



**Report of the Projects Committee on
the 4th meeting held on 27 September 2012**

1. The Projects Committee, chaired by Ms Amy Karpel of the USA, met in London on 27 September 2012 for the fourth 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-33/12 Rev. 1.

Item 2: Coffee development projects

Item 2.1: Projects under consideration by the ICO

3. The Projects Officer introduced document PJ-37/12 containing a progress report on projects and document PJ-38/12 containing the report of the Virtual Screening Subcommittee (VSS) on two revised project proposals.

Economic incentives for coffee agroforestry systems in Costa Rica

4. This project was designed to improve the competitiveness of coffee produced in Costa Rica. It was developed based on a concept note submitted by Costa Rica in March 2012 following comments by the VSS and the Projects Committee (see document PJ-26/12). The VSS had considered this proposal again in August 2012 and had recommended that it should be approved. The Committee took note of this information and decided to recommend to the Council that the proposal should be approved for submission to the Common Fund for Commodities (CFC).

Promoting coffee sustainability through productivity increases and youth participation in Cameroon and the Central African Republic (see document PJ-36/12)

5. The Committee noted that the proposal would be further revised by the proponents to take into account comments by the VSS and would be resubmitted for consideration in March 2013. In discussions on this item, it was suggested that a number of additional points could be taken into account in revising the proposal, including mapping out the entire value chain and considering how youth could be addressed throughout the value chain and not just at the production level, for example in developing enterprises. In the case of engaging traders with financing it would be useful to see where traders got their financing from as they were limited by the capital available, and to bring in financial institutions so that traders could help to identify suitable producers and facilitate reverse factoring. It would also be useful to have more details about the results of projects previously conducted in both countries which had synergies with this project and which were listed in the proposal.

6. Finally the Committee noted that new and revised project proposals for consideration in March 2013 should reach the ICO by **14 December 2012**.

**Item 2.2: Projects under consideration by the
Common Fund for Commodities (CFC)**

7. The Committee noted that the CFC Consultative Committee had considered the 'Raising income security of smallholder coffee farmers in Malawi and Tanzania through sustainable commodity diversification' proposal in July 2012 for the second time. It had concluded that the proposal did not address its earlier recommendations and had not recommended approval, although a fresh proposal addressing enhanced coffee production in the same areas could be considered by the CFC in the future. Decisions on other proposals were on hold until new criteria and guidelines for CFC project formulation and appraisal were finalized later this year. The Committee took note of this information.

Item 2.3: Projects already approved by the CFC

Coffee Price Risk Management in Eastern and Southern Africa

8. The Committee noted that this project had been approved in 2001 and was important for the region but had not yet been implemented. The proposed Project Executing Agency (PEA), the World Bank, had withdrawn because of changes in its priorities and now used a more holistic approach to financing than that provided for in the proposal.

The CFC had not managed to find a suitable replacement PEA and would like to see the project updated to reflect new developments in the financing of the coffee sector and integrated into a larger project which would include diversification, financing and links with trade and hedging instruments. The project would need to be modified and re-evaluated in the light of revised CFC criteria. The ICO was exploring the possibility of merging it with the 'Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda' project, which included a component on risk management. The Executive Director would discuss options for moving forward with the project with the representative of the World Bank who was also an advisor to the Core Group for the Consultative Forum.

*Economic Crises and Commodity dependent least developed countries (LDCs):
Mapping the exposure to market volatility and building resilience to future crises*

9. The representative of the PEA, Mussie Delelegn Arega, UNCTAD Division on Africa, LDCs and Special Programmes, presented the conclusions of this project which was approved by the CFC in 2010 and assigned to the ICO for supervision on behalf of all International Commodity Bodies (ICBs). A link to a study published as a result of the project 'Enabling the Graduation of LDCs: Enhancing the Role of Commodities and Improving Agricultural Productivity' was available on the ICO website.

