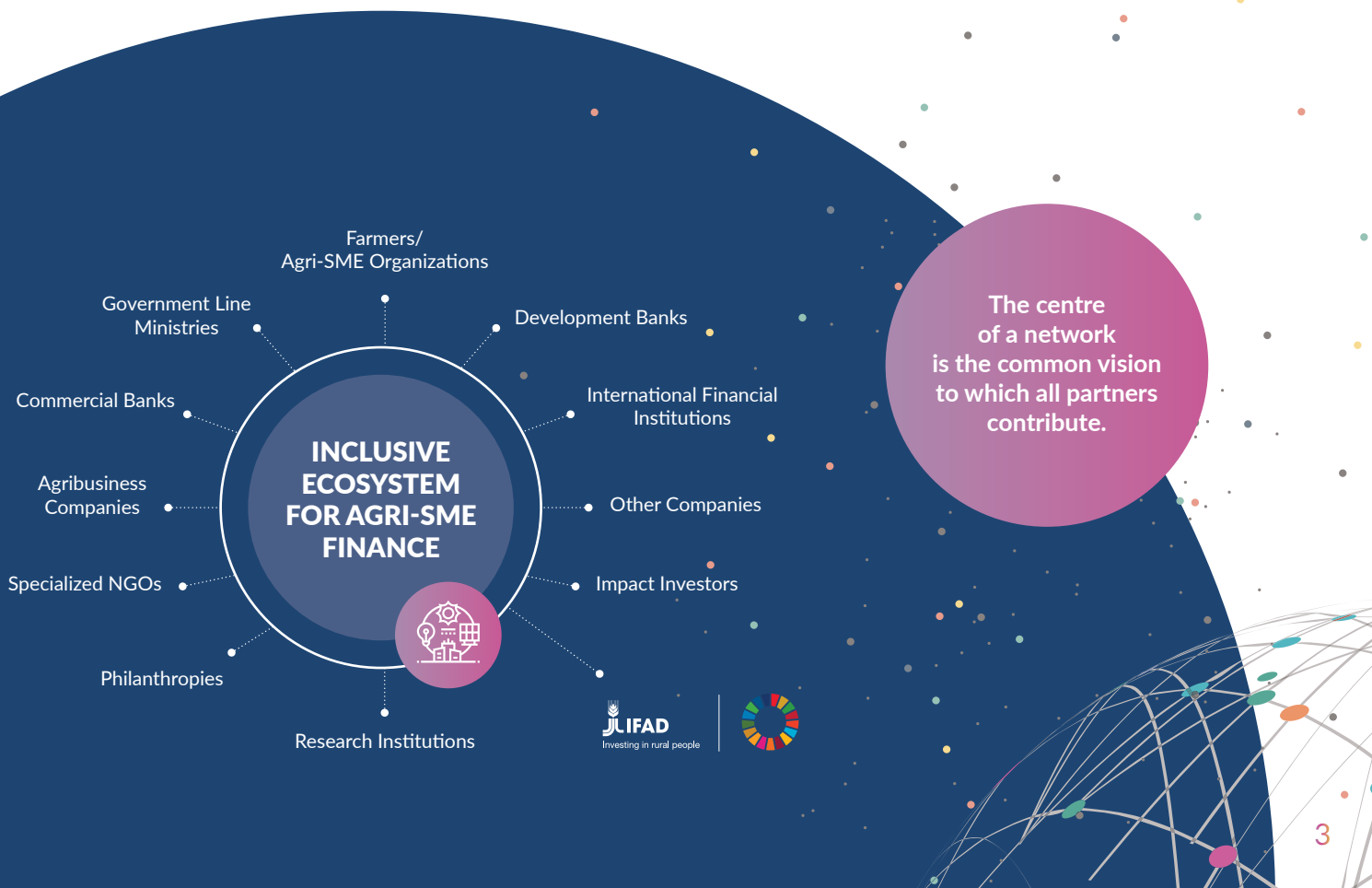
SAFIN is simultaneously a convenor, a connector and a platform for actors in agri-SME finance to work together around strategic knowledge gaps, share learning and identify opportunities for high-impact collaborations. Through the network, partners learn together about new research and their own experience, acquiring new tools to improve their work. They seek peer support in the design of new financial instruments or programmes, which may result in improved design or in practical collaborations (including co-financing). They jointly advocate around the importance of more and better support and funding going towards agri-SMEs, amplifying the power of each other’s voices. And they form new relationships that help pursue their respective objectives.

