

# FAIRCHAIN ACTIVITIES ANNUAL REPORT 2018

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Nolawi (28) - marketing and sales manager



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# VISION

FairChain Foundation (ANBI). The foundation aims to: develop, implement and promote and monitoring the application of the Fair Chain principles as well as the acquisition and management of (financial) resources for the benefit of this and furthermore all that is or can be useful to this goals.

*'In today's world, multinationals sell premium products, with colossal profits, made from valuable commodities, extracted at low prices in developing countries. Big companies have over the last centuries established a power imbalance, leaving nearly no room for developing countries to grow their economies, even though their land hosts many valuable goods, like coffee, cocoa and tea. Development aid has for a long time tried to compensate for the lack of profit in developing countries, trying to bridge the gap created by unfair trade. However, we are convinced the new economy brings an opportunity for all kinds of inclusive business models, which combine entrepreneurial competitiveness with social impact. This means businesses move far beyond corporate social responsibility and towards corporate shared value. And we look beyond development aid towards social entrepreneurship. We choose Trade over Aid.'*

# MISSION

We believe in disrupting conventional value chains, to turn all types of business in social enterprises. They can create an inclusive business model, leaving more value in the developing country of product origin. By creating more value and paying fair prices to producers in these countries, social enterprises can truly shift the balance in value chains.

# I INTRO

" The FairChain Foundation uses cutting-edge technologies to facilitate inclusive business models and shared value chains with positive externalities. A new mindset is needed to rethink economics and tackle the 21st-century challenges of (re-) distribution of wealth and honouring our planetary boundaries."

Guido, FairChain Founder



The rise of new (transparent) technologies, open-minded companies and vocal global consumers has created a powerful recipe for change. The stars are aligned, so to say, to bring an end to unfair trade and introduce inclusive business models that actively create shared value and at least make an honest attempt to solve today's economic, social and ecological problems.

The 21st century demands a new set of instructions. In the words of English economist Kate Raworth: "We stand little chance of writing a new economic story that is fit for our times if we keep falling back on last century's economic storybooks."

Episode 1 of the FairChain saga was all about setting up a world-class roastery in Addis Ababa, the capital of Ethiopia tripling this country's earning potential.

Episode 2 of the FairChain saga, focusses on the lives of small holder farmers. This year, with the help of DGGF, the Dutch Government, we realised the acquisition of a wetmil focused on farmer inclusion in value adding activities.

We made a huge step with our Blockchain activities laying the foundation for yet another FC innovation facilitating impact ecosystems. We will call this Episode 3: crushing the orthodoxy of fake.

Enjoy the read! Revolt!  
Join FairChain Revolution!  
Guido van Staveren van Dijk  
FairChain Founder

# I INTRO

## The FairChain Principles

There are three underlining principles driving FairChain. If you have to summarize what we do to your boss, all you have to do is remember these words.

### 1. Creating shared value

FairChain is single-minded in its purpose: to create shared value with the countries where the majority of the world's raw commodities originate from. Not just a little bit of sharing – our aim is an even 50/50 split between producers in developing economies and consumers in the West. But just tiny shifts towards that goal will radically – and positively – alter the world as we know it.

### 2. Trade over Aid

Trade is not going to replace government aid overnight. But that doesn't mean it's impossible. Take Ethiopia, it has enough premium coffee beans to be a well-off nation with enviable quality of life. If we could shift some of the value-adding activities – such as roasting and packaging – back to Ethiopia, we would exponentially increase the country's earning capacity

### 3. Compete on Quality, not Poverty

Too often quality is seen as a first world word, while poverty something reserved for developing worlds. FairChain is built around the idea of competing on quality, not poverty. The way we do that is by transforming how we think of bulk commodities. Not as anonymous and emotionless items, but as diversified quality products



FairChain directly challenges the old paradigm where “NGOs do the service delivery, private donors fund it and governments regulate it”

As trade and markets continue to be seen as the most important drivers of development, the lines of responsibility are becoming ever more blurred.

This opens the door to NGO-private sector partnerships that link corporations' triple bottom line reporting with NGOs' more business-like approach of to achieving joint impact goals.

Cross-sectoral partnerships can become the preferred mechanism for delivering sustainable development.

