

CREATING OPPORTUNITIES

in Challenging Markets

HIGHLIGHTS OF IFC INVESTMENTS SUPPORTED BY BLENDED CONCESSIONAL FINANCE



**International
Finance Corporation**
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Creating Markets, Creating Opportunities

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IFC, a member of the World Bank and the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2021, IFC committed a record \$31.5 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of the Covid-19 pandemic.

Creating Opportunities in Challenging Markets

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You can also write to us at:

International Finance Corporation

2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

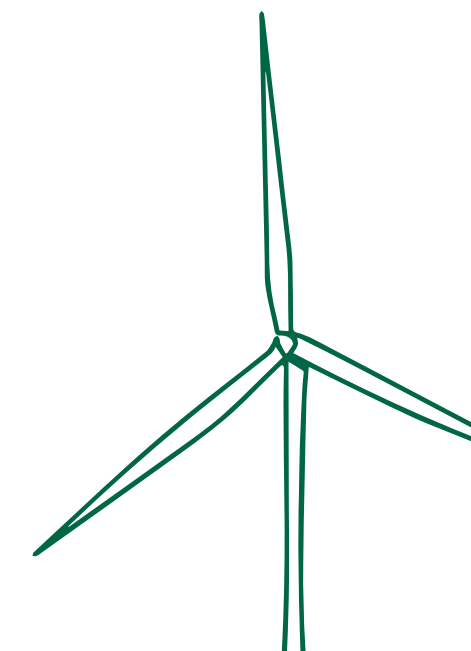
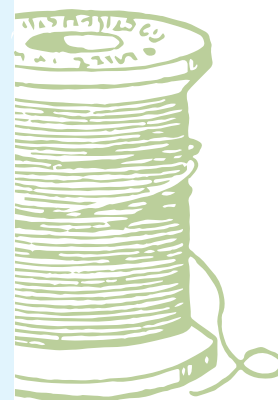


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Foreword

Fatma Ben Soltane launched a sustainable sportswear business in Tunisia in 2019, but without financing, she struggled to sustain and grow her business. Loans through traditional banks proved nearly impossible: One bank, she recalls, demanded \$10,000 in collateral when she requested a \$10,000 loan. “Entrepreneurship in Tunisia is devoted to men,” she says.

That changed when Ben Soltane heard about Flat6Labs, an IFC-funded accelerator program and early-stage venture capital fund supported by the Women Entrepreneurs Finance Initiative (We-Fi), a global facility that aims to unlock financing for women-led/owned businesses in developing countries. “We would still be trying to establish ourselves” if it hadn’t been for IFC support, Ben Soltane explained in a recent interview.

Indeed, in Tunisia, and in emerging economies more broadly, access to funding and support for women-led enterprises is scarce. The support from IFC and We-Fi to Flat6Labs has been critical, allowing entrepreneurs like Ben Soltane and others to launch businesses that are creating jobs and sustaining markets.

We-Fi is just one of many blended concessional finance facilities implemented by IFC, helping us undertake high-risk, high-impact projects that create opportunity for small business owners, farmers, and entrepreneurs around the world.

Blended concessional finance, where concessional funds from public and philanthropic sources are combined with IFC’s own financing to mitigate specific investment risks and help rebalance risk-return profiles of private sector projects, has been helping IFC extend its reach into more challenging markets and sectors for nearly 20 years. It is a critical enabler of IFC’s 3.0 strategy, which goes beyond financing projects but also to creating markets — and mobilizing private capital at significant scale, with greater focus on the poorest and fragile and conflict-affected countries.

Since 2010, IFC has deployed \$3.1 billion of concessional donor funding to support 369 high-impact projects in more than 50 countries. These projects have leveraged \$9.5 billion in IFC financing and more than \$7.7 billion from other sources, including private sector sponsors and co-financiers. This means that \$1 dollar of concessional resources from our partners mobilized over \$7 dollars of IFC and other party financing toward high-impact private sector projects across the developing world.

Blended concessional finance, where concessional funds from public and philanthropic sources are combined with IFC’s own financing to mitigate specific investment risks and help rebalance risk-return profiles of private sector projects, has been helping IFC extend its reach into more challenging markets and sectors for nearly 20 years.

Rooted in the heart of our model is a commitment to use blended concessional finance as a targeted and temporary solution. It should also only be used when it helps push a high-impact transaction across the threshold of commercial viability. IFC is committed to effective, efficient and transparent use of concessional funds to ensure that blended finance is being used to support transactions with both high development impact and the opportunity to secure sustainable commercial funding in the longer term. IFC chairs the Development Finance Institutions (DFI) Working Group to promote the adoption and implementation of the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects to ensure a disciplined approach to blended concessional finance to avoid market distortions.

In the pages that follow, you will meet Hawa Sidibé in Mali, Nguyen Thi Huyen in Vietnam, and Suimonkul Joldubaev in the Kyrgyz Republic, among many others. Their stories are a poignant reminder of our mission—and the power of blended finance to help communities and countries thrive. Indeed, blended concessional finance is changing lives and paving a greener future in small villages and large cities across the world.

Our work is far from over, but we’re nevertheless taking this opportunity to reflect on the catalytic role of blended concessional finance and highlight the very real impact of our investments on communities around the world. It’s been an exciting journey, supported by many wonderful partners, and we’re proud to share it with all of you.

Kruskaia Sierra-Escalante
Senior Manager, Blended Finance and Corporate Strategy



1

Improving Health Outcomes with Blended Concessional Finance

The recent pandemic has laid bare the fragility of health systems across the globe—especially in sub-Saharan **AFRICA** where small private healthcare providers are an integral part of the system, serving millions of patients.

Many of these smaller healthcare providers lack the funds to acquire specialized medical equipment to boost their response and care efforts, and access to financing to buy or lease equipment has proved challenging. A survey of WHO member states found that only 11 percent of respondent countries in Africa had at least one MRI machine per one million people—and only 24 percent had at least one CT scanner.

For African banks, healthcare financing is often unfamiliar territory, and the pandemic exposed an urgent need to get banks up to speed in the intricacies of underwriting medical equipment—while helping them get comfortable with the risk and the longer tenors needed for healthcare providers.

To respond to this equipment and financing deficit, in 2021, IFC launched the Africa Medical Equipment Facility (AMEF) in partnership with equipment manufacturers and financial institutions. The goal is to help healthcare providers in East and West Africa secure loans to buy or lease the equipment they need to deliver the highest-quality care from lab equipment to MRI machines.

AMEF is part of IFC's \$4 billion Global Health Platform, which provides financing to manufacturers of healthcare products, suppliers of critical raw materials, and healthcare service providers so they can expand capacity for products and services to be delivered to developing countries. AMEF helps bridge the financing gap by providing risk-sharing facilities to participating financial institutions to enable small businesses in Africa access up to \$300 million in loans to purchase or lease equipment. The loan size to small businesses is expected to range from \$5,000 to \$2 million in local currency equivalent.

For Anne Waita, co-founder of Nairobi Radiotherapy and Cancer Centre, AMEF has helped her acquire a key piece of equipment to expand care delivered to patients. By partnering with AMEF, she has been able to acquire a bone scanner from GE Healthcare. It scans the whole body to determine if there is a tumor in the bone. It's the second such piece of equipment in all of Kenya.

Dr. Abdoul Gadiri Diallo at the CMC Flamboyants Health Clinic in Conakry, Guinea.



The facility is complemented by an advisory component to help small healthcare businesses strengthen their medical equipment procurement processes, financial management competencies, and business planning so they know what equipment they need to buy—and are able to submit a well-prepared proposal to the banks for financing.




“Cancer treatment is a very specialized field and requires specialized equipment. One of the biggest challenges to being a healthcare entrepreneur is access to finance. We tried to look for financing since 2000. AMEF made a big difference. It brings together IFC, the equipment maker and Co-operative Bank of Kenya with a financing solution that enabled us to purchase a bone scanner. This was really a dream,” said Waita. “There is a long queue to use the other bone scanner so this will make a big difference.”

The program’s impact and reach is being amplified through support from the International Development Association’s Private Sector Window (IDA PSW) blended finance facility and the Global Financing Facility for Women, Children and Adolescents (GFF) in the form of up to \$18 million and up to \$6 million first-loss guarantees. With the support from IDA PSW and GFF, the rollout of the program has been accelerated in countries where access to medical equipment has historically been a challenge. Without the blended concessional finance co-investment, IFC would not be able to provide guarantees to the participating financial institutions at a price that allows these lenders to provide financing to health SMEs at a viable cost.

AMEF builds on the success of other risk-sharing facilities supported by blended concessional finance, including IFC’s Small Loan Guarantee Program (SLGP), where evidence shows that risk-sharing is an effective solution to encourage financial institutions to lend to smaller businesses.

Taking another page from the SLGP playbook, the facility is complemented by an advisory component to help small healthcare businesses strengthen their medical equipment procurement processes, financial management competencies, and business planning so they know what equipment they need to buy and are able to submit a well-prepared proposal to the banks for financing. The advisory program, funded by the government of Norway, is helping participating financial institutions to strengthen credit underwriting skills for the healthcare sector. And there will be collaboration with the equipment manufacturers to ensure the health care businesses receive training and maintenance support, ensuring the long-term use and benefits of the equipment.

