Contribution by the Common Fund for Commodities to the report of the Secretary-General for the 77th Session of the General Assembly on the Implementation of the Vienna Programme of Action for the landlocked developing countries

17 March 2022

BACKGROUND

The mandate of the Common Fund for Commodities (CFC) concerns supporting sustainable development of commodity dependent developing countries. The CFC mandate covers, *inter alia*, the following functions:

(a) To mobilize resources and to finance measures and actions in the field of commodities as hereinafter provided;
(b) To establish partnerships to encourage synergies through co-operation and implementation of commodity development activities;
(c) To operate as a service provider; and
(d) To disseminate knowledge and to provide information on new and innovative approaches in the field of commodities.

The Landlocked Developing Countries (LLDCs) have been recognized as an especially vulnerable priority group in the operations of the CFC. The combination of commodity dependence and lack of access to sea is a particular source of economic vulnerability leading to difficulties in development. By supporting projects that promote structural economic transformation of commodity sectors in LLDCs, the CFC contributes to the implementation of the Vienna Programme of Action (VPoA).

IMPLEMENTATION OF THE KEY PRIORITIES OF THE VPOA

The CFC projects contribute to the implementation of the following priorities of the Vienna Programme of Action:

Priority 2: Infrastructure development and maintenance
Priority 3: International trade and trade facilitation
Priority 5: Structural economic transformation
Priority 6: Means of implementation

During the period 2014 to 2021, the CFC received 289 project proposals originating from 14 LLDCs. From these proposals, 23 projects were approved by CFC's Executive Board to receive financial support from the Fund. The total value of these projects is USD 58.4 million of which about USD 22 million is committed by the CFC.

The projects supported by the Fund cover commodities such as soybeans, coffee, bamboo, grains, potatoes, vegetables, etc. of social, economic and environmental interest to LLDCs. They develop new opportunities for smallholder producers in LLDCs through increases in production and productivity, horizontal and vertical diversification, value-addition, increasing access to markets, capacity building and risk management.

During the year 2021, the CFC considered 44 project proposals originating from LLDCs. Following careful screening and selection process in accordance with the CFC rules, six projects have been taken for consideration of CFC financing in the amount of USD 8.9 million, out of the total value of the projects of USD 26.8 million.

CONTRIBUTIONS TO THE STRUCTURAL ECONOMIC TRANSFORMATION OF LLDCS

The CFC finances activities that promote the structural economic transformation of the commodity sector, enabling landlocked countries to overcome the vulnerabilities related to their reliance on commodities for participation in the global trading system.

These projects illustrate how the Fund is contributing to the VPoA objectives:

NEW PROJECTS TARGETING LLDCS IN 2021

Projects Approved by the Executive Board in 2021

(I) Comafruits, Mali (CFC-2021-18-0006)

Comafruits SAS (Comafruits) is a mango processing company from Mali. The company sources mangoes from 2,500 smallholder farmers, processing them into mango puree and concentrate for export to Canada and Europe. Comafruits plans to start the production of frozen mango cubes with Individually Quick Frozen (IQF) cubes, an innovative processing technology in West Africa. As international demand for mango and mango puree increases, Comafruits is seeking working capital to finance seasonable consumables, and to procure mangoes for processing.

The project is expected to reach 4,350 smallholder farmers in seven years, with their additional revenues from mango activities increasing from Euro 190 to Euro 220 p.a. per farmer. It will help to transform poorly organized local mango processing sector into a structured mango value chain in Mali.

The total project cost is EUR 2,500,000 including a CFC loan of EUR 1,500,000.

(II) Enimiro Integrated Value Chains, Uganda (CFC-2021-18-0027)

Enimiro is an organically certified exporter of vanilla, coffee, and dry fruits from Uganda. Founded in 2019, the company has built a unique model of organic certification schemes with full digital traceability and monitoring software, allowing transparency of the supply chain and data for certification in the smallholder farming sector. Enimiro now envisions providing farmers with a consistent market for their output to meet business growth requirements.

With this project, Enimiro would source crops from 7,400 smallholder farmers (40% women), who would receive better incomes and diversification through alternative agricultural methods.

The total project cost is USD 1,800,000 including a CFC loan of USD 800,000.

(III) Bonde la Ufa B.V., Uganda, Zambia, Malawi and Rwanda (CFC-2021-18-0035)

Bonde la Ufa B.V. ('Bonde') is an investment company that seeks to invest in agricultural companies in Africa to improve global food security, reduce waste, mitigate climate change, and create jobs. Bonde's business model aims to strategically invest in key and best in class companies in selected agricultural value chains in Africa, and then integrate those value chains through vertical and horizontal investments in additional businesses.

