

Promoting the Coffee Sector to Fight Poverty in Asia

ICO Expert Panel on Coffee Sector Finance
London, UK

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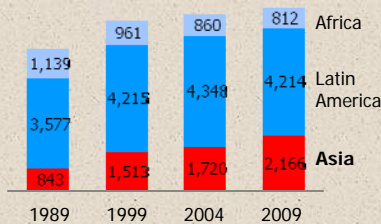
21 September 2010



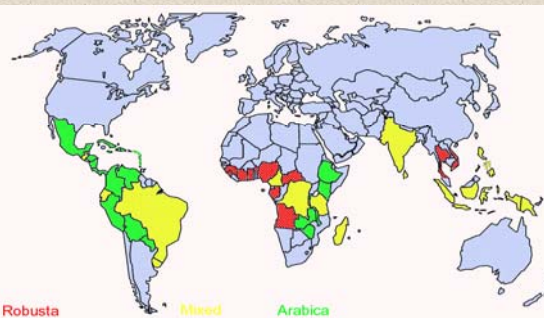
Asia is an important and growing player in coffee

- Asia represents **30%** of the world's coffee bean production, against 15% twenty years ago
- Asia's coffee production has been growing at **5% a year**, against -1% in both Latin American and Africa over the last 5 years

Coffee Bean Production ('000 tones), 1999-2009



Coffee Bean Production by Coffee Species, 2008



- **Production:** three Asian countries in the top five—Vietnam (#2), Indonesia (#3) and India (#5)
- **Consumption:** India and the China are the fastest growing markets; Japan still the leading per capita consumer of coffee



Source: ICO, FAO

ADB is a major development partner in Asia

- Vision: Asia and Pacific Free of Poverty
- Founded in 1966
- Owned and financed by its 67 shareholder countries: G7+
- Over 2600 staff from 58 countries
- Rated AAA
- Headquarters in Manila
- 2009 Activity:
 - Loans: US\$13.2 billion
 - Grants : \$ 1.1 billion
 - Technical assistance: \$267.2 million
 - Private Sector assistance: \$1.7 billion

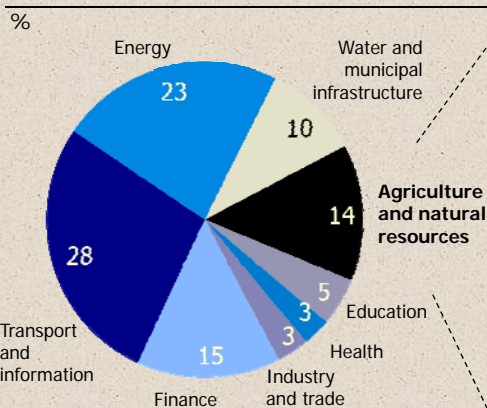


A May 2010 World Bank research study ranked ADB as number 1 among 38 bilateral and multilateral donors for overall aid quality



ADB's involvement in coffee has been limited so far, but potential for intervention exists

Sector breakdown of ADB's assistance



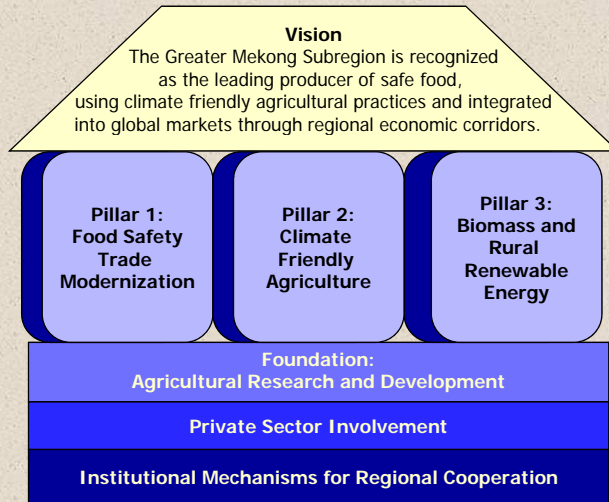
Typical agriculture projects

- **Rural infrastructure** (roads, markets, etc.)
- **Irrigation/ water management/ flood control**
- **Agri-business** investment and value chain improvement – this could be done for the coffee value chain
- **Trade finance** support
- **Research** (agriculture, stock management, food security and policy research) – today focused on rice, but could be expanded to coffee

