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

Background

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

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

Action

The Council is requested to note this document.

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

- 1. Period covered by the report: 1 July to 31 December 2008**
- 2. Status of project implementation**

Component 2.1: Construction of new coffee processing facilities

In **Nicaragua** during this semester 20 new credits were granted to Financial Intermediaries (FIs), bringing the annual total to 143 credits.

With regard to the construction of new coffee processing facilities (CPFs): 45 new units are in process of construction (5 Model 1 and 40 Model 2 units), representing 64% of the project work plan adjusted in May 2008.

Honduras

The main activity (rehabilitation of CPFs) advanced quite rapidly during this reporting period. One hundred and eleven sub-loans were approved and disbursed by the *Banco Nacional de Desarrollo Agrícola* (BANADESA), 90 of which were for restoration and 21 for the construction of new CPFs. Civil works and installation of machinery in good operating condition also took place during the reporting period. Funds from the first CFC loan disbursement were fully used for this activity.

Component 2.4: Training and dissemination

Nicaragua

In order to disseminate the knowledge needed for the construction of new CPFs and adequate management of by-products, training was carried out in: design of new units; interpretation of plans; and environmental management relating to the new units. Participants from 26 organizations were involved, with 23 workshops and 7 exchange visits attended by 555 coffee growers and 53 technicians. These training activities were carried out in collaboration with the Ministry of the Environment and Natural Resources (MARENA) and the Institute of Rural Development (IDR).

- 3. Social and environmental effects of the project implementation**

Nicaragua

Project activities are currently under way and no social or environmental problems have been reported as yet. Nine workshops on environmental management were held with producers who had requested new coffee processing units.

The producers and technical personnel involved emphasized the need to defend natural resources and to invest in environmental management structures and coffee processing facilities.

Honduras

The PEA has visited several coffee growers who have expressed their satisfaction in the ownership of new or restored CPFs, which will be useful for coffee quality improvement and hence the income of their families. The demand for credit is greater than the project loan funds.

The PEA and IHCAFE are introducing design specifications for environmental protection in construction of CPFs. The effects of such measures will be evaluated during the operation of these facilities during the next coffee harvesting season. The main characteristics of the design of the CPFs are reduced use of water in processing, the utilization of by-products (coffee pulp as manure), and safe disposal of waste from the plants.

4. Lessons learned

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

- Credit disbursement to FIs should not begin until prior project requirements have been met.
- Advisors (civil engineers) are required for the construction of new coffee processing units.
- Implementation of this type of project is important for improving the quality of life of smallholders in both economic and environmental terms.
- There is a great need for credit, and the technical assistance provided to small coffee growers to improve coffee harvest processing up to the drying stage has been one the most valuable achievements of the project. This Pilot Project is expected to open up other sources of credit from private and government banks, and serve as a model for such services.

5. Conclusion

Since cost structures for the construction of new units increased in 2007 by a weighted average of 136% compared to the figure for 2000, when the project was defined, targets need to be adjusted both for the construction of new coffee processing units and the number of trained producers.

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

1. Period covered by this report: 1 July to 31 December 2008

2. Status of project implementation

Component I: Rehabilitation of coffee production: nurseries were established during this period as follows: i) 84 new communal or individual field nurseries, ii) two large nurseries were completed at the *Instituto Nacional do Café de Angola* (INCA) station in Gabela, which produced 5.7 million coffee seedlings, and iii) several beneficiary farmers have opted to set up individual nurseries on their farms. Around 3.6 million seedlings were used to rehabilitate an area of over 3,000 hectares.

Component II: Commercialization of coffee: 12 INCA staff were trained in coffee quality, coffee classification and tasting, which helped farmers to establish effective links with the market, especially with coffee traders and input suppliers. The INCA was also assisted with the upgrading of the liquoring unit in Luanda.

Component III: Settlement schemes for displaced farmer families: With the assistance of the Cooperative League of the USA (CLUSA), i) 80 farmer associations were constituted, ii) 13 cooperatives for farmers were developed, iii) 79 workshop sessions for 840 leaders (including 126 women) were undertaken on the subject of operating as businesses, iv) 13 cooperatives are at an advanced stage in registering/legalising their activities, v) 2,645 farmers from 277 solidarity groups and 80 associations opened accounts at BPC (accumulating savings of US\$31,169) and received loans totalling US\$1,291,080, and vi) farmers have opened an account with another bank (*Banco de Fomento Angola* (BFA)) into which they have deposited jewellery and other items valued at US\$13,330.

The Angolan Institute of Survey and Cartography (IGCA) of the Ministry of Defence continued to assist farmers in acquiring individual titles to their land. The roads and bridges in the project area were repaired by the Government. The project continued to influence the rehabilitation of these roads to include those where the farmer cooperatives are located. To assist with food production three tons of bean seeds were acquired and distributed to farmers.

Component IV: Support services: The demonstration plots set up by the project have served as an important point for training farmers.

Component V: Institutional support: Three INCA technicians and one scientist were trained by CLUSA on aspects relating to the cooperative movement including principles, legal

statutes, composition and functioning of social organizations and the importance of registration. Following training by the coffee quality consultant, two INCA staff were identified to undertake further training in Brazil in 2009.

