



Projects Committee
6th Meeting
11 September 2013
Belo Horizonte, Brazil

**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 following Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, which include among others, reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for each project being implemented (see Section III of document PJ-52/13) and includes a list of acronyms used in this document. Copies of the full six months reports are available on request from the Secretariat.

- Annex I:** Building a financial literacy toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies – CFC/ICO/53/FT (PEA: FAST)
- Annex II:** Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)
- Annex III:** Competitive coffee enterprises programme for Guatemala and Jamaica – CFC/ICO/46 (PEA: Anacafé/CIB)
- Annex IV:** Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries – CFC/ICO/45 (PEA: AFCA [Formerly: EAFCA])

Action

The Projects Committee is requested to take note of this report.

LIST OF ACRONYMS USED IN THIS DOCUMENT

Anacafé	National Coffee Association (Guatemala)
BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
CFC	Common Fund for Commodities
CIB	Coffee Industry Board of Jamaica
EAFCA	Eastern African Fine Coffees Association
FAST	Finance Alliance for Sustainable Trade
ICO	International Coffee Organization
MOU	Memorandum of Understanding
PEA	Project Executing Agency
SCAE	Speciality Coffee Association of Europe
SMEs	Small and medium enterprises

**BUILDING A FINANCIAL LITERACY TOOLBOX TO ENHANCE ACCESS TO
COMMODITY FINANCE FOR SUSTAINABLE SMEs IN EMERGING ECONOMIES
(CFC/ICO/53/FT)**

Period covered by the report: January to July 2013

Status of the project

Component	Planned activities	Targets set	Present status	Remarks
1	Development of a specific FLTBX 'First Module': Trainer's Guide and Training Guidelines.	Development of training materials covering basic criteria and requirements for SMEs in the coffee sector to access finance in English.	Six modules have now been completed covering the most important topics for sector SMEs trying to access finance. They are currently undergoing final revision before general release.	With the support of CFC and other co-financing sources, FAST was able to address the subject targeted for this activity in significantly more detail than expected.
2	Organization of a preparatory workshop in Kenya in 2012: 'Training for Trainers'.	Execution of a 'Training of Trainers' (ToT) workshop.	As of June 2013, two ToT workshops have been executed in Kenya and one in Tanzania.	To fully ensure the quality and utility of the prepared materials, FAST executed an additional ToT workshop from 12 to 14 June in Nairobi.
3	Training of sustainable SMEs by trainers using FLTBX module, with monitoring from CFC, ICB, and FAST.	Execution of a training workshop for SMEs with trainers trained in the ToT workshop.	The SME workshop is currently on track to take place from 31 July to 2 August in Nairobi, Kenya.	
4	Organization of a FAST Financial Fair (FFF) in 2013.	Execution of an FFF in Kenya in 2013.	Planning is underway for an FFF to be held in Nairobi, Kenya on 5 and 6 September. FAST is also currently reaching out to the local financial service providers to build support.	

1. Assessment of technical progress

The only deviation from the initial project plan has been to add an additional round of refinement and review of the FLTBX materials. During the peer-review process in May, feedback from participants representing development organization, technical assistance bodies, and financial service providers was overwhelmingly positive.

With the revised materials in hand, FAST decided to review the workshops in Kenya, partially in light of the challenges faced in identifying target group of SMEs in Tanzania.

The second 'Training-of-Trainers' (ToT) workshop/validation in Kenya was well received with 12 trainers in attendance. A few selected areas of improvement were identified and subsequently addressed. Planning is currently on track for the workshop training SMEs to take place in Nairobi, from 31 July to 2 August. Ten SMEs are currently confirmed and the workshop will be led by a trainer selected from the June ToT workshop as a measurement of the effectiveness of the ToT.

2. Assessment of resource utilization

The project's resource utilization matches the budgeted amounts. The inclusion of additional review and revision of the FLTBX materials has been facilitated by the introduction of other co-financing sources, helping to avoid any deviation from the budget presented to the CFC. Activities funded as a part of co-financing that were not included in the initial CFC budget breakdown are listed under 'Other Expenses'.

