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This case study evaluates Alterfin's impact on the Bolaven Plateau Coffee Producers Cooperative (CPC), a sustainable agriculture organisation (SAO) operating in Laos.



## **ABSTRACT**

Coffee is a key economic driver for the Democratic Republic of Laos. It is the fifth largest agricultural export and is critical to the livelihoods of smallholder coffee farmers who make up a large part of rural households.

In this study, we look at Alterfin's partner Bolaven Plateau Coffee Producers Cooperative (CPC), a cooperative of over 700 coffee farmers, which creates stable access to international markets and offers its members comprehensive support within its three key objectives:

- To represent coffee producers of the Bolaven Plateau.
- To provide its members with technical assistance in all aspects of coffee production, marketing, and promotion.
- To build resilience and promote well-being among members through social initiatives.

We study CPC's mission performance and our investments' impact on the cooperative and, ultimately, its members — our target beneficiaries.

# ACKNOWLEDGEMENTS

We extend our sincere gratitude and appreciation to everyone who contributed and who made this study possible.

A special acknowledgement goes to Steff Deprez from Voices That Count, who accompanied Alterfin during the field impact evaluation of CPC and demonstrated the "FarmVoices Methodology."

This was not only pivotal in understanding the impact of our investments on CPC and its end-beneficiaries, but also in enhancing Alterfin's capacity to conduct future impact evaluations.

Finally, we thank our partner, CPC, its management and operational teams, and all their smallholder farmers. Their cooperation, dedication, and hard work were crucial to the study's success, and their openness to sharing experiences was most valuable in drawing meaningful conclusions.

We are grateful for their time, engagement, and commitment to this impact study.



## **EXECUTIVE SUMMARY**

Coffee production was first introduced in Laos during the 1930s when the country was still under French colonial rule. Various sociopolitical events such as World War II and the Vietnam War, coupled with environmental neglect and the spread of plant diseases, brought the industry to a standstill. Institutional and small-scale bilateral support has slowly been regenerating coffee production in Southern Laos.

The economic growth in Laos in the last two decades has been primarily driven by large-scale investments in capital-intensive sectors such as mining and hydropower. However, not only do most of these investments fail to support job creation, but many entail considerable environmental costs. Moreover, public investment in the power sector is largely financed by external debt, often on commercial terms, gradually jeopardising the macroeconomic stability of the country.

Outside of these growth-driven sectors, a gradual economic slowdown has been observed since 2012. This slowdown became more pronounced during the COVID-19 pandemic, which highlighted how vulnerable Laos is to external shocks.

This impact study focuses on Alterfin's longstanding collaboration with the Bolaven Plateau Coffee Producers Cooperative (CPC), an enterprise established in 2007 and part of the coffee value chain. Its establishment was supported by the Lao government and the French development agency Agence Française de Développement (AFD).

In 2009, Alterfin became the first and primary lender of CPC, assisting the cooperative in furthering its mission to "improve the quality of life of coffee smallholders' families of the Bolaven Plateau and fight against poverty in the area."

The study endeavours to understand the impact of Alterfin's investments and support at both the partner level and the end-beneficiary level.

- AT THE PARTNER LEVEL, Alterfin is a «Missing Middle» investor addressing the financing gap facing CPC. At this level, we examine the additionality effect of our investments on CPC's operational, financial and social performance. In this process, we ascertain whether the presence of Alterfin since 2009 has had a catalytic effect.
- AT THE END-BENEFICIARY LEVEL, we aim to understand CPC's impact on the livelihoods of its smallholder farmers. This is a plausible assumption to make for the study, as through the Alterfin investment, CPC offers its farmers a range of services aimed at supporting their coffee growing and processing activities, as well as their social wellbeing. These services include training, access to market, access to fair prices, emergency support, access to inputs, and other community benefits.

# **KEY FINDINGS**

### ON THE PARTNER-LEVEL

- PIONEER: Alterfin is a «Missing Middle» investor for CPC. As the first
  and sole lender in 2009, Alterfin addressed a major financing gap,
  introduced CPC to international best practices and thereby created
  a catalytic effect.
- CATALYST: This catalytic effect is in the form of business growth, member loyalty and additional investors for CPC.
- **PARTNER-CENTRIC:** As a partner-centric lender, Alterfin's loan offering is appropriate and responsive to CPC's needs.
- Appropriate loan offerings, provided by Alterfin, increase CPC's internal capacity, allowing it to better serve its farmers through transparent and timely services. These can include input provision, training, and financial support that are critical to boosting farmers' productivity, resulting in improved quality and quantity of coffee.

## ON THE END-BENEFICIARY LEVEL

### Impact stories

- Farmers remain extremely concerned about price, with this concern manifesting dominantly in all stories, irrespective of whether they are viewed as high in the positive stories or not high enough in the negative and indifferent stories (113 out of 184 stories).
- Most view pricing from CPC in the last season as high and satisfactory.
   Support from CPC in the form of low interest-loans, labour and assistance is the second most highly valued aspect since all these stories began with farmers experiencing an external shock.
- The third most important finding is the pest incidence, which is higher than before and is slow to resolve, often requiring the farmer to cut and discard the coffee tree and plant new seedlings. CPC has not been able to find a more robust and timely solution, according to farmers, leading to lower yields and income.
- Last finding of note is the ability of farmers to leverage the increased income to purchase land and vehicles to support their farming activities and/or to reduce their debt burden partially or entirely.

## Impact trends

- Over 80% of farmers interviewed have a strong relationship with CPC, viewing them as family and exhibiting a high level of satisfaction with CPC and the services it offers for farming and non-farming activities.
- At the farm level, transparency and timeliness of inputs, services, and payments are the most valued aspects that are essential to improving farmers' efficiency and productivity and building trust.

- Farmers are concerned with the price of coffee and feel CPC's
  offering is not on par with other competitors. Other forms of concern
  are related to repeated pest incidence in the area. However, support
  from CPC to replant coffee trees is viewed favourably by the farmers.
- Despite viewing cooperatives in a negative light prior to their association with CPC, many farmers view the relationship positively and with loyalty. Results show that 95% of the members prefer to sell to the cooperative, and only 5% do it partly out of mild preference.





# INTRODUCTION

## THE SOCIO-ECONOMIC CONTEXT

The economic growth over the previous two decades in Laos has been primarily driven by large-scale investments in capital-intensive sectors such as mining and hydropower. However, not only do most of these investments fail to support job creation, but many also entail considerable environmental costs.

