



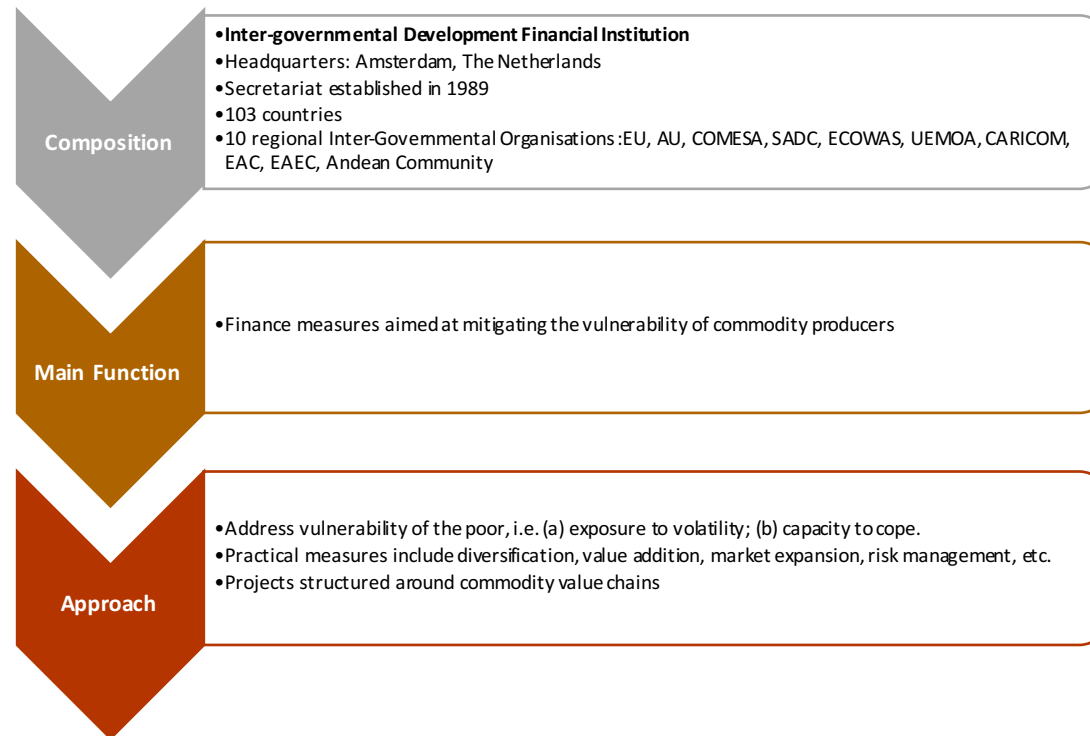
Common Fund for Commodities : Partner in Commodity Development

Realizing the potential of commodity production, processing
and trade for the benefit of the poor

