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Contribution by the Common Fund for Commodities for the UN Forum on Financing for Development (FfD): Enhancing Financial Support for Commodity-Dependent Communities

by

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The Common Fund for Commodities (CFC) is honored to contribute to the United Nations Forum on Financing for Development, addressing the critical need for innovative financing solutions that support the poorest and most vulnerable commodity-dependent populations. As an intergovernmental financial institution, the CFC is committed to alleviating poverty by fostering sustainable development within commodity-dependent developing countries. Through targeted investments, technological innovation, and a focus on inclusive, regenerative agriculture, the CFC strives to address pressing global challenges such as climate change and biodiversity loss.

Aligned with the goals of the Integrated Program of Commodities (IPC), the CFC is positioned to work under this provision, where the Global North is expected to support the Global South's efforts to lift smallholder incomes to sustainable levels. Originally initiated by UNCTAD in the mid-1970s and 1980s, the IPC aimed to stabilize commodity markets and support smallholders, providing them with fair incomes at the farm gate level. Today, however, the income of smallholders continues to decline, largely due to global market imbalances. In light of this, the CFC calls upon UNCTAD to revisit its own creation-the integrated program of commodities and share insights with the UN Forum on Financing for Development (FfD) to strengthen the provisions of the IPC and related initiatives to restore fair and sustainable incomes for smallholder farmers.

The CFC proposes actionable recommendations for the UN Forum on Financing for Development. By focusing on real-world examples and emphasizing the human impact of our work, we aim to contribute meaningfully to the global discourse on sustainable development and poverty alleviation following our concept of humanizing the value chains.

1. FINANCING FOR THE POOREST AND MOST VULNERABLE COMMODITY-DEPENDENT COMMUNITIES

Commodity dependence remains a significant hurdle for many low-income countries, where economies rely heavily on a narrow range of exports such as agricultural products, minerals, or fuels. This dependency exposes these nations to volatile global markets, fluctuating prices, and external shocks that disproportionately affect the poorest and most vulnerable populations. Smallholder farmers, in particular, face challenges such as limited access to finance, inadequate infrastructure, and the adverse effects of climate change.

The CFC recognizes that traditional financing mechanisms often fall short in addressing these challenges. There is a pressing need for innovative financial solutions tailored to the unique circumstances of commodity-dependent communities. By providing access to affordable credit, fostering public-private partnerships, and leveraging impact investments, we can empower these communities to build resilience and achieve sustainable livelihoods.

Additionally, smallholders often face challenges from multinational corporations that extract large profits from their products while leaving little financial benefit for local producers. To this end, the CFC also emphasizes the importance of value addition within to increase smallholder incomes and reduce reliance on raw commodity exports. By supporting smallholders in processing and adding value to their products, CFC aims to capture a greater share of the global value chain locally, thus boosting incomes and economic stability for farming communities.

Furthermore, smallholders are often vulnerable to price fluctuations in the global commodity futures market. CFC advocates for financial mechanisms that protect farmers from the risks associated with market volatility and guard against hunger profiteering, where the poorest communities are disproportionately impacted by rising commodity prices driven by speculation. Through these protections, smallholders can better focus on sustainable farming without fear of income loss due to external shocks.

For example, in many rural areas, smallholder farmers lack collateral and credit history, making it difficult to secure loans from conventional financial institutions. The CFC addresses this gap by offering financial products that consider the unique risks and potential of these farmers. By doing so, we enable them to invest in better seeds, sustainable farming practices, and technologies that increase productivity while preserving the environment. CFC also supports Brazil's G20 initiative for a global alliance against hunger and poverty, emphasizing innovative financing solutions to address these challenges comprehensively.

2. CFC'S AGRICULTURAL COMMODITY TRANSFORMATION FUND (ACT FUND) AS A MODEL FOR MOBILIZING FINANCING

The Agricultural Transformation Fund (ACT Fund) is a flagship initiative of the CFC designed to catalyse transformative change in the agricultural sector of commodity-dependent countries. The ACT Fund mobilizes resources to support projects that enhance productivity, promote sustainable practices, and improve the livelihoods of smallholder farmers.

One of the core objectives of the ACT Fund is to bridge the financing gap that hinders the adoption of innovative agricultural technologies. By providing tailored financial solutions, the fund enables farmers to access modern inputs, mechanization, and training. This not only increases their productivity but also enhances their capacity to cope with environmental challenges such as soil degradation and changing climate patterns.