3. Assessment of project co-ordination and management

This project has a broad scope and has benefitted from the involvement of the FAST secretariat as needed. The day-to-day management of the activities have been divided between a manager overseeing preparation for the FAST Financial Fair and a manager overseeing the preparation and validation of FLTBX materials and the project's overall implementation. While this has required a high level of internal communication, FAST believes this approach will allow for the best project outcomes, allowing for a higher level of attention to be paid to each deliverable. FAST's local partners in Kenya, including the Coffee Development Fund and others, have continued to be invaluable in maintaining engagement locally and building support for the project's activities.

4. Social and environmental effects of project implementation

As the project progresses towards the direct coaching of SMEs based on the FLTBX materials, there will be a greater opportunity to measure the social and environmental effects of the project. Training consultants coaching the SMEs will be asked to report a base set of impact metrics developed through FAST's Shared Impact Assessment Methodology and Toolbox (SIAMT) project. Establishing a baseline and conducting follow-up assessment at the end of the process will allow FAST to gauge any social and environmental impacts of the coaching. However, it is expected that the most significant impacts on the social and environmental performance of the SMEs may come past the scope of the project monitoring as the SMEs access finance to improve processes and infrastructure.

At the level of the financial service providers, FAST has met with several local commercial banks to discuss sustainable agricultural SME finance. All local banks that have met FAST have expressed an interest in participating in the rest of the project's activities, including the executive meeting and FFF events. Many of the local banks were impressed and very interested by selected, anonymous profiles of sustainable SMEs expected to participate in the FFF. It is hoped that increased attention paid to sustainable SMEs by local financial service providers will encourage more sustainable practices amongst Kenyan SMEs in general and will encourage the financial service providers to more closely examine with social and environmental aspects of their SME investments.

5. Forward planning of project implementation

At present, the remaining activities are expected to progress as planned. The FLTBX validation workshop training SMEs will take place in Nairobi from 31 July to 2 August and will include coffee SMEs from several regions in Kenya. Just ahead of the SME workshop, FAST will be holding a meeting in Nairobi with financial service providers to discuss investing in sustainable coffee SMEs in preparation for the FFF.

Conclusions and recommendations

With 4 months remaining in the 15-month project trajectory, there are two key activities still to implement, namely the FAST Financial Fair and coaching processes. However, the project has already exceeded many partner's expectations in its development of a comprehensive, modular set of training materials covering the essential subjects for coffee SMEs seeking to access finance.

FAST hopes this set of training materials will provide the foundations to reimplement the project in other countries both in the region and around the coffee-producing world. FAST is currently in the planning stages for expanding and adapting the FLTBX materials to carry out a similar project in Tanzania in 2014 and is exploring the possibility of adapting the materials to be used in programmes with coffee sector SMEs in Central America.

**SUSTAINABLE CREDIT GUARANTEE SCHEME TO PROMOTE SCALING UP
OF ENHANCED PROCESSING PRACTICES IN ETHIOPIA AND RWANDA**
CFC/ICO/48

Period covered by the report: January to July 2013

Component 1: Access to commercial loans by smallholder coffee farmers

Loan disbursement

In respect to promoting better access to credit and banking services by smallholder farmers, the project completed the assessment of the existing system used by the bank to advance and recover loans from the cooperatives. However, only three cooperatives in Rwanda, namely, Dutezimbere Kawa (Nyanza), Musha coffee (Rwamagana) and Tuzamurane (Rusizi) had their loans approved through the scheme with a total of 230 million Rwanda francs (USD 365,000) approved.

Challenges

A number of challenges were identified during the process and possible ways of resolving them agreed on. The key challenges concerned mainly the eligibility criteria used to determine whether or not a primary cooperative qualifies to access loans, including:

- Requirement for the cooperatives to provide fixed collateral with a value equivalent to 130% of the loan requested.
- The need for own capital contribution equivalent to at least 30% of the requested loan.
- Have clean loan repayment history of the cooperative applying for the loan.
- Provide evidence of professionalised management with separation between governance and management of cooperatives.
- Provide evidence of capitalisation of the cooperative and evidence of market access in the form of forward contracts (letters of intent from an off taker).

