3.3 Identifying mechanisms and sources of funding for projects

The Coffee Global Adaptation Plan (C-GAP)

C-GAP- Taskforce
The Issue: Climate Challenge in Coffee Supply

C-GAP
Global demand growth will outpace supply in the long term

Source: ICO
Suitability of current Arabica area in 2050

Source: Bunn et al. 2015
Suitability of current Robusta area in 2050

Source: Bunn et al. 2015
Meeting future demand for coffee could require doubling production by 2050

We will need to produce an additional 4-14 million tons of coffee by 2050 to meet future demand.

Meeting this demand will require a renewed focus on productivity of coffee farms – **DOUBLING** our current production levels.

If we cannot **DOUBLE** production on existing coffee farms, we could see coffee expanding into new areas – potentially natural forests.

There is enormous global financial risk of not responding to climate change
Our Vision: Thriving coffee communities resilient to climate change producing a high-quality, long-term supply of coffee.

Our Mission: Using a rigorous and systematic approach to data collection, analysis & modeling, with an uncompromising drive for collaboration we catalyze investment to support climate adaptation work for maximum impact.

Our Work:

C-GAP will provide benefit to the industry by:

• **Using Big Data:** Developing and promoting a systematic approach to data gathering and analysis that overcomes siloed decision-making with incomplete information. We will map climate change risk and engagement by geography to identify hot spots.

• **Unlocking Finance:** We will establish an investment mechanism that unlocks and pools public funding and private finance.

• **Connecting & Scaling Interventions:** We will provide grants & investments to connect and scale existing large-scale efforts for maximum efficiency and impact.

Our Scope:

• Focus on adaptation, not mitigation

• Focus on all producing communities
Coffee Global Adaptation Plan (C-GAP)

**Structure of CGAP**

1. Grantmaking Facility
   Focus: Grants to programs that show success in climate adaptation & demonstrate potential to overcome barriers to accessing other types of finance.

2. Impact Investment Fund
   Focus: To back programs that show ROI.

**Special Purpose Vehicle**
“The Coffee Adaptation Facility”
Focus: Impact Investing
• Linkages between C-GAP and other initiatives
• Criteria to prioritize financing
• C-GAP ‘facility’ within today and future funding landscape
The approach of C-GAP

• Provide a platform as an “honest” broker between the coffee sector and financial institutions to mitigate the impacts of climate change and drive future supply growth

• Transfer knowledge/expertise and funds to producing countries to drive positive impact on coffee production & ensure these funds reach the growers

• Create the sense of urgency to address the supply challenge
The principles of C-GAP

• Conduct and provide due diligence on the issue of climate change for coffee production
• Impact and action oriented investment in coffee producing countries as a pre-competitive activity
• No duplication of efforts/be open for collaboration
• Lean/cost effective set-up in Switzerland
• Choose projects for implementation by the best in class company/organization
• Scale public and private sector funding
• Develop bankable projects
The C-GAP working approach

• Group 1
  Factbase/landscape & business model

• Group 2
  Financial model/how to create bankable project proposals

• Group 3
  Facilitate relationships to government and access to public financing
The “Who” in C-GAP?

- **Industry:** Nestlé/Nespresso, JDE/Keurig, S+D,
- **Trade** Swiss Coffee Trade Association (41 members) – *leading the taskforce*
- **Banks** UBS, Rabobank, IDH
- **International Organizations:** ICO, UNIDO, FNC, CI
- **NGOs**
- **Research Institutes/Organizations**
C-GAP wants to provide transparent funding of coffee supply projects across all producing countries to address the climate challenge and secure future supply

- Create a transparent and reliable financial service eco-systems
- Capacitate businesses to develop bankable projects
- Mitigate investment risk with increased projects quality and knowledge
- Facilitate matchmaking between projects and financial institutions
- Collect and promote best practices replicating business models
- Increase and better combine different sources of finance in the coffee sector
- Support the GoE policy makers

Public and Private Partnerships

Blending Grants... with loans
The challenges of C-GAP

• Short-term supply surpluses mask the long term issue of tighter supply
• Lower prices demotivate farmers
• Developing meaningful bankable projects

BUT

We need to start today to increase the investments in coffee research and production estimated at 1Bn USD /per annum
The timeline of C-GAP

- Started in May 2017
- Formation of the Taskforce Team July 2017/Working Groups established
- In-person meeting in October 2017
- Circulate project proposal to key stakeholders April/May
- In person meeting in June 2018
- Final GO/No GO decision in October 2018
WE...

**BIG DATA TO MAP RISK**
Via a massive network of data providers we collect and analyze climate, agronomical and market data to create models that map ‘climate change risk severity clusters’ in the coffee lands.

**FACILITATE FUNDING**
Honest broker of funding and financing to aid & embolden effective current initiatives to respond to the climate crisis. Promoting pooling of resources for cost efficiency & maximum benefit. We aim to identify potential investors and facilitate financing.

**COORDINATE AND CONNECT**
We act as an enabler to connect financing with relevant operational initiatives. We share our work and partner with other organizations to ensure maximum efficiency of our work.

TO ENABLE THE INDUSTRY TO BETTER...

**PREDICT**
Understand how to predict hot spots and prioritize engagement. Using a data driven predictive model we enable the industry to better manage supply chain risks.

**REACT**
Enable recovery and maintenance (via agronomic practices) to priority clusters via coordinated finance.

**PREVENT**
Finance innovation in areas such as agronomical practices, cultivars or new production areas to protect against further damage from climate change.
Coffee Global Adaptation Plan (C-GAP)

**PHASES**

**PHASE 1**
- Legal set up & initial endowment
- Action plan for data collection & project sourcing
- Set up governance
- Industry engagement/alignment
- Seed Funding

**PHASE 2**
- Granting making, impact investing & scaling sustainability initiatives
- Fundraising

**BUSINESS MODEL**
The “Why” of C-GAP?

• Climate change is already impacting coffee supply productivity and quality today
• At trend growth global coffee production needs to almost double by 2050….
• On less land, with less water resources
• The sector needs more investments to address the climate and supply challenge together with all key stakeholders
• Need for all stakeholders to act together as part of the coffee value chain
Who does what in C-GAP?

- Industry commits to purchase coffees produced under the programs
- Trade provides expertise/local assistance for project implementation,
- Public and Private Banks provide large scale financing (donor money, risk capital for impact financing/financial market expertise)
- NGOs are potential executers
- Int. Organizations facilitate implementation with governments/remove administrative and legal hurdles
- Research Institutions – provide the data and factbase top operate
- Verifiers IMPACT Assessment/Prove of Success
C-GAP is providing a platform for public and private sector investments into the coffee producing sector

Bridging the gap between investors and entrepreneurs. Selection of bankable projects and provision of Technical Assistance

COMPONENT 1
Projects sourcing from the private sector

COMPONENT 2
Screen and pre-selection of feasible investment plans

COMPONENT 3
Select projects that are economically, environmentally and socially sustainable

COMPONENT 4
Provide technical assistance to support project development (feasibility study)

COMPONENT 5
Support the projects submission to finance institutions

COMPONENT 6
Follow-up and provide technical assistance if required for boosting the investment

COMPONENT 7
Provide feedback to policy makers on constraints and opportunities.