common fund for commodities

Newsletter 23 | April 2024

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Supporting **Zimbabwean smallholders** with investment in **Organic Africa**

Photos: Organic Africa

The CFC is investing USD 850,000 to help Organic Africa scale up its business and amplify its positive impact on smallholder farmers and wild collectors in Zimbabwe.

Founded in 2007, Organic Africa is an impact enterprise, processing and exporting dried herbs, spices and indigenous medicinal plants. The company supports smallholder farmers and wild collectors to access high-value markets that would otherwise be out of reach, where there is significant demand for their products. This includes ensuring they are grown and processed in line with internationally recognised certifications such as EU Organic and Fairtrade.

At the heart of Organic Africa's work is its commitment to generating positive environmental, economic and social impact. The company's sustainability credentials are reinforced by SAP traceability technology, which uses QR codes to connect end customers to the farmer groups that grew the ingredients in the products they're buying.

The business currently works with 4,500 smallholders and 7,000 wild collectors. By supplying Organic Africa, they benefit from long-term contracts and guaranteed prices. On average they earn 40% additional income compared to other smallholder farmers and collectors in Zimbabwe.

The CFC's investment will enable Organic Africa to expand its positive impact. The company aims to reach a total of 25,000 smallholders and collectors within four years and boost the additional income they receive from 40% to 50%.

Commenting on the CFC's investment, Organic Africa's CEO Dominikus Collenberg said: "We have a robust structure and business model that enables us to tap into markets where there is high demand and low supply. This means we can provide economic security and opportunity to some of the most vulnerable people in rural Zimbabwe, while developing a sustainable business. The CFC's investment will help us build on that and increase the number of small-scale farmers and wild collectors we can benefit."

CFC Impact Investment Manager Peter Nielsen, who has worked closely with Organic Africa, said: "The company has a very attractive impact model which achieves both social and environmental impact. Sustainably grown and high-value herbs, spices, and indigenous medicinal plants provide value ▶

Photo: Organic Africa

cash income for smallholders and farm workers while reducing the pressure on agricultural land caused by other crops grown with more extensive and high-input techniques. At the same time, Organic Africa's work on sensitising its suppliers and stakeholder communities to the financial value of preserving ecosystems is a real boon to biodiversity, climate, and the livelihoods that ultimately depend on them."

CFC Managing Director, Amb. Sheikh Mohammed Belal added: "This investment encapsulates so many of the characteristics we look for in an agribusiness. It taps into viable and expanding international markets, using its expertise to enable Zimbabwean smallholders and collectors to generate more value from their crops, while enhancing the environment around them. I am looking forward to seeing how the CFC's support helps Organic Africa to reach more smallholders and accelerate its positive impact in the years ahead."

If your organisation would like to apply for CFC investment, our next Call for Proposals will open shortly. Check our LinkedIn page for news about its launch and find out more here: https://www.common-fund.org/call-for-proposals. ■

Bayoba women.

Bankruptcy of **Mercon Coffee Corp: a bolt from the blue** for smallholders

It is imperative to address the recent bankruptcy of Mercon Coffee Corp., a significant event that has provoked immense concerns across Nicaragua and particularly among the smallholder farmers. The ramifications of this development touch upon the core of Nicaragua's agricultural backbone, impacting not just the immediate financial viability of the farmers but also the long-term sustainability and prosperity of their coffee sector. This exemplifies the challenges that primary commodity producers in developing countries face when confronted with the realities of the global market. This challenge, being global in nature, calls for the attention both as a matter of international development cooperation and achievement of sustainable development goals.

Mercon has been more than just a global coffee trader; it has been a vital partner to the Nicaraguan farmers, providing essential financing and support, particularly for those cultivating the robusta beans. Amidst farmers' efforts to recover from pandemic-related losses, Mercon's bankruptcy further intensified their challenges. This declaration impacts the financial ecosystem for the smallholder farmers, who have been dependent on Mercon for both financing and market access. This situation could lead to a precarious financial future for many of these farmers, risking their livelihoods and the economic stability of their communities.

This change in global dynamic also impacts innovative programmes like LIFT. Mercon is the first green coffee supplier with a sustainability-linked revolving credit facility, which links the impact performance of LIFT with the interest rate of the loan facility. By improving the key performance indicators (KPIs), farmers can qualify for an interest margin reduction. Savings from this are invested by Mercon back into LIFT. In contrast, if no KPI is achieved, an interest margin addition is applied to its loans and the increased revenue is invested by the financial institutions into a selected charity. To maximize the transparency of its process, an external auditing company was entrusted to verify Mercon's KPIs.

