PREFINANCING MECHANISMS FOR FAIR TRADE

13 FACTSHEETS FOR COMPANIES AND PRODUCER ORGANISATIONS

FOREWORD

This publication is the result of a study commissioned in 2014 by the French Fair Trade Platform (Plate-Forme pour le Commerce Equitable – PFCE), in partnership with Max Havelaar France and Ethiquable, on **existing mechanisms for the pre-financing of agricultural production campaigns in the fair trade sector**.

This study takes place in the context of a **National Action Plan for Fair Trade in France** (2013-2016), which encourages the development of funding (public and/or private) to meet the needs for pre-financing of importers and producers' organizations. The study thus sought to identify and disseminate good practices and innovative mechanisms for the pre-financing of agricultural production campaigns in fair trade.

The research was conducted by the CERISE network and led by a steering committee consisting of PFCE, Max Havelaar France, Ethiquable, the French Ministry of Foreign Affairs and International Development, the French Development Agency, the Region Ile de France and the Crédit coopératif bank.

It led to the realization of these **fact sheets presenting the offer of 11 financial institutions as well as 2 innovative financial tools**, participative funding (or crowdfunding) and employee savings. It has identifies recommendations to enhance, improve and disseminate good practices.

For more information:
www.commercequitable.org

AUTHORS

CERISE is an professional network dedicated to exchanging on microfinance, investment and social banking.
The association aims at supporting and promoting ethical and responsible finance in Europe and in the South, in order to contribute to social and economic development by defining and sharing social assessment tools and studies with financial institutions and their partners, thus promoting improved social performance of these structures.
www.cerise-microfinance.org

The French Fair Trade Platform (Plate-Forme pour le Commerce Equitable – PFCE) is the principal NGO representing the Fair Trade movement in France.
PFCE gathers 30 member organisations whose networks represent around 1000 organisations in France. PFCE's mission is to promote and defend Fair Trade.
www.commercequitable.org

Max Havelaar France is a non-profit association (law 1901), resulting from the civil society.
The role of Max Havelaar France is to manage and promote the Fairtrade/Max Havelaar label with businesses and raise the awareness among the French public about fair trade, for contributing to improve living conditions of producers and their communities in developing countries.
ww.maxhavelaarfrance.com

Ethiquable is a French cooperative company (SCOP) that specializes in the sale of organic and fair trade products. It is based in Fleurance (Gers).
Ethiquable builds projects with organic producers' organizations in Latin America, Africa, Asia and in France. Ethiquable works with small producers' cooperatives, assisted by a team of agronomists in the field.
www.ethiquable.coop

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OTHER INNOVATIVE FINANCING TOOLS

This document was produced by CERISE in 2014 as part of a study commissioned by the French Fair Trade Platform with the backing of the Ministry for Foreign Affairs, the French Development Agency (AFD), the region Île-de-France, Crédit coopératif and Max Havelaar France. The analysis is based on interviews with fund managers and a document review. The producer organizations benefitting from these services were not directly contacted for their opinions. The assessment of this tool is therefore based on limited information and each producer organization should study the potential benefits of the proposal according to their own criteria.

Plate-Forme pour le Commerce Équitable - www.commercequitable.org

ALTERFIN

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Alterfin is a social investor that has been raising funds in Belgium since 1994 in order to invest in developing countries through microfinance institutions and producer associations linked with Fair Trade.

TYPE OF PROPOSAL	**Crop pre-financing:** covered by sales contracts. **Investment loans:** often associated with investment in working capital. Represents approximately 10% of Alterfin's Fair Trade portfolio.
REGIONS / COUNTRIES	**Asia:** Cambodia, Laos. **Central and Latin America:** Argentina, Bolivia, Chili, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru (which represents 20% of the portfolio), Dominican Republic, Salvador. **Africa:** Benin, Burundi, Ivory Coast, Kenya, Democratic Republic of the Congo, Senegal, Tanzania, Togo. **Middle East:** Palestinian territories.
USE OF FUNDS / TARGETED VALUE CHAINS	In 2013, 51% of Alterfin Funding was invested in producer organizations. Products funded include: wine, coffee, brazil nuts, honey, cocoa, bananas, sesame, sugar cane, olive oil. Approximately half of Alterfin's Fair Trade portfolio is dedicated to financing coffee. Since 2013, Alterfin has also been financing quinoa and rice. 90% of Alterfin's partners are certified Fair Trade (FLO) et 82% are certified organic.
AMOUNTS	**Minimum:** 75 000 EUR. **Maximum:** 2.5 million EUR. **Most frequent:** quite varied amounts (150 000 – 1.5 million EUR). **Average loan**: 350 000 EUR. **Commodities:** up to 90% of the order.
CURRENCY, RATES AND COMMISSIONS	**Currency:** USD or EUR. **Interest rates:** Between 8% et 9.5% in USD, between 7% et 8.5% in EUR, to which a commission of 0.5% of the amount of the loan should be added.
DURATION	**Minimum:** 1 month (pre-financing). **Maximum:** 1 year (pre-financing) to 5 years (investment). **Average:** 10 months for agriculture.
GUARANTEES	**Crop pre-financing:** Endorsed sales contract. **Investment financing:** Physical collateral (mortgage, office, equipment, farm buildings, land) or a letter of indemnity from a third party.
RISK MANAGEMENT	- Part of Alterfin's portfolio is also guaranteed by the Alterfin Guarantee Fund. Its aim is to collect funds that can be used as a guarantee for the poorest partners in the South who are not in a position to provide sufficient sureties. The fund has also, on a very small scale, started to cover foreign exchange risk for loans in local currency. Contrary to the cooperative, this fund derives its means from donations, mainly from members of the cooperative. The Guarantee Fund currently covers more than one million EUR worth of financing by the Alterfin cooperative. - Co-financing, in particular through specific funds such as FOPEPRO (in Latin America) and FEFISOL (in Africa), to reduce risks. - Agro-climatic risks: The loan can be restructured if the harvest is affected by disease or weather related incidents. - Risks related to governance, which evolves regularly within cooperatives: These risks can create instability in the relations between Alterfin and the producer organizations. - Price risk: Falling prices could reduce the credit demand and undermine institutionally weaker partners who may then face difficulties reimbursing their loans.

ELIGIBILITY CRITERIA

- At least 2-3 years activity.
- Size: Must be able to provide proof of a minimum investment of 100 000 USD, annual sales of 300 000 USD and concern 75 producers.
- Governance / management quality: Operational self-sufficiency >90% and positive trend.
- Certification: Alterfin traditionally works with organizations that have obtained FLO certification. The great majority of Alterfin's partners are certified Fair Trade with the label FLO (90%) and are certified organic (82%). Alterfin is now working with partners certified with other labels and, in particular, a growing number of UTZ or Rainforest Alliance certified products.

GRANTING PROCEDURE

Loan application procedure: Each finance application is screened; then an Alterfin credit manager does a due diligence visit on site and prepares a report which is presented to the credit/investment committee, which then examines the social/institutional/governance criteria and the economic/financial criteria. **Duration of procedure:** Once the credit/investment committee has approved the application, the funds are disbursed. This is generally one month to two months after the credit manager's site visit.

MONITORING

There are two visits per year. During these visits Alterfin gathers financial reporting, progress reports on the crop, sums that have been invested in the crop, sales contracts signed, etc.

LEVERAGE EFFECT

Alterfin's presence creates leverage which boosts its partners' growth.

ALTERFIN'S OUTLOOK AND STRATEGY

Alterfin hopes to continue investing 50% of its total funds directly in agriculture and to diversify its portfolio towards financing food and cash crops for local markets.

It wishes to support producer organizations and use mechanisms which will reduce the risks associated with investing in producer organizations.

Alterfin has seen a decrease in demand for FLO certified products in favor of organic products and less demanding certifications (in particular UTZ).

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Alterfin is a pioneer in the field of pre-financing. It is often one of the first to offer financing to a producer organization hence boosting its chances of success.
- It offers diverse financing opportunities that combine pre-financing and investment loans. It finances a wide range of foodstuffs.
- Alterfin gives access to small loans (75 000 USD) to producer organizations with limited needs in terms of financing.
- Alterfin offers financing in Asia, Latin America, Africa and the Middle East, and its offer benefits from the use of specialized funds such FEFISOL et FOPEPRO.
- Technical assistance may be made available for its African partners through FEFISOL.

CPC, AN EXAMPLE OF AN ORGANIZATION FINANCED IN LAOS

www.cpc-laos.org

CPC is an association which brings together coffee producers from the Bolaven Plateau. The association was founded in 2007 thanks to a collaborative effort between the French Development Agency (AFD), the Laotian government and members of CPC. Made up of 2 650 families from the south of Laos, most of whom live under the poverty line, CPC is certified Fair Trade (FLO) and organic.

Alterfin disbursed a first loan of 205 000 USD to the AGPC in 2009. Alterfin thereby became the first international investor in CPC. Two further loans were disbursed in 2010 and 2011 of 400 000 et 500 000 USD respectively. These loans have always been reimbursed in a timely fashion and collaboration with the Laotian association has always gone smoothly. At the end of 2012, Alterfin granted a loan of one million USD to CPC. This new loan is guaranteed by the sales contract with Malongo, the exclusive importer and distributor of CPC coffee in Europe.

