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**Sources and methods of finance for
agricultural commodities, especially in the
coffee sector**

Background

1. In accordance with paragraph (2) of Article 1 (Objectives) of the International Coffee Agreement 2001, Members shall consult on ways to achieve a reasonable balance between world supply and demand on a basis which will assure adequate supplies of coffee at fair prices to consumers and markets for coffee at remunerative prices to producers, and which will be conducive to long-term equilibrium between production and consumption.
2. With the above in mind, Activity 3 of the programme of activities of the Organization for 2009/10 (document ICC-103-11) includes provision for 'Identifying sources and methods of finance for agricultural commodities, especially in the coffee sector, to improve producers' ability to finance their coffee activities, including managing their stocks in origin countries'.
3. The attached report contains information on financing of agricultural commodities by major international development agencies and funds.

Action

The Council is requested to consider this document.

SOURCES AND METHODS OF FINANCE FOR AGRICULTURAL COMMODITIES, ESPECIALLY IN THE COFFEE SECTOR

Introduction

1. The information presented in this document covers major international development agencies and funds that provide finance for agricultural commodities, namely:

1. World Bank
2. International Finance Corporation
3. Inter-American Development Bank
4. African Development Bank
5. Asian Development Bank
6. Food and Agriculture Organization of the United Nations
7. Common Fund for Commodities
8. Organization of Petroleum Exporting Countries (OPEC) Fund for International Development
9. International Fund for Agricultural Development.

2. Subject to availability, the information provided for each institution includes: agricultural sector objectives and areas of action.

3. The texts presented below have been extracted and adapted from publicly available documentation published by the respective institutions.

1. WORLD BANK

1.1 Agricultural sector objectives

4. The Bank's approach to rural development is multi-sectoral and focused on improving the well-being of rural people by building their productive, social, and environmental assets. The Bank focuses on five key objectives:

- **Raise agricultural productivity:**
 - Support technology adoption to reduce the significant gap between yields achieved in farm trials and average national yields, and focus on improving the relevance and effectiveness of agricultural advice through improved extension services to farmers. Improve livestock off-take rates and aquaculture yields.
- **Link farmers to markets and strengthen value chains:**
 - Provide support to better link farmers to markets, improve their competitiveness, and continue with global efforts to improve trade.

- Strengthen market institutions (rules that define the risks and obligations of buyers and sellers).
- Help developing countries to improve food safety infrastructure and institutions, thus facilitating their access to developed country markets.
- Strengthen producer organizations to ensure scale in sales and purchases, and attractiveness to private trade and industry.
- Increase access to finance through continuing support to service provision, market facilitation, and the enabling environment, but also build on cell phone and other relevant technological advances to spread access.
- Continue to support agribusiness restructuring in transition economies and strengthen ongoing support to agribusiness enterprises in this period of financial crisis, particularly through the IFC.
- **Facilitate agriculture entry and exit, and rural nonfarm income:**
 - Where there is excess labour in agriculture, a lag in urban job creation, and urban congestion, a priority is to promote rural non-farm employment in secondary towns and to strengthen rural-urban linkages. Effective functioning of land markets is necessary to facilitate both entry and exit. Investments in infrastructure and skills are priorities.
- **Reduce risk and vulnerability:**
 - Support for and expansion of the Global Food Crisis Response Programmes – focusing on short-term budget support, social protection, and agricultural supply response.
 - Implementation and use of innovative insurance products to help clients transfer risk of weather and grain price shocks.
 - Surveillance and rapid response of major livestock/crop pests and disease outbreaks.
- **Enhance environmental services and sustainability:**
 - Better manage intensive livestock systems to reduce pollution and disease risk.
 - Tap into carbon markets and pilot soil carbon sequestration projects as a climate change mitigation measure.
 - Reduce natural resource depletion.
 - Improve soil and moisture conservation and invest in more drought-, heat-, salt-, and flood-tolerant crops and livestock systems to make agriculture more resilient to climate variability and change.

