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

Background

The ICO, as the designated Supervisory Body for the 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-7/11) and includes at the end 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 the coffee sectors in Honduras and Nicaragua – CFC/ICO/11 (PEA: IICA/PROMECAFE)
- Annex II:** Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador – CFC/ICO/31 (PEA: COFENAC)
- Annex III:** Enhancing the potential of gourmet coffee production in Central American countries – CFC/ICO/39 (PEA: IAO/MAE)
- Annex IV:** Developing the potential of Gourmet Robusta coffee in Gabon and Togo – CFC/ICO/42 (PEA: CABI).
- Annex V:** Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI).
- Annex VI:** Access to finance for the development of diversification crops in coffee producing areas – CFC/ICO/30 (PEA: FGCCC/OCIBU)
- Annex VII:** Building capacity in coffee certification and verification for specialty coffee farmers in EAFCA Countries - CFC/ICO/45 (PEA: EAFCA)
- Annex VIII:** Competitive coffee enterprises programme for Guatemala and Jamaica – CFC/ICO/46 (PEA: ANACAFE/CIB)

Action

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

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

1. Period covered by the report: 1 July – 31 December 2010

2. Status of Project implementation in Nicaragua

Component 2.1: Construction of new coffee processing facilities

In Nicaragua, eight new units were constructed, bringing the number of new units built to 214, equivalent to 60% of the target established. Also in this period four wrecked units were rehabilitated, bringing the number of units repaired to eight. The balance of units to be repaired during the extension period of the project is 141.

In Honduras, no credit operations for coffee mill restorations were done during the second half of 2010. Construction and equipment for these facilities meet the project specifications and design.

Component 2.4: Training and dissemination

In Nicaragua, around 1,570 farmers attended the 54 meetings held in Jinotega, Matagalpa, Nueva Segovia and Madriz to discuss: i) Environmental management for the new units and coffee commercialization, ii) Project promotion and new unit samples, iii) Management, installation, and maintenance of the water circulation pump.

This activity was organized by the PEA with the collaboration of the Environment and Natural Resources Ministry (MARENA) and the Production Development Bank.

In Honduras, a consultant was appointed and hired by the PEA, on a short term consultancy, for field surveys on the social and economic situation of the project beneficiaries. An evaluation of the project implementation and results was also conducted during the same event.

Component 2.5.1: Coordination and Supervision

In Nicaragua, the process of compiling the material emanating from the project experience has been initiated.

In Honduras, one CFC/ICO supervision visit took place from 13 to 17 July to meet authorities of the coffee sector, IICA/PROMECAFE, the Ministry of Finance and Banadesa and visit the regions of San Pedro Sula, Copán, Santa Bárbara and Lempira.

Assessment of resource utilization

CFC Loans: During this period sub-loans for an amount of US\$142,039.88 were issued to cooperatives to build 26 new units and rehabilitate another 22. At December 2010, the total amount of sub-loans granted to farmers and cooperatives reached US\$856,194.22, of which US\$375,979.96 comes from the loan received from Nicaragua by the CFC.

CFC Grant: During this period US\$30,394.32 was spent and currently there is US\$30,194.16 in petty cash. The CFC has an amount of US\$63,909.65 available for a disbursement; the total balance is US\$94,066.04, without considering the contingency.

Counterpart contributions (MIFIC)

During this reporting period, the MIFIC spent an amount of US\$45,855.17 to carry out the project activities.

1. Assessment of project co-ordination and management

In view of the request from the MIFIC to extend the implementation of the project, the CFC granted the extension until 30 September 2011 without financial implications.

The coordination between the PEA, the NEA and the Development Bank for Production is satisfactory.

Social and environmental effects of project implementation and lessons learned

Beneficiaries have expressed satisfaction that the new processing units require less labour effort and time for processing as compared to the traditional way. The new facilities consume less water, i.e on average 200 litres per hundredweight cherry coffee processed, which is only 10% of the quantity allowed by law.

Assessment of resource utilization

In Honduras, almost the totality of funds from the CFC loan (a total of US\$1.6 million) has been transferred to the Project Account at BANADESA. There were no sub-loan approvals during the second half of 2010. 274 CPFs were restored, another 46 were built and are operating during the current coffee harvesting season 2010/11.

In the case of Grant funds, the fourth CFC disbursement was received by the PEA in July 2010. IHCAFE has maintained its contribution in kind to the project, in terms of technical personnel, travel expenditure in Honduras, fuel, vehicles, material and logistic support. CONACAFE, SEFIN, and SAG have also contributed with logistic support to the project implementation. The total amount of Grant funds disbursed by the CFC, since 2006 to

December 2010 is US\$258,467, an estimate of the same amount remains to be utilized (from the total US\$538,000 Grant) and the prospect is that only one or two replenishments will occur before the ending of this project in 2011. The coffee sector authorities requested of the CFC in 2011 a special disbursement of US\$150,000 of such funds for credit operations and the procurement of coffee processing equipment. The request is still pending consideration by the CFC.

Social and environmental effects of the Project implementation

In Honduras, technological specifications for environment protection had been implemented in civil works and CPF's operation observed by IHCAFE and PEA staff during the second semester and will continue to the end of the pilot project in 2011. The national environment agencies (SERNA) and the municipalities are pressing for environmental protection measures by the coffee industry. The project implementation with these specifications has aided the farmer in the certification procurement of organic, environment protection, biodiversity friendly, or special high quality labels, and coffee trademarks. In turn, this situation has a positive social effect since coffee families have had an increase in income, as was shown by the results of the field study on social and economic aspects of the coffee growers conducted by the project during 2010.

