

# CALL FOR PROPOSALS

## FUNDING INNOVATION

### COMMON FUND FOR COMMODITIES (CFC) SEEKS APPLICATIONS FOR SUPPORT OF COMMODITY DEVELOPMENT

#### Application Process

1. The CFC is seeking applications for support of commodity development activities in its member countries. Interested organisations are requested to submit their applications in the prescribed format. The application form may be downloaded, completed and sent to us by email at [clt@common-fund.org](mailto:clt@common-fund.org) or by mail addressed to Managing Director, Common Fund for Commodities, P.O. Box 74656, 1070 BR Amsterdam, The Netherlands.

#### Timelines

2. The applications received will be subjected to a two stage approval process. The timeline for receipt of application for is **7 December 2012**. Any applications received after this date will not be accepted.

3. Applications meeting pre-determined criteria will be placed for consideration of the technical committee of the CFC i.e. Consultative Committee (CC). The CC will decide and prioritise the applications that will progress to the second stage and be recommended for approval. Proposals recommended by CC will move to Stage II. Successful applicants will be notified no later than 5 February 2013. They will be required to submit a detailed proposal, in the formats provided by CFC, for the proposed intervention together with accompanying documentation by 5 March 2013 for consideration of the Executive Board of the CFC.

#### CFC's Approach

4. The CFC's aim is to realize the potential of commodity production, processing, manufacturing, and trade for the benefit of the poor. The CFC supports implementation of interventions that:

- (i) are innovative and target new opportunities in commodity markets leading to commodity based growth, employment generation, increase in household incomes, reduction in poverty, and enhancement of food security.,
- (ii) are scalable, commercially viable<sup>1</sup> and financially sustainable<sup>2</sup>,
- (iii) have a measurable positive socio-economic impact on the stakeholders in commodity value chains,
- (iv) develop stronger connections with existing markets or create new markets along the value chain,
- (v) increase financial services to commodity producers and commodity based businesses; and
- (vi) enhance knowledge generation and information dissemination.

#### Objectives of CFC's projects

5. The objectives of the CFC supported interventions are:

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<sup>1</sup> A commercially viable intervention consistently generates sufficient revenues to cover the costs. Grants or donations, even those provided on a recurring basis, do not qualify as commercial revenue.

<sup>2</sup> Financial sustainability is demonstrated by obtaining commercial financing (equity or debt) and being current on all repayments.

- (i) Social: Create employment particularly for youth and women, increase household incomes, reduce poverty, and enhance food security.
- (ii) Economic: Enhance production and productivity, achieve higher local value addition; improve competitiveness of producers, producer organisations and small and medium sized industries; support the financial sector development.
- (iii) Building partnerships: Build effective and cost efficient collaboration between producers, industry, governments, civil society organisations and other stakeholders for commodity based development.

### **Type of Projects**

6. The CFC supports all innovative commodity based interventions along the entire commodity value chain which extend across local, national, regional and international markets. The proposed intervention should have a positive impact on stakeholders in the commodity value chains i.e. generate employment, increase incomes, reduce costs, and/or improve productivity. The CFC favours interventions that promise commercial viability and financial sustainability and provide evidence that the organisations involved have the necessary technical, managerial and financial capacity to execute the intervention and reach the targeted goals in stipulated time.

7. The CFC targets the “missing middle” both in technology and knowledge transfer and in financing modalities i.e. provide linkages for technology transfer and technical information and fill the gap of absence of finance and risk capital.

### **Areas of Support**

8. The CFC targets its support at each link in the commodity value chain i.e. increasing production and productivity, enhancing value addition, increasing access to markets and reducing risks by financing innovative measures and actions. Specifically targeted areas are:

- Production, productivity and quality improvements
- Processing and value addition
- Product differentiation
- Diversification
- Marketing
- Technology transfer and up gradation
- Introduction of measures to minimise the physical marketing and trading risks
- Facilitation of trade finance
- Risk Management

### **Partner Institutions**

9. The CFC supports organisations and enterprises engaged in commodity value chains. Through financial support, the CFC seeks to promote innovation to encourage established organisations and enterprises to extend their core activities in ways that create additional opportunities for commodities and the stakeholders in the commodity value chains.

