



Projects Committee/  
International Coffee Council  
27 September 2012  
London, United Kingdom

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

**Background**

The ICO, as the designated Supervisory Body for the following Common Fund for Commodities (CFC) coffee projects, assists with monitoring the implementation of projects, which include among others, reviewing the attainment of objectives, identifying constraints and checking expenditure. This document summarizes individual progress reports submitted by each PEA for each project being implemented (see Section IV of document PJ-37/12) and includes a list of acronyms used in this document. Copies of the full six months reports are available on request from the Secretariat.

- Annex I:** Pilot Rehabilitation of Neglected Coffee Plantations into Small Family Production Units in Angola – CFC/ICO/15 (PEA: INCA)
- Annex II:** Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI)
- Annex III:** Access to finance for the development of diversification crops in coffee producing areas – CFC/ICO/30 (PEA: FGCCC/OCIBU)
- Annex IV:** Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries – CFC/ICO/45 (PEA: AFCA [Formerly: EAFCA])
- Annex V:** Competitive coffee enterprises programme for Guatemala and Jamaica – CFC/ICO/46 (PEA: ANACAFE/CIB)
- Annex VI:** Economic Crises and Commodity dependent LDCs: Mapping the exposure to market volatility and building resilience to future crises – CFC/ICO/49FA (PEA: UNCTAD)
- Annex VII:** Sustainable Credit Guarantee Scheme to promote scaling up of enhanced processing practices in Ethiopia and Rwanda – CFC/ICO/48 (PEA: CABI-ARC)
- Annex VIII:** Building a Financial Literacy Toolbox to enhance access to commodity finance for sustainable SMEs in emerging economies – CFC/ICO/53/FT (FAST-Canada)

**Action**

The Projects Committee and the International Coffee Council are requested to take note of this report.

## LIST OF ACRONYMS USED IN THIS DOCUMENT

Anacafé	National Coffee Association (Guatemala)
ANADER	National Rural Development Agency (Côte d’Ivoire)
ARFIC	Burundi Regulatory Authority of the Coffee Sector
BACI	Atlantic Bank of Côte d’Ivoire
BPC	Banco de Poupança e Crédito (Savings and Credit Bank, Angola)
BPR	Banque Populaire de Rwanda (Popular Bank of Rwanda)
CBB	Coffee Berry Borer
CBD	Coffee Berry Disease
CBO	Cooperative Bank of Oromia
CFC	Common Fund for Commodities
CIB	Coffee Industry Board of Jamaica
CLR	Coffee Leaf Rust
CLUSA	Cooperative League of the USA
COFENAC	National Coffee Council (Ecuador)
CRF	Coffee Research Foundation
DPAE	Direction Provinciale de l’Agriculture et de l’Elevage (institution in charge of extension services)
EAFCA	Eastern African Fine Coffees Association
EU	European Union
FAST	Finance Alliance for Sustainable Trade
FFSs	Farmer Field Schools
FGCCC	Guarantee Funds of the Cooperatives Coffee-Cocoa
INCA	Instituto Nacional do Café de Angola
IPR	Intellectual Property Rights
NCI	National Coffee Institution
NGO	Non-governmental organization
OCIBU	Coffee Board of Burundi
PEA	Project Executing Agency
PIA	Project Implementing Agency
RF	Revolving Fund
SCAE	Speciality Coffee Association of Europe
ToT	Trainer-of-trainers
UNCTAD	United Nations Conference on Trade and Development

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

- 1. Period covered by the report: 1 January to 30 June 2012**
- 2. Status of Project implementation**

**Component 1: Production and rehabilitation of coffee plantations**

The following results were obtained:

- 71 nurseries installed.
- 900,000 seedlings produced, totalling 9.8 million seedlings since the beginning of the project.
- 247,517 new plants planted in situ.
- 5,238 ha of plantations rehabilitated, following the recommended husbandry – weeding, pruning, shading, terracing, etc.
- 42,170 kg of organic fertilizers (bokashi) produced and used to fertilize coffee.
- 1,530 coffee growers trained in soil management techniques.
- Farmer field schools (FFSs) installed and maintained.

The harvesting period in Amboim goes from May to August. By the end of June, about 1,013 tons of cherries were harvested and dry processed resulting in 542 tons of green coffee. The outcomes from the unit area has improved during the period reaching an average 553 kg of green coffee/ha, far away from the 110 kg/ha at the beginning of the project.

During the period, special attention was addressed to the improvement of coffee quality. For that more than 94 training sessions were organized and attended by 3,718 coffee producers. The result is that a cooperative of the project won a national contest on coffee quality organized in Gabela.

**Component 2: Commercialization of coffee**

- Gross profit during the period was about at US\$757,400 from the sale of coffee produced and commercialized in the project.
- FOB price paid to producers increase up to 71%.
- Coffee sales through cooperatives created by the project increased around 25%.
- With the support of the project, contracts were signed for the commercialization of more than 3,400 tons of coffee during the period.

- As the quality of the coffee produced by project cooperatives was good, international companies purchased the coffee.
- Over 62,000 m<sup>2</sup> of patio for coffee drying were rehabilitated.
- Suspended solar dryers for coffee drying were introduced.
- The “café amboim” exhibition was organized in Gabela with the participation of 13 coffee cooperatives, roasters, suppliers, equipment manufacturers, etc.
- 2 commercial banks were involved to finance coffee activities in the region of Gabela.

Aiming to provide regular market information and other coffee related services eight editions of the project’s bulletins “relampago and Punga” were released.

