



**WEBINAR Trade Finance:
CFC's inclusive model serving exports of SME's in developing countries**

Thursday 17 September 2020
1 PM CET

Agenda

PRESENTATION (30 Minutes)

- Introduction
- Trade finance: Background and relevance to SDG's
- CFC's inclusive trade finance model
- Impact and scaling opportunities
- Main criteria for application



Axel Gruber
Chief Operating
Officer



Sonja Timmer
Project Manager /
Investment Officer

QUESTION & ANSWER SESSION (30 minutes)

Disclaimer

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The Common Fund for Commodities

- International financial institution
- Headquarters: Amsterdam, the Netherlands
- Established under the auspices of the United Nations
- Secretariat established in 1989
- 101 members countries and 9 Institutional Members

Our mission: contribute to poverty alleviation in the commodity sector



30

years

>40

types of commodities covered mainly in agri sector

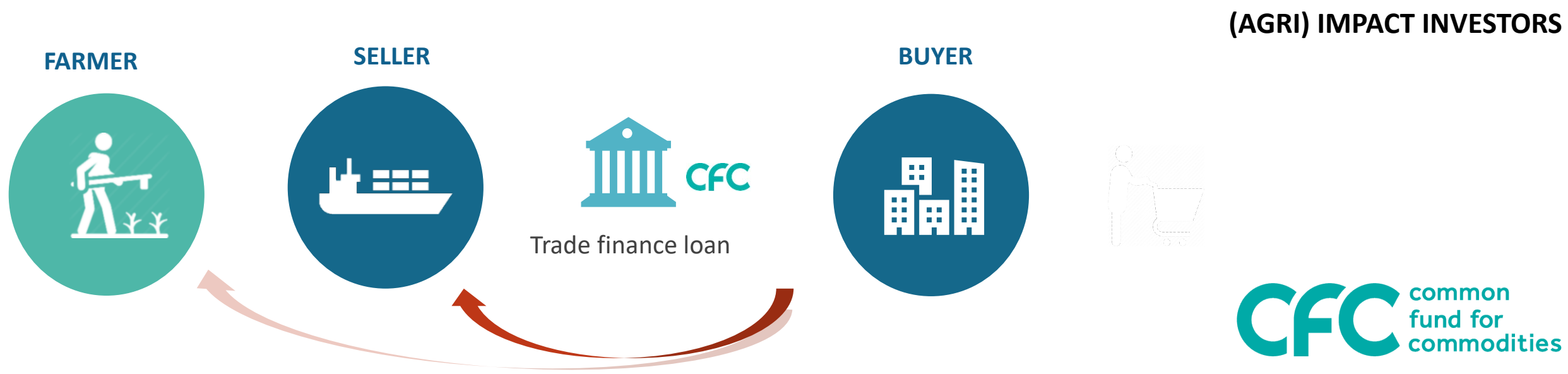
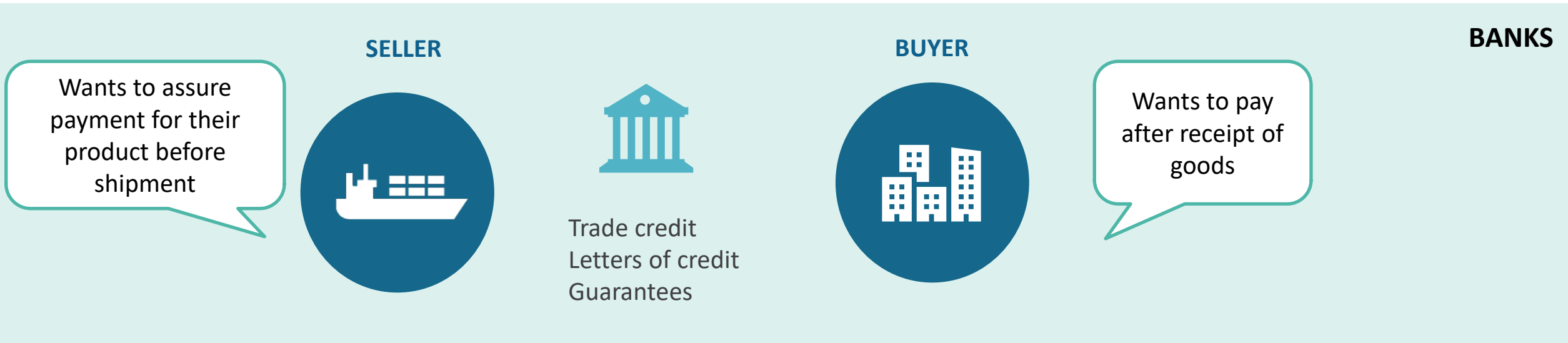
\$90

million

fund



What is trade finance?



