CFC common fund for commodities

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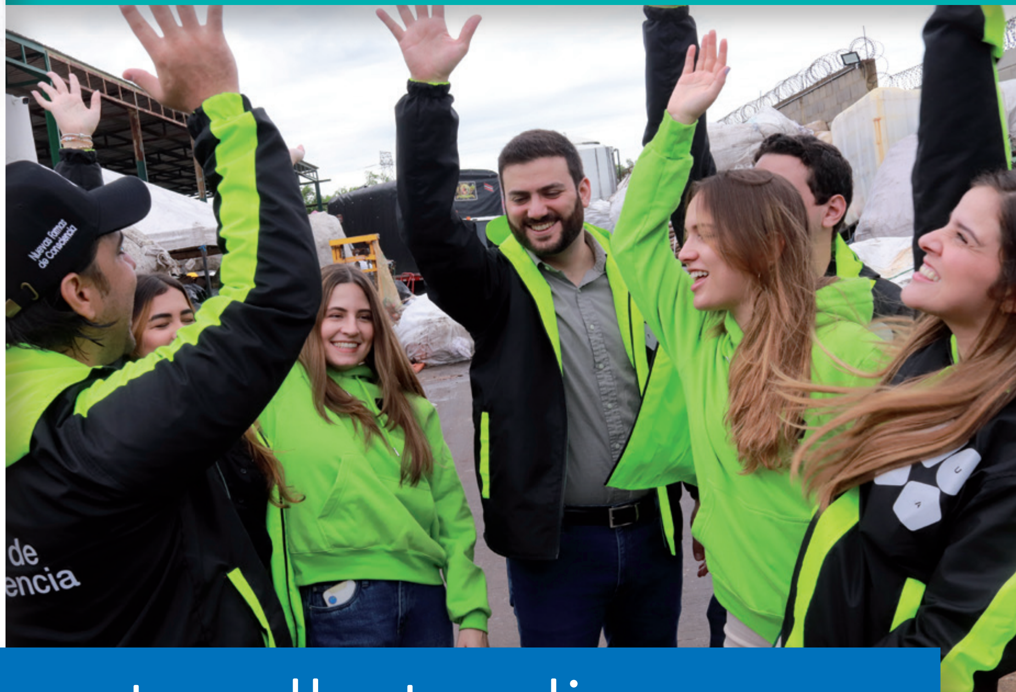


Photo: Muta Corp.

Transforming waste collectors lives with **circular economy innovation**

Earning a living from informal street recycling is tough, insecure work. Recyclers spend their days searching for materials, walking for hours with no guarantee of a decent income at the end of it.

Photo:Muta Corp.

MUTA founder Alejandro Caiaffa.

But in Colombia, MUTA is transforming working conditions for recyclers, by formalising their employment and providing a regular wage alongside benefits such as healthcare and holiday pay. The company has big plans to expand across Latin America where around four million people make a living through informal recycling.

At the heart of MUTA's business model is its Smart Recycling platform, explains founder and chief executive Alejandro Caiaffa (furthest left on the above image), which was built by the company's in-house tech team and had 2,000 active users by December 2022. "It is an end-to-end platform that connects the generators of recyclable materials with the collectors who are then connected to the processors. It traces and tracks all the materials, giving waste generators the ability to request their collection and earn an income from every single kilogram, which is a real incentive to recycle."

Collectors are assigned a route through the platform, enabling them to use their time efficiently and providing certainty about how much material they will collect. "They now have safe conditions to work in and they collect in a truck so they're not walking 15km a day in rain or sun. They're also on the payroll, able to take vacations and have access to healthcare," adds Alejandro. Once collected the waste is delivered to MUTA warehouses, to be processed and sold.

Incomes for MUTA's recyclers can rise to USD 460 per month for route leaders, compared to around USD 180 for informal recyclers. Equally as important is the formality MUTA brings to this workforce says Alejandro. "We make them part of the labour ecosystem so they can show potential employers they have experience of working for a company, managing their time on a smartphone and paying into healthcare, which opens opportunities."

The transparency MUTA's platform provides also enables the company to break into international markets, where buyers require products to meet quality assurance and sustainability certification standards. "The ability to demonstrate you have the correct structures and processes in place is also key to attracting investment from investors such as the CFC," says Alejandro.

