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Image: Incofin IM



## Leveraging CFC resources to reach out to more SMEs

Project	CFC-2016-09-0089
Company	Incofin IM
Location	Worldwide (ODA country list)
Outreach	3.2 million farmers
Estimated net economic impact	USD 467 million
CFC funds	USD 1 million

**Launched in 2015, the Agricultural Rural Impulse Fund (agRIF) provides financing to smallholder farmers, who make up the majority of those living on less than USD 2 a day. Conventional finance providers do not offer viable services to this segment and access to finance is a ubiquitous constraint to improving the livelihoods of smallholder farmers.**

Using an impact investing model, agRIF reaches smallholders via a network of grassroots finance providers who offer small and microcredit of less than USD 1,000 to subsistence farmers. In addition, agRIF is focusing on the immediate financial needs of this sector by allocating up to 10% of the fund to directly finance producer organizations and SMEs working in the agricultural value chain.

The fund aims to reduce poverty by improving access to financial services for small-

holder farmers and SMEs in the agricultural sector, and expects to increase incomes by USD 367 per annum among their target group. The project's net economic impact is calculated at USD 467 million.

The policies of the fund are closely aligned with the guidelines of the OECD Development Assistance Committee and participations in the fund count towards Official Development Assistance (ODA). This allows agRIF to raise capital among private and public investors alike.

agRIF was created by Incofin IM, a Belgian impact investment fund manager specialized in funding financial institutions serving "base of the pyramid" clients. It currently manages ten different funds with assets totaling more than USD 850 million. Incofin's main investors are large European Development Finance Institutions (DFIs) and pension funds.

"We are convinced that the new fund, based on 15 years of experience in rural finance, will contribute value at all levels: for investors, investees, clients and agricultural value chain operators," says Loïc De Cannière, CEO of

Incofin IM. By reaching out to 100 financial institutions at the base of the pyramid, agRIF expects to be able to positively impact over 5 million smallholder farmers.

The Common Fund for Commodities (CFC) has joined agRIF as an equity investor, contributing USD 1 million. The fund was closed in June 2017 with the committed equity and debt totaling over USD 150 million. The fund's lifespan is 10 years with a possible extension of two additional years.

agRIF is the first fund to target a large number of SMEs in the agricultural sector by supporting financial institutions working with small clients that are typically ignored by larger investors. This is the second impact investment fund in the CFC portfolio which specifically targets SMEs in developing countries. Previously, CFC invested in the SME Impact Fund in Tanzania, which is now fully operational with over 60 SMEs receiving its financial support. ■



Financed under CFC partnership with the OPEC Fund for International Development (OFID)

# Reviewing the CFC's first **impact bond experience**

**Following the successful completion of the first-ever commodity value chain development project financed via a development impact bond (DIB), which was initiated by the CFC in 2014, the results were analyzed and published in the Economic Development and Microfinance (EDM) magazine.**

Impact bonds effectively allow the risk of implementing social development activities to be shared with private sector investors. Social or development impact bonds replace the upfront financing of charitable activities with a pay-for-success contract. Four actors – the outcome sponsor, investor, project implementers, and verifier – together agree upon the outcomes and their indicators.

With this type of contract, a charitable donor or government (outcome sponsor) is obliged to pay the investor an amount determined by a set of objective indicators that reflect the outcome desired by the donor. The investor, expecting a future contract-based payout, can recruit and pre-finance project implementers (service providers) to achieve the agreed upon results. The achievements of the outcome indicators are assessed by an independent verifier to conclude the payout from donor to investor. This structure allows charitable donors to transfer a significant share of risk to investors and/or financial markets.

The Common Fund for Commodities (CFC), the Schmidt Family Foundation (SFF), Rainforest Foundation UK (RFUK), and the Royal Tropical Institute (KIT) were the first to apply this model to the agricultural sector in an emerging economy. The main objective of the impact bond was to increase productivity and market sales of



Image: Marine Douchy

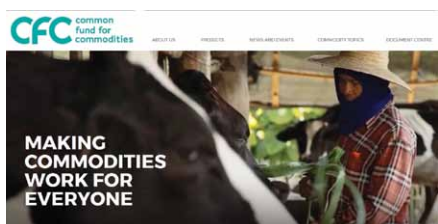
cocoa and coffee produced by the Asháninka people, an indigenous community living in the Peruvian Amazon. This pilot provides valuable lessons that can be applied to the further development of this mechanism.

