

# Case Study: Mexico

Built for All: A global framework for building inclusive economies



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# About *Built for All*

The Mastercard Center for Inclusive Growth and the Centre for Public Impact engaged with more than 30 experts, including Nobel laureates, heads of international organizations, and some of the world's leading thinkers from the government, the private sector and academia to debate innovative approaches to the major questions facing humanity. Through an extensive literature review and series of conversations, we captured and tested key concepts, definitions, frameworks and proposals on the interlinked challenges facing our economic systems. The resulting global framework for building inclusive economies, *Built for All*, aims to renew and strengthen our collective understanding and thinking around issues of economic inclusion to prompt a much-needed dialogue.

This case study, and others featured on [built4all.org](https://built4all.org), is a part of an ongoing body of work dedicated to building truly inclusive economies that prioritize the flourishing of all people and the planet.

Visit [built4all.org](https://built4all.org) to learn more about the framework, read related content and case studies, view our upcoming events, and connect with our team to get involved.

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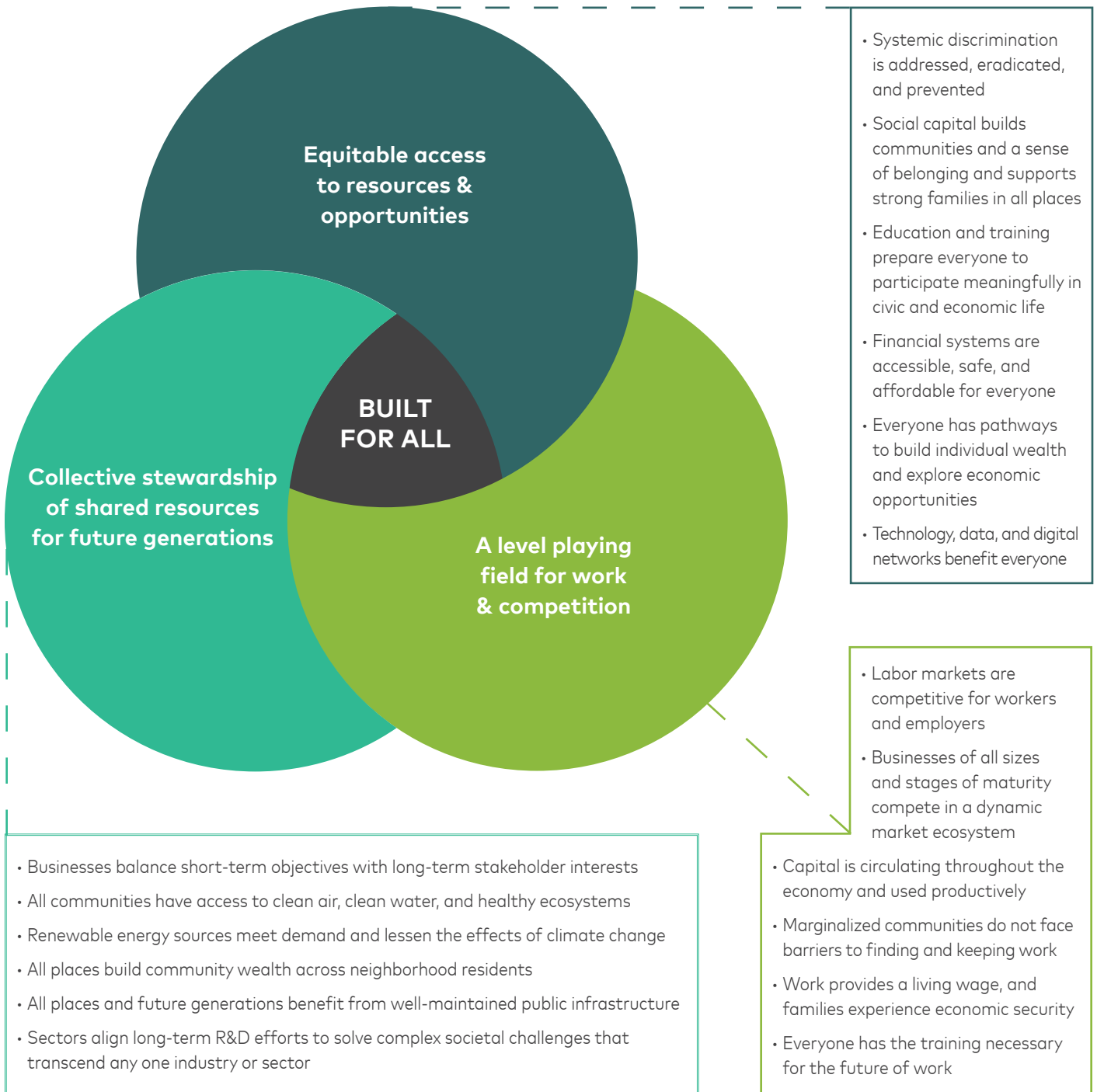
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*Built for All* defines an inclusive economy as **a system that is intentionally designed to prioritize the flourishing of all people and the planet.** Three Pillars, each comprised of a set of outcomes, support this vision.