1.2 Areas of action

5. The World Bank is active in a variety of fields related to agriculture, including: agricultural education and training; agricultural extension; agricultural research; agricultural trade; biodiversity; climate change; commodity risk management; community based rural development; irrigation and drainage; land policy and administration; land resources management; natural resource management institutions; producer organizations; rural finance; rural private sector development; rural transport; rural water supply and sanitation; and water resources management.

1.2.1 Agricultural Risk Management Team (ARMT)

6. The World Bank Group assists clients to develop and apply more effective and sustainable strategies for managing agricultural risks through investment lending and technical assistance involving (i) physical infrastructure (e.g., irrigation and drainage facilities); (ii) technology development and transfer (e.g., improved crop varieties and animal breeds); (iii) improved management practices (e.g., integrated pest management, quality control); (iv) financial instruments (e.g., insurance, savings; inventory credit; catastrophe bonds); and /or (v) public programmes (e.g., safety nets). This work is undertaken across the World Bank's Sustainable Development Network, within several financial sector units and the International Finance Corporation.

7. Under one programme supported by the European Union and the Swiss and Dutch Governments, particular emphasis has been placed on supporting market-based risk management approaches and supporting broader applications of agronomic, weather, and price data for ex ante risk management. This programme involves technical assistance in identifying and quantifying risks in agriculture and agricultural supply chains, and advisory services and training on alternative risk management approaches and instruments. The World Bank's support for agricultural risk management is normally provided in conjunction with other development partners, including bilateral and multilateral agencies, regional technical organizations, research and training centres, non-governmental organizations (NGOs), and others.

2. INTERNATIONAL FINANCE CORPORATION (IFC)

2.1 Agricultural sector objectives

8. Agribusiness is a priority for the IFC because of its potential for broad development impact and important role in poverty reduction. The IFC's agribusiness investment portfolio at the end of fiscal year 2009 (ended 30 June 2009) reached US\$2.4 billion, representing more than 100 projects in 43 countries.

9. In fiscal year 2009, IFC's Global Agribusiness Department committed US\$713 million, for 33 projects in 20 countries and raised an additional US\$110 million in syndications. Over 50% of projects were in low income countries. IFC is also working with clients to strengthen their supply chains by helping small farmers increase productivity and apply appropriate environmental, social, and quality standards. The food price crisis is putting pressure on the global supply chain and threatening progress in poverty reduction. To help clients pre-finance inventories, seeds, fertilizers, chemicals, and fuel for farmers, IFC has offered working capital facilities. For the medium term, it will scale up financing for agribusiness and address critical constraints along the value chain. IFC aims to bring land into sustainable production, improve productivity by transferring technologies and practices,

and make the best use of water and other resources. It will also pursue investments, with both private and public sectors, in physical infrastructure (ports, warehouses, cold storage and telecommunications) that can facilitate trade and lower cost. To reach small farmers and rural enterprises, IFC will work more with trading companies and financial intermediaries, helping channel financing and advisory services effectively.

3. INTER-AMERICAN DEVELOPMENT BANK (IDB)

3.1 Agricultural sector objectives

10. Recognizing the large productive potential of the agricultural sector in Latin America and the short, medium and long-term development needs of the agro-rural population, the Bank assigns priority attention and support to efforts to accelerate development in this sector.

11. The policy of the IDB is to encourage in the borrower countries increased attention to agriculture development (including livestock) and to provide support for development of sound agricultural policies and effective national strategies, as well as sectoral planning, long-term national and regional planning, the increased flow of coordinated resources directed to agricultural development and the generation of adequate levels of savings to support the sector's capital formation. The Bank's primary concern within the sector is for the overall improvement of the food system.

12. The Bank's broad objectives in this sector, in order of priority, are:

- To assist member country efforts to increase agricultural productivity, with emphasis on food production particularly by low and middle income farmers, and to improve food distribution and marketing with a view to enhancing the stability of food supply and food security of the countries.
- To support activities that improve the socio-economic well-being of agro-rural populations, with special attention to local food supply, technology adaptation, diversification, land titling and land tenure, productive employment, increased economic participation of the lower income strata of the sector and self-sustained growth through savings generation.
- To assist efforts that increase productivity and expand agricultural and food production in areas of comparative advantage for export, both within the region and to the rest of the world, and raw materials for national industrialization.
- To support planning and promotion of rational use of land and water, to encourage conservation practices that will protect the natural resources essential to a continuous self-sustaining agricultural system and encourage appropriate protection of ecological systems.