The review is currently available on the publisher's website:

<http://www.developmentbookshelf.com/doi/pdf/10.3362/1755-1986.16-00029>

The experience was also reflected on in a September 2017 report by the Brookings Institution entitled "Impact bonds in developing countries: Early learnings from the field". <https://www.brookings.edu/research/impact-bonds-in-developing-countries-early-learnings-from-the-field/> ■

## The **CFC highlights** its impact and ambitions with a **new website**



**The Common Fund for Commodities is pleased to share that its new website is now live. The new website provides up-to-date information about the CFC and its work, with a particular emphasis on the innovation and development impact of the organization's activities. The website's streamlined design offers greater accessibility and more efficient information management for all of the technical and operational issues related to the projects receiving CFC support.**

A few of the improvements include:

- A new format for presenting project information which includes clear and comparable impact indicators, as well as linked and searchable access to project documents.
- Easy access to the Fund's rules and regulations to facilitate transparency and accessibility for current and potential project partners.
- A photo and media gallery showcasing the CFC's activities.
- Integration with a professional emailing service to circulate CFC newsletters, press releases and other communications which aligns with international anti-spam requirements.

The new website uses a cloud-based solution to address the challenge of information

accessibility. "In this age of information, we cannot afford to fall behind the trend in using technology to make the full volume of our project results available to the development community. Our new website relies on modern-day technologies, streamlines our information processes, and will allow us to achieve much more with less," says Parvinder Singh, the Managing Director of the Common Fund.

Of course, the CFC website will continue to function as the central point for distributing official CFC documents and all information relating to CFC governance and scheduled meetings of the CFC's governing bodies. In addition to sharing information publicly, the website also has a password-protected section which is only available to Members of the CFC. ■



Images: 2SCALE

## Supporting Kenyan grain farmers with new storage and production facilities

**Shalem Investments is a family-owned business in Kenya, led by Ruth Kinoti. Created to help smallholder farmers successfully market their crops, the organization started out with just 12 local participants. Today, Shalem Investments works with thousands of farmers, and is set to expand their impact even further with a new project.**

### Grain blend combats price fluctuations

Shalem's project receiving CFC support is investing in processing an innovative, nutritious grain blend to access the fast-moving consumer goods (FMCG) industry and related markets. By creating a product that incorporates drought-tolerant sorghum and millet in addition to maize, plus providing reliable storage facilities, the project aims to reduce the financial risks local farmers are facing due to volatile maize prices.

To support these goals, the project will build:

- A storage facility where the grain from contracted farmers will be stored at harvest. The grain will be sold to Shalem's processing unit and other pre-identified markets.
- A value-addition facility where maize will be blended with sorghum and millet, which are more resistant to drought. This new multi-grain blend will be able to provide a more consistent supply to the established factory.

Currently, Shalem Investments is working with 20,000 smallholder farmers. However, as a result of this project, they plan to expand their supply network to include up to 50,000 farmers from the Upper Eastern region of Kenya over the next 7 years.

### Wide-reaching programs to support farmers

In addition to creating new facilities, Shalem is also providing a variety of incentives to help the smallholder farmers in their network achieve high-quality production, aggregation and marketing. For example, they are holding training programs, conducting soil testing, linking farmers to certified seeds and other farm inputs, assisting them in adopting new technologies, and providing access to micro loans. These improvements are expected to lead to productivity reaching 2,000 kg/hectare, tripling farmers' incomes to USD 215 per harvest.

To launch this project, Shalem is receiving support from FoodTrade East and Southern Africa (FTESA) to improve the quantity and quality of the farmers' crops. The 2SCALE project team of the International Fertilizer Development Center (IFDC), sponsored by the Dutch government, is also providing support to help Shalem develop its business model to create a fully integrated commodities supply chain. ■



*Ruth Kinoti, CEO of Shalem Investments, is transforming the lives of smallholder farmers in Kenya by improving their productivity and market access with innovative public private partnerships.*

Project	CFC-2016-09-0097
Company	Shalem Investments
Location	Kenya
Commodity	Grains
Outreach	50,000 farmers
Estimated net economic impact CFC funds	USD 4.2 million USD 610,000

*This project is co-financed by the CFC Trust Fund with the Dutch Ministry of Foreign Affairs.*



Ministry of Foreign Affairs

# SUSTAINABLE DEVELOPMENT GOALS



## Focusing on the **impact of CFC's project portfolio**

**The fundamental objective of the CFC is to promote the development of commodity sector and to contribute to sustainable development in its three dimensions: social, economic and environmental.**

This approach aligns the CFC's work with the Sustainable Development Goals of the United Nations, and makes the organization part of the "Impact Investor" group of development financiers. The impact investors, also known as "triple bottom line" investors, are those who invest in projects that generate financial, environmental and social returns as well as contributing to better governance.

