

# Common Fund for Commodities

Who are we? What do we do?



# Outline

- The Common Fund for Commodities - Organization and Mandate
- Basic Criteria for Projects to be Considered by CFC (Grant and Loan Financed)
- Project Example



# The Common Fund for Commodities - Organization and Mandate



# Mandate and Goals of CFC

- The CFC goal: To enhance socio-economic development of commodity producers
- To alleviate poverty through development focussing on commodities in “commodity dependent” countries
- To provide financial assistance for projects with focus on specific commodity problems or opportunities, cutting across national boundaries
- Priority on poorer commodity dependent producers and small and medium enterprises



# CFC Members

- Intergovernmental financial institution
- 107 member countries
- EC, AU, COMESA, SADC, ECOWAS, UEMOA, CARICOM, EAU, CAN

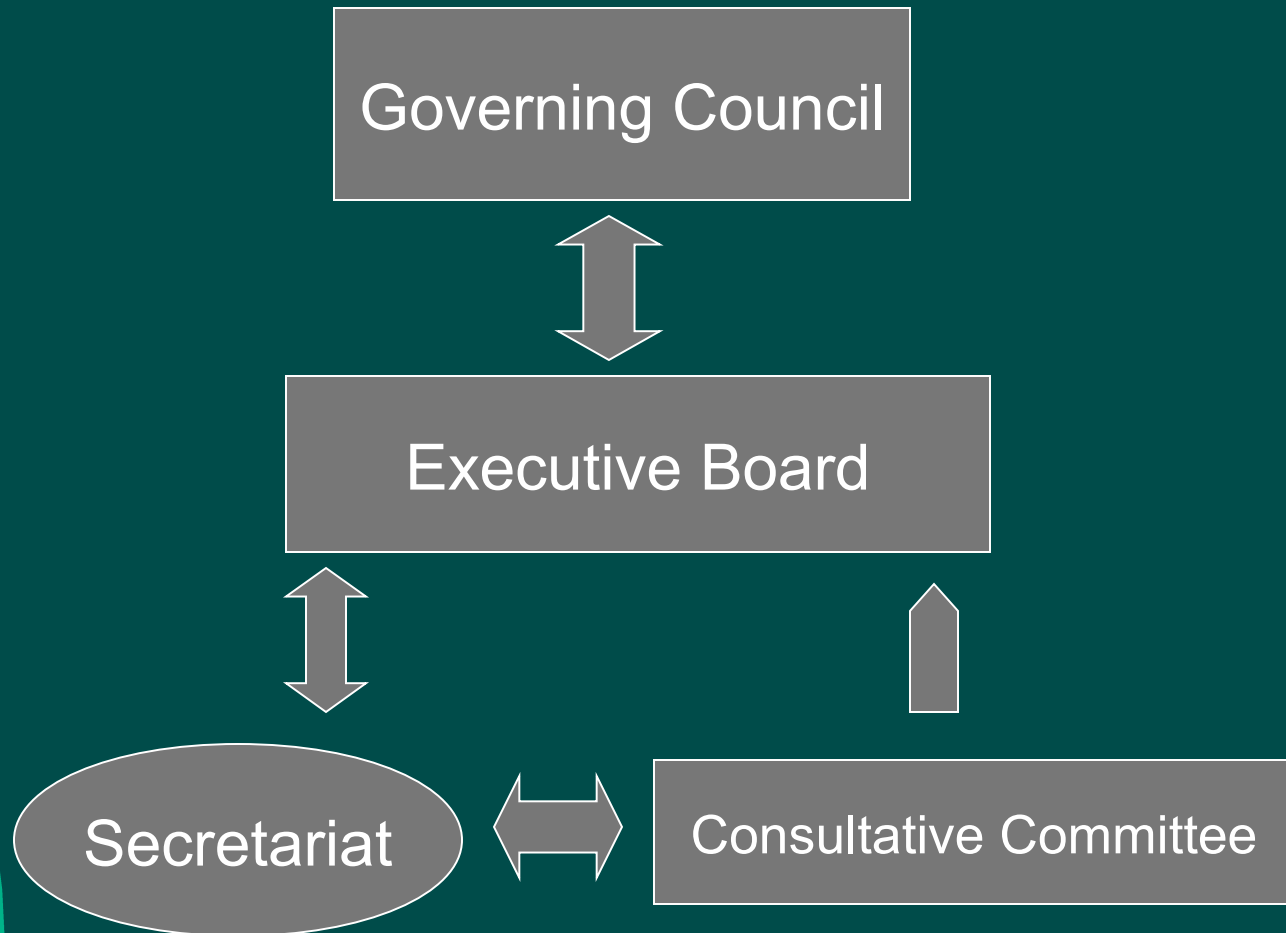


# Organization

- Secretariat established 1989
- Location: Amsterdam, The Netherlands
- 29 permanent staff



