



Projects Committee
9th Meeting
2 March 2015
London, United Kingdom

**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 II of document [PJ-85/15](#)) 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:** Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)
- Annex II:** Promoting a sustainable coffee sector in Burundi – (PEA: Kahawatu foundation)
- Annex III:** Qualitative and quantitative rehabilitation of coffee with the aim of improving living conditions of coffee farmers afflicted and displaced by war in the Democratic Republic of Congo – CFC/ICO/51

Action

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

LIST OF ACRONYMS USED IN THIS DOCUMENT

BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
BRD	Development Bank of Rwanda
CBO	Cooperative Bank of Oromia
CFC	Common Fund for Commodities
ETB	Ethiopian Birr
ECX	Ethiopian Commodity Exchange
FFS	Farmer Field Schools
GAP	Good agricultural practices
ICO	International Coffee Organization
INERA	National Institute for Agronomic Research
NAEB	National Agricultural Export Development Board
OCCU	Oromia Coffee Cooperative Union
PEA	Project Executing Agency

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

Period covered by the report: July to December 2014

Component I: Access to commercial loans by smallholder

In order to address the issue of limited access to bank loans provided by Banque Populaire in Rwanda, the representatives of the International Coffee Organization (ICO), Rabo Development, National Agricultural Export Development Board (NAEB) and CABI undertook a mission to Rwanda to explore the best way forward to increase the number of cooperatives accessing commercial loans through the scheme. Part of the approach to increase the number of cooperatives benefiting from the credit guarantee scheme in Rwanda concerned enlisting the services of the Development Bank of Rwanda (BRD) as the second bank. Activities aimed at formally enlisting the development Bank of Rwanda into the credit guarantee project were initiated.

In Ethiopia working capital loan amounting to 14,300,000 Ethiopian Birr (ETB) equivalent to over US\$715,000 was disbursed to 11 cooperatives under the credit guarantee scheme in crop year 2013/14. Repayment of the loans has already commenced as a total of ETB6,589,506 (US\$327,331) of the loans issued during crop year 2013/14 (46%) had been repaid back to the bank. In many cases, the cooperatives, in consultation with the bank, opted to roll over the unpaid portion of the 2013/14 loans to cover operations of crop year 2014/15, instead of repaying all the loans only to reapply for similar amounts. This is a positive sign and is an indication that the bank is having greater confidence in the primary cooperatives. The advantage of this arrangement is that the bank does not have to buy the mandatory government bonds of 27.5% per loan approved, instead, improving its liquidity level by the same amount. There are other cases where the cooperatives have not sold all their coffee and therefore not been able to repay the loan fully. This is particularly so for four cooperatives which have only managed to partially repay their loan and another two which have not started repaying.

Concerning the preparation for crop year 2014/15, 15 cooperatives were at various stages of lodging their business plans with the Cooperative Bank of Oromia (CBO) in an attempt to secure working capital loan. The total request for crop year 2014/15 is estimated at ETB 24 million (US\$1.2 million), of which ETB1,000,000 (US\$48,000) is to be disbursed to two new cooperatives.

In Rwanda, only very few cooperatives accessed bank loans since most of the cooperatives could not fulfil BPR requirements such as providing counterpart contribution representing

20% of the total in addition to the loan guarantee of 50%. Only loan application of two cooperatives namely, Mwezi and Cooprocagi were approved by BPR during crop year 2013/14. Mwezi applied for FRw79,000,000 (US\$116,170) of which FRw50,000,000 (US\$73,500) was approved. Similarly, Cooprocagi requested for FRw64,000,000 (US\$94,117) but had an approval for FRw36,700,000 (US\$53,970).

In readiness for the crop year 2014/2015, a total of 10 cooperatives were facilitated to prepare their business plans to apply for the loan. These included Cocucamu (FRw20,000,000), Cocaka (FRw30,000,000), Duterimbere Kawa (FRw 61,000,000), Tuzamurane (FRw50,000,000), Turengerikawa (FRw120,000,000), Cotukanya (FRw85,123,347), Cocatu (FRw 40,000,000), Terimbere Kawa Ctmka (FRw 60,000,000), Mwezi (FRw40,000,000) and Cooprocagi (FRw50,000,000).

Component II: Scaling up and out improved coffee production and processing practices

Capacity building training was undertaken in Ethiopia in which 30 experts drawn from project zones, and regions participated. This was a Training of Trainers (ToT) activity and covered the topics of coffee marketing, business plan preparation, financial management, good governance, and handling of coffee processing machineries. The training was provided by trainers from Cooperative Bank of Oromia, Federal & Regional Cooperative Agencies, and Ministry of Agriculture and CABI and was aimed at empowering the participants with new skills in order to provide better training for farmers and cooperative management.

