



Projects Committee  
3<sup>rd</sup> Meeting  
6 March 2012  
London, United Kingdom

**Report of the  
Virtual Screening Subcommittee (VSS)  
on seven coffee project proposals**

## Background

1. This report contains assessments provided by the Virtual Screening Subcommittee (VSS) on the following seven project proposals which will be considered by the Projects Committee and Council in March 2012:

- Project 1:** **Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda**, submitted by the Uganda Coffee Development Authority (document PJ-22/12).
- Project 2:** **Financial mechanisms for sustainable coffee in Colombia and Honduras**, submitted by the United Nations Development Programme (UNDP) (document PJ-23/12).
- Project 3:** **Enhancing competitiveness of African coffee through a value chain strengthening**, submitted by the InterAfrican Coffee Organisation (IACO) (document PJ-24/12).
- Project 4:** **Improving coffee productivity in Yemen (Concept note)**, submitted by the Government of Yemen (document PJ-25/12).
- Project 5:** **Economic incentives for coffee agroforestry systems in Costa Rica**, submitted by the United Nations Development Programme (UNDP) (document PJ-26/12).
- Project 6:** **Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies**, submitted by the Finance Alliance for Sustainable Trade (Fast) (document PJ-27/12).
- Project 7:** **Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi**, submitted by the Government of Burundi (document PJ-28/12).

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

**Action**

The Projects Committee is requested to consider the report of the VSS and to submit recommendations on the above proposals to the Council, using the chart here below to assist with presenting its conclusions.

**6 March 2012**

<b>CONCLUSION OF THE PROJECTS COMMITTEE (Tick as appropriate)</b>				
	<b>Project approved</b>	<b>Idea for seminar</b>	<b>Project rejected</b>	<b>Additional comments, if any</b>
<b>Project 1</b>				
<b>Project 2</b>				
<b>Project 3</b>				
<b>Project 4</b>				
<b>Project 5</b>				
<b>Project 6</b>				
<b>Project 7</b>				

## REPORT OF THE VIRTUAL SCREENING SUBCOMMITTEE (VSS)

February 2012

<b>SUMMARY RECOMMENDATIONS OF THE VIRTUAL SCREENING SUBCOMMITTEE MEMBERS</b>			
<b>Project Proposals</b>	<b>Project endorsed</b>	<b>Project endorsed with comments</b>	<b>Project not endorsed</b>
<b>1.</b> Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda	<b>1</b>	<b>2</b>	<b>2</b>
<b>2.</b> Financial mechanisms for sustainable coffee in Colombia and Honduras	<b>3</b>	<b>1</b>	
<b>3.</b> Enhancing competitiveness of African coffee through a value chain strengthening		<b>3</b>	<b>1</b>
<b>4.</b> Improving coffee productivity in Yemen (Concept note)	<b>1</b>	<b>2</b>	<b>2</b>
<b>5.</b> Economic incentives for coffee agroforestry systems in Costa Rica	<b>1</b>	<b>3</b>	<b>1</b>
<b>6.</b> Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies	<b>1</b>	<b>3</b>	
<b>7.</b> Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi,	<b>1</b>	<b>1</b>	

**REPORT OF THE VIRTUAL SCREENING SUBCOMMITTEE (VSS)**

**Project 1: Sustainable input credit for financing the production end of the coffee value chains in Kenya, Tanzania and Uganda**, submitted by the Uganda Coffee Development Authority (document PJ-22/12).

RECOMMENDATION OF THE VSS MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1	✓			
Member 2			✓	Missing insurance schemes, too broad scale, identify better beneficiaries and participants; include private sector/other donors.
Member 3			✓	The project was approved almost 12 years ago. Information regarding current situation of each country should be updated. Situation in each country and market conditions have changed substantially since 2000.
Member 4		✓		The proposal has technical merit. Reformulation of the project is recommended in order to provide greater details of the budget distribution.
Member 5		✓		The project proposal could be improved by clarifying a few points listed below and would also benefit from a detailed budget and gender analysis as well as discussion of related or similar projects to ensure efforts are not duplicated and to understand lessons learned.

**VSS ASSESSMENT**

**ICO Criteria<sup>1</sup>**

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Kenya is a Developing Country and CFC Member. Tanzania and Uganda are Least Developing Countries and CFC Members.

Member 5: Yes. The intended beneficiaries are largely small-scale coffee growers in areas that are heavily dependent on coffee production for their livelihoods.

<sup>1</sup> See *Development Strategy for coffee – Document ICC-105-16*.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and document ICC-105-16?**

Member 1: Yes. Especially with the objective of poverty alleviation; improvement of market structures including access to financial instruments.

Member 4: This study is also justified by the issues of poverty among coffee smallholders, low profitability of coffee production and coffee quality. The methods are sufficient to achieve the goals outlined.

Member 5: Yes. The project's goal of scaling up/out a sustainable input credit system for small-scale coffee holders as a means to contribute to improved coffee productivity, quality and income, is consistent with the objectives of the 2007 Agreement and the strategic issues outlined in document ICC-105-16, particularly those related to enhanced access to finance and credit.

**3. Is the project consistent with country or regional priorities?**

Member 1: Yes. Coffee is important to the economies of all three countries.

Member 2: Yes.

Member 4: The positive points of the proposal include the focus on increasing the profitability of small coffee farmers, by improving the production level and coffee quality.

**4. Are there critical gaps or problems with the project?**

Member 1: No. The project went through a previous project and scales up former experiences. It builds on the positive outcomes of the pilot project on short- and medium-term finance to small scale coffee farmers in Kenya.