### **Component 3:           Resettlement of displaced families**

Overall, the families that were resettled by the project have now adapted to a normal social life and it is difficult to differentiate them from non-resettled: they produce their coffee and food; they own land, earn money and their children now attend school. All these achievements were possible because of the project.

During the reporting period, main activities focused on the maintenance of the medical centre and schools built under the project where more than 1,600 children currently attend. The local authorities ensured that teachers and nurses attended as necessary.

### **Component 4:           Support services**

The main activities under this component focused on the strengthening of farmers’ associations and cooperatives, turning them into centres where services can generate profit and coffee businesses can guarantee a normal social life to members. During this reporting period:

- Eight service centres with shopping areas, offices, warehouses and social areas were rehabilitated and / or built from scratch during the period.
- Means of transport (vehicles) were purchased and delivered to cooperatives.
- The CESACOPA service centre for coffee cooperatives in Amboim was improved and is now in a position to provide services that can generate a profit.
- The CESACOPA, a cooperative involved in the project, participated in the Africa Finance and Investment Forum (AFIC2012) and it won the first prize.
- Training sessions on coffee husbandry and cooperative management were carried out during the period.
- More than 150 tons of food crops were produced by the families involved.

The concept of FFSs was enthusiastically accepted during this period as a result of the organized training sessions. The idea of setting up FFSs in an area of 25 ha enabled to provide training in matters related to production of organic fertilizers (bocashi), production of bio-stimulants, use of traps for insects, techniques of soil conservation including terracing, shadow regulation, pruning and quality harvesting and processing.

#### **Component 5: International technical assistance**

The project was visited by several national and international officials as follows:

- The Executive Secretary of the InterAfrican Coffee Organisation (IACO).
- Executive Director of USAID.
- Honourable Minister of Agriculture, Rural Development and Fisheries of the Republic of Angola.
- The Governor of Kwanza Sul province.
- Project staff (three extensionists), visited the Republic of Timor-Leste in an exchange session in a similar project implemented in that country.

#### **Component 6: Project management**

All technical reports of the implementation progress, finance and accounting and other required administrative records were produced and submitted.

Today, more than 5,100 people continue to benefit from the results of the implementation of the project, with the support of the PEA (INCA) which lead to a gradual improvement of coffee production in the Gabela region, from 510 tons in 2007 to 1610 tons in 2011.

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

**Period covered by the report: 1 January to 30 June 2012**

**Status of project implementation:**

**Component I: Identification of needs and resources: rural community responses to CLR disease and the sourcing and production of coffee genetic material**

A range of activities are being written up such as the study of coffee leaf rust epidemiology and assessment of economic losses due to leaf rust under experimental conditions in Kenya. Maintenance of nursery facilities continued in Kenya, Zimbabwe and India. Documentation of expected demand for improved varieties continued in Kenya and India, with demand for Batian and Ruiru varieties in Kenya reaching 78% and 19%, respectively, and the demand for traditional varieties reaching only 3%. In India, demand for seed of improved Arabica is expected to be about 5 MT in traditional coffee growing areas. Homogenous seed production sites were maintained in Kenya, Uganda, Zimbabwe, and India. In Kenya, 2 ha of seed gardens were maintained, while 18 ha were maintained in India. Uganda maintained a total of 1.2 ha of seed gardens. Zimbabwe is maintaining four seed production gardens. Uganda is also producing tissue culture materials for the seven Coffee wilt disease resistant varieties. A total of 790 plants were given out to nursery operators for developing mother gardens. This has been achieved with co-financing from the Uganda Coffee Development Authority. Farmer field school (FFS) activities continued in most countries, however, some countries are continuing the activity with minimal project support as an exit strategy. In India, FFSs are being extended to non-traditional coffee growing areas where a training of trainer's workshop is scheduled for 4-6 September 2012. India produced 8.4 MT of seed of improved varieties and gave to 5,746 farmers.

**Component II: Conservation and identification of coffee varieties and disease races**

Coffee collections were maintained in field gene banks in Zimbabwe, Rwanda, India, and Uganda. Eleven varieties were conserved in Zimbabwe, while 280 varieties were conserved in India. In Rwanda, 184 accessions were conserved, while Uganda is conserving 20 genotypes. India characterized 15 rust samples, and Race XXXVII with virulent gene combination of v2,5,6,7,9 was isolated from Sarchimor and Catimor. The activity is concluded in other countries. Capacity building continued in Kenya, Zimbabwe, Uganda, and

India, which took a Kenyan scientist through India's coffee breeding methods and marker assisted selection. In addition, the PEA continued building capacity in relation to project implementation. A paper entitled "Incidence and severity of coffee leaf rust and other coffee pests and diseases in Rwanda" was published by Joseph Bigirimana *et al.* in the African Journal of Agricultural Research, Vol. 7(26), pp. 3847-3852, 10 July, 2012 (<http://www.academicjournals.org/AJAR/PDF/pdf2012/10%20Jul/Bigirimana%20et%20al.pdf>).

Plans were in place to import coffee leaf rust race differential materials from Portugal to the four African countries using the country's existing protocols. However, no couriers are willing to carry live plants from Portugal to any of the African countries.

