

ENGAGING WITH THE PRIVATE SECTOR

IN THE NEAR EAST, NORTH AFRICA, EUROPE AND CENTRAL ASIA



Learning lessons from the field



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Bernard Hien, Head of the Multi-Country Office for Eastern Europe and Central Asia, and Country Director for Turkey, leads the NEN Private Sector Working Group. He coordinated this story-telling exercise that documents past and present engagements, while identifying further entry points and partnership opportunities. Cana Salur, Country Operations Analyst, assisted him in bringing the project to fruition.

Two consultants, Ross Tieman, the storyteller, and Idil Yalman collected details of ongoing private sector engagements and experiences across the regional portfolio through multiple in-depth interviews with country directors, programme officers, project management teams and private sector entities. They interviewed 44 people from 10 countries and 11 projects, and collected and reviewed information using a tailored questionnaire with open-ended guiding questions. Our gratitude extends to all of those who directly or indirectly contributed to this work.

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Cover photo: ©IFAD/Susan Beccio

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FOREWORD

Even US\$4.2 trillion is barely enough. Before the COVID-19 pandemic, developing countries needed an extra US\$2.5 trillion a year to get on track to achieve the 2030 Sustainable Development Goals (SDGs). But the pandemic has added another US\$1.7 trillion a year to the funding gap, according to the Organisation for Economic Cooperation and Development.¹ Clearly, this cannot be met through official development assistance and government resources alone. Poverty and hunger are being exacerbated in many countries by rising youth unemployment, and climate change, as well as COVID-19.

Where to find help? The private sector can bring additional funding and a great deal of expertise, knowledge, agility, and a talent for innovation to humankind's biggest challenge: ending poverty and hunger.

But perhaps equally important is the need for the development community and companies alike to understand that at the most fundamental level, the role of institutions and governments in rural transformation is to fix private sector failures – so that development and prosperity advance hand-in-hand, and interventions are no longer needed.

Much of this vital work is centred upon food systems. Food grown by small-scale farmers needs to be transported, processed, marketed and distributed to consumers, who may be both nearby and far away. To achieve this sort of enduring food system transformation, IFAD works with all the players, along the length of the food chain. There is no other way.

This takes imagination and dedication. It requires an ability to listen closely to farmers and food system actors, to build conversations, and to design and fund solutions that enhance the flow of produce in one direction and of payments in the other. Effective partnerships, between public sector players, private firms and producers are pivotal.

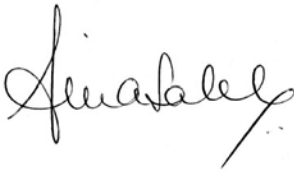
IFAD now has a long record of accomplishments in working directly and indirectly with the private sector through its programme of loans and grants. Value chain projects are now 70 per cent of its portfolio and inclusive rural finance activities another 12 per cent, by value. But IFAD brings more than money to the table. It brings, above all, a capacity borne of more than 40 years of trial and error to build the missing connections between private companies and relevant local and national networks. With its foundations in civil society, IFAD helps farmers' organizations and cooperatives; micro, small and medium-sized enterprises; indigenous peoples' groups and non-governmental organizations to find their voice and to negotiate and collaborate effectively with other actors in food systems. And it brings knowledge too – of what works elsewhere, and of the technologies that can help untie the bonds of poverty.

1. According to the OECD's latest Global Outlook on Financing for Sustainable Development, developing countries are facing a shortfall of US\$1.7 trillion in the financing they would need this year to keep them on track for the 2030 SDGs, as governments and investors grapple with the health, economic and social impacts of the COVID-19 crisis. This shortfall adds to the existing financing gap. Even before COVID-19 hit, SDG financing was falling short, with an estimated annual gap of US\$2.5 trillion.

The private sector increasingly recognizes the untapped business opportunities in market-oriented smallholder agriculture and often welcomes partners able to facilitate its access to high-quality produce that responds to consumers' wish to eat wholesome produce from ethical sources. Duly verified, these connections can create value for farmers and private sector alike. Recognizing this emerging and strengthening potential and determined to transform this interest into wide-scale impact, IFAD developed a Private Sector Engagement Strategy for the period 2019-2024, designed specifically to strengthen collaboration with private sector partners.

To reinforce its private sector partnership strategy, NEN created a Private Sector Working Group to lead the conversation on engaging with the private sector and to contribute to IFAD's global work in this field.

This story-telling is an activity of the working group. The findings offer unparalleled insights into the challenges and opportunities of building public-private partnerships, and their potential to transform food systems in the region. The lessons of these link-ups across the NEN region contain many inspiring human stories, of vision, determination and dogged hard work. We hope that you enjoy reading them and that they inspire you to explore new ways of working in partnership.



Dina Saleh, Regional Director
Near East, North Africa and Europe Division (NEN)

IFAD'S NEAR EAST, NORTH AFRICA AND EUROPE (NEN) REGION: VARIED SITUATIONS, BUT COMMON PROBLEMS



IFAD's Near East, North Africa and Europe Division operates across 21 countries in three varied and complex regions spread across three continents. The economies and situations of these countries vary widely. Some are former Soviet states spread across Central Asia. Others emerged from war-torn former Yugoslavia. And a third group are to be found on the strife-prone southern shores of the Mediterranean, in the Middle East, and in the Horn of Africa – Djibouti, Somalia and Sudan. Their agricultural ecosystems, climates, societies and economies vary hugely. Like much of the world, the regions of North Africa, the Balkans and Western and Central Asia are experiencing a rise in undernourishment and food insecurity.² Multiple factors, including environmental challenges, economic slowdowns and social inequalities, undermine the stability and the sustainable growth of the region.

Here, private sector engagement in smallholder agriculture is a priority. Untapped business opportunities are commonplace, and value chain development can yield surprising returns and transform lives. The private sector is increasingly recognizing that smallholder farmers and medium-sized, small and micro enterprises offer all kinds of opportunities, but companies face many challenges engaging with these groups.

IFAD can play a transformational role, acting as a facilitator in these engagements and building a bridge between the diverse and numerous public and private stakeholders.

2. Human Development Report 2020, World Bank Open Data 2020, The State of Food Security and Nutrition in the World 2021.

EGYPT AND LEBANON



©IFAD/HASAD Project/Antonios Youssef

WORKING TOGETHER
AND CONTRACTING TO
SUPPLY PRIVATE FOOD
PROCESSING FIRMS
CAN HELP SMALL-SCALE
FARMERS RAISE THEIR
INCOMES AND SMOOTH
THEIR CASH FLOWS

Working closely with food processors can raise small farm earnings: lessons from Egypt and Lebanon

Partnering with private companies plays a key role in IFAD's work to enhance rural prosperity in Egypt and in Lebanon. IFAD's goal is to build links between farmers and food buyers – from food manufacturers to wholesalers, exporters and consumers – making farming more profitable, and improving the supply of food to growing populations.

The need is urgent. With more than 100 million citizens, and a third of its people aged under 15,³ Egypt is today battling poverty that rebounded to afflict 32.5 per cent of its people in 2019.⁴ Almost a third of young people are unemployed.