At Common Fund for Commodities (CFC), we have been urging people to replicate and scale up innovative programs like the LIFT beyond Mercon and Nicaragua to countries like Honduras, Guatemala, Brazil, and Vietnam. The aim is to empower smallholders for whom these shifts come as a bolt from the blue. CFC invested 5 million USD into the LIFT programme which helped farmers to increase their incomes by as much as 355 per cent.

These recent changes stand to cast a shadow over the coffee exports, a vital component of Nicaragua's economy. With Mercon's Nicaraguan operation accounting for a significant portion of the country's coffee exports, the implications could be severe, potentially leading to reduced market access for the farmers and eventually lead to lower coffee prices. This could not only affect the livelihoods of the smallholder farmers but also the economic health of a nation.

Moreover, the supply chain disruptions that may follow Mercon's bankruptcy filing, even as they seek an orderly sale of assets, are already leading to delays and financial losses for the farmers. These instabilities in a supply chain pose critical concerns, affecting the timely export of coffee and potentially undermining the financial stability of the Nicaraguan coffee sector.

At CFC, we work relentlessly to ensure the continuation of sustainable farming practices and to secure the financial stability and market access for our smallholders and count on support of the international community to find alternative solutions to support the ones affected.

These smallholders, the cornerstone of the coffee industry, face uncertainties beyond their control, jeopardizing their livelihoods and futures due to decisions made in distant financial hubs. This reality underscores the vulnerability of our agricultural sector to global economic shifts, highlighting the need to establish resilient and sustainable local systems capable of withstanding external pressures. It necessitates a united effort to shield smallholder farmers from global uncertainties and reaffirm our dedication to safeguarding their interests, ensuring they do not bear the burden of financial instability alone. Our farmers merit stability, support, and equitable opportunities to prosper, liberated from the fear of being casualties in a global financial system that often disregards individual lives it affects.

We at CFC believe that these significant setbacks are an opportunity for us to come together, innovate, and strengthen the resilience of the smallholders in the coffee sector. Our commitment to our farmers and to the sustainable future of Nicaraguan coffee industry remains unwavering. ■

The Third South Summit in Kampala

The Third South Summit, held in Kampala, Uganda, on January 21-22, 2024, marked a significant milestone in the history of the Group of 77 (G77) and China, coinciding with the 60th anniversary of the group's establishment. The summit brought together Heads of State and Government from member countries to reaffirm their commitment to solidarity, unity, and collective action towards achieving a peaceful, sustainable, and prosperous world. The outcomes of the summit emphasized the importance of South-South cooperation, multilateralism, and the collective pursuit of global development and 'win-win' cooperation.

The Group of 77 and China played an historic role in the formation of the Common Fund for Commodities, and it provided essential continued support for the activities of the CFC towards addressing the root causes of commodity dependence globally. Indeed, the CFC was conceived in the very first session of the United Nations Conference on Trade and Development (UNCTAD) in Geneva in 1964 following the lead of G77, who placed the issue of commodity problems as the number one agenda item of the first UNCTAD conference from 23 March – 16 June 1964 in Geneva.

G77 and China pursued agenda items on bringing much needed stability in the otherwise volatile world of commodities even before their first Ministerial Meeting of the Group of 77 in Algiers (Algeria) on 10 – 25 October 1967, where the following was incorporated in the Ministerial declaration.

It was G77 and China that worked harder in achieving a consensus for adoption of the historic 93 (IV) resolution – the Integrated Programme of Commodities[2] – in the UNCTAD IV in Nairobi, Kenya in 1976. The Kampala summit reiterated this spirit as it highlighted the critical role of South-South cooperation in addressing new development challenges and called for collective actions to reinvigorate this cooperation as a complement to North-South cooperation. The Summit further underscored that developed countries should bear the primary responsibility in financing for development to address current imbalances and challenges. South-South cooperation is not a substitute for, but rather a complement to, North-South cooperation.

Of particular significance for the Common Fund, with its emphasis on innovation, is the importance of adopting science, technology, and innovation strategies as integral elements of national sustainable development strategies. The Summit welcomed the Leaders' Political Declaration adopted at the G77 and China Summit on 'Current Development Challenges: The Role of Science, Technology, and Innovation', highlighting the group's positions on these issues.

