



**Donors Forum: Project Development/
Funding Report
18 September 2018**

In the International Coffee Agreement 2007 Members recognised the exceptional importance of coffee to the economies of many countries, which are largely dependent upon this commodity for their export earnings, and to the livelihoods of millions of family farmers.

Member countries of the International Coffee Organization (ICO) and all coffee stakeholders face many challenges affecting their livelihood, sustainability and businesses, including price volatility, cost of inputs, access to market, knowledge and finance, gender gap, ageing workforce and plantations, productivity, quality, standards compliance, as well as climate change. To address these challenges, Members are increasingly seeking the support of the ICO for the identification, design, funding, monitoring and evaluation of technical cooperation and investment projects. Emphasis is placed on opportunities to promote public-private partnerships (PPPs). It is against this background that the ICO has aligned its activities with the 2030 Sustainable Development Agenda and Goals, and has recently engaged in upgraded cooperation with governments, key private sector actors and initiatives, as well as bilateral, regional and multilateral financial, technical and research organisations. Furthermore, a Coffee Sustainability Projects Trust Fund has been established by the International Coffee Council. The objective of the Trust Fund is to meet the challenges of the coffee sector, and of smallholder farmers in particular, by sensitising potential donors and mobilising adequate financial, technological and human resources to enhance the social, economic and environmental sustainability of the sector.

Therefore, 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. The Five-Year Action Plan of the Organization sets out as one of the priority actions under Strategic Goal III **'Facilitating the development of projects and promotion programmes through**

public-private partnerships'. To achieve this Strategic Goal, the Organization acts as a catalyst, facilitator and honest broker to assist Members in project identification, design, fundraising and monitoring and by linking public and private coffee stakeholders with international organisations, institutions, donors and the private sector.

Against this background and in accordance with its Programme of Activities for coffee year 2017/18, the ICO organised a Donors Forum on Project Development/Funding on 18 September 2018, sponsored by the United Nations Industrial Development Organization (UNIDO).

The Donors Forum was held within the scope of the ICO's Projects Committee, which has the mandate to consider all matters relating to the submission, appraisal, approval, ranking and funding of projects, including proposals for cooperation activities, as well as their implementation, monitoring and evaluation, with provision for wide dissemination of results and submission of recommendations to the International Coffee Council. Special attention was placed on reducing the gender gap, the ICO's thematic focus for coffee year 2017/18, as well on the impact of climate change and price levels.

The objective of the Forum was to assist Members in identifying organisations supporting coffee sector development projects and in learning priorities and mechanisms to access funding. As Chairman of the Projects Committee, **Honduran Ambassador, H. E. Mr Iván Romero-Martínez**, chaired the Forum. After the opening remarks by the Chairman and the Executive Director, presentations were given by representatives from five bilateral/multilateral agencies and one regional trade finance institution:

- ❖ **Mr Simon Padilla**, Standards and Trade Development Facility (STDF), World Trade Organization (WTO);
- ❖ **Dr Leonard Mizzi**, Acting Director, Directorate-General for International Cooperation and Development (DG DEVCO), European Commission;
- ❖ **Mr Pascal Martinez**, Senior Climate Change Specialist – Programmes Unit, Global Environment Facility (GEF);
- ❖ **Mr Steven Jonkheere**, Senior Technical Specialist – Gender and Social Inclusion, International Fund for Agricultural Development (IFAD);
- ❖ **Mr Stefano Pisotti**, Deputy Head, Unit of Strategy, Global Processes and International Organizations, Italian Ministry of Foreign Affairs and International Cooperation; and
- ❖ **Mr Abah Ofon**, Manager, Research and International Cooperation, African export-import bank (AFREXIMBANK).

Members and observers participated actively in this event.

The Chairman commenced by thanking the speakers and pointed out that the coffee sector faces many challenges, particularly the current low price crisis, which requires immediate action and funding to alleviate the suffering of smallholder farmers slipping below the poverty line and especially affects the more vulnerable ones, women and the youth. Ambassador Romero-Martínez outlined that long-term solutions and development assistance are needed for the coffee sector to improve efficiency, agricultural practices, quality, safety, access to market and finance and above all to fight poverty. The Chairman noted that this meeting was a new initiative taken by the ICO to provide opportunities for Members to interact with donors and other development partners.