For SAFIN partners, the value proposition of the network can take different forms, depending on what capabilities they bring to the table and what they seek to achieve. Self-interest and collective interest co-exist, as everyone understands that individual interests are best served by sharing and collaboration.



“Through this network, we speak, learn, plan, and implement actions that contribute to rural development from a broader perspective, with a global vision of actions undertaken in other parts of the world.”

Gloria Román Peco
Manager of the Prorural Programme, Junta Agroempresarial Dominicana

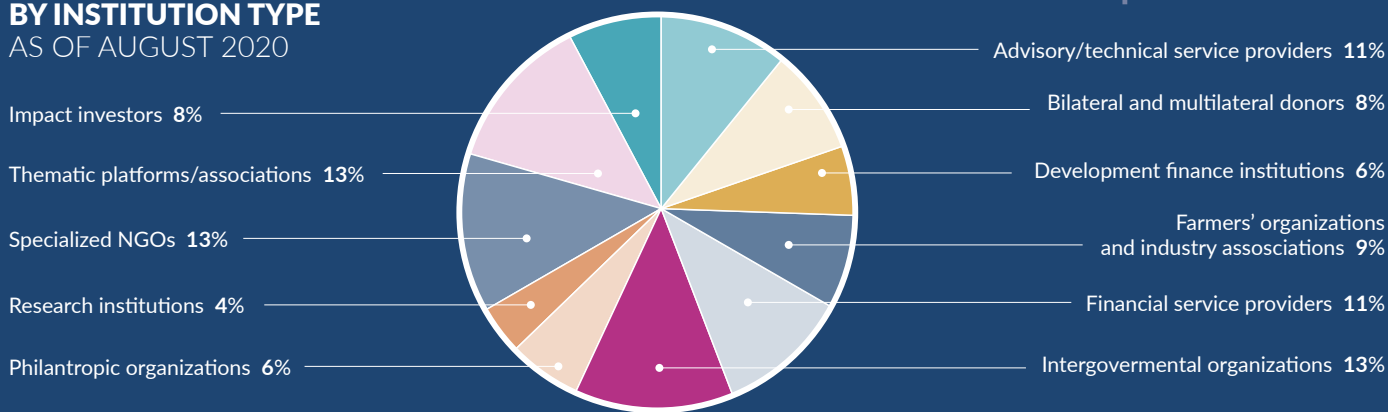


Who and where we are

As of August 2020, SAFIN includes around 50 partners, some of them networks in their own right. These include farmers' organizations, development finance institutions, donors and philanthropies, United Nations agencies, social lenders and impact investors, technical agencies, multi-stakeholder industry platforms, and research institutions or think tanks. Partners are located around the world, and many of them have a global or regional mandate, while others operate in specific countries.



PARTNERS BY INSTITUTION TYPE AS OF AUGUST 2020



IFAD was counted as an IGO but is also a development finance institution.

How we are structured

As a network, the central actors within SAFIN are individual partners, who sustain all network activities. **Working groups** with partner co-leaders address specific focus areas, with individual partners opting to participate in one or more groups. **Co-hosting** is a preferred modality of organization for in-person and virtual meetings and events, including collaboration with key regional and global knowledge and industry platforms in agri-SME finance.

