

COMMUNICATION ON ENGAGEMENT (COE)



Period covered by this Communication on Engagement: October 2018 – June 2021

Subject: Statement of Continued Support

Date: 01 July 2021

Dear UN Global Compact stakeholders,

I hereby express the continued support of the organization, Stichting Cordaid in The Netherlands, for the UN Global Compact Initiative, and renew our commitment to the initiative and its principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this Communication of Engagement, we describe the actions that our organization has taken to support the UN Global Compact and its Principles as suggested for an organization like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Kees Zevenbergen".

For Cordaid
Kees Zevenbergen
CEO



Description of Actions

A. Fostering inclusive economic growth

Cordaid's Private Sector Development program supports people in the world's most fragile contexts in finding (and keeping) decent work and in improving their livelihoods. Through economic empowerment and employment creation, and together with the private sector, we provide part of the means people need to lift themselves out of poverty. By fostering inclusive economic growth, our aim is to generate long-term sustainable development. In fragile and conflict-affected settings, needs for inclusive economic growth is even bigger. Promoting local private sector development in such a context comes with demonstrating the benefits of peace by reconciling and integrating communities, building social cohesion and trust, with the reintegration of displaced persons, of returning citizens and soldiers, and with addressing the needs of those who are suffering from trauma.

The presence of vibrant small and medium-sized enterprises (SMEs) is crucial for many developing countries. However, social, economic and political realities in fragile countries make it hard for SMEs to flourish. Cordaid supports local entrepreneurs to build professional, resilient businesses with the aim to create more jobs, for young people in particular.

Cordaid in The Netherlands

In collaboration with local businesses, civil society and other parties, Cordaid's Cooperative Entrepreneurship Programme helps poor Dutch households and individuals to reintegrate into society and recover their personal vigor by supporting them as members of social cooperatives. Within these cooperatives, people can start their own business whilst retaining their social benefits. Cordaid supports cooperatives with general coaching, financial advice, connections, workshops and training sessions. Participants also benefit from a larger network for support on professional and personal issues.

Cordaid in developing countries

The private sector of many developing countries consists primarily of informal microenterprises, operating alongside a limited number of large firms. SMEs, which can be important contributors to equitable economic growth and job creation, are often lacking or few. Cordaid's Private Sector Development efforts aim to address this 'missing middle' by supporting SMEs with Cordaid's two-track strategy: Resilient Business Development Services and Access to Finance.

1. Resilient Business Development Services

Track 1 involves support for SMEs through Resilient Business Development Services (RBDS), before and after they receive a loan or equity investment. The RBDS program is designed to improve financial, social, and environmental business performance and geared towards making enterprises 'investment-ready' and resilient. The RBDS program offers selected SMEs an integrated support system that includes business training, one-on-one coaching, in-business technical expertise, access to information and networking opportunities. SMEs receive group training and mentoring on key subjects, such as operational management, internal management, supply chain management, marketing, financial management, risk management, business rule of law, and access to finance.



2. *Access to Finance*

Track 2 leverages the success of RBDS by providing investment capital to eligible SMEs to catalyze business growth. Whilst foreign investors and local banks are rarely willing to invest in SMEs in transition economies due to the excessive costs and risks involved, Cordaid is confident that the RBDS program delivers investable SMEs and therefore reduces the risks. This two-track approach ensures that capital is allocated effectively to those SMEs that have the capacity to create sustainable social impacts, while also generating competitive financial returns.

B. Cordaid Investment Management

While poverty has decreased globally, fragile communities continue to lag in terms of development. For these communities to flourish, economic development is essential. To support this, financial systems must be strengthened, investments in businesses provided and jobs need to be created. However, the most fragile developing countries lack access to inclusive financial services. Cordaid Investment Management B.V. (CIMBV) fills this gap by investing in people and businesses that have limited or no financial alternatives.

CIMBV is the asset management branch of Cordaid and demonstrates the possibilities of creating scalable and sustainable social impact in fragile contexts. We invest in Microfinance Institutions (MFIs) that offer inclusive finance to micro entrepreneurs. We also invest in Small and Medium Enterprises (SMEs) that have limited or no financial alternatives. CIMBV uses a mix of instruments: patient capital (equity and subordinated debt) and senior debt including loans with longer maturities. We harness social returns throughout our investment processes, and we pride ourselves of being forward thinking when it comes to measuring social impact and designing social performance indicators and assessment tools.

CIMBV manages thematic investment funds that foster Cordaid's multidisciplinary approach to development. The Rural and Agriculture Fund (RURAF) provides agricultural subsectors with access to finance to boost local rural economies. RURAF focuses on MFIs that serve farmers and rural microentrepreneurs. The Stability Impact Fund (SIF) contributes to economic development in fragile communities. SIF is an impact fund serving all segments of micro, small and medium-sized enterprises. The Stability Impact Fund Africa (SIFA) will be a carve-out of SIF specifically focusing on Africa. It provides SMEs with access to inclusive finance in combination with Cordaid's Business Development Services.