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COMMON FUND FOR COMMODITIES



Common Fund for Commodities Mandate

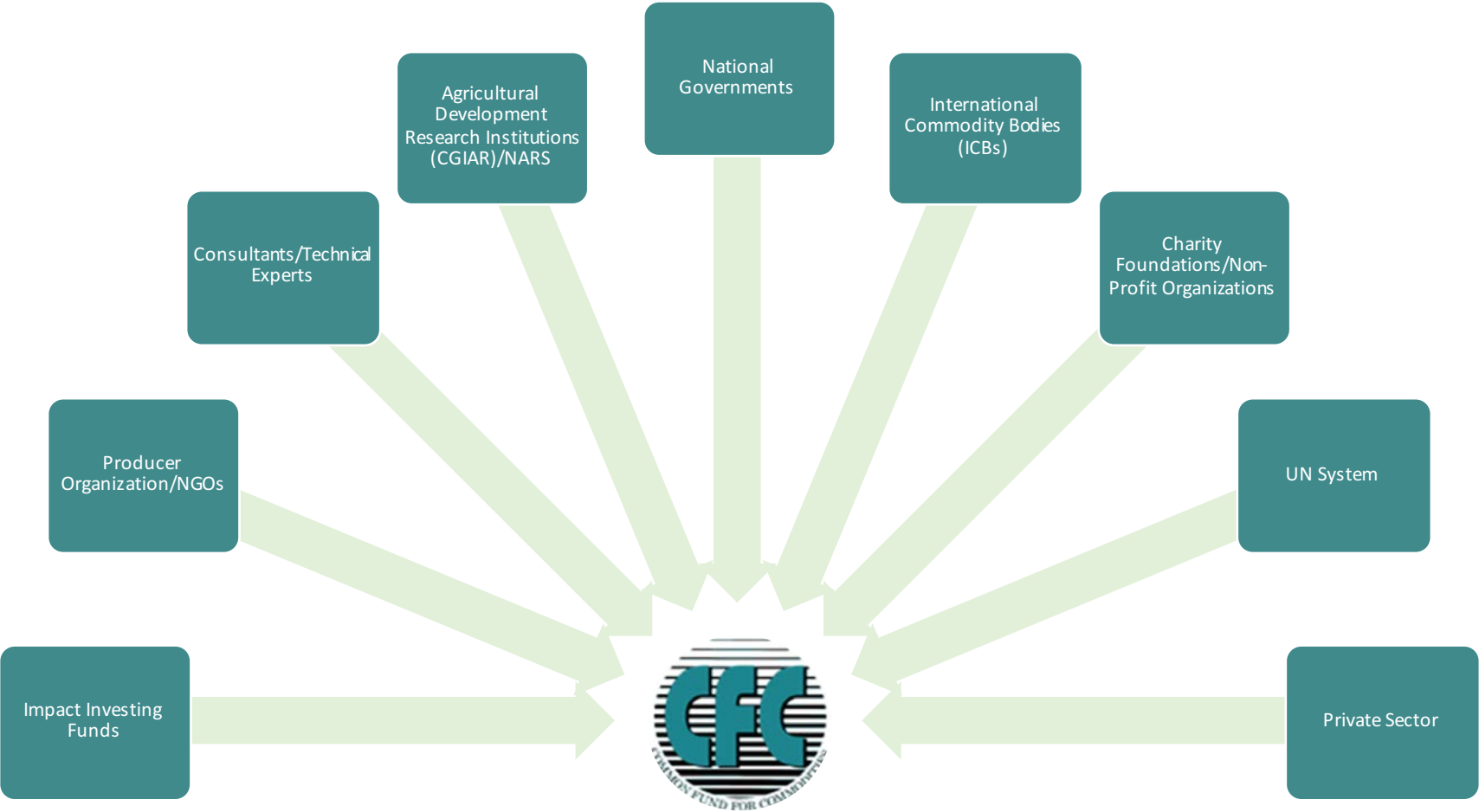
“(...) to enhance the socio-economic development of commodity producers and contribute to the development of society as a whole.”

“The CFC supported interventions cover all aspects of the value chain from production to consumption”

Core Values

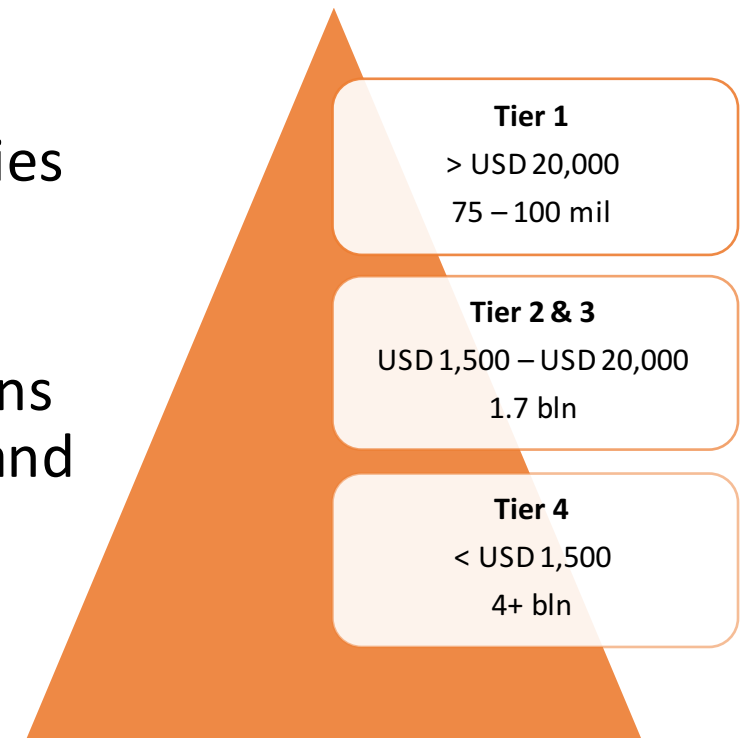
- Goal: Fair benefits from commodity production and trade to all
- CFC's competence in commodity sector:
 - Over 25 years of project experience
 - About 390 projects
 - Total cost over USD 790million, of which USD 320 million is funded by the CFC
- Create a financing mechanism for the producers within the value chain.
- Make investments and linking to local, national and international organizations.