Forward planning of the project implementation

In both countries, the reporting period corresponds to a first extension of the project implementation. A second extension, until September 2011, was granted by the CFC without budgetary implications. A Work Plan for this last extension is being proposed.

CONCLUSIONS AND RECOMMENDATIONS

1. The project's main activities, i.e. the restoration or modernization of existing CPFs, and construction of new CPFs, have shown an important and satisfactory advance in terms of total utilization of the CFC Loan funds, US\$1.60 million, and in terms of the revised targets set, according to current cost of civil works, machinery and construction labour. A total of 274 restored units and 46 new units were financed, completed and are in operation in all cases. This is an important contribution to the coffee sector infrastructure.

2. The experience gained on joint financial and technical assistance, and the pilot project instruments constitute an important legacy for the improvement of new IHCAFE services to the coffee sector, aiming for a competitive and sustainable coffee industry in

Honduras. Other project activities rendered good results and outputs, such as the establishment of agroforestry systems, demonstrative plots and timber tree nurseries, totally financed and operated by IHCAFE as project counterpart

3. A special field study on the economic and social situation of the project's beneficiaries and small coffee growers in general was conducted by consultants of the Technical Unit. According to its report the results show beneficial effects to the economy of the smallholders induced by the project's restoration of their coffee processing facilities.

4. The PEA Technical Unit has recommended to the Coffee Sector authorities the procurement of additional funds from other sources, for the continuation of the financial service after the end of this Pilot Project. A new project profile for such purpose is under preparation.

5. An estimate of US\$150,000 of funds from the original CFC Grant allocation to the pilot project is recommended to be conceded for the reinforcement of the credit account at BANADESA and for the procurement of coffee processing facilities at IHCAFE.

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

Period covered by the report: 1 July – 31 December 2010

The project has been implemented in Ecuador since 1 October 2007 and is due for completion on 30 September 2011. The progress of project implementation after 33 months is detailed below:

Component 1: Organizational strengthening

The implementation of reconversion plans of the farms is monitored annually by the Internal Control System (ICS). The ICS is a documented system of self control, prepared and applied by the producers' organizations with the purpose of guaranteeing the fulfillment of standards, norms and regulations for production and farm improvement. The ICS results for December 2010 established that 92% of farms have successfully implemented the reconversion plans, with the remaining 8% slightly delayed.

The 31 producer organizations are successfully implementing their overall strategic plans with the support of the project technical team. Since the project started, some 16 spin-offs from the projects have been conceived and fully implemented, with another 23 projects underway. For instance, in the province of Manabí, around 400 beneficiaries of the project created the 'Craft Association Agro-industrial REFINCA' to strengthen the process of agribusiness and marketing associations in the project. The Association was legally constituted in October 2010 by the Ministry of Industry and Competitiveness.

The revolving fund operations in the 31 organizations involved in the project are consolidated. The seed fund amounts to US\$128,395 and since its operations have started the Fund has managed to recover 96% of the 707 micro-loans issued to farmers in cash, ranging from US\$50 to US\$300 for various farmers' needs, such as medicines, school supplies, agricultural tools and supplies.

Component 2: Diversification of production systems

Producer training continues, with emphasis on the sustainable management of coffee farms. Agricultural and livestock activities involved in the 1,243 farms reconversion plans had being taken up satisfactorily. The 3,766 hectares of coffee plantations under better management have improved productivity from 3.67 to 8.22 quintals of green coffee per hectare. Moreover, 1,607 hectares of coffee plantations have been renovated and are currently handled with a higher level of technology.

The technical team continues promoting livestock production among the farms involved, reaching a total by item as follows: chickens (32,523), hens (8,124), turkeys (900), pigs (2,527), bee hives (330) and fish (112,500). In addition, it continues with the planting of short cycle crops (443 hectares) and perennial crops (240 hectares). A project goal was to plant 200,000 trees of forest species, the target being exceeded with 531,646 trees being planted in different agroforestry systems

Component 3: Agro-industry and joint marketing

The modules for the production of roasted and ground coffee built under the project in the provinces of Manabí, El Oro and Loja, have allowed processing of 368 quintals of green coffee equivalent to 294 quintals of roast and ground coffee. This activity has generated added value to the product obtained by organizations. In the local market, the price of coffee beans was US\$137 per quintal, but each pound of roast and ground coffee sold at US\$3.5. The production cost per pound is US\$2.7 which means a return of 47%.

The six agro-industrial modules built under the project to produce food for small animals have processed 3,494 bags of 40 kilos. In the local market the price of animal food is US\$24, while the producer organizations sell it at US\$22, representing a savings to farmers of US\$2 per bag. In relation to honey production, producers' organizations have obtained, from zero at the beginning of the project, 700 litres of honey, in the three provinces, which has been sold at an average price of US\$10 per litre.

During the coffee harvest in 2010, the 10,170 quintals of green coffee produced by the organizations participating was composed of 4,715 quintals of organic coffee and 5,455 quintals of conventional coffee. The prices (\$/quintal) received by the quintal of coffee range from US\$137 (paid by intermediaries) to US\$145 (paid by the organizations). Certified organic coffee is sold by the organizations at US\$176.

