



Financing Pathways to Living Income

Webinar 29 June 2020



**The Living Income
Community of Practice**



Virtual Workshop Series

WORKSHOP 1

INTRODUCTION TO LIVING INCOME & KEY CONCEPTS

<https://www.living-income.com/living-income-april-event-2020>

- ✓ LI State of Play: Cocoa, Coffee, Tea
- ✓ Strategies to Close the Income Gap
- ✓ Practical Examples of Measurement and modelling



WORKSHOP 2

MEASURING A LIVING INCOME

<https://www.living-income.com/living-income-may-event-2020>

- ✓ LI State of Play: Rubber, palm Oil
- ✓ Frameworks for measuring household incomes.
- ✓ Integrated Approach to Living Income



Financing Strategies
TODAY

WORKSHOP 3

STRATEGIES TO CLOSE INCOME GAPS

<https://www.living-income.com/virtual-living-income-june-event>

- ✓ Living Income Reference Pricing
- ✓ Role of Professional Farmer Orgs
- ✓ Income Diversification



TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Financing Pathways to Living Income

Moderator



Gael Lescornec
IDH Program Manager, Cocoa

IDH - THE SUSTAINABLE TRADE INITIATIVE

Mission:

Accelerating sustainability in international supply chains, impact across the UN SDGs



Funded by Dutch, Swiss, Danish and Norwegian governments



DANIDA



Local representatives and teams over 23 countries. Headquarters is situated in the Netherlands.



Financial contribution requires private matching funds



Over 600 private sector partnerships, over 30 NGOs



12 commodities



Over 12 landscapes



50 countries

5 impact themes



IDH ACCELERATING LIVING INCOME IN COCOA

Understand Income Gaps and Drivers



Prototype & Scale High Impact Business Models



Accelerate sector wide progress on Living Income commitments by convening public-private platforms and implementing flagship programs

Convening public private partnerships on cocoa sustainability



An initiative of the Belgian government and IDH for a sustainable chocolate industry.

- All cocoa growers that supply to the Belgian market will earn at least a living income by 2030
- All partners comply with CFI by 2025 – ending deforestation by 2030

• ± 50 stakeholders from Belgian chocolate sector

IDH convened and coordinates both platforms, aligns and collaborates closely with GISCO and SWISSCO



An initiative of the Dutch government and IDH for a sustainable Dutch cocoa industry

- Cocoa farming families will be enabled to earn a living income by 2025 for Dutch consumed chocolate and for exports by 2030
- End cocoa-related deforestation and forest degradation by 2025
- End all forms of child labour by 2025

± 50 stakeholders from the Dutch cocoa industry

As part of the Coordination Committee of ALICO, IDH supports the secretariat role of GIZ



Chaired by the governments of Côte d'Ivoire, Ghana and Colombia, and is facilitated by IDH, the Sustainable Trade Initiative and the World Cocoa Foundation (WCF).

In Ghana and Cote d'Ivoire:

- More than 4 million trees planted by companies for (agroforestry & reforestation)
- More than 1 million farms mapped by companies (for direct traceability)
- 1 million farmers trained in Good Agricultural Practices

± 80 stakeholders from global and national cocoa sector



IDH convenes a multi stakeholder process in Cameroon for a Deforestation Free Cocoa Sector In Cameroon

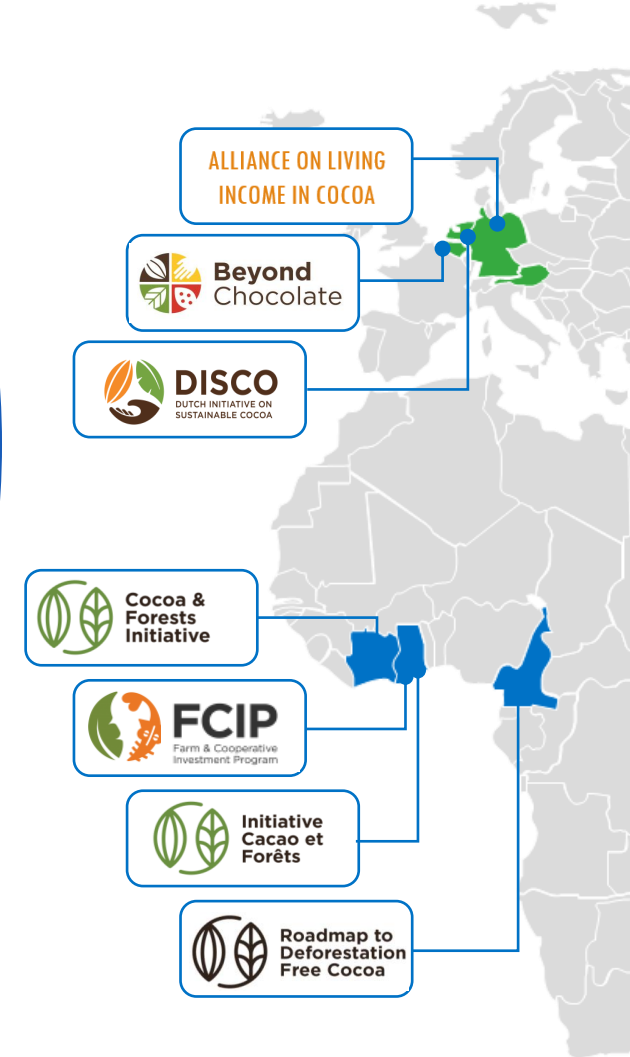


Farm and cooperative investment program cofunded by the Conseil du Café Cacao and IDH to increase farmer professionalism and banceability.