The CFC Network



Aiming at the “Base of the Pyramid”

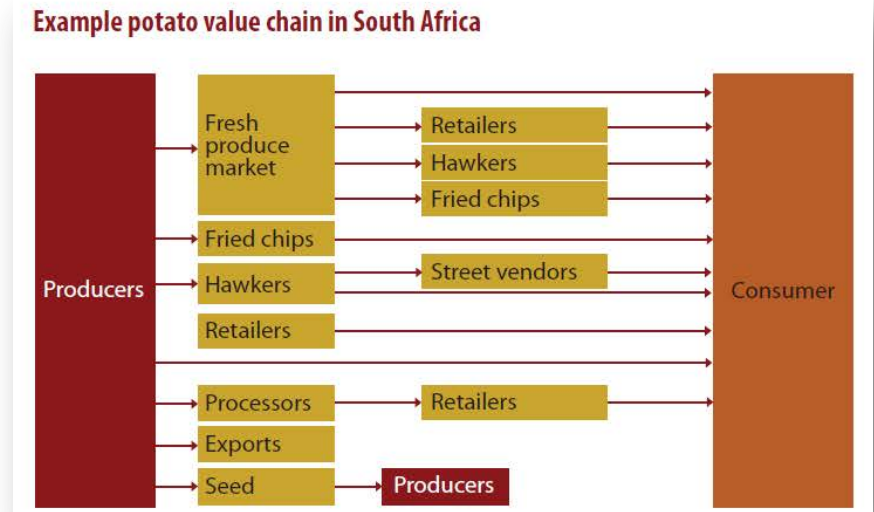
- Commodity production in Developing Countries is heavily concentrated at the bottom of the social pyramid
- Development of commodity based value chains primarily targets the incomes of the poorest and most vulnerable people



CFC Projects: Value Chain Approach

as guiding principle

- A tool to analyse sustainable economic development
- Identifying chain actors and analyse how they might be barred from entering
- Analyse distribution of rents, governance and institutional issues
- Understanding opportunities and obstacles in specific commodity value chains will lead to identification of solutions
- Value chain analysis leads to suggestions for value chain development



Success and Challenges of Commodity Finance

Areas of Success

- Well organized small scale farmer business in stable value chains (Tea, coffee, sugar, horticulture etc.)
- Increase in availability of value chain based finance
- Short term finance (working capital)

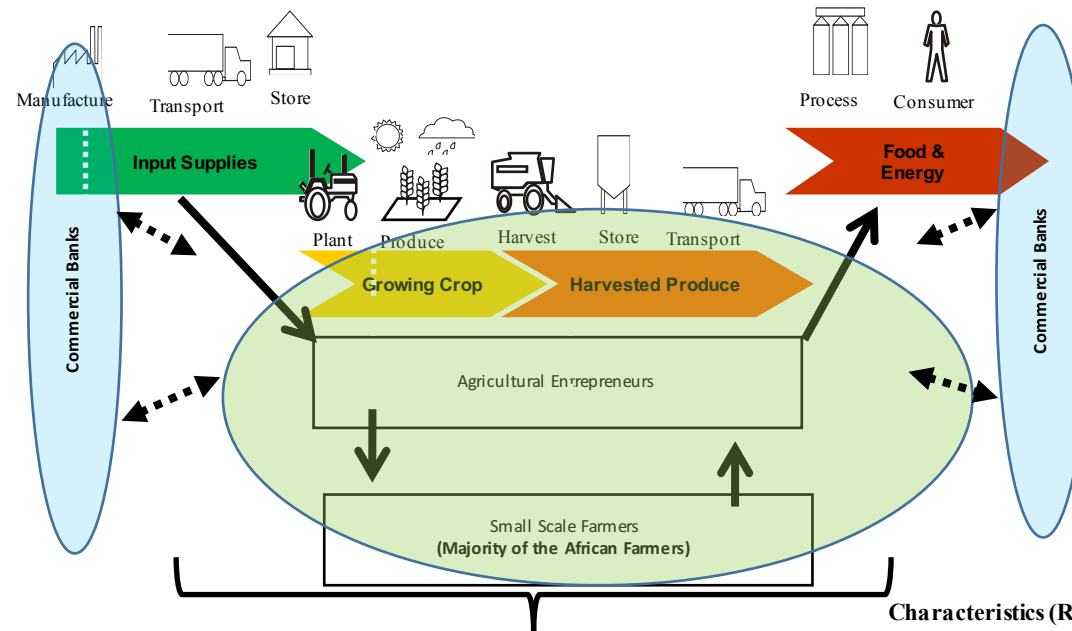
Success and Challenges of Commodity Finance