Component VI: International technical assistance: The Chief Technical Adviser to the project and the Project Management Unit continued to coordinate and provide technical backstopping to INCA from their base in Gabela.

Component VII: Project management: The project approached the BPC bank which agreed to concede the second tranche of loans to the farmers in the project. This will be reimbursed when INCA receives the second loan tranche from the CFC.

3. Assessment of resource utilization

The grant funds were released in a timely manner and disbursements are on schedule. However, concern exists over the availability and use of loan funds. The piecemeal release of counterpart funds combined with the lengthy procurement procedures and the fact that most of the items have to be imported has affected the implementation schedule of the project work plan. Given the large under-spend in the project (about 50%), a two-year no-cost extension has been requested by the PEA and approved by the CFC.

4. Assessment of project co-ordination and management

Changes in the management of the project include the relocation of the Project Management Unit (PMU) from Luanda to Gabela, which could compromise the CTA's ability to influence change/action. However, the appointment of a new Coordinator to be based in the project is well advised and could be very effective if given more leverage to influence the direction of the project. The performance of CLUSA is very encouraging, while that of BPC has ample room for improvement.

5. Social and environmental effects of project implementation

Increased returns from the sale of higher quality coffee are expected to improve the income of the coffee farmers. Resettling of previously dislocated persons should give them hope and make them more productive and socially more content. No adverse effects on the environment are envisaged, especially with the reluctance of the farmers to wet-process their coffee.

6. Forward planning of project implementation

The project ends in March 2009. The rather ambitious 3-year project aimed to offer services to a wide spectrum of beneficiaries who had been ignored for decades and who needed an

attitudinal change to fit into the modern world. A variety of institutional teething problems led to the delay in the initiation of planned field activities. These have been largely overcome but there is a need to recover time lost at the beginning. Given the outstanding balances and the need to complete some activities whose encouraging results are of great interest to the beneficiaries, an additional two year no-cost extension was proposed and approved by the CFC. The extension will emphasize the following components:

Commercialization of coffee

- Regular provision of market related information.
- Enhancement of post-harvest coffee quality.
- Support for internal coffee marketing.

Support services

- Finalize the structuring, legalization and strengthening of farmer cooperatives and associations (including linking these to markets), and concession of title deeds to members.
- Undertake field research and farmer training (soils, Farmer Field Schools, etc).
- Strengthen micro-credit finance systems, including encouraging direct links between banks and individual farmers to ensure sustainability beyond the current activities, and indeed the lifespan of the project.
- Improve local infrastructure (especially roads).

Institutional support

- Establish a market information system (this is important for efficient trading of coffee).
- Train INCA scientists and extensionists.

7. Conclusions and Recommendations:

Despite the challenges, encouraging success was achieved with prospects for further achievements. Farmers feel stimulated by the project and their organizations have commenced functioning as businesses. Links have been made between farmers and traders. INCA staff still need further training, especially in areas where more interest has been shown.

A two year no-cost extension would allow the project to attain its projected impact. In order to achieve this objective there is a need for a further attitudinal change amongst INCA staff to clearly show complete ownership. Specific areas of improvement include more effective use of available resources (human and equipment) as well contracting of a qualified and dedicated accountant, economist and information management system specialist.

**PILOT SHORT- AND MEDIUM-TERM FINANCE TO
SMALL-SCALE COFFEE FARMERS IN KENYA**

CFC/ICO/20

1. Period covered by this report: MTE carried out in December 2008

Current project activities are ongoing at the Kiunyu Factory and in twelve small farms involved. Farmers have been supplied with loans as per the calendar of operations. Inputs are sourced jointly by the KDFSS and the Project Implementing Unit (PIU). Financing for labour is deposited directly into each farmer's account at the Sacco-bank. Training of farmers' representatives (team leaders and experts) is being conducted by the PIU which also provides extension services to ensure that supervision and proper husbandry are implemented.

II. Achievements

(a) Group formation

Some 43 JLGs (co-operative society) and 3 Coffee Interest Groups (CIGs) were formed. All groups have four experts (nutrition, pests and disease control, pruning, picking and delivery) and a group leader. Through leaders/experts, all groups have received training on recommended husbandry practices and have worked as a team to ensure the participation of all members

(b) Design of IT software and training

All loan application procedures were met using application reports generated with PAFED software. In addition, the system processed a coffee payout for year 2007/08 and even issued payslips to farmers. Links for data sharing with the Micro-Finance Institution (MFI) and the Kenyan Planters Cooperative Union (KPCU) have also been established.

(c) Actual lending

Lending began in October-November 2007. Final disbursements for year I took place in August 2008, and a total of Ksh.9,906,427 has been disbursed for inputs and financing for labour. Disbursements for inputs and labour have been made for every activity in accordance with the schedule. Farmers collect actual inputs in groups from the factory store and individually withdraw cash for labour from their accounts.

(d) Training and sensitization

Training on the product and its delivery has been conducted for Sacco staff, Society staff and estate farmers. These project participants were trained on the project's lending terms and

conditions to ensure their readiness to effectively participate in the project. Estimates of coffee inputs were also worked out. Estate farmers were organized into CIGs whose role in extension support will be similar to that of the JLGs.