Moreover, the participating banks in the two countries are facing liquidity problems arising from different circumstances. In the case of **Ethiopia**, commercial banks are required to purchase Government bonds at 27% of the value of loans to be disbursed. In the case of **Rwanda**, the liquidity problems are associated with overall local funds shortfalls as a result of a reduction in inflows to the country. In both cases, Rabobank is working towards assisting this process through provision of additional funds from other sources such as Financierings-Maatschappij voor Ontwikkelingslanden NV (FMO) or other entities in the Rabo Group. In **Ethiopia** liquidity problems are being alleviated by Rabobank through

provision of offshore trade financing to the unions who export coffee directly. This has the effect of freeing more funds for financing of the co-operatives. In the case of *Banque Populaire de Rwanda* (BPR), Rabobank is assisting through its co-ownership status.

To mitigate the challenges associated with the eligibility criteria, the implementing organizations involved in the project in Rwanda in collaboration with the BPR agreed on a number of remedial options which could enable the cooperatives to overcome some of the problems in the short run as they build their capacity towards sustainability.

In addition to the problems associated with the criteria, a number of factors limiting the efficiency of the scheme in Rwanda have also been identified. These include the slow pace of processing the applications, delays in the provision of feedback to the applicants and ineffective communication between the bank sub-branches and the head office in respect to the applications.

Component III: Capacity building through training

The project has accomplished a number of training activities both for the cooperatives, loan officers and farmers. In the case of the cooperatives, the training focussed on matters of cooperative governance, financial literacy and overall professionalization. An important element of the training for loan officers related to the understanding of the coffee value chain. Training of cooperative management committees on good governance and financial literacy has been completed in both countries. Training on good production and processing practices were also undertaken in Ethiopia and coordinated by the Ministry of Agriculture and CABI. Training targeting coffee processing, quality and marketing have been organized annually in both Ethiopia and Rwanda.

Component IV: Enhanced access to production and market information

Although no additional activities were undertaken, it should be noted a number of challenges faced by cooperatives. Given the backdrop of high prices received for cherry during the 2010/11 crop year, the demand for cherry in Rwanda escalated significantly leading to unfair competition among cooperatives and private washing stations. In some cases, cooperatives were infringing the delineated boundaries marking the catchment for respective cooperatives by buying cherry from farmers belonging to other cooperatives. The practice ended up pushing the price of cherry beyond economic levels. In Cooprocagi Cooperative society for example, the cooperative was forced to buy cherry at 250 FRW/kg whereas their service provider was purchasing the parchment from them at an equivalent price of 230 FRW/kg. This means that the cooperative was already setting itself for loss making. The reason was due to the competition from the neighbouring cooperative which was offering 300 FRW per kg of cherry.

Component V: Project coordination, supervision and monitoring

Technical support was provided particularly in the area of capacity building and institutionalization of the project within the relevant government institutions and ministries. This was undertaken through field missions by the PEA to provide technical support to the National coordinator and to undertake project monitoring.

Forward planning of project implementation

The project has so far been successful in the activities related to capacity development but less so in terms of loan disbursements. The following actions will be carried out to address some of the above-mentioned challenges:

- Review with project stakeholders, options to increase disbursements e.g. a mix of larger and smaller co-operatives; making use of credit rating system for co-operatives.
- Assess the possibility of granting loans to private investors to establish washing stations and provide the service to farmers/co-operatives at a cost.
- Review possible options for improving the liquidity situation of banks providing loans under the project.

Conclusion

The project has not been successful in getting loan access to the target beneficiaries in Rwanda primarily because they are not able to meet the banking requirements. While the credit guarantee is helpful to the project, the emphasis is not on collateral lending as this is not sustainable. The emphasis is on assisting the co-operatives to become viable institutions so that loan repayment can flow from cash flows and profits can be partially reinvested to foster growth and viability of the institutions.