Amjareet Singh  
Blockchain manger  
FairChain Foundation  
Amsterdam, 31 October 2018

# 2 ACTIVITIES & REACH

## 21 ToC

In 2018 we developed a new theory of change that adds on the one we designed for value adding impact in 201 and that of smallholder farmers in 2017. Its about using blockchain technology as part of a theory of change

*"The rapid development of science and technology will profoundly impact how Sustainable Development Goals (SDGs) are delivered. Emerging science and technology are opening the doors for both developed and developing countries to accelerate progress towards sustainable economic development.."*

## 22 New Projects

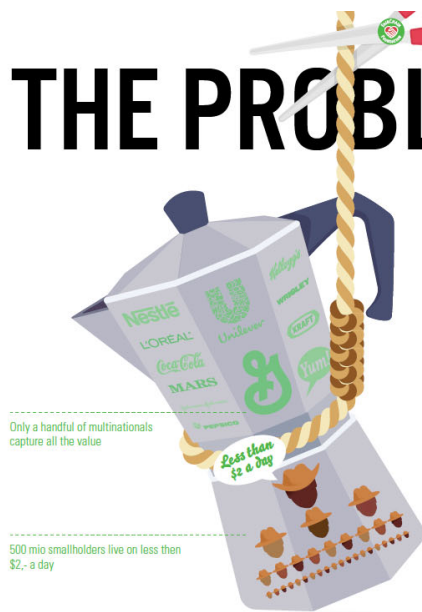
**Blockchain as the latest 'sustainability intervention.**

The ToC tool is currently mostly by following the classical approach to value chain analysis, focusing on traditional field-level interventions related to good practices, supporting farmer and worker organization, assessing and improving business skills and professionalism, community development, etc. The outcomes often described relate to complying with standards, improving market, financial and input access, and the provision of better services.

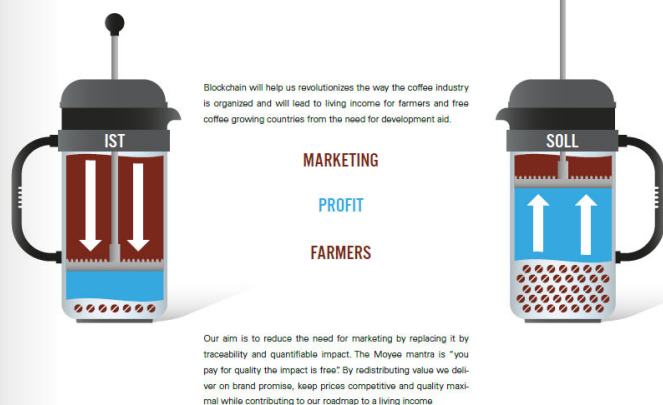
The impact logic of this technology-driven intervention is a new field. The impact logic, the assumptions, the series of effects to be measured and proved as cause-effect relationships, must be based on new proof of concepts and pilot projects. There is no evidence, no literature.

For us, a ToC tool is meant to guide strategy and interventions and it serves as a map for decision makers.