III. Challenges and some solutions

Fertilizer supply and collection

Fertilizer supply was held up due to delays in obtaining the loan funds for the project and to uncertain weather conditions. There was also a shortage of fertilizer in the market in Oct-Nov 2007 and consequently a sharp increase in price. With regard to collection, it was difficult to distribute all the purchased fertilizer in the Kiunyu factory as soon as it was supplied. By the time the fertilizer was supplied, there was uncertainty as to whether it would rain (NPK is absorbed into the soil when it rains).

Delays in releasing cash for fertilizer and labour – Co-operatives:

Some software problems arose in calculating the money to be allocated to each farmer for inputs and labour requirements. This was due to delays in obtaining fertilizer and resulted in the cooperative proceeding to purchase fertilizer for the farmers. It was therefore necessary to accommodate self-financing in order to establish how much each farmer required. Some changes were then made to the software in order to deduct the amount for the fertilizer which had already been applied.

Risk of loss at factory

In order to avert the risk of losing inputs during storage, an Inputs Receipt and distribution list has been developed to monitor receipt and distribution of inputs on a weekly basis.

IV. Expenditure

The budget for 2008 was set at US\$485,886. The accounts for the year will be completed by the end of March 2009.

V. Conclusion

The long-awaited lending to farmers finally took off in the fourth quarter of 2007 when the Ministry of Agriculture provided the required funds through the newly established Coffee Development Fund. Other planned activities, including IT development, monitoring of loan funds, continued extension and supervision and price risk mitigation, are continuing.

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

1. Period covered by this report: 1 July to 31 December 2008

2. Assessment of technical progress.

The second part of 2008 was more suitable for transplanting seedlings because of the rainy season. Around one million new forestry tree seedlings were introduced by *Diversificación Productiva de Cafetales de Baja Altitud* (DIPROCAFE). Another 106,000 jatropa plants were introduced to start the production of seeds to launch that crop on a bigger scale in the near future. The Integrating Company (IC) initiated additional activities during this reporting period for the processing and sale of pimienta dioica.

During the last quarter of 2008, all the small companies involved in the project were contacted with regard to: i) delivery of legal documentation of the companies, ii) delivery of promotional materials, iii) information about the operation of the loan funds, iv) planning activities for 2009 and v) invitations to participate in building small nurseries for plant production in 2009.

3. Evaluation and use of the resources

The main disbursements during the reporting period from the CFC contribution were as follows: US\$31,936 for payments to farmers working on the installation and maintenance of the nurseries, US\$25,924 for payment to a local consultant to write two training manuals on productive diversification, US\$19,119 for payrolls of local staff hired to work directly with the participating farmers, US\$13,959 for payment of the legal constitution of the integrating company, and US\$19,793 for health insurance, office rent and other general expenses.

A counterpart contribution was made by the Universidad Veracruzana to cover activities of four components of the project as follows: US\$101,700 for the payment of the personnel hired by the Universidad Veracruzana to implement the project and US\$30,295 for payment to farmers working in the installation and maintenance of the nurseries.

4. Evaluation of the coordination and project management

The project management has been oriented towards achieving the objectives through promoting sales of agricultural products grown by participating farmers. Guava leaves, heliconia flowers and allspice (*pimienta dioica*) were sold during the period using commercial, technical and financial advice from the project. The loan agreement was signed in May 2008, during the supervisory visit of the CFC and ICO. FIDREVER received the first disbursement and the first loans will be disbursed in February 2009 to the integrating

company. Agreements were established with the authorities of Zozocolco de Hidalgo and Atzalan and contacts were made with the municipalities of Misantla, Yecuatla, Tenochtitlan, Colipa, Juchique de Ferrer and Vega de Alatorre to continue working in a collaborative way for the period 2008-2010.

5. Social and environmental effects of the project implementation:

One of the main effects of the project implementation has been the attention given to the target regions. The Government of the State of Veracruz, the University of Veracruz and some private enterprises have decided to invest in improving the social infrastructure and in developing rural enterprises. This has generated a multiplier effect of the international funds applied in the regions to date (see the paragraph on replication of the project below).

The development of organizational skills of the participating coffee farmers is a long-term process. During this period participatory workshops have been implemented and it is hoped that farmers can gain enough skills to continue with the operation of the rural organizations once the project has been completed.

6. Replication of the project

The project has been very well received in academic and official circles as well as by the beneficiary farmers. Two similar projects, inspired by the methodology and experiences developed by DIPROCAFÉ, are currently being developed: a 3,500 ha reforestation project financed by the state-owned enterprise, Pemex, started in November 2008; and several small community projects have been requested by the University of Veracruz to support the extension needs of several university groups.

7. Future planning of project implementation:

The lessons learned from the project implementation so far, and the availability of the loan resources, will allow the production of vegetative material, the establishment of agro-forestry systems, and the development of value networks on a scale that will exceed the objectives.

8. Conclusions and recommendations

Many of the new participating farmers will be from neighboring municipalities, as the project's impact in Zozocolco and Atzalan generated interest from the municipal and state authorities in extending the project into adjacent regions. The experience acquired and the availability of the loan will allow the project to have a bigger impact on the standards of living in those communities. The working approach of the project will serve as a methodology to generate activities. In the future these activities could be developed into public policies by the authorities of other countries dealing with similar targets: fighting against poverty and marginality, with productive diversification of plantations and enterprise development.

