

## SOCIAL ENTREPRENEURSHIP PROGRAM

### PROJECT SYNTHESIS

1. **Country:** Colombia
2. **Project Number:** CO-S1010 / CO-L1168
3. **Project Name:** Financing for Coffee Plantation Renewal and Modernization by Women Coffee Growers in Antioquia and Chocó.
4. **Executing Agency:** Cooperativa de Caficultores de Andes [Andes Coffee Growers Cooperative] (COOPERAN)
5. **IDB Unit:** Multilateral Investment Fund (MIF)
6. **Financing Amount and Source:**

	<u>A Loan</u> IDB (ORC)	<u>B Loan</u> IAOF <sup>1</sup>	<u>Starbucks</u>	<u>Total</u>
Reimbursable financing:	1,000,000	1,000,000	2,000,000	4,000,000
Technical cooperation funds:	<u>250,000</u>	<u>000,000</u>	<u>438,421</u>	<u>688,421</u>
Total:	1,250,000	1,000,000	2,438,421	4,688,421

Source: Special Ordinary Capital resources for the Social Entrepreneurship Program (CO-S1010) and reimbursable financing (CO-L1168) from the Inter-American Opportunity Fund (IAOF).

### 7. Goal and Purpose:

The project's impact objective is to contribute to the economic and social empowerment of 2,000 smallholder coffee growers in the departments of Antioquia and Chocó that belong to COOPERAN. In terms of outcomes, the project seeks to establish a system for enhancing coffee yields and quality among COOPERAN's member producers in these two departments.

The proposed solution would fall under the Sustainable Agriculture, Food and the Environment (SAFE) platform, with specific partners—in this case Starbucks, the Grameen Foundation (nongovernmental organization), and the coffee trading company COEX<sup>2</sup>—pooling their efforts and resources, which will be channeled through COOPERAN and will focus on providing long-term financing (for renewal and modernization of production) along with technical assistance that will benefit the smallholder farmers in the Starbucks supply

<sup>1</sup> The B Loan is recorded under operation CO-L1168 in the Bank's systems, and the fund's participation is subject to approval by the IAOF manager.

<sup>2</sup> COEX is not a SAFE partner, but has a long-standing relationship with both Starbucks and COOPERAN.

chain. The incentive for Starbucks comes from its public pledge to grant up to \$40 million in financing for smallholder coffee growers around the world. The Grameen Foundation’s experience with providing agricultural credit and developing monitoring and evaluation tools will make for a comprehensive project that will enhance COOPERAN’s technical and financial capacity. The scope and coverage of its agricultural extension services will be expanded through the participation of women producers, who will form a network of “Community Knowledge Workers - CKWs” supervised by COOPERAN.

## 8. Description:

To achieve these objectives, the project will finance two components: a reimbursable financing component for up to US\$4 million (IDB: US\$1 million; IAOF: US\$1 million; and Starbucks: US\$2 million) and a non-reimbursable technical-cooperation component for US\$688,421 (IDB: US\$250,000 and local counterpart<sup>3</sup>: US\$438,421). The borrower and executing agency for the non-reimbursable technical-cooperation component will be COOPERAN.

- ***Reimbursable financing component***

The reimbursable financing component would go to expanding COOPERAN’s credit portfolio so it can offer long-term loans to member producers and will involve management plans and farm investment plans to be developed for the participating producers. The financing offered to beneficiaries may be total or partial. To assist with resource allocation and improvement of credit analysis, an agricultural risk evaluation tool will be tested, as a complement to the processes established by COOPERAN. This component will have an A loan—US\$1 million in reimbursable financing from the Bank’s Ordinary Capital—which will be combined with the proceeds of the B loan—US\$1 million in reimbursable financing from the Inter-American Opportunity Fund (IAOF), in addition to the US\$2 million in counterpart financing from Starbucks. The terms and conditions for the three financing sources are the following:

Source	Amount	Conditions
<b>A Loan IDB (Ordinary Capital) Operation CO-S1010</b>	US\$1 Million	8-year term 6% interest, in U.S. dollars 3-year grace period on principal
<b>B Loan IAOF Operation CO-L1168</b>	US\$1 Million	6-year term 6% interest, in U.S. dollars 2-year grace period on principal
<b>Starbucks</b>	US\$2 Million	8-year term 6% interest, in U.S. dollars 3-year grace period on principal

Approximately 70% of the loan proceeds will be used by COOPERAN to provide long-term credit for the renewal of coffee plantations. These credits will average US\$2,800, with tenors of up to seven years and an average interest rate of 9% in local currency. The remaining 30% will be used for credits for modernization of on-farm processing (from small investments for repairs and maintenance of existing equipment to the purchase of small mills, construction of drying yards, etc.). These credits, also in local currency, will average US\$1,600, with an average interest rate of 9% and tenors of up to three years,

<sup>3</sup>The local counterpart contribution includes resources provided by COOPERAN (US\$281,036); Starbucks (US\$25,000); the Grameen Foundation (US\$112,385); and COEX (US\$20,000).

without grace periods.

COOPERAN will lend the funds from the three sources at a per annum rate of 10% to 12%, in local currency, with terms ranging from 36 months to 7 years, depending on the activity being financed.