This strategy could improve the entire value chain and create a higher collective value, creating income opportunities for 164,000 smallholder farmers in the targeted countries by 2026. Bonde is being set up by the Company Mbuyu – an investment management company – which is currently at the stage of collecting funds to commence Bonde's operations.

The EB approved financing the project with a loan of up to USD 2,000,000.

Projects yet to be presented to the Executive Board

(IV) Cotton in Uganda (CFC-2021-19-0055)

The company behind this project, established in 2009, is an aggregator, processor and exporter of cotton and sesame. It operates an out-grower network offering a market as well as inputs and training on best agricultural practices for approximately 50,000 smallholders. Of these, the company has direct contractual relationships with more than 30,000 farmers that have been certified organic and Fair Trade to obtain a premium on their supply. Among the direct beneficiaries are a large number of refugees from conflict zones in the region.

Based on projections for a bumper 2022 cotton harvest, the company is requesting finance to purchase organic produce from its out growers. The CFC's support would impact up to 80,500 smallholder farmers (46% women). The number of full-time employees is expected to grow from 91 to 116 and temporary employees from 727 to 1,171 in five years.

The total project cost is USD 15,000,000 including a CFC loan of USD 1,500,000.

(V) Amos Dairies Limited, Uganda (CFC-2021-19-0010)

Based in Mbarara, Uganda, Amos Dairies Limited (ADL) is a food processing and dairy company that purchases raw milk from 800 to 1,000 smallholder farmers in the community. ADL produces butter and ghee, casein, skim milk powder, whole/full cream milk powder, whey protein concentrate and whey permeate. The company is now seeking finance to expand its portfolio and include other products like, among others, instant full cream milk powder.

These additions would enable ADL to manufacture value added ingredients, reducing reliance on commodity ingredients and paving the way for more profitable retail categories. The company would consequently develop as the best fully integrated dairy operation in Uganda and one of the few such businesses in Africa. Further, farmers would benefit from improved market access and income. Formal fulltime employment is expected to increase from 171 to 225 employees by 2026. In parallel, up to 50 individuals will be trained in Dairy production best practices.

The total project cost is USD 3,000,000 including a CFC loan of USD 1,000,000.

(VI) Continental Trade and Commodity Services Limited, Zambia (CFC-2021-19-0033)

Continental Trade and Commodity Services Limited (CTCS) is a privately owned agribusiness from the United Kingdom that produces and trades coffee and groundnuts. Having been operating in Zambia for over 40 years, CTCS has developed an integrated business model that connects smallholder farmers to high value-added markets for groundnuts and groundnut oil in various products.

In 2012, New Rotations Farming Zambia Limited (NRZ) was established to develop and grow groundnut volumes incorporating Zambian smallholder farmers into its global value chain. NRZ currently works with over 1,830 Zambian farmers to produce quality groundnuts and supply groundnut seed. The company now strives for a significant growth of groundnut exports from Zambia to enhance its presence in selected international snack, confectionery, and peanut butter markets in Europe, Asia and the United States.

With CFC finance, CTCS would increase its sourcing from 1,800 to 15,000 smallholder farmers (55% women). Yield in groundnuts production is expected to improve from 360Kg to 1,280Kg per hectare in a 4,000 hectares of eco efficient production. The annual income of the farmers is expected to increase from USD 65 up to USD 230 per annum and 70 new full-time jobs will be created.

The total project cost is USD 4,200,000 including a CFC loan of USD 2,000,000.

MOBILIZING FINANCIAL SUPPORT FOR LLDCS THROUGH IMPACT INVESTMENT FUNDS

The CFC invests and cultivates long-term relationships with impact investment funds sharing the goals and principles of the Fund. These funds invest in projects which seek both financial return and a measurable impact on socioeconomic development. By supporting these funds, the CFC helps to mobilize more financial resources for the developing countries and benefits from the experiences learned by them.

In the context of VPoA, the CFC is supporting a few selected impact investment funds targeting the development of commodities sectors. With focus in least developed countries these funds have several investments in LLDCs, especially in Africa:

(i) African Agriculture Trade and Investment Fund (AATIF): AATIF is a **USD 239 million** impact investment fund targeting commodity production and trade in Africa. The fund is managed by Deutsche Bank and evaluation of impact indicators is done by the International Labour Organization (ILO) who acts as the fund's Sustainability Advisor. Since 2012 the CFC manages the AATIF's Technical Assistance (TA) Facility.

