The first thing that strikes you about Gabriela Alvarez, co-founder of Colombian cocoa bean exporter Colcocoa, is her determination. The second is her commitment to creating something that leaves a positive, permanent mark.

Gabriela is straightforward about the challenges of creating a business from scratch. But she will also tell you that Colcocoa was founded with a very clear vision: Building a company that could bring an impact-oriented approach to rural development.

Practically speaking, this approach means that Colcocoa’s growth is inextricably linked to its social impact. In Gabriela’s words: “Growth is not the goal, it should be part of the process, the proof that the business model is strong.” Colombia is famous for its coffee, but cocoa beans often provide additional income and resilience, especially when coffee production has been compromised by climate change.

Colcocoa’s business model starts with sourcing cocoa beans: “We have partnerships with 8 or 9 different cooperatives and we source beans from over 2000 smallholder farmers across Colombia,” explains Gabriela. “Cooperatives are the perfect partners because they have good geographic spread and are trusted by the farmers.”

Colcocoa has very high standards when it comes to quality, and their cocoa beans undergo numerous quality controls before they are shipped to clients in Europe. Colcocoa also provides all the tools and resources that farmers need to grow great produce. Not only that – it is Colcocoa’s goal to make sure that farmers are happy growing cocoa, and that they are paid fairly and can truly benefit from it.

“How do you measure people’s happiness?” Gabriela asks. “People are happier when they feel that their stability is not at risk, whether we are talking about climate risk or risk of becoming ill and not being able to work.”

In other words, people need to know that their future is not at risk.

In order to do exactly that, Colcocoa set up a program called Echar Pa’lante to integrate productivity and quality with economic, social and environmental prosperity. The program is a type of certification measured against very specific goals. The more farmers grow on this certification scale, the more personalized social and professional development benefits they receive. This means Colcocoa can access top-quality produce while allowing farmers to grow and develop in a sustainable way, for themselves and the environment.

“There’s a story that I like to tell to show what the program does,” says Gabriela. “One of the farmers we work with and his wife called us one day and told us that their daughter was looking for a job in Germany, in food lab technology, and asked us if we had any advice or connections. We were so happy that we could help, of course, but for us the real...
The establishment of Hacienda la Tentación also offered Colcocoa a new way to make an impact. Reforesting the farm gave Colcocoa the idea of planting trees as a way for companies to offset their carbon footprint. Through a partnership with the University of Bern, Colcocoa measured how much carbon companies could offset for each tree that was planted.

"When we decided to involve farmers, we created a slightly different payment system to give them a regular income flow," explains Gabriela. "Once they plant trees on their land, farmers are not able to work that land anymore, so it’s important that they are compensated. That’s why we measured the carbon offset per year and farmers are paid accordingly and not only for planting the trees. They often joke that these trees are their retirement plan.”

The CFC’s Managing Director Ambassador Sheikh Mohammed Belal was highly appreciative of the story of Colcocoa, as it effortlessly practices what the organization has been preaching all along. The CFC is always there where purpose and profit are employed to benefit both people and the planet.

If the story of Colcocoa can teach us anything, it’s that strong values and a clear vision can go a long way. The world needs more companies like Colcocoa as society increasingly demands that businesses also serve a social purpose.

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Mr. Ernesto Daza Lacouture joins the CFC

The CFC is happy to announce that Mr. Ernesto Daza Lacouture has joined the CFC as the new Junior Project Manager.

Ernesto is a Colombian national, holding a BA in Industrial Engineering from Universidad del Norte, Colombia, and a Master’s degree in Finance from Hult International Business School in London, United Kingdom. He also recently earned a Master’s degree in Development Studies with a major in Economics for Development from the International Institute of Social Studies (ISS) at the Erasmus University Rotterdam. With his thesis research and chosen curriculum, Ernesto specialized in Local Development Strategies (LDS).

In the 2010s, Ernesto worked for one of the largest international fruit traders in Colombia, where he led the cash management strategy for the company. Later, he moved to the United Kingdom to attend business school.

