



**Report of the Projects Committee on the
meeting held on 22 September 2014**

1. The Projects Committee, chaired by Ms Ina Grohmann of EU-Germany, met in London, United Kingdom on 22 September 2014.

Item 1: Adoption of the Agenda

2. The Committee adopted the draft Agenda contained in document [PJ-74/14 Rev. 2](#).

Item 2: Challenges and strategy for ICO projects

Item 2.1: Challenges and strategy for ICO projects

3. The Chief Economist made a presentation on progress following discussions at the previous meeting of the Committee on challenges for ICO projects and outlined the new role of the Secretariat in response to changes in Common Fund for Commodities (CFC) funding. This could include developing the concept of agribusiness among small-scale growers, enhancing the involvement of the Secretariat in project design; ensuring that development projects included a profitability component, strengthening the ICO's role in disseminating project outcomes such as through seminars, publications and documentaries, and fundraising activities such as establishing closer relationships with financial institutions and advocating relevant project proposals. To address the new challenges, a number of reference documents had been revised to ensure that projects meet the requirements of the CFC and other donors.

4. In discussions on this item, concern was expressed that the approach to projects still focussed on conforming to CFC requirements although 2011 was the last time an ICO project had received financing from the Fund. The ICO should expand its efforts to include other sources of finance and ensure that proposals complied with the requirements of other donors. Although the CFC's new approach required projects to include profitability, the ICO was concerned with development projects. It would be useful to know how the ICO would

continue to work with the Fund in the light of its focus on profitability, and the implications of this for ICO project work. The way forward would mean a considerable change for the ICO, from acting as a clearing house for approving projects, to building relationships with funding institutions, facilitating access to donors and directing projects to appropriate institutions. Another Member noted that farmers did not receive an equal share of profits and his Government was restructuring the sector to bring greater benefits to growers. There could be a two strand approach; individual countries could submit projects and projects could also involve a region or a group of countries. The ICO could share its expertise with proponents and contribute to the development of the coffee sector. With regard to the strategic review of the Organization proposed in Item 11 of the Council Agenda, it was suggested that there should be an alignment between the general strategy for the ICO and the strategy for projects.

5. The Committee noted that the aim of the 4th Consultative Forum on 23 September was to achieve practical outcomes and enable the ICO to decrease its reliance on a single donor. The ICO would continue to work on projects, unless Members no longer wished it to do so and would look at how it could best make a contribution, given its experience in this field. Exploring potential cooperation with other agencies and the private coffee sector was key, given the new environment for funding for projects and the ICO was actively engaging with this challenge and needed Members also to engage with it on this task. The Chairman of the Forum added that there had been a very positive response from institutions invited to participate in the Forum. The Clinton Foundation and Starbucks Foundation had other commitments on this occasion but were interested in the outcome of the event. All Members were encouraged to take the opportunity to engage in a dialogue with the institutions during the Forum.

6. The Chairperson noted that there was a need for the future role of the ICO in projects to be further developed. The Forum would be a good first step in this direction, and the Committee could build on discussions and proposals made during the Forum and discuss this further at its next meeting in March 2015.

Item 2.2: ICO Development Strategy for Coffee

7. The Head of Operations introduced document [ICC-105-16 Rev. 1](#) proposing revisions to the ICO Development Strategy for Coffee setting out priority issues of the ICO. The revision took into account the need to adapt to the new dynamics of the coffee sector characterized by new challenges, including climate change, the fight against poverty in production areas, as well as changes in the financing modalities of the CFC, the Organization's main partner in project financing, and the need to diversify financing sources for projects. The Committee took note of this information and decided to recommend to the Council that it should approve the revised Development Strategy for Coffee.

Item 3: Project activities

Item 3.1: Projects in the pipeline

8. The Head of Operations reported that, as requested by the Committee in March 2014, the ICO had set up a Task Force of Members to review 25 projects in the pipeline. Terms of reference had been prepared and all Members had been invited to assist with reviewing proposals in the pipeline. Three Members had agreed to participate in the Task Force: Ecuador, Sierra Leone and Colombia, and guidelines had been prepared to assist them with this task. The outcome of this process was contained in document [PJ-76/14](#). Out of the original 25 proposals, the Task Force had recommended that 18 should be removed, four proposals should be retained in the pipeline and three revised. The next steps would be for the Secretariat to contact the original proponents to discuss alternative sources of finance and potential revisions to the proposals. In the case of any countries wishing to retain projects in the pipeline which had been recommended for removal, they should revise and resubmit them to the ICO, taking into account new criteria and working with the ICO to ensure that proposals continued to be relevant.

