Annual Report **2019**

common fund for commodities

Cover photos:
Above: **Rice farmer, Thailand.** Photo: Adobe Stock
Below: **Mahonia aquifolium or Oregon grape.** Photo: Adobe Stock

Photo: Open air market in Cairo, Egypt. ©FAO/Pedro Costa Gomes

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Photo: Harvesting groundnuts, Mchinji District, Malawi. ©FAO/Amos Gumulira

Contents

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New Managing Director of the CFC

The Governing Council at its 31st Meeting in The Hague has decided to appoint H.E. Sheikh Mohammed Belal (Bangladesh) as the Managing Director of the CFC for a four-year term. Ambassador Belal was elected by consensus from a pool of six candidates for the post of Managing Director of the CFC on December 04, 2019.

H.E. Sheikh Mohammed Belal served as Ambassador of Bangladesh to the Kingdom of the Netherlands with concurrent accreditations to the Republic of Croatia, and Bosnia and Herzegovina since March 2014. He was elected as a member of the Board of Directors of the Trust Fund for Victims of the International Criminal Court for three years with effect from December 2018. The Bureau of the Assembly of States Parties appointed Ambassador Belal as "Facilitator for the Trust Fund of Victims" for the term 2015-2016. H.E. Sheikh Mohammed Belal also served as the Permanent Representative of Bangladesh to the Organization for the Prohibition of Chemical Weapons (OPCW) since 30 April 2014. During his term in the OPCW, Ambassador Belal served in different capacities including his role as Chairperson of the Executive Council of the OPCW. He served in Bangladesh Missions in Washington, Canberra, Kuala Lumpur and Tashkent in different capacities. H.E. Sheikh Mohammed Belal obtained Masters in Public Administration from Harvard University of U.S.A, Masters in International Relations and Trade from Monash University of Australia and also did his graduation in Forestry at Chittagong University of Bangladesh.

Ambassador Belal is committed to work for the forgotten people in order to bring prosperity to the lives and livings of millions of people at the margin.

Ambassador Belal is married to Dr. Dilruba Nasrin. They are blessed with two children and a grandson.

New Managing Director, H.E. Sheikh Mohammed Belal

Photo: CFC

Photo: Planting cowpea, Torit, South Sudan. ©FAO/Stefanie Glinski

Foreword

It is my honour to present, for the first time as new Managing Director of the CFC, the Annual Report of the Common Fund for Commodities (CFC) for the year 2019. This report covers activities conducted under the leadership of Mr. Parvindar Singh (2012-2019).

The CFC has made great progress towards adopting the SDG framework and achieving greater effectiveness during this time. I remain deeply grateful to the member states for their confidence in me to succeed Mr. Singh in the position of the Managing Director. I am feeling both being challenged and encouraged to work harder and making a difference thereby.

Since its inception in 1989, the CFC has been at the forefront of development innovation addressing a range of constantly emerging challenges facing commodity dependent developing countries (CDDCs). The CFC has evolved with the needs of Member Countries and progressed from an organization dealing mainly with issues relating to commodity production and trade, to social, economic, environmental and governance issues emerging in commodity value chains, focusing in particular on innovation and impact. In doing its work, the CFC relies on strong support and feedback of Member States, International Commodity Bodies, and other international organizations.

The year 2019 was stated to be a year of new ideas and project initiatives on a range of subjects covering commodities and their impact on both the producers as well as on the consumers. The focus has been on new activities which are aligned with the CFC's vision of the role of commodities as the foundation of the economic development for the poor. We continue to target critical weaknesses along the value chains affecting the smallholder producers, which enables us to achieve visible results with maximum efficiency.

In 2019, the CFC approved financing for eight regular projects with a total cost of USD 35.29 million. Of the total cost, the Fund financed USD 9.16 million or 27.2 % of the total project cost. As at December 2019, a total number of 223 Second Account Regular projects had been approved, with 184 projects completed giving a total of 38 projects which are still ongoing or are at preparation stage for operationalisation. The total CFC project portfolio at the end of 2019 stood at just over USD 42mln under the Operations Account, and a further USD 6.8 million committed to participations in impact investing funds.

In the course of 2019, the CFC also introduced a system for reporting its development impact across the portfolio of projects. The measurements are based on the state-of-the-art IRIS metrics, which effectively translates measurable impact indicators to the core goals of the CFC's SDG impact framework. Thanks to this, I can note here that by the end of 2019, over 520,000 people stand to take a step out of poverty thanks to projects supported by the CFC (SDG1). Up to 44,117 hectares of additional land will be cultivated (SDG2), and nearly 5,500 new jobs will be created with net income per job between USD 965 and USD 4,716 (SDG8). Female representation among the total beneficiaries of projects supported by the CFC varies from 18% up to 70%.

The CFC continues to develop a portfolio approach to its operations, prioritizing the projects which improve the overall impact of CFC activities in the context of the mission and vision of the CFC, supplemented with sustainable development of the commodities.

Responding to the interests of the Members of the CFC, this report includes feature articles on emerging topics of strategic importance:

(i) Alternative financing mechanisms for smallholder farmers,
(ii) Blockchain technologies and their potential in international development, and
(iii) Social and Environmental Risk Management systems (SEMS).

At the time of writing this "forward", the pandemic of COVID-19 continues to rage across the globe, bringing nothing short of devastation to the global economy. As is always the case, vulnerable people, and vulnerable countries suffer the most. Without our help, many companies in CDDCs will face closures, erasing years of hard work of improving incomes and livelihoods of millions of people. We estimate that financing gap for SMEs in developing countries could widen by over USD 1 trillion.

H.E. Sheikh Mohammed Belal
Managing Director

As the world emerges from the pandemic, the CFC is prepared to continue its innovative work in addressing the needs of the most vulnerable people in commodity-dependent developing countries to meet the aspirations of the UN Agenda 2030, despite the current and future challenges-and opportunities.

Businesses around the world are trying to figure out on how to bring the business back, in an environment, where a vaccine has yet to be found and economies are still reeling. We are, in the CFC, working extra hard, with resolve and resilience, to reimagine and reform. This is not a moment to be lost. Rather to get ready to confront the challenges—and opportunities, like adoption of digital solutions —of the next "new "normal that wait for us in the shadow of unknown.

Sheikh Mohammed Belal

H.E. Sheikh Mohammed Belal

Photo: CFC

Photo: Market in Cusco, Peru. Adobe Stock

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CFC at a glance

The Goals of the CFC

The CFC is founded on the principle that commodity production, processing and trade should benefit developed and developing countries alike, delivering economic, social and environmental benefits to all, particularly to the poor and vulnerable people in Developing Countries.

To this end the CFC aspires that production, processing and trade of commodities benefits producers and consumers alike so that commodity sectors contribute to sustainable development of countries and communities. The CFC promotes the development of commodity sector to contribute to sustainable development in its three dimensions i.e. social, economic and environmental; acknowledging the diversity of ways towards sustainable development and in this regard recall that each country has the primary responsibility for its own development and the right to determine its own development paths and appropriate strategies.

Towards this goal, the Fund provides financial support for innovative projects with high impact promoting the interests of the small holder farmers and small and medium enterprises (SMEs) engaged in commodity production, processing and trading in Developing Countries.

Main Activities

The Fund supports and expands its financial interventions in commodity value chains in partnership with the public and private sector, development institutions, and civil society. In particular, the CFC invests in realizing the potential of commodity production, processing, manufacturing, and trade for the benefit of the poor. The CFC supports implementation of activities that:

(i) are innovative and target new opportunities in commodity markets leading to commodity based growth, employment generation, increase in household incomes, reduction in poverty, and enhancement of food security,
(ii) are scalable, replicable and financially sustainable,
(iii) have a potential measurable positive socio-economic and environmental impact on the stakeholders in commodity value chains as compared to the prevailing baseline situation,
(iv) develop stronger connections with existing markets or create new markets along the value chain,
(v) increase financial or other services to commodity producers and commodity based businesses,
(vi) enhance knowledge generation and information dissemination, and
(vii) build effective and cost efficient collaboration between producers, industry, governments, civil society organisations and other stakeholders for commodity based development.

Key Themes

The CFC provides technical and financial support to all aspects of the value chain from production to consumption i.e. from 'field to the fork'. The CFC support can extend across local, national, regional and international markets. Examples of specific target areas include:

- Production, productivity and quality improvements,
- Processing and value addition,
- Product differentiation,
- Diversification,
- Marketing,
- Technology transfer and upgradation,
- Introduction of measures to minimise the physical marketing and trading risks,
- Facilitation of trade finance, and
- Risk Management, including price risk, weather risk etc.

Impact Financing

The CFC acts as impact investor, supporting projects which are sustainable and which deliver measurable development impact in the framework of the Sustainable Development Goals. CFC support is mainly in the form of loans, including working capital, trade finance and other similar financial instruments. Support in the form of equity, quasi equity, lines of credit and guarantees is considered on an exceptional basis. Limited amount of grants may be provided to qualifying organizations, e.g. to support specific new activities in areas of strategic interest or to support the loan based projects through activities such as capacity building, technical assistance etc.

The activities of the CFC are financed from its resources. These resources consist of voluntary contributions and capital subscriptions by Member Countries transferred to the CFC's Second Account and interest earned from its investments. CFC welcomes voluntary contributions from member states and our development partners so that we can scale and uplift more people from out of poverty through increased grant and other forms of financing.

Partner Institutions

The CFC works in partnership with public and private institutions, bilateral and multi-lateral development institutions, cooperatives, producer organisations, small and medium enterprises, processing and trading companies, and local financial institutions that:

- operate in commodity value chains or provide financial and other forms of services to small business operators, SMEs, cooperatives, producer organisations,
- have a proven track record in commodity development,
- have the ability to invest in the value chain to reduce transaction costs or increase revenues of producers / processors / storage / marketing,
- have a clear plan focusing on developing and/or diversifying their production / services,
- have a clear plan to expand their markets at local, national, regional and international level,
- have the technical, managerial and financial capacity to effectively and efficiently implement its activities,
- include social-, economic- and environmental aspects in their scope of work,
- share CFCs values, including internationally recognized principles concerning human rights, labour standards, environment and anti-corruption, and
- collaborate with CFC to extend their core activities in ways that create additional opportunities for commodities and the stakeholders in the commodity value chains.

Box 1 - The Organization of the Common Fund for Commodities

Establishment and Membership

The Common Fund for Commodities (CFC) is an autonomous intergovernmental financial institution established within the framework of the United Nations. The Agreement Establishing the Common Fund for Commodities was negotiated in the United Nations Conference on Trade and Development (UNCTAD) from 1976 to 1980 and came into effect in 1989. Financing for the first development project was approved in 1991.

The Common Fund for Commodities forms a partnership of 101 Member States plus nine institutional members. Membership of the Fund is open to all States which are Members of the United Nations or any of its specialised agencies, or of the International Atomic Energy Agency, and intergovernmental organisations of regional economic integration which exercise competence in the fields of activity of the Fund.

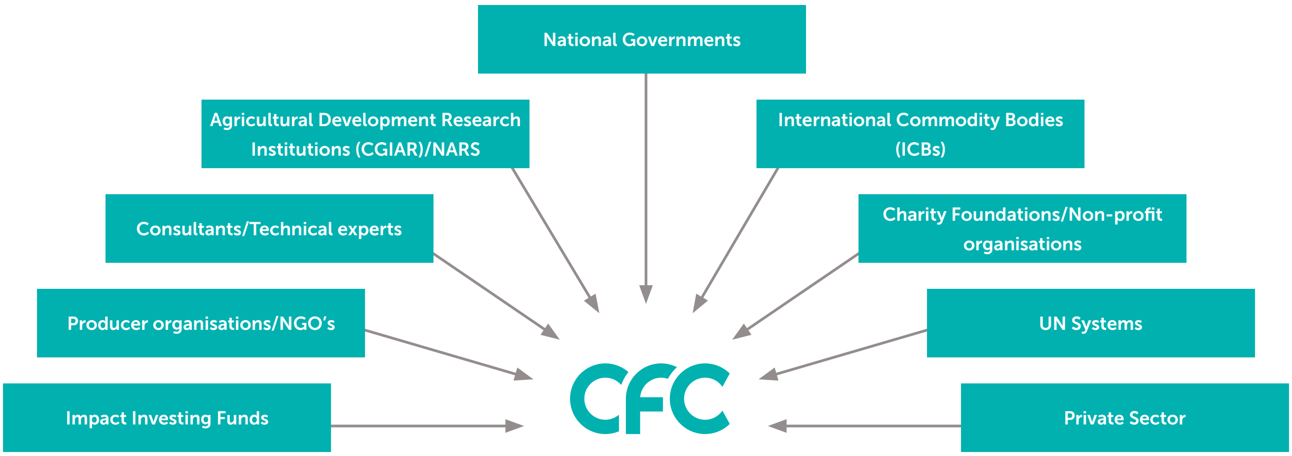
Governing Bodies

The governing bodies of the Fund are its Governing Council and the Executive Board. The Managing Director is the Chief Executive Officer of the Fund. The Executive Board is advised by a Consultative Committee, composed of nine independent experts, on technical and economic aspects of projects submitted to the Fund. The Governing Council meets once a year, and the Executive Board and Consultative Committee biannually.

Headquarters

The Headquarters of the Common Fund are located in Amsterdam, The Netherlands.

The CFC Partnership Network



Box 2 - Agreement Establishing the Common Fund for Commodities: Collective Action to Unlock the Development Potential of Commodities

Main objective of the CFC is to 'Promote the development of the commodity sector and to contribute to sustainable development in its three dimensions i.e. social, economic and environmental; acknowledging the diversity of ways towards sustainable development and in this regard recall that each country has the primary responsibility for its own development and the right to determine its own development paths and appropriate strategies.'

To further its objectives, the Fund exercises, inter alia,, the following functions:

(i) To mobilize resources and to finance measures and actions in the field of commodities as hereinafter provided;

(ii) To establish partnerships to encourage synergies through co-operation and implementation of commodity development activities;

(iii) To operate as a service provider; and

(iv) To disseminate knowledge and to provide information on new and innovative approaches in the field of commodities.

The CFC provides a range of financial instruments for the support of activities in the field of commodity development, including agriculture, minerals and metals in Developing Countries that, besides giving a sound financial return, also provide for a measurable social and environmental return.

The CFC supported activities promote the development of the commodity sector in CFC member countries and contribute to sustainable development in the following aspects:

*(i) **Social:** Create employment (particularly for youth and women), provide sustained increase in household incomes, reduce poverty, and enhance food security.*

*(ii) **Economic:** Enhance production and productivity, achieve higher local value addition; improve competitiveness of producers, producer organisations and small and medium sized industries, support the financial sector development.*

(iii) **Environmental:** *Enhance production taking into account the environment and its long term possibilities for the same, or increased use of productive resources while maintaining or reducing the impact on the environment.*

Feature Articles

Photo: Adobe Stock

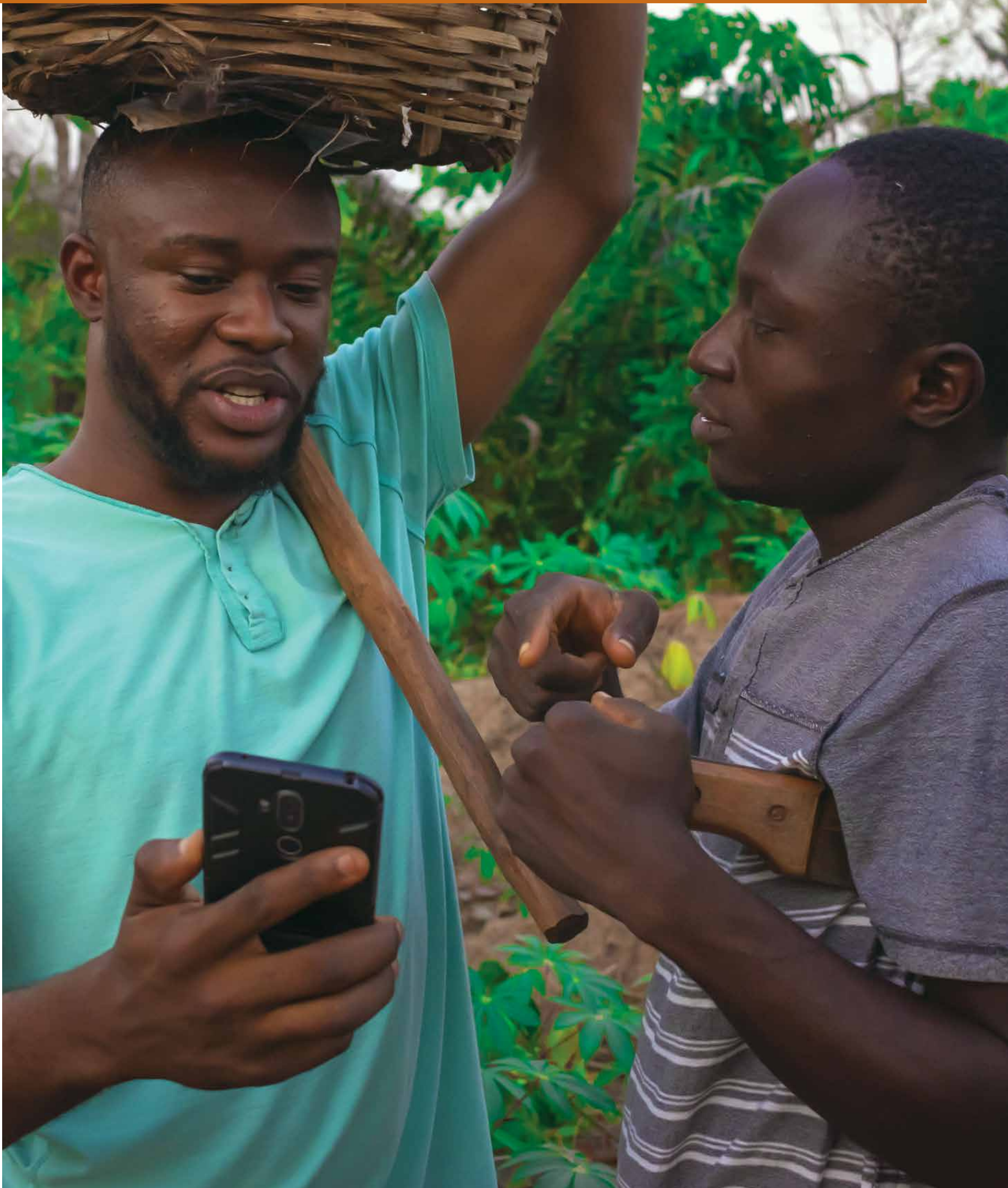


Photo: Ploughing ahead in business, Tanzania. Ed Hawkesworth/DFID

Alternative finance in commodity chains – how small entrepreneurs and farmers can benefit from novel ways of financing

Access to affordable and reliable financing in agri-food commodity chains is of key importance for all actors along the chain, to use as working capital, and to invest in capital assets. There are a wide range of financing instruments available but these do not always meet the demands of these businesses. Smallholder farmers, small and medium-sized enterprises (SMEs) and other vulnerable groups in developing countries are at a particular disadvantage with regard to access to necessary financing services. There are many options that are being promoted for smallholder farmers and SMEs, such as microloans, village saving and lending associations, and contract farming (e.g. Magaja & Agai) however, this article focusses on some alternative options for businesses in commodity chains, including (reverse) factoring, leasing, warehouse receipt and blended finance. As well as looking into the reasons why smallholder farmers and SMEs are not reached by traditional finance, this article provides some inspiring examples where such alternative finance mechanisms have been introduced to secure access to finance where none existed. With more innovation and new ways of tackling existing problems, vulnerable groups can improve their access to finance and enhance their businesses.

Introduction to business financing options

Financing for businesses in commodity chains can be obtained in many different forms. For companies involved in commodity chains two forms of finance are of particular relevance; trade finance and supply chain finance. Trade finance represents the financial instruments and products that are used by companies to facilitate domestic and international trade transactions. Various intermediaries such as banks and financial institutions can facilitate these trade transactions by financing or securing the trade. Traditional trade finance instruments include trade credit, letters of credit, guarantees and standby letters of credit.

For banks in Africa traditional trade finance comprises 88% of their trade finance portfolios, with 72% of banks indicating letters of credit as their preferred instrument (Mwaba, 2020). However, large gaps in access to trade finance exist; the current gap between supply and demand of trade finance has been estimated at US$1.5 trillion globally (Azevêdo, 2019). About 40% of this unmet demand is in developing countries in Asia, and 10% is in Africa. SMEs face the greatest hurdles in accessing

Photo: Adobe Stock

affordable financing. The poorer the country in which they are based, the greater the challenges SMEs face in accessing trade finance (IFC & WTO, 2019).

Supply Chain Finance (SCF) is a collective name for all kinds of financing between companies in the supply chain. The aim of SCF is to improve the financial position of all parties in the chain and to spread financial risk. For instance, SCF allows companies to improve their working capital and, as a result, less funding is needed. Moreover, because of this improved 'financial housekeeping', banks may be more willing to provide a loan or to provide the loan with a lower interest rate. SCF products include factoring, receivables finance and payables finance. The differences between trade finance and SCF is mainly in the degree to which trading partners know and trust each other (ICC Academy).

The world market of SCF is a large and growing industry. In 2015, a McKinsey report suggested that SCF had a potential global revenue pool of US$20 billion (Herath, 2015). Asian markets in particular, were found to be extending increasing amounts of credit in supply chains (of any goods), growing the total market rapidly (Moody, 2019). However, in Africa SCF volumes are small (Mwaba, 2020), although there have been encouraging developments. For example, between 2015 and 2018, factoring volumes have grown from €18 billion to €22 billion, a growth of 18%. Significantly, while factoring activity has thus far been concentrated in only five of Africa's 55 countries, a number of factoring companies are now emerging across the continent and volumes have been projected to exceed US$50 billion by 2025 (Mwaba, 2020) (although COVID-19 may have an impact on this number).

Reaching vulnerable groups in commodity chains with financing

Globally, 450 million people, or 70% of the rural poor in developing countries, rely on agriculture as a main source of income (IDH). Many of these are smallholder farmers, stuck in a vicious circle of underfinancing, face low productivity and low incomes. Companies and non-governmental organisations (NGOs) have models to provide services and inputs to these farmers, and banks and donors are keen to take these models to scale, however there still remains a lack of access to finance for small farmers and SMEs. According to the World Bank and IFC, 40% of formal micro, small and medium enterprises (MSMEs) in developing countries together have an unmet financing need of $5.2 trillion every year. This financing gap is most pronounced in Latin America and the Caribbean, and the Middle East and North Africa regions, where the gap compared to potential demand has been measured at 87% and 88%, respectively. While about half of formal enterprises lack access to formal credit, an even larger proportion of micro and informal enterprises face these challenges (World Bank). Two main reasons why vulnerable groups are unable to access traditional financial services are: 1) a lack of recognisable collateral; and 2) the (perceived) high risk of lending to these customers by financial institutions.

Financial innovation – which goes beyond traditional banking services and relationships – is rising rapidly in developing countries because it can respond to the financing needs of many people who, due to poverty and vulnerability, have no access to banks. Below we review how some of these financial innovations work in real life to overcome financial challenges.

Access to finance challenge 1: lack of collateral

A lack of collateral will normally make a bank less willing to lend to a customer: a collateral safeguards the bank for a loss, because in case of non-repayment of the loan the bank can take and sell the collateral instead. Therefore, not owning a valuable asset to serve as a collateral makes it hard for certain businesses to get a loan. Fortunately, a number of models have been found to overcome this issue which include factoring, leasing and warehouse receipt financing models.

(Reverse) Factoring

Factoring is a financial transaction in which a business sells its accounts receivable (i.e. invoices sent out to customers to be paid to the company) to a third party (called a factor) at a discount. Technically factoring is not a loan, it is the purchase of future receivables. There are two types of factoring: recourse and non-recourse. Recourse factoring is the most common and means that the company must buy back any invoices that the factoring company is unable to collect payment on. Non-recourse factoring means the factoring company assumes most of the risk of non-payment by customers. Factoring receivables can be ideal for (small) businesses that have to wait for their bills to be paid by their customers but in the meantime have to spend money themselves on ongoing operational expenses and/or have new expenses to help propel growth. Factoring can solve these cash flow shortages.

Reverse factoring works in the opposite direction. Instead of a company factoring customer invoices, it factors supplier invoices which means that, with the cooperation of the buyer, the supplier(s) get their bills paid now rather than waiting out the payment terms of 30, 60, or 90 days. Reverse factoring is an accounts payable solution.

Factoring is an effective instrument to raise cash for current operations; if factoring was available to vulnerable people it would go a long way to solving their immediate liquidity problems. As small farmers and SMEs often do not have collateral even for a short-term bank loan, factoring is a way to get access quickly to cash which is needed for ongoing activities, such as planting new crop or repairing equipment. Factoring essentially uses invoices as a collateral instead of fixed assets. However, there are some potential disadvantages: the total costs of factoring might be higher than the interest rate on credit from a bank (Commercial Capital LLC, a); it can be labour intensive for the business; finance companies will contact businesses' customers; and finance companies normally do not handle bad debt so the risks may fall back onto the business (Commercial Capital LLC, b). The challenge is therefore to develop factoring models that would be sustainable while providing funding for farmers and SMEs without extraordinary costs. The Common Fund for Commodities is supporting Financial Access Commerce & Trade Services (FACTS), a finance company, to expand the factoring business in Eastern Africa, with a loan of up to US$1.2 million (Box 1).

Box 1: Financial Access Commerce & Trade Services (FACTS)

FACTS is finance company with operations in Kenya and Uganda, and a head office in The Netherlands, that specialises in providing short-term working capital to SMEs, agribusinesses and emerging entrepreneurs that have limited access to finance from mainstream financial institutions and operate on a sustainable commercial footing. Their motto is: 'working capital made easy'. FACTS is convinced that economic impact is best achieved through developing a vibrant and resilient SME sector. They specialise in SCF and help SMEs balance their payables and receivables to overcome their liquidity problems. They offer the following products:

- *Early payments to suppliers (reverse factoring): FACTS provides early payment to suppliers. The supplier pays interest and fees.*
- *Late(r) payment for buyers: on behalf of the buyer, FACTS will pay the supplier cash-on-delivery and collects this amount from the buyer later. The buyer pays interest and fees.*
- *Factoring: FACTS and the seller (SME) agree on a receivables finance programme for a number of pre-approved off-takers. SMEs' sales invoices are uploaded onto the FACTS platform and form the 'Borrowing Base' against which FACTS finances 80% by means of advances. FACTS does not get involved in the collection process, and the SME remains fully responsible for buyer relationships.*
- *Invoice discounting: this is a (customised) product that is appropriate for more complex project-management situations, where a series of milestones or deliverables need to be met over time. There is one (pre-approved) client. In this case, the seller gets pre-paid and pays the financing costs. It works like this: seller uploads the invoice onto the FACTS platform and requests an invoice discount transaction from FACTS. Within the agreed credit limit, FACTS will discount the invoice on behalf of the seller. On invoice due date, the project owner pays the nominal value of the invoice directly to a FACTS collection account.*

Source: http://factsafrica.com/

Leasing

A lease is known as an 'off-balance sheet financing' instrument whereby a leasing company (the lessor or owner) buys an asset (e.g. processing equipment or a tractor) for a user (usually called the hirer or lessee) and rents it to them for an agreed period. The two most common types of leases are operating leases and financing leases, with a difference in how fully the risks and rewards associated with ownership of the asset will be transferred to the lessee from the lessor. Normally, in a finance lease agreement, the lessee rents the equipment for most of its productive life, and ownership is transferred to the lessee at the end of the lease term. In operating lease agreements, the ownership of the property is retained during and after the lease term by the lessor. A professional leasing company normally has much greater purchasing power and can get better property and equipment, on better terms, than an individual SME or a farmer. For this reason, it is preferable for SMEs not to own certain types of property and equipment, but to lease them from professional companies, leaving some of the risks of ownership with the lessor.

The advantages of leasing are that the holder does not need to put up a large amount of money for a purchase, so it greatly improves liquidity. For vulnerable groups, leasing is of interest because they often don't have the money to buy the items (like a machine), but would benefit from using good equipment at the right time because their income depends on it. Disadvantages include: the commitment to contract for the entire validity period, higher fixed costs per month and that it is more expensive than purchase.

To support the expansion of the leasing business in Africa, CFC is negotiating a loan agreement with Equity for Tanzania, a leasing company operating in Tanzania (Box 2).

Box 2: Equity for Tanzania Ltd. (EFTA)

EFTA is a financial leasing company operating in the United Republic of Tanzania that provides loans to farmers and SMEs for machinery, vehicles and equipment through financial leasing. EFTA invests exclusively in capital assets for local businesses, with the aim of fueling inclusive growth and promoting job creation. It was the first African entity to address SMEs with lease-to-own finance and won the G-20 SME Financing Challenge for innovative financial products. After proving the viability of the model in Tanzania, EFTA now seeks to expand it to neighboring countries Kenya and Uganda.

Through their asset-backed lending or lease arrangements, EFTA retains ownership of the leased equipment, which reduces EFTA's risk, while providing much-needed financing without collateral for its customers (SMEs or farmers). Currently, the agriculture sector represents 37% of the company's total portfolio. Their typical client in the agricultural sector operates on about 100 hectares and normally rents equipment (mainly tractors) from other smallholder farmers.

EFTAs lease-to-own business model is innovative because of:

- *the substitution of collateral with the acquired equipment;*
- *repayment terms that accommodate the uncertainties of agribusinesses through longer tenors;*
- *formal rescheduling opportunities; and*
- *local presence through a branch network.*

Source: https://www.efta.co.tz/

Warehouse receipt financing – commodity inventory credit

Warehouse receipt financing is a system where the value of commodities stored in a closed space or 'warehouse' is used by the owner of the commodity to secure financing from a financial institution. The value is calculated based on the statement or 'receipt' that is issued by the authority managing the warehouse, which specifies the value i.e., quality and quantity of the commodities available. By this action, there is therefore an implied legal liability on the warehouse manager for any loss of quantity or quality of the commodity. This practice allows farmers to bridge their needs for income as they identify buyers for their produce or wait out a period of high supply (during harvest season) to fetch higher prices later in the season.

Despite its usefulness in providing access to finance for farmers, a number of challenges remain, to make traditional warehouse receipt financing accessible to vulnerable farmers. These include lack of knowledge by farmers about warehouse receipt finance, and an inadequate number of warehouses. Additionally, the cost of warehousing may prove to be too expensive for more vulnerable populations. Lastly, there is little to no grading and standardisation of crops by market actors in many developing countries, which is required for this system to function efficiently and effectively.

However, innovations in warehouse receipt financing are challenging some of these barriers. One is community inventory credit, which solves the 'cost' problem in two ways; the storage costs can be shared by a group of farmers and, consequentially, because of crop aggregation a selling deal may be easier and more profitable. This practice has been successful in Madagascar, where the practice is called *Greniers Communautaires Villageois*, and in a few countries in Francophone West Africa where is it referred to as *warrantage communautaire*.

Three basic models exist in *warrantage*:

- The first is a decentralised model, where a financial institution finances an individual producer organisation (PO) which stores the commodity in a warehouse owned and operated by a separate entity. The money received by the PO is shared as a loan, across the members who have stored their commodity together. However, each farmer has the individual responsibility of identifying a buyer for their own portion of the commodities and selling them. They then pay back the 'loan' received from the PO; which in turn is responsible to pay back the loan to the financial institution.

- The second model is centralised, where a second or higher tier organisation (a union or a federation) coordinates several grassroots POs and represents them vis-à-vis financial institutions. The advantage here is scale; they are able to obtain substantive loan sizes due to a higher volume of commodity they are able to aggregate. The commodity is still sold individually, however, with either individual POs or farmers, having the responsibility of selling their own crop and paying back the union/federation.
- The third model is a more commercial approach that involves the collective marketing of the aggregated stored produce, sometimes with a collateral management company handling the storage and supporting the collective effort with input supply and brokerage services.
- The third model is often preferred as it is found to have some strong elements of sustainability: local appropriation, strong peer pressure among borrowers, accountability with the lender, a forced savings aspect (which makes it easier to handle widely varying seasonal price movements), decentralised management and no requirement for costly collateral managers or insurance cover (AFD, CTA & IFAD, 2014). An example of warehouse receipt financing is described in Box 3.

Access to finance challenge 2: (perceived) high risk

The second problem for small SMEs and farmers is that banks may not see them as potential clients. Firstly, banks may not see the finance need at all (SMEs and farmers often do not come to the bank's 'doorstep'). But even if banks do have this finance need on their radar, they might not be willing to lend to these customers because of the perceived and/or real high risk. Small farmers and SMEs often have complicated structures, where business finance needs are often entwined with family finance needs. It also goes without saying that because of their small size, their operating model may be riskier than larger companies (for instance, illness of the key worker may have an immediate impact on the small businesses result, for instance because the work cannot be done properly or because money is needed for healthcare rather than repaying the loan). Farmers operate in difficult circumstances and have to deal with unpredictable risk factors, including the weather and diseases. Banks normally do not like to deal with these additional complications and uncertainties as they make it hard to predict the (credit) risk of a loan and to price it right. An innovative way to overcome this issue is blended finance – a combination of public and private finance geared to demonstrate the creditworthiness and low risk of well-managed SMEs.

