



PRIVATE SECTOR SOLUTIONS FOR HELPING SMALL FARMERS

#### **Foreword**

#### The Private Sector Window: Blazing a Trail with Blended Finance

In a world of turbulent financial markets and competing priorities for foreign aid, the work of GAFSP's Private Sector Window—supported by the governments of Australia, Canada, Japan, the Netherlands, the United Kingdom and the United States—has never been more critical.

As world leaders grapple with ways to achieve the Sustainable Development Goals, there is acknowledgement that we cannot rely solely on traditional financing structures and instruments. That's where the Private Sector Window of GAFSP steps in—by using our blended finance solutions to address global challenges like poverty, food insecurity, and climate change.

We believe that our blended finance investments in agribusiness have the potential to transform development finance as know it. This year, our combined investment and advisory services—with new projects in Kenya, Côte d'Ivoire and Cambodia—have invigorated private sector agribusinesses in low-income countries and linked tens of thousands of smallholder farmers to markets by improving their access to finance, technology, expertise and inputs.

As of December 2016, GAFSP's Private Sector Window (PrSW) has approved 42 investment projects in 24 countries with a total project size of \$1,418 million, deploying \$226 million of GAFSP PrSW funding. In addition, we have approved 36 advisory projects valued at \$9.1 million.

In Kenya, alongside other partners, the Private Sector Window made an investment to finance seven small hydropower plants along rivers close to that country's finest teagrowing areas. Cutting the cost of power will result in significant savings for tea factories, increasing financial benefits to 350,000 smallholder tea farmers—while also reducing the industry's carbon footprint.

Adhering to our commitment to focus on nutrition, this year we made an exciting investment in Insta Products, a company that produces ready-to-use therapeutic food (RUTF), a high calorie fortified peanut based food. The product is packaged in life-saving individual sachets that deliver a powerful 500 kilocalories to those in war or emergency zones suffering from acute malnutrition.

Insta sells these sachets to relief organizations including UNICEF, which distribute RUTF in conflict affected areas, particularly across the East African region and Yemen. GAFSP's combined \$7 million investment with IFC, is expected to help treat over 300,000 people suffering from severe acute malnutrition annually.

This year the Private Sector Window bid a fond farewell to the head of our program, Laura Mecagni, who retired from IFC in November 2016. Laura steered the Private Sector Window ship since the 2012 with great expertise and grace, helping shape the vision and implementation of the PrSW, and overseeing the growth of the portfolio to over \$1,200 million. She will be sorely missed. The PrSW continues under the leadership of Acting Head, Niraj H. Shah.

This publication offers a snapshot of some of our most recent GAFSP Private Sector Window projects from January to December 2016. Organized under five themes, these investments focus on our efforts to transform the lives of smallholders through 1) raising agricultural productivity and improving climate resilience, 2) adopting high yield and innovative technology, 3) nutrition, 4) closing the gender gap, and 5) improving access to finance.

Facing into the future, we look forward to continuing our work with our partners across the world to increase incomes and reduce hunger among smallholder farmers: one innovative investment at a time.

#### **Private Sector Window Secretariat**

March 2017

#### Small farmers face BIG CHALLENGES along the way from FARM-TO-MARKET

#### **GAFSP** helps overcome them

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.

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.



EVERY \$1 OF PRSW FUNDING LEVERAGES \$8 OF PRIVATE SECTOR FUNDING. ACCESS TO INPUTS ACCESS TO FINANCE GENDER IN-EQUALITY ACCESS TO MARKETS & STORAGE



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

We invest in nontraditional lenders who work with smaller borrowers and private supplychain finance that can provide farmers with more credit & more stable income. We support investments & advisory services that empower women farmers.

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



# 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 © World Bar

#### 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.



Agriculture
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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 © World Bar

#### PRIVATE SECTOR SOLUTIONS

TAKING A CHANCE ON PROJECTS THAT OTHER COMMERCIAL INVESTORS HAVE PASSED IS WHAT GAFSP'S PRIVATE SECTOR WINDOW DOES BEST: INVESTING ACROSS THE ENTIRE FOOD SUPPLY CHAIN FROM FARM INPUTS TO LOGISTICS AND STORAGE, TO PROCESSING AND FINANCING.



The GAFSP Private
Sector Window is
making a
difference,
one innovative
investment at a
time.

We use blended finance solutions and IFC's expertise and knowledge to support projects in the agricultural sector which 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 \$226 million in 42 projects in agribusiness that are aimed at improving the lives of over a million SME and small farmers across the globe. In addition, we are supporting 36 advisory projects valued at \$9.1 million.

These investments are tied to advisory experts 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.

The GAFSP Private Sector Window is making a difference, one innovative investment at a time.

# The Private Sector Window's advisory portfolio includes 36 advisory projects, valued at \$9.1 million.

#### **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:

- Help agribusiness companies improve productivity and standards by creating efficient value chains, ensuring food security, and providing strong economic, social, and environmental benefits for smaller farming enterprises and communities
- Unlock financing opportunities
- Strengthen clients' performance and development impact
- Create markets in fragile and conflictaffected areas and IDA countries

The Private Sector Window's advisory portfolio includes 36 advisory projects, valued at \$9.1 million.

In **Burkina Faso**, our advisory services team worked with Sofitex, the country's largest cotton processor, to help improve the quantity, quality and resilience of the cotton crop there. Our team also trained farmers to help with the growth of rotational crops like maize—an important source of income and food while waiting for cotton yields.



In **Rwanda**, our advisory services provided support to Africa Improved Foods
Limited (AIFL) to build the technical and management capacity for a new fortified food product. We are also helping AIFL to strengthen the supply chain of local cooperatives, and the farmers they serve.