- To stimulate and support new initiatives aimed at increasing the future role of agriculture in the production of agro-based energy resources.

13. The Bank's programme in agriculture shall be guided by a reasonable assessment of the following factors in each of the countries and sub-regions:

- The characteristics, constraints, prospects and requirements of the sector.
- The country's own plans and policies for the sector.
- The Bank's possibilities to significantly and realistically contribute to the development of the sector through financing as well as through the Bank's expertise as a development institution which facilitates the establishment of a constructive dialogue with each country aimed at improving the effectiveness of the resources allocated to the sector.

14. As a framework for its activities, the IDB will give priority attention to assisting borrower countries to make sector studies and to develop comprehensive agriculture sector strategies and programmes. In general, agricultural development should be looked at in terms of the interdependency of the various sub-sectors and the interrelationships of associated activities.

3.2 Areas of action

15. The IDB focuses on seven key areas of action, as follows:

- **Marketing and agroindustry:** Investments in marketing and agroindustrial projects are complementary and often essential to production oriented projects or programmes. Priority will be given to supporting the following activities:
 - Market development projects that complement agricultural production investment programmes and expand markets for agricultural products, with emphasis on modernizing the domestic marketing of national production.
 - Collective marketing projects that achieve economies of scale in the marketing and processing of products of small and medium-sized farms, with preference for associations or cooperatives of producers or consumers established for the common benefit of both groups with special concern for marketing of domestically produced food supply.
 - Production storage systems designed to project the quality and price stability of commodities until they are marketed, such as silos, warehouses, refrigeration facilities, etc.
 - Processing of farm products.
 - Integration of marketing systems, including physical facilities.
 - Marketing of agricultural inputs.

- **Research and extension:** Development of human capital through research, extension and education programmes aimed at improving the farmers' technical and managerial capacity. Aspects of basic education in the rural sector are to be considered in the Policy on Rural Development.
- **Credit:** Bank financing for agricultural credit is intended to promote the expansion of financial resources for the agricultural sector and strengthen the credit systems. Thus, the Bank will encourage the borrowing countries to design appropriate national policies, strategies and programmes for agricultural credit, in order that the external resources may act as a catalyst to increase the mobilization of national resources and strengthen the national institutions. Bank resources generally should be reserved for new and developing credit programmes for which there is particular justification for Bank terms and conditions.
 - Such programmes should be aimed at attracting national and external resources, both public and private, and have mechanisms for channeling private savings and attracting commercial sources to financing the agricultural sector. Bank financing of agricultural credit projects will be contingent upon increased mobilization of new national resources for such projects.
 - Credit projects for small farmers should be designed to promote their incorporation into regular institutional credit programmes. To this end, the Bank will support the organization and strengthening of intermediary institutions, both public and private, and encourage the creation of efficient programmes within the executing credit agency which enable farmers to receive and handle increasingly larger loans with less technical assistance and supervision.
 - The Bank will place special emphasis on the channeling of resources to credit programmes that promote the formation of various types of producer associations, in order to: i) extend the benefits to a larger number of farmers; ii) reduce the overhead costs of the programmes; iii) extend credit to farmers who would not otherwise be individually eligible; iv) create a community spirit and solidarity among small farmers; and v) facilitate the availability of processing and marketing services for farmers in order to improve their economic situation.
- **Irrigation and drainage:** Bank financing in this sub-sector will give priority to projects such as the following:
 - Irrigation projects aimed at making more productive use of large areas of arid or semi-arid soils or soils affected by long periods of drought.
 - Rehabilitation and improvement of irrigation and drainage systems which have deteriorated or become inadequate.
 - Multiple irrigation projects which involve the simultaneous execution of a number of medium-sized and small works.
 - Flood control and drainage projects to make productive use of flooded lands with a good potential for agriculture and to provide flood protection for populated areas and farm lands.