### **Component III: Field trials on farm and on station**

India continued with nursery trials for evaluating new F1 hybrids and upgraded Chandragiri variety with genes from *Coffea liberica*. All countries have been screening varieties for resistance to Coffee leaf rust and other major diseases in participating countries. Substantial data have been collected showing resistance to coffee leaf rust which included Selections 5A and 6. However, segregation was evident in Selection 5A in all countries. Three countries in Africa have been able to assess the varieties for quality, and the two selections, 5A and 6 have recorded very high quality similar to the Kenyan Batian and Ruiru varieties. On-farm and on-station trials to screen fungicides, botanicals and bio control agents for control of CLR and CBD progressed very well during the period under review, and most countries concluded the trials after getting conclusive data. Some of the fungicides screened have been recommended and registered for use in countries such as Rwanda. Antifungal bio control materials have not shown much promise in controlling Coffee leaf rust disease. In India, only *Bacillus brevis* recorded good Coffee leaf rust control; however, the control by the bio control agent was not as good as the standard control treatment, Bordeaux mixture.

### **Component IV: Scientific management, information systems and communication**

Country specific information materials were produced and disseminated in project countries. Some of the information materials disseminated during the period under review were produced in previous reporting periods. Most of the materials were on coffee leaf rust and other disease control strategies, and general good coffee management practices. Communication events centred on FFSs in all countries. However, most countries have initiated an exit strategy; some of the FFSs are operating with minimal support from the project as it comes to the end. Project team members continued to utilize the project website.

**Component V: Project management and coordination**

The PEA continued to advise PIAs on operational procedures using the CFC formats. PIAs were assisted during reporting periods in preparation of audits, audit reports, 2011 annual financial and progress reports, and 2012 work plans and budgets. The 2011 audit reports were sent to the donor. The PEA also liaised between the donors and the PIAs, monitored progress of the project implementation, and provided necessary backstopping. The PEA also provided guidance on preparation of project reports. The PEA also participated in the mid-term review in India, and contributed to the writing up of the mid-term Review report.

**Budget utilization**

The budget utilization during the period accounted for US\$103,256.31 for the period January to June 2012. The total budget for 2012 is US\$310,630.29 (CFC contribution), and the budget utilization to end of June 2012 is 33%. The CFC has so far disbursed US\$289,374.26 during the period. The expenditure by component in relation to the budget is as follows; Component 1-32%, Component 2 – 34%, Component 3 – 47%, Component 4 – 32% and component 5 – 26%. The counterpart contribution during the period amounted to US\$77,938.06 out of a total budget of US\$122,546.67.



**ACCESS TO FINANCE FOR THE DEVELOPMENT OF  
DIVERSIFICATION CROPS IN COFFEE PRODUCING AREAS**  
CFC/ICO/30

**Period covered by the report: 1 January to 30 June 2012**

**Status of project implementation**

**Component 1: Evaluation of participating producers and their needs**

In **Côte d'Ivoire**, implementation of this project component resulted in the identification and selection of 1,000 coffee producers as potential project beneficiaries, as well as the selection of the following twelve diversification activities: upland rice, maize, lowland rice, manioc, yam, plantains, garden produce, traditional poultry farming, modern poultry farming, pig and rabbit farming and fish farming.

In **Burundi**, project implementation centred on the 12 washing stations selected in the 4 main coffee-producing areas. The sites are distributed in eight provinces located in the four main coffee-producing areas, namely the provinces Gitega, Karuzi, Muramvya, Mwaro, Ngozi, Muyinga, Bubanza and Cibitoke.

**Component 2: Development of a sustainable loan system adapted to diversification activities for coffee producers**

In **Côte d'Ivoire**, a revolving credit management agreement was signed with the Atlantic Bank of Côte d'Ivoire (BACI), which defined the main conditions and forms of financing, establishing an interest rate of 10.16% p.a. to be charged to beneficiaries.

In **Burundi**, a similar agreement was signed between the OCIBU and the National Economic Development Bank (BNDE). This agreement aims to define the rules for collaboration between the two institutions in the context of the revolving credit facility of US\$300,000 available to small coffee farmers to finance diversification activities in the project area. It specifies credit access conditions, nature of the activities to be financed, forms of disbursement, interest rates applicable, loan repayment period and forms of payment, establishment and implementation of the loan guarantee fund.

**Component 3: Financing and support for development of diversification crops**

In **Côte d'Ivoire**, as a result of implementation of this component an amount of 253 million CFA francs was made available to 327 coffee farmers in the form of revolving loans for

diversification activities. These loans enabled farmers to produce 780 tonnes of manioc, 423 tonnes of rice, 134 tonnes of maize, 20,000 chickens, 1,210 pigs and 136 rabbits. Utilisation of inputs made it possible to improve productivity.

In **Burundi**, the loan repayment rate for total loans granted for crop seasons 2010A, 2010B and B2011 was 68%; in Karinzi and Taba it was 100%. The lowest rates were in the washing stations of Mwendo (28%) and Musigati (45%). All loans granted for season A2010 have been fully repaid. The ARFIC (the Burundi Regulatory Authority for the Coffee Sector) decided to draw on CFC funds in anticipation of repayments to avoid late interest payments and the initial CFC revolving fund has been replenished with repayments by producers. This shows that producers are making a special effort to avoid being penalized in future crop seasons, since the overdue payments amount is an exclusive criterion for eligibility to project credit.

**Component 4: Financing and support for development of domestic and foreign markets for diversification products**

In **Côte d'Ivoire** equipment support was provided for individual cooperatives (warehouses, trucks, tractors, hullers, grinders, computers, etc.) in the form of grants or credits, for a total of 183 million CFA francs for the five project sites.

