GAFSP
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CHANGING LIVES

PRIVATE SECTOR SOLUTIONS FOR HELPING SMALL FARMERS

Changing Lives:

Private Sector Solutions for Helping Small Farmers

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Foreword

Building Private Sector Opportunities in the World's Most Challenging Markets

Nothing could have prepared Adrian Alo for the month of March and the fallout that left him—and much of the world—grappling with a new, uncertain and unchartered reality. As COVID-19 raged through Kosovo and other parts of the globe, the Central Bank issued a moratorium for all clients of financial institutions, effectively shuttering KEP Trust, the microfinance institution he helps lead.

"Before the pandemic hit, we conducted liquidity stress tests, did a risk analysis, and had a contingency plan in place," said Alo, Chief Financial Officer at KEP, Kosovo's largest local microfinance institution. "But no one could have predicted the scale of what we experienced. Our liquidity stress test was done on the assumption that 20 percent of loans would not be paid, which we considered severe at the time. But then we had a moratorium for a significant percentage of our clients."

The result left KEP, which is supported by the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP), struggling with liquidity.

Their future—along with a well-honed strategy of boosting lending to smallholder farmers throughout the country—was uncertain.

But thanks to a strong network of support from the Private Sector Window of GAFSP and IFC, KEP emerged from those tumultuous months and is now "back on track," as Alo put it recently. GAFSP has worked closely with KEP throughout COVID-19, providing flexibility and support particularly when they—and other clients—need it most. In April, GAFSP and IFC, worked with their leadership team on a crisis response plan to help limit the pandemic's fallout. "This was a remarkable engagement with IFC during turbulent times," said Shpend Nura, the CEO of KEP.

KEP resumed operations in mid-May as the country emerged from lockdown and eased restrictions. Alo believes that microfinance will play a crucial role in Kosovo's economic recovery, particularly for small businesses that aren't able to get credit from the traditional banking sector. Farmers like Remzi Bala, a smallholder in northern Kosovo, would agree. As he emerged from lockdown, Bala secured a loan from KEP that helped expand his herd—and his hopes for a better future. Bala's journey, which you will read about in these pages, is a poignant reminder of our mission and is just one of several stories featured in this latest edition of *Changing Lives*.

In an era marked by a pandemic, global economic tensions, scarce public resources, and uncertain futures, mobilizing private sector investment is essential to ending poverty and boosting shared prosperity—now more than ever. IFC and GAFSP are leading the way in mobilizing private capital for development using unique blended finance solutions. We enable companies and financial institutions focused on smallholder-based value chains to build competitive business models, create new jobs, and accelerate development in challenging markets. We are helping sustain economies and preserve jobs during this global crisis, which will likely hit the poorest and most vulnerable countries the hardest.

Since our program began in 2011, our Private Sector Window has approved investments totaling $383 million to support 77 agribusiness investment projects in 27 countries. In addition, we have approved 79 advisory projects in 32 countries for $33.5 million.

This past fiscal year, nearly 60 percent of our investment and advisory projects were in fragile and conflict-affected situations (FCS), building on IFC's strong commitment to create markets and private sector opportunities in some of the world's most challenging places. That means that we have invested in early stage or risky projects that hold high potential for development impact and sustainability in places where it is needed most. Rooted in the heart of our model is the belief that GAFSP concessional funding should be temporary, and that our clients will one day become financially and commercially sustainable.

This latest edition of *Changing Lives* offers a snapshot of some of our most recent GAFSP Private Sector Window projects. Organized under four themes, these investments focus on our efforts to transform the lives of smallholders through 1) raising agricultural productivity and improving climate resilience; 2) increasing nutritional intake and adoption of high-yield and innovative technology; 3) inclusive business and gender; and 4) improving access to finance.

In this edition, you will read about KEP, along with Agency for Finance in Kosovo (AFK) and Kreditimi Rural i Kosoves LLC (KRK), three of Kosovo's leading microfinance institutions, which are together expanding their support to smallholders and small businesses in Kosovo, particularly in underserved rural areas.

You will also read about our work in Senegal, where we are supporting Kirène, a local water and fruit juice processor that is also Senegal's second largest milk processor and distributor. Our training to local farmers is helping boost local milk production, reduce production costs, and strengthen the supply chain. Thanks to improved agricultural practices, some farms supplying Kirène have seen their yields double within less than two years

You will meet farmers like Kizito Edward, a 29-year-old smallholder in Uganda, who is receiving training through Grainpulse, a Kampala-based agribusiness company supported by GAFSP. The training has helped double Edward's maize production and he's saving to purchase an irrigation pump, so that he won't be at the mercy of the often-unpredictable rainfall.

This edition of *Changing Lives* also features our investment in Soufflet Malt Ethiopia, which is helping the company build and operate a malting factory in Addis Ababa, supporting local farmers and economic growth. Soufflet Ethiopia plans to source 100 percent of its barley locally, with 80 percent from smallholder farmers. Currently, about 70 percent of the malt used by Ethiopian brewers is imported. It's welcome news for Dereje Endashaw, a barley farmer who believes that the GAFSP-supported training will allow him to leave a life of subsistence farming behind. "I'm hopeful this program is the beginning of bigger things to come," he said.

This edition also features COVID Conversations, an innovative series that examines how the health and economic crisis is affecting GAFSP Private Sector Window clients, their businesses and the smallholders in their supply chains. As we continue to navigate the unchartered waters of this pandemic, this series—which is ongoing—has been an important reminder that COVID-19 is impacting our clients in very different ways.

Working together with our donor partners—the governments of Australia, Canada, Japan, the Netherlands, the United Kingdom and the United States—we expect to continue accelerating upstream and innovative initiatives, help build competitive smallholder-linked agricultural value chains and create new jobs while further extending our reach into FCS countries.

We still don't know the full extent of the pandemic's impact on food security and smallholder value chains and while much of the fallout remains uncertain, the need for GAFSP investment and advisory support is more critical than ever, particularly as we rebuild value chains and support smallholders hardest hit by the pandemic. IFC and GAFSP's commitment as advisors, investors, and innovators—particularly as we navigate life during and after COVID-19—has never been stronger.


Photo by Dominic Chavez/IFC

Niraj H. Shah
Principal Investment Officer
Program Manager, GAFSP
Private Sector Window

Small farmers face big challenges
Along the way from farm to market

Small farmers lack proper inputs for their farms, including high-yield seeds, technologies and fertilizer.

Financiers view small farmers as risky borrowers because most of them have undocumented credit histories, unstable incomes and little collateral.

ACCESS TO INPUTS

ACCESS TO FINANCE

Every $1 of Private Sector Window funding leverages more than $6 of private sector funding.

We support activities to provide access to improved seeds and fertilizers as well as adopting high-yield technologies.

We invest in non-traditional lenders who work with smaller borrowers and private supply-chain finance that can provide farmers with more credit & more stable income.

Women farmers are particularly disadvantaged, lacking land ownership opportunities and access to inputs.

Small farmers lack access to fair markets and to reliable storage facilities, often forced to sell their crops at harvest time when prices are low.

GENDER IN-EQUALITY

ACCESS TO MARKETS & STORAGE

We support investments & advisory services that empower women farmers.

We support development of farm-to-market linkages and improving post-farm logistics.

Photo by Vincent Tremeau/World Bank

The Challenge

Seventy-five percent of the world's poor live in rural areas, toiling on tiny plots of land that yield barely enough to support their family's basic needs and necessities.

For many of these rural citizens, agriculture has the greatest potential to lift them out of poverty—proving two to four times more effective in raising incomes among the very poor than growth in other sectors. But for many smallholder farmers struggling to feed their families, formidable obstacles stand in the way.

Even if they have land to farm, many small farmers, particularly women, lack access to proper agricultural inputs, including high-yield seeds, technologies and fertilizers.

Shut out from traditional forms of banking, these farmers have little access to formalized financing. At harvest time, with no credit, they are unable to store their crops in reliable and safe warehouses. Often working in remote areas, they find it difficult to get their harvested goods to market.

It is a vicious cycle that keeps them mired in perpetual poverty: forced to sell crops at a time when prices are low, and forced to buy food and inputs at a time when prices are high.

These are the people the Private Sector Window of GAFSP aims to help. By harnessing the private sector as an engine of growth and development, we know that we can make a difference in the lives of millions of small holder farmers throughout the world.

Given the right enabling conditions and private sector support, these farmers can transform the rural landscape and unleash a new and sustainable agricultural revolution.

Photo by Dietmar Temps/Shutterstock

Private Sector Solutions

Supporting agribusiness and agri-finance projects that commercial investors deem too risky is what GAFSP Private Sector Window does best: investing across the entire food supply chain from farm inputs to logistics and storage, to processing and financing.