(ii) Moringa Agroforestry Fund: With **EUR 84 million** available, Moringa Fund invests in African and Latin American long-term agroforestry projects that are able to commercially compete with deforestation drivers, while generating a clear positive impact on local populations and the environment. Investee companies will generate diversified revenue streams (i.e. revenues from local and/or export markets, including forestry products, agricultural products and carbon credits). Moringa investments are complemented through an Agroforestry Technical Assistance Facility (ATAF) that provides grant funding for projects to strengthen the developmental aspects of individual investments. The fund is managed by Moringa Partnership S.A.S. Agroforestry Fund S.C.R. The French National Forestry Service (ONFI) acts as Technical Advisor to Moringa. The CFC is the Manager of the Technical Assistance Facility of Moringa Fund - ATAF.

(iii) African Agriculture SME Fund (AAF-SME): AAF-SME is a **USD 36 million** sub-fund of the larger African Agriculture Fund (AAF). The aim of AAF-SME is to support smaller private sector companies that implement strategies to enhance and diversify food production and distribution in Africa by providing equity or quasi equity funding and strengthening their management. AAF SME is managed by Databank Agrifund Manager Ltd. (DAFML). Impact monitoring is done by an independent Environmental and Social Coordinator (Environmental Business Strategies Pty Ltd). The Technical Assistance Facility is managed by the NGO Technoserve.

IMPACT OF COVID-19 IN LLDCS – CFC'S RESPONSE

COVID-19 is, perhaps, the most devastating natural phenomenon we had to witness in our lifetime. This pandemic proved not only to be a global health and financial disaster, but it also proved far more deadly for those members of the community who were vulnerable to begin with. It was, therefore, incumbent for an organization with poverty alleviation as its mission, to do all it can to make sure that its beneficiaries do not slide back to poverty for this pandemic.

As the pandemic continued, CFC has been receiving several distress calls from its members. Lockdowns measures and trade disruptions severely affected CFC projects. Among the multitude of calls, the plea for short term liquidity to finance the working cycle was the leading one. Purchase of goods from smallholder farmers was interrupted in such cases and the working cycle of subsequent processing could not be maintained, if no liquidity was provided by financing institutions. The main reasons for this situation were interruptions of value chains and as such a delay in payments, besides decrease of purchase orders, delay or breakdown of logistics causing late or no delivery of processed goods. The financial losses from unsold inventory to lack of payment for next cycle of input procurement or payment for continuity of staff maintenance etc. were the leading signs of distress from our beneficiaries in the field.

Recognizing this situation, during this pandemic the CFC reinforced its commitment to support the Small and Medium Enterprises working in the commodities value chains in developing countries. In this regard, the CFC has introduced two important initiatives providing additional support to the agri-SMEs.

In June 2020, CFC's Executive Board approved an Emergency Liquidity Facility (ELF) of up to two million USD to offer additional support to the CFC projects that have been impacted by the pandemic. The ELF can provide immediate working capital to qualifying SMEs who are at risk of terminating their operations. With the ELF, the CFC aims to give healthy businesses access to short-term liquidity to help them endure the immediate effects of the crisis.

Furthermore, CFC's Executive Board authorized the Managing Director to amend repayment schedules of CFC loans in compelling cases, such as companies facing difficulties because of the challenges imposed by COVID-19. During 2021 several projects benefited from this measure, including the ones operating in LLDCS, resulting in postponement of interest payment and principal repayment to release the project from liquidity distress.

SUMMARY OF PROJECTS TARGETING LLDCS WITH CFC SUPPORT IN 2021

The following table summarizes the new projects originating from LLDCs in 2021 that have been taken for further consideration of CFC financing:

Title	Country	Commodity	CFC support, USD	Total cost, USD
Comafruits*	Mali	Fruits	USD 1,642,935	USD 2,738,226
Enimiro Integrated Value Chains	Uganda	Fruits and coffee	USD 800,000	USD 1,8000,000
Bonde la Ufa B.V.	Uganda, Zambia, Malawi and Rwanda	NA	USD 2,000,000	NA
Cotton in Uganda**	Uganda	Cotton	USD 1,500,000	USD 15,000,000
Amos Dairies Limited**	Uganda	Dairy	USD 1,000,000	USD 3,000,000
Continental Trade and Commodity Services Limited**	Zambia	Groundnuts	USD 2,000,000	USD 4,200,000
TOTAL			**USD 8,942,935**	**USD 26,738,226**

* Converted from Euros to USD using the UN Operational Rates of Exchange as of March 2022 of 1,095.

** Project yet to be presented for consideration by the Executive Board.