



Projects Committee
10th Meeting
28 September 2015
Milan, Italy

**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 summarises individual progress reports submitted by each PEA for each project being implemented (see Section II of document [PJ-91/15](#)) 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 of this document is available in English only. Annex II and III are available in English and in French.

- 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 (PEA: VECCO)

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
CIRAD	Centre for International Cooperation in Agronomic Research for Development
CNAC	National Confederation of Coffee-Growers' Associations
DPAE	Provincial Directorates of Agriculture and Livestock
ETB	Ethiopian Birr
ECX	Ethiopian Commodity Exchange
FFS	Farmer Field Schools
FRw	Rwandan franc
GAP	Good agricultural practices
ICO	International Coffee Organization
INERA	National Institute for Agronomic Study and Research
MRW	Micro washing station
NAEB	National Agricultural Export Development Board
OCCU	Oromia Coffee Cooperative Union
ONC	<i>Office National du Café</i>
PEA	Project Executing Agency
RTNB	National Radio and Television of Burundi
WWF	World Wildlife Fund

**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 June 2015

Status of project implementation for components implemented during the reporting period

Component I: Access to commercial loans by smallholder

For the first time, the Development Bank of Rwanda (BRD) participated more actively in providing loans to the project cooperatives in Rwanda. The bank extended loans to four cooperatives totalling FRw 478,000,000 (approximately US\$680,000). During the same period, Banque Populaire du Rwanda (BPR) extended loans to two cooperatives totalling FRw 127,000,000 (equivalent to US\$180,000 on average). In total, 10 coffee cooperatives were supported to finalise their business plans for the purpose of receiving loans.

In the case of Ethiopia, a new milestone was achieved with respect to building a relationship with financial service providers. The primary cooperatives have managed to attract the attention of their mother Cooperative Unions when it comes to access to finance. In the past, the Cooperative Unions used to service only part of the financial demand of the Primary Cooperatives given that they were seen as not so viable and with limited options. This has since changed and the Unions are now competing with the banks to finance primary cooperatives as a means of securing coffee supply from these cooperatives. In the reporting year for example, 13 cooperatives accessed loans totalling to ETB 7,347,000 (equivalent to US\$360,000 on average) from their Unions. The Cooperative bank of Oromia only serviced request from four cooperatives amounting to 2.2 million Ethiopia Birr (US\$107,000 on average).

Market linkage support activities were undertaken in Rwanda for the cooperatives which received bank loans. Two cooperatives have already been linked to the banks and supply contracts signed with respective buyers at a buying price of US\$4.8 per kilogram of green coffee.

Loan recovery from cooperatives in Ethiopia continued as planned. In Rwanda, the project continued to work with Duterimbere Kawa cooperative which had a default since 2012 to see how the loan could be repaid without the bank having to sell the property of the cooperative which was given as collateral. Currently, the cooperative is being linked to a marketer who can lease the facility and pay back the loan as part of the lease terms.

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

Additional sites for scaling up of the good production and processing practices were identified in Ethiopia. The new cooperatives will be included in the training activities for 2015/16.

For Rwanda, the Farmer Field School approach was used to facilitate training of 20 cooperatives. Agronomic practices covered during the reporting period included canopy management, pest control and appropriate fertilizer/pesticide use. With respect to improved processing practices, 10 coffee washing stations operators were trained on coffee cupping and how to relate coffee quality defects to faults in coffee processing. Evaluation of samples from the washing stations was undertaken by professional coffee cuppers and will be used to guide further advisory activities. To enable comparison with the cooperatives outside the training program, coffee samples from neighboring non project cooperatives were taken for evaluation.

Component III: Strengthening of primary cooperatives and unions

Activities of this component were undertaken together with Component II as reported above.

Component IV: Enhanced access to production and market information

Dissemination of price information continued in Rwanda coordinated by NAEB. The information was disseminated to the project cooperatives by email. In general, prices were low during the period as shown in the table below.

Month	Rwanda fully washed	Other Milds NYC
January 2015	4.90	4.10
February 2015	4.40	3.90
March 2015	4.00	3.50
April 2015	4.00	3.60
May 2015	4.10	3.50
June 2015	4.10	3.49

In the case of Ethiopia, price information continued to be disseminated through the electronic system of the Ethiopian Commodity Exchange.