After graduation, he returned to his hometown of Barranquilla, Colombia, and co-founded the city’s Impact Hub; its purpose was to establish one of the first community-driven innovation and social impact organizations in the North Coast region. Ernesto then joined the Colombian investment unit of Yunus Social Business Fund (YSBF), an impact fund founded by Nobel Peace Laureate Muhammad Yunus with the aim of supporting access to capital for small and medium-sized social enterprises to reduce inequalities and create job opportunities for underserved populations.

Ernesto arrived in the Netherlands at the peak of the COVID-19 pandemic to attend the prestigious ISS. Alongside his studies, Ernesto was part of the engagement unit for the Platform for Accelerating the Circular Economy (PACE), where he worked on different projects focused on the circular economy.

Being a natural extrovert and very curious, Ernesto has traveled to more than 30 countries, which has fostered his deep interest in the pluralism inherent in development activities based upon intersectional social differences. Ernesto is also part of the Colombian leaders Alumni Network of United Kingdom universities (RedBrit). In addition, he has a passion for reading about critical political-economic topics, and has been invited as a speaker and jury member for social enterprises competitions and events in Mexico and Colombia.
Impact investing is currently on the rise, providing a viable option for generating social and/or environmental impact alongside financial return. The importance of this type of investing has become even more evident in the face of unexpected global crises such as the COVID-19 pandemic, which further hamper the development of vulnerable groups.

As a result, during its 68th meeting, the CFC’s Executive Board (EB) requested the creation of a Working Group on Sustainable Fund Management (WG-SFM) to explore the possibility of developing an impact investment facility managed by the CFC: the Commodity Impact Investment Facility (CIIF). The objective of this facility is to use the CFC’s areas of expertise to substantively contribute to achieving the SDGs by investing in commodity value chains.

Following a series of 14 monthly meetings, the WG-SFM presented a draft Private Placement Memorandum, which was endorsed by the EB during its 72nd meeting. The CFC is grateful to all 390 participants, including its Chair Mr. Ndahiro of Rwanda, who invested their valuable time and expertise to develop the necessary documentation to support the creation of the CIIF. In December 2021, during its 33rd meeting, the CFC’s Governing Council authorized the Managing Director to take the necessary steps to establish the Commodity Impact Investment Facility.

The growth of impact investing
The introduction of the Sustainable Development Goals (SDGs) in 2015 helped establish an area of shared interest between financial and charitable investors, leading to an impressive growth in impact investing. But this field has not yet reached its full potential. According to the Global Impact Investing Network (GIIN), the main obstacle to expansion is not access to financing, but rather the lack of a sufficient number of impact-focused projects and effective management for these projects. This is precisely where the CFC has the potential to make a valuable contribution to the global impact investment movement.

In addition, the CFC already consistently measures how its investments are improving lives and supporting its mission and vision. In 2020, the organization sharpened its impact management practice to align with industry best practices. For example, with support from the International Labour Organization (ILO), the CFC implemented its Social and Environmental Management System (SEMS). This system allows the Fund to better assess and address the potential social and environmental risks of its projects. (Read the CFC’s Annual Report 2020 to learn more about its impact management practices.)

The CFC’s response: CIIF
The CFC’s commitment to create the CIIF is a forward-thinking response to a COVID-affected world where poverty is once again on the rise.

Established by the CFC as a public-private partnership, the CIIF will enable the Fund to use its unique areas of expertise to expand investments in commodity value chains in developing countries. The overall aim is to advance the SDGs while achieving capital preservation or positive rates of return on its portfolio. The structure of the facility, combined with the CFC’s experience and vast network will allow it to reach projects that are currently inaccessible to the broader impact investment community.

Until now, through its Call for Proposals, the CFC has received far more investment proposals than it could possibly consider. The creation of this new investment facility opens up the possibility of not only making use of those existing investment opportunities, but also scaling up the positive impact that the organization has created throughout its 32-year journey.