Photo: Muta Corp.

Workers are given formal employment which boosts their incomes and prospects.

The main buyer for MUTA's primary export, used cooking oil (UCO), is a UK biofuel trader. It's a sector that has exciting growth potential with the UCO market expected to grow from [USD 5.97 billion in 2021 to USD 10.08 billion in 2028](). In Colombia, between 20-30% of UCO is recycled which means there is scope to increase the amount that is reused and MUTA aims to collect 10,000 MT by 2025 while formalising employment for 350 street collectors.

Alongside the positive impact this will have on livelihoods, it will reduce the amount of oil that is disposed of in an ecologically damaging way.

After launching in the coastal city of Barranquilla in 2014, MUTA has now expanded into 60 cities and municipalities in Colombia and has plans to launch in Mexico and Brazil. "We want to become the biggest circular economy platform in Latin America across all waste materials," says Alejandro. The CFC is supporting this ambition by investing USD 450,000, which will enable it to employ more collectors and increase the volume of its exports.

CFC Impact Investment Manager Ernesto Daza Lacouture says: "MUTA combines tech innovation and a solid business model to generate positive environmental and social impact which is why we were so keen to support the company. It's also our first investment in a circular economy business in Colombia, so it is an exciting step for us. The company is already making a huge difference to the lives of street recyclers and has potential to expand its impact across Latin America, by making more of them a formal part of the circular economy."

But MUTA may not have existed if it hadn't been for a football injury.

Alejandro played professionally for Livingston in Scotland, before moving on to FC Baulmes in Switzerland. When a knee problem put an early end to his career he went to university in Barranquilla. During a holiday to Miami, he noticed cooking oils being collected which sparked his entrepreneurial curiosity – after his studies he used savings to buy a small truck and start doing the same in his city. This gave him an insight into the lives of waste collectors and the motivation to change them.

The link between football and recycling may seem tenuous but his experience on the pitch has shaped him as a business leader. "To succeed in football you have to consistently perform to a high level and be prepared to train, train and train to constantly improve. You also have to work in a team and learn how to handle different personalities, cultures and mindsets."

Alejandro has transferred these attributes to MUTA. The desire to continually enhance how the company operates has driven its growth from a one-man operation paying cash to suppliers, to a business that, he says, is "trying to transform the recycling industry and the lives of those who work in it through technology, innovation and formalisation."

It's an ambitious goal, but the MUTA team looks equipped to achieve it. ■

Photo: Muta Corp.

All the best for COP28

In late November the world will come together at COP28 in the UAE, seven years on from the Paris Agreement on climate change coming into force and seven before the 2030 deadline to reduce emissions by 45%.

As the impact of climate change becomes increasingly hard to ignore – following the recent reports of droughts, forest fires and floods – the urgent need to achieve this and 2050's net zero target clearly tops the global agenda. The conference is another step to rebuild momentum towards these vital objectives.

The impact of climate change could be particularly stark for smallholder farmers whose livelihoods are severely impacted by extreme weather, as is their ability to feed themselves and the communities around them.

That's why, through our investments, we aim to build climate resilience among smallholders, while also enabling them to play their part in reducing emissions and conserving the landscapes and environments they farm in. Sustainability is a key part of our investment decision making and we actively look to support organisations that are embedding it in their operations.

Photo: Adobe stock

This is reflected in our support for companies such as Colombian cocoa supplier Colcocoa which we are investing USD 1.4 million in over 5 years. Alongside helping farmers to diversify their crops in a coffee-dominated sector – which is crucial when weather patterns and harvests are becoming less predictable – the business is incentivising farming practices that conserve the forests they live and work in.

Putting the **climate crisis** at the **heart of our investments**

Photo: Kennemer

▶ It is also reforesting hundreds of hectares at its Hacienda la Tención farm by enabling companies to offset their carbon footprints by paying for trees to be planted, an innovation which it is extending to its smallholder suppliers to boost their incomes.

Similarly in the Philippines, Kennemer Foods International launched MinTrees, a reforestation programme that will allow farmers to earn money from carbon credits. It has also brought together 13 communities in the southeast of the island to become the country's first Reducing Emissions From Deforestation And Forest Degradation (REDD+) project.