Though the government is seeking to spur economic development, agriculture still provides livelihoods for 57 per cent of the population, and employs about a quarter of the workforce.

A billion dollars of pro-poor investment

IFAD has been working in Egypt for decades, investing US\$519 million in 14 projects that have in total ploughed more than US\$1.11 billion into Egyptian farming,⁵ benefiting around 7 million people.⁶

Rigorous analysis has identified a range of challenges that smallholder farmers in Egypt typically face. Some centre upon irrigation and water management, the cost of energy, and access to finance. Many IFAD projects have targeted these issues.

But farmers are also constrained by their small-scale production, difficulty in interpreting market signals, and poor access to post-harvest sorting, packaging and marketing facilities.⁷ That is why IFAD has also focused on helping smallholder farmers improve their productivity and market access and find their place in modernizing national and international food systems.

Climbing the value chain

In Egypt, with the West Noubaria Rural Development Project (2003-2014), IFAD pioneered an approach that targeted small-scale farmers and unemployed youth on newly-settled land in northern Egypt. This included helping them organize into six marketing associations, obtain Fairtrade and other certifications, and connect with private sector companies and buyers.

Working with these private sector partners, farmers were able to move up the value chain, capturing additional margins on products such as tomatoes, artichokes, potatoes and carrots.

Over the 12-year life of the US\$54 million project, marketing associations signed 63 sale contracts with 56 private companies. The largest was Heinz, which bought 6,000 tons of tomatoes to process into juice and sauce. The company worked closely with 300 farmers, supplying them with adapted cultivars and high-quality seedlings. Farmers achieved a <33 per cent uplift in prices, and a matching increase in the area under cultivation.

Other farmers targeted national and international markets, supplying oranges to Red Sea resorts in Egypt and sweet peppers, sun-dried tomatoes, artichokes, apricots and peaches to several European countries and the United States.

In 2021, Marie Edward Mikhail, IFAD Country Technical Analyst for Egypt, carried out a review and found that the project, which closed in 2014, has had a lasting impact on rural prosperity. The most vibrant farmers associations were still thriving, and farmers had formed lasting connections with private sector partner companies including Heinz (which is already mentioned), Agrofood Company (green peas and carrots) and Al Kinana Company (artichokes) that participated in the project.

3. https://population.un.org/wpp/Graphs/1_Demographic%20Profiles/Egypt.pdf

4. <https://www.ifad.org/en/web/operations/w/country/egypt>

5. <https://www.ifad.org/en/web/operations/w/country/egypt>

6. <https://www.ifad.org/documents/38714170/40865296/Investing+in+rural+people+in+Egypt.pdf/24dc8bdb-2d70-4802-9771-f52122fb3c40?t=1635518811780>

7. IFAD. Arab Republic of Egypt. Country strategic opportunities programme mid-term review, page 48.

Learning from experience, building on successes

A follow-on project, Promotion of Rural Incomes through Market Enhancement (PRIME) (2012-2021), built upon these successes. The project, with an investment of US\$108 million, focused on helping farmers in seven governorates in Upper and Lower Egypt to cultivate high-value crops and enhance their access to both local and export markets.

The project first helped to form or strengthen 178 farmers' marketing associations embracing 142,590 farmers – of whom more than a fifth were women.

By aggregating production, the marketing associations – with training from IFAD – were able to negotiate effectively with bulk buyers to supply them under contract. Working with the buyers, they were also able to organize sorting and packaging facilities. During the winter of 2020-2021, 47 demonstration plots showed farmers how to achieve the best-quality results with optimum use of inputs such as water, energy and fertilizer.

Partnerships where everyone wins

But the project also featured an unusual value-creation initiative. Gehad Zakaria owns the Egyptian company Medkar, which makes and exports fruit-drying machinery worldwide.

PRIME provided Medkar with 10 ha of land in Lower Egypt. The company built a plant for drying fruit and vegetables and for extracting essential oils from herbs such as basil and mint. Simultaneously, it began cultivating its own produce such as strawberries and mangos, and buying supplies via PRIME from local farmers.

The plant, certified to international standards, opened in autumn 2021. It can dry 5-7 tonnes of fruit per day, and will ultimately process up to 30 tonnes of produce daily.

"Our products can be eaten as snacks, or can be used as ingredients for processes like making jam and ketchup, or in cooking," says Gehad. The produce is sold locally by farmers, or on national or export markets by Medkar.

"Dried food has a long shelf life and takes up relatively little space, and needs no energy to store – unlike refrigerated food," says Gehad.

This enables farmers to adapt their sales to market demand, selling fresh produce now, or preserved produce later – raising their revenues and smoothing their cash inflows

"It's a win-win," says Gehad. "I make a profit, and the farmers are better off." A trade fair in November uncovered vigorous demand from both Egyptian hoteliers and importers within the European Union. Medkar has now assigned more investment to install a second plant on the same site.

Lessons from Lebanon

Working with private companies to improve market access has also been a valuable addition to IFAD's Hilly Areas Sustainable Agriculture Development (HASAD) project (2009-2019) in Lebanon.

Less than six per cent of Lebanon's 4.1 million people are engaged in farming, but those in rural areas are disproportionately poor. The US\$27.1 million HASAD programme focused on helping farmers improve water and soil conservation, and on improving the technical support they receive. It also supported a series of interventions to enhance agricultural productivity and market linkages for small farmers and farmers' groups and associations. One approach adopted by the project was to provide agricultural extension, post-harvest and marketing support services through private sector Farmers' Service Centres.

The project partnered with a Lebanese fruit and vegetable exporter specializing in organic produce, Agreeen – among others – to find new markets for dessert apples from Lebanese orchards. Extension agents worked with farmers to enhance the quality of their apples. Meantime, Agreeen organized packaging, transport and marketing for 60 tonnes of fruit produced by one of the Farmers' Service Centres benefiting from the project.

Though the COVID-19 pandemic disrupted the work of the Farmers Service Centres, which play a pivotal role in the public-private partnerships, the collaboration has now resumed.

MONTENEGRO



©IFAD/Banjani & Rudine Producer Association/Radisav Miljanić

SOMETIMES EVEN
A MODEST PROJECT
CAN HELP UNLOCK
LOCAL POTENTIAL
AND ENERGY

Finding synergies with a private sector visionary: lessons from Montenegro

Radisav Miljanić has a vision – and IFAD is helping him achieve it. Miljanić, a banker-turned-goat farmer, is aiming to make cheese from the Montenegrin rural community of Banjani into a brand with international cachet.

Banjani cheeses have been renowned for more than a century within their Balkan homeland for their fine quality and flavour. But in today’s world of complex public health regulations and international sanitary standards, you cannot build a brand on the back of cheese made in farmhouse kitchens.

In IFAD’s Rural Clustering and Transformation Project (RCTP), Miljanić has found a partner that recognizes the potential of his idea, and has the funds, imagination and expertise to leverage it to achieve economic uplift across a whole region.