In **Burundi** communal equipment was delivered to the 12 producers unions in 2010: 100 sprays, 7 rice hullers, 11 manioc grinders and 12 weighing scales as well as 6 warehouses. Four new warehouses were completed and made available to beneficiaries in the first half of 2011. The remaining two warehouses are under construction.

In **Burundi** the project renovated the warehouse of the washing stations union in Korane and constructed 12 warehouses (hangars of 6.7m x10m each, constructed terracotta brick and covered with metal sheets. Although these warehouses are destined for the storage of diversification products or communal equipment (mills or hullers) and were made officially available to the unions by the project over a year ago, none of them is operational. An 8-tonne lorry was bought by the project for transporting agricultural inputs and providing support for marketing diversified products.

**Component 5: Development of value added products**

In **Côte d'Ivoire** activities centred on the installation of hullers and grinders, the provision of tractors and vehicles and the construction of the five warehouses. These activities required personnel training in the following areas:

- Training tractor operators at the rate of 2 per cooperative, making a total of ten (10) persons
- Training operators to use hullers and grinders at the rate of 2 per cooperative making a total of ten (10) persons
- Establishment and training of management committees for communal equipment at the rate of 3 persons per cooperative.

In **Burundi** the project provided credit for beneficiaries grouped in 12 unions to purchase 7 rice hullers and 11 grinders (mills).

**Component 6: Training to strengthen producer capacities in mobilization of savings and efficient credit management**

In **Côte d'Ivoire**, training activities can be summarized as follows:

- Training of 1,230 participants by ANADER and private workshops;
- Training for 224 cooperative managers by the same training workshops.

In **Burundi**, the DPAE training service provided training for 273 loan beneficiaries of crop season B2012 on the following topics:

- Cultural techniques of monitored activities
- Goat farming
- Harvest management
- Loan management and repayment

**Component 7: Project coordination and management**

The main activities carried out under this component were: the establishment of the training coordination team and supervision of day- to-day project activities.

**Resource utilization**

In **Côte d'Ivoire** project financing totalled 1,517 billion CFA francs. Funding was provided by the CFC for an amount of 774 million CFA francs and the Management Committee of the Coffee-Cocoa Sector, now the Coffee-Cocoa Council, for an amount of 743 million CFA francs as the Côte d'Ivoire counterpart contribution. In **Burundi** funding totalled US\$809,655 from the CFC and a counterpart contribution from the Burundi Government estimated at 280 million Burundian francs (BIF) i.e. US\$229,508. In Côte d'Ivoire the Government

financed an extension of the project to the end of December 2012. In Burundi the CFC has granted fast-track funding to enable the project to continue for one more year, incorporating activities for the development organic fertilizer.

### **Social and environmental impacts of project implementation**

Impacts of the project are as follows:

- Familiarization with agricultural and husbandry techniques.
- Improvement of producer relations with the banking system.
- Processing and warehousing facilities were built.
- Cooperative life increased.
- Food security and living conditions improved.

### **Conclusions and recommendations**

Coffee farmers say that before the CFC/ICO project some of them took out loans at the rate of 250 BIF/kg of coffee cherries repayable at harvesting to cover the costs of their children's material requirements and various other expenditures at the beginning of the school year (which coincides with the beginning of crop season A). With good management of expenditure on labour, materials and organic fertilizer (provided in the context of developing diversification crops), they were able to use part of these funds to cover the crucial needs of their school-going children at the beginning of the school year, in this way managing to save their coffee farms from the solicitations of usurious buyers.

**BUILDING CAPACITY IN COFFEE CERTIFICATION AND VERIFICATION  
FOR SPECIALTY COFFEE FARMERS IN EAFCA COUNTRIES**  
CFC/ICO/45

**Period covered by the report: 1 January to 30 June 2012**

In the period under review, farmer training commenced by training 365 farmers. Myriad other farmer training programmes are planned for the coming reporting period. The first certified/verified coffee is estimated to be produced at the end of 2013. Therefore, it has been recommended that the budget be increased to cover compliance costs in order to assist farmers attain certification and/or verification. The training of certifiers and verifiers has been re-aligned and decentralized in the different countries in order to cut on operational costs. This adjustment was based on the lesson learnt that the auditor training was more rigorous than earlier envisaged. A technical peer review for the training manual that was developed in the project was scheduled in order to enhance further buy-in by the industry stakeholders. Through refining of the project implementation process, it is envisaged that the objectives of the project will be fulfilled.

**RESULTS ACHIEVED**

The project results in the period under review have been categorized according to capacity building activities. These include farmer training, trainer-of-trainers' training, auditors' training and commencement of the actualization of the Project IT portal. The following sections of this report articulate the capacity-building activities undertaken during the period under review.

**(a) Farmer training**

During the period under review, training of pilot farmers commenced in Tanzania with the initial training of 365 farmers represented by more than 100 lead farmers. The training was executed by the trainer-of-trainers and master trainers in the project. The certification / verification standards that are being espoused to the farmers include Fairtrade, Rainforest Alliance, Utz Certified and Common Code for Coffee Communities (4C).

In Kenya, Burundi, Rwanda, Malawi, Zambia and Zimbabwe, preparations to execute farmer training is in progress.

**(b) Trainer-of-trainer's training**

The precursor to farmer training is the training of trainer-of-trainers (ToT) who carry out onsite training of farmers. More than thirty Tots have been trained during the period. Other ToT training activities will commence in Malawi, Zimbabwe, Kenya, Burundi and Ethiopia in the remaining half year.