In Cote d'Ivoire:

- 214 M EUR 400 coops and 190,000 farmers reached (target was 300 coops and 150,000 farmers)
- mobilised with the Cocoa Challenge Fund from agribusiness and local banks (target was 100M)

± 15 stakeholders from cocoa sector, financial institutions and agribusiness



ALLIANCE ON LIVING
INCOME IN COCOA

WEBINAR OBJECTIVE & SCOPE

“Financing Pathways to Living Income”

Objective: Identify financing pathways including financial tools, strategies and mechanisms that enable smallholder farmers to reach a living income

Scope: While we will pull mainly on our experience in cocoa in Cote d'Ivoire, we will draw lessons and examples that cut across commodities and regions.

AGENDA

“Financing Pathways to Living Income”

- **1530-1535** **Welcome by LICOP** (Stephanie Daniels, Sustainable Food Labs)
- **1535-1540** **Introduction by Session Moderator** (Gael Lescornec, IDH Cocoa Prog Manager)
- **1540-1550** **Framing financing as enabler for living income**
- **1555-1600** **Introduction to Panel topics and panelists**
- **16:00-16:30** **Panel 1: Reducing financial costs and risks of smallholder farmers**
- **16:30-16:50** **Panel 2: Reaching more farmers with better financial services**
- **16:50-16:55** **Key Take Aways**
- **16:55-17:00** **Closure by LICOP**



Enabling Living Income through Financing

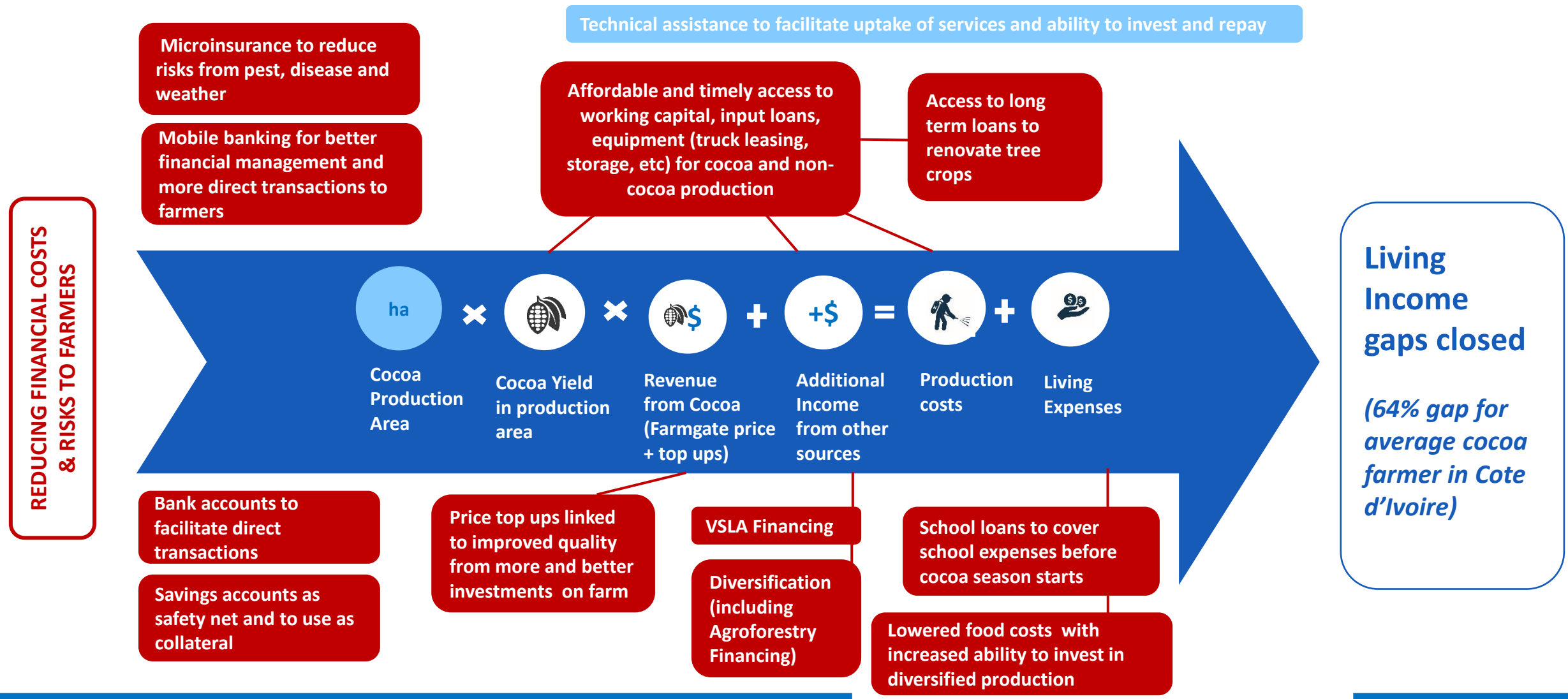
FRAMING THE
DISCUSSION

STRATEGIES

According to World Bank estimates, smallholder lending is reaching fewer than 10 percent of smallholders