Funding the missing links

The US\$16.5 million project, launched in 2017, includes livestock and fruit farmers in the often dry and rugged terrain of northern Montenegro among its targets.

It aims to help small-scale farmers group into clusters with similar produce, and connect them with buyers and suppliers in efficient food chains. At the same time, working with local authorities, it develops the resilient water infrastructure and roads they need to increase their output and get it to market. And it shares the lessons learned – good and bad – with its national partner and co-funder, the Montenegro Ministry of Agriculture, so that they can be incorporated into national policies.

Cheese, please

But this story begins in 2012, when Miljanić sought freedom and independence from office life by starting a goat farm on a plot of land owned by his family. He had always been fond of animals, and being hooked on data-based decision-making, he had done his research thoroughly.

“I believe that the goat is a perfect animal for the dry, waterless area around Banjani,” he says. So after studying cheese production too, he bought 80 goats and set up a small dairy making hard cheese.

Goats on the Miljanić farm grazing a large selection of different nutrients in summer from a 120 ha pasture. Goat cheese “Leader” on wooden shelves in the initial stage of ripening. Maturation of this cheese takes 90 days in controlled conditions of humidity and temperature.



©IFAD/Radisav Miljanić

The business prospered and the herd grew to 300 nannies. For most of the year they graze freely, supplemented in winter by lucerne and cereals grown on a 10 ha rented plot.

But it was the IFAD RCTP project that gave Miljanić the chance to begin implementing his greater vision. “This project is the most important thing that has happened in this area in 30 years,” says Miljanić. “IFAD was the only organization that recognized the potential of this area.”

With funding assistance from IFAD, in 2018 he opened a milk-collecting facility. Alongside, he invested in a dairy that can process 4,000 litres of milk a day into 290 kg of cheese.

A new market for small farm milk

In 2019, it turned 170,000 litres of milk into almost 13 tonnes of cheese. Around two thirds of the milk was supplied by other local farmers, typically with only three cows or fewer.

The dairy has given these farmers a market for their milk, which, though produced in small volumes, is of outstanding quality. And it has enabled Miljanić Farm Ltd to broaden the range of cheeses it produces, and supply larger volumes to a range of regular clients.

Customers now include not just the local market, but outlets in the Montenegrin capital of Podgorica and coastal hotels during the summer tourist season. Critically, the new dairy has won exacting regulatory approvals to export to Slovenia, within the European Union single market.

Miljanić says that buyers find his Banjani cheeses particularly flavoursome because the milk used to make them comes from goats and cows grazing freely across an arid mountainous landscape that is home to an astonishingly varied indigenous flora of 580 plants. Of these, the goats eat 520 varieties and the cows eat 420 – a far cry from the soya and grain feed-trough diet of many of the world’s barn-kept dairy animals.

Building a brand benefits everyone

Now he is working with the Ministry to obtain Designation of Origin (AoP) status, ensuring only cheese produced in this way can carry the Banjani label.

Miljanić Farm is keen to open more milk collecting centres in other milk-producing areas, so that more farmers can be drawn into the cheese dairy chain. But IFAD’s project rules that focus support in specific ways upon farmers with fewer than three cows are of no help to his ambitions. “Farmers would also benefit from having bigger herds with better bloodlines,” he says. “We need more water points too.”

Igor Jovanović, the RCTP coordinator, agrees that more support is needed, emphasizing that the project primarily targets the farmers most in need, making them eligible for other Ministry of Agriculture programmes. But he emphasizes too that all members of the milk value chain benefit from investments in milk collecting centres and other infrastructure.

Miljanić agrees. “I believe that by continuing these activities we will achieve our vision for the development of the area,” he says.

BOSNIA AND HERZEGOVINA



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HELPING SMALL-SCALE FARMERS AND FOOD SYSTEMS RESPOND TO RISING CONSUMER DEMAND FOR HEALTHIER FOOD

Focusing on quality: lessons from Bosnia and Herzegovina

“It is a sad irony that the COVID-19 pandemic has helped us to achieve excellent results over the past two years,” says Nedim Badžak of the Mostar-based fruit and vegetable wholesaler and exporter Jaffa Company.

“Firstly, people have been eating a lot more fruit and vegetables to try to boost their immune systems, so that has helped strengthen demand,” he said.

“Secondly, many people who lost their jobs in the tourism business in the southern part of the country, where we operate, have turned to growing fruit and vegetables on their family plots. Many are young people, or in their thirties or forties. I think some will stay in farming even when life returns to normal.”

Building rural competitiveness on natural advantages

Jaffa Company is one of many small and medium-sized enterprises (SMEs) that have been partnering with IFAD in Bosnia and Herzegovina for a decade or more. Their joint objective is to integrate small-scale farmers into national and international value chains, building profitable businesses for both farmers and SMEs.

In the process, they are turning Bosnia and Herzegovina into an important supplier of high-quality strawberries and cherries to countries in the European Union. They are also achieving premium prices in the niche market for new potatoes.

Launched in 2015, IFAD’s Rural Competitiveness Development Programme RCDP is one of several projects designed to provide a lasting uplift to rural incomes in the previously war-torn Balkan country. Of the US\$32.4 million project cost, US\$17.2 million is contributed by local private sector partners.

The project is successful because it is commercially-oriented and attuned to developing competitive strengths of the country’s agricultural sector.

Targeting European markets

The southern region of the country benefits from a Mediterranean climate and, though the northern region has a more continental climate, both are well-suited to growing fruit and vegetables. Soft fruit, cherries and potatoes grown in Bosnia and Herzegovina are of high quality and ripen earlier than those growing in western Europe, allowing producers to charge premium early-season prices. And the use of relatively low-cost family labour can provide attractive profit margins for growers and exporters.

Fahrudin Delibajrić, of the Živinice company Agrona, says the very small family farms typical of Bosnia and Herzegovina are ideal for producing small cucumbers for pickling. “We export 70 per cent of our production to processing companies, especially to Germany,” he says. “A kilogram of first-class produce can contain 100 cucumbers. It’s a labour-intensive product”. The company also bottles pickled cucumbers locally, striking a balance between exports and local consumption. “It is the market that regulates demand,” he says.

Nonetheless, Agrona has steadily carved out a place in its markets, and now buys up the production of more than 600 small-scale farmers. But its partnership with producers is deep. The firm employs agronomists who not only advise farmers on the most efficient production methods, but help them keep up-to-date with ever-tightening sanitary standards.

Achieving regulatory compliance

For companies exporting fruit and vegetables to the European Union, and the farmers who supply them, achieving regulatory compliance is a complicated, demanding and continuous process that imposes additional costs. To enter the European Union market, potatoes, for example, have to be free of viruses and have minimal residues of fertilizer and other chemicals.

Building food value chains therefore requires close partnerships between farmers, private companies, local municipalities, public authorities, and agricultural development and finance experts such as IFAD.