Exchange visit and on-site practical training were also organised for representatives of 22 primary cooperatives participating in the current credit guarantee scheme, staff from the Cooperative Promotion Agency and coffee experts drawn from all the 8 zones and 12 woredas where the project is being implemented. In total, 58 participants took part in the exchange visits and on-site training.

Model farmers and farmers' training centers were identified to be used to promote scale up of improved coffee processing and agronomic practices. These sites will be operationalized in 2015. In addition, a Training of Trainers session on coffee postharvest handling, processing, quality management; and use and maintenance of the processing equipment was given to relevant extension agents.

Component III: Strengthening of primary cooperatives and unions

Capacity building training for farmers and cooperatives continued in both countries. A total of 60 experts drawn from project beneficiary zones, and regions underwent a five days ToT capacity building exercise on coffee marketing, business plan preparation, coffee quality management, good governance, and coffee processing machineries.

In the case of Rwanda, a new approach involving Farmer Field Schools (FFS) was adopted as part of the strategy to encourage farmer-to-farmer learning. A total of 14 FFS were established out of the 20 planned. Initial training through the Field schools concerned Good Agricultural Practices including training on appropriate use of fertilisers to boost productivity and quality and the control of pests (both diseases and insects). Continuous training on GAP is essential since most of coffee farmers in Rwanda do not have the culture of using inputs (fertilizers, pesticides, etc.) and use of appropriate farm tools.

Exchange visits were organized for the cooperatives to facilitate experience sharing. Four cooperatives; Kotukanya, Tuzamurane, Turengerikawa and Amaliza were identified to participate in the activity. The cooperatives were to visit three well run cooperatives, namely, COCAMU, MUSAZA and ABAKUNDA KAWA.

Most of the cooperatives receiving training support from the project have improved the utilization of their coffee processing factories.

Component IV: Enhanced access to production and market information

Awareness creation and training on how to interpret information on international coffee prices and how to take advantage of international market trends was undertaken among the management committees of the cooperatives involved in the project. A proposal on the approach to disseminate coffee production and market information to cooperatives was elaborated by NAEB and the coffee cooperatives started to receive market prices situation at the international market. The daily market information was compiled, collated and disseminated to the Chairmen of the project cooperatives and extension agents. Dissemination of the information was undertaken twice every month.

For Ethiopia, market information is collected and collated by the Ethiopian Commodity Exchange (ECX). All information related to quality, volumes and realized prices are compiled by the ECX and feedback provided both to the individual cooperatives and nationwide for the more generic information such as the prevailing prices for various quality categories.

The nation-wide dissemination is provided digitally through electronic boards strategically placed in the coffee zones.

Component V: Project coordination, supervision and monitoring

The annual planning workshop was held in Kenya for the first time since the project was initiated. This was a departure from the normal trend of holding the workshop within one of the implementing countries. The objective was to expose the implementing institutions to different models of cooperative governance. Important lessons can be learnt through the field visit including how to set up an efficient governing structure for coffee cooperatives, the need for effective participation of the producers in decision making through the Annual General Meetings.

During the annual planning workshop, the National Coordinators provided an overview of the cumulative progress already realised since the initiation of the project. The achievements made since the inception of the project were analysed to identify any critical activities and project deliverables which need special attention during the remaining period of implementation. This was necessary given that the project was already in its mid-term period and any unaccomplished activities needed to be given priority.

PROMOTING A SUSTAINABLE COFFEE SECTOR IN BURUNDI

Period covered by the report: July to December 2014

I. Introduction

The broad objective of the project is to promote a sustainable coffee production in Burundi. A sustainable coffee economy is based on the well-being of the various actors in the chain, particularly the producers who are the weakest link in this power relationship. More precisely, a sustainable coffee farmer will meet long term environmental and social goals while being able to compete effectively with other market participants and achieve prices that cover his production costs and allow him to earn an acceptable profit margin.

The project seeks to improve the skills of coffee farmers in order to increase productivity and quality of their coffee to generate profit and improving their living standards and continue farming coffee as a profitable business. Specific activities under the pilot phase of the project include:

- Provide good agricultural practices to farmers
- Establishing demonstration plots and farmer field schools
- Promoting coffee nurseries
- Planting improved varieties or replacing old trees
- promote environmentally friendly coffee farming
- Facilitating access to inputs (fertilizers, planting materials)
- Promote organic fertilization
- Building/strengthening the capacity of farmer's organizations

These activities can be regrouped under three components:

Component 1: Supporting the sustainable increase of coffee productivity and production

Component 2: Promoting environmentally friendly practices in coffee production and processing;

Component 3: Management of scientific information on coffee production and communication

II. Project technical assessment

Since its inception in July 2013, activities carried out by Kahawatu can be regrouped under the component relating to sustainable coffee production and productivity as well as communication of scientific information on coffee production.