Moreover, public investment in the power sector is largely financed by external debt, often on commercial terms, gradually jeopardising the macroeconomic stability of the country. Outside of these growth-driven sectors, a gradual economic slowdown has been observed since 2012. This slowdown became more pronounced during the COVID-19 pandemic, which highlighted how vulnerable Laos is to external shocks.

With regard to COVID-19, the government moved strictly and decisively to contain the virus, but lengthy lockdowns resulted in job and livelihood losses and reduced foreign exchange earnings. Economic activity virtually stagnated in 2020, with GDP growing by only 0.5%.

In 2021, the second wave of the pandemic dented hopes of an economic rebound, with a growth rate of just 2.7% in 2022. The Lao currency (LAK) lost 68% of its value against the US dollar during January-October 2022, leading to temporary shortages of fuel and limited access to foreign exchange.

These recent setbacks, combined with long-term economic stagnation, have created macroeconomic instability and heightened financial risks for Laos. As public debt service obligations rise and revenues decline, essential social expenditures such as those on education, healthcare, and social protection have decreased in real terms, disproportionately affecting vulnerable populations.

Particularly vulnerable are those dependent on the agricultural sector, who are highly susceptible to such economic downturns. These vulnerabilities are further compounded by rising inflation and currency fluctuations in the country. Consequently, farming households are now twice as likely to fall back into poverty compared to non-farming households!

1 World Bank Laos Country Profile, 2021



Economic instability and challenges in social services mean that Laos is at risk of losing the gains it has made in poverty eradication, education, nutritional status, and other key human development indicators. Structural reforms are needed to stabilise the economic situation and support a more inclusive growth pattern.

A child born in Laos today will likely be half as productive as he/she could be if he/she enjoyed full health and education. Malnutrition continues to be a critical issue affecting people's physical and cognitive development, with stunting affecting over 30% of children under the age of five. The maternal mortality rate is also high at 185 per 100,000 births (2017). According to the government, malnutrition is likely to have increased during the pandemic.

## THE LAO COFFEE INDUSTRY

The first coffee plants were introduced into Laos by French colonialists in the early 20th century. Coffee was initially cultivated in the north and soon after on the Bolaven Plateau in the south, as the area offered near-perfect growing conditions.

By the 1930s, annual Arabica production was a substantial 5,000 tons. What followed was a series of global events that adversely impacted the Laotian coffee industry.

First, World War II resulted in many French colonialists running plantations, fleeing from the area. This was soon followed by the "Great Frost" of 1949 and an epidemic of coffee leaf rust. For the next two decades, efforts to revive coffee production in Laos were unsuccessful due to perpetual political unrest and crop failure.



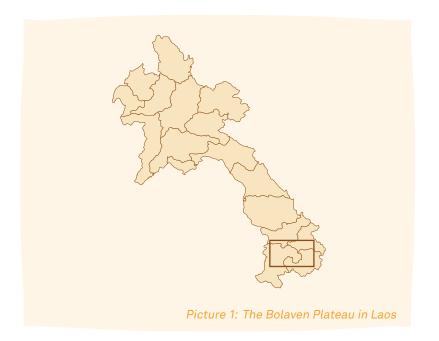
In 1975, by the end of the Vietnam War, coffee production in Laos had been mostly abandoned. Since then, the last few decades have seen a slow rebuilding of the industry. Laos exported over 20,000 tons of coffee beans in the first half of 2020, double the amount of the year before. This increase was attributed to the increase in coffee prices in the global market, as well as the higher yield levels. Nonetheless, coffee production in Laos continues to face challenges.

Climate change is a major issue, as increasing temperatures and unpredictable weather patterns disrupt the delicate growing conditions needed for coffee plants and increase the incidence of pests, leading to lower yields. Additionally, many Laotian coffee farmers continue struggling with outdated farming techniques and limited access to modern agricultural technology, reducing their yields and quality due to economic constraints. All of this is further made complex by a difficult macroeconomic environment and a volatile coffee market.

## THE BOLAVEN PLATEAU

The Bolaven Plateau is Laos's major coffee farming region, responsible for 95% of production and making coffee the country's fifth largest export product. It is located over one thousand metres above sea level and offers a cool climate and ample rainfall. Its volcanic soils provide rich minerals ideal for growing Arabica coffee.

Unfortunately, the Bolaven Plateau was heavily bombarded during the Vietnam War (1955-1975) and remained the site of substantial unexploded ordnance. To this day, farmers risk their lives growing coffee as only a limited area of the plateau is deemed safe for coffee cultivation.



## LAO COFFEE VARIETIES AND FLAVOURS

Laos produces approximately 30,000 tons of coffee annually, about one-third of it is Arabica beans and the rest are Robusta. Initially, Laos cultivated only Arabica plants of the Bourbon and Typica varieties. But following years of frost and disease, farmers introduced Robusta and the rust-resistant Robusta-Arabica hybrid, Catimor.

Laos is one of the few places where Robusta is grown at high elevation, yielding sweeter and more complex flavours, making it among the best in the world. Lao coffee is described as robust, full-bodied, and high in caffeine. It is low in acidity and has bold flavours of bittersweet chocolate and toasted cereals, resembling Indian coffee and earthy coffee from Sumatra, Indonesia.

In recent years, growers have also abandoned the heavily fertilised monocultures of the past in favour of small-scale organic farming methods. This change benefits both growers and consumers as export markets are willing to pay a higher price for organic coffee.

## THE BOLAVEN PLATEAU COFFEE PRODUCERS COOPERATIVE

The Bolaven Plateau Coffee Producers Cooperative (CPC) is a coffee producer on the Bolaven Plateau in southern Laos. It has 707 members organised into 37 smallholder farmer groups that represent 20% of coffee producers in the area.

CPC was established with the support of the French development agency (Agence Française de Développement, AFD) and the Lao Government (Ministry of Agriculture and Forestry, MAF) in 2007 as part of a rural development project. The project was implemented from 2005-2009 with the aim of strengthening the capacity of local value chain actors. After this initial support, CPC also benefited from AFD's follow-on programs PRCC II and PRCC III.

CPC's mission is to "improve the quality of life of coffee smallholders' families of the Bolaven Plateau and fight against poverty in the area."

