



International Coffee Council
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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 EB-3972/10) 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:** Pilot rehabilitation of neglected coffee plantations into small family production units in Angola – CFC/ICO/15 (PEA: INCA and CTA)
- Annex III:** Pilot short- and medium-term finance to small-scale coffee farmers in Kenya – CFC/ICO/20 (PEA: UNOPS). Report to be circulated at a later date.
- Annex IV:** Diversification of production in marginal areas in the State of Veracruz, Mexico – CFC/ICO/32 (PEA: Fundación de la Universidad Veracruzana A.C.)
- Annex V:** Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador – CFC/ICO/31 (PEA: COFENAC)
- Annex VI:** Enhancing the potential of gourmet coffee production in Central American countries – CFC/ICO/39 (PEA: IAO/MAE)
- Annex VII:** Developing the potential of Gourmet Robusta coffee in Gabon and Togo – CFC/ICO/42 (PEA: CABI). Report to be circulated at a later date.
- Annex VIII:** Increasing the resilience of coffee production to Leaf Rust and other diseases in India and four African countries – CFC/ICO/40 (PEA: CABI). Report to be circulated at a later date.
- Annex IX:** Access to finance for the development of diversification crops in coffee producing areas – CFC/ICO/30 (PEA: FGCCC/OCIBU)
- Annex X:** Enhancing competitiveness of African coffee through a value chain analysis – CFC/ICO/43FT (PEA: CABI)

Action

The Council is requested to note this document.

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

- 1. Period covered by the report: 1 July – 31 December 2009**
- 2. Status of Project implementation**

Component 2.1: Construction of new coffee processing facilities (CPFs)

Loan disbursement - In **Nicaragua** during this semester 95 new credits were approved for Financial Intermediaries (FIs), bringing to 137 the credits granted to producers for the construction of new units.

Civil works – To the 147 new units already constructed, by the end of December, an additional 170 will be completed and a further 72 units will be rehabilitated. The total cost will be US\$1,206,454 (US\$748,000 in relation to the CFC loan of US\$1.6 million and US\$458,454 of co-financing by the Government of Nicaragua).

The Ministry of the Environment and Natural Resources (MARENA) has issued environmental permits to 45 completed CPFs confirming that the plans of these units comply with the environmental standards established in Nicaragua.

In **Honduras**, the process of sub-loan approval and disbursement by BANADESA to coffee farmers for the construction and equipment of the CPFs has reached a total of 312, which is 83% of the target of 376 CPFs. Out of these approvals, some 44 CPFs have been constructed and a further 268 restored for use during the 2009/10 coffee harvesting season.

In Honduras the project is also making progress on the conservation of natural resources. An important development has taken place in Comayagua where the nursery to produce 1.3 million tree seedlings to be planted in the central coffee regions (Comayagua, La Paz, Santa Barbara and Yoro) is already operating under the supervision of IHCAFE's technicians. To date, 1.17 million seedlings have been produced.

Component 2.4: Training and dissemination

In Nicaragua training activity has accompanied the construction and renovation work of the CPFs since the beginning of the project. During this semester, twenty-seven training events were carried out, attended by 562 people of whom 10% (57) were women. Ten events related to promoting the project and the new units for the coffee processing were carried out, attended by 156 people of whom 41% (23) were women.

In Honduras, a field study entitled 'Internal coffee marketing system, evaluation of investment returns to the project smallholders, and the added value to coffee provided by the new CPF's' was completed. The report concluded that there is a traditional system of local coffee marketing practices, actors and management of the product that does not necessarily contribute to the quality of the national coffee, and that the trading system does not reward growers with better prices for quality coffee. The report also concluded that there is a satisfactory framework of public policies and regulations on coffee marketing in Honduras, but some aspects of these are not being complied with by all the stakeholders in the coffee chain.

On the other hand, the report, which is based in part on a case study, reveals the emergence of growers strategies and a new internal marketing system, based on the quality (physical and cup quality) delivered by growers, and equitable prices, for commodity and specialty coffees, certified for good production and processing practices, or other attributes such as organic, ecological friendly, etc.. The new system is being pioneered by organized growers and some commercial processing and exporting firms.

The report with some recommendations was recently delivered to the authorities of the coffee sector in Honduras. It has been received with favourable comments. No action has been taken as yet.

Component 2.5: Coordination and supervision

Nicaragua

This reporting period has been significant in terms of monitoring and supervision for this project; the MIFIC carried out 248 monitoring visits at the construction sites of the new units of the coffee processing, 64 technical visits and 77 supervision visits; while the PEA carried out 56 monitoring and supervision visits. It is generally agreed that the projects activities are progressing well and that constraints are kept under control.

The PEA carried out an evaluation of 15 new units, which indicated that the quantity of water required for processing a quintal (45.45 kg) of red cherries is between 200 and 498 litres, which is at least 75% less than the amount used by traditional units which require 1,500 to 2,000 litres to process the same quantity of coffee.

