

# Impact Investing & Sustainable Finance

Thursday 23 June: 14:45 – 15:40 (55 min)

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## With Speakers:



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| Fairtrade



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Director of  
Fundraising  
| Better Cotton

## Facilitator:



Farmfit  
Fund

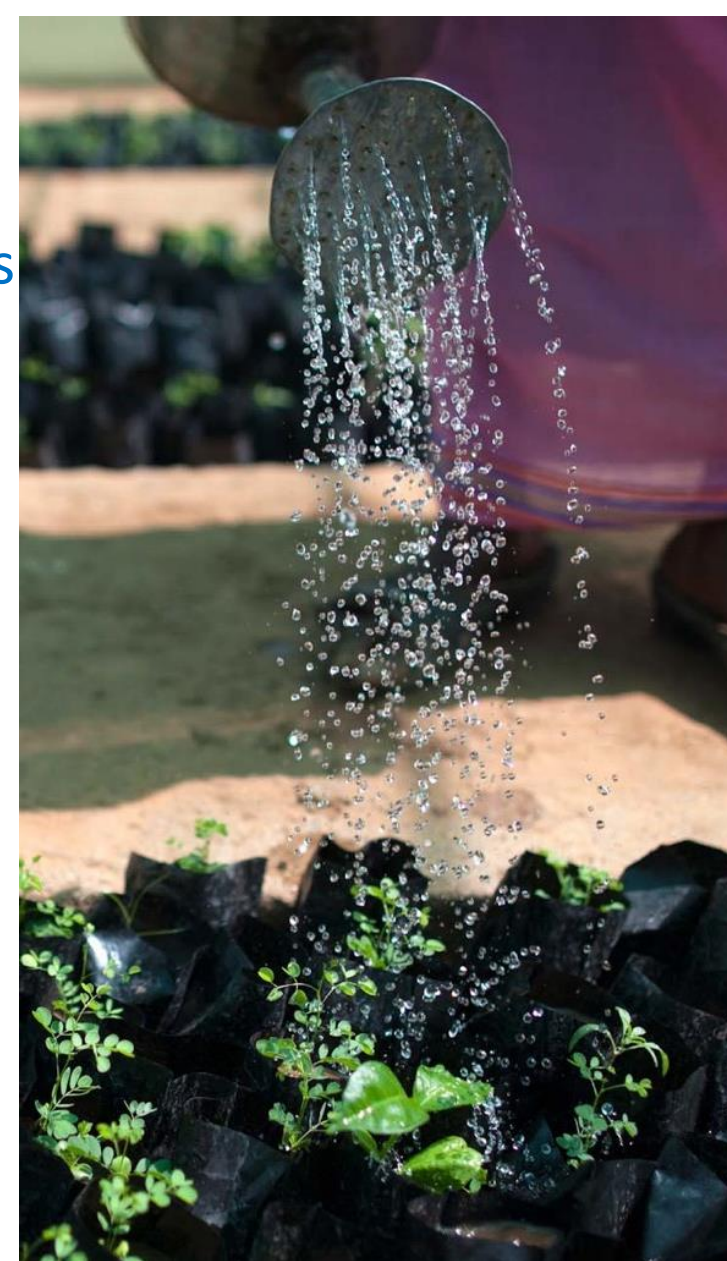
# Smallholder finance as an attractive asset class

IDH Farmfit Fund

# IDH Farmfit Fund at a glance

## Reducing risk and unlocking investment into sustainable value chains

- EUR 100 million **de-risking** blended finance fund
- **Catalyses commercial capital to coinvest** in this sector and allow agri-commodity traders, agri SMEs, and/or financial institutions to expand the services that they provide to smallholder farmers.
- The objective of the Fund is to demonstrate that **farmer financing is possible in a sustainable way** by building a large and sound farmer centric investment portfolio with both value chain actors and financial institutions.
- This will **increase the availability of affordable, long-term financing** to farmers leading to significant improvements in smallholder farmer livelihoods and incomes.
- Initial driver for IDH: Leveraging existing network and knowledge.