- Works, activities, studies and training to promote improved use of soil and water resources in irrigation areas with particular interest for improved on-farm water management.
- **Conservation and watershed protection:** With rapidly increasing pressures on the land for food, other agricultural products and energy production, special concern must be given to soil conservation, watershed protection and skilful management of ecological systems. The Bank will finance loans and technical cooperation in this area and encourage careful consideration of these aspects in the preparation and execution of agriculture projects and programmes.
- **Agro-based energy resources:** The Bank will be alert to identify, examine and promote activities having to do with agricultural production of energy resources such as crops and trees grown for fuel, utilization of farm waste, rational fire wood production and collection, etc.
- **Farmer organizations and training:** Encourage formation and support improvement of farmer cooperatives, credit unions and other participatory groupings which serve to promote and generate savings, stimulate beneficiary involvement in project planning and execution, assure more equitable distribution of benefits, and facilitate the channeling of credit, extension and marketing information and farmer training.

Basic criteria

16. In addition to the usual criteria for Bank lending, the following criteria will be taken into consideration:

- Agriculture development projects should be examined within the context of corresponding national policies, to determine if such policies allow the full execution of the respective projects and the attainment of their objectives.
- Bank financed agriculture projects should be part of or associated with integrated agricultural programmes or there should be evidence that related elements of development essential to the success of the project receive appropriate attention and make adequate progress
- The agriculture projects in which the Bank participates should have specific developmental objectives with goals such as raising the family income levels of the beneficiaries and increasing the capitalization of the units of production.
- Each project should contribute to sustaining or improving the agricultural resource base and avoid deterioration of the environmental factors on which the continuation of agriculture depends.
- With regard to the use of technology to raise income levels, the Bank's resources should be channeled primarily to projects which are likely to increase productive rural employment opportunities and to increase productivity through the use of technology that does not unnecessarily displace labour and has a high utilization of locally available materials.

- As in other sectors, agriculture development projects are to be designed to include the methodologies and the indicators for measuring progress. In addition to institutional and operational aspects, the evaluations should, as a minimum, measure specific progress, at the beneficiary level, with respect to: a) family income; b) capitalization of enterprises; c) increases in employment levels; and d) improvement of levels of production and productivity.

4. AFRICAN DEVELOPMENT BANK (AfDB)

4.1 Agricultural sector objectives

17. The overall AfDB group vision for agriculture and rural development is to strive to become the leading development finance institution in Africa, dedicated to assisting African regional member countries in their poverty reduction efforts. This vision thus focuses on the central goal of poverty reduction and, therefore, on agriculture and rural development as a prime building block, given the dominant role agriculture plays in most regional member countries, as the key employer of the people and the main contributor to gross domestic product, rural transformation, and economic growth.

18. More specifically, the Bank's vision for the agriculture and rural development sector is to assume a leading catalytic role, within the next decade, in supporting the technological, institutional and policy changes that would trigger a lasting transformation of the rural economies of regional member countries by empowering their rural populations to improve their productivity and real incomes in an equitable and environmentally sustainable manner. Hence, the thrust of the vision is client-focus, with 'people-centred development' as the principal theme.

19. The transformation of African agriculture requires a shift from the highly diversified, subsistence-oriented farming activity towards a more commercially-oriented agriculture with improved access to markets and agro-industry. It involves a greater reliance on input and output markets and increased integration of agriculture with other sectors of the domestic and international economies. It also involves a more efficient and balanced use of indigenous knowledge and 'modern' scientific knowledge.

4.2 Areas of action

20. The Bank recognizes that the challenges of the sector are enormous and numerous. The activities conducted are in line with the comparative strengths of the AfDB and the envisaged division of labour among development partners.

