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
Distinctive features of the CFC’s activities

- it has an exclusive focus on commodities and aims to cover all commodities that are of importance to least developed countries (LDCs) and to poorer groups within other developing countries;
- 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’);

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 over 320 projects
- Total cost ~USD 594 million, of which CFC funding of USD 302 million
- Coffee—35 Projects, USD 103.7 million of which USD 56.3 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

• Committee established to make recommendations on reforms of CFC has submitted its report.
• Main recommendations: The reform of the CFC including re-negotiation of the Agreement.
• Build upon the identity and expertise of the CFC
• Improve its governance, efficiency, accountability and effectiveness.
Future Role and Mandate of the CFC and its Long-term Financial Sustainability

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- **Legal Entity**: Maintain separate identity of the CFC to preserve its core competencies

Vision and Mission

- **Vision**: Contribute to sustainable development as well as social and economic growth, access to food and international and regional markets for Developing Countries through sustainable value addition to commodities and related value chains in a transparent manner.
- **Mission**: Be a leading partner in operationalized activities for commodities in Developing Countries, e.g.
- Be an expert organization in operationalizing innovation, including alternative uses and new approaches in sustainable value chain activities. Supporting diversification, value addition in the chain and marketing and enhancing competitive position of marginalized actors in the value chain.
- Create partnerships in order to realize synergies through cooperation and implementation of commercially viable activities. Create attractive win – win and sustainable environment friendly investments by local-, regional- and international organisations, investors etc. from the private- and/or public sector in recipient and trading countries. In doing so, mobilise/use expertise, including of ICB’s, the UN, other international organizations and new partners.
Mission (contd)

- Promote Sustainable growth and work with organizations with a track record in Corporate Social Responsibility and with a focus on decent work requirements
- Provide a central pivot for consultation and information for investors, traders, research institutes, corporations, governments etc. on results of activities and opportunities for large scale introduction of new and innovative approaches.
- Act coherently with global development initiatives i.e.
  - increase worldwide food production up to 70% by 2050 in a sustainable and environment friendly way.”

Operations

- The CFC shall engage more directly in project design.
- Impact, dissemination, replication and scaling up shall be the guiding principle in selection of projects.
- One year time limit from identification to approval of project is prescribed.
- The baseline data should be collected to demonstrate the effectiveness and impact of the CFC interventions.
Guiding Principles of Operations

• Upon request or with active consultations formulate and execute programs in the commodity sector for governments, investors, NGO’s;
• Invite calls for ideas for solutions and activities for commodity development in identified spheres;
• Finance with governments, international organization and new partners through risk taking grants, loans which will generate return on investment;
• Provide for each program return on social and economic investment prognoses;

Guiding Principles of Operations

• Provide for each program return on social and economic investment prognoses;
• Involve private sector representatives, (NGO’s and knowledge institutes) as advisors on strategy, operational capacity, disseminators of results and ambassadors for the organization (private sector platform);
• Take advantage of lessons learned and skills in order to replicate the successful interventions; and
• Operate as a paid service provider for the private sector, NGO’s, etc.
Guiding Principles of Operations

- Recycling of funds and wider use of loan financing: Larger share of financial support in form of loans, returnable grants, equity, quasi equity, and guarantees. Grants portfolio not to exceed 20% of the annual CFC support for projects.

- Eligibility of institutions for submission of projects and speeding up project approval process: Submission of project proposals by institutions other than ICBs to be encouraged as this would expand the scope and outreach of possible commodity based interventions. The Secretariat should solicit proposals from interested parties through open bidding.

Advocacy and communication

- The advocacy and communications functions of the CFC should be aligned with the focus on dissemination of project outputs and web based knowledge management.

- The communication functions of the CFC should be reviewed to integrate it with emphasis on dissemination of project outputs and knowledge management.
CFC IN TRANSITION AND AT CROSSROADS

CFC needs Partners, Friends and Champions to continue to fulfil its Role and Mandate

Thank You