For us in the CFC, the issue of innovation is hugely important as we wish to implement a technology enabled transformation in the agri-commodity based food system. With our base in the innovative-rich Amsterdam, we made transfer of innovations from the global North to the global South as a policy priority to bring the world closer together. While we strive to bring improvisation of local resources in the developing world, but the windfall of North's huge R&D investments could benefit the global South through incorporation of CFC's investments in emerging technologies like what we recently made in the Meridia project.

Meridia is a geospatial data company that specialises in collecting, analysing, and verifying high-quality data in smallholder supply chains. This helps food companies achieve environmental, social and governance (ESG) standards and compliance, while enabling smallholders to access regulated markets, sustainability programmes and investment.

We are inspired to see that Kampala Summit continued to serve as a platform for the G77 and China to articulate a shared vision, promote interests, and enhance negotiating capacity within the United Nations system. It underscored the group's legacy in defending and promoting the interests of developing countries and called for more effective support in multilateral negotiations.

Against this background, the CFC's mission of addressing the challenges of commodity dependence reaffirms the need for enabling support infrastructure for the commodity-dependent developing countries to add value to their commodities locally and thereby to enhance their participation in commodity and related product value chains to achieve the Sustainable Development Goals and promote economic and export diversification.

The CFC also took the opportunity of the Third South Summit to call on UNCTAD and other development agencies to continue their efforts for concessional and de-risked finance so that organizations like CFC could invest more for the smallholders and SMEs (small and medium enterprises) through their newly formed fund – Agricultural Commodity Transformation Fund (ACT Fund).

CFC appeals to the G77 and China to make it a priority towards the revitalisation of the Joint Coordination Committee of the G77 and China and the Non-Aligned Movement (NAM), in particular considering the positive role of Uganda as the current Chair of both groups. We urge Uganda, as we congratulate them for successfully hosting both the Summits, to keep commodities at the front and center of their deliberation as chair of G77 and China as well as NAM. ■

Developed countries and the appropriate international financial institutions should make available additional financial and technical assistance to developing countries, including specific funds, in order to facilitate the carrying out diversification programmes, highest priority being given to diversification in the programmes on interregional, regional, and sub-regional levels in the process of trade expansion and economic integration among developing countries. These specific funds for diversification should be one of the features of commodity agreements.[1]

THIRD SOUTH SUMMIT
KAMPALA, UGANDA 2024 "LEAVING NO ONE BEHIND"

[1] FIRST MINISTERIAL MEETING OF THE GROUP OF 77: CHARTER OF ALGIERS, Algiers, 10-25 October 1967. http://www.g77.org/doc/algier%7E1.htm
[2] Integrated programme for commodities (worldbank.org) (accessed on Feb 22, 2024.)

Photo: Adobe stock

EUDR and smallholder farmers: **challenge or opportunity?**

The EUDR is an initiative aimed at addressing deforestation and forest degradation, which are significant drivers of the global climate and biodiversity crises. The regulation, which came into force in June 2023, replaced the EU Timber Regulation and has several key goals, including ensuring that products placed on the EU market are deforestation-free, promoting transparency and traceability in supply chains, and reducing the EU's carbon footprint by addressing deforestation and forest degradation caused by agricultural expansion. The EUDR presents both challenges and opportunities for smallholder farmers in developing countries, CFC's target demographic.

The EUDR applies to operators and traders importing products into the EU market, and it covers seven commodities: timber, beef, palm oil, soy, coffee, cocoa, and rubber, as well as certain derivatives of these commodities. The regulation requires companies to implement a due diligence system to prevent the placement of non-compliant products on the market, and it sets out a three-step process for due diligence, which includes collecting information, conducting a risk assessment, and mitigating any identified risks. Non-compliance with the EUDR can lead to significant fines, confiscation of products, and exclusion from public funding or contracts.