**Component 1: Supporting the sustainable increase of
 coffee productivity and production**

Selection of project sites and beneficiaries

For the pilot phase 3 administrative provinces of Burundi have been selected: Ngozi, Karusi and Gitega. These provinces produce nearly 21% of the total national production. Ten washing stations in these selected project zones have been identified as project centres as each washing station regroups a number of farmers and associations in the neighbourhood. Over 14,000 coffee farmers representing 11% of the total producers in these provinces and 2% of the country have been targeted to benefit from the pilot phase of the programme.

Mobilization, sensitization of lead farmers

The concept developed by Kahawatu consists of providing coffee cultivation techniques and technologies to lead farmers who are expected to pass these messages to the farmers of their respective groups. The beneficiary farmers have been selected by hillside and by group of a maximum of 30 with an elected lead farmer to supervise and represent them. A total of 479 lead farmers have been selected including 378 men (79%) and 101 women (21%). A number of meetings were organized to sensitize these lead farmers and to explain their key role in interacting with the rest of project beneficiaries as well as being a model farmer. Some farming equipment were granted to the lead farmers to motivate them.

Farmer training activities

Kahawatu has developed technical modules to promote good Agricultural practices through trainings, workshops and farmer field schools. These modules that were previously approved by the Ministry of Agriculture and other stakeholders cover the following topics:

- Farm maintenance/husbandry
- Fertilization
- Technique on compost manure
- Nurseries
- Pruning
- Rejuvenating
- Pest and disease management

Training sessions were provided in the project centres (washing stations) by 4 agronomists of Kahawatu. A number of lead farmers attended various training sessions but some leaders still need to be convinced to participate fully to these sessions. It should be noted that Kahawatu's technical staff provide the training sessions mainly to the lead farmers gathered in their respective washing stations. However, some individual farmers are often visited by the agronomists to assess the impact of the messages transmitted by their lead farmers.

Demonstration plots and farmer field schools

Demonstration plots have been set up in participating washing stations. Demonstration plots and nurseries were established in all participating washing stations. However, the only washing station visited was the Bugestal of Mubuga (Ngozi). The management of the station confirmed the growing motivation of coffee farmers as over 100 tonnes of green coffee were processed during crop year 2013/14, representing a substantial improvement compared to previous years.

Development of nurseries

As mentioned above Kahawatu has developed coffee nurseries in each participating washing stations with the support of the staff of the washing station. Seeds were purchased at the research institution (ISABU). In total, 10 nurseries have been developed in the 10 participating stations. The nurseries are being supervised by 2 nursery men and women per station, trained by Kahawatu. These nurseries generated new planting materials with over 80% of success. For the time being this activity is entirely supported by Kahawatu but it is expected that in medium and long terms these nurseries will become a private business for people willing to sell planting materials to farmers, offering employment opportunities in rural areas.

Distribution of planting materials

The activity to distribute planting materials to the participating farmers who have decided to strengthen their farms by replacing old trees or filling the gaps by new materials was organized in crop year 2013/14. Over 32,835 planting materials have been distributed to 459 beneficiaries. It was observed that high yield and disease resistant planting materials developed in a number of African countries are not available in Burundi as the existing variety requires 4 to 5 years to mature instead of 2 years.

Soil fertilization

For a good agricultural practices the recommended application for soil fertilization is 50 grammes of NPK per tree twice a year (November-December and February-March). 5 tonnes of NPK were supplied to farmers at subsidized price while lead farmers were granted to use on their demonstration plots. However, the volume of NPK was far below the requirements of coffee farmers as the Intercafé in charge of fertilizer procurement failed to order relevant quantity.

Making compost manure

The promotion of organic fertilizers is one of the priorities of Kahawatu. Farmers have received training on how to make compost manure. Lead farmers have replicated the technology on their farms as they invited members of their groups to do the same. All famers visited by the mission have their own compost manure facility. The major challenge is the supply of raw materials for the compost such as animal waste, ashes and biomass.

Women empowerment

Kahawatu has been promoting the leadership of women in coffee production. After negotiations, the Governor of the Province of Ngozi has granted 2 ha land for 50 years to a group of 130 women to grow coffee under Kahawatu model.

