Document of

COMMON FUND FOR COMMODITIES

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Access to Finance for the Development of Diversification Crops in Coffee Producing Areas (CFC/ICO/30)

(To be financed under the Second Account)

APPRAISAL REPORT

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Date: 12 December 2007

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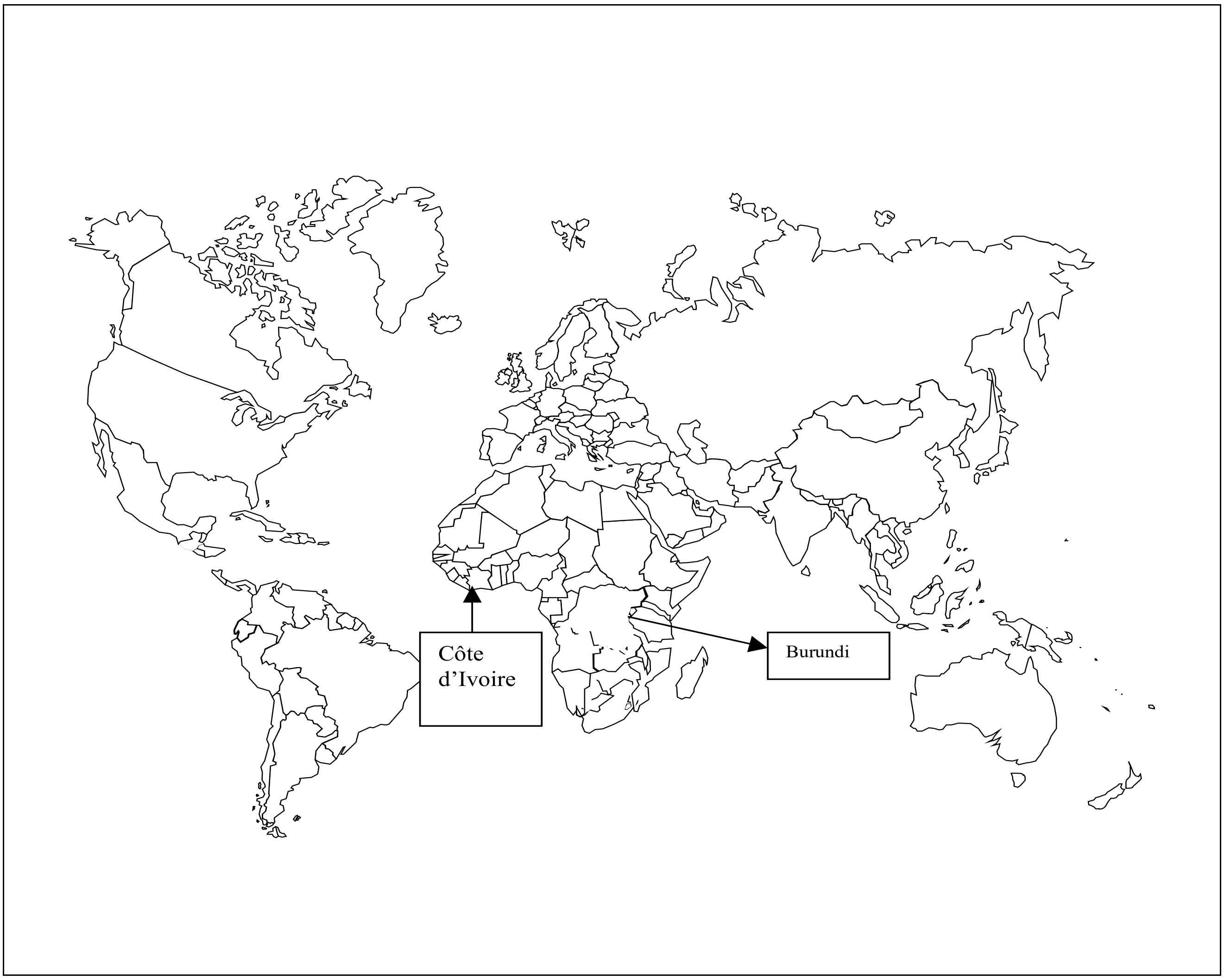
Abbreviations and acronyms

AfDB:	**African Development Bank**
AFREXIMBANK:	**African Export-Import Bank**
ANADER:	**Agence Nationale pour le Développement Rural**
CFC:	**Common Fund for Commodities**
CNRA :	**Centre National de Recherche Agronomique**
EU:	**European Union**
FENACOPEC:	**Fédération Nationale des Coopératives d'Epargne et de Crédit**
EC:	**European Community**
FGCCC:	**Fonds de Garantie des Coopératives Café-Cacao**
ICO:	**International Coffee Organization**
IFAD:	**International Fund for Agricultural Development**
NGO:	**Non-governmental Organization**
OCIBU:	**Office du Café du Burundi**
PEA:	**Project Executing Agency**
SB:	**Supervisory Body**
UCODE:	**Union pour la Coopération au Développement**
UNCDF:	**United Nations Capital Development Fund**
USD:	**United States Dollar**

Map



Logical Framework

Project Title: Access to finance for diversification in African coffee producing countries

Estimated project starting date: January 2008; estimated completion date: December 2011

Narrative summary	Verifiable indicators	Means of verification	Assumptions
Broad goal Promotion of income security in coffee producing areas through the promotion of small credit system to farmers for a sustainable diversification programme based on value-chain management approach.	(a) coffee growers' income increased and secured; (b) Increase in alternative crop production from coffee growing areas.	(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) International statistics, ICO data, FAO data.	- Prudent and stable macroeconomic environment; - Continuation of policy of poverty eradication and modernisation of agriculture; - Political stability in the involved countries.
Specific objectives (a) To design a credit scheme for alternative crops; (b) To promote diversification crops in coffee growing areas; (c) To promote food security in coffee growing areas; (d) To develop strategies for adding value to new crops; (e) Training to strengthen capacities of growers to manage savings and credit; (f) Disseminate a sustainable crops/activities diversification credit system in other coffee producing countries	(a) Number of farmers receiving diversification loans; (b) Alternative 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 coffee producing countries	(a) Data from financial institutions; (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 and credit management capabilities; f) Increase in number of countries using the system.	(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.
Outputs (a) Sustainable agricultural credit system developed; (b) Farmers technically and financially equipped to develop alternative activities; (c) Production of diversification crops increased; (d) Availability of import substitute foodstuffs; (e) Value-chain approach promoted for diversified crops; (f) Development of efficient farming systems; (g) Coffee growers' credit management skills improved.	(a) Suitable manuals, procedures and MOUs for implementing the loan component; (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) About USD 2,500,000 loaned to farmers under the project	(a) Survey of the impact of the project; (b) Government statistics; (c) Farmers survey.	- Farmers' ability to adopt new technologies; - Good timing of the project implementation; - Alternative crops diseases are contained to tolerable levels; - Improved rural infrastructure.
Inputs/Activities (a) Review of farmers' needs; (b) Diversification loan scheme; (c) Deliver and manage 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; and of (g) Training to farmers; (h) Disseminate project results; (i) Monitoring and Evaluation of the project.	(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	- Project implementation work plan - PEA progress and final reports - Project evaluation	- Availability of funds to undertake project activities; - Project funds disbursement made on adequate time; - Adequate supply of planting materials; - Strong commitment of all stakeholders; - Government remain committed to reduce poverty in coffee producing areas - Fair and open international trading framework; - Stable and predictable political and regulatory environment

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.

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

2) Duration: Four years

3) Location: Côte d'Ivoire and Burundi

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

5) 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 small scale farmers' diversification programme. The project will also address food security issues in coffee farming community. The project will comprise the following components:

(a) Assessment of the targeted farmers and their credit needs for diversification programme;
(b) Development of a suitable and sustainable loan structure for 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;
(g) Project coordination, supervision and monitoring.

6) Estimated total cost: **USD 3,006,570**

7) Financing from the Fund:

Grant	**USD 2,692,725**
in Côte d'Ivoire:	1,372,770
in Burundi:	809,655
to Project management:	510,300

8) Counterpart contribution: **USD 313,845**

Côte d'Ivoire:	186,585
Burundi:	127,260

10) Project Executing Agency:

The proposed Project Executing Agency will be an institution with the relevant experience and administrative capacity, acting in close collaboration with, and supervision of, the field collaborating institutions as described hereafter. The PEA will recruit and host a consultant with sound experience in agricultural credit management. The consultant will act as the chief Technical adviser for the project while the PEA will provide him with logistics and guidance for implementing the project, while fulfilling its contractual role regarding the project's leadership and sound management. The FGCCC in Côte d'Ivoire has been identified as suitable PEA. Their mission statements, detailing their relevant capacities and experience, are listed hereafter.

11) Collaborating institutions: 1) FGCCC (Côte d'Ivoire)
2) OCIBU (Burundi)

12) Supervisory Body: International Coffee Organization (ICO)

13) Estimated starting date: January 2008

I - INTRODUCTION

A – PROJECT BACKGROUND

Project concept

1. Following a regional workshop on input credit held in Nairobi from 4 to 6 April 2001 it had been agreed to have one pilot project in English speaking countries and one in French speaking countries. The Government of Côte d'Ivoire then prepared this 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

2. The proposal was prepared by the Côte d'Ivoire and submitted to the Executive Board of the International Coffee Organization in September 2002, which had 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 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 will take into account those comments the Board of the ICO approved the project proposal in principle.

Consideration by the Consultative Committee of CFC

3. A draft proposal was reviewed by the Consultative Committee at its thirty fourth meeting held in July 2004. The Committee noted the project is 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 has been extended beyond a manageable size by combining two groups of countries with diverse socio-economic, cultural, geographical and geophysical characteristics will 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 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 to 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.

4. A new revised project proposal was submitted to the Consultative Committee which met from 24 to 29 January 2005. The main recommendations of the Consultative Committee are summarized below:

i) Given the novelty of the project operations to the Funds and the existing situation in the two beneficiary countries, the Committee advised that the financial exposure of the Fund should be limited to a grant financing only.
ii) Part of the grant funding could be provided to farmers through local private banks as concessional loans for diversifying their production to alternative crops
iii) The loans to farmers should be recycled as a revolving fund to more farmers.
iv) The commitment of the governments and interested and relevant private banks to carry out an elaborated programme of operation should be obtained; and
v) The project would require an effective Project Executing Agency (PEA) with experience in similar operations.

B – OVERVIEW OF COFFEE ECONOMY

5. Since the last quarter of the year 2004 a surge in prices has been recorded with the market fundamentals remaining favourable to a continuation of this upward trend. Although this new price movement indicates that the worst of the crisis may be over, coffee market remains characterized by a long period of low prices and a short one of relatively high prices.

6. The coffee crisis, from which we now seem to be starting to emerge, began in 2000. During these years of crisis a large number of coffee producers were unable to cover their production costs and many continued to produce coffee because of the lack of alternatives or because they still cultivated subsistence food crops. The effects on farmers have been clearly documented by the International Coffee Organization and include an exacerbation of poverty in coffee communities' worldwide, with additional social effects such as migration to urban areas, illegal emigration, and cultivation of illicit drugs. The adverse market conditions faced by small coffee farmers are the result of chronic world oversupply of coffee and high volatility of prices. They also derive from a buyer-driven coffee supply chain and poorly designed market liberalization reforms in producer countries. Oversupply is also fuelled by the lack of viable alternatives for small coffee farmers. For many years, cash incomes for subsistence coffee farmers have dropped substantially with a general increase in poverty arising from the absence of funding for education, healthcare, foods and other needs which require cash payments.

7. Among areas in which action is possible to address the problems diversification has been identified. Indeed, appropriate diversification both in terms of national dependence on coffee and a reduced number of other commodities, and also at the farm level to create a more diversified productive portfolio, to the extent possible and using all available instruments. In this context, the International Coffee Organization is giving considerable priority to diversification projects, which do not eliminate coffee production but encourage alternatives and vertical diversification into higher value types of product.

C – RELEVANCE OF THE PROJECT TO THE STRATEGY OF THE ICO

8. The dominant role of a particular product in a country's exports is a factor responsible for creating serious rigidity in production, both in terms of the development of production capacity and at the level of production techniques. Unlike many developing countries in Asia, to a lesser extent, in Latin America, African countries have not managed to diversify their exports over the last three decades and their economy continue to be extremely dependent on commodities. Dependence on coffee exports exposes many developing countries in Africa to economic crisis and also increases instability in their export earnings. The diversification programme would help to alleviate the sufferings of coffee farmers and reinforce the fight against poverty in coffee producing areas. A strategy of this nature would have two main objectives: diversification considered, on the one hand, as a means of ensuring additional income for coffee farmers by adopting other crops capable of providing them with substantial income and, on the other hand, as a means of increasing the added value obtained from coffee as well as diversified crops.

9. In addition, by linking the availability of diversification loan facilities to continued activity in the coffee growing sector, the implementation of this strategy would ensure that coffee producing areas with substantial comparative advantage for that activity would not drop it completely because of a temporary market slump. In the (current) absence of such a strategy, diversification has already been observed to happen in a spontaneous way, but with often disruptive consequences, either from the total removal of coffee from coffee producing areas, or from the lack of success of the diversified crops due to lack of sufficient funding and technical support.

10. Over the last decade, the organization of world markets for commodities has been undergoing a profound change characterized by the almost total disappearance of mechanisms for direct intervention in supply and demand. In these circumstances, unfavourable developments in prices and trading conditions for commodities have a considerable impact on a number of exporting countries. Prospects for correcting this situation seem somewhat gloomy while a sizeable percentage of the population dependent on coffee continues to live in poverty and the survival of the coffee economy in a number of countries is under threat. These countries are faced with the urgent need to strengthen their capacity to adapt a changing and unstable economic environment. Diversification is one of the ways to cushion the impact of the coffee crisis on the economies of developing coffee-exporting countries and their rural population.

11. In its development strategy for coffee and action programme the ICO has identified a number of areas including crop diversification for overall consideration (Document EB-3768 Rev.3). The International Coffee Organization is seeking support for programmes of diversification into other economic activities in those areas where coffee growing may be seen as marginal, and where alternatives can be identified. In its programme of activities The ICO is eager to support horizontal and vertical diversification projects to seek out activities which can secure higher added value, and has recently conducted a study on diversification to explore opportunities and conditions for carrying out suitable programmes within the framework of the fight against poverty in coffee producing areas.

D – INSTITUTIONS INVOLVED AND RESPONSIBILITIES

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12. The mission of the International Coffee Organization is to promote a sustainable global coffee economy through international co-operation on coffee matters. It recognises that with the transition in many exporting countries to liberalized coffee sectors, care is needed to ensure that the benefits of increased market flexibility are not jeopardised by the elimination of necessary functions undertaken by the Marketing Boards and similar regulatory bodies. As the designated International Commodity Body for coffee, the ICO has responsibility for formally submitting projects to the Common Fund for Commodities. The international Coffee Organization is the supervisory body (SB) of the project.

Project Executing Agency (PEA)

13. It is proposed that the PEA be selected by the Secretariat of the Common Fund for Commodities, under general CFC international procurement guidelines, from reputable development institutions. The critical issue is for the PEA to be able to track and monitor, on a real time basis, all funds movements within the Project, and making sure they are used in an optimal way towards the project's objectives, rather than short-term cash flow operations or even more doubtful uses.

14. The PEA's role will be to co-ordinate, supervise, bring effective and efficient control, the day-to-day management and administration being the role of the two Collaborating Institutions and their institutional partners. Its role will also be to bring a suitable and credible guarantee to the CFC regarding the safety and property of operations, which further supports the proposed choice. Mission statement for the PEA is presented in Annex 3.

15. The selected PEA will proceed with the recruitment of a Chief Technical Adviser (CTA) who will be in charge of its operations regarding the implementation of the project in the two participating countries, and of its relations with the Collaborating Institutions in charge of technical in-country implementation of project activities.

Project Implementing Agencies

1) Chief Technical Adviser (CTA)

16. The CTA appointed by the FGCCC should have experience in banking solutions and in developing credit schemes. He will provide the arrangement for co-ordinating the activities of the project in the two participating countries. He would assure the monitoring of the overall project disbursements and finance management, including the provision of revolving credit by collaborative institutions to farmers.

2) Collaborating Institutions

a) Fonds de Garantie des Coopératives Café-Cacao (FGCCC)

17. The Guarantee Fund was created in 1991 with the framework of the Agricultural Structural Adjustment programme of the World Bank and the International Monetary Fund. Its main objective is to promote and facilitate coffee and cocoa co-operatives' access to credit through commercial banks. In one hand, the Guarantee Fund enables banks, with the security offered, to familiarize with the agricultural sector that they have always avoided and, on the other hand to enable growers and their co-operatives to become thoroughly acquainted with banking practices and procedures so as to become sustainable agricultural enterprises, offering better prospects for insertion into the economic landscape.

18. With the support of the European Union, the Ivorian government decided to assist GVCs and GVC unions to have easy access to bank credit to enable them to have the wherewithal to develop their activities in a more competitive environment. To that end it was agreed to give guarantees to local banks in order to encourage them to lend to GVCs and GVC unions, instead of creating body specialising in direct funding. As a tool for rural community development, the Guarantee Fund would have to be a driving force in supporting farmers in production and marketing coffee and cocoa.

19. The FGCCC will act as both a PEA and collaborating institution. A Chief Technical Adviser (CTA) appointed will assist the FGCCC to strengthen its capacity building and co-ordinate project activities in Côte d'Ivoire. The CTA will be located within the FGCCC in Côte d'Ivoire and a deputy to the CTA will be located in Burundi. Detailed presentation and experience of the FGCCC are indicated in **Annex 3**.

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b) Office du Café du Burundi (OCIBU)

OCIBU

20. In Burundi, a deputy to the CTA will coordinate will provide the co-ordination of project activities and report to the CTA in Côte d'Ivoire. OCIBU will act as the country's collaborating institution. OCIBU is the Government organization in charge of the co-ordination and development of the coffee industry. Since independence in 1962, the State has administered the coffee monopoly and kept many growers in this single export crop. Coffee is grown by nearly 500 000 farmers throughout the whole country on altitudes of between 1,250 and 2,000 m. Despite State attempts at lessening its influence and allowing tentative steps towards privatization, the sector has inherited an organization that is still rigid. OCIBU runs the coffee auctions in Bujumbura each week, and regulates and monitors exports. The OCIBU will be the collaborating institution and will co-ordinate project activities in the country. The deputy CTA will cooperate with a well-considered institution (UCODE) which manages micro-credit programmes in the country in the implementation of the project.

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II - PROJECT DESCRIPTION

A – PROJECT RATIONALE AND OBJECTIVES

21. Poverty reduction is the central objective of the international community. The heavy dependence of many developing countries on a few commodities exposes them to adverse economic impacts, sometimes with harmful consequences for growth and the reduction of poverty. Moreover, there is a strong link between commodity dependence and extreme poverty, or in other terms, between the proportion of population living below on single US dollar a day and the degree of dependence of that country on commodity production and exports. Coffee, which is one of the commodities that provides the main part of the export earnings of developing countries, has been experiencing a significant market imbalance for more than four years, resulting in a sharp fall in prices. This situation has led to a serious deterioration in the living conditions of a large number of coffee growers who depend on coffee for most of their income. Diversification provides an opportunity to bring about changes compatible with existing comparative advantages.

22. Crop diversification is intended to give a wider choice in the production of a variety of crops in association with coffee so as to expand production related activities on various crops and also to lessen risk. The project will promote commercial-scale funding of the best alternative crops. On the subject of alternative crop identification, both in Côte d'Ivoire and in Burundi, considerable work has been done since the project's initial inception, and the identification, and indeed the selection by the stakeholders, of alternative crops, is now well advanced. Diversification itself is an ongoing phenomenon in the targeted areas, as smallholders steadily invest in other crops or small livestock or poultry raising, while leaving coffee plantations untended in part. Funding still is the critical issue, as its lack or insufficiency can be counterproductive and precipitate the spreading of poverty. Moreover, spontaneous diversification has several drawbacks: the choice of a diversification crop is made without necessarily taking into account a sound assessment of all agronomic and cultural aspects as well as the land characteristics and the existing infrastructure.

