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**Summary of progress reports submitted by
the Project Executing Agencies (PEAs) on
projects currently being implemented**

Background

The ICO, as the designated Supervisory Body for the Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, including reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for the following projects which are currently being implemented (see Section IV of document EB-3959/09 Rev. 1) and includes at the end a list of acronyms used in this document. Copies of the full reports are available on request from the Secretariat.

- Annex I:** Pilot rehabilitation of the coffee sectors in Honduras and Nicaragua – CFC/ICO/11 (PEA: PROMECAFE)
- Annex II:** Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA and CTA)
- Annex III:** Pilot short- and medium-term finance to small-scale coffee farmers in Kenya – CFC/ICO/20 (PEA: UNOPS). A verbal report will be presented to the Council.
- Annex IV:** Diversification of production in marginal areas in the State of Veracruz, Mexico – CFC/ICO/32 (PEA: Fundación de la Universidad Veracruzana A.C.)
- Annex V:** Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador – CFC/ICO/31 (PEA: COFENAC)
- Annex VI:** Enhancing the potential of gourmet coffee production in Central American countries – CFC/ICO/39 (PEA: IAO/MAE). Report to be circulated at a later date.
- Annex VII:** Developing the potential of Gourmet Robusta coffee in Gabon and Togo – CFC/ICO/42 (PEA: CABI)
- Annex VIII:** Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI)
- Annex IX:** Access to finance for the development of diversification crops in coffee producing areas – CFC/ICO/30 (PEA: FGCCC/OCIBU)

Action

The Council is requested to note this document.

**PILOT REHABILITATION OF THE COFFEE SECTORS
IN HONDURAS AND NICARAGUA
(CFC/ICO/11)**

- 1. Period covered by the report: 1 January – 30 June 2009**
- 2. Status of Project implementation**

Component 2.1: Construction of new coffee processing facilities (CPFs)

In Nicaragua during this semester three new credits were approved for Financial Intermediaries (FIs), bringing to 42 the credits granted to producers for the construction of new units and two for the rehabilitation of existing but damaged units (out of 12 requests received), for the total amount of US\$251,018.60, which represents circa 13.55% of the target. Another 16 new CPFs were constructed and 5 are in the process of construction.

The Ministry of the Environment and Natural Resources (MARENA), in collaboration with the local authorities, has issued 68 environmental permits for the construction of coffee processing facilities; this means that the plans of these units comply with the conditions established by the Ministry.

The main reasons for non-compliance are still on the side of some designated FI personnel (cooperatives), and are mainly attributable to the following: i) these institutions are not qualified to be financial intermediaries; and ii) the personnel involved are responsible for other activities deemed more important than the construction of coffee processing facilities.

In Honduras, a total of 241 sub-loan operations had been approved and disbursed by BANADESA to coffee farmers for the construction of 36 new CPFs and rehabilitation of 205 existing but damaged ones.

Concerning the component of Natural Resources (demonstrative plots on agro-forestry systems), an important strengthening of the activity have taken place with the appointment of six more technicians to IHCAFE's regional agencies. A nursery of more than one million timber tree seedlings is being established.

Component 2.4: Training and dissemination

In Nicaragua during this semester the following training activities were carried out to prepare farmers for: i) design of new coffee processing units and interpretation of plans; ii) environmental management of the new units; and iii) promotion of the project and the various models of new units. Seven training sessions were held, involving 76 technicians and 42 producers from 37 organizations. Three exchange visits were organized to introduce new

models, involving 27 producers, 8 construction workers and 12 technicians. These activities were considered important to familiarize producers with the different models of coffee processing machines they received.

In Honduras, on the component of strengthening services to the coffee sector, a consultant was hired from November 2008 to April 2009 to develop a study of internal coffee marketing system in order to evaluate investment returns to the project's beneficiaries derived from the added value to coffee provided by the new CPF's. A draft report of the study has been submitted to the PEA.

Component 2.5: Coordination and supervision

Nicaragua

In Nicaragua during this period extensive monitoring and supervision was carried out to assess the progress of activities on training for FI personnel. During these visits a number of weaknesses were identified in the FIs, including: i) poor capacity in the selection of producers; ii) poor capacity in the preparation of the environmental management plans required by MARENA and the local authorities; iii) difficulties in interpreting plans; and iv) poor operational capacity in the field.

The PEA and the NEA also carried out 50 joint monitoring and coordination visits and assessment of 20 constructions of new units finding the progress satisfactory.

The Coordination Committee held two meetings to approve the Plan of Work for 2009 and to request the CFC consideration of a year extension of the project implementation for the following reasons: i) only 18 months have elapsed since first loan disbursement and ii) the international and national economic crisis has affected demand for units.

In Honduras, the coordination has been maintained at adequate level through the Steering Committee and the Project Credit Committee, and the cooperation of authorities of CONACAFE and IHCAFE. The Technical Team at the regional offices of IHCAFE has had a key role in the project implementation at field level.

3. Assessment of Resource Utilization

To date in Nicaragua 100% of the first CFC loan disbursement (US\$640,000) has been utilized, 39% of the second disbursement (US\$251,018) and around 7% of the co-financing funds (US\$46,546) given by the Government. Given the lack of the contribution of the Institute of Rural Development, the CFC grant was used mainly for training to a target that was adjusted in terms of the new units to be constructed. Financial utilization of grant funds during this period amounted to US\$60,099.23, leaving a real balance of US\$15,007.35.

The contribution of the MIFIC was US\$32,783.33, of which US\$26,596.64, US\$3,353.22 and US\$2,833.77 were allocated to personal services; non-personal services; and materials and supplies respectively. This contribution does not fulfil the undertakings given in the project agreement.