Component 2: Communication of scientific information of good Agricultural practices

Kahawatu has developed a series of communication programmes on national radio broadcasting to advice on good agricultural practices. The programme is well known by coffee farmers across the country and coffee scientists and experts are regularly invited to address relevant issues.

III. Project management and coordination

Kahawatu project is being implemented by an administrative staff of 4 people headed by Kahawatu Foundation national Director located in IFAD building in Bujumbura. A technical team of 4 agronomists is located in the province of Ngozi. Ten washing stations have been selected as project centres where trainings, nurseries and demonstrations are organized. The annual budget of the project is US\$300,000. The current phase of the project will be executed over 4 years (2013-2017).

**Qualitative and quantitative rehabilitation of coffee
with the aim of improving living conditions of coffee farmers
afflicted and displaced by war in the Democratic Republic of Congo
CFC/ICO/51**

1. **Period covered by the report:** 1 July to 31 December 2014
2. **Status of project implementation**

The project progress one year after its start is quite visible, even though there is still a long way to go, especially in terms of improving the business environment. This report tracks both achievements and outputs while showing progress towards results and insisting on some major constraints like the delay in obtaining fiscal immunity and difficulties to access credit for newly starting coffee cooperatives.

Component 1: Support to the sustainable increase of coffee productivity for smallholder coffee farmers

The total number of Farmer Field Schools trained resident facilitators has increased to 59 persons. Unfortunately the FFS sessions still have to effectively start this year as coffee growers totally focused their efforts on quality improvement, leaving no more time for improving tree productivity. The other reason was the incapacity of ONC to avail its counterpart agronomist necessary for field work as it is facing budgetary austerity. Discussions are ongoing and the director of ONC/Beni endeavors to secure funds for 2015. Activities in nurseries are progressing well in Idjwi where 760,198 seedlings out of 890,000 planned (from 8 coffee nurseries set in mid 2014) have been planted in polythene bags. In North Kivu 30 nurseries have been implanted by sowing 348 kgs of seeds. Expected output is 1,218,000 seedlings. Nursery activities are going on as demand for seedlings is on the rise from many villages, where rice and quinquina farmers want to convert into coffee planting due to attacks by pests and diseases (Striga in rice, Phytophthora). The commercial aspect of nurseries is kept in mind in view of their sustainability though some farmers are selling labor to have access to seedlings at planting season. Other farmers promise to pay for their seedlings with cherries brought to the micro-washing stations.

Coffee growers are progressively contributing funds (equivalent to 89,300\$ as of now) and materials to build at least 6 MWS (micro washing stations) on Idjwi/South Kivu and another 21 MWS in North Kivu. Unfortunately the import of additional equipments is delayed by the fiscal immunity until now difficult to obtain, contrary to promises made by an advisor of the former minister of agriculture during the general assembly (2014) of ICO in London. VECO-

DRC also approached the minister of finance in order to obtain an import tax exemption since it signed the framework agreement with the minister of planning as required from foreign NGOs by Congolese administration, but without any concrete result. Payment of taxes reduces the budget available for the construction of MWS.

Component 2: Improving farm gate coffee prices through quality improvement

During the first semester, 25.2 tons of K4 were sold to SOPEX and SOPROCOPIV by SYDIP (FO partner of VECO) and 19.26 tons of K4 were sold to SOPEX by CPNCK, through the project support), prepared from farm-washed parchment.

In October 2014, the pulping of cherries has started in the first batch of MWS. Farmers got paid upon delivery of well picked ripe cherries. The price paid was high, inspired by the general increase of New-York prices linked to drought in Brazil and the fact that farmers did no longer have to process cherries at their farm. They also expected a second payment after selling the coffee. The 3 cooperatives (the fourth one, CPNCK, is currently in full harvesting season) produced 23.6 tons of K3 and they did sell 19.2 tons to SUCAFINA via Phusys International at 3,700\$/mt. Samples from 3 cooperatives supported by VECO-DRC won the Taste of Harvest competition held in Kampala in January 2015 by occupying the 4 top places for Arabica from RDC with scores 83.85-85.70%. The project failed to reach the initial target of 25 containers because many farmers sold their coffee in the flowering stage during the food shortage period. A delay in accessing prefinancing credit caused a loss of coffee in Rwenzori in the first months of the season).

The MWS equipment purchased with CORDAID funds in 2013 and delivered in 2014 served coffee growers grouped into MWS to go into all the steps of high quality centralized coffee treatment. They came to understand the necessity of strictly picking red cherries only. At least 1,181 coffee growers have been trained (installation and trial of coffee equipments).

