

SHARED INTEREST

INVESTING IN SOUTHERN AFRICA'S FUTURE

Interim Progress Report 1

September 2020

1. Please provide the following information:
 - a. Organization name: Shared Interest - February 2020 Featured Grantee
 - b. Project Title: Seeds of Resilience: Building Women-Owned Seed Systems in Malawi
 - c. Grant Amount: \$45,000
 - d. Contact Person: Martha Brantley
 - e. Address: 121 W. 27th Street, Suite 805, New York, NY 10001

2. Recap briefly what outcomes the project was designed to achieve:

This project was originally designed to create an alternative to the current seed system, which produces almost no seed for traditional crops grown by women. By employing 920 female smallholder growers, AWAB will produce seed to supply 90,000 farmers with climate-resilient, nutritious legume seed at an affordable price. These employed growers will benefit from a reliable, increased income that will lift their families out of poverty. Finally, the project will establish a 'bankable' entity that can compete in the formal seed sector, paving the way for women-owned businesses to seek capital from mainstream lenders and proving that women entrepreneurs can succeed in the agriculture sector.

In June, in response to the impact of COVID on the financing environment and the harvest season in Malawi, and after Dining for Women's communication to grantees indicating its offer that grants be repurposed for general operating expenses or for pandemic response, we reallocated funds toward stabilizing COVID-19 affected businesses in our existing portfolio that are owned by, employ, and/or serve women and girls. The work was expected to focus on ensuring that such businesses remain solvent so that they can preserve and increase the benefits created for women and girls, e.g., sustaining women's employment and continuing to provide childcare, as well ensuring that the progress that women have made in achieving leadership roles, accumulating assets, and growing incomes does not erode.

3. Has funding changed for this project? For example, have you received unexpected funding from another new source?

We received funding for the project from one new donor, a small family foundation, which provided its support in the form of a general operating grant, which meant that these funds were also available to be redirected toward providing support for projects and businesses that were either disrupted by the pandemic or presented opportunities to help accelerate community recovery. In the same vein, we also received a one-time "extraordinary" grant from an existing funder (on top of its usual support) to help meet additional needs and unexpected costs resulting from the support provided to portfolio companies at risk of default due to pandemic-related lockdowns and loss of business.

These grants helped to offset revenue losses that we experienced after postponing and re-configuring our annual gala, which we have historically held each spring. Because of COVID-19, our 2020 event was

moved from May to September, and was held virtually, rather than in-person. While this event was a success, and increased our audience significantly, the loss of ticket sales did impact our net revenues: we are still collecting pledges and finalizing expenses for the event, but our preliminary forecast anticipated a \$75,000 reduction in net revenue vs. our initial budgeted number.

4. Is your organization or project situation different than presented in the approved proposal? For example, new executive director, significant project staffing changes or NGO affiliation, loss of large funding, or other significant changes?

Our founding executive director, Donna Katzin, has announced her retirement, effective December 31, 2020. Our board has retained an executive search firm and is currently in the process of narrowing down candidates for final round interviews. The board hopes to announce the selection of a new Executive Director by the end of September, so that s/he could start work in mid-to-late October. This would allow for the incoming and outgoing leadership to overlap for at least two months, facilitating a smooth transition of responsibilities and relationships.

5. Have the number of beneficiaries changed? To report this please refer to the original numbers in your grant proposal under Number of women and girls Directly Impacted and population Indirectly Impacted.

In our original proposal, we expected to serve 929 women directly and impact 58,500 indirectly – namely, the women entrepreneurs and smallholder farmers working for them as seed multipliers, as well as the thousands of women farmers who would purchase and plant the affordable seed they produced. Those numbers have changed, as we are now working with a range of businesses owned by, employing, and serving women.

The following chart outlines the projects in our portfolio that involve significant ownership by women, meaningful numbers of women employees, and other types of female beneficiaries, and the number of each.

Project name	Direct beneficiaries	Indirect beneficiaries	Description
Sihlangene	23	78,325	Cooperatively owned transport company; owners, employees, and riders
Milli	3	15,000	Woman-owned producer of feminine hygiene products; owner and customers
NLLT	14	58	Women-owned retail business; owner, employees, and families
Rietkloof	399	1,197	Cooperatively owned fairtrade farm; owners, employees, and families
Mont Piquet	205	614	Cooperatively owned fairtrade farm; owners, employees, and families
Lenziemill	766	9,000	Woman-owned fish feed manufacturer; owners, smallholder farmer suppliers, and customers
Total	1,410	104,194	