While the regulation's requirements may initially pose challenges for smallholder farmers, some potential benefits and opportunities can arise from EUDR compliance:

Empowerment and Sustainable Practices: The EUDR can empower smallholder farmers to meet regulatory standards and enhance the sustainability and resilience of their agricultural practices. By embracing digital solutions and collaborating with stakeholders, small farmers can become active contributors to deforestation-free supply chains.
Inclusive Path and Support: The regulation's focus on inclusivity and providing tailored support is essential for ensuring that small farmers become active contributors to deforestation-free supply chains. This can lead to a more environmentally conscious and socially responsible global supply chain.
Access to Finance and Certification: EUDR compliance can enable small farmers to access finance, get certified, and be part of the European value chains. This, in turn, can help them benefit from technical assistance programs, including training and access to financing.
Environmental and Social Responsibility: Adherence to EUDR standards signifies a commitment to responsible sourcing, which can contribute to building consumer trust and loyalty. The regulation encourages the adoption of sustainable agricultural practices, supporting the United Nations' Sustainable Development Goals.
Capacity Building and Knowledge: The regulation can empower farmers by equipping them with critical knowledge, improving their access to finance, and supporting them in navigating the complexities of EUDR compliance.

The EUDR can also pose significant challenges to small farmers, particularly in developing countries. One of the primary difficulties is the regulation's stringent traceability requirements, which necessitate the identification of the original source of products all the way to the individual farmer. This level of traceability can be especially burdensome for smallholder farmers, who may lack the resources and technical capabilities to provide such detailed information.

This may end up with many smallholders being excluded from international value chains not because they have deforested their land but due to their inability to show compliance with the stringent requirements imposed by the EUDR. That would unfairly deprive smallholders of an important source of income and livelihood, and even impact their ability to adopt sustainable practices.

The EUDR's emphasis on traceability to the farm level, including the need for geo-location data and proof of land legality, further compounds the challenges faced by small farmers, potentially disrupting their access to key markets. Additionally, the regulation's complexity and the associated compliance costs may disproportionately impact smallholder farmers, potentially undermining their livelihoods and exacerbating poverty.

The EUDR's requirements could also lead to the marginalization of small farmers, particularly in the palm oil sector, and may inadvertently contribute to the exacerbation of poverty among these vulnerable agricultural stakeholders. The regulation's focus on large-scale deforestation may overlook the nuanced realities of land-use change at the smallholder level, potentially penalizing small farmers who are not directly involved in large-scale deforestation activities.

The CFC, therefore, calls on the Commission to undertake intensive stakeholder discussions towards formulating a clear and detailed implementing acts and guidelines that include differentiated compliance and due diligence regimes for commodities and products originating from smallholders in developing countries, considering that EU SMEs will be granted more flexible treatment.

The EUDR, therefore, presents challenges and opportunities for smallholder farmers. While it aims to promote deforestation-free products, its stringent traceability and due diligence requirements may burden smallholder farmers. However, EUDR compliance can empower farmers, provide access to finance, and encourage sustainable practices. The regulation's potential impact on small farmers has sparked debate, with calls for a more inclusive approach to regulatory compliance.

The CFC urges the Commission and other EU institutions to engage in a more meaningful and open dialogue with producing countries than has been undertaken so far. The EU should work to walk through this legislation, or, at a minimum, aim to mitigate its more harmful impacts through implementation guidelines that adequately value the current, as well as developing local sustainable practices in agricultural value chains, and avoid trade disruption including the excessive administrative burden related to the geolocation and traceability requirements, various certifications, and customs procedures. The CFC continues with its commitment to support best practices in sustainable development worldwide while advocating for the well-being of poorest farmers producing primary commodities for the global market. ■

Photo: Adobe stock

Harmonizing Smallholder Potential with **Climate** and **Biodiversity-Friendly Practices**

The CFC's latest investments in Goldtree and Fairtrasa capitalize on the inherent potential of smallholder agriculture while embracing practices conducive to climate resilience and biodiversity conservation. Where investments in both people and planet meet, we seek to scale our potential for impact; from deforestation-free and organic palm oil from Sierra Leone to regenerative practices in Peru.

Goldtree: Deforestation-free and organic palm oil from Sierra Leone

The trade finance facility of USD 1,000,000 made available for Goldtree Sierra Leone Limited enables the SME to gain more access to high-value markets in Europe and Asia. Goldtree is an entity specializing in the collection and processing of organic palm oil, operates both a nucleus farm and an outgrower scheme. Goldtree seeks to promote organic agroforestry systems and reforestation through rewilding – thereby coupling biodiversity to its business model. It is also anticipated that this investment will also bolster the income of smallholder farmers.