23. The project therefore is intended to demonstrate, on a pilot project basis, how crop diversification, if implemented with proper means and caution, brings profit both to the relevant smallholders and to the financial institutions which underwrite its funding. Through this process food security will also be promoted, as essential food commodities, which can substitute imports, can be selected for diversification. The added advantage compared with export cash crops or commodities is that the market for the final product is within the country or region rather than distant overseas markets with volatile uncontrollable prices. Food demand in the developing world, given the moderate economic growth, will double over the next thirty years. Reducing food insecurity is the heart of poverty. Reducing poverty and eliminating hunger are among the most fundamental challenges governments' face in Africa. In Sub-Saharan Africa the number of poor people has increased by 58 million in 1999

compared to 1990. During the past 30 years the number of undernourished people in the region has increased substantially, to an estimated 180 million people in 1995-97. Therefore, Hunger and food insecurity is the most serious forms of extreme poverty. Extreme poverty remains an alarming problem in developing countries. Financing coffee farmers in Africa should be analyzed in the context of poverty alleviation and improvement of standards of living in rural areas. Reducing poverty requires focused on the rural economy, as almost 70% of people live in rural areas in Sub-Saharan Africa.

24. The project is seeking to set up a credit scheme that enables targeted farmers to diversify their income basis through the development of additional crops or activities and reduce their dependence on coffee. It will therefore enhance the building capacity of farmers and their co-operatives and improve their relations with financial institutions. It will also develop existing microfinance institutions' willingness to engage in crop diversification funding, which is now almost non-existent. In Côte d'Ivoire, the project will strengthen the agricultural credit system that already exists in cocoa and coffee industry under the guarantee Fund scheme, and to expand that scheme to integrate activities relating to diversification crops. Annex 4 presents the experience of credit system in Côte d'Ivoire and the organization of guaranteed loans to farmers. Burundi has limited experience of micro-credit as it was under para-statal scheme and more socially oriented. Burundi is one of the poorest countries in the world, with a per capita GNP of USD100 in 2001. Around 90 percent of the population rely on agriculture for their livelihood, and it accounts for 50 percent of GDP and more than 80% of export earnings. Coffee is the most important export crop for Burundi, providing 80 percent of the countries export revenue. Farmers in Burundi have poor access to agricultural finance. The para-statal scheme which still governs the coffee trading system across the country has no use for such finance, but this leaves the coffee producers with acute cash shortages while waiting for their harvest to be paid for. This makes smallholders vulnerable to low-price purchase of crops before harvesting time by unscrupulous individuals, simply to meet routine monetary needs such as schooling or staple foods. As a result, microfinance institutions do extend short-term credit aimed at helping small farmers weather this seasonal cash slump, but no other short or medium term credit scheme is in existence for funding investment and rolling capital associated with diversification crops. The project will build up a more sustainable and privately run scheme with a direct link between farmers and financial institutions, also on a pilot project basis.

25. Strengthening the capabilities of coffee-growers' co-operatives, providing them with improved access to credit and encouraging diversification in their agricultural activities can help to reduce the impact of the coffee crisis on the economies of coffee-exporting developing countries and their rural populations. Specific objectives of the project include:

- Provide credit facilities to small-scale coffee growers;
- Promote the growth of diversification crops in coffee growing areas;

26. Consequences of the fulfilling of these objectives is expected to include

- Availability of food imports substitutes and better food security in coffee growing areas;
- Development of domestic and external market for diversified products; and
- Development of efficient farming systems through associated training and extension.

27. To meet the overwhelming moral challenge of reducing poverty, development efforts must be brought to people where they live. Rural people would not stream to overcrowded cities if they did not believe they would find better opportunities and improved social services there.

28. The project will concentrate on the management and demonstration of a targeted credit facility, which is expected in turn to achieve the following results:

- Improvement of growers' income
- Maximization of the use of resources.
- Reduction of the risks associated to coffee production, as the more products in the producer's portfolio, the less are the production, price, and income risks.
- Food import substitution and increase of food security in the country/reduce temporal and spatial variability in domestic food production/address intermittent shortages in food supply through the promotion of private or semi-privately-managed buffer stocks;
- Promotion of efficient farming models
- Development of value-added products
- Develop and transfer technologies for diversified production, marketing and trade of higher value crops.

Related projects and previous work

<u>Diversification programme of ICO</u>

29 The diversification fund of the International Coffee Organization was established under the provisions of Article 54 of the International Coffee Agreement 1968. The purpose was to encourage mainly horizontal diversification in coffee exporting countries in order to alleviate the serious hardship caused by the marked imbalance between supply and demand. The main purpose of the Fund was to limit coffee production in order to bring supply into reasonable balance with world demand and to maintain such balance. It was used to divert resources from cultivation of coffee to activities such as the cultivation of other crops which would not only enhance the country's economic position but would also enable coffee growers to increase their income. It was necessary, therefore, to establish measures to encourage producing countries to adopt coffee policies to rationalize production and marketing methods in order to safeguard the world coffee industry. Before the fund's liquidation in 1973, total compulsory and voluntary contributions to the diversification fund amounted to US$111.4 million of which US$92.6 million were committed for 36 diversification projects. These projects implemented included tea production (Burundi, Ethiopia, Rwanda and Tanzania), Bananas (Cameroon), Cocoa (Colombia and Uganda), Palm oil (Madagascar), Fruit (Togo), Horticulture (Kenya), Cassava (Nicaragua), Rice (Côte d'Ivoire) and cloves (Indonesia). Activities related to livestock include dairying (Kenya, Venezuela, and Guatemala), meat production (Kenya and Mexico), etc…

30. In **Burundi**, the Diversification Fund financed the establishment of nurseries for cultivation of tea planting material for use in the development of tea production. In Burundi, the project cost was USD 427,000.

31. In **Côte d'Ivoire**, the diversification project contributed to increase rice production and thereby reduce the amount of rice being imported. The project assisted in financing the cultivation of rice by irrigation on about 2,500 hectares of land in a coffee growing area. The project cost was USD 1,679,618.

Scope and limits of the ICO diversification programme

32. For some Participants the availability of finance from the Fund made it possible to improve and expand economic development programmes, which were already in existence. Other Participants were able to use resources from the Fund to finance part of the projects and development programmes for which finance was not available from banking or business sources or from other financial institutions. In some cases the fact that the resources of the Fund were available for this type of financing induced banks or consortiums of business firms to provide supplier credit to finance part of the project.

33. The diversification programme stimulated Governments to examine closely the manner in which they were implementing their coffee production and marketing policies. The programme also enables Participants to consider the possibility of developing production of crops, which would otherwise be imported. In this way the resources of the Fund were used to assist Participants to reduce the amount of foreign exchange spent on imports. It should be noted, however, that the Fund was reluctant to finance projects for the development of a crop, which was in surplus supply on world markets unless it could be shown that it would be destined solely for domestic consumption.

34. Despite the reluctance of the Fund to finance projects, which could create a surplus on the market for other diversification crops, the programme contributed to the appearance of a number of dysfunctional features in some agricultural markets.

35. Vertical diversification, in particular the encouragement of local processing designed to increase the added value of the product, was not covered by the Fund. Certain countries managed to carry out vertical diversification programmes outside the activities of the Fund, enabling them to expand the bases of their economies. The example of Brazil illustrates the success of the strategy despite the tariff barriers encountered in importing countries.

36. However, the purpose of the present project is not a diversification out of the coffee sector but a development of inter-cropping practices or system of cultivation combining coffee and other crops. A specific objective, which can be achieved only by linking the extension of diversification credit to the continued activity of coffee growing, is to preclude replacement of coffee by other crops to such an extent that coffee production might be compromised.

B - PROJECT COMPONENTS

Component summary

37. The project will be implemented in each of the two countries on a pilot basis, to establish a diversification loan scheme. In other words, a number of coffee growers will be identified in each country to set up the system before allowing it to expand to other growers. At the end of the project, a diversification model tested in the country will be used to establish rural development programmes in coffee producing areas. The rationale behind the

pilot project approach is that, to ensure the sustainability of the needed crop diversification in coffee growing areas, the bulk of the necessary finance and human or physical resources must come from the producing countries, on a commercially profitable basis. At present, the lack of experience in crop diversification microfinance and various concerns about loan repayment by smallholders are hindering any move by existing finance institutions to cover this need. The pilot project's central objective therefore is to demonstrate, to national operators who alone can implement such a scheme on a commercial scale, that it is profitable and devoid of other than routine risks.

Component 1: Assessment of the participating farmers and their needs

38. The first component would be the selection of suitable coffee growers meeting a number of criteria to participate in the project. However, as such this component has lost much of its usefulness since the project's early inception, as crop diversification is now actually under way in most coffee growing areas in both countries, and there is less need to identify and study potential beneficiaries than to focus and target actual project beneficiaries among the many smallholders who are interested or engaged in crop diversification. In the same manner, the selection of diversification crops has already been done for the most part, through the combined play of market forces and extension services/training. In both countries, research and extension services are fully aware of the need for, and potential for, diversification from coffee growing, and a number of fully documented choices are available. Technical data sheets and economical forecasting for a wide array of potential crop or livestock diversification ventures have been developed by the two countries' research and extension services, and teaching material has been evolved from these, especially by INADES.

39. In both countries, the relevant authorities have elected not to lay out priorities or pre-planned developments for the diversification activities, leaving an open choice to farmers. The project would follow the same logic, recognizing that the imposition of a planned priority, however sound, may result in a disruptive imbalance in the targeted crop's market; whereas spontaneous choices by smallholders are normally based on a complex but rational and informed set of data, constraints and objectives, which result in an overall balanced activity mix.

40. The PEA and collaborating institutions will instead concentrate on a robust individual project assessment and support mechanism, as part of the implementation of Components 2 and 3, centred on the loan system.

41. The first operations of the project in fact will be the setting up of the institutional side of project management, and especially the selection and hiring of the CTA.

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

42. A tailored revolving loan will be designed to allow the farmers to invest in the production of diversification crops or activities. Previous experience in agricultural credit will be used to develop a sustainable model. In many African coffee-producing countries, loans from commercial banks are practically non-existent. The banks have seen fit to lend their money to other sectors and to leave agriculture to finance itself. To the extent that loans are made available for agricultural production as they are in other sectors, commercial rates of

interest, which take no account of the nature of agricultural production, cause enormous hardship for the agricultural community. A major proportion of the CFC funds will be used to set up a revolving credit system to the participating farmers through the provision of agricultural inputs and agricultural equipment's and machinery. The design of this system will be the first operational aim of the project.

Component 3: Funding and supporting the development of alternative crops

43. Under the specific dispositions designed in Component 2, loans will be granted to farmers to give opportunities to divert resources from cultivation of coffee to other activities such as the cultivation of other crops which will not only enhance the country's economic position but will also enable coffee growers to increase their income. Component 3 will ensure that diversification activities are properly identified, planned and carried out, through collaboration arrangements between the loan administration institutions and technical support and training institutions. Benefiting farmers thus will receive the assistance of extension services and be provided with necessary seeds plants of improved cultivators. They will also need technical equipments and inputs to produce efficiently.

Component 4: Funding and supporting the development of domestic and external markets for diversified products

44. Under this component the project will ensure that poor people in agricultural areas have the capacity to market and distribute their products. These improvements not only will raise the incomes of the rural poor but also will benefit the urban poor by bringing down the price of food. Activities to be pursued in this component will include organisation of domestic market for diversified products in order to facilitate trade environment for farmers. Adequate equipments will be required for the logistic and facilities to market diversified products. Internal demand for food crops rises continuously as the population increases.

Component 5: Funding and supporting the development of value-added products

45. Small-scale producers can be transformed into sustainable entrepreneurs by adding value at each link of the product value-chain (production, processing and marketing). Indeed, developing a successful strategy for agricultural diversification requires an approach that covers both agricultural and business constraints, along with environmental and social issues at the same time. In order to help farmers diversify out of coffee, investments will be needed in reliable agricultural support services, research and extension in production and marketing. The focus of this component is therefore to promote a value-chain approach for diversified products and to assure an appropriate post-harvest treatment and storage as to reduce losses.

Component 6: Training of farmers

46. In this component, it will be carried out training of farmers participating in the project. Part of the training will consist, for identified representatives, in learning to be a small agricultural entrepreneur, and how to manage loans. Benefiting farmers will also learn modern farming systems as needed for the successful implementation of the diversification they are aiming at, this training being in some cases a requirement for granting the requested loan. In short, these component covers training in proper husbandry, keeping records, budgeting, and determination of ideal level of working capital requirements. Training venues and means will vary according to the target groups and curricula.

Component 7: Project co-ordination, supervision and monitoring

47. Adequate project co-ordination, supervision and monitoring will be essential to ensure that the relating activities are effectively in place, including measures to avoid duplication of activities and to ensure efficient project implementation. The International Coffee Organization, as Supervisory Body, will carry out regular field visits to assess the implementation of the project. Annual work programme and budgets will have to be prepared and regular reviews of progress recorded, including submission of six monthly progress reports, annual supervision reports and interim reports on significant developments which may influence the project's effective implementation.

Detailed description of project components

COMPONENT 1: ASSESSMENT OF THE PARTICIPATING FARMERS AND THEIR NEEDS

48. **Objective**: An operationally usable knowledge body on the small-scale coffee farmers in need of diversification loans, their technical and financial needs, the physical and economical results of the loans, and their feedback regarding the most appropriate credit system that can cover the diversification programme

49. **Output:** A complete set of reports on the farmer population being targeted and the potential for diversification activities, to be produced and updated through the project duration.

50. This is an ongoing component, meant to last for the project duration as a background activity, since preliminary identification of a set of beneficiaries is not a necessity in current circumstances. It is aimed at providing hard data for the expansion phase of the pilot operations, to be made available to commercial or co-operative financial institutions; and to provide feedback to the PEA and collaborating institutions during project implementation.

Activities:

51. ***Activity 1:*** Carry out a farmer's survey by collaborating institutions

52. ***Activity 2:*** Identify local sources of information and any existing data bank that can form the basis of reliable information on farmers;

53. ***Activity 3:*** Meet with farmers in the defined geographical areas to test the information made available through the survey

54. ***Activity 4:*** Organize consultative meetings with all selected farmers and other stakeholders with a view of formulating and consolidating feedback and any other relevant information for the benefit of the PEA, the CFC and institutions involved in project follow-up (expansion).

55. **Input:** The cost of this component including 5% contingencies is **USD 127,995** (4.3% of the total project cost), including USD 61,425 in Burundi and USD 66,570 in Côte d'Ivoire. A summary of the project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

56. **Timing:** Activities will be carried out during the duration of the project.

COMPONENT 2: DEVELOPMENT OF A SUITABLE AND SUSTAINABLE DIVERSIFICATION LOAN STRUCTURE FOR FARMERS

57. **Objective:** To design a revolving credit system to make use of the CFC grant to finance the diversification programme of the selected farmers through a pilot basis in each country.

58. **Output:** A tested system of revolving credit that covers coffee growing farmer's 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 source of financing for farming activities as well as establishing confidence between farmers and financial institutions.

Activities:

59. ***Activity 1:*** Study the past or existing agricultural credit structure and develop a suitable scheme for implementation under the project. Identify collaborating financial institutions and secure their agreement in mutually agreed MOU (memoranda of understanding).

60. ***Activity 2:*** Assessment of types of loans required for main diversification activities. This activity and all others in this component will be carried out in active collaboration with the financial institutions.

61. ***Activity 3:*** Assessment of participating farmers' ability to repay their loan and of available guarantees, collateral and community guarantees. Existing repayment schemes for coffee-centred loans will be put to use.

62. ***Activity 4:*** Specification of the terms and conditions of lending to farmers

63. ***Activity 5:*** Identify the form the credit will take (equipments, inputs or cash)

64. ***Activity 6:*** Elaborate the role of institutions involved in the project in the participating countries

65. ***Activity 7:*** Assessment and approval of the loan guarantee

66. ***Activity 9:*** Elaboration of the repayment modalities and terms

67. Activities 5 to 9 will be summarized into an **operations manual**, to be used in everyday loan management by the collaborating financial institutions and farmers co-operatives, with a view to using it in the expansion phase of the pilot project. This manual, together with the MOUs with financial institutions and technical support institutions, will be the **Output** of this component.

68. **Input:** The cost of this component including contingencies is **USD 98,595** (3.3% of the total project cost), including USD 46,935 in Burundi and USD 51,660 in Côte d'Ivoire. A

summary of the project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annexe1.

69. **Timing:** Activities will be developed from the third month of the project and are expected to last up to three months.

COMPONENT 3: FUNDING AND SUPPORTING DEVELOPMENT OF ALTERNATIVE CROPS

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

71. **Output:** Production of diversification crops or livestock. Increase food production for domestic consumption and reduce imports of locally produced food crops.

Activities:

72. This component is the core component of the project; it has one single activity, the administration of the revolving loan from CFC funding.

73. This activity is implemented under the supervision and responsibility of the PEA, through MOU-documented collaboration between the Collaborating Institutions (FGCCC and OCIBU), the financial institutions in charge of day-to-day management, and technical support institutions (research, extension, and training).

74. Specific activities and the institutions responsible thereof will be set out in the MOUs and manuals prepared under Component 2 above. They will include, in a non-limitative way:

75. **Transferring and storing the necessary funds** on specially created banking accounts held by the PEA, the collaborating institutions, and the financial institutions under specific MOUs; lines of credit opened by the latter for loan operations will be replenished by farmers repayments and by successive disbursements from the Project Account, subject to precautionary supervision exerted by the PEA directly and through the collaborating institutions;

76. **Processing loan requests**, from both eligible individuals and communities; the technical input from research/extension institutions, brought under the provisions of MOUs as stated above, will (a) ensure that only technically and economically sound diversification investment projects are funded, (b) that each individual project and loan is set within a mutually accepted framework and schedule covering the nature and schedule of loan-funded presentations (seed, tools, inputs, cash), of investment-linked events (buildings, harvests, sales), and of repayments, and (c) that any needed conditions are met by the borrowers, including a passing grade in specific technical training to be provided under the project to investors in new diversification crops or activities.

77. **Administration of loans,** up to and including repayments and implementation of guarantees and collateral's as needed;

78. **Detailed reporting in real time**, to standards set out by the PEA.

79. **Input:** The cost of this component including contingencies is **USD 1,478,400** (49.2% of the project total cost) including USD 516,390 for Burundi and USD 962,010 for Côte d'Ivoire. The cost consists mainly of a revolving credit delivery to participating farmers from the grant provided by the CFC. Details regarding the implementation of this activity can be found in Annex 2 B, Implementation Schedule. A summary of the project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

80. **Timing:** Activities will start as soon as possible after MOUs and manuals are completed, normally during the second quarter of the first year.

81. They will go on, using repayments and whatever other resources can be secured, after project closure, as a fully operational revolving fund. Failure to do so will entitle the Fund to reclaim undisbursed sums and reimbursed loans, minus suitable administrative expenses, at its discretion and under PEA responsibility. To this effect, the PEA's supervision mandate will extend for four years after project closure.

Loan Mechanism

a) *Amount of loan per farmer*

The CFC grant will be used to provide loan to each farmer. The amount to individual farmer will depend on the assessment and the selected diversification activities. In other words, the loan will be tailored to each farmer based on the diversification crops and the cost of production. Individual loan will vary from USD250 to USD2,000. Bigger loans may be provided to cooperatives for the creation of common facilities to be used by farmers. Such loans will be used to purchase vehicles, machinery, equipments and civil works as well as market development and value-added products. These equipments and facilities will be under the name of the FGCCC until the full repayment of the related loans.

b) *Loan repayment*

Loan repayments are made through direct deduction at source during the marketing of the product. The FGCCC has a network and will extend its traditional working relationship with coffee and cocoa buyers (marketing agents) to other partners involved in marketing diversified crops.

c) *Loan repayment period*

The loan repayment will be done immediately after marketing the outputs of the farmers' diversification activities. Farmers or cooperatives who have had several periods of arrears or who have to be chased by loans monitoring staff on a regular basis will be dropped from the programme and other farmers recruited.