The following case study features an initiative that aligns with the economic principles envisioned by *Built for All*. Visit [built4all.org](https://built4all.org) to read related content and additional case studies.

2.0

# Digital payments for farmers



## DIGITAL PAYMENTS FOR FARMERS

Globally, 235 million people who make their living by selling agricultural products operate outside the formal financial system <sup>1</sup>. To ensure coffee farmers in Mexico have the ability to collect their payments electronically and save their money in a secure fashion, Mastercard partnered with the Neumann Kaffee Gruppe to digitize payments for these workers. The pilot in Mexico showed promising early results and is being replicated in Colombia, where the program has shown potential as a way to adapt rural businesses to the realities of COVID-19.



### 2.1. Background

Mexico is a vibrant country with a rich cultural history, the second largest economy in Latin America, and the 11th largest economy in the world. However, Mexico lags behind other upper-middle income countries in many financial inclusion indicators, especially those related to digital payment and mobile money solutions. According to the World Bank's Global Findex, only 37 percent of adults in Mexico have an open financial account and just 32 percent of adults in the workforce have made or received a digital payment, indicating that many adults in Mexico do not have access to safe and affordable financial products and services that help stabilize income and promote saving and investment<sup>2</sup>. Financial inclusion is a particular challenge in rural areas, though these regions produce some of Mexico's most valuable exports, including coffee.

Chiapas, Mexico is known for delicious specialty coffee and is responsible for 30-40 percent of Mexico's coffee production. In Chiapas, nearly a quarter of the workforce earns their livelihood from the coffee industry, and many of those people are smallholder farmers<sup>3</sup>. Compared with business owners in more urban areas of Mexico, these farmers have few options to securely store and manage their money. As a result, farmers often rely on cash-only middlemen that siphon a significant percentage of farmers' earnings to bring their products to market. Mohammad Rizwanullah, Director of Product Management for Mastercard's Financial Inclusion Products & Solution team, which focuses on developing products for financial inclusion, says that these intermediary coffee traders could take about 10-20 percent of a coffee farmer's revenue. Relying on cash-only systems also exposes farmers to greater risk of theft, reduces farmer access to better pricing for their products as well as to financial products and services that can make their businesses more stable and resilient<sup>4</sup>.

### 2.2. Cafe Paga: Digitizing payments for smallholder farmers

Digital payments offer a solution to these challenges, and can lay the foundation for a more inclusive economy by establishing a link between poor, rural farmers and formal financial institutions. Digital payments also offer more practical benefits, such as removing the need to wait in line all day to cash a check or receive a cash payout.

In December 2018, Mastercard partnered with [Fundación Capital](#) and the [Neumann Kaffee Gruppe](#), the world's largest coffee trading house, to digitize payments and increase financial inclusion and transparency in the Neumann Kaffee Gruppe's supply chain through a pilot program called Cafe Paga. So far, the program has enrolled 1,231 farmers in 22 localities through NKG's local subsidiary in Mexico: Exportadora de Café California.

Participating farmers are issued a debit card and receive training so they can collect payments electronically, manage their money and save it — reducing earnings lost to intermediaries and increasing transparency between the farmers and their buyers while keeping their money secure. In addition, a payment mechanism was created for the Neumann Kaffee Gruppe to pay farmers directly.

Early results are promising. Rather than lose crop value through a cash-dependent system, participating farmers can expect to preserve about 15 percent of their crop's value through electronic payments (savings will depend on the location of the farmer). The Neumann Kaffee Gruppe expects to digitize payments for half of its direct small farm suppliers in Mexico. Because of the pilot's promising early results to reach rural workers and increase financial access, Cafe Paga was recently replicated in Colombia. Moreover, the ability to pay farmers digitally also means that Neumann Kaffee Gruppe can in the future operationalize advance payments for coffee, so that farmers can receive money from their coffee buyer when needed and not just when their coffee cherries are ready to be sold.



3.0

*Built for All:*  
Applied







### 3.1. Pillar One spotlight: Equitable access to resources and opportunities

Cafe Paga provides a scalable, fast, and cost-efficient way to pay farmers. By creating a link between economically vulnerable farmers and the financial system, the program leverages financial inclusion as a way to build resiliency by opening avenues for more people to access credit and other financial services.



Cafe Paga exemplifies Pillar One of Built for All by demonstrating the impact the private sector can make when collaborating with key actors in a value-chain to connect people with financial systems that are safe, accessible, and affordable and support upward mobility and flourishing for economically vulnerable groups.