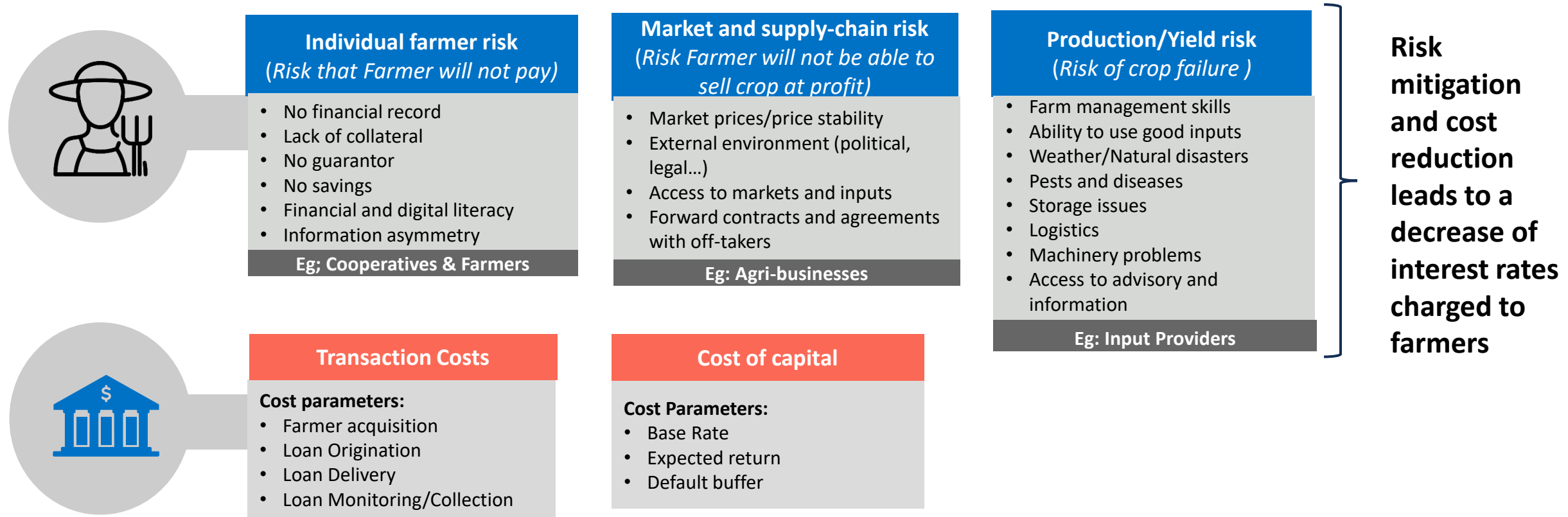


FINANCIAL PATHWAYS TO LIVING INCOME



PROBLEM: HIGH RISKS & COSTS TO SMALLHOLDER FARMERS

UNDERSTANDING DETERMINING FACTORS OF INTEREST RATES



SOLUTIONS: COLLABORATIVE MECHANISMS TO IMPROVE FARMER FINANCE



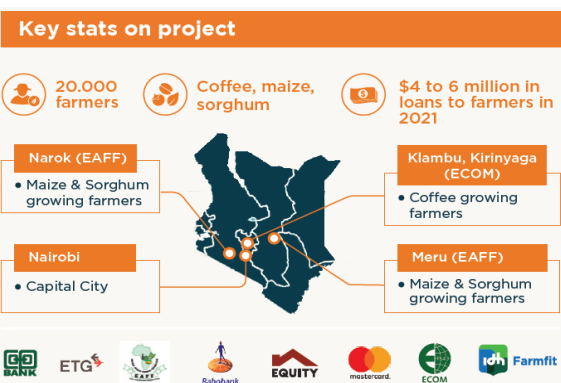
Cocoa agribusiness, coops and banks working together to professionalise and facilitate financial access to farmers and coops in Cote d'Ivoire

- ✓ Supporting **bankability and professionalisation** of 400 cocoa cooperatives and 190,000 farmers in Cote d'Ivoire to enable them to professionalise and to re-invest in their farms
- ✓ Co-funding of innovation projects with financial institutions and agri-businesses with co-funding from Government (Conseil Café Cacao) and IDH



Coffee Agribusiness providing input and working capital loans to coffee farmers globally