In Honduras the CFC Loan was planned to be disbursed in three installments, of which two have already been issued for a total of US\$1,280,000 and completely lent by BANADESA to the target beneficiaries following the administration agreement. The third (and last), for US\$320,000 was already transferred to Honduras from the CFC to conclude the sub-loan operations of the project's credit programme.

Counterpart contributions (in kind) by IHCAFE have been on time and sufficient, as has the logistic cooperation of the other agencies involved such as the National Coffee Council (CONACAFE), Secretaría de Agricultura y Ganadería SAG, Secretaria de Finanzas (SEFIN) and BANADESA.

The demand for the project credit has shown to be greater than the possibilities of the project loan funds. The utilization of sub-loan repayment funds and the extension of the project credit facility have been considered as requested by the coffee growers. The Superior Court of Audit of Honduras has recently conducted an examination of project resources' utilization (CFC Loan and Grant and counterpart contributions in kind by IHCAFE).

4. Social and Environmental Effects of Project Implementation

In Nicaragua the project has encouraged environmental responsibility at national level. MARENA delegates in the areas covered by the project support these activities and make recommendations on environmental management of the models of new units to be constructed.

In Honduras, the PEA and IHCAFE are introducing design specifications for environmental protection in the construction of CPFs. Operation technology of pulping and mucilage removal and management of water and sub-products have been introduced for the preservation of the coffee quality and environmental protection.

5. Forward Planning of project Implementation

In Nicaragua, the following measures are required:

1. Adjustment of construction costs to comply with project requirements.
2. Collaboration with the FIs to define costs and location of new units.
3. Improvement of materials and quality of constructions.
4. Intervention to ensure appropriate use of resources.

In Honduras higher costs of civil works and equipment for the CPFs have to be considered in forward planning, and hence new targets have to be established for the remaining period of project implementation.

6. Lessons Learned

Considering the development and progress of project activities the following lessons have been learned in Nicaragua:

- Credit disbursement to FIs should not begin until prior project requirements have been met.
 - Disbursements should be made at different stages and not in one lump sum.
 - Approval of credits should be granted subject to 100% compliance with FCR requirements.
- With projects that have a long gap between preparation and execution [due to Loan arrangements], targets should be adjusted when project execution begins.

In Honduras the implementation has revealed the following:

- (a) Important aspects of great need of credit and technical assistance by small coffee growers for the improvement of the coffee harvest processing up to the drying stage of coffee (in parchment). It is expected that as a Pilot Project it will open up other opportunities of credit from the private and government banks, and serve as a model for such services.
- (b) The credit facility, associated with technical assistance, as well as the instruments such as the special credit regulations established by the pilot project, will provide important expertise for the future programmes on financial services to the coffee sector.
- (c) IHCAFE as a private agency has maintained its extensions service to coffee growers. The role of the technical staff of this service has been very important for the project implementation and at the same time has gained experience in the fields of coffee processing.

7. Conclusions and recommendations

Nicaragua

- The project is not going according to the Plan of Action (POA), mainly due to the delay in reaching agreement between the MIFIC and the FCR, the selection of FIs without adequate management experience for this type of project, and lack of collaboration by the IDR in granting funds for training.

- Cost structures for the construction of new units increased by a weighted average of 136% compared to the figure for 2000 and in 2009 the increase in weighted average was 205%. Targets need to be adjusted both for the construction of new coffee processing units and the number of trained producers.
- Operational requirements at both central and regional levels have been agreed: i) a Credit Committee was established; ii) the Coordination and Support Committee is operational; iii) the small Monitoring Committee is operational; iv) IFs to grant credits to the final beneficiaries were selected; and v) IF personnel were trained.

The MIFIC, FCR and IICA (the Monitoring Committee) have made the following joint recommendations:

1. To continue activities with a large component of monitoring and supervision.
2. To request the CFC and the ICO to grant a one-year extension of the project to meet the planned targets given that the real period of project execution has been only 18 months rather than 3 ½ years.
3. To adjust the CFC grant budget to cover this extension.
4. The MIFIC will adjust its budget to cover 100% of the operational costs in 2009 and 2010

Honduras

1. After a long time of previous activities, the project implementation at field level is showing an adequate rate of delivery: to date 205 CPFs have been restored and almost all of the 31 new constructions approved have been completed during this reporting period,
2. The activity of strengthening the services to the coffee sector (financed with the CFC grant) is in progress with an important contribution for the improvement of the internal coffee marketing system.

A CFC – ICO mission to Honduras is recommended in order to revise the implementation advances and the planning for the conclusion of the project.

**PILOT REHABILITATION OF NEGLECTED COFFEE PLANTATIONS INTO
SMALL FAMILY PRODUCTION UNITS IN ANGOLA**
(CFC/ICO/15)

1. Period covered by the report: 1 January to 30 June 2009

Component I: Rehabilitation of coffee production

The 5.7 million seedlings produced in the 118 nurseries established in 2008 endured under good nursery-management conditions. Of these, 1,001,162 were transplanted and trees planted in an area covering 400.46 hectares. The number was not greater because of poor rainfall during the period. It is estimated that 31% of the seedlings would die as a result of drought before being planted.

Estimates of the coffee crop harvested by farmers organized in associations and cooperatives indicate a total of 400 tonnes of coffee cherries (equivalent to 200 tonnes of green coffee). This represents an increase of around 285% in relation to the previous year.