Member 2: Yes. Missing crop insurance schemes.

Member 4: The project was well prepared and has a good theoretical basis. The methods are sufficient to achieve the goals outlined.

Member 5: Overall, the project proposal is strong with no critical gaps or problems. An important feature of the project is that it builds on a successful pilot project, allowing the proposed project to take into account lessons learned and take advantage of the ground work laid by the prior project, both of which should significantly enhance the project's ability to achieve its intended outcome. The project's efforts to provide capacity-building for both farmer beneficiaries and lenders appears to be an important and innovative feature that can contribute to sustainable programme outcomes. The proposal has also detailed the respective project implementing agencies, and collaborating institutions/banks. That said, the proposal could be improved by clarifying:

- The role of farmer business groups in the input credit system, e.g. is the system designed to have these groups act as intermediaries between individual farmers and lending institutions and if so, what specific role will such groups play? The proposal rightly emphasizes the need for capacity-building to ensure good governance in the management of these business groups, coordinating as appropriate with government bodies charged with regulating cooperative societies.
- How the proposed smart card system would work, e.g. is it a fee-for-service product, how would farmer beneficiaries and lenders input and access system information, will those needing to enter and access information into/form the system have the necessary equipment and skills to do so, etc.?
- How the software solution for coffee produce and marketing societies called for in activity 1.5 supports the input credit system?
- How the various project components will endeavour to mainstream environmentally sound production and processing approaches?
- How commercial lenders will be attracted to this project and how obstacles encountered in the Kenyan pilot in this regard can be overcome in the project's scaling out/up?
- Whether the proposal takes into account situations where there is a total or partial crop failure. The proposed repayment plans appear to be cash-flow based, and thus both flexible and tied to the coffee harvests. This would appear to allow repayment to be delayed if a harvest is later than expected, but it is unclear if the system could accommodate situations of total or partial crop failure.

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

- Member 1: Yes. It addresses a key issue of coffee cultivation: access to finance for inputs.
- Member 2: No. Not clearly identified.
- Member 5: The project's emphasis on building capacity of farmers, lenders and farmer business groups should contribute to sustainable project outcomes, as well as its efforts to build relationships between lenders and loan beneficiaries that can outlive the life of the project.

**6. Is the scale and scope of the project appropriate?**

- Member 1: Yes. From Kenya it has been scaled up to Tanzania and Uganda.
- Member 2: No. Too broad scale.
- Member 5: Yes, particularly in light of the previous pilot.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes. A medium-term timeframe of 3 years appears adequate.

Member 2: Yes.

Member 4: The main deliverables of the project are consistent with the purposes and on schedule.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. Counterpart funding (US\$500,000) appears moderate; governmental organizations seem committed: Ministry of Co-operative Development and Marketing, Ministry of Agriculture, Coffee Research Foundation, Uganda Coffee Development Authority, Tanzania Coffee Board.

Member 2: No.

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. Capacity-building training for farmers and farmer groups to effectively use the scheme is intended. However, an element of financial literacy building is missing.

Member 2: No. Only to selected groups.

**10. Have gender aspects been adequately addressed?**

Member 1: No. The project does not have gender focus, at best it is gender-neutral.

Member 2: No.

Member 5: No. The project needs to include a gender analysis.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: Yes. The project especially includes four banks and several micro-finance service providers.

Member 2: No. This is very much missing.

Member 4: The institutions involved will clearly support the project development and their contributions are described in detail in the proposal. However, the requested resource use is not properly itemized in order to justify the budget, which makes difficult to assess the relation between cost and benefit in this project.

Member 5: The proposal identifies four banks that have indicated a willingness to participate in the project but it is unclear to what extent this entails a contribution of in-kind or financial resources and does not appear to be accounted for in the project's costs.

**Project 2: Financial mechanisms for sustainable coffee in Colombia and Honduras,** submitted by the United Nations Development Programme (UNDP) (document PJ-23/12).

RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1	✓			
Member 2		✓		Engage deeply with international buyers before the project starts and increase the project timeframe by 12 months.
Member 3*				
Member 4	✓			
Member 5	✓			

\* No specific information received

## VSS ASSESSMENT

### ICO Criteria

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Colombia and Honduras are developing countries and CFC members; they are among the 10 most coffee dependent countries. Coffee contributes respectively 7% and 20% of their total export income.

Member 5: Yes. The intended beneficiaries are largely small-scale coffee growers in areas that are heavily dependent on coffee production for their livelihoods.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. Project aims and purposes are in accordance with clauses 3 and 13 of the Objectives of the 2007 Agreement as well as with goals 1, 3 and 7.



Member 4: The study is justified since it addresses important issues such as the production management and Best Agricultural Practice (BAP), which promote better productivity and coffee quality, as well as the rationalization of production cost.

Member 5: Yes. The project's goal of establishing a new credit mechanism to finance adoption of best agricultural practices by small-scale coffee holders is consistent with the objectives of the 2007 Agreement and the strategic issues outlined in ICC-105-16, particularly those related to enhanced access to finance and credit and ensuring the environmentally sustainability of coffee cultivation.

### 3. Is the project consistent with country or regional priorities?

Member 1: Yes. **Colombia:** the project is in line with goal 3 of the National Development Plan 2011-2014, particularly with its target on competitiveness and growth of productivity (3.2). Agriculture is recognized as an engine for growth and job generation. Increasing productivity and providing access to finance are important leverages for sustainable growth and competitiveness.