It should be noted, however, that most of the targeted co-operatives in Rwanda are in their infancy and are unlikely to meet the strict requirements during the life of the project. Given the strong development focus of the project and directionality of benefits of the project to date, the possibility of employing a 2 tier system will be explored.

**COMPETITIVE COFFEE ENTERPRISES PROGRAMME
FOR GUATEMALA AND JAMAICA
CFC/ICO/46**

Period covered by the report: January to June 2013

Status of project implementation

Component 1: Development of nurseries for renewal of coffee plantations

In **Guatemala** the last batch of coffee seedlings (around 3,080) has now been purchased, making a total of 344,830 seedlings distributed for coffee plantation renewal. In **Jamaica** a total of 70,000 seedlings were distributed. During this semester, the Frankfield Cooperative received an irrigation system, which generated benefits in terms of fewer plant losses, improvements in root aspect and quality, and an increase in demand by the Cooperative and neighbouring producers, creating good prospects for expansion of this activity. The Saint Catherine Cooperative managed to produce 12,000 seedlings after having overcome problems related to the establishment of seedbeds. The Cave Valley Cooperative received 10,000 locally purchased seedlings.

Technical assistance

In **Guatemala** production training during this period included the introduction of a technological package on combating coffee leaf rust, which was applied in newly planted areas, in coffee areas already under production and in demonstration plots, so as to continue control work on good cultivation practices such as pruning, shade management, fertilizer application and soil improvers. This ensured resistance to the outbreak of coffee leaf rust and maintenance of productivity.

The following additional activities were carried out:

- An organic coffee growing course for 52 small producers.
- Four field visits, involving a total of 145 small producers, to demonstration plots where renewal was carried out during the first year. This enabled participants to observe plant development, crop estimates, planting distance between trees, and shade management techniques used.
- A field visit designed to demonstrate the application of pest and disease control equipment and to provide training in health and safety techniques for the protection of those carrying out these applications.

- A field visit to the model Tres Puertas Cooperative of Santa Ana in El Salvador to assimilate its outstanding inclusive agricultural practices, record keeping, wet processing operations, control of coffee quality from reception of beans to warehousing, and management and treatment of sub-products (residual waters and coffee pulp).

For the **organizational strengthening** component five training courses were provided, completing activities related to administrative improvement in cooperatives. The courses were attended by 200 producers and covered the following subjects:

1. Training for young leaders: team work and effective communication.
2. Effective organizational management: duties and responsibilities of members of executive boards and personnel responsible for decision-making.
3. General principles of effective organizational management.
4. Project management.
5. The coffee market.

In **Jamaica** a firm was appointed to organize workshops designed to improve weaknesses at administrative and accounting level in the three cooperative beneficiaries. In addition software purchased for the Saint Catherine Cooperative was duly delivered together with office equipment comprising: CPU unit, monitor, mouse, keyboard, UPS unit and multifunctional printer.

Farm management

In **Guatemala** farm management activities were completed with the purchase of fertilizers, soil improvers, and pruning and pesticide equipment provided for in the established work plan. The following items were bought and distributed for combating the coffee leaf rust outbreak: 57 quintales of organic fertilizers, 580 quintales of chemical fertilizers, 137 quintales of soil improvers, 198 litres of anti-rust fungicides, 39 pruning saws and 25 pump sprays.

In **Jamaica** around 2,700 bags of organic matter was applied to coffee trees in the Saint Catherine Cooperative and around 1,000 bags were applied in both the Frankfield and Cave Valley Cooperatives.

Component II: Post-harvest

In **Guatemala**, during this semester an industrial safety course was conducted in the wet processing plant in Cobán, which began to operate in crop year 2011/12; the course provides recommendations on the cleaning, maintenance and calibration of equipment.

Quality control

Three groups of producers were trained in preparing coffee samples which were submitted for Cup of Excellence awards; the selection managed to pass the first “cup profile” stage and although it did not succeed in passing the next cup tasting stage, the experience proved promising in terms of providing motivation for future participation in this type of event.