Blended finance

Blended finance is a model for financing development projects that combines an initial investment, often from a philanthropic

Box 3: Agricultural Commodity Exchange for Africa (ACE)

The Agricultural Commodities Exchange for Africa is a regional commodities exchange based in Malawi, that was created by the National Smallholder Farmers' Association of Malawi (NASFAM) in 2004. The model was adopted from the Zimbabwe Agricultural Commodity Exchange (ZIMACE) where a group of committed agribusinesses created a young and thriving exchange.

Though the commodities exchange has been operating 15 years, they only recently received a commodities exchange license from the registrar of Financial Institutions.

Below is a sequence of how the system operates:

1. ***Deposit:** The commodity is deposited in an ACE-registered facility where it is sampled, graded, handled, re-bagged, stacked and documented. All details are carefully recorded in the warehouse receipt.*
2. ***Issuance:** The storage operator issues a warehouse receipt which guarantees the quality and quantity of the commodity that has been deposited.*
3. ***Finance:** The depositor, should they choose to, requests financing from a preferred bank, with the warehouse receipt as their collateral.*
4. ***Monitor and Sale:** The depositor monitors market prices and, when ready, puts the receipt up for sale on the ACE platform.*
5. ***Contract:** A buyer accepts the offer of sale and the ACE platform generates a contract.*
6. ***Payment:** The buyer deposits the funds into the ACE settlement account.*
7. ***Settlement:** ACE settles the bank finance, storage costs and all other charges on behalf of the original depositor and then transfers the receipt to the new buyer.*
8. ***Balance:** ACE transfers the balance to the original depositor of the commodities.*
9. ***Collection or Renewal:** The new owner can then choose to either collect the commodity or request new financing from a bank using the new warehouse receipt.*
10. ***Renewal or Cancellation:** If the buyer chooses to collect the commodities, the receipt is cancelled; if not the sequence begins again.*

Source: http://www.common-fund.org/wp-content/uploads/2019/01/AR-2017-Agricultural-Marketing-System.pdf or government entity, with a subsequent commercial investment. Referred to as a concessional investment, this initial investment accepts a large share of the project's risk. Initial funding can take the form of first-loss capital, a grant, a government guarantee, or a subsidy. Its purpose is to get the project off the ground, even if that means accepting high levels of risk or below-market rates of return. Once the concessional funding has demonstrated that the actual risk of the project is acceptable, the project can attract private sector investors who seek (impact) market-rate returns but require lower risks, often due to regulatory requirements (Brodsky, 2019).

This model has the advantage of bringing capital to developing areas. Over three-quarters of investments in lower-income markets are below investment grade, which helps explain why many investors overlook development projects that do not have blended finance instruments. Blended finance allows governments and development agencies to correct market failures without requiring them to finance projects entirely through public funds. In addition, these deals can help draw attention to opportunities in developing regions and prove that development projects can be profitable. Using public funds can attract private investment by mitigating risks; blending public and private capital could be a win-win for both investors and global development (Business Commission).[1]

Still, this approach faces some challenges. Investors entering a blended finance arrangement need to ensure that projects can in fact be scaled up and made commercially viable. An analysis of 117 blended finance deals found that private sources provided more than half of the funding in only 43 cases. This suggests that this model may not be leveraging as much private capital as is needed for long-term, sustainable investing. In addition, it has been argued that blended finance could crowd out other methods of funding if it is applied to projects that do not need concessional investments to attract investors (Brodsky, 2019). Also, it is not clear that this type of financing reaches the bottom of the pyramid, where financial demand is especially high.

An example of blended finance with a primary purpose of enabling commercial entities to lend to clients who would have otherwise remained excluded is an IFC project with support from the UK. IFC signed a risk-sharing agreement with the European Investment Bank and Ecobank, a pan-African commercial and investment banking group, to be able to lend to small businesses (Box 4) (IFC, 2018).

Solving issues beyond financing

Even when small farmers and SMEs can be reached and finance is provided to them, they do not automatically earn a decent income as they face many other issues beyond access to finance. For small farmers this includes lack of information about and access to quality farm input, such as seeds and fertiliser, as well as labour-saving and quality enhancing farm equipment, poor infrastructure to transport inputs and tools from the vendor to the farm, a lack of knowledge and skills to utilise the inputs and tools to maximise produce, and lack of a reliable buyer to purchase the produce at the end of the season. This means that, to make them thrive, farmers need more than just access to finance. An example of how access to finance is merged with solutions to overcome other issues is the model applied by the One Acre Fund (Box 5).

Box 4: Blended finance lending package

The lending package Ecobank put together with IFC and the European Investment Bank in 2015 was designed to overcome the challenges of lending to smaller business with high risk profiles in very poor countries. The UK's Department for International Development participated through IFC's Global SME Finance Facility. Helped by this risk-sharing facility, access to finance was provided to enterprises in eight African countries: Burundi, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Guinea, Mali, and Togo. A risk-sharing facility supports partner banks such as Ecobank to extend their SME lending by sharing some of the downside if there are significant losses. The Global SME Facility, which supported the risk-sharing structure with Ecobank, operates as a comprehensive blended finance vehicle that integrates both investment and advisory services to help banks scale up SME lending and overcome market restrictions. The facility also provides the local partner, Ecobank, with tools to build scale in SME lending, including advisory services and SME finance training. For Ecobank, the project helps to provide a broader customer base and, in time, stronger markets to lend to.

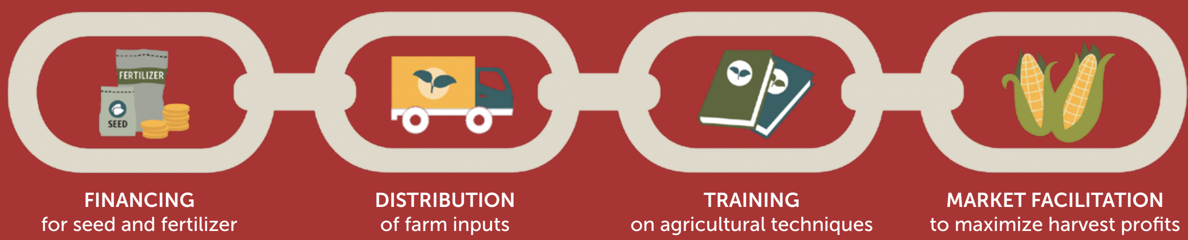
Source: IFC, 2018.

[1] The Blended Finance Taskforce was established by the Business & Sustainable Development Commission to address the system challenges which prevent the market from scaling. Taking a 'private sector' lens, the Taskforce has released a consultation paper, Better Finance, Better World, to develop actionable recommendations on this agenda. The paper was presented at the 2018 World Economic Forum in Davos.

Box 5: One Acre Fund

One Acre Fund is a non-profit, market-based financing model that goes beyond providing access to finance. Farmers pay for a subsidised portion of the services, with donor funding providing the remainder. One Acre Fund offer a complete bundle of services, using a market-based model, including:

- ***Asset-based loans.*** *Farmers receive high-quality seeds and fertiliser on credit, and a flexible repayment system is offered that allows them to pay back their loans in any amount throughout the loan term.*
- ***Delivery.*** *Inputs are delivered on-time to locations within walking distance of every farmer served.*
- ***Training.*** *Farmers receive training throughout the season on modern agricultural techniques.*
- ***Market facilitation.*** *Crop storage solutions are offered and farmers are trained about market fluctuations, so that they can time crop sales to maximise profits.*



The underlying idea is that every link in this chain is important; if one is missing, then the others will also have less impact. One Acre Fund thereby provides (in kind) credit and supports farmers in optimising productivity. This is done through promoting better yields (by timely use of higher quality inputs, proven tools, skills to spot and fight diseases, diversification) and generating a better price (better quality inputs, and storage facilities to enable sales when prices are more favourable). As a result of this approach, the small farmers working with One Acre Fund on average increase their incomes on supported activities by 40%, reduce food insecurity in their households, and are able to invest profits into education for their children, new businesses, and other productive assets.

This approach also enhances the likelihood of repayment of loans. In 2019, One Acre Fund served more than 1 million farm families across Burundi, Kenya, Malawi, Rwanda, Tanzania and Uganda with 97% of farmers paying their loans in full and on time. Providing services with blended finance down at the bottom of the pyramid, however, comes at a cost; farmer payments covered only 73% of One Acre Fund's field operating costs, with the rest covered by donor contributions. Furthermore, programme management at the level of SMEs is costly and in 2018 (latest financial report available) just over 50% of the total programme services and management costs of One Acre Fund could be recovered in revenues and repayments. This includes the cost of research and development and expansion into new countries. Thus, further work and donor engagement is required to achieve sustainable blended finance models.

Source: https://oneacrefund.org/what-we-do/our-model/

Conclusions

Smallholder farmers and SMEs in the developing world face major challenges to gain access to finance for their business activities. This is often caused by their inability to provide collateral and the (perceived) high risks associated with investing in such entrepreneurs. Innovative models have been emerging that address some of these challenges, for instance, factoring, leasing and warehouse receipt financing. However, even when the lack of access to finance is solved, many small SMEs and farmers still lack the proper inputs, tools, knowledge and access to markets to earn a decent income. In order to solve this problem, some NGOs and social companies have developed a more holistic approach that does not only involve finance, but also supports farmers and entrepreneurs with other issues. By becoming more financially sustainable, they not only improve their (family) incomes but also become more 'bankable' or 'investable' for traditional finance organisations. Finally, in the commodity chain or ecosystem of getting a product to a customer, all parties depend on each other. Working together more closely and (financially or otherwise) supporting each other will therefore benefit all parties involved. As this text is prepared at the height of the COVID-19 pandemic this is even more tangible: it is indispensable that everybody in the commodity chain 'survives' and the chain will not be broken.

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Photo: Mokhamad Edliadi/CIFOR

A man working at a palm oil mill on the outskirts of town Douala, Cameroon.

Authors: Laura Geurs and Maureen Kwilasa, KIT Royal Tropical Institute.

Photo: Moyee tokenized tree planting campaign, Ethiopia. Stefan Petrutiu

Harnessing **blockchain technology** for **commodity chains**

Introduction

With a wide range of potential benefits – such as improved traceability, food safety, and environmental sustainability, as well as increased farmer income – blockchain has become an increasingly popular technology option for commodity value chains. Yet, there is little knowledge among agri-food professionals of how the technology works, and there is (still) limited evidence of the impact blockchain has on the efficiency, the transparency of transactions, and the costs and benefits this may have for smallholders in particular. Most agri-food stakeholders also lack a detailed understanding of which potential applications are most relevant and valuable to their needs, or in software terms, what is the right *'use case'*. This article provides a brief introduction to blockchain, give examples of its use in the agri-food sector and how it has benefitted smallholders, provide some key questions for those that are thinking of investing in blockchain, and offer some further sources of information for those interested to dive deeper. The most up to date evidence of proven business cases and tangible developmental impacts are also considered.

Blockchain and its use in food and agriculture

Blockchain is essentially a distributed ledger. One of the first examples of the idea underlying today's blockchain were split tally sticks in Medieval England (Jenkinson, 1911). A tax collector would come to a farmer, calculate the tax that the farmer would owe by the end of the harvest, and 'write' that tax on a stick using a system of notches (narrow for pennies, wider for shillings). Then the stick was split lengthwise – one half was given to the farmer, another kept by the tax collector. This way the two halves both record the same notches, and uniquely matched each other. At the end of the tax year the farmer would bring the required amount of money, which would be verified by the half of the stick kept by the collector. In modern language we could say that the tally stick was a two-element blockchain. Its key property is that information is distributed to all participants of a transaction, and it cannot be forged by anyone because each piece has to match the others precisely and uniquely, creating a chain of trust.

Blockchain is most well known as the underlying technology for reliable, decentralised financial transactions, using cryptocurrencies (i.e. bitcoin), without the need of central trusted authorities such as banks and financial institutions. Normally trusted transactions are verified by a central authority. Blockchain allows parties of the transaction to perform a verification without referring to any such authority and this can be extremely useful, for example, in establishing provenance within the chain of supply. The conventional banking system has also recognised the benefits of blockchain and 15% of financial institutions are currently using this technology for their transactions (IBM, 2017).

Today, most sectors have launched blockchain trials, and recognise this technology's intrinsic advantages as a foundational technology which may have transformative effects across any sectors where some form of trusted information sharing is important. Blockchain uses mathematics to distribute trusted information across digital wallets held by each participant in a network, which are known as 'ledgers'. Information stored in this 'distributed ledger' is trustworthy, because any change needs confirmation by the majority of the participants. The use of digital technology automates this majority confirmation process, so that the user simply sees a record of transactions that is secure and which cannot be changed by anyone, including any central party. When this technology is thoughtfully applied, and efficiently integrated with existing processes and systems, the resulting benefits include:

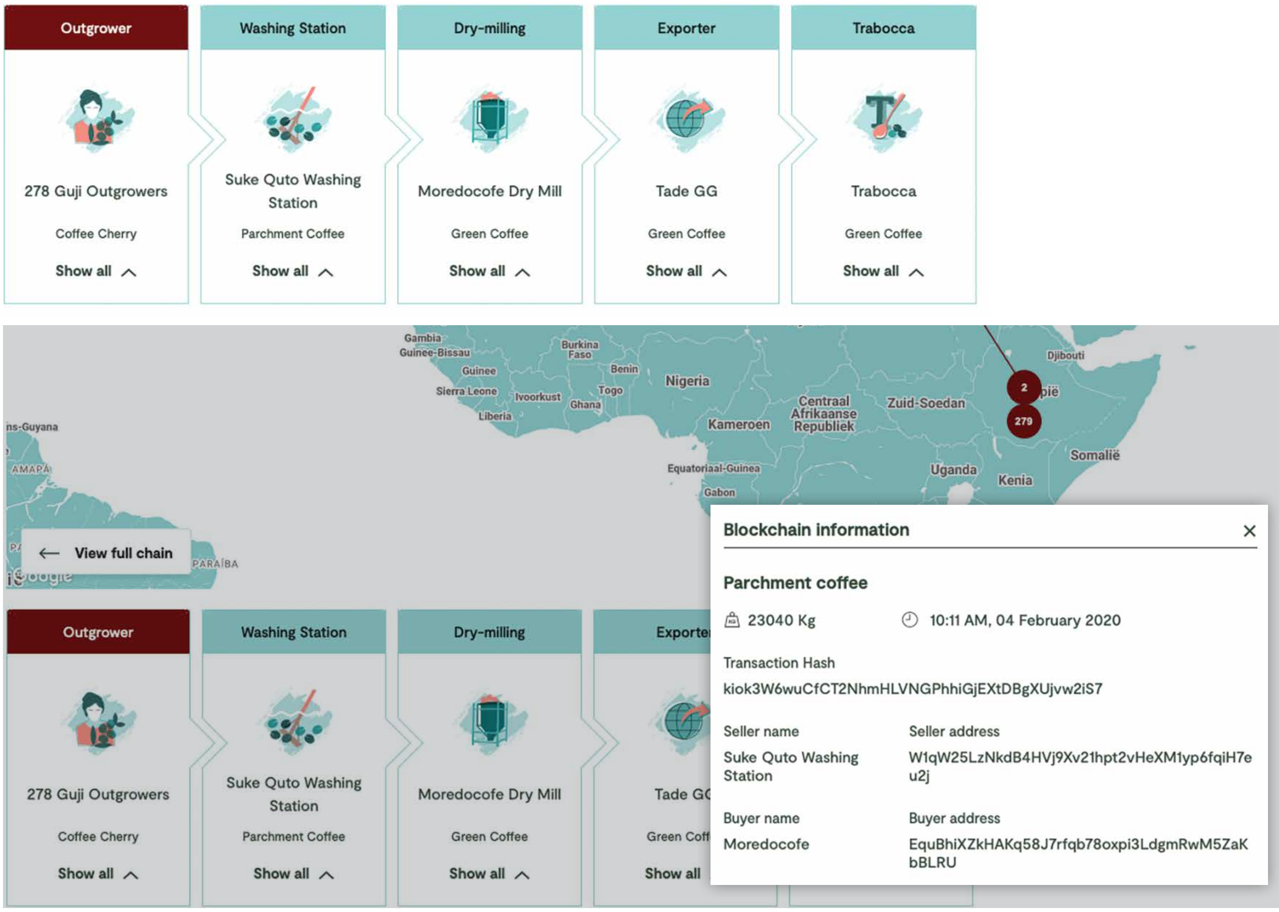
- transactions can occur almost in real-time, and are irreversible and immutable, leading to increases in accuracy and confidence in the information, and a reduction in fraud;
- reliability of information is assured, as this is shared with multiple participants, who maintain identical copies (i.e. lists of transactions, or 'blocks'), and therefore no single point of failure exists;
- transparency of data related to finances, products and locations increases, leading to faster audits and more trust between value chain players; and
- almost any asset and document can be represented in code, making their ownership easily exchangeable using blockchain technology.

Many specific challenges that normally hamper the agri-food sector were already targeted by blockchain pilots, such as the lack of trust between value chain players, complex and paper-heavy processes, lack of transparency, and the many problems that most smallholders face (i.e. lack of digital identities, credit histories, field and crop data to make decisions on agri-inputs, lack of access to markets, etc.).

Freshly roasted coffee beans in a roasting machine.

Photo: Adobe Stock

Figure 1: Trabocca's supply chain visualised on the Trace platform, by Fairfood (FairFood, b)



A 'blockchain use case' can be defined as the process of organisations aiming to tackle one or more of these problems using blockchain (among other solutions), by evaluating their challenges, strategic objectives, and those of their investees, and choosing specific blockchain applications.

As newcomers, investors and value chain stakeholders wishing to 'see it in action', are advised to dive into a number of blockchain use cases such as the ones shown here, and to ask critical questions on the different technical, business or developmental aspects. One example is Trabocca, a Dutch specialty coffee trader, which recently launched a traceability system using Fairfood's Trace platform (FairFood, a). This company aims to prove its claims of paying a higher price (63% over local prices) to individual Ethiopian farmers. The added value of such transaction data becoming transparent is the assumption that Trabocca's customers will also be encouraged to pay a higher price. Figure 1 shows the user experience of Trabocca's blockchain use case, and the immutable transaction data stored in the distributed database (i.e. quantity, seller and buyer names and digital addresses (wallet), timestamp and location).

Use cases of blockchain in the food and agriculture sector have been categorised in different ways by different organisations, but generally include: supply-chain efficiencies (i.e. authenticity, provenance, deliveries, certification), consumers or brand trust (i.e. loyalty programmes, consumer participation, recalls), and payments and contracts (i.e. smart contracts, cross border payments) (Deloitte, 2018; IBM, 2019).

An extensive series of pilots and experiments were implemented by front-running companies, public institutions, non-profits, and private-public partnerships, from large projects (i.e. Walmart, Nestlé, WWF, Cargill, Ahold, United Nations Development Programme) to smaller initiatives (i.e. Moyee Coffee, Tony Chocolonely, Oxfam, Fairfood, FairChain Foundation). These pilots were initiated to identify and test use cases and to create proofs of concepts. Many agricultural commodities were already part of blockchain pilots, such as: coffee, cocoa, coconuts, maize, wine, seafood, dairy, spices, etc.

Potential supply chain and smallholder benefits

Potential benefits of blockchain in agri-food chains are: improved transparency and traceability in supply chains, increased

Photo: F. Fiondella (IRI/CCAFS)

trust between value chain players, improved information exchange, cost efficiencies related to faster and cheaper transactions and faster product recalls, and a fairer value distribution. Many claims have also been made about how blockchain can help achieve positive social and environmental impact for smallholder farmers, communities, and societies. These include higher prices, improved financial services, new income streams, and more efficient technical assistance.

Pilot projects using blockchain technology, which specifically target smallholder impact and the empowerment of farmers, have been classified according to their purpose, as follows (FairFood, 2019):

- Building up a self-sovereign digital identity;
- Controlling and monetising farmer data;
- Providing access to finance and insurance;
- Providing access to international markets;
- Increasing yield and productivity, and earning a living income;
- Proving brand promises and ownership claims; and
- Sending and receiving payments.

These benefits have been claimed by most blockchain users and stem from the technology's intrinsic advantage: its distributive character. However, keeping in mind the very short (about five years) history of blockchain application in agriculture, all the benefits have been assumed. To try and validate the different claims, pilots and proofs of concepts have been implemented to test, fail and learn. Without interviewing those involved in each project, it is not clear which ones are underway and which ones have been discontinued (and deemed successful or not).

Information available on the use cases implemented so far is insufficient to prove their business case, or to provide evidence of quantifiable and statistically significant (additional) impact at field or farm level. After analysing 50 use cases in the food industry, Deloitte (2018) warns businesses of potential pitfalls, and advises anyone engaging with this technology to have a carefully planned strategy in place. Similarly, an analysis by McKinsey of the feasibility and impact[1] of 90 use cases in 14 sectors, found the agricultural sector to come out well below average for feasibility, although the sector scored reasonably well and similar or better than many other sectors in terms of potential impact (only public sector, technology, financial services, and healthcare scored better on potential impact) (Carson et al., 2018).

[1] Impact is understood here as reductions in transactions complexity and costs, and improvements in transparency and fraud controls.

The limited feasibility so far of blockchain for the agri-food sector is also shown by efforts documented by the German development agency, GIZ (Maupinet al., 2019), and the Food and Agriculture Organization of the United Nations (FAO) (Sylvester, 2019). Many of the use cases featured in those reports, even those considered 'best-practice', have since been discontinued. Reasons for failure of these cases include: not educating all stakeholders from the beginning on the ins and outs of blockchain, unrealistic expectations of economic and developmental returns, failures to integrate blockchain with existing software and operations, and faulty budgeting.

Many blockchain pilots obtained substantial funding and private sector interest, as well as public and media attention, because of their potential, theoretical benefits. However, from analysing the available evidence, it is observed that initial estimations of the (potential) business case and economic returns of the pilots were insufficient or completely lacking.

Factors to consider during implementation

Another issue that is hampering the use of blockchain is a lack of common standards and policies that regulate the use of the technology. The Organisation for Economic Co-operation and Development (OECD) organises a yearly Global Blockchain Policy Forum, attended by senior decision-makers, ministers, bank governors, and others from finance, fin-tech, economy and agriculture institutions, (central) banks and ministries. At the 2019 edition of this forum, participants highlighted that the policy and regulatory framework for blockchain is presently still underdeveloped (OECD, 2019). A lack of common standards is a major limitation, proven by the many investments in pilots which did not offer a return on investment (ROI), or did not get out of the pilot stage. So far, many governments are following a technologically neutral regulatory approach, not promoting or banning specific technologies like blockchain (Carson et al., 2019).

Nevertheless, many blockchain experts and communities of practice still consider the technology to be 'revolutionary' and advise innovation funds and impact investors to start experimenting (The New Fork, 2020). At the World Economic Forum (2019) business leaders also advised deployment of blockchain in supply chains, to accelerate the exploration of its 'interoperability', 'integrity' and 'inclusivity' issues.

- Achieving the potential benefits of blockchain requires linking it with other technologies such as sensors, Internet of Things (IoT), satellite data, mobile technology, farm management software, etc. This requires their 'seamless interoperability', which is the capability of different information systems, devices and applications to access, exchange, and

Photo: Syda Productions, Adobe Stock

use data in a harmonised way, to provide a timely and seamless transfer of information.

- Data integrity – the assurance of the accuracy and consistency of data over its entire life-cycle – requires new forms of partnerships in which actors agree to share more data, collected (as much as possible) digitally and objectively.
- The blockchain technology is by its nature inclusive, and it can serve the most vulnerable groups, such as smallholder farmers. However, because practical implementation depends on numerous supporting services, inclusivity should be regarded as the purpose and projects employing blockchain technology for development should specifically aim to produce field level impact.

The inclusivity aspect must take a central place on the blockchain agenda for impact investors. Future applications of blockchain in agricultural value chains must ensure that smallholders benefit. Exclusion pressures do exist, not only due to traditional barriers to accessing technology (as a result of low literacy or income levels), but also due to other dimensions such as gender, age and location. Access to and use of technology and the internet is not evenly distributed between men and women, young and older people, and between cities and rural areas (Aker & Mbiti, 2009). Achieving inclusiveness requires the willingness of different supply chain partners to agree on similar or compatible socio-economic or environmental goals and awareness of the different barriers that need to be overcome to achieve this. To ensure that these issues are taken into account, and investors in the agri-food sector are able to make informed decisions about deploying blockchain, stakeholders need a better practical understanding of how blockchain works and under which circumstances it may bring benefits and for whom, and that more evidence is generated of the actual impact realised.

Blockchain: how it works and common terminology

Understanding blockchain technology starts with getting familiar with the common terminology. Blockchain can be defined as a secure, distributed, immutable database, also called ledger, shared by all parties in a distributed network where transaction data can be recorded. Transactions are organised in blocks. A 'hash' is generated from a string of text or numbers using a mathematical function, for each block, based on its contents, which is referred to in the subsequent block. To add a new block to the chain, 'nodes', which are devices connected to a blockchain network (and hence people), need to reach a consensus, assuring that all users involved agree on information added to the ledger. All the blocks that are confirmed and validated via a consensus mechanism are linked together from the first to the last validated block, hence the name blockchain.[2]

When blockchain technology is considered for solving an existing challenge in agricultural value chains, the development and deployment of the solution requires a series of choices. These choices may require technical knowledge, but they may have influence on the power balance in the chain and the impact achieved, therefore all stakeholders should be able to take part in an informed decision-making process.

Two key choices relate to the 'governance mechanisms' and the 'blockchain types' (i.e. public vs private) used to verify the data (see box 1). Opinions are divided both in the scientific and in the commercial communities, with respects to the options available. For this reason, before engaging with blockchain as an investor or user, crash courses on the subject and in-depth discussions with diverse experts are recommended.[3]

Box 1: Key technical choices to make when using blockchain

1 *How open is it? The three broad types of blockchain are public, hybrid and private. Choosing between these types is referred to as choosing the 'Permission design', i.e., whether permission is needed to access the blockchain.*

2 *Choice of consensus algorithm, i.e., how a new block is added to the blockchain.*

3 *Whether or not to use a smart contract, i.e., whether to use the blockchain as a virtual machine where programmes representing business processes are run.*

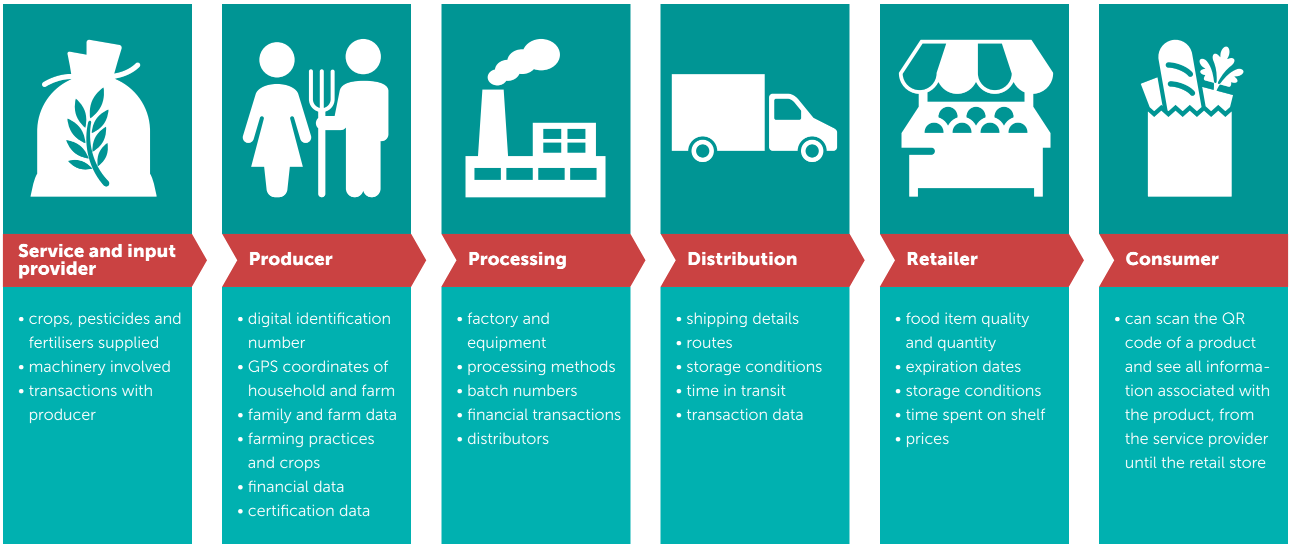
4 *Whether or not to use cryptocurrency, i.e., whether the consensus algorithm and smart contract operations depend on an artificial currency or not.*

Source: Ge et al., 2017.

[2] For common terminology used in blockchain technology see: Fairfood. *Blockchain Knowledge Base.* https://fairfood.nl/en/blockchain-knowledge-base/; and Consensys. *A Blockchain Glossary for Beginners.* https://consensys.net/knowledge-base/a-blockchain-glossary-for-beginners/.

[3] The World Economic Forum published a new toolkit in May 2020, covering a set of Modules to guide organisations in developing and deploying blockchain solutions: World Economic Forum. *Blockchain Toolkit Modules.* http://widgets.weforum.org/blockchain-toolkit/modules

Figure 2: Data written on the blockchain in food systems could include a wide range of information (Kamilaris et. al., 2019)



Each organisation in a modern supply chain holds products, finances and data, and has its own version of 'truth' about a product's journey and the transactions involved. This can lead to errors, fraud, delays and inefficiency. Blockchain can reduce these complex bilateral communications and informational linkages and leakages by providing a single, shared, ledger where tampering is easily observable and that records the transactions as they occur, with approval from all participants (World Economic Forum, 2019).

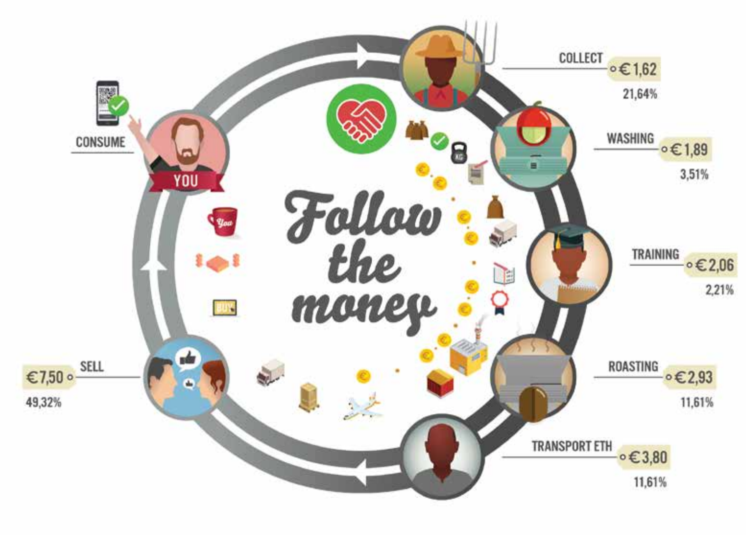
Reliable data entry is one of the commonly raised issues of concern. To illustrate how blockchain networks deal with this, we provide an example from a generic smallholder value chain. When a farmer wants to sell their produce, they will first create a digital identity which should be verified by a third party, a fingerprint (or other typical approaches used by websites and banks), and input personal, farm and product data. The same applies to an agent who wants to buy the farmer's products, who can authenticate, see the offer and bid a price. Products can be weighed digitally, with data placed behind QR or product codes, using phone cameras or scanners to read them and start a provenance trail. The transaction itself can be done using one or two mobile phones, with each participant authenticated on a device. The agreement between the two parties and its details (i.e. quantity, price, quality, time, etc.) is captured as a transaction. This is often done using offline applications, with transaction data (represented by a 'hash') being uploaded into the blockchain, using secure, encrypted channels. Any other value chain partners in the network will then have the same proof of the exchange. Figure 2 provides examples of data written on the blockchain in agri-food chains.

Third parties can be eliminated in most blockchain use cases, but auditors and data validators still play a key role, mainly in eliminating fears related to data entry, directly on the blockchain and specifically through applications which integrate with blockchain databases. However, the responsibilities of such third parties are not yet clear. Although standard setters such as Fairtrade (Thompson, 2019) and Rainforest Alliance (Nestlé, 2020), and the auditors they work with, are researching or even engaging with blockchain pilots, more regulation is perhaps needed before their roles can be fully understood.

An example of blockchain in the agri-food sector: the case of Moyee Coffee and FairChain Foundation

To provide more understanding of how blockchain might provide benefits to smallholder farmers the case of Moyee Coffee, a potential CFC investee, is highlighted. Moyee Coffee is a social enterprise, which strives to ensure that a larger share of the value of the coffee remains in the producing country (Ethiopia), by investing in high standard roasting facilities there[4]. Its guiding principles are to promote inclusive business models, share value fairly, and provide more transparency. Supported with technical assistance by the FairChain Foundation (FairChain Tech), Moyee Coffee uses blockchain technology to make payments to farm-

[4] See www.moyeecoffee.com.



ers visible, and to connect them to impact goals such as a 'living income for farmers'.

