

**STATEMENT BY AMBASSADOR SHEIKH MOHAMMED BELAL
MANAGING DIRECTOR OF THE COMMON FUND FOR
COMMODITIES AT THE OPENING OF THE 73rd MEETING OF
THE EXECUTIVE BOARD
TELECONFERENCE, 13 April 2022**

Madame Chairperson,
Excellencies,
Distinguished Executive Directors and Alternates,
Distinguished observers and participants
Ladies and Gentlemen,

We remain deeply grateful to all of you for joining us today for our 73rd Executive Board Meeting. We are particularly grateful to those of you who had to make additional efforts to defy the inconvenience of time zone.

I am pleased to recognize the kind presence of

H.E. Ms. Maria Isabel ENCOGE, Ambassador of Angola;

H.E. Ms. Anet PINO RIVERO, Ambassador of Cuba;

H.E. Dr. Pontšo Susan Matumelo SEKATLE, Ambassador of Lesotho

H.E. Dr. Naomi NGWIRA, Ambassador of Malawi;

and all members of the board.

I am also pleased to acknowledge the kind presence of the Chairperson of the Consultative Committee (CC), Ms. Jie Chen of China. Ms. Chen was kind enough to circulate her Report of the 69th Meeting of the CC, in advance, so that only a summary will be presented, and she will be available to answer any question the Board may have.

Excellencies:

When global communities are more than eager to get back to their normal life, after over two years of catastrophic devastations of COVID-19 pandemic, the sad developments around Ukraine raised our deep concerns. Soaring food and fuel prices will affect the most vulnerable in

CHECK AGAINST DELIVERY

developing countries, putting pressure on the poorest households which spend the highest share on their income on food, resulting in hardship and hunger.

We want to express solidarity with the millions of men, women and children impacted and displaced by the conflict in Ukraine and we subscribe to the call made by United Nations Secretary-General António Guterres for the conflict to stop now.

Distinguished delegates,

If we are serious about a sustainable world, we ought to pay more attention to what is happening to the millions of smallholders and their livelihoods in the developing world. We urge you, to walk back with us, along the commodity value chains, see for yourself how you could contribute significantly to make their life better. Let us go from commodities to commodities and see how life around these commodities revolve around what you pay as a consumer?

As consumers, we all are empowered by social networks and our digital devices, we are increasingly in a position to decide what we want, when and where we want it. We are both our critics and creators to demand that our cheaper cup of coffee, or chocolate, or ice cream should not come at the expense of the poor and the most vulnerable.

Take the case of cocoa. While chocolate manufacturing is a thriving business, millions of cocoa farmers bear the costs by getting less and less share from the revenues. Cocoa growers today receive around 6,6% of value of a tonne of cocoa sold. While the profits of chocolate companies have increased since the 1980s, the world market price for cocoa beans has declined by half (inflation-adjusted).

According to latest available report from UNCTAD, the farm gate price of RCN in Côte d'Ivoire was 67.5 cents/kg, while the export price of cashew kernels in the European Union in the range of \$25/kg, corresponding to about \$5.75/kg of RCN equivalent. Meaning the smallholders in Côte d'Ivoire receive only 15 per cent of RCN equivalent.

Now please join me in sipping our morning cup of emotional coffee. When you buy a cup of coffee in Europe, as the Financial Times, London showed in research in 2019, you can expect to pay 2 .50 pound for a tall glass of latte. Yet, the farmer who actually grows this coffee might be getting as low as only one penny.

But I would like you to remember, that without the farmer there will neither be a cup of coffee for 2.50 pounds, nor a cup of coffee for any price. In the end, our daily consumption depends critically on the people who produce the primary commodities which make the very fabric of our livelihoods.

Do we know that more than 90% of coffee (in volume) is still shipped in green form? Based on re-export data published by the International Coffee Organisation, it is apparent that European

CHECK AGAINST DELIVERY

countries earn more than three times more from the exports of coffee products than those in Africa. Non-producing countries have significantly increased exports of coffee.

Only 36% of coffee imports entering the Netherlands is sourced directly from producing countries as per information available in the page of Dutch MOFA. These imports come mainly from the world's largest coffee producers: Brazil, Vietnam, and Colombia. Hardly any from Africa. Why?

We don't have the time and space to answer this question in any reasonable way. Europe is blessed with many things. From manufacturing perspective, Europe has positioned itself as a centre of excellence for research and development and high-end manufacturing, insulated from the challenges of extracting and processing raw commodities. Politically, Europe has driven the global agenda in environmental, social and governance best practices.