In practice it means they will receive payments for demonstrably reducing emissions, promoting biodiversity and improving livelihoods. Planted trees remove emissions from the atmosphere while shade trees regulate the micro-climate in cocoa smallholdings, stabilising the ecosystem and improving soil conditions.

Committing to verifiable sustainability initiatives also enables agribusinesses to access higher value markets. For example, organic farming is healthier for the land and for smallholders' incomes because of the premium prices organic products can command. That's why Kenyan avocado exporter and oil processor Olivado has built its organic credentials by running organic training programmes for its smallholder suppliers.

The company also has a rigorous farm-to-market traceability system in place. This includes teams of field officers who regularly visit farms to offer support and advice on how to meet organic certification requirements. Olivado is also tackling its carbon emissions through its investment in biogas plants that run on organic waste, including from its own avocados.

Equally, we are eager to support companies beyond the agricultural sector that are both improving the lives of underprivileged people and driving sustainability. It's this powerful combination that led us to invest in MUTA, a company you can read more about on page 1.

MUTA is on a mission to expand the circular economy in Colombia and become the largest recycling platform in Latin America, while improving the lives and livelihoods of informal street recyclers. At the heart of this is its self-built Smart Recycling platform which connects people and businesses with materials such as used cooking oil, to recyclers who transport them to MUTA collection points. This gives recyclers access to secure and regular formalised work. MUTA then processes the cooking oil they collect so that it can be used as a biofuel.

CFC, where possible, try to process commodities locally as this can indeed have environmental benefits and potentially reduce pollution in several ways like reduced carbon footprint from freight, waste management, shorter supply chain and more importantly, an enhanced understanding between the producer and consumers. However, CFC remains acutely aware of the fact that the environmental impact of local processing also depends on various factors, including the specific commodity, the technology and methods used in processing, and the efficiency of the local infrastructure.

Photo: Olivado

As an organisation the CFC is also continually looking for ways to enhance its environmental credentials. With this in mind, we recently joined the internationally recognised Partnership for Carbon Accounting Financials (PCAF), which will enable us to estimate the carbon footprint of our investments more accurately.

Becoming part of the PCAF gives us access to a reliable methodology, alongside expertise and support to help us understand the environmental impact of the agribusinesses and organisations we finance. Using this information, we can pinpoint which investments are likely to be causing the greatest emissions and where we should work more closely with our investees to reduce them.

Our membership to PCAF may also help us to undertake comprehensive life cycle assessments and careful consideration of local conditions for different commodities to evaluate the environmental benefits of local processing in any given situation.

As world leaders gather at COP28 to discuss how the planet can prevent the climate crisis from deepening, we want to make sure we and the organisations we support are part of the solution. ■

Photo: Tegemeo farmer inspecting his millet. KIT

Five reasons the private sector should **invest** in the **potential** of **smallholder farmers**

Our ACT Fund Investment Director, Michael van den Berg, recently wrote for the World Economic Forum's Agenda about why now is the time for investors to support agribusinesses to create long-term positive impact for smallholder farmers. And how they can do it through the ACT Fund. This is an edited reproduction of his article.

The negative impact of food commodity speculation on the world's most vulnerable people has been highlighted in the past year by institutions such as the EU, UN and Greenpeace. It's a short-term and damaging way to invest in commodities that adds to inflationary pressures.

Most alarmingly, beyond the abstract world of derivatives, futures and indexes, it is driving up hunger – more than 345 million people face high levels of food insecurity in 2023, double the number in 2020.

Many of these people are smallholder farmers who struggle below the poverty line. When financial speculators cash in on commodities, the smallholder who can no longer afford to fertilise their crops or keep up with rising food prices loses out.

Why you should invest in agribusinesses that support smallholder farmers

But there is an alternative. Private sector investors can choose to become part of the solution to global poverty by investing responsibly in agribusinesses that support smallholder farmers. Yes, it comes with risk and the returns may take longer to arrive, but here are five reasons why it's worth considering.

1 Ethically and commercially, it is the right thing to do

Simply put, if you're not supporting smallholder farmers, you're not supporting sustainable development for those who need it most. Some 70% of people in extreme poverty, earning under $1.90 per day, live in rural areas, many make a living off the land around them and harvest crops that play an important part in global food systems. By investing in agribusinesses that are committed to improving the livelihoods of smallholder farmers you are playing a direct role in increasing their incomes and economic resilience.

