The Common Fund for Commodities (hereinafter “CFC”) wishes to thank all its member states, fellow ICBs, stakeholders and more importantly, all its clients, for clinging on to the debris of 2020 to go past this pandemic together. Now that the endless wait to see 2020 over is around the horizon, let us pick up the pieces for a new tomorrow.

Instead of hastily knitting a reform for recovery, let us transform the system where business should surely be “green” and for a purpose. Let us work for a system that distributes opportunity and outcomes more fairly and find innovative solutions to the problems of SMEs and smallholder farmers at the grassroots. Let’s our sense of mission rein in shortsighted self-interests. Life should have a greater purpose than only making profit.

As an impact investment fund, with poverty alleviation as our core mission, the CFC is hereby putting itself at your disposal for more invigorated and innovative partnerships as we embark on this purpose driven transformation for green recovery.

With added focus on vulnerable communities and their welfare in the least developed countries (LDCs), the CFC wishes to pursue gender mainstreaming with financial inclusion at its root. Digitalization should go beyond business connectivity towards making livelihood safe and innovative.

**CFC during the time of lockdown:**

Braving lockdown, we have been able to conduct our core businesses almost as business as usual. Indeed, in some cases, we enjoyed up the ante, compared to regular time. For example, we have been able to conclude both our Executive Board meetings as well as our premier event of Governing Council with increased participation from member states and other stakeholders, than it was in the immediate past. This is reflective of the member states keenness to keep CFC as operational as possible towards achieving the goals of sustainability.
Emergency Liquidity Facility:
As an immediate response to COVID-19, member states came together to approve a USD two million “Emergency Liquidity Facility” as a focused instrument to mitigate the impact of the pandemic.

Flexibility for amending repayment schedules:
At the same time, the Executive Board also allowed more flexibility for amending repayment schedules of CFC loans, in compelling cases, such as companies facing difficulties because of the challenges imposed by COVID-19. Both measures were implemented within the rules of the CFC reaching an aggregate amount of USD 2,546,989. Together with the disbursement to projects in 2020 the total value of cash to projects in 2020 amounts USD 6,190,464.

Project financing
Project financing and implementation is the core activity of the CFC. In 2020 the CFC approved financing of 8 projects with an outlay of USD 23.6 million where CFC’s contribution was for USD 10.9 million. Here are the expected impact data for the 2020 highlights:

• SDG 1: 20,000 beneficiaries
• SDG 2: 9,000 ha of additional land expected to be cultivated
• SDG 5: 5,330 women beneficiaries
• SDG 8: 830 jobs created
• SDG 10: 6 projects in LDCs.

Budgetary reorientation:
Although our 2021 Administrative Budget shows an increase in absolute terms of 5.98% and of 4.48% in real terms, the total forecast expenditure for the current year was EUR 137,500 below the approved administrative budget. The savings shows CFC’s resilience in continuing its impact investment practices unabated even during the pandemic.

Investment income under excruciating stress:
What little capital that member states provided us with almost 30 years back, we haven’t only preserved that asset, we, more importantly, created the impact much more that it was originally intended.

After thirty years of draught in terms of our capital replenishment, we are still not only surviving, indeed thriving with as many as 365 projects completed and 53 ongoing at various stages of implementation. We invested USD 376.57 million of our money including Trust Fund contribution from the Netherlands and OPEC Fund contribution, with a matching USD 979.61 million from counterpart contribution so far. Thus, CFC helped bringing almost three times more resources to the impact field compared to its humble contribution. It, nonetheless, crossed the billion USD threshold in the process. But under the prevailing, either zero or sub-zero return form investment, it can be expected that the rates of return realizable within the current investment rules of the CFC will face severe downward pressure.
The Global Impact Investing Network (GIIN) has just launched a new research where it rigorously analysed the impact performance of agriculture impact investments and showcased the real-world results associated with these investments. Two CFC projects were shortlisted as examples of impact matrix within the framework of the “Understanding Impact Performance: Agriculture”. These case studies also highlighted CFC’s successes in “Integrating value chains in the face of impact risk”. Two projects supported by the CFC, Coopac, along the borders of Rwanda and the Democratic Republic of Congo (DRC) and Olivado in Kenya were presented. The full report can be accessed here. Measurement of impacts is a priority for CFC and it is using famed IRIS system for measurement of impact. This is in addition to regular internal auditing by the CFC as well as by Grant Thornton Accountants en Adviseurs BV.