Component II: Commercialization of coffee

The project was visited by a free trade group from Italy, which carried out an evaluation of the cooperatives in terms of their constitution process, the text of their statutes, operational activities, use of agro-chemicals, processing equipment, and creation of commercialization conditions for their coffee.

Within the framework of its coffee-quality improvement policy, INCA acquired and installed five large hullers in the project area to complement the smaller existing hullers. The hullers were distributed to medium and large farmers. The *Instituto Nacional do Café de Angola* (INCA) will allocate the sum of US\$200,000 for the procurement of new hullers for the project.

Two INCA technicians received training in coffee quality, involving classification and tasting.

Component III: Settlement schemes for displaced farmer families

The partitioning of land has been completed and the drawing up of plans and preparation of a map of associations, cooperatives and farms are awaited.

With regard to the legalization framework: 13 farmers cooperatives providing services have obtained commercial registration.

In order to help cooperatives to establish the cooperative management committee, a meeting was held, with the participation of around 130 producers and amongst others representatives of the INCA, the Agrarian Development Institute (IDA), the Cooperative League of the USA (CLUSA), and the Confederation of the Angolan Agricultural and Livestock Producer Associations (UNACA). The resulting committee, COGECOOP, is composed of one representative for each cooperative. Its main purpose is to help to identify, prioritize and find solutions for any problems that the cooperatives might encounter.

Agricultural marketing information was made available to farmers through the distribution of the bulletin *Relâmpago* to cooperatives and associations.

During this reporting period, the project helped associations to update information on phase II of the micro-credit situation (amount of loan, interest due and payment schedule).

A meeting on coffee marketing planning was held; matters discussed included: quantity and quality of coffee, prices, transport, processing, and marketing strategies for the current crop year.

In January, a delegation composed of representatives of the Common Fund for Commodities (CFC) and the ICO visited the project. The report on the visit included recommendations which have been carried out by the Project Executing Agency. The project still faces liquidity difficulties in carrying out certain tasks, which made it difficult to make significant progress in some activities.

Component IV: Support services

The farm trial set up at the Experimental Station in Amboim is making good progress and the rules for its maintenance and observation have been duly followed.

The twenty demonstration plots established have served as meeting places for discussion of technical aspects and technology transfers.

Component V: Institutional support

CLUSA has distributed information bulletins on prices of agricultural inputs as well as on markets.

A database has been created, which has been continually augmented with new elements that will permit improved organization and management by coffee farmers.

Two motorcycles were acquired to support field work carried out by the Angolan Institute of Survey and Cartography (IGCA) following completion of the legalization process for the parcelling of land.

Component VI: International technical assistance

The Chief Technical Adviser (CTA) to the project, Dr George Oduor, worked until the end of March, when he completed the term of his contract and returned to Kenya.

A new agreement was drawn up but has not yet been signed because of the impasse related to the amount requested.

Component VII: Project management

- Mr Seres Joaquim Guerreiro was contracted as project accountant.
- A plan of activities for the continuation stage was prepared and duly presented.
- Training of two INCA staff members in Brazil was organized and coordinated.
- Regular meetings have been held.
- A supervisory visit was carried out by the ICO.

2. Assessment of resource utilization

Use of resources was not significant during the semester, with expenditures below US\$10,000, allocated to the meeting on coffee commercialization planning, fuel and subsidies for technicians involved in extension work.

It was not possible to complete certain activities envisaged in view of non-compliance with the financial procedures required by the need to reimburse the debt owing to the BPC (*Banco de Poupança e Crédito*). The funds involved could have been used to carry out activities designed to support coffee commercialization by the cooperatives, which would have been highly important for the coffee economy and even for the very success of the project, since this would have enabled cooperative members to carry out practical activities for this purpose, creating greater incentives for coffee production.

3. Assessment of project coordination

Project coordination has been difficult given the lack of financial resources for specific activities and the fact that some activities that could have been easily carried out were not actually undertaken because impasses were encountered. From the technical viewpoint, there is enough competence to achieve sustainable results since there are certain initiatives and circumstances that could affect positively a reorientation of the project and adapt procedures to reflect local market trends.

At present the concern is to settle the situation regarding the CTA, in other words to take the right decision for the successful conclusion of the project.

4. Forward planning of project implementation

The current situation of the coffee market calls for substantial improvements to the project lines of action. In order to take advantage of good market opportunities the project needs to solve problems related to improvements in coffee drying conditions, the acquisition and installation of hullers in the cooperatives, financing the procurement and installation of processing equipment, and the designation of the coffee processing plant as the local coffee marketing centre, the place where farmers sell their processed coffee, and where coffee will be priced by grade and quality, thus helping to increase the value added coffee price.

It would be important for ANGONABEIRO, within the fair trade framework, to consider Amboim coffee as organic since this would provide an incentive for producers and added motivation for the various social layers involved in coffee growing.

Leaders should be trained to establish contracts with partners of different types and origins to ensure that cooperatives do not pursue a single line of development.

The prospect of international exchange visits with appropriate and technically credible institutions remains open for staff able to gain easy access to training courses and bring added value to Angolan coffee production.

Production of plants should continue in order to strengthen a number of farmer groups who may need to achieve greater plant density or to compensate for losses caused by drought, by pest attacks in nurseries, poor assistance on the part of the group, or transport and operations following unloading and distribution to final locations.

The development of business organization skills by the cooperatives will permit a rapid increase in the supply of industrial products in rural areas and restore local trade formerly conducted on plantations.