With the objective of monitoring project activities, the Steering Committee held five meetings attended by officials from the NEA, PEA and Rural Credit Fund, and 41 meetings to coordinate activities with financing intermediaries.

In Honduras, coordination has been maintained at an adequate level through the Steering Committee and the Project Credit Committee, and the cooperation of authorities of CONACAFE and IHCAFE. The technical team at the regional offices of IHCAFE has had a key role in the project implementation at field level.

3. Assessment of resource utilization

To date in Nicaragua 100% of the CFC loan (US\$1,600,000) has been received. The co-financing provided by the MIFIC during this period amounted to US\$40,089.57.

In Honduras, the CFC loan was disbursed to farmers by BANADESA for the total amount of US\$1,525,000. Counterpart contributions in kind by IHCAFE have been on time and sufficient, as has the logistical cooperation of other agencies such as CONACAFE, *Secretaría de Agricultura y Ganadería* (SAG), *Secretaria de Finanzas* (SEFIN). and BANADESA.

An examination of project resource utilization, the CFC Loan and Grant, and the in kind contributions by IHCAFE, was conducted by the government *Tribunal Superior de Cuentas* during this period.

4. Social and environmental effects of project implementation

In Nicaragua the project has encouraged environmental responsibility at national level. MARENA has provided strong support to these activities, in particular in making recommendations on environmental management of the models of new units to be constructed.

In Honduras, the PEA and IHCAFE via this project are introducing design specifications for environmental protection in the construction of new CPFs. In particular, technology for pulping and mucilage removal and management of water and sub-products has been introduced to preserve coffee quality and encourage environmental protection.

5. Forward planning of project implementation

In Nicaragua, the following measures are foreseen:

1. Additional adjustment of construction costs to comply with project requirements.
2. Continuous collaboration with the FIs to define costs and location of new units.
3. Improvement of materials and quality of constructions.
4. Intervention to ensure appropriate use of resources.

In Honduras higher costs of civil works and equipment for the CPFs have to be considered in forward planning, and new targets have to be established for the remaining period of project implementation – until December 2010.

**PILOT REHABILITATION OF NEGLECTED COFFEE PLANTATIONS INTO
SMALL FAMILY PRODUCTION UNITS IN ANGOLA**

(CFC/ICO/15)

1. Period covered by the report: 1 July to 31 December 2009

Status of Project Implementation

Planned activities	Targets set	Present status	Remarks
Component I: Production (Rehabilitation) of Coffee			
Produce coffee seedlings	Make available at least 4 million coffee seedlings for rehabilitation, renovation and experiments	598,878 seedlings planted	Activity on-going
Activity 1.4 Improve coffee crop husbandry	Train farmers on correct agronomic and post harvest practices	Technical Brigade improve suite and evaluation methods	Activity on-going
Activity 1.5 Rehabilitate smallholder coffee farms	Identify and rehabilitate farms	Training on improved agronomic practices on-going. Transplanting of seedlings from nursery to the field on-going.	Activity on-going
Activity 1.6 Renovate unproductive coffee plantations	Identify and renovate farms	Training on improved agronomic practices on-going. Transplanting of 598,838 seedlings in 239,53 ha	Activity on-going
Component II: Commercialization of coffee			
Activity 2.2 Collate coffee market information	Regularly collect and analyse information on national and international coffee market, compile and disseminate reports	Obtained information about local and international coffee market.	This work is being done by CLUSA and INCA
Activity 2.3 Improve coffee hulling facility	Procure, install coffee processing equipment/ machinery and train on the same	3 more small hullers distributed.	Activity on-going
Activity 2.4 Introduce coffee quality improvement measures	Train key extension staff on proper pre- and post-harvest procedures that enhance coffee quality	Technical Brigade continues to train coffee producers about coffee drying conditions.	Activity on-going
Activity 2.5 Support internal marketing of coffee	Provide fiducial funds for use by farmers to facilitate the commercialization of their coffee	257 tons of commercial coffee sold. Increase in local price of coffee.	Activity on-going
Component III: Settlement scheme			
Activity 3.3 Organize selected settlers into associations	Settlers encouraged to join existing associations or newly formed ones, to increase their bargaining power	Farmers organized into 518 solidarity groups, 101 associations and 13 cooperatives and are currently being trained on running farmer groups as business entities	Activity on-going.
Activity 3.4 Facilitate concession of title deeds to settlers/farmers	Assist farmers to have titles to their individual land parcels	Technical Brigade and IGCA working on preparing the legal procedures.	Activity on-going