Area of Challenges

- Limited small scale / small holder finance
- Limited long term and development finance
- Poor appetite for entrepreneurs risk irrespective of scale
- Poor integration of value chains
- Some policy environments not strong enough for value chain finance.
- Value chain finance not compensating for the perceived primary agricultural risk.

Limited Access to Agricultural Finance ...

Figure 1: The Small Scale Farmers and the Agricultural Value Chains



Characteristics (Left)

- Less risk
- Access to multiple financial institutions
- Growth among actors is too slow
 - Limited repeat business (Most are new farmers)

Characteristics of the Missing Middle

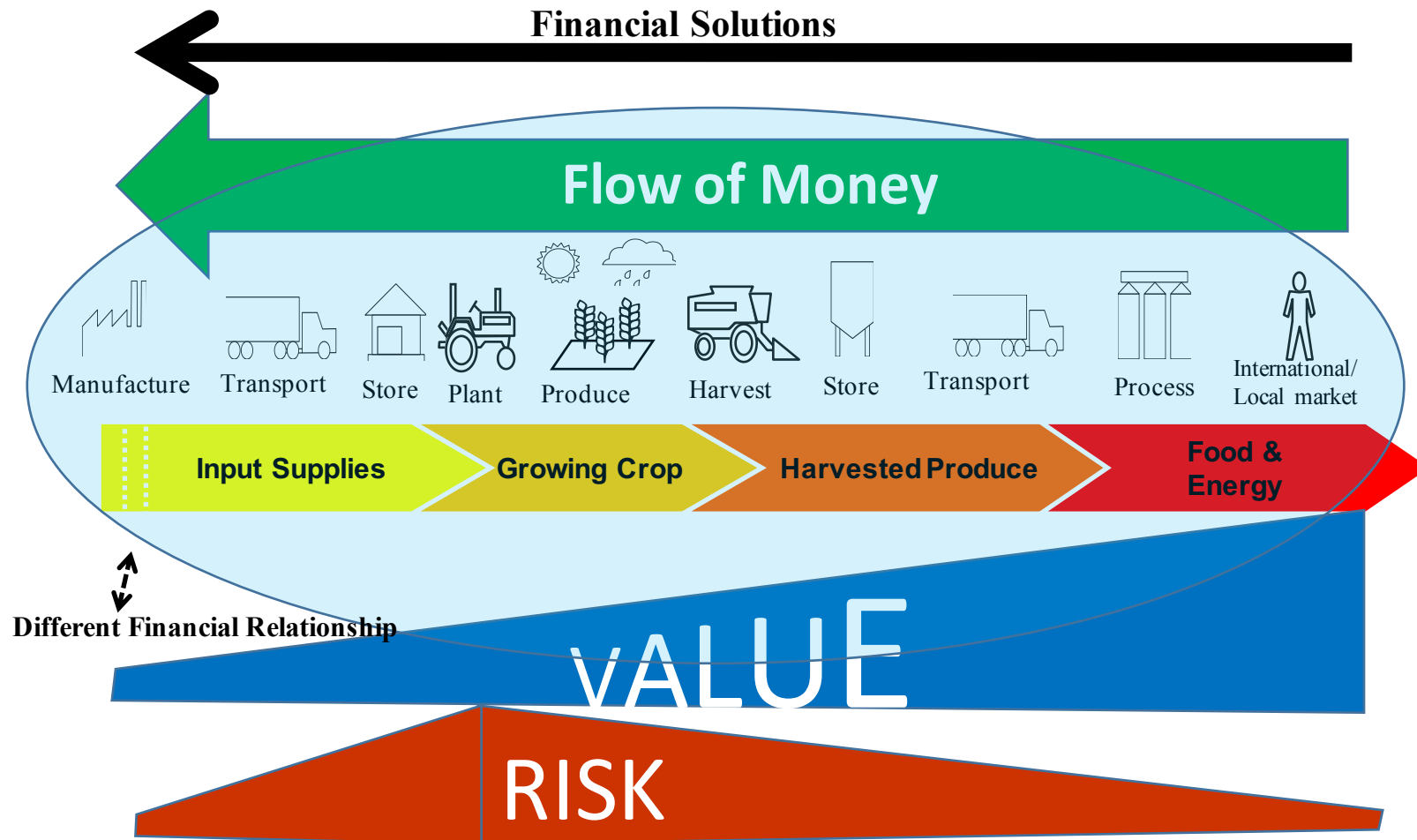
- Activities led by the NGO sector
- Individual scale very small
- Poor profitability of the smallholder farmers
- Lack of adequate security/collateral

