

# APP Thematic Feature No. 3

Intra-ACP Agriculture Policy Programme (APP) Caribbean Action, with funding by the European Union under the 10th European Development Fund (EDF)



Intra-ACP APP Caribbean Action

Connecting Agricultural MSMEs to Financial Institutions is a Must in Order to Strengthen Agriculture in CARIFORUM Member States.

Neil Gomes has been a crop farmer for over 20 years. Like many Caribbean farmers, he loves what he does, growing tomatoes, cabbages and other produce at his farm in Antigua. He is committed to the success of his farm and also to the agriculture industry as a whole. As vice president of the local chapter of the Caribbean Farmers Network (CaFAN), "Team Fresh Produce", he works with other farmers to try and tackle the many challenges in a declining yet vital industry in the Caribbean. Neil cites access to financing as one of those challenges.



Neil Gomes, VP Team Fresh Produce, on his farm in Antigua.  
(Photo: Neil Gomes)

"Immediate cash flow is the most important need", he says. "We need revolving funds to keep our businesses going but, we also need financial institutions that are willing to consider long term investments in order for

## Unlocking Opportunities in Caribbean Agriculture Through Knowledge, Relationships and Investments

us to advance production with good equipment and infrastructure."

Mr. Gomes is particularly interested in supporting young farmers. He wants to see more of them come into the industry and bring their passion, energy and ideas but he worries that without access to financing they won't be able to grow, let alone maintain their new enterprises. "I want to be able to tell them to hold on and keep the faith. That it will work out", he says, and he is hoping that the financial industry, both in the Caribbean and around the world, can help.

This feature stresses the need for access to financing in the Caribbean for agricultural Micro, Small and Medium-sized Enterprises (MSMEs). It also highlights the initiatives that are being carried out under the Agricultural Policy Programme (APP) that are working towards meeting that need.

**"We don't have a voice, as the greatest stakeholders, with policy makers and others who can assist us in making agriculture a driving force in the Region."**

-Neil Gomes, VP Team Fresh Produce, CAFAN

The overall goal of the APP is to improve regional food and nutrition security and reduce poverty through the sustainable economic growth of agricultural MSMEs in the Region. One of the priority actions that is being taken to work towards that result is improving financing schemes and access to financing in support of the development of commodity value chains involving agri-MSMEs.

## “Opportunity is missed by most people because it is dressed in overalls and looks like work” – Thomas Edison

Agricultural MSMEs make up a large part of the Caribbean’s GDP. They contribute to food and nutrition security by providing fresh, healthy and local foods at market and, they are significant source of employment, especially in rural areas. In short, they are very important players in the well-being of the Region.

However, many agricultural enterprises don’t feel that they are getting the support they need to succeed. “I find we are not taken seriously in terms of GDP contribution”, says Mr. Gomes. “We don’t have a voice, as the greatest stakeholders, with policy makers and others who can assist us in making agriculture a driving force in the Region.”

Robert A. Reid, an International Consultant on Agribusiness, recognizes this very challenge. “MSME’s in the CARIFORUM region, and specifically those in the agricultural sector, are in most cases run by one or two persons”, he says. “They face challenges of accessing adequate resources and having an enabling environment that will allow them to maintain and grow their enterprise in a profitable manner.”

In the area of access to financing, Mr. Reid sees the source of the challenges but also suggests that these obstacles can be overcome. “The difficulty in obtaining finance stems from a general perception on the part of Financial Institutions of the level of risk in lending to agricultural SMEs that are known to experience production and market failures due to factors outside of their control such as adverse climatic conditions, theft of crop, unfair market competition, and failure to collect sales receipt from buyers in a timely manner,” he says. But he also acknowledges that “FIs have not been proactive in looking at innovative financing schemes where the exposure of the MSME and themselves to high levels of risk can be reduced.” He is encouraged that once FIs have a good look at agriculture investments in the Caribbean that offer innovative risk-mitigating practices, they will be excited about the opportunities that are put before them.

## “An investment in knowledge pays the best interest” – Benjamin Franklin

In recognizing these challenges for farmers and agro-processors, and opportunities for FIs, the APP has carried out several initiatives to bring agricultural business owners, and those who can assist with their businesses, together. One such initiative was a Regional SME-DFI (Development Financial Institution) Working Capital Development Meeting that was held in Trinidad in November 2015.