It combines a primary nucleus plantation with local sourcing of organic fresh fruit bunches from outgrower farmers residing within a 40 km radius of the processing mill. This initiative holds the potential to benefit numerous rural families by offering fair compensation for their produce, thus contributing to their economic well-being. CFC expects that this investment will contribute to the sourcing from smallholder out-growers participating in the scheme throughout the five-year project duration.

Goldtree's focus on organic palm oil targets a market that has experienced significant growth in recent years due to evolving consumer preferences and the irreplaceable nature of palm oil in numerous products. This trade finance loan will serve to provide essential working capital and bridge the timing gap between palm oil production and processing, ensuring timely delivery of the final product to European and Asian buyers.

Fairtrasa Peru: Regenerative practices in Peru

Another trade finance facility, also planned for scaling to USD 1,000,000, was made available for Fairtrasa Peru. The facility will support the SME's capacity to increase sourcing from smallholder farmers. Fairtrasa Peru is a trader of fresh fruits, sourcing from hundreds of organic-certificated smallholder farmers in Peru. It sources a range of fresh produce from its suppliers and exports these mainly to buyers in Europe and North America.

Fairtrasa Peru trains its smallholder suppliers in regenerative farming systems and has areas of forest under conservation in the rainforest of Peru. The social and environmental commitment of the Fairtrasa group is evidenced by the numerous certifications held across its sourcing regions including Organic, Demeter, Regenerative Organic Alliance, Rainforest Alliance, Global GAP, IFS, SMETA, and FLOCERT. The SME provides markets for several crops for diverse smallholder incomes and biodiverse farms, provides smallholders with trees for agroforestry setups, hosts program on local radio with information on ecological practices, and provides training on proper organic practices.

Fairtrasa Peru enables smallholder farmers to develop from subsistence farming to export-ready farming. It assists in establishing cooperatives and obtaining certifications, provides pre-season contracts and prepayments with a premium price of 20% to 30% above market.

Goldtree and Fairtrasa: coupling business to biodiversity and improved farmer livelihoods

These investments signify more than just financial transactions; they represent a concerted effort to leverage business as a force for positive change. By coupling profitability with environmental stewardship and social responsibility, Goldtree and Fairtrasa demonstrate the transformative potential of sustainable business models. Biodiversity provides essential ecosystem services that directly support agricultural productivity and resilience. Small farmers rely on these ecosystem services to maintain healthy and productive agricultural systems. Biodiversity enables small farmers to diversify their livelihoods beyond traditional crop production. Overall, biodiversity is intricately linked to the livelihoods of small farmers, providing essential ecological and economic benefits. By promoting biodiversity conservation and sustainable agricultural practices, the CFC can enhance the resilience and prosperity of smallholder farming systems.

Through these investments, the CFC catalyses a shift towards a more equitable and sustainable future, where businesses thrive in harmony with nature, and communities flourish alongside economic prosperity. ■

Photo: Clearpath Coffee

Bolstering Resilience: **Changing the Game for Colombian Coffee Producers**

As the global coffee industry continues to evolve, producers around the world have been pivoting to access new markets and higher income. It is therefore no wonder specialty coffee is a highly sought-after commodity now.

The CFC recently committed to provide trade financing support to Clearpath Coffee, Colombia. This follows a request, received by the CFC through the Open Call for Proposals.

Specialty coffee, often certified and organic, enables producers to sell under proprietary brands at higher prices, attracting customers seeking unique products. Despite climate challenges, the higher margins from these sales support investment in climate-resilient practices, enhancing coffee quality and producers' incomes. Colombia's Clearpath Coffee, founded in 2016, exemplifies excellence in the specialty coffee industry, focusing on transparency and ethical sourcing of high-quality, single-origin Colombian coffees. It aims to impact rural Colombian communities positively, supporting smallholder families through direct trade partnerships and ethical practices.

CEO Vicente Mejia emphasizes the potential of specialty coffee to benefit rural Colombian communities, aiming to improve the lives of smallholder families by providing fair incomes and supporting sustainable practices. Clearpath's approach includes working directly with farmers, promoting environmental stewardship, and community empowerment, addressing challenges like climate change, economic fluctuations, and labor shortages. By eliminating intermediaries, Clearpath ensures farmers receive a fair profit share, investing back into their livelihoods and communities.

