Isidro: A Blended Finance Initiative
AN INNOVATIVE APPROACH TO INVESTING IN SMALLHOLDER AGRICULTURE

THE LANDSCAPE
Central to the business of agriculture are two intimately connected players: smallholder farmers and small to medium-sized agricultural enterprises (SMEs). Smallholder farmers produce the bulk of the world’s food but are often poor, struggle to link to formal markets and increasingly see their production threatened by a changing climate. SMEs that process, package, and distribute agricultural goods are the bridge to markets for farmers and drive economic development in rural communities. Moreover, SMEs generate most jobs in developing countries, and they play a crucial role in global food security, rural income growth, and natural resource management. When they thrive, so do millions of farmer families who represent a third of the global population.

QUICK FACTS
Smallholder farmers generate 80% of the world’s food and beverages.
SMEs generate 7 out of 10 jobs in developing countries
A gap exists for SMEs with financing needs between $20,000-$500,000.

TOO SMALL FOR TRADITIONAL LENDERS. TOO BIG FOR MICROFINANCE. JUST RIGHT FOR US.
Isidro, a newly launched CRS blended finance initiative, targets a vital but under-served class of agricultural enterprises, including farmer organizations, seeking loans of $20,000 to $500,000. These loans are often passed over by commercial lenders that consider them too small, expensive, and risky. For the few borrowers who do qualify, credit from banks comes with steep interest rates and rigid guarantees. Isidro leads with an untraditional blended solution of technical assistance, business development services and investment funds to chart a path to success for these overlooked, yet impactful SMEs.

TABLE 1 – THE AVERAGE ISIDRO CLIENT

<table>
<thead>
<tr>
<th>SMALL FOOD &amp; AGRICULTURAL GOODS PROCESSOR</th>
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<tbody>
<tr>
<td>Type: Small, private enterprises or farmer-run cooperatives and associations</td>
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<tr>
<td>Sales/Revenue: $200,000-$400,000</td>
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<td>Capacity Gaps: Business &amp; financial management; marketing &amp; sales; production</td>
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<td>Capital Needs: $100,000-$300,000</td>
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<td>Investment Needs: Working capital, Capital expenditures</td>
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<td>Reach: 300-500 farmer suppliers</td>
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Marlon Tajiboy, an employee of macadamia company, Alianza, S.A., processes macadamia shells to ensure quality. Photo by Oscar Leiva/Silverlight for CRS
A LENDING CULTURE COMMITTED TO THE NEEDS OF SMALLHOLDER AGRICULTURE

Isidro prepares promising SMEs to qualify for loans, then manage the invested capital while meeting growth and impact targets. Our technical team address custom needs like quality control, production, marketing and sales, and management and accounting best practices – all necessary business hallmarks to pass due diligence and benefit from formal market-based financing. By understanding the business models and value chains of our clients, and making loans accordingly, we help turn farming enterprises into economic engines that elevate communities.

ISIDRO’S OFFERINGS

- Comprehensive technical assistance to prepare informal, agricultural enterprises for investment and set them on the road to growth and bigger impact
- Extensive on-the-ground network of partners, positioned to support our clients as they grow their business.
- Access value chain and agricultural expertise grounded in knowledge of local markets through CRS’ field teams and programs
- Innovative financing products, not available in local markets, including flexible guarantees and attractive terms

ISIDRO INVESTMENTS LLC

Once SMEs are deemed investment-ready, Isidro can offer short- and mid-term debt for working capital and capital expenditures and it is also piloting a shared revenue/risk product for its clients. Through its licensed finance vehicle in the State of Maryland, Isidro Investments LLC, CRS invests directly in promising SMEs or works with local financial partners to facilitate loans.

ALIANZA: OUR FIRST INVESTMENT WAS A TOUGH NUT TO CRACK

Alianza S.A., a Guatemala-based macadamia company, was seeking $155,000 for a processing plant to enable them to produce higher-value, finished-kernel organic nuts and tap into a global market valued at $1.7 billion. To prepare for the investment, Isidro helped strengthen Alianza’s financial management, business planning and procurement systems. Six months later, with plant construction and equipment installation underway, Alianza is poised to reach at least 225 more macadamia growers, increase the price paid to farmers by at least 20% and expand agroforestry and organic production methods to an additional 500 acres of land.

WHEN AGRICULTURAL SMEs THRIVE, FARMERS FLOURISH

Across Latin America, Africa and Asia, CRS brings a long history of relationships with agricultural communities and local private sector networks that help identify prime SME candidates for our investment readiness program. Isidro leverages our global reach, agribusiness expertise and capacity-building experience to reduce risk and position partners for economic gain. Strengthened agricultural SMEs not only buy more product from farmers they connect them to high-value specialty food and beverage markets, including sustainably sourced and niche markets. As these businesses grow, they scale good environmental practices, generate employment in rural communities, and improve livelihoods.

ISIDRO FOOTPRINT & EXPANSION PLANS

- Current reach: Guatemala, Haiti and El Salvador
- Planned expansion in 2021: Nicaragua

PROJECTED TARGETS

- 25,000 farmers income improved
- 500 rural jobs generated
- 10,000 hectares of land restored

"No bank would believe in us to build this fermentation center. With Isidro, we no longer have these constraints.”

— NASSERA EL KADARI, EXECUTIVE DIRECTOR OF KALEOS (ISIDRO CLIENT)

THE REAL RISK IS NOT LENDING FARMERS THE SUPPORT THEY NEED.

Farmers and agricultural enterprises around the world need your partnership.

Help fill the gap

For more information, contact Daniel McQuillan, Technical Director, Isidro Daniel.Mcquillan@crs.org

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