



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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**Access to finance for the development of
diversification crops in coffee producing
areas (Burundi and Côte d'Ivoire)**

Background

1. The attached document contains a summary of the project proposal “Access to finance for the development of diversification crops in coffee producing areas (Burundi and Côte d’Ivoire)”. The proposal has been reformulated to take account of comments made by the Consultative Committee of the Common Fund for Commodities (CFC) at its meeting in July 2004 and will be considered by the same Committee at its next meeting from 24 to 29 January 2005.

Action

The Board is requested to take note of the reformulated project proposal.

PROJECT OUTLINE

Project summary

The International Coffee Organization (ICO) hereby submits the following project proposal with its recommendation for financing through the First Account Net Earnings of the Common Fund for Commodities (CFC). The proposal was approved in principle by the Executive Board of the International Coffee Organization at its meeting from 21 to 23 May 2003 following the recommendation by the Executive Director of the ICO.

Project title: Access to finance for the development of diversification crops in coffee producing areas

Duration: Four years

Location: Côte d'Ivoire and Burundi

Nature of the project: Financing the development of diversification crops to increase and secure coffee farmers' income and reduce poverty in coffee producing areas.

Objective and scope of the project: The central objective of the project is to promote income security and reduce poverty in coffee producing areas through the promotion of a sustainable credit scheme to finance the small scales farmers' diversification programme. The project will also address food security issues in coffee farming communities. It will include a survey of small-scale coffee farmers to assess their credit needs for diversification programmes and strengthen their building capacity and credit management skills. The project will comprise the following components:

- (a) Assessment of the targeted farmers and their credit needs for a diversification programme;
- (b) development of a suitable and sustainable loan structure for a crops diversification programme for farmers;
- (c) provision of credit facilities to develop alternatives crops and activities;

- (d) market development for diversified products;
- (e) development of value-added products;
- (f) training to strengthen farmers' capacities for savings mobilization and proper credit management; and
- (g) project coordination, supervision and monitoring.

Estimated total cost:		US\$4,277,700
	Côte d'Ivoire:	3,229,485
	Burundi:	1,048,215
Financing from the Fund:	Grant	US\$1,689,240
	Côte d'Ivoire:	1,191,435
	Burundi:	497,805
Financing from the Fund:	Loan	US\$2,142,000
	Côte d'Ivoire:	1,659,000
	Burundi:	483,000
Counterpart contribution:		US\$435,960
	Côte d'Ivoire:	379,050
	Burundi:	56,910
Project Executing Agency:	Côte d'Ivoire: Fonds de Garantie des Coopératives Café-Cacao (FGCCC) Burundi: Office du Café du Burundi (OCIBU) (With the assistance of an appointed Chief Technical Adviser)	
Supervisory Body:	International Coffee Organization (ICO)	
Estimated starting date:	October 2005	

Background

Following a regional workshop on input credit held in Nairobi from 4 to 6 April 2001 the *Fonds de Garantie des Coopératives Café-Cacaco* (FGCCC) initiated a project proposal designed to alleviate poverty through the provision of credit facilities to small scale coffee farmers in Côte d'Ivoire. In a report presented to the Members of the International Coffee Organization in May 2002 the Executive Director invited them to explore the possibility of carrying out diversification programmes within the framework of the fight against poverty in coffee producing areas. Following this presentation the Executive Director, in a letter dated 8 July 2002 invited Members to make known their proposals for diversification projects and to include the diversification programme as one of their main priorities for action. With this regard, suggestions were made to reformulate the initial project proposal of Côte d'Ivoire focusing on crops diversification in order to alleviate poverty in coffee producing areas.

Consideration by the International Coffee Organization

The proposal was prepared by the Côte d'Ivoire and submitted to the Executive Board of the International Coffee Organization in September 2002, which recommended that a regional project be prepared including some OAMCAF Member countries. The project proposal which included Cameroon, Côte d'Ivoire, Burundi and Rwanda was reviewed by the Executive Board of the ICO at its meeting from 21 to 23 May 2003. The new proposal confirmed the economic and social importance of coffee in Africa and the need to support the vulnerable small producers who were unable to access adequate credit from the local banking market. However, the point was made that the diversification programme should take into account the supply-chain management approach. The Board also noted the need to get co-financing from organizations such as the International Fund for Agricultural Development (IFAD) or the European Union. In the light of comments made during the meeting and noting that further development of the project would take into account those comments, the ICO Executive Board approved the project proposal in principle.

Consideration by the CFC Consultative Committee

A draft proposal was reviewed by the Consultative Committee at its 34th meeting held in July 2004. The Committee noted that the project, which was designed to address poverty and income insecurity problems in coffee producing countries through diversification programmes was in line with CFC objectives and requirements. However, the Committee felt that the scope of the project had been extended beyond a manageable size by combining two groups of countries with diverse socio-economic, cultural, geographical and geophysical characteristics which would make the management and implementation of the project overly complex. The Committee recommended reducing the participating countries to Burundi and Côte d'Ivoire. The Committee also recommended that the Project Executing Agency be an institution with experience of implementing similar projects. The loan component and cost

benefits and the cash flow analysis needed to be included. A clear analysis of the investment in production levels and prices was also recommended. Finally, the Committee recommended that the involvement of commercial banks be clarified and the guarantee by the government for the loan be shown.

Project components

Component 1: Assessment of the participating farmers and their needs

Objective: Identify potential small-scale coffee farmers to participate in the project and to determine the most appropriate credit system that can cover the diversification programme.

Output: A complete report on the farmer population being targeted and the potential for diversification activities.