**Honduras:** The project is consistent with Objective 3 of its Government Plan 2010-2014 on job creation and sustainable management of natural resources. After a decline from 36% to 12% contribution to GDP within the last three decades, the agricultural sector is one of the main priorities. Productivity and access to finance are considered crucial issues.

Member 2: Yes.

Member 4: The project proposal concerns increasing the income of small scale coffee producers in Colombia and Honduras, through creating a set of BAP.

### 4. Are there critical gaps or problems with the project?

Member 1: No. Critical gaps/problems could not be identified. The project proposal seems to be congruent.

Member 2: Yes. Weak mechanism to reach a higher premium for non-certified coffee paid by international buyers.

Member 4: The project presented is well structured and has a good theoretical basis. The methods are sufficient to achieve the goals outlined.

Member 5: There are no critical gaps or problems but the project would benefit from clarifying:

- How project funds will be divided between the establishment of the credit mechanism in Honduras and Colombia respectively?

- What activities will the UNDP GEF grant support? Are these activities identified in the components of the project proposal, or parallel activities?
- How the US\$1.5 million CFC grant would support on-going UNDP efforts, or alternatively will the CFC grant support separate activities?
- The basis for the assumption that adoption of BAP will lead to a 50% increase in productivity in Honduras when paragraph 13 of the full project proposal suggests that past programmes have only led to an 11% increase.
- Will sources other than international certification programmes be evaluated to devise BAP (see paragraph 39 of the full project proposal)?

Overall, the project aims to move producers towards more environmentally sustainable production methods, to build upon existing credit mechanisms employed by established institutions, and reflect significant government buy-in, all contributing to the potential success of the programme. The project appears to be a good demonstration of how to encourage the financing of better coffee farming methods and an innovative way to align incentives.

#### **5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. Best Agricultural Practices/sustainable production are increasingly being recognized in the global markets as part of the product quality. Producers applying BAPs are being rewarded with higher prices.

The main constraint for non-application of BAPs is related to financial limitations of smallholders. Linking both, incentives for applying BAPs and access to finance will tackle the problem and enable farmers to fulfil the requirements of more demanding markets and realize their potential.

Member 2: Yes. If the commercial gaps are solved.

Member 5: Once project funds are expended, project outcomes can be sustained through farmers' continued application of BAP and partnerships developed through the programme. However, incentives to adopt BAP through the provision of extension services would appear to terminate at the end of the programme. Have Honduras and Colombia given consideration to how this aspect of the project may be continued after the project concludes?

#### **6. Is the scale and scope of the project appropriate?**

Member 1: Yes. Considering Honduras and Colombia as pilot regions.

Member 2: Yes.

Member 4: The components of the project are well defined highlighting all the important points of the project – (i) Financial Tools for Sustainable Coffee; (ii) Technical Assistance Grants tied to new credit line for coffee renovation; (iii) Coffee Extension Systems Strengthened to Support Sustainable Best Agricultural Practice (BAP); (iv) Development of International partnerships for sourcing sustainable coffee from Colombia and Honduras.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes. Realistic.

Member 2: No. Too short. 12 months more would be better.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. Both Honduran and Colombian governmental bodies representing the coffee sector are closely involved in the project planning and execution and make financial contributions.

Member 2: Yes.

Member 4: The institutions involved will clearly support the project development. The budget is satisfactory and presents in detail the distribution of resources according to the programmed activities.

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. The main target group is coffee farmers.

Member 2: Yes.

**10. Have gender aspects been adequately addressed?**

Member 1: No. Gender aspects are not mentioned in the proposal as part of the project.

Member 2: No.

Member 5: No, gender analysis needs to be included.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: Yes. Definitely. Private coffee companies as well as national governmental agencies play a crucial role and make important contributions.

Member 2: Yes. The written commitment to the project by the international buyers is missing.

Member 5: See comment above regarding clarification on UNDP GEF grant.

**Project 3: Enhancing competitiveness of African coffee through a value chain strengthening**, submitted by the InterAfrican Coffee Organisation (IACO) (document PJ-24/12).

<b>RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)</b>				
<b>VSS Member</b>	<b>Project endorsed</b>	<b>Project endorsed with comments</b>	<b>Project not endorsed</b>	<b>Comments, if any</b>
<b>Member 1</b>		✓		The project approach seems to be consistent. Nevertheless we consider the proposal as too ambitious and share the view of PAC when arguing the project to be beyond the scope of CFC's financial capacity. We consider it unrealistic to expect finding co-financing partners for the full amount budgeted in a timely manner. We therefore recommend either to break down the project components into single better manageable projects prioritising activities or to select the most affected countries (LDCs, countries with highest dependence on coffee exports, ...) to carry out the full programme. For any of them it will be necessary to redesign project concepts and budgets.
<b>Member 2</b>			✓	Framework not in line with objectives. Objectives too broad. Multi-stakeholders missing. Learning from past experiences is missing.
<b>Member 3*</b>				
<b>Member 4</b>		✓		Recommend reformulation of the project aiming at a better description of the procedures and methods to explain the participation of each member involved in this project and how the information will be shared and interrelated; as it is necessary to characterize the nature of involvement and responsibility of each institution, in different stages of implementation and in each country.
<b>Member 5</b>		✓		A number of issues need to be addressed before the project would be ready for CFC financing.

\* No specific information received

## VSS ASSESSMENT

### ICO Criteria

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Partly. The following countries are Least Developed Countries and CFC members: Burundi, Democratic Republic of Congo, Ethiopia, Liberia, Rwanda, Sierra Leone, Togo, Tanzania, Uganda, and Zambia. The following countries are Developing Countries and CFC members: Cote d'Ivoire, Ghana, Kenya, Nigeria, and Zimbabwe. Liberia is not a CFC member.

