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Investing in Smallholder Farmers

THE CHALLENGE

The effects of the COVID-19 pandemic vary across the countries where Global Partnerships' (GP) affiliated funds invest, but the pandemic and lockdowns have disrupted supply chains and food systems across the board. Even though agricultural activities were declared "essential" in most countries, the economic crisis has severely affected many of the estimated 500 million people engaged in smallholder farming worldwide.¹

Even prior to the pandemic, rural households that rely on small-scale and subsistence farming often faced food and income insecurity due to lack of access to working capital, information, inputs (such as quality seeds), and markets.² During the past year, many of these households have faced increased financial stress, higher input costs, decreased market access, and loss of income – resulting in heightened food insecurity.¹

THE OPPORTUNITY

Globally, about 84% of farms are operated by smallholders with less than 2 hectares of land.³ These smallholder farmers play a vital role, not only providing for the livelihood and well-being of their families, but also contributing to global food security – producing one-third of the world's food supply.¹ Expanding opportunity for and investing in the resilience of smallholder farmers during pandemic recovery and rebuilding will have outsized impact on global poverty reduction.

GP is positioned to support local social enterprises that are helping smallholder farmers sustain their livelihoods and build back stronger. We do so through three livelihood-focused investment initiatives that address the multi-faceted needs of rural, agricultural households.

1. Source: *"Listening During COVID-19: A Year In Review,"* 60 Decibels, February 2021.

2. Source: *"The Economic Lives of Smallholder Farmers,"* Food and Agriculture Organization of the United Nations, 2015.

3. Source: Sarah K. Lowder, Jakob Scoet, Terri Raney, *"The Number, Size, and Distribution of Farms, Smallholder Farms, and Family Farms Worldwide,"* World Development, Volume 87, 2016.



Rural-Centered Finance with Education: GP funds invest in financial institutions that provide rural families living in poverty – including smallholder farmers – with working capital loans and educational services designed to improve economic resilience and food security.

Smallholder Farmer Inputs: GP funds invest in organizations that provide smallholder farmers with affordable, high-impact inputs alongside technical assistance to increase incomes and food security.

Smallholder Farmer Market Access: GP funds invest in agricultural enterprises that provide smallholder farmers with enhanced market access and technical assistance to increase and/or stabilize household incomes.

IMPACT

During the pandemic, we continue to use mobile-based surveying, known as Lean DataSM, to listen to rural families and better understand their lived experience. We share the results with our social enterprise partners so they can adapt their products and services to drive stronger impact. As an impact-first fund manager, these results help GP direct fund capital toward effective solutions.

Between June 2020 and December 2020, we heard from a total of 1,917 clients from five social enterprise partners in our Rural-Centered Finance with Education initiative.⁴ Many of the survey respondents were smallholder farmers, and they reported promising results since working with our partners:⁵

88% reported an increase in their quality of life.

87% reported an increase in income.

79% reported an increased ability to save money.

78% reported an increased ability to plan finances.

GP is dedicated to expanding opportunity for people living in poverty and we see smallholder farmers as critical to achieving that mission. As the effects of the pandemic evolve for the households we serve, GP funds will continue to provide capital and support to social enterprise partners, while listening closely to their clients to understand whether they value the opportunity being delivered and whether they are empowered by it – economically or otherwise – to improve their lives.

4. These studies are conducted using Lean Data – a mobile-based client survey methodology used to collect and analyze customer and sector-specific data from around the world. Lean Data surveys are conducted by 60 Decibels, Inc., an impact measurement company.

5. Surveys were conducted among clients of five social enterprise clients funded by GP's affiliated debt funds. Such clients were living in Colombia, Guatemala, Kenya, and Peru. Results included in this feature are not statistically significant nor representative of the outcomes achieved by all investee partners. Results are intended to provide insight into whether investments can reach desired segments and support intended outcomes. All results are weighted by number of respondents and do not represent an average of enterprise averages.