Pocket Guide
Responsible Payment
Digitization in the Coffee Value Chain
September 2023
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Coffee is cultivated on approximately 12.5 million farms worldwide, primarily managed by small-scale farmers who work on just a few hectares of land. Between 20 percent and 30 percent of coffee farms are female-operated, and up to 70 percent of labor in coffee production is provided by women.\(^1\)

At the same time, roughly 145 million people in low- and middle-income countries still received payments in cash for the sale of agricultural products in 2021, according to Global World Bank Findex data. Around 65 million of these are women, 55 percent of them own a mobile phone, and nearly half of the 145 million live in sub-Saharan Africa.\(^2\)

The Better Than Cash Alliance seeks to use responsible digital financial services to unlock economic opportunity for all, especially unbanked smallholder farmers. Conservation International in its capacity to lead the Sustainable Coffee Challenge - has joined the United Nations-based Better Than Cash Alliance to promote the benefits of digital payments in the coffee sector and to ensure that both companies and farmers can benefit from these emerging tools and services. Farmers who transact exclusively in cash are often the targets of robberies and have reduced opportunity to access financial services. Without a formal banking history, many coffee farmers struggle to access formal and affordable financial services, including credit and insurance, which could improve their coffee farming and their lives. According to the World Bank, “farmers, agribusinesses, and the rural economy stand to gain from increased digitization of agribusiness payments”.\(^3\)

Digitizing agribusiness supply chains is expected to build payment histories and help expand access to credit and insurance for smallholder farmers, which represents a direct annual

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A growing number of companies are realizing how digitizing payments can have positive effects on their business and on people’s wellbeing.

Today, digital financial services are extending into new areas previously unreached by the formal financial system. Companies are helping this process by tapping into digital payments to pay for agricultural products, creating business efficiencies and helping farmers at the same time. Stakeholders – including companies, governments, and international organizations – are helping overcome the barriers to responsible payment digitization by tapping into value-added services that ensure farmers can get paid and spend digitally. They are also working to improve digital payment infrastructure, including encouraging interoperable solutions with strong recourse mechanisms that help build trust, scalability, and affordability of digital payments.

This short guide provides an overview of the potential benefits of scaling responsible digital payments in the coffee supply chain for roasters, traders, coffee cooperatives, farmer organizations, development organizations, and other stakeholders in the sector. It also guides users through the building blocks and tools available for companies to take action for scaling digital payments in line with the United Nations Principles for Responsible Digital Payments, including reaching financial equality for women.
BOX 1
What are digital payments?
A digital payment is the transfer of value from one payment account to another using a digital device or channel.6

Digital payments could include:

- Contactless payments
- Online payment
- Chip-and-PIN
- Watch
- Credit and debit cards
- Mobile money
- E-wallet


KEY STAKEHOLDERS’ ROLES

Coffee flows through a complex supply chain - from farmers, often to cooperatives and farmer organizations, to local traders and international traders, to roasters and retailers across global markets. Every actor in the coffee value chain can contribute to responsible payment digitization. This includes:

- **Farmers, cooperatives, and traders**: Incorporating responsible digital payments into business processes can create more efficiency, improve sustainability, and contribute to the wellbeing of farmers, farm workers, and suppliers.

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Neumann Kaffee Gruppe working in partnership with financial service providers to reach coffee farmers with digital payments in Uganda, Mexico, and Colombia

The international coffee trader Neumann Kaffee Gruppe (NKG) is an industry leader in using digital payments to improve the lives of farmers. In Uganda, NKG export company Ibero Uganda Ltd. is a licensed microfinance institution, serving more than 30,000 farmers, 25 percent of whom are women. More than 4,000 farmers have received cash advances using mobile money, and 95 percent have said the services provided by Ibero, including financing and agricultural assistance, have positively changed their livelihoods.