The **Secretariat**, housed at IFAD, convenes and facilitates the network, led by a Senior Coordinator who is responsible for annual planning, reporting and network representation. The Secretariat maintains a live repository of network knowledge resources and monitors network health, achievements and challenges. A six-member **Steering Committee** representing the diversity of partners provides oversight on planning and resource management, advises the Secretariat, champions the network and supports resource mobilization.



We joined SAFIN to benefit from the knowledge, the networking and the community of like-minded commercially-oriented development thinkers.

Abigail Thomson
Team Lead of CASA
Technical Assistance Facility,
TechnoServe

Pilot phase (2018-2020)

SAFIN was established in the spring of 2018 under the auspices of IFAD. For the pilot phase, partners agreed on **five workstreams**: coordinated policy engagement; addressing systemic obstacles in mobilizing finance for institutions serving agri-SMEs; aligning country-level partners' investments; supporting innovation; and coordinating a strategic research agenda.

Our achievements in these three years can be captured under the headings of **developing and growing the network, producing or sharing knowledge and advocating** for the importance of agri-SME finance to realize the 2030 Agenda.

In terms of growth, the network doubled its membership over the course of two years to reach about 50 members in 2020, and steadily raised its profile in international forums related to agricultural investment and finance.



The Blended Finance “deep dive” with OECD

Blended finance brings together capital with different risk/return profiles within a single financial vehicle or transaction. Its function is to mobilize commercial capital when this is held back by high risks or low expected returns, and when a strong development rationale exists for investment. In 2018, SAFIN and the Organization on Economic Cooperation and Development (OECD) joined forces to investigate whether and how blended finance could be used to address some of the risks and costs confronting investors in food and agriculture, with a focus on agri-SMEs. In 2019, a report mapped out the main types of investment risks in the sector, as well as the main types of blended structures and solutions used. Findings were discussed in two regional workshops in Nairobi and Bangkok, held together with OECD, IDB Innovation Lab, Food and Agriculture Organisation (FAO) and the African and Asian Rural and Agricultural Credit Associations (AFRACA and APRACA). Nine case studies were published on the SAFIN website in July 2020, highlighting the role of blended solutions in addressing business model risks in agri-SME lending for different types of financial service providers; establishing new value chains with large potential development impact; and developing the whole supply and demand side ecosystem for agricultural finance in specific countries.



How-to guide on the use of the SAFIN Investment Prospectus (IP) Framework

The IP Framework is a public good instrument for the identification of high development potential investment opportunities for agri-SMEs in specific value chains, as well as financial solutions that can unlock these opportunities. After piloting the framework in a number of countries (Colombia, Dominican Republic, India, Jamaica, Nigeria and Uganda) in 2018-2020, its key elements were laid out in a “how-to guide” in the spring of 2020. The guide aims to enable both SAFIN partners and any other interested actors to manage inclusive, evidence-based processes of alignment around a shared understanding of agri-SME investment opportunities and financial solutions. The guide speaks in particular to government, development partners and investors, and is designed to help bridge different communities in the food and agriculture investment space.



SAFIN Annual Plenary Meetings

Plenary meetings are the annual high point for the SAFIN network, offering time for partners to share information about new projects and plans, pitch new initiatives to each other, discuss new research and reflect on the state of the network and where to go next. They also are an opportunity to engage with other actors operating in the same sphere. In 2018, almost 60 partners met in Rome ahead of the plenary session of the Committee for World Food Security to share their experiences in supporting sustainable business models for the provision of technical assistance to agri-SMEs, as well as to pool their collective expertise around two new funds under design in the agri-SME finance space. In 2019, 45 partners met in New Delhi alongside the World Congress on Rural and Agricultural Finance, to reflect on the experience of the IP pilots, support the design of one new fund and a new technical assistance facility and take stock of the blended finance deep dive. In 2020, the plenary meeting (5-9 October) is taking place in virtual form.

