



SCOPE



SCALE



DEPTH

Collective corporate impact strategies to **scale the impact** of a societal solution

CASE STUDY **RABO FOUNDATION**



INTRODUCTION

Creating scalable and lasting social change cannot be done by one actor alone. Some of the most progressive companies and corporate social investors (CSIs, e.g. corporate foundations, impact funds, social businesses) are therefore starting to think about how they can complement the unique strengths and opportunities of individual impact structures to **create more holistic impact approaches**.

Companies with multiple corporate social investors can do so by aligning on a common vision and moving towards a **collective corporate impact strategy**, in which each organisation complements and enhances the work of each other. In this way, these organisations can **broaden their impact** on society, **scale the impact** of a societal solution, or **deepen the impact** on particular communities.

This case study highlights how **Rabo Foundation***, **Rabo Rural Fund** and **Rabobank** are adopting such a **collective strategy to scale the impact of farmer-based organisations** that enable smallholder farmers in developing countries to become self-sufficient and produce enough food sustainably to feed the growing population.

SCALE



When CSIs and their related company **scale the impact of societal solutions**, they build an enabling environment for social innovations or social purpose organisations to grow and succeed, by offering **continuous support from incubation to maturity**.

* Rabo Foundation also supports vulnerable people in the Netherlands by investing in their financial self-reliance. For the purpose of this case study, however, we only focus on their work to support farmer-based organisations in developing countries.



“There are two main reasons we pursue a collective impact strategy. First, we observed that farmer cooperatives that outgrew the support of Rabo Foundation had difficulty finding commercial investment. Rabo Rural Fund was set up to close this gap and support farmer cooperatives to become financially self-reliant and bankable. Second, there were already various departments within Rabobank addressing issues of smallholder farmers along the value chain. A collective strategy allows us to make these efforts more coordinated and share knowledge, networks and tools, like financial instruments, across our organisations”

— PIM MOL, MANAGING DIRECTOR AT RABO FOUNDATION

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ORGANISATIONS' PROFILE

Rabo Foundation



LEGAL STRUCTURE: Corporate foundation

ESTABLISHED IN: 1974

GEOGRAPHIC FOCUS: The Netherlands, Africa, Asia, Latin America

MISSION: Offering disadvantaged groups the prospect of a sustainable future

FINANCIAL INSTRUMENTS: Loans, grants, trade finance and guarantees

YEARLY INVESTMENT: € 36 million

SOCIAL PURPOSE ORGANISATIONS (SPOs)

SUPPORTED: SPOs with a potentially financially /self-sustainable business model

STRATEGIC ALIGNMENT WITH THE RELATED COMPANY: Thematic alignment

Rabo Rural Fund



LEGAL STRUCTURE: Corporate impact fund

ESTABLISHED IN: 2011

GEOGRAPHIC FOCUS: Africa, Asia, Latin America

MISSION: Improving the livelihoods of smallholder farmers, as well as enhancing sustainable economic development in a socially responsible manner

FINANCIAL INSTRUMENTS: Loans, trade finance

YEARLY INVESTMENT: € 43 million

SOCIAL PURPOSE ORGANISATIONS (SPOs)

SUPPORTED: SPOs with a potentially financially/ self-sustainable or proven financially/ self-sustainable business model

STRATEGIC ALIGNMENT WITH THE RELATED COMPANY: Business alignment

Rabobank



LEGAL STRUCTURE: Cooperative bank

ESTABLISHED IN: 1895

GEOGRAPHIC FOCUS: Global

MISSION: Growing a better world together

CORE BUSINESS: Banking; international focus is on the Food & Agri sector, in the Netherlands focus is on private and commercial customers

SOCIAL RESPONSIBILITY STRATEGY: Rabobank aims to be a socially responsible bank, championing customer issues that have a major impact on society. Rabobank wants to make a substantial contribution to feeding the world sustainably, and to well-being and prosperity in the communities in which the bank is active

SHARED VISION

Scaling the impact of farmer-based organisations to enable smallholder farmers to produce enough food sustainably to feed the growing population.

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THE COLLECTIVE CORPORATE IMPACT STRATEGY

SOCIAL CHALLENGE

- By 2050, there will be nearly **10 billion people to feed**. Yet, **smallholder farmers**, who produce more than 70% of the global food supply, **struggle to make ends meet**.
- Smallholder farmers **lack access to markets, knowledge and finance** to improve their productivity and increase their income.
- **Farmer-based organisations** can **protect and support smallholder farmers**, but are **dependent on donations or low-interest loans** to build up working capital.
- It is often **difficult** for farmer-based organisations **to attract sufficient bank finance** for expansions, as **banks tend to see agriculture as a high-risk sector** because of its price volatility and weather impact.