Characteristics (Right)

- Less risk
- Access to multiple financial institutions
- Limited local supply (size of operations)
- Limited local demand (purchasing power) and scale is too small for profitable international export.

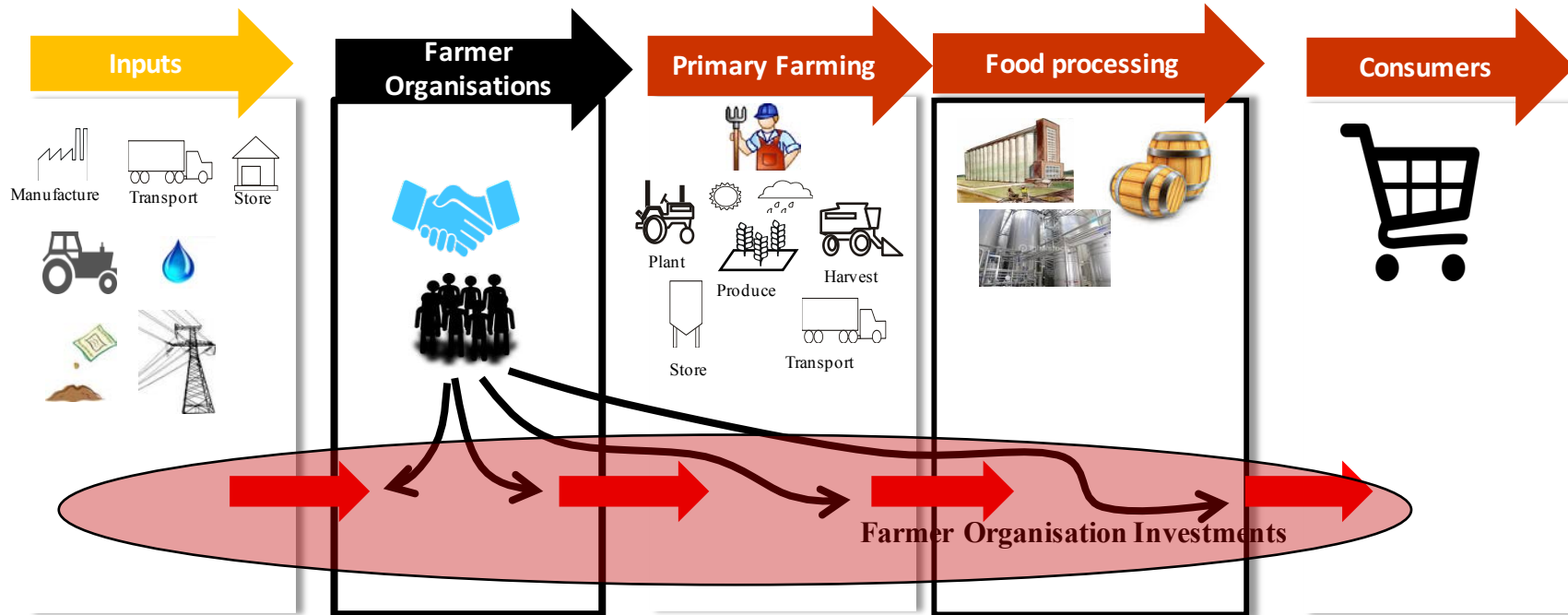
Value and Risk along the Value Chain ...