In **Tanzania** and Rwanda, GAFSP advisory services are helping the World Food Program and other offtakers to source improved quality commodities directly from local cooperatives. Our experts have helped in the design of a program to link commercial banks to provide finance to cooperatives, thereby enabling maize farmers to purchase inputs to increase their production and their incomes.





PHOTO © KTDA

## A RECIPE FOR SUCCESS: KENYA'S TEA FARMERS TASTE THE BENEFITS OF HYDROPOWER

KENYA'S TROPICAL CLIMATE AND VOLCANIC RED SOIL MAKE IT AN IDEAL PLACE TO CULTIVATE TEA. THAT'S WHY, FOR OVER A CENTURY, TEA HAS BEEN A MAJOR CASH CROP AND THE LEADING FOREIGN EXCHANGE EARNER FOR THE COUNTRY.

Investments in new technology can't make Kenyan tea any tastier, but they can help boost production and farmers' earnings—and these are the goals of a recent IFC and GASFP investment to finance small hydropower plants along rivers close to growing areas.

Cutting the cost of power will result in significant savings for tea factories, increasing financial benefits to 350,000 smallholder tea farmers—while also reducing the industry's carbon footprint.

The project is being developed by KTDA Power Company Limited, a wholly owned subsidiary of long-term IFC client Kenya Tea Development Agency Holding Limited (KTDA). KTDA produces 60 percent of Kenya's tea and provides income for over 560,000 small farmers who are also shareholders.

The project involves a \$55 million loan arranged by IFC in partnership with GAFSP, PROPARCO, and The Netherlands Development Finance Company FMO. The syndicated loan will impact development at a significant scale. Since energy represents about 30 percent of factory production costs, lower processing costs will make KTDA more competitive, and increase tea prices paid to farmers (as these are linked to processing costs). The excess profit will also go to the farmers as dividends.

The World Bank Group first recognized the potential of KTDA in the 1960s, when it provided funds to finance and establish nurseries and the sale of planting material to smallholders, field training and supervision, the operation of buying centers, and the development of roads.

Now, IFC is supporting the design, construction, operation, and maintenance of seven run-of-the-river small hydropower plants with a total installed capacity of 16 megawatts at various locations in Kenya. The plants will provide captive power generation for the factories of Kenya Tea, and any energy excess will be sold to state-owned Kenya Power and Lighting Company.

#### **WORLD'S FIRST INNITIATIVE**

IN WHICH A FARMER-OWNED INSTITUTION IS UNDERTAKING A RENEWABLE ENERGY PROJECT AT THIS SCALE



PHOTO © Kenya Tea | Lower energy costs are expected to boost the income of 350,000 smallholder tea farmers

The hydropower plants will create more than 2,000 jobs during construction, which is expected to take two to three years. Once the plants are completed, they will add around 60 jobs to the local communities. In addition, the plants will remove over 50,000 tons of carbon from the atmosphere through reduced consumption of diesel and biomass for energy generation.

Kenya's community of tea farmers is firmly behind the small hydropower plants; the farmers are shareholders in the company. Those involved believe it is the first initiative in the world in which a farmer-owned institution is undertaking a renewable energy project at this scale.

Upon completion, the project will demonstrate that such ventures among indigenous power project companies are feasible—possibly stimulating new investments in the area and deepening the renewable-energy market in Kenya. It also demonstrates our evolving, longterm commitment to KTDA, investing for more than five decades in an industry that benefits the people of Kenya and builds capacity and expertise among its citizens and business owners.



# 10M 15% HUTAN'S POPULATION WILL DIRECTLY BENEFIT FROM THE INVESTMENT NEW HAZELNUT TREES WILL BE PLANTED **ACROSS BHUTAN**

PHOTO © Mountain Hazelnuts | Farmers plant hazelnut trees on fallow land that has no commercial us

## BLENDED FINANCE IN A BHUTANESE NUTSHELL

IN 2012, STRUGGLING TO CULTIVATE HER ANCESTRAL FARM IN BHUTAN, ANI KINZANG CHODEN HEARD WHISPERS ABOUT A HARDY GREEN SAPLING THAT COULD THRIVE ANYWHERE—EVEN ON THE ARID SLOPES OF THE TINY HIMALAYAN KINGDOM WHERE SHE LIVED.



Partnership between
a small Bhutanese
start-up and a Buddhist
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new trend in development
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the mixing of public,
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capital in emerging and
frontier markets.

It was "the tree that will grow where nothing else will," remembers Ani Kinzang about the moment her brother-in-law told her about the hazelnut tree, which is indigenous to Bhutan, but was so unrecognized that there was not even a word in the national tongue to describe it.

At the time, Ani Kinzang—a Buddhist nun dedicating her earnings to funding a religious retreat for other nuns—was barely getting by on the paltry earnings produced by the bamboo, walnut and sandalwood trees that dotted the stony slopes of her mountainous farm in Mukazor.

But in 2013 her prospects improved when Mountain Hazelnuts, a company promoting hazelnut production by smallholders across Bhutan, gave Ani Kinzang hazelnut saplings, inputs and training to plant her own orchard of trees. Once the trees bore nuts, Mountain Hazelnuts employees assured Ani Kinzang, they would return to purchase the crop at a guaranteed minimum price.

This unusual partnership between a small Bhutanese start up and a Buddhist nun is representative of a new trend in development financing known as 'blended finance'— the mixing of public, philanthropic and private capital in emerging and frontier markets.

GAFSP's Private Sector Window has been at the forefront of this trend for several years—facilitating both public and

new hazelnut trees will be planted across Bhutan and will help sequester carbon and improve the environment.

private investors to mitigate risks in joint investments by 'blending' capital. Public financing, typically with below-market rates, provides comfort to cautious private investors while making prospective investments more attractive by cushioning risks and boosting investment returns.