The Co-operative Bank of Kenya and NSIA Bank Côte d’Ivoire are the first two financial institutions participating in the facility. GE Healthcare, Philips, Karl Storz, Elekta, Getinge, Neusoft Medical Systems, and Wondfo Biotech have been onboarded to the facility and additional equipment manufacturers are expected to join the program over the coming year. IFC expects to expand the financing to more countries and invites interested financial institutions and equipment manufacturers to reach out to their local IFC contact to explore partnerships under the Africa Medical Equipment Facility. Please contact amef@ifc.org for more information. 



Cooking Up Solutions for Women Entrepreneurs with a Taste for Success

Amret has extended affordable loans to more women, including Chim Di and her noodle-making business.

2

A 60-year-old entrepreneur in the Kandal province of **CAMBODIA**, Chim Di knows the perfect recipe for running a successful business. She is hardworking, passionate, and treats her employees as family.

Two decades ago, Di—along with her husband—set up a noodle company in her courtyard with less than 10 employees. Since then, for the last 20 years and until recently, Di started her day by working from around midnight to 5 a.m. Once the noodles were ready, her staff delivered them to retail stores and restaurants. The second shift was between 6 a.m. and 2 p.m., and by the time the evening shift started at 3 p.m., Di and her staff were busy making the dough for the next day's batch, working round the clock. As to work-life balance, Di quips, "We had no time to do anything but make noodles."

Twenty kilometers away, 32-year-old Touch Yamarady runs a Wing Cash Xpress—an outlet that offers money transfers, bill payments, cash deposits, and money exchange in the capital city of Phnom Penh. Eight years ago, Yamarady, an accounting professional, quit her job to start her business after she and her husband inherited a house in a popular neighborhood. "My husband's mobile business wasn't doing very well. I had a sick father at home, and we wanted to start a family business. So, we decided to pool our resources and run the money exchange business from home," she recalls. A loan from Amret Microfinance Institution enabled Touch Yamarady to run a money transfer and exchange business from home in the capital Phnom Penh.

Di and Yamarady are among the growing number of women entrepreneurs joining Cambodia's workforce. The country has one of the highest rates of female labor force participation and women-owned small and medium sized enterprises in the world. Women own 62 percent of micro and informal enterprises in the country, but only three percent of women entrepreneurs have access to formal credit. According to IFC, the unmet demand for credit from formal and informal Cambodian women-owned micro, small, and medium enterprises (MSMEs) is estimated at \$4.2 billion.

The recent pandemic has widened the finance gap for Cambodian businesses, especially MSMEs, disrupting cash flows and causing operational challenges. As a result, it is estimated that around 20 percent of the nation's total workforce faced job or income losses due to the pandemic.

To support the country's MSMEs, with IFC's support, Amret Microfinance Institution, among other local financial institutions, has increased its working capital lending to Cambodian smaller businesses—especially women-owned ones. This will help them stay afloat and continue operations during and after the pandemic. The additional funding complements payment relief that Amret—the third largest microfinance deposit-taking institution in Cambodia—has already offered to its borrowers.


IFC’s funding in 2020, part of its Covid-19 fast-track financing support package, provided Amret with liquidity to continue lending to MSMEs that have been impacted by the pandemic, particularly those in the hard-hit garment, tourism, and construction sectors. The [International Development Association’s Private Sector Window blended finance facility](#) provided additional support in the form of first-loss guarantees. Additionally, IFC encouraged the institution to use at least 30 percent of the funding for lending to women-owned businesses, thanks to a performance-based incentive provided by the IFC-managed [Global SME Finance Facility \(GSMEF\)](#).

This incentive enabled Amret to extend affordable loans to more women entrepreneurs despite the economic challenges of a pandemic. “IFC’s support has incentivized Amret to reach more women with diversified products. Despite the pandemic, we have been able to make loans more affordable, helping vulnerable women entrepreneurs maintain traditional income-earning activities,” says Chhay Vichhay, Senior Credit Officer at Amret.

In recent years, the need for finance to expand business and increase income has been growing among Cambodian borrowers—especially women entrepreneurs. In a country with an estimated 2.3 million borrowers, official data from the Credit Bureau of Cambodia show the average loan size in the microfinance sector grew by 80 percent between 2015 and 2017, raising concerns about over-heating and issues revolving around over-indebtedness and responsible financing. In response, Amret, with IFC’s support, enhanced responsible finance practices and improved credit risk management to strengthen its institutional culture and business operations. It is one of the first few microfinance institutions in Cambodia to be certified by the independent, third-party evaluator SMART Campaign in 2016 for adopting Client Protection Principles and practices that aim to ensure prudent, transparent, and respectful treatment of clients. Sector wide, IFC engagements with industry regulators and players focus on improving financial infrastructure and literacy. This helps develop responsible lending guidelines and build risk management capacity, among others, to reduce over-indebtedness and mitigate risks for borrowers, particularly women and rural segments in Cambodia.

Amret’s new loans and relief measures for their MSME clients impacted by Covid-19 helped Yamarady get through a challenging time. “During the pandemic, my business declined by 30 percent, and I was concerned I would not be able to repay my loan. However, my credit officer worked with me so that I only had to make interest payments,” she says. Di took a loan from Amret to buy a noodle-making machine, which transformed her business radically. “The machine doubled our daily noodle production to two tons, and our team grew from less than 10 to 18 employees,” she says. Automation helped Di and her staff work shorter days and stick to two regular shifts: 6 to 10 a.m. and 2 to 5 p.m.

Since she doesn’t have to work through the night any longer, Di and her husband can afford to get a good night’s sleep and enjoy their breakfast together before heading to work. Di and Yamarady are among thousands of women entrepreneurs who have weathered Covid-19 with support from Amret. To date, IFC’s funding to Amret has helped about 4,000 MSMEs, 56 percent of which are women led.

Yamarady can’t believe that only 10 years ago, she was struggling to buy food and clothes. Today, her business is doing well, and she managed to survive the pandemic. “I own properties, send my daughter to a good school, and can afford health insurance. Indeed, Amret is behind the success of my business,” she says. While Yamarady is excited about her future, Di looks forward to mentoring her daughter to take over her business, and retire in a few years. Reflecting on her journey, Di believes Amret has made it more enjoyable. “Just like salt, which enhances all other flavors in a recipe, Amret is the right ingredient for the success of my business.” 

“IFC’s support has incentivized Amret to reach more women with diversified products. Despite the pandemic, we have been able to make loans more affordable, helping vulnerable women entrepreneurs maintain traditional income-earning activities.”

Chhay Vichhay

Senior Credit Officer at Amret



Almost a decade ago, BMR Energy came to IFC with an opportunity—and a challenge. A leader in clean energy, the company knew that **JAMAICA was ripe for an investment in wind power—a big one.**

A Blended Investment in Wind Energy Ready to Fly Solo

Bruce Levy, CEO and President, and his partner Andrew Rovito, Senior Vice President, had a vision: construct a 36-megawatt (MW) wind turbine farm, using 11 3.3 MW wind turbines, which at the time was virtually unheard of in Jamaica, with most wind turbines at the 2 MW size. It would be the first project for BMR Energy and the first private company to build a wind farm in Jamaica. Despite the government of Jamaica's interest in renewable energy, local, long-term financing was nearly impossible to obtain given the weak economic situation. The power sector in Jamaica also faced critical issues: high generation costs driven by an over-reliance on imported fossil fuels and resultant electricity theft, driven by the high electricity prices and longstanding socioeconomic issues.

Not to mention, the wind sector was relatively untested. Could a project of this scale survive? Could it support the country's ambitions to reduce its dependence on imported fossil fuels? Knowing the potential benefits this would have for climate change mitigation and the local population, BMR Energy engaged the US Development Finance Corporation (DFC, at the time OPIC), who shared some of the same concerns about the lack of track record in the country.

But the BMR Energy team was persistent. IFC, which had local experience and clients, was recruited to partner with DFC and help the deal cross the finish line. With the combination of IFC's own-account financing and blended concessional financing from the government of Canada, the project suddenly became bankable. "IFC went and found concessional financing that brought down their average cost of lending; IFC was a very important partner on this because it really helped DFC get comfortable in Jamaica," says Levy. "Many things came out of this project because IFC was participating, and I think the concessional finance helped us get there."

Jamaica's largest private sector wind farm, BMR Wind, was made possible through a \$62.7 million financing package, including blended concessional financing from the **IFC-Canada Climate Change Program** (\$10 million), a senior loan of \$10 million from IFC, and the remainder by the DFC. The critical IFC-Canada blended finance program funds helped the project proceed and go on to demonstrate the viability of private sector wind power in Jamaica, thus paving the way for long-term commercial investors. BMR Energy won the competitive auction bid in 2013, and at the time, the electricity was among the lowest cost sources of power available to the Jamaican Public Service (JPS) Company, a company that provides electricity services to more than 600,000 residential and business customers through an integrated system that includes power generating plants, and an island-wide transmission and distribution network.