Presenting the plan at the SME-DFI Working Capital Development meeting (Photo: APP)

Participants of the meeting included farmer and agro-processing group representatives from organizations such as CaFAN, the Caribbean Network of Rural Women Producers (CANROP), the Caribbean Agribusiness Association (CABA) and the Caribbean Agri Youth Forum (CAFY), as well as representatives from financial institutions from across the Caribbean, and around the world. They gathered for the purpose of engagement and exchange of ideas for practical, workable plans to bring much needed financing to the agriculture industry.

### Farmer Group Roots & Tubers Initiatives in the Caribbean:

**CAFAN** - Coordinated Regional Fresh Roots and Tuber Exports Packaging & Decoration

**CABA** - Composite Baked Roots and Tuber Products

**CANROP** - Wometta Women’s Cassava Project

The meeting was focused primarily on knowledge sharing. Farmers groups were able to share with financial institutions (FIs) about the specific and informed benefits of investing in roots and tubers initiatives in the Caribbean. They came prepared and laid out specifics on the current situation and immediate financing needs, as well as plans for the way forward and long-term expected results. After a valuable time of questions, discussions

and idea sharing, an action plan was drawn up to map out next steps in providing financing for these initiatives.

Following the farmer group presentations, FIs were able to share with business owners on how they could support them, but also what they needed from them in order to help. Mr. Reid acknowledges that “while most MSMEs express a dire need for finance, more than 90% of them do not put themselves in a position to be ‘credit worthy’ and attractive for investment. They have no businesses plan; no organized accounting records; no proper governance structure for decision making; no credit-readiness assessment or investment profiles that can be used to leverage their access to finance.”



Participants gather for presentations and discussion at the SME-DFI meeting. (Photo: APP)

With this in mind, FactorPlus, an organization that offers a micro-factoring product, presented at the meeting. Their service provides immediate cash flow, limited credit risk collection and debt management by buying small invoices from businesses. The participating company receives 80% of the value of invoice and the remaining 20% is paid, minus the factoring fee of about 5%, at time of receipt of funds from the purchaser.

This would be an excellent solution for the problem of immediate cash flow identified by Neil Gomes. However, there are certain conditions that must be met before a business can work with FactorPlus. Paul Dijkhoffz, the FactorPlus representative, stressed that a company must be able to show due diligence in their everyday business practices. They cannot submit invoices that are older than two months or from business to consumer. They can only

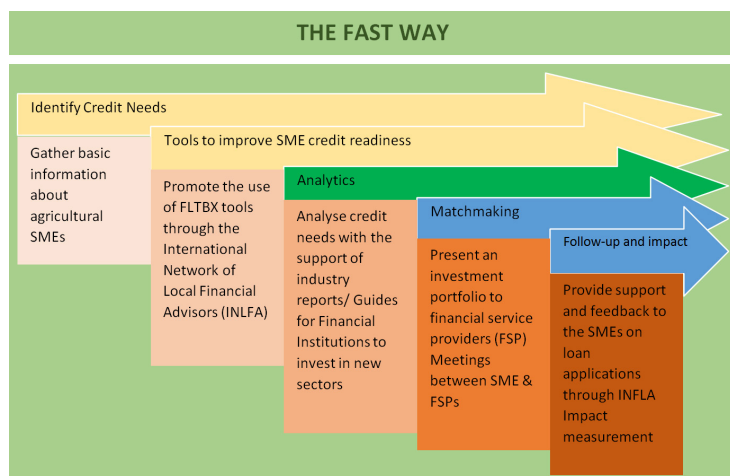
submit current invoices that are from business to business or business to government. Lastly, funds will only be paid to a company after the delivery of good and services. Any MSME that desires to work with FactorPlus must be able to meet these requirements.

**“People want guidance...They want to be given responsibility to help solve the problem and the authority to act on it.”  
– Howard Schultz, Starbucks**

The Financial Alliance for Sustainable Trade (FAST) was also invited to present at the meeting. FAST is Canadian organization that works with MSMEs to facilitate their access to financing. They identify credit needs, promote tools to improve their readiness to access credit, pair the most suitable financial institution to the particular MSME, and carry out follow up action to ensure that the MSME is successful in getting a loan.

For credit readiness assessments, businesses are required to provide core information on their company based on the five Cs namely, capacity, capital, conditions, character and collateral. Once Credit Readiness Assessments are complete, FAST is able to categorize companies accordingly, and prepare Investment Profiles.

