

Finance Alliance for Sustainable Trade: Building Sustainable Trade through Empowered Sustainable Finance

Business Plan

April 2007

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1 Executive Summary

This business plan lays out the rationale and steps required for establishing a trade association which will represent sustainable trade financiers and work to increase the availability of finance to sustainable trade producers. The association will be called the Finance Alliance for Sustainable Trade (FAST) and will be formally launched in May 2007. This plan details the need and the demand for an association and documents the impact that FAST will have.

As the sustainable trade sector has grown the provision of affordable business finance to SME producer groups across the developing world has not kept pace. This has led to a “financing gap” which acts as a barrier to the continued growth of the sector, preventing the entry of new producers whilst constraining the growth of existing producers.

The purpose of this initiative is to help improve the financial sustainability of SME producers by enhancing their access to credit and related financial risk management tools. This will be achieved through better coordination and cooperation between socially oriented lenders. FAST will deliver a number of initiatives that will benefit lenders enabling them to improve their services to producers. Individual projects are detailed in section 5 of this document and include expansion of access to credit guarantees; creation of a consolidated information access point; development of a generic impact assessment tool; and the development of a producer risk management toolbox.

The association will recruit both socially oriented lenders and other key actors from across the sustainable trade arena. It will assist its entire membership by delivering projects and services which will reduce the financing gap enabling the sustainable trade marketplace continue to grow and prosper. FAST will benefit all actors from across the sustainable trade industry and as such requires the involvement of all industry participants (not just lenders) so they may provide guidance, direction and input to its work. FAST will collaborate closely with other working groups and trade associations that are operating in the other areas of the SME asset class. Other SME asset classes include areas such as energy, healthcare, water and poverty alleviation. FAST will be able to represent and promote the importance of sustainable trade finance and add value by sharing its expertise on trade finance with these other SME finance sectors.

There is currently no association representing organisations providing finance to the sustainable trade sector focussed or with a focus on reducing the sustainable trade financing gap. FAST will be funded through a combination of membership fees and external grants. There is proven interest and demand for such an association, with FAST coming out of discussions held by a number of key players in the sustainable trade sector (both lending institutions and others). The decision to launch a formal trade association was taken at a meeting in April 2006 when participants concluded that the only way to effectively address the issues relating to sustainable trade Finance was to form a dedicated trade association.

This plan lays out in detail how insufficient finance to sustainable trade producers is acting as a barrier to the continued growth of the sector and then details how FAST will address these difficulties on behalf of its membership. It documents the anticipated benefits that the association will bring to its members, and shows how the membership association will operate and be managed. Sections in this document also detail the specifics of funding the association and the timeline for establishing the organisation and delivering its projects.

2 The growth of the sustainable trade industry and the rise of the “financing gap”

2.1 Background

Markets for certified sustainable natural products have grown significantly across the globe in recent years. This reflects the evolution of new enterprise activities that integrate international trade, community-based development, and responsible natural resource management. In North America and Europe, a growing number of mission-driven companies are serving as commercial vehicles to support sustainable agriculture and other eco-friendly production activities in the tropics, especially in Latin America and East Africa. They source goods directly from rural co-ops producing such crops as coffee, cocoa, tea, fruits and spices that are organically grown under the shade of canopy in a rich and diverse forest environment. These buyers increase small producers’ incomes by offering secure markets, price protection, and technical assistance to enhance local productivity and competitiveness.

The organic agricultural product market, for instance, allows peasant farmers to compete internationally on something other than price, while at the same time helping to preserve endangered habitats. Focusing on this kind of market represents a sustainable long-term strategy given that sales of organic products globally are growing at an average of 25% per annum and show no signs of slowing. Likewise, rising demand for specialty coffee, cocoa and other produce represents a unique opportunity to harness market forces to foster grassroots development and environmental conservation. Following the successes of industry pioneers such as Equal Exchange, CafeDirect and Green Mountain Coffee Roasters, and the active organizing and advocacy efforts of organizations such as the Fairtrade Labeling Organisation and their associated National Initiatives such the number of specialty coffee importers, roasters, and retailers involved in sustainable coffee has grown dramatically.

Finally, parallel to the growth of niche markets for sustainable products there has also been a growth in the interest among mainstream players in the implementation of sustainable practices within non-specialty agricultural trade channels on a widespread basis. Work by the Sustainable Agriculture Initiative Platform, Common Code for the Coffee Community; Utz Kapeh; Eurepgap; Rainforest Alliance etc. are all indicative of a growing trend among mainstream companies to apply sustainability standards *as conditions* to market entry. Although markets for sustainable practices in “mainstream” channels typically do not hold the same potential for generating premiums as corresponding niche programmes, they nevertheless hold the promise of improving farm practice management, information flow along the supply chain and stability of trade relations—all key factors for producers dealing with mainstream markets. Perhaps most importantly however, is the eventual role of compliance with sustainability standards in determining overall market access. Compliance with such systems can thus be expected to be a key component of small producer strategies towards longer-term sustainability dependent on mainstream markets for their survival.

As markets for sustainable agricultural products grow, finance has demonstrated itself as a key factor in determining the overall sustainability of producer participation in such systems. In addition to the traditional need for pre-harvest finance faced by many small producers, participation in sustainable supply chains requires additional administrative, training and transition costs which existing producer capital bases typically cannot cover. Meanwhile, the majority of small-scale rural enterprises are typically too poor and under-capitalized to be regarded as bankable by local financial institutions. The only local credit sources are often local merchants who double as moneylenders, and who may charge monthly interest rates

between 5%-20%. Known in many parts of Latin America as “coyotes” because of their exploitative practices, these intermediaries use the scarcity of credit and geographical isolation to secure products at extremely low prices. The cycle of poverty worsens and environmental degradation continues in the absence of viable economic alternatives to unsustainable land uses such as slash-and-burn agriculture, unregulated logging, and cattle ranching.

Unfortunately, the availability of producer trade finance has not kept pace with the growth of sustainability initiatives. Commercial lenders have often lacked a commitment to finance developing country cooperative producers or the capacity to perform due diligence on producers’ business activities. Meanwhile, specialized financial intermediaries that have the mandate to support sustainable producers still have limited financial resources. Importers and food manufacturers frequently do not have the available capital or the comfort level to provide finance to suppliers, when they are not required to provide it. Although there is a growing sector of “socially oriented” lenders entering the field to fill the credit gap, their efforts have remained fragmented, uncoordinated and inadequate to meet demand to date. Socially oriented lenders is a term that relates to both European and North American lenders and local commercial banks and credit institutions across the developing world, these groups have explicit commitments to work with SME producer groups to fill the financing gap.

Perhaps not surprisingly, given the above context, existing research on the finance of sustainable trade in North America and Europe suggests that one of the principle barriers to the expansion of access to finance for SME producers is the perceived risk associated with the provision of financial services as well as the transaction costs associated with dealing with such producers. Another major barrier to producer access to credit and overall sustainability stems from the high level of exposure which small farmers and small producer cooperatives experience in the face of market and climatic volatility. While there is anecdotal evidence that the adoption of better management practices associated with sustainability standards can lead to improved and more stable output, not to mention more stable trading relationships, the absence of documented evidence of to this effect, prohibits farmers from being able to leverage their participation in a sustainability scheme for better terms. Notwithstanding any risk-reducing characteristics which standards compliance may bring, small farmers nevertheless tend to remain highly exposed to volatile market conditions of the international commodity markets. Despite the existence of a wide range of specific financial instruments for reducing risk among traders in the agricultural supply chains, farmers typically have neither the infrastructure nor capital necessary to benefit from the advantages of reduced risk which such instruments can provide.

2.2 The finance requirements of SME sustainable trade producers

The global market for sustainable production has grown rapidly in recent years. This market growth has had obvious positive effects not least the removal of millions of individual producers across the developing world from positions of extreme poverty and the improvement of environmental conditions due to the increased adoption of environmentally responsible methods of production.

For the purpose of clarity sustainable trade in this business plan refers to the full range of economic and environmentally sustainable production (both commodity and other types of sustainable production such as handicrafts and textiles) across the developing world, including the following programs and certification schemes:

- Fairtrade certified production (FLO)
- Rainforest Alliance certified production
- Utz Kapeh certified production
- Organic certified production (various labelling programs)
- Forest Stewardship Council (FSC)
- Marine Stewardship Council (MSC)
- Handicraft fair trade production (IFAT)

It is virtually impossible to accurately provide a definitive value of sustainable trade exports to developed countries from developing world countries. However conservative estimates place total current value of sustainable trade exports at over USD3bn with annual growth forecast in many sectors to be in excess of 25% per annum.

The primary finance needs of sustainable trade producer groups revolve around trade credit lending (pre-harvest/pre-production and export credit) and longer term lending for infrastructure investment. Both of these types of lending are of vital importance to the sustainability and growth of producer groups.

- Pre-harvest finance is used to support individual farmers (often members of cooperative organisations) with loans which act as pre-harvest incomes. This enables farmers to invest in their harvest production as well as manage their day-to-day existence (for example meeting their families educational and health requirements). Non-agricultural producers similarly require finance to fund the purchase of raw materials. The use of pre-harvest finance to make pre-harvest payments to farmers overcomes the problem of farmers being compelled to pre-sell their crops to intermediaries, due to their need for pre-harvest cash. Most local commercial banks will not provide cooperative organisations with pre-harvest finance as there is a lack of security (i.e. crops which have not yet been harvested).
- Trade credit / export credit is required by all types of producer groups (agricultural and non-agricultural) to fund the period between purchase of the goods from members and the receipt of payment from buyers once the items are received. Both commercial and socially oriented lenders are active in this market, however many commercial buyers will insist on unrealistically high interest rates and hefty securitisation, and will often only advance a limited amount of finance against the total value of the goods.
- Term lending is essential for most producer groups but incredibly hard to access at affordable rates. Term lending is most commonly used to fund improvements to infrastructure which can radically improve the production quality and quantity of an enterprise. However local commercial lenders are often reluctant to lend long-term to producer organisations, especially those that are operated on non-traditional cooperative / membership association models. However term lending can be transformational allowing an organisation to rapidly expand and increase their social impact.

