

# Towards responsible service delivery to smallholder farmers

## Developing a client protection assessment standard for the agricultural sector

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## Summary

In the past, and still recently, there have been many cases of bad practices in financial or agricultural service delivery that caused harm to smallholder farmers. These practices have been linked to severe consequences with reports of farmers losing land and committing suicide. To avoid such harmful practices and ensure responsible service delivery to smallholder farmers, the IDH Farmfit Fund and Cerise+SPTF are convinced that **the sector must work on defining, committing to, and implementing client protection standards.**

Client protection (CP) is the minimum moral obligation of businesses or service providers to offer fair and safe services to clients and avoid practices that might cause harm. Over the last decades, the inclusive finance sector has gained lots of experience in setting, promoting, and applying client protection standards. However, these **standards seem to not have systematically permeated into the agricultural sector**, neither at the level of agribusiness nor in the impact investing community.

The main reason is that **the agricultural sector has specificities that require more adapted client protection standards and tools.** Firstly, lending schemes are often more complex (in-kind loans, service coalitions, etc.). Secondly, client protection applies to other practices beyond the provision of financial services. The term “client” in the agricultural sector should be understood in a broadened way, to apply to **smallholder farmers**, as “clients” of a service provider (who purchase inputs, loans, or other services), or as “suppliers” of an agribusiness (selling agricultural produce to offtakers).

As existing CP standards from the financial inclusion sector cannot be readily applied in the agricultural context and the broader spectrum of services, the **IDH Farmfit Fund**, in collaboration with **Cerise+SPTF**, decided in 2022 to work on the **development of a specific Agri CP Tool**, building on the experience of the inclusive finance industry and tailoring it to the specificities of the agricultural sector.

The Agri CP Tool has been **structured along the 8 client protection standards** used in the financial inclusion sector, to build on the solid work on CP already conducted, which many impact investors and rating agencies are already familiar with. Building on a solid foundation of existing tools, the Agri CP tool has been **adapted to apply client protection to any commercial/contractual relationship with smallholder farmers**, for the sales of inputs, the purchase of agricultural production, or more complex tripartite business relationships. Accounting for a great variety of actors and business models, the Agri CP Tool has been **designed to be flexible and adapt to the large variety of service delivery models in the sector.** Different filters can be applied to scope out indicators based on the types of services provided to smallholder farmers, and who provides these services (directly, via agents, or indirectly via third parties).

Today, most agribusinesses are still far away from the level of maturity of responsible service delivery that the tool envisions. It is thus important to be realistic about the level of compliance that agribusinesses can reach initially. **The Agri CP Tool should be seen as aspirational at this stage, to offer a shared understanding and vision for the agricultural sector to embark on a CP pathway.** The tool is meant to be a **management tool and conversation starter**, to help agribusinesses identify and prioritize gaps, and improve their practices.

An original initiative from IDH Farmfit Fund, the Agri CP Tool holds the **potential to become a reference tool for the whole sector**, helping investors and agribusinesses ensure that they provide fair and safe services to smallholder farmers and avoid practices that might cause harm. This is why the **IDH Farmfit Fund and Cerise+SPTF now invite other stakeholders to join the initiative.** Establishing the tool as a reference for the sector requires wide testing, collection of feedback from the field, and continuous alignment with lessons learned. This way we can set relevant standards and engage the sector towards responsible service delivery to smallholder farmers.