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

Period covered by the Report: 1 July to 31 December 2008

1. Status of project implementation

Component 1:

- The internal control systems of the producer organizations have been consolidated through the Control Committees established in each of the 30 producer organizations monitoring the degree of reconversion achieved.
- A ‘strategic plan’ has been prepared for each of the 30 producer organizations which will serve as a framework for defining the reconversion of individual farms.
- Internal standards for ecological coffee production have been prepared and are being disseminated among the coffee producers involved to encourage their adoption by all project beneficiaries.
- Revolving Funds are operating in the three provinces. Producer organizations are responsible for recovering a proportion of the value of goods supplied to producers on behalf of the project. These goods consist of agricultural tools and inputs to the value of US\$81,504, of which US\$26,580 (32.6%) has been recovered. The balance of US\$54,924 will be recovered before completion of the project.

Additionally, in the three provinces involved, the Government is supporting projects that are complementary to the reconversion of coffee farms as indicated below:

- In Manabí, the Ministry of Economic and Social Inclusion is sponsoring a project aimed at consolidating joint marketing activities in the Cascol area, and another to provide training in husbandry and agro-business development.
- In El Oro, producer organizations are preparing a project for the construction of small irrigation systems to be submitted to the National Irrigation Institute (INAR) for financing.
- In Loja, the Association of Highland Coffee Producers from Espíndola and Quilanga (PROCAFEQ) obtained financing from the Italo-Ecuadorean Fund to implement a project for ‘Sustainable Management of Coffee Agro-systems in the South-East Region of the Province of Loja’ and the Artisanal Association of Highland Coffee Producers of Fundochamba (AAPCAF) received financial support from the PL-480-USDA corporation to implement the project “Small-scale enterprise for the processing and marketing of roast and ground coffee”.

Component 2: Diversification of production systems

Given the nature of the reconversion proposed, training for producers in agricultural activities and livestock production received considerable attention, specifically farm management and coffee growing techniques, the application of good farming practices, animal husbandry (poultry and pigs) and the introduction of beekeeping.

During this reporting period, the reproduction of seedlings also increased by 1,058,000; these will be used to renovate another 985 hectares during the period from January to March 2009.

With regard to trees for timber and environmentally compatible reforestation, it is hoped that after planting 106,602 saplings in the first year of the project, the second year of project implementation will see the planting of 91,000 saplings, which have been successfully reproduced in nurseries.

For the purpose of encouraging food security, 1,100 family farms were established: 400 in Manabí, 300 in El Oro and 400 in Loja. Food crops were chosen jointly by project beneficiaries on the basis of their compatibility with the environmental systems in each area, their food value and local consumer preferences.

Husbandry activities were introduced, as follows: in the province of Manabí each family farm received 25 chicks together with the balanced feed, vaccines and vitamins required for rearing them. The first batch has already been marketed and the second cycle of poultry production is in progress. Each farm also received 51 beehives for the purpose of producing honey and other apiary products.

In El Oro, producer organizations have established six pig-rearing centres (one per organization) and are providing training for breeding stock to be distributed among farmers. In Loja, pig-growing activities are also being encouraged and the farms involved have each received 66 piglets.

In terms of coffee, quality-improvement has been encouraged in all 30 producer organizations involved through the construction of coffee processing and drying centres, both at individual and associative level, depending on local circumstances. In Manabí, the construction of community warehouse driers and tub tanks for coffee fermentation was approved, while in the provinces of El Oro and Loja 137 solar driers and 307 tub tanks have been completed at farm level. It is worth mentioning that driers and tub tanks are also expected to be used for processing other crops grown on these farms, increasing the utilization of equipment.

Component 3: Agroindustry and joint marketing activities

The Project Management Committee approved the establishment of two processing units for ground roast coffee (one in Loja and another in Manabi) and six units for producing balanced coffee (mills and blenders), two of which will be distributed to each province. The provincial technical teams have prepared technical proposals for the establishment of these units and the equipment is being constructed.

Component 4: Project dissemination

National and international cooperation institutions have expressed interest in the project and government authorities in Cuba, Guatemala and Honduras have indicated their wish to participate in the dissemination of the results obtained.

Report on utilization of resources

Budgeted expenditure attributable to the contribution from the Common Fund for Commodities for the implementation of project activities during this reporting period totalled US\$379,516.10, representing 34% of the total financing for the project.

Lessons learned

The establishment and consolidation of revolving funds is being regarded by producer organizations as a rural micro-finance strategy that enables their associates to obtain small credit resources for production and consumption activities.

The establishment and management of family farms and the development of animal husbandry have become activities that not only provide a food supply (of vegetable and animal origin) but can also generate income through the sale of surpluses in local markets.

Social and environmental effects of project implementation

Through the producer organizations, other projects are being managed to complement the work of the project.

The integration of agricultural activities and livestock farming permits better use of family labour, which had been under-used before implementation of the project; it also generates some income throughout the year that helps families to meet their needs.

The possibility of access to micro-credit through the revolving funds encourages investment in production activities that favour capital flows among the communities.