<u>Component 4: Market development for diversified products</u>

82. **<u>Objective:</u>** Establish a framework for organizing and strengthening the marketing of specific diversified products, including collection, transport, processing, storage and marketing. Identify and develop the network for distribution of diversified products.

83. **<u>Output:</u>** Market channels for diversified products improved and trade of diversified products increased. Complete record of warehouse stores, equipment's for logistics and full information on market.

<u>Activities :</u>

84. ***Activity 1:*** Construction or renovation of warehouses with adequate storage capacity

85. ***Activity 2:*** Determine equipments for transport and logistics

86. ***Activity 3:*** Provide farmers or groups of farmers with transport equipments such as trucks

87. ***Activity 4:*** Organization of marketing for diversified products in national market

88. ***Activity 5:*** Develop strategy to access regional market

89. ***Activity 6:*** Organize and promote exports of diversified products

90. ***Activity 7:*** Organize transports and logistics

91. ***Activity 8:*** Establish or identify storage facilities for diversified productions

92. **<u>Inputs:</u>** The cost of this component including contingencies is **USD 212,205** (7.1% of the project total cost) including USD 72,660 for Burundi and USD139,545 for Côte d'Ivoire. The cost for this component covers the provision of transport equipments and other main logistics, and extension service and farmers' revolving credit administration. A summary of project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

93. **<u>Timing:</u>** Activities under this component will be carried out throughout the project starting from the second year of the implementation when the first harvest of diversification products starts. Identification of the crops and products targeted by this component will be carried out during the first year of the project, with a detailed action programme submitted to the ICO prior to implementation.

<u>Component 5: Development of value-added products</u>

94. **<u>Objective:</u>** 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.

95. **<u>Output</u>:** Production of semi-processed or final products with high added value.

Activities

96. *Activity 1:* Support to the setting up of small processing units for the diversified products

97. *Activity 2:* Acquisition of equipments

98. *Activity 3*: Provide technical support in processing diversified crops

99. *Activity 4:* Promote local transformation of diversified crops

100. *Activity 5:* Training of the personnel

101. *Activity 6:* Develop local market capacity to absorb processed diversified products

102. *Activity 7:* Prospect market for exports to regional and international markets

103. **Inputs:** The cost for this component including contingencies is **USD 263,760** (8.8% of the total cost) including USD 94,290 for Burundi and USD 169,470 for Côte d'Ivoire. The cost covers processing and semi-processing equipments and technical assistance to build farmers' capacity. A summary of project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

104. **Timing:** Activities of this component will start in the second year of the project

105. **Component 6: Training**

106. **Objective:** Strengthen farmers' skills in credit management and their capacity to manage efficiently a farm as small business; ensure that farmers have the necessary skills to implement the diversification under project funding.

107. **Output:** Improve farmers' access to agricultural finance and promote modern farming systems.

Activities

108. *Activity 1*: Preparation of a suitable training program

109. *Activity 2:* Identify the trainees in suitable groups

110. *Activity 3:* Organize and carry out training sessions

111. *Activity 4:* Evaluate the training program to assess its suitability and impact on farmers

112. *Activity 5:* Raise farmers' awareness in savings mobilization

113. *Activity 6:* Raising farmers' awareness in loan repayment

114. *Activity 7:* Analyze the loan through its interest rate and other costs

115. *Activity 8:* Provide training to loan beneficiaries to ensure adequate knowledge of the diversification crops and activities, normally as a prerequisite to the granting of a first-time loan. This can be carried out by INADES, using the local language pedagogic material already developed, and the 'home schooling' methodology already in use, which is both very cheap and fairly efficient.

116. **Inputs:** The cost for this component including contingencies is **USD 147,315** (4.9% of the total cost) including USD 74,445 for Burundi and USD 72,870 for Côte d'Ivoire. This cost covers all professional man-days, transportation, seminar facilities, training materials, etc. It also includes project launching and final workshops. A summary of project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

117. **Timing:** Training will be carried out throughout the project

118. **Component 7: Project co-ordination, supervision and monitoring**

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

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

Activities

121. *Activity 1:* Selection of the CTA to assist in project implementation and to assist in the back-stopping for project planning, execution and provide support to the project Executing Agency in executing the project;

122. *Activity 2:* Provide technical support to organize and carry out effective co-ordination of the project at national level;

123. *Activity 3:* Strengthen local capacity to co-ordinate project activities through the provision of adequate local staff, office facilities and equipment;

124. *Activity 4:* Prepare an annual work programme and budget;

125. *Activity 5:* Closely monitor project implementation;

126. *Activity 6:* Assure annual supervision by the International Coffee Organization

127. *Activity 7:* Monitor implementation and financial disbursements by the Common Fund for Commodities

128. *Activity 8:* Prepare and submit to the CFC and ICO regular progress reports, annual accounts, audits and project completion report at each country level. Prepare mid-term evaluation reports. The project's specific nature and implementation structure requires specific provisions, as follows:

- The project completion report will include, for the consideration of the CFC and ICO, argumented proposals for the wrapping up and follow-up of the project, especially regarding the utilization to be made of any balance made up of the remaining funds in the credit line(s), and due reimbursements from loan beneficiaries. This can include, without limitations: (a) continuation of operation of the revolving fund, with or without substantial changes; (b) turning over the balance to a guarantee fund, thus counting on a multiplying effect, if other financial institutions appear to be willing to carry out the actual loaning activities, building on the project's experience; or (c) recovery by the CFC of the balance if the project appears to have failed to achieve its objectives.

- In the same manner, the project mid-term evaluation prepared for the consideration of the CFC, ICO and the mid-term review mission they may wish to field at the end of Year 2, will include sound proposals addressing any perceived issues with the project's success. This can include, *inter alia,* shifting project funds from direct support of activities in Components 4 and 5 to provisioning of the revolving fund. In that case, however, a substantial part of the transferred funding should still be earmarked for loan funding of market support and added value support activities, respectively.

- At the end of Year 1, or prior to the disbursement by the Fund of the second part (last third) of the funds intended to cover the revolving loan in both countries, the project progress report will include sound proposals regarding the repartition of the remaining funds among the two participating countries, on the basis of the success and performance of the project so far in each. This will allow for optimal utilization of the Fund's resources.

129. **Inputs:** The cost for this component including contingencies is **USD168,000** (8.06% of the total cost), including USD 70,770 for Burundi and USD 97,230 for Côte d'Ivoire. This budget covers project coordination and management by the country management unit. The CFC/ICO project supervision, monitoring and evaluation costs as well as consultancy amounting USD 80,000 are included in the budget of the Project Executing Agency. The costs of the Project Executing Agency is USD510,300 (17% of the project total cost) including PEA Administrative cost, PEA duty travel, the contract of the CTA and Deputy CTA, and the ICO/CFC supervision, monitoring and Evaluation cost. A summary of project costs by component, cost centre and item of expenditure and the financing plan by component are contained in Annex 1.

130. **Timing:** Activities relating to this component will be ongoing and continuous throughout the project implementation period, and part of the PEA's supervision mandate will be extended to ensure project sustainability.

C – Project benefits and beneficiaries

131. The project will result in substantial benefits to farmers, governments and urban population. For many farmers, the profitability of traditional crops has fallen, while the profitability of non-traditional crops has remained more favourable, especially when farm production is accompanied by value-added activities. Although potential for international trade for especially traditional high-value crops may soon diminish, a lot of potential to increase the supply of high-value crops in developing countries exist. For example, per capita

consumption of fruits and vegetables in these countries is far below the minimum required level and far below the level achieved in developed countries.

132. Under this pilot project, a limited number of farmers will be selected in each participating country and receive financial and technical support to buy inputs, equipment's and materials to better manage their farms. Micro-finance is a proven instrument to assist the very poor. Poor farmers can pull themselves out of poverty through successive loans of this type. Higher income for the poor farmers results in increased investments in education, nutrition, and household welfare, leading to an improvement in the quality of life. Improving the access of the rural poor to financial resources is particularly important for improving their productive activities.

133. Due to the pilot project nature of the project, it is not envisioned that a significant proportion of the total coffee growers' population in either country will be directly affected by its results. In both countries, the collaborating institutions made a careful selection of areas to be covered, on several criteria:

- areas with long established coffee production as the central activity of smallholders;
- areas where diversification activities are being explored at this time, thus providing the opportunity to investigate the effects of organizing and streamlining their funding, as opposed to relying on current, traditional funding;
- areas where safety issues stemming from recent unrest in either country are not pressing, with well-established Central government authority and no recent or envisioned population moves, and easy, ongoing access to the country's main domestic marketplaces and export markets.

134. In both countries, the collaborating institutions made an estimation of the number of farmers to be directly involved in the project's operations, with a remarkably parallel final figure of 5,000 farmers to be issued loans, in either country, during the project. This amounts to roughly one percent of the target population. This limited figure stems from the need to keep the project manageable on a pilot basis, and from the overall funding envelope perceived as available within the framework of the project; both countries' real-scale needs regarding the funding of diversification will eventually have to be covered from commercial domestic resources, and the project's role in this is to initiate and demonstrate, not to take over the role of national institutions and private sectors.

135. Still, that role is in itself a critical one, in that it is targeted at initiating the large scale spreading of funding operations which is needed. This can be achieved only if the project is visibly and strictly managed on commercial bases and principles, except for the grant nature of the underlying CFC funding. With this provision, the project's result will be to overcome the current obstacle to coffee diversification, which is the lack of dedicated funding.

136. Therefore, farmers will be the main beneficiaries of the project, as they will receive support to invest in alternative crops and activities to increase their income and promote the security of these incomes. This will also improve their access to credits from commercial banks after the end of the project. Tables in **Annex 2** show potential benefits for a farmer participating in the project.

137. Food supply will increase, reducing hunger in rural and urban areas as well as the reduction of the imports of food produced locally. Macro-economic effect is mainly the

improvement of trade balance and the reduction of the needs for foreign currencies. Marketing and processing activities will generate additional jobs and reduce unemployment in the country. The project will focus on the domestic and regional markets. Aside from income generation, diversification will, in most instances, increase employment for the rural poor. It is expected that the benefits of increased employment opportunities are not only substantial but are distributed across a brad spectrum of the economy and thus are to a large extent pro-poor. Substantial employment opportunities are generated in seed and seedling production, precision land preparation, and the irrigation, harvesting, cleaning, grading, and packaging of high-value crops.

III – ENVIRONMENTAL ASPECTS

138. Rural poverty increases pressure on the physical environment as poor farmers who do not have any means to improve their farming system are forced to expand their planted areas to fresh lands in order to increase their yield. Therefore, it is necessary that agricultural producers tune their production systems such that they are making the most efficient use of the resources available not only in economic terms, but also with regards to social and environmental resource use. In other words, the current project takes into account positive and negative externalities associated with resource consumption and, in many cases, relates to the transition from depletive monoculture production systems to diversified or rotational systems with high resource use efficiencies and significantly less pollution. Agricultural diversification can result in improved management of natural resources. It typically facilitates the diversification of traditional monoculture system, the over production of traditional crops induced by distortion policies will be avoided, to capitalize on potential synergies of crops rotations, associations and improved integration of crop-livestock-tree components. As result of this, land degradation can be reduced, input-use efficiency can be improved, and biodiversity can be preserved.

IV – INTELLECTUAL PROPERTY RIGHTS, PUBLICATIONS

139. All results and systems arising from a successful implementation of the project will be made available to other developing countries. It is noted and well known that outputs (technology, know-how, etc) from projects financed by the Common Fund shall benefit to the highest extent the participating countries and to all developing countries. As a result, the two participating countries are prepared to share the outputs of the project with other ICO and CFC Member countries.

V – PROJECT COSTS AND FINANCING

140. The total cost of the project, including management cost and contingencies (5%) is USD 3,006,570 of which USD 2,692,725 is a CFC grant and USD 313,845 as a counterpart contribution from the participating countries. The individual budget by participating country is USD 936,915 for Burundi and USD 1559,355 for Côte d'Ivoire. The cost of the Project Executing Agency and the CFC/ICO supervision and evaluation is USD 510,300. The loan requirements per participating farmer will be designed during the implementation of the project as it depends on the portfolio of diversification products selected per farm.

VI - PROJECT MONITORING, SUPERVISION AND EVALUATION

A – PROJECT EXECUTING AGENCY (PEA): FGCCC

141. The implementation of the project requires that the Project Executing Agency (PEA) not only has the technical skills but also has a sound experience in agricultural credit. More importantly, the PEA must have adequate local experience, which will assist in various activities to be carried out in each participating country. The FGCCC, which initiated this project, has more than ten-year experience in credit management. The FGCCC will be in charge of the technical and financial implementation of the project, including preparation of reports.

142. The FGCCC will contract an agricultural financing expert to act as a Chief Technical Advisor to provide technical backstopping to the two participating countries to facilitate effective project implementation. The appointment of a Chief Technical Assistant will be made in consultation with the International Coffee Organization and the Common Fund. In Burundi, A deputy Chief Technical Advisor will be appointed by OCIBU and the FGCCC. The CTA will coordinate the project implementation in both countries.

143. The CTA will be able to track and monitor, on a real time basis, all funds movements within the Project, and making sure they are used in an optimal way towards the project's objectives.

B - NATIONAL PROJECT MANAGEMENT UNIT

144. In Côte d’Ivoire, the Project Management Unit will be headed by the Chief Technical Adviser who will be assisted by the Staff of FGCCC. The Management Unit will assume the responsibility for the technical and financial management of the project. The PMU will plan and co-ordinate project work. A national project coordinator will be appointed by the FGCCC.

145. In Burundi, the Management Unit will be headed by the project Deputy Chief Technical Advisor and will be assisted by the Director of OCIBU. The *“Office du Café du Burundi (OCIBU)*” is the collaborating institution. The deputy CTA will assist OCIBU in implementing the project. The Deputy CTA will get assistance of institutions such as UCODE which has already implemented a number of micro-finance programmes of the bilateral donors including France and the USAID. The objectives, activities and outputs are similar in the two participating countries. In both countries, a robust set of Government regulations regarding micro-finance is being implemented, ensuring that simple principles of commercially sound operations and the upholding of the need to repay loans are not disrupted by haphazard funding operations. A national project coordinator will also be appointed in each country.

C – MONITORING AND EVALUATION

146. The PEA is responsible for monitoring and supervision of project activities and will submit every six-monthly progress reports on the achievement of the project. It will carry out, or outsource to an auditor agreeable to the ICB and the Fund, unannounced verifications at least twice a year in each of the implementation countries; in addition to improper use of the funds or faulty reporting of their use, these verifications will bear on the operational

implementation of the loaning policy promoted by the project, reporting *inter alia* in situations where sheltering these funds in commercial interest-bearing accounts would be consistently preferred to loaning them. Reports of these verifications should be annexed to the PEA's six-monthly reports, unless they warrant urgent communication to the ICB and the Fund. Collaborating institutions will be responsible for the field implementation of the project.

D – MANAGEMENT STRUCTURE OF THE PROJECT IN CÔTE D'IVOIRE

147. The FGCCC will work with ANADER, the national institution in charge of rural development and with CNRA, the national research institution, within the framework of mutually agreed MOUs. ANADER will select diversification activities on the basis of technical and financial considerations (land, soils, yields, costs, profitability, etc). ANADER will also provide extension services. The CNRA will provide the selected materials and seeds for the development of diversified crops. The FGCCC will provide regular monitoring of farmers and loans repayments. The Chief Technical Adviser will support the FGCCC and will provide the overall co-ordination.

E - MANAGEMENT STRUCTURE OF THE PROJECT IN BURUNDI

148. The management structure in Burundi will parallel that of Côte d'Ivoire, with a Deputy Chief Technical Adviser. The Collaborating institution in charge of relaying the PEA's instructions and moves, and entering into MOUs with finance, research, extension and training institutions will be OCIBU.

VII – PROJECT RISKS

149. There are a number of risks that could potentially affect the implementation of the project, and hence, the achievement of the project objectives. However, such risks have been carefully considered during the preparation of the project.

150. One of the risks is associated to the efficiency of diversification programme due to a number of obstacles. In the case of food industries, diversification might take the form of moving downstream into food processing, or beginning the production of new types of food products. The strategy is for adding value to basic food commodities. Forms of processing include preservation (canning, pickling, drying, freezing, etc) and the transformation of raw materials into new products, such as fruit juice. This strategy faces a number of obstacles:

- Tariff barriers in developed countries are frequently higher for processed food products than unprocessed products, and some tariffs have been bound at prohibitively high levels, restricting opportunities for processing;

- Food processing industries are well established in the industrialized countries. Developing countries wishing to expand into the field must either attract foreign direct investment (FDI) from the small number of companies that have a dominant role in activities such as fruit canning, or attempt to compete directly against transnational companies with strong supply relationships, brands and distribution networks.

- The economies of scale in certain areas of food processing are considerable. In cases where developing countries have made significant inroads into food processing, for example, orange juice production in Brazil, canned pineapples in Thailand, and soluble coffee production in Colombia and Brazil. The scale required for efficient production means that upstream access to raw materials and downstream access to markets must also be secured on a large scale.

151. These observations are not meant to suggest that food processing should be abandoned, or that it is not a viable strategy in particular case. However, they do suggest that alternative routes to diversifying out of basic food commodities should also be considered. In the past two decades there has been considerable growth in what have been labelled non-traditional export crops (NTECs). These include fresh fruit and vegetables, which have seen particularly rapid growth. In particular, imports into industrialized countries of high-value products such as exotic fruits and off-season temperate vegetables have increased considerably.

152. The main risk is associated with lending to farmers as uncertain weather conditions, price fluctuation of the diversified crops, crop disease, and performance risk are to be considered. Political risk relating to stability and the lack of government support are also the project risks. However, studies show that the very poor, especially women, repay their loans at the phenomenal rate of more than 97% and that the benefits of such loans translate into improved conditions for the entire household, especially children. It has been ascertained that repayment problems, when they arise on a large scale rather than as the consequence of unavoidable circumstances at individual level, are the result of an unhealthy financial environment where usury rates from the informal sector and laxist loan administration from charity or other groups have coexisted, in effect training small farmers to behave as short-term operators in a chaotic financial marketplace. The Governments of both countries have fully understood that situation and now provide the necessary institutional and legislative framework for safe and profitable rural microfinance institutions.