3

How windy is it in Jamaica? Very. Ninety kilometers west of Kingston, BMR Wind's 11 Vestas V112 3.3 MW wind turbines generate over 120,000 MWh per year, roughly equivalent to 3 percent of Jamaica's 2022 current energy demand. Power from the project is being sold to the JPS Company, under a 20-year power purchase agreement. "We are supposed to make 120,000 MWh a year. Three years after becoming operational, we were doing so well that we increased [our target] to 130,000 MWh," says Levy. The wind farm is helping avoid greenhouse gases by about 87,000 tons CO2 equivalent per year. "More profits have given us the ability to spend more on growing our business, which is focused on the Caribbean and Central America," says Levy. "Now we have five other plants, and all of the new ones are solar."

A pioneering commercial project in Jamaica with a strong track record of success in the Caribbean, BMR Wind is now ready to leave the nest. The IFC nest, that is. "This is a well-run, impactful project that no longer has a need for blended concessional finance—it met our shared objectives to create and reinforce private markets by de-risking and rebalancing the risk-reward profile to demonstrate commercial viability with a minimum use of concessional funds. It serves as a prime example of the catalytic power of blended concessional finance and partnership with countries like Canada," says Kruskaia Sierra-Escalante, Senior Manager, Blended Finance and Corporate Strategy. Blended concessional finance is a de-risking instrument that includes a time-bound subsidy to help crowd in the private sector. When projects are evaluated for blended finance use, a key question is "can the projects eventually succeed without the subsidy?" For BMR Wind, that assumption has become a reality. It has refinanced its IFC loan and government of Canada's blended concessional finance loan through a commercial lender in the Caribbean. In other words, it's ready to fly solo, as BMR Wind no longer needs concessional financing and is growing independently.

"BMR Wind is tangible proof that renewable energy projects in the Caribbean can be viable, profitable and play an important role in helping a country achieve its environmental objectives and create jobs. We at IFC are pleased to have been a part of this milestone

transaction for BMR Wind and Jamaica, and we look forward to supporting other companies support the region's ambitious climate goals with similar projects," says Judith Green, IFC Country Manager for the Caribbean.

With the support of IFC and DFC, BMR Wind helped reduce entry costs for future developers and demonstrated the bankability of private sector developed utility-scale wind farms in the region. The success of this project and similar ones encouraged the government to issue a second Request for Proposals for Renewable Energy projects, which received responses from numerous developers. The government did another competitive auction in 2015 and awarded a 37MW solar project that was built (at a lower tariff than BMR Wind) —an affirmation that renewable energy projects are doable and not a high-risk approach.

Island nations like Jamaica remain particularly vulnerable to extreme weather events caused by climate change like hurricanes, rising sea levels and flooding. So, efforts to support climate mitigation are needed as the climate crisis hits the Caribbean. Ultimately these kinds of large-scale, high-impact climate projects need financing—but also persistence and partnership to get off the ground, and eventually, fly solo. ☁️

“BMR Wind is tangible proof that renewable energy projects in the Caribbean can be viable, profitable and play an important role in helping a country achieve its environmental objectives and create jobs.”

Judith Green

IFC Country Manager for the Caribbean



Gabriel Muli instructs workers at his facility in Kenya that manufactures cleaning and sanitation products.

Lending a Hand when Entrepreneurs Find Timely Ways to Do Good

4

In March 2020, as the world was shutting down due to the coronavirus pandemic, Elex Products in **KENYA**, worked around the clock to develop and manufacture hand sanitizers.

A married couple, Gabriel Muli and Ruth Muindi, started this small Kenyan company on the outskirts of Nairobi in 2002. Before the start of the coronavirus pandemic, Elex Products was already manufacturing and distributing cleaning and sanitation products for both industrial and domestic use, but at the time, hand sanitizers were not a part of their offering. Muli said that their company started developing hand sanitizers the moment the pandemic hit Europe. “We knew Africa was next. The day the first Covid-19 case was announced in Kenya, it was a frenzy, and hand sanitizers were sold out within an hour,” said Muli. But Elex Products was prepared. For the next few weeks, customers formed long lines outside their factory starting at 5 a.m.

The pandemic was a paradoxical time for Elex Products: On the one hand, they were able to create a new product line and supply an essential disinfectant at a time of severe need; yet the company was also hurt by Covid-19. Supply chain disruptions had increased prices of raw materials, which directly impacted Elex Products’ ability to purchase supplies, spurring the company to diversify its product base. “We limited manufacturing to 20 percent in each product segment,” said Muli.

Elex Products made quick decisions and adapted its business practices in response to the pandemic. First, they tapped into local communities to create distribution networks. “We realized many people were jobless or at home with half pay. We established home distribution methods and recruited locals who had lost their jobs due to the pandemic to deliver [our products],” said Muli.

Second, they started using digital technology by relying on mobile banking and using social media to advertise their products. “In Africa, most consumers trust the big names. To differentiate ourselves, we look at market needs that the multinationals are not able to address. We can’t advertise like our large competitors because it is expensive; so, we do product demonstrations. But during the pandemic, that wasn’t an option, and we started using social media.” Third, they got a bigger space, which was outside the industrial area, but cheaper. At the beginning of the pandemic, the company stored their raw materials outside in the open as they needed the space inside the factory for manufacturing hand sanitizers.

“Simply put, the pandemic was an opportunity to serve our community by providing sanitizers and empathizing with locals who had lost their jobs by creating employment opportunities.” Muli further added, “We were able to adapt our business practices and make quick decisions because we had support.” One of the reasons Elex Products was agile and stable during the pandemic was the support they received from Co-operative Bank of Kenya (Co-op Bank), the third largest bank in Kenya. Founded in 1968 as a cooperative society, Co-op Bank focuses on expanding financial services to clients like Gabriel Muli and Ruth Muindi, who run small businesses.



“Simply put, the pandemic was an opportunity to serve our community by providing sanitizers and empathizing with locals who had lost their jobs by creating employment opportunities.”

Gabriel Muli

Co-founder of Elex Products

For Co-op Bank, outreach to small and medium enterprises (SMEs) is a priority, and the bank doubled its efforts during the pandemic by increasing online engagements with its SME customers. “We reached out to our customers to determine what support they required to weather the pandemic. Our engagements helped us assess how we could assist struggling customers by restructuring loans and implementing moratoriums,” said Moses Gitau, head of business banking at Co-op Bank.

“IFC’s support during the pandemic was instrumental in developing and implementing various webinars and workshops. We conducted over 40 customized SME webinars during the pandemic covering topics critical to our customers,” he said. IFC, with the support of the **Global SME Finance Facility (GSMEF)**, has been working closely with Co-op Bank during the pandemic to help the bank and its customers navigate the crisis. In response to the pandemic, IFC has focused on expanding access to finance for SMEs through commercial banks that typically have less capital for their day-to-day operations, making them more vulnerable to global shocks.

Co-op Bank’s relationship with IFC goes back to 2012 when IFC supported the Kenyan bank to develop targeted services for its SME clients, including women-led and women-owned enterprises. Since then, through its investment and advisory services, IFC has partnered with Co-op Bank to expand services to SMEs. Co-op Bank developed initiatives with IFC that focused on better customer segmentation and customer value proposition, sales and customer management, products and services, credit risk management, data analytics, and non-financial services. From 2018 to date, Co-op Bank has served over 130,000 SME clients and increased their deposit holdings to 110 billion Kenyan shillings. A blended finance partnership, funded by the governments of the United Kingdom and Netherlands, GSMEF has allocated investment and advisory services to boost IFC’s efforts in financing and providing customized support to growing SMEs.

This is exactly the kind of support Elex Products needed to grow. Gabriel Muli and Ruth Muindi started small by using their own savings to launch their company. Today, Elex Products has 54 employees (of which 32 are women), about 30 part-time employees, and several young apprentices who eventually may have an opportunity to become full-time employees. They also have 600 pop-up vendors in their distribution network. Co-op Bank’s timely support to Elex Products helped the company to grow. In eight years of banking with Co-op Bank, Elex Products has taken out loans for asset finance, overdraft and insurance finance.

Muli said that Co-op Bank was their preferred choice for a bank because of its customer relations and geographical distribution. With 156 branches, they are located everywhere in Kenya, making it easy for Elex Product’s vendors and customers to conduct transactions. “Co-op Bank is very approachable and friendly. We felt even more so during the pandemic. At the beginning of the year, we applied for insurance finance for 10 months. It was approved in three days. It was magic!” he said. “It matters to us that the bank is being proactive so that we receive support at critical junctions in our business. Co-op Bank is the go-to bank for us as their support at critical times has allowed us to grow our business steadily.”

5

Blended Finance Loans Help Expand Herds—*And Hopes*

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—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 spring 2020, when Covid-19 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 last summer. “I can buy books and clothes for my four children and not worry,” he said recently from KEP offices in Pristina.

“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 8 percent of GDP and 30 percent of employment, it accounts for just 4 percent of total borrowing in the country’s banking 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.

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 (KRRK), two additional microfinance institutions, are supported by IFC and the **Private Sector Window of the Global Agriculture and Food Security Program (GAFSP)**. Since 2018, IFC and GAFSP have partnered with these three microfinance institutions to help them expand their financing support to smallholders and small businesses in Kosovo, particularly in underserved rural areas. IFC and GAFSP have so far provided a total of €16.5 million to the three MFIs across several loans, with another €8 million under consideration. The GAFSP loans are priced at a concessional rate to enable the MFIs to extend affordable loans to local farmers. Banks are reluctant to lend to Kosovo’s agriculture sector because of perceived risks and limited availability of collateral, which makes Kosovo’s MFIs largely dependent on concessional funding.