## THE PROBLEM



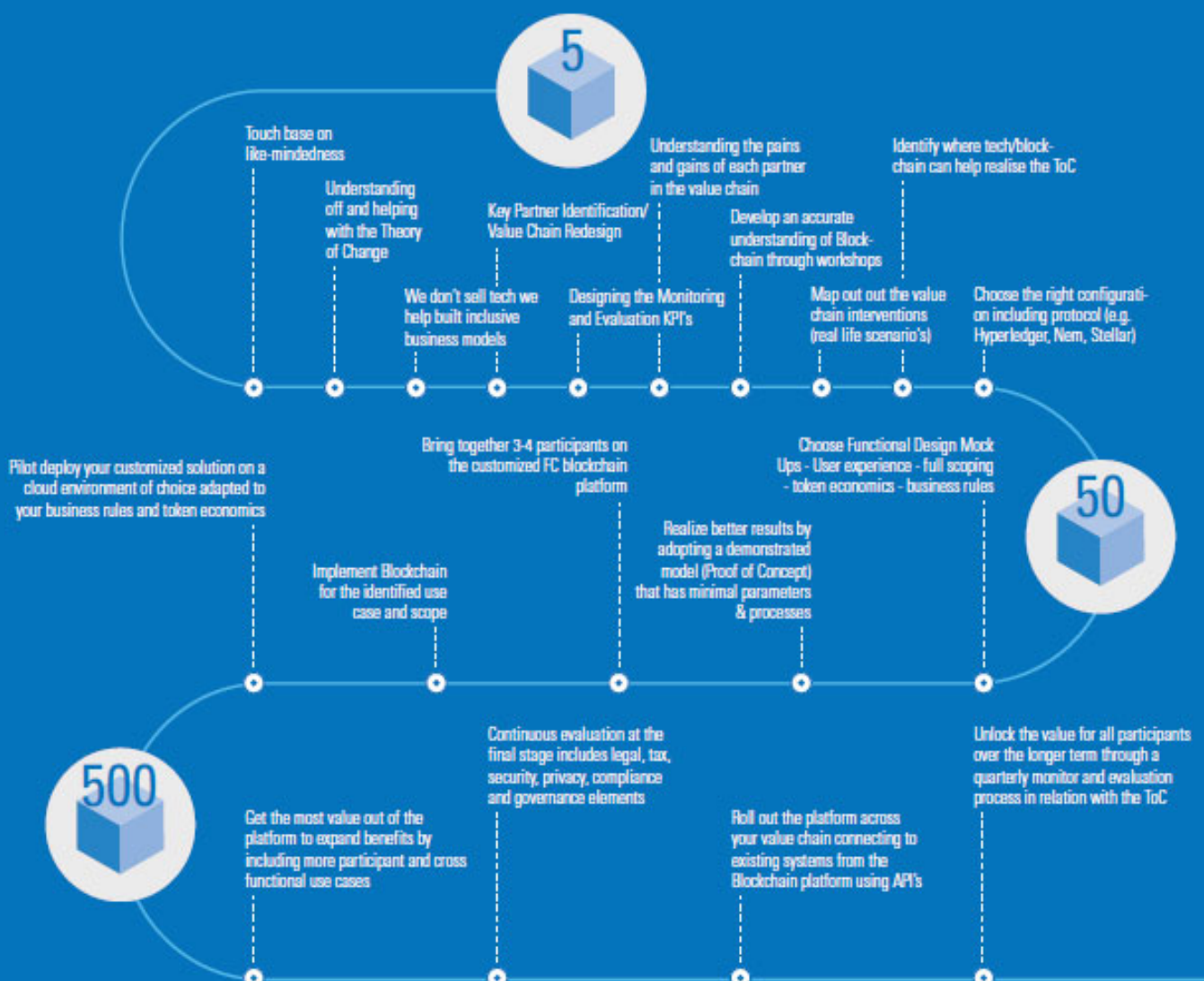
## REDISTRIBUTION BY DESIGN



# FAIRCHAIN ADAPTATION METHODOLOGY



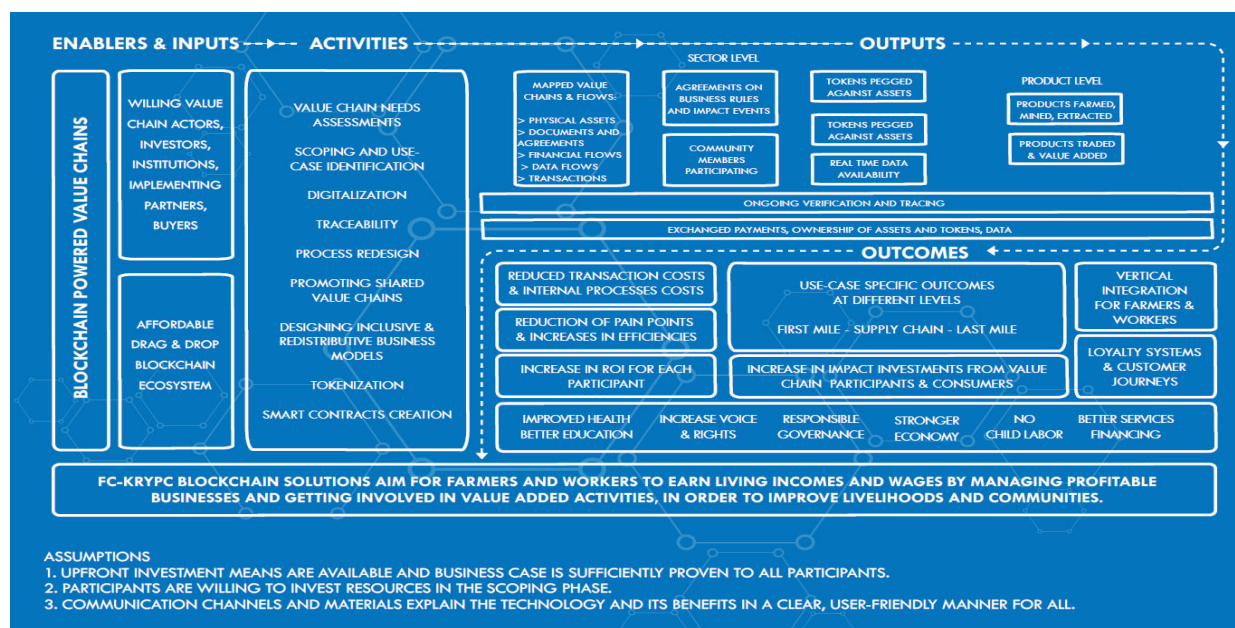
We use cutting-edge technologies to facilitate inclusive business models and shared value chains with positive externalities.