The Executive Director, Mr José Sette, delivered his welcome address and referred to the need for greater access to funding for coffee development projects as one of the main priorities expressed by Members during his first interaction with them after taking office in May 2017. In the past the ICO had played a key role in enabling the funding of 37 projects worth over US\$100 million, mostly from the Common Fund for Commodities (CFC). As the CFC has changed its policy, access to its funding has become a less attractive source of project finance for ICO Members. While continuing its cooperation with the CFC, the ICO is now actively exploring new opportunities to assist Members in project design, development and access to funding sources. The Executive Director further stressed that funds mobilisation is a joint effort between beneficiaries and the ICO, and project proposals must be developed based on a deep knowledge of the priorities and modalities of each funding international, regional or bilateral agency. The present Donors Forum provided an opportunity for Members to explore a wide range of potential development partners. He concluded his welcome address by emphasising the need to secure a sustainable coffee sector, which contributes to the elimination of poverty, particularly in rural areas where women and youth are the most affected; and also addresses issues such as price volatility, climate change and long-term availability of coffee supply.

Standards and Trade Development Facility (STDF)/World Trade Organization (WTO)

Mr Simon Padilla presented an overview of development assistance received by the coffee-producing countries based on Aid for Trade (AFT) – Organisation for Economic Co-operation and Development (OECD)/WTO database and provided a briefing on the activities of the STDF.

Support to coffee industry

The database reports indicate that 500 projects involving the coffee sector benefitted 60 developing countries between 2006 and 2016, representing total disbursements of US\$410 million and 0.14% of all AFT (US\$300 billion). The main beneficiary countries of the AFT disbursements for the coffee industry were Ethiopia (US\$75.5 million), Uganda

(US\$72.5 million), Burundi (US\$54.7 million), Peru (US\$21.1 million), Colombia (US\$20.1 million), Timor-Leste (US\$19.8 million), Liberia (US\$17.2 million), Guatemala (US\$17 million), Tanzania (US\$16.3 million) and Honduras (US\$11.1 million). The main donors of the AFT are the United States of America (US\$182.9 million), the World Bank Group (US\$54.8 million), EU institutions (US\$41.1 million), Germany (US\$31 million), Canada (US\$28.7 million), Norway (US\$16.2 million), Inter-American Development Bank (US\$9.8 million), New Zealand (US\$8.1 million), Italy (US\$6.1 million) and the Netherlands (US\$5.7 million).

SDTF activities

The second area covered by Mr Padilla was the support of the STDF to the implementation of international standards to facilitate safe trade, a funding mechanism created by five international organisations to strengthen the capacity of developing countries to fulfil sanitary and phytosanitary (SPS) requirements and better access to the international market. The five international organisations are FAO, the World Bank Group, the World Health Organization, the World Organisation for Animal Health and the World Trade Organization. The coffee sector can also benefit from this support. The STDF provides global coordination and mobilises funds for innovative, cross-cutting SPS projects and funding mechanisms for projects. Two types of funding are available, the first of which are project preparation grants, of up to a maximum of US\$50,000. This support is used to develop projects as donors have different requirements. The second type of support to projects is to prepare developing countries to meet international requirements and improve access to the market. By way of illustration, a project for enhancing trade for coffee farmers in Papua New Guinea was presented. This project covers areas such as food safety and a quality management system for production and processing, national protocols for coffee production and processing, training of small scale coffee farmers and barista training programmes in order to promote domestic consumption and tourism. Applications for STDF funding can be made by public and private sector entities and non-governmental organizations (NGOs). Details can be found on the website of the Secretariat of the STDF www.standardsfacility.org.

European Union funding for development

Dr Leonard Mizzi stated that the EU has a long and extensive experience in providing support to the coffee value chain. The EU is currently supporting 17 developing countries in Africa and Latin America (Cameroon, Ethiopia, Kenya, Sierra Leone, Honduras, etc.), which are part of this value chain. For the period of 2014-2020 the EU is making available around 9 billion euros for all agricultural rural development and nutrition projects, and 60 countries have already been selected for agricultural support. The lending uses a value chain approach by taking into account all activities from production to commercialisation. The analysis of

the full cycle highlights the weaknesses of the value chain and indicates where investments are needed. Some investments are in the public domain, but blending with private investment is the foundation of success. From this perspective, the EU works with governments and the main form of assistance is provided through budget support. The beneficiary government itself indicates which sector or sub-sector requires budgetary support. This approach is seen to promote greater government ownership and engagement by lining the requirements up with government priorities. Delegates can contact their relevant ministries to establish the country's priorities and request the inclusion of coffee as a priority for EU support.