Lulzim Sadrija, the CEO of KRRK, 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. KRRK 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 and goes all the way to €25,000,” Sadrija said. “We are flexible and give farmers opportunities that traditional banks cannot.”

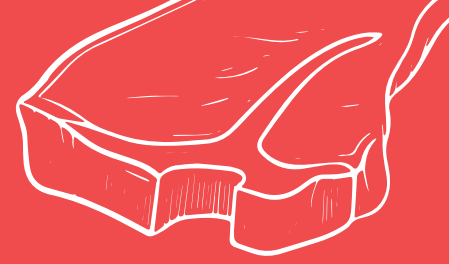
Farmer Remzi Bala prepares to start the day on his family homestead in central Kosovo



“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.”

Muharrem Krasniqi

KEP's Head of Agro Lending




Many clients appreciate the flexibility. Shpresa Hyseni recently received a €5,000 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 2020, 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 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.” 

Keeping Things Cool with Private Equity that Transforms Business

6

The living wages paid by Cool Bro's incentivize their factory workers to stay in the Kyrgyz Republic rather than seek better-paid work abroad.

Based in the **KYRGYZ REPUBLIC**, Cool Bro's has been producing high-quality knitwear for its neighboring countries for 15 years. They have 1,500 employees and churn out 20 million clothing items a year.

While Cool Bro's is one of the country's largest clothes makers, founder Suimonkul Joldubaev has long harbored ambitions of breaking into the lucrative markets of Europe. To do that, he recently sold a \$1.5 million stake in Cool Bro's to the Highland Capital Fund, the lone private equity vehicle in the Kyrgyz Republic. The partnership brought an influx of capital and expertise, and helped Cool Bro's receive the certification it needs to export to Europe.

"We see Highland Capital as a smart money investor," said Joldubaev. "Highland Capital's experience in developing corporate governance practices and management systems coupled with our expertise will significantly accelerate the development of Cool Bro's."

Aspiring companies like Cool Bro's are exactly why IFC invested \$8 million in the Highland Capital Fund in 2018. IFC's investment included a co-investment from the **International Development Association's Private Sector Window blended finance facility**. The deal was designed to stoke the growth of small and medium enterprises (SMEs) in the Kyrgyz Republic, where many entrepreneurs struggle to access capital. "Highland Capital has already become an important source of alternative financing and has the potential to further create markets and opportunities for financing SMEs in the Kyrgyz Republic," said Cassandra Colbert, IFC Regional Manager for Central Asia.

The Highland Capital Fund provides equity investments of between \$1 million and \$5 million to smaller businesses in sectors like agribusiness, healthcare, education, and telecommunications. The funding is considered crucial in the Kyrgyz Republic. SMEs employ 60 percent of workers and produce 40 percent of gross domestic product. But the steep collateral requirements of many banks, which dominate Kyrgyz financial markets, make it challenging for entrepreneurs to secure loans. Private equity funds have the potential to step into the financing void while also guiding entrepreneurs as they grow their businesses and expand into new markets.

IFC is one of the world's largest investors in emerging-market funds. Its portfolio includes \$7.9 billion invested in 384 growth equity, venture capital, and seed funds, and approximately \$1 billion in direct and co-investments. The support for Highland Capital Fund was part of a broader IFC effort to spur the development of the private sector in Central Asia, where many economies are dominated by the state.

"Through its support of local emerging fund managers such as Highland, IFC is also supporting the development of the private equity industry in the Kyrgyz Republic and in turn across the wider Central Asia region," said IFC's Colbert. "The IDA PSW support was instrumental in helping us kick-start the creation of a PE market in the Kyrgyz Republic."



The Highland Capital Fund has focused on the clothing sector, whose exports have jumped nearly 200 percent since 2014. The industry has grown into a key part of the Kyrgyz economy: in 2019, an estimated 200,000 people worked in the garment manufacturing sector, more than 8 percent of the labor force. But this number shrank by over 70 percent due to the Covid-19 pandemic. The industry has been hit by production shutdowns, reduced orders, and problems with supply chains. Cool Bro's was not immune to those problems.

Joldubaev said the financing from Highland Capital Fund helped the firm resolve financing issues, allowing it to focus on ramping up sales. "The garment sector is one of the priority sectors of the economy of the Kyrgyz Republic," said Cholponbek Jumashukurov, Managing Partner of Highland Capital. "Highland is excited to partner with Cool Bro's and support its rapid growth, which will affect the development of the industry as a whole."

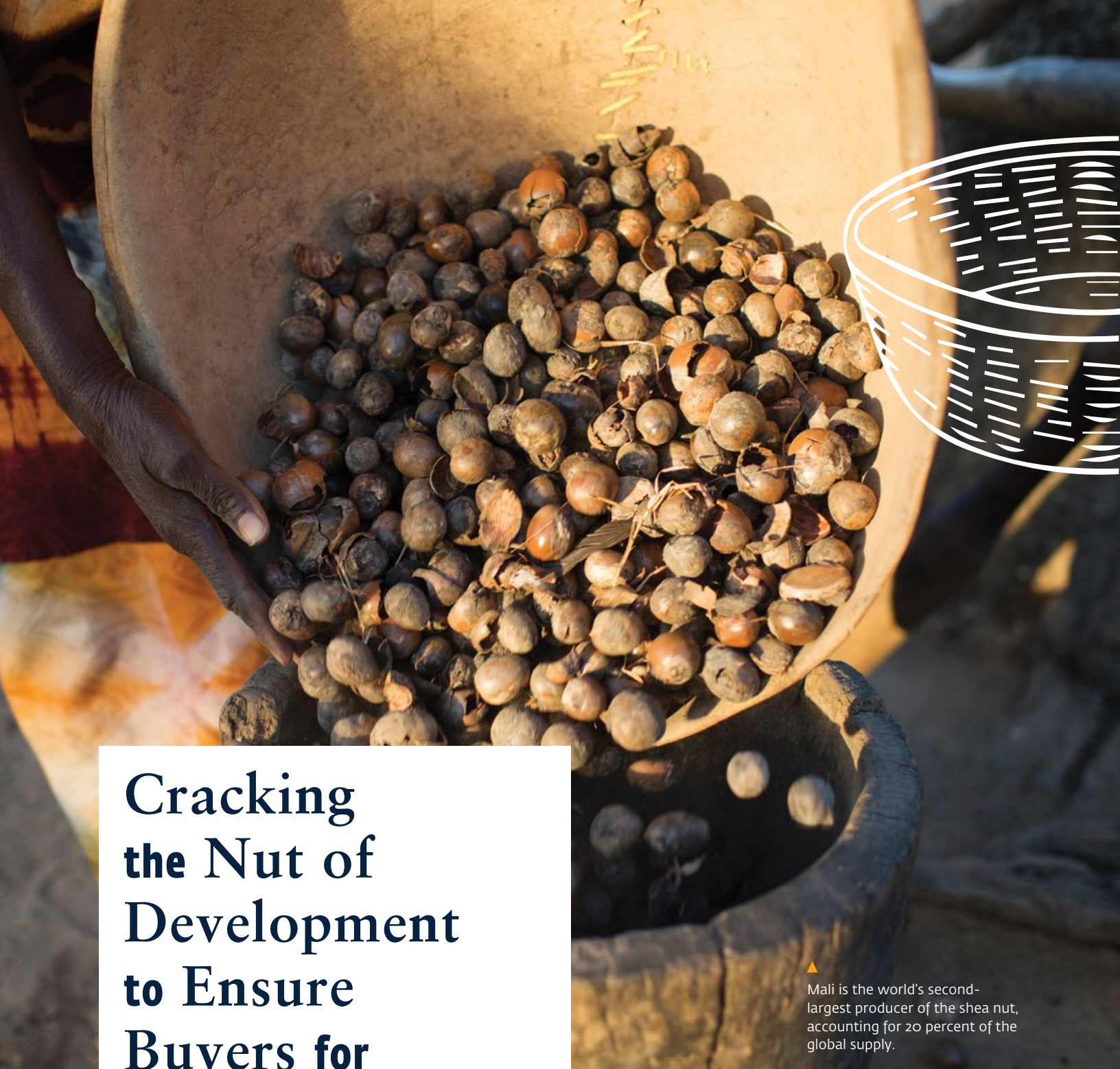
In 2021, Cool Bro's received Standard 100 certification, which ensures that textiles don't contain any substances harmful to people, key to exporting to Europe. The firm is now looking for partners on the continent and Joldubaev said he's excited about what's to come. 🧥



“Highland Capital has already become an important source of alternative financing and has the potential to further create markets and opportunities for financing SMEs in the Kyrgyz Republic.”

Cassandra Colbert

IFC Regional Manager for Central Asia



Cracking the Nut of Development to Ensure Buyers for *the Long Run*

▲ Mali is the world's second-largest producer of the shea nut, accounting for 20 percent of the global supply.



Every day during shea season in **MALI**, Hawa Sidibé—president of the Shea Cooperative of Gouandiaka, in Sikasso, southern Mali—walks four to seven kilometers to collect and sell her nuts to traders.