A new mindset is needed to rethink economics and tackle the 21st-century challenges of (re-)distribution of wealth and honouring our planetary boundaries.

Monitoring and evaluation and impact measurement and management are secondary functions. Adopting blockchain solutions means that the ToC itself needs experimentation. This is due to the diverse range of functionalities identified so far, such as:

- Tokenization
- Real-time data availability on products and transactions
- Creation of smart contracts
- Value redistribution
- Creation of inclusive business models
- Process redesign
- Development of innovative, token-based loyalty mechanisms



The ToC in Figure 1 above can be seen as a Meta-ToC of the FairChain Platform.

We believe that one large graphical visualization of a ToC is useful to practitioners, but it is not viewer-friendly and cannot be used with donors, institutions or other partners.

For this reason we recommend the use of the above FairChain Platform ToC in combination with each organization's or programme's ToC. This enables the identification and investigation of case-specific inputs, activities, outcomes and impacts, and the relationships between these. The result is a focused intervention logic, and many more can be thought of and explored in a similar manner. Strategic decisions, investments and impact evaluations can all be guided by such an application of the ToC.

We have started projects with companies that showed interest in adopting the FairChain principles in combination with our BlockChain Platform.

1. PACARI - ECUADOR
2. HOJA VERDE - ECUADOR
3. NUTIGRUP-COLOMBIA
4. ITAKA - ETHIOPIA
5. EFFEL - NETHERLANDS
6. FAIRFRANK – ETHIOPIA
7. AMOR PERFECTO -COLOMBIA
8. AFRICAN COFFEE ROASTER -KENYA

# 2 ACTIVITIES & REACH

## 23 Blockchain

Blockchain is an important enabler of value chain integration and optimization as it improves quality grading and farmer payment methods.

(activities). Blockchain technology makes both of these outputs instantly measurable. The ability to grade and pay coffee farmers for coffee cherries at washing stations is a radical improvement over existing systems, all made possible by Blockchain. By reducing on-site transaction costs and recognizing higher quality beans, Blockchain arguably contributes to a living income for those farmers that use it.

This year we have made promising new steps in supporting the companies we engaged with in 2017 in adopting the FairChain principles.

### 1. KAFFEE KOOPERATIVE

SHORT DESCRIPTION OF THE PROJECT SUPPORT IN THE IMPLEMENTATION OF THE FAIRCHAIN PRINCIPLES WITH THEIR PARTNER IN RUANDA.

### 2. AFRICAN COFFEE ROASTER LTD

SHORT DESCRIPTION OF THE PROJECT SUCCESSFUL SUPPORT IN BRINGING THEIR ORIGIN COFFEE TO EU MARKET (MAKRO INTRODUCTION. CURRENTLY WE ARE DISCUSSING THE USE OF THE BLOCKCHAIN PLATFORM

### 3. AMOR PERFECTO

SHORT DESCRIPTION OF THE PROJECT THE FAIRCHAIN FOUNDATION WORKED WITH THE COMPANY TO PREPARE A MARKET ENTRY IN THE UK. CURRENTLY WE ARE DISCUSSING THE USE OF THE BLOCKCHAIN PLATFORM TO CONNECT TO COOCENTRAL FARMER COOP



# REACH

## 24 Publication

In 2018 we published a new theory of change that adds on the ones we have created in episode 1 and 2 and focusses on use of blockchain.