FEFISOL

FEFISOL

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FEFISOL (Fonds européen de financement solidaire pour l'Afrique) was launched in July 2011 by SIDI, ALTERFIN, and ETIMOS. FEFISOL's goal is to provide funds for microfinance institutions, producer organizations and small enterprises located in rural regions of Africa where access to loans is extremely limited.

TYPE OF PROPOSAL	Crop pre-financing and investment funding for producer organizations and SME's, certified or not. *(As of 31/10/2014, no disbursement related to investment funding had been made.)*
REGIONS / COUNTRIES	FEFISOL's activities are focused on the African continent: Ivory Coast, Tanzania, Uganda, Democratic Republic of the Congo, Malawi and Togo.
USE OF FUNDS / TARGETED VALUE CHAINS	Working through Fair Trade supply chains, FEFISOL primarily supports the production of cocoa and coffee but also shea butter. FEFISOL finances various other foodstuffs through organic supply chains (fruit and vegetables, nuts, honey). A single food product cannot represent more than 20% of the portfolio of a loan.
AMOUNTS	**Minimum:** 100 000 EUR. **Most frequent:** Varied amounts; the average is in the region of 500 000 EUR. **Commodities:** The sales contract must cover 110% of the loan amount.
CURRENCY, RATES AND COMMISSIONS	**Currency:** USD or EUR. **Interest Rates:** 8 % in EUR, 9 % in USD, to which between 0,5-1 % commission should be added.
DURATION	12 months for crop financing.
GUARANTEES	**Crop pre-financing:** Endorsement of sales contract.
RISK MANAGEMENT	- In case of problems (for example, the importer breaks the contract), the interest on the loan to the producer organization continues to accrue until FEFISOL has been reimbursed. It is up to the producer organization to find another buyer for its merchandise. - In order to share the risks, FEFISOL uses co-financing in the majority of its transactions, in particular with Alterfin and responsAbility. - Agro-climatic risk: When confronted with this recurring problem, the loan can be restructured if necessary.
ELIGIBILITY CRITERIA	- At least 2 years activity. - Lack of Fair Trade certification does not necessarily exclude the applicant. FEFISOL does in fact provide financing to a partner that has lost its certification. - Minimum sales contract: 150 000 EUR.
GRANTING PROCEDURE	**Loan application procedure:** Pre-appraisal: verification of eligibility criteria, pre-screening committee. On-site visit of 2 to 3 days. The investment officer carries out a due diligence visit and drafts a full proposal which is then submitted to the investment committee which meets on a monthly basis. **Duration of procedure:** 1 to 3 months.
MONITORING	Regular monitoring of key performance indicators. Consolidation of data in an annual social and environmental report. Visits carried out twice yearly.

FEFISOL'S OUTLOOK AND STRATEGY

Financing investment is still difficult as it is rarely linked with capacity building activities. In fact this is the principal hurdle for producer organizations seeking self-empowerment and growth (as an example: investing in a factory to insource foodstuff processing should go hand in hand with technical assistance that will allow the producer organization to manage this new activity and improve its administrative management capacities).

FEFISOL has had a growing demand for start-up funding but this is difficult as 2 years activity is mandatory to be eligible. This certainly seems to be a need we could address.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- FEFISOL has a strong social strategy, supporting organizations that are excluded from the formal financial sector. They operate in rural regions in Africa and specialize in agricultural financing.
- FEFISOL offers a wide range of financial solutions, combining crop pre-financing and investment funding.
- A key element of FEFISOL's offer is the technical assistance which they provide (see example below) and the small loans they offer (100 000 EUR) for relatively small organizations. 80% of the loan portfolio is in the local currency.
- FEFISOL's offer is only available on the African continent. It concerns a limited number of food products (mainly cocoa and coffee), but no sectors are excluded.

ACPCU: AN EXAMPLE OF AN ORGANIZATION FINANCED IN UGANDA

www.acpcultd.com

ACPCU (Ankole Coffee Producers Cooperative Union) is a federation of cooperatives in the south-west of Uganda with substantial experience in the production and the selling of coffee. FEFISOL opened a credit line of 450 000 USD over 9 months at 9% for APCU in Uganda for the crop year 2012/2013. Since then, FEFISOL has renewed its financing each year. The credit line was increased to 600 000 USD and the term lengthened to 12 months the following year. FEFISOL also provided ACPCU technical assistance worth 27 000 EUR in order to share experiences and for training and backing for their Fair Trade/organic certification.

IMPACT FINANCE

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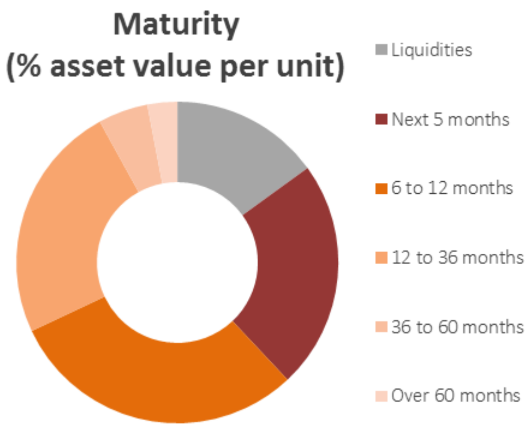
Impact Finance was born out of the coming together of two entrepreneurs specialized in microfinance and an environmental expert. They launched Impact Finance Management SA in Geneva, Switzerland, in June 2010. The Impact Finance fund began operating in October 2011. It is an open-ended fund based on debt supply. The fund supports the growth of companies with a positive social, economic and environmental impact and who work to alleviate poverty.

TYPE OF PROPOSAL

Short and long term loans.
Impact Finance's objective is to have 50% of its funds in short term loans (under 12 months) and 50% in loans of over 12 months (with 25% in loans of over 36 months including capital investments).

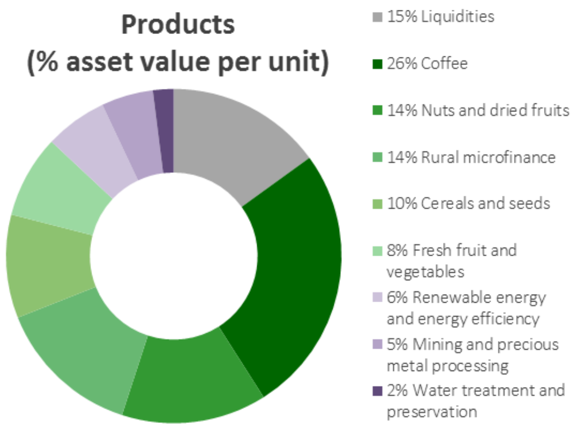


REGIONS / COUNTRIES

High concentration of activities in Latin America (Peru, Colombia, Nicaragua, Ecuador, Bolivia) with an office in Colombia, activities in other countries depending on opportunities (Cambodia, Georgia, Madagascar, etc.)

USE OF FUNDS / TARGETED VALUE CHAINS

Impact Finance invests in "high impact enterprises" (access to renewable energy, water, training, etc.) but particularly supports a wide range of agricultural activities.
Impact Finance supports all the steps of the supply chain (production, processing, commercialization, etc.)
It targets mature sectors like coffee, but has also cautiously started working in less developed sectors (nuts, dried fruits, fresh fruit and vegetables, quinoa, etc.) where demand is strong and the products have a high added value.



AMOUNTS

Minimum: 150 000 USD (Impact Finance may lower the threshold to 600 000-700 000 USD if the outlook is short term). **Maximum:** 5 million USD. **Average:** 550 000-600 000 USD.

CURRENCY, RATES AND COMMISSIONS

Currency: Loans are available in EUR, CHF, USD. Exchange rate risks covered by MFX for loans in local currency. **Interest rates**: 8-11 % in the three strong currencies to which an additional cost of 3-4% is added to cover risk on loans in local currency. There is the possibility of obtaining lower interest rates when social performance is good (example: adhering to environmental and social criteria in a gold mine in Peru).

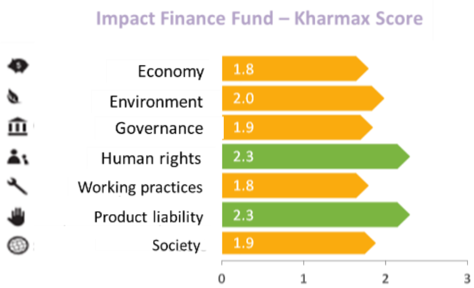
DURATION

6-12 months for short term loans. Up to 6 years for long term loans.

GUARANTEES

Tripartite contracts. Physical guarantees on inventory and stock (a local third-party, under contract to Impact Finance, will regularly verify the condition of the stock).

RISK MANAGEMENT	Risk is managed by closely monitoring partners, through diversification of the sectors financed and by targeting well developed agricultural activities.
ELIGIBILITY CRITERIA	**Required documents:** 3-5 year business plan, including financial forecasts; audited and unaudited accounts (last three years and last two quarters); monthly cash flow projections which integrate the proposed investment; legal documents (statutes, operating license, etc.); CV's of the management and board of directors as well as the organization chart; the capital structure with the main shareholders and a list of the main borrowers; external ratings and certification (ISO, Fair Trade labels, organic, etc.)
GRANTING PROCEDURE	**Loan application procedure:** Initial documents, selection committee, 2-day field visit, investment committee. Social and environmental study carried out using "Kharmax" analysis tool (see illustration). **Duration of procedure:** 2.5 - 3 months.
MONITORING	Monitoring every 6 months. Annual visit. Updating of "Kharmax" analysis tool (see illustration).
LEVERAGE EFFECT	Impact Finance has a tool which indicates if it is the principal investor in an enterprise. As of Quarter 2 this is the case for 5 out of the 23 enterprises in its portfolio.