Where there is local commercial provision of finance to sustainable producer groups the costs of lending can vary considerably, depending upon their location, size and financial situation. Cooperative producer groups can often be quoted rates which are economically crippling. This prohibitively costly lending has two effects the first being to reduce the profitability of

the enterprise and hence the value added to individual farmers, the second being to prevent expansion by pricing lending out of the reach of producer groups preventing them from investing in their businesses and reaching their ideal production potential.

An explicit goal of all socially focussed lenders is to challenge high interest rates which are predicated on the illusion that sustainable producer groups are inherently risky (or riskier than less sustainable concerns). By lending to producer groups without experiencing significant levels of lending defaults, many of the socially focussed lenders have been, and should be, able to prove to local commercial lenders that lending to cooperative producer groups is profitable and makes good business sense.

2.3 Calculating the “financing gap”

Conversations with sustainable trade producers, and associated discussions with related stakeholders (including associated NGO’s, buyer organisations and international development organisations) have clearly indicated that one of the largest barriers to growth for sustainable trade SME producers has been their inability to access affordable finance throughout the year to support their businesses.

This “financing gap” has been evidenced by the rapid growth in recent years of the number of sustainable trade “socially focused lenders” (lending institutions with explicit social organisational goals, missions and objectives.). Such lenders have entered the sustainable trade lending marketplace due to the unfulfilled demands of producer organisations for finance. Often these lenders are linked to charities and development organisations and enter the lending market as they understand that the lack of producer finance is preventing local SMEs in creating employment and raising incomes in their regions. The number of socially focused lenders, lending directly to producer groups in developing countries, now exceeds 20 with estimated lendable funds (directed almost exclusively at sustainable trade finance) estimated at USD250-300million.

However if one is to assume that the average sustainable trade producer might require up to 60% of the value of their orders in trade finance to operate sustainably, and that current sustainable trade exports amount to over USD3bn per annum, this would imply that the total demand for agricultural sustainable trade finance massively exceeds the total amount of finance which is currently available.

While local commercial banks do offer limited amounts of trade finance, especially to the larger sustainable producer groups, these loans are often solely for the period of export (not for pre-harvest finance or longer term investment in infrastructure). And even with limited amounts of local bank commercial finance anecdotal evidence continues to suggest that there remains a significant, and growing, unfulfilled demand for finance throughout the sustainable trade arena.

In summary despite the entry of increasing numbers of socially focused lenders and an increasing number of commercial lenders becoming socially oriented, there remains a growing “financing gap” that risks undermining, or at the least reducing, the potential growth of the sustainable trade market. Tackling this gap has the potential to encourage further growth of the sustainable trade sector which in turn will result in increased poverty alleviation and environmental sustainability in the poorest parts of the world.

2.4 Filling the gap by working with socially focussed and oriented lenders

In addition to the relatively small number of socially focussed lending institutions that are operating across the world, there are a growing number of socially oriented lending institutions. Socially oriented lending institutions are financial service providers who have, as part of their overall activities, a program or set of activities committed to the promotion of sustainable trade finance.

FAST will aim to work with both socially oriented and socially focussed lenders, so that it might have the largest impact on closing the financing gap. As such FAST will aim to recruit both socially focussed and socially oriented lending institutions into the association.

Socially focussed lenders agree that the financing gap will only be closed once local financial institutions are able, and willing, to provide sufficient finance to sustainable trade producers in their localities. By working with local financial institutions that are socially oriented FAST will be able to assist and encourage local lenders to improve the availability of finance to their local producer groups.

For convenience both socially focussed and socially oriented financial institutions (the organisations that will become the Full Members of FAST) are labelled as socially oriented throughout this business plan.

3 Mission, objective and goals of FAST

3.1 Vision Statement

Building businesses and livelihoods of sustainable trade producers through enhancing their access to credit and related financial risk management tools.

3.2 Mission Statement

To enable greater producer access to credit and related financial risk management tools through the promotion of sustainable trade finance, development of joint projects and improved coordination and cooperation of socially oriented lenders, producers and other stakeholders.

3.3 FAST's Statement of Objectives

FAST aims to ensure the continued growth of sustainable production and trade by increasing the number of producers in developing nations who successfully access quality trade finance. Through the development of joint projects, high level advocacy, shared strategies and enhanced transparency, FAST will improve the operational effectiveness of socially oriented lending institutions.

3.4 FAST's core activities

- 1) Projects. FAST has taken on a project based approach in addressing the needs of its members. The projects currently in development on the FAST agenda represent key issues identified by a stakeholder panel that require priority and immediate action.
 - a. The **Consolidated Information Access Point** will bridge the gap between producers and socially oriented lenders through a streamlined information access point for both parties. Producers and lenders both gain through a cost effective networking system.
 - b. The **Toolbox for Financial Literacy Training** will consolidate, coordinate and centralise access to financial education initiatives/materials of FAST participants from around the world, thus offering producers a deeper understanding of financial management, price risk management, managing borrowing effectively and commercial operations.
 - c. The **Generic Impact Assessment Tool** will enable members to generate a deeper understanding of the social and environmental impacts of their services in addition to the more obvious financial returns.
 - d. The **Guarantee Facility for Social Lending** will be explored as a means of bringing together the many “credit worthy” producers who are currently overlooked by traditional banking systems, with the aim to expand the financial services available to them.
- 2) Advocacy. FAST uses the combined voices of its members and its institutional strengths to target key decision makers in lobbying for effective change. High level support is critical in making strides towards achieving FAST's goals. Through a unified voice that incorporates the needs of all FAST stakeholders, sustainable change is on the horizon.
- 3) Networking and Knowledge Sharing. FAST acts as a platform enabling improved communications among all of its members and stakeholders. Lenders exchange critical market information on a national and regional level and the innovation of new financial

products and opportunities are shared. Members share research and expertise, all contributing to reduction of duplication of efforts and substantial cost savings.

3.5 Summary of Objectives

In short the goal of FAST will be to greatly increase efficiency and capacity across the fair finance marketplace through the shared initiatives which raise efficiency and increase capacity. Shared initiatives will in effect generate economies of scale for all FAST members from across the sustainable trade marketplace.

4 The demand for an association

4.1 The evolution of FAST

The process leading to the establishment of a “mission driven” trade association for financial service providers of sustainable trade finance began in early 2002 when the Sustainable Trade Committee of the Social Venture Network convened a group to discuss how to meet the increasing demand for affordable trade finance. Tomas Fricke of ForesTrade (VT) presented his concept of building a partnership to address the issue at the 2002 annual conference of the Specialty Coffee Association of America (SCAA). As of 2003, with funding from USAID, EcoLogic Finance assumed the role of lead management agency for the partnership, which was anointed the Finance Alliance for Sustainable Trade (FAST)¹.

Under EcoLogic Finance’s leadership, the group formalized its partnership in a Memorandum of Understanding (MOU), produced a report on the coffee finance industry, co-financed projects where sufficient capital was not available from an individual alternative lender, and decided on the initial objectives of -- leveraging the partnership to access additional loan capital dollars to meet the ever-growing demand; developing instruments to mitigate risk; and identifying opportunities for streamlining the lending process by sharing best practices.

In parallel with the activities of FAST, the Sustainable Commodity Initiative’s Sustainable Coffee Partnership identified the reduction of transaction costs through shared information, administration and training services for financial service providers as a key strategy for achieving the SCP’s core objective of improving producer access to finance as an instrument for enabling the adoption of more sustainable practices across commodity markets. In 2005 and 2006 IISD took the lead in convening FAST during SCAA annual conference.

FAST has evolved as the number of participants has grown and as increasing interest has been generated in the idea of the association. FAST participants have determined that further progress is dependent upon the formalisation of FAST into a managed membership association with dedicated resources that are able to commit to building and implementing the desired projects and programmes. Commitment to the formal establishment of FAST has been confirmed by the receipt of “Statements of Intent” signed by a number of socially oriented lenders, stating their resolve to contribute to, and work towards, the creation of FAST and collaboration in its work.

In October 2006 the FAST Steering Committee was formed comprising of organisations that had played a key role in the formation and founding of FAST. The Steering Committee is tasked with leading the association to launch and guiding its early development until such time as an elected Board of Directors is able to take control of the association. The Steering Committee has members from across the sustainable trade arena, namely RaboBank (Netherlands), Cordaid (Netherlands), ForesTrade (US), EcoLogic Finance (US) and the International Institute of Sustainable Development (Canada).

¹The credit for the name goes to Michael Brochner, former Director of Development at TransFair USA.

4.2 Emulating the success of microfinance associations

The microfinance industry has achieved great success by uniting under the umbrella of a small number of trade associations which represents their interests and encourages the sharing of best practice across the myriad of individual microfinance institutions (for example the MicroFinance Network).

MFIs came together about a decade ago establishing an association to generate operational improvements across the industry, advocate for regulatory changes and to generate wider knowledge and recognition within the investment community about their work and its social impact. The results have been outstanding with MFIs improving their operational effectiveness and generating significant amounts of additional investment from socially responsible investors, whilst public knowledge and recognition of the microfinance industry, and its social objectives, has become almost universal.

FAST aims to replicate the success of the microfinance industry and to achieve similarly beneficial results for the SME sustainable trade sector. It aims to provide a unified voice for the sector, assisting members in raising their profiles with the wider world, generating significant new additional investment and in improving the operational efficiency and social impact of each lending institution. In addition FAST will collaborate closely with other working groups and associations that are focussed on other vital areas of SME finance (such as healthcare, water, energy and poverty alleviation). FAST will be able to complement other associations and groups by becoming the expert association on SME trade finance. As such FAST will be able to play a part in building up the recognition and importance of the wider SME asset class.

