

## Newsletter #2 August 2010

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## Supporting the Better Sugar Cane Initiative (BSI) in building its program



Over the past months NewForesight™ has worked closely together with the Better Sugar Cane Initiative (BSI) in building their program. With its Production Standard being near adoption in early 2010, the BSI asked NewForesight™ to support in the development of all operational procedures that are needed to start the trading and tracing of better sugarcane.

Where the BSI worked together with different service providers and working groups in the development of the individual operational procedures, NewForesight™ supported the BSI in identifying its overall operational strategy and coordinating these different development tracks to ensure all procedures are aligned to create 1 unified operational BSI program.

NewForesight™ has supported the BSI in:

1. Developing Mass Balance Chain of Custody Standard and its respective Audit Guidance in compliance with the requirements of the European Renewable Energy Directive (EU RED).
2. Developing Certification Protocol listing the process and procedures for certification against the BSI Certification System (including both the Production Standard and Chain of Custody Standard).
3. Coordinating the development of a Traceability System by identifying the system requirements in cooperation with representative from different interest groups.
4. Setting up a Capacity Building Program to train and approve Certification Bodies to certify compliance against the BSI Certification System.
5. Identifying the communication and claims strategy in order to develop the claims and labeling requirements for members.

Asked for his views on NewForesight's contribution to the BSI process, David Willers, General Manager said: *"All our service providers are highly professional, but NewForesight was an inspired choice for BSI with respect to the original empirical work that we were faced with. Certification is an immensely complex business, but it has been especially challenging for us in the world of sugar and ethanol, where there are so few conceptual precedents. With the benefit of their own certification background, NewForesight provided some cutting edge solutions and genuine original pathways which enabled us not only to meet our deadlines with respect to our EU submission, but to establish a clear roadmap with respect to the rest of the delivery timetable which our members expect."*

July was an historic month for the BSI as they submitted their Certification System for application to the EU to become recognized as a voluntary scheme. If successful then ethanol importers into the EU will be able to satisfy the EU environmental requirements against Better Sugar Cane Initiative certification as of 2011 onwards.

The BSI aims to have its program fully operational by the end of this year. NewForesight<sup>™</sup> will continue to support the BSI in the months to come.

**'Better Sugar Cane Initiative' link to website:**

<http://www.bettersugarcane.org/>

**'Certification System' link to website:**

<http://www.bettersugarcane.org/certification.html>

## Herbs and Spices working group towards sustainability



Most of our food is prepared with exotic flavors, herbs and spices originating from dozens of developing countries. While we enjoy their taste, these Natural Herbs and Spices are an important source of income for tens of thousands of families and a fundamental driver for rural development.

The Dutch Herbs and Spices sector is committed to start the journey towards a more vital and sustainable sector and is preparing together with IDH a development program. The working group currently consists of the following members: Verstegen, Euroma, Intertaste, UniSpices and the Royal

Tropical Institute (KIT). The working group is actively looking for more (International) committed companies and NGO's to join this team.

NewForesight™ supports the Sustainable Herbs and Spices working group in the design and set up of its Sustainability strategy and planning.

On the 12th October 2010 the Royal Tropical Institute will host the Sustainable Spice Conference. What are the opportunities of making the spice trade sustainable? What joint investments are needed? And how can farmers and small businesses meet the requirements for sustainability and certification? These and other important questions will be discussed during the afternoon with a multi-stakeholder audience. For more information please go to [conference website](#). The working group will take this opportunity to present their sustainable vision and strategy.

The Herbs and Spices developing program is powered by IDH. For more information see [www.sustainabletrade.com](http://www.sustainabletrade.com)

## Facilitating the development of the RTRS Traceability System



Following the work that NewForesight™ has done in supporting the Round Table on Responsible Soy (RTRS) in formulating its supply chain traceability strategy, NewForesight™ has now been asked to help the RTRS in operationalizing this strategy by facilitating the development of the “RTRS Traceability System”. Where the RTRS will contract a well-established System Provider for the actual development of the system, NewForesight™ will facilitate the selection of the System Provider, and coordinate the design and development of the system. NewForesight™ will do this in cooperation with the System Provider and representatives from different RTRS stakeholder interest groups to make sure that the system meets the needs from the industry and is in alignment with the RTRS program.