SHARED VISION

Scaling the impact of farmer-based organisations to enable smallholder farmers to produce enough food sustainably to feed the growing population.

SOCIETAL SOLUTION

- **Farmer-based organisations**, like producer or saving cooperatives, can **help increase efficiency and effectiveness of farming practices**, contributing to smallholder farmers' financial self-sufficiency and global food security.
- **Rabo Foundation** provides **low-interest loans** to early-stage farmer-based organisations to help them grow and professionalise.
- **Rabo Rural Fund** provides **the next step of funding** and supports farmer-based organisations until they become eligible for commercial capital.
- **Rabobank** can provide farmer-based organisations expertise, network and funding to help them **scale their operations and impact**.

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THE ROLE OF Rabo Foundation

Rabo Foundation **supports early-stage farmer-based organisations**, like producer cooperatives, saving and credit cooperatives, or small- and medium-sized social enterprises in the Food & Agri sector, that strengthen **smallholder farmers** in developing countries. These organisations **need working capital** but, at this early development stage, are often **not eligible for banking loans** in their own country due to their high financial risks.

To make sure these organisations have the chance to grow and promote more self-sufficiency amongst smallholder farmers, **Rabo Foundation offers them financing**, for example low-interest loans of on average €150,000. Besides the financial support, the foundation also offers **non-financial support** to enhance the cooperatives' trainings and trade activities to help smallholder farmers **work more profitably and sustainably**.

THE ROLE OF Rabo Rural Fund

Once such farmer organisations are starting to become more professionalised and outgrow the philanthropic support of the foundation, they can still be considered **too small or too risky to access standard loans from commercial banks**. This is when Rabo Rural Fund can offer **follow-on funding**.

Depending on the organisations' individual needs, the fund offers **trade financing** to improve the processing and sale of products, finances the **extension of product lines**, or provides guarantees helping their investees obtain a loan from another commercial lender. As farmer cooperatives or social enterprises at this stage typically **require more working capital**, the fund can issue loans between €165,000 and €2.5 million, depending on the investees' particular needs. Like the foundation, the fund also provides **additional non-financial support**, such as access to networks and knowledge.

THE ROLE OF Rabobank

In the last development stage, Rabobank can **help farmer-based organisations scale even further**. On the one hand, Rabobank can offer their experience around making agricultural value chains more effective and sustainable, or facilitate **introductions with clients**, such as retailers or food producers that could become buyers of the growing farmer organisations.

On the other hand, cooperatives and other farmer-based organisations that are able to demonstrate a stable business and revenue model can also **become eligible for the financial services** of Rabobank or local partner banks. The combination of funding, expertise and network can be a **big stepping stone for cooperatives** and social enterprises to **scale their operations and impact** on the self-reliance and sustainable rural employment of smallholder farmers.



Cassia Co-op is a cinnamon processing and exporting cooperative that links farmers with end-users to create a fair and efficient supply chain. The loans of Rabo Foundation enable Cassia Co-op to sign pre-financial export contracts which allow them to pay the cinnamon farmers quicker and make them less vulnerable to price volatility in the market. Thanks to the support of Rabo Foundation in the early-stage of Cassia Co-Op, the investments risks have been reduced significantly and the cooperative is **now ready to switch to the pre-commercial support of Rabo Rural Fund**.



Aldea Global, a coffee-producing organisation in Nicaragua had originally been supported by Rabo Foundation. With the help of the foundation, Aldea had evolved into a professional organisation but was still not eligible for bank loans due to the financial risks of possible crop failures and its susceptibility to price fluctuations in the coffee market. In 2011, Rabo Rural Fund therefore decided to provide Aldea Global with a loan, allowing the organisation to continue its operations, buy the coffee from farmers, and resell it on the international market.



Rabo Foundation has been financing cooperatives of smallholder cocoa farmers and Rabo Rural Fund traders who source and distribute cocoa to factories. At the same time, Rabobank had been financing factories and distribution points of **Tony's Chocolonely**, a Dutch B Corp selling chocolate. Due to the strong complementarity, the bank was able to initiate a partnership between the company, the traders and the cooperative, combining all elements of the supply chain.

THE COLLECTIVE STRATEGY IN A NUTSHELL

By aligning on a common vision, Rabo Foundation, Rabo Rural Fund and Rabobank are able to design a collective strategy that helps farmer-based organisations scale their impact on smallholder farmers and their communities in developing countries. By building on the unique tools and knowledge of a foundation, an impact fund and a commercial bank, they are able to **operate along the continuum of capital** and provide **continuous support to farmer-based organisations at each development stage**.