**(c) Auditors' training**

After the mid-term review with the supervisory body, the training strategy of certifiers/verifiers was adjusted in order to maximize impact. Particular attention has been laid on the selection criteria of the participants. To this end, selection of the remaining eighteen candidates to be trained in the project has had to be streamlined in order to capture individuals whose career path is aligned towards coffee certification and/or verification. With this approach, it is envisaged that the capacity built will remain in the national collaborating institutions for sustainability.

**(c) Project IT portal appraisals**

Technical appraisals for the development of the project IT portal were done on service providers from whom request for proposals were earlier sought.

**Dissemination of project results**

**(a) Presentation of project progress report at the 108<sup>th</sup> Council Session of the ICO**

The project executing agency was invited to the 108<sup>th</sup> International Coffee Organization (ICO) Council Session, held from 5 to 8 March 2012 in London, United Kingdom. In this regard, a project progress report was presented to the full ICO Council Session on 6 March. The report focused on the project milestones that have been achieved over the past two-and-half years of project implementation. Furthermore, the report also outlined lessons that had been learnt taking cognisance that the project was being implemented as pilot with a view to up-scaling the results obtained. Recommendations were made to upscale the project from pilot phase to a far-reaching undertaking.

**(b) Project participation at the SCAE 2012 World of Coffee Event**

The coffees from the participating project countries were shown at the Specialty Coffee Association (SCAE) of Europe World of Coffee Event held from 13 to 15 June in Vienna, Austria. This was part of the project objective in linking the certified coffees coming from the participating countries to the international markets.

**Partial Mid-Term review**

A partial project mid-term review was undertaken by the Supervisory Body, the International Coffee Organization (ICO) during the reporting period under review. The

African Fine Coffees Association (AFCA) as the project executing agency coordinated this activity based on the terms of references of the mid-term review. The review was undertaken by the ICO. To this end, country-stakeholders' meetings were held in Addis Ababa, Ethiopia and Nairobi, Kenya, respectively. Representatives from the participating national coffee institutions were represented at the Addis Ababa meeting.

A detailed report by the ICO reviewer was compiled and circulated to the stakeholders of the project. Based on the discussions and reports from the meetings held during this activity, the following recommendations were made:

- The training manual on certification should be made available to the CFC and ICO as a useful document produced by the project.
- The baseline surveys should be improved by adding the missing vital information on farming activities as well as making more it more dynamic to facilitate the assessment of the project impact.
- Data provided by the surveys should be supported by Information Technology software to be installed in national coffee institutions and at the AFCA secretariat as an important marketing information tool on the certified coffee produced in the region. In this regard, the process of recruiting a dedicated consultant to design the software should be completed as soon as possible in order to test the system during the remaining period of the project.
- Gender balance in the selection of professionals and beneficiary farmers for training must be considered.
- It was recommended that renegotiation with service providers as well as the reallocation of available resources to training activity was essential to achieving the project objective.
- Resources relating to the training of farmers should be increased.

## **IMPACTS/SUSTAINABILITY**

The nature of the project is to build capacity for coffee certification and verification amongst the farmers. The project has moved on to the level of training farmers on issues of coffee certification and verification and so far more than 100 lead farmers representing 365 farmers have been trained on certification standards. The impact of training farmers will be noted with respect to social welfare, economic issues and environment aspects of the farmers. More specifically through compliance to the certification/verification standards the cooperatives will comply with regional labour laws, training of their workers and issues of occupational health and safety (OHS). Through the training on certification and/or

verification programmes the societies will provide better services to their members. The ultimate result will be efficient production systems at farmer level. This scenario is expected to happen in all the pilot cooperatives of the project

The other impact is envisaged to be noted with regard to the environment by way of tree planting in the pilot cooperative and efficient waste management and chemical disposal mechanisms.

### **LESSONS LEARNT/CONCLUSION**

A number of lessons have come to the fore during the project implementation process in the period under review. It has been noted that capacity building alone was not sufficient without helping farmers to obtain compliance to sustainability standards. Therefore, the cost of compliance for each sustainability standard has to be established in order to guide farmers and other stakeholders. For the African scenario, a myriad of variables should be considered in coming up with the actual compliance costs of certification and verification.

The other lesson learnt was that the first certified/verified coffees coming from the project will be at the end of the year 2013. This will provide an opportunity to evaluate the project objective of accessibility to markets and increase in certified coffees coming from the pilot project by 25%.

Furthermore, the other lesson learnt was that the auditor training was more rigorous than earlier envisaged in terms of candidate selection criteria, time and financial resources required. To this end the selection process for the candidates has had to be streamlined in order to capture the candidates with the desirable profile.



**COMPETITIVE COFFEE ENTERPRISES PROGRAMME  
FOR GUATEMALA AND JAMAICA  
CFC/ICO/46**

**Period covered by the report: 1 January to 30 June 2012**

**1. Status of Project implementation**

**Component 1: Production**

**Activity 1.1: Nurseries**

In Guatemala the production of seedlings by 24 producers' groups was successfully completed with the planting of circa 30,000 plants in Coban.

In Jamaica, one of the three cooperatives involved was able to produce 10,000 seedlings, which are currently being distributed to the beneficiaries and partners, while another cooperative received and installed the irrigation material.

**Activity 1.2: Technical assistance**

In Guatemala producers' groups have received technical assistance from Anacafé on organizational strengthening. As a result, a Group that was constituted as a Committee at the beginning of the project recently became a Cooperative.

In Jamaica, agricultural promoters were hired. The project assistant failed to schedule and carry out planned activities.

