



**Summary report of the 5th Consultative
Forum on Coffee Sector Finance**

Background

1. The 5th Consultative Forum on Coffee Sector Finance took place during the week of the 114th Session of the International Coffee Council in London, United Kingdom on 3 March 2015. The Forum was chaired by Mr Juan Esteban Orduz, President and CEO of the Colombian Coffee Federation. It was designed to be a follow up to the 4th Consultative Forum that took place in September 2014 under the title 'Bridging the gap between farmers and finance'. Its title was 'How to effectively structure a project in order to obtain financing' and its aim was to provide producing countries with the practical steps necessary to apply for funding from not only the various development banks but also social lenders, bilateral organisations and commodity funds.

2. The presentations and background documents for the Forum can be found on the ICO's [website](#).

SUMMARY REPORT OF THE 5TH CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE

Welcome and opening remarks

1. The Executive Director welcomed participants to the 5th Forum. He pointed out that this Forum had been designed as a follow-up to the 4th Forum and that ten different institutions would give presentations throughout the day covering a range of financing, development and assistance opportunities for agriculture, in particular for the coffee sector. He urged participants to make the most of the networking opportunities during the day. In doing so they would leave the Forum with the necessary information from the financial institutions present to apply for financing for their projects and thus continue the efforts to develop the global coffee sector and reduce poverty in rural communities.

2. The Chairman expressed his gratitude to the Executive Director, the Secretariat and the Vice-Chairperson for their hard work in organising the 5th Forum. The idea behind all of the Forums had been to create an arena in which participants could exchange ideas and share knowledge on financing for smallholder coffee farmers including how to manage issues such as risk and price volatility. For the 4th Forum the Council approved the idea of bringing together various types of funding institutions and the producing countries so as to create a direct dialogue between them. To this end, 26 different institutions attended the Forum last time and set out their broad approach to coffee sector financing. The idea was to get the institutions on the countries' radars and vice versa. This same idea applied to the 5th Forum which would lay out the practical steps that each project proponent would have to take in order to obtain financing from any of the institutions present. The Chairman thanked all the speakers for their participation.

Presentations by the representatives of the development banks

Mr Roy Parizat, World Bank

3. Mr Parizat began his presentation by stressing the great importance of agriculture to developing countries, the challenges facing the sector and some possible solutions. He explained in detail the six phases of the World Bank's project cycle that countries seeking financing must go through. Mr Parizat pointed out that whilst obtaining finance from the World Bank is not an easy process, it does ensure that the approved projects are of a high quality, well-designed and beneficial to the community in which they operate. The main point of contact for the World Bank in liaising with governments is the Ministry of Finance but the Ministry of Agriculture is very closely involved in the process. The final part of Mr Parizat's presentation was an introduction to the joint World Bank/ICO report compiling twenty case studies examining risk and finance in the coffee sector. Members should find

that there are certain lessons to be drawn from the studies that can be applied to their own context. Mr Parizat asked Members to share the report pro-actively with non-governmental organisations (NGOs), the private sector and any other interested parties. The ICO in conjunction with the World Bank will hold a series of live webinars. Each webinar will focus on one case study and share the protagonists' experience.

Ms Naomi Chakwin, Asian Development Bank (ADB)

4. Two thirds of the world's poor live in Asia so there is great need for investment in food and agriculture in this region. Investing in these areas can improve food security, increase productivity and mitigate climate change. The ADB works on projects in Asia and the Pacific region that both directly and indirectly affect the coffee sector. Two infrastructure examples were given in Papua New Guinea and Timor-Leste where work is underway to improve access by road to the remote, mountainous areas and thus enable farmers to sell their coffee more easily. An example of a project that could be implemented by all Members is the paper-free system implemented in Laos for smallholder farmers to simplify the export procedure through one dedicated website. This system has reduced time and cost for farmers as they no longer have to make costly trips to various government offices or use courier services.

Mr Ignacio Corlazzoli, Inter-American Development Bank (IDB)

5. Agriculture has always been and remains at the heart of the IDB's priorities. Since 1961 US\$15 billion in loans has been approved for agricultural projects in the Latin America and the Caribbean. The IDB works in four different areas to improve and support the sector. The project cycle is very similar to that of the other development banks as are the requirements for making a project proposal successful. Mr Corlazzoli introduced the platform ConnectAmericas which has already been rolled out and is an online community of companies in the region. It provides a space for businesses to connect, learn about requirements for trade, exchange information and find sources of financing. The platform has a specific community for food and beverages which Members may find useful.

Mr Benedict Kanu and Mr Olivier Eweck, African Development Bank (AfDB)

6. The AfDB addressed the Forum for the first time. The team outlined the different channels and products that the bank has available for financing projects in agriculture to achieve long-term tangible results and development impact. The AfDB looks for projects that provide not just a source of employment but also ensure that farmer groups have good access to the market. Under the Trade Finance Programme AfDB supports the financing aspect of exporting and importing soft commodities including coffee. The AfDB cited crop productivity as the key component in improving market value for coffee production across

Africa. Nevertheless, reducing post-harvest waste is a growing area for the AfDB as more efficient milling-stations will sustain the value of the coffee post-harvest and secure better foreign exchange earnings. The coffee sector also needs to invest in additional storage facilities and improve infrastructure to key export sites, particularly from landlocked countries to port cities. This is why the AfDB strongly encourages regional integration and drawing on the respective expertise of each organisation to improve trade cooperation in the coffee sector as a whole.