Lack of access to trade finance major barrier for trade

Access to trade finance **often cited as top-3 obstacle** for export and economic diversification in developing countries.



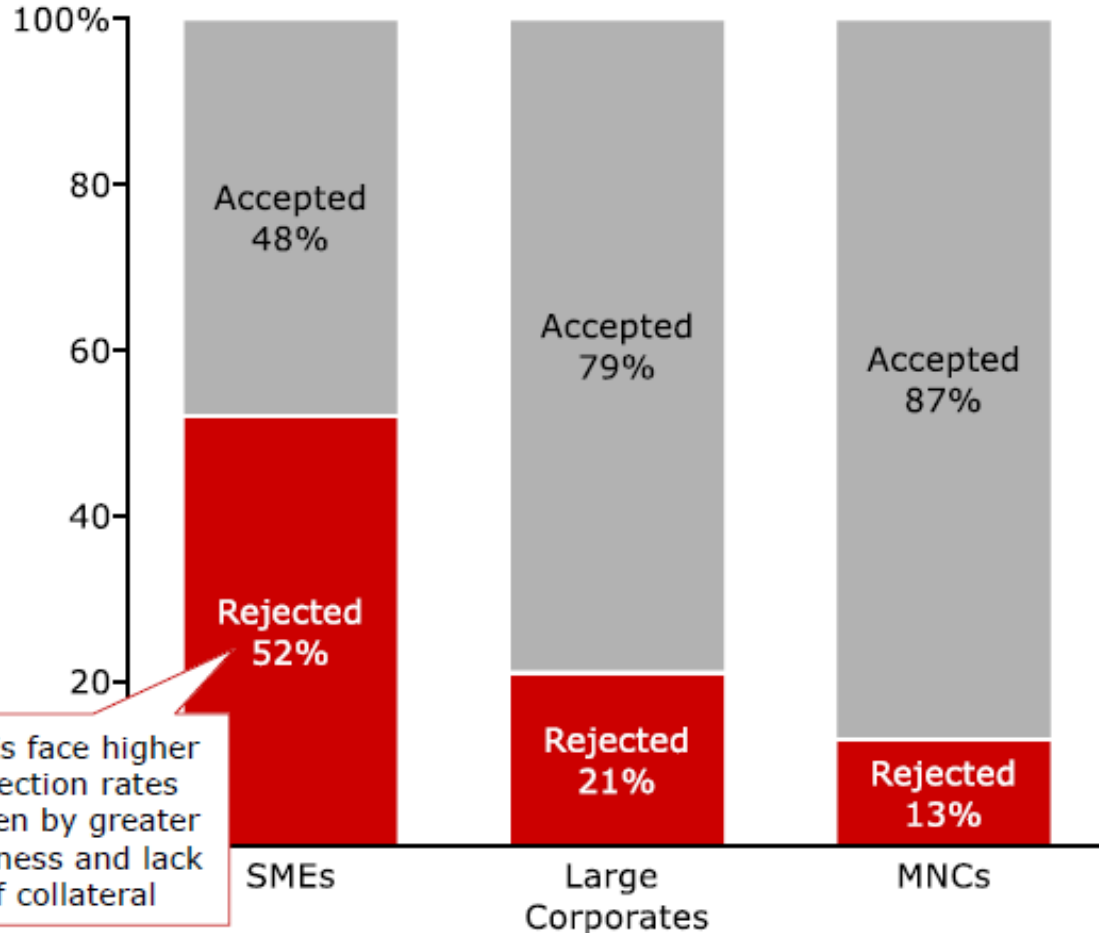
Source: OECD-WTO Aid for Trade Monitoring exercise, 2019

Even greater challenges for:

- Commodity dependent countries
- SME's accounting for 70-90% of GDP
- Rural poor relying on agriculture as main source of income

