Thematic area
Building skills & capacity

Country: Jamaica

Region: LAC

Sector: Manufacturing, Agribusiness and Services

SmartLessons
real experiences, real development

Maximizing Finance for Development the Hard Way in the Jamaica Coffee Project

Summary

Coffee is a key contributor to Jamaica's economy, employing some 120,000 people across the supply chain. Jamaica's Blue Mountain (JBM) Typica coffee, a specialty origin coffee, is an iconic global brand. Traders in the Japanese market, where JBM is highly prized, paid the farm-gate equivalent of $5.80 a pound for green beans in 2016, more than five times the price of coffees of other origin. Despite market recognition, JBM production has been declining steadily from over 529,000 boxes in 2003 to 235,000 boxes in 2017. Aging trees and limited technical capacity have undermined productivity (6,792 kilograms per hectare in 2014, compared with the global average of 7,274 kilograms per hectare).

To revitalize JBM production, an industry-wide action plan was initiated in 2014 through the Jamaica Coffee project involving coffee traders (Mavis Bank, Coffee Traders, and Jamaica Standard Products), the Coffee Industry Board (CIB; now Jamaica Agricultural Commodities Regulatory Authority, JACRA), and the International Finance Corporation (IFC). The project focused on boosting productivity by distributing improved Typica seedlings, increasing the capacities of farms and firms through technical training and the distribution of written materials, and exploring mechanisms for increasing access to finance and agricultural insurance.

The project distributed more than 300,000 Typica seedlings and trained 668 farmers (including 51 women) in 43 workshops. The collaboration with CIB helped establish a system for registering farmers, while the dialogue with finance and insurance companies informed the design of a parametric insurance product and an initial financing framework. Though important headway was made, industry consolidation, severe global price declines, and distrust among industry stakeholders impeded wider impact. While pre-dating the World Bank's "maximizing finance for development" paradigm, the Jamaica Coffee project nonetheless adopted a private sector–led approach and faced a mix of challenging conditions that yielded lessons for later interventions using the maximizing finance for development approach.

Challenges and Interventions

Funded entirely by the European Union, Jamaica Coffee was the first IFC–EU Advisory Services partnership in Latin America and the Caribbean. Supporting implementation of the Economic Partnership Agreement capacity building program, Jamaica Coffee aimed to boost Jamaican exports. Coffee was chosen as the focus product after prescreening 15 products to map potential economic impact, export earnings, and ease of implementation to ensure alignment with EU priorities.

To address the productivity challenges, Jamaica Coffee held a series of workshops to bring together key industry stakeholders and identify challenges and potential strategies. The main coffee traders (Mavis Bank, Coffee Traders, and Jamaica Standard Products) and CIB, the leading technical assistance provider for the Jamaican coffee industry at the time, were key partners in kick-starting technical assistance activities to boost productivity. On a parallel track, banks interested in increasing their agricultural lending were expected to be engaged through a similar participative approach for the design of a feasible financing solution.

To revitalize JBM production, an initial group of activities focused on genetic improvement by preserving and actively promoting the Typica variety that was associated with JBM cup profile and taste. Each trader grew and distributed seedlings among the farmers who were part of its supply chain. Experts provided training on variety selection and nursery management, as well

Workers at the coffee plantation. Photo: Project team.

as on cultivation practices (fertilizer use, coffee leaf rust control, coffee berry borer control, plant density, and pruning). The training was delivered to traders and CIB and was also compiled in easy-to-follow leaflets that were distributed in group training sessions organized by CIB.

The access to financing component involved farmer registration through the Farmer Registration and Activity Tracking System (FRATS) developed by CIB, clearinghouse services, and a collateral registry. In addition to data collection, FRATS included field verification for 3,600 farmers. An existing collateral registration system was to be complemented by a Code of Conduct (never implemented) that would commit traders to checking the registry before releasing payments for coffee sales to farmers. The system could unlock financing for farmers who did not have a land title but could use their coffee as collateral. The banks and coffee traders expressed a need for developing crop insurance to complement their financial offering. Through a partnership with Grace Kennedy Insurance, a parametric weather insurance product was developed with payouts for crop losses based on wind speed and rainfall.

Development Impact

To increase the competitiveness, resilience, and sustainability of the coffee industry, IFC brought in-house expertise on insurance and access to finance along with experts in plant genetics, integrated pest management, and farmer training. In coordination with the three traders, the project distributed more than 300,000 Typica seedlings to coffee farmers. The genetic material was developed in the traders' nurseries and distributed by the firms' technical staff at a subsidized price of about $0.20 per seedling. Technical training was developed by a firm hired through the project and focused on developing the local capacity and knowledge needed to increase adoption of the new varieties, nursery management practices, and cultivation methods beyond the life of the project. At project end, 24 agronomists in CIB and in the three trading companies had received training. The seedling distribution program also helped traders gain a deeper knowledge of the farmers in their supply chain and forge closer relationships.

