

SHARED INTEREST

INVESTING IN SOUTHERN AFRICA'S FUTURE

Together Women Rise: Final progress report

1. *Organizational information*

Name: Shared Interest

Project title: Seeds of Resilience – Building Women-Owned Seed Systems in Malawi

Grant amount: \$45,000

Contact person: Martha Brantley

Address: 121 W. 27th Street, Suite 805, New York, NY 10001

2. *Recap briefly what 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 Together Women Rise communicated to grantees its offer that grants could 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, providing childcare, and ensuring that the progress that women have made in achieving leadership roles, accumulating assets, and growing incomes does not erode.

3. *What was accomplished in connection with this project? Please address each stated objective. If any project objectives were changed, please also explain the circumstances leading to the modification of the objectives.*

The project’s objectives were revised for the reasons discussed above. The revised objectives included the following:

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 (including healthy food, feminine hygiene products, transportation, etc.)
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

To date, we have had no loan defaults at businesses owned by women. We have had two loan defaults, one of which has resulted in job losses. The larger company is a large farming cooperative that employs many women. The cooperative, which produces Fairtrade citrus and grapes, lost the ability to sell to its major customers in Europe and the Middle East during South Africa's extremely tight lockdown, which restricted movement and even shuttered ports, during spring of 2020. Despite the default, that farm remains operational, and Shared Interest is negotiating with the lender to determine how the collateral we provided can be used to help ensure its ongoing success and minimize job loss. The other company that defaulted on its loan was a small agricultural inputs supplier in Mozambique called Solucoes Rurais. The entrepreneur, Rui Dos Santos, had hired women to fill both junior and senior roles at the company, and these jobs were lost with the bankruptcy. His financial difficulties were largely the result of Mozambique's border closures, which delayed the import of not only vegetable seeds, which were the company's top sales generator, but also the materials necessary for packaging them.

The companies that are providing critical goods and services to women, by and large, have also survived. For example, Milli and Sihlangene, a manufacturer of feminine hygiene products and a bus company serving township residents, respectively, continue to successfully service their loans. We worked with Milli in 2020 to extend the guarantee we had initially provided, so that the entrepreneur could also obtain an extension of her loan, to help provide more flexibility in repayment. Sihlangene, a transport company that is made up of a bus company and taxi association (40% woman-owned), has benefitted during this challenging time from the flexibility access to capital: it can draw on its loan facility when it needs cash for operations, which has provided breathing room during periods of enforced capacity restrictions, school closures (transporting students to school is a significant driver of business), and lockdowns.

In Malawi and Zambia we have been working to support smallholder agriculture and small and medium enterprises (SMEs). We provided a guarantee to Maya Khonje Stewart to finance the construction of a feed mill for improved fish feed that will support 15,000 smallholder fish farmers, helping them to double their harvests. As founder, Stewart is so dedicated to serving smallholder farmers that she gives them her cell phone number. "We have an open-door relationship with our farmers, and they can call us any time. Farmers will call you in the middle of the night to tell you about the problems they are having, but they really appreciate that no matter how big or small their problem is, we will support them." Stewart's experience with Malawi's commercial financial institutions was initially disappointing. "They only focus on what they are comfortable with," she says. "The first thing they will say is, 'Why are you wasting our time?'" With the help of a Shared Interest guarantee, however, the company was able to approach a local lender and secure a \$600,000 loan, which will be used to fund the construction of a new production facility. "[The lender] was excited about our project – and they are already asking us about our future plans."

We are also working with a woman-owned business that processes moringa sourced from more than 20,000 smallholder farmers into powder and oil. This company – which plans to triple its sourcing as it grows – is helping to create a transformational recovery by implementing a large employee share ownership program, which will help Malawians build wealth, giving them a stake in the company's success and a voice in its future direction.

4. *Have the number of beneficiaries changed?*

The beneficiary estimate from our interim report remains largely unchanged. Although we do expect to have significant numbers of women beneficiaries from our new work with farmers supplying the moringa processor, as well as entrepreneurs accessing the Covid-19 SME facility in Zambia, we do not yet have accurate estimates for those projects.

5. *What challenges did you face in connection with your project? How did you address these challenges?*

Banks' cautious stance continues. Lenders are aware that small businesses are less able to withstand economic shocks than large corporations. During this period of ongoing uncertainty, they are not particularly interested in reaching out to the borrowers that we serve to understand their needs. Furthermore, many small businesses are hesitant to take on new debt: after the economic stress that they have endured, what they really need are grants, but few such programs are available.