IMPACT FINANCE'S OUTLOOK AND STRATEGY

In 2014, the fund covered the overheads necessary to operate the investment vehicle. Thanks to the growth in investments, interest rates should decrease. Though the fund may be progressively more exposed through investments in sectors with a high social, economic and environmental value, the funds principal activity continues to be focused on food and agricultural value chains. These sectors have developed economic models based on processing companies, cooperatives and distributors and now boast a track record and clearly defined markets. Scope for growth in new sectors (nuts, dried fruits, food additives, etc.) and new territories (Indonesia, Rwanda, etc.)

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Financing is offered on a short and long-term basis and is aimed at a range of agricultural sectors. Impact Finance provides support throughout the sector to allow it to strengthen and develop.
- Impact Finance promotes social and environmental attitudes.
- Impact Finance works mainly in Central and Latin America today. Impact Finance's offer, through loans, targets producer organizations with solid bases.

UNION PROAGRO, AN EXAMPLE OF AN ORGANISATION FINANCED IN BOLIVIA

www.coopcoffees.coop/union-pro-agro

Union ProAgro is a coffee producer cooperative created in 2000 and located in Caranavi, in the foothills of the Andes, east of La Paz. The cooperative has 192 members and 5 collection centers, fully equipped to clean and dry beans. In La Paz, ProAgro has a sorting and packing center. The cooperative exports 15 containers per year, the majority of which are certified organic and Fair Trade. ProAgro also manages a portfolio of loans to its members.
After pre-financing two crop years, Impact Finance backed the organization with a long term loan (100 000 USD, 3 years) to purchase an optical selector.

INCOFIN FAIRTRADE ACCES FUND

www.incofin.com/fr/fonds/fairtrade-access-fund
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The Fairtrade Access Fund provides farmers' cooperatives and associations the long-term loans they need to renew their farms or adopt new technologies and equipment. The Fund was launched in 2012 under the advisement of Incofin, Fairtrade International and Grameen Foundation. The fund is managed by Incofin Investment Management. It launched with 1.75 million USD committed for seven years by the fund sponsors and is projected to approach 25 million USD (20 million EUR) by the end of 2014.

TYPE OF PROPOSAL

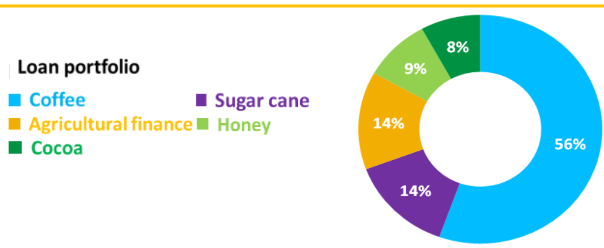
The fund offers a full range of loans and technical assistance to enable farmer organizations to strengthen and secure their businesses. Services include a new phone application which will update farmers in a timely manner on Fair trade certification practices, as well as information on crop management and localized markets.

REGIONS / COUNTRIES

The fund began operations in Latin America and plans to expand into Africa and Asia. The first loan in Africa was to a cooperative in Ivory Coast in November 2014.

USE OF FUNDS / TARGETED VALUE CHAINS

Operations are centred around agriculture.
The fund aims to invest at least 70% if its portfolio in producer organizations and to scale back coffee to 50% of the portfolio.



AMOUNTS

Minimum: 250 000 USD. **Maximum:** 2 million USD. **Average:** 560 000 USD.

CURRENCY, RATES AND COMMISSIONS

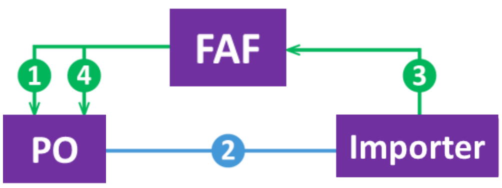
Currency: USD or local currency (the fund covers its currency exchange risk by working with MFX (MicroFinance eXchange, an intermediary whose role is to reduce exchange rate risks).
Interest rates: 8.5 – 10.5 %. **Commissions:** 0.5 - 1.5% according to type of loan and relationship with client.

DURATION

Minimum: 3 months. **Maximum**: 3 years**. Most frequent**: 13 months.

GUARANTEES

The Fairtrade Access Fund (FAF) uses signed sales contracts between producer organizations and importers as a guarantee following the tripartite model below:



Transfer of funds
1. Loan (max 80% of the sales contract)
3. Value of the sales contract
4. Surplus (=value of the sale – principal – interest)
Transfer of crop
2. Crop export

RISK MANAGEMENT

The fund's partner, Grameen Foundation provides technical assistance (for example: commodity market information via mobile phones and a small producer profile analysis with a tool called PPI - Progress out of Poverty Index, to establish a family's poverty level allowing us to adapt the services to the profile).

ELIGIBILITY CRITERIA

Required conditions for pre-appraisal: At least 3 years activity; return on equity (ROE) > 0 on average for the last 3 years; audited financial statements; certified for 3 years. The fund also invests in agriculture focused microfinance institutions when they can prove that their portfolio works with fair trade certified small producers.

GRANTING PROCEDURE	**Loan application procedure:** Analysis of the producer organization's financial situation and its links with Fair Trade (in particular FLO certification); 2 to 3-day on-site visit; application presented to investment committee; legal follow up and contracts / legal documents drafted; disbursement. Social and environmental analysis carried out using an Incofin tool adapted for PO's adhering to FLO standards: ECHOS© is a tool which measures an organization's social performance. The ECHOS© questionnaire is filled in by an investment officer during an on-site visit. Organizations obtaining a score of less than 55% are not eligible for financing. **Duration of procedure:** At least 2 months for a new client - more often 4 months; shorter time frame for clients already in the portfolio.
MONITORING	Annual visit; Annual monitoring of social and environmental results using the ECHOES© tool.

INCOFIN'S OUTLOOK AND STRATEGY

Prospects of growth in new countries in Latin America (Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, etc.) and in Africa (Burkina Faso, Ivory Coast (chocolate), Uganda, Democratic Republic of Congo, Rwanda, etc.)

Reduction of coffee to a maximum of 50% in portfolio.

Technical assistance from Grameen Foundation who can, for instance, communicate information on coffee diseases via mobile phones ("knowledge community").

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Incofin, as a fund manager, has an in-depth experience in rural and agricultural financing (it has launched several specialized funds).
- Incofin offers a wide range of investments and the possibility to borrow in local currency.
- It offers technical assistance provided by Grameen Foundation (on trial): information on markets communicated via mobile phone, support for targeting of small producers via the PPI tool (Progress out of Poverty Index).
- The fund lacks diversity: At the moment the portfolio is dominated by coffee, however the fund has initiated a diversification strategy. It should also be noted that Incofin only finances organizations certified FLO.

UCASUMAN: AN EXAMPLE OF AN ORGANIZATION FINANCED IN NICARAGUA

www.fairtradeusa.org/producer-profiles/ucasuman-uni-n-cooperativas-de-servicios-unidos-mancotal

UCASUMAN covers a very large region, which supplies almost 60% of the national coffee production in Nicaragua. UCASAMAN's contracts with the coffee importer Volcafé (who buys 23% of the coffee produced by the organization) were crucial in obtaining a loan from the Fair trade Access Fund.

The commercial loan of 350 000 USD allows UCASUMAN to buy Fair trade certified coffee from the numerous small cooperatives that make up UCASUMAN. This means farmers can count on the jobs and the economic development offered by the producer organization. Luis Marin García, director of UCASUMAN: *"Each member is more satisfied, more at peace and happy to know that being certified Fair Trade gives us access to new resources and international markets. We obtained a loan of 350 000 USD from Incofin to secure the contracts with Volcafe, one of our main importers. The three contracts with Volcafe allowed us to guarantee the loan. The loan is important as it responds to a major need for each member of our organization."*

OIKOCREDIT

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Oikocredit is an international cooperative which provides financial services and support to organizations to sustainably improve the lives of disadvantaged people. Oikocredit finances and invests in microfinance, social enterprises and the agricultural sector. Oikocredit's international office is in the Netherlands and it has regional offices in 35 countries. This means Oikocredit can work with partners on the ground thanks to its local teams. Oikocredit is a member of the WFTO (World Fair Trade Organization).

TYPE OF PROPOSAL

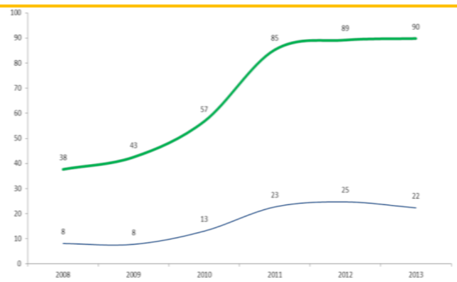
Oikocredit supports Fair trade organizations through a combination of medium and long-term loans, pre-export financing, equity investments and technical assistance (strategic planning, financial administration and management, governance, farmer exchange programs, event sponsoring). The fund has developed innovative products to lessen the impact of coffee leaf rust (recovery credit with longer grace periods, softer loans initially and longer repayment terms; long-term loans to allow crops to recover).