## Table of contents

<b>1. Rationale for developing an Agri Client Protection Tool .....</b>	<b>4</b>
<i>Client protection, a key concern for IDH Farmfit Fund .....</i>	<i>4</i>
<i>A gap to be addressed.....</i>	<i>5</i>
<i>The need for a tailored tool.....</i>	<i>6</i>
<b>2. Objective of the Agri CP Tool .....</b>	<b>7</b>
<i>Focus of the tool: assessing client protection standards when investing in agri business/ SHF finance sector .....</i>	<i>7</i>
<i>Users of the tool.....</i>	<i>7</i>
<i>Expectations on compliance.....</i>	<i>8</i>
<b>3. Design and content of the Agri CP tool .....</b>	<b>9</b>
<i>A tool structured along the 8 CP Standards .....</i>	<i>9</i>
<i>A scope broadened to any commercial relationships with SHFs. ....</i>	<i>9</i>
<i>Standards, essentials practices, and indicators .....</i>	<i>10</i>
<i>Must-have and Good practices .....</i>	<i>10</i>
<b>4. Reflection on limits and unintended side effects .....</b>	<b>11</b>
<i>Standard-setting approach .....</i>	<i>11</i>
<i>Maturity .....</i>	<i>11</i>
<i>Cost .....</i>	<i>11</i>
<b>5. Opportunities to take the Agri CP Tool to the sector .....</b>	<b>12</b>
<i>Much-needed guidance to client protection in agriculture .....</i>	<i>12</i>
<i>Finding the right balance to encourage the sector .....</i>	<i>12</i>
<b>6. Potential way forward .....</b>	<b>13</b>
<i>Pilot-testing/ building value.....</i>	<i>13</i>
<i>Guidance for better practices on client protection in the agricultural sector .....</i>	<i>13</i>



# 1. Rationale for developing an Agri Client Protection Tool

Why work on client protection in the agricultural sector? In the past, there have been many cases of **bad practices in financial or agricultural service delivery that ended up harming smallholder farmers**. In Punjab, India, over 16,600 farmers have been driven to suicide in the past 20 years in relation to overindebtedness, non-adapted seeds, and over-dependence on fertilizers and pesticides<sup>1</sup>. More recently, in Cambodia, around 167,000 rural clients of microloans, many of them smallholder farmers, were pushed into selling their land to repay their debts, undermining their livelihood basis<sup>2</sup>.

To avoid practices that might cause harm to smallholder farmers and provide fair and safe services to them, it is critical to commit to and implement client protection standards. Client Protection (CP) is defined as the **minimum moral obligation** of businesses or service providers **to provide fair and safe services to clients and avoid practices that might cause harm**.

In the agricultural sector, when referring to client protection, **the term “client” applies to smallholder farmers**, as “clients” of a service provider (who purchase inputs, loans, or other services), **or as “suppliers”** of an agribusiness (selling agricultural produce to offtakers). Therefore, the view on “clients” is broadened, expanding beyond the provision of financial services, also covering the provision of other services, as well as the procurement of crops.

For investors, agribusinesses, and other agri value chain actors, the rationale for working on CP can be threefold:

1. Client protection is **fully aligned with the “Do No Significant Harm” approach of the ESG frameworks and regulations**. Any stakeholder involved in smallholder value chains should ensure that the end-clients are protected from harm. This will increasingly become a requirement for regulators, as well as for investors and is linked to reputational risks when basic human rights or client protection are not respected.
2. **There is a business case to be made for strong client protection**, with farmers receiving adapted services being able to improve their production (both in terms of quality and volume), being loyal to good companies, and increasing farmers’ and their household’s well-being, in a context where consumers are very attentive to “fair trade” and equitable treatment of producers.
3. Client protection is the minimum requirement to **support a strong and sustainable agricultural sector**, which can contribute to SDG 1 (No poverty) SDG 2 (Zero hunger), as well as SDG 12 (Responsible Consumption and Production).

Client protection should thus be systematically applied to avoid putting SHFs under undue risk, and at the same time offer ample opportunity to catalyze positive changes.