Burundi, Ethiopia, Rwanda, Uganda, Tanzania and Kenya belong to the most important African coffee producers and to the 10 countries with highest dependency on coffee. The rest of the countries proposed in the project are either not mainly dependent on coffee or represent rather marginal volumes of total global coffee production.

Member 5: Yes, except that Zimbabwe, Nigeria and the Democratic Republic of Congo do not appear to have ratified or agreed to provisionally apply the 2007 Agreement such that that they would not appear to be ICO Members eligible for project funding.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. The six components proposed in the project are consistent with most of the issues addressed in the 2007 Agreement and the strategy document of the ICO.

The project proposal submitted has strategic and technical merit and is well organized with the goals itemized, as well as activities addressing many aspects of the coffee chain in the project context.

Member 4: The project proposal submitted has strategic and technical merit and is well organized with the goals itemized, as well as activities addressing many aspects of the coffee chain in the project context.

Member 5: In broad terms, the ultimate goal of the project – contributing to the sustainable improvement of livelihoods of smallholder coffee farmers by enhancing production (while conserving the natural resource base), quality, trade and overall competitiveness of African coffee producers – appears in line with the objectives of the 2007 Agreement and strategic issues identified in ICC-105-16. However, as noted below, the objective of the project appears overly broad.

**3. Is the project consistent with country or regional priorities?**

Member 1: Yes. See point 1.

Member 2: Yes.

Member 4: Many countries in Africa will be involved in order to develop different activities with specific goals creating different actions and purposes. With this in mind, the information management generated in those regions will be the great challenge of the project.

**4. Are there critical gaps or problems with the project?**

Member 1: Yes. Financial scope appears beyond CFC's capacity (PAC comment).

Member 2: Yes.

Member 5: The proposal reflects a significant amount of study and effort, and addresses a coffee producing region where additional project work could make a substantial contribution to improving the livelihoods of small-scale coffee farmers through sustainable expansion of the coffee sector. However, a number of issues need to be addressed before the project would appear ready for CFC financing. In particular:

- The project appears overly broad in scope and would benefit from a narrowing of target countries and a more staged approach that would undertake select project components in select countries and then, based on lessons learned, consider incorporating additional project components for those countries and expanding selected project components to additional target countries. It is not immediately apparent how the six individual project components form a single megaproject, i.e. how the project components operate together or complement one another to achieve the project's objective.
- The scope and geographic representation of the project would also appear to present significant challenges for effective project management, requiring significant resources in terms of personnel and overheads. How does CAB International plan to manage these challenges? Does it have regional offices in each of the beneficiary countries to manage project implementation? How is its management structure designed to ensure effective implementation, monitoring and evaluation?
- Additional research and fact-finding appears necessary to support a number of activities included in the proposal. For example, several

components include organizing producers *inter alia* to provide training, access to financing or institutional support. Before undertaking such an activity, it would be critical to understand the state of existing producer organizations – do they exist, are they effective, what are the obstacles to their formation or effective functioning, etc. The activities cited in the next bullet are further examples of activities that would benefit from additional background research on current/past obstacles, lessons learned from previous efforts to address such obstacles, etc.

- A number of activities within components alone appear to be significant undertakings, for example, setting up national research institutions, organizing producer groups to achieve a variety of objectives, strengthening financial systems, implementing an effective agricultural credit system, devising a “sustainable intelligence and forecasting system”, developing new coffee varieties, implementing strategies to mitigate and adapt to climate change, etc. The project does not appear to address the significant challenges any one of these activities might involve, much less if pursued simultaneously.
- The proposal should take into account current programmes operating in the target countries that would complement this project and past programmes and the lessons learned from those. The proposal identified previous ICO/CFC approved/funded projects and a select number of projects funded by other sources but given the broad scope and geographic application of the proposed project it would appear likely that other government and non-government programmes have been completed or are on-going that relate to the activities proposed in the project
- The portion of the project’s total cost covered by co-financing is significant comprising nearly two-thirds of the total. Yet it does not appear that any sources of co-financing have secured, or whether any of the potential sources listed have expressed interest in funding any of the project’s proposed activities. This leaves the achievability of the project in question. What is CAB International’s plan for reaching out to and securing potential donors?

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. If the project is manageable.

Member 2: No. Project to be revised.

Member 5: See comments above; project components could possibly have sustainable impacts for beneficiaries but the proposal would benefit from further addressing this specific question.

**6. Is the scale and scope of the project appropriate?**

Member 1: No. In the current form it appears rather unmanageable; also needs co-financing partners or need to reduce scale and scope.

Member 2: No. Too broad.

Member 5: See comments above.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes. Realistic.

Member 2: No. Too short.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. Counterpart contribution amounts to more than 50% of the total budget. Governmental bodies are committed to participate in the project execution / implementation; private sector role / banks are unclear.

Member 2: No.

Member 5: The project does not appear to reflect contributions by target governments.

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. Addresses mainly needs of local farmers.

Member 2: Yes.

**10. Have gender aspects been adequately addressed?**

Member 1: No. Gender aspects not specified in the project proposal.

Member 2: No.

Member 5: No. The project proposal does not include a gender analysis. Proposal should be modified to reflect a gender analysis.



**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: No. The project concept provides private partners with a significant role. Nevertheless they have not been identified yet or are not concretely mentioned in the proposal. Private sector contributions are not part of the budget. In-kind contributions are mentioned but not quantified. Among the possible private sector co-financers suggested in the proposal the coffee industry is not even mentioned.