Figure 2: Perception of Risk in a Non-Integrated Value Chain



Investments to Integrate Value Chain Operations ...

Figure 5: Aggregation of Activities within the Value Chain



- Strategic investments (Interests).
- No control: Leverage private sector skills (Avoid ownership of technical skills).
- Access income across the value chain.

CFC project intervention areas

Interventions “from field to fork” along the complete value chain:

- Improving the competitiveness of commodities and enhancing the cost effectiveness of commodity production
- Expansion of processing of primary products
- Diversification
- Risk management; commodity finance

Guiding principles of operations

- Invite ideas for solutions and activities for commodity development in identified spheres
- Target projects are:
 - Innovative
 - Financially viable
 - Sustainable
 - Scalable, and
 - Expect broad social and environmental developmental impact on stakeholders of commodity value chains

Flow of Resources

- Finance will go where it is needed – Commodity sector is competing with other sectors for finance.
- Securing good quality produce from small holder farmers is not a choice but an imperative - Both ends of the value chain, i.e. producers and commodity processors, are in it for the long term.
- Service providers can move to other areas e.g. transporters, warehouses, financiers, traders, etc.

How CFC invests in commodity development

Commodity Orientation Interventions

Development Relevance/Impact

Environment Effects/Impact

Addressing Receptive Market

Financial Viability

Quality of Loan Proposal

Own Contribution

USD 300,000 – USD 1.5 mln

Several windows of financial support

- Competitive bidding for projects targeting specific commodity issues seeking CFC support
- Partnerships with other bi-lateral and multi-lateral agencies and social investors

Recycling of funds and wider use of loan financing - Larger share of financial support in the form of loans.

Who's eligible for CFC financing

CFC Partner Institutions include:

- Public and Private Institutions;
- Bilateral and Multi-Lateral Development Institutions;
- Cooperatives; Producer Organizations; SMEs; Processing and Trading Companies; and
- Local Financial Intermediaries such as MFIs.

Application Process



Information & Documentation needed

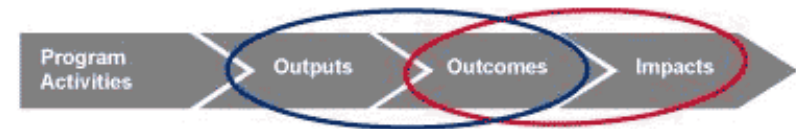
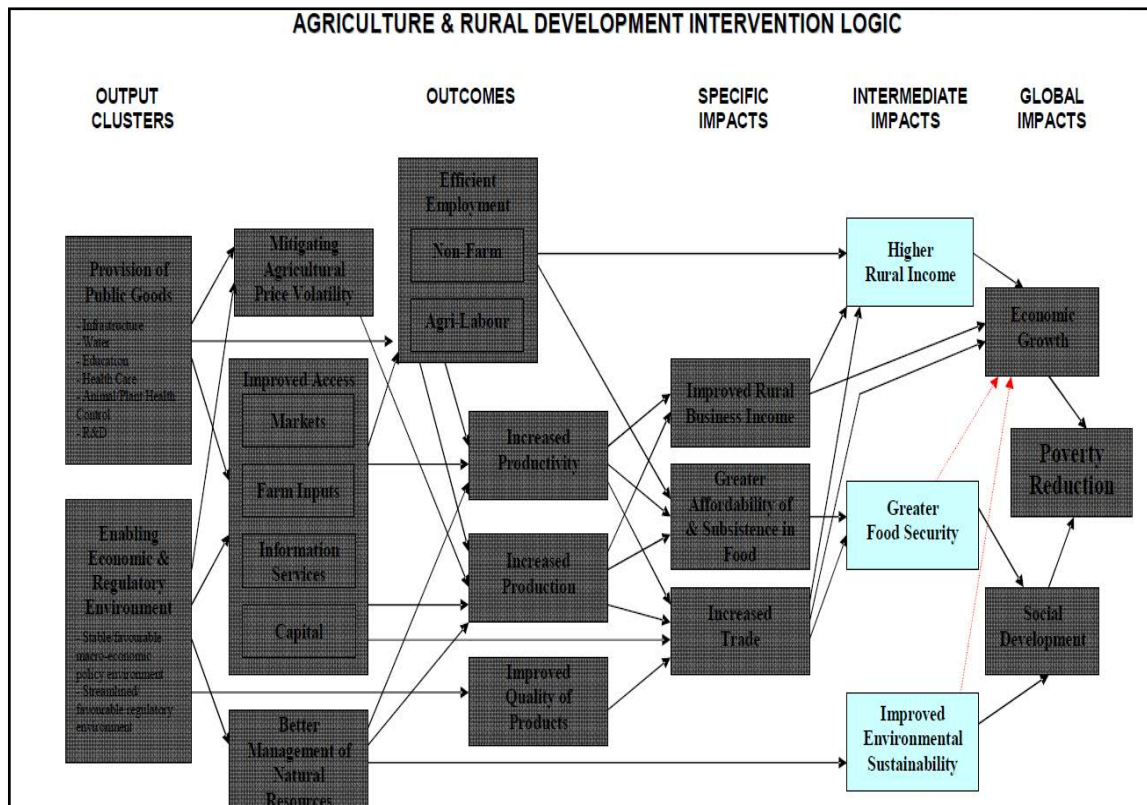
- Completed application form and a business plan (if available).
- Application needs to clearly state expected impact such as:
 - Beneficiaries and Incomes
 - Impact on the environment
- Additional development impact indicators, as applicable for the proposed activity such as:
 - Impact on value chain
 - Impact on the market system