VIII – WORK PLAN AND IMPLEMENTATION SCHEDULE

A - WORK PLAN

PY	Quarter	Main Activities to be implemented	Responsibilities	Output
PY (1,2,3,4)		**<u>Component 1</u>: Assessment of the participating farmers and their needs**		
1	1	Identify Suitable Project Chief Technical Adviser	CFC/ICO/PEA	Selection of a CTA to strengthen the PEA capacity
PY (1)		**<u>Component 2</u>: Development of a suitable and sustainable diversification loan structure for farmers**		
	1	Study the past or existing agricultural credit structure	PEA/Collaborating institutions/partner institutions	Country experience in Agricultural credit system
	1	Assessment of loan required for each diversification activity	PEA/Collaborating institutions/partner institutions	A suitable loan identified for each farmer
	1	Assessment of participating farmers' ability to repay their loan	PEA/Collaborating institutions/partner institutions	Beneficiary farmers selected
	1	Specification of terms and conditions of lending to farmers	PEA/Collaborating institutions/partner institutions	Lending terms identified
	1	Identify the form of credit	PEA/Collaborating institutions/partner institutions	Credit nature and disbursement defined
	1	Assessment and approval of the loan guarantee	PEA/Collaborating institutions/partner institutions	Provision of guarantee for loan
	1	Elaboration of loan repayment modalities and terms	PEA/Collaborating institutions/partner institutions	Well structured loan repayment system
	I	Signature of appropriate MOUs and operation manuals	PEA/Collaborating institutions/partner institutions	Mutually agreed implementation framework
PY (1,2,3,4)		**<u>Component 3</u>: Funding and Development of alternative crops/activities**		
(1,2,3,4)		Administration of revolving loan facility	PEA/Collaborating institutions/partner institutions	Functioning revolving loan facility
		Supervision and hands-on monitoring	PEA/CTA	Safety of operations
PY (1,2,3,4)		**<u>Component 4</u>: Funding and supporting the development of domestic and external markets for diversified products**		
(2,3,4)		Construction of warehouses with adequate storage capacity	PEA/CTA	Storage facilities for diversified products
(2,3,4)		Organize transports and logistics for harvested crops	PEA/Farmers	Harvested crops transferred to warehouses
(2,3,4)		Organize marketing for diversified products	PEA/Farmers	Marketing channel identified
PY (1,2,3,4)		Develop strategy to access regional market	PEA/CTA	Market for diversified product increased
PY (2,3,4)		**<u>Component 5</u>: Funding and supporting the development of value-added products**		
2	2	Identify Expert in food processing industry	PEA/CTA	Select expert to advise in crop processing
2	3	Setting up small processing units for diversified crops	PEA/CTA/Consultant	Value-chain identified
	3	Provide technical support in processing diversified crops	Consultant	Value-added increased

	3	Training of the personnel	PEA/CTA/Consultant	Farmers' skills improved
	4	Prospect market for exports to regional and international markets	Consultant	Expand market for processed products
PY (2,3,4)		**<u>Component 6</u>: Training of farmers in credit and farm management**		
	3	Identify training manager	CTA/PEA	Credit and training manager recruited
		Preparation of a suitable training programme	PEA/CTA	Training programmes established for farmers, extensionists
		Identify trainees in suitable groups	PEA/CTA	Trainee groups identified
		Organize and carry out training's sessions	PEA/CTA/Training Manager	Farmers' credit management improved
		Evaluate the training program	PEA/CTA/Training Manager/Farmers	Training programme suitability assessed
		Raise farmers' awareness in savings mobilization	PEA/CTA/Training Manager/Loan monitoring officer	
		Raise farmers' awareness in loan repayment	PEA/CTA/Training Manager/Loan monitoring officer	Farmers' willingness to repay their Loan increased
PY1,2,3 and 4		**<u>Component 7</u>: Project co-ordination, supervision and monitoring**		
	1	Appoint Project Technical Adviser	CFC/ICO/PEA	CTA appointed to provide a technical backstopping to PEA
		Provide technical support to organize and carry out effective project co-ordination	CTA	PEA Capacity building strengthened
		Prepare annual work plan and budget	CTA/PEA	Project budget and work plan prepared and sent out to CFC/ICO
		Closely monitor implementation	CTA/ICO/CFC	Assessment project progress
		Monitor implementation and financial disbursements	CFC/PEA/CTA/ICO	
		Prepare and submit regular progress reports	CTA/PEA	Assessment of project progress
		Prepare mid term, final evaluation and audit	CFC/CTA/PEA/ICO	

B - IMPLEMENTATION SCHEDULE (TWO PHASES)

153. The project's duration is four years. It will be implemented in two phases, a preparatory phase and an implementation one. Post-project considerations are also examined.

154. Preparatory phase: covers Year One of the project. It includes the start of Component 1, *Assessment of the participating farmers and their needs* (which is, however, to be implemented throughout the project's duration), and the completion of Component 2, Development *of a suitable and sustainable diversification loan structure for farmers*. It is expected that this latter component will result in the necessary procedures and agreements to implement the microfinance activities.

155. Conditions for implementing the second phase include the finalization of the relevant MOUs with the collaborating institutions, and of the relevant manuals to be followed by the collaborating institutions' officers in granting and managing the microfinance loans to farmers and rural investors. The CFC will approve the funding of Phase 2 activities only after

it is satisfied that Phase 1 activities have been carried out and the expected outputs produced in full. These activities should be carried out in full collaboration between the PEA and the two national collaborating institutions, so as to ensure consistency of their operations to come.

156. Some of the other components will start during that preparatory phase, with the implementation of specific activities also of a preparatory nature (for example, personnel such as extensionists will be recruited and trained, and disbursements for constituting/replenishing the microfinance loan facility will be made in adequate advance as soon as the CFC agrees that Phase 2 should start). Details about these activities can be inferred from the timing of their funding, to be found in the detailed cost tables.

157. Obviously, Component 7 also will start during that phase.

158. Implementation phase: normally covers Years Two to Four of the project. This phase centers around the operation of the microfinance loan facility and auxiliary activities.

159. The central component therefore is Component 3, *Funding and supporting the development of alternative crops*.

160. Based on the manuals and MOUs developed during Phase 1, the various collaborating institutions will implement the loan facility. Loans granted under this facility will cover mainly investment and initial expenses directly linked to diversification projects submitted by farmers. However, they also will cover investments and initial expenses needed for market development and support activities (Component 4) and added value development and support activities (Component 5). What this means is that, rather than directly procuring and managing warehouses, trucks and processing equipment, the project will seek interested and competent operators who will undertake these activities *on a commercial, profit-driven basis*, and provide the needed financing for their setting up, through the loan facility, thus ensuring national ownership and optimum sustainability of these activities. The project will also provide technical assistance and guidance to these operators as needed to ensure that their commercial operations are in the project beneficiaries' best interests.

161. The detailed cost tables provided in Annex 1 list the expenditures to be funded through the loan facility and give *in italics* the earmarked amount from the CFC's grant contribution. The loan facility will consist in a revolving fund, initially funded by the CFC as part of its grant contribution. The amount earmarked for the initial funding this revolving fund, which will in turn fund the direct purchase of assets or agricultural inputs or cash disbursements to loan beneficiaries, is USD 1,566,600, to be disbursed in two parts, the first one shortly before the start of phase 2, the second one after one year of implementation of that phase. The amounts in the detailed cost tables for this latter disbursement are indicative; the CFC may, at its discretion and based on the early performance of the revolving funds in the two beneficiary countries, shift part of the grant from one country to the other.

162. The revolving loan facility will also be fed from the reimbursements of the loan beneficiaries.

163. As the average maturity of a diversification loan can be estimated at about 2 years, this means that a reasonable objective for the total of loans extended under this facility during the project's operational lifetime (three years) can be fixed at USD 2,350,000. Thus the

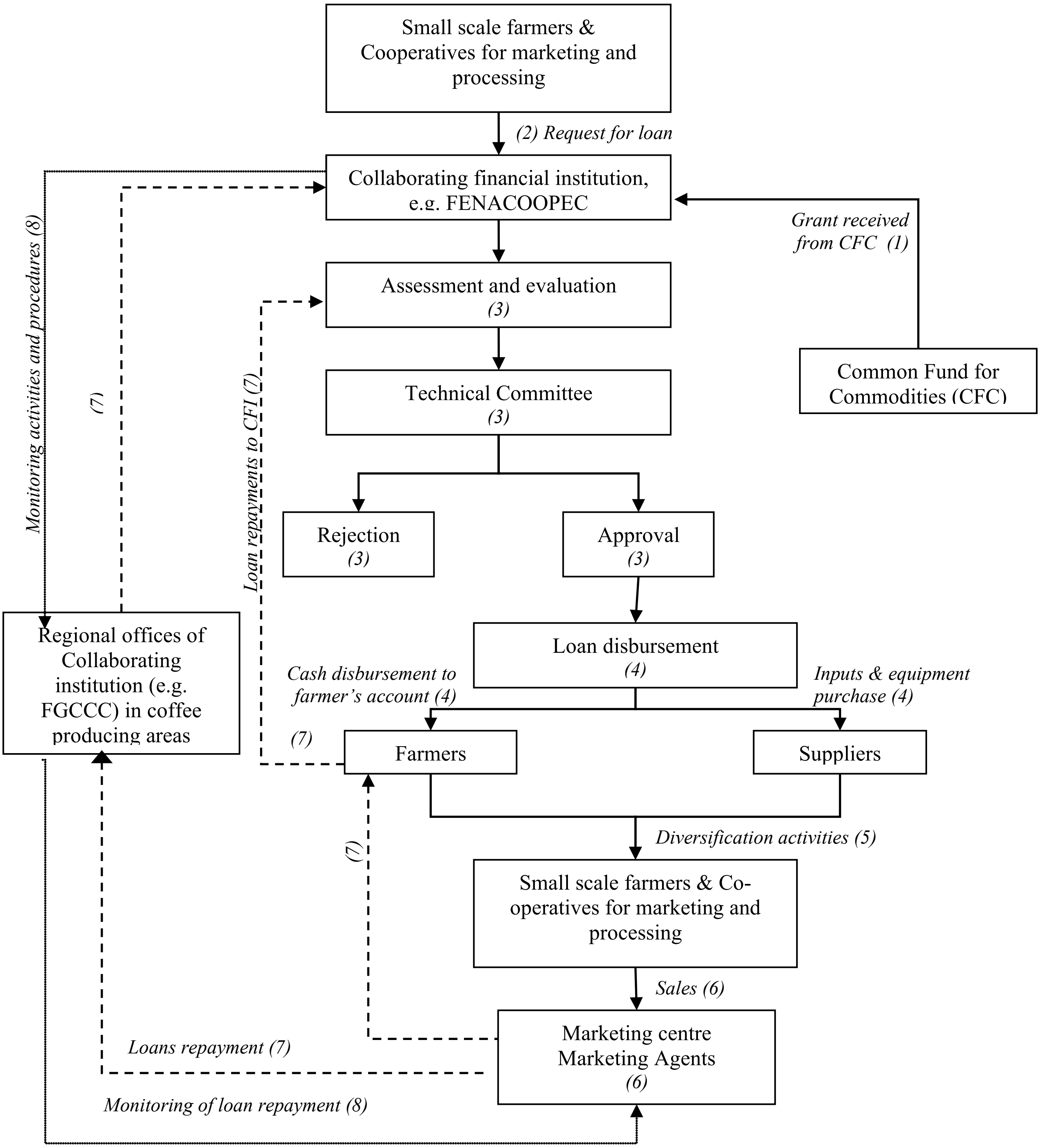
physical quantities listed in the detailed cost tables for items in italics are not limitative, but rather an indication of the loan portfolio's projected mix.

164. The primary responsibility of operating the loan facility will rest with the Collaborating Financial Institutions (CFI) in each country. They will receive the CFC's grant contribution to that effect, using it as the seed finance for the loan facility. They will manage the day-to-day activities of screening farmer and other beneficiaries' loan applications, formulating individually tailored loan formulas according to financed activities, and handling disbursement and reimbursement operations. Technical advice regarding the suitability of submitted projects, and the disbursement and reimbursement schedule, as well as actual monitoring, supervision and advice to the beneficiaries, will be carried out by other collaborating institutions such as research and extension services, under agreements and MOUs finalized during Phase 1; and by the project's extensionists and other specialists.

165. Reimbursement also will be carried out in close co-operation between the CFIs and other institutions such as farmers' co-operatives, coffee buying outfits, guarantee funds and any other institution in a position to garner collective community collateral or impound cash revenues.

166. In general the loan facility will be operated as a commercial, profit-making venture, keeping operating costs to a minimum but not subsidizing them, since the project's central objective is to demonstrate the large-scale feasibility of its pilot-scale operations. Interest rates will not be subsidized and unprofitable investments will not be supported. Additional, commercial funding which could be made available to collaborating institutions during the project's lifetime should be welcome and in fact actively sought.

167. The following flowchart gives an example of possible loan facility operations, as they might be spelled out by the set of manuals and MOUs produced by Component 2.



Loan monitoring	....
Loan repayments	- - - - - - - - - - -
Loan disbursements	____________

168. Post-project period: after the two implementation phases which make up the project proper, the post-project period is vital to its success as a pilot and demonstration project.

169. Successful implementation would mean that similar activities would be gradually taken up by adequate financial structures, hopefully covering the needs of the coffee growers after a reasonable time. In that context, the project's activities must be continued, either simply continuing with the revolving fund's operations, or using the revolving fund's accumulated worth to set up and operate a guarantee fund, thus facilitating the entry of other financial institutions into coffee-linked rural microfinance.

170. The latter option is probably the better one in the context of Burundi, where no such institution exists. In Côte d'Ivoire, where the FGCCC already fulfills this role, the revolving fund could go on operating; the initial grant from CFC contribution thus would become a permanent part of the collaborating financial institution's capital, under specific, mutually agreed conditions, such as the continued operation of the revolving fund for a given period.

171. Should implementation of the project fail to reach its objectives, the CFC would, at its discretion, reclaim all or part of its initial contribution to the revolving fund.

Post project revolving fund

After the completion the project will own a revolving fund which will be used as follows:

- In Côte d’Ivoire, the revolving fund will be used to increase the shares of coffee farmers in the capital of the FGCCC. In other words the capital of the FGCCC will be increased to expand their activities to the entire country. Successful farmers or farmer cooperatives will be awarded by purchasing their shares in the FGCCC capital.

- In Burundi, the revolving fund will be used to set up a bank loan guarantee fund for participating farmers.

IX – APPENDIX AND ANNEXES

ANNEX 1: PROJECT BUDGET TABLES

Table 1a: Summary cost by Component Burundi Project components:	Cost US$	Contin gencies incl	CFC Grant	Country Counterpart	Year 1	Year 2	Year 3	Year 4
Component 1: Assessment of participating farmers and their needs	58,500	61,425	51,200	7,300	35,625	7,625	7,625	7,625
Component 2: Development of suitable and sustainable diversification loan	44,700	46,935	20,000	24,700	*25,800*	6,300	6,300	6,300
Component 3: Development of alternative crops/activities	491,800	516,390	435,100	56,700	*114,300*	345,100	16,100	16,300
Component 4:Development of domestic and external markets	69,200	72,660	64,100	5,100	0	63,300	2,900	3,000
Component 5:Development of value-added products	89,800	94,290	72,400	17,400	0	74,500	8,650	6,650
Component 6:Training of farmers in loan management and savings	70,900	74,445	69,400	1,500	9,600	20,500	21,500	19,300
Component 7:Project coordination and management (Local)	67,400	70,770	58,900	8,500	14,600	17,600	17,400	17,800
Total Expenditures - Burundi	**892,300**	**936,915**	**771,100**	**121,200**	**199,925**	**534,925**	**80,475**	**76,975**
XI - Contingencies (5%)	44,615		38,555	6,060	9,996	26,746	4,024	3,849
Project Grand Total excluding PEA Cost	**936,915**		**809,655**	**127,260**	**209,921**	**561,671**	**84,499**	**80,824**

0

Table 1b: Summary cost by Component Côte d'Ivoire Project components:	Cost US$	Contin gencies incl	CFC Grant	Country Counterpart	Year 1	Year 2	Year 3	Year 4
Component 1: Assessment of participating farmers and their needs	63,400	66,570	55,200	8,200	36,850	8,850	8,850	8,850
Component 2: Development of suitable and sustainable diversification loan	49,200	51,660	43,200	6,000	27,925	7,425	6,925	6,925
Component 3: Development of alternative crops/activities	916,200	962,010	785,000	131,200	259,300	585,800	35,550	35,550
Component 4:Development of domestic and external markets	132,900	139,545	130,900	2,000	0	119,900	7,000	6,000
Component 5:Development of value-added products	161,400	169,470	145,500	15,900	0	142,700	9,100	9,600
Component 6:Training of farmers in loan management and savings	69,400	72,870	67,400	2,000	13,100	19,800	18,000	18,500
Component 7:Project coordination and management (Local)	92,600	97,230	80,200	12,400	22,100	24,100	23,200	23,200
Total Expenditure - Cote d'Ivoire	**1,485,100**	**1,559,355**	**1,307,400**	**177,700**	359,275	908,575	108,625	108,625
XI - Contingencies (5%)	74,255		65,370	8,885	17,964	45,429	5,431	5,431
Project Grand Total excluding PEA Cost	**1,559,355**		**1,372,770**	**186,585**	**377,239**	**954,004**	**114,056**	**114,056**

Table 1: Summary cost by Component (PEA)	Cost		CFC	Country	Year 1	Year 2	Year 3	Year 4
	US$		Grant	Counterpart				
X - PEA (Côte d'Ivoire and Burundi)				**0**				
- Contract CTA (Côte d'Ivoire)	150,000		150,000	0	37,500	37,500	37,500	37,500
- Contract Deputy CTA (Burundi)	90,000		90,000	0	22,500	22,500	22,500	22,500
- Duty Travel (Visits & meetings)	46,000		46,000	0	16,000	10,000	10,000	10,000
- Other administration cost	120,000		120,000	0	30,000	30,000	30,000	30,000
Total PEA Project Coordination & Management	**406,000**		**406,000**	**0**	**106,000**	**100,000**	**100,000**	**100,000**
- Project launching (Burundi&Côte d'Ivoire)	10,000		10,000	0	10,000	0	0	0
- Project Monitoring & Supervision	40,000		40,000	0	10,000	10,000	10,000	10,000
- Mid-term Evaluation	15,000		15,000	0	0	15,000	0	0
- Final Evaluation	15,000		15,000	0	0	0	0	15,000
IX - Supervision, Monitoring and Evaluation (CFC/ICO/Consultants)	**80,000**		80,000	0	20,000	25,000	10,000	25,000
Grand Total PEA incl. Supervision, Monitoring and Evaluation (ICO/CFC)	**486,000**		**486,000**	**0**	**126,000**	**125,000**	**110,000**	**125,000**
Contingencies (5%)	24,300		24,300	0	6,300	6,250	5,500	6,250
Grand Total PEA incl. Supervision, Monitoring and Evaluation (ICO/CFC) & Cont.	**510,300**		**510,300**	**0**	**132,300**	**131,250**	**115,500**	**131,250**

Table 1b: Summary cost by Component **Côte d'Ivoire & Burundi&PEA and Contingencies**	Cost US$	Perc	CFC Grant	Country Counterpart	Year 1	Year 2	Year 3	Year 4
Component 1: Assessment of participating farmers and their needs	127,995	4.3%	111,720	16,275	76,099	17,299	17,299	17,299
Component 2: Development of suitable and sustainable diversification loan	98,595	3.3%	66,360	32,235	56,411	14,411	13,886	13,886
Component 3: Development of alternative crops/activities	1,478,400	49.2%	1,281,105	197,295	392,280	977,445	54,233	54,443
Component 4:Development of domestic and external markets	212,205	7.1%	204,750	7,455	0	192,360	10,395	9,450
Component 5:Development of value-added products	263,760	8.8%	228,795	34,965	0	228,060	18,638	17,063
Component 6:Training of farmers in loan management and savings	147,315	4.9%	143,640	3,675	23,835	42,315	41,475	39,690
Component 7:Project coordination, supervision, monitoring and evaluation	168,000	5.6%	146,055	21,945	38,535	43,785	42,630	43,050
Total Expenditure - Burundi&Cote d'Ivoire	**2,496,270**	**83.0%**	**2,182,425**	**313,845**	587,160	1,515,675	198,555	194,880
Grand Total PEA incl. Supervision, Monitoring and Evaluation (ICO/CFC) & Cont.	**510,300**	**17.0%**	**510,300**	**0**	**132,300**	**131,250**	**115,500**	**131,250**
TOTAL PROJECT EXPANDITURES	**3,006,570**	**100.0%**	**2,692,725**	**313,845**	**719,460**	**1,646,925**	**314,055**	**326,130**

Table 1b: Summary cost by Component **Côte d'Ivoire & Burundi&PEA and Contingencies**	Cost US$	Perc	CFC Grant	Country Counterpart	Year 1	Year 2	Year 3	Year 4
Component 1: Assessment of participating farmers and their needs	121,900	4.3%	106,400	15,500	72,475	16,475	16,475	16,475
Component 2: Development of suitable and sustainable diversification loan	93,900	3.3%	63,200	30,700	53,725	13,725	13,225	13,225
Component 3: Development of alternative crops/activities	1,408,000	49.2%	1,220,100	187,900	373,600	930,900	51,650	51,850
Component 4:Development of domestic and external markets	202,100	7.1%	195,000	7,100	0	183,200	9,900	9,000
Component 5:Development of value-added products	251,200	8.8%	217,900	33,300	0	217,200	17,750	16,250
Component 6:Training of farmers in loan management and savings	140,300	4.9%	136,800	3,500	22,700	40,300	39,500	37,800
Component 7:Project coordination, supervision, monitoring and evaluation	160,000	5.6%	139,100	20,900	36,700	41,700	40,600	41,000
Total Expenditure - Burundi&Cote d'Ivoire	**2,377,400**	79.1%	**2,078,500**	**298,900**	**559,200**	**1,443,500**	**189,100**	**185,600**
Grand Total PEA incl. Supervision, Monitoring and Evaluation (ICO/CFC)	**486,000**	**17.0%**	**486,000**	**0**	**126,000**	**125,000**	**110,000**	**125,000**
TOTAL PROJECT COST including contingencies	**3,006,570**	100.0%	**2,692,725**	**313,845**	**719,460**	**1,646,925**	**314,055**	**326,130**