**PILOT SHORT- AND MEDIUM-TERM FINANCE TO
SMALL-SCALE COFFEE FARMERS IN KENYA**
CFC/ICO/20

A verbal report of this project will be presented to the Council

**DIVERSIFICATION OF PRODUCTION IN MARGINAL AREAS
IN THE STATE OF VERACRUZ, MEXICO
(CFC/ICO/32)**

1. Period covered by the report: 1 January – 30 June 2009

2. Assessment of technical progress.

New timber forest plants introduced in the plantations are now close to one million. Also some 106,000 *Jatropha* plants started the cycle of seeds which is necessary for the launch of that crop in a bigger scale in the near future

The integrating company has begun further business operations with particular success in the processing and sale of *pimienta dioica*.

During the last quarter of 2008, the DIPROCAFE team visited all the small companies involved in the project to deliver legal documentation of the companies, deliver promotional material, to inform the operation of the loan funds, to plan with them the activities of 2009 and to invite them to participate in the building of small nurseries to be ready for the 2009 plant production

3. Evaluation and use of the resources

The main disbursements from the CFC grant contribution were as follows: US\$31,936 for payment of personnel working in the installation and maintenance of the nurseries, US\$25,924 for payment of a local consultant to write two manuals to train in productive diversification, US\$19,119 for payment of local staff hired to work directly with the participating farmers, US\$13,959 for payment of local consultancy on the legal constitution of the integrating company, US\$19,793 for operational costs on health insurance, rental of offices and other general expenses.

Counterpart contributions applied by the Universidad Veracruzana were destined to cover activities of the four components of the project as follows: US\$101,700 for payment of the personnel hired by the Universidad Veracruzana to implement the project, US\$30,295 for payment of farmers working in the installation and maintenance of the nurseries.

4. Evaluation of the coordination and project management

The project management during this period focused on marketing of agricultural products grown by participating farmers such as guava leaves, *heliconea* flowers and spices (*pimienta dioica*).

Since the loan agreement was signed in May 2008, the FIDREVER received the first disbursement and started a process to adapt its institutional proceedings to the project only in February 2009 and is still preparing to issue the first loans to the Integrating Company.

An agreement between the new authorities of Zozocolco de Hidalgo and Atzalan has been created to foster relations with the municipalities of Misantla, Yecuatla, Tenochtitlan, Colipa, Juchique de Ferrer and Vega de Alatorre in order to continue their participation in phase III of the project in 2008-2010.

Summary of the project (the methodology)

The learning process of the project has resulted in the following work lines: start like an experiment to turn into a methodology to generate actions that can be scaled up by public authorities.

Detailed record of basic accountability are key and for this the yellow manuals (a detailed preparation of each activity) and the deliverables (a detailed report of what we reach with those activities) have been adopted.

The Integrating Company (*Diversificadora agroindustrial y comercializadora del tr pigo*) incorporates the project's objectives in an entity with legal status and resources. Main activities of this period were:

In July 2009, at least 50 intermediate companies with 1,500 participating producers joined.

Is now operating in three new regional centers: Zozocolco de Hidalgo, in the municipality of the same name, plus Almanza and Plan de Arroyos in the municipality of Atzalan, in the State of Veracruz. Another 6 municipalities are planning to join.

Replication of the project

Two similar projects, inspired on the methodology and experiences developed by Diprocáfé, are currently under incubation, as follows:

- 1) A 3,500 hectare reforestation project financed by the state-owned enterprise, Pemex started on November 2008.
- 2) A large number of small community projects have been requested by the university to the PEA to support extension and linking needs of several university groups.

5. Social and environmental effects of the project implementation:

- The Government of the State of Veracruz, the University of Veracruz and some private enterprises has decided to invest in the improvement of social infrastructure and in the development of rural enterprises. This has generated a multiplier effect of the international funds applied in the regions up to date (see Replication of the project)
- The development of organizational skills among the participating coffee farmers is a long-term process.

6. Future planning of the project implementation

The production of vegetative material, the establishment of agro-forestry systems, and the development of value networks in a scale that will exceed the established objectives.

7. Conclusions and recommendations

New participant farmers will join the project from neighboring municipalities, because the project's impact in Zozocolco and Atzalan generated interest from the municipal and state authorities to extend the project into adjacent regions.

The experience acquired in the past and the availability of the loan will allow us to make a bigger impact in the standard of living in those communities.

Main findings on permanent working lines could be scaled up to Public Policies by the authorities. Mexican authorities, not only in Veracruz, dealing with similar targets to fights poverty and marginality, find valuable the productive diversification of plantations and enterprise development proposed by the project.

**RECONVERSION OF SMALL COFFEE FARMS INTO
SELF-SUSTAINABLE AGRICULTURAL FAMILY UNITS IN ECUADOR
(CFC/ICO/31)**

- 1. Period covered by the report: 1 January to 30 June 2009**
- 2. Status of project implementation**

Component 1: Organizational strengthening

The Project involves the direct participation of 1,244 small coffee producers in the provinces of Manabi (400), El Oro (405) and Loja (439) organized in 30 producer organizations.

Internal control systems

The mechanism for monitoring the implementation of the progress of the project in 30 producer organizations was established. The internal monitoring report indicates that 68.5% of producers are implementing reconversion plans satisfactorily; 24.6% are slightly behind with some of the planned activities and have been given 30 days to catch up; and 7.1% are seriously behind in implementing the reconversion plan and have been given 90 days to bring themselves up to date with the planned activities.

In order to strengthen the social, administrative and legal capacity of the 30 organizations involved in the project, the technical team helped to prepare a 'strategic plan' for each one of them. These organizations also participated in 25 complementary micro projects supported by the Government and development agencies.

Internal standards for ecological coffee production were published in information bulletins and posters for distribution to producer groups to encourage their adoption which is reflected in improved yields for coffee and other farm products.