A lack of transportation to the fields is one of the many challenges that she and other members of her cooperative face as they try to earn a living. Until recently, though, an even bigger challenge was finding regular buyers for their shea nuts. Mali is the world's second-largest producer of the shea nut and accounts for approximately 20 percent of the global supply of shea. Shea butter is used as a cocoa butter equivalent in cosmetics and in the food industry.

But a lack of technology and modern industry means that Mali produces virtually no industrial shea butter itself. Most of Mali's shea nuts are sold raw or processed locally into low-quality artisanal shea butter, keeping the country on the fringes of the lucrative and fast-growing, industrial shea butter market. For a conflict-affected country like Mali, where over 40 percent of the population lives in poverty, this is an opportunity lost—especially for the million mostly poor, rural women who work in Mali's shea value chain.

IFC has provided a loan of €2.5 million to Mali Shi—a shea nut processing company based on the outskirts of Mali's capital, Bamako. The financing, which is supported by the Private Sector Window of the Global Agriculture and Food Security Program (GAFSP), will enable Mali Shi to build the country's first active modern shea butter processing plant, increasing incomes for the 120,000 smallholder collectors who supply nuts to the company. Without support from GAFSP, IFC would not have been able to support the project, particularly because of the high risks associated with investing in a greenfield project in a fragile and conflict-affected country. Through subordination, GAFSP is helping balance the risk and reward, enabling IFC to provide the required long-term financing at a rate that makes the project viable.

Though Covid-19 delayed construction by a few months, the company is back on track, and the processing plant became operational in December 2020. Over 95 percent of the company's suppliers of shea nuts are women, for whom the secure livelihood is critical, as it pays school fees for children and household expenses.

As part of IFC's work to strengthen Mali's ability to process shea nuts locally, IFC offers advisory services, also supported by GASFP, on training in business skills, finance, and management to members of 76 women-led cooperatives that supply Mali Shi, setting-up traceability of its products, improving energy efficiency, environmental and social management, as well as complying its operation to international food safety standards.

For IFC, investing in countries like Mali, which ranked 184th out of 189 countries on the 2019 United Nations Human Development Index, is a priority. Ninety percent of Mali's poor people live in rural areas, and drought, instability, and conflict have increased the incidence of poverty.

By 2030, around half of the world's extreme poor will live in countries characterized by fragility, conflict and violence (FCV). In response to this challenging global context, the World Bank Group launched its first-ever FCV strategy in February 2020. The strategy highlights the central role of the private sector in sustainable development in FCV. The World Bank, IFC, the Multilateral Investment Guarantee Agency, and their partners, have an important role to play in supporting the private sector and creating the jobs, goods, and services that can pave the way for poverty reduction, shared prosperity, peace and stability.

“IFC’s financing and advisory services will help us meet international standards in an industry where our international clients’ quality requirement is very high.”

Simballa Sylla

Managing Director of Mali Shi



Mali Shi’s partnership with the Gouandiaka Cooperative “brings a lot of hope for us,” Sidibé says. “Before, we were not able to sell our shea, whereas now we are sure to have a buyer for the long run.”

IFC’s investment and guidance also strengthen Mali Shi as it plans for a new phase of growth. “IFC’s financing and advisory services will help us meet international standards in an industry where our international clients’ quality requirement is very high,” says Simballa Sylla, the Managing Director of Mali Shi.

The investment in Mali Shi received on-the-ground support from IFC’s Conflict Affected States in Africa (CASA), an initiative implemented in partnership with the countries of Ireland, the Netherlands, and Norway. CASA supports the private sector in 13 fragile countries across the continent by building market intelligence, advising firms, and helping governments strengthen business environments.

In parallel with IFC’s support, the World Bank will provide competitive grants to shea cooperatives—helping them buy equipment, build storage infrastructure, and benefit from technical training to improve the quality of the shea kernels to be processed. The investment will help Mali’s shea cooperatives increase volume and quality of their products, and boost incomes in the long term. 🍌

As a small, family-run business that manufactures generic, low-cost medications, Neolpharma in MEXICO knows that the staggering cost of medications is putting families in frightening life-or-death situations.

A Green Path to Better Health and Wellness in Emerging Economies

▲ Neolpharma takes a multifaceted approach that includes expanding into other countries, and upgrading its manufacturing processes.

8

It's a problem not limited to Mexico or the region: scarcity of medication and healthcare products has long plagued people in emerging-market countries. The World Health Organization (WHO) estimates that 2 billion people worldwide lack access to diagnostics, vaccines, and treatments because they are too expensive, inaccessible, or unavailable in their country. Globally, 100 million people fall below the poverty line every year because of healthcare costs. IFC works with generic pharmaceutical companies and global medical technology companies to bring the latest standard of care to emerging markets affordably.

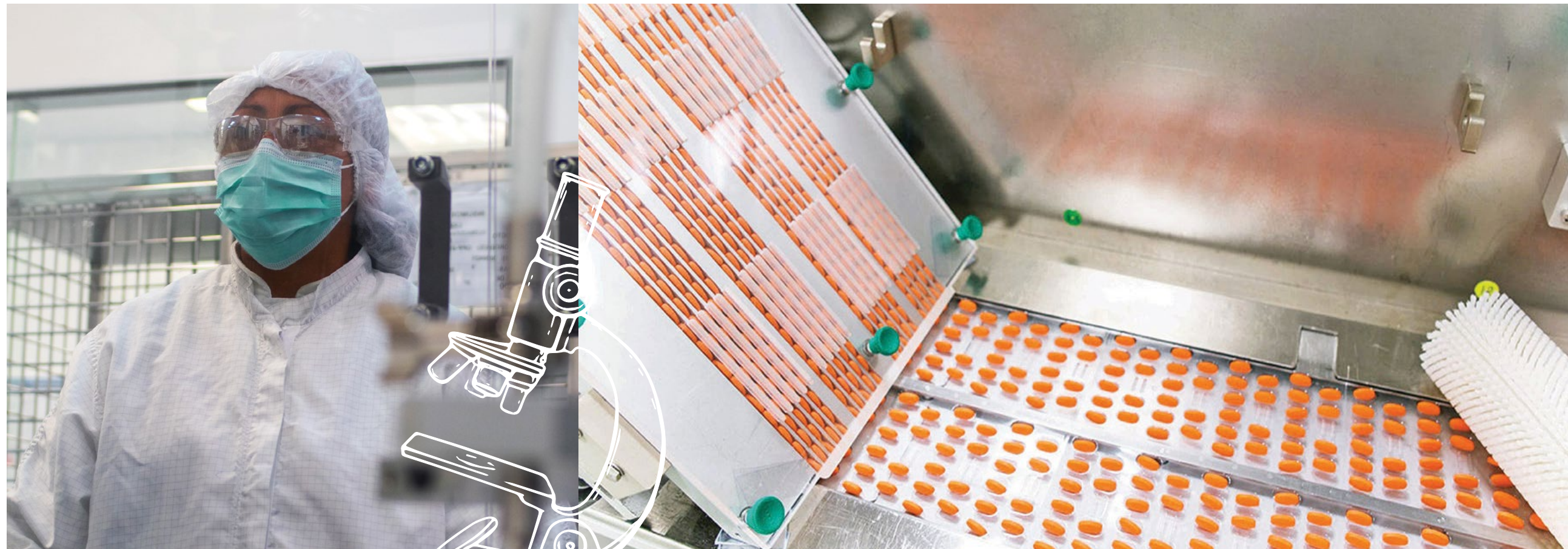
Neolpharma began as manufacturer of medications for serious central nervous system (CNS) ailments such as Parkinson's disease, epilepsy, migraines, schizophrenia, depression, and anxiety and grew to be one of the leading domestic pharmaceutical companies in Mexico, primarily focused on prescription generics, with a portfolio of over 250 products in therapeutic areas. They maintained a core focus on R&D, manufacturing, distribution, and commercialization of high-specialty generics for the private and public health system, to satisfy the growing demand of high-specialty medicines for the middle to low-income population in the region, including the manufacturing of critical active pharmaceutical ingredients (APIs) used by other pharmaceutical companies. Through its related companies, Neolpharma has a presence in Mexico, Puerto Rico, Peru, and Ecuador.

Locally-based pharmaceutical operations offer customers faster shipping times with fewer chances of disruption in the supply chain, which has proven to be particularly critical during the Covid-19 pandemic.

"Regionally-based pharma manufacturing operations in emerging markets can develop affordable, accessible treatments to these and other diseases, tailoring product portfolios to meet the needs of local consumers," said Subir Basak, Senior Life Sciences Specialist at IFC. "When those companies manufacture generics, they can offer the product at a much lower price because they do not have to conduct costly clinical trials, relying instead on data provided by the original product."

Both Neolpharma and IFC are interested in demonstrating that a small, family-owned company can become technologically sophisticated enough to compete meaningfully in the complex global life sciences industry—prioritizing innovation and improved access to medication, but also, sustainable, climate-smart growth.