Webinar series on the impact of COVID-19 on agri-SME finance

In the context of the COVID-19 crisis, the SAFIN Secretariat has organized several virtual gatherings for partners and other stakeholders in agri-SME finance to share information and discuss impact and responses to the crisis in this sector. This included two webinars organized individually by the Secretariat – respectively featuring the perspectives of private impact lenders and the experience of African agripreneurs gathered around the Nourishing Africa platform. It also included a four-part webinar series with the World Bank Group's community of practice on agricultural finance (AgriFin), which considered impact and responses to the crisis in three domains characterized by a strong innovation momentum in the past months. These are the domain of non-bank financial institutions (including financial cooperatives and MFIs), trade and value chain finance, and technology-enabled solutions for finance and supply chain management.

In terms of knowledge production and sharing, some highlights include:

- A collaboration with the OECD on blended finance and agriculture, leading to two reports³, nine case studies⁴, two regional workshops⁵ and a number of side events and sessions at regional and international forums including the African Green Revolution Forum (AGRF).
- The creation of an analytical and multi-stakeholder process to identify financial solutions around investment opportunities in value chains where agri-SMEs are particularly present. This took the form of an “IP Framework” that was applied in nine countries, with learning points distilled into a guidance tool in 2020⁶.
- Around 20 webinars or virtual panels on key issues in agri-SME finance, including technical assistance business models, private impact finance, and COVID-19⁷.
- Three annual plenary meetings and two in-person global workshops.
- 14 partner-led pitch and peer support sessions.

Several meetings and pitch or peer support sessions prompted unplanned collaborations across the SAFIN community, bearing witness to the power of “emergence” – as opposed to implementation of planned activities - as a way of generating impact that is peculiar to networks⁸.

Finally, in the area of advocacy, some highlights from the pilot phase include:

- Organizing ten sessions alongside major international policy forums (e.g. OECD and United Nations Forums and the AGRF), making the case for greater volumes of finance for agri-SMEs and discussing critical enablers.
- A steadily growing number of invitations to the Secretariat to take part in international panels on financing for development, private investment in agriculture and agricultural finance, as well as in high-profile initiatives including the AGRF Deal Room, the Food Action Alliance and the processes of preparation for the Finance in Common Summit and for the United Nations Food Systems Summit.

Each partner, alone or with others, carried out numerous investments, knowledge-building and sharing activities, and advocacy on the issues on the SAFIN agenda. **To share information about this work, the network developed a robust communication infrastructure, with a website, quarterly newsletters, bi-monthly bulletins and a curated partners’ area.**

3 [Blended Finance Tools to Catalyze Investment in Agricultural Value Chains \(2018\)](#) – co-sponsored with African Development Bank, AGRA and DFID, and [Landscape Report: Blended Finance for Agriculture \(2019\)](#).

4 [Developing a value chain for sustainable palm oil in Brazil: Blending happiness, hazelnuts and finance in Bhutan](#); [Providing fertile ground for lending in the Philippines](#); [Sowing opportunities in Paraguay](#); [Improving the financing landscape in India](#); [Strengthening the family farm in Mexico](#); [Scaling impact through guarantees in Tanzania](#); [Filling a financing gap in Ghana](#); [Increasing the profit potential for farmers in Kenya](#).

5 [Mobilizing private capital towards agri-SMEs: Experiences from Africa](#) and [Mobilizing private capital towards agri-SMEs: Experiences from Asia and the Pacific](#).

6 The IP Framework was applied in Colombia, the Dominican Republic, India, Jamaica, Nigeria, Uganda and the Sahel (Niger, Burkina Faso and Senegal).

7 Webinar summaries and recordings can be found at <https://www.safinetwork.org/webinars>.

8 A few examples among many include the engagement of some SAFIN partners around the IFAD-launched ABC Fund after its initial presentation at the 2018 plenary, the inclusion of two partner industry platforms into the portfolio of grantees of a partner foundation and the participation of one partner farmers’ organization in the development of international guidelines led by another partner for the coffee sector.

“We feel that we can learn a lot from the other partners and greatly appreciate the knowledge sharing environment of the SAFIN network.”