The Moyee-FairChain partnership is digitising Ethiopian coffee farmers and workers, providing them with digital identities, wallets, yield and income histories, access to their own data, and links to finance. The following blockchain use cases have been implemented:

- Traceability and transparency of payments to farmers, in order to deliver on the brand's transparency claim and create loyal customers[5]. Moyee uses an online dashboard, showing each farmer's profile and the coffee sold to Moyee, with transactions and invoices captured on the blockchain database. An important element for Moyee, necessary to achieve more loyalty from such transparent data, is the use of the same dashboard for informing its consumers about what blockchain is and why it can be trusted.
- Enabling consumers to contribute directly to achieving verifiable, quantifiable socio-environmental sustainability impact. Moyee launched a '1 Million Tree Revolution' campaign, during which consumers are able to invest €0.25 in planting a tree by scanning a QR code provided with each cup of coffee, and to receive proof of impact that was captured on the blockchain (i.e. invoice, GPS location and time-stamp of planted trees, photos)[6].
- Access to finance (i.e. a microloan) for individual smallholder farmers. Still under implementation, Moyee aims to use past transaction data, which shows each farmers' deliveries and income from coffee sold to Moyee, to create credit scores and provide finance to eligible farming families. The microloans will come from Moyee crowd funders, and will be paid into farmers' digital wallets in token form. Spending is restricted to farm inputs and food products pre-selected by women from the farming communities, in a local shop that was strengthened for this purpose. This approach implies multiple use cases: connecting consumers with farmers, believed to lead to improved customer retention and loyalty, providing access to finance for farmers, and reducing transaction costs (consumers' money is pooled and transferred only once via traditional financial institutions from the Netherlands to Ethiopia, and it is tokenised and distributed through the digital wallets of farmers).

For the traceability use case, each supply chain partner provides data on quantity and quality of the coffee, and financial transactions, and documents such as invoices, in tailored input screens or directly to FairChain Tech. Existing farm management software (i.e. FarmForce) is used for farmer and crop data collection, which is integrated into the blockchain database.

Measuring results of this project and the effects resulting from adding blockchain investments is yet to be done, and the business case of Moyee is not yet proven. Moyee is a social enterprise, whose ROI may be achieved through customer retention and acquisition from the increase in transparency.

Is blockchain the right investment?

When deciding on new projects taking advantage of blockchain, investors and companies need to assess if it is feasible and beneficial for each particular challenge or assumed advantage, and, if so, which blockchain capabilities are most suitable. Understanding the suitability and feasibility of a blockchain use case can be achieved by evaluating a number of key questions.

1. **Is there a business case for blockchain? And does this apply for all involved?**

   An important factor that is considered when assessing a business case for any investment, is the ROI. The added value needs to be assessed for all different participants, users and beneficiaries. The actor(s) carrying most of the financial costs of an investment in blockchain should note that as this is a new technology, there is limited proof of ROI from existing pilots. Additionally, depending on the use case, ROI may not be encouraging in the short term (Deloitte, 2018).

   Initial investments are relatively high, as projects require substantial learning, man-power and time to set up terms

[5] See the Blockchain FairChain Coffee Harvest Timetable www.moyeecoffee.com/livefeed
[6] See https://www.moyeecoffee.com/trees/

and processes, and choose the right development partners. Those embarking on a blockchain project must be able to accommodate changes in their own processes, software use, partnership forms, and possibly culture.

Four types of potential economic impacts may be generated by the use of blockchain: membership revenue, transaction revenue (fees), cost avoidance and savings (related to reductions in capital and operating expenditures), and savings due to efficiency gains (IBM, a). IBM's Food Trust, a collaboration between major food companies (Dole, Driscoll, Golden State Foods, Kroger, McCormick and Company, Nestlé, Tyson Foods and Walmart) targets a ROI from its blockchain investment via supply chain cost-efficiencies, due to the very large supplier base, and a large number of transactions. The Moyee case above provided an example of ROI (potentially) achieved through customer retention from the increase in transparency, expanding on IBM's list of economic impact. Trabocca, the coffee trader used as an example at the beginning of this article, believes that the added value of its transaction data becoming transparent will push its customers to pay a higher price. This assumption will be tested by offering the same coffee, at two different prices, adding a surcharge for the blockchain traceable coffee.

2 Does blockchain provide social and/or environmental benefits? And to whom?

Apart from ROI, blockchain also has the potential to generate development impacts. However, quantifying such long-term impacts across investees and portfolios is challenging. There is a lack and/or a high cost of trustworthy data on the social or environmental results of an investment, making credible accounting of impacts difficult. There are also challenges around the allocation of an impact-related claim to an investor, risking the 'double-counting' of claims. Furthermore, blockchain interventions have not been the focus of traditional methodologies used in impact measurement and evaluation in agricultural value chains.

New initiatives in the area of development impact bonds, or impact and carbon credits, are looking at blockchain to capture trustworthy proof that certain benefits were achieved. These initiatives, however, face roadblocks in monetising impacts (e.g., illiquid impact markets, uncertain returns, high transaction costs). A further challenge is the issue of who is able to benefit as some groups may have easier access and/or may have less difficulty understanding how it works than others. The complexity of blockchain may lead to a new digital divide, based on levels of digital skills and access to and control over technologies needed to access it.

Photo: Manel

Photo: Adobe Stock

3 How can blockchain technology drive value in a business? Is it strictly necessary?

Due diligence is required for investors to assess the necessity, scope and scale of blockchain solutions. Some organisations (i.e. Agri-Wallet, AgUnity) highlight the use of blockchain for creating digital farmer identities and providing access to finance, when in fact the same results can be achieved without blockchain. Necessity can be perceived by some organisations as 'keeping the front-runner' position or 'staying innovative', while others might ask themselves if blockchain is necessary to achieve an increase in farmer incomes. Investors should ask critical questions about the added value of blockchain in solving their challenges, in comparison with existing software solutions. Due to the immature nature of the technology, any blockchain investment has high risks and costs. When considering a blockchain investment, a deep understanding of existing process and systems in use is necessary. This requires inter-disciplinary skills, and is generally time and resource intensive.

How feasible it is to improve record-keeping, to move transactions on blockchain applications, and to integrate existing technologies, is often determined by the type of assets. For example, assets such as equity can be easily digitised and managed on a blockchain system, whereas connecting physical goods requires data input, and perhaps hardware (i.e. IoT, or biometrics), which can still be tampered with (Carson et al., 2018). Physical assets can be represented as digital tokens (tokenisation) on blockchain, which makes them more easily and quickly exchangeable (IBM, b). Besides the tokenisation of financial assets (OECD, 2019), other examples are carbon credits (IBM, 2018), real estate (IBM, 2018) and plastic waste (IBM, c).

4 Are there any ongoing projects and existing digital solutions, which could be replaced, enhanced or initiated with blockchain technology?

Some organisations may be in the midst of replacing existing software, or researching other supply chain or farm digitalisation and automation options. In that case, the right software development partner, could offer blockchain technology as a straightforward add-on, as a way to store some data in a distributed database, without focusing on blockchain's many other potential benefits. Common integrations with blockchain are Enterprise Resource Planning software, used for example in procurement, accounting, risk management, project management, supply chain operations, and compliance. Many blockchain developers are building integrated solutions, most of them adding a blockchain use case, database and user-interfaces as extra features to the existing software already in use by their customers (Carson et al., 2018).

5 How willing are partners in the investment to collaborate?

A so-called ecosystem must be established for any blockchain use case, such as a supply chain partnership, a public-private partnership or other type of cooperation. To assess the feasibility of using blockchain, investors must consider the willingness of the collaborating parties to share data, create transaction rules, and make investments. Aligning strategic incentives of the partners involved is critical for a successful blockchain project (Carson et al., 2018).

Evidence of blockchain's impact

With only about five years of blockchain use in agri-food chains, there are at present no impact evaluation studies available of the technology for the sector, but only analyses of the effects of existing pilots. The way forward requires a patient deep dive into past and present use cases, categorising them, and analysing their business case, ROI, tangible benefits and quantifiable effects. Some examples known to achieve scalability and therefore assumed to provide benefits or a ROI, include:

- Dutch supermarket Albert Heijn is tracing orange juice from Rainforest Alliance-certified plantations to its stores (Ahold Delhaize.
- Agri-Wallet partners with Rabobank, IDH (Sustainable Trade Initiative), and the Dutch entrepreneurial development bank (FMO), to provide affordable supply chain finance to farmers, buyers and suppliers, using blockchain technology (FairFood, 2020).
- Fairfood is using its Trace platform for traceability of nutmeg from Indonesian smallholder farmers to Dutch Coop supermarkets (Verstegen). A second user of Fairfood's platform is Trabocca, a specialty coffee trader, which is tracing Ethiopian coffee from 278 small farmers to its European roaster customers, making the transactions and payments to farmers visible in the process (FairFood, b).
- Ripe.io tracked cattle in an Australian supply chain, exploring how smart contracts can support the automation of certifications, compliance of export regulations, and compliance of domestic regulatory obligations (Meat and Livestock Australia).
- In the fresh and frozen tuna sector, WWF and its blockchain partners tracked fish from vessel to supermarket, to prove that blockchain technology can prevent illegal fishing (WWF).

Photo: Adobe Stock

Conclusions

It is clear that to date there are a large number of blockchain test use cases in the agri-food sector, with claims of economic and/or developmental benefits. However, there is still little evidence of returns on investment or tangible outcomes and development impact in agriculture value chains, and a large number of blockchain pilots have failed. This does not necessarily mean that benefits are not possible, just that the use of blockchain in these chains is still immature. Blockchain use cases are in their infancy and pilot projects can validate claims for added value. Only through trial and error can investors in blockchain technology accelerate the scaling up of use cases, succeed in maximising supply chain and smallholder benefits, and define long-term business cases. This requires sufficient budgets and resources, as well as enough knowledge to be able to make agreements on governance and data systems, privacy and legal aspects. In addition, it is of key importance that investors who are interested in development outcomes are aware of the potential biases in terms of who is able to engage with blockchain, and devise ways in which to overcome potential barriers for specific user groups. The above requires a multi-disciplinary and multi-stakeholder partnership (ecosystems) approach to any blockchain investment.

It is important to note that blockchain has limited use on its own and must be considered together with investments in other technological and non-technological solutions. Blockchain adoption processes must also be well planned, as there will be numerous challenges along the way, as well as potential solutions. There is little to no uniformity in the processes advised by experts for engaging with blockchain and creating the right use case. Therefore, investors must do their due diligence, and work with advisors and partners in impact and technology-driven ecosystems, in order to reach a moderate level of understanding to be able to make the right choices.

Until practical uses of blockchain become common knowledge in the agri-food sector, with off-the-shelf solutions for different supply chain and farm-level problems, and public and private value chain players have become comfortable in using blockchain applications, the percentage of failed use cases will remain high. High risks are of course inherent in developing and applying a new technology, and high potential rewards should make the technology worth the effort, at least in some cases. Preparation and due diligence, training and discussions with different experts are therefore strongly recommended before investing in blockchain.

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The authors gratefully acknowledge the contributions of Mr. Konstantin Shurunov, Moscow Institute of Physics and Technology.

Photo: Golden Rose plantation, Addis Ababa, Ethiopia. ILO

From sustainability commitment to impact – how a **social** and **environmental** management system translates **intention into action**

The Sustainable Development Agenda 2030 of the United Nations puts a spotlight on the contribution of the financial sector stakeholders – public and private, international, and domestic – to sustainable development. For this agenda to succeed, financial sector stakeholders need to put sustainability at the heart of their thinking. We have seen, not least during the financial crisis in 2008, the far-reaching negative socio-economic effects if business strategies disregard people and planet in search of profit. Today, as the whole world is suffering from the severe socio-economic impacts of the Covid-19 pandemic, even more evidence is emerging that business operations with higher sustainability scores are performing better during this time of crisis (Prince, 2020). Is it that they publish sustainability slogans, is it their treatment of stakeholders including employees, is it their mind-set, is it their actions that limit exposure to fossil fuels? This article elaborates how social and environmental management systems (SEMS) support companies and their financiers to ingrain sustainability practices in their business activities, turning sustainability commitments into impact.

Framing sustainable finance

Financial institutions play a key role in transitioning the economy towards sustainable business models. On the one hand, they take decisions regarding which sectors to finance and thus support their growth and development, or conversely, may decide not to support growth. On the other hand, financial institutions are exposed to the social and environmental risks of the sectors and companies that they decide to finance. Such social and environmental risks relate, for example, to the health and safety of employees and nearby communities, the use of child labour or other unacceptable forms of labour, the resettlement of project-affected people, or the environmental degradation and pollution that may result from business operations. In the recent past, tragedies like the collapse of the Rana Plaza building[1] in

[1] The collapse of the building, which contained numerous clothing factories, claimed the lives of 1,134 people, injured many more and affected over 3,600 workers overall.

Dhaka in April 2013 or the disintegration of the Brumadinho dam[2] in Brazil in January 2019, have, sadly, illustrated the effects of not addressing social and environmental risks. When such social and environmental events materialise for clients, financial institutions themselves are affected as their social and environmental risk exposure increases which can trigger defaults or payment rescheduling (credit risk), devaluation of collateral (market risk), negative publicity (reputational risk) which might restrict access to capital or increase costs for funding, or liability transfer to the lender (liability risk).

However, financial institutions have an opportunity to address the above mentioned scenario. Banks, impact investing funds, and microfinance institutions, can all improve their portfolio resilience by including a model of sustainable finance, investment, and asset management in their strategies. An enabling (regulatory) environment is essential for financial institutions to mainstream sustainability in their operations and positively influence the social and environmental practices of the businesses they finance. Over the last two decades, several sustainable finance frameworks and initiatives have emerged both at international and national levels to enforce the financial sector's willingness and capability to deliver on sustainable outcomes. National examples include the Green Protocols in Brazil and Colombia, Nigeria's Sustainable Banking Principles, Kenya's Sustainable Finance Initiative, China's Green Credit Policy, and Indonesia's Green Banking Policy. Other examples that are guiding sustainability strategies of the financial sector globally are the Equator Principles (EP), the Principles for Responsible Investment, and most recently the Operating Principles for Impact Management (see Box 1 and 2).

Financial institutions adopting these sustainability frameworks need to consider the operational implications they trigger within their own institutions. While the frameworks offer codes and standards, the financial institution needs to translate these into its specific operating environment and concrete actions, otherwise, they will remain empty commitments. The development and implementation of a SEMS can help financial institutions to realise the full potential of sustainability inclusion and mitigate the negative effects of social and environmental risk exposure described at the beginning of this section.

Managing social and environmental risks and impacts makes business sense

As described earlier, the strength of sustainability management for financed businesses transcends to the financial institution's credit, market, reputational, and liability risk. There is increasing evidence that shows that financial institutions benefit from implementing a SEMS . For example, comparing more than 650 companies in its portfolio, the IFC found that those with a higher social and environmental performance were also performing better financially (IFC, 2020). Another study in German banks found that the inclusion of sustainability criteria helped as a predictor for credit risk and improved credit risk classification by 7.7% (Weber et al., 2010). A subsequent study of Bangladeshi banks found that sustainability criteria improved the prognostic validity of the credit rating process. This means that by considering sustainability, financial institutions can better avoid credit defaults and provide financing to more sustainable businesses (Weber et al., 2015).

Looking at the financed businesses, there is ample evidence of the benefits of improving social and environmental performance: a study by SustainAbility et al. (2002) examined 240 companies, specifically in emerging markets, that were taking steps towards sustainability improvements in their businesses. The study looked at the specific actions each company imple-

Box 1: Equator Principles

*The **Equator Principles** (EP) is a risk management framework for financial institutions for determining, assessing, and managing social and environmental risk in projects. Since its launch in 2003, 105 financial institutions in 38 countries have adopted the EP, covering the majority of international project finance debt within developed and emerging markets.*

As part of their membership responsibilities, EP financial institutions publicly report on their activities on an annual basis. The fourth revised set of the principles, effective from July 2020, acknowledges that the EP contribute to the Sustainable Development Goals (SDGs), and underline the responsibility to respect human rights in line with the United Nations Guiding Principles on Business and Human Rights. EP financial institutions also support the 2015 Paris Agreement.

On the practical side, the principles provide high level guidance on social and environmental categorisation of projects, applicable standards, risk assessment, management system and action plans, stakeholder engagement, grievances, independent reviews, loan covenants, and monitoring.

[2] The dam, operated by mining company Vale, collected waste from an iron ore mine. When it burst, it released a stream of mud that flooded a vast area, killing 270 people and releasing 12 million cubic meters of tailings into the environment.

Box 2: Operating Principles for Impact Management

Together with a group of asset owners, managers, financial institutions and other industry stakeholders, the International Finance Corporation (IFC) developed and launched a set of ***Operating Principles for Impact Management*** *in 2019. Within one year, 93 stakeholders have become signatories.*

The principles suggest five main elements that constitute an impactful management process: strategy, origination and structuring, portfolio management, exit, and independent verification. By including the management of potential negative impacts of the investments within origination and portfolio management processes, the principles recognise that even when investments have good intentions there are still social and environmental risks and impacts that need to be addressed.

Strategic Intent

1. Define strategic impact objective(s) consistent with the investment strategy
2. Manage strategic impact on a portfolio basis

Origination & Structuring

3. Establish the Manager's contribution to the achievement of impact
4. Assess the expected impact of each investment, based on a systematic approach

Portfolio Management

6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately

5. Assess, address, monitor and manage potential negative impacts of each investment

Impact at Exit

7. Conduct exits considering the effect on sustained impact
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

Independent Verification

9. Publicly disclose alignment with the principles and provide regular independent verification of the alignment

Modified from IFC OPIM.

mented and the resulting benefits. Compared to the baseline conditions, the study observed higher sales, cost savings, improved corporate governance and stakeholder relations, better environmental practices, and human resources development, as well as reputation building, and improved access to capital. One of the businesses analysed was a sugar mill in Brazil. By producing organic sugar, the company received a 60% premium on the product and due to reduced use of input, i.e. agrochemicals, it reduced costs compared to producing sugar traditionally. A different study shows that improved working conditions in factories are linked to higher levels of productivity and profits. Employees in factories with better working conditions reach daily production targets about 40 minutes faster than employees in factories with worse conditions and factories with better working conditions also generate higher profits than their peers by as much as 8% (ILO Better Work, 2016).

The above examples are opportunities for financial institutions to engage. If identified during the institution's initial social and environmental assessment, the financial institution could even offer financing to the company for the above illustrated improvements in operations. In turn, the benefits for the financial institution of effectively managing social and environmental effects can improve relationships with stakeholders (e.g. NGOs and other lenders) and thus reputation. Targeting social and environmental improvements in financed companies, and offering added value, can also increase resilience and competitiveness of financed companies through accompanying technical assistance. For example, BMCE Bank of Africa, a universal banking group present in 31 countries throughout Africa, Europe, North America, and Asia, received several financing facilities from international financial institutions to finance energy efficient and small-scale renewable energy projects in Morocco (UNEP, 2016). The facilities included a technical assistance window funded by donors that supported the bank to design business development tools and the clients to receive assistance for project implementation as well as incentives to encourage them to make sustainable energy investments.

In summary, giving life to sustainability commitments through a robust management system for social and environmental matters creates several positive outcomes for a financial institution:

Photo: Adobe Stock

Protective clothing minimizes exposure to chemicals and is part of sound risk management

Mitigating overall risk exposure

Identifying and addressing social and environmental risks and impacts reduces credit, market, reputational, and liability risks. This is achieved by promoting the financing of law-compliant businesses and by implementing social and environmental risk management in the financial institution's own business operations.

Enabling employee value

Safe and healthy staff, that are offered adequate training and career opportunities with appropriate remuneration, are likely to be more motivated to contribute to the business success of both financial institutions and businesses they finance. In addition, the millennial generation is attracted by purpose-driven institutions and financial institutions can promote themselves as a provider of sustainable finance and creator of positive social and environmental impacts.

Leveraging returns on capital

Social and environmental management results in sustainable operations that embrace efficient resource use and responsible management of supply chains. Both elements could reduce costs and also improve product value proposition, making supply chains more sustainable and resilient. Proving that products are sustainably produced could also carry price premiums, and allow businesses to access other markets which would increase shared value.

Allowing sustainable growth

Financial institutions could access new sustainability market segments like renewable energy, climate change resilience, health, education, employment-generating sectors, and/or new geographies. Innovation in service delivery channels, embracing technology, and creating new products to finance sustainable enterprises or projects could also grow their sustainability portfolio. Lastly, sustainable growth strategies also increase the capacity of the financial institutions to attract like-minded clients and investors.

Social and Environmental Management System (SEMS) in detail[3]

A SEMS is a **management system that allows a financial institution to identify and assess social and environmental risks and impacts (adverse and beneficial), to avoid, minimise, and compensate adverse impacts as well as to seize beneficial impact opportunities, and to ensure stakeholder engagement across all.** As such, a SEMS allows a financial institution to implement its sustainability commitment while managing the social and environmental risks and impacts of its clients' activities and improve those of its own operations in branch offices. It also provides a framework to systematically track and measure (quantitatively and qualitatively) both adverse and beneficial im-

[3] This chapter summarises and updates SEMS considerations illustrated in Korth and Richter 2016a and 2016b.

pacts and inform corrective actions in case of non-compliance or sustainability mission drift.

A SEMS is not a stand-alone system, but it needs to be integrated across management systems, for example in the credit and human resources functions, within the financial institution. As such, it needs the complete buy-in from senior management and sufficient resources (staff and funds). However, a SEMS should always be designed to add value and align to business needs (Cox, 2015). It should be 'fit for purpose' considering all three sustainability elements: society, environment, and business.

Typically, a SEMS consists of six components that interact with one another, as illustrated in Figure 1.

Component 1: Sustainability Policy
A *Sustainability (or Social and Environmental) Policy* is the foundation element of the SEMS. It discloses the financial institution's commitment to sustainable development and should be publicly available. It elaborates the financial institution's approach towards sustainability – such as risks, impact and opportunities related to labour conditions, environmental pollution, or stakeholder engagement – and should equally address social and environmental matters. It should also clearly describe which activities it does *not* finance (exclusion list). The policy should be regularly reviewed to reflect new developments and stay relevant to the institution's mission. Moreover, the policy identifies the legal and regulatory framework applicable to the financial institution, its clients, and other stakeholders. This framework should be further articulated in the second component, Social and Environmental Standards.

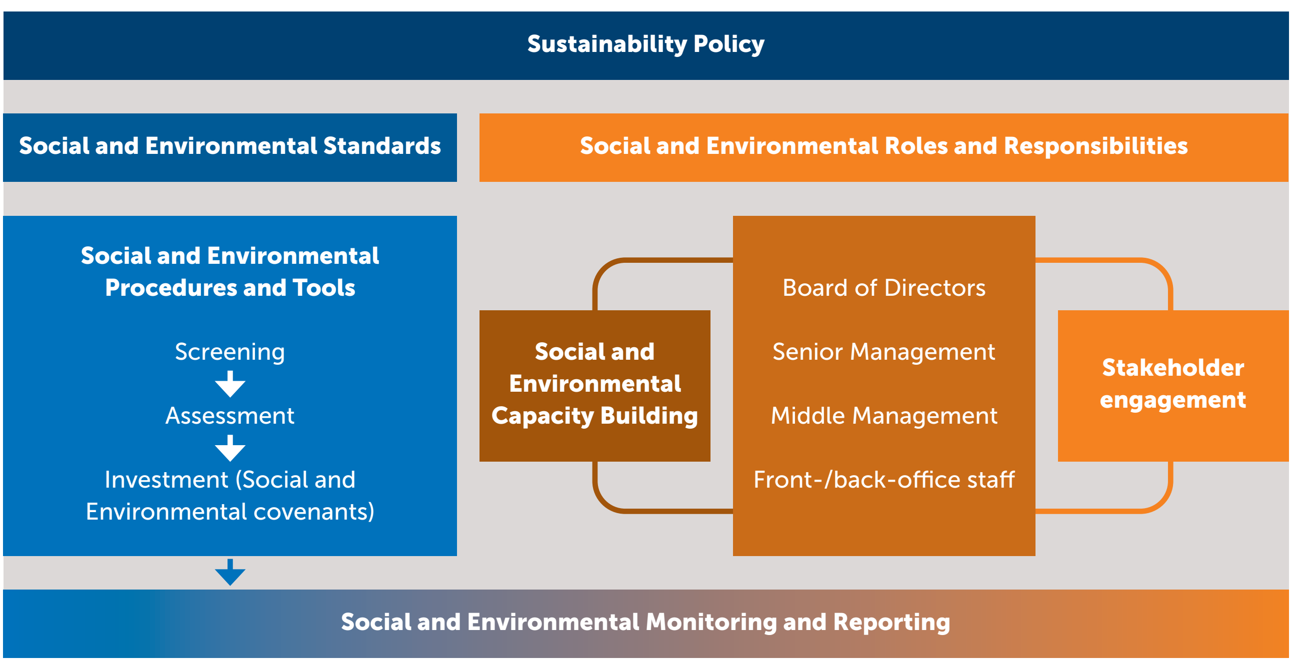
Component 2: Social and Environmental Standards
The *Social and Environmental Standards or safeguards* are the benchmark that a financial institution uses to assess social and environmental performance of its activities. Often, financial institutions adopt existing international frameworks like the **IFC Performance Standards on Environmental and Social Sustainability**, the **EBRD Environmental and Social Performance Requirements**, or the **AfDB Operational Safeguards**. In order to be relevant, it is important that the financial institution adapts these more general standards to the specific local context in which it operates.

The subsequent components give guidance on how to implement both the Social and Environmental Policy as well as the Standards.

Component 3: Social and Environmental Procedures
The *Social and Environmental Procedures* define the practices to identify, assess, manage, and monitor the social and environmental performance of the financial institution's activities. They should be aligned with the credit function to facilitate implementation.

The first step to identify possible social and environmental risks and impacts is screening new applications against the exclusion list of activities that cannot be financed, and applying a classification tool to assign a preliminary social and environmental risk

Figure 1: Components of a SEMS



category. The risk category defines the scope of the subsequent social and environmental assessment, for example documentation requirements. The actual social and environmental assessment needs to critically analyse findings from the screening and includes a material due diligence which eventually defines the final risk category, social and environmental management and improvement measures, and performance indicators all of which need to be discussed and agreed with the client. Ideally, these measures are included as covenants in the loan agreement and reflected in a social and environmental action plan, which indicates responsibilities and timelines for implementation. Implementation and effectiveness of the actions needs to be regularly monitored to measure impact and propose corrective actions if needed.[4]

It is interesting to note that often social and environmental assessments are biased towards environmental issues and social issues receive less attention (Korth and Richter, 2016b). The reasons are multi-fold. On the one hand, there is a general assumption that social issues are common sense. Thus, more efforts are put into understanding the (perceived) more complicated environmental matters. Furthermore, social issues are difficult to quantify, and thus financial institutions are less familiar with measurement methodologies. The reality that social risks materialise is illustrated by the 2019 account of the IFC Compliance Advisor Ombudsperson which revealed that 52% of the complaints it received were related to stakeholder engagement, 52% to economic displacement, 36% to labour issues and 36% to vulnerable groups (CAO, 2019). All of these are social aspects that should be considered when assessing business operations. In cases where the social and environmental assessment of client activities is difficult, or requires expert knowledge due to project complexity and/or sector, the financial institution should engage an external expert to evaluate the social and environmental risks of the project.

Component 4: Social and Environmental Roles and Responsibilities

While the Procedures are the heartbeat of the SEMS, the system can only function if it is well anchored in the financial institution's governance systems. The financial institution needs to define clear roles and communication lines within the organisation, from board to senior management, middle management, and front and back office staff. Assigning a lonely sustainability officer will not ensure that informed strategic decisions are taken. Furthermore, adequate human, technical and financial resources need to be provided to take on social and environmental responsibilities.

The board and senior management should take the lead towards sustainability. To do so, they need to be knowledgeable about the social and environmental risk exposure and

A landscape of soil degradation after the floods, Nsanje District, Malawi

Photo: ©FAO/Luca Sola

[4] The social and environmental resource centres of the IFC, European Bank for Reconstruction and Development (EBRD), or CDC Group provide ample inspiration.

Case study 1: Landbank of the Philippines

Landbank *is a government financial institution that has the mandate to promote inclusive growth and development in unbanked and underserved areas. It was established by the government of the Philippines in 1963, to serve as the financing arm of the government's Comprehensive Agrarian Report Programme. Landbank provides financing to the agricultural sector, specifically to small farmers and fishers, micro, small and medium enterprises, rural financial institutions, local government units and government agencies, while promoting sustainable development anchored in good governance. The bank is present in the 81 provinces of the country with more than 9,800 employees (67% women).*

In 2005, Landbank established its SEMS following its commitment to support environmental protection and sustainable development. Since, the system has developed into a comprehensive, well-staffed, and rigorous management system, including innovative features such as providing awards to clients for outstanding environmental action. The SEMS is very strong on the environmental side.

In terms of coverage, Landbank's SEMS does not only apply to lending operations with clients but also within the institution where it measures resource consumption like energy and water use, as well as CO_2 emissions, effluents, and waste.

The bank has a clear governance structure and actively engages with the bank's stakeholders. It maintains a well-staffed environmental department with officers and technical staff and embraces a comprehensive and inclusive training approach for staff.

Furthermore, the bank has a transparent and detailed reporting system, using the Global Reporting Initiative metrics. It bases its social and environmental standards on the Philippines Environmental Impact Statement System and thus very much reflects local context, even though with a focus on environmental matters.

As an industry leader in climate finance in the Philippines, Landbank was accredited as the country's first direct access entity to the Green Climate Fund (GCF) in 2018 and will manage GCF projects from development, implementation, monitoring and evaluations using the bank's own systems including its strong SEMS (Landbank, 2018).

Photo: Shutterstock

Indigenous fishing craft of the Philippines

performance of the financial institution's portfolio, and advance strategic changes aiming at de-risking and/or maximising potential positive impact. The middle management typically coordinates between the strategic guidance mandated by senior management and actual implementation of actions. This is done by a social and environmental or sustainability manager. Specifically, the position provides advice and support to loan officers involved in client social and environmental assessments and monitoring. The position also improves the tools and procedures based on feedback from the daily users within the institution. On an operational level, loan and credit officers are in charge of assessing and monitoring social and environmental performance of individual clients.

Lastly, the human resources function plays an important role as the entity responsible for the recruitment of new staff. As part thereof, the human resources function needs to align job descriptions of staff with social and environmental responsibilities and the performance management framework with sustainability objectives and related incentives.

Component 5: Social and Environmental Capacity Building

The SEMS will only function well if staff across different management and operational functions are capacitated to fulfil the social and environmental responsibilities assigned to them. The *Capacity Development* of staff should be guided by a strategy, which in turn needs to be integrated in the overall capacity building framework of the financial institution and its performance management system. The content and delivery channel of capacity building activities should be based on the needs and role of the particular staff members, and reflect the social and environmental realities of the institution's clients. To achieve this, the human resources and the social and environmental function need to work together and continuously update strategy and content, and seize opportunities for additional learning.[5]

[5] A number of international organisations offer capacity building that could be consulted: IFC's First for Sustainability, group-based online learning like UNEP-FI sustainable finance courses, or face-to-face and distant learning sessions on specific themes offered through the ILO International Training Centre.

Component 6: Social and Environmental Monitoring and Reporting

Last but not least, Social and Environmental Monitoring and Reporting is what will help control the social and environmental performance of the financial institution's activities and take necessary corrective action. Information resulting from the regular monitoring against loan covenants should be analysed and shared internally with those entities that can take necessary decisions. For example, the social and environmental manager can identify and compile activities and methods that have helped clients to improve social and environmental practices as lessons learnt, and report to senior management for integration into the SEMS. The same should apply if procedures are not delivering the expected results. Information about the support provided by the institution and social and environmental improvements of clients can also be used for external reporting. This will increase transparency and promote engagement with interested stakeholders.

In theory, a SEMS sounds neat and straightforward to implement, but real-life cases are never as straightforward as planning may suggest. SEMS frameworks are, by necessity, flexible and can be used by different types of financial service providers. Two case studies, of a development bank from the Philippines and an agricultural impact investment fund in Africa, explore particular facets of their sustainability management system.

The development, full roll-out, and smooth operation of a SEMS requires time and patience. The subsequent section dives into some challenges.

Case Study 2: Africa Agriculture and Trade Investment Fund

Striving to unleash the potential of agriculture on a sustainable basis, the German government, together with KfW and Deutsche Bank, set up the Africa Agriculture and Trade Investment Fund (AATIF) in 2011. The Fund is an innovative public-private partnership dedicated to uplift Africa's agricultural potential for the benefit of the poor. It aims at improving food security and creating employment and income for farmers, entrepreneurs, and labourers alike by investing patiently and responsibly in efficient local value chains. Increasing productivity, production, and local value addition by investing in efficient value chains and providing knowledge transfer are paramount.