Clearpath's business model partners with Colombian coffee producers for export, supporting the company's operations in Huila with dry and wet milling facilities. Last year, 242 families chose to sell their coffee to El Puente, a partnership based on trust, fair trade, and sustainable agriculture, processing nearly 2 million kilograms of coffee cherries. A notable achievement is their commitment to water conservation by employing innovative processing methods instead of the traditional washed process, which helped save a remarkable 79,156,000 litres of water, enough to provide for about 680,000 Dutch people for a day. This approach not only ensures a superior coffee product but also fosters long-term, trustworthy relationships with coffee-producing families, demonstrating a harmonious balance between profit and purpose.

Financing provided by the Common Fund will reduce the working capital financing gap and allow the company to continue with its growth and development plans to increase in purchase orders from clients and the costs increase of coffee production and export logistics.

As the coffee industry grapples with sustainability challenges, El Puente stands out for prioritizing environmentally responsible practices and fostering positive relationships with coffee-producing communities.

Few other challenges

As an exporter of specialty coffee in Colombia, Vicente realized the lack of drying and processing space needed to handle the crop. Improper handling can lead to defects, reducing profitability and forcing producers to sell at a discount. Cash flow issues compound during harvest, requiring reserves for labour and post-harvest expenses.

The financial burden associated with adopting innovative processing methods emerges as a formidable challenge for smallholder farmers. While Colombia has long embraced washed coffees, newer methods like honey, natural, and experimental fermentation, such as co-fermentation, have gained traction.

Clearpath coffee aims to be a commercial ally to the small farmers so that they can access international market. Through fair pricing, logistical support, and capacity-building initiatives, they aim to empower farmers to showcase their products on a global scale. With this guidance and support these small farmers can overcome barriers and seize opportunities in the international marketplace, ensuring sustainable growth and prosperity for their communities.

Led by CEO Vicente Mejia, Clearpath Coffee stands as a beacon of hope. By demystifying the supply chain and fostering greater transparency, it empowers consumers to make informed choices that align with their values, embodies the principles of ethical entrepreneurship, proving that profitability and purpose need not be mutually exclusive. As the company continues to evolve, it serves as a reminder that a better world is possible – one cup of coffee at a time. ■

CLEARPATH COFFEE

Financing the **missing middle:** interview with **Hector Besong**

Photo: CFC

Hector joined the CFC in 2016 as Risk and Portfolio Manager to support our transition into an impact investing organisation that drives positive social, economic, and environmental impact. We caught up with him to discuss the CFC's vital role in financing agri-SMEs, its approach to risk and his experience in the development sector.

How did you become interested in impact investing?

My journey into impact investing began during my university studies when I secured an internship with the United Nations Environment Programme. Working within the Global Environment Facility, I was involved in financing projects aimed at fostering positive environmental outcomes. Though the term 'impact investing' wasn't commonplace at the time, that's precisely what I was engaged in.

It was during this experience that I realized my passion for development finance, particularly in Africa, where investment in infrastructure could yield transformative results.

Was that ability to make an impact why you joined the CFC?

Absolutely yes. I spent ten years in a large corporation working on international infrastructure financing. During that time, it became obvious that there was a huge need to bridge the funding gap for SMEs in developing countries, to enable them to grow and amplify their impact. The CFC is bridging this gap which is why I was keen to join.

Why is the CFC's role as investor so important right now?

Currently, there's a notable deficit of investment funds targeting what we term the 'missing middle' in developing nations. These are enterprises that fall slightly beyond the scope of microfinance institutions yet remain too small to attract attention from major development finance institutions. The CFC's mandate perfectly aligns with addressing this gap, making it instrumental in effecting change at the SME level.

Furthermore, for SMEs operating within agricultural value chains, securing financing poses even greater challenges due to their association with crop cycles, which inherently carry risks. Additionally, these SMEs are still in the process of maturing as businesses, often perceived as carrying higher risks. Nonetheless, these very enterprises are pivotal in driving economic growth and thus require accessible and affordable financing to thrive.

How does your role contribute to the CFC's mission?

My responsibilities revolve around evaluating and managing risks associated with CFC SME loans, ensuring accurate risk assessment and pricing. This entails adhering to a structured framework for risk evaluation before determining loan terms that strike a balance between affordability for the business and reflecting the risk taken by the CFC.

Maintaining the sustainability of our capital is a top priority, as we aim to operate as an evergreen fund. Therefore, precise pricing is crucial to adequately cover potential losses and sustain a stable portfolio that continues to drive impactful change.

Why is this model effective for impact investment?