*A strong traditional focus on infrastructure ("Asian Dams and Bridges") ...
...but new sectors are emerging*



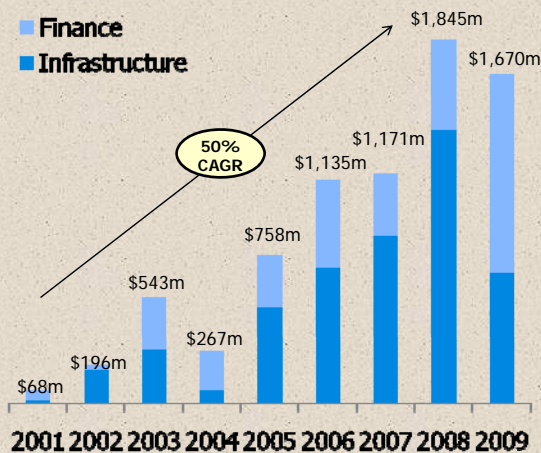
Case Study: Greater Mekong Subregion Agricultural Cooperation



- Promotion ecotrade of high-value crops, including coffee
- Harmonization of custom procedures
- Trade standard harmonization and equivalence



ADB private sector operations are growing fast



ADB Strategy 2020:
Scale up private sector development and private sector operations in all operational areas, up to 50% of annual operations by 2020



What can ADB private sector operations do for you?

Products

- Debt (offshore/local)
- Equity
- B-loans
- Political risk guarantees
- Partial credit guarantees
- Other cofinancing

PSOD Focus

- Infrastructure:
 - Power & utilities
 - Transport
 - Telecom
 - Commodities & agribusiness
 - Social infrastructure
- Capital Markets:
 - Banks
 - Other financial institutions
 - SME finance
 - Microfinance
 - Housing finance
 - Trade finance



Trade Finance overview

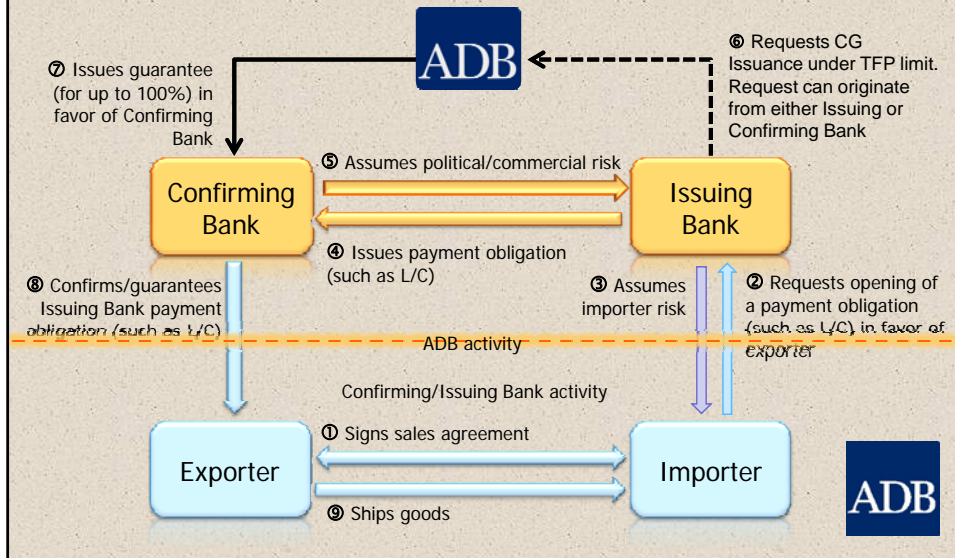
What is the Trade Finance Program (TFP)?

An ADB program that provides guarantees and loans to banks in support of trade.