Proposals to be retained in the pipeline:

- Revitalization of the coffee industry in Yemen (2012)
- Promoting coffee sustainability through increases in productivity with a particular focus on the participation of young people and women in Cameroon and the Central African Republic (2012)
- Empowering women in Brazilian coffee cooperatives to improve coffee quality (2013)
- Financial mechanisms for sustainable coffee in Colombia and Honduras (2012)

Proposals to be revised:

- Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda (2012).
- Pest control model and Good Agricultural Practices (GAP) application in different coffee growing areas in Indonesia (2010).
- Raising Vietnamese coffee farmers' income through increased farming efficiency and quality management (2009).

9. In discussions on this item, support was expressed for the idea of a deadline for the Secretariat to seek alternative financing to avoid projects building up in the pipeline or becoming outdated in the future. If funding was not secured by the deadline, this did not necessarily mean a project should be dropped but it would be helpful for the proponents to know that there was a need to revise it to increase the chances of obtaining finance. The point was made that some projects recommended for removal were still relevant, such as

the project on coffee price risk management. The Committee noted that this should not deter countries from working with the ICO on developing these proposals further so that they could obtain funding in the future, and the ICO Chief Economist was ready to assist countries with this task as necessary.

10. The Committee took note of this information and further noted that the Secretariat agreed with the recommendations of the Task Force. Members agreed to recommend to the Council that 18 proposals from the pipeline should be removed, four should be retained and three should be revised. The Committee further agreed to recommend that there should be a deadline of two years for keeping a project in the pipeline from the time it was endorsed by the ICO, during which time the Secretariat would actively seek finance for it. If necessary, the Secretariat could request the Committee for a short extension in cases where there was a strong possibility of obtaining financing for a project and further time was required to arrange this.

Item 3.2: Project procedures

Assessment of projects

11. The Chief Economist introduced document [PJ-17/11 Rev. 5](#) containing revisions to the assessment document used by the Virtual Screening Subcommittee (VSS) to consider new and revised proposals which incorporated suggestions made by the Committee in March 2014.

12. In discussions on this item, the point was made that the 20 questions in the document were equally weighted, however some criteria were more important than others and this should be reviewed. Currently, a project could receive a low score on some criteria, and a high score on other questions which were less important but had equal ranking. In the case of certain criteria, there was a need for 'yes' or 'no' answers, such as whether a project was environmentally-friendly or whether the Member was up-to-date with its contributions. Where the answer was 'no', this would indicate that the project should be rejected. The Secretariat would have to make considerable efforts to obtain financing for projects in the pipeline, and there could be more projects than funding available. Some projects might be relevant for a specific issue in a single country while others could be strategically vital for the whole coffee chain but receive equal scores. It would be useful to include questions to assess the strategic impact of projects on a number of coffee-growing areas; projects which alleviated the impact of coffee leaf rust or sustainable production would have added value, for example. Questions relating to strategic impact should also be allocated higher scores, and could be regrouped.

13. Regarding the point that it was difficult to have standardized criteria and the need for flexibility in view of the different priorities of funding agencies, it was suggested that the assessment document could be improved as the first step. Projects could subsequently benefit from the Secretariat's experience and knowledge of likely potential sources of funding for individual projects. It would be useful to include a section for potential financing options, and to determine the role of the ICO in reaching out to funders, including whether it was willing to take this task on and had the capacity to do so. Finally, it was suggested that the ICO could have a valuable role in conveying to donors the importance of development projects to alleviate poverty and sustainability which would benefit producers. The Committee took note of this information and requested the Secretariat to revise the assessment document taking into account the comments made at this meeting.

Basic information on the submission of project proposals for financing

14. The Chief Economist introduced document [PJ-75/14](#) providing basic information on the submission of project proposals for financing. This was a revised version of document [EB-3573/96 Rev. 4](#) and took into account changes in the financing modalities of the CFC as well as the need to diversify financing sources for projects. The Committee decided to recommend to the Council that it should approve the revised guidelines.