Component V: Project coordination, supervision and monitoring

The annual planning workshop was held from 13 to 18 April 2015 in Hawassa, Ethiopia. The workshop discussed progress made since its inception and identified areas which still needed to be addressed in order to enable the project meet its set objectives. The challenges experienced by the implementing partners were likewise discussed. The work plans and budgets 2015 were discussed and agreed upon. A field trip was organised to one of the cooperatives which benefited from the project.

The workshop observed that the set objectives in respect to building of cooperatives and farmers in both Ethiopia and Rwanda had largely been met. Nevertheless, additional capacity building and follow up activities will be necessary to ensure the current cooperatives continue in their path to progress and newly selected ones are supported. Most importantly, it was observed that follow up activities need to be intensified to ensure any loans which are outstanding are repaid in good time. In this regard, it was recommended that the 2015 budget should emphasise communication, to support the implementing partners have better mobility given that the region where the project is implemented are quite remote.

Concerning access to commercial loans by the primary cooperatives, it was observed that the two participating countries had registered different levels of success. In Ethiopia, up to 15 cooperatives were already receiving loans from the Cooperative Bank of Oromia (CBO). The Coffee Unions were also competing with the commercial bank to provide loans to the cooperatives, an indication that the primary cooperatives in Ethiopia were seen as less risky by the financial service providers. Concerning Rwanda, progress in facilitating access to commercial loans by the primary cooperatives was still limited. Only three cooperatives received loans in the first year of the project out of the 22 cooperatives initially enlisted. The second and third year of the project had similarly poor performance, with only two cooperatives receiving loans.

V.2 Assessment of resource utilization

The total expenditure during January to June period amounted to US\$99,224.77 compared to the budget of US\$327,716 (30.2% utilization rate). This comprised expenditure by the PEA amounting to US\$83,483.77, US\$1,150 spent by the PEA on behalf of Ethiopia and US\$14,591 spent by Rwanda. Information on the expenditure of Ethiopia for the period 2011 to 2014 amounting US\$139,924 became available during the reporting period. The expenditure had not been reported earlier due to lack of accountability information from Ethiopia. Taking this into consideration, the consolidated expenditure reported for the period was US\$239,149.62 against a budget of US\$509,298.8, equivalent to 68% utilisation.

V.3 Assessment of project coordination and management

One steering committee meeting was organised in Ethiopia in March 2015. Rwanda did not have a steering committee during the period.

V.4 Social and environmental effects of project implementation

The impact of the project on both the family households and the environment are expected to be positive. The project has empowered the farmers with skills and knowledge to produce coffee more sustainably, emphasising the use of water saving environmentally friendly coffee processing technology.

V.5 Forward planning of project implementation

Follow-up of cooperatives which secured loans through the guarantee scheme in Ethiopia and Rwanda will be undertaken to ensure the coffee processed using the credit guarantee facility are sold in good time and the disbursed loans are repaid within the stipulated period. Training on good governance will be undertaken for cooperatives in Ethiopia and Rwanda in July/August 2015. Training on good agronomic and processing practices will be undertaken during the July to December period in both countries. And annual planning meeting will be undertaken in November/December 2015. Facilitation of the external review of the project will be undertaken in August/September 2015.

PROMOTING A SUSTAINABLE COFFEE SECTOR IN BURUNDI

Period covered by the report: January to June 2015

Introduction

Launched on 23 July 2013, activities take place in seven communes in Ngozi province (Ruhororo, Gashikanwa, Kiremba, Tangara, Ngozi, Nyamurenza and Mwumba), two communes in Karusi province (Gitaramuka and Bugenyuzi), and one commune in Gitega province (Mutaho). The activities detailed below were conducted over the period from January to June 2015 and were in the fields of promoting good agricultural practices; access to inputs, finance and markets; dissemination of information; and support for innovation and applied research

1. Promoting good agricultural practices that conserve soil, water and the environment

Training in good agricultural practices

Since January 2015 coffee farmers have had the opportunity to attend two training programmes to build capacity in applying good agricultural practices. Two training strategies were used: indirect training delivered through lead farmers and direct training delivered directly to members.