## Client protection, a key concern for IDH Farmfit Fund

The IDH Farmfit Fund (the “Fund”) is a **public-private impact fund focused on smallholder farmers**. The vision of the Fund is to make smallholder farmer finance become a new asset class. The Fund aims to work towards this vision by providing financing to various agriculture value chain actors who in turn provide financing and other services to smallholder farmers (SHFs). An integral part of this vision is for **smallholder farmers to gain access to appropriate products and services, delivered in a safe, responsible, and fair**

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<sup>1</sup> <https://geographical.co.uk/culture/punjab-suicide-farmers-widows>

<sup>2</sup> <https://www.cnbc.com/2022/12/27/facing-climate-change-asia-farmers-turn-to-risky-microfinance-loans.html>



manner, that avoid harm and meet farmers' daily needs, enabling them to raise their incomes and improve their overall quality of life. Therefore, besides mitigating E&S risks, the Fund has embedded **Client Protection Standards into its impact management approach**, to not only avoid doing harm to the smallholder farmers, but to also use these principles as a framework to engage with individual portfolio companies towards improved sourcing practices and service delivery to farmers.

In addition, the Fund sees the potential for Client Protection Standards for the agricultural sector at large, as a framework to **create a shared language and understanding of responsible sourcing and service delivery to smallholder farmers**, which currently does not exist in the market.

## A gap to be addressed

Over the last few decades, **the financial inclusion sector has gathered a lot of learnings on Client Protection and responsible financial service delivery**. Led by the Smart Campaign (2009-2019) and now by Cerise+SPTF, a full range of standards, guiding materials, and certification processes for Client Protection and Social Performance Management were developed that guide the sector in its practices (i.e. adapting financial services, preventing over-indebtedness, transparency, responsible pricing of financial services, fair treatment of clients, data privacy, access to complaint mechanisms).

However, these **standards seem to not have systematically permeated into the agricultural sector**, neither at the level of agribusiness, nor in the impact investing community.

This may be the case for several reasons, but two factors seem to stand out:

(1) **The provision of financial services in smallholder agriculture is not limited to financial institutions**. Many agribusinesses step in to provide credit where typical financial service providers (FSPs) lack expertise and shy away from high transaction costs, information asymmetries, and (perceived) high risks, compared to their traditional client segments.

(2) **Several client protection issues are specific to the agricultural sector:**

- **Lending schemes are often more complex**. In many cases, the lending component will be indirect and complex with loans provided in-kind (i.e. inputs) and often also repaid in-kind (from farmers' production) or with lending schemes managed by an external partner or through service coalitions. The specificity of some of the lending schemes adds a layer of analysis. For example, for loans **provided in-kind** (i.e. inputs) and/or **repaid in-kind** (from production) or for a lending scheme managed by an **external partner** or through **service coalitions** where the repayment is deducted from the price paid by the agri-SME to the SHFs and transferred directly to the FI/input provider, it raises the **issues of product valuation**: how to value in monetary terms the value of the input and the crops, to calculate the amount lent and the amount to be deducted from production for repayment). It also raises issues linked to **dependency** on the input provider or offtaker, e.g. resulting from unduly contractual agreements tied to the financing.
- **Client protection in the agricultural sector applies to other practices beyond lending**. Beyond access to financial services, different points in the agricultural value chain can be linked to a harmful experience for the SHF:
  - **Contracting for supply of inputs and/or purchase of production**. This raises issues linked to responsible pricing, fair and transparent contracts, or fair treatment of smallholder farmers.
  - **Data and/or financial flows** managed through digital channels. This raises specific risks in terms of confidentiality and protection of data.

As **the CP Standards from the financial inclusion sector cannot readily be applied in an agricultural context**, the client protection thinking has not yet taken hold in the smallholder farmer finance and agriculture space. Therefore, when financing schemes exist, their specificities require adapted standards of client protection that look beyond the provision of financial services.



In addition, traditional approaches of E&S risk management, including IFC Performance Standards, do not offer the level of specificity and depth that is required to assess client protection risks in service delivery, let alone offer approaches towards engaging for positive outcomes and impacts through improved service delivery to smallholder farmers.