But the benefits are clear to all. Farm incomes have progressed, and now provide a viable, and sometimes more stable – alternative to working in tourism. IFAD’s private sector partners have grown their businesses by bringing together the produce of hundreds of smallholder farmers, ensuring protective and attractive packaging, and shipping it to markets where its quality is appreciated. Today, Jaffa Company has around 20 full-time employees, and takes on another 50 or so to meet seasonal demand. Agrona employs around 35 full-time, and 40-50 more at seasonal peaks.

Developing value chains

In the meantime, the RCDP continues to work with farmers’ associations and its public and private partners to develop other niche value chains in promising products. The Russian Federation has emerged as a promising market for sweet cherries produced in Bosnia and Herzegovina. IFAD is helping develop production of high-quality honey, which enjoys a strong local reputation, and which could tempt markets in the Middle East. And some farmers are now experimenting with the cultivation of camomile or harvesting wild lavender.

But the route to successful partnership is strewn with obstacles, says Dragan Vuckovic, Project Manager of the RCDP. IFAD is a custodian of public funds with a mandate to help poor farmers, especially women and youth. Recipients of its grants and loans have to meet stringent criteria, and that means lots of checks and constraints. But private companies need to be agile in responding to markets. Dealing with lots of suppliers also creates lots of complexity, paperwork and logistical challenges. Sometimes IFAD’s conditions prove too onerous for would-be partners.

Learning along the way

But Dragan and his colleagues are determined because they understand how food chains work. “You can’t achieve development just by focusing on production,” he says. “You have to support the sector and value chain overall. Without that, there is no growth.”

One ongoing initiative is a website – www.plodovisela.com – that maps small farms and their production, enabling potential customers to find and contact local suppliers. Building connections like this can enhance markets and farm incomes: the next step is an online shop.

Meanwhile, IFAD has also been helping small-scale farmers add value, enhance their margins, and reduce the seasonality of their sales by bottling or otherwise processing their produce for sale direct to retailers and consumers.

“We are learning as we go along what works best,” says Dragan. “We are building the boat as we sail.”



Preparing cherries for the market.

©IFAD/Jaffa Komerc/Nedim Badžak

MOLDOVA



©IFAD/Susan Baccio

BRIDGING THE FUNDING
GAP FOR PROJECTS
THAT TAKE YEARS TO
MATURE IS A VITAL STEP
TOWARDS RURAL
RENEWAL

Working with commercial banks to channel long-term funds to agro-entrepreneurs: lessons from Moldova

Helping young people start businesses in rural areas is crucial to stemming outward migration, enhancing prosperity and ending poverty. Yet it is a tough challenge for banks. Lending money to someone with limited assets and experience can be a big risk for a commercial bank – especially for investments in orchards that may take several years to bear fruit.

That is why IFAD plays such a vital role in helping development of rural agribusiness in Moldova.

Tucked in between Ukraine and Romania, Moldova lacks mineral resources and industry. It suffered severe emigration after the break-up of the Soviet Union. The population fell from 4.3 million to just 3.5 million, and remittances from citizens working in the Russian Federation, the European Union and elsewhere contributed almost 16 per cent of the country's GDP in 2020.⁸

Low-cost lending is vital to relaunch farming

But now the economy is recovering and agriculture is an economic anchor, providing 18 per cent of GDP and half of the country's exports. Revitalizing this critical sector and training a new generation of farmers so as to rejuvenate agriculture and rebuild rural communities is now changing things for the better.

Moldova's government and banks understand the issues, but for lenders these youthful potential borrowers used to pose a challenge. To start new businesses and buy or rent land and plant new crops that satisfy the changing expectations of consumers at home and abroad, they may need long-term loans with a grace period of several years before they can start repaying the capital and interest. Such projects may not fit readily with banks' traditional loan requirements, so new lending products are required.

IFAD, with low-cost funds provided at reduced interest rates by its Member States, or underpinned by its outstanding credit rating, is ideally placed to help. It has partnered with some of the leading commercial banks in Moldova for the past 20 years, helping them design products tailored to the needs of rural communities, young farmers and rural entrepreneurs – especially women.

"Our main resource is local currency retail deposits," says Ala Polustanova, head of the SME Product Development Department at Moldova Agroindbank (MAIB). "Most have a one-year maturity. Working with IFAD gives us access to long-term financial resources".

Focusing funds where they can do the most good

Working together within the framework of IFAD's programmes, the fund and its partner banks, including MAIB, have developed special loan packages that meet the needs of microenterprises, small and medium-sized enterprises, young people and women borrowers.

One beneficiary is Mihai Negruță,⁹ a young entrepreneur who has borrowed some US\$8,000 to help develop a blackberry plantation in the village of Piatra in the Orhei district. Starting in 2017, he planted 5 ha with Arapaho and Triple Crown varieties, which will produce fruit successively over a two-month period each summer, but take several years to mature.

As they come into production, he needs to install a system of anti-hail, anti-rain netting, suspended on pillars, and an irrigation system, to protect the fruit from severe weather events. "IFAD is one of the few institutions in Moldova that supports such investments," he says. His funding benefits from a low interest rate and a long grace period, and contains incentives for rapid repayment.

Blackberries are a premium product that responds to rising demand for healthier food, among more wealthy consumers, he says. They can be eaten fresh, frozen or made into jam or juice.

8. World Bank: <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=MD>

9. <http://www.ucipifad.md/en/success/mihai-negruta-vrem-sa-instalam-sistemul-antigrindina-si-antiploaie-pentru-a-proteja-plantatia-de-mur/>

After careful research and developing a thorough business plan, Mihai is convinced that “agriculture can be profitable, provided you are not constrained by the need to make instant profits.”

Reviving habitats benefits farmers too

During 20 years, one IFAD project has followed another; a Rural Resilience Project (RRP) is now under way, while a new project designed to enhance the options of young people, named Talent Retention for Rural Transformation, is under development.

Aiding entrepreneurship and combating climate change often go hand-in-hand. The RRP offers grants to local communities to help them restore or renew strips of forest that stabilize hillsides and mitigate the consequences of extreme weather.

One beneficiary is Nișcani village¹⁰ in the district of Călărași, which is planting 7 ha of forest on slopes on the outskirts of the village to aid rainfall absorption, prevent soil erosion and protect against landslides.

The community received a US\$16,000 IFAD grant to fund planting, hoeing and other maintenance of the new deciduous plantation, which will include linden, sophora, maple, ash and elm trees. One benefit of planting several species, says the village mayor Petru Sorici, is that the trees will flower at different times, providing a diverse and valuable resource for village bee-keepers, of whom he is one.

He says: “We worked really well with the team from IFAD’s Consolidated Programmes Implementation Unit (CPIU). They gave us support and guidance whenever we needed it.”

There is strong evidence that IFAD’s long-term engagement is aiding economic development. Elena Burlacu, CPIU IFAD’s Financial Services and Rural Development Manager in Moldova, says that the Fund’s lending programmes span diverse rural needs, from bee-keepers buying hives and related equipment to farmers installing irrigation and contractors procuring machines needed to supply tillage services.

