



SAFIN Newsletter

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As this issue of the SAFIN newsletter goes to print, much of the world – including Italy, where the SAFIN Secretariat is located – is in various stages of lockdown to attempt to contain the COVID-19 epidemic. While seemingly distant from SAFIN’s mandate, these circumstances impact both on how we work and on the landscape of agricultural finance. First, these days really underline how important it is to use effectively technologies that support virtual connectivity, so that we can maintain a lively exchange of knowledge, ideas, and opportunities to collaborate to strengthen agri-SMEs’ access to finance. This quarter we have re-launched the SAFIN webinar series, and in the coming months we will make this a regular appointment for partners and the broader community to learn about innovative models in agri-SME finance. Second, both the epidemic and the responses it has triggered are likely to affect both demand and supply of agricultural finance in different ways in different contexts. Understanding and building actionable scenarios to address this impact is critical for our work to be effective, and the multi-stakeholder approach underlying SAFIN will be critical to build such scenarios and to act on them.

Bettina Prato, Senior Coordinator, SAFIN

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Highlights from our workstreams

Building inclusive markets in agriculture: Takeaways from the SAFIN-OECD session at Private Finance for Development Week

The Private Finance for Sustainable Development (PF4SD) week is held at the Organisation for Economic Cooperation and Development (OECD) in Paris every January to gather policy makers, investors and leading experts in finance and development to discuss how private capital can be mobilized towards the Sustainable Development Goals. This year, the forum took place on 28-30 January with over 600 attendees, gathered under the theme of “Aligning Finance with the SDGs”.

At the conference, participants presented evidence of growing interest and commitment to SDG alignment not only among impact investors, but also among more mainstream players in the industry. Calls to accelerate a response to this commitment through enabling policies, policy coherence, shared standards and metrics, and incentives were repeatedly voiced. The need for faster progress in building reliable and comprehensive data systems to inform such metrics and incentives was emphasized, with some speakers stressing challenges and opportunities in this regard for the agri-food sector.

The SAFIN Senior Coordinator spoke about green finance and alignment of private investment in the agri-food sector in a panel convened by the Japan Ministry of Foreign Affairs on 28 January. SAFIN and the OECD Financing for Development team also co-hosted a session on the role of blended finance in fostering inclusive agri-food and agri-finance markets, building on the findings of a year-long joint research effort on this theme. The session focused on whether and how blended solutions can address not only risks that hinder the flow of private finance towards specific investments but also some underlying market gaps or failures.

Rodrigo Salvado, Deputy Director of Development Policy and Finance at the Bill and Melinda Gates Foundation (BMGF), opened the session with a keynote presentation of the report [Bending the Arc: How The Full Spectrum of Capital Can Enable Inclusive Growth in Agriculture](#), prepared by FSG and commissioned by BMGF and the United Kingdom Department for International Development (DFID).

Salvado argued that concessional finance can be used alongside semi-commercial and commercial capital to foster inclusive markets in the sector, but this requires greater market impact intentionality on the part of development finance institutions and better targeting of different types of capital to specific levers of inclusion or growth. A panel discussion followed, addressing different ways of using blending for disruptive market impact in agriculture.



Speakers at the SAFIN-OECD session on disruptive use of blended finance in the agri-SME space

Dieter Wittkowski of the Inter-American Development Bank (IDB) Innovation Lab illustrated the experience of the IDB group in catalysing the development of a new value chain for macauba in Brazil, through an innovative blended structure. Ezra Anyango of Alliance for a Green Revolution in Africa (AGRA) discussed the powerful effects of strengthening value chain functionality while designing and de-risking financial products that are suitable for farmers and other actors at specific points in the value chain. Brian Milder presented Aceli Africa's innovative approach to addressing risks and incentives confronting financial institutions that serve agri-SMEs in East Africa, through rigorous data systems and analytics. Finally, Pierre Rousseau of BNP Paribas spoke to the need for impactful coalitions, with small farmers at their core, to design and implement blended solutions that can really deliver transformative impact in the sector.