A pertinent example is the CFC's investment in Kennemer Foods International in the Philippines. Kennemer is an agribusiness company that specializes in the sustainable cultivation of cacao. Through the ACT Fund, the CFC supported Kennemer's innovative financing model, which provides smallholder farmers with access to high-quality planting materials, technical assistance, and a guaranteed buy-back scheme for their produce. This model reduces the financial risk for farmers, encourages the adoption of sustainable farming practices, and improves incomes.

Kennemer's approach has had a profound impact on thousands of farmers in the Philippines. By focusing on sustainability and inclusive growth, the project contributes to several Sustainable Development Goals (SDGs), including no poverty (SDG 1), zero hunger (SDG 2), decent work and economic growth (SDG 8), and life on land (SDG 15). The success of Kennemer demonstrates how targeted financing, coupled with innovative business models, can drive significant social and economic development.

3. HUMANIZING VALUE CHAINS: ENSURING DEVELOPMENT FINANCING REACHES THOSE MOST IN NEED

The global commodity value chains often overlook the human element at their foundation—the small-scale producers and workers who are integral to the system. The CFC advocates for the humanization of value chains to ensure that benefits are equitably distributed, working conditions are fair, and environmental sustainability is prioritized.

At the heart of CFC's proposals is enhancing transparency and traceability within commodity value chains. By leveraging digital technologies like blockchain and artificial intelligence, the CFC aims to create systems where consumers can easily trace the origins of their products. This transparency ensures that smallholder farmers, who are often the first link in these chains, receive a fair share of the value they create. By establishing direct connections between consumers and producers, CFC envisions a framework where consumers can directly support farmers, contributing to their income similarly to how service workers might receive tips. This approach not only offers financial support but also enhances recognition and respect for farmers' contributions.

Empowering smallholder farmers is another cornerstone of CFC's approach. By investing in agribusinesses and supporting these farmers, the CFC seeks to bolster food security while stabilizing livelihoods. Their projects often focus on helping smallholders transition into value-added manufacturing, allowing them to retain more value from their produce and improve their economic standing.

Fair compensation is a critical aspect of humanizing value chains. The CFC emphasizes the need for equitable distribution of economic benefits throughout the production process. This ensures that workers involved in commodity production are justly rewarded for their contributions, promoting social equity.

Reducing disparities between producers and consumers is also a key focus. The CFC strives to connect these two groups more directly, ensuring that technological advancements benefit all stakeholders, especially those in developing countries. By bridging this gap, they aim to create a more balanced global trade environment.

Digital innovation plays a vital role in this initiative. The CFC envisions using digital tools to enable consumers to support producers directly. For instance, similar to tipping service workers, consumers could tip farmers directly, providing immediate financial support and recognition.

These efforts by the CFC align closely with several UN Sustainable Development Goals. By empowering smallholders and ensuring fair compensation, they contribute to SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). Their focus on agricultural productivity supports SDG 2 (Zero Hunger), while reducing disparities aligns with SDG 10 (Reduced Inequalities). Moreover, by promoting transparency and sustainable production practices, they advance SDG 12 (Responsible Consumption and Production).

Through these initiatives, the CFC not only supports economic development but also fosters social equity and environmental sustainability, working hand-in-hand with the UN's broader agenda for sustainable development.

4. ADDRESSING PRIORITY CHALLENGES: CLIMATE CHANGE, BIODIVERSITY LOSS, AND INCLUSIVE REGENERATIVE AGRICULTURE

Climate change and biodiversity loss are among the most pressing challenges facing humanity. Commodity-dependent countries are particularly vulnerable to these issues due to their reliance on natural resources and agriculture. The CFC is committed to promoting solutions that address these challenges while fostering economic development.

CLIMATE CHANGE MITIGATION AND ADAPTATION

Climate change poses significant risks to agricultural productivity, food security, and livelihoods. Smallholder farmers often lack the resources to adapt to changing weather patterns, increased frequency of extreme events, and shifting pest and disease dynamics.

The CFC supports projects that enhance climate resilience. For instance, we invest in initiatives that promote drought-resistant crop varieties, efficient irrigation systems, and agroforestry practices. By diversifying income sources and adopting climate-smart agriculture, farmers can reduce their vulnerability.