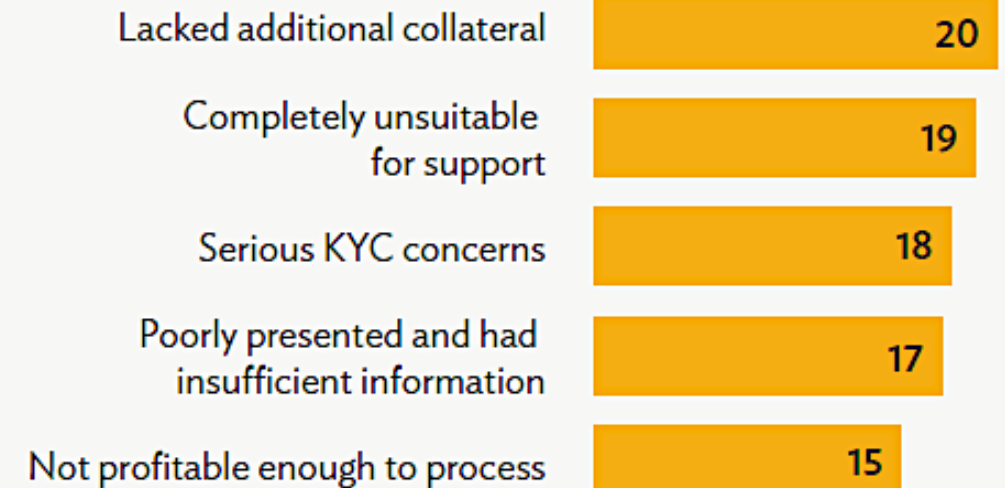
SME's face higher rejection rates

TRADE FINANCE REJECTIONS BY SEGMENT



Source: WTO, ADB

REASON OF REJECTION (in %)