Key conclusions from the session include a shared commitment to expand the intentionality of blended finance in the agri-food sector in order to foster inclusive and sustainable growth. Different types of blended instruments with different entry points – from the value chain to the financial sector – may be deployed to this effect, as illustrated in this session. However, clear investment and financing strategies for the transformation of the sector are needed to inform this kind of market-level intentionality.

Recent progress in the investment prospectus country pilots

Further progress has been made during this quarter towards systematizing the SAFIN Investment Prospectus (IP) process as a tool that can be used by partners and other interested actors both in the public and in the private sector. A full mapping of the IP process as deployed in the first generation of country pilots has been developed. This is to enable, firstly, the design of a sustainable model that can be used efficiently for a growing number of IPs, grounded in solid understanding of the current process. Secondly, it is to lay the groundwork for the development of user-friendly “How To” tools providing guidance to any actor interested in adopting this process in different geographies and value chains or food systems. The tools will be made available as public goods in the coming months.

The first two IP Scoping Analysis reports were also published in early January. The first covered five value chains in India and informed a decision by in-country partners and stakeholders to focus the subsequent IP on the millets value chain in two neighboring states (Rajasthan and Madhya Pradesh). ACCESS Development Services will continue on as the anchor for the process and will convene a new Advisory Group composed of key SAFIN partners and local stakeholders to actively support the IP development. The second Scoping Analysis, which covered three value chains (cocoa, coffee and dairy) in Colombia, has spurred ongoing discussions with partners regarding the focus of a potential IP to be launched later this Spring.

Work is ongoing in the Dominican Republic and Nigeria, where action plans are being developed for the design and implementation of coordinated activities based on the findings of the related IPs. Meanwhile, the Secretariat is seeking a consultant or consultancy firm to perform a Scoping Analysis on selected value chains in three countries in the Sahel region (Niger, Burkina Faso and Senegal). A request for proposals will be issued at the end of this quarter.

Read our recent releases



News from across the network

IFAD to host Global Donor Platform for Rural Development secretariat

In January 2020, the International Fund for Agricultural Development (IFAD) became the host of the Secretariat of the Global Donor Platform for Rural Development (GDPRD), taking the baton from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) 16 years after the Platform's establishment. For a transition period until 30 June 2020, IFAD and GIZ will share GDPRD Secretariat responsibilities.

The GDPRD is a network of 40 bilateral and multilateral donors, international financial institutions and foundations that are committed to achieving increased and more effective aid for agriculture and rural development, through evidence-based advocacy and knowledge sharing.

IFAD takes on this new function at a moment when the GDPRD is reviving its mission and operational model, in an effort to strengthen its role in supporting sustainable rural transformation processes that contribute to the SDGs. Platform members have worked together over the years to share efforts and knowledge around sustainable agriculture and food systems, and this focus will continue to guide GDPRD to deliver innovative solutions and positive impact on the road to 2030.

The Secretariat under IFAD's management has been mandated by Platform Board members to take the lead in drafting the Strategic Plan 2021-2025. This will articulate: (1) a revised strategic orientation for the Platform; (2) a review of the role and functions of the GDPRD in light of its achievements; (3) an updated framework for GDPRD membership and; (5) a review of the Platform Thematic Working Groups (TWGs).

This year, the Platform's Annual General Assembly is expected to take place on 25-26 June at IFAD HQ, subject to confirmation closer to the date in view of the current COVID-19 outbreak. The Assembly theme, "The role of the private sector in building sustainable and resilient food system," has been selected as a contribution of the Platform to the 2021 United Nations Food Systems Summit. Given its close thematic relevance to SAFIN's domain of work, the event will be open to participation by interested network partners.

MIX and SCOPEinsight launch partnership with AGRA to address the information gap constraining agribusinesses

Lack of transparency in the agricultural finance market has been a persistent obstacle to bridging the gap between agri-SMEs and the capital they need to grow. Although agri-SMEs are recognized as crucial engines of growth in rural economies, low visibility into the pipeline of viable agribusinesses and lack of comprehensive data for

decision making on the lenders' side continue to perpetuate the financing gap faced by these enterprises.