REGIONS / COUNTRIES

811 partners in 63 countries (including 152 agricultural partners across 32 countries). Operations in **Africa** (Benin, Cameroon, Ivory Coast, Ghana, Kenya, Mozambique, Mali, Nigeria, Rwanda, Senegal, Tanzania, Togo et Uganda), in **Asia** (Cambodia, India et Philippines), in **Europe et Central Asia** (Bosnia-Herzegovina, Bulgaria, Kirghizstan, Moldavia, Romania, Russia et Ukraine) and in **Latin America** (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru, Paraguay et Uruguay).

USE OF FUNDS / TARGETED VALUE CHAINS

Oikocredit's agricultural financing expertise includes coffee (24% of portfolio), cocoa, dairy products, forestry and seeds. Oikocredit increased the share of agriculture in its portfolio from 9% (34.7 million EUR) in 2009 to 12% (63.6 million EUR) in 2012.



Oikocredit's agricultural portfolio (in millions EUR)

AMOUNTS

Minimum: 200 000 USD. **Maximum:** 2 million USD. **Average:** 450 000 USD.

CURRENCY, RATES AND COMMISSIONS

Currency: Loans in local currency represented 56% of the total portfolio in 2013. Oikocredit protects itself from exchange risks through an internal fund and also an external stakeholder: The Currency Exchange Fund N.V. (TCX). **Interest rates:** 7% - 11%. **Commissions:** 1%.

DURATION

Up to 4 years.

GUARANTEES

Sales contract.

RISK MANAGEMENT

Portfolio risk in agriculture remains high (18.8% in 2013) compared to microfinance (4% in 2013). Oikocredit relies on a dedicated team with expertise in the sector to reduce risk.

ELIGIBILITY CRITERIA

Oikocredit seeks partners who:

- Create jobs and income for disadvantaged groups
- Are cooperatives, financial institutions or small to medium enterprises
- Have women in influential positions such as management
- Respect the environment and animal welfare
- Have good management in place and are (or can soon become) financially viable
- Have a clear need for foreign investment

GRANTING PROCEDURE	**Loan application procedure:** First contact with regional offices to provide basic information. Then a complete on-site due diligence visit. The attribution of loans is based on an ESG (environmental, social, governance) analysis. Oikocredit may reduce its interest rates if social performances are exceptional. The credit proposal is prepared by country offices and then approved either regionally or at Oikocredit International. Following the legal process for loan agreements, the disbursement is made. **Duration of procedure:** Between 2 and 3 months.
MONITORING	Regular monitoring of partners (once per year on average) by teams from country office

OIKOCREDIT'S OUTLOOK AND STRATEGY

Oikocredit plans to diversify its investments in agriculture, to approve loans worth 27 million EUR to new partners in 2014 and to increase the share of agricultural investments in its portfolio to 15% in 2016.

Oikocredit wishes to strengthen its operations in Africa and South-East Asia and to diversify the chains it invests in. Services in Latin America will be expanded beyond pre-export coffee financing. Excellent potential for certain products: cashew nuts in East Africa, dairy products in Costa Rica and in India, cocoa in the Andean region and West Africa.

Partnerships with warehouse suppliers, international buyers and social investors for syndicated loans generate innovation, spreading risks and providing large scale financing (e.g. cocoa producers in Ghana).

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Oikocredit creates long-term partnerships and offers a wide range of loans as well as funds dedicated to building capacity (in particular support for financial management: in 2013, 43% of the 3 million USD invested were invested in producers and other agricultural enterprises).
- Oikocredit has a depth of experience in long-term financing (Paraguay, Uruguay, Argentina), with larger and technically better prepared partners. It seeks to transfer this knowledge to other regions and smaller partners.
- Oikocredit has more than 800 partners in the world, including 153 small agricultural enterprises. A recently developed 'agricultural' unit, based in Peru, specialized in agriculture, gives the opportunity to acquire real expertise.
- Procedures may seem heavy for less mature producer organizations and their costs have not been communicated.

ALDEA GLOBAL, AN EXAMPLE OF AN ORGANIZATION FINANCED IN NICARAGUA

www.aglobal.org.ni

Asociación Proyecto Aldea Global is an association of small coffee growers in the Jinotega region of Nicaragua. Aldea Global has carried out projects in the area of food safety, natural resources, loans and exports. Aldea Global's members benefit from various support programs: financial training, community building, educational funding, and projects to promote gender-equality. Equality is in fact one of the association's key values. The general assembly is made up of over 40% women. The association also helps women formalize their land ownership deeds - bearing in mind that 85 % of the land is owned by men. The association has forged strong ties with coffee importers from the U.S. and Europe and has built itself a solid reputation on the coffee market.

Oikocredit decided to extend a line of credit to Aldea Global on the basis of its eminently social actions. Aldea Global uses this line of credit (900 000 USD) to finance its costs and pre-finance the orders of its members.

RABO RURAL FUND

www.rabobank.com/raboruralfund-com
Head office: Netherlands
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M.A.N.Groot@rn.rabobank.nl

The Rabo Rural Fund is part of the Rabobank Group. Rabobank is traditionally a farmers' bank and it still holds about 85% of the market share in the agrarian sector in the Netherlands. Besides Rabobank Foundation, Cordaid and the Dutch Ministry of Foreign Affairs contribute to financing the fund. The Rural Fund aims to support farming cooperatives and small and medium-sized enterprises (SMEs) in developing countries. Agribusinesses and cooperatives that have outgrown donations and microcredit but are not yet eligible for standard bank loans often have great difficulty in attracting financing. The Rural Fund aims to plug this gap. The Fund's mission is to contribute to improved trading opportunities for small producer organizations and to promote sustainable economic development.

TYPE OF PROPOSAL	The Rural Fund offers short-term trade finance; working capital to purchase raw materials from producer organizations. The fund helps agribusinesses to pre-finance purchasing, processing and product sales. Alongside investment provision, sharing expertise is key. The management of the cooperatives receives training in risk management, in particular price risk management and financial management. The fund also promotes the use of new growing, fertilization and storage techniques. Rabo Rural Fund awarded funding and guarantees to 27 projects for a total of 10.5 million EUR in 2013.
REGIONS / COUNTRIES	**Africa:** Ethiopia, Ghana, Kenya, Mozambique, Uganda, Rwanda, Tanzania and Zambia. **Asia:** Philippines, India, Indonesia, Laos and Vietnam. **Latin America:** Bolivia, Brazil, Colombia, Mexico, Nicaragua et Peru.
USE OF FUNDS / TARGETED VALUE CHAINS	The Rural Fund finances sustainable value chains in coffee, cocoa, honey, cotton, spices, nuts, pepper, soya and canned and dried vegetables. Focus on coffee in Latin America.
AMOUNTS	**Minimum:** 200 000 EUR. **Maximum:** 1.5 million EUR.
CURRENCY, RATES AND COMMISSIONS	**Currency:** USD and EUR. **Interest rates:** 8 - 10%.
DURATION	Generally one year.
GUARANTEES	Sales contracts with reputable buyers.
RISK MANAGEMENT	The fund provides expertise and is supported by an extensive branch network. The Rural Fund can count on the experience of the RF and the RABO Sustainable Agri Guarantee Fund (SAGF).
ELIGIBILITY CRITERIA	- Producer organizations and cooperatives - At least 3 years' activity in the agricultural and agri-food sectors - Solid export trading relations with reputable buyers for at least two years - Availability of sales contracts - Good image and reputation at local, regional and/or international level - Willing to work towards sustainable development
LEVERAGE EFFECT	The Fund allows producer organizations to grow and offers an opportunity to exit the Rural Fund via a strategic cooperation with the RABO Bank's international network which can give access to more significant amounts.

RABOBANK RURAL FUND'S OUTLOOK AND STRATEGY

The fund was created to provide (with the other Rabo group entities) integral value chain financing by leveraging the offers from its different entities (Rabobank Foundation, Inclusive Business Fund – aimed at start-ups, guarantee funds, Rabobank's international network).

The Rural Fund aims to build a 60 million USD fund, with Rabobank Foundation as the major investor, merging existing scattered investments, taking on new like-minded partners and providing a positive net result over time.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- The fund supports producer organizations and small/medium enterprises (SME).
- The financing is spread throughout the whole chain (production, processing and marketing).
- The fund specializes in loans of less than one year (not investment).
- No particular focus on Fair trade.
- The fund does not disburse loans in local currency (unless loans are guaranteed through a local bank). The volume of loans disbursed in 2013 diminished (due to difficult conditions concerning the coffee market – see 2013 annual report).

COOPERATIVE BANK OF OROMIA: AN EXAMPLE OF AN ORGANIZATION FINANCED IN ETHIOPIA

www.coopbankoromia.com.et/index.php/en

In Ethiopia, Rabo Development works with Cooperative Bank of Oromia to improve financing in the coffee sector. Ethiopia is a major exporter of Arabica coffee, but the coffee growers only have limited access to financing. Supported by the CFC (Common Fund for Commodities), Rabo Development is implementing a project that rests on three pillars:

- a Guarantee Scheme for which CFC and Rabobank Foundation have provided funds
- strengthening of the cooperative
- support of the coffee financing activities of CBO

Several cooperatives have received financing.

