



**INTERNATIONAL
COFFEE
ORGANIZATION**

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**Africa Coffee Facility
Summary of the Concept Note submitted to
the African Development Bank Group**

Background

This document contains the summary of the revised Concept Note submitted by the InterAfrican Coffee Organisation (IACO), following a design workshop held in Abidjan in April 2016 to set up a coffee sector development fund known as the 'Africa Coffee Facility' to mobilise resources to bring sustainable solutions to unlock the potential of the African coffee industry.

Action

The Projects Committee is requested to take note of the summary of the revised Concept Note.

**AFRICA COFFEE FACILITY
SUMMARY OF THE CONCEPT NOTE SUBMITTED
TO THE AFRICAN DEVELOPMENT BANK GROUP¹**

I. Background

The African continent has the largest number of coffee producing countries and the industry is essential to many countries as it is a primary source of income for more than 12 million households, and contributes a significant proportion of tax income in a number of these countries. Indeed, the coffee sub-sector will continue to offer opportunities for growth, raising earnings and transforming lives of the farming communities. Africa holds a great potential for catalysing private sector development, creation of jobs and generation of income for both public and private sectors — including farmers, processors, cooperatives, exporting firms and governments among others.

However, as in the case of many other agricultural sectors, the development of the coffee sector in Africa faces a number of challenges closely dependent on each individual situation of the 25 coffee producing countries. It is against this background that within the framework of the 4th Consultative Forum on Coffee Sector Finance of the International Coffee Organization and under the leadership of the Secretary-General of the Inter-African Coffee Organisation (IACO), various partners in the coffee value chain have approached the African Development Bank (AfDB) to request the creation of a coffee development fund known as the 'African Coffee Facility'.

In reaction to that request the Bank proposed setting-up a design workshop to establish consensus on what needs to be done to address the various issues confronting the African Coffee sector. The purpose of the workshop was to create the forum for stakeholders and partners in the coffee sector in Africa to discuss and decide on various issues with respect to the establishment of this Facility. The Workshop established the real purpose of the Africa Coffee Facility, how it will be resourced and operated, the structure and management of the Facility, the size of the Facility, and the key components or pillars which would be financed by the Facility. It also determined the conditions for drawing on the Facility, the tenor of the Facility, how it will be managed, where it will be located, and a time-table for its commencement and launch.

¹ *The full Concept Note submitted to the AfDB is available from the Secretariat upon request.*

II. Key objectives for the Facility

- (a) Improve the livelihoods of small-scale coffee growers.
- (b) Increase the contribution of coffee to economies of producing countries.
- (c) Strengthen the role and participation of women and youth in the coffee value chain.
- (d) Ensure the sustainability of the African coffee industry in the light of the challenges of climate change.
- (e) Enhance the competitiveness of African coffee.
- (f) Increase value addition generated by the African coffee sector.

III. Components

Component 1: Building a sustainable coffee supply chain

- (a) Improving productivity/profitability along the value chain – particularly for producers.
- (b) Promoting transition from subsistence coffee farming to coffee farming as a business.
- (c) Sustainable production practices (including good agricultural practices) and increasing production and productivity to ensure sustainable supply of quality coffee to the world market.
- (d) Development of a coffee-specific business development/extension service that is based on national sustainability criteria which are well understood and locally owned and preferably led by the private sector.
- (e) Diseases and pest management.
- (f) Engagement and empowerment of youth and women in coffee business along the value chain as they account for the major proportion of the work force in the agricultural sector.
- (g) Strengthening farmer organizations.
- (h) Improved food security and nutritional awareness of coffee growing families.
- (i) Support for crop and income diversification.
- (j) Environmentally friendly practices and support to producer-organizations to ensure social responsibility in sustainably meeting consumers' demand and/or preference.

Component 2: Building demand, market linkages and investment

- (a) Improve access to finance for inputs and business development services.
- (b) Improve market access for producers and producer organizations.
- (c) Appropriate technology adoption/adaptation.
- (d) Development of the value-chain: improved value addition (Post-harvest handling, processing & consumption).

Component 3: Promoting climate change adaptation and environmentally responsible practices

- (a) Promote climate-smart coffee farming by using inputs and materials that ensure resilience of the plant.
- (b) Establish and monitor weather information.
- (c) Support research institutions to develop and disseminate new high yielding and drought, pests and diseases resistant planting materials.
- (d) Support the development of irrigation infrastructure where appropriate.
- (e) Promote the development and promotion of carbon sequestration in coffee farming.

