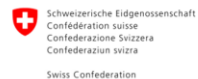
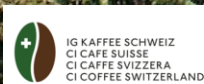


Addressing human rights due diligence through closing living income gaps

Kick off Meeting Call for Proposals
10 March 2022



Agenda

- Opening and housekeeping rules
 - Tessa Meulensteen (IDH)
- Introduction by CIC
 - Michael von Luehrte (CIC)
- Introduction by SECO
 - Daniel Lauchenauer (SECO)
- Scope and outcomes of the Program
 - Tessa Meulensteen (IDH)
- Funding mechanism and engagement – call to action
 - Tessa Meulensteen (IDH)
- Next steps on implementation
 - Tessa Meulensteen (IDH)
- Questions and Answers



Anti-trust statement

All participants in the meeting need to be mindful of the constraints of competition law. There shall be no agreements or concerted actions that may restrain competition.

There shall also not be any exchange of commercially sensitive information concerning individual prices, rates, coverages, market practices, claims settlement practices, or any other competitive aspect of an individual company's operation.

Each participant is obligated to speak up immediately for the purpose of preventing any discussion falling outside these bounds.



Public – Private Partnership SECO –CIC – IDH

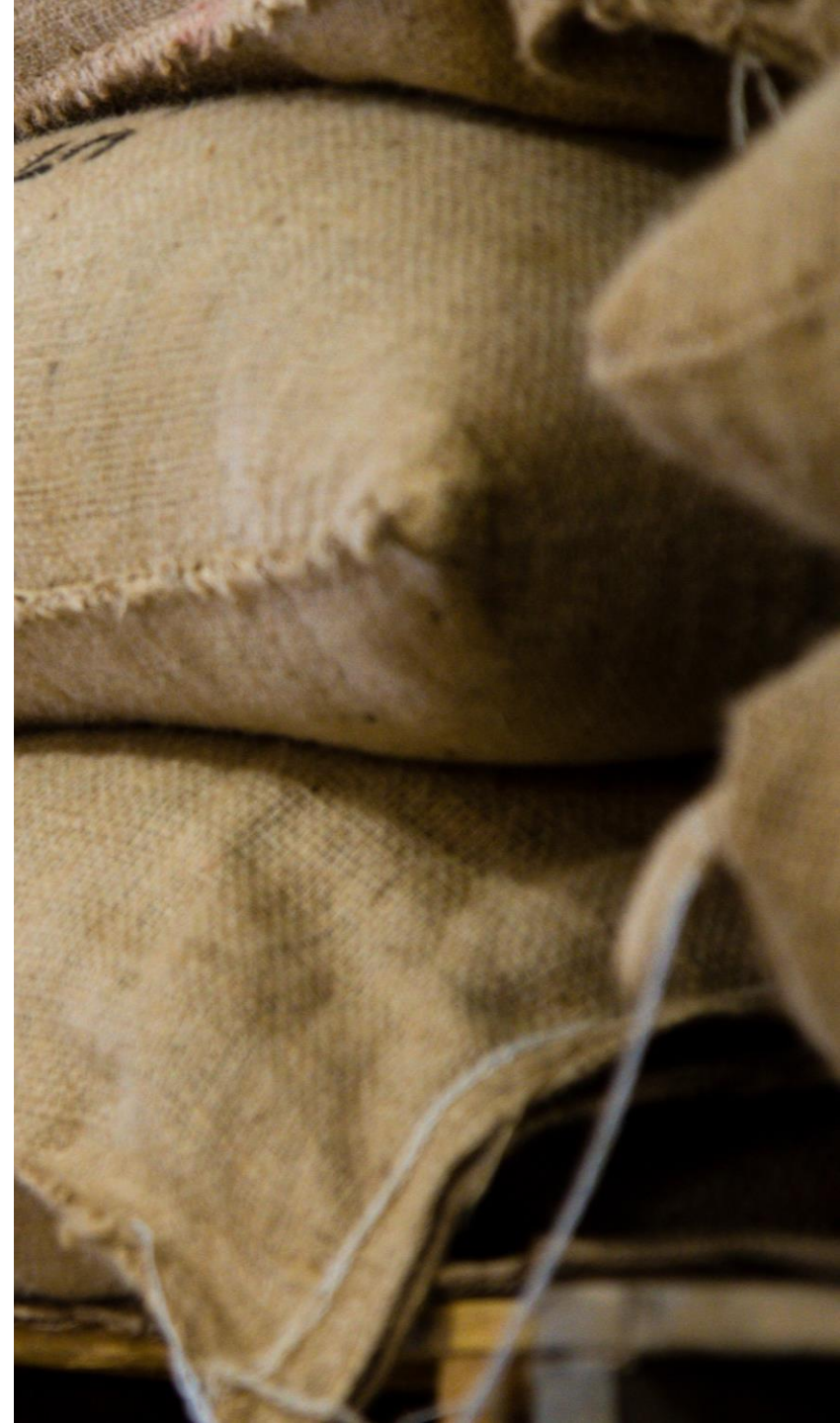
A unique opportunity for the Swiss Coffee Sector

