



International Coffee Organization
Organización Internacional del Café
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**Building capacity for coffee certification
and verification in Eastern Africa**

**Project proposal – communication from
EAFCA**

Background

1. The attached communication has been received from the Eastern African Fine Coffees Association (EAFCA) in response to issues and questions on the project proposal entitled “Building capacity for coffee certification and verification in Eastern Africa” which were raised by the Virtual Screening Committee (VSC) in November 2006 and subsequently by the Executive Board at its meeting in January 2007. The comments of the VSC and the Executive Board are contained in documents EB-3923/07 and EB-3926/07, respectively. It may be noted that the overall recommendation of the VSC was that the project should be approved in principle. However, the Executive Board noted that the project should be revised to address concerns raised by the VSC and by exporting Members before being reviewed at its next meeting.

2. A revised proposal incorporating all the issues and comments made by the VSC and the Executive Board has been submitted by EAFCA and a copy of this is available from the Secretariat on request.

Action

The Executive Board is requested to consider this communication and to submit a recommendation to the Council.

EASTERN AFRICAN FINES COFFEES ASSOCIATION'S (EAFCA) RESPONSE TO ICO VSC COMMENTS

**Project title: Building capacity for coffee certification
and verification in Eastern Africa**

(Issue 1 and Question 1 are similar so are answered together).

Issue 1

EAFCA should outline how the proposed “full service centre for coffee certification” will be transferred into an independent entity at the end of the project. The experiences of other organizations (e.g. Rainforest Alliance) suggest that certification and support for coffee growers have to be provided by independent entities to guarantee recognition of the certification in international markets.

Question 1

Since there are many sustainable coffee initiatives being implemented in this region, is there a common standard for certification/verification? In other words, is EAFCA formulating and teaching its own certification standards, or using certification standards accepted by major buyers of sustainable coffee? There is little information about input or liaison with major buyers, so the CFC would want to be assured that EAFCA is not developing a competing standard which could end up being rejected by the industry.

Response to issue 1 and question 1:

We would like to be clear to the VSC that EAFCA is not creating or developing an independent “African” certification program, but rather, is creating a “support unit” within EAFCA that will perform the important function of local and regional capacity building to enable smallholder coffee producers to access and utilize the existing (and future) programs of the recognized certification agencies at an affordable cost. EAFCA is known to, and recognized by many, of the major programs including 4cs, fair-trade, Rainforest Alliance, Utz Kapeh, and Café Practices, as well as the various organic programs. When the program starts, EAFCA will immediately begin the mobilization of these programs and will include them in work planning and other program design efforts. It may be appropriate to form a steering committee in the early stages to allow for appropriate input and

partnership in the program.

EAFCA does recognize that certification programs are both market and production systems driven, and that this program will help explain, among many other issues, the market and production advantages to a smallholder producer. Sustainable farming is stressed equally with market factors and it is intended that certified farmers will be better farmers incorporating new skills and techniques that address the economics of farming, social concerns, environmental protection and finally, market relations. Such improved farming knowledge through certification programs will result in improved yields, higher quality product, cost effective input use, and will increase farm revenue.

Once the project has been completed, a scaled down version of the “support unit” will remain to continue the process of intelligence/information collection and dissemination, communication, website management, program to program - and farmer to program linkage, economic/market analysis, and perhaps through smaller grants, continued farmer outreach. It also anticipated that EAFCA will form MOU agreements with leading certification partners to deliver on-going services to members under special arrangements that provide commercial benefits and incentives (fee discounts for website usage, access to the EAFCA trade directory, etc.)

Issue 2:
Gender issues need to be addressed.

Response to issue 2:

The VSC is quite correct that gender issues have not been explicitly discussed in the proposal and we apologize for this oversight. EAFCA has the following article in its bylaws:

“To encourage sound business acumen, professional practice, consciousness to the environment, and recognition of social and socio-economic issues related to the regional coffee trade and industry”

Although gender is not specifically mentioned in the bylaws, EAFCA does recognize the importance of social issues relating to the industry including gender, child labor, and worker conditions and others, many of which are part and partial of the sustainability program and certification efforts.