The mission is translated into three main objectives:

- To represent coffee producers of the Bolaven Plateau at the government level, within the coordination bodies of the Lao coffee supply chain at domestic and international levels, in all activities related to coffee.
- 2. To provide its members with technical assistance and support in all aspects of coffee production, marketing, and promotion.
- 3. To build resilience and promote well-being among members through social initiatives.





Concretely, these objectives are operationalised in the following ways: Representation, Farming Support and Social Support.

Firstly, CPC represents farmers by actively engaging with government bodies to advocate for supportive policies. It lobbies for infrastructure improvements, such as better roads to facilitate transport, and for access to financial services like low-interest loans for farmers.

In addition, it pushes for favourable trade regulations to enhance market access. It organises regular meetings between farmers and government officials, ensuring that farmers' voices are heard in policy discussions. Through these efforts, CPC works to secure government support and promote sustainable practices that directly benefit Laotian smallholder coffee farmers.

Secondly, in terms of farming support, CPC aids farmers in all aspects of coffee production, starting from farm management (soil fertility, pest management, maintenance, etc.) to transformation of coffee beans in the village-based wet processing centres (quality control, pulping, washing, and drying).

Within the scope of this support, CPC also provides its members with financial support by advancing funds to them based on their production forecasts. It also delivers inputs, such as organic certified compost, at no surcharge for farmers.

Moreover, to assist with the production and marketing of "gourmet coffee," CPC helped its members improve the quality of their produce by setting up collective wet processing centres in 2007-2008 and later in 2009 a factory to prepare the products for export.

The existing physical infrastructure allows members to control wet processing, which is spread across three districts: Paksong, Laongam and Thateng. Furthermore, its technical team also supports members with group management, including accounting and management of the Fairtrade premium funds.

Finally, the third way in which CPC endeavours to meet its objectives is through social support. This is made possible through the premiums received from the Fair-Trade certification and includes three main initiatives: to improve access to (i) education, (ii) healthcare, and (iii) microfinance.

Through these initiatives, CPC has fully funded the construction of 12 schools on the plateau since its inception. Furthermore, it helped these schools gain access to clean water through drilling and the distribution of water filters, ultimately benefiting more than 7,000 children.

Next, CPC built a healthcare facility providing access to four villages and over 3,500 people.

Finally, CPC also provides low-interest financing to its members to meet both household and farming needs. Together, these initiatives play a significant role in reducing the farmers' vulnerability and providing a safety net in a context where public services are severely constrained.

Development levels in Lao are low, and the country remains highly dependent on international aid.

Although CPC, being a coffee cooperative, cannot replace public services in its entirety, it is well positioned to partially fill the gaps, thereby promoting social and economic development in the rural farming communities of the Bolaven Plateau.

## **ALTERFIN'S MOTIVE**

Given Laos's socio-economic context and CPC's pivotal role in supporting smallholder coffee farmers, and particularly women, Alterfin established a relationship with CPC by becoming its first domestic and international lender in 2009.

Since then, Alterfin has disbursed 13 loans to CPC. The first loan had a value of USD 205,000, which evolved with the needs of CPC to reach USD 1.3 million.

## **IMPACT STUDIES OBJECTIVES**

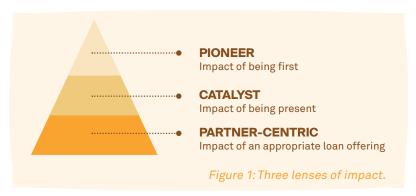
The socio-economic context of Laos and CPC's work with smallholder coffee farmers make a compelling case for investment that is aligned with Alterfin's vision and mission.

Therefore, we undertake impact evaluations to validate our expected impact on the partner and its beneficiaries.

We do this by (i) listening to the voice of our partner, CPC, with the aim of understanding our impact on the cooperative and (ii) by listening to the voices of the end beneficiaries, to understand the impact CPC has on its farmers. We feel both voices give us a holistic overview of the nature of our impact, if any, and can guide us in making impactful investments.

## At the partner level

At the partner level, we seek to understand the impact of being a missing middle investor with an often-pioneering role to address the financing gap in the agriculture SME sector. This study seeks to understand the impact of Alterfin's investments, and in this case, the effect of being the first investor providing financing to our partner CPC.



On the partner level, we want to specifically understand how Alterfin's loan offering has enabled conditions that allowed CPC to grow and improve its financial, social, and environmental performance, thereby benefiting its beneficiaries. The various dimensions of impact, we looked at are:

- PIONEER: To assess Alterfin's role as a 'Missing Middle' and pioneering investor in whether it has addressed a major financing gap for CPC, and to understand whether this has increased the likelihood of creating a catalytic effect on the partner.
- CATALYST: To investigate if Alterfin's presence has had a catalytic effect on the partner in two ways: either by facilitating growth and operational improvements or attracting additional investors and buyers..
- 3. PARTNER-CENTRIC: To determine whether Alterfin's terms of financing are responsive to the needs of partners and to further understand how appropriate financing has allowed the partner to further its goals.

### At the end-beneficiary level

Since we make investments based on a partner's likelihood to generate a positive impact on its beneficiaries, here we aim to study the impact of CPC's activities on the smallholder farmers at two levels:

- THE FARM LEVEL. Here we look at the impact of the various services provided by CPC (purchase of coffee, inputs, training, transportation, insurance and bonus) on the farming activities of its smallholder farmers.
- 2. THE HOUSEHOLD LEVEL. We evaluate whether working with CPC has led to enhancements in the overall quality of life and access to fundamental services for the smallholder farmers, such as healthcare, education, and housing.

\*\* Methodology is detailed in the Annex p.28





# FINDINGS

## OUR ADDITIONALITY TO THE PARTNER

### **Pioneer**

Alterfin, being CPC's first lender both locally and internationally, acts as a 'missing middle' investor and a pioneer. Initially, Alterfin provided CPC with a working capital loan of USD 205,000 and has supported CPC's growth and journey ever since, leading to a working capital loan of USD 1.3 million at present. Since 2009, Alterfin has built a longstanding relationship with CPC, with a disbursement of 13 loans to date.

Prior to Alterfin's presence, it was challenging for CPC to obtain financing and would often request Fair-Trade buyers for advance payments, which was not something the buyers were keen on doing. This left CPC without funds for pre-financing its farmers. Pre-financing was essential for establishing the cooperative and building loyalty among members. It is at this critical stage that Alterfin took on the role of financing CPC, confirming its role as a 'missing middle' investor.