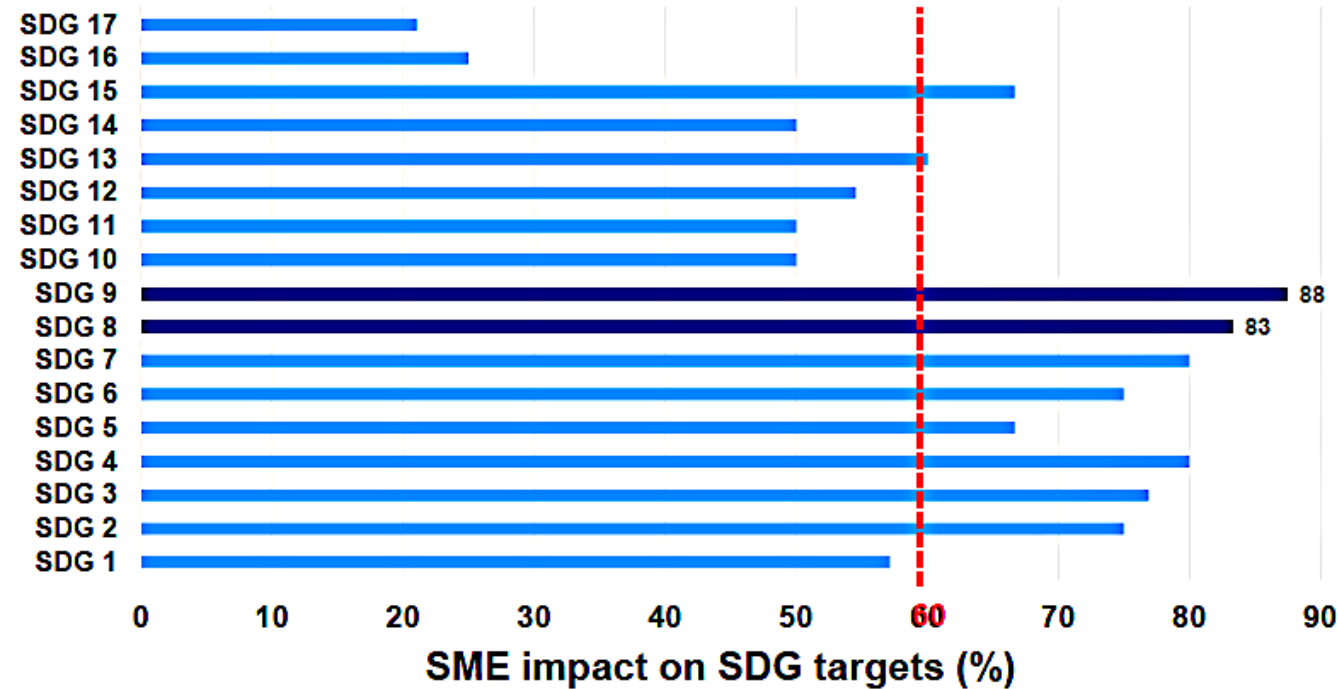


Source: OECD-WTO Aid for Trade Monitoring exercise, 2019

Access to trade finance for SME's essential to Sustainable Development Goals