The scope and potential of the CIIF
The objective of the CIIF is to combine the CFC’s expertise with funds from impact investors to address the fundamental issues affecting the development of successful small and medium-sized enterprises (SMEs) in global commodity value chains (GVC), including:
- Financial viability and investability of commodity projects
- Scalability of successful GVC projects
- Delivering consistent impact measurements
- Taking measures to mitigate social and environmental risks

The establishment of the CIIF represents a historical moment for the CFC, and the organization is thrilled to embark on this new journey for sustainability with its peers. By combining bottom-up approaches with international collaboration, the CFC can contribute to a thriving commodity sector in developing countries, ultimately alleviating the most vulnerable from poverty.

For more information, please visit www.common-fund.org/ciif
Commodities are the basic products that underpin both the present and future of most of the Least Developed Countries (LDCs). When more than 60% of the total value of a country’s merchandise exports are these basic products, the country is said to be commodity dependent. When a country’s economy is not diversified and relies too heavily on these types of resources, it is extremely vulnerable to fluctuating international market prices. When prices go down, employment, exports and revenue all suffer.

This vulnerability is at the core of many of the economic, social and environmental challenges faced by developing countries. Addressing the challenges posed by commodity dependence is central to what the CFC has been doing, from reducing poverty and fostering equality to protecting the planet and preserving peace, to achieve the UN’s Sustainable Development Goals.

What are Least Developed Countries?
Least developed countries (LDCs) are low-income countries which are confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets. Currently, 46 countries are classified as LDCs.

To support their development, a series of comprehensive programs of action for LDCs were adopted at successive United Nations Conferences on the Least Developed Countries. The latest is the Doha Programme of Action (DPoA) for the decade 2022-2031, which was recently adopted by the UN member states.

The connection between LDCs and commodity dependence
In 2018-2019, 64% of developing countries were commodity dependent, compared to 13% of developed countries. As such, commodity dependence is mainly an issue of LDCs, and is often perpetuated by the fact that commodity dependence causes economic vulnerability, but is hard to overcome due to lack of competitiveness in other sectors.

Comparing the periods 2008-2010 (before the Istanbul Programme of Action (IPoA) for the decade 2011-2020) and 2018-2020 (after implementation of the IPoA), LDC export capacities expanded, even in spite of the COVID-19 pandemic. Furthermore, the overall proportion of primary commodity exports declined during this period – dropping from 74% of total merchandise exports to 63%. But that is still above the 60% threshold that determines commodity dependency. In 2018-2020, LDCs accounted for 2.4% of the global trade in primary commodities, but only 0.6% of the global trade in manufactures, highlighting the persistent challenge of export diversification. Notably, the number of commodity-dependent LDCs has slightly increased since the implementation of the IPoA – from 34 to 37.

Least developed countries remain marginalized in global exports

According to UNCTAD, LDCs’ share of world exports doubled from 0.55% to 1.03% between 2001 and 2010 (the term of the Brussels Programme of Action (BPoA)), mainly due to a surge in commodity prices. Yet their share of global merchandise exports remained at about 1% since 2010 – as shown in the above chart – meaning that the IPoA target of doubling their share could not be met even before the COVID-19 pandemic hit. In fact, looking at pre-pandemic trends, less than a quarter of the 46 LDCs seem to be on the path to achieve this target.

1 Commodities and Development Report 2021, UNCTAD
2 Commodity dependence haunts least developed countries
3 Least developed countries remain marginalized in global exports, UNCTAD
In light of these results and with the Fifth UN Conference on LDCs for the next program of action underway, it is clear that the international community must further prioritize policies addressing LDCs’ productive capacities so that they can meaningfully participate in international trade, and ultimately enhance their export capacities.

The role of the CFC and impact investing in LDCs

LDCs have been recognized as an especially vulnerable priority group by the CFC. Therefore, the CFC is financing projects addressing the specific weaknesses of commodity-dependent developing countries, with particular focus on LDCs.

Interventions are usually aimed at the initial stages of commodity value chains, including productivity and quality improvements, price risk management systems, and marketing and marketability of commodity products. The CFC’s approach to supporting pilot projects is not about ‘flooding a problem with money’. Instead, the benefits arise from making strategic interventions with modest expenditure that effectively address specific problems affecting commodity production and marketing. In this way, the CFC seeks to create new opportunities for income generation and wealth accumulation in LDCs.

