common fund for commodities

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Image: Neil Palmer (CIAT)

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Turning **coffee waste** into a **valuable asset** in Colombia

Project	**CFC-2016-08-0052FT**
Company	***SANAM***
Location	***Colombia***
Commodity	***Coffee***
Outreach	***3,500 farmers***
Estimated net economic impact	***USD 1,500,000***
CFC funds	***USD 120,000***

In the second half of 2016, CFC approved a loan of USD 120,000 to SANAM company to support the construction of a coffee flour production plan. The project will benefit up to 3,500 people in Colombia and provide a 10% increase in farmers' incomes.

New uses for coffee waste

Based in Colombia, SANAM is exploring innovative ways to use the waste (husks and pulp) that is usually discarded during coffee bean processing. Two of the key products created by SANAM include *miel de café* (coffee honey liquid) and *harina de café* (coffee flour). Because the pulp and husk contain elevated levels of antioxidants, proteins and minerals, these new products can be used as ingredients in cosmetics, food, pharmaceuticals and animal feed. Currently, SANAM produces three tons of coffee flour per day.

Upscaling coffee flour production

With funding from the CFC, the company will be able to upscale production capacity to better serve national and international markets. The approved CFC loan will support the construction of a coffee flour plant and create 65 new jobs. It is expected that 3,500 local farmers will benefit from the project.

Financial and environmental benefits

The project will trigger substantial economic and environmental benefits. About 85% of the region's coffee farmers are smallholders (farming up to one hectare), who often don't have the resources to ensure proper waste management. As a result, the husks and pulp remaining from coffee processing are usually discarded in streams and rivers, polluting local water supplies. By turning the waste into valuable new products, SANAM's innovative technology will contribute to reducing environmental damage.

Optimizing coffee production and finding uses for the entire coffee cherry will also offer financial benefits to local farmers. Besides triggering an estimated income increase of 10%, they will also save money because they will no longer need to pay fines related to waste management. The overall estimated net economic impact of this project is USD 1,500,000. ■

sanam SANADORES AMBIENTALES

Images: Arne Doornebal/NABC

CFC hosts an international meeting at **new headquarters**

Netherlands–African Business Council

After over 20 years in Amsterdam's Museum district, the CFC office has moved to a new location near the city's Central Station. The new office modernizes the CFC's working environment, and is now easier to reach for visiting Members and partners. While smaller than the former CFC office, the open, light-filled layout has a welcoming atmosphere and offers greater flexibility to the Secretariat.

CFC welcomes the Netherlands-African Business Council (NABC)

Reaching out to attract new project ideas and new partners, the Fund hosted a half-day meeting of the Netherlands-African Business Council (NABC) on 22 March 2017 – the first international meeting at its new headquarters.

The aim of this NABC event was to inform international and Dutch companies on the current opportunities in Ethiopia's commodity sectors: oilseeds, vegetable seeds, dairy, poultry, spices, and textiles as well as logistics, and construction. Themes that cut across all sectors included agro-processing and agro-logistics.

The meeting was opened by H.E. Dr. Arkebe Oqubay Metiku, Senior Government Minister and Special Advisor to the Prime Minister of Ethiopia, who spoke about the the political situation. In his remarks, he referred to the work by the Government of Ethiopia which is creating a positive investment climate and overcoming barriers to investment in Ethiopia's agriculture and industrial sectors.

Development opportunities for a variety of sectors

The CFC used the occasion to inform companies and state officials about the work of the Fund and the CFC's desire to see innovative projects in the commodity sector which contribute to sustainable development of its Member Countries. Mr. Axel Gruber, CFC's Chief Operations Officer commented: "The CFC Call for Proposals is currently open and we look forward to receiving interesting ideas from any companies or organizations which share our commitment to using commodity development in the achievement of the Sustainable Development Goals."

The meeting included participants from Dutch and international companies in a wide range of industries, including horticulture, beverages, leather, sugar, chemicals, metals, engineering, pharmaceuticals and medical devices. They view the meeting as a unique opportunity to explore the areas of priority in the commodity production and value addition sectors.

The participants appreciated the meeting's business-like approach which enabled close interaction between parties and multiple one-on-one consultations between business leaders and government officials. According to Ms. Irene Visser, Managing Director of NABC, "The involvement of the CFC in this event gives us greater opportunities to bridge the information gap between European and African companies and foster public-private collaboration for sustainable development." For the CFC, it offered an opportunity to enhance its presence in the emerging and promising new business opportunities in Africa.