We use blended finance solutions and IFC's expertise and knowledge to support projects in the agricultural sector that may not attract commercial funding due to perceived high risks in this sector. GAFSP funding is co-invested alongside IFC funding but we take it one step further: addressing market failures by providing affordable funding with less demanding terms. This allows us to invest in early stage or riskier projects that hold high potential for development impact and financial sustainability. That means that we can partner with companies who include farmers as part of their overall value chain, providing access to markets, financing and storage, and increasing production and incomes for those living and working in the world's lowest income countries. To date, GAFSP has approved $383 million in 77 projects in agribusiness that are aimed at improving the lives of more than a million small farmers across the globe.

In addition, we are supporting 79 advisory projects for $33.5 million. These projects involve working with technical specialists who provide on-the-ground training and advice for businesses and farmers in promoting access to agricultural finance, improving farmer productivity, strengthening standards, establishing market links, reducing risks and mitigating climate change effects. Although the pandemic delayed many advisory projects this past year, the situation on the ground is stabilizing and projects are picking up again. Read more about our Advisory Services on the next page. The GAFSP Private Sector Window is making a difference, one innovative investment at a time.

Photo by Bennie Khanyizira/IFC

Advisory Services

It takes more than just finance to achieve sustainable private sector development. Advice is a critical part of the Private Sector Window's work as a comprehensive blended finance solutions provider.

The Private Sector Window provides technical and financing knowledge, expertise, and tools to:

- Raise agricultural productivity and improve climate resilience through climate-smart practices
- Increase nutritional intake and adoption of high-yield and innovative technology through better farm management
- Create opportunities for inclusive business by linking farmers to global value chains and implementing approaches that target gender equality
- Develop financial products and services that help farmers access finance and invest in new technologies

The Private Sector Window's advisory portfolio includes 79 advisory projects for \$33.5 million. Our work spans the globe, with active projects in 34 countries, including Ethiopia, where our advisory services team is working with the French agricultural group Soufflet to improve the quantity and quality of the company's local barley supply chain. In Uganda, we are working with Grainpulse, a Kampala-based agribusiness company, to provide training on planting techniques, including best practices for applying the company's locally blended fertilizer. The project is expected to boost the company's smallholder reach, while also increasing food production and economic growth throughout Uganda.

In Senegal, we are working with Kirène, one of the country's largest milk producers and distributors, to boost milk production, reduce costs, and strengthen the supply chain. The program has trained commercial and smallholder farmers on animal husbandry and animal health, good agricultural practices, and financial management. Some commercial farms supplying Kirène have seen their yields double within less than two years and one farm more than tripled the amount it supplies to Kirène in the period. Thanks to support from IFC and GAFSP, Senegal's dairy farmers are starting to enjoy an improved access to markets—along with higher and more stable incomes.


NEW HOLLAND

Raising Agricultural Productivity & Improving Climate Resilience

Photo by Sarah Farhat/World Bank

Photo by Dominic Chavez/World Bank

New Farming 'Ecosystem' in Uganda Empowers Smallholders

Grainpulse's "one-stop-shop" is working to help double production of local crops while connecting farmers to markets and export possibilities.

Crops have been plentiful in recent months for Kizito Edward, a 29-year-old smallholder who plants maize, coffee, and bananas on his small farm in Buikwe in central Uganda. The relative bounty has allowed him to finish construction on his family home, pay his son's school fees and even buy a truck—his first-ever piece of farm equipment.

As he sees it, this spell of good luck has just one explanation: Last year, Grainpulse, a Kampala-based agribusiness company, visited his fields to provide training on planting techniques, including best practices for applying the company's locally blended fertilizer.

The results have been dramatic. In just one planting season, Edward doubled his maize production and he's already planning his next big purchase—an irrigation pump—so that he won't be at the mercy of the often-unpredictable rainfall.

"I have been working very hard," he said recently, taking a late-afternoon break during planting season, children playing in the background. "Before, I didn't know how to use fertilizer. Grainpulse has helped us learn new techniques and now my income has improved."

Last year, IFC, with support from the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP), committed a $11 million loan to Grainpulse to support the company's expansion and strengthen its farmer supply chain. The investment is expected to boost the company's reach to an estimated 200,000 smallholders like Edward by 2023, up from approximately 20,000—increasing food production and economic growth throughout Uganda. It's also helping Grainpulse expand to become a "one-stop-shop" for farmers, providing them with multiple services, including fertilizer blending that is optimized to popular local crops like those on Edward's farm.

Fertilizer use in Uganda is low, about 9.6 kilograms per hectare annually. This is significantly lower than the 16.2 kilograms per hectare average across sub-Saharan Africa, and the 140 kilograms per hectare average globally.

To introduce it to farmers, Grainpulse works closely with smallholders throughout the planting cycle. In addition to a fertilizer-blending factory—the first in Uganda—it also buys crops such as coffee, maize, sorghum, barley and pulses directly from farmers, helping connect them to markets and export, while also reducing their post-harvest losses.

Grainpulse's mill currently produces maize flour to make breads and other staples; the IFC-supported expansion will enable Grainpulse to process maize into animal feed as well.

"Agriculture in Uganda is almost entirely based on smallholders and so empowering them is critical to our supply chain sustainability," said Hannington Karuhanga, Grainpulse Executive Chairman and Founder. "For us to be successful, we need to create an ecosystem by working closely with farmers, providing last-mile solutions and reducing middlemen."

Grainpulse, formerly known as Savannah Commodities, became a joint venture with K+S AG, a global potash and salt company headquartered in Germany, in September 2018.

Agriculture employs an estimated 70 percent of the country's labor force and accounts for about a quarter of its GDP. But Ugandan smallholders are particularly vulnerable: Rainfall is unpredictable and dry spells can be disastrous for farmers without irrigation systems. The recent swarm of locusts has also decimated many crops, while COVID-19 has restricted movement even in rural areas. The result is that many farmers are having a harder time getting to stores to purchase inputs or recruit additional workers to assist during planting season, which is now in full swing.

Halima Nanjego, who farms cassava, sweet potatoes and maize on her half-acre farm, says life has been transformed since Grainpulse taught her streamlined planting techniques. "I have only a small area of land, but I can produce so much more," she says. "And I can use the extra money to invest

Grainpulse's initiative to expand and strengthen its farmer supply chain is backed by an $11 million investment from IFC supported by the Private Sector Window of GAFSP. In addition to the investment, an advisory engagement helps train farmers how to prepare land, apply fertilizer, use seeds, and manage diseases and mold like aflatoxin.

Photo by Arne Hoel/World Bank

"Part of our business ethos is getting farmers to embrace new agricultural inputs and techniques so that together, we can sustain Uganda's food supply and food security. It's a win-win for everyone."

Photo by Simplice/Shutterstock

in my small shop and improve my family's well-being."

Last year, the company's mobile farmer training center—a retrofitted Mercedes truck equipped with lab for soil testing analysis, as well as a fold-out tent where upwards of 100 farmers can attend training sessions—stopped at Nanjego's farm. The truck has traveled across the country, crisscrossing rural communities and hard-to-reach areas to teach farmers how to prepare land, apply fertilizer, use seeds, and manage diseases and mold like aflatoxin. With support from GAFSP, the company also distributes training manuals and informational leaflets that provide easy-to-use information on streamlined techniques, as well as financial literacy training.

"Farmers are doubling their yields and with continued training on good agricultural practices, they can improve even more," says Hilary Rugema, Grainpulse's lead agronomist. "There's much more to learn about timely land preparation, planting, fertilizer application, spacing, weed management, and pest and disease control."

This is critical, according to Janina Kaiser, Grainpulse's Director of Strategy and Finance and K+S's Head of Strategy and Innovation for sub-Saharan Africa. Kaiser says that working closely with smallholders does more than just secure Grainpulse's financial future. "Part of our business ethos is getting farmers to embrace new agricultural inputs and techniques so that together, we can sustain Uganda's food supply and food security," she says. "It's a win-win for everyone."

Increasing Nutritional Intake & Adoption of High-Yield and Innovative Technology

Photo by Vincent Tremeau/World Bank

EVEN THOUGH SENEGAL IS HOME TO 350,000 HERDING FAMILIES AND 3 MILLION COWS, MUCH OF THE MILK CONSUMED IN THE WEST AFRICAN NATION IS MADE FROM CHEAPER POWDER IMPORTED FROM EUROPE AND OTHER MARKETS.

Photo by Arne Hoel/World Bank

Milking the Benefits of Higher Productivity in Senegal

Kirène is working with smallholders to boost productivity and meet growing demand for fresh milk.

