



PROTECTING LIVELIHOODS, DEEPENING RESILIENCE

REPORT ON ROOT CAPITAL'S COVID-19 RESPONSE

MARCH-AUGUST 2020

As the world began to understand the true extent of the COVID-19 threat in early March, Root Capital—like so many others—faced the question of what to do next.

Rural communities have always faced shocks, and our mission has always been to accompany them through these challenges. For two decades, we have affirmed the power of agricultural enterprises to transform the lives of farmers and their families. The virus may be novel, but that power is unchanging.

Our premise is simple: Agricultural businesses are vital platforms for COVID-19 response in rural communities, just as they are in other times of uncertainty. Each one connects hundreds—even thousands—of farmers, workers, and their families to global markets and stable incomes. They provide critical services and infrastructure in remote areas that are difficult for governments to penetrate. In the face of social and economic upheaval, we believe that well-supported agricultural businesses are the best pathway for delivering information, goods, and services to millions of people in hard-to-reach places.

This platform—and our work to strengthen it—has never been more urgently needed. Over the last six months, we have partnered with rural agricultural businesses to both save lives and preserve livelihoods for hundreds of thousands of smallholder farmers. Leveraging our unique role as a specialized lender and trainer, we have helped our clients both mitigate the impacts of this crisis on their bottom line and meet the emergency needs of their communities. These six months have proven what Root Capital has known for 20-plus years: Agricultural enterprises are engines of impact for rural communities.

This report presents a snapshot of our work with agricultural enterprises between March and August 2020—made possible by the steadfast support of our donors. As we look to the next six months, and well beyond, Root Capital is committed to not simply managing the current crisis, but to learning from it. Working side-by-side with our clients, we will reimagine the future of rural communities—ensuring they not only bounce back, but bounce forward.

OUR STRATEGY FOR COVID-19 RESPONSE

Though the pandemic-driven crisis will pass, we recognize that the world—and our collective place in it—will not look exactly the same as it did before. Our response requires disruption: of ourselves, our business models, and our ways of working to anticipate and respond to the new reality. While we are acting now to mitigate the impacts of COVID-19 in rural communities, we are also planning for how we can deepen our impact on these communities in the future (see page 5 for more information).

		PHASE	PRIORITIES	PROGRESS
ACT NOW	(immediate, ongoing)	UNDERSTAND Assess current needs and challenges of agricultural businesses and communities, especially for marginalized or under-resourced groups, like women and youth.	Triage client and community needs across different value chains and regions. Share data and learnings through reports, webinars, and bilateral conversations with other thought leaders in the sector.	2 portfolio-wide surveys of 130+ businesses on the impacts of COVID-19 in rural communities 5 webinars to share updates and resources with clients, donors, investors, and other partners 2 joint action platforms with leading peers: the COVID-19 Response Alliance for Social Entrepreneurs and Coalition for Farmer-Allied Intermediaries
	(0-12 months)	WITHSTAND Ensure the safety of farmers and workers, and the continuity of business activities. Take immediate action to deploy capital, knowledge, and tools to help clients survive the crisis.	Resilience grants to reduce financial strain on clients, their employees, and their farmers, and help them meet emergency health and economic needs. Remote advisory services to deliver tailored online trainings to businesses, including in crisis management. Building resilience together by leaning into clients' shifting credit needs through this period of uncertainty and risk.	\$919K+ in grants disbursed to 59 agricultural businesses, 59% of them women-led ~80K farmers and employees reached, 47% of them women 150 agricultural businesses trained, 23% of them women-led 20 clients granted debt relief or loan restructuring

Learn more: For information on how the COVID-19 pandemic is impacting rural communities, find the results of the latest client survey on [our website](#).



UNDERSTAND AND WITHSTAND: SIX MONTHS OF IMPACT FOR RURAL COMMUNITIES

Deploying Resilience Grants to Meet Emergency Needs

Agricultural businesses are best positioned to identify and meet needs of rural communities. Their proximity allows them to see the challenges facing farmers and to design solutions. But these businesses typically lack the resources to make these ideas a reality. Working with donor partners, Root Capital has disbursed over \$919,000 in flexible, one-time grants to fund local response efforts designed to keep farmers safe, provide employment protections, and address the pandemic's uneven impacts on women. In the first six months, we provided grants to 59 businesses reaching more than 77,000 farmers and 2,400 rural workers in Ghana, the Democratic Republic of Congo, Kenya, Indonesia, Peru, Rwanda, and Uganda. Over the next several weeks, we will disburse \$500K more in grants to clients in Colombia, Mexico, and Central America.