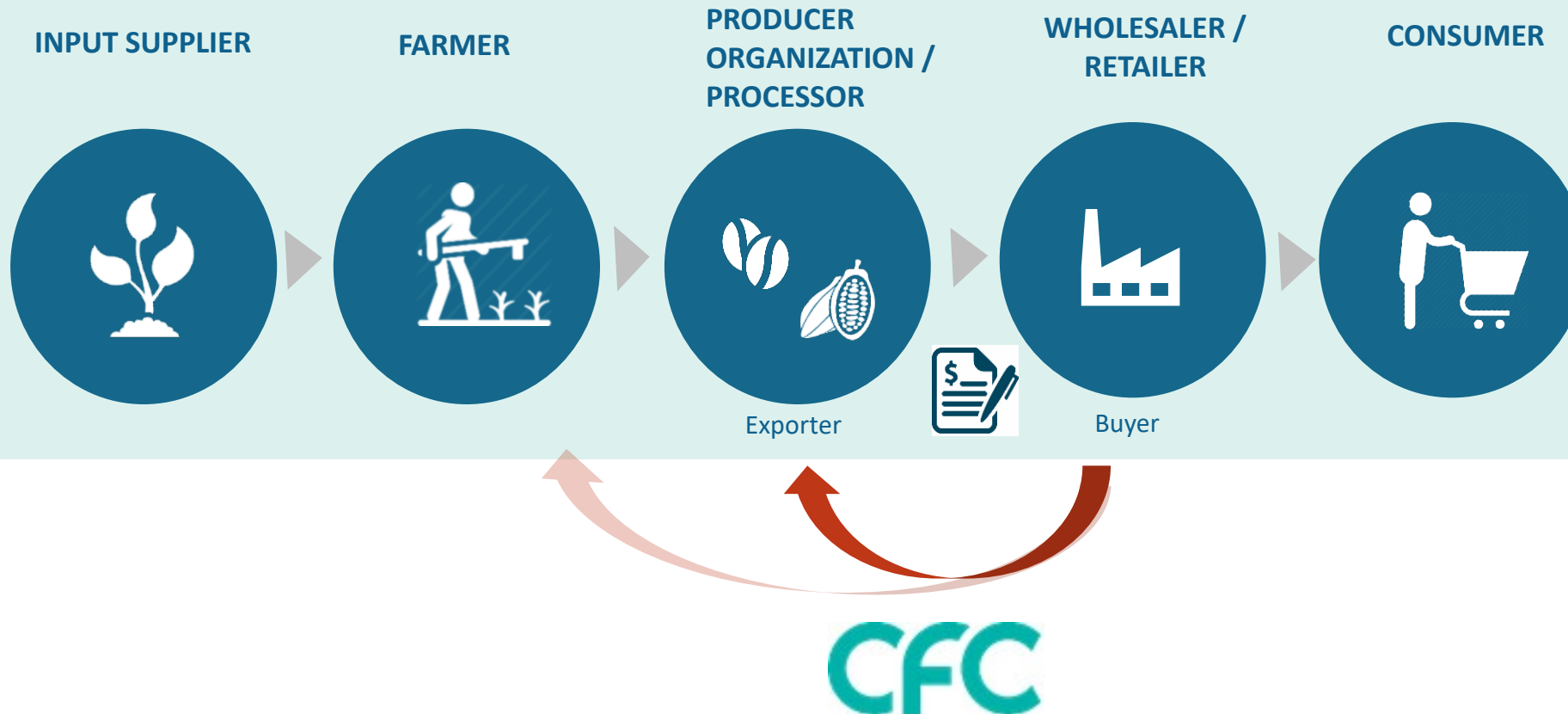


Source: Asian Development Bank (ADB), 2019



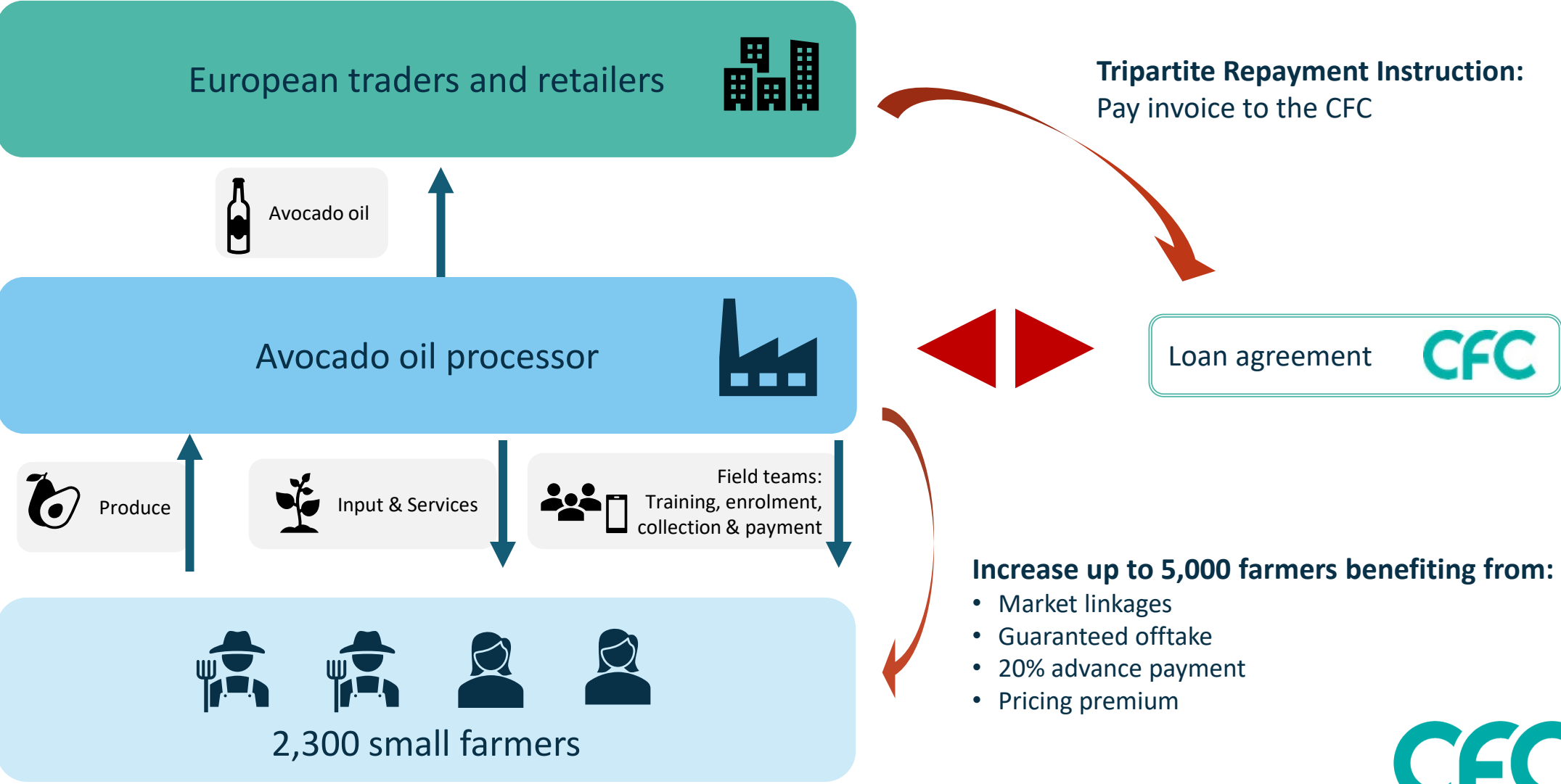
Source: International Trade Center (ITC), 2019