RESPONSABILITY FAIR TRADE FUND

responsAbility

www.responsability.com
Head office: Zurich, Switzerland
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gaelle.bonnieux@responsability.com

responsAbility (rA) is one of the world's leading independent asset managers specializing in the development-related sectors of emerging economies such as finance, agriculture, health, education and energy. In December 2011, responsAbility launched the Fair Trade Fund, a regulated fund which invests in fixed rate debt securities, issued by Fair trade focused institutions for a duration of no more than one year.

TYPE OF PROPOSAL

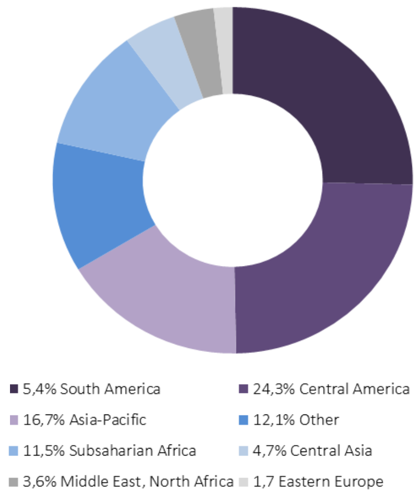
Investment vehicle specifically aimed at pre-financing crops and financing investments in certified or non-certified producer organizations.

REGIONS / COUNTRIES

Country allocation	% NAV
Costa Rica	10.83
Honduras	8.07
Bolivie	7.63
Pérou	6.86
Paraguay	5.39
Inde	5.19
Cambodge	4.68
Nicaragua	3.71
Lucembourg*	3.37
Suisse*	2.92
Nombre de pays	**40**

*Importateurs de commerce équitable travaillant avec organisations de producteurs agricoles dans les pays en voie de développement

(NAV : Net Asset Value – measures the value of the funds assets)



USE OF FUNDS / TARGETED VALUE CHAINS

Although 30% of funds are dedicated to coffee financing in Latin America, responsAbility has initiated a diversification strategy and today finances, through dedicated funds, 40 different food products, in particular, grains and seeds, fruit and vegetables, cocoa, nuts, herbs, spices and oils.

AMOUNTS

Minimum: 500 000 USD. **Maximum:** No maximum. Financing depends on the project and the size of the fund (the limit is a percentage of the total assets being managed).

CURRENCY, RATES AND COMMISSIONS

Currency: USD or EUR. **Interest rates:** On average, between 8% et 8.5%.

DURATION

12 months for crop financing, up to 7-8 years for investment. **Average:** 7.5 months for short term loans.

GUARANTEES

Pre-financing: Contract with buyer/importer covering 120% of the loan amount.
Investment: Physical collateral (machines, buildings, etc.)

RISK MANAGEMENT

Loan restructuring in case of weather related incidents. Interest rate correlated to country risk rating (for example 11% in Kivu).

ELIGIBILITY CRITERIA

The fund is principally aimed at organizations with many years of activity. The organizations must be certified by a recognized certification body or comply with clearly defined guidelines on socially fair and environmentally sound cultivation methods. Eligibility is based on five main criteria: Sustainability and autonomy; commitment to fair production and fair trade; empowerment / BoP (building capacity and improving the economic situation of small producers); integrity of the management; need of financing.

GRANTING PROCEDURE	**Loan application procedure:** Identification of partner, examination of financing application, decision to invest, carrying out of decision, monitoring of partner. **Duration of procedure:** 2-3 months.
MONITORING	Strict monitoring of partners; this does however involve a heavy operational workload for the teams. responsAbility seeks to optimize the identification and monitoring of partners, in particular through collaborating with importers.

RESPONSIBILITY'S OUTLOOK AND STRATEGY

responsAbility seeks to diversify the products it finances, to strengthen its relations with purchasers and to finance producer organizations on a more long-term basis.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- The fund created by responsAbility is designed for private and institutional investors with a medium- to long-term horizon. It meets the significant financing needs of relatively mature PO's for both crop pre-financing and investment.
- The financing opportunities offered by the fund cover an extremely diverse range of foodstuffs and are available in forty countries all over the world.

MANDUVIRÁ: AN EXAMPLE OF AN ORGANIZATION FINANCED IN PARAGUAY

www.manduvira.com

The agricultural cooperative Manduvirá, in Paraguay, has been operating its own sugar mill since 2014. This has allowed its members to take advantage of the constantly growing demand for sugar on the world market. For years, the members of Manduvirá sold their organic sugar cane to a local sugar mill. As all the other sugar mills in the region were too far from the cooperative, this mill could, more or less arbitrarily, dictate the price of the raw material. The price often failed to reach the market price.

En 2011, the members of the cooperative voted to build their own sugar mill, designed to produce up to 18 000 tons of sugar per year. To build their mill, Manduvirá needed a long-term investment of 11 million USD. They had a solid business plan and the members were willing to put up their land as collateral.

responsAbility invested in the project in June 2012, followed by other investors at the end of the same year. responsAbility played the role of pioneer in the financing: The support provided by responsAbility gave momentum to the project, and encouraged other investors to come on board. The sugar mill began production in January 2014.

ROOT CAPITAL

www.rootcapital.org
Head office: Cambridge (MA), USA
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bocampo@rootcapital.org

Root Capital is a nonprofit social investment fund that grows rural prosperity in poor, environmentally vulnerable places in Africa and Latin America by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses.

TYPE OF PROPOSAL	Short term loans to facilitate a harvest or production cycle and to finance the buying and selling of agricultural or handicrafts. Long term fixed asset loans: for investment in processing equipment, infrastructure or operating costs.
REGIONS / COUNTRIES	Root Capital is active in Africa and Latin America, in particular in the following countries: Mexico, Haiti, Dominican Republic, Nicaragua, Guatemala, Peru, Ecuador, Uganda, Tanzania, Rwanda, Kenya, Mali, Burkina Faso, Ghana, Liberia.
USE OF FUNDS / TARGETED VALUE CHAINS	Financing organic and/or Fair Trade coffee is the fund's main activity: 57% of the portfolio of 81.5 million USD at the end of the first quarter of 2014. The percentage of loans for coffee is decreasing (it was at 68% at the end of the first quarter 2013) as a consequence of the fund's diversification strategy. Cocoa (10.4 million USD), cashew nuts (4.1 million USD) and quinoa (2.6 million USD) make up the three most significant value chains after coffee. The non-agricultural sector, made up of loans to activities such as crafts and aquaculture remains a small part of the total funds of the portfolio, with 5.4 million USD ongoing, 7% of the portfolio.
AMOUNTS	**Minimum:** 50 000 USD (25 000 USD for new high-potential partners). **Maximum:** 3 million USD. **Most frequent**: 350 000 USD average for coffee and non-agricultural loans, 470 000 USD for other agricultural loans. **Commodities:** Generally 60% of the order. 40% on the basis of a letter of intent, between 60% and 80% on the basis of an actual contract.
CURRENCY, RATES AND COMMISSIONS	**Currency:** Loans are available in EUR, GBP, or local currency. **Interest rates:** Portfolio yield of 11,6 %.
DURATION	12-18 months maximum for short term loans. Up to 5 years for long term loans.
GUARANTEES	Loan tied to a tripartite agreement with the buyer.
RISK MANAGEMENT	The fund is supported by regional offices and locally recruited employees. The fund works hand in hand with organizations which provide technical assistance in order to forge long term relations with partners thereby strengthening their position.
ELIGIBILITY CRITERIA	- 2 to 3 years activity. For a new PO with one year's activity, Root Capital may consider financing if the PO has potential. - 100 000 USD annual turnover in Mexico (this threshold may vary for other countries). - Clearly defined export markets. - Working processes to protect the environment and to foster positive social impact (certified Fair Trade or organic).

GRANTING PROCEDURE	**Loan application procedure:** Visit by loan officer > loan application > evaluation and approval > documents and disbursement. **Duration of procedure:** Root Capital carries out credit approval and disbursement of funds within 30 to 45 days after receiving the duly completed loan application form. Loan application form and details of the procedure may be found on the Root Capital web site: www.rootcapital.org/fr/prets/products.
MONITORING	Root Capital collects the basic financial data on a quarterly basis and the social and environmental indicators on a yearly basis.
LEVERAGE EFFECT	Root Capital seeks to catalyze: It is often the first investor or the main lender. Local banks (such as FINDECA in Mexico) or investors (such as responsAbility) frequently follow Root Capital's lead and co-fund organizations.

ROOT CAPITAL'S OUTLOOK AND STRATEGY

Root capital is an extremely large fund (environ 80 million EUR outstanding at the start of 2014), with a depth of experience. The strategy is therefore based on building partnerships.

Faced with the challenges of the agricultural sector, Root Capital is looking to focus on social objectives: evaluating impact, promoting women's role in the agricultural sector, etc.

Root Capital is also seeking to strengthen its partnerships with organizations on a local level to facilitate access to technical assistance for its PO partners.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- The offer combines short and long term loans. Thanks to small loans (50 000 or even 25 000 USD) it is accessible to producer organizations with modest financing requirements.
- Recognized leverage: Root capital is often the first lender or the main lender (over 50% of loans).
- Root Capital can count on local personnel who know the country and the farming sector, and who carry out the visits themselves. Root capital provides technical assistance to the producer organizations, either with its own personnel (principally in Latin America), or with third party organizations (principally in Africa).
- Root Capital promotes social and environmental standards, and collects relevant indicators during pre-appraisal visits. Fair Trade or organic certification is an advantage but not a prerequisite to qualify for financing with Root Capital.
- Although it only represents a small part of the portfolio, Root Capital also finances handcrafts.