“We see that over 20 years, people are coming back for bigger and bigger loans,” she says. “This shows that their businesses are growing.”



©IFAD/AMMAR Project

Alfred & Katrine company,
production of tomatoes and
cucumbers.

10. <http://www.ucipifad.md/en/success/petru-sorici-primar-am-plantat-7-hectare-de-fasii-forestiere-cred-ca-fiecare-sat-trebuie-s-o-faca/>

GEORGIA



HELPING RURAL
ENTREPRENEURS
TO BUILD PROSPERITY
IN A POST-SOVIET
ECONOMY

©IFAD/Robert Grossman

Funding food processors: lessons from Georgia

Georgia has been blessed by nature. From its subtropical Black Sea coastline to its mountainous uplands, the country's diverse climates and excellent soils underpin a rich agricultural heritage.

But 65 years within the Soviet Union left a distorted industry, made up of large collective farms guided by central planning, and tiny private plots focused on market gardening.

A programme of land reform launched in 1995 laid the groundwork for re-commercialization of agriculture, but reshaping production and acquiring the knowledge and connections to win in international markets is an ongoing challenge.

Tornike Kapanadze, a project manager at the country's Rural Development Agency, is brimming with enthusiasm, nonetheless. "The quality of the soils is very good," he says, "and for some crops we have traditional knowledge handed down from fathers and grandfathers."

Fighting rural poverty

Since the country declared its independence in 1991, IFAD's focus has been on helping rural communities combat poverty and youth emigration. When its latest programme, the Agricultural Modernization, Market Access and Resilience Project (AMMAR), launched in 2015, 80 per cent of rural-dwellers in some areas were living on less than US\$2 a day.¹¹

The project, which has invested US\$33.9 million and benefited 88,610 rural people, set out to help small farmers increase their incomes by aiding the development of four fruit value chains: apples, peaches, kiwifruit and persimmon. The aim was to provide improved varieties, augment yields, build storage and processing facilities, and develop new markets within Georgia and abroad for their produce.

But IFAD's conversations with scale-scale farmers and the small and medium-sized companies that work with them uncovered other value chains also worthy of support – in walnuts, berries of various kinds, greenhouse and garden vegetables, and in bay leaves.

Partnering with private companies

When building these value chains, it is vital to work with private companies, especially the small businesses that buy farm produce, process and package it, and sell it to markets in Georgia and abroad.

One of IFAD's partners and beneficiaries under this programme was Marina Mgeladze, who invested in a bay leaf processing plant, with additional funding from IFAD. Bay leaves are thought to have many health benefits and are traditionally used to add flavour in Georgian cuisine. Many Georgian families have a bay tree or two on their property.

Marina's firm buys sticks of bay leaves, dries them at 60 degrees centigrade so that the leaves retain their green colour, then strips them from the stick and packages them for use by cooks. Quality is critical: the leaves must be unblemished, have a high oil content, and be free of any contaminants, so that they pass food safety tests.

Her company buys from around 50 harvesting groups, and exports its produce as far afield as India, the Russian Federation and Europe. The development of her business, which is pivotal in this value chain, has thus boosted the incomes of hundreds of people, and enabled her to recruit more direct workers. "IFAD is having a huge impact for small-scale farmers and small and medium-sized enterprises," says Marina.

Funding young entrepreneurs

IFAD also recently ran a US\$4.11 million programme funded by the Georgian Government and the Denmark International Development Agency (DANIDA) called Young Entrepreneur, which helps young people set up businesses in rural areas.

¹¹. IFAD: Georgia Agriculture Modernization, Market Access and Resilience Project. Project Completion Report, Project context, p3.

One beneficiary is Niko Chochishvili, whose family owns the Kapistoni winery. Georgia is believed to be the cradle of winemaking: Niko’s forebears have been making wine for more than 8,000 years, and the country is regaining a global reputation as a source of fine wines. In 2018, aided by a US\$25,000 Young Entrepreneur grant for processing equipment, he and his wife Evgenia invested in building a wine cellar that now produces up to 50,000 bottles a year.

The couple grow indigenous grape varieties on 4.8 ha, but augment their production by sourcing 40 per cent of their grapes from contract growers nearby, integrating them into the value chain they have created. Their wines are sold in restaurants and shops in the Georgian capital of Tbilisi, and they are beginning to export to Europe and the United States. “The grant was crucial to developing our business,” says Niko.

Sticking to the mandate

Isabelle Lagaille, an agro-economist who helps design and implement IFAD programmes, says the IFAD/DANIDA project has been a huge success because young Georgians are increasingly turning to careers in agriculture and see the potential in wine-making and rural tourism.

But IFAD’s mandate is to battle rural poverty, with particular attention to the needs of women, young people and sustainability. This close attention to social justice and environmental issues, combined with tight rules on co-investment, can deter some firms from partnering with IFAD, she says.

IFAD’s support for intermediaries is usually highly conditional, targeting those who buy from small-scale farmers or fill gaps in food chains. This often means that as these businesses grow, they have to find new funding partners, and lose a valued source of information and advice. Marina now wants to invest in eco-friendly packaging. “It is always possible to find funding,” she says, “but what is really hard is to find new sources of expertise.”

LeafLux bay leaves – Marina Mgeladze at ExpoGeorgia Fair.



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SUDAN



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BUILDING A COMMERCIAL
SUPPLY CHAIN FOR
IMPROVED SEEDS THAT
KEEPS ON WORKING IN
TROUBLED TIMES

Improving seeds: lessons from Sudan

Small-scale farmers are often quick-witted entrepreneurs. Offered a chance to increase output and reduce the vulnerability of their crops to drought, they will seize it with open minds, and open hands.

What holds back agricultural transformation, rather, is the lack of off-farm supply and services networks that enable farmers to adopt better ways of farming. A six-year IFAD project in Sudan therefore focused on partnering with extension services and private companies to fix this problem – and achieved stunning results.

This is particularly encouraging because it was achieved in Sudan, a hot and largely arid country where 20 per cent of the 45 million population¹² – almost 10 million children, women and men – were estimated to be facing acute food insecurity during the June-September “lean season” of 2021.¹³

Today, 43 per cent of Sudan’s labour force works in agriculture, generating an estimated 30 per cent of GDP.¹⁴ Enhancing their productivity has become a matter of life and death.

Responding to urgent priorities

Sudan has long been an IFAD priority country, benefiting from two IFAD programmes that have invested a total of more than US\$875 million, impacting 3.7 million people, in the battle against hunger and poverty over successive decades. But conflict and political instability – a military coup occurred in October 2021 – have compounded the challenges of a difficult climate, environmental degradation, poor infrastructure and economic underdevelopment in all its forms.

So the ground-breaking Seeds Development Project (SDP), launched in the Sudanese states of Northern and Southern Kordofan in 2012, pioneered a new approach to tackling rural poverty and food insecurity. It has built a farm-supply ecosystem that is driven by farmer demand, which – three years after the project closed – seems to be relatively impervious to political upset and insecurity.