In 2020, Neolpharma put its regional expansion plans in motion. A \$30 million financing package from IFC is financing Neolpharma's growth plan, which includes a green expansion of high-specialty products and APIs, the most important raw material in the production of medicines. The investment is composed of a \$15 million loan from IFC's own account, and a \$15 million loan from the [Canada-IFC Blended Climate Finance Program \(BCFP\)](#). This is IFC's first transaction in the pharmaceutical sector that includes funding from the BCFP. At least \$15 million of the loan is earmarked for a climate-change mitigation component, setting a best-practice standard for the Mexican pharmaceutical market. There was a recognition of the need for sustainable, flexible financing provided by blended concessional financing.



Neopharma's standard-setting expansion will contribute to reduce greenhouse gas emissions (GHG) by 11,400 tons per year and the implementation of climate change mitigation projects, such as waste-heat recovery for efficient cogeneration in production sites, rooftop solar photovoltaic (PV) systems with battery storage, and green buildings certified under Excellence in Design for Greater Efficiencies (EDGE). An innovation of IFC, EDGE provides market leaders with the opportunity to gain a competitive advantage by differentiating their products and adding value to the lives of their customers, while supporting the collective ambition to mainstream green buildings and help fight climate change. Grupo Neopharma will be one of the first EDGE-certified pharmaceutical companies worldwide.

IFC's long-term commitment to support Neopharma's expansion plan sends positive signals to the market on the quality of the management and operations, which will help Neopharma as it continues growing in the region and providing affordable medication where it is needed most. The blended concessional finance investment enables the climate-forward blueprint for pharmaceutical companies like Neopharma in Mexico and the region to implement their expansion plans. ●

“Regionally-based pharma manufacturing operations in emerging markets can develop affordable, accessible treatments to these and other diseases, tailoring product portfolios to meet the needs of local consumers.”

Subir Basak

Senior Life Sciences Specialist at IFC

9

Threading Solutions that Support Women Business Owners

Inspired by the lack of affordable, stylish, and comfortable workout clothes for women, Fatma Ben Soltane founded Fierce in 2019—a sustainable sportswear and activewear brand—in **TUNISIA.**

Ben Soltane recounts how arduous the journey to success was for her. The apparel entrepreneur said she faced many difficulties, especially in financing her small business due to the high cost and strict restrictions on imports, which often required making an advance payment before the goods were shipped. These difficulties were further exacerbated during the pandemic due to disruption across the global supply chains.

For Ben Soltane, some help came through an unusual channel. She recalls seeing a post online about Flat6Labs Tunisia, an IFC-funded accelerator program and early-stage venture capital fund supported by the **Women Entrepreneurs Finance Initiative (We-Fi)**, which backs innovative and technology-driven startups. Ben Soltane applied for the program, was invited to pitch her business at a bootcamp and successfully obtained funding for her business.

“Entrepreneurship in Tunisia is devoted to men,” she says. But, as a woman entrepreneur, she had to “fight for her place in the industry.” Although she successfully managed her startup from inception, Ben Soltane soon realized that she needed to seek additional sources of capital to sustain and expand operations. But getting a loan to bridge the financial gap in her business seemed like an impossible mission. “A bank asked us for a \$10,000 collateral for a \$10,000 loan,” Ben Soltane recounts.

The Flat6Labs accelerator strengthens the startup ecosystem by providing entrepreneurs with mentorship, seed funding, and support services, including a special focus on women-led ventures. Flat6Labs, co-led by female Chief Investment Officer Dina el-Shenoufy and CEO Ramez El-Serafy, is the largest accelerator and early-stage investment platform in the Middle East and North Africa. The program invests in 100 innovative and technology-driven startups annually. “We believe that our partnership with IFC will enable us to continue providing entrepreneurs with a better support program and encourage more candidates, especially women, to apply and thrive through it,” El-Serafy shares.

In Tunisia, and more broadly in the Maghreb region, funding and support for early-stage companies are scarce, particularly for women-led enterprises. Moreover, women entrepreneurs often face critical funding gaps because of a lack of access to appropriate networks and markets.

Fierce is the first sportswear and activewear manufacturer in Tunisia

“We believe that our partnership with IFC will enable us to continue providing entrepreneurs with a better support program and encourage more candidates, especially women, to apply and thrive through it.”

Ramez El-Serafy

Chief Executive Officer at Flat6labs



The accelerator has a comprehensive gender-led entrepreneurship strategy that targets three of the most pressing challenges for women-led SMEs: the lack of inclusive networks and business connections, insufficient targeted training and accelerator curriculum, as well as limited inclusion of women in the selection process. We-Fi and IFC’s support has helped increase the number of female mentors by 50 percent. Flat6Labs is committed to having at least 30 percent of its applicants be women while also catalyzing support from the VC ecosystem to help their businesses grow and scale. In addition to investments, Flat6Labs supports high-growth entrepreneurs like Ben Soltane through various support services and networking opportunities with business mentors, investors, and corporates.

“Without Flat6Labs, our growth would have been slower, and we would still be trying to establish ourselves,” Ben Soltane confirms. She has ambitious plans for Fierce; she is expanding the collection and wants to become a market leader in Tunisia. Next is exporting to Europe and the Middle East. With the funding they received, Fierce can hire more employees, increase the number of orders, and generate more revenue to sustain the business. ↔





These Dairy Farmers are Quickly Developing a Taste for *New Markets*



Farmer Loy Kazinduki stands watch over his herd of grazing dairy cattle.

Keeping cattle is a time-honored cultural tradition in western **UGANDA**, where the iconic long-horned animals are associated with royalty, and valued for far more than the milk they produce.

However, as families shift to commercial farming to meet the nation's steadily rising demand for milk, many of them need advice on techniques that will help increase milk production.

Joseph Nsereko, a farmer in Mbarara, used to be one of those farmers looking for support. He struggled to increase milk production to beyond 180 liters per day from a dairy herd of around 30 cows. Pearl Dairy, a milk processor that depends on local farmers for a sustainable, steady supply of milk, reached out to train Nsereko. With Pearl Dairy's guidance—including direct engagement and access to regular agricultural extension services—he doubled his farm's daily raw milk output.

IFC began working with Pearl Dairy in 2013, when the company received an \$8 million financing package from IFC and the **Private Sector Window of the Global Agriculture and Food Security Program (GAFSP)**. GAFSP concessional financing was critical for ensuring IFC's investment due to the risks—both perceived and real—associated with investments in a greenfield project in Uganda's still-developing dairy sector. The loan supported the establishment of a powdered milk processing plant and related infrastructure with a daily handling capacity of more than 600,000 liters.

In 2018, IFC and GAFSP supplemented the investment with advisory services, helping Pearl Dairy to launch the Dairy Development Program. The program helped train 50 “Dairy Development Executives” that are now advising an estimated 1500 local farmers on techniques to improve quality and productivity, prevent diseases, and adopt good agricultural practices, more than doubling milk production for many participants.

IFC's support has helped Pearl Dairy improve the livelihoods of more than 5,000 farmers in remote rural areas. By providing market access and technical support tailored to meet the needs of its milk suppliers, the company is helping integrate farmers into export markets. Direct engagement with farmers has been critical to the Pearl Dairy's success: Farmers are trained and given hands-on-coaching in techniques such as feeding, silage preparation, rotational grazing, water management, infectious diseases breeding, fertility management, economics and daily dairy farm management. “We are proud to see what our farmers have achieved thanks to the ongoing support we provide,” said Michael van den Berg, who manages Pearl Dairy's extension services. “Our training has cut herd mortality by upwards of 60 percent.”

Uganda's dairy sector—a source of household nutrition and income—plays a key role in the lives of citizens. But although the dairy industry has maintained an average growth rate of three percent per year and the Ugandan government promotes its development, the sector has not yet reached its full potential. IFC's support is helping increase local consumption of safe milk and other dairy products, ultimately raising the nutritional intake of the local population.

Dairy production is dominated by small-scale farmers living in impoverished rural areas, and it is estimated that only 20 percent of the country's milk output is processed. Strategic support for the sector will also help farmers improve milk quality and help reduce variability in production by season.



The IFC investment and advisory support have helped Pearl Dairy become the fastest growing dairy company in Africa. Two years after the launch of the Dairy Development Program, Pearl Dairy increased its purchase of high-quality local milk by 63 percent, putting an additional \$10 million in the pockets of the local dairy farmers who supply the company. The high productivity of Pearl Dairy farmers helped the company become the lowest-cost producer of dairy products in East Africa.

But trade issues have complicated an otherwise steady pattern of growth. Dairy exports from Uganda to Kenya grew from three million liters in 2016 to more than 110 million liters in 2019, with Pearl Dairy accounting for 70 percent of the Ugandan dairy supply. In January 2020, however, Kenya—the largest dairy market in Eastern Africa—restricted and reduced the import of dairy products from Uganda. Rwanda followed suit soon after. Covid-19 challenges, which made it increasingly difficult to collect, process and sell dairy products, added to the company's challenges.

“We are proud to see what our farmers have achieved thanks to the ongoing support we provide. Our training has cut herd mortality by upwards of 60 percent.”

Michael van den Berg

Manager of Pearl Dairy's Extension Services



Despite the trade challenges, Pearl Dairy continues to buy all the milk that the farmers in the dairy development program produce by expanding to alternative markets. To provide them with a supplemental income to sustain Covid-related financial hardships, the company has also launched a new line of honey products and is providing its farmers with beehives and training. “We can only grow if our farmers also grow and so we need to work together to take them to the next level of production,” said Amit Sager, CEO of Pearl Dairy.