- Switzerland is one of the largest green coffee trading places in the world and a large exporter of finished goods
- The implementation of the Responsible Business Initiative is an opportunity for the sector to advance collectively on the human rights/child labor agenda and expand the sustainability agenda as a Swiss coffee sector
- The Community of Interest Coffee – Switzerland (SCTA/Procafe/SRG) is the umbrella organization working closely with SECO

Public – Private Partnership SECO –CIC – IDH

A unique opportunity for the Swiss Coffee Sector

- SECO reserved some funds under the renewal of the IDH grant for a Swiss Coffee Sector sustainability program
- CIC (SCTA/Procafe/SRG) developed the idea to link the program to the RBI requirements to provide the sector with a tool box for human rights due diligence but also to extend into the living income concept
- Colombia was selected as the focus country
- The program aims to select project proposals from all Swiss based coffee companies – smaller companies can join also a consortium



Introduction SECO – Daniel Lauchenauser





Scope and outcomes



An action-oriented Swiss coffee sector that goes beyond legal compliance, create a stable coffee supply and ensure economically viable coffee production



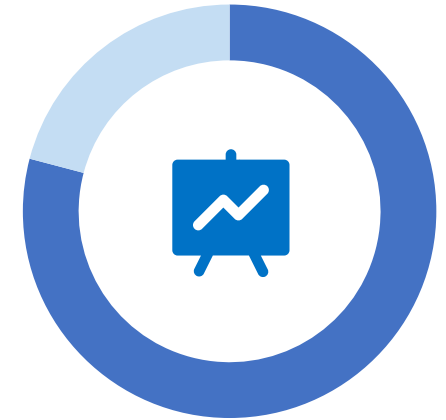
Sector cooperation on human rights due diligence and living income approaches.

Develop an actionable Human Rights Due Diligence Tool



Design **measurable and tangible approaches** to close living income gaps in Colombia for different archetypes.

2025: Improve household income of 15,000 households with 30%



Data collection, reporting and sector learning on living income and human rights due diligence.

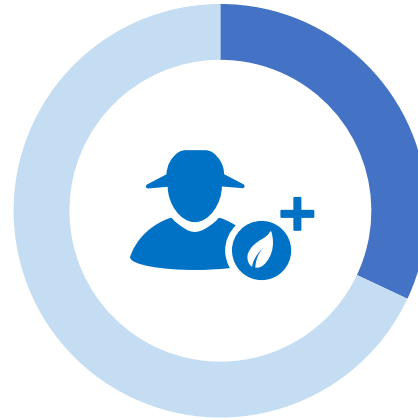
Implementation of income driver thinking and sector working groups

Goals of the Program (2022-2025)