For instance, here is how Cafe Paga aims to increase access to financial services in Colombia:

**Digital solutions as an indispensable financial inclusion strategy:** Participants in the Cafe Paga program (in Colombia) downloaded a digital wallet solution called Movii, which allows them to manage payments from suppliers and is linked to a Mastercard debit card. Though many farmers had an ingrained preference for checks or bank transfers, the COVID-19 pandemic has revealed new utility and benefits of debit cards and digital wallets. In Colombia, farmers received government relief payments (*Ingreso Solidario*<sup>5</sup>) through Movii, which eliminated the need to travel to a crowded office, gave them much quicker access to funds, and prevented contagion risks. As the pandemic upends traditional, in-person ways of doing business, digital wallets give farmers an efficient alternative way to pay bills and make purchases. As the World Bank points out, "Digital financial inclusion was a development priority before the COVID-19 emergency; now, it is indispensable for both short-term relief and as a central element of broad-based, sustainable recovery efforts<sup>6</sup>."



**Establishing pathways to financial stability:** Relying on a cash-only system leaves farmers extremely exposed to income volatility and external shocks (a crop-destroying pest, for example), making it difficult to maintain stability or build wealth. Using Movii, farmers have access to small, third-party loans that could help them cover costs in an emergency and also help them establish credit to access larger loans in the future. Further, Cafe Paga includes a customized curriculum that orients farmers to digital payments in a culturally relevant way and features content on responsible usage of financial products.

## Lessons for action

- Think comprehensively about the challenges, goals, and priorities of the population you are trying to reach when designing programs. Attendance at capacity building sessions hosted by Fundación Capital was initially low. Implementers realized the sessions conflicted with the demands of a busy harvest season, and most farmers didn't have extra time to spare. As the pilot evolved, implementers aligned program offerings with farmers' schedules to promote better attendance.
- Mastercard partner, Fundación Capital, created [publicly accessible toolkits](#) for private and public sector actors interested in creating digital payment ecosystems. Sharing these resources improves the transferability of promising practices and helps create a learning network where practitioners can ask questions and improve their program offerings.





## 3.2. Pillar Two highlight: A level playing field for work and competition

### Strengths of the Cafe Paga approach:

- Digital payment systems improve supply chain transparency and traceability, a necessary component of a fair and competitive marketplace. By taking the lead on developing a digital payment infrastructure, the private-sector partners in the Cafe Paga program demonstrate how to view suppliers as true partners in value creation.
- The smallholder farmers participating in Cafe Paga are entrepreneurs. Digital payment systems offer access to resources that can help them grow their business, and the financial education component of Cafe Paga builds farmer capacity to make informed business decisions and establish behaviors that enhance entrepreneurial dynamism.

### Opportunities for enhancing inclusion:

- In an inclusive economy, all workers have effective representation and have the ability to exert their voice to address inequities or complaints. To enhance the program's alignment with Pillar Two of our framework, implementers could examine how to use their resources to support smallholder farmers in establishing stronger and more transparent relationships with other actors in the supply chain, such as other farmers, distributors, or retailers. A more transparent supply chain will allow farmers to strengthen their bargaining power and to advocate for ecosystems that ensure jobs with dignity.



“

At first, truth be told, I did not like the whole card and account thing. Once the subject was explained more, you begin to understand and accept the explanations, and it was good because you avoid walking around with money in your pocket...They taught us how to handle the account, the card, then they asked us for some referrals, how to include them in the group, then one learns little by little.”

**Gilbert**

Coffee Producer in Colombia<sup>7</sup>



### 3.3. Pillar Three highlight: Collective stewardship of shared resources for future generations

#### Strengths of the Cafe Paga approach:

- Cafe Paga was not made possible by one company or organization acting independently. Financial service providers, banks, exporters, suppliers, financial inclusion professionals, international development organizations, and mobile/digital providers came together to lay the groundwork for a nascent digital payment ecosystem. Cafe Paga demonstrates how cross-sector actors can come together to build a solution that leads to the long-term flourishing of the communities they operate within.

#### Opportunities for enhancing inclusion:

- In many areas of rural Mexico, the lack of infrastructure prevents the replicability of financial inclusion initiatives such as Café Paga. For example, the lack of internet connectivity, merchant networks, and roadways all pose barriers. Without adequate infrastructure, the digital payment ecosystem established through Cafe Paga has limited reach. Implementation partners can strengthen the program's alignment with Pillar Three of our platform by advocating for adequate public and private investments in infrastructure like broadband internet and highways.

### Lessons for action

- Digital payments can generate significant benefits for vulnerable individuals and communities, but they require an ecosystem that integrates, encourages and supports them. Building the ecosystem requires joint and coordinated efforts by various actors in both the public and private sectors to address requirements and set the right incentives from both supply and demand perspectives.
- An integral component of this program was a **peer-to-peer learning methodology**. By identifying community leaders, or champions, skills were transferred during the training on financial digital services and even after the training sessions had ended.



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To learn more about *Built for All*, please visit our website: [www.built4all.org](http://www.built4all.org)

If you are interested in partnering with us to build inclusive economies that serve all people and the planet, get in touch with our team: [info@centreforpublicimpact.org](mailto:info@centreforpublicimpact.org)



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The [Mastercard Center for Inclusive Growth](#) advances equitable and sustainable economic growth and financial inclusion around the world. The Center leverages the company's core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund, to produce independent research, scale global programs and empower a community of thinkers, leaders and doers on the front lines of inclusive growth.

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