With this challenge in mind, MIX and SCOPEinsight have joined forces with AGRA to provide reliable data on the performance of agribusinesses to inform the investment decisions of finance providers. Starting with selected markets in sub-Saharan Africa, MIX and SCOPEinsight will establish a common language for agri-SMEs with insights from investors, agribusinesses and other industry actors. This common language will then be used to develop a set of standardized metrics to better assess the financial and operational performance of agri-SMEs.

Building on AGRA's expertise and experience in supporting agribusinesses, MIX and SCOPEinsight aim to create the transparency that will connect lenders and other financial service providers with viable agri-SMEs. Early thinking on this initiative was presented to SAFIN partners during the 2018 Annual Plenary. We will continue to follow its development in the coming months given its close relevance to SAFIN's agenda of bridging the finance gap for agri-SMEs.



Photo: AGRA

Perspective: "Innovative insurance and technology provide investment opportunities for agri-SMEs," Maria Teresa Zappia, Chief Investment Officer at BlueOrchard

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, Maria Teresa Zappia, Chief Investment Officer at BlueOrchard, an impact investment manager, tells us about how more private capital can be mobilized for investment in food and agriculture.



Please tell us about BlueOrchard and your role there.

BlueOrchard is a leading impact investor that has been in the market for almost 20 years. We manage and structure funds across different impact investing themes. Our core theme has historically been financial inclusion, but over the past five years we have added others, such as education finance, climate finance, sustainable infrastructure, as well as technical assistance and capacity building. As the Chief Investment Officer I am in charge of leading the Blended Finance and Impact Management team, which is organized around three main pillars: blended finance, technical assistance and impact management. We are responsible for fund management for all our blended finance mandates across the themes, as well as for implementing and monitoring the impact management framework of BlueOrchard and for providing technical assistance in these areas to our investees.

Recent data from GIIN suggests growing interest among impact investors in food and agriculture. Do you see this trend in the investors' market you work with? If so, what is driving the trend in your view?

In our work on the InsuResilience Investment Fund, which provides access to insurance against climate change and extreme weather events for smallholder farmers, it has become clear that there is strong investor interest in insurance products which are related to the agriculture sector, particularly in areas such as crop or parametric insurance. In terms of what drives the trend, it is likely that SDGs like zero hunger, no poverty and reducing inequality have helped drive attention to both challenges and investment opportunities in agriculture within rural economies in emerging markets. Technology development is another possible driver: we have seen in our portfolio that agri-tech developments attract potential investors to projects and companies. For example, one of our investees that develops weather data for smallholder farmers. The growing integration of new technologies into agriculture to inform decisions on environmentally friendly agricultural practices or ways to improve productivity, for instance, has certainly made the sector more attractive to investors.

Is there untapped potential for mobilizing finance from new types of investors for this sector? If so, what do you think is needed to unlock this potential?

We believe that current financial product offerings can be further developed to attract and leverage more private capital for investments in the sector. The challenge lies not so much in mobilizing private capital for investments downstream in the value chain but rather at the primary production level, especially for smallholder farmers. We often see that working in this segment of the value chain means small project sizes, and scaling up takes time. Financial inclusion, given the growing number of intermediaries with large portfolios in agriculture finance, can play an important role in providing scale to an asset class that is often not quickly scalable. For this to happen, however, there is need to work on matching investment opportunities in the sector with investor expectations, in terms of risk, return and impact.



Maria Teresa Zappia, Chief Investment Officer, BlueOrchard

Maria Teresa Zappia is the Chief Investment Officer at BlueOrchard and leads the Blended Finance Impact Management team. She has worked in the emerging markets finance sector for over 20 years. She has worked for several development banks and financial institutions including the European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ADB) and Overseas Development Institute (ODI).

Partner in the spotlight: Yuri Soares Dillon of the Inter-American Development Bank



Yuri Soares Dillon, Unit Chief, IDB Innovation Lab

have interacted before. Much of this is driven by new entrants in the sector, such as startups.

