

**Workshop on implementing the
Consultative Forum on Coffee
Sector Finance (22 September 2009)**

Summary report

Background

1. A workshop on implementing the Consultative Forum on Coffee Sector Finance took place on Tuesday, 22 September 2009 at the ICO headquarters in London, chaired by the Executive Director, Mr Néstor Osorio. The programme for the event was circulated as ED-2066/09 Rev. 1.
2. The Chairman reported on the workshop to the Council at its 103rd Session from 22 to 25 September 2009. Copies of the presentations were disseminated to Members electronically and are available on the ICO website (www.ico.org/workshop.asp).
3. Documents WP-Forum 1/09, 2/09 and 3/09, respectively containing information about the theoretical costs of convening the Forum, draft terms of reference for a Steering Committee to organize and promote the work of the Forum, and proposals for participants to be invited to the Forum, were circulated for preliminary consideration at the workshop. Document PSCB-117/09 containing a concept paper on the Forum developed by the National Coffee Association of USA was also circulated. These documents will be discussed by Members at the 104th Session of the Council in March 2010.

**SUMMARY REPORT BY THE CHAIRMAN OF THE
WORKSHOP ON IMPLEMENTING THE
CONSULTATIVE FORUM ON COFFEE SECTOR FINANCE**

1. The objective of the Workshop was to advance preparations for the first meeting of the Consultative Forum on Coffee Sector Finance (CFCSF) through a discussion of specific ideas for the work of, and arrangements for the Forum. The first part of the workshop comprised presentations on the work and possible contributions of the Forum, and assistance to the coffee sector by representatives from six bilateral or multilateral agencies.

Istituto Agronomico per l'Oltremare (IAO) of the Italian Ministry of Foreign Affairs

2. Nicola Arbace, Managing Director and Massimo Battaglia, Coffee Area Officer, introduced the work of the IAO. The thematic focus of the IAO was sustainable agriculture and food security, geospatial information technologies, management of natural resources and poverty reduction and biodiversity, biotechnology and biosecurity. Coffee had only recently become the exclusive focus of projects, such as within the field of protected Geographical Indications (typical products). Projects were aimed at improving both quality and the living conditions of small producers of gourmet quality coffee, reducing their socioeconomic and cultural vulnerability and increasing sustainability of their crops. The challenges to be overcome included bottlenecks at the processing stage of the coffee value chain. Other important areas included capacity-building for producers including education in coffee-tasting to recognize defects of coffee at origin, supporting short marketing chains, emphasizing the work of women in coffee farming, diversification and new technologies for recycling and alternative uses for coffee residues and sub-products in an environmentally-friendly manner.

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH of Germany

3. Elena Rueda, Programme Officer for Social and Ecological Standards, outlined German development cooperation in the coffee sector. The focus was moving towards sector-wide approaches (e.g. 4Cs), comprehensive and complex programmes (e.g. Adaptation for smallholders to climate change (AdapCC)), increased private sector involvement in the last decade and multilateral support. Projects dealt with issues which were connected with each other and addressed different economic levels. Regarding the CFCSF, topics could include needs such as value chain finance, financing adaptation to sustainable agricultural practices and climate change, risk mitigation models and financial literacy for producers. Instruments to meet these needs included microfinance, micro-insurance, in-kind loans and possible linkages to existing socially responsible investment funds. Two working groups could address needs and instruments. A Steering Committee could act as an information broker, inviting proposals from the groups and sharing findings and proposals with them.

Alternatively the Steering Committee could consult both groups, which would work on proposals and share them through a common platform for information exchange. Group outputs should address needs (e.g. financial or risk mitigation), models concerning these needs, markets, economic viability, possible impacts and intervention fields.

Fundación ETEA para el Desarrollo y la Cooperación of Spain

4. Vicente González Cano, Executive Director, outlined the increasingly specialized work of this agency in rural and local development, regional integration, promoting development of micro and small enterprises, cooperation policies and development policies in Latin America and Asia-Oceania. He described the support plan for coffee producers launched in 2003 and the programme of action for 2006 to 2008 which included priorities such as strengthening denominations of origin and generating added value and structural change of the sector by promoting training and education programmes. With regard to the CFCSF, financial aspects limited the development of the sector and he highlighted the logic of action-reflection-action. He also noted the importance of innovative proposals, such as micro-leasing programmes, guarantee and collateral systems for small producers, revolving funds and microfinance. The Forum should bear in mind the principle of ‘scaling-up’ proposals to maximize efficiency, starting with pilot activities with measurable outcomes. Existing initiatives could be identified to avoid duplication, and create synergies and complementarities. Finally, the private sector had a key role to play in the Forum.

Embassy of Switzerland, (on behalf of State Secretariat for Economic Affairs (SECO))

5. Max Schnellmann, Counsellor (Economics Affairs, Commodities), informed participants about a Forum for Agricultural Risk Management in Development in Switzerland in October 2009, the outcomes of which could be shared with the CFCSF in due course. Swiss bilateral economic assistance targeted niche markets by strengthening the value chain for organic, fair-trade or speciality coffee. It also supported sustainability initiatives targeting mainstream markets, such as the development of the 4Cs, seeing complementarities between the objectives of accessing niche or mass markets from a sustainability perspective. SECO currently supported the Committee on Sustainability Assessment (COSA) project, which had developed a methodology to support producers to identify and assess the costs and benefits of meeting sustainability standards. It was providing support for the testing and implementation of COSA methodology in Tanzania. It also supported the Triodos Sustainable Trade Fund which provides loans for producers and small and medium enterprises (SME) of fair trade and organic products to facilitate market access, with a view to assisting certified organic and fair trade producers in pre-financing their export contracts with foreign buyers.