Through the interview, we further looked into whether our pioneering role had a catalysing effect as described in the next section.



## Catalytic effect

Alterfin's catalytic effect on CPC can be demonstrated by the growth the organisation has experienced since 2009. Consistent financing has allowed robust internal growth for CPC, which it can pass on to its members.

Before the loan, CPC was often unable to provide any financing or support at the cultivation phase which was critical for farmers to be able to ensure a good harvest in terms of quantity and quality. By offering pre-financing, thanks to Alterfin's loans, CPC farmers have access to coffee seedlings, organic fertiliser, equipment, and labour while also benefiting from technical knowledge. Together, this resulted in larger volumes being produced and sold, fuelling the cooperative's growth.

The second catalytic effect, also confirming the missing middle presence, has been external growth, where Alterfin's presence helped to facilitate the entry of another international impact investor as well as additional buyers. The second catalytic effect is that Alterfin's presence helped to facilitate the entry of another international impact investor as well as additional buyers.

### Partner-centric

Alterfin's pioneering and catalytic role in the operations of CPC is further confirmed by its partner-centric approach. Such an approach ensures that the financing is appropriate and responsive to partner's needs and has a direct impact on both the organisation and its members.

From the semi-structured interviews, we note the following ways in which Alterfin has demonstrated Partner-Centricity:

 LOAN TERMS AND CONDITIONS: These are viewed favourably by CPC thanks to reasonable pricing, fair collateral requirements and a repayment scheme that is in line with the cycle and seasonality of the cooperative's activities.

This is particularly true when compared to other financing options explored by the cooperative. However, although CPC appreciates the pricing of the Alterfin loan, it finds the increments of the administrative fee unfavourable compared to the offering in 2009.

- DUE DILIGENCE PROCESS: Despite being considered intensive and at times cumbersome by CPC, the cooperative credits the due diligence process as a useful step in identifying gaps they did not know existed and improving upon them. The cooperative also finds that Alterfin's rigorous due diligence process and the subsequent approval of loans boosts the confidence of other lenders.
- FLEXIBILITY: Recent developments in the coffee market, coupled with changes in the weather patterns, have led CPC to require a longer loan tenor. Alterfin responded to this critical need in a timely manner by adapting its loan offering to allow for a longer term.

ENCOURAGING LOYALTY: Prior to the presence of CPC, farmers
generally held a negative view of the cooperative system due to
negative experiences in the past. In this regard, Alterfin's partnercentricity and commitment to CPC have enabled the cooperative
to build loyalty among its members through pre-financing, support
and training while facilitating sustained growth. This growth was
necessary to validate the CPC model and attract more farmers.

Alterfin's role is best described in the words of Yannick Lamezec, CPC's Technical Advisor:

"Last year, we had to borrow early from Alterfin so that we could pre-finance our farmers earlier than usual to secure loyalty in an environment of growing competition. We are likely going to be delayed in repaying our loan this time on account of unforeseen weather conditions and changing demand from our buyers. Alterfin's flexibility and responsiveness to our needs are helping us to navigate a challenging coffee market against the backdrop of a volatile macroeconomic environment globally."

## OUR IMPACT ON THE END-BENEFICIARIES

The following section presents the results of the survey conducted with CPC's members. A demographic summary is provided to give context on the members who participated in the study, and it is followed by the two main sections, Impact Stories and Impact Trends.

Demographic Summary: Who are the voices behind the stories?

We heard the voices of 184 farmers in villages of the Bolaven Plateau where CPC's coffee producers reside and farm with the following demographic characteristics: Overall, this sample adequately includes the voices of all farmers in accordance with their demographic characteristics and role within CPC.

Average Farm Size	5.3 Hectare
ledian Age	49.7 years
len	127 farmers
Vomen	57 farmers
Average Household Size	5.7
Average years working with CPC	10 years
Responsibility within CPC <sup>2</sup>	24% Board Member
	55% Member
	21% IC inspector

Table 1: Proportional sampling of CPC beneficiaries.

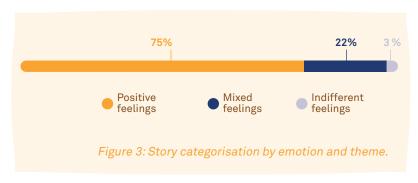
## Impact Stories: What are the key messages associated with the stories?

Through the open-ended signification questions, smallholder farmers were able to share their most notable experiences and stories related to CPC.

Following this, respondents could select up to two topics to describe their stories, which allowed us to learn more about the key messages or topics related to those stories and ascribe two emotions to each of the stories.

<sup>2</sup> Among the varying responsibilities, 24% of farmers are Board Members and taking on a leadership role; 21% acting as Internal Control System (ICS) inspectors and ensuring, and acting as quality control within the cooperative. The remaining members are regular members; however, these roles remain fluid and can change over time.





Together, we categorise the themes and feelings to ascertain patterns from the farmers' stories to highlight things pertinent to CPC farmers, as seen in Figures 2 & 3.

In the first part of the findings, farmers can tell stories about their experience with CPC based on what they consider most important.

This story could either be motivating or concerning, after which they were asked to assign up to two feelings to their story. Here, we see that 75% elicited positive feelings, 3 % were indifferent, and the remaining 22% were negative. Upon further investigation of the stories, we see a pattern emerge between the content of stories and the associated feelings, which can be categorised as below:

#### Happy, Proud and Hopeful (Category 1)

Four recurring themes can be observed in the farmer stories. The first of which overwhelmingly relates to the high price of coffee over the last season and comprises 52% of the stories in this category. The next theme refers to support from CPC and makes up 27% of the stories in this category. It covers low-interest loans provided by CPC, support to pay for medical emergencies or property destruction, as well as assistance in the form of food and supplies provided during the pandemic. This is then followed by stories related to the acquisition of assets, which is either a vehicle or land for the purpose of farming and the discharge of liabilities such as loans taken from CPC, family members and other financial institutions. Acquisition of assets covers approximately 17% of the stories. Finally, the last theme is related to instances of perseverance, where a farmer addressed a challenge on their farm, such as disease, quality and/or productivity, with the assistance of CPC and individual resourcefulness, making up 4% of the stories in this category.