Component 4: Project dissemination

As part of the dissemination process, some farms and head offices of the organizations in the Manabí Province have been visited by producers from the province of Cañar, Polytechnic School of Chimborazo and CAST - NGO from Italy to examine how some activities of the project are proposed, working and achieving results. In particular, they examined the ICS, the revolving funds, the coffee crop management, community collection centers, livestock production and agro-industrial production (roasted and ground coffee, animal food, and extraction of bee products). Also in the three provinces where the project is implemented farmers involved have participated in fairs to promote the way in which products are made by the organizations and to sell them.

A proposal for dissemination of project results to coffee producers in Cuba has been submitted, via the ICO, to the CFC. Feedback is awaited.

Assessment of resource utilization

The use of financial resources coming from the CFC is US\$857,421.41 representing 76.7% of total project funding.

Assessment of project co-ordination and management

There is a coordination plan in the field between the technical team and leaders of producer organizations, in the implementation of activities and logistics of training events, which has allowed to progress satisfactorily with the activities under the different components of the project.

Social and environmental effects of project implementation

Social effect: New agricultural activities and husbandry have allowed optimization of the use of the labour force, previously under used. It has also increased producers income throughout the year; helping in turn families meet their needs and improving farmers' self-esteem.

The organizations involved have found strength with the consolidation of the Revolving Funds and ICS. It has been crucial in properly managing and implementing spin-off projects and boosting their capacity of association with other community members and initiatives.

Environment effect: The project promotes the application of good agricultural practices with emphasis on respect and preservation of the environment. Of particular importance are: a) the planting of coffee and other crops on hill sides in a direction contrary to the slope (contour farming), b) managing soil fertility using a good coverage such as compost or mulch, non-aggressive weeds and applying green manure & other organic fertilizer.

With the reforestation activity, other than contributing to soil conservation, substantial support has been given to the boosting and conservation of biodiversity in the three provinces through the planting of native species, timber trees, fruit trees, and shade and environmental services trees. Project beneficiaries are aware that they need to preserve wildlife, and under the project particular attention have been given to species such as: guanta (*Cuniculus paca*), sahino or pecari (*Tayassu tajacu*), guatusa (*Dasyprocta punctata*), pava de monte (*Penelope jacquacu*), pacharaca (*Ortalis erythroptera*), venado (deer family) and toucan (*Ramphastos spp*). Under the project communities have openly pledged not to allow the hunting of these species, in their farms and communities.

Forward planning of project implementation

- Between April and June 2011 an agricultural and socio-economic survey will be carried-out among farmers involved to measure the impact of the reconversion in terms of productive, social, environmental and economic aspects.

- During the final period of project execution, COFENAC will continue to strengthening the ICS, Revolving Funds and agro-industrial processes; as well as promoting the permanent implementation of planned activities which are part of the organizations strategic plans and farms reconversion plans.
- Projects results dissemination to the partner countries will be emphasized and a series of bulletins containing the experiences obtained with the project execution will also be published.

Lessons learned

- The support provided by the technical team to understand/implement/consolidate the ICS among farmer organizations involved, have allowed smooth functioning in time, formulation and implementation of spin-off projects, the operation of rural micro-finance system and the development of local capacities.
- Permanent technical support to the producers on issues such as sustainable farm management, have allowed tangible results in improving the income and food for the family.
- Experiences in providing added value to agricultural products increases self-esteem of individual producers and organizations involved in the project; also strengthens their associative aptitude.

Conclusions and Recommendations

Conclusions

- In 92% of the project beneficiaries farms, the reconversion plans have been implemented successfully.
- The organizations involved have become the protagonists of development, farm management and spin-off of the project implementation in their communities, and – with the proper administration of the revolving fund – also the promoters of savings and rural microfinance.
- The diversification of production systems and the technical management of coffee have added value to farm primary production, ensuring both type of farm activities and income along the year.
- Within the agro-forestry technology package suggested to farmers under the project, best practices have been adopted and are already yielding tangible support to the conservation of natural resources, wildlife species and soil conservation.

Recommendations

The PEA considers that planned activities, such as agro-socio-economic surveys and dissemination of project results, to primary stakeholders and to Guatemala, Honduras and Cuba, are of utmost importance in the phasing out/completion stage of the project.

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

1. Period covered by the report: 1 July – 31 December 2010

The CFC/ICO project is part of a wider Programme *CafeyCaffè* financed by the Italian Cooperation Agency in Central America. They were launched in Guatemala on 6 September 2007. The Italian Cooperation Project was due to end in July 2010, while the CFC/ICO project and the programme *CafeyCaffè* will continue until July 2011¹.

2. Status of project implementation

Component 1: To select potential gourmet coffee producing areas

This activity is currently strengthened by the '*Roasters Club*', a group of 12 Italian Roasters that was launched in November 2009 in El Salvador, through the strengthening of commercial relationships with producers and cooperatives that were actively participating in the Programme *CafeyCaffè* in Guatemala, Honduras and Costa Rica. The Club provides them with training on how to improve and maintain the quality standards reached and, on more commercial terms, boost direct purchase from roasters of the high quality coffee offered by them.