During the peak production season, dairy farmers in Senegal should be celebrating. Instead, they're often forced to give their milk away to family and friends—or even discard it.

Longstanding challenges, including limited technical know-how and low productivity, have driven up the price of fresh milk in Senegal, dissuading buyers. Farmers are also scattered around the country and work without a well-organized supply chain, meaning they struggle to access markets.

The result is that even though Senegal is home to 350,000 herding families and 3 million cows, much of the milk consumed in the West African nation is made from cheaper milk powder imported from Europe and other markets.

Kirène, a local leading beverage company that is also Senegal's second largest processor and distributor of UHT (ultra-high-temperature) milk, is working to change this. The company partnered with IFC and the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP) in 2018 to help boost local milk production, reduce production costs, and strengthen the supply chain.

Kirène has long championed the creation of a sustainable dairy sector in Senegal, but until recently, it was only been able to source 9 percent of its needs from local, fresh milk, the rest coming from imported powder. The company's goal is to incorporate up to 40 percent of fresh milk into its dairy products to meet a growing local demand.

"Our objective is to help make Senegal self-sufficient in milk and able to compete with cheap imports," says Djibril Seck, Kirène's dairy manager. "We also want to bring better quality milk to the Senegalese market as fresh milk provides higher nutritional intake than powdered UHT milk."

Senegal's dairy industry faces numerous challenges, and local breeds also produce just a fraction of the output of cows in Europe. Farmers also have limited access to quality animal feed.

Nevertheless, milk production in the country rose by more than 20 percent in recent years and according to government estimates, cows in Senegal produced some 265 million liters of raw milk in 2018. The milk, however, has largely been consumed by the farmers and their families. In 2018, for example, Senegal imported about 40 billion CFA francs (US$75 million) worth of dairy products.

Through the partnership with IFC and GAFSP, commercial farms and smallholder farmers, including pastoralists, were trained on animal husbandry and animal health, good agricultural practices, cooperative organization, and financial management.

They were also introduced to rain-fed and irrigated fodder production techniques, as fodder—the fresh sorghum, maize and grass eaten by cows—is key to maintaining healthy herds. It is also cheaper and more nutritious than the industrial concentrates used by many Senegalese farmers.

The results have been impressive—and fast: Thanks to improved agricultural practices, some commercial farms supplying Kirène have seen their yields double in under two years. One farm more than tripled the amount it supplied to Kirène in the period. The share of fresh milk in Kirène's dairy products jumped to 17 percent in 2020—nearly double the share from previous years.

Smallholder farmers, many of whom own less than a dozen cows, are also benefiting.

Magatte Seck, a farmer based in western Senegal, said, "Thanks to the training, I have seen improvements on my farm and I have developed fields for fodder production. Milk production heavily depends on the availability of livestock food and we are now addressing this issue."

With IFC and Kirène's support, two cooperatives were established to help farmers more easily sell their milk. Based in Fatick and Tattaguine in western Senegal, the two cooperatives, which provide access to inputs, as well as milk collection and transportation, have more than 200 paying members. They have also trained an estimated 500 farmers.

"The creation of a cooperative is a great thing for our region," says Ngor Sène, the head of the 135-member Tattaguine cooperative. "It is helping us develop the dairy sector, increase farmers' incomes, and encourage more people into dairy production."

Kirène's milk collection center, which centralizes purchases of milk in the area, is now negotiating contracts with the two cooperatives. Once these deals are signed, farmers will be able to sell their milk throughout the year, boosting the reliability and predictability of Kirène's supply, as well as farmers' incomes.

Sène said, "In our region, we didn't have enough buyers so at the peak of the season, some farmers were forced to throw their milk away. Going forward, even when farmers will have a lot of milk and the market will be saturated, they will have the incentive to sell to Kirène."

Although Senegal is still a long way from becoming a competitive milk producer, the project is helping lower the cost of local production and delivering safe and traceable milk to Kirene.

With the new collection and transportation system being put in place by Kirene, Senegal's dairy farmers will enjoy an improved access to markets—along with higher and more stable incomes.

Marie-Noelle Cisse, a 38-year-old dairy farmer who lives in Fatick, sums up the sector's new aspirations: "My biggest wish is that one day we will no longer have to import milk from Europe and that our milk will be consumed by everyone in Senegal."

Through the partnership with IFC and GAFSP, smallholder farmers were trained on animal health, good agricultural practices, cooperative organization, and financial management.

Photo by Sarah Farhat/World Bank

WITH SUPPORT FROM GAFSP, PEARL DAIRY HAS HELPED TRAIN MORE THAN 870 LOCAL FARMERS ON TECHNIQUES TO IMPROVE PRODUCTIVITY.

Photo by Isaac Mulli Mutua/IFC

Uganda's Dairy Farmers Develop a Taste for New Markets

In Uganda, where dairy production is dominated by small-scale farmers living in impoverished rural areas, IFC and GAFSP supported Pearl Dairy, a leading local milk processor, establish a powdered milk processing plant and cold-storage infrastructure, which is helping facilitate milk collection from remote smallholder farms. An additional advisory services project has trained "dairy development executives" that have advised more than 870 local farmers on techniques to improve productivity and adopt good agricultural practices, more than doubling milk production for many participants. In 2019, Pearl Dairy graduated from GAFSP concessional support to seek funding from other sources on purely commercial terms—reinforcing GAFSP's core philosophy that blended finance should be temporary and that our clients will one day become financially and commercially sustainable.

Inclusive Business & Gender

Photo by Courtesy of Cargill

Photo courtesy of BOOST

In Ethiopia, Linking Farmers to Prosperity

GAFSP is working with French agricultural group Soufflet to help grow and transform Ethiopia's barley sector.

Like many Ethiopian farmers, Endashaw Mekonnen wasn't achieving the results he'd expected. His harvests were small and his profits thin from his vast barley fields in Oromia, western Ethiopia.

It wasn't until he joined a training program established by French agricultural group Soufflet that he discovered the problem—his seeds and soil. Thanks to training and financing he received through the program, Mekonnen switched to high-yielding seed varieties and adopted techniques to increase the fertility of his soil.

"I'm very happy with the training around modern agricultural practices," he said. "More and more farmers are signing up for the program."

Barley, an important ingredient used in beer-making and found in foods like Injera, a popular spongy flatbread, is the fifth most produced cereal in Ethiopia after teff, wheat, corn and sorghum.

Even though farmers have grown barley in the favorable climate of Ethiopian highlands for generations, inefficient practices and limited access to important inputs have reduced their yields. Weak supply chains have also made it difficult for farmers to access markets and earn regular incomes.

At the same time, demand for malt barley in Ethiopia is growing steadily in line with the increasing numbers of investors who require malt barley as a raw material for their products. These investors include: maltsters such as Soufflet and Boortmalt, as well as brewers such as Heineken, Castel and Habesha. The industry as a whole is unable to secure sufficient quantities of local barley for their needs and instead rely on imported barley. About 70 percent of the malt used by Ethiopian brewers is imported.

But that may soon change. With support from IFC and the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP), Soufflet Malt Ethiopia, a subsidiary of French company Groupe Soufflet, has built a large malting factory in Addis Ababa to increase local barley malting capacity, with the aim of sourcing 100% of its barley needs locally in the coming years. It's aiming to produce 110,000 metric tons of malt annually, with about 80 percent of their barley needs sourced from local smallholders.

As part of the project, Soufflet— a leading international malt producer— is working closely with farmers to help grow and transform Ethiopia's barley sector.

"Building local supply chains is at the heart of our strategy to ensure we have enough barley to feed our factory," said Jean-Benoit Vivet, Soufflet Malt Ethiopia general manager.

In 2020, Soufflet, with support from IFC and GAFSP, established the BOOST training program, inspired by a similar project run by Heineken that helped some farmers double their barley output. BOOST—which stands for 'barley organization of supply and training'—is a three-year program that that aims to empower local producers such as Mekonnen, helping them improve and increase yields. BOOST works by providing farmers with top-quality seeds, agribusiness training, access to microfinance, and links to reliable markets.

In the past, accessing seeds was a hassle. This is changing, thanks to a more structured contract farming model that allows farmers to be issued with input financing and get tracked. The program also places special emphasis on training and empowering the estimated 5,500 women farmers who are participating.

The first harvest of the cereal under the project is expected in early 2021, with signs already pointing towards significant improvement in yields, according to Mekonnen, who hopes to make the leap from subsistence to more commercial farming thanks to a link with a reliable buyer.

Meanwhile, Soufflet is introducing its own higher-yielding seed variety—in addition to the improved Heineken-licensed seed—to their contracted farmers through pre-finance arrangements.

Soufflet's target is to source 80,000 tons of barley annually from 55,000 farmers, including 5,500 women farmers. The BOOST training program aims to reach 30,000 farmers in the first year of the project and an addition 25,000 in the second year.