Member 2: No. Missing a multi-stakeholder approach.

Member 5: See comments above.

**Project 4: Improving coffee productivity in Yemen (Concept note)**, submitted by the Government of Yemen (document PJ-25/12).

RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1	✓			
Member 2			✓	Unclear structure and costs.
Member 3		✓		Only fast track to learn about the country, as there is not enough information from the country.
Member 4			✓	
Member 5		✓		The proposal would benefit from additional details, as suggested below.

**VSS ASSESSMENT**

**ICO Criteria**

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Yemen is an LDC and CFC member. Migration from rural to urban areas is a consequence of low profitability of the coffee business and lack of perspectives in terms of quality performance and market access for Yemeni growers.

Member 3: Yes. 110,000 coffee farms that support one million people (producers are very small producers).

Member 5: ICC-105-16 notes that target beneficiaries can be identified *inter alia* with reference to populations and economies heavily dependent on coffee and with few economic alternatives. It would be helpful to understand whether this is the case for Yemeni coffee farmers and regions. We note that Yemen is identified as an LDC, and that ICC-105-16 notes that such countries are among the intended beneficiaries.

## **2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. The purpose of the project is consistent with goals 3, 7 and 5 of the strategy document of the ICO as well as objectives 9 and 12 of the 2007 Agreement. Yemeni coffee production has good potential for serving specialty markets and can substantially contribute to poverty alleviation for at least one million people.

Member 3: Yes.

Member 4: The project structure is not satisfactory and consistent, even the goals and objectives. The targets are not likely to be achieved on time. It was also observed that the project does not deal with clarity, objectivity and consistency the most important information for understanding the reality, in order to justify the proposal. In other words, it is not explicit why the strategy proposed by the project is the most appropriate and capable to overcome the limitations and meet the expectations of the production chain. The way to obtain results was not presented in the project.

Member 5: Yes. To the extent the project leads to the development of a project proposal whose objective is improving coffee quality and marketing opportunities for Yemeni coffee, the project's goals are consistent with goals identified in ICC-105-16.

## **3. Is the project consistent with country or regional priorities?**

Member 1: Yes. In line with the joint programme of the Coffee Department at the ministry of agriculture; in line with the National Development Priorities, in particular with the objective "Economic diversification through stimulation of non-oil economic growth"

Member 2: No. Security issues/infrastructural problems.

Member 3: Yes. Probably.

#### 4. Are there critical gaps or problems with the project?

Member 1: No. No critical gaps can be identified at this stage.

Member 2: Yes. Unclear cost structure.

Member 3: Yes.

Member 5: The proposal would benefit from additional details:

- The proposal does not identify a project executing or implementing agency, or supervisory body. Under Yemen's proposal, who would serve these roles?
- What is the budget for this proposal? The CFC note indicates that US\$30,000 may be available. How would this funding be budgeted for this project?
- The proposal appears to consist of two key parts, conducting an assessment to identify the main constraints facing development of the coffee sector in Yemen and designing a project to address those constraints. With respect to both, the proposal would benefit from additional detail. For example:
  - Who will conduct the assessment and design the project? The proposal refers to a "small team of consultants" including an agriculture economist and agronomist. What other expertise does the Government of Yemen anticipate including on this team? Will such expertise comprise solely outside consultants, or will government experts also be included. What relationship will the Government of Yemen have with this team of consultants, e.g. what role, if any, will the Government of Yemen have in managing this team of consultants and helping shape the project development?
  - What methodology will be used to conduct the assessment (e.g., what methods will be used to gather data, what sources of information will be relied upon, how will that information be evaluated and by whom)? What are the range of constraints that the assessment will evaluate, e.g. those related to quality, agricultural practices, climate, availability of land, regulatory or enabling environments, processing, transportation or storage capacity, market fundamentals, etc.
  - Where will the referenced "field missions" take place, and what will they involve?

- The proposal identifies as its goals to improve quality and marketing structures and therefore appears to be premised on the notion that coffee quality and marketing structures in Yemen need to be improved. It would be helpful to understand the basis for Yemen's assessment that coffee quality and marketing structures need to be improved; for example, has Yemen already identified certain constraints at the farm and supply chain level that inform its proposal? If so, what are those?

Additional clarity is needed on the intent of the fifth bullet on page 2 – estimating and discussing potential market projections for Yemeni coffee, according to product specifications, and the realistic targets that could be set in terms of projected quality improvements and the potential for higher prices according to various scenarios.

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. After a first assessment of critical issues for the sector and implementation of projects in accordance to these.

Member 2: Yes/No. Not clear.

Member 3: No. Seems that coffee sector is not organized.

Member 5: It is unclear in light of the lack of detail in the proposal; however in theory, a proposal aimed at improving coffee quality and marketing structures if designed and implemented correctly could have sustainable impacts for coffee growers in Yemen.

**6. Is the scale and scope of the project appropriate?**

Member 1: Yes.

Member 2: No.

Member 5: Yes, but as noted above the proposal would benefit from additional detail.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes.

Member 2: No. Systematic change needs more time.

Member 3: Three weeks for Fast Track to learn about the country.

Member 5: The timeframe for the project is unclear. The timetable on page 2 indicates that a one-week field mission will take place in November 2010, followed by a second field mission 15 months later in January 2012 and a project proposal developed by March 2012. Has the first field mission already been completed? Why is there a 15 month gap between the two field missions?

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. The initiative is endorsed by the Ministry of Agriculture and Irrigation.