Table 1.2 - Project Summary Cost by Category of Expenditure (Cote d'ivoire and Burundi)	
Unit Costs	
Equipment	
- Vehicle (4 Wheels Drive)	25,000
- Motor-cycle (Burundi)	2,000
- Motor-cycle (Côte d'Ivoire)	2,500
- Photocopier	2,500
- Fax&phone	500
- Computers and printer	2,500
- Weighing machine	1,200
- Pick-up, Truck for crops transport to warehouses/markets	35,000
Personnel (yearly costs)	
- Driver (Burundi)	1,200
- Driver (Côte d'Ivoire)	1,800
- Extensionists (Burundi)	3,000
- Extensionists (Côte d'Ivoire)	3,600
- IT Specialist	4,800
- Loan monitoring officers (Burundi)	4,800
- Loan monitoring officers (Côte d'Ivoire)	6,000
- National co-ordinator (local support allowance) (Burundi)	9,600
- National co-ordinator (local support allowance) (Côte d'Ivoire)	12,000
- Project Accountant (Burundi)	3,000
- Project Accountant (Côte d'Ivoire)	4,800
- Project Assistant (local support) (Burundi)	1,800
- Project Assistant (local support) (Côte d'Ivoire)	2,400
- Project Socio-Economist	4,800
- Technical supervisor (processing equipments)	4,800
- Training Manager/Credit analyst	9,600

Detailed cost by year, component and category of expenditures (Burundi)

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 1:Assessment of participating farmers and their needs							
I - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- *Farms building*							
- *Warehouses*							
I/ Vehicles, Machinery and Equipments	**28,000**	**28,000**	**0**	**28,000**	**0**	**0**	**0**
- Vehicle (4 Wheels Drive)	25,000	25,000	0	25,000	0	0	0
- Motor-cycles				0	0	0	0
- Photocopiers	2,500	2,500	0	2,500	0	0	0
- Fax&phone	500	500	0	500	0	0	0
II/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Office furniture-filing cabinets etc							
- Office supplies							
- PC sofware -credit system						0	
- Agricultural Inputs(Seeds, herbicides,…)							
III/ Personnel	**24,000**	**19,200**	**4,800**	**6,000**	**6,000**	**6,000**	**6,000**
- Driver	4,800	0	4,800	1,200	1,200	1,200	1,200
- Project Socio-Economist	19,200	19,200	0	4,800	4,800	4,800	4,800
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**3,500**	**2,000**	**1,500**	**875**	**875**	**875**	**875**
- Travel cost & DSA - Project local staff	1,500	0	1,500	375	375	375	375
- Travel cost &DSA - CTA&PEA	2,000	2,000	0	500	500	500	500
VI/ Dissemination and training	**1,000**	**0**	**1,000**	**250**	**250**	**250**	**250**
- Meeting support services	1,000	0	1,000	250	250	250	250
VII/ Operational Costs	**2,000**	**2,000**	**0**	**500**	**500**	**500**	**500**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	1,000	0	250	250	250	250
- Equipments maintenance							
- Technical Equipments maintenance							
- Communication (fax-Telephone-Email-Express mails)	1,000	1,000	0	250	250	250	250
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project launching							
- Monitoring and Evaluation CFC/ICO							

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Mid-Term Evaluation							
- Final Evaluation							
IX/ Project Executing Agency (p.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL EXPENDITURES - COMPONENT 1	**58,500**	**51,200**	**7,300**	**35,625**	**7,625**	**7,625**	**7,625**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 2: Development of suitable and sustainable diversification loan							
I - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building	*0*						
- Warehouses	*0*						
I/ Vehicles, Machinery and Equipments	**2,500**	**2,500**	**0**	**2,500**	**0**	**0**	**0**
- Computers and printer	2,500	2,500	0	2,500	0	0	0
II/ Material and supplies	**18,000**	**15,000**	**3,000**	**17,250**	**250**	**250**	**250**
- Office furniture-filing cabinets etc	2,000	0	2,000	2,000	0	0	0
- Office supplies	1,000	0	1,000	250	250	250	250
- PC sofware -credit system	15,000	15,000	0	15,000	0	0	0
III/ Personnel	**19,200**	**0**	**19,200**	**4,800**	**4,800**	**4,800**	**4,800**
- National coordinator (local support allowance)							
- Extensionists							
- Expert food industry							
- IT Specialist	19,200		19,200	4,800	4,800	4,800	4,800
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**3,000**	**2,000**	**1,000**	**750**	**750**	**750**	**750**
- Travel cost & DSA - Project local staff	1,000	0	1,000	250	250	250	250
- Travel cost &DSA - CTA&PEA	2,000	2,000	0	500	500	500	500
VI/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Local training on various aspects of the project							
- Regional Workshop (burundi&CI)							
VII/ Operational Costs	**2,000**	**500**	**1,500**	**500**	**500**	**500**	**500**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	500	500	250	250	250	250

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Communication (fax/telephone-Email, express mails)	500	0	500	125	125	125	125
- Utilities (electricity, water)	500	0	500	125	125	125	125
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Mid-Term Evaluation							
- Final Evaluation							
IX/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Burundi)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 2	**44,700**	**20,000**	**24,700**	**25,800**	**6,300**	**6,300**	**6,300**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 3:Development of alternative crops/activities							
II - Civil Works	**35,000**	**35,000**	**0**	**0**	**35,000**	**0**	**0**
- Farms building	*20,000*	*20,000*	*0*	0	20,000	0	0
- Warehouses	*15,000*	*15,000*	*0*	*0*	15,000	0	0
I/ Vehicles, Machinery and Equipments	**91,000**	**91,000**	**0**	**0**	**91,000**	**0**	**0**
- Vehicle (4 Wheels Drive)						0	0
- Motor-cycles	6,000	6,000	0	0	6,000	0	0
- Materials & Small farming Equipments	10,000	10,000		0	10,000	0	0
- Transport Equipments (Pick up trucks)	35,000	35,000		0	35,000	0	0
- Machinery and Equipments	40,000	40,000		0	40,000	0	0
II/ Material and supplies	**300,000**	**300,000**	**0**	**100,000**	**200,000**	**0**	**0**
- Office supplies						0	
- Office furniture-filing cabinets etc						0	0
- PC sofware -credit system							
- Agricultural inputs (seeds,Urea,herbicide, small equipments etc..)	300,000	300,000	0	100,000	200,000	0	0
III/ Personnel	**58,800**	**3,600**	**55,200**	**13,800**	**15,000**	**15,000**	**15,000**
- National coordinator (local support allowance)							
- Extensionists - $250/month	36,000	0	36,000	9,000	9,000	9,000	9,000
- Driver (truck) - $100/month X 3 years	3,600	3,600	0	0	1,200	1,200	1,200
- Loan monitoring officers, $400 per month	19,200	0	19,200	4,800	4,800	4,800	4,800
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**3,500**	**2,000**	**1,500**	**500**	**3,000**	**0**	**0**
- Travel cost & DSA - Project local staff	1,500	0	1,500	500	1,000	0	0

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Travel cost &DSA - PEA/CTA	2,000	2,000	0	0	2,000	0	0
VI/ Dissemination and training (p.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Meeting support services							
VII/ Operational Costs	**3,500**	**3,500**	**0**	**0**	**1,100**	**1,100**	**1,300**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,500	1,500	0	0	500	500	500
- Equipments maintenance	1,000	1,000	0	0	300	300	400
- Technical Equipments maintenance	1,000	1,000	0	0	300	300	400
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
IX/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Burundi)							
TOTAL Expenditure Component 3	**491,800**	**435,100**	**56,700**	**114,300**	**345,100**	**16,100**	**16,300**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 4:Development of domestic and external markets							
II - Civil Works	**20,000**	**20,000**	**0**	**0**	**20,000**	**0**	**0**
- Farms building							
- Warehouses	*20,000*	*20,000*	*0*		20,000	0	0
I/ Vehicles, Machinery and Equipments	**38,600**	**38,600**	**0**	**0**	**38,600**	**0**	**0**
- Vehicle (4 Wheels Drive)							
- Motor-cycles						0	
- Photocopiers							
- Fax&phone							
- Computers and printer							
- Trucks for crops transport to warehouses/markets	35,000	35,000	0	0	35,000	0	0
- Equipments for foods processing (Cassava, tomatoes, etc…)			0				
- Weighing machines	3,600	3,600	0	0	3,600	0	0
- Small Agricultural Equipments						0	
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Office furniture-filing cabinets etc	0			0	0	0	0
- Office supplies							
IV/ Personnel	**3,600**	**0**	**3,600**	**0**	**1,200**	**1,200**	**1,200**
- Truck drivers ($100/m)X 3 years	3,600	0	3,600	0	1,200	1,200	1,200
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
VI/ Duty travel	**3,500**	**2,000**	**1,500**	**0**	**2,500**	**500**	**500**
- Travel cost & DSA - Project local staff	1,500	0	1,500	0	500	500	500
- Travel cost &DSA - PEA/CTA	2,000	2,000		0	2,000	0	0
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Meeting support services							
VIII/ Operational Costs	**3,500**	**3,500**	**0**	**0**	**1,000**	**1,200**	**1,300**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,500	1,500	0		500	500	500
- Equipments maintenance	2,000	2,000	0	0	500	700	800
IX/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project launching							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 4	**69,200**	**64,100**	**5,100**	**0**	**63,300**	**2,900**	**3,000**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 5:Development of value-added products							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**52,400**	**52,400**	**0**	**0**	**52,400**	**0**	**0**
- Vehicle (4 Wheels Drive)							
- Motor-cycles						0	
- Photocopiers							
- Fax/phone							
- Computers and printer							
- Trucks for crops transport to warehouses/markets						0	0
- Equipments for foods processing (Cassava, tomatoes, etc…)	50,000	50,000			50,000	0	0
- Weighing machines	2,400	2,400	0	0	2,400	0	0
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Agricultural Inputs (Seeds, herbicides, etc…)							
- Small Agricultural Equipments						0	
IV/ Personnel	**14,400**	**0**	**14,400**	**0**	**4,800**	**4,800**	**4,800**
- Technical Supervisor (processing equipments) - $400/month-3 years	14,400	0	14,400	0	4,800	4,800	4,800

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Project Socio-Economist							
- Training Manager/Credit analyst							
V/ Technical Assistance and Consultancy	**15,000**	**15,000**	**0**	**0**	**15,000**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)	15,000	15,000	0	0	15,000	0	0
- International Consultant							
VI/ Duty travel	**3,500**	**2,000**	**1,500**	**0**	**1,500**	**2,000**	**0**
- Travel cost & DSA - Project local staff	1,500	0	1,500	0	500	1,000	0
- Travel cost &DSA - PEA/CTA	2,000	2,000	0		1,000	1,000	0
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Documentation							
- Meeting support services							
VIII/ Operational Costs	**4,500**	**3,000**	**1,500**	**0**	**800**	**1,850**	**1,850**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	1,000		0	200	400	400
- Equipments maintenance	2,000	2,000	0	0	400	800	800
- Technical Equipments maintenance							
- Communication (Fax-Telephone-Email-Express Mails)	1,000	0	1,000	0	200	400	400
- Utilities (Electricity, Water)	500	0	500	0	0	250	250
IX/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project launching							
- Final Evaluation							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Burundi)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 5	**89,800**	**72,400**	**17,400**	**0**	**74,500**	**8,650**	**6,650**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 6: Training of farmers in loan management and savings							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building	*0*						
- Warehouses	*0*						
I/ Vehicles, Machinery and Equipments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Equipments for foods processing (Cassava, tomatoes, etc…)							
- Weighing machines							
- Other Machinery and Equipments						0	

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
III/ Material and supplies	**1,000**	**1,000**	**0**	**0**	**0**	**500**	**500**
- Office furniture-filing cabinets etc						0	0
- Office supplies	1,000	1,000	0	0	0	500	500
- Small Agricultural Equipments						0	
IV/ Personnel	**38,400**	**38,400**	**0**	**9,600**	**9,600**	**9,600**	**9,600**
- National coordinator (local support allowance)							
- Training Manager/Credit analyst	38,400	38,400	0	9,600	9,600	9,600	9,600
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)							
- International Consultant							
VI/ Duty travel	**5,000**	**3,500**	**1,500**	**0**	**1,000**	**2,000**	**2,000**
- Travel cost & DSA - Project local staff	3,000	1,500	1,500	0	1,000	1,000	1,000
- Travel cost &DSA - CTA/PEA	2,000	2,000	0	0	0	1,000	1,000
VII/ Dissemination and training	**25,500**	**25,500**	**0**	**0**	**9,500**	**9,000**	**7,000**
- Local training on various aspects of the project	8,000	8,000	0	0	1,000	4,000	3,000
- Regional Workshop (burundi&CI)-travel & DSA participants	6,000	6,000	0	0	2,000	2,000	2,000
- Project launching	3,000	3,000		0	3,000	0	0
- Documentation	2,000	2,000		0	500	500	1,000
- Training Trainers	5,000	5,000	0	0	2,000	2,000	1,000
- Meeting support services	1,500	1,500	0	0	1,000	500	0
VIII/ Operational Costs	**1,000**	**1,000**	**0**	**0**	**400**	**400**	**200**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	1,000		0	400	400	200
IX/ Supervision, Monitoring and Evaluation (p.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project launching							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure	**70,900**	**69,400**	**1,500**	**9,600**	**20,500**	**21,500**	**19,300**
X/ Contingencies (5%)	**3,545**	**3,470**	**75**	**480**	**1,025**	**1,075**	**965**
GRAND TOTAL for Component 6 (incl. Contingency)	**74,445**	**72,870**	**1,575**	**10,080**	**21,525**	**22,575**	**20,265**
Percentage	100.00%	97.88%	2.12%	**13.54%**	**28.91%**	**30.32%**	**27.22%**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 7							

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
II - Civil Works	**0**	**0**	**0**	0	0	0	0
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Warehouses (renovation, construction)							
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Agricultural Inputs							
- Small Agricultural Equipments						0	
IV/ Personnel	**57,600**	**50,400**	**7,200**	**14,400**	**14,400**	**14,400**	**14,400**
- National coordinator (local support allowance)	38,400	38,400		9,600	9,600	9,600	9,600
- Project Assistant (local support)	7,200	0	7,200	1,800	1,800	1,800	1,800
- Project Accountant (Burundi)- $250/month	12,000	12,000	0	3,000	3,000	3,000	3,000
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)							
- International Consultant							
VI/ Duty travel	**8,000**	**7,500**	**500**	**0**	**2,600**	**2,400**	**3,000**
- Travel cost & DSA - Project local staff	2,000	1,500	500	0	600	400	1,000
- Travel cost &DSA - CTA&PEA	6,000	6,000	0	0	2,000	2,000	2,000
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Training Trainers							
- Meeting support services							
VIII/ Operational Costs	**1,800**	**1,000**	**800**	**200**	**600**	**600**	**400**
- Vehicles maintenance, motorcycle, fuel, Insurance							
- Technical Equipments maintenance							
- Communication (tel/fax/Email/Express mails)	1,000	1,000	0	0	400	400	200
- Utilities (Water, Electricity)	800	0	800	200	200	200	200
IX/ Supervision, Monitoring and Evaluation (p.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project launching							
- Project Monitoring and Evaluation CFC/ICO							
- Mid-Term Evaluation (Consultancy)							
- Final Evaluation (Consultancy)							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- PEA Administration cost							
- Project Management costs (Burundi)							
- PIA/Chief Technical Adviser (Côte d'Ivoire & Burundi)							
* CTA Contract (Burundi&CI)						0	0

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
* PEA&CTA Travel& DSA							
TOTAL Expenditure Component 7	**67,400**	**58,900**	**8,500**	**14,600**	**17,600**	**17,400**	**17,800**
PROJECT GRANT TOTAL FOR BURUNDI	892,300	771,100	121,200	199,925	534,925	80,475	76,975
Contingencies (5%)	44,615	38,555	6,060	9,996	26,746	4,024	3,849
GRAND TOTAL BURUNDI (inc. contingencies)	936,915	**809,655**	**127,260**	209,921	561,671	84,499	80,824

Detailed cost by year, component and category of expenditures (Côte d'Ivoire)

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 1:Assessment of participating farmers and their needs							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**28,000**	**28,000**	**0**	**28,000**	**0**	**0**	**0**
- Vehicle (4 Wheels Drive)	25,000	25,000	0	25,000	0	0	0
- Motor-cycles	0			0	0	0	
- Photocopiers	2,500	2,500	0	2,500	0	0	0
- Fax&phone	500	500	0	500	0	0	0
II/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Office furniture-filing cabinets etc	0						
- Agricultural Inputs(Seeds, herbicides,…)							
III/ Personnel	**26,400**	**19,200**	**7,200**	**6,600**	**6,600**	**6,600**	**6,600**
- Driver - $150/m	7,200	0	7,200	1,800	1,800	1,800	1,800
- Project Socio-Economist ($400/month)	19,200	19,200	0	4,800	4,800	4,800	4,800
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**5,000**	**4,500**	**500**	**1,250**	**1,250**	**1,250**	**1,250**
- Travel cost & DSA - Project local staff	2,000	1,500	500	500	500	500	500
- Travel cost &DSA - CTA&PEA	3,000	3,000	0	750	750	750	750
VI/ Dissemination and training	**1,500**	**1,000**	**500**	**375**	**375**	**375**	**375**
- Meeting support services	1,500	1,000	500	375	375	375	375
VII/ Operational Costs	**2,500**	**2,500**	**0**	**625**	**625**	**625**	**625**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,500	1,500	0	375	375	375	375
- Communication (fax-Telephone-Email-Express mails)	1,000	1,000	0	250	250	250	250

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
IX/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 1	**63,400**	**55,200**	**8,200**	**36,850**	**8,850**	**8,850**	**8,850**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 2: Development of suitable and sustainable diversification loan structure for farmers							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**2,500**	**2,500**	**0**	**2,500**	**0**	**0**	**0**
- Computers and printer	2,500	2,500	0	2,500	0	0	0
II/ Material and supplies	**19,000**	**15,000**	**4,000**	**18,250**	**250**	**250**	**250**
- Office furniture-filing cabinets etc	3,000	0	3,000	3,000	0	0	0
- Office supplies	1,000	0	1,000	250	250	250	250
- PC sofware -credit system	15,000	15,000	0	15,000	0	0	0
- Agricultural Inputs (seeds, herbicides,…)							
III/ Personnel	**19,200**	**19,200**	**0**	**4,800**	**4,800**	**4,800**	**4,800**
- IT Specialist	19,200	19,200	0	4,800	4,800	4,800	4,800
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**5,000**	**4,000**	**1,000**	**1,500**	**1,500**	**1,000**	**1,000**
- Travel cost & DSA - Project local staff	2,000	1,000	1,000	500	500	500	500
- Travel cost &DSA - CTA&PEA	3,000	3,000	0	1,000	1,000	500	500
VI/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Local training on various aspects of the project							
- Regional Workshop (burundi&CI)							
VII/ Operational Costs	**3,500**	**2,500**	**1,000**	**875**	**875**	**875**	**875**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	1,000	0	250	250	250	250
- Communication (fax/telephone-Email, express mails)	1,500	1,500	0	375	375	375	375
- Utilities (electricity, water)	1,000		1,000	250	250	250	250
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Mid-Term Evaluation							