There are several key factors that determine the Level in which a company is placed. Level A companies are ready to be presented to financial institutions, advising what types of loans and/or grants are required. Level B and C Companies need to come up to the level of Level A companies before they too can be presented.



After the FAST presentation, meeting participants had a clear view of what would be required of them to qualify for pairing with an FI for financing, as well as a list of initiatives that could be taken to increase investor confidence. They were excited about the possibilities that these partnerships could bring and as a result, established a roadmap for achieving credit readiness for identified MSMEs.

Belle Vue Cooperative in Saint Lucia is one of the groups that has been identified as a finalist for the FAST Credit worthiness assessment. Belle Vue has been in existence for 32 years. They are a group that provides training in farm techniques and practices, sell inputs and plantlets and provide a place for farmers to sell their goods. They have just recently completed the application process and are now on the road to obtaining financing through the FAST process, and with the help of the APP. Euthalia Philigence, the National Value Chain Facilitator (NCVF), assisted Belle Vue with their application. She is excited about supporting the FAST process and sees the benefits for Caribbean farmers.



Belle Vue Farmers' Coop, Saint Lucia. (Photo: IICA, Saint Lucia)

## Initiatives to be taken to increase investor confidence:

- A Cluster Approach, which supports the practice of interdependence for success
- Training and Education programmes supported by CABA, CAFAN and CANROP
- Provision of Value Chain Facilitators and Business Development Officers by IICA
- Use of the Caribbean Development Bank (CBD) Loan Insurance facility
- Willingness to use existing finance houses
- Proper legal status for agencies involved and their existing and functional governance structures
- A working relationship between CAFAN (production) and CABA (processing and marketing)
- Technical and other support from CARDI, FAO and IICA in the cultivation of roots and tubers

“Farmers need support throughout the financing process”, she says. “Most of them see paper work as daunting and tedious. They would rather spend the time in the field so it is necessary to have a support system that will coach them in every aspect of farming”, which includes paperwork and accessing financing.

If Belle Vue is successful in obtaining financing, they will use it to provide loans to farmers to improve infrastructure, which can help them meet standards for the purpose of export, as well as increase the quality and capacity of their crops for local markets.

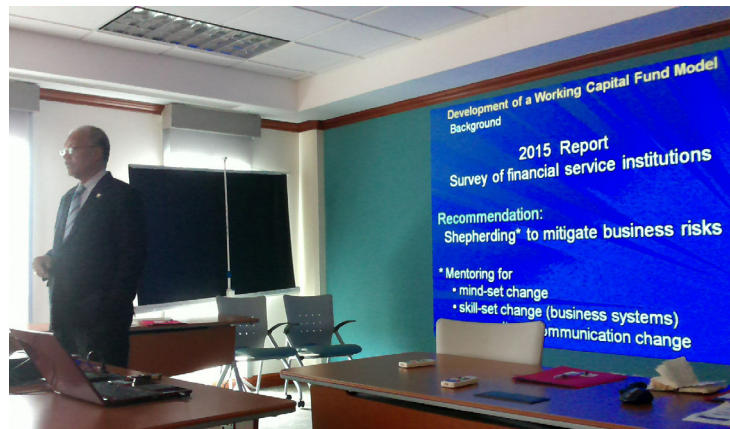
## “Our future is only limited by our commitment to keep the momentum going” – Anne Sweeney, Disney

Following the initial discussions and meetings on facilitating financing for Caribbean agriculture, much work has been done to keep the momentum going. An agreement was signed between IICA and FAST to support APP Beneficiary organizations in determining and improving the credit-readiness of agricultural producers, processors, women and youth enterprises, and the development of investment profiles to be used in supporting their engagement with FIs. Investment plans are underway and are expected to be completed shortly. Three different enterprises representing Saint Lucia and Antigua and Barbuda, and six individual candidates have been selected for FAST support.

As a further result of the APP work and this new relationship with FAST, FAST and the Technical Centre for Agricultural and Rural Cooperation (CTA) have also entered into a contract to continue moving forward in this area. They have plans for the development of an Investment Guide for the Sweet Potato Sector in the CARIFORUM Region which will be shared with FIs. Also, FIs and five MSMEs have been identified and profiled in the FAST Access and eXchange for Impact Investment and Sustainability (AXIIS) platform. Through the platform, MSMEs and FIs will create a profile with key indicators that facilitate matchmaking, coaching and follow up. The platform will also serve as a collection, aggregation, and data analysis tool, by gathering key financial indicators and investment trends related to the agriculture sector which can be shared with potential stakeholders.