In regards to this program EAFCA will ensure:

1. That gender will be included in the trainee selection process. Although training applicants will be identified through an application process, and many will be proposed through existing agencies and programs, EAFCA will encourage women to apply and will endeavor that women applicants will be approved on merit. It is anticipated that at least 30% (20 out of 70) of those trained will be

female but that figure may be understated.

2. That a significant number of smallholders who will benefit from this program will be women. EAFCA will take special measures to ensure that gender based farmer groups, cooperatives and associations will participate in field programs and that women are included in farmer field events.
3. EAFCA will recruit all members of the team including head office and field staff following appropriate hiring procedures to prevent discrimination.

Question 2:

Who would be the independent assessor of EAFCA's progress and completion of the project? Since it is the implementing agency, there would need to be some objective external assessment. There was some mention of consultants doing this, but who would they report to and who would pay them? If EAFCA expects the ICO to perform this function, does the ICO want to or have the resources to do so?

Response to Question 2:

The International Coffee Organisation is the supervisory body and they will carry out one mission per year to project countries to assess progress. The Common Fund as an Institution will carry out Annual Supervision/Project Review Missions. The mid-term evaluation will be carried out in the middle of the project. Independent Consultants are normally contracted by CFC with expertise in the specific subject to carry out the mid-term and end of project evaluation. They are recruited through an advert on the CFC website and bids are invited. The Common Fund will make adequate provision for Monitoring and Supervision that is normally budgeted by the Common Fund.

Question 3:

Is the division of trainees by country closely correlated to the inherent capacity for coffee production in those countries? EAFCA does not discuss what objective/ subjective criteria were used to allocate the 70 slots for trainees, so it is not clear if the division was fair. The budget shows 70 trainees trained initially, but none in years 3, 4 or 5. Attrition is a likely occurrence, so some replacement trainees should be budgeted for.

Response to question 3:

This answer can be found on page 21 of the proposal: "Based on exportable volumes of coffee to all destinations, the idea is to initially train the following number of auditor per country." To address the attrition issue, we have added an additional training program for year three and four to train another 8 participants,

bringing the total to 78.

- Burundi [4],
- D.R. Congo [4],
- Ethiopia [12],
- Kenya [11],
- Madagascar [5],
- Malawi [2]
- Rwanda [4],
- Tanzania [11],
- Uganda [11],
- Zambia [3]
- Zimbabwe [3].
- Year three [4]
- Year four [4]

Question 4:

Table 6 (Detailed training budget by country for year two) shows differing numbers of auditors, yet the same total cost of trainers, whether there are 8 or 17. Since it is a variable cost, one would expect it to change based on the number of people involved.

Response to question 4:

Training has both fixed and variable costs. Fixed costs include cost of the trainers and the venues which remain fixed regardless of the number of trainees. The budget does reflect the variable costs related to the number of participants at each training (see Table 6).

Question 5:

There is concern about the total budget allocation. 34% of the grant is for training of certifiers/verifiers and outreach and reaching the end recipients – the medium and small growers. 61% is for establishing the Centre and for management and administrative overheads. While the number of Centre staff and their salaries seem modest, the 12% overhead charge and what this covers needs to be clarified. It would be preferable to reverse these ratios, with 61% being spent in the countries, especially since the area to be covered is so vast. If these overhead charges are deemed reasonable, then perhaps the problem is that EAFCA is not asking for enough money to serve their clients in the training and outreach elements, and should increase the amount requested from the CFC or look for alternative funding sources to supplement it.