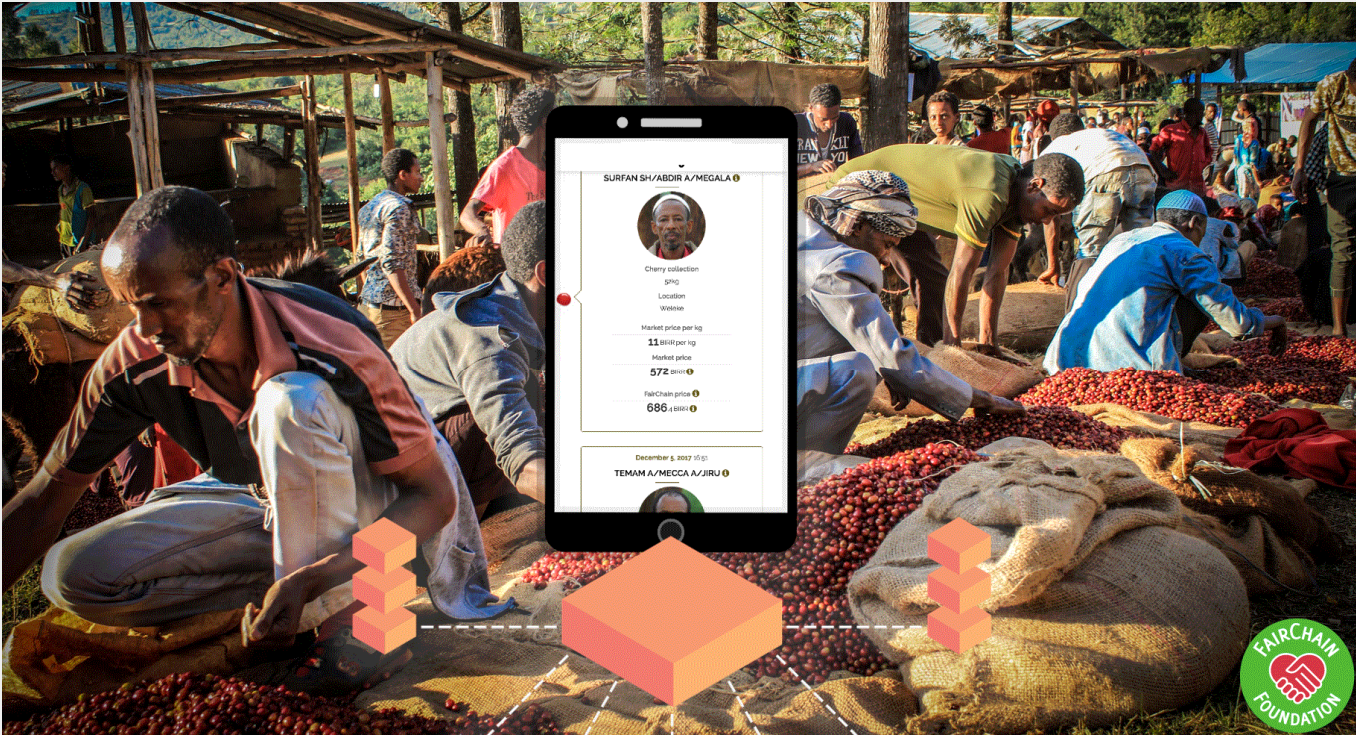
“Many think of blockchain as a panacea for trust, transparency and provenance. But think twice. Blockchain is just a technology – a powerful technology, to be sure, especially when one’s aim is to build a trustworthy and evenly distributed impact ecosystem platform that enables transparent information flows, efficient collaboration and high-speed value transfers.”.