Private sector support

The private sector is seen as a key component of the value chain. Its limited involvement in the agriculture value chain in order to meet development objectives may be due to a number of reasons, including limited experience, capacity constraints, risks relating to weather. The mobilisation of private sector investment is one of the EU's cornerstones. When lending support to the private sector, the EU is guided by several criteria:

- i) Additionality: meaning that the EU support is not competing with existing private sector activity;
- ii) Measurable development impact; and
- iii) Investment with an inclusive approach, such as equity, fairness, environmental friendliness.

Some of the examples mentioned were related to the EU co-financing of the SDTF and of programmes with FAO and IFAD, amongst others.

New financing instruments

New financing instruments have been developed by the EU based on the principle of blending. For example, the External Investment Plan (EIP), which strengthens existing blending activities, has been launched recently. In collaboration with key partners development banks, the EU is providing a new guarantee fund of 1.5 billion euros to leverage private and public funding in Africa and other countries up to 2020. After 2020 a risk guarantee instrument of 60 billion euros will be allocated for access through their financial institutions (AFD, KFW, FMO and CDP/Italy).

Other initiatives

Dr Mizzi further highlighted other existing initiatives amounting to around 130 million euros including:

- i) Agri-facility through the Netherlands Development Finance Company (FMO) for 40 million euros;
- ii) The German KfW contribution to African Agricultural Trade and Investment Fund of 30 million euros;
- iii) The Spanish Cooperation Fund for micro-loans of 20 million euros; and
- iv) IFAD Agri-business Capital (ABC) Fund of 45 million euros in order to focus on major weaknesses of agribusiness value chains.

Supporting policy framework

The EU also supports a policy framework to generate an enabling environment. Strong governance will ensure that the regulatory framework is given a high priority status. For example, the Comprehensive African Agriculture Development Programme (CAADP) is one where the EU enhances a dialogue to facilitate a positive environment for private sector investment. Another activity is monitoring merger activity in the private sector, since donors want to know the reasons for some of the mergers that take place between companies. For example, the deal between Coca-Cola and Costa Cafe can be seen as a dynamic element in the coffee value chain, along with consumer demand or innovation in new supply chains.

Dr Mizzi concluded by stating that the EU supported programmes run in collaboration with local governments, and the first port of call is the EU country delegation. He invited all Members to contact the Delegations in their respective countries. The focus of the EU remains in job creation, growth and sustainability in order to meet the SDG agenda.

Global Environment Facility (GEF): GEF-7 and coffee – Food, Land Use and Restoration Impact Programme

Mr Pascal Martinez outlined the objectives and funding facilities of GEF and the new GEF-7 financing cycle, which started in July 2018 and runs until the end of 2022. GEF is one of the international finance mechanisms established to leverage public and private sector funding in order to mitigate the effects of climate change and reduce environmental impact. Coffee has been added to the list of commodities eligible for funding in the GEF-7 financing cycle amounting to US\$4.1 billion. New Calls for Proposals will be set out as of mid-October 2018. He expressed great satisfaction and congratulated the ICO that, in cooperation with

Sustainable Coffee Challenge, has recently published a Guide to access green and climate funding for the coffee sector (**document [ICC-122-9](#)**). More details on GEF financing can be found on the GEF website www.theGEF.org. Mr Martinez concluded his presentation by inviting Members to mobilise their respective GEF focal points to include the coffee sector as their priority for the GEF-7 cycle.

Development Financial Institutions: how to support the coffee sector

International Fund for Agricultural Development (IFAD)

Mr Steven Jonkheere informed participants about the work of IFAD and presented, as a case study, its experience in Uganda. As a development agency, IFAD supports inclusive and sustainable rural transformation to contribute to the Sustainable Development Goals. More specifically, IFAD has three strategic objectives:

- Increasing poor rural people's production capacities;
- Increasing and improving their engagement in markets, whilst enabling them to better manage related risks;
- Strengthening the environmental sustainability and climate resilience of their economic activities.