- ***Non-reimbursable Technical Cooperation component***

The funds allocated to this component will be used to build COOPERAN's technical capacity by involving its women member producers in supporting the work of COOPERAN technical staff as Community Knowledge Workers; and to build its capabilities for risk evaluation, credit portfolio monitoring under the financing component, and internal decision-making. The technical-cooperation funding has four components:

**Component I. Agricultural extension services provided via the “Community Knowledge Worker” model, focused on women producers.** The purpose is to expand the scope and coverage of COOPERAN's agricultural extension services through the “Community Knowledge Worker” model with each of COOPERAN's 14 technical staff assigned to a specific zone will have the support of one of 40 CKWs. Each community knowledge worker will, at the same time, be in charge of providing support to 40-60 producers. The approach will foster greater participation and leadership by women in the coffee community and with the use of technology, which will serve to strengthen the coffee supply chain from its origin, improving the interactions among producers, COOPERAN, buyers, and other links in the chain. The activities that will be financed are: (a) Socializing the project in the community; (b) Creating the CKW network to support agricultural extension; (c) Purchase of equipment and licenses for system management; (d) Development of tools; (e) Development of marketing kits for CKWs; (f) Creation of a gender module and (g) Deploying CKWs on the field.

**Component II. Design of personalized technical assistance plans focused on expanding the C.A.F.E. Practices verification standard<sup>4</sup>.** This component seeks to encourage adoption of good agricultural practices with a view to strengthening and expanding the C.A.F.E. Practices verification standard, developed by Starbucks, which not only facilitates the supply of coffee to this important company but also enables producers to be better positioned to meet the requirements of the vast majority of existing certification seals. The activities that will be implemented are: (a) Creation of customized management plans and (b) Improving the approach and responsiveness of technical assistance firstly through monitoring visits led by COOPERAN's technical staff and secondly through the technological support and quality data analysis that will be provided by Grameen Foundation together with COOPERAN.

**Component III. Linkage between technical assistance and the establishment of financing mechanisms within COOPERAN.** The goal of this component is to achieve an effective linkage and complementarity between COOPERAN's technical and credit departments. Aside from technical expertise, farm modernization also requires adequate levels of investment that respond to the specific needs of each producer and that are appropriately linked to COOPERAN's existing technical assistance efforts. This

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<sup>4</sup> C.A.F.E. Practices are the quality standards that Starbucks uses to work with its direct certified coffee suppliers. These standards include a number of practices that are environmentally friendly and provide social benefit to farming families.

includes (a) Development of investment plans to be financed (in whole or in part) with resources from the project's financing component; (b) Piloting the agricultural risk evaluation tool ARET; (c) Design and implementation of an SMS campaign and (d) Supervision of both the reimbursable and non-reimbursable investments.

**Component IV. Project monitoring, systematization, evaluation, and audits.** This component aims to support activities related to monitoring and evaluation (M&E), systematization and auditing the project, as follows: a) Design and oversight for the implementation of a M&E system; b) Migration of the baseline data collected by COOPERAN to the new system; c) Baseline study and implementation of the M&E system; d) Completion of final evaluation and external audit for the technical cooperation and e) Creation of Knowledge Products and Closing Event for the project.

## **9. Beneficiaries:**

The project will benefit 2,000 small-scale growers (1,019 women and the rest men) in Antioquia (municipios of Andes (63%), Ciudad Bolívar (14%), Jardín (11%), Betania (10%), Hispania (2%), and Carmen de Atrato) who belong to COOPERAN. For these producers, coffee is the main economic activity, which they supplement by growing other crops, raising livestock, and engaging in other agriculture-related activities. On average, they have about five productive hectares. The beneficiaries grow coffee for export, one of their main buyers being Starbucks, which will not only provide counterpart financing for the loan, but will also guarantee market access for the project's beneficiaries, through its C.A.F.E. Practices methodology.

## **10. Expected results and benefits:**

The direct benefits of the Bank's resources will accrue to approximately 2,000 small-scale growers (with about five hectares) who belong to COOPERAN and who will, through the project, gain access to: (a) the long-term capital they need to renew their coffee plantations and modernize production (by purchasing small coffee pulpers and making other farm improvements); (b) close, regular, personalized technical assistance through farm plans developed with the support of the network of community knowledge workers who will assist COOPERAN staff with their work; and (c) a stronger cooperative in terms of its ability to assess risk, monitor its credit portfolio, and make decisions to address its needs.

The expected outcomes and quantitative impacts are: (a) beneficiary producers boost their productivity by 8% (changes in productivity measured in kilograms of parchment coffee per hectare); (b) the quality of coffee produced by beneficiaries improves (76.20% healthy beans versus damaged beans delivered to COOPERAN points of sale); (c) 1,800 farms adopt at least 15 of the 49 sustainable production practices detailed under C.A.F.E. Practices (CRF 230600) (disaggregated by sex of the head of household/farm) and (d) 1,500 new farms access long-term credit (for renewal and/or infrastructure) provided by COOPERAN (CRF 230500) (disaggregated by sex of the head of household/farm).