10. In discussions on this item Members noted that total investment in agriculture had declined since the 1980s, as a consequence of market liberalization policies. With concerns about global food security, this trend was being reversed. Governments and institutions were increasingly aware of the importance of investing in the agricultural sector, as demonstrated by the LDC IV Conference in Istanbul in 2011, which included commodities as one of eight priority areas for action, and the Maputo Declaration, which set out the intention of African countries to increase investment in agriculture to 10% of GDP. The market was affected by volatility and the impact of investment funds on commodities. One way of counteracting this was to have a virtual commitment by governments to sustain prices if there was a significant fall. Countries such as Laos had made considerable improvements in food production despite disadvantages such as unexploded ordnance. It was suggested that it would be useful to undertake another study in five years time to see how food production had progressed and provide lessons for the future. UNCTAD had looked at a small number of countries to find out what experiences and practices worked or did not work and why experiences of countries with similar resources varied, and further study and analysis was needed. The Committee expressed its appreciation for this valuable report and Members were encouraged to review the study in more detail which was available on the ICO website.

Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA countries

11. The Committee noted that the representative of African Fine Coffees Association (AFCA) had made a presentation on the outcomes of this project during the ICO Seminar on Certification on 25 September 2012.

Item 3: Procedures for submitting and reviewing projects

12. The Head of Operations introduced document PJ-34/12 Rev. 1 containing a proposal to establish the VSS as a permanent Subcommittee and proposals to revise the terms of reference for the Virtual Screening Subcommittee (VSS) and the Projects Committee.

13. The Committee noted that the terms of reference for the Projects Committee provided for activities related to procedures for submitting and approving projects, which could be understood as including the VSS, and decided to extend the remit of the VSS until September 2015 rather than establishing it as a permanent subcommittee. In the case of the terms of reference for the VSS contained in Annex I of document PJ-34/12 Rev. 1, the Committee decided that the terms of reference should be broadened to take into account cooperation activities that might take place under the Memorandum of Understanding (MOU) between the ICO and Brazil and corresponding Council Decision (ICC-108-7 Rev. 1) and other similar, future MOUs. The Committee decided in favour of the first set of brackets in Annex I of document PJ-34/12 Rev. 1 as the more general wording to reflect this. The Committee also decided to recommend that the Council should approve a parallel change to the terms of reference for the Projects Committee as set out in Annex II of document PJ-34/12 Rev. 1¹.

14. The Committee also considered document PJ-17/12 Rev. 1 containing proposals to revise the assessment document used to evaluate new proposals to include a specific reference to whether a project's budget was sufficient, and clearer language on whether a proposal adequately considered gender. It agreed that new wording relating to the budget should be included.

15. With respect to gender, one delegate stated that not all projects had a gender dimension, particularly scientific or technical projects, and therefore a gender analysis might not be relevant or necessary for approval of some projects. Another delegate noted that women might have relevant information because of their involvement at a particular stage in the production process or value chain, and that could help improve the project design and its likelihood for success. It would be useful to consider gender throughout the project cycle

¹ *The final version of the terms of reference was circulated as Annex III of document ICC-109-11.*

and the inclusion of gender-based information could improve the project's effectiveness. Considering gender in project design and implementation did not mean that enhancing gender equality or empowering women must be a focal point of the project, rather it was a means to ensure that, where gender-based information could contribute to the success of a project, it was taken into account. In this regard, it was important that both genders were consulted in the development of project proposals.

16. It was noted that the assessment document question on gender was meant to encourage gender to be taken into account in the development of project proposals, e.g. by considering constraints on women participating in the project or information they might have that would improve the project's success. The Committee agreed that inclusion of a question on gender in the assessment document did not make consideration of gender a mandatory criteria for approval of project proposals. It was suggested that VSS Members would take into account that some criteria in the assessment document were more relevant to individual projects than others and that proposals would not be rejected because of one aspect.

17. The Committee agreed that the representatives of Colombia, European Union, the USA and other interested Members would work intersessionally with the Secretariat to review proposed wording on gender further so that the assessment document could be considered again in March 2013.

Item 4: Project activities under the International Coffee Agreement (ICA) 2007

Common Fund for Commodities

18. The Acting Managing Director of the CFC, Mr Parvinder Singh, made a presentation on the future of the Fund, which would be considered by the CFC in October 2012. It was proposed that the CFC should engage more directly in project design, with impact, dissemination, replication and scaling up to be the guiding principles in the selection of projects and that there should be a time limit of one year from identification to approval of projects. Recommendations for guiding principles for operations included wider use of loan financing, with the grants portfolio not to exceed 20% of the annual CFC support for projects. The eligibility of project proposals by institutions other than International Commodity Bodies would be encouraged as this would expand the scope and outreach of possible commodity based interventions. A copy of this presentation is available on the ICO website (<http://www.ico.org/presents/1112/projects-september-cfc.pdf>). The Committee took note of this presentation.