Bringing together private firms, public bodies, and producers

The project brought together farmers, private seed companies and private service providers (including financial institutions), with public sector extension services and the national agricultural research corporation in a public-private-producer-partnership.

Traditionally, farmers in this area of rainfed agriculture grow sorghum, a dietary staple cereal in Sudan, complemented by groundnut and sesame as cash crops. They often used to till by hand. During the harvest, many selected seeds produced by their healthiest plants and planted them during the following growing season, gradually achieving better strains over decades. Others bought from traditional seed growers.

But in the Seeds Development Project, the research corporation provided seeds for plants that are dramatically more productive, mature more quickly, use less water and are more drought resistant. Private seed companies then contracted farmers in Northern Kordofan, who have long specialized in growing seeds for the region, to grow them in large quantities. The seed merchants then sold these high-quality certified seeds to farmers throughout the region, including through a network of 30 agricultural supplies dealers.

Meanwhile, government extension services advised farmers on new cultivation techniques. The project worked with 59 mechanized service providers, who geared up to till the land of small-scale farmers under contract with chisel ploughs, which break up compacted soil and enhance its water-carrying capacity, and to offer mechanized disc harrowing, planting and weeding. Almost 100 providers of spraying services that protect plants from pests were also involved.

Two microfinance institutions, ABSUMI and Bara’ah, agreed to provide farmers and their contractors with loans.

¹² <https://www.unfpa.org/data/world-population/SD>

¹³ <https://www.wfp.org/news/government-sudan-fao-and-wfp-call-investment-sudans-agriculture-number-people-facing-acute>

¹⁴ <https://www.wfp.org/news/government-sudan-fao-and-wfp-call-investment-sudans-agriculture-number-people-facing-acute>

Targeting the smallest farms

The project targeted 69,000 small-scale farmers, a third of them women, who farm less than 15 feddan (6.3 ha) of land. “The project focused on food security, on creating a surplus that can be sold to improve the livelihoods of beneficiaries,” says Ahmed Subahi, IFAD’s Country Programme Officer for Sudan.

To help the key actors in the project understand what a difference it could make, IFAD took them to India to see how farmers, suppliers and public sector officials collaborate there.

Working together on their return, they created a new seed production and distribution system, and organized extension visits, field days and demonstration plots to spread the word.

Yielding copious results

The results were stunning. Yields surged from around 8.4 sacks of sorghum per hectare to 28-35 sacks. Some 45 per cent of farmers switched to using certified seeds. Because the new seeds were so much more productive, they commanded premium prices: some farmers even took to selling part of their production as seedcorn to farmers in the neighbouring regions of Western Kordofan and Darfur.

Excellent results were also obtained for groundnuts and sesame: groundnut yields rose 3-4 fold. Ahmed highlights the important role of financing institutions in helping farmers fund the purchase of seeds, tillage services and inputs, and in funding the suppliers to acquire the necessary machinery.

Three years on: “Despite high inflation, economic and political instability, and other difficulties, the private sector finds ways to carry on meeting the strong demand from farmers for the improved seeds,” says Ahmed. “Many farmers are now contracted annually to produce seeds for the seed companies. Demand is high, and growing.”



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Certified seed processing – Arab Sudanese Seed Company (ASSCO).
Sorghum Ageeb – Nector Company.



©IAMDP/IzzarabFarah

KYRGYZSTAN



RURAL
TRANSFORMATION
IS CHALLENGING,
EVEN IN A LAND
OF MILK AND HONEY

©IFAD/Irena Baitanaeva

When everything needs to be fixed: lessons from Kyrgyzstan

In a mountain-fringed valley near the Kyrgyzstan village of Kalinin grazes a herd of 64 red pied¹⁵ Montbéliarde cows.

Renowned for hardiness and high milk production, the breed originates 3,000 km away in the Jura Mountains on the border between France and Italy. After their first calving the cows produce 18-20 litres of milk a day – compared with just three for local breeds.

15. Pied means patches of colour. This is the description used by the breeders' association.

Nurila Orozumbekova and her husband Omurakunov Samarbek, who founded At-Bashy Sut, a Kyrgyzstan dairy company, hope that their demonstration farm, equipped with a mechanized milking parlour funded by USAID, will prove a model for the future in a lower middle income country of 1.6 million cattle,¹⁶ where half the land is pasture, and most of the rest rocky crags.

Raising productivity and improving market access

As part of its drive to secure more milk to make its top-selling cheeses, At-Bashy Sut is also seeking to become a “Leading Entity” in the Access to Market Project (ATMP) being developed by IFAD to help transform food chains in this landlocked Central Asian country.

The project, which began work in May 2019, is designed to enhance the prosperity of small-scale farmers and rural communities by raising farm productivity and improving access to markets, including through the development of the country’s food processing and exporting businesses.

Kyrgyzstan has rich mineral resources, but little industry and an underdeveloped service sector. Farming – especially of livestock – continues to provide a livelihood for many among the 6.5 million population. The overall economy has had a mixed performance since independence from the Soviet Union in 1990. GDP per person has more than doubled, from US\$520 per year in 1992 to US\$1,240 in 2019,¹⁷ and the poverty rate has fallen from 39.9 per cent in 2006 to 22.4 per cent in 2018. But many rural people remain poor and lack secure access to food.

Public-private partnerships play a leading role

The US\$55.5 million Access to Market Project is designed to achieve the nationwide transformation of a sector that has struggled to complete the transition from a command to a market economy, and ensure small-scale farmers are among the beneficiaries.

Its scope is necessarily vast: in essence it seeks to modernize the entire production system, and create or reinforce the institutions necessary to support it. Its measures range from training vets and creating an animal identification system, through developing cold-chains for produce, to assisting food processors and exporters with equipment modernization and marketing.

Public-private partnerships are central. In total, 32 companies have applied to participate as Leading Entities – companies that typically play a leading role in the food chain by buying, processing and marketing the produce of small-scale farmers. The project is offering grants covering half the cost of their development investments.

Providing infrastructure – from milk tanks to electricity

At-Bashy Sut exemplifies the potential of such firms to transform lives in rural areas. It collects milk from 750 farmers in the Naryn region of Kyrgyzstan. Most have just a handful of cows, though three or four have herds of 20-40, and these the company has equipped with modern milking parlours.

16. <https://www.thecattlesite.com/news/56733/unlocking-the-potential-of-kyrgyzstans-livestock-sector/>

17. World Bank: <https://data.worldbank.org/country/kyrgyz-republic>

But milk is currently stored for collection in aluminium or plastic tanks, some dating from the Soviet era, and frequently needing repairs. The farmers – and the collection system – need separate tanks for morning and evening milk made of stainless steel that can be steam-cleaned and, ideally, refrigerated. They need electricity. And if like the model farm they are to produce milk in winter too, they will need equipment to sow and harvest forage crops such as sorrel and wheat. At-Bashy Sut has applied for an ATMP grant of US\$80-90,000 to help renew and improve this vital infrastructure.