### Targeting and evaluating impact

The CFC has developed a system for selecting and prioritizing project proposals in line with impact investment requirements. This includes a screening dashboard of project impact indicators that are consistent and comparable across all projects to provide

useful input for the allocation of CFC resources. The dashboard provides high-level information related to development impact, operational capacity of the investee companies, market system impact/innovation, monitoring and evaluation, risk mitigation and environmental impact.

The CFC approach requires the following instruments of impact assessment:

- **Target indicators:** These should be systematically assessed and checked by the proponent. The CFC expects a clear understanding of the intended level of achievements in each project and will assess if it is realistic.
- **Baselines:** The CFC will not use its resources for baseline studies or extensive monitoring. Instead, the CFC will carry out critical assessments of the data delivered in comparison to similarly implemented projects, and update this information over the course of the project.

- **Achievement data:** The achievement data reported by the projects is followed up systematically, addressing the fact that projects frequently fail to report their progress and/or impact in a timely and accurate manner. Follow-up procedures have been installed to prevent late reporting and possible implications on the project's success.
- **Monitoring and evaluation:** The CFC currently conducts selective monitoring per project and expects planned evaluation and monitoring activities to be included in projects seeking CFC support. The implementation of a portfolio-wide monitoring and evaluation system is still a work in progress.

### Implementing consistent impact reporting

By imposing a set of robust indicators as part of the "Call for Proposals", all projects submitted must show the impact targets they intend to achieve, establishing a comparable

base for measuring project performance and impact. Since 2015, the indicators required by the call for proposals include:

- Number of beneficiaries (male and female)
- (Average) net (additional) income per beneficiary
- Number of additional jobs created
- Net added income per job
- Total hectares financed (where applicable)
- Net added income per hectare (where applicable)

Compared to other relevant factors, net economic impact is one of the major criteria for selecting an intervention.

In order to be considered by the CFC, each project submitted at the call for proposals stage is expected to contain a set of impact indicators. Projects missing the essential indicators would normally be eliminated at the screening stage, and/or the proponents may be asked to include the relevant data before re-submitting.

The set of indicators is verified by the CFC at the due diligence stage and is part of the final contractual agreement between the CFC and the project proponent. This ensures that the project will follow up on the indicators. This information should be contained in the annual and semi-annual project reports, including expected results and actual extent of development provided. It is an important part of the project achievements, alongside the financial indicators, covenants and operational development of a project.

### Reaching a portfolio-wide impact assessment

The diagram below shows the performance of 15 projects currently under implementation in terms of their impact. The data does not include reporting by impact investment funds which, due to their high leverage of CFC resources, generate very significant impact in areas where the appropriate aggregation framework has not yet been established.

Based on the reported data, the initial assessment of the total impact of CFC's portfolio can be summarized as follows:

- 216,854 people are expected to benefit from the loan-based interventions currently financed by the CFC
- The additional annual income for all beneficiaries ranges from USD 44 to USD 4608 per year (however, not all projects reported the data).
- 4384 new jobs created
- Net income per job ranges from USD 256 to USD 3000 per year (however, this is the weakest element in terms of reporting)
- 31,405 hectares additional production area

The CFC has begun measuring these parameters on a consistent basis, and is using this kind of impact reporting as a benchmark for assessing project achievements. Going forward, reporting needs to be concise and meaningful to provide a clear assessment of the CFC's achievements. The CFC is considering adopting one of the SDG-compliant reporting frameworks, such as the IRIS metrics from the Global Impact Investing Network (GIIN), or the framework from the Global Reporting Initiative (GRI).