Quality training

Training in this area was delivered to lead farmers (445 lead farmers) and other partners. The aim was to build capacity in techniques that produce high-quality, environmentally friendly coffee that can compete on the market. The outcomes were as follows:

- Nine training sessions were held and sessions were held at each of the Kahawatu partner washing stations.
- 463 people received training, including 379 lead farmers and 81 partners.
- Overall, 85% of lead farmers attended the training, i.e. 379 of the 445 lead farmers who were invited.
- The participation rate among women lead farmers averaged 17%.

Direct training

Kahawatu realised that not all lead farmers were in a position to train other farmers. It therefore decided to provide direct training to groups of farmers. The training programmes conducted on this basis at a lead farmer's plantation are referred to as 'direct training programmes'. The training package on good agricultural practices was divided into four training modules:

- Module 1: Weeding/mulching/erosion/shade
- Module 2: Pruning and mulching
- Module 3: Making coffee borer traps and integrated pest management (IPM);
- Module 4: Fertilisation

In all, 1,241 people attended, including 322 lead farmers, 908 group members and 11 partners;

- The participation rate among lead farmers was 72%;
- The participation rate among group members was 13%. The low rate in this category was due to the fact that direct training was a new step.

Farm visit

Additionally, agronomists make farm visits to assess the application of good agricultural practices by members.

2. Facilitating access to inputs, finance and markets

2.1 Establishment of nurseries and distribution of agricultural tools

All the activities involved in establishing nurseries (sowing, seedling beds, shade houses, potting, pricking out of plantlets, etc.) were conducted once the recruitment of nursery men was complete. The process resulted in the establishment of one nursery at each of the 10 washing stations, supervised by two nursery men per station. The 10 nurseries produced 273,361 plants which will be sold at a subsidised price to farmers during November 2015, enabling the recipients to rejuvenate their ageing plantations. Agricultural materials and equipment were distributed to members in April. These include waterproofs, pruning shears and borer traps. It should be noted that the socio-political situation has hampered the distribution of these tools.

2.2 Organization of collection centres

In principle, the washing stations are centres where cherries are collected and sold. However, some producers who are located very far away from the collection centres have transport problems that make it difficult to access the centres. To address this, the project set up collection centres close to producers. Lead farmers with good training in quality standards supervise the centres. Additionally, 84 lead farmers have been recruited by washing stations to work in the collection centres, and act as relay points.

2. Joint Liability Group (GCS)

The coffee sector generates income to producers only once a year. In view of the fact that farmers have very limited access, if any, to financial institutions, Kahawatu took the lead in establishing groups providing joint security that can act as collateral for finance. The groups were trained in six major areas, including community living; the creation and management of a GCS; the role of GCS management bodies and election to them; articles and by-laws of a GCS; savings, credit, interest and penalties; and with the distribution of proceeds from coffee sales at the end of the cycle. Eleven groups have been set up.

3. Information, mobilisation and awareness-raising

3.1 Radio broadcasts on good agricultural practices

Each month Kahawatu makes a radio broadcast on the national radio station RTNB on aspects of coffee cultivation. These include monitoring young plants and the application of NPK fertiliser, training on quality, women coffee farmers, cherry harvesting, safeguarding quality, and mulching and pruning.

3.2 Support for the RAMA women project

The Rama Dufatanemunda ('We must stand together') project for sustainable development is a project that supports women coffee farmers. It aims to help improve women coffee farmers' living conditions by making it easier for them to access land, agricultural inputs and capacity-building programmes to promote good agricultural practices. Kahawatu's support for the association includes building capacity to organise and manage the association, cash account bookkeeping, and the planning and drafting of articles and by-laws. With Kahawatu's support, the association has obtained a plot of land that will become a coffee plantation owned fully by the association's members. Agricultural materials and tools were provided by Kahawatu by way of an incentive.

3.3 Training of farm extension service providers from the CNAC and the DPAE

Training in capacity-building was also delivered to farm instructors for the area covered by the Kahawatu project. The training recipients are agents of the National Confederation of Coffee-Growers' Associations (CNAC) and officials from the Provincial Directorates of Agriculture and Livestock (DPAE) of the Ministry of Agriculture and Livestock. The training was provided to 50 CNAC and 24 DPAE extension service providers.