That's the ethical imperative, but there is a commercial one too. Businesses are under greater scrutiny from their partners and consumers, whose buying decisions are increasingly swayed by a product's environmental, social and governance (ESG) credentials.

The regulatory landscape is also shifting, as governments and international bodies tighten oversight of supply chains. For example, the European Union's Corporate Sustainability Reporting Directive came into effect in January this year, with European Sustainability Reporting Standards, which encompass a company's value chain, to follow in 2024. Rather than an afterthought, sustainable supply chains are becoming a business necessity.

2 There is huge potential to unlock growth where it is most needed

Many countries that are categorised as least developed are also rich in agricultural commodities. This is a mixed blessing. It often leads to an over-reliance on the export of raw commodities which leaves them vulnerable to price volatility. But this also highlights an economic opportunity.

There is clearly huge demand for the products made using crops grown by smallholder farmers – we're not going to stop drinking coffee or eating chocolate anytime soon. But smallholders struggle to profit from international demand and expanding local consumer markets.

By investing in agribusinesses so they have the tools and capacity to boost productivity and process raw commodities into value-added products locally, a greater share of the rewards will remain local.

In regions of the world with a young population and a high number of commodity-dependent countries, such as in Africa, investment in small and medium-sized agribusinesses (agri-SMEs) with processing capacity creates much-needed economic opportunity, reducing migration and building prosperity for future generations. In Africa alone, SMEs provide an estimated 80% of jobs across the continent, powering growth.

3 In an interconnected world it's possible to balance risk, reward and impact

Agribusinesses provide a vital link to higher-value global markets for smallholder farmers. With the right support, agribusinesses can expand into those markets and increase the rewards they pass on to smallholders.

In addition, tech innovation, such as traceability software, enables the international brands and buyers they work with to verify the sustainability and equity of their supply chains. This also enables them to ensure farmers are paid a premium.

From an investor's perspective, there is a decent return to be made from this model. There's long been an assumption that focusing on impact requires your returns to take a hit, but that's not necessarily the case.

For example, an International Finance Corporation (IFC) examination of its equity projects from 1988-2016 found they returned 36% more than an equivalently timed investment in the MSCI Emerging Market index.

4 Expert partners ensure the social and environmental value of investments

Working with funds that have experience in the agricultural development space ensures investment does more than simply generate financial returns. Impact-focused funds apply their expertise to ensure they deliver social and environmental good as well.

In the first instance, how an agribusiness contributes to wider progress or has the potential to, is a core part of the investment decisions they make. From there, they become partners, providing technical assistance that strengthens an agribusiness's capacity to grow, which in turn accelerates impact.

This assistance can take numerous forms, from conducting feasibility studies into new product lines to expanding a business's network of smallholder suppliers, to designing training programmes that teach sustainable growing techniques.