Looking to the next few decades, I would say the personalization of agriculture and a shift away from animal protein. The shift away from animal protein is well under-way on the demand side in industrialized countries, with double-digit growth in plant-based foods, and this is expected to continue. Perhaps more into the future, personalization of foods will also shape the sector. As biotech and big data increasingly become prevalent technologies in agriculture, consumers will demand more personalized foods and supply chains will become sophisticated enough to meet that demand.

Can you tell us about IDB and its history?

The Inter-American Development Bank (IDB) is the regional development bank for Latin America and Caribbean. It is the largest source of development finance for the region, deploying loans, grants, and technical assistance. We have an objective of achieving development in a sustainable and climate-friendly way. Since it was founded in 1959, the IDB has been a trusted partner for governments, the private sector and civil society. The IDB Group consists of three different parts: the IDB, which primarily lends to governments, IDB Invest, which is the private sector arm, and IDB Lab, which is the innovation laboratory of the group.

Please tell us about yourself and your role in the IDB Group.

I lead the strategy group at the IDB Lab, which takes on higher risk and experiments at the frontier of innovation. I help the Lab set its thematic priorities, business model and vision towards development. Our current business plan identifies three main assets to deploy in the region: finance—equity, loans and grants; knowledge—studies, data, and dissemination instruments and; connections—events, technologies and platforms to connect people.

What are the most important recent developments in rural finance in Latin America and the Caribbean?

In recent times, I would say the digital revolution. It has transformed how we do business in every aspect of agriculture. It has allowed us to produce more with less and in a smarter way, conserving resources and reducing carbon emissions. It has changed how we finance agriculture and has made cheap finance available to thousands of small producers. Technology has also created a new marketplace in agriculture, bringing together buyers and sellers who would never

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We believe that connecting different actors in the agriculture ecosystem is fundamental for us to learn from each other.

Why did IDB join SAFIN?

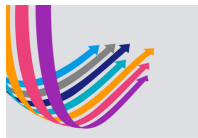
We joined SAFIN because we believe that connecting different actors in the agriculture ecosystem is fundamental for us to learn from each other. Despite all the talk of the need for finance in agriculture, connections are an underprovided asset and SAFIN addresses that. For a regional organization, this is particularly relevant as we do not have much exposure to technologies and innovations in other regions that may be beneficial for our clients, producers and countries. On a personal note, I think that I bring a constant push towards innovation in SAFIN - a focus that in my opinion is lacking in the industry and in development finance.

How is IDB contributing to SAFIN?

Our region has a lot to contribute to the rest of the world. It is one of the largest net exporters of food in the world and we expect that the agriculture sector will account for an increasing share of economic output in the decades to come. The IDB has a long tradition in research and has maintained strong ties with research institutions throughout the world. Lastly, the IDB is quite unique in that its three windows are very well integrated. This allows us to bring policy advice, the dynamism of private finance, and innovation to bear to any problem in the sector in an integrated way, which can also be an asset to SAFIN.

What we're reading

Read the latest publications in our resource library



Bending The Arc
How The Full Spectrum Of Capital Can Enable Inclusive Growth In Agriculture

ESG | BMGF | DFID

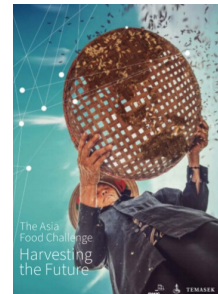
Bending the Arc: How the full spectrum of capital can enable inclusive growth in agriculture

FSG | BMGF | DFID



What future for small-scale agriculture?

Foresight4Food



The Asia Food Challenge: Harvesting the Future

Rabobank | PwC | Temasek

Where we're going

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

Due to travel restrictions in the midst of the COVID-19 outbreak, several planned industry events in the next quarter have been cancelled. An updated calendar of confirmed events (including those that have switched to virtual modalities) will be maintained on the SAFIN website.



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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 commercial small farms.