10. The CFC partner organisations can be bilateral and multi-lateral development institutions, cooperatives, producer organisations, small and medium enterprises, processing and trading companies, and local financial institutions that:

- operate in commodity value chains or provide financial services to small business operators, SMEs, cooperatives, producer organisations,
- have a clear plan focusing on developing and/or diversifying their production / services,

- have the ability to invest in the value chain to reduce transaction costs or increase revenues of producers / processors/ storage / marketing,
- have a clear plan to expand their markets at local, national, regional and international level, and
- have the technical, managerial and financial capacity to effectively and efficiently implement the intervention.

### **Financing Instruments**

11. The CFC finance will be mainly in form of loans, equity, quasi equity, lines of credit and guarantees. Limited amount of grants are provided, where necessary, to support specific new activities or support the loan based projects and are directed towards complimentary activities such as capacity building, technical assistance etc.

### **Outlays**

12. The financial support for any individual intervention can be in the range of USD 60,000 to 1,500,000 mainly targeted to for-profit organisations and social enterprises operating in commodity sector. The CFC funding will be 7 years (2 years for disbursement of CFC funds and a further 5 years for repayment of debt/loans/ repayable grants etc.). The duration of equity investments can be tailored to the specific needs of the project.

### **Expected Impact**

13. Specific Development Impact Indicators for individual engagement

(i) *Beneficiaries and Incomes:*

- Number of low income people that will benefit as a result of the intervention;
- Benefit per person in additional cash income or savings, by the end of the proposed intervention compared to ex ante, if the intervention would not have been implemented.

(ii) *Impact on value chain:*

- New relationships/links between different actors in the value chain created;
- How many small businesses in existing supply chain affected and what benefits have they received;
- Extent and impact of replication of intervention elsewhere and by others.

(iii) *Impact on the market system*

- Wider availability of market information.
- Improvements in physical infrastructure.
- Increase in services (including access to finance) - either from the private or public sector
- Development of skills - technical, business or management competencies

### **Selection Criteria**

14. The CFC has limited resources and hence each application will be assessed to determine its impact and effectiveness. The quality of the proposal and not the financial outlay is the overall guiding principle for assessment of suitability of the intervention for support from the CFC. The intervention should accelerate growth, increase employment, enhance livelihood opportunities and income and reduce poverty. The main criteria for selection is quality, potential impact, beneficiary focus, replicability, sustainability, cost effectiveness, manageability and dissemination. The objectives must be achievable within a specified period of time.

15. Specifically each intervention shall be assessed with respect to:

- Innovation

- Commercial viability
- Financial sustainability
- Development impact
- Scalability and potential for growth, including replication to other areas and markets
- Environmental and social sustainability

16. The CFC will select the best applications based upon the proposed intervention that contributes the most towards the CFC's aims and objectives.

#### **Contribution by the Applicant Organisation**

17. The applicant organization must provide matching funds from their own resources (and those of their partners or third parties, e.g. bank loans) **at least equal to, or greater than, 50% of the total cost of the project**. The matching funds provided by the organisation should be auditable and at least half must be in cash; the remaining can be measurable and verifiable in-kind contributions. In kind contributions may include staff salaries, equipment, vehicles and other items that are already owned by the organisation and specifically dedicated for the proposed intervention.

#### **Approval Procedure**

##### Stage I: Initial Application

18. A submission of a proposal is required in which the intervention and the organization is described. The proposal should contain information a) on the economic viability, b) on the potential development impact and of the proposed intervention, and c) the role of the CFC in achieving the objectives of the proposal. The initial application will be assessed internally by the CFC Secretariat for their completeness and for meeting the basic criteria prescribed for such applications. The applications meeting the criteria will be subjected to a detailed approval process commencing with an evaluation by the CC.

##### Stage II: Detailed proposal

19. This stage requires preparation and submission of a detailed proposal by the selected organisation. During this stage CFC may engage with the organisation and assist in preparing the detailed proposal which may include visits to the proponents and intervention sites. Engagement of the CFC in the process does not guarantee funding by the CFC of the proposal but is to improve the quality and alignment of the proposal. The final proposals will be submitted to the Executive Board for a decision.

#### **Evaluation**

20. A suitable monitoring and evaluation system to assess the impact of CFC supported intervention shall be integral part of CFC financing. The baseline data for each intervention is to be collected to demonstrate the effectiveness and impact of the interventions. At the completion of the intervention an assessment of the outputs and development impact shall be made.