As more impact data is collected, the CFC will be able to more successfully judge and compare their actual achievements over time, and to integrate this information into the overall evaluation of projects. ■

### Impact reporting by operational projects as of 30 June 2017 (number of projects reporting by indicator)

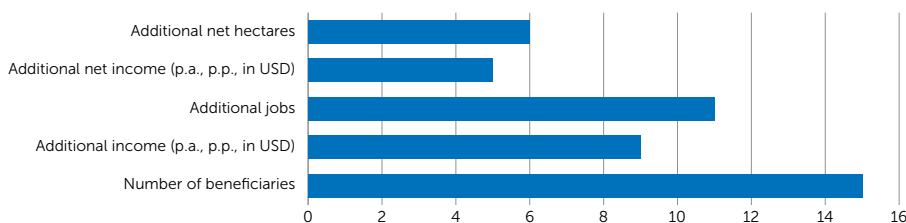


Image: Aduna

Freshly harvested  
baobab fruits in  
Northern Ghana.



## The CFC joins **Toniic**, a global community for impact investors

**Toniic is a global community for impact investors. Coming from 26 countries, their members include impact investment funds, high net worth individuals and other financiers who are using their investments to work towards a just and sustainable economy. The organization was created with the aim of promoting transparency and sharing information and potential investment opportunities among socially focused investors.**

### **Access to expertise and opportunities**

Joining Toniic enables the CFC to access a growing network of like-minded investors and expand its visibility throughout the impact investment community. The CFC intends to use this network to identify new project ideas and co-financing opportunities, as well as to expand the distribution of its call for proposals, requests for consulting services and project updates.

But Toniic is more than just a community. For example, to encourage collaboration and knowledge share Toniic organizes regular member consultations. It provides members with a wide range of investor tools, including reports on topics relevant to impact investing, such as the recent "Toniic E-Guide for Impact Measurement".

### **Investors with 100% impact**

As an investor who uses 100% of its investable assets to make a positive social and/or



environmental impact, the CFC is also aiming to become part of the T100 group of Toniic members. These members undergo an independent review of their activities which is regularly published to enhance the transparency of the impact investing landscape.

In response to the launch of the second T100 report in 2017, Toniic CEO Adam Bendell commented: "As a trusted third party, Toniic can aggregate information through the T100 Project, and help investors and advisors learn from what's happening on the frontier of impact investing."

The aggregated financial commitment of Toniic's T100 members is close to \$4 billion. ■

*Toniic regularly publishes reports on topics that are relevant to the impact investing community, such as the E-Guide to Impact Measurement, available online at:*

<http://www.toniic.com/e-guide-to-impact-measurement/>





Image: ©FAO/Giulio Napolitano

## Improving food security in Burkina Faso with good seeds

**The CFC has recently opened a project in West Africa that aims to improve the quality of seeds available to local farmers. The project plans to develop 13 regional unions in Burkina Faso which will include storage facilities, processing centers, packaging facilities and certification of seed products to ensure a consistent supply of good seeds to farmers in Burkina Faso and abroad.**

The project is being run by the National Union of Seed Producers of Burkina (UNPSB) and will provide financial resources for seed storage capacity and transport to allow the Union to effectively supply national and international markets with improved seeds.

### Better inputs for staple crops

According to the FAO, 86% of Burkina Faso's population is involved in the agricultural sector. Therefore, improving the quality of the seed stock and resulting crops is in the entire country's best interest.

The Environmental and Agricultural Research Institute (INERA) is one of the four public institutes in Burkina Faso that is focused on plant research and breeding. The project is based on the high-yielding seed varieties developed by INERA as part of a drive to improve food security in the country and region. The main seed varieties focus on staple crops such as rice, sorghum, millet, maize and black-eyed peas.

project plans to reach 4000 farmers who are members of UNPSB, organized at the village level through farmer groups. The goal is to increase the area cultivated with good seeds from 4,500 to 12,000 hectares, therefore averaging about 3 acres per farmer.