Trade finance: relies on strong relationship between buyer and seller



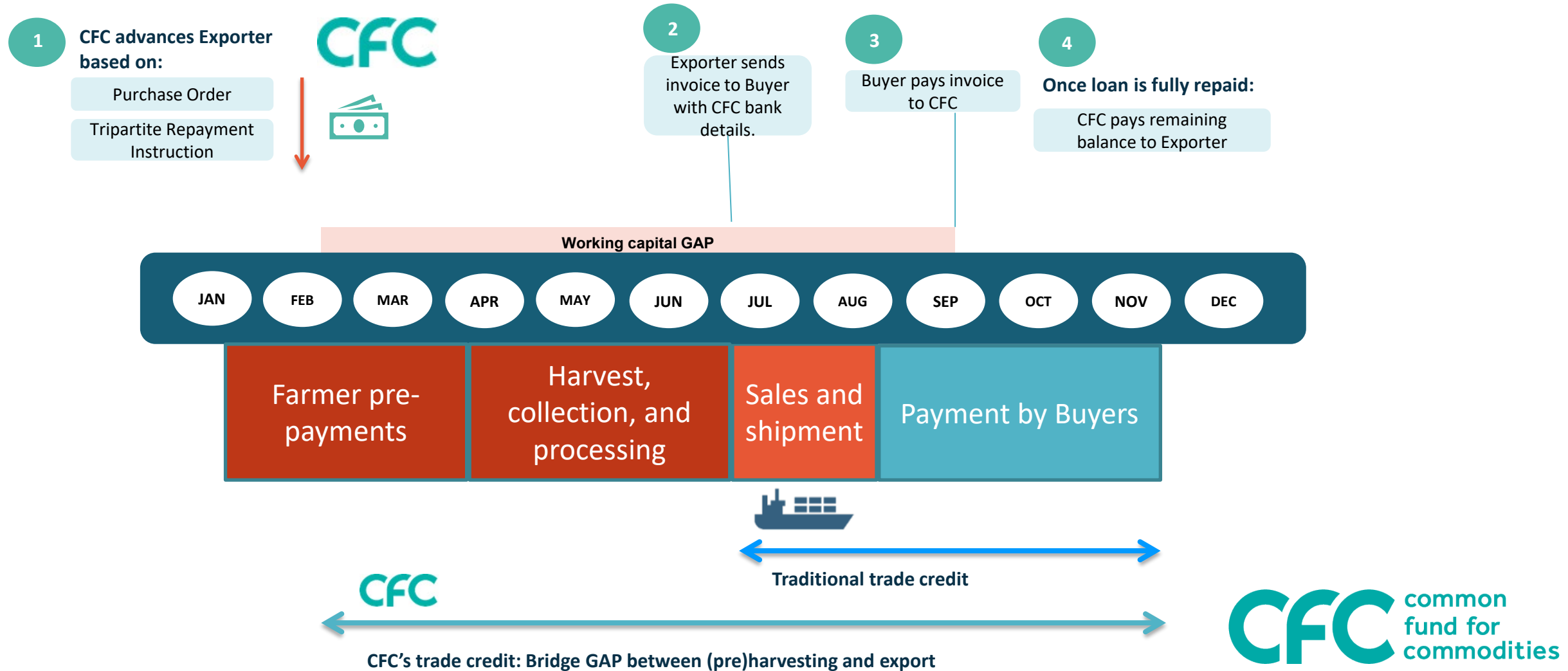
- ✓ Access to finance without collateral requirement
- ✓ Bridge the payment gap between harvest and export

An example: scaling responsibly sourced avocados from smallholders



- Increase up to 5,000 farmers benefiting from:**
- Market linkages
 - Guaranteed offtake
 - 20% advance payment
 - Pricing premium

Bridge the payment gap between harvest and export



Main benefit: scaling potential for exporter, buyer and farmer



FARMER

- ✓ Immediate offtake and payment of harvest in cash

DEPENDENT ON OUTGROWER MODEL:

- ✓ Guaranteed off-take
- ✓ Advance payment
- ✓ Input services



COMMODITY EXPORTER

- ✓ No collateral
- ✓ Potential to scale export
- ✓ Secure supply, strong farmer relationships

- ✗ Admin and documentary requirements



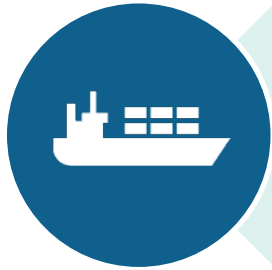
BUYER

- ✓ Potential to scale purchases
- ✗ Sign tripartite repayment instruction

Trade Finance

Financing solutions targeting SME's

Loan amount between USD 300,000 – USD 1,500,000



Trade Finance

Working capital advances based on (export) sales contracts

< 12 months, annual extension option

USD 300,000 –
USD 1,500,000



Working Capital

Working capital loan secured by pledge over inventories and/or receivables or guarantee

< 12 months, annual extension option



Term Loan

Investments in plant, machinery, equipment secured by mortgage / pledge over fixed assets or guarantee

< 5 – 7 years, 2 year grace period



Main criteria

- 1 Active in (agri)commodity chain in CFC member country
- 2 Strong social and environmental impact
- 3 Viable business model, supported by audited financial statements
- 4 Track record > 3 years
- 5 50% financed by other financiers or own resources.

