

Stakeholder groups in the «Common Code for the Coffee Community (4C)» PPP initiative:

Sustainable aroma in the coffee bean

What lessons can be learned from the four-year development of a sustainability standard in the coffee sector, and how can this experience be utilised to drive forward the PPP concept? The example of the «Common Code for the Coffee Community (4C)» offers numerous ideas and insights demonstrating how stakeholder processes can be pursued within the PPP framework and how this approach can have impacts across an entire sector.

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On 1 December 2006, representatives of 37 stakeholder organisations met in Geneva and formally applied to register the «Common Code for the Coffee Community Association», thereby institutionalising the 4C process. It was a landmark event in strategic cooperation between public and private sector partners via PPP projects. The Common Code for the Coffee Community is an outstanding example of how a range of actors can cooperate with each other in a multi-stakeholder process. Such partnerships can create new forms of governance in global supply chains and, due to the many different actors involved, can achieve broad ownership and significant impacts.

Early PPPs create the basis for strategic alliances

Some of the earliest PPP projects conducted by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) were carried out with major coffee companies. These projects revealed that first even rival companies can cooperate with each other within the PPP framework, second social, environmental and economic sustainability can be beneficial to all stakeholders in an agricultural supply chain, and third there was considerable interest in systematic strategic cooperation as a means of achieving broader-based diffusion of lessons learned.

Following on from the individual PPPs and in light of the major challenges facing the coffee sector (plummeting prices, quality problems, overproduction, etc.), stakeholders proved increasingly willing to expand the partnership and take it forward to a strategic level. By moving beyond individual project level, broad impacts could be achieved through ownership on a multi-stakeholder basis. The year 2003 therefore saw the formation of an alliance between the German Coffee Association (DKV) and GTZ, which together set up a joint public-private secretariat for the newly formed 4C initiative. Here, the German Coffee Association's main task was to coordinate trade and indus-

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try's positions on the proposed sustainability concept, while GTZ took on the responsibility for networking with coffee-growing countries, liaising with civil society groups and involving the public sector. The paradigm guiding the secretariat's work was the development of a project blueprint based on voluntary commitment, transparency and participation.

In line with this approach, all decision-making among stakeholders over the next four years was consensus-based. GTZ, DKV and the European Coffee Federation (ECF) – which later replaced the German Coffee Association as the private partner in the management of the initiative – facilitated the process by providing organisational, administrative and policy support, e.g. by bringing in technical advice on issues such as the governance system, verification mechanisms, etc. The outcomes of stakeholders' work (such as the Code of Conduct) were tested directly in joint projects involving GTZ and individual partners, thus facilitating an ongoing, practice-oriented learning process.

Two years on, the project had progressed so well that it was starting to appeal to a new cohort of international partners. The Swiss State Secretariat for Economic Affairs (SECO) and the ECF joined as new partners in 2005. In late 2006, 4C was formally established as an independent body funded from membership fees, with additional start-up funding being provided by the public and private partners to 2008, demonstrating the stakeholders' willingness to embark on a long-term commitment. In just four years, a project-based sustainability initiative had evolved into an organisation which is now providing systematic support to coffee-growers.

A broad target group – a comprehensive concept

The coffee sector generates income for more than 100 million people worldwide. In order to reach this very large target



One 4C goal is to improve the process towards certification under one of the more demanding schemes, e.g. Fair Trade or organic production.

With these objectives in mind, 4C was developed into a concept which meets the sector's core interests and therefore has strategic relevance for stakeholder companies and producer groups on a pre-competitive level.

Besides the twin pillars of social and environmental sustainability, the third pillar – economic added value – was, and remains, important for all stakeholders. This means that the process has to be geared towards the commercial interests of suppliers and purchasers alike. The emphasis on all three dimensions of sustainability (social, environmental and economic) is one of the key lessons learned from 4C and could benefit other PPP processes as well.

PPP cooperation for an entire sector?

The integration of an entire supply chain into the process makes it possible to develop a sector-wide concept and achieve broad impacts. PPP opens the way for the promotion of economic interests (efficiency, productivity, management capacities) while pursuing a policy-based approach at the same time. Access to policy-makers and administration is essential in a sector-wide approach, as many of the challenges relating to infrastructure, education and health can only be addressed and resolved with public sector input; anti-trust and trade policy are also key issues in this context. In the 4C project, the PPP approach offered a short-cut to

policy-making bodies, while its links with the neutral public sector enhanced the initiative's reputation and credibility – a factor which is especially important in sector-wide approaches.

Lessons learned – which ones are transferable?

Although the 4C process was developed for the coffee sector, the lessons learned can be transferred to other PPP projects as well:

- PPP offers a good framework for stakeholder processes, allowing divergent interests to be mediated through the interaction between public and private partners and ultimately facilitating a balance of interests.
- This effect is reinforced through the establishment of a secretariat. Divergent perspectives flow into the process and are managed on a neutral basis – thereby substantially enhancing the initiative's credibility and accelerating the emergence of a sense of ownership.
- Participatory governance is possible only if public and private partners (and funding bodies) are all willing to fully accept the stakeholders' decisions within the framework defined.
- For cooperation within a major sector to have broad impacts, trade associations can play a key role as catalysts and networks.
- A sector-wide stakeholder initiative is more likely to encourage public sector actors' interest in participating. Limited resources can be deployed more effectively and efficiently through harmonisation and coordination of donor contributions.
- In comparatively complex processes, the provision of expertise, instruments and technical services by public sector actors is extremely valuable.

This form of cooperation shows that the mix of different experiences, broad expertise and divergent positions within a

stakeholder partnership, supported by a neutral public-private secretariat, can create added value. This successful outcome is only likely to be achievable within the framework of a PPP project.

group, a comprehensive concept is required. As well as developing a baseline level of sustainability for the coffee sector, the 4C initiative pursued four other goals:

- ① coordinating and harmonising the development activities of different donors,
- ② establishing a transparent and participatory governance structure to steer the process,
- ③ increasing efficiency along the coffee supply chain, in order to boost value transfer, and
- ④ providing an entrance into an improvement process towards certification under one of the more demanding schemes (e.g. Fair Trade, organic production, Rainforest Alliance certification), thus providing a way towards further positive product differentiation.

The Common Code for the Coffee Community (4C) ...

... evolved from a multi-stakeholder alliance consisting of development organisations, coffee trade and industry, producer groups from the world's major coffee-growing regions, civil society and international organisations.

Over a four-year period, this alliance of more than 50 participating companies, non-governmental organisations (NGOs) and trade unions developed a baseline level of sustainability for the global coffee sector. 4C addresses the mainstream coffee market, which accounts for around 95 percent of the market. The aim is to enable a process of continuous improvement of social, environmental and economic practices used in the production and processing of coffee, and to involve all stakeholders along the coffee chain, as well as development organisations, on a long-term basis. To this end, agreement was reached on a code of conduct which

- ① introduces a baseline for producers,
- ② contains clear commitments from the coffee trade and industry,
- ③ provides effective development policy support mechanisms for socially equitable and environmentally sound, efficient and profitable coffee production, and
- ④ establishes a participatory governance structure within an independent association based on ownership, with all coffee sector stakeholders steering and influencing the development of 4C.

GTZ was commissioned by Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and the Swiss State Secretariat for Economic Affairs (SECO) to coordinate the development process, with personnel support from the private coffee sector partners the German Coffee Association and the European Coffee Federation. For more information, please visit the website at www.sustainable-coffee.net.