Identify, categorize, document and address human rights risks in supply chain

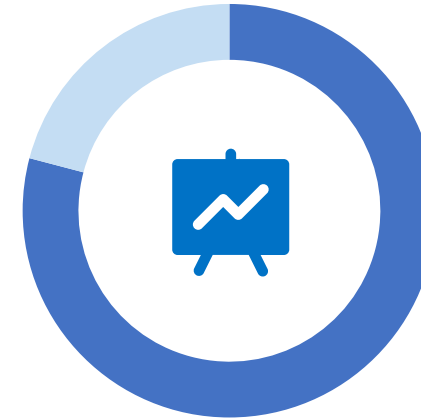
Develop an actionable Human Rights Due Diligence Tool, used by companies in the Swiss sector



Improve household income of 15,000 households

Change in net income of 30% at the household level

Living income gap in % for different archetypes



Implementation of income driver thinking and sector working groups

IDH tools and external data analysis to measure progress on income improvement

Specify project activities to different archetypes

Why Colombia?



Colombia is the largest washed Arabica producer globally and the second Arabica producer

Colombia is an important origin for the Swiss coffee sector, enabling a clear link between sourcing practices and impact.



Opportunities for sector-level cooperation to address the Swiss Human Rights Due Diligence Legislation

A long-term strategic approach to improve farmer incomes is necessary, considering context and current situation on child labour



Building on the Taskforce Coffee Living Income strategy handbook recommendations.

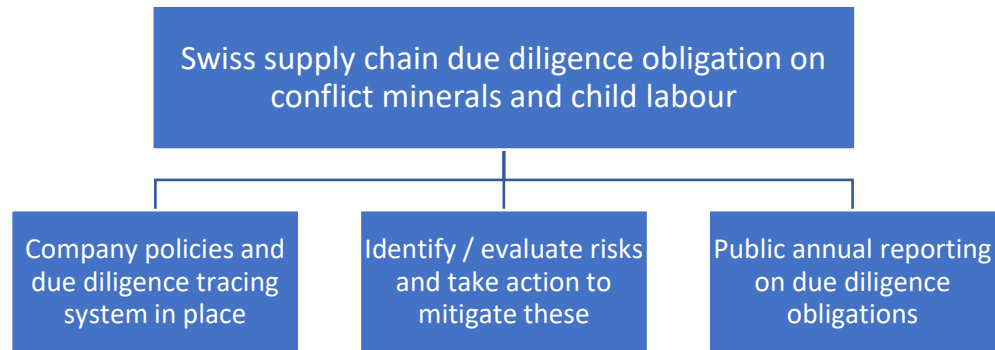
Complementing existing living income programs and align with IDH Living Income Roadmap

Improved household incomes are necessary to address human rights and environmental issues in the supply chain

Tactical and strategic approaches to human rights due diligence

Identify, categorize, document and address human rights risks in the supply chain

Take action to address human rights due diligence through living income approach for farmer households



- Pre-competitive cooperation is an opportunity for joint cooperation and investment of the Swiss coffee sector on addressing human rights due diligence

- Understanding context and factors contributing to child labour is key
 - When income decreases, child labour increases in almost all cases
 - Increased income in majority of cases leads to reduction in child labour
 - Adverse shocks to agricultural production always cause an increase in child labour

Different strategies to address income improvement

- ⊕ **More income** for women and men, helping to alleviating poverty towards a living income.
- ↻ **A stable income** to be resilient against shocks and other risks throughout and over the years.
- ⚖ **An equitable income**, to ensure that men, women and youth have equal chances on a better income while not harming the environment, local communities and generations to come.

Short recap: why living income?



BUSINESS INCENTIVES

leverage opportunities

Lead on SDGs
(1, 2, 3, 4, 6, 7, 8, 11)

Meet due diligence
and reporting requirements

Enhance brand value and build
stronger reputation

Secure customer loyalty and
attract new customers

Increase market share and
command higher prices

Receive more favorable financing terms from
investors and unlock
new sources of financing