U.S. Agency for International Development (USAID)

6. Anne Williams, Agriculture Policy Team Leader, said that the focus of USAID coffee-related activities was to improve the livelihoods of small and medium producers and business capacity of small and medium enterprises by promoting sustainable systems providing significant income, employment, environmental, social and consumer benefit. This was achieved through improving capacity to produce and market high quality coffee, diversifying activities, promoting private sector alliances and coordinating with other donors. USAID had a budget of US\$102 million for coffee-related activities from 2005 to 2010 and supported 82% of ICO exporting countries. The workshop presentations had highlighted the wealth of ideas, lessons learned and programme activities which could built on. The ICO could help to bring these together and research potential areas of interest. The Forum could facilitate an exchange of information on current activities and experiences including capacity-building. It could also explore ways of enhancing cooperation between different organizations, develop toolkits with a focus on small farmers and address topics such as financial literacy.

Common Fund for Commodities (CFC)

7. Caleb Dengu, First Project Manager outlined the difference between the coffee value and supply chains and noted that the kind of resources required by the coffee sector (e.g. developing plantations/export costs) would determine the financial product required such as short or long-term. Sources of finance included direct government budgets, development finance institutions, bilateral aid and private national banks, with the latter mostly providing structured finance products. There was a need for information about the monies allocated by these sources to coffee, and whether they reflected its contribution to national economies, to enable decision-makers to allocate funds efficiently. The agenda for the Forum should be to lobby national governments to increase budgets for coffee development within the allocation for agriculture, and make the case using the contribution of coffee exports as compared to total agricultural exports. The Maputo declaration, for example encouraged countries to allocate 12% of their budgets to agriculture yet this was often not the case. It should also lobby multilateral institutions e.g. to look at the share of coffee in the portfolio of development banks and compare this with coffee exports. Although food security was seen as a priority, coffee could contribute to income security. The Forum could also lobby bilateral agencies, and provide export statistics and show how debt servicing was achieved by coffee exports. The strategy for lobbying should include gathering financial requirements from each producer country and analysing the data; arranging and attending annual meetings of major multilateral agencies and presenting papers showing the contribution of coffee to export earnings; organizing side events at meetings of multilateral development banks to highlight the importance of coffee and its contribution to development; meeting bilateral agencies to make the case for coffee finance in the development budget, and helping countries to prepare information memorandums to help them lobby for coffee finance in their countries.

8. The presentations were followed by discussions by Members, in which a number of points were raised including the following:

- The presence of bilateral and multilateral agencies at the Forum was welcomed. They had an important role to play in financing projects and developing a sustainable coffee sector in economic, social and environmental terms. The presentations made at the workshop demonstrated the considerable range of capacity-building activities being undertaken on a bilateral basis in the coffee sector.
- The value of contributions from other actors in coffee sector finance and agriculture including Root Capital and Rabobank and other institutions such as the World Bank and regional development banks was noted.
- The Forum was an important innovation under the ICA 2007 which could contribute to the sustainability of the coffee sector. Like the PSCB, it had a valuable role to play in facilitating exchanges of information and discussions on coffee sector finance among key players from financial institutions, international organizations and others. It should focus on financial issues above all. Functions could include providing key decision-making bodies with information on coffee matters, informing Members about activities undertaken outside the ICO, exploring synergies, identifying needs and areas where the ICO could be involved, and attracting additional resources for coffee sector initiatives and priorities identified by Members to complement CFC resources.
- Areas of interest to producers included support for small growers with coffee production and bringing coffee to the market, obtaining credit, crop and weather insurance, risk management, infrastructure (e.g. investment in processing and roads), promoting public-private partnerships, investment in developing the specialty coffee sector and volatility of coffee prices. The Forum could also flag up new initiatives and approaches to finance such as warehouse warrants, providing Members with a catalogue of tools at their disposal.
- The Forum should have a multi-dimensional and integrated approach, responding to the interests of producers, combining both micro and macro aspects, and address finance throughout the value chain including working capital, insurance and mechanisms to enable growers to reduce market risk.
- The Council was the supreme decision-making body of the Organization, and the Forum was a consultative body, subordinate to the Council in terms of structure. Draft documents prepared for the workshop were useful for discussion but final decisions about the Forum would ultimately be taken by the Council.
- The establishment and composition of a small, effective Steering Committee with the necessary expertise would be critical to the Forum.

- A seminar on finance organized by the InterAfrican Coffee Organisation at which African Members had discussed the needs of the coffee sector and access to the necessary resources had proved to be a valuable initiative and generated useful recommendations.
- The issue of certification was not an appropriate matter for discussion in the Forum which should concentrate on the specific purpose for which it was created: to facilitate consultations on topics related to finance and risk management in the coffee sector.
- The need to strengthen national coffee institutions was raised, many of which had been partially or totally dismantled in the last two decades. Producers needed an institutional framework to assist them in identifying requirements and seeking funding.
- Proposals should be aligned with national development strategies and based on the needs of Members. Initiatives and proposals put forward should be accessible to and comprehensible to smallholder farmers who produce most of the world's coffee.
- Some good projects had been implemented in the past however the effects were short-term. Efforts should be made to develop models which provided support to producers in key areas, in accordance with national policies, with lasting and systematic outcomes.

9. The Chairman thanked all the presenters for their valuable contributions and also expressed his appreciation for the excellent assistance and expertise their agencies had provided to the development of the coffee sector. The debate had been an important starting point for discussions on the implementation of the Forum which would be discussed further at the next Session of the Council.