The CFC is also proud to report that it has contributed to the book Value Chain Development and the Poor: Promise, delivery, and opportunities for impact at scale. The CFC supported the publication with the chapter Development impact bonds: Learning from the Asháninka cocoa and coffee case in Peru.

Outreach unabated:

Despite the lockdown, the CFC maintained its outreach, indeed, enhanced the quantum of its quest for further collaborations with other stakeholders and peers. During the period under reporting, CFC hosted a virtual meeting with the International Commodity Bodies (ICBs) and UN organisations, FAO and UNCTAD, in November 2020. In the said day long meeting, the CFC and ICBs agreed and approved a communication strategy to speak with a coherent voice on the role of commodities in sustainable development, and to turn this complexity into more effective modalities for social impact wherever they work. All delegates reiterated the centrality of the United Nation led multilateral system for a harmonious globalised world for an expedited green recovery.

The CFC also joined the Eleventh Inter-Agency Consultative Group Meeting on the Follow-up and Implementation of the Vienna Programme of Action (VPoA) for Land Locked Developing Countries (LLDCs), and other activities to highlight the humanity’s urgency towards paying more attention towards the least developed and landlocked and SIDs countries where poverty is much more rampant and deeply entrenched. CFC is increasingly seeking coordinated partnership with the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS) for a coordinated fight against poverty and hunger. CFC, informed the UN-OHRLLS about CFC’s planned activities aiming at benefiting 300,000 smallholder producers – of which 45% to 50% are women – and to create 3,200 additional jobs in the developing world during the next five years.

In order to build partnerships with as many stakeholders as possible, CFC is now pleased to announce its admission into the Council on Smallholder Agricultural Finance (CSAF). CSAF is the leading global network of lending practitioners promoting an inclusive financial market for producer organizations and SMEs in the agriculture sector in developing countries. CFC is also in discussion with enterprises like Rabobank Foundation, PUM (Programma Uitzending Managers), IDH, The Sustainable Trade Initiative, the Netherlands-African Business Council (NABC), 2SCALE etc. towards building greater collaborations in order to scale up the impacts.
In its last two successive calls for proposals, CFC received a record number of project proposals potentially qualifying for CFC support. Indeed, CFC received so many quality projects, screening was perhaps the toughest job it faced. Regrettably, for want of sufficient human and financial resources, despite its best efforts, CFC could accept only a handful of projects. CFC, therefore, urges its member states to consider voluntary contributions so that CFC could scale up its impact much more than what it is doing now. Indeed, CFC is willing and able to scale up impact in a significant way should it be provided with the resources it needs.

One modality that CFC has been quite successfully doing, while creating formidable impact, is offering it’s Technical Assistance Services to a good number of impact funds. In the process, in addition to myriad of intangible impacts, the CFC has also been able to earn over Euro 400,000.00 from our Technical Assistance service only in 2020. Members states could avail CFC’s proven services and thereby contributing both to the impact as well as to the growth of CFC to its rightful shape and form.

Commodity Impact Investing Facility (CIIF)

The brand of CFC, in the sphere of impact investment, draws significant interests and attention of those who wish to create more impacts. With over thirty years of impact investment experience, CFC is well placed to scale up its impact investment with corporate and other private funding. Considering this potential, the Executive Board in its 68th Meeting tasked the Secretariat to explore the potential of scaling up social impact investment using both public and private resources. The CFC is ever since exploring the possibility of a greater role to mobilize impact investors interested in commodity value chains by initiating the creation of an impact investment facility. Such facility would target the specific areas of CFC competence, namely achieving substantive contribution towards the SDGs by investing in commodity value chains. Accordingly, an open ended working group is presently working under the chairmanship of Mr. Herbert Ndahiro of Rwanda to form a “Commodity Impact Investing Facility” (CIIF). CIIF aims to bring public private resources to provide more income, along with externalities of impact, to the SMEs and small holder farmers through value chain upgradations and productivity gains with innovations and creativity as its tools.