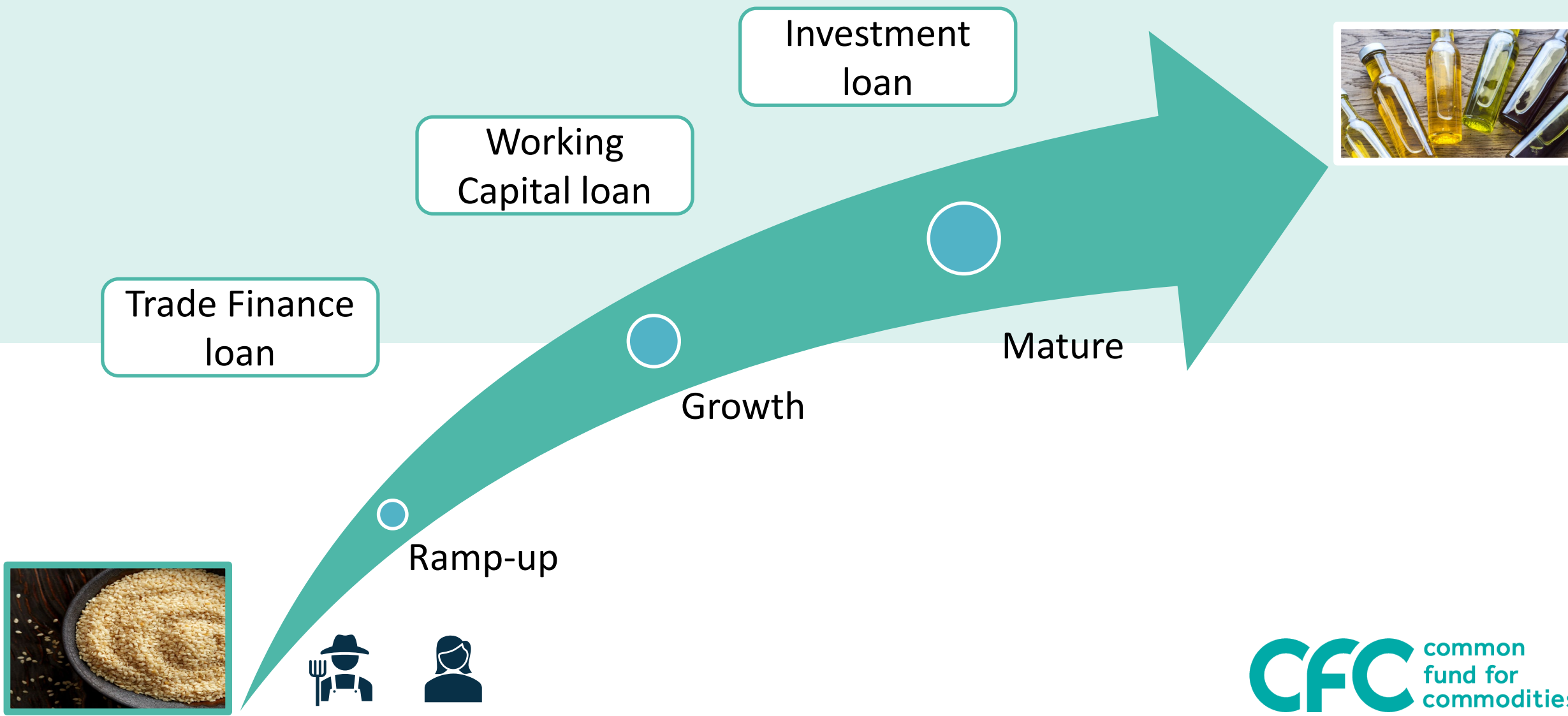


For Trade Finance

Strong buyer relationships:

- 1 Established relationship > 1 year
- 2 Minimum sales per buyer > USD 100,000
- 3 Buyer contracts in hard currency (USD, EUR, ...)