Starting from 1 January 2017 the official address of the CFC is Rietlandpark 301 1019 DW, Amsterdam. It can be reached by tram 26 from the Central Station, and tram 10 from Amsterdam's historic center. By car, Rietlandpark is accessible from the Amsterdam Ring Road East via the Piet Hein Tunnel. ■

Image: Hans van Heeswijk Architecten

Chicoa Fish Farm brings sustainable aquaculture to Mozambique

Project	**CFC-2016-08-0022**
Company	***Chicoa Fish Farm***
Location	***Mozambique***
Commodity	***Fish***
Outreach	***200 jobs, food security for 7,500 families***
Estimated net economic impact	***USD 12.5 million***
CFC funds	***USD 400,000***

Following funding approval by the CFC Executive Board approval in September 2016, the Common Fund is current completing due diligence for a USD 400,000 loan investment for Chicoa Fish Farms S.A.

Expanding capacity and sharing expertise

Since 2014, Chicoa Fish Farm has been raising tilapia at Lake Cahora Bassa in Mozambique for local and regional markets. Funding from the CFC will support the company's goal of reaching a production capacity of 4,000 tons per annum, with integrated fry and feed production on site. The core farm will be complemented by a network of outgrower fish farmers, who will have access to fry and feed input. Chicoa will also serve as a hub for training and advice.

Aquaculture is essential to global fish supply

Aquaculture (fish farming) is growing rapidly worldwide, and has been called one of the next "mega trends" in food production. As a result of global population growth, average annual fish consumption has nearly doubled over the past 50 years. At the same time, wild fish stocks have been dramatically depleted. Aquaculture has successfully met the growing demand, becoming the fastest growing food production sector in the world. In 2015, fish farms surpassed extractive fisheries as the primary supplier of fish worldwide. In the years ahead, aquaculture will play an increasingly important role in supplying the global market with a healthy, sustainable source of protein.

Better nutrition and new business opportunities

While Africa has excellent conditions for aquaculture and a very large potential market, the continent is so far completely missing out on development in this sector. For example, sub-Saharan Africa currently only represents a mere 0.6% of global aquaculture production.

A modern, efficient fish farm like Chicoa can serve as an example for fish farming operations in Mozambique and East Africa. It could also potentially trigger the development of a competitive aquaculture industry in the region, leading to new employment opportunities and a sustainable supply of protein for a region that suffers from chronic nutritional challenges. ■

Image: Mike Goldwater for Central Ashaninka del Rio Ene (CARE)

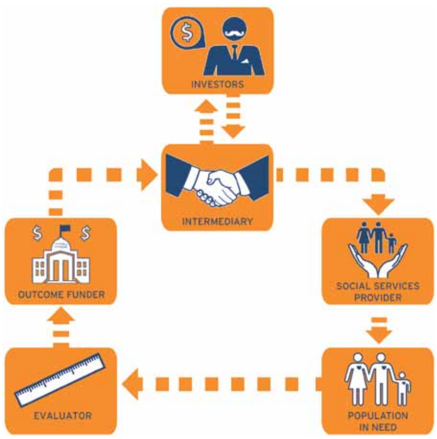
Financing sustainable development with **development impact bonds**

The Common Fund for Commodities (CFC), the Schmidt Family Foundation (SFF), Rainforest Foundation UK (RFUK), and the Royal Tropical Institute (KIT) have been the first to implement a project financed using the Development Impact Bond model in the agricultural sector. The project targeted increasing productivity and sales of cocoa and coffee produced by the Asháninka people, an indigenous community living in the Peruvian Amazon. This pilot provides valuable lessons for the future development of this financial mechanism.

Impact bonds combine the key ideas of results-based financing with the involvement of impact investors to transfer the risk of implementing social development activities. Social or development impact bonds replace the upfront financing of charitable activities with a pay-for-success contract which is investable as a financial instrument with a unique risk-return profile. To create an impact bond, four actors (the outcome sponsor, investor, project implementer and verifier) need to agree upon the social development outcomes and their indicators.