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

1. Period covered by this report: 1 July to 31 December 2008.

2. Status of project implementation

Component 1: The three coffee producing areas, one for each participating country, have been selected on the basis of their geographical, cultural and social characteristics, and are represented by small coffee farms and farmers organized in associations. Each unit will involve at least 500 coffee growers, as follows:

- (a) Guatemala (Huehuetenango area): Two Cooperatives of San Pedro Necta, one in *Todos Santos* and one in *La Libertad*.
- (b) Nicaragua: 5 de Junio Cooperative, Municipality of Las Sabanas, Department of Madriz.
- (c) Honduras: Tecauxinas COCATECAL Cooperative, Municipality La Campa, Department of Lempira.

During the reporting period, the farmers involved have attended the 3rd and 4th ‘*cafèycaffè*’ workshops, which are financed by the Italian Cooperation. The 3rd workshop was held in August 2008 in Guatemala to discuss implementation achievements and shortfalls and to agree how best to address the problems faced. The draft version of the document ‘Coffee cultivation and harvesting best practices’ was discussed during the workshop and completed. The 4th workshop was held in Turin, Italy in October 2008 and allowed selected beneficiaries to participate in the biennial Slow Food fair by presenting their coffee at designated stands at the ‘*Salone del Gusto*’, ‘*Terra Madre*’ and ‘*Terra Madre Toscana*’. This was an important opportunity for the coffee producers to meet potential buyers from Italy such as roasters, traders and representatives who attended the event and were able to cup the project coffees.

Component 2: The standardization of coffee production in the project has been carried out with particular attention to best practices in terms of cultivation, processing, trading, promotion and marketing, and strengthening of organisational and management skills in the region. A manual on best practices has been developed for use of the farmers involved, which takes into consideration the geographical, social characteristics of each selected area and the critical points of the coffee production chain. During this period, a coffee quality expert visited the project twice and prepared a report on how to improve traceability and high quality coffee production while encouraging biodiversity and traditional techniques.

Component 3: In order to encourage the use of new technologies for pulping, drying and recycling residues of coffee processing with a view to increasing income, a wet mill has been

designed and is being constructed in Guatemala with the collaboration of ANACAFE. The beneficiaries are farmers from the *Asociación de Desarrollo Integral Union Todosantera* (ADINUT), located in a very isolated area with difficult access where it is very difficult to bring the coffee cherries to the market. The construction of low cost solar-powered dryers took into consideration the different types of solar dryers available in Guatemala and the weather conditions in Huehuetenango. Different solar drying technologies such as vertical and horizontal domes have been identified as being the best solutions and have proved to be successful since December when the first batch was completed. The installation of mushroom growing and worm composting units has been concluded. The mushroom units, managed predominantly by women, have started production and the product is being sold in local markets at encouraging prices. The worm composting units built so far are being used for both demonstration purposes and for compost production for short-cycle crops. During the reporting period, ANACAFE carried out a series of training sessions on wet mill management and quality control measures.

Honduras: In addition to attending the 3rd and 4th workshops, the IHCAFE team started to implement the workplan and budget for 2009 with the assistance of the PEA (IAO). Activities carried out to pave the way for implementation comprise: i) selection of the area where the mill, dryers, worm compost units and mushroom units will be built, ii) identification of the equipment required and the correct processing methods, iii) holding a technical workshop on mushroom cultivation, and iv) recruiting the cooperatives run by women that will run the collective composting and mushroom units.

Nicaragua: The MIFIC signed the Project Implementation Agreement on 15 May 2008 and has completed all the requirements for the grant application to the CFC. A coffee expert visited the country to discuss and finalize with the MIFIC the workplan and budget for 2009 as well as to identify specific areas and the MIFIC staff to be involved in the implementation.

Component 4: The transfer of new technologies and knowledge about improving coffee quality methodologies is being done by facilitating the exchange and dissemination of experiences through the project website (www.cafeycaffe.org). This has strengthened the planning capacity of local agencies in Central American countries participating in the project, though continuous technical and methodological assistance and exchanges of experience among Italian and Central American agencies. The website is continuously upgraded and has become an important tool for exchanging and sharing good practices, providing information about the programme activities and up to date, relevant and easy to read documents. A Country Atlas to promote the coffee regions of Guatemala has been produced with the support of ANACAFE.

Component 5: The project office is being set up at the office of the Italian Cooperation's Technical Unit for Central America in Guatemala City. This is also where the administrative consultant to the project is based.

3. Assessment of resource utilization

It is expected that project activities in Guatemala will be fully implemented according to the project schedule, while in Nicaragua and Honduras the CFC resources have been transferred to MIFIC and IHCAFE, respectively, to enable the creation of the project unit. In order to complete the implementation of activities in Nicaragua and Honduras, a one year no-cost extension has been requested by the PEA (until December 2009) and approved by the CFC.

4. Social and environmental effects of project implementation

Farmers are enthusiastic about the project, particularly since the project activities have shown concrete results in terms of setting up new farmers' organizations and generating additional income from activities, such as mushroom production and eco-tourism, as well as improving quality through the adoption of the suggested best practices.

5. Forward planning of project implementation

It is expected that implementation in Guatemala will be concluded according to schedule. However, in order to allow for the full implementation of the planned activities in Honduras and Nicaragua, the PEA has requested a one year no-cost extension of the project (until 31 December 2009) which has been approved by the CFC.