**IDH Farmfit Fund seeks to close this gap in its investment due diligence and monitoring**, considering Client Protection an integral part of its Theory of Change. Furthermore, the Fund sees this work as a pathway to start a conversation with the smallholder agricultural finance space to **create a shared understanding and language towards making client protection and responsible service delivery to smallholder farmers the norm**. This is at the core of making smallholder farmer finance an asset class.

## The need for a tailored tool

**Different tools already exist to assess and manage compliance with Client Protection Standards and Social and Environmental Performance**. The table below highlights the most important tools, as well as their relevance and limitations for the agricultural sector.

TOOL	USE	RELEVANCE	LIMITATIONS
<a href="#">CP Commit</a>	As part of the <a href="#">CP Pathway</a> in the financial inclusion sector; selection of around 30 indicators as minimum requirement for adequate client protection	International standards; Engaging Financial Service Providers in a pathway to improve their client protection practices	Geared towards financial service providers, focus on financial services only
<a href="#">ALINUS 3.0</a>	A tool to conduct due diligence on Social Performance of Financial Service Providers. Includes around 40 indicators related to CP, 75% aligned with Entry-level above	Highly recognized tool among investors; Harmonized set of indicators relevant for due diligence process; Can be benchmarked	Does not include specificities of agri sector, such as in-kind lending or payment, tripartite agreements, etc.
<b>RAI Agri Scoring Tool</b>	A draft tool to assess the compliance of agribusinesses with the FAO's <a href="#">Principles for Responsible Investment in the Agriculture and Food Systems</a>	Geared towards agricultural value chain actors Includes client protection elements beyond lending schemes (i.e. fair contracting...)	Early-stage tool being tested currently Very limited focus on lending scheme and overindebtedness Does not include in-kind lending

Evidently, **there is a gap between available tools for CP assessment and the specificities of the agricultural sector**. The CP Entry-level indicators or ALINUS 3.0 could be used for the “classic” financial service providers and possibly some fintech organizations, but would lack important elements for less traditional lending schemes including multi-stakeholders and in-kind payments (such as valuation on in-kind products) which are increasingly emerging in the sector. The RAI Agri Scoring Tool presents some interesting complements on client protection for agricultural value chain actors, but does not sufficiently address lending relationships at this stage.

Based on this observation, in 2022 the **IDH Farmfit Fund** decided to work **in collaboration with Cerise+SPTF** on the **development of a specific Agri CP Tool**, building on the experience of the inclusive finance industry and tailoring it to the specificities of the agricultural sector.



## 2. Objective of the Agri CP Tool

### Focus of the tool: assessing client protection standards when investing in agri business/ SHF finance sector

IDH Farmfit Fund, with the support of Cerise+SPTF, has worked on an **assessment tool to ensure that the Client Protection standards are applied consistently** and in line with the necessary rigor **in its due diligence and monitoring processes**.

The tool helps to **scope out** the degree to which Client Protection (CP) standards should be assessed **depending on the profile of and types of services provided by prospective investees**. The tool consequently guides such assessment based on the scoping, covering both financial and non-financial services provided to smallholder farmers.

The CP Standards comprised in this tool bring together ALL the essential practices that organizations need to have in place to ensure responsible service provision. The indicators used to measure the implementation are **broad statements on minimum safeguards, as well as best practices**.

We acknowledge that, in the current state of practice and maturity level of agri-businesses, promoting client protection may be perceived as pushing a step beyond the minimum. However, the same was true for the microfinance industry where Client Protection is now an indispensable framework. The agricultural industry needs to start somewhere to reach similar levels of maturity. Using this tool in due diligence provides an excellent opportunity to raise awareness with organizations, build capacity and push the industry towards what is fundamental in B2C relationships, where currently key risks for smallholder farmers are left unmitigated.

Ultimately, the tool shall **support the identification of critical gaps/weaknesses** of the prospective investee in terms of Client Protection, which shall be addressed through the Fund's Development Action Plan that is negotiated with its investees, alongside the Environmental & Social Action Plan that intends to mitigate other E&S risk.