In Mexico and Colombia, the company partnered with MasterCard, Movii, and Fundacion Capital to help nearly 1,500 coffee farmers access digital payments, improving financial inclusion, strengthening the digital payment ecosystem, and increasing the security and speed of the payments to farmers. The pilots found that digital payments can give farmers the opportunity to make faster, more transparent, and safer transactions and ultimately improve the lives of farmers, their families, and their communities. They also found that promoting cross-sector partnerships, creating enabling regulatory environments, and providing close support to farmers to facilitate adoption and create trust in digital payments are key to driving digitization forward in the coffee sector.

• **Roasters and retailers** can help establish digital payment infrastructure with supply chain partners such as traders and cooperatives and encourage those partners to use digital payments when purchasing coffee to increase transparency. They can also use digital payments to pay sustainability premiums or other incentives faster and directly to farmers.

• **International non-governmental organizations (NGOs)** can support responsible payment digitization efforts for safety and transparency by funding projects that improve digital payment infrastructure and expand farmer adoption of digital payments responsibly.

• **Government agencies** can incorporate the findings of responsible payment digitization efforts to improve digital payment infrastructure, reduce barriers to inclusion, create more efficiency in the coffee sector, and increase farmer welfare.
2. THE BENEFITS OF DIGITAL PAYMENTS IN THE COFFEE VALUE CHAIN

BENEFITS FOR FARMERS

Farmers can benefit from making the change to digital payments when the payments are implemented responsibly, through better access to financial services that reduce the time required at banks cashing checks and making deposits, increased access to credit for their farm inputs, and improved savings or insurance vehicles that help manage risk. Yet any transition must prioritize their existing payment and financial requirements, such as payment on delivery, ready access to working capital, affordability, and a choice of payment mode.

Among a studied set of Ugandan coffee growers, mobile money adoption led to household income gains of an estimated 19 percent. In addition, mobile money users were more likely to sell coffee in dried and shelled form to buyers in higher-value markets than to sell to local traders immediately after harvest. This has the potential to improve both the livelihood of the farmers and the quality of the coffee they sell.

Digital payments also enable faster progress toward many of the Sustainable Development Goals (SDGs).

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No poverty (SDG 1): Mobile money contributed to higher household incomes and consumption levels for coffee farmers, while facilitating transactions with new buyers in high-value markets rather than selling only to local traders.\(^{10}\)

Zero hunger (SDG 2): In 2017, nearly 14,000 cocoa farmers saved around $600,000 using mobile savings wallets. They were 50 percent less likely to have trouble feeding their families.\(^{11}\)

Gender equality (SDG 5): When zero-interest savings accounts were offered to male and female entrepreneurs, women used them far more than men, and increased their business investment by 38 percent more than the control group.\(^{12}\)

Reduced inequalities (SDG 10): In rural Indian communities, storing income in a digital bank account increased household savings by 131 percent within three months, compared to keeping cash at home.\(^{13}\)

Climate action (SDG 13): In Kenya, 1.3 million farmers—half of them women smallholders—significantly increased their profits in 2021 using the DigiFarm digital mobile platform. They were able to build their capacity to weather external shocks through access to financing, and quality seeds and inputs.\(^{14}\)

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\(^{10}\) Sekabira and Qaim, 2017.


THE BENEFITS OF DIGITAL PAYMENTS IN THE COFFEE VALUE CHAIN

BENEFITS FOR COMPANIES

Payment digitization can also benefit the companies that buy and sell agricultural products such as coffee. Digital payments can help agricultural buying companies improve efficiency, increase revenue through better analytics for business development, find more suppliers through better access to capital, achieve greater transparency and security, and build stronger business relationships. A Better Than Cash Alliance study of the Ghanaian cocoa supply chain found that the risks and costs of cash payments reduce the revenue of cocoa-buying companies by 19 percent per year, equivalent to $21.5 million annually. Similarly in the tea sector, companies paying farmers digitally in Rwanda reported a 30 percent increase in productivity. The study found that around $8 million could be saved over the next 10 years if payments to farmers in the tea sector alone were digitized, removing the time needed by farmers to collect their payments, and that needed by companies to manually process them.