Component 2: To re-organize the coffee production chain with particular attention to cultivation and harvesting

Through the lifespan of the project, the best practices and the specific code of conduct defined have been successfully applied by the farmers involved in the field, and the harvesting and processing activities has reached a standardized level by cooperatives involved in each of the three countries involved (Guatemala, Honduras and Nicaragua), where ecological processing units were provided and are currently working at full capacity.

Component 3: To identify and transfer new technique to improve coffee processing and quality control, creating three Units, one for each Country.

During this period, activities have been planned for completion in Honduras and Nicaragua and clearance is awaited from the CFC.

¹ As requested by the Government of Nicaragua, the extension of the project implementation without budget implications has been approved by the CFC until June 2011.

Component 4: To develop an IT system to produce and promote quality coffee

The website has proven to be an important tool for sharing good practices and experiences between main stakeholders and acceding new publications made also available in digital version. At the end of the project the web page will be handed over to the Roasters Club to be used as a platform for Q&A between its members and producers, ensuring the sustainability of the system.

In October 2010 the producers' associations in Honduras and Guatemala participated in 'Terra Madre' and 'Salone del Gusto' events, organized by Slow Food in Turin (Italy) showing their products, offering to the public the opportunity to cup their coffee.

3. Social and environmental effects of project implementation

The capacity building of the project has contributed to farmers understanding about the negotiating power by processing their coffee according to the best practices to maintain high quality and preserve the environment. The high quality of the coffee obtained permitted contact directly with the buyers and negotiation of sale prices without intermediaries. Good prices have been guaranteed through the direct marketing between gourmet coffee roasters and small well organized farmers.

4. Forward planning of project implementation

It is expected that all activities will be completed within the extension period granted by the CFC (until the end of June 2011).

5. Conclusions and recommendations

The proposed technologies had been chosen with a view to their simplicity, versatility and adaptability to the agricultural and environmental situation. This new approach to coffee will prompt farmers, producers and buyers to organize contacts and meetings and carve out a niche in a world dominated by industrial agriculture and business.

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

1. Period covered by this report: 1 July – 31 December 2010

2. Status of project implementation

The year under review was mainly concerned with improving both volume and quality of Robusta coffee produced in Gabon and Togo using improved processing practices. In order to realize this objective, a number of activities and interventions were put in place in the two countries aimed at empowering the producers to produce and market Gourmet grade Robusta coffee.

Component 1: Improving quality and productivity of existing coffee

The goal of the component is to improve the quality and productivity of farmers and farmer groups in selected zones of production by better crop husbandry and use of inputs. This was achieved through a number of interventions.

Baseline studies were realized in both countries to enable the project to get a clear picture of the situation on the ground and to lay benchmarks against which project success could be measured. Farmer groups and production zones were subsequently identified in both countries in accordance with the project plan and demonstration plots set up.

Appropriate use of agro-inputs is one of the means for ensuring sustainable improvement in both productivity and quality. Both Gabon and Togo have continued to provide agro-inputs and farm tools to farmers on credit which is recovered when coffee is sold. In the case of Gabon, the inputs are still being provided as a grant.

Training has continued since the first year of the project. Training of extension workers has been undertaken in both Gabon and Togo.

Good Agronomic/Agricultural Practices has been the core of all the training undertaken. Both the trainers and farmers were trained on appropriate use of fertilizers, weed management, coffee canopy management and pest and disease control.

In the period July – December 2010, further capacity building training was undertaken for the project farmers in the areas of good agronomic and processing practices. A total of 65 farmers in Gabon and 575 in Togo were trained. The themes of the training concerned selective picking and processing of coffee as well as aspects of good agronomic practices. In addition, specialized training on the maintenance of the wet processing factory and the

construction of solar driers for wet processed coffee were undertaken in Gabon. Five demonstration solar driers, each with a capacity of 250 kg wet processed coffee, were constructed to this end.

Overall, the project has successfully met its objectives concerning this component in line with the Project Appraisal document.

Component 2: Seedling multiplication and improved varieties

Component 2 of the project was concerned with making available adequate quantities of improved planting materials. At the beginning of the Project, Togo had a collection of improved Robusta clones. These clones were kept in a mother garden which had degenerated due to neglect. The garden was completely rehabilitated during the first year of the project. Likewise the hitherto neglected clonal nursery at Kpalime in Togo was fully rehabilitated and is currently operational. A total of 4 and 12 demonstration plots have so far been established in Gabon and Togo respectively. All the demonstration plots are functional and are being used to demonstrate the Good Agronomic practices to both project and non-project farmers. The latter half of the year was mainly concerned with maintaining the mother gardens in readiness for the coming season.

Overall, it is estimated that this aspect of the project has been fully met in line with the Project Appraisal document.

Component 3: Improved quality – sun-dried Robusta

Capacity building of the producers through training to impart enhanced skills and knowledge in improved drying process was the thrust of component three of the project. Demonstrations on how to produce high quality sun-dried Robusta coffee were conducted in both countries. As a consequence, farmers are now knowledgeable on the process for producing high quality sun-dried Robusta coffee suitable for the Gourmet market. This can already be seen in terms of the premiums being offered for the coffee produced using the improved methods. At least 500 farmers have benefited from such training in the case of Togo.

This aspect of the project has also largely achieved its set objectives in line with the Project Appraisal document.

Component 4: Machinery and equipment for washed Robusta coffee

Component four focussed on the supply of a marketable tonnage of washed Robusta coffee, selling at significant premiums to gourmet roasters in consuming markets. All the equipment necessary for producing washed Robusta has been supplied and installed in both Gabon and Togo. They have nevertheless not been put in full use due to late installation as a result of lengthy internal government procedures.