4.3 The Demand and Need for FAST

In December 2006 a draft business plan and options paper (detailing the options for the structure of the association) was distributed to a number of stakeholders operating in the sustainable trade arena across the globe. Stakeholders were asked to provide their feedback on the documents, including their interest in joining such an association. The feedback received was overwhelmingly positive; nearly all respondents responded positively to the mission, vision and goals of FAST and saw value in the creation of the association and the delivery of its projects and its initiatives. The majority of respondents indicated their willingness to join FAST when established. As such it is possible to conclude that a trade association would be able to generate sufficient membership to achieve the scale required to deliver initiatives and projects and achieve its goals.

5 Services and projects to be delivered by FAST

Discussions conducted to date amongst socially oriented lenders have identified a number of initiatives that could quickly be implemented and lead to rapid benefit realisation, in addition longer term initiatives which have been identified are also detailed in this section.

5.1 Quick wins / initial projects and services to be delivered

5.1.1 Consolidated Information Access Point

Initial development of a web-based access point, for use by sustainable trade borrowers, detailing the products and services that are available from lending institutions. This will enable sustainable trade producers to rapidly gain access to a full list of socially oriented lenders, compare their product offerings and subsequently make contact with appropriate lenders hence facilitating their access to finance.

5.1.2 Risk Management Improvements including the creation of a Producer Training & Literacy Toolbox

Consolidating, coordinating and centralising access to financial education training materials. The aim of the training materials will be to increase producer capacity adding sustainability to their business by reducing risk. In addition lending by socially oriented lenders should become more stable as borrowers benefit from increased risk management training.

5.1.3 Shared Impact Assessment Toolbox / Methodology

Common matrix / auditing tool for assessing impacts of sustainable practices linked to financial service provision. At the present time each socially oriented lender uses their own method for evaluating their social impact however this prevents comparability between providers of finance. Having a standard set of measurable specific criteria will enable more robust social impact measures to be put in place.

5.1.4 Shared Sustainable Lending Guarantee Facility

Explore development of a mixed loan guarantee facility, investigate and ensure awareness and understanding of existing guarantee schemes that are available.

Investigation of the lending terms and procedures of each socially oriented lender and identification of where these procedures and processes match the requirements of existing guarantee schemes. Where matches are identified between lenders and existing guarantee schemes the association will work to assist lenders in accessing these guarantee facilities. For example, FAST will work closely with organisations such as Rabobank who have recently established the Sustainable Agriculture Guarantee Fund (SAGF).

Where the activities of socially oriented lenders and the requirements of existing guarantee facilities do not match, the Association may be able to work with the lenders to encourage the adoption of the Terms & Conditions required by the guarantee facilities.

However if significant unbridgeable gaps are identified between socially oriented lenders current lending models and the existing requirements of guarantee schemes work will need to be undertaken on the potential for developing, or accessing, affordable guarantees under the umbrella of the Association.

5.2 Longer term initiatives to include:

It is important to note that the longer term initiatives detailed below are intuitive rather than defined. Decisions on whether to proceed, or not, with any of the longer-term initiatives would only be taken following discussion and agreement between all association members. It is quite possible that some of the initiatives detailed below would not appeal to all members and hence may not be sanctioned; it is also possible that other initiatives not listed below might be suggested by members and subsequently approved and delivered.

a) Fundraising for development of new initiatives

Where lenders wish to establish new costly initiatives, which will subsequently be shared across the FAST network, FAST can play a significant role in identifying sources of funds and subsequently in generating the funds necessary to complete the work.

b) Mechanism for sharing due diligence

Where lenders are working with the same clients they currently duplicate their efforts. This piece of work will attempt to reduce costs and resources by identifying, and implementing, a mechanism for avoiding duplication by sharing due diligence. Producers will similarly benefit by avoiding repeat visits from lenders and undertaking due diligence processes fewer times, hence significantly reducing the distractions that currently remove them from their day to day activities.

c) Information sharing exchange

Lenders gather a significant amount of valuable information during their daily operations. This information can be either publicly available or generated from non-public sources. Other lenders might benefit from accessing this information, in a timely manner and acting upon it promptly. A mechanism will be developed for sharing this information amongst FAST members, enabling them to gain speedy access to time critical data whilst reducing their own data gathering costs.

d) Creation of a financial access portal for producers

There is currently no one portal (or one-stop-shop) that provides sustainable producers with access to the entire universe of socially oriented lenders. Producers wishing to access credit need to apply directly (or via their buyers) to each lender and run through their bespoke application process. A central FAST financial access portal will enable producers to access multiple potential sources of funding through just one application. This project will build upon the basic Consolidated Information Access Point developed early on by FAST as one of the initial/quick win projects.

e) Syndicated lending and larger facility sizes

A program of work to standardise mechanisms for providing producers with syndicated loans will be established. This will enable producers to apply for larger sized loans than they are currently able to apply for.

6 The impact of FAST

FAST will have a positive impact not only on socially oriented lenders but on all stakeholder members, all organisations operating across the sustainable trade field will benefit from the initiatives introduced by FAST, including socially oriented lenders, sustainable trade producer organisations and product buyers. This section details the anticipated benefits that will arise from the establishment of FAST and the commencement of its work.

6.1 Socially oriented Lenders

The major benefits that membership of FAST will bring to lenders will be:

a) Reductions in operating costs

Sharing of information, knowledge, due diligence, advocacy and development of new initiatives will significantly reduce costs for each socially oriented lender. In effect sharing costs on each of the key projects listed in section 5 of this plan will reduce wasted duplication of effort, resulting in substantial cost savings.

b) Increasing capacity and capability

Socially oriented lenders, specifically the smaller organisations, are currently unable to progress certain initiatives and programmes due to cost and resource constraints. Better collaboration and sharing between all lenders, under the direction of the association, will enable greater capacity and capability to be developed within, and across, each organisation. Additionally FAST's advocacy programme will enable all lenders to benefit from the advocacy work that FAST will conduct.

c) Improved risk management

Shared information will dramatically reduce existing informational barriers ensuring that lenders will receive early access to vital information that may currently not be readily available. This will enable them to take earlier corrective action where appropriate, and reduce the risk of potential losses.

The financial literacy toolbox will improve producer access to training & education in the areas of financial literacy, financial management, price risk management, commercial operations and business planning. This training will improve the businesses of those borrowing from lenders and hence reduce the risk of lending defaults.

d) Increased investment in their enterprises

Increased investor knowledge and awareness of the SME trade finance field and the social impact that such investment generates will raise investment across the board. The introduction of rigorous social impact assessment tools for the sector will also provide confidence to investors about the social return generated by their investments and encourage greater amounts of investment. Increased investments enable lenders to lend more money to producer organisations which will enable them reduce their transaction costs (per unit).

6.2 Borrowers / Sustainable Trade Producer Groups

Sustainable trade producer groups will benefit through:

- a) Increased access to financial literacy training & subsequent improvement in business management skills

FAST's development of a financial literacy toolbox will provide excellent quality training in key business management areas. In addition FAST will be able to act as a coordinator of training to assist in ensuring that training is provided in an organised manner, maximising impact across the industry.

- b) Increased access to affordable sources of lending

Providing a central portal for accessing lending from socially oriented lenders will significantly improve access to credit for producer groups. It will enable producers to find potential lenders more easily than at the present time.

- c) Reduced transaction costs of accessing finance from multiple sources

At present producers borrowing from multiple sources (multiple lenders) are required to spend time and effort addressing the due diligence questions and processes of each of the lenders. Most lenders also charge a fee for accessing new lending, often this fee is to cover the costs of visiting the producer group and conducting the due diligence.

Sharing of producer due diligence will help to ensure that a producer need only undertake a full due diligence process once and yet be able to access multiple sources of lending. Producers should also be able to avoid paying multiple fees for multiple due diligence processes. Producers will save both fees and time and effort.

- d) Access to larger loans

Socially oriented lenders have much lower capital bases than commercial banks and are thus unable to provide producers with larger sized loans required for larger capital purchases.

FAST will be able to assist lenders in arranging syndicated loans for loan sizes that individual lenders are unable to fulfil on their own. This will significantly benefit producers who will be able to access one loan that meets their needs (supplied by a lead lender and part financed by other lenders). This will greatly assist the larger sustainable trade cooperatives in building up, and developing, their businesses.

- e) Reduced interest rates on lending

Reduced costs for lenders and better risk management will result in reduced interest rate costs on lending for producer groups. At the moment the majority of lenders charge an interest rate based upon their operating costs and the need to accumulate lending loss reserves. FAST will reduce operating costs and the amount of lending loss reserve requirements and hence will lead to reductions in interest rates charged to borrowers.

6.3 Sustainable Trade Buyers and Retailers

Sustainable trade buyers and retailers will benefit through:

- a) More stable producer organisations / less risk of default on orders

As producers will be able to access more affordable and suitable lending services they will be better able to manage their businesses and less likely to default on orders due to cash constraints or during periods of commodity price fluctuations. This in turn will greatly benefit the buyers of sustainable trade products, who will be much less likely to experience delayed, or cancelled, orders and deliveries.

In addition the capacity building training that producers will receive through the delivery of the producer training toolbox materials will similarly benefit buyers by strengthening their producer partners and increasing the likelihood of order delivery.

- b) Increased access to finance

Many socially oriented lenders lend to both producers and buyers. FAST's work will directly strengthen lenders, build their lending capacity and increase their access to capital, and will therefore benefit buyers by providing additional access to borrowing, to assist them in growing their businesses.

- c) Reduced need for providing prefinance and lending directly

Buyers are occasionally required to provide finance to producers out of their own resources to guarantee delivery of orders and guarantee their supplies of sustainable products. As FAST will be assisting producers in accessing finance directly, buyers will find less need to finance producer organisations directly, freeing up their resources and their balance sheets.

