



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

PJ 32/12

20 March 2012
Original: English

E

**Report of the Projects Committee on
the meeting held on 6 and 7 March 2012**

1. The Projects Committee met in London on 6 and 7 March 2012 for the third time under the International Coffee Agreement (ICA) 2007.

Item 1: Adoption of the Agenda

2. The Committee adopted the draft Agenda contained in document PJ-19/11 Rev. 2.

Item 2: Chairman and Vice-Chairman for 2011/12

3. The Committee decided to appoint Mrs Amy Karpel of the USA as Chairperson and Mr Aly Touré of Côte d'Ivoire as Vice-Chairman for 2011/12.

Item 3: Coffee development projects

Item 3.1: Projects under consideration by the ICO

4. The Projects Officer introduced document PJ-20/12 containing a progress report on projects and PJ-21/12 containing the report of the Virtual Screening Subcommittee (VSS) on the following seven project proposals:

Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda (document PJ-22/12)

5. This proposal was designed to upscale a previous project funded by the Common Fund for Commodities (CFC) (project CFC/ICO/20). The VSS had considered the proposal for

the first time in February 2012 and was split on whether to endorse the project or reject it. One Member had endorsed it, two had endorsed it with comments and two had not endorsed it. The Committee took note of the importance of this project for the participating countries and of clarifications provided by the representative of the Project Executing Agency (PEA) on technical comments by the VSS. In the case of crop insurance, this could be included but might have additional costs for the project; farmer business groups would act as pressure groups and also have a role in evaluation and monitoring; while the smart card would be similar to a debit card and facilitate provision of information on finance and production in a transparent way and in accordance with banking principles of accuracy and confidentiality. Regarding beneficiaries, a committee with key stakeholders would be established to identify which cooperatives and farmers would be involved. The project was built on the concept of ownership by smallholders. The project would take into account international and national labour standards and constitutional provisions on gender as well as youth in the different countries, and lessons from the previous project would be taken into account. The Committee took note of this information and decided to recommend to the Council that the proposal should be approved subject to technical comments being taken into account, in particular the issues of gender analysis and crop insurance schemes and how crop failures would be addressed.

Financial mechanisms for sustainable coffee in Colombia and Honduras (document PJ-23/12)

6. This proposal had been revised by the United Nations Development Programme (UNDP) Green Commodities Facility (GCF) to take into account preliminary technical comments from the CFC Project Appraisal Committee (PAC). The VSS had considered the proposal for the first time in February 2012. Three Members had endorsed it and a fourth Member had endorsed it with comments. The Committee took note of the importance of this project for both countries and of clarifications provided by the representative of UNDP on technical comments by the VSS, including the activities which would be supported by the UNDP grant, which would build on an existing UNDP project on biodiversity funded by the GCF with the National Federation of Coffee Growers of Colombia. With respect to engaging with international buyers, the Federation had strong links with markets and partnerships with the private sector, and the GCF of the UNDP had experience in global corporate outreach. Farmers would also benefit from training and renovation funding which would increase yields and income and better environmental practices which would reduce risks from natural disasters. Productivity was expected to increase by 11% and 50% after three and five years, respectively. With respect to certification, it was not intended to reinvent the wheel, however issues such as landscape management in the context of adapting to climate change and good practices such as sound watershed management would be considered. Both countries had government credit mechanisms and

an analysis of funding institutions would be carried out. With respect to division of project funds, there would be an approximate split of 65% and 35% for Colombia and Honduras, respectively. The project would help to strengthen the capacity of existing strong extension services to continue promoting the adoption of best agricultural practices, and included establishing technical assistance funds. The possibility of co-financing for an additional year would be explored and gender issues would be further investigated. The Committee took note of this information and decided to recommend that the project should be approved subject to technical comments being taken into account, in particular those relating to gender analysis.

Enhancing competitiveness of African coffees through a value chain strengthening (document PJ-24/12)

7. The CFC PAC considered that the proposal was beyond the scope of CFC financing. The CFC was willing to consider approaching other potential donors for financing this proposal and, if there was interest in providing funding, would be favourably disposed to acting as the coordinating body for managing resources. The VSS had considered the proposal for the first time in February 2012. Three Members had endorsed the project with comments, one had not endorsed it. The representative of the PEA introduced this proposal which was intended to enhance the production, quality and trade of African coffees through a range of activities over five years. While it was not intended to develop it as a full proposal at this stage, given the geographical scope, it outlined key areas for strengthening the coffee value chain in Africa, and the need for developing activities under six components. The Committee took note of this information and further noted that the proposal was not submitted for approval however aspects could be developed as individual projects in the future and the comments of the VSS could assist the proponents with this. The Committee further noted the suggestion that it would be useful to have a presentation or workshop on the coffee sector in Africa at a future meeting.