Under such contract a charitable donor or government ("outcome sponsor"), takes the obligation to pay to "investor" an amount determined by a set of objective indicators reflecting the development outcome desired by the donor. The investor, expecting contract-based future pay out, can recruit and pre-finance project implementers (or "service provider") to achieve the agreed results. The results are assessed by an independent verifier to conclude the pay-out from donor to investor according to the contract. The structure allows charitable donors to transfer a significant share of risk to investors and/or financial markets.

The image below illustrates the structure of a generic impact bond.



Impact Bond Mechanism (Gustafsson-Wright, Gardiner, Putcha (2015), Brookings Institution)

In this model, results-based financing and impact bonds replace the "traditional" monitoring of the development process. Some advantages of outcome-based payment as opposed to process monitoring include:

- Reduced administration for the outcome sponsor who no longer needs to conduct costly monitoring and evaluation of activities.
- Flexible implementation for the service provider because the contract does not need to list specific actions. Instead, the obligations relate to achieving the specified results.
- The sponsor is no longer compelled to make full payment for insufficient results on the grounds that activities were executed correctly but fell short of expectations due to external adverse events. The sponsor transfers these risks to other partners.
- Impact evaluation becomes an activity with significant material value, which will likely result in more credible impact assessments.

The prospects for Impact Bonds seem bright, but application is still in its infancy. Impact Bonds require changes in the financial structures of conventional donor and government agencies. Lessons can be draw from the Asháninka Impact Bond in Peru, a pilot experiment conducted by CFC, SFF, RFUK and KIT. The case study showcases the opportunities for Impact Bonds in the agricultural sector of an emerging economy.

The Asháninka Impact Bond

The CFC, RFUK, SFF and KIT developed a partnership that allowed them to put a Development Impact Bond (DIB) into practice in order to evaluate its efficiency and effectiveness, as well as learning from the legal, administrative and other operational implications for each of the implementing parties. They identified a longer-running RFUK collaboration in the Peruvian Amazon which was ideal for their pilot.

Image: Marine Douchy

SFF took the role of the investor, pre-financing RFUK to cover the costs of implementing development activities. Together with its partner organizations in Peru, RFUK was the service provider which performed all activities required to achieve the results defined by the DIB. CFC was the outcome sponsor committed to pay the investor for the results achieved, up to a maximum of USD 110,000. KIT was the independent party engaged to verify the accomplishment of the jointly agreed results. Details of this setup were documented in a formal DIB agreement, which was signed by all the involved parties.

Measuring the impact of the pilot

The following outcomes were agreed upon by all parties, formulated as specific, objectively verifiable project performance indicators:

1. 60% of the members of the Kemito Ene Association increase their supply to the association by at least 20%, thereby improving their income
2. At least 60 % of the members of the Kemito Ene Association improve their cocoa yield to 600 kg/ha or more
3. The Kemito Ene Association buys and sells at least 35 tons of cocoa in the last year of the DIB project
4. At the end of the DIB project, 40 members of the Kemito Ene Association have established at least 0.5 ha with a leaf rust resistant coffee variety

The project was implemented in 2015, and was evaluated by KIT as agreed in the DIB contract. The verification report concluded that some of the impact indicators were met, while others were not. Specifically, the target for outcome one was 75% achieved, the target for outcome two was not achieved, and the targets for outcome three and four were achieved completely. Based on this evaluation, the final settlement for the bond was below 100% as envisioned in the DIB contract.

Valuable lessons learned

The development impact bond in Peru demonstrates how DIBs can be used to finance challenging agricultural projects in emerging economies. Serving as a pilot for the participating organizations, some of the lessons learned include the intensive preparation time and transaction costs required for designing the impact bond, the need for a clearly defined and easy measurable outcome matrix and the increasing demand for data gathering by project staff. The pilot also revealed insights on the dramatic change in the donor-implementer relationship, the role of the investor vis-à-vis the implementer to safeguard the rate of return, the position of the community that benefits from the investment, and ultimately the advantages of the model over conventional development projects and grants.

The successful completion of the Asháninka DIB contract demonstrates that the structure works as intended. The results of the project, as well its learning outcomes have lead the participants to open a discussion on a new DIB contract to expand the impact of the pilot.

Detailed analysis of this DIB pilot project is due to be published in "Enterprise Development and Microfinance".

June 2016: Discussion of the DIB model hosted by KIT and jointly sponsored by the CFC and the Ministry of Foreign Affairs of the Netherlands.

