



## **The Common Fund for Commodities and The International Coffee Organization**

### **Partners in Coffee Development**

#### **COMMON FUND FOR COMMODITIES**



- Inter-governmental development financial institution  
Members : 105 countries and 10 regional Inter-Governmental Organisations
- Main Functions – financing measures aimed at mitigating the vulnerability of commodity producers
- Approach – address vulnerability of the poor, i.e. (a) exposure to volatility, and (b) capacity to cope. Practical measures include diversification, value addition, market expansion, risk management etc.
- Projects structured around global commodity value chains, instead of “traditional” IFI country focus
- A shared financing facility of ICBs

### **Distinctive features of the CFC's activities**

- it has an exclusive focus on commodities;
- its projects are:
  - mainly Aid for Trade (Aft);
  - identified and implemented without formal governmental involvement,
  - are proposed, prioritised, formulated and supervised by an ICB,
  - normally involve co-financing and / or counterpart contribution (in cash and/or kind) by any entity with a direct interest in the project (*inter alia* to foster 'ownership' and 'sustainability');

### **Distinctive features of the CFC's activities**

- it aims systematically to cover *all* commodities that are of importance to least developed countries (LDCs) and to poorer groups within other developing countries.

## Relationship with International Commodity Bodies

- CFC works in close collaboration with 25 designated International Commodity Bodies (ICBs)
- ICBs are inter-governmental agencies comprising producing and & consuming countries
- Collaboration ensures balanced approach in the interest of producers and consumers of the commodity concerned
- ICBs provide technical supervision of projects
- ICB for coffee is the International Coffee Organisation (ICO)

## CFC: Project Facts



- Financed 320 projects
- Total cost ~USD 593 million, of which CFC funding of USD 302 million
- Coffee– 34 Projects, USD 102.1 million of which USD 54.9 million from CFC
- The CFC Secretariat in collaboration with ICBs carries out
  - Identification
  - Screening
  - Formulation
  - Appraisal of projects, and
  - Assembling a coalition of co-financiers

## CFC Projects: Typical Features

- Small pilot projects: probing for effective way to reduce vulnerability, test a large number of approaches, and mobilise resources to scale up what works
- Endorsed by International Commodity Bodies e.g. International Coffee Organisation
- Project Executing Agency – International organisation, Government, NGOs, etc.
- Financing: (1) CFC Funds, and(2) at least 50% of the project cost as Co-financing / counterpart contribution
- Both loans and grants possible; depends on project needs

## Feasible Areas of Interventions

- Improving the competitiveness of commodities and enhancing the cost effectiveness of commodity production;
- Expansion of processing of primary products with a view to assisting in moving up the value addition chain;
- Diversification: horizontal, vertical and geographical diversification of production with a view to increasing the export earnings of developing countries and/or reducing the dependency on a few commodities;

## Feasible Areas of Interventions

- Commodity-chain development to increase income; improving access to markets; support for transparent and competitive markets;
- Access to improved agricultural technologies; imparting innovative technologies, good agricultural and manufacturing practices (GAPs, GMPs);
- Introduction of measures to minimize the physical marketing and trading risks; risk management; commodity finance.

## Future Role and Mandate - Revisited

- the changed context since its establishment,
- a gap in its administrative cost coverage due to falling revenues from the First Account resources,
- lack of financial resources to sustain project financing functions beyond 2013 in a sustainable manner, and
- a need to align the capacity of the organization to make it financially sustainable.

### **Future Role and Mandate of the CFC and its Long-term Financial Sustainability**

- The Governing Bodies of the Fund are discussing the future role and mandate of the Common Fund for Commodities (CFC) and its long-term financial sustainability since 2009
- It is expected that decision would be taken by Member States in December 2012.

### **Options being considered**



- A : The reform of the CFC including possible amendments, or eventual re-negotiation of the Agreement.
- B : Transformation of the CFC into a Trust Fund
- C : Transformation of the CFC into a project management and fundraising
- D : Reaching a collaboration agreement with an international organization

## Assumptions of Proposals

- No additional financial contributions, beyond those already committed as voluntary contributions from Member Countries within the framework of CFC, may be expected.
- The capital the CFC should be preserved.
- Resources for future projects to be raised from other sources, e.g. international financial institutions, private sector, foundations etc.

### **AGREED CONCLUSIONS OF THE WORKING GROUP OF THE EXECUTIVE BOARD AFTER CONSIDERING DIFFERENT OPTIONS**

#### **THE PRINCIPLES OF AGREEMENT**

- Build upon the identity and expertise of the CFC
- The necessity to improve its governance, efficiency, accountability and effectiveness.
- Pursue reform based on elements contained in Options A and C and to further elaborate on Option D in order to properly examine it.

**AGREED CONCLUSIONS OF THE WORKING GROUP OF THE  
EXECUTIVE BOARD AFTER CONSIDERING DIFFERENT OPTIONS**

**THE RATIONALE FOR REFORM**

- The Working Group agreed that Members shall reform the CFC to face its current challenges
- The reform should lead to an effective, efficient, transparent and visible CFC, within the limits of approved budget.
- The CFC should deliver high impact results through its commodity based interventions.

**AGREED CONCLUSIONS OF THE WORKING GROUP OF THE  
EXECUTIVE BOARD AFTER CONSIDERING DIFFERENT OPTIONS**

The reform should be guided, *inter alia*, by:

- (i) preservation of identity and expertise of the CFC,
- (ii) streamlining of the working of the CFC including its governing structure,
- (iii) focussed mandate to deliver high impact results,
- (iv) increasing effectiveness and efficiency,
- (v) enhancing transparency and accountability,
- (vi) a strategy for strengthening the financial base for future project operations, including fundraising, and
- (vii) further elaboration of Option D in order to properly examine it.



### **IMPLEMENTATION PLAN FOR REFORM: REFORM COMMITTEE**

- Member led. Establishment of an open-ended Committee of Member States to elaborate the details of reform and recommend time table for its implementation.
- The proposed Committee would make an interim report at the Executive Board in April 2012 and its final recommendations as soon as possible but not later than the 1<sup>st</sup> of July 2012 in order to submit them for action to the Governing Council in 2012.

### **CONSEQUENCES OF DIFFERENT OPTIONS**

- Continuation of financial support for commodity development measures
- Commodity Focus
- Relationship with ICBs
- Financial Resources
- Knowledge sharing and dissemination of project results
- Advocacy of commodity issues
- Ongoing projects and projects in pipeline

## CFC AT CROSSROADS

- Reformed CFC to better fulfill its Mandate
- Further need for continued support to commodities to realise their full potential for economic development of CDDCs
- Internal policy coherence with respect to commodities so that a unified position is presented both at the meeting of ICBs where projects for support of CFC are endorsed and recommended and in the Governing bodies of the CFC where such financing is approved and commitments made for furthering international cooperation in commodity development.

## ADDITIONAL INFORMATION ON CFC



Please visit our website

**[www.common-fund.org](http://www.common-fund.org)**