COPASIURO, AN EXAMPLE OF AN ORGANIZATION FINANCED IN GUATEMALA

www.cooperativasinfronteras.net

Copiasuro is a cooperative of honey producers gathering 175 beekeepers in Guatemala. Root Capital has accompanied Copiasuro's growth by helping introduce new accounting software (software and training financed by donations) with the pilot predecessor to our current Financial Advisory Services Program. The cooperative now uses this tool for purchases and sales as well as credit and inventory management.

Shortly after the training, in 2010, as Copasiuro had strengthened its management and sales tracking capabilities, they were able to apply for a trade credit loan from Root Capital which was approved. Copasiuro received a pre-financing crop loan from Root Capital for 40 000 USD. In 2013, a further loan of 125 000 USD was disbursed to Copasiuro.

SHARED INTEREST SOCIETY

SHARED INTEREST INVESTING IN A FAIRER WORLD

www.shared-interest.com
Head office: Newcastle, Great Britain
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Mr. Malcolm Curtis
malcolm.curtis@shared-interest.com

Shared Interest Society was founded in England in 1990 with financial support from the Joseph Rowntree Charitable Trust and the Ecumenical Development Co-operative Society. Within a year, we had attracted 750,000 GBP of Share Capital and 600 members. By 2013 Shared Interest had almost 9,000 members in the UK, each investing in the share capital of over 30 million GBP which is shared through cash loans. Investments vary from 100 GBP to 100 000 GBP. Shared Interest works hand in hand with its sister company, the Shared Interest Foundation which provides technical assistance and training for its partners (improving business plans, financial management, chain structuring, etc.),

TYPE OF PROPOSAL	Export loans, term loans, inventory loans, pre-harvest loans. Loans are exclusively for Fair Trade organizations (WFTO, FLO). Shared Interest generally lends to producer groups. Loans to private organizations may be considered if they apply Fair Trade principles and the financial aid required is to benefit local communities. Shared Interest does not work with private individuals.
REGIONS / COUNTRIES	Since being founded in 1990, Shared Interest has worked all over the world and has regional offices in Kenya, Peru, Ghana, and Costa Rica. No direct loans to producers in India, Bangladesh, Pakistan or Nepal owing to currency exchange control regulations (but payments have been made to numerous Fair Trade producers in the region through Fair Trade purchasers).
USE OF FUNDS / TARGETED VALUE CHAINS	Significant but declining share for handcrafts (from 33% in 2009 to 18% in 2013). Major share is coffee (38% in 2013). Nuts and fruit on the increase.
AMOUNTS	**Minimum:** 10 000 USD. **Maximum:** 1.2 million USD. **Most frequent:** Numerous examples of export credit facilities of up to 100 000 USD. **Commodities:** Up to 60% of the order. **Craft industry**: Up to 80% of the order.
CURRENCY, RATES AND COMMISSIONS	**Currency:** Shared Interest lends in hard currencies, generally USD, GBP or EUR. **Interest rate:** 8.5% - 13%. Administrative fees: 1%.
DURATION	12 months maximum for export credit. Up to 4 years on average for investment loans.
GUARANTEES	Shared Interest does not require lenders to provide guarantees.
RISK MANAGEMENT	Country risk: Shared Interest bases decisions on the COFACE assessment (company specialized in credit insurance which publishes an overview of country risk assessments each year - www.coface.fr).
ELIGIBILITY CRITERIA	Shared Interest lends funds exclusively to WFTO members and FLO certified producers, to ensure that the funds only benefit those who work within the Fair Trade framework. Shared Interest requires that producers: - are WFTO members or are certified FLO - provide sales figures for the last 3 years and a positive balance sheet - have at least one export buyer in Europe, North America or Australasia **Documents generally required:** - proof of Fair Trade status (WFTO membership, equivalent national network or FLO certification) - financial statements for the last three years (balance sheet / profit and loss), preferably audited - projected profit and loss statement for the coming 12 months - for all types of term loans, a 12-month condensed cash flow statement incorporating the receipt and reimbursement of the loan itself

- company projects / business plan
- breakdown (%) of products sold
- breakdown (%) of sales channels (for example: retail and wholesale, local and export)
- work experience details for the founders / the management team
- overview of the business
- details of existing borrowing facilities (the amount, the interest rate, the length of the term and whether any security has been pledged)
- account of current and future challenges
- account of social impact on the community
- completed loan application form, signed declaration
- money laundering documents

GRANTING PROCEDURE	**Loan application procedure:** Application form; visit by a Shared Interest member, generally from a regional office. **Duration of procedure:** The aim is to have applications completed within 3 months of receiving the required information.
MONITORING	Annual evaluation of partner.

SHARED INTEREST'S OUTLOOK AND STRATEGY

Shared Interest now recognizes FLO standards.
Shared Interest forecasts an increase in the number of loans granted directly to producer groups (not buyers): in 2013, the share of loans going to producers had already gone over 50%.
Shared Interest is developing markets in Central America (a representative office was opened in Costa Rica in 2013), diversifying its product portfolio and improving the monitoring of social impact on producers.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- 100% of Shared Interest's funding is in Fair Trade, with strict requirements for the respect of WFTO and FLO standards. Supports the handcraft sector.
- It covers a large geographical zone and offers a complete range of loans: export credit, term loans, stock facility, pre-harvest loans.
- Shared Interest has a network of regional offices to optimize support for partners and to provide the opportunity to give technical support (business plan, financial management) through the Shared Interest Foundation.
- Its statutes (Non-banking Company, with individual investors who are aware of impact) facilitate risk taking, but generate delays (3 months in general) necessary to verify information.

NAMAYIANA, AN EXAMPLE OF AN ORGANIZATION FINANCED IN KENYA

http://www.tenthousandvillages.com/namayiana

Namayiana is a group of women Masaai handcrafters based in the Ngong region of Kenya. The income earned from their beaded goods (bags, baskets, necklaces, bracelets, belts, coasters and mirrors) allow them to secure alternative income streams which helps to ensure long term financial stability for their families.
Namayiana has worked with Shared Interest since 2009 and uses its loan facility to pre-finance their orders. The group has also used its Shared Interest loans to allow them to attend an exhibition on Africa in Vienna in 2010 and 2011. Attending the conference has not only allowed the group to increase sales but has also boosted confidence within the group.

SIDI

SOLIDARITÉ INTERNATIONALE POUR LE DÉVELOPPEMENT ET L'INVESTISSEMENT

www.sidi.fr
Head office: Paris, France
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SIDI (Solidarité Internationale pour le Développement et l'Investissement / International Solidarity for Investment and Development), is a limited company founded in 1983 by CCFD-Terre Solidaire, a French NGO specialized in development. SIDI works to foster a social and solidarity economy through strengthening individual or collective, locally initiated, economic activities in countries in the South and in the East.

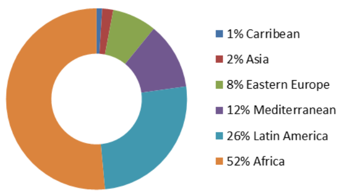
TYPE OF PROPOSAL

Crop pre-financing and investment funding for certified and non-certified producer organizations.

REGIONS / COUNTRIES

The fund covers 8 countries in Latin America, 15 countries in Africa, 3 countries in Asia and 5 countries in the Mediterranean basin. In 2013, SIDI financed agricultural value chains in 11 countries: Cameroon, Colombia, Ecuador, Haiti, Lebanon, Madagascar, Nicaragua, Niger, Uganda, Peru, Tanzania.

Geographical coverage (31/12/2013)



USE OF FUNDS / TARGETED VALUE CHAINS

As of December 31, 2013, SIDI's portfolio amounts to 15.5 million EUR, invested with 69 partners. 20% of the portfolio is allocated to financing producer organizations and community based enterprises. 55% of the producer organizations supported by the fund are certified Fairtrade. Through Fairtrade, SIDI mainly finances the production of coffee and cocoa, but also quinoa.

AMOUNTS

Minimum: 50 000 EUR. **Maximum:** 300 000 EUR **Most frequent:** 100 000 EUR. **Commodities:** 110% of endorsed sales contract.

CURRENCY, RATES AND COMMISSIONS

Currency: USD or EUR. **Interest rates:** 5%-8% in EUR, 7%-9% in USD. **Commission:** 1% of amount disbursed.

DURATION

Minimum: 3 months. **Maximum:** 3 years. **Most frequent:** 13 months.

GUARANTEES

The loan contract is secured by sales contracts endorsed in favor of SIDI, which guarantees the credit will be recovered, subject to validation that practices comply with Fair trade specifications.

RISK MANAGEMENT

- SIDI can manage exchange risks easily thanks to its expertise in lending in local currencies.
- Agro-climatic risk: recurring problem which leads to a restructuring of the loan if necessary.
- Risks linked to investment financing: The PO may lack administrative management capabilities; they may not have the systems or training necessary to manage new equipment.

ELIGIBILITY CRITERIA

- Quality of the organization: vision, margin analysis, profits for producer.
- Lack of certification does not necessarily exclude the applicant.
- The fund favors PO's with local support from development based NGO's (local or international).
- Sales contract of at least 50 000 EUR.

In addition to these conditions, there are social criteria for the selection of organizations supporting farmworkers.