Dereje Endashaw, a barley farmer, is excited to get started. He's hopeful that the training will help increase his output and income, and effectively teach him how to graduate from subsistence to more efficient commercial farming. "I'm hopeful this program is the beginning of bigger things to come," he said.

"Building local supply chains is at the heart of our strategy to ensure we have enough barley to feed our factory."

Photo courtesy of Soufflet Malt Ethiopia

Photo by Vincent Tremeau/World Bank

Closing the Gender Gap

Women—who produce more than half of the world's food—are the beating heart of agricultural productivity.

Yet most women farmers toil in relative obscurity, shut out from land ownership, lacking market price information and agricultural inputs. They tend to have smaller plots of land and have to travel long distances to market. As a result many female farmers are less productive and miss out on valuable earnings, money that could feed their families and educate their children.

The Private Sector Window of GAFSP is committed to helping women farmers raise their productivity profile through gender related actions attached to many of our projects. To date, more than 152,000 female farmers have been reached through our investments.

Gender focus is now a driving force in all Private Sector Window projects. Before we agree to a new investment, our staff will undertake a thorough gender assessment as part of the appraisal process. With specialized training from IFC's gender team, our Private Sector Window staff can help GAFSP's corporate clients understand the importance of including women in their value chain.

By allowing women the same access to agricultural resources as men, the Food and Agriculture Organization of the United Nation estimates that women's agricultural yields would increase by 20 to 30 percent over current levels. With GAFSP private sector support, we are committed to increasing the participation and impact of women in the global agricultural value chain.

FARMERS ARE PAID DIGITALLY, WHICH MAKES PAYMENTS SAFER AND MORE TRANSPARENT, WHILE ALSO HELPING REDUCE THE TRANSMISSION OF COVID-19.

Photo courtesy of Cargill

For Cocoa Farmers, Going Digital Tastes Sweet

In Côte d'Ivoire, where almost half of the country's jobs are linked to cocoa, IFC and GAFSP are working with the cocoa company Cargill to professionalize and digitize the sector. The Cargill 2.0 program works on professionalizing cooperatives, teaching management skills and training on the benefits of digital finance to increase traceability and security. As part of the program, farmers are paid digitally in partnership with mobile network operators and banks. Banking remotely makes payments safer and more transparent, while also helping reduce the transmission of COVID-19. "Digitization opens up huge opportunities," said Lionel Soulard, Cargill's managing director for West Africa. "We don't just work on traceability, but also give farmers access to financial services so that they can become real entrepreneurs."

Improving Access to Finance

Photo by Arne Hoel/World Bank

SMALL FARMERS IN KOSOVO HAVE DIFFICULTY ACCESSING FINANCE AND NAVIGATING THE BANKING SYSTEM. ACCESS TO FINANCE IS CRITICAL FOR CREATING JOBS, BUT TRADITIONAL BANKS SEE THE AGRICULTURAL SECTOR AS TOO RISKY.

Farmer Remzi Bala on his family homestead in central Kosovo

Photo courtesy of KEP Trust

In Kosovo, Microfinance Expands Herds—And Hopes

Micro loans are helping the nation's farming sector weather the COVID-19 crisis.

Until three years ago, Remzi Bala had a small family homestead in central Kosovo, but with just one old tractor and no livestock, he struggled to make the farm productive, let alone profitable.

That changed in 2017, when he applied for his first loan with KEP Trust, a leading microfinance institution in Kosovo. His initial loan—just 1,000 euros—helped him purchase a few young cows, while his second, a year later, helped him buy a more reliable tractor. His most recent loan came in the spring, when COVID was raging and his country was emerging from lockdown. The funding helped boost his herd size, which now consists of seven dairy cows and two beef cows. With an output of 100 liters of milk a day, and double the income he had just last year, Bala says his business can now withstand slight market disruptions, like when the price of milk dipped earlier this summer.

"I can buy books and clothes for my four children and not worry," he said recently from KEP offices in Pristina.

Bala is one of an estimated 2,600 farmers now receiving a loan from KEP, which together with Agency for Finance in Kosovo (AFK) and Kreditimi Rural i Kosoves LLC (KRK), two additional microfinance institutions, are supported by IFC and the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP). The 18 million-euro investment is helping these three microfinance institutions expand their support to smallholders and small businesses in Kosovo, particularly in underserved rural areas.

"Small farmers in Kosovo have difficulty accessing finance and navigating the banking system," said Vahdet Anadolli, CEO of AFK. "Access to finance is critical for creating jobs, but traditional banks see the agricultural sector as too risky."

Agriculture is critical to Kosovo's private sector development, and though it accounts for an estimated 30 percent of employment and 13 percent of GDP, it accounts for just 4 percent of total borrowing in the country's formal sectors. The challenge is compounded by the marginalization facing many communities outside the country's urban centers: Approximately 60 percent of the Kosovo's poor live in rural areas and over 40 percent of the rural population is unemployed.

Lulzim Sadrija, the CEO of KRK, says that the country's thriving microfinance institutions play a critical role in serving rural communities. Many would-be clients lack financial literacy or sufficient lending history to navigate financial bureaucracy, and with little to offer as collateral, they are shut out of the formal banking sector. KRK therefore simplifies the loan process for clients who are unable to provide balance sheets and other regulatory information. For many farmers, a small loan helps build credit so that they can later turn to formal banking institutions a later point, equipped with credit history. "Our lending starts at 200 euro and goes all the way to 25,000 euros," Sadrija said. "We are flexible and give farmers opportunities that traditional banks cannot."

Many clients appreciate the flexibility. Shpresa Hyseni recently received a 5,000 euro loan from KEP and the process took just a few days, with "very little paperwork," she noted with a smile. Hyseni used the loan to expand her farm in northern Kosovo, from just two cows to a dozen. The extra income has helped the family secure a comfortable home, while also sending their son to preschool. "We didn't have much income when we started our business and now, we have plans to expand and even double the size of our herd," she said.

According to Muharrem Krasniqi, KEP's Head of Agro Lending, Hyseni is typical of their agricultural clients—most of whom use the loans for small, incremental investments that have significantly improved lives and livelihoods. "Our loans can't help farmers build a new barn or buy a large plot of land, but it can help them make small and important changes—whether it's enlarging a stable, building troughs for their herd, or buying more cows."

Kosovo, a potential candidate for European Union membership, with a population of 1.8 million, has experienced solid economic growth over the past decade, but remains one of the poorest countries in Europe. Microfinance has been critical to the country's post-war rebuilding, AFK's Anadolli said. "The whole country had been destroyed and microfinance helped provide financial support to unbankable clients to build their businesses and move forward."

The three financial institutions were hit hard by COVID-19, however: In March, the Central Bank of Kosovo issued a moratorium for all clients of financial institutions, which prohibited them from collecting any payments due. Their business cycles came to a halt for nearly two months, though they resumed operations in mid-May as the country began easing restrictions. IFC worked closely with the institutions throughout that period, delaying repayment of IFC's own loans and working with senior management on a crisis response strategy to help navigate the pandemic.

The strategy is working: Kosovo's microfinance sector is stabilizing, which is good news for farmers like Mehmet Sylmetaj. A 2017 loan from AFK helped him expand his farm in Gercine, about two hours outside the capital, and he's hoping to take out another loan soon. Sylmetaj owns 40 cows and several hectares of wheat and corn and with the earnings, opened a small bakery in the village nearby. "My next plan is to build a home for my family," he said recently. "I have hopes for a better future."

Kosovo has experienced solid economic growth over the past decade but remains one of the poorest countries in Europe. Microfinance has been critical to the country's post-war rebuilding.

Photo courtesy of KEP Trust

Photo by Sambrian Mbaabu/World Bank

COVID Conversations

With COVID-19 disrupting supply chains, industries, and markets across the globe, we checked in between May and December 2020 with GAFSP Private Sector Window clients to see how the health and economic crisis was affecting their businesses and the smallholders in their supply chains.

Photo by A'Melody Lee/World Bank

Keep Calm and Drink Tea: The CEO of a Global Tea Company on COVID-19

A conversation with Nadeem Ahmed, Founder and Chairman of Global Tea and Commodities Ltd., an integrated tea, coffee, and macadamia nut company.

IFC and GAFSP's joint investment in Global Tea has helped the company expand its tea, macadamia, and coffee processing operations in Africa. The investment was backed by an advisory program that is providing financial literacy and agricultural training to about 3,000 macadamia nut farmers (about half of them women) in the company's supply chain in Malawi. Global Tea operates in Kenya, Malawi, Tanzania, Somalia, and Sudan. In this interview, Ahmed, who is based in London, talks about soaring demand, port delays, Kenya's mandatory curfew, and why frayed nerves are helping his business weather the COVID-19 storm.