### Users of the tool

The tool has been designed in the context of IDH Farmfit Fund with inputs from the broader IDH organization, but with the general audience of impact investors in mind. It is primarily aimed at **investors to assess and guide their investees** related to client protection, but may also be used by **agribusinesses and other service providers as a self-assessment tool**.

It applies to service providers, including agribusinesses **that work with smallholder farmers**.

The tool and related standards are relevant to all types of business models, maturity, size, or region, as the indicators are focused on the "what", i.e. the principle, not the "how", the way of implementation.

*e.g. "1.A.1. The organization collects smallholder farmers' feedback at least once every agricultural campaign, and before introducing new products or services" is about "what" should be done. The "how" remains open: e.g. through needs assessment, satisfaction surveys, focus group discussions, sample phone or in-person interviews, etc.*

The "Financial Service" considered in this tool is first and foremost relevant to entities who provide it as an additional service to their core business. It encompasses the key practices expected from financial service providers.



In the case of a service coalition that involves a formal Financial Service Provider (FSP), whose core business is the provision of financial services, different scenarios may be possible:

- If the FSP is the direct recipient of the funds, it is advised to conduct a CP assessment using one of the [tools](#) available in SPI Online, namely CP Commit, ALINUS or CP Full, which have been specifically designed, broadly tested and recognized in the financial inclusion sector. This is particularly valid if the FSP provides the following services to SHFs (not included in the CP Agri Tool): deposit/saving accounts, payments, voluntary insurance, digital financial services.
- If it is not the direct recipient, but the FSP is involved with SHFs as a third-party partner, the FSP should be assessed as such, under Essential Practice 8.D: “The organization ensures the alignment of third-parties practices with smallholder farmer protection”
- If the due diligence is about a flow of funds through various entities who work with SHFs, then it is advised to look at the other services provided as well. In that case, the Agri CP Tool is relevant. And if the investor deems it relevant, the FSP involved in this coalition should:
  - (i) either be assessed as third-party (see 8.D The organization ensures the alignment of third-parties practices with smallholder farmer protection)
  - (ii) or be assessed independently with CP Commit which is a light version of the comprehensive assessment CP Full.

#### CP Commit

Key objective: Provides an overview of the fundamental practices of Client Protection and guidance to start on the Client Protection Pathway.

CP Commit consists in an assessment of the most fundamental Client Protection (CP) standards, and helps identify critical gaps. It is the client protection subset of ALINUS. CP Commit has 35 indicators, and covers almost all Entry indicators/details and close to half of the Certification framework.

## Expectations on compliance

This tool is primarily meant to be a **management tool**, to help improve CP practices. **It is not expected that agribusinesses reach full or high compliance since the beginning**, in particular as we know that most agribusinesses are still far away from the level of maturity of service delivery that the tool envisions. However, the Agri CP Tool is meant to help them identify and prioritize their gaps, and guide them to improve their practices. To avoid that the tool be perceived as deterring, it is thus important to carefully introduce it, including its objective, expectations on compliance and how to get there, verification, etc.

When introducing the tool to the agribusiness, the following approach is recommended:

- Share with agribusinesses/SHF organizations the business case for CP;
- Provide the tool as a self assessment tool, that is freely available for use;
- Clarify that as an investor, a highest score is not expected, but that it is more a tool to assess the situation and define a road map for improvement;
- Provide guidance and financial/capacity building support to improve practices.





### 3. Design and content of the Agri CP tool

#### A tool structured along the 8 CP Standards

The tool has been **structured along the 8 client protection standards used in the financial inclusion sector** to build on the solid work on CP already conducted and to align to existing tools and standards. Cerise+SPTF have developed a range of standard tools to assess client protection in the financial sector (CP Commit, CP Entry, ALINUS for due diligence, etc.), and recently an Agri Scoring Tool to assess responsible practices in agriculture. The framework proposed in the Agri CP Tool draws from this experience on international standards, as well as from IDH network’s longstanding experience in agricultural value chains, to define the best approach for agriculture.