We have responded by partnering with a broader range of financial institutions, such as development finance institutions, non-bank lenders, investment funds, foundations, and others. These financiers control increasingly significant amounts of capital, and for a variety of reasons (mission, risk appetite, experience) they are moderately more willing to fund innovative businesses that have not been able to obtain traditional financing. In our experience, commercial banks are rarely the first movers – they are slow and bureaucratic, and they tend to follow other, more nimble actors once an opportunity has been thoroughly proven. By working with these lenders, we will demonstrate the business value of extending credit to social enterprises, women entrepreneurs, green businesses, and other transformative companies, eventually influencing banks to serve them as well.

We have also been challenged by investors choosing to redeem, rather than renew, their loans to us. Lower interest rates and a surging stock market means that the returns we can offer investors are become less attractive compared to other investment opportunities, and the continuing uncertainty around the path of the pandemic in Southern Africa, which will mostly likely not have widespread access to vaccines until 2023, has made some investors nervous about recommitting capital to Shared Interest. We are responding with a campaign to raise fresh investor capital from organizations who are dedicated to this part of the world and to equitable economic growth.

6. *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 stepped down after 26 years on December 31, 2020. At that time, our board of directors was in the process of interviewing candidates for the Executive Director position, and our Managing Director, Casey Cline, became Interim Executive Director. On Monday, May 3, Ann McMikel, a long-time nonprofit executive with significant experience in Southern Africa and racial justice, became Shared Interest's new Executive Director.

7. *What were the most important lessons learned?*

The pandemic has shown us the adaptability and resilience of our organization as well as the enterprises we serve. The two businesses that defaulted on their loans had experienced challenges even before the

onset of the pandemic; every other borrower in our portfolio has, so far, been able to manage through extreme economic difficulties, not to mention personal pain. At the same time, Shared Interest adapted to remote work, pivoted its important fundraising event to a virtual platform, and managed through its leadership transition without disruption. In fact, these changes provided us with the obligation and the opportunity to be more innovative, just as banks' reticence to lend gave us a reason and a need to build relationships with a broader array of non-traditional lenders.

8. What has changed within your organization as a result of this project?

We have begun working with a broader array of on the ground partners, to help us get closer to the businesses that we are guaranteeing. Currently, we are conducting due diligence on many entrepreneurs and enterprises in need of capital, but in the current high-risk environment, it is critical that we accurately assess their business plans, likelihood of success, and risk level before determining whether to move forward with a guarantee. Otherwise, not only do we risk our own investors' capital, we also risk enabling a small business or cooperative to take on debt that it is not capable of managing. Working with a broader range of on-the-ground partners has brought us additional industry expertise, for example, we worked with the former CEO of a microfinance institution when doing due diligence on an innovative non-bank lender; his knowledge of financial institutions and lending portfolios helped ensure that we fully understood the risk profile of the organization and health of its balance sheet. Our expanded partnership network has also helped us build stronger relationships with lenders. This helps transactions move more quickly and enables us to design innovative programs (e.g., employee ownership schemes) that might not be possible otherwise.

9. Describe the unexpected events and outcomes, including unexpected benefits.

The path of the pandemic has obviously been impossible to predict, although in some countries where we work (namely Malawi) the impact has been less severe than initially anticipated. As a result, we are finding more opportunities to support impactful and innovative businesses – and, in particular, businesses owned by women. We have also found that the transition to virtual communication platforms has, in many instances, brought unexpected benefits. Increased use of Whatsapp, Zoom, Skype, and similar technologies has made it easier to interface with partners, beneficiaries, and other contacts on the ground, in spite of occasional challenges with network connections, access to mobile coverage, or the cost of data. In 2020, we also found that many of our funders, both on the individual and institutional side were extraordinarily generous, driven by an almost innate understanding of the outsized need. This meant that unexpected financial losses – for example, caused by our inability to host an in-person spring gala – were offset by larger than usual donations or extraordinary one-time grants from various foundations. Together Women Rise was among these supporters, with its decision to enable its funding to be used flexibly, dedicated toward areas of greatest need.

10. Did you change your strategy as a result of obstacles you encountered? How will you address these challenges in the future?