BIODIVERSITY CONSERVATION

Biodiversity is essential for ecosystem health and agricultural productivity. Financing for development must recognize that loss of biodiversity undermines the resilience of ecosystems and the services they provide, such as pollination, soil fertility, and water regulation.

Through projects like the support for Kennemer's sustainable cacao cultivation, the CFC promotes agroforestry systems that integrate trees with crops. This approach enhances biodiversity, sequesters carbon, and provides habitat for wildlife. Additionally, it improves soil health and reduces the need for chemical inputs.

INCLUSIVE REGENERATIVE AGRICULTURE

Regenerative agriculture focuses on restoring soil health, increasing biodiversity, and improving the water cycle. It emphasizes practices that regenerate the land and enhance ecosystem services.

The CFC champions regenerative agriculture as a means to achieve sustainable development. By supporting farmers in adopting practices like crop rotation, cover cropping, reduced tillage, and organic fertilization, we help improve soil fertility and productivity.

An example is our involvement with projects that transform waste into resources, see Muta, a company supported by the CFC[1]. Muta operates in the circular economy by collecting organic waste and converting it into valuable products like compost and bioenergy. This not only reduces waste and greenhouse gas emissions but also provides income opportunities for waste collectors, often among the most marginalized in urban settings.

Muta's model addresses multiple SDGs, including responsible consumption and production (SDG 12), climate action (SDG 13), and sustainable cities and communities (SDG 11). By integrating waste management with social inclusion, the project demonstrates how innovative financing and business models can address environmental challenges while empowering underprivileged communities.

5. TECHNOLOGY AS A CATALYST FOR ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

Technological innovation plays a crucial role in overcoming the challenges faced by commodity-dependent communities. The CFC actively supports the development and deployment of technologies that enhance productivity, sustainability, and market access.

DIGITAL AGRICULTURE AND INFORMATION ACCESS

Access to information is vital for farmers to make informed decisions. Digital platforms and mobile technologies can provide weather forecasts, market prices, and best practices. The CFC supports initiatives that bridge the digital divide in rural areas.

For instance, by investing in platforms that connect farmers to buyers, we help reduce transaction costs and improve transparency. This empowers farmers to negotiate better prices and reduces the influence of intermediaries who may exploit information asymmetries.

[1] Muta: A company transforming waste collectors' lives through circular economy innovation, supported by the CFC. (https://common-fund.org/transforming-waste-collectors-lives-circular-economy-innovation)

REMOTE SENSING AND DATA ANALYTICS

Technologies like satellite imagery and data analytics enable better monitoring of agricultural practices and environmental impacts. Satelligence's work in providing deforestation alerts is a prime example of how technology can support sustainable commodity production[2].

By utilizing remote sensing, stakeholders can ensure compliance with environmental regulations, identify areas at risk, and implement conservation measures. This not only protects ecosystems but also enhances the reputation and marketability of commodities produced sustainably. An illustrative project is Satelligence, a company supported by the CFC that uses satellite technology to monitor deforestation and land-use changes. By providing real-time data, Satelligence enables stakeholders in commodity value chains to make informed decisions that prevent deforestation and promote sustainable land management. This technology empowers companies and governments to enforce environmental standards, ensuring that commodities like palm oil, cocoa, and soy are produced without contributing to habitat loss.

Satelligence's work exemplifies how technology can be leveraged to address environmental challenges while supporting the livelihoods of local communities. By integrating cutting-edge technology into value chains, we can promote transparency, accountability, and sustainability.

INNOVATIVE FINANCING PLATFORMS

Access to finance remains a significant barrier for smallholder farmers. The CFC supports fintech solutions that provide microloans, insurance products, and payment platforms tailored to the needs of rural populations.

These technologies often leverage mobile banking and blockchain to reduce costs and increase security. By enabling farmers to access financial services, we facilitate investments in productivity-enhancing inputs and technologies.

