Annual Progress Report 2023
This work was made possible by the generous contributions of our donors.
Since I took on the role of Chair of the SAFIN Steering Committee in 2022, I have continued to be amazed by the commitment of the network’s diverse membership to achieve our common vision. Despite our different reporting lines and business priorities, SAFIN members continue to work together towards a financial ecosystem that prioritizes and adequately serves the needs of small-scale farmers and agricultural enterprises.

2023 marked another year of global crisis, with conflict, climate change and inflation making it even harder for farmers and small and medium-sized enterprises (SMEs) in agriculture to grow, process and distribute the food we all need. Despite the challenges faced, it has been encouraging to see the niche area of access to finance for agricultural SMEs cross over into mainstream debates, investment strategies and plans of key players in the agriculture and financial sectors.

Throughout the year, SAFIN reenergized its approach to building partnerships, bringing its global expertise, recognition and experience closer to the ground through regional working groups. We continued to streamline our messaging about the financing needs of our target market, taking it to global leaders at high-level forums and technical experts in the field alike. In 2023, we also saw the new knowledge and recommendations emerging from SAFIN’s learning agenda taken up by different organizations. From informing new investment funds to adapting existing business development services for agricultural SMEs, we are turning market insights into strategic actions.

As we chart a path for greater collaboration in the sector in 2024 and beyond, I continue to thank SAFIN members for their commitment to our mission, the International Fund for Agricultural Development (IFAD) for hosting the network’s Secretariat, the broader agricultural finance community for engaging with us as we work to close the financing gap in the sector.

I would like to congratulate the SAFIN members for their continuous support to take forward the global agenda of investment in sustainable development.

Dr. Prasun Kumar Das
Chair, Steering Committee
On behalf of the SAFIN Secretariat, I am delighted to present the 2023 Annual Progress Report, which highlights the progress and achievements of our network over the past year. Now comprising more than 60 member institutions from across industry, SAFIN remains a dynamic space for knowledge-sharing, advocacy and co-creation on initiatives with the potential to contribute to a thriving ecosystem for inclusive agri-SME finance.

2023 was a year of transition and growth for SAFIN. We focused our efforts on building momentum from the successful two-year learning agenda that created and shared knowledge on the top thematic priorities of the network’s members. SAFIN continued to foster greater connection, coordination and collaboration among its members and partners through various activities, including:

- Creating opportunities for learning with a diversity of partners on a range of issues pertinent to the sector.
- Launching a new members’ portal to facilitate engagement, and hosting an in-person member-convening through our annual plenary meeting.
- Producing market intelligence to build evidence in the sector.
- Participating in major global forums to demonstrate the key role of agri-SMEs and small-scale farmers in addressing the world’s most pressing food and agriculture challenges.
- Co-creating innovative solutions to supply-demand challenges in agri-SME finance at the local level through regional working groups.

As we look forward to the last two years of our current strategic period, we plan to further develop a systemic approach in our work, to expand our efforts and investment with the regional working group members, and to launch joint member initiatives that make a real and impactful difference to the lives of those we serve. On behalf of SAFIN, I would like to acknowledge and thank our members, partners, supporters and other stakeholders for their support and collaboration during this last year. And lastly, to acknowledge the SAFIN Secretariat team for their enthusiasm and commitment to all the SAFIN members and partners.

Nadia Martinez
Senior Coordinator
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>4</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>6</td>
</tr>
<tr>
<td>List of figures and acronyms</td>
<td>8</td>
</tr>
<tr>
<td><strong>1. Introduction</strong></td>
<td>9</td>
</tr>
<tr>
<td>Our Membership</td>
<td>9</td>
</tr>
<tr>
<td>Agriculture Finance in 2023</td>
<td>11</td>
</tr>
<tr>
<td><strong>2. Highlights from 2023</strong></td>
<td>13</td>
</tr>
<tr>
<td>The power of networks: From connections and insights to impact</td>
<td>14</td>
</tr>
<tr>
<td><strong>3. Progress in SAFIN focus areas</strong></td>
<td>16</td>
</tr>
<tr>
<td>A. Convene</td>
<td>17</td>
</tr>
<tr>
<td>i. Annual Plenary Meeting</td>
<td>17</td>
</tr>
<tr>
<td>ii. Learning events and workshops</td>
<td>18</td>
</tr>
<tr>
<td>B. Track</td>
<td>19</td>
</tr>
<tr>
<td>i. Consolidating sector tracking and discovery functions</td>
<td>19</td>
</tr>
<tr>
<td>C. Focus</td>
<td>20</td>
</tr>
<tr>
<td>i. Bridging evidence and finance gaps in the sector</td>
<td>20</td>
</tr>
<tr>
<td>ii. Improving business development services: From recommendation to application</td>
<td>21</td>
</tr>
<tr>
<td>iii. Towards flexible finance for producer organizations</td>
<td>21</td>
</tr>
</tbody>
</table>
D. Influence

i. Fostering stronger linkages between agricultural SMEs in LAC and Italian markets

