



PAGE 4: B.1) YOUR CASE STORY: TITLE AND DESCRIPTION

Q1: TITLE OF CASE STORY

A Pre-Export Financing for the Indonesian Coffee Sector

Q2: CASE STORY ABSTRACT

ITFC designed a US\$1 million Murabaha trade finance operation in Indonesia for the coffee sector to meet their pre-export financing requirements. This case story highlights the funding mechanism and associated impacts.

Q3: LONG DESCRIPTION OF THE CASE STORY

ITFC designed a US\$1 million Murabaha trade finance operation in Indonesia for the coffee sector to meet their pre-export financing requirements. The operation's impact in this structure was 2 fold. First, ITFC directly financed the pre-export working capital requirements of the Exporter. Second and more important, by making payment to the suppliers who were the cooperatives, the 6,000 farmers in all 5 cooperatives were able to get the funds earlier than having to wait for the payment from the final buyers.

ITFC's financing helped the farmers to get a better price for their coffee, because interest charges that the Exporter incurs is lower than before; moreover it helped fuel the growth of the exporter and the co-ops. With the ability to pay cash it made it easier for them to attract new co-ops and members to join their organizations, spreading the impact of Fair Trade further.

In addition, the exporters are delighted that the financing arrangement has brought in 15 new buyers and hence they are able to expand their business operations.

Deal Mechanics:

Prior to any funding advancement, all export contracts are pledged and receivables assigned to ITFC's account.

- 1- Suppliers/Cooperatives deliver the coffee beans into the warehouse that is under the custody of the CM.
- 2- The Exporter and CM check the quality and quantity of the coffee beans, which should have a moisture content of 15-19%, before approving the quality. The CM will issue a warehouse receipt to ITFC detailing the quantity and quality of the coffee beans.
- 3- Against the Warehouse Receipts, ITFC pays 60% of the contract value to the Suppliers/Cooperatives.

The Exporter will process, sort and pack the coffee within the warehouse premises under the supervision on the CM. He will also update ITFC on the shipment delivery dates for the contract on a continuous basis. When the shipments for the particular contracts are due, the Exporter will inform ITFC.

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4- ITFC will sell the coffee beans to the Exporter. An invoice will be issued.

5- An instruction will be sent to CM to release the coffee beans for exports. The coffee beans (packed in 60kg bags) will be loaded into a container (arranged by the buyer) within the warehouse premises. The CM will supervise the loading.

6- The shipping documents will be sent through ITFC's Agent bank and the buyers pay into the account of ITFC.

7- ITFC takes its portion (principle + mark-up) before returning the remaining amount to the Exporter.

What Makes This Deal Stand Out:

- The immense developmental impact certainly justifies ITFC's presence in the coffee operations as it touches the core mandate of ITFC. In a region that has just emerged from a civil war, ITFC is carving a name for itself by building the lives of the farmers in the best way possible by financing their trade.

- The 13 cooperatives in Aceh are Fair Trade Certified which means that they are part of a system that ensures that the coffee farmers paid a fair price to ensure sustainability.

- ITFC came up with an innovative structure to finance the farmers with the only asset they had. The coffee beans were part of the security package together with the off-takers contract. Once the coffee is delivered to warehouse, the farmers are paid a percentage of the total contract. Now the farmers do not need to wait 45 days for payment from the buyer.

- They receive cash upon delivery and as a result their livelihood is significantly improved.

- Though the financing amount is low, thousands of farmers are benefiting from ITFC's Financing. In a region that is just emerging from civil war and natural disasters, ITFC is helping to build the lives of the farmers in the best possible way by financing their trade.

Q4: Please add here web links to project/programme materials.

<http://www.itfc-idb.org/en/content/pre-export-financing-indonesian-coffee-sector-0>

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Q5: YOUR CONTACT DETAILS

Name:	Harun Celik
Ministry/Institution/Organization:	Islamic Development Bank Group - ITFC
Country:	Saudi Arabia
Email Address:	hcelik@isdb.org

Q6: FUNCTION

Public sector

Q7: FUNDING PARTNER Tick the appropriate box(es)

Respondent skipped this question

Q8: Additional information

Respondent skipped this question

Q9: START DATE OF PROJECT/PROGRAMME

Respondent skipped this question

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Q10: STATUS OF PROJECT/PROGRAMME

Respondent skipped this question

Q11: DURATION OR, IF ON-GOING, EXPECTED DURATION OF PROJECT/PROGRAMME

Respondent skipped this question

Q12: COST OF PROJECT/PROGRAMME

Between US\$1 million and US\$5 million

Q13: Additional information

USD 1 million

Q14: TYPE OF FUNDING FOR PROJECT/PROGRAMME

Loan

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Q15: PROJECT/PROGRAMME TYPE

Single country / customs territory

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Q16: SINGLE COUNTRY/CUSTOMS TERRITORY

Respondent skipped this question

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Q17: REGION(If the region does not appear in the drop down menu, please enter manually.)

Respondent skipped this question

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Q18: MULTI-COUNTRY(Enter all countries or customs territories)

Respondent skipped this question

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Q19: CASE STORY FOCUS Tick the appropriate box(es)

Improving access to trade finance

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Q20: HOW SUCCESSFUL WAS THE PROJECT/PROGRAMME Tick the appropriate box(es)	Successful
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Q21: WHAT WERE THE OUTPUTS OF THE PROJECT/PROGRAMME Tick the appropriate box(es)	New trade finance scheme
Q22: Additional information(maximum 300 words)	<i>Respondent skipped this question</i>

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Q23: WHAT WERE THE OUTCOMES OF YOUR PROJECT/PROGRAMME Tick the appropriate box(es)	Increase in merchandise exports, Reduction in cost of financing of trade finance , Increase in consumer prices
Q24: Additional information(maximum 300 words)	

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Q25: WHAT WERE THE IMPACTS OF THE PROJECT/PROGRAMME Tick the appropriate box(es)	Increase in per capita income
Q26: Additional information(maximum 300 words)	

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Q27: LESSONS LEARNT Tick the appropriate box(es)	Other (please specify) No reply provided
Q28: Additional information (maximum 300 words)	<i>Respondent skipped this question</i>
Q29: PROJECT OR PROGRAMME MONITORING AND EVALUATION FRAMEWORK Tick the appropriate box(es)	Other (please specify) No reply provided