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 projectsg acceTof eomicTutingmns o1(f)16(econ)-1(1(ity)-47(depef)-)16tiors1(s)15(a o1(f))-1

(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

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