ii. Shining a light on the hidden heroes of food systems

iii. Exploring solutions for food sovereignty in Africa

iv. Matching small enterprises in Africa with potential investors

E. Co-create

i. Asia and the Pacific

ii. Latin America and the Caribbean

4. Member engagement and external relations

A. Network membership and governance

B. External communication and outreach

5. Financial resources and expenditure

6. Lessons learned and way forward

7. Meet the Team
List of figures and acronyms

List of figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.</td>
<td>Member Institutions</td>
<td>5</td>
</tr>
<tr>
<td>Figure 2.</td>
<td>Steps for development of Peer-Designed Ventures (PDVs)</td>
<td>19</td>
</tr>
<tr>
<td>Figure 3.</td>
<td>Highlights: SAFIN Network Health Survey 2023</td>
<td>21</td>
</tr>
<tr>
<td>Figure 4.</td>
<td>Expenditure Jan - Dec 2023</td>
<td>23</td>
</tr>
</tbody>
</table>

List of acronyms

ACCESS | ACCESS Development Services
ACFM   | Agri-food SME Catalytic Financing Mechanism
AFA    | Asian Farmers’ Association for Sustainable Rural Development
AfDB   | African Development Bank
AFS Forum | Africa Food Systems Forum
AICS   | Italian Agency for Development Cooperation
ALIDE  | Latin American Association of Development Financing Institutions
APR    | Asia and the Pacific
APRACA | Asia-Pacific Rural and Agricultural Credit Association
ARCAFIM | Africa Rural Climate Adaptation Finance Mechanism
BDS    | Business Development Services
CABI   | Centre for Agriculture and Bioscience International
CSAF   | Council on Smallholder Agricultural Finance
FO     | Farmers’ Organizations
FSP    | Financial Service Provider
GAIN   | Global Alliance for Improved Nutrition
IFAD   | International Fund for Agricultural Development
IGC    | International Growth Centre
ILIA   | Italo-Latin American Institute
IPF    | Investment Prospectus Framework
ITC    | International Trade Centre
LAC    | Latin America and the Caribbean
LSE    | London School of Economics
N3F    | Nutritious Food Financing Facility
NORAD  | Norwegian Agency for Development Cooperation
PDV    | Peer-Designed Ventures
Introduction

The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is a global multi-stakeholder network advancing inclusive agri-SME finance, designed to bridge the silos among the providers, seekers and enablers of finance by fostering greater connection, coordination and collaboration among these players. With more than 60 member institutions from across the agri-finance ecosystem, SAFIN is a dynamic space for knowledge-sharing, advocacy and co-creation around initiatives with the potential to move more capital and other non-financial resources closer to agri-SMEs. The SAFIN Secretariat is hosted by the International Fund for Agricultural Development (IFAD).

SAFIN member institutions jointly set the Network’s agenda. For the period of 2021-2025, also known as SAFIN 2.0, the Network has agreed to focus on five main actions:

**Convene:** Bring the ecosystem together to build trust and mutual understanding.

**Influence:** Bring an agri-SME finance focus to country-led initiatives for private investment towards sustainable food systems.

**Track:** Map out opportunities for innovative collaborations.

**Focus:** Fostering a shared understanding of strategic issues and knowledge gaps for the future of agri-SME finance.

**Co-create:** Align around effective financial solutions to emerging challenges in the sector.

Our Membership

Our membership comprises of a dynamic continuum of financial and non-financial support to agricultural enterprises. Our member institutions represent agricultural SMEs or provide them with capital, business development support and other services as they work towards sustainable business.
Our member institutions in 2023
Agricultural finance in 2023

In 2023, agricultural finance players focused on the impact and lessons learned from the COVID-19 pandemic and simultaneous crises in recent years such as the war in Ukraine, rapid global inflation and climate events. This informed efforts to build the resilience of food systems to protect the agricultural sector against likely future shocks. With the reality of dwindling sources of dedicated concessional funds from public and philanthropic actors, agri-finance practitioners explored more strategic uses of these limited funds to enact systemic change in the sector. This included innovative digital solutions and testing financial models that can catalyse private sector investment. Policy and regulatory change also featured prominently in this ecosystem approach, primarily by engaging with public sector actors on the urgency to safeguard food security for all.

For SAFIN, these sector developments highlighted the need for evidence-building around the core assumptions that underlie current thinking and solution design to finance agricultural enterprises and farmers. The Network supported a mapping of the existing body of evidence from practitioners and academia on lending to agricultural SMEs in developing economies, to identify research and learning priorities to fill key gaps. In addition, the SAFIN Secretariat launched a systems-mapping exercise on the agri-SME finance sector, highlighting causal relationships and interdependencies between different actors and structural constraints.

At the thematic level, SAFIN’s focus on the four priority areas identified by its members in 2021 continues to be well aligned with wider sector trends. In climate finance, a growing commitment to achieving the ambitious goals set by the Paris Agreement and Sustainable Development Goals prompted plans to design and launch several new funding facilities. This has also raised serious questions about best practices for the design and structuring of climate funds for agriculture investment, and lingering failure to align the industry around a common definition and impact metrics for “green or climate finance”.
On the theme of access to finance for farmers’ organizations, network members focused on improving the capacity of these organizations to attract and manage funding from local financial service providers (FSPs). Several innovative solutions were developed during 2023 to provide a range of services to producer organizations, including a needs assessment to improve their bankability profile, tailored business development services (BDS) and linkages to dedicated funding sources.