#### Mixed: Sad & Worried (Category 2)

In this category, 89% of the stories refer to the theme of pest infestation that was not resolved in a timely manner and led to a low yield and thereby a low income. In most instances, farmers stated that they approached CPC for support, and while CPC did advise them, the problem was not fully resolved prior to the last harvest. Seven farmers responding to this theme also attributed their pest problem to organic farming, which

prohibits the use of pesticides. The next theme comprises 8% of the stories which expressed negative feelings towards the price. Farmers felt that, when compared to CPC, other buyers were paying significantly above the market price. Finally, 3% of the stories in this category referred to a lack of support from CPC when farmers were struggling with a labour shortage or in need of a loan.

#### **Indifferent (Category 3)**

There were six stories in this category, of which five referred to better prices outside of the CPC cooperative and one story referred to a pest incident (the farm is now in the recovery phase thanks to the planting of new seedlings provided at no cost by CPC).



## Key Findings: Voices of CPC beneficiaries (in order of importance)

- 1 Farmers remain extremely concerned with the coffee price. The subject dominates all stories, irrespective of whether they are viewed as high in the positive stories or not high enough in the negative and indifferent stories (113 out of 184 stories).
- 2 Most view CPC's prices in the last season as being high and satisfactory. Support from CPC in the form of low-interest loans, labour and assistance is the second highly valued aspect since all these stories began with farmers experiencing an external shock.
- 3 The third most important finding is the pest incidence, which is higher than before and is slow to resolve, often requiring the farmer to cut and discard the coffee tree and plant new seedlings. CPC has not been able to find a more robust and timely solution, according to farmers, leading to lower yields and income.
- 4 The last finding is the ability of farmers to leverage the increased income to purchase land and vehicles to support their farming activities, and/or reduce their debt burden partially or entirely.

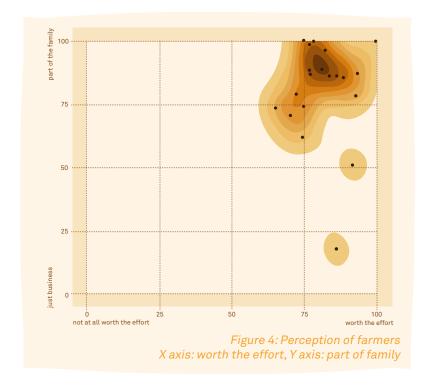
## Impact Trends: Relationship with CPC

The stories above lay the groundwork for the impact considered most important by CPC farmers. We then follow this by analysing the relationship that farmers have with the cooperative.

This is carried out in three ways by looking at (i) perception, (ii) preference and (iii) representation and aggregating the results from the multiple-choice questions that investigate how farmers regard their relationship with CPC:

#### **Perception of farmers**

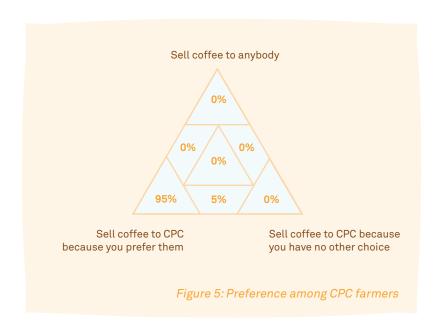
A strong tie is observed between the members and the cooperative, with over 80% viewing the relationship as being part of the family and worth their effort. A strong correlation in **Figure 4** indicates that both sentiments (part of family and worth the effort) are likely to co-exist.



Moreover, even in the case of outliers that perceive the relationship to be more business-like, they still find the relationship worthwhile

#### **Preference**

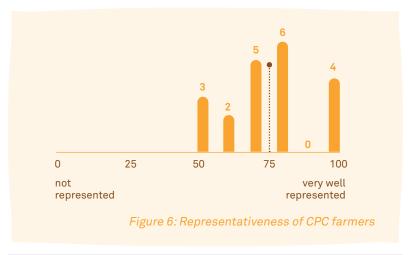
In terms of preference, there is unequivocal evidence that 95% of the members prefer to sell to the cooperative and only 5% do it partly out of mild preference and a lack of choice, as demonstrated in **Figure 5**.



#### Representation

Finally, given that CPC is a cooperative, the representation of farmers is key to satisfaction among members as well as the success of the cooperative.

The more farmers are active in decision-making, the greater the potential to ensure that services and fund allocations are geared towards improving farmers' well-being. In this regard, farmers rate their level of representation as 75% on average on a scale from 0% to 100%. The lowest score was 50% for a small portion of the sample, and in part is explained by their impact stories, which predominantly express disappointment with the price and pest incidence.



#### **Key Findings: Relationship with CPC**

- Farmers overwhelmingly perceive CPC as being part of the family and, at the very least, worthwhile from a business point of view.
- 95% work with CPC purely out of preference.
- CPC is assigned an average percentage of 75% for being representative of its members.

### Impact Trends: At the farm level

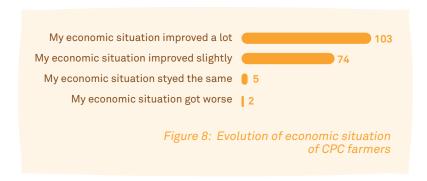
When assessing CPC's impact at the farm level, we identified four key trends which we derive by aggregating the multiple-choice questions on farm-level impact and further analysing farmer stories covering coffee price, timeliness, use of farm income and most valued services:

<u>Pricing:</u> When looking at farm-level outcomes, pricing often makes up a crucial component when assessing the situation of farmers and forms a dominant theme in the farmer stories. This is because improved pricing is a crucial factor that leads to better outcomes at the farm and the household level. Thus, we find that CPC overall pays a better price historically.

However, due to pest incidences and competitive prices from outside buyers, 15 farmers did not share this view. As a result, 96% of CPC farmers have seen their economic situation improve slightly or significantly.

The remaining 4% experienced adverse or no change primarily due to recurring pest infestation, which, consequently, is the dominant theme among the negative stories.





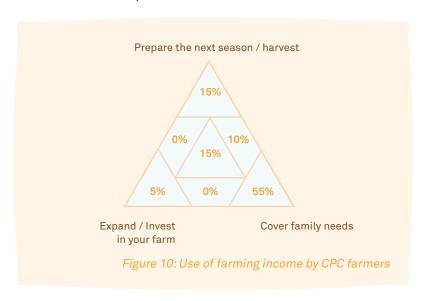
<u>Timeliness of Payments:</u> Given the seasonality of farming, the timeliness of payments is an aspect, to which farmers are particularly sensitive. Therefore, it is essential to maximising farm output.