Activity 3.5 Construct houses for settlers	Assist resettled farmers to construct houses	This activity will be transformed into the building of cooperative offices.	Activity on-going
Activity 3.6 Construct social infrastructure	Improve the infrastructure in the project area especially roads, schools, health posts	Damba do Cungulo Health post rehabilitated.	Activity on-going
Activity 3.7 Initiate agricultural production	Provide agricultural inputs like seeds and tools to enable farmers commence production of food	Increase of beans and goats as a result of the distribution of 3 tons of beans and 472 goats.	Activity on-going
Activity 3.8 Food for work	Encourage local population to assist in the improvement of the local infrastructure (roads, schools, health post) in return for food	The rehabilitation work linked to the Damba do Cungulo Health post was given to a local building enterprise.	Activity on-going
Component IV: Support Services			
Activity 4.1 Form new/strengthen existing farmer organizations	Same as Activity 3.3	CLUSA training farmer group members and officials.	Activity on-going
Activity 4.2 Provide support to research and experimentation	Identify and undertake demand-driven research aimed at addressing farmer constraints (on improved coffee varieties, soil requirements, etc)	Collection of coffee varieties maintained, needs for coffee seed production at INCA (Gabela) identified. Varietal trial installed and INCA staff trained on-the-job	Activity on-going
Activity 4.3 Strengthen coffee related services for technical assistance (including procurement)	Improve the dissemination of research findings from researchers to farmers as well as increasing farmers' access to credit	Demo plots assisted and used as training places. From these participation in coffee pruning was increased. First six plots with good production results.	Activity on-going
Component V: Institutional Support			
Activity 5.1 Establish market information system	Set-up a system that makes available appropriate coffee marketing information for various coffee stakeholders	The project staff provides information to the producers from world market information, and local information linked to the local market.	CLUSA and Technical Brigade Staff have distributed newsletters on coffee and inputs market situation
Activity 5.3 Train INCA staff	Train staff from the coffee project experiences	80 Technicians from INCA Technical Brigades were trained about coffee husbandry and research	Activity on-going
Activity 5.5 Procure and distribute equipment and materials	Purchase equipment needed for the implementation of the project	One generator purchased	Activity on-going

Component VI: International Technical Assistance			
Activity 6.1 Identify and contract long term CTA	A long-term Technical Advisor engaged and based in Angola to supervise the implementation of project activities	Following a supervision mission of CFC and ICO representatives in December 2009, a new contract with CABI has been drafted	The new contract between CABI and INCA is being prepared
Component VII: Project Management			
Activity 7.2 Establish Project Management Unit to coordinate and organize project implementation	A full complement PMU in place to coordinate the implementation of the project	Mr Pascoal Miranda of INCA continues to coordinate the project. After the signature of a new contract between INCA and CABI, a CTA will visit Angola twice a year to assist the project management unit	Coordination and implementation of project on-going
Activity 7.4 Establish and implement administrative and accounting procedures and train in the same	Project implemented effectively following the CFC financial and administrative procedures	Administrative and accounting procedures in use. Project accountant recruited.	Activity on-going
Activity 7.5 Organize and coordinate staff training	Ensure that project staff are trained	Programmed training in Côte d'Ivoire	Activity to be undertaken in next reporting period
Activity 7.6 Develop detailed work plans and budgets	Activities to be implemented in a given year, together with available resources developed participatory	Work plans for next year elaborated	Work plans and budgets were elaborated
Activity 7.9 Host ICO annual supervision visits	Organize visit by ICO to project area to monitor progress	Received ICO and CFC visit and discussed project problems	Next ICO/CFC supervision mission scheduled for Apr/May 2010
Activity 7.10 Prepare regular reports	Progress reports written regularly and sent to CFC/ICO and collaborators.	Jan-June and Jan-Dec progress reports done.	Target fully met

**PILOT SHORT- AND MEDIUM-TERM FINANCE TO
SMALL-SCALE COFFEE FARMERS IN KENYA**
CFC/ICO/20

A report on this project will be circulated at a later date.

**DIVERSIFICATION OF PRODUCTION IN MARGINAL AREAS
IN THE STATE OF VERACRUZ, MEXICO
(CFC/ICO/32)**

1. Period covered by the report: 1 July – 31 December 2009

Assessment of technical progress

The introduction of new timber and non-timber plants to the forest reached one million new plants. Around 106,000 *Jatropha* trees have already been grown and are about to start seed production for future forestation.

The integrating company is increasing business, in particular for activities related to the processing and sale of *Pimenta dioica* and dried guava leaves.

Evaluation and use of resources

During this reporting period, some US\$79,137 has been spent from the CFC grant for Components I, II, III and IV, while from the counterpart funding from the *Universidad Veracruzana*, US\$183,140 was spent to pay the personnel hired to implement the project.