Digital innovation continued to feature prominently as a key area of research, discussion and investment in 2023. Particular attention was paid to the growth of digital solutions that combine financial and non-financial services, and their capacity to achieve commercial viability and scale. This raised fundamental questions about the lack of funding being directed to such solutions and the specific type of finance needed at different stages of development, including various modalities of debt, equity and concessional capital.

Drawing on the knowledge exchanged and generated in 2023, SAFIN is committed to translating some of the main findings from this research into collaborative action in the sector to address existing bottlenecks and pilot innovative solutions. To achieve this, SAFIN is organizing its members with a common geographic focus and shared theme through regional working groups to design and deliver such solutions in 2024 and beyond.
## Highlights for 2023

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<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
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<td>new members’ portal</td>
</tr>
<tr>
<td>4</td>
<td>global forums engaged</td>
</tr>
</tbody>
</table>

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The power of networks:
From connections and insights to impact

At SAFIN, we understand that scaling access to finance for farmers and enterprises along agricultural value chains is best done by convening the continuum of financial and non-financial support in the sector.

Through bespoke contact brokering, regular convenings and targeted market intelligence, SAFIN has informed new initiatives and facilitated partnerships among diverse players engaged in agricultural finance to move the needle on the financing gap in this sector. As the work of aligning investment portfolios among institutions with distinct work programmes often takes years of sustained engagement, the SAFIN Secretariat provides ongoing support and tracks the progress of these initiatives.

i. Building local business ecosystems in Uganda

When representatives of the Uganda Agribusiness Alliance (UAA) and Small Foundation met at the SAFIN Annual Plenary Meeting in 2018, an enduring partnership was born. The two institutions connected around their common interest in unlocking the impact potential of agricultural enterprises in Uganda. An initial phase of partnership was established in 2020, a year during which businesses in Uganda’s agriculture sector grappled with supply chain disruptions at the height of the COVID-19 pandemic. This phase focused on strengthening UAA’s efforts to convene development agencies, agribusinesses and government counterparts, and enhancing its strategies for fundraising, financial management and impact measurement. UAA’s membership confirmed that the network’s activities following this partnership contributed to increased funding committed by the Government of Uganda towards agricultural finance. Small Foundation and UAA deepened their partnership in 2023, this time aiming to expand the incubation of agricultural value-chain platforms. This work builds on previous initiatives led by UAA in the development of avocado, potato and beef value-chain platforms that facilitate collaboration, communication and the discovery of common interests among stakeholders engaged in these value chains.
ii. Catalysing finance for African agriculture

The United Nations Food Systems Summit (UNFSS) in 2021 was an opportunity for global leaders, development partners and the private sector to chart jointly a new path for greener, healthier and more equitable food systems. Alongside public engagement through three public independent dialogues hosted by SAFIN, the network convened a small group of interested member institutions for a year-long consultation series to design game-changing solutions to scale access to finance for agricultural enterprises at the centre of food systems. The African Development Bank (AfDB) participated in these consultations, which offered a sounding board for the subsequent design of the Bank’s Agri-food SME Catalytic Financing Mechanism (ACFM). Insights from these discussions, particularly in relation to gender and climate targets in Africa, directly informed AfDB’s considerations to establish this lending programme, which was launched in early 2023. Leveraging SAFIN’s expertise in defining SMEs through its Agri-SME Taxonomy, the ACFM team considered national definitions of these enterprises and other available information to identify enterprises capable of serving an investment size of US$50,000–US$2,000,000 while meeting specific criteria related to number of employees, annual revenue and minimum assets. During 2023, ACFM initiated its capacity-building programme primarily aimed at enhancing access to finance for agricultural enterprises while also driving gender and climate impact. Through the programme, ACFM will support agricultural enterprises to develop investor-ready financial models, connect with capital providers, and refine investor memoranda to attract private sector investments. It will also build the capacity of capital providers to understand better the needs of this segment, thereby crafting tailored financial products, systems and processes for agricultural SMEs.