6.4 Development Agencies and Institutions

Development agencies and institutions focussing on poverty alleviation will see direct benefits to themselves through the work that FAST delivers. FAST will assist in the alleviation of poverty by assisting the SME trade sector to grow, leading to increased incomes and employment in both poor rural and urban areas across the developing world.

6.5 Local Financial Institutions

FAST aims to fully engage local financial institutions, and aims to recruit local lending institutions (those who are working with sustainable trade producers) into the association as Full Members, thereby providing them with the same benefits that other socially oriented lending institutions will receive from membership of FAST.

FAST stakeholders fully acknowledge that the long term financial sustainability of sustainable trade producers will only be fully achieved once they are able to access affordable flexible business finance from their local financial institutions. As such FAST will work closely with, and focus its efforts on, local lending institutions to assist them in improving their lending services to their local producer groups.

7 FAST Structure and Membership

During the stakeholder consultation exercise a great deal of feedback was provided on the preferred association structure for FAST. The following sections of this document are the recommended final structural options for the association, based upon the feedback received.

7.1 Membership Structure

The Association will have a membership structure with two classes of member, determined by their organisational activities and based upon the benefits that they will receive from FAST membership. Direct beneficiaries (lending institutions involved in financing of sustainable trade) will be the main beneficiaries of the association and will be “Full Members”. Indirect beneficiaries (all other organisations and institutions primarily involved in sustainable supply chains) will be eligible for “Associate Member” status.

Full members will have the core responsibilities for management of the association including:

- Election of (the majority of) board members
- Definition of Association’s mission
- Definition of the Association’s 3 year workplan
- Promotion of the Association
- Partial funding of the Association
- Full access to FAST services
- Eligibility to sit on the Board

Associate members will have broad advisory powers with a limited degree of direct input:

- Election of a minority of “associate” board members
- Advisory role in the definition of the Association’s mission
- Advisory role in the definition of the Association’s 3 year workplan
- Promotion of the Association
- Partial funding of the Association
- Partial access to FAST services
- Eligibility to sit on the Board

Sustainable Trade Producers will be able to join the association as “Associate Members”.

7.2 Association Organisational Structure

The Association will have a hybrid structure made up of the following bodies and corresponding tasks:

General Assembly

A General Assembly of the Association should be established to represent all members (both Associate Members and Full Members). The General Assembly should act in an advisory capacity with respect to the mission of the association and financial books of the association. The General Assembly should also be responsible for the election of 4 members of the Board.

The General Assembly will meet at least once a year.

Core Assembly

A Core Assembly of the Association should be established to represent the Full Members of the Association. The Core Assembly would be responsible for the approval of the Association's mission, financial accounts and the election of the majority (8) members of the Board. Additional activities may be delegated to the Core Assembly by the Board.

The Core Assembly will meet at least once year. Core Assembly meetings and decisions will be undertaken during General Assembly meetings and decisions.

Board of Directors

The chief decision making body of FAST. Responsible for the financial management and policy direction of Association. Also responsible for the recruitment of Secretariat staff. It is recommended that the Board consist of 12 members. 8 members elected by, and drawn from the Core Assembly (of full members) and 4 members elected by, and drawn from the General Assembly (of full and associate members). Among the 4 associate members at least two seats will be reserved for producer representatives.

Meetings of the Board will be held six times a year, with four meetings held quarterly by telephone and two meetings held at key sustainable trade events where Board members are likely to be attending.

FAST Secretariat

A Secretariat for the Association will be established to manage day-to-day activities. The Secretariat will consist of an Executive Director and a Communications & Fundraising Manager. The Executive Director will be hired by the Board of Directors. The Communications & Fundraising Manager will be hired by the Board of Directors in collaboration with the Executive Director.

Activities to be undertaken by the Secretariat include:

1. Development and implementation of an annual work plan
2. Development and management of projects according to the mission of the Association and the interests of its members as identified in the five year workplan
3. Promotion of the Association's mission across the general public and policy makers
4. Organization of core FAST events, including the Assembly Meetings, Board Meetings and Producer Meetings.
5. Fundraising to generate grants to cover elements of the associations work.

7.3 Financing and Fees for FAST

FAST will be funded through a combination of external grants and membership subscription fees charged to both Full and Association Members (please see section 8).

Membership fees will be charged on a variable basis based upon an organisations revenue and assets (as this ensures that membership fees are based on the ability of a member to pay). Fees will also vary between Full and Associate Members.

7.4 Location of FAST

The FAST offices will be located in London. London has been chosen by the Steering Committee following consultation with stakeholders. London is ideally situated between North America and Europe and has good global transport links.

8 Financial Planning for FAST

FAST will generate funding from two sources, membership subscription fees and external funding (donations and grants). This section details how much income will be required to fund the day-to-day operations of the association once it has been launched and is operational. It then details the breakdown of funding required to meet these costs.

The plan clearly shows that FAST will be reliant in its first few years of operations on external funding. However as membership numbers increase the association will increasingly be able to cover its operating costs and by the end of year 3 will be financially self-sufficient and able to meet all its operating costs from membership subscription fee income.

8.1 FAST Operating Costs (three years)

Funds will be required on an ongoing basis for maintaining the association and paying for the costs associated with operating a multi-stakeholder association

Project delivery costs are not detailed in this business plan. It is anticipated that projects will be scoped and planned by the association staff who will also make use of, and rely upon, the associations members for providing additional resources to create and deliver project work (primarily seconding their staff to assist with the projects). Where additional staff and resources are required for a project, the secretariat staff will seek out assistance from external funders and grant providers.

8.1.1 Cost Assumptions

Costs are divided into two sections the association establishment costs (the costs required to get the association up and running) and the association running costs (costs required to effectively operate the association and deliver its work). Establishment costs will be spent between May and August and cease once the association is established and operational. The operational costs will commence in August once the association's offices and staff are in place.

It should be noted that it is difficult to accurately determine the costs required to operate the association after the first year as a significant proportion of the costs will depend on the future project workplan agreed by the Board and the membership. As such this plan has taken a conservative view of costs assuming that future work will be achieved using the same level of resources as in year one (year one figures are based upon the identified initial projects detailed earlier in this plan and the estimated number of members joining the association). Clearly if the Board and membership decide to undertake additional work, costs would rise and additional funding would be required.

Costs are based on estimates of operating in London (UK). Costs are currently fairly robust estimates, however exact costs will be dependent upon a number of factors including the availability of staff and office space for the association and ultimately the prioritisation of objectives and activities to be undertaken (suitable low-cost shared office space has already been identified).

Estimates of the first three years operating costs are detailed in the table below and show that if the secretariat is to be effectively staffed it will require approximately USD191,500 in its full first year, with similar costs in years two and three. These costs reflect the need to manage the association and under take work on delivering key projects and initiatives.

8.1.2 Annual Association Operating Costs

The table below provides a detailed break down of estimated association operating costs for the first three years (each year runs from August through to July).

First Three Years Operating Costs for FAST (Figures shown in USD's)				
Item	Details	Year One	Year Two	Year Three
Staffing Costs (Secretariat)				
Executive Director	Full time Exec Director	65,000	67,000	69,000
Comms & Fundraising Mngr	Full time Ops Mngr	45,000	47,000	49,000
Payroll taxes	Staff taxes	16,500	17,100	17,700
Total Staff Costs		126,500	131,100	135,700
Office Costs				
Secretariat Office	Office rental.	15,600	15,600	15,600
Other association running costs	IT, Telephony, Audit, Web hosting, etc	15,000	20,000	20,000
Total Office Costs		30,600	35,600	35,600
Meeting and Travel Costs				
Annual Meeting arrangement costs	AGM Costs	20,000	20,000	20,000
Travel Costs	Various meetings.	14,400	14,400	14,400
Total Meeting and Travel Costs		34,400	34,400	34,400
Total Running Costs of FAST		191,500	201,100	205,700

Notes for Operating Costs:

- A more detailed budget is provided in the appendices of this document.
- Each year (comprising of 12 months) runs between August and July.
- Suitable offices have already been identified and costs shown reflect the costs of these offices. Staff have yet to be recruited and hence salaries shown are estimates based on London charitable / NGO salary levels.

8.1.3 Association establishment costs

Between May and August 2007 work will need to be undertaken to establish the association. This work will include staff recruitment, establishing the association offices, setting up the IT systems, communicating with stakeholders, raising start-up funds from donors and legally registering the association with the UK authorities. These costs are detailed in the table below.

Establishment Costs (Setting up the Association) – May 2007 to August 2007 (Figures shown in USD's).		
Item	Details	Cost
Legal / Association Registration Costs	Legal / regulatory registration of the association	23,000
Office establishment costs	Staff recruitment, premises kitting out, IT, etc	5,850
Project Team Costs	Project leader & communications/fundraiser mngr	30,500
Total Establishment Costs		59,350

Funding for these costs will be required prior to the association becoming operational and prior to membership fees being paid. Work is already underway, with the FAST Steering Committee talking to potential donors, to request financial assistance to meet these establishment costs.

8.1.4 Summary of Costs

Annual operating costs for FAST will amount to approximately US\$200,000 per annum. These costs reflect all the costs of managing and effectively operating a multi-stakeholder international trade association.

8.2 FAST Revenues (first three years)

FAST will be funded in its first three years through a combination of subscriptions (fees) paid by its membership and by grants received from external organisations.

Clearly it is not possible to accurately detail how many members will join the association at what point. Similarly it is not possible to accurately state the exact level of external funding that will be generated through fundraising by the association. Estimates for these revenue areas have been produced based on discussions held over the past 8 months with a number of potential association members and external grant givers. As such the figures shown are believed to reflect an reasonably accurate (if not conservative) level of achievability and hence realism.