The potential is great. Cattle grazing on natural sainfoin and other wild grasses give high-quality milk. At-Bashy Sut already produces 65 tonnes of award-winning hard cheeses each year, including Dutch types and a form of mozzarella. These are sold across the country, but also exported to Kazakhstan and the Russian Federation. “We want to produce more, but we find it difficult to get enough milk,” says Nurila, the firm’s managing director. “The model farm won’t solve that: it will just be a demonstration to our farmers so that they can raise these animals.”

Benefiting villagers by building companies

Equally fascinating is the story of Nur Bal, a honey collecting and processing company which has applied to partner with IFAD on the Access to Markets Project. Nur Bal collects white honey from bee-keepers in Naryn and the northern district of Chuy, processes it, and sells it in Kyrgyzstan and the Middle East.

There’s a long bee-keeping tradition, handed down from generation to generation. The region’s high-quality honey has a fine crystalline structure and a unique taste. The bees collect nectar from pristine pastureland and hillsides often over 3,000 metres above sea level. But the bee-keepers are itinerant, moving their 30-50 hives at night, to maximize production without losing the bees, on rented pick-ups. That’s quite a challenge for Nur Bal.

Ernis Beishenbekov, the chief executive, comes from a family of bee-keepers. He is not shy about his ambitions, though. “Our goal is to be the leading producer and exporter of honey in Kyrgyzstan,” he says. “We want to build Kyrgyz honey into an international brand. We want to become a big company, and we want to help the villagers.”

As a potential Leading Entity, Nur Bal is seeking a US\$65,000 grant from the project to match its own planned investments in collection, processing and marketing. Some US\$20,000 of the funding would be spent on training – not just for bee-keepers, but also to equip vets to advise them and oversee quality standards.

Overcoming delays

Getting the Access to Markets project up and running has been complicated by the COVID-19 pandemic. But the biggest obstacle seems to have been a lack of expertise in companies, and among their advisors, in turning the companies’ business plans into the detailed food chain development “road maps” required of them by IFAD’s project.

Both Ernis and Nurila say their biggest challenge in working with IFAD is the slowness and complexity of the approval process – which has now lasted more than two years. This problem was also highlighted in an IFAD Implementation Support Report completed in May 2021.

Samakov Mirlan, a specialist in dairy and honey value chain development at IFAD's Project Management Unit, agrees that this is the biggest challenge for this ambitious project. "The proposals go back and forth," he says. "We need an improvement in the quality of the grant proposals submitted to us."

As a fund investing public money in rural development, IFAD clearly has a duty to ensure the money of Member States is invested in projects that support its aims of ending poverty and hunger, with special attention to the needs of women and young people. The lack of expertise among some target groups of its projects in Kyrgyzstan has proved an obstacle. That is a lesson to learn, and address.



Demonstration of honey at LLC Nur Bal. The 34-year-old beekeeper Asylbek Ozgorushev has 12 years of experience in honey production.

Preparation for the second collection of honey on the flowering fields of sainfoin in the Birimdik village, At-Bashi district, Naryn region.

©Nur-Bal LLC/Ernisbek Beishenbekov

JORDAN



TRACEABILITY INITIATIVES
ARE AT THE HEART
OF PUBLIC-PRIVATE
PARTNERSHIP INITIATIVES
THAT BENEFIT
SMALL-SCALE
PRODUCERS IN JORDAN

©IFAD/Susan Beccio

Pioneering digital solutions: lessons from Jordan

Jordan has become a hothouse of new ideas that combine technology and astute awareness of international markets to lift small-scale farmers out of poverty.

Collaborating closely with the Jordan Exporters and Producers Association for Fruit and Vegetables (JEPA), and with local tech start-ups, IFAD programme officers of the International Fund for International Development (IFAD) are creating a traceability programme that builds direct links between farmers and distant consumers.

When the pioneering project kicks-off next year, shoppers in the United Arab Emirates will be able to scan a QR code¹⁸ on the packaging of their fruit or vegetables, then “meet” the farmer in far-off Jordan who grew their food.

“We are making a direct connection between the rich – or the responsible – shopper, and the poor,” says Abdullah Alkloub, an IFAD Value Chain Officer in Jordan. “People want to know where their food comes from. We are providing traceability, but we are also creating bonds between the producer and the consumer – and also adding value.”

Creating jobs by helping farmers

The traceability programme will form part of the second phase of IFAD’s Rural Economic Growth and Employment Project (REGEP), launching next spring. During the first phase of the US\$39.1 million programme, which began in 2016, IFAD worked closely with JEPa to connect small farmers spread across 5 of Jordan’s 12 governorates with its member companies.

Thanks to these successful public-private partnerships, smallholder produce has been sold in hypermarkets and to tourist restaurants within Jordan, and exported as far afield as the United Arab Emirates and the United Kingdom.

The programme’s aim is to create sorely-needed employment and to bolster farm incomes. Employment is a particular challenge. An estimated 1.3 million Syrian refugees form 13 per cent of Jordan’s 10.2 million population, and the government – unusually – wants to speed development by helping them to work.

Farming generates just 5.6 per cent of Jordan’s GDP, which has grown five-fold since the year 2000 to US\$44.5 billion in 2019.¹⁹ But it is an important source of jobs in an economy with an exceptionally low employment rate, where 21 per cent lack work, and where almost half of youth are unemployed – partly because fewer than one woman in six has joined the labour force. Women and youth are a key focus of IFAD programmes, and in Jordan the needs are great.

Profiting from a natural advantage

Farms are typically small – just 3-4 hectares, and many farmers also have off-farm jobs. But Wael Haddadin, a member of JEPa, says the sector has unusual potential because in the Jordan Rift Valley, where many farms are located, fruit and vegetables ripen outside the harvesting seasons of both northern and southern hemispheres.

Out-of-season cherries from Jordan have fetched up to US\$90/kg in the Emirates, he says – a price to make any farmer’s mouth water.

The REGEP focuses upon nine value chains of traditional Jordanian produce: olives, grapes, pomegranates, apples, tomatoes, okra, baby cucumbers, thyme and sage.

These can command premium prices in international markets because of their timing, says Wael. But exporters have to be clued-up and nimble. They must adapt to conflict and pandemic-related border closures that constrain (affordable) trucking, and to soaring airfreight rates (pushed up by the pandemic and surging oil prices) that can quickly change the economics of exporting to particular markets. Conflicts have closed truck routes to former markets to the east, for example.

18. Here is a primer on the technology: <https://www.sproutqr.com/blog/qr-code-food>

19. All economic data from World Bank website <https://www.worldbank.org/en/country/jordan/overview#1>

And competition is tough. The United Arab Emirates is a market with wealthy consumers and premium pricing only a truck-ride away. But “Iran has become a very big competitor in this market, especially in tomatoes,” says Wael.

Finding solutions in technology

Against this backdrop, as REGEP expands during Phase II to embrace virtually the whole country, including the immigrant population, and an even wider range of crops, IFAD and its partners are turning to technology to help small-scale producers.

The thriving start-up scene of Amman, Jordan’s capital, holds the key to adding value, they believe. Abdullah says: “Most farmers here now have smart phones. We need to teach them to use their phones to generate income as well as to explore Facebook.”