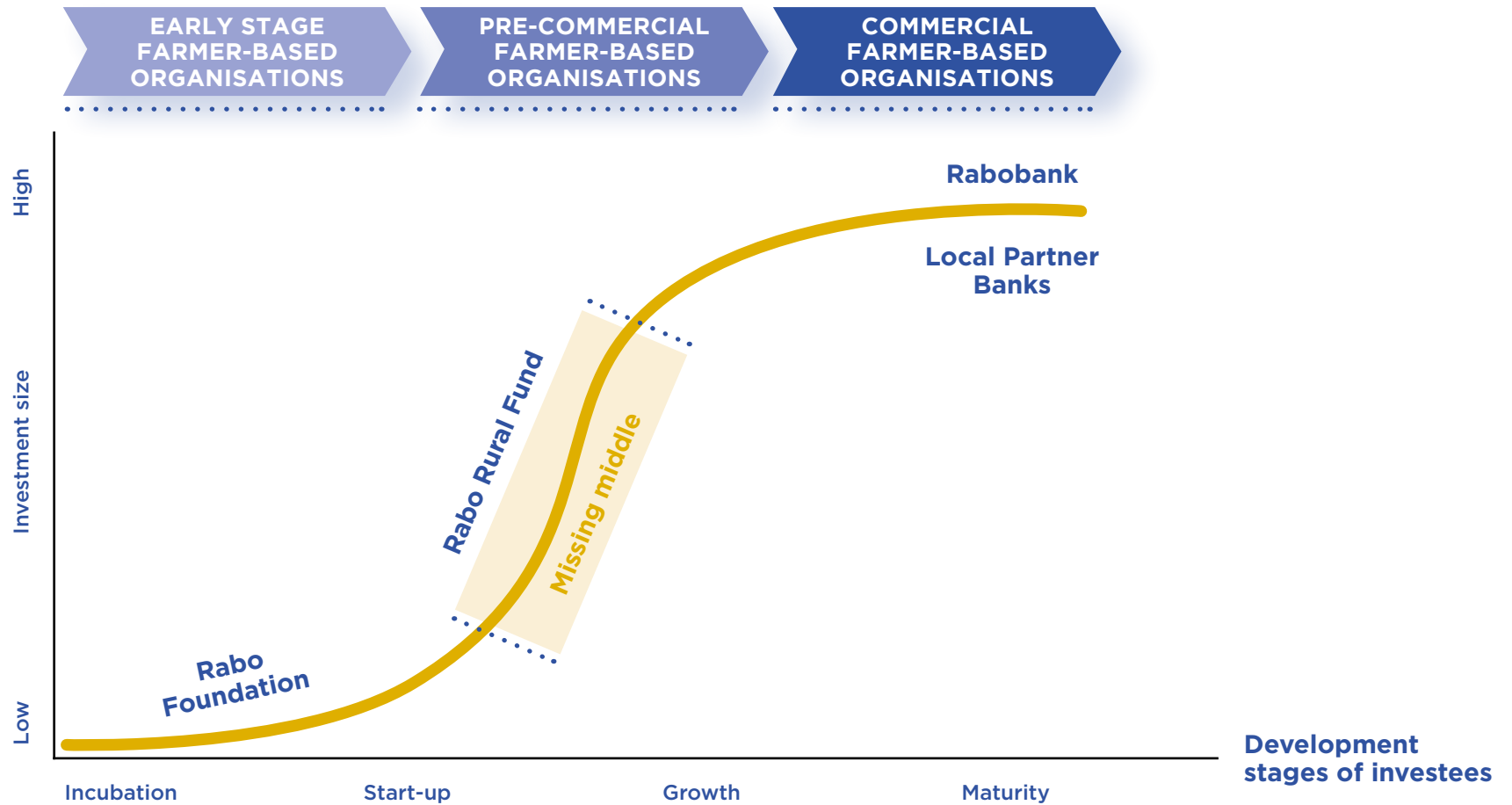


Figure 1: The three organisations along the development stages of the investees

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OPPORTUNITIES

IMPACT BENEFITS

Bridging the valley of death through a continuum of capital



The 'valley of death', or 'missing middle' describes a phenomenon in which many social purpose organisations (e.g. NGOs, social enterprises) have **difficulties finding the right type of funding** and may struggle to scale or even cease to exist. To prevent this from happening, Rabo Foundation, Rabo Rural Fund and Rabobank are aspiring to **work together along the continuum of capital**, making various financial instruments available to their investees throughout each development stage.

