

Ex Ante Evaluation
Private Sector Investment Finance Division 1,
Private Sector Partnership and Finance Department, JICA

1. Name of the Project

- (1) Country: Asia-Pacific Region
- (2) Project Site / Target Area: All over India, Indonesia, PNG, Vietnam
- (3) Project: Project for Sustainable Coffee Supply Chain and Small-scale Farmers Support
- (4) Signing Date: October 1, 2025

2. Background and Necessity of the Project

- (1) Current State and Issues in Food Supply and the Coffee Industry Sectors in the Country, and Positioning of the Project

In the Asia-Pacific region, 76% of the poor live in rural areas, with small-scale farmers accounting for the majority. Enhancing the agricultural productivity and income of smallholder farmers is a key factor in reducing poverty in this region (ADB, 2021). Furthermore, recent climate change has led to frequent extreme weather conditions worldwide, significantly affecting the yield and quality of various agricultural products. In particular, crops such as coffee beans, cocoa beans, and olives, which are highly dependent on climate conditions and concentrated in specific regions, have suffered severe crop damage due to droughts in recent years, leading to significant price fluctuations. These crops are more vulnerable to climate change than food security-related crops like wheat, which are traded in large quantities worldwide. In the coffee industry, for example, it is estimated that 12.4 million small-scale farmers are engaged in coffee production worldwide. These farmers are particularly vulnerable to the impacts of climate change, such as crop damage and fluctuations in coffee bean purchase prices, resulting in unstable incomes. Additionally, many of these farmers lack adequate cultivation knowledge, leading to low productivity levels. Therefore, supporting these small-scale farmers to improve their productivity and incomes holds significant value for poverty reduction. Additionally, the COVID-19 pandemic has pushed 75 million to 80 million people in Asia-Pacific developing countries into extreme poverty, causing significant food insecurity. Furthermore, of the 291 million people worldwide who are said to have faced food insecurity due to the pandemic, 72% are in emerging countries in Asia-Pacific region, making stable food supply an important development issue in the region.

The agricultural sector in the Republic of India ("India") is of great importance, accounting for approximately 16% of the country's GDP (2023, World Bank). Agricultural products are supplied to various industries such as food processing, tourism, and services, and therefore have a significant ripple effect on a wide range of industries. The development of the agricultural sector is indispensable for India's comprehensive and sustainable economic development. Furthermore, the agricultural sector accounts for approximately 50% of the

country's employment, making it the largest employer. The role of the agricultural sector in maintaining and expanding employment, improving the living standards of the population, and reducing disparities is extremely important. The Indian government has also introduced policies such as The Doubling Farmer's Income (DFI) mission to double farmers' incomes, emphasizing the need to improve agricultural productivity to contribute to farmers' income growth. India is the third largest coffee consumer in Asia, and coffee bean production has been increasing year by year. The coffee industry has grown to account for 3% of global production (8th place) in 2022 (FAO, 2024) and provides direct employment to more than 2 million people in India (Grand View Research, 2022). Additionally, 98% of coffee farmers are small-scale farmers, relying on limited land for cultivation and unstable coffee income, resulting in fragile livelihoods.

The agriculture, forestry, and fisheries sector in the Republic of Indonesia ("Indonesia") accounts for 13.3% of GDP (2021) and employs approximately 30% of the workforce (2022; 49% of agricultural workers were women in 2018), making it the country's primary source of employment. Indonesia is the second-largest coffee bean producer in Asia (third globally, with Vietnam in second place) and produced 12 million bags annually in the 2022/2023 fiscal year (2023, ICO). Given this context, the future development of the coffee industry is considered economically significant for the country, and coffee is designated as a strategic estate crop in the 2020-2024 Agricultural Strategic Policy announced by the Indonesian Ministry of Agriculture.

The main agricultural and fishery products exported by the Independent State of Papua New Guinea ("PNG") are coffee, cocoa, copra, palm oil, rubber, and tea. The agricultural sector contributes approximately 26% of the country's GDP, but the majority of these products are exported without processing. Additionally, commercial plantations have recently faced operational failures due to declining agricultural commodity prices, rising labor costs, and land issues, leading to a sharp increase in small-scale family farmers. Furthermore, rapid population growth, food security concerns, land shortages, climate change, and natural disasters pose potential long-term threats to food supply and consumption, with estimates suggesting these issues could affect the income sources of 80% of the population. In the coffee industry, small-scale farmers account for 85% of annual production, making producer protection a critical issue. Furthermore, owing to limited access to funding for expanding production activities centered on small-scale farmers and small and medium-sized enterprises in rural areas, as well as limited access to sales markets and distribution channels, the PNG government recognized the importance of building a balanced economic structure in its National Development Plan MTDP III (2018) and set a comprehensive goal of expanding value-added domestic production activities through the promotion of the manufacturing industry in the agriculture, forestry, and fisheries sectors. Furthermore, in 2022, the government established the new Ministry of Coffee to revitalize the coffee industry, with the

medium-term goal of improving productivity and adding value to the coffee industry through research and industrial promotion services, downstream processing, and improved market access.