Terms of reference for Virtual Screening Subcommittee

15. The Chief Economist introduced document [PJ-34/12 Rev. 2](#) proposing revisions to the terms of reference for the VSS to take into account the new requirements of the CFC and the need to strengthen the project activities of the Organization and seek financing from other donors. This document should be considered together with the assessment document which needed to be further revised.

16. In discussions on this document, the point was made that if the CFC required projects to provide a return on investment, the terms of reference should be revised to assess the profitability and viability of projects. The composition of the VSS might need to be reviewed to ensure that Members could assess the business aspects of proposals. There was a need to define profitability as some profits might not be easily realized financially – for example, a project might reduce the impact on the environment but not have a high economic rate of return or increase production.

17. The Committee took note of this information, and further noted that this document would be developed further to reflect the future role of the ICO in projects. Finally the Committee noted that the ICO had developed a database of potential donors which would

be made available to Members in 2014/15 once the new website was in place. The database would be dynamic and highlight deadlines for submission of proposals, as well as providing information about priorities of donors.

Item 4: Coffee development projects

Item 4.1: Projects under consideration by the ICO

Promotion of a sustainable coffee industry in the Central African Republic

18. The Chief Economist introduced document [PJ-77/14](#) containing a proposal submitted by the Government of the Central African Republic. The aim of this project was to develop the coffee market in the Central African Republic through building infrastructure to ensure efficient growing and marketing of coffee in the domestic market as well as in neighbouring countries. The VSS had considered this proposal for the first time in August 2014 and was split on whether the proposal was eligible or ineligible for ICO support. The proposal had been submitted to the CFC in July 2014 as a private sector initiative in the framework of the fourth call for proposals, however the CFC had considered that the proposal needed further development. The Committee noted that as there was no clear recommendation by the VSS for approval and the Central African Republic was in arrears with its contributions, it could not submit a recommendation for endorsement by the Council at this time. The proposal should therefore be reformulated and considered by the Committee at a future meeting.

Valorization of the Ethiopian coffee origins for marketing improvement

19. The Chief Economist introduced document [PJ-46/13 Rev. 1](#), containing a proposal submitted by the United Nations Industrial Development Organization (UNIDO) and illycaffè. The VSS had considered the revised proposal in March 2014 and had recommended endorsing it as the relevant technical comments had been incorporated. The Committee had noted in March that the proponents had sent the project directly to the CFC for consideration as it complied with new CFC criteria. Substantial co-financing had now been obtained and the proponents had requested the formal endorsement of the ICO to support the resubmission of the project to the CFC. The Committee agreed to recommend to the Council that it should endorse this proposal.

20. Finally, the Committee noted that new and revised project proposals for consideration in March 2015 should reach the ICO by **12 December 2014**.

Item 4.2: Projects under consideration by donors

21. The Chief Economist introduced document [PJ-78/14](#) containing a report on projects under consideration by the CFC and other donors. The Committee took note of this information.

Item 4.3: Approved and recently concluded projects

22. The Committee noted that document [PJ-80/14](#) contained a report on three projects: (1) 'Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war in the Democratic Republic of Congo'; (2) 'Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda' and (3) 'Building capacity in coffee certification and verification for specialty coffee farmers in AFCA Countries'. The Committee took note of a presentation by the representative of AFCA on the implementation of the third project and expressed its appreciation for the update on this very successful project. A copy of this presentation is available on the ICO website at <http://dev.ico.org/documents/cy2013-14/projects-committee-afca.pdf>.

Item 5: Cooperation with other agencies

23. The representative of the CFC reported on CFC policies and coffee projects funded by the Fund through its open call for proposals. The Committee took note of this presentation and further noted that around 110 proposals were received by the CFC in response to its recent call for proposals. Of these, around 50% were rejected at the outset as they did not meet the criteria, and approximately 10% of proposals were eventually approved for financing. Finally, the Committee noted that the CFC could share correspondence on Vietnam's membership of the CFC with the delegate of this country.

Item 6: Other business

Chairperson and Vice-Chairperson for 2014/15

24. The Committee noted that the Council would approve the composition of the Committee for 2014/15 during its 113th Session in September 2014 and the Committee would appoint a Chairperson and Vice-Chairperson for 2014/15 at its first meeting in March 2015.

Item 7: Date of next meeting

25. The Committee noted that the next meeting would take place during the 114th Session of the Council to be held in London from 2 to 6 March 2015.