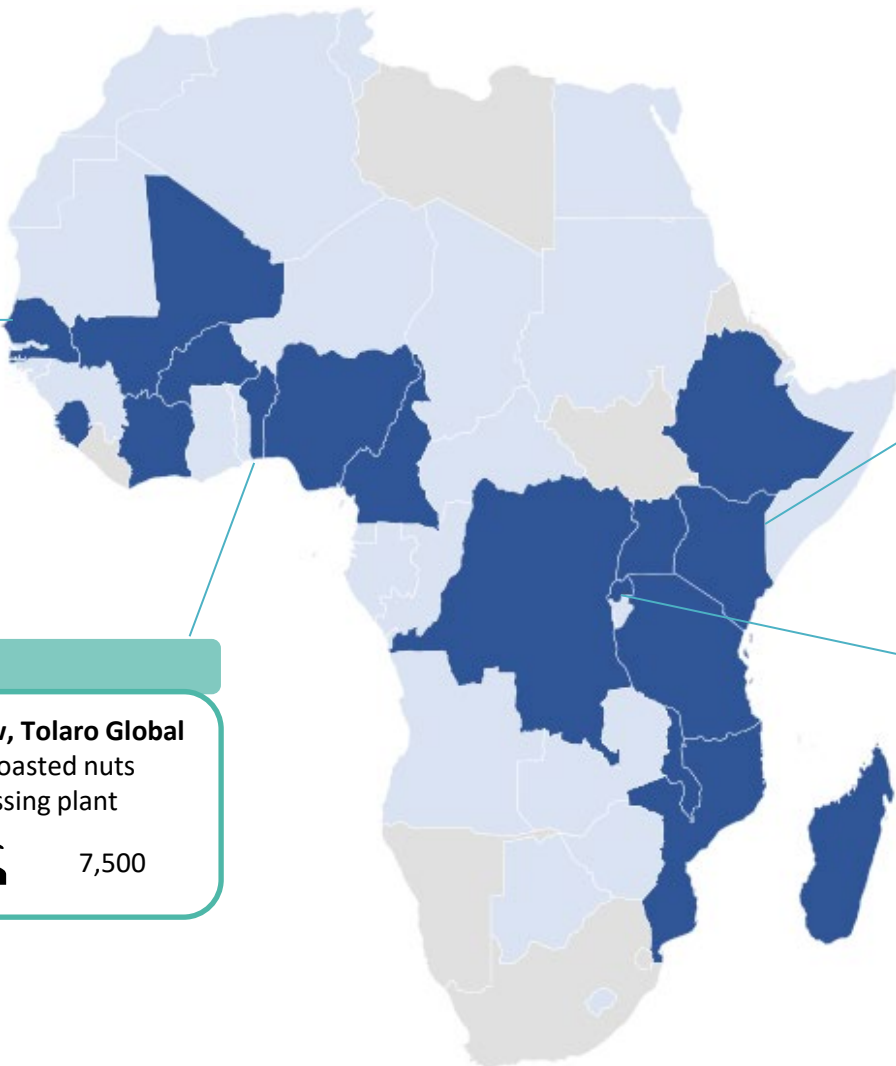
Support growth and future potential of inclusive agri-businesses



CFC projects in value addition and smallholder inclusion

Examples in Africa


■ CFC Member country
■ CFC Member country with outstanding project(s)



Senegal

Rice, CNT

- Equipment for land management
- High quality seeds for small outgrowers

 3,250

Kenya


Macadamia nuts, Ten Senses Ltd

 5,000

Benin

Cashew, Tolaro Global


- First roasted nuts processing plant

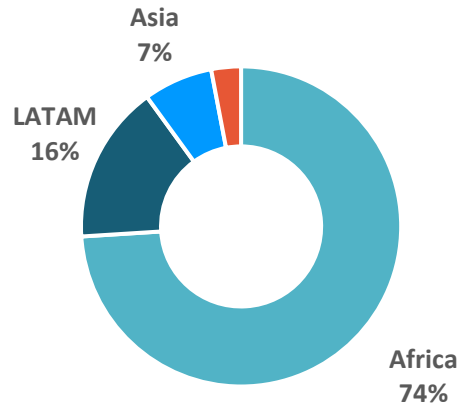
 7,500

Rwanda & DR Congo

Coffee, Coopac Rwanda

- Coffee washing stations
- Working capital

 7,600



Application, assessment and reporting

Application via Call for Proposals every 6 months with deadline in April and October



Application

- Business / impact profile
- Business / project plan
- Financial statements

Consultative Committee



Due diligence

- Social, environmental, financial, and operational assessment
- Onsite visit

Executive board approval

Loan agreement



Reporting requirements after signing

- Progress report (including impact indicators)
- Audited financial statements
- Cash flow budget
- Quarterly management accounts



6 months



DEADLINE upcoming Call for Proposal: **15 October 2020**

More info: www.common-fund.org



Common Fund for Commodities
Rietlandpark 301, 1019 DW Amsterdam
P.O.Box 74656, 1070 BR Amsterdam
The Netherlands
Tel: (31 20) 575 49 49
E-mail: info@common-fund.org
Website: www.common-fund.org



Thank You

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work for everyone

Contact Us

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