With guidance from Pearl Dairy, trainers believe it will be possible for Uganda dairy farmers to consistently deliver best-in-class grazing farm productivity of 4,000-5,000 liters per cow per year, up from current average estimates of 2,000 liters per cow annually. Pearl Dairy also offers farmers incentives to deliver more milk at higher quality, including pre-negotiated financing with local microfinance institutions for farm improvements and improved logistics through additional milk collection centers placed near the dairy farms. And despite the trade challenges and the temporary export difficulties, the company continues to work closely with the

1500 dairy farmers in its dairy extension program. In 2019, Pearl Dairy graduated from GAFSP concessional support to seek investment 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. 🐄

In 2013, when Nguyen Thi Huyen took over her family's small star anise factory in Lang Son, a northern province of **VIETNAM**, her ambition was simple: become the country's leading organic spice company in 10 years.

Connecting Women Business Owners with Financing and *Each Other*



Just five years later, she was well on her path of growth, boosted by access to funds to meet her ambitious goals. By 2019, her family-run business Vinasamex had expanded into organic cinnamon production. The company managed over 700 hectares of cinnamon, grown by 500 smallholder-farmers in Yen Bai, another mountainous province in the country's north and home to several ethnic minorities.

When Huyen took over the business, the spices produced by the company were, in her words, "lower-value," destined for "easy markets" within Asia. It had been a visit to an international spice fair in 2012, right after earning her university degree, that showed Huyen the potential to seek new markets, thanks to the huge worldwide demand for high-quality spices.

Step by step, Huyen partnered with local non-governmental organizations to work with farmers and agronomists in Yen Bai to set up organic farming areas—key to building the company's own supply chain. Within just five years, Vinasamex obtained four international standard certificates for its cinnamon and star anise production, opening up potential access to high-value markets in Europe, East Asia and the United States.

With plans to expand growing areas and set up more processing factories in other northern provinces, Huyen was in need of financing. The funding in the form of a \$300,000 loan from a client bank of IFC Oriental Joint Stock Commercial Bank (OCB) in 2019 gave her additional working capital to purchase production materials for the new factories. The financing also allowed her to run training programs on sustainable organic farming for the farmers she depended on, especially in new areas.

"I was really surprised at how quickly I was accepted with a loan. It was contrary to what I had observed, which was that most banks tended to be reluctant to finance a female entrepreneur," Huyen shared about her experience with OCB.

A Huyen's perceptions are backed up by the numbers. In a report by the Vietnam Chamber of Commerce and Industry in 2020, one third of women-owned or -led businesses in Vietnam cited access to finance as a top barrier to doing business. An IFC market study back in 2017 revealed the financing gap was estimated at \$1.19 billion for women-owned small and medium enterprises (WSMEs) in Vietnam. Women run one fourth of the country's total businesses, with Vietnamese women entrepreneurs bringing in similar average annual revenue as men, and growing at a pace of over 20 percent. Yet, when it comes to bank loans, women leading the enterprises tend to get a rough deal compared to men. Most banks either feel there is no need for a different approach to women entrepreneurs or see women in business as less profitable, higher risk, and lacking in financial management skills. As a result, in the absence of uniquely tailored products and services for these underserved women, banks are missing the opportunity to capture a growing market of savvy businesswomen, while WSMEs are unable to unlock their vast under-tapped potential.



“I was really surprised at how quickly I was accepted with a loan. It was contrary to what I had observed which was that most banks tended to be reluctant to finance a female entrepreneur.”

Nguyen Thi Huyen

General Director at Vina Samex



“Women entrepreneurs are often overlooked and face challenges to financing, owning, and growing a business,” said Nguyen Dinh Tung, OCB Chief Executive Officer. Realizing the potential of this underserved segment, OCB, with a \$100 million long-term loan from IFC, has been promoting lending to women entrepreneurs like Huyen. With IFC’s support, the lender took a new approach as it knew business life was different for women than for men.

“In Vietnam, business discussions often take place over a hard drink,” said Pham Thi Hoa, also an OCB client. She started in the garment business but, 20 years later, expanded into hardwood flooring, creating an export company that needed a loan for new equipment and workers. “I needed to find my own way, which is listening and learning from my peers, extending my network through networking events, and learning by doing,” she said.

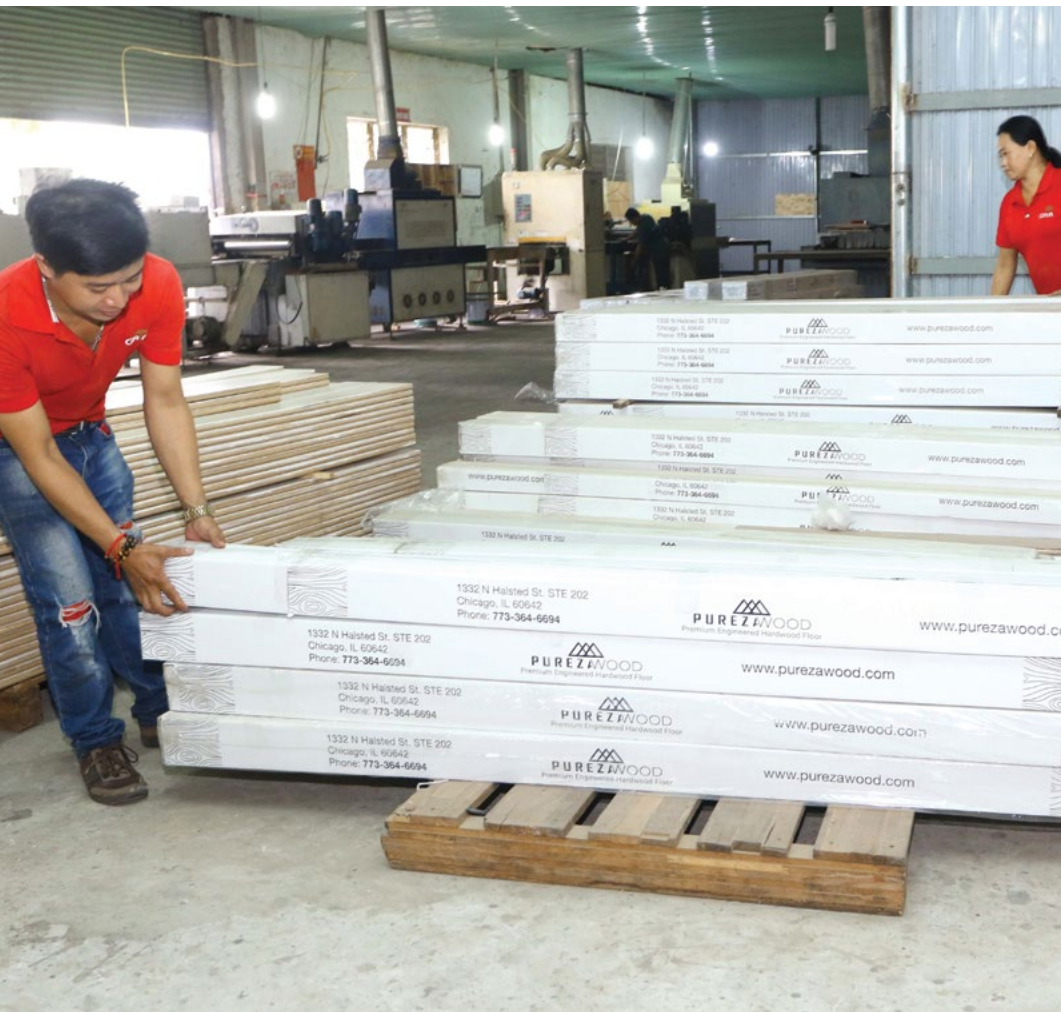
With her track record, many banks approached Hoa to offer financing, but it was OCB that sealed the deal. Networking opportunities that OCB offered are particularly important for women entrepreneurs who, Hoa says “cannot go out everywhere every day to get to know people and find business opportunities as men do.”

Huyen of Vinasamex describes a similar need. “Alongside financing, banks can give more support by setting up a network of WSME clients, helping them connect with more business partners and friends, giving a platform for them to share and learn from each other, and new business opportunities will arise,” Huyen said.

Being the first bank to receive a loan from IFC under its partnership with the **Women Entrepreneurs Finance Initiative (We-Fi)** to expand financial and market access to women, OCB aims to use at least 50 percent of its loan proceeds to finance WSMEs. Huyen’s total credit line with OCB is now almost triple her first loan—a move that seems to match her expansion plans. Vinasamex’s 700 hectares of cinnamon cultivated land in 2019, when she applied for her first OCB loan, is now, just two years later, three times the size at 2,200 hectares. Instead of 500 smallholders growing for Vinasamex, there are 1,500 now—half of them ethnic minorities. Newly trained in organic farming practices, the smallholders on average earn four times as much, roughly \$6,000 per hectare. In 2020, Vinasamex exported \$8 million worth of cinnamon, star anise, ginger and pepper to markets in Japan, Korea, and Europe. And when Covid-19 drove up unemployment in Vietnam’s big cities, Vinasamex was able to hire many Yen Bai natives back to their hometown to work in the cinnamon fields.

