

The Common Fund for Commodities

How to effectively structure a project in order to obtain financing



Common Fund for Commodities



INTERNATIONAL
COFFEE
ORGANIZATION

International Organization

I. Intro of the Fund

II. Finance Mechanisms

III. Practical Steps

IV. Ongoing Coffee Projects

V. Contact

- 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



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The CFC Network

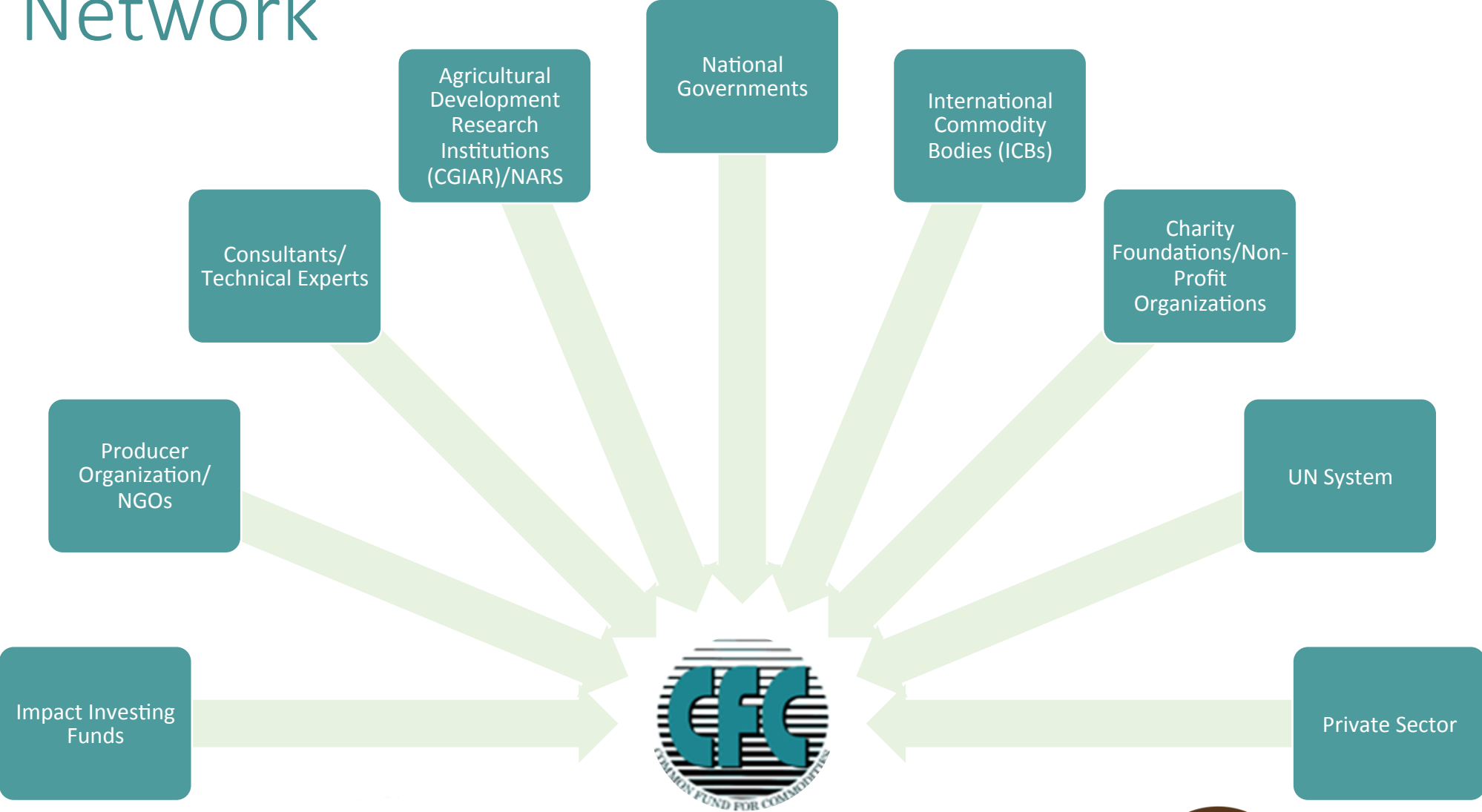
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Core Values

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- 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



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Aiming at the “Base of the Pyramid”