It can be observed that 80% always receive their payments on time, while 11% are paid mostly on time. Another 9% receive their payments on time sometimes, and two farmers never received their payments on time and had a negative experience with CPC, which also made them consider leaving the cooperative.



Income Utilisation & Prefinancing: For this trend, we look at how income is utilised by farmers and whether it is invested back into the farming activity. From the responses, farmers' income goes largely towards meeting family expenses instead of farm-related expenses, which is a secondary expense.

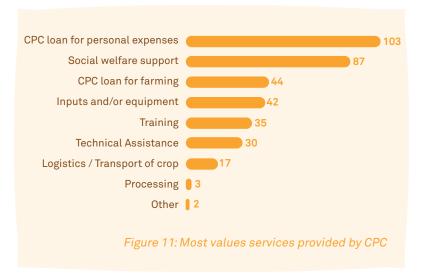
The results indicate that 55% of CPC farmers exclusively use their income to meet household needs, while 25% use it for an additional purpose, such as preparation for next season and to invest in their farm. The remaining 15% use it solely to prepare for the next season, and 5% solely to expand/invest in their farm. These findings bring us back to the importance of pre-financing, which is the cornerstone of CPC's model since most of the farmers' income is being directed towards household needs, leaving limited funds, if any, for farm financing and even less for investment or farm expansion.





Most Valued Services: Finally, CPC provides a wide variety of support to help farmers in their farming activity, as well as non-farm related social support. Here, it can be seen that the most valued services remain low-interest loans that CPC provides for personal expenses coupled with social welfare support.

These findings clearly indicate that, while support for farming activities is greatly valued, it is superseded by non-farming assistance . This is notable since farming-related support provided by CPC is more extensive given its primary role as a coffee cooperative. Nonetheless, this question transversally addresses support received at the farm level and tertiary social services, leading us to the next and final section below on the household impact.



### Key Findings: Impact at the Farm Level

- Economic situation: 96% experienced, at least, some improvement in their economic situations since working with CPC.
- Timeliness: 80% always receive payment on time.
- Most Valued Services: The valued services are low-interest personal loans and the social welfare fund. These supersede agriculture-related support provided by CPC, the second most valued service.

### Impact Trends: At the household level

When looking at CPC's impact on smallholder farmers' households, we find two prominent trends:

Household-level Improvements: The greatest impact at this level experienced by farmers, who on average have a 10-year working relationship with CPC, is housing improvements (30%), purchase of assets (27%), accumulation of savings (18%), and access to education (14%) for children.

It is pertinent to highlight that these gains have been made possible due to the longstanding relationship of CPC with its members and its community-level initiatives on health, education and access to finance.

Improvement in my housing conditions

Purchase of asset

98

Accumulation of savings

65

Access to education for my children

Access to healthcare

26

Access to improved infrastructure

8

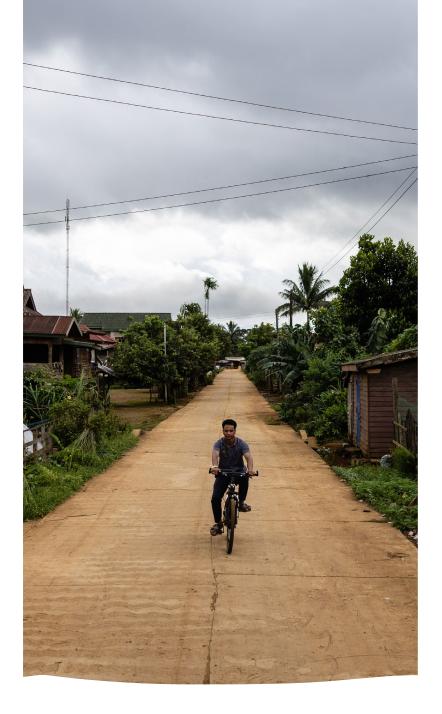
No improvements at all | 1

Other 0

Figure 12: Household level improvements

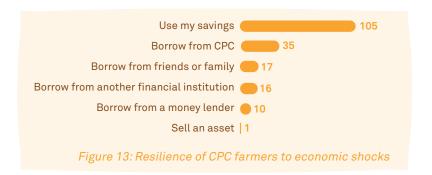
No clear patterns emerge here that coincide with stories, gender, age, or farm size. All CPC farmers, irrespective of their demographic profile or the nature of their story, experience the household-level impact in the same manner and order of priority. This affirms that the four key impact areas above remain constant for farmers over time.





Resilience: In terms of vulnerability, if faced with an emergency, 57% of the members would use their savings to overcome it. The next option for 20% of farmers would be to borrow from CPC at a low interest rate to meet unforeseen expenses.

The remaining farmers would either borrow from family and friends, a financial institution, or a moneylender. It is a positive indication that the majority of the farmers can rely on their savings, indicating improved resilience to economic shocks.



#### Key Findings: Impact at Household level

- The largest impact at the household level is improvement in housing conditions (30%), followed by purchase of assets (27%), accumulation of savings (18%), and access to education (14%) for the farmers' children.
- CPC farmers remain resilient and show reduced vulnerability as over half have adequate savings to meet emergencies, and a sizeable number also counts on CPC's low-interest personal loans.



# CONCLUSION

## **PARTNER LEVEL: ADDITIONALITY**

Alterfin's role as a pioneering lender was the most impactful aspect of its partnership with CPC. By being the first and only lender initially, Alterfin filled a critical financing gap, which laid the groundwork for CPC's growth. This pioneering role had a profound immediate and long-term impact, enabling CPC to attract additional lenders and build trust among its members.

The catalytic effect of Alterfin's early investment allowed CPC to scale its operations and broaden its financial base, while the partner-centric approach fostered member trust and loyalty, contributing to sustained growth and development. Despite the challenges posed by Alterfin's rigorous due diligence process, it ultimately enhanced CPC's credibility and benefited the cooperative in the long run.

Together, these three levels of additionality—pioneering, catalytic, and partner-centricity—created a compounding effect that significantly bolstered CPC's capacity to fulfil its social mission.

However, it was Alterfin's pioneering role that was the cornerstone of this impact, making it the most crucial and impactful aspect of their involvement.