5 Innovative development funds share risk while supporting long-term impact

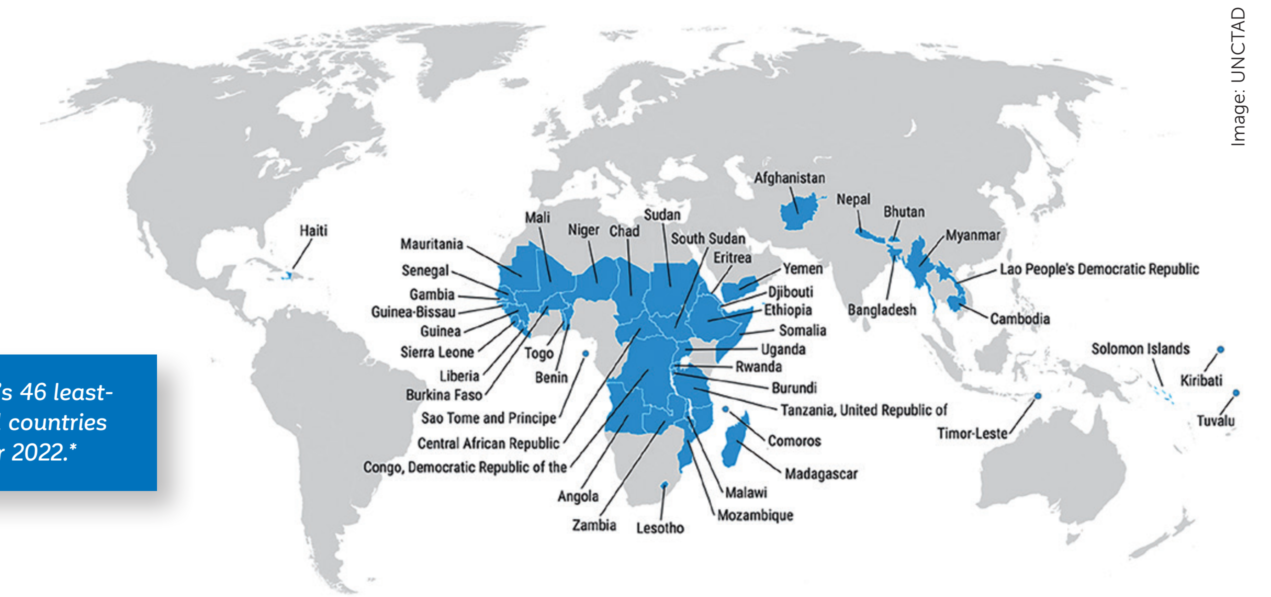
An additional $3.9 trillion in funding is required to achieve the United Nations' Sustainable Development Goals (SDGs) and less than 3% of sustainable financing goes to lower-income countries, according to the Organisation for Economic Co-operation and Development (OECD).

To close that gap and create change at the scale that is needed will take funding from all sources. This includes innovative solutions, such as blended financing, that are designed to attract private-sector investors.

Blended financing uses capital from public institutions and philanthropic organisations to reduce risk for private-sector investors that want to invest in high-impact projects. Platforms such as Convergence are raising the profile of this form of financing and bringing organisations together.

At the Common Fund for Commodities (CFC), we've also established a blended finance vehicle called the Agricultural Commodity Transformation (ACT) Fund. ACT aims to combine $20 million in first loss capital with private sector funding to generate $100 million of investment in agri-SMEs that often struggle to access financing.

This kind of targeted long-term investment helps smallholder farmers overcome the barriers that prevent them from benefiting fully from the crops they grow. It is the positive way for the private sector to invest in the potential of commodities and ensure your daily cup of coffee is secure for years to come. ■



*The world's 46 least-developed countries in October 2022.**

Image: UNCTAD

* Note: The boundaries and names shown, and the designations used on this map do not imply official endorsement or acceptance by the United Nations

CFC's Technical Assistance Team supporting more than USD 400 million impact funds

The CFC is proud of its formidable Technical Assistance Team who are busy to provide technical assistance to impact-oriented investment funds. With more than 10 years of experience in managing TA facilities and a diverse array of knowledge within the wider CFC to call on, our team is a leading provider of TA services across an array of value chains. The combined expertise of the TA team span across agriculture, agroforestry, project management, impact assessment and social and environmental risk management. Currently, the team is managing the technical assistance facilities of two large impact investment funds worth more than USD 400 million.

Since 2012 we've offered support through the provision of TA projects to partner companies across agricultural value chains in Africa and Latin America and thereby ensuring genuine positive change is delivered to smallholder farmers to localize the development.

TA project highlights

Our TA team aims to accelerate development in communities where it is needed most. Here is a look at some of the ways it is achieving that with each investment fund.

AATIF TA Facility (2012-present):

114 Total number of projects approved	**7.6m** Total committed TA funds to approved projects (in EUR)
75 Completed/closed projects	**257,000** Number of farmers reached by the AATIF investee companies receiving AATIF TA support

AATIF TA Facility

Following the objective of AATIF, the TA Facility seeks to develop TA projects that drive local value addition, improve food security, and create local employment opportunities. There is a key focus on innovative TA interventions that strive to improve agricultural practices and increase crop yields for the benefit of the AATIF investee companies as well as the farmers within their sourcing networks.