The experience of Mountain Hazelnuts typified the experiences that many investors in emerging markets face. Could this semi-greenfield company manage 15,000 untrained farmers to grow hazelnut trees across a mountainous country with moderate infrastructure? Could management meet sobering targets to plant 10 million hazelnut trees and establish a logistics and international marketing infrastructure before seeing their first meaningful cash inflows?

But thanks to the flexibility of a blended finance structure using milestone-based disbursements and concessional funding support, GAFSP was able to take a chance on Mountain Hazelnuts. In 2015, working alongside our partners at the Asian Development Bank (ADB), IFC and ADB each made a \$3 million investment into Mountain Hazelnuts to expand their hazelnut production.

Now Mountain Hazelnuts can supply hazelnut tree plantlets, inputs and support to local farmers free of charge. Like Ani Kinzang on her mountain top farm in Mukazor, these farmers will plant their trees on fallow land that has no commercial use.



The conventional financial mechanisms and financial institutions didn't have the patience to provide capital to us on terms that made sense. GAFSP takes an interesting approach to the development of Mountain Hazelnuts. It thinks about the risks involved. It thinks about the actual needs of the project, and it really plays a bridging role."

Daniel Spitzer CEO of Mountain Hazelnuts



In time, Mountain Hazelnuts aims to plant ten million new hazelnut trees across Bhutan that will help sequester carbon and improve the environment. When these trees bear nuts, farmers will double their income on the basis of these entirely incremental earnings from the sale of the nuts. Eventually, up to 15 percent of Bhutan's population is expected to directly benefit from the project.

At GAFSP we believe that blended finance investments have the potential to transform not just development finance as we know it but also the lives of ordinary people.

Just look at Ani Kinzang. As she combines her farming and spiritual practice, the Buddhist nun's hazelnut orchard continues to thrive.

"This life is precious. We cannot waste it," Ani Kinzang said. "I only hope that by planting trees such as hazelnuts, I can help others move closer to enlightenment."



AT IFC HEADQUARTERS IN WASHINGTON, DC, HUSBAND AND WIFE TEAM DANIEL SPITZER AND TERESA LAW—CEO AND CFO RESPECTIVELY OF MOUNTAIN HAZELNUTS—SAT DOWN WITH COMMUNICATIONS OFFICER ELIZABETH PRICE TO DISCUSS HAZELNUTS, DEVELOPMENT NEEDS IN BHUTAN, AND THE LARGEST MOTORCYCLE GANG IN THE HIMALAYAS.

ow does Mountain Hazelnuts' business model work?

**Daniel Spitzer:** Mountain Hazelnuts engages subsistence farmers who don't have other sources of income— or who have limited sources of income. We find farmers who have fallow land, provide them with trees and other critical resources and contract with them to raise these trees and to sell us their nuts. We give farmers a floor price, and guaranteed offtake of all their nuts. We supervise farmers as they raise the trees and visit every orchard every thirty to forty-five days. We keep a very detailed digital record of the orchard health, of what's going on overall on the farm, and what's going on in their household, because that helps us develop a sustainable model.

an you tell us a little bit about development needs in Bhutan?

Teresa Law: Bhutan has a very high level of rural-to-urban migration, and yet it has a very rich cultural and religious heritage. Part of what Mountain Hazelnuts does is to provide a sustainable income to rural communities, especially in parts of Bhutan where there aren't other economic opportunities or other types of employment. We help to preserve that fabric of community, to help families stay together and to provide an income for these communities so they don't have to migrate to a city to look for employment.



PHOTO © Mountain Hazelnuts

## hat are the benefits of planting hazelnut trees on degraded land?

Daniel Spitzer: We plant on degraded land that was either deforested and became vulnerable, or was subjected to what is known as 'slash and burn' or 'shifting cultivation'. We plant trees along the contour, essentially like retaining walls. Every six feet—every two meters—we plant a tree. Then, on the dropping down slope, every four meters, we plant another row. This acts as a series of retaining walls, capturing the soil and spreading roots. It stabilizes the soil, reducing erosion and landslides, and also cleans up the water.

## hat is the role of women in Bhutan in agriculture?

Teresa Law: In Bhutan, women have a very large role in family life and in religious and cultural life. Of the 600 staff we now have in Bhutan more than half are women, and they play major roles in our company. We place a large premium on providing training—both scientific training and technical training—to all of our staff. We actively mentor our young managers in terms of professional skills, but also soft skills. We have a women's leadership program, teaching our female staff how to network, how to develop skills that they may not have had previously and how to be effective managers.

## ow do you ensure the traceability of your supply chain?

Daniel Spitzer: Mountain Hazelnuts has established what I think we can call the biggest motorcycle gang in the Himalayas. We have about 150 people, all of them are trained in outreach, science and hazelnut cultivation and they visit each of the farms on motorcycles on a regular basis. They collect data and they correct the farmers who have taken on wrong practices. If intervention is required—for example if there is a pest or limited water supply - they'll teach the right practice or intervention. And they build a really valuable library of digital information about every orchard that we work with so that we have complete traceability.

### ow has GAFSP helped make this investment happen?

Daniel Spitzer: Mountain Hazelnuts is a risky investment. It's a very long-term venture. Trees take time to grow, they don't produce hazelnuts immediately. The conventional financial mechanisms and financial institutions didn't have the patience to provide capital to us on terms that made sense. GAFSP takes an interesting approach to the development of Mountain Hazelnuts. It thinks about the risks involved. It thinks about the actual needs of the project and it really plays a bridging role. We are delighted to have GAFSP involved.