Selection Criteria

Each project and activity shall be assessed with respect to:

- Commodity orientation
- Innovation
- Development impact
- Financial sustainability
- Management and implementation strategy
- Beneficiary focus
- Cost effectiveness
- Track record
- Scalability/replicability, and potential for growth, including replication to other areas and markets
- Environmental and social sustainability
- Quality of the proposal

How to measure impact development commodity projects?



PROGRAM MONITORING

whether we are on the right road

- Measures outputs & outcomes
- Focuses on two levels: project & firm
- Does not attempt to "attribute" outcomes to project

IMPACT ASSESSMENT

whether we have arrived at our destination

- Measures outcomes & impacts
- Focuses on three levels: household, firm, sector
- Attributes outcomes & impacts to project
- Requires comparison to counterfactual: what would have happened absence of project?

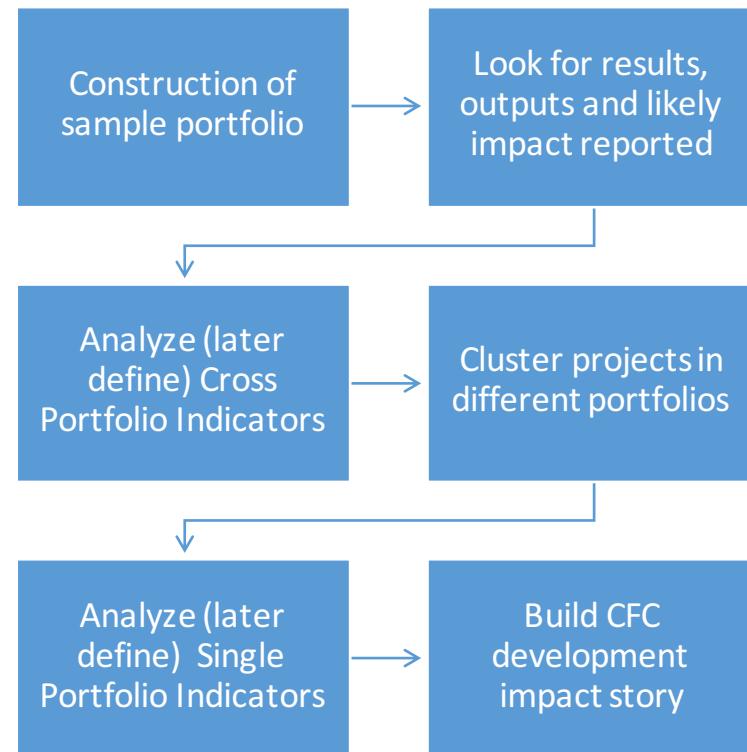
methodology

“(...) to enhance the socio-economic development of commodity producers”