Under the BPoA (2001-2010), the CFC approved 114 projects involving LDCs with a total cost of USD 162 million, covering commodities such as bamboo, bananas, cashews, cassava, coffee, cotton, dairy, fisheries, fruits and vegetables, grains, groundnuts, hides and skins, horticulture, jute, kenaf, medicinal plants, potatoes, rubber, sesame, shea nuts, sorghum, sisal and sugar. These projects aimed to enhance the incomes of smallholder producers through increases in production and productivity, horizontal and vertical diversification, value-addition, increasing access to markets and capacity building.

The reform of the CFC took place in 2012, shortly after the launch of the IPoA. Since that time, the CFC’s Executive Board has approved 34 projects involving LDCs, with a total value of USD 82.2 million, of which USD 37.2 million was contributed by the CFC. These projects cover commodities like pulses, cereals, coffee, avocado, edible oil, and cassava, and are spread across a wide range of countries, including Bangladesh, Benin, Burundi, Madagascar, Myanmar, Senegal, Tanzania and Zambia. The current CFC portfolio counts ten projects in LDCs, which are expected to benefit 115,000 smallholder farmers – of which 41% are females – and to create 3,800 new jobs.

COOPAC – a producer, processor and exporter of premium coffee – operates in Rwanda and the Democratic Republic of the Congo, both LDCs

In addition to these projects, the CFC also supports seven impact funds covering 12 LDCs, with a contribution of USD 7.4 million. These combined efforts make clear that the CFC is dedicated to enabling LDCs to achieve more positive socioeconomic and environmental results, helping them achieve their full potential.

Recovering from COVID-19 and overcoming commodity dependence

Moving forward, the Fifth United Nations Conference on the Least Developed Countries (LDCs) is a renewed opportunity to mobilize international support through the DPoA for the decade 2022-2031. The DPoA will focus on building resilience to recover from the COVID-19 pandemic, which significantly hampered progress towards the 2030 Agenda for Sustainable Development, by addressing six key areas:

1. Investing in people in LDCs: eradicating poverty and building capacity to leave no one behind
2. Leveraging the power of science, technology and innovation to fight against multidimensional vulnerabilities and to achieve the SDGs
3. Supporting structural transformation as a driver of prosperity
4. Enhancing international trade of LDCs and regional integration
5. Addressing climate change, environmental degradation, recovering from COVID-19 and building resilience against future shocks for risk-informed sustainable development
6. Mobilizing international solidarity, reinvigorated global partnerships and innovation tools and instruments: a march towards sustainable graduation

Initially scheduled for March 2021 in Doha, Qatar, the conference was postponed due to COVID-19 restrictions. The first part, held at the UN headquarters in New York in March 2022, considered and adopted the DPoA. For the second part, to be held in Doha in March 2023, the CFC expects to hold a side event with UNCTAD, as was planned originally.

In order to ease the trap of commodity dependence, it is essential to keep evolving with the times. UNCTAD and other international organizations agree that technology could be the ultimate harbinger of progress. Therefore, to increase their incomes, LDCs must foster a culture of technology ecosystems that can support the production of more sophisticated goods. Accordingly, the CFC has been paying more attention to technology-related developments that could improve the resilience of LDCs. However, regardless of which specific interventions it helps finance now and in the future, the CFC remains committed to increasing the productivity of smallholders and SMES, contributing to the cause of LDC graduation.
Interview with Nicolaus Cromme, Chief Operations Officer ad interim of the CFC

In October 2021, long-standing CFC employee Nicolaus Cromme was appointed CFC’s ad interim COO. We sat down with Nicolaus to learn more about his experience, what has changed at the CFC over the years, and what motivated him to dedicate his career to commodity sector development.

You have been working at the CFC since 2004. What attracted you to join the organization?