PHOTO © Mountain Hazelnuts

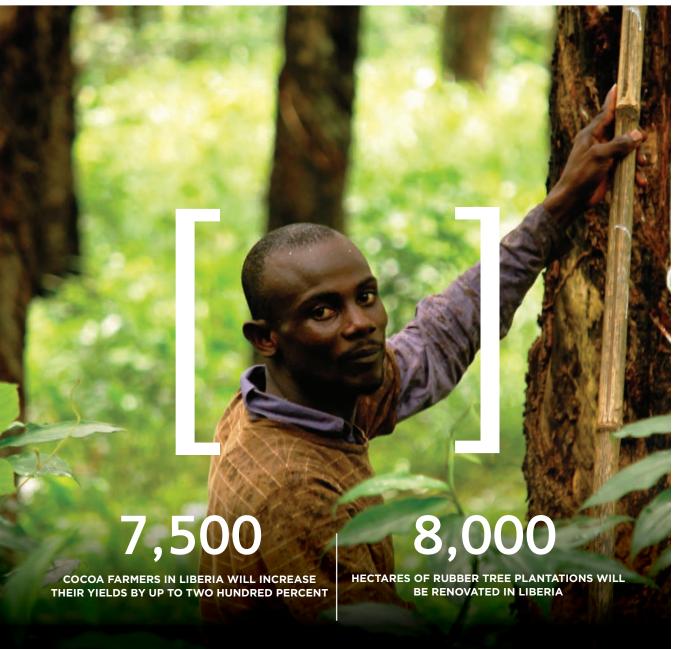


PHOTO © Bill E. Diggs/Solidarity Center | Opa Johnson taps a rubber tree for latex at the Firestone rubber plantation in Liberia

## GAFSP RESPONDS TO THE EBOLA CRISIS

THROUGHOUT 2014, THE WORLD WATCHED IN HORROR AS A SUDDEN OUTBREAK OF THE DEADLY EBOLA VIRUS WREAKED HAVOC AND SUFFERING ACROSS WEST AFRICA. SINCE THE FIRST CONFIRMED CASE OF THIS LATEST OUTBREAK, NEARLY 11,500 PEOPLE HAVE LOST THEIR LIVES—OFTEN IN APPALLING AGONY—AND OVER 24,000 PEOPLE HAVE BEEN INFECTED WITH THE DISEASE.



In November 2014, the private sector window of GAFSP sprang into action as IFC announced an emergency aid initiative of \$450 million in commercial funding for trade, investment and employment in those countries hardest hit by the Ebola crisis.

The Ebola outbreak was a humanitarian crisis first and foremost. But it also destabilized the economies of Liberia, Sierra Leone and Guinea, countries already on the global economic margins because of their ranking as fragile or conflict-affected (FCS) states.

In November 2014, the private sector window of GAFSP sprang into action as IFC announced an emergency aid initiative of \$450 million in commercial funding for trade, investment and employment in those countries hardest hit by the Ebola crisis.

In Liberia, a country that had made impressive economic strides since the ending of civil war in 2003, GAFSP staff saw an opportunity to support rubber tree and cocoa farmers whose livelihoods were at immediate risk owing to the effects of the Ebola crisis.

But in the face of the deadly virus, GAFSP private sector window staff soon realized that the usual terms of engagement for investment were impractical. With travel restrictions to Liberia in place, for example, how could staff conduct critical in-country assessments or meet with the sponsors?

Using every tool in the solutions box, GAFSP staff crafted an innovative blended finance solution to address some of the

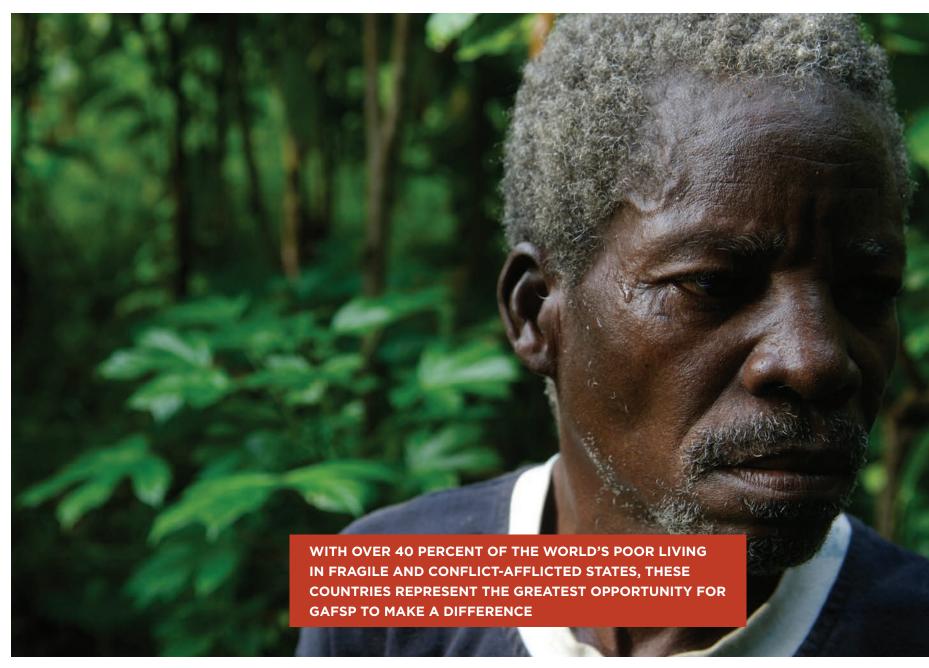
increase in cocoa yields can be expected for for 7,500 participating farmers over the next five years.

project's credit risks. Outside experts were brought in to conduct environmental and social assessments from nearby Ghana. And a creative disbursement schedule was fashioned to channel the first critical funds.