**Activity 1.3: Plantation management**

Two of the three laboratories built to produce biological control materials against Coffee Berry Borer have received furniture. One located in Barberena – Santa Rosa, was equipped to produce *Beauveria bassiana*, while the other, located in Coban, was equipped to produce parasitoids. The set up of the labs was accompanied with specific training for the production of parasitoids and *Beauveria bassiana* in Anacafé 's farms.

In Jamaica, training on pest and disease has been scheduled.

**Component 2: Post-harvest**

**Activity 2.1: Training**

Two technicians from Guatemala have travelled to Colombia for a technical exchange with specialists in design and installation of machinery / equipment for wet coffee in Colombia.

**Activity 2.2: Quality control system**

An activity named "día del caficultor" has been organized to talk about the quality of coffee, in which more than 200 farmers, including project beneficiary organizations and neighbouring organizations have participated. This event offered presentations from key

speakers including cupping, roasting and the participation of two coffee growers' winners of the cup of excellence who shared their experience in preparing coffee and participation in special markets.

**Activity 2.3: Restructuring of wet processing plants**

The restructuring during this semester included: recirculation of water in a wet mill coffee, the extension of drying patios and the purchase of a dryer guardiola type.

Another activity was the purchase of all the necessary material to channel the water from the source to the wet coffee mill.

**Activity 2.4: Management of by-products**

During this semester a general supervision of the work has been done.

Anacafe's experts in post harvest have participated in a training entitled: integrated management of waste water from the wet processing of coffee to discuss about the use of digesters, the method for sampling parchment under ISO, and the basics of treating wastewater.

**Component 3: Promotion of local consumption**

**Activity 3.1: Training**

During this semester, six organizations who have the intention to participate in the next cup of excellence that takes place every year in Anacafé, have delivered samples of coffee. This is in order to know the status of the quality of coffee they are currently producing and to continue the support to improve the production on the field and the milling process.

**Component 4: Project administration**

**Activity 4.2: Administrative management**

The implementation of the project in the second year was 80% in the case of Guatemala. However, in the case of Jamaica, there were many administrative problems caused by the project assistant. It is expected that the planning for the third year implementation in Jamaica will be done with the help of a new project assistant, selected by CIB.

**IV. Resource utilization**

The issue of credit remains an issue of concern, especially in the implementation, because there is less than a year to place the funds, which is a very limited time.

**ECONOMIC CRISES AND COMMODITY DEPENDENT LDCS:  
MAPPING THE EXPOSURE TO MARKET VOLATILITY  
AND BUILDING RESILIENCE TO FUTURE CRISES  
CFC/ICO/49FA**

**1. Period covered by the report: 1 January to 30 June 2012**

Beneficiaries: Benin, Burundi, Tanzania, Zambia from the African region and Cambodia and Laos PDR from the Asian region were target countries for the project Division/Section: Africa, LDCs and Special Programme

**Implemented Activities**

National and international consultants were identified; Terms of Reference (ToR) finalized; country case studies and sector specific studies completed on sample beneficiary countries and on export items of their trade and development interests; a Special Event on commodities was organized to which case studies and the outcome of sectoral assessment served as background documents.

**Effects impact and results**

**Country-Case studies:** The project assisted in undertaking case studies in selected countries<sup>1</sup> in Africa and Asia with the objectives of: a) closely examining the role of commodities and agricultural productivity in contributing to the graduation objective of the Istanbul Programme of Action (IPoA) for LDCs for the decade 2011-2020; b) assessing the structural weakness, excessive fragility and vulnerability to shocks of the economies of LDCs; and c) reviewing and documenting the challenges arising from volatility of the commodities markets and the recent global economic, financial and food crises on LDCs' prospect to meet internationally agreed goals, including those contained in the IPoA .

**Expert meeting:** As part of the project and with the aim of sharing successful and less successful experiences as well as best practices among LDCs and their development partners, the meeting of LDC experts and trade negotiators was held in Addis Ababa, Ethiopia, from 27 February to 1 March 2012. More than 100 experts from Asia-Pacific, Africa and Latin America (Haiti) as well as from United Nations and other international organizations, civil society and academia took part in the meeting. The expert meeting deliberated on key issues of strategic interest to LDCs with emphasis on the challenges,

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<sup>1</sup> Countries covered by the project include: Benin, Burundi, Mali, Tanzania and Zambia from Africa and Cambodia, Lao PDR and Nepal from the Asian region. The case studies can be accessed and downloaded from the UNCTAD web site: [www.unctad.org](http://www.unctad.org).

opportunities and prospects for graduation. The meeting was part of the preparatory process for the Thirteenth Session of the United Nations Conference on Trade and Development (UNCTAD XIII), which was held in Doha, Qatar, in April 2012.

**Ministerial Meeting:** In Doha, Qatar the Ministerial Meeting of LDCs deliberated on the development challenges of LDCs including graduation and the role of commodities in economic development. Almost all LDCs participated in the meeting. The ministers finally adopted a political declaration -the key elements which are contained in the final outcome documents of the 13<sup>th</sup> United Nations Conference on Trade and Development (UNCTAD XIII)- the Doha Declaration (Doha Manar) and the Doha Mandate. The key provisions on commodity related issues and graduation from the LDCs' category are among the clearly defined work programmes adopted by UNCTAD XIII in Doha for action by member States, international organizations and civil society actors.