4 Innovation and applied research

4.1 CIRAD training

CIRAD, the International Cooperation Centre of Agricultural Research for Development, delivered on-site training in soil and leaf analysis and good agricultural practices to Kahawatu agronomists and other partners. The training also covered the importance of organic matter

and compost management. The specific topics included as part of the training were pruning, compost, mulching, shade, coffee nutrition, diseases, insects, and factory processing of cherries. Also covered were the identification of diseases and pests and diagnosis of the various mineral deficiencies. The training programme was attended by 17 people including 6 Kahawatu agronomists, 5 participants from Ngozi University, 2 participants from the 'Long Miles Coffee' project, and 4 participants from 4 other organizations (KALICO, Ngozi Federation of Coffee Growers, the DPAE, International Women's Coffee Alliance). CIRAD also advised establishing plots to demonstrate innovative practices involving coffee trees and banana trees in cooperation with ISABU, a Burundian agricultural research institute.

4.2 Introduction of traceability

With support from the software company SAP and the GIZ (German Agency for International Cooperation), the project to establish a data tracing system has been launched. The project envisages a smart-phone application that can collect data from farmers' plantations to washing stations. Two washing stations, Ryarunyinya and Mubuga, have been selected for the pilot phase. The project has been put on hold because of the security problems associated with the socio-political situation. Activities may resume in 2016.

Conclusion

Most of the activities that had been planned for the period between January and June 2015 were carried out. Nonetheless, some activities experienced delays as a result of the socio-political situation. It should be noted that on the ground, the beneficiaries appreciate the support provided by Project Kahawatu and are highly motivated to participate fully in the activities organised.

**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**

Period covered by the report: January to June 2015

Status of project implementation

After 17 months of implementation, the project is still on track regarding coffee quality improvement through micro-washing stations and the organising of coffee growers into specialised coffee cooperatives. Demand for Kivu coffee has increased at an unexpectedly high rate. Coffee tree nurseries are performing well, and action-research of local remedies against pest and diseases, done in partnership with the National Institute for Agronomic Study and Research (INERA) is ongoing. The coffee productivity improvement component is running at a slower pace as farmer field schools (FFS) have to follow several steps to get well adopted. The business environment remains non conducive in spite of the reported progress of reducing by US\$580 the illegal levies in Goma, thanks to joint advocacy activities supported by a coalition of different organizations, among them VECO.

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

The total number of trained resident facilitators of FFS has increased to 59 people. The structuring of FFS has been done both in South Kivu (17 groups with 25 farmers on average) and North Kivu (23 groups). Themes developed in these FFS include weeding, pruning, selective harvest of cherries, pests and disease prevention and management using local knowledge. FFS have to intensify sessions with close assistance from the *Office National du Café* (ONC) and INERA with a clear division of roles.

Activities in nurseries are progressing well in Idjwi where 760,198 seedlings out of 890,000 planned (from eight coffee nurseries set up in mid-2014) have been planted in polythene bags. Other nurseries have been launched by sowing 97 kg of seeds, with an expected number of 214,134 seedlings for planting. In North Kivu 30 nurseries have been set up by sowing 348 kgs of seeds. 599,799 seedlings have been produced and the transplanting into soil-filled plastic bags continues. Selling of seedlings has started in some nurseries/villages with prices varying between 50-100 CF/seedling. The latter is more profitable compared to the production cost of CF 47 per seedling.

Coffee growers have already contributed funds (almost US\$255,000) and materials to build MWS (micro washing stations). On Idjwi/South Kivu, five MWS are in operation, three MWS

are under construction and six are ready. In North Kivu the number of MWS is high with 26 MWS in operation, 8 MWS ready to be equipped, and 35 MWS under construction. While the absence of fiscal immunity continues to weigh on the budget and on the import procedures, VECO-DRC has 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 the Congolese administration, but without any concrete result so far. VECO recently hired a lawyer in Kinshasa to help find a structural solution for this problem.

Component 2: Improving farm gate coffee prices through quality improvement

During the 2015 intermediary season, CKK and COOKKANZ respectively produced two containers and 15 tons of K3 coffee. One container has been sold to an international trading company at 4200\$/MT (quality bonus of 55ct/lb over NY prices).