In late December 2014, despite the seemingly insurmountable restrictions imposed by Ebola, two projects supporting Liberian rubber tree and cocoa farmers were approved by IFC's board in just 23 days an IFC and GAESP record.

Now thanks to GAESP, cocoa farmers in Liberia struggling in the aftermath of the Ebola crisis can get long-term financing through Wienco Liberia. A \$5 million loan provided capital for Wienco to build increased storage facilities across Liberia and to offer pre-harvest financing of fertilizers and agricultural inputs to benefit small cocoa farmers in the country. The increased access to inputs for up to 7,500 participating farmers should help them increase their cocoa yields by as much as 200 percent over the next five years.

Additionally, our Rubber Renovation project will enable 600 farmers across Liberia's rubber belt to replant up to 8,000 hectares of aging rubber trees. As rubber trees do not yield rubber until seven years after planting, this long-term financing will be critical to sustaining the livelihoods of these farmers. Up to 15,000 people in Liberia are expected to directly benefit from this project while the rubber yield per tree is expected to increase nearly four times.



## 40-70% GAFSP'S COFFEE RUST RENOVATION OF COFFEE PLANTATIONS IN HONDURAS, NICARAGUA, COSTA RICA, EL SALVADOR **PROJECT WILL REACH OVER 560 FARMS** INCREASING COFFEE YIELDS UP TO THREE TIMES AND GUATEMALA ARE AFFECTED ON 5,000 HECTARES BY COFFEE RUST

PHOTO © IFC

## BREWING UP A PRIVATE SECTOR SOLUTION TO THE COFFEE RUST CHALLENGE

THEY CALL IT "LA ROYA", OR THE RUST. AN INSIDIOUS ORANGE FUNGUS
THAT HAS WREAKED HAVOC ACROSS CENTRAL AMERICA'S COFFEE FARMS—
WITHERING LEAVES, CHOKING COFFEE BERRIES, AND TURNING LUSH
VERDANT SLOPES INTO BARREN LANDSCAPES.



Across Central America
over 1.5 million people
depend on coffee for their
livelihoods. For these
people, many of whom
are small holder farmers,
the effects of coffee rust
are already devastating,
pushing rural families into
extreme poverty and food
insecurity.

For over 150 years, La Roya has been the curse of coffee farmers across the globe. But in recent years, owing largely to climate change, the disease has regained a foothold in Central America, affecting up to 40 percent of coffee plantations in Honduras and Nicaragua and up to 70 percent in Costa Rica, El Salvador, and Guatemala.

Although research has shown that coffee rust can be combated through replanting programs coupled to good agronomics, this solution has proven a challenge for small farmers in Central America—many of who have limited access to long-term financing and resources. This is where the Private Sector Window of GAFSP can help.

In Nicaragua, where coffee is one of the largest sources of rural employment and accounts for over 15 percent of exports, GAFSP and IFC are developing an innovative model for providing affordable, long-term financing and technical assistance to coffee farmers so they can renovate their farms.

Through a proposed \$30 million loan, IFC and GAFSP—in conjunction with the Inter-American Development Bank (IDB), Ecom, Exportadora Atlantic and Starbucks—would provide financing to farmers for the renovation of over 5,000 hectares of coffee plantations in Nicaragua affected by La Roya. The project will help to mitigate

In Nicaragua, coffee is one of the largest sources of rural employment and accounts for over 15 percent of exports.



climate change by deploying a scalable model of climate-smart renovation that could be replicated by other countries and coffee traders.

This unique project, which is IFC's first agri climate adaptation project in Latin America, would also be combined with advisory services on agronomic and climate best management practices. GAFSP will provide a first loss guarantee for IFC's investment, which will lower risks and the level of interest rates charged to farmers.

IFC and GAFSP are hopeful that this collaborative effort will help secure coffee supply and jobs in Nicaragua for years to come, eradicating some of the extreme poverty that the fungus has already wrought on the lives of small farmers. It is a perfect example of how GAFSP's Private Sector Window can brew up an innovative solution to a vexing climate change challenge.



## DISPATCH FROM THE COFFEE FIELDS:

EVER SINCE THE ONSET OF LA ROYA, FARMERS ACROSS NICARAGUA APPROACH HARVEST TIME WITH TREPIDATION. ONE SUCH FARMER IS AMY OBREGON WHO OWNS A SMALL FARM IN MATAGALPA, NICARAGUA, ONE OF THE AREAS HARDEST HIT BY COFFEE RUST.

In September 2015, Amy was present at IFC headquarters in Washington—alongside representatives from GAFSP, IDB, Ecom, Exportadora Atlantic and Starbucks—to witness the signing of the \$30 million loan to help coffee farmers like her obtain long term financing.

Amy told a packed room about the ravages of La Roya over the previous years: how the disease devastated her harvest, silencing the local mills that grind red coffee cherries by the basketful and leaving bare the fields that should have been full of coffee pickers each autumn.

"In the beginning I wasn't worried about it, but by 2013 I was starting to be concerned because I was seeing the effects in my older plants," Amy said. "La Roya is very aggressive and destroys everything. The current Roya is a mutation of the fungus that we confronted before. It's very worrisome to see all my neighbors and other coffee producers struggling with the same issue."

But now for the first time since the onset of La Roya, Amy is hopeful for the future. Thanks to GAFSP, she will be able to plant new coffee trees and combat future strains of the disease.

"I am very happy to know that somebody worries about us, our community, our country, and the coffee producers specifically," she said. "I am very enthusiastic about the changes."