6. DE-RISKING INVESTMENT IN DEVELOPMENT THROUGH TRANSPARENCY

Conservatism of credit rating agencies, which predominantly operate from the industrialized world seems to be one of the impediments to transparency of investments in development. Traditional risk assessments often produce ratings that evolve slowly, providing limited agility in the face of rapidly shifting global dynamics. For impact investors, who prioritize social and environmental outcomes alongside financial returns, this conservatism can stymie efforts to innovate and contribute to the Sustainable Development Goals (SDGs). Given the unique financial needs and higher perceived risks in emerging markets, impact investors therefore struggle to find a fair assessment of the financial conditions. This dynamic constrains growth opportunities in regions that could otherwise benefit significantly from development finance and innovation-driven investments.

Recognizing the need for alternative solutions, we take due note of the discussions at UNCTAD which have raised the prospect of establishing a multilateral supranational credit rating agency (MCRA) [3]. Such an agency could develop a more inclusive, context-sensitive framework for assessing sovereign creditworthiness, reflecting a better understanding of the developmental realities and risks in emerging markets and developing economies (EMDEs). The MCRA would supplement traditional agencies, offering ratings that better reflect both current challenges and potential gains. This could de-risk and improve investment climate for projects aimed at social good, environmental sustainability, and technological innovation, rather than primarily focusing on short-term financial

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[2] Satelligence: A technology company supported by the CFC providing satellite-based deforestation monitoring to promote sustainable commodity production. (https://satelligence.com/)

[3] https://mobilizingdevfinance.org/research-material/multilateral-credit-rating-agency, [accessed on 1 November 2024]

returns. This could empower investors to fund projects that directly support the SDGs, bridging the current gap between development finance and impactful investment.

A more progressive and inclusive approach to credit ratings would help shape a pathway for sustainable investment, guiding resources toward ecological transition while addressing climate resilience, social equity, and poverty reduction. Realistic risk assessments in EMDEs could be based on greater understanding of the subject area, e.g. commodity value chains, helping impact investors enter these markets with greater confidence, expanding the scope of development finance to encompass innovative projects and sustainable development initiatives. This shift is essential to meet the growing global need for financial instruments that accommodate the complex, evolving landscape of sustainable development.

RECOMMENDATIONS FOR THE UN FORUM ON FINANCING FOR DEVELOPMENT

In light of the challenges and opportunities outlined, the CFC offers the following recommendations for the UN Forum on Financing for Development:

1. Prioritize Financing Mechanisms for Vulnerable Communities: Develop and support financial instruments that cater to the specific needs of commodity-dependent populations, including concessional loans, grants, and blended finance models. CFC calls on the FfD to establish a global financial infrastructure where concessional and de-risked finance becomes the standard. This infrastructure would prioritize smallholder support over large-scale plantation agriculture operated by multinationals, helping smallholders in the Global South lift themselves out of poverty.
2. Support Innovative and Inclusive Business Models: Encourage investments in enterprises that adopt inclusive business practices, empower smallholder farmers, and promote fair trade.
3. Leverage Technology for Sustainable Development: Invest in technological solutions, including blockchain and AI, to enhance productivity, sustainability, and market access. These advancements improve transparency along value chains and ensure marginalized communities benefit from innovation.
4. Promote Sustainable and Regenerative Agriculture: Support policies and programs that encourage the adoption of practices that restore ecosystems, enhance biodiversity, and mitigate climate change.
5. Humanize Global Value Chains: Advocate for the fair distribution of value along the commodity chains, ensuring that producers receive equitable compensation and work under decent conditions. Promoting and piloting our "Humanizing Value Chain" concept, which leverages blockchain technology and digital tools to connect consumers directly with smallholder farmers. For example, if consumers contributed just one cent more per cup of coffee, it could generate USD 30 million daily for the world’s 25 million coffee farming households, significantly boosting their incomes and lifting many above the poverty line[4].
6. Facilitate Knowledge Sharing and Capacity Building: Invest in training and capacity-building initiatives that empower communities to adopt new technologies and practices.
7. Strengthen Partnerships: Foster collaborations between governments, international organizations, the private sector, and civil society to mobilize resources and expertise.
8. Continue research into harmonization of methods for assessing the creditworthiness of entities in developing countries, with particular focus on supporting the finance flows from the impact -conscious investment community.

[4] See appendix 1.

