Summary of Investment: SOAFIARY, Smallholder farmer value chain inclusion in Madagascar – Madagascar

Project Name	SOAFIARY, Smallholder farmer value chain inclusion in Madagascar
Country	Madagascar
Region	Sub-Saharan Africa (ESA)
Status	Pending Approval
Environmental Category	B
Sector	Agriculture
Industry	Smallholder farmers related trade and processing
Date of Disclosure	11 November 2021
Projected to be presented at the Board	14 December 2021

Project Description and expected development results

IFAD is proposing to provide up to EUR 3.5 million in senior debt financing to SOAFIARY S.A. ("SOAFIARY") to scale up its collection and support to smallholder farmers ("SHFs") through contract farming in Madagascar. The total size of the Project is EUR 8.2 million (IFAD Loan of EUR 3.5 million). The Project will be implemented during four years. Together with other financiers, the Project will finance the acquisition of grains and legumes from SHFs as well as training and capacity building through contract farming. The Project will allow SOAFIARY to acquire produce from at least 5,000 SHFs (including 4000 thanks to IFAD's loan) of which 35 percent will be Women and 30 percent will be Youth. This will contribute to higher SHFs and rural income generation and will help creating better and more resilient rural livelihoods in the face of the effects of the COVID-19 pandemic and climate change in Madagascar.

Sponsor/Cost/Location

SOAFIARY is a private mid-sized aggregator company domiciled in Mahandraza, Madagascar. SOAFIARY is specialized in grains (maize, rice, beans, soya) and legumes trading, including collection, sorting, packaging, local sales and exports. Moreover, SOAFIARY operates in the production and local commercialization of animal feed (bovine, ovine, poultry and fish). The company has a strong gender focus as it was founded and is led by a woman, and women represent the majority of senior management and more than 80 percent of SOAFIARY's employees.

SOAFIARY operates in various regions of Madagascar, principally in Vakinankaratra, Bongolava and Itasy. The company establishes partnerships with various key stakeholders such as Non-Governmental Organizations, cooperatives, associations and the Catholic Church in order to reach the smallholder farmers.

The Project will cover the regions of Itasy, Vakinankaratra, Bongolava, Haute Matsiatra, Ihorombe, and Menabe, where there are strong complementarity and linkage with IFAD's activities in Madagascar. The targeted commodities of the Project are major areas of focus of the IFAD's Country Programme in Madagascar, particularly maize and legumes, which are supported under the IFAD-funded projects: PROSPERER, AD2M-2 and DEFIS.

Additionality

IFAD's financial additionality stems from offering a mid-term loan that SOFIARY is unable to source from market sources at similar conditions which are needed to ensure sustainability and planend impact of the project. The IFAD loan is critically needed to implement SOAFIARY's growth plans focusing on supporting SHsF. IFAD's loan also

expected to have a catalytic effect, leveraging financing from development partners and commercial institutions.

IFAD's non-financial additionality includes support for SOAFIARY to adopt more rigorous Environmental, Social and Governance (ESG) practices, better procurement standards, and climate smart agriculture technologies, as well as bringing about an increased focus on benefitting youth, women and other vulnerable groups. IFAD's intervention in this Project is leveraging its technical expertise, portfolio in Madagascar and network, by linking SOAFIARY with IFAD-funded projects targeting SHFs therefore promoting graerter synergies between private and public sector efforts and using rhe latter to derisk private sector investment. Furthermore, IFAD will share its knowledge of best practices on how to engage with farmer organizations.

Contact
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