# Structure



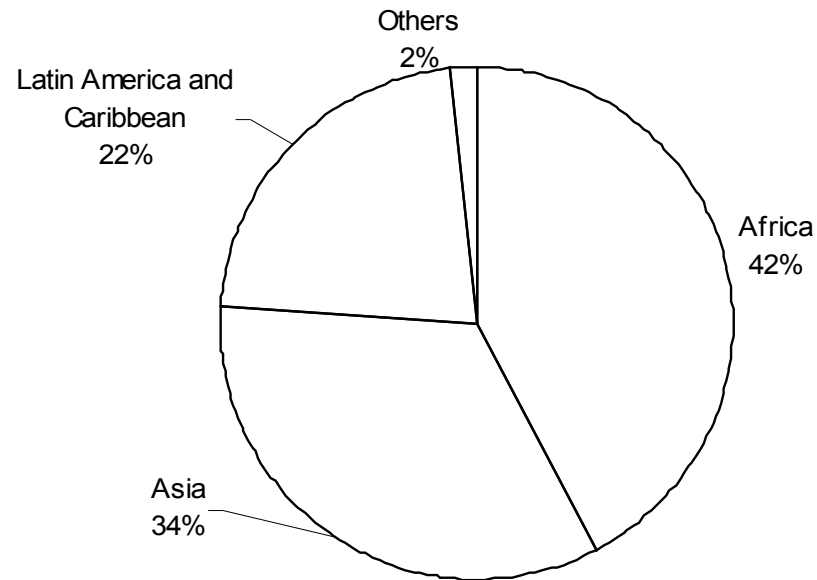
# What we do

- Operational since the early 90's
- CFC approved some 300 projects with total cost of USD 522mln, of which the Fund financed USD 270mln
- The CFC carries out:
  - ◆ Identification
  - ◆ Screening
  - ◆ Formulation
  - ◆ Appraisal, and
  - ◆ Identification of co-financiers

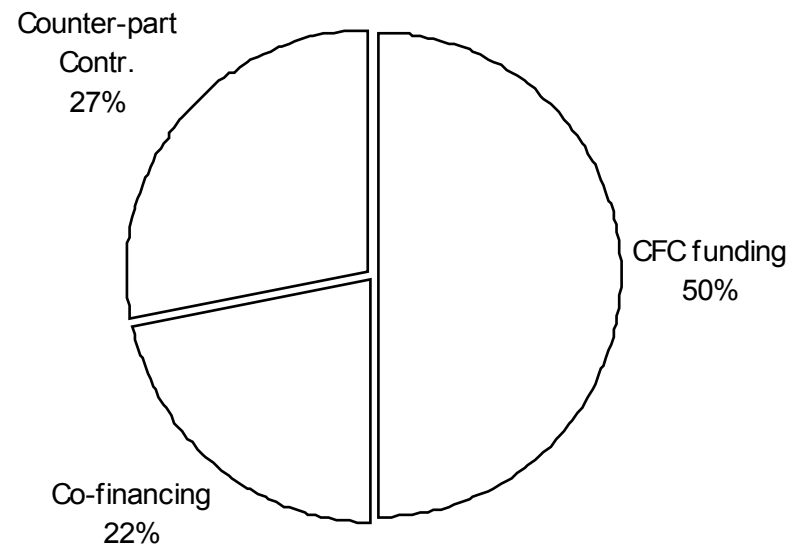




# CFC Operating Sites by Region



# Sources of finance for CFC projects



# Basic Criteria for Projects to be Considered by CFC



# Basic Criteria

- Average CFC contribution around USD 2mln as grant, loan, or a mix
- Must be endorsed by the designated ICB
  - - for grains and roots and tubers - FAO IGG on Grains
  - - for rice - FAO IGG on Rice
  - - for oil crops - FAO IGG on Oilseeds, Oils and Fats
- Must be in line with the CFC Five Year Action Plan



# Technical Criteria of the Fund

- Expected impact
- Beneficiary focus (poor farmers and SME's)
- Replicability
- Sustainability
- Cost effectiveness and
- Manageability
- CFC can use its Project Preparation Facility (PPF) to provide technical inputs to meet quality requirements of projects



# CFC Five Year Action Plan 2008 -2012

- Together with ICB's priority areas of intervention identified in the CFC Five Year Action Plan for 2008-2012
- Intervention areas will be reviewed periodically



# Areas of Intervention FAO IGG Grains

- ◆ Measures to Improve Structure of Markets (incl. Trade Financing, Risk Management, Warehouse Inventory and Receipt Systems)
- ◆ Development of New Markets for Industrial Use and Improving Small Scale Processing and Supply Chain Management
- ◆ Development of Grains/Cassava Based Biofuels Production Systems