In cooperation with the RTRS, NewForesight™ has now identified the tender requirements for System Providers. The RTRS has just recently published this ‘call for tenders’ in its quest for seeking proposals from qualified System Providers to develop, implement, and manage the Traceability System. Interested parties have until August 27 to submit their proposals to the RTRS. Based on these, a shortlist of 3 providers will be asked to present their proposal to the RTRS in order to select and contract the final System Provider by September 10. The aim is to have the first release of the RTRS Traceability System operational by the end of this year.

Call for tenders: Traceability System

## Providing training towards sustainable markets

### THE ELEMENTS OF A CERTIFICATION PROGRAM



Due to its vast knowledge and proven experience in sustainable market transformation and certification programs, NewForesight™ has been requested to provide training in the above mentioned areas to various Round Tables, Certification Programs and market driven initiatives.

NewForesight™ developed a modular training to create a common language and insights into sustainable market transformation dynamics and tools to support all that work in this area to help identify their business strategy and operations. As such, NewForesight™'s training include the following elements:

- Commodity market dynamics: Why are the different commodity markets facing the problems they are facing today? And what are the underlying reasons for this?
- Sustainable market transformation strategies: How can you set up effective intervention strategies to help turn commodity markets around to become more sustainable?
- Elements of a certification program: What different types of certification programs are there? What are the elements of these certification programs, and how to these elements relate to each other?
- Key Success Factors: What are the 5 guiding principles for successful market transformation through demand driven programs? And how do these translate into practice?
- Traceability explained: What different traceability models are there? How do they relate to Chain of Custody certification and communication and claims? And how can they help to transform the market?
- Governance structures: What are the most common failures of governance structures? And what are the key success factors for the implementation of strong and credible governance structures?

These trainings prove to be very insightful to the people participating in them and we have received many positive responses. Round Tables and sustainability initiatives are coming to the conclusion that it is time to learn from each other's experiences and start making new mistakes, instead of repeating the old ones in new industries. Only then can we start working on the next agenda item and move sustainable market transformation to the next level.

For more information about our training modules please contact us: [info@newforesight.nl](mailto:info@newforesight.nl)

## Evaluating ICCO's International Markets Program



NewForesight™, in cooperation with [AidEnvironment](#), has evaluated [ICCO](#)'s "International Markets Program" of 2005 – 2009. The International Markets program focused on the sectors cotton, tropical fruits, timber and non timber forest products in Latin America and Africa. The evaluation has resulted in a strategic advice on how to become even more effective in using market forces as a driver for poverty reduction and rural development.

ICCO is an inter church organisation for development cooperation working in 53 countries in Africa, Asia, Latin America and Eastern Europe. They give global financial support and advice to local organizations and networks that work for better access to basic facilities, initiating sustainable economical development and enhancing peace and democracy.

## NewForesight™ has a new team member



Catarina Silva joined the NewForesight™ team as a Junior Consultant: "It is my personal belief that supply chain management and market transformation play a key role in the path to a sustainable and more equitable future. I will support NewForesight™'s research and consultancy projects and will be involved in the development of the ForeFinance™ Assessment Methodology. I am Portuguese and have previous experience in corporate social responsibility. Looking forward to provide a positive contribution to NewForesight™'s vision."

## NewForesight @

Lucas Simons from NewForesight™ will moderate the session 'Is certification a driver for sustainability' during the European Cocoa Association Conference, hosted by ABN AMRO, Amsterdam 24, 25 September. For more information please go to <http://www.eurococoa.com/>

## ForeFinance™ pilots ready to start



The ForeFinance™ pilots are ready to start in August. After more than two months of preparation, ForeFinance™ has made a selection of five producer groups to participate. The groups vary in size, sector and region. Among them is one of the largest coffee producers in Central region, smaller co-operatives in coffee and horticulture and fish traders in Nyanza, and a horticulture group in Eastern province.

The group has been selected via the NGO's GTZ/PSDA, IDCCS, KOAN, SNV and Ufadhili Trust, who all work closely with the producer organizations. "It's part of our strategy to involve NGO's explicitly", according to Jaime ter Linden, program manager for ForeFinance™. "They can support the producer groups while being profiled by ForeFinance™ and in case the profile shows areas of improvement, they know what to do about it".

The producer groups will be audited against the ForeFinance™ Credit Risk Assessment Methodology in August. This will deliver a profile and a score on the main areas ForeFinance™ identified as crucial for creditworthiness. This profile and score will then be offered to selected financial partners, who indicated their interest in the ForeFinance™ methodology. These partners are Co-operative Bank of Kenya, Ecobank, Equity Bank, Juhudi Kilimo, Oikocredit and Root Capital.