Appreciating the need for sustainability advice, including on social and environmental risk and impact in its projects along the agricultural value chain, the Fund approached the International Labour Organization (ILO) to advise on the implementation of the Fund's sustainability commitment. As the Fund's compliance advisor, ILO together with UN Environment have developed, and are jointly implementing, a sustainability management framework. The framework includes a social and environmental policy that contains an exclusion list and commitment to apply IFC Performance Standards. Furthermore, the policy clearly describes social and environmental responsibilities including for the board of directors and investment committee, investment advisor, compliance advisor, and technical assistance facility manager. A separate social and environmental capacity building strategy has been in place since 2016 through which the compliance advisor has implemented numerous trainings across functions ranging from broad themes like sustainable finance to specific topics of social and environmental risks and impacts in trade finance.*

The AATIF also has a Technical Assistance Facility that offers investment-specific support to investee companies including capacity building with the goal to improve social and environmental practices and promote compliance with the Fund's Social and Environmental Policy. ***Since its inception, it has been managed by the Common Fund for Commodities (CFC).***

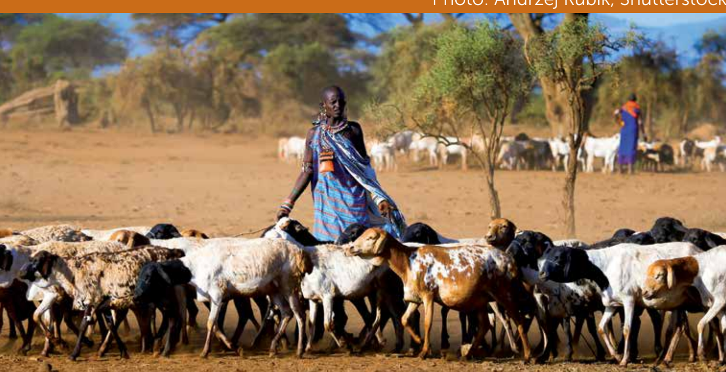
The AATIF implements an impact measurement framework which tracks change in its investee companies over time along five key indicators to learn and inform future investments:

- *agricultural production and productivity levels;*
- *additional employment opportunities;*
- *outreach to smallholder farmers;*
- *farm and overall household income; and*
- *changes in living and working conditions (e.g. in farms, processing facilities).*

Since 2018, the Fund has included an explicit poverty tracker, i.e. Poverty Probability Index, as part of the data collected under changes in living and working conditions. Data is collected and analysed through i) annual self-reporting of investee companies, ii) rapid appraisals that are implemented twice at the beginning and end of each investment with the support of external researchers, and iii) impact evaluations that can be implemented for high-impact investments like outgrower schemes with the support of external researchers. The results are publicly shared through the Fund's annual report plus a dedicated impact space on AATIF's website.

** The Collaboration is implemented by* ***ILO's Social Finance Programme.***

Photo: Andrzej Kubik, Shutterstock



Masai shepherdess, Kenya

Photo: Richard Carey, Adobe Stock

Aerial drone view of deforestation, environmental problem in Malaysia

Challenges when developing a SEMS, and a way forward

The development and implementation of a new management system always brings challenges and the case of a SEMS is no different. The six components related to operationalising the system typically appear challenging. A study that assessed the state of development of SEMS across development finance institutions in Africa concluded that most institutions had a social and environmental policy in place (Korth and Richter, 2016a). The policies were committed to sustainable development and referred to relevant sustainability standards. However, nine out of 13 were in the early stages of SEMS implementation or had no formal system in place meaning that subsequent components like procedures and tools, clear descriptions of roles and responsibilities, capacity building and monitoring and reporting were far less developed. Similarly, a study from Asia and the Pacific that explored the implementation of environmental credit risk management systems found that banks had more implementation gaps compared to the establishment of a policy or framework (Mengze, 2013).

Some other challenges include:

- Obtaining real commitment, including resources within the institution for the development of a SEMS, and communication within the institution.
- Integration of the SEMS within other existing management systems and procedures.
- Having the perfect system on paper, but being impossible to implement (Cox, 2015).
- Difficulty in seeing the added value of implementing a SEMS when regulation does not require it and competitors are not following suit.
- Small size of the institution.
- Resource constraints.

How can a financial institution address these challenges before they appear? First and foremost, it is important to clearly set out the main objective(s) that the institution wants to achieve with the SEMS and, accordingly, define the scope of the SEMS that the institution requires. The system should be fit for purpose to avoid unnecessary and complicated procedures that will frustrate the implementers and will not add value to the institution. The system will be different from institution to institution.

Second, when a financial institution decides to develop and implement a SEMS, it has to assign the necessary resources, create the right capacities by upskilling existing staff and/or recruiting new staff with social and environmental roles, and make sure that the system is aligned to other processes taking place. This may be particularly difficult for smaller institutions but can be overcome when the system is smartly designed.

Third, management needs to act as an example and show full support for implementing the system. Management needs to communicate clearly with all stakeholders of the institution that the SEMS implementation is a priority. Including social and environmental targets in staff performance management could also motivate staff to be more active within the system.

Fourth, managing social and environmental risks reduces the likelihood of risks materialising. However, positive effects will only occur over time. Therefore, and in order to communicate clearly to staff, financial institutions could use existing research showing that a portfolio with better social and environmental performance is also a portfolio with better economic performance than one with unattended or high social and environmental risks and impacts.

Fifth, financial institutions could seek advice from the industry and join relevant sustainability networks to inform their own sustainability approach and tap into new markets and differentiate from their peers. This will help financial institutions to overcome the fear that implementing a SEMS will take up scarce resources and could support it along the process, as the benefits could be difficult to achieve at the beginning. This challenge can be more profound if central banks do not require the industry to develop these systems and, more importantly, do not promote and support adequate implementation.

Sustainability is a journey that has just begun – and in view of the world in 2020 is more important than ever before. Many financial institutions have decided to pursue increased positive impact because they deem it to be their contribution to what society is requesting; others still need to see the business sense. No matter where on the journey they are, a pure commitment to a framework is not enough but needs to be translated into action.

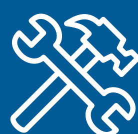
The Executive Board of the CFC in its 69th meeting adopted the Sustainability Policy of the CFC to serve as anchor for the SEMS of the CFC.

Box 3: CFC's journey to sustainability performance

The CFC's mandate is to improve the social economic development of commodity producers and contribute to society as a whole. To achieve this goal, CFC provides financing to small and medium enterprises (SMEs) in commodity supply chains, to grow and strengthen their businesses. In 2018, CFC developed a new Impact Management Strategy, adopting the Sustainable Development Goals (SDGs). While the strategy included some sustainability safeguards and eligibility criteria for investments, it did not contain a systematic approach towards managing social and environmental risks.

At first sight, CFC investments in SMEs may seem as to have low social and environmental risks. However, while a proposed project may create new jobs, the workers may be in vulnerable forms of employment. Recognising this gap, CFC partnered with ILO in 2019 to upgrade the existing and develop missing elements of a SEMS tailored to the CFC and accompany the process with capacity building for designated CFC staff.*

As a first step, CFC underwent a SEMS diagnostic, as well as a capacity gap assessment of staff in charge of assessing project proposals. The assessment confirmed that CFC had policies and procedures in place that partially addressed social and environmental risks and impacts. CFC staff were aware of, and engaged in, identifying social and environmental risks as part of the project appraisal processes. Based on the findings, CFC developed an action plan to address the recommendations of the diagnostic. CFC became an active part of the process; the joint development created ownership and empowered CFC staff to make recommendations for continuous improvement.



As a second step, ILO and CFC jointly developed new tools and updated existing templates by integrating social and environmental risks and impacts sections. In an interactive capacity building session, the CFC investment process was mapped and associated social and environmental responsibilities of each CFC entity elaborated.

In a third step, ILO mentored the CFC team in assessing social and environmental risks and impacts during joint due diligence visits of two potential projects. The learnings from the site visits allowed CFC and ILO to adjust the toolkit which now covers all stages of the investment process. In parallel, CFC included social and environmental responsibilities for the team along the investment process, updated reporting and decision templates for governing bodies to include social and environmental information, and developed a procedures manual. With the guidance of the Executive Board, with proper policies, procedures and tools in place, the CFC intends that its investment practice will be more transparent and consistent with international good practices in achieving the SDGs. The SEMS will help the CFC to pursue sustainable development impact in its Member Countries, while mitigating any unintended negative effects of the projects supported by the Fund.

** The Collaboration is implemented by **ILO's Social Finance Programme.***

Photo: Adobe Stock

Coffee bushes in a shade-grown organic coffee plantation

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Photo: Woman cutting hay for cattle. ILO

Photo: Drying shorgum, Malindi, Kenya. ©FAO/Luis Tato

III

Report on progress of **projects under implementation**

This chapter focuses on progress of projects and highlights trends, patterns and constraints emerging during project approval, supportive agreements and implementation procedures in 2019. The overview brings out salient features, patterns and/or trends with respect to:

- commitments, financing and disbursements;
- commodity coverage, project types and beneficiaries; and
- project start-up, execution, monitoring and supervision.

The Common Fund for Commodities (CFC) implements projects in partnership with governments, international organizations and other development partners from private and public sectors, which support commodity development measures and actions that promote and accelerate development, expansion and modernization of commodity sectors and contribute to sustainable development in its three dimensions i.e. social, economic and environmental.

The CFC supports innovative commodity development financial interventions aimed at improving the structural conditions in markets and at enhancing the long-term competitiveness and prospects of particular commodities inter alia including:

(i) increasing earnings to sustain real incomes;
(ii) enhancing sustainability in commodity value chain activities;
(iii) promoting value addition and enhance the competitive position of marginalized participants in the value chain;
(iv) contributing to enhancing food security; and
(v) promoting production, productivity, trade, quality, transfer and use of technology and diversification in the commodity sector.

Commitments, financing and disbursements

The operational guidelines of the Common Fund were originally adopted under the Agreement Establishing the Common Fund for Commodities and entered into force in 1989. They remained in force till 31st December 2012. Under these operational guidelines, the Fund had approved financing for 198 Regular projects plus a further 150 Fast Track projects, together 348 projects, with an overall cost of USD 602.9 million, of which the Fund financed USD 304.1 million (about 50%). The balance of project costs was co-financed by other institutions (USD 130.4 million or 22%) and by counterpart contributions in cash and/ or in kind (USD 168.4 million or about 28%), provided either by the Project Executing Agencies, collaborating institutions, governments or International Commodity Bodies (ICBs). The Common Fund financing of projects under the original operational guidelines comprises of USD 275.1 million in grants (90%) and USD 29.0 million (10%) in loans.

Recognizing the new challenges and opportunities facing the CFC Member Countries, led to adoption of the reform package of the CFC, including updated operational guidelines which became effective on 1 January 2013. Under the new operational guidelines, the Fund currently has 43 Regular projects plus a further 23 Fast Track projects, (a total of 66 projects) at various stages of start-up and implementation, with an overall cost of USD 177.2 million. In addition, the Fund is participating in 8 Investment Funds with Equity and partnership financing, which together have total assets under management of USD 523.0 million. Of the total project cost of USD 177.2 million, the Fund financed USD 52.0 million, (about 29.3%) as financial interventions. The balance account was paid as co-financing and/or counterpart contribution by the proponents under the new operational guidelines. The Fund financing comprise of USD 48.5 million in loans/equity etc. (93.3%) and USD 3.5 million in grants (6.7%).

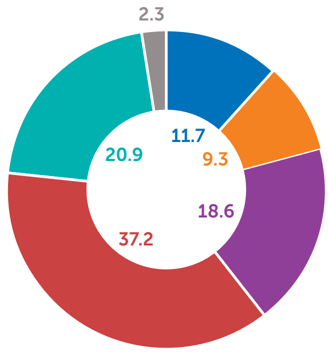
According to the Fund's audited statements, the direct project related disbursements in 2019 stood at USD 0.21 million as grant and USD 1.91 million as loan/equity etc. (comprising USD 1.71 million as loan and USD 0.20 million as equity etc.). Special efforts are in place to streamline the components of the Agreements between the Fund and the Recipient of resources to reduce the delays between the approval of project and commencement of actual implementation on the ground and more of these efforts will be in place in 2020.

The CFC has funded projects in over 40 different types of commodities and in partnership with Investment Funds or Equity financing etc. The commodities funded include abaca, arachis, bamboo & rattan, bananas, cashew, cassava, castor seeds, citrus, cocoa, coconut, coffee, coir, copper, cotton, fish, fonio, groundnuts, gum arabic, hides & skins, jute, lead, maize, meat and livestock, medicinal herbs and plants, olive, palm oil, paprika, potatoes, rice, natural rubber, shea nut, sisal, sorghum & millet, soybean, cane sugar, tea, timber, tropical fruits, spices and zinc, most of which are produced almost entirely in Developing Countries and in partnership with investment Funds among which are: Africa Agriculture & Trade Investment Fund (AATIF), African Agriculture SME Fund, EcoEnterprises Funds, Moringa Agro-forestry Fund, SME Impact Fund and agRIF Cooperatief U.A..

CFC-supported Regular Projects by Type

Project types were reclassified as a result of the current operational guidelines involving more public and private sector participation. The focus is on commodity value chain and to monitor its involvements into different related activities, the CFC classifies its funded projects according to the following categories. The table below shows the classification of 43 Regular projects in various stages of implementation or at a start-up stage:

Distribution of Regular Projects by Value Chain



Type	Number of Projects	%
Finance • Providing finance to smallholders for purchase of inputs • Operating microfinance schemes in rural areas	5	11.7
Market Access/Extension • Buying and selling inputs to farmers • Aggregating and selling produce from farmers	4	9.3
Partnership • In partnership with investment funds or investees	8	18.6
Processing • Schemes that convert produce into semi-finished or finished goods	16	37.2
Production • Various operations in agriculture, aquaculture, floriculture, horticulture, and silviculture mainly for smallholders	9	20.9
Others • Other funding activities not classified in the above categories	1	2.3
Grand Total	**43**	**100.0**

As at 31 December 2019, a total of 198 regular projects had been financially closed. The financial resources recovered from completed CFC grants/loans projects are returned to the pool of Second Account resources or the First Account Net Earning Initiative once the project account is closed, and are available to finance new projects.

Participation of Private Sector: Private companies contribute social, technical, commercial and financial inputs to CFC funded projects and lead to larger innovation. Moreover, in order to promote and assess developmental impact, replicability and sustainability of project results, within and across countries, relevant private companies are required to document, report and communicate the same, including operational and financial performance as well as impacts achieved. More than 150 private firms have, in the past, shared the results of the CFC projects at dissemination workshops, while several other operating companies are directly participating in recording, establishing and maintaining consistent and systematic reporting of impact in projects or interventions receiving CFC financial support. The interest of the private sector in technical cooperation with CFC projects increases by the day. Offers from the private sector to seek finance for specific commodity development activities are increasing.

Project Impact management

The CFC requires that all projects supported by the Fund report on the impact they help to achieve. The CFC is committed to follow best impact management practices, collecting increasingly detailed and meaningful information from the projects. As part of this effort, all new projects seeking CFC financing are expected to provide specific impact measurement indicators consistent with the SDG framework. The CFC works with earlier projects to update and develop their impact reports to be consistent with common development impact indicators, whenever feasible and possible.

A brief analysis of the main indicators corresponding to the SDGs framework is as under:

SDG 1 - No poverty

In total, over **520,000** people stand to benefit from the loan based interventions currently financed by the CFC. These beneficiaries are in most cases smallholders farmers, living below the poverty line of USD 1,90 a day, as defined by the World Bank. Through the initiatives supported by the CFC, these people will benefit from an income increase, helping many of them to step out of the poverty line. Although not all projects have reported the data, the additional annual net income for the beneficiaries is expected to range from **USD 100** to **USD 701** *per annum.* For the year of 2019, the number of people directly benefitting from the projects supported by the CFC reaches almost **80,000**. The *additional* net income for these beneficiaries goes up to **USD 158** *per year*.

SDG 2 - Zero hunger

The additional income received by the beneficiaries can have a great impact in achieving food security, contributing to the SDG 2. Also, several projects supported by the Fund help to increase the area of cultivating land and the productivity levels of the crops being cultivated by the smallholders farmers, which could also positively impact the SDG 2. In total, it is expected that **44,117** hectares of additional land will be cultivated from the interventions financed by the CFC. For the years of 2018-19, **23,276** hectares of new land were cultivated.

SDG 5 - Gender Equality

The CFC encourages its projects to give a special attention for vulnerable groups. In particular, several projects supported by the Fund contribute to women empowerment, by giving them training, employment opportunities, access to new markets and others. The organizations are encouraged to report the percentage of female beneficiaries on their projects and the total jobs created for women. On the current portfolio, we can observe that the female representation among the total beneficiaries varies among the companies, ranging from **18%** up to **70%**.

SDG 8 - Decent work and economic growth

The projects supported by the Fund expect to create **5,426 new jobs**, giving employment opportunities to people living in vulnerable conditions. The net income per job created ranges from **USD 965** to **USD 4,716**. For the year of 2018 (latest complete year data), the projects supported by the Fund have directly created **316** new jobs.

SDG 10 - Reduced inequalities

The CFC supports interventions in developing countries, giving special attention to projects targeting vulnerable regions and countries, such as the Least Developed Countries (LDCs). On the current portfolio, the Fund has **8 projects** operating in LDCs, contributing to the economic growth, more value addition and exports increase of these countries. The Fund also targets interventions impacting vulnerable groups, such as people living below the poverty line, contributing to a greater equality within the countries.

Operational & completed Projects in 2019

Active

	EB Meeting	Project Title	Country(ies)/Area Involved	Page No.
	Year 2013			
1	EB55	Commercial Farm Development - CFC/2012/01/0030	Ethiopia	51
2	EB55	SME Agribusiness Development in East Africa - CFC/2012/01/0076FA	Tanzania, Kenya, Rwanda, Burundi, Malawi, Zambia	52
3	EB55	Partnership with the Africa Agriculture & Trade Invest. Fund - CFC/2012/01/0268FA	Africa	53
4	EB56	Commercial Farm Development, Ethiopia - CFC/2013/01/0030FT	Ethiopia	53
5	EB56	Commercial Meat Processing/Marketing in Lagos - CFC/2013/02/0042FT	Nigeria	54
6	EB56	Partnership with the Africa Agriculture SME Fund - CFC/2013/02/0084FA	Africa	54
7	EB56	Partnership with the EcoEnterprises II Fund - CFC/2013/02/0085	Latin America	55
8	EB56	Partnership with the Moringa Agro-forestry Fund - CFC/2013/02/0086FA	Africa; Latin America	55
	Year 2014			
9	EB57	Rural Injini Inclusive Maize Trading and Processing - CFC/2013/03/0120	Uganda	56
10	EB58	Preparation Technical Dossier Geographical Indication in EU - CFC/2014/04/0006FT	Sri Lanka	56
11	EB58	Commodity Value Chain Tropical Timber from Commodity For-ests - CFC/2014/04/0047FT	Cameroon	57
12	EB58	Optimizing the Smallholder Maize Value Chain - CFC/2014/04/0094	Kenya	57
13	EB58	MORINGA Agroforestry Technical Assistance Facility - CFC/2014/04/0103FT	Latin America, Africa	58
14	EB58	Modern processing Prosopis Charcoal & Animal Feeds - CFC/2014/04/0107FT	Kenya	58
	Year 2015			
15	EB59	Scaling Smallholders based Premium Coffee Production - CFC/2014/05/0079	Congo	59
16	EB59	Scaling Smallholders based Premium Coffee, Congo & Rwanda - CFC/2014/05/0079FT	Congo, Rwanda	59
17	EB60	Tolaro Global Factory Expansion #2 ('Cashew Benin') - CFC/2015/06/0032	Benin	60
	Year 2016			
18	EB61	Natural Fertilizer, Myanmar - CFC/2015/07/0020FT	Myanmar	60
19	EB61	Accelerating Lending to Food & Agri sector in East Africa Supply Chain Financing - CFC/2015/07/0028	Kenya, Uganda	61
20	EB61	Irrigated Perfumed Rice, Senegal (Eur 1289000) - CFC/2015/07/0030	Senegal	61
21	EB61	Upscaling the Integrated production Oilseeds/Oil Seeds, Nigeria - CFC/2015/07/0032	Nigeria	62
22	EB61	Commerical Farm, Uganda (Kapanua Project) - CFC/2015/07/0078	Uganda	62
23	EB62	Manufacture of Moringa Oleifera from Smallholder Farmers, Kenya - CFC/2016/08/0052FT	Kenya	63
24	EB62	Start-up of Innovative Agriculture Finance Company for Cocoa, Philippines - CFC/2016/08/0064	Philippines	63
25	EB62	Upscaling Coffee Flour Production Plant of Sanam, Colombia - CFC/2016/08/0077 FT	Colombia	64

	EB Meeting	Project Title	Country(ies)/Area Involved	Page No.
	Year 2017			
26	EB63	agRIF Cooperatief U.A. - Netherlands - CFC/2016/09/0089	Netherlands	64
27	EB63	Reducing Vulnerability to Price Volatility - Kenya - CFC/2016/09/0097	Kenya	65
28	EB63	Acquisition of a processing plant for the aquaculture sector - Peru - CFC/2016/09/0122	Peru	65
29	EB64	EcoEnterprises Fund III - CFC/2017/10/0066	Latin America	66
30	EB64	Formulation and fertilizer distribution for smallholder farmers, Cote d'Ivoire - CFC/2017/10/0111	Cote d'Ivoire	66
	Year 2018			
31	EB65	Integrated Lime Production in Bahia - Brazil - CFC/2017/11/0005	Brazil	67
	Year 2019			
32	EB67	East African Nuts & Oilseeds - Kenya - CFC/2018/12/0056	Kenya	67
33	EB67	Development of the CFC's Social and Environmental Management System - CFC/2018/13/0003FT	Netherlands	68
34	EB67	Finding opportunities for niche commodities from developing countries in health food market - CFC/2019/14/0001FT	Selected Least Developed Countries and Landlocked Developing Countries	69
35	EB68	Addressing Vulnerabilities of CDDCs to Achieve the SDGs - CFC/2019/15/0003FT	Land Locked Developing Countries (LLDCs). Least Developed Countries (LDCs)	69

Completed

	EB Meeting	Project Title	Country(ies)/Area Involved	Page No.
	Year 2013			
1	EB55	Identifying Growth Opportunities and Supporting Measures to Facilitate Investment in Value Chains in Landlocked Developing Countries - CFC/2012/01/ILZSG/0267	Landlocked Developing Countries	49

Operational Projects as of 2019 under the old rule[1]

	CC/EB Meeting	Project Title	Country(ies)/Area Involved
1	EB29	Pilot Coffee Rehabilitation - CFC/ICO/11	Nicaragua, Honduras
2	EB46	Small-holder Kenaf Production System - CFC/IJSG/25	Bangladesh, China, Malaysia
3	EB50	Diversification of Livestock Sector in the Caribbean - CFC/FIGMDP/20	Jamaica, Trinidad and Tobago
4	EB53	Integrated Management of Cocoa Pests & Pathogens - CFC/ICCO/43	Cameroon, Cote d'Ivoire, Ghana, Nigeria, Togo
5	EB54	Olive Genetic Resources Creation, Phase II - CFC/IOOC/09	Algeria, Tunisia, Morocco, Syria, Egypt

[1] Details available on CFC website.

Photo: ©Sebastian Liste/NOOR for FAO

Projects Completed

in 2019

Photo: ©FAO/Sean Gallagher

1 Identifying Growth Opportunities & Supporting Measures to Facilitate Investment in Value Chains in Landlocked Developing Countries - CFC/2012/01/ILZSG/0267

Submitting Institution	***UN Office of the High Commissioner for LLDC's***
Location	***Global***
Commodity	***Various***
Total Cost	***USD 418,000***
CFC Financing	***USD 335,000 (Grant)***
Co-financing	***USD 83,000***

Project Description

The project brings the matter of commodity sector contribution in the international support programmes for sustained structural transformation of Land Locked Developing Countries (LLDCs). The high-level dialogue on commodities started in the Second United Nations Conference on Landlocked Developing Countries held in Vienna, Austria in 2014. Stemming from this dialogue, the project developed a working paper on 'Turning Commodity Dependence into Sustainable and Inclusive Growth' to focus the attention on the policies and strategies necessary to enhance the role of commodities in the development of LLDC's.

Current Status

The project enabled the CFC and its partners to contribute to the debate on the priority areas for commodity sector investments in landlocked developing countries. The project highlighted that LLDCs rely on limited products for their export earnings, and struggle to achieve in-country value addition due to structural weaknesses. Furthermore, due to long supply chains, LLDCs are especially vulnerable to commodity price volatility.

The project in its analysis concluded, among its recommendations, that structural adjustment of commodity dependent LLDCs needs to give priority to policies encouraging the circular financial flows of domestically re-invested funds originating from the commodity sector. Such internally generated investment will promote diversification and value addition in-country and minimize the relative impact of transport costs and market access. Investing in SMEs in these target sectors, encouraging them to expand their business vertically along the value chain, and enter into new local market segments empowers primary producers, giving them the tools and resources to transform their livelihoods and reduce their vulnerability.

In the preparation for the review of the Vienna Programme of Action (VPoA), the recommendations have been taken into consideration and the outcomes of the work supported by the CFC are being regularly reported in the Inter-Agency Working Group (IAG) preparing the review. The project has concluded with the publication of report on 'Challenges, Policy Options and the Way Forward: Economic Diversification in Selected Landlocked Developing Countries'.

Photo: Farmer harvesting tomatoes. Diego Cervo, Adobe Stock

Active Projects

in 2019

1 Commercial Farm Development in Central and Northern Ethiopia - CFC/2012/01/0030

Submitting Institution	***Solagrow plc.***
Location	***Ethiopia (LDC)***
Commodity	***Potatoes and others***
Total Cost	***USD 6,255,000***
CFC Financing	***USD 1,100,000 (loan, of which USD 750,000 financed by the Dutch Trust Fund, and USD 55,000 as a grant to cover administrative and legal costs)***
Counterpart Contribution	***USD 5,155,000***

Project Description

Solagrow provides seed potatoes supplemented by seeds from other crops and mechanization services to organized out growers and other small farmers. In addition, the company produces quality food crops for local and for export markets on its own nucleus farms and offers 'for out growers' collective marketing of produce is offered on a voluntary basis. The company works closely together with the Ethiopian Institute of Agricultural Research (IAR) for release of new Ethiopian potato varieties and introduction of new multiplication technologies.

Through CFC funding, it is anticipated that some 1,600 new jobs will be created and that the establishment of surrounding out grower schemes will eventually involve some 2,500 new farmers as out growers on around 3,000 ha of land, who will benefit from quality input provision, mechanization services and access to markets. In addition, indirectly, Solagrow is expected to offer its services around each of its farms and reach another 25,000 farmers.

Current Status

After disbursement of CFC resources, Solagrow was able to procure additional machinery and equipment for expansion of its farming operations. During the implementation of the project, Solagrow encountered unforeseen operational expenses due to loss of inputs (such as seeds, fertilizer), and damages incurred on farm equipment which deprived it from planting of potatoes in 2016. This placed Solagrow in a very precarious liquidity position which ultimately led it to restructure its operations.

Several corrective measures have been taken its operations, albeit on a substantially reduced scale to 175 ha (compared to the originally managed 650 ha). As of year-end 2018, Solagrow had been able to reproduce sufficient planting material to recommence with a potato-based crop rotation. Based on the achieved 2019 harvest results and revenues, a restructuring plan has been agreed which foresees resumption of regular loan service payments to the CFC in 2020.

Photo: Street vendors, Addis Ababa. ©FAO/Eduardo Soteras

Photo: Mchinji town market, Malawi. ©FAO/Amos Gumulira

2 SME Agribusiness Development in East Africa - CFC/2012/01/0076 FA

Submitting Institution	***MatchMaker Fund Management (MMFM)***
Location	***Burundi, Kenya, Malawi, Rwanda, Tanzania, Zambia***
Commodity	***Miscellaneous***
Total Cost (Target Fund Size)	***Euro 10,000,000***
CFC Financing	***USD 520,000 (Loan - First Account Net Earnings Initiative (FANEI)), USD 26,000 (as a grant to cover administrative and legal costs)***
Co-financing	***Balance to be sourced from other consortium partners***

Project Description

The SME Impact Fund (SIF) provides meso-level financing to SMEs in agribusiness in East Africa. SIF provides financing as loans, from USD 65,000 to USD 650,000, with an average loan size of USD 200,000. Four main types of loans are available: (i) input finance; (ii) crop finance; (iii) farm investment; and (iv) company investment.

SIF provides financing for SME's in local currency, at competitive rates ranging between 18-20% per annum, for a period up to 60 months. The focus is on companies which: (i) have 2-99 employees; (ii) currently operate in agricultural value chains; (iii) are registered in East Africa; and (iv) have financial need within the SIF target product range. Collateral, while desirable, is well below the level of 125%-140% generally required by banks.

The SIF successfully opened its lending operations upon reaching its initial size of Euro 4 million and by December 2018 it reached a total capitalization of Euro 5 million. The target size of Euro 10 million was expected to be reached within 2 years, but the fund managers still struggle to reach the target number with the second closure. The SIF expects to close 15-20 loans per year, with average size of Euro 200,000. The average lifespan of a loan is 24 months and repayments are recycled for new loans.

Project partners are currently Dutch NGO's like Hivos and Cordaid, and private investors including MatchMaker Associates (MMA). The local banking partner is National Microfinance Bank (NMB) Bank of Tanzania, which gives SIF strong outreach to cover rural districts in Tanzania. Technical partners include Financial Alliance for Sustainable Trade (FAST), MatchMaker Associates (MMA), and Tanzania Horticultural Association (TAHA) with Business Development Services (BDS) project.

Current Status

By the end of 2019, SIF had reached cumulative 63 SMEs through 122 and total disbursements of Euro 10 million. Through the investments, SIF has reached 19,000 smallholder farmers and supported 2,500 jobs. SIF estimates that it has supported the livelihood of 98,000 beneficiaries through its investments. The harvest season of 2019 was generally quite good. SIF realized a 36% increase in total income compared to 2018 as the portfolio grew again after a challenging 2018. Despite the above-mentioned positive developments, the economic climate in Tanzania remained uncertain for SIF borrowers in 2019. It makes it even more remarkable that despite these uncertainties, the SIF portfolio got back on track in 2019. The number of loans disbursed reached the target of 31. The positive results are partially driven by the good inflow of new clients (14 in total) which shows the continued efforts of the Fund-management team to develop new lending corridors and the pipeline. A new corridor was opened in Mpanda, in the West of Tanzania. More details about SIF can be seen on http://www.smeimpactfund.com/our-portfolio/meet-our-smes.aspx

3 Partnership with the Africa Agriculture and Trade Investment Fund (AATIF) - CFC/2012/01/0268 FA

Submitting Institution	***Africa Agriculture and Trade Investment Fund (AATIF)***
Location	***Africa***
Commodity	***Miscellaneous***
Total Cost (Target Fund Size)	***N/A (Evergreen Fund)***
CFC Financing	***USD 2,000,000 (Equity – First Account)***
Co-financing	***Main other current investors are the EU, Austrian Development Bank, KfW and Deutsche Bank. The associated grant based Technical Assistance (TA) Facility is being financed by the German Ministry for Development Cooperation and Economic Development (BMZ).***

Project Description

The Africa Agriculture and Trade Investment Fund (AATIF) is an innovative public-private partnership dedicated to realising the potential of Africa's agricultural production, manufacturing, service provision and trade for the benefit of the poor. AATIF investments foster agricultural value chain enhancement and thereby contribute significantly to the business growth of African farmers and subsequently to a reduction of poverty. To accomplish this objective, AATIF prioritizes investments which have a distinct approach and the ability to improve food security, create employment and boost local incomes. Within AATIF's mandate, the Fund provides finance directly to farming businesses or indirectly through intermediary companies running e.g. smallholder schemes or through financial institutions. Through its independent Social and Environmental Compliance Advisor from International Labour Organisation (ILO), AATIF is committed to closely monitor the social and environmental impact of each investment.

AATIF is complemented through a TA Facility that provides grant funding for projects to strengthen the developmental aspects of individual investments. This TA Facility is managed by the CFC under a service agreement.

Current Status

During 2019, AATIF received additional capital commitments of USD 23 million to reach total commitments of USD 228 million. AATIF's expanding loan portfolio currently consists of 15 companies ranging from primary farming operations, agri-processing companies and financial institutions who seek to increase their agricultural sector loan portfolio and expand their services towards lending to small and medium size agricultural enterprises. During 2019, AATIF invested into five new companies and disbursed an additional USD 100 million to reach cumulative loan disbursements of more than USD 280 million.

By end of 2019, a total of 56 Technical Assistance projects had been approved by the AATIF TA Facility Committee with an average project budget of around EUR 70,000. Under management of the CFC as the AATIF TA Facility Manager, AATIF also diligently assesses the impact of funding on each investment through various types of impact assessments.