Component 5: Liquoring and marketing

The component aimed to train at least 3 liquorers in each country by the end of the project, and established market relationships with roasters and importers on a commercial and sustainable basis for the improved quality coffee produced. Both countries have fully furnished liquor quality laboratories. The project has also trained/retrained one liquorer in Togo and two in Gabon. Additional training will be undertaken towards the end of the project to ensure that the two countries have Q graders. Relationship with the traders is still being built.

A total of 35,000 kg of coffee was produced using improved agronomic and processing practices in Togo during 2010. Gabon on the other hand produced 590 kg of washed Robusta and over 3 tons of high quality sundried coffee. Another 106 tons of sundried coffee were produced on the commercial farms but using improved processing practices. In the case of Togo, the coffee produced using improved processing practices was sold at a premium price of 775 CFA per kg as compared to the price of 650 CFA per kg offered for the conventionally produced Robusta coffee in the country. A total of 35,000 kg of coffee produced using improved agronomic and processing practices were produced in Togo. The coffee produced using improved processing practices was sold at a premium price of 775 CFA per kg as compared to the price of 650 CFA per kg offered for the conventionally produced Robusta coffee in the country.

In the case of Gabon, most of the coffee produced fell in the screen size 20/18 and 16/14. Liquor quality was likewise evaluated revealing good appreciation of floral, grilled almonds (nut), malt, pepper, spiced, chocolate and vanilla with intensities of 4 to 5/6. Control of moisture content during drying was observed to be a problem in Togo. This was not the case with Gabon where the coffee produced had moisture content varying between 12.2% and 12.5%.

It is estimated that the project will meet most of its targets for this component.

Assessment of resource utilization

The total expenditure amounted to US\$373,666.86 for the period between January and December 2010 compared to the budget of US\$560,489.05 (less 5% contingency) for the same period. This gives a budget utilization of 67% by the end of December 2010. The counterpart contribution during the period amounted to US\$250,478.75 out of a total budget of US\$250,478.75. Disbursements by the CFC amounted to US\$429,420.70 during the reporting period including claims for the preceding year.

Assessment of project co-ordination and management

During this period two project monitoring visits were undertaken for each country. The visits were helpful in solving technical and administrative problems *in situ* thereby helping re-direct project activities such as blockages in getting the project audits in time and expedited purchase of services for the project in both countries. Retrieval of reports from the collaborators however remained a challenge mainly due to overstretched capacity, for example, in accounting staff.

Social and environmental effects of project implementation

The project is already having a positive impact on the producers by improving their skills and knowledge base on improved coffee production and processing practices. Increased use of fertilizers is already bearing fruit in terms of higher productivity and better quality beans. Farmers adopting the improved processing methods are attracting premium prices for their coffee although the levels are still small. Farmers involved in the project are currently receiving price premiums in recognition of the quality of their coffee (25 US cents per kilogram of coffee in the case of Togo). This is expected to translate into better income from coffee and hence enhanced livelihoods. Consumers can also be more assured of sourcing products produced using processes which limits the potential health risks associated with the product such as minimizing the possible occurrence of Ochratoxin A as a result of good processing practices. This is in addition to accessing products which are produced using methods which respect the integrity of the environment such as responsible use of agro-inputs and optimization of production per unit of land and the introduction of eco-pulping technologies in the project.

Forward planning of project implementation

The main challenge for the coming months will be to stabilize the volumes and quality of coffee produced. This will require that most of the coffee produced in the project areas results from good agronomic and processing practices and therefore attains the Gourmet standards.

Conclusions and recommendations

In conclusion, the project will meet most of the objectives for 2010. The extension period up to December 2011 will therefore be used to monitor the use of the mills and to enhance marketing.

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

1. Period covered by the report: 1 July – 31 December 2010

2. Status of project implementation

Implementation of project activities progressed according to the 2010 work plans and budgets.

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

- Mobilization of key stakeholders, in particular farmers, to learn general coffee management practices, and specifically CLR management through farmer field schools (FFS) progressed well in all the five participating countries (India, Kenya, Rwanda, Uganda and Zimbabwe). Notable impacts have been the improved state of coffee farms, improved coffee husbandry, improved adoption of new technologies, and increased women empowerment.
- India and Kenya continued documentation of demand for improved varieties. In Kenya the demand has been for Ruiru 11 variety, and lately the newly released variety Batian, while in India, demand has been for all improved varieties. Demand for seed reached 1,134 kg for both Arabica and Robusta coffee varieties.
- Nursery facilities were supported in order to make planting materials of improved mother plants available to farmers. This activity was coupled with maintenance of mother gardens. It was implemented in all the five countries. Seed and seedlings of improved commercial varieties were made available to farmers in all participating countries. In addition, Uganda produced 890 tissue culture Coffee Wilt Disease resistant plants and supplied them to nursery operators to start mother gardens. Over 16,600 plantlets are at different stages of weaning for planting in 2011.

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

- Field gene banks which accommodate a wealth of genetic material in all the five countries were maintained. The gene banks (formally called museum plots) were in a

poor state at the beginning of the project in most participating countries. A variable number of collections exist in each participating country, with India and Kenya having the largest collections.