BOX 3
Sucafina: Using digital payments to build transparent supply chains and create opportunities

Sucafina, the Switzerland-based coffee trader, understands the value of digital payments. Around the world, the company is using digital payments to boost transparency, access financial services, and also to improve the financial lives of farmers. In Uganda, the company started with digital payments in 2021. Today, Sucafina has 100 percent of its payments digitized, using both bank transactions and mobile money payments. Sucafina is also working with a social enterprise in Indonesia to roll out digital payments in a way that helps farmers sell coffee securely and efficiently. In 2023, in Rwanda, it has made digital bonus payments to over 30,000 farmers via mobile money and is continuously encouraging digital payments by training farmers. Together, these efforts showcase the importance of digital payments as part of Sucafina’s efforts to build transparent supply chains and create opportunities for people to improve lives.
**THE BENEFITS OF DIGITIZING PAYMENTS**

**Improved efficiency**
- Reduced transaction costs
- High productivity
- Better cash and business management

**Increased revenue**
- Growth of suppliers/distributors through access to capital
- Data analytics for business development
- New business opportunities

**Greater transparency and security**
- Transparent and traceable transactions
- Better fraud detection
- Higher personal security

**Stronger business relationships**
- Suppliers/distributors: increased loyalty
- Employee/worker: reduced turnover
- Consumers: better products
- Government: strategic partnership

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**Digital payments contribute to the SDGs**

Financial inclusion
Women’s economic participation
Decent work and inclusive growth

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The world is moving to digital payments because they are swifter, safer, and more transparent than cash. If not implemented effectively, however, the potential of digital payments is wasted. To reach financial equality and advance the SDGs in the coffee sector, digitizing payments for smallholder farmers and business intermediaries needs to be done responsibly.

The United Nations Principles for Responsible Digital Payments\(^\text{15}\) identify nine good practices for engaging with clients who are sending or receiving digital payments and who have previously been financially excluded or underserved. Companies, working with financial service providers (FSPs) and regulators, are responsible for the design of the products, the transparency with which information is communicated, the systems developed for safeguarding data, and access to recourse platforms. When these elements are delivered together successfully, the ripple effects reach wide and far.

\(^{15}\) See https://responsiblepayments.org/pdfs/UN-PRDP_Companies_En.pdf.
REACHING FINANCIAL EQUITY FOR WOMEN IN AGRICULTURAL SUPPLY CHAINS

Women are crucial to the agricultural supply chains that feed the world. On average, 43 percent of the agricultural labor force is made up of women, and in the least developed countries, two in three women are employed in farming. In the coffee sector specifically, between 20 percent and 30 percent of coffee farms are female-operated, and up to 70 percent of labor in coffee production is provided by women. Yet female realities are often overlooked.

During the past decade, women’s economic and financial inclusion has become an increasing priority for governments and companies, driven by evidence that its benefits range from increased agricultural output to greater business resilience, customer retention, and growth in gross domestic product (GDP). Unfortunately, too many women lack access to formal identification, and so are unable to open a bank account, own property or develop a credit history, which are essential to save, build assets, secure a loan, and open or expand a business. Many women cannot even buy a basic mobile phone to send and receive money.

The coffee supply chain can help drive financial equality for women by systematically recognizing and digitizing payments to women workers and smallholder farmers in coffee, and ensuring increasing access to resources, such as land, credit, and information.

19 Ibid.
Digitizing payments can significantly benefit the lives of female farmers, helping bring them into the formal economy, accelerating their financial inclusion, and increasing access to diverse opportunities that follow digital adoption.

A 2009 survey from Ghana found that women farmers in cacao producing communities earn 25–30 percent less than male farmers due to structural challenges in farm management systems. For instance, women have limited access to productive farm resources, technical training in modern technologies, credit facilities, membership of cooperatives, and markets. This results in productivity and income inequality compared to their male counterparts.