ForeFinance™ works with three independent audit firms: Africert, ATC and Control Union. They will conduct the audits at the producer groups and will report back to ForeFinance™. "We work with independent auditors to assure that the information we collect is independently verified and trustworthy", says Jaime ter Linden. "Our reputation is the only asset we eventually have".

## Credit Risk Assessment Methodology



ForeFinance™ has developed a Credit Risk Assessment Methodology (CRAM), which will profile producer organizations on their creditworthiness. The CRAM defines creditworthiness as the organizations' ability to meet their objectives in an efficient, effective and predictable way.

“After months of development, the CRAM is ready to be tested in the field”, according to Lucas Simons, founder of ForeFinance™. “We put a lot of energy in developing a tool which can be applied in every sector, at any scale and in every region, while it can be receptive to the local circumstances as well”. The CRAM is mainly based on the ISO methodology, which looks at management processes and therefore is applicable to every type of organization.

The main topics in the CRAM are (1) Governance and Process Management, (2) Deployment of resources, (3) Operational management, (4) Monitoring & improvement and (5) Financial administration & Performance. “You can recognize the well known management cycle of plan, do, check, act”, according to Lucas. “This cycle is adaptable to agriculture as well, though we put emphasis on certain aspects like governance and risk management. Governance and management are especially important for co-operative societies to determine their trustworthiness and cohesiveness. Risk management is an important factor in agriculture anyway”.

The pilots will be helpful in the further development of the Credit Risk Assessment Methodology. ForeFinance™ will also set up a local council which will advise on the further development of the CRAM. “The current document is a master version which will be the basis of local versions”, according to Lucas. “This CRAM is made in The Netherlands, with only limited input from the Kenyan situation. Now we have to fine-tune for the local situation”. Invitations for the local council will follow soon.

## ForeFinance™ pilots kick-off with workshop



**ForeFinance™ officially started its pilot projects with a workshop on July 22 in Nairobi. In the pilot projects, five producer groups will be profiled according to the ForeFinance™ Credit Risk Assessment Methodology. The workshop was attended by over fifty people from producer groups, financial institutions, NGO's, governmental organizations and audit companies.**

The participants in the workshop, with the theme “Enhancing Access to Finance for Agricultural Producers”, entered into interesting discussions which showed the need of bridging the information gap between financial institutions and producers. The morning session was mainly about the need for agrifinance and the problems that producers and financial institutions encountered in the marketplace. Farmers and bankers engaged into discussions with each other, which made clear that the need for more transparency about producer groups and more support for financial institutions is necessary to increase agricultural finance in Kenya. Besides the presentations by ForeFinance™ about the concept and the Credit Risk Assessment Methodology, presentations were made by the Co-operative Bank of Kenya, UAP and AgriFinance PM&C, amongst others.

The afternoon session was focused on the producer groups to prepare them for a pilot. Control Union, an audit firm, explained what producer groups could expect in an audit. ForeFinance™ presented what happens after the audit, and emphasized the facilitating function of a profile, also explaining that a profile does not mean necessarily that the producer group will get a loan. At the end of the afternoon, five producer groups committed to participate. The audits will be conducted in August.

**PRESENTATIONS** - *Click on one of the links to download the presentation*

- [Lucas Simons \(ForeFinance\) - ForeFinance Introduction](#)
- [Lucas Simons \(ForeFinance\) - Credit Risk Assessment Methodology](#)
- [Pithon Mwangi \(Co-operative Bank of Kenya\) - The ten commands of agrifinance](#)
- [Guus Rozendaal \(ForeFinance\) - AgriFinance De-risking](#)
- [Isaac Magina \(UAP\) - Agric Insurance Derisking](#)
- [Kalkidan Wubie \(Control Union\) - What is involved in a ForeFinance audit](#)
- [Jaime ter Linden \(ForeFinance\) - A profile & credit rating](#)
- [Alphonse Muriu \(AgriProFocus\) - AgriProfocus Kenya](#)

## **ForeFinance<sup>™</sup> hired local representative**



**George Oballa will be the new local representative of ForeFinance<sup>™</sup>. George will take over the role of Jaime ter Linden, who has been in Kenya for almost three months to set up the regional office and the pilot projects. George introduces himself.**