As previously discussed, we changed our strategy from working exclusively/preferentially with commercial banks, broadening our approach to partner with a wider variety of lenders. This helped our target borrowers access a deeper pool of capital during a time in which access to credit has clearly become both more difficult and more urgent. In the future, we are likely to continue working with a broader base of lenders, but we still plan to continuously re-engage with commercial banks, since they are likely to remain the principal source of capital in most markets, despite the entry of alternative

financiers. We may also partner with organizations that are pioneering alternative approaches to collateral, such as movable collateral registries, to help advance these policy changes and socialize them with lenders. This will enable a much larger proportion of the population to become potential borrowers.

We also increased our openness to the use of portfolio guarantees. A portfolio guarantee is one in which, instead of providing collateral to a single borrower, a guarantee is given to a financial intermediary, who then uses it to back multiple loans made from its balance sheet. Offering a portfolio guarantee is a different style of underwriting than providing a single loan guarantee, but it allows us to reach more businesses, needing smaller amounts of capital, for shorter periods of time. One problem with portfolio guarantees is utilization – once issued, the lender needs to make loans using the facility to take advantage of the guarantee and create the desired impact. In the future, we will likely continue to use this form of guarantee if utilization is satisfactory, as it will allow us to diversify into smaller loan sizes, shorter tenors, and help us reach many more borrowers with relatively little effort from our program staff.

11. Approximately how many lives have been touched, both directly and indirectly, by the project?

We estimate that our current portfolio has directly created 1,336 jobs and assisted 3,812 SMEs/entrepreneurs/farmers. We estimate that the project has indirectly touched up to 135,558 lives, including the family members of the individuals directly impacted, but as well as other indirect beneficiaries, such as those using the goods and services produced by some of our portfolio businesses (e.g., riders of the subsidized transportation provided by Sihlangene or buyers of the high-quality affordable fish feed produced by LenzieMill Milling.)

12. What are the measurements used to monitor success and how was this information measured (e.g., surveys, observation)? Be specific and include measurable results.

During the pandemic, M&E became significantly more difficult, due to very stringent lockdowns within South Africa, coupled with regional and international travel restrictions. As a result, we relied on our borrowers to self-report on a core set of key metrics: jobs created, enterprises/SMEs/owners assisted, and the gender breakdown of each. To the extent possible, these data were audited by local partners, who visited project sites and verified borrower-reported data. We also monitored loan performance – were borrowers on time with their payments and, in the case of loans that were repaid, were borrowers that sought a second loan able to obtain unsecured credit? This data was collected and verified by bank reports, which are provided quarterly, updating us on which borrowers have made payments ahead of are in arrears or have even defaulted on their loans. For some projects, we were able to collect additional data, such as price premiums paid to farmers vs. market pricing – these data were collected via regular audits of prices at major trading centers.

13. If the project is ongoing, provide plans and expected results, including projected timeframe.

Shared Interest continues to support several businesses from its legacy (pre-Covid) portfolio. The longest-dated of these guarantees will expire at the end of October, 2021. New investments that we have either made or are about to make to support the region's economic recovery will continue for anywhere from 12 months to five years, depending on project design and the financial sustainability plans of the underlying businesses. An example of a shorter project in development is a pilot Covid-recovery loan facility that will provide short-term working capital (60-to 90-day inventory financing) to

affected small businesses in Zambia. That facility will initially last six months, with some project set-up time and post-project review time required to review outcomes, assess the feasibility of expansion, and determine improvements that could be made to improve performance. On the other end of the spectrum, we are also working on a five-year project to provide flexible growth capital and business development support to emerging social enterprises working in the “new economy” – technology, green business, education, health, etc. These early-stage investments will prepare businesses to expand, scale, and raise additional rounds of capital – but the required timeframe for repayment is considerably longer.

14. Provide a detailed list of all expenses incurred during the grant cycle which have been paid for with the Together Women Rise grant.

Expense type	Amount expended	Reallocated budget	Comments
Local consultant costs	32,196	32,196	Includes \$7,196 for partner working on AWAB and other projects in Malawi; \$25,000 to partner supporting post-COVID work in South Africa
Travel	2,804	2,804	Trip to visit AWAB in February
Letter of credit fees	10,000	10,000	Letter of credit fees for portfolio companies
Total	45,000	45,000	

15. Did this grant and relationship with Together Women Rise assist your organization in obtaining other funding, partnerships with other organizations, or public recognition in some capacity?

We have built upon our relationship with the Graça Machel Trust, which was our partner for the work in Malawi originally supported by the grant, and together we have jointly applied for several large grants. The outcome of those proposals is still unknown.

Along with this report, we are submitting 4 pictures. We confirm both our right and consent to the use of these photographs, per relevant local law, and grant Together Women Rise the right to use them in all forms and media.