



SUMMARY of VCB-N WEBINAR 2: "The impact of the COVID-19 Crises on financial aspects of agricultural Value Chain / Market System Development and the role of financial service providers"

Date: 7 May 2020

Moderated by:

- **Maja Ruegg, Sustainable and Inclusive Economies at Helvetas, Switzerland and**
- **Md. Rubaiyath Sarwar, Chairperson VCB-N and co-founder and Managing Director of Innovision Consulting Private LTD, Bangladesh**

Resource persons sharing different perspectives:

- **Mark Koppejan, Programme Manager Asia, Rabo Foundation**
- **Elenita V. San Roque CEO- Asian Confederation of Credit Unions (ACCU)**
- **Michael Hamp, Regional Lead Technical Specialist, Inclusive Financial Services for Asia and South Pacific**
- **Mary Miller, CapPlus Consultant**



Maja Rüegg is co-head Sustainable and Inclusive Economies , Helvetas



Miss. Elenita V. San Roque, CEO/ Ex-Officio, Association of Asian Confederation of Credit Unions (ACCU) -Speaker



Michael Hamp, IFAD
Regional Lead Technical Specialist, Inclusive Rural Financial Services for Asia and South Pacific - Speaker



Mark Koppejan,
Programme Manager Asia
Rabo Foundation



Mary Miller, CapPlus consultant



Mr. Md. Rubaiyath Sarwar,
Managing Director
Innovision Consulting Private Limited and Chairperson VCB-N

(Biographies at the end of this document))

LEARNINGS & INSIGHTS

Mr. Mark Koppejan, Programme Manager Asia, Rabo Foundation

- Rabo Foundation is a social impact fund initiated by the Rabo Bank which is active in 23 countries globally.
- Immediate impacts of the COVID-19 crisis depends on several factors:
 1. Government response / level of restrictions, for example limited in Vietnam while very strict in the Philippines
 2. Local market system versus international markets in which the cross-boundary markets like shrimps chain from Philippines to China are completely disrupted while local dairy chains are hardly affected
 3. The timing of harvest, affecting crops that have/had to be harvested during a lock-down.
- Cash flows at the level of financial intermediaries are heavily disrupted as many governments have requested MFIs not to request repayment and/or interest payments. Also collection (in cash) is problematic in many regions. Digital payments can help, and financial institutions need to invest more in this in the long run.
- Longer term impacts of the crisis are still evolving but some trends can be distinguished:
 1. Consumer preferences changing in favour of local products
 2. Longer chains seem more vulnerable and impact less predictable;
 3. MFIs see their portfolio at risk growing due to increased levels of default which makes refinancing more problematic (particularly for those that have decreasing exchange rates against the USD).
- Impact investors, including the Rabo Foundation, have responded through:
 1. Initiating working groups & dialogue, improve information sharing & transparency for example between lenders
 2. In close consultation with clients define specific conditions and terms like for example repayment delays, liquidity support, increased flexibility in compliance. So far dialogue with clients has avoided power play like the use of "Force Majeur" clauses by MFIs.
- The response of the Rabo Foundation as from other impact funds has been very much customized as per situation and specific needs of the clients. Processes have been simplified to avoid delays and be able to deliver quick responses. Rabo Foundation and others are taking their role as social lenders seriously, and are providing liquidity to existing clients.
- In the long run the occurrence of external shocks like the current COVID-19 crisis will be taken into account when assessing the risks for new funding to MFIs, cooperatives and SME's. The economic crisis is likely to have effects on the funds going to the impact investing sector, potentially making it more difficult to find new external financing. Rabo Foundation will continue to work with its existing clients and are open for organisations within its mandate.

Ms. Elenita V. San Roque CEO-ACCU

- The Asian Confederation of Credit Unions – ACCU represents 36 million members from 37,000 affiliated Credit Unions in 22 countries in Asia. ACCU works mostly through the National Federations of Credit Unions.
- Most CUs are prepared to deal with natural disasters (local, short duration) but not to an unprecedented event like the current crisis (globally, long term) and the fact that many CUs do not have sufficient emergency savings or digital means to deliver services in times of lock-downs has complicated their operations.
- CU members express their immediate needs and demands from their CU particularly to be moral support; providing hope, future perspective. Empathy with their situation is key.
- The Credit Unions play a role in promoting COVID-19 prevention and protection in and outside the workplace.
- At immediate level moratoria and re-negotiation of loans is crucial to financial stability. Granting of new loans (with exception of production loans to SMEs and farmers) is not encouraged during crisis times.
- Mid-term portfolio reviews and cash flow projections based upon scenario building are required to develop future strategies of individual CUs. Individual CUs have crisis management committees, and are cooperating with and advocating to regulators and government.
- Due diligence and the build-up of emergency funds is of crucial importance at household / member level as well as on CU level. In order to increase resilience at household level ACCU advises building up a financial reserve covering 6 months of family expenses.
- The crisis has also made clear that the application of digital service channels TOGETHER WITH investments in digital literacy of clients is essential to the CU movement.

