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Guatemala City, Guatemala

**Report of the  
Virtual Screening Committee (VSC)  
on three coffee project proposals**

**Background**

1. This report contains assessments provided by the Virtual Screening Committee (VSC) on the following three project proposals (two new and one revised) which will be considered by the Executive Board and Council in March 2010:

- **Smallholder coffee expansion (Concept note)**, submitted by the Coffee Association of Malawi (document WP-Board 1060/10)
- **Promotion of domestic coffee marketing and consumption in the Central African Republic**, submitted by the Inter-African Coffee Organisation (IACO) (document WP-Board 1061/10)
- **Enhancing the potential of Robusta gourmet coffee production in Uganda and Tanzania**, submitted by the *Istituto Agronomico per l'Oltremare* (IAO) of the Italian Ministry of Foreign Affairs (MAE), with the support of the Government of Uganda (document WP-Board 1059/09 Rev.1)

2. The VSC is currently composed of Brazil, Côte d'Ivoire, Guatemala and Indonesia (exporting Members) and Germany, Italy, Spain and the USA (importing Members).

**Action**

The Executive Board is requested to consider the report of the VSC and to submit a recommendation on the three proposals to the Council.

## REPORT OF THE VIRTUAL SCREENING COMMITTEE (VSC)

Summary of VSC screening by technical area

February 2010

<b>Technical area</b>	Smallholder coffee expansion (Concept note)	Promotion of domestic coffee marketing and consumption in the Central African Republic	Enhancing the potential of Robusta gourmet coffee production in Uganda and Tanzania*
Coffee sector priorities	Adequate	Poor	Feb 2010: Good Sep 2009: Adequate
Project planning	Poor	Poor	Feb 2010: Adequate Sep 2009: Poor
Operational capacity of Project Executing Agency (PEA)	Very poor	Very poor	Feb 2010: Adequate Sep 2009: Poor
Sustainability	Poor	Poor	Feb 2010: Adequate Sep 2009: Adequate
Budget/cost-effectiveness	Very poor	Very poor	Feb 2010: Adequate Sep 2009: Poor
<b>Overall recommendation</b>	The VSC recommended that the Concept note <b>should be revised</b> taking into consideration the technical comments provided for subsequent development as a full proposal	The VSC was split on: <b>revision (3) or rejection (2)</b>	The VSC was split on: <b>approval (1) or revision (4)</b>

\* This is the second time that this proposal has been considered by the VSC. The screening results are shown in the above table as follows: February 2010 and September 2009.

**1. Smallholder coffee expansion (Concept note)**, submitted by the Coffee Association of Malawi – Project outline document WP-Board 1060/10.

Screening by technical area	Scoring:
Coffee sector priorities	Adequate
Project planning	Poor
Operational capacity of PEA	Very poor
Sustainability	Poor
Budget/cost-effectiveness	Very poor
<b>VSC recommendations:</b>	The VSC recommended that the Concept note <b>should be revised</b> taking into consideration the technical comments provided for subsequent development as a full proposal

**General comments:**

- (a) This project proposal is designed to provide smallholder farmers in the central region of Malawi with coffee as an alternative cash crop to tobacco.
- (b) The proposed Project Executing Agency (PEA) is yet to be decided.
- (c) This is the first time that the Committee has considered this proposal.

**VSC comments:**

- Two Members considered that the concept was acceptable, understandable, interesting and worth pursuing, whilst two other Members considered that the Concept note did not contain much information and could not be analysed as it was, and a full proposal should be submitted.
- It was also suggested that a proposal should be developed bearing in mind that several issues would need to be addressed such as the approach to be taken, how households would be chosen, a demonstration (through a cost/benefit analysis) that it would be cost-effective for smallholders to switch from tobacco or other crops to coffee production, a discussion on market access and value chain constraints or opportunities, how trade barriers would be reduced, how quality control would be assured, together with a detailed budget.

**Additional comments and suggestions:**

- It would be important to define the ways to organize farmer groups and have clear modalities for distributing different levels and kinds of responsibility among the local players. It would also be necessary to envisage appropriate endogenous control bodies to supervise the economic aspects of the project. People would need to be selected

and trained to manage the project in a sustainable way. Access to the international market for high quality coffee had to be organized, since Malawi's Arabica had excellent quality potential.

- It was also pointed out that the proponents should keep in mind that the figures in the fully-fledged proposal should be backed up with strong arguments. For example, it was not clear why the figure of 3,000 families participating in the project was given or why the effects would trickle down to more than 20,000 people. This could be strengthened by providing information on the population in the area where the project would be implemented and proposing that a certain percentage would be targeted, equivalent to a certain number of families. It was not clear what vulnerable meant in the statement “Most of the target group members are vulnerable and disadvantaged. Single-headed families and looking after AIDS patients.” In the case of the statement that “the project will help to reduce barriers to trade as it will provide a chance and capacity to smallholders to access international markets as coffee is mostly exported”, it was not clear how this would be done. If the project increased production, how did this relate to economic trade barriers? Would someone be in charge of opening markets for growers? In the case of the reference to hills being “professionally terraced” it was not clear what this meant.
- Overall, all arguments should be strengthened and the proponents should not use statements that they thought would sound good to the reviewer. The reader of the proposal needed to see firm and convincing evidence that the project was feasible and would have a positive impact on a lot of people. When writing the proposal, proponents should keep in mind VSC recommendations.
- Given that the main purpose of the project is to introduce coffee as an alternative crop for diversification and that this is a complex decision in a world context of relative stagnation in demand and the growth and diversification of supply, it would be rash to justify it merely in terms of a situation of rising prices.
- Diversification of production should be undertaken with a clear emphasis on food security to accompany the strengthening of production and marketing in the coffee sector, with an adequate guarantee of food for the beneficiary population. This would add a fundamental feature to a project that seeks to be based on a national process to strengthen the sector.
- Another essential requirement to counter possible reservations that the project envisages heavy investments in equipment is that national and international cooperation agencies act in a synergetic and coordinated manner to increase the effective use of the project's resources. Applied research and ongoing training should also be part of the proposal. For this purpose, links with key players in the region should be explored as well as with those from international cooperation agencies that could complement the financial commitment proposed in this project.

