Impact Investing & Sustainable Finance
Thursday 23 June: 14:45 – 15:40 (55 min)

With Speakers:

Lars van Doremalen
Impact Investment & Partnerships | Solidaridad

Heleen Bulckens
Senior Manager – Materials | IDH - The Sustainable Trade Initiative

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Founding Partner | Fair Capital

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Global Cotton & Textiles Lead | Fairtrade

Facilitator:

Rebecca Owen
Director of Fundraising | Better Cotton
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

Ministry of Foreign Affairs of the Netherlands
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
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<td><strong>Sectors</strong></td>
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| **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

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

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

**MISSION**

Catalyze private capital to strengthen smallholder value chains by building a track record of sustainable and scalable smallholder investments in emerging markets.

**VISION**

Smallholder farmer finance becomes an asset class

**IMPACT**

Improve the lives of at least 3 million smallholder farmers globally by increasing farmer income +50%

**OUTCOMES (primary)**

- Increased access to affordable finance for smallholders
- Responsible business growth and/or efficiency gains for smallholder farmers

**OUTCOMES (intermediate)**

- Increased finance available for smallholder farmers
- Innovation
- Behavioral changes by financial sector and agribusinesses

**OUTPUTS**

- High quality portfolio
- Capital leveraged for smallholder farmers
- Knowledge products on smallholder farmer finance
- Finance vehicles developed

**ACTIVITIES**

- Investing sustainably in high-risk positions
- Engaging with other investors
- Sharing smallholder farmer insights
- Facilitating TA
- Capacity building

**INPUTS**

- (Flexible) capital
- Network connections
- Advice/evidence
- Access to TA funding

**INTERMEDIATE OUTCOMES**

- Behavioral changes by financial sector and agribusinesses

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**INNOVATION**

- High quality portfolio
- Knowledge products on smallholder farmer finance
- Finance vehicles developed
Thank you