**Keeping this alignment gives more strength**, using a framework with 15 years of field experience for testing and development, already known by impact investors active in inclusive finance and agriculture, with rating agencies, such as MicrofinanzaRating, working on certification who can readily apply the tool, as well as share their experience.

The 8 CP standards have also been checked in line with agricultural issues and adapted to answer to key issues related to CP for SHFs.

Standard	1	The organization's products, services, and channels benefit smallholder farmers.
Standard	2	The organization does not overindebt smallholder farmers.
Standard	3	The organization gives smallholder farmers clear and timely information to support farmers' decision making.
Standard	4	The organization sets prices responsibly.
Standard	5	The organization enforces fair and respectful treatment of smallholder farmers.
Standard	6	The organization secures smallholder farmer data and informs them about their data rights.
Standard	7	The organization receives and resolves complaints related to its own operations, employees, agents, products and services from the following stakeholders: smallholder farmers / local communities / other affected stakeholders.
Standard	8	The governance and management are committed to smallholder farmer protection, and HR systems support its implementation

#### A scope broadened to any commercial relationships with SHFs.

The Agri CP Tool has been adapted to **apply client protection to any commercial / contractual relationship with smallholder farmers**, for the sales of inputs, the purchase of agricultural production, or more complex tripartite business relationships, looking in particular at issues related to:

- Prevention of aggressive sales techniques and forced signing of contract;
- Transparency on terms, conditions and pricing with sales of production;
- Responsible pricing in buying products;
- Fair and respectful treatment of clients in the contractual relationship;
- Privacy of client data when digital channels are used, in particular;
- Overdependence on a provider or client, etc.

As, in the agricultural sector, there is a great variety of actors and business models, the Agri CP Tool has been **designed to be flexible and adapt to the service delivery model** of the agribusiness. **Different filters can be applied** to scope out indicators **based on the types of services provided to smallholder farmers**, and who provides these services (directly, via agents, or indirectly via third parties):



- **Financial services:** *Disbursing loans (incl. in-kind) to SHF & collecting repayments, providing insurance*
- **Purchasing services:** *Purchasing agricultural production from & making payments to SHF, including contract farming*
- **Supply services:** *Selling inputs or equipment to SHF*
- **Other services:** *e.g: Extension services, trainings, sharing info, soil testing, hire, market linkages, storage...*
- **Collecting data from SHF:** *Data collection from SHF for analytics and content/data sharing with third parties (e.g. via digital platforms or market places)*

## Standards, essentials practices, and indicators

The Agri CP tool follows the approach of the [Universal Standards for Social and Environmental Performance](#) and [Client Protection Standards](#) in the financial inclusion sector, with the following structure:

- **Standards** = broad statements about what the organization should achieve in terms of key issues around client protection;
- **Essential Practices** = descriptions of the policies and operational practices that are necessary to achieve the standards;
- **Indicators** = concrete practices that should be implemented.

These statements are worded to inform about the “what”, not the “how”. Examples of “how” a specific practice can be assessed and/or implemented are noted in Guidance. These examples do not represent an exhaustive list.

## Must-have and Good practices

In order to help organizations prioritize elements of their action plan, the Agri CP Tool defined two levels of indicators:

- **“Must have<sup>α</sup>”** and **“must-have”**: The minimum standards to achieve in priority, to be carefully checked, potentially included as covenants, or action plan items, and technical assistance support if not implemented. The  $\alpha$  suggests a higher priority in terms of timeframe to implement as such practices, if not implemented, present an immediate potential for harm.
- **“Good practices”**: these remain minimum safeguards, but can be considered in a second stage of priorities as practices that help further strengthen an organization's ability to mitigate CP risk, as well as support improvements in service delivery.