CIMBV is a 100% subsidiary of Cordaid Foundation, which is a frontrunner in opening markets to impact investment since 1997. CIMBV works with a professional investment team of 20 persons, with backgrounds in banking and development aid. CIMBV is active in 21 developing countries in Africa, Asia and Latin America.



Measurement of outcome

In fostering inclusive economic growth, Cordaid eases the socioeconomic pressures of migration, empowers the marginalized, and provides people with a sense of purpose. Our work spans three core areas of expertise:

- Fostering inclusive economic growth through integrating communities into market systems.
- Fostering access to employment opportunities for marginalized groups such as women and youth by supporting the growth of the local private sector and improved labor-market linkages.
- Fostering the creation of community businesses to provide sustainable livelihoods for those living in and affected by fragility.

In 2018 we spent € 4 million on private sector development; key results include:

- The programme in Afghanistan trained 141 youth on starting their businesses. Of these, 87 businesses were able to attract seed capital via crowdfunding.
- In cooperation with Comic Relief, we won the bid for a programme to extend external financial support to 100,000 people in the hardest to reach, rural areas of Sierra Leone. The project provides financial literacy training to people. It also urges financial providers to both develop customer-centric products and services, and to expand services into rural communities.
- The South Sudan Agribusiness Development Project was prepared with the Dutch embassy. The goal is to improve food security, income and employment of 10,000 farmer households. The approach enhances food security, buying power and the employment position of vulnerable populations.

In 2019, we spent € 4 million on private sector development; key results for 2019 include:

- Support to 140 Small Medium Enterprises (SMEs) with business development services, helping them to develop business plans and increase their entrepreneurial resilience.
- training 135 people to find employment.
- training 141 people on how to start their own business.
- 3,400 people supported with private sector development services.
- close to 500 jobs created by SMEs in the programme.

Examples:

Cordaid in The Netherlands

In 2019, an external evaluator found that people participating in the social cooperatives were socially reactivated, had fewer personal (psychological or health) problems, were positive and active members of their local society and boosted their self-esteem. In 2019 Cordaid supported 23 social cooperatives, including Jude Catering and de Blauwe Paraplu. This (indirectly) benefited 2,500 people.

Jude Catering: Jude Catering is a social cooperative of Syrian women who set up authentic Syrian catering business. Apart from catering, this program improves language skills as well as employability of participants.

“De Blauwe Paraplu” (blue umbrella) is a social cooperative that focuses on talented entrepreneurs who do not have a job because of various personal circumstances, are on social welfare benefits or who have



trouble finding work. The cooperative brings them together to learn from each other and support one another for a better future.

Catalyzing small business in South Sudan

Together with our local partner the Rural Finance Initiative, in 2019, we launched three new financial loan products for agribusinesses in rural South Sudan and a fourth for South Sudanese refugees who have fled the conflict into Northern Uganda. This injection of over € 450.000 provides much needed finance to the most vulnerable communities in one of the most fragile, conflict-affected setting in the world. This investment will catalyze the creation and growth of small businesses and bring sustainable incomes to those most in need. The funds improve access to finance for up to 10.000 farmer households, enabling them to expand from subsistence to market-oriented farming, and to increase their added value to agricultural produce. In the Imvepi Refugee Camp in Uganda, funds support the start-up of small community-based businesses, helping people to transition from aid to development, providing hope for a brighter future.

Supporting marginalized communities in Sierra Leone

SMEs can play an important role in providing decent waged employment. In low-income countries, the lack of business development support services restricts the potential of SMEs. In Sierra Leone, Cordaid's Resilient Business Development Services (RBDS) program provides entrepreneurs with access to capacity building and network development support. The 12 SMEs that participated received:

- formal training on topics like business planning, bookkeeping, marketing, human resource management across 18 days.
- coaching from business development advisors.
- tailored technical assistance.
- access to networking events to connect with banks and investors and the opportunity to meet a relevant role model in another country.

Access to Finance and finding employment

In our efforts to support economically marginalized groups into employment in 2019, we encountered two key challenges:

- In a fragile and conflict-affected environment like Afghanistan, where the private sector is thin, many businesses are more focused upon survival than growth and few large businesses exist. It has therefore been a struggle to place all of the youth we train into employment.
- Access to finance for SMEs remains a key challenge across the developing world, but this is most pronounced in fragile settings where risks are higher and the number of investors lower. Lack of investment capital is a major barrier to the growth of the private sector and the creation of employment in the countries where Cordaid works.