Hoa, the hardwood flooring entrepreneur, used her loan to buy equipment and hire 50 new workers to increase exporting in the past two years. “We believe that providing the requisite financial and banking services will enable smaller businesses, especially WSMEs, to further grow and improve their performance and resilience in the context of increased competition and business disruption,” said Tung of OCB.

OCB’s female clients are encouraged by their success and hopeful about the future. “I am glad to see my business grow, livelihood of farmers in my supply chain improve, and the nature in the cultivation areas be preserved,” Huyen said. As a mother, Hoa has an important advice for her son, who is helping her to run the business: “Passion and continuous learning make success. Learn from practices and people around you, as more heads are always better than one.” ✨





Financing to Help Address Critical Food Security Challenges

▲ A factory worker seals large bags of Al-Sanabel flour.

12

One of the world's worst humanitarian crises is happening in **YEMEN**. According to the United Nations, 24 million people—80 percent of the population—require humanitarian assistance to survive.

The ongoing conflict and instability have devastated the economy, forcing it to contract by over a third. The recent global pandemic has contributed to a decline in remittances and humanitarian assistance and a currency crisis and rising global food costs are further exacerbating the situation. Yemenis now experience some of the highest risks for food insecurity and acute malnutrition in the world.

The country is almost entirely dependent on imports for its staple foodstuffs. The Yemeni private sector, which handles most of the country's food supply, has been facing enormous challenges. Supply chain disruptions, difficulties importing and distributing fuel, and the destruction of critical infrastructure are all making the operating environment for businesses exceptionally challenging.

International Finance Corporation (IFC), with support from the [International Development Association's Private Sector Window \(IDA PSW\)](#), is helping to provide safer and fortified staple food products to Yemen's population. IFC is providing and has mobilized a \$75 million financing package for Hayel Saeed Anam (HSA) Group—one of the country's largest food conglomerates—providing them with working capital necessary to maintain operations and continue to serve the Yemeni domestic market with essential foodstuffs.

Established in 1938, the family-owned HSA Group is one of the largest multinational businesses operating in Yemen, manufacturing and supplying essential goods and services to multinational organizations, communities, and families in Yemen and across the Middle East and North Africa. Due to the strict advance payment requirements of international raw material suppliers from Yemeni importers, the lack of commercial bank financing in Yemen, and difficulties accessing foreign currencies, HSA Group has faced significant challenges in financing its ongoing business. Given the extremely fragile and insecure business environment in Yemen, access to long-term financing from banks and other investors is very limited. Even short-term debt financing is prohibitively expensive, if available at all, and rates can run above 30 percent. These constraints were putting tremendous pressure on the working capital and cash conversion cycles of HSA Group.

The financing package, committed in December 2020 and disbursed in July 2021, includes a five-year loan of up to \$55 million from IFC and \$20 million from FMO, the Dutch Entrepreneurial Development Bank. Given the significant risks involved in the transaction stemming from the challenging macro-economic context of Yemen, concessional support from the IDA PSW was critical to de-risk the transaction. IDA PSW's first-loss guarantee, of up to 50 percent, transferred a significant portion of the credit risk associated with the transaction to IDA PSW, thereby enabling IFC to invest in Yemen for the first time in over a decade and giving FMO the confidence to invest alongside IFC and meet the financing needs of the client.



“This financing package will help ramp up the distribution of staple food products and increase the number of Yemenis that can put them on their table,” said Hela Cheikhrouhou, IFC’s regional Vice President for the Middle East, Central Asia, Turkey, Afghanistan, and Pakistan. “It’s also a great example of how development finance institutions can reduce business disruption in conflict-affected countries.”

Ensuring the supply of quality and fortified foodstuffs in a place where the prospect of famine is acutely high is vital. HSA Group is a market leader and has a critical role to play in helping to address the food security challenges in Yemen. The project will help build resilience in the food sector and demonstrate to other investors the potential viability of the sector and the country.

The support to HSA Group will allow the company to continue operations, safeguard the jobs of more than 5,000 people, and potentially increase the number of employees as production grows. Further, the company has requested to work with IFC’s advisory services to create a more inclusive workforce and improve gender balance among its white-collar employees. With the goal of increasing female employees by 24 percent during the life of the project, this undertaking has the potential of significant impact for women in the labor force in Yemen.

“This financing package will help ramp up the distribution of staple food products and increase the number of Yemenis that can put them on their table. It’s also a great example of how development finance institutions can reduce business disruption in conflict-affected countries.”

Hela Cheikhrouhou

IFC Regional Vice President

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Unlocking Low-Cost, Large-Scale Solar Power in Africa— *And Beyond*

A decade ago, **ZAMBIA** experienced an urgent power crisis after years of drought crippled its hydroelectric facilities—a power source they heavily rely on—resulting in only one fifth of the population having access to electricity.

Solar power has enormous potential as an energy source for this resource-rich country—and the cost of solar energy continues to fall, delivering power less expensively and with more long-term reliability and price certainty than traditional sources of energy. Investment in climate resilience and adaptation is therefore critical for the country's future, particularly as the recent pandemic has put more pressure on Zambia's economy.

Zambia was the first country to implement the World Bank Group's Scaling Solar program, a solution that makes it easier for governments to procure and develop large-scale solar projects with private financing quickly and competitively. The program includes a “one-stop shop” package of technical assistance, templated documents, pre-approved financing, insurance products, and guarantees. Under the program, a country can assess a project, manage a competitive bidding process, build a plant, and start using cheap, sustainable solar power more quickly and efficiently. Scaling Solar is supporting the development of more than 1 gigawatt of solar power across Africa, helping governments see solar power as a viable solution for inexpensive, reliable, quick-to-build clean power.

With its year-round sunshine, Zambia was well-positioned to integrate solar power into its energy mix and diversify away from a heavy reliance on hydropower. In 2015, the program brought in leading renewables developers to compete for the opportunity to build Zambia's first large-scale solar plants. The winning bids were for just 6.02 cents per kilowatt hour and 7.84 cents per kilowatt hour—at the time, the lowest prices for solar power in Africa outside of South Africa and among the lowest recorded anywhere in the world.

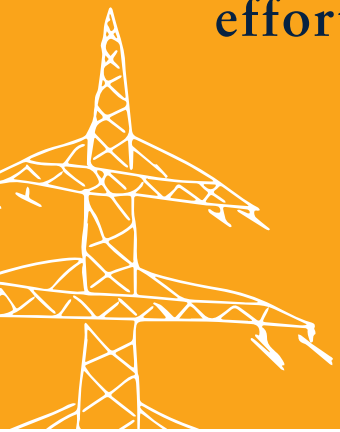
The financing package arranged by IFC for Zambia's first large-scale solar plants included senior loans of \$13.3 million from IFC and \$13.3 million from the IFC-Canada Climate Change Program (IFC-CCCP), a partnership between the government of Canada and IFC to promote private sector financing for clean energy and climate adaptation projects to catalyze investments in low-carbon technologies like solar. A year later, in 2018, IFC and the government of Canada supported the second scaling solar plant in Zambia, with an investment of \$10 million from IFC and \$12 million from the IFC-CCCP, plus \$2.5 million in interest-rate swaps from IFC and a \$2.8 million partial risk guarantee from the World Bank's International Development Association. For both investments, critical long-term financing and concessional funding contributed to a lower cost of capital and hence drove competitive tariff bids.

Both solar projects in Zambia are now operational. “Zambia's success with Scaling Solar demonstrates how these kinds of public-private partnerships are the cornerstone of efforts to scale up power uptake to underserved populations,” says Carlos Katsuya, IFC Senior Manager for Angola, Botswana, Mozambique, and Zambia.

▲ Solar power now contributes heavily to the diversification of Zambia's power mix.

“Zambia’s success with Scaling Solar demonstrates how these kinds of public-private partnerships are the cornerstone of efforts to scale up power uptake to underserved populations.”

Carlos Katsuya
IFC Senior Manager



Confirming the effectiveness of this pioneering approach, Zambia’s experience with Scaling Solar has paved the way for other countries to implement this approach to solar photovoltaic (PV) reverse auctions. In 2019, Scaling Solar was successfully implemented for the first time outside of Africa with support from the Canada-IFC Blended Climate Finance Program in Uzbekistan. For a country with growing energy demands and ambitious renewable goals, this project in the central region of Navoi sets a precedent as a commercially viable model that can be successfully replicated to attract new private players to the market. Going forward, this will help boost the resilience of the electricity supply through renewable energy, helping to power a brighter future for Uzbekistan.


Further proving its demonstration effect, Scaling Solar has also been replicated in Senegal, where Kael and Kahone solar plants are now operational. The two plants have a total capacity of 60 MWac and are expected to reduce greenhouse gas emissions by 89,000 tons of CO2 equivalent per year. The financing package for the Senegal plants included funding from the **Finland-IFC Blended Finance for Climate Program**, a partnership between the government of Finland and IFC that helps spur private sector financing for climate change solutions in emerging markets.

Across the world, Scaling Solar serves as a standard-setting model for creating new markets, addressing climate change, and increasing development impact. Blended concessional finance with support from generous country partners helps extend IFC’s reach and deepens the impact of these innovative projects. ☀️







For more information, visit www.ifc.org/blendedfinance or write to:
International Finance Corporation
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433



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