Response to question 5:

The budget lines for travel are part of the program costs because it is programmatic cost. In such a project that we have proposed, institutional capacity to manage a project is just as important as the operation or service itself. In our case the “support unit” is as much a project deliverable as the field programs. In addition, and in response to the question raised by the VSC, we have re-arranged the budget to better reflect those resources dedicated to specific field operations without increasing the requested budgeted amount.

The training budget has been adjusted to address the trainee “attrition” issues and the amount has been increased by more than 10% to \$770,755. The Outreach Fund has also been increased by 25% to a total of \$160,000. The Fund is intended to improve farmer understanding and facilitate the linkage between them and the most appropriate certification program available to them. The budget now reflects a resource allocation of 57% for out reach programs and 43% for support unit costs.

The 12% or \$301,702 for “Secretariat Support” is to cover costs not billed directly to the project including office accommodation (including rent, security, maintenance, utilities, communication, staff support, and miscellaneous costs including bank fees, insurance, etc. The contingency line item has been removed with funds re-allocated to outreach programs where we believe such funds would have been used anyway.

Not emphasized in the proposal is the participation and “buy-in” value of the certification programs themselves. This multi-million dollar sector, valued in terms of the total certification program funding, certification fees, value of certified coffee that is exported, etc. is the main part of the industry. The EAFCA project intends to use the program funds of \$2.8 million to link as many smallholder producers to this significant sector as possible – and to take five well-planned and executed years to do it.

Question 6:

One Member stated that this project is based on the assumption that certified coffee will get a better price. This theory is contradicted by experience since supply for certified coffee has increased but demand has stagnated. The consequences for the farmers are increasing costs, decreasing yields and average prices; a net loss. We should focus on alternative projects if we want to improve farmers’ incomes.

Answer to Question 6:

EAFCA does not intend to premise or highlight that the only benefit to the program would be that “certified coffee will get a better price”, but it does imply that certification adds value to the farmer in terms of increased market options, improved

farming, and by relation, improved quality. The EAFCA view follows the maxim that all Africa coffees should be certified; and that it is better to be certified than not. Although this is a very ambitious goal, it provides for two key advantages:

- i) It is true that the price advantage may be lost as more coffee becomes certified. But the market advantage is still valid. EAFCA views certification as equivalent to a market visa – you must have one if you want to enter the market. The key issue to understand is the disadvantage to a farmer or farmer group if they are not certified in a market where most coffee is certified. The key point here is market access. With the challenges of market access and more increasingly, stringent import requirements, especially in Europe, Japan, and the United States, combined with an increasing global social awareness by the consumer, the importance of certification becomes clear.
- ii) It is often forgotten that aside from economic considerations, there are key economic, social and environmental issues involved with certification and that the goal of sustainable agriculture has direct and long-term tangible benefits to producers, millers, and traders. Yes, we are concerned about what the end consumer thinks about the social and environmental aspects of the African coffee product and the market implications, but we are equally concerned about the welfare of coffee producers in Africa and how these programs will positively reflect on their lives and livelihoods. As stated in the response to Question 1, EAFCA does recognize that certification programs are both market and production systems driven, and that this program will help explain, among many other issues, the market and production advantages to a smallholder producer. Sustainable farming is stressed equally with market factors and it is intended that certified farmers will be better farmers incorporating new skills and techniques that address the economics of farming, social concerns, environmental protection and finally, market relations. Such improved farming knowledge through certification programs will result in improved yields, higher quality product, cost effective input use, and will increase farm revenue.
- iii) Regarding the comment about alternative projects that would benefit smallholder farmers, EAFCA concurs that smallholder farmers require significant levels of assistance in terms of production, inputs, credit, marketing, institutional capacity, and so forth. EAFCA takes the *regional view* on these issues and must decide what it is best positioned to provide to stakeholders and members that is not being provided on the national level in the field. There numerous national based donors, NGOs, projects and programs in Eastern and Southern Africa that are addressing smallholder constraints. EAFCA is in a unique position to link this proposed program to it already successful marketing and product enhancement initiatives that will compliment the ongoing field programs.