Under its household methodologies experienced in Uganda, IFAD aims to harness the family's potential for change. The programme improves intra-household gender relations, increases engagement with poor households and empowers households to realise their development potential by creating stronger, more resilient and sustainable smallholder farming and other rural livelihood systems. The model could be applied to the coffee sector. He also referred to projects in other African countries.

Bilateral funding and PPPs, Italian cooperation success for coffee in Ethiopia

Mr Stefano Pisotti presented the main objectives and strategy of the Italian Development Cooperation and specifically outlined the success of the Public Private Partnership (PPP) established in the coffee sector of Ethiopia. The Ministry of Foreign Affairs and International Cooperation is responsible for Italy's official development aid. Mr Pisotti stressed that development cooperation is an integral part of the Italian foreign policy and makes a substantial contribution to pursuing the 17 Sustainable Development Goals in the UN Agenda 2030. The promotion of PPPs is a key principle of the Italian cooperation. The Italian International Cooperation provides resources bilaterally and also through the multilateral system, which includes the UN system (FAO, IFAD, UNIDO, World Food Programme), development finance institutions and NGOs, in order to support projects in developing

countries. Each project must be aligned to the development strategy of the country, as was the case in Ethiopia, where a newly established coffee authority was supported as well as a number of coffee cooperatives and farmers. The €4 million project is being implemented by UNIDO in partnership and with contributions from illycaffè. The Illy University of Coffee also provides training for coffee production and processing to improve management skills and foster access to the market. The Italian International Cooperation is keen to work with other developing countries, including Central American ones, to develop their respective coffee sectors.

Project funding opportunities in the coffee sector, an introduction to AFRICOIN

Mr Abah Ofon presented project funding opportunities in the coffee sector in Africa and outlined the new instrument of commodities finance of Afreximbank to promote trade and creation of value addition in Africa. The Afreximbank was established in 1990 under the auspices of the African Development Bank, as a pan-African financial institution to accelerate the growth of trade in Africa. It provides loans and grants to promote intra-trade in Africa. Mr Ofon started by giving three striking figures of the coffee industry, including the US\$7.15 billion Nestlé agreed to pay Starbucks in May 2018 for the right to sell Starbucks coffee products at retailers; US\$5.1 billion paid by Coca-Cola to buy the Costa coffee chain in September 2018; and US\$1.75 trillion as an estimate of the global value of coffee products including freshly brewed, instant and package coffee drinks. These figures underscore the need to build sustainable supply chains in Africa through promoting entrepreneurial capacity and investments in the coffee value chain. The Bank has developed the African Cocoa Initiative (AFRICOIN) to support the industry in the cocoa sector. The Bank is now developing its partnership with the Interafrican Coffee Organization to bring experience from the cocoa industry into the coffee sector. The participation of the Bank covers three areas which include credit (trade and project finance), risk bearing (guarantees and credit insurance), and trade information and advisory services. The initiative supports key activities in the value chain, including:

- ❖ Farm expansion and productivity improvement;
- ❖ Imports and/or domestic production of commodity farm inputs;
- ❖ Expansion or refurbishment of existing roasting/processing plants;
- ❖ Establishing new processing units;
- ❖ Promoting consumption in Africa, the Middle East and Asia.

It should be noted that governments, government agencies and the private sector in Africa are eligible to apply for assistance under the programme.

Discussions following the presentations were limited due to time constraints. However, the main question was how best to access donors funding. The Chairman thanked the speakers and participants for this informative Forum where they had learnt about successful initiatives by donors and the international community to fight poverty and bring prosperity to the coffee sector. The Chairman invited Members to continue interacting with donors and development institutions on individual basis for further details.

Conclusion

The Chairman invited all participants to the first Donors Forum to approach the panellists for further discussions on matters of specific interest to them. Ambassador Romero-Martínez informed about the Partnership Fair that was to take place on 19 September, where participants would be made aware of other donors and international organisations and of new initiatives of the Secretariat for project development and funds mobilisation.

The Secretariat, in view of the demand for further assistance by Members, indicated that a guide with all the international, regional and bilateral organisations, foundations and NGOs supporting the coffee sector would be prepared in the coming months.

The Chairman thanked the ICO for such an innovative approach which gives concrete opportunities to Members to learn about possible partnerships, project development and funding.