Digital payments help build resilience to climate change by enabling services such as savings, credit, insurance, remittances, and government-to-person (G2P) payments that can provide vital support for women farmers and their families as they manage new environmental realities.

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Stakeholders can also refer to ‘Reaching Financial Equality for Women’, a 10-point action plan developed by the Better Than Cash Alliance for governments and businesses to rebuild stronger after COVID-19 by prioritizing women’s digital financial inclusion.

**10 ACTIONS TO REACH FINANCIAL EQUALITY FOR WOMEN**

01. Digitize private sector payments
02. Digitize payments of government social benefits
03. Outlaw discrimination against women
04. Ensure universal access to identification
05. End the gender gap in mobile phone ownership
06. Hire women at banks and mobile network operators
07. Collect, analyze and use sex-disaggregated data
08. Design appropriate and affordable financial products for women
09. Help women benefit from e-commerce opportunities
10. Create and enforce strong digital finance consumer protection mechanisms

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The Better Than Cash Alliance has identified building blocks for responsible digital payments and tools to help companies and other stakeholders fully achieve the benefits of responsibly digitizing payments. These tools can be adapted to help companies and stakeholders in coffee supply chains around the world to expand access to digital payments.

Get in touch with the Sustainable Coffee Challenge or the Better Than Cash Alliance to learn how.

Building Block 1: Know your smallholder farmers

Responsible digitization starts with understanding the financial lives of farmers, assessing the farmers’ current access to payment infrastructure in their communities, establishing their level of comfort with digital financial services (DFSs), and gauging their demand for those services. This information helps to put farmers’ financial behavior, expectations, and opportunities at the center of digitization measures. The process simultaneously builds farmers’ familiarity with digital payments and helps ensure companies move at a pace that works for farmers as they implement their digitization measures.

Tool available:

Farmers Survey Questionnaire:\(^{23}\) a survey questionnaire designed for farmers that buying companies, traders, exporters, and others can use to better understand farmers’ digital and financial lives and build familiarity with digital payments

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Creating a clear understanding across the entire value chain of the benefits of digitization is essential to increase the level of acceptance and uptake. This applies equally when making the initial decision to change to digital payments, selecting an FSP, and agreeing on an implementation approach. There are two key elements to building this value proposition: (1) ensuring there is agreement on the objective and scope of digitization within the company, including traders and local representatives; and (2) rigorously selecting and working with the FSP and ensuring that implementation plans and timelines are developed jointly with the FSP.

**Tool available:**

**Template Request for Proposals from Financial Service Providers.** A request for proposals template for companies to collect information to understand existing options to digitize.

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Building Block 3: Enable farmers to spend funds and access services digitally

It is important to build a robust digital payments acceptance system. Digitizing payments alone is not sufficient to drive adoption and scale in coffee. Success depends largely on developing an ecosystem in which farmers can buy goods and services digitally without having to cash out. Access to digital services (financial or non-financial) that present a good value proposition for the farmers – in line with the UN Principles for Responsible Digital Payments – is also critical.

To build a robust digital payments acceptance ecosystem requires focusing on four areas:

• DFS access points, which need to be numerous and well located for farmers and purchasing companies;
• DFS liquidity management, which helps ensure all farmers can access their cash where and when they need it;
• DFS merchant acceptance, which includes targeted efforts to identify and digitize common farmer transactions, such as at input shops, pharmacies, and grocery stores, and creates awareness among farmers that they can pay digitally in these places; and
• Access to other appropriate and responsible digital services (both financial and non-financial), including digital savings, credit, insurance or pay-as-you-go solar energy panels and products.

Tool available:

Examples of DFS-enabled Products Available to Farmers in Ghana: includes examples of DFS-enabled products, including DFS access points, liquidity management services, merchant acceptance, and access to other financial services; also sets out the benefits of digitizing payments and can be used as a knowledge-sharing and advocacy tool to help farmers understand and embrace digital payments

Building Block 4: Sensitize both staff and farmers to the value of digital payments

Farmers can use digital payments to improve financial management, cash flow, and security, on their own terms. Stakeholders, including traders, can facilitate these improvements by creating materials in an accessible format for coffee farmers that provide them with the tools to take advantage of the opportunity presented by the move from cash to digital payments. They can also create information for staff and local representatives that explains why digitization is beneficial to the company.