- The project was able to train one scientist each from Kenya, Uganda, Rwanda and Zimbabwe in Portugal for CLR race typing. A range of CLR leaf samples were also collected and taken to the Coffee Leaf Rust Centre in Portugal, and CLR races were identified.
- Studies on determining CLR races have revealed a range of previously unknown races in Africa and India, some of which are breaking down the resistance of previously resistant coffee varieties such as Catimor population in Zimbabwe. The information on races is ideal for developing durable resistance in the participating countries. In addition, what is of major concern is that apart from discovering new races, some countries have races which are not in other countries; there is therefore an urgent need to institute strong quarantine measures. For example Zimbabwe has a new Race XXXIV which is not in any of the other three African countries taking part in the project; on the other hand Rwanda has three races (XV, XLI, XLII) which are not in neighbouring Uganda.
- Capacity of staff in the participating countries continued to be built. At least two scientists in each country are undergoing postgraduate training related to the project activities. Fields of study include breeding, pathology, socioeconomics and agriculture extension. Other capacity building activities implemented during the year included backstopping from the PEA and the CLR race typing training which was held in Portugal. India continued in enhancing its capacity in molecular marker assisted selection.
- Countries in Africa continued using their existing IP protocols for transfer of genetic material, except Kenya which developed its own IP policy.

Component III: Field trials on-farm and on-station:

- A number of on-farm and on-station varietal trials for screening varieties for resistance to CLR and Coffee Berry Diseases (CBD) were implemented in all participating countries. The trials included two India coffee varieties, Selection 5A and Selection 6 which were shared with the African colleagues. Varieties from within the countries are also included.
- 2010 was the first year for collection of field data. Very promising results were recorded mainly on CLR. The two introduced Indian varieties have shown high resistance to CLR in the four African countries in their first year of field evaluation. In addition, they have been found to have a reasonable degree of resistance to CBD, especially in individual seedlings under laboratory conditions. A bonus result is that

field studies in Kenya showed that one of the introduced varieties, Selection 6 (Robarbica) is resistant to Bacterial Blight of Coffee (BBC), a bacterial coffee disease currently in Kenya. There is currently no resistance to BBC in the country, this selection may therefore form part of a management strategy for BBC in the near future once the resistance is confirmed.

- A CLR and CBD resistant variety, Batian, which was evaluated under the project until 2010 was officially released in Kenya.

Component IV: Scientific management, information systems and communications

- A range of information materials (posters, leaflets, circulars and TV film (India)) were produced and disseminated during the year.
- Communication activities included dissemination of information materials and running FFSs which were backstopped by the PEA. A number of FFS open days and exchange visits were also held.

Component V: Project management and coordination

- All 2009 audit reports were completed in all participating institutions.
- CABI backstopped all PIAs and monitored the implementation of project activities, with at least one field visit to each of the countries by the project manager, while the Farmer Participatory and Training Specialist also backstopped PIAs on training and FFS. The finance team from the PEA continued to support and build capacity of the project finance team in all participating countries

3. Assessment of Resource Utilization

The budget utilization during the reporting period accounted for US\$591,402.63, being total expenditure between January and December 2010. The total budget for 2010 was US\$722,213.02 (less 5% contingency), and the budget utilisation to end of December 2010 was 82%. The CFC disbursed US\$427,607.89 during the reporting period.

4. Assessment of project co-ordination and management

The project was successfully coordinated and managed in all countries. However, some delays occurred in Uganda due to the drought of 2008/2009 which necessitated the re-planting of varietal screening trials in 2010. Backstopping activities greatly helped in improving the implementation of project activities. At least one visit was made to each of

the PIAs to backstop the partners in implementation of project activities and management of project finances, except for Uganda where additional visits were made because of the re-establishment of varietal trials and establishment of more FFS in other coffee growing areas.

5. Assessment of technical progress

Project activities were implemented according to the 2010 project work plans and budgets, except for Uganda where twelve on-farm and two on-station trials were re-established due to the 2008/09 drought which resulted in the death of coffee seedlings in varietal trials. However, the rest of activities were implemented without problems.

6. Social and environmental effects of project implementation

The CLR resistant varieties identified from the project will have a positive impact on social and environment aspects in the participating countries. Already there is a very high demand for the newly released CLR and CBD resistant variety in Kenya. The resistant varieties, some of which may be released after the life of the project, will greatly reduce the cost of managing coffee diseases not only in the participating countries but in a lot of countries in Africa with a reduced environmental impact.

7. Forward planning of project implementation

Planned activities for 2011 were discussed and agreed upon at the planning meeting in 2010. The 2011 work plans and budgets were approved by the CFC.

8. Lessons learned

Although the project was developed for finding control measures to CLR, an added potential impact/output was identified as resistance to BBC, a bacterial disease in Kenya, where no resistance has so far been identified.

9. Conclusions and Recommendations:

The project met most of the 2010 objectives, although as mentioned above delays were witnessed in Uganda due to drought. The project is producing very promising results for the management of CLR and other diseases.

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

CFC/ICO/30

1. Period covered by the report: 1 July – 31 December 2010

2. Status of Project implementation

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

In Côte d'Ivoire, 97% of the areas planted to food crops have been effectively developed; crops such as rice and maize have been harvested but production of manioc, yam and plantain has not yet begun.

In the case of livestock activities, 100% of the projects financed have been carried out; 13 poultry farms for short-cycle production of broiler chickens have made sales and the first loan repayments have been made (2%).

