

**Contribution by the Common Fund
for Commodities to the report of
the Secretary-General for the
76th Session of the General
Assembly on the Implementation
of the Vienna Programme of
Action for the landlocked
developing countries**

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 2020, the CFC received 245 project proposals originating from 14 LLDCs. From these proposals, 20 projects were approved by CFC's Executive Board to receive financial support from the Fund. The total value of these projects is USD 53.9 million of which about USD 17.6 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 2020, the CFC considered 40 project proposals originating from LLDCs. Following careful screening and selection process in accordance with the CFC rules, two projects have been taken for consideration of CFC financing in the amount of USD 3.8 million, out of the total value of the projects of USD 7.7 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 RECOMMENDED FOR APPROVAL IN 2020

Projects Approved by the Executive Board in 2020

(I) Implementing Measurable Productive Agri Cooperation Trade, Burundi (CFC/2020/16/0037)

Organic Burundi Food B.V. supports the Burundi national development project IMPACT (Implementing Measurable Agri Cooperation Trade). This initiative strives to create an end-to-end fruit value chain in Burundi with a public-private partnership between the government of Burundi and several private companies. The project not only aims to establish seven regional fruit collection and farmer service centers, but also to construct a multipurpose fruit and vegetable processing plant. This would ensure that most of the value addition would remain in the country, thereby encouraging the establishment of other agricultural value chains in Burundi.

It is estimated that through the first phase of the project around 2,000 farming households in remote areas will be connected with a reliable market for their products with a price premium. This will lead to an additional income of EUR 575 p.a. In addition, the project will create 80 jobs with a monthly salary of EUR 550. Should the project further scale out as planned, the ultimate number of beneficiary outgrower farmers will increase to 7,000. The food production is expected to increase by 10,000 MT p.a. in the first years of the project implementation, and at the same time post-harvest losses are expected to be reduced by 4,000 MT p.a.

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

Projects to be presented to the Executive Board in 2021

(II) Delicious Milling, Zambia (CFC/2020/16/0043)

Located in Zambia, Zdenaki Ltd. is a maize aggregator, storage provider and trader that plans to purchase and modernize the milling company Delicious Mills. The improvements would increase the mill's maize processing capacity from 100 to 150 MT/day and enhance product quality to better address the issue of nutrition security. The project would enable the inclusion of smallholder farmers in remote regions and create a more sustainable value chain by combining maize storage and trading with milling operations.

It is expected that the number of smallholder farmers selling their products to Delicious Mills will increase from 2,600 to 4,450, receiving a net income of USD 1,380 p.a. Additionally, the upgrade of the mill will increase the number of full-time employees from 30 to 50 with an average wage of USD 1,334.

The total project cost is USD 3,000,000 including a CFC loan of USD 1,500,000.

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 228 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 Compliance 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 a Technical Assistance Facility (TAF) 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.
- (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

As the COVID-19 pandemic continues to spread, its effects are not felt evenly across the globe. Although all countries in the world are currently fighting against this terrible pandemic, the magnitude and extent of its impact varies among the different countries and regions.

A quick assessment of the macroeconomic response to this crisis reveals the great disparities among the countries. The fiscal and monetary measures in the developed world were equivalent to 20 per cent of their gross domestic product in 2020. In middle-income countries, the response accounted for 6 to 7 per cent of their gross domestic product. In the poorest countries of the world, however, these measures represented only 2 per cent of a much smaller national output.

In the moments of crisis, smallholder farmers and their families, food workers in all sectors, and those living in Commodity Dependent Developing Countries (CDDCs) are, as usual, particularly vulnerable. Border restrictions and lockdowns are slowing harvests, destroying livelihoods and hindering food transport. Although the COVID-19 has not yet substantially affected the production of most of the commodities and their prices have been inside the range of the previous years, the projections for the future are extremely uncertain.

In this scenario, the challenges faced by the CDDCs, and especially the landlocked CDDCs, are aggravated. The commodity-dependent countries are unable to convert their natural endowment into sustained economic development. This condition, shared by many LLDCs, results in great vulnerabilities, generating macroeconomic instabilities, income inequality, hindering economic development, especially in moments of great uncertainty.

Recognizing this situation and in line with its mission of promoting sustainable development in the CDDCs, 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, since the outbreak of COVID-19, 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.

Another important measure taken by CFC’s Executive Board in supporting the SMEs to overcome the pandemic is giving more flexibility for 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. This allows the CFC to quickly accommodate the short-term needs of the good projects by for example postponing repayments during moments of crisis.

With the world experiencing unprecedented challenges and COVID-19 imposing additional obstacles for the achievement of the 2030 Agenda, the CFC is trying to make extra efforts to meet the expectations of the people who need it the most. Given the priority status of LLDCs in the operations of the CFC, all SMEs from these countries are eligible to receive support through the ELF and also, if appropriate, to have their repayment terms adjusted to help them to navigate this turbulent moment.

SUMMARY OF PROJECTS TARGETING LLDCS WITH CFC SUPPORT IN 2020

The following table summarizes the new projects originating from LLDCs in 2020 that have been taken for further consideration of CFC financing:

Title	Country	Commodity	CFC support, USD	Total cost, USD
Implementing Measurable Productive Agri Cooperation Trade	Burundi	Fruits	USD 2,344,666*	USD 4,689,332*
Delicious Milling**	Zambia	Maize	USD 1,500,000	USD 3,000,000
TOTAL			USD 3,844,666	USD 7,689,332

* Converted from Euros to USD using the UN Operational Rates of Exchange as of March 2021 of 1,172.

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