Coffee growers in Idjwi have built 6 MWS out of eight planned and are now waiting for pulpers from Kenya in order to effectively start the centralized coffee processing as the harvest season has advanced and they fear to again abandon their coffee to Rwandese buyers. In North-Kivu farmers are still building another 21 MWS among which 15 await pulpers and other materials.

Component 3: Enhancing the efficiency of the value chain through better governance of the coffee sector

Additionally to what has been reported in the previous version, VECO-DRC has concentrated its advocacy efforts on a pilot activity in Ituri, to spread later over its entire working zone. We conducted a study of the export patterns in Ituri by catching the production potential, analyse both legal and illegal tax systems and set a projection scenario for the future. The report was approved by all stakeholders and led to the holding of multi-stakeholders meetings both in Bunia and in Mahagi. The report was presented to the national committee for taxation of agricultural exports, set-up by the prime minister as a response to advocacy led by coffee exporters' national association ASSECAF, with support from ELAN/DRC.

The provincial government of Province Orientale has provided some financial support to the Kawa Maber Cooperative as a signal of its interest in the revival of the coffee sector.

In North Kivu, VECO and its partners have collected data on coffee smuggling and shared them with the general director of ONC, the provincial minister of agriculture and the former national minister of agriculture. Unfortunately little change occurred (like the suppression of illegal taxes in Goma of about 580\$/ coffee lot). The hindering fact is the involvement of ONC agents in coffee smuggling instead of playing its controlling and regulating roles.

Component 4: Inclusive project management and coordination

Province based VECO staff have organized monthly field visits to support partner cooperatives in planning, organizing and launching of activities and backstopping their personnel in different project matters. The regional project coordinator has supported the whole process by elaborating a model for cooperative by-laws, negotiating and preparing contracts with collaborating partners like ONC, INERA and cooperatives (institutional matters). He checks terms of reference and procurement against CFC procedures and coaches and inspires the project team and partners. The monitoring and evaluation system has been set up based on the project's logical frame. The inclusive data gathering tools are in place: an integrated system which allows measuring, learning and communication. The regional VECO meeting lately inspired the conception of the tools.

A summary of CFC financial procedures and tools has been shared by the financial department of VECO to all involved partners.

VECO-DRC with the support of its headquarter produced three videos on the revival of the coffee sector in DRC destined to different stakeholders (decision makers, buyers, general public, baristas, etc.) in English, French and Dutch. The movies have also been shared on VECO's website and on youtube.

The annual work plan and budget 2014 have been produced and sent to CFC. Financial and technical reports have been sent to ICO and CFC apart updating of the two organizations whether by mail or during meetings.

3. Assessment of resource utilization

Expenditure was slowed down by the complications to avail of fiscal immunity. Border officials not surprisingly participate in the predatory economy as a coping strategy to their miserable salaries, hence jeopardizing the chain's competitiveness and viability. VECO negotiated the signing of a framework agreement with the government, as an alternative to fiscal immunity, but was informed that all material imports will need a separate authorization. Importing agricultural equipment in DRC remains a headache, even with the exoneration status from the ministry of agriculture. CFC has promised high level demarches to sort this out while VECO continues to muster the right kind of support to emerge from this administrative nightmare.

4. Social and environmental effects of project implementation

Coffee growers are still facing poverty due to their powerless position in the value chain and poor treatment of coffee plus ignorance of market logic. Grouping farmers into MWS and cooperatives increases their solidarity and business engagement capacities as a strong economic entity. Coffee growers have amended and adopted cooperative by-laws and elected board and control committee members in their constituent assemblies.

85 jobs have been created for MWS agents for three months and 100 casual jobs for female hand-sorters resulted from the sale of a first high quality coffee lot. In the project working area, farmers have improved their diet, built new houses and paid without problem their children's school fees. Some farmers have donated a part of their farms to their wives and encouraged them to join MWS.

Coffee growers are being taught how to manage pulp and waste water in pits in the MWS. The program has identified themes related to organic fertilization and pest management of coffee farms. VECO is preparing a partnership with the World Wildlife Fund (WWF) to integrate agroforestry in the project as a means of mitigating climate warming effects as well as creating a suitable microclimate for coffee.

Forward planning of project implementation

The availability in time of additional equipments now is a must both for the success of the project (maintain the momentum of farmers in building MWS) and strengthening cooperatives to meet demands from buyers of specialty coffee. Access to credit will mobilize

efforts of the project team not only to get commercial funds but also as a crucial part of the exit strategy.

The ICO and the CFC are expected to organize a Mid-term review in May/June 2015.