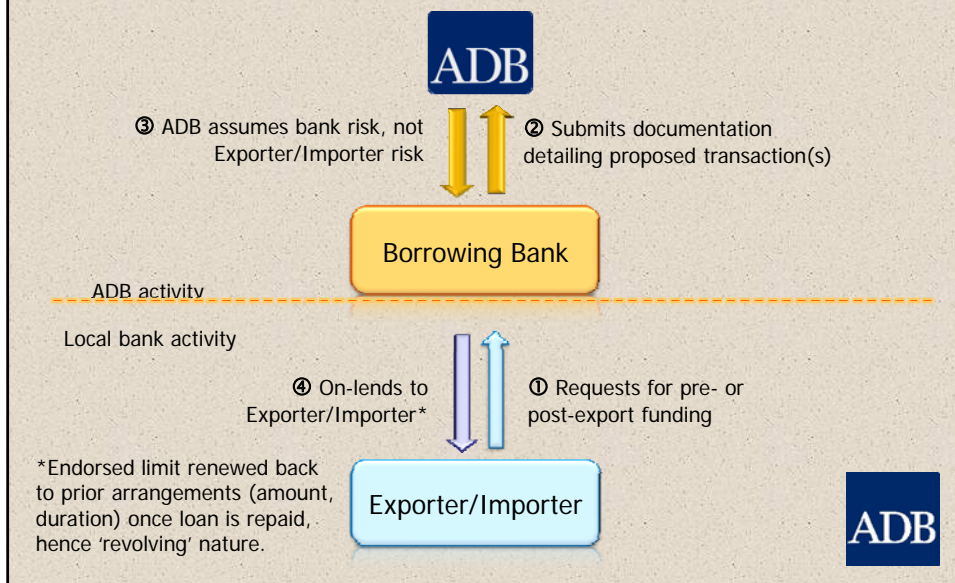
TFP: Credit Guarantee (CG) Product

ADB provides guarantees in **24 hours** to Confirming Banks covering up to 100% of non-payment risk.



TFP: Revolving Credit Facility (RCF)

ADB provides pre- and post-export financing through local banks.



Sample transactions supported by TFP

Counter-Guarantee

- Importer: Azerbaijan
- Exporter: Germany
- Confirming bank: Germany
- Product: Capital equipment for drying fruits
- Value: \$600,000 USD
- Cover: 100%

Counter-Guarantee

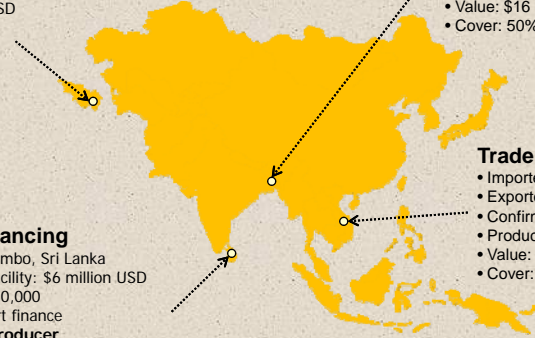
- Importer: Bangladesh
- Exporter: Hong Kong, PRC
- Confirming bank: Shenzhen, PRC
- Product: Telecommunications equipment
- Value: \$16 million USD
- Cover: 50%

Pre-Export Financing

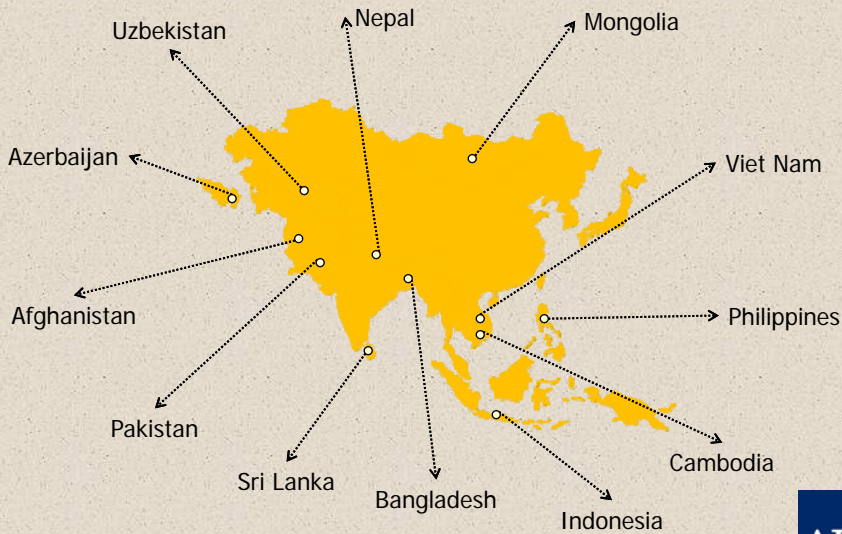
- Bank based in Colombo, Sri Lanka
- Revolving Credit Facility: \$6 million USD
- On-lend value: \$250,000
- Purpose: Pre-export finance
- Beneficiary: **Tea producer**
- Location: Sri Lanka
- Export markets: Europe, Russia.
- Export goods: Tea