# IDH Farmfit Fund at a glance

Long term impact for smallholder farmers with a unique coalition



We will improve the lives of at least 3 million male and female smallholder farmers



We will demonstrate the viability of smallholder farmer finance



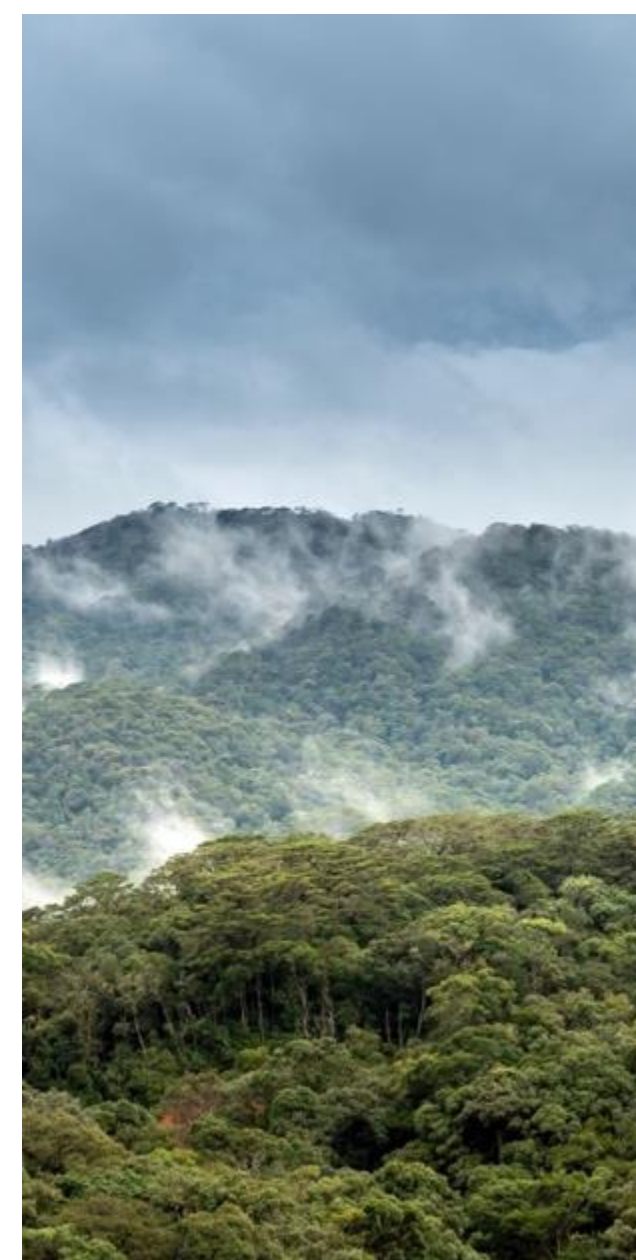
Invest funds, share risk, provide a pipeline of investable projects and provide market access



Pillar investor and public sector anchor



Up to USD 250 million of support to commercial and institutional investors to allow for significant scale



# Investment Strategy

- ❑ Investments to increase smallholder farmer productivity and income, by providing working capital to:
  - Smallholder farmers through value chain partners (traders, input providers), financial institutions, and farmer's organizations
  - Agri-SMEs and other actors that provide services or products to smallholder farmers
  
- ❑ Long term financing **for production assets** to Agri-SMEs and other value chain actors
  
- ❑ Investments in companies that **lower the cost of credit to farmers or provide other farmer services**, benefitting farm income and resilience



# Eligibility criteria

Beneficiaries

**Smallholder farmers must directly or indirectly benefit from the investment**

Sectors

**Key sectors: cocoa, coffee, palm oil, food crops in Africa**

Use of funds

(1) asset finance, (2) input loans, (3) working capital, (4) capex, (5) renovation and rehabilitation

Ticket size of the Fund in a transaction

USD 1 million – USD 5 million

Impact

- **Measure the impact on the income and yield of smallholder's farmers**
- **Willingness to improve the position of women throughout the value chain**
- **Impact lenses: Climate Resilience, Youth and/or Food Security**



# Investment | Atlantic Commodities Vietnam Ltd (ACOM)

Vietnam

## Deal



USD 1,000,000 revolving credit facility and risk sharing agreement

## Impact lens



Climate resilience



Gender intentional

## Sector



Coffee

## Challenge

- Farmers don't have access to transparent, timeline and affordable input finance.
- Farmer's access to high quality fertilizers and seedlings is limited.
- Farmer knowledge in good agricultural practices and fertilizer management is not optimal.

## Acom's solution

- Provide services to smallholder coffee farmers via its own farmer service company SMS:
  - Training in the right use of fertilizers to reduce farmer's production costs and use of counterfeit products;
  - Provision of high quality fertilizer and seedlings on credit;
  - Transparent, timely and affordable input financing.
- The combined implementation of the above mentioned measures have the potential to reduce farmer production costs and contribute to a net income increase of up to 40%.