Evaluation of the coordination and project management

During this period the project reached its goals and accomplished its targets, as follows:

Regarding the main project goal of improving the quality of life of coffee growers in the central region of Veracruz State, the target of involving 1,500 farmers was successfully achieved with their active participation in the project and the legal constitution – amongst them – of 59 small local companies that today constitute the Integrating Company (named DYCTROSA). Since each farmer on average owns 2.5 hectares, some 3,750 hectares have been diversified, which by far exceeds the original target of 1,500 hectares.

Results by activity

- Since 1,500 hectares represents only 4% of the marginal coffee area in Veracruz State, the project triggered a networking process among municipalities to prepare for the extension of the project to the rest of producers in similar marginalized conditions in the near future.
- In order to promote the creation of a business culture among producers, the Integrating Company has demonstrated that such integration facilitates to farmers the task of reaching the urban markets of Mexico and, for some commodities such as allspice, even the export market. To date product line enterprises have been developed and managed by the 59 small local companies of the integrating company. A Credit Clearance Committee was set up to administer the CFC funds for disbursement of the loan which supports product lines for allspice, coffee, guava leaves (the most relevant) and fresh commodities such as flowers and tropical fruits. Reforestation is

also a business line of the Integrating Company, dedicated to provide reforestation services to socially responsible enterprises interested in environmental health in Veracruz. For this some 35 groups of farmers were trained to grow plants in their own nurseries. The seedlings obtained (circa one million) allowed the reforestation of around 1,500 hectares at a density of 600 plants/ha.

- In order to encourage coffee producers to remain in the target areas and reduce migration, in Zozocolco the project's multiplier effect has made it possible to duplicate municipality income by creating more jobs at farm and industry levels at a time of economic crisis, when former migrants are returning to their homeland.
- Regarding project methodology, three years of implementation have allowed an understanding of how to plan actions that can be scaled up by public policies, in which a key role has been played by the participation of scientists in the implementation and local knowledge understanding to adapt objectives and interventions when necessary.
- The project has generated important reference material, which includes three books, several booklets referring to the methodology and information emanated from the project and – under preparation – the final report of the project.

Management of the project

The project team attended in December 2009 the 20th Anniversary of the CFC in The Hague, Netherlands. It was a unique opportunity to show the diversification products, methodology and project publications.

With the conclusion of the project, the PEA, DIPROCAFE constituted ad hoc by the University of Veracruz for this purpose, is about to complete its life span.

However, DIPROCAFE is currently being elevated to the level of Permanent Diversification Programme of the *Universidad Veracruzana*, changing its name to DIPRO UV to become a strategic programme of the university to reproduce the project activities in the five regions of the Veracruz state where the university has a campus and branches.

Social and environmental effects of the project implementation

The attention generated in the target region has been significant, such that the government of the State of Veracruz, the University of Veracruz and some private enterprises have decided to invest in improving the social infrastructure and the development of rural enterprises. This has subsequently induced a revision in the way in which international funds are received in the region in order to explore multiplier effects from activities implemented. It may also be presumed that the development of organizational skills among participating coffee farmers will contribute to a long-term development process.

Future planning of the project implementation

The final project workshop will be held in March 2010 in Guatemala City during the ICO meetings.

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

Period covered by the report: 1 July to 31 December 2009

Component 1: Organizational strengthening

Concerning the internal control systems proposed by the project to monitor reconversion activities in each of the 1,244 farms involved and now being adopted by the 30 producer organizations, the PEA, COFENAC, in November 2009 carried out an evaluation which established that: 81.7% of producers are implementing reconversion plans satisfactorily, 15.1% are slightly behind with planned activities, and 3.2% are seriously behind. The latter group is at present carrying out a plan to bring their activities up to date within a period of 60 days beginning in the next quarter.

A Rural Leadership School for community leaders and promoters exceeded the initial established target for training 90 producers in the first two years of implementation, achieving a total of 185 newly trained leaders, 30% of whom are women.

The 30 producers organizations involved in the project have begun to generate spin outs from the outset of project implementation as they began to define micro projects to complement reconversion activities, and to submit requests for financing these projects to government institutions and non-governmental agencies operating in Ecuador. Twenty-five requests have now been submitted.

Revolving Funds established in each cooperative are operating and providing services to producers in the form of micro-credit in kind (inputs, materials-credits or equipment) and in cash (from the capital recovered)

Component 2: Diversification of production systems

Some 4,903 training sessions on agricultural farm management and 1,283 on livestock management have already been carried out. These sessions have been a dynamic factor in providing assistance to producers who were initially predominantly coffee farmers with only limited knowledge of farm management, marketing, and products other than coffee.

During the course of project implementation producers have renovated 1,607 hectares of their coffee farms; this means that in the first two years of implementation they have exceeded the project target of 1,200 hectares. Animal husbandry activities promoted by the project include rearing of free-range chickens and laying hens, pig fattening, and beekeeping. These activities provide food support for the families involved and additional income from the sale

of surpluses. Revolving funds played a key role in supplying seeds and equipment for these units. The choice of food crops and fruit trees for each unit is based on the family's nutritional requirements and local consumer preferences as well as productive potential.

