# Increased social and climate impact with predictable commodity pricing

## The challenge - volatile prices affects funding

Many activities with an important social or climate potential are affected by fluctuating commodity pricing. The final impact of these activities is often highly dependent on how global prices develop during the implementation.

Price fluctuations in soft commodities have a significant impact on agricultural efforts. This for example affects projects supporting small-scale farmers aiming at improving livelihoods, Soft commodity pricing can also impact climate activities, or undermine the economy in crop-switching schemes. The same importance can be found in hard and energy commodities, which often have an important role in both social and climate impact funding.

There is often a complete lack of risk management practices in the current funding of commodity-related activities in developing countries. These types of financial risks have a direct effect on exposed activities but also a negative effect on resource mobilization, as investors are risk averse.

## The solution - financial services for impact

Making risk management available to individuals, companies and organisations implementing commodity-related projects,  their quality, results and impact could see a significant increase. Improving the quality of activities could also enable substantial new funding to be available, as activities would be easier to include in green/social investments/bonds.

## Activities

- Identify best practices where solutions have been used.
- Set up cases with organisations and financial partners to provide practical examples.
- Incorporate a commodity risk assessment component into AidHedges financial management platform

AidHedge has a unique experience working with risk analysis and risk management for funding of foreign aid and sustainable development.

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