



Projects Committee
12th Meeting
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Strategy for coffee development projects

SUBMITTED BY THE EXECUTIVE DIRECTOR

Introduction

1. One of the main activities of the Organization is international cooperation and sustainable development as stipulated in the International Coffee Agreement 2007. Members of the International Coffee Organization (ICO) have recognized the exceptional importance of coffee to the economies of many countries which are largely dependent upon this commodity for their export earnings and for their sustainable development goals. They also recognize the importance of the sector to the livelihoods of millions of people, particularly in developing countries where production is on small-scale family farms. In this regard, the ICO provides a convergence platform for all initiatives promoting the development of the world coffee economy, particularly projects aiming to promote a sustainable coffee economy with a positive impact on sustainable development.

2. The challenge is to ensure a healthy and competitive trading environment in which the interests of commercial sectors of the global industry are in line with the needs of the less advantaged developing countries, in order to ensure sustainability over time. More specifically, the Organization faces a challenge of promoting coffee production into a profitable sector.

Suggested actions

I. Cooperation with the Common Fund for Commodities (CFC)

3. The working relationship with the Common Fund for Commodities (CFC) has contributed to sponsor a number of coffee development projects. However, the CFC has

changed its project funding strategy from grants to repayable loans. Notwithstanding these changes, the Organization has been able to obtain approval for two projects due to the Secretariat's long experience in designing and monitoring projects.

II. Coffee Facility

4. The Organization needs to undertake exhaustive research to find new avenues to continue to be proactive in designing and developing project activities and diversifying its project funding sources.

5. The Africa Coffee Facility is an instrument through which a number of challenges faced by the African Coffee industry will be addressed. It will serve as a framework to financing African coffee sector development projects.

6. The Organization will initiate a similar process to benefit the coffee sectors in Member countries in Asia and Latin America. This will require an intensive interaction with potential donors, particularly regional development banks.

III. Fundraising activity

7. Another way to support coffee development projects would be to define a strategy for projects allowing the Secretariat to build capacity to engage effectively with donors and successfully bid for project funding, and communicate results better. The synopsis of institutions with whom the ICO is cooperating to seek financing is contained in Annex I.

Conclusion

8. With the growing number of challenges facing the coffee sector, it is of paramount importance that the ICO strengthens its ability to cooperate with donor institutions. In that way, the ICO will be in a position to assist coffee farmers in addressing challenges such as making coffee growing a profitable activity.

POTENTIAL FINANCING PARTNERS

Extensive research in seeking suitable financing instrument which align with the ICO objective has been carried out. The potential financing sources that could support coffee development programmes through grants have been classified into four main categories, including private foundations, regional financial institutions, bilateral and multilateral institutions. The overall objective of these donors is the reduction of poverty and the improvement of living standards in less developed countries. This aligns with the ICO criteria and institutions will be approached to explore the scope of their support to agriculture in general and particularly to the coffee sector in Member countries.

I. Private foundations

I.1 Starbucks Foundation

The Foundation finances non-profit making organisations to support commodities such as coffee, tea and cocoa. Activities include capacity building, microfinance and improving biodiversity conservation.

I.2 The Bill and Melinda Gates Foundation

The Global development programme of the Foundation has two main subdivisions, including financial services to the poor and agricultural development. It has already financed over US\$2 billion in the agricultural sector in Sub-Saharan Africa and South Asia. It intervenes through partners that work to improve the livelihoods of rural communities. The ICO could apply to be one of the partners for poverty reduction in coffee producing communities.

I.3 The Rockefeller Foundation

Agriculture and natural resources is one of the priorities of the Foundation. Its strategy is centred on existing agricultural markets by improving access to more resilient seeds that will produce higher and more stable crops. Its objective is to “build partnerships to develop the technological and institutional changes needed to achieve a Green Revolution”. Sustainability is a major element in the Foundation’s approach to agricultural aid. The projects are expected to achieve rapid increase in productivity and subsequently a steady increase in the income of small holder farmers. It collaborates with a range of organizations and governments.

I.4 The Ford Foundation

The Foundation has extensive experience in supporting agricultural projects, including coffee. A number of coffee projects were supported in Indonesia, Mexico, Central America, Zimbabwe. Proposals that aim to improve sustainability and productivity are supported by the Foundation.

II Regional financial institutions

II.1 African Development (AfDB)

The AfDB is a multilateral development finance institution and one of Africa's premier financial institutions. Its primary objective is to "contribute to the economic development and social progress of its regional members" prioritising projects which, by their nature, concern several members of the AfDB group and projects which specifically aim to boost the economies of its members and bring about an expansion of their foreign trade. Agriculture, including coffee is included in the bank's portfolio. **The Bank is already considering the Africa Coffee Facility.**

II.2 Asian Development Bank (ADB)

The Bank extends loans and grants, provides technical assistance to its developing member countries for a broad range of development projects and programmes that include agriculture and sustainable development.

II.3 Inter-American Development Bank (IADB)

The IADB is the largest multilateral source of financing for Latin America and the Caribbean; it supports socio-economic developments and regional integration by lending to governments and government agencies. The IADB group has an extensive portfolio of coffee based projects.

II.4 Latin-American Development Bank (CAF)

CAF is a regional development bank created in 1970 owned by 19 countries, including 17 Latin American countries, the Caribbean, Spain and Portugal, as well as 13 private banks in the region. It should be noted that 16 of its members are also Member countries of the ICO. This regional institution aims to promote a sustainable development model through credit operations, non-repayable loans, and support in the technical and financial structuring of projects in the public and private sectors of Latin America.

II.5 Central American Bank for Economic Integration (CABEI)

CABEI is a multilateral development bank based in Honduras whose objective is to promote the integration and development of its founding member countries; Guatemala, Honduras El Salvador, Nicaragua and Costa Rica. It aims to be a strategic partner for improving the quality of life of Central Americans through the sustainable development of the land and its resources. In November 2013 CABEI signed a MOU with the Taiwan International and Development Fund (Taiwan-ICDF) to tackle the effects of coffee leaf rust in Central America. The agreement establishes the foundations to implement a first intervention of more than US\$80 million in the region. CABEI have financed US\$52 million (with IDB) on the “Programme for the Development of Sustainable Agriculture and Livestock Production”.

III. Bilateral institutions

This category includes government institutions that support, on bilateral basis, development programmes on behalf of the donor countries.

III.1 – United States Agency for International Development (USAID) - USA

III.2 – Department for International Development (DFID) - United Kingdom

III.3 – GIZ, Germany

III.4 – Spanish Agency for International Development Cooperation (AECID) – Spain

III.5 – Swiss State Secretariat for Economic Affairs (SECO) – Switzerland

IV. Multilateral institutions

IV.1 – OPEC Fund for International Development

IV.2 – European Commission

IV.3 – Organization of American States (OAS)