iii. Stimulating strategic value-chain investments in India

Back in 2019, before millets were elevated to fame through the International Year of Millets, a group of SAFIN members in India recognized the potential of these forgotten grains. As part of the SAFIN Investment Prospectus Framework, ACCESS Development Services (ACCESS), Rabobank, IFAD and the Asia-Pacific Rural and Agricultural Credit Association (APRACA) scoped five agricultural value chains in India for investment opportunities targeting agricultural SMEs. The millets value chain stood out for its multiple benefits for people and planet, and the group recommended three action areas to promote investment in millet enterprises: capital injections for millet processing, strategic advocacy with the government and private sector, and capacity-building for millet farmers and agribusinesses. Since then, these recommendations have anchored efforts to establish a millet hub in the Indian state of Rajasthan. Following advocacy efforts led by ACCESS, the State Government of Rajasthan committed approximately US$13 million in 2021 to scale up domestic production and consumption of millets. In 2022, funds were allocated to offer improved variety millet seeds to 1,000,000 farmers, contributing subsidized crop protection products to 200,000 farmers, providing capital subsidies to entrepreneurs to establish 100 primary millet processing units between 2023 and 2024, and reimbursing up to 75 per cent of expenditure incurred to establish secondary millet processing plants. The State Government also plans to establish a Centre of Excellence at Jodhpur Agricultural University to build local capacity to grow and distribute millets in the region.
In 2023, SAFIN embraced a member-led approach in its focus areas, building not only on the experience and expertise of its diverse membership, but also on the influence and sector-shaping potential of its collective voice. From applying new approaches and recommendations to existing member operations to co-developing financial solutions for different local contexts, 2023 was the year that SAFIN unlocked the power of networks.
SAFIN continued its work to broker relationships and knowledge across different stakeholder groups in the agricultural finance sector through convenings and learning events, including its Annual Plenary Meeting. In line with network efforts to build trust and foster increased collaboration amongst its members, the SAFIN Secretariat organized several closed sessions for members to meet, exchange ideas, explore opportunities and spend time together. In 2023, participation in all events increased by 25 per cent on average. Throughout the year, SAFIN convened over 2700 agri-finance practitioners during these learning events.

i. Annual Plenary Meeting 2023

Leaders from across the sector convened at the SAFIN Annual Plenary Meeting in October 2023 at the IFAD headquarters in Rome, Italy. Centred on the theme, “From shared knowledge to collective action”, the event celebrated SAFIN’s recent success in aligning diverse institutions around common recommendations and best practices while emphasizing a move towards more joint ventures to address coordination gaps in the fragmented sector. Over discussions at the two-day event, the following key messages emerged:

- **Mainstreaming systemic approaches**: Specialists at the event echoed a sentiment of increased interest and momentum around financing agricultural SMEs but insisted that investments into individual enterprises alone cannot effectively influence the systemic issues facing the sector. Greater coordination, peer-to-peer learning across institutions and joint initiatives that target the structural challenges SMEs face in accessing finance are critical to close the glaring capital gap.

- **What gets measured, gets financed**: Climate finance towards agriculture currently lags behind other sectors, in part due to the lingering lack of a shared definition and impact indicators. SAFIN members discussed the current data needs and reporting requirements to bring more climate funds within the reach of agricultural enterprises, including farmer organizations. While the cost of data collection is too high to rest on the shoulders of these enterprises, the emergence of tech solutions that capture the impact of climate-smart techniques presents an opportunity for the providers, enablers and receivers of climate finance in agriculture.

- **Building capacity at the grassroots level**: Following a recent study on the financing needs of farmer organizations, IFAD is currently in the pre-design phase of a platform to increase their access to finance. SAFIN members offered inputs to inform its design, such as a need to focus on recurring challenges across organizations in various regions, including staffing and digitization of service delivery. However, a representative of farmer organizations cautioned that technical assistance accompanying such funds should focus on building their capacity, first to access and manage finance, and then to monitor independently their impact using responsive indicators that reflect the reality of small-scale farmers.

- **Future-proofing finance in a time of crisis**: In a session uncovering the responses of financial institutions, agricultural enterprises and governments in Africa to the global “poly-crisis”, sector, experts traded views on a “Crisis Response Toolbox” for various players to ensure the unfettered flow of capital during future crises. Potential areas of focus can include local incentives for loan structuring, capital injection grants for specific commodities or inputs such as fertilizer, and returnable grants for key value-chain actors. However, the role of governments in enacting timely policy changes and incentives for other actors during the onset of crises was emphasized as a critical issue for effective responses across the sector.
The SAFIN Learning Agenda continues to be the focus of the Network’s external knowledge-sharing sessions. The agenda focuses on four key issues with the potential to shift how SMEs in agriculture are financed:

- Green finance for agricultural SMEs
- Digital innovations for agri-finance
- Finance farmers organizations
- Enterprise support for agricultural SMEs

In April 2023, SAFIN, ISF Advisors and Small Foundation co-hosted a launch event for a study on the provision of BDS to agricultural enterprises in sub-Saharan Africa. At the session, providers and funders of BDS in the region debated which delivery models and fee payment mechanisms contribute to the greatest impact on revenue, employment and capital raised by SMEs. During the session, sector experts agreed that BDS providers should tailor their interventions to the different activities, development stages and geographies of each enterprise. The need for robust data across the BDS sector, and the role of global BDS providers in building local capacity, also emerged as key conclusions from the event.

In May 2023, SAFIN, the Council on Smallholder Agricultural Finance (CSAF) and the International Growth Centre (IGC) of the London School of Economics (LSE) partnered to launch an evidence review of the agri-SME finance sector through a virtual event. The session built on a long collaboration to identify knowledge gaps that constrain the flow of both concessional and commercial capital to agricultural SMEs. Overall, event attendees agreed that the lack of, or weak, evidence in the sector contributes to the existing financing gap for agricultural enterprises.
SAFIN counters duplication and fragmented efforts in the agricultural finance sector by tracking new developments and providing regular opportunities for greater synergy among different players. In 2023, SAFIN strengthened its avenues to illuminate such opportunities through new digital tools and regular coordination sessions. Both efforts feed into SAFIN’s work to champion further collaboration to channel finance to farmers and agricultural enterprises in developing countries.