Almost half of all TA Measures approved include expert consultants for specific assignments, and the remaining TA portfolio consists of market studies, value chain analyses and feasibility studies, training and capacity development, salary subsidies for key positions within partner institutions, community development projects and impact assessments. The details of action taken by AATIF and the TA Facility can be seen on their website (www.aatif.lu) or be made available upon request.

4 Commercial Farm Development in Central and Northern Ethiopia: Solagrow PLC - CFC/2013/01/0030 FT

Submitting Institution	***Solagrow PLC***
Location	***Ethiopia (LDC)***
Commodity	***Potato and others***
Total Cost	***USD 120,000***
CFC Financing	***USD 120,000***

Project Description

Solagrow is a farming and agribusiness enterprise with a focus on the production of potatoes and other high value crops for the Ethiopian local market, whereby the integration of Ethiopian smallholder farmers through provision of inputs, cropping technology and market access is a core concept of their business model. All additional income earned by Solagrow is invested in identified area in Ethiopia to further support the development of the agro-economy.

During the implementation of the project 'Commercial Farm Development in Central and Northern Ethiopia' (CFC/2012/01/0030), the borrower i.e. Solagrow encountered unforeseen operational expenses due to loss of inputs, such as seeds, fertiliser, and damages incurred on farm equipment's. Seeing the prevailing situation, in 2016, CFC requested Solagrow to provide an assessment of the company operational and financial status and to identify and specify steps required to adjust its farming operations. To overcome the difficult situation a short-term cash inflow of USD 120,000 was requested as working capital to maintain and recommence farming operations on Solagrow's land.

Current Status

The working capital loan to Solagrow was disbursed in accordance with Solagrow's immediate need for enhancing working capital requirements in the course of 2017. The availability of these funds contributed to Solagrow's ability to continue operations and to consolidate its business to an extend where a restructuring process seems viable. Several corrective measures have been taken since then which enabled Solagrow to continue its operations, albeit on a substantially reduced scale to 175 ha (compared to the originally managed 650 ha). As of year-end 2018, Solagrow had reproduced sufficient planting material to recommence with a potato-based crop rotation. Based on the achieved harvest results and revenues, a restructuring plan has been developed which foresees resumption of regular loan service payments to the CFC in 2020.

5 Commercial Meat Processing/Marketing in Lagos - CFC/2013/02/0042 FT

Submitting Institution	***ESOSA Investments Ltd***
Location	***Nigeria***
Commodity	***Livestock***
Total Cost	***USD 250,000***
CFC Financing	***USD 120,000 (Zero interest loan)***

Project Description

This fast track project supports Esosa Investments Ltd, a small scale meat processor operating in Lagos, Nigeria, in restructuring and up-scaling its meat processing factory with the setting up of a pastry line for snacks and cakes and the value-adding expansion of the product range to include sausage based snacks. The CFC support will enable Esosa (i) to acquire additional equipment, optimizing via up scaling its market growth, (ii) increase its profit and diversification potentials associated with its main line of business. In addition, the Company would strengthen its local supply chains assisting 100 pig farmers in enhancing their farm yields with the introduction of improved breeds, the setting up of pig growing schemes and training in improved animal husbandry. The Fulani nomadic cattle herdsmen are also expected to benefit from the advantages of an enhanced commercial beef production.

Through the upscaling of its meat processing activities, ESOSA is expected to develop a partnership with 100 farmers with 3 piglets each (Landrace & Duroc) for multiplication in the first year (2014). Thus, each participating farmer is expected to increase monthly income from USD 1,500 to USD 2,200 per month at the end of 2014. This intervention will enable participating farmers to hire additional 5 persons thus creating 500 jobs for farmhands. Farmers will be trained in improved animal husbandry practices.

The loan agreement was signed in July 2015 and fully disbursed in 3 tranches.

Current Status

The implementation of the project experienced some delays mainly due to market instability, fluctuation of the local currency and delays in receiving the certifications to start the production to be approved and released by the Nigerian Regulatory Body (NAFDAC). Consequently, the repayment of the loan has been postponed, with a second deferral still not granted as of the date of this report as consent from the Federal Ministry of Industry, Trade and Investment of the Federal Republic of Nigeria, who is guarantor of the loan for an amount of USD 64,000, is awaited.

6 Partnership with the Africa Agriculture SME Fund (AAF-SME) - CFC/2013/02/0084 FA

Submitting Institution	***Africa Agriculture SME Fund (AAF-SME)***
Location	***Africa***
Commodity	***Miscellaneous***
Total Cost (Target Fund Size)	***USD 80,000,000***
CFC Financing	***USD 2,000,000 (equity), and USD 100,000 (as a grant to cover administrative and legal costs)***
Co-financing	***Other main investors: Agence Française de Développement (AFD), PROPARCO, Spanish Government (AECID), and African Development Bank (AfDB)***

Project Description

The AAF-SME fund supports private sector companies that implement strategies to enhance and diversify food production and distribution in Africa by providing financial resources and strengthening their management. AAF-SME Fund is Africa's first Impact Investing Fund with a focus solely on food producing and processing Small and Medium Size Enterprises (SME) throughout the continent. SME's active in the African agricultural sector offer significant growth opportunities and have an important impact on economic development and job creation and are therefore widely regarded as the key for the economic development of Africa. AAF-SME investments seek to demonstrate that investments in the African agricultural SME sector is a commercially viable proposition with associated manageable risks.

AAF-SME is being complemented through a Technical Assistance Facility (TAF) that provides grant funding for complementary projects to strengthen the developmental aspects of individual investments with an emphasis on the establishment of out grower schemes.

Current Status

Beginning of 2019, the fund was fully invested in eight different agricultural SME's across Sub-Saharan Africa (SSA) that focus on different value chain segments, from mixed farming operations to organic fertilizer production. AAF-SME are actively assisting the companies to follow individually developed business growth plans. Since AAF-SME Fund is scheduled to close in 2022, several investments are already preparing for exit from AAF-SME to private investors; and during 2019, one portfolio company was already sold. The proceeds were mainly used for follow-on investments for existing portfolio companies.

Through its investments, the AAF-SME fund continues to support 450 jobs of which 94 are occupied by female employees and strengthens commercial relations of 7,150 smallholders with AAF-SME funded companies, who source their raw materials for processing. The details of action taken by AAF-SME can be seen on their website (www.zebuinvestments.com/aaf-sme-fund/) or be made available upon request.

7 Partnership with the EcoEnterprises II Fund (EcoE II) - CFC/2013/02/0085FA

Submitting Institution	***EcoEnterprises Partners II L.P. (EcoE II)***
Location	***Latin America***
Commodity	***Miscellaneous***
Total Cost (Target Fund Size)	***USD 40,000,000***
CFC Financing	***USD 500,000 (equity), USD 25,000 (as a grant to cover administrative and legal costs)***
Co-financing	***Main other investors: Dutch Development Financial Institution (FMO), Interamerican Development Bank (IADB), and European Investment Bank (EIB)***

Project Description
EcoE II invests in small companies with a proven business model at expansion stage which are active in the sustainable agriculture and forestry (products) sector in Latin America. The targeted investee companies supply into a continuously growing market for organic food products and certified wood predominantly in the US (through mainstream retail channels such as Walmart/Home Depot and similar dominant food retailers and home improvement stores). The vast and globally appreciated natural resource base of Latin America can be seen as a comparative advantage that presents a widely untapped opportunity for sustainable food and timber products out of the region.

EcoE II investments seek to demonstrate that the sustainable use of natural resources can be commercially viable and indeed can prove to be a competitive advantage. Success could lead to widespread recognition and replication by commercial funds and to a more receptive regional banking sector.

Current Status
Since its first closure in 2011, the fund has disbursed a total of USD 31 million in debt and equity investments across 11 different portfolio companies. These companies are engaged in eco/organic niche products such as tea, juices, baby food and dried fruit which source raw materials from smallholder producers. Since EcoE II is scheduled to expire in 2021 and is at its wind-down phase, it exited four companies during 2019 and is actively preparing to divest from the remaining portfolio.

Overall, funding from EcoE II has supported more than 3,800 jobs while the seven remaining portfolio companies continue to connect more than 8,600 raw material suppliers (i.e. collectors, smallholder farmers, etc.) with investee companies, who increase their income through delivering to a reliable off-taker. In addition, more than 3 million hectares of land are either being managed in a sustainable manner or are conserved by EcoE II's current portfolio companies. The details of action taken by EcoE II can be seen on website https://ecoenterprisesfund.com or can be made available upon request.

8 Partnership with the Moringa Agroforestry Fund - CFC/2013/02/0086 FA

Submitting Institution	***Moringa Agroforestry Fund S.C.R.***
Location	***Latin America/Africa***
Commodity	***Miscellaneous***
Total Cost (Target Fund Size)	***Euro 100,000,000***
CFC Financing	***USD 1,349613 (equity), and USD 75,000 (as a grant to cover administrative and legal costs)***
Co-financing	***Main other current investors: FMO, PROPARCO, Spanish Government (AECID), and Latin American Development Bank (CAF)***

Project Description
The CFC provides funds to the Moringa Agroforestry Fund (Moringa) which seeks to invest agroforestry projects in Africa and Latin America that can commercially compete with deforestation drivers (like cattle ranching, crop farming and timber harvesting). At the same time Moringa investments are required to have a demonstrable positive impact on the environment and the livelihoods of local populations. while generating a clear positive impact on local populations and the environment. Moringa invests in agroforestry projects which usually have an industrial nucleus (being the investee company of Moringa) and a wider circle of integrated smallholder farms/value chain partners in its vicinity. Through its investments, Moringa targets a total of 8,000 new jobs created with an income effect on 35,000 dependents. In addition, about 60,000 outgrowers are expected to be associated to commercial investments of Moringa, with a development impact on 340,000 dependents.

Moringa investments are complemented through a Technical Assistance (TA) Facility that provides grant funding for projects to strengthen the developmental aspects of individual investments. This TA Facility is managed by the CFC.

Current Status
2019 was the first year following the end of Moringa's investment period. The Fund has made investments in 8 companies, of which three are in Latin America and five in Africa. Already around 10,500 smallholder farmers benefit as suppliers or work as out-growers to the Moringa investees through improved access to markets and receipt of better prices. In addition, the fund investments have supported 2,500 jobs and 11,500 ha of land in sustainable agro-forestry farming systems. The details of action taken by Moringa can be seen on website https://www.moringapartnerships.com or made available upon request.

9 Rural Injini (Engine) Inclusive Maize Trading & Processing - CFC/2013/03/0120

Submitting Institution ***Joseph Initiative Ltd. (JI)***
Location ***Uganda (LDC)***
Commodity ***Maize***
Total Cost ***USD 1,929,000***
CFC Financing ***USD 500,000 (Financed by the Dutch Trust Fund)***

Project Description
The project aims to support Ugandan smallholder farmers to efficiently bulk and process maize to sell to regional wholesalers. Joseph Initiative Ltd. (JI) takes an integrated approach to trading, combining rural collection centres with village buying agents to collect maize in small quantities from remote farmers and making payments to them on the spot. This trading model provides a predictable market that incentivizes smallholders to improve quality and intensify production.

Joseph Initiative's business model concentrates on 'bottom of the pyramid' farmers producing 1 metric ton or less per year, as they are below the aggregation thresholds for commercial traders. A reliable market and access to inputs and finance will increase farmers' incomes. Inclusion of a large number of producers, increasing productivity and potentially reducing the current 40% post-harvest losses could lead to substantial improvement in Uganda's food security.

Current Status
JI expanded its processing facilities and used its ability to enhance procurement of maize from small producers. It also attracted partners to provide additional resources to expand its procurement and distribution. During 2019 JI Management reports that 6,000 MT of maize were procured from local smallholders.

In September 2017, JI formally became part of the East African agribusiness company Agilis Partner who also controls Asili Farms (also a borrower of a CFC loan). This is to achieve maximum synergies between JI as a maize trader and processor and suppliers from the larger scale arable maize farm Asili. As a result of the acquisition and the new role of JI in the Agilis Partner company structure, it has been agreed that the CFC will receive an early repayment of its funds invested into JI. Details of the prepayment are still under discussion.

10 Preparation of a Technical Dossier for Geographical Indication (GI) for Ceylon Cinnamon in the EU - CFC/2014/04/006 FT

Submitting Institution ***Sri Lanka Export Development Board ('EDB')***
Location ***Sri Lanka***
Commodity ***Cinnamon***
Total Cost ***USD 100,000***
CFC Financing ***USD 60,000 (Grant)***

Project Description
The project supports the preparation of a technical dossier to obtain Geographical Indication (GI) registration for Ceylon Cinnamon in the European Union (EU).

Ceylon Cinnamon is only grown in Sri Lanka. GI registration has the purpose to differentiate Ceylon Cinnamon in the EU market from other cinnamons of lower quality. A GI will act as a source of competitive advantage which will help increasing market differentiation, product turnover and allow for a premium price from the consumer. An enhanced competitive position of Ceylon Cinnamon in the EU market will have a positive impact in terms of an increase in exports for Sri Lanka, higher income and employment generation across the cinnamon value chain, benefiting about 30,000 stakeholders involved in cinnamon production and processing.

The grant agreement was signed in July 2015 for an amount of USD 60,000, of which USD 33,000 has been disbursed.

Current Status
The project was successfully completed in the year 2019. The application to obtain Geographical Indication (GI) registration for Ceylon Cinnamon was submitted to the European Commission (EC). The authorities of EC examined the content and forwarded their observations before granting the GI. Sri Lanka Export Development Board has received technical assistance to streamline the domestic control mechanism such as the establishment of GI Law and traceability system. During the year 2019 the establishment of Ceylon Cinnamon Geographical Indication Association (CCGIA) was finalized, as well as the registration as a legal entity (Registrar of Companies). The IT based GI Traceability System for Ceylon Cinnamon is still in progress as of the date of this report.

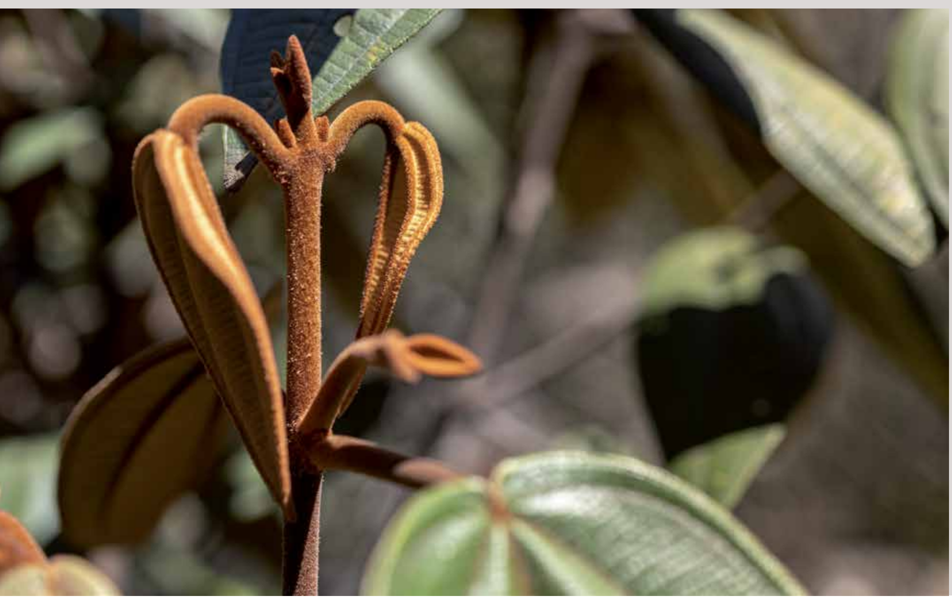


Photo: Cinnamon plant, Maarten Zeehandelaar, Adobe Stock

11 Commodity Value Chain Tropical Timber from Community Forest - CFC/2014/04/0047 FT

Submitting Institution	***Community Forest Group BV (CFGBV)***
Location	***Cameroon***
Commodity	***Tropical Timber***
Total Cost	***USD 280,000***
CFC Financing	***USD 120,000 (Funded from the Dutch Trust Fund)***
Co-financing	***USD 160,000 (Provided by FTT BV from the IDH grant)***

Project Description

The project focuses on implementing a community forest management scheme under the national community forest legislation to provide a source of income for poor and remote communities in Cameroon.

The proponent, Community Forest Group BV (CFG BV) has developed a model, supported by Sustainable Trade Initiative (IDH), for marketing of community-sourced tropical timber from Cameroon to developed markets. The model involves (i) training of forest communities in sustainable forest management practices, (ii) licensing and certification of their timber under relevant certification schemes (e.g. the FSC), and (iii) setting up a physical logistics chain to export certified timber. The operational model is being developed as a social business and includes impact assessment as a separate activity.

CFGBV surveyed 25 community forests and selected 4 as prime candidates to provide sufficient base for the operations of the proposed project. Subsequently, project operations were fully developed in 2 community forests, Mirebe and Afcobaba, both in Eastern Cameroon. The expectation is to achieve a fully self-financing operation at this level.

Current Status

The deliveries of timber for sale in Europe, in 2017, started slow due to congestion in the port of Douala which blocked shipments for some time. The production of timber had also to be temporarily stopped, but it resumed towards the end of 2017 as the issues relating to shipments through the port were resolved. Despite continuing challenges faced due to difficulties in use of local infrastructure, extended travel times and other conditions, especially in rainy season, over the past three years, useful experience was gained, and the operation continued to expand. The CFC/CFGBV resources continue to be used 'at work' and target level of production of around 80-100m3 per year of community forest tropical timber from 2 communities is being achieved. Over the course of the project in 2014-2017 seven loads of timber have been shipped for sale in the EU, with the total volume of over 200m3, with 35 new permanent jobs, and additional sustainable income for forest communities at the level of USD 66,000.

In the course of 2018, CFG BV received the approval of the Nederlandse Voedsel en Waren Autoriteit (NVWA) to certify the compliance of its community forest sourcing system under the EU Timber Regulation (EUTR). The company is further exploring certification of sustainability from FAO, Forest Law Enforcement Governance and Trade (FLEGT), and Tropenbos. The project is completing in 2019 and continuing delays and administrative problems exporting community forest timber prevented the company from expanding its operations as projected to reach operationally sustainable scale. The operations will be wound down in 2020.

12 Optimizing the Smallholder Maize Value Chain in Western Kenya - CFC/2014/04/0094

Submitting Institution	***Stichting ICS, The Netherlands***
Location	***Kenya***
Commodity	***Maize***
Total Cost	***USD 453,200***
CFC Financing	***USD 226,000***

Project Description

The Dutch development organisation, ICS, is active in the maize value chain in Western Kenya. Agrics Ltd, the Kenyan subsidiary of ICS, sells high quality agricultural inputs to smallholder maize farmers. With CFC's financing, Agrics will upscale its agricultural input business by enlarging the supply of high-quality seed to a network of smallholder maize farmers in Western Kenya.

ICS and Agrics work with local community-based organizations and farmer groups for the distribution of inputs. The project will have a direct impact on the productivity of smallholder farmers, increasing their food security and household income, by offering affordable input and improved agriculture practices. Agrics also provides services to buy the inputs on credit. This is coupled with the use of mobile payment services by the farmers.

The objective of the project is to involve up to 100,000 smallholder farmers in 2019, by increasing their production and productivity up to 250%.

Current Status

The CFC loan was disbursed to ICS in the Netherlands in 2016 and has been used to finance the growth of Agrics' input business in Kenya. Agrics particularly continued to focus on the core maize package, bundling maize seeds, fertilizer and training, while piloting several more high-value crops such as certified soya and beans. The core package was combined with the Geodatics fertiliser advice. Agrics sold agricultural inputs on credit to about 24,000 smallholder farmers in 2018, all making use of mobile payment services. Gross annual income of farmers has grown about 79% stemming from yield improvements.

2019 turned out to be a difficult year for Agrics. Continuous efforts to attract new equity capital, required to further grow its activities and benefit from economies of scale, have not been successful. Simultaneously, revenues from the sale of maize packages dropped, putting pressure on Agrics' liquidity position. ICS and CFC agreed to accelerate the loan payments to facilitate the restructuring of the organization.

13 Moringa Agroforestry Technical Assistance Fund - CFC/2014/04/0103 FT

Submitting Institution	***Moringa Agroforestry Fund***
Location	***Africa/Latin America***
Commodity	***Agroforestry***
Total Cost	***USD 4,100,000***
CFC Financing	***USD 100,000 (Grant)***

Project Description

The Moringa Agroforestry Technical Assistance Fund (ATAF) is a grant-based fund that supports the development impact of investments made by the Moringa Agroforestry Investment Fund. The funds finance programs for training, capacity building and land management.

The associated ATAF has been established to mitigate risks and to increase the development impact of Moringa Fund investments. The overall objective of the ATAF is to strengthen the capacity of Moringa Investees to include and integrate interested members of the local population into agroforestry production systems, so as to improve their standard of living, their agricultural practices, and, thus, to protect the environment.

Current Status

ATAF commenced operations in 2016, after a service agreement was signed with the CFC, to become the ATAF Manager. Apart from establishing organizational structures and processes for ATAF, by end 2019, the CFC, as ATAF Manager has to date developed 15 individual Technical Assistance projects of which eight are under implementation or development, and seven have been completed.

All projects are set up in relation to Moringa fund investments with the objective to ensure the positive environmental and social impact of the investments. One of the latest project developed aims to increase efficiency in palm oil collection from smallholders and to support an organic palm oil processing factory in Ghana to achieve full traceability of its supply, as a first step towards further developing its smallholder outgrower scheme. The details of action taken by ATAF can be seen on website https://www.moringapartnerships.com/agroforestry-technical-assistance-facility and can be made available upon request.

14 Modern Processing & Value Chain Development for Prosopis Charcoal and Nutritious Animal Feeds, Kenya - CFC/2014/04/0107 FT

Submitting Institution	***Start!e Limited (Social Enterprise)***
Location	***Kenya***
Commodity	***Timber***
Total Cost	***USD 214,000***
CFC Financing	***USD 100,000 (Zero interest loan, financed from the Dutch Trust Fund)***
Co-financing	***USD 15,000***
Start!e Limited (Contribution)	***USD 99,000***

Project Description

The social enterprise Start!e Ltd aims to control the unwanted spread of the tree Prosopis Juliflora by setting up a value chain for development of sustainable charcoal as cooking fuel and a value chain for animal feed from the Prosopis fruit pods. A feasibility study financed by Start!e has proved the viability of this undertaking and has secured a partnership with the Kenya Forestry Research Institute (KEPFRI). The Government of Kenya has endorsed this utilization approach to manage the spread of this tree, now occupying much of Kenya's arid and semi-arid areas.

Start!e working with existing Charcoal Producers' Associations has established a network of Prosopis wood and seed pod collection. Start!e sells directly to existing charcoal wholesalers (large-sized bags) as well to distributors that serve retail outlets (various size of packaging). A modern mobile carbonation unit is used to produce charcoal from Prosopis wood.

The project aims to: (i) enhance the process of acquisition of chopped dried Prosopis feedstock; (ii) improve the carbonisation process by shortening the cycles of production; (iii) build customer relationships with a few, higher volume consumers and wholesalers; (iv) improve efficiency in transportation logistics and costs; and (v) increase fundraising.

Current status

The CFC financed the project and provided resources in the form of a non-interest-bearing loan, disbursed in December 2014. The project was implemented by Tinder EcoFuels, the company created by the social enterprise Start!e for this purpose, in collaboration with the Kenya Forestry Research Institute. During the first year of operation, some teething problems were encountered including some engineering issues with the locally assembled mobile carbonization unit which led to higher costs. Therefore, it was decided to stop working with the local carbonization machine and to import a ready- made carbonization machine from Europe. Despite some damage to equipment in transport due to difficult terrain in Kenyan roads, the carbonization machine commenced production in June 2017. An initial 230 bags were produced (11.5 tons of charcoal). This was transported to Nairobi and sold to existing wholesale market.
The project further had to deal with a logging ban introduced in February 2018, and the CFC extended the requested 12-month postponement of the outstanding capital repayment. The logging ban caused the disruption of the Company's activities in 2019 and a subsequent request for further extension of the loan maturity. Considering the above, chances that the loan will be repaid in full are deemed scarce and a 100% Loan Loss Provision was recorded in the year 2019.

15 Scaling Smallholder based Premium Coffee Production in Congo and Rwanda - CFC/2014/05/0079

Submitting Institution	***COOPAC Holding Ltd.***
Location	***Congo DRC (LDC), Rwanda (LDC)***
Commodity	***Coffee***
Total Cost	***USD 3,931,880***
CFC Financing	***USD 1,500,000 (of which USD 750,000 financed by OPEC Fund for International Development (OFID) and USD 750,000 by the Dutch Trust Fund)***
Counterpart Contribution	***USD 2,194,660 - Root Capital; USD 87,220 - COOPAC Holding Ltd.***

Project Description

COOPAC Holding is the only organic coffee supplier in Rwanda. COOPAC working since 2001, in Rwanda, started in 2013 to work with small holders in Congo DRC and intends to upscale its activities there. The CFC support in form of loan is expected to be used to construct 5 washing stations in Congo DRC and to provide working capital for sourcing coffee in Congo DRC and Rwanda and exporting produced coffee.

The loan is also expected to be used for training of farmers in best organic agricultural practices and to certify them according to the standards of Fair Trade, Rainforest Alliance and Organic. With a goal to scale and impact up to 17,000 farmers by 2024, of which 3,400 farmers in Congo, COOPAC intends to create a path to improve smallholders' yield and net income for up to 2.6 times. The upscaling of activities is expected to result in a doubling of permanent staff from 63 to 130 and seasonal staff from 1,000 to 2,090 in 2021.

Current status

The project commenced in May 2017. In the first year, the CFC's funds were used to construct 2 washing stations in Congo and to provide working capital for the sourcing of coffee from farmers in Congo and Rwanda. The construction of the 3rd coffee washing station was completed in 2018. Two Congolese coffee washing stations were not operational in 2019 due to the fragile and unstable situation in Eastern Congo.

Coffee volumes dropped in 2019 due to supply chain disruptions and delays in funding to purchase the coffee from the farmers. The company sourced coffee beans from around 6,400 smallholder farmers. Farmers continued to benefit from a higher income for Organic and Fairtrade practices. The majority of COOPAC´s certified coffee was sold to high end buyers in the USA, Asia, Europe, and Africa. The project has created new 137 jobs so far with 127 seasonal and 10 permanent employees. About 62% of employees are female.

The owners of COOPAC have established a company in Belgium selling roasted Rwandan and Congolese coffee to European buyers under the Virunga brand. The coffee is currently sold in 6 stores of a larger supermarket chain in Belgium and plans to expand to other distributors in the region.

16 Scaling Smallholder based Premium Coffee Production in Congo and Rwanda - CFC/2014/05/0079 FT

Submitting Institution	***COOPAC Holding Ltd.***
Location	***Congo DRC (LDC), Rwanda (LDC)***
Commodity	***Coffee***
Total Cost	***USD 120,000***
CFC Financing	***USD 120,000***

Project Description

The CFC support, as a returnable grant, is training of farmers in best organic agricultural practices and to certify them according to the standards of Fair Trade, Rainforest Alliance and Organic. It is expected that the number of participating farmers in Congo will increase from 200 in 2015 to around 3,400 farmers (of which 40% female farmers) in 2021.

The upscaling of activities is expected to result in a doubling of permanent staff from 63 to 130 and seasonal staff from 1,000 to 2,090 in 2021.

Current Status

The project commenced in May 2017 by providing shade tree seedlings and agroforestry trainings to the Congolese member farmers. The construction of the 3rd coffee washing station in Congo was completed in 2018. The farmers received trainings on organic plant nutrition, but also on more complex nutrient balance practices of the coffee fields. COOPAC also produces its own fertilizer from coffee pulp, lime, molasses and micro-organisms. Together with seedlings and natural pesticides, this fertilizer is given for free to its associated farmers. COOPAC has been working with around 2,500 Congolese farmers up to 2018.

Two Congolese coffee washing stations were not operational in 2019 due to the fragile and unstable situation in Eastern Congo.

17 Tolaro Global Cashew Factory Expansion, Benin - CFC/2015/06/0032

Submitting Institution	***Tolaro Global***
Location	***Parakou, Benin (LDC)***
Commodity	***Cashew***
Total Cost	***USD 5,464,000***
CFC Financing	***USD 1,500,000 (of which USD 1,000,000 is financed by OPEC Fund for International Development (OFID))***
Co-financing	***Tolaro Global USD 464,637, other financiers USD 3,500,000***

Project Description

Tolaro Global is the leading cashew processing company in Benin. Founded in 2010, the company processes and exports more than 3,500 metric tons (MT) of cashews to premium markets in Europe and the United States, with a value of almost USD 4 million. The company buys raw cashews from 7,000 smallholder farmers and employs more than 650 workers, thus creating significant economic impact in Benin.

The CFC is financing the company's expansion plans. The project entails the acquisition of equipment to increase the processing capacity of Tolaro from 3,500 MT to 20,000 MT by 2023. The number of farmers delivering raw cashew nuts to Tolaro is expected to increase from 7,000 to 15,000 by 2023. The number of factory jobs is expected to increase from 650 to 1,500 over the same period.

Current Status

In 2019, Tolaro processed 5,500 MT of cashew nuts compared to 5,100 MT in 2018. The company obtained the British Retail Consortium (BRC) certification for its roasting, seasoning and packaging facility. This is the highest standard of food safety, quality and operational excellence within a food manufacturing organisation. Initially planned for 2018, the go-to-market for the roasted product was delayed into 2019 with expected ramp up in 2020.

Tolaro is creating a sustainable and competitive ecosystem for cashew harvesting, processing and export in Benin. A socio-economic study undertaken by Business Call to Action (initiative launched by the UNDP) has shown some important achievements. Amongst Tolaro partner farmers, 80% received training from Tolaro. Amongst these, 38% reported increased production and 54% increased quality. 74% of the partner farmers are now members of cooperatives – strengthening farmers' position in the value chain and allowing them to gain fair trade certification and obtain better prices.

18 Intensified Livelihoods Improvement and Environmental Conservation through Social Business Activities (Natural Fertilizer, Myanmar) - CFC/2015/07/0020 FT

Submitting Institution	***Swanyee Group of Company***
Location	***Myanmar (LDC)***
Commodity	***Fertilizer***
Total Cost	***USD 236,171***
CFC Financing	***USD 117,600 (Loan)***
Counterpart Contribution	***USD 118,571***

Project Description

There are many distributors of chemical fertilizers in Myanmar but only a few of them are engaged in the supply of natural and bio fertilizers. The Swanyee Group is active in selling organic agricultural inputs mainly to small holder farmers in Myanmar. It has a research department that has been experimenting with the production of natural fertilizers, in the form of vermiculture. The core of the project is to expand the current levels of vermiculture-based liquid and compost fertilizer. The project aims to demonstrate that organic fertilizers can be offered at lower costs than chemical fertilizers with effective social, economic and environmental impact.

Current Status

The CFC loan was fully disbursed in the fourth quarter of 2016. The development impact of the project is the reduction in fertilizer costs for farmers from USD 60/acre to below USD 50/acre.

For 2019, the company sold 48 metric tons (MT) of organic fertilizer compared to 144 MT in the previous year. Declining sales was due to difficulties with credit sales which led the company to impose a 25% advance payment requirement. This advance payment requirement led to a reduction in credit losses but a decline in overall sales. That said, Swanyee believes that demand for bio-fertilizers remains strong. For 2020, Swanyee plans to focus on G.A.P. (Good Agriculture Practices) systems in which bio-fertilizers can be mixed with Chemical fertilizers and thus increase its market reach.

19 Accelerating Lending to Food & Agri sector in East Africa Supply Chain Financing - CFC/2015/07/0028

Submitting Institution	***Financial Access Commerce and Trade Services (FACTS)***
Location	***Kenya, Uganda (LDC)***
Commodity	***Miscellaneous Commodities through Supply Chain***
Total Cost	***USD 7,000,000[1]***
CFC Financing	***USD 1,200,000 (including USD 1,000,000 financed by OPEC Fund for International Development (OFID) and USD 200,000 by Dutch Trust Fund)***
Counterpart Contribution	***USD 10,300,000***

Project Description

Factoring, as a form of supply chain finance, is only marginally developed in Eastern Africa, while in more developed and developing economies it plays a critical role in injecting the much-needed short term liquidity in value chains.

The project aims at supporting the expansion of the factoring business in Kenya and Uganda, the project promoter and CFC Borrower is FACTS East Africa BV ('FACTS').

The CFC loan amounts to USD 1,200,000 and will be disbursed in tranches. The tenor of the loan is of 9 months, revolving for 3 years, depending on the declared factoring portfolio.

The project benefits small enterprises and small holder farmers, the expected change in income of the smallholder farmers is: i) maximum increased net income of USD 1.14 million for supplying farmers, or USD 30 per farmer per year, and ii) increased turn-over in the amount of USD 2.9 million, or USD 78 per farmer per year.

Current Status

The Loan agreement was signed in August 2018, and a first tranche of USD 400,000 was disbursed in March 2019.