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Final Evaluation							
IX/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 2	**49,200**	**43,200**	**6,000**	**27,925**	**7,425**	**6,925**	**6,925**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 3: Development of alternative crops/activities							
II - Civil Works	**50,000**	**50,000**	**0**	**0**	**50,000**	**0**	**0**
- Farms building	*30,000*	*30,000*	*0*	*0*	30,000	0	0
- Warehouses	*20,000*	*20,000*	*0*	*0*	20,000	0	0
I/ Vehicles, Machinery and Equipments	**125,000**	**125,000**	**0**	**25,000**	**100,000**	**0**	**0**
- Vehicle (4 Wheels Drive)	25,000	25,000	0	25,000	0	0	0
- Motor-cycles (4)	10,000	10,000	0	0	10,000	0	0
- Materials & Small farming Equipments	30,000	30,000	0	0	30,000	0	0
- Machinery and Equipments	60,000	60,000	0	0	60,000	0	0
II/ Material and supplies	**600,000**	**600,000**	**0**	**200,000**	**400,000**	**0**	**0**
- Agricultural inputs (seeds,Urea,herbicide, small equipments etc..)	600,000	600,000	0	200,000	400,000	0	0
III/ Personnel	**127,200**	**0**	**127,200**	**31,800**	**31,800**	**31,800**	**31,800**
- Extensionists (5)	72,000	0	72,000	18,000	18,000	18,000	18,000
- Driver (4Wheels)	7,200	0	7,200	1,800	1,800	1,800	1,800
- Loan monitoring officers	48,000	0	48,000	12,000	12,000	12,000	12,000
- Training Manager/Credit analyst							
IV/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
V/ Duty travel	**5,000**	**3,000**	**2,000**	**1,250**	**1,250**	**1,250**	**1,250**
- Travel cost & DSA - Project local staff	2,000	0	2,000	500	500	500	500
- Travel cost &DSA - PEA/CTA	3,000	3,000		750	750	750	750
VI/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Local training on various aspects of the project	0						
VII/ Operational Costs	**9,000**	**7,000**	**2,000**	**1,250**	**2,750**	**2,500**	**2,500**
- Vehicles maintenance, motorcycle, fuel, Insurance	4,000	4,000	0	1,000	1,000	1,000	1,000
- Equipments maintenance	1,500	1,500	0	0	500	500	500
- Technical Equipments maintenance	1,500	1,500	0	0	500	500	500

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Communication (Fax/telephone-Email-Express mail)	1,000	0	1,000	0	500	250	250
- Utilities (Electricity, water)	1,000	0	1,000	250	250	250	250
VIII/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
IX/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 3	**916,200**	**785,000**	**131,200**	**259,300**	**585,800**	**35,550**	**35,550**

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
Component 4: Development of domestic and external markets							
II - Civil Works	**40,000**	**40,000**	**0**	**0**	**40,000**	**0**	**0**
- Farms building							
- Warehouses	*40,000*	*40,000*	*0*	*0*	40,000	0	0
I/ Vehicles, Machinery and Equipments	**73,600**	**73,600**	**0**	**0**	**73,600**	**0**	**0**
- Trucks for crops transport to warehouses/markets	70,000	70,000	0	0	70,000	0	0
- Weighing machines	3,600	3,600	0	0	3,600	0	0
- Small Agricultural Equipments	0			0	0	0	
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Office furniture-filing cabinets etc						0	0
IV/ Personnel	**10,800**	**10,800**	**0**	**0**	**3,600**	**3,600**	**3,600**
- Truck drivers (3)	10,800	10,800	0	0	3,600	3,600	3,600
- Training Manager/Credit analyst							
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in rural development&Agricultural finance)							
- International Consultant							
VI/ Duty travel	**5,000**	**3,000**	**2,000**	**0**	**2,000**	**2,000**	**1,000**
- Travel cost & DSA - Project local staff	2,000	0	2,000	0	1,000	1,000	0
- Travel cost &DSA - PEA/CTA	3,000	3,000	0		1,000	1,000	1,000
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Documentation							
- Meeting support services							
VIII/ Operational Costs	**3,500**	**3,500**	**0**	**0**	**700**	**1,400**	**1,400**
- Vehicles maintenance, motorcycle, fuel, Insurance	2,000	2,000	0	0	400	800	800
- Equipments maintenance	1,500	1,500	0	0	300	600	600
- Technical Equipments maintenance							

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
IX/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditures Component 4	**132,900**	**130,900**	**2,000**	**0**	**119,900**	**7,000**	**6,000**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 5: Development of value-added products							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**118,600**	**118,600**	**0**	**0**	**118,600**	**0**	**0**
- Trucks for crops transport to warehouses/markets	35,000	35,000	0	0	35,000	0	0
- Equipments for foods processing (Cassava, tomatoes, etc…)	80,000	80,000	0	0	80,000	0	0
- Weighing machines	3,600	3,600	0	0	3,600	0	0
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Office furniture-filing cabinets etc						0	0
- Office supplies							
IV/ Personnel	**19,800**	**5,400**	**14,400**	**0**	**6,600**	**6,600**	**6,600**
- Truck drivers (3 years)	5,400	5,400	0	0	1,800	1,800	1,800
- Technical superviser (processing equipments) for 3 years	14,400		14,400	0	4,800	4,800	4,800
V/ Technical Assistance and Consultancy	**15,000**	**15,000**	**0**	**0**	**15,000**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)	15,000	15,000		0	15,000	0	0
- International Consultant							
VI/ Duty travel	**4,500**	**3,000**	**1,500**	**0**	**1,500**	**1,500**	**1,500**
- Travel cost & DSA - Project local staff	1,500	0	1,500	0	500	500	500
- Travel cost &DSA - PEA/CTA	3,000	3,000	0	0	1,000	1,000	1,000
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Documentation							
- Meeting support services							
VIII/ Operational Costs	**3,500**	**3,500**	**0**	**0**	**1,000**	**1,000**	**1,500**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,500	1,500	0	0	500	500	500
- Equipments maintenance	2,000	2,000	0	0	500	500	1,000

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
IX/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
X/ Project Executing Agency (p.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditures Component 5	**161,400**	**145,500**	**15,900**	**0**	**142,700**	**9,100**	**9,600**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 6: Training of farmers in loan management and savings							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- *Farms building*							
- *Warehouses*							
I/ Vehicles, Machinery and Equipments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Vehicle (4 Wheels Drive)							
- Motor-cycles						0	
- Photocopiers							
- Fax/Phone							
III/ Material and supplies	**1,500**	**1,500**	**0**	**0**	**500**	**500**	**500**
- Office supplies	1,500	1,500		0	500	500	500
- Small Agricultural Equipments						0	
IV/ Personnel	**38,400**	**38,400**	**0**	**9,600**	**9,600**	**9,600**	**9,600**
- Loan monitoring officers							
- Training Manager/Credit analyst	38,400	38,400	0	9,600	9,600	9,600	9,600
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)							
- International Consultant							
VI/ Duty travel	**6,000**	**5,000**	**1,000**	**500**	**1,500**	**2,000**	**2,000**
- Travel cost & DSA - Project local staff	3,000	2,000	1,000	500	500	1,000	1,000
- Travel cost &DSA - CTA/PEA	3,000	3,000	0	0	1,000	1,000	1,000
VII/ Dissemination and training	**22,500**	**21,500**	**1,000**	**3,000**	**8,000**	**5,500**	**6,000**
- Local training on various aspects of the project	8,000	8,000	0	0	3,000	3,000	2,000
- Regional Workshop (burundi&CI)-travel & DSA participants	4,000	4,000	0	0	2,000	0	2,000
- Project launching	3,000	3,000	0	3,000	0	0	0
- Documentation	1,500	1,500	0	0	500	500	500
- Training Trainers	4,000	4,000	0	0	2,000	1,000	1,000

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Meeting support services	2,000	1,000	1,000	0	500	1,000	500
VIII/ Operational Costs	**1,000**	**1,000**	**0**	**0**	**200**	**400**	**400**
- Vehicles maintenance, motorcycle, fuel, Insurance	1,000	1,000		0	200	400	400
IX/ Supervision, Monitoring and Evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Final Evaluation							
X/ Project Executing Agency	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project Management costs (Côte d'Ivoire)							
- Chief Technical Adviser (Côte d'Ivoire & Burundi)							
TOTAL Expenditure Component 6	**69,400**	**67,400**	**2,000**	**13,100**	**19,800**	**18,000**	**18,500**
Category	**Total Cost**	**CFC Grant**	**Counterpart Contribution**	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Component 7:Project coordination,supervision, monitoring and evaluation							
II - Civil Works	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Farms building							
- Warehouses							
I/ Vehicles, Machinery and Equipments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Vehicle (4 Wheels Drive)							
- Other Machinery and Equipments						0	
III/ Material and supplies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Small Agricultural Equipments						0	
IV/ Personnel	**76,800**	**67,200**	**9,600**	**19,200**	**19,200**	**19,200**	**19,200**
- National coordinator (local support allowance)	48,000	48,000	0	12,000	12,000	12,000	12,000
- Project Assistant (local support)	9,600		9,600	2,400	2,400	2,400	2,400
- Project Accountant (Côte d'Ivoire)	19,200	19,200	0	4,800	4,800	4,800	4,800
V/ Technical Assistance and Consultancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Sub-Contract (Expert in agro-Industry)							
- International Consultant							
VI/ Duty travel	**12,000**	**11,000**	**1,000**	**2,000**	**4,000**	**3,000**	**3,000**
- Travel cost & DSA - Project local staff	3,000	2,000	1,000	0	1,000	1,000	1,000
- Travel cost &DSA - CTA&PEA (1/year)	9,000	9,000	0	2,000	3,000	2,000	2,000
VII/ Dissemination and training	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Local training on various aspects of the project							
VIII/ Operational Costs	**3,800**	**2,000**	**1,800**	**900**	**900**	**1,000**	**1,000**
- Vehicles maintenance, motorcycle, fuel, Insurance	2,000	1,000	1,000	500	500	500	500

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
- Communication (fax/Tel/Email/ express mails)	1,000	1,000	0	200	200	300	300
- Utilities (water, Electricity,)	800	0	800	200	200	200	200
IX/ Supervision, Monitoring and Evaluation (p.m)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- Project lauching in Abidjan							
- Project Monitoring and Evaluation CFC/ICO							
- Mid-Term Evaluation (Consultancy)							
- Final Evaluation (Consultancy)							
X/ Project Executing Agency (P.m.)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- PEA Administration cost							
- Chief Technical Adviser Contract							
* CTA Contract (Burundi&CI)						0	0
* PEA&CTA Travel& DSA							
TOTAL Expenditures Component 7	**92,600**	**80,200**	**12,400**	**22,100**	**24,100**	**23,200**	**23,200**
PROJECT GRAND TOTAL - COTE D'IVOIRE	**1,485,100**	**1,307,400**	**177,700**	**359,275**	**908,575**	**108,625**	**108,625**
Contingencies (5%)	74,255	65,370	8,885	17,964	45,429	5,431	5,431
PROJECT GRAND TOTAL - COTE D'IVOIRE (incl.contingencies)	**1,559,355**	**1,372,770**	**186,585**	**377,239**	**954,004**	**114,056**	**114,056**

Detailed cost table by year, component and category of expenditures (PEA)

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
X - Project Executing Agency		**2,228,000**	**0**	**473,000**	**470,000**	**425,000**	**470,000**
- PEA Administration cost		150,000	0	37,500	37,500	37,500	37,500
- Chief Technical Advisetr Contract		230,000	0	57,500	57,500	57,500	57,500
X - PEA (Côte d'Ivoire and Burundi)		**390,000**	**0**				
- Contract CTA (Côte d'Ivoire)	150,000	150,000	0	37,500	37,500	37,500	37,500
- Contract Deputy CTA (Burundi)	90,000	90,000	0	22,500	22,500	22,500	22,500
- Duty Travel (Visits & meetings)	46,000	46,000	0	16,000	10,000	10,000	10,000
- Other administration cost	120,000	120,000	0	30,000	30,000	30,000	30,000
Total PEA Project Coordination & Management	**406,000**	**406,000**	**0**	**106,000**	**100,000**	**100,000**	**100,000**
- Project launching (Burundi&Côte d'Ivoire)	10,000	10,000	0	10,000	0	0	0
- Project Monitoring & Supervision	40,000	40,000	0	10,000	10,000	10,000	10,000
- Mid-term Evaluation	15,000	15,000	0	0	15,000	0	0
- Final Evaluation	15,000	15,000	0	0	0	0	15,000

Category	Total Cost	CFC Grant	Counterpart Contribution	Year 1	Year 2	Year 3	Year 4
IX - Supervision, Monitoring and Evaluation (CFC/ICO/Consultants)	**80,000**	80,000	0	20,000	25,000	10,000	25,000
Grand Total PEA incl. Supervision, Monitoring and Evaluation (ICO/CFC)	**486,000**	**486,000**	**0**	**126,000**	**125,000**	**110,000**	**125,000**
Project Cost Burundi	**892,300**	**771,100**	**121,200**	**199,925**	**534,925**	**80,475**	**76,975**
Contingencies 5%	44,615	38,555	6,060	9,996	26,746	4,024	3,849
Project Cost Côte d'Ivoire	**1,485,100**	**1,307,400**	**177,700**	**359,275**	**908,575**	**108,625**	**108,625**
Contingencies 5%	74,255	65,370	8,885	17,964	45,429	5,431	5,431
X - Project Executing Agency	486,000	486,000	0	126,000	125,000	110,000	125,000
Contingencies 5%	24,300	24,300	0	6,300	6,250	5,500	6,250
TOTAL PROJECT COST including contingencies	**3,006,570**	**2,692,725**	**313,845**	**719,460**	**1,646,925**	**314,055**	**326,130**

BURUNBI	**936,915**
COTE D'IVOIRE	**1,559,355**
PEA	**510,300**

Microfinance loan facility	Burundi	Côte d'Ivoire	Total
Component 3	426,000	775,000	
Component 4	58,600	113,600	
Component 5	52,400	118,600	
	537,000	**1,007,200**	

Project Cost by Category of Expenditure

Côte d'Ivoire

	Project Cost	CFC Grant	Counterpart
I - Vehicles, Machinery and Equipments	347,700	347,700	0
II - Civil Works	90,000	90,000	0
III - Materials and supplies	620,500	616,500	4,000
IV - Personnel	318,600	160,200	158,400
V - Technical Assistance and Consultancy	15,000	15,000	0
VI - Duty Travel	42,500	33,500	9,000
VII - Dissemination and Training	24,000	22,500	1,500
VIII - Operational Costs	26,800	22,000	4,800
IX - Supervision, Monitoring and Evaluation	*0*	*0*	*0*
Total Expenditure - Cote d'Ivoire	**1,485,100**	**1,307,400**	**177,700**
Contingencies	**74,255**	**65,370**	**8,885**
TOTAL Expenditure - Cote d'Ivoire incl contingencies	**1,559,355**	**1,372,770**	**186,585**
X - Project Executing Agency (p.m.)	0		0
X - Contingencies 5%	*0*	*0*	*0*
X - PEA incl. Contingencies	***0***	***0***	***0***
Project Grand Total Côte d'Ivoire excluding PEA cost	**1,559,355**	**1,372,770**	**186,585**
	2,377,400		

Project Cost by Category of Expenditure

Burundi

	Project Cost	CFC Grant	Counterpart
I - Vehicles, Machinery and Equipments	212,500	212,500	0
II - Civil Works	55,000	55,000	0
III - Materials and supplies	319,000	316,000	3,000
IV - Personnel	216,000	111,600	104,400
V - Technical Assistance and Consultancy	15,000	15,000	0
VI - Duty Travel	30,000	21,000	9,000
VII - Dissemination and Training	26,500	25,500	1,000
VIII - Operational Costs	18,300	14,500	3,800
IX - Supervision, Monitoring and Evaluation (p.m.)	*0*		*0*
Total Expenditure - Burundi	**892,300**	**771,100**	**121,200**
XI - Contingencies (5%)	44615	38555	6060
Project Grand Total Burundi	**936,915**	**809,655**	**127,260**

Project summary by category of Expenditure

Burundi & Côte d'Ivoire	Project Cost	CFC Grant	Counterpart
I - Vehicles, Machinery and Equipments	560,200	560,200	0
II - Civil Works	145,000	145,000	0
III - Materials and supplies	939,500	932,500	7,000
IV - Personnel	534,600	271,800	262,800
V - Technical Assistance and Consultancy	30,000	30,000	0
VI - Duty Travel	72,500	54,500	18,000
VII - Dissemination and Training	50,500	48,000	2,500
VIII - Operational Costs	45,100	36,500	8,600
IX - Supervision, Monitoring and Evaluation (p.m.)	*0*	*0*	*0*
Total Expenditure (Burundi & Côte d'Ivoire)	**2,377,400**	**2,078,500**	**298,900**
- Contract CTA (Côte d'Ivoire)	150,000	150,000	
- Contract Deputy CTA (Burundi)	90,000	90,000	
- Duty Travel	46,000	46,000	
- Other administration cost	120,000	120,000	
Total PEA Project Coordination & Management	**406,000**	**406,000**	**0**
- Project launching (Burundi&Côte d'Ivoire)	10,000	10,000	
- Project Monitoring & Supervision	40,000	40,000	
- Mid-term Evaluation	15,000	15,000	
- Final Evaluation	15,000	15,000	
IX - Supervision, Monitoring and Evaluation (CFC/ICO/Consultants)	**80,000**	**80,000**	**0**
Project Grand Total including PEA cost	2,863,400	2,564,500	298,900
XI - Contingencies (5%)	143,170	128,225	14,945
Project Grand Total	**3,006,570**	**2,692,725**	**313,845**

Summary

		CFC grant	Counterpart
Project Total Cost	**3,006,570**	**2,692,725**	
- Côte d'Ivoire	1,559,355	1,372,770	
- Burundi	936,915	809,655	
- PEA	510,300	510,300	0
Counterpart	313,845	0	313,845
- Côte d'Ivoire	186,585	0	186,585
- Burundi	127,260	0	127,260

ANNEX 2: DIVERSIFICATION COST BENEFIT TABLES

Tables on this Annex 2 indicate the cost/benefit analysis of the diversification activities. In Côte d'Ivoire, a single farmer can diversify in two or three alternative crops depending on the availability and suitability of lands and existing infrastructure as well as his resources. In Burundi, a single farmer with 1 ha of coffee will diversify into three activities including potatoes, passion fruits and small livestock farming. The profitability of these activities are also indicated.