→ Consolidating sector tracking and discovery functions

In 2023, SAFIN completed the redevelopment of its members’ portal, which consolidates various functionalities that SAFIN members have used to discover and connect with each other since 2020 into one user-friendly solution. The new portal, Pulse by SAFIN, includes a tailored newsfeed with daily updates, a network contact database, a virtual discussion forum and a document management centre. Since the launch of Pulse by SAFIN, in June 2023, it reached the network’s longest digital engagement rates, with members logging in for an average of 8 minutes at a time and the news and contact database as its most used functions. Subsequently, SAFIN re-adapted its e-digest bulletins to mirror the new portal, summarize key trends in the sector and recognize the achievements of active SAFIN achievements. The redesign of the e-bulletins led to a 10% increase in its readership.

SAFIN members also benefited from quarterly coordination and exchange sessions, where each institution has a space to share upcoming events, publications and projects, and to seek partners for new investments or other activities. Innovative initiatives including IFAD’s Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM), the Nutritious Food Financing Facility (N3F) by Incofin Investment Management and the Global Alliance for Improved Nutrition (GAIN), and AGRA’s planned strategy to provide technical assistance to high-impact enterprises in Africa, were introduced during these sessions.

"In 2023, Incofin adapted its financial products to the new payment profile of its client enterprises and offered more competitive solutions after the price volatility, narrow operational margins, and high logistics costs of the post-pandemic world. We restructured loans to avoid liquidity distress and provided long-term support by reallocating some investment proposals to other suitable investment funds. We appreciate SAFIN as a space where Incofin can collaborate with others to share experiences among diverse actors, leverage de-risking mechanisms and exchange best practices to expand our impact in the sector."

Nury Barreto, Agri-Food Debt Director, Incofin Investment Management

2023: MEMBER REFLECTIONS
Focus

Producing market intelligence about what works and what does not in agricultural finance is an essential part of SAFIN’s public good functions. In 2023, several research studies from the network’s thematic focus areas were finalized and disseminated across SAFIN and member channels. Each publication benefited from the rich expertise of sector leaders and academia including Palladium, CSAF, LSE, Oxford University, ISF Advisors and IFAD. In 2023, SAFIN members used the findings from these publications to inform their investment plans.

→ Bridging evidence and finance gaps in the sector

In 2021, SAFIN provided financial support to CSAF and the International Growth Centre (IGC), housed at London School of Economics, for a research initiative to map evidence related to access to finance for agricultural enterprises. Through this exercise, the sheer lack of evidence in the sector came to the fore, and key areas for further research were highlighted in the resulting report. Building on these findings, Aceli Africa partnered with IGC in 2023 to launch the Agri-SME Evidence Fund to expand the knowledge base in this space and inform agricultural finance efforts in sub-Saharan Africa. The Fund has a specific focus on understanding how catalytic capital affects access to finance for agri-SMEs, improved livelihoods for farmers and workers, and enhanced environmental performance.

Publication Spotlight

Evidence review for agricultural SME finance

This evidence review maps the existing body of practitioner and academic evidence on lending to agricultural small and medium-sized enterprises in developing economies and identifies research and learning priorities to fill key gaps. It includes the following components: an executive summary examines the key findings from the review; a literature review summarises evidence submitted by practitioners as well as the current state of the academic literature on agricultural SME financing; and a data analysis document synthesises findings from an analysis of CSAF members’ lending data.

Originally published by IGC.
→ **Improving BDS: From recommendation to application**

Conducted in collaboration with a consortium of partners, a study on BDS for agricultural SMEs in sub-Saharan Africa provided recommendations about delivery and fee-payment models of BDS providers that contribute to higher impact on the revenue, employment and capital raised by enterprises. AGRA used the findings of this study to enhance its BDS delivery as part of the Agribusiness Dealroom of the Africa Food Systems Forum (AFS Forum). Enterprises supported through the Dealroom were segmented by size and business model to determine the type of business support they needed. AGRA also used a mix of group-based and individual support to optimize the cost of its services and applied the recommended cost limits for different BDS models that emerged from the report.

→ **Towards flexible finance for producer organizations**

Following the release of the SAFIN–IFAD *survey on the financing needs of farmer organizations* in sub-Saharan Africa and Asia and the Pacific (APR) in 2022, IFAD’s Private Sector Financing Programme (PSFP) initiated the design of a financing platform addressing the main challenges highlighted in the study. The platform seeks to apply blended finance instruments to channel finance, directly or indirectly, to farmer organizations active in food crop value chains and their member farmers through local financial institutions. The platform aims to finance such organizations in sub-Saharan Africa, APR, and Latin America and the Caribbean (LAC), while demonstrating that they can be a viable investment opportunity for relevant financiers.

“Small-scale women, men and young farmers find it very difficult to get loans that are released in a timely manner, with low interest rates, and with simple collateral requirements or application procedures. We hope these survey results can open opportunities for farmers’ organizations, public and private financial institutions, and development partners to work together to respond to the challenges that small-scale farmers face in accessing finance.”