# Areas of Intervention FAO IGG Rice

- ◆ Improving the Competitiveness of Domestic Rice Production / Promotion of NERICA in Africa
- ◆ Promotion of Irrigated Rice Production Through Introduction of Water Harvesting Techniques
- ◆ Development of Appropriate Price Risk Management Tools for Rice
- ◆ Processing, Marketing and Value Addition Support for Rice Producer Co-operatives
- ◆ Establishment of Biosafety Control Systems for Rice and the Development of Technical Capacity in that Field





# Areas of Intervention FAO IGG Oilseeds

- Development of oilseeds and oils based biofuel production systems
- Quality improvements and standards for oilseeds for export
- Small scale processing and supply chain management
- Applied Research and Development

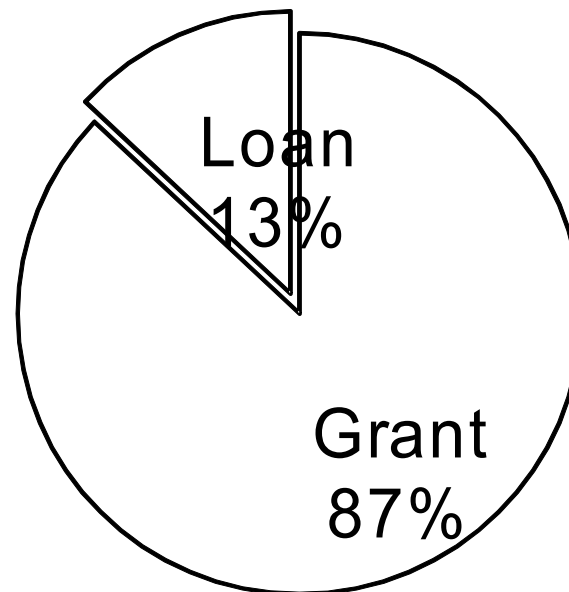


# CFC Loan Financing

- Any part of the CFC financial commitment can be given as a concessional loan
- Loans are one of means to increase impact of CFC by recycling funds
- Has recently been reviewed and possibilities expanded



# CFC Project Commitments



# Project Example: “West African Sorghum Supply Chain Development”



# Project Summary

- Implementing Agency: European Cooperative for Rural Development (EUCORD).
- Started in 2006 and likely to be completed by 2011.
- Total value (USD): 2,897,000
  - - CFC (USD): 1,527,000
  - - Other (USD): 1,370,000 (EUCORD in kind, Heineken and Guinness 500,000 USD each in cash).
- Pilot Countries Involved: Ghana and Sierra Leone.



# Background

- Sorghum generally grown in low rainfall and drought-prone areas - withstands moisture stress - low production risk
- In Africa, Sorghum represents the second most important cereal after maize.
- Declining domestic production stands in contrast to a steadily increasing demand.



# In short....

- The breweries in town want to buy sorghum to substitute imported barley but cannot find any reliable source.
- The farmers in remote areas would produce surplus sorghum, if they would have an assured market and access to inputs.



....There is a clear opportunity!

# Interventions in the Value Chain

- ★ Development of contract/partnership mechanisms between producers, input providers, intermediate agents and agro-processors.
- ★ At production level –training in GAP
- ★ Post harvest activities – improved storage, bulking at central delivery point





# Volume and Farm Revenues Ghana

| Year | Families | Qty<br>MT | Price<br>MT (USD) | Revenues<br>(USD) |
|------|----------|-----------|-------------------|-------------------|
| 2006 | 800      | 904       | 458               | 301,667           |
| 2007 | 3,500    | 1,272     | 413               | 405,000           |
| 2008 | 5,000    | 2,600     | 400               | 1,040,000         |



# Volume and Farm Revenues Sierra Leone

| Year | Families | Qty<br>MT | Price<br>MT (USD) | Revenues<br>(USD) |
|------|----------|-----------|-------------------|-------------------|
| 2006 | 250      | 40        | 300               | 12,000            |
| 2007 | 500      | 60        | 300               | 18,000            |
| 2008 | 800      | 170       | 400               | 68,000            |



# Institutional Impact - Initiatives in other countries

- ★ Diageo and Heineken have taken positive notice of the results and have embarked on a local sorghum procurement strategy in other African countries.
- ★ In November 2008 Guinness Cameroon SA launched a sorghum supply chain project in north Cameroon.



# Continued...

- ★ In February 2009, Brarudi S.A. started a similar project in Burundi.
- ★ Following the same value chain development model, Bralima S.A., the leading brewery in the Democratic Republic of Congo (DRC) started a rice supply chain project.
- ★ World bank started a dialogue with EUCORD in order to incorporate a sorghum value chain component in the upcoming Kenya Agricultural productivity and Agribusiness Project (KAPAP).



# Thank you!

For further information:

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