The financing to build and equip the 13 regional storage facilities is a key component of the project's growth strategy. UNPSB estimates that the project will increase nationwide use of improved seed varieties from 17% today to 50% when the project is completed. In addition, these regional centers will lead to the creation of 66 new jobs, with an average income of EUR 3,000 per year. ■

### Increased incomes and new jobs

The use of good seeds by smallholder farmers is expected to have significant impact on productivity, incomes and food security. The



Financed under CFC partnership with the OPEC Fund for International Development (OFID)



Image: ©FAO

Project	CFC-2016-09-0138
Company	National Union of Seed Producers of Burkina (UNPSB)
Location	Burkina Faso
Commodity	Grains
Outreach	4,000 farmers
Estimated net economic impact	USD 980,000/year
CFC investment	EUR 1,487,301

# 60th Meeting of the Consultative Committee

**The Consultative Committee (CC) held its 60th Meeting at the headquarters of the Common Fund for Commodities (CFC) from 3 to 6 July 2017. The Committee reviewed eight regular projects, paying due attention to the potential for achieving lasting development impact and the innovation involved in the investment. As a result, seven projects were recommended for consideration and approval of the Executive Board.**

## EcoEnterprise Fund III - CFC/CC/60/PD/2017/10/0066

EcoEnterprise Fund III (EcoE III) is an impact investing fund targeting investments into Latin American SMEs who source raw materials from collectors or smallholder farmers for value-added processing. The fund invests in sustainable agriculture, agroforestry, aquaculture and wild-harvested forest products with the aim of meeting the growing demand for organic and certified food and forest products, primarily in the United States.

## Access to finance for smallholder potato farmers, Malawi - CFC/2017/10/0091

To respond to growing demand, the Malawi Enterprise Development Fund Ltd (MEDF) seeks to promote the production of potatoes by smallholder farmers. The project's key objective is to facilitate supply contracts between potato farmers and commercial food processors and traders.

Targeting one of the poorest areas in Malawi, this project would offer farmers a reliable source of income and an alternative to growing tobacco. After seven years, the project expects to reach 250,000 smallholder farmers, generating an annual income increase of USD 120 per year per household.

## Testing of bio-formulations, India - CFC/2017/10/0069

This project will equip two laboratories to provide analysis and certification for bio-formulations (bio-pesticides and bio-fertilizers) used in India's tea industry. The project's key impact will be adding value by certifying the safety and quality of India's tea, as well as testing for maximum residue limits (MRL) as required by the organic tea market. The project's main innovation is the ability to accurately test for trace levels of bio-pesticides and bio-fertilizers. Proper use of bio-formulations by India's smallholder farmers will improve their yields and profitability by increasing exports of organic tea, which fetches higher prices.

## Fertilizer formulation and distribution, Côte D'Ivoire - CFC/2017/10/0111

This project will finance a fertilizer blending and packaging station outside Yamoussoukro, Côte D'Ivoire. The company behind the project, AGRITEC SA, has a network of 60 sales outlets across the country that can provide up to 300,000 smallholder farmers with agriculture inputs and equipment.

The goal of the project is to provide an alternative to the expensive, poor quality fertilizer used by smallholder farmers. By introducing a reliable supply of affordable fertilizer, average net incomes will increase by at least 25% per beneficiary.

## Conservation of the forest of the Asháninka communities, Peru - CFC/2017/10/0109

This project seeks to make a social, environmental and economic impact by producing coffee and cocoa in Asháninka areas of the Peruvian Amazon using an agroforestry system and marketing the resulting premium products.

The project will increase the quality and quantity of cocoa and coffee produced, and will impact 500 smallholders living in 22 communities. Besides creating new income sources for the Asháninka, the agroforestry approach will discourage activities related to deforestation, such as slash and burn agriculture.

## Indonesian organic cotton - CFC/2017/10/0090

This project will upscale PT Delta Orion's operations to enable the production of organic certified cotton as well as maize and soybeans in East Sumba, Indonesia. The project aims to set up an outgrower scheme and increase production volumes and quality of organic cotton, as well as to reduce post-harvest losses.

The development impact of the project includes creating jobs and enhancing smallholder farmers' productivity, market access and income, which will increase by about USD 166,000 per year, distributed among 500 farmers, 300 plantation workers and 40 factory workers.

## Soybean processing for farmer and market impact, Rwanda - CFC/2017/10/0123

A project by ProDev, Rwanda, will invest in a soybean processing plant to improve the 'farm-to-market' value chain. The plant will produce soybean cake for animal feed, and soybean oil for cooking. Over seven years, the project will involve up to 2,000 soybean farmers, and provide them with training, access to credit and crop insurance, certified seed and fertilizers and guaranteed offtake prices. The project expects to generate 147 jobs, up to 70% of which will be filled by women. The project will also increase farmers' incomes from USD 327 to USD 1,920 per annum, generating total gains of up to USD 3.2 million.

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