Building an enabling ecosystem around a particular societal solution



By supporting the same type of investees, the organisations can also utilise their respective networks to build a larger ecosystem in which **different types of stakeholders** relevant to the solution can connect and collaborate. Rabo Foundation and Rabo Rural Fund are for instance well connected amongst NGOs and smaller farmer-based organisations from developing countries, while Rabobank can facilitate connections with large industry players from the Food & Agri sector.

Enabling a successful exit



When an investor can no longer add value to its investee or the duration of the support has come to an end, a corporate social investor should ideally have [an exit strategy](#) to end the relationship in such a way that the **social impact is either maintained or amplified**. By connecting their investees with a potential new funder, Rabo Foundation and Rabo Rural Fund can ensure that the investee organisations are able to continue creating social impact after their support has ended.

Scaling solutions through the company



By working together on a particular societal solution with business relevance, this collective strategy can also facilitate the **scaling through the company's network or value chain**. As an international Food & Agri bank, Rabobank can for instance facilitate introductions between cooperatives and its clients, which include many large-scale retailers or food producers. Being able to work with such companies can be an important opportunity to **help farmer-based organisations scale their operations** even further and their **impact on smallholder farmers' self-reliance**.

BUSINESS RELEVANCE

Building a reputation around a particular societal solution



Being able to create a full story around how the company together with its corporate social investors supports a particular societal solution is **unique and impactful**. With each organisation working with different partners and investee organisations, they can collectively **expand their reputation and brand recognition** into **new stakeholder segments**. Rabobank and its purpose as a cooperative bank are for instance well known amongst small-scale farmer cooperatives, which are not directly related to the bank's activities, but an integral part of the Food & Agri sector.

A pipeline of investable social innovations and services



For a company, this strategy can also be an opportunity to find **scalable social innovations and services with business relevance**. In the case of Rabobank, the bank can for instance be exposed to sustainable and fair-trade farmer-based organisations that are entering the maturing stage. This means that the bank can explore either working with these organisations themselves or connecting them to their clients, providing additional value to their customers.

Developing far-reaching expertise on societal solutions



Having different organisations working with a particular type of investee can also help accumulate a **wider body of expertise and knowledge across the organisations**. In the Rabobank case, all organisations aim at connecting employees across the organisations working on similar thematic areas to exchange experiences, insights, and networks. The insights of the foundation and the impact fund have thereby also helped the bank better understand the context in developing countries.



KEY SUCCESS FACTORS

JOINT GOVERNANCE

To optimise the collaboration between Rabo Foundation and Rabo Rural Fund, the two corporate social investors are managed by **one supervisory board**. This helps the organisations share information, find new impactful sectors and organisations, and better coordinate their efforts. At the same time, the supervisory board has representatives from Rabobank (including one member of the bank's managing board) to increase the information flow and collaboration opportunities.

TOP LEADERSHIP SUPPORT

As a farmer cooperative bank, the importance of helping farmers become self-reliant and sustainably produce enough food for the growing population, is ingrained in the bank's DNA. As a result, the bank strongly supports the work of Rabo Foundation and Rabo Rural Fund and even made another extensive capital investment into the impact fund recently. This additional funding was an important catalyst to pursue the scaling strategy.

CLEAR MANDATES

Within the scale strategy, in which a foundation's investee might eventually also work together with the company, it is important to establish clear mandates for each vehicle. This is particularly important for corporate foundations to preserve their impact integrity. Therefore, Rabo Foundation discusses any potential implication with national tax authorities and takes a **clear impact-first perspective** on all investments, while Rabo Rural Fund can operate closer to the bank if it sees opportunities for scaling. Clear mandates are therefore important to **walk the line between societal and business interest**.



Testimony: Making scaling the new norm

“Best-practice examples such as Aldea Global and Tony’s Chocolonely’s where the foundation, the impact fund and the bank worked in extension of each other are still relatively rare. But our collective efforts began only recently and we are still working on optimising our collaboration. Within Rabobank we are working on a more integrated approach to better support smallholder farmers and align our strategy.”

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PIM MOL, MANAGING DIRECTOR AT RABO FOUNDATION

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FURTHER RESOURCES

Interested to know more about collective corporate impact strategies?
We have a range of materials available for you:



- A short, comprehensive [leaflet](#) on **collective corporate impact strategies**
- A [video](#) on **collective corporate impact strategies**
- A [video session](#) on the **scaling strategy**
- A [case study](#) and a [video session](#) on the **scope strategy**
- A [case study](#) and a [video session](#) on the **depth strategy**
- A [video](#) on **top tips to convince your corporate leaders to set up a social impact fund**

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