Member 2: Yes.

Member 3: No.

Member 5: It is unclear what the budget for this proposal is, and whether Yemen would contribute to any portion of that budget. This should be clarified.

**9. Will this project develop capacity-building in the local community?**

Member 1: No. The project shall assist in developing a project proposal; thus it does not contain field activities.

Member 2: No.

Member 3: No.

Member 5: Possibly; see response to Question 5.

**10. Have gender aspects been adequately addressed?**

Member 1: No/Yes. It has not been given particular attention in the proposal as such. However, the accompanying letter of the Minister of Agriculture mentions that coffee farms are farmed mostly by women. Therefore it is recommended to introduce this aspect into the Project Preparation Facility.

Member 2: No.

Member 3: No.

Member 5: No, this would need to be added to the proposal. We note with interest the letter to the CFC from the Government of Yemen which indicates that 95% of coffee farms are farmed by women.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: No.

Member 2: No.

Member 3: No.

Member 5: The proposal does not address this question, and should be clarified.

**Project 5: Economic incentives for coffee agroforestry systems in Costa Rica,** submitted by the United Nations Development Programme (UNDP) (document PJ-26/12).

RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1			✓	
Member 2		✓		Explicit methodology to measure ecological services and include the marketing benefits for the supply chain.
Member 3		✓		Project should be a pilot model for other coffee producing countries that need agroforestry systems in coffee plantations.
Member 4	✓			
Member 5		✓		The concept note presents the foundations for a project proposal that merits further development. In developing this concept note into a full proposal, Costa Rica is encouraged to take into consideration the suggestions listed below.

### VSS ASSESSMENT

#### ICO Criteria

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Developing country and CFC member.

Member 5: This concept note aims to develop a project that would expand an agroforestry initiative in Costa Rica to encourage more coffee farmers to grow shade-grown coffee, thus preserving or re-capturing Costa Rican forests. This in turn will promote a number of environmental benefits, such as improving carbon capture (and reducing the release of previously captured carbon), promoting biodiversity, reducing fertilizer usage, etc. These goals/intended outcomes are consistent with the objectives of the 2007 Agreement and the strategies identified in ICC-105-16, in particular those related to promoting sustainable development of the coffee sector. The concept note also addresses a means to further diversify sources of incomes for coffee growers,

which is also a strategic issue identified in ICC-105-16. Co-financing for the project is also strong. Overall, the concept note presents the foundations for a project proposal that merits further development. In developing this concept note into a full proposal, Costa Rica is encouraged to:

- Explain how the proposed project would contribute to the goal of expanding existing Payment for Environmental Services (PES) schemes in Costa Rica by incorporating environmental services provided by Agroforestry Systems (AFS).
- Explain and detail activities that will lead to the establishment of PES scheme benefiting coffee farmers employing AFS, including the methodologies that will be used to value environmental services provided, how staff will be trained to use these methodologies to value services provided by individual small holders and who will provide this training, how payments will be provided to farmers and who will finance these payments, how farmers' participation in the programme will be secured or encouraged, and the role of the cited pilot projects.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. In particular to ensure environmental sustainability of coffee cultivation including adaptation to and mitigation of the effects of climate change.

Member 3: Yes. Consistent in development of payment for environmental services.

Member 4: The project aims to facilitate access to finance for the development of small and medium coffee producers in Costa Rica, according to international practices of sustainable production, through the development of PES for coffee agroforestry systems within Costa Rica's long established PES national fund (FONAFIFO), including important issues as carbon sequestration.

**3. Is the project consistent with country or regional priorities?**

Member 2: No.

Member 3: Yes. Country needs to improve competitiveness.

**4. Are there critical gaps or problems with the project?**

Member 1: Yes. The PES does not appear viable on the long run; secondly it only considers the environmental dimension of sustainability, but not the social one

Member 2: Yes. Methodology to measure technological services.

Member 3: Yes. Country needs to introduce agroforestry in coffee plantations.

Member 4: The project is well structured and the goals are clearly defined.

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. There are indirect benefits by keeping coffee cultivation environmentally sound.

Member 2: No. Not linked to marketing along supply chain.

Member 3: Yes. Will reduce use of fertilizers and chemicals in coffee production.

Member 4: The responsibilities and procedures will provide coherence and consistency with the search for answers to technical questions raised.

Member 5: It needs to address how sustainability of project outcomes can be achieved.

**6. Is the scale and scope of the project appropriate?**

Member 1: No. I have my doubts in the principal approach (PES).

Member 2: Yes.

Member 3: Yes. Because of producers' training.

**7. Is the timeframe of the project appropriate?**

Member 1: No. As above.

Member 2: Yes.

Member 3: Yes. Because the country needs to adjust to climate change.

Member 5: It needs to detail a timeline for the project.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. US\$200,000 or 10% of project cost are committed.

Member 2: Yes.

Member 3: Yes. The government is committed.

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. Indirectly by training farmers to become eligible for PES.

Member 2: Yes.

Member 3: Yes. Need more agroforestry products in coffee producing areas.



**10. Have gender aspects been adequately addressed?**

- Member 1: No. The project appears purely directed towards environmental concerns without any social and gender aspects.
- Member 2: No.
- Member 3: No. Not addressed.
- Member 5: It needs to include a gender analysis.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

- Member 1: Yes. It can perhaps generate additional benefits from the voluntary carbon market.
- Member 2: No. Multi-stakeholders approach is missing.
- Member 3: No. Not mentioned.

**Project 6: Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies**, submitted by the Finance Alliance for Sustainable Trade (Fast) (document PJ-27/12).

RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1		✓		The proposal is highly relevant, and worthwhile. However, it appears isolated. The proposing institution should be requested to cooperate with a coffee programme and the private banking system to integrate it into a larger coffee programme that contains a component of access to finance and financial literacy. Then the proposal would be meaningful.
Member 2		✓		Multi-lingual toolbox.
Member 3*				
Member 4	✓			
Member 5		✓		In developing such a project proposal, FAST is encouraged to consider the points listed below.

\* No specific information received

## VSS ASSESSMENT

### ICO Criteria

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Project directed to East African coffee producing countries, which are mostly LDCs and CFC members.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. Particularly with reference to improving small and medium enterprises in coffee to access financial service provision.

Member 4: The project has technical merit and the main goal of the proposal is to increase access to finance for sustainable agriculture producers and Small and Medium Enterprises (SMEs) by improving producer and SME financial and accounting management capacity.

Member 5: Note: this proposal is a concept note and as such is not ready to be approved for funding by the CFC, whether as a fast track proposal or otherwise; does the fact that the CFC has indicated funding would come from the CFC first account affect characterization of this as a “fast track proposal”?

Overall, the proposal addresses an important issue – building financial literacy of small and medium holders that is consistent with the objectives of the 2007 Agreement and the strategies outlined in ICC-105-16, particularly those related to facilitating enhanced access to finance and risk management tools. The concept note is also consistent with Members’ efforts to pursue these objectives through the ICO Consultative Forum on Coffee Sector Finance. FAST has the relevant expertise and experience to design a well-crafted, effective training tool and one that can be used repeatedly in a variety of contexts. The requested project amount, US\$120,000, is reasonable. The focus on training the trainers will also help ensure the sustainability of project outcomes beyond the life of the project. FAST should further develop the concept note into a project proposal for consideration by the VSS and Projects Committee. In developing such a project proposal, FAST is encouraged to:

- Clarify the extent to which the project would address the needs of small- and medium-sized coffee growers; or whether the materials will be generic to a variety of commodities produced in East Africa.
- Include a gender analysis.
- Include a detailed budget.
- Clarify what tools FAST has already developed and could contribute to the project (referenced on page 4 of the full concept note) versus those it wants to further investigate and develop through the project (referenced on page 5 of the full concept note).
- Provide additional details on the financial training FAST proposes to provide, e.g. what topics and material would the training module cover.
- Consider relevant outcomes of the ICO's Consultative Forum on Coffee Sector Finance.
- Take into account other financial literacy initiatives for small holders pursued by other organizations to benefit from lessons learned and avoid duplication.

We would also encourage FAST to present to the ICO the results of its efforts, in particular as ICO Members are exploring similar/related issues through the Consultative Forum.

**3. Is the project consistent with country or regional priorities?**

Member 1: Yes. Literacy of small and medium enterprises concerning financial services is low and an impediment to coffee production.

Member 2: Yes.

**4. Are there critical gaps or problems with the project?**

Member 1: No. Admittedly the approach is very narrow.

Member 2: Yes. Limited to toolbox in English.

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. Improving financial literacy of SMEs is a relative new, but very important field, so far underutilized.

Member 2: Not clear.

**6. Is the scale and scope of the project appropriate?**

Member 1: Yes. Training material is developed for several countries in a generic way.

Member 2: Yes.

Member 4: The project submitted is well structured and describes in a straight and concise way the proposed activities. The methods are sufficient to achieve the goals outlined. Based on the proposed activities, the costs survey is suitable for running the project, with proper detailing.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes, for developing the training material and a first training of trainers/workshop, but not for a roll out.

Member 2: Yes.

Member 4: The main deliverables of the project are consistent with the purposes and on schedule.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: No.

Member 2: No.

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. However, this first happens on a trainers' level; no proper approach has been presented for a roll out.

Member 2: Yes/No. Only to selected groups.

Member 4: The institutions involved will clearly support the project development.

**10. Have gender aspects been adequately addressed?**

Member 1: No.

Member 2: No.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: Yes. Improved financial literacy of small and medium coffee enterprises will improve access to finance and thus financial resources; however, since no roll out is presented, the project can only be a first step.

Member 2: Yes.

**Project 7: Promoting the intensification of coffee and food crops production using animal manure in areas covered by the project CFC/ICO/30 in Burundi, submitted by the Government of Burundi (document PJ-28/12).**

RECOMMENDATION OF THE PROJECTS SUBCOMMITTEE MEMBERS (Tick as appropriate)				
VSS Member	Project endorsed	Project endorsed with comments	Project not endorsed	Comments, if any
Member 1	✓			
Member 2*				
Member 3*				
Member 4*				
Member 5		✓		There do not appear to be critical gaps or problems in the proposal, however, several aspects of the proposal would benefit from clarification.

\* No specific information received

### VSS ASSESSMENT

#### ICO Criteria

**1. Country eligibility: Are the intended beneficiaries of the project consistent with the type of beneficiaries described in paragraph 29 of ICC-105-16?**

Member 1: Yes. Burundi is an LDC and CFC member.

Member 5: Yes. Burundi is identified as an LDC, with populations suffering substantial poverty and coffee is its most important export crop.

**2. Aims and purposes: Are they consistent with the 2007 Agreement and ICC-105-16?**

Member 1: Yes. The project aims at poverty alleviation, ensuring food security, income increases; diversification and environmental sustainability of coffee cultivation.