“I am a hands on person with an urge to achieve desired results in every engagement that I get involved in. I believe in working with people as a team without losing focus on the objective. I am practical and view any challenge as an opportunity to learn and do better for myself and those working with me. I believe that in life there is only one chance to make a first impression so I always try to give my best shot to anything that I do for the first time. To me life is not a rehearsal but a reality and therefore I always think and work progressively. I am focused, determined, result driven and believe in unlocking complex business ideas to achieve desired results. I am a quick learner, conscious risk taker, ambitious to achieve timely goals, a good communicator and a team player who strongly believes in management by participation

I have worked for multinational organizations like Coca Cola, Chevron, Agip, Shell, BP, Addax and Oryx Group then I ventured into farming as a private enterprise under Seydou Resources before joining ForeFinance<sup>™</sup>. My qualifications and experience have helped to develop me in to a high achiever in every work undertaking that I set myself to accomplish. I hold a B.Com degree from the University of Nairobi and an Advance Diploma Certificate in Marketing from the Institute of Finance Management of Dar-es-Salaam in Tanzania.

I am married with three children and happy to join the ForeFinance<sup>™</sup> team”.



*ForeFinance<sup>™</sup> team, from left to right: George Oballa (local representative), Lucas Simons (founder and director), Jaime ter Linden (program manager), Guus Rozendaal (senior consultant), Pete Ondeng (senior consultant).*

## ForeFinance™ will launch survey

This month, ForeFinance will launch a global internet survey which will test and verify the major components of the Credit Risk Assessment Methodology. The survey examines the different factors which contribute to creditworthiness of a producer, like good governance, risk management, agricultural practices or reporting systems.

ForeFinance will invite different stakeholders to participate in the survey, like producers, bankers, NGO's and experts. If you would like to participate or can suggest people who can participate, please send an email with "survey" in the header to [survey@forefinance.org](mailto:survey@forefinance.org). Respondents will get a report with the results.

## Regional council and consultation round

**In order to make the Credit Risk Assessment Methodology (CRAM) locally adaptable, ForeFinance™ will set up a local council with experts, sector representatives and other stakeholders. They will advise ForeFinance™ in fine-tuning the CRAM and adapt it to local circumstances. For this purpose, ForeFinance™ will also ask experts to participate in an online consultation round.**

"We need the expertise of local people who have been active in the field for years to fine-tune our methodology", says Lucas Simons, founder of ForeFinance™. "Without their support it's difficult to take local circumstances into account. The coffee sector in Kenya is quite specific, for example. If you don't take into account how regulated the sector is, it's difficult to make a credible and efficient assessment of creditworthiness. Therefore we need local experts to participate in our regional council".

ForeFinance™ is currently looking for these experts. "We also consider to make use of current structures, as we don't intend to duplicate anything. If there is already a platform where we can participate, that would be perfect for us", according to Lucas.

ForeFinance™ will invite people in the coming months. If you know experts, stakeholders or other representatives of producer groups, financial institutions, NGO's or audit firms, please let us know. Write to **George Oballa, manager business development** ([george.oballa@forefinance.org](mailto:george.oballa@forefinance.org)).

## ForeFinance™ presented at WCF



Last May, Lucas Simons presented the ForeFinance™ concept at the World Cocoa Foundation conference (hosted by the Rabobank) during the opening session of the second day. In the section 'the Financial landscape in the cocoa sector' Diana Boogaard from Rabobank International and Lucas Simons explored and presented the barriers and opportunities for access to finance in rural areas. The presentation received very positive reactions in the evaluation forms. In total 200+ companies and (non) governmental organizations were present to discuss the sustainable future of the global cocoa

industry. We thank the WCF and Rabobank for giving ForeFinance the opportunity to present its concept.

## **ForeFinance @**

ForeFinance<sup>™</sup> will present at the following conferences. We are looking forward to meet you there.

- The African Green Revolution Forum in Accra, September 2-4. Our business partner Guus Rozendaal of Agrifinance PM&C will participate in the forum discussion “Increasing access to finance”. For more information go to [www.agrforum.com](http://www.agrforum.com).
- Lucas Simons will speak and present the ForeFinance<sup>™</sup> concept at the Agriculture Outlook Conference in Johannesburg, South Africa 12-14 October, during the section mainstreaming agri finance in East Africa. For further details please see [www.terrapin.com](http://www.terrapin.com).