*Esther Penunia, Secretary General of the Asian Farmers’ Association for Sustainable Rural Development (AFA)*
SAFIN's efforts to close the financing gap for small-scale farmers and agricultural SMEs focus on finding strategic points of influence and global engagement with key sector stakeholders. During 2023, SAFIN positioned itself at key forums at global and regional levels through side events, high-level plenary discussions and exhibition booths.

→ **Fostering stronger linkages between agricultural SMEs in Latin America and the Caribbean and Italian markets**

During the [SAFIN Annual Plenary Meeting in 2022](#), network members active in the LAC region expressed interest in expanding linkages between SMEs in the region and global players that could finance their growth, including multinational corporations. In response to this, the Secretariat collaborated with the Italo-Latin American Institute (IILA) and IFAD’s LAC Regional Division to host an “Agri-food SMEs Forum” at the [Macfrut Fair](#) in May 2023. Held in Rimini, Italy, the forum built on insights from SAFIN’s learning agenda on green finance for agriculture, highlighting experiences from members such as Fundación Capital and the Latin American Association of Development Financing Institutions (ALIDE) in this space. The forum included two expert panel discussions. The first one explored ways to scale up the use of green finance in projects engaging with SMEs and farmers, while another identified priorities in terms of capacity, regulatory systems and knowledge that allow public development banks to expand access to green finance for MSMEs, producer associations and small producers. The findings from this session and other ongoing discussions around green finance in LAC have informed the ongoing activities for the SAFIN LAC Regional Working Group (see “e. Co-create” below).

→ **Shining a light on the hidden heroes of food systems**

During the United Nations [Food Systems Summit (UNFSS)](#) in 2021, SAFIN played an important role in spotlighting agricultural SMEs by hosting three related independent dialogues, drafting game-changing solutions for financing small businesses in food systems and contributing to the Summit’s agenda on this theme. In 2023, SAFIN worked to keep these enterprises top of mind at the Summit’s first follow-up global meeting. SAFIN hosted an exhibition booth at the UNFSS+2 Stocktaking Moment, documenting how agricultural enterprises can contribute to sustainable food systems and the various ways SAFIN members offer them financial and non-financial support to do so. The SAFIN Secretariat also supported IFAD and the World Bank in the design of a high-level discussion with the private sector, bringing the experiences and views of small and growing enterprises to the table alongside larger corporations.

**Throughout the Stocktaking Moment, three key messages stood out for SAFIN:**

- Food systems transformation must recognize and include smallholder farmers and agricultural SMEs as key contributors and drivers of positive change.
- Investment and support are key enablers for the transformative actions needed at scale.
- Collaboration and partnership will foster a collective global vision to transform food systems.
SAFIN Annual Progress Report 2023

On 24–26 July 2023, the SAFIN Secretariat hosted an exhibition booth at the hub of the United Nations’ effort to make global food systems sustainable. The exhibition provided a key opportunity to integrate with high-level representatives of developing and donor countries, who expressed alignment with SAFIN’s vision for financially empowered enterprises in the midstream of agricultural value chains. The exhibition booth also highlighted the work of the International Trade Centre (ITC), Palladium, SCOPEinsight, the United States Agency for International Development (USAID), Incofin Investment Management, IFAD and AGRA in supporting SMEs in agriculture.

Learn more
→ Exploring solutions for food sovereignty in Africa

The AFS Forum has been SAFIN’s main entry point to engage with Africa-focused investors, policymakers and sector practitioners since the network’s inception in 2018. Last year saw SAFIN step up its efforts at the Forum, hosting three thematic discussions and a networking reception for participating members. Throughout the forum, SMEs in agriculture took centre-stage at more than 15 sessions. During the SAFIN-hosted sessions, over 360 participants exchanged views on the findings of recent initiatives under SAFIN’s learning agenda – financing mechanisms for farmer organizations, effective BDS in the region, and the design and impact measurement of climate funds for agriculture. The following takeaways emerged from these discussions:

→ Financial contributions from agricultural SMEs, however small, contribute to better business performance and higher impact in rural communities. However, due consideration should be given to the size, activities, geographies and value-chain focus of each enterprise when applying fee-payment modalities.

→ When designing and monitoring the impact of climate funds, careful selection of complementary partner institutions and clear leadership from a single institution is essential to ensure seamless coordination and knowledge exchange among partners. Standardized data requirements to track impact across partners was also stressed as a key ingredient for success.

→ Innovative solutions for financing farmer organizations should be embraced by the agri-SME finance sector. These included tech solutions to create digital identities for farmers and reduce financial risks through group accountability and adapting financial products to farming calendars across sub-Saharan Africa. However, any financing instruments should be coupled with capacity-building activities to support farmer organizations to maintain financial records and strong business performance to attract new funders.