After finishing high school, I started working as a farm apprentice and then went to university where I earned a degree in Tropical Agriculture. After a year at MBA school, I began my career in development finance at KFW, the German Development Bank, in 1999. There I had the opportunity to explore a lot of different sectors – from privatizing seaports, to supporting the construction of rural schools and establishing microfinance institutions in Africa. It was very interesting, but I always wanted to go back to my roots – agriculture and rural development. So, when I saw the opportunity to join the CFC, I did not have to think twice.

For me, agriculture remains a fascinating field with great potential for development. I personally come from a rural area in north-western Germany, which was traditionally very poor. However, about 70 years ago, advances in animal husbandry and increasing demand for high-protein food enabled local farmers to create highly integrated value chains and become world-class technology providers. This transformed the area into one of the most prosperous regions in Germany. So that’s why I am a firm believer in what the CFC does – because I know it can work.

How has the organization evolved over the years?

When I arrived in 2004, we were just starting to include the private sector in our then grant-based technical assistance projects. One of the first – and most impactful – projects where we engaged with the private sector was with Heineken and Diageo. As a consortium, we co-financed the establishment of a brand-new sorghum supply chain in Ghana and Sierra Leone with the goal of supplying the local Heineken and Diageo subsidiaries.

After a very rocky start, this project became a huge success. Because we proved that it is indeed possible to set up a reliable supply chain like this, the concept of integrating locally available raw materials has now been incorporated by all of Africa’s major breweries.

From that point on, we have permanently integrated the private sector into our projects. This has radically changed our approach – moving away from grant-based technical assistance projects to tailored loan finance solutions for private agribusiness SMEs who create impact. Our experience vindicates our belief that the private sector is the ultimate driver of innovation and sustainability.

What are the biggest challenges you have faced during your long tenure at the CFC?

Changing from an organization that was focused on grant-based technical assistance projects into a loan finance provider was a huge task. When I look back, I still cannot believe that we managed to do it in just a few years’ time. Our sector knowledge and willingness to step out our comfort zone allowed us to quickly get acquainted with the nuts and bolts of SME finance in agricultural value chains. This was only possible thanks to the great personal engagement of all our staff at the CFC.

What are the most important upcoming challenges and opportunities for the organization?

We are a revolving fund and need to recycle our funds, meaning that we have to make sure our loans are repaid to an extent that can preserve our capital base. At the same time, our exclusive focus on agriculture and specialization in smaller loans that are suitable for SMEs exposes us to rather high risks. We nevertheless specifically chose to focus on this target group, no matter how risky they might be, as they are the key drivers of growth in many emerging economies. They provide jobs, produce food and add value to raw materials. In the words of our Managing Director, at the CFC we encourage businesses to walk back along the commodities value chain so that we can reach the grassroots where poverty is stubbornly trapped.

What are the advantages of being a COO with extensive experience in the Technical Assistance Facility?

The demand for our Technical Assistance (TA) Facility Management, a service we provide to other impact-driven agri-funds, has grown
over the years due to our extensive expertise in identifying, developing and managing grant-based TA projects in agriculture. I was responsible for establishing and growing this division. My background in tropical agriculture certainly helped when interacting with local agricultural companies and identifying challenges and opportunities that we could address with technical assistance. Overall, I think our seamless fusion of knowledge and finance is what makes the CFC so unique: people with a wide range of experience in different fields are working together under the same roof for a sustainable tomorrow.

The CFC has been working on establishing the Commodity Impact Investment Facility (CIIF) for over a year. Now that it has been approved, what does it mean for the future of the CFC?

It is our chance to grow as an organization and to scale up the practices we excel at. While this will not happen overnight, I am certain that we can convince potential investors to provide additional funding to deliver impact at scale. Not least because we have proven that we can do it – the demand is high and growing and far outstrips our resources.

Finally, with about eight years left to achieve the Sustainable Development Goals, how do you think that impact investing, and the CFC in particular, can accelerate the progress towards sustainable development?

I believe we have already made a contribution. In 2012, when our member states helped us reform our future strategy, we ended up at what is now called impact investing. I remember that we had to do a lot of explaining at the time when we said our “return” was social and environmental impact, but that we would also try to get our money back from borrowers to recycle it. Ultimately, we believe that our actions can show the often-reluctant financial sector in many of our member countries that it is indeed possible to provide loans to agricultural SMEs in ways that create substantial social and environmental impact.