Improving coffee productivity in Yemen (Concept note) (document PJ-25/12)

8. Following a preliminary review of this concept note, the CFC PAC was favourably disposed to considering a Fast Track project of around US\$30,000 to facilitate identification of the needs of the sector by the main local stakeholders in Yemen, as this country had received very few benefits from the CFC. The VSS had considered the proposal for the first time in February 2012. One Member had endorsed it, two Members had endorsed it with comments and two had not endorsed it. The Committee took note of a statement by the representative of Yemen on the importance of this project for his country, both for women and for engaging young people in the coffee sector. It decided to recommend to

the Council that the project should be approved on the basis that the technical comments of the VSS, in particular comments on gender analysis and benefits to women, were submitted to the CFC which would ensure that the consultant took these into account in preparing the full project proposal.

Economic incentives for coffee agroforestry systems in Costa Rica (document PJ-26/12)

9. The VSS had considered a concept note for a pilot project for the first time in February 2012. One Member had endorsed the proposal, three had endorsed it with comments and one had not endorsed it. The Committee noted that the VSS had previously suggested that Members could submit proposals in the form of concept notes rather than full proposals to ascertain whether they might be viable for funding, and avoid wasting time and resources. Members took note of clarifications on this project, which would build on the success of existing Payment for Environmental Service schemes in Costa Rica and the experience of the National Forestry Financing Fund (FONAFIFO) in managing and disbursing funds. Existing methodologies on carbon measurement would be used in developing the project, and funds would be identified from a number of sources including government budgets and taxation systems and companies aiming to become carbon-neutral. The project would generate socio-economic benefits to farmers and comments on gender aspects would be investigated by the proponents. The point was made that this was a good proposal but a full project proposal needed to be prepared with further information on some aspects. The Committee decided to recommend to the Council that the concept note should be approved and developed into a full proposal taking into account technical comments by the VSS, and submitted for consideration at the next meeting.

Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies (Fast Track) (document PJ-27/12)

10. The CFC had recommended that, subject to issues of Intellectual Property Rights being satisfactorily addressed, the proposal could be approved. The VSS considered the proposal for the first time in February 2012. One Member had endorsed it with no comments, three had endorsed it with comments. The Committee took note of this information and further noted that this proposal, like the project 'Economic Crises and Commodity dependent LDCs: Mapping the exposure to market volatility and building resilience to future crises' was of interest to other International Commodity Bodies; it would be supervised by the ICO on their behalf, and could assist countries in scaling up successful projects. In discussions on this item, it was suggested that it would be useful for the PEA to provide feedback to the Forum on the implementation of the project including challenges and successes. The ICCO had held a seminar on terminal markets, a topic that could be of

interest to ICO Members. The Committee noted that the CFC would consider suggestions to translate the toolbox into local languages to reach small producers, and the extent to which financial tools would be culturally specific or could be scaled either down to reach producers or up to other regions, and develop a tool that would assist farmers as well as small- and medium-sized enterprises (SMEs) in keeping track of their costs. It decided to recommend to the Council that the project should be approved subject to technical comments by the VSS being taken into account, and noted that the project was relevant to the remit of the Consultative Forum and the outcomes including challenges and successes would be of interest to it.

Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi (Fast Track) (document PJ-28/12)

11. On the suggestion of the CFC the ICO had prepared this proposal which had been favourably considered for funding by the CFC as an extension of project CFC/ICO/30. The VSS had considered the proposal for the first time in February 2012. One Member had endorsed it without comments, one Member had endorsed it with comments. The Committee took note of this information and of clarifications including the cost for component 1 which would be met by funds from the revolving fund created under the previous project, and decided to recommend to the Council that the project should be approved.