Arindom Datta

Head of Sustainability, Asia, Rabobank

Lessons learned from the pilot phase

The **pilot phase was designed for learning to inform subsequent phases**. Annual reports were regularly prepared, and surveys and bilateral exchanges held with partners to identify areas of strength, weakness and possible improvement. Key lessons learned included:



SAFIN 2.0 (2021-2025)

SAFIN 2.0 builds on the pilot phase and strengthens the network business model with a more decentralized, partner-led implementation approach. For the next five years, partners will exchange, learn together and search for collaboration opportunities in five focus areas. In each area, activities will be designed by partners as opportunities arise and consensus emerges, in line with good network practice. The focus areas are:

	Objective	Action
<p>1</p> <p>Bringing the ecosystem together to build trust and mutual understanding</p>	<ul style="list-style-type: none"> • Nurturing relationships and building trust to illuminate opportunities for collaboration • Engaging the community of actors operating in agri-SME finance to foster better mutual understanding, a shared sense of direction and better alignment 	<ul style="list-style-type: none"> • In-person and virtual meetings globally and in regions hosting SAFIN partners - sub-Saharan Africa; South, East and South-East Asia; and Latin America and the Caribbean
<p>2</p> <p>Mapping out opportunities for innovative collaborations</p>	<ul style="list-style-type: none"> • Enabling partners to learn about innovative work in agri-SME finance that others in the network are doing, with focus on early stage initiatives with room for co-creation 	<ul style="list-style-type: none"> • Designing a user-friendly technology solution to track partners' innovative work in agri-SME finance, to be maintained with the active involvement of the network
<p>3</p> <p>Fostering shared understanding of strategic issues for the future of agri-SME finance</p>	<ul style="list-style-type: none"> • Helping partners better manage and prioritize information flows, by gaining a shared understanding of priority and "game changing" issues in the ecosystem • Achieving a shared "theory of change" about how work in the agri-SME finance space can most impact on the realization of the 2030 Agenda 	<ul style="list-style-type: none"> • Convening activities such as co-hosting thematic conferences or sessions, organizing webinars around new research, or hosting side events at major regional or global events • Supporting knowledge generation, for example through calls for articles in specialized journals on emerging issues (e.g. COVID-19, green finance and agriculture and others) • Producing knowledge through collaborations or support to research by partners, research institutions and specialized platforms (including CABFIN, AgriFin and others)
<p>4</p> <p>Bringing an agri-SME finance focus to country-led initiatives for private investment towards development of sustainable food systems</p>	<ul style="list-style-type: none"> • Catalyse new investments in agri-SMEs and effective agri-SME finance solutions, by influencing country-led initiatives to support private investment in the sector 	<ul style="list-style-type: none"> • Proactively seek opportunities to support country-led initiatives for agricultural and food system investments, to identify agri-SME specific opportunities and financing solutions
<p>5</p> <p>Aligning around effective financial solutions to emerging challenges in the sector</p>	<ul style="list-style-type: none"> • Support the design of financial solutions to emerging or strategic challenges like COVID-19, shifting to sustainable food systems and climate resilience 	<ul style="list-style-type: none"> • Small-group collaboration around the design of new financing platforms (e.g. a donor and investor alliance) or instruments (e.g. a challenge fund) to address emerging challenges • Small-group coordination to support new or existing instruments that can engage high-potential investors and/or directly scale up volumes of mobilized finance • Sharing learning from experience in participating in agricultural or agri-SME finance vehicles and in building bridges across different segments of the investor ecosystem

Want to learn more, join or support SAFIN?

If you are an institution operating in agri-SME finance or if you would like to learn more about the network, please visit our website at

www.safinetwork.org

or reach out by using [this form](#).



“We believe SAFIN has the potential to help its partners to do better and do more.”

Bruno Vindel

Team Task Leader of the
Financial Systems Division,
Agence Française de
Développement



SMALLHOLDER
AND AGRISME FINANCE
AND INVESTMENT NETWORK

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