In the Socialist Republic of Vietnam ("Vietnam"), the agricultural sector accounted for approximately 12% of the country's GDP and 34% of the labor force as of 2022. On the other hand, owing to low agricultural productivity and poor quality of agricultural products, rural incomes remain at less than two-thirds of urban incomes (2022 Vietnam Household Living Standards Survey), and the high value-addition of agricultural products and the improvement of rural incomes are cited as challenges for Vietnam's agricultural sector. In response, the Vietnamese government has positioned agriculture as one of its key industries and, in 2013, adopted the Agricultural Sector Reform for Value-Added and Sustainable Development as a prime ministerial decision. Furthermore, in the Socio-Economic Development Plan for 2021-2025, the government has set goals to enhance the value-added nature of agriculture through advanced technologies, improve production efficiency and quality, and increase productivity. Additionally, the country is the world's second-largest coffee bean producer (29.2 million bags produced in the 2022/2023 fiscal year), and according to the Ministry of Agriculture, Forestry and Fisheries of Japan (2023), coffee beans account for 12.2% of the country's total agricultural exports.

Furthermore, this project aligns with the goals outlined in the Paris Agreement-based "Nationally Determined Contributions (NDCs)" of the four target countries, which aim to promote climate-resilient agriculture as a response to climate risks such as droughts caused by climate change.

(2) Japan and JICA's Cooperation Policy for the relevant sector

This project is in line with the priority areas of "Clean Socio-Economic Development" in Japan's Country Assistance Policy for India (November 2023), "Support for Sustainable and Inclusive Growth" in JICA Country Analysis Paper for India (March 2018), "Support for the Realization of a Safe and Just Society Through Balanced Development" in the Country Assistance Policy for Indonesia (September 2017), the "Food Security Program" in the JICA Country Analysis Paper for Indonesia (June 2018), the priority area "Strengthening the Economic Growth Foundation" in the Country Assistance Policy for PNG (July 2017), the "Industrial Promotion Program" in the JICA Country Analysis Paper for PNG (July 2022), the priority area "Growth and Enhancement of Competitiveness" in the Country Assistance Policy for Vietnam (December 2017), the "Agricultural Value-Added Enhancement Program" in the JICA Country Analysis Paper for Vietnam (June 2020), and the Food Value Chain (FVC) development under JICA Global Agenda "Agriculture and Rural Development." Furthermore, the Apulia G7 Leader' Communiqué in June 2024 has set as a goal of G7 public-private initiatives to support the global coffee value chain and small-scale farmers in coffee-producing countries, underscoring the significance of coffee industry support. Furthermore, this project

will utilize the Facility for Supporting Agricultural supply chain and Food security Enhancement (SAFE) announced by Prime Minister Kishida at a side event on the G7 Partnership for Global Infrastructure and Investment (PGII) in May 2023 and will address food system strengthening / climate change measures related to agriculture, as well as support for small-scale farmers through loans to agricultural wholesalers.

(3) Other Donors' Activities

The Asian Development Bank (ADB) is co-financing the Project.

3. Project Description

(1) Project Description

① Project Objective

The Project aims to support a sustainable increase in the number of small-scale contract farmers in India, Indonesia, PNG, and Vietnam, as well as the provision of consulting services to small-scale farmers, by providing long-term working capital to EACL and EAA. This will contribute to improving the livelihoods of small-scale farmers, creating employment opportunities, and strengthening the supply chain in the Asia-Pacific region.

② Project Components

Through long-term loans to EACL and EAA, the Project will support working capital for small-scale coffee farmers and consulting services for coffee certification support to small-scale farmers, and climate change adaptation pilot projects, etc.