- ✓ Neumann Koffee Guppe “BLOOM” Program for 300,000 coffee farmers in 10 countries for farms to run at their full potential and for farmers improve their livelihoods
- ✓ Financing playing a central part of farm service package through a **Smallholder Livelihoods Financing Facility** which is an innovative risk sharing structure allowing three commercial banks (Rabobank, ABN AMRO and BNP Paribas) to take smallholder farmer risk along USAID, NKG and IDH



Innovative partnerships between agribusiness, banks, tech companies in Kenya to reduce further financial risk of farmers

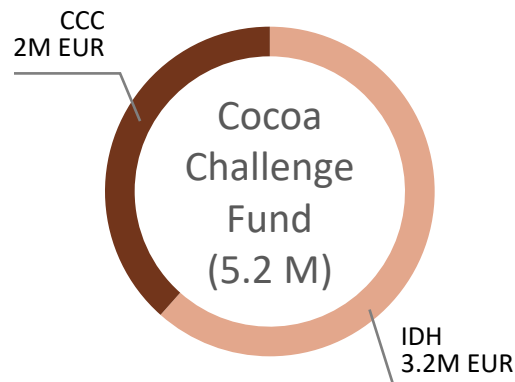
- ✓ Ag-fin pilot to facilitate access to credit
- ✓ Data collected from value chain actors
- ✓ Using **credit scoring card** to determine service needed to reduce further risk

Investing to accelerate access to finance at scale

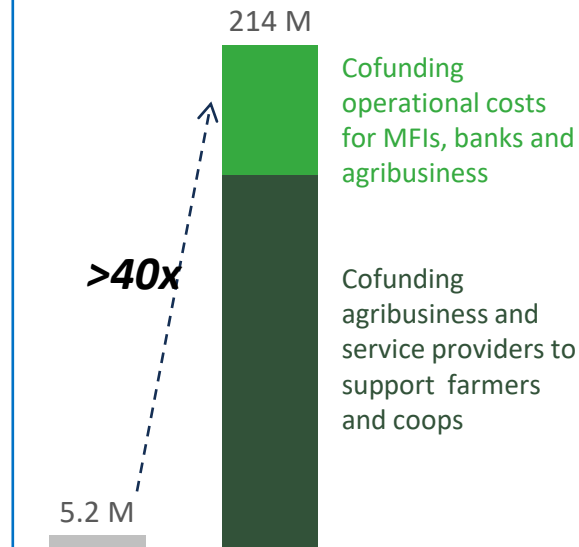
The Farm and Cooperative Investment Program (FCIP) trajectory in Cote d'Ivoire



The Cocoa Challenge Fund was created by the Conseil du Café Cocoa and IDH to facilitate financial products and service engineering.



The Cocoa Challenge Fund mobilised **214 M EUR** together with Agribusiness and Financial Institutions between 2018 and 2019...



...and with the support of digital tools for financial services...



Digital bank accounts for farmers



Financial products available via digital platforms (loans, microinsurance, etc)



Savings accounts and other planning tools to enable entrepreneurship

...FCIP reached more than 400 coops and 190,000 farmers, supporting them in becoming more professional and strengthened the financial ecosystem (products and regulatory environment).



190,000 farmers with increased financial capacity:

- Safer transactions - less risk of cash theft
- Better financial planning
- More resilience due to savings and insurances



More than 62 M EUR in loans to farmers, used as working capital and for other expenses such as school fees

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

**Panel 1: Reducing risks and costs of financial
services to farmers**

**Panel 2: Reaching more farmers with better
financial services to farmers**

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Panel 1: Reducing risks and costs of financial services to farmers



Audrey Joubert
Operations Officer
Advans



Krishnakumar Pillai
Global Partnerships Director
Barry Callebaut



Donald Konan
Chef de Service Agri-Desk
Banque Atlantique



ADVANS
Growing together

FINANCING PATHWAYS TO LIVING INCOME WEBINAR

- The Advans Group

**The Living Income
Community of Practice**

RURAL FINANCIAL SERVICES AT ADVANS

- Expanding outreach, especially in rural areas is one of our key strategic pillars for development, in line with our mission.



Increased weight of farmers in our portfolios, served with specific products for both their personal and business needs through a **client centric approach**



Specific suitable lending methodology



Value chain partnerships (with input suppliers, cooperatives, out takers) for risk mitigation and increased impact

