The Common Fund for Commodities

How to effectively structure a project in order to obtain financing
International Organization

I. Intro of the Fund

- Established under the auspices of the United Nations
- Headquarters: Amsterdam, The Netherlands
- Secretariat established in 1989
- 102 member countries
- Institutional Members - EU, AU, COMESA, SADC, ECOWAS, UEMOA, CARICOM, EAC, EAEC, Andean Community

II. Finance Mechanisms

III. Practical Steps

IV. Ongoing Coffee Projects

V. Contact
The CFC Network

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Core Values

• Goal: fair benefits from commodity production and trade to all
• Address vulnerability of poor participants of (agricultural) commodity value chains, i.e. (a) exposure to volatility, and (b) capacity to cope.
• Technical competence in commodity sector:
  • 25 years of project experience
  • About 390 projects
  • Total cost over USD 785 million, of which USD 315 million is CFC funding
  • 40 Coffee Projects with a total cost of USD 109.1 million of which USD 53.5 million is CFC funding
Aiming at the “Base of the Pyramid”

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• 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

Tier 1
> USD 20,000
75 – 100 mil

Tier 2 & 3
USD 1,500 – USD 20,000
1.7 bln

Tier 4
< USD 1,500
4+ bln
A value chain approach

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• A tool to analyse sustainable economic development
• Identifying chain actors
• Understanding opportunities and obstacles in specific commodity value chains that will lead to identification of solutions
• Value chain analysis leads to suggestions for value chain development
CFC project intervention areas

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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
  • Commercially viable
  • Sustainable
  • Scalable, and
  • Expect broad developmental impact on stakeholders of commodity value chains
Several windows of financial support

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• Competitive bidding for projects targeting specific commodity issues seeking CFC support

• Partnerships with other bi-lateral and multi-lateral agencies and social investors

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

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Financing instruments and modalities

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Term loans
- Between USD 300,000 and USD 1,500,000;
- Term up to 7 years;
- Interest rate depending on CFC risk assessment

(Minority) participation in the capital of SME investment funds
- Between USD 300,000 and USD 1,500,000;
- Clear exit/divestment strategy;
Financing instruments and modalities (cont.)

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The Fast Track Projects

• Between USD 50,000 and USD 120,000

• Financing Instruments: flexible depending on project needs and CFC’s assessment

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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

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- Open Call for Proposals and development of the Project Profile
- ICB review (Optional)
- CFC Secretariat review (& Preliminary Comments to ICBs if applicable)
- CFC Consultative Committee
- CFC Executive Board

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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
Upcoming Call for Proposals

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• Amended call for proposals
• Available on the CFC website as of the beginning of March 2015
• Deadline for submission of applications: 30\textsuperscript{th} April 2015
• Screening of proposals: May 2015
Sustainable and Secure Smallholder Systems at Scale

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Revival of Robusta Coffee Chain, Madagascar

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International Coffee Organization
Rehabilitation of Coffee in Congo

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CFC provides expertise as Partner in Impact Investment Funds

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Flow of Resources

• Finance will go where it is needed - Coffee 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 coffee processors, are in it for the long term.

• Service providers can move to other areas e.g. transporters, warehouses, financiers, traders, etc.
Contacts

I. Intro of the Fund

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