PHOTO © Thomas Bauer/IFC | Over 60 percent of the population of the Sahel is involved in livestock farming

#### **PROTECTING AN ANCIENT WAY OF LIFE** IN THE SAHARA

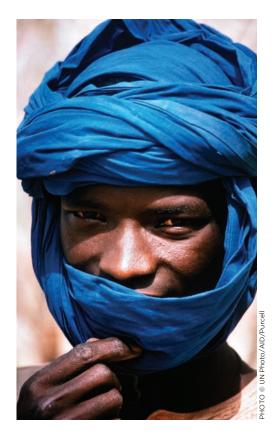
NOMADIC PASTORALISM REMAINS AN ESSENTIAL PART OF LIFE IN THE SAHEL, WHERE MORE THAN 60 PERCENT OF THE POPULATION IS INVOLVED IN LIVESTOCK FARMING.

Nowhere is this more ancient way of life more vibrant than in the desert nation of Mauritania, where pastoralists dressed in long robes guide their cattle, camels and goats across the golden sand of the Sahara.

Moving past weather battered villages and brightly patterned tents, these herdsmen are protecting a centuries old tradition, but one that is becoming increasingly threatened by severe drought, rising poverty and rural to urban migration.

A new GAFSP investment in Tiviski Dairy, the largest employer in the dairy sector in Mauritania, is about to offer new opportunities for income to members of the country's pastoralist community.

The investment is a \$9.5 million blended finance solution from IFC and the Private Sector Window of GAFSP to help Tiviskiwhich means 'spring' in local Arabic modernize, diversify and expand its milk production.



## **CLIMATE CHANGE**

PRESENTS A
PARTICULARLY
ACUTE THREAT
TO LIFE FOR
PASTORALISTS

Implemented over a three year period, GAFSP's investment in Tiviski Dairy is expected to deliver strong development impact across the dairy value chain in Mauritania. The joint investment will help meet robust domestic demand for dairy, position Tiviski as the market leader in fresh pasteurized milk, and create export potential for niche camel milk powder products.

Over 2,000 livestock herders from across the Mauritania Sahara, fifteen percent of whom are women, will supply milk to Tiviski through this new investment. The company, which has a milk collection capacity of 42,000 liters per day, has two collection centers in the cities of Rosso and Boghe.

In turn, the company will generate an additional 200 jobs through the expansion, and help ensure food safety through the provision of pasteurized milk. Before Tiviski started operation, fresh milk was not marketed at all in Mauritania, save for a few thousand liters sold raw by herders, who lived near the cities, or to small-scale milk retailers.







PHOTO © Martin Sojka | Shibam, Yemen

# INVESTING IN NUTRITION GAINS A LIFETIME OF RETURNS ON HUMAN CAPITAL FOR CHILDREN IN WAR-TORN YEMEN

A HEALTHY PRODUCTIVE LIFE REQUIRES ADEQUATE NUTRITION. YET AROUND THE WORLD, MILLIONS OF PEOPLE ARE UNDERNOURISHED AND HUNGRY.

Since the outbreak of civil war in Yemen in 2015, malnutrition in the Middle Eastern country has reached critically unprecedented levels. According to UNICEF, the United Nations' children program, nearly a half a million Yemeni children are currently suffering from malnutrition and another 2.2 million people require urgent care.

Severe acute malnutrition, the depletion of the human body from a lack of food and nutrients, has quickly become one of the most common causes of death for children across Yemen. There is an urgent need for more supplies of therapeutic food that could help save some of these young lives.

In a factory on the outskirts of Nairobi, Insta Products, produces ready-to-use therapeutic food (RUTF), a high calorie fortified peanut based food product. The product is made from a mix of peanut paste, milk powder, sugar, vitamins and minerals and is packaged in life-saving individual sachets that deliver a powerful 500 kilocalories to those suffering from acute malnutrition.

Insta sells these sachets to relief organizations including UNICEF, which distribute RUTF in conflict affected areas and other emergency zones, particularly across the East African region and Yemen. Insta is currently the only manufacturer of RUTF in East Africa, and a top five supplier to UNICEF globally.

In 2016, IFC made a \$7 million investment in Insta Products to help the company expand its RUTF capacity, and more than double its sales on the back of an increased

#### KILOCALORIES IN EACH SACHET OF FORTIFIED PEANUT BASED FOOD PRODUCT DELIVERED TO THOSE SUFFERING FROM ACUTE **MALNUTRITION**



PHOTO © World Bank

supply. The \$7 million loan, half of which was contributed by IFC and the other half through the Private Sector Window of GAFSP, will be supported by an additional \$4 million loan from IFU, a Danish government fund.

This investment will help support timely delivery of 310,000 additional cartons of RUTF and help treat 300,000 more people from acute malnutrition.

Coming on the back of another Private Sector Window nutrition investment in AIFL Rwanda, a fortified cereals manufacturer, this latest investment represents an exciting expansion for GAFSP into the nutrition space.

Nutrition is fundamental to an individual's

cognitive and physical growth, and is also the cornerstone of all development efforts, whether improving education, health, income or equality, at home or abroad.

Increased RUTF capacity through GAFSP will help Insta reach more children and help prevent stunted growth and vitamin deficiency, which can harm cognitive development, learning capabilities and economic productivity into adulthood, reinforcing the cycle of poverty.

GAFSP's investment in Insta is an investment in "gray matter infrastructure"—the young brains of children. It will ultimately be as important for national and global economic growth, as is investing in roads, schools and ports.