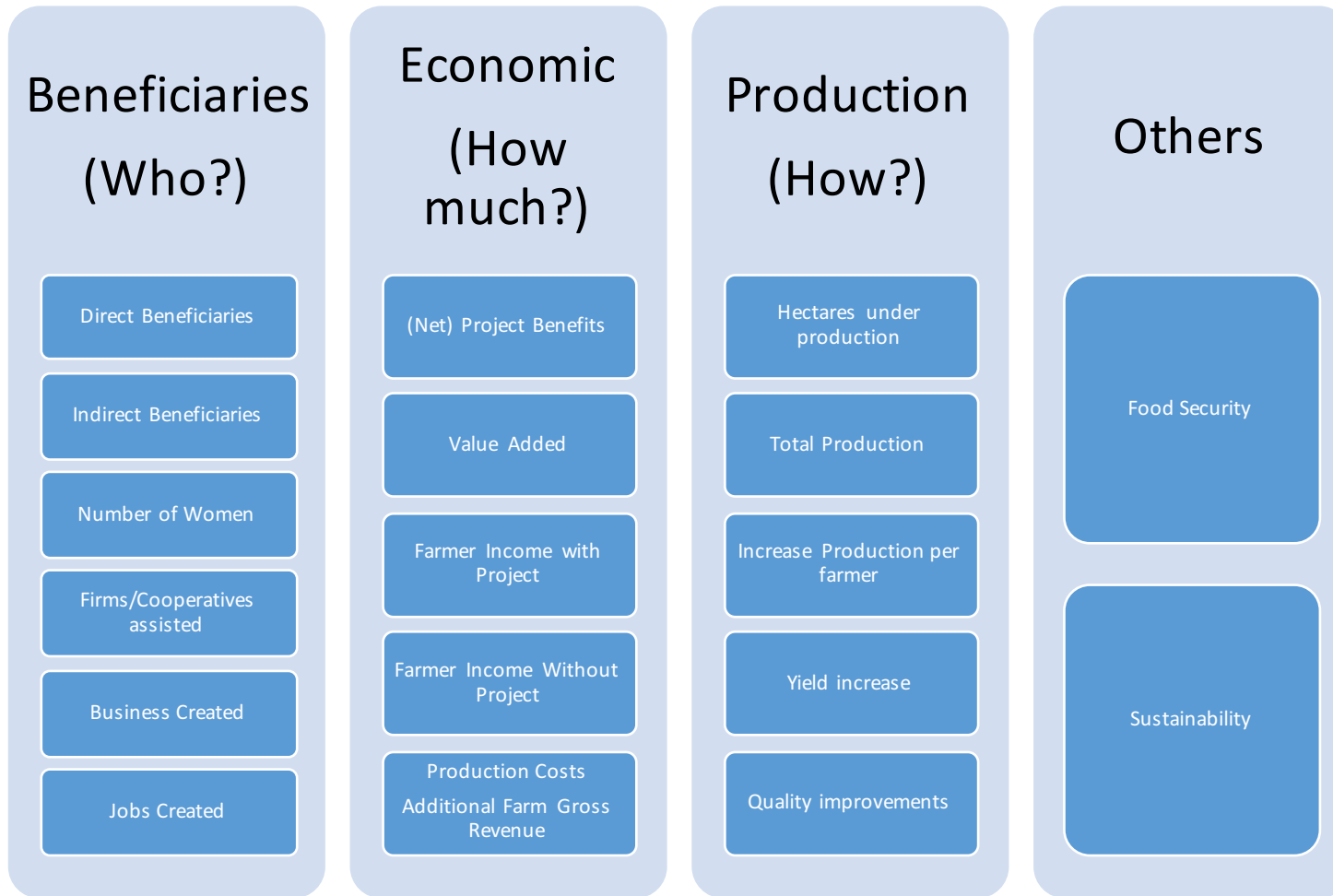
We are looking for....

- Who benefited from the intervention?
- What were the agricultural development results? (reported yield increases, hectares, farm income, off-farm income increase, production increases)
- What added value the project bring?
- What was the value chain development results?
- Etc.

Any evidence of impact that was reported!



Indicators reported



Sustainable and Secure Smallholder Systems at Scale



Revival of Robusta Coffee Chain, Madagascar



Rehabilitation of Coffee in Congo



Les paysans
sont
gagnants



Thank You



Common Fund for Commodities



INTERNATIONAL
COFFEE
ORGANIZATION