8.2.1 Membership Fee Subscription Income – Estimated Membership Numbers

Membership fees will be charged on a variable basis based upon an organisations revenue and assets (as this ensures that membership fees are based on the ability of a member to pay). Fees will also vary between Full and Associate Members (see section 7 of this document for further information).

The table below is a three year estimate of the number of members who will be recruited into the association and pay the annual membership fee. Membership is broken down by a members business turnover and assets (for lenders this relates their interest income and total lendable funds) and by membership type.

Type of Member	Size of Member	New Members Y1	New Members Y2	New Members Y3
Full Member (lenders)	< 5 million and/or revenue: <1 million	4	2	2
	5 – 15 million and/or revenue: 1 – 2.5 million	7	5	5
	15 million -100 million and/or revenue 2.5 – 5 million	3	2	3
	> 100 million and/or revenue : > 5 million	2	2	1
Associate Member (non-lenders)	< 5 million and/or revenue: <1 million	6	2	2
	5 – 15 million and/or revenue: 1 – 2.5 million	4	1	1
	15 million -100 million and/or revenue 2.5 – 5 million	2	1	1
	> 100 million and/or revenue : > 5 million	1	1	1

8.2.2 Membership Subscription Fees

Annual fees for members will be charged on a variable basis according to size of business and on the type of association membership. Fees have been determined following consultation with stakeholders and are set at levels, believed to maximise access to, and encourage membership of, the association.

Type of member	Size of business	Annual fees per member years 1 – 3 (USD)
Full member	< 5 million and/or revenue: <1 million	1,000
	5 – 15 million and/or revenue: 1 – 2.5 million	2,000
	15 million -100 million and/or revenue 2.5 – 5 million	4,000
	> 100 million and/or revenue : > 5 million	10,000
Associate Member	< 5 million and/or revenue: <1 million	750
	5 – 15 million and/or revenue: 1 – 2.5 million	1,500
	15 million -100 million and/or revenue 2.5 – 5 million	3,000
	> 100 million and/or revenue : > 5 million	8,000

8.2.3 Estimated Revenue Generated from Membership Subscriptions

Based on the estimated number and types of new members joining the association in years 1 – 3 it is possible to estimate the total income raised by subscription fees for the association. This subscription fee income is detailed in the table below.

	Year One	Year Two	Year Three
Full member revenue	50,000	90,000	124,000
Associate member revenue	24,500	38,500	52,500
Total revenue	74,500	128,500	176,500

Notes:

- It is likely that members will join the association throughout the year and hence fee income into the association will be staggered throughout the year.
- Fee income grows each year as the cumulative total number of members grows (this assumes that members remain fee paying members of the association i.e. renew their membership each subsequent year).

8.2.4 External Grants and Donations

FAST will employ a full time Communications & Fundraising Manager to generate interest in the association with external donors and generate grants to assist the association in meeting its operating costs.

To date there has been contact with a number of donor institutions and a significant level of interest expressed in supporting FAST once it has been established and is operating as a membership association.

It is strongly believed that once the association is launched and work commences on delivering the projects and initiatives, significant levels of grants will be generated to assist in funding the costs of the association.

The table below details the requirements for external funding to meet the shortfall in each of the first three years between membership subscription income and the associations operating costs.

(Figures shown in USD's)	Year One	Year Two	Year Three
Association Operating Costs	191,500	201,100	205,700
Estimated membership revenue	74,500	128,500	176,500
Required external funding	117,000	72,600	29,200
% external funding required	61%	36%	14%

8.3 Summary of the FAST financials

FAST will be reliant on a combination of external grants and membership subscriptions in its first three years of operations. As membership numbers (and subscription income) grow each year the proportion of external grants to membership fees will fall. By its fourth year of operation FAST should be financially self-sufficient and able to operate on membership subscription fee income alone.

It is acknowledged that the early reliance of FAST on external grants poses significant risks to successfully establishing the association. Failure to generate sufficient grants/donations will reduce the work that FAST is able to undertake. However the external finance required is relatively low and it is believed that fundraising efforts will yield positive results. After three years of operation FAST will become fully self-sufficient, generating sufficient income from membership subscription fees to continue its work without the need for additional external grants or donations.

9 Timelines and Next Steps

The table below details the key next steps and tasks with regards to establishment of FAST. These tasks will be led and guided by the FAST Steering Committee.

Task & Description	Dates
Publication and distribution of FAST business plan	
Final business plan distributed to all stakeholders.	By end March 07
Initial work on the financial literacy producer training toolbox commences*	
Roundtable discussions between training providers and other key stakeholders. Work commences on defining the toolbox contents and sourcing / producing the necessary materials. Initial training toolbox launched to members of the association. *work has already commenced on production of the Financial Literacy Toolbox following buy-in and the provision of resources from various stakeholders and interested parties.	From February 07 to December 07
Fundraising activities for the launch of association	
Discussions with potential donors to raise funds to launch and establish the association structure and offices.	From March 07 onwards
Pre-launch preparations	
Work to prepare for the association launch event. Communications with stakeholders and other interested parties. Publication of relevant communications materials and websites.	From March 07 onwards
Identification of potential Executive Director for FAST and recruitment	
Initial discussions with potential Executive Directors. Selection and recruitment of Executive Director of FAST.	By end May 07
Launch event for the association	
Launch event for the association held with attendees invited from across the sustainable trade industry.	May 07
Staff recruitment and establishment of association offices	
Offices sourced and established. Communications & Fundraising Manager recruited.	By August 07
Commencement of membership recruitment	
Membership recruitment opens with potential members sent joining information. Interested parties sign up for association membership.	From August 07
Fundraising for association projects and activities	
Work commences on requesting grants for interested institutions to assist with the development of projects and assist in funding the	Ongoing from August 07

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Task & Description	Dates
operations of FAST.	
Planning for, and work on, the Consolidated Information Access Point	
<p>Work undertaken on designing and planning for the development and implementation of the Consolidated Information Access Point.</p> <p>It is anticipated that the initial access point should be launched by end December 2007.</p>	<p>From August 07</p>
Project Planning for the Shared Impact Assessment Toolbox	
<p>Work undertaken by the secretariat on planning for the social impact assessment toolbox, with discussions with stakeholders from across the sustainable trade arena. Production of a detailed project design and implementation plan. Fundraising for costs of the project undertaken and appropriate external resources contracted to deliver the project.</p>	<p>From August 07</p>
Project Planning for the Sustainable Lending Guarantee Facility	
<p>Work undertaken by the secretariat on planning for lending guarantee facility, including detailed discussions with providers of existing guarantee facilities. Production of a detailed project design and implementation plan.</p> <p>Fundraising for costs of the project undertaken and appropriate external resources contracted to deliver the project.</p>	<p>From August 07</p>
First annual meeting of association held with Board of Directors recruited	
<p>Annual meeting of FAST held in January.</p> <p>Membership elects a representative Board of Directors to direct the association going forward.</p>	<p>January 08</p>

10 Risks and Issues

The table below details the key risks and issues relating to the launch of FAST and their mitigating actions. A more detailed risk assessment is contained in the appendices.

	Risk and mitigation	Prob.	Impact
1	<p>Insufficient funding generated to launch the association</p> <p>Explanation: A lack of funding prevent the establishment and launch of FAST.</p> <p>Mitigation: Funding sufficient to launch the trade association has now been committed by various institutions. Most of the committed funds have now been received and the two other payments are likely to be made shortly.</p>	Low	High
2	<p>Insufficient interest from stakeholders / future members</p> <p>Explanation; FAST fails to appeal to its target membership and the association fails to generate sufficient new membership to make it functional.</p> <p>Mitigation: FAST has arisen out of discussions held by a number of key stakeholders. The consultation process held in December 2006 confirmed the commitment of stakeholders to FAST and the willingness to join the association once launched. It is also anticipated that once key stakeholders have formally joined the association other organisations will be more eager to follow.</p>	Low	High
3	<p>Potential members deterred by high membership fees</p> <p>Explanation: Fees are set at too high a rate, disincentivising organisations, from joining the association.</p> <p>Mitigation: The fee charging structure has been based on a sliding scale to ensure that fees are kept as low as possible and charged on a basis of affordability. This should ensure that membership costs are affordable to all organisations that wish to join FAST.</p>	Low	Med
4	<p>External funding to fund operations of association not sufficient.</p> <p>Explanation: The association is required to generate a significant proportion of its first three years operating costs from external grant giver. If funding is not achieved the association will have to either postpone or cancel some of its scheduled work and initiatives.</p> <p>Mitigation: To date external grant givers have been shown to be willing to provide funding to FAST to see it launched. Other parties have also expressed an interest when hearing about FAST. It is anticipated that once launched, with a formal membership in place, donors will be willing to provide sufficient funds to enable the organisation to undertake its work.</p>	Med	High