**2. Promotion of domestic coffee marketing and consumption in the Central African Republic**, submitted by the Inter-African Coffee Organisation (IACO) – Project outline document WP-Board 1061/10.

Screening by technical area	Scoring:
Coffee sector priorities	Poor
Project planning	Poor
Operational capacity of PEA	Very poor
Sustainability	Poor
Budget/cost-effectiveness	Very poor
<b>VSC recommendations:</b>	The VSC was split on: <b>revision (3) or rejection (2)</b>

**General comments:**

- (a) This project proposal is designed to rehabilitate the coffee sector, expand coffee trade (including exports) and thereby improve the livelihoods of coffee farmers and their families in the Central African Republic.
- (b) The proposed PEA is the Inter-African Coffee Organisation (IACO).
- (c) This is the first time that the Committee has considered this proposal.

**VSC comments:**

- One Member stated that the proposal needed to be re-written, focusing on improvement of the overall quality and to create an organized and transparent internal market, as was evident from the introduction to the proposal.
- It was also stressed that since the CFC did not consider promotion of consumption eligible for funding, it would certainly reject this kind of proposal, noting that since several good proposals in the pipeline were still waiting to be submitted to the CFC for funding, this proposal should be rejected.
- The proposal was considered disorganized and lacking adequate detail. Since the proposal had three objectives, it seems that the inclusion of the third objective *encouraging consumption* clearly detracted from the proposal.
- Aspects relevant to food security and rural development could be better elaborated.

**Additional comments and suggestions:**

- There was a mismatch between the first project component (value addition) and the first objective (training of Farmer-Based Organization (FBOs)). How each objective would be achieved should be discussed in detail and objectives should not be merged in the Project Components discussion. Component 3 was not listed as an objective of the proposal.

- Since FBOs were normally organized and officially recognized farmer groups, with binding constitutions and well laid out governance structures, one Member asked how they would be registered and what the mechanism was for doing this.
- In the case of the budget, specific details about how figures for Components 1 to 4 would be disbursed were required, as well as more details on how the proponents came up with these figures.
- The relevance of the project must be solidly justified, particularly as it relates to an activity specifically rejected by the CFC. Two complementary strategies could be considered: on the one hand maximizing the project components not directly linked to promoting consumption (these do, in fact, seem to carry more relative weight in the existing project), and, on the other, forwarding the proposal to bilateral cooperation agencies that would, in principle, be more receptive to these orientations.
- Since there is no focus on food security, which is fundamental in the circumstances of the country and the population to which the project is directed, there is a need to introduce references as to how the project will affect income levels and development indicators, as well as food security for the direct and indirect project beneficiaries.
- Another fundamental condition, particularly in order to counter possible reservations that the project envisages heavy investments in equipment, is that national and international cooperation agencies act in a synergetic and coordinated manner to increase the effective use of resources made available to the project.

**3. Enhancing the potential of Robusta gourmet coffee production in Uganda and Tanzania**, submitted by the *Istituto Agronomico per l'Oltremare* (IAO) of the Italian Ministry of Foreign Affairs (MAE), with the support of the Government of Uganda – Project outline document WP-Board 1059/09 Rev.1.

Screening by technical area	Scoring:
Coffee sector priorities	Feb 2010: Good Sep 2009: Adequate
Project planning	Feb 2010: Adequate Sep 2009: Poor
Operational capacity of PEA	Feb 2010: Adequate Sep 2009: Poor
Sustainability	Feb 2010: Adequate Sep 2009: Adequate
Budget/cost-effectiveness	Feb 2010: Adequate Sep 2009: Poor
<b>VSC recommendations:</b>	The VSC was split on: <b>approval (1) or revision (4)</b>

**General comments:**

- (a) This project proposal is designed to add value to Robusta coffee in Uganda and Tanzania, to promote the coffee-producing regions and their local cultural heritage.
- (b) The proposed PEA is the IAO/MAE, Florence – Italy.
- (c) This is the second time that the Committee has considered this proposal.

**VSC comments:**

- One Member was impressed with the amount of detail provided by the proponents and considered that the proposal had well developed goals that should enhance the livelihoods of Robusta producers in both countries and offers a holistic vision for coffee production in both countries.
- However, another Member found that the revised version was disappointing compared with the first version submitted, which presented good chances for improvements in the areas already elaborated. The only changes made were relevant to the additional costs that the inclusion of Tanzania implied. It did not take into consideration the recommendations given by the VSC when it was considered in September 2009.
- It was also noted that the International Coffee Council had recommended that the proposal should be revised to include other countries in the region. Although both Tanzania and Angola were interested in participating in the project, only Tanzania had been included. To take account of the recommendations of the Council, an explanation as to why only Tanzania had been included should be added by the proponents.
- Another Member stressed that the proposal did not contain specific actions to address the issue of quality control of the coffee produced, nor did it explain how the activities would be followed on the terrain. Constant on-site supervision and full engagement and assumption of responsibility of specific individuals of the local communities would be extremely important to obtain positive results. The project did not address the issue satisfactorily. Local institutions and capital sources should be actively involved in the project.