Images: Joseph Intitative

Mechanization and training **increase cereal production in Uganda**

The CFC will provide a long-term loan of up to USD 1,200,000 to Asili Farms Ltd. in Uganda to finance the expansion of a commercial cereal farm and build a Technology Transfer Center. These improvements will enable Asili Farms to reach more small-scale farmers and provide training in the production of maize and soya. The total net economic impact is estimated at USD 4,000,000.

Meeting the increasing demand for maize

Asili Farms is currently farming 1,250 hectares of long-term leased land, providing annual yields of 2 million tons. The company aims to reach the markets of countries in the East African Community, with a focus on Kenya where maize is often the preferred basis for daily meals. Demand for maize is high throughout East Africa in general, and the market is currently valued at around USD 3 billion, with production gap of 570,000 metric tons per year.

Shelling maize at a Joseph Center (Asili Farms).

Project	CFC-2015-07-0078
Company	***Aisili Farms Ltd.***
Location	***Uganda***
Commodity	***Grains***
Outreach	***50,000 farmers***
Estimated net economic impact	***USD 4.0 Million***
CFC funds	***USD 1,200,000***

Asili Farms is a commercial farm and training site for small-scale maize and soybean farmers. A loan from the CFC will allow them to build a new Technology Transfer Center.

Increasing employment and food security

The project will impact the local community and greater region on a variety of levels. For example, it will increase employment by creating an additional 30 qualified and 240 unqualified jobs, use technology transfer to improve smallholder livelihoods, and contribute to improving regional food security.

Funding from the CFC funds will be used to manage up to 8,000 hectares of land and train 50,000 smallholder farmers with average yields of 7 tons/ha for maize and 3 tons/ha for soybeans. This will trigger a projected income increase of USD 1,400 per year for participating farmers, helping lift many households above the World Bank defined poverty threshold of 2 US dollars per person per day. It will also boost the overall economic activity and food supply in the Masindi district of Uganda. ■

Images: Kennemer Foods

Agriculture finance company to **expand cocoa farming in the Philippines**

The CFC will provide funds to Kennemer Foods International, a specialized finance company, to support local farmers with loans to establish cocoa farming in the Philippines. The project is expected to increase incomes by USD 15,600 per hectare, with the total area of some 17,000 hectares divided among 5,000 participating farmers.

Creating valuable opportunities for farmers

Kennemer Foods International is the largest trader of cacao beans in the Philippines. It has a long-standing commercial relationship with Mars Inc. – the world's leading chocolate company and a pioneer in cacao research and sustainability. Kennemer is currently active in rural Philippines with a focus on the southern regions of Mindanao, Palawan and the Visayas, where the soil and weather conditions are most suitable.

The company works with more than 5,000 small-scale farmers and provides a full range of support including inputs like high-quality seedlings, training in cocoa farming practices, on-going mentorship and a buy-back guarantee of the harvested cacao beans at fair market prices. These services are necessary to expand cocoa farming in the Philippines, as access to long-term finance still remains a challenge for many farmers whose average income is estimated at USD 215 per year.

On-going support for lasting impact

The project aims to provide farmers with tailor-made financing options and adequate inputs to allow them to establish successful cacao farms. The CFC funds will also help to introduce sustainable agriculture practices and improve soil fertility with regular training and monitoring for the farmers.

The investment aims to increase the target market for this project to about 30,000 farmers by 2021. Over the next 10 years, the finance company will serve between 3,000 and 5,000 farmers, helping them add cocoa trees to existing coconut farms to create a new income stream. ■

Kennemer is committed to rural development in the Philippines, using sustainable farming and fair pricing to increase farmer incomes.

To support a growing network of farmers, Kennemer is setting up cacao centers throughout Mindanao, the Visayas and Palawan.

Project	**CFC-2016-08-0064**
Company	***Kennemer Foods International***
Location	***Philippines***
Commodity	***Cocoa***
Outreach	***5,000 farms***
Estimated net economic impact	***USD 180 million***
CFC funds	***USD 1,400,000***

59th Meeting of the **Consultative Committee**

The 59th Meeting of the Consultative Committee was held at the CFC headquarters from 23 to 26 January 2017. The Committee reviewed ten Regular projects and two Fast Track projects, paying due attention to the potential for achieving lasting development impact and the innovation involved. As a result, eight Regular projects and two Fast Track projects were recommended for approval by the Executive Board.