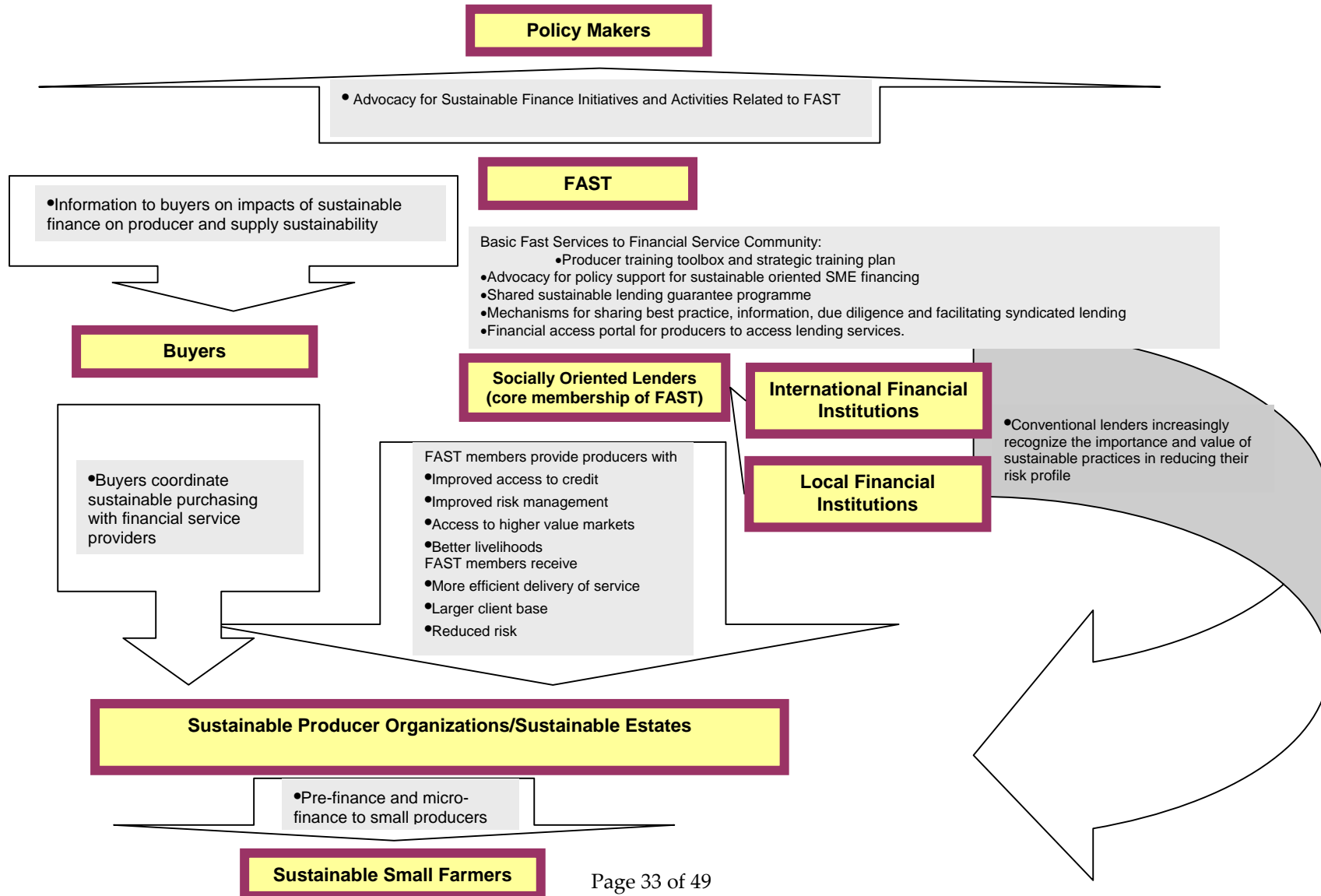
	Risk and mitigation	Prob.	Impact
5	<p>Competing association launched negating the need for FAST.</p> <p>Explanation: An alternative trade association is launched which appeals to sustainable trade potential members more than FAST. This would deprive FAST of its membership and purpose.</p> <p>Mitigation: There is no organisation currently being formed or being planned to represent sustainable trade finance. Other wider scoped organisations representing SME finance as a whole are likely to become partners of FAST rather than supersede fast.</p>	Low	High
6	<p>Projects not achievable or deliverable</p> <p>Explanation: FAST has a challenging list of critical projects. It is possible that once work commences on these projects they turn out to be unrealisable.</p> <p>Mitigation: All of the projects appear to be achievable. Work has already commenced on the producer training project, and work in other industries has proven the potential for successfully delivering the other projects.</p>	Low	Low
7	<p>Inability to find appropriate association staff</p> <p>Explanation: The association will be reliant on its newly appointed staff to deliver the goals and objectives of the association. Failure to identify or recruit good quality staff will prevent achievement of goals.</p> <p>Mitigation: The FAST Steering Committee has representatives from the sustainable trade arena, each of whom are very well networked throughout the industry. They will be able to assist in identifying potential staff members with sufficient skills and knowledge the successfully manage FASTs day to day operations.</p>	Low	Low

11 Appendices

- a) Diagrammatic representation of the links between FAST and sustainable trade partners.
- b) Potential members / parties interested in association membership.
- c) Detailed risk assessment.
- d) Detailed FAST budget – first three years
- e) Detailed communications plan.
- f) Launch budget for FAST.
- g) Steering Committee Details

Appendix A - Diagrammatic representation of the links between FAST and sustainable trade partners.

DIAGRAM DETAILING THE MUTUALLY BENEFICIAL RELATIONSHIPS BETWEEN FAST, LENDERS, PRODUCERS AND OTHER STAKEHOLDERS



Appendix B - Potential members / parties interested in association membership

Socially oriented lenders

It is possible that some of the lenders listed below may not have been involved in FAST to date. However this list has been generated based on their involvement in the direct financing of sustainable trade producers, or their association with others lending directly to such producer groups.

<u>Name of Lender</u>	<u>Location</u>
Alterfin	Belgium
Calvert Foundation	USA
Caisse d'Economie solidaire Desjardins	Canada
CORDAID (FBU)	Netherlands
Credito Sud	Italy
DOEN	Netherlands
Eco-Enterprises Fund	USA
Ecologic Finance	USA
Rabobank Foundation	Netherlands
Shared Interest Society	UK
Solidaridad	Spain et al
SOSFAIM	Various European locations
Triodos Bank	Netherlands
Verde Ventures	USA

Buyers / Retailers of Sustainable Trade Produce

There are a vast number of buyers of fairtrade, organic and other sustainable produce products based across Europe, North America and Australasia. Many of these organisations will have a very keen interest in seeing their sustainable producer partners access affordable sources of credit to strengthen their businesses, and hence have an interest in associating with FAST.

Networks and Development Organisations

There are a number of organisational networks and associations that will have a strong interest in participating in the work of FAST due to overlapping concerns and interests. A very small selection of who may include:

FEBEA	France
Fairtrade Foundation	UK
Fairtrade Labelling Organisation	Germany
INAISE	Belgium
IISD	Canada
IADB	
Transfair USA	USA
Transfair Canada	Canada
USAID	USA
World Bank (CRMG)	USA

Appendix C - Detailed risk assessment.

The table below is a detailed risk assessment matrix relating to the establishment and launch of FAST.

No.	Risk Description	Risk Mitigation	Probability	Impact
1	<p><u>Insufficient funding generated to launch the association.</u></p> <p>The pre-launch and launch of the association have used up resources to plan and develop the association. Money has been required to fund the development of the business plan and prepare for the association launch. A shortage of funds could delay or prevent the formal launch of the association.</p>	<p><u>Effective fundraising conducted.</u></p> <p>Since the decision was taken by stakeholders to launch FAST as a trade association a number of organisations have provided financial support and resources to assist in the preparation and launch of FAST. To date sufficient funds have been committed to enable the launch of FAST, although two financial payments are still outstanding and discussions with these donors are continuing.</p>	Low	High
2	<p><u>Insufficient interest from stakeholders / future members.</u></p> <p>The association will only succeed in its goals and objectives if it manages to attract / recruit a significant number of members from across the sustainable trade sector (including financiers, producers, buyers and other key players). Recruiting sufficient members is vital for a number of reasons including future association funding (fee payments) and generating credibility with external parties (requiring a minimum number of sustainable trade organisations). Failure to recruit sufficient numbers of members once the association is launched will prevent the association in making progress in its areas of interest.</p>	<p><u>Raised awareness and discussions with potential members.</u></p> <p>It was at a meeting of sustainable trade actors where the decision to launch a formal trade association was taken by those very parties. Since the decision was made a very large number of sustainable trade participants have been spoken with regarding FAST, its objectives and goals. Feedback has been positive and there has been keen interest shown by a large proportion of those spoken with, with regards to joining the association once launched. In addition prior to launch there will be a widespread informational campaign to raise awareness of the organisation with those who may not yet have been contacted. As such it is anticipated that a sufficient number of actors will join the association in the first three years to achieve “critical mass”. Additionally as the association</p>	Low	High

No.	Risk Description	Risk Mitigation	Probability	Impact
		gains members and builds its credibility other organisations are likely to see the benefits of formally joining the association.		
3	<p><u>Potential members deterred from association membership due to membership fee costs.</u></p> <p>Feedback gained during the consultation process clearly showed that fee levels could act as a deterrent to some organisations (especially the smaller lending institutions) if set too high. As such there is a real risk of deterring certain parties from formally joining the association and hence failing to become the inclusive association that is desired.</p>	<p><u>Fee charges levied on a sliding scale</u></p> <p>To avoid the risk of disincentivising membership through high fees, the fee structure for the association has been set on a sliding scale, ensuring that affordability of fees is maximised. For example, smaller lenders will need only pay one thousand US dollars per year for membership, whilst smaller associate members need pay even less. The association has also taken the decision to keep fee lows by aiming to generate funding from external bodies to subsidise the operations of the association, rather than relying on fee income. With affordable fees for membership now in place the probability of disincentivising membership is much lower.</p>	Low	High
4	<p><u>External funding to fund operations of association not sufficient.</u></p> <p>FAST will be required to generate a significant proportion of its income from external grants and donations, so as to fund costly project work and keep membership fees at an affordable rate. Failure to generate sufficient funding from grant makers will prevent the association from conducting elements of its work and delivering the projects that it has identified as required. A large shortfall in funding received could imperil the association as it strives to become fully established following its launch.</p>	<p><u>Success to date in fundraising and early positive discussions with potential donor organisation.</u></p> <p>Following the decision taken in 2006 to launch a formal trade association a number of grant making institutions were approached to support the launch of FAST. There was a significant amount of support received from both sustainable trade organisations and other grant making institutions. In addition to those organisations that have already contributed to the launch of FAST others have been approached and informed about FAST and its goals and missions. Expressions of interest have been generated and</p>	Medium	High