## **ONE MILLION MALNOURISHED FARMERS WILL GET INPUTS** CHILDREN, PREGNANT AND BREAST-FOR RAISING PRODUCTIVITY AND **FEEDING WOMEN IN RWANDA WILL BE** INCOME **FED EVERY YEAR**

PHOTO © World Ba

## PUTTING AN END TO STUNTING IN RWANDA

A HEALTHY PRODUCTIVE LIFE REQUIRES ADEQUATE NUTRITION. YET AROUND THE WORLD, MILLIONS OF PEOPLE ARE UNDERNOURISHED AND HUNGRY.



"This is by far the most impactful investment project that I have ever worked on," said investment officer,
Anup Jagwani, who led the project for IFC. "To improve nourishment for one million vulnerable people in Rwanda as a result of AIFL is an extraordinary goal.
This GAFSP investment has real heart and real impact."

Poor nutrition not only stunts the growth of children in developing countries, but also inhibits the economies in which they live, perpetuating cycles of poverty and hunger, leading to poor health, lower levels of education and lost productivity and wages.

For the private sector window of GAFSP, eradicating chronic malnutrition and its negative impact on human capital development is a top priority. Rwanda—where 44 percent of children suffer from stunting and where the effects of hunger costs the country \$820 million annually—provides a real opportunity to transform lives.

Working alongside our global partners, GAFSP recently implemented two linked projects in Rwanda that will feed an estimated one million malnourished children and pregnant and breast-feeding women in the land-locked country every year.

In the first project, GAFSP and IFC teamed up with a local bank, KCB Rwanda, to provide lending to farmer cooperatives to help 12,000 farmers across Rwanda boost production of maize and soy beans.

The second project, the Africa Improved Foods Limited (AIFL), will use the maize and soy bean crops grown by these farmers in a specially built food processing plant in Kigali to create a fortified blended cereal for vulnerable young children and their mothers. The maize and soy beans will be sold to the AIFL processing plant

through offtake agreements with the World Food Program (WFP) and the Government of Rwanda.

"This is by far the most impactful investment project that I have ever worked on," said investment officer, Anup Jagwani, who led the project for IFC. "To improve nourishment for one million vulnerable people in Rwanda as a result of AIFL is an extraordinary goal. This GAFSP investment has real heart and real impact."

In time, Anup Jagwani said, GAFSP plans to replicate this project in Ethiopia to address food security issues in that country.

Once built, the processing plant, which will provide up to 300 local jobs in Kigali, will be the most high tech facility in the country. Farmers supplying this plant will gain access to higher-quality inputs and better farm management practices to help produce better quality grains. This will enhance the overall food supply chain in Rwanda. The means to a more stable income for these farmers through KCB Rwanda will dramatically improve their lives—and those of their families.

GAFSP is not only helping malnourished children in one of the world's poorest countries—by giving them access to fortified nutrients that will allow them to reach their full potential—but is also improving the lives of smallholder farmers and their families too.

#### PARTNERSHIPS MAKE GAFSP STRONGER

GAFSP's private sector window is proud to work alongside a multitude of partners, including our colleagues at the GAFSP Public Coordination Unit. New projects in Cameroon and Rwanda emphasize the development impact that GAFSP can have when both windows work hand-in-hand. Our joint World Bank/IFC initiative in Cameroon allows us to target the three largest agricultural value chains in the country and to positively transform the lives of over 220,000 small farmers.

Working alongside our global partners on the project level allows the private sector window to achieve maximum results. Our AIFL project in Rwanda is a joint venture with the Clinton Foundation, Royal DSM, the Dutch development bank FMO, the UK development finance institution CDC. IFC and the Government of Rwanda. The AIFL project also works in collaboration with the GAFSP public sector window led project in Land Husbandry, Water Harvesting, and Hillside Irrigation Project (LWH), by incorporating common farmer cooperatives to improve market access and ensure better integration with formal value chains.







PHOTO © World Bank

#### **CLOSING THE GENDER GAP**

#### WOMEN—WHO PRODUCE MORE THAN HALF OF THE WORLD'S FOOD—ARE THE BEATING HEART OF AGRICULTURAL PRODUCTIVITY.



If women had the same access to agricultural resources as men, their yields would increase by 20 to 30 percent, raising total agricultural output in developing countries by four percent.

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 relation actions attached to many of our projects. To date, over 118,000 female farmers have been reached through our investments with about 2,000 women employed by GAFSP clients.

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 FAO 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.



## 50,000 100 **COOPERATIVES WILL OBTAIN FARMERS WILL BENEFIT NEW TRUCKS** FROM THE PROJECT

#### PHOTO © Anna Koblanck/WBG

## REVVING UP THE COCOA SECTOR IN COTE D'IVOIRE

FOR THOUSANDS OF COCOA FARMERS ACROSS COTE D'IVOIRE, GETTING THEIR COCOA BEANS TO MARKET CAN BE A LOGISTICAL NIGHTMARE. THEIR LIVELIHOODS DEPEND ON WORN-OUT, UNRELIABLE VEHICLES THAT MUST BE DRIVEN ACROSS REMOTE AND ROUGH TERRAIN, WITH THE CONSTANT THREAT OF BREAKDOWN. SUCH CHALLENGES AFFECT FARMER EFFICIENCY AND GREATLY IMPACT THEIR INCOMES.

The Private Sector Window of GAFSP is helping to reverse this trend and turn the wheels of economic opportunity—by leasing brand new trucks to cocoa farmers through participating cooperatives.

In partnership with cocoa giant, Cargill, IFC and GAFSP have provided funding for affordable loans for trucks for cocoa farmer cooperatives across Cote d'Ivoire. Cargill works with over 80,000 farmers in 100 partner cooperatives who supply cocoa to the company, one of the world's largest commodity traders.