# Investment | Koa

## Ghana

### Deal



secured term  
loan

### Impact lens



Gender intentional

### Sector



Cocoa

### Challenges

- Large living income gap for cocoa smallholder farmers in Ghana.
- Unexploited revenue opportunity from food waste.
- Underdeveloped local manufacturing in the Ghanaian cocoa supply-chain.

### Koa's solution

- Koa has established an innovative sourcing and production process for utilizing a previously thrown away product: cocoa pulp.
- **By selling pulp to Koa, farmers can increase cocoa income by 8% to 19%. If all pulp gets sold, incomes can increase by 30%**
- With the **set-up of their new factory** in Ghana, Koa will support up to ~10,000 smallholder farmers and hire additional 250 FTE's in Ghana for the next five years.



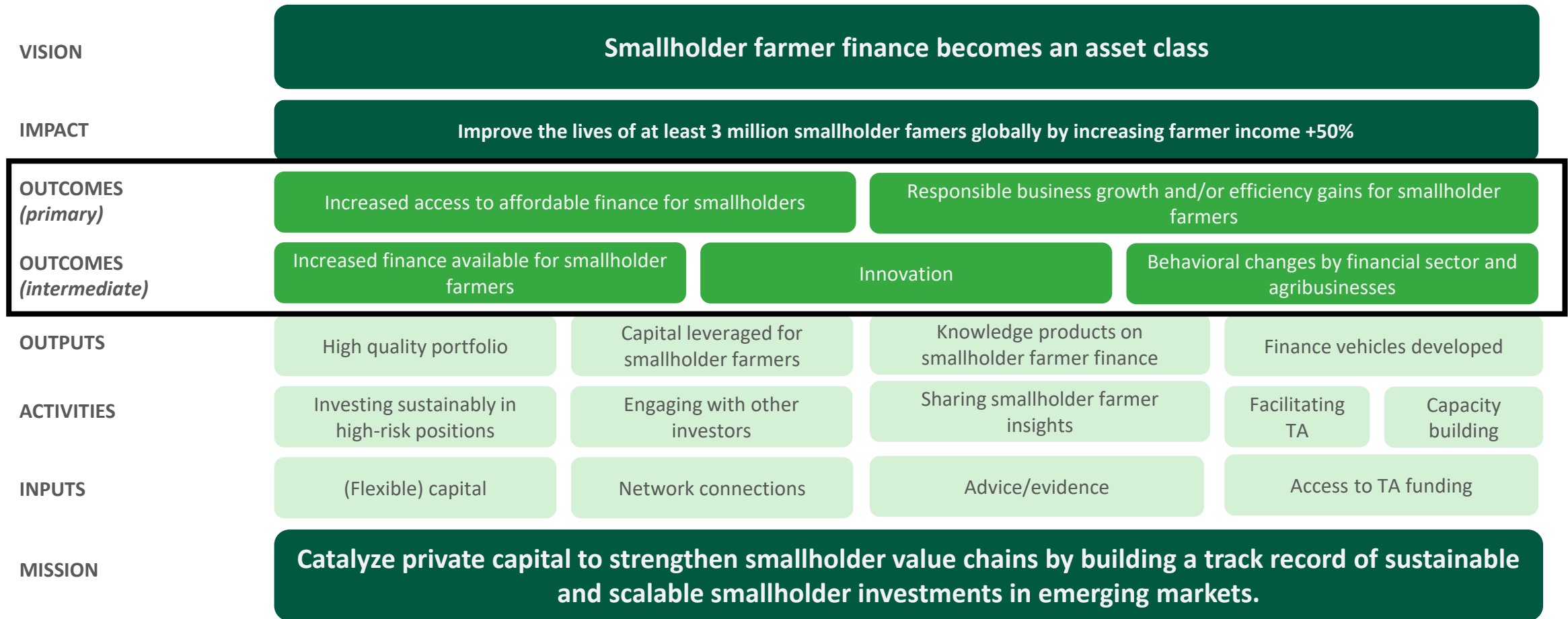
# Benefits to smallholders

- Access to finance
- Access to training
- Specific focus on female farmers
- Market linkage
- Long-term off-take contracts
- Enabling farmers to generate a higher income

**Thank you!**

# Theory of Change | The ToC describes the Fund's impact strategy

Being within the Fund's sphere of control, intermediate outcomes form the basis for the Fund's impact archetypes





Cotton +  
Climate Action

Thank you