6. What challenges are you facing as you move forward with this project? How are you approaching these challenges?

Most of the businesses we are working with (Lenziemill being the notable exception) are in South Africa, which is the African country hardest hit by the coronavirus, with more than 50% of cases and only 4% of the continent's population. South Africa's pandemic burden has come in spite of an aggressive lockdown strategy undertaken to mitigate the spread of the disease: in addition to a robust community health apparatus, the South African government instituted a five-phased shutdown approach, with restrictions that were at times so stringent that individuals' movement was severely limited and the sale of alcohol, tobacco, and many other non-essential goods was banned. This had a huge impact on our portfolio businesses – many were forced to close, while those that remained open experienced significantly reduced demand and/or difficulty accessing markets. The shutdown also impeded the ability of our South African partners to interact with these businesses' owner/operators, that is, the entrepreneurs and community groups that we have helped to obtain loans.

Although they and we have been able to communicate with borrowers via telephone, email, and WhatsApp, some have been more difficult to reach than others. Even when we are able to reach clients via electronic means, we have found it more difficult to effectively diagnose businesses' obstacles and provide effective support in a virtual setting, especially with bandwidth challenges, work from home limitations, and the inability to directly observe operations.

We have addressed these challenges by increasing the frequency of contact with borrowers, and by re-orienting the type of support we provide. For example, we have been actively working to help link borrowers to available relief and support programs offered by government and, where available, financial institutions. Many borrowers did not know such programs were available and may not have the knowledge or skills to research and apply for these opportunities without assistance. Furthermore, in order to continue operating -- or in the case of businesses that were forced to shut down, in order to reopen -- businesses must also comply with newly released government regulations regarding PPE, hygiene, and social distancing. Recognizing the cost and logistical burden these regulations place on small businesses, we have begun helping our borrowers find funding to support the purchase of needed supplies and have provided advice to assist with the implementation of proper safety protocols for staff and customers.

Our lender partners have also been operating with reduced capabilities, which is also complicating our work to assist distressed entrepreneurs and enterprises. As borrowers struggle to make payments on their loans, we have sought to proactively work with lending banks to negotiate grace periods for repayment, restructure outstanding loans, and take additional action to avoiding default. Lenders, however, have been less responsive than usual, with some indicating that remotely working staff do not have full access to systems that allow them to view critical loan information, e.g., outstanding balances, amount in arrears, etc. To a certain extent, this disorganization gives our clients breathing room: so long as lenders are not monitoring loans closely, even if borrowers are behind on their payments, they are unlikely to be declared in default. On the other hand, some borrowers are anxious eager to work with their lenders to create a workable restructuring plan that recognizes both their current difficulties as well as their commitment to meeting their financial obligations. Until banks are operating at normal capacity, we may not be able to help clients reach such agreements, leaving the future solvency of their businesses uncertain. We continue to maintain close contact with lenders, striking a balance between

advocating for clarity on behalf of each client without calling undue attention to any financial distress she might be experiencing that could threaten that lender's willingness to review and negotiate a favorable restructuring of her loan.

7. Have you revised your original objectives since the project began? If so, why? What are your new objectives?

Since the project has changed from its original focus on growing one women-owned seed enterprise in Malawi to stabilizing a cohort of businesses that are owned by, employ, and benefit women, the objectives of our work have, indeed, changed.

Our objectives now include:

1. Prevent loan defaults among woman-owned businesses, thereby preserving ownership by women entrepreneurs
 2. Minimize job losses at businesses that employ women and ensure that benefits won by these workers (e.g., childcare, fair wages) do not erode in the wake of the pandemic
 3. Ensure continued operation of businesses that provide critical goods and services to women and girls (ranging from healthy food, to feminine hygiene products, to transportation)
 4. Facilitate new loans to smallholder farmers and agricultural businesses that supply and support them, strengthening local food production capacity to help prevent increasing rates of hunger and malnourishment
 5. Contribute to transformational recovery by channeling local capital to Black women-owned social enterprises that will build an inclusive, equitable economy
8. What progress have you made toward achieving your objectives? Please address each stated objective.