Member 5: Yes. The project encourages diversification, ensuring additional sources of income for coffee farmers, mitigating risk of farmers' dependence on coffee, and contributing to poverty alleviation. The project also promotes more environmentally sustainable methods of coffee production through the use of organic versus chemical fertilizers. Both aspects are consistent with ICC-105-16 and the 2007 Agreement.

**3. Is the project consistent with country or regional priorities?**

Member 1: Yes. Coffee is the main export crop of Burundi.

**4. Are there critical gaps or problems with the project?**

Member 1: It highlights environmental and economic dimensions of sustainability but the proposal is mute about social aspects such as gender, strengthening farmers' organizations, etc.

Member 5: Overall, the project takes an innovative approach, building on lessons learned from a previous project, and reflects farmer driven solutions. There do not appear to be critical gaps or problems in the proposal, however, several aspects of the proposal would benefit from clarification:

- The proposal would benefit from clarifying whether the funding sought is solely for the purpose of developing a mechanism to finance development of an additional alternative "crop" (cattle) or is also intended to cover the aspects of CFC/ICO/30 noted in paragraph 3 that were not completed under that project.
- The proposal would also benefit from taking into account lessons learned from CFC/ICO/30, including challenges farmers may have experienced regarding loan repayment and how those challenges were overcome.
- The logical framework could be clarified, particularly with respect to indicators for whether the specific objectives of the programme have been achieved (e.g. it is unclear what indicators will be used to measure whether the project is successful in (a) promoting cattle rearing as means to diversify sources of income for coffee farmers and contribute to food security or (b) strengthening the capacity of farmers to manage savings and credit). The relevance of systems used in other coffee producing as an indicator is also unclear. Additionally, one of the assumptions listed is "improved rural infrastructure" and it would be important to understand the basis for this assumption and its impact on the success of the project if it is not achieved.
- Component 1 indicates that its cost is US\$215,000. How will this cost be covered? Is this cost covered by funds already available as a result of the revolving fund created pursuant to CFC/ICO/30? Is the revolving fund created pursuant to CFC/ICO/30 sufficient to fund loans for cattle rearing as well as other crops addressed in CFC/ICO/30?

- Components 1 and 2 would benefit from clarification and activities specified under the two components rationalized. Component 1 is entitled “Provision of Credit Facilities” while the output focuses on increased production of livestock and production of animal waste; activities include provision of extension services, delivery of revolving credit, monitoring of loan disbursements and repayments and improvement of cattle raising practices. Component 2 is entitled “Training in good agricultural practices of organic farming and credit and savings management” while the output focuses on improving farmers’ organic farming skills and activities focus on training on credit and savings management and provision of extension services. Perhaps a way to rationalize these two components would be to have one component focusing on Provision of Credit Facilities comprising activities 4 and 5 from Component 1 and activity 5 and 6 of Component 2 and another component focusing on Training in Good Agricultural Practices and Cattle Rearing comprising activities 2, 3 and 6 of Component 1 and activities 4 and 7 of Component 2. Activities 1 of Component 1 and activities 1-3 of Component 2 appear relevant to both provision of credit facilities and training in GAP and cattle rearing.

The intent and purpose of component 4 is unclear. Is this component intended to develop a new project proposal (as stated in the component’s objective) or to carry out the activities listed? In addition, how do activities 1-5 relate to activities 6-8?

**5. Is the project likely to have sustainable impacts for project beneficiaries?**

Member 1: Yes. Applying cattle manure to coffee plants and other crops increases yields and makes agricultural systems more resilient

Member 5: Possibly, if the revolving fund could continue to be funded and loans repaid; sustainable impacts would also be enhanced through ensuring training of extension service providers that could continue to assist farmers (both in GAP and cattle rearing and credit and savings risk management and loan repayment procedures) after the project concludes.

**6. Is the scale and scope of the project appropriate?**

Member 1: Yes. The project is small, however, in accordance with the budget.

Member 5: Yes, the project starts with a pilot group of coffee farmers with the possibility of using lessons learned to develop a larger project.

**7. Is the timeframe of the project appropriate?**

Member 1: Yes. Bridging 12 months.

Member 5: Yes.

**8. Government commitment: Is the counterpart contribution committed by the government appropriate?**

Member 1: Yes. The government contributes about 20% (US\$72,000) in counterpart funding.

Member 5: The Government contribution (US\$71,505) is comparable to the financing sought from the CFC (US\$98,280).

**9. Will this project develop capacity-building in the local community?**

Member 1: Yes. It will promote Good Agricultural Practices, organic farming as well as credit and saving management among coffee farmers.

Member 5: See response to Question 5.

**10. Have gender aspects been adequately addressed?**

Member 1: No. Not mentioned anywhere in the proposal.

Member 5: No. The proposal should be updated to indicate how gender issues will be addressed in implementing the project and evaluating its success.

**11. Does this project leverage additional resources through private sector, civil society, government, or academic participation?**

Member 1: Yes. The project works in partnership with the extension service, a training institute, a research institute and a national bank.

Member 5: Unclear. See response to Question 4, fourth bullet regarding the sources of financing for the US\$215,000 in the revolving fund.



### **LIST OF ACRONYMS USED IN THIS DOCUMENT**

AFS	Agroforestry Systems
BAP	Best Agricultural Practice
CFC	Common Fund for Commodities
IACO	InterAfrican Coffee Organisation
FAST	Finance Alliance for Sustainable Trade
FONAFIFO	National Forestry Financing Fund
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
LDCs	Least Developed Countries
PAC	Project Appraisal Committee
PES	Payment for Environmental Services
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Programme
UNDP GEF	Global Environmental Facility of the UNDP