Mr. Michael Hamp, Regional Lead Technical Specialist, Inclusive Financial Services for Asia and South Pacific

- IFAD's operations are based on 10 years' strategic frameworks with a portfolio of 18.5 Billion USD. The focuses of IFAD's financing programmes are to:
 1. Enhance production capacities of rural poor
 2. Enhance benefits from market participation for rural poor
 3. Enhance sustainability of livelihoods of rural poor. 70% of the IFAD investments address directly or indirectly agricultural value chains.
- We have to take into account that the COVID-19 crisis hit an already vulnerable population with 40% of the global rural poor living in Asia.
- The economic slowdown in Asia, including the agricultural sector, was ongoing prior to the COVID-19 pandemic. The crisis worsens the already growing absolute numbers of poor and hungry, and many countries in the region will not be able to achieve the SDGs.
- As per mandate, IFAD plays traditionally an important role in recovery efforts by restoring livelihoods. In the period between emergency relief and recovery IFAD invests in studies and assessments that inform future investment priorities.
- Specialized IFAD programmes like the 'Rural Poor Stimulus Facility' (RPSF) respond to the crisis

by:

1. Re-purposing on-going investments
 2. Establishing new financial support programs like the RPSF
 3. Supplying policy responses for food security
 4. Providing financial support to countries.
- The RPSF aims at:
 1. Provision of inputs and basic assets for productive purposes
 2. Facilitation of market access
 3. Targeted funds for preserving services, markets and jobs
 4. Support of development and application of agricultural related digital service schemes.
 - Other global inter-agency initiatives for exchange and learning are under development, like CGAP focusing on leveraging on knowledge development and sharing and 'COVID-19 GO' foreseeing in the development of a global knowledge sharing platform using the structure and outreach of the existing Rural Finance and Investment Learning Centre.
 - Existing facilities like the Platform for Agricultural Risk Management and the Financing Facility for Remittances are also playing key roles in knowledge development and sharing and in formulating responses to mitigate impact of the COVID-19 pandemic on financing structures and mechanisms that support the rural poor.
 - Also individual IFAD financed projects like the PCSF in Bangladesh having a financing wholesale function, are responding to the crisis for example through moratoria on repayment of outstanding loans.

POLICY CONSIDERATIONS

The second VCB-N Webinar on the impact of the COVID-19 Crises on financial aspects of agricultural Value Chain / Market System Development and the role of financial service providers revealed some important strategic insights and lessons;

- i) Immediate and transparent communication of Impact Funds like the Rabo Foundation with clients is essential to arrive to common responses to mitigate impacts of the COVID-19 crisis. A flexible and tailored approach is required in support to individual client MFIs, blue print approaches are not enough. Also timely thus rapid response to challenges from clients is required calling for simplifying procedures and approval processes.
- ii) Flexible or eased conditions from the Funds to the borrower have to be translated to the lenders of the MFIs like grace periods for repayments, moratoria on payment of interests etc.
- iii) One of the lessons from the Ebola crisis in Africa which seems to repeat itself during the COVID-19 crisis is that MFIs that were healthy and doing well before the crisis will survive while MFIs that had already problems prior to the crisis will be in very heavy waters. In this sense the current crisis will result in a survival of the healthy MFIs.
- iv) In general, agricultural based rural MFIs are not as badly affected as urban MFIs that have high number of members being (day) wage laborers that are very heavily affected by the crisis.