Around 197,602 forest trees were successfully planted in buffer areas separating farms from rivers and estuaries vulnerable to the El Niño phenomenon. Although 99% of the project target (200,000) trees have been met, the 30 producer organizations are continuing to reproduce forest plants for the extension of reforestation activities.

The farms involved have managed to produce 313,444 litres of liquid organic fertilizer (bio fertilizers, microbial liquid fertilizers and purine) and around 2,831 tonnes of compost. These fertilizers have been used on the farms that produce them to fertilize coffee trees, family food crops, and other crops grown on the farm. Although marketing of organic fertilizer only manages to cover the needs of the farm, it generates savings in purchases of chemical fertilizers.

In Manabi improvements were made to existing communal warehouses so that they could be used during the 2009 harvest. In El Oro and Loja 447 solar dryers (glass roofed) and 424 cement tub tanks for fermentation and washing of coffee beans have been constructed on producer farms.

Component 3: Agro-industry and joint marketing

In the province of Las Lajas, the Organic Coffee Growers Association has improved both quality and quantity of roast and ground coffee, increasing sales by around 10% in 2009 compared to the figure of 18 quintals for the associated producer's farms of coffee in 2008

In order to improve earnings from sales of coffee, organizations have started to sell together their coffee, increasing the volume of organic coffee certified in 2009 by 7.1% in relation to the volume of 5,231 quintals sold in 2008. Joint marketing of non-organic coffee also increased by 22.9% in 2009 compared to the volume of 1,896 quintals of green coffee sold in 2008.

Six units for producing compound feed have been established and are operational. The units absorb around 30% of surplus maize produced on farms following reconversion, providing added value by being processed as fooder for animal husbandry on farms.

From twenty-four sets of equipment for collecting honey from the 502 beehives distributed in the project area, first production in Manabi has reached 250 litres of honey. This is currently entirely for in-farm consumption. It is hoped that after the second collection some of the honey produced will also be sold to the local market.

Component 4: Project dissemination

The project Coordinator attended in December 2009 the 20th Anniversary of the CFC in The Hague, Netherlands. It was a unique opportunity to show the methodology and project's achievements.

A video and an interactive CD of the training programme for promoters of sustainable coffee growing have been distributed to project beneficiaries. The project now has an internet link on the COFENAC website (www.cofenac.org), which provides the available information on the progress of project activities and the technical documents created in the context of the project.

Social and environmental effects of project implementation

- The reconversion of coffee farms has facilitated the incorporation of new agricultural and livestock activities, making it possible to diversify food sources among the families involved, with a positive impact on food security.
- Diversification of farms has also enabled producers to diversify sources of income through sales of surpluses. Farmers can count on additional economic resources to meet other requirements, including health, clothing, education and, in some cases, savings.

Resources utilization

Budgeted expenditure attributable to the contribution from the Common Fund for Commodities for the implementation of project activities during this reporting period totalled US\$666,928.93, representing 59.7% of the total financing for 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 2009**
- 2. Status of project implementation**

Component 1: To select potential gourmet coffee producing areas

In order to promote high quality coffee, beneficiaries from Guatemala and Honduras participated in the IILA – IAO Workshop¹, held in El Salvador, from 16 to 20 November 2009, which gave them the opportunity to discuss different coffee processing and drying methods and to introduce their coffee to Italian roasters attending the event.

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

The project has involved at regional level around 3,300 small coffee producers organized in cooperatives or associations. It has been able to create a specific code of conduct aimed at introducing best practices, standardizing cultivation, harvesting and processing methods and strengthening organizational and management skills of the beneficiary association delegates. These standardization activities have been facilitated by the decision to create a collective ecological pulping unit for each project area. In fact, the construction of a collective pulping unit supports the correct implementation of the quality control activities, observing quality standards, better management of coffee by-products (coffee pulp, etc.) and the reduction of environment pollution and water consumption.

During this period a coffee expert undertook a seven day mission to Guatemala to assist with aspects related to coffee processing and to correct wet mill utilization, providing technical assistance to define the best practices required to correctly manage the wet mill and to maintain the quality of the coffee beans.

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

Honduras: the collective ecological wet mill has been almost completely constructed and relevant machinery installed. Additionally, a 400 square metre drying patio has also been completed, 15 dome solar dryers were constructed and have been used during the present harvesting period. In the framework of coffee by-products utilization, IHCAFE has constructed one mushroom cultivation unit and designed the central compost unit.

¹ *This activity has been entirely financed by an Italian Cooperation Project, called Progetto Caffèilatlino (www.caffèilatlino.com), managed by the IILA (Istituto Italo – Latino Americano) and the IAO.*

Nicaragua: MIFIC has completed and installed the collective ecological wet mill. In the framework of coffee by-products utilization, MIFIC has constructed 10 mushroom cultivation units and 10 worm composting units have been installed. The technical and field activities carried out by the project have allowed the publication of relevant technical manuals, now available on the project website: www.cafeycaffe.org.