During the year 2019 the factoring portfolio grew less than expected, and the level of Non-Performing Loans ('NPLs') was greater than estimated at the beginning of the year. Last November 2019 FACTS informed its lenders about the financial difficulties that the Company was facing and illustrated a new plan to relaunch the company activities, including a new local management team, and a liaison with local banks. Following the occurrence of defaults under the facility agreements of two of FACTS 's lenders, in December 2019 the lenders of FACTS signed the main terms and conditions of an Inter-creditor Agreement ('Term Sheet') in which the lenders agreed to temporarily waive their ensuing rights under the respective facility agreements, under the condition that, amongst other things, an Inter-creditor Agreement would be prepared and agreed between the Parties. The signed Term Sheet of the Inter-Creditor Agreement foresees (i) a stand still period until 1 April 2020; (ii) pari passu ranking on security; (iii) the obligation of FACTS to repay the Senior Claims in 18 equal monthly instalments starting from 30 April 2020.

[1] Total Project cost is the outstanding factoring portfolio of the Company. In particular, since the CFC entered into a 9-month facility, the total project cost is considered for the outstanding factoring portfolio for the year 2019 only. The factoring portfolio for the year 2019 amounted to EUR 3.2 million

20 Irrigated Perfumed Rice and Normal Rice Production in Thiagar, Senegal - CFC/2015/07/0030

Submitting Institution	***Coumba Nor Thiam (CNT)***
Location	***Senegal (LDC)***
Commodity	***Rice***
Total Cost	***3,150,000***
CFC Financing	***USD 1,459,800 (including USD 1,000,000 financed by OPEC Fund for International Development (OFID))***
Counterpart Contribution	***USD 1,690,200***

Project Description

Coumba Nor Thiam (CNT) is the third largest rice processing company in Senegal with 30 years' experience in the production and processing of normal and perfumed rice. Since 1987, CNT has been growing into a more successful rice company with improving sales volumes. It currently employs 2,500 outgrowers on 3,000 hectare (ha) of land and runs a 500 ha of land in its own plantation in the Northern River Valley region. With a milling capacity of 120 ton/day, CNT is currently processing 15,000 ton/year of paddy rice.

The CFC loan will be used to buy agricultural and irrigation equipment to increase rice production for CNT and for the outgrowers in the supply chain.

Current Status

The loan and collateral agreements were signed in June 2019 and the first tranche of the loan in the amount of Euro 644,500 was disbursed in November 2019. With the investment in new farming and irrigation equipment, the company expects to process 20,000 tons of rice by 2021 and to reach the maximum processing capacity of 40,000 tons in 2025. The company will add 500 new farmers to the outgrower network bringing the total to 3,000 farmers. 16 new jobs are expected to be created in the processing facility bringing the total to 123.

21 Upscaling the Integrated Production and Processing of Selected Estranged Oilseeds, Nigeria - CFC/2015/07/0032

Submitting Institution	***EFUGO Farms Nigeria Ltd.***
Location	***Nigeria***
Commodity	***Oilseeds***
Total Cost	***USD 3,893,500***
CFC Financing	***USD 1,500,000***
Counterpart Contribution	***USD 2,393,000***

Project Description

EFUGO Farms Limited (EFL), established in 1987 and based in Abuja region of Nigeria, is producing various crop and livestock products. The project focuses on the production of edible oils (from groundnuts, soybeans, sesame) and non-edible oils (from castor beans, shea butter and neem seeds). There is a large demand for the products due to huge market for these oils and derived products in Nigeria.

EFL has already installed a new processing plant but needs resources to acquire additional components such as bleaching machines, weighing machines and tankers. Current supply of oil seeds is insufficient to run all aspects of the oil processing facility. EFL seeks to engage more than 20,000 farmers to supply oil seeds for the mill. The CFC funds will be used to purchase these additional components and for working capital needed to source seeds from the farmers.

Current Status

The CFC loan of USD 1,500,000 guaranteed by the Federal Republic of Nigeria was signed in the second quarter of 2017. The loan was fully disbursed in the first quarter of 2018.

EFL has launched an outgrower program managed by a company called Farmore to drive the engagement of smallholder farmers to grow castor in 9 states. The outgrower program successfully recruited 4,000 farmers with 6,000 hectares of land for the 2018/2019 agriculture season. In parallel, EFL recruited an experienced agronomist from India to coordinate the sourcing of seeds suitable for local conditions and with high oil content and yield ratio. The processing of castor in the factory is being upgraded, while the impact of the same and the use of castor oil is under review.

EFL has since been able to expand the operation by accessing a loan facility for inputs to 2,000 farmers under the Anchor Borrowers Program (ABP) of the Central Bank of Nigeria (CBN). EFL is in the process of accessing another facility for 2,000 additional farmers under the Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS) program.

22 Kupanua Project – Asili Farms Ltd., Uganda - CFC/2015/07/0078

Submitting Institution	***Asili Farms Masindi Ltd.***
Location	***Uganda (LDC)***
Commodity	***Maize***
Total Cost	***USD 3,361,229***
CFC Financing	***USD 1,200,000 (including USD 1,000,000 financed by OPEC Fund for International Development (OFID))***
Counterpart Contribution	***USD 2,161,299***

Project Description

Asili Farms is a fully mechanized farming company that manages dual-season production of high-quality maize and soybeans for supply to regional food processors. Asili became operational in January 2014 and is farming under a conservation agriculture and precision farming approach to maximize yields efficiently and sustainably. The ultimate strategic goal of Asili is to have commercial farming operations on around 6,500 ha. As part of the Agilis Partners Ltd. Holding, Asili Farms (AF) benefits from the guaranteed demand from the sister-company Joseph Initiative Limited (JI), which is marketing Ugandan grains and pulses with extensive regional market access.

CFC resources are used to further expand commercial farm operations as well as to scale out Asili's engagement in training small-scale farmers in commercial maize and soya production as the main source of maize and soya supply for JI. Through value chain integration and volume increase both, AF and JI, reciprocally mitigate risk and increase their viability.

Training of smallholder farmers and their subsequent integration into the supply network of the Joseph Initiative will have a substantial development impact on the 'bottom of the pyramid'. Asili's role as the 'technology transfer centre' of the Agilis Group will provide training and knowledge transfer for an estimated 50,000 smallholders, that will enable them to duplicate Asili's conservation agriculture approach onto their small farms. It is estimated that maize yields will increase from currently 1.5 MT/ha/harvest up to 5 MT /ha/harvest, and soya yields from 0.75 MT/ha up to 2.2 MT/ha. Targeted farmers will also be incentivized to scale out their production which will further increase their net income by a projected total of USD 1,400 per year. In addition, 270 jobs will be created directly through Asili's core farming operations.

Current Status

The loan contract was signed in February 2017 and a first tranche of resources was disbursed in May 2017. Despite a difficult year due to depressed regional maize prices, Asili continues to expand and by end 2019, the farm owns 6,000 ha of land of which 4,200 ha were converted into farmland and are being cultivated, up from 2,700 ha by end 2017. Main crops grown are maize and soya and sunflower. In 2019, Asili sold 21,000 MT of maize 780 MT of sunflower and 400 MT of soya. The company has also started to process grain into flour and managed to sell 1,000 MT of flour into the regional market.

For increasing food supply for the region, Asili regularly provides training on best practice maize farming to neighbouring smallholder farmers (298 farmers in 2019) who supply their produce to Asili's sister company Joseph Initiative Ltd. (also a borrower of a CFC loan). Increasing scale of Asili's farm operations have led to the creation of 88 permanent and 750 seasonal jobs.

23 Manufacture of Moringa Oleifera from Smallholder Farmers, Kenya - CFC/2016/08/0052FT

Submitting Institution	***EDOM Nutritional Solutions Ltd.***
Location	***Kenya***
Commodity	***Moringa oleifera***
Total Cost	***USD 240,000***
CFC Financing	***USD 120,000 (Loan)***
Counterpart Contribution	***USD 120,000***

Project Description
Edom Nutritional Solutions (ENS) is a company that produces and sells fortified porridge/maize meal and other staple flours. By locally sourcing the key inputs, ENS has a significant competitive advantage in pricing due to local/regional sourcing of micronutrients as compared to competitors' rather costly imported micronutrients. Wholly organically fortified products are preferred to synthetic/ conventionally fortified products. The Government of Kenya in collaboration with the Global Alliance for Improved Nutrition (GAIN) passed a requirement for mandatory fortification of staple flours which is driving demand for fortified flours.

The total investment of USD 240,000 was indicated to be used for upscaling of the activities, i.e. the purchase of farm Inputs, solar dehydrators (shared) & storage cocoons for 1,000 farmers with 2 acres each. Counterpart contribution to the project is USD 60,000 with an additional grant of USD 60,000 by the Great Impact Foundation.

The project was expected to lead to:
- 1,000 farmers earning USD 384/month from sales of moringa leaves, which is well above the above the minimum National Monetary poverty line at USD 170/month, and
- increased availability of affordable health products for low- and medium-income consumers.

The loan agreement was signed in September 2016 and fully disbursed.

Current Status
The project Sponsor and Borrower - Edom Nutritional Solutions - has not yet provided any update on the information regarding the implementation of the financed project and difficulties, if any, faced in execution of the project. They have also not yet met their repayment obligations. The appropriate authorities in Kenya have been contacted to obtain the current status of the project. Considering the above, a 100% Loan Loss Provision was recorded in 2019.

24 Start-up of Innovative Agriculture Finance Company for Cocoa, Philippines - CFC/2016/08/0064

Submitting Institution	***Kennemer Foods International Inc***
Location	***Philippines***
Commodity	***Cocoa***
Total Cost	***USD 11,600,000***
CFC Financing	***USD 1,400,000 (Loan)***
Counterpart Contribution	***USD 10,200,000***

Project Description
Kennemer Foods International Inc., established in 2010, is an agribusiness company specializing in the growing, sourcing and trading of cacao beans sourced from smallholder farmers. Kennemer has a long- standing commercial and strategic relationship with Mars, Inc. Mars is Kennemer's biggest customer. Mars and Kennemer began a partnership in mid-2012, which involves the sharing of planting research and technology, as well as best practices for cacao growing, harvesting, fermentation, and drying. This is the first such expansion of new cacao production in the Philippines.

In 2015, Kennemer launched a new finance company, called Agronomika Finance Corporation (AFC), to finance tailor made cocoa loans directly to small cocoa farmers. The company secured start-up capital through an equity investment by IncluVest (a Netherlands-based Impact Investment Fund) and through debt funding by FMO (the Dutch Development Bank) and IDH (The Sustainable Trade Institute).

The CFC loan is expected to be used for working capital to Kennemer to support the lending activities of AFC.

Current Status
The loan agreement between the CFC and Kennemer was signed in the fourth quarter of 2017. The loan was fully disbursed in the first quarter of 2018.

In 2019, Kennemer reported an increase in sales of 26% compared to the previous year. This was driven by an increase in world cocoa prices. With over 3000 metric tons exported last year, Kennemer remains the largest exporter of cacao beans from the Philippines.

Kennemer continues to organise access to crop-appropriate financing through AFC as well as other lenders allowing farmers to make the necessary investments for planting cocoa. Smallholder farmers that follow the basic grower protocol can experience a 4-fold increase in yield from 0.5MT/ha to 2MT/ha and a 6-fold increase in the average income from USD 625 to USD 3,750. Kennemer has so far planted 15,000 hectares of new cocoa trees through its Cocoa Contract Growing Program and plans to scale this to 50,000 hectares.

25 Upscaling Coffee Flour Production Plant of Sanam, Colombia - CFC/2016/08/0077FT

Submitting Institution	***Truvalu Group (for SANAM Company)***
Location	***Colombia***
Commodity	***Coffee***
Total Cost	***USD 312,000***
CFC Financing	***USD 120,000 (Loan)***
Counterpart Contribution	***USD 192,000***

Project description

SANAM is a coffee flour production company, based in Colombia and dedicated to the use of waste (husk and pulp) that are usually discarded in the process of coffee processing. These wastes are transformed into Miel de Café (coffee honey liquid) and Harina de Café (flour) which are used as raw materials and supplements for cosmetic, food, pharmaceutical and feed products. The pulp and husk contain elevated levels of antioxidants, proteins and minerals, which are used as raw materials and supplements for cosmetic, food, pharmaceutical and feed products. SANAM has already tested the process and currently produces 3 tons of coffee flour per day. The current project focuses on the upscaling of the SANAM processing plant to increase production of coffee flour. More than 60% of the requested funds will be invested in assets like machinery, equipment and buildings.

The project will have socio-economic and environmental benefits: (a) Employment Generation: the project will create at least 65 jobs, primarily in the rural areas. (b) Income increase of 5-10% for 3,500 farmers. In addition, once the waste is used by SANAM, coffee farmers would not need to pay fines for waste management which will save them money. About 85% of coffee farmers are smallholders (with land up to one hectare) who usually do not have resources for waste management, and (c) Positive environmental impact as coffee waste will no longer pollute the environment by preventing debris such as mucilage and coffee pulp to be poured into streams and rivers without any treatment as the waste will be processed.

Current Status

CFC is supporting the project through a loan extended via Truvalu Group, supporting small and growing agri-food businesses (former ICCO Cooperation). The funds were disbursed in October 2016 and have been used to invest in the machinery and equipment of the beverage and coffee flour line.

SANAM was certified and accredited as the only company in Colombia authorized to produce coffee honey, also known as concentrated mucilage, and coffee husk meal. In 2019, the company also obtained the process and product patent for the Colombian market. About 230 tons of coffee waste has been processed into coffee concentrate in 2018. SANAM is currently receiving the coffee waste from over 80 small coffee growers in the region. The two main products introduced to the market are coffee flour and fruit beverages containing coffee-derived antioxidants. In 2019, SANAM commenced sales of the beverage called Naox on the local market. Trade links have been established with the US, Europe and China, and estimated export volume is about 50,000 bottles.

26 agRIF Cooperatief U.A. - Netherlands - CFC-2016-09-0089

Submitting Institution	***agRIF Cooperatief U.A.***
Location	***Netherlands***
Commodity	***Partnership***
Total Cost (Target Fund Size)	***USD 200 million***
CFC Financing	***USD 1,000,000 (is Financed by the OPEC Fund for International Development (OFID)).***

Project Description

AgRIF is an Impact Investing Fund that focusses on debt and equity investments into financial intermediaries who are active in, and have a clear commitment towards financing the agricultural sector. In addition, agRIF will allocate up to 10% of its funds for the direct provision of debt financing to producer organizations and SMEs working in the agricultural value chain.

AgRIF invests globally in countries classified as eligible by the Development Assistance Committee (DAC) of the OECD. AgRIF will invest with a maximum exposure of 40% on each of the following regions:
a) Sub-Saharan Africa, the Middle East and Northern Africa; b) Latin America and Caribbean region; c) Central-Eastern Europe; d) South Asia; and e) East Asia. The individual country limit is set at 15% of the funds' total investments.

Target loan size of agRIF for each portfolio investment is between USD 0.5 and 5 million. Equity investments will have a target size between USD 5-7 million. AgRIF funds will be used by the borrowing financial institution to retail small and microcredits down to subsistence farmer level with individual loan size even below USD 1,000.

While microfinance institutions are likely to be the major group of clients, agRIF will also invest in small banks, agricultural leasing companies as well as any other financial intermediary who is able to provide services to the agricultural sector. This broad target market is chosen in recognition that microfinance institutions may not always be the best channel through which to approach clients active in the agricultural value chain.

Current Status

CFC joined agRIF in June 2017. agRIF has since raised over USD 150 million in capital contributions and senior notes to finance rural financial intermediaries and producer organization in developing countries. agRIF has supported 46 investees through cumulative disbursements of USD 150 million, of which 96% has been into rural financial intermediaries and 4% into agricultural SME's. The financial intermediaries have reached around 7 million borrowers. Among these are 55,000 producer organization members and 3 million are female. The investees employ 22,500 full-time employees, of which 48% female. India and Ecuador are the countries with the largest exposure in the fund to date.

27 Reducing Vulnerability to Price Volatility - Kenya - CFC/2016/09/0097

Submitting Institution	***SHALEM Investment Ltd.***
Location	***Kenya***
Commodity	***Grains***
Total Cost	***USD 2,100,000***
CFC Financing	***USD 610,000 (of which USD 500,000 is financed by Dutch Trust Fund (DTF))***
Co-financing	***Rabobank Foundation: USD 500,000 Foodtrade (FTESA) grant: USD 325,000 Shalem: USD 660,000***

Project Description

Shalem investment Ltd ('Shalem'), is an established social for-profit business aggregating, transporting, and marketing grains, cereals and legumes for use by agri food processors, such as East African Breweries, Unga Ltd, and Bidco. Created by the female CEO and founder to help smallholder farmers in successfully marketing their sorghum crops, Shalem works with thousands of farmers today, and is set to expand their activities. Shalem will start processing facilities based on variety of grains to access the Bottom-of-Pyramid (BoP) market with more innovative nutritious blended food.

CFC's funds will be used to invest in a storage facility where all grains and related farm produce from farmers will be stored, and a value addition facility where maize will be cleaned and blended with sorghum, millet and beans. By creating a product that incorporates drought-tolerant sorghum and millet in addition to maize, plus providing reliable storage facilities, the project aims to reduce the financial risks local farmers are facing due to volatile maize prices.

Shalem further expects to expand its supply network to include up to 50,000 farmers from the Upper Eastern region of Kenya over the next 5 years. Shalem provides a variety of incentives to help the smallholder farmers in their network achieve high-quality production, aggregation and marketing, such as training programs, soil testing, linking farmers to certified seeds and other farm inputs, and assisting them in adopting new technologies and providing access to micro loans. These improvements are expected to lead to productivity reaching 2,000 kg/hectare, tripling farmers' incomes to USD 215 per harvest. In addition, Shalem expects to create 17 new permanent jobs.

Current Status

The CFC loan was disbursed in tranches from May 2018 onwards, and construction activities of the modern processing plant commenced in-mid-2018. The plant has commenced operations by the end of 2019, equipping a fine cleaner and sorter, mobile dryer, mixer, extruder, packaging line, and other equipment financed by the CFC. The roadworks have been supported by Meru's county government, connecting the new plant to the main road. The plant will enable Shalem to upscale its nutritional product range by processing maize, beans, sorghum, millet, soybeans and green grams.

Shalem has introduced its first new nutritional products to the BoP-market under the brand name Asili Plus in 2018. The Asili Plus Porridge and Ugali are currently supplied to schools, and are available in over 50 retail shops and BoP-markets in Meru and surrounding counties. These value added activities, accounting for 40% of Shalem's income in 2019, create a more stable and secure demand for the smallholder farmers and a nutritious and accessible product for over 42,000 BoP consumers living in poor conditions. Shalem received support to construct 6 local collection centers for the farmers and expanded its farmer network from 22,200 to over 25,300 farmers during 2019. About 70% of the farmers are women, and Shalem's management team is currently represented by 4 women and 3 men.

Photo: Adobe Stock

28 Acquisition of a processing plant for the aquaculture sector - Peru - CFC/2016/09/0122

Submitting Institution	***Acuacultura Tecnica Integrada del Peru S.A. (ATISA)***
Location	***Peru***
Commodity	***Shrimp***
Total Cost	***USD 4,000,000***
CFC Financing	***USD 1,500,000 (Loan)***
Co-financing	***Acuacultura Tecnica Integrada del Peru S.A. (ATISA): USD 200,000. Owner: USD 1,850,000***

Project Description

ATISA, is a shrimp aquaculture company located in Tumbes area, North Peru. ATISA is specialized in breeding, production, and distribution of shrimps. About 65% of sales is exported to Europe and Asia, the remainder is sold domestically. ATISA is recognized through its own brand called 'COOL!'. They are number 21 in the Peruvian shrimp production market, a relatively fragmented market consisting of 85 production companies. The shrimp processing market, however, is very concentrated and fully controlled by 2 players: Nautilus (25% market share) and Inysa/Camposol (75% market share). Due to the duopolistic market, processing prices are currently 3.5x higher in Peru than Ecuador. ATISA intends to enter processing activities as a 3rd player in the country. ATISA is a family owned company founded in 1991, employing 90 persons, of which 43 are full-time. ATISA is recognized by quality and good production practices.

This project will invest in shrimp processing activities by acquisition of a plant, license, land, and new shrimp peeling machinery. The aquaculture plant to be acquired is aimed at fishery, which will be transformed into a shrimp processing plant.

Current Status

ATISA has entered into a lease agreement to temporarily rent the processing plant and has an option to purchase the plant after completion of the financing agreement. The new plant commenced operations in 2017 and part of the machinery such as the shrimp peeling machine and freezer has already been installed. The loan agreement was signed by the end of 2019. ATISA will start investing into sustainable aquaculture production practices of the shrimp farm. A second tranche of the loan will be made available to acquire the processing plant, subject to co-financing by other local financing institutions.

ATISA is the only shrimp aquaculture farm certified by Global GAP in Peru. To further reinforce its position as sustainable shrimp producer, the company is in process of becoming organic and ASC certified. CFC's first tranche is expected to be used for this purpose and part of these investments have already been made by ATISA's own resources. About 7 smaller Peruvian shrimp farmers continue to benefit from ATISA's processing services. ATISA is currently employing over 110 employees, of which 70% with a permanent contract.

29 EcoEnterprises Fund III - CFC/2017/10/0066

Submitting Institution	***EcoEnterprises Fund***
Location	***Latin America***
Commodity	***Partnership***
Total Cost (Target Fund Size)	***USD 100,000,000***
CFC Financing	***USD 1,000,000 (USD 1,000,000 is financed by OPEC Fund for International Development (OFID))***

Project Description

EcoEnterprises III (EcoE III) is an Impact Investing fund that seeks to make investments in Latin American SME's who source raw material from collectors or smallholder farmers for value added processing. The target sectors are sustainable agriculture, agro-forestry, aquaculture, and wild- harvested forest products. EcoE III seeks to invest in growing companies that cater for the continuing steep increase in demand for organic food products and certified wood in regional markets and foremost the US. In practice, EcoE companies source raw material from these sectors to add value to their 'Fast Moving Consumer Good' products (health drinks, 'healthy' candy bars, baby food, dried fruit, etc.).

EcoE III is expected to make 18 long-term capital investments, size between USD 2 - 6 million, within an average duration of 6 - 8 years. EcoE III fund managers will actively engage in investee company governance, company strategy and growth planning, and will provide technical advisory support, wherever needed. Next to the goal of being commercially successful, EcoE III aims at the creation of at least 5,000 jobs and to connect 25,000 small-scale producers to secure and rewarding markets through their investee companies.

Current Status

After the successful assessment and negotiations of the fund's final terms and conditions, the CFC has become a shareholder of EcoE III at its first closure in late 2018. CFC has been assigned a seat in the fund's advisory committee and participated in the first meeting in November 2019 in Amsterdam. EcoE III made its first disbursements of USD 15 million to seven portfolio companies in 2019. Already, its investments have supported the livelihoods of 7,400 smallholders and the jobs of 1,700 fulltime employees of whom 1,100 are women.

30 Formulation and fertilizer distribution for smallholder farmers, Côte d'Ivoire - CFC/2017/10/0111

Submitting Institution	***AGRITEC S.A.***
Location	***Côte d'Ivoire***
Commodity	***Fertilizer***
Total Cost	***Euro 2,003,000***
CFC Financing	***USD 1,100,000 (of which USD 350,000 is financed by OPEC Fund for International Development (OFID))***
Co-financing	***Coris Bank: EUR 530,000***
Counterpart contribution	***EUR 530,000***

Project Description
AGRITEC S.A proposes to build a dry bulk fertilizer blending and packaging station in Yamoussoukro, Côte d'Ivoire. AGRITEC S.A. is a distributor of agriculture inputs (insecticides, herbicides and fungicides) and equipment (irrigation and spraying) systems based in Abidjan. Since its establishment, AGRITEC has introduced new products that helped farmers to increase their productivity. The company's key competitive advantage is its advanced and highly diversified distribution model which allows it to service small and remote customers. AGRITEC has a network of 60 sales outlets across the country reaching up to 300,000 farmers across the country.

The CFC funds are expected to be used for the capital expenditures associated with building the fertilizer blending factory, establishing processing facilities and purchase of logistics equipment.

Current Status
The loan agreement between CFC and AGRITEC has been signed and all conditions for disbursement have been met. The first tranche of the loan was disbursed in the first quarter of 2018. Subsequent disbursements are expected in conformity with the project plan and the developments achieved.

Upon completion of the blending facility, project expects to create 120 new jobs, in the next 7 years. In addition, AGRITEC will reach new customers, providing proper inputs to smallholders who currently do not have access to them. It is expected that the productivity of the smallholders working with AGRITEC's inputs will increase by 38%, resulting in an increase in their incomes. Additionally, the company will introduce and promote the adoption of organic fertilizers and provide technical assistance for its customers.

31 Integrated Lime Production in Bahia - Brazil - CFC/2017/11/0005

Submitting Institution	***Jan Stap BV***
Location	***Brazil***
Commodity	***Citrus Fruit***
Total Cost	***Euro 2,375,000***
CFC Financing	***Euro 1,000,000 (Loan)***
Counterpart Contribution	***Euro 1,375,000***

Project Description
The Project aims at establishing an agricultural production base of limes in the municipality of Pojuca, in Bahia State, Brazil. The sponsor of the Project and potential CFC Borrower, Jan Stap BV ('the Company'), is a well-established import and export company based in The Netherlands and is commercializing fruits and vegetables imported from Brazil to Europe. Jan Stap BV is the largest company within the Torres Group ('The Group'), owned by the entrepreneur. The Group operates through two companies in Brazil and one in The Netherlands.

The Group entered the production business with the goal to vertically integrate and control its supply chain. The limes are produced in Brazil with the goal to collect, store, transport and distribute the same in Europe and world- wide by Jan Stap BV. The control over the whole value chain will enable the Company to apply and obtain the Fair Trade and Global Good Agricultural Practices (GAP) Certification.

Total area is 300 hectares, of which 52 hectares cultivated in 2019. It rains about 1,300mm / year in the region and the rainy season is from April to September. The first harvest is estimated for the year 2021. The development impact of the project would be achieved mainly through economic inclusion and stable employment of 50 farmers in one of the poorest municipalities of Brazil. This will contribute to poverty alleviation and creation of sustainable livelihoods. Moreover, the project will create additional jobs along with the value chain in the processing and logistic activities.

Current Status
The loan agreement between the CFC and Jan Stap BV was signed in December 2018 and the first tranche of EUR 500,000 was disbursed after the signature of the loan agreement.

In December 2019, a monitoring mission highlighted that the project implementation is progressing well; however, in some of the areas of the plantation, trees show some sign of water stress. Currently the plantation is rain fed only, however the Company intends to install an irrigation system. During the year 2019, the Company bought a water tank car and required attachments as well as 2 tractors, a trailer, and a car (Fiat Uno) to manage the plantation. The project investments are not yet completed: the renovation of the existing farmers' house is still ongoing.

32 East African Nuts & Oilseeds - Kenya - CFC/2018/12/0056

Submitting Institution	***Ten Senses Africa Ltd***
Location	***Kenya***
Commodity	***Nuts***
Total Cost	***USD 4,200,000***
CFC Financing	***USD 1,500,000 (Loan)***
Counterpart Contribution	***USD 600,000***
Co-financing	***USD 2,100,000***

Project Description

Ten Senses Africa Ltd. (TSA) is a nut processor and trader in Kenya. The company was created in 2008 by the Integra Foundation as the world´s first Fair Trade certified macadamia nut company and began exporting Fair Trade macadamia nuts in 2010. The company has since expanded to cashew, sesame and oil from sesame.

Currently TSA sources nuts from 15,000 organic macadamia farmers, plus 15,000 conventional macadamia farmers and 5000 certified cashew farmers, a total currently of 35,000 farmers. During the life of this investment, an additional 10,000 macadamia farmers and 5000 cashew farmers will be added to the Fair Trade and Organic certification process. Bringing a total of 50,000 farmers into the cooperative networks providing Free Trade and Organic product. The company has approximately 100 full time employees, and 1100 casual workers. TSA exports its products to markets in North America, Europe and Asia.

The CFC loan will give TSA the ability to scale up and accelerate its business model to include more farmers. The request is for a 7-year loan (with 2 years grace) to finance improvements in quantity and quality of nuts and sesame oil from East Africa, by: (1) Increased investment in high quality root stock for seedlings, (2) Investment in farmer training on tree care, (3) Investment in Fair Trade and Organic certification for a total of 20,000 farmers (15,000 in Kenya and 5,000 in Rwanda), (4) Investment in processing capacity to achieve: fewer broken and scratched nuts, less handling of nuts, better packaging, quicker processing, and (5) investment in branding and marketing, with a view to creating a high-value East Africa nuts and oil seeds brand.

During the course of the loan, the existing TSA factories in Kenya would employ 1,700 workers. An early stage processing plant would be set up in Rwanda, which would employ 100 workers. Of the direct beneficiaries, the farmers are expected to be approximately 30% women, and 80% women are expected to be factory workers. This yields an estimated number of women direct beneficiaries of 16,360 (15,000 farmers plus 1,360 factory workers.

The vision of the company is a world where smallholder farmers across East Africa can enjoy sustainable livelihoods by serving high value export markets. TSA expects that the introduction of Fair Trade/ Organic principles will result in stable and increased production, higher quality product and stable markets for farmers.

Current Status

The CFC and TSA reached an agreement on the final terms and conditions of the loan and signed the agreement in December 2019. The first tranche of the loan in the amount of USD 500,000 will be disbursed in January 2020. This will be used to buy 400MT of raw nuts from 2500 farmers. The nuts will be processed by TSA to meet orders from clients in Europe and the United States.

33 Development of Social and Environmental Management System - CFC/2018/13/0003FT

Submitting Institution	***International Labour Organisation (ILO)***
Location	***The Netherlands***
Commodity	***Cross commodity***
Total Cost	***USD 105,540***
CFC Financing	***USD 105,540 (Grant)***

Project Description

This project concerns the development of CFC's Social and Environmental Management System (SEMS). Such management systems are designed to enable a financial service provider to identify social and environmental risks associated with a particular transaction and take this into account when deciding whether or not to provide financing as well as identify opportunities to improve social and environmental performance.

The CFC has always considered the Environmental, Social and Governance (ESG) risks when assessing a project. This analysis is included in the entire process of evaluating a new proposal, from the initial screening of the applications received to the ongoing monitoring of an active project. However, recognizing the great importance and complexity of this topic, the CFC decided to take a step further, aligning its procedures to the current best practices from the impact investment industry, by developing its own SEMS.

To develop its SEMS, the CFC is partnering with the Social Finance Programme of the International Labour Organization (ILO). Since 2012, the ILO has gained experience on development and implementation of SEMS through collaborations with impact investors and development finance institutions, being a great partner for the CFC to build a robust and effective SEMS.

Current Status

The project started in 2019, with the ILO conducting an analysis to assess the existing policies and procedures regarding management of ESG risks of the CFC. Based on the findings from this analysis, the ILO team together with CFC staff, developed new and upgrade existent documents, templates and tools for the Fund. Also, mentoring activities were provided to capacitate CFC's staff on current best practices on ESG risks assessment.

34 Finding opportunities for niche commodities from developing countries in health food market - CFC/2019/14/0001FT

Submitting Institution	***UNCTAD***
Location	***Selected Least Developed Countries and Landlocked Developing Countries***
Commodity	***Other stimulant crops***
Total Cost	***USD 240,000***
CFC Financing	***USD 120,000 (Grant)***
Co-financing	***USD 120,000***

Project Description

This project, in partnership with the United Nations Conference on Trade and Development (UNCTAD), aims to explore how Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDCs) can better harness their biodiversity and traditional knowledge about health foods or nutraceuticals to create jobs, expand exports, and achieve inclusive growth. In particular, the project will study the potential of selected LLDCs as suppliers of health enhancing foods or individual ingredients and identify the policy measures needed to expand their exports in this sector. Furthermore, it intends to assist in mapping new and dynamic products with potential market in EU and other countries. This includes potential markets identification as well as connecting local producers' associations with importers searching for ingredients, so that producers of health foods in LLDCs and LDCs gain effective market access.

The results of the country-case studies will be validated and discussed in national workshops. The findings from the workshops, along with the study of the demand of health foods or nutraceuticals in advanced markets will be consolidated in a policy-research publication and disseminated in an interregional workshop bringing together policymakers and practitioners from LLDCs. The project will also contribute to enhance regulatory and institutional capacities of beneficiary countries to meet the demands of the markets in importing countries. A further project component will address the policies and measures that need to be taken to attract impact investors to the sector.

Current Status

The implementation of the project started in 2019 with the development of the first draft of a comprehensive study entitled 'Potential and Constraints for Developing Countries' Exports of Health Foods and Nutraceuticals: Azerbaijan, Bhutan, Bolivia, Burkina Faso, Ethiopia, and Nepal'. This global study will form the basis for six national country-studies to be launched in 2020. In addition, UNCTAD and CFC plan to hold a regional workshop to disseminate the findings and provide for an exchange of views among LLDCs on the potential of the health food sector and the measures needed to harness it.