6. Conclusions and recommendations

The implementation in Guatemala has demonstrated that quality coffee can be traded directly from small producers to roasters (cutting out the necessity of using intermediaries) if a marketing strategy is put in place. Improving coffee production and processing practices also guarantee better yields and quality of the product, which in turn can be sold at better prices with an immediate impact on the standards of living of coffee families. The local coffee authorities involved in the project have shown great interest in promoting trade in high quality products from small farmers.

The proposed technologies should be chosen taking into consideration ease of application, versatility and adaptability to the agricultural and environmental situation. New approaches to coffee will prompt farmers, producers and distributors to organize contacts and meetings with the objective of establishing a niche in a world dominated by industrial agriculture. However, it is important to bear in mind that introducing new practices to small coffee farmers is not always straightforward, particularly in cases where there is insufficient technical knowledge, and when there is reluctance to use modern technologies and/or to adopt new techniques from crop to the cup.

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

1. Period covered by the report: November 2007 to June 2008

2. Status of project implementation

Baseline studies were undertaken in Togo in May 2008 to gather information on the socio-economic characteristics of the farmers targeted by the project as well as their production, processing and marketing practices. The information will form the basis for monitoring changes in the socio-economic status of the project beneficiaries as well as the impact of the project on improving production, processing and marketing practices. A total of 25% of the project farmers were surveyed.

Locations for establishing the pilot project were identified in four zones in Togo, namely, Montagne Kloto-Dayes, Kpélé–Amou, Plateau d’Akposso and Akébou. Farmers already organized into farmers’ groups/societies were given priority when identifying producers to be enlisted in the pilot project. A few individual farmers were also included to provide complementary data for use in comparing the two systems. Sensitization campaigns were then organized in six locations covering the four zones. Some 262 farmers were reached during the campaign. Following the sensitization meetings, 500 farmers were identified and 12 demonstration sites selected. A census conducted in farmers’ fields in the sub-zones covered by the pilot project in Togo established that 36,395 trees were either dead or moribund and will have to be replaced. In Gabon, the project was implemented in Haut-Ogooué and Ngounié provinces. The participants include large- to medium-scale farms in Alanga, Onjeje, Onguia, Oyou, Kiri 1, Kiri 2, Kele, Omoye, Okango ville, Odjala and Oyou in Haut-Ogooué province and typical smallholder farms in both Haut-Ogooué and Ngounié provinces.

Training of trainers is aimed at providing extension workers and other trainers with skills and knowledge of good agricultural and processing practices including pruning, weeding, mulching, use of fertilizers/pesticides, post-harvest handling, processing, traceability, storage and handling during transportation. Training on coffee harvesting and dry processing was organized in August 2008, at Agadzi and Klabé-Azafi respectively. Participants included field trainers and agronomists from the sub-zones of Montagne Kloto, Plateau de Dayes and Kpélé-Amou, while field trainers and agronomists from Plateaux Akposso and Akébou sub-zones were trained at Klabé-Azafi. Some 60 field trainers, four junior agronomists in charge of the sub-zones and two senior agronomists participated in the exercise. The National Project Coordinator, Dr Komlan Wegbe, and the Chairman of FUPROCAT, Mr Essolakina Karabou, also attended the training. The activity involved the development of a training curriculum and calendar that takes into account seasonal activities. Gabon initiated the

activity by providing training to key staff involved in rehabilitation prior to the launch of the project. Additional training on processing and other agronomic practices is scheduled for the third quarter of the year in line with the seasonal activities taking place during the period.

Demonstration plots form an important component of farmer training in perennial crops such as coffee. For the demonstration sites to be successful, it is expected that each training plot should accommodate no more than 30 farmers. Establishment of demonstration plots was therefore initiated in Togo in order to showcase good agronomic practices to the project farmers. Twelve demonstration plots each measuring 0.5 hectares were identified for this purpose. In the case of Gabon this activity took the form of rehabilitation of selected parcels so that farmers can learn as their parcels get rehabilitated.

3. Assessment of resource utilization

During the period, the project received \$200,000 as an Authorized Allocation (AA), of which \$100,000 was disbursed to the PEA, \$50,000 to Gabon and \$50,000 to Togo. The total expenditure amounted \$798,847. Expenditure on equipment during the period amounted to \$483,694.09, including two project vehicles. In total this accounted for 94% against the budget for Year 1.

4. Assessment of project co-ordination and management

Although most of the project activities are currently on track, some of the targets for this period could not be achieved by December 2008. In most cases these were activities which fell behind as a result of the delays in initiating activities in Gabon and Togo. These activities have been re-scheduled for 2009. The delays are not expected to recur as instruments to facilitate accelerated progress are now in place in both countries. Project steering committees have already been constituted in both countries and national coordinators identified. Project staff have also been deployed to ensure closer monitoring of projects at farmer level. Capacity-building activities for project staff were effectively undertaken at the beginning of the project. The project accountants and the national coordinators were trained on relevant aspects of technical and financial reporting with emphasis on compliance with CFC procedures.

5. Social and environmental effects of project implementation

The impact of the project on both the family households and the environment has yet to be fully realized. However, it is expected that the project will empower the farmers with skills and knowledge to produce coffee more sustainably (Activity 1.5), thereby having a positive impact on the environment.