Question: How has COVID-19 impacted your business?

People are drinking more tea and because of the uncertainty they are stocking up. We're one of the few industries that hasn't been negatively affected and we're even tracking ahead of last year. Instead of buying one package of tea, people are buying three or four cartons. It's part of a larger trend of stocking up on long-life items, including nuts, coffee, and porridge. We're seeing a slowdown in the food service industry because people aren't drinking tea in restaurants or hotels, but the net impact is still positive. However, it's a pity we're in a better position because of a bad situation. I would, of course, be happier to be in a better situation without the pandemic. Whatever happens during these unusual and challenging times, keeping our staff safe remains our top priority.

Question: How are COVID-19 restrictions impacting your supply chain?

In Kenya, many tea outgrowers have other jobs, with tea providing only a supplemental income. However, because many outgrowers are facing travel restrictions, or are unable to work their other jobs, they are devoting themselves full time to the tea fields—and sometimes even their family members are joining them. This means that more people in Kenya are plucking tea than in previous years, resulting in record crop sizes. In Malawi, our macadamia business is continuing at pace. We sold our 2020 crop before COVID-19 hit, so now we need to make sure we produce it. Our factories in Malawi are running normal hours because COVID-19 has been very limited there, with just a few isolated cases. Macadamia nuts are part of the larger trend

"Our cash flow working cycle is slower and cash flow is tight. But we've managed to cope, even with higher demand, by being very efficient."

Photo by Road Provinces/Shutterstock

we are seeing with tea: People are consuming long-life products, and because nuts have high nutritional value, they are popular because people are concerned about staying healthy.

Question: What precautions are Global Tea taking to keep workers safe?

We have more than 3,500 employees across our operations in Africa. In Kenya and Malawi, everyone uses sanitizer before entering our factories and they must wear masks and gloves. We are also strictly enforcing distance between workers. Government inspectors have visited the factories to ensure hygiene and social distance guidelines are being obeyed. It hasn't been a difficult transition as our employees are already used to strict hygiene protocols. Many of our operations are automated with conveyer systems, and so it's possible to enforce social distancing. We have not made a single employee redundant in our Malawi factories and in Kenya, we're employing more people because we are buying more and packing more.

Question: How has the mandatory country-wide curfew in Kenya, from 7 pm to 5 am, affected your operations?

Because tea is an essential commodity in Kenya, tea manufacturing has not been affected. Kenya depends on the offtake tea industry, which exports about a billion dollars' worth of tea every year. It's critical to the country's foreign exchange earnings, so tea factories have been operating as normal. We've also added another shift at the factory to help our efficiency, so workers arrive in the evening before curfew and leave in the morning after the curfew is lifted.

Question: What impact is the dramatic slowdown in travel having on your international business?

Many of the services we rely on—couriers, banks, or loading at the port—are all slower because of COVID-19 restrictions. Our documents go to customers by courier, for example, and the delay means that instead of getting paid in three days, it's taking 10. Flights are canceled, couriers work shorter hours because of curfew, and the banks are all working with skeleton staffs. The slowdown is everywhere. Once we buy tea, we take seven to 10 days to pack it and then we ship it. But because of the curfew, transport to the port and our ability to load the containers have been slowed. Before COVID-19, we could load 20 containers a day, but now we are loading 10. When it takes longer to load, we may miss a vessel, which means waiting for the next one a week later. Our cash flow working cycle is slower and cash flow is tight. But we've managed to cope, even with higher demand, by being very efficient.

Photo courtesy of Mountain Hazelnuts

Disruption in a Nutshell: How Bhutan's Largest Employer is Weathering the COVID-19 Storm

A conversation with Daniel Spitzer and Teresa Law, CEO and CFO respectively, of Mountain Hazelnuts, Bhutan's largest private sector employer.

IFC and GAFSP's joint investment in Mountain Hazelnuts supported the company's program of providing free saplings, agricultural inputs, and training to the more than 12,000 smallholder families and community organizations in their supply chain. Spitzer and Law, a husband and wife team, talked recently about the challenges of transporting plantlet tissues out of China, what happens when hazelnuts are put in quarantine, and why their company built five ventilators to serve the rural Himalayan communities they now call home.

Question: How has COVID-19 affected Bhutan and your business more broadly?
Bhutan's leadership realized that COVID was a threat and moved very quickly. The King has actively overseen efforts to protect the wellbeing of the country's citizens. Together with the Prime Minister, who is a physician, and many members of the Cabinet, who are also medical doctors, they are putting the wellbeing of citizens first and the economy second. Bhutan's government has been very proactive and so far, there have fewer than 500 COVID cases and no deaths to date. Bhutan's borders are effectively closed, and air travel is limited to occasional repatriation flights. There are also stringent travel restrictions between Bhutan's 20 districts. This year, for example, we planned to register another 3,000 acres to be planted and the closures are causing significant disruption. Usually, our advocacy team travels around the country, introducing hazelnut as a cash crop to interested farmers in public meetings. Public gatherings of more than three people have been prohibited and so we pivoted to a combination of online registration and door-to-door communication. Mountain Hazelnuts has roughly 150 extension officers around Bhutan and each support 50 to 100 orchards with bimonthly visits. Many of them have taken on the advocacy role in their communities, and although it's been less effective, we are developing new capabilities and competence. The most significant disruption has been that the lockdown coincided with the exact timing of the hazelnut harvest. We saw a significant increase in production this year, but growers could not get to their orchards and harvest most of their nuts because of travel restrictions. We quickly implemented a mobile collection system with limited staff who used a custom-designed app to track nut

collection and make digital payments directly to farmers.

Question: How is COVID impacting the smallholders in your supply chain?
Many of our smallholders have family members who send remittances from abroad, which have dropped significantly. Trade and imports are carefully regulated now, so we have difficulty getting growers the inputs they need. Late spring is the season for distributing and planting trees around the country: when the first rains started, we would normally have numerous trucks rumbling along farm roads throughout the country, each filled with thousands of saplings. Because we're not allowed to move from one district to the next, this process has become incredibly challenging. We now have a backlog of one million trees in our nurseries. We normally provide all kinds of inputs, including fertilizer, tools, and electric fencing to keep out wildlife, but we're unable to import the raw materials. Everyone's income has been affected, but one positive is that most of our supply chain consists of subsistence farmers who grow their own rice and vegetables—and so nobody is going hungry.

Question: Are trade disruptions affecting your operations?
COVID has seriously impacted our supply chains, domestic operations, and sales. We partner with a tissue culture laboratory in Yunnan, southwestern China, which micro-propagates hazelnut for us. In most years, we import at least one million tissue culture plantlets via air transport through Bangkok. As these are tiny, vulnerable plants, we transport them in climate-controlled boxes. Our typical shipment of 100,000 plantlets is kept overnight in a cold storage facility in Bangkok before flying on to Bhutan's international airport. We then drive them for 15 hours to our main nursery, changing ice packs along the way. In early February, one of our shipments was delayed and our plants got stuck in Bangkok for an extra few days. While we usually achieve 75 percent survival, more than 60 percent of this shipment died due to the shipping delays. We've been forced to stop or reroute our tissue culture plantlets and so our most important form of propagating new trees has been disrupted. It has been a significant setback in our supply chain.

Question: Have your exports been affected?
We ramped up to export early this year and had originally planned to sell to China, but as concerns about the virus spread in China, we pivoted and began to explore potential buyers in Southeast Asia. In March, we exported to a buyer in Malaysia, via India, and new restrictions added uncertainty and costs to the logistics. When the shipment reached Port Klang in northern Malaysia, it was put in a 15-day quarantine. Though the hazelnuts were released, the customer was unable to get the nuts to their distributors for several months because of restrictions. We were eventually paid, but it's never good when your customer suffers, irrespective of whether you caused the problem.