This is where, through you, we would like to see a new kind of partnership between Europe and commodity dependent developing countries. We seek support of the European and OECD countries for making this partnership work for the poor and the vulnerable. With climate, race, and gender lens inbuilt in every thread of its fabrics.

European manufacturers must fundamentally review how they approach procurement. Well, we may not suggest Europe to produce their cars in DRC, but we would surely urge Europe to see how DRC could come out of exporting their valuable commodities in raw shape. Europe could help the commodity producers globally to come forward with innovative practices. Only through aligning policy options and corporate loopholes, one single country in Europe could give as much as 8 billion pounds to a commodity producing countries a year.

Madame Chair:

With this introduction, we are pleased to recall here that the recommendations of the open-ended Working Group on Sustainable Fund regarding formation of the Commodity Impact Investment Facility (CIIF) have been approved by the Governing Council, authorising the Managing Director of the CFC to

- i. Register CIIF as legal entity under conditions in PPM;
- ii. Set up CIIF Investment Committee;
- iii. Make arrangements in the Secretariat to cover the essential functions for the launch of CIIF;
- iv. Outsource CIIF fund administration to a professional service company with costs covered by the CIIF management fee.

We are now consulting with lawyers and financial advisors to structure the CIIF properly, and to reach out to our future investors in full compliance with the mandate given to us by the GC, and in agreement with professional standards of impact investment industry. We have identified 6

CHECK AGAINST DELIVERY

qualifying projects which the CFC will transfer to the portfolio of CIIF as part of its investment in the Facility, so it starts already with a real and vibrant portfolio. We already see a great pipeline of projects developing that will qualify in future for financing via the CIIF, under overall leadership of the CFC. I would like to recall as well, that the operationalization of CIIF will build on and expand the capacity of the CFC's call for proposals. We are about to complete our 20th call in a few days, and we see great improvements in the qualify and effectiveness of new project submissions.

Distinguished delegates:

The workings of CIIF are more welcoming as the growth of impact investment market has been outstanding. Barely 17 years ago, before a United Nations report set the foundation for its legal framework, sustainable investment was just a concept. Now, according to some studies, it is a 35 trillion-dollar market, more than twice the GDP of the European Union, and it is expected to reach 53 trillion dollars by 2025. With this auspicious news, we seek the support of each of you, not simply in your capacity as Executive Directors or Alternate, but as your human duty to make a difference in whatever you do in the rest of your life. Our lives.

Madame Chair:

During this Executive Board, defying this lockdown, we are very pleased to report to you that we maintained the high pace of project identification and implementation. Some of you already seen and all of you will see again 5 good quality project proposals, seeking a commitment of nearly USD7 million from the CFC. Again, we begin the year 2022 with the rate of project submission that puts us on track for another good year providing much needed support to commodity dependent people.

We continue our efforts to make the best of our limited resources in achieving our mission, as our trade finance investment portfolio continues to develop, and we further support projects with working capital and liquidity. We note that many of our projects may require "credit holidays" to cope with the continuing disruption in the global trade. We use available instruments to create opportunity to support such requests, while, at the same time, maintaining appropriate risk management and keeping the CFC resources working in the best way. Since its reform, the CFC very closely achieved preservation of capital in the Operations Account, where income generated by successful projects is just sufficient to cover the inevitable losses when things do not go as planned. This is a no small achievement- we do not know of any other organization that can claim similar performance financing agricultural SMEs in Developing Countries.

The CFC structure demonstrated great resilience in these challenging times, and the CFC remains effectively self-financing. The investment side of the CFC continues to face challenges we expect to remain at the level of income of some 3.6 million USD, which is less than half of what the CFC was earning in more favourable times. While we cannot ignore the rise of credit and currency

CHECK AGAINST DELIVERY

risks, we also recognize that the CFC portfolio is carefully diversified and follows a very conservative hold-to-maturity policy, which, in these difficult times, give us enough reasons for cautious optimism. As the world recovers from the pandemic, despite all the conflict related disruption, the rates of return have started to rise gradually, and we hope that our income will start rising gradually as well in the coming years. As always, you can find the details of our investment in the report CFC/EB/73/16 which will be presented to you under Item 6.2 of the agenda. Our Investment Advisor, Mr. Melchert van Boheemen, will also join the meeting to express his views on the current developments and what it means for the CFC

Madame Chair:

CFC remain committed to working as closely as possible with smallholders and SMEs in the commodity dependent developing world. We believe that our understanding of the commodity sector, and of the specific needs of the SMEs gives us unique capacity to finance the people, the missing middle, who simply do not reach the attention of other financiers.