Revolving Funds

The Revolving Funds in each of the three provinces are already operating and providing services to producer organizations. The organizations are responsible for recovering a proportion of the value of goods supplied to producers on behalf of the project in the form of 'micro-credit in kind'. Of the sum recovered, 'effective micro-credits' have been granted for planting short-cycle crops (seeds, fertilizers) in the various regions.

Component 2: Diversification of production systems

Most of the producers involved in the project are satisfactorily implementing the planned activities for the reconversion of their farms, applying practices for sustainable development of the coffee sector when they introduce agricultural and livestock activities, in particular management techniques for coffee farming, management of short-cycle crops (maize, groundnuts, rice), preparation of fodder, animal husbandry (free-range chickens, laying hens, pig fattening) and beekeeping (hive management and collecting honey).

Producers involved in the project in Manabi, El Oro and Loja have renovated 1,607 hectares of coffee farms with improved varieties. They have also planted 197,602 trees for timber, fruit trees and trees required for environmental purposes as part of the reforestation of coffee farms. On each of the coffee farms in the area covered by the project 1,244 family units were established for the purpose of encouraging food security. Food crops were chosen on the basis of their compatibility with the environmental systems in each area, their food value and local consumer preferences.

In the case of livestock activities, animal husbandry is also being developed in the province of Manabí, where the project involves the rearing of free-range chickens, pig fattening and beekeeping. In El Oro, producer organizations have established six pig-rearing centres (one per organization) and are providing training for breeding stock to be distributed among farmers, as well as for the rearing free-range chickens and beekeeping. In Loja, the animal husbandry activities being carried out are pig fattening, the rearing of laying hens and beekeeping.

The producer organizations are promoting coffee quality improvement through the construction of coffee processing and drying centres, which use environmentally compatible technology both at individual and associative level. In Manabí, communal warehouses have been constructed with project co-financing for the construction of driers and tub tanks for coffee fermentation. In El Oro and Loja 137 solar driers and 307 tub tanks have been constructed on producer farms.

As part of the agro-industrial process, the project is in the process of establishing two processing units for roast and ground coffee (one in Loja and another in Manabi), six units for producing fodder (mills and blenders), and 24 units for processing beekeeping products (equipment for centrifugal processing and honey collecting). The provincial technical teams, together with the local leaders of the project, have prepared technical proposals for the operational functioning of these units.

With regard to associative marketing, producer associations linked to the project have been organizing communal storage of coffee from the 2009 crop (May – September) for joint marketing. Purchase contracts have been signed with processing centres for washed and

natural coffee to favour farmers (weight and price differentiated by quality); these arrangements have generated greater incomes for the families concerned. A side-effect of this process is the regularization of prices paid to producers for this coffee, since intermediaries are obliged to pay better prices in order to compete with the producer organizations.

Component 4: Project dissemination

National and international cooperation institutions have expressed interest in the project and government authorities in Cuba, Guatemala and Honduras have indicated their wish to participate in the dissemination of the results obtained. A link to the COFENAC web page (www.cofenac.org) has been prepared to provide information and documentation relating to the project in which the acronym REFINCA is used to signify the Reconversion of coffee farms.

Report on utilization of resources

Budgeted expenditure attributable to the contribution from the Common Fund for Commodities for the implementation of project activities during this reporting period totalled US\$558,432, representing 49.9% of the total financing for the project.

**ENHANCING THE POTENTIAL OF GOURMET COFFEE PRODUCTION
IN CENTRAL AMERICAN COUNTRIES
(CFC/ICO/39)**

- 1. Period covered by the report: 1 January to 30 June 2009**
- 2. Status of project implementation**

Component 1: To select potential gourmet coffee producing areas

In order to promote high quality coffee, the Guatemalan and Honduran project beneficiary delegates participated in the SCAA Congress¹, held in Atlanta, USA from 16 to 23 April 2009. This meeting gave them the opportunity to understand in depth the US coffee market and the marketing opportunities to sell their quality coffee.

Small producer associations and cooperatives involved in the project promoted and organized a South – South Workshop², held in Huehuetenango, Guatemala in July 2009 with the aim of studying in-depth aspects related to coffee quality marketing, rural cultural heritage and coffee tourism, and sharing technical experiences directly related to best practices for coffee cultivation and processing.

In order to strengthen network activities and to exchange experiences, the Ministry of Development and Trade of Nicaragua (MIFIC) made a technical visit in Guatemala in July 2009 to allow the project team from Nicaragua and delegates from participating associations to share their experiences of project implementation.

Component 2: To re-organize the coffee production chain with particular attention to cultivation and harvesting

In order to monitor and provide technical support to activities in Honduras, the PEA carried out a 15-day mission to provide technical assistance with the construction of the coffee wet mill and to define the best practices for managing the wet processing mills under construction and maintain the quality of the coffee beans.

In March 2009, the PEA co-ordinator participated in a Slow Food event to determine the geographical and cultural requirements for creating a dedicated stand (or coffee presidia) in the project area to help the *Cafè de Camapara* marketing and promotion in the Italian and other European markets.

¹ *This activity has been entirely financed by the Italian Cooperation Agency.*

² *This activity has been entirely financed by the Italian Cooperation Agency. It should have been organized in June 2009, but due to the political situation in Honduras, it was postponed until July 2009.*

Component 3: To identify and transfer new techniques to improve coffee processing and quality control, creating three Units, one for each country

In Guatemala the wet mill was constructed and legally handed over to the *Asociación de Desarrollo Integral Union Todosantera*³ (ADINUT) in February 2009. The General Manager of Anacafé and the President of ADINUT signed an official agreement that specifies the rules for use and management of the mill.