Question: What has Mountain Hazelnuts done to protect its employees?
We started preparing for COVID in February and so by the time Bhutan diagnosed its first case on March 4th, we had already implemented safety measures. We lived

Photo courtesy of Mountain Hazelnuts

in China during the SARS (Severe Acute Respiratory Syndrome) pandemic in 2003 and so we were already taking precautions, because it was clear to us what was going to happen. To facilitate social distancing, we created shift work schedules so that employees alternated between working from home and the office. At the office, we implemented daily temperature checks, modified the water taps and door handles to enable hands-free operation, and provided training on remote work effectiveness. Seven of us completed a training program in peer counseling to help colleagues handle stress and adjust to new schedules. While we aren't professional psychotherapists, we give people a sympathetic and listening ear. We've also kept all our staff on payroll, despite the financial hardship. Mountain Hazelnuts and our partners took a big hit in revenue but nevertheless, we continue to support the broader community. We provided hazelnuts to a female artisanal chocolate maker for her products, and with financial support from the Land Degradation Neutrality Fund, inaugurated a program with a local civil society organization to provide interest-free loans to entrepreneurs in the hazelnut value chain. We're also making sure to look out for our employees. One of our colleagues has congenitally weak lungs. We recognized that would be a potential problem for him and realized that people in nearby communities also had potential respiratory issues. One of our senior technical people took this on as a project and fabricated five ventilators, which can serve eastern Bhutan in case the need arises. This isn't something that everyone should do, but if you live in a rural part of the Himalayas and have tens of thousands of people who look to you for help, sometimes it is incumbent on you to figure things out.

Photo courtesy of Mountain Hazelnuts

"One of our senior technical people fabricated five ventilators, which can serve eastern Bhutan in case the need arises. This isn't something that everyone should do, but if you live in a rural part of the Himalayas and have tens of thousands of people who look to you for help, sometimes it is incumbent on you to figure things out."

LUNA HAS MORE THAN 1,200 SMALLHOLDERS WHO RECEIVE TRAINING AND COACHING ON ANIMAL HEALTH AND IMPROVED FORAGE DEVELOPMENT.

Photo by Mikias Sissay/IFC

In Ethiopia, COVID-19 is Causing Disruptions in Meat Processing as Demand Surges

A conversation with Tesfalidet Hagos, the founder and general manager of Luna Export Slaughterhouse, one of Ethiopia's largest meat processors.

IFC and GAFSP are working closely with Luna on a four-year program to train farmers on methods to improve the quantity and quality of the company's goat and sheep meat supply. IFC is also advising Luna on rigorous hygiene, marketing, and distribution strategies, improvements that recently won Luna a **Global Food Safety Initiative award**. *Hagos spoke to us about the challenges of transporting animals during lockdown, the surge in international demand from the Middle East, and how COVID restrictions are slowing operations at his sprawling abattoir south of Addis Ababa.*

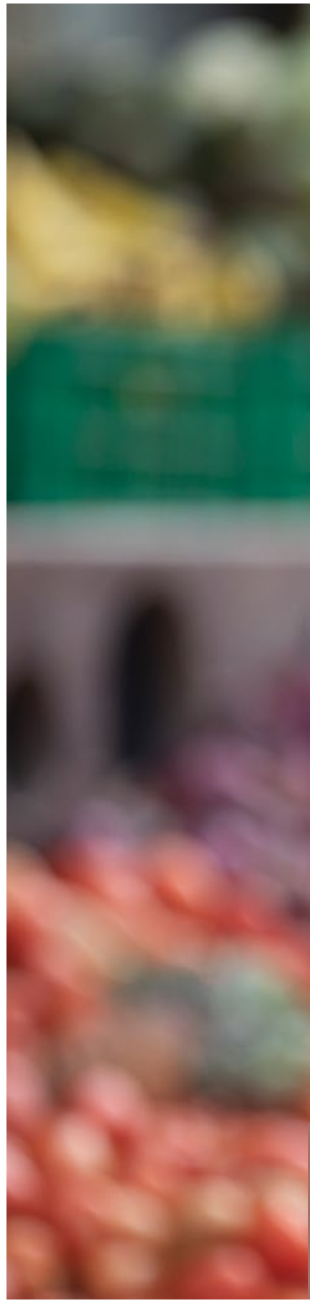
Question: How is COVID impacting Luna?
Demand has been steady, but the restrictions have slowed our production. At the beginning of COVID, people were very worried. At our retail stores in Addis Ababa, turnover was high, and shoppers bought as many fruits, vegetables, and meat as they could. But we're not as productive as we want to be. We've reduced the number of employees working in the factory by about 50 percent because social distancing means having fewer people on the factory floor. We also provide transportation from our employees' homes to the factory and we've needed to reduce bus capacity, also by about half. Many of our employees are now on paid leave and those who are still working need to work longer hours, which means we are also paying overtime. We have mandatory temperature checks at the gates and have purchased personal protective equipment—gloves, face masks, and sanitizer. We are prioritizing the safety of our staff, but all of this has meant incurring extra costs. The sales are still solid though and so I can't complain.

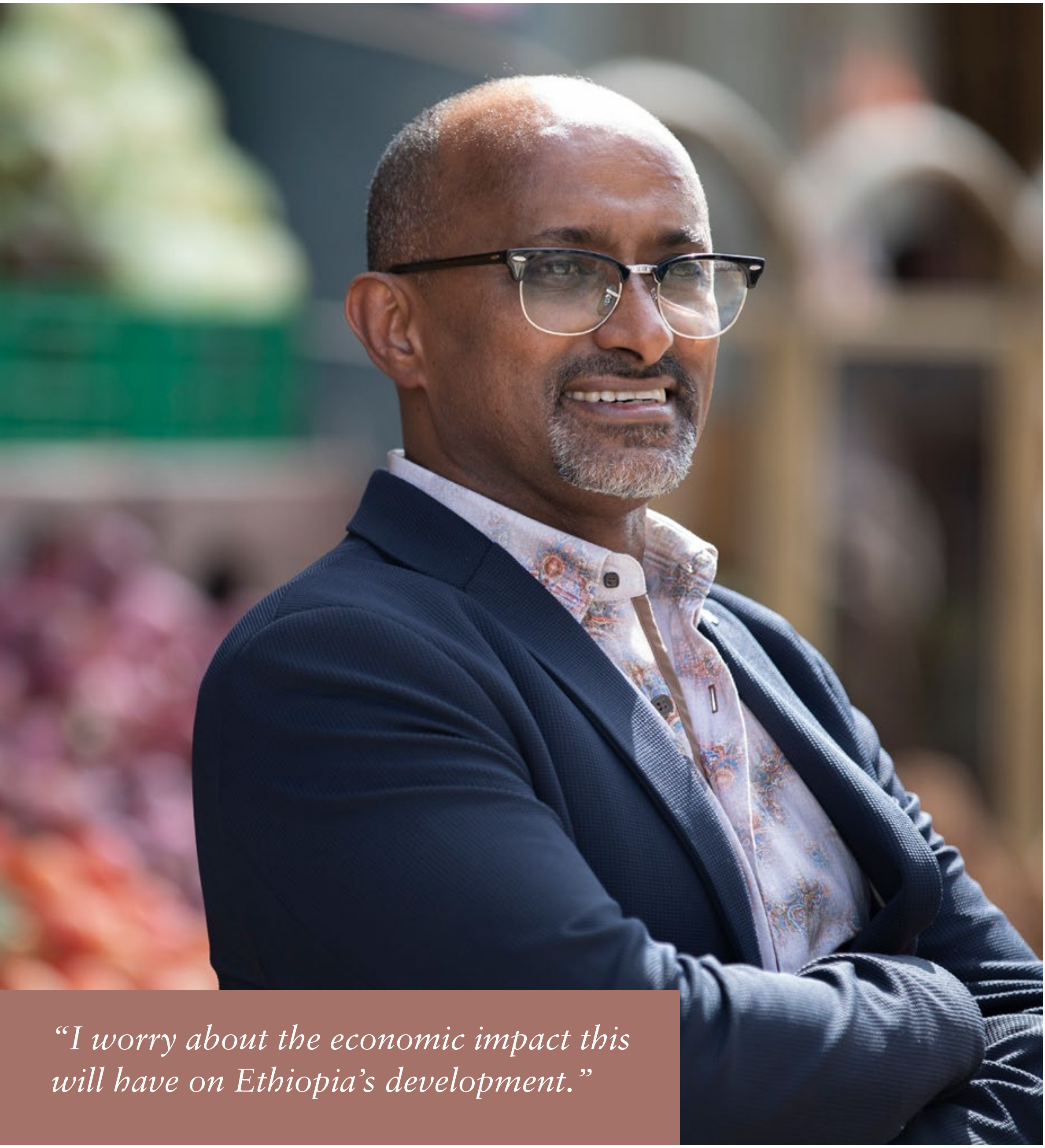
Question: Have restrictions impacted your export business?
We used to rely on passenger flights to export meat and we've needed to shift to cargo flights, which leave every other day—and not daily. It has been a minor disruption, but we've been lucky, and haven't faced problems with our cargo getting through customs. We export our meat mostly to Middle Eastern countries, mainly the United Arab Emirates and Saudi Arabia, and demand there continues to be high, especially during Ramadan. We're also seeing growing demand from countries like India, where production stopped because of the lockdown there. And because the supply of meat from India to countries like UAE has decreased, we are seeing a supply gap in the market.