12. The Committee noted that it could be useful to discuss at a future meeting the inclusion of gender analysis in new proposals, and share lessons from previous projects that had successfully included it, given the number of technical comments about this issue by the VSS. It expressed its appreciation for the updated format of the VSS report and noted the request for a question on whether the budget was appropriate for the goals of the project to be included in a future revision of this document. Finally, the Committee noted the request for documents considered by the Committee to be available in French in time for the meeting and that new and revised project proposals for consideration in September 2012 should reach the ICO by **22 June 2012**.

Item 3.2: Projects under consideration by the CFC

13. The Committee noted that the CFC PAC had considered the 'Adaptation to climate change in three PROMECAFE member countries (Costa Rica, Guatemala and Honduras)' proposal in December 2011. It had concluded that it did not conform with the CFC's priorities for funding at this time, relative to other projects with a stronger focus and suggested that funding could be sought from other sources with a focus on the environment and climate change.

Item 3.3: Projects already approved by the CFC

14. The Committee took note of document PJ-29/12 containing a progress report on the implementation of projects approved by the CFC and noted that a presentation on the project entitled 'Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA countries' would be made to the Council instead of the Committee in view of time constraints.

Item 4: Project activities under the International Coffee Agreement 2007

Common Fund for Commodities (CFC)

15. The representative of the CFC, Mr Parvindar Singh, introduced document PJ-30/12 containing a report on the future role and mandate of the CFC. A copy of his presentation is available on the technical presentations section of the ICO website (<http://dev.ico.org/presents/presentation1112.htm>). An update on developments will be given in September 2012. The Committee took note of this presentation.

International Coffee Genomics Network (ICGN)

16. Document PJ-31/12 containing a report of the meeting of the ICGN in January 2012, a survey and a presentation describing the goals and mission of the ICGN was circulated to the Committee. The ICGN will make a presentation in September 2012 on progress on sequencing the coffee genome and the results of a survey among its members on prioritizing new projects, and is interested in working with the ICO on a joint initiative towards the characterization, enhanced utilization and conservation of diversity in *Coffea* on a global scale in the context of climate change.

Item 5: Cooperation with other agencies

17. At the last meeting, Members were invited to send information about national plans and strategies for coffee and sustainability to the ICO, to enable the Secretariat to develop cooperation with the Green Commodities Facility of the United Nations Development Programme (UNDP) on sustainable coffee projects. Three replies were received (from Brazil, Cuba and the Czech Republic) and all Members were reminded of the need to send this information to the Secretariat.

Memorandum of Understanding

18. The Committee noted that document ICC-108-7 contained a Memorandum of Understanding between the Government of the Brazil, specifically the Brazilian Agency for

Cooperation (ABC), and the ICO for the promotion of triangular technical cooperation in coffee producing countries, which would enhance the ICO's capacity to assist exporting Members, particularly Least Developed Countries. The Executive Director had previously signed similar agreements on behalf of the ICO with a number of international organizations including with the Food and Agriculture Organization of the United Nations (FAO), International Trade Centre (ITC) and United Nations Environment Programme (UNEP), and the Council had taken note of these documents in each case.

19. In discussions on this item, the point was made that the MOU involved a government agency rather than an international organization. This was an innovation under the 2007 Agreement and the legal implications and procedures should be clarified as this would set a precedent for similar initiatives in the future. In the case of paragraph (4) of Article 2 of the MOU, it would be helpful to clarify procedures for areas of cooperation, which could be dealt with in the Projects Committee, and a reference to the environment could be added to paragraph (3) of the Preamble.

20. The Committee noted that the MOU was a statement of intent to provide additional technical cooperation and was consistent with both the objectives and spirit of the 2007 Agreement to promote cooperation and the Strategic Action Plan. Article 15 of the 2007 Agreement (Cooperation with other organizations) did not exclude Governments but provided that the ICO should take full advantage of other sources of funding. The ABC had signed similar agreements with international organizations ranging from UN bodies to the International Tropical Timber Organization. There was strong support among Members for the initiative which could enable the ICO to access new resources for the benefit of developing countries. A document would be circulated taking into account the points raised for consideration by Members¹.

Item 6: Other business

21. There was no other business to discuss.

Item 7: Date of next meeting

22. The Committee noted that the next meeting would take place in London at the time of the 109th Council Session from 24 to 28 September 2012.

¹ Document WP-Council 224/12 Rev. 2 contains a revised text approved by the Council on 8 March 2012.