Depending on the level of compliance with these two levels, the investment committee may recommend follow-up action in terms of required monitoring or technical support to be provided to investees.



## 4. Reflection on limits and unintended side effects

### Standard-setting approach

The first version of the Agri CP Tool raises the issue of our ability and legitimacy to determine what is a good practice (easier in some areas, but less so in others).

Drawing from Cerise+SPTF's experience in standard setting, good practices become evident through wide testing and collecting of feedback from the field, as well as continuous alignment with findings from research and lessons learnt by the sector. Another key element to gather the industry around global standards will be to hold a broad consultation of stakeholders through a dedicated working group.

### Maturity

Many of the standards require as a bare minimum for organizations to have an elaborate farmer management/monitoring system (which regular agribusinesses usually do not; primarily ag-tech models and highly mature companies might).

These standards should be considered a target to aim for. Cerise+SPTF experience in the microfinance industry has shown that it is possible to normalize good practices (e.g. the financial inclusion industry is slowly moving away from applying a flat interest rate methodology). Investors can also drive the industry towards best practices for SHF protection.

### Cost

Cost considerations are a reality that we must consider. Many agribusinesses already operate on thin margins and may find it hard to implement new practices that can increase operational costs (e.g. human resources, staff training, monitoring, etc.).

In the inclusive finance sector, embedding client protection in a business model has already demonstrated its financial benefits to FSPs (better client retention, better repayment rates...). Similar results can be expected for agribusinesses, but we do not know yet to what extent the expected benefits would outweigh the potential costs of implementing stronger CP practices.

However, cost should not be an argument to dismiss implementation of client protection, since CP standards are a moral obligation for all organizations, irrespective of whether they follow a social mission or not. However, we need to be aware that pushing too hard on compliance may result in unintended consequences. Enforcement of standards may drive up the cost of service delivery, resulting in exclusion of the most vulnerable (most costly to serve), with possibly worse consequences than inclusion with imperfect CP practices (e.g. shift towards sourcing from - potentially exploitative - intermediaries who are not bound by CP standards, undermining CP efforts).

As part of the pilot, the Fund (and potentially other testing investors) need to pay close attention to what standards are feasible and desirable for different companies, given the impact that this can have on the broader market (e.g., pushing more companies to deal with middlemen rather than smallholder farmers). Insights on indicators which agribusinesses hold particular hesitation towards can help identify solutions on how to bridge company concerns whilst ensuring essential practices are implemented, in an incremental way.



## 5. Opportunities to take the Agri CP Tool to the sector

### Much-needed guidance to client protection in agriculture

As described above, **the tool** was initially developed for IDH Farmfit Fund but **responds to a general need in the agricultural sector and can fill a gap in terms of client protection.**

Client protection in agriculture has not yet been systematically explored and the sector does not have harmonized standards or approaches to assess responsible service delivery to smallholder farmers. However, based on the experience of the financial inclusion sector, and key issues identified in the agricultural sector, **this tool can provide a concrete basis for mitigation measures and good practices to be checked and encouraged.**

As of now, there is still a significant gap between the vision of practices/indicators (incl. must-haves) and the daily reality of companies in the agribusiness space.

The framework and tool proposed need to be aspirational at this stage. They **represent a vision of change to mobilize the sector**, to raise awareness, and encourage other stakeholders to work towards the vision, proposing a road map to fill the gaps, with realistic prioritization and concrete action plans supported by investors.

### Finding the right balance to encourage the sector

The Agri CP framework strikes a bit of a sensitive nerve between an ideal objective of improving practices, and a realistic vision of gaps, challenges, time, and human resources constraints that may sometimes limit the applicability of the framework.