In Burundi, producers for crop season A have completed harvesting – except for rice and manioc – and made their first sales: 27% of loan repayments have been made and proceeds will be used to finance the 3rd group of producers for crop season B 2011 (covering the period from February to June). There was no crop season A 2011 (the period from October 2010 to February 2011).

A project team training session on credit management software usage was held in Bujumbura from 20 to 26 November 2010.

Component 4: Financing and support for developing domestic and external markets for diversification products

During the second semester, all communal equipment was acquired in the two countries. Construction of 6 out of 12 warehouses was completed in Burundi. There were delays in the construction of warehouses in Côte d'Ivoire.

Component 7: Project coordination, supervision and monitoring

Annual work programmes and budgets were prepared and submitted to the CFC. A mid-term project evaluation by a mission composed of Ms Eltha Brown of the CFC and Mr Denis Seudieu of the ICO was carried out in Burundi from 14 to 18 November 2010. Requests to the CFC for funds to cover replenishment were granted. Technical and financial reports were prepared and forwarded to the CFC

Activities from July to December 2010 were focussed on monitoring production, marketing of the first diversification products, selection of the third group of producers for crop season B 2011 in Burundi, training in revolving credit management software and mid-term evaluation of project activities in Burundi.

In Burundi, reimbursement of the first loans for crop season A 2010 granted during the second semester of 2010 totalled US\$50,000 ; on this basis, a third group of producers was selected for the financing of crop season B 2011 (covering the period from February to June 2011). In addition, 8 representatives of the 12 Coffee Farmers Unions involved in the project, namely 96 producers, were trained by INADES on credit and communal equipment management and on mobilization and management of savings. The project team also received training in usage of revolving credit management software from the Kenyan consultant, Mr Philip Obiny, and the Côte d'Ivoire computer IT expert, Mr Yapo Mathias, from 20 to 26 November 2010.

During this semester, all communal equipment required was purchased: one 4x4 pick up van, one 8-ton truck, 7 rice hullers, 11 manioc grinders and 12 pairs of scales; however, the construction of 12 warehouses was not completed. As a result, marketing of the first diversification products has not yet benefitted from the provision of equipment and warehouses.

In Côte d'Ivoire, the main activity focussed on the monitoring of vegetable and animal products. The first diversification products marketed came from 13 poultry farms involved in production of broiler chickens, a very short-cycle activity (2 months), as well as the first loan repayments. As in Burundi, the necessary equipment was purchased, namely : 5 five-ton trucks, 5 tractors, 5 rice and maize hullers, 6 manioc grinders, 5 pairs of scales, and 5 motorbikes for the 5 sites involved in the project. Construction of warehouses was delayed.

3. Resource utilization

From July to December 2010, the main expenditure was for communal equipment and operational costs. In Burundi, expenditure on equipment totalled US\$55,124 and operational expenditure totalled US\$46,622. In Côte d'Ivoire, expenditure on equipment totalled US\$147,800 and operational expenditure totalled US\$64,030. Counterpart expenditure, which covers personnel salaries, travel costs and other operational costs, totalled US\$159,700 in Côte d'Ivoire and US\$29,000 in Burundi.

4. Project coordination and management

The workshop for the preparation of the annual work programme and budget for 2011 and the annual supervision by the ICO initially scheduled to be held in Côte d'Ivoire in December 2010 were postponed to April 2011. It should be noted that the work programme and budget for 2011 has already been forwarded to the CFC and the ICO. The workshop and project supervision by the ICO in April will permit preliminary assessment result.

5. Forward planning

The programme for the next semester will focus on continuation of field training of project beneficiaries, marketing of diversification projects, loan repayments, processing of diversification products, granting of loans to new groups of producers.

**BUILDING CAPACITY IN COFFEE CERTIFICATION AND VERIFICATION
FOR SPECIALTY COFFEE FARMERS IN EAFCA COUNTRIES**

CFC/ICO/45

1. Period covered by the report: 1 January to 31 December 2010

2. SUMMARY OF PROJECT ACTIVITIES UNDERTAKEN

2.1 Project Launch

Following the signing of project agreement in November 2009, the project was launched on the 13th February, 2010 on sidelines of the African Fine Coffee Conference and Exhibition (AFCC&E) in Mombasa, Kenya.

2.2 Inception Report

A project planning document has been developed and is available at the EAFCA website at www.eafca.org.

2.3 Certification Standard Owners' Conference

A certification standard owners' conference was held in Nairobi, Kenya from 6th to 11th June 2010. The Standard owners represented were Utz Certified, Organic, Starbucks, Rainforest Alliance, Fairtrade Labelling Organization (FLO) and Common Code for Coffee Communities (4C). A conference report is available at www.eafca.org.

2.4 Launch of master training

The launch master trainers training has been undertaken for the participating countries. This was achieved in June 2010.

2.5 Institutional and Beneficiary Mapping

Institutions identified for project collaboration are: Ministry of Agriculture (Ethiopia), Coffee Research Foundation (Kenya), Coffee Association of Malawi (Malawi), Uganda Coffee Traders' Federation (Uganda), Autorité de Régulation de la Filière Café du Burundi (ARFIC) (Burundi), OCIR Café (Rwanda), Coffee Research Institute (Zimbabwe), Tanzania Coffee Research Institute and Coffee Board of Zambia (Zambia).