21. As such, over the medium term, the Bank is focusing on:

- Promoting agriculture related rural infrastructure by supporting a broad range of rural infrastructure interventions that promote and facilitate economic growth with particular emphasis on creating and supporting the enabling environment for the small and medium size farmers to produce food and cash crops in a sustainable manner. Particular attention is being given to the provision of rural roads, rural water supply, marketing infrastructure, large scale irrigation schemes, water harvesting and conveyance systems, and processing facilities.
- Agro-industry development
 - Interventions in agro industry development administered in collaboration with the private sector should be designed to create the adequate environment and enhance the emergence of locally owned agro-processing industries, capable of creating jobs and increasing incomes in rural Africa. Besides agro-industries can promote industrialization and urban employment, break the 'productivity gap' of development, reduce food costs and supply uncertainties and improve the diet.
 - In line with this situation, the Agriculture and Agro-Industry Department of the Bank has included agro-industrial development within its operational priorities and started incorporating a more market and value chain approach in the design of new operations. This is with a view to ensuring enhanced income generation and livelihood to the beneficiaries, who are largely rural farming communities. To this effect, agro-processing, reduction of post-harvest losses and market development components feature more prominently in agricultural development initiatives.
- Climate change adaptation
 - Accelerating the reduction of energy poverty and vulnerability, by increasing access of households and small economic operators to reliable and affordable energy supplies
 - Facilitating sustained high rates of economic growth, by providing operators in the productive sectors with realistically priced electric power and energy supplies
 - Contributing to world-wide energy security, by sustaining significant exports of energy resources to the rest of the world, while increasing African countries' collective self-sufficiency and strengthening regional cooperation in energy services and products
 - Promoting clean development and contributing to global emissions reduction efforts, by steadily raising energy efficiency on the supply side and encouraging a culture of energy saving on the demand side, increasing the contribution of renewable energy sources, and paying close attention to environmental and social externalities of energy production.

- Natural resources management
 - Emphasis is on improved conservation, utilization, governance and management regimes for land, water, fish and forest resources as well as conserving biodiversity. Particular focus is being given to those operations which demonstrate production of regional public goods.

5. ASIAN DEVELOPMENT BANK (ADB)

22. Globalization is changing the face of the agriculture sector. The focus is shifting from agriculture's traditional role in food security toward high-value products and non-traditional crops for export, as well as the use of crops and by-products as alternative energy sources. At the same time, there are increasing threats to agriculture due to overexploitation and depletion of natural resources, deforestation, soil erosion, and pollution. Other problems include the spread of transboundary animal diseases, barriers to accessing international markets, and the impact of climate change.

5.1 Agricultural sector objectives

- To accelerate and strengthen sub regional cooperation in agriculture
- To contribute to food security and poverty reduction in the sub region
- To facilitate cross-border trade and investment in agriculture
- To facilitate the transfer and adoption of improved agricultural technologies
- To ensure the protection of the environment and sustainable use of shared natural resources
- To ensure surveillance and control of transboundary animal diseases to mitigate social and economic impacts
- To develop human resources and competencies to address cross-border concerns

5.2 Areas of action

23. The main areas of action are:

- Facilitating cross-border agricultural trade and investment
- Promoting public-private partnerships for sharing agricultural information
- Enhancing capacity in agricultural science and technology
- Establishing emergency response mechanisms for agricultural and natural resource crises
- Strengthening institutional linkages and mechanisms for cooperation

6. FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)

6.1 Agricultural sector objectives

24. The Agriculture Department of the FAO helps countries achieve sustainable gains in agriculture to feed a growing world population, while respecting the natural environment, protecting public health and promoting social equity. The department helps farmers to diversify food production, reduce the drudgery of farming, market their products and conserve natural resources.

25. Upstream work serves the development of national agricultural and rural development investment strategies. It informs the criteria and rationale used to set the broad parameters and priorities of total investment in agriculture and rural development. It promotes increased investment in agriculture and rural development by identifying where investment can provide the greatest benefit.

26. Work is downstream when it pertains to a specific investment programme or project. The Investment Centre's purpose is to design programmes and projects that are: in accord with national investment priorities for agriculture and rural development; technically sound and the best of alternatives; attractive to intended beneficiaries; operationally and managerially workable; economically and financially viable; sustainable and environmentally sound.