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

Objective: To design a loan scheme that can finance the diversification programme of the selected farmers on a pilot basis in each country.

Output: A sustainable loan that covers farmers' activities for diversification. A well structured scheme, which can encourage local banks to take over after the end of the project and can provide a sustainable financing source for farming activities as well as establishing confidence between farmers and financial institutions.

Component 3: Development of alternative crops/activities

Objective: Increase coffee farmers' income and reduce their dependence on the coffee economy; reduce national demands for foreign currencies and improve food security in the country.

Output: Production of diversification crops or livestock. Increased food production for domestic consumption and reduced imports of locally produced food crops.

Component 4: Market development for diversified products

Objective: Establish a framework for organizing and strengthening the marketing of diversified products, including collection, transport, processing, storage and marketing. Identify and develop the network for distribution of diversified products.

Output: Market channels for diversified products improved and trade of diversified products increased. Complete record of warehouse stores, equipment for logistics and full information on the market.

Component 5: Development of value-added products

Objective: Improve the participation of coffee farmers in the value chain of coffee and diversified products; Increase value-added through local transformation of the diversified product.

Output: Production of semi-processed or final products with high added value.

Component 6: Training of farmers in credit and farm management

Objective: Strengthen farmers' skills in credit management and their capacity to manage efficiently.

Output: Improve farmers' access to agricultural finance and promote modern farming system.

Component 7: Project coordination, supervision and monitoring

Objective: To provide effective arrangements for co-ordinating project activities to ensure that the objectives of the project will be achieved; and to assure adequate technical support, monitoring and supervision for the execution of the project activities.

Output: The preparation and execution of annual work plan and budgets, regular progress reports, project completion report, annual accounts and audits.

Logical Framework

Narrative summary	Verifiable indicators	Means of verification	Assumptions
<p>Broad goal Promotion of income security in coffee producing areas through the promotion of small credit system to farmers for a sustainable diversification programme.</p>	<p>(a) Coffee growers' income increased and secured. (b) Increase in food supply.</p>	<p>(a) Detailed survey on the impact of the project. (b) Government reports; FAO report on food security situation. (c) National statistics; data on agricultural production. (d) National statistics, ICO data, FAO data.</p>	<p>(a) Prudent and stable macroeconomic environment. (b) Continuation of policy of poverty eradication and modernisation of agriculture. (c) Political stability in the involved countries.</p>
<p>Specific objectives (a) To provide credit facilities to the grassroots poor coffee farmers. (b) To promote diversification crops in coffee growing areas. (c) To promote food security in coffee growing areas as well as in the country. (d) To develop strategies for adding value to diversified crops. (e) Training to strengthen capacities of growers to mobilize savings and manage credit. (f) Disseminate a sustainable crops/activities diversification credit system in other coffee producing countries.</p>	<p>(a) Number of farmers receiving diversification loans. (b) Alternatives crops/activities increased. (c) Domestic food consumption covered by diversified products where possible. (d) Increased value-added from diversified products. (e) Increased number of farmers with technical and professional skills. (f) Use of the system in other developing countries.</p>	<p>(a) Data bank on farmers. (b) Data from farmers' associations. (c) Increase in production of good quality food crop and decrease in food imports. (d) Increase in production of processed goods. (e) monitor farmers' awareness. (f) Increase in number of countries using the system.</p>	<p>(a) Adequate land policy. (b) Crops diseases maintained at reasonable levels. (c) Incentives from the government and donor community. (d) Programme economically sustainable. (e) Farmers willing to participate in the programme.</p>
<p>Outputs (a) Sustainable agricultural credit system developed. (b) Farmers technically and financially equipped to develop alternative activities to increase their income. (c) Production of diversification crops increased. (d) Increased availability of locally grown food in place of imported food. (e) Value-chain approach promoted for diversified crops. (f) Development of efficient farming system. (g) Coffee growers' credit management skills improved.</p>	<p>(a) Number of farmers utilizing credit facilities. (b) Farmers' sources of income increased. (c) Foods import expenditures reduced. (d) Marketing channels improved. (e) Value-added increased (f) Increased number of farms equipped and well managed. (g) Increased number of farmers able to save part of their income and negotiate credit with banks.</p>	<p>(a) Survey of the impact of the project. (b) Government statistics. (c) Farmers survey.</p>	<p>(a) Farmers ability to adopt new technologies. (b) Good timing of the project implementation. (c) Alternative crops diseases are contained to tolerable levels. (d) Improved rural infrastructure.</p>
<p>Inputs/Activities (a) Identification of farmers' needs. (b) Design diversification loans scheme. (c) Deliver loans for the development of alternative crops or activities. (d) Promote the marketing of diversified products. (e) Identification of opportunities for processing diversified products. (f) Provision of extension services to farmers. (g) Training of farmers in loan management and savings mobilization. (h) Dissemination of project results. (i) Project monitoring and evaluation.</p>	<p>(a) Number of farmers covered. (b) Working diversification loan system. (c) Development of diversified farming activities. (d) Domestic products marketing improved. (e) Foods processing activity developed. (f) Number of training programmes conducted.</p>	<p>(a) Project implementation work plan. (b) PEA progress report. (c) Project evaluation.</p>	<p>(a) Availability of funds to undertake project activities. (b) Project funds disbursement made on adequate time. (c) Adequate supply of planting materials. (d) Strong commitment of all stakeholders. (e) Government remain committed to reduce poverty in coffee producing areas. (f) Fair and open international trading framework. (g) Stable and predictable political and regulatory environment.</p>