Question: Have you been able to keep up with this surge in demand?
To increase production, we need to be getting new animals every day. Particularly at the beginning of the pandemic, there were movement restrictions for people, but also goods and items and so we couldn't get enough animals to our slaughterhouse. We were only getting animals from the surrounding district and not from further areas, and so production was down. We were busy, but not as much as we wanted.

Question: How have the smallholders in your supply chain been impacted by these disruptions?
Luna has more than 1,200 smallholders under the outgrower program who receive training and coaching on animal health and improved forage development. Though they are not impacted by COVID directly, they have been affected by movement restrictions: Luna community facilitators and technical experts were not able to travel to provide technical support to the farmers and instead, needed to rely on phone support, which is not as effective. People from rural areas couldn't go to urban areas and people from urban areas couldn't go to rural areas. The number of COVID cases in rural areas has so far been negligible, but the fear is that if it starts spreading there, it will be very difficult to contain. Many farmers have been unable to take their animals or other farm products to market and though restrictions are starting to loosen up, the farmers we work with still need permits to move between districts. Disruption has had a real impact: things were at a complete standstill for a while and though we are getting a supply of animals again, we're still not able to get to the numbers we had before, especially from pastoralist areas.

Question: How has COVID affected the agriculture sector in Ethiopia more broadly?
Compared to sectors like tourism, construction, and transport, the agriculture sector has been only mildly affected. But as you know, these sectors are all interrelated and so we are seeing that the availability of agricultural inputs is more limited because of transport disruption. Tourism has been severely affected; our supply to hotels has fallen by about 75 percent. Everything is interlinked and the government is doing a good job balancing between controlling the spread of disease on one hand, and the controlling economic impact of the disease, on the other hand. But I worry about the economic impact this will have on Ethiopia's development.





"I worry about the economic impact this will have on Ethiopia's development."

Photo by Dominic Chavez/IFC

MICROFINANCE WILL PLAY A CRUCIAL ROLE IN KOSOVO'S RECOVERY, PARTICULARLY FOR SMALL BUSINESSES THAT AREN'T ABLE TO GET CREDIT WITH THE TRADITIONAL BANKING SECTOR.

Photo courtesy of KEP Trust

From Farmers to Finance, the Impacts of COVID-19 in Kosovo Are Widespread

A conversation with Adrian Alo, Chief Financial Officer at KEP Trust, Kosovo's largest local microfinance institution.

IFC and GAFSP's support to KEP has helped the company increase its lending to farmers and small businesses, who have traditionally been unable to secure funding from the country's commercial banking institutions. IFC has worked closely with KEP and other microfinance clients in Kosovo, delaying its own repayment and working with senior management on a crisis response strategy to help navigate the pandemic. Alo spoke to us recently about why business owners are shying away from new lines of credit, the role of microfinance in Kosovo's post-COVID recovery and why he's redefined success for the pandemic era.

Question: How is COVID impacting KEP?
We've faced significant disruption to our business. In March, the Central Bank of Kosovo issued a moratorium for all clients of financial institutions, including KEP, which meant that we couldn't collect any due payments from our clients. For about two months, our business cycle was totally disrupted: we couldn't collect debt and stopped issuing new loans and so we faced a serious lack of liquidity. Kosovo has since eased restrictions and since mid-May, we have begun to disburse loans again. Though our clients still face some restrictions, our business is starting to return to normal, though the demand for microloans is still much lower than normal.

Question: Why is demand so low?
During the early days of the crisis, focus was on survival and meeting basic needs. Our clients were fearful: they concentrated on having food and medicine, not on new opportunities. There was just too much uncertainty to start a new business. I think microfinance will play a crucial role in Kosovo's recovery, particularly for small businesses that aren't able to get credit with the traditional banking sector. Most of our economy depends on small business, family-owned farms, corner shops, car washes—all of whom are microfinance clients. We serve almost the same number of people as the banks, but our average loan is only around 2,500 euros.

Question: Was KEP able to prepare for COVID?
We prepared, but not for the scale or the extent of the crisis. Before the pandemic hit, we conducted liquidity stress tests, did a risk analysis, and had a contingency plan in place. But no one could have predicted the scale of what we experienced. Our liquidity stress test was done on the assumption that 20 percent

"The impact of the crisis is starting to soften: clients are coming back, getting applications, and seeking new loans. We are also offering clients impacted by COVID the opportunity to restructure their loans and decrease their payments, where possible, with additional grace periods."

Photo courtesy of KEP Trust

of loans would not be paid, which we considered severe at the time. But then we had a moratorium for 100 percent of clients. There were also unprecedented circumstances like severe movement restrictions and geographic quarantines, with entire cities and towns totally locked down, which we never anticipated. In those areas, our branches had to be temporarily closed. We are starting to get back on track in terms of liquidity, but our profits will suffer. If we can even break even this year, it will be a success.

Question: How have your smallholder clients been impacted by COVID-19?
For the most part, our agricultural clients were able to buy inputs like seeds and fertilizer to sustain production. The real challenge they faced was in accessing markets and selling their goods. Open-air markets were closed for many weeks and only large supermarkets were able to operate. But the chain stores don't sell food that comes from our small-scale farmers. As a result, many farmers needed to offload their produce for very low prices.

Question: What are some protections KEP has taken to protect its employees?
The financial sector was considered a priority group alongside utilities, grocery stores, and pharmacies and so KEP, like other banks and microfinance institutions, continued to operate throughout. To maintain safety, we worked in shifts, provided masks and gloves, regularly disinfected the buildings, and built plexiglass windows to separate our employees from clients. We also released people older than 55 from having to come into the office. We have approximately 260 employees and thankfully, no one on staff has contracted COVID-19.

Question: What will the next few months look like for KEP?
The impact of the crisis is starting to soften: clients are coming back, getting applications, and seeking new loans. We are also offering clients impacted by COVID the opportunity to restructure their loans and decrease their payments, where possible, with additional grace periods. There's an increase in the number of clients behind on their payments and since the start of the pandemic, our staff has put out 72,000 calls to clients to check on how they are doing and track whether they will be able to repay their loans. Without a doubt, the share of our portfolio at risk is higher than normal, but it's under control. Our collections department is very careful in using only "soft measures" and they haven't collected collateral or blocked assets at any point during the crisis. We are receiving similar flexibility from our lenders. We had a payment due to IFC on April 15 and we were granted a 90-day extension, which we were able to repay after 45 days. KEP is back on track and I'm fully confident that we will stay there.

Photo by Nahuel Berger/World Bank

In Honduras, COVID-19 Is Taking a Toll on Smallholder Farmers

A conversation with Mateo Yibrín, CEO of the Cadelga Group, one of the largest distributors of agricultural products and services in Honduras.

IFC's support to Cadelga has helped strengthen its network of retailers and create a new department, AgroMoney, which provides loans to smallholders in the form of fertilizer, seeds, and irrigation technology. Yibrín spoke to us recently about the panic purchases that are keeping his company afloat, why Honduran farmers are giving away free melons in towns across the country, and his message to the world on behalf of farmers who are suffering.

Question: How is COVID-19 impacting Cadelga?

At the beginning of the pandemic, our employees couldn't travel to farms to provide inputs to farmers. The situation is now improving, and we're able to supply about 85 percent of our growers. Planting season started in May and so getting access to inputs was critical for farmers. Overall, though, the company is doing well given the circumstances: people are confined to their homes and consuming and storing more. We're seeing demand for basic foods—staples of the Honduran diet like grains, beans, rice, corn and sugar—go up by 15 to 25 percent. People are scared that they will shut down the supermarkets.

Question: How has the pandemic impacted smallholders you work with?

The main challenge facing farmers in rural areas has been the movement restrictions. Many farmers couldn't get to their fields or to the highway to access markets. The police and military are monitoring movement and so it takes time and money to get from villages to large markets. Farmers are still able to produce, but often, they are forced to accept lower prices and are losing money. Some smallholders have either delayed planting or decreased the planting area to try to save money. The environment is tough, because if Honduran farmers aren't able to supply the market, produce from Guatemala, where farms are much larger, will begin to take over. The pandemic started in the middle of the coffee harvest and so a lot of coffee was lost. What was harvested was difficult to sell because of the restrictions. As a result, some farmers couldn't pay their bills or workers, which has created a difficult chain.

"Over the past few years, we've had drought, bad commodity prices and now a pandemic. We hoped at the beginning of the year that 2020 would be a year of growth, but unfortunately, that didn't happen."

