

# **The Common Fund for Commodities and The International Cocoa Organization**

## **Partners in Cocoa Development**



Common Fund for Commodities

# COMMON FUND FOR COMMODITIES

- Inter-governmental development financial institution Members : 104 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



# CFC: Project Facts

- Financed over 360 projects
- Total cost ~USD 625 million, of which CFC funding of ~ USD 300 million
- Cocoa– 18 Projects, USD 50.5 million of which USD 16.2 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
- Proposals obtained through open call including through ICBs
- Project Partners— International organisations, Government, private sector, producer organisations, NGOs, etc.
- Financing: (1) CFC Funds, and(2) at least 50% of the project cost as Co-financing / counterpart contribution of which 50% in cash
- Financing Instruments : flexible depending on project needs



# CFC interventions use value chain approach as guiding principle

- A tool to analyse sustainable economic development
- Identifying chain actors
- Understanding opportunities and obstacles in specific commodity value chains will lead to identification of solutions
- Value chain *analysis* leads to suggestions for value chain *development*



# Feasible Areas of Interventions

- Interventions “from field to fork” along the complete value chain
- Improving the competitiveness of commodities and enhancing the cost effectiveness of commodity production; for exports and enhance self sufficiency
- New technologies, appropriate inputs, higher quality seeds and planting materials, reducing wastage
- Expansion of processing of primary products - moving up the value addition chain