As of September, 2020, our progress is as follows:

1. We have successfully restructured one entrepreneur's loan, extending her repayment period by several months, and helping her pivot her business model away from chain retailers and toward informal township outlets. Her company Milli, distributes natural and organic feminine hygiene products. We believe this combination of loan restructuring and business plan adjustment will help Ms. Goliath, the business owner, successfully weather the challenges she has faced during the pandemic (her products were declared "nonessential" and thus could not be sold by Clicks, her retailer partner, during the strictest phases of the lockdown.) We continue to work with the owner of NLLT, which is woman-owned, and Sihlangene, which is cooperatively owned, with significant representation by women, to assess the state of business operations and determine whether, when, and how their loans might be restructured.
2. At present, we believe that employment levels at the businesses listed above remain stable. Most of these businesses were classified as "essential" (e.g., agriculture, transportation) and were allowed to continue operating even during the strictest phase five of the lockdown, and thus retained their employees in spite of some challenges related to demand, access to markets, or sales restrictions. Rietkloof and Mont Piquet, two cooperatively owned farms in the Western Cape, which produce Fairtrade citrus and grapes, continue to provide childcare for both full-time employees and seasonal laborers.

3. As described above, several of these businesses are providing essential goods and services to the marginalized communities in which they operate. For example, Sihlangene is a small, Black-owned bus company operating in KwaZulu-Natal. It operates several rural bus routes in the areas surrounding the port city of Richards Bay. The populations that use these buses generally do not own personal means of transportation, and most live well beyond walking distance of their schools, jobs, and other critical destinations. Shared Interest and its partners have helped Sihlangene navigate the new reality, in which it must operate its buses at reduced capacity levels, as well as expend significant resources on cleaning the buses and PPE for staff and customers.
 4. Shared Interest is finalizing a loan guarantee to a woman-owned company in Malawi called Lenziemill. This company will help increase the availability of affordable protein in Malawi by strengthening the fish farming value chain: Lenziemill will produce high quality floating fish feed and help smallholder fishers lease the equipment needed to begin farming tilapia. Currently, high-quality feed is unavailable locally, which means fish farming is relatively low yielding and economically unattractive. By improving the economics, Lenziemill will help smallholder farmers earn a higher income, increase the availability and affordability of protein for local Malawians, and reduce overfishing in Lake Malawi, where fish populations have been decimated and biodiversity is suffering.
 5. We have partnered with an accelerator and fund manager to set up a new entity that would help a broad range of innovative social enterprises access early stage capital to expand and grow. These businesses include renewable energy, platforms to serve participants in the informal economy, equipment and services that facilitate improved access and inclusion for people with disabilities, and innovations in agriculture, healthcare, and education. Many of the founders, managers, and employees are women. A Shared Interest guarantee is planned to help crowd in the local capital necessary to fund such “high risk” ventures, which are often starved for capital because investors are unfamiliar with social impact business models and unable to properly assess the risk. In addition to providing these businesses with loans, our partners will also provide business development services to help the entrepreneurs and their businesses grow and succeed.
9. Do you anticipate any difficulties in completing your project in the timeframe outlined in your proposal?

Since we have shifted our work to focus on COVID-19 response and recovery, the timeframe is likely to be longer. At this point, however, we have relatively little clarity into just how long these threads of our work will continue.

Our response work, helping businesses stabilize (including negotiating loan restructuring and getting clear of default risk) will likely continue through the re-opening of each country’s economy, which is dependent on controlling the virus. This is unlikely to happen until a vaccine is not only developed but widely available. Most of our guarantees are likely to expire before this happens, as we typically provide loan coverage for three to five years, and many projects were well underway when the pandemic hit.

Our work with agriculture supply chains and social enterprises is new. These projects, which will kick off beginning now and into early 2021, could last for three years. With experts predicting that economic recovery could take years, depending on the sector, it seems likely that recovery from the pandemic will be a meaningful component of our work for the foreseeable future.

Summary of spending to date

Expense type	Amount expended	Reallocated budget	Comments
Local consultant costs	19,698	32,196	Includes \$7,198 for partner working on AWAB and other projects in Malawi; \$12,500 to partner supporting post-COVID work in South Africa
Travel	2,804	2,804	Trip to visit AWAB in February
Letter of credit fees	7,323	10,000	Letter of credit fees for portfolio companies through August 31
Total	29,825	45,000	

Along with this report, we are submitting three pictures. We confirm both our right and consent to the use of these photographs, per relevant local law, and grant Dining for Women the right to use them in all forms and media.

Photo captions and credits:

- 1.) Woman-owned Mgom'mera seed company distributes inputs to women seed farmers in Malawi. Photo credit: Dr. Grace Malindi
- 2.) A member-owner of the Mont Piquet cooperative in Piketburg, South Africa, harvests Fair Trade citrus. Photo credit: Donna Katzin
- 3.) Mother and daughter, Mpume Cele and Florence Gumede, are part-owner and senior management, respectively, of the Sihlangene Bus Company, in Richards Bay, KwaZulu-Natal. Photo credit: Shukura Shears