→ Matching small enterprises in Africa with potential investors

SAFIN joined the Africa Agri-Investment Indaba in October 2023 as a strategic partner and co-hosted with IFAD’s Private Sector Unit at a session on innovative financing solutions for small-scale farmers and SMEs in Africa’s food systems. Following an expert-led session in which forward-looking investors discussed their approaches to channel more capital to this market segment, five businesses – ranging from a smallholder outgrower operation in Mozambique to a nutrition-focused bakery in South Africa – were invited to make short pitches to potential investors attending the session. This event was an opportunity to showcase the potential of smaller enterprises in African agriculture among investors who typically focus on more established enterprises.
In 2023, SAFIN adopted a re-energized approach to leverage the shared knowledge and standards developed by its members in recent years for collaborative action in the sector. This Peer-Designed Ventures (PDV) framework incorporates successful elements of SAFIN’s co-creation workstream such as its signature design clinic sessions into a broader set of activities. The joint ventures emerging from this approach shall contribute to our shared vision of improving the effectiveness and inclusivity of financial ecosystems for agricultural SMEs.

Using regional working groups as an entry point, the PDVs facilitate the co-design of new initiatives that implement the recommendations from our recent research, while maintaining close alignment with the programmatic needs of SAFIN members in priority regions. Collaborative projects emerging from PDVs can include a broad range of activities, such as joint learning initiatives, pilots to test new models and expansion of existing projects by one or more members. A comprehensive process document for the development of PDVs has been developed by the SAFIN Secretariat, consisting of three steps, described below:

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### Ideation
- PDV Idea
- Design Clinic
- Project Outline Document (POD)

### Execution
- Project Group
- Member Commitments
- Go/No-go Decisions

### Assess & Adapt
- Action Launch
- Monitoring & Reporting
- Lessons Shared

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“Financing plays such a pivotal role in unlocking the SME’s potential. The ‘missing middle’ is increasingly being recognized by donors, investors, banks and lenders. Access to finance is now more important than ever, and it is exciting to see progress being made on several different fronts. At NORAD, we launched the Financing for Agricultural Small and Medium Enterprises in Africa (FASA) fund alongside USAID, focusing on this critical segment last year. Going into 2024 and beyond, we – the SAFIN members – need to continue to explore new scalable approaches and find ways to partner together.”

Anders Aabo, Senior Advisor, Private Sector Development, Norwegian Agency for Development Cooperation (NORAD)
Asia and the Pacific

In APR, members of the working group have engaged in a series of virtual sessions bringing together financial service providers and farmers’ organizations (FOs) to identify key challenges and potential solutions to improve access to climate finance specifically for FOs. The series consisted of three sessions that, respectively, focused on an international guarantee fund, three local financial service providers and a group of experts representing producer organizations. Building on key recommendations from these sessions and the findings of the study on financing FOs, members will co-develop a joint venture around the design of a financing solution that can provide access to sources of climate finance that meet the needs of producer organizations.

The Asia working group is co-led by APRACA and AFA, with Grow Asia, IFAD, Heifer International, SCOPEinsight and ACCESS Development Services, plus selected external partners as its participants.

Latin America and the Caribbean

A regional working group in the LAC region was launched in 2023, with the first session serving to identify a common thematic area of interest for all participating members. Green finance resonated with the group, and subsequent meetings offered a platform for members to present their existing work, projects and initiatives, highlighting collaborative opportunities. Throughout the year, members of the group introduced initiatives including USAID’s Sustainable Agriculture Programme in Colombia implemented by Palladium, and Fundación Capital’s BioFinCas initiative, a comprehensive programme in collaboration with Oro Verde focused on biodiversity finance across three agricultural value chains in selected countries. The project garnered considerable interest among members of the working group. A workshop is planned for 2024 to elaborate areas of intersection further and to formalize collaboration agreements.

The Latin America working group is led by Fundación Capital, with the Inter-American Development Bank, Oikocredit, IFAD, Banco de Fomento Agropecuario, the International Trade Centre, GAWA Capital, Junta Agroempresarial Dominicana (BFA), CSAF, Heifer International, Argidius Foundation and the Latin American Association of Development Financing Institutions (ALIDE) as its members.
4 Member engagement and external relations

Network membership and governance

To strengthen the network’s work and ensure business continuity, IFAD successfully recruited a full-time Senior Coordinator to lead the Secretariat team in May 2023. With a complete Secretariat team on board, SAFIN boosted its fundraising efforts, deepened its approach to achieving impact on the ground through PDVs and re-engaged in key international forums during the year. Top institutions in the agri-SME finance sector continued to express interest in joining SAFIN in 2023, a testament to the Network’s growing recognition and unique approach to building bridges across stakeholder groups in the sector. The SAFIN Steering Committee (SC) approved membership applications from six new institutions: Argidius Foundation, the Centre for Agriculture and Bioscience International (CABI), Incofin Investment Management, Opportunity International, the Norwegian Agency for Development Cooperation (NORAD) and SEED. The Secretariat also continued to track the Network’s development through its annual network health survey. The results of these annual analyses are validated by network members regularly and inform SAFIN’s ongoing work to foster mutual trust and partnerships among its members.
External communication and outreach

SAFIN concluded two parallel initiatives that were instigated in late 2022 to improve its external positioning and visibility in 2023. The first of these was the full redesign and development of its external website, which came along with additional functionalities to enhance the user experience of website visitors. Key among these are new dedicated webpages highlighting the work of SAFIN member institutions, six thematic hubs, better messaging around the network’s mission and broader content categories. The redesign yielded a 60 per cent increase in website traffic and a 50 per cent growth in the average time spent by each website visitor.