**A publication:** As part of the project and an ongoing work of UNCTAD a major study was published combining the case studies (synthesis of major findings and conclusions) as well as the essence of deliberations at the expert level and the ministerial meetings. The publication assesses the challenges, opportunities and prospects for meeting the criteria for graduation, particularly by harnessing the role of commodities and improving agricultural productivity. It contains a synthesis of several case studies on sectoral and thematic issues of strategic significance to LDCs and provides policy analysis together with recommendations for action at the national, regional and international levels. The study is, therefore, expected to advance ongoing deliberations on issues of LDCs, including graduation, by the Trade and Development Board of UNCTAD and other relevant bodies of the United Nations system

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

**1. Period covered by the report: 1 January to 30 June 2012**

**Assessment of technical progress**

The period under review was dedicated to selecting cooperatives in Ethiopia to participate in the project on credit guarantee, building the capacity of the loan officers at the Cooperative Bank of Oromia (CBO) and finalizing the loan approval process in Rwanda. 22 cooperatives were selected in Ethiopia, the capacity building exercise for the Loan Officers at CBO accomplished, Training of Trainers in Ethiopia initiated and capacity building on good production and processing of coffee in the country initiated. Evaluation of loan requests in Rwanda was finalized and the first loans under the project disbursed.

**2. Status of project implementation for components implemented during the reporting period**

**Component I: Access to commercial loans by smallholder**

Criteria for the identification of cooperatives to benefit from the pilot project in Ethiopia were developed through a participatory process and 22 cooperatives identified to take part in the project. Inadequate management and leadership capacity of cooperatives, lack of financial literacy and poor transparency were some of the factors identified as the main causes of non-repayment of loans by Cooperatives. These factors will subsequently be included in the capacity-building training. To facilitate the processing of loans for 2012/13, templates for preparing good business plans were then developed by the PEA in consultation with the CBO and cooperatives guided on the use of the templates to prepare their plans for the 2012/13 coffee season.

Rwanda processed the first loan requests by cooperatives participating in the project. Out of the 20 project cooperatives, loans mainly for working capital were approved for 3 cooperatives representing a success rate of 15%. The Banque Populaire du Rwanda (BPR) which is the implementing bank attributed the low success to a number of factors including lack of admissible collaterals to cover 50% of the loan requests, poor Management level, lack of own contribution towards the financing of the business plans, poor repayment history with BPR, incomplete application, multiple loans where the cooperatives had secured loans from other financial providers, proposed project for which the loan is required not being profitable, insufficient capacity to repay the requested loan, lack of experience and poor capitalisation including lack properties such as warehouses. To solve the problem of collaterals, BPR is working with the project team to see ways of expanding the admissible collaterals to include coffee already in store, the value of equipment to be

bought and members' coffee farms. The remaining bottlenecks are related to the inadequate management and leadership of the cooperatives and will be the focus of capacity-building training during the coming season. Inadequate supply of cherry to the cooperatives due to unfair inter cooperative competition is another potential challenge in the coming season. National Agricultural Export Development Board (NAEB) was requested to respond to this challenge by pushing for the regulation concerning the catchment zones for each washing station to be enforced by the regional administration.

Activities to support the expansion of the coffee finance portfolio at the CBO was initiated through a study to provide an in-depth assessment of the existing potential demand for loans by the cooperatives and to determine the factors impeding the cooperatives from applying for or accessing such opportunities. The study will also look at the necessary incentives to encourage or enable potential clients to benefit from the existing loan opportunities.

Training for the loan officers at CBO was completed. The aim of the training was to help them better understand the coffee sector and hence to be able to appraise loan request from coffee farmers. The training was undertaken by Rabobank. Awareness creation and capacity-building of farmers and Cooperative management in Ethiopia were likewise initiated in readiness for the 2012/13 coffee season.

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

Baseline survey of the existing production and processing practices was initiated in Rwanda and the results are currently being collated. The survey highlighted a number of gaps in production, processing and marketing. Also documented were issues associated to access to financial services. During the survey, seven new suitable locations for installation of processing facilities were identified. These will be used during the expansion phase of the project and to replace any cooperatives which are unable to continue with the project. In respect to scaling up the improved processing practices, the National Agricultural Export Development Board (NAEB), Rwanda, bulk purchased 20 ecological pulpers for distribution to project cooperatives and any other cooperatives with good level of governance and preparedness. A total of 12 pulping machines were distributed to the cooperatives, seven of which went to the cooperatives which are taking part in the credit guarantee project. In addition to facilitating access to improved processing equipment, training on good agronomic practices was provided. A total of 22 lead coffee farmers from corresponding cooperatives were trained in coffee processing and good agricultural practices in March 2012. A total of 19 coffee cooperatives from the project zones in Ethiopia attended a four-day training session in coffee processing and good agricultural practices. The objective of the training was to provide required coffee production and processing skills to those cooperative members and enable them increase coffee production and quality during the 2012/13 coffee season.

### **Component III: Strengthening of primary cooperatives and unions**

In Ethiopia, the Woreda and field staff, initially trained during the ToT, started working with the farmers to strengthen farmers' cooperatives. As part of the needs assessment, the existing coffee marketing structures and outlets and their challenges were appraised. Farmers were also encouraged to market their coffee through cooperatives as part of the efforts to enhance the bargaining power of the farmers and their organizations.

Following the launch of the credit guarantee scheme in Rwanda, the level of performance observed during the first coffee season highlighted a number of challenges both in the part of the cooperatives and the BPR. The project plans to undertake a comprehensive audit to identify the challenges faced during the season by both parties and to come up with ways of solving the problems.