In August of this year the APP also carried out a ‘Working Capital Focus Group Workshop’ where perceptions and

opinions about the design parameters for a proposed model of a Working Capital Fund (WCF) were discussed. The details of the WCF will be presented to an agri-value chain financing forum in September where input of additional stakeholders' will be solicited and the plan will be further refined. Initially, the WCF will be targeted at the Roots and Tubers value chain and will be managed by a domestic FI. However, the hope is that the WCF evolves to include other fresh and processed agri-value chains, over several territories, and includes a composite fund of FI investors with an independent fund manager.



Presenting the options for a Working Capital Fund.  
(Photo: IICA, Barbados)

It is also the hope that in each CARIFORM country, a national public-private partnership entity called the National Agricultural Trading Trust (NATT) would be established, as a policy think-tank mechanism to stimulate the growth of the WCF.

So, farmers and agro-processors can be assured that work is being done to try and help them overcome some of their challenges in the industry, especially in the area of access to financing.

**“A sustainable world means working together to create prosperity for all” – Jacqueline Novogratz, CEO Acumen Fund Inc.**

It isn't just the Caribbean that faces these kinds of challenges though. The conditions for agriculture production in the Pacific are very similar to the Caribbean. Both regions face difficulties from natural disasters, high food prices, small domestic markets, climate change and reliance on an export market with preferential market access to the EU for commodities and limited access to financing.

The Caribbean Action under the APP is in fact part of

a wider project, the Intra-ACP (African, Caribbean and Pacific) APP. The Action plan for this project is to simultaneously address the concerns of rural communities and small holders in both the Caribbean and Pacific regions, through knowledge sharing, in order to build sustainable capacity for the development of viable agricultural systems in both regions.

That is why key individuals from the Pacific Region have been invited to the final Agri-Value Chain Financing Forum that will be held in Jamaica on September 26th and 27th of this year. The forum will provide an opportunity for the APP to wrap up the work that has been done in facilitating better financing opportunities for agricultural MSMEs in the Region. Lessons learnt and recommendations for moving forward will be shared with all participants, including those from the Pacific, in hopes that they too can benefit from the information that has been gathered.



Youth assisting in harvesting at Neil Gomes farm in Antigua.  
(Photo: Neil Gomes)

In addition to reviewing and finalizing plans that came out of the SME-DFI and WCF meetings, the forum aims to pursue an agreement for the establishment of a CARIFORUM FI Platform for Agri-Value Chain Business Development and identify a group of Champion FIs that would be charged with the task of overseeing future agricultural initiatives related to financing.

Neil Gomes has positive hopes for this forum. In the long run, he would like to obtain financing for his own business as a result of working with FIs at the forum but he also sees it as an opportunity to show young farmers

that it is not just “doom and gloom”, as he puts it, but that farming can be a decent business opportunity and a good way of life.

**“Money is a terrible master but an excellent servant”  
– P.T. Barnum**

Farmers, agro-processors and others in the agricultural value chain don't want to be mastered and overcome by the need for money. They want to move the industry forward by using new technologies and tools that result in higher yields, better quality and lower labour costs, but new technologies cost money. They also don't want to be ruled by debt. They need to have a good, informed plan for investment and repayment that allows them the freedom to make a decent living and still grow their business.

Money needs to be their servant; another tool in their belt that can be used to support their businesses and in turn, benefit the Region. Higher yields, better quality and lower labour costs all result in greater food and nutrition security and lower food prices in a Region; more young farmers joining the industry due to profitable business opportunities means greater levels of employment and more money being put back into communities.

In short, investing the agricultural value chain in the Caribbean is a must if we want to see the Region as a whole thrive, and if we want to be able to say to our agricultural MSMEs, “hold on, keep the faith, it will work out.”

**See Also:**

**[Tech Feature #1- June 2016: 'What's the Big Deal about MSMEs?'](#)**

**[Tech Feature #2 – August 2016: 'What MSMEs Need to Know'](#)**

This is the third in a series of four Thematic Features to be produced under the Agricultural Policy Programme (APP) Caribbean Action. The APP is funded by the European Union (EU) under the 10th European Development Fund (EDF) with the Inter-American Institute for Cooperation on Agriculture (IICA) as Executing Agency and the CARICOM Secretariat (CCS) and the Caribbean Agricultural Research and Development Institute (CARDI) as Implementing Partners.

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