3. Assessment of resource utilization

Project funds have only been spent on eligible expenditure to arrange the workshops, to appoint a technical and administrative consultant and for the project office. The co-financing funds were used to implement field activities in Guatemala, to upgrade and manage the website and to organize technical visits and the South-South workshop.

4. Social and environmental effects of project implementation

The project team attended in December 2009 the 20th Anniversary of the CFC in The Hague, Netherlands. It was a unique opportunity to cup the gourmet coffees obtained from the project areas in Guatemala, Honduras, Nicaragua and Costa Rica, as well to show the diversification products, methodology and project publications.

In central America, farmers are enthusiastic to continue the project activities through the wider programme CaffeyCaffé financed by the Italian Cooperation.

5. Forward planning of project implementation

The final workshop of the project will be held in Guatemala in March 2010.

6. Conclusions and recommendations

National coffee institutions are very keen in continuing, after the conclusion of the project, the promotion of coffee trade between farmers and roasters in Europe following the standards already identified and adopted and in encouraging the coffee quality improvement practices promoted by the project. The standards have been published in a manual named 'Green Book'. However, a possible limitation could be that participating farmers with insufficient technical knowledge may be reluctant to use modern technologies and solutions such as new agricultural techniques and new ways of considering the coffee product from field to cup.

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 distributors to organize contacts and meetings and carve out a niche in a world dominated by industrial agriculture.

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

A report on this project will be circulated at a later date.

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

A report on this project will be circulated at a later date.

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

1. Period covered by the report: 1 July to 31 December 2009

2. Status of Project implementation

Component 1: Assessment of the participating farmers and their needs

Main activities	Targets set	Current status	Remarks
Activity 1.1 to 1.4 Carry out a survey of farmers by collaborating institutions.	Build up a database on coffee farmers. Selection of participating farmers. Preparation of MOU with collaborating institutions.	In Côte d'Ivoire, operating accounts for livestock activities and food crops selected by producers have been prepared: the production costs and profitability of these activities are known. Loan requests from 474 producers for food crops and 80 producers for livestock activities have been prepared for forwarding to the bank. The financial intermediation agreement with the Banque Atlantique de Côte d'Ivoire (BACI) has been signed.	

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

Main activities	Targets set	Current status	Remarks
Activities 2.1 and 2.2 Administer revolving fund loans on the basis of CFC financing and the credit mechanism prepared.	Increase producer incomes and reduce their dependence on the coffee economy	In Burundi, the CFC has allocated the sum of US\$277,960 to the project, representing the first tranche of revolving credit. Loans for crop season A were distributed to 990 producers for an amount totalling US\$165,500. Farms creation took place in October 2009. The main constraints encountered were the increase in prices of seeds and fertilizers as well as transportation of these inputs at the time of distribution. To ensure effective monitoring of loans, the PEA signed service contracts with consultants for the preparation of a manual of procedures and a computer system for the management of revolving loan fund credits destined to small coffee farmers.	The report on the manual is being prepared.

Component 7: Project coordination, supervision and monitoring

Main activities	Targets set	Current status	Remarks
Activities 7.5 and 7.6 Monitor project execution. Ensure annual supervision of the ICO.	Assess project activities and make recommendations.	A workshop to evaluate activities related to project implementation in 2009 and to plan activities for 2010 took place in Bujumbura, Burundi from 16 to 18 November 2009. Representatives of the CFC, the ICO and the PEA participated in this workshop.	The report of the workshop is available.

Activity 7.7 Monitor implementation and financial disbursements by the CFC.	Provide adequate resources for the project and assess their utilization.	Financial reports for 2009 were prepared and sent to the CFC for replenishment. Requests for revolving credit funds as well as requests from consultants are regularly forwarded to the CFC. In August 2009 an amendment to the project agreement for the financing of revolving credit was initiated by the CFC and signed by the 3 parties involved, namely the CFC, the ICO and the PEA. In October 2009, the CFC transferred a part of credit revolving fund to start providing loan to farmers.	
Activity 7.8 Prepare and submit to the CFC and ICO regular progress reports on the project.	Prepare technical and financial reports based on CFC procedures.	Technical reports for the first semester are available.	

During the period July to December 2009, activities were focussed mainly on the implementation of local credit, the preparation of the manual of procedures and the computer system for the management of revolving funds, and the evaluation workshop on activities in 2009 and the programming of activities for 2010.