6. Forward planning of project implementation

The main challenge for the coming months will be to install appropriate processing facilities for use by farmers. Training on coffee processing and handling will also have to be intensified to ensure good use of the equipment. Production of seedlings for field planting during the main rains in 2009 is another area which will require continuous monitoring. Establishment of liquoring laboratories and training of liquorers will also be crucial. With the first harvest of project coffee expected only in early 2009, limited activity on coffee marketing was undertaken in 2008.

7. Conclusions and recommendations:

Despite the slow start in both Gabon and Togo, the project achieved most of the activities planned for the first year. It will however be necessary to implement a number of adjustments to the budget to take care of items and activities which were either omitted in the budget or under-budgeted. Examples include the omission of fertilizers as an important input for gourmet robusta and the need to rehabilitate existing but dilapidated processing equipment in both countries. Inflation has significantly eroded the value of the project resources in the approved project budget. This is due to a number of reasons. Firstly, the project was developed over five years ago when the value of the dollar was strong. The value of the dollar has significantly declined in relation to other currencies in the meantime. In addition, the project was developed in Euros, whereas the donor currency is the US dollar. While the value of the Euro has been relatively stable, the dollar has not. The prevailing global economic crisis is also expected to impact negatively on the project as prices of inputs for the project continue to rise. It will therefore be necessary to authorize the use of contingency funds to accommodate part of the expected shortages due to inflation.

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

1. Period covered by the report: January to June 2008

2. Status of project implementation

Implementation of most of the planned project activities for the period started well, in spite of the late start of the project launch. The project was officially launched in April 2008. Project work plans and budgets were discussed during the launch workshop which was held in India. It was agreed that the work plans and budgets for each country should be approved by steering committees, which were constituted in each country. Steering committee meetings were held in all countries except India. However, in some countries the steering committee meetings were held jointly with national project launches, such as in Kenya, Uganda, and Rwanda. Zimbabwe held the steering committee meeting separately from the project launch on 5 August 2008. Substantial progress has been made by all participating countries.

Most activities under each component were implemented, and some are continuing into 3rd and 4th quarters. Stakeholder analysis has been initiated in all countries and stakeholder mobilization has started in all countries with the convening of steering committees. In all countries identification of locally available genetic materials for trials and introduction of new materials from India was completed. Seeds of local and imported materials were sown in nurseries. They are progressing well and should be ready for inclusion in on-farm and on-station trials. However, one selection from India could not be traced through the quarantine system in Uganda. The seeds will be re-imported from India in October this year. In addition, nursery sites have been identified in preparation for developing mother gardens if the resistance of materials is confirmed in each participating country.

3. Assessment of resource utilization

Total expenditure from March to June 2008 amounted to US\$196,625.56. The project was launched in Chikmagalur, India and all the partners, including the CFC and the ICO participated in the conference. The start has been slow due to setting up formalities for the project, but activities are expected to accelerate in the coming quarter as most participating institutions are now up to speed with the formalities. The PEA managed to disburse an Authorized Allocation amounting to US\$350,000 to all the participating institutions.

4. Assessment of project co-ordination and management

Project coordination included visits to collaborating countries and institutions to supervise and facilitate implementation of project activities. This included taking part in facilitating initiation of some of the project activities, advising on implementation procedures, development of activity implementation methodologies, and training such as in the case of the accountants in Kenya and Rwanda. As some of the project accountants did not attend the initial conference, CABI Africa has organized sessions for them in order to help all accountants understand CFC reporting requirements and to ensure that funds are used for project activities as prescribed in the financial procedures manual.

5. Social and environmental effects of project implementation

Conservation strategies have included revamping existing coffee collection gardens, and inclusion of new coffee collections will be carried out later in the year when imported selections will be transplanted. Protocols for determining constraints to sustainable conservation are being developed. Biological surveys are currently in progress in India, Kenya and Rwanda.

6. Forward planning of project implementation

Major activities planned for the coming period include raising seedlings from the resistant coffee materials from India and the participating countries, preparation of on-farm and on-station trials, farmer mobilization, continuing stakeholder analysis in countries where this has not been done already, implementation of communication strategies, coffee leaf rust race determination, continuation of biological and socio-economic surveys, and project coordination.

7. Conclusion

In conclusion, activities in all countries are continuing as planned, with slight delays experienced in the purchase of project vehicles which should be concluded at the end of this year. A planning workshop has been scheduled for December 2008 when implementation of project activities for 2008 and planning of activities and budgets for 2009 will be discussed.

**ACCESS TO FINANCE FOR THE DEVELOPMENT OF
DIVERSIFICATION CROPS IN COFFEE PRODUCING AREAS**

CFC/ICO/30

1. Period covered by the report: July to December 2008

2. Status of Project implementation

Component 1: Assessment of the participating farmers and their needs

| Main activities | Targets set | Current status | Remarks |
|--|---|---|--|
| Activity 1.1 | | | |
| Carry out a survey of farmers by collaborating institutions. | Carry out a socio-economic study on the project selected zones. | Terms of reference for a socio-economic study have been prepared and the consultant was appointed in August 2008. The technical report of the consultant is available. | The study has been completed. |
| Activities 1.2 and 1.3 | | | |
| Identify local sources of information and any existing data bank that can form the basis of reliable information on farmers. | Build up a database on coffee farmers. | Field visits have been organized and farmers have been identified: 3,708 in Côte d'Ivoire and 2,841 in Burundi. The needs of the farmers were selected: food crops and breeding in the two countries. | Ongoing. |
| Activity 4 | | | |
| Organize consultative meetings with all selected farmers and other stakeholders. | Selection of participating farmers; preparation of MOU with collaborating institutions. | In Burundi, 990 coffee farmers from 92 sites and surrounding 12 fully washed coffee stations have been selected. In Côte d'Ivoire 1100 farmers were selected according to the database. Meetings with other institutions have taken place in Burundi and Côte d'Ivoire. | The MOU with the institutions is being prepared but has not yet been signed. |