③ Project Beneficiaries (Target Group)

Small-scale farmers in India, Indonesia, PNG, and Vietnam, workers and consumers involved in ECOM's coffee supply chain in these countries

(2) Estimated Project Cost: 175 million USD (including JICA loan of 75 million USD)

(3) Schedule: November 2025-November 2028

(4) Project Implementation Structure

① Borrower: ECOM Agroindustrial Corp. Limited and ECOM Agroindustrial Asia Pte Ltd ("EACL" and "EAA")

② Executing Agency: EACL and EAA

(5) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activity:

JICA has supported the expansion of coffee processing plants and agricultural support for small-scale farmers through the Private Sector Investment and Finance (PSIF) Coffee Value Chain Project, thereby strengthening the coffee value chain in Vietnam.

2) Other Development Finance Institution Activity:

ADB is co-financing the Project.

(6) Environmental and Social Consideration / Cross-Sectoral Issues / Gender Category

1) Environmental and Social Consideration

- ① Category: C
- ② Reasons for Categorization: It is judged under the JICA Environmental and Social Considerations Guidelines (promulgated in January 2022) that the undesirable effects of the Project on the environment are minimized.
- ③ Other: The borrower reports to JICA that nothing other than Category C is in the subproject.

(7) Cross-Sectoral Issues: The project supports pilot initiatives for climate change adaptation among smallholder farmers (promotion of climate-resilient coffee, climate-resilient crop insurance, dissemination of high-yield fertilizers, etc.) to promote climate-resilient agriculture, thereby contributing to climate change mitigation. Additionally, in direct transactions with small-scale farmers under the Project, no discrimination based on disability shall be exercised against farmers with disabilities.

(8) Gender Category: GI(S): Gender-Integrated Project

Reason for Classification: In the coffee industry, women account for approximately 20–30% of small-scale farmers. However, gender issues exist, such as male heads of households managing land and income, and limited opportunities for women to receive agricultural guidance and access to finance. Therefore, the number of women participating in the SMS program implemented by the lending institutions EACL and EAA has been set as an operational effectiveness indicator to improve the productivity and income of women farmers.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects: The following indicators have been set.

- Number of contracted farmers in the target country
- Quantity of coffee purchased from farmers in the target country
- Number of coffee farmers participating in the climate change resilience program* in the target countries
- Number of coffee farmers participating in the SMS program **in target countries
- Number of female coffee farmers participating in the SMS program in the target country

*ECOM's farmer support program, including climate change adaptation pilot projects implemented in Vietnam.

**ECOM Group's Sustainability Management Services (SMS) program provides certification support, quality improvement guidance, and farming guidance to farmers in rural areas.

(2) Qualitative Effects: Improvement of productivity and income for small-scale farmers, job creation, financial inclusion, reduction in poverty rates, and stable coffee supply

5. External Factors and Risk Control

(1) Prerequisites / Conditions

N/A

(2) External Conditions

No adverse weather conditions such as drought or natural disasters that could affect coffee harvests during the implementation of the Project in the target countries.

6. Lessons Learned from Past Projects

(1) Evaluation Findings of Similar Past Projects

In ex post evaluations of past farmer support projects, it was learned that the project's clear concept and design, as well as monitoring indicators, should be clearly stated in the loan agreement and shared with project implementation stakeholders. Additionally, it is important to establish institutional arrangements to ensure that new managers and employees involved in the project during the loan period and up to the ex post evaluation have a thorough understanding of the project's fundamentals, taking into account personnel changes during the project period.

(2) Lessons Learned for the Project

In the project, after thoroughly reviewing the project plans of EACL and EAA during the appraisal process, we ensured that target values for operational and development effectiveness indicators, as well as the project concept, were clearly stated in the loan agreement. Additionally, we confirmed that a continuous project monitoring system was ensured to maintain regular communication with the Borrower during the supervision phase.

7. Evaluation Results

As described above, the Project aligns with the development challenges and policies of the target countries, as well as Japan's and JICA's cooperation policies and analysis. It contributes to SDG Goal 1 "No Poverty," Goal 2 "Zero Hunger," Goal 5 "Gender Equality," Goal 8 "Decent Work and Economic Growth," Goal 13 "Climate Action," and Goal 17 "Partnerships for the Goals." Therefore, the significance of implementing the Project under the Private Sector Investment and Finance (PSIF) scheme is significant.

8. Plan for Future Evaluation

(1) Indicators to Be Used: As shown in Section 4.

(2) Future Evaluation Schedule (estimate): Ex post evaluation to be conducted three years after the L/A signing.

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