35 Addressing Vulnerabilities of CDDCs to Achieve the SDGs - CFC/2019/15/0003FT

Submitting Institution	***UNCTAD***
Location	***Land Locked Developing Countries (LLDCs). Least Developed Countries (LDCs)***
Commodity	***Cross commodity***
Total Cost	***USD 160,000***
CFC Financing	***USD 120,000 (Grant)***
Co-financing	***USD 40,000***

Project Description

The project will focus on the preparation, presentation and discussion of technical reports on the impact of commodity related vulnerabilities on the efforts in achieving the SDGs. The studies for the reports will be organized by UNCTAD in commodity dependent developing countries selected to be representative of the typical challenges facing Commodity Dependent Developing Countries (CDDCs).

The objective of the studies will be to propose measures rebalancing global value chains in commodity markets, and come up with ideas that would further enhance the role of international organizations, CFC and International Commodity Bodies in assisting CDDCs to reduce vulnerabilities, and shake off their dependence on commodities. Another focus will be on adaptation of the commodity sector to climate change, mitigating climate related vulnerabilities of CDDCs. The outcome of the paper is to come up with evidence-based policies, strategies and actions to help CDDCs overcome those challenges.

UNCTAD has ample expertise in these matters, and will take advantage of its network of international experts to come up with relevant policy recommendations. The draft conclusions will be presented at the 30th Anniversary of the CFC being held in December 2019 for further discussion and will feed into the debate and the recommendations in the coming global UNCTAD conference in 2020. It is intended to provide the basis for the outcomes to be discussed in UNCTAD XV on advancing the SDGs in commodity dependent developing countries.

The project aims to identify new potential opportunities for CDDCs, drawing on their existing comparative and competitive advantages and natural endowments. The project will contribute to the diversification of the export of the CDDCs, as well as to the creation of new employment and income opportunities.

Current Status

The preliminary reviews of the baseline approaches to vulnerabilities have been reported at the 30th Anniversary of the CFC, the project is expected to roll out its expert studies in the course of 2020 aiming to present them at the quadrennial conference of UNCTAD in a special side event with the CFC.

Photo: A wholesale market, Bangkok, Thailand ©FAO/Dan White

Photo: CFC

IV

31st Meeting of the **Governing Council**

The Common Fund for Commodities (CFC) held its 31st Annual Meeting of the Governing Council (GC) in The Hague, Netherlands, from 3 to 4 December 2019. Mr. Alejandro Mitri (Argentina), Alternate Governor of Common Fund for Commodities for Argentina, opened the Meeting in his capacity as Acting Chairperson of the Governing Council. He welcomed all Members of the Council as well as the representatives of international organizations. Mr. Parvindar Singh, Managing Director of the CFC, delivered a statement on the activities of the Common Fund during 2019.

The Governing Council

The Agenda of the meeting was adopted. As is the custom for the Annual Meeting, ten national delegations delivered national statements, including a statement on behalf of the OECD group, delivered by the representative of The Netherlands. Further, the Food and Agriculture Organization of the United Nations (FAO) delivered its statement to the Governing Council as Observer.

The year 2019 was the last year of the term of office of Mr. Parvindar Singh as Managing Director of CFC. Mr. Singh held the post since 2012, first as Managing Director a.i., and then (since 2016) as Managing Director. In accordance with its Rules of Procedure the Governing Council held an election for the position of Manging Director of the CFC out of a pool of six candidates nominated by Member Countries. The Governing Council decided to appoint H.E. Sheikh Mohammed Belal (Bangladesh) as the Managing Director of the CFC for a four-year term, ending 31 December 2023.

The Governing Council considered the *'Extension of the date of Entry into Force of the Amendments to the Agreement Establishing the Common Fund for Commodities'* and decided to extend the date of entry into force of the amendments to the Agreement to 10 January 2021 with the possibility of a further extension to be granted by the Council at its Thirty-Second Annual Meeting, as recommended by the Executive Board. The Governing Council also decided to extend the date of entry into force of a number of new documents, and amendments to existing documents, of the 'Second Level' to the same date, 10 January 2021.

Photo: CFC

The Governing Council took note of the report on the Fund's activities under the First Account Net Earnings Programme and under the Second Account during the year 2019. The Governing Council approved the Administrative Budget for 2020 and the 2018 Audited Financial Statements.

In September 2019, the CFC reached a major milestone, completing 30 years of operations. To celebrate this occasion, during the GC Meeting, the CFC hosted a 30th Anniversary event to highlight the lessons learned during the past three decades, diagnose the current global commodity system, and set a direction for the next 30 years of the CFC. More information on this event is presented in section VI of this Annual Report.

Photo: CFC

Chairperson and Vice-Chairpersons of the Governing Council for the Year 2020

The Governing Council, by consensus, elected Mr. Alejandro Mitri of Argentina as Chairperson for the period up to and including the Thirty-Second Annual Meeting of the Governing Council.

The Chairperson and Vice-Chairpersons of the Governing Council for the year 2020 are as follows:

Chairperson for 2020

Mr. Alejandro Mitri (Argentina)

Vice-Chairpersons for 2020

African Region Group: Ms. Hayat Hassan (Kenya)
Asian and Pacific Region Group: Representative from the Philippines (name to be communicated)
China: Mr. Guosheng Zhang
Latin American and Caribbean Region Group: To be communicated
OECD Group: Ms. Eulalia Ortíz Aguilar (Spain)
Russian Federation: Mr. Anton Tsvetov

V

Financial Reports

Balance Sheet - First Account, as of 31 December 2019 (expressed in USD & SDR) after profit distribution

	2019 USD	2018 USD (restated)	2019 SDR	2018 SDR (restated)
ASSETS				
Right of Use Asset				
Operational Lease	1,068,800	1,248,100	772,900	897,400
Cash and Cash equivalents				
Cash in Bank	8,750,100	10,640,400	6,327,700	7,650,600
Time Deposits	1,831,800	1,762,900	1,324,700	1,267,600
	10,581,900	**12,403,300**	**7,652,400**	**8,918,200**
Investments				
Debt Securities	69,452,500	66,910,600	50,224,900	48,109,800
Participations in Investment Funds	5,068,700	5,145,300	3,665,500	3,699,600
	74,521,200	**72,055,900**	**53,890,400**	**51,809,400**
Promissory Notes	**33,756,800**	**34,390,900**	**24,411,400**	**24,727,600**
Amounts Receivable From Members				
Amounts Receivable From Members	11,693,500	11,932,200	8,456,200	8,579,400
Provision For Overdue Members Capital Subscription	-10,828,500	-11,046,700	-7,830,700	-7,942,800
	865,000	**885,500**	**625,500**	**636,600**
Prepayments	**209,400**	**156,800**	**151,400**	**112,700**
Other Receivables				
Accrued Income on Investments	570,400	624,200	412,500	448,800
Recoverable Taxes on Goods & Services	59,000	101,000	42,700	72,600
Other receivables	1,506,700	2,031,200	1,089,600	1,460,500
	2,136,100	**2,756,400**	**1,544,700**	**1,981,900**
Total Assets	**123,139,200**	**123,896,900**	**89,048,700**	**89,083,800**
LIABILITIES AND EQUITY				
Liabilities				
Accrued Liabilities	829,300	934,800	599,700	672,100
Turkey settlement	156,600	156,600	113,200	112,600
Luxembourg settlement	647,400	647,400	468,200	465,500
Operating lease Obligation	1,162,700	1,320,200	840,800	949,200
	2,796,000	**3,058,900**	**2,021,900**	**2,199,400**
Capital Subscriptions & Accumulated Surplus				
Paid-in-Shares of Directly Contributed Capital	102,928,500	103,583,000	74,433,200	74,477,800
Net Earnings Programme	16,641,300	16,685,000	12,034,300	11,996,800
Accumulated Surplus	773,400	570,000	559,300	409,800
	120,343,200	**120,838,000**	**87,026,800**	**86,884,400**
Total Equity and Liabilities	**123,139,200**	**123,896,900**	**89,048,700**	**89,083,800**

Balance Sheet - Second Account, as of 31 December 2019 (expressed in USD & SDR) after profit distribution

	2019 USD	2018 USD	2019 SDR	2018 SDR
ASSETS				
Cash and Cash equivalents				
Cash in bank	5,474,600	11,572,400	3,959,000	8,320,700
Time Deposits	0	3,627,500	0	2,608,200
	5,474,600	**15,199,900**	**3,959,000**	**10,928,900**
Investments				
Debt Securities	70,541,400	61,425,100	51,012,300	44,165,600
Participation in Investment Funds	779,200	595,000	563,500	427,800
	71,320,600	**62,020,100**	**51,575,800**	**44,593,400**
Promissory Notes	**5,413,100**	**5,541,300**	**3,914,500**	**3,984,300**
Amounts Receivable From Members				
Amounts Receivable From Members	346,300	354,500	250,400	254,900
Provision For Overdue Members Capital Subscription	-346,300	-354,500	-250,400	-254,900
	0	**0**	**0**	**0**
Loans				
Loan Receivable	11,338,900	10,033,700	8,199,800	7,214,400
Provision for Overdue Loan	-2,327,100	-1,834,500	-1,682,900	-1,319,000
	9,011,800	**8,199,200**	**6,516,900**	**5,895,400**
Other Receivables				
Accrued Income on Investments	1,042,800	1,053,400	754,100	757,400
Receivable from Dutch Trust Fund	0	0	0	0
Other Receivables	4,000	400	2,900	300
	1,046,800	**1,053,800**	**757,000**	**757,700**
Total Assets	**92,266,900**	**92,014,300**	**66,723,200**	**66,159,700**
LIABILITIES AND EQUITY				
Liabilities				
Turkey Settlement	234,900	234,900	169,900	168,900
Belgium Settlement	352,500	360,900	254,900	259,500
Luxembourg Settlement	76,100	76,700	55,000	55,100
Payable to Dutch Ministry	667,600	867,600	482,800	623,800
Other Payables	1,486,900	1,459,100	1,075,300	1,049,100
	2,818,000	**2,999,200**	**2,037,900**	**2,156,400**
Capital Subscriptions and Accumulated Surplus				
Paid-in-Shares of Directly Contributed Capital	24,808,100	24,935,800	17,940,100	17,929,200
Accumulated Surplus	64,640,800	64,079,300	46,745,200	46,074,100
	89,448,900	**89,015,100**	**64,685,300**	**64,003,300**
Total Equity and Liabilities	**92,266,900**	**92,014,300**	**66,723,200**	**66,159,700**

Income Statement for the period 1 January to 31 December 2019 – First Account (expressed in USD & SDR)

	2019 USD	2018 USD *(restated)*	2019 SDR	2018 SDR *(restated)*
Income				
Net Income from Investments	1,841,000	1,823,400	1,337,400	1,287,700
Other Income	1,734,300	1,680,800	1,259,900	1,186,900
Unrealized (loss)/gain on participations in investment funds	-44,300	-643,900	-32,200	-454,700
Realized Exchange (loss)/gain on Operations	0	-10,100	0	-7,100
Unrealized Exchange (loss)/gain on translation of Balance Sheet items	-189,100	-2,055,300	-137,400	-1,451,400
Total Income	**3,341,900**	**794,900**	**2,427,700**	**561,400**
Expenses				
Staff Salaries & Benefits	2,458,700	2,341,400	1,786,100	1,653,500
Operational Expenses	304,400	341,900	221,100	241,400
Meeting Costs	184,400	176,000	134,000	124,300
Premises Costs	226,400	280,900	164,500	198,400
Legal and Due Diligence Facility	8,900	14,700	6,500	10,400
Total Expenses	**3,182,800**	**3,154,900**	**2,312,200**	**2,228,000**
NETT (LOSS)/PROFIT	**159,100**	**-2,360,000**	**115,500**	**-1,666,600**
Statement of Comprehensive Income				
(Loss)/Profit for the year	159,100	-2,360,000	115,500	-1,666,600
Items that will not be reclassified to profit and loss	-653,900	-1,708,300	-475,000	-1,206,400
Items that will be reclassified to profit and loss	0	-61,600	0	-43,500
Total comprehensive income for the year	**-494,800**	**-4,129,900**	**-359,500**	**-2,916,500**

Income Statement for the period 1 January to 31 December 2019 - Second Account (expressed in USD & SDR)

	2019 USD	2018 USD	2019 SDR	2018 SDR
Income				
Net Income from Investments	2,024,300	2,005,000	1,470,500	1,415,900
Income from Loans	624,200	491,500	453,400	347,100
Voluntary Contribution in cash	0	126,900	0	89,600
Contribution DTF I	200,000	385,000	145,300	271,900
Realized Exchange (loss)/gain on Operations	-10,600	6,800	-7,700	4,800
Unrealized (loss)/gain on Investment Funds	-20,200	-19,400	-14,700	-13,700
Unrealized Exchange (loss)/gain on translation of Balance Sheet items	-155,400	-456,100	-112,900	-322,100
Total Income	**2,662,300**	**2,539,700**	**1,933,900**	**1,793,500**
Expenses				
Project Payments	204,900	212,800	148,800	150,300
Administration Fee on Investment Portfolio	1,403,300	1,448,900	1,019,400	1,023,200
Provision for overdue loans	492,600	525,000	357,800	370,700
Total Expenses	**2,100,800**	**2,186,700**	**1,526,000**	**1,544,200**
NETT (LOSS)/PROFIT	**561,500**	**353,000**	**407,900**	**249,300**
Statement of Comprehensive Income				
(Loss)/Profit for the year	561,500	353,000	407,900	249,300
Items that will not be reclassified to profit and loss	-127,700	-259,700	-92,800	-183,400
Items that will be reclassified to profit and loss	0	0	0	0
Total comprehensive income for the year	**433,800**	**93,300**	**315,100**	**65,900**

Directly Contributed Capital, as at 31 December 2019 (USD)

	First Account			Second Account		
	Outstanding Contributions[1]	Payments		Outstanding Contributions[1]	Payments	
		Cash	Promissory Notes		Cash	Promissory Notes
Afghanistan	0	399,412	367,276	0	0	0
Algeria	0	862,744	0	0	0	0
Angola	0	61,786	0	0	339,823	409,250
Argentina	0	0	377,741	0	635,460	44,136
Bangladesh	142,013	95,062	0	0	308,154	349,786
Benin	4,897	344,491	349,786	0	0	0
Bhutan	0	3,424	3,498	0	338,969	346,289
Botswana	4,897	344,491	349,786	0	0	0
Brazil	0	1,692,815	0	0	701,208	0
Bulgaria	744,366	284,202	0	0	0	0
Burkina Faso	4,897	344,491	349,787	0	0	0
Burundi	0	34,239	34,979	0	308,154	314,808
Cameroon	0	990,853	0	0	0	0
Cape Verde	0	342,393	349,786	0	0	0
Central African Republic	9,793	346,588	349,786	0	0	0
Chad	14,691	364,254	349,786	0	0	0
China	0	3,807,113	3,886,128	0	0	0
Colombia	0	1,060,568	0	0	0	0
Comoros	0	342,393	349,786	0	0	0
Congo	1,077,704	0	0	0	0	0
Dem. Republic of Congo (Zaire)	0	1,213,098	0	0	0	0
Costa Rica	0	833,938	0	0	0	0
Cote d'Ivoire	45	1,273,830	0	0	0	0
Cuba	0	291,399	297,360	0	393,960	295,619
Denmark	0	599,933	400,156	0	718,430	0
Djibouti	0	388,206	349,786	0	0	0
Ecuador	0	126,968	0	0	699,028	0
Egypt	0	616,445	514,186	0	0	0
Equatorial Guinea	0	734,443	0	0	0	0
Eswatini (former Swaziland)	0	94,101	363,776	0	262,885	0
Ethiopia	39,176	187,975	174,893	0	171,197	174,893
Finland	0	586,004	598,135	0	154,611	25,860
Gabon	305,392	455,118	0	0	0	0
Gambia	9,794	346,588	349,786	0	0	0
Germany	0	5,954,753	6,016,327	0	657,485	97,535
Ghana	0	1,085,935	0	0	0	0
Greece	0	347,901	349,786	0	0	0
Guatemala	0	423,346	0	0	408,621	0
Guinea	24,485	13,911	3,498	0	338,969	346,289
Guinea-Bissau	0	342,393	349,786	0	0	0
Haiti	14,691	348,685	349,786	0	0	0
Honduras	38,477	37,758	0	346,289	339,823	0
India	0	370,828	374,272	0	560,088	90,793
Indonesia	0	449,328	115,430	0	579,573	134,589
Iraq	1	878,501	0	0	0	0
Ireland	0	3,455	3,498	0	615,094	104,247
Italy	0	2,558,455	2,609,407	0	612,520	114,885
Jamaica	0	48,056	48,970	0	612,816	125,720
Kenya	0	906,469	0	0	0	0
Dem. People's Republic of Korea	727,556	0	0	0	0	0
Republic of Korea	0	517,919	528,178	0	0	0
Kuwait	0	941,579	0	0	0	0
Lao People's Dem. Republic	0	387,130	353,285	0	0	0
Lesotho	0	342,393	349,786	0	0	0

Directly Contributed Capital, as at 31 December 2019 (USD)

	First Account			Second Account		
	Outstanding Contributions[1]	Payments Cash	Payments Promissory Notes	Outstanding Contributions[1]	Payments Cash	Payments Promissory Notes
Madagascar	0	48,209	0	0	703,374	0
Malawi	14,691	348,685	0	0	0	349,786
Malaysia	0	832,788	867,470	0	0	0
Maldives	0	34,239	0	0	308,154	349,786
Mali	14,691	40,531	34,979	0	308,154	314,808
Mauritania	39,176	395,774	349,786	0	0	0
Mexico	0	170,697	0	0	770,650	150,870
Morocco	0	471,279	3,498	0	375,021	129,137
Mozambique	0	439,549	329,884	0	0	0
Myanmar	19,588	342,665	352,585	0	0	0
Nepal	4,897	310,251	314,808	0	34,239	34,979
Netherlands	0	752,209	1,504,082	0	730,118	0
Nicaragua	0	98,166	0	0	653,459	0
Niger	4,897	344,491	0	0	0	349,786
Nigeria	0	124,171	122,425	0	624,220	94,406
Norway	0	347,901	360,280	0	608,489	99,075
Pakistan	0	871,363	0	0	0	0
Papua New Guinea	0	120,151	0	0	699,703	0
Peru	0	1,074,903	0	0	0	0
Philippines	0	614,978	0	0	785,857	0
Portugal	0	171,346	0	0	447,097	103,065
Russian Federation	6,523,517	6,368,048	0	0	0	0
Rwanda	14,691	348,685	349,786	0	0	0
Samoa	0	342,393	349,786	0	0	0
Sao Tome and Principe	0	734,443	0	0	0	0
Saudi Arabia	0	360,373	367,276	0	0	0
Senegal	0	959,157	0	0	0	0
Sierra Leone	14,691	348,685	349,786	0	0	0
Singapore	0	227,143	234,357	0	411,896	61,924
Somalia	354,684	344,491	0	0	0	0
Spain	0	2,547,890	0	0	619,883	0
Sri Lanka	0	422,309	433,735	0	0	0
Sudan	117,528	290,011	244,851	0	102,718	104,936
Sweden	0	874,180	923,436	0	640,618	99,957
Syrian Arab Republic	0	916,910	0	0	0	0
United Republic of Tanzania	63,661	198,462	174,893	0	171,197	174,893
Thailand	0	485,578	479,207	0	0	0
Togo	0	763,530	0	0	0	0
Trinidad & Tobago	0	680,870	0	0	0	0
Tunisia	0	959,840	0	0	0	0
Uganda	88,146	380,145	349,786	0	0	0
United Arab Emirates	1,056,778	0	0	0	0	0
United Kingdom	0	3,166,031	2,942,224	0	664,193	0
Venezuela	0	878,775	0	0	0	0
Yemen	9,794	688,981	699,573	0	0	0
Zambia	189,263	912,100	0	0	0	0
Zimbabwe	0	725,106	0	0	0	0
TOTAL	11,693,568	68,306,642	33,756,711	346,289	19,415,954	5,392,112

[1] *As stated in Schedule B of the Agreement Establishing the Common Fund for Commodities, Members in the category of least developed countries as defined by the United Nations shall pay only 30% of the number of shares exceeding 100, over a period of three years. The remaining 70% (of shares exceeding 100) shall be paid as and when decided by the Executive Board. This remaining 70% is also included in the Outstanding Contributions.*

Voluntary Contributions, as at 31 December 2019 (USD)

Country	Pledge (3rd 5YAP) Currency	Pledge (3rd 5YAP) USD[1]	Payments Cash up to 31 Dec, 2018 USD	Payments Cash 2019 USD	Payments Total 31 Dec, 2019 USD	Payments Total 31 Dec, 2019 SDR
Austria[3]	USD	2,000,000	2,000,000	0	2,000,000	1,446,309
Belgium[3]	EUR	3,000,000	3,235,542	0	3,235,542	2,339,798
Cameroon	USD	0	7,994	0	7,994	5,781
China	USD	2,000,000	2,000,000	0	2,000,000	1,446,309
Denmark	DKR	2,216,948	794,987	0	794,987	574,899
Ecuador	USD	0	45,311	0	45,311	32,767
Finland	USD	2,000,000	2,011,089	0	2,011,089	1,454,329
France[3]	USD	15,000,000	2,385,648	0	2,385,648	1,725,192
Germany	USD	22,549,790	22,549,790	0	22,549,790	16,306,986
India	USD	5,000,000	5,000,000	0	5,000,000	3,615,773
Indonesia	USD	1,000,000	1,000,201	0	1,000,201	723,300
Ireland	USD	250,000	250,000	0	250,000	180,789
Italy	USD	15,000,000	14,999,999	0	14,999,999	10,847,319
Japan[3]	USD	27,000,000	32,231,940	0	32,231,940	23,308,679
Luxembourg[3]	USD	150,000	149,989	0	149,989	108,465
Madagascar	USD	8,643	8,616	0	8,616	6,231
Malaysia	USD	1,000,000	999,922	0	999,922	723,098
Netherlands	USD	17,000,000	19,560,207	0	19,560,207	14,145,055
Nigeria	USD	150,000	150,000	0	150,000	108,473
Norway	USD	22,490,000	22,446,462	0	22,446,462	16,232,264
OPEC Fund (Second Account)	USD	45,400,000	28,376,867	0	28,376,867	20,520,864
OPEC Fund (First Account)	USD	1,000,000	873,133	0	873,133	631,410
Papua New Guinea	USD	0	70,055	0	70,055	50,661
Republic of Korea	USD	300,000	300,000	0	300,000	216,946
Singapore	USD	250,000	250,000	0	250,000	180,789
Sweden	USD	2,345,996	2,345,996	0	2,345,996	1,696,518
Switzerland[3]	USD	6,000,000	3,000,000	0	3,000,000	2,169,464
Thailand	USD	1,000,000	1,000,000	0	1,000,000	723,155
United Kingdom[2]	STG	5,602,911	7,399,909	0	7,399,909	5,351,279
		199,714,288	175,443,658	0	175,443,658	126,872,902

[1] *Amounts pledges have been converted to USD equivalent using the IMF rates of 31/12/19*

[2] *Payment of MOU of GBP 4,270,000 received considered as contribution under Article 18,1,(e)*

[3] *Not a member of CFC*

2019 Administrative Budget, Summary

Item	Approved Administrative Budget 2019 USD	Approved Administrative Budget 2019 EUR
Staff Costs	2,688,400	2,203,700
Operational Costs	696,200	570,700
Meeting Costs	236,800	194,000
Contingency	12,200	10,000
TOTAL	3,633,600	2,978,400

To: the Governing Council of the Common Fund for Commodities

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REPORT OF THE INDEPENDENT AUDITOR ON THE ABBREVIATED FINANCIAL REPORTS

Our opinion

The summary financial statements 2019 (hereafter: 'the abbreviated financial reports') of the First Account and Second Account of the Common Fund for Commodities, based in Amsterdam, is derived from the audited financial statements 2019 of the First Account and Second Account of the Common Fund for Commodities.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2019 of the First Account and Second Account of the Common Fund for Commodities.

Abbreviated financial reports

The abbreviated financial reports do not contain all the disclosures required by the International Financial Reporting Standards. Reading the abbreviated financial reports and our report thereon, therefore, is not a substitute for reading the audited financial statements of the First Account and Second Account of the Common Fund for Commodities and our auditor's report thereon. The abbreviated financial reports and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements of June 25, 2020.

The audited financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the audited financial statements 2019 of the First Account and Second Account of the Common Fund for Commodities in our auditor's report of June 25, 2020.

Responsibilities of management board for the summary financial statements

Management is responsible for the preparation of the abbreviated financial reports in accordance with the accounting policies as applied in the 2019 financial statements of the First Account and Second Account of the Common Fund for Commodities.

Our responsibilities

Our responsibility is to express an opinion on whether the abbreviated financial reports are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810, "Engagements to report on summary financial statements".

Grant Thornton

Amsterdam, June 25, 2020

Grant Thornton Accountants and Adviseurs B.V.

Drs. P.N. van Vuure RA

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Photo: Rice terraces, Mu Cang Chai, Vietnam. Adobe Stock

Photo: CFC

VI
CFC 30 years: lessons learned and **ways forward**

Background: the history of the CFC

The Agreement Establishing the Common Fund for Commodities was adopted in June 1980. This was the culmination of over 20 years of debate about the devastating impact of market volatility on vulnerable commodity dependent developing countries.

Continuing from the Integrated Programme for Commodities adopted by UNCTAD IV in 1976, the CFC was designed to focus on addressing the inequities facing commodity dependent developing countries by stabilizing commodity market prices as its main instrument in overcoming commodity related vulnerabilities.

The CFC became operational in 1989 when a sufficient number of countries ratified the CFC Agreement. The timing coincided with a deep re-thinking of the global development paradigm, known as the Washington Consensus, which was first presented in 1989. Centrally managed buffer stocks, envisioned as the original key instrument of the CFC, never materialized and instead market driven development came to the forefront.

With the original idea of market stabilization losing momentum, the CFC effectively re-invented itself with project financing as its main instrument to achieving its original goal of equitable benefits from global production and trade in commodities, for both producers and consumers alike. The CFC focused on projects addressing the needs and vulnerabilities of commodity dependent developing countries, with the use of buffer stocks formally abolished by the Governing Council of the CFC in 2014.

Today the CFC continues to focus on the poor countries which need to convert their resource endowment into sustained development gains. With the benefit of 30 years of experience in addressing numerous aspects of vulnerabilities, otherwise known as the commodity dependence trap, the CFC has honed its focus to include the following matters:

- governance failures, corruption, rent-seeking;
- long-term environmental costs of commodity extraction;
- climate change exposure, water, and land access;
- macroeconomic instability;
- access to finance at the grassroot level, etc.

The CFC today is an impact investor, seeking out economically viable projects which create tangible development gains from opportunities in the commodity value chains. CFC financing is accessible to entrepreneurs and start up or established businesses in Member Countries through an Open Call for proposals, which is published twice per year.

30th Anniversary Event Programme

The Hague | 3 December 2019

Photos: Adobe Stock

The anniversary event

In September 2019, the CFC reached a major milestone, completing 30 years of existence. To celebrate this occasion, on 3 December 2019, the CFC hosted a 30th Anniversary event in The Hague to highlight the lessons learned during the past three decades, discussing the challenges facing the global commodity system, and setting a direction for the next 30 years of the CFC.

The event was divided in five parts: the High Level Opening, followed by 4 sessions. Key CFC stakeholders were invited to contribute to the event, including representatives from governments, international organizations, private sector companies operating in commodity value chains, nonprofit development organizations, impact investors, academics, and development think tanks.

The following discussion sessions were held to mark CFC's 30th Anniversary:

High Level Opening: Making commodities work for development

Session 1 | **Learning from 30 Years of Commodity Sector Development**

Session 2 | **Harnessing commodity Value Chains for Development: an interactive debate**

Session 3 | **Investing in positive dynamics in commodity development**

Session 4 | **What can social business expect from impact investors: an Interactive Debate**

A summary of the discussions held during the event is presented below.

Using insights gained form this conference as well as accumulated experiene in the last 30 years, will help the CFC to be much more reslilent, adventerous and effective in furthering its missions across the globe.

High-level opening: making commodities work for development

Summary of the Opening

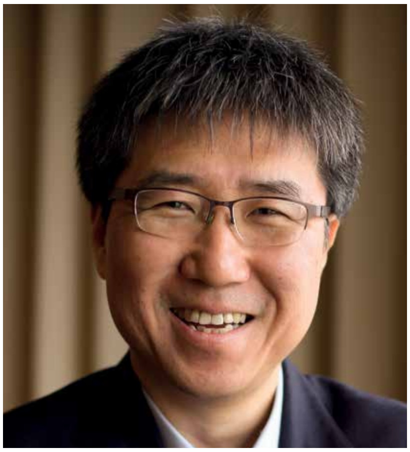
The event opened with a keynote address by Dr. Chang on the need for intelligent diversification in commodity dependent developing countries (CDDCs). The problems of commodity dependence are well-known and range from volatile and deteriorating prices to limited job creation particular to capital-intensive extractive industries (e.g. in mining operations). All these call for a move into industrial processing which holds the greatest stability and growth potential.

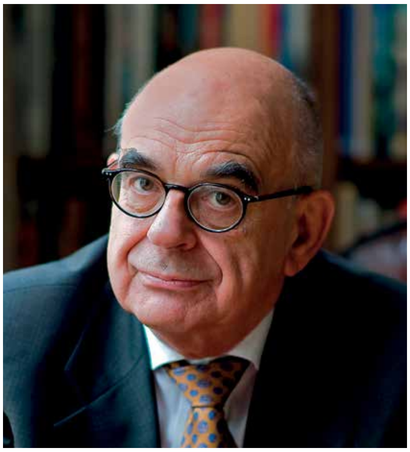
The high-level Panel discussed that a nation's resources endowment does not hold the blueprint for how to diversify. There is no automatic transition from resource extraction to the production of cars or pharmaceuticals. To guide industrialization efforts, countries should, among others, consider changes to global demand, the scope for continued technological change, and the foreign exchange earning potential of sectors. As the private sector alone is incapable of devising and implementing such long-term strategies, industrial policy is needed to use a country's resource wealth as a springboard for intelligent diversification.

In addition to a call for increasing national income through increased processing, a vision of development was discussed which went beyond industrialization and growing national income. Specifically, with respect to the global agricultural commodity system, the need was stressed for more equitable distribution of income along agricultural value chains and a reversal of the biodiversity loss and greenhouse gas emission resulting from conventional extractive activities.

To fix the global commodity system, prices of commodities need to reflect the cost of negative environmental externalities. It was emphasized that a truly just commodity system requires the consideration of not only business interests but of a wider array of stakeholders including women, indigenous groups, and smallholders. Here, the CFC still has an important role to play as an advocate, coordinator, and watchdog.

Speakers





Dr. Ha-Joon Chang

University of Cambridge

Dr. Ha-Joon Chang currently a reader in the Political Economy of Development at the University of Cambridge, Dr. Chang is the author of several widely discussed policy books, most notably "Kicking Away the Ladder: Development Strategy in Historical Perspective". In 2014 Prospect magazine ranked Chang as one of the top 10 World Thinkers

He has served as a consultant to the World Bank, the Asian Development Bank, the European Investment Bank, as well as to Oxfam and various United Nations agencies.

He is also a fellow at the Centre for Economic and Policy Research in Washington, D.C. In addition, Chang serves on the advisory board of Academics Stand Against Poverty (ASAP).

Jan Pronk

Emeritus Professor, International Institute of Social Studies (ISS)

Jan Pronk obtained a degree in economics at the Erasmus University in Rotterdam. In the seventies he became Member of Parliament and then Minister for Development Cooperation. During the first half of the eighties he held the position of Deputy Secretary General of the United Nations Conference of Trade and Development (UNCTAD) in Geneva.

He again became Minister for Development Cooperation and later Minister of Environment. In 2007 he returned to The Netherlands and resumed his position as Professor at the Institute of Social Studies (ISS – www.iss.nl) in the Hague. Since his retirement he is giving lectures at various universities. Mr Pronk is married to Tineke Zuurmond and has two children.

Sunny Verghese

Executive Director, Co-Founder and Group CEO, Olam International Limited

Sunny Verghese co-founded Olam in 1989 and leads the Company's strategy, planning, business development and management. His external Directorships include Chairman of International Enterprise Singapore and the Human Capital Leadership Institute. Sunny is a recipient of the Outstanding CEO of the Year award, as well as the Public Service Medal from the Government of Singapore.

At the beginning of 2018, Sunny Verghese officially took up his role as the new Chair of the World Business Council for Sustainable Development (WBCSD), the global, CEO-led organisation dedicated to accelerating the transition to a sustainable world.