ANNEXE 2: Diversification cost benefit (Burundi)
(30acres planted of coffee, 40 acres of potatoes, 30 acres of passion fruits, and livestocks)

Description	**Coffee** **(30 acres)**				**Potatoes** **(40 acres)**				**Passion fruits (Maracoudja) (30 acres)**				**Livestocks**				**Total** (Coffee, potatoes, passion fruits and Livestocks)			
	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4	Year 1	Year 2	Year 3	Year 4
Investment (Equipment, lands, etc)	0.00	0.00	0.00	0.00	35.00	0.00	0.00	0.00	40.00	0.00	0.00	0.00	55.00	0.00	0.00	0.00	130.00	0.00	0.00	0.00
Input (Urea, Herbicide, Seedlings)	35.00	35.00	35.00	35.00	130.00	90.00	90.00	90.00	10.00	10.00	10.00	10.00	145.00	0.00	0.00	0.00	320.00	135.00	135.00	135.00
Cultivation operations incl.harvest & conditioning	65.00	65.00	65.00	65.00	130.00	140.00	140.00	140.00	35.00	25.00	25.00	25.00	105.00	140.00	140.00	140.00	335.00	370.00	370.00	370.00
Total cost of production	**100.00**	**100.00**	**100.00**	**100.00**	**295.00**	**230.00**	**230.00**	**230.00**	**85.00**	**35.00**	**35.00**	**35.00**	**305.00**	**140.00**	**140.00**	**140.00**	**785.00**	**505.00**	**505.00**	**505.00**
Farmer's contribution to the cost																	650.00			0.00
Loan requested per farmer	100.00				295.00				85.00				305.00				**785.00**			
Production (average per year) -kg	*900.00*	*1,200.00*	*1,200.00*	*1,200.00*	*3,200.00*	*3,600.00*	*3,600.00*	*3,600.00*	*300.00*	*600.00*	*600.00*	*600.00*	*200.00*	*360.00*	*360.00*	*360.00*				
Current farm gate price per kg in Burundi	*0.13*	*0.13*	*0.13*	*0.13*	*0.14*	*0.14*	*0.14*	*0.14*	*0.40*	*0.40*	*0.40*	*0.40*	*1.50*	*1.50*	*1.50*	*1.50*				
Sales revenue	**117.00**	**156.00**	**156.00**	**156.00**	**448.00**	**504.00**	**504.00**	**504.00**	**120.00**	**240.00**	**240.00**	**240.00**	**300.00**	**540.00**	**540.00**	**540.00**	**985.00**	**1,440.00**	**1,440.00**	**1,440.00**
Margin	*17.00*	*56.00*	*56.00*	*56.00*	*153.00*	*274.00*	*274.00*	*274.00*	*35.00*	*205.00*	*205.00*	*205.00*	*-5.00*	*400.00*	*400.00*	*400.00*	*200.00*	*935.00*	*935.00*	*935.00*
Loan interest (15% in Burundi)																	0.00	0.00	0.00	0.00
Loan repayment																	0.00	0.00	0.00	0.00
Increase/decrease of farmer's income																	0.00	0.00	0.00	0.00
																	0.00	0.00	0.00	0.00

ANNEXE 2: Diversification cost benefit tables (Côte d'Ivoire)

USD	**1**
CFA	**0.00221923**

Description	**Irrigated rice**		**Rainful rice**		**Maize**		**Rubber****		**Palm oil*****	
	CFA	USD	CFA	USD	CFA	USD	CFA	USD	CFA	USD
Agricultural inputs (seeds, Urea, herbicides, etc)	215,000	477.13	90,000	199.73	12,500	27.74	235,000.00	521.52	150,000.00	332.88
Cultivation operations	152,000	337.32	55,000	122.06	55,000	122.06	430,000.00	954.27	300,000.00	665.77
Harvest and Conditioning	140,000	310.69	68,000	150.91	40,000	88.77	215,000.00	477.13	170,000.00	377.27
Total cost of production	**507,000**	**1,125.15**	**213,000**	**472.70**	**107,500**	**238.57**	**880,000.00**	**1,952.92**	**620,000.00**	**1,375.92**
Farmer's contribution to the cost (20%)	101,400	225.03	42,600	94.54	21,500	47.71	176,000.00	390.58	124,000.00	275.18
Cost supported by the project (loan required)	***405,600***	***900.12***	***170,400***	***378.16***	***86,000***	***190.85***	***704,000.00***	***1,562.34***	***496,000.00***	***1,100.74***
*Production (average per year) -kg**	*4,000*		*2,400*		*3,000*		*5,500.00*		*18,000.00*	
Curent reatil price per kg in Côte d'Ivoire	*200*	*0.44*	*200*	*0.44*	*70*	*0.16*	*350.00*	*0.78*	*60.00*	*0.00*
Sales revenue	**800,000**	**1,775.38**	**480,000**	**1,065.23**	**210,000.00**	**466.04**	**1,925,000.00**	**4,272.02**	**1,080,000.00**	**2,396.77**
Margin Year 1	293,000	650.23	267,000	592.53	102,500.00	227.47				
Margin Year 2	293,000	650.23	267,000	592.53	102,500.00	227.47				
Margin Year 3	293,000	650.23	267,000	592.53	102,500.00	227.47				
Margin Year 4	293,000	650.23	267,000	592.53	102,500	227.47			460,000.00	1,020.85
Margin Year 5	293,000	650	267,000	593	102,500	227			460,000.00	1,020.85
Margin Year 6	293,000	650	267,000	593	102,500	227	1,045,000.00	2,319.10	460,000.00	1,020.85
Margin Year 7	293,000	650	267,000	593	102,500	227	1,045,000.00	2,319.10	460,000.00	1,020.85
Margin Year 8	293,000	650	267,000	593	102,500	227	1,045,000.00	2,319.10	460,000.00	1,020.85
Loan period				Year 2		Year 1	Year 2		Year 2	
Loan interest (6% +Tax+Commission) - Short term										
Loan repayment										
Increase/decrease of farmer's income	Increase		Increase		Increase		Increase		Increase	

* Rice, tomatoe and Banana crops have 2 cycles per year
** Rubber harvest starts at year 6 but intercrops(rice) will be planted and be used to start loan payment.
*** Palm oil harvest starts at year 4 but intercrops will be harvested to start loan payments

Description	**Cassava**		**Yam**		**Banana Plantin**		**Tomatoes**		**Aubergine**	
	CFA	USD	CFA	USD	CFA	USD	CFA	USD	CFA	USD
Agricultural inputs (seeds, Urea, herbicides, etc)	30,000	66.58	500,000	1,109.62	432,900	960.70	864,675	1,918.91	1,363,950	3,026.92
Cultivation operations	70,000	155.35	100,000	221.92	367,000	814.46	512,000	1,136.25	680,000	1,509.08
Harvest and Conditioning	50,000	110.96	50,000	110.96	50,000	110.96	60,000	133.15	150,000	332.88
Total cost of production	**150,000**	**332.88**	**650,000**	**1,442.50**	**849,900**	**1,886.12**	**1,436,675**	**3,188.31**	**2,193,950**	**4,868.88**
Farmer's contribution to the cost (20%)	30,000	66.58	130,000	288.50	169,980	377.22	287,335	637.66	438,790	973.78
Cost supported by the project (loan required)	***120,000***	***266.31***	***520,000***	***1,154.00***	***679,920***	***1,508.90***	***1,149,340***	***2,550.65***	***1,755,160***	***3,895.10***

*Production (average per year) -kg**	*15,000*		*10,000*		*30,000*		*15,000*		*30,000*	
Curent reatil price per kg in Côte d'Ivoire	*40*	*0.09*	*150*	0.33	*50*	*0.11*	*150*	*0.33*	*100*	*0.22*
Sales revenue	**600,000**	**1,331.54**	**1,500,000**	**3,328.85**	**1,500,000**	**3,328.85**	**2,250,000**	**4,993.27**	**3,000,000**	**6,657.69**
Margin Year 1	450,000	998.65	850,000	1,886.35	650,100	1,442.72	813,325	1,804.96	806,050	1,788.81
Margin Year 2	450,000	998.65	850,000	1,886.35	650,100	1,442.72	813,325	1,804.96	806,050	1,788.81
Margin Year 3	450,000	998.65	850,000	1,886.35	650,100	1,442.72	813,325	1,804.96	806,050	1,788.81
Margin Year 4	450,000	998.65	850,000	1,886.35	650,100	1,442.72	813,325	1,804.96	806,050	1,788.81
Margin Year 5										
Margin Year 6										
Margin Year 7										
Margin Year 8										
Loan period		Year 1		Year 1		Year 2		Year 2		Year 2
Loan interest (6% +Tax+Commission) - Short term										
Loan repayment										
Increase/decrease of farmer's income	increase		increase		increase		increase		increase	

Description	**Battery Chickens**		**Poultry Farming**		**Porks farming**	
	CFA	USD	CFA	USD	CFA	USD
Investments (building, machinery, equipment)	1,784,925	3,961.16	1,487,350	3,300.77	1,954,500	4,337.49
Materials and Supplies (Feedings, other running costs)	5,915,960	13,128.88	1,110,920	2,465.39	2,819,600	6,257.34
Total cost of production	**7,700,885**	**17,090.04**	**2,598,270**	**5,766.16**	**4,774,100**	**10,594.83**
Farmer's contribution to the cost (20%)	1,245,287	2,763.58	257,678	571.85	506,030	1,123.00
Cost supported by the project (loan required)	***6,455,598***	***14,326.46***	***2,340,592***	***5,194.31***	***4,268,070***	***9,471.83***
*Production (average per year) -kg**	*150,000*		*950*		*5,300*	
Curent reatil price per kg in Côte d'Ivoire	*50*	*0.11*	*1,500*	*3.33*	*900*	*2.00*
Sales revenue	**7,500,000**	**16,644.23**	**1,425,000**	**3,162.40**	**4,770,000.00**	**10,585.73**
Margin Year 1	-200,885	-445.81	-1,173,270	-2,603.76	-4,100	-9.10
Margin year 2	1,584,040	3,515.35	314,080	697.02	1,950,400	4,328.39
Margin year 3	1,584,040	3,515.35	314,080	697.02	1,950,400	4,328.39
Margin Year 4	1,584,040	3,515.35	314,080	697.02	1,950,400	4,328.39
Margin Year 5						
Margin Year 6						
Margin Year 7						
Margin Year 8						
Loan period (months)						
Loan interest (6% +Tax+Commission) - Short term						
Loan repayment		Year 2		Year 2		Year 2
Increase/decrease of farmer's income		Increase		Increase		Increase

ANNEX 3:

A - PROJECT EXECUTING AGENCY: FGCCC

1. FGCCC will be the main institution responsible for implementing this project. The Guarantee Fund was created in 1991 with the framework of the Agricultural Structural Adjustment programme of the World Bank and the International Monetary Fund. Its main objective is to promote and facilitate coffee and cocoa co-operatives' access to credit through commercial banks. In one hand, the Guarantee Fund enable banks, with the security offered, to familiarize with the agricultural sector that they have always avoided and, on the other hand to enable growers and their co-operatives to become thoroughly acquainted with banking practices and procedures so as to become sustainable agricultural enterprises, offering better prospects for insertion into the economic landscape.

2. With the support of the European Union, the Ivorian government decided to assist GVCs and GVC unions to have easy access to bank credit to enable them to have the wherewithal to develop their activities in a more competitive environment. To that end it was agreed to give guarantees to local banks in order to encourage them to lend to GVCs and GVC unions, instead of creating body specialising in direct funding. As a tool for rural community development, the Guarantee Fund would have to be a driving force in supporting farmers in production and marketing coffee and cocoa.

3. The FGCCC is a limited company legally incorporated in Côte d'Ivoire with board of directors. As a financial institution, the FGCCC is governed by Law 90-589 of 25 July 1990 relating to the banking regulations of the Republic of Côte d'Ivoire and all texts annexed thereto. It is also subject to:

- the OHADA (organization for the Harmonization of Business Law in Africa) uniform act relating to the Law on business corporations and economic interest groups (EIGs);
- law 97-520 of 4 September 1997 relating to publicly funded companies;
- Its own articles of association

4. The main object of the FGCCC is to provide guarantees by security, endorsement or otherwise to GVCs, GVC unions and other co-operative structures governed by the provisions of Law 97-721 of 23 December 1997, as well as their members, enjoying financial assistance provided by banks or other financial institutions for their production, transport or coffee and cocoa marketing operations.

5. The company's authorized capital is three hundred million CFA (US$582,474), which is divided into 30,000 shares of 10,000 CFA each (US$19). All the capital is fully subscribed and paid up. Four shareholder groups own the FGCCC:

- The coffee and Cocoa producers co-operatives group (42% of the capital);
- The banks and financial institutions group (24%);
- The coffee and cocoa exporters group (24%);
- The State of Côte d'Ivoire (10%)

6. The company has four organs including the general shareholders meeting, the board of directors, the general management and the guarantee committee. The day-to-day running

of the company is done by three operational directorates under the authority of the Chief Executive Officer (see flowchart of the company structure below).

Staff and network

7. The company has a staff of 38 persons including 5 senior directors, 7 senior managers at regional level, 14 managers, 7 supervisors and 5 clerks. The regional network includes four branches (Abidjan, Abengourou, Daloa, Gagnoa and San-Pedro). The branch office operates on a local basis with the client base of coffee and cocoa producer co-operatives. The branch office ensures the co-operatives follow the FGCCC's preliminary instructions concerning the physical existence of co-operatives and the respect of law on co-operatives. The branch carries out the monitoring and recovering of loans.

Business activities

8. The FGCCC is certified as a financial institution subject to the banking regulations. It guarantees loans to the members of co-operatives who have loans from banks or other financial institutions. These loans cover operations of production, transport or marketing of coffee and cocoa. A number of commercial banks including BIAO-CI, BICICI, SGBCI, SIB, BACI, ECOBANK, COFIPA and CAA participate in the agricultural finance guaranteed by the FGCCC. The FGCCC offers for its co-operatives a guarantee up to 80% to bank loans for investments or equipments, as well as loans for marketing their crops. The remaining risk covering 20% of the loans are guaranteed by exporters, as they buy coffee from farmers. Banks do not take any risk on loans given to farmers.

Target groups

9. The target group for the FGCCC actions is made up of all coffee and cocoa producers in approved professional agricultural organizations (co-operatives):

- 700,00 coffee and cocoa planters, of whom only 30% are organized in co-operatives;
- 210,000 producers grouped in co-operatives;
- 277 approved coffee and cocoa co-operatives

The guarantee mechanism

10. Two types of loans are guaranteed by the FGCCC: the seasonal loans which must be paid back by the end of the coffee or cocoa season (less than one year) and the equipment loans or investment loan which has a maximum fixed duration of three years. The FGCCC guarantees the loans that the banks have granted the co-operatives in the context of their coffee and cocoa collection operations. The guarantee is based on the deposits made by the Guarantee Fund with the lending banks. The FGCCC covers the funding the banks have granted the co-operatives to the level of 80%. The funding is either seasonal credit for the purchase of their members' coffee or cocoa produce, or for the acquisition of equipment needed to organize the marketing (trucks for transport, hulling machines, materials and tooling, etc…). The remaining 20% is to be covered by the banks on the understanding that the risk ratio should increase as the guarantee system put in place becomes viable. The reality however is that the remaining 20% is borne by exporters who deal with the borrowing co-operatives. Therefore, the banks involved in the guarantee mechanism are not taking any risk, as their financial assistance to co-operatives is covered entirely by the Guarantee Fund (80%) and the exporters (20%).

Terms of access to the FGCCC guarantee

11. As the Guarantee Fund is open to coffee and cocoa co-operatives, co-operative status alone gives the right to apply for the Fund Guarantee. The Guarantee Committee assesses the application and considers the loan request. The following documents are requested for the consideration of any application:

i) the articles of association of the co-operative;
ii) the authorisation of the co-operative directors;
iii) a copy of the feasibility study of the project that is the subject of the funding application;
iv) a copy of the co-operative approval order;
v) a cutting from the Official Journal (legal announcements);
vi) the last three balance sheets and trading accounts;
vii) an additional security from an exporter or the co-operative;
viii) the seasonal plan;
ix) the cash flow;
x) the forecast trading accounts;
xi) the economic ground for the investment (in the case of an investment loan);
xii) an application addressed to the co-operative's bank signed by the authorized co-operative officer;

12. Above all, to be eligible the applicant should not have payment arrears from previous seasons.

Interest rates

13. Base interest rate in Côte d'Ivoire is 11%. This rate is increased up to 5% depending to the client risk. The interest rate of the FGCCC, which represents a commission on guarantee service, is 3.5% for a guarantee of one-year loan and 6% for two-year loan. With the commercial bank's margin of 3.5% the overall rate is between 9% and 12%, while without the involvement of commercial bank the lending charge would be around 6%.

14. In summary, the four parties involved in agricultural financing are:

- The Guarantee Fund for providing the guarantee to a ceiling of 80% of the loan amount;
- The bank for the funding and recovery of loans;
- The exporter for providing the additional guarantee of 20% remaining on the loan amount, accepting the co-operatives produce, making deductions for the recovery of earlier debts and making provisions to cover the guarantees granted by the FGCCC;
- The co-operatives, the main beneficiaries of the system, are obliged to meet their commitments to pay off the loans that are granted them by delivering the produce to the exporters.

Relations between FGCCC and Farmers/farmers' co-operatives

15. The FGCCC's motto *is "we guarantee the co-operatives with the banks for the funding of their requirements"*. Clearly, co-operatives are the fund's target public. So the role of the institution is to continuously appraise the performance of co-operatives and support them in the conduct of their operations. In more detail, the FGCCC does the following on behalf of co-operatives:

1) Evaluation and assessment of loan application made by farmers' co-operatives;
2) Provision of FGCCC guarantee to set up the loans
3) Monitoring the loans delivery by banks
4) Monitoring loan recovery;
5) Repayments to banks for loans non-recovered from co-operatives;
6) Training of farmers to strengthen their building capacity.
7) Alerting co-operative to the need for professional, transparent and disciplined management of the co-operative venture

16. Co-operatives are obliged to conform to the regulations on co-operatives in their method of organization and operation, to demonstrate a disciplined and businesslike approach to management, and to adopt a loan repayment culture in order to inspire confidence and enjoy the FGCCC's security and the banks' funding. These considerations have led the FGCCC to assess co-operatives technically and operationally on a regular basis. The assessment involves:

a) Visiting co-operatives in the field firstly to ensure they exist, which was not always guaranteed in the past when numerous fictional co-operatives received funding;
b) Checking the information given in their credit applications;
c) Updating data base for the FGCCC and for the banks' information;
d) Evaluate co-operatives' performance using a scoring system so as to rank the co-operatives in terms of reliability and sustainability, and also risk assessment.

Relations between FGCCC and banks

17. The role of the banks in the guarantee mechanism is a vital one. In fact, banks are involved in a fully transparent manner, through the guarantee committee, in the choice of the best performing co-operatives to finance. Once the Committee has given its agreement, the FGCCC's guarantee for 80% of the risk is obtained. In certain cases, banks require to guarantee the remaining 20% before releasing funds. Once guarantee documents are formalized, the banks make available the requested funding and inform the FGCCC. Banks are responsible for recovering the loans. There have been some difficulties working with banks:

a) The reluctance of the banks to take part in the guarantee mechanism, as they do not want to negotiate with co-operatives generally regarded as unreliable and problematic customers;

b) The difficulty of obtaining the further 20% guarantee required by the banks;

c) The late availability of the funds for co-operatives;

d) The moral contingency which is the lack of interest in monitoring and recovering the funding, the immediate reaction of these banks is to use the guarantee.

Relations with the exporters

18. Faced with the banks' reluctance to take any risks with farmers, the exporters find themselves obliged to take this responsibility for the remaining 20% guarantee. By doing so, exporters are supposed to be the recipients of the produce collected by co-operatives and have to deduct the repayment of loans to farmers and make provisions to cover the guarantees granted by the FGCCC. Problems encountered in dealing with the exporters are:

a) a number of exporters refuse to provide the further guarantee required by the banks, obliging co-operatives to find for themselves the necessary funds to cover the 20% of bank risk;

b) Some exporters do not have a functioning supervision system to be able to make deductions at source from the co-operatives in a convenient way;

c) There a risk, given the framework of liberalisation, that produce collected by co-operatives may be redirected in part or in whole towards other exporters who are offering better prices.

Activities of the FGCCC in figures

19. Since crop year 1991/92 more than 50.7 billion CFA (USD 98,438,106 million) loans have been guaranteed by the FGCCC (Table 2). Its recent balance sheets are indicated in **annex 1**.

Table 1: Loans to farmers guaranteed since 1991/92 (FCFA)

Crop years	Marketing credits	Investment Credits	Total
1991/92		126 624 335	126 624 335
1992/93	689 1000 000	837 053 580	1 526 153 580
1993/94	2 857 371 998	256 062 500	3 113 434 498
1994/95	5 021 000 000	149 579 000	5 170 579 000
1995/96	2 444 000 000	2 983 662 596	5 427 662 596
1996/97	5 800 775 000	1 715 856 003	7 516 631 003
1997/98	8 093 200 000	1 669 296 560	9 762 496 560
1998/99	14 371 928 000	1 085 133 000	15 457 061 000
1999/2000	620 000 000	15 000 000	635 000 000
2000/01	980 000 000		980 000 000
2001/02	448 000 000	500 000 000	997 000 000
2002/03	427 500 000	781 666 756	1 314 166 756
Total	**41,325,374,998**	**9,338,267,574**	**50,712,642,572**
Share	81.49%	18.41%	

1 FCFA = US$0.00194158

20. Other activities of the FGCCC include strengthening technical and managerial skills of farmers. It also evaluates the performance of co-operatives and organizes micro-credit programmes for co-operatives. The FGCCC has organized several awareness raising

campaigns in the field in order to increase loan repayments. The terms of partnership between the FGCCC, the banks, the exporters and co-operatives have also been clearly defined for each partner to be able to play its role with a firm commitment and determination for the success of the guarantee mechanism. A system for technical and operational assessment of co-operatives has been set up to make it easier for the partners to run the selection process.