- Respecting the environment is an integral part of the vision and mission of the institution.
- The fund targets farm workers working on family farms.
- The fund does not authorize child labor, except children of the family on condition that their health and their education are respected.
- Genetically modified organisms are not used.
- If crops are developed for export, the production of that crop must be inexistent / insufficient in the

	importing country.

GRANTING PROCEDURE	**Loan application procedure:** Applications are submitted by partnership officers who have visited the organizations (2-3 days) and then examined by the investment committee who meet each month. SIDI analyses potential partnerships taking into account the vision, the project, the activities and the results of the organization. In 2013, SIDI decided to refine its assessment grid in order to meet the demands of its strategy more efficiently and, at the same time, to strengthen its social performance. It therefore selected a series of social criteria that *must* be respected if a partnership is to be envisaged. **Duration of procedure:** On average 1 to 3 months depending on the monthly investment committee meetings.
MONITORING	The SIDI partnership officer carries out regular monitoring. Specific skills may be deployed to guide the PO or the community enterprise in the carrying out of activities or to support the internal organization: setting up reporting or accounting tools, seeking out new markets.
LEVERAGE EFFECT	SIDI is often counted among the first investors. A certain willingness to take risks regarding partner profiles creates noticeable leverage.

SIDI'S OUTLOOK AND STRATEGY

SIDI plans to diversify towards organic chains, in particular "virtuous" products, which are popular and recognized as being beneficial for health (diuretic, anti-inflammatory, anti-oxidant, purgative, etc.) such as physalis, goji berries, etc.

SIDI has set itself the objective to strengthen support for food crops.

SIDI is mindful of mechanisms that allow organizations to pool risks and build capacities.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- SIDI gives producer organizations with modest financing needs the opportunity to borrow small amounts (50 000 EUR).
- In addition to crop pre-financing, SIDI can offer long-term loans (investment).
- SIDI offers a wide range of technical assistance allowing the small producer organizations concerned to strengthen their structure.
- SIDI is often the first to provide finance, thereby giving the producer organization leverage.
- SIDI facilitates support for small African producer organizations: once their position is strengthened, SIDI passes the producer organizations file on to FEFISOL who can handle more significant financing needs.
- SIDI mainly finances coffee and cocoa via Free trade chains but is open to financing other products.

UCLS, AN EXAMPLE OF AN ORGANIZATION FINANCED IN MADAGASCAR

Pre-financing for the umbrella organization of cocoa producing cooperatives

UCLS Madagascar is a cocoa farmer's organization. It has received 85 000 EUR funding from SIDI to meet their liquidity needs to finance the production and cocoa purchase. SIDI also supported the organization on accounting, taxation, human resources, budget and procedures.
Traditionally, cocoa producers in Madagascar do not ferment their cocoa: they dry it and then sell it to collectors. The strategy for this organization was, with the support of local exporters, to focus on high quality, fermented cocoa, which is delicate and aromatic. With that in mind the organization developed a partnership with a Free trade importer.

The umbrella organization receives pre-financing from SIDI in order to purchase the cooperative members' cocoa production, on the basis of a contract signed with the Free trade importer. Thanks to this pre-financing which allows the umbrella cooperative to purchase the cocoa, the cooperative members can sell their cocoa at a better price. The umbrella organization buys their fermented cocoa at a higher price than fresh cocoa, which is generally sold to local collectors.

Triodos Bank
SUSTAINABLE TRADE FUND

www.triodos.com
Head office: Netherlands
Contact person:
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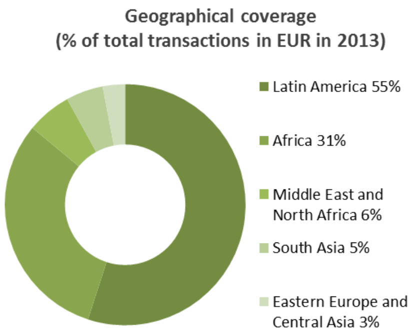
Eliane.Augareils@triodos.nl

Triodos Bank, is one of the world's leading sustainable banks and has been working in the Fair Trade and organic sectors for many years. The Sustainable Trade Fund was launched by Triodos Bank in 2008 and is based on 15 years experience in agricultural financing. It is managed by Triodos Investment Management, a subsidiary of Triodos Bank. The fund specializes in disbursing loans to strengthen organic and Fair Trade producers in Latin America, Africa and Asia, and also to facilitate their access to markets in Europe and the United States.

TYPE OF PROPOSAL

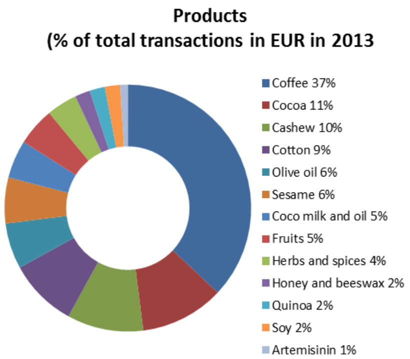
Pre-financing of exports. For clients with several loan cycles there is a possibility of long-term loans to finance assets (machinery, equipment) or renew plantations (coffee).

REGIONS / COUNTRIES



USE OF FUNDS / TARGETED VALUE CHAINS

The fund targets agriculture and excludes the animal and handcraft sectors. Limited activities in the fresh fruit and vegetable sector. A total of 17 products and 25 to 40 partners.
Majority of chains are Fair Trade and/or organic: 64% of clients are certified organic and Fair Trade (66% of loan amounts), 18% organic (21% of loan amounts), 18% neither (13% of loan amounts).



AMOUNTS

Minimum: 300 000 USD. **Maximum:** 3 million USD. **Most frequent:** Entry level 300 000 USD for new partners, but generally, more like 800 000 – 1 million USD. **Commodities:** Up to 60 % of the order (70-75 % for coffee contracts with a developed chain).

CURRENCY, RATES AND COMMISSIONS

Currency: USD or EUR. **Interest rate:** 8-10% Administrative fees: 1-2%.

DURATION

6-12 months.

GUARANTEES

A tripartite contract is generally sufficient. In certain cases a personal guarantee may be required.

RISK MANAGEMENT

A new partner may be asked to provide additional guarantees. This is also the case for a buyer, if they have a good relationship with the PO but do not wish to bear the risk. The fund works with the ICCO (an international organization that gives financial support and advice to local organizations in 40 countries). This guarantee mechanism comes at an additional cost of 1 to 2% which should cover 30 to 40% of the amount of a loan on the basis of 50-50 risk sharing (*pari passu*). When the PO cannot reimburse the loan (climatic problems, crop difficulties…), the loan may be restructured and the pre-financing postponed until

	the following year, based on crop forecasts for the following season.

ELIGIBILITY CRITERIA	The fund provides commercial loans to cooperatives and private enterprises working in sustainable agriculture value chains. In particular it targets organic and Fair Trade agriculture. The organizations must be financially and commercially viable and have: access to export markets; 3 years activity; annual turnover of at least 1 million USD or the equivalent in EUR.
GRANTING PROCEDURE	**Loan application procedure:** The producer organization sends basic information: Audited financial statements (if available, otherwise internal audits) for the last 2-3 years, internal financial statements for the last quarter, amount of loan and month of initial disbursement, list of contracts or buyers. Triodos carries out a pre-appraisal (2 days). If the result is positive, the future client must complete a loan application form with all pertinent information regarding the organization (management structure, agricultural chains, production record and forecasts, quality control procedures, logistics, etc.), and Fair Trade and/or organic certification. Once the data has been analyzed, the fund organizes phone interviews with the executive director and the financial director. A credit committee meets every two weeks to examine loan applications. If approved, payment can be made in less than one week. **Duration of procedure:** 1 to 2 months between sending the initial information and disbursement.
MONITORING	Loan monitoring report each month: stock levels for the pre-financed production (purchases, national warehouse, ships, buyer warehouses); invoicing to purchasers; payments made by purchasers. Visits to partner sites every two years. The relation may also be based on the links between the PO and the buyer, which is the crux of the guarantee.
LEVERAGE EFFECT	For roughly 20% of the PO's, Triodos is the first investor. Local banks then step in, or offer more acceptable interest rates when the organizations have developed and become more robust.

TRIODOS' OUTLOOK AND STRATEGY

The fund is in a growth phase and wishes to increase volumes and the number of clients. At the same time it would like to develop a long-term loan to foster client loyalty and strengthen its presence in the countries where it operates.
The fund is seeking to strengthen bonds with buyers in order to identify new financing opportunities.
The fund already backs 17 products, so product diversification will be limited in the future.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- The minimum loan amount is high (300 000 USD) but backs a wide range of chains.
- Gives access to a guarantee fund (ICCO) and the means to restructure in case of harvest difficulties.
- For 20% of the producer organizations financed, the fund is the first investor but the fund structure, with its links to a bank (Bank Todios) limits the risk involved.
- The fund backs certified producer organizations, but is opening up to other producer organizations while maintaining its commitment to social and environmental conditions: with this in mind the fund has developed its own tool to analyze non-certified producer organizations.

BEZAMAR AGRO INDUSTRY, AN EXAMPLE OF AN ORGANIZATION FINANCED IN ETHIOPIA

Bezamar Agro Industry works with 450 beekeepers. The organization collects, processes, packages and exports honey which is certified Fair Trade and organic. It encourages farmers to transform a side activity into their principal source of revenue.
The financing provided by Triodos Sustainable Trade Fund allows Bezamar to pay the beekeepers directly upon delivery of their products.