Component 4: Dissemination of information, and communication of lessons-learned, sharing of experiences and tools, and building partnerships

- (a) Synthesis, Systematise, disseminate and/or share the methodologies, contents, outcomes, experience gained and lessons learned from the project results and research findings.
- (b) Build partnership with relevant technical and financial institutions and business enterprises.
- (c) Building capacity of Centres of Excellence (COEs), strengthen the existing COEs and making them functional.

IV. Proposed funding and allocation

The tenure of the Africa Coffee Facility (ACF) is ten years, with a five-year financing target of US\$150million. It is expected to cover all the coffee producing countries in Africa, currently 25 in number. Based on the Components of the Facility, the following proportional appropriation are suggested:

- Component 1: Building a Sustainable Supply Chain – 80% (US\$120.0 m)
- Component 2: Building Demand, Mkt Linkages, etc. – 5% (US\$7.5 m)
- Component 3: Climate Change and environment – 12% (US\$18.0m)
- Component 4: Info and knowledge Dissemination – 3% (US\$4.5 m)

Component 1 with a proposed 80% of the ACF would also be used to leverage Private sector Investments through the Matching Fund Model/Approach. For example, for every US\$1 of Grant Funding, we can leverage between US\$1-3 of private investments. This means component 1 (US\$120 m) can be used to leverage between (US\$120m-US\$360m) of private sector investments that largely mitigate the risks of value chain players, especially smallholder farmers.

V. Beneficiaries

Beneficiaries will be primarily poor farmers in the 25 coffee producing countries in Africa. This will include households headed by women. Farmers will benefit through greater access and availability of inputs and services that allow them equitable access to markets and to increase their productivity, production and income. The poor in rural and urban settings will also benefit indirectly, through greater and more secured availability of jobs in the respective value chains.

VI. Structure and governance of the Facility

The AfDB hosts a number of Special Facilities for various purposes. There are however, different governance structures for the different facilities. The Africa Coffee Facility is an initiative of IACO, and the AfDB has provided technical assistance to IACO in the designing of the Facility.

The Facility will be set up as a legal entity, hosted by the AfDB, and will operate in accordance with the policies of the Bank regarding the facilities hosted by the Bank. The overall purpose of the Facility will be to mobilise and apply resources to the coffee sector ensuring the overall transformation of the coffee sector in Africa and to particularly ensure improvements that lead to poverty reduction and better livelihoods of coffee farmers.

One option of the institutional structure of the Facility shall consist of a Governing Council, a Secretariat and a Director. It is further recommended that the Facility comprises a small Secretariat staff initially including: a Coordinator, three professionals, as well as an office administrator and a support staff.

- The Governing Council will be made up of representatives of IACO member states, the Bank, other international organizations, and the private sector.
- The voting powers of Council members will be equivalent to the contributions of the constituencies they represent, which will be detailed in the incorporation document.
- Its functions will include determining and approving policy, appointing a Secretariat leadership, authorising replenishments of resources, and appointing external auditors. Approving the annual budgets and annual work programmes, issuing By-laws, regulations and rules for the Facility.

The Chief Executive Officer of the Facility shall be the Director who shall be appointed by the Governing Council. The Director shall be responsible for the day-to-day administration of the Facility and shall appoint the staff of the Facility, submit independently audited financial reports to the Governing Council and represent the Facility externally.

VII. Processing of the revised proposal for establishing the Facility

The next steps for the Africa Coffee Facility are as follows:

- i) Formal resubmission to the Bank of a revised Concept Note (following the outcomes of the coffee design workshop) through the office of the President.
- ii) Following the endorsement of the previous step, the Bank's Agriculture and Agro-industry Department (OSAN) will prepare/adapt to Bank format working closely with other concerned Bank organizational units and take the lead in processing the Concept Note for approval by the Bank's Standing Committee on Partnerships (SCP).
- iii) Once the Concept Note is approved by the SCP, this will be followed by its consideration by the Bank's senior management committee (SMCC).
- iv) Following approval of the Concept Note by the SMCC, the Bank's Agriculture and Agro-industry Department, working closely with the Financial Services Department (OFSD) and Private Sector Department (OPSD) will prepare and jointly process a full proposal on the Africa Coffee Financing Facility for consideration by the Board of Directors.