In Guatemala 30 low cost solar-powered dryers were completed and are currently being used. They will be evaluated against four other models that have been modified.

During the reporting period seven mushroom growing units and 14 worm composting units were installed in Guatemala. The mushrooms units, mostly managed by women, have started production which is sold in a local market generating additional income for small producer families.

The ecological fertilizer produced by the worm composting units has been analysed by Anacafé laboratories (ANALAB), resulting in a good quality product with a high level of nutrients.

In Guatemala training activities based on wet mill management and quality control measures were adopted in the context of the project. Specific manuals have been prepared, which will contribute to disseminating the project results and facilitating the replication of the pilot units.

Honduras: During the reporting period, the selection of equipment for the wet mill was completed and work began on the construction of the wet mills. In addition, 15 domo solar dryers were completed and are now being used.

Small producers and IHCAFE staff participated in the SCAA Congress held in Atlanta in April 2009 to better understand the USA coffee market and improve the promotional activities for their quality coffee.

Nicaragua: The MIFIC has almost completed the construction of a nursery, where 120,000 coffee plants have been grown and replanted.

Component 4: To develop a system to produce and promote quality coffee

The website has become an important tool to exchange and share good practices and to furnish all information about the programme activities, and to provide updated, relevant and easy to read documents. During the present reporting period, various documents, interviews with project beneficiaries and technical documents have been put on line.

³ ADINUT is situated in a very isolated area with difficult access, which made the marketing of the coffee cherries very difficult for the producers.

With regard to the strengthening of the network activities, a South-South workshop was organized together with field visits in each of the participating countries. With the support of Anacafé a country Atlas of Guatemalan coffee was upgraded to promote the coffee regions of Huehuetenango. The translation of the Green Book into Italian has also been completed, which together with the technical manuals on mushroom cultivation, worm composting and wet mills management guides will be printed and distributed to project beneficiaries to facilitate the replication of the pilot units.

3. Assessment of resource utilization

Project funds have been spent only on eligible expenditure for the arrangement of the workshops, to appoint a technical and administrative consultant and for the project office. The co-financing funds were used to implement field activities in Guatemala, to upgrade and manage the website and to organize technical visits and the South-South workshop.

4. Social and environmental effects of project implementation

Farmers are enthusiastic about the programme of activities and this has generated greater interest among them. Although it is too soon to assess the project outcomes, it is important to underline that the beneficiaries have agreed to adopt the best practices document and this will allow them to improve coffee quality and at the same time protect the environment and biodiversity.

5. Forward planning of project implementation

During the next reporting period, field activities in Nicaragua and Honduras will be completed. Anacafé will disseminate project results in order to replicate the pilot units financed by the project in the Huehuetenango area. As mentioned above, the PEA will support, with specific missions, the implementation of field activities in both countries, and will also focus on strengthening and stimulating the coffee network.

6. Conclusions and Recommendations

Experiences in Central America have demonstrated that improving the quality of coffee available for trading allows small producers to increase yields and improve their living standards.

National coffee institutions are very keen in promoting coffee trade and increasing quality. However, a possible limitation could be that participating farmers with insufficient technical knowledge may be reluctant to use modern technologies and solutions such as new agricultural techniques and new ways of considering the coffee product from the cultivation to the cup.

The proposed technologies had been chosen with a view to their simplicity, versatility and adaptability to the agricultural and environmental situation. This new approach to coffee will prompt farmers, producers and distributors to organize contacts and meetings and carve out a niche in a world dominated by industrial agriculture.

**DEVELOPING THE POTENTIAL OF GOURMET
ROBUSTA COFFEE IN GABON AND TOGO**
(CFC/ICO/42)

A report of this project will be circulated at a later date.

**INCREASING THE RESILIENCE OF COFFEE PRODUCTION
TO LEAF RUST AND OTHER DISEASES
IN INDIA AND FOUR AFRICAN COUNTRIES
(CFC/ICO/40)**

- 1. Period covered by the report: January to June 2009**
- 2. Status of project implementation**

Implementation of project activities during this second year of implementation went on well. All activities planned for 2009 are being implemented.

Activities during the reporting period included Stakeholder analyses in Uganda and India because the two countries were unable to implement the activity last year. Epidemiological studies involving shade and assessment of economic impact of coffee leaf rust disease are being carried out in Kenya with interesting results. Socio-economic surveys were completed in Uganda and Zimbabwe, and adequate baseline information has now been generated. The surveys were not carried out in 2008 in the two countries because the coffee leaf rust cycle was missed due to the late start of the project last year (April). However, India is to carry out the socio-economic survey in the period July to December 2009 due to some logistical problems which have been sorted out. Socio-economic community-based studies were carried out in the rest of the countries. Farmer mobilization workshops which were followed up with initiation and running of Farmer Field Schools were carried out in Uganda, Zimbabwe and Rwanda. However, Farmer Field Schools will continue up to the end of the project because they are an effective channel for disseminating to farmers technologies developed by the project and those available elsewhere. Demand for seeds of improved varieties was documented through interviews and socio-economic survey questionnaires in Rwanda, India, Zimbabwe and Uganda. Kenya used the existing data base for documenting demand for the disease resistant Ruiru 11 variety. Seedlings of two India coffee leaf rust disease resistant coffee selections and national coffee varieties are at nursery stage in all the four participating countries in Africa and sites were prepared in most of the countries in preparation for transplanting seedlings of the coffee selections and varieties for field evaluation for resistance to major coffee diseases and for agronomic and quality evaluation. Nursery evaluation of the coffee entries was completed in all five countries.