Photo: Pavel Parmenov, Adobe Stock

Summary of discussions in the event

Session 1 | **Learning from 30 Years of Commodity Sector Development**

Chair:

Ambassador Ali Mchumo, Director General, INBAR
Emeritus Managing Director CFC, 2004 -2012

Panel:

Ms. Yanchun Zhang, Chief of the Commodity Policy Implementation and Outreach Section at UNCTAD
Prof. Patrick Guillaumont, President Fondation pour les Etudes et Recherches sur le Développement International (FERDI), Emeritus Professor, University of Auvergne, France
Mr. José Sette, Executive Director, International Coffee Organization

Summary of the discussion

The session was chaired by Ambassador Ali Saïd Mchumo, Director General of INBAR and former Managing Director of the CFC (2004-2012), and focused on the state of understanding of how commodity dependence and the trends in global commodity markets affect countries' development trajectories.

Commodity-rich poor countries face a unique challenge in using global trade to convert their resource endowment into investments which bring sustained development gains. Market volatility is a contributing factor, but a whole set of vulnerabilities are also associated with relying on commodities for participation in global trade.

This special situation of commodity dependent countries has long been recognized as a source of development difficulties, leading many developing countries to remain stuck in the commodity dependence trap, otherwise known as the 'resource curse'. This has led UN Members to establish the Common Fund for Commodities as instrument of promoting a coordinated global commodity development agenda. It was agreed that the CFC should take measures to address the inequitable distribution of economic gains from production and trade in commodity value chains.

Photo: CFC

The understanding of the nature of commodity dependence and its impact on economic development has developed and expanded over the years, yet the main goal remains to work towards equitable mutual advantage and equitable benefits from international trade in commodities.

The Panel was asked to look at how commodity dependence, and the global trade in commodities affect the development of commodity dependent countries, reflecting on both positive and negative experiences, on the projects implemented by the CFC since its creation in 1989, and on the lessons this may hold for the future.

The Panel discussed the clear link between commodity dependence (commodities comprising more than 60% of exports) and stunted human development. It was explained that commodity dependence is almost exclusively a developing country phenomenon, with 85% of the Least Developed Countries (LDCs) and 91% of the low-income countries (World Bank classification) being CDDCs. The Panel further noted that commodity dependence results in a range of development problems going well beyond the impact of commodity market volatility: it creates governance failures, inequitable income distribution, exposure to climate change, among others.

Further challenges facing CDDCs include the 'perverse effects' of commodity booms, such as the loss of competitiveness in the non-booming sectors, rigid expansion of the public sector and increase in corruption levels, which led the world to come to the idea that there is a 'resource curse', linked either to commodity price increase or to resource discovery. However, there is not a 'resource curse', but a risk of bad public management, especially during commodity booms.

The vulnerabilities of the CDDCs should be addressed in a general framework, not only considering the effects of international price instability, so that commodities become friendly to development. It was proposed that governments should lead their countries to a more profitable and sustainable production, increasing local value-addition by, among others, investing in research, infrastructure, on-farm diversification, and stronger social and environmental regulations. The private sector, in its turn, should develop a more transparent and stable commercial relationship with suppliers, with prices considering production costs and living income benchmarks.


Photo: CFC

Session 2 | **Harnessing commodity Value Chains for Development: an interactive debate**

Moderator:
Mr. Michiel Bicker Caarten, Journalist, Co-founder of Business Nieuws Radio (the Netherlands)

Panel:
Mr. Michael Hoelter, Director, Portfolio Manager, AATIF
Mr. Clément Chenost, COO, The MORINGA Partnership
Ms. Kellem Emanuele, Executive Director, International Women's Coffee Alliance (IWCA)
Ms. Masuma Farooki, Consulting Director, MineHutte
Ms. Anna Laven, Senior Advisor on Sustainable Economic Development, the Royal Tropical Institute (KIT)
Mr. Boubaker Ben Belhassen, speaking as the Secretary of the FAO Committee on Commodity Problems

The second session was an interactive debate on how development gains have been achieved through project in the commodity sector. More concretely, the discussants addressed the role of the CFC in supporting the initiatives that harness countries' resource endowments for social and economic development while steering clear of the resource curse.

The first issue addressed was how to ensure that the correct projects are selected for CFC support. Here it was noted that many companies had difficulties reaching a stage where they could apply for CFC finance. It was suggested that the CFC may establish links to partner incubators that could prepare companies for application.

It was further noted that the challenge was not unique to the CFC and other impact investing funds, such as AATIF, face similar challenges in selecting suitable investments.

One approach that has worked well for AATIF is the use of technical assistance – incidentally through a technical assistance facility managed by the CFC – to, e.g., bring companies to a stage of compliance with certain international standards required as proof of concept.

Furthermore, attention should not exclusively be paid to bringing companies to a certain stage of preparation. Likewise, the CFC should itself be able to identify and select projects that put smallholders and other beneficiaries in centre.

The discussion then turned to how the experience already accumulated by the CFC in the realm of sustainable development in CDDCs can be leveraged. Two possible options were suggested:

- the CFC can showcase its successes in developing businesses and frameworks for development for replication elsewhere, and
- the CFC can scale up its own activities.

On the first point, it was felt that the scope for replication may in fact be more important than the success for the individual borrower. In the same vein an empirical review of both the successes and failure of the CFC through its 30-year history would be advisable.

On the second point, the potential for scaling the CFC's existing activities through additional resources was large and well worth exploring: the tested and tried machinery of the CFC could run even faster with added resources. It was observed that for scaling activities, an obvious step would be joining forces with similar initiatives. Particularly within the UN system this opportunity is significant, with many agencies working fragmented on the same agenda.

Session 3 | **Investing in positive dynamics in commodity development**

Chair:

Dr. Rolf W. Böhnke, Emeritus Managing Director CFC, 1996 - 2004

Panel:

Mr. Herman Mulder, True Price, Chairman SDG Charter (NL)
Mr. Laurent Maurin, Macroeconomist, European Investment Bank
Mr. Jeffrey M. Christian, Managing Director, CPM Group
Ms. Alissa Amico, CFA, CEO, Institute / Economic and Corporate Governance Center (GOVERN)
Prof. Christopher L. Gilbert, SAIS Bologna Center, Johns Hopkins University

The focus of the session was on impact investing and impact investing opportunities in the commodity sector. The discussion looked at how the common language of sustainable development goals works to bring together the full range of environmental, social and governance- conscious financing towards the shared goals of sustainable development, as they apply to the commodity sector. The session was chaired by Dr. Rolf Böehnke, former Managing Director of the CFC (1996-2004).

Impact investing, which is the fashion of today, and currently the main instrument used by the CFC, has yet to prove effective in solving fundamental development challenges. Impact measurement and transparent reporting may be the critical element which will define the future of impact investing, and the task in front of the CFC concerns measuring the impact of its projects.

The Panel highlighted the ability of the CFC to keep updated on the changes faced by the world. Since its inception, it has changed from its original purpose as a buffer stock fund, to a grant-based project financier and most recently to impact investor. Measurement of impact is the next great task in front of the CFC because it needs to be reliable and effective to inform CFC's members about the positive dynamics in the commodity sector created by its work.

The Panel reflected that the CFC should stay relevant in an ever-changing world if the CFC wants to play a leading position in impact investing and international development cooperation. This is particularly true with current challenges such as the reduction in multilateral development aid, the difficulties involved when investing in smallholder producers, and the negative world economic outlook.

The Panel further looked at the consequences of the economic slowdown expected for the developed countries in the next years on the CDDCs. The CDDC current account deficits must be financed by international capital markets which will expose these countries to greater economic instability when the current boom-bust cycle ends, and capital seeks safe havens. Investment motivated by impact should become a significant part of addressing this vulnerability.

In the current economic context, the hostile conditions on the commodities market are likely to prevail and new financing structures as part of the solution to invest effectively in the sector should be considered. Examples of new financial instruments would be commodities bonds and notes, Sharia-compliant bonds, price risk management mechanisms, and impact bonds.

The Panel noted that smallholders tend to diversify their crops for risk mitigation which results in loss of competitiveness vis-à-vis larger, specialized producers. By comparing the evolution of two different commodities, coffee (which is moving towards larger scale production) and cocoa (still a smallholder crop), it was demonstrated that the increased attention paid to social and environmental issues could be part of the solution for the smallholder case: small scale coffee production remains viable for the production of high-quality specialty products; cocoa remains a good smallholder crop, as long as the illegal felling of virgin forest stops, thereby halting the expansion of plantations which supply bulk cocoa.

Even further on this point, attention was called for the consideration of all externalities in the commodities value chains. The true price of a product should account for all social and environmental impacts of production, including adequate living income for producers, appropriate working conditions, and pollution produced. The CFC, with its convening power, is in a great position to be the leader in such a movement towards a more fair and sustainable commodities value chain, articulating the business case for poverty-free, climate resilient, and biodiversity advancing commodity value chains in 2030, in line with the SDGs.

The importance of also considering governance issues when investing on the commodity sector was also discussed. Elaborating on the analysis from the oil and gas sector, the Panel noted that, equally, for the case of agricultural and other commodities targeted by the CFC, improving governance structures in state-owned companies can have a positive effect on the rest of the society.

Photo: CFC

Photo: CFC

Session 4 | **What can social business expect from impact investors: an Interactive Debate**

Moderator:

Ms. Laura Owings Rawden, Journalist, Southern African Freelancers' Association (SAFREA)

Panel:

Ms. Kanini Mutooni, Chair, Global Innovation Fund
Mr. Jace Rabe, President, Tolaro Global
Mrs. Ruth Kinoti, CEO, Shalem Investment Limited
Mr. Simon Bakker, CEO, Kennemer Foods, The Philippines
Mr. Emmanuel Rwakagara, Managing Director, COOPAC, Rwanda

The final interactive debate of the Anniversary Event looked at the experience with innovation projects and the aspirations of entrepreneurs investing in commodities. A number of entrepreneurs from projects supported by the CFC and other relevant impact investing practitioners discussed how the emergence of new technologies will affect the agricultural sector in the CDDCs.

The use of advanced technologies holds great potential for the large players, yet its impact is still limited for the smallholder farmers. The smallholder skills still need to be upgraded for them use the new technologies. However, with the lack of local training initiatives focused on the smallholders, this task would fall on the entrepreneurs. This is precisely the case with the projects supported by the CFC, where entrepreneurs have to provide training to capacitate the farmers, mainly via farmer groups.

It was noted that in the case of the CDDCs there is not always the need for advanced technologies. Some frugal innovations such as basic mechanization with tractors can have a great impact on these countries and currently several start-ups are emerging to address this. Although some advanced technologies cannot yet be applied on CDDCs, these countries can still benefit from several innovations, such as the development of new, high-yield crops using artificial intelligence.

The Panel emphasized the challenges in financing the introduction of the new technologies for the smallholders. Impact investors could (and already are trying to) fill this gap, since they have more patient capital and would be willing to accept additional risks. The Panel further discussed the differences between a traditional versus a social business and whether there is a trade-off between impact and profit.

A view was expressed that companies can only remain viable if they would always prioritize profits over social impact. All businesses impact the community they are in, and if a company is not profitable, it is not financially sustainable, and it will soon stop impacting the farmers. However, it was also indicated that in many cases the intention to create impact will guide better sustainable business decisions, even if this is not the most profitable option. For example, profits could be increased by sourcing more from non-smallholder suppliers or by reducing the benefits offered to the smallholders but this would be a bad business decision as the enterprise would risk losing community support and become socially unsustainable.

It was also made clear that the trade-off between impact and profit may not even be relevant in some cases. It is feasible and profitable to offer a price premium to farmers expecting a high-quality product in return. This enables companies to charge higher export prices and increase their profits and achieving higher impact at the same time. This may point to the future of CFC interventions: providing funds to bring high-impact business cases to a point of financial stability where they may be an asset to the transformation of commodity dependent economies.

Photo: Eggplants, Kabala, Koinadugu, District, Sierra Leone. ©FAO/Peter DiCampo

Annex I

Governors and Alternate Governors as of 31 December 2019

Chairperson of the Governing Council during 2019:

Mr. Denis S. Ulin (Russian Federation)

Vice-Chairpersons:

Africa: Mr. Nagi Iskander Awad Masoud (Sudan)

Asia and Pacific: H.E. Mr. Lok Bahadur Thapa (Nepal)

China: Mr. Guosheng Zhang

Latin America and the Caribbean: Mr. Alejandro Mitri (Argentina)

OECD: Ms. Eva Oskam (Netherlands)

Russian Federation: Ms. Irina Medvedeva

Country	Governor	Alternate Governor
Afghanistan	c/o H.E. Mr. Nasir Ahmad Andisha	-
Algeria	H.E. Mr. Lounes Magramane	Ms. Wahiba Boutibane
Angola	-	-
Argentina	Ambassador	Mr. Alejandro Mitri
Bangladesh	Mr. Md. Jafar Uddin	H.E. Mr. Sheikh Mohammed Belal
Benin	H.E. Mr. Zacharie Richard Akplogan	Mr. Stephane Beria
Bhutan	Ms. Tshering Lhadn	Mr. Sangay Phunthso
Botswana	H.E. Mr. Samuel Otsile Outlule	Mr. Jimmy Rule Opelo
Brazil	Mr. Alexandre Peña Ghisleni	Mr. Pedro Escosteguy Cardoso
Bulgaria	Mr. Petar Dimitrov	-
Burkina Faso	H.E. Ms. Jacqueline Marie Zaba-Nikiema	Mr. Christian Somda
Burundi	Mr. Jean-Marie Niyokindi	Ms. Gentille Gahinyuza
Cabo Verde	Minister for Foreign Affairs	-
Cameroon	Mr. Luc Magloire Mbarga Atangana	Ambassador
Central African Republic	c/o Ministre Chargé du Développement du Monde Rural	c/o Ministre du Commerce, de l'Industrie et des Petites et Moyennes Entreprises
Chad	c/o Ministre du Commerce; de l'Industrie et de l'Artisanat	Mr. Daouda Tabanda
China	Ms. Liang Hong	Mr. Guosheng Zhang
Colombia	Mr. Juan José Páez Pinzón	Ms. Jenny Sharine Bowie Wilches
Comoros	c/o Secrétaire Général du Ministère	-
Democratic Republic of the Congo	c/o H.E. Mr. Zénon Mukongo Ngay	-
Congo	Mr. François Bossolo	-
Costa Rica	Ms. Anna Maria Oduber Elliott	Ms. Eliana Villalobos Cárdenas
Côte d'Ivoire	Mr. Kobenan Kouassi Adjoumani	Mr. Aly Toure
Cuba	Mr. Carlos Fidel Martín Rodríguez	Deputy Director of International Economic Organizations Division (DOEI)
Denmark	Ministry of Foreign Affairs	-
Djibouti	Ministry of Trade and Industry	-
Ecuador	H.E. Mr. Andrés Terán Parral	Mr. Carlos Alarcón Armendáriz
Egypt	H.E. Mr. Amgad Abdel Ghaffar	Ms. Amany Fahmy
Equatorial Guinea	c/o H.E. Mr. Carmelo Nvonno Nca	c/o Director General de Comercio
Eswatini	Mr. Andreas M. Hlophe	-
Ethiopia	H.E. Mr. Million Samuel Gebre	Mr. Tsegab Kebebew Daka
Finland	Mr. Mika Vehnämäki	-
Gabon	Mr. Fidèle Mengue M'engouang	Mr. Bertrand Rubens Matteya
Gambia	H.E. Ms. Teneng Mba Jaiteh	Mr. Hassan Jallow
Germany	Ms. Andrea Jünemann	Mr. José Schulz
Ghana	Hon. Alan Kyerematen	H.E. Ms. Sofia Horner-Sam
Greece	Mr. Dimitrios Koutsis	Ms. Christina Charta

Country	Governor	Alternate Governor
Guatemala	H.E. Mr. Eduardo Sperisen Yurt	Ms. Debora Maria Cumes Mariscal
Guinea	Mr. Emile Yombouno	Mr. Housseine Bangoura
Guinea-Bissau	c/o Embassy of Guinea-Bissau, Brussels	-
Haiti	Mr. Hervey Day	H.E. Mr. Pierre André Dunbar
Honduras	Mr. Jacobo Paz Bodden	Mr. José Adalberto Sorto
India	Mr. Diwakar Nath Misra	H.E. Mr. Venu Rajamony
Indonesia	Mr. Febrian A. Ruddyard	Mr. Adi Budiarso
Iraq	Mr. Kadhim M. Jawad Al-Hasani	Mr. Munther Abdulameer Asad
Ireland	H.E. Mr. Kevin Kelly	-
Italy	Ministry of Foreign Affairs and International Cooperation	Mr. Davide Colombo
Jamaica	Honourable Audley Shaw	H.E. Ms. Cheryl Spencer
Kenya	H.E. Mr. Lawrence N. Lenayapa	Ms. Hayat Hassan
Korea, Democratic People's Republic of	c/o Mr. Kim Myong Hyok	Mr. Sok Jong Myong
Korea, Republic of	Mr. Namki Hong	Mr. Juyeol Lee
Kuwait	c/o H.E. Mr. Abdul Rahman Al-Otaibi	-
Laos	Mr. Buavanh Vilavong	H.E. Mr. Phoukhong Sisoulath
Lesotho	Honourable Maphono Khaketla	Ambassador
Madagascar	Ambassador	Mr. Eric Beantanana
Malawi	H.E. Mr. Tedson Aubrey Kalebe	Mr. Mike Jamu Mwanyula
Malaysia	Secretary General	Mr. S. Letchumanan Shanmugam
Maldives	c/o Mr. Abdul Samad Abdulla	Mr. Abdulla Salih
Mali	Ambassador	c/o Ministre Conseiller
Mauritania	Mr. Mohamed Ould Hitt	Mr. Mohamed Moctar Alaoui
Mexico	Mr. Arturo Herrera Gutiérrez	Mr. Marcelo Ebrard Casaubón
Morocco	H.E. Mr. Abdelouahab Bellouki	Mr. Mohamed Abdennasser Achachi
Mozambique	Ms. Cerina Banú Mussá	Mr. Joao José Macaringue
Myanmar	Mr. Than Myint	Mr. U. Min Min
Nepal	H.E. Mr. Lok Bahadur Thapa	Mr. Sudhir Bhattarai
Netherlands	Ms. Eva Oskam	Mr. Thierry van Helden
Nicaragua	Mr. Orlando Solórzano Delgadillo	H.E. Mr. Carlos J. Argüello Gómez
Niger	c/o Cadre de la Direction du Commerce Extérieur	-
Nigeria	Mr. Edet Sunday Akpan	H.E. Mr. Oji N. Ngofa
Norway	Ms. Torun Dramdal	Mr. Inge Hausken Thygesen
Pakistan	H.E. Mr. Shujjat Ali Rathore	Mr. Aizaz Khan
Papua New Guinea	Mr. William Dihm	Ambassador
Peru	H.E. Mr. Carlos Herrera Rodríguez	Ms. Francis Natalie Chávez Aco
Philippines	H.E. Mr. Jaime Victor B. Ledda	Mr. Jerome D. Bunyi
Portugal	Mr. Mário Centeno	Mr. José Carlos Azevedo Pereira
Russian Federation	Mr. Anton Tsvetov	Mr. Mikhail Golubkov
Rwanda	Mr. Michael M. Sebera	Ms. Peace Basemera
Samoa	c/o Deputy Prime Minister	-
Sao Tome and Principe	Minister for Foreign Affairs	-
Saudi Arabia	Mr. Ahmad S. Alteraifi	Mr. Saeid M. Alkahtani
Senegal	H.E. Mr. Momar Gueye	Mr. Joseph Bentaux
Sierra Leone	-	Mr. Charles Mereweather-Thompson
Singapore	H.E. Mr. Hung Seng Tan	-
Somalia	c/o H.E. Ms. Faduma Abdullahi Mohamud	-
Spain	Ms. Eulalia Ortíz Aguilar	Ms. Mara Pidal Ladrón de Guevara
Sri Lanka	Mr. Nimal Karunatilake	H.E. Mr. Sumith Nakandala
Sudan	H.E. Mr. Kamal Bashir Ahmed	Mr. Nagi Iskander Awad Masoud
Sweden	Ms. Anna Tofftén	-
Syrian Arab Republic	Deputy Minister of Economy and Trade	-
Thailand	Mr. Pisan Pongsapitch	Mr. Rapibhat Chandarasrivongs
Togo	H.E. Mr. Kokou Nayo M'Béou	Mr. Kodjovi Védomé Afokpa
Trinidad & Tobago	Senator the Honourable Clarence Rambharat	Ms. Lydia Jacobs
Tunisia	H.E. Ms. Elyes Ghariani	Ms. Faten Bahri
Uganda	Assistant Commissioner	H.E. Ms. Mirjam Blaak Sow
United Arab Emirates	c/o H.E. Ms. Hissa Abdulla Ahmed Alotaiba	-

Country	Governor	Alternate Governor
United Kingdom of Great Britain and Northern Ireland	Mr. Andrew McCoubrey	-
United Republic of Tanzania	Prof. Joseph R. Buchweishaija	H.E. Ms. Irene F.M. Kasyanju
Venezuela	Mr. Alexander Yánez Deleuze	H.E. Ms. Haifa Aissami Madah
Yemen	H.E. Ms. Sahar Mohammed Abduljabbar Ghanem	Mr. Abdahmed Saleh Mohammed Yaffai
Zambia	H.E. Ms. Esther Munalula Nkandku	Mr. Musenge Mukuma
Zimbabwe	Amb. James Manzou	H.E. Mr. Tadeous Tafirenyika Chifamba
Andean Community (CAN)	c/o Mr. Jorge Hernando Pedraza	-
African Union (AU)	-	Director for Trade and Industry
Caribbean Community (CARICOM)	Amb. Irwin LaRocque	Ms. Desiree Field-Ridley
Common Market for Eastern and Southern Africa (COMESA)	Ms. Chileshe Kapwepwe	Mr. E.A. Mohammed
East African Community (EAC)	Amb. Liberat Mfumukeko	Director for Trade
Economic Community of West African States (ECOWAS)	c/o Mr. Jean-Claude Kassi Brou	-
European Union (EU)	Mr. Regis Meritan	Mr. Michel de Knoop
Southern African Development Community (SADC)	c/o Ms. Stergomena Lawrence Tax	-
West African Economic and Monetary Union (WAEMU/UEMOA)	c/o Mr. Abdallah Boureima	-

Photo: Kyuso, Kenya. ©FAO/Thomas Hug

Annex II

Member States, Institutional Members and Votes as of 31 December 2019

Country	Region	No. of votes	LDC
Afghanistan	Asia	357	X
Algeria	Africa	395	
Angola	Africa	391	X
Argentina	LAC	496	
Bangladesh	Asia	426	X
Benin	Africa	347	X
Bhutan	Asia	343	X
Botswana	Africa	347	
Brazil	LAC	1,024	
Bulgaria	Europe	417	
Burkina Faso	Africa	347	X
Burundi	Africa	343	X
Cameroon	Africa	389	
Cabo Verde	Africa	343	
Central African Republic	Africa	349	X
Chad	Africa	351	X
China	Asia	3,000	
Colombia	LAC	490	
Comoros	Africa	343	X
Congo	Africa	351	
Costa Rica	LAC	393	
Côte d'Ivoire	Africa	476	
Cuba	LAC	584	
Democratic Rep. of Congo	Africa	476	X
Denmark	Europe	643	
Djibouti	Africa	343	X
Ecuador	LAC	391	
Egypt	Africa	476	
Equatorial Guinea	Africa	347	
Eswatini	Africa	355	
Ethiopia	Africa	366	X
Finland	Europe	535	
Gabon	Africa	368	
Gambia	Africa	349	X
Germany	Europe	4,362	
Ghana	Africa	426	
Greece	Europe	309	
Guatemala	LAC	401	
Guinea	Africa	357	X
Guinea-Bissau	Africa	343	X
Haiti	LAC	353	X
Honduras	LAC	372	
India	Asia	621	
Indonesia	Asia	575	
Iraq	Asia	376	
Ireland	Europe	309	
Italy	Europe	2,065	
Jamaica	LAC	380	
Kenya	Africa	387	
Korea, Dem. People's Rep. of	Asia	355	
Korea, Republic of	Asia	490	
Kuwait	Asia	351	
Lao People's Dem. Rep.	Asia	345	X
Lesotho	Africa	343	X
Madagascar	Africa	360	X

Country	Region	No. of votes	LDC
Malawi	Africa	351	X
Malaysia	Asia	768	
Maldives	Asia	343	
Mali	Africa	351	X
Mauritania	Africa	366	X
Mexico	LAC	469	
Morocco	Africa	449	
Mozambique	Africa	360	X
Myanmar	Asia	355	X
Nepal	Asia	345	X
Netherlands	Europe	1,086	
Nicaragua	LAC	382	
Niger	Africa	347	X
Nigeria	Africa	440	
Norway	Europe	549	
Pakistan	Asia	407	
Papua New Guinea	Asia	389	
Peru	LAC	445	
Philippines	Asia	580	
Portugal	Europe	309	
Russian Federation	Europe	4,257	
Rwanda	Africa	351	X
Samoa	Asia	343	
Sao Tome and Principe	Africa	345	X
Saudi Arabia	Asia	357	
Senegal	Africa	382	X
Sierra Leone	Africa	351	X
Singapore	Asia	441	
Somalia	Africa	347	X
Spain	Europe	1,126	
Sri Lanka	Asia	413	
Sudan	Africa	413	X
Sweden	Europe	929	
Syria	Asia	382	
Tanzania	Africa	380	X
Thailand	Asia	449	
Togo	Africa	358	X
Trinidad & Tobago	LAC	353	
Tunisia	Africa	380	
Uganda	Africa	395	X
United Arab Emirates	Asia	347	
United Kingdom	Europe	2,550	
Venezuela	LAC	401	
Yemen	Asia	544	X
Zambia	Africa	505	X
Zimbabwe	Africa	343	
EC	Europe	0	
AU	Africa	0	
COMESA	Africa	0	
EAC	Africa	0	
CAN	LAC	0	
CARICOM	LAC	0	
SADC	Africa	0	
ECOWAS	Africa	0	
WAEMU/UEMOA	Africa	0	
TOTAL		57,364	

LDC: Least Developed Country
LAC: Latin America and the Caribbean Countries

Institutional Members of the Common Fund for Commodities

African Union (AU) - Addis Ababa, Ethiopia
Andean Community (CAN) - Lima, Peru
Caribbean Community (CARICOM) - Greater Georgetown, Guyana
Common Market for Eastern & Southern Africa (COMESA) - Lusaka, Zambia
East African Community (EAC) - Arusha, Tanzania
Economic Community of West African States (ECOWAS) - Abuja, Nigeria
European Union (EU) - Brussels, Belgium
South African Development Community (SADC) - Gaborone, Botswana
West African Economic & Monetary Union (WAEMU/UEMOA) - Ouagadougou, Burkina Faso

Designated International Commodity Bodies (ICBs)

1. International Cocoa Organization (ICCO)
2. International Coffee Organization (ICO)
3. International Copper Study Group (ICSG)
4. International Cotton Advisory Committee (ICAC)
5. International Grains Council (IGC)
6. International Lead and Zinc Study Group (ILZSG)
7. International Bamboo and Rattan Organisation (INBAR)
8. International Nickel Study Group (INSG)
9. International Olive Council (IOC)
10. International Rubber Study Group (IRSG)
11. International Sugar Organization (ISO)
12. International Tropical Timber Organization (ITTO)
13. FAO - Intergovernmental Sub-Group on Bananas
14. FAO - Intergovernmental Sub-Group on Tropical Fruits
15. FAO - Intergovernmental Group on Citrus Fruit
16. FAO - Intergovernmental Sub-Committee on Fish Trade
17. FAO - Intergovernmental Group on Grains
18. FAO - Intergovernmental Group on Hard Fibres
19. FAO - Intergovernmental Group on Meat and Dairy Products
20. FAO - Intergovernmental Sub-Group on Hides and Skins
21. FAO - Intergovernmental Group on Oils, Oilseeds and Fats
22. FAO - Intergovernmental Group on Rice
23. FAO - Intergovernmental Group on Tea

Institutions with memoranda of understanding

The Common Fund for Commodities has concluded Memoranda of Understanding with the following institutions:

1 African Development Bank (AfDB)/African Development Fund
2 African Export-Import Bank (AFEXIM)
3 Arab Organization for Agricultural Development (AOAD)
4 Authority for Integrated Development of the Liptako-Gourma Region (ALG)/L'Autorité de Developpement Integré de la Region du Liptako-Gourma
5 Food and Agricultural Organization of the United Nations (FAO)
6 Grupo de Paises Latino Americanos y del Caribe Export Adores de Azucar (GEPLACEA)
7 Inter-American Institute for Cooperation on Agriculture (IICA)
8 International Atomic Energy Agency (IAEA)
9 Islamic Centre for Development of Trade (ICDT)
10 OXFAM
11 Sistema Economico Latino Americano (SELA)
12 United Nations Conference on Trade and Development (UNCTAD)
13 United Nations Convention to Combat Desertification (UNCCD)
14 United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)
15 United Nations Economic and Social Commission for Latin America and the Caribbean (ECLAC)
16 United Nations Human Settlements Programme (UN-HABITAT)
17 United Nations Industrial Development Organization (UNIDO)
18 United States Agency for International Development (USAID)
19 West African Economic and Monetary Union (WAEMU)/Union Economique et Monétaire Ouest Africaine (UEMOA)

Abbreviations

AAF-SME	Africa Agriculture SME Fund
AATIF	Africa Agriculture Trade and Investment Fund
ABP	Anchor Borrowers Program
ACE	Agricultural Commodity Exchange
ACP	African, Caribbean and Pacific
AECID	Spanish Agency for International Development Cooperation
AFC	Agronomika Finance Corporation
AFD	Agence Française de Développement
AfDB	African Development Bank
AFSF	Africa Food Security Fund
AGSMEIS	Agri-Business Small and Medium Enterprises Investment Scheme
ATAF	Moringa Agroforestry Technical Assistance Fund
AU	African Union
BDS	Business Development Services
BMZ	German Ministry for Development Cooperation and Economic Development
CAF	Latin American Development Bank
CARDI	Caribbean Agricultural Research and Development Institute
CDDC	Commodity Dependent Developing Countries
CFC	Common Fund for Commodities
CFGBV	Community Forest Group BV
COMIFAC	Central African Forests Commission
CRIG	Cocoa Research Institute of Ghana
DIB	Development Impact Bond
DRC	Democratic Republic of Congo
DTF	Dutch Trust Fund
EAFCA	African Fine Coffee Association
EC	European Commission
EcoE II / EcoE III	EcoEnterprises Partners II L.P. / EcoEnterprises Partners III L.P.
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EDB	Sri Lanka Export Development Board
EFTA	Equity For Tanzania Ltd.
EIB	European Investment Bank
ESG	Environmental, Social and Governance
EU	European Union
EUCORD	European Development Co-operative
FACTS	Financial Access Commerce and Trade Services
FANEI	First Account Net Earnings Initiative
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FMO	The Netherlands Entrepreneurial Development Bank
FSC	Forest Stewardship Council
FSP	Financial Service Provider
FTESA	Food Trade East and Southern Africa
GAIN	Global Alliance for Improved Nutrition
GI	Geographical Indication
GIIN	Global Impact Investing Network
GIZ	Deutsche Gesellschaft Für Internationale Zusammenarbeit
IADB	Interamerican Development Bank
IAG	Inter-Agency Working Group
ICAC	International Cotton Advisory Committee
ICBR	International Centre for Bamboo and Rattan
ICBs	International Commodity Bodies
ICCO	International Cocoa Organization
ICO	International Coffee Organization
IFAD	International Fund for Agricultural Development

IFC	International Finance Corporation
IFDC	International Fertilizer Development Center
IJSG	International Jute Study Group
ILO	International Labour Organisation
INBAR	International Bamboo and Rattan Organisation
INFOFISH	Centre for Marketing Information and Advisory Services for Fishery Products in Asia and Pacific
IOC	International Olive Council
ISO	International Sugar Organization
ITTO	International Tropical Timber Organisation
IZA	International Zinc Association
KIT	Royal Tropical Institute
LA	Loan Agreement
LDC	Least Developed Country
LLDC's	Land Locked Developing Countries
MDG	Millennium Development Goal
MEDF	Malawi Enterprise Development Fund
MMA	MatchMaker Associates
NGO	Non-Governmental Organization
NMB	National Microfinance Bank
OFID	OPEC Fund for International Development
PPP	Public Private Partnership
SDG	Sustainable Development Goal
SIF	SME Impact Fund
SMEs	Small and medium sized enterprises
SSA	Sub Saharan Africa
SSF	Schmidt Family Foundation
TA	Technical Assistance
TAF	Technical Assistance Facility
TAHA	Tanzania Horticultural Association
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	UN Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
VECO	Vredeseilanden Country Office
VPoA	Vienna Programme of Action
WHO	World Health Organization

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Printing
VdR druk & print, Nijkerk

common fund for commodities

Mission & Vision Statement

Mission

"To contribute to poverty alleviation by strengthening the income-generating capacity of commodity producers and mitigating vulnerability to their economic well being"

Vision

"To strengthen and diversify the commodity sector in developing countries and transform it to be a major contributor to poverty alleviation and sustained economic growth and development."