Tool available:

Modules Introducing Digital Financial Services to Staff & Farmers: scripts for audio modules (each approximately five minutes long and in English) that introduce DFS to staff and farmers and can be translated into local languages

BOX 4

Anacafé: Payments to connect digitally with farmers

Asociación Nacional del Café (Anacafé), the Guatemalan national coffee association, has embarked on an innovative pilot project to integrate digital payments into its digital outreach, demonstrating a strong commitment to embracing technology for the benefit of coffee farmers. Now, recognizing the potential of digital payments, Anacafé is using tools from the Better Than Cash Alliance to survey farmers and expand financial inclusion. Initial surveys found that that while 97 percent of farmers had heard of digital payments, only 30 percent were receiving payments for coffee in cash or by check, leaving considerable opportunities for payment digitization. Anacafé will use this information to pilot digital payments with 500 coffee farmers, fostering financial inclusion and advancing sustainability and transparency in the Guatemalan coffee supply chain.
GET INVOLVED: DIGITIZE COFFEE PAYMENTS RESPONSIBLY

With technical assistance from the Better Than Cash Alliance and the Sustainable Coffee Challenge, organizations can embed responsible digital payments within their sustainability agenda by:

- **Making commitments to digitizing payments responsibly**: Partner with the Sustainable Coffee Challenge and the Better Than Cash Alliance to craft, celebrate and track commitments that use responsible digital payments to advance sustainability in the coffee sector. Commitments can be small or large, global or local, from executing on a key performance indicator (KPI) on payment digitization or implementing tools from this guide;

- **Sharing good practices**: This collaboration facilitates public-private collaboration and opportunities for leading organizations to share lessons with a community of companies, farmer organizations, international NGOs, and government organizations that are advancing digital payments in coffee;

- **Conducting action-oriented research**: Contact the Sustainable Coffee Challenge and the Better Than Cash Alliance to collaborate on research to identify gaps in implementing and scaling responsible digital payments and measure the impact of digital payments in coffee supply chains; and

- **Accessing technical assistance**: The Better Than Cash Alliance can help organizations that are actively digitizing payments, by offering technical assistance to overcome barriers and implement responsible digital payments that reach farmers and underserved populations.
WHERE TO FIND OUT MORE

Responsible digital payments and the role of agribusiness companies:

- Sign up to the United Nations Principles online course: https://campus.digitalfrontiersinstitute.org/student/#/enrol/apply/732

Examples of supply chain digitization:

About the Sustainable Coffee Challenge

The Sustainable Coffee Challenge is a collaborative effort of companies, governments, NGOs, research institutions, and others to transition coffee to the world’s first sustainable agricultural product. Challenge partners are working together to increase transparency, align around a common vision for sustainability, and collaborate to accelerate progress toward those goals.

In their efforts, Challenge partners are guided by four compass points: (1) increasing sustainable supply of coffee; (2) strengthening market demand for sustainable coffee; (3) conserving nature; and (4) improving farmer and worker wellbeing and prosperity. On the latter, by 2050, Challenge partners are committed to ensuring coffee farmers and farm workers achieve their visions of prosperity, building on the foundation of a living income/living wage. Expanding digital payment infrastructure in coffee production can contribute to achieving this goal.

More information on the Sustainable Coffee Challenge can be found at www.sustaincoffee.org

About the Better Than Cash Alliance

Based at the United Nations, the Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to help achieve the SDGs. The Alliance has more than 80 members, which are committed to digitizing payments to boost efficiency, transparency, women’s economic participation, and financial inclusion, helping build economies that are digital and inclusive. Members do not want to abolish physical cash—it is legal tender—but rather want to provide responsible digital payment options that are “better than cash.”