Full copy can be downloaded on [FairChain.org](https://FairChain.org)

## 25 Lectures & academic activities

12-1-2018 Future Farming Summit WUR	Researchers, students, entrepreneurs
12-1-2018 Nead	Entrepreneurs
18-1-2018 Living Wage lab	Members
8-2-2018 NRC Impact Day	NRC
11-2-2018 Blockchain meetup	The Fork
15-2-2018 Lunch Talk Patagonia	Employees
22-2-2018 Sprout Blockchain Event	Entrepreneurs
27-2-2018 Pearsy South Docks	Entrepreneurs
5-3-2018 WUR Supplychain	Entrepreneurs
6-3-2018 Natural Captains Overijssel	NatCap Members - entrepreneurs
9-3-2018 Amsterdam Coffee Festival	Sustainability talk
11-3-2018 BlockChain tv	The Fork
14-3-2018 Natuurlijk Kapitaal & Agrifood Pressure Co	MVO NL members
15-3-2018 Tilburg Universiteit	Master students sustainable entrepreneurship
20-3-2018 BlockChain Codemotion	Entrepreneurs
21-3-2018 World Bank Spring Summit	World Bank invites
22-3-2018 MSC Panel	Fishing Industry
25-3-2018 Nexus	Nexus invites
27-3-2018 Buy Social	Social Enterprise nl
20-4-2018 TEDx Rotterdam	TEDx audience
8-5-2018 Bcorp ceo diner	Bcorp Europ
19-5-2018 Social enterprise event	Social Enterprise nl
28-5-2018 Masterpeace Sociaal Ondernemen	MBO Studenten
1-6-2018 IFC International Finance Corporation	World Bank invites
7-6-2018 BlockChain innovation day	Entrepreneurs
18-6-2018 Social Entrepreneur Day	University Utrecht
19-6-2018 Closing session Agri Based Advisory Service	NGO's
19-6-2018 Social Enterprise Festival	Entrepreneurs, scientists
19-6-2018 Innovatie dag provincie zuid holland	Employees
20-6-2018 European Coffee Federation Event	Coffee industry
21-6-2018 World of Coffee	Coffee industry
21-6-2018 VKH	Employees
1-8-2018 UNDP Ecuador mission	Tea and cocoa sector Ecuador
1-9-2018 Social Enterprise Days	Social enterprises
7-9-2018 AMID Postgraduate course	Postgrad students
7-9-2018 United Nations	Entrepreneurs
8-9-2018 Innovatie voor de melkveehouderij	Sector
9-9-2018 ACT -Blockchain voor eerlijke handel	Event
17-9-2018 UN FAO Rome	UN FAO Finance
17-9-2018 ABN AMRO Blockchain	Employees, partners
4-10-2018 Innovatie Estafette Rotterdam	Entrepreneurs
18-10-2018 NHTV Breda	Graduate students
18-10-2018 Digitale Sociale Innovatie	De Waag invites





# 3 FINANCES & ORGANISATION

## Results

In 2018, the income was €714k. The expenditures and activities take into account the use of the appropriated reserve from 2017. With this reserve, 2018 had a positive result of €71k.

## Finances

At the start of 2018 there was a general reserve of € 11.000 and a designated reserve of € 77.086 for running the smallholder program. With the result of 2018 of €71K, we increased general reserve to € 50k per 31,12,2018. Seen the size of the needed budget and the activities our earmarked reserve is substantial enough to invest in small pilot projects in Ecuador and Colombia like planned.

## Risk Management

The FairChain Foundation is a 100% project based organisation. Board is unpaid and staff is contracted on project basis. Budgets are managed by project owners and reported upon per quarter using a system of triple signatures is implemented in which the project owner, the president of the board and an external finance manager all need to sign to approve last quarter budget and next budget forecast.

In 2018 we managed to generate more income than needed to cover budgeted cost giving the Foundation a very healthy position for 2019 in which if plans to engage in new projects and scale up existing projects.

With the expectation that on behalf of the board, accountant and donors the most important measures taken by FC in the field of risk management should be described in a document that will be implemented the coming year. The governance structure and deed of association will be adopted to accommodate the requirements of larger donors. We are pleased that the board has been supplemented with Specific know how needed for this transition.

Regarding strategy for disappointing revenues: FC Foundation is virtually completely dependent on external subsidies and funding. The diversity, the international scope, the fame and status of the FC approach, and the Innovativeness and the sensibility of the work make up for it possible to raise revenues, both nationally and internationally and both public as private. We increased our reserves and incorporate more administration and acquisition cost to strengthen operational processes.