Regular Projects

AgRIF Cooperatief U.A. – The Netherlands - CFC/2016/09/0089

AgRIF is an impact investing fund which focuses on investments for financial intermediaries that are active in the agricultural sector. CFC funding will be used to extend loans of less than USD 1,000 to subsistence farmers in countries of greatest need. Working through the cooperative network the fund would reach over 5 million smallholder farmers, aiming to create USD 353 additional income per year per farmer.

Africa Food Security Fund, Ghana - CFC/2016/09/0124

The Africa Food Security Fund (AFSF) is an impact investing fund that invests in SME agricultural businesses throughout Africa. The target capitalization is USD 100 million, and would generate up to 20 investments, ranging from USD 1 to 10 million each. The project aims to engage with 20,000 farmers, increase jobs and trigger a total net economic impact of USD 92 million.

Good Seeds For All Farmers Project, Burkina Faso - CFC/2016/09/0138

To package and certify seed products, this project aims to construct and equip 13 regional unions and 13 processing centers in Burkina Faso. 68 employees will be hired operate the centers, which include a processing hall, storage facility and administrative building. The project's estimated impact is EUR 329 per beneficiary per year, with a total net economic impact of EUR 6.6 million over 5 years.

Improving The Smallholder Dairy Value Chain, Kenya - CFC/2016/09/0108

Happy Cow Ltd. is a dairy processing business in Kenya. It collects an average of 14,000 liters of milk per day from about 2,000 local farmers. To improve the volume and quality of milk production, the company wants to extend their factory and build new lines for cheese, drinking yogurt and packaging. The project aims to increase Happy Cow's production to 25,000 liters per day by 2022.

Babban Gona 40,000 Farmer Scale Up Project, Nigeria - CFC/2016/09/0125

Farmers in northern Nigeria typically own very small plots of land, resulting in poor economies of scale. Social enterprise Babban Gona is currently targeting 8,100 smallholder farmers organized in 2,000 mini cooperatives. Using an extension-service model, it provides farmers with best practices, farm inputs on credit and marketing services. It aims to reach 40,000 smallholders by 2018 and 1,000,000 farmers by 2025.

Creating A New Inclusive Soybean Value Chain, Uganda - CFC/2016/09/0085

The Busunju Horticultural Growers Association (BHGA) aims to establish a new PN2 soybean value chain for whole beans and soybean powder. A CFC loan will be used for trading maize, sorghum, coffee, beans and soybeans, as well as upscaling production of soybean powder. The project will create 32 new jobs and a net income increase of USD 280,000 per year for 4,000 farmers.

Acquisition Of A Processing Plant For The Aquaculture Sector, Peru - CFC/2016/09/0122

ATISA (Acuacultura Tecnica Integrada del Peru S.A.) has laboratories for supplying shrimp larvae and owns 150 hectares of aquaculture fields for premium shrimp production. With a loan from the CFC, the project aims to open up the shrimp processing market to 80 smaller shrimp producers. The investment will increase farmers' incomes by about USD 200/month and create over 100 jobs.

Reducing Vulnerability To Price Volatility, Kenya - CFC/2016/09/0097

Shalem Investment Ltd. aggregates and markets grains, cereals and legumes. To make farmers less vulnerable to price volatility, the project will invest in a storage facility where the harvest can be stored until it is sold. Over seven years, the project aims to increase production from 900 kg/year to 2,500 kg/year, grow the number of farmers from 20,000 to 50,000, and increase average incomes from USD 72 to USD 215.

The amount of recommended support for the above eight projects totals USD 8,376,412 (USD 6,376,412 in loans and USD 2,900,000 in equity). Final decisions on the recommended projects will be made at the 63rd Meeting of the Executive Board.

Fast Track Projects

The Committee also recommended financial support for two Fast Track projects:

(i) Empowering Smallholder Farmers, Sri Lanka - CFC/2016/09/0069FT
(ii) Natural Essential Oils, Kenya - CFC/2016/09/0002 FT

Common Fund for Commodities

Tel: +31 20 575 49 49
Fax: +31 20 676 02 31

www.common-fund.org
info@common-fund.org

CFC Headquarters
Rietlandpark 301
1019 DW Amsterdam
The Netherlands

Postal address
P.O. Box 74656
1070 BR Amsterdam
The Netherlands