Coffee growers in Idjwi have built six MWS out of eight planned so far and have obtained pulpers from Kenya, unfortunately a few days before the end of the main crop. They were still able to produce seven tons of gourmet coffee at the price of US\$5/kg. In North-Kivu farmers are still building another 74 MWS, all awaiting pulpers and other materials.

Many buyers are offering higher prices every season (NY+50ct, NY+55ct and NY+95ct) to cooperatives and buying intentions are expressed by even more buyers who are ready to engage in long term partnerships. This is the outcome of the project's support to the cooperatives in terms of quality improvement, transferring of management and business skills, quality control (through partnership with cupping labs in Kigali and Belgium), linking-up efforts through different events like coffee fora, competitions and other networking occasions. VECO envisions to gradually integrating all partner cooperatives into the Joint Marketing Initiative set by TWIN in favour of 12 African gourmet coffee cooperatives.

Component 4: inclusive project management and coordination

Province based VECO staff organise monthly field visits to support partner cooperatives in planning, organizing and launching of activities and supporting their personnel in different project matters. The regional project coordinator has supported the whole process by developing a model for cooperative by-laws, negotiating and preparing contracts with collaborating partners like ONC, INERA and cooperatives (institutional matters). He additionally helps ONC in understanding the project philosophy, in which agronomists are supposed to play a facilitating role instead of being sporadically active in the field and then stopping activities at the end of the project.

VECO-DRC has launched its website as well as a Facebook wall where information on the project is shared with the public at large.

The annual work plan and budget 2015 have been produced and sent to CFC.

Assessment of resource utilization

Up to June 2015, expenditure has reached 63.89 % of the annual budget. VECO has ordered the necessary coffee equipment even though fiscal immunity has not yet been granted and all import duties are due.

Assessment of project co-ordination and management (see above component 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 held their annual assembly to discuss general matters and ways forward for their coffee business. They have adopted the strategy of selling coffee by micro lot as a means of remunerating efforts invested in quality and a way of attracting best prices from gourmet coffee buyers.

150 jobs have been created for MWS agents in three months and 200 casual jobs for female hand-sorters have resulted from the sale of high quality coffee lots. 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 programme has identified themes related to organic fertilization and pest management of coffee farms. The agroforestry partnership with WWF announced in the previous summary has been implemented and seedbeds of shade trees have been established in coffee producing villages around Virunga Park. The next step consists of designing the most appropriate application methods for selective impact and assessing the effects of their utilization.

Forward planning of project implementation

Given the large response of the farmers' to the project approach based on ownership, it is necessary to anticipate an important extension of the programme. VECO has been chosen as the lead organisation for the Arabica coffee value chain in a major agricultural program in North-Kivu under IFAD loan to the Congolese government (discussions are not yet closed and the implementation is due to start in 2017). In Ituri, UNDP has availed US\$40,000 in support of VECO's activities led in partnership with Kawa Maber Cooperative, while TWIN complementarily has integrated the same cooperative in its project named Maanda. UNDP/Bukavu has visited CPNCK in Idjwi and is ready to consider in the near future some form of support to VECO's activities there.

Lessons learned

- The approach adopted by VECO mobilizes both funders and coffee buyers. The ball is in the hands of cooperatives to catch all those golden opportunities.
- The high coffee quality is a strong negotiating factor towards buyers. International buyers are getting quite excited and are vying to get it once they have tasted coffee from the co-operatives. The market of gourmet coffee is no longer a problem.
- Access to credit for working capital is a major critical success factor as disappointed farmers will have no choice but to offer their coffee for side-selling elsewhere.
- In spite of low coffee prices in New York, buyers are offering good quality bonuses to cooperatives, convincing farmers to sell their cherries to MWS while local intermediaries consequently withdrew.
- The current enthusiasm and commitment of coffee growers requires additional fundraising for up-scaling in order to facilitate the construction of more MWS.
- Enhancing the efficiency of the coffee value chain requires looking at the whole system, at all levels, in order to reduce the time needed to prepare a container, allowing an even better use of the working capital.
- It has been proven it is possible to launch a coffee seeds and plantlets value chain with light support from research centres and agronomists in the early stage.
- The ONC management problems negatively affect the know-how and enthusiasm of its agronomists. They will be motivated only if all means are made available for their field visits.