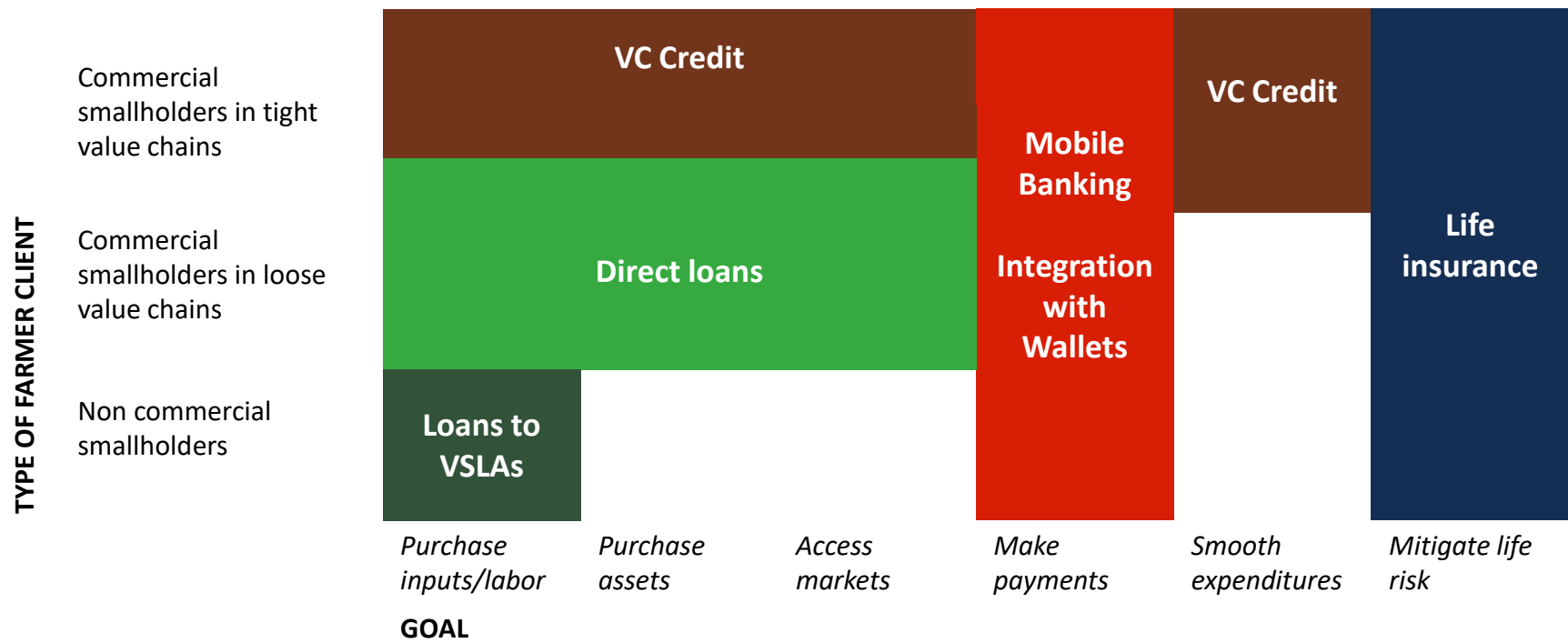
Alternative cost-efficient delivery channels for proximity transactions: agency banking, MNO partnerships, outlets, self service mobile banking solutions, staff equipped with mobile solutions for digitalized processes

Client education : on financial services and digital channels

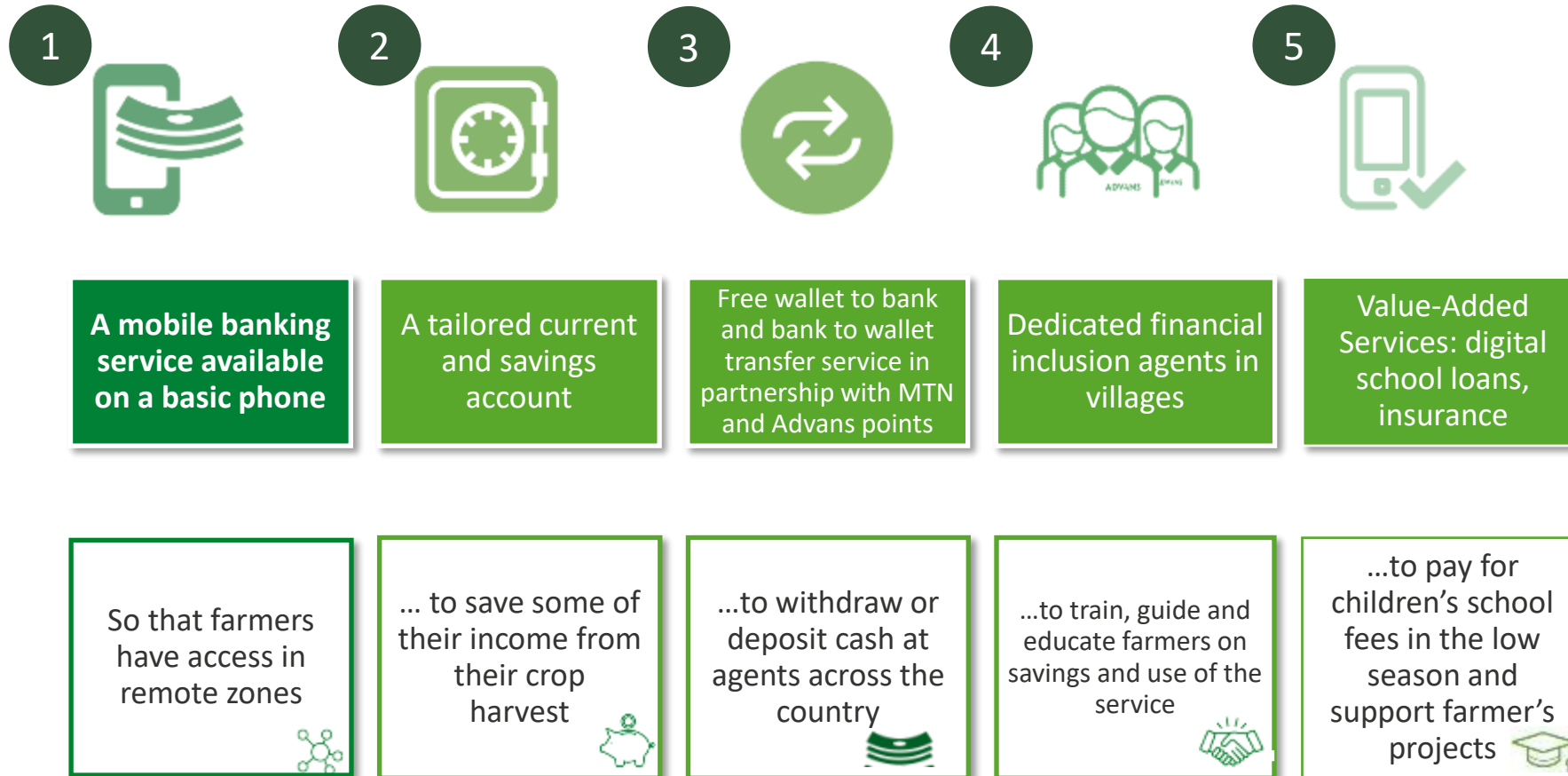
Staff capacity building: dedicated rural & agri teams