19. In discussions on this item, concerns were raised about the impact of these changes for the future of ICBs which had previously been the main channel for development projects to the CFC. The point was made that the Fund would have a role similar to a development bank rather than a clearing house for projects. In response to questions, the Committee noted that procedures for other organizations to submit proposals and other guiding principles would only be finalized by CFC Members in late 2012. Future criteria for projects needed to be approved before new proposals from the ICO could be considered. Where the Consultative Committee had already provided comments, it would review proposals again and, if appropriate, they would go to the Executive Board. In the case of projects being implemented, the project agreements were binding and would be fulfilled. The CFC would continue to work with ICBs but could expand its range of partners. Proposals received from other organizations would need to be considered with ICBs which had in-depth technical knowledge of commodities and the needs of the sector.

Sucafina

20. The Committee noted that the ICO and Sucafina had collaborated on developing a multi-stakeholder project to promote the sustainable coffee sector in Burundi that would be financed by the private sector and multilateral donors. Burundi produced high-quality coffee which provided more than 50% of its export earnings, but production had fallen, and the project would improve both quality and yields to increase the incomes of smallholders. The total cost of the project was US\$9.4 million and it was forecast to start in 2013. More information about the project would be available at the next meeting. The Committee welcomed this initiative which was a good example of diversifying sources of finance for projects by looking for partners other than the CFC.

Future financing

21. The Committee noted that in response to document ED-2124/11 Rev. 1, three responses had been received from Members on suggestions for sources of funding for projects and four responses had been received with information on national plans and strategies for coffee and sustainability. All Members were reminded of the need to send this information to enable a strategy document on sources of future finance to be prepared for a future meeting.

Item 5: African coffee sector

22. The Committee noted that, in view of time constraints, the representative of AFCA would make a presentation on the outlook for African coffee and the strategy adopted by AFCA to the Council (<http://www.ico.org/presents/1112/council-september-afca.pdf>).

Item 6: Gender analysis

23. The Projects Officer introduced document PJ-35/12 containing a report on gender analysis on coffee development projects, as requested at the last meeting. The Projects Officer highlighted the steps the World Bank had undertaken to include gender analysis in its work (see paragraph 15 of document PJ-35/12). The Committee expressed its appreciation for this report, and further noted the value of presentations on gender and the contribution of women to development by the Food and Agriculture Organization of the United Nations (FAO) and the International Women's Coffee Alliance (IWCA) during the 109th Council Session. The Committee engaged in a lively discussion of the role of gender analysis in project proposals (see Item 3), and agreed that a small working group would work intersessionally with the Secretariat to review proposed new wording on gender. This was an issue that the Committee should continue to examine at future meetings.

Item 7: Cooperation with other agencies

Brazilian Agency for Cooperation (ABC)

24. The Committee noted that Brazil was working to implement the Memorandum of Understanding for the promotion of triangular technical cooperation in coffee producing countries which had been signed by the ICO and the ABC in March 2012 (see document ICC-108-7 Rev. 1). Preliminary discussions had taken place with the Secretariat to identify potential technical cooperation activities. These activities were demand-driven and countries interested in such activities would need to be identified. As there was no budget available for missions by the ICO related to developing this activity in the 2012/13 Budget, it was suggested that modest provision for missions could be included in the 2013/14 Budget.

25. The Committee noted that the Projects Officer had attended a Conference on Technologies and best practices for optimal utilization of by-products in the coffee value chain organized by the International Centre for Science and High Technology/United Nations Industrial Development Organization (ICS-UNIDO) and held in June 2012.

Item 8: Other business

26. The Committee noted that the Council would approve the composition of the Committee for 2012/13 during its 109th Session in September 2012 and that at its first meeting in March 2013, the Committee would appoint a Chairperson and Vice-Chairperson for 2012/13.

Item 9: Date of next meeting

27. The Committee noted that the next meeting would take place in London at the time of the 110th Council Session from 4 to 8 March 2013.