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No.	Risk Description	Risk Mitigation	Probability	Impact
		it is believed that once formed FAST will be an appealing proposition to receive funding from a range of external grant making organisations.		
5	<p><u>Competing association launched negating the need for FAST</u></p> <p>A new trade association is established offering similar services to FAST, which removes potential members from FAST and prevents FAST from recruiting sufficient members to achieve its objectives and goals. Or an existing trade association changes its current focus to focus on facilitating the provision of finance to developing world sustainable trade producers, again negating the need for FAST or the chance for FAST to recruit sufficient members, and raise sufficient funds, to achieve its objectives.</p>	<p><u>No evidence of a competing organisations being launched</u></p> <p>The creation of FAST has been announced across the sustainable trade arena and across the social finance world. To date no one has noted that a new association is being established that will negate the need for FAST or replicate its work.</p> <p>Whilst work is underway on establishing a broad SME financing alliance (the BDA) their work will not be focussed on trade finance and initial discussions have indicated that FAST will be able to contribute to, and benefit from, their work i.e. this will be complementary.</p> <p>There are existing trade associations for social finance institutions (including INAISE and FEBEA), however neither has a core focus on sustainable trade finance for developing world producers, but rather they have wider focus on social investment (to date primarily in Europe). It is to be hoped that FAST will be able to work alongside such associations to contribute to their work by representing the trade financing needs of sustainable trade producers.</p> <p>In summary, FAST will be the only trade association focussing exclusively on delivering capacity building</p>	Low	High

No.	Risk Description	Risk Mitigation	Probability	Impact
6	<p><u>Projects not achievable or deliverable</u></p> <p>FAST Stakeholders have provided input into what deliverables they wish to see from FAST, in terms of projects and services (these are detailed in the business plan). These are important projects that can provide significant benefit to members. However it is possible that these projects make take longer to deliver than anticipated, or prove to be unachievable due to resources or complexity.</p> <p>The delivery of specific projects are key to encouraging membership of the association and failure to deliver projects would undermine the long term viability and support for FAST.</p>	<p>projects for sustainable trade finance.</p> <p><u>Projects appear achievable</u></p> <p>None of the projects identified appear to be unachievable or beyond the realms of delivery. Many organisations already have similar or partial elements of these projects in place, and FAST will work with existing actors to put together each project and deliver it to all FAST members. Work has already begun on the Financial Literacy Toolbox and there have already been discussions on guarantee services and social impact measurement, that suggest that rapid progress is possible once FAST has been established.</p> <p>The biggest barrier to achieving project delivery is likely to be accessing sufficient resources to build and deliver the projects. This is covered under risk 1.</p>	Low	High
7	<p><u>Inability to find appropriate association staff</u></p> <p>FAST needs to recruit key staff members to get the association up and running and to build its work and activities. Failure to secure appropriate staff, at reasonable wages, will prevent the association from operating effectively. Staff required include an Executive Director, a Fundraiser, an Operations / Communications Manager and two project managers.</p>	<p><u>Rigorous recruitment and selection process to be put in place</u></p> <p>The FAST steering committee will be responsible for overseeing the recruitment and selection process. The committee has members from across the sustainable trade arena and will be able to suggest potential staff members and ensure that only appropriate staff are recruited. The budget for FAST has assumed reasonable salaries for the sector which should ensure that there is interest in the roles. In addition it is likely that many potential candidates will be interested in being involved in such an interesting association with such a socially focussed mission and vision.</p>	Low	Low

Appendix D – Detailed FAST Budget

D1 - FAST Establishment Costs

The table below details the costs of establishing FAST. These costs will be spent between May and August 2007. Total establishment costs come to USD59,350.

	May-07	Jun-07	Jul-07	Aug-07
Association Establishment Costs				
1 Registering the Association				
1.1 - Legal and Professional Fees	2.0	10.0	2.0	
1.2 - Registration and other formation fees		4.0		
1.3 - Other establishment costs		5.0		
SubTotal	<u>2.00</u>	<u>19.00</u>	<u>2.00</u>	<u>0.00</u>
2 Office Establishment Costs				
2.1 - Computer Purchases				1.5
2.2 - Software Licenses				1.0
2.3 - IT / Telephony Purchases			0.20	
2.4 - Installation of equipment			0.15	
2.5 - Staff recruitment (secretariat recruitment)		2.00		
2.6 - Stationery and other business essentials			1.00	
SubTotal	<u>0.00</u>	<u>2.00</u>	<u>1.35</u>	<u>2.50</u>
3 Project Team Costs				
3.1 - Project Leader	4.75	4.75	4.75	2.50
3.2 - Communications Project Manager	3.00	3.00	3.00	1.75
3.3 - Project Team Travel Costs	0.75	0.75	0.75	0.75
SubTotal	<u>8.50</u>	<u>8.50</u>	<u>8.50</u>	<u>5.00</u>
Total Establishment Costs	<u>10.50</u>	<u>29.50</u>	<u>11.85</u>	<u>7.50</u>

Appendix E - Detailed communications plan

a) Building the Communications Foundations for FAST

No.	Action	Start and End Date
1	Comms Plan Sign Off Sign off of standard messages and the communications plan.	Start: 1 March 07 End: 5 March 07
2	One Page Summary Doc Creation of a one page summary of FAST, including its goals, objectives and timelines. For use in initial discussions with stakeholders and interested parties.	Start 1 March 07 End: 2 March 07
3	Logo and Website Identification of low cost (free) means of developing a basic website and a logo for the association.	Start: Now End: TBD
4	Budget for Comms Definition of the communications and launch budget.	End: 5 March
5	Target Membership List *Compile full list of all potential members for FAST (the list of potential members to be approached with “sales” documentation in advance of the formal launch of the association). *All Steering Committee members to be asked to review the list (based on existing stakeholder list) and add any potential members. *List to be broken down by membership type (lenders, producers, certification bodies, buyers, development institutions, NGOs).	Start 1 March End: 14 March
6	Communications with other associations *Identification of other key associations to communicate with relating to FAST (including BDA). *Comms requirements for contact with other associations and organisations identified. *Identification of opportunities for presenting at other association events (e.g. FLO, IFAT, Transfair, etc)	Start: Now End: Ongoing
7	Development of Media eKit Compilation of a media information pack detailing FAST, its goals and objective. The pack will be used to respond to (and create interest with) media organisations, in the hope of generating publicity.	Start 10 March End: 10 April
8	Development of Fundraising Plan *Work to commence on planning for fundraising sufficient monies to fund the association for the first three years of its operations. Work to include: *identification of potential funders	Start Now End: 25 March

No.	Action	Start and End Date
	*creation of funding pack (background details on FAST and its objectives and the funding required) *detailed plan for contacting potential donors and requesting / following up on funds	

b) Taking FAST to launch

No.	Action	Start and End Date
1	Logo Logo produced for use on all FAST documents.	By end March
2	Website Created Website set up and populated with details on FAST, contact points and association documentation available for download.	By end March
3	SCAA Launch Event Planning *Discussion with SCAA about the launch of FAST and how they might be able to support and promote the launch event. *Final proposal for the format of the launch event drafted (to include format of event, goals/objectives of the event, location of event, timing of event, attendees / invitees, speakers, presentations to be made). *Identification and recruitment of key people to attend the event (high profile professional involvement) *Discussion on identifying sponsor(s) for the event and subsequent recruitment of sponsor(s). *Proposal submitted to Steering Committee and agreed	By end February
4	Documentation of Launch Event *Documents drafted for the launch event including background on FAST, invitations, membership application packs, association business plan, agenda / schedule).	By end March
5	Website updated with launch event information *All documentation and registration details for the event loaded up onto the website including registration details for the event.	By end March
6	Invitations sent to all potential attendees All potential attendees for the launch event invited the event and sent accompanying documentation.	By end March
6	Press Materials Launch materials for the press drafted. Materials to include: *press releases for the launch (1 month before launch, 2 weeks before launch, 1 week before launch)	By end March

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No.	Action	Start and End Date
	*materials passed to steering committee for inclusion into their newsletters, press releases, webspaces, etc	
7	Attendee List Created and Updated *Ongoing updating of the list of attendees / people who have registered for the event. *Chasing up of non-responders 1 and 2 weeks before the event.	Daily in April Chasing mid April and following week
8	Creation of Print Materials *Paper based packs of information on FAST produced for distribution at the launch event.	By mid April
9	Continued work on fundraising Continued discussions with potential donors regarding funding for FAST and its projects.	Ongoing

c) post launch steps.

*these steps will be taken over by the FAST secretariat once established

No.	Action	Start and End Date
1	Detailed year long communication plan drafted *Production of a year long strategic plan for communications by FAST, to include a list of comms activities required, budget for comms and plans for achieving funding and membership goals and targets.	Start May 2006 Completed June 2007
2	Monthly membership newsletter / email Monthly update sent to members informing them about member's news and association work ongoing / progress.	Monthly starting end May (following launch)
3	Continued Recruitment Activities (new membership) Ongoing plan for approaching potential members and securing their involvement, and membership of, FAST.	Ongoing
4	Identification of external events to participate in *Identifying events where FAST members can present on FAST. *Encouragement of membership re the promotion of FAST to external parties.	Ongoing
5	Website Updates *Regular (at least monthly) updates to the website to include new materials, new information, progress, updates, etc. *Development of website from "lite" to "full". With improved information and functionality.	Ongoing
6	Membership Renewal	Ongoing – at first

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No.	Action	Start and End Date
	*Work to ensure that existing members renew their membership at the end of each year.	year draws to an end.
7	Fundraising *Continued discussions with potential donors regarding funding for FAST and its projects. *Continued targeting of new potential donors to approach. *Advertising opportunities identified (charges for firms wanting to communicate with the associations membership)	Ongoing
8	Press Management / Media *Ongoing press releases and updates to generate media presence and highlight the work and role of the association. *Drafting of relevant reports for publication in various journals and magazines.	Ongoing
9	Annual Publications *Production of annual report *Production of annual magazine (member details, project delivery, etc)	For publication May 2008

Appendix F - FAST Launch Budget

The budget for bringing FAST to launch (the launch event) in May 2007 is detailed below. This budget is separate from the associations three year budget detailed in section 8 of this business plan, and does not include the costs of establishing the operations of FAST.