Wael adds: “The question is ‘how can we help small farmers benefit from digitalization?’ We can use tech to make their lives easier and their profits higher.”

The use of QR codes to provide traceability is becoming a badge of quality in food chains worldwide, assuring consumers that food is fresh and safe to eat. But a REGEP Phase II pilot will develop 20 or so “farmer stories”. When consumers click a particular code on a product, they will see images of the farmer, the farm and more. Wael says there’s a market demand for this kind of personal connection, driven by values such as empathy and goodwill. “There are some supermarkets that want to buy products from Syrian refugees,” he says. Farmer stories will help consumers use their purchases to support favoured causes or communities.

QR brings a quick response

The codes are also key to improving the logistics of bringing small-farm produce to distant markets. JEPA has taken a lead, signing an agreement with a Jordanian online marketplace for fresh food, Ghoorcom, to enhance marketing of smallholder farmer produce. It also aims to collaborate with an “Uberized” small-farm produce collection system, whereby farmers can use an app to book and share space on a truck, and QR codes track the different batches.

Advantages are manifold. The system should cut transit times between farm and consumer, reduce costs and enhance traceability.

Farmers will also be able to trade with buyers on a widely-used government portal. The QR codes will enable trades to be traced to particular batches, aiding packaging, payment, and every step along the chain from farm to final customer, no matter where.

Study tours, marketing initiatives, and training for individual farmers and their cooperatives – especially on digital solutions – are an integral part of the REGEP programme.

Partners for the common good

Zuhair Jweihan, a farmer and exporter who is the vice-chairman of JEPA, talks enthusiastically about collaboration with IFAD and its programmes to develop food chains and markets. “We are businessmen,” he says, “but we also have a sense of social responsibility towards our farmers”.

REGEP managers, JEPFA and its food company members hope the new ways of using digital technologies to increase revenues of small-scale farmers that are being pioneered in Jordan will be copied elsewhere.

“When you have traceability, you can sell produce for 20-30 per cent more,” says Wael. Zaid Alnsour, REGEP project director, adds: “If farmers can make more money by using these tools, they will adopt them and carry on using them.”

What follows will be decided by the evidence the project generates. “If it works well for small farmers we will go to IFAD and the government for more resources to expand the pilot scheme,” Abdullah says.



©JEFA



Jordan Exporters and Producers Association for Fruit and Vegetables.

ARMENIA



A BRAVE VENTURE
CAPITAL FUND HAS DONE
WONDERS IN RESTORING
MARKETS FOR
ARMENIAN FARMERS

©IFAD/Marco Salustro

Building better food chain businesses: lessons from Armenia

When you are trying to promote rural development, it is very important to cast aside preconceptions, and explore with an open mind what works best to raise the incomes of farmers.

An IFAD investment fund in Armenia, designed to speed the development of food processing companies, shows just how much can be achieved by taking an unorthodox approach. The 12 companies part-owned by the Fund for Rural Economic Development in Armenia (FREDA) are today estimated to support the work of 17,000 small-scale Armenian farmers.

Launched in 2009, FREDa was a pioneering partnership between IFAD, the Republic of Armenia, and the Danish International Investment Agency, DANIDA.

The US\$12 million fund works with companies that need money to expand, either to pay for equipment or to boost their working capital as they scale up after winning new contracts.

It invests between US\$100,000 and US\$500,000, typically in exchange for 24-45 per cent of the company's shares. While remaining a minority partner, it pays close attention to the way the company is run, and provides expert advice when necessary.

Investments are preceded by rigorous due diligence. To attract FREDa funding, companies must have external accountants and a credible three-year financial record, together with a transparent and ethical management structure. And FREDa is no passive investor.

"From my office in Yerevan, I can monitor the accounts of all of our companies," says Aleksandr Kalantaryan, the Director of FREDa. "We support them with management advice and marketing – and if something is going wrong, we are quick to intervene."

Rebuilding knowledge and markets

The need for this kind of support to build a healthy private sector food industry to connect farmers to consumers was particularly acute in the countries of the former Soviet Union.

Armenia was a founder member of the Union of Soviet Socialist Republics in 1922. Independence, in 1991, caused a massive economic shock. After more than 60 years of central planning, understanding of markets, competition and commercial practices had withered away.

"With the planned economy, a manager's life was very simple," says Aleksandr. "He received a phone call, delivered his product to the station, and that was that. People looked to government to solve all their problems."

But today, managers need to understand markets, marketing, and the cultures of the countries they export to. They need to produce to international quality and sanitary standards. And they must respect the rules of good governance to access bank finance.

Learning and earning

Building modern commercial food chains has therefore been an urgent priority. At independence, GDP was a mere US\$2 billion, and a third of the country's 3.5 million population lived in poverty. Many people emigrated: by 2019, the population had slumped to 2.95 million, but GDP had surged to US\$13.6 billion, aided by an expansion of mining in place of manufacturing.

Yet agriculture remains pivotal. Though it contributes just 15 per cent of GDP, it employs around 35 per cent of the population. There are an estimated 360,000 holdings, averaging just 1.5 ha. In a landlocked and mountainous country, processing their produce to add value and preserve it during transport is vital to sustain rural livelihoods and communities.

The financial crisis of 2008 had painful repercussions. As currencies devalued, demand in the historic markets of the Russian Federation and Ukraine collapsed. So back in 2009, aided by experts from DANIDA, FREDa set out to revitalize Armenia's food processing sector, thereby restoring a market for its farmers. There was no blueprint. "We had a lot of failures at the beginning," says Aleksandr. "We were either earning or learning, but sometimes we were learning more than we were earning."

But today, FREDa's success rate is 90 per cent, says, Aleksandr. Its companies can and export vegetables, fruit, preserves and juices. One makes boxes for fruit, another cans and bottles, while a third provides refrigeration equipment for cooling and storage. Others process milk into cheese, or market branded dried fruits as far afield as California. "The younger generation are much more creative and innovative," he says.

Going it alone

Twelve years on, Armenia's food industry has learned to compete. Despite political complexities and some closed borders, produce reaches the Russian Federation, Ukraine and Western Europe by truck via Georgia.

IFAD will step back from FREDa in 2023. But the venture capital fund will go on, selling stakes in successful businesses and reinvesting the funds in new ventures. Aleksandr wants to broaden its reach to embrace rural tourism and business software.

He also plans a recovery fund, enabling FREDa to take stakes in struggling companies and use its advisory skills to turn them around. Ultimately, he hopes to bring FREDa itself to market via an initial public offering.

But he is adamant it will continue to fund only companies that assist rural development. "At heart, FREDa is a kind of development agency," says Aleksandr.

FREDa at a span-Armenian expo. FREDa's investment specialist Gor Khudoyan is introducing the products of their partner companies to a visitor.

FREDa's investment in Al Kamar nursery. The old, glass-made nursery was hit by a terrible hailstorm. Through FREDa's investment, the nursery was fully recovered.



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