9. Draft a Comprehensive Commodity Strategy for Absolute Sixteen[5]: CFC recommends that FfD draft a strategic framework specifically addressing the unique challenges of Least Developing Countries (LDCs), Landlocked Developing Countries (LLDCs), particularly the Absolute Sixteen[6]. This framework should support infrastructure, digital access, and economic diversification, fostering resilience in these regions.
10. Establish a Global South Development Fund: CFC urges the establishment of a *Global South Development Fund* financed through VAT and import duties collected on commodities from the Global South by countries in the Global North. CFC proposes that an initial fraction say 2 % of the VAT revenues be directed to this fund, with contributions from both EU nations and emerging Southern donors. The rational for this sharing of VAT proceeds is the fact that this VAT is there simple because of that avocado that was produced by the hard working smallholders in Peru or Kenya or Tanzania. This fund will support sustainable development initiatives and help smallholders in Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDs), and other deserving nations. The fund will also prepare smallholders to benefit from and adapt to AI and emerging technologies, empowering them to participate in “humanized” value chains that promote fair compensation and social equity. We attached at appendix III how VAT could be collected from Peruvian avocados and be redirected to the country of origin ie Peru.

CFC'S COMMITMENT TO SUSTAINABLE DEVELOPMENT AND POVERTY ALLEVIATION

The CFC's mission aligns closely with the Sustainable Development Goals (SDGs), particularly those focused on poverty reduction, zero hunger, and environmental sustainability. Our holistic approach emphasizes that economic development must be integrated with social inclusion and environmental stewardship. Through investments in projects like Kennemer, Satelligence, and Muta, the CFC demonstrates the tangible impact of targeted financing and innovative solutions. These initiatives not only enhance incomes and livelihoods but also contribute to broader societal goals, supporting communities in overcoming complex and multifaceted challenges.

However, addressing these issues requires ongoing research and data-driven insights. CFC recommends that FfD 4 fund the development of a dedicated research wing within the CFC, enabling real-time analysis of commodity value chains. This research facility would allow CFC to gather actionable data through rigorous due diligence, creating a reservoir of insights and best practices that can guide sustainable development efforts. CFC envisions expanding its side events on “global best practices” into a global competition that fosters innovative ideas and scalable solutions.

As the global community rethinks trade structures, it is crucial that the wealth generated from the Global South’s resources is reinvested back into these communities. By transforming commodities from a source of poverty into a vehicle for prosperity, we can humanize value chains, promote regenerative agriculture, and leverage technology to address pressing challenges like climate change and biodiversity loss.

The UN Forum on Financing for Development has a pivotal role in shaping policies and mobilizing resources to support these efforts. CFC stands ready to collaborate with all stakeholders in advancing these goals, urging the UN Forum to adopt these recommendations and support initiatives that yield tangible benefits for the communities most in need.

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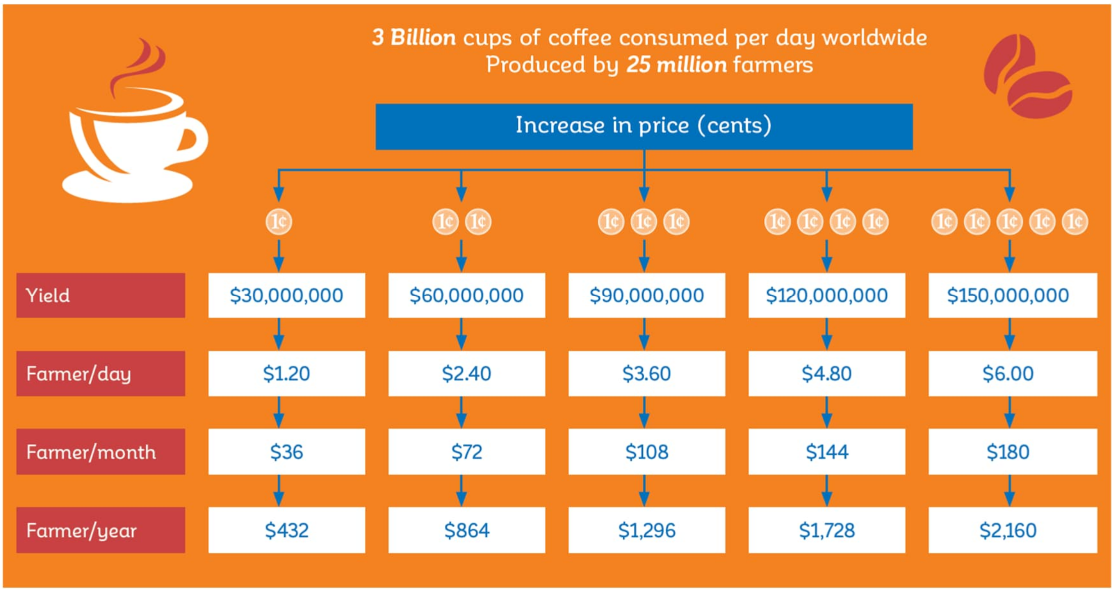
5 Sixteen countries, 13 from Africa and 3 from Asia- Afghanistan, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Lao People’s Dem. Republic , Lesotho, Malawi, Mali, Nepal, Niger, Rwanda, South Sudan, Uganda and Zambia- which are both LDC and LLDC at the same time should be a zone of ultra focus to make their commodities work for them. See appendix 2, to see the depth of poverty and other abysmal numbers like use of fertilizers, HDI index etc.