Improve supply volumes
and quality specifications

Incentivize new
producers

Human
rights

Reputation

Supply
security

mitigate risks

Underpayment
of farmers and
farm workers

Use of forced labor
or child labor

Controversy and negative
publicity

Consumer boycotting

Divestment and costlier
access to credit

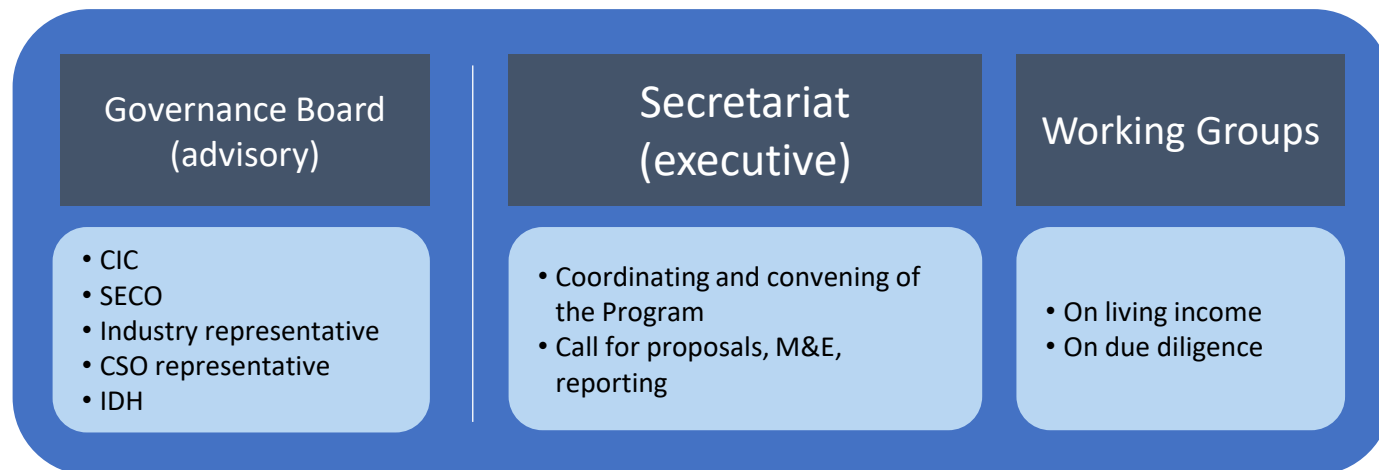
Destabilized supply chain actors
undermine quality
and delivery

Low return on
sustainability investments



Call to action

Program governance



Implementation projects, to be selected through call for proposals.

Swiss coffee companies can apply for **co-funding for implementation projects that focus on income improvement for coffee farmer households in Colombia.**

Implementation projects are discussed for approval of the Governance Board and coordinated by the Secretariat. **The results of implementation projects are instrumental towards achieving the goals of the Program.**



Call for proposals for projects with a focus to improve smallholder household incomes

- Projects should be implemented between 2022-2025
- The co-funded projects must all take measurable steps towards closing the gap between current income levels and living income for Colombian Coffee farmer households
- Two-tier process: concept note phase and full proposal phase
- Full proposals will be selected by the Governance Board of the Program

The call for proposals will consist of:

Eligibility criteria

Link to Swiss coffee sector, geography, # of applicants, etc.

Grounds for Exclusion

Absence of unacceptable activities or behaviour

Selection Criteria

Living Income approach, Traceability, scalability, additionality, etc.

Co-funding criteria

Cost-effectiveness, RoI, co-funding percentage

Deep dive into some criteria for projects

Contribution to the Program's targets:

The co-funded projects must all take measurable steps towards closing the gap between current income levels and living income for Colombian Coffee farmer households

There is a preference for proposals that link to existing cooperation and programmes that have a living income scope

Link to Swiss Coffee sector & traceability

At least the lead project applicant shall be a legal entity involved in the Swiss coffee supply chain or represents a group of legal entities that are involved in the supply chain.

The proposed projects must be aligned with the objective to strengthen supply chain traceability at farm level and create linkages from source to the Swiss coffee market.

Co-funding




The maximum percentage of co-funding the Program is 30%; the remainder will have to be funded by the project applicant(s), with a minimum of 70% financing from private sector partners.

A clear strategy should be defined on the continuation of the proposed project when co-funding has ended.