21. Despite of all these achievements and efforts, a number of problems persist and need to be addressed. Indeed, the lack of interest of the banks and the exporters reduce the strength of the guarantee operations. Sometimes the FGCCC is forced to conduct all required operations including the assessment and selection of co-operatives, granting 100% guarantee, releasing funds, monitoring and recovering the loans. The FGCCC has decided to explore direct funding to its clients (Co-operatives/individual farmers) while observing strictly the banking regulations.

Partners for the execution of the project

22. For the current project the FGCCC will work with commercial Banks already involved in the funding of the coffee and cocoa season and are for the most part partners of the FGCCC. These banks are BIAO-CI, BICICI, SGBCI, SIB, BACI, ECOBANK-CI, COFFIN and CAA. However, it is important to note that the loans provision to farmers/co-operatives through commercial banks may increase the interest rate of the credit to farmers.

a) Agence Nationale pour le Développement Rural (ANADER)

23. The Anader is the national institution in charge of rural development in Côte d'Ivoire. It is the national extension agency for agriculture. Its role is defined as follows:

- Improve farmers' skills in farming system;
- Develop cooperatives and associations;
- Improve the income of farmers;
- Provide extension services to farmers
- Provide technical assistance to farmers
- Implement programs or project for rural development

24. In other words, ANADER acts as project executing agency for all rural development projects in Côte d'Ivoire. It will be the main collaborating institution for the implementation of the current project. ANADER has the expertise to identify suitable diversification crops or activities. It is also specialized in training farmers.

b) Centre National de Recherche Agricole (CNRA)

25. The contribution of the CNRA to the current project is the provision of improved vegetal materials and seeds. In April 1998, three major research organizations, each of which had their roots in research on export crops, were merged to form a privatized one, CNRA. CNRA has been designed to be primarily self-supporting, drawing the majority of its financing from small and large producer organizations. Its is in charge of all types of agricultural research for perennial crops (cocoa, coffee, oil palm, rubber, etc.), annual crops (rice, maize, roots and tubers, sugar cane, etc.), animal production (livestock and fisheries), forestry research, in-field production systems, and post-harvest research (food conservation and processing). CNRA consists of 13 research stations in different agro-ecological zones.

Although privatized, CNRA has a significant mandate to undertake public research. A large role has been assigned to farmers, commodity associations, and agribusiness to incorporate interests into orientation, management and priority-setting of research activities.

c) Governmental contributions to the project

26. The Government of Côte d'Ivoire fully supports the project, which is in line with its rural development plan. The ministry of Agriculture and the ministry of livestock and fisheries are giving their political and technical supports. The financial commitment is guaranteed by the ministry of Finance as a letter with this regard was sent out to Managing Director of the Common Fund.

B - Organization and governance of the OCIBU and other institutions

a) OCIBU

27. OCIBU will provide the co-ordination of project activities. OCIBU is the Government organization in charge of the co-ordination and development of the coffee industry. Since independence in 1962, the State has administered the coffee monopoly and kept many growers in this single export crop. Coffee is grown by nearly 500 000 farmers throughout the whole country on altitudes of between 1,250 and 2,000 m. Despite State attempts at lessening its influence and allowing tentative steps towards privatization, the sector has inherited and organization that is still rigid. OCIBU runs the coffee auctions in Bujumbura each week, and regulates and monitors exports.

b) UCODE

28. In Burundi two institutions (COOPEC and UCODE) manage the micro-credit project in the country and have their branches in different coffee producing areas. UCODE has been deemed more suitable for the project purposes in terms of general skills (loan administration, reporting), presence in the selected areas, and readiness to participate in the project or similar schemes.

c) INADES-Formation Burundi

29. This institution has been organizing farmers' associations since 1997 and provides training for capacity building. It has developed a highly efficient and inexpensive system for bringing farmers to the required technical level when upgrading to a different crop.

ANNEX 4 – OVERVIEW OF COFFEE ECONOMY IN THE PARTICIPATING COUNTRIES

Summary of problems and issues in Burundi and Côte d'Ivoire

1. The low coffee price situation arises from an imbalance between supply and demand. Indeed, coffee supply is in excess five consecutive years since crop year 1998/99. Total production in crop year 2002/03 is estimated at almost 119 million 60kg-bags while world consumption is only 109 million. The annual growth in consumption continued to be more modest over the last five years, contrasting with the annual growth in production. In addition, the year-on-year excess supply has contributed to build up stocks now estimated at over 40 million bags. Despite the low prices, production levels remain unchanged, largely because there are very few other viable alternatives, a situation which accentuates poverty in coffee farming community. With the emergence of Vietnam as a main supplier, prospects elsewhere in Asia and the high performance of the coffee industry in Brazil, there are indications that, other than far a setback to the current crop year 2003/04, world production will continue to stay well above world consumption if actions are not been taken to address the problem.

2. Coffee represents not only an important source of foreign exchange earnings to many countries, but it is a key source of cash income in the countryside. It enables countries to buy manufactured goods and stimulates internal economic activity through providing purchasing power to otherwise subsistence farmers. While a few developing countries have managed to decrease their dependence, for others the dependence is as high as ever. The material flows in coffee value chain consist of 7 steps including:

(1) growing and initial processing on the farm;
(2) processing up to the green bean stage;
(3) exporting;
(4) Shipping
(5) importing;
(6) roasting
(7) and retailing

3. While, in general, the first three steps of the activities that add value to green coffee beans stay in producing countries, the rest of operations, which contain the essential part of coffee value, are located in consuming countries. Therefore, coffee supply chain is buyer-driven, not producer-driven. Retailers and roasters set the rules of the game, not small farmers, who receive only a very small share of retail prices. Because the way the international coffee supply works, the link between producers and consumers is lost. Coffee is traded down a complex line of intermediaries, ranging from local traders, exporters, international trader, roasters and retailers, who each capture a percentage of the retail value of coffee. Most of the retail value of coffee is captured during the second stage of processing, which occurs outside of the producing countries. Although efforts will be made to increase producers' share in coffee value, the present diversification project will focus on capturing value along the supply chain of alternative crops. In other words, the project will assist farmers capture a higher share of retail prices of the diversified products.

4. Amongst the world's 49 poorest nations, Least Developed Countries (LDC), 39 countries, including many producers of coffee, are located in Africa. Indeed, about 33 million people in 25 African countries derive their livelihoods by growing coffee mainly on their subsistence farms. Most of the African countries continue to be dependent on coffee for their export earnings. At the same time, the share of Africa in the world coffee production and

exports has declined. The current crisis illustrates the fragility and vulnerability of these countries depending on coffee, to external shocks such as a persistent decrease in prices. Table 1 gives the evolution of the coffee production in Africa and the percentage in world production.

Table 1: TOTAL PRODUCTION OF AFRICAN PRODUCING COUNTRIES
CROP YEARS 1997/98 TO 2002/03
(000 bags)

Crop year commencing		1997	1998	1999	2000	2001	2002
ALL PRODUCING COUNTRIES		96,213	106,055	114,523	112,334	109,952	118,803
AFRICA		**14,881**	**14,429**	**19,408**	**16,002**	**15,040**	**15,677**
Angola	(A)	64	85	55	50	21	56
Benin @	(O)	0	0	0	0	0	1
Burundi	(A)	297	356	501	337	257	433
Cameroon @	(O)	889	1,114	1,370	1,113	1,200	1,100
Central African Rep. @	(O)	115	214	241	122	75	117
Congo, D.R. of	(O)	800	644	457	433	430	735
Congo, Rep. Of @	(J)	3	3	3	3	3	3
Cote d'Ivoire @	(O)	4,164	1,991	6,321	4,846	3,492	3,433
Equatorial Guinea @	(O)	2	1	0	0	0	2
Ethiopia	(O)	2,916	2,745	3,505	2,768	3,756	3,750
Gabon @	(O)	3	4	2	0	1	2
Ghana	(O)	28	45	44	38	17	45
Guinea	(O)	172	140	112	114	101	125
Kenya	(O)	882	1,173	1,502	988	992	918
Liberia	(O)	5	5	5	5	5	5
Madagascar @	(A)	623	992	427	366	147	417
Malawi	(A)	61	64	59	63	60	44
Nigeria	(O)	45	46	43	45	41	45
Rwanda	(A)	194	222	308	273	307	280
Sierra Leone	(O)	50	24	76	28	15	45
Tanzania	(J)	624	739	837	821	624	824
Togo @	(O)	222	321	263	197	116	300
Uganda	(O)	2,552	3,298	3,097	3,205	3,166	2,800
Zambia	(J)	40	56	58	90	96	114
Zimbabwe	(A)	130	147	122	97	118	83
% of Africa in World production		**15.47%**	**13.61%**	**16.95%**	**14.25%**	**13.68%**	**13.20%**
% of Cote d'Ivoire in Africa		27.98%	13.80%	32.57%	30.28%	23.22%	21.90%
% of Cote d'Ivoire in World		4.33%	1.88%	5.52%	4.31%	3.18%	2.89%
% of Burundi in Africa		2.00%	2.47%	2.58%	2.11%	1.71%	2.76%
% of Burundi in World		0.31%	0.34%	0.44%	0.30%	0.23%	0.36%

@ Member of the OAMCAF group
(A) Crop year commencing 1 April
(J) Crop year commencing 1 July
(O) Crop year commencing 1 October

5. Despite fertile soils, average yields are 250-340 kilograms per hectare, compared to 1-2 ton per hectare in most of countries in Asia and Latin America. Africa's share of the total world production has fallen considerably, down to 13.84% in 2002/03 and 2001/02 compared to an average of 22% in 1980s. For various reasons, the overall decline appears likely to continue. Inadequate infrastructures after liberalization, production costs rising above market prices, reduced funds for research and extension services, difficult access to credit for

farmers, weakness of farmer organizations, and greater competition from efficient producers such as Brazil and Vietnam are just some of the broad term trends that indicate this continuing declining production. In order to survive, coffee growers will need financial and technical assistance to improve quality, reduce costs and market their coffees efficiently. Since low prices are likely to persist, it is necessary to find alternative sources of income through diversification and various on and off farm activities. Indeed, observations of fundamental market factors make it difficult to envisage a price recovery or even the improvement of the situation for the years to come.

6. For the African farmers, coffee is a long term investment, taking 3-4 years from planting to start giving fruit, and lasting up to 40 years before becoming less productive. After being forced by colonialists to grow coffee in the early 20th century, cultivating coffee has become a traditional cash earning life style for African growers. Almost all of them have small subsistence farms. However, continuation of their traditional coffee growing methods produce yields which are considered low for modern times when compared with Asian and Latin American production. Declining prices, investment in research and application of extension services have resulted in lower qualities as well as yields, resulting in uneconomical revenues. But most farmers persist with coffee, for whatever amount of little cash it produces. The producers do not have the capital, know how or other resources such as infrastructure for access to credit and markets, to be able to readily consider growing other cash crops. Poverty continues and worsens.

7. In **Côte d'Ivoire**, Coffee growing is part and parcel of the Ivorian model of agricultural development in which annual subsistence crops are combined with perennial crops such as coffee and cocoa. Despite the diversification of agriculture, coffee and cocoa remain the means of gaining access to a reliable monetary income for more than 3 million families in rural areas, out of a total population of 16.37 million. One very common feature of the Côte d'Ivoire is, in fact, a system of farming in which coffee and cocoa are grown side by side. Coffee plantations cover an area estimated at 1.2 million hectares, of which 800,000 are in production. Plantations are generally poorly developed owing to a lack of equipment to increase efficiency. Some 80% of coffee trees have been planted in an unorganised way, at the farmer's own initiative, using plant varieties of unspecified origin and low yield. Holdings are small, generally between 0.5 and 5 hectares, occasionally rising to between 10 and 20 hectares. The GDP per capita is US$715.

8. On a social level, coffee plays an important role in the settlement of the agricultural population and in creating employment in rural areas. Coffee also ensures a wide distribution of income among smallholder families. Before the coffee industry was liberalized a State-sponsored strategy, supported by an administrative and financing structure and a marketing system, made it possible for the Côte d'Ivoire to embark on a programme of accelerated development including major region-wide projects in such areas as agro-industry, which would have provided focal points for growth with powerful secondary effects on the whole agricultural sector.

9. The liberalization of the industry, hastily carried out in 1999 at the insistence of the donors and involving, most notably, the winding up of the *Caisse de stabilisation,* led to a sharp economic downturn with an estimated 70 percent fall in the incomes of coffee growers. This situation was aggravated by falling coffee prices and a concentration on exports for the benefit of a handful of multinational corporations. Small farmers, when faced with adverse economic, financial and social conditions, are sometimes forced to sell their output to these

multinationals at low prices. Moreover, with the uncertain market conditions brought about by the liberalization of the industry, some exporters had difficulty in getting funds to finance the harvest. The factors of production that were provided on credit to producers by private buyers, with repayment at the time the product was purchased, have ceased to be available. As a result, rural poverty has become more acute. It is therefore crucial to take corrective measures to help small-scale coffee producers to strengthen their competitive position and to make an adequate living from farming activities.

10. With a population of almost 7.2 million concentrated in a small geographic area of 28,000 square kilometres, **Burundi** is, with Rwanda, one of the most crowded countries in the world. The GDP per capita is estimated to US$94.50 in 2002 and 70% of the population live below the poverty line. Poverty in rural areas, where 91% of the population live, rose from 35% in 1992 to 58% in 2002. At the same time, urban poverty doubled from 34% in 1992 to 68% in 2002. The economic collapse and the discontinuation of many public services in Burundi caused widespread suffering and severely restricted agricultural development by making access to agricultural inputs and markets difficult.

11. Burundi has substantial potential, with adequate rainfall and good soil. About 90% of the population rely on agriculture for their livelihood, and it accounts for 50% of the GDP and more than 80% of export earnings. Historically, each farmer has, on average, 1 hectare of land. Approximately 0.1 hectare is planted out to coffee and similar small discrete plots are planted out to the most suitable food crops for the given area. These plots are not normally contiguous but can be scattered over a comparatively wide area on the hillside and adjacent "swamp" where the farmer is resident. Under Belgium colonial rule mixed crops production was actively discouraged particularly in respect of coffee cultivation. Food crops have consisted of haricot beans, maize, bananas, cassava, sorghum, sweet potatoes, a variety of vegetables (carrots, onions, etc.) and a variety of fruits (paw-paw, mangoes, etc.). The order of preference of food crops varies from regional ecological differences. In all cases, maize is the staple cereal food crop and haricot the principal source of protein. Although opportunities for diversification out of coffee are limited due to rapid population growth and the shortage of arable land with sufficient rainfall, food crop will play an important role in the smallholders crop mix. Diversification to other cash crops is restricted by availability of processing or marketing infrastructure in the coffee producing zones.

12. Some of the principal problems of this landlocked country are:

- Increasing population and the necessity to increase food production to meet future needs;
- Limited available land, problems with soil erosion and degradation;
- Overwhelming dependence to coffee for the generation of foreign exchange and the livelihoods of farmers; and
- The requirement to reduce poverty of its rural and urban population.
- Poor access to rural finance

13. It appears from the analysis above that coffee producing countries and coffee growers in the project participating countries as well as a number of other producing countries are faced with the following critical problems, which need to be addressed:

a) Low coffee price crisis
b) Excess of coffee production in the market

c) Heavy dependence on coffee
d) Inefficiency of coffee industry in Africa
e) Reduction of African share in coffee trade
f) Reduction of farmers' income
g) Income insecurity in rural areas
h) Increasing level of poverty in rural community
i) Poor access to credit facilities/Weak rural financial intermediation
j) High interest rate of loans
k) Marginalization of farmers following liberalization of agricultural sector
l) Food insecurity

14. Recognizing these problems, especially the strong dependence to one or a very few commodities and the risks associated, development agencies have promoted the idea of diversification for commodity-dependent countries.

Banking sector in Côte d'Ivoire

15. With 21 institutions including 15 banks and 6 financial institutions, Côte d'Ivoire has the most developed banking sector in the West African Monetary Union (UMOA), a monetary organization of the region composed of 8 countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo), representing 38.3% of the total market share. However, the banking sector is dominated by the large institutions which constitute in fact an oligopoly. A small number of institutions including BIAO-CI, BICICI, SGBCI and SIB control nearly all the banking sector's client base. The situation has a distorting effect on customers who experience frustration and humiliation. The objective of these institutions, which are directed from abroad, is not to assist in the emergence and prosperity of economic agents in any particular sector, but it is to make maximum profits for the smallest risk. This explains the marginalization of agriculture, the micro-companies and the informal sector. In the entire UMOA Member countries less than 5% of bank loans go to agriculture with 3% for the agricultural sector in Côte d'Ivoire. These institutions concentrate their banking and financial supports on a few large companies.

Strengths and weaknesses of the banking system in Côte d'Ivoire

16. Despite the economic difficulties encountered in Côte d'Ivoire over the last two years in connection with the deterioration of the socio-political situation, the banking system has remained strong. Due to the reduction of employment in the banking sector as a result of the wait and see attitude of the majority of banks in uncertain socio-political climate, bank liquidity has seen a great improvement. According to the Central Bank, surpluses are fluctuating between 150 and 200 billion CFA (USD 291.2 and USD388.3 million). The monetary and banking supervision authorities have become stricter than in the past about observation of banking regulations, especially prudential standards. The banking commission carries out regular on-the- spot checks in banks.

17. The banking system has an oligopolistic nature with a small number of institutions linked to overseas companies accounting for the majority of banking transactions. Four banks (SGBCI, BICICI, BIAO-CI and SIB) control 80% of the banking market with the remaining 20% shared by 11 banks. These four banks controlling 80% of the market are subsidiaries of foreign banks including BNP/Paribas, Société Générale, Crédit Lyonnais, Belgolaise and Citibank NA.

18. Another weakness of the banking system in Côte d'Ivoire is the low level of banking activities. The banking business is carried out through 160 branches, a ratio of geographical coverage of about one branch for every 110,000 inhabitants, or one branch in an average-sized town. Currently there are only 370,000 cheque account holders for a working population of about 5.3 million. This means that just 7% of the population of Côte d'Ivoire has a bank account. The agricultural sector suffers from poor allocation of resources. Therefore the banking sector cannot contribute to reduce poverty. The financial system should take action to sustain growth by providing support to agriculture. A number of experiments in agricultural funding were set up by non-specialist bodies, either by governmental agencies or development corporations. These forms of credit to farmers who were linked either to the government financial involvement or to corporate bodies with no specialist organization, had also failed.

Agricultural finance in Côte d'Ivoire

19. Despite the size of the agricultural sector, its funding has been marginalized. Indeed, agriculture which employs more than two-third (2/3) of the working population and contributes 35% to GDP and 70% to export earnings gets an extremely modest contribution of the banks. The primary sector (agriculture, forestry, fisheries) receives 3% of the bank financing while the secondary sector gets 32% and the tertiary sector 65%. In practice banks restrict the range of their involvement to short term operations that present fewer risks. Operations connected with crops and livestock production represent less interest to the banks than commercial activities. Since the dismantlement of the BNDA *(Banque Nationale pour le Développement Agricole)* in October 1991, there has been no institution specializing in funding agriculture. Agricultural funding remains dependent on:

- Private commercial channels whose short term assistance is usually inadequate;
- Recourse to loans at extortionate rates to top up the short term credit;
- Foreign resources raised by the State to fund the medium and long term needs of agriculture;
- Agricultural social funds;
- Mutual savings and credit institutions;
- The Ivorian and Swiss Fund for Economic and Social Development (FISDES)