Farmers were nominated by the traders to participate in the project based on their plot size, production level, interest in planting Typica, and willingness to participate in training and become a point of reference for other farmers. A wider population of 668 farmers (among them 51 women) benefited from the technical workshops held by CIB on topics relevant to the production cycle.

The access to finance component of the project faced severe challenges and was never fully implemented. While banks were initially interested in increasing financing to farmers through a collateral registry, their reticence increased when the Code of Conduct failed to materialize because of traders' distrust. The situation worsened when coffee prices plunged from $93 per box in 2016/17 to $25 per box in 2017/18. The changing market dynamics sent traders in search of alternative markets, effectively deflating access to the finance component of the project. The IFC team, in coordination with Grace Kennedy Insurance, developed an indexed insurance product for potential crop damage based on Jamaica's hurricane history. While the insurance product was not implemented in the Jamaica Coffee project, it was shared with the Ministry of Agriculture and with a new Food and Agriculture Organization agricultural insurance project. The surviving part of the access to finance piece, the farmer registry (FRATS), ran into delays as CIB started its transition to JACRA. FRATS was later used for a fertilizer distribution program implemented by the Government of Jamaica in 2018.

Lessons Learned

1. Don't be afraid to step back and reassess whether continuing the project would realistically result in a positive outcome.

Project teams should be alert to signs of mistrust and lack of collaboration. If these come up too often, it's time to reassess. The project team believed that the working group would be the ideal channel for delivering and sharing technical expertise and engaging in dialogue on the implementation of sector-wide initiatives. In practice, mistrust among the parties was high, and the resulting lack of collaboration proved an insurmountable barrier. The project team met the challenges with a "can-do/push through" attitude, looking for alternative solutions, but it should have taken more decisive action (adjusting the project design or assessing whether to close the project) when warning signs accumulated (lack of commitment to signing the Code of Conduct, lack of progress despite constant follow-up). These warning signs constituted missed moments to step back and reassess whether continuing the project would realistically result in a positive outcome.

2. Sectoral approaches also require dedicated resources for institutional strengthening.

Jamaica Coffee had a small local team that is shared with another program funded by the EU and that was contributing to the same program. Considering the complex sector dynamics, the project would have benefited from having a full-time IFC representative on the ground with the authority and skills needed to convey and create stronger relationships among the stakeholders and to head off signs of mistrust. This hard-learned lesson has been implemented in a cattle ranching project in Paraguay, which established a robust standard-setting component intended to define cattle ranching principles aligned with global practice, through a Paraguayan Roundtable for Sustainable Beef that includes representatives of cattle processing companies and producers. The Paraguay Beef project also aims to promote finance for sustainable cattle ranching by coordinating with banks and the Central Bank and to increase traceability and transparency through lobbying efforts with the Ministry of Environment.

3. Working with investable companies and ensuring client commitment at every stage of implementation could have helped to allocate resources more efficiently.

In market-level interventions, IFC should ideally identify and work with at least one potential investment target. While the three coffee traders identified in the Jamaica Coffee project fulfilled their initial project commitments, none of them had a real incentive to push through when industry circumstances deteriorated. Having at least one potential IFC investment target involved could have helped to allocate resources more efficiently, while structuring clear deliverables around real needs could have provided a stronger incentive to continue despite tough times. The project could also have been structured in a way that would make project partners act first to unlock other key steps in the implementation plan. In this case, having the coffee traders sign the Code of Conduct before the technical training activities could have helped unlock the access to finance part of the project.

4. Engage with important actors in the public sector and with others in the World Bank Group early on.

In addition to the participation of CIB, involvement by the Ministry of Agriculture or the Rural Agricultural Development Authority would have helped in promoting industry collaboration and ensuring that key elements for the access to finance piece were in place at the right time. Other World Bank Group colleagues had had success using collateral registry and crop pledging in place of land titles, and actively involving them early on in the project could have avoided some implementation problems. Building collaboration networks with these colleagues—through practice roundtables, informal communications, and working groups—could have provided valuable insights on success factors for agricultural insurance.

5. For the Latin America and the Caribbean portfolio, the IFC Advisory Services team is developing local champions to support and identify potential collaborations faster.

These local champions, including Country Representatives, Investment, and Agriculture colleagues, understand the Manufacturing, Agribusiness & Services Industry Group Advisory Services portfolio and are aware of relevant local projects and business development opportunities. Through these channels, the Jamaica Coffee Project team is building stronger networks and developing local relationships that can provide support and identify potential collaborations faster. Collaboration within IFC can also bring about other synergies with the public sector.

6. Changing weather patterns strengthen the case for agricultural insurance, but its implementation remains a moving target.

The Jamaica Coffee project was designed in partnership with colleagues who were specialists in parametric weather insurance. While the insurance product developed for the project was a sound response in the context of Jamaica's hurricane history, it was challenging to include weather factors in the model because there are no historical data on droughts and floods affecting coffee production. The project team, along with insurance provider Grace Kennedy, assessed the possibility of using rainfall TRMM (Tropical Rainfall Measuring Mission) data to refine the model and improve its accuracy, but that would have pushed the price too high to be of interest to Grace Kennedy or to the farmers.

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