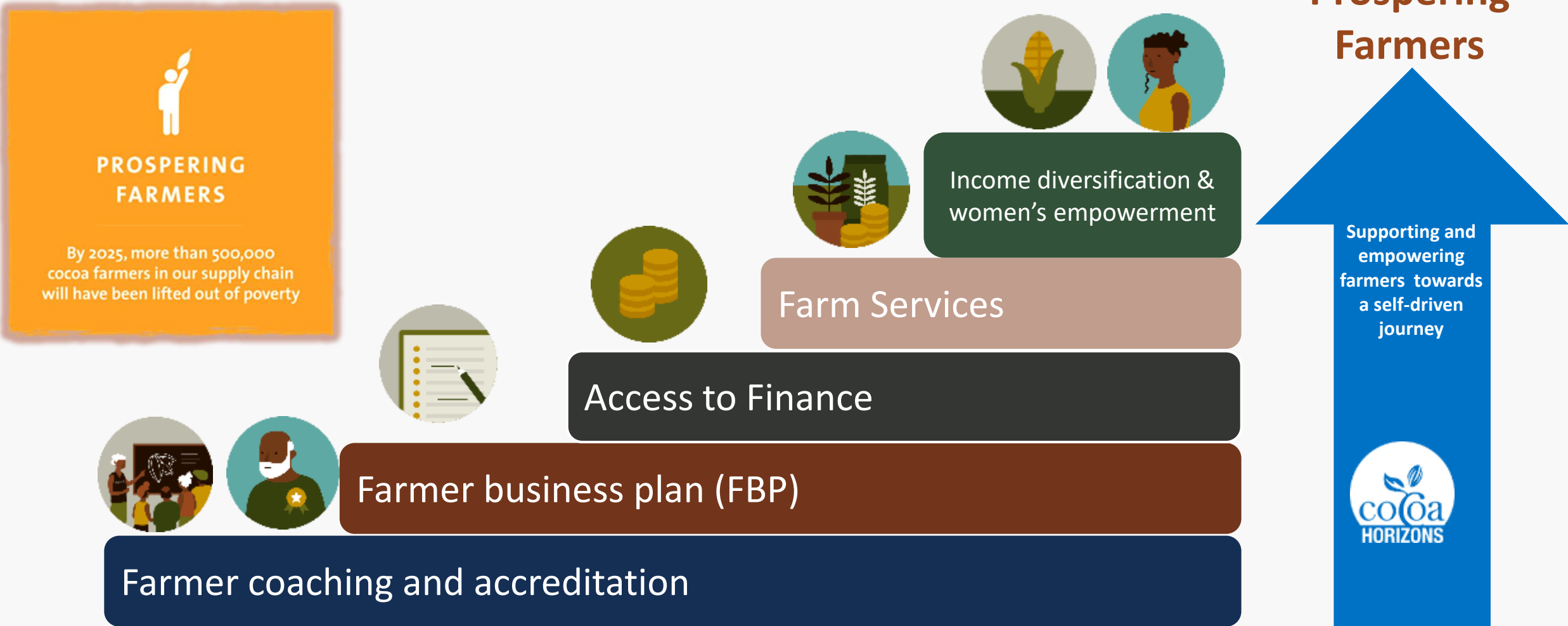
ADVANS APPROACH TO SERVE FARMERS EFFICIENTLY



ADVANS' DIGITAL SOLUTION : GIVING 45,000 FARMERS ACCESS TO...