Trade Loan

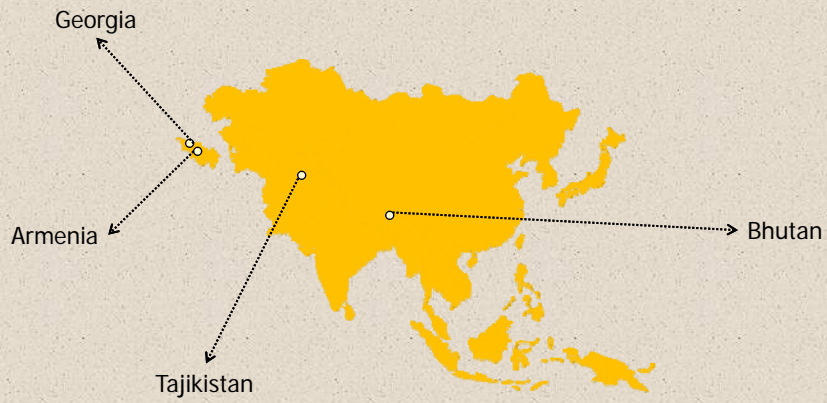
- Importer: Viet Nam
- Exporter: Singapore
- Confirming bank: USA
- Product: Dump trucks and excavators
- Value: \$5 million USD
- Cover: 100%



94 Issuing Banks supported in 12 countries



More expected through 2010 expansion plan...



...and through 2011



TFP Program Highlights



- TFP supported nearly **\$2 billion in trade** in 2009; and **\$1.2 billion** 1st half 2010
- # of transactions between developing countries: **200+** in 2009, 40% of 2009
- # of transactions involving SME businesses: **250+** in 2009, 50% of 2009 TFP portfolio
- TFP support for agriculture-related transactions from 2009: **\$117 million**



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Trade Finance Facilitation Program

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TFPP at a Glance

- How the Program Works
- Participating Banks
- How to Participate
- News and Updates
- Contacts

Trade Finance Facilitation Program

Updated: 24 June 2010

The Trade Finance Facilitation Program (TFPP) is the first region-wide program undertaken by the ADB aimed to help banks in developing member countries (DMCs) provide trade finance products to importers and exporters. The TFPP helps Asian countries maintain, re-establish and enhance trade finance lines. The TFPP:

- provides guarantees to confirming banks and revolving credits to issuing banks located in DMCs
- enhances banks' abilities to offer importers and exporters access to financial services
- works in partnership with the private sector to provide capacity, liquidity and stability to the trade finance system

The TFPP has two main products:

- Credit Guarantee (CG) Product**
ADB provides guarantees to participating regional and international banks (Confirming Banks) against the payment of trade credits issued by approved Issuing Banks
How the CG works
- Revolving Credit (RCF) Product**
ADB provides loans to Issuing Banks for on-lending to private sector exporters and importers, many of which are small and medium-sized enterprises (SMEs), to finance trade-related transactions
How the RCF works

See Also :

- Participating Issuing Banks
- Participating Confirming Banks

Spotlight

- ADB, FIRC of the Netherlands to Share Bank on Trade Finance in Asia
- ADB Signs First Trade Finance Agreement in Uzbekistan
- ADB Commemorates Sign of Expanding Foot to Boost Trade in Developing Asia

View more News and Updates

Issuing Trade Finance
ADB's Green Bank, Head of Trade Finance of ADB, discusses the importance of trade finance to economic growth and the performance of ADB's Trade Finance Facilitation Program. [View in larger version](#)

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