In parallel, SAFIN transferred its new brand identity emerging from the website redesign to new publications, ensuring a stronger alignment to its operations at the nexus of enterprise, agriculture and finance. Later in the year, the Secretariat also developed a comprehensive branding manual to provide SAFIN members, external partners and contractors with clear direction in the development of visual materials on behalf of the network.

Additionally, SAFIN stepped up its public advocacy efforts around priority themes to accompany its engagement in global forums and around key international dates. This took the form of targeted articles on green finance and food systems, guest features on external websites such as FinDev Gateway, a sub-brand identity developed for SAFIN’s engagement at the AFS Forum, and the development of merchandising products for visibility at in-person conferences. The network also experienced 19 per cent growth in its mailing list and increased social media mentions from more than 15 institutions and thought leaders in the sector. SAFIN plans to expand its external recognition through an engaging social media presence in 2024.

In late 2023, SAFIN commissioned an ecosystem mapping exercise to understand the structural and systemic dynamics influencing the sector. The initiative seeks to highlight the key entry points and pathways for transformational change in how agricultural enterprises access affordable finance. This exercise leverages the extensive expertise and diverse perspectives of SAFIN member institutions and will inform efforts to track SAFIN’s impact on the broader agri-finance ecosystem in 2024 and beyond.
5 Financial resources and expenditure

The work of SAFIN is possible thanks to the generous support of Agence française de développement, the European Commission, the Italian Agency for Development Cooperation (AICS), IFAD and USAID. During 2023, USAID and Argidius Foundation approved new funding to support SAFIN’s activities for the current strategic period (2021–2025), and the Secretariat increased efforts to ensure the financial sustainability of the network.

Expenditure 1 Jan – 31 Dec 2023

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Expenditure (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Analytics</td>
<td>39%</td>
<td>US$195,062</td>
</tr>
<tr>
<td>Events and Communications</td>
<td>35%</td>
<td>US$174,836</td>
</tr>
<tr>
<td>Partner Engagement</td>
<td>26%</td>
<td>US$120,043</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>US$489,941</td>
</tr>
</tbody>
</table>

Details of expenditures in the different categories in the figure are provided below:

- **Research and Analytics:** This category covers the costs associated with research and analytical work for SAFIN’s learning agenda, including joint research initiatives with members and external partners.

- **Events and Communications:** This category covers the costs related to the maintenance of SAFIN’s communication channels, production of publications, hosting network convenings and participation in global or regional forums.

- **Partner engagement:** Under this category, budget was allocated to network development and strategy as well as to partnerships for external outreach.
The year 2023 saw SAFIN deepen its approach to fostering greater coordination and collaboration in the agri-finance sector, building on its regional working groups launched in 2022. This shift toward PDVs benefited not only from technical insights of the network’s learning agenda (2021–2023), but also lessons learned throughout SAFIN’s Investment Prospectus Framework (IPF) pilots (2018–2020). While the IPF focused on portfolio overlaps among members active in strategic value chains in specific countries, the PDVs focus on common issues among SAFIN members in a given region. The progress in ongoing PDVs shows that shared challenges are a powerful incentive for the co-design and investment in joint solutions for agricultural finance. Commitments from member institutions in LAC, APR and sub-Saharan Africa in early 2024 to host SAFIN regional focal points are a key demonstration of this and will be pivotal in member collaborations at regional level going forward.

Since SAFIN embarked on a systemic review of agricultural finance in late 2023, some key learnings have emerged in relation to the structural and underlying issues in the sector. The fragmented and duplicative nature of investments and projects supporting enterprises and farmers is more apparent than ever. As a result, network efforts to foster greater coordination and joint initiatives will also be complemented by work to identify and address the mindsets, power dynamics and relationships that contribute to the status quo. The latter involves creating inclusive opportunities for dialogue and partnerships among actors that deliver or enable agricultural finance. Additionally, SAFIN is shifting its focus from generating new evidence for the sector towards facilitating the uptake of key recommendations that address the main levers of change in the agricultural finance ecosystem.
Meet the team

### Steering Committee

- **Amanda Fernandez**
  Palladium

- **Hernan Manson**
  International Trade Centre

- **Lany Rebagay**
  Asian Farmers' Association for Sustainable Rural Development

- **Patricia Richter**
  Social Finance Programme, International Labour Organization

- **Hans Muzoora**
  United States Agency for International Development

- **Prasun Kumar Das**
  Asia-Pacific Rural and Agricultural Credit Association

- **Sanne Steemers**
  AFEX

- **Juan Carlos Mendoza**
  International Fund for Agricultural Development

At the end of 2023, Panos Varangis of the International Finance Corporation, Claude Torre of Agence française de développement and Norbert Tuyishime of the East African Farmers' Federation completed their terms on the SAFIN Steering Committee.

### Secretariat

- **Nadia Martinez**
  Senior Coordinator

- **Michael von During**
  Technical Specialist

- **Emily Kitongo**
  Knowledge Management and Communication Analyst