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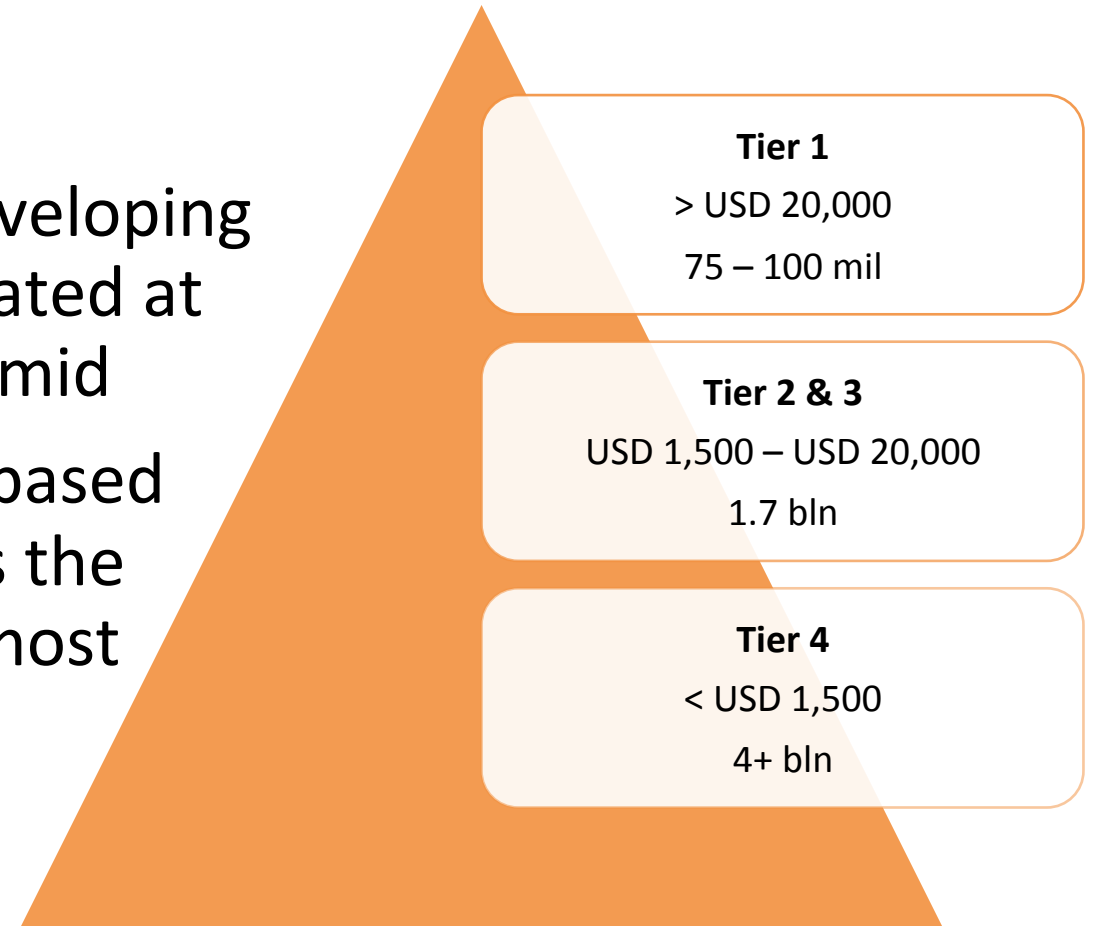
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- Commodity production in Developing Countries is heavily concentrated at the bottom of the social pyramid
- Development of commodity based value chains primarily targets the incomes of the poorest and most vulnerable people



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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*



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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



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Guiding principles of operations

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- 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



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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

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;



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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

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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.



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Application Process

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Open Call for Proposals and development of the Project Profile

II. Finance Mechanisms

ICB review (Optional)

III. Practical Steps

CFC Secretariat review (& Preliminary Comments to ICBs if applicable)

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CFC Consultative Committee

CFC Executive Board

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Information & Documentation needed

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- Completed application form and a business plan (if available).

II. Finance Mechanisms

- Application needs to clearly state expected impact such as:

- Beneficiaries and Incomes
- Impact on the environment

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- Additional development impact indicators, as applicable for the proposed activity such as:

- Impact on value chain
- Impact on the market system

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Selection Criteria

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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



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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: 30th April 2015
- Screening of proposals: May 2015



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Sustainable and Secure Smallholder Systems at Scale



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Revival of Robusta Coffee Chain, Madagascar



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Rehabilitation of Coffee in Congo



Les paysans
sont
gagnants

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CFC provides expertise as Partner in Impact Investment Funds

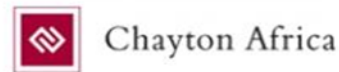
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Flow of Resources

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- 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.



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Contacts

I. Intro of the Fund

Website:

www.common-fund.org

II. Finance Mechanisms

Phone Number:

+31 (0)20 575 4949

E-mail General Questions:

managing.director@common-fund.org

III. Practical Steps

E-mail Open Call for Proposals:

clt@common-fund.org

Visiting Address:

Stadhouderskade 55
1072 AB Amsterdam
The Netherlands

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



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Thank You



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