The revenues for the running project in 2019 are covered for the coming year with income from DGGF, Irish aid, Self Help Africa Moyee and GIZ (DL). For new projects we anticipate support from The Dutch Embassy in Ethiopia, BPF, SHA, and UNDP

# 3 FINANCES & ORGANISATION

## Organisatie

- Mark Kauw- Program director
- Killil Mesfin – GM FairChain Ethiopia
- Mezgebu Shimelis – Smallholder trainer
- Mesfin Tesfaye – Wetmill management
- Ilse van Mierlo – Deputy Gm Fc Ethiopia
- Adne Redes - Farm management
- Stefan Petrutiu – Impact evaluator
- Killian Stokes - FairChain Ireland
- Sander Govers – FairChain Kenya
- Robin van Voren – FairChain Colombia
- Amarjeet Singh – BlockChain project management
- Tom Swartjes – BlockChain tokenization
- Tom Kriger – BlockChain implementatie
- Full team on FairChain.org

## Bestuur

- Guido van Staveren, President
- Anne van Veen, secretary
- Arne Mosselman, treasury

## Advisory Board

- Nicolas Aperghis - Aperghis & Co is an independent corporate finance firm. Aperghis is a trusted advisor of the Ministry of Finance in the Netherlands.
- Johan Traa - leads the Blockchain Technology Advisory practice within EY Netherlands and management reporting.
- Roland Waardenburg - As Vice President Corporate Responsibility he led Ahold. Roland helps FairChain partners in getting it retail ready.
- Zegeye Asfaw - Zegeye Asfaw was Minister of Agriculture He was a prisoner of conscience from 1980 to 1989 under the Dergue government headed by Lieutenant-Colonel Mengistu Haile-Mariam.
- Marco Gerritsen - Marco aims to improve the Sexual and Reproductive Health and Rights especially for youth and disadvantaged
- Ilian Circo - spent his career in frontier markets, building, turning around or taking to scale large, complex enterprises with impact at their core and a commitment to innovation.
- Will Galvin - has a background in journalism and law, but never quite escaped Africa, He returned to the nonprofit world in 2009 to join Self Help Africa.

## Governance Code Conduct

In 2018 the FairChain foundation started a transition to a more professional organization, which better fits the size and impact of it's work. Where the work consisted of independent projects the foundation engage in value adding activities together with the farmers in our FC farming program. This continuous business operations, required a continuous organization. Thus a local FC plc was created.

The board implemented a Governance Code for Conduct. The board of advisors and the team operating the projects increased. In 2017 the board met twice. In addition, there have been a number of consultations. In 2019 the board will be increased with a finance person.

The FC Foundation has an Advisory Council. This board does not meet in plenary session, but gives advice in bilateral contacts on the expertise area of the relevant member.

FairChain hold an ANBI status.

# 3 FINANCES & ORGANISATION

FairChain Foundation				
Income & Cost	2019	2018	2018	2017
	Budget	Actuals	Budget	Actuals
	€	€	€	€
Income				
Private Donation	50.000	0	2.000	0
Company Donations	298.500	151.194	150.000	61.599
Other Non Profit contributions	290.000	563.403	200.000	156.374
Total Income	638.500	714.597	350.000	204.252
Cost				
FairChain programs	558.620	606.112	322.000	188.177
Coast associated with programs	558.620	606.112	322.000	188.177
Acquisition cost	18.000	18.500	10.000	3.500
Administrative	15.000	17.162	5.000	3.750
Total Cost	33.000	35.662	15.000	7.250
Net Financial Cost and Return	320	245	320	295
Net Total Cost and Return	46.560	71.916	12.680	8.530
General Reserve	75.000	50.000	20.000	11.000
Earmarked Reserve	166.833	189.148	80.766	77.086

# 4 PARTNERS & STAKEHOLDERS

## Partners & stakeholders

- Djimma University
- Dedessa Wetmill
- Bext360
- Royal Institute of the Tropics
- Wageningen Universiteit
- Soil and More
- Stark Consultancy
- Krypc
- Agunity
- 

## Main Donors

- GIZ
- Google
- Moyee
- MEC
- RvO DGGF
- Irish Aid
- Self Help Africa



# CONTACT

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