BC- Prospering Farmers Approach



KEY LEARNINGS AND EXPERIENCES

Perception of **RISK** for a small holder farmer is – **HIGH**

- **Why?**

- Lack of data on farmer and hence credit history
- Fragmented Land holding & Collateralization
- High transaction costs

- **Leading to**

- High Finance Costs
- Inability to secure long term financing
 - Farm rehabilitation
- No incentive to diversify on commercial non-cocoa crops/activities

- **Solution/s**

- Group of farmers with a recognized entity – Strong Farmer Organizations
 - Legitimacy and Lower transaction costs
 - Bankability & Pooled credit history – Upgrade to Mobile money
 - Credit against deposits/cash flows



FARMER HOUSEHOLD INCOME – SOME THOUGHTS!

- Cocoa Related Income Increase
 - Data driven Farm Business Plans -Coaching
 - Cheaper input costs through bulk purchase
 - Support on gradual rehabilitation of cocoa farms
- “Farm Income Diversification” (Catchy, but Complicated!!)
 - Identify local consumption needs
 - Farmer Group led interventions – VSLAs/Women groups
 - Analysis of business case – Opportunity cosy of TIME!
- Access to markets – Use co-ops and Farmer organizations
 - Same supply chain – Localized knowledge
 - Aggregator role, Route to markets
 - Quality management, Storage
- Start-up Environment
 - Support farmers/groups on key drivers of the business for 2 years
 - Breed entrepreneurship



The digitalization of payments and agri-financing by Banque Atlantique

NO SECURITY

HIGH COSTS

MISMANAGEMENT

LACK OF TRANSPARENCY

NO TRACEABILITY

- Cash payments are risky and costly for agribusinesses and farmers.
- Paying in cash also prevents farmers from accessing credit savings and insurance. The buyers are the main financiers of the value chains.
- Banking services are inaccessible, especially in rural areas.
- Banks mainly focus on the upper echelons of agricultural value chains in order to mitigate the risks associated. Smalls actors such as cooperatives and farmers are excluded

Seninkela is BANQUE ATLANTIQUE's value proposition, jointly developed with IFC for actors in the agricultural sector, including small producers

Establishment of an **AgriDesk**, a shared service platform at the holding level, and capacity building in agricultural development

Piloting of digitalization of financial flows in the cotton and cocoa value chains in Ivory Coast, Mali and Burkina Faso, through the AgriPay solution



- Market intelligence for ABI through studies of the cocoa and cotton value chains, in Ivory Coast, Mali, and Burkina Faso
- Development of financial products and management tools adapted to the needs of actors in the value chains

With the Seninkela project, Banque Atlantique wants to take a more active part in agricultural value chains

Short Term

FINANCING OF AGRICULTURAL CAMPAIGNS

Credit lines

DIGITALIZATION OF PAYMENT FLOWS

AgriPay Solution



Medium Term

COOPERATIVE FINANCING

INSURANCE PRODUCTS FOR ACTORS

Long term

FINANCING OF PRODUCERS AND OTHER NON-TRADITIONAL ACTORS

TOWARDS A DECENT STANDARD OF LIVING FOR SMALLHOLDER FARMERS

Panel 2: Reaching more farmers with better financial services to farmers



Corne de Louw
Senior Project Manager
Rabo Partnerships, Rabobank



Mr. Me Kouakou
Senior Researcher,
Cote d'Ivoire Conseil Café Cacao



Loic Badohoun
IDH Investment Manager,
Farmfit Fund



REACHING MORE FARMERS WITH BETTER FINANCIAL SERVICES

Webinar IDH 29 June 2020



REACHING MORE FARMERS WITH BETTER FINANCIAL SERVICES

Bringing down operational costs for farmers close to nil, scaling solutions and mitigating risks

Pain Points in Food Systems

- Input Providers: unable to reach farmers or farmer groups directly
- Farmers: don't have access to relevant financial services
- Off-Takers: source commodities via numerous phone calls, middlemen and in-person trips, and pay large volumes of cash

Stacking Services

- Creating a digital identity to make them financially inclusive
- Reducing operational costs for farmers close to nil through a 'digital highway'
- Creating access to other markets (not single commodity), access to finance (or financial services)
- Shorten the chain (producers and Off-Takers can be connected)

Role of cooperative

- Transform towards Full-Fledged Service Providers
- Focus on data & digitalization to safeguard that data are owned by farmers and to provide tailored solutions to farmers
- Cooperative 2.0

Role of banks

- Liquidity and 'balance sheet' for anchor clients
- High volumes is a 'friend' for bankers: creating a viable business case and putting risks in another perspective



IDH's Farmfit Fund

Farmfit Fund is an EUR 100m de-risking blended finance fund, representing a joint investment from the Dutch Government and four international brands.

The Farmfit Fund will take the **highest risk positions** in farmer related transactions, thereby reducing the farmer risk currently born by borrowers and lenders. By doing so the Farmfit Fund will **catalyse commercial capital** to coinvest in this sector and allow agri-commodity traders, agri SMEs, and/or financial institutions to **expand the services** that they provide to smallholder farmers.