Discussion Session

7. Following the morning's presentations, the Chairman highlighted the importance of the paperless project presented by the ADB and also the IDB's ConnectAmericas platform. He encouraged Members to talk to Ms Chakwin and Mr Corlazzoli to find out more about the projects and how they could be applied to their countries. The Chairman had been impressed to see how many different sectors and countries in which the African Development Bank was involved and concluded that connectivity was a very important topic. Coffee farmers needed to be connected not just to what was happening in their immediate vicinity but also throughout the world so that they could understand and be aware of problems that would have an effect on them, such as variations in price.

8. Mr Panos Varangis of the International Finance Corporation (IFC) spoke about the involvement of the IFC in funding the coffee sector through the private sector. The IFC is heavily involved in financing the sector but it deals exclusively with private sector entities which in themselves have to approach the institution through an aggregator, for example, a local financial institution or a large trader. The IFC provides financing both to the aggregators and risk share services based on loan portfolios built by the aggregators. Such portfolios enable the IFC to share with the aggregator any losses that might be experienced in a particular portfolio. Mr Varangis gave a couple of examples of projects, one in Ethiopia and one in Central America which through providing finance for the coffee sector are helping to develop the local communities and fight poverty.

9. There was a discussion about the use of stabilisation funds as a way of offsetting the natural fluctuations in coffee prices which make coffee an unreliable source of income for many farmers. The IFC said that a number of countries had tried to set up this type of stabilisation fund but that they had often run into difficulties due to persistently low prices. Some countries are now moving towards more flexible approaches such as price bands and are moving away from trying to stabilise prices, especially over long periods of time. The African Development Bank agreed that in the long-term it is difficult to provide services which take into account price fluctuations, but in the short-term the AfDB could provide a loan linked to the price of the commodity. Some countries are now trying to buy direct

derivatives linked to the commodity but it is very expensive. The Bank is therefore trying to develop products that would be affordable by low-income countries and it hopes to have a solution in the near future.

Presentation by Ms Jenny Kwan, The Sustainable Trade Initiative (IDH)

10. IDH's aim is to bring together the private and public sectors along the entire coffee value chain to tackle together the challenges limiting sustainable coffee production. One interesting idea that was highlighted in the presentation is the National Sustainability Curriculum, which aims to provide a basic level of agricultural education for coffee growers. The Curriculum ensures that everyone is receiving the same privately and publically endorsed training. Strong cooperation across the whole sector is needed in order to scale up initiatives quickly and speed up the learning process for all concerned. IDH is excited about the possibility of working with the ICO and through Vision 2020 has worked out a number of ideas for how this collaboration could take shape.

**Presentations by representatives of bilateral institutions,
commodities funds and social lenders**

Mr Ian Lachmund, DEG

11. DEG focuses on financing sustainable projects and companies in the private sector in most coffee-producing countries through a range of products, such as loans, equity and long-term investments, which are tailor-made to each project. Financing is often made in tandem with other commercial banks, development banks or financing institutions. The bank also manages some programmes for third party donors such as the German Government. Mr Lachmund encouraged any Members which have projects which they wish to support but do not have the financial resources to fully fund, to consider the options offered by DEG. He presented the bank's up-scaling service for companies or projects that are no longer eligible for a grant and are struggling to obtain a loan because the investment is considered too risky. In such a case, the grant is repaid only if the project is successful. Finally, Mr Lachmund spoke about the Coffee Partnership for Tanzania which has increased the net income of 90,000 smallholder coffee farmers.

Mr Curt Reintsma, United States Agency for International Development (USAID)

12. USAID currently supports coffee programmes in a dozen countries directly or indirectly. They focus on building cooperatives, strengthening capacity, diversifying activities and improving access to markets and financing for smallholder farmers. Mr Reintsma stressed the need for Members to get in touch with their country's field office as early as possible if they wish to work with USAID on a project. He gave a specific example of a

project which USAID had helped to fund: a coffee rehabilitation programme in Rwanda following the genocide. The project covered several areas including quality improvement, capacity building and health topics.

Ms Nancy Cheruiyot, Commodities Development Fund

13. The Commodities Development Fund is a fund based in Kenya which until last year was known as the Coffee Development Fund. Through the Kenyan Government, the fund is the main source of funding for the coffee sector in Kenya. The Fund provides funding directly and indirectly to actors along the whole value chain. A particular focus for the Fund is increasing the role of women in the coffee sector and finding ways to loan directly to women. This is a challenge in a society such as Kenya due to problems such as land ownership. The Fund offers loans but there are sometimes repayment issues due to a simple lack of financial education. As a relatively new organisation, the Commodities Fund is learning quickly what works and what does not and as a result is constantly improving its services.

Ms Eva Teekens, Common Fund for Commodities (CFC)

14. The CFC has been working very closely with the ICO for the past two decades, having provided funding for some forty ICO projects. A key role of the ICO in partnering with the CFC is to make sure that any project submitted has been properly drafted in the form of a strong proposal. The CFC is now moving away from its traditional grants to offer loans. Ms Teekens outlined the necessary steps for applying for funding as well as the criteria for selecting project proposals.

Mr Peter Veening, Rabobank Rural Fund

15. The Rabobank group as a whole lends to players in the entire coffee value chain from farmers to SMEs, traders to customers. The Rabobank Foundation focuses on assisting farmers through technical assistance, loans, guarantees and grants whilst the Rural Fund concentrates on providing trade finance, loans and risk sharing instruments to SMEs and local processors. Mr Veening outlined the criteria for applying for funding from the Rabo Rural Fund as well as the assessment process. He also presented three case studies as examples of how Rabobank has helped finance projects in the coffee sector.

16. The Chairman thanked all the contributors for a most interesting and fruitful session. Plans for the next Forum would be circulated in due course.