

# The Farm & Co-op Investment Program

**Enabling farmers & co-ops to make investment decisions, grow their business and improve farmer livelihoods**

**Building on experiences of Cocoa Productivity and Quality Program and the Cocoa Fertilizer Initiative, IDH introduces an investment program to make co-ops and farmers bankable and facilitate financial institutions to supply medium-term and long-term finance.**

## Introduction

Smallholder farmers in Cote d'Ivoire find themselves substantively behind commercial farming standards, even after graduating through training programs, adopting good agricultural practices, and achieving 10-40% higher yields. Moreover they are still far from operating as self-sustainable entities. To make this jump, smallholders need a full "productivity package" of agro-inputs; fertilizer, crop protection and planting material. Often they also require rehabilitation and/or replanting (R&R) of their crops to realize their full potential.



Productivity packages and R&R services require a more cyclical and much larger financing facility than grants alone can provide. For farmers to invest in their business they need access to financial services which easily amounts to, on average 10x as much as was invested in training.

Supply chain managers (SCMs) are often the most efficient provider for delivering these

financial services. But SCMs can not handle the much higher levels of risk associated with such investments. Smallholder farmers have no track record on loan repayment and farmer loyalty issues like side-selling are a significant deterrent. Some SCMs may be able to provide crop pre-financing for short term financial needs, but medium- and long-term financing requires a risk tolerance beyond the scope of even large SCMs.

Because for many commercial financial institutions it is too early to invest and only a very few are willing to take some risks - we need to develop new ways to support farmer & co-op financing.

## IDH Farm & Co-op Investment Program

The IDH Farm & Co-op Investment Program builds upon the momentum in Cote d'Ivoire to develop sustainable business models for medium and long-term financial solutions. Existing organizations have picked up this agenda and made great progress in increasing the levels of professionalism of both co-ops and farmers, to name a few organization in the space: the Conseil Café Cacao, World Bank & IFC, Scopelnsight, the Coop Academy, ANADER, WCF and GIZ.

**Joost Oorthuizen, executive director of IDH: "By enabling farmers and co-ops to pre-finance inputs and R&R services, their productivity and quality and ultimately farm-level incomes will improve and farmers resilience will strengthen."**

Building on our own experiences and the good work of others IDH has launched the Farm & Co-op Investment Program, focusing on:

- 1) making farms & co-ops bankable by providing technical assistance and training
- 2) convening public and private partners (including banks) to build enabling financial systems.

The Farm & Coop Investment Program will convene **working groups** to accelerate learning through constructive dialogues on best practices. One working group will bring together players from the cocoa and financial sector to focus on **rating criteria** that can determine the bankability of a farmer and co-op. This group will also work on aligning and harmonizing **training curricula** to prepare farmers and coops for finance. A second group will explore the set up of a **data system** to track outstanding loans to avoid over-indebtedness of farmers and coops and to inform financiers about the farmer / co-op they are planning to finance.

To enable prototyping of finance mechanisms for farmers and co-ops, by industry players and financial institutions, the Farm & Co-op Investment Program has set up the **Cocoa Challenge Fund (CCF)**, which is also open for other funders. Constellations that consist of a cocoa sector player with a farmer/co-op base and a financial institution, can submit prototyping proposals. The learning from these prototypes will be made available to a wider audience to ensure maximal public good impact. Grants are based on co-funding<sup>1</sup> from the private sector. Payment will be dependent on performance and will be an after-payment.<sup>2</sup>

**For more information about the Farm & Co-op Investment or to apply for funds contact:**

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**Application is open for:**

- Banks, MFIs and commercial agribusinesses that are registered in Côte d'Ivoire, have a lending license and are committed to develop dedicated agri-finance capacity that produce public good
- Exporters, NGOs, consultancies, public organizations that have a track record in building capacity of farmers/coops and have a partnership with a financier that is willing to finance the farmers/coops.

**The application process follows three steps:**

1. Applicants submit concept note to be assessed by program secretariat. Information included in the concept note: Financial product offering, Market analysis, Business case, Risks and Learning needs
2. Concept note will be assessed and based on that assessment (after acceptance) applicants will receive the full proposal application package and are requested to submit the full proposal addressing key issue and priorities.
3. The proposal will be processed (including a due diligence report in case the applicant is a new partner of IDH) and be submitted to the Investment Committee (IC). The IC funding decision is based on the submitted investment proposal
3. In case the investment proposal is approved, the applicant receives a letter of approval with a term sheet. Once the approval letter and contract have been signed, the project can commence.

<sup>1</sup> IDH will provide from 30%- 50% of co-funding based on set criteria.

<sup>2</sup> Maximum 20% can be paid in advance to smoothen the cash flow. The grant payment will be proportional to the performances achieved. Before the contract is signed there will be agreement how to the payments will be done and how to act in case of externalities and deviations.