- v) The social principles of the Credit Movement as promoted by ACCU in which improving the lives of members is the core goal and financial services being a tool to reach such goal has become even more highlighted during the crisis. Affected households look for emotional support (stress-release, hope) and compassion first.
- vi) The COVID-19 crisis has highlighted the importance of local savings at household and CU levels. Resilience at household level towards these kind of external shocks requires the built up of emergency savings that cover at least a few months of household expenses.
- vii) Further digitalization of the savings and credit movement is a requirement in order to be able to safeguard access to services in terms of crisis. Besides the technical development of a digital service platform, efforts to increase digital literacy are key in this.
- viii) The credit Union movement should invest in own digital service delivery packages as these can generate revenues and strengthen financial sustainability.
- ix) The COVID-19 pandemic is hitting on a sector that was already in stormy waters and is particularly devastating in areas with pre-existing high prevalence of poverty and hunger like for example in Bangladesh and India.
- x) In mitigating the impact of the COVID-19 pandemic on the agricultural sector and in recovery efforts, support to agricultural production processes should go hand-in-hand with market governance related intervention assuring farmers to fairly benefit from accessing markets and in safeguarding sustainability issues.
- xi) Global exchange and learning is in times of crisis even more essential and inter-agency initiatives are necessary to facilitate knowledge capture, development and dissemination.
- xii) From the first shock and immediate reaction to the crisis we should now move from responding towards managing the crisis and preparing for restoration efforts in the after-math of the crisis.
- xiii) Further digitalization in all aspects and functionalities; organisation and management, outreach to clients, service delivery and exchange and knowledge development is key to assure future inclusive access to financial services and strengthen resilience of service provision.
- xiv) Increased resilience of the households but also increased resilience of service providers can only be realized by combined investments in hard ware like building up financial buffers and access to digital service mechanisms, in combination with investments in software particularly fostering diligence and increasing financial literacy.

THANK YOU

NEXT WEBINAR

VCB-N WEBINAR 3: "The impact of the COVID-19-19 pandemic on agricultural value chains - What we can do to mitigate the impact! – *the impact on service delivery to different actors along the value chain*"

DATE: 15th of May 2020 @ 14.00 PM Dhaka time

Don't miss it!

BIOGRAPHIES RESOURCE PERSONS



Md. Rubaiyath Sarwar, Managing Director Innovision Consulting Private Limited and Chairperson VCB-N

Md. Rubaiyath Sarwar is a specialist in design, management and evaluation of market driven solutions to poverty challenges. His works builds on the premise that the multidimensional challenges of poverty can be tackled more sustainably through collaborative and mutually reinforcing commercial and social benefits among the private sector, NGOs and the government agencies. He is the co-founder and Managing Director of Innovision Consulting, an international consultancy with its bases in Dhaka, Bangladesh and London, United Kingdom.

Over the last 16 years, Rubaiyath has worked for major DFID, USAID, SDC, EU, GIZ, IFAD projects in Bangladesh, India, Indonesia, Mozambique, Myanmar, Nigeria, Philippines, Somalia, SriLanka and Yemen on solving growth, employment, and inclusiveness challenges in agriculture, health, industries, finance, water, sanitation, hygiene and nutrition sectors.

Rubaiyath is serving as the Chairman of the Value Chain Capacity Building Network (VCB-N) for The Asia and the Pacific Region. VCB-N is founded with grant from International Fund for Agricultural Development (IFAD) to build a regional resource pool of experts for value chains and market systems development projects. Rubaiyath founded Desperately Seeking Development Expert (DSDE) which is the largest platform of development professionals in Bangladesh. With over 13,000 members, DSDE plays an influential role in ideation, research, placement, discussion, dialogue and advocacy on development agenda in Bangladesh. Rubaiyath also founded D2, a data analytics company for development research and Baggitude, an online retail channel for trendy bags that are primarily made of sustainable materials. Rubaiyath is completed his BBA and MBA from the Institute of Business Administration (IBA), University of Dhaka. Rubaiyath is an Acumen fellow from Bangladesh.



Maja Rüegg is co-head of the working area Sustainable and Inclusive Economies at Helvetas

Maja Rüegg is co-head of the working area Sustainable and Inclusive Economies at Helvetas. She provides thematic support on market systems development for projects working on agricultural value chains and labour markets, including private sector and financial sector development aspects. Her advisory expertise also covers monitoring and evaluation (M&E). Previous to her current position, Maja worked in rural development projects in Tanzania and Madagascar. She has also done research in Kyrgyzstan and Bolivia on topics related to rural economy. She holds a MSc in Development Studies (LSE) and an MA in International Relations (University of Geneva) and has worked in development cooperation since 2008.

Elenita V. San Roque, CEO/Ex-Officio



Miss Elinita San Roque joined the Association of Asian Confederation of Credit Unions on February 1995 as Manager for Member Services responsible to assist ACCU member organizations in developing and improving their movement's institutional capacity.