With that in mind, the TA Facility is currently implementing a multi-year TA project with AATIF investee Export Trading Group (ETG) in Mozambique. The TA project aims to support ETG to implement a climate-smart cashew sourcing model with approximately 5,000 smallholder farmers that will enable the company to reach full traceability of its cashew supply chain and to mitigate climate risks. The farmers engaged in the project will benefit by having a reliable off-taker for their produce, improved access to extension services, and a comprehensive capacity development programme focused on building climate-resilient agricultural practices. In early September 2023, the TA Facility Manager visited ETG in Mozambique, during which the team met with stakeholders and lead farmers engaged in the project, and toured ETG's Korosho cashew factory.

AATIF investees are also supported to improve their social and environmental (S&E) management and monitor impact through various tailor-made TA product offerings. One example is a recently approved project that aims to assist NSIA Banque in Côte d'Ivoire to map its scope 1, 2 and 3 greenhouse gas (GHG) emissions and align itself with the Sustainable Finance Disclosure Regulations (SFDR) and recent European Union (EU) policy changes regarding sustainability-related disclosures in the financial services sector.

As a result, the bank will be able to map, measure and ultimately reduce its emissions, including those of its clients. This type of TA measure builds on previous support provided to NSIA Banque that focused on enhancing its Social and Environmental Management System (SEMS) and strengthening internal S&E practices, inclusive of sector-specific guidance for the bank's growing agricultural portfolio.

ATAF

As part of its impact goals ATAF is partnering with a West African vegetable oil processing company to enhance the positive environmental and social impacts of their investments. This mid-sized firm focuses on quality and maintains a smallholder-inclusive business model, primarily targeting local markets to stimulate the regional economy and avoid the land grabbing and deforestation associated with conventional vegetable oil cultivation.

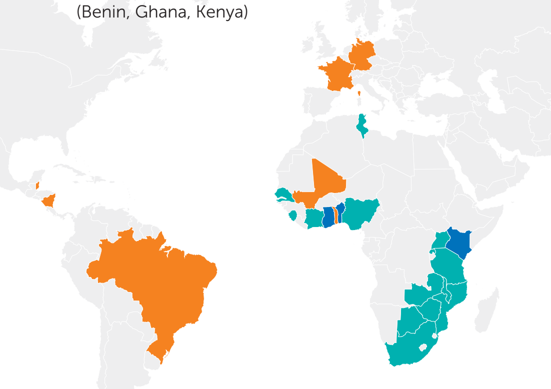
ATAF (2017-present):

20 Total number of projects approved	**2.1m** Total committed TA funds to approved projects (in EUR)
16 Completed/closed projects	**6,900** Number of farmers reached through ATAF support

In 2019, ATAF initiated a technical assistance (TA) project with the company to bolster traceability in its outgrower scheme and create a deforestation monitoring digital tool. The project facilitated improved transparency practices and a more comprehensive understanding of the supplier network.

Building on this, ATAF is launching a subsequent TA project to reinforce the company's smallholder outgrower scheme from late 2023 to 2024. This aims to establish a full traceability system and a nursery for high-quality crop production, fostering sustainable growth. It will also craft an outgrower action plan addressing critical challenges identified previously, with the goal of consolidating the company as a trustworthy off-taker for smallholder farmers, enhancing productivity, and promoting sustainable practices. ■

Map (of AATIF and ATAF countries)
Orange: ATAF (Belize, Brazil, France, Germany, Mali, Nicaragua, Togo)
Green: AATIF (Botswana, Côte d'Ivoire, Malawi, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe)
Blue: AATIF and ATAF (Benin, Ghana, Kenya)



Continuing to create **positive impact** for smallholder farmers

We celebrated our 34th anniversary in September, and we've never been more committed to generating positive impact for as many smallholder farmers as possible.

As our ACT Fund Investment Director, Michael van den Berg, points out in his article on page 4: "If you're not supporting smallholder farmers, you're not supporting sustainable development for those who need it most".

We're proud of our achievements since the CFC launched in 1989, which include making more than 455 investments across 70 commodities in 104 different countries. But we know there is still a huge amount to do to provide economic opportunity that helps alleviate poverty where it is most acute.

Our 2022 Annual Report shows how the CFC's investments continue to make a difference. Measuring and monitoring the performance and impact of our investments is a crucial part of our work, both to show our investors the value of partnering with us and to help us identify what drives success.