6.2 Areas of action

27. The FAO focuses on the following areas of action:

- **Sector analyses:** Various kinds of studies looking at a particular area within agriculture – e.g. farming systems, support services, use of a natural resource, rural livelihoods, etc. – to understand the constraints and opportunities within the sector and how it can be strengthened by changes in public policy and investment.
- **Public expenditure reviews:** Assessing the quantity and efficacy of a country's public expenditures on agriculture and rural development.
- **Investment policy analyses:** Exploring how policies can be more conducive to greater public and private investment in agriculture and rural development, especially for small-scale farmers.
- **Contributing to Poverty Reduction Strategy Papers (PRSPs):** Specifying how to incorporate agriculture and rural development into national plans for poverty reduction.

- **Market analyses:** Studies that consider the contributions and constraints of all actors in a commodity chain to maximize performance of the whole chain.
- **Environmental policy planning and management:** Analysing the symbiotic relationship between agriculture and the environment and how sustainable management of both serves national interests.
- **Programme and project design and preparation:** All work related to translating a general concept into a specific investment programme or project that can be approved for funding by a financing partner.
- **Implementation support:** Missions at various points in the programme or project life cycle to assess progress, and provide technical support to enhance quality and effectiveness of the programme or project.
- **Environmental action plans:** Ensuring that environmental concerns influence the design of every investment project or programme.
- **Socio-economic assessment:** Understanding the link between a programme or project and its targeted beneficiaries in order to maximize positive effects and minimize risks.
- **End of Programme or Project Evaluation:** Comprehensive reporting on all aspects of the programme or project and its impact.

6.3 Project

Project title: Agricultural Marketing Project
Location: Uganda
Total project cost: US\$12.9 million
Project duration: 5 years
Project objectives: To put into place a system that can effectively and sustainably redress existing constraints so as to create an enabling environment for the marketing of agricultural outputs and related by-products locally, regionally and internationally, supporting the strengthening of the Commodity Exchange and Warehouse Receipt System.

7. COMMON FUND FOR COMMODITIES (CFC)

7.1 Agricultural sector objectives

28. The mission of the Common Fund for Commodities is to address the underlying causes of under-development of the commodity dependent countries including supply capacity problems, difficulties with effective participation in value chains, lack of diversification of their production and export base and bring about structural transformation and to enable these countries and their populations to derive maximum benefits from the opportunities afforded to them by the emerging positive international economic environment.

29. The CFC aims to finance commodity development projects within the agreed priority areas including: improving competitiveness of commodity producers; supporting sustainable operation of the commodity value chains; addressing vulnerability of export commodity producers and increasing their share in end-product value.

7.2 Areas of action

30. In line with the market-oriented approach, the CFC concentrates on commodity development projects financed from its resources. Through collaboration and co-operation with a whole range of other development institutions, the private sector and civil society organizations, CFC endeavours to achieve overall efficiency and impact in commodity development sector. More specifically, the CFC will support projects that aim to:

- Introduce price and supply risk management schemes
- Improve market structures in commodities
- Improve marketing chain
- Improve access to markets
- Expand processing and move producers up the value addition chain (including value addition and diversification of commodities)
- Improve the competitiveness of commodities
- Disseminate improved techniques to the widest possible beneficiaries
- Broaden the range of exportable commodities and their respective chains

7.3 Projects

Project title: Coffee market development and trade promotion in Eastern and Southern Africa

Location: Uganda, Tanzania and Zimbabwe

Total project cost: US\$9 million

Project objectives: The project develops and tests a coffee marketing system that responds to producer and trader needs; strengthens public and private institutions to operate the systems; and, investigates on a pilot basis a trade financing system, based on warehouse receipts as collateral with expanded participation from local banks/financing institutions and coffee processors and traders. Anticipated benefits include the availability of market information, improved access to financing and greater transparency of the coffee trade cycle. The participating countries are expected to improve their capacity for monitoring quality and certification; collation, analysis and dissemination of data on coffee production, export prices and stocks; and also to be in a better position to advise on policies and regulatory action that will enhance benefits to the coffee industry operators. The financing institutions receive training to enhance their capacity for coffee trade finance.