## FARMER LEVEL: IMPACT STORIES AND TRENDS

TThe next set of findings looks at CPC's impact on farmers. It provides us with several significant insights into how the cooperative influences the lives and livelihoods of its smallholder farmers.

Firstly, through Impact Stories, we learn that the dominant theme in farmers' positive impact stories revolves around pricing, indicating that fair and stable prices are of utmost importance to them. This underscores the critical role CPC plays in ensuring that farmers receive adequate compensation for their produce which is further made possible through Organic and Fair Trade certifications. In addition to this, support services provided by CPC for farming and household needs are also highly valued

Nonetheless, negative stories (22%) highlight challenges such as pest infestations and fluctuations in market prices, which adversely affect farmers' incomes and overall satisfaction. The ongoing issue of pest infestations is particularly concerning, as it not only affects crop yields but also impacts farmers' perceptions of CPC, given that replantation of coffee takes time and is the only viable solution for organic smallholder farmers in these instances

Additionally, external competition from global coffee buyers poses a risk to CPC's membership base if farmers choose to sell to higher-paying buyers, potentially undermining CPC's efforts to support local farming communities in the long term.

Secondly, through Impact Trends, we learn that the relationship between farmers and CPC is overwhelmingly viewed as beneficial and worthwhile by a majority of respondents. This perception indicates strong loyalty and commitment to the cooperative, suggesting that CPC effectively meets its objectives of providing meaningful support to its members. Economic improvements are notable, with almost all farmers reporting enhanced economic situations since joining CPC.

Furthermore, the most valued services provided by CPC are the low-interest personal loans and social welfare funds, which significantly contribute to improving household standards of living by addressing financial needs such as housing improvements, asset building, and support for education. As a result, CPC's initiatives have not only boosted income levels but also reduced vulnerability among farmers.

The presence of emergency support, access to low-interest loans enhance their resilience against economic and health-related shocks, which are common in farming communities with limited safety nets. This validates CPC's mission and model as a comprehensive approach that not only supports sustainable agricultural practices but also helps in combating poverty by empowering local communities.

This community-level impact is made possible by the fact that CPC has been active in the region for nearly two decades and has built long-term relationships with farmers while partaking in community development projects to improve infrastructure, healthcare and education. By doing so, it has become an engine for rural development for the communities it serves and its impact goes beyond households, exemplifying Alterfin's third impact pillar of being a missing middle investor that empowers rural economies.

However, challenges persist, and to sustain these positive impacts, CPC must address ongoing challenges such as pest management and external market competition.



# ANNEXES

## **METHODOLOGY**

## How do we measure our additionality to the partner?

To assess how Alterfin's investment has benefited CPC, we conducted a semi-structured interview with the partner's General Manager and Technical Assistance Advisor (refer to Annex I).

A semi-structured interview approach allows us to remain committed to our area of assessment while also allowing room for flexibility and explanations. This is key since our impact on a partner is extremely heterogenous given the unique constitution of the organisation, its needs, and the market that it operates in. Below is the methodology for this data collection:

1. SURVEY INTERVIEW SCHEDULE FORMULATION: The interview questions are formulated to adequately cover and expand on the three key additionality lenses adopted by Alterfin for this study. Namely, which is Pioneer, Catalyst, and Partner-centric (described in the objectives above). The questions addressing each lens are further split into whether Alterfin has actively played a role in the three domains and how it has done so. Where responses are negative, the questions are designed to similarly allow us to understand the areas where Alterfin has fallen short and where improvements can be made. This leads to a total of 11 questions, however, given the semi-

structured nature of the interview we add probing questions, when here needed, based on the interviewee's responses to gain a deeper understanding. Together, this provides a comprehensive view into the additionality that Alterfin has potentially brought to the partner.

- 2. SURVEY DISSEMINATION: This stage takes place as a one-on-one interview with the General Manager and the Technical Assistance Advisor for CPC and is conducted by Alterfin's Environmental & Social Impact Manager during the course of this case study. The interview survey takes between one to two hours one at first instance. Any information gaps or insights that arise are then supplemented through a follow-up interview with the General Manager and/or other key staff with appropriate knowledge to address them.
- 3. RESULT AGGREGATION: The results are categorised according to the three additionality lenses using qualitative data analysis method, which is a process of gathering, structuring, and interpreting qualitative data to understand what it represents given that data is non-numerical and unstructured. Concretely, for each lens, namely Pioneer, Catalyst, and Partner-Centric, we start by stating if Alterfin has been additional or not. We then further explain this by interpreting the responses from the interview together with relevant contextual and market related realities to arrive at our results. Finally, these results provide meaningful insight and learning of how Alterfin is additional, and even more importantly, how Alterfin can enhance its additionality through its strategic investments further reinforcing its mission.

How do we measure our impact on smallholder



## farmers with the "FarmVoices Methodology"?

To measure impact on Smallholder Farmers, we use the «FarmVoices Methodology» by Voices That Count to study how Alterfin's investments, channelled through its partner, affect smallholder farmers' practices, farming activity and well-being and what aspects the small-scale farmers value.

FarmVoices represents: a process and a tool to keep a finger on the pulse by turning individual experiences of farmers into patterns that visualise the bigger picture with the goal of understanding a complex social change or impact in other words. It is inspired by the practice of SenseMaker, a method of inquiry that involves collecting and analysing story fragments about people's experiences to explore and make sense of complex emergent social patterns.

Therefore, FarmVoices applies a mixed methodology that combines first-hand narratives with the statistical authority of quantitative data. In the case of CPC, we aimed at understanding what aspects in working

with CPC farmers value most and the consequent changes they have experienced in their farming activity and overall wellbeing. I.e. What is 's the impact of CPC on the lives of the farmers?

Moreover, our approach recognises the importance of collaboration and knowledge-sharing that will make such studies valuable for both Alterfin and its partners. In this spirit, Alterfin initially conceptualised the study with Voices That Count and then shared the study design and survey questions with CPC so they could also adequately address include their areas of interest.

To ensure the study's accuracy and reliability, three local researchers, extensively trained in the "FarmVoices Methodology" by Voices That Count, provided crucial support in gathering this invaluable information.

The methodology consists of two phases: first, we listen to the voices of the farmers to determine **Impact Stories**, then we ask the farmers additional questions, to establish **Impact Trends**.

## The "FarmVoices Methodology" general framework

**1. CONFIDENTIALITY** AND **NEUTRALITY:** All participating smallholder farmers were allowed to undergo the interviews anonymously without disclosing their names.