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

| Main activities | Targets set | Current status | Remarks |
|---|--|---|--|
| Activity 2.1 | | | |
| Study past and existing agricultural credit structure. | A full report on past experience and the current status of agricultural credit in participating countries. | In Burundi and Côte d'Ivoire, terms of reference for the study were prepared in July 2008. A consultant was selected from several proposals (5 in Burundi and 20 in Côte d'Ivoire). The draft report has been discussed with the consultant in Burundi and Côte d'Ivoire. | The draft technical report is available. |
| Activity 2.2 | | | |
| Elaborate an effective agricultural credit system for implementation under the project. | A tested system of revolving credit that covers coffee farmers' activities for diversification. | In Burundi and in Côte d'Ivoire, terms of reference for the study have been prepared. A consultant was selected from several proposals (2 in Burundi and 12 in Côte d'Ivoire). The draft report has been discussed in the two countries with the consultant. | The draft technical report is available. |

Component 7: Project coordination, supervision and monitoring

| Main activities | Targets set | Current status | Remarks |
|--|--|---|--|
| Activity 7.4 | | | |
| Prepare an annual work plan and budget. | Project annual activities and budget. | In July 2008, taking into account some constraints in the implementation of the project, a revised budget for 2008 was sent to the ICO and CFC for approval. The project activities and budget for 2009 were prepared and submitted to the CFC in December 2008 for approval. | Completed. |
| Activity 7.6 | | | |
| Ensure annual supervision of the ICO. | Assess project activities and make recommendations. | While on home leave in Côte d'Ivoire in September 2008, the ICO Chief Economist organized a number of technical meetings with the project staff and carried out a field visit to identify participating farmers. | The official supervision of the ICO will take place in 2009. |
| Activity 7.7 | | | |
| Monitor implementation and financial disbursements by the CFC. | Provide adequate resources and assess its utilization. | Following the progress reports in November 2008, the first authorized replenishment by the CFC took place in December 2008 in Burundi (US\$49,666.17) and Côte d'Ivoire (US\$78,263). The CFC accountant had a meeting during his stay in Côte d'Ivoire in December 2008. | Ongoing. |
| Activity 7.8 | | | |
| Prepare and submit to the CFC and ICO regular progress reports on the project. | Provide progress reports on technical and resources utilization. | A full technical and financial report for the period was prepared and sent to the ICO and CFC in November 2008. | Ongoing. |

During the period July to December 2008, the focus was mainly on activities related to the evaluation of the producers and their needs, the development of a system of credit adapted to coffee producers for diversification, and management of the project.

In Burundi and in Côte d'Ivoire, several missions were undertaken to identify farmers and their diversification activities. These activities were stored and organized in a database by culture and type of breeding according to each project site. Consultants were selected in each country for the socio-economic study of the areas selected, the study of past and present experience of agricultural credit, and the implementation of a system of credit adapted to diversification. The conclusions of these reports are available and will lead to the signature of MOU with the microfinance institutions. Concerning the management of the project, the technical and financial reports for the first six months of 2008 were sent to the ICO and the CFC in November 2008. In Burundi, the Deputy Technical Adviser was appointed as Managing Director of the Coffee Board of Burundi (OCIBU). However, he continues to participate in the project as National Coordinator. A new Deputy Technical Adviser, Mr Oscar Baranyizigiye, was appointed in December 2008.

3. Assessment of resources utilization

From July to December 2008, expenditure of CFC funds amounted to US\$24,372 in Burundi and US\$80,274 in Côte d'Ivoire. The counterpart contributions of both countries were used to equip the offices and pay the wages of the project staff.

4. Assessment of project co-ordination and management

The Project Executing Agency (Guarantee Funds of the Cooperatives Coffee Cocoa (FGCCC)), the Steering Committee and the project coordinators in both countries are monitoring closely the implementation of the activities. In July 2008, the budgets were revised to take account of the studies carried out by the consultants and to increase the contribution of each country to ensure effective implementation of the project. The Chief Technical Adviser provided support for project coordination in Burundi in July and December 2008. Likewise, during his visit to Côte d'Ivoire in December 2008, the CFC Accountant met the project management team to exchange views on the financial management of the project.

5. Social and environmental effects of project implementation

In both countries, agricultural credit from financial institutions is not widely available in rural areas. The on-site missions have made it possible to highlight the need to provide finance to the producers to diversify production. The results of a credit system for small producers are awaited by the Steering Committees and the authorities of each country.

6. Forward planning of project implementation

The activities for the first half of 2009 relate mainly to the signature of a Memorandum of Understanding with all the participating institutions and the effective implementation of the credit for the producers.

LIST OF ACRONYMS USED IN THIS DOCUMENT

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