This pandemic, ongoing conflict and persisting inequalities are proof that quick action is necessary. I believe that the donor community should pay greater attention to commodities and their related value chains, where a huge financing gap is inhibiting the growth of SMEs and smallholders. With the CFC’s strategic approach, we will continue our journey of building sustainable impact at scale.

In an effort to scale up its operations and impact, the CFC has sustained its outreach initiatives to support the commodity sector in developing countries. Over the past six months the Managing Director of the CFC, Ambassador Sheikh Mohammed Belal, and other high-level officials received and met different dignitaries to share updates on the CFC’s ongoing and future work propositions.

The meetings focused on exploring potential opportunities for partnerships and memberships while encouraging member countries to provide more resources and financing for the “missing middle” in the developing world. Without bridging the finance gap, the dream of a sustainable world will remain out of reach. In its mandate to ease the commodity dependency trap, the CFC has been doing its utmost to share insights with the member states and businesses so that more resources can be allocated to improve incomes and resources of smallholders and SMEs in rural areas of the developing world.

When discussing the endeavors of the CFC and its impact on the ground, specific attention was devoted to the CFC’s bottom-up approach and its focus on alleviating poverty for smallholder farmers. The CFC remains grateful to those who patiently listened and provided assurances of support.

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The Consultative Committee (CC) of the Common Fund for Commodities held its 69th meeting from 31 January to 3 February 2022 via teleconference. The Committee reviewed five regular projects and carefully analyzed their technical feasibility and practical potential for a lasting developmental impact. As a result, the CC recommended all five projects for further consideration and approval by the Executive Board of the CFC.

The total value of these projects amounts to USD 36,000,000, of which the CFC would contribute USD 6,800,000 in the form of loans. These projects are based in Colombia, the United Kingdom, Singapore, Burkina Faso, Chad, Guinea, Guinea-Bissau, Mozambique, Tanzania, Togo, Uganda, Zambia, the last nine of which are Least Developed Countries (LDCs).

The projects’ activities include a food processing and dairy company from East Africa, benefiting smallholder farmers with improved market access and incomes; an agri-commodities trader aiming to expand its sourcing of cashew nuts and sesame seeds from Africa, enabling higher incomes for farmers; an agribusiness working to increase its groundnut sourcing from Zambian smallholders; a company aggregating, processing and exporting cotton and sesame which aims to grow its network of outgrowers in East Africa and a Colombian organic lime producer, processor and exporter working to upscale its exports.

In line with the CFC’s endeavors to contribute to achieving the SDGs, these projects not only target the CFC’s core SDGs – SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), but also address SDG 12 (Responsible Consumption and Production), SDG 15 (Life on Land), SDG 17 (Partnerships for the Goals).

Combined, these projects are expected to benefit 97,280 smallholders – of which 47% are women – and to create and/or maintain 881 full-time jobs; the annual income per job created would range from USD 1,604 to USD 4,490. In addition, 4,000 hectares of land are expected to be cultivated with these projects. Following the usual CFC procedures, these projects are still subject to environmental and social due diligence.

The CFC shall continue to target companies and organizations working with smallholder farmers and SMEs to make them more financially, environmentally and socially sustainable while also endeavoring to scale them up. Our quest to serve the “missing middle” in agri-commodity value chain keeps us on the lookout for more enterprising entities working in the grassroots.

The CFC has been working to increase incomes for smallholders while making value chains more traceable, transparent, and green. As the infographic shows, the CFC strives to create more jobs and income in a socially and environmentally positive way, as well as contribute to food and nutrition security wherever possible.

The CC is composed of nine independent experts in a specific commodity or subject matter area, and is an advisory body for the Executive Board of the CFC. Members of the CC provide the CFC with their expertise to identify the best projects to be recommended to the Executive Board. The CC is composed of five women and four men, reflecting the CFC’s commitment to gender equality.