In Burundi, the first tranche of revolving fund credit amounting to US\$277,960 was released by the CFC. For crop season A, which covers the period from October to February, 990 producers received their loans through intermediate financing by the National Economic Development Bank, (BNDE). Crop diversification activities focussed on potatoes, manioc, rice, groundnuts, tomatoes, onions and cabbage for a total amount of US\$165,500. The difficulties encountered in the course of this operation derived from the increase in prices of seeds, fertilizers and phytosanitary products in relation to forecast expenditure; in addition, transportation and on-site distribution of inputs to producers proved to be a bottleneck that needed to be overcome. As a consequence, the amount of credit available for distribution to producers was reduced. In Burundi, the borrower is the Union of coffee producers' associations on behalf of project beneficiaries. These unions are organized around washing stations; 12 Unions were selected for the beneficiaries as a whole.

In Côte d'Ivoire, 474 loan requests for growing rice, manioc, yams, maize, plantains, and market garden produce, and 80 requests for rearing poultry, pigs and rabbits, and for developing fisheries were prepared by the BACI, the bank responsible for ensuring intermediate financing. The first tranche of revolving fund credits amounting to US\$500,000 was released by the CFC at the end of October 2009. The crop season begins in February following the lengthy dry season extending from November to February; loans will be disbursed after that period.

3. Resource utilization

From August to December 2009, operational expenditure from CFC funds totalled US\$43,000 in Burundi and US\$42,950 in Côte d'Ivoire. This expenditure does not take into account invoices submitted by the national coordination of the CFC in Amsterdam for direct payment.

4. Project coordination and management

The conclusions of the CFC and ICO supervision mission of 23 to 31 May 2009 included a recommendation for the recruitment of a consultant for the preparation of a manual of credit procedures and a computer system for the management of loans. The PEA, in agreement with the CFC and the ICO selected a computer agency in November 2009. The software obtained will enable the project and the Bank to identify producers, monitor the granting of loans, technical developments, production, marketing and loan repayments.

In August 2009, an amendment to the project agreement was signed by the CFC, the ICO and the PEA. This amendment introduced new sections relating to the disbursement method (2 tranches) for revolving fund credit grants known as 'Technical Assistance Facilities'.

From 16 to 18 November 2009, a workshop on the progress of project activities was held in Bujumbura, Burundi. The workshop also provided an opportunity to approve the programme of activities and budget for 2010 for Burundi and Côte d'Ivoire. It was marked by a visit to farms established on the basis of loans and discussions with project beneficiaries in Taba in the province of Muramvya, as well as meetings between project partners and the Burundi Project Steering Committee. The workshop registered 61 participants, including representatives of the Burundi authorities, in particular representatives of the Second Vice-President of the Republic of Burundi, the Minister of Trade and Industry, representatives of the Ministry of Agriculture and Livestock, the CFC represented by Mr Caleb Dengu, the ICO represented by Mr Denis Seudieu, three representatives of the PEA, representatives of coffee producer Federations and Unions and institutions in Burundi.

5. Forward planning

Following the effective disbursement of loans, the main activities to be carried out are preparation of a computer system for the management of producer databases, producer training, organization of producers in relation to communal transport and processing equipment, construction and renovation of warehouses, and assistance to the marketing of products deriving from diversification.

6. Conclusion

The evaluation workshop enabled all project partners to review activities and analyse constraints. It was noted that the second stage of the project, which consists of distributing loans to producers, had effectively commenced with crop season A in Burundi.

**ENHANCING COMPETITIVENESS OF AFRICAN COFFEE
THROUGH A VALUE CHAIN ANALYSIS**

CFC/ICO/43FT

- 1. Period covered by the report: July to December 2009**
- 2. Status of project implementation – covering only components implemented during the reporting period**

The formation of the data collection and analysis teams was completed in all the nine participating countries. The Country Focal Points (CFPs) were identified by the relevant Ministries in each country who in turn identified the Country Field Officers (CFOs). Co-financing to undertake the project was acquired from Tanzania, the Democratic Republic of Congo (DRC), Côte d'Ivoire and Zimbabwe. After training on data collection methodology using questionnaires (in English or French) the CFOs proceeded to collect data from different coffee stakeholders. Data collection were finalized in Zimbabwe, Tanzania and Ghana, but were still on-going in Cote d'Ivoire, DRC, Sierra Leone, Liberia and Burundi. Data collection had not commenced in Nigeria, due to a lack of response to communication by the CFP. Information was also acquired from secondary sources including past reports and the Internet.

Data from value chain analysis from Zimbabwe, Tanzania and Ghana were collated, analysed and the constraints and opportunities identified. SWOT analyses of the coffee subsectors were also undertaken, to assess the strengths and weaknesses of the subsectors. These results were presented and discussed at National Stakeholder workshops in Zimbabwe (29 November 2010) and Tanzania (30 November 2010). The workshop in Zimbabwe developed a vision for the subsector and a development plan to meet the vision. A similar vision is being developed for Tanzania.