The funding is made available to graduates of the Cargill Coop Academy, a dedicated educational program for managers of the cocoa farmer cooperatives. Those who participate in the mini-MBA program, can get new trucks through a three-year leasing deal that includes insurance. Participating cooperatives each pay 10% upfront and then put 10 West African Francs for every kilo of



#### **FIE AWARD**

WINNER OF THE FOOD INGREDIENTS EUROPE (FIE) 2015 BEST SUSTAINABILITY INNOVATION AWARD

cocoa they deliver to Cargill in a savings fund, which covers their monthly lease fees. The interest rates they pay are significantly lower than any others commercially available.

With new trucks, farmers can transport their produce to market more easily and reliably, and repay the trucks step by step through the sale of their cocoa beans. Good quality collection trucks will also help to reduce the cooperatives' costs and minimize potential losses from frequent truck breakdowns. By investing in new trucks, the cooperatives are expected to improve their profitability and be more competitive.

The project, a risk-sharing facility, will be facilitated through SIB, the fourth largest bank in the country in terms of loans. This relationship with SIB will help the cooperatives to establish and build a credit history to facilitate future financing.

In 2015, Food Ingredients Europe (FiE) named this GAFSP project the winner of their 2015 Best Sustainability Innovation Award in Paris.



# **GWFP** gives more flexibility to farmers to sell their commodities when prices are higher

PHOTO © World Bank

## STORING THE FUTURE OF FINANCIAL SECURITY

MANY FARMERS ACROSS THE DEVELOPING WORLD ARE FORCED TO SELL THEIR PRODUCTION IMMEDIATELY FOLLOWING THE HARVEST. IT IS THE WORST TIME TO SELL.

With the market flooded by similar commodities, prices are low and opportunities for earning a good return bleak. Farmers are often left with barely enough money to feed their families and buy inputs and fertilizers for the next harvest—perpetuating a cycle that leaves them mired in poverty and subsistence farming.

But now—thanks to GAFSP's investment in the Global Warehouse Finance Program (GWFP)—many small holder farmers are finally gaining access to much needed credit. The GWFP supports local banks who provide credit to farmers by encouraging them to utilize instruments such as warehouse receipts, collateral management agreements, and stock monitoring agreements.

GWFP lends or provides risk mitigation solutions to banks in low income countries who in turn provide lending to small farmers and SMEs for "warehouse financing"—a lending technique that allows farmers receive credit for the harvested goods they deposit in warehouses.

The program reduces food storage losses, increases market access for farmers and boosts their income by allowing them more flexibility to sell their commodities when prices are higher. Now, thanks to GWFP, harvest time for many small farmers is an opportunity to benefit, not lose.



## 150,000 30,000 FARMERS IN CAMEROON WILL **FARMER HOUSEHOLDS WILL REAP THE** HAVE ACCESS TO MORE LUCRATIVE **BENEFITS OF GAFSP'S PARTNERSHIP** MARKETS. WITH IDA.

#### PHOTO © World Bank

## TRANSFORMING THE FARMING SECTOR IN CAMEROON

#### AT THE PRIVATE SECTOR WINDOW OF GAFSP, PARTNERSHIPS MATTER.



This project aims to transform the agricultural sector in Cameroon over the long-term and providing the sustainable change that will contribute to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity.

Working alongside others in the development field strengthens our impact and helps us reach more smallholder farms. That's why we recently joined forces with our friends at the International Development Association (IDA) to help Cameroon transform its farming sector.

In Cameroon—where 60 percent of the population works in agriculture—the three main pillars of food security are cassava, maize and sorghum. However, the lack of adequate food production forces Cameroon to import these commodities from other countries.

Working alongside IDA, GAFSP and IFC provided \$6 million to establish risk-sharing agreements with local banks that made it possible to finance cassava, maize and sorghum farmers. The joint project aims to reach 150,000 farmers across Cameroon and to link these farmers to more lucrative agricultural and food markets, so they can grow and expand production. In total, 30,000 farming households will benefit from this joint initiative.

Together with IDA, GAFSP hopes to unlock the potential of Cameroon's agricultural industry to become an engine for economic growth, job creation and income generation.



PHOTO © World Bank

## REACHING SMALL FARMERS IN TANZANIA

AGRICULTURE IS A CRUCIAL SECTOR FOR TANZANIA'S ECONOMY, EMPLOYING APPROXIMATELY 80 PERCENT OF THE COUNTRY'S WORKING POPULATION AND CONTRIBUTING ABOUT 30 PERCENT TO GDP.



IFC for empowering CRDB. While Tanzania's economy is growing, a low rate of access to finance is a serious issue. In order to help grow the private sector, I believe IFC's financing to CRDB will make a difference."

The Hon. Saada Mkuya Salum Finance Minister of Tanzania 11 April 2014 IFC, Washington, DC This year, GAFSP invested \$10 million in a \$25 million GWFP funded line to CRDB Bank, Tanzania's largest agribusiness lending institution. CRDB is the perfect partner to reach Tanzania's small farmer community, maintaining the largest warehouse financing portfolio in Tanzania's coffee, cashew nuts and cotton sector.

Working with over 800 clients including SMEs and farmer cooperatives, and standing upon fourteen years of warehouse financing operations, CRDB will reach approximately 6,000 farmers with IFC's support.



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Taking a chance on projects that other commercial investors have passed is what GAFSP's Private Sector Window does best: investing across the entire food supply chain from farm inputs to logistics and storage, to processing and financing.

PHOTO © Andrew Hamilton/IFC

**Global Agriculture and Food Security Program** 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. GAFSP targets countries with the highest rates of poverty and hunger. The public sector window helps governments with national agriculture and food security plans. 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, and equity to private sector companies to improve productivity growth, deepen farmers' links to markets, and increase capacity and technical skills.

**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 http://www.ifc.org/GAFSP.