Every company that receives support from the CFC is asked to tell us about the positive changes they're making and we're constantly seeking to enhance our understanding of our impact. That's why, starting from the 13th Call for Proposals in 2018, all the organisations we've supported have been using a more thorough way of keeping track of their impact. We're also helping older businesses we invested before that date gradually switch to this new and improved way of reporting.

Our rigorous approach to measuring impact includes:

- **Clear targets** – showing what the investment aims to achieve each year. Targets need to be realistic and feasible.
- **Starting points** – including baseline data to compare and track progress effectively.
- **Progress tracking** – we stay on top of each investment's progress, making sure reports are accurate and timely.
- **Monitoring and evaluation** – we carry out selective checks, keeping in mind the resources available.

Beyond our main focus areas, we are also committed to tackling climate change (SDG 13). We support SMEs that are taking steps to both reduce the impact of climate change on vulnerable people and also contribute to reversing it. For example, as we highlight on page 1, we support agri-businesses that work with smallholders to build climate resilience and adopt climate-smart growing techniques.

By backing initiatives that cut emissions and develop resilience, we are playing our part in the global fight against climate change. This aligns with our broader goals, to enable communities to flourish while safeguarding the environment for future generations. ■

For an in-depth look at our impact read our CFC Annual Report 2022.

In 2022 we had a **positive impact** on our core SDGs

5 GENDER EQUALITY
31% of women among the people reached

1 NO POVERTY
440,000 people were reached of which **92,000** farmers

8 DECENT WORK AND ECONOMIC GROWTH
10,895 jobs supported directly

2 ZERO HUNGER
60,000 hectares of land cultivated for food and cash crops

10 REDUCED INEQUALITIES
A **third** of CFC's committed portfolio is allocated to LDCs

72nd Meeting of the **Consultative Committee**

9 new investments recommended with the potential to benefit **43,000 smallholders**

The CFC's Consultative Committee recommended nine investments for consideration by the Executive Board (EB) at its 72nd meeting. If approved by the EB, more than 43,000 smallholder farmers are expected to benefit from these investments across South America, Asia, and Africa.

These investments will enable USD 29.8 million in financing, including CFC's contribution of USD 8.6 million, for agribusinesses that are generating economic opportunity where it is needed the most.

Each agribusiness was selected from 136 applications submitted to our 22nd Call for Proposals. During the selection process, we identified where funding will have the greatest impact by promoting local development, enhancing the livelihoods of smallholder farmers and establishing sustainable supply chains.

The investments will support the growth of agribusinesses in Singapore, Uganda, Kenya, Ecuador, Morocco, Colombia, and Côte d'Ivoire that specialise in producing commodities including cocoa, dried fruits, herbs, vegetable oil, macadamia, coffee, groundnuts and fish products.

They will also contribute to several United Nation's Sustainable Development Goals, including SDG 1 (No poverty), SDG 2 (No hunger), SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production), and SDG 13 (Climate Action).

CFC Managing Director Amb. Sheikh Mohammed Belal emphasised the importance of assisting agribusinesses at a time when global uncertainty has led to damaging inflation and a surge in poverty among smallholders.

"Many farmers reside and operate in remote areas, lack access to competitive markets, and often depend on monopolistic buyers who hold all the cards. They are vulnerable price takers, with limited ability to capitalize on higher prices," he said.

Agribusiness can connect these farmers to more secure, higher value markets and our investments are designed to enhance their ability to do this. Amb. Belal added: "Out of a substantial pool of 136 projects that we received in response to our 22nd Call for Proposals, we have made strenuous efforts to select those that promise greatest sustainable impact through, among others, bridging the gap between the farmgate and final price."

During the 72nd CC, Amb. Belal also provided an update on the Agricultural Commodity Transformation (ACT) Fund which gives the private sector an opportunity to invest in viable agribusinesses that are driving positive change, in a way that balances risk, reward and impact. ACT Fund opens the door to both public and private investors to join our shared journey of sustainability. ■

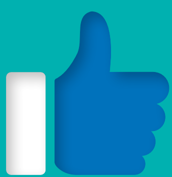
More than

43,000

farmers expected to benefit

9

projects recommended



USD 29.8m

for agribusiness financing including CFC contribution of

USD 8.6m

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