One such enterprise is C.A.C. Prosperidad de Chirinos, a coffee cooperative in northern Peru. For over 50 years,

Chirinos has steered its community through civil war, terrorism, and the devastating impacts of climate change. Now, in the midst of a global pandemic, Chirinos needed to keep its farmers and employees safe while also maintaining their livelihoods. **Working with Root Capital advisors, the cooperative implemented new safety protocols with the support of a \$5,000 grant.** By supplying employees with personal protective equipment (PPE), establishing disinfecting stations for farmers, and hiring a part-time nurse to monitor these protocols, this one-time infusion of capital has allowed the cooperative to minimize the health and economic impact of the pandemic on their community and ensure it can continue to serve the farming families of Chirinos for decades to come.

\$919K+

Emergency grants distributed

Providing Business Guidance from Afar

Starting in March, Root Capital's team of global advisors pivoted from in-person to remote trainings. Using digital tools, we have continued supporting our clients as economic uncertainty has made their need for financial and agronomic advisory all the more urgent. In the first six months, we've offered remote advisory services to 150 businesses to help them address diverse impacts of the pandemic, from crisis management to financial forecasting.

150

**Businesses provided with
COVID-19 advisory services**

In the face of uncertainty, our team designed scalable tools that could be adopted by clients across our portfolio. In South America, we worked with a local illustrator to design harvest guides that tailored public health guidance

to the particular needs of coffee enterprises. Paired with webinars that explained how to put these guides to use and share them with farmers, these efforts helped dozens of businesses continue to operate safely.

We also provided tailored one-on-one training where appropriate. In Senegal, the government announced tax relief measures for local businesses to mitigate the pandemic's economic impact. **One of our clients—a local rice processor—turned to our advisory team for help applying for this government program and was able to receive deferment on their 2020 taxes.** Our advisory team engaged similarly with fifteen clients across West Africa to apply for tax deferment and relief, helping them gain much-needed financial flexibility during this crisis.

Tailoring Financing to the Crisis

In some cases, businesses need flexible financing to respond to extraordinary market circumstances. The alternative—the collapse of these businesses—could prove disastrous for the rural communities they are supporting throughout and beyond this crisis.

20

**Clients granted debt and
loan restructuring**

Take, for example, the sorghum sector in Kenya. This drought-resistant crop is a crucial source of income for tens of thousands of farmers, most of whom are women. As pandemic restrictions closed bars across the country, demand for sorghum—which is used in brewing local beer—dried up. Knowing our clients needed flexibility to manage temporary reductions in cash flow, **we worked with a donor to restructure our three active sorghum loans, extending terms and providing \$34,000 in debt relief.** As the impacts of COVID-19 continue to ripple across value chains and countries, we will make disciplined lending decisions that ensure the business continuity, and long-term impact, of Root Capital and our clients.



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Though the situation remains volatile, one thing is certain: If agricultural businesses stand any chance of “bouncing forward,” they need support. In the coming months, our COVID-19 response will shift from stabilization to reimagination.

		PHASE	PRIORITIES
PLAN NOW	(6-18 months)	RECOVER Work with clients to normalize operations and adapt business models as needed. Evolve our service delivery and offerings to address the needs of our rural partners as they shift into recovery mode.	<p>Continued resilience grants to help clients maintain business continuity and support farmer livelihoods as the economic impacts of the pandemic persist.</p> <p>Technical assistance—remote or, where possible, in person—to help businesses understand the shifting market and continue to adapt normal business operations.</p> <p>Lending innovations to continue serving clients via digital technologies, and continued debt relief to help the hardest-hit clients recover.</p>
	(12+ months)	RE-IMAGINE Learn from the crisis and evolve programming to not only increase impact on rural businesses, but reimagine resilience in the prolonged “new normal.”	<p>Uncover opportunities and innovations to help clients build back better, whether it be through rebuilding in more inclusive ways that pull women and youth into the business or re-designing more environmentally sound products and services.</p> <p>Undertake a comprehensive learning agenda to understand the pandemic’s lasting impacts on our clients and how to mitigate the effects of future crises on rural communities.</p>

This pandemic is a tragedy—yet it also presents an opportunity to reshape rural resilience. As we move forward into these next phases, Root Capital seeks to help reinvent the system and address the deep fractures that this crisis has exposed. For that, we need partners who are committed to the long-term, painstaking process of change. **Join us today at rootcapital.org/covid19.**

THANK YOU FOR CONTRIBUTING TO ROOT CAPITAL'S COVID-19 RAPID RESPONSE FUND!

TOTAL RAISED SO FAR: \$4M

TOTAL RESPONSE BUDGET: \$11M

Anonymous (2)
L'Arche Holdings B.V.
Jeff Arnett
Katherine Babiak
Edward and Tracey Benford
Elisabeth Benoit
Abigail Bok
Lindsey Bolger and Alec Brecher
Trey Brooks
Gabriel Brueckner
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