The research team assured them that none of their data would be shared with CPC Coffee Growers Ltd., thus creating a safe space for them to freely share their experiences without fear of any negative impacts on their relationship with the partner for whom they work.

2. BIASES: By adopting this methodology, the study can mitigate

potential biases in group settings, ensuring the findings are balanced and represent the smallholder farmers' diverse experiences. The emphasis on listening to the voices of the beneficiaries not only gives the smallholder farmers a platform to share their stories but also empowers them by acknowledging their organisation in the coffee value chain.

## Sample Selection

A The sample size included a total of 184 farmers out of a total of 707 farmer members of CPC. This Our sample size is representative of the entire cooperative in terms of its total size with a 5% margin of error; however, given the deeply qualitative nature of our methodology, we ensure that each sub-group is adequately represented.

This allows us to gather a larger proportion of stories from women





farmers and members that with varying responsibilities within CPC's village-based groups despite having a lower proportion.

After establishing the sampling framework, we randomly select farmers based on the proportion established with a minimum of seven years of working relationship with CPC to be able to allow sufficient time to assess impact. However, we did include four farmers that joined more recently to get some additional insight.

### **Impact Stories**

The study begins with individual interviews that provide an opportunity for in-depth discussions with each farmer, capturing their unique stories and perspectives.

We prompt the interview with an open-ended yet focused question, enabling us to discover what the respondents truly value, free from any external influences or direction. For example:

"Think of a specific event (during the last or current season) when you felt particularly happy or unhappy about working with CPC. Please describe what happened briefly. Who was involved?

Why did it happen?."

This question draws out precise narratives from the participating smallholder farmers, helping us in the collection of authentic stories.

Following this, we ask signification questions which allows farmers to classify their stories by (i) theme and (ii) the feelings they associate with it. This step helps us define the key messages associated with the stories and the feelings related to them.

This is complemented by demographic questions, to help us define who the voices behind the stories are.

## **Impact Trends**

Following this first phase of data collection, phase, we look at the multiple-choice question. These are oriented towards understanding the relationship between CPC and the farmers and the impact this may have on the farm and household of the smallholder farmers. For example:

The questions delve into various aspects, including:

#### 1. RELATIONSHIP WITH CPC:

 Perception: Assessing whether farmers view their relationship with CPC as just business or more and if this collaboration is worth it for them.

- **Preference:** Exploring farmer loyalty and reasons for actively choosing CPC over alternative companies or cooperatives.
- Recommendation: Measuring how much influence and voice farmers feel they have as cooperative members in CPC decisions.

#### 2. FARM-LEVEL IMPACT:

- **Pricing:** Looking at how CPC's pricing affects farmers' income and competitiveness, compared to other companies or cooperatives.
- Timeliness of Payments: Evaluation of how consistently farmers receive timely payments and its impact on farming outcomes and operations.
- Capacity Building: Looking at how the partnership with CPC facilitated any capacity-building initiatives for the farmers, such as training, technical support, or access to resources between household and farm needs.
- Valued Services: Identifying which CPC services farmers find most beneficial and relevant.

#### 3. HOUSEHOLD-LEVEL IMPACT:

- Improvements: Exploring tangible gains in living conditions, access to education, healthcare or community empowerment linked to CPC.
- Resilience: Understanding how farmers handle financial emergencies and their reliance on CPC's support.

## Analysis: How is the data processed to derive impact outcomes and results?

All the data gathered and analysed using the pattern-detection software SenseMaker EXPLORER® to detect story patterns. Based on the responses to the signification question (theme and feelings) to the stories by the respondents, the software application turns the original qualitative data (Responses to the signification question i.e. theme and feelings) into aggregated visual patterns and basic statistical data.

Patterns can be visualised for each signifier (theme and feeling) to understand what farmers value most with regards to working with CPC. In The software also allows addition, both demographic (age, gender, district, etc.) and signification questions (topic, emotional intensity, etc.) can be used as filters in order to compare the patterns of particular groups or stories.

As a next step, using the SenseMaker software, we visualise responses to the multiple-choice questions that assess wellbeing at the farm and household level and relationship between farmers and CPC.

We undertake a mix of systematic analysis combined with an open exploration of the data, which can reveal patterns that confirm or surprise. Therefore, this stage of our analysis focuses on detecting and investigating dominant patterns, interesting outliers, and correlations as well as comparing groups of interest.

Furthermore, the findings from these multiple-choice can also explain and provide insight into the general nature of the stories.



# GLOSSARY

- PARTNER: Alterfin's investee
- SAO: Small Agricultural Organisation
- CPC: The Bolaven Plateau Coffee Producers Cooperative
- SMALLHOLDER FARMER: Farmers with less than 10 Hectares of land.
- END-BENEFICIARY OR BENEFICIARY: Farmers served by CPC.
- THE VOICES THAT COUNT: A collaborative network of experts and practitioners specialising in narrative approaches to gain deep insights into complex organisational or project dynamics. Their efforts lead to actionable insights and foster collaboration for meaningful social impact.
- **SENSEMAKER:** SenseMaker® is a software-based method designed by Cognitive Edge for mass ethnography aimed at uncovering and assessing the undercurrents of system change and impact that are beyond the reach of traditional research methods.
- 2011 PURCHASING POWER PARITY (PPP) OF \$1.90-A-DAY: is the mean shortfall in income or consumption from the poverty line of \$1.90 a day (counting the nonpoor as having zero shortfalls), expressed as a percentage of the international poverty line set by the World Bank. Individuals living in countries where the income or consumption level falls below \$1.90 per day live in extreme poverty. This measure reflects the depth of poverty and its incidence and may be subject to revisions. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with those reported in earlier editions.

- GINI INDEX: the index measures the extent to which the distribution
  of income or consumption among individuals or households within
  an economy deviates from a perfectly equal distribution. A Gini index
  of 0 represents perfect equality, while an index of 100 implies perfect
  inequality.
- SPECIALTY COFFEE: this nomination represents a more refined coffee production, focusing on the unique qualities of the beans and supporting sustainable and ethical practices throughout the supply chain. Specialty coffee is any coffee that has achieved a score of 80 or higher out of 100 on a standardised score sheet by a panel of expert coffee tasters known as Q Graders, the most widely recognised qualification in the world.



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