Furthermore, existing coffee collections in participating countries were conserved and managed under the project. A number of coffee collections which could have been lost have been revived by the project. Almost all collections are kept in field gene banks. In addition, Zimbabwe also documented coffee varieties which are being grown in the country. Determination of coffee leaf rust races was started during the reporting period with collection and sending of coffee leaf rust disease samples to the Coffee Leaf Rust Centre in Portugal. Four scientists will go to Portugal in October to undergo training in determination of coffee leaf rust races which exist in their respective countries. India has determined a number of races including new ones, which will be confirmed in Portugal.

Field trials on fungicides have been initiated during the reporting period to find alternative fungicides which are effective for the control of coffee leaf rust and/or coffee berry diseases while varieties are being evaluated for resistance. The fungicide trials are being implemented in India, Rwanda, Uganda and Zimbabwe.

A range of communication activities were implemented and are continuing. Communication activities include development and dissemination of information materials. The main communication pathway for utilization of project outputs is through Farmer Field Schools (FFS) which were initiated in all countries. India which has a system closer to FFS will be backstopped in implementation of FFS and other technical activities in the coming period.

Audit reports were completed in all participating institutions.

In general, activities are being implemented according to the schedule with minor delays which are being rectified through support from the PEA.

3. Assessment of resource utilization

Total expenditure during the period accounted for US\$361,879.68 between January and June 2009. The Common Fund for Commodities (CFC) has so far disbursed US\$183,464.07 during the reporting period. Three claims have been i.e. Claim 1 2009 – US\$183,503.90, Claim 2 2009 – US\$301,977.02 and Claim 3 2009 – US\$73,493.30

The expenditure by component was as follows; Component 1 – 47%, Component 2 – 29%, Component 3 – 44%, Component 4 – 57% and Component 5 – 44%. This is a significant improvement compared to 2008.

As indicated in the last report, the PEA hosted a capacity building training for project accountants. The following partners were represented in the training; Coffee Research Foundation (Kenya), Chipenge Coffee Research Institute (Zimbabwe), NACCRI Coffee Research Centre (Uganda) and CABI Africa (PEA). It is unfortunate that representatives from the Central Coffee Research Institute (India) and ISAR (Rwanda) were not able to receive clearance from their respective institutions. The output of the meeting was impressive as evident from improved reporting from partners. However, a lot more still needs to be done to ensure the claims are turned over at the expected level.

As far as audits are concerned, four partners had their audits completed towards the deadline period, but there remains a challenge which will be used as a lesson for subsequent audits. Some audits did not strictly adhere to CFC guidelines and their audits were returned for revision hence the delay. The process will be instituted in good time for the 2009 audits and better results should be achieved.

The equipment budget was not fully utilized last year and this was not appropriately reflected in the current year's budgets, particularly for ISAR (Rwanda) and NACCRI (Uganda), so this may affect the budget for the period. The Central Coffee Research Institute (India) is yet to utilize the equipment allocation in their budget. The PEA has planned a visit to help speed up the procurement process. We are positive that this process will be concluded during the financial year. Also, a few claims for 2008 were received after the last reporting schedule and thus have been reflected as expenditure during the January to June 2009 reporting period. This will be avoided at the year-end to ensure that all claims are presented and processed within the reporting period.

4. Assessment of project co-ordination and management

Substantial improvement was experienced in submission of claims by the PIAs, which is being attributed to a training workshop for project accountants which was held in Nairobi in May this year.

In general the project was managed better than the previous reporting periods.

5. Social and environmental effects of project implementation

It is hoped that coffee leaf rust and coffee berry disease resistant varieties will be identified through the project, which will contribute a great deal in reducing pollution from fungicides which are used to control the two diseases. Additionally, alternative fungicides, including botanicals will help in reducing effects on the environment through the use of environmentally friendly alternatives. The outputs from the project will benefit smallholder farmers by mitigating crop losses caused by the two diseases.

6. Forward planning of project implementation

Implementation of activities is continuing as per the 2009 work plans and budgets. Five scientists will travel to the Coffee Leaf Rust Research Institute (CIFC) in Portugal for training in and characterization of coffee leaf rust disease races in October.

A project planning workshop will be held in Kenya and will be hosted by the Coffee Research Foundation on 19 and 20 November 2009 in Nairobi, Kenya, and progress of implementing activities during the year will be discussed, and work plans and budgets will be discussed and agreed upon. The Coffee Research Foundation is one of the PIA. Hosting of the annual workshop will alternate among PIAs.

7. Conclusion

Project activities in all countries are continuing as planned with very minor delays. A substantial portion of the budget will be spent in India after purchasing project equipment. Most farmers are eager to get outputs from the project for the management of coffee diseases.

**ACCESS TO FINANCE FOR THE DEVELOPMENT OF
DIVERSIFICATION CROPS IN COFFEE PRODUCING AREAS**
CFC/ICO/30

1. Period covered by the report: January to July 2009

2. Status of Project implementation

Component 1: Assessment of the participating farmers and their needs

Main activities	Targets set	Current status	Remarks
Activity 1.1 to 1.4			
Carry out a survey of farmers by collaborating institutions.	Build up a database on coffee farmers. Selection of participating farmers. Preparation of MOU with collaborating institutions.	Socio-economic studies in the project areas have been completed in the two countries. In Burundi, lists of selected farmers have been established on the basis of crop seasons (A,B,C), production costs and profitability of the crops concerned. The BNDE acts as financial intermediary. In Côte d'Ivoire, the agreement with the rural development agency was signed in May 2009; the intermediate agreement is pending.	The reports of socio-economic studies are available.