Whilst the tool is intentionally comprehensive to ensure no material risks and opportunities are overlooked, it **requires expertise and resources** of the assessor and the organization being assessed. To help uptake within the agricultural sector, some pragmatism and judgment calls will be needed in selecting applicable indicators, setting ambition levels, and expectations on on-the-ground verification, considering that many agribusinesses operate on thin margins. Some indicators may require the organization to have relatively mature processes and established procedures, which implies that the organization's structure and capacity need considered while conducting the assessment. However, 'must-have' indicators can still be good to highlight as gaps in order to have them as objectives to aim for and work towards. Like in the financial inclusion space, **client protection in the agricultural sector must be considered a pathway to embark on for the long term.**



## 6. Potential way forward

### Pilot-testing/ building value

- **Further field testing.** The tool has been tested in the field with a number of IDH Farmfit Fund's prospective portfolio entities so far and has received feedback from team members of IDH Farmfit Fund, rating agency MicroFinanza Rating, as well as several IDH staff. Additional field testing is needed and planned until end of 2023 by IDH Farmfit Fund. However, to be able to test the tool with different types of agribusinesses, with different maturities, in different geographies, the involvement of other organizations would be needed.
- **Technical fine-tuning of the tool**, including macros for automatic filtering, scoring, dashboards;
- **Mapping of existing tools** (and certifications) in the agri sector, to clarify the relevance, positioning, and scope of the Agri CP Tool and of the RAI Agri Scoring Tool (based on RAI Principles) in the agri sector landscape (Q4 2023?).
- **A working group** starting in 2024 with other interested investors, agribusinesses, certification bodies, rating agencies, etc., to:
  - discuss and validate the value of the tools;
  - plan for wider field testing: the tool needs to be tested on different types of models (FSP, agtech, fintech, trader/offtaker, cooperatives, of different size and different geographies);
  - Collaborative fine-tuning of the content of the tool (and of Agri CP Standards?);
  - alignment with ESG requirements/ regulations (e.g. EU SFDR PAIs).

### Guidance for better practices on client protection in the agricultural sector

- **Digitalization of the tool.** After more extensive field testing, when the tool has reached some sector-wide buy-in, a consideration is to move from an Excel tool to a fully digital tool hosted on [SPI Online](#). The SPI Online platform has many advantages, allowing users to have all their audits in one place, to collaborate with colleagues and partners on the same audit, to visualize their results, and to benchmark their performance against peers.
- **Training opportunities.** To raise awareness of the importance of CP in the agricultural sector and build skills in assessing and improving Agri CP performance, it is key to develop training material and organize regular training sessions for investors and implementing organizations.
- **Development of guidance.** From an advisory perspective, the tool should come with extensive guidance on how to implement the expected practices. This would also be useful for companies applying the tool as a self-assessment.
  - Guidance and rationales can help clarify the intention of the indicators;
  - Examples and case studies can show concrete implementation;
  - Some notes could explain when the practices need to be tailored to the organization's context, when it may not be applicable, etc.
- **Resource Center.** In addition to the guidance, offering access to a Resource Center on implementation could be very helpful for supporting agribusinesses in improving their practices. Building such a Resource Center requires curation, selection, and categorization of documents such as guidelines, templates, case studies, etc. This is something that should be envisioned in the



medium term, in a progressive approach, as such resources will be developed and available as agribusinesses start applying the tool and implementing CP practices.

- **Database.** Progressively building a database on Agri CP practices, as the tool gets used by a larger number of organizations, would provide key insights into **the state of practices** to understand the needs for global support. It would also allow creating **benchmarks**, allowing agribusinesses to compare their performance to that of their peers, according to their profile. Systematically gathering company data on the costs and profitability of service provision and sourcing, as well as metrics such as farmer loyalty, could also help establish evidence on the benefits (or unintended adverse impacts) of client protection implementation in the agricultural sector.
- **Evaluation.** In the middle term, it would also be interesting to evaluate how the Agri CP Tool has influenced impact investors' investment decisions and practices, towards more responsible investments and support to improve CP practices. At the company level, it would be interesting to understand how implementation of CP is influencing business performance, in terms of cost, but also in terms of farmer loyalty, as well as other business performance metrics.