Photo by Marco Vasquez/Shutterstock

Question: You launched AgroMoney to provide smallholders with access to capital. Is that helping farmers weather COVID at all?
In the past, small growers never had access to financial systems: they went to family, neighbors, or community lenders. AgroMoney is helping address that gap, but our biggest challenge is that we are not growing as fast as we anticipated. We're now reaching 1,200 smallholders, which is half of what we planned for. In the three years since the project started, we've had two years of consecutive drought, bad commodity prices and now a pandemic. We hoped at the beginning of the year that 2020 would be a year of growth, but unfortunately, that didn't happen.

Question: What are the challenges now impacting the agricultural sector?
Honduras is big exporter of melons and other fruit, mostly to Europe, but it's all been shut down. Melon exporters are just giving away melons for free in the town centers and we've sent big containers to pick up melons to give out to our employees. Exports of shrimp and textiles are also down and palm oil prices are very low. These are tough times. If I was the voice on behalf of smallholders, I would tell the world to open their markets to our fruits, vegetables and other products.

Questions: What sort of measures has Cadelga taken to protect its employees?
Cadelga employs nearly 3,500 people across Honduras, Guatemala and El Salvador. We've had about 50 of our people impacted by the virus and all of them were detected early. Thankfully, they've been able to isolate at home and no one had to be hospitalized. We've implemented strict biosecurity protocols for employees and customers. People who come to our store form a line with two meters between each customer; one by one, they get their temperature checked and then within the stores, we built separations between the clerks and customers. We also disinfect our products before loading them into a client's truck. In our fertilizer plants, we are taking similar precautions: medical professionals check our employees every day for symptoms before they enter the factory, and everyone wears a mask and washes their hands.

Question: How is COVID-19 impacting Honduras more broadly?
As a country we will take a big hit: some experts are saying the pandemic will create an additional half a million new poor people and some say the number will be closer to one million. Economic activity has decreased significantly since March and we've taken a big hit in tourism and textiles, which employ many people. The government has ordered banks and the tax office to delay the deadlines for loans and payments, which is giving oxygen to many businesses. I think we will feel the real impact only at the end of the year, when payments will be due and businesses will start to shut down. I tell my employees, friends and family that this is something we need to learn to live with. This year it's COVID, and next year it will be something else and the year after that another thing. We need to learn to deal with the uncertainty, particularly in countries like Honduras, which have a big crisis every few years. The main issue is how much poverty will grow and whether the country has the resources to take care of it.

Photo by Sambrian Mbaabu/World Bank

In COVID-19 Era, Donors Face Challenges Ahead

A conversation with Iris Krebber, Head of Agriculture and Land at the Directorate General for Economic Development and International at the UK Foreign, Commonwealth & Development Office (FCDO).

Krebber, who is also chair of the GAFSP Private Sector Window Donor Committee, spoke to us about the challenges now facing the donor community, what keeps her up at night, and how she found professional fulfillment—but only after leaving a career in the private sector behind.

Question: What are some of the food security challenges donors are confronting because of COVID?
COVID-19 doesn't fit in to any of our established paradigms and so the donor community is living with a great deal of uncertainty. At the same time, we need to come to a consensus quickly about what should—and should not—be done. In early April, we kicked-off a donor debate with 17 donor representatives so that we could explore potential areas of cooperation. It was a great first step and though we saw a lot of convergence, there's hasn't been a decision to act together or to align our work. The task ahead is enormous and so the challenge for donors is to make sure that the system doesn't divide us. Money is scarce and we need to make sure that with the COVID-induced drop in gross national income (GNI), our funds are put to best use and go further.

Question: How has FCDO and your department more specifically, responded to COVID?
FCDO has already spent almost £800 million on the immediate health response, including vaccine development, and we have repurposed key programs, particularly in agriculture, food security and social protection. We are also thinking strategically about our path forward and commissioned a rapid evidence analysis to help guide our response. The **study** found that donors tend to jump at the immediate health challenges—vaccines and the provision

of personal protective equipment (PPE), for example—and then to humanitarian relief, but in the process, tend to leapfrog agricultural investments and very critical livelihoods programming. We need to avoid repeating that mistake so that we are safeguarding incomes, jobs and food security, as well as boosting agriculture SMEs, for example, alongside our humanitarian and health response. This is much cheaper than having to save lives with relief assistance once livelihoods have been lost. One of the important recommendations that emerged was to not start something new and instead direct assistance at scale through established networks on the ground. That's why GAFSP has such an important role moving forward: It is not another entity, but rather an initiative to make the whole system deliver better together.

Question: How does GAFSP fit into the food security architecture, particularly in light of COVID-19?

GAFSP was created to respond to crises like these. I think that GAFSP is well positioned because it is already working in the poorest countries with preexisting shocks and challenges, including high hunger baselines, climate vulnerability, extreme poverty, and fragility. Many SMEs in these countries are suffering because of interruptions to their supply chains, higher transport costs, and an inability to access markets. They are running into financial trouble and so GAFSP Private Sector Window can play an important role. These companies need more flexible financing conditions, particularly since commercial credit is now even more out of reach and interest rates are rising very quickly. If agricultural SMEs fold, the food supply chain will collapse, with immediate food security impacts for producers and many consumers, in addition to the loss of incomes and jobs.

Question: What most concerns you when it comes to COVID-related challenges facing smallholders? Is there something that keeps you up at night?

I'm troubled by generalizations I hear from non-experts who claim that smallholders will be relatively unaffected by the COVID crisis. How can they make these claims when all we know for sure is that COVID is a unique crisis with an unprecedented mix of challenges that present differently depending on the context? People assume that smallholders and subsistence farmers will be fine because they have food, even if supermarket shelves are empty. And while there may be a grain of truth in that, such unsubstantiated generalizations undermine any meaningful debate and overlook the fact that smallholders in many areas are already facing disruptions: Consumer prices for many commodities are going up, but the prices farmers are receiving are often going down. Many smallholders also rely on family members who send incomes from the city and those incomes are collapsing, as are remittances from family members overseas, which means they may not be able to buy inputs for the next season. We are also hearing about a lot of land grabbing and unlawful evictions that are happening under the guise of a COVID response. We need to make sure that people aren't losing their livelihoods or there will be a massive wave of distressed land sales, which would be disastrous for many smallholder families. This would further add to the humanitarian caseload and many of those farmers may later end up in an urban slum, with little

Photo by Yaw Niel

opportunity to return to their communities. These are very serious risks that need to be addressed.

Question: How did you get into development work? And how did you get into agriculture and food security specifically?
After completing my masters' degree, I worked in the private sector for seven years. I made very good money, but I found myself wondering if it was really what I wanted to do with my life. At the time, I worked for the German automobile industry and was assigned to a project where I connected with various chambers of commerce and government representatives from India and South Africa, which had recently become independent. We were working on shaping industrial policy, including a constructive role for trade unions. The project focused on how to get as many people out of poverty the quickest through sustainable and well-paid employment, while also contributing to national growth and prosperity. I felt like I was doing something with a purpose—something that was meaningful—and it felt fantastic. So, I went back to school and got another degree, this time in the management of humanitarian affairs and development. I went to work in the Horn of Africa for two years and that quickly turned into ten. I became the Regional Director for **Welthungerhilfe**, the largest German NGO working on agriculture and development, and one morning, a group from the UK's Department for International Development (DFID) came to visit one of our programs for the Masai. At the end of the day, someone asked if I would be interested in working for DFID. A day later, I had the paperwork in my inbox.

Question: To wrap up, what would you say most motivates you?
I want to be moving our action and debate to the next level so that we're not just continuing in the same direction—but actually elevating our work and doing it better. I want to drive a paradigm change: instead of asking the 'what' questions, we need to be asking 'how' we can bring change at scale. When I look at my life, I've always been most interested in people who think outside the box and who join forces to achieve innovation and progress. That's what we need to better understand the big picture and see how all the pieces fit together.

Photo by Arne Hoel/World Bank

Supporting agribusiness and agri-finance projects that commercial investors deem too risky is what GAFSP Private Sector Window does best.

Global Agriculture and Food Security Program (GAFSP) is a global effort that pools donor resources to fund programs focused on increasing agricultural productivity as a way to reduce poverty and increase food and nutrition security. The Private Sector Window, managed by IFC, and supported by the governments of Australia, Canada, Japan, the Netherlands, the United Kingdom and the United States, provides long- and short-term loans, credit guarantees, equity, and technical assistance to private sector companies and financial intermediaries. It links smallholder farmers to markets by improving their access to finance, technology, expertise and inputs.

International Finance Corporation, a member of the World Bank Group, is the largest global development institution focused exclusively on leveraging the power of the private sector to tackle the world's most pressing development challenges. Working with private enterprises in more than 100 countries, IFC uses its capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity.

For more information, visit **www.gafspfund.org** or **www.ifc.org/GAFSP**.

Report editor: Daphna Berman

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