- Project title:** Improvement of cocoa marketing and trade in liberalising cocoa-producing countries
- Location:** Cameroon, Côte d'Ivoire and Nigeria
- Total project cost:** US\$17,009,171
- Project objectives:** The central objectives of the project are to improve the quality of cocoa and the efficiency and transparency of cocoa marketing and trade within the framework of a liberalized market. Implemented in Cameroon, Côte d'Ivoire and Nigeria, the core of the project is to develop and test a cocoa marketing system that responds to private sector needs and is based on the improved access to credit by using warehouse receipts as collateral on a pilot basis. Expanded participation of local banks and financing institutions, cocoa traders and smallholder farmers is envisaged so as to optimize the potential benefits to stakeholders from liberalization and reforms.
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- Project title:** Pilot project on coffee price-risk management in Eastern and Southern Africa
- Location:** Ethiopia, Kenya, Uganda, Tanzania and Zimbabwe
- Total project cost:** US\$2,529,142
- Project objectives:** The central objective of the project is to provide a suitable and sustainable price-risk management scheme to reduce the exposure of coffee farmers to fluctuations in world market prices and secure stable incomes from coffee-growing. The project provides access to farmers to use suitable price-risk management instruments specifically designed for their size and circumstances. The project is implemented through four main components: (a) survey of the current marketing chain in each country to identify the potential users; (b) selection of suitable risk management instruments and providers; (c) development of a training programme on the application of risk management strategies and instruments through a series of awareness-raising seminars and workshops; (d) development and testing of a system of price insurance using price-risk management instruments.
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- Project title:** Access to finance for the development of diversification crops in coffee producing areas
- Location:** Burundi and Cote d'Ivoire
- Total project cost:** US\$3,006,570
- Project objectives:** The project intends to demonstrate, on a pilot project basis, how crop diversification, if implemented with proper means and caution, brings profit both to the smallholder producers and to the financial institutions which underwrite their funding. The project is seeking to set up a credit scheme that enables targeted farmers to diversify their income

basis through the development of additional crops or activities and reduce their dependence on coffee. It will also develop existing microfinance institutions' willingness to engage in crop diversification funding, which is now almost non-existent. Specific objectives of the project include: provide credit facilities to small-scale coffee growers and to promote the growth of diversification crops in coffee growing areas.

8. OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

8.1 Agricultural sector objectives

31. The OPEC Fund for International Development pursues a mission to work with other, less privileged developing countries in a spirit of South-South cooperation and solidarity, with the aim of encouraging economic growth and alleviating poverty. In keeping with its mandate, OFID focuses its resources on projects designed to help the poorest nations and the most vulnerable members of their societies.

8.2 Areas of action

32. The OFID focuses on the following areas of action:

- **Public Sector Operations:** This is the traditional financing window of OFID and comprises loans for project and programme financing and for balance of payments support. The loans are given directly to the governments of cooperating countries to support development operations across a wide range of social and economic sectors. Typical activities financed through this window include agricultural development, the provision of basic infrastructure such as roads, energy supplies, clean water and sanitation services, and the construction of schools and hospitals.
- **Private Sector Operations:** OFID's Private Sector Facility was established in 1998 in response to growing demand among partner countries for investment in private enterprise, which is widely accepted as the engine of economic growth. A diversity of financing instruments is available, including loans, lines of credit, equity, quasi-equity and leasing. Financing may be given directly to private entities or channeled through intermediaries, such as local financial institutions. The Facility supports projects in a broad variety of sectors, from industry, telecommunications and manufacturing, to health, urban development and financial services.
- **Trade Finance Facility (TFF):** The need to create the TFF emerged through discussions with officials from partner countries who indicated that the lack of availability of trade financing, together with its high cost, present a substantial burden. For OFID, conducting trade finance operations is seen as a natural progression, complementing its range of other development products, including long- and medium-term project financing in the public and private sectors.