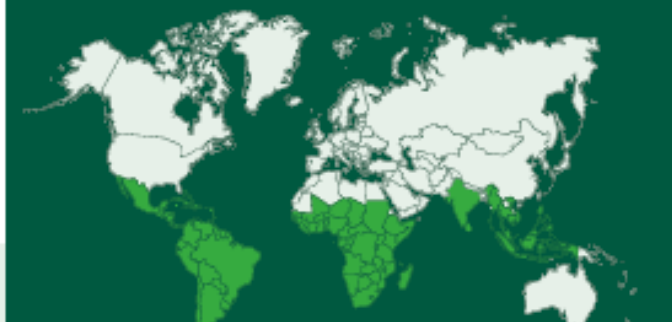
Senior lenders in a transaction may also benefit from 2nd loss **protection from the US Government**, which will **cover 50% of senior lenders loss** in a transaction.

The objective of the Fund is to demonstrate that farmer financing is possible in a sustainable way by building a large and sound farmer centric investment portfolio with both value chain actors and financial institutions. This **will increase the availability of affordable, long term financing to farmers** leading to significant improvements in smallholder farmer livelihoods and incomes.

CONTACT

FARMFIT FUND AT A GLANCE

- ▶ **Key requirement**
Attributable benefit to smallholder farmers
- ▶ **Geography**
Developing countries ([DAC List of ODA Recipients](#))
- ▶ **Sectors**
Food, staple and cash crops including, cocoa, coffee, cotton, palm oil, tea, aquaculture, soy, cassava, rice and other commodities.
- ▶ **Instruments**
Guarantees, subordinated loans, equity or mezzanine financing.
- ▶ **Use of funds**
Asset finance, input loans, working capital, capex, renovation and rehabilitation.
- ▶ **Tenor**
up to 10 years



REACHING FARMERS WITH BETTER FINANCIAL SERVICES

ROLE OF THE FARMFIT FUND

- ✓ Demonstrate that **farmer finance can be a new asset class.**
- ✓ Achieving a **50% income increase for 3 million smallholder farmer**

Innovative approach to solve the challenges related to farming financing:

Holistic approach

- Supply Chain approach: convening actors and **create an ecosystem** ; which would benefit to the smallholder farmers.
- Investment across many commodities.

Catalytic approach

- Diverse high-risk instruments (first-loss guarantees, junior loans, short and long-term instruments...) in order to:
 - **De-risk** financing of value chain partners and **reduce costs for smallholder farmers.**
 - **Mobilize** investments from local and international lenders and **make available affordable funding for farmers**
- Sharing knowledge and insights with the relevant stakeholders (via the monitoring and evaluation of investments).

Transformative approach

- **Supporting replicable and scalable innovative business models** (Agri-tech companies...) and promoting **digitalization** ; leading to **lower financing costs for smallholder farmers.**

Financing Pathways to Living Income

KEY TAKE AWAYS

- ✓ Improved financial services facilitates increased income
- ✓ Investments in de-risking and reducing costs of financial services for farmers
- ✓ Access to finance must be core but complementary to full service delivery to farmers including professionalisation of farmers and farmer organisations
- ✓ Customised financial services that meet needs of farmers

Upcoming Activities

Q2,2020

Q4,2020

MEASUREMENT

1. Guidance on AI measurement (COSA)

2. Guidance on Gap Measurement (KIT)

3. Guidance on AI measurement in absence of 1° data

4. FAQ Doc: Benchmarks

5. FAQ Doc: Actual Income Measurement

A Faster Way to Benchmarks: Reference Values
(Presented by Ankers)
July 8 4pm CEST

Measuring Income: Review of guidance to measure AI and Income gap
(Moderated by ISEAL)
Oct

STRATEGIES

Pricing Strategies to close the Gap:
Part 1 : Supply Management
(Moderated by WUR/GIZ)
July / cmc wk 13th

Pricing Strategies to close the Gap:
Part 2 : Methodologies
(Moderated by GIZ)
Aug /cmc week 24th

Measuring & Developing a LI Strategy-in Cotton industry
(Laudes Foundation)
(Moderated by ISEAL)
Aug / cmc week 31st

SC ACTORS

Survey: Company approaches

Focus on Producing Countries: LI Concept in French
(Moderated by GIZ)

Focus on Standard Systems Approaches
(Moderated by SS?)

Focusing on Company approaches
(Moderated by Sustainalytics)
Sept /cmc week 7th

Stay informed!

Living Income Community of Practice is an alliance of partners dedicated to the vision of thriving, economically stable, rural communities linked to global food and agricultural supply chains.

www.living-income.com

Mailing list:

<http://eepurl.com/gMKLgT>

Linkedin group:

<https://www.linkedin.com/groups/13784101/>

Questions? Email us at:

livingincome@isealalliance.org

TOOLS to support organisations in developing their strategies to closing the income gap.

ALIGN is a guidance tool for agri-food companies aiming to reduce complexity around the topic of living wage and living income.

Evidensia is an evidence platform that aims to make it easy for sustainability practitioners to work with evidence on the impacts of supply-chain sustainability approaches.