She assumes greater responsibilities for the Asian credit union movement starting September 1, 2014 as she has been appointed as the new Chief Executive Officer of ACCU after the retirement of the current CEO, Ranjith Hettiarachchi.

Southeast and South Asia have been the destination of Leni's travel since 1995 where she is concentrating much in helping ACCU member organizations in reaching to the poor, professionalization, quality assurance and now integration.

She is in-charge in developing programs according to the present needs of ACCU member organizations and credit unions. As ACCU is a think tank organization for credit unions, Leni's main task is developing credit union business solutions in response to credit union current and perceived challenges. ACCU now offers 21 Credit Union business solutions for members.

As a Certified Public Accountant, she was providing external auditing service, and management advisory services to both credit unions/cooperatives and private business entities from 1990 to 1994. Leni also joined the academe for one year as a CPA Reviewer before she came to work with ACCU. She completed a certificate course on Women's Executive Leadership Program at the Center for Executive Education at the University of California Berkeley in USA in July 2014.

Leni is a graduate of the 13th Australian Development Education Workshop in the year 1997. Inspired with the DE experience, ACCU and the Credit Union Foundation Australia started the Asian Development Education Program in 1999. The Asian DE has gained high approval from more than 600 leaders and professionals who are certified since 1999. Leni is serving as the DE Administrator for Asia and also received the I-CUDE (International Credit Union Development Educator) designation given by the World Council of Credit Unions.



Michael Hamp, IFAD Regional Lead Technical Specialist, Inclusive Rural Financial Services for Asia and South Pacific

Michael Hamp holds a Ph.D. in Sociology of Agricultural Economics and a Master Degree in Agricultural Engineering both from the Faculty of Agriculture of the University of Bonn, Germany. In the 1980s and 1990s he worked for the Federal Ministries of Food, Agriculture and Forestry (BMELF) and of Economic Cooperation and Development (BMZ) in various departments. He became staff member of the International Fund for Agricultural Development (IFAD) in Rome on 1 November 2007. The Rural Finance Unit managed by him includes two specialized sub-teams: the multi-donor funded Financing Facility for Remittances (FFR), the Platform for Agricultural Risk Management (PARM), merged with

the Weather Risk Management team. Since 1 October 2018, he has taken the technical responsibility for Rural Finance, Markets and Enterprise Development in Asia and South Pacific. Prior to IFAD, Michael Hamp has been working with the German Technical Cooperation, GTZ (today it is GIZ). He was assigned as Principal Advisor to the Ministry of Trade and Industry for the Small and Medium

Enterprise Promotion Project (1999-2003) in Namibia, before he joined the Central Bank of Indonesia as Principal Advisor for the Promotion of Small Financial Institution (ProFI) Programme until October 2007.

Mary Miller, CapPlus Consultant



Mary Miller is an experienced commercial banker, who has worked in SME banking in US and internationally, working with both downscaling banks and upscaling MFIs as well as in borrower preparation. She has also worked to develop credit sources and to structure appropriate financial instruments and procedures, particularly to enhance value chain finance and with alternative collateral, for MSMEs and for access to finance for agricultural producers and agribusiness and for target groups such as women-led SMEs. She has extensive experience in designing, using, and evaluating credit guarantees. In 2018 and 2019 she led the Access to Finance component of a USAID private sector project in Myanmar, and currently does consulting work for Capital Plus Exchange. CapPlus has been building financial institutions' capacity to

deliver small business finance for 15 years, working with over 28 African financial institutions in 13 countries.



Mark Koppejan, Programme Manager Asia, Rabo Foundation

Mark Koppejan is currently leading Rabo Foundation's team in Jakarta and managing its portfolio in Indonesia, Vietnam, Cambodia and the Philippines. As the impact fund of Rabobank (a leading bank in food & agriculture) Rabo Foundation invests in the self-reliance of smallholder farmers and fishers by working with cooperatives, small and medium-sized enterprises and microfinance institutions. Rabo Foundations is active in nearly all agricultural value chains ranging from cocoa, coffee, honey, cotton, spices, nuts, peppers, fish, soya to vegetables and many more. Agribusinesses and cooperatives that have outgrown donations and microcredit but are not yet eligible for standard bank loans often have great difficulty in attracting financing. Rabo Foundation aims to plug this gap by providing working capital

loans, investment loans, trade finance in local currency. Co-financing with local financiers and collaborating with innovative AgTech and FinTech players is part of the approach. Mark has worked for the Rabobank Group for nearly 10 years in several (international) corporate banking roles before moving to Rabo Foundation in 2018.