During the break in this meeting, you will have the chance to witness first hand testimonies from two of our projects:

Integrated Lime Production in Bahia – Brazil; and

Acquisition of a processing plant for the aquaculture sector - Peru

The entrepreneurs behind these projects were kind enough to take the time to tell us all, how their projects are changing lives and how the CFC contribution helps with it.

Ladies and Gentlemen:

As we have already discussed in the previous meeting, the importance of Climate Action SDG i.e., SDG 13 cannot be overstated, and we cannot miss it in the operations of the CFC. Being convinced that we must change the way we run our businesses and economies to work with nature, not against it, we return to the issues under Item 5.9 of the agenda.

Responding to the questions raised in the previous meeting of the EB we have done our homework and we are convinced that including SDG 13 as one of the core SDGs of the CFC will ensure long-term prosperity help the commodity sector move to circular economies in which we eliminate waste and pollution by keeping products and materials in use and regenerating natural systems.

You may wish to recall that, originally, five SDGs (SDG 1: No Poverty, SDG 2: Zero Hunger, SDG 5: Gender Equality and SDG 8: Decent Work and Economic Growth, and SDG 10: Reduced inequality) were approved as our CORE SDGs. While we aspire to form CFC in a shape that will help towards achieving all 17 SDGs, I believe we are ready for your approval for one more core SDGs i.e., Climate Action -SDG-13 under agenda item 5.9.

CHECK AGAINST DELIVERY

Distinguished Members of the Board,

One important item on the agenda of the Board is the pre-announcement of the nominations for the next composition of the Consultative Committee. To recall, the CC is appointed by the Executive Board on recommendation by the Managing Director to provide independent advice on all aspects of the operations of the CFC. This simply means that the CFC can only be as good as the Consultative Committee, and we depend on our Member Countries nominating qualified specialists to serve on the next composition of the CC.

I would also like to use the occasion to express my deep appreciation to the currently serving Members of the Committee, particularly the Chair, Ms. Jie Chen, who is here with us today. Your service to the CFC is most appreciated and your contribution has made us a better organization.

Distinguished members of the Board:

As you will see from the Impact Report, presented under Item 5.8 and now firmly a part of the EB Agenda, despite its small size the CFC is achieving a lot in terms of impact on the lives of the people at the base of commodity pyramid. In total, around 416,000 people stand to benefit from the loan-based interventions currently financed by the CFC, with thousands new jobs created by companies supported by the CFC. In some of these enterprises female participation rates reach as high as 80%, providing a path to economic equality for all. The CFC continues to pay a lot of attention to measuring its impact in line with the best international practices, and we are now receiving recognition for our progress in the global standard setting bodies, such as the Global Impact Investing Network (GIIN).

Distinguished members of the Board:

Before concluding, I would like to pause to thank our host, the Netherlands, for their excellent support and assistance. We remain also thankful to the OPEC Fund for their trend setting support during our formative years and hope to continue partnership with the OPEC Fund in the future as well.

Distinguished Members of the Board,

Ladies and Gentlemen,

In the interest of time, as usual, I have not commented on all items on the agenda. I would like to thank all Members who have taken time from their pressing engagements for participating in this Executive Board meeting.

Let me conclude by extending my personal compliments to the entire CFC team, as well as to our external partners who accepted the challenge of initiating and blazing a new trail for the organization by producing, despite the pandemic, our April newsletter. We seek your

CHECK AGAINST DELIVERY

understanding as we make some efforts to produce reports with deeper insights and impact stories, and try to be part of this shared journey, please join us as one of the sponsors of our next issue of annual reports and newsletters. Also please bear with us as we make some adaptations in how we do our translations or print our documents.

Before I conclude, allow me to be very candid. You will surely not be in a headline tonight for attending this meeting. But I can echo Philosopher Adam Grant to assure you that in life, it is better to be valued by few than to be known by many. The life and livings of those smallholders that you are poised to touch, will surely be your legacy. Your contribution is not the scope of your reach to millions of dollars, it is the depth of your impact as an agent of change. Your legacy won't be measured by how many footprints you left; it is how long they last. Welcome to the eternity of impacts.

I thank you for your role as an agent of impacts.