CROWDFUNDING EXAMPLE OF BLUE BEES

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Crowdfunding calls on the public, through a large number of small loans, to finance projects without the participation of the traditional financial institutions. The projects are presented to the public via Internet sites. Crowdfunding builds a financial relationship which is not purely based on the desire for financial gain. It fosters mutual assistance and support to get projects off the ground, or in the case of a company, helps it to communicate while raising funds. Blue Bees is a crowdfunding platform, created in January 2013. Its aim is to bring together project owners from all over the world and Internet users who want to use their money to make a difference.

TYPE OF PROPOSAL	Blue Bees connects project owners who are trying to raise funds with Internet investors. The potential investor chooses the project they wish to invest in from the list of Blue Bees projects. The minimum investment is 20 EUR. The project owners are supported by a French association which provides moral and/or financial guarantees (sponsorship). So it's clear that Fair trade is well adapted to this framework where the relation between the support structure and the project owner, who is also the supplier, is very strong.
COUNTRIES	First examples in **Madagascar** and **Salvador**.
USE OF FUNDS / TARGETED VALUE CHAINS	Trial campaigns were carried out with **litchis** in Madagascar and **cashew nuts** in Salvador. However, in principle this type of financing could work with all Fair trade value chains.
AMOUNTS	**Minimum:** 10 000 EUR. **Maximum:** 200 000 EUR.
CURRENCY, RATES AND COMMISSIONS	**Currency:** EUR. **Interest rates:** The interest rate is 2% annually to remunerate the investor. Blue Bees administration fees of 5% per year should be added to that amount if the duration is less than one year the administration fees will be adjusted accordingly).
DURATION	In the case of Madagascar: 4 months.
GUARANTEES	Financial guarantees are provided by the support organization. In the case of the litchi crop pre-financing in Madagascar, the guarantee was provided by ETHIQUABLE.
RISK MANAGEMENT	Blue Bees is supported by partners (consultants or associations) who handle the technical, operational and financial monitoring of the project. These partners provide all necessary information according to a framework defined by Blue Bees, who then communicates the results obtained and information regarding the project's impact to investors and the general public. Exchange risks are borne by the project owner who reimburses the loan at the exchange rate applicable on the day of the transaction.
ELIGIBILITY CRITERIA	In order to be selected, projects must: be carried out by local entrepreneurs; concern family farms; bring about economic, social and environmental benefits; be profitable; require investment of between 10 000 EUR et 200 000 EUR.
GRANTING PROCEDURE	**Loan application procedure:** Blue Bees crowdfunding campaign from June to September; funds transferred to cooperative in November; the purchaser carries out monitoring with the cooperative (see risk management). **Duration of procedure:** 5-6 months between funding campaign and disbursement of loan.
MONITORING	Monitoring is done by the purchaser.

LEVERAGE EFFECT	So far, above all in terms of communication for the purchaser and for Fair Trade in general.

BLUE BEES' OUTLOOK AND STRATEGY

Regarding guarantees, Blue Bees is currently looking into setting up a solution to guarantee the funds invested by Blue Bees' Internet members with Cofides Nord-Sud (Cofides provides banking guarantees for small entrepreneurs in the Southern Hemisphere).

Pre-financing orders in Fair trade offers Blue Bees the potential for significant short-term development with an objective of 3 million EUR in 2017.

Blue Bees, as well as providing funds can also play an important role in communicating what Fair trade represents and in making the public aware of the good it does. It could also bring together producers in the South with investors and consumers in the North.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Crowdfunding gives access to a growing availability of funds.
- Fair trade has a good image and gathers many structures in France which correspond to the criteria of the social and solidarity economy. Crowdfunding is an opportunity to improve Fair trade's visibility.
- Crowdfunding platforms may charge significant commission.
- The risk is borne by the importer (Guarantee fund is currently under negotiation).
- There is a risk that the total funds necessary will not be raised in time to satisfy the needs of the enterprise, particularly in the case of pre-financing (the challenge is to align the project to the funding schedule).

THE FANOHANA COOPERATIVE, AN EXAMPLE OF AN ORGANIZATION FINANCED IN MADAGASCAR

www.ethiquable.coop/fiche-producteur/cooperative-fanohana

Fanohana adds value to their litchis by transforming the fruit into litchi pulp which is frozen locally at Tamatave. The litchi pulp is used in France to produce high quality fruit juice which is commercialized by ETHIQUABLE.

A crowdfunding campaign was launched with Blue Bees in 2014. The pitch: *"Finance the Fanohana cooperative's litchi harvest which will take place in Madagascar in December 2014. Lend for four months and in exchange receive 2% annual interest and a 5% discount for your next purchase at the project partner ETHIQUABLE's online store! Reimbursement: January 30 2015"*.

135 contributors participated in this project. The reimbursement is scheduled for 4-5 months after the harvest. In exchange for their contribution ETHIQUABLE offered lenders a promotional code giving them a 5% discount on their next online purchase.

Repeating and developing this type of operation, is a way for ETHIQUABLE to promote its brand and to reach more and more clients. Meanwhile, Blue Bees communicates regarding the results obtained by telling the stories of the lives of the producers who have benefitted from the crowdfunding.

EMPLOYEE SAVINGS PLAN

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According to French law, the employee savings plan is a series of measures designed to associate workers with the results of their enterprise and to encourage collective savings and to develop investments in enterprises. It is now possible to use part or all of the employee profit sharing in solidarity based saving products to invest in structures working in solidarity or ethical areas. Within this framework, specific products have been created and proposed to employees who wish to invest in projects with social or environmental benefits. The 2001 law states that the solidarity investments of employee savings plans must make up 5 to 10% of their total investments in the financing of solidarity enterprises. The solidarity employee savings fund (FCPE) had total investments of 3.7 billion EUR in 2013 (source: Finansol). ECOFI Investments (a fully owned subsidiary of Groupe Crédit Coopératif) has specialized in asset management for its clients' investments for 40 years, and in solidarity financing for 30 years.

TYPE OF PROPOSAL	In principle, all types of investments are possible. TECOFI has already financed operations with Max Havelaar France, Ethiquable and Alter Eco, to a total amount of 540 000 EUR.
COUNTRIES	Collected in France to finance operations in **France** or **internationally.**
USE OF FUNDS / TARGETED VALUE CHAINS	This financing could be made available to all Fair trade value chains.
CURRENCY, RATES AND COMMISSIONS	**Currency:** EUR. **Interest rates:** Approximately 2% per year without guarantee. The loan is paid in the form of a promissory note, to avoid investment ratio constraints (no more than 10% of bonds in one enterprise): as commercial paper is not a debt, it is not subject to this ratio.
DURATION	The duration is determined by the investment period (5 years). Reimbursement may be made, after a grace period, in 3 or 4 annual installments.
GUARANTEES	No guarantees.
RISK MANAGEMENT	The risk is borne by an employee savings plan fund. The legal constraints, which mean only 5 to 10% of the funds collected can be used to finance solidarity enterprises, limits risk. The risk can also be minimized by a thorough analysis of the loan application, which should be as demanding as for a classic loan application (what is the reason for the financing, business expertise, is the enterprise sound? Etc.)
ELIGIBILITY CRITERIA	Employee savings funds, from the solidarity angle, can be used to finance legal entities. The enterprises that can benefit from these funds are in the general interest in terms of solidarity and social benefits. *("entreprises solidaires et d'utilité sociale")*. To obtain status of a social and solidarity business (*"entreprise solidaire d'utilité sociale"*), the conditions are as follows: - The principal objective of the enterprise must be to bring social benefits to the community (support people who are vulnerable because of their economic, social or personal situation, for example). - The articles of association must declare the enterprise's objective to create social benefits as well as the salary policy. - The enterprise's results must be significantly impacted by their objective to be socially beneficial for the community. - The salaries paid, including bonuses, to the 5 highest paid employees or directors must be capped at an annual amount of no more than 7 times the French minimum wage (121 412.20 EUR in 2014).

- The salary paid, including bonuses, to the highest paid employee or director must be capped at an annual amount of no more than 10 times the French minimum wage (173 446.00 EUR in 2014).
- The company's shares must not be traded on the financial markets.

GRANTING PROCEDURE	**Duration of procedure:** The disbursement can be quick, approximately two to three weeks after approval. The procedure is flexible.

OUTLOOK AND STRATEGY

Even though it's a relatively small market, Fair Trade could be an area of growth for the employee savings plan.
The development of solidarity financing will increase awareness of Fair Trade.
Fair Trade is an interesting investment which gives employee savings plans the opportunity to diversify. Nevertheless, creating a vehicle to to deal with prefinancing trade which could be financed by a solidarity employee savings plan could be an interesting solution if the operation can be concluded every 5 years.

PROS AND CONS: ASSESSMENT OF THIS TOOL

- Employee savings plans offer a growing availability of funds.
- Fair trade has a good image and brings together many structures in France which meet the criteria of solidarity and social enterprise. The employee savings plan represents an opportunity to improve Fair Trade's visibility.
- The employee savings plan does not finance producer organizations directly: the financing is for working capital for importers. The duration of investments is limited to 5 years.

AVAILABLE ONLINE ON: WWW.COMMERCEEQUITABLE.ORG

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13 FACTSHEETS FOR COMPANIES AND PRODUCER ORGANISATIONS

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