- **Grant Operations:** OFID's grant programme provides much-needed financing for development activities that fall outside the scope of its lending operations. These primarily include small-scale social projects, research and studies and humanitarian causes. In addition to its regular programme, the grants window encompasses three Special Accounts: for Food Aid to Africa, HIV/AIDS mitigation activities, and relief and reconstruction efforts in Palestine.
- **Support to other organizations:** Over and above its own operations, OFID indirectly assists the activities of other development institutions by contributing to their resources. These other organizations are: the International Fund for Agricultural Development, the Common Fund for Commodities and the International Monetary Fund Trust Fund.

9. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

9.1 Agricultural sector objectives

33. IFAD's goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security. IFAD aims to ensure that poor rural people have better access to, and the skills and organization they need to take advantage of: natural resources, especially secure access to land and water, and improved natural resource management and conservation practices; improved agricultural technologies and effective production services; a broad range of financial services; transparent and competitive markets for agricultural inputs and produce; opportunities for rural off-farm employment and enterprise development; local and national policy and programming processes.

34. All of IFAD's decisions on poverty reduction strategies, policy dialogue and development partners are made with these principles and objectives in mind. As reflected in the strategic framework, IFAD is committed to achieving the Millennium Development Goals, in particular the target to halve the proportion of hungry and extremely poor people by 2015.

9.2 Areas of action

35. IFAD adopts a flexible programme approach and long-term lending framework in order to enhance its ability to assist governments in pro-poor policy and institutional development and to respond to the diversity of issues facing the rural poor in different regional and local contexts. These processes require a long time frame to see changes through to their conclusion.

36. IFAD's objective and raison d'être are to fund rural development projects specifically aimed at assisting the poorest of the poor – small farmers, artisanal fishermen, rural poor women, landless workers, rural artisans, nomadic herdsman and indigenous populations – to

increase their food production, raise their incomes, improve their health, nutrition, education standards and general well-being on a sustainable basis. Nine major areas are supported: agricultural development; financial services; rural infrastructure; livestock; fisheries; capacity and institution-building; storage/food-processing/marketing; research/extension/training; and small and medium scale enterprise development.

Loans

37. IFAD provides loans to its developing member States on highly concessional, intermediate and ordinary terms for approved projects and programmes. Lending terms and conditions vary according to the borrower's per capita GNI.

Grants

38. IFAD provides grants to institutions and organizations in support of activities to strengthen the technical and institutional capacities linked to agricultural and rural development. Grants are limited to 10% of the combined loan and grant programme.

Rural finance

39. In building inclusive financial systems, IFAD applies six guiding principles in its rural finance interventions: (i) support access to a variety of financial services; (ii) promote a wide range of financial institutions, models and delivery channels; (iii) support demand-driven and innovative approaches; (iv) encourage – in collaboration with private-sector partners – market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources; (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and (vi) participate in policy dialogues that promote an enabling environment for rural finance.

9.3 Project

Project title:	Empowering farmers in Tanzania through the warehouse receipt system
Location:	Tanzania
Project objectives:	(i) developing agricultural marketing policy; (ii) empowering small producers by building their entrepreneurial and organizational capacity and improving their links to markets; (iii) providing marketing-related financial services so that small farmers can secure loans to cover the period between harvest and sale; (iv) developing rural marketing infrastructure, including storage facilities, marketplaces and roads.

WEBSITES

The texts presented in this document have been extracted and adapted from the following websites:

World Bank: <http://www.worldbank.org>

International Finance Corporation: www.ifc.org/

Inter-American Development Bank: <http://www.iadb.org/>

African Development Bank: <http://www.afdb.org/>

Asian Development Bank: www.adb.org/

Food and Agriculture Organization of the United Nations: www.fao.org/

Common Fund for Commodities: www.common-fund.org

OPEC Fund for International Development: <http://www.ofid.org/>

International Fund for Agricultural Development: www.ifad.org