Two visits were made to Côte d'Ivoire by the PIA in July and October to explain the project methodologies, facilitate availability of co-financing and exchange information with IACO staff. Field collection of data began in December and has progressed well as a result of the visits. Data collection is being finalized in DRC and the synthesized data will be discussed at the National Stakeholders Workshop to be held in Kinshasa from 20 to 22 January 2010, during which a vision and development plan will be developed. The workshop was supposed to be held in December but was postponed at the request of the Minister of Agriculture.

Despite not completing all the activities of the project, the current findings were popularized and disseminated at various forums including the IACO General Assembly in Ghana in November 2010 as well as the CFC's 20th Anniversary in The Hague in December 2010.

3. Assessment of resource utilization

Financial Analysis for the period between 1st July - 31st Dec. 2009					
ITEM	BUDGET (USD)	Actual Expenditure - Nov'08 to June '09	Actual Expenditure July '09 to Dec'09(USD)	Total Expenditure (USD)	Variance (USD)
PERSONELL	40,000.00	23,333.33	16,666.67	40,000.00	-
COLLABORATOR	45,500.00	22,750.00	15,925.00	38,675.00	6,825.00
DIRECT COSTS	24,500.00	3,159.31	19,532.90	22,692.20	1,807.80
TOTAL	110,000.00	49,242.64	52,124.56	101,367.20	8,632.80

The funds have virtually been exhausted, except for the outstanding balance to Café Africa (US\$6,825) which will be paid after submission of the final report (covering Tanzania and DRC) to CABI Africa. Personnel costs have been totally exhausted. As stated under recommendations (below) there is need for additional funding to support travel costs in particular to gather information and attend workshops at different collaborating countries. The co-financing in the collaborating countries went mainly towards hosting the National Stakeholder Workshops

4. Assessment of project co-ordination and management

Coordinating this project has been a major challenge. Due to limited funds, communication with CFPs and CFOs in the nine collaborating countries was limited mainly to emails and telephone calls. The communication between the PIA, Café Africa and the collaborating countries could be improved. The PIA was compelled to make a number of unbudgeted visits to various countries to enable face-to-face discussions and explanation of the project methodologies. Lack of implementation of activities already explained at such visits, further delayed the finalization of the project. All this made implementation, and therefore coordination, difficult.

5. Social and environmental effects of project implementation

Increased returns from the sale of higher quality coffee are expected to improve the income of coffee farmers. No adverse effects to the environment are envisaged.

6. Forward planning of project implementation

Following a visit to IACO in June, an activity action plan was developed for the period up to November 2009. However, the above-mentioned constraints worked against the full implementation of this plan. The PIA has written to IACO suggesting ways of implementing the remaining activities of the project (see below)

7. Conclusions and Recommendations

Despite the challenges, encouraging success was achieved with greater prospects for further achievements. Collaborators have a better understanding of the study and their specific roles. Delays in the field have partly been due to circumstances beyond the project. However it is crucial that all the data collected is analysed, evaluated by stakeholders to define visions for the four countries where the full studies are being conducted (Zimbabwe, DRC, Tanzania and Côte d'Ivoire). Data from the remaining four countries (Liberia, Sierra Leone and Burundi) should supplement these results to give a representative picture of the constraints and opportunities in Africa.

To ensure that all this information is received and incorporated in the final PanAfrican proposal to be developed, an extension of the project up to March 2010 is recommended.

LIST OF ACRONYMS USED IN THIS DOCUMENT

ADINUT	Asociación de Desarrollo Integral Union Todosantera (Guatemala)
Anacafé	National Coffee Association (Guatemala)
BACI	Atlantic Bank of de Côte d'Ivoire
BANADESA	National Bank of Agricultural Development (Honduras)
BPC	Banco de Poupança e Crédito (Angola)
CFC	Common Fund for Commodity
CFOs	Country field officers
CFPs	Country focal points
CIGs	Coffee Interest Groups
CLUSA	Cooperative League of the USA
COFENAC	National Coffee Council (Ecuador)
CONACAFE	National Coffee Council (Honduras)
CPFs	Coffee processing facilities
CTA	Chief Technical Advisor
DIPROCAFE	Diversificación Productiva de Cafetales de Baja Altitud
FIs	Financial Intermediaries
IACO	InterAfrican Coffee Organisation
IAO	Istituto per l'Oltremare
IC	Integrating Company
IDR	Institute of Rural Development
IHCAFE	Honduras Coffee Institute
IICA	Inter-American Institute for Cooperation on Agriculture
IILA	Istituto Italo – Latino Americano
INCA	Instituto Nacional do Café de Angola
JLGs	Co-operative society (Kenya)
MIFIC	Ministry of Development and Trade (Nicaragua)
MOU	Memorandum of Understanding
MTE	Mid-term evaluation
NEA	National Execution Agency (Nicaragua)
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
SCAA	Specialty Coffee Association of America
USDA	United States Department of Agriculture