The combination of disciplined lending practices and our careful selection criteria, aimed at identifying entrepreneurs with sound business models and strong leadership, significantly enhances our potential for fostering sustainable growth. We seek out companies and entrepreneurs who possess the financial stability necessary to generate lasting economic benefits, ensuring they serve as dependable, long-term allies for the smallholder farmers they assist. Our capacity to maintain a long-term perspective and provide unwavering support to our investees during challenging economic cycles is pivotal to the success of the impact investment model.

Which investments are you particularly proud of?

So many! The greatest part of this job is getting to know the businesses and entrepreneurs we support and seeing the positive impact of our investments.

It's hard to pick out one. But last year I visited a rice miller, Coumba Nor Thiam, in the Senegal River Valley, a region at the heart of the nation's rice production. Under the leadership of its founder, the company has emerged as one of the country's foremost millers, overseeing more than 500 hectares of land and managing thousands more. Through close collaboration with numerous smallholder farmers in the region, they provide essential services and resources, including seeds, fertilizer inputs, ploughing and irrigation services, and combine harvesters. Additionally, they facilitate a reliable off-take for the farmers' rice, enabling smallholder producers to access broader national markets.

These endeavours bring about real transformations in the lives of farmers. During my visit, I had the privilege of conversing with a farmer who now manages 50 hectares of land, exuding refreshing optimism about the future. This serves as a powerful testament to the profound impact of economic opportunities in nurturing aspirations and bolstering prosperity.

Are you optimistic about the next few years in impact investing?

Absolutely! Development follows a natural trajectory, and our collaboration with agri-SMEs such as Coumba Nor Thiam exemplifies the potential for meaningful change. This underscores the importance of our continued efforts to invest in viable businesses.

Certainly, challenges are inevitable in the realm of development finance. However, it's overcoming these obstacles that adds a sense of fulfilment to the journey of development. ■

Photo: Adobe stock

73rd Meeting of the **Consultative Committee**

7 new investments recommended with the potential to benefit over **131,000 smallholders** with over **41.4 million combined funding**

At its 73rd meeting, the CFC's Consultative Committee recommended seven investments for consideration by the Executive Board (EB). If approved by the EB, these investments are expected to benefit more than 131,000 smallholder farmers across Africa and Latin America.

In total, these investments will unlock USD 41.4 million of financing for agribusinesses that are recreating economic opportunities where they are most needed, with the CFC's contribution amounting to USD 7.8 million.

Under the 23rd Call for Proposals, the CFC received 149 proposals, of which 30 were selected and discussed in the CFC Project Appraisal Committee (PAC). Ultimately, 7 proposals were approved at the 73rd Meeting of the CC to be presented to the EB.

CFC is working hard to bring forth to the consideration of CFC member countries to help increase the rate of acceptance far beyond what it is now. Areas were identified where the investments would have the greatest positive impact by accelerating local development, improving smallholder livelihoods, creating sustainable supply chains, and diversifying exports in a climate and people friendly way.

These investments will support the growth of agribusinesses specializing in commodities including cocoa, coffee, flowers, and vegetables in Africa and Latin America. They will also support a microfinance institution based in Latin America. Furthermore, they will contribute to several of the United Nations' 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).

Speaking at the meeting, which was held by teleconference, CFC Managing Director Ambassador Sheikh Mohammed Belal said, "At the heart of our mission is the crucial interconnection between smallholders and SMEs (small and medium enterprises), which forms the backbone of our sustainability efforts. It is imperative to provide innovative support to the countless SMEs involved in commodity production and trade. Addressing the challenges faced by over two billion smallholders and aiding in poverty alleviation is a formidable yet essential task."

Amb. Belal also provided an update on the establishment of the Agricultural Commodity Transformation (ACT) Fund, a USD 100 million plus impact fund, and the need to mobilize resources for impact investing. He also addressed the challenges of commodity dependence, political instability, and the importance of addressing these issues to promote sustainable economic growth, particularly in Africa.

Datuk Ramle Bin Kasin, Chairperson of the Consultative Committee expressed their eagerness to see significant diversification of CFC portfolio, both in quantity and quality, to bring more impacts at the grassroot level. Datuk Kasin thanked CFC for their professional excellence and hopes to see more quality projects in their next meeting in July 2024. ■

More than
131,000
farmers expected to benefit

7
projects recommended

USD 41.4m
of financing for agribusinesses with the CFC's contribution amounting to
USD 7.8m

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