32nd Meeting of the Governing Council

New opportunities for private investments into commodities are emerging alongside with digital innovation. Digital innovation, however, requires considerable investment efforts to harness the full potential of modern technology. Stemming these investments through cooperation with the private sector is what makes the work of the CFC so effective.

Sebastian Lesch
Head of the Agriculture Department of the German Federal Ministry for Economic Cooperation and Development (BMZ)
As we, hopefully, walk towards the post pandemic era, the CFC would like to begin the process of 'green recovery' as we wish to address the moments of profound turmoil and disruptions. COVID-19 highlighted, in dramatic ways, the need for better environmental safeguards, gender mainstreaming, nutrition security, digitalisations and financial inclusion, disaster preparedness and increasing resilience for a sustainable living. Cultivating resilience requires some emotional rewiring where elements of equality and ethical use of resources are the norm, not the exception.

Another remarkable highlight of COVID-19 is the fact that this pandemic struck us at a time when—according to the Intergovernmental Panel on Climate Change—we have about a decade left to achieve a low-carbon transition and bring the world economy to a trajectory limiting global warming to 1.5°C above preindustrial levels. As much as possible, we need to use whatever little economic stimulus and recovery resources we could gather to strengthen the resilience of our projects and place them at a trajectory towards a just transition. As IMF Managing Director Kristalina Georgieva has said, this is the time to “revive or lose” the Paris Agreement. CFC will continue to work for “revive” and “reform”.

Africa in the beginning:

Africa is poised to become the next century’s economic growth powerhouse of the world. The humanity will be better served if this inevitability is accepted and necessary preparedness are harness to face this inevitability. Combined with the continent’s soaring population and technology, improvements in infrastructure, health and education, it is only a matter of time when we all have to follow a policy of Africa first.

So, it is no wonder that almost 70 per cent of CFC’s project activities are in the continent of Africa. This is precisely an outcome of our effort to promote greater inclusion and job creation, moving up global value chains, managing conflict-affected regions, and adapting to climate-induced stresses that will be crucial to Africa’s chances of meeting the SDGs.

The CFC will endeavour to engage into some multicounty projects in the continent of future, Africa, so that much needed connectivity amongst the African countries could be made both a practice and a culture.
As this pandemic painfully taught us that growth and productivity alone are not enough, if the vital issue of inequality and climate are not addressed forthwith. The health and immunity are not separate from what we eat or better yet, how we produce or harvest. CFC, therefore, needs to impart the elements of nutrition transition, climate and gender proofing of projects, with elements of financial inclusion inbuilt in it, as it promotes sustainable business across the globe. This could only happen when CFC is provided with necessary resources, skills and tools so that economies make sustainability and social inclusion central to how they function. For that to happen, we have to add impetus to businesses for investments into greener, fairer and people-focused markets of tomorrow.

We assure you of working for a CFC dedicated to the achievement of sustainable development goals, as we practice and promote sustainable businesses, for a purpose. We encourage you to join us in this shared journey and thereby cherishing a life with bigger purpose.

Before we conclude, we gratefully acknowledge the wonderful support and assistance from all member states and stakeholders under the leadership of our Chairpersons for the Governing Council and Executive Board H.E. Mr. Mario Javier Agustin Oyarzábal, Ambassador of the Argentine Republic in the Netherlands, and Ms. Anna Tofftén, Deputy Director-General, Ministry of Enterprise and Innovation, Sweden, respectively.

Wishing you a happier, healthier, and “impactful” new year 2021 and beyond.

On behalf of all members of the CFC family:

Sheikh Mohammed Belal
Managing Director/CEO
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