Improvement of wet-processing plants

The following work was undertaken:

- Installation of four solar dryers.
- Construction of one storeroom for warehousing coffee.
- Electrical installations required for operating the pulping machinery previously bought and installed.
- Construction of a treatment plant for residual waters.
- Purchase of 6 scales for coffee weighing scales with a capacity of 12 quintales each.
- Purchase of three hygro-thermometers for placing in the solar dryers to control temperature and humidity.
- Restructuring of a pulp decomposition area.
- Purchase of a coffee demucilaging machine, which is now being installed.
- Reconstruction of a wet processing plant and roofing for one of the coffee-drying patios to establish a solar dryer.
- In order to take advantage of this roofing, a rainwater catchment tank is under construction.
- Installation of a water recirculation system to extend the fermentation tanks and preparation of a specific area for collecting coffee pulp to be transferred to the worm compost production area.

In **Jamaica** authorization was received from NEPA (National Environment and Planning Agency), for the construction of a wet processing module for one of the beneficiary cooperatives.

Management of sub-products

In **Guatemala** a plan was established to monitor residual waters from wet-processing plants, supported by the construction of treatment units in order to develop a base line so that the results can be used for treatment of these residual waters in compliance with the minimal chemical oxygen demand (COD) and biological oxygen demand (BOD) parameters established by the Ministry of the Environment.

Promotion of local coffee consumption

In **Jamaica** two coffee shops were inaugurated in the Frankfield and St Catherine cooperatives. The “Sip ‘n ‘Surf” Internet Café was inaugurated at the beginning of June in the Frankfield Cooperative to offer both internet connection and coffee beverages, fruit, sandwiches, pastries and photocopying services in a rural area where services of this nature are scarce or non-existent. The importance of this event was marked by the presence of the Minister of Transport and Communications for the inauguration, which attracted some 50 people, at least 40% of whom were young people from the Frankfield community.

The establishment of a coffee shop in the Cave Valley Cooperative is still under preparation and is awaiting written authorization from the management board of RADA, which rents out the premises for the Cooperative’s current headquarters. This authorization is required to send the funds that the Cooperative will need in order to make the relevant arrangements.

Project Management – Project Coordination

During this semester Mrs Lilian Volcan, Project Officer of the International Coffee Organization (ICO) and Mr Guy Sneyers, Director of Operations of the Common Fund for Commodities (CFC), visited both Guatemala and Jamaica for the purpose of carrying out supervision of the implementation of this Project (CFC/ICO/46) in the two countries involved.

Mission report findings

One of the most significant immediate impacts of the project has been the enhancement of quality and productivity achieved with the production methods tested under this project, which have demonstrated to improve not only the economic conditions and livelihoods of the small coffee producers involved (3,400 in Guatemala and the 400 in Jamaica) but also to increase resilience of their plantations to Coffee Leaf Rust (less than 20% incidence against the 50-65% in the same regions).

**BUILDING CAPACITY IN COFFEE CERTIFICATION AND
VERIFICATION FOR SPECIALTY COFFEE FARMERS IN EAFCA COUNTRIES**
CFC/ICO/45

Period covered by the report: January to July 2013

Introduction

The implementation process of the CFC/ICO/45 Project progress continued in the participating countries of the project and key milestones have been attained over the period under review. A supervision mission was undertaken by the International Coffee Organization (ICO) and the Common Fund for Commodities (CFC) in February 2013. The mission outlined key recommendations on the way forward. A consultative meeting with key representatives from the participating countries was held in order to provide feedback on in-country project progress. The key recommendations from the supervision mission were:

- Recast the overall project budget based on the overall project budget cut by the European Union.
- Produce a project documentary in order to enhance project visibility to the other stakeholders and partners.
- The project activities and progress should be espoused at the annual AFCA Conference in order to keep the project stakeholders abreast of the project activities.
- AFCA should design a strategy beyond the project life cycle on how to harness the knowledge, expertise and skills attained from the project activities.
- All the information from the project activities should be placed on the AFCA website.
- The Project IT Portal being developed should have web links to the standard owners like Rainforest Alliance, Utz Certified, 4C Association and others.
- The Project should have a permanent slot for presentation of project activities at the AFCA Conferences.
- There should be a consultative forum with certification standard owners and engage them on issues related to multiple certification.
- AFCA should assist linking the auditors trained in the project to institutions that would engage their services.
- There is a need for refresher courses for the master trainers and new master trainers should be brought on board to enhance sustainability of training.

