

Public Information Summary- Cinch

Host Country(ies)	Kenya (LIC)
Name(s) of Borrower(s)/Guaranteed Party(ies)	Cinch Markets Limited
Project Description	Cinch is a mosaic farming model that addresses agriculture/food security by making smallholder farming and agriculture supply chains more efficient.
Proposed DFC Loan/Guaranty	\$1,000,000 DFC USD Principal & Interest loan, senior/unsecured
All-Source Funding Total	\$1,000,000 USD (TA resources from DFC Ignite TA Facility)
Policy Review	
U.S. Economic Impact	<p>This Project is not anticipated to have any negative U.S. effects risk given its focus on support for smallholder farmers in Kenya. While Kenya does export some agricultural products to the U.S., the amounts are not significant. The country does export on average around \$60 million in coffee to the U.S., however, the export of coffee to the U.S. would not represent a significant risk to U.S. employment. For other crops that the Project might support, exports to the U.S. are minor, and this Project is expected to largely support smallholder farmers selling in the local market. Therefore, this Project does not represent the potential for a significant negative impact on U.S. employment, and thus there is no requirement for the DFC to report to Congress on a negative U.S. employment impact.</p>
Developmental Objectives	<p>In many parts of sub-Saharan Africa, inherited farming plots have fragmented over generations, resulting in plot sizes that are too small to support commercial farming. In Kenya, the average smallholder farmer has only 0.53 hectares, and does not earn enough money to make yield-enhancing investments, like irrigation and mechanization. Women working in the agricultural sector face additional challenges. Despite women making up about 65 percent of the Kenyan agricultural workforce, women have limited access to advancement opportunities into management roles in agriculture businesses.</p> <p>The Project plans to combat the challenges associated with land fragmentation in Kenya by aggregating smallholder plots into larger “mosaic farms” through land lease and licensing agreements. Cinch can significantly increase land productivity and return resulting profits to smallholder farmers through this innovative model. Cinch also provides employment opportunities for smallholders and tailors training opportunities for women employees to help them move into management positions. The Project aims to onboard 874 Kenyan smallholders and</p>

	<p>operate 1,876 hectares of additional land under this model by 2027. Given the Project's characteristics, it is categorized as Exceptionally Impactful per DFC's Impact Quotient (IQ).</p> <p>Cinch's solution to land fragmentation in Kenya is to aggregate smallholder plots into larger "mosaic farms," through land lease and licensing agreements and to make high-return investments in the land, significantly increasing land productivity. Through a licensing agreement, farmers are guaranteed a fixed monthly licensing fee, a variable dividend payment based on a percentage of the company's revenue, and the opportunity to work on Cinch's farms for additional income. The Borrower currently operates in six locations in Kenya, representing approximately 304 hectares of land under cultivation and 200 landowners, reaching approximately 12,000 beneficiaries when family members of Cinch's landowners are included. DFC's loan will provide working capital for expansion of Cinch's operations in Kenya, to include recruitment of staff, purchase of inputs, and land lease negotiations. The Borrower plans to onboard 874 new smallholders and operate 1,876 hectares of additional land under this model by 2027.</p> <p>Farmers that work with Cinch can increase their income by up to a multiplier of 5.49 times. This is based on farmers obtaining \$20 per acre of annual income, a dividend based on Cinch's revenue in the prior quarter, and the option for farmers to also work for Cinch for additional income. If the landowner does not work for Cinch, they have an income multiplier on average of -around 2.49 times. Additionally, landowner incomes are insulated against the revenue performance of Cinch's planting program on their land. Cinch provides their landowners with lease payments irrespective of whether a drought or other circumstances negatively impacts yields.</p> <p>Smallholders that partner with Cinch and choose to work on the mosaic farms can receive additional income and benefits. Part-time employees have automatic performance reviews after six months, and receive full-time employment offers if good performance is demonstrated. Cinch is also intentional about its gender strategy for employment, considering the gender dynamics that exist in the agricultural sector. For example, Cinch offers a fellowship program specifically designed for women employees that covers the full cost of attendance for women to receive off-farm agronomy certifications. These certifications allow women to return to Cinch in a more senior role with a higher salary after completion. Cinch plans to add 418 full time positions by 2027, 54 percent of which are projected to be held by women.</p>
Environment and Social Assessment	The Project has been reviewed against DFC's 2020 ESPP and has been determined to be categorically eligible. The Project has been screened

	<p>as Category B because impacts are site specific and readily mitigated. Key environmental and social issues include soil conservation and nutrient management, crop residue and solid waste management, water use and management, agro-chemical use and management, occupational health and safety, management of labor and working conditions for farm workers, management of risks related to land acquisition and restrictions on land access, and the need for strong stakeholder engagement, including with leaseholders and communities near farms.</p> <p>This Project has also been reviewed against findings in the 2023 State Department Human Rights Report for Kenya, which identified the following social risks relevant to the project: child labor in agriculture, employment discrimination, including against women and LGBTQI+ persons, and ineffective enforcement of wage, hour, overtime, and OSH laws. The Project has also been screened for gender-based violence and harassment (GBVH) risks. The contextual GBVH risk level is 3 out of 4 in Kenya. Project risk factors include significant use of insecure forms of employment and concentration of women in low paying roles. The Project has labor management policies and a grievance mechanism in place to mitigate these risks.</p> <p><i>Generalized System of Preferences (GSP) or DFC Petitions:</i> Kenya is eligible for the Generalized System of Preferences (GSP) and is not currently subject to petitions challenging its GSP or DFC eligibility on worker rights grounds. Kenya has ratified seven of ten International Labor Organization (ILO) core labor conventions; it has not ratified Conventions 87 (Freedom of Association), and 155 and 187 (Occupational Health and Safety).</p> <p>DFC will require Cinch to develop a documented Stakeholder Engagement Plan (SEP) in alignment with IFC PS 1. It should address engagement with existing landowners, prospective landowners, nearby community members, and local leaders, among others, and should cover how various stakeholders will be made aware of the grievance mechanism and job opportunities.</p>
--	---