The launch budget includes all the work and expenditure required to successfully reach the formal launch of FAST in May 2007. Adequate funds to pay for this work have already been raised / promised by donors.

FAST Launch Budget 2006-2007				
Item	Explanation	Timeline	Total US	Total Euro
Business Plan	10 days @ 800 per day	Jun. 06-Aug. 06	8000	6080
Options Paper	10 days @ 800 per day	Aug. 06-Oct. 06	8000	6080
Organization of Inaugural Meeting	13 days @ 800 per day	Jan. 07-May. 06	10400	7904
Fundraising	13 days @ 800 per day	June 06-May. 07	10400	7904
Facilitation of Group; Group Coordination	13 days @ 800 per day	June 06-May. 07	10400	7904
Financial Literacy Toolbox Coordination and Preparation	31 days @ 800 per day	Nov 06-May. 07	24800	18848
Travel	3 trips @ 2500 each	June 06-May. 07	7500	5700
Meeting Facilities	Meeting Room and Catering	May. 07	4000	3040
Communications	Web, Press and Phone	June 06-May. 07	2000	1520
Project Management	5 days @ 800	June 06-May 07	4000	3040
Overhead and Contingency	12%		10000	7600
Total			99500	75620

Appendix G – Steering Committee Details

FAST is being led and directed by a dedicated steering committee group which will operate up until the time when the membership can elect a Board.

The Steering Committee has five members representing five sustainable trade organisations from both North America and Europe. They are:

Gauke Andriess – Cordaid (Netherlands)

Cordaid is a Dutch poverty relief organization sponsored, in part by the Dutch Government. Cordaid does not implement projects in developing countries itself, except in cases of humanitarian emergencies. Cordaid works in a few core areas including: direct poverty eradication; civil society building; lobby and advocacy and structural assistance and emergency aid. Cordaid has long recognized the importance of financing for disadvantaged agricultural producers and has sought different ways for promoting producer access to finance through its lobby and advocacy work.

Willy Foote – EcoLogic Finance (USA)

EcoLogic Finance is a social investment fund that uses the tools of finance – including access to capital and financial education – to support community-based enterprises that promote grassroots economic development and environmental stewardship in the developing world. We serve Small and Medium Enterprises (SMEs) rooted in rural, low-income communities in South America, Africa, and Southeast Asia. Through our activities, we help our clients develop the skills, the track records, and the relationships required to commercialize high-value products. Ultimately, we seek to demonstrate that the traditional view of rural producers as “unbankable” is inaccurate, and inspire mainstream banks to sharply increase the capital available to SMEs in the South.

Launched in 2000, EcoLogic Finance manages a portfolio of \$25,000 to \$500,000 loans made to SMEs that do not meet traditional requirements for accessing credit from local financial institutions.

Preference is given to businesses that:

- demonstrate the ability to provide meaningful employment and significant increases in household income to disadvantaged groups, especially small-scale agriculturalists, women, and indigenous people;
- are located in and around protected terrestrial, coastal, and marine habitats;
- show potential for local self-determination through worker-owned and managed enterprises such as rural cooperatives and producer associations; and
- are unable to secure financing from conventional commercial sources due to their small size, lack of collateral and/or operating history, and the financial risks associated with the locale. Target sectors include sustainable agriculture (agroforestry crops and low-impact commodity agricultural production), wild-harvested products, handicrafts, sustainable fisheries, and ecotourism.

In doing so, EcoLogic Finance uses lending as a tool to harness the existing entrepreneurial energy in isolated rural communities, enabling conservation and encouraging socially responsible business practices.

Thomas Fricke – Forestrade (USA)

ForesTrade is a leading international supplier of organic and sustainably produced tropical spices, vanilla, essential oils, and Fair Trade coffee. They directly source their products from over 5,000 small-scale, indigenous farmers in Indonesia and Guatemala. In total, its production partners harvest an estimated 92,000 hectares of sustainably managed land, much of which lays within the buffer zones of 9 biologically rich National Parks and Preserves.

Beginning on the farm, ForesTrade supervises every link in the supply chain from the farm gate to its customers' doors. As product travels along the supply chain, ForesTrade assures that quality, traceability and organic integrity are maintained and its customers' expectations are met.

ForesTrade's commitment to its customers is further enriched by ForesTrade's commitment to its production partners in Indonesia and Guatemala. Leading in conservation and Fair Trade initiatives, ForesTrade is deeply committed to promoting resource conservation, biodiversity, organic and sustainable agriculture, and socio-economic progress in the farming communities with which it works.

ForesTrade supply a diverse customer base around the world, comprised of tea and beverage companies, distributors, spice companies, flavor and fragrance houses, nutraceutical companies, manufacturers and coffee importers and roasters. With warehousing and processing facilities in the U.S., Europe, Indonesia and Guatemala, ForesTrade is able to meet its customers' diverse supply needs, as well as offer support and guidance on product development projects, market trends, organic regulations, logistics and marketing promotions.

Jason Potts – Institute of Sustainable Development (Canada)

IISD's mission is "to champion innovation, enabling societies to live sustainably." Given the complex and interconnected nature of the issues related to achieving sustainable development, innovation is necessary to develop and exploit new ideas which lead to the development of better tools and products, resulting in improvements in social, environmental and economic systems.

IISD has pursued its mission through the following structure and activities:

- Established in 1990, IISD is a registered Canadian charity with 501 (c)(3) status in the United States. The institute's head office is located in Winnipeg, with offices in Geneva, Ottawa and New York.
- IISD is funded by about 75 governments, foundations, corporations, UN agencies and individuals. About 80 per cent of revenues are project-specific; the remaining 20 per cent is core operating funding.
- The IISD team consists of 55 staff; 18 associates; 62 *Earth Negotiations Bulletin* reporters; 32 interns; and 20 board members. In total, more than 30 countries are represented.
- By statute, 50 per cent plus one of the IISD board is Canadian. Other members come from the United States, Algeria, Thailand, Trinidad and Tobago, and other countries.

- IISD runs more than a dozen electronic mailing lists with a combined subscriber base of close to 30,000.
- While promoting the advancement of sustainable development around the world, IISD engages in sustainable practices including green procurement strategies and carbon emissions measurement. In 2004, IISD achieved carbon neutrality by purchasing offsets.
- IISD currently maintains collaborative relationships with about 200 organizations and governments around the world.

Sustainable Commodity Initiative

Launched in 2002, the Sustainable Commodity Initiative (SCI) is a joint IISD/UNCTAD initiative aimed at promoting market-based approaches to sustainable commodity production and trade at the global level. The SCI operates from the premise that untapped gains are available through more transparent and strategic design of market-based initiatives as well as from more systemic integration of such approaches within national and global policy instruments. Over the course of 2005-2006, in addition to providing a range of targeted inputs into the development of new and existing sustainability initiatives, the SCI has been involved in the facilitation of the:

- Sustainable Coffee Partnership—a multi-stakeholder platform for the development and implementation of a global sustainability strategy for the coffee sector
- Sustainable Agriculture Forum—a consortium of technical assistance institutions aimed at providing holistic training to producers seeking to enter sustainable markets
- COSA Standards Cost-Benefit Analysis Project—a consortium of research and capacity building institutions aimed at identifying the impacts of different sustainability standards operative in the coffee sector

Guus Rozendaal – Rabobank (Netherlands)

The Rabobank organization in the Netherlands was founded by enterprising people who had virtually no access to the capital market. It has a long heritage in the small and medium-sized business community, particularly in the agricultural sector. Working together on a cooperative basis has created an institution that empowers customers to fulfil their financial ambitions. The Rabobank Group is guided by the precept of enabling individuals and businesses to participate fully and independently in economic activity. The group provides all the financial services required to engage in today's economy. In the Netherlands it has developed into a broad financial services provider that aims to design its services in a modern manner for individuals and companies in other countries as well. The Rabobank Group believes that sustainable development of wealth and prosperity demands a responsible approach to nature and the environment, and is dedicated to reflecting this belief in its activities.

Rabobank's roots lie in agriculture. What began at the end of the nineteenth century as a collection of small rural banks, has grown into an extensive financial group.

Today Rabobank is owned by 288 local banks which provide financial services and products to the Dutch retail and business markets.

The collection of these banks, together with Rabobank Nederland and the following subsidiaries form Rabobank Group and establish Rabobank as an allfinanz services provider.

- Insurances, Pensions, Occupational health and safety: Interpolis
- Asset management / Investment: Robeco Group, Schretlen & Co, Effectenbank Stroeve, Alex
- Leasing: De Lage Landen
- Real estate: Rabo Vastgoed, FGH Bank
- Other: Obvion (mortgage finance)

In its Dutch home market, Rabobank Group has approximately 1.5 million members, nine million business and private customers and is market leader in virtually every area of financial services.

Outside the Netherlands, the Group has 244 offices, in 37 countries.

Consistently being awarded a AAA credit rating from the leading rating agencies, the bank's stability is further evidenced by its being named among the Top 10 World's Safest Banks by Global Finance magazine.

The Rabobank Development Program contributes knowledge, manpower and capital to help build well-organised financial services in developing countries. We support rural banks and savings and credit co-operatives. Our vast expertise in the international food & agri sector plays an extremely useful role in this endeavour. Three divisions within the Program are responsible for deploying capital and (financial) experts:

- [Rabobank Foundation](#)
- [Rabo Financial Institutions Development](#)
- [Rabobank International Advisory Services \(RIAS\)](#)