### **Component IV: Enhanced access to production and market information**

During the baseline study and the farmer forums in Rwanda, the main information needs of the producers were documented. The study will continue to cover all other aspects of production, processing and marketing and will include all the stakeholders. A more systematic way for providing the information will be developed as the project progresses.

### **Component V: Project coordination, supervision and monitoring**

The project inception workshop was completed at the onset of the project. This being the first year of the project, a detailed work plan and budget for 2012 was revised for both countries. Channels for communication between the implementing partners of the project established during the first year are continuously being improved. In both countries, the National Coordinator has been designated as the first point of contact for both financial and administrative matters. To facilitate communications between the PIA and the PEA, the National Coordinators have established channels of communication between the PIA and the Finance manager at CABI for any matters related to project finances and the Regional Project Coordinator for matters concerning project management. The communication channel is constantly under review and escalation to the next level (Regional Director, CABI, the State Minister for Agriculture, Ethiopia and DG, NAEB in Rwanda has been given as a possibility.

#### **V.3: Assessment of project co-ordination and management**

##### **Management structure**

Both Ethiopia and Rwanda now have functional Project Steering Committees (PSC). In both cases, national Steering Committee meetings were held to discuss the progress made during the previous year and to endorse the current years' annual work plan and budget. The project however needs to urgently employ accountants dedicated to the project given that the support provided by the institutional (PIA) accountants has not been efficient.

### **Social and environmental effects of project implementation**

The impact of the project on both the family households and the environment is yet to be evaluated. However, it is expected that the project will empower the farmers with skills and knowledge to produce coffee more sustainably given that it will emphasize the use of water saving environmentally friendly coffee processing technology.

### **Forward planning of project implementation**

Rwanda completed the first session of loan processing by BPR. The success rate of the applicants was low, with only three applications being approved for loans. The first activity in the next half year will be to undertake an audit of what transpired in the whole process of loan application and approval. The results of the audit are expected to be used in correcting any anomalies in the loan processing and to build the capacity of cooperatives in the areas where they were found to be weak by the BPR. This will be followed by activities aimed at reengaging with the cooperatives in order to have the applications for 2012/13 completed by end of October 2012 and decisions made by the BPR before the end of December 2012.

In the case of Ethiopia, follow-up activities are planned to ensure that the project cooperatives submit their loan requests in time and that the processing of the requests by CBO is completed before the coffee harvesting season commences. A major activity will be organizing a supervision visit for the CFC/ICO in both Ethiopia and Rwanda. The objective of the supervision visit will be to hold discussions with the CBO and BPR. In the case of the CBO, the CFC/ICO visit will be aimed at discussions with the bank to find a sustainable solution to the liquidity problem the commercial bank is facing due to policy changes in the country.

## **III Conclusions and Recommendations**

Given the progress made so far, it is the PEA's opinion that the project is set to meet its objectives. The results of the loan processing exercise in Rwanda will be particularly useful in providing lessons which could be used in Ethiopia to ensure the first season in the country is more successful. The poor liquidity of banks as a result of the new government policy requiring the commercial banks to purchase government bonds equivalent to 27.5% of any loan advanced has significantly undermined the ability of CBO to disburse loans. One of the main challenges for the project team is to find ways for overcoming this problem. In this regard, the discussions between CBO and FMO, a Dutch development bank and facilitated by Rabobank should be accelerated to ensure that the CBO has options for improving their liquidity. Joint action by the Ministry of Agriculture, CBO and CABI will be required.



**BUILDING A FINANCIAL LITERACY TOOLBOX (FLTBOX) TO ENHANCE ACCESS TO  
COMMODITY FINANCE FOR SUSTAINABLE SMEs IN EMERGING ECONOMIES  
(CFC/ICO/53/FT)**

**Period covered by the report: 1 January to 30 June 2012**

1. FAST has researched with its lending members and partners the core set of parameters that they require in order to proceed with offering their financial services. Surveys and reviews of the key common requirements of all lenders involved with FAST are the foundation to develop this FLTBOX module, focusing on the standardization and harmonization of the access to financing process for coffee producers.
2. FAST has performed a literature review on existing financial literacy materials that will be considered for developing the training modules adapted to the coffee sector in East Africa. Publicly available tools like those of partner organizations like the FAO or IFC have helped further identify the missing elements that producers need to comprehend and have facilitated in order to access financing from the lenders.
3. FAST has developed a work plan and hired a consultant in Kenya, who is consulting with farmers and farmer organizations in the coffee sector, service providers, export companies and technical assistance providers.
4. The Project Agreement for this project was signed by the CFC and FAST on 15 August 2012. The main deliverables of the project are under way and in good stead for its implementation over the 15 months of development, as initially planned.
5. FAST has hired a financial specialist as part of its Secretariat team to monitor the progress made by the consultant on the development of the module, and will be performing a series of visits to key partners in Kenya in the first half of September, namely with important FAST partners such as the AFCA, Coffee Development Fund, Technoserve, SNV, Rainforest Alliance and Solidaridad.
6. The implementation of the FLTBOX will begin through a “Training of Trainers” session on the module with trainers working directly with SMEs in the sustainable coffee sector in Africa, using the module under development. Collaboration with AFCA has already begun on the planning for this session in Kenya.
7. The sustainable producer organizations and SMEs that have received training will be potential candidates to participate in a subsequent FAST Financial Fair © to be held in 2013 in Kenya, through the process developed by this project.