2.6 Signing of Memorandum of Understanding (MoU)

A Memorandum of understanding has been signed with six countries (Burundi, Malawi, Tanzania, Uganda, Zambia and Zimbabwe). Ethiopia, Kenya and Rwanda are yet to sign but positive steps have been undertaken to ensure such.

2.7 Stakeholders' meetings

Stakeholders meetings have been held in all project countries. A technical review meeting was also held in Amsterdam on 29th November, 2010 with representatives from EAFCA, ICO, CFC and DCDM.

2.8 Technical appraisal and award of service contracts

Technical review of project contracts was undertaken and some of the contracts have been awarded accordingly.

2.9 Baseline Surveys for Participating Countries

Baseline surveys have commenced in five project countries.

2.10 Launch of Development of Training Manual

The development of the training manual has been launched and work is in progress. The time-frame is 35 mandays.

2.11 Participation at the 8th AFCC&E

Participation at the 8th African Fine Coffee Conference & Exhibition (AFCC&E) highlighted the cause for the Project.

3. LESSONS LEARNT

Key lessons learnt were with regard to approach and methodology where working with the National Institutions was deemed positive. The inclusion of training of Auditors was also an important lesson. The response to the project budget by National Institutions was another lesson.

4. CONCLUSION

The project has received support and collaboration from all the participating countries. The PEA is ensuring that all activities are implemented in the most effective manner.

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

1. Period covered by the report: 1 July – 31 December 2010

2. Status of Project implementation

The following is the state of implementation for both countries, Guatemala and Jamaica.

Component I: Production

During this reporting period, the seedling programme has been initiated and the necessary nursery bags and seeds have been selected under Anacafé's technical assistance and regional coordinators approval.

Visits were made to complete technical, production and administrative diagnoses and organizational strengthening of farmers' capacities. On the basis of the results obtained a plan to start executing each activity of the project is being set-up. In the case of Jamaica, the diagnosis phase is underway.

In Guatemala coffee plantation areas to be pruned were selected. Areas were identified for shade management and integrated pest management (IPM) of the coffee berry borer. These will be delivered and the area where they are to be placed will be mapped.

For fertilization and soil improvement, soil samples are being taken to determine existing deficiencies and thus define the type of fertilizer to be bought. Quotations will be sought for appropriate fertilizers to be distributed according to areas.

In Jamaica pumps will be bought for fertilizers and to apply plant health products and bait to control the snail pest present in the coffee plantations.

Component II: Post-harvest

A training programme has been developed according to the needs of the groups of farmers involved. It will start after the harvest, every month according to the activities involved.

A technical diagnosis will be made of coffee milling by the groups that have processing facilities. After the harvest the technicians will make project proposals for each group, and the process to be followed will be evaluated according to funds available. Some equipment might be purchased to help the groups control the quality of their product.

After the technical diagnosis It will be possible to identify the improvements to be made to reconvert some facilities into a more environmentally friendly models.

The use of by-products has been identified. Training will be provided to groups of farmers who need it.

Component III: Promotion of local consumption

In Guatemala tasting and coffee bar service 'barista' groups are being evaluated to determine the number of people that can attend over the year. In the case of Jamaica, coffee bar attendants with experience in the cooperatives will be asked to participate in the training and to share their knowledge.

Component IV: Project Management

Quotations for the purchase of tools, products and materials are being sought. In the case of Jamaica, an initial meeting was held with involved co-operatives.

With the consent of the technicians and regional heads of Anacafé, grant funds will be disbursed in the next six months. In the case of Jamaica, there were some changes due to the exchange rate of the currency against the Jamaican dollar.

There is also the organizational strengthening component, in which both countries have identified weaknesses at administrative, financial and accounting level. Consultancies will be working on this to guide the groups.

IV. Use of resources

Counterpart resources have been used to carry-out laboratory analyses, pay specific technicians and pay the co-ordinator and assistant.

The working and planning meetings with the technicians and regional heads have been very important and essential to obtain all the necessary information for carrying out the diagnoses of the groups and propose projects to them, taking into account the budget assigned.

V. Conclusions and recommendations

There has been good planning of activities in both countries.

LIST OF ACRONYMS USED IN THIS DOCUMENT

4C	Common Code for the Coffee Community
Anacafé	National Coffee Association (Guatemala)
BANADESA	National Bank of Agricultural Development (Honduras)
BBC	Bacterial Blight of Coffee
CBD	Coffee Berry Disease
CFC	Common Fund for Commodities
COFENAC	National Coffee Council (Ecuador)
CONACAFE	National Coffee Council (Honduras)
CPFs	Coffee processing facilities
FFS	Farmer Field Schools
IACO	InterAfrican Coffee Organisation
IAO	Istituto per l'Oltremare
ICS	Internal Control System
IHCAFE	Honduras Coffee Institute
IICA	Inter-American Institute for Cooperation on Agriculture
MARENA	Ministry of Environment and Natural Resources (Nicaragua)
MIFIC	Ministry of Development and Trade (Nicaragua)
MOU	Memorandum of Understanding
NEA	National Execution Agency (Nicaragua)
NGO	Non-governmental Organization
PEA	Project Executing Agency
PIA	Project Implementing Agency
PROMECAFE	Regional Program for the Development and Modernization of the Coffee Industry in Central America, Panama, the Dominican Republic and Jamaica