A detailed report on the supervision mission can be retrieved from the AFCA website (www.africanfinecoffees.org).

Results realized

a) Farmers' training and progress on Certification / Verification

Progress in farmer training has been attained in eight countries including Rwanda, Burundi, Malawi, Tanzania, Kenya, Zambia, Zimbabwe and Uganda. In the same vein, 1,411 farmers from the Kabonera Coffee Farmers Association from Uganda were 4C verified during the period under review. This will allow them to sell their coffee as 4C verified or sustainable. Other groups in other countries are progressing towards certification in Fairtrade and organic. To date, a total of 3,080 farmers have been trained in the project which is 53% of the total number targeted for training. Farmer training in Ethiopia has been scheduled for the upcoming phase in that the project implementation approach in Ethiopia has had to be redefined following the earlier administrative changes that occurred at the Ministry of Agriculture following the signing of the Memorandum of Understanding (MoU). A project steering committee has been put in place for efficient implementation of project activities. On the other hand, the project has trained 88 trainer-of-trainers to date. The table shows the number of farmers and trainers-of-trainers trained in respective countries.

List of farmers and trainer-of-trainers trained

Country	ToT Trained	Farmers Trained
Burundi	10	300
Kenya	12	480
Uganda	10	640
Rwanda	10	300
Malawi	12	300
Tanzania	12	580
Zambia	10	300
Zimbabwe	12	480
Total	88	3,380

b) Progress on the Project IT Portal

The selection process of the IT Portal service provider was finalized. The contract has since been awarded to *Realtime Computer Systems* of Nairobi, Kenya. Preliminary work on the assignment has since commenced. More progress will be reported in the next phase.

c) Progress on auditors' training

To date 18 auditors have been trained. The training process will be completed by October 2013. The ultimate number of auditors to be trained is 36 from 9 participating countries.

d) Project participation at the SCAE 2013

During the period under review, the project participated in the exhibition of some of the coffees coming from the project farmers. The coffee from the Kabonera Coffee Farmers Association which had been verified from Uganda was showcased at the World of Coffee Conference and Exhibition in Nice, France from 25 to 28 June 2013. Other coffees from the Taste of Harvest (ToH) competitions from the project participating countries were showcased. A coffee cupping session for European and other international buyers was also held in order to showcase the quality of coffees coming from the project participating countries. The quality of coffees was well received by coffee buyers from Europe and other regions. The visibility of the CFC/ICO/45 Project and partners, the CFC, the European Union and the International Coffee Organization were also espoused during the exhibition. The impact of this effort will be measured in terms of market access of the project farmers which is one of the broader objectives of the project. A detailed report on the Speciality Coffee Association of Europe (SCAE) 2013 is under compilation and will be submitted in due course.

The way forward

The focus of the implementation process in the remaining life cycle is to expedite the finalization of the farmer training activities in the countries. Furthermore the project will enhance collaborations with other initiatives existing in different countries in order to enhance farmers training. Some of the organizations that the project will collaborate with include ACDI VOCA, IDH Sustainability and the 4C Association. In Ethiopia, the project will collaborate with the ACDI VOCA in training farmers whereby the partner institution will assist farmers to attain certification after capacity has been built by the CFC/ICO/45 Project. Furthermore, AFCA as the PEA will harness all the outcomes of the capacity building activities from the Project into the AFCA Coffee Institute in order to ascertain sustainability beyond the life cycle of the project in December 2014.