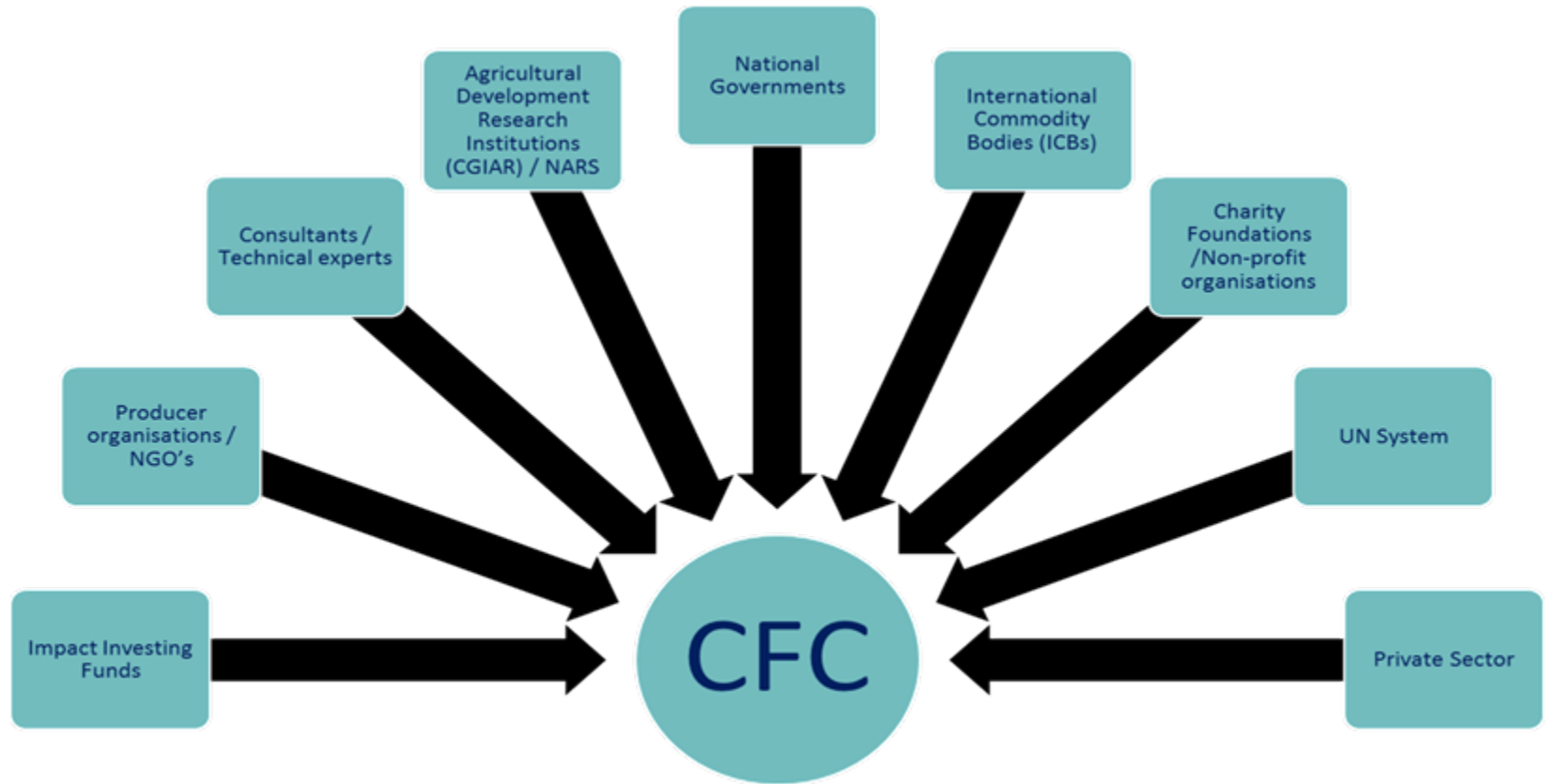


# Feasible Areas of Interventions

- Diversification: horizontal, vertical and geographical diversification of production - increase earnings and/or reducing the dependency on a few commodities
- Risk management; commodity finance



# The CFC Network



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# Future Role and Mandate

- Governing Council of the CFC has approved a reform package
  - New Vision and Mission
  - Operating principles
  - New structure of the Secretariat
  - Committee Established to Review and Recommend Changes to the Agreement
  - Suspension of selected clauses of the Agreement for three years to enable testing of new processes and instruments



# CFC Vision

***Contribute to 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***



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# Objectives of CFC's projects

- The objectives of the CFC supported interventions is to create employment particularly for youth and women, increase household incomes, reduce poverty, and enhance food security. The CFC will support measures and actions targeted at improving competitiveness of commodities and building of effective and cost efficient collaboration of producers, industry, governments, civil society organisations and other stakeholders for commodity based development.



# CFC's Approach

- The CFC's aim is to realize the potential of commodity production, processing, manufacturing, and trade for the benefit of the commodity producers. The CFC will fund practical measures that are commercially viable, financially sustainable, and scalable and have a broad developmental impact on stakeholders in the commodity value chains.



# Operating Principles

- in active consultations with governments, investors, and NGO's, formulate and implement programs in the commodity sector
- finance commodity development interventions in conjunction with governments, international organization and new partners through risk taking loans which will generate return on investment
- provide for each intervention return on social and economic investment prognoses
- involve private sector representatives as well as NGO's and knowledge institutes as advisors on strategy, operational capacity, disseminators of results and ambassadors for the organization (establish a private sector platform); and operate as a paid service provider for the private sector, NGO's, etc.



# Operating Principles

- seek applications from all interested parties including the International Commodity Bodies (ICBs) for financing through an open call for proposals targeting specific commodity issues. All proposals received including those from ICBs will be subjected to a common approval process.



# 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

- 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.





# Operation Plan

- 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.
- Three windows of financial support
  - Grant Funding
  - Competitive bidding for projects targeting specific commodity issues in form of returnable grants, loans, equity, quasi equity, line of credit and guarantee targeted towards for profit organisations and social enterprises
  - Partnerships with other bi-lateral and multi-lateral agencies and social investors, to support private sector development in commodities.



# Assessment of proposals

- Overall guiding principle -quality of the proposal and not the financial outlay.
- Through financial support, the CFC seeks to promote innovation to encourage established organisations, institutions, and enterprises to extend their core activities in ways that create additional economic and livelihood opportunities for the commodities and commodity producers.



# Selection Criteria

- 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 and environmental and social sustainability.



# 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

Committee of members  
established to Review the  
Agreement Establishing the CFC  
– Recommendations to be  
considered in October 2013



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Thank You