Example of project activities

- A project can address different components of smallholder household incomes
- Ideal projects address a combination of activities
- Living income methodology is explained in documentation provided as part of the CfP

Different strategies to address income improvement

-  **More income** for women and men, helping to alleviating poverty towards a living income.
-  **A stable income** to be resilient against shocks and other risks throughout and over the years.
-  **An equitable income**, to ensure that men, women and youth have equal chances on a better income while not harming the environment, local communities and generations to come.



Farm Productivity

- Access to Finance (including women)
- Professionalisation of Cooperatives
- GAP Training (including women)
- Access to inputs and infrastructure
- Access to crop insurance
- Rejuvenation and renovation



Pricing

- Guaranteed off-take agreements & minimum guaranteed pricing
- Market price discovery mechanisms
- Premiums on top of Farmgate prices, Certification
- Living Income reference price on top of premiums
- Flexible living income premiums
- Access to Digital Payment



Production Costs

- Access to quality and affordable inputs: fertilizer, planting materials, crop protection, irrigation
- Access to affordable labour
- Access to land tenure security
- Mechanization



Farm Income Diversification

- Examples of diversification options include (1) Other crops; Livestock; Agroforestry (2) Enterprise income (e.g. starting a shop).
- Investing in women entrepreneurship (eg IGAs, VSLAs)

Opportunities to participate as a company

Project implementation is key to achieve the goals of the Initiative on HRDD and Living Income

How to get involved?

1. **Respond to the call for proposals in and submit a proposal together with (supply chain) partners for project implementation on living income**
2. **Join the working groups on living income and Human Rights Due Diligence and shape relevant learnings and activities for the sector**

Our ideal partner / consortium:

- Has a **connection with the Swiss coffee trade and sources from Colombian coffee farmers**, and is willing to invest in this
- Is **willing to invest through the IDH co-funding principle**: the Program can fund maximum 30% and the private sector at least 70% of the total project value
- **Shares and learns from successes and failures** and is open to explore new path-ways towards achieving improved incomes for smallholders and HRDD
- **Cooperates with supply chain partners** on project proposals and implementation

Successful projects:

- Take **measurable steps towards closing the gap** between current income levels and living income for Colombian coffee farmer households.
- **Operationalize the goals of the Program** through the project implementation, evaluation and learning
- **Improve, accelerate, scale or innovate** and have a cost-efficient, cost-effective and measurable impact on Initiative's ambitions.
- Are multi-year projects that range between 200k-600k EUR total value

Cooperation with IDH

IDH can support in project development co-funding and implementation, to ensure that projects are measurable and relevant.



Understanding the
main drivers of
farmer household
income



Project design, risk
assessment and
target setting



Project
implementation,
continuous
evaluation

Process



Online Q&A sessions:

March 29, 2022

April 11, 2022

Key information for application

Process and application

- All documentation is published on IDH website on March 14.
- Link will be shared by e-mail to the participants
- Submit a concept note by e-mail to:
 - Tessa Meulenstein:
meulenstein@idhtrade.org
 - Marlies Huijssoon:
huijssoon@idhtrade.org

Key dates for Call for Proposals:

March 29 & April 11: Q&A session on the concept note development

22 April: submit concept note

17 June: submit full proposal

Aug / Sept: start projects

Contact in case of questions

- Tessa Meulenstein:
meulenstein@idhtrade.org
- Marlies Huijssoon:
huijssoon@idhtrade.org
- Michael von Luehrte:
michaelvonluehrte@sc-ta.ch

A scenic view of a lush green valley with rolling hills and a dense forest. The landscape is covered in vibrant green vegetation, including trees and fields. In the background, there are more hills and a cloudy sky. A blue speech bubble with rounded corners is centered over the image, containing the text "Q&A" in white.

Q&A

Contact us for more information

- Tessa Meulensteen:
meulensteen@idhtrade.org
- Marlies Huijssoon:
huijssoon@idhtrade.org
- Michael von Luehrte:
michaelvonluehrte@sc-ta.ch