APPENDIX 1.



APPENDIX II.

Country	Poverty Rate (latest available)	Human Development Index (HDI) 2022	HDI change from 2021	Life expectancy at birth	Fertilizer use per hectare of cropland, 2021	Digital Adoption Index (2016)
World	8.9% 2023	0.739	+0.004	72 years		
Afghanistan	54% 2016	0.462	-0.011	59.6 years	5.03 kg/ha	0.343
Burkina Faso	41.4% 2018	0.438	-0.007	59.8 years	10.77 kg/ha	0.236
Burundi	64.9% 2013	0.420	+0.001	62 years	14.96 kg/ha	0.261
Central African Republic	68.8% 2021	0.387	0.000	54.5 years	0.23 kg/ha	0.147
Chad	42.3% 2018	0.394	+0.001	53 years	2.23 kg/ha	0.229
Ethiopia	23.5% 2015	0.492	+0.003	65.6 years	36.91 kg/ha	0.269
Lao PDR	18.3% 2018	0.620	+0.005	69 years	46.00 kg/ha	0.260
Lesotho	49.7% 2017	0.521	-0.001	63 years	14.63 kg/ha	0.292
Malawi	50.7% 2019	0.508	-0.001	62.9 years	92.13 kg/ha	0.259
Mali	45.3% 2023	0.410	+0.002	59.4 years	28.12 kg/ha	0.292
Nepal	20.3% 2022	0.601	+0.010	70.5 years	88.92 kg/ha	0.365
Niger	40.8% 2018	0.394	+0.005	62.1 years	0.58 kg/ha	0.160
Rwanda	38.2% 2016	0.548	+0.009	67.1 years	19.97 kg/ha	0.428
South Sudan	82.3% 2016	0.381	0.000	55.6 years	0.02 kg/ha	
Uganda	20.3% 2019	0.550	+0.005	63.6 years	1.85 kg/ha	0.340
Zambia	54.4% 2015	0.569	+0.004	61.8 years	63.25 kg/ha	0.344
Average Absolute Sixteen	**44.70%**	**0.481**	**+0.002**	**61.84 years**	**26.6 kg/ha**	**0.282**

Appendix-III:

Analysis of Avocado Turnover and VAT in the Netherlands

Avocado Imports in the Netherlands

- Total Imports: 257,000 tonnes
- Peru's Share: 111,000 tonnes (43.2%)
- NL Population: 17.7 million people

● Per Capita Consumption: 2.25 kg per person ○ Estimated Total Consumption: ■ 17.7 million × 2.25 kg = 39.825 million kg or 39,825 tonnes23

Total Value of Avocados Sold (Turnover):

● Average Price: €5.5/kg ○ Gross Turnover: ■ 39.825 million kg × €5.5/kg = €291.0375 million

VAT Collected on Avocado Consumption:

● VAT Rate: 9% (included in the price) ○ VAT amount per kg: ■ €5.5 ×9109 = €0.45

○ Total VAT Collected: ■ 39.825 million kg × €0.45 = €18.0857 million

Price excluding VAT:

● Price per kg (Excl. VAT): ○ €5.5 / kg - €0.45 / kg = €5.05 / kg

● Turnover excluding VAT: ○ 39.825 million kg × €5.05 / kg = €200.9518 million

If 2% Returned to Peru:

● 2% Return to Peru: ○ €18.0857 million × 2% = €0.361 million

○ €361,713 returned to Peru