Component 2: Development of a suitable and sustainable diversification loan structure for farmers

Main activities	Targets set	Current status	Remarks
Activities 2.1 and 2.2			
Study past and existing agricultural credit structure. Prepare a suitable and sustainable credit system.	Reports on past experience of agricultural credit and on suitable loan mechanisms for diversification activities to be made available to the project.	In Burundi and Côte d'Ivoire, the two studies were completed. A consultant was selected to prepare a manual for the management of revolving loan funds in Burundi.	The final reports on the two studies are available.

Component 7: Project coordination, supervision and monitoring

Main activities	Targets set	Current status	Remarks
Activities 7.5 and 7.6			
Monitor project execution. Ensure annual supervision of the ICO.	Assess project activities and make recommendations.	A project supervision mission was carried out from 23 to 31 May 2009 in Burundi and Côte d'Ivoire by the CFC and the ICO	The report of the mission is available.
Activity 7.7			
Monitor implementation and financial disbursements by the CFC.	Provide adequate resources for the project and assess their utilization.	Financial reports for the second semester 2008 were prepared and sent to the CFC.	
Activity 7.8			
Prepare and submit to the CFC and ICO regular progress reports on the project.	Prepare technical and financial reports based on CFC procedures.	Technical reports are being prepared.	

During the period January to June 2009, the focus was mainly on activities related to the assessment of producer needs, the development of a system of credit, agreements with the banking or micro-finance institutions involved, and the CFC and ICO supervision mission carried out from 23 to 31 May 2009 in Burundi and Côte d'Ivoire.

In Burundi, the final selection of diversification crops was limited to those having a secondary role in ensuring food security and profitable production costs in terms of the crop season. The crops concerned are: potatoes, manioc, rice, groundnuts, tomatoes, onions and cabbage. Livestock is not included. The credit requirements of farmers and favorable crop seasons (A,B,C.) were also assessed with the Provincial Directions of Agriculture and Livestock (DPAE), taking into account the funds provided by the CFC. The National Economic Development Bank (BNDE) will be responsible for providing intermediate financing for revolving credit. The agreement between the OCIBU and the BNDE was signed after finalization of the loan mechanism with the supervision mission of the CFC and ICO. The PEA, in cooperation with the CFC and the ICO, selected a consultant to prepare a manual of procedures for the management of revolving funds in Burundi. During this period, the Burundi revolving fund presented a request to the CFC for the release of a tranche amounting to US\$277,960.

In Côte d'Ivoire, the diversification activities selected focus on growing rice, manioc, yams, maize, plantains, and market garden produce; rearing of poultry, pigs and rabbits; and fisheries. Credit requirements were assessed in cooperation with the national rural development agency, the ANADER (Agence Nationale pour le Developpement Rural), which provides support for the project in the field. 1,000 farmers were selected on the basis of the profitability of their activities. Following agreement with a number of financial institutions, the credit management system was finalized and an agreement on intermediate financing of revolving credit is due to be signed.

3. Assessment of resource utilization

From January to July 2009, expenditure of CFC funds amounted to US\$40,503 in Burundi and US\$78,975 in Côte d'Ivoire; this does not take into account the CFC and ICO supervision missions. In both countries counterpart contributions were used to carry out project activities: US\$82,000 in Burundi and US\$232,000 in Côte d'Ivoire.

4. Assessment of project co-ordination and management

The CFC and ICO supervision mission of 23 to 31 May 2009 permitted monitoring of the progress of the project in each country, with stage-by-stage follow-up of loans granted, agreements with cooperating institutions, project management, institutional background and government involvement. The mission report is available.

5. Forward planning

Following the supervision mission, activities relate mainly to the building up of databases on the farmers selected, as well as types of loan for diversification activities, preparation of a manual of procedures for managing revolving fund loans, the revolving fund request to the CFC for micro-financing, assessment of equipment for the various activities selected, and the development of training programmes for farmers.

6. Conclusions

The supervision mission marked the end of the first stage of the project involving selection of locations, studies to provide reliable information on farmers and credit systems in the two countries, and development of suitable credit systems. Since this stage is virtually complete, management of loans to farmers will be effective in the field in the course of future programmes.

LIST OF ACRONYMS USED IN THIS DOCUMENT

ADINUT	Asociación de Desarrollo Integral Union Todosantera (Guatemala)
Anacafé	National Coffee Association (Guatemala)
BPC	Banco de Poupança e Crédito (Angola)
CFC	Common Fund for Commodity
CIGs	Coffee Interest Groups
CLUSA	Cooperative League of the USA
COFENAC	National Coffee Council (Ecuador)
CONACAFE	National Coffee Council (Honduras)
CPFs	Coffee processing facilities
CTA	Chief Technical Advisor
DIPROCAFE	Diversificación Productiva de Cafetales de Baja Altitud
FIs	Financial Intermediaries
IAO	Istituto per l'Oltremare
IC	Integrating Company
IDR	Institute of Rural Development
IHCAFE	Honduras Coffee Institute
IICA	Inter-American Institute for Cooperation on Agriculture
INCA	Instituto Nacional do Café de Angola
JLGs	Co-operative society (Kenya)
MIFIC	Ministry of Development and Trade (Nicaragua)
MOU	Memorandum of Understanding
MTE	Mid-term evaluation
NEA	National Execution Agency (Nicaragua)
PEA	Project Executing Agency
PIA	Project Implementing Agency
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica
SCAA	Specialty Coffee Association of America
USDA	United States Department of Agriculture